

TiPSE

The **T**erritorial **D**imension of **P**overty and **S**ocial **E**xclusion in Europe

Applied Research 2013/1/24

Work Package 2.4

Case Study Report

LIEKSA

North Karelia, Finland

Petri Kahila and Liisa Perjo

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The partnership behind the ESPON Programme consists of the EU Commission and the Member States of the EU27, plus Iceland, Liechtenstein, Norway and Switzerland. Each partner is represented in the ESPON Monitoring Committee.

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The ESPON TiPSE Project:

The TiPSE project has been commissioned by the European Observation Network for Territorial Development and Cohesion (ESPON) programme. It is concerned with the issue of poverty, and processes of social exclusion in Europe.

One of the key challenges for the EU, in its pursuit of social, economic and territorial cohesion, is to address regional or local concentrations of poverty and social exclusion. In terms of practical governance, this remains a national responsibility within the context of EU strategic guidance. In practice, regional or local administrations are often in 'the front line'; implementing national policies to ameliorate deprivation and exclusion. At a higher level, the EU defines its role as identifying best practices and promoting mutual learning.

Poverty and social exclusion are essentially relative concepts, arguably only meaningful within a specified geographical context. This underlines the essential roles to be played by observation, measurement, and careful data analysis, as preparations for intervention. The TiPSE project aims to support policy, both by enhancing the evidence base and by identifying existing good practice.

A central objective of the TiPSE project is to establish macro and micro-scale patterns of poverty and social exclusion across the ESPON space. This will be achieved by compiling a regional database, and associated maps, of poverty and social exclusion indicators. Such quantitative analysis of geographical patterns is considered a fundamental part of the evidence base for policy.

In addition, in order to better understand the various social and institutional processes which are the context of these patterns, a set of ten case studies are to be carried out. These will be more qualitative in approach, in order to convey holistic portraits of different kinds of poverty and social exclusion as experienced in a wide variety of European territorial contexts. The principal goal for these investigations will be to bring forward clear illustrations of the social, economic, institutional and spatial processes which lead to poverty and social exclusion in particular geographic contexts.

The selection of case study areas has been carried out with careful regard to the wide variety of geographic, cultural and policy contexts which characterise Europe. The ten case studies are also intended to highlight a range of different 'drivers' of poverty and social exclusion, including labour market conditions, educational disadvantage, ethnicity, poor access to services and urban segregation processes. A second objective of the case studies will be to identify policy approaches which can effectively tackle exclusion, and thus strengthen territorial cohesion.

The TiPSE research team comprises 6 partners from 5 EU Member States:

No.	Partner	MS	Principal Researchers
LP	Nordregio - Nordic Centre for Spatial Development	SE	Petri Kahila
2	UHI Millennium Institute	UK	Philomena de Lima
3	Newcastle University	UK	Mark Shucksmith
4	Institute of Economics Hungarian Academy of Sciences	HU	Katalin Kovács
5	ILS - Research Institute for Regional and Urban Development	DE	Sabine Weck
6	EKKE - National Centre for Social Research	EL	Thomas Maloutas
7	The James Hutton Institute	UK	Andrew Copus

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Executive summary

Decreasing poverty, inequality and social exclusion is one of the government's priorities, and forms important part of the country's implementation of the Europe 2020 Strategy. The National Reform Programme 2012 presents priorities to prevent social exclusion, poverty and health problems. The National Social Report 2012 states that number of people living at risk of poverty and social exclusion has somewhat decreased after 2008 but number of long-term unemployed persons has according the report also increased and income and health differences have grown. Decreasing long-term unemployment is one of the main targets in the 2012 National Reform Programme and the National Social Report. Most important approaches to prevent long-term unemployment include promotion of work-ability, improvement of public employment services, and development of intermediate labour markets in cooperation with third sector, enterprises and municipalities.

Most important policy and institutional actors dealing with long-term unemployment at regional and local level in Finland are Employment and Economic Development Offices, Labour Force Service Centres, municipalities, third sector organisations and enterprises. Lately especially municipalities and third sector organisations have gained more importance in the intermediate labour market by providing employment possibilities under national labour market and social policy. Subsidised measures tackle long-term unemployment and enable people to enter intermediate labour market or move straight to the open labour market. The role of municipalities will be strengthened in active labour market policies during the parliamentary term through a local government trial.

The case study is focused on municipality of Lieksa in Eastern Finland. The location of Lieksa is particularly remote from main centres of economic growth and activity. The area is also among the most sparsely populated regions in Europe. Rural and remote context is a defining factor in the dynamics of Lieksa labour market. Lieksa also faces challenges and problems as an outcome of industrial change and the weakening of traditional centres of employment. Lieksa has lately been affected by continually high rate of unemployment and long-term unemployment. This year in August unemployment peaked in Lieksa at 20.1% and long-term unemployment at 4.1%. Most of the unemployed and long-term unemployed persons in Lieksa are men and over 50 years old. Lieksa has longer period suffered from structural unemployment as a result of a pace of technological and production change in the economy.

Main factor limiting the employment outlooks in Lieksa gaps in their personal employability qualities, like skills and qualifications. The other major limiting factor is structural changes in the local economic structure, i.e. new employment opportunities are not created and there are weak inward investments in the municipality. Plants have closed down either permanently or production has been modified and jobless people have not been able to find new positions after leaving or being laid off from a job.

Remote rural locations are generally influenced by dispersed structures of economic activity and geographic peripherality. Remoteness of Lieksa indicates that job seekers in the municipality confront a range of problems mutual to many rural labour markets, such as limited number of and choice of available employment opportunities. In the case of Lieksa, these patterns are significantly worsened as the municipality is isolated from the positive possibilities linked to main centres of economic activity. The deficiency or total absence of public transportation both between Lieksa municipal centre and closest major city Joensuu and also Lieksa municipal centre and remote villages forces unemployed people to limit their activities in searching a job. Private transportation is not a solution, because especially long-term unemployed cannot afford private transportation. Therefore job search is concentrated to local labour markets.

Mobility is connected to welfare and thereby to employment. If we consider remote rural labour market, long-distance commuting is a common way of employment but not real solution for unemployed or long-unemployed persons. Individual characteristics affect remarkably on person's willingness to commute. Generally, young people are more mobile and their place attachment is not that strong as older persons. Long-term unemployed persons are rather often older and have strong attachment to the particular place. Moving elsewhere would in many cases imply a loss of investment in housing as residence is more expensive in economic active areas. A person moving from rural area to an urban centre may need to sell a house at an undervalued price and not find a new house at a reasonable price.

It can be observed that unemployment has a different kind of consequences, whose social cost has to be included to the forgone output that results from unemployment. As short period of unemployment causes little lasting social damage, longer periods will produce various forms of socially negative behaviour and effects. There are number of related problems that the unemployed people will experience more frequently than employed people do. For instance, the unemployed persons are in danger to have fewer relationships within and outside the community. Many unemployed persons, especially long-term unemployed, may be socially excluded from the community. However, it was also emphasised that unemployment per se is necessarily not a defining attribute of social exclusion.

The existing discussion about the relationship between social exclusion and long-term unemployment does not totally reflect the real situation in Lieksa. Long-term unemployment naturally also causes the danger that long-term unemployed person may fall victim into a deep and long-lasting social exclusion of the society. Especially the danger exists if person is isolated from the access to the information about the employment possibilities and at the same time does not have regular contact to municipal services.

The Lieksa case study indicates that social exclusion is to a larger extent a multifaceted concept, which is very difficult to determine. A critical issue for wider analysis of social exclusion is to decide the scope of social and economic problems that defines whether a person is socially excluded or not. Social exclusion was not exactly defined during the interviews in Lieksa in order to leave place for empirical interpretation for the interviewees. It was underlined in Lieksa that long-term unemployment

definitely is causing high risk for social exclusion. On the other hand, it was also emphasised that long-term unemployed do not necessarily feel themselves as social excluded although they are in social and economic weak situation.

It is evident that people who have strong ties to their community and family are less likely to be socially excluded. Fragmentation of traditional community and family ties are dimensions that usually lead to greater danger to be socially excluded. Therefore, it was also noted that in rural environment the danger to be socially excluded is less obvious than in urban environment. Firstly, unemployment (and long-term unemployment) is more accepted and usual feature in Lieksa, where cyclical unemployment has always been characteristic for local labour market. Secondly, people have closer relation to nature and they practice hunting, pick berries and mushrooms. People consider themselves available for employment only outside of hunting season and picking berries and mushrooms season. Finally, some long-term unemployed persons are involved in caring responsibilities looking after elderly parents. Therefore, they don't have possibilities or intents to be available for the labour market. However, we have to bear in mind that above mentioned three aspects do not relate all long-term unemployed persons.

Local services are in key position offering employment search assistance for unemployed persons. The division of work between various local labour market institutions has not been distinct. Generally, it was indicated that the Employment and Economic Development Offices should have the main responsibility of supporting unemployed persons. When we discuss about the long-term unemployed persons, definition of the responsibilities becomes more complicated. The Employment and Economic Development Office consider that its main task is to provide employment services and to ensure the availability of qualified labour force. We may argue that as the quality of employment seekers becomes lower, i.e. unemployment time becomes longer and some social or health problems occur, the employability of unemployed persons is not any more appropriate for labour market. Although long-term unemployment is one of the priority groups of the Employment and Economic Development Offices, responsibilities of municipality are underlined as long-term unemployed persons have rather often other complex challenges related to social and health issues.

Co-operation between the municipality and the Employment and Economic Development Office has generally worked well but there have been some different opinions about the employment search situations of long-term unemployed persons. Key issue is to have both instances working together in order to bridge the gap between formal job search services and social and health issues, which are municipality's responsibility.

Another important aspect is the possibility to manage a range of community based initiatives and interventions to combine important elements of formal employment services and informal networking as well as individual consultation. Intermediate labour market initiatives in cooperation with third sector organisations have had an important position in local labour market in Lieksa. Their subsidised measures and projects tackle long-term unemployment and enable people to enter intermediate labour market or move straight to the open labour market. These measures and projects have a

significant position to assist many long-term-unemployed persons, who are caught between lack of social network and the absence of formal employment service.

1 The regional context

This case study focuses on the municipality of Lieksa in Eastern Finland. Lieksa is located in the North Eastern part of the NUTS 3 region of North Karelia and in the LAU 1 sub-region of Pielinen Karelia. The municipality is bordering to Russia and has approximately one hundred kilometres of shared border with the Russian Federation. The fifth largest lake in Finland, Pielinen, is located next to Lieksa and the river Lieksanjoki runs through the town. (Lieksa, 2009).

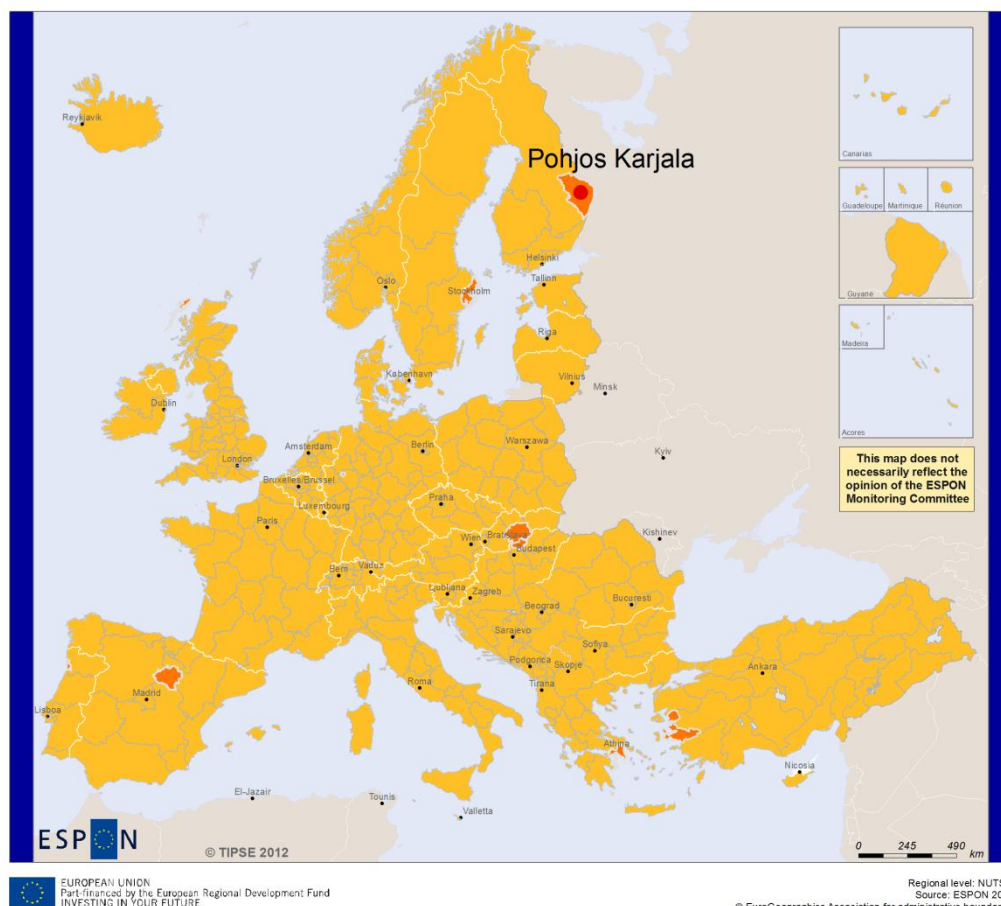


Figure 1: North Karelia in the context of the ESPON space

The landscape in Lieksa is forested and characterised by the Koli hills and the lake Pielinen with its islands. The total area of the municipality is 4067,78 square kilometres of which 3419,55 square kilometres consists of land area and 648,23 square kilometres of water area.

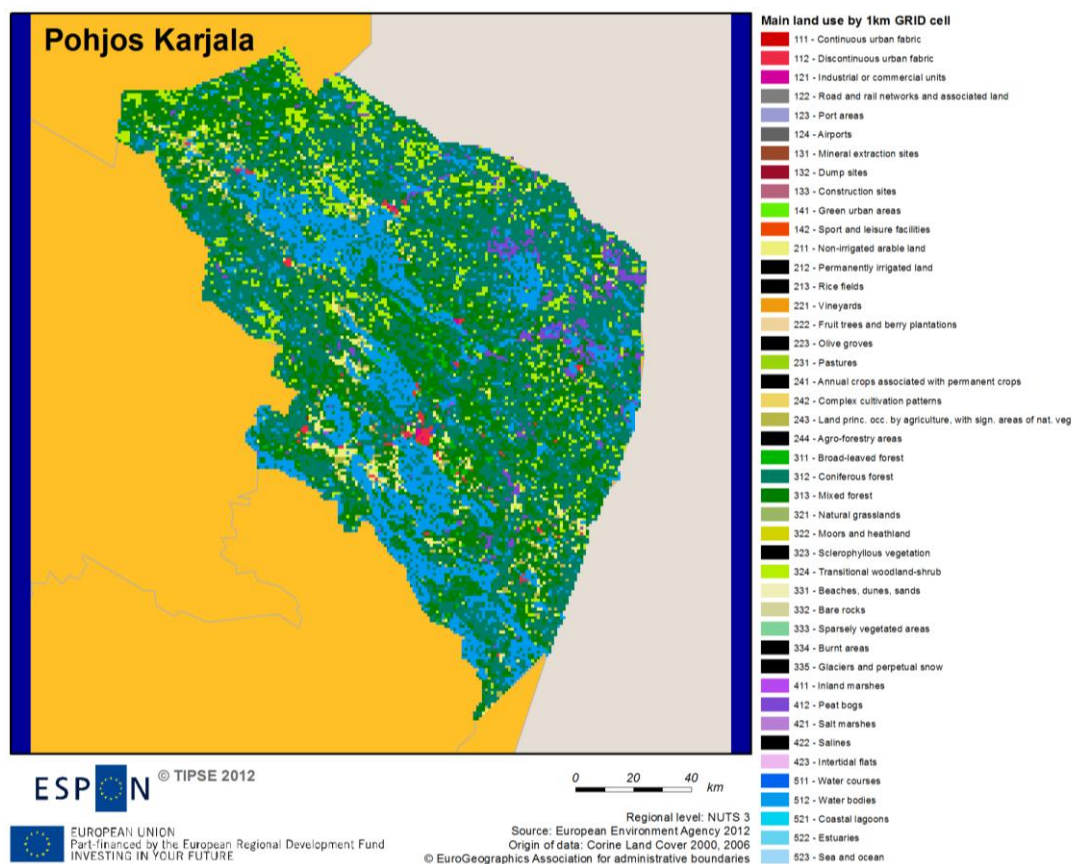


Figure 2: Corine Land Cover North Karelia 2006

The NUTS 3 region of North Karelia is a forested region with a large share of the area covered by water. The region has few urban areas, the university town of Joensuu being the largest city and also the regional centre of North Karelia.

Table 1: Demographic and labour market characteristics

	Lieksa	North Karelia	Finland	EU27
Population density	3.2 (2011)	9.4	17.5	116.4
% aged <15 (2010)	11.1 (2011)	14.9	16.5	15.6
% aged 65+ (2010)	27.7 (2011)	20.6	18.1	19.1
Economic Activity Rate	52.3 (2011)	59.0	66.1	57.6
Unemployment rate (2011-12)	20.1 (2012)	13.3	9.1	9.6
Employment Rate	43.2 (2010)	50.4	60.9	52.0

The region of North Karelia has approximately 165 906 inhabitants of which approximately 12 585 reside in the municipality of Lieksa. (The Regional Council of North Karelia, 2012a) In comparison to the population density of Finland, North Karelia has low population density. The municipality of Lieksa has further lower population density in comparison to the already sparsely populated North Karelia and Finland.

The share of North Karelian population younger than 15 years and older than 65 years are rather similar to the Finnish and EU-27 averages. In Lieksa, the share of population under 15 years old and over 65 years old is considerable higher than in North Karelia, Finland and the EU-27.

Table 2: Economic activity by sector

NACE Rev. 2 Category		Lieksa	North Karelia	Finland	EU27
A	Agriculture, forestry and fishing	11.1	7.6	4.9	2.2
B-E	Industry (excl. construction)	1.0	1.1	17.3	18.3
C	Manufacturing	20.5	15.1	15.9	17.4
F	Construction	4.1	6.7	7.3	7.6
G-I	Wholesale, retail, transport, accomm., food services	18.2	17.5	21.5	21.2
J	Information and communication	0.5	1.7	3.8	1.3
K	Financial and insurance	1.2	1.2	1.7	1.6
L	Real estate	0.8	0.7	0.9	0.3
M-N	Professional, scientific, admin. and support	6.4	8.4	9.3	16.0
O-Q	Public admin., defence, education, health and social work	31.0	33.2	28.5	27.4
R-U	Arts, entertainment, recreation	5.2	5.1	4.8	4.2

In Lieksa, the traditional primary sector of agriculture, forestry and fishing still has a significant role and is considerably important to the economy especially in comparison to its decreased significance in Finland or the EU-27. Also manufacturing is an important economic sector in Lieksa especially in comparison to its decreased role in North Karelia, Finland or the EU-27.

In Finland and in the EU-27, the share of economic activities in industry is significant but in Lieksa and North Karelia their share is considerably less significant with only approximately 1% of all economic activities. Furthermore, the share of the category of professional, scientific, administration and support is low in Lieksa and North Karelia.

The share of public administration, defence, education, health and social work is higher in Lieksa and North Karelia than in Finland and in the EU-27. Compared to the region of North Karelia, the share of wholesale, retail, transport, accommodation and food services is slightly higher in Lieksa but it is still considerably lower than the Finnish or the EU-27 average.

Table 3: Gross value added by sector and per head

		Lieksa	North Karelia	Finland	EU27
	NACE Rev. 2 Category	GVA per head of working age population (€)			
A	Agriculture, forestry and fishing	-	2620,6	1194,2	
B-E	Industry (excl. construction)	-	5467,1	8687,3	
F	Construction	-	2782,2	3093,4	
G-I	Wholesale, retail, transport, accomm., food services	-	4187,5	7282,4	
J	Information and communication	-	949,1	2189,3	
K	Financial and insurance	-	484,7	1228,3	
L	Real estate	-	1405,3	3311,2	
M-N	Professional, scientific, admin. and support	-	4087,5	5082,0	
O-Q	Public admin., defence, education, health and social work	-	7850,9	9140,3	
R-U	Arts, entertainment, recreation	-	1111,6	1365,8	
	Total	-	30946,5	42574,2	

The sector of public administration, defence, education, health and social work has clearly the highest gross value added per head in North Karelia. In general, the sectors with highest gross value added per head in North Karelia follow the same pattern as the Finnish average but the GVAs per head in North Karelia are in almost all sectors significantly lower than the national average. In addition to public administration, both Finland and North Karelia have the highest gross value added per head in industry and in wholesale, retail, transport, accommodation and food services.

In Finland on average, the role of real estate as well as the role of information and communication is more significant than in North Karelia. In North Karelia, agriculture, forestry and fishing are more significant than in Finland in general. Primary production is the only sector where the gross value added per head is higher in North Karelia than in Finland on average.

The financial and insurance sector is the sector with lowest gross value added per head in both North Karelia and Finland. However it can be noted that in North Karelia, the gross value added per head in the sector is only approximately 40% of that of Finland.

2 Characteristics of social exclusion and poverty: patterns and processes

Lieksa has been experiencing fast population decrease as its population has decreased with more than one fourth of the inhabitants since 1993 (see Figure 3). The population decrease in North Karelia has not been equally fast although the North Karelian population in general has also been decreasing. Since 1993, the total amount of inhabitants has decreased with less than one tenth of the inhabitants. The population development in North Karelia has been relatively stable especially during the latest years. During the late 2000s' and early 2010s' the population decrease in Lieksa has also slowed down compared to 1990s' and early 2000s'. However the population is still decreasing notably and much faster in Lieksa than in North Karelia in general.

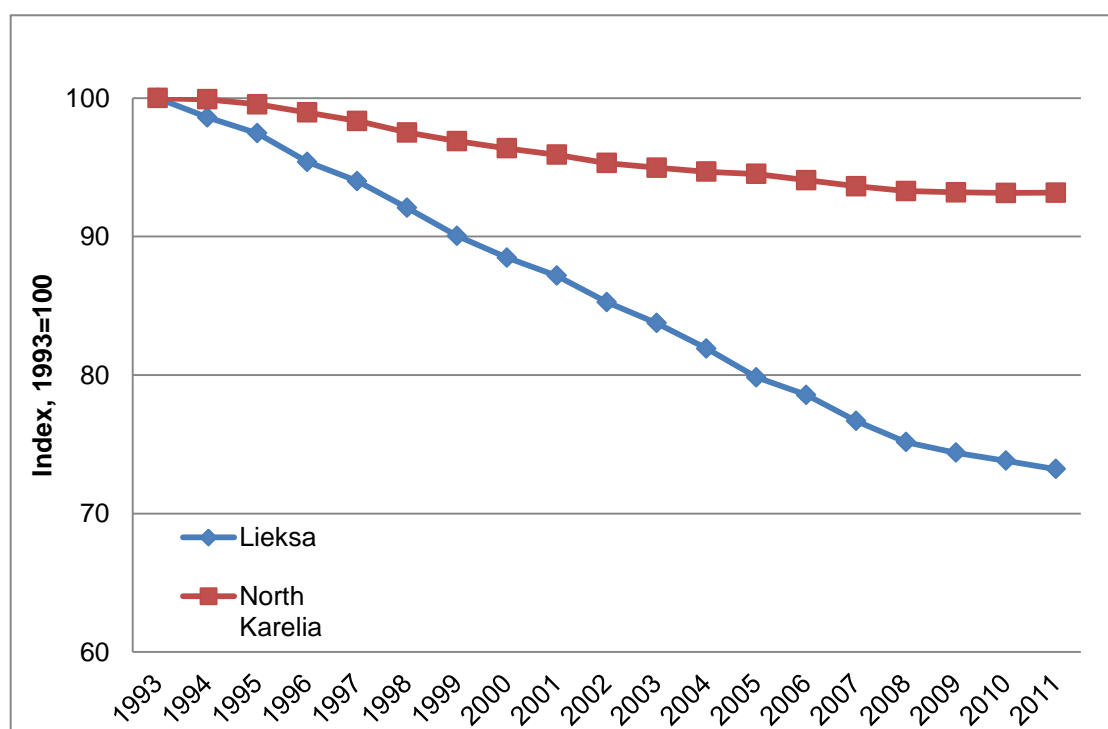


Figure 3: Population development in Lieksa

The age structure in Lieksa (see Figure 4) is clearly unbalanced with large share of population in older age groups. Especially the share of inhabitants between 50 and 64 years old is significantly large resulting in mass retirements in the coming years. The share of inhabitants between 20 and 44 years is notably small and the small share of economic active population can be expected to have a large effect on the dependency ratio in Lieksa after the retirement of the large older generations. In addition to that, the age groups coming to the labour market are smaller than the age groups retiring and leaving the labour market.

Notable for the age structure in Lieksa is also the share of men and women in different age groups. The share of men is larger than the share of women in all groups except for the age groups of inhabitants older than 65 years. In all, the amount of men in Lieksa is higher than the amount of women especially in the economically active age groups.

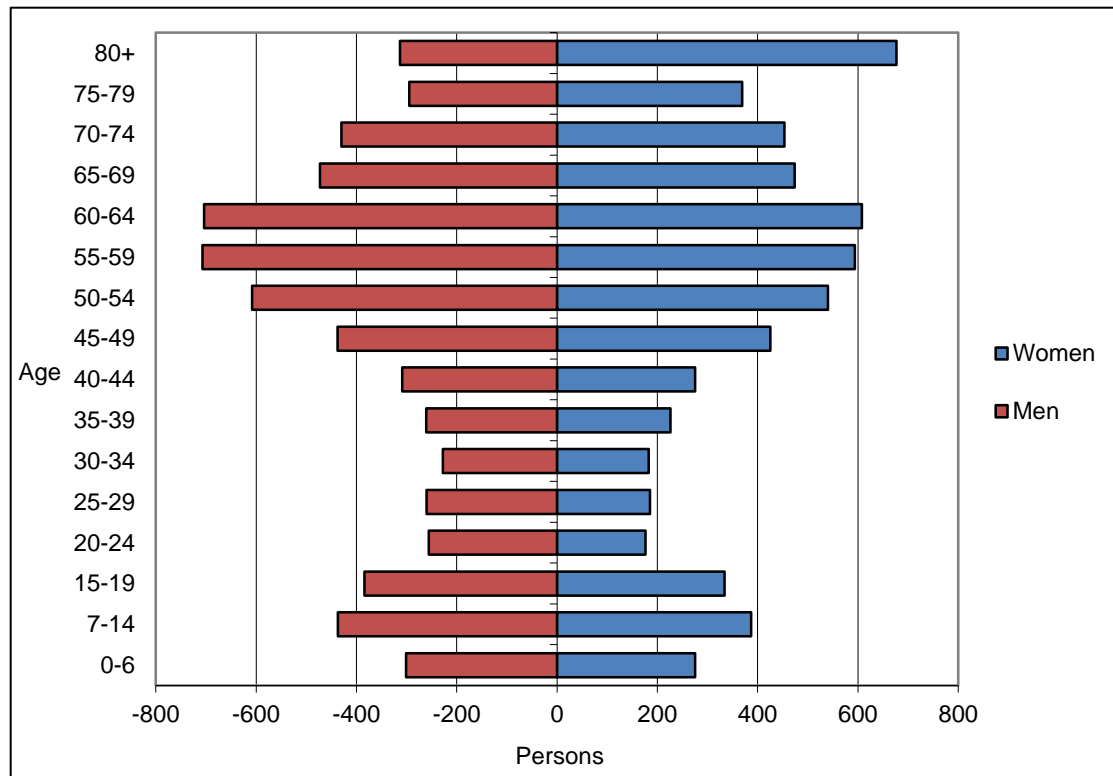


Figure 4: Age structure in Lieksa

The demographic dependency ratio in Lieksa (see Figure 5) is considerably higher than that of North Karelia, Finland or the EU-27. Further, as seen in Figure 4, the age structure is severely unbalanced and the share of pensioners will continue to grow during the coming years further increasing the dependency ratio. Since 2001, the dependency ratio in Lieksa has been increasing notably faster than in North Karelia, Finland or EU-27. Between 2010 and 2011, the dependency ratio in Lieksa increased from 60.4% to 63.4%. In that period also the dependency ratios of North Karelia and Finland increased still remaining approximately at the level of 50-55% whereas in the EU-27, the ratio has remained slightly below 50% since 2001 with no drastic changes. However after a long period of stable development, also the EU-27 ratio increased from 48.9% to 49.3% between 2009 and 2010.

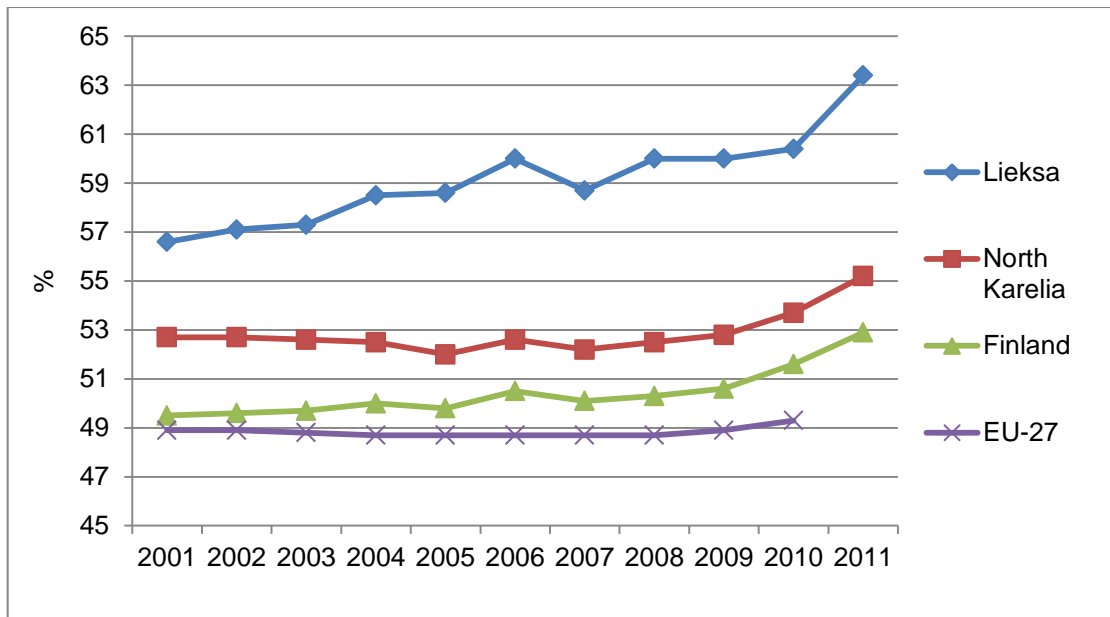


Figure 5: Demographic dependency ratio in Lieksa

The share of inhabitants at risk of poverty in Lieksa (see Figure 6) has followed a development trend similar to North Karelia as a whole. In early 2000s', the share of inhabitants at risk of poverty was at the same level in Lieksa and North Karelia (approximately 18%) but since approximately the mid-2000s' the share of people at risk of poverty in Lieksa has been increasing faster. At the moment the share of inhabitants at the risk of poverty is higher in Lieksa than in North Karelia. After the fast increase between 2004 and 2007, the share of inhabitants at risk of poverty started to decrease in Lieksa. However the 2010 rate of 22.6% is still considerably higher than the 2001 rate of 18.2%. Also, between 2009 and 2010 there was again a slight increase.

In Finland and in the EU-27, the changes in the share of inhabitants at risk of poverty have been slower even though compared to the 2001 value also the Finnish average share of inhabitants at risk of poverty is higher now. In Finland the share of people at risk of poverty is below the EU-27 share and since 2007 the share has been relatively stable in Finland.

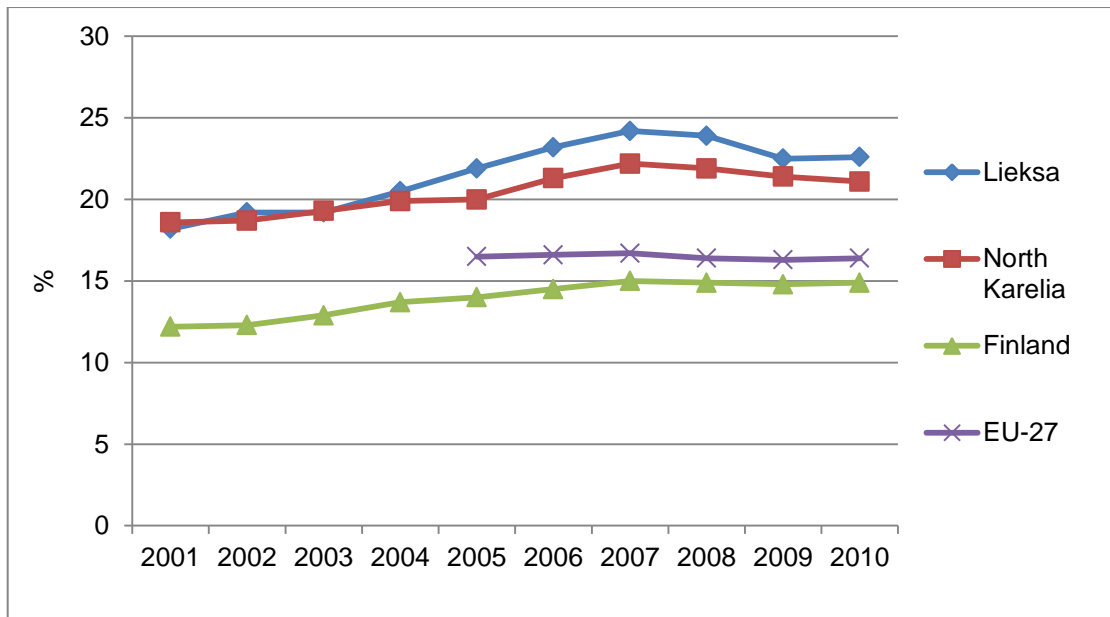


Figure 6: At risk of poverty in Lieksa

The unemployment rate of Lieksa (see Figure 7) has continuously been high in comparison to North Karelia, Finland and the EU-27. Until 2012, the development of unemployment in Lieksa was to some extent following similar trends with North Karelia, Finland and the EU-27. Unemployment was decreasing first until the economic crisis and then slowly again afterwards. In North Karelia, Finland and the EU-27, unemployment increased notably during the economic crisis in 2009 but the economic crisis seems to have had smaller effect on the already high unemployment in Lieksa.

Since the crisis, the unemployment rates were decreasing on all levels and in North Karelia and Lieksa the decrease in unemployment was notable already in 2010. However in 2012 the unemployment rate of Lieksa further increased significantly while unemployment in North Karelia and Finland continued decreasing. In 2012, the unemployment rate in Lieksa was higher than during the economic crisis and had increased with several percentages from the 2011 rate.

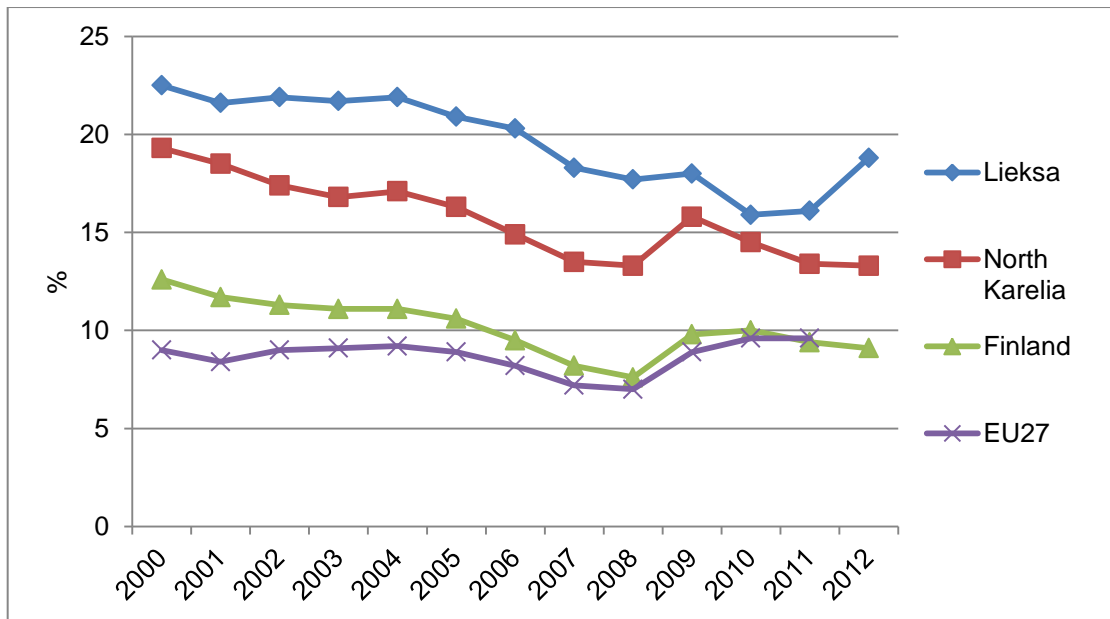


Figure 7: Unemployment rate in Lieksa in relation to regional and national figures

The share of long-term unemployed in Lieksa of total unemployed persons (see Figure 8) has been fluctuating but also clearly decreasing since 2001. However in 2011 the share increased again and the share of long-term unemployed of all unemployed is now at the same level in Lieksa as in the EU-27 (4%). In the EU-27, the share of long-term unemployed has been increasing rapidly since 2008 whereas in Finland and in North Karelia the development has been more moderate.

Both in Finland and in North Karelia, the share of long-term unemployed of all unemployed persons is lower than in Lieksa and in the EU-27. Even though the rate in North Karelia has at times been higher than the EU-27 average, the region has during the latest years kept the rate clearly below the rapidly increasing EU-27 average.

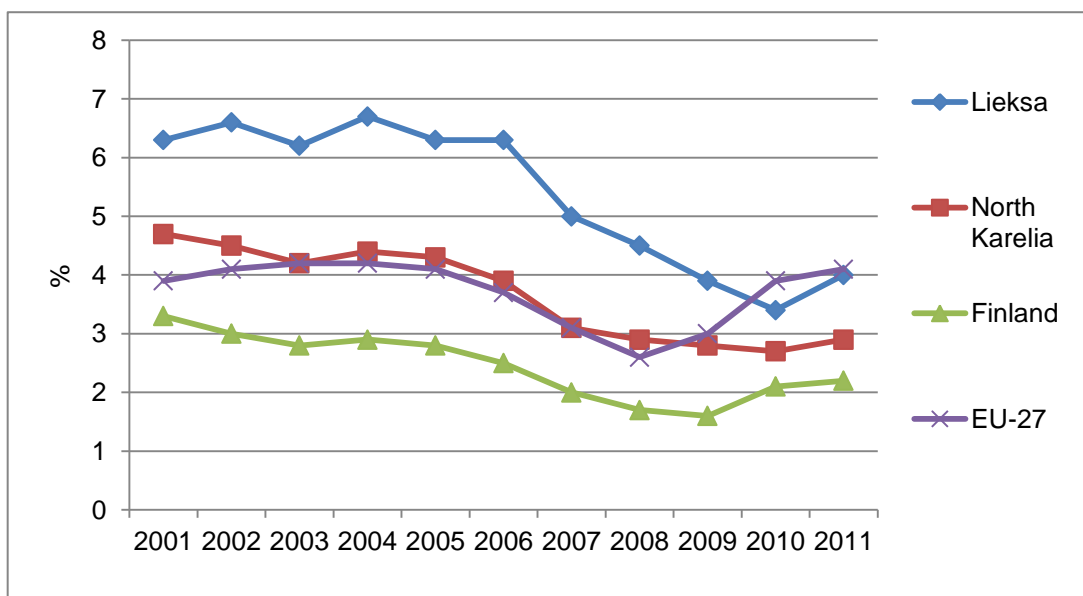


Figure 8: Long-term unemployed in Lieksa of total unemployed persons

The share of unemployed young people of all labour force in Lieksa (see Figure 9) in 2011 ended at the same level with the EU-27 average. Even though the share of unemployed people aged 18-24 has been decreasing in Lieksa, the share is still higher than in Finland and North Karelia. After an on-going increase until 2009, the share of unemployed young people has been decreasing during the latest years in both Lieksa and North Karelia and Finland. At the same time in the EU-27, the share of unemployed young people has been increasing strongly since 2008.

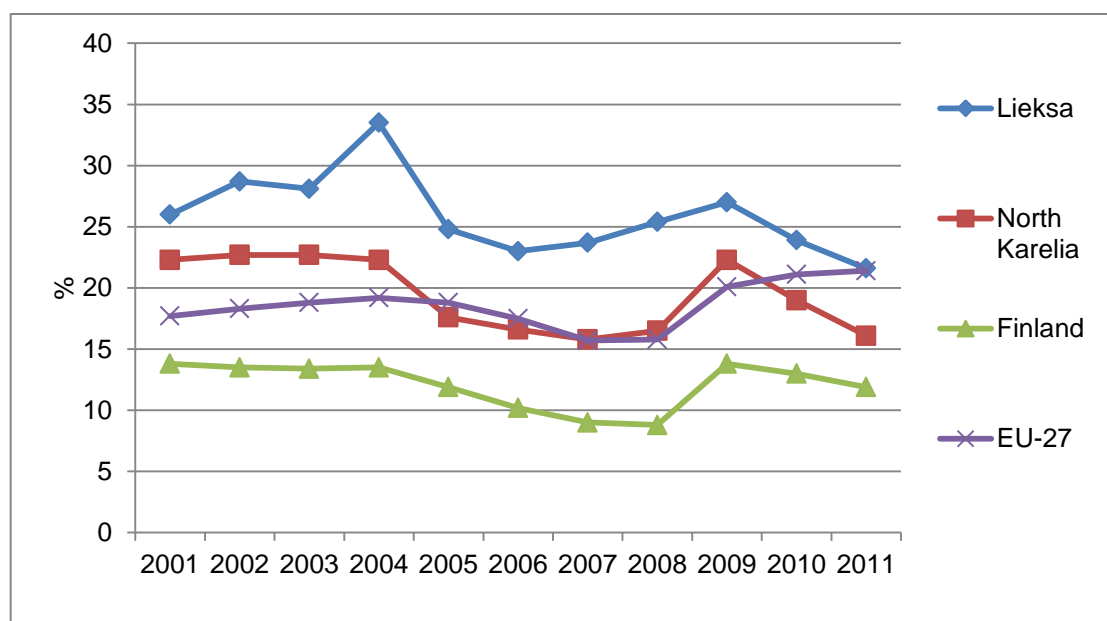


Figure 9: Unemployed young people in Lieksa aged 18-24 of labour force

According to employment service statistics of the Centres for Economic Development, Transport and the Environment, the number of unemployed in Lieksa (see Table 4) totalled 961 persons in the end of August 2012. After a positive development in 2011, the number of unemployed persons has drastically increased in Lieksa. Similarly the number of notified jobs vacant was 46 in August 2011 but has fallen to 37 in August 2012. Labour market situation has therefore worsened in all dimensions within the last two years. Major influencing factor is continuation of a structural change, in which the number of employment in primary and secondary production is falling. However, the job opportunities in service sector have not been sufficient to replace the lost jobs in primary and secondary production.

It is noteworthy that amount of people employed by subsidised labour market schemes and unemployment pensioners has also at the same time reduced in Lieksa. Intermediate labour market initiatives and other labour market schemes had been introduced in Lieksa, but it seems that they have potentially reached only restricted influence on labour market. Total number of persons activated by wage related measures was 221 in the end of August 2010 but only 114 in the end of August 2012. A major explanatory factor for the decrease has been the finalisation of some important projects in North Karelia region. In addition to this, there has been a clear

cut in financing the various labour market schemes at the national level that has concluded approximately one-third less financing for the regions.

Table 4: Job seekers in Lieksa

Situation at the end of month	Aug. 2012	Change	Aug. 2011	Change	Aug. 2010
	Persons	%	Persons	%	Persons
1. Unemployed	961	26.4	760	-4.8	798
- laid off	39	95.0	20	-9.1	22
2. On reduced working week	3	200.0	1	-83.3	6
3. Those who have work	493	10.0	448	-15.8	532
- in the conventional labour market	349	52.4	229	-17.6	278
- in the subsidised employment	144	-34.2	219	-13.8	254
4. Persons not in labour force	315	-7.1	339	12.3	302
5. Unemployment pensioners	165	-28.3	230	-17.9	280
1-5 Total of job-seekers	1937	8.9	1778	-7.3	1918

The structure of unemployment in Lieksa between 2010 and 2012 (figure 10) reflects the development in the table 4. Number of unemployed has distinctly grown in Lieksa especially among men and over 50-years old persons. Also number of long-term unemployed persons has increased clearly from 2011 to 2012. Profile of the structure of unemployment in Lieksa is to a larger extent corresponding with Northern Karelia.

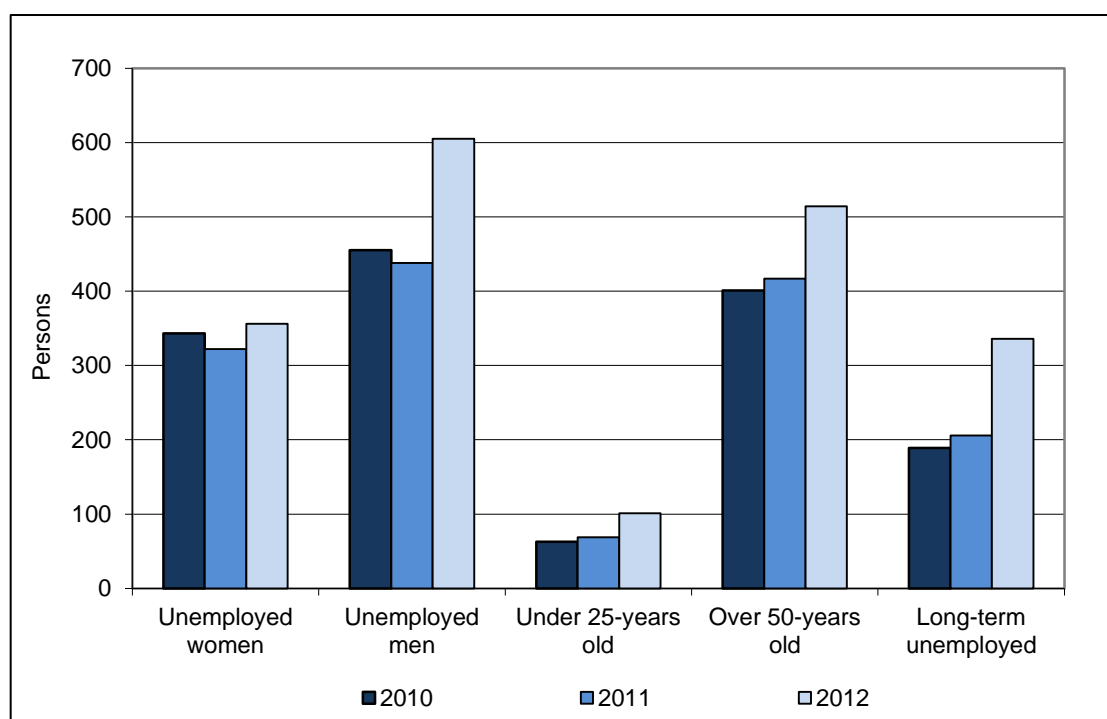


Figure 10: Structure of unemployment in Lieksa 2010-2012

In Finland, the share of inhabitants with secondary education is 39% and the share of inhabitants with tertiary education is 28% (Statistics Finland, 2011). In comparison to the Finnish average, the share of inhabitants with tertiary education in Lieksa (figure

11) is low (15.7%) but the share of population with upper secondary education is relatively high (41.5%). Also in the region of North Karelia, the share of inhabitants with tertiary education is lower (22.3%) and the share of population with upper secondary education is higher (43.9%) than the Finnish average (The Regional Council of North Karelia, 2012b). In Lieksa, the total amount of inhabitants with upper secondary education has been slowly increasing since 2008 while the population with tertiary education has remained the same or decreased slightly.

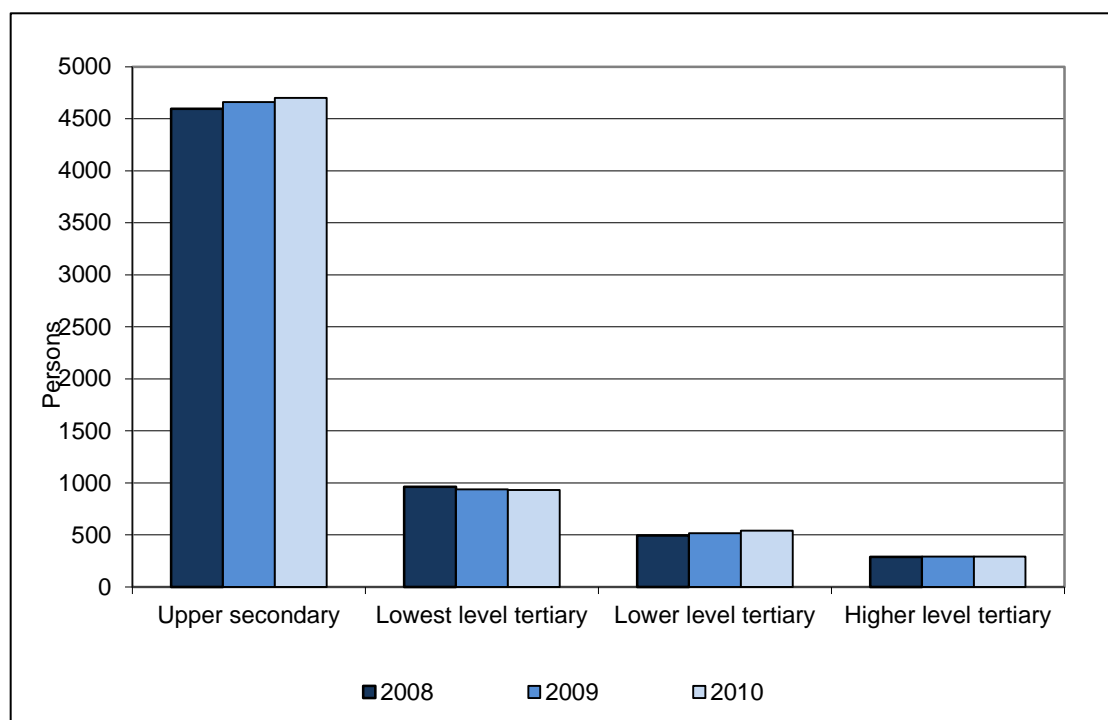


Figure 11: Education level in Lieksa

In Lieksa, the amount of employees, entrepreneurs, unemployed, persons under 15 years and students (see Figure 12) has been decreasing while solely the amount of pensioners has increased between 2007 and 2010. The gap between the amount of employees and the amount of pensioners has been continuously increasing.

Furthermore, the statistics presented in Figure 7 dates from 2010 and do not take into consideration the expansion of the amount of unemployed in Lieksa between 2011 and 2012. The development of unemployment in 2011 and 2012 further increases the gap between the amount of employed and the amount of pensioners.

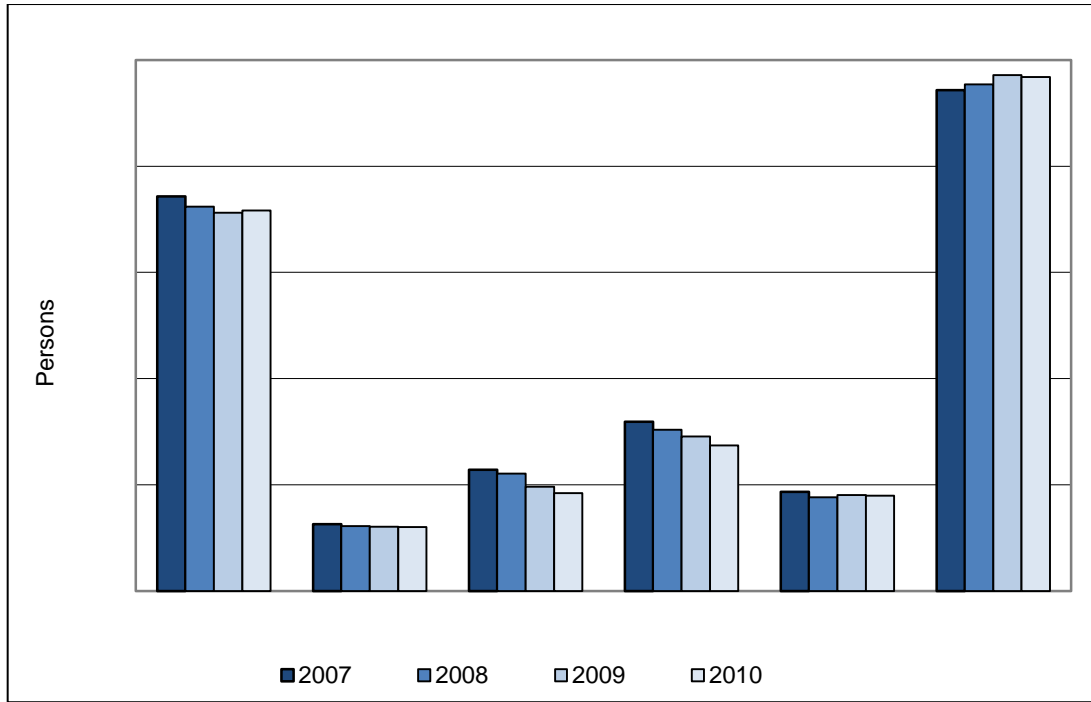


Figure 12: Main type of activity in Lieksa

3 Analysis of underlying processes and trends

3.1 Roles of different actors in dealing with long-term unemployment and social exclusion

The Centre for Economic Development, Transport and the Environment in North Karelia is responsible for the regional implementation and development of the state administration. The Centre takes care of planning of employment services as well as coordinates and develops those. It also prevents unemployment and social exclusion by supporting the Employment and Economic Development Offices and allocating funding to employment projects and third sector associations. The Ministry of Employment and the Economy steers the Centres for Economic Development, Transport and the Environment where as the Centres steer and supervise the activities of the sub-regional level Employment and Economic Development Offices (The Centre for Economic Development, Transport and the Environment, 2012).

The Centre allocates funding from national level to different activities and in 2012 it had 26 million euros to allocate from national sources and from the EU Structural Funds to labour market measures in connection to employment and education. In addition to funding projects implemented by different actors, the Centre has 3-4 own projects related to unemployment. It acts in close cooperation with the sub-regional level Employment and Economic Development Offices. The Centre sets the targets of the Employment and Economic Development Offices that in turn work directly with the unemployed in their regions. The Centre for Economic Development, Transport and the Economy also cooperates with other relevant actors such as municipalities and employer associations in relation to labour market policy.

In relation to long-term unemployment and social exclusion, the Centre for Economic Development, Transport and the Environment in North Karelia prioritises long-term unemployment and addresses social exclusion indirectly through labour market measures. The Centre has young people, long-term unemployed and immigrants as its priority target groups in labour market policy. It has a double role in labour market policy in both promoting increased competences and employment opportunities of the targets groups and developing the economy of the region.

The Employment and Economic Development Offices assist unemployed and provide individual services. The primary tasks of the offices are to provide employment services and to ensure the availability of qualified labour force. It targets at reducing structural unemployment including long-term unemployment. Employment and Economic Development Offices also work at Labour Force Service Centres that have been set up in some municipalities in cooperation between the Employment and Economic Development Offices, municipalities and the Social Insurance Institute in Finland. A Labour Force Service Centre was also established in Lieksa but was closed down in 2011.

Similarly to the Centres for Economic Development, Transport and the Environment, the Employment and Economic Development Offices address social exclusion through their employment measures. In relation to long-term unemployment, the Offices provide different labour market measures to promote employment. Wage subsidies can be paid to employers that employ long-term unemployed persons and long-term unemployed persons can attend labour market training or to be employed as trainees with support from the Employment and Economic Development Offices. The aim is to provide support, coaching and training to the long-term unemployed so that they eventually are able to enter the open labour market and thereby provide labour force to companies.

The municipalities in Finland are responsible for financing some of the unemployment benefits paid for long-term unemployed and they are also responsible for rehabilitative work for long-term unemployed under social policy. Rehabilitative work can only be conducted within the public or the third sector and not within the private sector. Municipalities shall also organise occupational health care for unemployed. In 2009-2010, Lieksa implemented a project focusing on developing the occupational health care of the long-term unemployed.

In Lieksa, the measures and activities related to decreasing long-term unemployment are implemented by the municipal health care and social services department. As the long-term unemployed persons may often also have other complex challenges related to social or health issues, it was seen as beneficial to deal with unemployment in connection with the other possible challenges in order to get a coherent picture of the situation of each individual long-term unemployed person.

The municipality of Lieksa targets at cutting down its share of financing the unemployment benefits of the long-term unemployed in 2012 by decreasing the number of long-term unemployed in the municipality. It aims at having 120 persons in rehabilitative work in third sector or at the municipality in 2012. It also provides complementary funding for third sector associations. With wage subsidy it is only possible to employ an unemployed for one year but with the additional funding from the municipality, the third sector associations have been able to lengthen the contracts of the unemployed after the first year. The municipality of Lieksa has also supported one of the associations by providing funding for the salary of one instructor as the project funding from the Centre for Economic Development, Transport and the Environment was not sufficient for employing the personnel needed to guide the long-term unemployed persons involved in the project.

Lieksan Tukipiste ry is one of the most central third sector association active in Lieksa. The association has been employing long-term unemployed for 15 years and during the last five years it has been implementing employment project with funding from the Centre for Economic Development, Transport and the Environment. Within the project, it is now employing 15 long-term unemployed and in addition it has four people in rehabilitative and two trainees. The employed at the association take care of for example kitchen work, office work and assisting physically disabled persons in running errands.

The association receives funding from the Centre for Economic Development, Transport and the Environment, Finland's Slot Machine Association and the municipi-

pality of Lieksa. It also receives wage subsidies for employing unemployed from the Employment and Economic Development Office. The association is strongly influenced by the framework set by the Centre for Economic Development, Transport and the Environment and its funding terms.

The Pielinen Karelia Development Centre Ltd (PIKES) is a company established by the municipalities of Lieksa, Nurmes and Valtimo. It provides business services, implements regional development projects and promotes the region and regional cooperation. The company works indirectly with unemployment by providing advisory free of charge to people interesting in becoming entrepreneurs.

PIKES has had unemployed persons applying for enterprise allowance but in general especially the share of long-term unemployed has been low. There are some individual cases where a long-term unemployed has first attended a wage subsidised working period in the third sector and thereafter been in contact with PIKES in terms of starting an enterprise. PIKES has been inviting the long-term unemployed working at the Lieksan Tukipiste association to attend information events concerning entrepreneurship but usually there has not been significant interest. There has not been any further cooperation between PIKES and the third sector associations concerning unemployment and entrepreneurship.

3.2 Long-term unemployment in Lieksa

In general, the long-term unemployed in Lieksa are mostly older than 50 years old persons with low education level. In September 2011, there were 322 people in Lieksa who had been unemployed longer than one year and 181 of them were 60-64 years old. Especially men older than 50 years old are a major group suffering from long-term unemployment in the municipality. In this chapter, different demographic groups with high long-term unemployment rate are shortly introduced and some of the main factors behind increased long-term unemployment in Lieksa are presented.

The structural change in industry is in general seen as the main factor behind the high level of long-term unemployment in the municipality. Factories in manufacturing industry have been important employers in the region but have gradually disappeared leaving only some minor industrial employers. Until the 1990s', a large share of women in Lieksa worked in textile industry but in connection to the fall of the Soviet Union, the factories were shut down. Manufacturing industry, forestry, paper industry and saw mills had been employing a large share of working age men in Lieksa but also a large share of those jobs have disappeared. In the interviews it was noted that in some other parts of Karelia, there has been a continuous tradition of micro-entrepreneurship which however is missing in Lieksa even though it is seen that micro-entrepreneurship could provide some opportunities for many of the long-term unemployed inhabitants who already have hobbies that could be turned into small-scale business.

Before the 1990s', there was a good selection of available jobs where education was not required. The number of jobs requiring no education or requiring only low education has however decreased notably leaving a large number of unemployed older people with low education level. In general it can be stated that the typical long-term

unemployed in Lieksa is over 50 years old and has low level of education. The education level in Lieksa is generally low and especially the older long-term unemployed are rarely highly educated.

It was also highlighted in the interviews that the older long-term unemployed with low education are not keen on attending further education and prefer remaining unemployed waiting for retirement. In general the long-term unemployed in Lieksa also tend to prefer staying in Lieksa and are not willing to move or commute elsewhere even if it might improve their employment opportunities. Lieksa has a lack of competent labour force especially in health care and social services and employment education has been organised to meet the labour demand. For example health care education has been organised (in a municipality approximately 130 kilometres from Lieksa). All students were granted a job after the education but there few unemployed in Lieksa have been interested in that kind of opportunities.

Remote rural locations are generally influenced by dispersed structures of economic activity and geographic peripherality. Remoteness of Lieksa indicates that job seekers in the municipality confront a range of problems mutual to many rural labour markets, such as limited number of and choice of available employment opportunities. In the case of Lieksa, these patterns are significantly worsened as the municipality is isolated from the positive possibilities linked to main centres of economic activity. The deficiency or total absence of public transportation both between Lieksa municipal centre and closest major city Joensuu and also Lieksa municipal centre and remote villages forces unemployed people to limit their activities in searching a job. Private transportation is not a solution, because especially long-term unemployed cannot afford private transportation. Therefore job search is concentrated to local labour markets.

One specific group of long-term unemployed consists of working age men living in peripheral areas often taking care of their older parents. The group is often considered as specially challenging for labour market policy since they are not interested or willing to participate in any active labour market policy measures. They often also have very strong local ties and no interest in or possibilities for moving or commuting. They are often very active in hunting and fishing and able to become partly self-sufficient. In the interviews it was noted that there are some major challenges and contradictions in terms of what kind of policy measures this group should be provided as it shows in general little interest in taking part of any active labour market measures.

The population in Lieksa is generally old and younger people tend to leave Lieksa already when starting their studies. The availability of educational possibilities in the municipality is very limited. According to the interviews, there is a group of approximately 50-60 young long-term unemployed in the municipality with very low employability. It is generally seen that strong policy measures are needed for the group that often has other social problems in addition to unemployment.

In relation to its population size, Lieksa has a high number of immigrants. The labour market situation of immigrants in Lieksa is considered very challenging and even highly educated immigrants suffer from long-term unemployment. It was taken up in

the interviews that the employment projects targeted towards people with specific difficulties in finding employment have not been targeted at immigrant groups.

Further, the unemployment statistics of Lieksa show a significant increase in unemployment and long-term unemployment in 2011 and 2012 (see Figure 8). Between August 2011 and August 2012, the amount of unemployed in Lieksa increased with 26.4 %. The statistics also show that the amount of persons in subsidised employment (see Table 4) decreased with 34.2% during the period. According to the interviewees, the drastic and fast change in the figures is mainly caused by the decrease in funding for active labour market measures. A large number of long-term unemployed who earlier had been in subsidised employment in the intermediary labour market have been affected by the decreased funding and have fallen out of the intermediary labour market. In the interviews it was stated that the cut in funding has mostly influenced the labour force that already had an especially weak labour market position shifting between unemployment and periods of subsidised employment in the intermediary labour market.

3.3 Long-term unemployment in relation to social exclusion

Lieksa has longer period suffered from structural unemployment as a result of a pace of technological and production change in the economy. Plants have closed down either permanently or production has been modified and jobless people have not been able to find new positions after leaving or being laid off from a job. Structural unemployment does not come about because individuals are searching for the employment that best suit their personal qualifications but because there exists a profound mismatch between labour demand and labour supply. This means that unemployment envisage future employment trajectories partly because unemployed people might possess other individual characteristics that describes both the past and the future unemployment. In Lieksa case, structural change mean that individuals may lose value of some of their competencies, or alternatively plant closedowns and changes in production may bring forth difficult local consequences in terms of employment availability. Besides, there are to recognise particular mechanisms, which affect the present and forthcoming labour market career. The most evident direct consequence in Lieksa case is decreased income level. It will depend on the general leeway of the household, how much the decreased income may limit the possibilities in the employment market. Especially problematic will be in relation to long-term unemployment the reduced increase of human capital.

Unemployment and especially long-term unemployment developed into a difficult problem in Finland after the serious economic recession during the first years in the 1990s (Kalela et al., 2001). The unemployment rate rose rapidly from 4.1% to 20.5% between 1990 and 1994. The labour market situation has not totally recovered especially in the regions, which were most severely hit by the economic recession. The recession brought mass employment and caused socio-economic differentiation between developed and lagging regions. During the ten to fifteen years after the recession differences were decreasing between the regions due to measures of the welfare state and favourable economic development. During the last five to seven years

differentiation has again increased especially in terms of long-term unemployment rates in lagging regions.

Completed research on the consequences of the recession in the beginning of 1990s in Finland has indicated that long-term unemployment has intensified the risk of becoming socially excluded (Blomgren, 2005). Development has been more concrete in the regions affected by structural changes and especially among ageing and less educated people. Health related and social mechanisms are rather often explanatory factors for less successful advancing in the labour market, and they may have influence on the employment search related activities and on the employability of the unemployed people.

The social environment affects the prospects of unemployed people to find new employment in various ways. Mainly, the social environment affects to the informal help to unemployed person in order to overcome mental and economic effects caused by unemployment. This kind of support will normally include some sort of encouragement to maintain a positive self-confidence and social status in the community. On the other hand, different resources related to social networks in order to receive information about employment opportunities play also crucial role. Informal employment search methods may generate successful outcomes, if network resources are fully applied. There is naturally the question of what kind of employment possibilities informal sources of information can transfer, i.e. it may be limited to the most unsecure employment opportunities in the labour market. Therefore, it would be important to have a possibility to apply both formal and informal sources of information, when new employment possibilities are demanded.

Informal sources of information can be significant in the search of new employment, if they are supported by official labour market systems. Various kinds of official systems to support the search of employment are widely used, but employment agencies are rather often regarded as first point of access to look for new employment. The employment search behaviour of unemployed persons is changing remarkably. Employment history, individual characteristics and household characteristics are important forecasters of search intensity of new employment.

Social environment influences in many ways on individual's possibilities to find employment, as particular cultural systems, social models and manners may advance or alternatively inhibit employment chances. Individuals face always changes in their social environment because of unemployment that is normal consequence of breaking the social contacts with the people in the work. It depends how common unemployment is in the community, but the danger is that unemployed person may adopt manners and behavior patterns from his new social environment. This might for instance lead to underestimation of his or her possibilities to find new employment.

All interviewees generally indicate that unemployment has a different kind of consequences, whose social cost has to be included to the forgone output that results from unemployment. As short period of unemployment causes little lasting social damage, longer periods will produce various forms of socially negative behaviour and effects. An individual who becomes unemployed necessarily loses income and may lose connections to community. There are number of related problems that the unemployed people will experience more frequently than employed people do. For in-

stance, the unemployed persons are in danger to have fewer relationships within and outside the community. The interviewees specified also that many unemployed persons, especially long-term unemployed, may be socially excluded from the community. However, it was also emphasised that unemployment per se is necessarily not a defining attribute of social exclusion.

The existing discussion about the relationship between social exclusion and long-term unemployment does not totally reflect the real situation in Lieksa. Long-term unemployment naturally causes the danger that long-term unemployed person may fall victim into a deep and long-lasting social exclusion of the society. The interviewees underlined that past long-term unemployment (or unemployment) is connected to future danger of becoming unemployed. There is an indication that the composition of social networks of long-term unemployed individual might have an influence on this link. Long-term unemployed person's social network has more unemployed persons on average than employed persons. Weaker social network leads rather often to insufficient social support available that again may have consequences to such as poorer psychological and financial assistance. The interviewees concluded that the community and family is for long-term unemployed people more important environment for social networks and support than for people in stable employment.

The interviewees considered that informal personal and social networks play an important role in looking for new employment successfully. They emphasised especially the question what kind of role models can be attained from home and close social environment. One of the most challenging problems in Lieksa is to gain second generation unemployed people without the sense of responsibility or work ethic more actively in seeking new employment. Rather often these persons are also excluded from various trainings interventions implemented by the employment office.

The interviewees also pointed out that social exclusion is to a larger extent a multifaceted concept, which is very difficult to determine. A critical issue for wider analysis of social exclusion is to decide the scope of social and economic problems that defines whether a person is socially excluded or not. Social exclusion was not exactly defined during the interviews in Lieksa in order to leave place for empirical interpretation for the interviewees. All interviewees were cautious or thoughtful in using the concept social exclusion. Generally, it seemed that the interviewees were referring to three different dimensions of exclusion. First, there was an indication to economic exclusion that comprises people's exclusion from workforce, i.e. unemployment. This approach strongly relates to Nordic Countries' tradition of striving towards full employment as an essential part of their welfare. Second, it was mentioned that people might be socially excluded because they have severe physical or psychological problems.

Geographical setting has also an influence on this mechanism in so far as it shapes a fundament for social contacts. The interviewees mentioned that in peripheral regions like Lieksa, individual connections are more important socially, but also more intense and less comprehensive. As a result of this, employment seekers tend to have difficulties to develop and maintain relationships with the varied range of personal contacts. Therefore, employment seekers do not have adequate access to information about new employment possibilities that specifically has negative consequences for people who have been unemployed for longer periods. It was also notified by the in-

interviewees that long-term unemployed people have behaviour to restrict their employment seeking on the basis of geography. However, they also pointed out that long-term unemployed people have also limited possibilities to be mobile.

Mobility is connected to welfare and thereby to employment. If we consider remote rural labour market, long-distance commuting is a common way of employment but not real solution for unemployed or long-unemployed persons. Individual characteristics affect remarkably on person's willingness to commute. Generally, young people are more mobile and their place attachment is not that strong as older persons. Long-term unemployed persons are rather often older and have strong attachment to the particular place. Moving elsewhere would in many cases imply a loss of investment in housing as residence is more expensive in economic active areas. A person moving from rural area to an urban centre may need to sell a house at an undervalued price and not find a new house at a reasonable price.

Although Lieksa has a lack of competent labour force in social services and health care in some other professions, the local labour demand and supply does not fully meet among long-term unemployed people in Lieksa. Individually people have in many cases difficulties to enter various training incentives because of limitations in their mobility. We may conclude that the remote context of Lieksa has necessarily not in itself a limitation for learning opportunities. Rather, unemployed people and specifically long-term unemployed have faced further obstacles in developing their employability as an outcome of their remote location.

4 Policy initiatives and measures to fight long-term unemployment

4.1 National level policies and targeting

Decreasing poverty, inequality and social exclusion is one of the government's priorities, and forms important part of the country's implementation of the Europe 2020 Strategy. In accordance with this approach, the Finnish government will present a programme to prevent social exclusion, poverty and health problems. These priorities are separately established in the 2012 National Reform Programme, and they will be prepared through a ministerial working group (Ministry of Finance, 2012). The National Social Report, which was prepared for the European Union, stated that number of people living at risk of poverty and social exclusion has somewhat decreased after 2008 (Ministry of Social Affairs and Health, 2012). However, the number of unemployed and especially long-term unemployed persons has according the report also increased and income and health differences have grown. Therefore various measures should mainly be focused to supporting low-income households, preventing social exclusion of young people, employing people with disabilities, improving wellbeing and availability of services, and narrowing health differences. Decreasing long-term unemployment is one of the main targets in the 2012 National Reform Programme and the National Social Report.

The general policy objective of the Finnish government is mainly targeted on reducing social exclusion through labour market integration. There is a three tier system of unemployment insurance in Finland that varies in their level, duration, and employment history. Labour market support does not necessitate an employment history. Therefore, most of people who are beneficiaries of labour market support are either long-term unemployed or young persons. Basic unemployment allowance requires a three-year employment history, and it is paid by the Social Insurance Institution of Finland for a maximum of 500 days. Earnings related unemployment insurance can be received for 500 days that, however, necessitates longer membership in an unemployment fund. When the 500 day limit is reached, unemployed people drop out of the earnings-based labour market benefits. This means that unemployed people's level of income wills considerable worsen and there is a greater danger to be socially excluded.

Most important policy and institutional actors dealing with long-term unemployment at regional and local level in Finland are Employment and Economic Development Offices, Labour Force Service Centres, municipalities, third sector organisations and enterprises. The Employment and Economic Development Offices are main actors in the labour market and they provide individual services for job seekers. The offices have also a function to assist employers for instance in recruiting and training related requests. The Labour Force Service Centres are managed in cooperation by the labour administration, municipalities and the Social Insurance Institution of Finland. Their actions are targeted to persons such as long-term-unemployed, who have diffi-

culties to access the labour market. The centres reinforced the collaborative actions between the state and municipalities. Municipalities were also enforced to finance some costs of long-term unemployment, i.e. perform active social policy to maintain people's functional capacity and advance their possibilities manage their lives.

One of the main employment policy guidelines in the 2012 National Reform Programme and the National Social Report is to reduce and deal with long-term-unemployment. Most important approaches to prevent long-term unemployment include promotion of work-ability, improvement of public employment services, and development of intermediate labour markets in cooperation with third sector, enterprises and municipalities (Ministry of Social Affairs and Health 2012). Implementation of these guidelines demands close collaboration with various actors at regional and local level.

The role of municipalities will be strengthened in active labour market policies during the parliamentary term through a local government trial (Ministry of Finance, 2012). The trial will comprise long-term unemployed, who have been unemployed at least 12 months and are at risk to be excluded from the labour market. Managing an individual's employment support will be transferred to municipalities and employment is advanced by means of local partnerships and multi-professional cooperation. Lieksa is one of the selected municipalities for the local government trial. The role of municipalities will be strengthened in active labour market policies during the parliamentary term through a local government trial (Ministry of Finance, 2012). The trial will comprise long-term unemployed, who have been unemployed at least 12 months and are at risk to be excluded from the labour market. Managing an individual's employment support will be transferred to municipalities and employment is advanced by means of local partnerships and multi-professional cooperation. Lieksa is one of the selected municipalities for the local government trial.

4.2 General remarks on development of employment policies

In Finland, management of the labour market policy is primarily organised by public sector. Originally the obligation to administer labour market policy and to take care of unemployed people was a task of municipalities. State was controlling, regulating and municipalities in their tasks. In the beginning of 1960's, state took over the responsibilities in organising labour market policies, but this change did not totally decrease municipalities' importance in labour market policies. Public sector was solely responsible for the labour market policies as long as the number of unemployed people remained rather low and specific actions were not required.

Labour market situation was drastically transformed in the beginning of 1990's as a result of deep economic recession and subsequent rise in unemployment figures. It became evident that the public sector was unable to manage the worsen unemployment problem alone on the basis of previous model. Recession and the years in the mid-1990 shifted the focus towards third sector organisations and a strong debate was launched on the role of third sector organisations in the labour market (Hietala, 1997). The increasing role of third sector organisations in activation policies was ex-

pected, on the one hand to support organisations' operational capabilities, and on the other hand to sustain unemployed person's capability to work.

Approaches in Finnish activation policy can be divided in four different phases (Karjalainen & Saikku, 2011). The first phase of activation policy started in the beginning of 1990's in connection to above mentioned economic crisis targeting to long-term unemployed and disabled employment seekers. Various activation projects were important in order to bring together different actors and to merge existing resources. The second phase in 2000 brought forth more regulative actions as social assistance and employment benefits were connected to possible refusing the offered work or training. The third phase during the first half of 2000's paid more attention to lowering structural unemployment and creating an integrated approach between state and municipal authorities. During the present fourth phase, more integrated actions have been established and further steps have been taken towards obligations in activation policy. Employment policy is more and more targeting results in activation leaving for instance questions like long-term unemployment hidden.

Cooperation between Public Employment Services, Social Insurance Institution and municipalities has always the cornerstone of the implemented activation policies in Finland. Besides the main actors, various service producers, third sector organisations and employers also play crucial role in activation policies. Especially we have to underline the importance of municipalities, because they are responsible for social welfare and health care. Municipalities' social welfare collaboration with Public Employment Services is essential in activation policy as the main target group of activation policy are long-term unemployed persons.

Finnish activation policy has shifted from a state-led sector approach into an interaction between various ministries and other actors. The system has developed in various steps during a long time, but most important step has been the formation of Labour Force Service Centres for the long-term unemployed persons. Activation policy is nowadays emphasising in its service paradigm a cooperative, joined-up service delivery (Karjalainen & Saikku, 2011). Naturally this change from traditional mode of service provision is setting huge challenges for Labour Force Service Centres.

Role of third sector organisations has become more and more obvious as labour market situation has worsened especially among persons who are long-term unemployed. There were even organisations established by unemployed persons in order to represent their point of views in the society. They were in the first place offering supportive actions among unemployed people but had later on more active role in overall activation policy. Many of the organisations were and still are part of various employment measures and initiatives. It was expected that unemployed people and other third sector organisations would offer growing possibilities for people to find alternative ways to employ themselves. Respectively, it was also expected that persons who had serious problems in returning to the labour market would have a possibility for rehabilitation in the organisations. Naturally rehabilitating activities are vital part of preventing people to be excluded from the labour market.

Intermediate labour market as a term appeared to the Finnish debate in the mid-2000s, but its real background dates back to deep recession in the Finnish economy in the beginning of 1990s. Economic recession was a starting point to employ people

on the basis of so called combined support, which is especially intended for employing people in third sector organisations. The term of intermediate labour market refers to intermediate linkage between unemployment and open labour market, comprising various kinds of instruments and measures, such as temporary work, work in social enterprises and third sector organisations. Intention of the intermediate labour market is to involve various partners to create transitional arrangement opportunities for individuals outside the labour market. Transitional arrangements should be only temporary solutions, but they could in some cases also offer more permanent solutions.

There have not developed real intermediate labour markets in Finland but rather several instruments and concepts that have been applied in the labour market policy. In recent years, Finland has intensified its efforts to advance intermediate labour markets in order to support people who have difficulties to enter or return to the open labour market. Enhancing and development of intermediate labour markets is considered important in relation to supply of employees, because labour market resources mainly consist of unemployed job seekers, who have difficulties to find employment in open labour markets. This is often the case in the regions, in which besides unemployment also out-migration of working age people is relatively strong.

Third sector organisations have a vital position in the intermediate labour market by providing employment possibilities under national labour market and social policy. Subsidised measures tackle long-term unemployment and enable people to enter intermediate labour market or move straight to the open labour market. Employment activities of various associations and foundations provide rehabilitation, assistance in management of life and training.

4.3 Growing role of municipalities in the labour market policy

Labour Force Service Centres were established in 2007 in order to tackle problems of long-term unemployed people. The centres were new establishments in the overall labour market policy in Finland and they required close collaboration between state and municipalities. In the beginning, they required major managerial challenges because it was not clarified, who makes decisions and is responsible for operational strategies within the centres. This challenge was first problem to overcome in the Labour Force Service Centres and regional solutions varied rather lot between various centres (Karjalainen & Saikku, 2008). The centres were aimed to decrease structural unemployment, to raise activation rate and especially to increase the capacity and work ability of long-term unemployed persons. The team of persons representing employment offices, social welfare and health care was to make sure that individual rehabilitation, activation and employment services will take place in coordinated manner.

The basic idea of establishing the Labour Force Service Centres was the fact that unemployment is not purely a matter related to the labour market issues but related to poor health, lower work ability, mental health problems and excess mortality (eg. Pensola et al., 2008). On the one hand, there is also evidence that negative health causes rather often unemployment and, on the other hand, unemployed people are

sicker than employed persons (Jannert & Hammarström, 2009). One basic problem in the Finnish case is that health care system is associated with the individual's employment situation. Employers are obliged to arrange health services for their employees. The preventive occupational health services also include promotion and preservation of employee's work ability. Unemployed people fall outside occupational health services and they have to use primary health care organised by municipalities. Accessibility to primary health care is in many cases more difficult than in occupational health care and it does not include any examinations of the individual work ability of unemployed people (OECD, 2008). The establishment of the Labour Force Service Centres offered first time a chance to undertake mutual actions with the purpose to provide broader health care and access to possible rehabilitation for unemployed people.

Municipalities have had a crucial role in the activities of the Labour Force Service Centres. The strong regulatory frameworks of the central administration have become lately more evident in Finland including easier access for unemployed (especially for long-term unemployed) people to primary health services (Karjalainen & Saikku, 2011). Anyway, municipal health care is also expected to advance local based policies and partnerships in diversifying societal problems. New approach demands cooperation and flexibility beyond traditional and stiff organisational borders between social welfare and health care. There are strong regional differences between applied approaches as some municipalities prefer and use sector-based targets and others prefer collaboration between different sectors (Saikku & Sinervo, 2010). Existing and functional collaboration also values developing access to health care for unemployed people.

The above mentioned local government trial that especially concerns long-term unemployed persons will lay more stress on municipalities. Municipalities have a crucial position in the trial in coordinating the organised services for people who have been longer period long-term unemployed. Intention is to develop further collaboration between municipalities, public employment services and other public and third sector actors. This intention similar kind with above described Labour Force Service Centres and in some development projects financed through European Social Fund. Essential point is that the trial will not change basic division of responsibilities and work between state and municipalities. The trial consists in the first phase 61 municipalities and it also includes confirmation of the present labour market responsibilities. There has been a discussion that the Labour Force Service Centres should be organised under municipal government and that the municipalities should be allowed to have total responsibility on various initiatives of social employment activation measures.

However, the question lies on municipalities' overall responsibility on activation policies and the whole municipal administrative structure is under serious discussions and also municipal economy is in serious problems. On the other hand, municipalities cannot be regarded anymore as employment provider to long-term unemployed persons as it used to be. Municipal administration includes many branches in which can be found employment opportunities, but time has changed since severe economic recession in 1990's and municipalities have become cautious in employing new people generally. Basically, municipalities have nowadays limited possibilities to offer

long-term unemployed persons employment opportunities. There is also problem that municipalities do not possess any tasks of employment delivery, i.e. municipalities do not hold any direct connections to employers and enterprises that cause problems for effective delivery of employment possibilities. In that sense, municipalities still have to rely on expertise of public employment services. Overall increase of municipal responsibilities in the employment delivery necessitates closer collaboration between public employment services and municipalities.

Most important municipalities' input to labour market policies is associated to primary health services required by long-term unemployed persons. As already mentioned, the long-term unemployment is rather often connected to various diseases, mental health problems, lower work ability and personal economic problems that all have direct link to municipal tasks. Municipalities have legislative responsibility to arrange service provision for unemployed people who are in need of health care and rehabilitation. Municipal administration is aware of living conditions of, not only long-term unemployed; but unemployed people generally. They should be capable to generate local solutions in order to relief the situation of unemployed people. Naturally municipal economies and existing cooperation structures set the limits for successful actions in the cooperation structures. Anyway, municipalities' intermediate actions could be a solution for more overarching policy approach as municipalities have such important position labour market issues related to long-term unemployment.

4.4 The role of policy initiatives and measures to fight long-term unemployment in Lieksa

Principally public employment service is responsible for employment policy at all territorial levels and municipalities are responsible for the implementation of health care and social policy. As already discussed in previous chapters, the activation policy refers to amalgamation of employment policy, health care and social policy. The outcome of this amalgamation varies a lot between regions and municipalities. It was evident that the local employment policy is rapidly changing and basically towards the growing tasks and responsibilities of municipalities.

The interviewees generally indicated that the Employment and Economic Development Office has during the course of time changed its policy approach. Regulations and instructions from central level emphasise result-oriented activities in the offices. The new orientation of the office is pointing towards direct links not only to unemployed people but also to enterprises. One interviewee mentioned that the new approach is natural consequence of national level changes as two strong ministries responsible for economy and labour were amalgamated. This may be one reason for growing market-orientation but another interviewee also underlined that there is no shortage of labour force in the region. Real challenge for entrepreneurs is to find skilled labour force that mostly refers to matching problem in the local/regional labour market.

However, several interviewees indicated that long-term unemployed persons do not anymore have room in this new setting of Employment and Economic Development Office. Especially the representative of the office emphasised that it is a question of

human and financial resources in the office to fulfil all at central level set targets and policy requirements. The outcome in the interviews was simply throwing arguments and partly accusations to each other. The representative of the Employment and Economic Development Office at local and regional level were pointing to basic tasks of the office that consist of employment delivery, securing availability of skilled labour and development of personal labour market capabilities of people. These tasks are very much market oriented activities, in which the long-term unemployed people do not really fit. Especially long-term unemployed people have difficulties to match these measures, if they have physical or mental problems or, if they are otherwise are not capable to receive employment.

Naturally the representative of the municipality argued strongly against the changed policy approach in the Employment and Economic Development Office. It was mentioned that the office is “pushing” long-term unemployed people to municipal social welfare. It will be a problem on the personal level, if person is pushed out from the employment delivery system but, on the other hand, it will also be a comparable problem, if sick person remains in the employment register without getting any assistance to his/her problem. On the whole, all interviewees recognised above described problem. The real challenge is to get people to rotate back to employment market, if they fall down from employment delivery system. All interviewees also underlined that basic collaboration between various actors related to the labour market in Lieksa is working satisfactory. However, it seems that there is no real target setting or alternatively mutual understanding how to tackle this problem. There are more argumentations and critical point of views than constructive discussion or real proposals.

In the previous chapter, it was discussed about the Labour Force Service Centres, which were organised in cooperation with several important actors in the activation policy. The interviewees indicated that the centre in Lieksa had basically worked well in giving assistance to long-term unemployed people. However, the centre was rather soon congested, because many customers from Employment and Economic Development Office and also from social welfare were directed to the centre. The interviewees who represented the Labour Force Service Centre considered that there had been some operational problems related to both in strategic and operative management. Roles of various actors were unclear and partly overlapping in the steering and management group. The operational problems may lay in the fact that the group did not have any legislative role in an administrative sense. Mainly the group had advice-giving and interactive position as well as had possibility to reach decisions of some important principles as one interviewee mentioned. It seems that discussions in the group consisted merely of seeking mutual understanding and knowledge about each other's activities.

Operational problems within the Labour Force Service Centre were also connected to the fact that operational leaders were appointed from within the group. However, the problem was that leader had only powers to make decisions dealing with the organisation he/she was representing. This meant that the centre could not really take any operational action involving directly other actors. There was an obvious need to clarify the administrative position of the centre. This might have to some extent connection to the above mention fact that there was not real target setting or mutual understanding in Lieksa among the interviewees, about how and who should tackle the

problem of long-term unemployment. It was evident that the centre requires more legislative or alternatively mutually agreed powers in order to make operational and managing decisions. However, this kind of agreement is hard to reach between organisations, whose own actions are based on legislation and binding instructions.

Naturally questions concerning the responsibilities were partly a problem in organising the work of the Labour Force Service Centre. This problem is partly related to earlier mentioned issue of legislative bindings that each of the organisations had. As the organisations participating to the centres work are sector-based and have to follow separate reporting and communication systems, they have difficulties to agree and pursue common policies and targets. One interviewee mentioned that it was almost impossible to process someone's personal information, because employment authorities applied their own systems and municipal social welfare authorities their own. Processing individual data is sometimes a challenge even within one municipality between social welfare and health care. Afterwards, national level mutual data system has been developed in order to make possible to link personal information from various sources.

Several interviewees mentioned that it has been positive influence of the Labour Force Service Centre to recognise the real need for mutual actions. There are hidden parameters behind each long-term unemployed person that cannot be solved on the basis of one-sector approach. It was also revealed in the interviews that the roles of each organisation have become more distinct. From client's perspective, it will be easier to tackle problems before they change worse and also direct client quicker to appropriate authority. Operational service delivery became more flexible as the representative of the municipality emphasised. It was also indicated by the interviewees that combining different expertise together in the centre was fruitful professionally. This made possible to learn about specialisations within each sector. On the other hand, it was also mentioned in the interviews that cooperation was partly influenced by nervousness and disagreements between representatives of the organisations. However, this was mainly recognisable in the beginning of the process as participants were still unaware of the proceedings in the centre.

Liekka participates the local government trial, in which the role of municipalities will be strengthened in active labour market policies. The trial started in the fall 2012 and it has been impossible to reach any analytical conclusions for this study. Therefore, discussion about the trial in this study will include some expectations that the interviewees have towards the trial. The trial will continue in the chosen municipalities until the end of 2015. A special focus is on the long-term unemployed who are facing most severe challenges in getting involved in the labour market. During the trial period, the participating municipalities will be provided increased possibility to influence how they organise the services provided for long-term unemployed, and the aim is to find new perspectives on the relationship between the state and municipalities in relation to labour market policy (The Ministry of Employment and the Economy, 2012a; The Ministry of Employment and the Economy, 2012b).

All interviewees identified that the core themes in the local government trial is to develop and implement municipal cross-sector cooperation and to develop new services and operational models. Especially it was underlined that the cornerstone will

be advancing cooperation between municipality and Employment and Economic Development Office. Interviewees also emphasised the importance of provided services, which need to form a coherent entity. On the other hand, many interviewees referred that municipalities had natural interest in participating to trial, because municipalities have to cover part of the unemployment benefits to long-term unemployed people. When unemployed person reaches the 500 day limit, he/she loses the earnings-based labour market benefits. Normally this has also meant that unemployed people become clients of municipal social welfare in order to get different social allowances. Besides that, the state has passed a law, according to which municipalities have to cover 50% of the normal unemployment allowance. The costs for this partial financing of unemployment allowance can be relatively high especially in municipalities like Lieksa, where economic situation is tight and number of long-term unemployed people is high.

Naturally above mentioned financial factor is only one dimension for participation in the local government trial. Representatives of the municipality and Employment and Economic Development Office underlined the possibilities, that the trial will possible create. Both of them paid attention to local dimension of long-term unemployment and to necessity to find solutions at local level. Activation policies have traditionally taken place at local or at least at regional level in Finland, but there has been shortage of broader cooperation among various actors in the activation policies. All interviewees supported the statement that tackling long-term unemployment should take place at lowest possible level. In Finland, this means municipalities.

It is evident, that the solutions to fight long-term unemployment have to also in the foreseeable future be local. Some interviewees laid emphasis on individual level, to which the local government trial allows possibility. Long-term unemployed persons are in more difficult position to re-enter the labour market than the short-term unemployed persons, who have possibilities to look for new employment even from further located labour markets. There is also tendency that Employment and Economic Development Office sharpens its policy and measures especially for the latter group. Mutual collaboration was not highly valued among the interviewees in Lieksa, but most of the interviewees regarded the trial as a potential possibility to raise the degree of mutual collaboration. Two interviewees were specifically pointing at increasing the accountability in the cooperation structures.

With the intention of being successful, the local government trial can overcome the difficulties that were mentioned by the interviewees in relation to the Labour Force Service Centre. The trial is delineating municipalities' lead in the process that was partly problematic in the latter one. Naturally the interviewees were in any case underlining the mutual collaboration as a starting point in the trial. Some interviewees also indicated that the trial should not lay emphasis solely on long-term unemployment but also comprise a broader aspect in relation to other vulnerable groups, such as young unemployed, ageing population, immigrants, and women. Demographic change for instance may translate into an increase in unemployment expenses, unless work ability can be increased among ageing people. The trial has also in many ways direct connection to prerequisite to modernise the municipal government and service provision in order to advance the availability and productivity of services. The

productivity can be improved by closer collaboration between the actors and initiating new ways to act.

Almost all interviewees were furthermore concerned about the consequences of the local government trial. Generally, the interviewees considered that the activation policies should be organised together with central government and local government at the local level. Now, the new trial lays stress on municipalities and some interviewees regarded this as a danger for inducing more permanent responsibilities for the municipalities. This danger is real because even the objectives of the trial include a phrase about possibilities to widen municipalities' task in the activation policies. On the other hand, municipal social welfare has always been responsible for issues related to social exclusion and poverty, which naturally have direct connection to peoples' labour market participation. Actual fear is more or less connected to latest policies run by central government that have directly added municipalities' responsibilities without allowing any financial input to fulfil new tasks.

Typical criticism was pointed towards local level policy making procedures in the responsible organisations. Especially the Employment and Economic Development Office was criticised by interviewees to have excessively heavy bureaucracy in relation to decision-making process. Also representative of the office criticised the upper level regulation and instructions too bureaucratic. Typically, actors lower down on the chain consider problems defined at local level as failing to match with centrally defined solutions. This is especially the situation when clear territorial differences exist and when they have to operate across vertically segmented service chains. Negative aspects were not solely referring to Employment and Economic Development Office but also to municipality because it also has to operate within nationally decided regulations and instructions in welfare.

The target of the local government trial is not only to progress the collaboration between various actors. One crucial issue is dealing with development of the employability of long-term unemployed people. When we discuss about the employability in relation to more efficient local collaboration between the actors, the attention has to be paid in individual skills and qualities, person's socio-economic situation and demand of labour force at the local level. All these factors were underlined in the interviews in various ways. Representative of municipality and Employment and Economic Development Office were also directing the interest into process evaluation, when person's employability is assessed. This means that all listed factors have to be considered carefully in order to advance person's return to the employment. If one dimension is missed, danger to be socially excluded is remarkably bigger than in any other case.

The study included also interviews of two long-term unemployed persons in Lieksa. Both of them had some experiences about the Labour Force Service Centre. They mentioned that clients were normally offered individual services on the basis of their needs. Employment and Economic Development Office and also municipal welfare service did not really propose any services but rather were directing clients in compulsory manner. Broader attention was also paid in person's individual circumstances affecting one's employability. The outcome was that behind some other problems hidden parameters were found and person had a possibility to cope with general liv-

ing situation. One of the interviewed long-term unemployed persons mentioned that he received vital information in order to better understand his family circumstances.

5 Validity of European-wide data analysis from a local perspective

Labour market in European rural areas has been experiencing a period of continuous and rapid change. Lieksa case study reflects these changes in peripheral rural areas. Obviously, long-term unemployment in Europe reveals distinct differences according to geographical location or alternatively region of residence. Some differences indicate the changing levels of growth, the industrial structure and skills composition of their populations. Generally, long-term unemployment seems to be less widespread in capital areas than in sparsely populated or rural areas. However, long-term unemployment is not specific for all rural areas but they are widely diversified in relation to urban areas. Especially the rural areas close to the cities tend to have better economic development prospects than more peripheral rural areas.

It can also be recognized that one important feature of long-term unemployment is its relationship to lower educational and skills level. Economic crisis has for instance affected in most cases all educational groups in relation to long-term unemployment. However, the lower educational groups have still faced the highest rates of long-term unemployment. Low educational level is linked to high probability of becoming long-term unemployed.

There are also some relative incidences that predict a possibility to become long-term unemployed in European scale. The age of unemployed person is a clear indication of the danger that individual might face the long-term unemployment. There are several reasons for this development, but some of the background factors are connected to discrimination in recruitment process, the greater risks of skills outmodedness and growing number of this group in the labour market. Another obvious indication of the risk to fall into long-term unemployment is gender gap. Especially the latest recession has resulted in males becoming more in danger to be long-term unemployed than females. Another similar pattern around the Europe emerges in relation to individuals with an immigrant or ethnic minority background. Typical example is people with the Roma background.

Typical branches of economy influenced by long-term unemployment especially during the recent crisis have been manufacturing, construction and agriculture. This development has especially affected the long-term unemployment among males in the labour market. Reforming the public administration has also partly included the growth of long-term unemployment specifically in rural areas.

It can also be noted that growing rate of unemployment in economic recession and crisis situation tends to stay in higher level than earlier. The state of labour market indicates ongoing structural change that permanently changes the economic activity in a region. Most probably the structural change will not lead to a new growth path of the regional economy, but rather includes lower labour market participation rate than earlier. Economic recession and structural problems lead to growing outmigration of the economic active population that in turn influences negatively the overall economic vitality of the region.

6 Transferability of results

Research in Lieksa case study area reflects common aspects of structural change in geographical remote rural areas. Peripheral location of Lieksa does not only, as in many peripheral locations, relate to remoteness of the town. Deficiency of the public transportation in sparsely populated region limits greatly peoples' possibilities to look for employment both in other cities and also within Lieksa. General geographical difference between employment seekers and open vacancies in relation to inadequate geographic mobility creates an obstacle to decrease long-term unemployment in many countries. Factors such as expensive transport, housing and obtainability and affordability of rented flats hinder many people to leave areas of low employment. Largely it is difficult to sell houses in economic problematic areas. There are serious concerns about a 'regional mismatch', resulting from a lack of geographical mobility.

Besides geographical mobility plays professional mobility crucial role on labour market development. Professional mobility measures have included issues such as training and education. Employability can be improved through training programmes, employment services and through subsidies that favour the maintenance of employment for marginal groups. Seen from the perspective of an ageing labour force the supply side and the question of employability of the labour force is vital. However, this has meant that the focus of labour market policy has shifted from training and subsidised programmes to long-term activation measures in order to improve the matching process in the labour market.

Employers in peripheral regions face the challenge of a declining labour force due to population ageing, out-migration and low fertility rates. Not until recently have employers however begun to realise the implications of this and started to take action to mitigate these population trends. Thus far the short-term problems of labour shortage have been the main focus of attention. The labour market policy actions have also concentrated on the short-term measures. The demographic trend thus calls for more attention to be paid to long-term measures in the labour market.

Social exclusion is in the first place a consequence of the fact that people, for one reason or another, do not have a connection to the labour market. People who are socially excluded do have difficulty in re-entering the labour market again, especially during an economic recession. Therefore, preventive actions and policies are critically important to counteract tendencies towards social exclusion and to reduce obstacles to enter the labour market. However, a long-term unemployed person does not necessarily feel themselves as social excluded although they are in social and economic weak situation. It has also to be noted that social exclusion has more than just a macro-level dimension. Better individual preparation improves the ability of an individual to deal with crisis and to take more responsibility for their own personal development.

Different activation policies are a crucial part of labour market policies in the Nordic countries. Generally, activation in the labour market is currently targeted at young people, older workers, immigrants and the long-term unemployment. Targeted activa-

tion policies are necessary with the aim of stimulating particular groups to enter the labour market, but it should also be taken into account that a number of so called passive groups will remain in the social security system.

7 Conclusions for policy development and monitoring

Long-term unemployment in Lieksa reflects rather normal story of geographically remote municipality. Before the 1990s', there was a good selection of available jobs where education was not required. The number of jobs requiring no education or requiring only low education has however decreased notably leaving a large number of unemployed older people with low education level. Remoteness of Lieksa indicates that people seeking for employment are normally forced to move from the municipality. The problem of peripherality does not only consider Lieksa and major cities but also Lieksa itself. The deficiency of public transportation limits inhabitants' possibilities to look for employment both in other cities and also within Lieksa.

Mobility is directly welfare related question and in many cases cornerstone in possibilities to have an access to employment. In the remote rural labour market, long-distance commuting is the only way to get close to employment possibilities but not real possibility for unemployed or long-unemployed persons. Functional labour market policy facilitates a mobilisation of labour from weakening economic areas to stronger economic areas. If a person is long-term unemployed, the possibilities to be mobile are really restricted. Rather often this kind of situation leads to geographical marginalisation. There is little evidence that people of geographical isolation would travel from economically depressed areas to areas of higher levels of labour demand. Long-term unemployed people tend also to be older and have stronger attachment to the particular place that hinders them from moving from a place to another.

The analysis of the Lieksa case study shows that unemployment has a different kind of consequences, whose social cost has to be included to the forgone output that results from unemployment. As short period of unemployment causes little lasting social damage, longer periods will produce various forms of socially negative behaviour and effects. There remains a convincing situation for measures, which may address the individual point of views of long-term unemployed person's employability aspects. Most of the long-term unemployed persons are in danger to have fewer relationships within and outside the community. Many people in this group have also been long-term unemployed for several years and are low skilled, have lower education, have worsened health situation or have otherwise problems with employment ability.

On the other hand, long-term unemployed person might be excluded from the labour force but not totally from the society. It might well be that a person is excluded from the labour market but not from totally from the society. Long-term unemployed do not necessarily feel themselves as social excluded although they are in social and economic weak situation. A critical issue for wider analysis of social exclusion is to decide the scope of social and economic problems that defines whether a person is socially excluded or not. Two particular groups could be recognised in Lieksa case study. First are working age men living in peripheral areas often taking care of their older parents and, second are men interested in hunting and fishing as well as picking up berries from the forest. The latter group have also possibility to become economically self-sufficient and not dependent on labour market allowances. People

have closer relation to nature and they practice hunting, pick berries and mushrooms. People consider themselves available for employment only outside of hunting season and picking berries and mushrooms season.

The study findings in Lieksa also seem to strengthen the understanding that informal networks are significant in providing employment seekers information about job opportunities. However, it is also likely that long-term unemployed persons are less likely to be able to successfully have an access to these networks. Rather, they are dependent on informal sources in areas, where there are no or less formal information available for employment search. It can be argued that less successful groups of people, such as long-term unemployed, do have problems in accessing important personal contacts. Therefore it is required to have a consistent network of services available in order to assist the disadvantaged groups in their employment seeking.

The Lieksa case study indicates that social exclusion is to a larger extent a multifaceted concept, which is very difficult to determine. A critical issue for wider analysis of social exclusion is to decide the scope of social and economic problems that defines whether a person is socially excluded or not. Social exclusion was not exactly defined during the interviews in Lieksa in order to leave place for empirical interpretation for the interviewees. It was underlined in Lieksa that long-term unemployment definitely is causing high risk for social exclusion. On the other hand, it was also emphasised that long-term unemployed do not necessarily feel themselves as social excluded although they are in social and economic weak situation.

A coherent network of services is fully recognised as an important in implementing overall policies and measures. In Finland health care has also been a vital actor in activation policies. This is not only because the health related aspects play important role in upkeep the work ability but also because health care has an important position in the Finnish social security system. The basic problem in activation policies in Finland has been that the long-term unemployed persons have not had an access to employment because they do not have good work ability. They actually need coherent service including also the medical care and vocational rehabilitation. The challenge is to combine social welfare, health care and work ability into a wider perspective of employability. The present local government trial allows best possible starting point for this work.

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