



Eurofound

Central public administration: Working conditions and industrial relations

Finland

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Contents

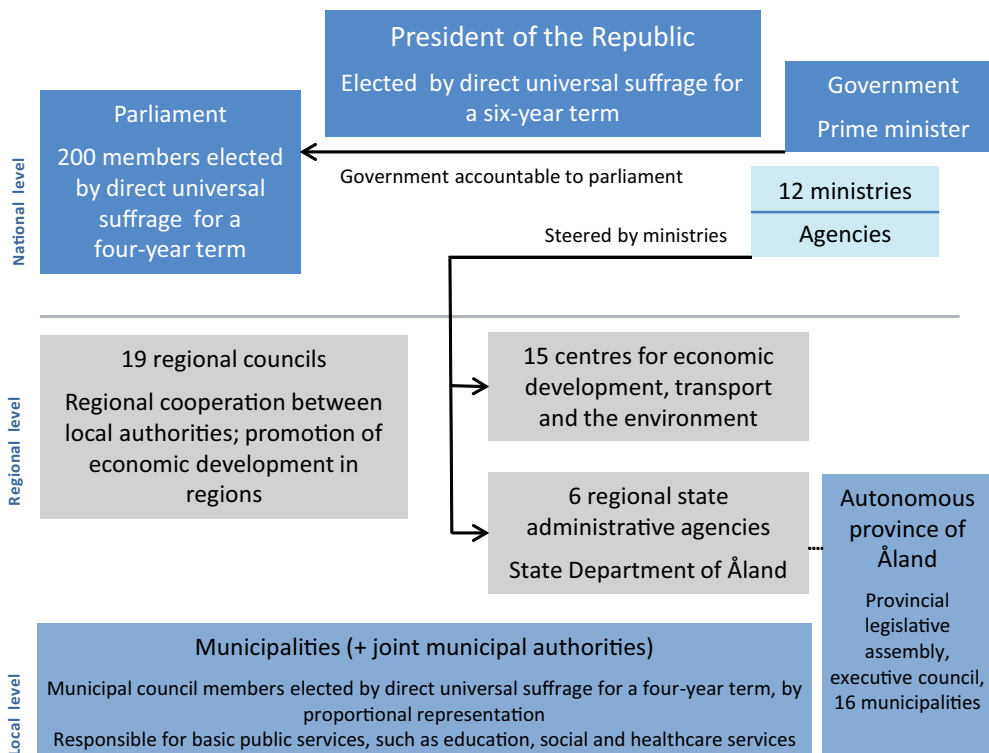
Central public administration in Finland: Reforms, working conditions and industrial relations	1
Impact of reforms at workplace level	12
Bibliography	17
Interviewees	18

Central public administration in Finland: Reforms, working conditions and industrial relations

Introduction

Finland is a unitary state where the highest organs of government are the parliament, the president and the government. The Finnish public administration has two tiers: the state administration and the self-governing municipalities (see Figure 1). The state administration operates on all three administrative levels (national or central, regional and local administration level), with the national level being the major area of operation. The municipal administration operates on regional and local levels. Since the majority of the municipalities are rather small (half of them have fewer than 5,000 inhabitants), the most demanding tasks, such as specialised healthcare, are provided through cooperative arrangements. In 2010, there were 342 municipalities and 226 joint authorities in Finland.

Figure 1: *Structure of Finnish public administration*



Source: *Ministry of Finance (2010)*

In terms of public employment, a clear majority of public sector personnel work for municipalities. In 2010, municipalities had around 434,000 employees. In the state sector, the number of personnel has been decreasing since the 1990s. In 1988, there were a total of 215,000 government employees. In 2005, the figure stood at 124,000 people, and by 2010, it had dropped to around 86,000. In the early 1990s, the government converted several large agencies and departments into state enterprises, such as the postal services and the railway company. However, the most significant step in this direction was the university reform in 2009–2010. The university sector, comprising 31,000 employees, left the state civil service as of 1 January 2010 and it now lies outside the state budget. In addition, the staff of the Evangelical Lutheran Church of Finland and the Finnish Orthodox Church are considered part of the public sector, since they take care of certain public services such as maintaining census registration data and providing funeral services. In 2010, the Evangelical Lutheran Church employed 21,600 people and the Finnish Orthodox Church employed 200 people.

The structure of the state central administration consists of two elements: ministries and other central administration agencies and bodies. There are currently 12 relatively small ministries, each with 200–300 personnel. Only a small portion of state personnel (about 5,750 people) work in the ministries. Ministries prepare and implement policy decisions made by the government, and they are responsible for steering their respective administrative sectors. The second element is the central administration agencies, which provide services and advisory functions. Many of them carry out administrative tasks as well as information management and registration tasks. There are about 100 central government agencies, which function under the administrative sector of each ministry.

The regional state administration was reformed in 2010. There are currently six regional state administrative agencies (AVI) that legislate, steer and supervise the state's functions in the regions. The state regional administration also includes 15 centres for economic development, transport and the environment (ELY centres), which promote entrepreneurship, labour market functioning, competence and cultural activities in the regions. The state local administration consists of police and prosecuting authorities, registry offices and tax offices.

In Finland, municipalities are responsible for providing basic social welfare and healthcare services in addition to education and cultural services. They also provide basic environmental and technical infrastructure services. Municipalities can set up a joint authority for any service they deem suitable. Membership of a joint authority is compulsory for specialised healthcare (hospitals) and regional councils. Joint municipal authorities are also common in education. The 19 regional councils are responsible for regional development and the supervision of the interests of regional players.

The Finnish state civil service is a position-based system where all qualified people can apply for any open vacancy irrespective of their previous employment position in the public or private sector. The exceptions are the military service and foreign affairs, which are career systems. Government agencies can establish public posts within the limits of their budget. They are also responsible for organising their staff recruitment. Government sector jobs are advertised publicly. A university degree is a prerequisite for many jobs. Public servants are usually recruited on a permanent basis, but also in some cases for a fixed-term period. With the exception of judges, the state does not guarantee lifetime tenure, but job security is relatively high. The employment relationship can be terminated for disciplinary reasons. Public servants can also be laid off if their agency or unit is abolished or when public servants' posts become obsolete due to a lack of tasks.

Status differences among employees

The Finnish system has two employment relationships: civil service and contract employment. Since the approval of the State Civil Servants Act in 1994, central government employees are primarily recruited as civil servants. The legal status of a civil servant is defined in the State Civil Servants Act (750/1994) and the related decree (971/1994). According to the law, the civil service relationship is the only type of employment relationship for duties involving the exercise of public power. Civil service vacancies are created following a formal procedure. The employment relationship starts when a person is appointed to a public office. Civil servants can be appointed to a public office either indefinitely, or if certain criteria are fulfilled, for a fixed period of time.

It is also possible to recruit personnel as contract employees. The legal status of personnel on an employment contract is covered by the Employment Contracts Act (2001/55). The employment relationship with a contract employee is created by means of an employment contract. The contract may be for a specified or an indefinite period of time, as in the case of a civil service relationship.

Most of the general labour legislation applies partially or in full to both employment relationships. For example, the Working Hours Act (605/1996), the Annual Holidays Act (162/2005), the Study Leave Act (273/1979), the Occupational Safety and Health Act (738/2002) and the Act on Equality between Women and Men (609/1986) apply to the state sector.

However, the Act on Collective Agreements for State Civil Servants (664/1970) covers collective agreements on terms and conditions of service for civil servants, whereas the Collective Agreements Act (436/1946) is applied to personnel on an employment contract. In many cases, collective agreements may substitute or add to the terms and conditions regulated in the legislation.

As Table 1 shows, the civil service relationship is the predominant form of employment relationship. In 2011, the number of public servants was 85,071 people, consisting of 74,022 civil servants (87%) and 11,049 contract employees (13%). Although the number of public servants has been decreasing, the proportion of civil servants to contract employees has remained the same. There are some exceptions, however. Some government agencies use the contract employment relationship extensively. For example, 60% of the staff of the Finnish Environment Institute, such as its researchers, are in contract employment relationships. This is considered appropriate because, as contract employees, they do not exercise public power, and the trade unions do not try to change their employment status to civil servants.

Table 1: *Number of public servants employed by the state, by employment relationship, 2006–2011*

Public servants	2006	2007	2008	2009	2010	2011
Civil servants	102,760	101,793	100,939	100,552	75,065	74,022
Contract employees	20,458	20,407	19,992	21,371	11,318	11,049
Total	123,218	122,200	120,931	121,923	86,383	85,071

In the Ministry of Finance, the workplace selected for this study, all of its 389 employees were civil servants in 2011. The ministry’s administrative sphere consists of six national-level agencies, six regional state administrative agencies, the Finnish Government Shared Services Centre for Finance and HR and the State Department of Åland. In the entire administrative sphere, there were 12,588 employees in 2011, with 11,863 (94.2%) of them in a civil service relationship and the remaining 725 (5.8%) in an employment contract relationship. The National Board of Customs had 2,348 employees, of whom 4.4% were contract employees. The respective figures for the Tax Administration and Statistics Finland were 3.7% of 5,415 employees and 44.1% of 952 employees.

The basic duties and rights of civil servants and contract employees are very similar, despite the fact that their legal basis may differ. Usually, the norms are more explicit for the civil servants. According to the State Civil Servants Act, civil servants must notify the employer if they wish to engage in a secondary occupation in their free time and must seek the employer’s permission for the secondary occupation if it would require using working time. A secondary occupation must not cause disqualification in customary official duties, and it must not adversely affect the discharge of official duties. In their activities, civil servants must avoid anything that conflicts with the actions reasonably required of personnel in their position.

A civil servant is required, on request, to provide their employer with information regarding health issues associated with the discharge of their duties. The aim is that personnel in government administration workplaces are physically capable of carrying out their duties. The employer’s duty is to treat all personnel equally, irrespective of origin, nationality, religion, gender, age or political or trade union activity, or any other comparable reason. Furthermore, the employer’s duty is to ensure that everyone receives the benefits and rights to which they are entitled.

The employer must allow everyone the freedom to join or not to join a trade union. A civil servant cannot act in a civil personnel organisation or union in such a position that the activity is in conflict with official duties, if the duties include representing the government as employer. The civil servants representing the employer have been laid down in a decree. The employer must also ensure that occupational health and safety issues are adequately covered. Occupational safety

particularly means that the work environment is safe and that tools and equipment are suitable for their purpose. Labour protection also means immediate intervention in cases of bullying, harassment or other inappropriate behaviour.

From the legal perspective, as far as employment conditions are concerned, the differences between the civil service relationship and contract employment relationship are marginal. One of the few remaining differences concerns illegal dismissals. If the employment relationship is terminated illegally, contract employees will receive compensation, as civil servants do. However, contract employees will not be reinstated back to their office, as is the case for civil servants.

Political and structural reforms

The history of public management reforms in Finland stretches back to the 1980s. Since 1987, each government has had a ministerial committee or working group for public management reforms. Governments have also appointed a specific minister to the task of leading public management reforms. At present, this is the responsibility of the Coordinate Minister of Finance. The deep economic recession in the early 1990s forced Finland to make both structural and functional reforms. The central agency system was abolished, the number of provincial state offices was reduced, and several agencies were replaced by state companies and state business enterprises. The Ministry of Finance has been in charge of planning most of these reforms.

During the last two decades, state administration has undergone a massive wave of public management reforms. In the early 1990s, the government introduced a performance management system that was implemented in all ministries and government agencies. In the Finnish system, ministries and their subordinate agencies jointly make performance agreements. Funding for government agencies is based on lump sum budgeting. Managers are given the option to use available resources as freely as possible to reach performance targets. Performance management is reinforced by a budgetary reform called framework budgeting. A performance agreement is not an agreement in a legally binding sense. Rather, it is a procedure for negotiating and recording items in the administrative steering process.

The main reforms and programmes that have significantly affected the position of personnel in recent years are the action programme on public sector productivity, the relocation programme, the introduction of shared services centres and the salary system reform.

Action Programme on Public Sector Productivity

The Action Programme on Public Sector Productivity was launched in 2003. The purpose of the programme was to adapt the size and activities of the state services to the emerging situation in the labour market, which is facing the challenge of an ageing workforce. In other words, it means that a growing number of civil servants is retiring, which will create labour shortages in the near future, as there are fewer younger cohorts than older ones. Adaptation is done by increasing productivity, mainly by reducing public employment. Its main method is to set a personnel framework that prevents agencies from recruiting new staff. As a rule of thumb, for every three retiring people, only one new person can be hired. The underlying assumption is that the reform forces agencies to rationalise their work tasks. The interviewees contacted for this project said that, in some cases, the programme has led to the outsourcing of tasks. The programme has reached its numerical objectives, but it has been criticised for being too rigid and lacking quality considerations. For example, the National Audit Office (2011) found that, in many cases, staff reductions have weakened the operation of government agencies. The programme was reformed in 2011 when the new government took office, and its new name is the Action Programme on Public Sector Efficiency and Effectiveness. In the new programme, the overall objective is the same, but targets are defined in monetary terms instead of staff years.

Relocation programme

The purpose of the relocation programme is to move 4,000–8,000 government jobs outside the Helsinki metropolitan area. It has already relocated some government agencies to remote regions from the capital in order to promote a more balanced development of the country.

Shared services centres

The government has established six shared services centres across Finland and transferred certain financial and human resource management functions to them. The reform aims to achieve economies of scale and to create jobs outside the capital. It uses a purchaser–provider model in which government agencies buy financial and human resource (HR) services from the shared services centres. These six centres are going to be merged into one administrative unit.

Salary system reform

The state has implemented a major salary system reform. One of the reasons for introducing the new system has been to improve the role of management by giving it a new management instrument. Remuneration is used as a means to promote performance. The reform also aims at ensuring that the government is a competitive employer for employing and retaining competent staff. The development of the new salary system began in the 1990s, and most government agencies started to use the new system by the mid-2000s. The new government pay system replaced the earlier system based on pay-grading categories and a seniority principle. The new system is based on job evaluation and individual performance appraisal.

It is important to note here that although the government pay system is based on common principles, each government agency has to tailor its own pay scheme. In the pay schemes, pay consists of a job-specific pay component based on the complexity of the job and an individual pay component based on the performance and competence of the employee. The job-specific pay component can range between 10 and 20 scales, depending on the pay system applied in each government agency. The individual pay component can account for a maximum of 50% of the job-specific pay component, depending on the system, and is classified into around 5 to 15 performance levels.

Each government agency applies its own appraisal system to evaluate job complexity and personal performance. Job complexity is typically determined on the basis of the required level of occupational knowledge and skills, the degree of interaction and the amount of responsibility. Job performance is generally assessed according to professional competence, degree of productivity and collaboration skills. Each employee's job complexity and personal job performance are reviewed in performance and development meetings between employee and supervisor once a year. Separate performance bonuses may also be used, but they are rare.

Local government and local services reform

It is worth noting here that the government is currently in the process of reforming the structure of local government and local services. It is a massive structural reform that aims to improve the efficiency of local administration and strengthen municipal finances. Its most visible consequence is that the number of municipalities would be decreased from the current 336 to 70 municipalities. The reform is highly politicised, and if implemented, it will inevitably have a significant impact on local government employment for the years to come. The government is currently also creating a common information and communication technology (ICT) strategy for central and local government administrations. Its goal is to increase productivity through the harmonisation of information technology (IT) systems and the introduction of new internet-based services.

Reforms of working conditions

At the central level, the Office for the Government as Employer (VTML) has actively participated in several programmes and projects that aim to improve working life and working conditions. For example, the Ministry of Social Welfare and Health has set up a Forum for Well-being at Work. Its purpose is to bring together various ways of working from different organisations that foster well-being at work and to disseminate good practices.

The Finnish Funding Agency for Technology and Innovation (Tekes) offers funding for projects aimed at encouraging innovative ways of operating. Innovations in working life can relate to changes in work practices and the way the organisation operates as well as in managerial procedures. They help to enhance productivity while also improving the quality of working life.

Labour market organisations and organisations involved in fostering sports and physical activity have jointly set up a development and reporting project, Working Community Physical Training 2010, which promotes physical activity through workplaces.

The Treasury's Kaiku employer services offer a wide range of services to government agencies, which include occupational rehabilitation, workplace well-being training and consulting, risk management planning and implementation, and support on issues of insurance, indemnity and earnings-related pension insurance. The Kieku IT Programme aims to standardise the procedures, processes and data structures of governmental financial and HR administration. Kieku was introduced in the first government agencies in 2010.

The new framework agreement (discussed below) lists several areas of improvement in general working conditions for the entire Finnish labour market, including the following:

- the grounds for agency work and temporary employment will be reviewed and a proposal for legislative changes will be submitted;
- the use of employment contracts with no enforceable promise of work or pay will be investigated;
- the Act on Co-operation within Undertakings will be amended to include flexible working hours, the grounds for temporary employment and the enhancement of employee vocational skills in human resources plans;
- labour protection legislation will be revised to focus special attention on the strain imposed by shift work;
- the use of working time banks will be studied and a proposal for legislative changes will be submitted;
- the effectiveness of pay reviews will be studied with a view to promoting equal pay, forming the basis for proposing further measures.

It also discusses the harmonisation of work and family life by extending paternity leave by two weeks to a maximum of 54 days.

Social dialogue and employee representation

The first Collective Agreements Act was passed in 1924 by the parliament. It covered only private sector employees and therefore the government sector was outside its scope. The number of collective agreements in the Finnish labour market remained small until the end of the Second World War. After the war, employer and employee organisations initiated collective bargaining in different fields. The state also undertook measures to adjust and improve the legislation concerning industrial relations and labour disputes. The outcome of these measures was that in 1946, the parliament reformed the Collective Agreements Act and also passed the Labour Court Act.

From the mid-1940s to the late 1960s, Finnish labour market negotiations were conducted at the trade union level. Union-level bargaining led to pay competition between the trade unions, which in turn led to high inflation that consequently resulted in a devaluation of the currency. To avoid this vicious cycle, a broader bargaining mechanism was introduced in 1969. Since then, labour market negotiations have been largely based on a tripartite system involving cooperation and negotiations among employer and employee organisations and the government to generate income policy settlements. The main outcome of comprehensive income policy settlements has been economic stability and industrial peace.

In Finland, employees and employers are highly organised, like in other Nordic countries. A trade union membership fee is fully tax deductible. The overall trade union membership rate is high, and in the public sector around 80% of employees are union members. Confederations and unions regularly lobby decision-makers in the fields of taxation,

labour, education and social policy. They are very influential pressure groups, and the government consults them over any legislative amendments that affect working life. This is often done by setting up a working group that includes trade union and employer representatives. The government usually does not propose legal amendments if there is not a consensus between employer and employee confederations.

The three biggest employer confederations in Finland are the Confederation of Finnish Industries (EK), Local Government Employers (KT) and the VTML. The EK is the biggest and the most important employer organisation, representing all sectors of business and covering about 950,000 employees.

Table 2: *Employer confederations in Finland, 2010*

Organisation	Number of members	Number of employees
Confederation of Finnish Industries (EK)	27 affiliated unions, 16,000 companies	950,000
Local Government Employers (KT)	336 local governments, 145 joint municipal boards	433,000
Office for the Government as Employer (VTML)	150 budgetary units	88,000
Finnish Food and Drink Industries Federation (ETL)	300 companies and two organisation members	34,000
Church of Finland Negotiating Commission (KiSV)	over 450 parishes	over 21,000
Federation of Agricultural Employers (MTL)	1,197 companies	10,000

The three Finnish trade union confederations are the Central Organisation of Finnish Trade Unions (SAK), the Finnish Confederation of Professionals (STTK) and the Confederation of Unions for Professional and Managerial Staff in Finland (Akava). The SAK represents the interests of about one million members in its affiliated trade unions, which mainly work in industrial occupations. The trade unions affiliated to the STTK have a total of about 614,000 members, consisting of clerical and technical occupations such as managers and supervisors, police officers, bank clerks and public servants. Akava represents about 553,000 members of its affiliated trade unions. These members work in professions requiring a high level of education, such as teachers, engineers, doctors, lawyers and officers in the armed forces.

Table 3: *Employee confederations in Finland, 2010*

Organisation	Number of affiliated unions	Membership
Central Organisation of Finnish Trade Unions (SAK)	21	1,040,000
Finnish Confederation of Professionals (STTK)	20	614,000
Confederation of Unions for Professional and Managerial Staff in Finland (Akava)	34	553,000

National income policy agreements and collective agreements

National income policy agreements are tripartite agreements between the trade unions, employer organisations and the government. They attempt to reach a common understanding on the best choices for the national economy in terms of economic growth and real wages. These agreements are usually valid for a two-year period. Income policy agreements are policy documents covering a wide range of economic and political issues, such as salaries, taxation, pensions, unemployment benefits and housing costs. They represent collective bargaining reaching virtually all wage earners. They are not compulsory, however. If the employer and employee confederations fail to agree on terms, the formation of an income policy agreement cannot take place. In that case, salary negotiations are carried out by individual trade unions without government participation. Sometimes talks are not even initiated due to differences of opinion between employer and employee organisations.

The national settlement provides a framework within which the individual trade unions negotiate their collective agreements for specific industries. Pay, working hours and other terms of employment relationships are agreed on in sector-specific negotiations. There is a collective agreement in most working sectors, which binds all employers in their applicable sector. Generally applicable collective agreements determine the minimum terms of employment in the given sector. There is no universal minimum wage in Finland. The collective agreement in most employment sectors determines the pay and other minimum employment terms. Collective agreements are usually valid for one to two years. Collective agreements guarantee labour market peace at workplaces.

Framework agreement

In the mid-2000s, the EK, the main employer organisation, announced that it would not participate in national income policy agreements anymore. The reasons given were the inflexibility of comprehensive agreements, their incompatibility with global markets, and the differences between different industries. As a consequence, in the years 2007–2010, collective agreements were made at the trade union level. However, owing to the financial crisis and economic recession, the Finnish central labour market organisations decided to take part in an income policy agreement, known as the framework agreement, in November 2011. The pay frame of the framework agreement was negotiated at the central level earlier in the autumn (Agreement Settlement, 13 October 2011). It enabled the union-level employer and trade unions to negotiate if they wanted to make their own collective agreements within this framework. The framework agreement does not define the details of the pay hikes. Wage increases can be implemented in the form of a flat sum or as percentages, or as overall increases or as separate pay hikes to different groups of employees. These details have to be agreed upon separately at the union level.

The framework agreement covers a large number of wage earners. In fact, the agreement is more extensive than any other in Finnish history, extending over industry, services and public and transport sectors. Its overall coverage is 94% of all wage earners: 91% in the private sector and 100% in government, local government and church sectors. Pay increases will total 4.3% over the agreement period, with an increase of 2.4% for the first 13 months and 1.9% for the following 12 months. The moderate pay agreement tries to ensure corporate competitiveness, to support the positive development of employment and purchasing power, and to bring predictability to economic policy in an uncertain economic climate. After the framework agreement was signed, the government gave its approval to back-up measures that it had promised as an incentive for the agreement. The cost estimate for these measures is around €400 million, including a reduction in corporate taxation and compensation for employees who are temporarily laid off. The trade unions, especially the SAK, have seen the agreement as being very important for Finnish collective bargaining and the Finnish labour market model.

Social dialogue and the government sector

The government does not follow the general industry sector division of the labour market. It is a separate labour market sector. The VTML is the only employer organisation in the government sector. It operates under the Ministry of Finance within the Personnel and Governance Policy Department. In the ministerial division of duties, labour market issues are the responsibility of the second minister, the Minister of Public Administration and Local Government. The VTML concludes collective agreements with three principal negotiating organisations for the employees in the government sector. These are the Public Sector Negotiation Commission (JUKO), the Federation of Salaried Employees (Pardia) and the Trade Union for the Public and Welfare Sectors (JHL). JUKO is a member of Akava, Pardia is one of the biggest trade union members of the STTK, and the SAK's collective bargaining mandate is held by JHL.

The parties have agreed on the negotiating procedure in the Main Government Agreement (21 December 1993). In actual negotiations, the so-called coordination group plays an important role. The VTML, led by the director-general and the three main trade unions, is represented in the coordination group. Although the group lacks a statutory basis, it de facto plays a decisive role in reaching a negotiated solution. The outcome of negotiations appearing in the form of the

Collective Agreement for State Civil Servants and Employees under Contract defines the terms and conditions of employment relationships in the government sector. Provisions of the collective agreement apply to the entire personnel of the on-budget entities. Since 1997, the collective agreement contains the provisions for both civil servants and contract employees. When their terms and conditions are not equivalent, separate provisions are laid down. One of the few remaining differences concerns sick pay, where civil servants' provisions are more favourable. The central-level collective agreement comes into force once the government has approved it in its plenary session (Government Rules of Procedure, section five). If the agreement involves additional expenditure, it has to be forwarded for approval to the Parliamentary Finance Committee. The central collective agreement sets the overall cost framework and contains provisions on terms of service for central government as a whole and any negotiation and review clauses.

The coordinate group meets regularly six times a year. The government sector subscribes to the principle of continuous negotiation, which means that new matters can be brought to the negotiation table when required. In practice, this applies mostly to quality of working life matters and, to a lesser extent, to matters that have immediate cost effects, such as salaries. The interviewees viewed the government sector negotiation culture very positively: they felt that the social dialogue between the employer and employee parties works extremely well. The relationships between the social partners were described as direct and built on mutual trust. The social partners also work in several working groups to resolve open issues. At present, there are working groups on travel expenses, statistical data, gender equality, extending careers, use of hired labour, working time, shift work, salary system development and fixed-term employment.

Agency-level collective agreements

In addition to the central-level collective agreement, there are several agency-specific local collective agreements that are negotiated between agreement agencies and trade unions at the agency level. Workplaces have locally elected union representatives, or shop stewards, who hold the mandate of the principal negotiating organisations and are authorised to represent the affairs of employees in the workplace. Presently, there are 58 agreement agencies, which are central government agencies and ministries that have been given the power to make agency-specific collective agreements on behalf of their administrative branch. Local agreements mainly concern specific questions regarding salaries and working time, and are approved by the VTML. There are around 100 agency-specific collective agreements for civil servants and around 70 for contract employees. Local negotiations have significantly increased recently, for instance as a consequence of new pay schemes. Some pay increases are left to be agreed locally in the agency-level negotiations. In the latest collective agreement (2012–2014), the agency-specific part of the pay increase is 0.5% each year. Its purpose is to improve effectiveness, improve employer competitiveness in recruiting new staff and retaining present personnel, and improve the pay equality between men and women. In other words, the agency-specific part of the pay increase can only be used to make structural changes in the wage system; it cannot be used as a general increase.

Dispute resolution

In addition to the activities of labour market organisations, the labour dispute conciliation mechanism and the role of the Labour Court are the key elements of the Finnish collective bargaining system. The main actor in the labour dispute conciliation mechanism is the National Conciliator's Office. According to the Act on Mediation in Labour Disputes (420/1962), it is mandatory to participate in the mediation of labour disputes. However, the parties to a dispute do not have to accept the conciliator's proposal. Moreover, the conciliator and the other party must be informed of the beginning or extension of a work stoppage due to a labour dispute two weeks in advance. This obligation applies only to interest disputes, as legal conflicts must always be settled by the Labour Court, general courts or arbitrators.

National collective agreements govern the conditions of employment covering such issues as pay, working time and annual leave. The collective agreement system plays a major role in promoting good labour market relations and avoiding industrial disputes. While employer organisations and employee unions, as parties bound to a collective agreement, monitor compliance with that agreement, they can solve disagreements in negotiations at the local or national

level. Ordinary disputes concerning the interpretation and application of collective agreements are solved through negotiations. As a last resort, disagreement over violation, application or interpretation of a collective agreement may be brought to the Labour Court by the organisation or union involved. A compensatory fine may be imposed on the violating party in accordance with the Collective Agreements Act.

Industrial action

To accelerate negotiations, trade unions may resort to industrial action. For example, in the food industry and in the transport sector, strikes and lockouts are quite common during negotiations. According to Statistics Finland, there were 191 industrial actions in Finland in 2010 (see Table 4). They concerned around 137,000 employees and over 300,000 workdays were lost. However, once the collective agreement is in force, both parties are committed to industrial peace. Industrial action is rare in the state sector. The last major government sector strike was in 1986 and lasted seven weeks. In recent years, the staff of the Finnish Border Guard, which employs nearly 3,000 people, has taken industrial action. The trade union involved resigned from its principal negotiating organisation and went on strike due to disagreement over the new salary system. Eventually the parties had to go to the National Conciliator’s Office to reach an agreement.

Table 4: *Industrial action in Finland, 2000–2010*

Year	Number of industrial actions	Number of employees involved	Lost workdays (per worker affected)
2000	96	84,092	253,838 (3.0)
2001	84	21,715	60,652 (2.8)
2002	76	70,867	74,985 (1.1)
2003	112	91,866	66,136 (0.7)
2004	84	25,211	42,385 (1.7)
2005	365	106,796	672,904 (6.3)
2006	97	48,276	85,075 (1.8)
2007	91	89,729	94,579 (1.1)
2008	92	15,992	16,352 (1.0)
2009	139	50,485	91,899 (1.8)
2010	191	137,316	314,667 (2.3)
Mean	130	67,486	161,225 (2.4)

Source: *Statistics Finland (2010)*

Any dispute on how to interpret agreements or a breach of agreements will be decided by the Labour Court. Every third case handled by the court involved the breach of the duty to maintain industrial peace. The average period for trying a case is from five to six months. One-fifth of the court decisions are subject to a vote.

Collective bargaining and consultation

The concept of a state employer has become more refined during the last few decades. Traditionally, employer functions have been statutory or centralised at the top of the state administration. In the state sector, the specialised employer function was born in 1955 when the Department of Salary and Pension Affairs was established within the Ministry of Finance. Prior to that, salaries and pensions were the responsibility of the Ministry’s Budget Department. In 1963, the Department of Salary and Pension Affairs was reorganised and became the Salary Department. In the 1970s, it received a new function: the formulation of state personnel policy, which was transferred from the Organisation Department.¹ As

¹ The Organisation Department was later renamed the Public Management Department, which was responsible for public administration policy. The Public Management Department was merged with the Department for Government Personnel Management (Office for the Government as Employer) in 2011.

a result, a new personnel administration unit was formed in 1973 in the Salary Department. The management and development of human resources began as late as the 1970s. For the training needs of personnel, a separate government agency, the State's Training Centre, was established in 1971. Later, this administration school was transformed into a state-owned company known today as the Finnish Institute of Public Management (HAUS). The Salary Department became the Department for Government Personnel Management in 1990.

In the late 1980s, top-down regulation and steering in personnel affairs was abolished, and agencies were given room to formulate their own personnel and employer policy, which also increased their competence as well as responsibilities. At the central level, the VTML is responsible for collective bargaining, legislation, employer support and development as well as industrial relations. The agency employer has become more professional. The Decree on Collective Agreements for State Civil Servants (1203/1987) defines the status of employer civil servant. There are currently around 950 employer civil servants. As a representative of a state employer, they cannot go on strike, nor can they hold trade union membership. Their wages are determined by the VTML. In general, the agencies have more freedom of action in HR issues and they are using it more often than before.

Until the beginning of the 1970s, the state unilaterally determined the conditions of employment for public sector employees. When the Negotiation Right Act (82/1943) came into force in 1943, the state was obliged to consider the views of public servants before making changes to their employment conditions, but it was not bound to take those views into account. After the introduction of the Collective Agreements Act Regarding Public Servants (664/1970), the first Collective Agreement for Government was signed in 1971. The Finnish model was adopted from Sweden, which had implemented its reform a few years earlier in 1966. The law improved the status of the public servant trade unions by making them negotiation partners. It also granted public servants the right to strike as regards the matters subject to the Collective Agreement.

There are 58 agreement agencies that have the power to make local-level collective agreements. It is obvious that small agencies do not have the capacity to negotiate and make their own agreements. In their case, the agreement is made by the agreement agency. For example, the National Police Board makes the local-level collective agreement not only for local police departments, but also for the National Traffic Police, the National Bureau of Investigation and the Finnish Security Intelligence Service. The Ministry of Justice makes the collective agreement for its entire administrative branch, covering the ministry itself, the judicial system (including courts and prosecutors), the Criminal Sanctions Agency, the Legal Register Centre, the National Council for Crime Prevention and the Office of the Data Protection Ombudsman, among others.

The Ministry of Finance regularly publishes a collection of up-to-date documents relating to labour agreements and labour legislation. In 2010, the length of this document was 492 pages, covering the following: Collective Agreement for Government, General Collective Agreement for Government,² Collective Agreement on Annual Leave, Collective Agreement on Working Hours, Collective Agreement on Group Life Insurance, Collective Agreement concerning

² This agreement is a detailed and lengthy document (29 pages) and it contains the following five annexes: Agreed provisions on reimbursement of public servants' removal expenses; Agreement provisions governing the functioning of shop steward activities and the status and rights of shop stewards, labour protection representatives and other staff representatives involved in cooperation functions; Agreement provisions on trade association training; Agreed provisions on employee job security and layoff; Agreed provisions on partial sick leave of public servants and employees.

Compensation for Travelling Expenses, Collective Agreement on Cooperation in State Agencies, Collective Agreement on Cooperation in State Administration and Administrative Field in HR Matters, and Collective Agreement on Cooperation in Occupational Health and Safety Matters. The total length of collective agreements is around 300 pages. The remaining 200 pages of the publication deal with various laws that regulate civil service and contract employment relationships.

In Finland, human resources management is decentralised to government agencies. Nevertheless, there are still some common HR principles defined by the government, as well as certain regulations and guidelines formulated by the Ministry of Finance. For example, the government's decision in principle 'On state personnel policy line' (VNp 30.8.2001) defines the state's objectives and procedures as an employer. Its decision on the 'Position of civil servants in restructuring situations' (VNp 23.3.2006) defines common principles with respect to dealing with personnel in restructuring situations (see also 'Conflict among the social partners' in the next section). The ministry has also prepared an ethics code for the state sector to serve as a practical guide to exemplary employer function, assist in supervisory duties and inform on rights and obligations attached to the status of civil servants (Ministry of Finance, 2005).

Impact of reforms at workplace level

The following findings are based on the interviews with seven experts in the Ministry of Finance; three of them belong to the trade unions and two to the state employer. The remaining two experts represent the ministry employer and the ministry employees. All the interviewees were competent professionals who have been working in the field of industrial relations for decades. The list of interviewees can be found at the end of the study.

In the Ministry of Finance, three officials work for the employer function: a director of administration, a director of personnel and a salary system expert. In addition, the HR staff includes two training officials, a strategy official, an official responsible for workplace planning and assistants, with the total number being around 10.

Shop stewards

There are three shop stewards who represent personnel and trade unions in matters pertaining to relations between the employer and public servants. The position of a shop steward is part time and is performed alongside the person's work tasks as employee. Shop stewards convey information and notifications to the employer, the organisation and the staff. When requested, they take part in settling disputes arising between the employer and the public servant or contract employee.

Based on observations from the interviews, it seems that the shop steward system is not working very effectively in the context of the Ministry of Finance, where shop stewards have traditionally kept a rather low profile. Some informants mentioned that trade union density is lower in the Ministry of Finance than in other ministries, stemming possibly from the nature of the ministry as the state employer. As regards work-related problems, staff members do not seem to actively seek assistance from shop stewards. Trade unions have also experienced some problems in recruiting shop stewards. The interviewees mentioned that more active cooperation between the social partners at the workplace level would be beneficial for both parties: the exchange of information and opinions leads to deliberation, which also results in more informed decisions.

Employer–employee cooperation

The cooperation between employer and employees is regulated by the Act on Cooperation within Central Agencies and Public Bodies (651/1988). The Act promotes cooperation between the agency and its personnel to collectively develop work practices and increase employees' opportunities to exercise influence in the decisions relating to their work and working conditions. Matters affecting the personnel are handled in cooperation negotiations. This Act has a bad image

in the media, as the mandatory cooperation procedure is used for personnel cuts. However, besides restructuring, many other matters fall within the scope of the cooperation negotiations, such as annual personnel and training plans, annual budget, HR policies and internal communication.³

Training

The interviews convey an overall impression that one of the strengths of the state administration, namely multidimensional and frequent training, is in decline. In the Ministry of Finance, training needs are identified using the information obtained from the development discussions. Human resource development plans are drafted by each department and further summarised and elaborated by training officers. Departments are provided with funds to make their training investments. According to the interviewees, the amount of resources invested in personnel training has been decreasing. This finding is not fully supported by statistical information, however. According to the VM Baro information system, 31.9% of staff attended personnel training in 2011, with the average length of time being 4.8 workdays per participant. Furthermore, the average government sector personnel investment was €1,516 per working year, consisting of personnel training including training time salary costs (€879), occupational health (€375), development of workplace (€221), recreation activities (€138) and physical training (€110). There may be a lot of agency-specific variation, as training expenses are paid out of agencies' operating expenses. The new national income policy settlement (the framework agreement) stipulates that three days should be allocated to training annually. However, after the agreement was signed it became evident that social partners interpret the agreement differently, and the matter is currently handled in working groups.

Conflict among the social partners

It is quite difficult to assess whether there are more or fewer conflicts among the social partners. Undoubtedly, there are trends and developments that cause conflicts, especially the reduction of public employment due to the Action Programme on Public Sector Productivity and agency restructuring. One of the characteristic features of the Finnish system is the principle of continuous negotiation, which means that trade unions are informed and heard in advance. Although this mechanism may not prevent conflicts from arising, it certainly makes it easier to manage and resolve them. In fact, there seems to be consensus among the social partners that the amount of state personnel has to be reduced in the future. The aim behind this idea is to ensure that there will be no shortage of labour in the private sector, as there are fewer younger cohorts than older ones. In the case of restructuring, the state employer and trade unions have agreed on the principles of how to manage redundancies. Earlier, these principles were defined in the government's decision in principle ('Position of civil servants in restructuring situations' – VNp 23.3.2006).

In 2011, the government proposed a bill to the parliament to amend the State Civil Servants Act to incorporate some of these principles in legislation. The purpose of the proposal is to ensure continuity in employment relationships in situations of restructuring. The legal provisions were drafted by a Ministry of Finance working group that included representatives from the ministry as well as trade unions. The working group was established in April 2010 and its memorandum was completed in April 2011. In October 2011, the government presented the proposal to the parliament,

³ In a manner typical for Finland, the Ministry of Finance set up a working group in 2010 in collaboration with its social partners to draw up a government proposal to reform legislation governing cooperation within central government. In April 2011, the working group proposed that a new Act should be created. The proposal would reduce the number of cooperation agreements of various grades by incorporating key central-level agreement provisions into the legislative act. The proposal underlines the importance of promoting the quality of working life and the well-being of government staff by means of joint cooperation. It facilitates staff participation and makes it possible to influence decisions already at their preparatory stages. The government has not yet given the proposal to the parliament.

which approved it in December of the same year (1548/2011). New provisions entered into force as of 1 January 2012. Slightly later, the government also restated and, to a minor extent, reformulated its decision in principle (VNp 26.1.2012). The minister made a decision on the implementation of the decision in principle (15.2.2012). To sum up, the social partners at the national as well as at the workplace level did not foresee the number of labour conflicts that would arise in the future.

Termination of employment

The State Civil Servants Act has recognised the possibility of terminating the employment relationship based on financial- or production-related grounds since the 1980s. The state does not provide lifetime tenure for its employees, with the exception of judges.⁴ The general form of employment relationship – civil service or contract employees – is of unlimited duration. In practice, job security has been very high in the state sector as well as in municipalities until the mid-2000s. So far, most of the redundancies have been made through soft measures such as retirements. According to experts' estimates, around 600 employments have been terminated with notice for financial- or production-related reasons. However, owing to the effects of the ongoing financial crisis and the ageing society, pressures to downsize state employment persist. For example, during the next few years the Finnish Defence Forces will undergo a major structural change: their wartime strength will be decreased and five brigade-level units will be closed down. The number of personnel will be reduced by 2,200 people by the year 2015. It is obvious that the principles discussed above regarding the position of civil servants in restructuring situations will play a big role when this reform will be implemented.

New salary system

The new salary system evoked some criticism from the interviewees. Although nearly all the interviewees supported it in principle, many also pointed to significant problems with regard to its implementation in practice. It was evident from discussions with them that at first the new system was viewed as a dynamic system, but now it is felt that there is a risk of it becoming highly bureaucratic. One of the criticisms was that as salary expenses are paid from agencies' operational expenses, agencies' financial resources would not be sufficient to pay the performance-related salary part even if some individuals' performance would warrant it. Some interviewees were also of the opinion that the state should introduce a bonus pay system model to reward good performance on a one-off basis. They also pointed out that the pay systems differ significantly even among agencies that carry out similar tasks as ministries. As a consequence, civil servants who hold similar jobs may thus have different salaries. In fact, the government has recently set up a working group on the reform of central government to see whether the ministries could be reorganised and a unified salary system covering all ministries could be introduced.

Shared services centres

As discussed earlier, the government has established shared services centres that are responsible for paying salaries, reimbursing travel expenses and drafting financial statements. The new system seems to work technically, but some interviewees pointed out that the reform may not have reached its full potential yet. First, it seems that in some cases the coordination of tasks between the agencies and the shared services centres is not clear. Second, it was thought that the reform would lead to enhanced service quality and personnel savings due to increased specialisation and economies of scale. However, in many agencies, tasks related to financial administration form only one part of a job description, but this does not necessarily mean that the agency staff in financial administration would become redundant when these tasks were transferred to services centres. At this stage, it is too early to say whether or not this reform will achieve the desired outcomes.

⁴ Judges are the only group of public employees who are outside the new government performance-related pay system. They use the traditional salary scale and subscribe to the seniority principle-based pay increase. In addition, top civil servants, employer civil servants and certain specialists (in financial and tax sectors) are paid separately in euro amounts.

Rapporteurs

Traditionally, civil servants, especially those who function as rapporteurs (civil servants who prepare matters for discussion and refer it to ministers for decision), have very high job autonomy. In the Finnish public administration, decisions on different matters are taken following rapporteurs' presentation of the matter in question. Rapporteurs' independence is protected by legislation and administrative tradition. They are bound only to the law, not to their superior's opinion. Their superior may give instructions on how to prepare a certain case, but superiors cannot dictate the actual content of the presentation. On the other hand, superiors are free to deviate from the suggestions given by the rapporteur.

Civil servants should not adhere to illegal orders. According to the Finnish Constitution, civil servants are responsible for the lawfulness of their official actions. A civil servant is also responsible for a decision made by an official multi-member body that they have supported as a member. A rapporteur is held responsible for a decision made upon their presentation, unless they have filed an objection to the decision (Constitution of Finland, section 118 on official accountability).

Working time

There are three main forms of working time in the government sector: office work, weekly work and period-based work. Office work is the working time form applied to expert and administrative duties in ministries and agencies. The regular working hours are 7 hours and 15 minutes per day, making it 36 hours and 15 minutes per week. Working time usually corresponds to the office hours, which is from 08.00 to 16.15 from Monday to Friday. Systems for flexible working hours are also used in government workplaces where the staff may, within certain limits, decide on the beginning and end of a working day for themselves. Moreover, a system of banking working hours is used in all forms of working time. In this system, the hours worked by an employee or civil servant in excess of their regular working times may be saved up for later use in the form of compensatory free time with the consent of the employer. The introduction and the details of the working time bank are agreed in the ministry or agency in question.

State sector collective agreement

The new state sector collective agreement has introduced a greater degree of flexibility. It contains provisions on both condensed working time and extended working time. In the first case, employees work longer hours four days a week and have the fifth day off. In the second case, the weekly working time is extended to 40 hours with a higher salary. The flexibility is also apparent in another case: telecommuting. This is a rather recent development, which was formally introduced in the Ministry of Finance 18 months ago. It has been received positively, and around 100 employees are already using it. The individual telecommuting agreements are made for six months at a time.

Health and safety

As regards health and safety issues, the interviewees did not point to any major problems. It is well known that office work contributes to musculoskeletal disorder and diseases such as chronic low-back syndrome and neck and shoulder problems. To prevent this, more attention is paid to improving work ergonomics and physical training. Adjustable seats and work tables are also becoming increasingly common. The ministry has recently introduced cultural and sport vouchers to support physical and mental health. The ministry has also adopted a voucher for commuting. Some of the ministry's premises are in historical buildings, such as the Government Palace beside the Senate Square in Helsinki. Some of the workspaces in old buildings lack proper air conditioning and the room temperature may be rather high in summertime. The government is currently renovating the ministry's buildings and the facilities will be improved.

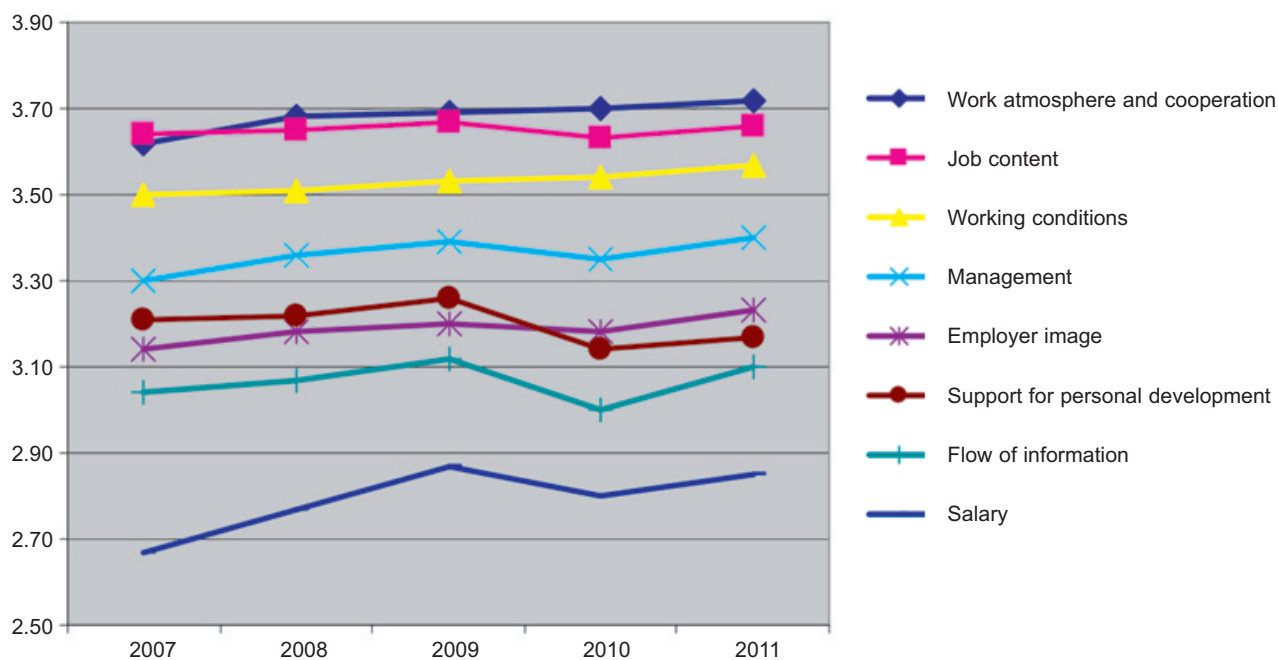
The trend towards open plan offices, instead of individual offices, is gaining ground in the public sector, and the ministry's new workspace will be based on an open plan solution. The implications of open plan offices for work practices in terms of promoting teamwork and sharing of information remain to be seen, however.

Working conditions

The qualitative interviews can be supplemented by using additional quantitative materials such as surveys. There are several surveys that monitor the development of working conditions in Finland: the State Treasury’s Occupational Well-being Survey (in 2010 the survey contained 1,876 responses, which was a 51% response rate); the Ministry of Employment and Economy’s Working Conditions Barometer (in 2011 the study contained 1,204 responses from the Finnish working life, including 103 from the government sector, which was a 80.1% response rate) and Statistics Finland’s surveys.⁵ The most extensive dataset is collected by the Ministry of Finance. Its annual job satisfaction survey, VM Baro, covers 71% of all government employees. Its average response rate is 65%, which means that more than half of all employees take part in this survey every year.

The *Personnel report on state sector 2011* is based on the VM Baro information system. According to this report, the overall job satisfaction score was found to be 3.37 on a scale from 1 to 5 (the higher the number, the more satisfied the respondent). As regards its main components, work atmosphere and job content received the highest marks, while salary levels were viewed more critically. As Figure 2 shows, working conditions were viewed quite favourably (3.57). In the VM Baro survey, working conditions cover the following topics: balance between work and private life, job security, coping at work and energy at work, and finally, workspace and equipment. The most troublesome trend concerns support for personal development, which refers to career development, job training opportunities, and the role of appraisal and development discussions in supporting personal development.

Figure 2: Job satisfaction in the government sector, 2007–2011



Source: Ministry of Finance (2011)

⁵ The Quality of Work Life Survey monitors employees’ working conditions and changes in them. It is based on a face-to-face interview and the sample size has varied between 3,000 to 6,500 in each survey round. Its non-response rate has varied between 8% and 22%. Statistics Finland also conducts a monthly Labour Force Survey on the participation in work, employment, unemployment and activity of people outside the labour force among the population aged between 15 and 74. Its sample consists of some 12,000 people and the data are collected with computer-assisted telephone interviews.

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Interviewees

Seven staff members were interviewed for this study. Their details are as follows:

- director of personnel policy, Office for the Government as Employer, Ministry of Finance;
- head of bargaining, Trade Union for the Public and Welfare Sectors;
- president of the Federation of Salaried Employees, Pardia;
- head of security, Ministry of Finance, JHL steward;
- director-general, Office for the Government as Employer, Ministry of Finance;
- director of the administrative governance and development, Ministry of Finance;
- director of negotiations, Negotiation Organisation for Public Sector Professionals.