

The Central Organisation of Finnish Trade Unions

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WORK  
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Finland: a system that  
**works**



## Finland: a system that works

Finland is one of the world's most competitive countries. The secret of world-class productivity and competitiveness is a high standard of education, a developed information society and effective industrial relations.

The cornerstones of the Finnish labour market system are widespread organisation of employees and employers, a strong tradition of bargaining and co-operation, and national incomes policy settlements agreed between the government and both sides of industry. These settlements not only cover pay rises, but also such matters as taxation and social reform.

### A high organising rate

One of the main pillars of the Finnish system is a high rate of membership in labour market organisations. Three out of four employees belong to the trade union for their industry or occupation.

There are nearly one hundred trade unions with a total of more than two million members in a country of only five million people.

Finland's trade unions are organised in turn under three national confederations.

About one million employees belong to trade unions that are affiliated to the Central Organisation of Finnish Trade Unions – SAK.

The Finnish Confederation of Salaried Employees – STTK includes trade unions representing some 650,000 members.

Trade unions that are affiliated to the Confederation of Unions for Academic Professionals in Finland – AKAVA represent about 450,000 members in occupations requiring academic training.

Most employers likewise belong to a federation for employers in their business sector. The employers have four national confederations: the Confederation of Finnish Industries (EK), the Commission for Local Authority Employers (KT), the State Employer's Office (VTML) and the Church of Finland Negotiating Commission (KiSV).

The national labour confederations co-ordinate their activities closely, particularly in international affairs. They maintain a joint office near the headquarters of the European Commission in Brussels.

## Centralised agreements

For decades the national labour and employer confederations and the Finnish government have regularly concluded comprehensive incomes policy settlements. The aim of these accords in recent years has been economic growth, a steady rise in the real value of incomes, quality standards for working life, and higher productivity and employment.

Pay rises have been adjusted nationally to a level that conserves jobs and enables job creation under conditions of fierce international competition.

The government has encouraged these national accords by offering tax relief and other incentives. Recent incomes policy settlements have been agreed for about two years at a time.

## Agreements bring industrial peace

After the national labour and employer confederations have concluded an incomes policy settlement, the trade unions and employers' federations in each industry separately approve the national settlement and use it as a framework for their own collective bargaining.

The national incomes policy settlement thereby gains very broad scope in the Finnish labour market: at least 80 per cent of employees are covered by the present settlement.

These national accords have been highly effective in ensuring relative freedom from industrial unrest. Finland has very few industrial disputes by European standards.

The national incomes policy settlement includes a pay rise that applies across the board to all employees. Gender equality and low-pay supplements may also be attached to the settlement. The details of some pay rises may be referred to collective bargaining at industry or enterprise level.

Bargaining is increasingly conducted at individual workplaces. The matters that are agreed locally by employees and employers include flexible working hours, productivity enhancement and staff remuneration schemes.



## Supervision at the workplace

One of the strengths of the Finnish labour market system is local supervision at workplaces. Most workplaces have a shop steward or staff representative who oversees compliance with the law and with collective agreements. The shop steward serves as a link between individual trade union members and their national organisation. The trade unions also provide special training for their shop stewards. If a shop steward is unable to settle a dispute with the employer, then the national trade union will assume responsibility for the negotiation. Where necessary the union may even take the matter to court.

Employees also elect a labour protection delegate to represent their interests collectively in certain matters of general employee welfare. Shop stewards and labour protection delegates co-operate closely at the workplace.

## Collectively binding agreements

One of the main features of the labour market system is the institution of collectively binding agreements. Collective agreements negotiated between a trade union and an employers' federation apply in principle to everyone in the industrial sector concerned.

Even if an enterprise is not a member of the employers' federation for the sector, it must nevertheless comply with a generally binding collective agreement of this kind.

The wage and other employee benefits guaranteed by the agreement also apply to employees who are not organised in trade unions.

## Social benefits agreed in a three-sided process

Another feature of the system is that all substantial social benefits and legislation that affect the lives of employees are agreed in a three-sided process involving both sides of industry and the Finnish government.

Matters of this kind include hours of work, annual holidays, earnings-related unemployment benefit and special arrangements to reconcile the demands of employment and family life. The 2005 incomes policy settlement included improvements in the rights of employees under threat of redundancy, enabling such employees to begin the jobseeking process or to participate in retraining during the period of notice.

Finland's pension arrangements are also agreed between the national labour and employer organisations. A major pension reform was recently implemented, introducing a flexible retiring age of between 63 and 68 years. The pension is based on the employee's entire working career, and to a certain extent also on time spent studying and on family leave.



## Finnish working life: some facts

### At work

It is almost equally common for men and women to work outside the home. Two-thirds of women of working age (15 – 64 years) are involved in working life.

The employment rate is 68 per cent and the unemployment rate is about 7 per cent.

The working week in Finland is generally 37.5 hours.

### On holiday

Employees generally have four weeks of paid summer holiday and a one-week paid holiday during the winter. In addition to this, collective agreements generally include a separate holiday bonus of about two weeks' pay.

### On family leave

The purpose of family leave is to help employees to harmonise their working and family lives. A combination of maternity, paternity and parental leave ensures that parents are able to care for a child at home for at least the first year of the child's life.

Mothers or fathers may also extend this care leave until the child is three years old. Parents are entitled to reduce their working hours until the end of the child's second year of compulsory schooling (when the child is 8 – 9 years of age).

### When studying

Employees are entitled to interrupt their employment for up to two years of unpaid study leave.

A person who has been working for ten years may also take about one year of alternation leave, during which the employer must hire an unemployed person to serve as a substitute. An employee on alternation leave is entitled to 70 – 80 per cent of the sum payable in earnings-related unemployment benefit.

### The fruits of the Finnish system

Finland's labour and employer confederations have been concluding comprehensive incomes policy settlements regularly for nearly 40 years. Most of these agreements have also included policy decisions by the government of the day. The achievements of these incomes policy settlements include:

- higher employment rates
- lower inflation
- industrial peace
- wage increases
- tax relief
- annual holiday benefits
- family leave reforms
- reductions in working hours



## Types of employment September 2005



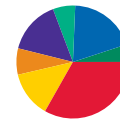
Permanent full-time work	78%
Temporary part-time work	4%
Temporary full-time work	12%
Permanent part-time work	10%

### New employment (under 1 year of service)

Permanent full-time work	37%
Permanent part-time work	12%
Temporary full-time work	38%
Temporary part-time work	13%

17.11.2005/TL  
Source:  
Statistics Finland

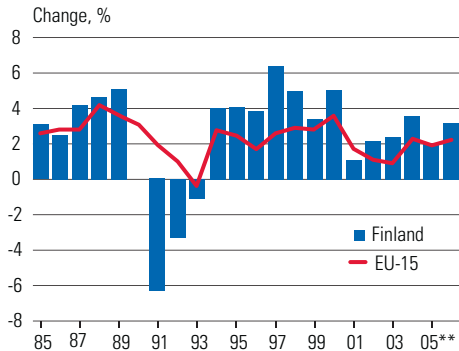
## Employees by industrial sector in 2004



Construction	6%
Industry	20%
Agriculture and forestry	5%
Public and other services	33%
Finance, insurance	13%
Transport	7%
Commerce, hotel and catering	16%

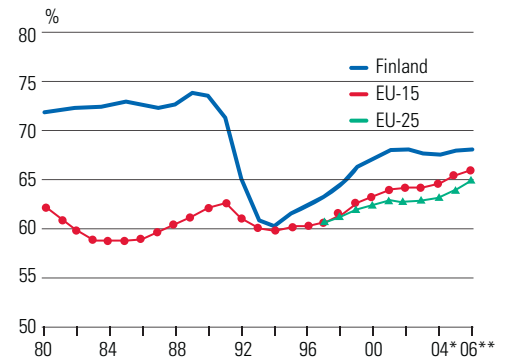
Source: Statistics Finland

## Gross National Product (GNP) 1985-2006



Source: Statistics Finland, Eurostat, Finnish Ministry of Finance

## Employment rate 1980-2006 Employed population/population of working age (15-64 years)



Source: European Commission, Finnish Ministry of Finance