



# Inclusive Growth and Collective Bargaining in Finland

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## Finland is a Nordic country...

- ...and a small open economy with 5,5 million inhabitants...
- ...where union density is very high (2013): industry 80,8 %, public sector 76,3 %, private services 51,6 %, all employees 64,5 %
- ...and where collective bargaining coverage is usually close to 90 % or even higher
- ...as well as with a strong tradition of centralized bargaining since 1968, with government interventions (tripartite agreements)
- ...so maybe you would expect that collective bargaining is promoting inclusive growth...
- ...but instead you'll see **increasing decentralization** of bargaining and **inclusive growth as a matter of politics only**, i.e. the Nordic welfare state
- **Why is this so?**



## CAWIE3 interviews in Finland

### 6 labour market organisations interviewed in Jan/Feb 2018:

- **Confederations:** Confederation of Finnish Industries (**EK**) and Confederation of Unions for Professional and Managerial Staff (**Akava**)
- **Industry:** Technology Industries (**TI**) and (technology, or “metal” section of) Industrial Union (**IU**)
- **Public sector:** Local Government Employers (**KT**) and Union of Practical Nurses (**SuPer**)
  
- **Why these?**
  - last two bargaining rounds: competitiveness pact (centralized) and a tightly coordinated (sectoral) round – confederations are still influential
  - variety of viewpoints: educational and pay levels, interests, private/public, open/sheltered
  - main omission: private low-wage sector (retail trade)



# The Finnish Bargaining System

- **Employers' confederations:** private sector, central government, local government, church
  - private sector confederation has 25 affiliated sectoral associations
- **Employees' confederations:** 3 organisations with (roughly) ascending levels of education of their members
  - the employees' confederations has several affiliated sectoral trade unions
  - the unions may form coalitions for bargaining purposes
- recently private sector employers have withdrawn from centralized bargaining "for good" → centralized bargaining is impossible
- the technology (and main export) sector is assumed to be "the wage leader"
- the service and public sector unions have some difficulty with this so-called "Finnish model"



# Decentralization is the trend

- **Increasing decentralization is strongly emphasized by employers' organizations**
  - no more centralized bargaining → not everyone will get the same pay rise
  - sectoral bargaining accepted (for now) because of unions
  - binding collective agreements (extensions) still accepted
  - local and/or individual agreements as the ultimate goal
  - pay should reflect performance, productivity and customers' willingness to pay
- **Centralized bargaining still desirable for employees' organizations**
  - best way to ensure coordination, especially in economic crisis
  - extensions are very important
  - intermittent sectoral bargaining needed for "corrections"
  - "accusation": EK is taking care of coordination in its own way, for the interests of employers
- **Supranational (EU level) bargaining or coordination is not feasible and not even desirable**



# Inclusive growth is not a matter of collective bargaining

- **Not a well-known term** in Finland
  - rather: reduction of segregation or inequality, "all in the same boat", "no one left behind", "the fruits of growth belong to everyone" etc.
  - some associate this with a high level of employment
  - widely accepted as a priority, even by the employers' organizations
- **Collective bargaining has a limited role**
  - employers: cost competitiveness or public debt sustainability is the priority
  - employees: living wage is the priority, but wages should not rise so much that cost competitiveness worsens
  - solidarity emphasized by IU
- **Nordic welfare state is vitally important**
  - this is widely recognized, even by the employers' organizations
  - taxes and transfers should be used to redistribute the fruits of growth
  - public services, esp. education are vital for inclusive growth



# Cost competitiveness is the primary goal of collective bargaining

- **Cost competitiveness viewed as a big problem recently**
  - a small member of the EMU has to take care of its competitiveness
  - in 2015, general recognition of significant gap of 10-15 per cent vis-à-vis other countries
  - Nokia, forest and shipbuilding industries, Russia – productivity and export shocks
  - closing the gap has been the main goal for employers in the export sector
  - IU emphasizes that wages should rise according to productivity and inflation
- **Other goals**
  - sustainability of government finances is the main constraint in the public sector
  - purchasing power and employment are emphasized by employees' organizations
- **Pay differentials**
  - employers are strongly in favour of increasing them, to reflect productivity or efficiency
  - Akava wants them to reflect levels of education
  - IU does not want them for the purpose of bailing out weak firms
  - Akava and SuPer want to raise low pay levels and secure a living wage



## Some final reflections

- internal devaluation (wage moderation, decentralization) is being used to compensate for the loss of (high productivity) cell phone sector and loss of export markets
  - compare to Germany 15 years ago
- the bargaining power of unions has been weakened by globalization, EMU, declining membership, high unemployment etc.
  - this is a "good" opportunity to tilt the functional distribution of income in favour of capital
- the centre-right government since 2015 has been promoting the employers' goals very strongly
- dilemma: relegate matters of inclusive growth to politics, and you'll meet the debt sustainability constraint!
- what is going to happen next?: economy grows, unemployment declines, and the unions start to demand bigger pay rises