Employment and Economic Development Office

Pay subsidy in 2009

On certain conditions, the TE-Office can grant a subsidy for the salary costs to an employer recruiting an unemployed jobseeker.

The objective of work arranged through a pay subsidy is to improve the vocational skills, competence and labour market position of the unemployed jobseeker and to promote the access of those having been unemployed for long periods to the open labour market.

The pay subsidy is mainly used to employ persons who are long-term unemployed, disabled, young people aged less than 25 and jobless persons threatened by long-term unemployment or exclusion from the labour market.

This subsidy can be received by State agencies and institutions, municipalities, companies and other private sector employers, such as associations, foundations and households.

A pay subsidy will be granted for work performed under an employment contract or for apprenticeship training. The employer shall comply with the provisions of labour legislation and collective agreements of the sector. The employer must be committed to paying a salary indicated by the collective agreement applicable to the employment relationship. In case there is no applicable collective agreement, the usual and reasonable pay should be remitted for the work in question.

Special terms for companies

A subsidy can also be granted to a company based on an employment contract for a fixed term, if the company

- employs a person who is disabled, long-term unemployed or difficult to employ
- concludes an apprenticeship agreement with the jobseeker
- employs a jobless person for forest improvement work
- employs a jobless person who has been continuously unemployed for no less than six months.

In other cases, a prerequisite for granting a subsidy to a company is that the employer concludes an employment contract, valid until further notice, i.e. a permanent employment contract, with the employed person.

Applying for and remitting a pay subsidy

- The employer can apply for a pay subsidy from the TE-Office in whose area the workplace is located or
- from the TE-Office in which the jobseeker the company intends to employ on the pay subsidy is registered as unemployed.

The pay subsidy will be remitted on a monthly basis in arrears.

A pay subsidy granted to a household for purposes other than business activity or agriculture and forestry is tax free.

The TE-Office will deliberate in each individual case if the employment of a jobseeker could be promoted by granting a pay subsidy. The use of a pay subsidy is agreed in the jobsearch or activation plan drawn up together with the jobseeker. A subsidised job can also be combined with possibilities of on-the-job learning and training.

A jobseeker can receive a pay subsidy voucher from the TE-Office to support his or her jobseeking. The pay subsidy voucher indicates the jobseeker's possibility of receiving a pay subsidy to promote his or her employment. The way the voucher is used is specified in the jobsearch plan. Pay subsidy vouchers are only valid for three months at a time.

Preconditions for granting a pay subsidy

The pay subsidy consists of two parts, the basic subsidy and an additional part.

- **A precondition for granting a pay subsidy always is** that there are deficiencies in the competence or vocational skills of the person to be employed on the subsidy, or his or her productivity in the task that is offered is estimated to be lower because of the length of the unemployment, disability or another reason.

- **A precondition for granting the additional part is** that the deficiencies in the competence and vocational skills of the person to be employed on the subsidy and the consequent lowering of productivity in terms of the task that is offered have been verified in an analysis of his/her competence and vocational skills and an assessment of his/her need for services. Another precondition for granting the additional part to a company is that the company is committed to using the subsidy to improve the competence and vocational skills of the employee through training or otherwise.

- **The supplement can however be granted** without the above-mentioned preconditions, in case the person to be employed is difficult to employ, disabled or starts apprenticeship training. The supplement can also be granted without meeting these preconditions in case the employer is a social enterprise, or other than a company.

- **A municipality, association, foundation or social enterprise** can place a disabled, long-term unemployed or difficult to employ person employed on a pay subsidy at work in a company, association, foundation or with a private person.

  The party receiving the pay subsidy must notify the TE-Office of this placement before it takes effect. Attached to this notification must be an assurance of the party organising the work that they have not, during the previous 9 months, dismissed or laid off for production-related or financial reasons employees in the commuting area who were engaged in the same or similar tasks or shortened their working hours.

When a pay subsidy cannot be granted

A pay subsidy cannot be granted to an employer in case

- the employment relationship started before the decision to grant a subsidy was made
- the employer has, during the 9 months preceding the submission of the application, for production-related or financial reasons dismissed or laid off some of its employees engaged in the same or similar tasks, or shortened their working hours
- the employment based on the subsidy would result in dismissals or layoffs of other employees or undermine their working conditions or benefits
- the vacancy could be filled without the support
  (Exception: a pay subsidy may be granted to a company which employs a long-term unemployed person as a substitute under the Act on Job Alternation Leave.)
- the employer receives for the same period other state subsidies for employing the person to be recruited on the pay subsidy or for promoting employment.
  (not applicable to the training compensation paid to the employer in apprenticeship training or assistance from Finland's Slot Machine Association or support from national lottery funds in connection with the highest additional pay subsidy).
- if the subsidy would result in a distortion of competition with other parties offering the same products or services.

The TE-Office can also set other conditions for granting a subsidy that are necessary in the perspective of the persons employed or implementing the purpose of the subsidy.

Amount and duration of the pay subsidy

The amount of the pay subsidy will be at the discretion of the TE-Office in each individual case.

- The minimum amount of a **basic subsidy** is approx. € 550 a month.
- The **additional part** is a maximum of 60% of the basic subsidy. For those difficult to employ, the amount of the additional part can be no more than 90% of the basic subsidy.
- A precondition for paying out the full amount of pay subsidy is that the working hours of the person employed on the subsidy are no less than 85% of the normal working hours in the sector. In case the working hours are shorter than this, the pay subsidy will be calculated in proportion to the working hours, and a reduced subsidy will be paid. For those difficult to employ, the full pay subsidy can, however, also be paid for part-time work.
- The pay subsidy will be paid for those days for which the employer will be liable to pay a salary, however for no more than five days a week. The wage subsidy will not be payable for those days for which the employer is entitled to a daily allowance towards the salary costs of a person hired on the subsidy pursuant to Chapter 7 Article 4 of the Sickness Insurance Act.
- In an apprenticeship relationship, the employer is paid not only the pay subsidy but also a training compensation. This is paid out by the party organising the training.
- The maximum duration of a pay subsidy granted at any one time is 10 months.
- In case of an apprenticeship agreement, the pay subsidy can be paid for the duration of the agreement.

- For the employment of a Work Planning Officer, or a person who is difficult to employ or disabled, a pay subsidy can be granted for a maximum of 24 at a time.
- For a social enterprise, a pay subsidy can be granted to employ a jobless disabled person for 36 months, and to employ a long-term unemployed person or a person difficult to employ for 24 months.
- The Employment Office can grant raised pay subsidy for two years to a social enterprise, in case the enterprise employs a person who is difficult to employ. The additional part, in this case, is a maximum of 90 % of the basic part. In case a social enterprise employs a person who is disabled or long-term unemployed, the raised pay subsidy can be granted so that the total amount of the basic part and the additional part is 50 % of the employment costs, however not more than €1 300 a month.

Employer pools

In an employer pool, several employers - such as several associations or households - can together employ a person on the pay subsidy. In this case, all the employers belonging to the pool will together act as the employer. The pay subsidy will be granted jointly to the employers that are part of the pool. As the pay subsidy is granted to a group of employers, the same principles apply as when granting a pay subsidy to a single employer.

Travel subsidy for those employed on a pay subsidy

To reimburse considerable costs arising from taking a job, the TE-Office can order that the payment of labour market support be continued during the employment relationship (= a travel subsidy) should the person entitled to labour market support take on a full-time job for a minimum of two months outside his or her own commuting area.

A travel subsidy can be granted to a **person employed on a pay subsidy** if

- The person is a jobseeker with reduced employment capacity, as referred to in the Act on the Public Employment Service, or
- The person has been paid labour market support for a minimum of 130 days of unemployment, or
- The person is a young person (under 25 years of age), entitled to labour market support, and has received labour market support on the basis of unemployment for a minimum period of 65 days.

A travel subsidy shall not be granted if the employment has begun prior to the TE Office issuing a labour policy opinion on granting the subsidy.

Additional information

Additional information on the pay subsidy is available from the TE-Office and on the Internet at: www.mol.fi.

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