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**JOINT STUDY OF THE EUROPEAN SOCIAL PARTNERS
“THE IMPLEMENTATION OF FLEXICURITY AND THE ROLE OF THE
SOCIAL PARTNERS”**

NATIONAL FICHE

FINLAND

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Preface

This national fiche is part of the EU Social Partners’ Study “The implementation of flexicurity and the role of social partners” carried out in the context of the EU Social Dialogue Work Programme 2009-2011, which includes “*Jointly monitoring the implementation of the common principles of Flexicurity, notably in order to evaluate the role and involvement of the social partners in the process and to draw joint lessons*”.

To implement this task in the best possible way and to involve national member organisations actively in the gathering of data and information, the study applies a methodology that consists of multiple levels of analysis using a variety of instruments to be implemented with the help of a team of experts:¹

- The expert team, with the advice of European Social Partners, agreed on a *set of selected statistical indicators* in the field of employment and economic and social development with labour market relevance.
- National social partners were asked to participate in a *questionnaire-based survey* focussing on the relevance of the flexicurity concept within national labour markets, the role of the social partners in policy implementation and their views of the flexicurity concept. To complement the research, the expert team visited a number of countries and carried out interviews with national social partners.²
- Based on the two sources above and a review of available written materials and information, the expert team prepared *29 national “fiches”* on the implementation of the flexicurity principles and the role of social partners in the respective national contexts.
- Results of the questionnaire survey and main findings of the national analyses were discussed at four “*country cluster seminars*” that were organised by the European Social Partners with the help of national sections in Warsaw (November 2010), Lisbon (December 2010), Paris (31st January-1st February 2011) and The Hague (8th February 2011).
- In the light of the overall study results and the comments received by national social partners in the contexts mentioned above, the expert team has prepared a *comparative synthesis report* on “Social Partners and Flexicurity in Contemporary Labour Markets” that was presented and discussed at a *EU-level synthesis seminar* on 31st March and 1st April 2011 in Brussels.

This national fiche aims to present a broad overview on the economic and social context and the state of play with regard to flexibility and security in the labour market and current social security arrangements (sections one and two). Secondly, the report describes the role of the social partners and social dialogue in the implementation of policies and practices that can be considered under the broad umbrella of “flexicurity” (section three), also summarising inputs provided by national social partners to the questionnaire, from interviews carried out and other contributions made in the context of the study. Section three also presents brief descriptions of cases of good practice as has been indicated by the national social partners.

The text was originally prepared as draft report in the autumn of 2010 in order to facilitate the discussion at the cluster seminar on 22nd and 23rd November 2010 in Warsaw. The original dossier has been reviewed and revised to take into account the comments and discussions that took place during the seminar or received afterwards.

However, it should be stressed that this report is presented as an “independent expert report”. It represents the views of the individuals involved in its preparation and does not purport to represent the views, either individually or collectively, of the social partners’ representatives that contributed to it, or those of the European level social partner organisations that were responsible for its commissioning.

¹ Expert team: Eckhard Voss (co-ordinator), Alan Wild, Anna Kwiatkiewicz and Antonio Dornelas.

² The following countries were visited in the context of the project between May and July 2010: Denmark, France, Ireland, Italy, Czech Republic, Poland, Germany, Portugal and the Netherlands.

1 The economic and social context

Economic crisis and recovery

Finland is a predominantly free-market, highly industrialised economy. Its GDP contribution is the following: services (approx. 66%), industry (approx. 30%) and agriculture (approx. 3.5%). Finland is very competitive in manufacturing (especially wooden products), metals, engineering and electronic industries. Except for timber and some minerals, Finland is dependent on imported raw materials, components for industry and energy. Exports account for over 30% of GDP; primary export products being mobile phones and forestry.

Finland experienced a very serious crisis in the early 1990s caused by the internal financial developments. The country managed to get over it quite quickly thanks to major structural change of the economy - moving away from traditional industry into a high tech economy³. Before the 2008 crisis Finland has been one of the soundest EU economies, having a substantial surplus in the current account (4.2% in 2008). The crisis, however, turned within a year its long-lasting surplus into deficit (-2.2% in 2009). During the crisis its banking sector and financial markets turned out to be quite resilient, however, export and domestic demand have been impacted very negatively. In 2009 Finland experienced record GDP contraction of 7.8%. The decline of 2009 has exceeded the early 1990s economic crisis impact and is likely to halt economic growth in 2010 and result in moderate growth in 2011. The total export volume dropped by approx. ¼ in 2009. The crisis impacted also domestic sectors; the ones the most hardly hit were metal engineering, electronics and forestry. Investment decreased rapidly by some 13%, mainly due to cuts in corporate investment.

FINLAND - MAIN ECONOMIC INDICATORS AND OUTLOOK

	2007	2008	2009	2010	2011
GDP – annual percentage change	5.3	0.9	-8.0	2.9	2.9
Employment - annual percentage change	2.2	1.6	-2.8	-0.1	0.9
Unemployment rate (Eurostat definition)	6.9	6.4	8.2	8.3	7.8
General government balance (as percentage of GDP)	5.2	4.2	-2.5	-3.1	-1.6
General government gross debt (as percentage of GDP)	35.2	34.1	43.8	49.0	51.1

Source: European Commission: Autumn 2010 Economic Forecast.

According to the European Commission there are optimistic perspectives for a rapid recovery in Finland. The main driver of growth in a short-run will be domestic demand, export is forecasted to pick up with some delay. GDP growth should be observed already in 2010, labour market shall be in a better shape in

³ Joint European Level Social Partners Work-Programme 2009-2010, *Joint Study on Restructuring in EU27 – Finland National Dossier*, June 2009, available at http://resourcecentre.etuc.org/ReportFile-20091012103501_IP2---Finland-national-dossier-FINAL-EN.pdf, p.17.

2011, when unemployment rate is predicted to start decreasing. In the next few years, the great challenge of economic policy will be to implement a post-recession exit strategy combining measures supporting growth with general government adjustment measures. In a long-run, Finland must address a problem of rapidly ageing population and decreasing productivity that threatens competitiveness, fiscal sustainability, and economic growth.

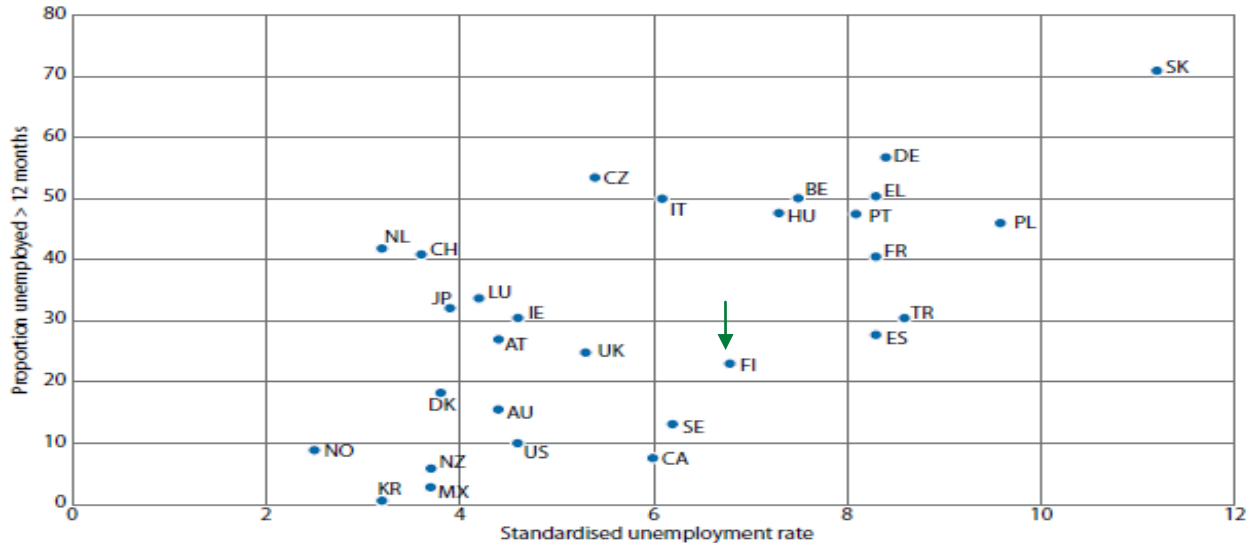
Along the lines of the European Economic Recovery Plan and the coordinated EU approach Finland has adopted financial sector support measures to stabilize banking sector. Finnish government decided to use its budgetary surplus to make the full use of economic stabilisers as well as introduced relatively large discretionary fiscal stimulus amounting to almost 2% of GDP in 2009 and above 1% in 2010. Households purchasing power is supported with further tax cuts in 2010 and wage growth derived from a ‘pre-crisis’ multiannual wage agreement. Based on current policies, i.e. the rise in VAT and some product taxes worth 0.2% of GDP, the deficit shall not exceed 3% in 2011. The government has not yet drafted a complete medium-term consolidation strategy.

Labour market indicators and trends

Finland is one of the eight EU countries, where in 2008 employment rate exceeded the overall Lisbon Strategy target of 70%. Employment rate of older workers in 2008 was also impressive: it exceeded by 6.5 percentage point the Lisbon Strategy targets. Majority of the Finnish workers is employed in services (almost 70%), followed by industry (25.5%) and agriculture (almost 5%). Experiencing undisturbed growth in employment between 2003 and 2007 and easily exceeding the Lisbon Strategy targets, the Finnish government declared increasing employment rate to 72% in 2011. Due to the recession, the forecasts had to be revised: employment rate is estimated at 66% in 2011, and employment is expected to return to the growth path in the second half of 2011. However, the impact on the labour market has been less negative than it might have been expected from such a dramatic contraction of economic growth.

In order to mitigate the negative effect of the crisis temporary lay-offs and various reduced working time schemes have been widely used. According to the European Commission, approx. 2% of the total workforce could have been affected by such policies. Growing unemployment rate is a disturbing factor: it is unclear which percentage of the registered unemployed reflects temporary unemployed and which corresponds to present or future long-term unemployment cohort. So far the long-term unemployment rate in Finland has been much lower than the EU27 average (in 2008 it was 1.2% for Finland compared with 2.6% for the EU27). The crisis has impacted negatively employment of new entrants to the labour market, also those with the higher education level. The employment rate of young men has declined more sharply than young women. Overall youth unemployment rate in Finland exceeded by 1.1 percentage point the EU27 average.

INCIDENCE OF LONG-TERM UNEMPLOYMENT AND THE UNEMPLOYMENT RATE, 2007



Source: *Employment in Europe Report*, p. 73, based on OECD figures.

According to the European Commission 2010 Spring Economic Forecast, Finland will soon become one of the first countries in the EU affected by the ageing population. This will have serious consequences both for labour market (i.e. shortage of labour and skills) as well as for social security contributions (i.e. increased cost of pensions). The situation is especially serious in the public services sector, mainly in municipalities. They account for approx. 20% of the workforce, their age structure is even more dominated by older employees, therefore they will face a ‘double’ challenge: rapidly ageing workforce and increased pressures linked with providing services to ageing population - their clients.

FINLAND - MAIN LABOUR MARKET INDICATORS 2008 IN COMPARISON TO EU27

	Finland	EU27
Employment rate – % population aged 15 – 64	68.7	64.6
Employment rate older people – % population aged 55-64	55.5	46.0
Self employed - % total population	12.1	15.5
Employment in services - % total employment	70.9	70.4
Employment in industry - % total employment	24.1	24.1
Employment in agriculture - % total employment	4.9	5.6
Unemployment rate - % labour force 15+	8.2	8.9
Youth unemployment rate - % labour force 15-24	21.5	19.6
Long term unemployment rate - % labour force	1.4	3.0
Inequalities of income distribution (2008)	3.8	5.0

Source: Eurostat, *Employment in Europe Report 2010*.

Flexicurity in the labour market and labour market policy

Educational attainment is an important factor as it determines to a large extent professional career perspectives. In 2007 in Finland striking majority of people had upper secondary education (81%). People with tertiary education are estimated at 36% of the population, which gives Finland very high place in the EU ranking.

In February 2007 permanent contracts - including permanent part-time contracts - represented 86.4% of the total contracts in Finland⁴. In 2008 part-time work was below the EU27 average (13.3 % of the total employment compared with 18.2% for the EU27) and is more typical for female workers – approx. 2/3 of total part-time workers are women. However, the share of men in part-time work is relatively high compared to the EU averages. Not all of part-time contracts are voluntary: some 1/3 of part-timers are those who accepted part-time work as there was no other option and those who were/are on reduced working time scheme. Fixed-term work is quite often used – in 2008 it was slightly above the EU27 averages. Alike part-time work, fixed-term contracts are more often used by women – Finland together with Sweden have displayed relatively high rates of fixed-term contracts for female workers. According to Statistics Finland, fixed-term contracts are voluntary choice only for approx. 1/4 of the concerned - two out of three fixed-term employees could not find permanent job. Moreover, the number of persons working involuntarily in fixed-term jobs grew by 10,000 between 2008 and 2009. Over the same time the number of voluntary fixed-term employees decreased by 16,000⁵. Finland, together with Denmark, Spain and the UK, is known for the highest in the EU turnover rates. In Finland transition rates from inactivity to employment and from unemployment to employment are higher for women than men.

In CVTS3 Finland scored well above the EU27 average as regards to employee participation in continuing vocational training initiatives – in 2008 one in three workers participated in training financed by the employer; average number of training days per year was 5-6. Finland has achieved even more impressive results in relation to lifelong learning participation - in 2008 over 23% of workers participated in LLL compared to 9.6% in the EU27.

Finland falls into the category of a moderately protected labour market, with overall protection level slightly below the EU27 average. In 2000 over 84% of workers were satisfied with their job⁶ - in Finland quality of working life is perceived as important productivity factor, therefore the two are to be developed in parallel. Moreover, majority of the Finish individual workers is convinced that they can find the job that corresponds to their expertise.

⁴ According to *Statistics Finland* in 2009 there were 4% of employees engaged on the basis of fixed part-time work, 11% - fixed full-time work, 10% - permanent part-time work and 76% - permanent full time work. Between 1997 and 2009 the above mentioned four categories of employment contracts remained pretty stable; the biggest difference between year 1997 and 2008 was observed as regards permanent part- time work (in 1997 it stood for 6%, while in 2009 reached the level of 9.5%) and fixed-term full-time work (in 1997 it constituted 14%, while in 2009 it dropped to the level of 11%).

⁵ Statistics Finland, *Fixed-term relationships decreased in 2009* (http://www.stat.fi/til/tyti/2009/17/tyti_2009_17_2010-12-03_kat_003_en.html).

⁶ European Foundation for Living and Working Conditions, *Measuring Job Satisfaction in Surveys – Comparative Analytical report*, Dublin 2007, p. 5.

FINLAND - FLEXICURITY INDICATORS IN COMPARISON

	Finland	EU27
Total population having completed at least upper secondary education (population aged 25-64, %), 2009	82.0	72.0
Part-time employment - % total employment, 2009	14.0	18.8
Fixed-term contracts - % total employees, 2009	14.6	13.5
Access to flexitime, % total employees aged 15-64, 2004	50.2	31.3
Percentage of employees (all enterprises) participating in CVT courses , 2005	39.0	33
Lifelong learning participation – percentage of the population aged 25-64 participating in education and training over the four weeks prior to the survey, 2009	22.1	9.3
Job satisfaction – percentage of workers that are either very satisfied or satisfied with working conditions in their main paid job (EWCS 2010)	88.8	84.3
Strictness of employment protection – regular employment, 2008	2.17	2.11*
Strictness of employment protection – temporary employment, 2008	2.17	2.08*
Strictness of employment protection – collective dismissals, 2008	2.38	2.96*
Public expenditure on <i>passive</i> labour market policies (categories 8-9) - % of GDP, 2008	1.35	0.96
Public expenditure on <i>active</i> labour market policies (categories 2-7) - % of GDP, 2008	0.67	0.46
Persons at-risk-of-poverty after social transfers - % of total population, %, 2009	13.8	16.3

Source: Eurostat; *Employment in Europe Report 2010*; Eurofound (*European Working Conditions Survey 2010*); OECD.
 *OECD average

Unemployment rate and the average length of unemployment are important indicators for analysis of the labour market effectiveness. In Finland standardized unemployment rate is 6.8%, while the proportion of unemployed longer than 12 months is 23%. According to the *Employment in Europe 2009 Report*, in Europe the incidence of long-term unemployment is estimated at 45% (compared to 10% in the USA). From this perspective the results of Finland are quite impressive and transition from one job to another takes relatively little time.

Conclusion

According to the NRP Annual Progress assessment of the European Commission the main challenges Finland faces at the moment is to eliminate bottle-necks on the labour market and labour mismatches. Labour shortages are additionally aggravated by the rapid ageing of the population – by 2020 Finland will have the highest old-age dependency ratio in Europe. This can pose a serious challenge for the export’s recovery and competitiveness of the country. In order to attract more people to the labour market the following is recommended: working towards increasing employment rate to the level from before the crisis, increasing participation rate and reducing structural mismatches at all levels (sectoral, regional and as regards to skills)⁷.

⁷ European Commission, *NRP Annual Progress Report: Finland*, Brussels 2009, pp. 38-39.

2 Flexibility and security in recent labour market and social policy reforms

Introduction and overview

The Finnish labour market policy aims at combating unemployment and increasing participation rates through tripartite cooperation. Increase of employment rates was possible due to the reforms adopted in the mid-2000s. One of them was labour policy guidance system, which resulted in setting up the Employment Services Centres - they became operational in 2004. Additionally, in 2005, obligations of the long-term unemployed to accept work or training were increased. Flexicurity concept has been introduced to the public discussion in 2006 by the then Minister of Labour under the term of “Change Security”. “Flexicurity *à la finlandaise*” was defined as a mix of high unemployment benefits, short periods of dismissal notice and appropriate active labour market policies (ALMP). At that time the concept was received with a moderate enthusiasm by the Finnish social partners.

While the 2003-2007 reform programme concentrated mainly on reducing unemployment, the 2007 government reforms - namely social security reforms - were aimed additionally at introducing incentives to work. A new “Change Security” model - a part of the 2005–2007 national income policy agreement - extends employees’ right to individual re-employment programmes, drawn up by state employment offices. The main aim of this new model was to increase cooperation both at workplaces and with the labour authorities to enable redundant workers finding alternative employment as quickly as possible. In 2008 there was a merger of two ministries: the Ministry of Employment and the Ministry of Trade and Industry and a new institution was created - the Ministry of Employment and Economy. This reform clearly shows that effective employment policy and well functioning labour market are treated in Finland as interlinked with business development, innovation and competitiveness.

The NRP 2008-2010 defines objectives of the future reforms as extending working careers, improving effectiveness of incentive effect of tax and wage formation system and improving match between demand and supply on the labour market.

Additionally, the tripartite Flexicurity Group has been working on adopting the EU principles to the Finnish model of flexicurity. The group was to be operational till the end of 2010. The present Finnish model of flexicurity is based on three assumptions:

- quick job to job transition;
- increased participation rate by effective transition from inactivity to employment;
- improvement of work quality to make work more attractive.

Lifelong learning and the mobility of workers

Continuing vocational training and lifelong learning as well as mobility, both occupational and geographical, are in the heart of the Finnish approach to flexicurity. In the period of transition from one job to another, workers receive training programmes from public employment services (PES); often they are entitled to profiting from such programmes while still in employment. During the crisis available resources were re-directed to ensure effective re-training for those temporarily laid off. Additional incentives were introduced for the unemployed to take up training. Workforce training is organised in cooperation between PES and employers. Vocational training reform programme (AKKU) is in progress.

In 2007 activities facilitating labour mobility were introduced. Among them there is possibility to deduct transport expenses and removal grant to cover moving expenses (up to 700 EUR). Mobility grants are

administered by the Employment and Economic Development Office. Further reforms are planned as of 2010.

Positive perspectives for occupational and geographical mobility are linked to well-educated migrant workers who take up jobs in different sectors and in different regions. Inflow of migrant workers can be one of the measures to tackle labour market shortages and Finland has been working on comprehensive policy on managing work-related migration.

External/internal flexicurity and contractual arrangements

As already mentioned, in 2007 almost 86% of employment contracts were permanent employment contracts, both full- and part-time ones. The number of fixed term contracts remained relatively stable between 1998 and 2008. In 2009, due to the crisis, number of fixed-term contracts decreased and reached the level of 310,000 – it was a decrease of 22,000 in comparison with the previous year⁸. In 2007 the Act on Contractor’s Obligations and Liability When Work is Contracted Out entered into force. Its purpose is to regulate the use of subcontractors and temporary work agency services and ensure that they adhere to employers obligation. Moreover, employers were invited to examine the use of fixed-term contracts and to change them into permanent contract, provided their use has been unjustified. Legal basis for this change was laid down in the Employment Contracts Act as well as in the regulation concerning occupational health. The objective of the reforms in the field of contractual arrangements (i.e. The Employment Contracts Act of 2001 or the Act on Cooperation within Undertakings of 2007) gives grounds for equal treatment of employees and prevent unhealthy competition between employers, especially by abusing employment contractual arrangements.

In Finland employees can profit from the Work Sharing Act: between 1996 and 2007 over 130,000 people participated in work sharing arrangements.

Working time flexibility was improved in 2007 by introducing measures to calculate and manage working time. At present over 60% of employees have the right to save and accumulate extra working time and exchange it later for days off. Use of overtime has increased (over 50% of workers does overtime).

Number of temporary agency workers has grown from 2% to 4%, but their share in total workforce is still limited.

Active labour market policy

In Finland reforms of the public employment services implied changing labour offices into the Employment and Economic Development Centres to better serve both job seekers and enterprises. New approach to providing assistance for the unemployed implies that the conditionality of the assistance is proportional to the unemployment duration. Longer unemployment period usually implies intensified offer of appropriate measures. Moreover, the funding principle has been changed: now the support is financed by the State and the municipality. This is to activate local government’s efforts to create employment.

In Finland commitment to prevent people from falling into a long-term unemployment is very strong. Therefore employment services can be offered to workers during their notice period; special attention is also given to SMEs employees. The present target is to ensure job placement for at least 40% of job seekers within the first 3 months from the moment of losing the job.

⁸ More on this can be found at Statistics Finland, *Fixed-term relationships decreased in 2009* (http://www.stat.fi/til/tyti/2009/17/tyti_2009_17_2010-12-03_kat_003_en.html).

The Act of Social Enterprises was passed in 2004, which facilitates creation of social enterprises. They employ representatives of the less-favoured groups such as i.e. the disabled or the long-term unemployed. In 2007 there were 148 social enterprises in Finland.

Internal labour market policy is widely used in Finland. It is based on PES trial work placements, on-the-job training and “working-life” training arranged at the workplaces as well as orientation and occupational training.

Since Finland has a problem of relatively high unemployment rate of young workers, specific assistance has been offered to the representatives of this group. It is based on drafting, within the first 3 months from the moment of becoming unemployed, personalised job seeking plan as well as on auditing ‘working capacity’ and health condition. In 2007 such a plan was prepared for 82% of the young job seekers.

Support for employers hiring young people

A new Sausi-coupon was launched on May 2010 to improve employment of young people. In practice, the employer will get support paid by government (max. 500 €/month for 10 months) if the employer hire the unemployed young people (under 30 years)

Source: The Federation of Finnish Enterprises questionnaire, May 2010.

During the crisis the right to benefit from employment measures within the framework of the operating “Change Security” model was extended to those laid off from fixed-term contracts and to workers laid off for at least 180 days.

Some initiatives concern also access to PES services. Electronic information and guidance services were to be developed between 2007 and 2013.

Supportive social security systems

In Finland there are two types of unemployment benefits: basic allowance paid by the Social Insurance Institution or a contributory allowance paid by an Unemployment Insurance Fund and calculated on the workers' normal pay in the 10 months before they became unemployed. Affiliation to an Unemployment Insurance Fund is voluntary.

Basic allowance entitlement: each unemployed persons at the age of 17- 64, looking for work and who had been working for a total of 43 weeks in 28 months before becoming unemployed. Slightly other rules concern the self-employed. The allowance is paid five days a week for a maximum of 500 working days. If the unemployment benefit has not been used by the person up to the age of 57, it is retained until the age of 60.

Earning- related allowance: each employee who has paid contributions to an unemployment fund for at least 10 months before he became unemployed and who has appropriate employment duration history. The self-employed has to work for a total of 24 weeks to become eligible.

In June 2007 the SATA Committee was appointed with a view to work out supportive social security system to combat unemployment, especially solutions regarding income security during unemployment spells. Different goals of the social security system include: productivity improvement, extending professional careers and increasing attractiveness of temporary employment.

Social security reform currently under way is to take account of all fragmented forms of work and social security mechanisms – typical both for employment and for entrepreneurship - and create a coherent system that would make work advantageous.

High quality and productive workplaces

In general, Finnish social partners believe that elaborating the concept of flexicurity can contribute to accommodating structural change and to productivity⁹. For EK making improving quality of work life (QWL) contributes to better quality of work. Working towards high-quality and productive work places is possible thanks to various bipartite and tripartite initiatives at the national and sectoral levels. One of them is Round Table of Productivity, where social partners and the government examine effects of restructuring and job creation. The analysis on job loss and job creation is conducted at the sectoral level. Besides conducting analysis and organising productivity-related seminars, Round Table also grants productivity awards for enterprises with the most productive workplaces. Dissemination of good practices and access to useful links are available at a website www.tuottavuustyö.fi. Additionally, social partners prepare joint recommendations for the local government, organise training events and support work development. At a branch level social partners prepare productivity-related publications: the Federation of Finnish Technology Industries and Finnish Metalworkers’ Union have published jointly “Road signs to productivity”¹⁰. Finnish social partners also reflect how productivity can be promoted and improved in the SME sector. Moreover, they also point out that productivity will become an even more urgent challenge in the situation of ageing population and discussions about extending working age.

Gender equality

Finland is example of highly segregated labour market – like Sweden, Ireland or the Baltic States- which means that women are more concentrated in a restricted number of sectors (sector segregation) and professions (occupational segregation). This results in a relatively high gender pay gap. In order to tackle this problem, gender pay used to be negotiated within a framework of collective bargaining and national pay agreements used to be concluded (provision for “equality allowance”). It shall be pointed out that social partners’ opinions on effectiveness of “equality allowance” differentiated. At present wage negotiations are taken down to the level of sectoral bargaining and are written into sectoral agreements. Equality is mainly ensured by provisions of renewed sectoral pay system. In the public sector, besides negotiating wage policy, there is a tripartite equality programme implemented that aims at decreasing wage gap.

Since 2005 social partners have been involved in an extensive Equal Pay Campaign comprising of numerous measures and projects to promote gender equality. Social partners have discussed regularly gender equality issues in relation to collective bargaining, gender legislation and good practices for more than 10 years. The most recent joint efforts relate to dismantling of occupational and horizontal segregation. The Federation of Finnish Enterprises believes that tackling gender equality-related issues is one of the strong points of the Finnish approach.

Additionally, in order to promote gender equality, the Ministry of Social Affairs and Health implements appropriate programme (*Samapalkka*).

⁹ Joint Study of the European Social Partner Organisations, op.cit., p.38.

¹⁰ Initiatives indicated by the Confederation of Finnish Industries and the Commission for Local Authority Employers, May 2010.

Financial sustainability

According to the Confederation of Finnish Industries social partners are directly involved in national discussions related to sustainability of public finances by participation in various committees and working groups.

Financial sustainability is especially important in case of long-term approach to training programmes. Through tax reform the employed are to be encouraged to invest in training themselves. At the same time employers' contribution to joint training purchase has been reduced and the rules for training management have become more relaxed in the situation of temporary lay-offs.

Most often operation of “Change Security Unit” relies on mobilising funds from various sources: company means, bank loans, employment and regional support funds as well as business support funds.

Conclusion: Strengths, weaknesses and challenges

The study conducted in 2007 evaluating effectiveness of the Finnish security model – the “Change security” model - proved that it works relatively well¹¹. Early intervention combined with a wide spectrum of ALMP measures and targeted, workplace-related training seems to be effective combination of activities to facilitate job to job transition.

Appropriate measures seem to be in place, including anticipation measures as well as delegating responsibility to the local level. Flexicurity in Finland has been ‘institutionally’ equipped, i.e. by creating the Employment and Economic Development Centres or introducing removal grants. Micro- and macro-level approach to flexicurity is developed at the same time. Role of the local governments and supporting their initiatives is also important.

In general, the Finnish flexicurity model is based on broadening local labour market and travel-to-work areas, individual employment services including some mobility incentives and a proactive labour market policy, especially in education and training issues. Public employment services have a broad responsibility for providing information and relevant services to ensure the solid functioning of the labour market.

3 The role of the social partners

General remarks on the role of social partners

In Finland relations in the field of labour market are of a close, tripartite character. Almost all legal regulations relevant for labour market are based on a tripartite consensus. The Finnish system of negotiations is stable and predictable – as such it has had a strong impact on economic growth, competitiveness, productivity and employment rate and contributed to the high standard of living.

There are three main trade union confederations: the Central Organisation of Finnish Trade Unions (SAK), the Finnish Confederation of Salaried Employees (STKK), and the Confederation of Unions for Academic Professionals in Finland (AKAVA). Collective bargaining coverage in Finland is high – 90% - and trade union density is also relatively high as for the European standards – 74%. Trade union membership increased after the 1990s recession. Recent developments indicate that SAK – grouping mainly manufacturing workers – can experience decline in membership due to demographic situation and changes in the nature of work. At the same time, increasing interest in joining AKAVA, trade union

¹¹ European Commission, *NRP Annual Progress Report: Finland*, Brussels 2009, p. 90.

grouping white-collar workers, has been observed. There have been some attempts taken up recently with a view to merge some trade unions in Finland, i.e. within the STKK. SAK, AKAVA and STKK are affiliated at the EU level- the three organisations are members of the ETUC.

There are three main private employers’ organisations: Confederation of Finnish Industries (EK), created from the merger of the Confederation of Finnish Industry and Employers (TT) and the Employers’ Federation of Service Industries in Finland (PT), the Federation of Agricultural Employers (MTL) and the Federation of Finnish Enterprises (SY). Employer organisation density estimated at 72% is higher than the EU27 average. EK is leading organisation representing business interests. There are three main employers’ organisations representing public sector employers: the Commission for Local Authority Employers (KT), the State Employer’s Office (VTML) and the Church Employers (KiT). EK is a member of BUSINESSEUROPE, while KT is a member of CEEP and SY is represented by UEAPME¹².

Main instruments and levels of influence

Up to recently the main instrument in the process of collective bargaining in Finland was the national income policy agreement (so-called *tupo*) – a tripartite agreement drafted by the social partners in co-operation with the government¹³. The agreement included regulation on wide spectrum of economic and social issues i.e. pay increases, taxation, pensions, unemployment benefits and housing costs. The agreement is legally binding. Recently (2007-2008), collective bargaining was conducted at the sectoral level. It has to be noted that in the Finnish context a very important model for bargaining at a sectoral level is called “local bargaining”. According to EK it is one of the basic mechanisms ensuring flexibility on the Finnish labour market and shall be negotiated more and more often at the company level as the most appropriate one. It implies that social partners negotiating at the sectoral level agree to negotiate flexibility solutions at the company level. Example of topics negotiated within the framework of “local bargaining” are working time arrangements agreed between employer representative and shop steward. Possibility to bargain “locally” varies between sectors and provisions of specific collective agreements.

Moreover, emerging trend for collective bargaining is “continuous negotiation system”, which implies that social partners are responsible for joint projects and working groups during the agreement period. The scope of the continuous negotiation system includes matters that should be considered on a bipartite basis between employer and trade union representatives or on a tripartite basis, encompassing the government as well. According to EK sectoral, company and even individual-level bargaining will be the negotiation models of the future.

FINLAND - MAIN SOCIAL DIALOGUE INDICATORS

	Finland	EU25
Collective bargaining coverage – % of employees covered by collective agreements, 2006	90.0	63.0
Trade union density - % of dependent employees who are trade union members, 2005	72.4	25.3
Employer organization density - % of employees employed by companies that are members of an employer organization, 2006	72.0	n.a.

Source: EIRO on-line Country Profiles, EU Industrial Relations Report, 2008.

¹² Based on EIRO on-line, *Finland: Industrial Profile*, updated on 26 October 2010, (http://www.eurofound.europa.eu/eiro/country/finland_5.htm)

¹³ Income policy agreements are drafted by social partners and the government joins the process only at the final stage of drafting *tupo*.

Recent changes and challenges

Finland is well advanced in the process of shaping its flexicurity model. At the beginning social partners were not convinced about the model. Very soon, they became the co-creators of the Finnish approach to flexicurity. It is important to note that the “Change Security” model emerged from social partners’ responses to the economic crisis of early 1990s. It entered into force in 2005. “Change Security” is to be applied in case of collective dismissals caused by economic or production-related reasons. Its objective is to promote re-employment of laid off workers. “Change Security” is based on cooperation of workers, employers and employment authorities. Its main component are: paid time off to look for a new job, employer’s obligation to inform about planned restructuring, action plan is drafted together with the workers and personalised re-employment plans are drafted with the employment agencies. All stakeholders have been rather satisfied with this motivational model encouraging rapid re-employment. The model was adopted to the crisis situation: in 2009 social partners have extended this model to all employees who have been temporarily laid off.

At present social partners are engaged in designing appropriate legal regulations for labour market modernization. So far the Finnish social partners have been involved in variety of activities:

- in 2006 they prepared a joint package of reform proposals to boost employment and mobility; the proposed measures focused mainly on vocational training, apprenticeship and supporting geographical mobility;
- in 2007 they drafted a joint employment programme, which was to enrich employment guidelines of the then new government; the proposed measures focused on tax incentives to promote mobility as well as on ensuring housing, professional training and effectiveness of PES;
- in August 2007 the tripartite Flexicurity Committee was created; the group was charged with the mission to work out the Finnish model of flexicurity. The group was to complete this assignment at the end of in 2010 and its future was uncertain;
- in January 2009 the Finnish social partners’ signed agreement on pension policy and unemployment security; the starting point was to abolish employers’ national pension contribution, which was a heavy administrative burden on companies.

Employers’ representatives are more interested in decentralisation of the collective bargaining process and decision-making level. They would rather opt for moderate job security and would not welcome further increase of the unemployment benefit. They are convinced that the Finnish model of flexicurity should take into account needs of SMEs. A specific attention is paid to the wage formation mechanism and its natural development towards enterprise-level agreements. Employers also believe that important changes were recent developments in working time flexibility according to different sectors needs.

Trade union representatives believe that further improvement of the unemployment insurance system is necessary as well as use of appropriate ALMP combination. Trade unions are convinced that the present employment protection does not hinder employment and job creation. While discussing flexicurity trade unions point out importance of better unemployment security, more generous funding for financing ALMP, more training provisions and facilitating change at the workplaces and in the regions. Specific attention is paid to security of atypical workers and to introducing penalties for unjustified use of fixed-term contracts. Trade unions have contributed to adopting new legislation – the Employment Contract Act – which enables closer inspection of terms and conditions of employment.

Both employers organisations’ and trade unions’ representatives believe that Finland should work out its own flexicurity model, and that it would be not appropriate to attempt to ‘transplant’ the Danish

model. There is a difference of opinions between social partners as far as employment protection levels and unemployment benefit system are concerned.

Cases of good practice in the field of labour market flexibility and security

Among examples of good practices the Finish social partners indicated the Flexicurity Committee as well as cooperation between enterprise (Perlos) and the Economic and Development Centre to use the European Globalisation Fund.

Example One: Tripartite Flexicurity Committee

High-level tripartite Flexicurity Committee (chaired by the Minister of Labour) working in three working groups:

- Regulation of working life: labour law issues, i.e. redundancies legislation, temporary lay offs (shortened working time);
- Management of transitions: Change Ssecurity, ALMP;
- Quality and development of working life.

These working groups try to identify the needs for amendments in the existing system and potential new tools necessary to cope with the economic crisis and changing working environment. There is a relatively strong consensus on the need to address these challenges in the flexicurity spirit.

Source: EK, questionnaire May 2010.

Example Two: European Globalisation Fund – effective cooperation between Perlos and the Economic Development Centre

Perlos was an originally Finnish company, established in 1953 with operations in several countries in the field of telecommunications and electronics. The headquarters were in Vantaa, Finland. At present, the company is owned by a Taiwanese company Lite-On Technology.

February 2006: Perlos announced reorganisation of operations, 573 employees were to be made redundant. Most of the redundancies took place in the unit situated in near Joensuu at North Karelia – the region, which economic situation was among the worst in Finland.

April 2006: after the Perlos announcement, the Employment and Economic Development Centre (TE-Center) for North Karelia established a local working group to work towards effective placement of the redundant workers, monitor restructuring process effects, also on Perlos’s subcontractors, and adopt necessary economic and employment policy measures. The working group consisted of representatives of Perlos’s management and employees, of the North Karelian towns affected (Joensuu, Kontiolahti), of the local education and training consortium and of the local employment office.

January 2007: new information and consultation procedure to close down all manufacturing processes in Finland; approx. 1 100 employees were made redundant in North Karelia.

Spring 2007: the Finnish employment authorities decided to apply for funding from the EGF. Total support: approx. 21 million euro. Results: 50% of re-employment measures cost covered, approx. 460 new jobs created.

Source: EK, questionnaire May 2010.

4 Key points arising

The key points are arising from the point of view of the author of this report and as highlighted during the cluster seminar in Warsaw:

- The future approach to flexicurity shall be based on the principle of “making the work pay”;
- There is an increasing trend to delegate collective bargaining to the enterprise level instead of negotiation within the framework of “local bargaining” – bargaining at the sectoral level; over the time it may lead to “individualisation” of collective bargaining process;
- One of the biggest challenges faced by Finland is increasing productivity, which becomes especially challenging in the one of the most dynamically ageing societies;
- Increase of productivity is discussed jointly with the topic of the quality of work life – the two are perceived as interrelated;
- Ensuring productivity growth and good quality of work life seems to be especially important in the SMEs sector;
- New “Change Security” model- Finnish model of flexicurity- extends individual rights to “assisted” job-to-job transition (re-employment).

Source and references

Replies to the questionnaire survey and cluster seminar contributions

Questionnaire replies were received from three employer organisations: the Federation of Finnish Enterprises (SY), the Confederation of Finnish Industries (EK) and the Commission for Local Authority Employers (KT). In addition EK provided the description of the Perlos case (Example Two in the section on good practices).

Further resources

1. EIRO on-line, *Finland: Industrial relations profile*, updated 26 October 2009, (<http://www.eurofound.europa.eu/eiro/country/finland.htm>).
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6. European Commission: Annual Progress Report / Annual Country Assessment, Brussels , December 2008.
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16. Takala, M., *An example of flexicurity: the Finnish part-time pension programme*, conference materials, 5th International Research Conference on Social Security, *Social security and the labour market: A mismatch?*, Warsaw, 5-7 March 2007