



Finland

Assessment of the 2008-2010 National Reform Programmes for Growth and Jobs from a social inclusion perspective: The extent of synergies between growth and jobs policies and social inclusion policies

A Study of National Policies

Sampo Ruoppila
Net Effect Ltd.

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Content

Summary	4
1. Overall assessment of implementation of the 2005-2008 NRP during the past year from a social inclusion perspective.....	4
2. Assessment of the 2008-2010 NRP from the perspective of social inclusion.....	5
2.1 Overall assessment.....	5
2.2 Feeding out.....	6
2.2.1 Employment and feeding out	6
2.2.2 Economic growth, financial sustainability and feeding out	8
2.3 Feeding in.....	9
2.4 Governance.....	10

Summary

The Finnish NRP¹ is connected with promotion of social inclusion mainly through employment policy: to increase employment and reduce unemployment is a primary goal both for growth and jobs policies and social policies. Therefore, in the Finnish case it makes more sense to speak about employment policy that has mutually reinforcing impact on growth and jobs as well as social inclusion, rather than feeding in or feeding out of particular policies. In other words, the very same measures have both feeding-out and feeding-in elements. The social dimension is explicit in measures promoting higher employment rate or increasing capacities of the labour force, but less so otherwise. In terms of job creation, there are several measures in use aimed at lowering structural unemployment (those entitled 'hard to employ'). Many important issues, including the flexicurity, adequate income from work, and fiscal policies in general are to be addressed in the ongoing social security system reform (known in Finland as "the work of the SATA Committee"). The NRP might consider more generally the well-being of the excluded (often unemployed or unactive in the labour market) even in the terms of upkeeping their labour abilities with social policy measures other than employment policy. The preparation of the 2008-2010 NRP and NSRSPSI draw from existing government policies and are thus fully integrated in the national policy making.

1. Overall assessment of implementation of the 2005-2008 NRP during the past year from a social inclusion perspective

The Finnish NRP is connected with promotion of social inclusion mainly through employment policy: to increase employment and reduce unemployment is a primary goal both for growth and jobs policies and social policies. Moreover, the most important reforms referred to in the NRP are in fact the same as those mentioned in the Finnish National Strategy Report on Social Protection and Social Inclusion 2008–2010 (further: NSRSPSI), which also emphasized employment policy, and which was analysed in more detail in the Second Semester Report. Therefore, in the Finnish case it makes more sense to speak about employment policy that has mutually reinforcing impact on growth and jobs as well as social inclusion, rather than feeding in or feeding out of particular policies. The employment policies discussed are mostly the same, yet explanations on social dimensions are in fact even more detailed in the NRP than in the NSRSPSI. In sum, the social dimension is explicitly present through actions promoting higher employment rate or increasing capacities of the labour force, but less so otherwise. The social dimension of the new NRP is as strong as in the 2007 implementation report.

The NRP document itself does not make explicit references to assessments of the actual impact of policies and programmes. This is probably due to NRP being mainly a strategical document looking forward, and because the new government commenced its term in 2007, and number of major reforms underway has been started only since then.

All in all, recent impact assessments of employment policy measures are few. Outstanding is Hämäläinen and Tuomola's (2006) rather comprehensive study on the long run employment effects of active labour market measures started at different stages of unemployment spell. The

¹ The Lisbon strategy for growth and jobs 2008-2010. The Finnish National Reform Programme. Ministry of Finance Publications 36C/2008.

measures under scrutiny were vocational and preparatory labour market training, employment subsidies in the private and in the public sector and apprenticeship training. The largest improvements in the employment possibilities of unemployed persons were provided by vocational labour market training, employment subsidies in the private sector and apprenticeship training. These impacts were found to be fairly constant across the spell of unemployment. Conversely, the employment effects of preparatory labour market training and employment subsidies in the public sector tend to improve only as the spell of unemployment lengthens. Aro et al. (2007) concentrated on the efficiency and effectiveness of the ESR projects aimed at increasing employed during the programme period 2000-2006.² The most central question of the study has to do with determining with what kind of investments and in what sort of conditions can the desired effects be reached in labour policy activities with ESR funding. In addition, the point of view of the individual and evaluation of the changes that have occurred on an individual's "path of unemployment" were stressed in the study. Conclusion was that good practices and models of action cannot be easily transferred from one acting environment to another as such, since they must be created to a great extent locally case by case. The diversity of the target groups of single projects can be a problem for inter-project cooperation, internal development of projects and especially for optimal promotion of employment effects. It was also reminded that the possibilities of small project organisations to be enablers of large-scale employment effects are limited. Based on Cost and Benefit Analysis it could be concluded that in terms of employment promotion effects, the most cost-effective and most promising forms of ESR projects were those supporting aimed at the unemployed of specific occupational groups. Projects focusing on young people were also successful in the reduction of unemployment. In general, the quantitative and qualitative data used in the study suggested that improvements in life management, clarified employment paths and labour market readiness were realised in among all sub-groups of the unemployed. However, the study also found that there was still plenty of room to improve the general outcomes as far as actual employment is concerned.

2. Assessment of the 2008-2010 NRP from the perspective of social inclusion

2.1 Overall assessment

The Finnish NRP is connected with promotion of social inclusion mainly through employment policy: to increase employment and reduce unemployment is a primary goal both for growth and jobs policies and social policies. In the Finnish case, it makes more sense to speak about employment policy that has mutually reinforcing impact on growth and jobs as well as social inclusion, rather than feeding in or feeding out of particular policies. The social dimension is explicitly present through actions promoting higher employment rate or increasing capacities of the labour force. There are only few references to policies that have alleviative impacts on possible excluded, mentioned in the context of the ongoing social insurance reform.

The NRP refers to the recently apparent risk of economic slowdown several times, but more in the sense of recognizing that favourable overall economic conditions are weakening. The NRP does not put in place measures to address the potential impact of the slowdown of the economy,

² Aro, T., N. von Hertzen, J. Jalava, P. Virtanen and J. Niittyniemi (Net Effect Ltd) (2007) Yksilöt ja ESR-projektien työllisyyspolut (Individuals and employment paths of the ESR-projects). Työministeriö (Ministry of Employment), Tutkimukset ja selvitykset 11/07.

higher oil and commodity prices, and ongoing turbulence on financial markets on people at risk of poverty and social exclusion.

The links between the National Reform Programme and the Social Protection and Social Inclusion Process are strong. Both are fully integrated in the national policy making and they draw from the most central government policies. Both also refer to the same most important ongoing reforms. The explanations on social dimensions of policies supporting employment are even more detailed in the NRP than in the NSRSPSI.

2.2 Feeding out

2.2.1 *Employment and feeding out*

Flexicurity: measures to promote greater flexibility are balanced by unemployment security (reform ongoing) and an active labour policy. The objective is that employees who lose their jobs are employed again quickly (from job to job). The Ministry of Employment and the Economy and labour market organizations are currently cooperating in developing change security. The ongoing social security reform will probably increase incentivising dimension of unemployment security. Combined with an effective active labour policy it is aimed to prevent structural unemployment.

Job creation: There are several measures in use aimed at lowering structural unemployment (those entitled 'hard to employ'). *Government employment service centres* (39 centres operating in 2008), established to enhance employment services for the hard to employ, form a cross-administrative network. The employment office, municipality social services and the Social Insurance Institution provide special services at the same operating location to the long-term unemployed and to those who need multi-professional support. From the beginning of 2006, *the activity of the labour market support* was enhanced so that the conditionality of support increases as the period of unemployment lengthens and the unemployed are offered services more intensively. At the same time, labour market support funding was reformed so that support during unemployment is shared equally between the State and the municipalities (previously entirely funded by the State), with the aim of creating employment incentives for local government. Since 2004, '*social enterprises*' could have been granted a wage subsidy for the employment of people with disabilities as well as the long-term unemployed for a longer time than other companies. At the end of 2007 there were 148 social enterprises, double the previous year's number, and they employed around 750 people. The development of *the interval labour market* is an employment and social policy project to create work opportunities for individuals who for various reasons are difficult to place on the open market. Work opportunities are offered particularly by associations, training and social service foundations, workshops and other organisations, such as social enterprises. These development measures are funded by both national and ESF appropriations. The ongoing social security reform (the SATA Committee, appointed in June 2007) will have an impact as well.³ The measures above are general measures, not targeted at a particular social group.

Furthermore, there are specific measures to promote employment of the youth, which is considered a crucial social inclusion question. Due to good economic development, the employment rate for 15–24 year-olds has risen and unemployment fallen. The government has promoted youth employment by *the social guarantee for young people*, launched in 2005, and the

³ NRP, pp. 29-35.

educational administration's *education guarantee* has paved their way to further education. Early intervention and an enhanced service process are central to the social guarantee. A specific job seeking plan is prepared for each unemployed job seeker under 25 years of age within three months of their becoming unemployed. The plan agrees on the service to be offered to the young, namely they are promised that they will be offered employment service job application training, a job or training place (training or vocational education), a work placement, on-the-job training, preparatory training for working life, a start-up grant or wage-subsidised work. In addition, they can be offered services related to assessing their working capacity or state of health. In 2007 an individual job seeking plan had been prepared for around 82 per cent of young people within three months of their becoming unemployed.

Another sub-groups explicitly addressed are 'work-based immigrants'. In this context the NRP explicitly refers to government's will to increase work-based on immigration to Finland, and makes somewhat disturbing distinction between the supposedly new work-based immigrants⁴ and those ethnic minorities who already reside in Finland – and would be in need of similar supportive measures. The coverage of the planned measures, especially in various layers of education, remains slightly unclear.

The particular support measures for the working poor (which is not much of an issue in Finland), lone parents, and people with a disability are not mentioned in the NRP.

Adequate income from work – this issue will be addressed in the on-going social security reform (the SATA Committee).

Reconciliation of work and family life: the issue is not considered in the NRP. This definitively remains a problem in a contemporary working life, but rather among those in professional jobs. In other words, it is not that much a social inclusion or a poverty issue.

Older workers and active ageing: The issue is approached primarily from the macro economic viewpoint – extending the working careers remains a policy goal. The pension system was thoroughly reformed in 2005. It appears to have worked in the desired way: the retirement age expectation has risen slightly in recent years.

SMEs: the contribution of SMEs to creating employment for those distant from the labour market is not really considered.

⁴ Presenting the planned measures, the NRP states that "work-based immigrants are estimated to account for around 5–10% of net immigration of foreigners, i.e. around 500–1,200 people annually. Overall, the number of foreigners who have immigrated to Finland based on work is now estimated to be around 14,000." (p. 33) Elsewhere in the NRP it is stated that "the 132,000 foreign citizens permanently resident in Finland are a significant labour market resource. Of this group, 79 per cent are of working age. The employment rate among this group is around 50 per cent and the unemployment rate 20 per cent." (p. 74) The latter figure is more than two times that of Finns, which means that targeted measures would be needed.

2.2.2. Economic growth, financial sustainability and feeding out

There is no explicit reference to the impact of "fiscal consolidation" in the Finnish NRP.

Changes in fiscal policies: the government decisions to lower income tax and some other taxes have not been considered. The plans to increase incentivizing taxation is mentioned in the context of the ongoing social security reform (the SATA Committee, no proposals yet by October 2008), which will include reforms on taxation, basic security (including housing allowance) and unemployment security. The aim is for social security to encourage students to move from studying to working life more quickly than at present, to shorten periods of unemployment, to make the acceptance of periodic employment profitable, to facilitate the employment of the physically impaired, to delay retirement and to encourage those who are retired to participate in working life more than at present, and to improve work productivity.

Have efforts made to address territorial differences and regional gaps taken into account their impact on social inclusion: Not really. The statement that "the development of the regions has been reasonably balanced" (p. 83) is quite inadequate. The economic viability of the regions is very different in a longer perspective, depending on their economic base and the speed of population aging.

The greatest reform addressing the local level issues focus on municipalities and provision of public services, seeking more efficiency in scales. The Act on Restructuring Municipalities and Services (skeleton law), which entered into force in February 2007, aims to strengthen the local level by merging municipalities and by attaching parts of municipalities to other municipalities. Municipal mergers will be supported with amalgamation subsidies.

Has the social impact of the liberalisation of services including energy utilities been taken into account and have measures been put in place to address any negative consequences: No. Not addressed in the Finnish NRP.

Do measures to increase access to the internet give particular attention to ensuring the access of those experiencing poverty and social inclusion: No. Not addressed in the Finnish NRP.

Do measures to promote financial inclusion give (sufficient) consideration to ensuring that people at risk of poverty and social exclusion have access to bank accounts and banking services, access to credits, etc.: Not addressed in the Finnish NRP. Practically everyone has access to bank accounts and banking services in Finland.

Are there measures to address over-indebtedness amongst people experiencing poverty and social exclusion: Not addressed in the Finnish NRP.

Do measures to improve access to housing give particular attention to ensuring the access of those experiencing poverty and social exclusion: Not addressed in the Finnish NRP. In Finnish housing policy in general: yes they do, but the implemented measures remain insufficient compared to the needs, especially regarding low-income working households.

2.3 Feeding in

As the Second Semester Report brought up, the main focus of the Finnish NSRSPSI is on employment issues, in the spirit of Lisbon strategy, emphasising more prevention than alleviation. As to social inclusion challenges, the weakness of the Finnish NSRSPSI is in not providing ideas (especially other than those of employment policy) on how to intervene more effectively with those groups' already facing social problems or being at risk.

As already noted above, the employment policies discussed in the NRP and NSRSPSI are mostly the same. Therefore, in the Finnish case it makes more sense to speak about employment policy that has mutually reinforcing impact on growth and jobs as well as social inclusion, rather than feeding in or feeding out. That is, these two processes are mutually reinforcing in this sense. The measures supporting active inclusion to labour market (job creation) is a case in point of the mutual strengthening – supporting growth and jobs as well as social inclusion – in the Finnish case. On sufficiency, the NRP might consider more the well-being of the unemployed (or unactive in the labour market) in terms of upkeeping their labour abilities with social policy measures other than employment policy. This is, however, more a question of the (ongoing) social security reform.

- Active Inclusion: see the text about various job creation measures in chapter 2.2.1. The active inclusion agenda is solid with combination of employment activation, adequate minimum income and access to supporting services. The ongoing social security reform is aimed to increase the incentive nature of income support in the inclusion process.
- Education, training and lifelong learning (including measures to reduce the number of young people who cannot read properly and the number of early school leavers): have education policies proposed been assessed for both their social inclusion benefits and their contribution to growth and jobs objectives?
- Education, training and lifelong learning: Finland has 100% literacy in principal. The youth employment and education policies seek to reduce the number of early school leavers as well as their possible social exclusion (see text in 2.2.1). The education policies introduced in this context have been assessed for both their social inclusion benefits and their contribution to growth and jobs objectives. The lifelong learning is addressed in vocationally orientated adult education, which will be reformed according to the Government Programme (2007). Especially the immigrants' education should be addressed within this context. The improving of (work-based) immigrants' language education is also mentioned in this context, but these new measures have not been carried out yet.
- Gender equality: Finland traditionally has a rather high female participation in the labour market and relatively good standard of gender equality. The Foreword of the NRP states that "in accordance with the Government Programme, the promotion of gender equality is taken into account in all decision-making when implementing this reform programme. The gender perspective is mainstreamed in the drafting of legislation, in budget processes and in the early stages of other significant projects" (p. 8). Otherwise the issue is not mentioned a single time in the NRP...

- Anti-discrimination: in considering the contribution of anti-discrimination measures to ensuring greater social inclusion has their impact on growth and jobs also been considered? No they have not, but they should be. Especially ethnic discrimination in the labour market should be addressed.
- Child and family poverty and social exclusion: the benefit of measures to prevent and reduce child and family poverty and social exclusion on promoting growth and jobs has not been considered in the Finnish NRP.
- Social economy: the potential of the social economy to create employment for people furthest from the labour market have been taken into account fairly well, in terms of *social enterprises* and the development of *the interval labour market* (see, Job creation, 2.2.1).

2.4 Governance

The preparation of the 2008-2010 NRP and NSRSPSI draw are fully integrated in the national policy making and drawn from existing government policies. In this way, they are coordinated to a great extent. In seeking to increase the employment rate, the governance arrangements are well-designed also to strengthen the social dimension and the contribution of the NRP to greater social cohesion. The more general well-being of population, including those in the risk of exclusion or already excluded, is not considered, although that has a considerable impact also on working capacity in the longer perspective.

(B.4.1) Monitoring and assessment of employment policies incorporating both angles is taking care through statistical follow-ups as well as studies and evaluations commissioned by ministries. The arrangements are quite appropriate.

(B.4.2) It is not an easy task to assess the extent to which relevant stakeholders, those experiencing poverty and social exclusion and the organisations that represent them, are involved in the design, implementation and monitoring of the NRP after all. The past experiences, including feedback from these groups, have certainly had an indirect (and partial) impact on design of those policies seeking to prevent exclusion, and the NGOs have their share in the implementation. The monitoring of the 'big picture' is a government task, but assessments tend to cover broader expertise and sometimes these are tackled also in broader societal discussion.

(B.4.3) Big expectations have been given to the ongoing social security reform to ease the coordination and joining up of economic, employment and social policies.