Finland: Developments in working life 2016
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Eurofound reference number: WPEF17015
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Political context affecting working life aspects
No information.

The government(s) in office during 2016

<table>
<thead>
<tr>
<th>Government 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>In office since / to</td>
</tr>
<tr>
<td>Name of the head of government (prime minister /</td>
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<td>chancellor / …)</td>
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<tr>
<td>Name all the parties that are forming this</td>
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<tr>
<td>government</td>
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<tr>
<td>List the changes in the composition of the</td>
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<tr>
<td>government in 2016</td>
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Elections and referenda
There were no elections.

Forthcoming significant elections or political events in 2017
Municipal (local government) elections will take place on 9 April 2017. Municipal elections are held every four years. As of 2016, there are 297 municipalities in continental Finland and 16 in the province of Åland. Municipal elections in Åland are not synchronised with those of continental Finland: the next elections will take place in 2019. There are a total of 9,000 local government seats open across the country. The number is 7% smaller than in the previous elections, a consequence of municipal mergers and the new Local Government Act of 2015, which allows for more flexibility in the local government size than before. Parties must set their candidates for the election by the end of February 2017.

Reactions from the social partners on new government’s working life policies
Not relevant
Developments in social dialogue and collective bargaining 2016

Major developments in national/peak-level social dialogue 2016

Changes affecting the social dialogue actors and institutions in 2016

Representativeness
There have been no changes in the way in which representativeness of social partners is regulated or assessed.

Major developments affecting the main actors
The difficult negotiations on the tripartite Competitiveness Pact brought to an end the merger project of SAK and the Finnish Confederation of Professionals (STTK) initiated in November 2014. After the merger investigations were finalised in March 2016, several STTK member unions and later some SAK member unions announced their withdrawals, and the merger was finally abandoned in early June 2016. Many STTK members reportedly found SAK too openly leftist and were worried that SAK – the bigger union of the two – would have ended up dominating the new organisation. These problems were accentuated during the Pact negotiations.

Peak-level trade union relations were further affected by the decision of the Confederation of Unions for Professional and Managerial Staff in Finland (Akava) in September to limit its cooperation with STTK and SAK. Akava thus quit FinUnions, the three confederations’ common lobbying office in Brussels, stating that the office is no longer helpful in promoting the interests of its members. It also considered stopping its funding to the Labour Institute for Economic Research (PT), an independent non-profit organisation funded by the three confederations. This plan was eventually abandoned. Both SAK and STTK, as well as some of Akava’s member organisations, were disappointed with Akava’s decision. Some see Akava’s move as part of a long-term project to overthrow STTK and establish an industrial relations landscape with only two central-level employee organisations – SAK and Akava. Relations between Akava and STTK have long been strained due to Akava’s perceived vying for STTK’s members.

On the employer side, the self-imposed change of internal rules of the Confederation of Finnish Industries EK entered into force in May 2016. The decision entails that EK will no longer be able to conclude central-level wage agreements on behalf of its members, but will only be supporting and coordinating its members in their sectoral-level bargaining. The decision is a step towards EK’s overall aim of increasing local-level bargaining. Meanwhile, the Finnish Forest Industries Federation will quit EK in January 2017 on the grounds that it wants more efficient and better targeted interest promotion. Analysts claimed that the Competitiveness Pact negotiations acted as a catalyst for the Forest Industries’ secession, having reaffirmed EK’s internal conflicts between the industrial sector and the service sector. The Forest Industries Federation has an important symbolic significance and the generally solid and unitary image of EK suffered from the separation. In combination with the withdrawal from collective bargaining, this could result in a lessening of EK’s influence and a move away from its social partner status towards purer interest promotion.
Legislative or institutional changes to the main social dialogue institutions

There were no significant changes to the main social dialogue institutions.

Changes in the social dialogue processes

Social dialogue processes returned to a more normal state of affairs during 2016, after the strained tripartite relations of 2015 when the Government of PM Juha Sipilä seemed to distance itself from the traditional tripartite consensus model of social dialogue.

Main social dialogue topics and outcomes in 2016

<table>
<thead>
<tr>
<th>Themes</th>
<th>Description of issue</th>
<th>Main result</th>
</tr>
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<tbody>
<tr>
<td>General labour market topics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job creation, reduction of unemployment</td>
<td>The Government’s aims at raising the national employment rate from 69% to 72%. Active labour market policy measures should encourage people to work and weaker terms of employment and lessened regulation should help create new jobs.</td>
<td>Some employment legislation passed, other initiatives still debated.</td>
</tr>
<tr>
<td>Active labour market policies</td>
<td>In order to raise the employment rate, terms and conditions of accepting work will be tightened, monitoring of the unemployed increased, welfare traps countered, and new activating measures introduced.</td>
<td>Some legislation passed, other initiatives still debated.</td>
</tr>
<tr>
<td>Benefits (unemployment, sickness schemes)</td>
<td>Budgetary austerity has involved cutbacks in most social benefits, including e.g. unemployment benefit, housing benefit, sickness benefit, student allowance, parental benefits and child allowance.</td>
<td>Legislation passed</td>
</tr>
<tr>
<td>Taxation and non-wage related labour costs</td>
<td>Transfer of part of the liability for social security contributions from employers to employees to improve employer profitability. Lowered income taxation promised as a compensation for losses in consumer purchase power inflicted by the Competitiveness Pact.</td>
<td>Tripartite agreement reached on both issues</td>
</tr>
<tr>
<td>Pension reforms</td>
<td>Not much debate; <a href="https://en.wikipedia.org/wiki/Pension_reform">pension reform</a> negotiated in 2014 will take effect in January 2017.</td>
<td>-</td>
</tr>
<tr>
<td>Labour market participation of different groups</td>
<td>The influx of asylum seekers in 2015 intensified the discussion on migrant labour market participation. Employment of stay-at-home mothers is one aspect of the endeavour toward a higher general employment rate.</td>
<td>Various schemes planned and some undertaken for increasing migrant employment. Policy debate on reforming family leaves ongoing.</td>
</tr>
</tbody>
</table>

### Working life related themes

| Wage setting systems, including the setting of minimum wages | Bipartite negotiations for a 'Finnish wage model' where export sectors would set the limits for pay raises. Wage freeze in 2017 included in the Competitiveness Pact. Debate on sub-minimum wages for facilitated employment of excluded groups and for improved economy. | Wage model negotiations still ongoing. Tripartite agreement on wage freeze reached. Debate on low wages ongoing but currently latent. |
| Working time regulations | Extension of annual working time by 24 hours included in the Competitiveness Pact negotiations | Tripartite agreement reached, working time extended |
| Health, safety and well-being at work | No major issues debated in this area | - |
| Work-life balance related themes, incl. family leaves | Family leaves debated within the framework of increasing women’s working life participation. Government planned on raising children’s day care fees significantly as a step towards the general aim of balancing public finances. | Policy debate on reforming family leaves ongoing. Day care fees lowered instead of raised. |
| Skills, training and employability | A [reform of vocational education and training](https://en.wikipedia.org/wiki/Vocational_education_and_training), including a new type of on-the- | Process to be continued, pilot projects in place in 2017, planned date of |
job learning model, is underway. The reform is intended to speed up school-to-work transitions.

Any other relevant themes/topics addressed in the national level/peak level social dialogue

Examples of selected significant social dialogue debates

**Tripartite Competitiveness Pact weakens employee working conditions, Finnish wage model potentially to replace historical peak-level tripartite national income policy agreement**

The Finnish economy has been mostly stagnating since 2008, resulting in a rapid increase in both unemployment and government debt. The Government of Prime Minister Juha Sipilä, having taken office in May 2015, proposed as a solution significant austerity measures, labour market reforms (see below), and a major tripartite labour market agreement. The agreement would strive for a 5% increase in the country’s competitiveness by lowering unit labour costs. According to the government programme, without the agreement further budgetary cuts and tax levies would be necessary. After several tripartite negotiation rounds to reach an agreement failed, the Government threatened to instead resort to legislative measures for regulating working time and wages, which triggered a broad nation-wide political strike. Despite very tense tripartite relations, a preliminary peak-level agreement was finally reached in February-March 2016. Some 300 sectoral-level collective agreements were then negotiated according to the terms and conditions of this ‘Competitiveness Pact’. Only a handful of trade unions opted out, and in the end over 90% of the country’s employees were covered by collective agreements complying with the Pact. The Pact’s main contents involve a wage freeze for 2017; a 24-hour extension of annual working time without additional compensation; reduced pay for public sector employees; and a transfer of part of the liability for social security contributions from employers to employees. To balance the situation, income taxation should be alleviated by €515 million in 2017. Social partners on both sides were dissatisfied, but saw the options as even worse. The Competitiveness Pact is exceptional in both national and international comparisons, as it is thought there has never before been a negotiated solution that weakens employee working conditions to this extent.

Alongside the Pact, though not part of it, is a preliminary agreement between the social partners to give up central-level collective bargaining for the benefit of a Finnish wage model (based on the Swedish wage model), where export industries and other sectors sensitive to international competition would set limits on future wage rises. The historical significance of the Pact would thus increase because it would mark the last peak-level tripartite national income policy agreement (tulopolitiittinen kokonaisratkaisu), which has dominated the labour market system in Finland since the 1960s. However, the Finnish model is still being negotiated by the social partners, and its future remains uncertain.

**Active labour market policies weaken unemployment security while requirements on employers are relaxed**

The second part of the Government’s plan to remedy the national economy is raising the employment rate from the current approximately 69% to 72%. These objectives are to be reached mainly through a combination of weakened unemployment security, active labour market policies, and increased flexibility for employers. These issues were included in the government’s budget proposal for 2017 in August-September 2016 and subsequently submitted to a tripartite committee for negotiation and development. The committee did not reach an agreement, as the employers viewed the Government’s proposals as too soft and the
trade unions as too harsh. However, despite their reservations, all social partners accepted the Government’s decision to continue pursuing the measures. Many of the amended proposals were subsequently debated and passed in Parliament in late 2016, and will come into force in 2017. The reforms include, but are not limited to, the following:

- Lowered unemployment benefits and a shortened period of earnings-related unemployment allowance
- Restricted right to unemployment benefit when quitting a full-time job
- Tightened requirements for accepting work: after three months of unemployment, the unemployed cannot refuse full-time work offered without losing unemployment benefit
- Scaling down of level and/or duration of employment measures such as wage subsidies and start-up grant support
- Introduction of PES interviews with the unemployed every three months to update the individual employment plan
- Introduction of short, optional, unsalaried work trials
- Introduction of an early retirement scheme for those aged over 60 and unemployed for over five years
- Employers allowed to hire long-term unemployed on fixed-term employment contracts without justifying the fixed-term duration
- Extension of the maximum duration of qualifying periods for new employees
- Employers’ re-employment obligation shortened

**Sectoral and company level social dialogue 2016**

The apparent withdrawal of the Confederation of Finnish Industries EK from central-level bargaining (see above) will imply that collective bargaining will probably move more to the sectoral level. In addition, most new collective agreements negotiated in 2016 adhere to the central-level tripartite Competitiveness Pact. This means that in most sectors, greater leeway than before has been left for local bargaining for the duration of the collective agreements. There were no relevant changes in legislation.

**Main developments - other than wages and working time - from important collective agreements or bargaining rounds**

The tripartite Competitiveness Pact (see above) includes provisions of a transfer of part of the liability for social security contributions from employers to employees.

**Examples of innovative collective agreements (at any level) made during 2016**

The new construction sector collective agreement of 2016 includes an exceptional provision allowing wages of €6/h for unskilled, untrained and inexperienced workers (as compared to nearly €10/h for inexperienced students in the sector). Such sub-minimum contracts can be signed for fixed periods of maximum six months. The measure is intended to facilitate the labour market integration of for instance migrants and youth. The ruling is not wholly unprecedented, as students and trainees already have their own pay tables in many other sectoral collective agreements.
Policies and actions to address pay-inequalities

The recent public debate on pay gaps at the workplace

In January 2016, the then Minister of the Interior Petteri Orpo suggested that immigrants without language skills and other qualifications could be hired at lower salaries than collective agreements dictate. The proposal was widely rejected – by peak-level trade unions, opposition parties and the government partner Finns Party. The debate on pay differences continued in August when the Permanent Secretary of the Ministry of Finance Martti Hetemäki publicly argued that Finnish people should accept job polarisation and income equality as necessary in the current economic situation. According to Hetemäki, slackening the conditions of employment and allowing wages lower than those dictated by collective agreements is the only way to raise the employment rate in the country, and in the long run to maintain the welfare state. The Government announced it had no intention of increasing low-wage work, but public debate on the matter nevertheless continued throughout the autumn in different media.

A pay debate with a different focus was sparked in October by a survey by the Finnish Confederation of Professionals STTK concerning the pay secrecy principle. The results of the survey, which was carried out in September and involved 776 respondents, suggest that the majority (58%) of the Finnish people would be prepared to abandon pay secrecy for the benefit of pay equality. According to the secrecy principle, the pay of an individual employee is a private matter and cannot be made public – a tenet the employers’ organisations wish to hold on to. Meanwhile, the peak-level trade unions believe that employee representatives should have access to the pay information of the employees they represent. Accordingly, this would arguably not only promote pay equality, but also facilitate local wage bargaining demanded by employers. The matter does not seem to have moved forward on the policy agenda.

Positions regarding the posted workers directive

Positions of trade unions

While Finnish trade unions have rarely commented on posted workers as such, the more general issue of foreigners on the labour market has engaged them strongly in recent years as they have combatted the introduction of cheap labour in the country. The matter has been particularly pertinent in the construction sector. Along the years, the focus of the debate has somewhat shifted from the increasing insecurity on the labour market (such as fixed-term contracts and zero-hour contracts) towards the risk of cheap labour as a consequence of the increased influx of foreign workers in the country. Trade unions wish to protect foreign workers from exploitation, since this is seen as a way to prevent social dumping that could risk to negatively affect also national employees.

The specific issue of posted workers received some media attention in Finland in February 2015 in connection with a preliminary ruling from the European Court of Justice, according to which the host country’s rules on minimum wages must be ‘binding’ and ‘transparent’ in order to be invoked against a foreign service provider. However, the ECJ left it to the Finnish court to assess whether these two requirements had been met. Many trade unions expressed their satisfaction with the ruling, seeing it as an important confirmation for the Finnish model based on generally applicable collective agreements.

Positions of employers organisations

Employers at central level see foreign employees as a potential asset. Interview data suggest that the Confederation of Finnish Industries EK does not see underpayment as a common problem among posted workers. Instead, employers highlight problems that might hinder the free movement of workers. These problems relate to the administrative burden and
bureaucracy, such as difficulties interpreting what the minimum conditions in Finnish collective agreements. Interestingly though, the construction sector employers’ organisation seems to be closer to the trade unions than the central level employers’ organisation, although they also focus on avoiding distorted competition in protecting the interest of their member companies.

**Position of the government**

The government has not been very active in the question of posted workers. It has mainly been interested in the issue in relation to grey economy, which causes a loss of tax revenue and distortion of business competition. Pertinent aspects in this regard include social dumping, tax evasion, undeclared work and corruption. Concerning the implementation of the EU directives on posted workers, the government has envisaged a strategy focusing on the minimum requirements of the directives.

**Pay gaps at the workplace**

**Evidence**

A 2015 study commissioned by the Ministry of Social Affairs and Health (pdf, in Finnish) explored how structural changes in the labour market and business cycle fluctuations have influenced the gender pay gap and the labour market position of men and women. The study was carried out as a joint effort of the statistical authority Statistics Finland and the two independent non-profit research organisations the Labour Institute for Economic Research (PT, funded by trade unions) and the Research Institute of the Finnish Economy (ETLA, funded by employer organisations). The report examines both the effects of the changes in the occupational structure and the effects of the changes in job and personnel structures. Furthermore, it assesses the effects of gender segregation in employment contracts and the effects of labour market mobility. The Finnish labour market is strongly gender segregated, looking at positions, occupations and types of employment contracts. Hence, structural changes affecting the occupational structure could be expected to affect the position of women and men in the labour market and the gender pay gap. The results shows that the changes have affected the genders in different ways, but the occupational gender segregation has remained strong. The changes in the occupational structure has in fact led to slight increases in the wage differentials between women and men. Most notably, the results points to the importance of the gender segregation of types of employment contracts, when looking at the wage gap.

An evaluation report on the previous Equal Pay Programme 2010-2014 was published by the Ministry of Social Affairs and Health in 2015. The report observes the contents, results and impacts of the Equal Pay Programme and presents recommendations for future equality measures. It is reported that the gender pay gap narrowed during the observation period, but not to the extent defined in the Programme’s objectives. Also sub-goals were reached to various degrees. The main reasons to the inadequate progress are estimated to have been the weak economic growth and the subsequently low pay raises in 2010-2014. According to the report, the most influential equality measures seem to relate to wage policy (wage setting, wage negotiations, wage systems, wage mapping), work-life balance, and decreasing segregation.

**Policies to address pay inequalities at the workplace**

The new Act on Non-discrimination together with amendments of the Act on Equality between Women and Men were drawn up in 2014 and entered into force in January 2015. Both acts increase the employer’s obligation to promote equality and to eliminate discrimination. The acts set out new rules on mandatory plans for promoting equality at the workplaces, including the obligation for employers to investigate and follow up on gender
pay gaps at the individual workplaces. The two acts complement each other and together they include all grounds of discrimination.

Like the previous government, the Government of PM Juha Sipilä has drawn up an Equality Programme (2016-2019) which summarises the Government’s objectives and measures towards improved gender equality. The Programme comprises approximately 30 different measures that cover working life, equal pay, economic decision-making, reception and integration services, balancing work and family life, parenting, labour market segregation, education, sports and library activities, violence against women, violence in intimate relationships, and men’s health and welfare. According to the Programme, gender effects are also to be taken into account in all national decision-making.

One measure defined in the Equality Programme is the tripartite Equal Pay Programme 2016-2019, replacing the previous similar programme of 2010-2014. The Ministry of Social Affairs and Health coordinates the Programme which aims at narrowing the gender pay gap from the current approximately 17% down to twelve per cent by 2025. Within the programme, the social partners have agreed to promote gender pay equality in their activities and negotiation processes, as well as to evaluate the gender effects of collective agreements. Meanwhile, the government will for instance seek to reduce gender segregation through various schemes. All parties will furthermore promote a change of attitudes concerning gender and care responsibilities in families and at workplaces.

Social partner’s involvement in addressing pay inequalities at the workplace

Social partners on both sides participated in the legislative process leading up to the new Act on Non-discrimination and the amendments of the Act on Equality between Women and Men. They are also engaged in the tripartite Equal Pay Programme 2016-2019. For more details on the Acts and the Programme, please see above. In general, the social partners support gender pay equality, and may have participated in various smaller schemes.
Promoting the reconciliation of working families and caregivers

Recent policies
Family policy has not been a political priority in the past year, and policy measures within the domain have been limited. A significant reform of family leaves was actively debated in late 2016, as the current model is believed to hinder women’s career development and labour market participation. A legislative proposal might be presented during 2017, but this is very uncertain due to opposition from the government partner the Finns Party.

Meanwhile, in its budgetary proposal in August 2016, the Government proposed raising children’s day care fees as part of the efforts to balance public finances. The proposal faced wide resistance across the political spectrum both among political parties and the social partners, as it was argued that high day care fees constitute an important obstacle especially to women’s employment. In September, the Government cancelled the proposal of fee raises and decided instead to lower the fees. The reductions are significant for low-income and single-parent families and are supposed to facilitate the employment of single parents. No changes in policies or measures regarding family care for relative in need of long-term care have been made recently.

Rights to request special working time arrangements, place of work etc.
No changes to report concerning family life. (The right of elder employees to work part-time when part-time retiring was strengthened in 2016.)

The role of collective agreements
No relevant research was found.

Whereas the employee has a statutory right to different types of maternity, paternity and parental leaves, the employer is not obliged to pay wages during the leave. However, many collective agreements include provisions of wages being paid during some leaves, such as during maternity leave or when attending a sick child for up to a few days. The length of the paid leave varies between agreements, and is often dependent of the length of the employment relationship. The exact prevalence of these clauses cannot be estimated, but they do appear common, with all the biggest collective agreements including some provisions on the matter. Provisions concerning other family members than children could not be found in collective agreements.

In addition, for instance the collective agreement for the ICT services includes a telework guide with a related contract template as an appendix, but this guide is not a binding part of the agreement, nor is it particularly associated with family life.
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