

Social Quality and the Policy Domain of Employment

Finnish National Report

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1. Introduction

There are two, quite contradictory views of the Finnish working life. On the one hand, the Finns are a hard-working people, and almost all adults (both men and women) participate in paid employment, usually full-time. Thus, Finland is and has been for a long time a 'work society' *par excellence*. On the other hand, according to many studies and interviews, workers are stressed in their work places or have difficulties to fulfil new requirements, and pre-retirement is more than usual. In addition, Finland experienced a very deep economic recession in the first half of the 1990s, and unemployment came to be one of the major problems of society – and policy-making. This was also a time period of rapidly expanding 'information society' and IT jobs, changing many features of the traditional work life. In this report, the basic concepts and data are used as far as possible.

Table 1 shows the basic distribution of the Finnish working population aged 15-64 between 1998-2000 according to sex and age group. In 2000, the number of employed persons in Finland was approximately 2,335,000, which is over 100,000 persons or almost 5 percent more than in 1998. However, the labour force level of employed persons was still 170,000 persons lower than at the turn of the 1990s. The most striking aspect of the recent development of the composition of working population aged 15-64 is the increased proportions of both the youngest and the oldest age groups (Labour Force Surveys 1998, 1999, 2000).

Table 1. Working population in Finland 1998-2000 by sex and age.

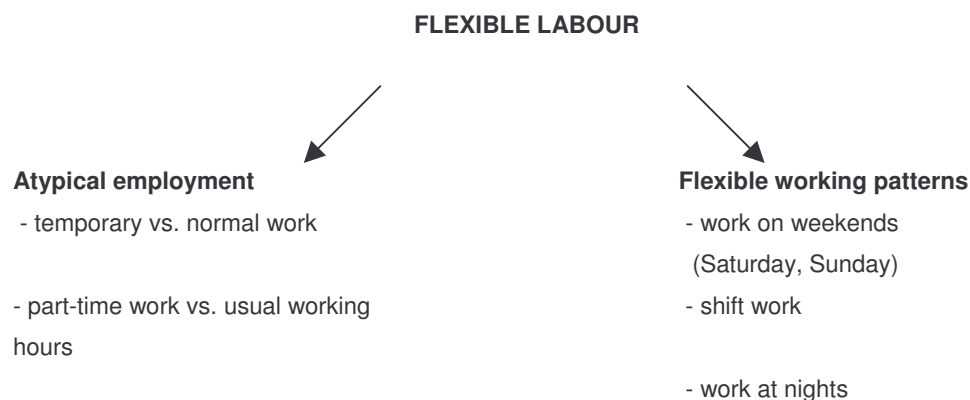
Both sexes	1998		1999		2000	
	*1000	%	*1000	%	*1000	%
15-24	228	10,3	255	11,2	263	11,9
25-34	512	23,2	515	22,6	506	22,9
35-44	636	28,8	641	28,1	640	29,0
45-54	639	29,0	659	28,9	679	30,8
55-64	191	8,7	211	9,3	232	10,5
Total	2206	100	2281	100	2318	100

Males	1998		1999		2000	
	*1000	%	*1000	%	*1000	%
15-24	120	10,3	132	11,0	134	11,0
25-34	286	24,6	286	23,9	283	23,3
35-44	334	28,7	339	28,4	338	27,8
45-54	325	27,9	333	27,9	343	28,2
55-64	98	8,4	105	8,8	117	9,6
Total	1163	100	1195	100	1216	100

Females	1998		1999		2000	
	*1000	%	*1000	%	*1000	%
15-24	108	10,3	123	11,3	129	11,7
25-34	226	21,6	229	21,1	223	20,2
35-44	302	28,9	302	27,8	302	27,4
45-54	314	30,1	326	30,0	336	30,5
55-64	94	9,0	106	9,8	115	10,4
Total	1044	100	1086	100	1103	100

Before analysing the compositions and attributions of flexible labour, one has to define clearly what is actually meant by the concept and how the flexible labour can be operationalized in empirical studies. We have considered flexible labour as a broad concept, kind of an umbrella which covers a great deal of different types of work and a whole variety of arrangements of working times. Therefore, flexible labour can be seen as composing of employees whose employment relationships can not be considered as normal but atypical and additionally, their working patterns are somewhat flexible (table 1). It should be noticed that typology described in table 1 is not trying to be totally comprehensive. By defining the concept of flexible labour this way we come partly very close to the concepts like *atypical employment* (Cordova 1986) or *peripheral workers* (Atkinson 1987). Moreover, atypical employment includes a broad range of employment types whose common feature is that they all differ in some way from permanent, full-time or "standard" employment. Flexible labour also includes employees whose working patterns are flexible: employee who work on weekends or at nights. Also a shift work can be considered to be included to the flexible working patterns. One theoretical starting point for the analysis of flexibility is provided by John Atkinson (Atkinson 1987). However, his model focuses primarily on the employer's perspective and pays less attention to the employees' side. Moreover, the classification by Córdoba (1986) can also be used as another theoretical tool to provide support and a theoretical framework for the analysis of flexible labour.

Table 2. Dimensions of flexible labour



In the more flexible labour markets, employment security becomes central for the employees. At the same time, 'too strict' employment protection is criticised by the employers, as well as by many economists and politicians. It is argued that employment protection is a reason for labour market rigidities, which in turn lead to structural kind of unemployment. This, however, is far from self-evident, since some stability and trust is needed in modern working life (e.g. Adnett 1996).

Our standpoint is that temporary employment is also related to employment security, since an extensive use of temporary work (for a specified, and often short, period) tends to increase insecurity of the workers. Another problem is connected to lay-offs. However, the most crucial question deals with the termination of contracts of employment, in particular in contracts for an unspecified period. If this is made very easy for the employers, employment security is reduced. Finally, the conditions and levels of compensations in all of these cases is of importance in terms of income/employment security.

There is no clearly defined concept for temporary employment in the research literature. Temporary employment is usually defined in contrast to employment relationship of indefinite duration. However, the most commonly used definition is too simplified for the complex phenomenon. According to our interpretation, in the analysis, temporary employment should be divided into the following sub-categories (call-on workers, substitutes, seasonal workers, workers hired with employment subsidies, workers who work for a staff hire company, workers in an apprenticeship relationship and workers with no particular reason for temporary contract).

Moreover, the distinction should be made also between *the reasons for temporary employment*, the *duration of employment relationship* and *worker's voluntariness for temporary work*. The motives and influences of temporary work appear to be different for employees and employer and this should also be noticed in the analysis. Using temporary workers might provide a great deal of flexibility to

employer in terms of making personnel more easily manoeuvrable, for instance, but on the other hand, being in a temporary employment relationship might be a source of insecurity for the employee. This shows that two different perspectives, employer's and employee's, are required in order to get a more comprehensive picture of temporary employment. However, the problem is that the suggested way to operationalize temporary employment has not been made in previous studies in Finland but instead, the basic distinction has been made only between temporary employment and contracts with indefinite duration. As far as we are concerned the situation is quite similar in studies carried out in other countries. Therefore, in the following paragraph the figures of temporary employment in Finland is looked at strictly as distinct from employees with permanent employment relationship.

In section 2, the concepts of flexibility and security are discussed from our viewpoint. It should be emphasized that there are no largely accepted definitions on these terms in Finland, but this seems to be the case also in international literature. Additionally, in section 2, based mainly on the EU statistics, the figures of temporary employment and accidents at work are described. In section 3, different working patterns consisting of part-time work, night work, shift work and work on Sundays are described. Income security is then described in section 4 on the basis of more qualitative data, and the same holds true with various leave forms in section 5. Finally, the interpretation and conclusions are drawn in the discussion section. The annex shows the basic graphs.

2. Employment relations

Legally, the employment relation is based on *contract*, being unlimited or a fixed-term contract. (In this context, the distinction into labour and opus should also be made, opus being more versatile work). The employment relation is formed between two 'partners', that is the employer and the employee (worker). The employee is to work under the control of the employer, and the employer is to pay a compensation for this.

Although fixed-term contracts have been increasing in Finland, these still represented only 15 percent of all in 2000. However, women tend to have more often (18 percent) fixed-term contracts than men (12 percent). The majority of employees (75 percent) have an unlimited contract. Apprenticeship and temporary agency contract concern rather small groups. In the following, we look closer at the forms of temporary employment.

Table 3. Employment status of employees by gender, 3rd European Survey on Working Conditions 2000

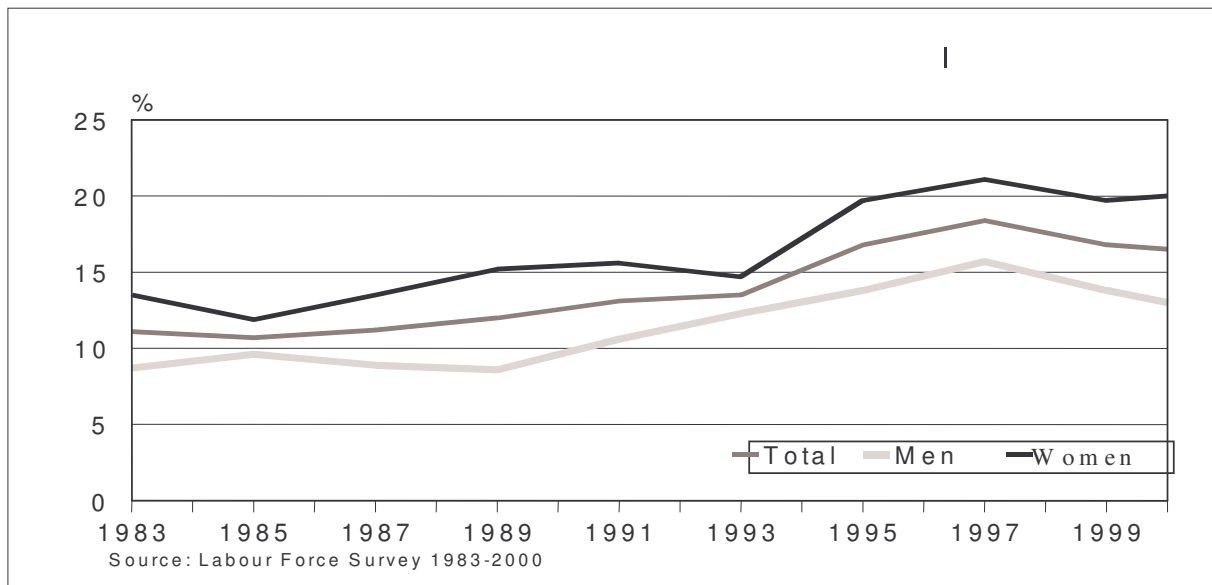
	Total (%)	Males (%)	Females (%)
Unlimited contract	75,0	79,7	70,9
Fixed term contract	15,0	11,6	17,9
Temporary agency contract	0,3	0	0,6
Apprenticeship	1,2	0,9	1,3
Other	8,6	7,8	9,3
Total	100,0	100,0	100,0

2.1 Temporary employment

In the early 1990s, the Finnish economy experienced a deep economic recession which brought major changes to the labour markets. The rate of unemployment, which had remained fairly low throughout the 1980s, reached the record figure of 18,5 per cent by 1994. Changes also took place in the pattern of employment: the proportion of temporary employment relationships increased significantly during the 1990s. Women's fixed-term employment relationships started to increase in Finland already in the mid-1980s. This development was closely linked with the changes in the home care allowance system. (This is a quite distinctive Finnish arrangement, which makes it possible for mothers with small children to stay at home with public income support; home care allowances were more generous in the late 1980s than what is the case today.) This may have influenced the spreading popularity of temporary employment with regard to female employment in two ways: on the one hand employers were becoming reluctant to hire women of child-bearing age to permanent employment relationships because there was a risk of her staying at home to care for her children for years. On the other hand, it became necessary to hire substitutes for the permanent employees who stayed at home by virtue of

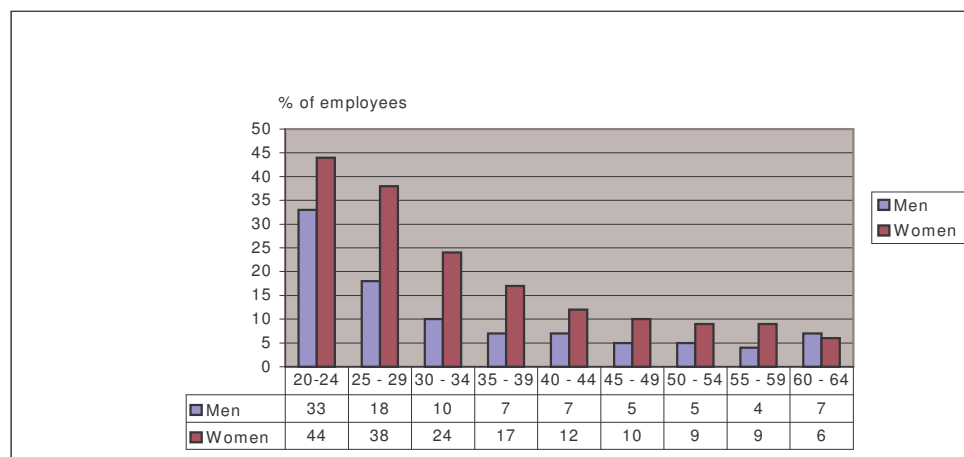
the home care allowance. With regard to men, the development of temporary employment seemed to relate more to the general economic development (Sutela 1999). In the spring of 2000, 14 per cent of employed men worked on temporary basis. The corresponding figure among female employees was 20 per cent (figure 1).

Figure 1. Proportion of employees in temporary employment relationship in 1983-2000 by sex, 15-64 years old employees, LFS 1983-2000



Temporary employment has traditionally been viewed as a phenomenon especially associated with young age and the beginning of a working career. As can be seen in figure 2, temporary employment relationships are most common among young employees and new entrants to working life. However, as the proportion of temporary workers increased in the 1990s, the phenomenon started to touch other age groups as well. The proportion of temporary employees has increased most among women over 30 years, for whom it more than doubled in ten years (Sutela et. al 1999).

Figure 2. Proportion of employees in temporary employment relationship by sex and age group, LFS 2000 (Feb. - May)



2.2 Length of service

Transitions from one company to another, or from one job to another, reflect the functioning (and in this sense flexibility) of the labour markets. The main facts in the Finnish case are presented in Tables 4 and 5.

Table 4. Number of years in present company, by gender and age group (%), 3rd European Survey on Working Conditions 2000

	Age	Less than 1 year	1- 10 years	10 years and over	Total	Average (no. of years)
Males	15 - 24	38,5	61,5	0,0	100,0	1,86
	25 - 39	18,5	65,6	15,9	100,0	5,62
	40 - 54	9,2	33,6	57,3	100,0	14,23
	55 +	9,0	22,4	68,7	100,0	18,33
Females	15 - 24	48,6	51,4	0,0	100,0	1,82
	25 - 39	21,5	58,6	19,9	100,0	5,80
	40 - 54	10,7	34,5	54,9	100,0	13,08
	55 +	4,7	28,2	67,1	100,0	18,26
Total		17,0	46,3	36,7	100,0	9,82

When comparing the number of years in present company, most employees (46 percent) have been one to ten years in the same company, and more than a third ten years or longer; the rest have been

less than one year. Quite naturally, the length of service depends on the age of employees, and in the age groups 55 years and over, as also 40 to 55 years, the majority of employees has been working in the same company 10 years or longer, and the share of those working less than one year is small. Among the younger women, short periods of service (less than one year) are more common than among the men. A pretty similar kind of pattern may be discerned when comparing the number of years in the present job.

Table 5. Number of years in present job, by gender and age group (%), 3rd European Survey on Working Conditions 2000

	Age	Less than 1 year	1- 10 years	10 years and over	Total	Average (no. of years)
Males	15 - 24	38,5	61,5	0	100,0	1,9
	25 - 39	18,9	63,3	17,8	100,0	5,4
	40 - 54	7,5	35,9	56,6	100,0	14
	55 +	3,0	28,4	68,7	100,0	20,1
Females	15 - 24	44,4	55,6	0,0	100,0	2,1
	25 - 39	20,2	64,0	15,8	100,0	5,3
	40 - 54	10,3	41,7	48,0	100,0	11,7
	55 +	5,9	34,1	60	100,0	16
Total		16,0	49,7	34,2	100,0	9,3

2.3 Employment protection regulation

As understood in OECD (1999), employment protection can be provided by various arrangements, by labour legislation but also other regulations. This is summarized in EPL indicators. The main question is: how easy/difficult it is *for the employer* to fire workers. Different indicators of EPL are used for regular workers, for fixed-term contracts and temporary agency work, and for collective dismissal regulation. The overall position of Finland in the comparison of 27 OECD countries in the late 1990s is quite clear-cut: in-between the most strictly regulated and less strictly regulated countries (ranking: 11 or 12). This means that there is a decent employment protection, but the system is not as strict as in many Southern European and Continental European countries.

In the case of dismissal of a regular worker, Finnish employers are estimated to face much regular procedural inconveniences, but in notice and severance pay for no-fault individual dismissal and in the difficulty of dismissal the strictness of regulations is average. Since the late 1980s, Finland has mainly eased restrictions. In the case of temporary forms of employment, however, no essential changes in restrictions has happened during this time period, and since other countries have eased restrictions, Finland's ranking has moved in the direction of strict EPL. Finally, in the case of collective dismissals

in the late 1990s, there seems to exist quite loose requirements in Finland, and so the overall strictness relative to individual dismissals is small.

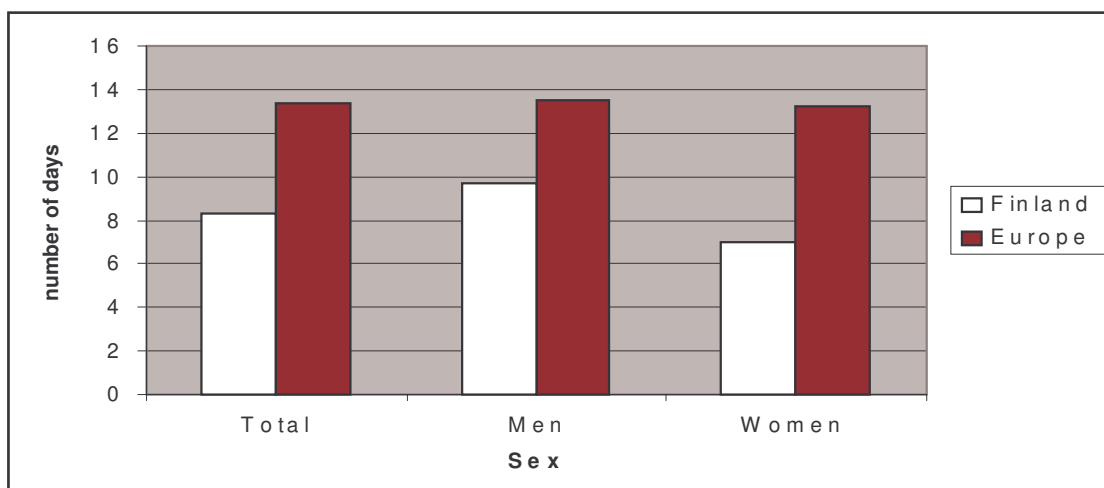
2.4 Accidents at work

The incidence of accidents at work resulting in more than three days' absence from work in Finland dropped by 12.2 percents between 1994 and 1998: there were 3 435 accidents per 100 000 employed persons in 1998 compared with 3 914 in 1994. The trend between 1994 and 1998 was similar in the case of fatal accidents: the incidence rate of fatal accidents dropped from 3.6 to 2.4. The development in Finland has been quite similar to EU average. It should be noticed that only the 9 main branches are covered in the calculation of incidence rates and additionally, the commuting accidents are not included in the harmonised ESAW (The European Statistics on Accidents at Work) data.

2.5 Training provided by employer

According to third European survey on working conditions, over half of Finnish respondents (52 %) had participated in training provided or paid for by the employer over the past 12 months. This proportion is exceptional high compared to other European countries, where averagely only every third employee benefited from paid training. There were no significant differences between sexes in access to training: 53 % of men and 51 % of female employees had benefited from training. The distribution of the average duration of training by sex in Finland and other European countries is described in figure 3. The average length of time spent in training differed by gender in some degree in Finland: it was 8 days per person on the average but less than 7 days among female and almost 10 days among male employees. It should be noted that the calculation of average duration of training was made only among those employees who had participated in training at least for one day over the past 12 months.

Figure 3. The average length of time spent in training over the past 12 months (by sex), 3rd European survey on working conditions 2000



2.6 The role of trade unions

In Finland, the unionization rate of employees has increased substantially after 1960s, and it is nowadays among the highest, together with other Nordic countries (Bruun 1992; Nieminen 2000). Depending on definitions, the rate is counted to be around 80 percent. Moreover, also employers are widely organized into their own federations and confederations, the most important being the Confederation of Finnish Industry and the Employers. As both social partners are representative, this makes consensual regulation of labour relations possible and effective.

The trade union movement has a unique social legitimacy, which is partly an explanation to and partly a precondition for the trade unions becoming well integrated into the state. It can be said that trade union movement is not only a pressure organization in relation to the government and the employers, but also an integral part of the state structure. Through the corporatist system, they are represented in a number of state committees and organs. In this sense, the movement is quite powerful, but on the other hand, it has behaved in a very 'responsible' way, in cooperation with the employers and the government. The role of the unions is different on different levels of the organizational structure. On the local level, the emphasis on the safeguarding the wage-earners' rights and interests in relation to the employer. On the federation level, collective agreements and questions relating to the system of collective bargaining are of importance. Central organizations then deal with law-drafting and economic and social policies. The central organizations of employees and employers have, with some exceptions, made income policy agreements, which also include rules on working times and conditions. Although decentralization – and flexibilization - is the word of the day in Europe, the Finnish industrial relations remained quite centralized during the difficult years in the first half of the 1990s, and thereafter.

The position of trade union movement was revealed when the employment contracts act was renewed in 2001, prepared by a tripartite committee. Most radical flexibilization requirements were rejected, although some changes were made. The political centre and right wanted especially to loosen the 'general validity' of collective agreements, according to which the agreement is binding on all employers and employees in a sector, and not just members of signatory organizations. The old system was continued, but after a long dispute, some small precisions were agreed.

3. Working time

In addition to temporary employment, *part-time work* can be considered as another form of atypical work. Part-time work can be in the interest of both sides, the employers as well as employees. There has been much public debate in Finland about its supposed merits as a means of reducing unemployment as well as of its benefits for workers and employers alike. For workers it may offer the chance of a better balance between working life and family responsibilities, training, leisure or civic activities. It can also make it easier for workers progressively to enter the labour market or retire from employment. For the employer part-time work might be advantageous because it can permit not only greater flexibility in responding to market requirements e.g. by increasing capacity utilisation or extending opening hours but also productivity gains (International Labour Review 1997). Part-time work also has its drawbacks. Part-time workers are very often at a disadvantage in comparison with colleagues who work full time. In other words, part-time jobs very often are “bad jobs” with lower hourly wages, insufficient social security and practically limited career prospects. Furthermore, it is mostly women who are negatively affected by the low quality of part-time jobs (Bielenski 1994).

In Finland, part-time work is not as common as in other European countries. There are many obstacles, which effectively hinder the increase of part-time work. Firstly, in Finland, part-time work is associated with low incomes. Secondly, part-time work is concentrated in private services and there are difficulties to work part-time in one’s own professional job. There are also difficulties to shorten one’s working hours temporarily and return back to full-time (Julkunen & Nätti 1998).

According to Labour Force Survey, 12 percent of all employees worked part-time in 2000. Working part time was considerably more common among female than male employees: 16 percent of female employees worked part-time whereas corresponding figure among male employees was only 7 percent (Labour Force Survey 2000). When examining the usual number of weekly working hours, Finland is quite close to the EU average. In 2000, *the average usual work week* was 38.2 hours in 15 EU countries and 39.3 in Finland. However, Finnish female workers differ significantly from their European counterparts: in Finland, women work four hours longer per week than in other EU countries. There are no significant differences between Finland and EU average in hours worked full-time. However, Finnish female part-time workers work two hours more in a week than what is worked by female workers in other EU countries.

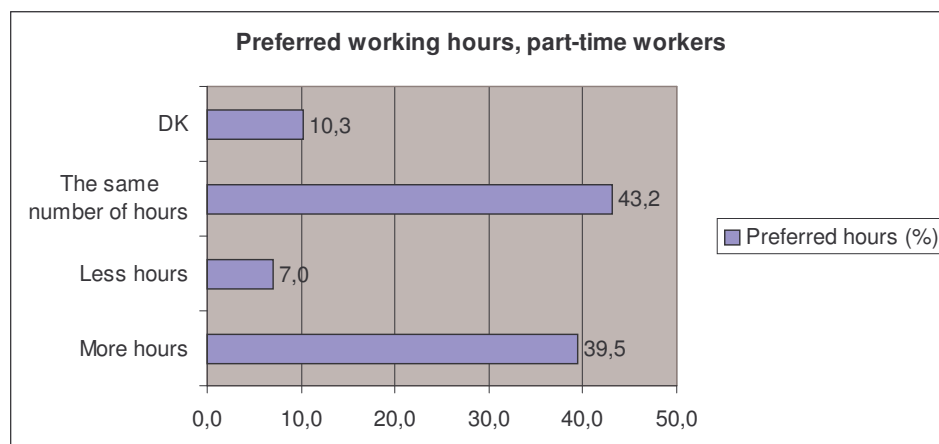
As was reported above, there is only small variation between Finland and other EU countries in usual working hours (with the exception of female part-time workers). However, the small variation in working time lengths does not tell the whole truth about Finnish working times. When the different

working patterns covering work on weekends (Sunday work), shift work and work at nights, are examined, it is quite evident that Finnish working time regime departs from EU average in many ways. *Sunday work* seems to be quite usual in Finland, both for men and women. According to Labour Force Survey, approximately 73 percent of all Finnish employees do not work on Sundays at all. The corresponding figure in other EU countries was 70 per cent in 2000. The biggest difference between Finland and EU average appeared when respondents were asked about the frequency of their Sunday work. Almost every fifth Finnish employee answered that that they work *usually* on Sundays, whereas in other EU only every tenth employee work on Sundays on a regular basis. Sunday work seems to be more casual in nature in other EU countries than in Finland: 9.7 percent of Finnish employees answered that they work *sometimes* on Sundays, whereas the corresponding proportion in other EU countries was twice as big (18.7). There was no information in the data on the recent development of the frequency of Sunday work in EU countries. In Finland, the proportion of employees who never work on Sundays has decreased from 1998 (70.9 %) to 2000 (72.7%), the change being more dramatic among male employees.

Almost one fourth of Finnish wage and salary earners engaged in *shift work*, women more than men. Thus, shift work was almost twice as common in Finland as the EU average. 8.4 percent of Finnish employees also work *usually* at night which is a bit above EU average (7.6%). Men do not differ at this point from EU average but Finnish women perform night work clearly more often than their European counterparts.

When looking at *satisfaction with working hours* in Finland, one can find differing responses (Figure 4 and Table 6). Among those working part-time, almost a half is satisfied with the present hours, but there are some 40 percent who would like to work more hours, and earn more. Thus, the Finnish working time pattern seems to be quite inflexible in this sense.

Figure 4. Working part-time but wishing to work more or less hours, by gender, 3rd European Survey on Working Conditions 2000



How are working hours then fitting with commitments outside work, presumably with family life (and in some cases with studying)? Only five percent feel that working hours are fitting not at all well, and 11 percent not very well. Thus, the majority seems to think that working hours are fitting fairly well or even very well with commitments outside work, and what may be surprising, 'very well' more often to women than to men. These answers must be seen in connection to day care possibilities, and parental leaves to be discussed closer in section 5.

Table 6. Working hours fitting with commitments outside work, by gender, 3rd European Survey on Working Conditions 2000

	Total (%)	Males (%)	Females (%)
Very well	38,0	35,2	40,8
Fairly well	45,5	48,4	42,8
Not very well	11,1	10,1	12,0
Not at all well	5,0	5,9	4,1
DK	0,3	0,4	0,3
Total	100,0	100,0	100,0

4. Income security

Depending on one's position in the work life, income security may get different meanings. Thus, for the employees (workers), security is mainly the guarantee that you have, first, a sufficient income from your work and, second, a certainty that this is a (more or less) continuous source of income. This is important, often, not only for the individual, but also for the family/household. Moreover, in the case of absence from work, unemployment, termination of contract and retirement, a decent income should be provided, either by the employer or by the state.

It may be thought that the interest of the employer is to save in wage costs as much as possible. While this is of course true to some extent, this idea does not reflect the realities of modern working life. It is also important to maintain a reliable and experienced work force, to invest into 'human capital' of the employees. It is also the responsibility of the public power to keep up the living standard of all citizens, including the unemployed and pensioners – this commitment differs from country to country, but has been quite strong in the Nordic welfare states. However, the debates on 'income traps' and 'work incentives' tell that security and employability are more often seen as alternatives.

There are several sources for the comparison of incomes and living standards. Surprising as it may be, it is more difficult to find comparable data. Average wages can be compared, but this often includes only manufacturing workers. If one wants to compare all incomes, also social transfers minus taxes, it is even more complicated. There is Luxembourg Income Study data, but for selected years, and European Community Household Panel data, but although Finland is nowadays participating in the panel, it is not usually included in published comparisons. Thus, the following is based on the available information.

4.1 Average wage, low wage, and the question of minimum wage

The notion of average wage may have different meanings, depending whether we think yearly or monthly wages, and gross or net earnings. In addition, it makes a difference if all wage earners are studied, or only some sector of them. It is quite usual to concentrate on employees in manufacturing industry, in spite of the fact that they form a (diminishing) minority of all employees.

For employees in manufacturing industry in Finland, the gross earnings (of single workers) rose from 210? euro in 1996 to 2175 euro in 1998. Among 13 EU countries (if the old and new *Länder* of Germany are counted separately), Finland was around in the middle; clearly higher than Portugal or Greece, but much lower than Germany (old *Länder*), Denmark or Luxembourg. This reflects approximately the order of countries in GDP per head. The picture is somewhat different if these

monthly earnings are given in purchasing power standards (PPS), to allow the elimination of differences in price levels between the countries. On this basis, average salary was 1862 in 1998, still higher than in Portugal, Greece, Italy or Spain, but this time lower than in, e.g. Ireland or Germany (new *Länder*) and other EU countries. This change is due to the fact that the Finnish price level is higher than EU average, and the same holds true with other Nordic countries (Denmark in this comparison).

Also the monthly net earnings of employees in manufacturing industry can be compared. Net earnings do not include either social security contributions or taxes but include family allowances. This can be presented for different family types. For single workers in 1998, this gives 1147 PPS euro in Finland, and only Portugal and Greece fall behind – income taxation (not so much social security contributions) is quite heavy in Finland. In other family types, i.e. a couple without children and two average salaries, a couple with two children and two average salaries, and a couple with two children but one salary, since the Finnish couple earns more than the Portuguese and Spanish, but also more than roughly the same (depending on family type) as the Danish, Dutch and Italian couple. This is explained by different tax treatments and social security contributions.

Wage differentials have increased in Finland since the 1980s, and beside well-paid employees there are also many workers with *low wage*. However, no definition for low wage has been given.

In Finland, as also in other Nordic countries, no legally defined *minimum wage* exists. In practice, collective agreements set the lowest level of wages, and due to the 'general validity' of these agreements, these are binding on all employers and employees in a sector, and not just members of signatory organizations. It may be mentioned in this connection that in the annual country surveys, the OECD has continuously criticized these 'minimum wage clauses', and recommended that these should be removed at least for non-unionized workers, to create new (low-paid) jobs. However, the trade union movement is opposing these kinds of plans, and little has changed. (See Kosonen 2002.)

4.2 On unemployment benefit system

There are basically two different unemployment compensation schemes in Finland: unemployment insurance and more assistant-type labour market support. In unemployment insurance, a minimum period of employment and trade union (or unemployment fund) membership is required; this was increased from six months to ten months in the mid-1990s. This scheme is voluntary in nature. For these reasons, not all unemployed are entitled to unemployment insurance benefits. These persons have since 1994 received labour market support, providing flat-rate, means-tested benefits with no limit to the benefit period. Labour market support is targeted at young job-seekers with no or little work

experience, and at older unemployed persons who have received more than 500 days unemployment insurance daily allowances. The existence of these two systems means that today virtually all unemployed receive one or the other unemployment benefit. (Clasen et al. 2001.)

The level of benefit is thus different in these two schemes. In labour market support, there is a (rather low) minimum flat-rate sum, and supplements for children. The unemployment insurance consists of a flat-rate part, and an earnings-related supplement between 20 and 42 percent of previous earnings, decreasing with income but with no benefit ceiling. Compensation rates therefore differ depending on the level of previous earnings, and may change from year to year depending on indexation arrangements. In 1998, the disposable income while receiving unemployment benefit as percent of disposable income while being employed was, for a single person without children between 85 percent and 50 percent, the average being around 60 percent. For a single parent with one child it varied from 95 percent to 65 percent, and the average was around 85 percent. All in all, those receiving flat-rate labour market support face economic difficulties, and many have to supplement it by means-tested social assistance benefits.

4.3 Disability pensions, and other forms of early retirement

Several opportunities for *early retirement* were established in particular in the 1980s. Early retirement is common in Finland, and in this respect the Finnish model is not very 'Nordic' (i.e., like Norway or Sweden). Recently, the participation in paid employment by older age groups has been encouraged. However, early retirement is still common, and there are various schemes for this: early retirement pension for the 60 years old; partial retirement pension; unemployment pension – and in reality, also disability pension can be seen as one form of early retirement. A large number of pensioners draw pensions from one or another of these schemes. Thus, the existence of unemployment pension has contributed to there being fewer disability pensioners than would otherwise have been the case.

Persons whose working capacity is reduced by physical and/or mental disability may be entitled to a *disability pension*. In addition, there is a special disability pension scheme for the age group 60 to 64 years; 65 years is the official age for old-age pension. The disability pension is granted in the shape of a basic pension and an employment pension according to the same rules as apply to old-age pensions. In 1998, the average compensation level for a single 50 year-old disability pensioner who had previously been working, was around 65 percent. The number of recipients of disability pension has slightly decreased after 1990, but it is still relatively high (8.5 percent of working age population). (Social protection in the Nordic Countries 1998.) One open question is, whether the system tends to exclude partially disabled persons more or less totally from the work life.

4.4 The Finnish poverty rates

Poverty rates have been compared in several studies, based on various kinds of data bases. Finland has been participating in European Community Household Panel (ECHP) survey from 1996, but due to the delay, the results have not been published as yet. The preliminary results tell that the Finnish (average) poverty rate has remained – comparatively looking – low. Another comparable data basis is the Luxembourg Income Study (LIS). In this comparison, based on 50 percent of median income and OECD scaling, poverty rate was less than 5 percent in the Nordic countries in the mid-1990s (3-4 percent in Finland). This can be contrasted to figures of more than 10 percent in the US and Britain, and around 7-8 percent in the Continental European countries. However, the Finnish rate increased somewhat in the first half of the 1990s, and according to national studies, this trend seems to have continued since the mid-1990s, although Finland still has one of the lowest poverty rates. The main explanation is not the distribution of wages and other gross incomes, but the redistributive role of the income transfers. Thus, the welfare state is very important in preventing poverty problems (Ritakallio 2000).

4.5 The compensation of ungrounded dismissal

Contracts for an unspecified period ('permanent jobs') may be terminated after the expiry of certain term of notice. However, the reason must be particularly weighty, so that e.g. participation in strike, political or religious views, or worker's pregnancy are not sufficient reasons. In the new law from 2001, the notice period was cut in the case of short-term contracts, and lengthened for long-term ones. In addition to the reasons related to the worker, the employer is entitled to terminate a contract for so-called economic and productional reasons. These reasons, however, are often difficult to interpret. If dismissal is ungrounded, the worker is allowed to a minimum three months' pay and a maximum of 24 months; for shop steward's this may be longer. However, in reality maximum amounts are rarely paid, and the average seems to be around seven months' pay.

In OECD (1999) comparison, notice and severance pay for no-fault dismissals did not change very much in Finland from the late 1980s to late 1990s. In a comparison of 27 OECD countries, the strictness of this form of employment protection was on average level (11.) in Finland, in between the 'liberal' countries and the Southern European countries.

4.6 Active labour market policies

As other Nordic countries, most prominently Sweden, also Finland has adopted active measures in combating unemployment, increasingly so from the 1980s. At the same time, income maintenance programs in relation to absence from work have tended to emphasize full-time and permanent absence, instead of helping workers to remain part in the labour force. However, unemployment problems increased rapidly during the economic recession in the 1990s, and new solutions were sought. One reform was to create for young job-seekers (and those older who are not any more entitled to earnings-related benefit) a new system, called labour market support, being a flat-rate and means-tested benefit. To activate the unemployed, the support paid to young people (under 25) has been reduced where not enrolled in training or educational programs; in practice this means a duty to seek job or training. From the beginning of 1998, new labour market policies were launched. The measures include decentralization of labour market policies, support for small firms that hire new workers, activation of long-term unemployed, as well as a more exact definition of the rights and duties of the unemployed. Thus, while active labour market policy has continued, in addition to job creation and training it contains more elements of duties and control. (Kosonen 2000.)

Due to high unemployment rates, so-called passive labour market policy measures (unemployment compensation etc.) have dominated in relation to active measures (training, subsidized jobs etc.). But if one studies only active measures, it can be noticed that their annual volume doubled in the 1990s. Of the unemployed, around a third has participated in these measures annually. While this has of course temporarily decreased open unemployment, it is more uncertain how much the persistent structural long-term unemployment can be reduced by these methods. (Lehtonen et al. 2001.)

4.7 A note on the 'second economy'

It is a very well-known fact that due to its very nature, the 'second economy' or 'grey economy' is something that exists but is difficult to grasp. Since grey economy usually avoids taxation, it creates a problem for the public economy and the tax office. For individual workers, employment security is weak as also social security, but of course additional income may be earned in this way.

According to a recent overview of the situation, grey economy is an increasing problem also in Finland (Overview 2001). In some estimations, black work would be around 5 percent of GDP in Austria, Ireland, the Netherlands and the Nordic countries, but as large as 20 percent in some Southern European countries. A Finnish report from 1995 gives a figure of 4 percent, but it is evident that the share has been in the increase, in particular in the restaurant sector. This is also one of the sectors with weak employment security. What is more important for the public economy is that opportunities to

invest abroad into 'safe' countries or tax havens with a strict bank secrecy have expanded, and this leads to a substantial loss of tax receipts. This form of 'income security' is good for a very small group of new-rich people.

5. Care and leave forms

In Finland, a worker is entitled to take leave from work during maternity, paternity or parental benefit periods. The use of these leaves are regulated in Employment Contracts Act (320/70). There is also financial compensation which is granted to cover loss of income with childbirth and adoption, which is payable during the maternity or paternity leave. The main purpose of the parental benefits is to help parents to bring up and provide care to their children. In the following section the different forms of leave and compensation related to child birth and adoption in Finland are described in a greater detail.

5.1 Maternity and paternity leaves

According to Employment Contracts Act, both mothers and fathers are entitled to take leave from work during maternity, paternity and parental benefit periods. The duration of maternity leave is normally 105 working days whereas the duration of paternity leave is 18 working days. In both cases, the employer must be notified of maternity or paternity leave at the latest two months before the intended start of the leave. The worker is also entitled to move the maternity leave forward and alter the term of paternity leave intended to be taken in conjunction with childbirth if this is necessary on the grounds of the child's birth or the child's, mother's or father's state of health. The employer must be notified of such changes as soon as possible. In other cases, the worker is entitled to change the term of the leave from that which had previously been notified for a justified reason, observing a notice period of one month.

Maternity allowance is payable for the costs arising from pregnancy, child birth and medical care, though not for hospital charges. Additionally, mothers are supported with maternity grant¹. Mothers who have lived in Finland, and who have been insured under the national health insurance scheme at least 180 days before the child is due, qualify for the maternity allowance. Entitlement to maternity allowance begins 30-50 working days before the due date and the allowance is paid for 105 workdays.²

¹ Expectant mothers whose pregnancy has lasted for at least 154 days and who have undergone a medical examination at a maternal welfare clinic or a doctor before the end of the fourth month of pregnancy are entitled to a maternity grant. Under certain circumstances, also the parents of adoptive children can qualify. Mothers can choose between a maternity package containing child care items and a cash benefit. The benefit is awarded for each child born, so for example in the case of a twin birth, mothers can choose either two packages, two cash benefits, or one of each. The amount of the cash benefit is decided by the Council of State. The contents of the package may change slightly from year to year.

² Mothers are entitled to a special maternity allowance, if they in performing their work or at their workplace are exposed to a chemical substance, radiation or an infectious disease that is considered to present a danger to foetal development or the course of the pregnancy, and if suitable alternative work cannot be found.

It also addressed in law that, the worker is, with the employer's consent, entitled to perform work during the maternity allowance term that does not pose a risk to her or to the unborn or newly born child. However, such work shall not be permitted during a period of two weeks before the expected time of birth and two weeks after giving birth. Both the employer and the worker shall have the right to discontinue work done during the maternity allowance term at any time.

Fathers living in Finland are entitled to a separate allowance paid for a period of six workdays (not including holidays that fall on a weekday). Fathers can also get allowance for 6-12 days during the time when the maternity allowance is being paid to the mother. In both of these cases, the allowance is paid retrospectively. Paternity allowance is also payable, at a minimum rate, to fathers who are on paternity or other leave from national military or alternative service. Fathers, too, must satisfy the condition of having been insured under the national health insurance scheme for at least 180 days before the due date. Paternity allowance is payable only to fathers who are living together with the mother and additionally, fathers must be participating in child care instead of working at the same time.

5.2 Parental leave

Parents are entitled to take parental leave for child care in one or two periods, the minimum duration of which shall be 12 working days, immediately after payment of the maternity allowance ends. The duration of parental leave is not longer than 158 working days. The employer must be notified of the taking of parental leave and its duration at the latest two months before the leave begins. The worker shall have the right to change the term of the leave for a justified reason, observing a notice period of one month. Leave taken in order to care for an adopted child must be notified at least two months before the leave begins, if possible. The parent of an adopted child shall have the right to change the term of the leave before the leave begins for a justified reason by notifying the employer at the earliest possible date.

Entitlement to parenthood allowance begins immediately after payment of the maternity allowance ends. The mother and the father can take turns receiving the parenthood allowance. Parenthood allowance is paid also to the parents of a child adopted before age 7. Subject to mutual agreement, the parenthood allowance can be paid to the father while he is caring for the child, but it cannot be paid to both parents at the same time. Special cause must be shown to have the allowance paid to the father for less than 12 workdays. Mothers qualify for the maternity/parenthood allowance from the 154th day of pregnancy. The mother must have been insured under the national health insurance scheme for at least 180 days immediately before the date on which the child is due. In the case of a multiple birth, the payment period is lengthened by 60 workdays for each additional child. In the case

of a premature birth, the payment period is extended by as many workdays as the birth occurred before the due date, minus 30 workdays.

Maternity, paternity and parenthood allowances are calculated on the basis of the recipient's latest earnings assessed by the tax authorities. However, if the recipient's earnings for the six months immediately preceding the payment of the allowance are significantly higher than the assessed earnings, the allowance can, in the same way as the sickness allowance be based on them. All the allowances described above are taxable income.

5.3 Child-care leaves

In Finland, parents can choose to place their child in a day-care centre run by the municipality, look after the child themselves with the financial help of the *child home care allowance*, or choose the *private day care allowance* and arrange for child care privately. The allowances are payable from the end of the parenthood allowance period until the time the child starts school. After the parenthood allowance is no longer paid, parents can take a *child care leave* with full employment security to look after a child under age 3, though both parents cannot be on leave at the same time. Employers are not required to compensate employees who are on child care leave. After the leave, employees are entitled to return to their previous job or a comparable position. Credits for paid annual leave do not accrue during child care leave. The minimum length of child care leave is 1 month. Under law, employees are entitled to one or two leaves, but additional periods are possible with the employer's consent. Only one parent or person having the care and custody of the child is entitled to child-care leave at the same time. During maternity or parental leave, the other parent or person having the care and custody shall nonetheless be entitled to take one period of child-care leave. The worker shall notify the employer of the child-care leave and its duration at least two months before the leave begins. The worker may change the term and duration of the child-care leave for a justified reason by notifying the employer at the latest one month before the change takes place.

Parents can also choose to take a *partial child care leave*, i.e. to reduce their working time until the end of the year in which their child starts school. They will then be entitled to a partial minding allowance. The minimum length of the part-time child care leave is six months, the specific arrangements being subject to agreement between the employee and employer. Only one of the parents at a time can be on partial child care leave. The parent taking a partial child care leave is required to have worked outside the home for at least one year before taking the leave, with regular working hours totalling at least 30 a week. Both parents or persons having the care and custody of the child are not entitled to take partial child-care leave simultaneously. The worker shall submit a proposal on partial child-care leave at the latest two months before the leave begins.

The employer and the worker shall agree on partial child-care leave and the detailed arrangements concerning it. The employer cannot refuse to agree on or grant such leave unless the leave causes serious inconvenience to production or service operations that cannot be avoided through reasonable rearrangements of work. If the worker is entitled to partial child-care leave, but it is not possible to reach agreement on the detailed arrangements, the worker shall be granted one period of partial child-care leave in a calendar year. The duration and timing of the leave will be according to the worker's proposal. In such cases, the partial child-care leave will be granted by reducing the regular working hours to 6 hours per day. The reduced working hours shall cover a continuous period, notwithstanding rest periods. If regular working hours have been arranged on the basis of an average, the average shall be reduced to 30 hours per week. Any changes to partial child-care leave must be agreed on. If it is not possible to reach an agreement, the worker shall have the right to interrupt partial child-care leave for a justified reason, observing a notice period of at least one month.

In the event of a sudden illness of the worker's child or some other child who lives permanently in the worker's household who is under 10 years of age, the worker is entitled to *temporary child-care leave* for a maximum of four working days at a time for the purpose of arranging for the care of the child or for caring for the child himself or herself. In Finland, this right is governed by collective agreement. Both the child's parents or persons having the care and custody of the child are not entitled to take temporary child-care leave simultaneously. Therefore, Parents can decide whether the mother or the father shall stay at home to take care of a child. The worker shall notify the employer of temporary child-care leave and of its estimated duration as soon as possible. If the employer so requires, the worker shall present a reliable account of the grounds for temporary child-care leave.

5.4 Other leaves

Workers are also entitled to take job alternation leave or study leave from work. The concept of 'job alternation leave' refers to a system under which an employee is given fixed-term leave from duties of his/her employment relationship in accordance with a job alternation agreement made with the employer (Job alternation leave act 22.12.1995/1663). The main purposes of the Job Alternation Leave are

- a) to provide a break for the employee
- b) to provide a temporary job for the unemployed
- c) to provide more flexibility for employer (Julkunen & Nätti 1999).

The expression of 'study leave' refers to a system which purpose is to improve the opportunities for training and study available to the working population. The "study leave" means any period for which

an employer has released a worker from the performance of the duties pertaining to the latter's employment, to enable him to pursue training or study.

6. Discussion

In this article, the combination of flexibility and security – called also ‘flexicurity’ – has been evaluated in the case of a small, Northern European country, Finland. Flexicurity, being a two-dimensional concept provides a helpful tool to look at certain labour market indicators from two different viewpoints. This is important because the motives and interests of an employee and employer usually differ significantly: something which provides flexibility to the employer can also be a great source of insecurity to the employee. Temporary employment is a good example of this. The temporary employment is most common among young employees and new entrants to labour market. Many young employees might have difficulties in stabilising their position in the labour market but temporary employment is no longer a problem for young employees and additionally, the older employees have to deal with the problems associated with temporary employment. One reason for extensive use of fixed-term contracts in Finland is the employers’ willingness to keep their personnel easier manoeuvrable by hiring people only for short periods. In a case of decreased demand of products there is no difficulties in firing or not renewing the employees’ contracts. Naturally, temporary employment can sometimes be a choice of an employee but most often it is not the case and employees are forced to accept temporary contract instead of permanent one.

Recently, there has been much of ‘flexi-talk’, and changes in the relation of non-fixed/temporary contracts have taken place, especially with young workers and among women. The use of temporary employment relationships is also a question of gender equality in working life as the great majority of temporary workers are women. Another topic in this debate has been that employment security and especially income security have been argued to be too good or generous, creating ‘income traps’ and forming an obstacle to seek a job. It must be noted, however, that these arguments are not founded on careful research work. All the same, income security has been weakened on the basis of this argumentation. From the employee viewpoint, these debates and changes appear to be more in the interest of the employer side, and a fear of growing insecurity is a new reality also in Finland, although the basic pillars of security and welfare state continue to exist.

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Appendix 1. Different forms of leave related to child-birth

Leave	Right/ duration	Multiple periods of leave	Period of advance notice of commencement/ change of starting date	Application period for daily allowance/ other benefit or compensation
Maternity leave	105 working days, starting 30 (to 50) working days before expected birth.		Two months prior to taking leave; the starting date may be brought forward without advance notice.	Two months prior to calculated date.
Paternity leave	a) 6 to 12 working days while maternity benefit is payable b) 6 working days while maternity or parental benefit is payable.	Payment in two instalments.	Two months prior to taking leave; the period to be taken at birth changeable without advance notice.	Two months time from the desired starting date.
Parental leave	158 working days (until 263 working days have lapsed since beginning of maternity leave); to be extended by 60 working days for each additional child in a multiple birth.	Each parent can take two periods of leave lasting 12 working days minimum.	Two months prior to taking leave; changeable subject to one month's advance notice and a valid reason.	At least one month prior to the desired starting date.
Child-care leave	Until the child turns three years.	Each parent can take two periods of leave lasting 1 month minimum; one period of child-care leave can be taken during the other parent's maternity or parental leave.	Two months prior to taking leave; changeable subject to one month's advance notice and a valid reason.	Allowance for child-care at home possible; application 6 months prior to the desired starting date.
Partial child-care leave	To the end of the calendar year in which the child starts in comprehensive school.	Based on agreement between employer and employee; working hours either 6 hours per day, or 30 hours per week, unless otherwise agreed.	Employee to apply for 2 months in advance; changeable by mutual agreement; employee entitled to discontinue the leave for a valid reason with one month's advance notice even without prior agreement.	Partial child-care allowance possible
Temporary child-care leave	Until the child turns ten years; 1 to 4 working days per each sudden illness of the child.		To be notified of as soon as possible.	Salary as provided under collective agreements.
Absence for compelling family reasons	Temporary absence for an unpredictable reason due to illness or accident in the family.		To be notified of as soon as possible.	Usually unpaid leave.

Annex 2. Histograms (.xls file: FIN_histograms)

