



Industrial relations and social dialogue
**Finland: Institutions, policies and
practices for enforcing minimum
wage compliance**

[Minimum wages: Non-compliance and
enforcement across EU Member States](#)
[Comparative report](#)

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Eurofound reference number: WPEF23051

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The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency established in 1975. Its role is to provide knowledge in the area of social, employment and work-related policies according to Regulation (EU) 2019/127.

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1. Legal framework and minimum wage enforcement institutions

Regulation of minimum wage enforcement

<p>LEGAL/REGULATORY FRAMEWORK</p>	<p>There are no statutory minimum wages in Finland, but Minimum wages are set in collective agreements. There is a distinction between generally binding collective agreements (“yleissitova työehtosopimus”) and normally binding ones (“normaalisitova työehtosopimus”). Generally binding collective agreements are applied at sectoral level even to non-organised employers. Normally binding collective agreements apply only to employers organised to the signatory Employer’s organisation.</p> <p>For generally binding collective agreements, the Employment Contracts Act (55/2001) provides that labour inspectorates (Regional State Administrative Agency) are responsible for monitoring compliance.</p> <p>For normally binding agreements, enforcement is the responsibility of the social partners who signed the agreement.</p> <p>Workers not covered by a collective agreement are excluded from compliance monitoring systems.</p> <p>Other relevant regulations: Criminal Code of Finland 39/1889; Non-discrimination Act 1325/2014; Act on the Contractor’s Obligations and Liability which provides that contractors have the obligation to check if the contracting partner complies with legally set requirements, including the applicable collective agreement.</p> <p>In 2020, a tripartite working group was established with the aim to intervene in intentional or grossly negligent underpayment regarding generally binding agreements. There is no information available about the schedule of this working group, whose mandate lasts until the end of the government period (2023). So far, concrete measures have not been introduced.</p> <p>Since 2016 a reform on information sharing allows enforcement institutions to have access to information collected by other authorities.</p>
<p>SPECIFIC REGULATIONS</p>	<p>No specific regulations.</p>
<p>DISPUTE RESOLUTION MECHANISMS</p>	<p>Normally binding collective agreements: the Collective Agreements Act does not regulate dispute resolutions in detail. However, in general employees can report violations to the local union representative, who contacts the employer and tries to solve the matter. If the case is not solved, the employer or the local representative can request the mediation of the trade union. The trade union can discuss the issue with the employer or, if an agreement is not reached, with the relevant employers’ organisation. If no agreement is reached, the dispute can be taken to the Labour Court of Finland.</p> <p>Generally binding agreements: there is no dispute resolution mechanism. If non-compliance is found by labour inspectors, the employee must take the matter to a court in order to obtain redress. The report written by labour inspectorates is not legally binding so it cannot be used by the employee to get the missing sum back.</p> <p>Workers are poorly protected against adverse treatment resulting from a complaint. In theory, employers are prohibited from taking countermeasures. However, as workers who are subject to the most severe violations are often non-unionised foreign workers, it can be difficult for them to react to the adverse treatment.</p>

Enforcement institutions and coordination system in place

ENFORCEMENT INSTITUTIONS	<p>The Regional State Administrative Agency (AVI) is responsible for monitoring compliance with generally binding collective agreement. It is a generalist institution which does not deal exclusively with minimum wages. AVI cannot order sanctions or other penalties in case non-compliance with minimum wages is detected. Police (only in certain cases) and general courts are responsible for the enforcement of minimum wages.</p> <p>Trade unions and employers' organisations are in charge of the enforcement of normally binding collective agreements, including provisions on minimum wages. In this case, disputes can be referred to Labour Courts.</p>
INTERNAL ORGANISATION	<p>Generally binding collective agreements: there are 7 Regional State Administrative Agencies AVIs [Aluehallintovirasto]. AVIs are independent authorities functioning in the administrative branch of the Ministry of Social Affairs and Health. Police operates under the Ministry of Interior. General Courts operate at three levels: district courts, court of appeal and the Supreme Court.</p> <p>Normally binding agreements: the Labour Court is an independent and impartial special court functioning in the administrative branch of the Ministry of Justice.</p> <p>Trade unions who sign collective agreements are usually organised at sector-level. They are usually affiliated to peak-level trade unions but act independently.</p> <p>Employers' organisations signatories to collective agreements are usually organised at sector-level. They are usually affiliated at peak-level employers' organisations but act independently.</p>
COORDINATION	<p>No specific coordination arrangements in place. Authorities cooperate at local level but there is no specific coordination body or arrangement. The Regional State Administrative Agencies and the police cooperate in monitoring foreign workers by making joint inspections.</p> <p>The Regional State Administrative Agencies can compare information gathered during inspections with information provided by other authorities.</p>
MONITORING AND DATA COLLECTION SYSTEM	<p>No monitoring tool is specifically focusing or measuring MW enforcement at national or regional level as the responsibility for minimum wage enforcement is very fragmented.</p> <p>One Regional State Administrative Agency (AVI Southern Finland) has an internal database on foreign workers which includes indicators on wages.</p>

Resources and capacity of control/enforcement institutions in charge of MW compliance

FINANCIAL RESOURCES	<p>In 2020 the overall budget for Regional State Administrative Agencies was EUR 29 million. It increased to EUR 30 million in 2021</p> <p>Financial resources are considered as partially adequate.</p> <p>No data is available on resources specifically devoted to activities dealing with minimum wage enforcement nor data on social partners' resources.</p>
HUMAN RESOURCES	<p>N/A</p> <p>Human resources are considered very adequate.</p> <p>According to AVI local representatives, they never had issues in recruiting staff. Furthermore, they have specific units monitoring foreign workers and their working conditions.</p>

	Increased in 2021.
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2. Enforcement measures

BALANCE BETWEEN DETERRENCE AND PREVENTIVE MEASURES	<p>The Finnish system relies heavily on reactive measures. The enforcement system is focused mostly on reacting to workers' notifications and assisting employers and workers in interpreting collective agreements.</p> <p>For generally binding collective agreements, the fact that AVI cannot give binding instructions or sanctions can be seen as making the system less effective. Even when non-compliance is detected, employees need to contact either a lawyer or a trade union to get the missing sum back. Considering that the employees subject to non-compliance are in most cases foreigners and often in a vulnerable situation, it can be argued that the system is not effective.</p> <p>For normally binding collective agreements, non-compliance with minimum wages is very rare. However, there is no systematic monitoring of compliance with minimum wages.</p>
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Deterrence measures

TYPE OF MEASURE AND CHANGE IN USE IN THE LAST DECADE	<p>Inspections by request: AVI carries out inspections based on request from employees, employers, social partners and other stakeholders; mainly for generally binding collective agreements.</p> <p>Targeted inspections: for generally binding collective agreements.</p> <p>Follow up of previous offenders: only for more severe violations and for generally binding collective agreements.</p> <p>Data matching and information sharing: for generally binding collective agreements.</p> <p>Use of peer-to-peer surveillance: for both generally and normally binding collective agreements.</p> <p>Use of supply chain responsibility: in accordance with Act on the Contractor's Obligations and Liability when Work is Contracted out (1233/2006), the contractor is obliged to check that the contracting partner fulfils the legally set requirements. However, this is rarely done.</p>
INSPECTIONS AND VIOLATIONS	<p>Generally binding agreements: no data available on the number of inspections. The main issue is not the number of inspections but the fact that AVI can do so little when detecting non-compliance. In some cases, AVI can give an exhortation and if the employer does not follow it, an administrative decision combined with a penalty payment is possible. However, in most cases it is the employee who has to take the matter to court. No data available on the number of violations.</p> <p>Normally binding agreements: no data available on violations. However, peak-level social partners representatives argue that violations of provisions on minimum wage are very rare.</p>
SANCTIONS	<p>Generally binding collective agreements: AVI cannot impose sanctions or other penalties in case non-compliance with minimum wages is detected. In some cases, AVI can give an exhortation and if the employer does not follow it, an administrative decision combined with a penalty payment is possible. In case the matter is taken to court, the employer can be given a fine or, in severe cases, sent to prison.</p>

	<p>This system is considered to be poorly effective as employers who do not comply with minimum wage provisions are rarely sanctioned.</p> <p>Normally binding collective agreements: the Labour Court can oblige the employer to pay back the missing sum to the employee and may also be sanctioned to pay a compensatory fine to the relevant trade union. In some cases, the employers' organisation is also given a fine for breaching its obligation to monitor compliance with collective agreement.</p> <p>No information available on the number of sanctions imposed.</p>
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Persuasion/preventive measures

TYPE OF MEASURE, INSTITUTION IN CHARGE, CHANGE IN THE LAST DECADE	<p>Provision of advice to workers and employers: AVI has a national phone line that employees and employers can use to receive support or request inspections.</p> <p>Awareness raising and information: the collective agreements' signatory parties organise workshops and training for their members to provide information about the agreements and their interpretation. Also, some Trade Unions also organise such events to non-members These activities do not focus solely on minimum wage.</p>
ROLE OF DIGITAL TOOLS	Digital webinars were organised during the COVID-19 pandemic to provide information on collective agreements, but the focus was not on minimum wages.

3. Role of social partners and other stakeholders

Social partners

ROLE + FOCUS ON SPECIFIC SECTORS/TERRITORIES/ WORKERS	<p>The sector-level social partners have a central role in detecting and enforcing/promoting MW compliance among companies and workers.</p> <p>It is up to the parties in the agreements to decide how they want to monitor compliance with minimum wages. In most cases, monitoring is reactive.</p> <p>Trade union representatives may act as a mediator between the worker and the employer or the relevant employers' organisation.</p> <p>Social partners also organise seminars and trainings for employers and workers' representatives regarding collective agreements.</p> <p>In the construction sector the trade union has a more active role as it carries out regular inspections at construction sites and checks both issues relating to the working environment and issues relating to employment contracts, including minimum wages. This involves both the main and the sub-contractors' employees.</p> <p>Social partners have no role in monitoring generally binding collective agreements.</p>
CHANGE IN LAST DECADE	Stable
COORDINATION	There is no formal cooperation or coordination mechanism between sector-level trade unions/employers' organisations or sector-level and peak-level trade unions/employers' organisations.

	Cooperation between the signatories to the agreements is limited to information sharing and negotiations in dispute resolution.
STRENGTH/WEAKNESSES	<p>Disputes are generally solved at workplace level or local level, also thanks to the high number of unionised workers.</p> <p>The main weakness is that the system is reactive, and interventions are based on a worker notification.</p> <p>The construction sector's collective agreement is the only agreement that establishes a proactive monitoring system.</p>

Role of other institutions/stakeholders

OTHER INSTITUTIONS/STAKEHOLDERS	<p>Generally binding collective agreements: the Finnish police can open a pre-investigation upon request of the AVI if labour inspectorates believe that a severe case of non-compliance can constitute a crime.</p> <p>Since 2016, labour inspectors have the right to access information on employers collected by other authorities (e.g. police, tax authorities). However, there is no specific agreement on information sharing.</p>
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EU cooperation

EXAMPLES OF EU COOPERATION	<p>Generally binding collective agreements: coordination and cooperation at EU-level or bilaterally is limited and the focus has not been on minimum wages. Cooperation takes place mainly with other Nordic countries and the Baltic states.</p> <p>Normally binding collective agreements: no cooperation activities.</p>
CHANGE IN LAST DECADE	Slightly increased.
STRENGTH/WEAKNESSES	<p>The key hinder for cooperation is the difference in mandate of the authorities of the Member States. Cooperation between Finland and the Baltic states works since the mandate of the authorities in each country is relatively similar.</p> <p>Another issue is the project-dependency of international cooperation: the cooperation hardly continues when a project ends.</p>

4. Enforcement challenges, strengths and weaknesses of the enforcement system

MAIN ENFORCEMENT CHALLENGES	<p>Challenges in minimum wage enforcement are mainly related to generally binding collective agreements. Among the main issue is the length of proceedings, which can be particularly long and complex.</p> <p>Another challenge regards non-compliance as a criminal matter. Severe breaches of non-compliance may constitute work discrimination or extortionate work discrimination. However, it is often difficult to establish a clear link between the ground for</p>
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	<p>discrimination (e.g. religion) and the act (underpayment). As a result, it can be difficult for the authorities to proceed with the case.</p> <p>In addition, it is often difficult for employees to exercise their right to redress as they lack information about their rights and proceedings are long and complex.</p>
<p>STRENGTHS AND WEAKNESSES</p>	<p>The legal framework for normally binding collective agreement is considered effective and allows for a rapid solution of disputes. For these collective agreements, non-compliance with minimum wages is very rare. However, there is no systematic monitoring of compliance with minimum wages.</p> <p>However, for generally binding collective agreements, AVI's mandate is too narrow as it cannot give binding instructions or impose sanctions when violations are found. In many cases workers do not take the case to court due to the length and costs of proceedings: even when non-compliance is detected, employees need to contact either a lawyer or a trade union to get the missing sum back. Considering that the employees subject to non-compliance are in most cases foreigners and often in vulnerable situation the system is not effective.</p> <p>Overall, the current legal framework works well for unionised workers but not for workers who are not members of a trade union.</p> <p>Monitoring of non-compliance is not systemic enough: with the exception of the construction sector, inspections are often carried out after worker notification. Resources are directed to sectors with a higher risk of non-compliance.</p> <p>The Finnish system relies heavily on reactive measures. The enforcement system is focused mostly on reacting to workers' notifications and assisting employers and workers in interpreting collective agreements.</p>

Source: National Eurofound Correspondent for Finland

WPEF23051

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