

Producing Employment Promotion Services in a Municipality

- Economic Benefits and Possible Forms of Enterprise

Case Vihti

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Summary

The cost of the unemployment in municipalities increased in 2015. This was due the fact that in 2015 the labor market subsidy, which is paid to an unemployed resident of a municipality, system changed. KELA still pays for the first 300 days, but since 2015 the cost of the days after is shared between the municipality and KELA, so that the municipality is responsible for 50 % of the cost. For this reason, the Local Government in the municipality of Vihti decided to establish a Recycling Centre in May 2015. The aim was to reduce the costs of the labor market subsidy by employing long-term unemployed residents.

The results of the case research show that the municipality of Vihti is gaining an economic benefit from the employment with pay subsidy. The results also indicate that in the future the employment promotion services is benefiting the municipality as a part of social enterprise if there is a need to incorporate the functions.

Language: English

Key words: employment, unemployment, municipality

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Glossary

This glossary is made for the Finnish readers to explain some words that are used in this thesis.

Employment promotion services = Työllistämistä edistävät palvelut

Joint Municipal Authority for social- and healthcare = Perusturvakuntayhtymä

Labor market subsidy = Työmarkkinatuki

Local Government Act = Kuntalaki

Local Government = Kunnanhallitus

Long-term unemployed = Pitkäaikaistyötön

Pay subsidy employment = Palkkatukityöllistäminen

Recipient = Saaja / Vastaanottaja

Rehabilitative Work Activity = Kuntouttava työtoiminta

Resident of a municipality = Kuntalainen

Subsistence = Toimeentulo

The conditions regarding previous employment = Työssäoloehto

The Finnish Competition and Consumer Authority = Kilpailu- ja kuluttajavirasto

Unemployment Benefits Act = Työttömyysturvalaki

1. Introduction

The Finnish government made a proposition to Parliament in October 2014 to change a part of the Unemployment Benefits Act. Therefore, from the first of January 2015, 50% of the labor market subsidy that is paid after 300 days as a subsistence to the unemployed resident of a municipality is funded by the municipality. Previously the limit was 500 labor market days. Also, the Parliament decided that after 1000 days of labor market subsidy subsistence 70% of the cost is to be funded by the municipality. The purpose of this was to enhance the government and municipality collaboration and that municipalities could have a possibility to influence on to the employment of the long-term unemployed more effectively.¹

In the municipality of Vihti the labor market cost increased by 72% from 931 986€ in 2014 to 1 605 007€² in 2015. In order to reduce the rising labor market subsidy costs the local government of Vihti decided to establish a Recycling Centre in May 2015. The main task of the Recycling Centre of Vihti was to employ the long-term unemployed residents and to produce employment promotion services: work try-out and rehabilitating workbased activity. The centre also repairs and sells recyclable, renounced goods and furniture, offers transportation services for the customers and runs a small café.³ The business model of the Recycling Centre is shown in the figure 1.

The new Local Government Act, which was released in May 2015⁴, aims at ensuring competitive neutrality in business activities between the public and private sector. The Finnish Competition and Consumer Authority (FCCA) released a press release titled "*Shortcomings in municipal compliance with incorporation requirement*" on 17.12.2015. The FCCA wrote that the municipalities should incorporate all the functions that are performing in the market environment on a competitive basis during the year 2014. The FCCA can intervene in the economic activity of a municipality, if the activity is

¹ HE 183/2014 vp, s. 1-2

² Kelasto 2017(retrieved 13.4.2017)

³ Vihdin Kunnanhallitus 84 §, 2015

⁴ Kuntalaki 410/2015 Viitetiedot

preventing or distorting the competition on the market under restrictions laid down in the Competition Act.⁵

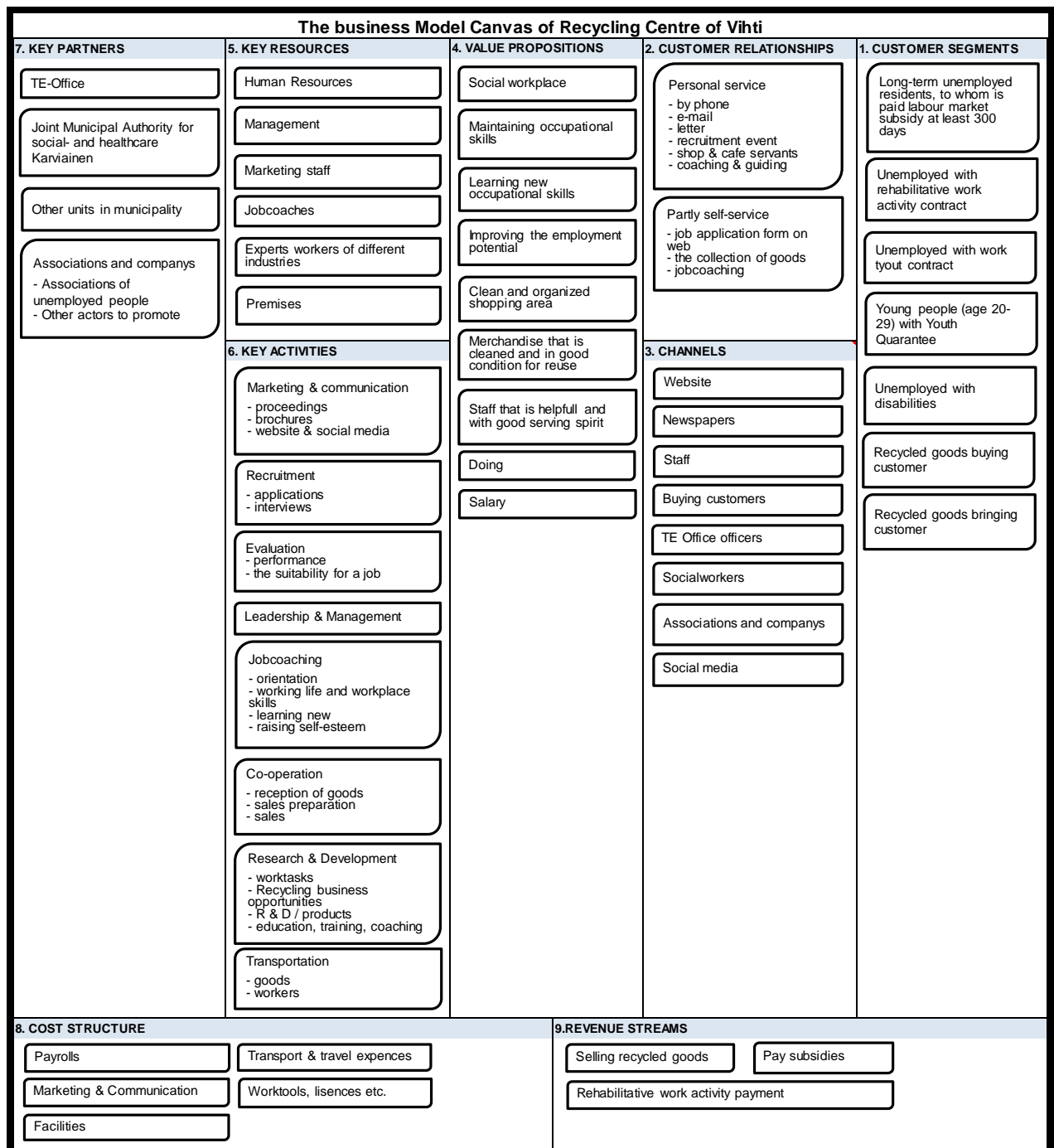


Figure 1. The business model of the Recycling Centre of Vihti.

The main function of the municipalities is not to produce employment services for the long-term unemployed residents (except for the obligation to provide work for a 57-59 year old long-term unemployed jobseeker⁶) or to compete with

⁵ The Finnish Competition and Consumer Authority. Press release 17.12.2015.

⁶ Laki julkisesta työvoima- ja yrityspalvelusta annetun lain muuttamisesta ja väliaikaisesta muuttamisesta 1366/2014 11 luku 1 §

companies in the market.⁷ The Recycling Centre of Vihti employment service is an economic saving function for the municipality, but the recycling, repairing etc. business could be seen as a competition on the market even if the aim is not to have economic profit. By selling goods and recycled furniture the aim of the Recycling Center is to reduce the costs from salaries, rent payments etc.⁸

Based on the FCCA's recommendation, the Recycling Centre of Vihti is considered to do business in a competitive market environment. It has also been considered to change its corporative form to an enterprise form named by the Government Act: Limited Liability Company, Cooperative, Association, or Foundation.⁹

1.1 The purpose of the research and the questions

In order to take into account the need for employment promotion services for long-term unemployed and the competitive neutrality of the business activities that the Recycling Centre has, it is necessary to research the benefits of employment promotion and different kinds of possibilities to produce these services in a market environment.

The aim of this thesis is to research and answer the following questions:

- 1) what economic benefits do the municipality of Vihti gain by employing labor market subsidy benefiteres through the Recycling Centre's employment promotion services?
- 2) with which kind of enterprise form could the municipality of Vihti produce its own employment services and productive activities in the market environment that benefits the municipality the most?

⁷ Kuntalaki 410/2015 15 luku, 126 §

⁸ Vihdin Kunnanhallitus 84 §, 2015

⁹ Local Government Act. Section 126 (1)

2. Methodology

Research is about making choices and decisions when it comes to what is needed to research, what kind of data should be gathered and what kind of approach is needed. The approach is determining the research strategy. This thesis is a qualitative research. In qualitative research, the problem can be identified as a research task on a general level with the possibility that the task is changing during the research.¹⁰

The research data is mainly secondary data that is related to the content analysis. It includes books, research papers, statistics from the government and online databases. The data is gathered from the primary sources as far as possible (laws and legislations) or from a source that is explaining the primary sources information to the public (official webpages).

Secondary research is an excellent method for establishing definitional boundaries of the design project and in this thesis it is giving the boundaries for the development of employment promotion services and the possibilities of producing the services. For the designers, useful material to be sourced can also include precedent projects, products or case studies documented in various ways, photographs, maps, diagrams, and other visual support records. It can also be collected into visual summaries for shared viewing, sorting and the crafting of narratives. Secondary research is part of the exploratory research that is an integral part of groundwork that is helping the understanding of the design research and investigation of the area.¹¹

In this thesis the methods are explained in the content of the text or in the chapter where it is used.

¹⁰ Hirsjärvi, S. et.al (2007) s. 119-122

¹¹ Martin, B., Hanington, B. (2012) p. 154

2.1 Brainstorming

The research begins with a brainstorm method what is traditionally used to spur group creativity when it is encouraging new ideas without judgment and criticism. It is also used to develop individual fluency of thinking and with a visual presentation of knowledge that facilitates the challenge assumptions.¹²

In the thinking and design process the research data is collected with different methods and from different resources. The collection of research data is analyzed, sorted and limited by writing. The written information is perceived into hierarchical relations. In the thinking or brainstorming phase where the ideas that are related to the subject are listed, the ideas are also categorized by their importance and by their concept. The concept map, which is changing all the time as the research proceeds, is clarifying the hierarchical relations and discovering the whole content of the researched project.¹³

The brainstorming in this thesis has been done in a digital form with Microsoft Excels note- shape tool. This allows a continued brainstorming, changing and copying idea-notes without the problems of sticky-notes disappearing or the glue drying. It also allows brainstorming in different places, for example in a car.

In Figures 2. to 5. the progress of the design process is shown.

¹² Martin, B., Hanington, B. (2012) p. 22

¹³ Hirsjärvi, S. et.al. (2007) s. 32-35

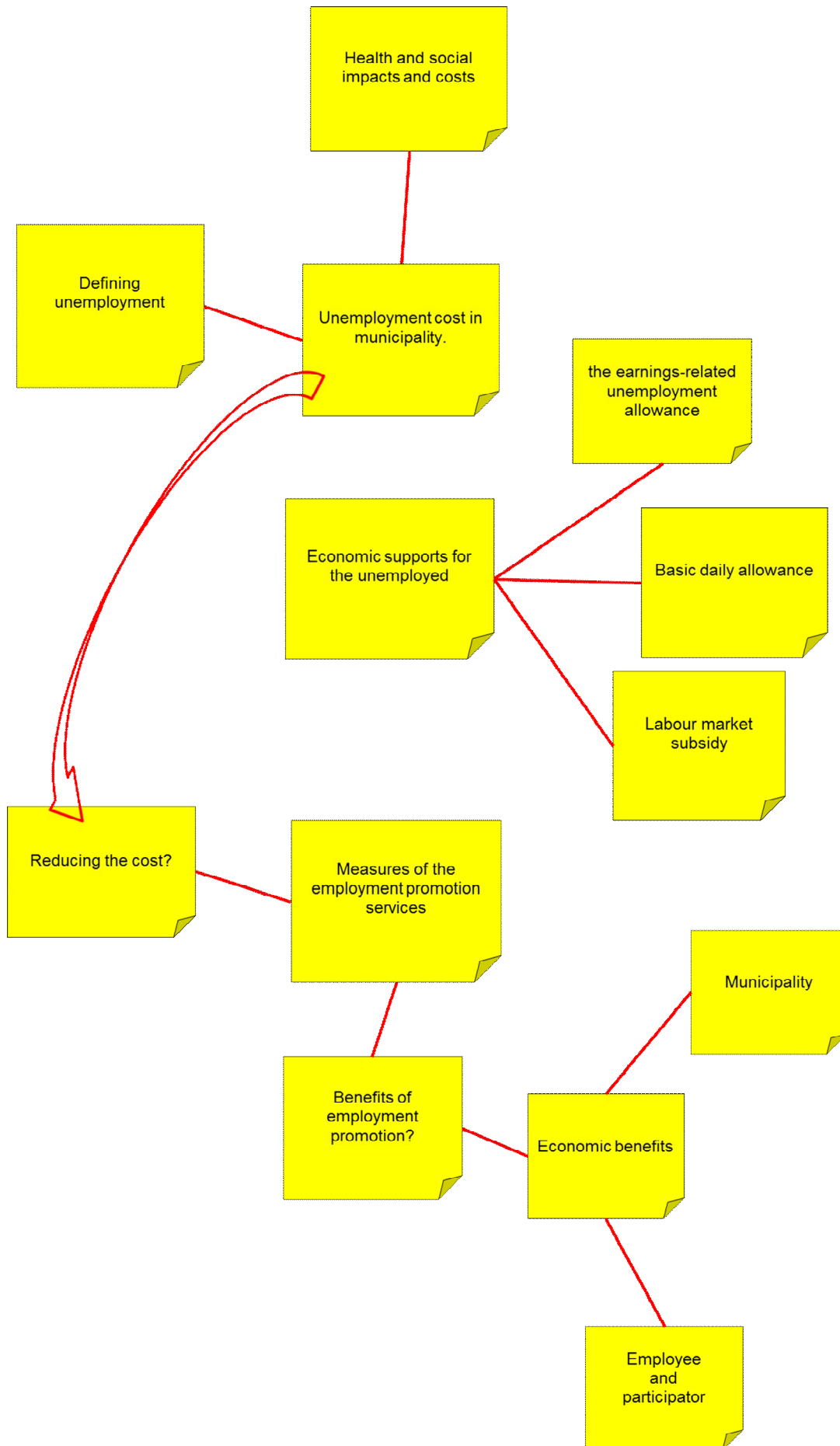


Figure 2. The concept map from brainstorming in the beginning of the research.



Figure 3. Categorizing the subjects.

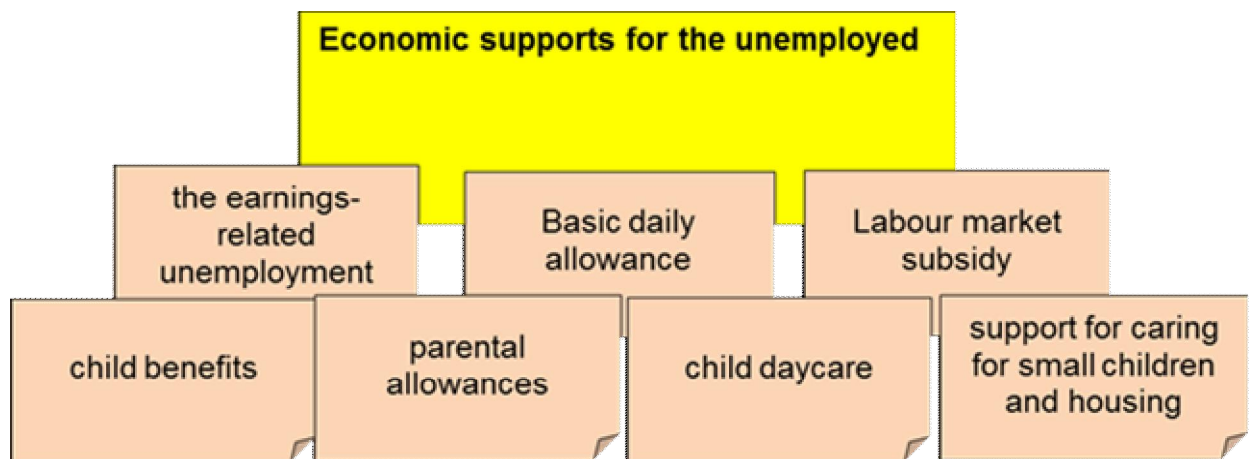


Figure 4. Researching the cost of unemployment.

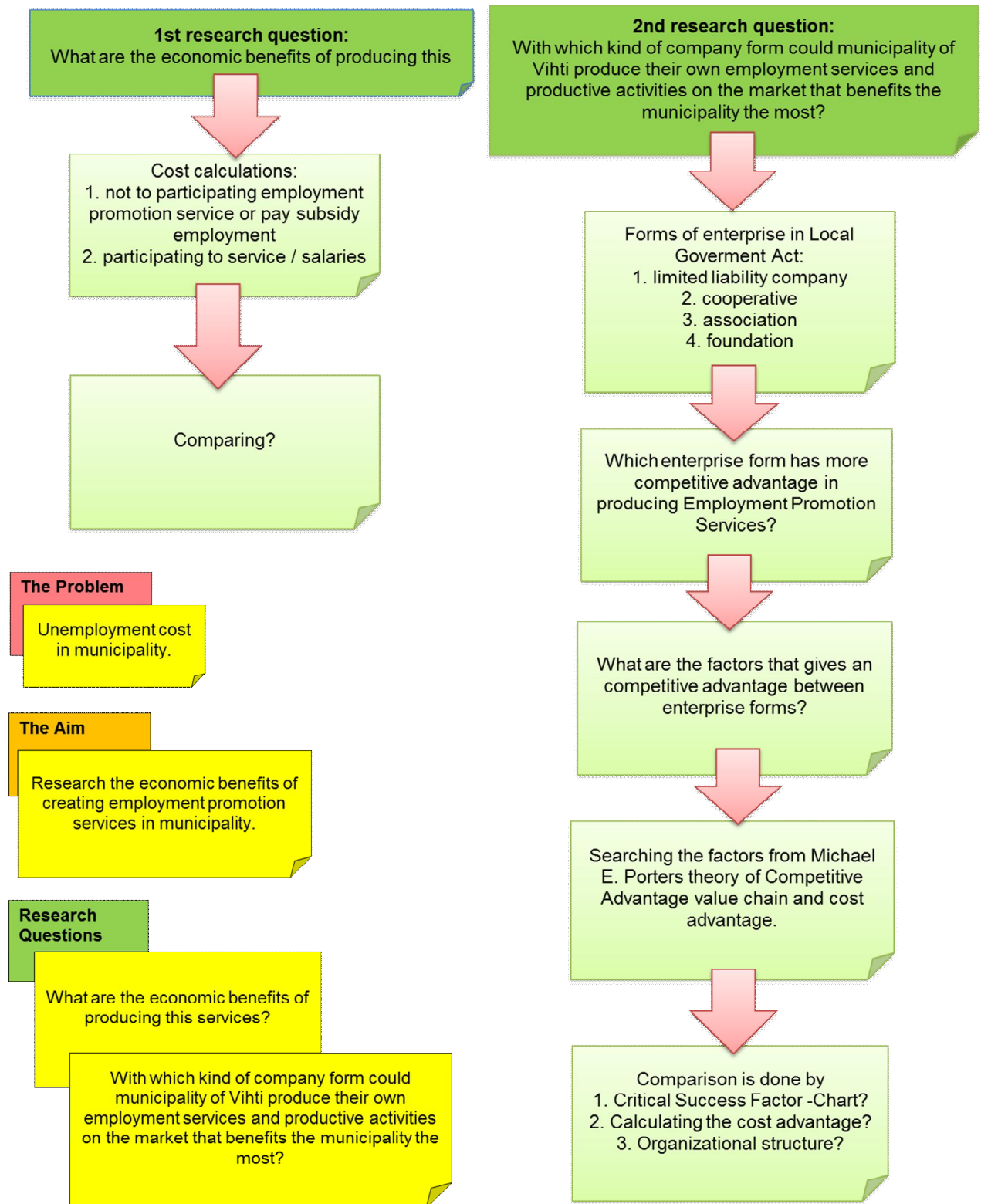


Figure 5. The brainstorm flow diagram of the research process

From the brainstorming content a case study was shaped that explores existing phenomena for comparison enterprise forms and information sources.¹⁴

¹⁴ Martin, B., Hanington, B. (2012) p. 28

2.2 A case study

A case study provides a holistic research strategy through which the researcher could exploit both qualitative and quantitative research methods. Even if a case study is thought to be a subtype research method of qualitative research.¹⁵ The subject of research could be a one phenomenon that is researched deeply and give a good description of it or it could be a multicase study. The outcome could not be generalized because it is valid just for that particular researched case.¹⁶

In social science research and teaching practice of law and business, the case study has a long history. Today this method has been giving a value to design and education. The cases could be of individuals, organizations, events or processes. In study cases the researcher needs to determine a problem, make initial hypotheses, and conduct research through several methods to gather information, revise hypotheses and theory and then tell a story as shown in Figure 6. The case study should be told through a well-composed and designed story, when it could be a compelling human narrative, meaningful research and enjoyable as memorable to read.¹⁷

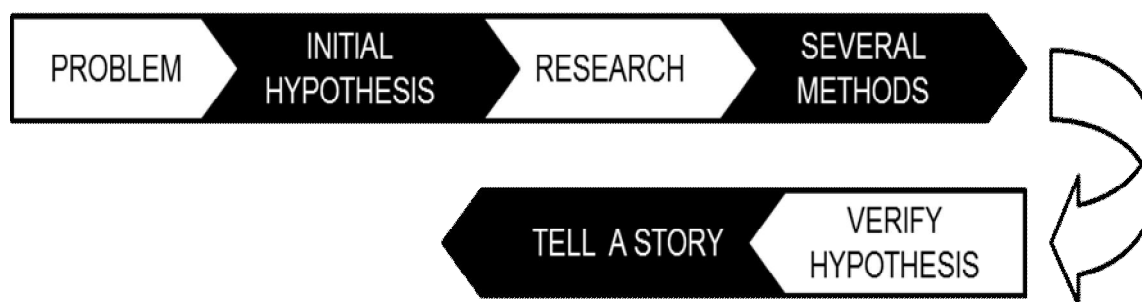


Figure 6. The progress of a case study.

In this thesis the used information data is mainly gathered by others through quantitative methods like statistics. The quantitative information is interpreted by content analysis that is a qualitative research method. The comparison results are obtained with both quantitative and qualitative methods.

¹⁵ Kananen, J. (2013) s. 28-30.

¹⁶ Kananen, J. (2013) s. 28.

¹⁷ Martin, B., Hanington, B. (2012) p. 28

2.3 A content analysis

A qualitative approach to analyzing research results emphasizes the researcher's ability to communicate. The inference and the formation of it is needed to create understandable and concrete explanations. The analysis is interacting with data gathering where both are feeding each other's needs. It is also a systematic process that needs to be reflected upon, based on the notes of the research.¹⁸

In content analysis there are two primary approaches. The inductive approach originate from the systematic reading into categories. From there the material is used for subsequent analysis. In the deductive approaches, the categories are leaded earlier to analysis. The categories are often based on the theoretical framework.¹⁹

In this thesis the content has been analyzed through the categories that are based on the theoretical framework. The framework has been changed during the research.

¹⁸ Kyrö, P. (2004) s. 112-113

¹⁹ Martin, B., Hanington, B. (2012) p. 40

3. Frame of reference

The theoretical frame of reference is guiding and limiting the research problem so that the questions set could be answered. The purpose of the theory is to see the key issues in the research problem.²⁰

The theoretical frame of reference could be a visual or verbal set-up of phenomena's that are linked to the understanding of an intense, verbal presentation is difficult and hard to figure out.²¹

The frame of reference of this thesis is in Figure 7.

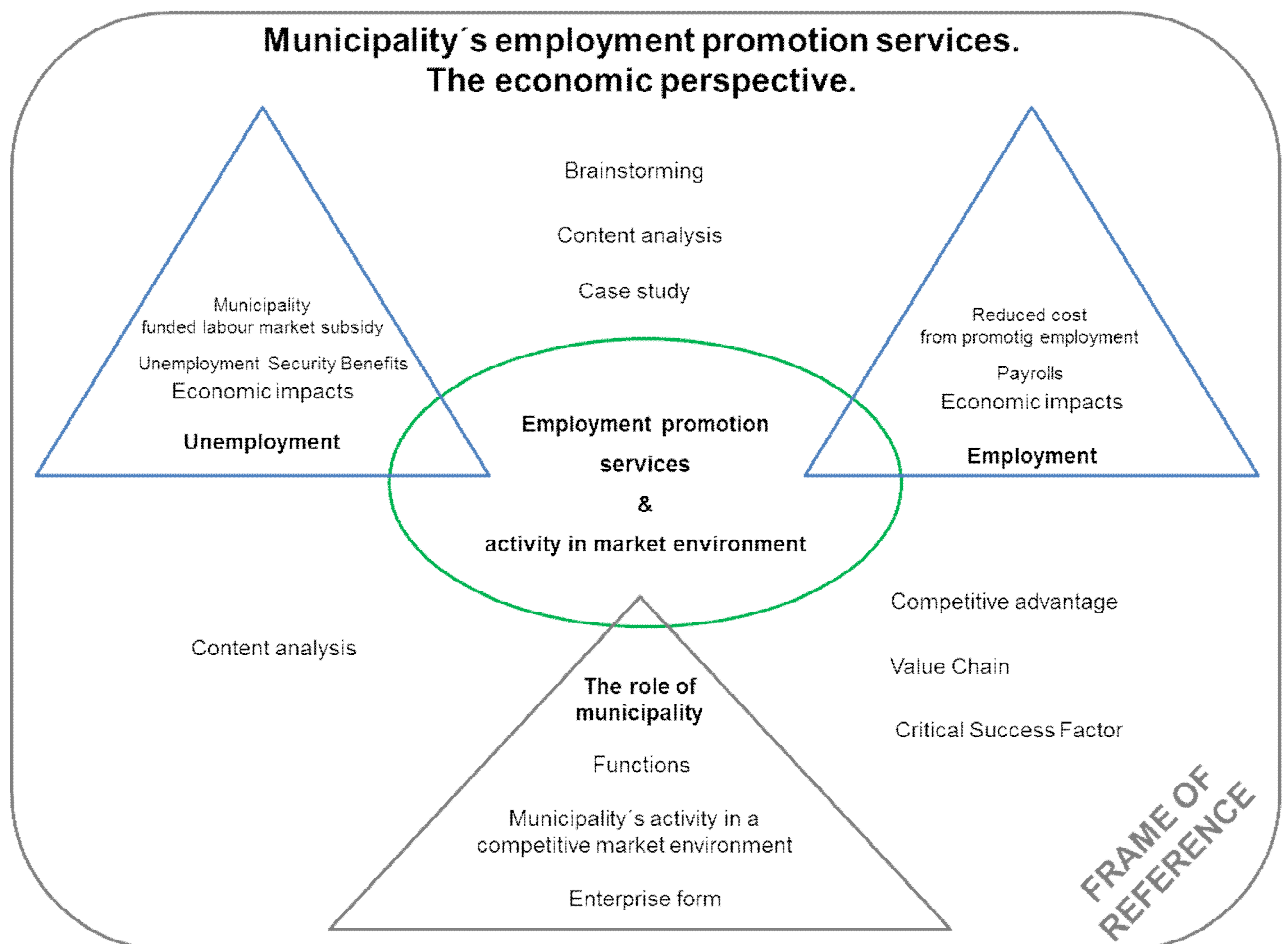


Figure 7. The frame of reference.

²⁰ Virsta. (retrieved 23.4.2017)

²¹ Anttila, P. et.al. 1998a

4. The progress of unemployment and employment promotion services in the municipality of Vihti

The municipality of Vihti is located in Southern Finland, 45 km from Helsinki to the west. There are about 29 000 residents in a 567 km² area and about 8 000 jobs.²²

The employed labor force in 2015 consisted of 13 100 persons and the share of the unemployed labor force was 10,8 %.²³ In February 2017 the share was 9,2%.²⁴

The Finnish Ministry of Employment and the Economy defines an unemployed person as someone who does not have an employment relationship or is an entrepreneur or self-employed or studies full-time. Also someone who is fully laid off or is employed less than 4 hours a week is considered unemployed.²⁵

The definition of a long-term unemployed person is somebody who has been unemployed continuously for 12 months or longer.²⁶

The top of Figure 8. shows the progress of unemployment in a municipality where the number of residents who are unemployed or laid off at the end of December every year and at the end of February 2017 are taken into account.

The chart in Figure 8. shows that although the number of unemployed jobseekers is reducing the duration of job search is increasing. The duration of unemployment is linked, according to researches to the working ability of jobseekers. Quite a lot of research on the link between unemployment and health has been made. Research indicates that an unemployed person's health is psychically and physically weaker than that of an employed. Their health and physical performance also weakens faster and the suicide risk is greater. Improving the workers work ability is also noted to be economically benefiting as well as investing in education and work training for older workers.²⁷

²² Vihti.fi (retrieved 13.4.2017)

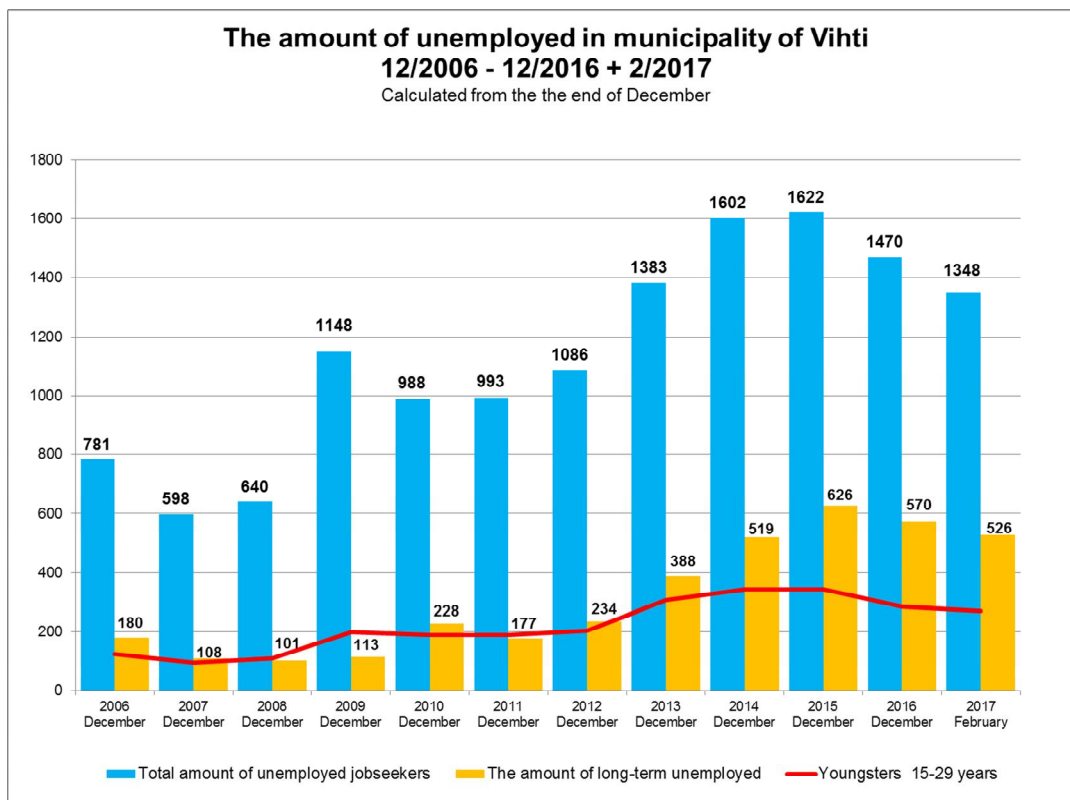
²³ Tilastokeskus.fi (retrieved 13.4.2017)

²⁴ Temtyollisyyskatsaus.fi (retrieved 13.4.2017)

²⁵ Ministry of Employment and the Economy, 15.2.2013 (retrieved 03.01.2016)

²⁶ Statistics Finland. (retrieved 04.10.2016)

²⁷ Heponiemi T., et.al.. (2008) s.9-11, 22



Calculation time	Total amount of unemployed jobseekers	The amount of long-term unemployed	The average duration of job search	Youngsters 15-29 years
2006 December	781	180	38	123
2007 December	598	108	34	93
2008 December	640	101	29	109
2009 December	1148	113	24	199
2010 December	988	228	34	189
2011 December	993	177	32	189
2012 December	1086	234	37	203
2013 December	1383	388	44	306
2014 December	1602	519	51	341
2015 December	1622	626	60	342
2016 December	1470	570	63	284
2017 February	1348	526	67	269

Figure 8. The progress of unemployment in municipality of Vihti.²⁸

²⁸ Toimialaonline.fi (retrieved 22.4.2017)

The target group in the employment promotion services of Vihti is the long-term unemployed of different ages and the youngsters who fall within the scope of the youth guarantee. The target group of the Recycling Centre's employment promotion services are those unemployed residents to whom at least 300 days of labor market subsidy has been paid. The target group can be identified from the subsistence during unemployment.

4.1 The subsistence of the unemployed

The Constitution of Finland guarantees the right to a basic income security and essential subsistence and care for all living in Finland. Everyone has the right to earn his/her livelihood by the employment, occupation or commercial activity of their choice. The public authorities have to promote employment and secure the work possibilities for everyone.²⁹

The unemployed jobseekers' right for subsistence is secured with an Unemployment Benefits Act. The purpose of unemployment security benefit is to compensate the financial losses caused by unemployment and to improve the capacity for entering or getting back into the job market. The basic income for the unemployed is secured by unemployment allowance or labor market subsidy.³⁰

The basic incomes in unemployment security benefits are:

- 1) the earnings-related unemployment allowance
 - is paid 5 days a week (21,5 days / month) and the payment depends on the length of the employment history:
 - § 500 day period (100 weeks = appr. 1 year and 11 months) if the employment history is a minimum of 5 years
 - § 400 days (80 weeks = appr. 1 year and 6 months) if the employment history is over 3 years and
 - § 300 days (60 weeks = appr. 1 year and 2 months) if the employment history is a maximum of 3 years.

²⁹ Suomen perustuslaki § 18-19

³⁰ Työttömyysturvalaki § 1-2

The earnings-related unemployment allowance is financed by the Central Government and the Unemployment Fund where the applicant has a membership and the Unemployment Insurance Fund.³¹

2) the basic daily allowance

- is paid by Kela³² 5 days a week (21,5 days / month)
 - § maximum of a 400 day period or
 - § 300 days if the employment history is a maximum of 3 years.

3) the labor market subsidy

- is paid 5 days a week (21,5 days / month) by Kela after the earnings-related unemployment allowance or basic daily allowance and it can be paid for an indefinite period³³.
 - § is funded by the municipalities by 50% after 300 days of the labor market subsidy
 - § is funded by the municipalities by 70% after 1000 days.³⁴

In the Figure 9. is shown these subsistences in a timeline that should also clarify the length of unemployment in different subsistence point.

As shown in Figure 10. an average of 412,17€ a month of labor market subsidy funded by the municipality was paid in the year 2016 to the benefiter or recipient.

Other financial supports that unemployed individuals can have include parental allowances and child benefits, child daycare and support for caring for small children and housing allowances³⁵. These are financed and paid by Kela and the municipalities, but they are not just for the unemployed, so the economic costs for municipalities are difficult to define.

The average time that a long-term unemployed is not in the Recycling Centres target group is 32 months (appr. 2 years 11 months) from the beginning of the unemployment. After that the municipality is funding 50% of the labor market cost.

³¹ TYJ. (retrieved 9.10.2016 and 22.10.2016)

³² Kela.fi (retrieved 10.4.2017)

³³ Kela.fi (retrieved 9.4.2017)

³⁴ HE 183/2014 vp, s. 1.

³⁵ Suomi.fi (retrieved 22.10.2016)

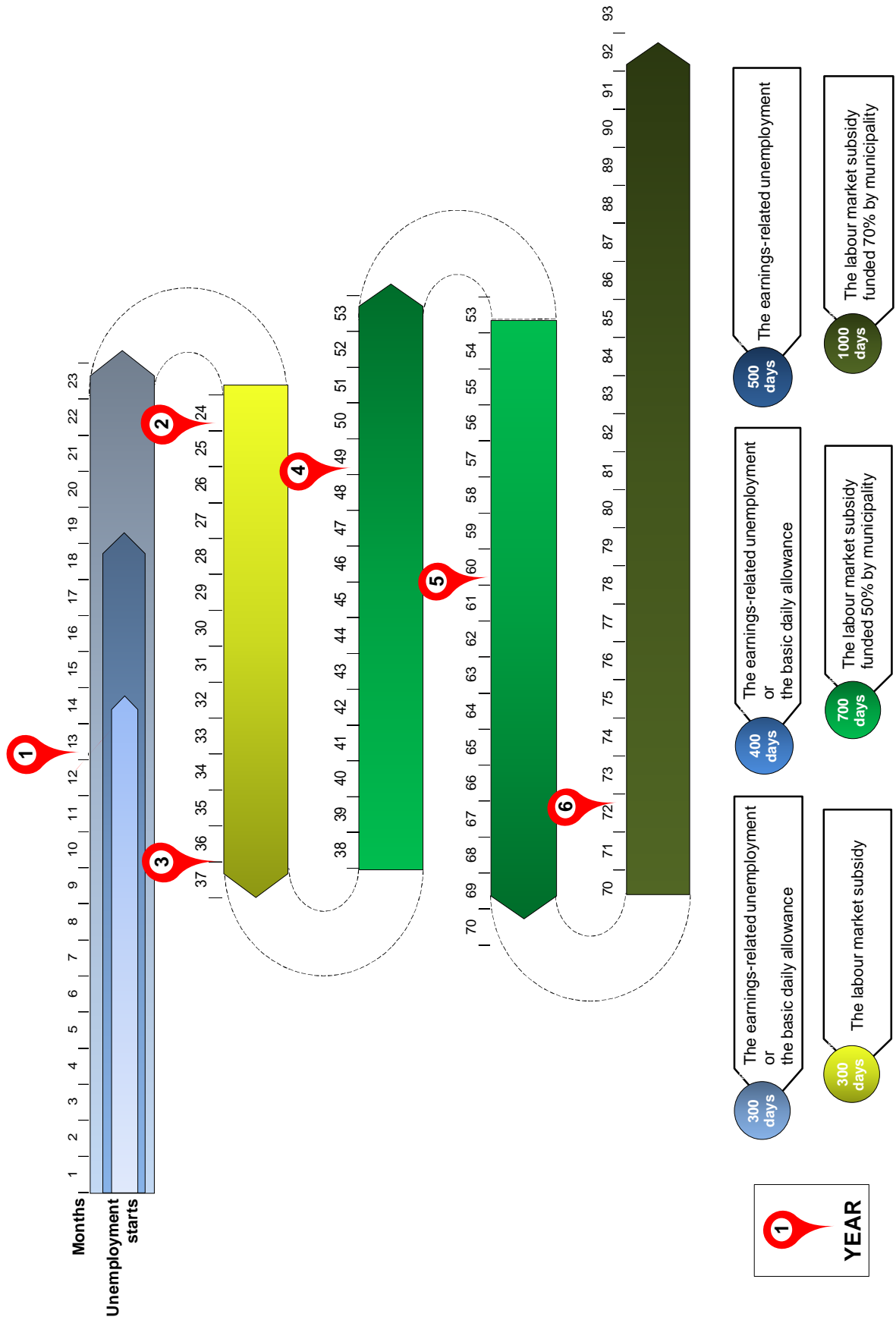


Figure 9. The timeline of unemployment security benefit in months and the period of municipalities funding.

4.2 Long-term unemployed on labor market subsidy

The number of labor market subsidy beneficiaries has been increasing evenly from the year 2008 to 2012 with 4-10%, but from the year 2013 to 2015 it has increased 25-55 % as shown in Figure 10.³⁶ The average cost in a month has been calculated from the original report as well the change percent.

Time	Recipients	Reimbursed days	Funded by municipality EUR	Average € per benefiter per month	The change percent in recipients
2006	236	38 902	471 321	260,49 €	-
2007	202	26 890	316 676	253,20 €	-14 %
2008	147	20 897	245 785	252,88 €	-27 %
2009	153	22 670	278 783	264,39 €	4 %
2010	168	23 026	288 429	269,31 €	10 %
2011	179	28 233	356 599	271,56 €	7 %
2012	192	30 817	472 636	329,74 €	7 %
2013	258	42 465	707 512	358,21 €	34 %
2014	323	55 467	931 986	361,25 €	25 %
2015	502	83 467	1 605 007	413,43 €	55 %
2016	583	87 571	1 678 781	412,17 €	16 %

Figure 10. The progress of Labor market subsidies partly financed by municipalities and the average cost per month and the change percent.

The progress of the labor market subsidy cost is shown as a graphic form in the Figure 11.³⁷

³⁶ Kelasto 2017 A. (retrieved 13.4.2017)

³⁷ Kelasto 2017 A. (retrieved 13.4.2017)

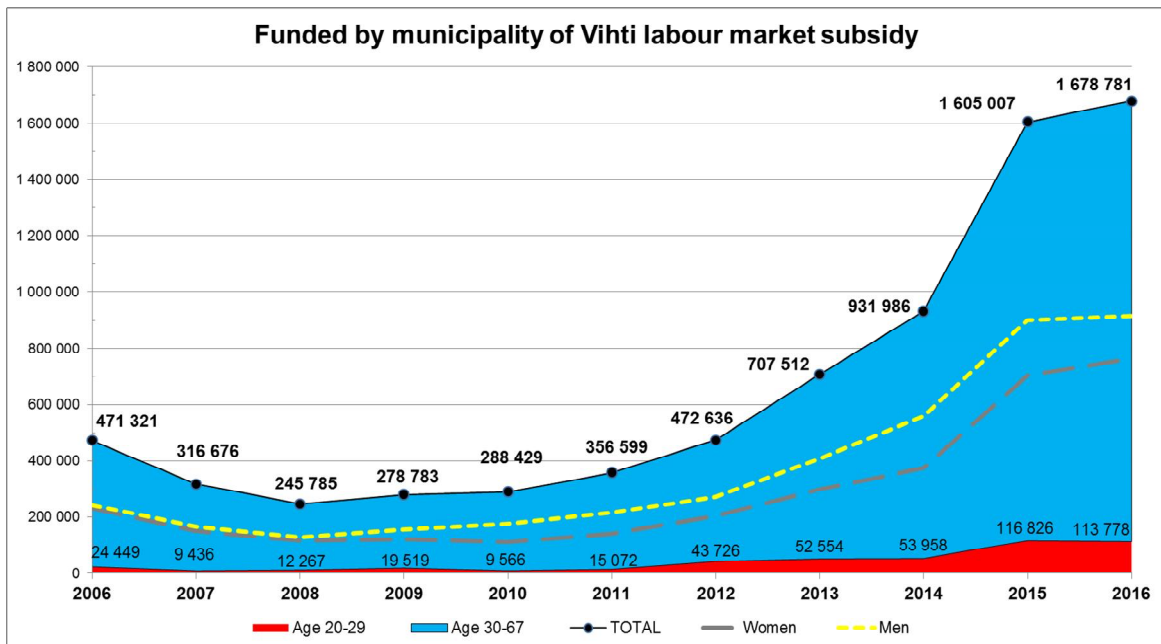


Figure 11. The graphic from the labor market subsidy cost progress in municipality of Vihti.

If the gender structure of benefiter / recipients of labor market subsidies is examined more closely it is clear that male benefiteres are in a majority by 10%.

The difference between benefiteres under 30 years of age and over 30 years of age has been about 90%, but the number of young benefiteres (under 30 years) has been increasing from the year 2015. The progress of the number of benefiteres and the percentage in total is shown in the Figures 12 and 13.³⁸ The percentage in italics is showing the share of the total recipients.

³⁸ Kelasto 2017 B - E. (retrieved 13.4.2017)

Time	TOTAL recipients	Men	%	Women	%	Age 20-29	%	Age 30-67	%
2006	236	128	54 %	108	46 %	15	6 %	221	94 %
2007	202	104	51 %	98	49 %	13	6 %	189	94 %
2008	147	75	51 %	72	49 %	9	6 %	138	94 %
2009	153	82	54 %	71	46 %	12	8 %	141	92 %
2010	168	99	59 %	69	41 %	10	6 %	158	94 %
2011	179	101	56 %	78	44 %	12	7 %	167	93 %
2012	192	108	56 %	84	44 %	22	11 %	170	89 %
2013	258	150	58 %	108	42 %	24	9 %	234	91 %
2014	323	190	59 %	133	41 %	26	8 %	297	92 %
2015	502	268	53 %	234	47 %	63	13 %	439	87 %
2016	583	313	54 %	270	46 %	83	14 %	500	86 %

Figure 12. The labor market recipients (benefiters) by sex and age.

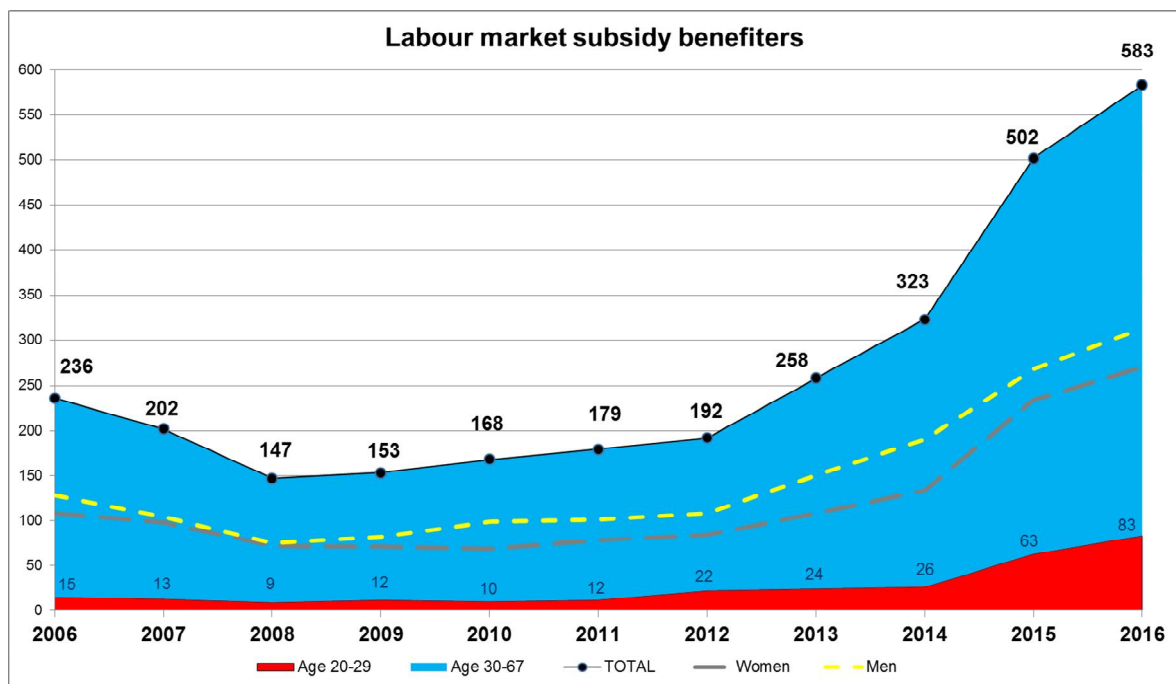


Figure 13. The graphic from the progress of benefiter in municipality of Vihti.

4.3 Promoting employment

Municipality of Vihti has launched projects earlier to mitigate the unemployment and to ease the every day life of the unemployed by establishing a group called 'Remonttipartio' in the year 2014.³⁹ And the Youth Workshop 'Vihtori' was established in the year 2012.⁴⁰ With Remonttipartio and Vihtori groups the municipality has implemented a statutory rehabilitative work activity with Joint Municipal Authority for social- and healthcare Karviainen.⁴¹ The aim is to improve employment promotion to the open labor market or to promote possibilities to participating education.⁴²

A collaboration with TE-Office both groups Remonttipartio and Vihtori have also implemented work tryouts for unemployed residents.⁴³

Before the Recycling Centre was established the municipality of Vihti employed a few unemployed with pay subsidy a year into its own sectors since it has been part of the statutory duties for municipalities.⁴⁴

The Recycling Centre of Vihti started to produce employment promotion services in 2016 and during that year there were 58 people in work try-outs or/and employed with pay subsidy.⁴⁵

The participants in employment promotion services are paid the unemployment security benefit which she/he is entitled to as an unemployed jobseeker and may also receive an expense allowance of 9€ per participation day. The expense allowance is paid by Kela.⁴⁶

³⁹ Tilinpäätös 2014 Vihdin kunta s. 4

⁴⁰ Tilinpäätös 2012 Vihdin kunta s. 87.

⁴¹ Vihdin Kunnanhallitus 84 §, 2015

⁴² Laki kuntouttavasta työtoiminnasta 2.3.2001/189 1 §

⁴³ Personal communication with Noora Nordberg 25.4.2017

⁴⁴ Vihdin Kunnanhallitus 84 §, 2015

⁴⁵ Tilinpäätös 2016 Vihdin kunta s. 55

⁴⁶ Kela.fi (retrieved 13.4.2017)

5. The economic benefits of employment promotion services in the municipality

According to the webpages of the TE-services employment promotion services include job search training and career coaching, work and training trials, labor market training, independent study supported by unemployment benefit, an immigrant's independent study supported by a benefit and rehabilitative work.⁴⁷

5.1 The employment promotion

In the municipality of Vihti the employment promotion services in Remonttipartio, Youth Workshop and Recycling Centre include only work tryout and rehabilitative work activity. The Recycling Centre is employing with pay subsidy residents whom are paid labor market subsidy over 300 days. This could be seen as promoting employment. The goal in 2017 is to employ 46 persons with 8 months fix-term contracts.

The Recycling Centre's employees are paid salaries by the weekly working hours (38h 45min is 100% weekly working hour) and a possible additional +3-8% based on working experience or by the liability of the position. With employer expenses the payrolls are

- 4) 1780,43 € / month to an employee with primary position and 85% of weekly working hours
- 5) 1885,42 € / month to an employee with an expert position and 85% of weekly working hours
- 6) 2429,39 € / month to an employee with a work supervisor position with 100% weekly working hours.⁴⁸

The employer may be eligible for a pay subsidy when it is hiring an unemployed jobseeker. The pay subsidy work is intended to improve the occupational skills of unemployed jobseeker and to promote employment to open labor markets.

⁴⁷ TE-services.fi (retrieved 13.4.2017)

⁴⁸ Personal communication with Noora Nordberg, 25.4.2017

Pay subsidies could be applied from TE-Office by companies, associations, foundations, congregations and registered religious communities, municipalities and joint municipal authorities as well as by households.⁴⁹ If the pay subsidy is granted due to shortcomings in the occupational skills the amount and duration is determined by the length of the unemployment. The maximum amount is 1400€ / month plus additional holiday pay by percentage. The duration of pay subsidy is determined by the length of jobseeker's unemployment. If the unemployment has lasted:

- less than a year: the maximum is 30% of payroll costs and the pay subsidy period is 6 months
- at least one year: the maximum is 40% and the period is 12 months
- at least 2 years: the maximum is 50% and the period is 12 months.

The pay subsidy also has a few exceptions:

- if it has been granted based on the disability or an illness of the jobseeker the period is maximum 24 months and for the social enterprise the period is maximum of 36 months at a time. The maximum is 50 %.
- if the jobseeker has been unemployed continuously at least 12 months, the pay subsidy for the social enterprise is 50% of payroll to max. 1 300€/month or 40% without a maximum amount in 12 months period
- if the jobseeker has been paid 500 days unemployment benefit, the pay subsidy is 50% of the payroll for 24 months period in social enterprise.
- in the case of an association or a foundation that does not practice business, the pay subsidy is 100% to the jobseeker that has been unemployed at least 2 years and for a work time of up to 65% in maximum 12 months period. The maximum amount is 1800€/month.⁵⁰

⁴⁹ Laki julkisesta työvoima- ja yrityspalvelusta annetun lain muuttamisesta ja väliaikaisesta muuttamisesta 7 luku § 1-3

⁵⁰ Laki julkisesta työvoima- ja yrityspalvelusta annetun lain muuttamisesta ja väliaikaisesta muuttamisesta 7 luku § 6-10

- if municipalities, joint municipal authorities, associations and foundations are employing a person to design and to organize a working and training places and other employment promotion services for the unemployed (job designer) the pay subsidy could be paid at least 24 months at a time. The maximum is 50%.
- if the jobseeker is over 60 years old and has been unemployed at least 12 months with 50% pay subsidy.
- if the jobseeker is in apprenticeship training the duration is for all of that time.
- if the jobseeker is under 30 years old the maximum duration of pay subsidy is 10 months.⁵¹

The clarification of the previous information about the eligibility of the employers and the different features of subsidies is in a chart in Figure 14.

The employment with pay subsidy will accumulate only 75% of the conditions regarding previous employment that is normally 26 calendar weeks. To fulfill the conditions regarding previous employment the fixed-term contract with pay subsidy must be at least 35 weeks.⁵²

⁵¹ Laki julkisesta työvoima- ja yrityspalvelusta annetun lain muuttamisesta ja väliaikaisesta muuttamisesta 7 luku § 7-10

⁵² TYJ.fi (retrieved 14.4.2017)

		Unemployed jobseeker				Granted based on the disability or an illness
		Unemployed less than a 1 year	Unemployed at least a 1 year	Unemployed at least a 2 years		
Pay subsidy % from payroll	30 %	All employers				All employers
	40 %		All employers			All employers
	50 %		Social enterprise with maximum amount of 1 300€		All employers	All employers
				Social enterprise from 500 unemployment benefit days		
	100 %	Municipalities, joint municipal authorities, association and foundation from workdesinger.				
Duration of pay subsidy	6 months	All employers			A non-profit association and foundation up to 65% of worktime for 12 months	
	12 months		All employers	All employers		
	24 months		Social enterprise from 500 unemployment benefit days		All employers if the jobseeker is over 60 year old	
	36 months	Municipalities, joint municipal authorities, association and foundation from workdesinger.				All employers
	Without maximum	Social enterprise based on the disability				
The amount of pay subsidy	1 300 €	All the employers if the jobseeker is in apprenticeship training				
	1 400 €		Social enterprise 50% of payroll	Social enterprise 50% of payroll		All employers
		All employers	All employers	All employers		
	1 800 €			A non-profit association and foundation up to 65% of worktime for 12 months		
Without maximum			Social enterprise 40% of payroll			

Figure 14. The clarification chart from the pay subsidy features.

5.2 Results and conclusions

The calculation model in Figure 15 is showing the economic benefit from the savings in labor market subsidy in a period of 40 months when the municipality has employed labor market subsidy recipient.

The savings for the municipality come from the time that a person is away from labor market subsidy funded by the municipality. Figure 16. shows a theoretical graphic of how the overall economic benefits will accumulate over the years. The average labor market subsidy cost / month / recipient and the 58 employment promotion customers in the Recycling Centre during 2016 is used as an assumption in the graphic.

The economic benefits from employment through the activity of the Recycling Centre of Vihti are presumed to be at their peak in 2019 when the first employees of the Recycling Centre could become entitled to having labor market subsidy funded by the municipality.

Savings in Labour Market Subsidy from employment	
<i>Factor</i>	<i>Indicator</i>
<i>A</i> Average labour market subsidy / month in year 2016	412,17 €
<i>B</i> Duration of fix-term contract / months	8
<i>C</i> Municipalitys savings in labour market subsidy during the employment period ($A * B = C$)	3 297,36 €
<i>D</i> Average months in unempolymnt security benefit before 300 days of labour market subsidy	32
<i>E</i> Municipalitys savings from labour market subsidy after employment 32 months ($D * A = E$)	13 189,44 €
<i>F</i> TOTAL savings in labour market subsidy in 40 months ($C + E = F$)	16 486,80 €

Figure 15. Savings from LMS in 40 months.

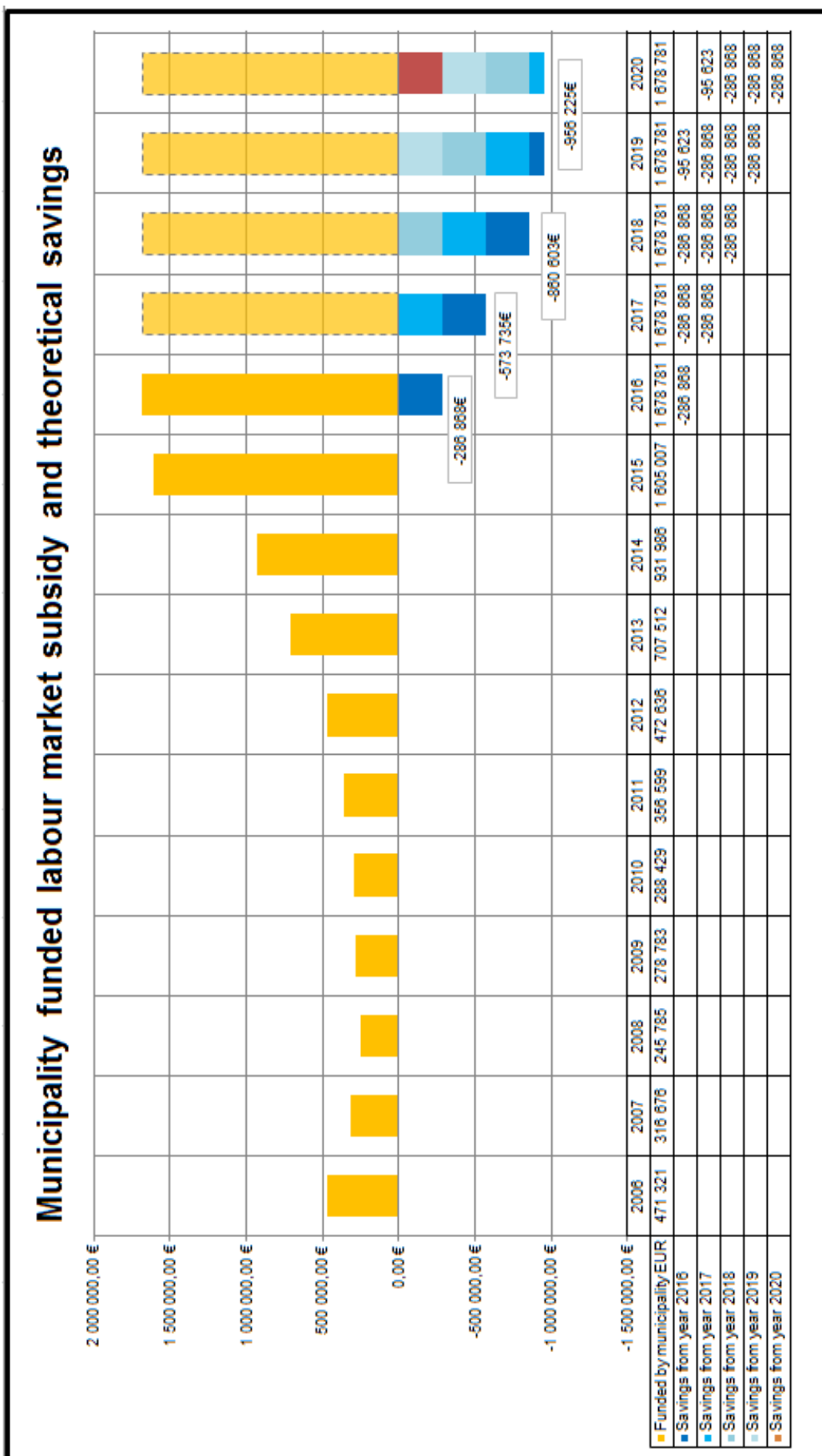


Figure 16. Funded LMS by municipality and theoretical savings of it during the employment and after.

The cost of employing with different pay subsidies and with different workstatus is calculated in the model that is shown in the Figure 17.

Expenses from primary employee		with 50% pay subsidy	with 40% pay subsidy	with 30% pay subsidy
G	Payroll with employer expenses / month	- 1 780,43 €	- 1 780,43 €	- 1 780,43 €
H	Duration of fix-term contract (months)	8	8	8
I	Total payroll from employment period ($G * H = I$)	- 14 243,44 €	- 14 243,44 €	- 14 243,44 €
J	with pay subsidy	- 7 121,72 €	- 8 546,06 €	- 9 970,41 €
		($I * 0,50 = J$)	($I * 0,60 = J$)	($I * 0,70 = J$)

Expenses from expert employee		with 50% pay subsidy	with 40% pay subsidy	with 30% pay subsidy
K	Payroll with employer expenses / month	- 1 885,42 €	- 1 885,42 €	- 1 885,42 €
L	Duration of fix-term contract (months)	8	8	8
M	Total payroll from employment period ($K * L = M$)	- 15 083,36 €	- 15 083,36 €	- 15 083,36 €
N	with pay subsidy	- 7 541,68 €	- 9 427,10 €	- 10 558,35 €
		($M * 0,50 = N$)	($M * 0,60 = N$)	($M * 0,70 = N$)

Expenses from work supervisor employee		with 50% pay subsidy	with 40% pay subsidy	with 30% pay subsidy
O	Payroll with employer expenses / month	- 2 429,39 €	- 2 429,39 €	- 2 429,39 €
P	Duration of fix-term contract (months)	8	8	8
Q	Total payroll from employment period ($O * P = Q$)	- 19 435,12 €	- 19 435,12 €	- 19 435,12 €
R	with pay subsidy	- 9 717,56 €	- 12 146,95 €	- 13 604,58 €
		($Q * 0,50 = R$)	($Q * 0,60 = R$)	($Q * 0,70 = R$)

Figure 17. The cost of employing.

The calculations in Figure 18. of the economic benefits from employing long-term unemployed in the Recycling Centre shows that generally it is benefiting the municipality. Depending on the amount of salaries paid the Recycling Centre's employment promotion services are benefiting the municipality about 2 800€ to 9 300€ per employee in the average 40 months time that individual is not paid labor market subsidy by municipality.

Expenses (minus) savings in labour market subsidy =	with 50% pay subsidy	with 40% pay subsidy	with 30% pay subsidy
Primary employee (<i>F + J = economic benefit</i>)	9 365,08 €	7 940,74 €	6 516,39 €
Expert employee (<i>F + N = economic benefit</i>)	8 945,12 €	7 059,70 €	5 928,45 €
Work supervisor employee (<i>F + R = economic benefit</i>)	6 769,24 €	4 339,85 €	2 882,22 €

Figure 18. Calculation results

For the exact calculations it is needed to know the granted allowances and subsidies from the municipality of each individual. Also tax incomes or losses have an impact on the results as well as social- and healthcare expenses if unemployment is prolonged.

These calculations did also not include the cost of providing the services (personnel, premises etc.) that has an affect on the total savings.

These calculation models could be used to calculate the benefits of employment promotion services if the services are developed more in different situations.

6. Enterprise form for employment promotion services

When starting a business it is essential to decide the form of the enterprise. Influential factors include the nature of operations, the need of capital, the number of participants in the establishment and operations as well as taxation and responsibility issues.⁵³

In this thesis the aim is to compare enterprise forms such as a limited liability company, a cooperative, an association or a foundation. These forms are compared through a Critical Success Factor Chart (CSF chart). The critical success factors are identified by using the value chain tool by Michael E. Porter. Identifying the factors from the value chain to CSF Chart is based on the competitive advantage theory and by the features of employment promotion as well as from a business point of view.

In developing employment measures or services that are, heading to an open market it is essential to identify that the obstacles to employment are related to challenges in job search and in the health- or overall life situation. Employment promotion services should include both employment and rehabilitation aspects when services are based on individual objectives and requirements, because long-term unemployed may have difficulties to maintain occupational skills and learning new ones, and may have reduced physical and mental health and social skills. The work tryouts and rehabilitative work activity are measures that could be seen as a path to the open labor market.⁵⁴

6.1 The value chain

Michael E. Porter's value chain is a basic tool to examine the activities of an enterprise and their interactions and to analyze the sources of competitive advantage. The value chain disaggregates the enterprise to strategic activities to understand the cost behavior and the differentiation sources. The differences between the competitors' enterprise is also the source of competitive advantage. The value in competitive terms is the amount that buyers are willing

⁵³ Yrityssuomi.fi (retrieved 26.4.2017)

⁵⁴ Harkko, J. et.al. (2012) s. 11, 46

to pay and an enterprise is profitable when its value exceeds the cost of creating the product or service.⁵⁵

In order to gain a sustainable competitive advantage in the market, the enterprise needs to focus on the low cost or differentiation. The cost leadership is one of the generic strategies in competitive advantage with the differentiation and the focus to achieve above-average performance. Through cost leadership, the enterprise aims to be the low-cost producer in the market and in the differentiation a unique value producer to the customers.

The focuser is aiming at a narrow competitive scope by optimizing its strategy for the target.⁵⁶

According to Michael E. Porter the *“competitive advantage could not be understood by looking at a firm as a whole. It stems from the many discrete activities a firm performs in designing, producing, marketing, delivering, and supporting its product⁵⁷.”*

Porter’s value chain includes nine generic categories of activities as shown in Figure 19 that consist of the value activities and the margin. The value activities are physically and technologically separated activities that the enterprise performs. The margin is the difference between total value that buyers are willing to pay and the cost of performing the value activities or producing services. Value activities could be divided into primary activities and support activities. Primary activities are involved in physical creation of the product or producing the services. Support activities are supporting the primary activities and each other. The gray dashed line in support activities reflects that it could be associated with only one activity as well as the entire chain.

When researching the comparison factors by using the Value Chain, it is necessary to identify them only in a particular industry (the business unit) as in this case of the employment promotion service.⁵⁸

⁵⁵ Porter, Michael. E (1985) Export Edition 2004 p. 33-38

⁵⁶ Porter, Michael. E (1985) Export Edition 2004 p. 11-16

⁵⁷ Porter, Michael. E (1985) Export Edition 2004 p. 33

⁵⁸ Porter, Michael. E (1985) Export Edition 2004 p. 33-43

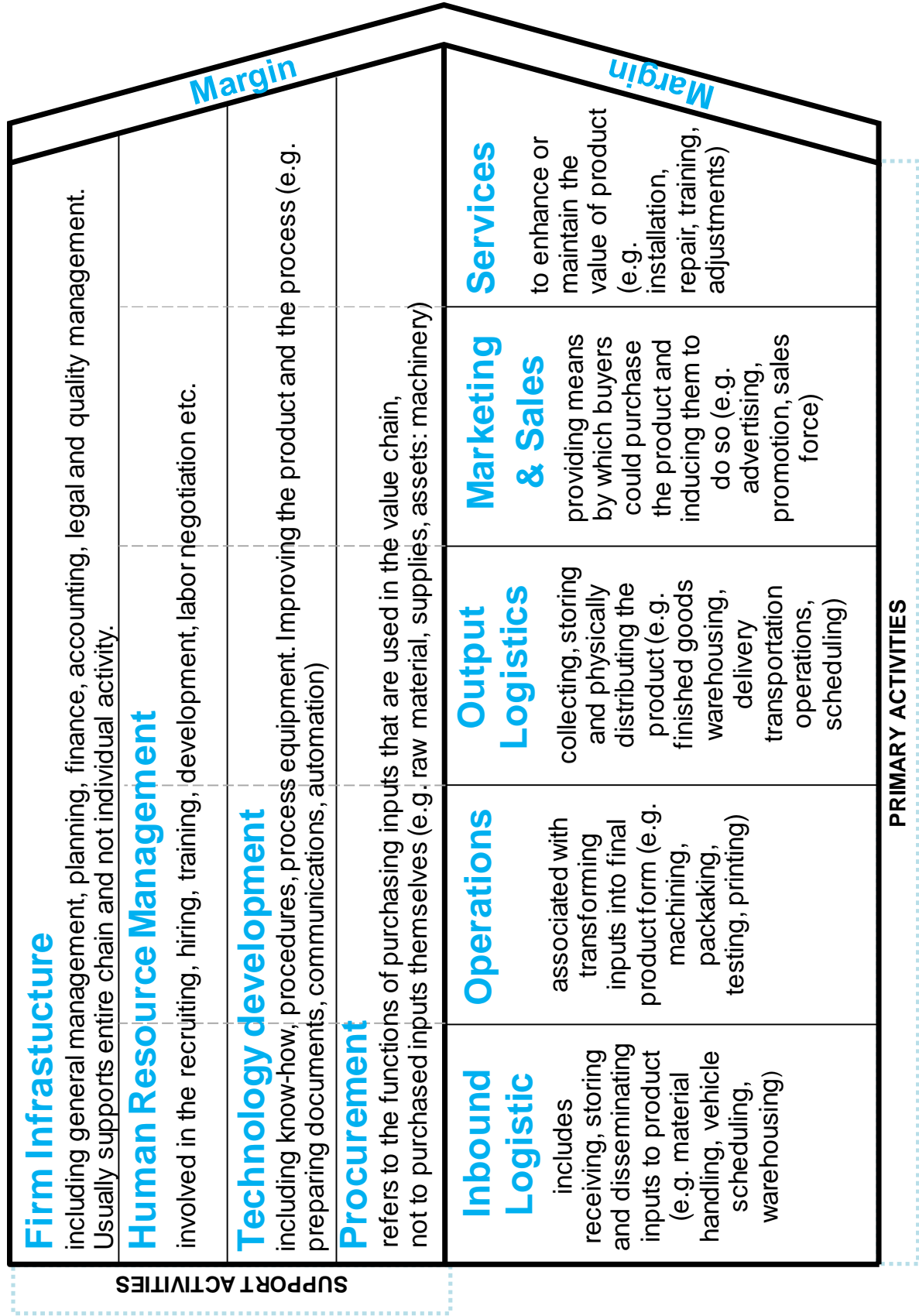


Figure 19. The value chain by Michael E. Porter

6.2 Defining the value chain of employment promotion services

The employment promotion services value activities could be seen as a part of the Human Resource Management activities, but as a producible and sellable service it is an own series of value activities.

From the generic (primary) chain the value activities are identified. Relevant value activities need to be defined so that discrete technologies and economics could be isolated from each other. Broad functions like marketing must be divided into activities.

The functions process or flow chart could be useful in dividing functions. The need for dividing degree depends on the economics of activities and the purposes of analyzing it. Basic principle is that if an activity has

- A.) different economics,
- B.) high potential impact of differentiation,
- C.) significant or growing proportion of cost.

Everything that the enterprise is doing should be included in a primary and support value activities. All the headlines in the value chain are artificial and they should be chosen to give a clear and best insight to the business.

In the service industries, according to Porter, where the operations, marketing, and after-sale support are often closely tied the headlining cause's confusion. The order of activities should generally follow the process flow/chart.⁵⁹

According to Porter also the headlining of the primary activities in services like the operations, marketing, and after-sale support causes confusion because they are often closely tied. But the ordering of activities should generally follow the process flow/chart of service.⁶⁰

The value chain of employment promotion is shown in a Figure 20.

⁵⁹ Porter, Michael. E (1985) Export Edition 2004 p. 45-48

⁶⁰ Porter, Michael. E (1985) Export Edition 2004 p. 48

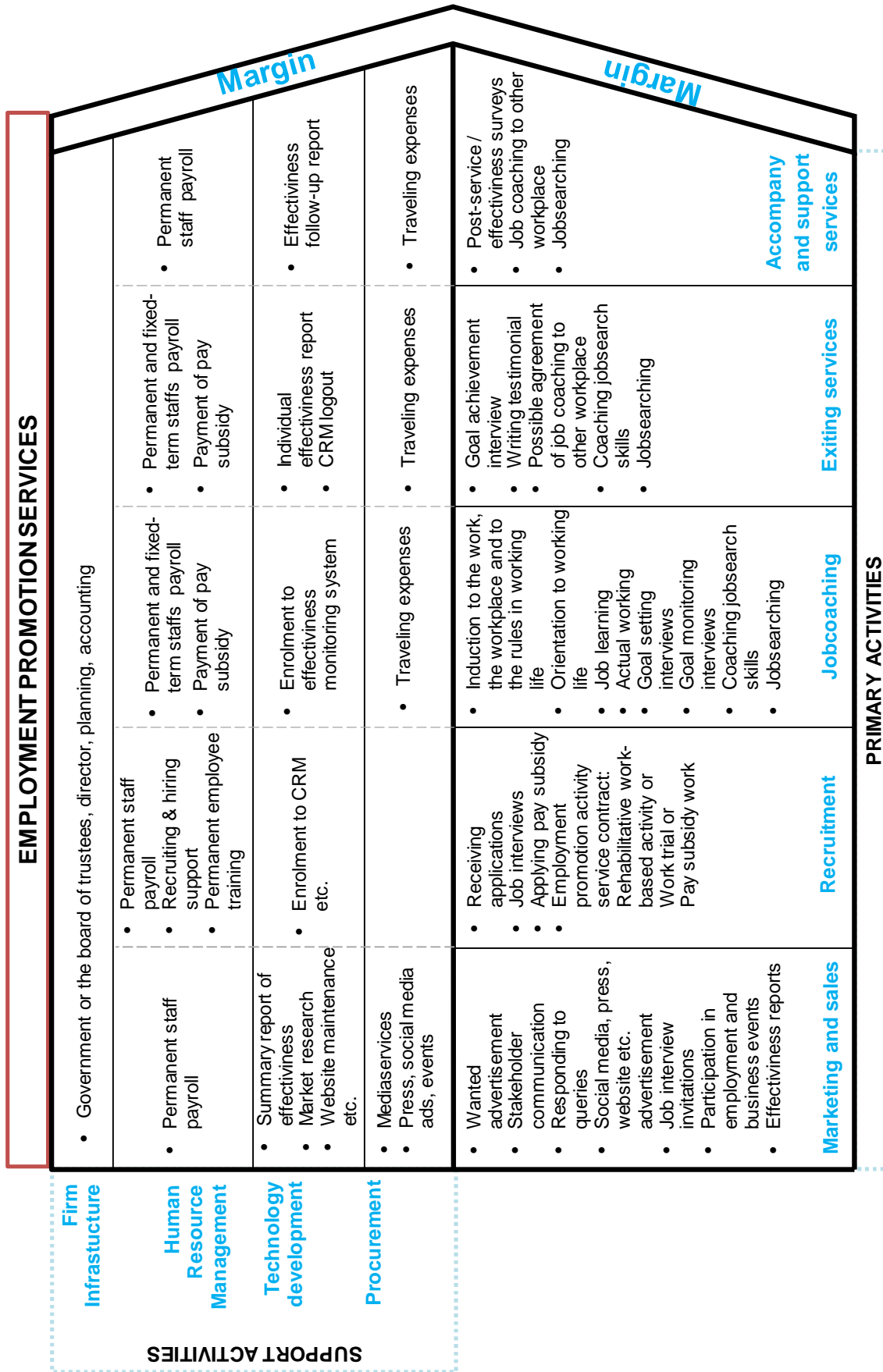


Figure 20. The employment promotion services value chain

6.2.1. The support activities

The firm infrastructure consists of the general management (director), planning (board of trustees or government, director, supervisors etc.), accounting (could be outsourced), finance (board of trustees or government, director) and quality management (director, supervisors etc.). The firm infrastructure supports the entire chain.

Human resource management is mainly thought of as an operational function of paying payrolls and applying pay subsidies as well as payments. Recruiting and hiring are primary activities in employment promotion services, but professional supporting and training for the permanent employees from HR is always needed.

Technological development is supporting primary activities with customers' development progress reports and the effectiveness of services to the customers. It is providing marketing to particular segments of customers and also to overall advertisement.

The procurement activity is mainly about purchasing services and platforms for marketing and sales, but also traveling expenses of the job coach etc. who is searching jobs for the employment promotion services customer and job coaching the customer to the workplace. Here could also be outsourced accounting and part of the human resource managements: paying payrolls and applying pay subsidies as well as payments.

6.2.2 Primary activities

Marketing and sales is the first primary activity in the services. It is sharing information about the service and its effectiveness as well as responding to questions about it. Marketing and sales could be the first customer contact. And it is also an activity that could offer training and/or employment to the service customers.

Recruitment, the inbound logistic activity, that is analyzing the applying customers' objectives and requirements to participate in the service as well as verifying the contract from the paying or buying stakeholder. Employment promotion service contract is prepared and sent before the next activity.

Jobcoaching is the operation activity where the customer is supported to work activities, self-evaluated and by jobcoach etc., to set or find goals, coached to working life and actual work. The goal setting is actually started earlier, even before signing a contract, but in this activity it will be clarified as well as the possible job/career ambition.

Exiting services, the output logistic activity, where the effectiveness of the service is measured and inquiries are made about the possible requirement of the support services. The accompany and support services are a part of marketing and jobcoaching activities, but here the customer is not in service full-time or at all in face to face.

6.3 Identifying the factors

Identifying the factors to the Critical Success Factor chart is not based on calculations of the costs or possible incomes. The factors could be seen as a source of low cost, income or differentiation. The low cost factors could be in the support activities in the personnel payrolls, in the government or board of trustees' fees, and accounting and payroll service costs as well as in technology cost and licenses or marketing services and personnels traveling expenses.

In the primary activities the low cost factors could be in marketing and sales if the customers are involved in the operations activity. Involving customers is also an income factor that comes from the amount of the work and training places for the employment promotion customers.

From the Recruiting to the Jobcoaching activity the employment promotion contract is a low cost factor as well as a differentiation factor. The contract also

has an impact on the cost of the induction to work, orientation and to the learning of job. The pay subsidy is lowering the payroll cost of the employee.

The exiting as well as the accompany and support services cost comes from mainly jobcoaches payroll and traveling expenses. From the exiting services the customer of employment promotion services is no longer an employee of the producer. The possible customer relationship comes from the service that the TE-office or another stakeholder could buy from the enterprise. Jobcoaching stakeholders customer to the other workplace. These activities could be seen as income factors.

6.4 Enterprise forms in a nutshell

The enterprise forms are distinguished from each other by different laws.

A limited liability company could be a private or public company. The difference between a private and public company is that the securities of a private company cannot be admitted to public trading, and the minimum share capital is 2 500€ for a private company and 80 000€ for a public company. The purpose of a limited liability company is to generate profits for the shareholders, unless otherwise provided in the Articles of Association. A limited liability company is owned by the shareholders and every share has equal rights if it is not written otherwise in the rules of the company. The company has to have a board of trustees. A governing board could be established to supervise the board of trustees. The board of trustees could select a managing director to take care of the daily administrative activities by the instructions from the board and is responsible for the realization of the purpose.⁶¹

One form of limited liability company is a social enterprise. The purpose of social enterprises is to provide employment opportunities and to create jobs, particularly for the disabled and the long-term unemployed. The disabled employees are those who have reduced potential of having an applicable work or retain a job or advancing in work because of an appropriately diagnosed injury, illness, or disability. The long-term unemployed have to be unemployed

⁶¹ Osakeyhtiölaki 5 §

at least 12 months or they have been paid unemployment security benefit for at least 500 days. A difference between social enterprise and a limited liability company is that 30% of the employees are disabled or long-term unemployed. Also the social enterprise has to be marked into a register that the Ministry of Economic Affairs and Employment is maintaining. The Ministry of Economic Affairs and Employment could grant support to establishing a social enterprise. Also support can be granted to other communities or foundations that are promoting or developing social enterprise activity.⁶²

A *cooperative* is an organization that is owned by its members, but they do not have liability for the obligations of the cooperative. Every member has equal rights if nothing else is said in the rules of the cooperative or in the law. The purpose is to promote the economic or business interests of the members. The members are taking advantage of the services that the cooperative is providing with its economic activity. In the rules of cooperative the purpose could be defined otherwise. A cooperative has to have a board of trustees. A governing board could be established to supervise the board of trustees. The board of trustees could select a managing director to take care of the daily administrative activities by the instructions from the board and is responsible for the realization of the purpose.⁶³

According to the Finnish Associations Act an *association* is a non-profit organization founded for the common realization purpose that is not be contrary to law or proper behavior. It may practice a trade or economic activity if it is provided for in the establishing rules or is economically insignificant and it is related to its purpose. This Act is not to be applied if the purpose is to attain profit or financial benefit for the members. A *registered association* could obtain rights and make commitments and appear other authority as a party. The members have no personal liability for the commitments of it. An association is owned by its members and every member has equal rights if it is not said otherwise in the rules. An association has to have an executive committee with no less than 3 members and one of them has to be a chairperson. If an association is not registered it cannot acquire rights or undertake obligations. The members or persons who are involved in an act on behalf of an

⁶² Laki sosiaalisista yrityksistä 1 §, 4§

⁶³ Osuuskuntalaki 14.6.2013/421

unregistered association are obligated to take liability on it personally, jointly and separately.⁶⁴

Also unregistered associations will be held as a community where incomes are taxed as its member's income.⁶⁵

A *foundation* should have a useful purpose and it should support or exercise promoting activity of the purpose. The purpose and the type of operations are determined in the establishing regulations. The purpose could not be conducting of business or gaining economic interest for the owner or others close to a foundation. The operations of a foundation are funded with capital or with the incomes from the operations or other funding. The establishing foundation capital should be a minimum of 50 000€. A foundation should be registered and it has to have a board of trustees. A governing board could be established to supervise the board of trustees. The board could select a managing director for the foundation that takes care of the daily administrative activities by the instructions from the board and is responsible for the realization of the purpose.⁶⁶

An association and foundation are considered to be non-profit organizations if they carry out all of these three criteria;

- the function is exclusively and directly for a common good. The common good could be material, mental, ethical, or social.
- the function is not aiming to a specified/limited personal circle
- it does not produce economic benefit by dividends, profits, reasonable wage or other compensation to the persons involved.

The evaluation of non-profit is done in taxation.

If conducting business is a significant part of the functions an association or foundation is not considered to be a non-profit organization.⁶⁷

⁶⁴ Yhdistyslaki 26.5.1989/503

⁶⁵ Vero.fi (retrieved 12.3.2017)

⁶⁶ Säätiölaki 487/2015

⁶⁷ Vero.fi (retrieved 13.3.2017)

6.5 The comparison with a critical success factor chart

The critical success factor is a method where factors that are necessary for a project or a company to achieve its goal or mission are graphically presented. A company needs a critical success factor to be profitable and to survive and it is used to compare it to its competitors.

The method has been developed by D. Ronald Daniel in 1961 and John F. Rockart between 1979 and 1981. The factors are asked from a team, for example questions like: "Why would customers choose us or what do we need to do to win?" The answer is typically a critical success factor and from there a matrix is created (example in Figure 21) where the factors are rated.⁶⁸

CRITICAL SUCCESS FACTOR CHART

FACTOR	BRAND											
	A			B			C			D		
	-	+	++	-	+	++	-	+	++	-	+	++
Cost		X			X				X	X		
Brand			X			X	X					X
Technology		X		X				X		X		
Employees	X				X		X				X	
Customer service		X				X			X		X	
Distribution			X		X			X		X		
Speed to market			X			X		X				X
Design		X		X			X				X	
Reliability		X			X				X			X

Figure 21. CSF chart example from the book `Service design 250 essential methods.

⁶⁸ Curedale, R. (2013) p.63

According to Boynton & Zmud, the method is effective in supporting planning and promoting structured analysis processes. It has been criticized by the validity of it because of the threat of bias between the team and analyst. The strengths of CSF are that it generates user acceptance and it facilitates a structure, top-down analysis or planning process.⁶⁹

In this thesis the critical success factor chart is used to the comparison of the enterprise forms in employment promotion services from the benefits of municipality and the market environment point of view.

In the CSF chart in Figure 22 is the factors that are considered to be important in the comparison. These are also the success factors of the municipality to produce employment promotion service. The matrix in Figure 22. is created with -1, 1 and 2 point rows of scale under the enterprise form title that is compared.

Point -1 row is for the factor that is not possible or has negative impact.

Point 1 row is for the factor that is possible or positive impact.

Point 2 row is for the factor that is possible and has significant advantage to enterprise compared to others. The comparison winner is the enterprise form that has best point from the total row score. The alphabets on the right are for to mark the clarification notes.

⁶⁹ Boynton & Zmud (1984) p.17-18

Critical Success Factor CHART		ENTERPRISE FORM														
		Foundation		Association		Co-operative		Limited company		Social Enterprise						
		-1	1	2	-1	1	2	-1	1	2	-1	1	2	-1	1	2
A	A possibility to ownership control															
B	Employed administration is not necessary															
C	The possibility to stakeholder engagement															
D	The possibility to outsource services															
E	The purpose is suitable for employment promotion services															
F	The purpose is suitable for business															
G	The committed establishing capital is low															
H	Possibility to long learning period in rehabilitative work activity															
I	Possibility to long learning period in work tryout															
J	Possibility to pay subsidy work															
K	100% pay subsidy from payroll costs															
L	50% pay subsidy from payroll costs															
M	40% pay subsidy from payroll costs															
N	30% pay subsidy from payroll costs															
O	Pay subsidy granted by disability or illness															
Points from a row		-2	13	0	-1	14	0	-2	11	4	-2	13	0	-2	10	6
Total		11	13			13			11			14				

Figure 22. The critical success factor chart.

Clarifying notes:

- A.** The municipality could be the owner of the enterprise form as a shareholder, member or as a founder what is from the employment point of view a relevant factor.

- B.** The need for employed administration is not required by the law or not to be noted in the rules. A cooperative has a significant advantage in this, because all the owners could participate in the needed activities. This also brings a cost advantage to the business.

- C.** Stakeholders engagement to the cooperative is significantly emphasized as an owner who is involved in the functions. The engagement is relevant from the employment and business point of view.

- D.** Outsourcing services, like accounting or payroll payments, is possible in every enterprise form. This could be a cost advantage factor.

- E.** Every enterprise form is suitable for producing employment promotion services if it is not seen as a profitable business.

- F.** An association and foundation are not suitable for business, because they may lose the non-profit organizations status and the benefits within.

- G.** The committed establishing capital for a foundation is a minimum of 50 000€. In a private company the capital need is 2 500€.

- H.** A long learning period in rehabilitative work activity is only possible in an association and foundation. A learning period is a cost factor for the employment business.

- I.** A long learning period in work try-out is possible in every enterprise form.

- J.** The granting of pay subsidy is possible for every enterprise form. It is a relevant cost factor.

- K.** Only non-profit associations and foundations are eligible for 100% pay subsidy. It is a significant cost factor.
- L.** Social enterprise has a significant advantage in pay subsidies if for example it is hiring an unemployed jobseeker for its support activities. The social enterprise has a cost effective possibility to hire people with different length of unemployment periods up to maximum of 36 months of pay subsidy work.
- M.** A social enterprise could employ an unemployed jobseeker with 40% pay subsidy without the defined maximum amount of payroll.
- N.** Every enterprise form is eligible to 30% pay subsidy
- O.** A social enterprise has a significant advantage to employ a person with granted pay subsidy that is based on the disability or illness for 36 months.

6.6 Results and conclusions

The results from the critical success factor chart of comparing the enterprise forms suitability to produce employment promotion service and to conduct business in a market environment shows, that a social enterprise has the best factors for success and is also benefiting the municipality as a possible owner.

The possibility of a social enterprise not to produce a rehabilitative work activity is decreasing the produce value of employment promotion because of its feature to allow a long learning period. The lack of non-profit status is affecting the possibility to have 100% pay subsidy. The significant possibilities to employ employees from a wide range of unemployed jobseekers are benefiting the employment promotion as well as the business activities.

An association and a cooperative also have good possibilities to succeed in employment promotion services. An association's challenge is the need of non-profit status to gain antecedence in producing employment promotion services cost effectively, but if it is conducting business in a market environment the non-profit status is not valid. A co-operative has its own possibilities to produce employment promotion services mainly by engaging the customers and stakeholders to the activities as owners. The business in a market environment could be conducted as in the private limited liability company or in social enterprise.

A foundation has its challenges in conducting business in a market environment and it also has a major need of committed establishing capital.

The challenges of a private limited liability company are the same as of the social enterprise and co-operative and it has almost the same possibilities to succeed that other enterprise forms have.

7. Summary

The aim of this thesis was to research the economic benefits and the possibilities for the municipality of Vihti to produce employment promotion services through the Recycling Centre in order to take into account the competitive neutrality of the business activities.

The research started with a brainstorming and a content analysis method in a case study context. The gathered data is mainly from quantitative research and official writings. The data has been gathered from primary sources like laws and official webpages as far as possible, with the main exceptions of the interpretation of laws where secondary sources have been used for a better understanding of the law.

Brainstorming has been used at the beginning of the research to develop the fluency of thinking and to clarify the relations of subjects in the framework as well as a visual presentation to facilitate the challenge assumptions.

The content analysis method has been used in a deductive approach where the categories are deducted from the brainstorm and the framework. The brainstorming and content analysis have been feeding each other's needs as the research has progressed. As a case study this thesis is a holistic research where both qualitative and quantitative research methods are exploited.

The research of economic benefits for the municipality of Vihti to organize the employment promotion services in the Recycling Centre started by gathering data about unemployment.

The cost of unemployment consists of many different factors, but the research focused on the cost for the municipality that comes from the subsistence of unemployed and from the cost of promoting employment.

From the employment promotion point of view, the municipality of Vihti gains economic benefit from producing it, compared to not employing long-term unemployed and promote employment otherwise.

The calculations conducted did not take into account the cost of the resources to provide the service (personnel, premises etc.), tax incomes and losses or the

social and healthcare expenses. The calculation models could be used in different situations when needed to calculate the economic benefits of employment promotion.

Part two of the thesis is researching the enterprise form that benefits the municipality the most to produce the employment promotion services in a market environment. The enterprise forms that are compared here are Limited Liability Company, social enterprise, foundation, association and co-operative. The comparison is done by the Critical Success Factor (CSF) chart and the success factors are researched with a Value Chain tool created by Michael E. Porter. The features of employment promotion and business are also taken into account.

The value chain has been invented to examine the activities of an enterprise and their interactions. From the activities and the interactions of them the sources of competitive advantage are analyzed. In order to identify the value activities with the value chain it is necessary to identify them only in a particular industry. For this reason the value chain has been made only from the point of view of the employment promotion services and not from the point of view of the Recycling Centre over all.

The enterprise forms presented here are distinguished from each other by different laws. The purpose, need of establishment capital, responsibility issues and the participators of the operations are influential factors in the decision of enterprise form. Identifying the factors into Critical Success Factor Chart was not based on calculations of the cost or possible incomes. The factors were identified as a low cost, income or differentiation source.

The results of the comparison show that a social enterprise has more successful factors regarding producing employment promotion services as well as conducting business in a market environment. Every enterprise form has its own possibilities to produce the employment promotion services successfully. Based on the CSF chart, the second most successful forms are that of an association and a cooperative and only after that the form of foundation and a limited liability company.

8. Recommendations

Based on this research it is *firstly* recommended for the municipality of Vihti to establish a social enterprise to produce the employment promotion services and to conduct the Recycling Centre's business in a market environment.

A social enterprise provides significant possibilities to employ unemployed residents with a wide range of background with pay subsidy. The pay subsidy is a cost reducing factor and should also be an encouraging factor to an employer to employ an unemployed. The current target group of the Recycling Centre has been unemployed for over 3 years, in which time their occupational and social skills could be reduced and the need for a learning and training period is increased.

The earlier commitment of the municipality's social enterprise to promote employment has an impact on the work ability of the unemployed which could reduce the need for long learning or training periods as well as it could be linked to the need of social and healthcare services.

The social enterprise also has the possibility to have the longest pay subsidy duration which has an impact on the business. The social enterprise could keep the same employee with pay subsidy. The advantage of this is that the employee already has learned the assigned work and the enterprise can avoid constant changes of employees.

The municipality of Vihti could own the social enterprise entirely or only a part of it. As a larger owner the municipality could affect the business strategy, the use of profits, as well as the possible distribution of dividends. If the social enterprise has more owners, the municipality of Vihti could engage some of the stakeholders for its purposes.

Secondly it is recommended based on this research, to establish an association to produce the rehabilitative work activity in employment promotion services. An association has the best cost effective factors to promote employment with a 100% pay subsidy. The employment promotion services could be seen as a

non-profit activity. When the association's executive committee consists of the municipality's officers and local politicians, the control of the strategy and services could be guided to serve the municipality's needs. The arrangement could support the defined purpose and establish the rules of the association.

Thirdly, if the arrangement to establish both enterprise forms, a social enterprise and an association, is seen to be too impractical, it is recommended for the municipality of Vihti to establish a foundation to produce employment promotion services as well as to run the Recycling Centre.

However, it should be taken into account that the need for committed establishment capital is the highest of the compared enterprise forms and conducting business in a market environment is prohibited. The Recycling Centre's activities should be developed in a non-profit direction to gain the benefits that a foundation has. The income could be used to fund the operations. These should be verified from the tax administration before the establishment. The foundation could produce services for employment promotion with the same benefits as an association, and also gain a cost advantage.

Fourthly, if the previously mentioned enterprise forms are seen to be too impractical for the purposes of the municipality of Vihti, it is recommended to gather all the stakeholders and the interested parties, as well as the unemployed residents, together and establish a cooperative.

The cooperative could be established with the unemployed residents. In this case they could decide as owners what the operations of employment promotion services include and in what direction it should be developed. Also engaging other stakeholders as owners could promote the purpose.

The cooperative could also be established with only the stakeholders and interested parties like associations, companies etc. In this case the unemployed residents would be hired as employees or would be customers of the employment promoting services. In this way the activities could be developed to meet the needs of local businesses as well as the needs of the political decision

making. The municipality's participation in the cooperative activities could be channeled through a previously mentioned social enterprise, an association or a foundation.

Over all it is recommended, that prior to making the decision of establishing any enterprise form with the aim to produce employment promotion services, that the municipality take into account the planned establishment of regional governments in 2019 and its impacts on the promotion of employment and the municipalities interest to produce these services.

The abolishment of the TE-offices as well as the health and social services being transferred under regional governments could bring significant possibilities to produce employment promotion services cost effectively and better possibilities to unemployed to promote his or her own employment if the services are designed together with the customers.

9. Critical examination and discussion

The research of the thesis started slowly in early winter 2015, about the same time as the Recycling Centre of Vihti started its operations in the recycling and employment. This thesis had quite a clear goal to answer the general question of how to produce employment services that benefits the municipality and does business in a market environment. The topic of the thesis is now current for the municipality of Vihti as well as other municipalities that are thinking about solutions how to promote employment for long-term unemployed and wondering how to produce these services in the future.

The change in the Unemployment Act and in the practices of the employment area has delayed the research. In the health, social services and regional government reform, it is planned that the TE-offices are closed down and merged into regional governments in 2019 together with the health and social services. That will have major effects on the employment promotion services as well as on the municipalities' interest to be part of the services.

One topic of discussion in the field of employment has been that in the future, the interest of the municipalities for the employment promotion could vanish if they do not have to fund labor market subsidies for the long-term unemployed anymore. One proposal in the reform is that if the municipalities are producing employment promotion services they should incorporate the operations, as the FCCA has recommended earlier.

These above issues had not been clarified at the time when this thesis was written and the effect of the changes have therefore been minimal. The outcomes of the long-term unemployed employment under regional government versus municipalities are still not obvious. Hopefully this thesis could give some knowledge when developing the employment promotion services in municipalities.

The results of the research are satisfying, but like in any qualitative research the results could be disputed and the answers could be different in some other situations. The success factors for example could be defined differently. In this

research they have been identified based on the point of views of the municipality and the business.

Using a brainstorm method in developing the individual fluency of thinking was a good idea as well as using it without sticky-notes. The thinking process proceeded nicely with the research as it found its place. The fact that the research was carried out during a relatively long period of time did not disturb the brainstorming as it was done with computer.

The goal in the research was to use secondary research data from primary sources like statistics, laws etc. Studying the law and interpretation it was difficult. In one sentence there could be 1-3 references to another part of the law or a reference to an entirely different law.

The webpages of the TE-offices and Kela have quite a good interpretation in the subject of the law that helped understanding, but sometimes the information had to be searched for with a browser, because finding the right place on the webpages was difficult. Statistics were easy to use. The challenges were in knowing what information was needed.

The calculation models were attempted to be designed clearly and in an understandable form. The information text in the calculation has its challenges in a vertical direction calculation model and therefore the font is not the same size in all models. Also the charts were difficult to fit in a vertical direction and they are placed horizontally which has an effect on the fluency of reading.

The value chain and the related competitive advantage theory by Michael E. Porter was an essential factor at the beginning of this thesis. The signals of the market orientation in employment activities of municipalities have been intense in the past few years and the competitiveness discussions have been a major topic in the market. The competitive advantage theory by Porter is a large subject and at some point it was limited from this thesis, because of the risk of confusing the main subject.

The value chain by M.E.Porter is a good tool for examining the activities of an enterprise and its interactions in order to analyze the sources of competitive advantage. The value chain tool is designed for the manufacturing industry and the use of it in the service industry could be difficult. The value chain includes words like product, machining, warehousing, material handling etc. and also the examples are mainly from manufacturing. However, Michael E. Porter presented some examples of exceptions from an airline services.

Using the value chain objectively in the research of success factors from services could be difficult, since the literature is from different times and from a different industry. To update the competitive advantage and value chain theory to present day, a service design approach would be needed. For example simplifying and categorizing the information of how to use the value chain so that it could be used in business service design. After the first time of knowing how the value chain is constructed it is easy to use for more specific needs. The value chain from employment promotion service in this thesis is one vision of it. It can be changed for a different purpose.

The critical success factor chart is easy to use, but the challenges are in designing the right factors. The factors that are used in this thesis are identified from the value chain and an objective interpretation is attempted.

The value chain as well as the critical success factor chart could be carried out by one person or a group of customers or participants. They might have some weaknesses, mainly depending on the definitions made and the reasons for making them. However, they may give valuable answers or insights to a current need as it did in this thesis.

9.1 Recent developments 22.5.2017

The Ministry of Economic Affairs and Employment released a draft 5.5.2017 of a government proposal titled *Hallituksen esitys eduskunnalle laeiksi julkisista rekrytointi- ja osaamispalveluista, alueiden kehittämisen ja kasvupalveluiden rahoittamisesta ja yksityisistä rekrytointipalveluista sekä eräiden niihin liittyvien lakien muuttamisesta*. The proposal is a part of the reform of health- and social services and regional government. In the proposal it is recommended that the law of Social Enterprises should be abolished. If this proposal is adopted the possibility of organizing the employment promotion services through a social enterprise, as suggested in this thesis, will no longer be possible. In this case this thesis still presents other ways of organizing employment promotion services in a market environment.

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