



Finland

## Trends, Recent Developments, “Feeding in” and “Feeding out”

A Study of National Policies

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## Preface

The aim of the second 2007 semester report *Trends, Recent Developments, "Feeding in" and "Feeding out" - A Study of National Policies*, as part of the work of Network of Independent Experts on Social Inclusion, is

- a) *firstly*, to assess the extent to which the Finnish 2007 implementation report of the 2005-8 National Reform Programme for Growth and Jobs (IRNRP) has taken into account the feeding in and feeding out of social inclusion
- b) *secondly*, to provide a short overview of new reforms or changes in relevant key trends since the 2006 first semester report.

The key document in the first part of the report is *The Lisbon Strategy for Growth and Jobs – The Finnish National Reform Programme 2005-2008. Annual Progress report*, which is referred to as the (Finnish) IRNRP (see above) or "the annual progress report". In addition, Finnish ministry sources are consulted in the report as well as perspectives of other sources<sup>1</sup> are obtained. Where appropriate, there research projects and studies are referred. In response to all the sources, different opinions among stakeholders are highlighted.

The report gives an independent overview what is happening in Finland and aspires to give enough material to give a good basis for making judgements and drawing out relevant lessons. The given judgements are analytical and evidence-based by nature but they also include clearly marked comments by the independent expert on social inclusion.

The report aims to appraise *how well the policy approach is working* in terms of:

- *achieving the goals set for the policy area*, providing the relevant indicators that offer quantitative or qualitative measures of such achievements
- *any intermediate performance standards or monitoring indicators*
- *administration*, including budgetary questions such as the adequacy of resources, the timeliness of policy interventions and the coherence of the policy approach
- *identifying the factors that help to account for any variations* over time or in different locations in the quality of implementation policy
- *describing the problems that have arisen in implementation and assessing whether these suggest fundamental flaws in the policy* that may require extensive change, are significant but tractable within the current policy framework, or can be regarded as temporary difficulties that will be overcome through "learning-by-doing"
- *whether the policy approach has given rise to any political disputes, public criticisms or judicial interventions.*

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<sup>1</sup> E.g. political parties, politicians, social partners, the news media, NGOs.

Such formal evaluations of the policy area, which are judged to constitute significant pieces of evidence are mentioned and identified in the report. Further details are provided in an appendix "Bibliographic reference".

## PART 1: ASSESSMENT OF THE 2007 FINNISH IRNRP

### 1. Summary

#### 1.1. How the implementation report addresses the Lisbon recommendations and areas to watch

The Finnish IRNRP is expected to focus on actions taken with respect to the Recommendations and "points to watch" formulated to each Member State in the conclusions to the Country Profiles annexed to the 2006 Progress Report<sup>2</sup>. Regarding Finland, *the conclusions did not include any recommendations*. The formulated "points to watch" were to:

- implement reforms in order to improve competition and productivity in services;
- simplify recruitment procedures for businesses,
- include thorough specific measures regarding the recruitment of the first employee;
- encourage local wage bargaining systems; and
- address bottlenecks in the labour market, to increase the low participation of youth and tackling high structural unemployment in particular.

In practise, however, *the Finnish 2007 IRNRP doesn't focus on reporting the actions taken with respect or developments in relation to the emerging key themes* i.e. "points to watch". All of the issues are taken into account in the Finnish IRNRP, but the implementation report approaches the key themes *mostly in the context of the four priority areas defined in the Presidency Conclusions of the 2006 Spring European Council*, i.e.

- investing more in knowledge and innovation;
- unlocking the business potential, especially of SMEs;
- creating greater adaptability of labour markets based on flexibility;
- energy and climate change.

The Finnish IRNRP clearly refers to these priority areas of the Presidency Conclusions; the references to the "points to watch" are given only "between the lines".

#### 1.2. Whether any other major development is reported upon (for instance, flexibility)

As said the Finnish IRNRP does not specifically focus on reporting on the respective Recommendations (as there weren't any) and points to watch, but it does report some other major developments. These include e.g. the pension system reform<sup>3</sup>, Finnish flexibility<sup>4</sup> and the comprehensive social security reform<sup>5</sup>.

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<sup>2</sup> See: [http://ec.europa.eu/growthandjobs/annual-report-1206\\_en.htm](http://ec.europa.eu/growthandjobs/annual-report-1206_en.htm)

<sup>3</sup> The Lisbon Strategy for Growth and Jobs – The Finnish National Reform Programme 2005–2008. Annual Progress Report, p. 19.

<sup>4</sup> Ibid., p. 57–58.

<sup>5</sup> Ibid., p. 60.

### 1.3. The main strengths and weaknesses of the Finnish IRNRP in relation to feeding in and feeding out

The Finnish IRNRP seems to be a manifold policy report referring to the actions taken in relation to the implementation of the Lisbon agenda. Still, both feeding out and feeding in considerations are coincidental and need to be examined "between the lines".

Some clear strengths and weaknesses can be addressed on the first hand. A positive aspect is that the policies connected to entrepreneurship and employment include clear links with social cohesion. Also the structured approach to flexicurity stands out.

The issues connected to employment policies include various feeding out considerations. The Finnish IRNRP handles with the most crucial and acute trends and developments of the Finnish labour market system.

One weakness is the narrow inspection of innovation policies especially considering the potential feeding out to social and health services.

## 2. Assessment of the implementation report from the perspective of social inclusion

### 2.1. The "feeding out" aspects

The specific feeding-out considerations as well as their impact on the actual policy approach varies a lot in the report. All in all it can be summed up that *some progress has been achieved regarding all of "the points to watch" formulated in the 2006 Progress Report*.

As the Finnish IRNRP focuses on the four priority areas defined in the Presidency Conclusions of the 2006 Spring European Council, it seems coherent to assess the feeding-out considerations in general level in relation to these topics. It can be said that in the context of

- *investing more in knowledge and innovation*: the feeding-out considerations are marginal: the number of initiatives targeted to enhance innovation, productivity and consequently adequate services in social and welfare sectors are not adequately highlighted in the report;
- *unlocking the business potential, especially of SMEs*: some attention is directed to selected aspects of social cohesion, e.g. the IRNRP points out the start-up grants for unemployed setting up a business<sup>6</sup>;
- *creating greater adaptability of labour markets based on flexicurity*: special attention is directed to several aspects of social cohesion e.g. the IRNRP points out a high-level tripartite working group to create Finnish flexicurity<sup>7</sup> and rising the minimum wages to prevent poverty and social exclusion<sup>8</sup>;

<sup>6</sup> The Lisbon Strategy for Growth and Jobs – The Finnish National Reform Programme 2005–2008. Annual Progress Report, p. 39.

<sup>7</sup> Ibid., p. 57.

<sup>8</sup> Ibid., p. 59.

- *energy and climate change*: no feeding out considerations are mentioned.

### 2.1.1. Promoting both social cohesion and economic growth

In the Finnish IRNRP, there are *few examples of policy-areas which are simultaneously both growth-enhancing and pro-social cohesion*. Some of those examples are described in detail, like the Finnish approach to flexicurity, but some examples seem to be purely coincidental.

Various examples are mentioned concerning the growth-enhancing and pro-social cohesion education policies, e.g. the functioning adult education system as the key to the promotion of the occupational mobility of labour<sup>9</sup>, education policy in total as a key factor for boosting effective employment policy and hence growth and structural policy<sup>10</sup> and the performance-based funding system for vocational education to encourage measures that lead to the rapid employment of graduates or their placement in further education programmes<sup>11</sup>.

The examples concerning the improvement of health status of the population appear on the context of the Programme of the New Government. The Government is implementing a service innovation project in social welfare and health care. Also the inter-administrative policy programme for health-promotion is mentioned. The policy programme approaches health issues both from a viewpoint of an individual as well as a national competitive factor – a “vital cornerstone for economic, social and human development”.<sup>12</sup> Thus, the feeding out consideration appears obvious. Eventhough not highlighted in the Finnish IRNRP, the Ministry of the Interior has also highlighted the innovations linked to social and health care issues in the programme for basic services<sup>13</sup>. This is also in line with the statements by the Ministry of Social Affairs and Health highlighting the aim of societal policies to promote health and well-being<sup>14</sup>.

The inter-administrative policy programme for health promotion includes aspects of family policies also as it is stated that “it is important to ensure that children and youths grow up to be healthy and active adults”<sup>15</sup>. In addition the policy-programme for the well-being of children, youth and families is mentioned in the Finnish IRNRP though its feeding-out aspects aren't reported.<sup>16</sup>

Other noteworthy examples are e.g. the goal of all citizens having equal opportunities to the information society<sup>17</sup>, the pursuit of quality jobs in relation to creativity and innovation<sup>18</sup> and the Equal Pay Programme designed to narrow the wage gap between men and women<sup>19</sup>. The potential topics of active ageing and active inclusion are only marginally referred to.

<sup>9</sup> Ibid., p. 64.

<sup>10</sup> Ibid., p. 13.

<sup>11</sup> Ibid., p. 56.

<sup>12</sup> The Lisbon Strategy for Growth and Jobs – The Finnish National Reform Programme 2005–2008. Annual Progress Report, p. 15.

<sup>13</sup> Peruspalveluohjelma 2008–2011 [Programme of basic services 2008–2011]. Ministry of the Interior 25.5.2007.

<sup>14</sup> Sosiaali- ja terveydenhuollon kansallinen kehittämissuunnitelma 2008–2011 [National development programme of social and health care 2008–2011]. Ministry of Social Affairs and Health 29.8.2007.

<sup>15</sup> The Lisbon Strategy for Growth and Jobs – The Finnish National Reform Programme 2005–2008. Annual Progress Report, p. 16.

<sup>16</sup> Ibid., p. 16.

<sup>17</sup> Ibid., p. 45.

<sup>18</sup> Ibid., p. 57.

<sup>19</sup> Ibid., p. 61.

### 2.1.2. Ensuring an adequate income from work

The Finnish IRNRP includes a special chapter on "improving tax and benefit system incentives and enhancing wage formation". It is clearly stated, that "[f]or purposes of preventing poverty and social exclusion it is essential that minimum wages and income security are set at reasonable level"<sup>20</sup>. It is also said, that "the implementation of measures included in the NRP [i.e. National Reform Programme] in 2005 for increasing the incentive effect of the tax and benefit system as well as wage formation has progressed more or less according to plan"<sup>21</sup>.

The main approach in the Finnish policies to guarantee an adequate income from work has relied on developing taxation and the measures to increase the incentive effect of social security. As stated in the report, "the labour taxation has clearly decreased" and "all income groups have benefited from the tax cuts"<sup>22</sup>. As a special feature, the taxation measures have been directed to support low-productivity jobs e.g. cuts in income taxes have focused on lower and middle income brackets. The aim has been to decrease the traditionally high unemployment rate of people with low education.

Another noteworthy example is the experiment taking place in 2007-2010 of reducing value-added tax for labour-intensive services (e.g. hairdressing services, repair services) from 22% to 8%. As stated in the report, the effects of this renewal have not been evaluated yet.<sup>23</sup>

At the moment, the wage bargaining rounds are on-going in order to attain a new income policy agreement as the current one will expire in autumn 2007. As it is stated in the Finnish IRNRP, the trend has been to increasingly transfer the right to make agreements to local and company levels.<sup>24</sup> At this very moment there are impetuous wage bargaining debates going on within various branches, e.g. the healthcare sector. It can be said that wage bargaining debates reflect the changing status of the Finnish welfare state. The whole public sector, which employs as much as one third of the Finnish wage earners, has faced severe challenges because of the political pressures to cut the public expenditure. The demands of increased efficiency and productivity in work have raised also questions whether the salaries are adequate or provide reasonable incentive to meet these increasing challenges.<sup>25</sup>

A conclusion is that the concerns on employment policies for adequate income from work are adequately reflected in the Finnish IRNRP. The topic is approached from various perspectives highlighting tax and benefit systems as well as wage formation.

### 2.1.3. Targeting job creation at vulnerable groups

One feature of targeting the job creation measures at the low skilled groups is the previously mentioned focus of tax policy measures on supporting low-productivity jobs<sup>26</sup>. A comprehensive contribution to the job creation targeted to low skilled and vulnerable groups is the development

<sup>20</sup> Ibid., p. 59.

<sup>21</sup> Ibid., p. 59.

<sup>22</sup> Ibid., p. 59.

<sup>23</sup> The Lisbon Strategy for Growth and Jobs – The Finnish National Reform Programme 2005–2008. Annual Progress Report, p. 60.

<sup>24</sup> Ibid., p. 60.

<sup>25</sup> Lehto, Anna-Majja (2007) Työelämän laatu muutoksessa [The changing quality of working life]. In Antti Kasvio & Johanna Tjäder (eds.) Työ murroksessa. Helsinki: Työterveyslaitos, pp. 93-105.

<sup>26</sup> See 2.1.2.

process of employment services. The new "job search centres" ("työvoimanpalvelukeskus" in Finnish) combining employment office services, municipal social services and social insurance services in a centralised manner and further developing of e-services have all aspired to support the vulnerable groups. Especially, the creation of a functioning interval labour market ("välityömarkkinat" in Finnish) has been a recent trend to build a system of low threshold to employment for all jobseekers. As stated in the Finnish IRNRP, "[t]he interval labour market provides job opportunities beyond employment and the open labour market for those with difficulties in finding a placement in the open labour market or in education"<sup>27</sup>.

It has indeed been one of the priorities of the Finnish Ministry of Employment since 2006 to develop an efficient interval labour market system. The process has been part of the national renewal strategy of labour policies and labour administration, where a special priority has been to efficiently include the low skilled and vulnerable groups into the labour market. Since 2007 the central role in developing the interval labour market will be transferred from the central government to the regional and local levels of public administration.<sup>28</sup>

In addition, the goal set in the new Government Programme (dated 19.4.2007) to aspire "workforce into full use" in Finland, also supports the job creation measures targeted at low skilled and vulnerable groups.<sup>29</sup> Still, the high level political goals have also been criticized as controversial, and their effect on certain groups, like the ageing population, has got doubtful reactions<sup>30</sup>.

#### *2.1.4. Addressing territorial differences and regional gaps*

The promotion of occupational and regional mobility deserves a separate paragraph in the Finnish IRNRP and is the clearest link to addressing territorial differences and regional gaps. In the recent years there have been initiatives launched especially by the Ministry of Labour to promote regional mobility of labour, in order to expand the area from which employment is sought and to increasingly locate applicants for vacancies throughout Finland. The following instruments have been launched to support these goals: the raising of compensation for travelling expenses, extending the maximum duration of travel allowance paid in the form of labour market support and a support to help to cover the costs of relocating.<sup>31</sup>

It is also noted, that "the transition to new jobs is often hampered by occupational and regional bottlenecks"<sup>32</sup>. Thus, it is mentioned that this is mostly a challenge for the overall balance of economy. Improving the match between occupational and regional labour markets and revamping the social security system are also viewed solely from the perspective of supporting the domestic production.<sup>33</sup>

<sup>27</sup> The Lisbon Strategy for Growth and Jobs – The Finnish National Reform Programme 2005–2008. Annual Progress Report, p. 63.

<sup>28</sup> Ministry of Labour (2007) Välityömarkkinoiden kehittämistä koskevan suunnitelman laatiminen [Drawing a plan to develop interval labour market], p. 1.

<sup>29</sup> Government Programme of Matti Vanhanen's second Cabinet 19.4.2007, p. 12-13.

<sup>30</sup> See e.g. Parkkinen, Pekka (2007) "Työvoima täyskäyttöön ["Workforce into full use"]. In Työpoliittinen aikakauskirja 2/2007, pp. 72–75.

<sup>31</sup> The Lisbon Strategy for Growth and Jobs – The Finnish National Reform Programme 2005–2008. Annual Progress Report, p. 64.

<sup>32</sup> Ibid., p. 5.

<sup>33</sup> Ibid., p. 6.

When it comes to developing the local sector, especially in the context of securing welfare services and public sector productivity, the territorial differences are clearly addressed in the Finnish IRNRP. It is said, that "the aim is to create a municipal structure that is both viable and robust"<sup>34</sup>. The municipal service system is being developed with a focus on both guaranteeing quality services to everyone in all regions and arranging the service structure in a cost-effective manner.<sup>35</sup>

#### *2.1.5. Assessing the impact on social protection systems*

The Finnish IRNRP points to such developments of social protection systems as e.g. the pension system reform and the social security reform. The previously mentioned process of developing employment services can also be seen as a certain kind of a social protection system, as the aim is to guarantee adequate services for the most vulnerable groups<sup>36</sup>.

The pension system reform is only approached from the point of view of deferring retirement. The concerns beyond the financial elements of the pension system aren't noted.<sup>37</sup> There has though been conversation on the adequacy of the pension system reform – but in the terms of financial adequacy<sup>38</sup>. Indeed, even the recommendations given in the OECD's pension report encourage the Finnish system to weaken the "social criteria" of pensions<sup>39</sup>.

Concerning the social security reform the goal of promoting the incentive to work, reducing poverty and ensuring adequate basic security in all life situations, are clearly mentioned in the Finnish IRNRP. These issues are approached mainly in relation to the functioning labour market.<sup>40</sup>

#### *2.1.6. Addressing the contribution of fiscal policies*

The Finnish IRNRP takes a stand on developing a sustainable fiscal policy to foster economic growth and job creation. The challenges of fiscal policy caused by the ageing of population are noted and linked to the pension system reform and the revamping of operating principles of central and local government. As groundings for the challenges and concerns are mentioned the budgetary balance and securing the economic potential, i.e. the aspects connecting fiscal policies to social cohesion remain weak.<sup>41</sup>

The strongest link between fiscal policies and social cohesion is built in relations to various employment issues. Especially tax policies boosting work incentives are comprehensively

<sup>34</sup> Ibid., p. 25.

<sup>35</sup> Ibid., p. 23-28.

<sup>36</sup> See 2.1.3.

<sup>37</sup> The Lisbon Strategy for Growth and Jobs – The Finnish National Reform Programme 2005–2008. Annual Progress Report, p. 19.

<sup>38</sup> Lassila, Jukka – Tarmo Valkonen (2006) The Finnish Pension Reform of 2005. Keskustelunaiheita – Discussion papers no. 1000. The Research Institute of the Finnish Economy.

<sup>39</sup> Financial Market Trends. Ageing and Pension System Reform. Implications for Financial Markets and Economic Policies (2005). Volume 2005, Supplement 1. OECD Publishing,

<sup>40</sup> The Lisbon Strategy for Growth and Jobs – The Finnish National Reform Programme 2005–2008. Annual Progress Report, p. 60.

<sup>41</sup> Ibid., p. 7-8.

reported.<sup>42</sup> Also the fiscal policies aiming at enhancing entrepreneurship, in detail e.g. the employment of the first employee, encouraging the growth in enterprises and the start-up grants for unemployed starting a business, gain attention in the Finnish IRNRP.<sup>43</sup>

## 2.2. The "feeding in" aspects

### 2.2.1 *Links with the EU Social Protection and Social Inclusion Process*

The link with measures and policies under the EU Social Protection and Social Inclusion Process is not made explicit in the report.

### 2.2.2 *Links to 2007 Joint Report challenges*

There are no explicit references to the challenges identified for each country in the 2007 Joint Report on social protection and social inclusion.

Yet there are references to the same issues that were mentioned in the 2007 Joint Report on Social Protection and Social Inclusion. Most of these issues concern different aspects of ageing population<sup>44</sup>. Moreover, some attention is given to the social security system especially in terms of increasing the profitability and attraction of work<sup>45</sup>.

A separate and potential policy area of feeding in considerations is the social integration of migrants and ethnic minorities. The IRNRP contributes to the active migration policies, but the issues concerning ethnic minorities are ignored.<sup>46</sup> The public conversation of work-based immigration has been an ongoing topic of debates in the recent years and is ever more intensifying. The issue has been at the threshold for both the Government and Parliament and the labour market associations.<sup>47</sup>

Furthermore, there are some weak links to housing policy as the IRNRP points out the new incentives to promote regional mobility of labour<sup>48</sup>. In practise, an important measure on housing policy has been the tax reductions on the so called "second apartment" or "work apartment" to support the mobility of labour<sup>49</sup>.

The child poverty aspect has not been raised in the Finnish IRNRP.

<sup>42</sup> See 2.1.2. Also: The Lisbon Strategy for Growth and Jobs – The Finnish National Reform Programme 2005–2008. Annual Progress Report, p. 59.

<sup>43</sup> The Lisbon Strategy for Growth and Jobs – The Finnish National Reform Programme 2005–2008. Annual Progress Report, p. 12–13, 56–61.

<sup>44</sup> The Lisbon Strategy for Growth and Jobs – The Finnish National Reform Programme 2005–2008. Annual Progress Report, p. 19, 55.

<sup>45</sup> Ibid., p. 59–61.

<sup>46</sup> Ibid., p. 65–66.

<sup>47</sup> See e.g. Täysistunnon pöytäkirja [Protocol of the Plenary Session of the Parliament] PTK 55/2007 vp. 27. SYYSKUUTA 2007. N:o 60) Työperäisen maahanmuuton edistäminen; Työmarkkinajärjestöt: työperäinen maahanmuutto täydentämään suomalaista työvoimaa. [Labour market associations: Work-based immigration to complement Finnish workforce.]Tiedote 25/2006.

<sup>48</sup> The Lisbon Strategy for Growth and Jobs – The Finnish National Reform Programme 2005–2008. Annual Progress Report, p. 64–65.

<sup>49</sup> See e.g. Hallituksen esitys [Proposal of Government] HE 57/2007.

### 2.2.3. Examples of good practice

As there are no links with the EU Social Protection and Social Inclusions Process and no links to 2007 Joint Report challenges, there are no concrete example of feeding in that could be highlighted as examples of good practice either.

A concrete example of a good practise of feeding in could be the guidance system, which will be created for workers and their families in order to promote work-based immigration. This is based on the overall aim in Finnish migration policy to take into account *not only the labour demand but also the versatile background of immigrants end existing international obligations* (p. 66). This procedure is planned to be piloted in the ESF programme during 2007 and 2013<sup>50</sup>.

## 2.3. Aspects related to governance

### 2.3.1. Monitoring and assessment of impact of policies

The Finnish IRNRP doesn't take a stand on ensuring that greater growth and more jobs contribute towards the objectives of the OMC. The assessment of desired/expected outcome for each policy measure isn't described in the report. There are no examples of systematic use of impact assessments or poverty-proofing and/or similar tools. In general, the monitoring and assessment of impact of policies is carried out in Finland by collecting statistics on regular basis<sup>51</sup>. The statistics are analyzed by ministries, municipalities and various institutions, which are in charge of social issues, like The Social Insurance Institution of Finland<sup>52</sup>. In addition there are self-assessments and external evaluations carried out or launched by the actors implementing the policy measures. The value of academic and applied research also has to be noted (e.g. National Research and Development Centre for Welfare and Health, STAKES).

### 2.3.2. Involvement of stakeholders

As a part of other governance mechanisms the Cabinet of Finland made a principal decision (8<sup>th</sup> March 2007) to secure the position of NGOs and increasingly enable their participation in the decision-making processes in ministries. The principal decision states, for instance, that the opportunities to participate need to be developed in a manner that allows the central offices of large NGOs to consult their member associations in preparation of giving feedback statements to the ministries. To achieve this goal the participation of associations in preparation committees will be strengthened and the associations will be heard at such an early stage that allows the consultation of member associations also.<sup>53</sup> Indeed, these procedures are in place to ensure on their part an effective and mutual interaction between the Lisbon objectives of greater economic growth, more and better jobs and greater social cohesion.

<sup>50</sup> ESF PROGRAMMING DOCUMENT FOR CONTINENTAL FINLAND 2007-2013 (PROPOSAL) The EU objective of regional competitiveness and employment. 7 November 2006. 8.4 PRIORITY 4: Transnational and inter-regional ESF actions.

<sup>51</sup> See e.g. <http://uusi.sotkanet.fi/portal/page/portal/etusivu>.

<sup>52</sup> See [www.kela.fi](http://www.kela.fi).

<sup>53</sup> Yhteenveto ministeriöiden vastauksista kansalaisten kuulemista koskeneeseen kyselyyn [Summary of the responses of ministries given to the questionnaire on consulting citizens]. Valtiovarainministeriö 25.9.2007 Hallinnon kehittämissosasto.

### *2.3.3. Coordination and joining up of economic, employment and social policies*

The notion of the 2007 Joint Report on Member States acknowledging more clearly that economic and labour market reforms must contribute to strengthening social cohesion, and social policies must support economic and employment growth, seems to get only coincidental proof in the Finnish IRNRP.

As a part of the EUPAN network's work on the Lisbon strategy, the Finnish Ministry of Finance commissioned the European Institute of Public Administration (EIPA) to conduct a study project concerning the Lisbon strategy and Public Governance.<sup>54</sup> The document analyses the coordination of Lisbon strategy from various perspectives, but the fact that active inclusion policies can increase labour supply and strengthen society's cohesiveness could be more clearly highlighted.

## **3. Conclusions**

The Finnish IRNRP seems to be a manifold policy report referring to the actions taken in relation to the implementation of the Lisbon agenda. Still, both feeding out and feeding in considerations are coincidental and need to be examined "between the lines".

Some clear strengths and weaknesses can be addressed on the first hand. A positive aspect is that the policies connected to entrepreneurship and employment include clear links with social cohesion. Also the structured approach to flexicurity stands out.

The issues connected to employment policies include various feeding-out considerations. The Finnish IRNRP handles with the most crucial and acute trends and developments of the Finnish labour market system, including the bottlenecks of low productivity jobs, job search centres, interval labour market, occupational and regional mobility and international migration (immigration). Some specific feeding-out considerations are e.g. ensuring the labour market position of both the oldest and the youngest segments of the working force as well as developing workplaces in terms of reconciliation of work and family life and ageing employees.

One weakness is the narrow inspection of innovation policies especially considering the potential feeding out to social and health services.

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<sup>54</sup> Looking for a Deliverable Lisbon Strategy on Sustainable Growth and Jobs Provisional Agenda for Strategy-Focused Public Governance. Ministry of Finance, Finland 2006.

## PART 2: KEY TRENDS AND RECENT DEVELOPMENTS IN POVERTY AND SOCIAL EXCLUSION

The new material on trends in poverty and social exclusion since the overview in the 2006 first semester report and in particular since the preparation of the National Reports on Strategies for Social Protection and Social Inclusion (NRSSPSIs) in 2006 concentrates in Finland around two topics: the new Government Programme and the new programming period of the European Structural Funds. Indeed, there have already been references to the new ESR strategies, changes in budgetary allocations and developments in the role of the main stakeholders in the first part of the report. In this section it is still relevant to concentrate on the two central issues in more detail.

All in all, it can be said that both the new government programme and the new programming period of the European Structural Funds are in line with both the Finnish NRSSPSI and the country-specific challenges in the 2007 Joint Report. Both the new government programme and the new programming period highlight the key issues raised in the Finnish NRSSPSI and 2007 Joint Report; active inclusion, a functioning education system, ageing population and preventive measures both in health and social care.

There are only few new statistics published since Finland's last year's report. This is why it is difficult to present new evidence of trends in poverty and social exclusion at the moment. The most concrete and verified trend is the positive development of the labour market. Between 10/2006 and 10/2007 the unemployment rate has dropped from 7,2 % to 6.2 %. During this period the employment rate has dropped especially among young and elderly men and young women and middle-aged women. Also the unemployment rate of immigrants is expected to drop, but there are no verified statistics available at the moment.

**Table 1. Changes in the labour force 2007/10 – 2006/10, thousand persons.<sup>55</sup>**

	2007/10	2006/10	Change, % 2007/10 - 2006/10
Employed, total	2 495	2 412	3,4
Unemployed	164	187	-12,4
Labour force, total	2 658	2 598	2,3
Economically inactive, total	1 329	1 370	-2,9
			Percentage points
Employment rate, %	69,8	67,8	1,9
Unemployment rate, %	6,2	7,2	-1,0
Labour force participation rate, %	66,7	65,5	1,2

Unrounded figures are used in the Change column.

The data are collected according to the ILO/EU definition.

<sup>55</sup> Statistics Finland > [http://www.tilastokeskus.fi/til/tyti/2007/10/tyti\\_2007\\_10\\_2007-11-20\\_tie\\_001\\_en.html](http://www.tilastokeskus.fi/til/tyti/2007/10/tyti_2007_10_2007-11-20_tie_001_en.html) <

## New Government Programme<sup>56</sup>

In relation to social and health care the general goal of the government programme is to improve the quality, cost efficiency and effectivity of the service system. The starting point is a service system, which both spurs on independent surviving and supports and safeguards the populations in different situations. The main challenges for social and health care were noted to be the ageing population, globalisation and the comprehensive changes taking place in the working life.

The Government Programme includes various entries affecting the social issues both directly and indirectly. The entries vary by their nature and effects, thus the Government Programme doesn't focus on being an action programme with priorities. At the moment the continuing negotiations of the practical accomplishment of the Government Programme mean in practise the determination of remarkable trends in the future Finnish social policy.

The Government Programme also reflects a strict budget solution. For the additional expenses of social and health care the programme suggests 250 billion euros. This doesn't enable any extensions or amendments of the measures directed to social cohesion. A concern of the sufficiency of the budget framework is in place. Another point of concern is the future possibilities of municipalities to guarantee adequate (public) services to all citizens.

There are some "key words" describing the social stand of the new Government Programme, i.e. "spurring and justified social security", "comprehensive and effective social and health services" (e.g. the policy programme on promoting health), "the service innovation project on social and health care" and "well-being of families" (e.g. the policy programme on well-being of children, youth and families). In addition it is clearly stated that it is crucial to pay attention to the services of most challenging groups in the employment policies, especially the development of the interval labour market.

All in all, the new Government Programme can be regarded as an indication of an emergent, new model to carry out social policy. It seeks to renew the system how the services are produced with making it more versatile. The new system will concentrate on the so called "customer-producer" – model and underline new strategic partnerships, if this enables new ways of action, service processes and networks and improve the aimed efficiency and effectivity of the service system.

## European Structural Funds: New Programming Period 2007-2013

The new programming period of EU's structural funds was opened in Helsinki, Finland on October 25-26<sup>th</sup>, 2007. On the new programming period the structural funds are directed to supporting projects that promote entrepreneurship, innovation, networking and know-how. During the next seven years the allocation of structural funds will be 6.1 billion euros in total. In Finland this allocation will come from the ESF and ESDF. As stated in the EU structural policies the priority of funding will be directed to the weakest areas. The supported areas will consist mostly of

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<sup>56</sup> Government Programme of Prime Minister Matti Vanhanen's second Cabinet. Prime Minister's Office. Finland. 19 April 2007.

Eastern and Northern Finland, sparsely populated areas, border areas and such areas in Southern and Western Finland which face developmental challenges.<sup>57</sup>

The goals of the ESR programme are: 38 000 new jobs and approximately 6 500 new enterprises. The goals of the ESF are: to effect on approximately 450 000 people's employment situation and improvement of know-how and creating 12 000 new jobs and 7 000 new enterprises.<sup>58</sup>

An ex ante –evaluation of the new programming period was made by PricewaterhouseCoopers Ltd in summer 2006. The evaluation includes inspection of the working environment of the programme, the relevance of the programme, the outline of the programme strategy and goals, the coherence of the programme in relation to other national measures, the results and effects of the programme and their indicators as well as the administrative structure and the risks of the programme. It is stated in the comments of the Ministry of Labour that the goals of the programme meet relatively well those challenges which the analysis of the working environment of the programme points out. The content of the actions is seen wide enough for the programme to function as an enabling programme.<sup>59</sup>

The new ESR and ESF programme reflect the views of renewing the national policies in many aspects. As concrete examples can be seen the development process of the internal labour market and on the other hand the development of a programme on immigration policies and supporting the workbased immigration. Certain special questions, like the most excluded groups, are left outside the ESF programme despite the fact, that there are various risks concerning these target groups in the working environment of the ESF.

*As a summary it can be stated that both the new government programme and the new programming period clearly highlight promoting of active inclusion through employment.*

<sup>57</sup> See e.g. EU:n uusi rakennerahastokausi v. 2007–2013 käynnistyi [The new EU Programming Period was launched]. Ministry of Labour 25.10.2007.

<sup>58</sup> See e.g. Vipuvoimaa EU:lta 2007–2013. Ministry of Interior and Ministry of Labour 2007.

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