# Finland: Industrial relations profile

## Facts and figures

Area: 338 419 square kilometres  
Population: 5.3 million  
Language: Finnish, Swedish  
Capital: Helsinki  
Currency: Euro

## Economic background

<table>
<thead>
<tr>
<th></th>
<th>Finland</th>
<th>EU27</th>
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<tbody>
<tr>
<td><strong>GDP per capita</strong></td>
<td></td>
<td></td>
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<tr>
<td>(in purchasing power standards, index: EU27=100)</td>
<td>115.9 (2007)</td>
<td>100</td>
</tr>
<tr>
<td><strong>Real GDP growth (% change on previous year)</strong></td>
<td></td>
<td></td>
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<tr>
<td>(annual average 2004–2007)</td>
<td>3.96%</td>
<td>2.63%</td>
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<tr>
<td><strong>Inflation rate</strong></td>
<td></td>
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<tr>
<td>(annual average 2004–2007)</td>
<td>0.95%</td>
<td>2.18%</td>
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<tr>
<td><strong>Average monthly labour costs, in € (2005)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>€3,614</td>
<td>€2,981</td>
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<tr>
<td><strong>Gross annual earnings, in € (2005)</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>€33,290</td>
<td>€28,992</td>
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<tr>
<td><strong>Gender pay gap</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Difference between average earnings of male and female employees as percentage of earnings of male employees, (2007))</td>
<td>20%</td>
<td>n.a.</td>
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<tr>
<td><strong>Employment rate (15–64 years) (2007)</strong></td>
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<td></td>
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<tr>
<td></td>
<td>70.3%</td>
<td>65.4%</td>
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<tr>
<td><strong>Female employment rate (15–64 years) (2007)</strong></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>68.5%</td>
<td>58.3%</td>
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<tr>
<td><strong>Unemployment rate (15–64 years) (2007)</strong></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>6.9%</td>
<td>7.1%</td>
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<tr>
<td><strong>Monthly minimum wage</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No statutory minimum wage</td>
<td>n.a.</td>
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Source: [Eurostat](http://eurostat.ec.europa.eu)

## Industrial relations, pay and working time

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<tr>
<th></th>
<th>Finland</th>
<th>EU27 (unweighted)</th>
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<tbody>
<tr>
<td><strong>Trade union density (%)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Union members as percentage of all employees in dependent employment)</td>
<td>74%</td>
<td>n.a.</td>
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<tr>
<td><strong>Employer organisation density (%)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Percentage of employees employed by companies who are members of</td>
<td>72%</td>
<td>n.a.</td>
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</table>
an employer organisation)

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<thead>
<tr>
<th><strong>Collective bargaining coverage (%)</strong></th>
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<tr>
<td>(Percentage of employees covered by collective agreements)</td>
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<thead>
<tr>
<th><strong>Number of working days lost through industrial action per 1,000 employees (annual average 2004–2007)</strong></th>
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<tbody>
<tr>
<td>89.68 days</td>
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<thead>
<tr>
<th><strong>Collectively agreed pay increase (%) (annual average 2004–2007)</strong></th>
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<tr>
<td>2.6%</td>
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<thead>
<tr>
<th><strong>Actual pay increase (%) (annual average 2004–2007)</strong></th>
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<tr>
<td>2.65%</td>
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<table>
<thead>
<tr>
<th><strong>Collectively agreed weekly working hours (2007)</strong></th>
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<tr>
<td>37.5 hours</td>
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<table>
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<tr>
<th><strong>Actual weekly working hours (2007)</strong></th>
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</thead>
<tbody>
<tr>
<td>39.3 hours</td>
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Sources: European Industrial Relations Observatory ([EIRO](http://eiro.europa.eu)) and Eurostat

**Background**

**Economic context**

Finland is highly industrialised, with a gross domestic product (GDP) rate per head of population or capita that is higher than the average for the 27 EU Member States (EU27). Finland’s average GDP growth in 2004–2007 was 1.3 percentage points higher than the EU27 average. Real GDP growth has been rapid during the period (3.96%). In 2004–2007, the employment rate slowly increased, reaching 70.3%. Female employment in Finland is clearly higher (68.5%) than the EU27 average (58.3%). Labour productivity in Finland has been relatively high during the period 2004–2007 and is clearly higher than the EU27 average.

**Legal context**

The most essential legal framework for collective bargaining is the Collective Agreements Act ([13Kb PDF](http://example.com/doc)) (Työehtosopimuslaki) of 1946, which is complemented by basic agreements between trade union confederations and employer organisations.

Labour market relations are characterised by close cooperation between the state and the social partners. Almost all legislation concerning working life is based on a tripartite consensus.

**Impact of economic crisis**

The current global economic crisis has had a severe impact on the Finnish economy. According to figures released by Statistics Finland ([Tilastokeskus](http://tilastokeskus.fi)), the decline in the country’s economic output deepened in January 2009; when adjusted for working days, output decreased by 9.8% from the same period in 2008.

The Confederation of Finnish Industries ([Elinkeinoelämän keskusliitto, EK](http://elinkeinoelamankeskusliitto.fi)) has argued that the ongoing economic recession is so difficult that pay increases are not possible in the upcoming bargaining round ([FI09040191](http://example.com/doc)).

In February 2009, the Finnish government approved a supplementary budget for 2009 including a special stimulus package ([FI09020491](http://example.com/doc)). The overall impact should amount to €2 billion. It includes about €140 million in transport infrastructure projects. The social partners have welcomed the measures. The Central Organisation of Finnish Trade Unions ([Suomen...](http://example.com/doc))
Ammatiliittojen Keskusjärjestö, SAK) highlighted the emphasis on construction projects while EK considered it a positive step towards supporting economic revival.

Main actors

Trade unions

The recession in Finland in the early 1990s resulted in peak years in trade union density rates. Otherwise, union density has been stable at over 70%. During the past 15 years, the General Unemployment Fund (Yleinen työttömyyskassa, YTK), founded in 1992, has gained popularity and its membership stands at 300,000 persons.

Main trade union organisations

The three main trade union confederations are SAK, the Finnish Confederation of Salaried Employees (Toimihenkilökeskusjärjestö, STTK) and the Confederation of Unions for Academic Professionals in Finland (Akateemisten Toimihenkilöiden Keskusjärjestö, AKAVA).

SAK, which was founded in 1907, is the largest trade union confederation in Finland. Its 22 affiliated member unions have 1.04 million members in the private and public sectors. Nearly half of the members (480,000) work in manufacturing industries, while 324,000 members are employed in the private services sector, and 240,000 are in the public sector.

STTK, established in 1946, has 640,000 members in 20 trade unions. It is the confederation for unions of professional employees in a wide range of economic sectors: manufacturing, private services and the public sector at local, regional and national level. The biggest member groups include nurses, technical engineers, police officers, secretaries, institute officers and salespersons.

AKAVA, set up in 1950, has 33 member unions representing workers with university, professional or other high-level education. It was formed by 33 affiliates and has about 540,000 members. AKAVA’s bargaining rights for the public sector are handled by its Public Sector Negotiating Commission (Julkisalan koulutettujen neuvottelujärjestö, JUKO). The Delegation of Professional and Managerial Employees (Ylempien Toimihenkilöiden Neuvottelujärjestö, YTN) conducts private sector bargaining for AKAVA.

Trends in trade union development

In the future, the demographic transition and the trend in working life development will lead to a diminishing number of members in SAK. On the other hand, AKAVA has succeeded in increasing its membership by 12,000 new members a year in recent times.

Various attempts are being made to merge a number of trade unions in Finland (FI08120191). A protracted merger process concerning six trade unions, affiliated to SAK, aims to form the Union for Professionals in Technology (Teknologian ammattilaisten unioni, TEAM). Meanwhile, seven SAK-affiliated trade unions in the transport sector are planning to form a joint trade union in the field of logistics. The new union would comprise: the Finnish Transport Workers’ Union (Auto- ja Kuljetusalan Työntekijäliitto, AKT), the Finnish Aviation Union (Ilmailualan Unioni, IAU), the Finnish Cabin Crew Union (Suomen Lentoomäntä- ja Stuertiyhdistys, SLSY), the Finnish Post and Logistics Union (Posti- ja logistiikka-alan unioni, PAU), the Finnish Seamen’s Union (Suomen Merimies-Unioni, SMU), the Railway Salaried Staff Union (Rautatieverkamiesliitto, RVL) and the Finnish Locomotive Drivers’ Union (Veturimiisten liitto, VML).

At the same time, four trade unions affiliated to STTK are progressing towards a merger. A new trade union with 190,000 members is due to start operations from the beginning of 2010. The
The project includes the Union of Salaried Employees (Toimihenkilöunioni, TU), the Federation of Special Service and Clerical Employees (Erittysalojen Toimihenkilöliitto, ERTO), the Media Union (Mediaunioni, MDU) and the Trade Union Suora (Ammattiliitto Suora).

**Employer organisations**

**Private sector**

According to administrative data, employer organisation density (72%) is higher than the EU27 average. EK is the leading business organisation. It was created by merging the Confederation of Finnish Industry and Employers (Teollisuuden ja Työnantajain Keskusliitto, TT) and the Employers’ Federation of Service Industries in Finland (Palvelutyönantajat, PT). Like the trade union central organisation, SAK, the employers’ central organisation also dates from 1907. EK represents the entire private sector and companies of all sizes. Member companies represent:

- more than 70% of Finland’s GDP;
- more than 95% of Finland’s exports;
- 35 branch associations;
- about 16,000 member companies, 95% of which are small and medium-sized enterprises (SMEs);
- about 950,000 employees in member companies.

Other private sector employer organisations include the:

- Federation of Agricultural Employers (Maaseudun Työnantajaliitto, MTL), which negotiates collective agreements for 12,000 workers in the agricultural sector;
- Federation of Finnish Enterprises (Suomen Yrittäjät, SY), with 106,000 members – most of them SMEs. It was founded in 1996. It is not a negotiating party in collective bargaining.

**Public sector**

In the public sector, social partners have the same rights and obligations as in the private sector to negotiate collective agreements. The right to strike has been in place since 1971. Employer organisations in the public sector include the:

- Commission for Local Authority Employers (Kunnallinen työmarkkinalaitos, KT), which negotiates and concludes collective agreements for municipalities and federations of municipalities employing 428,000 people. Membership of employer organisations is compulsory in the public sector;
- State Employer’s Office (Valtion työmarkkinalaitos, VTML), which negotiates and concludes collective agreements for the 122,000 employees working for the state;
- Church Employers (Kirkon työmarkkinalaitos, KiT), which represents the Lutheran Church of Finland as an employer and negotiates a collective agreement for about 22,000 employees working for the parishes.
Industrial relations

Collective bargaining
During the past four decades, the national incomes policy agreement (tulopoliittinen kokonaisratkaisu, often called tupo) has been a tripartite accord drafted by the government together with trade union confederations and employer organisations. It is a policy document covering a wide array of economic and social issues, such as pay increases, taxation, pensions, unemployment benefits and housing costs, as well as a range of qualitative working life measures. The agreement represents collective bargaining taken to its logical maximum, covering virtually all wage earners. Enforcement of the agreement has been made easier by the generally binding nature of collective agreements. However, the era of centralised incomes policy agreements dating from the so-called ‘Liinamaa I’ agreement in 1968 seems to be coming to an end in the Finnish labour market. EK has announced that sectoral, company and even individual-level bargaining will be the negotiation models of the future (F108060291).

The 2007–2008 collective bargaining negotiations were concluded at sectoral level. The comprehensive change-over to sectoral-level agreements ends the long era of central agreements, which continued uninterrupted for nearly 40 years – with a few exceptions.

Coverage rate and extension of collective agreements
The collective bargaining coverage rate has been about 90% in the past 10 years; in fact, it has been nearly constant since 1990.

Collective agreements have a generally or universally binding nature. Since 1971, a principle of general applicability of collective agreements has been in effect in Finland. According to this principle, employers that are unorganised in terms of collective bargaining also have to comply with the national agreements that concern their field of economic activity. The generally binding nature of a collective agreement depends on various factors, especially the organising rate of the employers and employees in the sector concerned. Since 2001, a public authority (commission) formally decides whether collective agreements are generally binding. The decision of this commission may be appealed at the Labour Court (Työtuomioistuin), the decision of which is final.

The decision regarding the general validity is published in the Regulations Collection maintained by the authorities, and agreements confirmed as generally binding are available free of charge on the Internet in a list of generally binding collective agreements. All collective agreements with erga omnes applicability are documented in the official register by the Ministry of Employment and the Economy (Työ- ja Elinkeinoministeriö, TEM). An agreement is generally applicable if it can be considered representative of the field in question. The criteria for representativeness are evaluated based on statistics that measure the general applicability of collective agreements, the established practices of agreements in the field and the organisation rate of the negotiating parties. The aim of the system of general applicability to guarantee minimum conditions is also taken into consideration.

Wage coordination
Finland has traditionally had a high level of wage coordination. National coordination has taken place in the incomes policy agreements, which set the minimum for wage increases. Legally binding collective agreements are negotiated at sectoral level according to the national framework agreement. Sectoral trade union organisations and their local shop stewards monitor the
implementation of the agreements. During the last sectoral bargaining round, the pay increases generally followed the benchmark settled in the chemicals and metalworking sectors.

**Other issues in collective agreements**

Two important recent trends in collective bargaining are the extension of flexible working time arrangements and an increase in the proportion of locally bargained pay rises. Finland’s pay increase structure has traditionally been dominated by general wage increments, while the proportion of locally bargained pay rises has been relatively insignificant ([FI0803019I](#)). However, in 2008 and 2009, the latter share could cover a quarter of workers in the private sector, providing for almost half of the overall pay increase agreed. The financial services sector and technology industry have been among the economic sectors leading the way in terms of locally bargained wages.

**Industrial conflict**

Some 89.68 working days per 1,000 employees were lost through industrial action each year, based on an annual average for 2004–2007, which is clearly more than the EU27 average of 37.47 days. In 2005, 672,904 working days were lost due to prolonged industrial action in the paper industry.

Mediation and conciliation of labour disputes is regulated by the 1962 Mediation in Labour Disputes Act. A national conciliator deals with national disputes, while one of five district conciliators considers regional disputes. In some cases, employers and trade unions agree to Labour Court arbitration instead. In principle, it is possible to reach a collective agreement by arbitration, but so far this option has been rarely used.

**Tripartite concertation**

An emerging trend during the most recent incomes policy agreements was the so-called continuous negotiation system. Under this system, the social partners took charge of different kinds of joint projects and working groups during the agreement period. Through continuous negotiation, the signatory parties launched several mutual projects to improve working life. In this way, the framework of working life can be enhanced through joint development projects and by highlighting best practices. 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.

**Workplace representation**

Workplace representation is organised as a single-channel system. The rights of [information and consultation](#) are expressed through workplace trade unions. Workplace representation density in companies is high; more than 80% of employees are covered by workplace trade unions.

**Employee rights**

As noted, the legal framework for collective bargaining is the Collective Agreements Act (Työehtosopimuslaki) of 1946, which is complemented by basic agreements between trade union confederations and employer organisations.

The Labour Court monitors the implementation of collective bargaining. Under the existing law, the court hears and tries legal disputes arising out of collective agreements or collective civil
servants’ agreements, or out of the Collective Agreements Act or the Act on Collective Civil Servant Agreements.

Pay and working time developments

Minimum wage

No national minimum wage is set in Finland; nevertheless, since the beginning of the 1970s, collective agreements define the minimum wages. Members of the employer confederations are obliged to follow the collective agreement signed by their respective confederations. Employers can also make independent agreements with the respective trade unions. Normally, terms of employment are concluded at sectoral level and with erga omnes applicability. As noted, non-organised employers have to observe the collective agreement that sets minimum terms and conditions of employment within their area of employment. Such employers are not allowed to pay lower wages than is stipulated in the collective agreements.

If a collective agreement applies in a particular sector, but does not have erga omnes applicability, it is possible to consider the wages that are stipulated in this agreement as normal and reasonable in that sector. If no collective agreement applies in a sector, normal and reasonable wages can be based on social partner recommendations. If no such guidelines are given, it is recommended that for a full-time job an employer should pay at least enough so that the employee would earn a right to unemployment insurance.

As examples, the minimum wage in the cleaning industry was €7.30 an hour in 2008, while the average hourly wage among industrial workers was about €14.

Pay developments

Following the centralised national incomes policy agreement for 2005–2007, the sectoral or branch-level collective bargaining round for 2007 provided for relatively high pay rises for all employees. Pressure to increase pay resulted in some industrial action or the threat of action, although such protests did not involve any notably adverse effects among the social partners. By mid December 2007, all of the employee groups that were involved in the 2005–2007 national agreement were covered by new collective agreements.

The new branch-level collective agreements for the chemicals and metalworking sectors – which were the first to be reached in the 2007 negotiation round – were expected to serve as a benchmark for wage increases in other sectors. These agreements offered a pay rise of between 8% and 9% over the agreement period, in addition to a €350 lump-sum payment in 2007. While this level of wage increase has served as a benchmark in industry, pay increments were even higher in the public sector, reaching about 11% over the 28-month agreement period.

Labour costs

According to EK, the new collective agreements would result in a 3.3% increase in labour costs for employers in the private sector. In 2008, the average labour cost increase was expected to reach 5.5% overall. Thus, in the private sector, it is expected that the labour cost increase will amount to an average of 10% over the entire agreement period. In addition to the settled pay increases, the figures include the assumed ‘wage drift’. The latter refers to the difference between the average level of wages actually paid and official wage rates; overtime, for example, can lead to a drift away from the standard rate. The figures, however, do not include one-off payments which had been agreed in some branches, nor merit pay or profit premiums, which are settled in
individual companies and depend on the enterprises’ performance. According to EK, employers’
total labour costs per hour increased on average by 3.3% in 2007 and by about 5% in 2008.

**Gender pay gap**

The gender pay gap has remained rather stable since 2000. An important issue concerning this
pay gap is the fact that the 2007 sectoral bargaining round offered higher pay increases to
employees in the public sector at local and central government level. High pay rises in the public
sector at municipal level generally favour women, since a majority of the workforce in the public
sector are female.

**Working time**

According to EIRO, the average collectively agreed working time in 2007 was 37.5 hours, which
was close to the EU27 average of 38.6 hours. Actual weekly working hours amounted to 39.3
hours which is very close to the EU27 average. The collectively agreed annual working time in
Finland is slightly over 1,700 hours depending on the number of public holidays during the year
(Carley, 2007).

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