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Statutory and occupational sickness benefits in Finland in 2011

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1 Introduction

Sickness is one of those essential social risks that the welfare state was originally built to protect against. Finland, like many other countries, has statutory sickness benefits that guarantee some kind of compensation for the loss of income during sickness. In Finland, the Sickness benefits are part of the National Health Insurance scheme and the National Health Insurance allowances and reimbursements are defined in the Health Insurance Act and Decree (Sairausvakuutuslaki ja -asetus 2004/1224). The responsibility for sickness benefits is on the Social Insurance Institution of Finland (Kela). The Sickness Allowance has a dual character in that it includes two provisions: an earnings-related benefit and a minimum sickness benefit. The latter is for people who have a very low wage income (less than 1285 euro in the year 2011) or no wage income at all and the former is for most employed and self-employed people.

Apart from statutory sickness insurance, most employed people are covered by some kind of collective agreement in which there are regulations regarding sick pay. In fact, with regard to employees' sickness benefits, the statutory system plays only a secondary role. In Finland, collective agreements supplement statutory sickness benefits in a significant manner: the coverage of agreements is as high as 90%. With collective agreements, sick pay conditions are usually regulated so that they are better than the ones in the statutory insurance scheme. For example, the compensation rate is typically higher.

This working paper presents a picture of the benefits provided by statutory sickness insurance and collective agreements, which provide compensation that supplements this insurance. The paper concentrates only on the rules of employees, even though self-employed workers are also eligible for the Sickness Allowance. Both national as well as cross-national studies have concentrated on statutory benefits. Here, the main focus is on collective agreements because, occupational benefits have not previously attracted much attention (see e.g. Sjögren Lindquist and Wadensjö 2006). Finland is part of the Nordic welfare model in which the statutory benefits are typically high and the treatment is more equal than in some other welfare states. In this paper, we show that what has mainly been neglected in the previous research has a very significant impact on the level of support and conveys interesting differences between occupations and working branches.

The Finnish Health Insurance system and particularly the field of collective agreements is complicated; one might say it is a "messy business." The purpose here is not to give a detailed description of everything but instead to provide an overall picture of sickness benefits in Finland in the year

2011. The paper will begin with a description of benefits based on National Health Insurance and will then focus on collective agreements.

2 Benefits based on National Health Insurance

2.1 History of the statutory part

The Finnish Sickness Insurance came into operation comparatively late even though the debate on it began at the same time as it did elsewhere in Europe. The first Sickness Insurance Act was implemented as late as July 1963 when all parties came to a consensus on the matter. Although it had a late introduction, the Finnish Sickness Insurance was rather progressive in its universal nature. (Kangas 2004; 2006.)

Like all social security systems, the National Health Insurance has gone through many changes and reforms during its history. At the beginning, there was disagreement about the reconstruction of the income insurance component, and during the 1970s, the compensation rate of the Sickness Allowance dropped quite rapidly. At the end of the 1970s, the Health Insurance system in Finland had practically transformed into a flat-rate scheme. Finally, at the beginning of the 1980s, it was decided that the benefits should be earnings related without any ceiling and that the benefits should be taxable income. (Kangas 2006.)

The next major changes to Health Insurance were made during the deep recession at the beginning of the 1990s. The government was under pressure to cut benefits, and many small changes were executed. For example, the waiting-day period, which used to be seven days, was increased to nine days. Most significant changes in the history of Health Insurance were implemented in 1996. These changes were concerned with the Minimum Sickness Allowance. According to the new principle, Sickness Allowance was seen as only able to compensate for the loss of income. The minimum earnings level was set in the allowance, and the amount of the Minimum Allowance was also significantly reduced. (Kosunen 1997.) This was the time when the Finnish universal Sickness Allowance became means-tested (Kangas 2006, 332; van Gerven 2008, 207).

Subsequently, in 2001, some of the changes made during the recession were somewhat patched up. The Sickness Allowance was paid again to those without income from work, but only after fifty-five days of sickness. (Kangas 2006, 332–334.) In 2004, systemic reform was made to the Health Insurance Act. The reform was mainly technical in character, and most of the changes were concerned with structure and wording.

The financing foundation of National Health Insurance was reformed in 2006. After this, the system has comprised two different components: an earned income insurance component and a medical care insurance component. The earned income insurance component, which encompasses sickness, parenthood, and rehabilitation allowances, as well as occupational health services, was financed after the reform mainly by employers (almost a 70% portion) and employees. The state participates by financing the minimum allowances. The medical insurance component on the other hand comprises reimbursements for medicine expenses and examination and treatment charges, for example. It is financed by employees and the state. (Kela 2010.) Here, we concentrate only on the earned income insurance component, which encompasses sickness benefits.

2.2 Sickness Allowance

In this section, we describe statutory sickness benefits, which are paid by the Social Insurance Institution in Finland (Kela). It should be noted that we refer to Kela's benefits as "Sickness Allowance" in order to distinguish it from other sickness benefits like occupational sick pay. All information presented in this chapter is collected from Kela's publications or its website (www.kela.fi), if not otherwise noted.

2.2.1 Eligibility

The universal compulsory sickness insurance scheme covers all permanent residents of Finland. Permanent residence means that the person is domiciled and spends most of his or her time in Finland. In addition, nonresident employed or self-employed persons working in Finland for at least four months are immediately covered. In order to qualify for the Sickness Allowance, the beneficiary must be between 16 and 67 years of age and must be unfit for work based on medical grounds. There are three ways by which a person may be eligible for the Sickness Allowance: by earnings, by some other previous allowance, or he or she may be eligible to receive the Minimum Sickness Allowance.

Before receiving any Sickness Allowance from Kela, the person must complete a waiting period, which usually includes the day of onset of work incapacity and the following nine working days. The incapacity for work must be certified by a doctor.

In Finland, a person may receive the Sickness Allowance if he or she is:

- an employee
- self-employed
- full-time student
- unemployed job seeker
- on a sabbatical or
- on alternation leave.

The fact that the Finnish scheme also pays for students and the unemployed makes it rather unique from a comparative perspective. In most countries, these groups are not eligible for statutory benefits. (Dixon 2001, 22.) However, it is worth noting that people receiving a pension are not eligible for the Sickness Allowance, with the exception of working pensioners under 68 years old who are medically unfit for the work they had been performing.

Eligibility for allowance linked to the earnings

If the beneficiary had been working during the three months before he or she became unfit for work, he or she is entitled to the earnings-related Sickness Allowance. As in other Nordic countries, at the beginning of a period of illness, the employers have a statutory obligation to pay compensation. In accordance with the Employment Contracts Act (*Työsopimuslaki*), the employee is entitled to salary during the nine-day waiting period. The employer pays a full salary for the first nine days if the employment has lasted at least a month. If the employment has lasted less than a month, the beneficiary receives 50% of the salary.

After the waiting period, the payments are taken over by Kela. Daily amounts depend on annual earnings. The Sickness Allowance is usually calculated on the basis of taxed earnings for a previous tax period and not current earnings. For example, in 2011, the allowance was calculated on the basis of taxed earnings from the year 2009. In addition, the earnings are multiplied by a wage coefficient. After this, certain deductions are made (see the subsequent paragraph on taxation and social contributions). The Sickness Allowance has no ceiling which distinguishes the Finnish scheme from the Danish, Swedish, and Dutch ones, for example.

Up to an annual income of 33,479 euro, the compensation rate is 70%, after which the compensation will gradually be reduced. In 2011, the rates of the Sickness Allowance were as follows:

| Annual earnings (€) | Amount of the Sickness Allowance (€ / workday ¹) |
|---------------------|--|
| Up to 1,285 | None |
| 1,286–33,479 | 0.7 x Annual earnings : 300 |
| 33,480–51,510 | 78.12 + 0.4 x (Annual earnings – 33 479) : 300 |
| Over 51,510 | 102.16 + 0.25 x (Annual earnings – 51 510) : 300 |

If the person is paid wage while on sick leave (due to the collective agreement), the Sickness Allowance is paid to his or her employer. If the wage is smaller than the allowance, the balance is paid to the person on sick leave.

Taxation and social contributions. The Sickness Allowance is subjected to taxation. Kela withholds tax from the allowance at the rate specified by the tax authorities. The taxes are withheld in accordance with the criteria set out in the beneficiary's tax card. The minimum withholding rate is 20%. When a tax card issued for wage purposes is used, the rate specified on the card is increased by two percentage points. This is because certain deductions applicable to wage income do not apply to the Sickness Allowance. There are also some wage-related expenses that are deducted from the Sickness Allowance. These are contributions to earnings-related pension insurance and unemployment insurance (3.67% in 2011) and costs of acquiring income.

Eligibility for allowance linked to some other previous allowance

The amount of the Sickness Allowance can also be determined by a previous allowance. If the beneficiary has been receiving the Unemployment Benefit (*työttömyyspäiväraha*), Labour Market Subsidy (*työmarkkinatuki*), Training Allowance (*koulutuspäiväraha*), Labour Market Training Benefit (*työvoimapolitiittinen koulutusetuus*), or Employment Subsidy (*työllistämistuki*) within four months prior to sick leave, the Sickness Allowance is equal to at least 86% of this previous benefit. If the beneficiary has been receiving a Rehabilitation Allowance (*kuntoutusraha*) or Study Grant (*opintoraha*), the minimum amount of the Sickness Allowance is at least as large as the previous allowance.

¹ The allowance is paid for weekdays and for Saturdays together for six days a week.

Eligibility for Minimum Allowance

If the person does not have any income or his or her earnings are under 1,285 euro and he or she is not eligible for the Sickness Allowance according to the previous allowance, the person may be eligible for the Minimum Allowance. The allowance is payable only if the sick leave lasts more than fifty-five consequent days. If incapacity for work is immediately estimated to last at least 300 allowance days, the eligibility for Minimum Allowance starts right after the nine-day waiting period. The Minimum Sickness Allowance has been indexed since March 1, 2011, to The National Pensions Index, which is linked to the Cost-of-Living Index (compiled by Statistics Finland, tracks the prices of key commodities). In 2011, the amount of the Minimum Allowance was 22.13 euro per weekday. Before 2009, the amount was lower, 15.20 euro per day.

In reality, the Minimum Allowance is not the only source of income for those receiving it. People who are eligible for the Minimum Sickness Allowance are usually eligible for some other allowances as well. Means-tested benefits General Housing Allowance (*yleinen asumistuki*) and Social Assistance (*toimeentulotuki*) are allowances that typically supplement the Minimum Allowance. At the end of 2009, one-third of those receiving the Minimum Sickness Allowance also received the General Housing Allowance, one-third received Social Assistance, and one-fourth received both these benefits (Moisio et al. 2009, 44). Recipients of the Minimum Sickness Allowance who have a child or children are entitled to Child Benefit (*lapsilisä*), and in those cases where the liable parent neglects the maintenance payment, the state guarantees the lone parent the minimum support Advanced Child Maintenance (*elatustuki*). The following example illustrates a typical situation of a single adult household on the Minimum Sickness Allowance (Table 1).

Table 1. Income package of a single adult household on Minimum Sickness Allowance in 2011, €/month.

| | €/month |
|--|---------|
| Gross Minimum Sickness Allowance | 553 |
| Taxes | -90 |
| General Housing Allowance ^a | 319 |
| Social Assistance | 68 |
| Disposable Income | 850 |

^aThe assumption is that the person lives in a rented public dwelling. The amount of rent is estimated on the basis of General Housing Allowance statistics to correspond with the average rent paid by the recipients.

Source: THL 2011.

As can be seen from Table 1, General Housing Allowance and Social Assistance substantially increase the income level of a single adult household receiving the Minimum Sickness Allowance. When the focus is on income levels and the generosity of schemes, these additional benefits should

be included in the analyses. In particular, in the cross-national comparison, additional benefits should be taken into account.

2.2.2 Benefit period

The Sickness Allowance is payable for a maximum of 300 working days for the same illness. The benefit period begins when the beneficiary is paid the Sickness Allowance for the first time. If the person falls ill again for the same illness within 30 days from the day the allowance was last paid, this so-called new sickness period is counted for the previous benefit period. On the other hand, if it is the case of a new illness that is not related to the previous cause of disability to work, the system considers this as a new benefit period. In this case, the Sickness Allowance is paid right after the new nine-day waiting period. This way a person may have several sickness periods during one year.

All days during the past two years on which the beneficiary has been entitled to the Sickness Allowance from Kela count toward the total 300 working days' time for which the allowance can be received. This means that the days on which the person has been disabled to work but has not received any allowance because of low income are also counted. In order to receive the Sickness Allowance again for the same illness after 300 days, the individual must have been capable of working for at least a year. If the person is unfit for work due to another illness, he or she can normally receive the allowance.

From those Sickness Allowance periods that started in 2009, 5.7% lasted 241–300 days. If a person has a prolonged sickness that lasts for more than 300 working days, he or she may be eligible for a Disability Pension (*työkyvyttömyyseläke*), Fixed-term Rehabilitation Subsidy (*kuntoutustuki*), or Rehabilitation Allowance (*kuntoutusraha*) after the Sickness Allowance. Disability Pension can be a national pension or an earnings-related pension. It can be for the time being or for a fixed period, in which case it is called the Fixed-term Rehabilitation Subsidy. Accordingly, 7.5% of Finnish people aged 16–64 years were receiving a Disability Pension in 2009 (ETK 2010). Rehabilitation Allowance is for people aged 16–67 years who have a goal of returning to the labor market. Young people aged 16–19 years have their own Rehabilitation Allowance for young persons (*nuorten kuntoutustuki*) for the period of vocational rehabilitation.

2.2.3 Partial Sickness Allowance

The part-time sickness benefit was introduced in Finland at the beginning of 2007. The purpose of the Partial Sickness Allowance is to make it easier for people who are incapacitated to return to work and to remain employed. Full-time employees can make an agreement with their employers to return to work on a part-time basis. While employed part-time, they are paid a Partial Sickness Allowance by Kela.

The Partial Sickness Allowance is for the employee or self-employed person who has been on sick leave for an uninterrupted period of at least sixty days. The amount of the Partial Sickness Allowance is 50% of the amount of the preceding Sickness Allowance.

Thus far, the Partial Sickness Allowance has not been very popular. However, the conditions were relieved at the beginning of 2010, and thereafter, the amount of people receiving the allowance doubled. In 2010, approximately 4,700 people were receiving the Partial Sickness Allowance.

3 Sickness benefits and the collective agreements

3.1 General information regarding collective agreements in Finland

National collective agreements became common in Finland after World War II. The first official collective agreements were made in 1945. Since then, the role of collective agreements in the labour market has been significant. An agreement comes into existence when employers' unions and workers' trade unions agree to the terms of employment. Collective agreements agree upon the minimum conditions regarding, for example, salary, working hours, and vacations. In addition, the agreements have an important role in maintaining labour market harmony. (Bruun et al. 2011, 11–12.) The duration of the collective agreement is generally one to two years or longer.

The most common level of Finnish collective bargaining is the sector, i.e., the industry level. As a result of the negotiations, various kinds of collective agreements are made for different working branches. Generally, the terms of the collective agreement are in favour of the employee in comparison to common legislation. For example, shorter working hours, longer sick pay periods, and holiday benefits are agreed upon in almost every collective agreement.

There are five different spheres of collective agreement in Finland:

Public sector:

- 1) Government employees and civil servants
- 2) Municipal employees and officials

Private sector:

- 3) Blue-collar workers
- 4) Lower white-collar workers
- 5) Upper white-collar workers

In the public sector, there are separate agreements for the government and municipal employees. In some cases, the terms of employment are agreed upon separately for employees and officials/civil servants. There are also separate agreements for university and church employees. In the private sector, it is common for the largest working branches to have their own agreements for blue- and white-collar workers.

3.1.1 The social partners

The social partners in the negotiations for collective agreements are the employers' unions and workers' trade unions. The confederation of Finnish industries (EK) is the largest organization that represents private employers at the national level. Almost all the employers' unions are members of EK. The wage-earner organizations are members of a trade union confederation (SAK, STTK, or Akava, see Table 2). Different kinds of affiliates are members of these confederations. Finland is known for its high level of unionization: Approximately 70% of Finnish wage earners are members of some trade union. This is a high organizing rate by global standards and even in Europe. (European Commission 2011, 26.) However, union density has been falling since the early 1990s (Böckerman and Uusitalo 2006). This seems to be a common trend in Europe in the twenty-first century (European Commission 2011, 26).

Table 2. Finnish trade union confederations, year 2011.

| | SAK | STTK | Akava |
|-------------------------|---------------------|----------------------------|----------------------------|
| For whom | Blue-collar workers | Lower white-collar workers | Upper white-collar workers |
| Members | 1,033,000 | 615,000 | 553,000 |
| Women/Men | 47%/53% | 70%/30% | 50%/50% |
| Amount of unions | 21 | 20 | 34 |

Source: SAK, STTK and Akava websites.

Union membership is not automatically tied to one specific collective agreement. In fact, one union can have dozens of agreements. Blue-collar workers are represented by the Central Organization of Finnish Trade Unions SAK, which has the highest membership (Table 2). White-collar workers can be divided into lower and upper workers. For lower white-collar workers there is STTK, the Finnish Confederation of Professionals. Members of STTK are healthcare personnel (excluding doctors) and clerical and technical staff within the industry, private services and the public sector. For upper white-collar workers there is a union confederation called Akava, the Confederation of Unions for Professional and Managerial Staff in Finland. It is a trade union confederation for those with university, professional, or other high levels of education. Akava is the only trade union confederation whose membership has grown over the past few years.

Table 3 shows how the Finnish trade union confederations are divided by sectors. It is evident that SAK is clearly a private sector confederation, while STTK is more of a public sector confederation. On the other hand, Akava is something in between, with a little over half of its members working in the private sector and 45% in the public sector. The figures presented in Table 3 are not necessarily entirely comparable due to the different statistic practices, but either way, they provide a good overall picture.

Table 3. Finnish trade union confederations by sectors, %.

| | SAK (2010) | STTK (2011) | Akava (2011) |
|----------------------|-------------------|--------------------|---------------------|
| Private | 63 | 46 | 55 |
| Public | 28 | 52 | 40 |
| Self-employed | 1 | 0 | 3 |
| Other | 8 | 2 | 2 |

Source: SAK, STTK and Akava websites.

3.1.2 Normally and generally applicable collective agreements

There are two kinds of collective agreements in Finland: normally and generally applicable collective agreements. Normally applicable agreements are based on the Collective Agreements Act (*Työehtosopimuslaki*), while generally applicable agreements are based on the Employment Contracts Act (*Työsopimuslaki*). Normally applicable collective agreements bind only those employers' unions and workers' trade unions and their members who have signed the agreement. However, in practice, organized employers have an obligation to apply the collective agreement made in the field of agreement to all employees regardless of whether they belong to a trade union. In other words, it is the organization of employers that determines the final applicability of the collective agreement.

On the employee side, unionization is meaningful in the sense that non-union members who are not bound to the agreement have, for example, no peace obligation (Collective Agreements Act 4.2 §).

Generally applicable collective agreements bind all employers regardless of whether they are members of the employers' federation that made the agreement. Generally applicable agreements define the minimum terms of employment. Since 2001, a Commission (*Yleissitovuuden vahvistamislautakunta*) has confirmed the general applicability of collective agreements made in the private sector in Finland. In the public sector, all employees are covered by collective agreements, and there is no official confirmation regarding the general applicability by the Commission. (Ahtiainen 2011.)

Generally, the binding character of a collective agreement depends on various factors. Of particular importance is the organizing rate of employers and employees in the line of work concerned. The share of employees who are bound to the collective agreement should be approximately half of all employees in the sector. Other conditions are, for example, that the agreement is nationwide and that agreement activity is established. The Commission takes the general applicability in rehearing only if the conditions have changed significantly. (Ahtiainen 2011, 11.)

All the generally applicable agreements that have been confirmed are published in Finnish on the National Legislation Database (Finlex) website. There are approximately 200 generally applicable collective agreements. In the public sector, there are approximately 100 office-specific collective agreements for officials/civil servants and approximately sixty collective agreements for employees. In 2008, in the private and public sphere together, approximately 90% of wage earners were covered by a collective agreement. According to Ahtiainen (2011), the total collective bargaining coverage in the private sector in 2008 was approximately 85%. In the case of normally applicable agreements, the coverage was 73%. In the public sector, the coverage is 100%, as previously mentioned.

3.2 Benefit during the incapacity for work due to sickness

In most working branches, people get paid during sickness by collective agreement. In every collective agreement made, there are regulations on the terms of employment regarding benefits for sickness. It seems that sick pay is one part of collective agreements where radical changes are not usually made; although all agreements are revised over a couple of years, the changes made mainly concern other divisions, such as salary conditions. Sick pay regulations written in the collective agreements

are usually better than benefits based on National Health Insurance. For example, the sick pay period is often longer than it is for statutory sickness insurance.

It depends a great deal on the collective agreement how specifically defined the conditions are. However, there are a few things that are written in almost all the collective agreements. These are listed below:

- 1) A declaration on disability to work and its estimated duration must be made immediately to the employer. The incapacity for work must be acceptably certified by a medical certificate, for example.
- 2) The employer is officially accredited to receive the Sickness Allowance for which the person unfit for work would have been entitled according to the Health Insurance Act.
- 3) The conditions written in the collective agreement are not valid if the disability to work is caused by the employee's own gross negligence or if the illness had been deliberately kept a secret at the time the employment contract was made.
- 4) If the person falls ill again for the same illness within a certain number of days (usually thirty days, the same as in the statutory scheme) from the day the sick pay was paid last time, this so-called new sickness period is counted for the previous sick pay period.

Furthermore, the collective agreements may have regulations regarding different payments (like night or weekend payments) and a waiting period. It is also possible that sick pay is determined separately for different kinds of employment—for example, people who get paid monthly or on the basis of earnings per hour.

3.3 Sick pay according to the different spheres of agreement

Here, we present examples of the different spheres of agreement. These spheres are, as previously mentioned, municipal and government (public) and blue-collar, lower white-collar, and upper white-collar sectors (private).

Based on the collective agreements, most employers pay a full salary during the first one to three months of sickness. The sick pay period depends a lot on the duration of the uninterrupted employment. In particular, in the private sector, the rule is that the longer the employment duration has been before the sickness, the longer is the benefit period. In accordance with some of the agreements, the employee must have worked for a relatively long time before receiving any sick pay from

the employer. In these cases, the employer is still obligated to pay wages for the one plus nine days, which is the same period as the waiting time for the Sickness Allowance.

In private sector agreements, there are usually definitions regarding only the duration for which the employee gets paid the full-salary sick pay. The public sector agreements also have regulations regarding partial sick pay after the full salary period. In the private sector, the maximum benefit period depends more on the duration of employment.

These are examples that demonstrate that it is not easy to compare the collective agreements. The comparison is made even more difficult when we consider the fact that all the agreements use different terms to describe the benefit period. Some agreements refer to weeks, some weekdays, and some calendar days, which do not necessarily mean the same thing. Here, we have made the benefit period comparable. We use “day” to refer to the “calendar day,” which means seven days per week. However, the total benefit period does not add up to the actual sick pay days; collective agreements usually pay wages only for those days the employee would have been working.

3.3.1 Public sector

In the public sector, two of the collective agreements stand out due to their high coverage, which is why these are selected for introduction here. These agreements are the general collective agreements for municipal employees and officials (*Kunnallinen työ- ja virkaehtosopimus*) and the general collective agreement for government employees and civil servants (*Valtion työ- ja virkaehtosopimus*). Both municipal and government employees and officials/civil servants also have other smaller agreements. In particular, the government has numerous office-specific collective agreements. The amount of these agreements is extensive, but it is likely that most of the agreements not presented here have the same conditions for sick pay as the general collective agreement has. The general collective agreement for the government has separate sick pay conditions for employees and civil servants (unlike the municipal agreement, in which the same conditions exist for both).

The public sector agreements that concern officials and civil servants differ from other public and private collective agreements in the sense that sick pay days are calculated in one calendar year; thus, they include the total number of days for which the employee is eligible in one year. This means that the benefit period starts all over again after the next year. Therefore, if the employee has a sickness that begins late in November and the sickness continues after the start of the new year, he or she will be eligible for a new full sick pay period after December. However, there is a difference in

the conditions regarding officials and civil servants: In the municipal agreement, the maximum duration of uninterrupted sickness is twelve months; this is in contrast to the agreement of civil servants, for which there is no maximum limit set to sick pay. In other collective agreements, sick pay days are calculated according to the number of uninterrupted sick pay days (usually so that there are no interruptions over thirty days), so the employee may have several benefit periods in one calendar year.

According to the municipal collective agreement (Table 4), if a person falls ill and he or she has worked for less than sixty calendar days before the illness begins, he or she will only be eligible for fourteen calendar days of sick pay. In order to obtain the full-salary sick pay for sixty calendar days of illness, the employee must have worked for the municipal employer for more than sixty days. In this case, if the sickness leave lasts for more than sixty days, the employee will receive partial sick pay, which is 66.7% of his or her salary. If the employee has a sickness that lasts for over 180 calendar days, he or she may continue to get 66.7% of his or her salary; however, this is discretionary. Further, if the sickness period lasts for over a year, the employee may get half of the full salary. There is no specification for the word “discretionary” in the municipal agreement, but it seems that it is up to the municipality to define conditions on the matter. This means that some municipals pay the discretionary sick pay, and others do not.

Table 4. Examples of public collective agreements and their sick pay conditions.

| | Duration of employment | Benefit period | % of salary |
|--|-------------------------------|-------------------------------------|--------------------|
| General collective agreement for employees and officials in the municipality (Kunnallinen yleinen työ- ja virkaehtosopimus) Coverage: Approximately 305,000 employees Discretionary | Less than 60 calendar days | 14 days | 100% |
| | 60 calendar days | 60 days in one calendar year | 100% |
| | | 61.–180. days in one calendar year | 66.7% |
| | ----- | 181.–365. days in one calendar year | Max. 66.7% |
| | Over 12 months | Max. 50% | |
| General collective agreement for employees in the government (Valtion työehtosopimus) Coverage: Approximately 11,300 | 1 month – less than 1 year | 21 days | 100% |
| | 1 – less than 3 years | 21 days | 100% |
| | | 22.–365. days | 66.7% |
| | 3 – less than 5 years | 28 days | 100% |
| | 29.–365. days | 66.7% | |
| 5 years or more | 28 + 7 days | 100% | |
| | 36.–365. days | 66.7% | |
| General collective agreement for civil servants in the government (Valtion virkaehtosopimus) Coverage: Approximately 75,000 | Over a month | 60 days in one calendar year | 100% |
| | | 61.–180. days in one calendar year | 75% |
| | | Over 180. days in one calendar year | 60% |

white-collar). In most cases, lower and upper white-collar personnel have approximately the same sick pay conditions. Blue-collar workers on the other hand have somewhat inferior conditions. In blue-collar workers' agreements, there are usually more regulations concerning sick pay. One example is that some of the blue-collar collective agreements have a one-day waiting period; however, this waiting period applies only to those employees who have been working for the employer for a relatively short time and whose sick leave lasts less than nine days.

The private agreements presented here are selected on the grounds of their coverage. Presented agreements are the largest ones within each sector and they also are all generally applicable in nature. It must be noted that if the collective agreement does not state anything different, the employee gets paid according to the Employment Contracts Act (2. chapter 11§) for one plus nine days. As previously mentioned, if employment has lasted over a month, the employee is paid the full salary, whereas if the employment has lasted less than a month, the employee gets 50% of the salary. However, there is an interesting clause in the law: According to the Employment Contracts Act (13. chapter 7§), it is possible for national associations to deviate from the 2. chapter 11§. This means that if it is agreed upon in the collective agreement, the employee does not necessarily get any sick pay if he or she has not worked long enough.

When examining blue-collar workers' collective agreements (Table 5), it is evident that in most cases the benefit period is the same—four to eight weeks. What separates the agreements is the duration of employment needed before the employee is eligible for sick pay. In some of the blue-collar agreements, the employee must have been working for no more than one month before he or she is eligible for sick pay. However, in some of the agreements the time can be up to six months, as is the case in the collective agreement in the paper industry.

In addition, the collective agreement for employees in the construction industries (Table 5) is worth pointing out. Here, it is agreed that if the employee has been at work for less than two weeks, the employer does not pay any sick pay, not even the 50% of salary that the employer is usually obligated to pay. In the field of construction industries, it is very common that employment is for a short-term contract; thus, the purpose is to help employ workers in this field.

Table 5. Examples of private collective agreements: Blue-collar workers.

| | Duration of employment | Benefit period |
|--|--|-----------------------|
| Collective agreement for employees in the commercial sector (Kaupan alan työehtosopimus) Coverage: Approximately 170,000 employees | 3 months – less than 3 years | 28 days |
| | 3 years – less than 5 years | 35 days |
| | 5 years – less than 10 years | 42 days |
| | 10 years or more | 56 days |
| Collective agreement for employees in the travel, restaurant, and leisure services (Matkailu- ravintola- ja vapaa-ajan palveluita koskeva työehtosopimus) Coverage: Approximately 70,000 employees | Over 2 months – 3 years | 28 days |
| | Over 3 years – 5 years | 35 days |
| | Over 5 years – 10 years | 42 days |
| | Over 10 years | 56 days |
| Collective agreement for employees in the construction industries (Rakennusalan työehtosopimus) Coverage: Approximately 60,000 employees | Less than 2 weeks | Nothing |
| | 2 weeks – less than a month | 1 + 9 days |
| | 1 month – less than 3 years ^a | 28 days ^a |
| | 3 years – less than 5 years | 35 days |
| | 5 years – less than 10 years | 42 days |
| | 10 years or more | 56 days |
| Collective agreement for employees in the janitorial service sector (Kiinteistöpalvelualan työehtosopimus) Coverage: Approximately 40,000 employees | 1 month – less than 3 years | 28 days ^a |
| | 3 years – less than 5 years | 35 days |
| | 5 years – less than 10 years | 42 days |
| | 10 years | 56 days |
| Collective agreement for employees in the paper industry (Paperiteollisuuden työehtosopimus) Coverage: Approximately 20,000 employees | At least 6 months | 35 days ^a |
| | At least 5 years | 42 days |
| | 10 years or more | 56 days |

^aOne-day waiting period.

Table 6 presents examples of collective agreements for lower white-collar workers. When comparing these agreements with blue-collar worker agreements, it can be seen that there is a difference in the maximum benefit period and in the required minimum duration of employment. In most lower white-collar agreements, the employees are eligible for sick pay for as long as three months if they have been working for a sufficient period of time. Thus, the benefit period is approximately a month more than in the blue-collar agreement. Another difference is that in the blue-collar sector, the employee is required to work for ten years in order to obtain the maximum benefit. In the lower white-collar sector, the required time is only five years. Further, in some of the lower white-collar agreements, there is no minimum time for how long the employee must have been working before he or she is eligible for sick pay. In fact, the benefit period can be four weeks even if the duration of employment has been less than a month.

Table 6. Examples of private collective agreements: Lower white-collar workers.

| | Duration of employment | Benefit period |
|--|--|--|
| Collective agreement for salaried employees in the information technology service industry (Tietotekniikan palvelualan työehtosopimus) Coverage: Approximately 48,000 employees | Less than 3 years 3 years – less than 5 years 5 years – less than 10 years 10 years or more | 28 days 35 days 42 days 56 days |
| Collective agreement for salaried employees in the financing sector (Rahoitusalan työehtosopimus) Coverage: Approximately 14,500 employees | Less than 3 years 3 – 5 years Over 5 years | 28 days 35 days 42 days |
| Collective agreement for salaried employees in the ICT sector (ICT-alan toimihenkilöiden työehtosopimus) Coverage: Approximately 15,000 employees | Less than a month 1 month – less than 1 year 1 year – less than 5 years 5 years or more | 7 days 28 days 35 days 90 days |
| Collective agreement for salaried employees in the service sector union (Palvelualojen toimialaliiton työehtosopimus) Coverage: Approximately 12,400 employees | 1 month – less than 1 year 1 year – less than 5 years 5 years or more | 28 days 35 days 90 days |
| Collective agreement for salaried employees in the construction industries (Rakennusalan toimihenkilöiden työehtosopimus) Coverage: Approximately 11,500 employees | 1 month – less than 1 year 1 year – less than 5 years 5 years or more | 28 days 35 days 90 days |

The upper white-collar workers' collective agreements are presented in Table 7. It can be seen that the conditions are almost similar to most of the lower white-collar agreements. For example, the conditions in agreements in the finance and ICT sectors are exactly the same. In the finance sector, this means a comparatively inferior maximum benefit period; in other lower and upper white-collar agreements, the maximum period is three months, but in the finance sector, it is only six weeks. However, in the ICT sector the conditions are rather good because the employee is eligible for one week of sick pay even if he or she has been working for under a month. This is generally common in the upper white-collar agreements; employees may be eligible for sick pay even if they have been working for less than a month.

Table 7. Examples of private collective agreements: Upper white-collar workers.

| | Duration of employment | Benefit period |
|--|-------------------------------|-----------------------|
| Collective agreement for senior salaried employees in the consulting sector (Suunnittelu- ja konsulttialan ylempien toimihenkilöiden työehtosopimus) Coverage: Approximately 19,000 employees | 1 month – 1 year | 28 days |
| | 1 year – less than 5 years | 35 days |
| | 5 years or more | 90 days |
| Collective agreement for senior salaried employees in the financing sector (Rahoitusalan ylempien toimihenkilöiden työehtosopimus) Coverage: Approximately 9,000 employees | Less than 3 years | 28 days |
| | 3 years – 5 years | 35 days |
| | 5 years or more | 42 days |
| Collective agreement for senior salaried employees in the ICT sector (ICT-alan ylempien toimihenkilöiden työehtosopimus) Coverage: Approximately 3,000 employees | Less than a month | 7 days |
| | 1 month – less than 1 year | 28 days |
| | 1 year – less than 5 years | 35 days |
| Collective agreement for senior salaried employees in the energy sector (Energia-alan ylempien toimihenkilöiden työehtosopimus) Coverage: Approximately 2,700 employees | 5 years or more | 90 days |
| | 1 month – less than 1 year | 28 days |
| | 1 year – less than 5 years | 35 days |
| Collective agreement for senior salaried employees in the information logistics sector / Collective agreement for senior salaried employees in the messaging and logistics sector (Informaatiologiikka-alan ylempien toimihenkilöiden TES / Viestinvälitys- ja logistiikka-alan ylempien toimihenkilöiden TES) Coverage: Approximately 1,000 employees | 5 years or more | 90 days |
| | 1 year – less than 5 years | 35 days |
| | 1 month – less than 1 year | 28 days |
| | Less than a month | 7 days |

3.4 Conclusion: differences in the sick pay

Although the field of private sector agreements is diverse and complex, it is possible to distinguish a certain kind of “basic model” for all three spheres of agreements. These basic models are the models that seem to be the most common within each trade union confederation’s agreements.

To sum up the different spheres of private agreements and their basic models, we have collected the sick pay conditions of one working branch—technology industries—in Table 8. The basic models of lower and upper white-collar agreements are similar to each other. The amount of the collective agreements in the white-collar sectors is not enormous, so it has been relatively easy to obtain an overall picture of the conditions on sick pay. In fact, the upper white-collar workers have only about a dozen of their own collective agreements, although there are more agreements that are being applied (for example, the municipal and government agreements). In both white-collar agreements, the basic model is pretty distinct. It seems that in the lower white-collar agreements, over half follow the basic model presented in Table 8. Almost all upper white-collar agreements have the same conditions, with the only exception being those cases where there are special (better) conditions applied to employees who have only been working for less than a month.

Table 8. Collective agreements in Technology Industries in different private sector spheres.

| | Duration of employment | Benefit period |
|---|-------------------------------|-----------------------|
| Blue-collar workers (SAK): Collective agreement of employees in technology industries (Teknologiäteollisuuden työehtosopimus) Coverage: Approximately 125,000 employees | 1 month – less than 3 years | 28 days ^a |
| | 3 years – less than 5 years | 35 days |
| | 5 years – less than 10 years | 42 days |
| | 10 years or more | 56 days |
| Lower white-collar workers (STTK): Collective agreement for salaried employees in technology industries (Teknologiäteollisuuden toimihenkilöiden työehtosopimus) Coverage: Approximately 30,000 | 1 month – less than 1 year | 28 days |
| | 1 year – less than 5 years | 35 days |
| | 5 years or more | 90 days |
| Upper white-collar workers (Akava): Collective agreement for senior salaried employees in technology industries (Teknologiäteollisuuden ylempien toimihenkilöiden työehtosopimus) Coverage: Approximately 55,000 employees | 1 month – less than 1 year | 28 days |
| | 1 year – less than 5 years | 35 days |
| | 5 years or more | 90 days |

^aOne-day waiting period.

The basic model of the blue-collar agreements differs from the other agreements due to its requisite duration of employment. The minimum benefit period is four weeks in all agreements. However, in the blue-collar agreement, the four-week benefit period is for employees who have up to three years of employment, while in other agreements, the employee is eligible for five weeks of sick pay after the first year. Moreover, in the blue-collar agreements, the employee must have been working for a longer amount of time to be eligible for the maximum benefit period, which either way is less than in the lower and upper white-collar agreements.

In order to analyze the differences between occupational and statutory sick pay, we illustrate sick pay conditions in Figures 2, 3, and 4. The vertical axis in the figures describes the compensation rate, and the horizontal axis shows the duration of sick leave, that is, how many days the employee has had the sickness. However, it is worth noting that the sick leave days presented in the figures do not equal the actual number of days for which the employee is eligible for sick pay. First, collective agreements usually pay wages for those days when the employee would have had a working day, not for every day of the week. The days presented in the horizontal axis are not totally comparable in the sense that Sickness Allowance is paid for weekdays and Saturdays, that is, for six days a week, while sick pay is most often only paid for five days a week. Another difference is that Kela's maximum benefit period of 310 days actually is the days for which the employee gets paid during sickness: Kela literally pays a total of 310 days; thus, in reality, the actual total benefit period is approximately one year (365 days). In order to make this more comparable, the maximum statutory benefit time is presented in the figures as 365 days.

When describing the Sickness Allowance paid by Kela, we use only the earnings-related benefit. We use a 70% compensation rate, although the actual compensation actually depends on the annual income; 70% is paid for an annual income of up to 33,479 euro, after which the compensation will gradually be reduced. In reality, the compensation rate in most cases is somewhere between 60–70%.

When examining the figures, it is clear that it is better to get paid during sickness by collective agreements. Employees who are eligible only for the Sickness Allowance get paid less. In Figure 2, we look at the collective agreements in the public sector. In our example, the employee has been working for the same employer only for a relatively short time: more than one month but less than two months. The figure demonstrates that civil servants in government stand out with their superior sick pay conditions. The municipal agreement on the other hand pays less than other public agreements.

In Figure 3, we illustrate sick pay in accordance with private collective agreements. In this example, the employee has been working for the same employer for a relatively long time that is over five years. As previously stated, blue-collar workers have shorter sick pay period as white-collar workers but they nevertheless have better benefits than the statutory system offers. In Figure 4, we have public, private, and statutory sickness benefits conditions in the same figure. The example is of an employee who has been working for the same employer for one year. When we examine those who have the shortest full-salary sick pay durations, we can see that after the Sickness Allowance are the government employees. Next in line are blue-collar employees, with a maximum benefit time of 28 days.

In Figure 2, the employee has been working only a short time prior to the sickness, while in Figure 4 the employee has been working a few months more. Comparing the situation of municipal agreement in these figures, we can see that there is a difference: In the latter, the municipal workers stand out better. An interesting fact is that after receiving sixty days of full-salary sick pay, municipal and government workers get 66.7% of their salaries, which is less than the maximum compensation rate of Sickness Allowance. However, in most cases public sector workers are likely to get more wages than are needed for the maximum 70% compensation; thus, in reality, the compensation paid by Kela is probably approximately the same as the compensation paid by the collective agreement.

Figure 2. Sick pay in accordance with Sickness Allowance and collective agreements in the public sector.

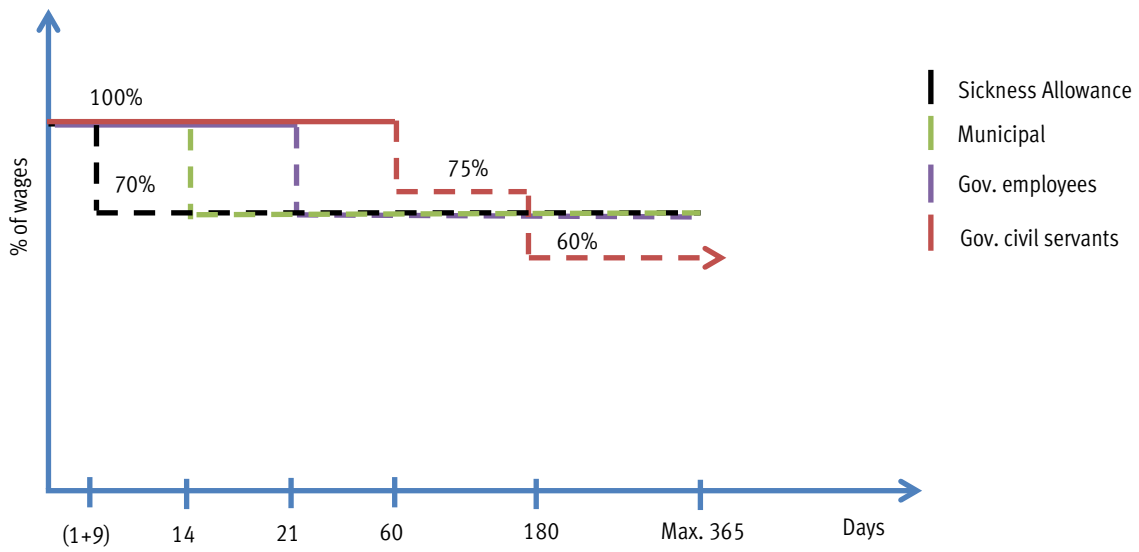


Figure 3. Sick pay in accordance with Sickness Allowance and collective agreements in the private sector.

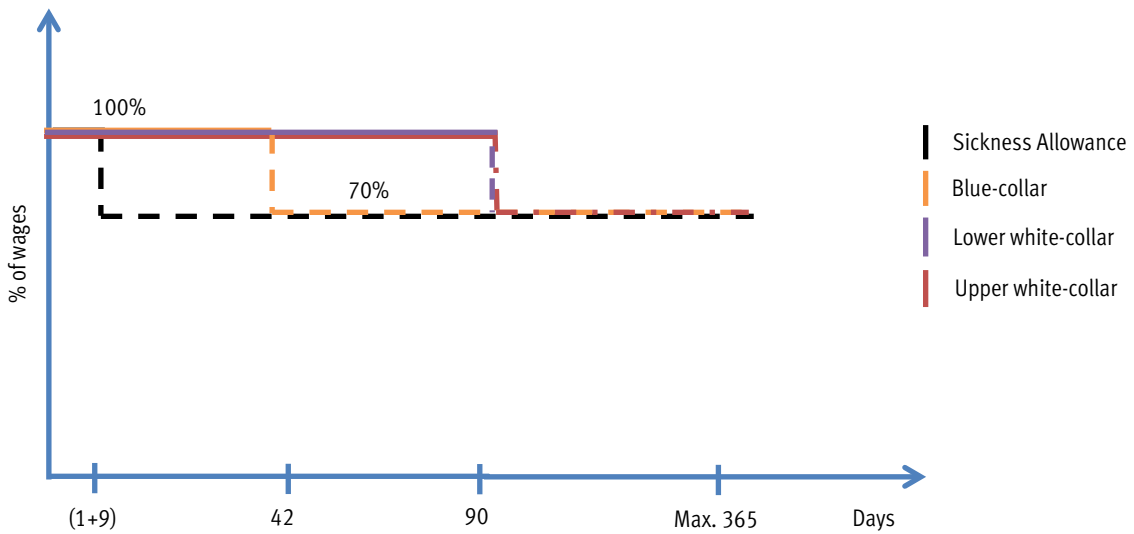
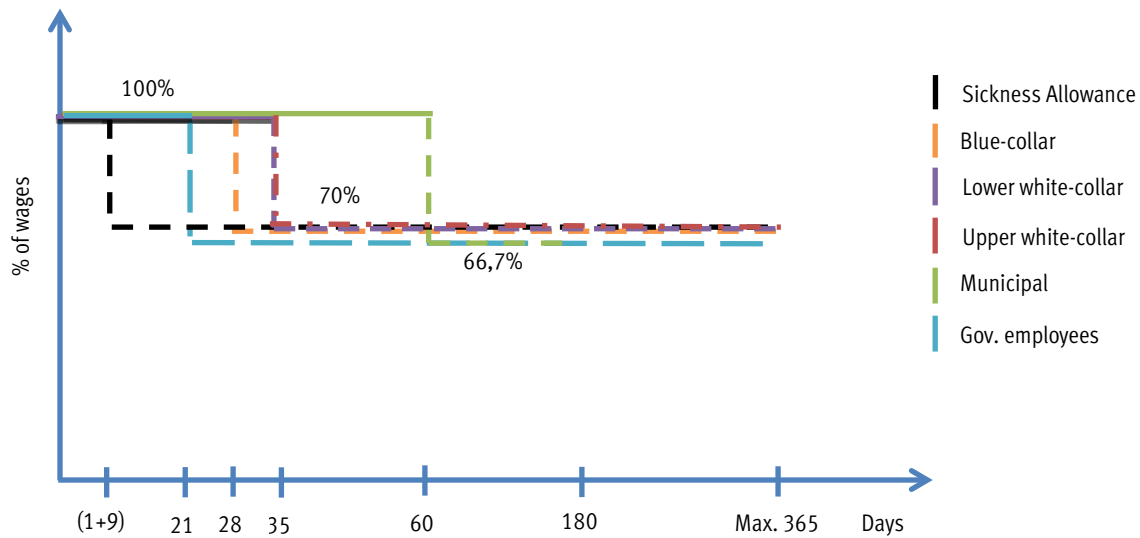


Figure 4. Sick pay in accordance with Sickness Allowance and collective agreements in the private and public sectors.



It is ambiguous to say who in the final analysis receive the best sick pay benefits because it depends a lot on the duration of employment. It is evident that when an employee becomes unable to work due to sickness, occupational welfare plays a significant role. In most cases, statutory sickness benefits are paid only to those outside of the labour market. To be able to get an extensive picture of income during sickness, it is vital to also take into account occupational benefits. What we have shown in this working paper is that although Finland, as a part of the Nordic welfare model, offers fairly good statutory benefits, the final treatment is not as equal as one would have supposed. Therefore, a comparative study would be quite interesting. The matter definitely requires more research. Occupational sick pay should get more attention because the statutory system alone does not provide an accurate picture of the welfare provision.

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