



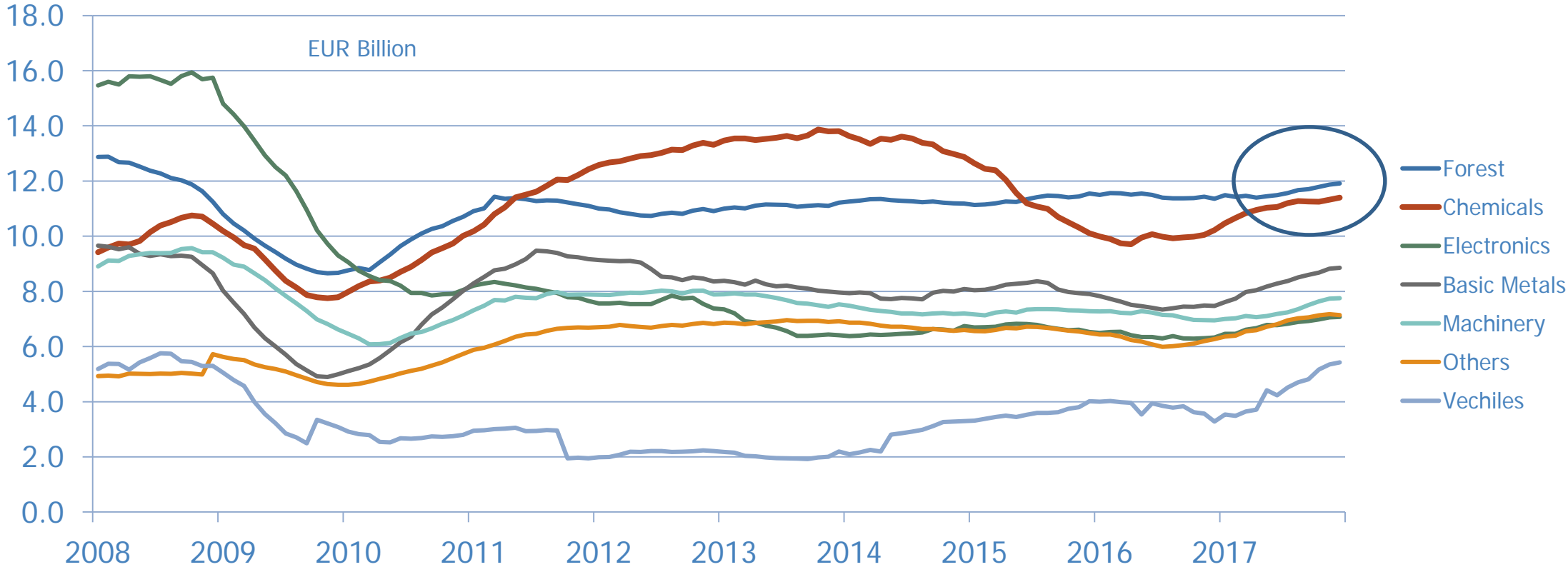
# Central and decentralized elements of collective bargaining

Benefits and challenges

# Content

- Intro: chemical industries in Finland
- Past: traditions of collective bargaining in Finland
- Present: towards export-oriented labour market model
- Future: benefits and challenges ("SWOTs")

# Chemical sector is one of the key export sectors in Finland



Source: Board of Customs

# A trade association for the chemical industry and its closely related sectors



Finnish **Bioindustries** FIB  
The Finnish **Boatbuilders** Employers' Association  
The Finnish **Cosmetic, Toiletry and Detergent** Association  
The Finnish **Crop Protection** Association  
Association of Finnish **Environmental Industries and Services** YTP  
Employers' Association of Finnish **Goldsmiths**  
The Association of Finnish **Leather and Shoe** Industries  
**Pharma** Industry Finland  
Association of the **Glass and Ceramic** Industry  
The **Oil Product** Association  
The Association of Finnish **Paint** Industry  
Finnish **Plastics** Industries Federation  
The Finnish **Printing Ink** Association  
The **Rubber** Manufacturers' Association of Finland

Nearly 400 company members



# Past: traditions of collective bargaining in Finland

- "Engagement of January" in 1940
  - Building the welfare state, state-owned industries, bilateral trade with Soviet Union, "closed economy" ca. 1940s – 1970s - 1980s
- Long-term tradition of "tripartite co-operation", including centralized "income policy agreements" as most common labour market practice
- Finnish economy
  - Strong dependency on exports
  - Large public sector (~50 % of GDP)
  - Direct connections between trade union movement and politics - corporatism





# Present: towards export-oriented labour market model



# The burial of "Tupo"

- EK (Confederation of Finnish Industries) changed its rules in May 2016: it can no longer conclude collective agreements
- This marked the end of tripartite income policy agreements ("Tupo")
  - Income policy agreements contained a number of harmful traits: centralised general raises, labour law amendments in favour of employees, no chance for branch-level reforms, the state's fiscal and economic policy was bound by the agreement
- The Competitiveness Pact of 2016-2017 was the (so far) last central-level agreement



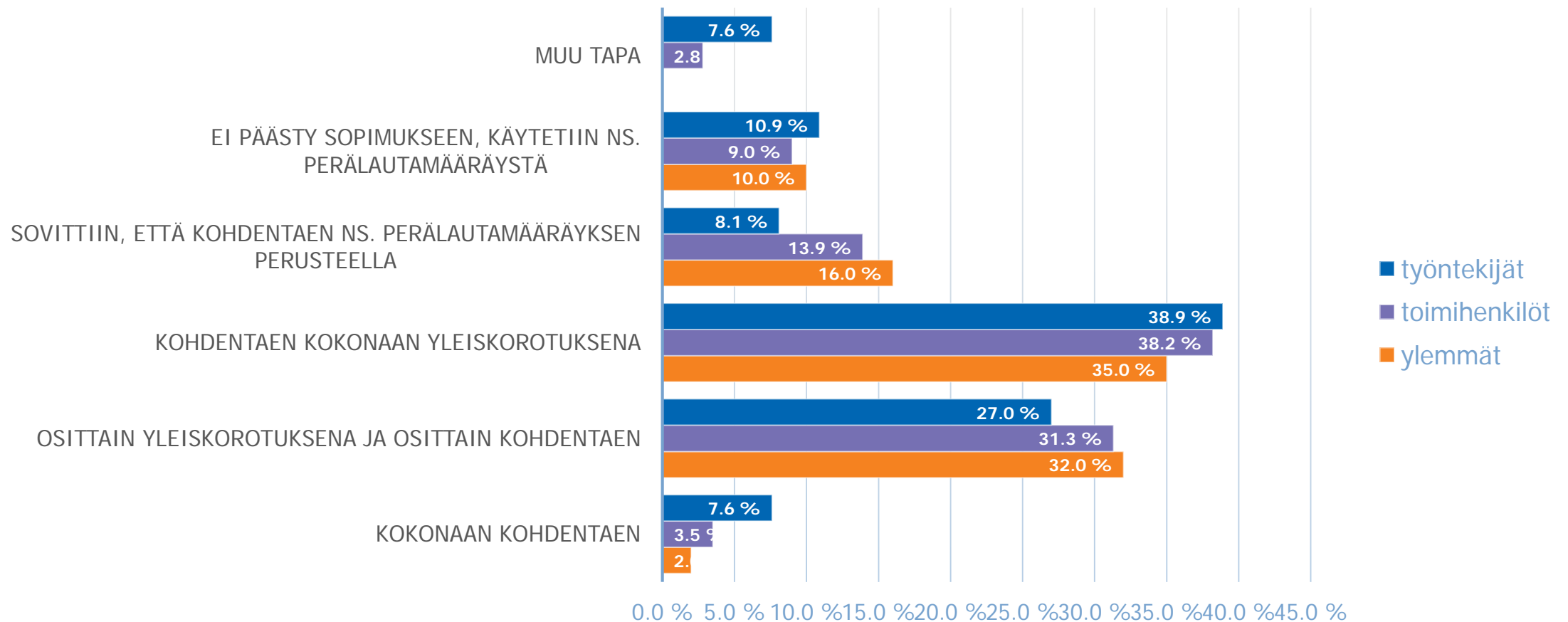


# Collective bargaining in FIN 2017-2020: lessons learned

- An industry-driven labour market model is possible AND feasible
  - Lower wage raises than expected in many branches -> at the same time "märket" pulled some branches up towards higher raises
- "Pay race" was inhibited and text changes adopted
  - Last branch level round 08-09: +4%/year
- Good preparation & planning inside EK (including good connections with our Swedish colleagues), a united employer front and the Conciliator's steadfast operation were key elements in the success

**In conclusion: this is the way forward**

## Local agreements regarding allocation of salary increments (1,6 %) in member companies of Chemical Industry Federation in 2018 (survey)



# Future: benefits and challenges of an industry-driven model?



# Centralized labour market model "SWOT"

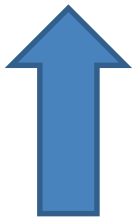
<b>STRENGTHS</b> <ul style="list-style-type: none"><li>• Predictability</li><li>• Stability in the society</li><li>• "one ... fits all" type of "equality"</li></ul>	<b>WEAKNESSES</b> <ul style="list-style-type: none"><li>• Rigidity</li><li>• No room for "pay for performance"</li><li>• Freezing the welfare state – corporatism over democracy (→ stagnation)</li></ul>
<b>OPPORTUNITIES</b> <ul style="list-style-type: none"><li>• Very low salary increments to all would probably benefit most businesses in short-term (possible during extreme economic crisis?)</li></ul>	<b>THREATS</b> <ul style="list-style-type: none"><li>• Decrease in productivity due to rigid regulations and practices</li><li>• Those in global competition may lose their competitiveness through high public spending and too high cost increases in the value chain</li><li>• Structural unemployment in branches (and/or companies) below average raise in productivity</li></ul>

# Decentralized / export-driven labour market model "SWOT"

<b>STRENGTHS</b> <ul style="list-style-type: none"><li>• Flexibility - branch level negotiations are closer to businesses</li><li>• More local, company-based solutions – accelerating performance</li><li>• No one... fits all</li></ul>	<b>WEAKNESSES</b> <ul style="list-style-type: none"><li>• Differing capabilities in a multi-actor situation</li><li>• No tradition</li></ul>
<b>OPPORTUNITIES</b> <ul style="list-style-type: none"><li>• Cost competitiveness to define labour cost development</li><li>• Fostering local salary agreements and performance-based culture</li><li>• (Slow) modernization of terms of employment</li><li>• Trade unions are rather divided than unified?</li><li>• No tradition</li></ul>	<b>THREATS</b> <ul style="list-style-type: none"><li>• Failure of "märket", "race for salary increments" in industry, trade, services and public sector</li><li>• Instability - threat of industrial actions</li></ul>



# Summary – key elements to success

- Short term
  - Safeguard and continue "the new Finnish model"
  - Deliver short-term results; i.e. positive changes to CBAs, increase local (company level) negotiations/decisionmaking on salaries and other terms of employment
    - Engagement of the top, high quality coordination and co-operation at operational level
- Longer-term: positive impact on
  - Employment
  - Growth
  - Productivity
  - Agility
  - Wider acceptance of the model, transformation of the labour market



Thank you!