

Chapter 10

Finland: goodbye centralised bargaining? The emergence of a new industrial bargaining regime

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The Finnish system of industrial relations has been relatively stable since the 1960s. Finland has a centralised model of industrial relations, which recently has shown signs of becoming more decentralised (Kiander *et al.* 2011). Since 1968, the defining characteristic of ‘the Finnish model’ has been a centralised incomes policy as the basis for industrial collective agreements. These tripartite, centralised agreements (TUPO, tulopoliittinen ratkaisu) are a major economic policy instrument used in pursuit of a solidaristic wage policy; they are also an expression of the strong political will in Finland to reach consensus on economic, labour market and social policy issues (Ruostetsaari 2015). Even though, in practice, the most important bargaining level has been the industrial, industrial agreements are based on, and limited by, the general wage increases stipulated in the centralised incomes agreement. Employment contracts are based directly on industrial collective agreements. Increasingly, however, many aspects of work can be negotiated locally.

In many ways, the Finnish system of industrial relations is similar to that of Sweden (see Chapter 28). The key feature is stability. As Ruostetsaari (2015) emphasises, this is mainly because of the persistently high level of union density since the end of the 1960s, especially in comparison with the rest of Europe (see Table A1.H in the Appendix). Trade unions are generally regarded as competent negotiation partners that play an important role both at the workplace level and in the political arena. Due to the highly internationalised Finnish economy, the strong export-sector unions, particularly in the manufacturing, paper and chemical industries, play a dominant role within the Finnish union movement. In contrast to many other European countries, the density of employers’ associations has been lower than union density, but data are hard to come by. Another factor that contributes to the stability of the Finnish collective bargaining system is the almost automatic extension of collective agreements, which ensures a persistently high collective bargaining coverage.

Another significant feature of the Finnish collective bargaining system started to emerge at the end of 2016. Since then, collective bargaining in Finland has undergone a process of ‘centralised decentralisation’, moving from peak-level incomes policies to an export sector-driven system of industry-level pattern bargaining. This change in Finnish collective bargaining was based on the so-called ‘Competitiveness Pact’ (Kilpailukyky sopimus) signed by the peak-level union and employers’ organisations in February 2016. The main instigators of this change were the employers in the manufacturing sector, who hoped by decentralising and flexibilising collective bargaining to improve the competitiveness of Finnish companies (Müller *et al.* 2018;

Table 10.1 Principal characteristics of collective bargaining in Finland

Key features	2000	2016/2017
Actors entitled to engage in collective bargaining	Employers' federations and trade unions	Employers' federations and trade unions
Importance of bargaining levels	National: default level if possible (pre-2016/17); sectoral: implementation of national-level agreements; local: application of collective agreements to employment contracts and local employment relations	National-level collective bargaining abandoned Sectoral bargaining is the primary level, but at the local level there is increasing scope for firm-level negotiation of specific issues
Favourability principle / derogation possibilities	Sectoral agreements provide the minimum standards	Sectoral agreements provide the minimum standards; limited possibility of opening clauses
Collective bargaining coverage (%)	85	91 (2016)
Extension mechanism (or functional equivalent)	Yes, extension very widespread	
Trade union density (%)	75	74
Employers' association rate (%)	66	70 (2012)

Source: Ahtiainen (2015; 2016); Andersen *et al.* (2015); Delahaye *et al.* (2015); Dølvik *et al.* 2018; EK (2016); Appendix A1.

Dølvik and Marginson 2018; Eurofound 2016). The Competitiveness Pact was signed under unprecedented pressure from the newly elected centre-right government, which threatened to break with the voluntarist tradition in Finland and to introduce structural reforms on a statutory basis if the bargaining parties failed to reach an agreement that significantly reduces labour costs (Müller *et al.* 2018). Thus a key feature of the new 'Finnish model' of collective bargaining, which is explicitly inspired by the Swedish model of industry-led pattern bargaining established at the end of the 1990s, is that the export-oriented manufacturing sector determines the wage increases to be followed by the other sectors, particularly the 'sheltered' public and private services (Dølvik and Marginson 2018). Finland has always had periods of industry-level bargaining without centralised incomes agreements, the most recent example being 2008–2011. There was always the possibility, however, of a, frequently state-led, return to centralised agreements. Due to the change in the employers' policy and a rule change involving the withdrawal of the Confederation of Finnish Industries (EK, Elinkeinoelämän keskusliitto) from any peak-level negotiations this is no longer the case.

These recent changes in the collective bargaining system reflect the struggle the Finnish economy still faces with the triple impact of the euro crisis, sanctions on Russia and the collapse of Nokia (Svalund *et al.* 2013). Because Russia is Finland's second biggest trading partner, after Germany and before Sweden (Tulli 2018), the sanctions on Russia have had a drastic impact on the country's trade balance. Both exports to and imports from Russia declined by more than 30 per cent following the EU's economic sanctions in 2014. In this sense, it could be argued that Finnish industrial relations are influenced by the EU's foreign policy.

Industrial relations context and principal actors

An important framework condition of collective bargaining in Finland is the socio-cultural underpinning of Finnish industrial relations, which is geared towards a consensus-based model of corporatism inspired by the Swedish model since the 1960s (Ruostetsaari 2015). The prime example of this is the traditional Finnish incomes policy system, an institutionalised tripartite arrangement for the mutual benefit of all parties involved, namely government, employers and trade unions. Centralised agreements are usually based on the interests of the collective bargaining parties, but in many cases the state has offered some ‘deal sweeteners’, usually in the form of tax benefits, in order to encourage the actors into signing a centralised agreement. In the 1990s, the Finnish state usually saw centralised agreements as a way to limit inflation (Kauppinen 2005) and after joining the euro in 1999, to keep a check on ‘competitiveness’. Furthermore, centralised agreements provide labour market peace for the whole country, because collective agreements are not negotiated separately at industrial level. In Finland, industrial bargaining rounds without centralised agreement often led to higher levels of industrial action, including sympathy strikes (Bergholm and Jonker-Hoffrén 2012: 408; Vartiainen 2011).

The predecessor to the present employers’ federation and the main union confederations used to conclude ‘General Agreements’ that stated their intent to work towards collective agreements and other tripartite agreements. This shows the voluntaristic nature of collective bargaining in Finland. This in itself was a new version of the ‘Neuvottelutoiminnan perusasiakirja’ (the founding document of labour market negotiations) that followed the so-called January Engagement of 1940, when the employers acknowledged labour unions as part of a democratic society. This declaration also led to legislation on collective bargaining, industrial action and conflict mediation. The ground rules of Finnish collective bargaining are thus codified forms of the voluntaristic agreements.

Another important framework condition is the structure of the Finnish economy, which is similar to that of many European countries: agriculture accounts for around 3 per cent of GDP, industry for 27 per cent and services for 70 per cent. Industry accounts for 15.5 per cent of employment, the public sector for 28.5 per cent and the private service sector for around 44.6 per cent. Exports are important, accounting for around one-third of GDP. The important role of exports for Finland has a significant effect on industrial relations, which in recent years have focused almost exclusively on the importance of ‘competitiveness’ and unit labour costs. In terms of exports, the main products Finland exports remain in the EU (Sweden, Germany) or go to Russia. The largest product groups are petroleum products, electronics and pulp and paper industry products. The prevalence of petroleum products is surprising, but is a result of oil imports from Russia, which are refined in Finland and then exported. Even though the product structure of the Finnish economy is one of the most complex worldwide, in terms of value the country predominantly exports intermediate products, such as petroleum products and paper industry products.

Not that many foreign multinational companies operate in Finland, but in the machinery and electronics sector, as well as in the forestry industries, there are some large Finnish multinationals, such as KONE (elevators, escalators), StoraEnso and UPM-Kymmene (paper, pulp, board), Metso (paper machines, mining equipment) and the remains of Nokia. There is also an important Finnish multinational in consulting, Jaakko Pöyry Oy, a leading paper industry consulting firm. The presence of these Finnish machinery companies is a product of Finnish history: the country was forced to pay war reparations to the Soviet Union in the form of metal industry products. This historical contingency forced the development of domestic industry.

The important role accorded to the export industry is reflected in the political debate, which for the past couple of decades has focused predominantly on the export sectors and the debate on maintaining competitiveness, particularly compared with Finland's main competitors Sweden and Germany. As a consequence, developments in the period 2000–2016 were also influenced by the 'austerity' policy pursued in the rest of Europe and at home by the centre-right coalitions throughout the 2000s, a 'rainbow coalition' in 2011 and a right-wing government in 2015, which included the populist Finns Party (Perussuomalaiset). In industrial relations, the recurring themes in Finland have thus been 'competitiveness' and 'austerity'. Both have influenced collective bargaining developments. 'Austerity' policies, for instance, have negatively affected the possibility of public sector workers' achieving wage gains. They have also had a direct effect at the county level through public sector lay-offs. The so-called 'Competitiveness Pact' of 2016 played a particularly important role in this context. Although the earlier centralised agreements of 2011 and 2013 also focused on competitiveness, this was taken to new extremes in 2016. The 2016 agreement came into being under strong government pressure and envisioned a 4 per cent decrease in wage costs through internal devaluation. Furthermore, it set the stage for a decentralisation of wage setting towards the industry-level, aimed at facilitating further devolution of wage formation to company-level negotiations. In the context of the euro-zone rules, the Competitiveness Pact also aimed to keep the brakes on public sector wages (Müller *et al.* 2018).

EMU's Maastricht criteria and the more recent Two- and Six-Packs are directly relevant to wage developments in the compulsory education sector because teachers are civil servants and therefore, through municipal budgets, are included in the budget of the Ministry of Education. Regarding total government expenses, teachers' wages are a marginal item, but at the municipality level personnel costs are nonetheless significant. Because the government aims to reduce its budget to remain compliant with the Maastricht criteria, the municipalities also receive smaller transfers from the state. Budgetary pressures have resulted in a, sometimes temporary, reduction of municipal personnel. In the period 2008–2014 local governments laid-off large numbers of employees, with highs of more than 12,000 in 2009 and more than 14,000 in 2014. The main reason for this has been implementation of 'austerity' measures, which immediately affected the financial situation of local governments.

The main union confederations at the central level are the Finnish Confederation of Trade Unions (SAK, Suomen Ammattiliittojen Keskusliitto), the Federation of Salaried Employees (STTK, Suomen Toimihenkilöiden keskusliitto) and AKAVA (Confederation

of Unions for Professional and Managerial Staff in Finland). SAK has 992,716 members (in 2016) spread over 20 different industrial unions. STTK has 540,000 members spread over 17 industrial and professional unions. AKAVA has 596,947 members spread over 37 different, mostly professional, unions. Altogether these confederations account for 2,129,663 union members compared with overall employment of 2,446,000, which results in an aggregate union density of 87.1 per cent. Although this aggregate level is high, there is nonetheless a large variation between sectors and 'levels'. SAK organises employees predominantly at industrial level, so for SAK traditional industrial unionism is alive and well. This model includes manufacturing but also service and public sector workers. STTK organises both industrially and professionally. One of its members is the union for salaried workers of the manufacturing sector (Ammattiliitto Pro), for example, but another is the union for firefighters (Suomen Palomiesliitto). For salaried personnel, it is then logical that there are profession-oriented and sector-oriented unions, because not all of its members are involved in production. AKAVA is in many ways different from the other two confederations. It has a relatively large number of quite small member unions, which might be influential in their sector, such as the Union of Professors (Professoriliitto). AKAVA, furthermore, is the confederation with the strongest focus on organising workers on the basis of their profession. AKAVA also differs from SAK and STTK on some labour market issues, particularly concerning the need for labour market flexibilisation and for reforms of employment policy towards a workfare system.

The main employers' organisations at the cross-sectoral level are the Confederation of Finnish Industries (EK, Elinkeinoelämän keskusliitto), the Local Government Employers (KT, Kunnan työnantajat), the Church Employers (KiT, Kirkon työmarkkinalaitos) and the Office for the Government as Employer (VTML, Valtion työmarkkinalaitos). Furthermore, there is a lobbying organisation, the Federation of Finnish Enterprises (SY, Suomen Yrittäjät), but this is not a party to collective bargaining. The main actor, at least before 2017, was EK. It currently has 27 private sector member federations and represents around 16,000 firms, employing roughly 980,000 people (EK 2016).

Ahtiainen (2015) has calculated the unionisation rate in Finland in various sectors between 1989 and 2013. In 2013, the density rate in industry was 80.8 per cent and in the public sector 76.3 per cent. The private services sector is weakly organised by Finnish standards, with a density rate of 51.6 per cent. The net overall coverage rate, according to Ahtiainen, declined from 71.9 per cent to 64.5 per cent between 1989 and 2013. This is much lower than the levels based on the ICTWSS database because Ahtiainen calculated the net coverage rate as the percentage of union members among employed *and* unemployed. This measure makes sense in the context of the union-managed unemployment funds. Finnish data on the employers' organisation rate are difficult to find, as they have to be calculated from administrative data. Sectoral representativeness reports by Eurofound suggest that the density rate of Finnish employers varies between 70 and 80 per cent. In any case, it is high by international standards.

In Finland, the most important actors within EK are the Technology Industries Federation (TT, Teknologiateollisuus), which covers the metal and electronics industries, and the Chemical Industry Federation (Kemianteollisuus ry), which organises companies in

the Finnish (petro-)chemical industry. These are the most important members of EK because these two employers' federations cover nearly all of the Finnish export sector companies. Generally, what is good for the export sectors is regarded as good for Finland. Another influential member of EK used to be the Finnish Forest Industries Federation (Metsäteollisuus ry), because of the forest industries' importance for Finnish exports, but it ceased to be a member of EK in 2017.

Level of bargaining

The period covered in this section deals with the 'old' system, which was relatively simple to understand. At the national level, centralised incomes agreements (TUPO, tulopoliittinen ratkaisu) were agreed and were applied to negotiate the industry-level collective agreement; and wage increases agreed at the national level were to be directly applied to the industry-level agreements (Lilja 1998; Bergholm 2003; 2015; Kauppinen 2005). Locally, the collective agreement applied directly to employment contracts. This was a three-tiered system, in which the centralised incomes policy was subject to tripartite bargaining and the industry- and local-level agreements were bargained in a bipartite manner. A centralised incomes agreement would be negotiated if there was enough support or interest from the bargaining parties. Sometimes the state would use its power to bring about a centralised incomes agreement if it was thought to be in the general interest, for example, by promising tax reforms. The main parties to the centralised incomes agreement, employers' federations, union confederations and the state, had different incentives to negotiate a centralised agreement. The state, for example, used to be concerned primarily with inflation control, while from the early 1990s it was more concerned with meeting the Maastricht criteria. Employers often joined because of the potential to 'buy' industrial peace, as well as to agree on policy goals for labour market flexibilisation and other issues. Trade union confederations frequently joined because of the prospect of solidaristic wage policies.

A centralised incomes agreement is a tripartite agreement, which includes general wage increases and social and labour market policy issues, for instance, related to gender equality or pensions. For collective bargaining, however, the most relevant is the wage increase, because that is the result that is to be implemented in industry-level collective bargaining. All policy issues stay at the national level or are further discussed by tripartite working groups. The industry-level agreement is related only to issues directly relevant to the industry in question.

The situation changed in 2015 when EK announced a change in its statutes. The rule change was simple: EK would no longer be able to negotiate binding centralised agreements on its members' behalf. Later, it withdrew from most of the agreements it had signed over the years. The Finnish system of collective bargaining had been under much stress because the Finnish government threatened system-weakening legislation unless enough coverage could be achieved for the Competitiveness Agreement, which envisaged, among other things, a reduction in wage costs of 5 per cent (Dølvik *et al.* 2018). As a result, since autumn 2017, Finnish industrial relations have been in uncharted waters, although, in a sense, it is the familiar industry-level bargaining. As Andersen *et*

al. (2015), Dølvik and Marginson (2018) and Lilja (1998) note, Finland has experienced a process of ‘centralised decentralisation’; this means that the move from centralised to industry-level bargaining has happened in an organised manner according to rules and procedures defined in the centralised agreement. Earlier in 2017, an attempt was made to devise an export-led wage bargaining model akin to the Swedish bargaining model, but this collapsed after the influential Finnish Forest Industries Federation (Metsäteolluus ry) rescinded its membership of EK. After a nearly completed bargaining round, it seems that the ‘new’ model of collective bargaining in Finland is the familiar industry-level bargaining with pattern bargaining, based on the first manufacturing agreement (see also Müller *et al.* 2018). This pattern bargaining happened without a formal wage anchor or other limit. Nonetheless, the Finnish model is now in line with the two-tiered bargaining system in the other Nordic countries (Dølvik and Marginson 2018).

Table 10.2 shows that much has changed over the past 16 years. The core topics reflect both Finland’s economic situation and the inclination of its governments: since 2008, when EK renounced centralised agreements, the core economic policy focus has been on ‘competitiveness’. In this context, the employers blame weak economic growth on the industry-level agreements of 2007–2009. A particular issue is unit labour costs, which greatly increased during this time. All subsequent ‘new’ centralised agreements have attempted to reduce Finnish unit labour costs relative to those of its ‘competitors’,

Table 10.2 Collective bargaining levels in Finland, 2000–2016

Year	Level	Notes
2000	Industrial	
2001–2002	Centralised agreement	Apart from wages, focus on training, tax issues, preparation for euro
2003–2004	Centralised agreement	Apart from wages/purchasing power, focus on training, work–life balance, local union representatives, improving law on co-decision-making
2005–2007	Centralised agreement (paper industry separate sectoral agreement, 2005–2008)	Longest centralised agreement in TUPO history; in negotiations for subsequent agreements there was a peculiar labour conflict in the public health sector involving a threat of collective resignations
2008–2011	Industrial	Annual pay review, in practice two sectoral rounds (2007–2009 and 2010–2011); 2009 (failed) attempt at manufacturing-led wage-anchor
2012–2013	‘New’ centralised agreement (‘Framework agreement’)	Focus on training, position of temp workers, other working life issues
2013–2015	‘New’ centralised agreement (‘Employment and Growth Agreement’)	Focus on improving employment, competitiveness, potential reforms of labour relations system, extreme wage moderation, three-year agreement
2015–2017	‘New’ centralised agreement (‘Competitiveness Agreement’)	Focus on competitiveness and economic growth, creating jobs, consolidating government finances, wage freeze, working towards local bargaining Option for extension through 2017 was applied

Source: SAK online archive, Marjanen (2002: 96), Jonker-Hoffrén (2012).

particularly Sweden and Germany. According to the Technology Industries of Finland, however, EK did not coordinate with the industrial employers' federations during the negotiations on the 2011 agreement. After the chair of EK was sacked in 2012, the employers' federations took control of the process, which resulted in a much tougher line on labour costs and competitiveness (personal interview with TT, 30.1.2014).

Extent of bargaining

The extent of bargaining refers to the factors that influence collective bargaining coverage. In Finland, there are three principal factors: the collective agreement extension mechanism, the high unionisation rate and the high level of centralisation of collective bargaining between 1968 and 2017. The extent of bargaining is also influenced by the organisation rate of the employers' organisations.

Finland has a stable extension mechanism for collective agreements. In practice, all industry-level collective agreements are extended to all workers and firms in the industry to which the agreement applies. The Law on Collective Agreements (Työehtosopimuslaki) states that a collective agreement has to be considered representative for the industry by the parties to the agreement. This implies that, in most cases, collective agreements are recognised as representative, as usually there are no competing collective agreements in an industry. When a collective agreement is concluded, the negotiating parties are obliged to send it to an Extension Committee (Työehtosopimuksen yleissitovuuden vahvistamislautakunta) whose task it is to decide whether the agreement can be extended to the whole industry. This committee operates independently under the Ministry of Social and Health Affairs; it is chaired by a judge and its other two members are expected to have experience of employment law. The members of the committee are independent of the labour market parties.

The bargaining parties are obliged to inform the committee of certain aspects of the collective agreement that may influence whether it can be extended. According to Ahtiainen (2016: 10), until 2001 the decisive factor, derived from a 1974 Supreme Court ruling, was whether the agreement covers at least 50 per cent of employees in the industry. In addition, the following factors were taken into account:

- employee- and employer organisation rates;
- geographic scope, agreements with only a regional dimension are not extended;
- the number of firms that are members of the employers' organisation in the sphere of the collective agreement;
- the number of employees of the firms that are members of the employers' organisation; and
- the membership of the union that signed the agreement.

According to the annual reports of the committee, the decision to extend a collective agreement is usually not revised unless its scope significantly changes. Table 10.3 shows the collective bargaining coverage between 2000 and 2016. The slightly lower coverage in 2009–2010 can be explained by the lack of a centralised agreement in 2008–2011.

Table 10.3 Collective agreement coverage in Finland, 2000–2016 (%)

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Coverage	85	91*	91	91	91	87.7	87.7	87.7*	89.5
Year	2009	2010	2011	2012	2013	2014	2015	2016	
Coverage	78.8	78.2	90	90	93	93	93*	91**	

Note: The asterisk indicates that this value was missing from Appendix A1.A, but in those years coverage was the same as the following year (2001–2002) because the collective agreement was signed for two years and the same as in the preceding year(s) for 2005–2007 and 2015–2016 because centralised agreements were concluded in those years. The double asterisk signifies that this value is taken from a shared press release by the bargaining parties stating that coverage of the ‘Competitiveness Agreement’ is 91 per cent. See also Table 10.2.

Source: Appendix A1.A.

This by itself has no direct effect on coverage, but reaching a centralised agreement has always required a certain ‘sufficient’ coverage rate: that is, industries willing to apply the centralised agreement, usually around 90 per cent. Without this requirement, there is less pressure to extend industry-level collective agreements beyond the contracting parties. Ahtiainen (2016) shows that for many industries there were large differences in coverage between 2007/2008 and 2014, particularly in the retail and hospitality sector. Thus it seems that these industries benefit from centralised agreements as they seem to increase coverage.

Regarding extension there is a substantial difference between the public and private sector: where private sector collective agreements can be extended through the abovementioned procedure, public sector civil servant agreements, by definition, apply to all civil servants.

It is significant that after EK announced that ‘the centralised incomes agreement is dead’ in 2008 the discussion about the extension of collective agreements flared up (Kiander *et al.* 2011; Eurofound 2016). The employers’ lobbying organisation SY (Federation of Finnish Enterprises) is a strong advocate of scrapping the extension mechanism. In recent years, there has been a lively debate on the possibility and desirability of opening clauses, which firms can resort to in economic difficulties. Since the successful conclusion of the Competitiveness Agreement and its related industry-level collective agreements, the bargaining parties have agreed that ‘survival clauses’ (*selviytymislauseke*) are possible, but that they require the consent of unions and employers at industry level. The bargaining parties agreed that the implementation of a ‘survival clause’ requires local negotiations, the modalities of which are laid down in the industry-level agreement, and that it may exist for only a limited duration but can potentially be extended. The name ‘survival clause’ is used because it has a more limited sense than opening clauses in general. ‘Survival clause’ is the literal translation of the term, but seems to be equivalent to hardship clauses, such as those familiar from German collective agreements (see Chapter 12).

Another important factor that explains the high bargaining coverage in Finland is the persistently high level of union density, which, in turn, is strongly based on the Finnish Ghent-system of unemployment fund management (see below). This system is an

important reason to become and remain a member of a union. Union density impacts on collective bargaining coverage more indirectly because, as discussed above, it is one criterion on which the decision to extend a collective agreement is based. Industrial unionisation rates vary. In manufacturing and the public sector union density is high, but in the service sector it is comparatively low. The lower density rates in the service sector may have consequences for the extension of collective agreements in the future if the Extension Committee, which decides on the extension of collective agreements, considers the density rates of both employers' organisations and trade unions to be too low. If a clear majority of the employees in the sector are organised, there will not be drastic changes in the way collective agreements are extended. In recent years, however, there has been persistent political pressure from employers' lobbying organisations to abandon the general extension of collective agreements on the grounds that it is 'old-fashioned' and 'impedes flexibility'. The extension of collective agreements is therefore not legally contentious, but it may become an issue if the trend towards decentralisation continues, especially in wage bargaining. Because the wages agreed in collective agreements are minimum wages, the extension of agreements also performs a role played by legislation in other countries.

In Finland, collective agreements vary in duration. If there is a centralised incomes agreement, the collective agreement connected to that centralised agreement will be valid for the same duration. Most agreements last for one or two years, although the centralised incomes agreement of 2005 lasted for nearly three. It can be said that the duration of the agreement is related to economic circumstances: in good years the duration tends to be longer. Since 2007 it has been common to leave negotiations about wages for the second, or even third year to a later date. This is called 'pay review' (*palkantarkistus*). Sometimes a second or third year duration can be included as an option, as in the case of the 2015 agreement.

Finnish collective agreements are clear about their temporal validity. When an existing agreement expires and a new one has not yet been concluded, there may be a so-called 'period without agreement' (*sopimukseton tila*). In this case, the provisions of the old collective agreement remain valid, but not the peace clause, which means that industrial action is possible. In many sectors, particularly in industry, there is a process of 'continuous negotiation' (*jatkuvu neuvottelumenettely*). This refers to the circumstances in the industry that influence collective bargaining. Because Finland does not have works councils, this process partly stands in for that institution and is a vital instrument in enabling the sectoral unions to know what issues are important at the local level and influences the formulation of bargaining claims.

Security of bargaining

Security of bargaining refers to the factors that determine the bargaining role of trade unions. In Finland, the union-managed unemployment fund system (or Ghent system) is very important as it ensures high union density rates and bargaining power (Böckerman and Uusitalo 2006; Checchi and Visser 2005). Furthermore, the role of unions in negotiating collective agreements is enshrined in the Law on Collective

Agreements (Työehtosopimuslaki) and the obligation to apply the provisions of collective agreements in employment contracts is enshrined in the Law on Employment Contracts (Työsopimuslaki). In the context of negotiating collective agreements, the Law on Labour Conflict Mediation (Laki Työriitojen sovittelusta) asserts the role of the National Conciliator and the procedural aspects of strikes and lock-outs.

A union-managed unemployment benefits system is the most important factor in explaining the high union density rate of countries such as Finland and Sweden. The system in Finland functions through the unemployment funds (työttömyyskassa) which exist, with a single exception, in conjunction with trade unions. When people join a union, they are required to choose whether they will also join the unemployment fund. It is also possible to join only the unemployment fund and not the union itself, although especially in manufacturing this may be socially unacceptable.

It has to be stressed that although the income-dependent unemployment funds are managed by the unions, they are not exclusively financed by them. The Finnish state finances 38 per cent of unemployment benefits, the unemployment fund itself 5.5 per cent and the so-called ‘unemployment insurance fund’ (TVR, työttömyysturvavakuutusrahasto) finances 55.5 per cent (TYJ 2018). After the Finnish economic crisis in the 1990s, the fund was reformed to include both employees’ contributions and employee representation in its management.

In Finland, the right to strike is not explicitly mentioned in the constitution, but it is derived from the right of association. Paragraph 8 of the Law on Collective Agreements outlines the peace clause, which means that for the duration of the collective agreement no strikes are allowed that are based on issues regulated in the collective agreement, such as wages and working time. Finnish law does allow political strikes, for instance, against government policies and sympathy strikes in support of another workplace or sector (Warneck 2007).

Strikes are allowed during negotiations, but only when they are duly announced, fourteen days in advance, citing the location(s), starting and ending times of the strike, and how workplace safety is to be ensured. This brings in the National Conciliator (Valtakunnansovittelija), who is formally independent, but part of the Ministry of Labour. Thus, although a strike is still an instrument for putting pressure on employers during negotiations, in Finland it also instantly opens a way toward conciliation. In the public sector, a strike warning committee (virkamieslautakunta) assesses the societal impact of a strike. The committee includes representatives of employers and employees and can delay the beginning of a strike by 14 days.

The Finnish Labour Court (Työtuomioistuin) adjudicates on labour issues, among other things on the legality of strikes. It is a special court, which has equal representation from both sides of industry in its processes. Although the court rules on the legality of strikes and issues fines in case of a breach of the peace clause, in recent years EK has claimed that 90 per cent of strikes in Finland are illegal. Their reasoning is that most strikes are held in violation of the peace clause and therefore are illegal almost by definition. The decisions of the Labour Court have not upheld EK’s claim, however,

because not every strike is referred to the Court. This is clearly also a framing issue in the sphere of labour market politics. The union confederation SAK, in contrast, argues that most strikes are short walk-outs in reaction to employers' decisions. A legal issue for the future is whether strikes that occur in a local bargaining context also fall under the peace clause provisions of the industry-level agreement. This fundamental issue may have a major impact on local bargaining processes.

Depth of bargaining

Depth of bargaining refers to how the bargaining process works and how negotiation claims are formulated. Another important dimension is internal union democracy and how the rank-and-file are involved in the formulation of claims.

Finnish unions have a history of internal political disagreement (Bergholm 2015; Jonker-Hoffrén 2013). Nonetheless, they have developed strong systems of internal democracy. Most unions have a similar structure: they have an executive committee (hallitus), which deals with daily affairs and negotiations. It consists of the union's president and vice-president, as well as a number of board members. Unions also have a council (valtuusto), which is the highest organ of the union and allows representation of the regional union branches. The members of the council are usually locally elected through proportional representation. Finally, unions have the general assembly (liittokokous), which appoints the union president, council and executive committee. Political divisions may be especially visible in the council. Unions do not now have formal links with political parties. Usually the council has to approve the draft collective agreement, which is not always straightforward. In 2016, the council of the union representing retail workers, the Services Union United (PAM, Palvelualojen Ammattiliitto), initially rejected the proposal to join the 'Competitiveness Agreement'. In earlier years the council of the Finnish Paper Workers' Union (Paperiliitto) was highly divided on certain issues, such as removing a clause from collective agreements that gave shop stewards power to extract wage increases from local improvements in productivity through innovation. Another divisive issue was the outsourcing of cleaning personnel (Jonker-Hoffrén 2013). Union demands and priorities are commonly communicated through press releases and action programmes.

Although the processes involved in formulating demands are not transparent from the outside, wage claims made by the manufacturing unions have been studied to some extent. The cooperation between unions and employers' organisations in the manufacturing sector illustrate Finnish corporatism and pragmatism. Sauramo (2004) shows that unions and employers' associations have developed a kind of consensus on the limits of wage increases. This can be seen in their cooperation on productivity statistics and shared understanding of 'wage norms', in particular because economists of both bargaining parties have worked together in the same committees on labour market issues. A wage norm includes more or less complicated formulas, usually including expected inflation, labour productivity and other factors, such as consumption. The agreement on cooperation on statistics from 2009 is one of the few that EK did not quit in 2017. In the service and public sectors, wage claims in the union are frequently made

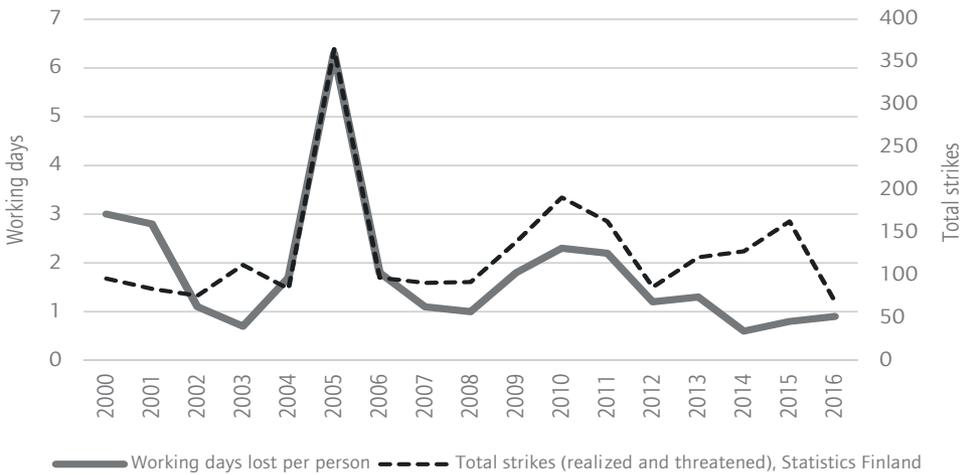
on the basis of comparisons with the male-dominated manufacturing sector in order to address the gender wage gap. Another instrument trade unions use in formulating bargaining demands is SAK's 'shop steward questionnaire', which collects information on many topics at the firm level.

Finland has a single-channel representation system: the unions are represented at the firm level by the shop steward (*luottamusmie*s). Shop stewards are elected in local elections by union members. There are few formal requirements except a thorough knowledge of the workplace. This implies that the 'barriers' to becoming a shop steward vary considerably in terms of firm size and complexity. The main function of the shop steward is to ensure that the collective agreement is applied as agreed. Because many issues are negotiated locally, the shop steward will act as a representative of the local workforce in lieu of a works council. He or she can also be involved in the codetermination procedures (*yhteistyöneuvottelut*) which are required in case of lay-offs and significant changes in work processes (Sippola 2012). The shop stewards are instrumental in formulating union demands through their knowledge of local issues, which are communicated to the industrial union.

A strike in Finland is called by the executive board (*hallitus*). The union can nonetheless also organise a ballot on whether to organise a strike. The union board or the 'central strike committee' defines the geographical scope and duration of the strike, which are also communicated to the National Conciliator, 14 days ahead of the intended strike. This activates the mediation process at the National Conciliator's office and a strike threat can be cancelled if the bargaining parties come to a mutual agreement on the Conciliator's proposal for a collective agreement. The union's regional offices have responsibility for most practical aspects of the strike.

Strikes used to be very common in Finland until the 1990s (Bergholm and Jonker-Hoffrén 2012). Since then, the absolute number of strikes has fallen dramatically. It is difficult to distinguish between 'process strikes' and 'protest strikes', which is problematic in the Finnish case because in recent years most strikes have been protests against redundancies that were the outcome of co-decision procedures, rather than aimed at collective bargaining processes. Figure 10.1 shows strike developments between 2000 and 2016. It also includes the number of working days lost per person, which illustrates that, on average, Finnish strikes are fairly short. Noteworthy are the peaks in 2005, 2010 and 2015. The great increase in strikes in 2005 was due to a protracted conflict in the Finnish paper industry (Jonker-Hoffrén 2012; Jonker-Hoffrén 2011). The peak in 2010 was due to a complicated conflict in the collective bargaining of stevedores. The strike peak in 2015, however, is an anomaly. It was caused mainly by a large political strike in September 2015, which also spawned many local strikes. The political strike was aimed at the government's austerity policies, abolishing two paid public holidays and reducing Sunday overtime pay. Finland previously was seen as a country with a high propensity to strike, but currently strikes are mainly instruments of protest. Generally speaking, strikes are still part of the repertoire of contention.

Figure 10.1 Strikes in Finland, 2000–2016



Source: Statistics Finland (2018).

Degree of control of collective agreements

Degree of control refers to how much actual practice and conditions are compliant with those of the collective agreement, as well as the processes, actors and mechanisms concerning differences in the interpretation of collective agreements, such as arbitration and mediation procedures.

Generally speaking, there is a high degree of control of collective agreements in Finland. The main reason is that, because of the high collective bargaining coverage, many employment contracts are by default in the sphere of a collective agreement. Employment contracts are generally relatively simple with regard to pay and employment conditions; employment contracts simply note which collective agreement is applicable to the employment contract. Shop stewards are responsible for monitoring implementation of collective agreements at the workplace.

This high degree of formal control obscures workplace realities. The employment contract is based on the collective agreement, but the actual wage, especially in manufacturing, is based on job-dependent classifications of skills and experience. In addition, the wage comprises a job-dependent part and a personal part. This is made more complicated by shift-based working times: different shift systems result in different effective wages. The direct control of collective agreements on work is thus qualified by the actual work. There is a link between the collective agreement and work processes, but it is often complex (see Jonker-Hoffrén 2013 for the paper industry).

It is even more complicated outside ‘blue-collar work’. The current ‘wage tables’ (palkkataulukot) of the SAK-affiliated unions are either in the collective agreement or

online, but the wages of salaried and professional employees are generally negotiated locally. These higher-level collective agreements do allow for a 'plan B' regarding direct control: if no result arises from local negotiations before the current collective agreement expires, the generally agreed wage increases apply.

While union control over employment contracts is strong, it is not rigid. Trade unions have the power to monitor and supervise the implementation of collective agreements through local shop stewards. This is an important issue for the viability of the Finnish labour movement in the long term: also in an economy dominated by services, unions need to have local representation. In terms of the Finnish economic structure, this is not easily achieved because of the legacy of industrial unionism. In the service sector, this structure is harder to replicate because in many cases firms and workforces are much smaller. Hence, a challenge for service sector unions is to organise a fragmented workforce. Service sector work is also often characterised by fixed contracts and high labour turnover, which have consequences for union density (Ahtiainen 2015: 20).

Finnish industrial relations are known for their institutionalised rules. This also applies to conflict resolution. Most collective agreements allow for mediation processes (*välimesmenettely*) that deal with issues other than wages, usually disagreements about the interpretation of the collective agreement. The mediation method is legally very complicated, but offers ways of conflict resolution that reduce the need for strikes and, similarly, reduce the legitimacy of strikes, but also reduces the risk of state intervention in industrial relations (Koulu and Turunen 2012: 221–22). This form of conflict resolution fits in the Nordic tradition of voluntarism. Usually a mediation process starts locally as a disagreement between employer and employee but can be taken up by the industry-level bargaining parties or even the union confederations if needed. The mediation process involves representatives from both the employees' and employers' side. It starts when one of the parties to the conflict informs the other party in writing that they want to use the mediation process to solve the conflict, whereupon they have to select three mediators. The process and scope of the mediation process is agreed between the parties. Although not commonly published, the decisions of the mediation process are public and binding (Ovaska 2007; Koulu and Turunen 2012). The public sector seems to have a slightly less expansive understanding of the right to mediation as the collective agreements do not mention mediation explicitly, although they describe a similar process that involves a written intention to negotiate at the industrial level when local negotiations fail. Furthermore, a conflict may not be directed to the Labour Court before the mediation procedure has been completed. Other issues, such as the lawfulness of strikes or lay-offs, are directed to the Labour Court. In Finland mediation is thus included in the rules on industrial relations as concluded by the bargaining parties. The formal mechanism of this mediation process is very similar across collective agreements, but its practice, particularly its frequency, may vary between industries.

Scope of agreements

Collective agreements in Finland cover a wide range of issues. As a result, they tend to be fairly voluminous, although managers' agreements tend to be shorter than blue-collar employees' agreements. The basic topics of collective agreements are: the industrial scope of the agreement, wage formation, working time, holidays, social provisions such as child illness, parental leave, issues related to pensions and work–life balance, and negotiation rules. Significant issues regarding gender (wage) equality and pension reform are agreed at the federal level. Collective agreements, in particular regarding parental leave, also show the influence of EU directives. At the level of centralised incomes agreements there can be variation in scope regarding the issues the government deems important. Topics not explicitly open to local negotiations are applied as agreed in the industry-level agreement, except for wages, which have to be seen as minimum wages for the sector. Employers can always improve on minimum standards. The actual formation of wages depends on the sector: manufacturing has highly complicated wage systems, due to shift work and complex calculation of bonuses, while in services the basis is an uncomplicated hourly wage. In manufacturing therefore labour processes can affect wage drift at the local level, which can be studied through registry data.

Between 2000 and 2016 the scope of collective agreements remained largely the same, although some industries saw variations on specific issues. The financial services industry agreement, for example, included a large number of appendices dealing with specific issues. This can be explained by regular changes in the regulations governing this industry. The metal industry, on the other hand, had a collective agreement that is nearly a carbon-copy of the previous agreement. In general, industry-level collective agreements can diverge from what is agreed in the confederation-level agreements. In this sense, the scope of bargaining is always determined by industry-specific concerns.

Substantively, provisions on wage increases have varied but if these are agreed, only their application to the industry-level agreement is open for negotiation, not their actual level. Although the form of inclusion varies, most collective agreements have sections or annexes about local bargaining issues, shop steward functions and procedural issues. Other sectors refer to the general agreements concluded by the bargaining parties. Due to EK's withdrawal from bargaining, some unions had to negotiate procedural agreements anew for their industry during the 2017–2018 bargaining rounds. These include the rules governing Finnish industrial relations, such as negotiation order, issues of representativeness, shop steward functions and the general aims of industrial relations.

Although this was an ad hoc agreement, in 2009 the bargaining parties concluded the so-called 'social agreement' (sosiaalitulo), which reformed the rules on unemployment security and occupational pensions. The core goal for the bargaining parties was to ensure the financial sustainability of the occupational pension system. This agreement shows that occasionally 'collective bargaining' also goes beyond topics traditionally associated with it.

Conclusions

In conclusion, it seems that collective bargaining in Finland has undergone a controlled transition from a centralised system of peak-level bargaining to a two-tier system of manufacturing-led industry-level pattern bargaining akin to the bargaining system in the other Nordic countries. In principle, such a move towards a two-tier bargaining system increases the likelihood of more differentiated bargaining outcomes in local negotiations. In practice, the impact of the transition of the Finnish bargaining system remains to be seen because the decentralisation has been accompanied by measures to secure articulation between the industry and the company level. The concrete impact of controlled decentralisation will depend largely on the power relations between the bargaining parties at local level and the leeway granted for local negotiations by the industry-level actors. Even though trade unions in Finland can still rely on a high level of union density as a power resource, the question remains how stable this will prove to be in relation to local bargaining.

The first agreement concluded under the new regime established after the Competitiveness Agreement was between the Metal Workers' Union (Teknoliitto, formerly Metalliliitto) and the employers' association for the technology sector (Teknologiatoimittajat). It is valid for two years with an optional third year. The bargaining parties agreed that the starting point is that wage formation should happen locally. If no agreement can be reached at local level, the industry-level agreement contains provisions that determine the division between central and local wage increases. At first sight, it seems that the bargaining parties of the manufacturing sector have found a way to increase the scope of local bargaining but also to provide a kind of backstop for when local negotiations fail.

Finnish industrial relations have seen much upheaval since 2008, when EK announced that it will no longer adhere to centralised agreements. One could argue that the detour through a 'new' kind of centralised agreement, instigated by economic concerns, helped to prepare the political climate for more local negotiations, at least through significant political pressure. The first agreement signed in the manufacturing sector has so far functioned as a kind of anchor for negotiations in other industries and therefore is in the Finnish tradition of pragmatism in industrial relations, because in substantive terms the industry level has always been the most important. A monumental change, however, is that for the first time it gives primacy to local wage bargaining. On a more procedural level the new collective agreement in retail has made the relationship between locally agreed issues and the collective agreement more transparent. Although these are just two examples, they illustrate the power of the labour movement: even though more aspects of industrial relations are open for local negotiations, the trade unions have made sure there is a set of rules for those negotiations and how they relate to industrial agreements.

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All links were checked on 27 August 2018.

Abbreviations

AKAVA	Korkeakoulutettujen työmarkkinakeskusjärjestö (Confederation of Unions for Professional and Managerial Staff in Finland)
EK	Elinkeinoelämän keskusliitto (Confederation of Finnish Industries)
KiT	Kirkon työmarkkinalaitos (Church Employers)
KT	Kunnan työnantajat (Local Government Employers)
PAM	Palvelualojen ammattiliitto (Service Union United)
SAK	Suomen Ammattiliittojen Keskusliitto (Finnish Confederation of Trade Unions)
STTK	Suomen Toimihenkilöiden keskusliitto (Federation of Salaried Employees)
SY	Suomen Yrittäjät, (Federation of Finnish Enterprises)
TUPO	Tulopoliittinen ratkaisu (tripartite, centralised agreements)
TT	Teknoliateollisuus (Technology Industries Federation)
TVR	Työttömyysvakuutusrahasto (Unemployment Insurance Fund)
VTML	Valtion työmarkkinalaitos (Office for the Government as Employer)