

National Programme for Ageing Workers
in Finland

Peer review: Sweden

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Introduction

The statements and comments in this paper are based on the presentation and assessment of the National Programme for Ageing Workers in Finland (FNPAW) by the Independent Expert (Robert Arnkil and Jarmo Nieminen). The note follows the structure outlined by ÖSB for peer country comments.

Part 1: Brief assessment of the relevance of the policy/measure to the peer country

There sure are similarities between the labour market situation in Sweden and that in Finland. But there are also a number of important differences. Among these the following are of significant importance:

In Finland the employment rate is approximately 38 % in the age group 55-64 (the same as the EU-average). The corresponding figure in Sweden is 64 % (Table 1)¹. The high percentage of older people in employment in Sweden is largely attributable to labour legislation, one of the guiding principles of which is that the employees who are hired last are the first to be dismissed. This has benefited older employees since they have generally been employed for a longer time and have therefore been able to keep their jobs.

Table 1: Employment rate (yearly average for 1999)

	Total	Men	Women
Persons in the age group 55-64 years	64,0 %	67,1 %	61,0 %
Persons in the age group 45-54 years	85,0 %	85,9 %	84,0 %
Persons in the age group 16-64 years	72,9 %	74,8 %	70,9 %

In Finland the employment rate is 80 % in the age group 45-54. The corresponding figure in Sweden is 85 %. This is the highest rate of all age groups in both Finland and Sweden.

The average employment rate (15 or 16 years to 64) is also higher in Sweden than in Finland. The figures are 64% in Finland, 61 % in EU and 72,9 % in Sweden.

The unemployment rate is lower in Sweden than in Finland (Table 2).

Table 2: Unemployment rate (ILO-definition, yearly average for 1999)

	Total	Men	Women
Persons in the age group 55-64 years	6,6 %	7,3 %	5,9 %
Persons in the age group 16-64 years	7,1 %	7,5 %	6,7 %

In certain parts of Sweden, unemployment is still considerably higher and the employment ratio considerably lower than in the rest of the country.

¹ Based on information from the National Labour Market Board, AMS

Table 3:Unemployment rate (national definition)

	Total	Men	Women
Persons in the age group 55-64 years	5,9 %	6,5 %	5,2 %

The open unemployment is supposed to decrease to 4 % 2000. At present 3,1 % of the labour force are in labour market policy programmes (the same as in 1999).

The share of ageing workers in active labour market measures is lower than the corresponding percentage of unemployment.

Table 4: Persons older than 55 years, share of

Unemployment	15%
Active labour market measures	12%

The labour force participation rate is much lower in the age group 55-64 years than in the labour force as a whole. The main reason is the economic crises in Sweden ten years ago. During the early 90s the demand for workers decreased rapidly (more than 10 %). Especially the eldest and the youngest were affected.

Table 5: Labour force participation rate

	Total	Men	Women
55-64 years	68,0 %	71,7 %	64,4 %
16-64 years	77,2 %	79,5 %	74,8 %

For men the workforce ratio has decreased every decade since the 60s. For women the situation has been different. The workforce ratio was rising rapidly during the 70s and 80s, but during the 90s the ratio decreased with the same percentage as for men.

The government's goal in Finland is to raise the employment rate to 70 %. This goal is significant lower than Sweden's. Sweden now has the opportunity to once again achieve full employment. In the 1999 Budget Bill, the government supplemented the existing target of halved open unemployment by 2000 with an employment target. The driving forces behind this was the significance of employment for growth, an endeavour to bring about a more even distribution of income opportunities in society and the need to secure the future financing of welfare. This target means that the proportion of the population aged between 20 and 64 in regular employment needs to increase from 74 per cent in 1997 to 80 per cent in 2004. A higher employment ratio is necessary in the light of the expected demographic developments involving an increase in the number of older people with the accompanying need for increased resources for health care, social services and pensions ².

The **activation principle** in Swedish labour market policy means that employment will always take precedence over programmes or the passive payment of unemployment benefit. The employment service will continue to prioritise the long-term unemployed and those who

² Sweden's Action Plan for Employment (May, 2000)

have been, or who risk being, registered for lengthy periods with the employment services. The individual action plans are to be further developed and established before the end of three months of unemployment. Labour market policy regulations are to be simplified. In order to further enhance the work opportunities for those people registered at job centres for a long period the government introduced on 1 October 1999 a special subsidy for employers. The subsidy, known as an extended recruitment incentive, is supplementary to the previously introduced general recruitment incentive.

From 1 August 2000, an activity guarantee has been introduced. The activity guarantee is intended for persons who are, or are in danger of becoming, long-term registered. In the long term, this should mean that few persons would need to be openly unemployed for more than two years. One purpose of the activity guarantee is to break the vicious cycle between open unemployment and measures, and give unemployed people a stable and sustainable full-time activity until they find employment or enrol in education/training. The activity guarantee is to be based on individual action plans that are drawn up in consultation between the job centre and the unemployed person. The activity guarantee should be an integrated programme characterised by frequent contacts with job centre representatives, where the basis of these activities is organised job seeking. The activity guarantee will include the traditional labour market policy measures, such as labour market training, rehabilitation, practical work experience and employment with the help of a recruitment subsidy. Participants will be admitted for up to six months at a time. After that the employment service can resolve of continuing participation if necessary. The AMS guidelines for the activity guarantee emphasise that:

- The activities are to be headed by qualified counsellors. Work is to be based on individual action plans, referred to as “jobseeker plans”, and drawn up in consultation with the jobseekers.
- Broad-based partnership and co-operation, e.g. with the State, municipal authorities, business enterprise, the labour market parties and other organisations, is necessary.
- Financial benefits for participants will mainly comprise activity allowance/training allowance, i.e. the same payment as under most other labour market policy programmes or from unemployment insurance. Other benefit arrangements are possible.
- Compensation for providers can be agreed on between the employment service and the partners.

The government is making long-term efforts to remove poverty traps, reduce marginal effects and stimulate participation by older people in the labour force. A reduced tax burden for wage earners increases the opportunity for people to earn their own living and stimulates participation in the labour force.

Within the framework of the activity guarantee, the government will propose special recruitment incentives for older persons. Persons aged 57 or more who have been registered for more than two years, can, after they have participated in activity guarantee for three months, be helped by special recruitment incentives, which entail employer tax reductions corresponding to 75 per cent of wage costs over two years.

Part 2: Brief assessment of the potential transferability of the policy/measure

The employment rate for the age group 55-64 is in Finland on the EU average level (38 %). The corresponding figure is Sweden is 64 %. In spite of that I still believe that the similarities between the two countries are greater than the differences when it comes to measures to improve the situation for the ageing workers.

Most countries in the EU have an ageing population and ageing workforce. This is true for Sweden as well. In my opinion FNPAW to a very large degree is relevant also in the Swedish context.

During the period of mass-unemployment in the beginning of the 90s it was no longer possible to obtain the Swedish activation principle for the ageing workers. This has affected the attitude to the activation principal in the long run. To stop working a couple of years in advance seem to have become a new norm within some groups in the work force. Therefore the employers are more reluctant in recruiting ageing workers and the ageing workers are less interested in training and job seeking.³

As in Finland, the Swedish pensions system (and other social benefits as well), has provided incentives for companies and public sector organisations to encourage early retirement. Early retirement has been an easy way of downsizing for employers in both the private and the public sector. Also among the employers - and their organisations - there have been an attitude of accepting this method of downshifting as it will give opportunities for the younger generations to keep their jobs.

One significant reform that has been implemented is the new pension system, under which there will no longer be any limit on the period during which an individual can earn pension rights. Individuals who do not draw a full pension will see their pension assets increase at the same rate as general wage growth, which means that they will be able to benefit from rising income index for as many years as they choose to continue working.

In the reformed system it will be possible to draw a pension from the age of 61. The retirement age will be flexible and there will be no upper age limit. It will be possible to draw the full pension or fractions of a quarter, a half or three-quarters. Pensioners will be able at any time to switch from a full pension to a partial pension or to suspend pension payments until further notice. Income earned after retirement will also earn pension right and will thus top up the future pension. This will create an incentive for pensioners to continue to receive an income from work on top of their pension income.

³ The Parliamentary Auditors: Arbetslinjens tillämpning på de äldre (1999/2000:7, March 2000). The assessment is based on a study on the activation principle for ageing workers in practise (Wadensjö/Sjögren: Arbetslinjen för äldre i praktiken).

The official retirement age is currently 65, and it was originally proposed that this should be raised to 67. But since the retirement age is decided in collective agreements, it is up to the parties concerned to agree on any change in retirement. If the parties concerned cannot come to an agreement, the Government will present a bill before the end of this year to enter into force on January 2000.

The cooperation between the legislators and the social partners needs to be renewed and vitalised in order to protect the principles of quality in work in a working life undergoing rapid change. The executive committee of FNPAW includes representatives from different ministries and established labour market partners and associations. Civil society associations have been left in a bystander role, however. Sweden has a strong tradition of collaboration between the government and the social partners on issues concerning working life. The government and the employee and employer organisations agree that people's knowledge and occupational skills constitute one of the decisive factors in the economy's productivity and growth.

In defining workers over 45 as the target group of ageing workers I believe Finland has created an extremely diverse and heterogeneous target group. Of course the ageing workers' problems are diverse and heterogeneous rather than homogeneous or unified, but putting together the age group with the lowest employment rate and the age group with the highest nothing is gained. Maybe the idea is to underline the importance of creating better conditions for a longer working life. A working party in the Government Offices has been appointed with the task of analysing the major increase in work-related ill-health that is linked to stress and other organisational and social factors, and drawing up an action plan that specifies a strategy for dealing with the growth in work-related ill-health and for reviving work related to the working environment. The work shall be oriented to the work organisation's significance to ill-health at work seen from a holistic working environment viewpoint. The work will be conducted in close collaboration with the social partners. The work of the working party will take into special consideration the fact that this ill-health affects women to a much higher degree than men.

The Finnish discussion on lifelong learning is of great interest in the Swedish context. Sweden has a well-developed infrastructure for lifelong learning including not only formal education but also the informal learning that takes place in both working life and people's spare time. An important factor in this context is the right to absence of leave for studying. In lifelong learning, adult education plays a special role. An example of a target promoting lifelong learning is that higher education establishments are to intensify their efforts to make education available to all people, not least those who are professionally active. The aim of adult education is to give adults the opportunity to acquire new knowledge and supplement earlier education according to the requirements of society and working life as well as needs and wishes of the individual. In December 1999, the government appointed a special researcher with the task of proposing a system for saving towards individual skills development via some form of tax subsidy.

The discussion on part-time unemployment is also of interest in the Swedish context. The government has, together with the Federation of County Councils, the Swedish

Association of Local Authorities, the Swedish Municipal Workers Union, the Swedish Association of Health Professionals and SACO, agreed on a halving of part-time unemployment, which primarily affects women, in the medical and care sectors by November 2000. Part-time unemployment is supposed to fall from 30 000 in November 1999 to 15 000 in November 2000.

The government has appointed a parliamentary commission with the primary task of creating the conditions for the long-term development of policy for the elderly. Issues covered by the commission will include the inclusion of the elderly in working life. The holistic views of FNPAW might be useful for the work.

Part 3: Note on some questions being raised and debated

Some remarks on our debate in Sweden and questions to our hosts:

In the next few years, the number of people over the age of 55 in the labour market will greatly increase. Parallel with the diminishing entry of young people into the labour market, an increasing number of people will retire, since many employees are due for retirement in the next ten years. This may lead to labour shortages unless the skills and experience of older employees are used to the full. Enterprises and organizations will have to pursue forceful strategies in order to retain their older workers, at the same time as they hire younger ones. It will also be necessary to influence attitudes to age in order to avoid conflicts arising between older and younger workers. In the scenarios up to 2015 the economic development in Sweden is held back by a too slow increase in the workforce. The ageing workers stand for almost the entire rise in the workforce in these scenarios (98 %). It would be of interest to discuss the impact of the ageing workers on the economic development in Finland as well.

In Sweden - as in the other Nordic countries - the municipalities are responsible for the most comprehensive range of services, for example the care of the elderly, education, childcare and other social services. In the near future the workforce will decrease but the number of elderly and children will increase. The municipalities have already some difficulties finding teachers and employees for the care of elderly, especially in the Stockholm - area. Young people prefer working with IT, telecommunications, and music or within other areas where Sweden has been quite successful during the 90s. More than 50 % of the teachers are 50+. It is necessary to find individual solutions for the teachers to keep them in employment. The situation in elderly care is the same. What happens in the municipalities will have strategic implications, especially for women. Have you found a solution on this problem for the municipalities in Finland?

The general trend in the Swedish labour market is also a rise in individualisation and a need for flexible, individually tailored solutions. It is of significant importance to establish broader views on the age issue. In order to stimulate participation in the labour force at an advanced age, it is important to create the criteria for employees to continue to work beyond the age of 65. One goal of the FNPAW is to rise the average retirement age. Has it been discussed to rise

the pension age from 65 to something higher? Has it been discussed to propose legislation that will mean that nobody will be forced to stop work before the age of for example 67? Continual skills development increases individuals' opportunities to obtain and change jobs, which will lead to increased flexibility on the labour market. One step in stimulating lifelong learning is a system for individual saving towards skills development, which will be stimulated through reduced tax, and will be available to all individuals and companies. A commission has been appointed to produce proposals for a system for skills development. The commission's final report will be submitted in January 2001. Is this kind of system discussed in Finland?

The use of computers and the Internet varies according to age, ethnic affiliation, gender, income and housing conditions. More women than men completely lack experience in using computers and the Internet. This usage falls steeply with increasing age and is higher for high-income earners than for low-income earners. People with a higher level of education have considerably more experience of computers than those with a low level of education. People in metropolitan areas use computers and the Internet more than those in sparsely populated areas. Is the distribution of skills in this area of competence relevant also within FNPAW?

One of the FNPAW goals is to increase the use of part-time pension. In Sweden we have also had a system of part-time pension. As the costs were higher than expected and the opportunity to receive part-time pension was used by citizens not regarded as the main target group this system was abandoned. Why is this system working in Finland but not in Sweden?

In Sweden older workers losing their jobs have low re-employment rates. The cash benefits have to a large degree been used only to secure the ageing workers income and not as a mean to give the worker the opportunity to make the necessary actions to get a new job (as it was intended). The incentive for unemployed to actively look for work and to raise their skills level through education/training is reinforced via the activity guarantee. It is absolutely imperative to offer effective measures for those people who have had special difficulty in finding jobs. There are almost 67,000 long-term enrolees at the employment offices, at the same time as employers are beginning to experience difficulty in finding personnel with the right qualifications. Through intensive measures such as competence development and training, the activity guarantee will improve these people's chances of landing the new jobs. Is some kind of guarantee of interest in the Finnish context?

The Parliamentary Auditors have identified four main problems in the labour market for ageing workers:

- The influence of the mass-unemployment during the early 90s
- The complex regulations
- The way the regulations are practised (including attitudes, conflicting national-local goals and the fact that the central government as employer has not always followed the activation principle)

- Agreements between employers and unions making ageing workers receive cash benefits as unemployed to add to the pension instead of working.⁴

According to the Parliamentary Auditors labour market policy regulations have to be simplified. This is an issue that has been discussed in Sweden for a decade or even more. To what extent do you have a similar debate in Finland?

⁴ The Parliamentary Auditors: Arbetslinjens tillämpning på de äldre (1999/2000:7, March 2000). The assessment is based on a study on the activation principle for ageing workers in practise (Wadensjö/Sjögren: Arbetslinjen för äldre i praktiken).