

**FINLAND'S NATIONAL ACTION PLAN
FOR EMPLOYMENT**

In accordance with the EU's Employment Guidelines

April 2002

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FOREWORD

The Finnish National Action Plan 2002 for employment has been drawn up in accordance with the Employment Guidelines of the EU's common Employment Strategy and the recommendations made to Finland by the Council. The action plan supports the aim of the Programme of Prime Minister Paavo Lipponen's second Government which is that close to 70% of the working-age population should be able to find employment.

The NAP sets national targets for employment rates that support the common EU targets for employment rates agreed on at the European Councils in Lisbon and Stockholm, and assesses measures by which these targets can be reached.

The NAP defines the national strategy for lifelong learning as required in the Employment Guidelines and measures to implement it. It includes a survey on maintenance and improvement of the quality of working life, aiming at a high rate of employment. In accordance with recommendations received by Finland, the NAP also reviews measures to increase the incentive for employment in the tax and benefit systems, to reduce gender segregation in vocational and pay issues, and to ensure the effectiveness of active employment policy. Policies and measures aimed at raising the employment rate are discussed under the four pillars specified in the Employment Guidelines.

The action plan has been prepared jointly by the government, social partners, the Association of Finnish Local and Regional Authorities and other organizations. Four Employment and Economic Development Centres (TE Centres), and employment offices under them, have participated in the preparatory work.

Helsinki, April 26, 2002

Tarja Filatov, Minister of Labour

1. CONTEXT OF THE NATIONAL EMPLOYMENT POLICY

1.1. The broader political agenda and coordination of policies

The main aim of the economic policy of Prime Minister Paavo Lipponen's second government, which came into office in 1999, is to raise the employment rate. The aim of the Government Programme is to increase the number of new jobs rapidly and for close to 70% of the working-age population to be able to find employment. Finland must provide a competitive operating environment for capital investment and business. The Government will strengthen the potential for economic growth by implementing structural reforms improving the functioning of the commodity, capital and labour markets and by reforming taxation and social benefits so as to increase employment. The Government aims to promote equality between population groups and geographical regions in the country. (For the goals of the Government Programme, see the NAP for 1999, pp. 1-2.)

The main target of the NAP for 2002 is to support efforts to achieve the employment target set in the Government programme. This requires not only favourable international economic development but also employment-enhancing solutions in economic, fiscal and labour market policy. Specifically, the employment potential generated by economic growth can be enhanced through targeted tax relief that boosts labour demand in low-productivity areas and in income groups where the threshold for entering employment is high.

The primary aim of employment policy is *to ensure the functioning of the labour market and the availability of labour*. Labour demand mainly focuses on skilled labour. Because of this, training, improvement of professional skills and keeping job-seekers active are to be given priority in broad-based national, regional and local cooperation also in recession period. Promoting the professional and regional mobility of the labour force improves employment and helps the labour market to function better. Measures will be targeted so as to ensure a sufficient volume of skilled and trained labour on the labour market once the recession is over.

Raising the employment rate demands *securing the smooth functioning of the labour market in the medium and long term*. Retirement of the baby-boom generation will create a new labour market situation, to meet which labour reserves must be activated, incentives provided to avoid early retirement and preparations made for increasing immigration of foreign labour. Key measures in this respect are steps to improve the skill level of the labour force, and to promote work ability and develop the learning organization. Proper preparation for the increasing need for immigration of foreign labour demands specifically the development of better models, clarification of the status of immigrants, the promotion of good ethnic relations and the prevention of discrimination and racism.

Long-term unemployment has decreased more rapidly than unemployment overall, but the unemployment structure has become more problematic. Active labour market policy and training policy are being developed so as *to combat youth unemployment, and prevent long-term unemployment*. The aim is to respond to the increasing demand for skilled labour and structural change by improving the skill level of the labour force in accordance with the principle of lifelong learning. For young people, the crucial point is the transition from comprehensive school to further education, and from training to working life. Dismantling structural unemployment requires reforms to ensure not only labour supply but sufficient demand, particularly with regard to disadvantaged groups.

Immigrants and the disabled are groups exposed to *exclusion from the labour market*. Ageing people also have a below-average labour market status. Decreasing the structural employment caused by the years of recession is essential if we are to raise the employment rate. Employing groups threatened by exclusion requires individually tailored training, prevention of exclusion in society and in working life, and development of pluralist workplace communities.

The number of startup companies has been increasing in Finland since the late 1990s. The company startup rate in Finland has reached an average of 11-12% of the entire volume of companies, which is over the EU average. In order to increase the employment rate, it is vital to continue work to raise the company startup rate and to promote growth and improved competitiveness of existing companies. One crucial factor is to ensure a *competitive operating environment* which offers companies a good setting for starting and developing their business operations. Measures to achieve these aims are the cornerstone of the Government entrepreneurship project. The entrepreneurship policy measures of the project will focus on the points of a company's life cycle that are critical for its success. These are: understanding how the market works, entrepreneurship as an attractive career, becoming an entrepreneur, the critical first years of a company, and company growth.

As employment has improved, *regional concentration* has intensified, and *differences between regions* have increased. It is important for the national economy and a functioning labour market that regions can develop in a balanced way. Labour supply problems are worst in regions where the labour force is ageing and decreasing fastest. The Government is enhancing its regional policy measures in order to develop the expertise of regions based on their respective strengths, and to improve the operating potential and competitiveness of companies. Local cooperation between authorities, trade and industry, organizations and educational institutions can achieve significant improvements in employment.

The Government and labour market organizations are engaging in long-term cooperation *to develop work organization and to improve the quality of working life*, in preparing labour legislation and implementing workplace community development.

The employment rate among women is high in Finland, but *segregation between professions and sectors* remains pronounced, and the higher level of training and education among women has not substantially changed this. The distribution of work and differences in pay between genders in the labour market are still being analysed. The Government and the labour market organizations are pursuing measures to reduce gender segregation and promote equal pay for equal work between men and women.

All aspects of the NAP will take into account the mainstreaming of equal opportunities policy and the development of the labour force and working life in accordance with the needs of the information society.

Monitoring implementation of the EU Employment Strategy requires the Commission to continue to develop common indicators in all four pillars of the Guidelines in cooperation with the Member States and labour market organizations. Finland considers the development of common indicators a major challenge in the Employment Strategy. It is also important to continue to evaluate the Employment Strategy through research.

The NAP measures will be carried out within the State Budget and the financial frameworks approved on March 14, 2002.

Regional dimension of the NAP

There are considerable differences in employment within and between regions in Finland (see section 1.2. and 4.2.2.). Four TE Centres and the employment offices under them have been involved in compiling the NAP, and it has also been discussed with the employment departments of all the TE Centres. The aim is to increase the participation of regional and local actors in the preparation and implementation of the NAP. The regionalization of the NAP will be linked to existing planning systems as an added-value component.

The NAP defines the strategic focal points. The Employment and Economic Development Centres (TE Centres) participate in the preparation of the NAP. The ministries that supervise these centres (the Ministry of Trade and Industry, the Ministry of Labour, and the Ministry of Agriculture and Forestry) incorporate the regional targets in the instructions for management by results given to the centres. Other ministries incorporate their targets in their own procedures for management by results.

The TE Centres prepare their result proposals in cooperation with other actors in the region, (the Regional Council, educational and research institutions, etc.) and the social partners. The Centres also engage in strategic discussions with employment offices in the region. The employment offices, in turn, engage in dialogue with their local partners (local authorities, educational institutions, labour market organizations). The advisory committee of the Centre then discusses the draft result proposal and it will be submitted to the Regional Council for comment. The end result is a tripartite proposal incorporating regionalized guidelines and goals and taking into account special regional features, a proposal which local actors have been able to influence.

Targets and resources for the coming year are agreed on in result talks between the TE Centres and their supervising ministries. Similarly, the Centres and their subordinate employment offices agree on targets and resources for the coming year. Other ministries agree on targets and resources with their local and regional actors in accordance with their procedures for management by results. The Centres and the employment offices draw up a separate action plan, if necessary, in cooperation with other local and regional actors based on the result agreement.

1.2. Development of economy and employment

Economic development

Overall production grew by less than 1% last year. The economic fundamentals are sound, however, and since the gloomiest predictions on the international economy made last autumn do not seem to have come true, economic growth is expected to reach 1.5% this year. Domestic demand, particularly consumption fuelled by higher purchasing power, seems to be the main driving force behind the economy. Exports are expected to pick up towards the end of the year, led by the electronics industry, and forest industry exports should also increase in the autumn. New jobs will only be created in public services; in industry, the number will remain more or less unchanged, and will decrease in other sectors. The financial surplus of the public sector will decrease to slightly over 3% of GDP as a result of the reduction in the government economy surplus. Compared with the EU average, however, the state of the public finances is rather good.

Domestic inflationary pressure is low. Unless external factors cause significant new pressures towards higher costs or prices, the consumer index increase this year will only average 1.5%, close to the average for the euro region. The price competitiveness of industry will probably remain at its current level, i.e. well above the long-term average.

Development of employment

Employment has picked up quickly since the recession. Between 1994 and 2001, the number of jobs increased by a total of 319,000, or 1.7% a year on average. The average employment rate also increased rapidly, from 59% to 67.7%.

Because of the international economic downturn, there looks likely to be a delay in attaining the Government's goal of bringing the employment rate close to 70%. As production growth declined in summer 2001, the rapid growth of employment faltered. However, this decline has had a lesser and slower effect than previous downturns on employment and unemployment. Companies have geared up for future labour demand by avoiding extensive terminations and layoffs. Strong demand in the domestic market has also sustained employment. Reforms in tax policy and the State grant system to municipalities have been timed so as to stimulate the economy.

Unemployment continued to decrease in 2001, reaching a level of 9.1%, or about 42% less than it was in 1994 (16.6%). The long-term unemployment rate was 2.2% in 2001, or only half what it was in 1997. The unemployment and long-term unemployment rates for women in 2001 were 9.7% and 2.0%, respectively (Appendix Table 2.). In addition to the long-term unemployed, the body of unemployed people includes a large number of people constantly employed in temporary jobs or involved in labour market policy measures. Nearly two thirds of all of the unemployed are people who have difficulties in finding employment on the open labour market.

The Finnish labour market is characterized by great regional differences. In the late 1990s, 80% of the net increase in employment was concentrated in five growth regions. In the hardest unemployment areas, employment did not increase even during the economic upswing in the late 1990s. The unemployment rate in the most seriously affected regions of northern and eastern Finland is more than three times higher than in the best regions (Appendix Table 3). There are also great differences within regions.

Economic trends are in a transition phase, and return to an upward trend is slow and uncertain. Despite positive signs, unemployment risk factors remain strong. If these risks are realized, unemployment will stabilize at a high level and the share of long-term unemployment will grow. Employment is expected to decrease in 2002, and a slight rise in unemployment is predicted, with the unemployment rate reaching about 9.5% in 2002 and 2003.

2. HORIZONTAL OBJECTIVES

2.1. National targets for the employment rate

The following common EU targets for raising employment rates were set at the European Councils in Lisbon and Stockholm:

- overall employment rate to 67% by January 2005 and to 70% by 2010;
- employment rate for women to 57% by January 2005 and to 60% by 2010;
- employment rate for older people (55-64) to 50% by 2010.

The labour market will change significantly in coming years as the baby-boom generation born after the Second World War retires. Safeguarding labour availability will then become a priority. The employment rate trend has been assessed using two formulas:

1. The baseline curve assumes that the downward trend early in the new millennium will not be long-lived. The growth rate in 2001-2005 is expected to average 2.5%, bringing the employment rate to about 68% and the unemployment rate to about 8% in 2005. The baseline curve is the most probable one. Following this scenario, the employment rate would be about 68% in 2010, too.

2. The target curve involves the employment rate rising to at least 69% by the middle of the decade. This will be possible if economic development proves to be significantly better than in the baseline curve, due to external factors. Economic growth of slightly over 3% would enable full employment in the latter half of the decade, with the unemployment rate dropping below 5%.

The average employment rate for people aged 15 to 64 in 2001 was 67.7% (70.0% for men and 65.4% for women). The employment rate targets for 2005 set by the European Council in Stockholm can be achieved under the basic scenario in the Employment Strategy.

Between 2005 and 2010, the change in the age structure of the working-age population will make it difficult to increase the employment rate any further. After the middle of the decade, the population will only grow in age groups above 55. By 2010, the number of people aged between 55 and 64 will grow by about 200,000 from its present level, while the number of people aged under 55 will decrease by about the same amount. This shift alone would result in a fall of about 75,000 in the number of employed by 2010, assuming that present age-group employment rates do not change. This would represent a reduction of 3 percentage points in the present employment rate. Thus, achieving an employment rate of 70% in 2010 will require an increase of no fewer than 100,000 people, or 4.3%, in the present labour force (Appendix Table 4).

In view of the age structure of the working-age population, exceeding the EU's common 70% target for the employment rate set at the European Council in Lisbon seems possible but challenging. In order to raise the employment rate above 70%, more people should stay on at work longer than at present.

Early retirement is the greatest challenge in raising the employment rate. Achieving the target employment rate of 70% requires the average retirement age to rise by about two years, to 61 (see section 3.1.), by 2010. Over the past four years, the average age of retirees has increased, and the employment rate for people aged 55 to 64 has increased by about 10 percentage points. It is possible to further increase the employment rate among ageing people, assuming that measures supporting and providing incentives for continued employment are continued and economic growth remains favourable. The quality of working life, lifelong learning, supporting wellbeing at work and promoting new attitudes among employers have a significant effect on how many ageing people remain at work. All this requires extensive cooperation between the authorities, the social partners and other actors.

The next few years will be crucial for raising the employment rate, since the baby-boom generation born after the Second World War will reach the general retirement age of 65 between 2010 and 2015. It is essential to raise the average retirement age before this generation begins to take early retirement.

Achieving the employment rate targets also requires extensive activation of the labour force reserves. According to a labour force survey, there were in 2001 about 130,000 people (just under 4% of the working-age population) who wanted to work but were *outside the labour force*. If we include the *unemployed* in this figure, we find that the labour force reserve represents over 10% of

the working-age population. A major proportion of those who are unemployed or outside the labour force have impediments to employment or incentive problems. Extensive employment of the labour force reserves requires training, rehabilitation and activation measures affecting the labour supply, and measures influencing the demand for low-productivity labour (see section 4.1.3.).

The aim of the Government and the social partners is to bring the employment rate above 70% by 2010. The employment rate targets in 2010 for women and for people aged between 55 and 64 are 68% and 55%, respectively. Extensive employment of the reserve requires implementation of above-mentioned measures. The employment rate remaining lower than estimated would cause disruptions in the functioning of the labour market and problems with labour availability, and it would also affect the overall tax rate.

Table 1. Employment rate in 2001 and targets for employment rates in 2005 and 2010, %

Age group	2001	2005	2010
15-64	68	69	>70
15-64, men	70	71	72
15-64, women	65	67	68
55-64	46	53	55

2.2. Quality at work

Basis for targets concerning the quality of working life

Globalization of the economy brings new opportunities for trade and industry but also demands structural adaptation from industrialized countries. At the same time, work and production are becoming more information-intensive. As a result, investments are channelled into regions and sectors that have the expertise and potential to use them. The increasing mobility of production factors increases these trends. In a small national economy such as Finland, competitive advantages can be created through high-quality expertise and development of the innovation system. These targets can be supported by improving the functioning and quality of workplace organizations.

Work that is feasible and of high quality is an incentive to enter employment and promotes the continued employment and well-being of employees. Job management and job satisfaction also contribute to the ability and will for innovation, which in turn increases productivity, competitiveness and ultimately economic growth. Work quality is thus directly linked to the target for the employment rate and the functioning of the labour market.

The operating environment in industry in Finland changed rapidly in the 1990s. Science and technology policy evaluations have observed that traditional industry has not made nearly as much use of the potential of new technology as it could have. This is particularly true of business concepts, management systems and innovation-supporting work organization and production systems.

In order to avoid the labour shortages that will otherwise be caused by the changing age structure, it is essential to raise the percentage of employed people in the population and the number of people with the opportunity to gain employment. This means that the labour force will in future include an increasing number of foreigners, disabled people and other members of special groups, and ageing

workers will stay on at work for longer than they do now. Internationalization, pluralization and the ageing of the labour force all bring new challenges for work organization.

Study of the working capacity of ageing people should be expanded to include not only physical performance but also expertise. In this context, expertise is understood to mean the contribution that an employee can make to his own job and to the development of his workplace community as a whole. The deterioration in physical performance by ageing people would thus be balanced by their expertise and experience.

Recent developments in working life in Finland

Several indicators measuring the quality of working life show that working life in Finland has improved since the deep recession in the late 1990s. The labour market status and basic job security of employees has significantly improved with economic growth. Workplace development has been active, and focused not only on traditional maintenance of work ability but also on new working arrangements. Demands have increased, generating greater mental pressure at work. At the same time, however, employees have gained more influence and responsibility. As a result, traditional workplace practices are crumbling. Examples of this include working hours, forms of employment relationship, pay practices, management models and work organization. In autumn 2001, the near-future expectations of employees deteriorated considerably, but nonetheless several indicators measuring the quality of working life showed an improvement, albeit slightly slower than earlier.

Nevertheless, there is a fair amount of doubt as to how working life is developing at the moment. Every year since 1993, changes in working life have been without exception considered more favourably than the previous year. Parameters for assessing this development included work feasibility, equality, potential for influence, potential for self-improvement and management practices. In 2001, however, the development assessment was more negative than the previous year in all areas.

Full-time employment has always been the default in Finland. In the past decade, however, the number of people in part-time employment began to grow. In 2001, about 17% of all employed women and 8% of all employed men were in part-time jobs. 17% of all employees were in fixed-term jobs, which are more common among women (20%) than among men (13%). Young women, in particular, frequently held fixed-term employment relationships. In 2000, the figures for employees aged 25 to 29 in fixed-term employment relationships were 19% for men and 37% for women. The corresponding figures for employees aged 30 to 34 were 11% for men and 23% for women. In these age groups, the unemployment rate is about 3 percentage points higher for women than for men. Fixed-term relationships began to increase after the mid-1990s, but this growth has since stopped.

Participation in adult education related to work or occupation has clearly increased. In 2000, 51% of the labour force participated in such training; the figure for 1995 was 43%. Most vocational adult education is personnel training subsidized by the employer. One third of all adult education was organized in the workplace (see section 2.3.). The main reasons for not participating in training were being busy on the job, not having a substitute, or shortcomings in the work organization.

According to the working life barometer for 2001, temporary or part-time employment is the most common cause for discrimination: 14% of all employees reported having experienced discrimination because of being temporarily employed. Such discrimination may involve fixed-term employees not being allowed to participate in personnel training or not being granted workplace-specific raises. By contrast, gender discrimination has decreased. Women in particular have noted

discrimination caused by age and by being in a temporary job, whereas men have reported less such discrimination.

The working life barometer shows that the number of people fearing job termination has remained low despite the slow economic growth. There is greater confidence than before in finding a new job after termination. Even ageing people became far more confident of finding new employment during 2001: 37% of people over 54 believe that they could find new employment. Despite this optimism regarding finding a new job, employees were much more pessimistic about changes in the economy and employment in 2001 than before. One year earlier, about 40% of all employees estimated that employment would improve in the coming year, and only 10% estimated that it would decline. In 2001 the situation was almost reversed, and there were almost as many who believed in a decline as there were those who believed in an improvement a year earlier. Employees retained a vivid memory of the recession in the 1990s and feared a recurrence, which is why job permanence is valued more than before.

The tempo and pressure of work continued to increase, albeit at a slower rate than the year before. However, the work ability of employed employees was quite good, although fatigue-related problems increased over the previous three years. 87% of men and 84% of women considered their physical work ability to be very good or quite good, and 87% of men and 87% of women considered their mental work ability very good or quite good. Over 90% of all employees considered that they could continue in their job for at least two years to come, although there were clear differences here between occupations.

The number of occupational illnesses has decreased in recent years. In 2000, about 5,000 cases of actual or suspected occupational illness were reported; the corresponding figure for 1996 was almost 6,000. The figure for 2000 consists of over 3,100 cases involving men and over 1,800 cases involving women. The greatest risk of occupational illness was in the food industry. The greatest number of occupational illnesses by age group was among those aged 50 to 54.

Workplace development continues at a lively rate. Maintenance of work ability involves occupational safety, improvement of working capability and professional development. The rate of increase in employees' potential for influence has declined slightly. Fewer organizational changes have been implemented than earlier, and instead of dividing units, the trend is now towards combining them. Result-based pay determined by the quality and results of work has become more common.

The barometer showed that in August and September 2001, 48% of all employees worked overtime (52% in 2000).

Improving work productivity and increasing labour market dynamics

Working life and working conditions are being further improved by combining flexibility with job security. The aim is to keep ageing people at work longer than before, to provide young people with working conditions that support employment and encourage them to stay at work, and to have working life and organizations respond to the pluralization of society and working life caused by ethnic groups and other special groups.

The Government has, in tripartite cooperation, promoted working life programmes, improved the labour legislation and supported lifelong learning through labour market measures, training measures and economic and industrial policy. The core legislation affecting working life has been revised. The new Working Hours Act (605/1996) effective from the beginning of 1996 enables a

variety of working hour and flexi-time arrangements in collective bargaining agreements. Work sharing has also been promoted through the Act on the Job Alternation Leave Experiment (see section 4.3.1.).

The aim of *the Well-Being at Work Programme (2000-2003)* is to promote and maintain work ability and welfare at workplaces. The programme also covers farmers and self-employed entrepreneurs as well as wage-earners. The programme supports distribution of information and best practices, application of research and the conducting of new research, practical development projects and monitoring of legislative developments. It has promoted the introduction of personnel accounts by funding a study on human resources monitoring, and has conducted studies on the effectiveness of best practices and flexible working hours, and a survey of work load indicators. Workplace-specific projects have been granted subsidies for extensive development focusing on the workplace community, day-to-day management, lifelong learning practices, and working hours and work arrangements. Many such projects are geared towards retaining ageing employees. The Well-Being at Work Programme has an annual budget of about EUR 2.6 million.

The financial resources of *the Finnish National Workplace Development Programme* have increased since 2000, enabling the number of projects subsidized by the programme to be raised to 400, with a total of about 70,000 people involved. Stage II of the programme (2000-2003) is currently under way. Its challenges include the rapid structural change in working life, early retirement, coping at work, job satisfaction and labour availability problems due to the changing age structure. The development projects are distributed as follows: industry and construction 45%, private services 20%, municipal sector 30% and others 5%. Another aim is to support an active technology policy through workplace development programmes. A Peer Review related to the European Employment Strategy has been implemented under the programme. The programme has been allocated about EUR 7.7 million in the State Budget in recent years.

The long-term aims of *the National Productivity Programme* include using research to increase workplace community functioning, boost productivity at companies and other organizations, improve international competitiveness and thus promote employment and earnings. Stage III of the programme (2000-2003) is under way. To attain its goals, the programme supports practical research aimed at altering work and procedures so as to achieve changes that will promote personnel welfare and productivity. Stage III focuses on using the expertise of personnel at various stages of their careers by developing work organizations, popularizing methods that further the productivity of industrial and service SMEs, and distributing information that boosts productivity. The programme has an annual appropriation of EUR 673,000 in the State Budget.

The National Programme on Ageing Workers (1998-2002) aims to improve the employment situation of employees over the age of 45 and to reduce the incidence of early retirement. Towards its end, the programme has focused on local training and communications. Training has been used to develop employment office personnel capacity in offering ageing people solutions that help them to find work. The programme has subsidized the Good Age campaign and a study on age management. The programme has had a total budget of slightly over EUR 4 million for its five-year duration.

One focus of *ESF programmes (2000-2006)* is working life development. These programmes subsidize workplace development, personnel expertise and work ability development and maintenance, entrepreneurship and the application of research results and technologies. Measures geared towards the transition to the information society are emphasized. The Objective 3 programme has allocated about EUR 51 million annually to support personnel expertise and work ability.

Evaluation of the workplace programmes will be completed during 2002. Development of the quality of working life through programmes will be strengthened, collated and aimed more specifically towards improvements in the national innovation system and human resources. At the same time, projects in the programmes will be collected into regional and sector-specific modules more extensively than at present, based on network interaction. The overall aim over the next five-year period is to significantly boost sustainable productivity developments based on improvements in the quality of working life and concomitant marked improvements in employment.

2.3. The strategy of lifelong learning

The aim of the strategy of lifelong learning in Finland is to ensure that all citizens possess the skills and knowledge necessary to function at work and in society at large, and also to enable them to expand their knowledge even further. People entering the labour market should possess a basic education of at least upper secondary school or secondary vocational training, and a considerable number should also have a polytechnic or academic degree. Everyone should possess the skill to learn new things. People already in the labour market who do not have an adequate educational background should be given opportunities to improve it. The aim is to ensure that the entire adult population has plenty of opportunities to learn new things to suite each person's needs and situation.

The average educational level in Finland has risen rapidly since the 1970s. The most educated age group is the 20 to 35, of whom about 17% did not have a post-comprehensive education in 2000. In the older age groups, this percentage is much higher: 36% of those aged 45 to 54 and 56% of those aged 55 to 64 have no post-comprehensive education. The average educational level of women of working age is higher than that of men.

Participation rates in adult education are high in Finland compared with EU and OECD averages. In 2000, 55% of Finns aged 25 to 64 took part in some form of adult education. The median of training period duration is 8 days. Women are generally more active here than men. People's basic educational level is strongly linked with their tendency to take adult education. About 80% of people with an academic degree participated in adult education, 60% of those with upper secondary school or secondary vocational school qualifications and 36% of those without post-comprehensive education. More than two in three employed people took adult education, while only one in three unemployed people did so. Of personnel working in companies employing under 50 people, 41% participated in work-related or occupational education; for personnel working in companies employing over 500 people, the figure was 68%.

Structural changes in the labour market and working life have led to an increase in the skills demands placed on the labour force. These changes present new challenges for vocational training and lifelong learning for both adults and young people. Some of the main changes are:

- Labour supply declines as its age structure changes. In the middle of the current decade, the generation leaving the labour market will become larger than the generation entering the labour market. By the end of the decade, the imbalance will be slightly over 15,000 people annually.
- Demand for skilled and expert labour will increase as the structure of trade and industry changes. Information-intensive sectors and health care will experience strong employment growth. Labour demand will decline in construction and industry, but because of labour depletion there will be a great need for new skilled labour.

- Hierarchical structures in working life will be replaced by cooperation networks, and work organizations will become more streamlined. This will have the effect of increasingly delegating responsibility to the level where the work is carried out.
- Computer technology will be used in an increasing number of jobs.

In the Government Programme of Paavo Lipponen's second Government, the future of the nation is considered to be firmly linked with skills and know-how, the ability to use these skills and the power to create innovations. The Government's documents offer several tangible approaches to increasing the educational level and capacity of the adult population (see NAP 2001, p. 3). In order to achieve these targets, the Government appointed a Parliamentary adult education and training committee, which has drawn up assessments of and proposals for the policies, measures and resources of a national adult education policy based on the principle of lifelong learning for 2002-2010. The committee members represented the political parties. Representatives of the education administration, the labour administration, the Association of Finnish Local and Regional Authorities, social partners and major education providers also participated in the work.

In its report, the Parliamentary adult education and training committee observes that the skills requirements and mobility of working life require at least a secondary-level education. In order to maintain and renew professional skills, the entire working-age population must in future have the opportunity for thorough retraining every 10 to 15 years, plus a short training period annually. The committee also proposes a separate action programme for those who have received only a minimal basic education. The aim of the action programme is to prevent exclusion of the low-skilled adult population and to safeguard the availability of skilled labour as the labour force decreases. The programme also aims to raise the average retirement age.

Other proposals of the Parliamentary adult education and training committee relevant for the Employment Guidelines are as follows: supporting adult study capacity through a special training period; improving teacher competence in teaching challenging target groups; and developing guidance services and online teaching. It is further proposed that opportunities for the unemployed to enter voluntary training should be improved and the volume of apprenticeship training should be increased. Furthermore, the proposal of the Parliamentary adult education and training committee for a national adult education strategy for 2002-2010 contains several important goals and proposals aimed at improving and refreshing competence. These proposals require further preparation, which has already been started in cooperation between ministries, social partners and other parties with regard to the proposals that are considered the most urgent.

Lifelong learning in active labour market policy has been assessed on the basis of needs arising from changes in the population's age structure, the structure of trade and industry, the occupation structure and working life. Sufficient and timely professional competence is a central factor in boosting employment. Lifelong learning can affect the functioning of the labour market, the availability of skilled labour and the alleviation of unemployment. Measures are aimed at preventing protracted unemployment, alleviating structural unemployment and reducing early retirement — all of which increasingly have a lack of professional skills as their underlying reason. The principles of employment related lifelong learning include the following:

- To reinforce the link between adult education and working life to prevent recruiting problems, safeguard the availability of labour and generate competence that supports regional development. This requires increased cooperation with companies, better employer services and individual client services.
- To provide the unemployed with more opportunities for longer-term vocational education leading to a degree. To provide adult education to complement lack of vocational basic

training or training not suited to the labour demand. To improve the professional competence of the groups most difficult to employ through on-the-job training, with sufficient guidance.

- To strengthen the competence of employees so as to ensure their continued employment and prevent labour supply problems. During an economic downturn, training can be used to avoid layoffs and terminations and to reinforce growth potential by creating new expertise. A broader range of training opportunities also requires an efficient guidance and counselling system for employed employees.
- To efficiently anticipate needs for labour and skills in order to be ready to respond to future labour and skills demands.
- To clarify and coordinate the adult education system so that its components form an entity that improves regional development and labour market functionality and encourages individuals to enter training.

2.4. Cooperation with social partners

One of the principles of the Government Programme of Prime Minister Lipponen's second Government is to strengthen cooperation and trust between the Government and the social partners. Extensive comprehensive incomes agreements have been concluded in recent years to support continuing positive developments in the economy and employment by strengthening the stability and predictability of the economy. Agreements have also been used to curb inflation, to improve stable development of purchasing power and maintain competitiveness, and to ensure solidarity in pay policy and equal opportunities through harmonization of pay and tax frameworks. These also involve measures contributing to workplace development and lifelong learning. The most recent agreement covers the period 2001-2002. The central labour market organizations agree on future collective bargaining agreements for employees and civil servants; pay rises and other provisions of the agreements are laid down in sector-specific agreements. Workplace development measures to be implemented through mutual agreements or reports between organizations or to be supported by central government are also agreed on. This mechanism has produced lower taxes, improvements in social welfare, larger vocational training appropriations and several labour legislation amendments and projects aimed at the harmonization of work and family life.

The implementation of labour market policy is monitored by the Incomes Policy Commission, a joint body of the labour market organization, the Federation of Finnish Enterprises, the Central Union of Agricultural Producers and the Ministry of Finance. The Commission plays an essential role in forming a shared economic policy and in monitoring the economic situation, competitiveness, and price and wage trends in Finland and elsewhere in the euro zone. Reports on these provide background material for labour market negotiations and are approved by all parties.

In Finland, proposals for the main strategies of labour and social welfare legislation, and employment and labour policy programmes and decisions are prepared in accordance with the ILO tripartite principle in committees and working groups that include representatives of the employees' and employers' organizations in the public and private sectors. The aim is to find alternatives that all parties can accept.

The cooperation organizations related to employment and workplace development were changed at the end of 2001 in order to create more efficient fora for collaboration. In the new Council for Labour Affairs, the top management of ministries, labour market organizations and other essential organizations discuss core strategies and challenges in employment policy. On the Advisory Board on Employment Policy, these parties and local authority representatives discuss employment policy outlines, major decisions and development projects. The NAP for employment for 2002 was considered by the Advisory Board and prepared by a sub-division set up by the Advisory Board.

Policy and legislation are prepared or discussed by several consultative tripartite bodies covered by the Ministry of Labour, the Ministry of Education and the Ministry of Social Affairs and Health. There are also numerous tripartite bodies on the local and regional levels which discuss issues related to employment, training and social security. There are many further unofficial cooperation bodies.

The ESF programmes for the period 2000-2006 have been prepared in broad cooperation between various sectors of government and the labour market organizations. Representatives of various spheres of government, labour market organizations, trade and industry, regions and the Office of the Ombudsman for minorities are members of the monitoring committees that guide the programme work.

3. RECOMMENDATIONS

3.1 Incentive to work in the tax and benefit schemes

Council Recommendation 1: Finland should therefore continue to review tax and benefit schemes with a view to encouraging participation in the labour market and ensuring the availability of labour; in particular, strengthen efforts to reduce high marginal effective tax rates especially on low wage earners and to improve incentives in benefit schemes, especially pensions, for people to take up work and to stay in the labour force.

It is the aim of the Government to improve the employment rate and to increase the average age for leaving the labour market by 2-3 years by emphasizing the importance of work and the economic incentive for accepting work, and by encouraging employers to keep ageing workers and also hire ageing workers. Reducing the tax burden on labour and changing pension systems so as to encourage employment will contribute to raising the employment rate. A high employment rate will in turn make it possible to reduce taxes to a feasible level.

Taxation of work

Reducing the tax burden on labour has featured in the incomes and economic policy settlements for 1996-1997, 1998-1999 and 2001-2002. The incentive to take low-paid work has been taken into account; the tax reductions have been implemented by raising the work-related deduction right in municipal taxation, raising the minimum limit for taxable income in State taxation and lowering the marginal tax rates in State taxation. In 2002, the tax rate for earned income is thought to be 4 percentage points lower than in 1999 on a low or medium annual income. At the same time, the 'tax wedge', i.e. the percentage of labour costs made up by income tax and employer/employee social security contributions, will have dropped by 4.5 percentage points, to about 46%.

It is the aim of the Government to reduce the tax burden on labour by EUR 1,680–1,849 million during the 1999-2003 electoral period. In 2002, the tax burden on labour will be reduced by a total EUR 962 million by means of the following important measures:

- During the year *taxation of earned income* will be reduced by over EUR 746 million, of which about EUR 582 million will be taken from the tax burden on labour. The reduction will be achieved by lowering the State income tax scale (marginal tax rates) and by raising the work-related deduction right and the minimum limit for taxable income in State taxation.

- The *pension and unemployment insurance contributions* of both employees and employers will be lowered, by 0.1 percentage points for small companies and 0.35 percentage points for large companies. The national pension contribution will be reduced by 0.65 percentage points for employers in labour-intensive fields, and by 0.45 percentage points for other private-sector employers.

The tax cut targets of the Government programme have already been exceeded. Tax cuts totalling EUR 2.83 billion have been enacted between 2000 and 2002, of which EUR 2.39 billion apply to the tax burden on labour. The tax cuts amount to 1.75% of the predicted GDP for 2002.

Pensions and unemployment security

As the population ages, reforms which raise the average retirement age in the long term are needed in order to improve the employment rate. The general retirement age in Finland is 65 in most cases, but in fact people retire at an average age of 59. The average retirement age has been going up recently, but slowly. It is the Government's aim to develop employment pensions and unemployment security so that they provide an incentive to stay at work and support working capacity and employment potential.

In November 2001, the social partners signed an agreement in principle on development of employment pensions in the private sector. The aim of this agreement is to change the employment pension system so as to raise the average retirement age by 2-3 years in the long term and generally adapt the pension system to raising life expectancy. The actions used to achieve this aim will include reduced early retirement options, better incentives to stay at work and general simplification of the pension system. Further measures will start by evaluating the impact of these changes on the pension security of men and women separately and making sure there are no 'gaps' in the system. The labour market organizations have also agreed on targets for supporting ageing workers in staying on at work and ensuring the stability of their employment relationships. Most of the proposals are to become effective as of the beginning of 2005. The main points of the agreement between the labour market organizations are:

- A *flexible system for retirement* would be introduced, making it possible to retire between the age of 62 and 68, according to preference. Employees would be free to choose between continuing to work and accruing more pension, or retiring immediately on the pension accrued so far. Incentive increments of 4.5% will be introduced to encourage employees to retire later. If an employee postponed retirement beyond the age of 68, he would receive a 4.8% increment in his pension for each year. This reform is expected to encourage employees to continue working for at least two to three years more than at present.
- *Individual early retirement pensions* would be replaced and instead, the occupational disability of people over 60 would gain emphasis in assessment of their right to disability pension in cases where they have had a long working career and continued work would be unreasonable.
- For employees born in 1947 and later, it is proposed that the conditions for a *part-time pension* should be changed so as to raise the age limit from 56 to 58. During a part-time pension, the accrual of an employee's old age pension would be half that of the accrual for the part-time pension.
- *The unemployment pension* would be gradually phased out, and the income of unemployed people born after 1949 would be ensured through unemployment security.
- In connection with the pension reform, earnings-related *unemployment security* would be raised for a period of 130 days by adding severance pay to the unemployment benefit for employees who have an employment history of over 20 years. The adult education

supplement to severance pay would be abolished, while support for labour market training and the daily training allowance for the unemployed would be raised.

In a reasonable economic climate, it is predicted that the changes proposed in the social partners' agreement would raise employment in the 55-67 age group by about 40,000 people in the long term.

3.2 Gender segregation on the labour market

Council Recommendation 2: *Finland should therefore take appropriate action, in the context of a gender mainstreaming approach, to close the gender pay gap and continue taking action to improve the balance in representation between men and women across both occupations and sectors.*

Gender pay differences have remained unchanged in the last few years. Women's average earnings for regular work are only about 82% of the similar figure for men. A study made in 2001 found that about half of the gender pay gap is explained by the fact that women work in sectors and occupations with lower pay than men. The study standardized factors influencing pay difference, such as training, sector and job description. Age, training, children and family did not adequately explain women's lower pay. The biggest relative gender pay gap was found among highly educated older women performing demanding work and their male counterparts, especially in the private sector.

The comprehensive incomes settlement signed at the end of 2000 incorporated a general pay rise and also an equality item intended to increase pay for women and low-paid employees. The size of this item was determined by the percentage of women and low-paid employees in each specific field. Payment of the equality item began in February 2001. In addition, pay systems based on the demands of work and performance-related pay became more widespread in the 1990s.

In 2002, the following measures will be introduced:

- *Introduction of a pay system based on the demands of work will be expanded in the local administration and central government sectors.*
- *A study will be started in cooperation with the labour market organizations on the functioning of pay systems based on assessment of the demands of work and how they affect the gender pay gap, and also on ways to develop pay systems so as to improve gender equality.*
- *Trends in gender pay differences will be studied regularly.*

The gender segregation of the labour market and specifically certain occupations and sectors is a slowly changing phenomenon. Statistical data showed no notable changes during the year (see NAP 2001, p 25). The building industry and transportation are very male-dominated. Manufacturing has also become increasingly male-dominated, partly due to the fact that female-dominated clothing and textile companies have moved their production abroad. The social welfare and health services are very female-dominated, as are hotels and catering services, although an increasing number of young men are now entering this sector. In Finland, the main female-dominated sectors demand skills and high qualifications. Educational sectors are gender segregated in the same way as the occupations and the labour market.

Efforts have been made to alleviate the segregation of educational sectors by awarding applicants extra points in the application process for vocational education in cases where the applicant is applying for a training programme where less than 30% of applicants have the same gender as the

applicant. The development of gender structures in different sectors, concerning both staff and the student body, is also one of the performance criteria applied to polytechnics.

‘Equality on the labour market’ project

The ‘Equality on the labour market’ project, a joint project of the ministries and the labour market organizations (see NAP 2000, p. 26) continues, encouraging boys and girls at various stages of their education to choose subjects and courses which are not typical of their gender. The project also supports public employment offices in finding ways and means to identify and reduce segregation.

The effects of active labour policy measures have been evaluated using an indicator specifically developed for the purpose. The results show that labour market training has the clearest effect in alleviating segregation. In 2000, over 1,300 people started in labour market training for an occupation untypical of their gender. Women, especially, have been trained for male-dominated occupations. Women’s entrepreneurship courses implemented with ESF funding have also helped alleviate segregation among entrepreneurs. Subsidized employment and practical training had lesser effects on segregation. The total impact on segregation of the three labour policy measures studied was about 7,000 people per year. In future, the corresponding data will also be available for the regional level.

A handbook on segregation was produced for use in employment offices, so that customer service officials can help their clients consider training and career options which are not typical of their gender. Personnel training in the labour administration now includes more information on segregation than before.

The studies of women who have chosen to study electrical and IT engineering are receiving support from an ESF financed pilot project, which is helping to develop these studies in line with the women’s interests. The project’s methods include tutoring and finding women mentors in companies. The project is also developing new pedagogical methods for the technical sector and disseminating information on how women should be taken into consideration in technical sector training.

Metals and engineering industry training arranged in the form of labour market training and ESF projects was also targeted specifically at women.

New initiatives in 2002:

- *When the basic curricula of comprehensive and secondary school are reviewed, their content and teaching methods will be adjusted so as to alleviate segregation.*
- *Projects and practices will be established which encourage both men and women to choose training options untypical of their gender.*
- *Development projects will focus on the content, methods and arrangement of education and training, with the aim of alleviating segregation.*
- *Campaigns will focus on influencing corporate culture and the attractiveness of specific sectors, such as the metals and engineering sector.*
- *Public employment services, especially advisory and guidance services, will be developed so as to be more gender-sensitive.*
- *Statistical studies will be carried out in order to find out which gender-biased sectors will have the greatest labour needs in the near future. The data from work on anticipating labour needs and skills needs will be used.*

The EQUAL Community Initiative and the ESF Objective 3 programme both develop and disseminate operating models which help to alleviate segregation in education and work. The projects concerned use information provision, career guidance, advisory services, training and teacher training to influence the career choices of both men and women. They promote career development in support of equality through personnel policy and the equality plans of companies. The projects within the Objective 3 programme involve about 2,500 participants.

3.3 The effectiveness of active labour market programmes

Council Recommendation 3: Finland should therefore ensure the effectiveness of active labour market programmes with a view to combating unemployment and reducing regional disparities and labour market bottlenecks, focusing on the needs of the long-term and young unemployed.

The effectiveness of active labour market programmes is monitored with the aid of statistics based on the labour administration's client register, focusing on the placement of jobseekers after measures end (gross impact). In addition, the employment effect of labour market policy has been the subject of a number of evaluation studies, which have tried to take the various labour market dead-weight effects into account, in addition to client placement (net effect). These studies usually evaluate net effect by comparing the placement of participants in labour market measures with the placement of a control group during the same period of time. Comparison of the employment of people who took part in measures and other groups of unemployed is complicated by the fact that these groups may be very dissimilar.

The results of evaluation studies all point in much the same direction. International comparisons also support these studies. The effectiveness rating of the various measures are strongly affected by the type of client group they are designed for. Studies show that individual and tailor-made employment services and jobseeker training have a high level of effectiveness. Vocational labour market training has effects in terms of finding employment, but the results vary according to the target group. The employment effect of subsidized work in the public sector is low, due to the employment situation in that sector in general. The best direct employment effect is found for subsidized employment in the private sector and start-up grants for new entrepreneurs. The most recent evaluation studies used 1999 register data, so the effects of the second wave of labour policy reforms are not evidenced in the results.

The effectiveness of active labour market programmes in Finland has also been assessed in the national evaluation of the impacts of the European Employment Strategy, and the results are largely similar to the research results above. They show that measures targeting certain select groups are effective. On average, the net effect of labour market training and subsidized labour in the public sector were found to be low. The effectiveness of measures was also found to be linked with the demand for low-productivity labour on the market.

A report on implementation of the EU's economic policy guidelines in 2001 found that implementation of the Council Recommendations concerning Finland's employment policy was progressing at a good pace. The report found that the focusing and individual tailoring of active labour market measures has improved and that measures preventing labour market exclusion have been stepped up.

National targets are set annually for the maximum number of people left unemployed after labour market training and subsidized employment, and the targets are approved in the State Budget. Regional targets are then set in result negotiations between the Ministry of Labour and the labour market departments of the Employment and Economic Development Centres (TE Centres). The

following measures will be implemented in order to improve the effectiveness of active labour policy measures, evaluation and monitoring (see NAP 2001 p. 7.):

- Measures will be planned and implemented in even closer cooperation with employers than hitherto.
- Measures will be increasingly focused on those who need them and their duration will be subject to greater individual variation.
- Jobseeker training will be stepped up and guidance and information provision after measures end will be given more attention.
- Skills improvement measures will be combined with subsidized work (see section 4.1.1.).
- Labour market training will be implemented in cooperation with companies, and taking jobseekers' individual needs into account. The responsibility of instructors for helping people who complete training to find work will be stepped up.
- Attainment of the aims of labour market training will be monitored regularly, using reports from the instructors and an online student feedback system. Methods and measuring tools will be developed for evaluating the impact of labour market training and for management by results.
- Monitoring and evaluation of the effectiveness and impact of active labour policy will be expanded.

Placement on the open labour market 3 months after active labour policy measures end had gone from 18 per cent in 1996 to nearly 26 per cent in 2000 (Appendix Table 5.). In 2001, however, 45% of the people completing labour policy measures were unemployed again 3 months after the end of the measure (Appendix Table 6.), which was slightly more than the previous year. The reduced active measures have increasingly begun to focus on increasingly difficult client groups, which has reduced their immediate impact on employment. Finding work for this group is also made more difficult by the fact that there is not enough demand for low-productivity labour on the labour market.

According to the transitional indicators describing 1998-2000, more than half of the unemployed were still unemployed 12 months later, while about 40% of those who took part in labour policy measures had also become unemployed again. At the end of the 12-month monitoring period, about 35% of participants in labour policy measures had found work on the open labour market. The corresponding figure for other unemployed groups was 20% (Appendix Table 7).

The regionally differentiated growth in employment has caused regional differences in unemployment rates. These are taken into account in the regional distribution of funding allocations for active labour policy measures in that the regions with the highest unemployment rates can have about four times as many unemployed participants in active measures as low-unemployment regions, in proportion to the total labour force (Appendix Table 3.). The regional differences in labour demand also have an impact on participants' chances of finding work after measures end. In areas with low unemployment, 38% of labour market training participants were unemployed again three months after the end of training in 2001, while the corresponding figure for the regions with the highest unemployment rate was 47%. The corresponding figures for subsidized employment were 41% for areas with low unemployment and 63% for areas with high unemployment. The Government has stepped up regional policy measures to raise employment in all regions of Finland (see section 4.2.2).

Recruitment problems have decreased slightly on the previous year, but there are still far more problems than a few years ago. In 2001, 26% of workplaces hoping to fill vacancies had experienced recruitment problems (see section 4.1.1). Efforts have been made to counteract

recruitment problems by improving methods of anticipating labour market skills and labour needs, by increasing contacts between employment offices and employers, and by developing labour market training in cooperation with employers looking to recruit new staff.

According to the jobseeker register, unbroken periods of long-term unemployment, recurring unemployment and cycles of unemployment and labour policy measures have all gone down faster than unemployment as a whole. The Labour Force Survey also found that long-term unemployment had gone down faster than other types of unemployment. In 2001, the long-term unemployment rate was 2.2%, compared with 4.5% in 1997. Prevention of long-term unemployment has emphasized individually tailored solutions in recent years, based on combinations of services and methods of a longer duration, arranged jointly by different bodies (see sections 4.1.3. and 4.1.4.). The measures are being developed in an even more individually tailored direction so as to support employment in a more flexible and comprehensive way. In addition, the reduction of structural unemployment will require reforms which ensure a sufficiently high labour demand, with a prime focus on groups difficult to find work for.

Youth unemployment fell somewhat in 2001 (see section 4.1.3.). 9.5% of cases of youth unemployment lasted for more than 6 months. Long-term youth unemployment has, however, clearly fallen over the long term, because up to 37% of young unemployed people in 1994 were unemployed for more than 6 months. According to the national evaluation of the impacts of the European Employment Strategy, the best employment effect for young people has been achieved by apprenticeship training and labour market training, where the net effect was better for young people than it was for adults.

The ESF programmes support unemployed jobseekers in finding work on the open labour market and strive to secure the supply of labour. Tailor-made measures based on workplace needs are provided for the unemployed in cooperation with companies. Sectoral development needs surveys have been started in sectors suffering from labour supply bottlenecks, e.g. the metals and engineering sector and the electronics industry, and there is also nationwide cooperation in use of the results. Tailor-made measures are used to help the people with the lowest employment potential to improve their labour market skills. According to the evaluation of the previous programme period, 52% of those suffering from or threatened by long-term unemployment and 47% of the excluded were in work or training one year after the end of the project.

4. THE PILLARS

4.1 PILLAR I: IMPROVING EMPLOYABILITY

Adjustments to policies on employment, education and the economy will help to ensure the availability of skilled and qualified labour, both in the aftermath of a recession and in the longer term. It is important to safeguard the supply of labour during a recession, too. As the immediate potential for finding work is undermined, jobseekers must be encouraged to remain active and to work on improving their qualifications and skills. Primarily, exclusion can be prevented by taking action to combat long-term unemployment. Individual measures and packages of a longer duration will be used to reduce structural unemployment. The interaction between different sectors of social policy will be reinforced on the local and regional level in order to boost the impact of active labour policy measures.

4.1.1 Securing the availability of labour in the short term (Guideline 6)

The main challenges for the functioning of the labour market are the high level of structural unemployment and the labour shortages in specific sectors and areas. In 2001, 26% of employers seeking to fill vacancies had experienced recruitment problems (Appendix Table 8). While recruitment problems fell compared with the previous year, there were still noticeably more problems than at the end of the 1990s. The building sector had most recruitment problems, with 35% of workplaces seeking to fill a vacancy having experienced such problems. The main reason for recruitment problems was that applicants lacked the special skills required.

It is the primary aim of employment policy to ensure that the labour market functions smoothly and to safeguard the availability of labour. Labour demand focuses primarily on skilled workers. This is why the emphasis is on training, vocational competence and active jobseekers, even during a recession. Employment can also be improved and the functioning of the labour market supported by boosting the occupational and geographical mobility of the workforce. Measures are targeted in a way which ensures that competent and skilled labour is available that meets the labour market's demands as soon as a recession ends.

Main measures implemented:

An *anticipation system* has been developed for use by the Employment and Economic Development Centres (TE Centres) in anticipating changes in labour and skills needs. All the Centres have started processes which anticipate changes in labour and skills needs in the short, medium and long term. An essential part of the programme is a labour force and training needs survey, through which the employment offices map out changes in companies' labour force use, recruitment problems, training and skills needs and new business ideas. In many regions, expert panels on the regional level analyse the results and make proposals for measures. The aim is to expand the usefulness of the results.

There are 21 anticipation projects in progress with the aim of making it easier to focus and develop training provision, and these will end in 2002 and 2003. The projects are creating anticipation models for training needs in different training sectors and in virtual teaching, and are also setting up an online anticipation service. The projects are compiling data on employer recruitment needs and individual training needs in cooperation between the authorities, educational institutions and social partners.

Development of the employment offices' *employer contacts* have been made a result target at most TE Centres. Over 13,500 visits to employers were made, and 5,200 of these resulted in a commission. The principle in developing employer services has been to aim at the conclusion of client contracts, which has boosted the employment offices' reputation as a recruitment channel, and enabled them to market their services systematically and deal with their client relationships in a more target-oriented way. Best practices from employer visits are now being collected for use by all employment offices.

The volume of *advanced apprenticeship training* was raised from 12,900 to 16,000 student places per year in 2001. 12,700 of these places (roughly 80%) represented training leading to a qualification.

In an effort to boost *regional labour force mobility*, the definition of 'commuting area' was changed in 2001. The discretionary travel allowance paid in the labour market support system was increased

in order to help people dependent on labour market support to commute to practical training outside their home municipality.

The ESF programmes have comprised local and regional training and development programmes to help recruit labour for sectors with labour shortages. In the metals and engineering and electronics sectors cooperation began by working with the labour market organizations to survey the sector's development needs and disseminate the results of local and regional projects within the ESF programmes.

New initiatives in 2002:

- *Cooperation between the ministries and the labour market organizations on developing anticipation of labour and skills needs will be intensified. Cooperation between regional and sub-regional actors in anticipation and planning adult education will help create unified procedures in support of regional development and the functioning of the labour market. Regional anticipation units will be set up at the TE Centres to support anticipation work.*
- *Actions to improve employees' skills and competence will be made into an integrated feature of subsidized work. This reform will call for compensation for employment subsidies and it will reduce their effect of distorting competition in the business. Learning in subsidized employment can take place at the workplace or an educational institution, but it has to be target-oriented and aim at the completion of a vocational qualification or part-qualification. The ultimate aim here is to help people to find work on the open labour market eventually. Continuous guidance is provided in support of on-the-job learning. Operations will start as extensive test projects, prepared in cooperation with the labour market organizations during 2002.*
- *The services of employment offices will give both employer and jobseeker clients extended access to a greater variety of employment services over the Internet. The project will be implemented in 2002-2003.*

Implementation of these measures is the responsibility of the Ministry of Labour, the Ministry of Social Affairs and Health, the Ministry of Education and the Ministry of Trade and Industry, in cooperation with the labour market organizations. Implementation will also require local and regional cooperation with the TE Centres, employment offices, Provincial State Offices, local authorities and Regional Councils, educational institutions and social partners.

4.1.2 Ensuring the availability of labour and the functioning of the labour market in the long term (Guidelines 3 and 6)

The falling supply of labour will cause problems with the availability of labour in Finland as early as halfway through this decade. The age structure of the working-age population will change: age groups under the age of 54 will decrease by about 190,000 people while age groups over 55 will grow by about 230,000 people. The average retirement age is about 59 at the moment, and as many as 90% of the workforce retire before the age of 64. As early as 2004, the number of people leaving the labour market will exceed the number of young people entering the labour market.

If we are to successfully raise the employment rate, the smooth functioning of the labour market must be safeguarded in the medium and long term, too. When the baby-boom generation retires, a new labour market situation will emerge, and we must prepare for it by activating our labour reserves, encouraging workers to stay on at work, and preparing for an increased need for immigrant workers. Key measures also include raising the skills level of the workforce, maintaining

working capacity and developing learning organizations. Preparations for an increased need for immigrant workers should include improving the procedures for work related immigration, clarifying the situation of immigrants, promoting good ethnic relations and preventing racism and discrimination.

Main measures implemented:

The ministries are cooperating on a survey of the predicted extent, timing and focus of *the labour shortages arising when the baby-boom generation retires*. The age group leaving the labour market will already be bigger than the new age group replacing it before the middle of this decade, and by about 2010, this differential will have reached about 15,000 people annually. Labour shortages are expected to occur also in sectors with large numbers exiting the labour market, in addition to growth sectors, e.g. the building sector and manufacturing industry. The survey will be used during 2002 for evaluating the long-term alternatives for improving the availability of labour.

The effect of the EU's eastward enlargement on *the international mobility of labour* has been evaluated. It is predicted that about 2,500 people annually (gross) would move to Finland from these new Member States; this is about twice the current figure. Immigration from the new Member States would, however, account for less than 15%, only a small proportion of total immigration, and would soon begin to fall as the standard of living in the new Member States improves and the population ages.

A service to support improvements in competitiveness at SMEs and the skills of their personnel, *a special expert service* has been introduced (see section 4.2.1). The service provides companies with a long-term development and training programme, comprising proposals for training and development measures. A survey on personnel resource monitoring was completed, developing personnel balance sheets more descriptive of the work community's human capital and the training needs of the personnel. A training supplement for adults was introduced in August 2001 as a way of *supporting employed people in adult education*, and by year end, some 2,000 people were already receiving this new form of support. *Publicly funded adult education* has been targeted more at the over-40s, as a way of helping people to stay on at work. An ESF-funded project on the individual tailoring of adult education took in 40 educational institutions at the end of 2001.

The polytechnics implemented 18 projects *to make studies more effective* with the aid of student counselling, personal study plans and career guidance. An experimental project at three polytechnics, designed to reduce the drop-out rate, is developing procedures which will better motivate students and enable them to pick up their studies after a temporary interruption, and which takes the different situations of different students into account. Work continues on making teaching and student counselling more effective as a way of reducing the time required to complete an academic degree.

All the polytechnics in Finland are now part of the virtual polytechnic network. The universities offer virtual teaching to people doing basic degrees, further education and open university courses for everyone. This service also supports teachers and researchers. 25 production projects have been started aimed at improving the educational content.

Non-governmental educational institutions were given grants to help them develop the information and communications technology (ICT) skills of all citizens. A training voucher experiment was also started, as a way of helping unemployed people and immigrants to acquire the skills they need in the information society.

The National Programme on Ageing Workers (1998-2002) has ended. The Programme's main results were an increase in the information on ageing workers and improved access to this information, and the creation of a more favourable climate in terms of people's attitudes to ageing workers. During the programme period, the employment rate grew fastest among the 45-64 age group. Workplace health promotion and work to ensure wellbeing at work will continue in the *ESF programmes and the Well-Being at Work Programme*, which is supporting 37 development projects at individual workplaces, involving about 10,000 participants.

New initiatives in 2002:

- *Employed people, particularly those who are older or who lack vocational training, will be encouraged to participate in labour market training. Training will be linked with regional and corporate development strategies and planned in cooperation between companies, authorities, labour market organizations and educational institutions. Preparations for work organization services to be provided by the TE Centres will start, ensuring that training and the business services of the Centres can be offered to clients as a single package.*
- *Adult education of longer duration and aimed at qualifications will be stepped up in the form of apprenticeship training and other approaches. The study motivation of the unemployed will be improved through individually tailored employment services such as jobseeking plans and guidance training, which will also support them in applying for training.*
- *New guidelines for immigration policy will be prepared in response to the changes in the age structure of the population and emerging labour shortages. This involves a survey of the policies and practices applied by some OECD countries for the recruitment of foreign labour, and assessment of national legislation which influences the treatment of foreigners. Proposals will be submitted by February 2003.*
- *Extensive national and regional cooperation will be harnessed in preparing sectoral target training quotas for vocational training, polytechnics and universities for 2004-2008. The Government will decide on the targets in 2003.*
- *Preparations are in progress to renew the structure of academic degrees, with aims that include a reduction in the drop-out rate, improving links between degrees and practical work, and ways of encouraging mobility.*
- *The national workplace development programmes will continue with an emphasis on targets for adult on-the-job training.*
- *A programme will be prepared to continue the work of the National Programme on Ageing Workers.*

Implementation of these measures is the responsibility of the Ministry of Labour, the Ministry of Social Affairs and Health, the Ministry of Education and the Ministry of Trade and Industry, in cooperation with the labour market organizations. Implementation will also require local and regional cooperation with TE Centres, employment offices, Provincial State Offices, local authorities and Regional Councils, educational institutions and social partners.

4.1.3 Tackling youth unemployment, preventing long-term unemployment and making employment policy more active (Guidelines 1 and 2)

The aim of the total reform of employment policy which started in 1998 is to prevent long-term unemployment. The reform, which was also designed to encourage the unemployed to be more active, has succeeded in making the labour market more dynamic. Unemployed people have begun to accept even short-term jobs, and periods of unemployment have gone down from an average of about 22 weeks in 1997 to 18 weeks.

Unemployment ended or a jobseeking plan was drawn up for about 99 per cent of the unemployed before they became long-term unemployed (see Appendix Table 9). Despite this, there were some 10% of the long-term unemployed who did not yet have an individual plan. The inflow into long-term unemployment continued to decrease in 2001. 9.5% of cases of youth unemployment continued for more than six months, while 8.6% of cases of unemployment among the over-25s went on for over a year.

The number of people in uninterrupted long-term unemployment has been falling faster than other types of unemployment since 1998. The long-term unemployment rate in 2001 was 2.2%, i.e. about half that in 1997. Long-term unemployment among women (21%) is lower than among men (27%). Youth unemployment accounted for 10% of the corresponding age groups, 5.4% of whom were full-time students in search of work.

The volume of labour policy measures has been reduced as unemployment has fallen, keeping the activation rate of the unemployed at about 21% (Appendix Table 7). Labour policy expenditure continues to account for 3.0% of GDP, with 0.9% going to active measures and 2.1% to passive measures (Appendix Table 13).

Labour and education policy is developed in cooperation with national, regional and local actors so as to tackle youth unemployment, prevent long-term unemployment and alleviate structural unemployment. The aim is to respond to growing skill needs on the labour market and to structural changes by improving the skills of workers on the principle of lifelong learning. Where young people are concerned, the priorities include the transition to secondary education after comprehensive school and the transition from studies/training to work. A reduction in structural unemployment also demands reforms which will help ensure adequate labour demand, especially concerning groups which are difficult to find work for, in addition to ensuring the availability of labour.

Main measures implemented:

The employment service improvements of the 'second wave' of labour policy reform focus on preventing long-term unemployment and help unemployed people find work on the open labour market. The following projects were planned in 2001 and their implementation started in full as of the beginning of 2002:

- A *service needs identification system* was introduced as a way of enabling the employment offices to provide more individualized service.
- The jobseeker and the employment office draw up a *detailed jobseeker plan*, agreeing on the jobseeking process and the support and services provided by the employment office. Refusal to draw up a plan or to follow it means that the jobseeker forfeits his unemployment benefits for two months. In 2001, jobseeker plans were drawn up for 468,000 unemployed jobseekers.
- In 2001, over 63,000 jobseekers entered *jobseeker training*, and 75-80% of those taking vocational labour market training also received jobseeker training. The level of benefits during jobseeker training was raised and the period extended. In 2002, the employment offices will provide 120,000 people with jobseeker training.
- Adults without vocational training who are entitled to labour market support are eligible for labour market support during periods of *workplace orientation*, even if they do not have an actual employment relationship.
- A three-year *jobfinder experiment* will start in eight municipalities. The experiment involves finding work on the open labour market for unemployed people at risk of becoming long-term unemployed or who are already long-term unemployed. Jobfinders receive a fee for finding a job lasting a minimum of six months.

- Implementation of these reforms is supported by a personnel *development programme for employment offices* funded by the ESF. The aim is that the programme should cover about 900 employees in the Objective 3 area in 2002-2004.

A service was set up for vocational education institutions which gives training providers information on their students' success in finding work or applying for further studies. This information will also be used in a performance-based funding model for vocational education which is being prepared.

A study voucher experiment was started in five municipalities as a way of encouraging unemployed people, immigrants and people over 60 to acquire the skills they need in the information society. The experiment will be expanded in 2002.

New initiatives in 2002:

- *Labour market training will emphasize training for unemployed people which leads to a vocational qualification.*
- *Preparations are under way to expand part-time study during periods of unemployment support to include general subjects and information society skills. The employment services are helping to activate and motivate unemployed people to take up part-time studies.*
- *Cooperation projects between educational institutions and working life will be implemented to make it easier for students to make the transition from basic education to vocational education.*
- *Performance-based funding will gradually be introduced into basic vocational education as a way of encouraging training providers to help their students to find work or go on studying and to reduce the drop-out rate.*
- *A joint development project between student counsellors at education institutions and the employment services will be started as a way of helping young people to find a place to study or a job.*
- *ESF projects and development of career and recruitment services aimed at activating vocational education and reducing the drop-out rate will continue.*
- *Proposed solutions for supporting young people in taking further education, successfully pursuing vocational education or finding work will be prepared in broad-based cooperation by June 2002. The aim is to support the coordination of career and family and improve schools' and teachers' ability to support young people. In order to achieve these aims, student counselling, remedial and special teaching and employment services will all be made more effective and anticipation of education and training needs will be improved.*
- *The scope for reducing structural unemployment through broad actions focusing on employment policy, social security, taxation and income transfers will be investigated, so that the information can be used in preparing the next Government programme.*

The ESF projects focus on developing tailor-made individual service packages to alleviate long-term unemployment. The projects also focus on improving the situation of young people by striving to encourage them to take vocational training, discourage them from dropping out of their studies, and easing the transition from training to work.

Implementation of these measures is the responsibility of the Ministry of Labour, the Ministry of Social Affairs and Health and the Ministry of Education in cooperation with the labour market organizations. Implementation will also require local and regional cooperation with TE Centres, employment offices, Provincial State Offices, local authorities and Regional Councils, educational institutions and social partners.

4.1.4 Combating discrimination and promoting social inclusion (Guideline 7)

Immigrants and people with disabilities are particularly vulnerable to labour market exclusion. The labour market standing of ageing workers is also more precarious than average. On the whole, labour market exclusion is on the increase. In 2001, 13% of the unemployed were people with disabilities, while 5% were foreign nationals. The number of unemployed people went down by about one fourth between 1997 and 2001, but during that same period, the number of unemployed jobseekers with disabilities went up by about 12%, while the number of unemployed foreigners remained at the same level.

People with disabilities are defined here as those whose chances of finding appropriate work, keeping their job or making career progress are significantly reduced due to an injury, illness or handicap. Unemployed people with disabilities usually receive public employment services, but there are also special services for them. The activation rate of measures targeting unemployed people with disabilities has been about 20% during the last few years (Appendix Table 12.). In addition to employment office services, people can be referred to rehabilitation through their workplace or through the health care services. If these cases are included, the activation rate was 32% in 2001.

At the end of 2000, there were 91,000 foreign nationals living in Finland (1.8% of the total population). This means that the number of foreigners has gone up by about one third since 1995. In 2001, the employment rate among foreign nationals in Finland was 55% on average while their unemployment rate was 21%. The employment rate for foreigners is about 14 percentage points lower than for Finns, while their unemployment rate is more than twice that of Finnish citizens (Appendix Table 11).

Immigration in recent years has mainly derived from factors other than employment, and has required action to help immigrants to integrate into Finnish society. More active measures have focused on immigrants than on other special groups of unemployed. The activation rate for unemployed foreigners was 28% during the year (Appendix Table 12).

Main measures implemented:

The integration of immigrants has been supported since 1999 through local integration programmes in cooperation between local authorities, employment offices, immigrants' organizations and other NGOs. A special integration plan is drawn up for immigrants, helping them strengthen their language skills, vocational skills, working life skills and other factors in integration. Over 11,300 integration plans were drawn up in 2001, 59% of which were for women. About 3,300 immigrants found work on the open labour market while 11,380 started training or took part in active measures. Over 1,300 immigrants started integration training (non-vocational training). *A national programme to combat racism and ethnic discrimination* was launched in April 2001, including a new post of Ombudsman for Minorities.

A reform of rehabilitating work experience was started, in order to help find work for the groups of unemployed who are hardest to employ. Employment offices and local authorities are now required to draw up an activation plan together with the long-term unemployed, agreeing on actions to help them find work. As a final instance, they may agree on rehabilitating work experience, and people under 25 are required to take part in this under threat of losing their unemployment benefits for a set period. About 1,500 activation plans were drawn up in 2001. *Rehabilitation experiments* for 15-17 year-olds at risk of exclusion were also started in 18 municipalities in support of rehabilitating work

experience. Three pilot projects for people over 45 at risk of exclusion were started in the Helsinki metropolitan area. A total of EUR 6.7 million will be spent on these experiments in 2001-2003.

The maximum duration of the *combined subsidy* was extended to two years in order to make it more effective, and placement in companies with the help of combined subsidy does not require an employment contract at present.

Service needs surveys for the ageing long-term unemployed help to establish people's individual employment potential, their training and rehabilitation needs and pension options. About 4,200 ageing long-term unemployed were referred for rehabilitation needs surveys, work ability tests, work try-outs or other rehabilitation. In addition, *the pension options* of over 3,000 ageing long-term unemployed people were studied, after which some of them were channelled into the appropriate form of social security, mainly pensions.

37 projects were selected for inclusion in the EQUAL Community Initiative, helping people in the weakest labour market position to get integrated into the labour market, and helping employers and companies to improve the skills of their weakest employees. Five projects combating racism and xenophobia on the labour market were also included in the EQUAL Community Initiative.

Measures to prevent labour market exclusion are dealt with in more detail in Finland's National Action Plan for inclusion.

New initiatives in 2002:

- *A two-year joint service experiment in cooperation between local authorities, the Social Insurance Institution and the employment offices will be started in 18 municipalities, with the aim of activating the long-term unemployed and helping them find work. The experiment is based on local problem analyses, pooling the resources of the actors involved and providing individually tailored services (see section 4.2.2).*
- *The need for more integration training for immigrants is about 3,000 student places a year. 40 credits of integration training would be acquired by 6,000 unemployed immigrants entitled to an integration plan. There is also a need for 500 more student places a year in vocational and recruitment training for unemployed immigrants. Additional resources are also required for general education and higher education for immigrants, though no decision has yet been reached on additional funds.*
- *The employment potential of people with disabilities will be improved by making them a priority group for employment subsidies alongside the long-term unemployed and young people. Subsidized employment will be established as a standard practice.*
- *The access of young people with disabilities to vocational rehabilitation will be improved by extending the right to young people's rehabilitation allowance. After an amendment which entered into force in April 2002, 16-19 year-olds with disabilities are entitled to the rehabilitation allowance if they have had a personal study and rehabilitation plan drawn up for them.*
- *37 broad-based cooperation projects to improve the labour market situation of those in the weakest position will be started within the ESF programmes. The programmes will also help boost entrepreneurship among special groups, such as ethnic minorities.*
- *During 2002, the Government will issue proposals for a ban on discrimination at work, and particularly ethnic discrimination.*

Implementation of these measures is the responsibility of the Ministry of Labour, the Ministry of Social Affairs and Health and the Ministry of Education, in cooperation with the labour market

organizations. Implementation will also require local and regional cooperation with TE Centres, employment offices, Provincial State Offices, local authorities and Regional Councils, educational institutions and social partners.

4.2 PILLAR II: PROMOTING ENTREPRENEURSHIP

In 2000, there were just under 300,000 companies in Finland, 80,000 of which were agricultural enterprises. The average Finnish enterprise employs six people, and 99% of companies are small, with under 50 employees. The majority (94%) of companies in the SME sector employ less than 10 people. About 40% of enterprises consist of self-employed entrepreneurs.

The rate of new companies emerging has evened out over the last few years compared with the post-recession years, when thousands of new companies were founded every year. The percentage of entrepreneurs in the employed workforce has also gone down slightly since the recession (Appendix Table 17). The highest numbers of enterprises are found in the trade and service sectors. These are also the biggest sectors in terms of personnel. Industrial enterprises are bigger than enterprises in other sectors, and therefore important as employers.

In 2001, about 61% of all company employees worked in SMEs, up four percentage points since 1994. In 2000, there were 20% more companies and 25% company employees than in 1994. In 2000, the number of companies grew 1.5% on the previous year; turnover was up 16% and the number of employees about 2.6%. Finnish companies employed a total of 1.3 million people. The number of employees grew fastest in technical and business services, at almost 12%, compared with about 7% in the building sector. The survival rate for new companies increased throughout the 1990s. About 70% of companies survive their third year of operations, and nearly 60% their fifth year.

In 2001, there were altogether 206,000 entrepreneurs in Finland (excluding primary production) and about 7,000 family members of entrepreneurs. 68,000 entrepreneurs, or one third, were women. The care and nursing sector is a growth industry for women entrepreneurs. Media and content production also provided opportunities for women entrepreneurs.

4.2.1 Entrepreneurship project (Guidelines 8-12)

New companies and greater growth and competitiveness among existing companies are needed to ensure stable economic growth and high employment. Job creation is possible through competitive business that thrives on both the domestic and the international market. A major challenge is to provide competitive resources for help companies to expand their business. In order to attain these aims, the Entrepreneurship project was started in 2000, as part of the Government Programme of the 2nd Government of Prime Minister Lipponen, and it will continue up to the end of the present Government's term.

The Government's entrepreneurship project is an umbrella project designed to promote entrepreneurship and business policy measures. It is being implemented jointly by nine ministries¹ and the Association of Finnish Local and Regional Authorities, in cooperation with entrepreneurs'

¹ Cooperation is headed by the Ministry of Trade and Industry, with the participation of the Ministry of Finance, Ministry of Labour, Ministry of Education, Ministry of Social Affairs and Health, Ministry of the Interior, Ministry of Transport and Communications, Ministry of Agriculture and Forestry and the Ministry of Justice.

organizations and the social partners. The entrepreneurship project involves about 120 concrete measures. These focus on crucial stages in a company's lifecycle and related factors, e.g. market functioning, entrepreneurship as an attractive career opportunity, how to become an entrepreneur, the critical first years of a company and corporate growth.

The entrepreneurship project has worked on building up regional cooperation in support of entrepreneurship and corporate operations. Economic policy is increasingly based on regional issues and strengths. The cooperation involves all of Finland's TE Centres and business-sector stakeholders. The TE Centres have implemented their own regional entrepreneurship projects. Regional cooperation and a favourable attitude to entrepreneurship generally has also been promoted in connection with the regular regional entrepreneurship seminars which had been arranged 29 times by the end of April 2002.

The entrepreneurship project will be evaluated during spring 2002. The findings will influence the focus of the final stage of the project and create a foundation for continued work in support of entrepreneurship.

Measures implemented in the entrepreneurship project and their focus in 2002:

Administrative burdens on entrepreneurship and legislative amendments

The administrative burdens on entrepreneurship tend to undermine one of small companies' main competitive advantages, i.e. their functional flexibility. Excessive bureaucracy may also form an obstacle to corporate growth, to hiring new employees and to founding new companies.

In order to lighten the administrative burden, *a new Companies Act* has been introduced, making it easier to found companies and enabling shareholders to make unanimous decisions without formal meetings. The provisions on the dissolution of limited-liability companies have been amended to allow non-operational companies to be struck from the Trade Register in a simpler procedure, rather than having to be placed in liquidation.

A new *Company and Organization Register* enables companies to submit data concerning their founding, address change and dissolution to the registers of several authorities through one notification. The new data system has made it possible to set up a register of identifiers and basic data on companies and organizations.

In the latest *amendments to the Accounting Act*, the criteria concerning turnover and balance sheet total for small companies legally required to keep accounting records have been almost doubled. These changes make it easier for small companies to submit information on the profit and loss account, balance sheet and other information. Small limited-liability companies have been entirely exempted from having to draw up a separate annual report.

- *In order to reduce administrative burdens on employers, an Internet-based payment service system and clearing centre will be set up to make it easier for occasional employers and small companies to deal with their employer obligations. A 'tax account system' will also be introduced, enabling companies to combine their main tax payments and to minimize actual payments and notifications.*
- *Further reform of the Companies Act will introduce provisions specifically adapted to small companies concerning company administration, funding instruments, changes in corporate structure, distribution of funds, the amount of shareholders' equity and the Act's sanctions system.*

Taxation, social security contributions and transfer of business

Competitive taxation is an essential precondition for increasing the number of companies and improving the employment rate in Finland. Social security for entrepreneurs must also be improved and transfers of business made easier, whether this concerns a generation change or a change of ownership.

In its Programme, the present Government undertakes to cut income tax and social insurance contributions by EUR 1,680 – 1,849 million during its term in office. This aim has already been exceeded, if cuts for 2002 are included (see section 3.1). As of 2001, in taxation private businesses and agricultural entrepreneurs can also opt for 10% instead of 18% as the capital income percentage in the net assets of their operations. This makes it possible to have entrepreneurial income taxed increasingly as earned income, something which will help to reduce the taxes of low-income entrepreneurs in particular. As of 2002, the pension insurance of private businesses and agricultural entrepreneurs was also changed to bring these groups more comprehensively into the sphere of statutory pension security. The VAT relief for entrepreneurs with severe disabilities will continue throughout 2002. A special service has been created to support the transfer of business between generations.

- *The need to make changes in income and property taxation, and especially corporate tax and capital tax, will be studied in a climate of toughening international tax competition. The reports on this area will be useful for the next Government in drawing up tax policy guidelines.*

The role of the education system in promoting entrepreneurship

The education system plays a major role in promoting entrepreneurship, in terms of both attitudes and skills. Entrepreneurship education and training help create a favourable climate for entrepreneurship. The vocational qualifications and special vocational qualifications for entrepreneurs have been reviewed, and basic entrepreneurship skills have been included as part of most vocational and special vocational qualifications for adults. 600 apprenticeship training agreements for entrepreneurs have been made since legislative amendments were passed enabling apprenticeship training for entrepreneurs. All labour market training also includes entrepreneurship skills.

- *Entrepreneurial education will be taken better into account in revision of the national curriculums for comprehensive and secondary education, in order to develop entrepreneurship attitudes and skills among young people.*
- *The experiment with post-graduate degrees at polytechnics comprises a training programme in entrepreneurship and running a business, intended for students with basic academic degrees and a minimum of three years' work experience in the field.*
- *Preparations will be made for making entrepreneurship and entrepreneurship education a focus area in further training for teachers, and also for including the theme in further education for student counselling staff.*

Bankruptcies and overindebtedness

The generally positive attitude to entrepreneurship in Finland has not yet produced adequate numbers of actual entrepreneurs. The measures within the entrepreneurship programme aim to soften the consequences of failing as an entrepreneur, in order to encourage people to become entrepreneurs.

- *The Bankruptcy Act is being reviewed. The aim is to ensure good results from realization of the assets of a bankrupt's estate and to improve the position of the bankrupt debtor.*
- *The aim of the reform of the Execution Act is to speed up the execution procedure and support the debtor in dealing with his own debts. Attention will also be paid to the livelihood of the debtor and the legal protection and basic security of all parties involved. Proposals will be made concerning how to make the long duration of the execution proceeding less damaging for the debtor.*
- *Possible changes needed in debt restructuring for private individuals will be evaluated and proposals made for remedying problems identified.*
- *The legislation on credit information concerning entrepreneurs and corporations will be reviewed. The reform will include a study of the credit information that it should be permitted to file, e.g. about bankrupt entrepreneurs.*

Advisory and development services for companies

New expert and development services have been included in the range of business services available from TE Centres, including subjects such as personnel skills, funding and e-commerce. A special service supports companies in producing and implementing personnel development and training plans. Programmes for developing and funding business ideas help strengthen the operating ideas and continued funding arrangements of new innovative technology companies. The development programme for e-commerce supports SMEs' use of information technology.

The new portal (www.yrityssuomi.fi) helps companies, entrepreneurs and prospective entrepreneurs to find key public sector services and contacts through a single portal. Soon, the portal will also provide a channel through which companies can fulfil their statutory administrative obligations.

A national programme on business skills is being implemented at universities and polytechnics in 2001-2003. The programme will reinforce contacts between training provision and working life, and promote research and researcher training. The expertise of the programme will ultimately be placed at the disposal of students of other subjects and adult education target groups. Student places at polytechnics have been increased in administration and trade.

- *In 2002-2007, at least 50 regional business service points will be set up based on the present business service system, and these will support the founding of new companies and the operations of existing companies. The service points will combine the advisory and development services of central and local government and enterprise agencies.*
- *Services in support of exports and internationalization will be improved to correspond better with companies' needs.*

Opening public service production to competition

Public services are an important part of the economy. It is crucial for economic growth and competitiveness for these services to be produced as efficiently as possible and to be of the highest possible quality. This need becomes yet more pronounced as the demand for services grows and more expectations focus on the quality and range of services.

An electronic market place for public procurement has been set up (www.ktm.fi/julma). This is an aid offered by the government to procurement units and companies which makes competitive tendering and procurement easier. Procurement units can post information on procurements below

the threshold value. Registered suppliers receive e-mail on invitations to tender and they can then download the tendering documents from the server of the relevant procurement unit.

Private social and health care service provision has grown rapidly over the past few years. Most companies in the sector are owned by women. The operating conditions of companies in the care services sector are being developed through, for instance, cooperation agreements between the TE Centres and local authorities, where the parties to the agreement undertake to develop their operating procedures and products and to participate in pilot projects. As of 2002, the Finnish Slot Machine Association will take competition factors into account in allocating funding aid to the social welfare and health care sector. The distorting effect of funding aid on the market and the competitive situation must be minimal.

- *A working group on competition policy has submitted proposals concerning private sector companies' potential as public service producers. The group proposes that new legislation and other measures should be introduced as a way of improving the efficiency and competitiveness of welfare service production.*

Women entrepreneurs, minority entrepreneurship and cooperatives

The entrepreneurship project promotes entrepreneurship among women and minorities. Special attention is paid to providing training for entrepreneurs and prospective entrepreneurs, to developing support and advisory services, and to promoting networking.

Women business advisors have been appointed at all TE Centres to take a special interest in women's business activity. They also form a network, through which women entrepreneurs can contact other women entrepreneurs in their special field. The Centres also organize for women entrepreneurs to have mentors assigned to them in the interests of improving marketing, product design and the general running of the business. Pilot programmes have been started to improve entrepreneurship and management training by setting up networks of women entrepreneurs. In 2000, so called Finnvera loans specifically for women entrepreneurs were granted to over 1,200 companies to a total of EUR 16.5 million. This helped create almost 1,300 new jobs.

A study has been made of ways of promoting entrepreneurship among immigrants. As a result, information on entrepreneurship specifically for immigrants has been produced in the form of brochures in several languages. The Co-operatives Act which entered into force in 2002 makes it easier to found, administer and fund a cooperative, and should make cooperatives more feasible as a form of entrepreneurship. The fact that the maximum period of combination subsidy has now been extended to two years will also help the operations of social enterprises.

- *In order to promote social entrepreneurship, a study will be made of how it should be defined and what special support it might need. Preparations are also under way for boosting the provision of advisory services for people with disabilities and other special groups, and for use of new technology to promote entrepreneurship among these groups.*

4.2.2 Regional development and local and regional measures promoting employment (Guideline 11)

The improving employment situation has intensified regional polarization, causing regional differences to grow. Differences within the regions themselves have also increased, causing more and different problems. New production, skills and labour supply are concentrated in just a few

growth centres. In recent years, these have been primarily the Helsinki metropolitan area and the biggest regional centres, which have varied economic structures and production, training and research in the information technology sector. The net migration inflow into the five biggest growth centres was over 130,000 during the 1990s, while rural areas experienced a net outflow of about 65,000 people. Most of those who moved from the countryside to growth centres were highly trained people between 20-35. Balanced regional development is important for the functioning of the economy and the labour market. Labour shortages will be worst in those areas where the labour force is ageing and depopulation is fastest.

In order to safeguard regional development and equitable trends in welfare in different parts of the country, the Government will enhance regional policy measures with the aim of increasing cooperation within regions. Developing regional expertise based on the regions' own strengths will improve the operating climate and competitiveness of companies and strengthen the inhabitants' commitment to their region.

Local authorities play a strong role in Finland. The municipalities account for a high percentage of GDP and they bear extensive responsibility for public services. The labour administration operates a comprehensive network of local offices. Considerable employment impact can be achieved through local-level cooperation between the authorities, the business sector, social partners, educational institutions and other actors.

Main measures implemented:

In 2001, a total of 34 regions in different parts of Finland were included in *the programme for regional centres*. The aim of the programme is to support a balanced regional structure in terms of the strengths of urban areas. The programme is based on regions defined by joint labour markets, housing and service production and demand. Eight sub-regional units have also been chosen for the special project, which aims to expand voluntary municipal cooperation. These will be encouraged to organize themselves more efficiently in their services provision and in reinforcing their jurisdiction.

The Centre of Expertise Programme which started in 1999 is being implemented in 14 regional and two networked centres of expertise. Resources are targeted on the development of internationally competitive sectors. It is estimated that the programme created about 400 companies and 6,000 new jobs in its first two years. There are also about 15,000 reinstated jobs.

Local and regional cooperation on improving the employment situation has been promoted through a number of reforms and experimental projects, mainly:

- In 1997-2000, experimental local employment partnership projects were implemented in 26 areas, in which the public sector, business sector, NGOs and other actors worked together to create job opportunities, alleviate long-term unemployment and prevent exclusion. Operations covered about 31,000 people and it was estimated that the project created about 8,000 jobs and 3,500 training places.
- An ESF-funded project is now investigating how national support for these employment partnerships could be given a more solid foundation.
- The 2001 NAP included as pilot projects three regional action plans for employment in accordance with the EU Guidelines and the NAP. Implementation of the aims of these projects has been agreed on in result management negotiations between ministries and regional governments.
- The rehabilitating work experience reform launched in order to reduce long-term unemployment and prevent exclusion is also based on local cooperation (see section 4.1.4).

New measures in 2002:

- *The Government has submitted a bill for a new regional development act which would encourage economic growth based on expertise and sustainable development, business sector development and higher employment. The aim is to reduce differences between regions and to improve the living conditions of the population as a whole.*
- *A regional development programme for universities and polytechnics is being prepared. Its aim is to develop regional economic structures and improve the employment situation through regional innovation projects. The programme will boost cooperation and networking among universities and polytechnics and also between them and other regional actors. The importance of adult education and of research and development will be highlighted. There is also a comparable need for cooperation between polytechnics and vocational education institutions.*
- *The social security contributions of private employers will be lifted for a trial period in 2003-2005 in 14 municipalities in Lapland and six municipalities in the Finnish archipelago.*
- *The employment office network will be developed in order to increase regional cooperation by reducing the number of administratively independent employment offices and instead reassembling them into regional office networks. This reform will be carried out in 2002-2005.*
- *A joint service experiment for finding work for the long-term unemployed will be started in 18 regions through cooperation between local authorities, the Social Insurance Institution and employment offices (see section 4.1.4).*
- *An allocation of EUR 841,000 has been made in the 2002 State Budget for the development of local employment policy.*
- *The Government and the Association of Finnish Local and Regional Authorities work together with business sector organizations to start a project on regional business services (see section 4.2.1).*
- *The employment and economic development centres and the biggest urban regions continue to work together on a joint local and central government operating model for the production of corporate placement and networking services.*

4.3 PILLAR III: ENCOURAGING ADAPTABILITY OF BUSINESSES AND THEIR EMPLOYEES

4.3.1 Modernizing work organizations and supporting adaptability in enterprises (Guidelines 13-15)

Finland has been following a long-term perspective in developing its labour legislation and the operating methods of work communities so as to improve the organization of work and the quality of working life. Progress is being made in tripartite cooperation between the Government and social partners on the preparation of legislative amendments and workplace development. In tripartite cooperation, the views of employers and wage earners are already taken into account at the preparatory stage.

In order to develop working life structures and the organization of work, the labour market organizations have agreed on a 'continuous negotiating procedure', as this will make it possible to process matters during the validity of the collective agreement now in force (2001-2002). The continuous negotiating procedure covers issues such as development of negotiation and agreement systems, promotion of gender equality and development of systems for evaluating the demands of work for use in pay systems, as well as development of on-the-job training.

Main measures implemented:

In accordance with the Government Programme, *the Finnish National Workplace Development Programme, the National Productivity Programme, the Well-Being at Work Programme and the National Programme on Ageing Workers* continued in 2001. The ESF programmes also support workplace development (see section 2.2). The National Programme on Ageing Workers ended early in 2002 (see section 4.1.2). About 100,000 participants and 700 projects are covered by programmes during the present programme period. Good practice models for individual workplaces have been drawn up based on projects in the National Workplace Development Programme, and information is provided on these on the Internet. The Well-Being at Work Programme is funding a project which is working on a practical instrument to measure working pressures.

A new *Employment Contracts Act (55/2001)* entered into force on June 2001. This strives for greater logic and clarity in order to make the law easier to apply. The amendments include improvements to the job security of people in atypical employment, define the general applicability of minimum employment contract terms and clarify provisions on job security. An Act on the protection of personal data and privacy in working life (477/2001) entered into force on October 1, 2001. This supplements the Personal Data File Act in working life applications, promotes openness in the workplace and applies to employees, officials and job applicants alike.

In 2001, over 13,500 people took *switch-leave*, 70% of them were women. A total of 55,000 people have taken switch-leave since it was introduced in 1996. In this system, the employer always undertakes to employ an unemployed person to replace the employee on switch-leave. In 2001, an average of 7,700 people were on switch-leave, and about 10% used their leave for vocational studies. A tripartite working group will decide by the end of May on the possible extension and development of the switch-leave system.

As of August 1, 2001, a *training allowance for adults* has been available for employed people and entrepreneurs taking study leave, if their income falls due to their studies. The allowance is the equivalent of about 80% of each person's unemployment security (see section 4.1.2).

A new *Occupational Health Care Act (1383/2001)* entered into force as of the beginning of 2002. Like the previous Act, the new Act requires the employer to acquire occupational health care services from professional health care providers at his own expense. In addition, the services of occupational health care experts should also be used to an adequate extent. The purpose of the new Act is to prevent occupational diseases and accidents, promote a healthy and safe working environment and functional work communities, and ensure the health and working capacity of employees at different stages of their career.

During 2001, a tripartite committee completed a unanimous proposal for a new Occupational Safety Act. Based on this committee proposal, a bill will be submitted to Parliament during 2002. Both proposals include new initiatives on the physical and mental demands of work, working alone and harassment. The *supervision of occupational safety* has been made more effective through a number of measures, and the supervision of the employment relationships of foreign workers has also been given more attention than hitherto.

Where *working hours* are concerned, the Well-Being at Work Programme is implementing a research programme proposed by the labour market organizations on experiences of flexi-time arrangements. Employer and employee organizations have prepared a joint statement on good working time practices, in order to encourage more versatile working time arrangements.

Measures to be implemented in 2002:

- *The aim is to complete preparations for the reform of the Annual Holidays Act in autumn 2002. The aim of the reform is to simplify the legislation on annual holidays so that inequalities in application of the legislation can be removed, and to create better opportunities for saving up annual holiday in order to take a longer paid sabbatical or study leave.*
- *The workplace development programmes will continue and their content will be comprehensively overhauled. In 2002, the total funding resources of the programmes come to about EUR 11 million. The Well-Being at Work Programme will complete a study on monitoring and use of personnel resources. The aim of the study is to make reporting on personnel resources clearer. The programme will also be implementing actions to help ageing workers stay on at work.*
- *Opportunities for teleworking will be developed based on a Government resolution, in order to promote the aims of employment, family, traffic, environmental and regional policy.*
- *The Government will begin to prepare a report to Parliament on developments in economic and working life and changes in companies' operating methods and their environment, and how the labour legislation should respond to these changes.*
- *The labour market organizations will draw up a recommended operating model for systematic development of work communities, for use in the workplace. A training campaign on the subject will be arranged in autumn 2002.*
- *The employer and employee organizations will arrange a campaign on versatile working hour arrangements.*
- *Nine new projects will be started within the EQUAL Community Initiative, in support of employer and employee adaptation to new technologies and structural change in the economy.*

Implementation of these measures is the responsibility of the Ministry of Labour, the Ministry of Social Affairs and Health and the Ministry of Education, in cooperation with the labour market organizations.

4.4. PILLAR IV: STRENGTHENING EQUAL OPPORTUNITIES POLICIES FOR MEN AND WOMEN

4.4.1 The gender mainstreaming approach and reconciling work and family life (Guidelines 16-18)

The employment rate for women was 65.4% in 2001, or more than one percentage point higher than the previous year. The employment rate for men was 70%, an increase of 0.6% on the previous year (Appendix Table 14). The difference between the employment rates of men and women is slight. Ageing does not have any noticeable impact on the difference, either: the employment rate is the same in the 50-54 age group, while the employment rate for women is slightly higher (63.7%) than that for men (62%) in the 55-59 age group.

Both men's and women's unemployment rates fell in 2001. The figure for women was 9.7%, a fall of 0.9 percentage points on the previous year. The figure for men was 8.6%, a fall of 0.5 percentage points on the previous year. There are as many unemployed men as women, but 61% of the people in labour policy measures are women (Appendix Table 10).

Finnish women's high educational level improves their position on the labour market. The educational level of working-age women is higher than that of men (see NAP 2001, p. 25). In 2000, half of all vocational students were women, 55% of polytechnic students and 53% of university students. In 2000, 59% of those who passed the matriculation examination were women. The choice of subjects for study is still strongly based on gender divisions, however.

70% of the public-sector workforce are women, while they account for only 39% of the private-sector workforce. Women have found work in many previously male-dominated occupations, such as doctors, lawyers and various demanding expert positions. However, women still on average reach lower hierarchical positions on the labour market ladder than men. Only a third of company managers are women.

Full-time employment is by far the most common form of work (see section 2.2). The proportion of part-time employees is, however, growing. Part-time work comprises part-time pensions, part-time supplement and the partial care leave granted to parents of small children. In 2001, about 17% of all employed women and 8% of all men were in part-time work. 20% of female wage-earners had fixed-term jobs, and 13% of male wage-earners. Young women are especially likely to work in fixed-term employment.

The differentiated tax system which has long been in use in Finland encourages both men and women to work, regardless of their family situation. The parental leave system guarantees people in permanent employment relationships their job back when they return after a period of parental leave. Although attempts are made to divide parental leave between both parents, the majority of parental leave users are still women. About 60% of fathers used the paternal leave that fathers are entitled to in connection with the birth of a child, and paternity leave averaged 15 days in 2000. Very few men took longer paternity or parental leave.

All children under school age are entitled to municipal daycare at a reasonable price. The parents of children under the age of three can also opt for home-care support instead. Because children under school age are entitled to daycare, this means that parents can work full time or study. As of August 2001, all six-year olds are entitled to pre-school teaching free of charge. Finnish children start school at the age of seven.

Main measures implemented:

A project on good and equality-conscious workplaces launched on the initiative of the labour market organizations was implemented and will continue in the form of a three-year project called Mosaiikki (see new measures below).

A second national equality barometer was published, giving an overview of Finnish people's attitudes to and experiences of equality. The results show that both men and women feel that men should take a more active part in the care and upbringing of their children. Women wage-earners and students are more critical of equality in practice than they were in 1998.

In 2001, an ESF information campaign was also arranged as part of the implementation of equality-promoting projects. The campaign was designed to highlight the ESF programmes' potential for promoting gender equality and reconciling work and family life. The information campaign was targeted at potential project implementers, companies and local authorities, with the aim of starting new ESF projects to promote equality.

New measures in 2002:

- *Proposals for amendments to the Act on Equality between Men and Women should be ready by the end of 2002. The amendments will evaluate allocation of the burden of proof in cases of pay discrimination and clarify it where necessary.*
- *Work on changes to the parental leave system will continue, with the aim of introducing new provisions at the beginning of 2003. The Government has proposed that fathers' entitlement to paternity leave should be extended by two weeks from the present 18 days on certain conditions. Adoptive fathers will receive the same rights as biological fathers. Another aim is that it should be possible to take part-time parental leave in cases where both the father and mother work part-time.*
- *The labour market organizations have also started a campaign to encourage men to take parental leave.*
- *The labour market organizations have started negotiations on drawing up a set of regulations for workplaces in cases of sexual harassment and abuse.*
- *The second phase of the labour market organizations' project on good and equality-conscious workplaces will start, under the title 'Mosaiikki – the advantage of differences'. It will include a networking project for the work communities involved in the project, and a survey aimed at establishing a set of criteria for a good and equal work community and studying the links between equality, tolerance of differences, wellbeing and competitiveness. The project involves nine workplaces with a total of 14,000 employees.*

Implementation of these measures is the responsibility of the Ministry of Labour, the Ministry of Social Affairs and Health and the Ministry of Education, in cooperation with the labour market organizations.

APPENDICES

1. Tables and Figures
2. Good practice: Integration of immigrants

APPENDIX 1. TABLES AND FIGURES

Table 1. Economic development 2001-2006 (basic scenario)

	2001	2002	2003	2004	2005	2006
Change in GDP, %	0,7	1,6	3,2	3,0	3,0	3,0
Change in exports, %	-0,7	1,3	7,4	6,0	6,0	6,0
Trade balance, % of GDP	6,3	5,7	6,7	6,7	6,6	6,6
Employment rate (15-64 yrs)	67,7	67,4	67,2	67,4	67,6	67,9
General government EMU debt. EUR bn	58,9	61,1	63,4	65,2	65,6	65,8
- % of GDP	43,6	44,0	43,6	42,1	40,4	38,6

Table 2. Employment and unemployment indicators 1997-2001

EMPLOYMENT INDICATORS

	1997	1998	1999	2000	2001
Growth in employment rate, %	2,0	2,4	3,3	1,7	1,4
Men	2,3	2,8	2,7	1,8	1,0
Women	1,6	2,0	4,1	1,6	1,7
Part-time work	-2,9	6,5	9,5	3,3	0,6
Employment rate, 15-64 yrs	62,9	64,1	66,0	66,9	67,7
Men	65,4	66,9	68,4	69,4	70,0
Women	60,3	61,3	63,5	64,3	65,4
15-24	33,3	35,0	38,7	39,8	40,4
25-54	77,5	78,9	80,3	80,9	81,4
55-64	35,8	36,4	39,3	42,2	45,7

UNEMPLOYMENT INDICATORS

	1997	1998	1999	2000	2001
Unemployment rate	12,7	11,4	10,2	9,8	9,1
Men	12,3	10,9	9,8	9,1	8,6
Women	13,0	12,0	10,7	10,6	9,7
Percentage of young unemployed (15-24 yrs)	11,2	10,8	10,6	10,8	10,0
Men	11,6	10,6	10,3	10,6	9,8
Women	10,9	10,9	10,9	11,0	10,2
Long-term unemployment rate	4,5	3,9	2,9	2,7	2,2
Men	4,7	4,2	3,1	2,7	2,3
Women	4,4	3,6	2,7	2,6	2,0

Source: Statistics Finland, Labour Force Survey

Table 3. Employment rate, unemployment rate and percentage of the labour force involved in labour market measures, by Employment and Economic Development Centre, in 1997 and 2001

Centre	Employment rate		Unemployment rate		Percentage of labour force in labour market measures	
	1997	2001	1997	2001	1997	2001
Uusimaa	68,9	75,3	9,5	5,5	3,1	1,7
Southwest Finland	66,8	70,0	10,4	8,0	4,3	2,5
Satakunta	61,7	64,7	13,4	10,3	6,7	3,8
Häme	62,3	67,5	13,4	9,9	5,6	2,8
Tampere Region	63,2	68,0	12,9	9,3	5,2	3,1
Southeastern Finland	60,2	64,2	12,4	9,4	5,0	3,7
Southern Savo	58,8	60,1	13,8	12,5	5,6	4,4
Northern Savo	55,5	59,8	15,6	13,1	5,9	4,3
North Karelia	54,7	58,6	17,4	14,8	6,7	5,9
Central Finland	57,3	62,8	16,2	11,7	6,1	4,0
Southern Ostrobothnia	61,3	64,8	14,6	9,1	5,2	3,3
Ostrobothnia	65,8	69,1	8,4	7,7	4,4	2,8
Northern Ostrobothnia	59,4	63,7	15,5	12,0	5,9	3,5
Kainuu	51,2	56,5	23,5	17,7	9,2	6,9
Lapland	54,4	57,8	20,4	16,3	9,4	6,0
Whole country	62,9	67,7	12,7	9,1	5,0	3,1

Source: Statistics Finland, Labour Force Survey; Ministry of Labour, Jobseeker Register

Table 4. Change in the population age structure and employment increase required to reach the 70 % employment rate target between 2001 and 2010

Age group	Population change	Demographic impact	Employment increase	Employment rate target
15-54	-173000	-144000	76000	-680000
55-64	203000	69000	100000	169000
15-64	30000	-75000	176000	101000

Figure 1. is available only in the paper version

Table 5. Employment 3 months after participation in active labour market policy measures, in 1996, 1998 and 2000

Measure	1996	1998	2000
Wage-paying subsidized employment	20,3	27,5	27,9
Labour market training	19,6	24,3	31,6
Traineeships	7,2	10,1	14,2
Active measures total	18,4	23,5	25,8

Table 6. Follow-up on the effects of measures taken: unemployed 3 months after the end of the measure (Guideline 2)

Measure	Ended*		Unemployed 3 months after the measure			
	2001	2000	2001	%	2000	%
Labour market training	31894	41573	13795	43,3	18103	43,5
Apprenticeship training for unemployed	5737	7730	799	13,9	1159	15,0
Traineeship	36384	39145	11855	32,6	12568	32,1
Pay subsidies (private sector)	7445	8062	3111	41,8	3276	40,6
Switch-leave replacement
Part-time work	5771	8147	2586	44,8	3131	38,4
Start-up grant	3790	4194	201	5,3	216	5,2
Job in the public sector	28162	34599	17108	60,7	21260	61,4
Combined subsidy	21480	17861	13963	65,0	11421	63,9
Total measures	140663	161311	63418	45,1	71134	44,1

*Based on the follow-up on those who completed a measure in October and September. Breakdown by gender is not available. The effect of switch leave is monitored separately.

Table 7. Transitions between employment, non-employment and labour market policy measures

Labour market status 1999 XII	Persons	Labour market status 2000 XII, per cent					
		Employed in open labour m.	Unempl.	LMP-measures	Studying	Retired	Others
Employed in open labour market	2115067	91,7	2,9	0,4	2,0	1,1	1,8
Unemployed	352542	21,7	52,6	10,9	2,8	4,1	8,0
In LMP measures	71900	35,7	39,4	15,2	4,2	0,3	5,2
*Training	37445	36,8	30,9	18,9	6,4	0,3	6,7
*Job sharing	4760	59,9	28,8	6,5	1,8	0,1	2,9
*Employment incentives	13269	28,5	57,5	9,1	1,1	0,3	3,4
*Direct job creation	15182	27,3	50,7	15,2	2,6	0,2	4,0
*Start-up incentives	1244	89,4	5,1	2,0	0,6	0,0	3,0
Studying in VET	369080	22,2	4,8	1,5	63,2	0,3	8,0
In retirement	315924	2,1	0,3	0,0	0,3	95,6	1,6
Others	199890	22,1	11,6	3,2	10,4	3,2	49,5
Population of 15-64-years	3424403	63,5	9,3	2,0	9,0	10,2	6,0

Labour market status 1998 XII	Persons	Labour market status 1999 XII, per cent					
		Employed in open labour m.	Unempl.	LMP-measures	Studying	Retired	Others
Employed in open labour market	2063692	91,1	3,4	0,4	2,0	1,2	2,0
Unemployed	373253	19,8	54,5	10,8	3,0	3,9	8,1
In LMP measures	83838	35,2	39,0	16,1	4,2	0,2	5,3
*Training	42359	34,8	31,2	21,0	6,2	0,2	6,5
*Job sharing	7222	57,8	28,8	7,1	2,4	0,1	3,9
*Employment incentives	10706	33,9	52,8	8,3	1,2	0,2	3,6
*Direct job creation	21998	25,5	52,9	14,5	2,6	0,2	4,3
*Start-up incentives	1553	86,7	7,4	1,6	0,6	0,2	3,5
Studying in VET	378483	20,9	5,5	1,9	62,5	0,4	8,8
In retirement	319050	1,7	0,3	0,0	0,5	96,0	1,6
Others	195231	19,8	13,1	3,5	10,4	3,2	49,9
Population of 15-64-years	3413547	61,7	10,4	2,3	9,2	10,3	6,2

Labour market status 1997 XII	Persons	Labour market status 1998 XII, per cent					
		Employed in open labour m.	Unempl.	LMP-measures	Studying	Retired	Others
Employed in open labour market	1966949	92,2	3,3	0,5	1,2	1,1	1,7
Unemployed	405674	19,6	54,9	10,8	3,1	3,8	7,9
In LMP measures	93804	33,5	38,5	17,9	4,3	0,3	5,5
*Training	48240	33,0	32,4	21,2	6,2	0,3	6,8
*Job sharing	6736	52,9	29,4	12,5	1,7	0,1	3,3
*Employment incentives	5219	56,4	31,1	7,7	1,6	0,2	3,0
*Direct job creation	31880	23,8	52,6	16,6	2,6	0,3	4,2
*Start-up incentives	1729	84,4	6,4	1,6	0,8	0,1	6,8
Studying in VET	410646	22,3	5,9	1,6	62,0	0,5	7,7
In retirement	327658	1,9	0,3	0,0	0,2	95,9	1,7
Others	194728	21,3	13,1	3,3	9,9	2,9	49,5
Population of 15-64-years	3399459	60,7	11,0	2,5	9,3	10,6	6,0

Source: Statistics Finland, employment register

Table 8. Ensuring the availability of labour

Indicators:	1994	1995	1996	1997	1998	1999	2000	2001
Job vacancies unfilled, time in days	9	10	11	12	15	10	10	11
Vacancies filled by due date, %	83,7	90,3	92,0	93,8	93,1	94,8	95,8	96,2
Workplaces experiencing recruitment problems, %	15	22	21	22	20	23	29	26
Experience of labour shortages, %	5	5	6	6	5	7	9	8

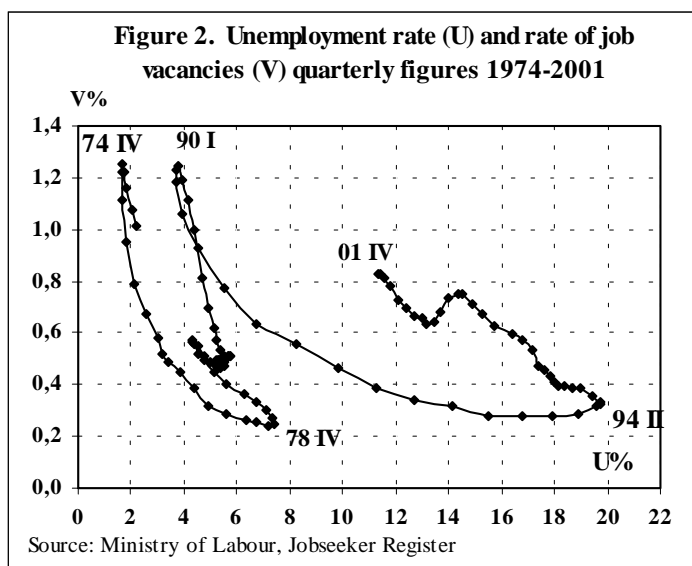


Table 9. Monitoring indicators for Guideline 1 in 1999 - 2001

Indicator	Year	Under 25 yrs			Over 25 yrs		
		T	M	W	T	M	W
"New Start"	2001	99,5	99,4	99,5	99,4	99,1	99,6
Indicator of effort (C / A)	2000	99,0	98,8	99,2	98,6	98,0	98,9
	1999	95,0	94,1	95,8	94,5	92,7	95,6
Inflow into long-term unemployment	2001	8,6	10,0	7,4	9,5	13,6	7,3
Rate of inflow into long-term unemployment B/A	2000	9,1	10,7	7,8	10,2	14,1	7,9
	1999	10,3	12,0	8,9	10,6	13,8	8,6
Unplanned long-term unemployment	2001	8,7	10,1	7,5	9,7	13,9	7,4
Rate of non-compliance D / B	2000	10,9	11,0	10,7	14,1	14,6	13,6
	1999	48,4	49,3	47,3	52,1	52,5	51,8

Table 10. Average volume of labour market measures in 1998-2001, with a gender breakdown (Guidline 2)

Measure	1998			1999			2000			2001		
	T	M	W	T	M	W	T	M	W	T	M	W
Labour market training	41444	20752	20692	37686	18496	19190	30902	14942	15960	26103	12492	13611
-employed people under threat of unemployment	6590	4205	2385	6884	3644	3240	4829	2493	2336	3587	1933	1654
-outside labour force	2825	1433	1392	2345	1143	1202	1931	958	973	1721	845	876
Apprenticeship training for unemployment	10394	5841	4553	8433	4587	3846	6150	3251	2899	4579	2291	2288
Traineeship	12177	4364	7813	11661	4125	7536	10546	3609	6937	9646	3234	6412
Self-motivated study by unemployed	1271	453	818	1810	554	1256	1235	333	902	952	264	688
Pay subsidies (private sector)	6468	3224	3244	4175	1860	2315	3373	1412	1961	3116	1282	1834
Switch-leave replacements	3932	1170	2762	4618	1381	3237	5379	1561	3818	6244	1664	4580
Part-time work	7949	717	6332	6008	603	5405	3819	368	3451	2993	255	2738
Start-up grant	2480	1362	1118	2155	1127	1028	1896	1000	896	1733	875	858
Job in the public sector	26653	10200	16453	20065	7474	12591	14473	5025	9448	12588	4070	8518
Combined subsidy	2660	1206	1454	9788	3903	5885	12633	4825	7808	12794	4931	7863
Vocational rehabilitation 1)	1320	560	760	1360	580	780	1600	700	900	1550	700	850
(A1) Total active measures	116748	49849	65999	107759	44690	63069	92006	37026	54980	82298	32058	50240
(A2) -aimed at unemployed	106013	43651	61462	97170	39323	57847	83646	32875	50771	75440	28580	46860
(R) Registered unemployment	372431	190183	182248	348140	177190	170950	321119	161648	159471	302177	153433	148744
Activation rate A1/(R+A1), %	23,9	20,8	26,6	23,6	20,1	27,0	22,3	18,6	25,6	21,4	17,3	25,2
Activation rate A2/(R+A2), %	22,2	18,7	25,2	21,8	18,2	25,3	20,7	16,9	24,1	20,0	15,7	24,0

¹ Contains work try-outs and other rehabilitation for the disabled, an estimate mad on the basis of number of clients and reimbursed rehabilitation days

Table 11. Employment and unemployment rate by nationality and gender in 1997-2001 (Guideline 7)

Employment rate, 16-64 yrs

Year	Finnish citizens			Foreigners			Difference (% points)		
	T	M	W	T	M	W	T	M	W
1997	64,2	66,7	61,6	42,4	50,7	32,2	-21,8	-16,0	-29,4
1998	65,4	68,3	62,5	48,3	55,6	37,0	-17,1	-12,6	-25,5
1999	67,2	69,6	64,8	52,9	60,4	42,1	-14,3	-9,2	-22,7
2000	68,2	70,7	65,6	52,8	61,3	40,4	-15,4	-9,4	-25,2
2001	69,0	71,2	66,7	55,3	64,4	45,0	-13,7	-6,8	-21,7

Unemployment rate, 15-74 yrs

Year	Finnish citizens			Foreigners			Difference (% points)		
	T	M	W	T	M	W	T	M	W
1997	14,3	13,8	14,9	36,7	34,6	40,3	22,4	20,8	25,4
1998	11,3	10,7	11,9	27,5	26,8	28,9	16,2	16,1	17,0
1999	10,1	9,6	10,7	21,7	22,9	19,4	11,6	13,3	8,7
2000	9,7	8,9	10,5	22,9	21,5	26,0	13,2	12,6	15,5
2001	9,0	8,5	9,5	21,2	20,0	23,0	12,2	11,5	13,5

Source: Statistics Finland, Labour Force Survey

Table 12. Disabled and foreign unemployed jobseekers, labour market policy measures aimed at them and activation rate

Year	DISABLED				ACTIVATION RATE, %		
	Unemployed jobseekers	Labour market training	Employment and traineeship	Vocational rehabilitation	Disabled	All unemployed	Difference
1998	37193	3078	6197	1320	22,2	23,9	-1,7
1999	39185	2892	6270	1360	21,2	23,6	-2,4
2000	40453	2537	5951	1600	20,0	22,3	-2,3
2001	40631	2332	6002	1550	19,6	21,4	-1,8

Year	FOREIGNERS			ACTIVATION RATE, %		
	Unemployed jobseekers	Labour market training	Employment and traineeship	Foreigners	All unemployed	Difference
1998	14355	1864	1515	19,1	23,9	-4,8
1999	14014	3874	1656	28,3	23,6	4,7
2000	13531	3694	1763	28,7	22,3	6,4
2001	13932	3525	1921	28,1	21,4	6,7

Table 13. Expenditure on active and passive labour market policy, 1997-2000, EUR million

Category	LMP measure	1997 ESF contribution, %		1998 ESF contribution, %		1999 ESF contribution, %		2000 ESF contribution, %	
0-1	Public employment services	100,2		115,2		120,3		123,3	
2	Training	710,5	20,2	630,8	20,7	599,1	24,7	512,3	19,8
3	Job rotation and job sharing	58,0	0,0	71,0	0,0	75,9	0,1	71,4	0,2
4	Employment incentives	45,7	10,0	71,6	6,2	126,6	6,7	152,4	5,5
5	Vocational rehabilitation	107,1		105,1		113,7		121,8	
6	Direct job creation	398,4	7,4	289,7	7,6	219,1	9,3	149,1	9,8
7	Start-up incentives	21,4	18,2	19,4	20,7	17,3	26,9	15,2	19,5
0-7	Active measures	1441,4	14,9	1302,7	15,2	1272,0	18,0	1145,5	14,8
8.2, 8.3	Partial and part-time unemployment benefits	224,6		192,6		181,0		164,6	
8.1, 8.4, 8.5	Full-time unemployment benefits	2692,0		2284,0		2102,5		1960,9	
9	Unemployment pension	455,5		497,6		562,6		621,1	
8-9	Passive measures	3372,1		2974,1		2846,2		2746,6	
0-9	LMP measures, total	4813,5		4276,8		4118,1		3892,1	

Active measures, %	29,9	30,5	30,9	29,4
Passive measures, %	70,1	69,5	69,1	70,6
Labour market policy out of GDP, %	4,5	3,7	3,4	3,0
Active measures, %	1,3	1,1	1,1	0,9
Passive measures, %	3,2	2,6	2,4	2,1

Source: LMP database

Table 14. Unemployment rate and employment rate by gender, and the gender gap, in 1994-2001

Year	Unemployment rate (registered)					Unemployment rate (LFS)					Employment rate				
	T	M	W	Gender gap Abs Rel		T	M	W	Gender gap Abs Rel		T	M	W	Gender gap Abs Rel	
1994	19,4	20,7	17,9	-2,8	-13,5	16,6	18,2	14,9	-3,3	-18,1	59,9	61,1	58,8	-2,3	-3,8
1995	18,2	18,9	17,4	-1,5	-7,8	15,4	15,7	15,1	-0,6	-3,8	61,1	63,1	59,1	-4,0	-6,3
1996	17,4	17,8	17,0	-0,8	-4,6	14,6	14,3	14,8	0,5	3,5	61,9	64,2	59,5	-4,7	-7,3
1997	15,9	15,8	15,9	0,1	0,6	12,7	12,3	13,0	0,7	5,7	62,9	65,4	60,3	-5,1	-7,8
1998	14,4	13,9	14,8	0,9	6,5	11,4	10,9	12,0	1,1	10,1	64,1	66,9	61,3	-5,6	-8,4
1999	13,2	12,8	13,6	0,8	6,2	10,2	9,8	10,7	0,9	9,2	66,0	68,4	63,5	-4,9	-7,2
2000	12,1	11,6	12,6	1,0	8,6	9,8	9,1	10,6	1,5	16,5	66,9	69,4	64,3	-5,1	-7,3
2001	11,3	11,0	11,7	0,7	6,4	9,1	8,6	9,7	1,1	12,8	67,7	70,0	65,4	-4,6	-6,6

Source: Ministry of Labour, Jobseeker Register; Statistics Finland, Labour Force Survey

Table 15. Coverage of public childcare services in 1997-2000

	1997	1998	1999	2000
Before entry into noncompulsory pre-school (0- 5-years old)	159182	158266	156665	151228
In non compulsory pre-school (6 years old)	50446	51193	50514	41625
In compulsory primary education (outside school hours)	8451	7373	6388	6539
	as per cent of children			
Before entry into noncompulsory pre-school (0- 5-years old)	41,9	42,8	43,2	42,7
In non compulsory pre-school (6 years old)	76,8	76,5	77,7	63,8
In compulsory primary education (outside school hours)*	12,8	11,2	9,5	10,1

* as per cent of children at 7-years

Table 16. Employees participating in personnel training 1995-2000 (Guideline 4)

	1995	1996	1997	1998	1999	2000
Total employees	1 709 000	1 720 000	1 790 000	1 858 000	1 955 000	2 006 000
Persons participating in personnel training	759 000	761 000	744 000	781 000	838 000	869 000
Percentage of employees	44,4	44,3	41,6	42,0	42,9	43,3
Training days per participant (median)	4	4	5	4	4	4
Training days per participant (average)	2,9	3	3	2,8	2,8	2,6

Source: Statistics Finland, In-service Training

Table 17. Entrepreneurs and their family members as a proportion of all employed people in 1994-2000 (Guidelines 8 and 9)

Year	Entrepreneurs and family members as a proportion of employed						Entrepreneurs (excl. family members) as a proportion of the employed					
	All			Excl. primary production			All			Excl. primary production		
	T	M	W	T	M	W	T	M	W	T	M	W
1994	15,4	20,1	10,5	10,3	14,2	6,4	14,7	19,2	9,9	10,2	14,0	6,2
1995	14,7	19,1	9,8	10,2	14,0	6,1	14,0	18,3	9,3	10,0	13,8	5,9
1996	14,4	18,7	9,7	10,2	13,9	6,3	13,8	18,0	9,1	10,0	13,7	6,1
1997	14,9	19,0	10,3	10,5	13,7	7,0	14,0	18,0	9,6	10,2	13,4	6,8
1998	14,3	18,0	10,1	10,4	13,3	7,2	13,6	17,3	9,5	10,2	13,1	7,0
1999	14,0	17,9	9,6	10,2	13,3	6,9	13,3	17,2	8,9	9,9	13,0	6,6
2000	13,6	17,7	9,2	10,1	13,2	6,7	13,0	17,0	8,6	9,8	13,0	6,4
2001	13,0	16,7	8,9	9,7	12,6	6,5	12,4	16,1	8,4	9,4	12,4	6,2

Source: Labour Force Survey

Table 18. Start-up companies and labour force, by Employment and Economic Development Centre, in 2000

	Start-up companies	Companies wound up	Net change	Labour force	Percentage of start-ups in labour force
Uusimaa	8 309	7 798	511	772 000	1,1 %
Southwest Finland	2 143	1 837	306	241 000	0,9 %
Satakunta	953	773	180	115 000	0,8 %
Häme	1 425	1 385	40	180 000	0,8 %
Tampere Region	1 926	1 828	98	227 000	0,8 %
Southeastern Finland	1 052	1 063	-11	152 000	0,7 %
Southern Savo	565	602	-37	77 000	0,7 %
Northern Savo	853	852	1	116 000	0,7 %
North Karelia	458	613	-155	77 000	0,6 %
Central Finland	1 059	988	71	120 000	0,9 %
Southern Ostrobothnia	782	662	120	90 000	0,9 %
Ostrobothnia	927	817	110	118 000	0,8 %
Northern Ostrobothnia	1 236	1 167	69	173 000	0,7 %
Kainuu	244	259	-15	40 000	0,6 %
Lapland	718	684	34	90 000	0,8 %

Table 19. Participation in professional or occupational adult education, by Employment and Economic Development Centre, in 2000 (18-64-yrs)

	%
Uusimaa	56
Southwest Finland	42
Satakunta	53
Häme	48
Tampere Region	53
Southeastern Finland	49
Southern Savo	47
Northern Savo	58
North Karelia	53
Central Finland	47
Southern Ostrobothnia	47
Ostrobothnia	51
Northern Ostrobothnia	46
Kainuu	46
Lapland	45
Whole country	51

Source: Statistics Finland, Adult Education Survey 2000

This includes training provided by adult education organizations that the respondent considered to be related to his or her job or career

APPENDIX 2. GOOD PRACTICE: INTEGRATION OF IMMIGRANTS

An Act on the Integration and Reception of Asylum Seekers (493/1999) was passed in Finland in 1999. The aim of the Act is to promote the immigrants' integration, equality and freedom of choice through measures which ensure that immigrants can acquire the skills and knowledge they need in order to function in Finnish society. This, in turn, will help improve their economic and social situation and enable them to participate and exert an influence in their new surroundings. In addition, when the bill was processed Parliament declared that one aim was to ensure that integration measures would not jeopardize immigrants' right to their own language and culture.

The statutory integration measures cover immigrants with a permanent residence permit and domicile in Finland. Measures will be implemented within three years of an immigrant's arrival in Finland.

The Act entitles immigrants to an individual integration plan. Specifically, the entitlement to an integration plan applies to an immigrant who is an unemployed jobseeker or who is receiving income support from his home municipality. It comprises a personal plan of the measures needed to give the person concerned and his family the skills and knowledge needed in society and working life. The integration plan is an agreement between the immigrant and the authorities. The income of immigrants is ensured through integration support while the plan is in force, on condition that they take part in the measures agreed on in their personal plan. The measures in question are planned according to each immigrant's personal needs and abilities, and immigrants are expected to play an active and responsible role in their own integration.

Society, in turn, is charged with providing the measures and resources needed to promote integration. Local authorities, the labour administration and other authorities together draw up a local integration programme. The programme sets down the aims and measures for integration and the resources needed, and specifies the cooperation partners in this process, such as central or local government, immigrant organizations and other NGOs, the church and other bodies.

The Government will report to Parliament in May 2002 on implementation of the Act on the Integration and Reception of Asylum Seekers. It should be noted, however, that three years is too short a period to allow any conclusions to be drawn about the efficacy and functioning of the Act. Integration, after all, is a process involving interaction between individual people and society; it takes time, and no comprehensive indicators have been defined for measuring integration or assessing the 'degree' to which an individual has become integrated. In its forthcoming report, the Government has approached this complex issue by evaluating not only the enforcement of the Act itself and related action by the authorities and general cooperation, but also aspects such as the employment rate, living conditions, education provision for both children and adults, the position of children and young people, the position of women, the position of ageing immigrants, the provision of special services for immigrants and the availability of 'standard' public sector services among immigrants. The report also includes evaluation of the general state of ethnic relations in Finland.

Judging by the findings of the report, the Act on the Integration and Reception of Asylum Seekers has clarified the position of immigrants and the services provided for them. Local authorities also feel the Act is functional, encouraging, successful and necessary all over Finland. The local authorities further felt the Act defined more clearly the breakdown of responsibilities between different authorities and cemented authorities' and policy-makers' commitment to integration-related issues. It is estimated that awareness of immigrant issues has been successfully raised thanks to the Act and that cooperation between authorities has intensified. The results concerning integration of immigrants will be available when the Government makes its report to Parliament.