Helka Hytti

Disability policies and employment
Finland compared with the other Nordic Countries

62/2008
Social Security and Health Research: Working Papers
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Finland compared with the other Nordic Countries

Kela
Kela, Research Department | Helsinki 2008

ISBN 978-951-669-772-0 (pdf)
ISSN 1455-0113
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DISABILITY POLICIES AND EMPLOYMENT – FINLAND COMPARED WITH THE OTHER NORDIC COUNTRIES

The potential of the disabled and the partly incapacitated to use their remaining working capacity on the labour market has rapidly emerged as a subject of public interest in Finland. This interest stems above all from the aim of preventing a decrease in work input due to the ageing of the population, for example through abandoning the dichotomy of living on an income from work on the one hand and living on social security on the other. Instead of the current either/or model, new solutions enabling combinations of paid work and social security are sought so as to improve both the welfare of individuals and the working capacity of society at large.

International comparative data are needed to support public debate in Finland. A useful framework is to be found in the OECD Disability Survey (2003, 2005), in whose latest round Finland is participating. The purpose of the organization is to study social security policy and labour market policy aimed at the disabled, taking into account the opportunities offered for the partly incapacitated and the handicapped in various areas of policy on the one hand and the incentives for employers and employees in the system on the other.

According to the OECD (2007), social security and labour market policies have in many countries converged in the 2000s, especially in the approach to the problem of partial work disability in benefit systems and labour market services. In countries that have reformed their policies, the focus has shifted from cash benefits to subsidized employment and other active measures. Whether these reforms lead to an increase in employment and social participation, or whether the result is an even higher risk of poverty for groups who are in a vulnerable position on the labour market is emerging as an important issue.

Benefits and targeted measures for the partly incapacitated

Finland’s closest reference group consists of the other Nordic countries. Table 1 is a comparison of the legislation of the Nordic countries in the matter of cash benefits for partial incapacity for work and measures targeted at the partly incapacitated. Income security is here understood to include sickness benefits and disability pensions (or corresponding long-term benefits). The description of pensions includes the amount of money the recipient is allowed to earn in parallel with the pension and options which allow people to suspend their pension while they try out a return to work. The data on income replacement benefits are based on information from social welfare authorities in the Nordic countries, and the descriptions of measures are based on the Eurostat Active Labour Market Policy database.

The legislative comparison highlights considerable differences between the Nordic countries. Finland has the narrowest range of partial benefits and targeted measures. The partial sickness allowance introduced at the beginning of 2007 mainly serves the trying out of a return to work through working arrangements on a reduced scale and cannot be considered a partial benefit in the sense that benefits scaled to a decrease in working capacity can. In Finland, partial benefits based on different grades of working capacity only exist in employment pensions. A person will receive a full pension if his/her earning capacity has decreased by at least 3/5 and a partial pension of the decrease is at least 2/5 but below 3/5.

In Finland so far, active labour market measures for the partly incapacitated have been managed on the ‘mainstream’ principle, meaning that the labour administration has not had any special measures for the partly incapacitated at all. However, employment which can be described as sheltered work is provided as municipal services under the Social Welfare Act. In recent years, there have been efforts to increase the employment of the partly incapacitated within the sphere of general programmes. The labour market reform of 2006 even enabled the provision of permanent employment with a maximum subsidy of 50%. Monitoring data on the use of these subsidies has not yet been available.

In Denmark, income security cash benefits are only used to provide for the livelihood of the completely incapacitated, while labour market policy measures cover those persons who are permanently partly incapacitated (by at least 50%). The partly incapacitated have a subjective right to ‘flexible work’ found on the open labour market and fulfilling the criteria of collective agreements but with pay subsidized by the government. Before qualifying for this, however, the person has to go through all possibili-

Table 1. Benefits for the partly incapacitated and labour policy measures specifically aimed at the partly incapacitated in the Nordic countries in 2005.

<table>
<thead>
<tr>
<th>Benefit/measure</th>
<th>Finland</th>
<th>Sweden</th>
<th>Norway</th>
<th>Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income security benefits offered to the partly incapacitated through social security</strong>¹</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partial sickness allowance</td>
<td>Experiment with a return to work (max 72 days), working capacity assessment as with full sickness allowance.</td>
<td>As per reduction in working capacity: full, 3/4, 1/2, 1/4.</td>
<td>As per reduction in working capacity in increments of 5%, min 20%.</td>
<td>Hour-for-hour.</td>
</tr>
<tr>
<td>Partial disability pension</td>
<td>Reduction in working capacity: <em>employment pension</em>, at least 2/5 but less than 3/5; national pension, no partial benefit available.</td>
<td>As per reduction in working capacity: full, 3/4, 1/2, 1/4.</td>
<td>As per reduction in working capacity in increments of 5%, min 50%.</td>
<td>No partial pension. See ‘flexjob’ below.</td>
</tr>
<tr>
<td>Possibility to earn income while on pension</td>
<td>Income limit: <em>employment pension</em>, 2/5 and 3/5 pensionable income; <em>national pension</em>, EUR 558 per month.</td>
<td>Work input in a full benefit no more than 1/8 of normal working hours.</td>
<td>Income limit equal to full national pension.</td>
<td>Income limit exists but is not known to the author.</td>
</tr>
<tr>
<td>Possibility to suspend pension</td>
<td>Full national pension: max 5 years, first 2 years entitle to highest rate of disability support.</td>
<td>Max 2 years, of which 3 months overlapping pay income.</td>
<td>Max 5 years.</td>
<td>No time limit.</td>
</tr>
<tr>
<td><strong>Labour market policy measures for the partly incapacitated</strong>²</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indefinite sheltered work, etc.</td>
<td>Sheltered work provided under the Social Welfare Act.</td>
<td>1. Work intended for the socially and medically partly incapacitated (OSA); 2. Work in the government-owned company named Samhall.</td>
<td>Work done under sheltered conditions and subsidized from public funds or through rehabilitation funds.</td>
<td>1. ‘Flexjob’ for those not entitled to a full pension; 2. Subsidized employment for those on a pension.</td>
</tr>
<tr>
<td>Fixed-term pay subsidy on the open labour market (employment incentives)</td>
<td>–</td>
<td>Max 4 years, subsidy max 80%, or 100% for the severely disabled.</td>
<td>Subsidies for various groups of partly incapacitated persons in normal employment relationships.</td>
<td>For acquiring work experience after leaving vocational education.</td>
</tr>
<tr>
<td>Direct job creation on public funds</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Sources:
1 The Finnish Social Insurance Institution of Finland (Kela); The Finnish Centre for Pensions (ETK); Försäkringskassan; Rikstrygdeverket/NAV; NOSOSCO; Øverbye 2006.
ties for restoring his/her working capacity through treatment or rehabilitation. As usual in Denmark, the principles underlying the benefits and labour market policy emphasize a high level of solidarity while requiring the person himself/herself to make active efforts in order to qualify for benefits.

In Sweden and Norway, the partly incapacitated are supported through both benefit systems and labour market policy measures. Sickness allowance and disability pensions are graded according to earning capacity, and there are several forms of subsidized employment available. Sweden provides employment for the partly incapacitated in two different ways: on the open labour market with pay subsidies, and in sheltered work mostly for the government-owned company named Samhall. In Norway, sheltered work, subsidized employment and jobs created through direct job creation schemes are all on offer.

In order to understand the differences between the Nordic countries in the possibilities for combining work and benefits, it is also important to know how much benefit recipients can earn in income without losing their benefits, and how these limits depend on the grading of the benefit according to the degree of incapacity. In Finland, a person with a full employment pension may have an income from work that is no more than 2/5 of the pensionable income; otherwise the pension will be converted into a partial disability pension. Similarly, a partial pension is completely discontinued when the recipient’s income from work exceeds 3/5 of the pensionable income. For persons on a full national pension, the income limit is a fixed EUR 589 per month. In cases where a person is entitled to both a national pension and an employment pension, a conflicting situation and an incentive problem may arise. In this group, which includes about 40% of all disability pension recipients, the possibility of combining income from work with a pension is determined according to that pension legislation which is more disadvantageous to the recipient.

In Sweden, recipients of full benefits are allowed a small work effort, equal to 1/8 of the working hours of a person of normal working capacity, or about 5 hours per week. In the case of partial benefits, recipients are allowed paid employment to the extent determined by the degree of incapacity. In Norway, recipients of a full disability pension may earn income from work equal to the current amount of the national pension. Additional income is also allowed in Denmark, but this figure is not known.

In all Scandinavian countries, a pension can be suspended under certain conditions if the recipient wishes to try out a return to work. Under Finnish legislation, by contrast, suspending a pension in order to try out a return to work is possible only for incapacitated persons who have been granted a full and indefinite national pension, i.e. persons who, in practice, have never participated in working life. A pension can be suspended for a maximum of 5 years, during the first two years of which the person is entitled to the highest level of disability allowance. It is scarcely surprising then that the number of persons who have chosen to suspend their national pension has yet to reach triple digits. An employment pension cannot be suspended, but it can be discontinued for a maximum of one year.

Usage rates of benefits and measures for the partly incapacitated

The fact that Finland’s policy on incapacity for work differs from that of the other Nordic countries is also demonstrated by the usage rates of various schemes relative to population shown in Table 2. The work incapacity benefits include sickness allowance converted to person-years and the persons who were receiving a pension at the end of the year. Daily allowances and pensions are lumped together because the statistics outlining the usage of the separate systems are not comparable, as the Swedish sickness allowances have no maximum duration. It should also be noted in Table 2 that in Sweden and Norway the same person may be both a recipient of work incapacity benefits and a person employed through a job creation scheme. In Denmark, these two are mutually exclusive.

Table 2 shows that in Finland the various programmes for the partly incapacitated are not used very much either in the social security sector or in the labour market policy sector. Only 4.9% of all work incapacity benefit recipients are on partial benefits, and only 7.7% of subsidized employment is aimed at the partly incapacitated. In Denmark, usage of partial benefits in income security is even lower than in Finland, but on the other hand more than half (54.2%) of all employment measures are targeted at the partly incapacitated. In Sweden and Norway, one of the aims of disability policy has been to guide the usage of benefits towards partial benefits, and the statistics from both countries show that this policy has been effective. In 2005, nearly 30% of all work incapacity benefits paid in Sweden, and...
Table 2. Recipients of work incapacity benefits and participants in ALMP-measures for the partly incapacitated in the Nordic countries, 2005.

<table>
<thead>
<tr>
<th></th>
<th>Finland</th>
<th>Sweden</th>
<th>Norway</th>
<th>Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recipients of sickness benefit or disability pension, total(^1)</td>
<td>322 700</td>
<td>783 900</td>
<td>404 500</td>
<td>272 300</td>
</tr>
<tr>
<td>of which partial benefit, %</td>
<td>4,9</td>
<td>29,8</td>
<td>23,6</td>
<td>1,6</td>
</tr>
<tr>
<td>Recipients of sickness benefit or disability pension as a percentage of the 16–64 age group</td>
<td>9,4</td>
<td>13,6</td>
<td>13,6</td>
<td>7,7</td>
</tr>
<tr>
<td>full benefit</td>
<td>8,9</td>
<td>9,5</td>
<td>10,4</td>
<td>7,6</td>
</tr>
<tr>
<td>partial benefit</td>
<td>0,5</td>
<td>4,0</td>
<td>3,2</td>
<td>0,1</td>
</tr>
<tr>
<td>Labour market policy measures, subsidized employment(^2) total</td>
<td>38 800</td>
<td>147 000</td>
<td>23 000</td>
<td>72 500</td>
</tr>
<tr>
<td>% of all subsidized employment</td>
<td>7,7</td>
<td>56,8</td>
<td>88,7</td>
<td>54,2</td>
</tr>
<tr>
<td>Persons in subsidized employment as a percentage of the 16–64 age group</td>
<td>1,1</td>
<td>2,5</td>
<td>0,8</td>
<td>2,1</td>
</tr>
<tr>
<td>Subsidized employment targeted to partly incapacitated persons</td>
<td>0,1</td>
<td>1,4</td>
<td>0,7</td>
<td>1,1</td>
</tr>
<tr>
<td>sheltered work</td>
<td>0,1</td>
<td>0,5</td>
<td>0,3</td>
<td>1,0</td>
</tr>
<tr>
<td>wage subsidized employment</td>
<td>0,0</td>
<td>1,0</td>
<td>0,1</td>
<td>0,1</td>
</tr>
<tr>
<td>direct employment measures</td>
<td>0,0</td>
<td>0,0</td>
<td>0,3</td>
<td>0,0</td>
</tr>
<tr>
<td>Other subsidized employment</td>
<td>1,0</td>
<td>1,1</td>
<td>0,1</td>
<td>0,9</td>
</tr>
<tr>
<td>Employment rate among the 15–64 age group, %(^3)</td>
<td>68,4</td>
<td>72,5</td>
<td>74,8</td>
<td>75,9</td>
</tr>
</tbody>
</table>

1 Days on sickness benefit in person-years; disability pensions as at year-end.
2 Source: Eurostat 2007
3 Source: www.epp.eurostat.ec.europa.eu

almost 1/4 of those in Norway, were partial benefits. In subsidized employment, job creation measures aimed at the partly incapacitated accounted for 57% in Sweden and an impressive 89% in Norway.

Table 2 further shows that the countries with the highest incidences of partial work incapacity benefits – Sweden and Norway – are also at the top of the list in the overall usage of work incapacity benefits. In Sweden and Norway, 13.6% of the working-age population were benefit recipients in gross terms as compared with 9.4% in Finland and 7.7% in Denmark. Partial sickness allowance or disability pension was paid to 4.0% of the working-age population in Sweden and 3.2% in Norway.

In labour market policy, the percentage of the working-age population involved in job creation schemes for the partly incapacitated in Sweden, Denmark and Norway was 1.4%, 1.1% and 0.7%, respectively. The percentage in Finland was negligible, only 0.1%. Although Sweden and Denmark show similar figures for job creation schemes for the partly incapacitated, there is a clear difference
between the countries in how job creation schemes are divided between sheltered work and subsidized employment (Table 2). In Sweden, the partly incapacitated are mainly employed in the open labour market through pay subsidies, and another important form of job creation is providing sheltered work in the government-owned company named Samhall. In Denmark, by contrast, ‘flexjobs’ intended for the partly incapacitated are considered sheltered work and not subsidized employment, because the employment relationships in the system are not of fixed duration.

Job creation schemes for other than the partly incapacitated involved a roughly equal percentage of the working-age population (about 1%) in Finland, Sweden and Denmark. In Norway, the figure was only about 0.1%. This would indicate that the differences in job creation schemes for the partly incapacitated between Finland and the other countries cannot be solely due to classification, i.e. that people employed through targeted measures in the other countries would be employed through general programmes in Finland. This is also demonstrated in the report by Hytti and Hartman (2008), which notes that the percentage of the working-age population of persons who had a partial work incapacity code in the jobseeker register but who participated in ‘mainstream’ active labour market policy measures was roughly the same in Finland and Sweden (0.3% and 0.4%, respectively, in 2004).

The principal question in evaluating the usage of social security benefits for the partly incapacitated is how these people would be placed in the income security system and on the labour market if partial benefits were not available. Do the partial benefits available in Sweden and Norway encourage people to abuse the systems in cases where people with health problems could otherwise find and keep a full-time job? And, by contrast, does the absence of similar targeted benefits and measures in Finland lead to the increasing exclusion from working life and deterioration of the labour market position of the partly incapacitated? Figure 1 examines ‘absence from paid employment’ due to incapacity and unemployment as a whole, taking into account both full-time absences and absences due to partial benefits. Figure 2, by comparison, shows how job creation schemes for the partly incapacitated relate to labour market policy measures as a whole. The overall usage rate and partial unemployment benefits have been made comparable between countries by converting all partial benefits to corresponding full benefits.

Figures 1 and 2, together with the employment rates given in Table 2, suggest that the absence of benefits and labour market policy for the partly incapacitated in Finland has, at least in comparison with Sweden, served to channel the partly incapacitated into long-term unemployment and social exclusion rather than helping people stay in full-time employment. The net ‘absence rate’ due to work incapacity and unemployment was 19% of the working-age population in Finland, whereas the figure was 17.0% in Sweden, 15.5% in Denmark and 14.8% in Norway. Labour market causes, i.e. absence from employment because of early retirement, constituted about half of the ‘overall absence’ in Finland and Denmark, about one third in Sweden and one fifth in Norway.

The hypothesis that the partly incapacitated are more likely to end up in long-term unemployment and threatened by social exclusion in Finland than in Sweden can be followed up by comparing the two countries with regard to differences in the labour force surveys and jobseeker registers on the one hand and research findings and statistics on the working capacity of unemployed jobseekers on the other. Labour force surveys show that the number of active unemployed jobseekers, excluding full-time students, was 247,000 in Sweden and 173,000 in Finland in 2005. In the same year, the number of registered full-time unemployed persons as defined by the international standard (which excludes students even during holidays) was 241,000 in Sweden and 275,000 in Finland. The fact that the difference in Sweden is only a few thousand after the exclusion of students from the equation demonstrates that there are very few long-term unemployed persons in Sweden who have given up active jobseeking.

In Finland, the difference of about 100,000 between the number of registered unemployed persons and the number of active unemployed jobseekers according to the labour force survey corresponds to about two thirds of the number of ‘difficult-to-place unemployed’ reported by the Ministry of Labour (161,900 in 2005, down to 124,800 in 2007). It has been shown elsewhere that there have been many people among the long-term unemployed affected by structural unemployment in Finland whose working capacity has significantly decreased and whom the authorities have had to guide to apply for disability pension (Holm et al. 2006; Hytti and Hartman 2008).
**Figure 1.** Absence from paid work due to work incapacity or unemployment in the Nordic countries in 2005, % of the 16–64-year-old population.

<table>
<thead>
<tr>
<th>Country</th>
<th>Partial unemployment benefits</th>
<th>Unemployed full time</th>
<th>Partial incapacity benefits</th>
<th>Incapacitated full time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>18</td>
<td>10</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Sweden</td>
<td>16</td>
<td>12</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Norway</td>
<td>14</td>
<td>10</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Denmark</td>
<td>12</td>
<td>10</td>
<td>8</td>
<td>12</td>
</tr>
</tbody>
</table>

1 Converted to full benefits.

2 Incl. (for Finland) recipients of the unemployment pension and (for Denmark) persons having made a transition from unemployment to receipt of the “efterløn”.

Source: The Social Insurance Institution of Finland; The Finnish Centre for Pensions (ETK); Försäkringskassan; Rikstrygdeverket/NAV; NOSOSCO.

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**Figure 2.** Participants in labour market policy measures aimed at the partly incapacitated and other measures, Nordic countries, 2005, % of the working-age population.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Finland</th>
<th>Sweden</th>
<th>Norway</th>
<th>Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>4.3</td>
<td>3.6</td>
<td>2.8</td>
<td>4.0</td>
</tr>
<tr>
<td>Vocational rehabilitation</td>
<td>2.8</td>
<td>2.2</td>
<td>2.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Other job creation</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Job creation for the partly incapacitated</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
</tbody>
</table>

1 The data are not comparable.

Structural obstacles must be removed

As pointed out above, the great difference between Finland and the other Nordic countries when it comes to social security and labour market policy is that there are very few benefits and measures aimed directly at the partly disabled and partly incapacitated – in some policy sectors, none at all. Also, the incentive structures for the reconciliation of the labour market and social security in Finland often operate in a contradictory and completely opposite way from practices in the other Nordic countries. Finland differs from the other Nordic countries particularly in terms of the employer incentives built into the social security system. In the Nordic Countries, employers potentially face three different kinds of direct costs from liabilities related to short- or long-term absence from work due to disability: first, the statutory employer period at the beginning of sickness absence; second, sick pay after the initiating period (to the extent that the agreement-based pay is greater than the sickness allowance); and third, employers’ liabilities due to the experience rating of disability benefits.

The ‘potential risks’ for Finnish employers caused by employees who are partly incapacitated or have a long-term illness involve payment of the full wage for the first 10 weekdays of sickness absence, after which it is usually paid on the basis of labour market agreements. In most cases, the employee’s entitlement to sick pay continues for about 4 to 10 weeks after the statutory employer’s period. During this period, the sickness allowance is paid to the employer. Among the risks facing large employers are, recent legislative reforms notwithstanding, the financial liabilities due to the experience rating of earnings-related pensions. In the private-sector pension scheme, the experience rating was, until 2006, based on the number of employees in the company². Since January 2006, the experience-rated part of the funding of disability pensions has been based on contribution categories distributing the employer-specific risk over a longer period of time. In earnings-related pension systems catering to public-sector employees, experience-rating rules differ from those applied in the private sector.

In Finland, arguments have been presented both in favour of and against the employment incentive effect of experience rating in the earnings-related pension system. Experience rating may make it more difficult for workers at a great risk of disability to find employment. On the other hand, it has been argued that experience rating can act as a motivating factor for employers to invest in the maintenance of health and working capacity and in the rehabilitation of their work force.

The structural obstacles imposed by social security are a significant hindrance particularly regarding the employment of persons with a long-term illness whose application for a disability pension has been turned down after they have spent the maximum period allowable on sickness allowance or who are trying to re-enter working life after the end of a fixed-term disability pension (rehabilitation support). In their cases, the employer’s risk is that the person in question is not entitled to sickness allowance because of the same illness as before until that person has been capable of work for one year without that same illness affecting his/her working capacity. What this means in practice is that an employer hiring such an employee would not be entitled to sickness allowance for the agreement-based pay period. Some research findings indicate that if a person has his/her pension application rejected, in practice, the only way in which he/she can re-enter working life is if he/she is in an employment relationship at the time of the application being rejected (see Hytti and Hartman 2008; Ministry of Social Affairs and Health 2008). According to Gould et al. (2007), it was found in a study of private-sector pension applicants that even among persons who fulfilled the above criterion only about half were still in paid employment one year later.

In the other Nordic countries, there are exceptions to the statutory sick pay, i.e. the period of 2 to 3 weeks during which the employer alone is responsible for sick pay, concerning employees who are assessed to have a risk to be frequently absent from work because of their illness. In Denmark, employers providing sheltered, pay-subsidized work are also exempt from the employer sick pay period. In Denmark and Norway, the employer’s liability regarding low-income employees who are in a weak position on the labour market is also decreased by the fact that there is 100% compensation for sickness allowance for work income below a certain income cap and therefore there is no agreement-based component which the employer would have to contribute.

² Until 2006, a private-sector employer with 50 or more employees paid a share of the capital value of disability and unemployment pensions from the beginning of the pension period to the old-age retirement age; this share increased with the size of the firm. For employers with 800 or more employees, the share was equal to 80%. Since 1 January 2006 the experience-rated part of the disability pension funding has been based on contribution categories.
(Hytti 2006). In Sweden too, the employer’s liability for pay during absence due to sickness is clearly less than in Finland, particularly regarding private-sector employees. (The full sickness allowance, however, was experience-rated in Sweden from the beginning of 2005 to the end of 2006. See Hytti and Hartman 2008).

Finnish health insurance and employment contracts legislation does not specify any kind of exceptions or alleviations to employer contributions with regard to the hiring of partly incapacitated employees. On the other hand, the maternity leave payment obligations of employers were eased in Finland from the beginning of this year with the compensation rate for the maternity allowance being raised to 90% for the 56 weekdays compensated as maternity leave. One reason for this reform was to reduce discrimination due to motherhood in connection with equality-oriented improvement in social rights in various sectors. There has been no debate of the need for a similar legislative reform in sickness allowance.

One of the major differences in the income security and labour market policy regarding the partly incapacitated between Finland and the other Nordic countries is that the systems operate according to a different logic as far as the employer incentives are concerned. In the other Nordic countries, the guiding principle seems to be that an employer only pays the employee for productive work, while society takes care of the rest in the form of a partial benefit or a pay subsidy. In Finland, by contrast, the aim is to encourage employers to keep less productive employees in full-time employment. Also, Finnish employers have evidently wanted to retain the system of relatively high direct costs accruing to them through absences due to sickness and disability pensions, so as to keep under control the total social expenditure and hence the costs which employers collectively pay for in the form of insurance premiums. However, the question may be put whether discrimination against those in a weak labour market position can be justified on the basis of curbing excessive expenditure in benefits and labour market policy measures, and whether this logic is feasible in a scenario where a declining labour force increases the need for employers to retain their employees.

**Trends in Finland’s disability policy – what can we learn from the other Nordic countries?**

The other Nordic countries are the most obvious comparison for Finland with regard to income security and labour market policy measures for the partly incapacitated. It could hardly be said that there is a single ‘best practice’ country that should be followed. The Danish model looks the most robust on the basis of the above in the sense that the usage of disability benefits has stayed under control, while the partly incapacitated who nevertheless are capable of working to some extent are guaranteed, on public support, the chance to work as their working capacity allows.

On the other hand, we do not know how well the needs of partly incapacitated employees are actually taken into account in heavily subsidized sheltered work. For example, we may ask whether these employees are stigmatized in the workplace and whether they feel that they have been forced into sheltered work because there are no partial work incapacity benefits? A requirement in the application of the Danish model would seem to be a relatively high level of employment when the system is introduced. It would hardly be possible to guarantee jobs for all the partly incapacitated during severe structural unemployment.

In Sweden, and to some extent in Norway too, there is some over-usage of the system of disability benefits and job creation schemes for the partly incapacitated, but this is not to say that adopting certain features of this system would ‘infect Finland with this Swedish disease’. In Sweden, the ‘over-usage’ of sickness benefits has been almost exclusively a women’s problem, related to a large extent to the structures of the labour market in Sweden, which favours part-time employment in other respects too. All social partners in Sweden, including employers, have adapted their operations to fit the part-time model, and this extends to the usage of benefits too (see Hytti and Hartman 2008). In Finland, there are scarcely any similar mechanisms to guide the usage of benefits, because there is no market for women’s part-time work in the same sense as there is in Sweden.

Despite the problems observed, our neighbouring countries can, however, teach us how to build up disability policy to support the social participation of people in a weak position on the labour market and
how to give them the opportunity to utilize their remaining working capacity. Shifting the policy focus in Finland is essential for two reasons: what labour reserves there are may mainly be found among the groups who are in a weak position on the labour market, and the greatest welfare gaps are to be found in these groups too. The danger is that the necessary changes will not be implemented fully, resulting in contradictions in the relationships between various schemes and incentive structures. Besides the policy measures discussed above, this package of necessary changes includes strengthening the social security and labour market policy service structures and providing for unemployment security for the partly incapacitated in cases where no suitable employment is available to augment the income of the partly incapacitated benefit recipient.

Bibliography


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