

No 122

Article 22 of the Constitution of the ILO
 Report for the period from 1 June 2021 to 31 May 2024 made by **the Government of Finland**
 on the
EMPLOYMENT POLICY CONVENTION, No 122
 (Ratified on 23 September 1968)

**a) Legislation including application instructions – changes during the review period
 1.6.2021 – 31.5.2024**

Unemployment Security Act (1290/2002)

Unemployment Security Act (1290/2002)

Act Amending the Unemployment Security Act (1300/2023), entry into force on 1 January 2024

Act Amending the Unemployment Security Act (1227/2022), in force from 1 January 2023 to 31 January 2023

Act Amending the Unemployment Security Act (1131/2022), entry into force on 1 January 2023

Act Amending the Unemployment Security Act (1035/2022), entry into force on 1 January 2023

Act Amending the Unemployment Security Act (669/2022), entry into force on 1 January 2023

Act Amending the Unemployment Security Act (85/2022), in force from 31 January 2022 to 28 February 2022

Act Amending the Unemployment Security Act (1380/2021), entry into force on 2 May 2022

Act Amending the Unemployment Security Act (1015/2021), in force from 1 December 2021 to 31 December 2022

Act on Public Employment and Business Services (916/2012)

Act Amending the Act on Public Employment and Business Services (1139/2020) in force from 1 January 2021 to 30 June 2022

Act Amending the Act on Public Employment and Business Services (496/2020) in force from 1 July 2020 31 December 2020

Act on Local Government Pilots on Promoting Employment (1269/2020)

Act on Local Government Pilots on Promoting Employment (1269/2020), in force from 1 March 2021 to 30 June 2023.

Act amending the Act on Local Government Pilots on Promoting Employment (421/2021), entry into force on 1 June 2021

Act on extending the validity of the local government experiment to promote employment (287/2022)

Act on recruitment subsidy experiment (20/2022)

Act amending chapter 4, section 4 of the Act on public Employment and Business Service (419/2022)

Act amending and temporarily amending the Act on public Employment and Business Service (337/2022)

Act on the Organisation of Employment services (380/2023). Separate provisions on the entry into force of this Act are issued by an Act. This Act shall be in force in accordance with Law 383/2023 as of 1.1.2025. sections 12, 13, 15 and 16 will be in force from 1.4.2023. Section 113 shall remain in force until 31.12.2033.

Act on Multisectoral promotion of Employment (381/2023). Separate provisions on the entry into force of this Act are issued by an Act.

Act on the implementation of the Act on Organising Employment services and certain related acts (383/2023). The Act enters into force on 1 April 2023.

Act on Työkanava Oy, a limited liability company (242/2022), entered into force on 1 July 2022

Act amending the Act on Public Employment and Business Service (371/2023), entered into force on 1 July 2023

b) reports, evaluations and statistics)

Act on Unemployment Security

Temporary amendments to the Act on Unemployment Security

The validity of the temporary amendments to the Act on Unemployment Security (1290/2002) was extended due to the COVID-19 pandemic.

With the rapid increase in the number of unemployed jobseekers and those claiming unemployment benefits due to the restrictive measures taken to combat the pandemic, the application of the special income adjustment period and imputed income was suspended for a fixed period of time. From the beginning of 2023, these temporary amendments to the act were made permanent.

The emergency provision on the payment of unemployment benefits without a decision was extended for a fixed period of time.

The qualifying period for unemployment allowances was abolished by February 2022, and business income was estimated on the basis of the applicant's own declaration.

As a result of the increase in prices caused by the war initiated by Russia in Ukraine, the child increase in unemployment benefit for providers of minor children was increased for 2023 to support families with children.

To increase the employment rate and the incentives to accept work, support employment of persons aged 55 and over and shorten periods of unemployment, it was decided to phase out the additional days of unemployment allowance so that those born in 1965 or later are no longer entitled to additional days of unemployment allowance. The amendment on this entered into force on 1 January 2023.

In order to increase employment, the work requirement of a certain number of calendar weeks for receiving unemployment benefits was replaced by an income requirement per calendar month. The employee's work requirement was also extended from 26 calendar weeks (approximately six

months) to 12 months. The qualifying period at the beginning of unemployment benefits was extended from five to seven days and the payment of unemployment benefits during periods of holiday compensation deferment was terminated. The payment of the child increase in unemployment benefits and a protected portion in benefit mediation was abolished. The amendments were discussed and approved by Parliament in the autumn of 2023 and entered into force at the beginning of 2024.

Assessment of the combined effects of social security changes

The Ministry of Social Affairs and Health prepared a separate memorandum on the combined effects of the Government proposals on households for submittal to Parliament, and it was published on 9 October 2023. The memorandum covers the changes in social security in 2024, including the reforms made to unemployment security.

Operation of public employment services

The Committee requests the Government to continue to provide **information on the impact of the active labour market measures implemented under the Local Government Pilots on Promoting Employment**, particularly those targeting specific categories of workers vulnerable to decent work deficits, such as persons belonging to minority groups, persons with disabilities, migrant workers and the long-term unemployed.

Pilots, Reforms and Evaluations

In March 2021, the responsibility for providing employment-related services to customers was transferred to **local government pilots on employment** in 25 areas and 118 municipalities across Finland, essentially putting the municipalities in charge of these tasks. This change was based on a government decision from the summer of 2019 to reinforce the role and responsibility of municipalities as organisers of employment services. One main objective of this reform is to strengthen the integration of employment services with local social services and the educational institutions of the municipalities and coordinating them with services provided at the state level.

A first interim report on evaluation study the local government pilots 2021-2023 published in January 2022 describes the launch of the trials mainly in the light of the experiences of five sample areas (*Pirkanmaa, Oulu, Helsinki, Pori, South Ostrobothnia*) and municipality-level statistics.

According to the report, the covid-19 pandemic and the greater than expected need to recruit new personnel, especially in large municipalities, have slowed down customer service, which is seen as a decrease in the activation rate in the pilot municipalities compared to the national average. The pilots are preparing the TE Services 2024 reform in situation where, at the same time, a “Nordic service model” will be introduced in 2022 and the structures of cooperation between employment and health and social services will change in 2023 as a result of the health and social services reform. The report states that the development of the new service ecosystem had progressed most clearly in the area of competence development, but the joint development of business and employer services and rehabilitation and work ability services was still seeking its forms. The report highlighted the need to strengthen co-creation between central and local government, peer learning between municipalities, co-operation on business services, customer encounters, co-operation between rehabilitation and work ability services in new structures, management of the multilateral employment ecosystem, and development of a shared information system that serves knowledge-based

management. The observations were compared with the experiences of other countries. The assessment of employment impacts will only be possible in the future.

The second interim report was published in April 2023. According to the report, the impacts at the municipal level have remained minor. Based on statistical analyses at the municipal level, the local government pilots on employment have not had any significant impact on the supply of employment services, unemployment or its structure. There are major differences between municipalities in the focus areas of labour policy services. Some municipalities emphasise educational measures as others invest more extensively in rehabilitative and pay-subsidised measures. The local government experiment has not changed this situation.

The *final report* published in January 2024 points out, that no significant changes were observed in the effectiveness of services in the pilots. The statistical impact assessment of the pilots showed that transferring services from central government to municipalities did not increase employment during a monitoring period of over two years. Changes in the provision of services remained minor. Based on the employment results, the regionalisation of service responsibility, which has been piloted, did not succeed in producing the service models that would create more efficient employment than was hoped for in the Government proposal. Development of a “ecosystem” for promoting personal service and employment is one of the cornerstones of the pilots. The report summarizes that operating models must be created locally from the region's own starting points. Employment ecosystems cannot be built centrally, but instead by creating a space for local and regional actors where better operating models can be built from each region's own perspective. New knowledge-based management tools are also needed to support this, in order to make the overall financial statements of employment promotion more visible.

It was proposed that the **Act on local Government trials to promote Employment (287/2022)** be amended so that it would remain in force until 31.12.2024 (as the responsibility of organising public employment services will be transferred from the state to the municipalities on 1.1.2025, according to the Government proposal for legislation on the reorganisation of public employment and business services, HE 207/2022 vp). At the same time, it was proposed that the provision of the Act on a local Government experiment for promoting Employment be repealed, which lays down provisions on the decision to direct customers to the experiment before the expiry of the validity period of the Act on a local Government experiment for promoting Employment.

Information portal on the local government pilots on employment (in Finnish):

[Microsoft Power BI](#)

Still during the piloting stage, a wider decision was made by the government to ***transfer the responsibility for public employment services to the municipalities entirely***. Based on a government proposal which was submitted to Parliament in September 2022, the decentralisation process of PES services will be concluded until the end of 2024 and the reform will take effect in the beginning of January 2025.

According to TE Services 2024 reform state-run public employment services (employment and economic development services, TE Services) most of the personal customer, employer and business services currently under the responsibility of the PES (TE) Offices will be transferred to municipalities and employment areas.

The aim is to bring services closer to individual and business customers and to utilise the extensive municipal ecosystem to strengthen the vitality of municipalities and regions. Employment becomes more efficient when employment services, municipal education services and business services are the responsibility of the same organizer. An incentive funding model will be created for municipalities to develop their employment promotion activities in order to increase employment by 7,000–10,000 people.

More information on the reform: <https://tem.fi/en/te-services-reform-2024>.

In order to monitor the implementation and development of the decentralized employment services the **knowledge-based management project of employment and integration services** was launched in February 2023 in KEHA Centre (Administrative and Development Centre for ELY Centres and TE Offices) and the project period continues until the end of 2024. After this, the capabilities and functions developed in the project will become part of the permanent tasks of Centre. The key objective of the project is to ensure that the KEHA Centre is prepared to respond to the new requirements arising from the new service system from 2025 onwards. The project consists of three sub-projects, which will be promoted in close cooperation during the project period.

For public monitoring, the Ministry of Economic Affairs and Employment and the KEHA Centre built a separate **information portal** through which the development of individual pilot municipalities or regions can be examined in the light of pre-selected employment indicators. The data in the portal are based on MEAE's official statistical system (Employment Service Statistics) and the TE services' joint customer information system (URA). From May 2021 onwards, the data of the portal has been updated on the same schedule as the publication of Official Employment Statistics of the Ministry.

Another fundamental reform during the review period is the introduction of the **Nordic labour market service model**, which was introduced on 2 May 2022. Based on evidence from other countries, this approach focusses on an intense early support of jobseekers immediately after their registration. The aim is to reintegrate jobseekers into employment as quickly as possible. During the first three months after registration, meetings between counsellor and jobseeker are scheduled every two weeks with an emphasis on the jobseeker's duties regarding their active job search. Every jobseeker is expected to apply for at least four jobs every month unless there are plausible reasons e.g., a lack of suitable vacancies or a reduced ability to work which prevent him or her from doing so. Job search efforts can be reported through an online portal. If a jobseeker fails to meet these obligations, sanctions can be applied which are staggered depending on the frequency and gravity of the breaches of duty from jobseekers.

More information on the Nordic labour market service model: <https://tem.fi/en/nordic-labour-market-service-model>

As part of the **PES digitalization reform**, the regulation on the processing of customer data in public employment and business services has been clarified and updated. The Government submitted a proposal to Parliament on 25 November 2021 to enable the introduction of a new digital service platform in TE services to promote the matching of jobs with jobseekers and to improve job search and employment services. The reform also has close interfaces with projects that renew digital services for international recruitment and integration. The new digital service platform **Job Market Finland** (<https://tyomarkkinatori.fi/en>) was launched in May 2022.

The *experiment on recruitment subsidy for sole entrepreneurs* started on 1 March 2022 and ended on 31 December 2023. The experiment assessed the subsidy's impact on company hiring its first employee. The experiment examined whether financial support for payroll costs would lower the threshold for recruitment. The aim was to create new employer firms and thereby promote business growth and employment. The experiment was aimed at sole entrepreneurs and other companies where all employees are entrepreneurs. Companies were selected by random sampling based on register data.

The Act on public Employment and Business Service was amended so that the Employment and Economic Development Office could *provide the company with training in hiring an employee and in developing its employer skills*. Coaching was free of charge for the participating companies. The price of the service is considered de minimis aid for the company using the service. The Act entered into force on 15 June 2022.

Also, nine *work ability programme pilots* started in 2019 continued until 2023. The focus of the pilots was on the identification of the needs of people with reduced work capacity and a corresponding tailored support. The pilots were meant to strengthen the expertise and resources of PES staff members in working with this target group. Among the potential measures of support were a timely referral to rehabilitation services or a service for employers to facilitate the recruitment of jobseekers facing these obstacles to reintegrate into the labour market.

Special Task Company (Välittäjä Oy) including Direct request:

-The Committee also requests the Government to indicate the manner in which the impact of employment policy measures, such as the "Välittäjä Oy", are evaluated within the framework of an overall coordinated economic and social policy.

The Government decided to establish Välittäjä Oy to advance employment of people with partial work ability who have the weakest position in the labour market. The operation is scheduled to start during 2022. Välittäjä Oy offers the employee a supported job as well as the training and other support needed to enter the open labour market. When establishing the Välittäjä Oy, market-based pricing and the realisation of competitive neutrality must be ensured.

Updated information:

Prime minister's Sanna Marin Government introduced a new special task Company, Työkanava Oy. The company's operations are regulated by the Act on Työkanava Oy (242/2022), which entered into force in July 2022. According to the Act, the company's task is to employ unemployed persons with partial work ability who are in the most difficult position in the labour market. The company is state-owned, and the Ministry of Economic Affairs and Employment is responsible for the company's ownership steering.

Eur 17 million in core capital was allocated to Työkanava Oy, of which eur 12 million was allocated from the Sustainable Growth Programme for Finland (RRF). A total of eur 25 million was allocated to the government grant for Työkanava in the state budgets for 2022-2024. In the central government spending limits for 2025-2028, an annual discretionary government grant of eur 5 million was allocated to the company.

The employment targets set for Työkanava Oy in the Sustainable growth Programme for Finland (RRF) were 400 persons in 2023 and 700 persons in 2025. However, Työkanava Oy's employment

activities did not start in accordance with the company's objectives. Therefore the targets were reduced twice. By the end of 2023, 17 people had found employment in the company, and achieving later objectives has also proved to be unrealistic.

In connection with the general government savings measures outlined in spring 2024, Prime Minister Petteri Orpo's Government decided to remove the funding reserved for Työkanava Oy from the state budget and to discontinue the company's operations. In addition to savings in general government finances, the decision is also based on the fact that the company's employment activities have not been launched in accordance with the objectives set for the company. According to the Government Resolution on ownership Policy (2020), state ownership must be assessed from the perspective of the overall interests of national economy, the development of the company's operations and value, the efficient allocation of resources and the realisation of a special assignment.

Education and training programmes –including Direct request

The Committee requests the Government to provide **information on the impact of the Recruitment Training, TäsmäKoulutus Training (targeted training) and Change Training (MuutosKoulutus)**, in terms of the access of beneficiaries to lasting jobs. The Committee also requests the Government to provide **information on the coordination of vocational education and training policies with employment policy and on any measures taken or envisaged to address the shortage of skilled labour and the regional or professional skills mismatching in the Finnish labour market.**

In the Employment Service Statistics of the MEAE, labour market training is treated as a single entity, and the statistics do not separate joint procurement training from other labour market training acquired.

Re. the statistics, please see the MEAE Statistical summary for 2021, 2022, 2023 and 2024:

Annual Employment Service Statistics for 2021: [Työnvälityksen vuositilastot vuonna 2021 \(valtioneuvosto.fi\)](https://tyonvalityksen.vuositilastot.vuonna.2021.valtioneuvosto.fi)

Annual Employment Service Statistics for 2022: [TEM Tilastotiedote 2023:2 \(valtioneuvosto.fi\)](https://tem.tilastotiedote.2023.2.valtioneuvosto.fi)

The latest statistical summary-annuals was published in December 2023 which covered the year 2022. The next summary will be published in December covering the year 2023.

In addition to Employment Bulletins, the Ministry of Economic Affairs and Employment also prepared annual statistical publications on the basis of the Employment Service Statistics. Most of the data presented in the annual statistics has been gathered throughout the year, while the annual averages are the average value of the months of the year in question.

Also:

Annual Labour Market Training Statistics for 2021

<https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/164511/3/Tilastotiedote%202022.pdf>

Annual Labour Market Training Statistics for 2022

<https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/165342/3/Tilastotiedote%202023.pdf>

Employment roadmap project

The purpose of the employment roadmap project, carried out in 2021-2022, was to find sustainable solutions to the labour needs of different sectors throughout Finland in the in short, medium and long term, taking regional differences into account. The project sought measures to make it easier to find each other between job vacancies and unemployed jobseekers. These measures to improve labour market matching are important in order to improve employment, support business growth and strengthen the funding base of the welfare state. The Labour force Roadmap project also examined how much work-based and education-based immigration Finland needs to ensure that companies can find the experts they need. The industry groups worked under the leadership of the Ministry of Economic Affairs and Employment (MEE) from 1.11.2021 to 31.12.2022 and drew up labour force roadmaps for several sectors. Pls see the press release below for more information:

<https://tem.fi/en/-/report-on-supply-shortage-and-matching-of-labour-sums-the-results-of-the-labour-market-roadmap-project>

Young workers -including Dircet request

The Committee requests the Government to continue to provide updated detailed information on the impact of measures taken to promote youth unemployment, especially the Nuoret töihin! and Nuoret kohti työtä!, as well as information, disaggregated by age, sex and economic sector, on trends in employment, unemployment and underemployment for young persons.

Nuoret töihin! and Nuoret kohti työtä! projects have both finished. A presentation and main impacts of the project Nuoret töihin! has been published on the web site of the European Public Employment Services maintained by the European Commission. Please find enclosed the presentation (annex I, answer to the Direct Request).

Re. statistics, pls see the annual statistical summaries of MEAE for more information:

<https://tem.fi/en/annual-statistical-summaries1>

Cooperation with the private employment services –including Direct request

- The Committee requests the Government to continue to provide **updated information on the operation of public employment services and on any measures taken or envisaged to ensure effective cooperation between the public employment services and private employment agencies**. The Committee also requests the Government to **provide information on the impact of services provided by TE Offices in term of people obtaining employment, including the number of persons placed in employment through such services and the type of employment in which they are placed**.

According to the current Government Programme of Prime Minister Petteri Orpo, *cooperation with public and private employment services will be intensified*. The aim is to examine and introduce practices for providing private employment agencies with the necessary information on unemployed jobseekers. In autumn 2023, the Ministry of Economic Affairs and Employment appointed a working group for the development of employment services, representing a broad range of stakeholders, with the aim of reviewing the necessary measures to implement the entries in the Government Programme. The aim is, among other things, to provide a concise description of the roles of private employment agencies in the employment services as a whole. Another aim is to find out what infor-

mation private employment agencies need on job seekers, what information can already be disclosed and what information should be disclosed to private employment agencies in the future. Systematic cooperation between Employment and Economic Development (TE) Offices/ongoing government pilots on employment and private employment agencies is also recommended. Any legislative amendments will be discussed in a legislative project set up by the Ministry of Economic Affairs and Employment in spring 2024. The Government proposal including intensification of cooperation between public and private employment services is scheduled to be submitted to the Parliament in autumn 2025.

Reports

Report of the working group of researchers on employment, 06/2021(in Finnish)

The report presents proposals and recommendations for measures to promote employment based on the working group's survey of research literature. The report includes a comparative review of the employment rate across the Nordic countries, with a more in-depth evaluation of Finland's labour force and labour reserves. The proposed measures and recommendations are based on short reviews of research literature in many different sectors. These include unemployment security, active labour market policy, proactive labour market policy, taxes and income transfers, employment of people with partial work capacity, employment impact of entrepreneurship, and immigration and employment.

The proposed measures are measures that, based on the research literature, are expected to promote employment without causing significant deadweight losses at the same time. The proposed recommendations are measures that the working group proposes to be investigated further. While the recommendations are promising, there are many more open questions regarding them than the actual proposals.

Experiences of decentralisation of public employment services - Report on Denmark, Norway and Germany, MEAE 09/2021 (in Finnish)

The report aims to provide a general overview of the service structures and financing responsibilities of public employment services in European and other countries, and to describe in more detail the situation in three countries selected for a case study.

Changes to the way in which responsibility for implementing labour policy is divided in the reference countries have always been linked to more comprehensive service structure reforms and cannot be separated from other reforms. The connections between various reforms should be taken into account in Finland too. The capacity to provide services at the local level varies in the reference countries. Therefore, municipalities or their cooperation structures related to different aspects of labour policy should be large enough to enable the implementation and development of services. The financial responsibilities of the services are divided according to the various social security instruments and there are only few financial incentives for municipalities. In the reference countries with decentralised services, the State's steering role shifts into that of a legislator and a facilitator of the system. The decentralised service system can be supported by funding and strong knowledge-based management. In addition, a shared customer information system is a key prerequisite for the functioning of a decentralised employment services system. Decentralisation has positive effects on the integration of services locally or regionally.

Vocational labour market training: assessment of functionality and impact, Publications of the Government's analysis, assessment and research activities, 04/2022

The study assessed the functionality and impact of vocational labour market training. The analyses were based on register data from the Ministry of Employment and Economy and Statistics Finland, as well as interviews and surveys. The surveys were targeted to labour market training participants, employers, service providers and representatives of the TE administration. On average, vocational labour market training increases the employment rate of participants by 5–10 percentage point and average annual wage income by around EUR 2,500, depending on the calendar year, time since training, training type and target group. Longer-term training has a greater impact on employment and income than short-term training. In the surveys, procurement methods and processes for the vocational labour market training were largely rated as functional and effective. The areas for improvement are mainly related to customer guidance, targeting and resources of the vocational labour market training. More resources are needed for the provision of training but also for guidance in the training process. While in some areas there is less training than demand for it, not all TE office customers are sufficiently familiar with training offerings. Some customers need support when seeking labour market training, in the preparation of applications and also for the transition period from training to working life

Evaluation of Active Labour Market Policies in Finland, OECD 02/2023

The report uses rich administrative data from different registers in Finland to evaluate the impact of two types of training available to jobseekers: labour market training; and self-motivated training. Training outcomes are examined that go beyond the probability of employment and how different population groups are affected. The report also assesses the framework for impact evaluation of active labour market policies (ALMPs) in Finland, covering the whole cycle of evidence-based policy making from strategy and planning of evaluations, resources, data collection and evaluation methodologies to dissemination of evidence and use in policy making.

https://www.oecd.org/en/publications/evaluation-of-active-labour-market-policies-in-finland_115b186e-en.html

Report on the need to develop legislation on the Nordic labour market service model, MEAE 2023

When approving the so-called Nordic model for employment services, Parliament called for that the Government take measures to regulate employment services and unemployment security to improve comprehensibility and predictability (EV 212/2021 vp).

Following the statement, the Ministry of Economic Affairs and Employment appointed Professor Kaarlo Tuori as a rapporteur, who was to assess the needs to develop legislation. The report presents assessment of legislation and several development proposals. The report does not concern development of content of the legislation.

[Selvitys pohjoismaista työvoimapalvelumallia koskevan lainsäädännön kehittämistarpeista \(valtioneuvosto.fi\)](https://selvitys.pohjoismaista-tyovoimapalvelumallia-koikevan-lainsaadannon-kehittamistarpeista-valtioneuvosto.fi) (in Finnish)

Recruitment problems and labour shortages, MEAE Analyses 03/2024

Recruitment problems and labour shortages are quite common issues in the labour market. At the Ministry of Economic Affairs and Employment, the availability of labour is monitored using several different sources. For a long time, Statistics Finland has conducted employer survey commissioned by the Ministry of Economic Affairs and Employment to survey the prevalence of problems experienced by employers in the availability of workforce. Sample-based employer interviews produce data by main industry. More detailed data on the match between the demand for and supply of labour at the occupational level derive from the Labour Supply and Matching Report available on the labour market, the data of which are updated monthly. In addition, the Labour force Barometer, which is still updated annually, examines competence needs in addition to occupational workforce demand in the labour market. According to employer survey, the demand for labour is decreasing,

but despite this, fewer than half of the workplaces (46%) that have applied for labour have still found it difficult to find a factor for the vacancy. The most common problems are in the health and social services sector. In 2023, the situation was most difficult regionally in Kainuu and Ostrobothnia. A closer examination of the occupational level shows that there is currently a shortage of labour especially among nurses and practical nurses. In addition, there is a quantitative shortage of labour in early childhood education and care, sales tasks, protection and guarding work as well as in the software sector. There is also an oversupply of labour in many occupations. Based on the latest statistical data, there seems to be more than a need for labour in the occupations of salespersons, builders, carpenters, freight handlers and lorry drivers.

Self-motivated study subsidised with an unemployment benefit as a pathway to employment and continuous learning, Publications of the Government's analysis, assessment and research activities, 05/2024

The study evaluated self-motivated study subsidized with an unemployment benefit (OMO), focusing on its functionality, impact on competence development, and integration into the workforce and education system. The study focused on the perspectives of client and processes. Statistical analysis was conducted on individuals who utilised OMO during 2010–2021, after which the results were compared to individuals utilising vocational labour market training and financial aid for students. In addition, interviews on groups of experts and in-terest groups as well as individuals utilising OMO were conducted, and surveys for the experts of TE offices and clients utilising OMO were created. The results indicate that OMO increases the learning process of the unemployed and the employment rate. Currently, studying with financial aid for students is being replaced by OMO. OMO-studies are directed at sectors with great employment rates. From the client's perspective, OMO is an effective tool. OMO is a suitable tool due to its productive and versatile nature. However, the role of OMO as a part of the service and benefit system remains unclear. The implementation of OMO varies between regions, as the decision-making process highlights the expertise of authorities. Utilising benefits calls for confirming the competence of future organisers, as TE services are being transferred to municipalities.

Employment –statistics –including Direct request

The government aims to lift the employment rate to 80 % by 2031 (within two government terms). However, the current economic downturn pushed the employment rate down to 72,3 %. The level of employment is still high in the historical perspective.

Employment target 2031

(age band 15-64, seasonally adjusted)

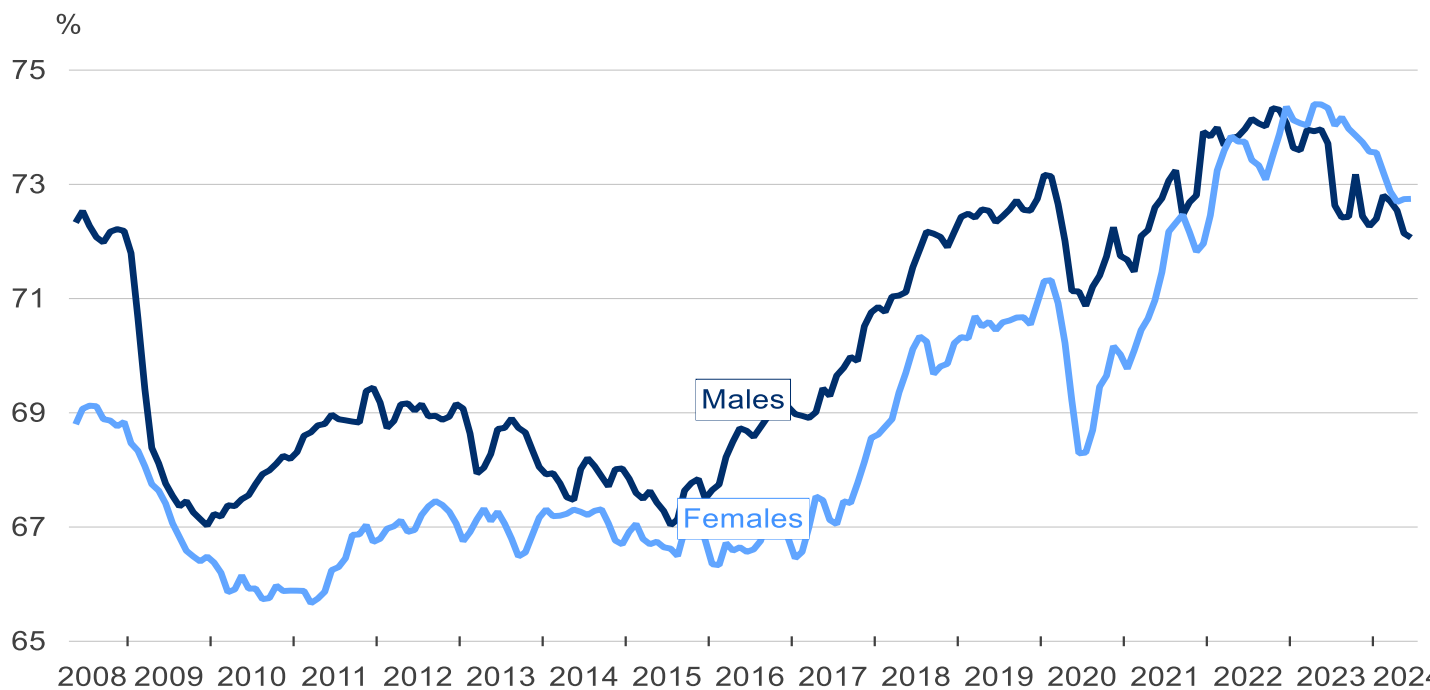


Source: Labour Force Survey (Statistics Finland), Macrobond, The Finnish Ministry of Economic Affairs and Employment

The economic downturn has hit the employment levels especially in construction, while health and social services has continued to increase the number of employees (however, current budget cuts into public services will affect the trend in the coming years). Due to gender segregation of the industries, the female employment rate has exceeded that of males during the last 1,5 years.

Employment rate 15-64-years

(sa. X-11 ARIMA, m.a. 3 months)

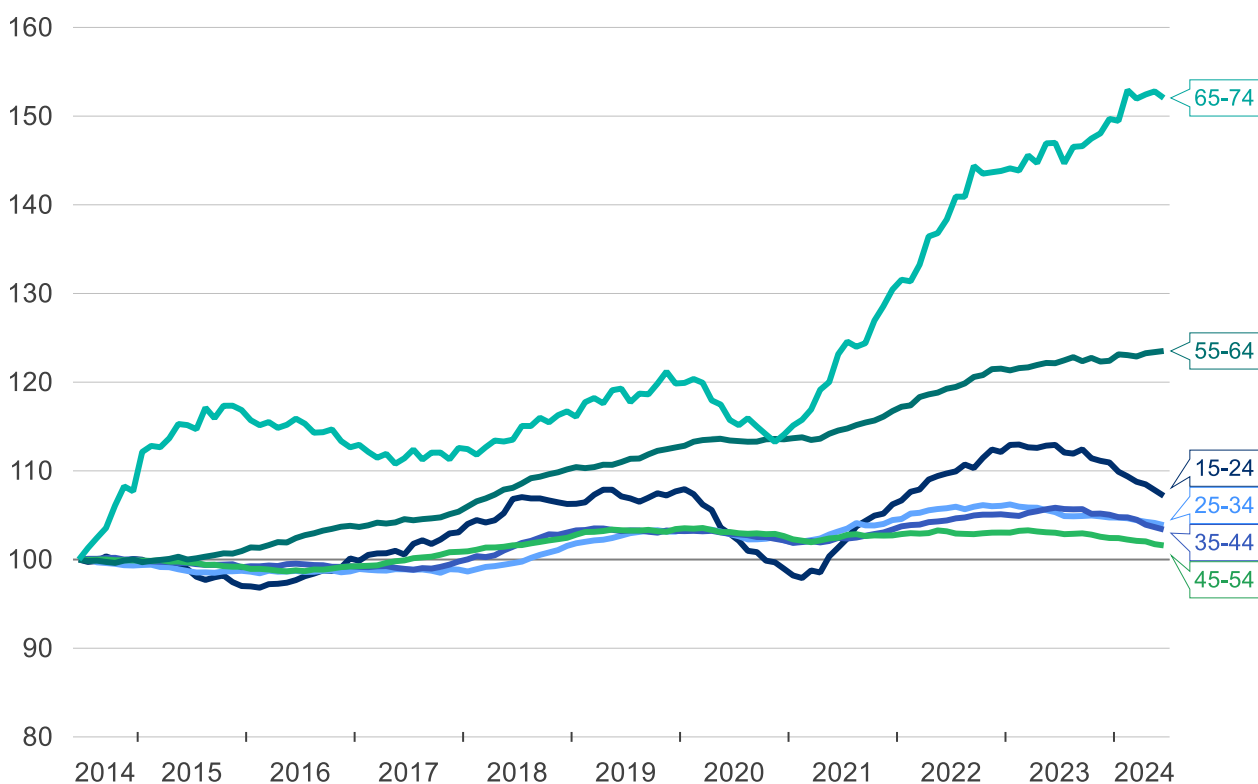


Lähde: Statistics Finland, Labor Force Survey, TEM, Macrobond

Employment levels have continued to rise in the oldest age groups. However, the current economic downturn has pushed down the employment levels of the prime age groups from 25-54.

Employment rate in different age groups

moving average, 2014=100

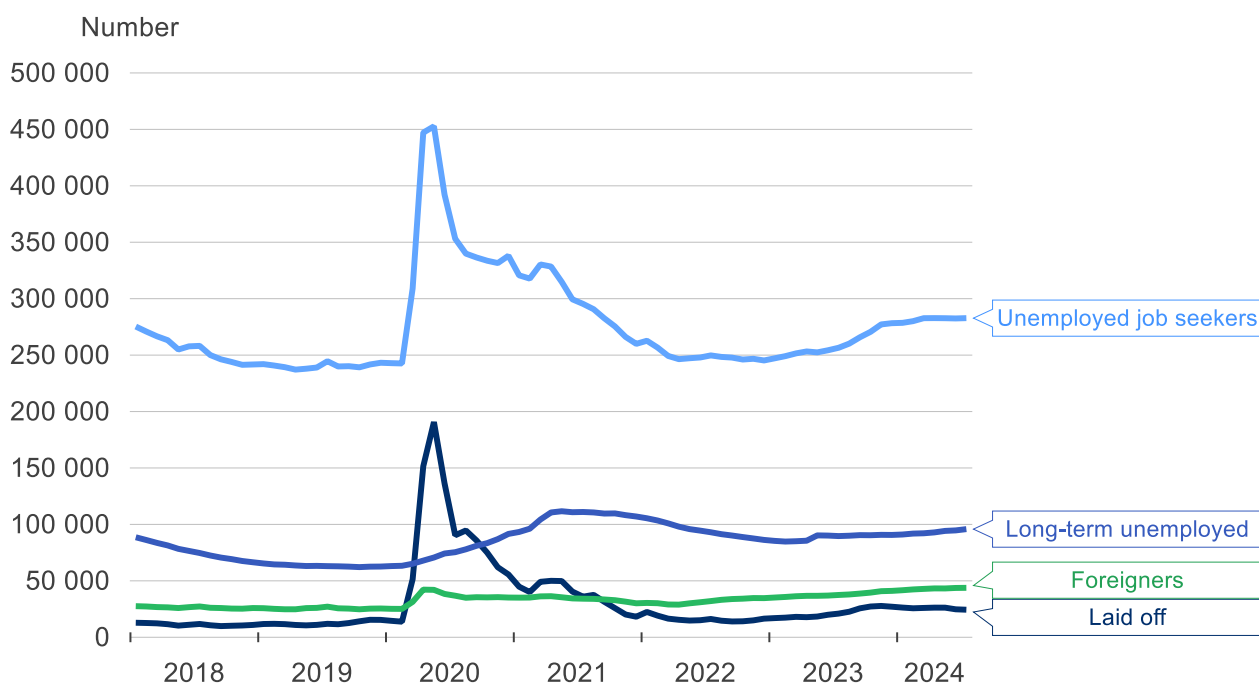


Lähde: Statistics Finland, Labor Force Survey, TEM, Macrobond (<Series not found>)

Unemployment

The number of unemployed job seekers has been stable since March 2024. In July 2024 there were 283 000 persons, who had registered in the public employment services. The economic downturn, especially in construction, increased unemployment and the level is still high as the cycle has not yet turned into growth. Large share of the growth is from lay-offs. Long-term unemployment was still up from the corona-crises when the economic downturn arrived and has started to increase again. Cooling down of the economy has affected especially young people and foreign citizens, who typically have less stable labour market position. In addition, immigration (incl. Ukrainians) has been high and as the foreign population grows, also their share among unemployed grows.

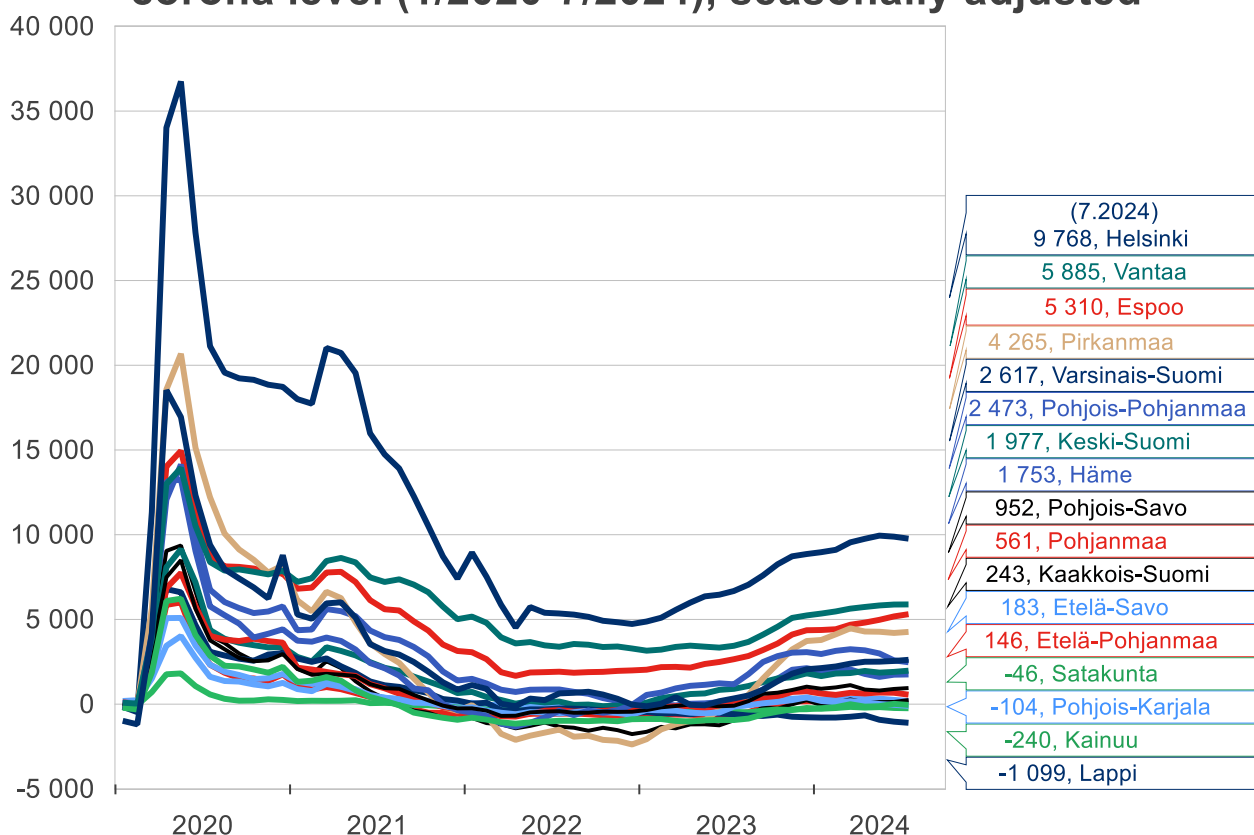
Unemployed job seekers registered in public employment services seasonally adjusted



Lähde: Työnvälitystilasto, TEM, Macrobond

Between 2022-2023 the number of unemployed job seekers reached the pre-pandemic levels in most of the country. However, in the capital region (Helsinki, Vantaa, Espoo) the recovery was more difficult (e.g. the hospitality sector jobs were hard hit). More recently, the number of unemployed job seekers has increased again in the largest cities (capital region, Pirkanmaa, Varsinais-Suomi). Especially in Pirkanmaa the drop in construction and manufacturing resulted in high unemployment. In Lapland (Lappi) the number of unemployed has decreased most. However, the lowest unemployment rate is still in Etelä-Pohjanmaa and Pohjanmaa.

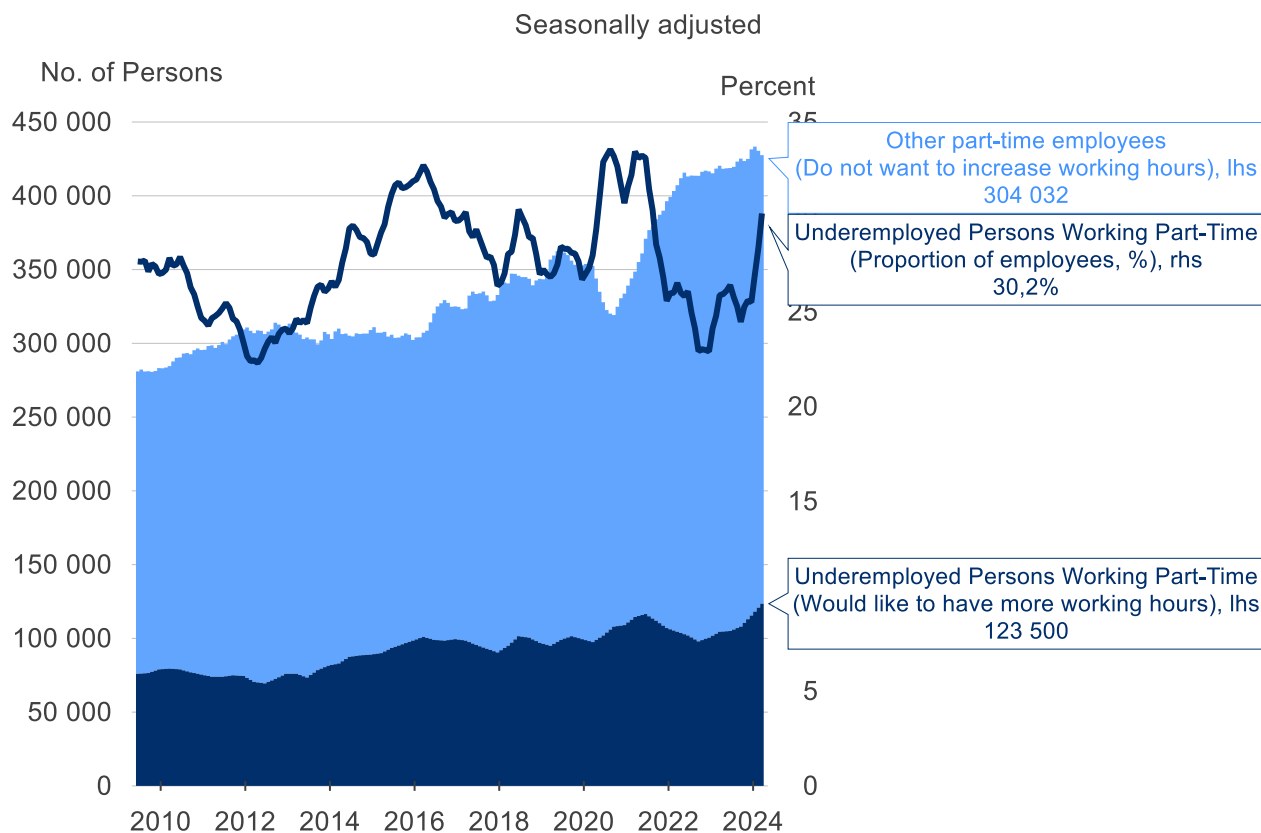
Change in the number of unemployed job seekers from pre-corona level (1/2020-7/2024), seasonally adjusted



Underemployment

The number of part-time workers has increased significantly since 2016. Most of the growth has been from people preferring part time work and the number of underemployed has not been growing in the same pace with part-time employment. However, during the recent quarters, the share and number of underemployed part-time workers has increased. This is most likely due to companies cutting the working hours in order to cope with dropping demand.

Part-time employees according to their working time preferences



Lähde: Eurostat, Employment & Unemployment (Labor Force Survey), TEM, Macrobond

Older worker's unemployment –including Direct request

The employment rates of the older workers have increased steadily. Among workers aged 55-64, the employment rates have been higher for women than for men. In the older age group (65-74) the difference is into opposite direction.

Despite positive development in the employment rate, among the 283 000 unemployed job seekers 75 000 are over 55 years old. At job loss, re-employment at old age is still challenging.

The measures taken to increase labour market participation of older workers include abolishing of:

- Beneficiaries of an earnings-related unemployment allowance who are over 57 years of age and who have received an earnings-related unemployment allowance for almost the maximum period are entitled to receive a fixed-term employment contract from the municipality, which secures their right to an unemployment allowance after employment.
- Employees whom municipalities are obliged to employ under the above and recipients of an earnings-related unemployment allowance who are over the age of 58 are exempt from reviews of their unemployment allowance level if the review would result in a reduction in their unemployment allowance.
- Recipients of an earnings-related unemployment allowance who are over the age of 60 and who have received an earnings-related unemployment allowance for almost the maximum period have a right to fulfil the condition regarding employment by participating in a service promoting employment.

The abolition of age-related exceptions is expected to increase employment by around 5,100 people in the medium term. These measures have been evaluated in here:

<https://vm.fi/documents/10623/180963988/2024-03-07+Ik%C3%A4sidonnaiset+poikkeukset.pdf/f84e5459-1b7b-c054-51dc-eff3db2833a4/2024-03-07+Ik%C3%A4sidonnaiset+poikkeukset.pdf?t=1709906099770> (Finnish)

A copy of this report has been sent to following labour market organizations:

1. The Confederation of Finnish Industries (EK)
2. The Central Organization of Finnish Trade Unions (SAK)
3. The Finnish Confederation of Salaried Employees (STTK)
4. The Confederation of Unions for Academic Professionals in Finland (Akava)
5. The Commission for Local Authority Employers (KT)
6. The State Employer's Office (VTML)
7. The Federation of Finnish Enterprises (SY)

Statements of the labour market organisations

Opinion of the central workers' organisations (Central Organisation of Finnish Trade Unions SAK, The Finnish Confederation of Salaried Employees STTK, and the Confederation of Unions for Academic Professionals in Finland Akava):

The objective of the Government Programme of Prime Minister Petteri Orpo is to balance general government finances with extensive austerity measures. The Finnish Government's target is an 80% employment rate by 2031. The objective for the government term 2023–2027 is to implement reforms to increase employment by at least 100,000 people. In practice, the austerity measures are mainly being implemented through significant social security cuts, especially for the unemployed. The major social security cuts partly target the same groups of people, which is why the achievement of the positive employment effects anticipated is partly uncertain. On the other hand, some of the reforms even weaken the incentives to accept employment.

The Finnish Government has also decided on cuts in competence development. The adult education allowance intended to support the continuous learning of the working-age population was abolished at the beginning of August 2024. This allowance was used by 30,000 people every year to maintain and improve their know-how. The opportunities for adult competence development are also being drastically cut in other ways, and these cuts will be reflected in the availability of skilled labour and in employment. The central workers' organisations emphasise that, in an operating environment affected by the ever-accelerating structural change of working life, digitalisation and artificial intelligence, an effective employment policy requires the development of employees' skills both during employment and during periods of unemployment to enable re-employment. The opportunities for unemployed and temporarily laid off persons for reskilling and upskilling must be improved.

In addition to cuts in social security and competence development, the employment policy includes the reform of employment services. The Nordic labour market service model, which came into force during the last government term, significantly increased the personal service received by job seekers. In addition, in order to remain eligible for unemployment benefits, jobseekers must apply for a

certain number of jobs. During the last government term, it was also decided to transfer the responsibility for organising employment services from the state to the municipalities. In the future, the services will be organised in 45 employment areas.

The Nordic labour market service model has been found to make job search more cumbersome, so the Government has outlined that the service model will be lightened. In connection with the spending limits discussion, the Government decided on the deregulation of municipalities in terms of employment services and on the termination of the operations of Työkanava Oy, an organisation promoting the employment of difficult-to-employ persons. The deregulation aims at savings of EUR 10–20 million. In addition, the Government proposes that nearly EUR 40 million be cut from the public sector pay subsidy. At worst, the amount will correspond to 20% of the cost of the pay subsidy.

Studies show that in the case of long-term unemployment, the barriers to employment are especially related to health status and problems in job search. Benefit cuts alone will not necessarily lead to faster employment. At the moment, the service system does not sufficiently support employment. For this reason, the central workers' organisations have emphasised the need for the adequate resourcing of labour and health services and the development of cooperation between operators in promoting employment.

The central workers' organisations are concerned about the Government's employment policy. People's ability to get help in difficult life situations, such as when unemployment strikes unexpectedly, is being weakened in terms of both social security and services. There are serious risks associated with the lightening of the service process of employment services. When employment services are transferred to municipalities, they will be financed with the municipalities' universal central government transfer. According to current information, this involves a funding gap of approximately EUR 100 million. The lighter service process together with the universality of funding and underfunding may encourage service providers to reduce services. The central workers' organisations agree that this must not happen; the financing and availability of services must be ensured.

The Federation of Finnish Enterprises notes that the Finnish labour market has significant regional and profession-specific mismatch problems. Employment and labour market policy should play a more active role in solving the mismatch problems and increasing the employment rate. In labour policy, it is important to reconcile the jobseeker's obligation to actively seek work with the efficient operation of public employment services. Työkanava Oy (referred to in the ILO's Committee of Experts' report under the previous working name "Välittäjä Oy") has not proven effective in finding work for difficult-to-employ jobseekers. The Government has therefore decided to abolish Työkanava Oy. The Federation of Finnish Enterprises notes that the implementation of employment services must be cost-effective, and Työkanava Oy has not met the requirements set for it.

In its opinion, *the Office for the Government as Employer* notes that the collective agreement for public officials on employment leave of 1 December 2022 contains, in the case of public officials, contractual provisions on the right of public officials to employment leave, the special right of public officials aged 55 or over to employment leave, and the employer's obligation to provide information on certain employment services, referring to the Employment Policy Convention, 1964 (No. 122).

Annex

Annex I – PES Practice: Youth towards work: result-based job coaching for youths