

THE EMPLOYMENT EFFECTS OF EMPLOYMENT SUBSIDIES

Finland spent about 260 million euros on employment subsidies in 2004. Subsidies are intended to help the unemployed find work and to prevent social exclusion. The present audit evaluated what effects subsidies have had on employment, how the monitoring of effects has been arranged and what steps have been taken to improve effectiveness.

The observations made in the audit indicated that the effects of subsidies on subsequent employment vary according to whether the person has been employed in the public or private sector. Persons employed by the state or local authorities have not had a better chance of finding work after measures than other unemployed persons. On the other hand employment in the private sector has improved a person's chances of finding work. The best employment effects have been achieved with start-up subsidies.

The Ministry of Labour monitors the effectiveness of labour-policy measures in terms of the percentage of people who remain unemployed subsequently. This indicator describing the overall effect of measures is not adequate, however, and its use should be discontinued. In the opinion of the State Audit Office, the labour administration should also develop indicators that can be used to monitor social exclusion and its prevention more systematically than at present.

The labour administration has taken various steps to improve the effectiveness of subsidies. These steps have been in the right direction and should be continued. Effects can also be improved by re-targeting subsidies. If the goal is to support the employment of those who are in the weakest position, subsidies' poor employment effects must be accepted. These are decisions that must be made at the legislative level, however.