

Ministry of Labour, Finland

**FINLAND'S NATIONAL ACTION PLAN  
FOR EMPLOYMENT  
2004**

In accordance with the EU's Employment Guidelines

# FINLAND'S NATIONAL ACTION PLAN FOR EMPLOYMENT 2004

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## FOREWORD

In June 2003, the European Council adopted a reformed European Employment Strategy (EES). The new EES aims at full employment and better jobs, and has three overarching objectives: full employment, quality and productivity at work, and social cohesion and inclusion. In order to attain these overarching and interlinked objectives, the Member States will conduct their employment policies with a view to ten specific guidelines which are priorities for action.

The specific guidelines are:

1. Active and preventative measures for the unemployed and inactive
2. Job creation and entrepreneurship
3. Address change and promote adaptability and mobility in the labour market
4. Promote development of human capital and lifelong learning
5. Increase labour supply and promote active ageing
6. Gender equality
7. Promote the integration of and combat the discrimination against people at a disadvantage in the labour market
8. Make work pay through incentives to enhance work attractiveness
9. Transform undeclared work into regular employment
10. Address regional employment disparities.

A principle of the reform was that the Guidelines should be strategic and more result oriented. Another aim was to ensure more effective policy coordination between the broad economic policy guidelines, the employment guidelines and the internal market strategy. The Employment Guidelines have a three-year perspective, they will not change every year.

In 2003, employment trends in Europe were also evaluated by an Employment Taskforce led by former Dutch Prime Minister Wim Kok. The recommendations they made to all Member States included improving incentives to work, improving the adaptability of workers and enterprises to changing economic conditions and labour market demands, investing more and more effectively in human capital and ensuring the effective implementation of reforms through better governance. These recommendations were taken into account in the Council Recommendations for each Member State.

The National Action Plan for Employment 2004 is the response of the Finnish Government to the 2004 Employment Guidelines and the Council Recommendations to Finland. The National Action Plan reports on the implementation of the employment policy measures of the Government Programme of Prime Minister Matti Vanhanen's Government and attainment of their aims and on other Government policies concerning the labour market.

The National Action Plan for Employment 2004 has been prepared in close cooperation between the Government, the labour market organizations and other organizations. Representatives of the regional Employment and Economic Development Centres participated in the preparatory work. Finland's National Action Plan for Employment has been approved by the Cabinet European Union Committee.

Helsinki, October 1, 2004

Tarja Filatov, Minister of Labour

## SUMMARY

1. The main economic policy goal of Prime Minister Matti Vanhanen's Government is to raise employment by 100,000 persons by the end of the electoral period 2003-2007. The aim is a level of growth in the economy and employment which will allow a 75 per cent employment rate to be achieved by 2011. This aim has become even more of a challenge recently, as economic growth has slowed down. The Government has not abandoned its aim, however, but is striving instead to scale and focus its measures as required by the changed circumstances.

The aim set in the Government Programme is to ensure a model of success based on growth and driven by Finnish skills and innovation, which will provide a solid foundation for sustainable productivity in terms of quality and employment. New competitive forms of production based on skills are being sought through additional investments in training and in public funding for research and development. Attainment of a good employment trend will also require measures which promote job-creation in sectors with lower educational demands.

Employment growth is supported through tax policy. A reform of corporate and capital tax will enter into force at the beginning of 2005 and ensure that Finland's corporate taxation is competitive both in terms of tax rates and tax base. To promote employment, the tax reductions will focus on the low and middle-income brackets.

The policy programmes started by the Government in 2003 — the employment policy programme, the entrepreneurship policy programme, the information society programme and the civil participation policy programme — will ensure that aims can be attained efficiently and that the various administrative sectors work together to this end. The programmes are all progressing according to plan.

2. The employment policy programme will reduce structural employment and ensure the availability of labour. A reform of the public employment services (PES) will be carried out during the electoral period. Services for the most difficult-to-place jobseekers are provided in 2004 at 29 'labour force service centres' operating on the one-stop-shop principle, which make the services of different authorities such as the employment office, the municipality and the Social Insurance Institution available at the same location. This allows local employment offices to focus on employment services, helping jobseekers find work fast on the open labour market and promoting enterprises access to labour. There is a particular focus on promoting jobseekers' own initiative and activity, and on the use of online electronic services.

The activation rate of the unemployed has been raised from 23 per cent in 2003 to 24 per cent, with an aim of 25 per cent for 2005. The activation rate of the long-term unemployed was 27 per cent in 2003. While raising the activation rate, care has been taken to ensure that the effectiveness of measures remains at least on the previous level.

3. The main focus of the entrepreneurship policy programme is on practical projects in support of entrepreneurship: entrepreneurial training and consultancy, establishment, growth and internationalisation of enterprises, entrepreneurial taxes and payments, regional entrepreneurship, provisions governing entrepreneurship and the functioning of markets.
4. On the whole, working life trends have been positive in the long term. The production and corporate structures of the Finnish economy are changing into more technologically advanced and knowledge-intensive forms of production. Work organizations are changing. Self-employment is becoming more widespread as an alternative to unemployment, as are subcontracting and telework. Temporary, hired labour is also becoming more widespread, although it is still at a much lower level in Finland than elsewhere in Europe. Working hours are becoming more varied in all employer sectors. Workplace development has long been supported with different programmes in Finland.

Programmatic development is based on the idea that the central government may use certain tailor-made measures in order to boost activity in individual workplaces which aims to improve productivity and the quality of working life, and the knowledge needed for this, in cooperation with employers and personnel. At the beginning of 2004, a new programme for 2004-2009 called *TYKES* started, bringing together and coordinating all the Ministry of Labour workplace development programmes. The Ministry of Social Affairs and Health is also implementing its own *VIETO* programme in 2003-2007 in order to make work more attractive.

5. Investment in training is on a high level, 6.2 per cent of GDP. Participation in adult education and training is at a high level, with nearly one in five respondents having taken part in adult education or trainee work for adults in the preceding month in 2003. Young people, however, have a far higher education level than the older age groups. Young people in Finland tend to enter the labour market fairly late. The Government aims to speed up the transition from studies to work by encouraging an earlier start to higher education and faster graduation, a faster turnover in education and a reduced drop-out rate in vocational training and higher education. 94 per cent of Finnish students who complete comprehensive school continue on to other studies immediately. The transition from comprehensive school to further studies will be eased by improving study guidance and student selection processes. The link between comprehensive education and secondary education will also be strengthened. Vocational training will be developed so as to correspond even better to the needs of working life, with more accurate anticipation of future skills and training needs.
6. Efforts to prepare for the changing demographic structure have produced good results. The employment rate of 55-64-year olds was 49.6 per cent in 2003. A national strategy for active ageing has now been implemented for a number of years, including reforms of working life, development of lifelong learning and employment policy. In addition to this, national workplace development programmes (*TYKES* and *VIETO*) support ageing workers in staying on at work through improving the quality of working life and making work a more attractive option generally. The current favourable developments have also been influenced by limitation of the right to early retirement and the introduction of a part-time pension system, which has made part-time work far more common among the ageing, something which has helped people cope with work.
7. The employment rate among women in Finland exceeds the EU target rate, at 65.7 per cent in 2003. The gender gap in employment rates has also been reduced during the 21st century. On the whole, women hold a fairly strong position on the Finnish labour market. This is due not only to women's high participation rate, but to their high educational level as well. However, there are still gender pay gaps. Women's average monthly salary for full-time work was 83 per cent of that of men last year. Recent studies show that in the industrial sector, white-collar women with same educational level as their male colleagues earn 6 per cent less than men in jobs of comparable worth for the same employer, while blue-collar women earn 3.5 per cent less than men on average. The Act on Equality Between Women and Men is being reviewed, and the amended Act is to enter into force in 2005. The purpose of the amendment is to reinforce the duty to promote equality set down in the Act and to do away with discrimination.
8. People at a disadvantage in the labour market are supported with special measures. Employment rates among immigrants are unchanged since last year. However, employment is helped by the fact that there is a demand for labour in the service industries, and that more and more employers now have first-hand experience of immigrant employees. In addition to immigrant training, the focus continues to lie on the prevention of racial discrimination. The EU Directives prohibiting racism and discrimination at work were given legal force in Finland with the Non-Discrimination Act, which entered into force on February 1, 2004. Employment services for immigrants have been developed as part of the general reform of the public employment services.

The Government's aim for reducing youth unemployment is that every young person who completes comprehensive school is guaranteed a place in further education and that unemployed people under the age of 25 are given a place in training, trainee work or a youth workshop after three months of unemployment.

The Act on Social Enterprises entered into force as of the beginning of 2004. The Act establishes the position of social enterprises as an employment opportunity for disabled jobseekers and the long-term unemployed.

9. The taxation of work in Finland is relatively high, both on average and measured in marginal tax rates, even for low earned income. The taxation of earned income was cut in 2003 and 2004 by a total of EUR 1.1 billion, which covers the minimum goal agreed in the Government Programme almost completely. For reasons of employment policy, the tax cuts focus on the income taxation of low and mid-income brackets. The 'tax wedge' for employees in these income brackets has decreased by about 4.5 - 5 percentage points on the 1999 level. In 2005, taxes on work will be cut by extending the tax allowance on domestic work in order to create more potential for private households to employ help.
10. The undeclared economy, 'the grey economy', is estimated to account for about 4 per cent of GDP in Finland. There is a comprehensive study based on data for 1992, and since then, trends in the undeclared economy have been monitored through studies in individual sectors. A working group led by the Ministry of the Interior is in the process of evaluating the present state of the investigation of economic crimes and the legislative development measures needed. A tripartite working group led by the Ministry of Labour has been appointed and assigned the task of studying the general problems caused by the undeclared economy for the implementation of employees' minimum requirements on working conditions and fair competition among companies. The work of the different working group is coordinated by central government.
11. Considering regional employment and unemployment rates, Finland is a country with large regional disparities. Without employment policy measures, the regional differences in unemployment rates would be even bigger. In the future, the regional differences will be aggravated by regionally diversified demographic changes. The Government pursues a policy of social and regional balance. The aim is to increase the employment rate and reduce unemployment in all regions. Efforts to reach these regional policy goals comprise both programme-based action and focused regional development goals for individual administrative sectors. Fixed-term programmes in this area include the Regional Centre Development Programme, the Centre of Expertise Programme, the Rural Policy Programme and the Island Development Programme. The Regional Development Act, which entered into force at the beginning of 2003, and the Government Decision on regional development goals from 2004 require the main ministries to define the regional development targets and measures in their administrative sphere, including principles for the regional focus of measures and funding.

## A. CONTEXT AND GENERAL AIMS OF THE NATIONAL EMPLOYMENT POLICY

### A.1 Development of Finland's economy and employment

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#### Trends in the economy

With international economic recovery, Finland's economic outlook has also grown more favourable than it has been until recently. The outlook for domestic demand is still good, and alongside it, growing exports are beginning to boost economic growth. The income level has risen and the recent tax cuts and the almost complete stop to inflation are both helping to boost consumer demand. Production investments are also showing signs of recovery. The public sector as a whole shows a clear surplus; in relation to total output, there is as much as 2.5 per cent surplus, more than in any other EU Member State.

The growth in total output is predicted to reach about 2.9 per cent in 2004, compared with 2.0 per cent in 2003. A growth rate of 2.7 per cent is forecast for 2005. Growth is more balanced than in recent years; there will be growth in both net exports, consumption and investments (see table 1).

Economic and employment trends in Finland have been evaluated according to two alternative scenarios, a basic scenario and a target scenario<sup>1</sup>. According to the basic scenario, total output is expected to grow at an average rate of 2.6 per cent annually in 2004-2008. This would bring the employment rate up from 67.3 per cent in 2003 to 67.5 per cent in 2008. Correspondingly, the unemployment rate would fall from 9.0 per cent to 7.6 per cent.

**Table 1.**  
**Economic development 2004 – 2008 (basic scenario)**

	2004	2005	2006	2007	2008
Change in GDP, %	2.9	2.7	2.4	2.4	2.4
Change in exports, %	2.9	4.5	3.5	3.8	3.8
Trade balance, % of GDP	4.9	4.8	4.7	4.5	4.4
Employment rate (15-64 yrs)	67.0	67.3	67.7	67.5	67.5
General government EMU debt, % of GDP	44.9	43.7	42.6	41.7	40.8
Unemployment rate, %	8.8	8.5	8.1	7.9	7.6

#### Trends in employment and unemployment

The employment rate fell by 0.3 per cent in 2003, i.e. by 7,000 people compared with the previous year. The number of employed women fell by 6,000 people and that of employed men by 1,000. In the first half of 2004, the number of employed still continued to fall, but it is predicted that employment will begin to rise again in the second half of 2004, with stronger growth predicted in 2005.

Employment fell most in industry. Some 30,000 jobs in industry have been lost over the past two years, 20,000 of them during 2003. It is predicted, however, that jobs in industry will increase again in a favourable economic cycle. Nevertheless it appears likely that jobs in industry will not grow at the same pace as the world economy, due to the structural change caused by the new international 'division of labour'.

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<sup>1</sup> Long-term estimates are based on conditional assumptions and are scenarios rather than forecasts. The basic scenario starts from the assumption that the growth of total output is slower toward the end of the period under review than at the beginning of it. The functioning of the open labour market is expected to improve further. The target scenario, which would allow the Government's employment target for the electoral period to be reached, is based on the assumption that economic growth will progress at a rate of over 4 per cent annually in 2004-2007.

Employment in primary production has fallen by some 7,000 people a year (about 5 per cent) in the early years of the 21st century.

Employment figures in construction have remained at about the same level for the last two years or so. In the first half of the year, there were 5,500 fewer employees in the sector than a year previously, and it has been suggested that the number of foreign construction workers — often invisible in statistics — may have grown. The demand for labour in the construction sector is predicted to begin to grow again towards the end of the year.

Employment in the service industries continued to grow on the whole, although more slowly than hitherto. At the start of this decade, employment in the service industries grew by about 40,000 employees a year at its highest, and by 17,000 employees in a year even in 2003. Now the growth of employment has stopped completely in some service industries and in some cases the number of employed has even begun to fall. Employment trends have been best in sectors where the public sector accounts for a high percentage of jobs. For instance, the number of jobs in the women-dominated education sector continues to grow. By contrast, employment trends have been particularly unfavourable in women-dominated low-income sectors and sectors which use students as temporary employees.

The unemployment rate has not risen, because part of the workforce has retreated outside the labour market as demand begins to flag. The unemployment rate was 9.0 per cent in 2003 (8.9 per cent for women and 9.2 per cent for men). It is predicted to fall to 8.8 per cent in 2004 and 8.5 per cent in 2005. Regional differences in unemployment are still great, despite a narrowing of regional disparities over the past few years.

Structural unemployment, measured here as the 'hard core of unemployment', i.e. the number of people who have difficulties in finding employment, fell rapidly from 1997 to 2001. During the economic slowdown since 2001, however, the hard core of unemployment<sup>2</sup> as used in the employment programme indicator, has remained fixed at a relatively high level, some 170,000 people (see table 2). With falling demand for labour on the open labour market, many of those who complete active measures either return to unemployment or start in a new measure.

**Table 2.**  
**The hard core of unemployment ('structural unemployment') on average, January-December 1997, 2002 and 2003**

	2003	2002	1997	2003 -1997	
				change	change %
a Long-term unemployment	72 400	77 700	124 600	-52 200	-41,9
b Recurrent unemployment	42 700	43 700	63 200	-20 500	-32,4
c Unemployment after participating in ALMP measure	40 400	36 700	58 200	-17 800	-30,6
d Placed in consecutive ALMP measures	18 600	15 600	22 600	-4 000	-17,7
Narrow structural unemployment (a+b)	115 100	121 400	187 700	-72 600	-38,7
Structural unemployment (a+b+c)	155 500	158 100	245 900	-90 400	-36,8
Broad structural unemployment (a+b+c+d)	174 100	173 700	268 500	-94 400	-35,2
Total unemployed jobseekers	288 800	294 000	409 000	-120 200	-29,4
Total ALMP measures	86 800	79 300	123 400	-36 600	-29,7
Total broad unemployment	375 600	373 300	532 400	-156 800	-29,5

<sup>2</sup> Mutually exclusive groups: the long-term unemployed, recurrently unemployed, those who return to unemployment at the end of active measures and those placed in consecutive active measures.

## A.2 Priorities of Finland's employment policy

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The main goal of Prime Minister Matti Vanhanen's Government is to develop the welfare society by reinforcing growth, entrepreneurship and employment, and by improving basic welfare services. The Government's foremost economic policy goal is to raise employment by 100,000 by the end of the electoral period in 2007. The aim is a level of growth in the economy and employment which will allow a 75 per cent employment rate to be achieved by 2011. The aim is also to raise the employment rate and cut unemployment in all regions.

This employment goal has become even more of a challenge recently, as economic growth has started to flag. The Government has not abandoned its aim, however, but is striving instead to scale and focus its measures as required by the changed circumstances.

Where economic trends are concerned, Finland is facing a double challenge: the ageing population and the forceful change in the international 'division of labour' which is the consequence of the globalization of the economy. In addition to industrial production and jobs, product development and service production are now also increasingly being outsourced to countries where production costs are cheaper. In Finland, economic recovery after the deep recession of the 1990s was largely based on rapid growth in industrial production and exports. In the early years of the 21st century, industrial production has remained unchanged as growth in the world economy focuses on areas outside Finland's export markets.

New competitive forms of production based on skills are being sought through additional investments in training and in public funding for research and development. More funding for technology will reinforce entrepreneurship by generating new knowledge and skills and by improving a broad range of business management skills. Attaining a sound employment trend will also require measures which promote job-creation in sectors with lower educational demands.

The Government's decisions on tax policy include preparation for stepped-up international tax competition and a narrowing of mobile tax bases, in particular. A reform of corporate and capital tax will enter into force at the beginning of 2005 and ensure that Finland's corporate taxation is competitive both in terms of tax rates and tax base. The reform will particularly favour growth-oriented companies. The tax cuts on alcoholic beverages which were implemented in 2004 will ensure that a tax base for such products is retained in our country even after EU enlargement. For reasons of employment policy, the focus of reductions in income tax has been particularly on the taxation of low and middle-income brackets. Tax cuts in 2005 will be decided in connection with the incomes policy agreement concluded by the social partners.

As a counterweight to tax cuts for earned income, structural reforms aimed at raising the employment rate and reducing unemployment are needed, together with strong commitment to the framework chosen; all this will ensure that there is no structural deficit in the public economy. Since tax cuts do not fund themselves, they must be combined with other reforms and moderate wage trends in order to safeguard the balance of the public economy. As part of a consistent reform programme, tax cuts can strengthen the balance of the public economy in the long term.

In summer 2003, the Government started four intersectoral policy programmes in order to ensure that aims can be efficiently attained and that the various administrative sectors work together to this end. The policy programmes are the employment policy programme, the entrepreneurship policy programme, the information society programme and the civil participation policy programme. The employment policy and entrepreneurship policy programmes particularly support economic growth and employment. The entrepreneurship policy programme is creating operating conditions that will promote the fostering company start-up,

growth and internationalization of companies. The employment policy programme focuses on reducing structural unemployment and ensuring the availability of labour. The programme will be implemented in the form of four sub-projects which contain a number of concrete measures.

The sub-projects of the employment policy programme are:

1. Reform of the public employment services
2. Activation of labour market support
3. Active labour policy programmes and training
4. Encouraging people to stay on at work for longer.

The Government Programme is supported by the labour policy strategy 2003 – 2007 – 2010 prepared by the Ministry of Labour. The strategy sets the aim of unemployment falling to about 6 per cent in 2007 and 5 per cent in 2010, of people staying on at work for 2-3 years longer than they do at present, and a rise in the employment rate of people aged 55-64.

The main guidelines of the labour policy strategy are:

1. Reducing structural unemployment and preventing exclusion
2. Ensuring the availability of skilled labour
3. Enhancing labour productivity in a manner that is sustainable in terms of quality
4. Creating preconditions for an active labour immigration policy
5. Boosting entrepreneurship and self-employment.

### A.3 Full employment

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*Target: At the EU level, the aim is the following*

- overall employment rate of 67 per cent in 2005 and 70 per cent in 2010;
- employment rate for women of 57 per cent in 2005 and 60 per cent in 2010;
- employment rate of 50 per cent for older people (55-64) in 2010.

The employment rate will fall from 67.3 per cent in 2003 to 67.0 per cent in 2004, but in 2005 it will rise again to the 2003 level. The growth in employment came to a halt in 2002-2003, for the first time since the recession in the 1990s. The employment rates for both women and men fell in 2003; the employment rate for women was 65.7 per cent, while that for men was 68.9 per cent. As labour demand weakened, women in particular, tended to retreat outside the workforce to become housewives or students. They are likely to return to the labour market as the employment situation improves.

Meanwhile, it is gratifying to note that the employment rate for older people continues to rise. The employment rate for people aged 55-64 was 49.6 per cent in 2003 (women 43.3 per cent and men 51.0 per cent). It is estimated to reach 51 per cent in 2004. Action in support of this trend will continue in the form of continued improvement of the quality of working life and the skills and work ability of older workers (see appendix table A2.).

The target set by the Government in 2003 — employment growth of 100,000 people by 2007 — requires that 45,000 new jobs a year are created during the next three years. In a favourable economic trend, such improvements are feasible. In 1997-1998, for instance, employment grew by a total of 95,000 and in 1999-2000, it grew by a further 113,000.

The economic forecasts signal gradual recovery in terms of employment, too. Total output is expected to grow at an average of 2.6 per cent annually in 2004-2007, something which would bring a total of about 20,000 new jobs during the electoral period. This would bring the employment rate in 2007 to some 68 per cent and the unemployment rate to about 8 per cent.

However, if the Government's target is to be reached, it would demand that economic growth would have to rise to an average of 3.5 per cent in 2004 and nearly four per cent in 2005-2006. It would also be essential that economic growth has a strong employment impact.

The target of a 75 per cent employment rate by 2011 is also a challenging goal in terms of labour supply. The activity rate, i.e. the share of employed and unemployed in the total population of working age, has been under 75 per cent throughout the 2000s (see appendix table B5.1.). It is estimated that the labour force reserve outside the labour force is the equivalent of about 5-10 per cent of the people outside the workforce, which could improve the activity rate by 2-4 percentage points. Add to this the exceptional rate at which the Finnish population is ageing, and it becomes evident that a considerable rise in activity rate is needed; in this, the labour market behaviour of the generation born in the 1940s is of crucial importance.

#### **A.4 Improving the quality of work and boosting productivity**

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The post-war baby boom generation will begin to retire in earnest over the next few years; this will mean that the people who leave the workforce each year will number some 10,000 more than the new, young generations which enter it. This drain will be at its highest in the early 2010s. In order to secure an adequate supply of labour and the skills needed, it is essential that the domestic labour force reserve can be activated. In achieving this, improvements in productivity and quality play a key role. One of the aims of the Government Programme is to safeguard the Finnish model for success, driven by skills and innovation and based on growth, as this provides the foundation for qualitatively sustainable productivity and employment.

Innovation has been shown to be far more lively at workplaces where employees can influence their own work and take responsibility for it. Employees' commitment and ability to take long-term responsibility for their own work are crucial if the quality and productivity of work are to be increased. Working conditions have an impact on wellbeing at work and hence on people's ability to cope and their willingness to stay on at work for longer. The changed operating environment and operating methods of companies are creating challenges both in terms of needs for amendments to employment legislation and other forms of workplace development.

The Government is focusing development input particularly on promoting equality, the coordination of family life and work, psychological safety and health at work, wellbeing at work, improved monitoring of working hours, good management and improved occupational skills, workplace health promotion and the special needs of the ageing labour force.

During the past ten years, the employment legislation has been extensively overhauled. Studies show that the new amendments have been reasonably successful in attaining the aims set for them. The terms of work and employment have been fairly comprehensively covered in the Employment Contracts Act, the Working Hours Act, the Annual Holidays Act, the Act on Job Alternation Leave (switch leave), the Study Leave Act, the Act on Equality Between Women and Men, the Non-Discrimination Act, the Act on the Protection of Privacy in Working Life, the Occupational Safety and Health Act, the Occupational Health Care Act and the legislation on workforce participation systems.

The position of the labour market organizations as the bodies which set the minimum standards for employment conditions has also been reinforced. Provisions have been added to the employment legislation, stating that the national employer and employee organizations have the right to make exceptions to imperative provisions. The national organizations have also made use of this right. In their collective agreements, the organizations have also delegated certain issues to be decided at the local level. This allows for flexible consideration to the local needs of companies which belong to the trade unions.

There is a clear need for more active and extensive workplace development, and support is therefore provided for voluntary development measures at Finnish workplaces. Programme-based development is based on the idea that the central government may use certain tailor-made measures in order to boost activity in individual workplaces. The improvement of productivity and the quality of working life, will be carried out in cooperation with employers and personnel.

## **A.5 Reinforcing social cohesion and participation**

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In order to secure a labour supply and ensure social cohesion, it is important to find employment for the entire domestic labour force resource. Finland's approach to combating poverty and exclusion is based on the principles of the Nordic welfare state, which guarantee universal services and adequate social protection. Work to prevent exclusion is carried out in all sectors of social policy. Welfare services are primarily funded from tax revenue, and each Finnish municipality is responsible for providing basic services for its inhabitants, which means that the decisions on service provision are made close to the clients of the services in question. A high employment rate is the best remedy for poverty and exclusion.

Over the past ten years, social policy has been developed along the lines set down for combating poverty and exclusion. Labour force participation has been promoted; access to services and commodities has been secured through subsidized services and a social security system based on residence; resources have been channelled into the prevention of exclusion, and support has been provided for the most exposed groups both in the form of targeted measures and through extensive cooperation. Cooperation between the various bodies involved — central government, labour market organizations, municipalities and third sector parties — has been improved.

The problems experienced by those excluded from the workforce are evident in the form of long-term unemployment and exclusion-related intoxicant abuse and mental health problems. Action is taken against these problems through development programmes set up by the Government and through cooperation between different administrative sectors. Employment programmes improve people's opportunities of finding work, there is a national health care project which aims to improve access to care, an alcohol programme to reduce alcohol problems and a social welfare development programme which aims to help the excluded return to the workforce. The ultimate aim of all measures against poverty and exclusion is to improve the situation of the excluded, ensure a minimum level of income and support people in a weak labour market position in finding work.

## B. SPECIFIC GUIDELINES, AND THE RECOMMENDATIONS GIVEN TO FINLAND

### B.1 Active and preventative measures for the unemployed and inactive

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EU targets set:

- every unemployed person is offered a new start before reaching 12 months of unemployment, or six months of unemployment in the case of young people,
- by 2010, 25 per cent of the long-term unemployed participate in an active measure, with the aim of achieving the average of the three most advanced Member States.

Recommendation given to Finland:

- Important to monitor the impact of recent reforms of active labour market policies on structural unemployment and regional disparities.

In accordance with the Government Programme, the activation of unemployed jobseekers will be raised to about 30 per cent. In 2003, the activation rate was 23 per cent, this year it is 24 per cent and the target for 2005 is 25 per cent. The activation of the long-term unemployed was 27 per cent in 2003; the percentage rose by two percentage points on the previous year (see appendix tables B1.4. and B1.6.).

About one per cent of young unemployed people are still without a personal jobsearch plan after six months of unemployment. The corresponding figure for people over 25 is less than one per cent (see appendix table B1.3.).

The inflow into long-term unemployment fell in 2003. In that year, 7.9 per cent of young unemployed were unemployed for more than 6 months (8.6 in 2002). 8.8 per cent of unemployed over 25 years old were unemployed for more than 12 months (9.4 per cent in 2002). This indicator also expresses the percentage of people entering long-term unemployed who were not offered work or a place to study, or some other active measure. The activation of the unemployed has improved in terms of this indicator, too (see appendix table B1.3.).

The Government's aim is that all young unemployed jobseekers should be offered a place in training, trainee work or a youth workshop after three months jobsearching. In practice, we are close to attaining this goal. Various activities for young people are focused on unemployed young people even at the early stages of unemployment (see 'education, training or traineeship guaranteed for young people' in section B.7).

Structural unemployment, measured here as the 'hard core of unemployment' (see table 2), fell rapidly from 1997 to 2001 but has remained on a high level since then as the demand for labour has weakened. The most problematic sub-group of structural unemployment is the long-term unemployed. The percentage of long-term unemployed of the labour force remained at 2.1 per cent in 2002 and 2003 (see appendix table B1.1.) The inflow into long-term unemployment began to rise in 2004, but the Government aims to reduce the number of long-term unemployed in 2004 and 2005.

As the activation of the unemployed has been stepped up, one firm requirement has been that the effectiveness of measures remains at least on its previous level. The effectiveness of active labour policy measures did not change in 2003 compared with previous years. Three months after the end of a measure, an average of 45 per cent of participants were again unemployed jobseekers, while 20 per cent had been placed in other measures. Of those completing labour market training, 44 per cent were again unemployed three months later, while 52 per cent of those who were in subsidized employment.

A comprehensive follow-up study of labour policy measures was conducted focusing on those who participated in measures in 1999. Their working status was monitored in 2000. The study showed some 30 per cent of those completing subsidized work and vocational training found work on the open labour market within three months of the end of the measure.

European Social Fund programmes are continuously working on developing tailor-made service packages based on individual solutions for those at a disadvantage in the labour market. The effectiveness of these service packages has been good, measured in terms of people's subsequent placement in work or training. In 2004, three ESF product development projects have been implemented as additional measures to boost the effectiveness of the programmes and utilize the resulting good practices. The themes of the projects are support for multiculturalism, mentoring as a way of developing vocational skills and wellbeing at work and telework. The aim of the projects is to ensure that successful operating models and new service concepts are systematically and extensively used.

The euro-denominated resources of labour policy grew from 2002 to 2003, both in terms of the total sum and in relation to the number of unemployed. The total percentage of measures rose to 3.0 per cent of GDP in 2003. Active measures accounted for 29.4 per cent and passive for 70.6 per cent; the percentage of active measures had risen by about one percentage point since the previous year.

Active labour policy measures are contributing considerably to narrowing the regional disparities in unemployment. In 2003, there was a computational fall of 7 percentage points in the unemployment rate of the regions with the highest unemployment (Kainuu and Lapland), while the computational effect of active measures in the areas with the best employment (Uusimaa and South-West Finland) was about 2 percentage points (see section B.10 on regional differences).

### **Labour policy reforms**

The 2003 NAP report describes reforms of Finland's active labour policy since 1998. The NAP 2003 also gives detailed information on the priorities of the Government's employment programme. In May 2004, Finland arranged a peer review seminar of the European Employment Strategy, under the heading The Active Labour Market Policy Reform — the Second Wave. Development of the public employment services was a particular focus of review. The material mentioned above gives detailed descriptions of reform projects, while the present report gives a general overview of the implementation of the reform at present.

### **Reform of the public employment services**

Implementation of the structural reform of the public employment services started in 2004. As part of the reform, labour force service centres will be set up to provide services for the most difficult-to-place jobseekers. At the same time, the employment offices will be able to focus on employment services and the provision of services in support of jobseeking and vocational skills improvement.

In 2004, a total of 29 of the new labour force service centres are already in operation. The new centres are joint service points for local authorities (employment offices, municipalities, the Social Insurance Institution (KELA)) and other service providers, which offer a variety of rehabilitating and activating services to their clients, together with help in life management and looking for work. The clients include long-term recipients of labour market support who have social and health problems as well. In 2004, labour force service centres will offer services to some 10,000 clients. The aim for 2005 is to have a total of 35 centres in operation and to offer services to 20,000 clients.

The aims of the labour force service centres are:

- to reduce structural unemployment
- to reduce social assistance and labour market support payments arising from unemployment
- to improve the activation rate and active labour market support and
- to improve clients' work ability and functional capacity, participation and active lives.

The service model of the employment office is being developed in order to ensure the matching of labour supply and demand. The reform emphasizes the importance of jobseekers' finding work fast on the open labour market and of ensuring the availability of labour. There is a particular emphasis on reinforcing jobseekers' own initiative by creating jobsearch centres, where electronic online services are available and which also provide a meeting place for jobseekers and employers. The aim is to reduce the inflow into long-term unemployment as much as possible. The reform of the service model of the employment office has started in 2004 at the employment offices of 16 big labour market regions. The renewed model will be introduced at all employment offices by the end of 2006.

The reform focuses on the following operating areas of the employment offices:

- increased effectiveness in the service process for individual clients
- development of employer services and reinforcing the role of the employment office at the local level
- increased use of the employment office's electronic online services and inclusion of these services in the service process and
- developing a service model for self-motivated jobsearching (so-called 'jobsearch centres').

### **Shifting the emphasis of labour market support from passive to active**

Labour market support was designed to improve employability of the unemployed people entering the labour market or long-term unemployed through active measures. In practice, however, this support has focused on providing permanent income security for the long-term unemployed. At the end of 2003, over 160,000 people were entitled to the support, 45 per cent were women and 55 per cent men. The use of labour market support as an active form of support will be boosted in order to improve employability of the unemployed. In line with the Government Programme, a working group has been appointed to study the potential for requiring labour market support recipients to take part in active programmes to a greater extent. The working group is to submit its report by January 2005. Funding models are also being explored which would create an incentive for municipalities to deal efficiently with unemployment in cooperation with the public employment services.

## **B.2 Job creation and entrepreneurship**

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There were close to 226,600 enterprises (excluding agriculture) operating in Finland in 2002 according to Statistics Finland's Register of Enterprises. Preliminary figures from the Ministry of Trade and Industry for 2003 indicate 230,400 enterprises. Since 1998, the number of enterprises in Finland has consistently exceeded the peak levels prior to the 1990s recession. Numerically, the biggest number of companies operates in the commerce and service sectors. There were 71,000 women entrepreneurs, which corresponds to 33.3 per cent of all entrepreneurs. The percentage of women entrepreneurs in Finland is among the highest in the EU Member States (if agriculture is excluded).

In 2002, Finnish enterprises employed 1,315,000 people and their total turnover was EUR 274 billion. Personnel at enterprises had fallen by 0.3 per cent on 2001.

Characteristics of Finnish enterprises (2002):

- 99.7 per cent of enterprises are SMEs with less than 250 employees.
- Close to 94 per cent of all enterprises have less than 10 employees.
- About 40 per cent of all enterprises consist of one self-employed entrepreneur.
- 62 per cent of the people employed by enterprises work for SMEs. These produced 52 per cent of the total turnover of the business sector.
- There are 100 big companies with over 1,000 employees. They employ 22 per cent of the total personnel in the business sector and account for 29 per cent of the total turnover in the sector.

Globalization, rapid technological advances and changes in the international division of labour have contributed to the structural change in the economy over the past few years. Basic industries now account for a lower portion of total output and employment than before, while the role of information-intensive sectors, high-tech industry and the service sector has become more prominent. In the new division of labour in the world economy, Finland has chosen a strategy based on expertise. Finland should continue to climb the processing chain by focusing even more than hitherto on research, product development and on turning innovations into marketable products.

**Table 3.**  
**Trends in the number of companies (excl. primary production),**  
**personnel and turnover 1990-2002**

Year	Companies, No.	Personnel, No.	Turnover, EUR billion	Turnover/ personnel, EUR 1000
1990	218 140	1 437 500	156,9	109
1991	215 800	1 312 000	145,0	111
1992	211 470	1 178 200	138,4	118
1993	191 060	1 079 000	142,4	132
1994	184 940	1 049 700	153,8	146
1995	189 460	1 095 800	165,9	151
1996	203 360	1 127 200	177,7	158
1997	213 230	1 118 100	197,8	168
1998	219 270	1 235 100	212,4	172
1999	219 520	1 268 700	225,8	178
2000	222 820	1 301 400	262,0	201
2001	224 847	1 318 700	271,7	206
2002	226 593	1 315 100	274,3	209

Source: Register of Enterprises, Statistics Finland.

### **The entrepreneurship policy programme**

The objective of the Government's economic policy is to create a framework that will foster company start-up, growth and internationalization. The entrepreneurship policy programme ensures effective utilization of the available resources by emphasizing more cooperation between administrative sectors and use of the expertise available in the regions. The entrepreneurship policy programme consists of five themes:

1. Entrepreneurial education and business advisory services
2. New companies, growth and internationalization
3. Taxes and fees with an impact on entrepreneurship
4. Regional entrepreneurship
5. Business legislation and market functioning.

The entrepreneurship policy programme started in 2003. The programme is monitored and its effectiveness is evaluated annually in an entrepreneurship report. The report examines data on, for instance, the number of enterprises, their size and location, entrepreneurship in different sectors, the profitability of companies, the income level of entrepreneurs and the age distribution in different sizes of enterprise. The programme is described in detail in the 2003 NAP. In the following, we will describe the main content of the programme in 2004-2005 and present the most important completed measures.

### **Entrepreneurial education and business advisory services**

People's ability to become self-employed if they want to will be supported through entrepreneurial education and improved business management skills. The aim is to make entrepreneurship more attractive as a career option. Reinforced skills in entrepreneurship and how to run a business should be incorporated into the entire education system.

The Ministry of Education has adjusted the guidelines for entrepreneurial education based on views expressed by the various levels of the education and training system. The Ministry has also drawn up a concrete action programme for entrepreneurial education for each type of education.

Projects in progress:

- The business management skills of SMEs, in particular, will be improved in key areas of business operations. In 2004, the Ministry of Trade and Industry and the Ministry of Education will produce proposals on how public sector actions can be deployed to promote Finnish business skills more effectively than hitherto.
- The market position of business advisory services which do not depend on public funding will be reinforced.
- About 50 regional business service centres will be set up in order to strengthen regional business operations.
- Business advice on transferring enterprise to descendants will be boosted in both privately and publicly funded business advisory services.

### **New companies, growth and internationalization**

One of the particular aims of the entrepreneurship policy programme is to boost the number of SMEs and strengthen their international competitiveness.

Projects in progress:

- Proposals will be prepared on how to reinforce the skills and technology base of SMEs, even outside urban areas.
- The system for public venture capital funding and loans will be made clearer and more effective during 2004.
- The system of start-up grants for unemployed people who wish to become self-employed will be expanded to include others than the unemployed. The reform will enter into force as of the beginning of 2005.
- Economic policy and research which has an impact on the operating environment of growth-oriented companies will be made more effective. An advisory group is preparing concrete proposals for action during autumn 2004; these proposals will supplement the work of the Government's working group on globalization.
- The quota of interest subsidy loans and special loans granted to Finnvera Oyj and the total amount of credit and guarantees covered by the credit and guarantee default agreement will be adjusted annually to correspond with demand.

## **Women's entrepreneurship**

A working group for promoting women's entrepreneurship has been appointed. The working group will study the practical needs and development requirements of advisory services for women entrepreneurs. During 2004, a basic study will also be conducted on the founding of resource centres for women entrepreneurs, enabling decisions on the possible founding of such centres to be made in 2005.

One important instrument in promoting women's entrepreneurship is the special loan for women entrepreneurs granted by Finnvera Oyj, which has grown both in volume and effectiveness in recent years. During 2003, such loans were granted to a total of EUR 18,208,000 (compared with about EUR 17,321,000 in 2002) to a total of 1,213 projects (1,148 in 2002), and the enterprises receiving the funding created 1,200 new jobs (1,124 in 2002). In Finland, entrepreneurship is still strongly gender segregated. In the various business sectors (excluding agriculture and fisheries), there are many women entrepreneurs in the service sector and in real estate services. The percentage of women entrepreneurs in trade, hotels and catering is lower than the EU average.

## **Taxes and fees with an impact on entrepreneurship**

The tax structure will be developed to better boost employment and promote entrepreneurship, taking into account the effects of taxation on Finland's ability to compete as a location for businesses and their key functions.

Projects in progress:

- The Government will improve incentives for offering and accepting work, especially in low-productivity sectors.
- The taxation of foreign investment in Finnish venture capital funds will be changed so as to eliminate double taxation

## **Regional entrepreneurship**

In planning and implementing economic policy, the fact that the conditions and prerequisites for entrepreneurship differ widely in different areas of Finland will be taken into account. Particular attention should be paid to developing cooperation across administrative boundaries and cooperation with local actors. In accordance with the Government Programme, the Government continues to strive to improve the regions' ability to utilize research and development funding.

## **Business legislation and market functioning**

Business legislation will be developed with a view to improving the operating climate for businesses.

Projects in progress:

- During 2004, a monitoring process involving organizations representing the central government and the business sector will be introduced, which will monitor preparation of new legislation from an entrepreneurial perspective at regular intervals.
- An Internet payment service system for small employers will be implemented during 2005.
- A tax account system will be introduced in 2006.

- On the basis of studies, a decision will be made as to whether there is a need to develop the legislation on insolvency proceedings to include provisions on, for instance, personal bankruptcy and more rapid release from liability for debts (on condition that the person in question has always pursued honest business practices).

### **Implementation of the programme in 2003-2004**

Under the auspices of the programme, a number of measures have been implemented including the following:

- The reforms involving cuts in corporate and capital income tax rates and the level of dividend taxation will enter into force as of the beginning of 2005. The corporate and capital income tax rates will be differentiated. The corporate tax rate will fall from 29 per cent to 26 per cent. Meanwhile, the capital income tax rate will fall to 28 per cent. The imputation system of corporation tax (avoir fiscal) will cease to exist. In future, dividend income from a non-listed company will be tax free up to a 9 per cent yield calculated on the net assets of company. The limit of tax-free dividend is EUR 90,000. 70 per cent of the dividend of listed companies will henceforth be taxed as the recipients' capital income. The rate of capital tax will go down to 0.8 per cent.
- The position of SMEs has been improved by introducing a sliding lower limit for value-added tax. In future, no tax at all is payable on a turnover under EUR 8,500. Tax then rises gradually for turnover between EUR 8,500-25,000. The full tax rate of 22 per cent is payable on turnover of EUR 25,000 or more.
- The tax payable on transferring of enterprises to descendants will be reduced. The assets transferred in the generation change in a company or farm will be valued at 40 per cent of the taxable value in inheritance and gift duty.
- A working group appointed in March 2004 has produced proposals for the development of specialist finance company Finnvera plc as a follow-up to the international review of the company.
- The entrepreneurs' viewpoint has been taken into account in the reform of the legislation on limitations on competition. The present system of special permission will be abandoned. In future, companies will not be required to apply for advance approval from the authorities for any operations they pursue which may be limiting to competition. Companies will be able to decide for themselves whether their operations are acceptable. Here they will be able to use guidelines issued by the Finnish Competition Authority to help them interpret the situation; the guidelines will correspond to the guidelines issued by the Commission. Assessment of limitations of competition of negligible significance will be unified in many countries. In future, SMEs will be better able to tell what kinds of arrangements are permitted.
- The service and advice point for public service procurement, which has been funded jointly by the central government and the Association of Finnish Local and Regional Authorities, started operations at the Association of Finnish Local and Regional Authorities in January 2004.
- The Act on Social Enterprises entered into force as of January 1, 2004 (see section B.7).
- A working group at the Ministry of Social Affairs and Health for the reinforcement of social protection for entrepreneurs has now submitted its proposal for changes, which should be implemented so as to enter into force as of January 1, 2005. The proposals focus on, for instance, developing the unemployment security and pension security of entrepreneurs.

### **European Social Fund programmes**

The European Social Fund's Objective 1, 2 and 3 programmes together with the EQUAL Community Initiative support the implementation of the Government's policy

programmes in terms of content. Implementation of the entrepreneurship policy programme is particularly supported by ESF action in the administrative sphere of the Ministry of Trade and Industry.

ESF projects in the Ministry of Education's sphere of administration support the development of entrepreneurial education, with a special focus on training for personnel groups with low skills levels who do not have access to other forms of staff training.

In 2004, preparations are underway to start a new ESF product development project linked with the promotion of entrepreneurship. This intersectoral product development project for entrepreneurs is closely linked in terms of its targets both with the Government's entrepreneurship policy programme and Finland's national employment policy strategy.

### **B.3 Address change and promote adaptability and mobility in the labour market**

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#### **Recent trends in working life in Finland**

On the whole, working life trends have been positive in the long term. In 2003, the quality of working life was evaluated using several different indicators, and was given a good rating of 7.9 (on a scale of 4-10).

The production and corporate structures of the Finnish economy are changing into more technologically advanced and knowledge-intensive forms of production. Knowledge work has also become more widespread. Two in three working Finns are using IT equipment in their work. Certain weaknesses still exist in the ability to apply knowledge, however.

The global capital market has influenced the relative positions of the various sectors and employee groups. Sectors which demand high professional competence and which use the latest technology to best advantage have taken on more employees. Only about half of all employed men and one in four employed women are now classified as blue-collar workers.

Changes are also taking place in the operating methods of work organizations. As much as 70 per cent of industrial enterprises are now involved in networked cooperation. Self-employment is becoming more widespread as an alternative to unemployment, as are subcontracting and telework.

Types of employment are also changing. In 2003, 16 per cent of wage-earners (20 per cent of women and 13 per cent of men) were in fixed-term employment. This situation has become firmly established. The biggest proportion of fixed-term contracts was found in the public sector. In 2003, 13 per cent of wage-earners were working part-time. This percentage had grown by 0.3 per cent on the previous year (see sections B.6 and appendix table B3.1. for more information).

Temporary, hired workforce is also becoming more widespread, although it is still at a much lower level in Finland than elsewhere in Europe. In 2002, some 12,000 companies were using services of enterprises established for temporary labour, nearly 210,000 temporary labour contracts were made and there were about 47,000 individuals working as temporary labour. Surveys on working conditions show that discrimination at work focuses more on fixed-term or part-time employees than others. The number of incidents is several times that of gender-based discrimination, for instance.

More than half the employed workforce consider their health to be very good or good for their age (65 per cent). In 2002, men were absent due to sickness for an average of 7.4 days during the year, while the average for women was 9.4 days. The number of new disability pensions has fallen noticeably since the mid-1990s. Mental problems are the most common reason for disability pensions. 35 per cent of employees feel that their work is fairly or very stressful in psychological terms (women 38 per cent and men 32 per cent). However, only 13 per cent are experiencing actual stress at work (women 14 per cent and men 11 per cent). 43 per cent suffer from pressure of time in their work, but this figure has fallen slightly on the previous year.

According to the most recent statistics available, which are for 2001, there were 28.3 accidents at work per 1,000 employees causing at least a three-day absence. Men had 42.6 accidents per 1,000 employees while women had 13.8, which was slightly fewer than in 2000. Accidents were most frequent in industry, chiefly in the building industry. Accidents at work caused 43 deaths (2.3/100,00 employees), which was 4 less than in the previous year.

Working hours are becoming more flexible and diversified in all employer sectors. Local agreement on the matter in the workplace, technological capabilities such as telework, communications systems, the competitive and economic pressures on work organizations, and the higher expectations of employees are all influencing this change in traditional working time models. The option of flexible working time is now widespread, as only 20 per cent of men and 30 per cent of women do not have this option. Average working hours and actual working hours per employee have fallen somewhat. In 2002, the average working hours per employee amounted to 1,609. Changes in the amount of overtime tend to reflect general economic trends to a great extent, and consequently, the total amount of overtime fell slightly in 2003 compared with 2002. However, employees do not receive compensation for all hours worked in excess of normal working hours, and 46 per cent of wage-earners had worked in excess of their regular working hours without receiving compensation.

Most people feel that the coordination of family life and work is in balance, although parents of young children generally feel that their life situation is more difficult than others. However, Finland has a comprehensive childcare system and over the past few years, the provision of afternoon care for schoolchildren has also been stepped up (see section B.6).

About half of all wage-earners take part in training provided by their employer. The average duration of training was 6.4 days in 2002. Personnel training clearly focused more on senior white-collar employees (62 per cent of whom had taken part) than on more junior white-collar employees (49 per cent) and blue-collar workers (26 per cent).

Pay systems are also changing. Close to half of all employees now belong to a pay system where some sort of performance-based pay or bonus is also payable on top of a basic monthly wage.

### **Main workplace development measures including support for active ageing**

The Ministry of Labour was responsible for the implementation of the Workplace Development Programme (TYKE) and the National Productivity Programme in cooperation with labour market and entrepreneurial organizations. The aim of the programmes was to improve wellbeing at work and competitiveness by developing and disseminating operating models and skills which reinforce the development of human resources and their productive use at work. The programmes continued until the end of 2003, largely on the basis of existing targets and practices. The Well-Being at Work Programme, also coordinated by the Ministry of Labour, was implemented in 2000-2003. The funding allocated to these programmes in the State budget came to a total of nearly EUR 10 million in 2003. As of the beginning of 2004, a new and even

more coordinated programme called TYKES (workplace development programme for the improvement of productivity and the quality of working life) was started, merging all the previous workplace development programmes. The new programme will be implemented in 2004-2009.

Another new programme is also being started for 2003-2007: the VETO programme (national action programme for continuation at work, employee well-being and rehabilitation). It is a programme, coordinated by the Ministry of Social Affairs and Health, with the aim of making working life more attractive. In order to further the aims of this programme, the national programme for the reduction of accidents at work will continue and research methods concerning accidents at work and occupational diseases will be made more efficient.

The conditions for switch leave (or 'job-alternation') were altered at the beginning of 2003, so that this form of leave now focuses more on supporting wellbeing at work among people with past careers of over 10 years. In 2003, some 13,000 people embarked on switch leave; 70 per cent of them were women and 75 per cent were over 40 years old. In 1996-2003, a total of about 80,000 people have taken switch leave.

The labour market organizations have drawn attention to the importance of developing working hours towards more versatile and individual solutions, especially in the long term, and agreements have been made on opportunities for company-specific working time pools and banks.

Employed wage-earners and entrepreneurs are eligible for adult education allowance for vocational studies if their income has fallen due to studies. In practice, the allowance corresponds to about 80 per cent of the unemployment allowance that the person would be entitled to. During 2003, close to 6,500 people received adult education allowance, to a total sum of EUR 25.3 million. The average age of recipients was 40.5.

Supervision of occupational safety and health has been made more effective through the introduction of new measures, such as giving priority to working hours supervision and more effective supervision of the employment conditions of foreign employees. A reform of the relevant legislation is also planned.

Telecommuting continues to be promoted as a way of furthering aims involving work, family life, traffic, environment and regional policy. European Social Fund resources are also used to promote new forms of work organization based on utilization of the latest information and communications technology (ICT), especially in the SME sector.

Partial care leave, which enables parents of young children to temporarily work shorter hours, was expanded on November 1, 2003 to apply to children until their second year of primary school ends at the age of 8 or 9. The right to partial home care allowance was also expanded in 2004. In addition to the parents of children under the age of 3, the parents of pre-school children and children in the first and second year of primary school are now entitled to this allowance until the child starts its third year of primary school.

The Non-Discrimination Act (giving legal force to the EU Directives prohibiting racism and discrimination at work) entered into force on February 1, 2004, the amended Act on the Protection of Privacy in Working Life entered into force on October 1, 2004 and the tripartite committee reviewing the Annual Holidays Act completed its work in spring 2004.

The Government has submitted a working life report to Parliament on trends in business and working life, changes in corporate operating methods and operating environments, and ways in which employment legislation can respond to these changes.

## **Measures to be implemented in 2004-2005**

- The aim of TYKES (workplace development programme for the improvement of productivity and the quality of working life) 2004-2009 is that the work participation rate should become higher in all age groups. This aim requires improved work productivity to an extent that can secure the international competitiveness of the productive industry. In order to succeed in this, operating methods and practices which support job satisfaction and productivity are needed, in addition to basic security enshrined in law. The TYKES programme also supports employees' vocational development, work ability and wellbeing at work, together with functional work communities and, ultimately, the ability of employees to stay on at work longer. The programme's funding resources are being stepped up, and appropriations will come to a total of EUR 12.5 million in 2004-2005. During the programme period, the programme will reach about a quarter of a million people.
- The VETO programme (national action programme for continuation at work, employee well-being and rehabilitation) also has the aim of making working life more attractive. Its focus areas include good quality of working life and occupational safety, effective occupational health care services and rehabilitation, diversity and equality in working life, and income security and the employment requirement related to it which create incentives.
- A productivity strategy based on creativity and working life will be drawn up.
- Preparation of the reform of the Annual Holidays Act will be completed by submitting a bill to Parliament in autumn 2004. One of the aims of the reform of the Act is to improve the right to earn annual holiday for people with atypical employment contracts.
- Preparation of a full reform of the Act on Cooperation within Undertakings continues in a tripartite committee (deadline January 31, 2006). The aim is to introduce genuine interaction at workplaces and include a wider range of issues concerning workplace development and operation and the organization of work in cooperation.
- The Government continues work on turning recurrent fixed-term contracts in the public sector into permanent ones.
- The Government has started a tripartite study on the position of workers in cases where a company is about to transfer its production abroad, and on ways to ensure compliance with foreign employment conditions.

Responsibility for the implementation of these measures lies with the Ministry of Labour, the Ministry of Social Affairs and Health and the labour market organizations.

## **Reducing recruitment problems**

Employers' recruitment problems took a downward turn in the first quarter of 2004. 23 per cent of employers had experienced recruitment problems, compared with 28 per cent in the corresponding period last year. In 2003, the employment offices had become the foremost channel for acquiring new employees. Employers in marginal regions of the country were the most frequent users of employment office services, while employers in Finland's biggest labour market area, Uusimaa, were least likely to use the services. The somewhat weak demand for labour in the early part of the year also had an impact in alleviating recruitment problems.

In order to secure the availability of skilled labour, Finland's focus area in developing the EURES system is to intensify cooperation with employers further. An employer survey concerning acquisitions of foreign labour was carried out in order to improve marketing of the system. Employment service cooperation has been set up with the new EU Member States, Estonia being the foremost in this. Finland will perform a study on obstacles to workforce mobility. Finland will also supply information on working and living conditions, the regional labour market and transitional provisions to a workforce mobility portal.

## European Social Fund programmes

The main emphasis in European Social Fund programmes is particularly on support for skills improvement and maintenance of working capacity for SME staff, equality in working life, entrepreneurship, and the utilization of research results and technology. Measures which support the transition to an information society are emphasized. Attention also focuses on securing the employment of employees under threat of unemployment, and on long-term personnel development. The new TYKES programme, presented above, and the ESF programmes will be coordinated even more efficiently than hitherto.

In 2004, a study will be started with the aim of identifying the operating models used by ESF projects which focus on employee skills improvement for improving employee's skills levels, improving well-being at work and improving the employment rate. An additional aim is to study good practices, successful operating methods and the TE Centres' operating models for developing the employees of the companies and workplaces in their region.

### B.4 Promoting development of human capital and lifelong learning

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EU targets set for 2010:

- *at least 85 per cent of 22-year olds in the European Union should have completed upper secondary education.*
- *the European Union average level of participation in lifelong learning should be at least 12.5 per cent of the adult working-age population (25 to 64 age group).*

Recommendation given to Finland:

- *Take action to reduce early school leaving and increase training for the low-skilled.*

The average level of education in Finland is high. In 2002, 61 per cent of the population (both men and women) over the age of 15 had completed a post-comprehensive qualification. Men and women study different subjects, however, with technology, agriculture and forestry being male-dominated while the social welfare and health care sector, education, liberal arts and social science are dominated by women.

Young people have received far more education and training than the older age groups. The age group 25-29 has the highest education level. 86 per cent of the age group in question had a post-comprehensive qualification in 2002, while only 48 per cent of 60-64 year-olds had even a comprehensive qualification. At the end of 2003, over 85 per cent of 22-year-olds had completed a post-comprehensive qualification. The education level of 22-year-old women is higher than that of men of the same age; 83 per cent of men and 88 per cent of women have completed a secondary school qualification (see appendix table B4.1.).

94 per cent of Finnish students who complete comprehensive school continue on their studies immediately. 55 per cent go on to upper secondary school, 37 per cent take vocational education and 2 per cent continue in additional comprehensive education.

Boys who complete comprehensive school are divided evenly between upper secondary school and vocational education, with 46 per cent going to each. The majority of the girls, some 64 per cent, go to upper secondary school, with only 27 per cent of girls choosing vocational education. In regional terms, Uusimaa is different from other parts of Finland in that the vast majority of all those who complete comprehensive school go on upper secondary school, and a much lower percentage chooses vocational education.

The level of youth unemployment in Finland is high compared with the EU average. Because the young age groups coming onto the labour market are decreasing, it is important in terms of ensuring labour availability that more young people than at present should complete at least secondary-level vocational education and find employment after completing their training. The transition from comprehensive school to further studies needs to be made smoother; attention should also be given to the completion of secondary education and the transition to working life.

According to a study of Statistics Finland, women with secondary education qualifications found work more easily than men in 2000; over 67 per cent of women were employed in 2001 while the corresponding figure for men was 60 per cent. However, at the same time, men with academic degrees found work slightly more easily than women, as 91 per cent of the men were employed in 2001 compared with 87 per cent of women.

Young people enter the labour market relatively late in Finland. This is due to delays in beginning studies and to long study times. Post-upper-secondary studies are generally begun at the age of 21. In 2002, the average ages of those completing polytechnic degrees and Master's degrees at university were 26 and 27, respectively.

The dropout rate has fallen in both secondary vocational training and at polytechnics. About 12 per cent of students drop out of secondary vocational education and 7 per cent from polytechnics every year. The dropout rate is lower at upper secondary school and universities<sup>3</sup>. Some of the dropouts go on directly to studies in another field, while some find work and continue their studies at a later date.

Training investments and participation rates in adult education and training are at a high level in Finland. In 2001, training investments amounted to 6.2 per cent of GDP. In 2003, 18 per cent of all Finns participated in adult education and training (20 per cent of women and 15 per cent of men).<sup>4</sup> (See appendix table B4.2.)

### **Improving the skills needed for the information society**

In accordance with the Ministry of Education's National Strategy for Education, Training and Research in the Information Society, opportunities have been offered to people in Finland to acquire fundamental skills in information and communications technology. About half of the 1.5 million citizens who did not have such skills in 2000 succeeded in acquiring fundamental ICT skills in 2000-2003.

The educational ICT skills of teaching staff have been reinforced through basic and advanced training. By the end of 2003, about 80 per cent of Finnish educational institutions had an IT strategy. Digital teaching materials and auxiliary educational materials have been developed for different education levels and for the main subjects. At the end of 2002, the educational institutions had an average of 11 students per workstation in educational use. All Finnish educational institutions have Internet access.

A virtual university and a virtual polytechnic have been founded in Finland, involving the participation of all Finnish universities, polytechnics and other tertiary education institutions. The virtual school project focuses on developing methods for online learning and teaching. The virtual school project involves a total of 1,100 educational institutions in 220 projects.

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<sup>3</sup> Source: Statistics on educational institutions, Statistics Finland 2003

<sup>4</sup> Source: EU labour survey. In the survey, respondents are asked about their participation in adult education and training during the four weeks preceding the interview. According to the adult education study of Statistics Finland (2000), 54 per cent of Finns aged 18 to 64 participated in adult education in 2000: 59 per cent of women and 49 per cent of men.

## **Vocational education to prevent youth unemployment**

It is the aim of the Government to prevent youth unemployment and the exclusion of young people from the labour market. The transition of young people from comprehensive school to further studies will be made faster by improving study guidance and student selection processes. The aim is that by 2008, at least 96 per cent of the annual cohort which completes comprehensive school should enter upper secondary school, vocational training or additional comprehensive education in the same year. Personal student counselling in comprehensive school will be developed as part of a special project. (See section B.7.)

Special attention will be given to transitions in training and to reducing the number of dropouts. Performance-based funding of vocational training will be applied in order to encourage education providers to take action to reduce dropout rates and speed the transition from training to work.

Further development of the joint application procedure for secondary education will be implemented. The reform aims to make it easier to apply for secondary education or training, make more efficient use of places in training and explore the potential for introducing an online application system.

Young people who have not sought further training after comprehensive school or who have not gained a study position will be provided with individual counselling at the new labour force service centres and employment offices, with the aim of placing them in training, work, work training or workshop activities.

The quality of vocational training and its relevance to working life will be ensured by introducing competence-based qualifications into secondary vocational education, planned and implemented in cooperation with working life. Practical training options will be reinforced by increasing the volume of apprenticeship training for young people and by making workshop activities permanent.

Anticipation will be improved in vocational education to ensure that the supply of training better matches the needs of working life.

## **Speeding up the transition from training to working life**

The Government's aim for bringing down the average age for entering the working life is to lower the average age of beginning and completing university studies, to increase the completion rate and to reduce the number of dropouts in secondary vocational and university education.

Achieving these goals requires development of the degree structures and student selection processes at universities and efficient support measures for student counselling and in preventing dropouts. The Government will also be strengthening the adult education system and increasing incentives in the polytechnic financing system.

The incentive effect of financial aid for students will be developed. The amount of the government guarantee for student loans will be raised in 2005. At the same time, tax deductions for student loans will be introduced, which can be granted to people who have started their studies after August 1, 2005 and completed an academic degree in the set time. The following measures have also been launched:

- University student selection processes will be developed in the direction of joint application procedures and selection processes, which will help students enter higher education faster. The aim is to be able to use a joint application procedure as of the academic year 2007-2008. If selection procedures can be developed, it is thought that students will start their studies younger than at present.

- The effectiveness of the universities' careers counselling and recruitment services has been improved so as to boost students' employability and entering the working life.
- The universities have been allocated EUR 5 million in additional funding for 2004-2005 specifically for the development of studies and study counselling.
- The universities will introduce a new two-tier degree system in 2005.

### **Improving adult education opportunities**

Adult education plays a major role in ensuring labour availability and preventing prolonged unemployment. The five-year NOSTE programme aims at raising the education level of adults age 30-59 who have no post-comprehensive qualification by offering them opportunities to take a vocational qualification and training in preparation for a computer skills test. Student selection procedures for vocational adult education will pay special attention to people aged 30-59 without vocational qualifications, and additional training places and measures encouraging people to apply for training will be funded, together with other support measures for studies.

Before the start of the NOSTE programme, a total of about 10,000 people aged 39-59 without vocational qualifications would take part annually in preparatory training for vocational qualifications within the Ministry of Education's administrative sphere. This number will be raised. It is estimated that the added allocation for 2003 will produce an increase of 3,500 new students and the allocation for 2004 a further 7,400 students. According to the Government Programme, these allocations will be raised during the electoral period until there are at least 10,000 new students a year. Funding for the NOSTE programme comes to EUR 19.5 million in 2004 and about EUR 26 million in 2005.

Post-graduate degrees at polytechnics will be introduced on a permanent basis as of summer 2005, and directed at different fields and polytechnics so as to ensure that people who have completed their degrees at polytechnics have an opportunity for further studies with a high relevance for working life.

The percentage of adult labour market training in active measures will be stepped up. However, this will require that the effectiveness of training remains higher than that of other measures. Training procured jointly by the labour administration and employers has good employment impact and should consequently be stepped up. The number of training days acquired in this way fell by 2 per cent in 2003 due to economic trends.

During 2003, about 80,000 people started labour market training. On average, there were 30,000 students in training at any given time, which was 14 per cent higher than the previous year. 67,000 people completed training during the year, which was 16 per cent more than the year before.

The percentage of those who moved from work to labour market training was 8 per cent in 2003, which was 2 percentage points more than the previous year. The people entering labour market training were usually 30-49 years old and about 40 per cent had no previous vocational qualifications. Of those starting labour market training in 2003, one in three had a secondary-level qualification and one in five had higher-level occupational training.

Adult labour market training will be developed so as to give it more relevance for the needs of SMEs. The training procurement system will be given added flexibility by stepping up the use of broader training capacity and places for individual students. The aim is to raise the proportion of jointly procured training to a level of 10 per cent of labour market training by 2005. New operating models will be developed in order to encourage joint procurement particularly in corporate adaptation situations and information to companies on opportunities for training will be intensified.

About one fifth of basic vocational education and polytechnic training will be aimed at the adult working-age population. Crediting prior studies and work experience, competence-based qualifications and other arrangements suitable for adults and meeting the needs of working life will be increased.

Anticipation of expertise and training needs will be improved, and regional coordination of anticipation will be developed.

Sufficient immigrant training will be ensured, and the quality of training will be monitored through language skills testing. Language training for adult immigrants will be improved.

### **Measures under European Social Fund programmes**

Measures under European Social Fund programmes are helping to promote the development of human capital and lifelong learning. ESF projects prevent unemployment, especially youth unemployment, by developing operating models for making the transition from training to work smoother and making it easier for people to find work. ESF funding has also been targeted for the training of workplace instructors, teachers' training periods in working life and experimental and development activities in the field of on-the-job learning, where one of the new themes is promoting network learning in support of on-the-job learning.

ESF projects prevent exclusion by activating people who have no vocational qualifications to take training, encouraging people in educational institutions who are at risk of dropping out to complete their studies and, in this way, people are encouraged to acquire better skills for the labour market. The methods used to achieve this are to develop flexible forms of vocational training closely linked with working life, by improving the life-management skills of the target group and by developing actions to reduce dropout rates. Attention is also paid to ensuring sensible training choices and providing long-term support with the aim of helping people find work on the open labour market.

## **B.5 Increasing labour supply and promoting active ageing**

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EU targets set:

- *policies will aim to achieve by 2010 an increase of five years, at European Union level, in the effective average exit age from the labour market (estimated at 59.9 in 2001).*

Recommendation given to Finland:

- *Follow-up the national strategy for active ageing by improving working conditions, incentives and the provision of training for the low-skilled and older workers.*

The Finnish population structure is ageing rapidly. The percentage of working-age people of the whole population will fall at the start of the next decade. Until now, the labour market has been able to rely on a growing workforce and new graduates who possess the latest in vocational skills.

Efforts to prepare for the changing demographic structure with the aid of a national strategy for active ageing have produced good results. The employment rate of 55-64-year olds rose by close to 14 percentage points between 1997 and 2003, while the average employment rate only rose by 4 percentage points. This is a consequence of people staying on at work for longer.

The indicator for average exit age from the labour force used in the European Employment Strategy was 61.4 in Finland in 2001 and 60.5 in 2002. The result is at odds with other indicators.

In Finland, the goal of labour policy is to increase the effective average exit age from the labour market by 2-3 years. The monitoring indicator used is working life expectancy, a concept familiar from demographics, which is applied to both expected time in employment and expected time in the labour force. Measured in this way, the expected employment for a 50-year old person in 1997 was 7.2 years, while the expected time in the labour force was 8.2. In 2003, the expected employment for a 50-year-old had risen to 8.7, an increase of 1.5 years. The expected time in the labour force had risen to 9.3 years<sup>5</sup>. Working careers have grown longer every year recently, although the growth rate has slowed down over the past two years. The average retirement age according to pension statistics has also risen slightly. The conclusion is that the average exit age from the labour market is rising according to target.

Something that has contributed to this favourable trend is the restrictions placed on early retirement and the fact that part-time work has become more widespread among ageing workers as a result of part-time pensions. In order to support this trend through improved work ability, Finland has recently reformed the Occupational Health Care Act, the Occupational Safety and Health Act and the legislation on rehabilitation. The operating conditions for occupational health care will be developed further on the basis of these legislative reforms and rehabilitation will be stepped up to pre-empt early retirement.

It is predicted that the employment rate of ageing workers will rise further and this change is supported by maintaining and improving the quality of working life and the skills and work ability of ageing workers. A higher average exit age from the labour market will also be promoted in the future by the impact of amendments to unemployment benefits and employment pension security, which will begin to have an impact on working careers in 2007 or thereabouts.

In the employment policy programme, measures to encourage people to stay at work, to raise the productivity of work and to promote coping at work will be pursued in cooperation with the labour market organizations. The main measures in the employment policy programme are as follows:

- Possible reduction or equalization of the own-risk component in disability pensions paid out by big employers in 'last employer' cases has been considered jointly with the labour market organizations. The reform will encourage recruitment of ageing workers and will enter into force as of the beginning of 2005.
- Ageing workers' opportunities for part-time work have been improved. As of the beginning of 2004, ageing workers can receive unemployment benefit even if the maximum period for adjusted unemployment allowance has expired.
- Implementation of the employment pensions reform which will enter into force as of the beginning of 2005 (see NAPs 2002 and 2003) and monitoring of its impact.

A national strategy for active ageing has now been implemented for a number of years, including reforms of working life (see section B.3), development of lifelong learning — especially the NOSTE programme and adult labour market training (see section B.4) and by developing employment policy (see section A.3). In addition to this, national workplace development programmes (*TYKES* and *VEITO*) support ageing workers in staying on at work through improving the quality of working life and making work a more attractive option generally. Projects implemented with the scope of these programmes also focus particular attention on helping ageing workers stay on at work for longer.

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<sup>5</sup> Source: Helka Hytti, Ilkka Nio: Monitoring the employment strategy and the duration of active working life, *Työpoliittinen aikakauskirja* 1/2004, Ministry of Labour (available in English).

## Projects within European Social Fund Programmes

European Social Fund programmes are helping to improve the vocational qualifications of the population, raise the retirement age, and ensure the availability of skilled labour through measures such as training programmes tailor-made to individual companies' needs. In addition to this, exchange training schemes have been started in the health care sector and commerce. Such schemes focus on the recruitment of unemployment jobseekers and career advances for employees. Such schemes have also been carried out in the public sector, and often aim to improve wellbeing at work.

In 2004, a study will start with the aim of identifying good practices developed within ESF projects for boosting the vocational skills and wellbeing at work of ageing workers. The study will examine the types of operating methods which have been developed in order to improve people's vocational skills and improve the employment situation.

## B.6 Gender equality

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### EU targets set:

- *to achieve a substantial reduction in gender gaps in employment rates, unemployment rates and pay by 2010.*
- *to provide childcare by 2010 to at least 90 per cent of children between three years old and the mandatory school age and at least 33 per cent of children under three years of age.*

### **The positions of men and women on the labour market**

In Finland, both women and men typically work full time. The employment rate among women was 65.7 per cent in 2003, and thus already exceeds the EU target. The employment rate among men was 68.9 per cent. The difference in employment rates has been reduced in the early years of the 21st century. The employment rates for both men and women declined somewhat on the previous year due to economic trends. The unemployment rate for men (9.2 per cent) was slightly higher than the previous year, while that of women (8.9) per cent) was slightly lower (see appendix table B6.1.).

The number of people outside the workforce grew between 2002 and 2003. Out of the entire population aged 15-64, there were 12,000 more women and 5,000 more men outside the workforce than a year earlier. More women studied or stayed at home than the year before, while there were more men who studied or who were not working due to disabilities and pensions. The activity rate for men was 75.9 per cent while that for women was 72.1 per cent; the figures for both men and women were somewhat lower than a year before.

The fact that women are leaving the workforce has given rise to some debate recently, specifically on whether women are choosing to stay at home to look after children at the same time as the post-war generation is beginning to retire in their numbers. It is a fact that there are now more women who choose to stay at home than last year, but they still account for rather a low percentage in Finland, only 4.9 per cent of 15-64-year-olds in 2003. The highest percentage of women who stay at home was found in the 25-29 age group (11.2 per cent). Few men choose to stay at home.

Women hold a fairly strong position on the Finnish labour market. This is due not only to women's high participation rate, but to their high educational level as well. Women

of working age have a higher educational level than men, on average. Despite this, there is room for improvement in women's labour market position. Women and men tend to find work in different sectors and occupations. The foundation for the gender segregation of the labour market is already created at school and subsequent studies through the different choices that men and women make. There are clearly more women than men who work in the public sector, and it follows that trends in the public sector, in particular, have a direct impact on women's employment.

Immigrants are changing the traditional gender segregation of the Finnish labour market to some extent. Immigrant men work in some sectors which have traditionally been dominated by women; one example is cleaning work, which often works as an entry point to the Finnish labour market for many immigrants.

There are still gender pay gaps. Women's average monthly salary for full-time work was 83 per cent of that of men last year. The corresponding figure has been 82 per cent for many years, so it seems to be moving in the right direction. There are many possible ways of examining the gender pay gap. When sector, occupation and age have been taken into account, about half of the gender pay gap is still unexplained. The main factors for the pay gap are sector and occupation. Recent studies show that in the industrial sector, white-collar women with same educational level as their male colleagues earn 6 per cent less than men in jobs of comparable worth for the same employer, while blue-collar women earn 3.5 per cent less than men on average. At present, this is the closest analysis that can be obtained by examining wage statistics. Due to a lack of appreciation for women's work, pay is lower on average in women-dominated sectors than in male-dominated sectors, even where training requirements are the same. Mature women with a very high standard of education who have demanding jobs suffer the greatest pay gap in relation to their male counterparts.

Part-time work has become somewhat more common as of 1997. In 2003, 12.6 per cent of wage earners had part-time jobs, 17.5 per cent of employed women (17.2 in 2002) and 7.6 per cent of employed men (7.7 in 2002). Part-time work is not used to any great extent as a way of coordinating work and family life. Part-time work is particularly common in the private service sector (see appendix table B3.1.).

The majority of the workforce is in permanent employment. In 2003, 20.0 per cent of women and 12.7 per cent of men were in fixed-term employment. Fixed-term employment is far more widespread in the public than in the private sector. 29 per cent of fixed-term employment contracts (and as much as 50 per cent in the municipal sector) are due to replacement posts for people on family policy leaves, annual holidays, sick leave, job alternation leave and study leave. Women are more likely to take family policy leave, switch leave and study leave — and women on leave are usually replaced by other women. Fixed-term work is more common among youngish women with academic degrees. Fixed-term employment makes it more difficult to coordinate family life and work.

With the fall in unemployment, the percentage of women among the unemployed also fell, reaching 47 per cent in 2003. Long-term unemployment is more common among men than among women, while youth unemployment is about the same for both sexes. Women were more active than men in taking part in labour policy measures. In 2003, the activation rate of all unemployed was 23.6 per cent, with 27.6 per cent for women. More attention should focus on activating unemployed men.

Support for the reconciliation of work and family life has been provided in the form of family policy leaves, a comprehensive daycare system and the right to full-time childcare for all children under school age. Parental leave lasts until a child is about 10 months old. As a consequence, most children under one year of age are cared for at home. Some children then start daycare when they are about one year old. As an alternative to daycare, children age 1-2 can be cared for at home with the help of

home care allowance. The option of home care for small children is popular, while children over the age of three are usually in daycare (see appendix table B6.1.).

Afternoon care for young school children has been increased, and has been made the responsibility of the municipalities. Afternoon care is a way of minimizing the time that children spend alone at home without adult supervision, and it helps the reconciliation of family life and work. In autumn 2004, morning and afternoon care for school children started in over 80 per cent of municipalities. The option of part-time work has been expanded to apply to the parents of children in the first and second year of school, too.

### **Government policy to promote gender equality**

Finland has had an Act on Equality Between Women and Men in force since 1987. The Act is now being reformed, and the plan is that the amendments will enter into force in 2005. The purpose of the amendments is to further reinforce the obligation to promote equality and eliminate discrimination which is set down in the Act. The provisions on equality plans in the workplace will also be made more specific. In future, workplace equality plans will be required to contain an overview of the salaries of men and women and the gender pay gap. The amendments will also introduce sanctions against employers who neglect equality planning.

The Government's national equality action plan for 2004 -2007 will be ready in autumn 2004. The national equality action plan is founded on the Government Programme, which has more provisions on equality than any preceding Government Programme. The action plan includes measures which are common to all ministries, such as mainstreaming gender equality throughout the central government and gender impact assessment of government bills, but it also includes specific measures for individual ministries. Training for ministry officials on topics such as mainstreaming gender equality and gender impact assessment of government bills has already been started. Gender impact assessment of budgets has started in the form of a pilot project, focusing on the budget of the Ministry of Social Affairs and Health in autumn 2004.

It is set down in the Government Programme, that the Government promotes the equal pay for the same job and equality in working life through a long-term programme together with social partners. A report on conditions for a programme on equal pay was completed in August 2004. The Government will use the report as a basis for starting the programme.

According to the Government programme, one of the goals in the state sector is to reduce the percentage of fixed-term contracts. Consequently, fixed-term employees have been given permanent posts in the state sector, and the percentage of permanent employment contracts grew in the municipal sector, too, in 2003.

A broad-based working group which studied ways of alleviating segregation in the labour market submitted its report at the beginning of 2004. The members of the working group represented key operators in the school and tertiary education sectors, the labour market organizations and the Ministry of Education and the Ministry of Labour. The working group proposed numerous measures involving the content of teaching, teacher training, study counselling and workplace development.

ESF operations comprise the development and dissemination of operating models which help reduce gender segregation in both training and working life and which support the coordination of family life and work. Projects are implemented within the EQUAL Community Initiative which include the important goal of reintegrating both men and women into the labour market by developing more flexible and efficient forms of work organization and support services, especially for the ageing and for people at risk of exclusion. The ESF projects include projects to alleviate with

segregation and projects to improve women's working life skills. Some projects are also directed at men, e.g. active measures for long-term unemployed men and a project to raise the numbers of men working in the social welfare and health care sector.

More efforts are still needed to boost women's influence in political and economic decision-making. The Government has started a programme aimed at raising the number of women on the boards of directors of state-owned companies and associated companies. The programme will continue until 2005. On the basis of an interim study, the proportion of women on the boards of state-owned companies would seem to have grown. A separate project has also focused on raising the percentage of women in central government, and the results look promising. Women accounted for 17 per cent of top and middle management in 1997 and 33 per cent in 2003.

Labour market support is means tested and spouses' income is taken into account. The Act on Unemployment Benefit was amended as of the beginning of 2004 so as to alleviate means test for labour market support in terms of the impact of spouses' income. The fact that spouses' income was taken into account in means test has tended to have more impact on women's right to labour market support than that of men. As a consequence, this amendment will have the most impact on the position of women.

Efforts have been made to encourage new fathers to take family policy leave, both through legislative amendments and information. Some studies seem to suggest that fathers took slightly more family policy leave in 2003, for instance in the service sector. In the segregated Finnish labour market, the costs arising from family policy leave tend to focus on employers in women-dominated sectors. The costs arising from family policy leaves include payment of salary for periods of maternity leave, hiring substitutes and holiday pay. Employers receive compensation for some of the costs through the health insurance system. It has been decided to raise the proportion of annual holiday costs which is subject to compensation as of the beginning of 2005. This represents a step towards evening out the costs.

## **B.7 Promoting the integration of and combating discrimination against people at a disadvantage in the labour market**

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### EU targets set for 2010:

- *An EU average rate of no more than 10% of early school leavers.*
- *A significant reduction in each Member State in the unemployment gaps for people at a disadvantage.*
- *A significant reduction in each Member State in the unemployment gaps between non-EU and EU nationals.*

### *Recommendation given to Finland:*

- *Take special measures to facilitate the activation and integration of disadvantaged young people, disabled people and immigrants.*

People at a disadvantage in the labour market include immigrants and jobseekers identified as disabled by the public employment services.

In 2003, people who had left school early, i.e. 18-24-year-olds with only compulsory education, accounted for just under 11 per cent (9 per cent of girls and 13 per cent of boys, see appendix table B7.1.).

The activation rate of the disabled was on the same level as that of other unemployed jobseekers, while the activation rate of foreigners is about 10 percentage points higher (see appendix table B7.3.).

An estimate of immigrant unemployment on the basis of labour force statistics was 28.6 per cent at the end of 2003. Immigrant unemployment had not grown on the previous year. Employment is helped by the fact that there is a demand for labour in the service industries, and that more and more employers now have first-hand experience of immigrant employees. This has lowered people's resistance to hiring immigrants, and immigrants have now come to be regarded as a resource, especially in sectors experiencing a shortage of labour. This trend has been supported by the increased inclusion of immigrants in active measures, and joint procurement projects of vocational training, implemented together with employers, which have also included Finnish language training.

## **Immigrants**

In Finnish labour force statistics, non-Finnish citizens with continuous residence permits in Finland are entered as immigrants. According to the statistics for 2002, there were 34,000 employed immigrants in Finland, with an employment rate of 42 per cent. 41 per cent of the employed immigrants were women, while 53 per cent of unemployed immigrants were women.

Generally speaking, it is possible to apply for Finnish citizenship after living in Finland for six consecutive years.

In 2003, there were 25,900 immigrant jobseekers (foreign citizens) at the employment offices at the end of each month on average, 14,000 of them were unemployed. The biggest jobseeker groups according to citizenship were citizens of Russia and Estonia, who accounted for about 43 per cent of all foreign jobseekers. The next biggest groups were Swedes, followed by citizens of Iraq, who had usually entered Finland as refugees, Iran, Somalia, the former Yugoslavia, Turkey and Vietnam.

In 2003, 35,600 foreign jobseekers ceased to be jobseekers. 11,380 of them found work on the open labour market, which is more than a year before, 9,100 were placed in measures, which was also more than the previous year. 13,390 started labour market training and 1,730 started some other form of training, and both figures are higher than those for the previous year. 16,000 of those who stopped being jobseekers were men and 19,600 were women. Immigrants' participation in active measures also increased.

While in recent years people who have moved to Finland have often been fairly successful in finding work thanks to integration plans, unemployment continues at a high level for ageing immigrants with a lack of training, who often have a background as refugees. Some of them have not found work at all, or they may find only short fixed-term jobs. One in five foreign unemployed jobseekers had been unemployed for over a year (at the end of 2003).

Integration plans covering up to three years are drawn up for new immigrants who are entitled to labour market support or municipal social assistance. An immigrant in the process of implementing his or her integration plan receives integration support, which is made up of labour market support and, if necessary, social assistance. The aim is that, during the period covered by the integration plan, immigrants should acquire the language skills in Finnish or Swedish that they need to work and generally update their vocational skills to correspond with Finnish working life.

In 2003, a total of about 3,000 new immigrants were covered by integration plans, one fifth less than the year before. Just over half were women and one in ten was under the age of 25. In all, integration support was paid to 6,200 immigrants.

When Parliament approved the report on implementation of the Act on the Integration and Reception of Asylum Seekers in spring 2002, it gave the measures linked with training for immigrants highest priority. The labour administration will procure immigrant training equivalent to 40 study credits for all unemployed jobseekers entitled to an integration plan. Following the training, immigrants will be directed to take part in medium-level Finnish language tests (levels 3-4), which correspond to the general European language examinations approved by the European Council. Since 2003, a total of 882 immigrants have taken the language test, and 96 per cent have passed the level 3 test.

An overall reform of the Aliens Act entered into force on May 1, 2004. One of the aims of the reform was to make the permit system for foreigners' work permits faster and more flexible. The streamlined permit requirements for foreign labour seem to have attained the targets set, at least where summer seasonal labourers are concerned. In summer 2004, seasonal labourers in the horticultural sector were permitted to work in Finland for up to 3 months on the basis of a visa or even without a visa if none was required. It is still too early to evaluate the impact of this amendment, especially since the aliens register intended as a joint processing system for the authorities is not yet accessible to the employment offices.

### **Helping immigrants to find employment**

In addition to immigrant training, the focus continues to lie on the prevention of racial discrimination. The Racial Equality Directive and the Employment Equality Directive were given legal force in Finland with the Non-Discrimination Act, which entered into force on February 1, 2004. Compliance with the Act in employment relationships and service relationships is supervised by the occupational health and safety authorities. In other areas, supervision of discrimination due to ethnic origin is among the duties of the Ombudsman for Minorities and the Discrimination Board, as provided for in the relevant legislation. A Ministry of Labour regulation will be issued in autumn 2004 concerning the equality plan referred to in the Act. Extensive training and awareness programmes have been implemented in support of implementation of the Act, and these programmes continue to be a priority. The effectiveness of the Act will be evaluated by, for example, developing a systematic and comprehensive monitoring system for discrimination in cooperation among different authorities and NGOs.

Improvement of the supervision of the working conditions of foreign employees and posted workers are dealt with in section B.3.

The Government continues to monitor implementation of the Act on the Integration of Immigrants and Reception of Asylum Seekers, and will be submitting a second report to Parliament by the end of 2007.

Preparation of the Government's new immigration policy programme started in December 2003 and the programme is scheduled for completion in spring 2005. The policy programme will then form a basis for an action programme, in which implementation of targets related to employment and integration will be essential and whose targets will be aligned with those of the employment action plan.

The Ministry of Labour and the Ministry of Education have appointed a new working group to solve any problems related to immigrant integration training, self-motivated training comparable to it, and the recognition of foreign degrees. At the same time, a comprehensive evaluation study of integration training will be performed, with funding from the ministries.

Employment services for immigrants have been developed as part of the general reform of the public employment services. In this context, efforts will be made to help immigrants find work and become integrated through, for instance, improving the guidance process for immigrants in a way which ensures that the skills and expertise that immigrants already possess upon arrival in Finland is identified at the earliest possible stage, and that pathways to integration and employment are then based upon that. Relevance for working life will also be taken into account more in the procurement of integration training for immigrants. Something which has made it easier to guide immigrants onto the labour market are special projects for them, which have made it possible to implement individual employment and training projects. Immigrants have particularly benefited from projects within the framework of the ESF Objective 3 programme and the EQUAL Community Initiative. In 2003, 2,800 immigrants, 1,600 of whom were women, took part in projects designed to prevent exclusion and help those at a disadvantage on the labour market.

### **Education, training or traineeship guaranteed for young people**

The Government's objective in reducing youth unemployment is that every person who finishes comprehensive school should be guaranteed a place in further training, and that a place in training, trainee work or a youth workshop should be arranged for unemployed people under the age of 25 after three months of unemployment. The target is that in 2008, at least 96 per cent of those completing comprehensive school should move on during the same year to upper secondary school, vocational training or additional comprehensive education. In support of young people's career planning and study choices, the National Board of Education has started a project for developing student and study counselling in comprehensive school, secondary education and adult education for 2003-2007. The objective of the project is to improve the guidance services provided by educational institutions, networking, support for further personnel training, and development of the evaluation of guidance services. The student selection procedures of vocational training institutions and upper secondary schools will be developed so as to ensure the access to training of people who have completed comprehensive school the same year. Unemployed young people who choose not to go on to post-comprehensive studies will be offered trainee work or youth workshop places by the time they have been unemployed for three months at the most. In order to support unemployed young people in acquiring the abilities to go on to training or work, actions such as youth workshops will be made permanent.

### **Social enterprises**

The Act on Social Enterprises entered into force as of the beginning of 2004. The Act establishes the position of social enterprises as an employment opportunity for disabled jobseekers and the long-term unemployed. At least 30 per cent of the employees of a social enterprise are disabled or long-term unemployed. Employment subsidies can be granted to social enterprises on less stringent condition and for longer periods than for ordinary companies. In September 2004, there was a total of 11 social enterprises in Finland, employing a total of 200 people of whom 43 per cent were disabled or long-term unemployed.

### **Rehabilitative work**

The objective of the reform of rehabilitative work, which originally started in autumn 2001, is to help people who have been unemployed for a long time find work and to prevent exclusion through active measures. The activation plans introduced by the reform had been drawn up for about 60,000 unemployed by the end of 2003. An evaluation study has shown that recipients of labour market support and social assistance who had been unemployed for a long time had found places in active

measures more often than a reference group, thanks to the activation plans. The reform has also helped forge functional cooperation between employment and social welfare offices in dealing with long-term unemployment.

### **Special measures for the long-term unemployed and people with disabilities**

In addition to the introduction of labour force service centres and the reform of labour market support, the employment subsidy system will be streamlined and the pension prospects of the long-term unemployed will be studied. Proposals for a reform of the employment subsidy system will be prepared alongside the proposals for activating labour market support.

In order to promote employment for people with disabilities, proposals on social employment are being prepared. The employment opportunities for people with disabilities can be improved through improving the cooperation between the authorities and various other actors, and by improving the functioning of the system and employment methods. The incentive effects of the benefit systems for people with disabilities can also be improved. In accordance with the Government Programme, the potential will be investigated for introducing long-term or even permanent employment subsidies for employers who employ a disabled jobseeker, tailored to the reduction in the work ability of the individual employee.

The Government intends to present a bill concerning pension support for long-term unemployed people born in 1941-47 and entitled to labour market support. Pension support would be a special form of social assistance for unemployed people who have received unemployment security for at least 2,500 days at the end of 2004, and who are considered long-term unemployed at that time. The act on this subject should enter into force on May 1, 2005.

### **European Social Fund programmes**

European Social Fund programmes identify and develop opportunities for employment and action which support the activation and independent coping of people at a disadvantage in the labour market, thus preventing exclusion. Projects are typically implemented by a municipality, the labour administration, an organization, foundation or educational institution. The target group comprises the people who are most at a disadvantage in the labour market: the long-term unemployed, people in recurrent unemployment and people with disabilities. Projects strive to help these people find work through individual guidance and advisory services. The projects have also promoted extensive cooperation between the authorities, especially between the labour administration and the municipal social welfare authorities. Projects are also helping to set the scene for the new labour force service centres.

In 2004, a study will start, which will focus on successful operating models developed by ESF projects for helping immigrants become integrated and find work on the Finnish labour market. The study will also examine operating methods developed by ESF projects to promote a multicultural working environment.

## B.8 Make work pay through incentives to enhance work attractiveness

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*EU targets set:*

- *Policies will aim at achieving by 2010 a significant reduction in high marginal effective tax rates and, where appropriate, in the tax burden on low paid workers, reflecting national circumstances.*

*Recommendation given to Finland:*

- *To reduce non-wage labour costs on the low-paid while maintaining sound public finances and to further reform tax and benefit systems to remove unemployment traps.*

The taxation of work in Finland is relatively high, both on average and measured in marginal effective tax rates, even on low-paid work. The high 'tax wedge' — the proportion of labour costs made up of income tax and employer and employee social security contributions — does not encourage investment in expertise and human capital, in addition to being a disincentive to participate in work and to employ people.

To promote economic growth and employment will continue to be the key objectives of tax policy in the near future. Tax policy in the coming years cannot be based on an assumption that economic growth alone will create opportunities for extensive tax cuts. The tax cuts must be supported by other structural reforms too, which help improve the employment rate and reduce unemployment. A strong commitment to the decision on the central government spending limits (for 2004-2007) which has been made in order to ensure the balance of the public economy will not be undermined.

The 'incentive trap' reforms initiated in 1996 have reformed the tax and benefit system, so that there is greater incentive to take a job than there used to be. In particular, the threshold wages for those on minimum benefit and for unemployed persons living alone have dropped, making it economically more feasible to seek employment and thus helped eliminate 'incentive traps'.

### **Cutting the tax burden on employment**

It is a standing challenge for the coming years and decades to try to narrow the tax wedge. It will become even more of a challenge as the population ages and the burden of employment pension payments grows. In order to reduce the tax burden on wages, it must be possible to cut income tax of employees by more than the amount the employment pension payments rise.

During the term of office of the present Government, taxes on labour have been cut by a total of EUR 1.1 billion in 2003 and 2004, which covers the minimum target set in the Government Programme almost in full. The emphasis in the tax cuts was front-loaded, with tax cuts entered in the first supplementary budget for 2003 and the budget for 2004. For reasons of employment policy, the tax cuts focus on the income taxation of low and mid-income brackets. The 'tax wedge' for employees in the medium and low wage income brackets (100 per cent and 67 per cent, respectively, of the average wage of production worker, APW) has decreased by about 4.5 - 5 percentage points on the 1999 level.

A moderate wage settlement could be supplemented with tax cuts which support the purchasing power of the wage earners. The Government will assess the labour market situation at the end of 2004 and adjust the budget proposal submitted to Parliament on the basis of its observations.

In 2005, the tax burden on employment will be cut through the following changes in the tax system:

- The tax deduction allowed for household service work will be expanded in order to create more potential for private households to employ help. The tax deduction can be made for household work, care work, and repairs and renovations on a home or leisure dwelling. The tax deduction encourages private households to hire outside labour and promotes the founding of small enterprises (tax deduction is allowed either when hiring people or buying household services from enterprises).

The expansion will mean that the tax deduction allowed for household service work will also be available for work carried out in the home of the parents of the tax payer or his/her spouse (not only in her/his own home). The deduction will also be expanded to allow the tax payer to deduct 30 per cent of wages paid instead of the 10 per cent applied hitherto. 60 per cent of the work costs paid to the company of household services can be deducted.

The tax deduction allowed for household service work was originally introduced in 1997 in the form of an experiment in the provinces of southern Finland, Oulu and Lapland. It was expanded to the entire country as of the beginning of 2001. One of the aims is also to reduce undeclared work, and bring it into the sphere of legal work. Tax data for 2002 show that 92,000 people took advantage of the tax deduction, which was granted to a sum of EUR 42.7 million.

- The growth of the smallest companies will be promoted through raising the maximum limit for the sliding scale in VAT liability from the present level of EUR 20,000 to EUR 22,500. The sliding scale in VAT liability was first introduced a year ago.
- The employers' social security contribution will be reduced in municipalities within the sphere of the administrative experiment in Kainuu in 2005-2009. Similar cuts in social security contributions on regional grounds are already applied in some municipalities in Lapland and in the Finnish archipelago.

### **Tax policy objectives**

Promoting economic growth and employment are important motives in tax policy decisions. In combination with other measures focusing on the same objective, an internationally competitive tax system containing employment incentives can safeguard high employment and the tax revenues required for sustainable financing of welfare services in the long term.

Separate taxation of spouses, already long-established in Finland, also supports employment by providing an incentive for both spouses to work.

The Government's decisions on tax policy include preparation for stepped-up international tax competition and a narrowing of mobile tax bases, in particular. A reform of corporate and capital tax will enter into force at the beginning of 2005 and ensure that Finland's corporate taxation is competitive both in terms of tax rates and tax base. The reform will particularly favour growth-oriented companies. The tax cuts on alcoholic beverages, which were implemented in 2004, will ensure that a tax base for such products is retained in our country even after EU enlargement.

However, even the extensive tax policy decisions made are not enough to ensure that the targets for competitiveness and, especially, for employment can be attained. The situation as regards corporate tax and tax on commodities is satisfactory at the moment. As a result, the focus of tax policy is shifting toward labour taxation. The international mobility of labour tends to accelerate the competition for skilled and

competent labour. Finland's high tax on labour is hampering the growth of service sector entrepreneurship and employment on the domestic market, creating an obstacle to raising the employment rate, something which would be vital if we are to secure a funding base for welfare services and income transfers.

It is a standing challenge for the future to try to lower taxation on labour. It will become even more challenging as the population is ageing.

## **B.9 Transforming undeclared work into regular employment**

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It was estimated in 1995 that the grey economy accounted for FIM 20 billion at 1992 prices, or 4.2 per cent of Finland's GDP at the time. This estimate was put forward in a memorandum by a working group appointed by the Ministry of Finance to study the grey economy, and it was based largely on studies on the use of working hours and payroll data, supplemented in the case of some sectors by expert statements. The level of the grey economy estimated in this study covers the grey economy in labour-intensive fields, and thus fairly accurately matches the EU definition of undeclared work.

Since 1995, trends in the undeclared work in Finland have been monitored through studies in individual sectors, mainly on commission from the National Tax Administration. Studies have been made of, for instance, the construction industry, the catering industry and other service industries. Research and the observations of the authorities both confirm that 'the grey economy' was not just a recession-related phenomenon, but that in fact, its absolute volume has increased as the economy revived. Taking into account the closer studies of individual sectors and, particularly, the new forms of the grey economy discovered since 1995, it is far from unfounded to estimate that the grey economy is still at least on the same level as in 1992, measured as a percentage of GDP.

According to a study from 2001 of the grey economy in the construction industry, the grey economy in the sector accounted for FIM 3-5 billion in 1998, depending on the method of calculation; this was the equivalent of 9-16 per cent of output in the sector. This was calculated to be the equivalent of between 17,000 and 23,000 man years. According to a study from January 2002, the calculated volume of the grey economy in the restaurant sector may have exceeded EUR 330 million in grey wages as early as 1999. Converted into working time, that is the equivalent of over 18,000 man years, which in turn accounts for about 21 per cent of the total output of the sector and tax losses of over EUR 100 million annually. The calculated grey income of small entrepreneurs in the restaurant sector raises the total amount of the grey economy in the sector by EUR 50-100 million. As recently as 1995, the grey economy among wage-earners in the industry came to about EUR 200 million, the equivalent of 20 per cent of the sector's total output. The grey economy in the transport sector seems to focus particularly on highway goods transport and taxis, and on bus charters. It has been estimated that the grey economy in highway goods transport accounted for FIM 600-900 million in 1994 and some FIM 300 million in 1996. The fall in this figure could be mainly a question of appearances, as goods transport linked with trade with Russia have been transferred to companies which are registered in Russia but nevertheless controlled by Finnish interests.

Action to combat the grey economy and economic crime has been stepped up in Finland as the Government has implemented three programmes for this purpose starting in 1996. Good results have also been attained in combating economic crimes. As an example, cooperation between authorities has been intensified and amendments to legislation have been introduced which will make it more difficult to run an illegal business. Work has been done to reduce the potential for abusive practices within limited companies, and to make the trade register more reliable.

Efforts have been made to develop accounting institutions and to make supervision of bankruptcies and bankrupt's estates more effective. Work has also been done to block loopholes in the tax legislation so as to prevent the grey economy. Sanctions have also been made more severe. In February 2004, a new unit to deal with illegal foreign labour was set up in connection with the National Bureau of Investigation.

It is predicted that introduction of the tax deduction allowed for household service work will turn some work which was previously done undeclared into regular employment (see section B.8).

A working group led by the Ministry of the Interior is in the process of evaluating the present state of the investigation of economic crimes and the legislative development measures needed. The working group proposed the following: 1) the question of whether the construction industry can be required to submit quarterly reports to the tax authorities on all subcontractors and employees should be explored; 2) legislation should be introduced requiring mandatory access monitoring systems on building sites where several contractors and subcontractors work; 3) the effects of the value-added tax system on the construction industry should be investigated in terms of the specific effect on taxation and in combating crime; 4) the right of the National Tax Administration to examine reference information should be extended to comprise credit institutions with regard to international monetary transfers related to securities trading or investment operations; 5) taxation rights should be introduced for foreign leased labour and the registration and notification duties of foreign contractors should be stepped up; 6) the notification duty — or at least notification right — concerning money laundering should be extended to the tax, customs and execution authorities; 7) legislation should be passed introducing notification duty for all authorities concerning suspected breaches of prohibition of engaging in business; and 8) the exchange of information between authorities needed in order to perform risk analyses should be intensified, together with coordinated cooperation.

A tripartite working group led by the Ministry of Labour has been appointed and assigned the task of studying the general problems caused by the grey economy for the implementation of employees' minimum requirements for working conditions and fair competition among companies, particularly with a view to EU enlargement and international experiences. This includes evaluation of the adequacy of monitoring in the aforementioned matters and making any legislative proposals or suggestions for action which may be needed. The working group has also been instructed to study the potential for applying the minimum requirements for working conditions set down in the Finnish employment legislation and collective agreements to posted workers in connection with service provision, and to make any proposals for legislative amendments or other actions needed. The working group will conclude its task on January 31, 2006.

The work of the various authorities in this field has been coordinated through a project set up by the Government for intensifying cooperation between the authorities (VIRKE) and the management group for investigating economic crimes set up by the Ministry of the Interior. On the basis of an audit by the State Audit Office, cooperation between the various administrative sectors should be developed further.

## B.10 Address regional employment disparities

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### Recommendation given to Finland:

- *To monitor the impact of recent reforms of active labour market policies on structural unemployment and regional disparities.*

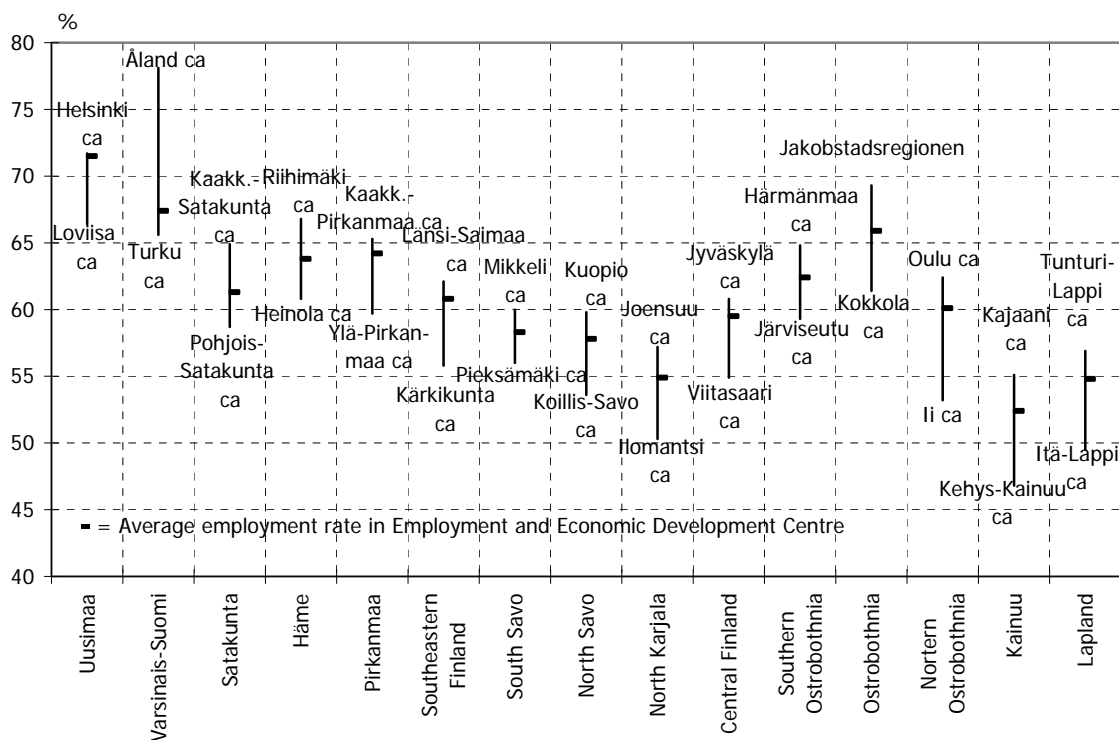
Considering regional employment and unemployment rates, Finland is a country with large regional disparities. The employment rate varied from 74 per cent in Uusimaa to 55-57 per cent in eastern and northern Finland in 2003. In the same year, the highest unemployment rate, 17.0 per cent, was recorded in Kainuu, while the lowest, 6 per cent was found in Uusimaa. If it were not for employment policy measures, the regional differences in unemployment rates would be even bigger (see appendix table B10.1. and table 3, below). Regional differences in employment rate increased slightly in 2003 compared to the previous year, while the regional differences in unemployment decreased (measured with coefficients of variation).

In Finland, two distinct types of regional disparities are evident. Firstly, there is a disparity between the southern and coastal areas of Finland and the sparsely populated areas in eastern and northern Finland. Secondly, disparities are evident within these regions as a polarization between growth centres and remote rural areas (see figure 1 on variation in employment rate).

In the future, the regional disparities will be augmented further by the inevitable changes in demographic structure. The population structure will age more quickly in areas traditionally subject to out-migration and depopulation, something which will serve to further undermine the growth potential in those areas. Meanwhile, growth centres, and particularly urban districts such as the regions of Helsinki, Oulu, Tampere, Jyväskylä and Turku, will simultaneously experience structural unemployment and labour shortages, despite good economic growth and good employment trends. Growth will bring major challenges to the fastest-growing areas and some problems in the form of housing shortages and difficulties in providing other basic services.

In Finland, there is considerable internal migration, and the population is quick to respond to economic changes. Slower economic growth has reduced internal migration since 2000. The net immigration into Uusimaa has dropped from about 7,500 people in 2000 to about 200 in 2003.

**Figure 1.**  
**Variation in employment rate between commuting areas in different part of Finland, recorded by regions of Employment and Economic Development Centres: employment rate of the highest and lowest commuting area in 2001**



\* Employed 15-74-year-olds, against population of 15-64-year-olds.  
 Sources: Statistics Finland, Register based employment statistics.

**Table 3.**  
**Activation rate and unemployment rate by Employment and Economic Development Centre, in 2002-2003**

	Activation rate		Unemployment rate	
	2002	2003	2002	2003
Uusimaa	17,2	19,1	5,8	6,5
Varsinais-Suomi	19,5	22,0	7,4	8,1
Satakunta	21,9	23,7	9,4	9,1
Häme	19,1	20,4	8,9	8,6
Pirkanmaa	20,6	22,1	9,6	10,1
Southeastern Finland	20,6	22,8	10,6	9,7
South Savo	24,5	28,8	11,3	9,4
North Savo	25,4	27,6	12,0	10,7
North Karjala	24,6	25,3	15,5	15,1
Central Finland	22,6	25,0	11,9	11,5
Southern Ostrobothnia	23,2	25,3	8,9	7,8
Ostrobothnia	23,7	25,4	6,8	7,1
Northern Ostrobothnia	20,9	21,9	13,0	11,5
Kainuu	27,0	29,1	16,5	17,0
Lapland	24,8	27,7	16,2	15,6
Finland, total	21,7	23,6	9,1	9,0

Sources: Ministry of Labour, employment service data and Statistics Finland, Labour Force Survey

## **The goal: social and regional balance**

The Government pursues a policy of social and regional balance. The goal is to reduce disparities in development potential between regions, to balance migration and the population structure and to ensure adequate services nationwide. The target is also to increase the employment rate and lower unemployment in every Employment and Economic Development Centre area.

Efforts to reach these regional policy goals comprise both programme-based action and focused regional development goals for individual administrative sectors. Fixed-term programmes in this area include the Regional Centre Development Programme, the Centre of Expertise Programme, the Rural Policy Programme and the Island Development Programme. The Regional Development Act (2003) and the Government Decision on regional development goals from January 2004 requires the main ministries to define the regional development goals and measures in their administrative sphere, including principles for the regional focus of measures and funding. The objective of the Government Decision is to strengthen regional competitiveness and economic growth, which will ensure their success in an open economy. This will be attained by improving expertise in the regions, reinforcing their own competence and strengths and their own initiatives for development based on specialization. Responsibility for implementing regional development goals rests with central government, local authorities and regional councils.

## **Strengthening the regional centre network and its effectiveness**

The regional centre development programme was started in 2001 and will continue at least until the end of 2006 in 34 regional centres designated by the Government. The main goal set for the regional centre development programme is to create a network of healthy regional centres in Finland. Each regional council area must possess at least one urban area which offers a variety of opportunities for work and education and training, as well as being a competitive location for different types of businesses. The central government supports implementation of the regional centre development programme with annual allocations of basic funding, which covers a maximum of half the development costs involved. The allocation made to regional centre and urban policy in 2004 was EUR 10 million.

The regional centre development programme is based on the idea of the key importance of towns and cities as sources of new jobs. The programme also highlights the interaction between cities and surrounding communities and the dynamics involved. The regional centre and its surrounding municipalities form a functional area, where people go to work and use services regardless of municipal boundaries. Strong urban centres act as engines for the entire region. The target of the regional centre development programme in 2001-2003 has been to create a fertile setting for job creation. One of the key objectives is also to encourage urban specialization, i.e. the need to profile urban economic activities and areas of expertise as recognizable strengths. Many regional centres also strive to ensure better matching of training provision and labour market needs.

The regional employment strategies of Northern Ostrobothnia are an example of good practices in employment measures within the regional centre programme. The aim of this project is to develop employment strategies rooted in the individual areas for North-East Finland, Oulu, the Raahe region and Oulu south. The aim is to promote employment in the information society and to raise the employment rate by looking for solutions to depopulation, especially the problem of young women leaving the area, high unemployment and labour market exclusion, the threat of labour shortages as an obstacle to growth in growth sectors, and ways of boosting productivity in all sectors through ICT applications. The employment strategies of the regional centres help to build up cooperation between regional actors and clarify the distribution of labour. The ultimate purpose is to give regional development an employment boost by

pooling the measures, actions and resources of all the parties involved so as to get the best possible employment impact.

### **Strengthening centres of expertise and the expertise base in areas around them**

The Centre of Expertise Programme is a tool of national innovation policy. The idea behind the programme is to draw on top expertise as a resource for entrepreneurship, regional development and job-creation. The aim is to improve the competitiveness of selected high-expertise sectors, to generate new business operations and new models for promoting innovation. Measures often involve the creation of new businesses and growth sectors, ensuring access to skilled labour, and securing the competitiveness of both growth sectors and more traditional sectors. In the latter case, it is specifically a question of enabling businesses in a certain area to draw on the latest technology and expertise developed elsewhere. The operating method involves cooperation between businesses, technology centres, research institutions, educational institutions and local and regional authorities. In this way, it becomes possible to create sustainable operating structures and expertise-intensive new jobs that will withstand economic fluctuation in the area.

In 2005-2006, the focus of the programme will be on internationalization and on supporting the distribution and use of top expertise beyond the centres of expertise themselves. Other regional innovation policy measures will be applied in order to support the different areas' ability to benefit from technology funding and the growth generated through it. The programme period will end in 2006, and decisions will be made well before the programme period ends concerning the possible continuation of the programme and its content.

### **Development of rural areas and the island areas**

Rural areas and the island areas will be developed by promoting the business environment and the availability of basic public services. Rural policy objectives include the following:

- reforming the business structure in rural areas
- developing expertise systems and human resources
- strengthening the service network
- improving the quality of life in rural areas
- developing the settlement structure and promoting the sustainable use of renewable natural resources.

There is a special Rural Policy Committee appointed by the Government to coordinate rural policy; the Committee consists of nine ministries, key stakeholders and regional representatives. The Committee's operating methods include theme group work, project funding and the drafting of programmes. The rural development programme currently in force comprises 108 proposals for action, and their implementation has been actively monitored. Implementation has been most successful where the basic operating structures in rural areas are concerned, for instance village activities, and where proposals on developing expertise systems are concerned. The position of young people and women has also featured prominently.

The purpose of the programme is to respond to the drastic structural change that rural areas are undergoing at present. The aim is to diversify rural population and business structures and the vision is that rural areas can be physically and social attractive places to live, to seek education and training and also an attractive location for businesses.

The Government made a decision on island development for 2004-2006 in spring 2004. The decision is based on the act for island development and the Island Development Programme for 2003-2006 drawn up by the Island Committee. The programme looks for new ways of using the Finnish archipelago, the waterways and the sea in order to further regional development. In Finland, summer cottages can generate significant numbers of jobs on remote islands and coastal areas.

### **Local action to raise employment**

Finnish municipalities, businesses and NGOs have been and continue to be involved in implementing the European Employment Strategy and applying regional employment and economic policy strategies to focusing development resources in most of Finland's urban regions such as Turku, Tampere and Seinäjoki.

In connection with the European Employment Strategy, the Commission funds drafting of local and regional employment strategies under European Social Fund article 6. At present, there are eight such projects in Finland: Uusimaa, Pirkanmaa, Häme, Southeast Finland, Central Ostrobothnia, Northern Ostrobothnia, North Savo and Northeast Finland. These projects are used as pilot projects for regional employment strategies.

### **EU Structural Fund programmes**

Structural Fund programmes are intended to promote regional development and intervene in regional employment disparities by implementing ESF projects based on regional needs. Regional development programmes (Objectives 1 and 2) have been drawn up in the regions themselves, proceeding from their development needs and strategies.

The Objective 1 programmes also comprise regional development actions funded by the European Regional Development Fund (ERDF) and the European Agricultural Guidance and Guarantee Fund (EAGGF), which brings added value from ESF actions for the support of employment growth. The areas of the Objective 1 programme in eastern and northern Finland comprise the areas with the highest unemployment. 40 per cent of the ESF funding framework of these programmes is allocated to funding active labour market policy measures. The active labour market policy section of the programmes has made good progress.

An external evaluation of the programmes was performed halfway through the programme period. It showed that placement after the completion of measures, the indicator used to measure the effectiveness of operations, has been slightly higher than in the corresponding national measures. Since the measures are largely focused on those in the weakest labour market position, and since the labour market in the area concerned is less active than elsewhere in the country, this must be considered a good result. The evaluation could not define the impact of the Objective 1 programme on employment trends in the area. The evaluation concluded that operations are headed in the right direction, and have supported regional development. Support for increased employment is the foremost goal of the Objective programmes. Actions by all the funds (ESF, ERDF, EAGGF, FIFG) are used within the programmes in order to boost the regional employment rate.

## C. GOOD GOVERNANCE AND PARTNERSHIP

### C.1 Partnership between the authorities and the social partners

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Prime Minister Matti Vanhanen's Government has implemented and developed workplace development programmes, reforms of employment legislation and lifelong learning together with the social partners. The main employment and occupational health and safety legislation has been reformed or is in the process of being reformed. According to the principles of the Government Programme, success in the employment targets requires continued and intensified cooperation based on agreements, especially with the social partners and interest groups, in addition to active labour market policy and improvement of the conditions for entrepreneurship.

On December 15, 2002, the social partners concluded the incomes policy agreement for 2003-2004. The goal of the agreement is to support continued favourable economic and employment trends by strengthening the stability and predictability of the economy. The agreement also includes several measures related to the quality of working life, occupational skills and competence, working hours, and the reconciliation of work and family life, which have been implemented during the agreement period. The incomes policy agreement also comprises a joint statement on employment and labour policy from the social partners. The statement notes that Finland's economic growth must be based on high expertise and increasing employment and productivity. It was emphasized that the main measures needed had to include the effectiveness of active labour market policy in providing work for the unemployed on the open labour market. In addition to that, employment subsidies shall be responsive to targets and not distort competition and subsidy speculation must be prevented. Development of apprenticeships, learning by doing and other tailored training based on the needs of working life should be developed and their volume increased (see NAP 2003, section 3.2).

At present, the Government is about to start negotiations with the social partners concerning a new incomes policy agreement. The social partners have also started negotiations amongst themselves concerning the new incomes policy agreement. Section 3 of Finland's National Action Plan for Employment 2003 explains the governance and partnership procedures between the authorities and social partners, and the measures by the social partners which were included in the incomes policy agreement for 2003-2004.

The policy programmes of Prime Minister Matti Vanhanen's Government are a new kind of tool with which the Government can ensure that the resources available in the different administrative sectors are used effectively, that measures are in line with each other and support each other. The employment policy programme is led and coordinated by the Ministry of Labour and the entrepreneurship policy programme is led and coordinated by the Ministry of Trade and Industry. The employment policy programme is implemented in close cooperation with the Association of Finnish Local and Regional Authorities. The social partners are the main stakeholders with whom implementation of the programme is regularly discussed at the Ministry of Labour's Council for Labour Affairs and Committee on Labour Policy. Negotiations on the framework for the entrepreneurship policy programme are held annually with the entrepreneurial organizations.

The Government has started an extensive study of globalisation, entitled *Finland in the world economy*. The aim is to find out what effect the drastic changes in the world economy will have on the competitiveness of different sectors, what effect globalisation will have on the labour market, how Finland can ensure access to highly skilled workers, what the changes will mean for the Finnish economy at large, how to encourage businesses to make investments in Finland, and whether the focus points of economic policy should be shifted. Studies of individual sectors carried out by the

employer and employee organizations play an important role in this. The Government proposal has generated very widespread new dialogue among the social partners on economic policy issues and on how to strengthen the operating potential and ensure the survival of any given sector as a part of the greater whole. The report on this study will be completed in October 2004.

European Social Fund programmes are implemented in broad cooperation. The monitoring committees which guide work on the programmes incorporate representatives of various branches of the administration, the social partners, businesses, regions and the Equality Ombudsman's Office.

The National Action Plan for Employment 2004 has been processed by the Committee on Labour Policy, which comprises representatives of the ministries, the social partners and other key organizations.

## **C.2 Effective operative implementation of labour policy on the regional level**

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The European Employment Strategy is in alignment with Finnish labour policy strategy and the policy guidelines set down by the Government. Finland's labour policy strategy was reformed at the same time as the European Employment Strategy (in 2003).

Implementation of the labour policy aims takes place both at the central and regional level. Effective operative implementation at the regional level requires that the central administration draws up clear regional development targets, and also that the cooperation between different actors flows smoothly at the local and regional level.

Management of the 15 Employment and Economic Development Centres which operate in the regions is based on strategic targets. As a result, it is possible to apply measures in each region in a way which suits that particular region best. The targets for 2005 will be set to reduce structural unemployment and ensure supply of skilled labour. The employment and economic development centres prepare their strategy and plans in cooperation with other regional actors, and the strategic targets of the province are taken into account in the plan.

The use of labour policy allocations is more flexible than hitherto. The allocations for employment, labour market training and certain special measures, formerly separate sub-items in the budget, have now been combined. This allows the regions to channel resources more accurately into the measures which will have the best impact regionally or locally. The principles of distribution for regional budget allocations take into account the unemployment in the region, the number of unemployed and the unemployment rate. Employment-based investments support local and regional employment and help alleviate unemployment. The Labour Market Department of each Employment and Economic centre allocates part of the budget allocation to the local employment offices. There are about 150 local employment offices in the whole country. The central government and the municipalities have a statutory obligation to take steps if the unemployment rate in any individual region rises clearly higher than the national average.

The Regional Development Act, which entered into force at the beginning of 2003, requires the main ministries to define the regional development targets and measures in their administrative sphere, including principles for the regional focus of measures and funding, taking into account the provinces' own development targets. Funding is decided annually as far as possible. The ministries are required to draft these sectoral targets by the end of September 2004.

In future, the regional policy impact of the State budget will be evaluated more closely than before. In connection with the preparation of the 2005 budget, the regional policy impact will be evaluated for each administrative sector. The evaluation will be performed by the ministries whose actions have an impact on regional development and which are required to plan their operations regionally. The plan is to augment the sectoral evaluation of the impact of the 2006 budget through a pilot project for developing a model for regional balance. The regional policy pilot model would then be expanded for regional policy impact evaluation of the 2007 budget. The model would be a general equilibrium model for the regions which would be applied to all Finnish regional councils.

Regional development based on local and regional standpoints is guided by the regional strategic programme prepared by the Regional Council. The programme is drafted in cooperation between the municipalities of the region, its Employment and Economic Development Centre and other regional branches of central government, and the social partners. The first regional strategic programme in compliance with the current Regional Development Act were completed in spring 2003. They will form the basis for implementation schemes, which strive to implement the State budget for 2004 and preparation for the 2005 State budget. According to a feedback seminar held in spring 2004, cooperation between the regional level and the ministries has been constructive.

### **C.3 Allocation of funding resources in labour policy**

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In order to boost economic growth, the Government supports the growth of employment and productivity with its budget. Care has been taken to secure good conditions for education and training, and research and development. There will also be tax cuts to create incentives for added expertise.

The budgets for 2003 and 2004 supported employment through tax cuts and economic growth through stepped-up expenditure. The 2005 budget continues along the lines set out in the Government Programme. In summer 2004, the cut in corporate and capital tax approved by Parliament reduced corporate tax by three percentage points, encouraged investments and growth and helped create the preconditions for a favourable employment trend. An inflation adjustment will be made to the taxation of earned income, and a moderate pay solution could be augmented with tax cuts in support of wage-earners' purchasing power. In the interests of sustainable public finances, spending limits have been drawn up for the entire electoral period. The limited auxiliary resources of the public economy will be channelled into improving the employment trend and promoting economic growth.

The content of the European Social Fund's Objective 1, 2 and 3 programmes and the EQUAL Community Initiative supports the implementation of the Government's policy programmes. The employment policy programme and the entrepreneurship policy programme both monitor the national funds used to support implementation of the programmes. The use of ESF funding in the policy programmes is monitored chiefly according to sector. The main principles for monitoring ESF funding has been agreed by a joint coordination group for the various sectors. Each ministry implements ESF programmes with its own national regulations. ESF actions in the sphere of the Ministry of Labour and the Ministry of Social Affairs and Health support the employment policy programme. ESF actions in the sphere of the Ministry of Trade and Industry support the entrepreneurship policy programme. ESF actions in the sphere of the Ministry of Education support mainly the employment policy programme, although there are also some priorities which in fact support the entrepreneurship policy programme (see appendix tables C1.-C6.).

Evaluation of the performance and effectiveness of the various administrative sectors is a special focus in the State finances. In 2004, the Ministry of Labour has made its targets for performance and effectiveness more specific. In order to ensure effective allocation of operating resources, operating processes in the labour administration will be studied and methods for evaluating efficiency will be developed. The principle to strive for in allocating resources for actions should be that the actions in question are effective, i.e. to help unemployed people find work or otherwise improve their situation on the labour market. The effectiveness of actions is monitored regularly both in the form of statistical monitoring and separate surveys.

**Section A. GENERAL MEASURES  
FULL EMPLOYMENT** (p. 52)

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<b>Table A1.</b>	Employment and unemployment indicators 1999 - 2003
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<b>Table A3.</b>	Employment rate in full-time equivalent by gender 1999 - 2003
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**Section B. GUIDELINE 1  
ACTIVE AND PREVENTATIVE MEASURES FOR THE UNEMPLOYED AND  
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<b>Table B1.1.</b>	Percentage of long-term unemployed of the labour force by gender in 1999 - 2003
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<b>Table B2.1.</b>	Creation of new start-ups as a percentage as a percentage of total active enterprises 1999 - 2003, %
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**Table B5.1.** Activity rate (15-64 year olds) by gender 1999 - 2003

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**Table B6.2.** Daycare arrangements for children under the age of 9 in 2001 and 2002, %

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**Table B7.1.** 18-24 year olds with lower secondary education (ISCED level 2) or less not attending further education or training 1999 - 2003

**Table B7.2.** Employment and unemployment rate by nationality and gender in 1997 - 2002

**Table B7.3** Disabled and foreign unemployed jobseekers, labour market policy measures aimed at them and activation rate

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**Table B10.1** Key employment indicators by region (NUTS3) in 2003

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**Table C1.** Calculated funding for measures under the EQUAL Community Initiative for 2004 - 2006

**Table C2.** Objective 3, funding plan for 2004-2006, by measure taking into account an annual 2% indexation

**Table C3 .** Calculated funding for measures under the ESF Objective 2 Programme for Western Finland for 2004 - 2006

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<b>SECTION A. GENERAL OBJECTIVE</b>						
<b>FULL EMPLOYMENT</b>						
<b>Table A1. Employment and unemployment indicators 1999 - 2003</b>						
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	
<b>Unemployment rate</b>	<b>10.2</b>	<b>9.8</b>	<b>9.1</b>	<b>9.1</b>	<b>9.0</b>	
Men	9.8	9.1	8.6	9.1	9.2	
Women	10.7	10.6	9.7	9.1	8.9	
<b>Employment rate, 15-64 yrs</b>	<b>66.0</b>	<b>66.9</b>	<b>67.7</b>	<b>67.7</b>	<b>67.3</b>	
Men	68.4	69.4	70.0	69.2	68.9	
Women	63.5	64.3	65.4	66.2	65.7	
55-64	39.3	42.2	45.7	47.8	49.6	
<b>Percentage of women of total employed, %</b>	<b>47.5</b>	<b>47.4</b>	<b>47.6</b>	<b>48.2</b>	<b>48.1</b>	
<b>Growth in employment, %</b>	<b>3.3</b>	<b>1.7</b>	<b>1.4</b>	<b>0.2</b>	<b>-0.3</b>	
Men	2.7	1.8	1.0	-0.9	-0.1	
Women	4.1	1.6	1.7	1.5	-0.5	
Source: Statistics Finland. Labour Force Survey						
<b>Table A2. Employment rate by age group and gender 2002 - 2003</b>						
	<b>Total</b>		<b>Men</b>		<b>Women</b>	
	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>
<b>Employment rate, 15-64 yrs</b>	<b>67.7</b>	<b>67.3</b>	<b>69.2</b>	<b>68.9</b>	<b>66.2</b>	<b>65.7</b>
15-24	39.4	38.5	38.6	37.8	40.2	39.1
25-54	81.5	81.1	83.8	83.3	79.2	78.9
55-64	47.8	49.6	48.5	51.0	47.2	48.3
20-64	72.4	72.0	74.4	74.0	70.4	70.0
Source: Statistics Finland. Labour Force Survey						
<b>Table A3. Employment rate in full-time equivalent by gender 1999 - 2003</b>						
	<b>Finland</b>					<b>EU-15</b>
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2003</b>
<b>Employment rate in full-time equivalent</b>	<b>64.2</b>	<b>64.9</b>	<b>65.7</b>	<b>65.8</b>	<b>65.2</b>	<b>58.7</b>
Men	68.4	69.3	69.8	69.3	68.4	70.7
Women	60.2	60.5	61.8	62.4	62.0	47.0
Source: Labour Force Survey (LFS), Eurostat						
<b>Table A4. Growth in labour productivity, growth in GDP per capita of employed population and per hour worked 1999 - 2003</b>						
<b>Growth in labour productivity</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	
<b>Growth in GDP per person</b>	<b>0.8</b>	<b>2.8</b>	<b>-0.4</b>	<b>1.3</b>	<b>2.1</b>	
<b>Growth in GDP per hour worked</b>	<b>0.6</b>	<b>3.7</b>	<b>0.5</b>	<b>1.7</b>	<b>2.5</b>	
Source: Statistics Finland, National accounts						

<b>SECTION B. GUIDELINE 1</b>							
<b>ACTIVE AND PREVENTATIVE MEASURES FOR THE UNEMPLOYED AND INACTIVE</b>							
<b>Table B1.1. Percentage of long-term unemployed of the labour force by gender in 1999 - 2003</b>							
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>		
<b>Long-term unemployment rate</b>	<b>2.9</b>	<b>2.7</b>	<b>2.2</b>	<b>2.1</b>	<b>2.1</b>		
Men	3.1	2.7	2.3	2.4	2.4		
Women	2.7	2.6	2.0	1.8	1.8		
Source: Statistics Finland. Labour Force Survey							
<b>Table B1.2. Percentage of young unemployed in the same age bracket by gender in 1999 - 2003</b>							
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>		
<b>Percentage of young unemployed of all 15-24 yrs</b>	<b>10.6</b>	<b>10.8</b>	<b>10.0</b>	<b>10.5</b>	<b>10.7</b>		
Men	10.3	10.6	9.8	10.4	10.6		
Women	10.9	11.0	10.2	10.6	10.8		
Source: Statistics Finland. Labour Force Survey							
<b>Table B1.3. Active and preventative measures in 2000 - 2003 (key indicators 7 and 8 and context indicator 8)</b>							
<b>Indicator</b>	<b>Year</b>	<b>Under 25s</b>			<b>Over 25s</b>		
		<b>Tot.</b>	<b>Men</b>			<b>Tot.</b>	<b>Men</b>
<b>Unemployed who are unemployed after 6/12<sup>1)</sup> months and for whom no personal job-search plan has been made<sup>2)</sup></b> (key indicator 7)	<b>2003</b>	<b>1.0</b>	<b>1.2</b>	<b>0.8</b>	<b>0.8</b>	<b>1.1</b>	<b>0.5</b>
	2002	0.8	1.0	0.7	0.6	0.8	0.5
	2001	0.5	0.6	0.5	0.6	0.9	0.4
	2000	1.0	1.2	0.8	1.4	2.1	1.1
<b>Long-term unemployed for whom no job-search plan has been made<sup>3)</sup></b> (key indicator 7, voluntary)	<b>2003</b>	<b>12.6</b>	<b>12.1</b>	<b>13.2</b>	<b>8.6</b>	<b>8.8</b>	<b>8.3</b>
	2002	9.6	9.1	10.3	6.1	5.9	6.4
	2001	6.2	6.0	6.3	6.4	6.7	6.2
	2000	10.9	11.0	10.7	14.1	14.6	13.6
<b>Unemployed who have not been offered a new start in the form of active measures (LMP 2-7) before 6/12 months unemployment i.e. inflow into long-term unemployment</b> (key indicator 8a and context indicator 8)	<b>2003</b>	<b>7.9</b>	<b>10.0</b>	<b>6.1</b>	<b>8.8</b>	<b>12.6</b>	<b>6.5</b>
	2002	8.6	10.6	6.9	9.4	13.4	7.1
	2001	8.6	10.0	7.4	9.5	13.6	7.3
	2000	9.1	10.7	7.8	10.2	14.1	7.9
<b>Long-term unemployed who who have not taken part in measures (LMP 2-7)</b> (key indicator 8a, voluntary)	<b>2003</b>	<b>28.8</b>	<b>34.8</b>	<b>23.3</b>	<b>37.2</b>	<b>46.0</b>	<b>30.5</b>
Source: Ministry of Labour, Jobseeker register							
<sup>1)</sup> Long-term unemployment is defined for under 25s as unemployment that has lasted continuously for more than 6 months; for over 25s this is defined as having lasted continuously for more than 12 months							
<sup>2)</sup> Indicator is calculated from the inflow into long-term unemployment							
<sup>3)</sup> Indicator is calculated from all long-term unemployed at that point in time							

<b>SECTION B. GUIDELINE 1</b>										
<b>ACTIVE AND PREVENTATIVE MEASURES FOR THE UNEMPLOYED AND INACTIVE</b>										
<b>Table B1.4. Average number of long-term unemployed taking part in active measures in 2000 - 2003</b> (key indicator 10)										
<b>Measure</b>	<b>2000</b>		<b>2001</b>		<b>2002</b>		<b>2003</b>			
Labour market training	3 720		2 998		2 930		2 991			
Apprenticeship training for unemployed	521		395		341		338			
Traineeship	1 105		1 022		2 283		4 171			
Self-motivated study by unemployed	550		400		500		600			
Pay subsidies (private sector)	1 552		1 318		1 112		984			
Switch-leave replacements	104		131		97		111			
Placement in part-time work	1 121		797		517		521			
Start-up grant	344		273		271		291			
Placement in public sector	8 305		6 844		6 476		4 975			
Combined subsidy	11 214		11 038		11 496		11 740			
(A) Active measures. total	28 536		25 216		26 023		26 722			
(R) Long-term unemployed	88 968		82 693		77 661		72 426			
Activation rate A/(R+A), %	24.3		23.4		25.1		27.0			
NB Some of the figures are only estimates										
Source: Ministry of Labour, Jobseeker register										
<b>Table B1.5. Follow-up of participants of active measures: Rate of return to unemployment and new placement three months after participation in a measure 2002 - 2003</b> (key indicator 11)										
	<b>Completions*</b>		<b>Unemployed 3 months after the measure</b>				<b>A new placement 3 months after the measure</b>			
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>%</b>	<b>2002</b>	<b>%</b>	<b>2003</b>	<b>%</b>	<b>2002</b>	<b>%</b>
Labour market training	31 955	28 507	14 032	<b>43.9</b>	12 194	<b>42.8</b>	6 262	19.6	5 312	18.6
Apprenticeship training for unemployed	3 429	4 110	530	<b>15.5</b>	627	<b>15.3</b>	189	5.5	191	4.6
Traineeship	43 716	37 200	15 747	<b>36.0</b>	12 422	<b>33.4</b>	11 852	27.1	9 652	25.9
Pay subsidies (Private sector)	6 332	6 548	2 642	<b>41.7</b>	2 825	<b>43.1</b>	607	9.6	609	9.3
Switch-leave replacement	4 163	4 623	1 802	<b>43.3</b>	1 966	<b>42.5</b>	409	9.8	437	9.5
Placement in part-time work	3 486	3 526	179	<b>5.1</b>	174	<b>4.9</b>	281	8.1	274	7.8
Start-up grant	21 370	23 084	13 092	<b>61.3</b>	13 941	<b>60.4</b>	2 648	12.4	2 706	11.7
Placement in public sector	20 515	20 675	13 018	<b>63.5</b>	13 163	<b>63.7</b>	4 263	20.8	3 930	19.8
Combined subsidy	134 966	128 273	61 042	<b>45.2</b>	57 312	<b>44.7</b>	26 511	19.6	23 111	18.0
All measures										
Labour market training	134 966	128 273	61 042	<b>45.2</b>	57 312	<b>44.7</b>	26 511	19.6	23 111	18.0
*Based on follow-up of those who completed a measure in October and September										
No breakdown by gender available										
The effect of switch-leave is monitored separately										
Source: Ministry of Labour, Jobseeker register										

<b>SECTION B. GUIDELINE 1</b>												
<b>ACTIVE AND PREVENTATIVE MEASURES FOR THE UNEMPLOYED AND INACTIVE</b>												
<b>Table B1.6. Participants in active measures, average of all employment office clients in 2000-2003, number of persons by gender</b>												
<b>Measure</b>	<b>Tot.</b>	<b>2000 Men</b>	<b>Women</b>	<b>Tot.</b>	<b>2001 Men</b>	<b>Women</b>	<b>Tot.</b>	<b>2002 Men</b>	<b>Women</b>	<b>Tot.</b>	<b>2003 Men</b>	<b>Women</b>
Labour market training	30 902	14 942	15 960	26 103	12 492	13 611	26 346	12 341	14 005	29 898	13 902	15 996
-employed people under threat of unemployment	4 829	2 493	2 336	3 587	1 933	1 654	2 724	1 254	1 470	3 721	1 581	2 140
-outside labour force	1 931	958	973	1 721	845	876	2 047	941	1 106	2 555	1 219	1 336
Apprenticeship training for unemployed	6 150	3 251	2 899	4 579	2 291	2 288	3 902	1 887	2 015	3 924	1 916	2 008
Traineeship	10 546	3 609	6 937	9 646	3 234	6 412	11 498	3 947	7 551	15 035	5 326	9 709
Self-motivated study by unemployed	1 235	333	902	1 000			1 192			1 500		
Pay subsidies (Private sector)	3 373	1 412	1 961	3 116	1 282	1 834	2 855	1 173	1 682	2 782	1 193	1 589
Switch-leave replacements	5 379	1 561	3 818	6 244	1 664	4 580	5 199	1 455	3 744	6 428	1 834	4 594
Placement in part-time work	3 819	368	3 451	2 993	255	2 738	2 584	235	2 349	2 420	241	2 179
Start-up grant	1 896	1 000	896	1 733	875	858	1 816	937	879	1 953	1 026	927
Placement in public sector	14 473	5 025	9 448	12 588	4 070	8 518	11 374	3 807	7 567	10 300	3 522	6 778
Combined subsidy	12 633	4 825	7 808	12 794	4 931	7 863	13 713	5 584	8 129	14 065	6 140	7 925
Vocational rehabilitation <sup>1</sup>	1 450	640	810	1 360			880			760		
(A1) Active measures. total	91 856	36 966	54 890	82 156			81 359			89 065		
(A2) – of which aimed at unemployed	83 646	32 875	50 771	75 488			75 708			82 029		
(R) Registered unemployed	321 119	161 648	159 471	302 177	153 433	148 744	293 969	154 460	139 509	288 843	153 474	135 370
Activation rate A1/(R+A1), %	22.2	18.6	25.6	21.4			21.7			23.6		
Activation rate A2/(R+A2), %	20.7	16.9	24.1	20.0			20.5			22.1		

<sup>1</sup> Comprises work try-outs and other rehabilitation measures for disabled jobseekers. an estimate based on client numbers and daily rehabilitation allowance paid

Source: Ministry of Labour, Jobseeker register

<b>SECTION B. GUIDELINE 1</b>									
<b>ACTIVE AND PREVENTATIVE MEASURES FOR THE UNEMPLOYED AND INACTIVE</b>									
<b>Table B1.7. Expenditure on active and passive labour market policy measures 2000 - 2003, EUR million</b>									
<b>Category</b>	<b>LMP measure</b>	<b>2000</b>	<b>ESF share %</b>	<b>2001</b>	<b>ESF share %</b>	<b>2002</b>	<b>ESF share %</b>	<b>2003</b>	<b>ESF share %</b>
0-1	Employment services	123.3		144.3		151.5		177.5	
2	Training and traineeships	494.4	19.8	439.1	13.8	477.1	11.9	509.0	10.5
3	Job-sharing	71.4	0.2	79.6	0.03	70.5	0.2	88.5	0.1
4	Employment incentives	152.4	5.5	154.8	3.2	152.0	3.9	186.0	3.2
5	Vocational rehabilitation	121.8		140.4		148.7		144.0	
6	Placement in public sector	149.1	9.8	133.5	5.4	145.3	6.1	129.1	5.5
7	Start-up grant	15.2	19.5	14.0	8.9	14.7	5.3	16.1	1.8
<b>0-7</b>	<b>Active measures</b>	<b>1 127.6</b>	<b>14.8</b>	<b>1 105.7</b>	<b>9.7</b>	<b>1 159.8</b>	<b>9.0</b>	<b>1 250.2</b>	<b>7.9</b>
	Underemployment (adjusted daily allowance)	164.6		157.6		164.3		163.8	
82, 83 81, 84, 85	Unemployment security	1 960.9		1 894.9		1 999.1		2 102.1	
9	Unemployment pension	621.0		680.8		742.1		736.9	
<b>8-9</b>	<b>Passive measures</b>	<b>2 746.5</b>		<b>2 733.3</b>		<b>2 905.5</b>		<b>3 002.8</b>	
<b>0-9</b>	<b>Labour market policy, total</b>	<b>3 874.1</b>		<b>3 839.0</b>		<b>4 065.3</b>		<b>4 253.0</b>	
	<b>Active measures, %</b>	<b>29.1</b>		<b>28.8</b>		<b>28.5</b>		<b>29.4</b>	
	<b>Passive measures, %</b>	<b>70.9</b>		<b>71.2</b>		<b>71.5</b>		<b>70.6</b>	
	<b>LMP of GDP, %</b>	<b>3.0</b>		<b>2.8</b>		<b>2.9</b>		<b>3.0</b>	
	<b>Active measures, %</b>	<b>0.9</b>		<b>0.8</b>		<b>0.8</b>		<b>0.9</b>	
	<b>Passive measures, %</b>	<b>2.1</b>		<b>2.0</b>		<b>2.1</b>		<b>2.1</b>	

Source: LMP database

<b>SECTION B. GUIDELINE 2</b>					
<b>JOB CREATION AND ENTREPRENEURSHIP</b>					
<b>Table B2.1. Creation of new start-ups as a percentage of total active enterprises 1999-2003, % (Enterprise births)</b>					
	1999	2000	2001	2002	2003
<b>Percentage of new companies</b>	9.1	9.4	9.1	9.0	9.4
Source: Statistics Finland. Company Register					
<b>Table B2.2. Net growth in employment (%) by main sector 1999 - 2003</b>					
	1999	2000	2001	2002	2003
<b>Total</b>	<b>3.3</b>	<b>1.7</b>	<b>1.4</b>	<b>0.2</b>	<b>-0.3</b>
Primary production	0.2	-1.4	-4.9	-6.1	-5.0
Secondary production	3.8	0.9	-0.1	-0.5	-2.9
Service industries	3.5	2.4	2.5	1.0	1.0
Source: Statistics Finland. Labour Force Survey					

<b>SECTION B. GUIDELINE 3</b>							
<b>ADDRESSING CHANGE AND PROMOTING ADAPTABILITY AND MOBILITY IN THE LABOUR MARKET</b>							
<b>Table B3.1. Non-standard employment: Percentage of wage earners working voluntarily and involuntarily in part-time or fixed-term contracts</b>							
	2002			2003			
	Both genders	Men	Women	Both genders	Men	Women	
<b>Employed in part-time work, per 1000 persons</b>	258	79	179	259	78	81	
<b>- percentage of employees, %</b>	12.5	7.7	17.2	12.6	7.6	17.5	
<i>Reason for part-time work, %</i>							
- study or schooling	31.8	39.8	28.3	31.1	38.9	27.7	
- full-time work not available	32.2	25.9	34.9	29.9	23.0	32.8	
- full-time work not wanted	8.4	5.2	9.8	8.8	5.1	10.4	
- other reason	27.6	29.1	27.0	30.2	33.0	29.1	
<b>- total, people in part-time work</b>	100.0	100.0	100.0	100.0	100.0	100.0	
<b>Fixed-term contract employment, per 1000 persons</b>	331	128	203	337	130	207	
<b>- percentage of employees, %</b>	16.0	12.5	19.5	16.4	12.7	20.0	
<i>Reason for fixed-term contract, %</i>							
- permanent position not available	67.0	61.1	70.7	68.1	62.4	71.7	
- permanent position not wanted	24.1	27.4	21.9	23.4	27.1	21.1	
- other reason	8.9	11.5	7.4	8.5	10.5	7.2	
<b>- total, employees in fixed-term employment</b>	100.0	100.0	100.0	100.0	100.0	100.0	
Source: Statistics Finland. Labour Force Survey							

<b>SECTION B. GUIDELINE 3</b>			
<b>ADDRESSING CHANGE AND PROMOTING ADAPTABILITY AND MOBILITY IN THE LABOUR MARKET</b>			
<b>Table B3.2. Vacancies per unemployed person</b>			
	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>1st quarter</b>	0.26	0.20	0.24
<b>2nd quarter</b>	0.22	0.14	0.13
<b>3rd quarter</b>	0.17	0.16	
<b>4th quarter</b>	0.13	0.14	

Sources: Statistics Finland, Job Vacancy Survey and Labour Force Survey

<b>SECTION B. GUIDELINE 4</b>						
<b>PROMOTING THE DEVELOPMENT OF HUMAN CAPITAL AND LIFELONG LEARNING</b>						
<b>Table B4.1. Percentage of 22-year-olds having attained at least upper secondary education* (ISCED level 3) (the 20-24 age group is used as the basis for assessment) 1999 - 2003</b>						
	<b>Finland</b>					<b>EU-15</b>
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2003</b>
<b>Total</b>	<b>86.8</b>	<b>87.8 b</b>	<b>86.5</b>	<b>86.2</b>	<b>85.2</b>	<b>73.8</b>
Men	84.8	85.6 b	83.4	81.9	82.5	71.2
Women	88.8	89.9 b	89.6	90.4	87.9	76.5

b: Break in time series

\* Upper secondary school and non-tertiary vocational education

Source: Labour Force Survey (LFS), Eurostat

<b>SECTION B. GUIDELINE 4</b>						
<b>PROMOTING THE DEVELOPMENT OF HUMAN CAPITAL AND LIFELONG LEARNING</b>						
<b>Table B4.2. Participants in training and traineeships by (25-64 yrs) age, working status, education and gender 1999 - 2003</b>						
	<b>Finland</b>					<b>EU-15 2003</b>
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	
<b>By age group</b>						
<b>25-64 year olds</b>	<b>17.6</b>	<b>19.6 b</b>	<b>19.3</b>	<b>18.9</b>	<b>17.6 b</b>	<b>9.7</b>
Men	16.2	17.7 b	17.1	16.5	15.0 b	8.9
Women	19.1	21.6 b	21.4	21.4	20.4 b	10.4
<b>25-34 year olds</b>	<b>25.0</b>	<b>26.6</b>	<b>28.5</b>	<b>29.8</b>	<b>27.1</b>	<b>16.1</b>
Men	24.7	26.0	27.0	28.0	25.3	15.7
Women	25.4	27.2	30.0	31.8	29.0	16.5
<b>35-44 year olds</b>	<b>20.5</b>	<b>22.0</b>	<b>21.5</b>	<b>20.6</b>	<b>19.3</b>	<b>9.7</b>
Men	17.7	19.0	18.8	17.5	15.9	8.6
Women	23.3	25.1	24.3	23.8	23.0	10.8
<b>45-54 year olds</b>	<b>16.9</b>	<b>19.4</b>	<b>17.6</b>	<b>16.4</b>	<b>14.8</b>	<b>7.6</b>
Men	14.7	16.6	14.5	12.6	11.2	6.5
Women	19.1	22.3	20.6	20.3	18.6	8.6
<b>55-64 year olds</b>	<b>5.6</b>	<b>8.3</b>	<b>8.4</b>	<b>8.5</b>	<b>9.6</b>	<b>4.1</b>
Men	5.4	7.2	7.0	7.7	7.9	3.5
Women	5.7	9.4	9.7	9.3	11.2	4.6
<b>Working status</b>						
<b>Employed</b>	<b>20.2</b>	<b>22.5</b>	<b>21.8</b>	<b>21.4</b>	<b>18.8</b>	<b>10.3</b>
Men	18.2	20.1	19.2	18.5	15.8	8.7
Women	22.4	25.2	24.6	24.4	21.9	12.5
<b>Unemployed</b>	<b>15.2</b>	<b>16.2</b>	<b>15.3</b>	<b>15.5</b>	<b>17.9</b>	<b>9.2</b>
Men	12.8	12.5	12.7	13.2	16.0	8.3
Women	17.5	19.7	17.9	18.2	20.3	10.1
<b>Non-active</b>	<b>9.5</b>	<b>10.3</b>	<b>10.9</b>	<b>10.5</b>	<b>13.1</b>	<b>8.0</b>
Men	9.3	9.3	9.2	8.4	10.3	10.3
Women	9.7	11.1	12.2	12.1	15.3	6.9
<b>Educational level<sup>1</sup></b>						
<b>High level</b>	<b>28.3</b>	<b>30.2</b>	<b>28.5</b>	<b>28.4</b>	<b>25.0</b>	<b>17.8</b>
Men	26.5	28.4	26.5	25.6	21.9	15.3
Women	29.8	31.7	30.2	30.8	27.4	20.6
<b>Medium level</b>	<b>16.7</b>	<b>18.8</b>	<b>19.1</b>	<b>18.0</b>	<b>17.2</b>	<b>10.3</b>
Men	15.9	17.2	17.5	16.3	15.2	9.5
Women	17.6	20.6	20.8	20.0	19.4	11.2
<b>Low level</b>	<b>7.7</b>	<b>8.7</b>	<b>8.2</b>	<b>8.2</b>	<b>8.5</b>	<b>2.6</b>
Men	7.4	8.0	7.0	7.1	6.7	2.4
Women	8.1	9.5	9.7	9.4	10.6	2.8

b: Break in time sequence

<sup>1</sup> Low level = less than post-comprehensive education (i.e. just basic education)

Medium level = post-comprehensive education

High level = higher education

Source: Labour Force Survey (LFS), Eurostat

<b>SECTION B. GUIDELINE 5</b>					
<b>INCREASING LABOUR SUPPLY AND PROMOTING ACTIVE AGEING</b>					
<b>Table B5.1. Activity rate (15-64 year olds) by gender 1999 - 2003</b>					
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Total</b>	73.6	74.2	74.5	74.5	74.0
Men	75.9	76.4	76.6	76.2	75.9
Women	71.2	72.0	72.4	72.8	72.1
Source: Statistics Finland, Labour Force Survey					

<b>SECTION B. GUIDELINE 6</b>															
<b>GENDER EQUALITY</b>															
<b>Table B6.1. Employment and unemployment rate by gender and gender gap 1994 - 2003</b>															
Year	Unemployment rate (registered)					Unemployment rate (LFS)					Employment rate				
	Tot.	M	F	Abs	Rel	Tot.	M	F	Abs	Rel	Tot.	M	F	Abs	Rel
<b>1994</b>	19.4	20.7	17.9	<b>-2.8</b>	<b>-13.5</b>	16.6	18.2	14.9	<b>-3.3</b>	<b>-18.1</b>	59.9	61.1	58.8	<b>-2.3</b>	<b>-3.8</b>
<b>1995</b>	18.2	18.9	17.4	<b>-1.5</b>	<b>-7.8</b>	15.4	15.7	15.1	<b>-0.6</b>	<b>-3.8</b>	61.1	63.1	59.1	<b>-4.0</b>	<b>-6.3</b>
<b>1996</b>	17.4	17.8	17.0	<b>-0.8</b>	<b>-4.6</b>	14.6	14.3	14.8	<b>0.5</b>	<b>3.5</b>	61.9	64.2	59.5	<b>-4.7</b>	<b>-7.3</b>
<b>1997</b>	15.9	15.8	15.9	<b>0.1</b>	<b>0.6</b>	12.7	12.3	13.0	<b>0.7</b>	<b>5.7</b>	62.9	65.4	60.3	<b>-5.1</b>	<b>-7.8</b>
<b>1998</b>	14.4	13.9	14.8	<b>0.9</b>	<b>6.5</b>	11.4	10.9	12.0	<b>1.1</b>	<b>10.1</b>	64.1	66.9	61.3	<b>-5.6</b>	<b>-8.4</b>
<b>1999</b>	13.2	12.8	13.6	<b>0.8</b>	<b>6.2</b>	10.2	9.8	10.7	<b>0.9</b>	<b>9.2</b>	66.0	68.4	63.5	<b>-4.9</b>	<b>-7.2</b>
<b>2000</b>	12.1	11.6	12.6	<b>1.0</b>	<b>8.6</b>	9.8	9.1	10.6	<b>1.5</b>	<b>16.5</b>	66.9	69.4	64.3	<b>-5.1</b>	<b>-7.3</b>
<b>2001</b>	11.3	11.0	11.7	<b>0.7</b>	<b>6.4</b>	9.1	8.6	9.7	<b>1.1</b>	<b>12.8</b>	67.7	70.0	65.4	<b>-4.6</b>	<b>-6.6</b>
<b>2002</b>	11.0	11.2	10.9	<b>-0.3</b>	<b>-2.7</b>	9.1	9.1	9.1	<b>0.0</b>	<b>0.0</b>	67.7	69.2	66.2	<b>-3.0</b>	<b>-4.3</b>
<b>2003</b>	10.9	11.1	10.6	<b>-0.5</b>	<b>-4.5</b>	9.0	9.2	8.9	<b>-0.3</b>	<b>-3.3</b>	67.3	68.9	65.7	<b>-3.2</b>	<b>-4.6</b>

Sources: Ministry of Labour, Jobseeker register and Statistics Finland, Labour Force Survey

<b>SECTION B. GUIDELINE 6</b>								
<b>GENDER EQUALITY</b>								
<b>Table B6.2. Daycare arrangements for children under the age of 9 in 2001 and 2002, %</b> (key indicator 30)								
	<b>0 - 2</b>		<b>3 - 6</b>		<b>7 - 8</b>		<b>Total</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
<b>Daycare arrangements</b>	<b>28.6</b>	<b>26.1</b>	<b>62.1</b>	<b>62.1</b>	<b>1.9</b>	<b>1.9</b>	<b>36.9</b>	<b>36.9</b>
- daycare centre	12.2	11.6	42.7	43.5	0.7	0.8	22.9	23.2
- family daycare	13.1	11.7	16.0	15.4	0.3	0.3	11.3	10.6
- other charged arrangement	1.8	1.3	1.7	1.1	0.5	0.3	1.4	1.0
- other arrangement free of charge	1.6	1.5	1.8	1.3	0.4	0.6	1.4	1.2
<b>Afternoon care</b>			<b>12.4</b>	<b>10.6</b>	<b>95.7</b>	<b>93.3</b>	<b>28.7</b>	<b>27.2</b>
- charged arrangement	-	-	5.9	4.8	24.2	21.4	8.5	7.3
- arrangement free of charge	-	-	0.7	0.6	11.9	13.0	3.2	3.4
- no arrangement for care	-	-	5.9	5.2	59.7	58.9	17.0	16.5
<b>No daycare<sup>1)</sup></b>	<b>71.1</b>	<b>73.4</b>	<b>24.7</b>	<b>27.1</b>	<b>1.4</b>	<b>3.6</b>	<b>33.7</b>	<b>36.0</b>
<b>Unknown</b>	<b>0.3</b>	<b>0.6</b>	<b>0.8</b>	<b>1.0</b>	<b>1.0</b>	<b>1.1</b>	<b>0.7</b>	<b>0.9</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<sup>1)</sup> In Finland it is possible to remain on care leave after parental leave has ended until the child reaches the age of 3 Children's home care is supported with child home care allowance								
Source: Statistics Finland. Labour Force Survey 2001 and 2002, 4th quarter								

<b>SECTION B. GUIDELINE 6</b>						
<b>GENDER EQUALITY</b>						
<b>Table B6.3. Clients of main services for the elderly in 2002 - 2003</b>						
	<b>Clients of services, % of those over 75 years of age</b>					
	<b>2002</b>			<b>2003</b>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
Old people's homes <sup>1)</sup>	3.3	5.7	5.0	3.1	5.4	4.7
Health centre hospital wards <sup>2)</sup>	1.8	3.3	2.8	1.7	3.1	2.6
Regular home care (in 2003) <sup>3)</sup>	8.6	13.3	12.1	8.5	12.8	11.4
Cared for using informal care allowance <sup>4)</sup>			3.4			3.5
Service housing <sup>5)</sup>			5.3			5.5
Source: Ministry of Social Affairs and Health						
<sup>1)</sup> Includes all residents aged over 75 at old people's homes						
<sup>2)</sup> Patients with a decision on long-term care or whose care has lasted for at least 90 days						
<sup>3)</sup> Clients of home care support and home nursing in a client survey carried out on November 30, 2003 (survey carried out every other year)						
<sup>4)</sup> Includes all those cared for using the allowance during the year (no statistics available on annual average)						
<sup>5)</sup> Includes intensified (day-and-night care) and other service housing						

<b>SECTION B. GUIDELINE 7</b>						
<b>PROMOTING INTEGRATION OF AND COMBATTING DISCRIMINATION AGAINST PEOPLE AT A DISADVANTAGE IN THE LABOUR MARKET</b>						
<b>Table B7.1. 18-24 year olds with lower secondary education (ISCED 2) or less not attending further education or training 1999 - 2003</b>						
	<b>Finland</b>					<b>EU-15</b>
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2003</b>
<b>Total</b>	<b>9.9</b>	<b>8.9 b</b>	<b>10.3</b>	<b>9.9</b>	<b>10.7 b</b>	<b>18.1</b>
Men	12.0	11.3 b	13.0	12.6	12.9 b	20.2
Women	7.9	6.5 b	7.7	7.3	8.6 b	15.9
b: Break in time series						
Source: Labour Force Survey (LFS), Eurostat						

SECTION B. GUIDELINE 7									
PROMOTING INTEGRATION OF AND COMBATTING DISCRIMINATION AGAINST PEOPLE AT A DISADVANTAGE IN THE LABOUR MARKET									
Table B7.2. Employment and unemployment rate by nationality and gender in 1997 - 2002 (key indicator 32)									
Employment rate, 15-64 yrs, %									
Year	Both genders			Men			Women		
	Finnish citizens	Foreign citizens	Difference (% points)	Finnish citizens	Foreign citizens	Difference (% points)	Finnish citizens	Foreign citizens	Difference (% points)
1997	59.7	<b>32.1</b>	-27.6	61.0	<b>38.5</b>	-22.5	58.4	<b>25.1</b>	-33.3
1998	62.1	<b>35.1</b>	-27.0	63.5	<b>41.7</b>	-21.8	60.7	<b>28.0</b>	-32.7
1999	63.1	<b>36.8</b>	-26.3	64.3	<b>44.2</b>	-20.1	61.9	<b>29.1</b>	-32.8
2000	64.5	<b>40.7</b>	-23.8	65.8	<b>48.8</b>	-17.0	63.2	<b>32.5</b>	-30.7
2001	64.7	<b>41.4</b>	-23.3	65.5	<b>49.3</b>	-16.2	63.8	<b>33.5</b>	-30.3
2002	64.8	<b>41.9</b>	-22.9	65.2	<b>49.2</b>	-16.0	64.3	<b>34.4</b>	-29.9
Unemployment rate, 15-74 yrs, %									
Year	Both genders			Men			Women		
	Finnish citizens	Foreign citizens	Difference (% points)	Finnish citizens	Foreign citizens	Difference (% points)	Finnish citizens	Foreign citizens	Difference (% points)
1997	16.3	<b>43.2</b>	26.9	16.6	<b>38.3</b>	21.7	15.9	<b>49.7</b>	33.8
1998	14.6	<b>39.1</b>	24.5	14.7	<b>34.1</b>	19.4	14.5	<b>45.5</b>	31.0
1999	13.6	<b>36.6</b>	23.0	13.7	<b>31.1</b>	17.4	13.6	<b>43.8</b>	30.2
2000	12.2	<b>31.6</b>	19.4	12.1	<b>26.4</b>	14.3	12.3	<b>38.7</b>	26.4
2001	12.0	<b>31.1</b>	19.1	12.4	<b>25.8</b>	13.4	11.6	<b>37.7</b>	26.1
2002	11.6	<b>28.4</b>	16.8	12.3	<b>24.0</b>	11.7	10.8	<b>34.0</b>	23.2

Source: Statistics Finland, Register based employment statistics

<b>SECTION B. GUIDELINE 7</b>							
<b>PROMOTING INTEGRATION OF AND COMBATTING DISCRIMINATION AGAINST PEOPLE AT A DISADVANTAGE IN THE LABOUR MARKET</b>							
<b>Table B7.3. Disabled and foreign unemployed jobseekers, labour market policy measures aimed at them and activation rate</b>							
<b>DISABLED</b>					<b>ACTIVATION RATE, %</b>		
<b>Year</b>	<b>Unemployed jobseekers</b>	<b>Labour market training</b>	<b>Employment and traineeship</b>	<b>Vocational rehabilitation</b>	<b>Disabled</b>	<b>All unemployed</b>	<b>Difference</b>
1999	39 185	2 892	7 109	1 360	22.5	23.6	-1.1
2000	40 453	2 537	6 787	1 450	21.0	22.3	-1.3
2001	40 631	2 332	6 725	1 360	20.4	21.4	-1.0
2002	39 680	2 437	7 054	880	20.7	21.7	-1.0
2003	38 688	2 609	7 440	760	21.8	23.1	-1.3
<b>FOREIGNERS</b>							
<b>Year</b>	<b>Unemployed jobseekers</b>	<b>Labour market training</b>	<b>Employment and traineeship</b>	<b>ACTIVATION RATE, %</b>			
				<b>Foreigners</b>	<b>All unemployed</b>	<b>Difference</b>	
1999	14 014	3 874	1 656	28.3	23.6	4.7	
2000	13 531	3 694	1 763	28.7	22.3	6.4	
2001	13 932	3 525	1 921	28.1	21.4	6.7	
2002	14 099	4 032	2 199	30.6	21.7	8.9	
2003	14 045	5 075	2 614	35.4	23.1	12.3	

Source: Ministry of Labour, Jobseeker register

<b>SECTION B.</b>		<b>SECTION B</b>					
		<b>ADDRESSING REGIONAL EMPLOYMENT DISPARITIES</b>					
<b>Table B10.1.</b>		<b>Key employment indicators by region (NUTS3) in 2003</b>					
	<b>15-74 yrs per 1000 persons</b>	<b>Labour force</b>	<b>Employed</b>	<b>Unemployed</b>	<b>Unemployment rate %</b>	<b>Employment rate (15-64 yrs)</b>	
Uusimaa	1 023	741	693	49	6.5	73.6	
Itä-Uusimaa	67	47	44	3	5.8	72.6	
Varsinais-Suomi	340	230	211	19	8.4	69.5	
Satakunta	177	112	102	10	9.1	65.9	
Kanta-Häme	123	81	75	6	7.9	68.7	
Pirkanmaa	345	226	203	23	10.1	66.1	
Päijät-Häme	150	99	90	9	9.3	67.6	
Kymenlaakso	140	88	79	9	10.0	64.5	
South Karelia	104	63	57	6	9.3	63.3	
Etelä-Savo	123	74	67	7	9.4	63.0	
Pohjois-Savo	189	115	103	12	10.7	61.6	
North Karelia	128	76	64	11	15.1	57.4	
Central Finland South	200	125	111	14	11.5	62.5	
Ostrobothnia	142	89	82	7	7.8	65.8	
Ostrobothnia Central	126	83	78	6	6.6	68.9	
Ostrobothnia	52	34	31	3	8.3	66.7	
North Ostrobothnia	272	179	159	21	11.5	64.5	
Kainuu	66	38	32	6	17.0	55.3	
Lapland	142	86	72	13	15.6	57.9	
Åland	19	14	14	0	2.6	78.5	
Whole country	3 926	2 600	2 365	235	9.0	67.3	

Source: Statistics Finland. Labour Force Survey

<b>Table C1. Calculated funding for measures under the EQUAL Community Initiative for 2004 - 2006</b> (public funding only) (EUR million)			
(The funding plan has taken into account programme changes carried out halfway through the programme period)			
<b>Measure</b>	<b>Public funding total</b>	<b>ESF funding</b>	<b>Nat funding</b>
<b>Measure 5.1.1</b> Easing access and return to the labour market...	28.481	14.240	14.240
<b>Measure 5.1.2</b> Preventing racism and xenophobia in the labour market	6.790	3.395	3.395
<b>Measure 5.2.1</b> Reinforcing the social economy and particularly public services with an emphasis on improving quality at the work place	16.246	8.123	8.123
<b>Measure 5.3.1</b> Adaptation support for companies and employees...	9.652	4.826	4.826
<b>Measure 5.4.1</b> Narrowing the gender gap and dispelling traditional gender segregation of work	8.122	4.061	4.061
<b>Measure 5.5</b> Social and vocational recruitment of asylum seekers	1.62	0.813	0.813
<b>Total</b>	<b>70.917</b>	<b>35.459</b>	<b>35.459</b>
Source: Programme complement for the Equal Community Initiative			

<b>Table C2. Objective 3, funding plan for 2004 - 2006, by measure taking into account an annual 2% indexation, (EUR million)</b>					
(The funding plan has taken into account programme changes carried out halfway through the programme period)					
<b>Measure</b>	<b>Total</b>	<b>ESF funding</b>	<b>State funding</b>	<b>Municipal funding</b>	<b>Private funding</b>
<b>Measure 1.1</b> Finding work for the unemployed on the open labour market and securing the supply of labour for enterprises	106.246	36.124	45.155	9.031	15.937
<b>Measure 1.2</b> New approaches to the transition from education and training to work	57.210	19.451	23.908	5.269	8.582
<b>Measure 2.1</b> Promoting gender equality in training and working life and strengthening the labour market position of women	27.650	10.220	12.859	2.471	2.100
<b>Measure 2.2</b> Activating people to take vocational training and reducing the drop-out rate	25.135	10.054	8.581	6.500	0.000
<b>Measure 2.3</b> Supporting groups in a weak labour-market position	45.050	17.660	20.090	6.400	0.900
<b>Measure 3.1</b> Improving the quality and effectiveness of education and training	41.681	16.672	18.509	6.500	0.000
<b>Measure 3.2</b> Promoting occupational mobility and strengthening the integration between education and working life	80.944	20.378	26.066	4.500	30.000
<b>Measure 4.1</b> Increasing and developing entrepreneurship	56.702	13.881	20.821	0.000	22.000
<b>Measure 4.2</b> Promoting personnel competence and working ability at work	135.516	32.606	48.609	0.300	54.000
<b>Measure 4.3</b> Utilisation of research results and technology and promoting cooperation between the business and research sectors	38.509	8.204	11.706	0.600	18.000
<b>Total</b>	<b>634.827</b>	<b>193.323</b>	<b>248.414</b>	<b>41.571</b>	<b>151.518</b>

Source: Programme complement for the Objective 3 programme

<b>Table C3. Calculated funding for measures under the ESF Objective 2 Programme for Western Finland for 2004 - 2006</b> (public funding only) (EUR million)			
(The calculated funding has taken into account performance reserve allocations made at the adjustment halfway through the programme. which the Commission has not yet made a decision on)			
<b>Measure</b>	<b>Public funding Total</b>	<b>ESF funding</b>	<b>Nat funding</b>
<b>Measure 1.3</b> Promoting entrepreneurship and developing personnel	23.933	9.310	14.623
<b>Measure 2.2</b> Strengthening employment and the links between training and working life	44.975	17.810	27.165
<b>Measure 3.4</b> Activation of regional and local organizations and preventing exclusion	8.587	3.538	5.049
<b>Total</b>	<b>77.495</b>	<b>30.658</b>	<b>46.837</b>
Source: proposed change to the ESF Objective 2 Programme for Western Finland			
<b>Table C4. Calculated funding for measures under the ESF Objective 2 Programme for Southern Finland for 2004 - 2006</b> (public funding only) (EUR million)			
(The calculated funding has taken into account performance reserve allocations made at the adjustment halfway through the programme. which the Commission has not yet made a decision on)			
<b>Measure</b>	<b>Public funding total</b>	<b>ESF funding</b>	<b>Nat funding</b>
<b>Measure 1.4</b> Personnel development that supports business and technology	20.843	8.337	12.506
<b>Measure 2.2</b> Increasing the competence standard of labour and improving the availability of training	22.390	8.956	13.434
<b>Measure 3.3</b> Preventing exclusion and improving social partnership and life management skills	8.209	3.284	4.926
<b>Measure 5</b> Increasing the expertise of cultural and environmental sector actors	3.518	1.407	2.111
<b>Total</b>	<b>54.960</b>	<b>21.984</b>	<b>32.976</b>
Source: Proposed change to the ESF Objective 2 Programme for Southern Finland			

<p><b>Table C5. Calculated funding for measures under the ESF Objective 1 Programme for Eastern Finland for 2004 - 2006</b> (public funding only) (EUR million)</p> <p>(The calculated funding has taken into account performance reserve allocations made at the adjustment halfway through the programme. which the Commission has not yet made a decision on)</p>			
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Measure	Public funding total	ESF funding	Nat funding
<b>Measure 2.1</b> Developing training systems and improving the quality and effectiveness of education	42.893	21.447	21.447
<b>Measure 2.2</b> Developing expertise and increasing the competence of the workforce	58.465	29.232	29.232
<b>Measure 2.3</b> Promoting the functioning of the labour market and employability	38.339	19.170	19.170
<b>Measure 2.4</b> Promoting equality in working life	23.062	11.531	11.531
<b>Total</b>	<b>162.759</b>	<b>81.380</b>	<b>81.380</b>

Source: Programme complement to the ESF Objective 1 Programme for Eastern Finland

**Table C6. Calculated funding for measures under the ESF Objective 1 Programme for Northern Finland for 2004 - 2006**  
(public funding only) (EUR million)

(The calculated funding has taken into account performance reserve allocations made at the adjustment halfway through the programme. which the Commission has not yet made a decision on )

Measure	Public funding total	ESF funding	Nat funding
<b>Measure 1.3</b> Developing personnel in business and promoting entrepreneurship	15.998	7.999	7.999
<b>Measure 2.6</b> Developing expertise in rural areas	8.764	4.382	4.382
<b>Measure 3.2</b> Promoting expertise. competence and key fields	19.425	9.712	9.712
<b>Measure 3.3</b> Promoting employability and preventing unemployment	20.336	10.168	10.168
<b>Measure 3.4</b> Preventing exclusion from the labour market and promoting equality in the labour market	10.023	5.012	5.012
<b>Total</b>	<b>74.547</b>	<b>37.273</b>	<b>37.273</b>

Source: Programme complement for the ESF Objective 1 Programme for Northern Finland