

TOIMIHENKILÖKESKUSJÄRJESTÖ



Social security system in Finland

Leila Kurki

The significance of Social Dialogue in addressing flexibility of labour relations and
employment guarantees issues in Europe

Vilnius 18.6.2015

28.7.2015



Characters of the labour market relations

Cooperation between the government and labour market organisations means that the **drafting of almost all labour and social policy legislation related to working life is prepared in a tripartite process** in collaboration between the government and labour market organisations representing employers and employees.



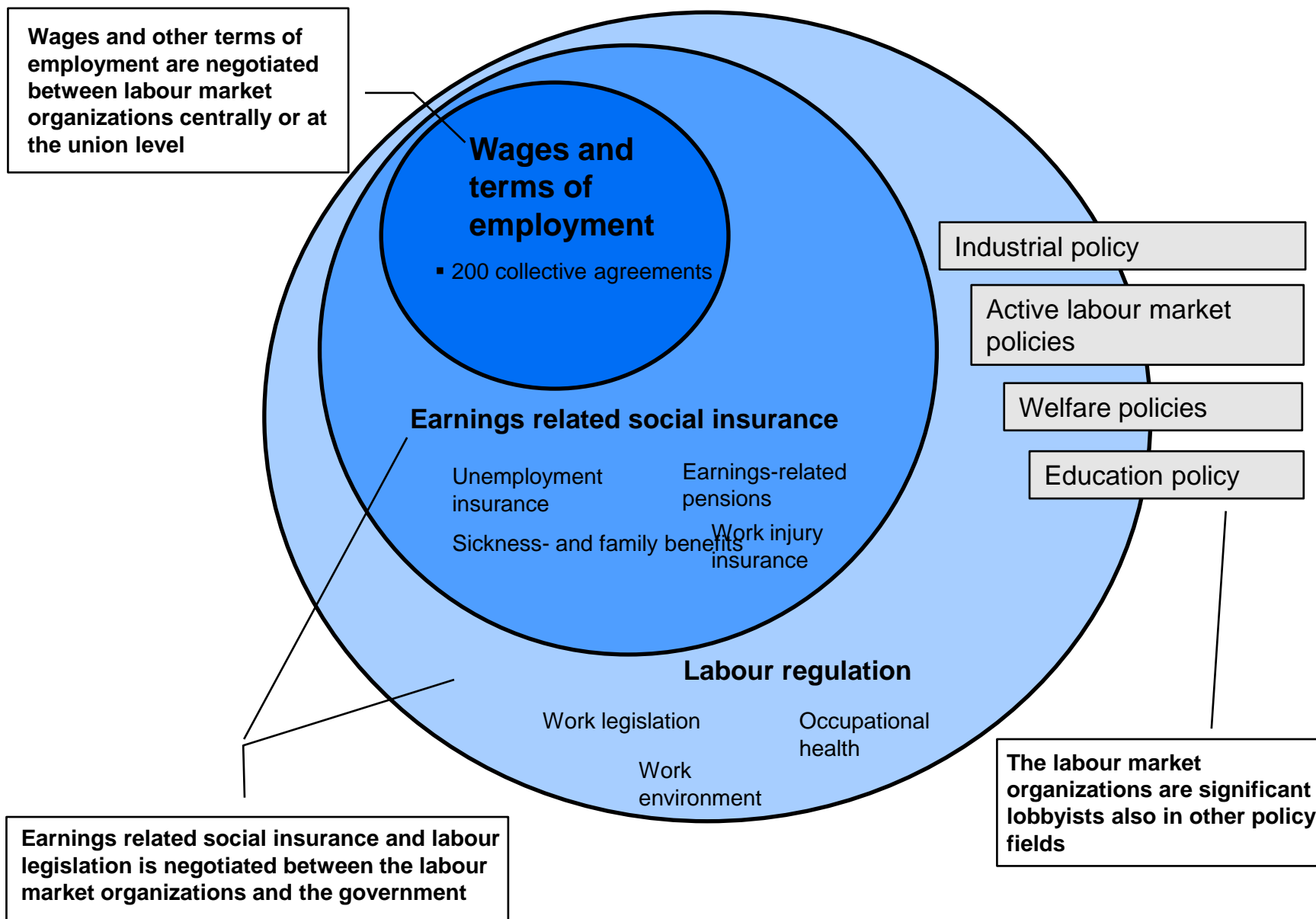
Characters of the labour market relations

Social security is developed by negotiation and agreeing:

- social partners negotiate on financing, principles and content,
- laws and regulations are prepared by tripartite bodies,
- parliament legislates.



The Finnish labour market negotiation system





Social partners role

Social partners are **fully involved** in decision-making and administration of social security benefits and systems and labour regulation.

Involvement in law-making starts at a very early stage of preparation and also includes participation in the drafting of legislation.

Social partners are **actively** involved in early proposals and preparations concerning social security and labour regulation.



Characters of the labour market relations

Approximately **2.2 million** wage and salary earners in Finland.

The **share of women** of those employed is only slightly lower than that of men.

The **rate of unionization** is about 75 per cent, which is one of the highest in Europe.

The unionization of workers began in the **late 19th century**.

Since the **end of 1960s**, labour market relations have been shaped through tripartite cooperation, and the labour market system has become an important **national institution**.



Labour legislation

The starting point for labour legislation is the **principle of employee protection.**

Includes **mandatory provisions**, which cannot be deviated from by agreement to the disadvantage of the employee.

Employee´ protection **against unlawful dismissals**, the preconditions of **concluding a fixed-term** contract, and the **duty to apply** the provisions of a generally applicable collective agreement.



Terms of employment in Finland

Labour and occupational safety legislation is **applicable to all employees** working for Finnish employers regardless of their nationality.

In the case of '**posted workers**', terms and conditions such as overtime, working hours, vacations, sick-leave and minimum wage are in accordance with the applicable collective agreement.

There is **no universal minimum wage**. Collective agreements in most sectors determine minimum pay and other employment terms.

If there is no generally binding collective agreement with employer obligations for the sector, the employer must pay wages considered as '**normal and reasonable**' (**generally binding**).

Employers may not contract on **employee benefits that are worse** than those laid down by the generally binding collective agreement.



Collective agreements

Two important roles:

- guarantees a minimum level of working conditions for employees,
- binds employers and employees ('industrial peace' or the 'peace obligation').

If a contract of employment is in any respects **in contradiction** of the collective agreement for the relevant sector of industry it is **null and void** and the collective agreement is to be followed instead.



Social security system

Residents are covered by social security schemes:

- basic pensions (national and guarantee pension),
- sickness and maternity benefits and family benefits.

Employed persons are entitled to benefits based on employment:

- statutory earnings-related pensions
- benefits for employment injuries and occupational diseases
- unemployment benefits.

All residents of municipalities have access to healthcare and social services.



Financing / all tax payers

Family benefits: the state (other costs the employer).

Labour market support: half and half by the state and the local authorities.

Unemployment benefit basic part: the state.

Public health services: the municipalities out of local taxation and user fees; the state also makes transfer payments to help pay for social and health services.

National pensions and guarantee pensions: the state.

The health insurance system is supported by the work force (employed and self-employed), the employers, the insured and the state.



Financing / social partners

Unemployment benefit: partly out of public funds (basic part) and partly by the unemployment insurance contributions paid by workers and employers.

Earnings-related pensions: from the contributions paid by employers and workers.

Accident insurance is based on employers' contributions.



Solutions for careers and pensions are needed also in the future





Social partners' recent achievements / Pension reform in September 2014

The objective: Raising the expected effective retirement age

- Minimum **retiring age** rises gradually to 65 years (63).
- Earnings-related pension will **accrue** at a rate of 1.5% of pay from the age of 17.
- Employees in demanding work able to retire at 63 on a **career pension**.
- **Partial early retirement** possible before reaching the minimum age.
- **Improved quality** of life at work.



Social partners' recent achievements / Social partners' collective agreement on employment and growth (October 2013) for 2014-2015

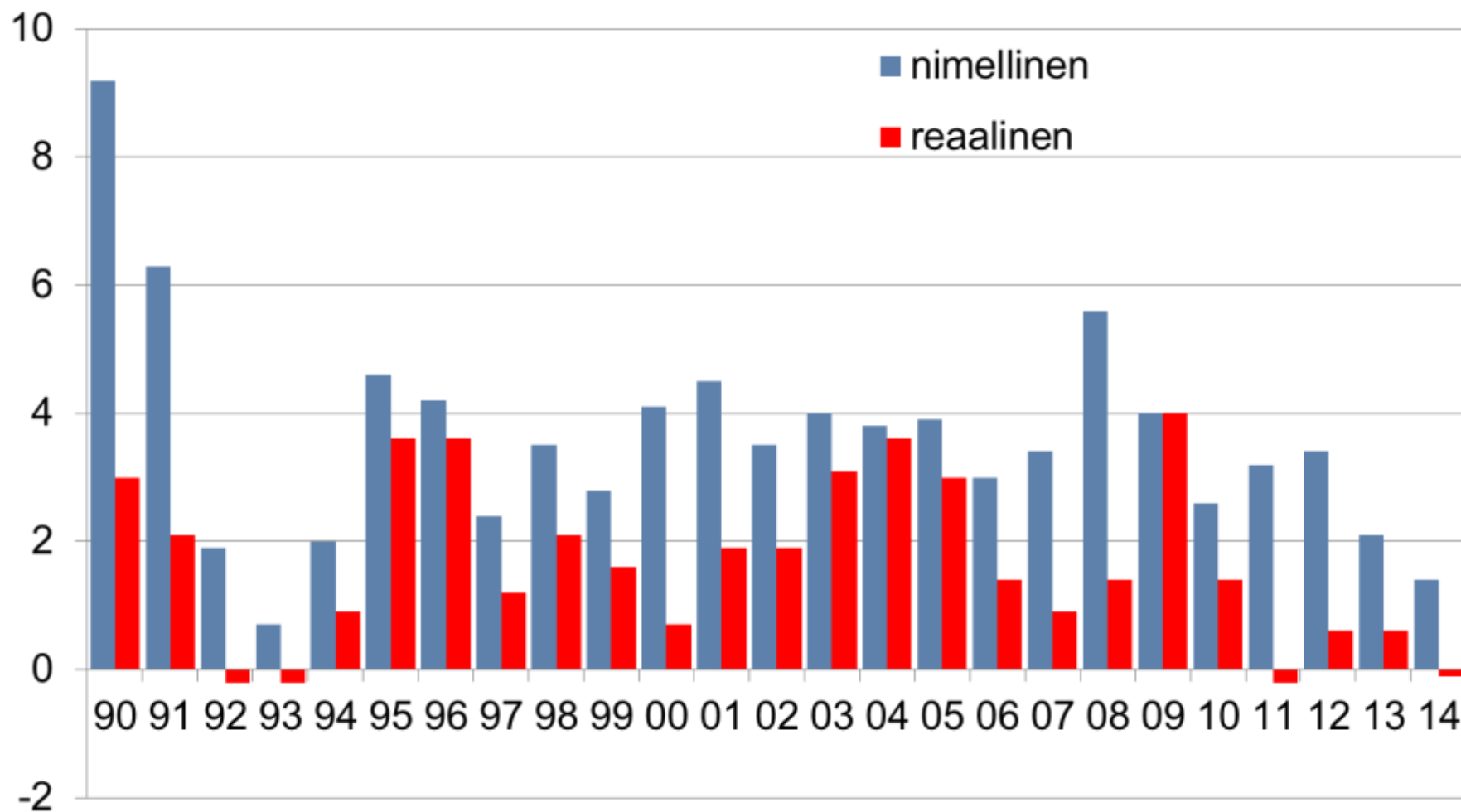
Moderate wage raises 20 €/month (1.) / 0,4%
(2.),

Unemployment insurance and employment
pension insurance contributions.

Improvements in general working conditions: 7
working groups (not all succeeded).



Changes in wages 1990-2015 (nominal and real)





Social partners' recent achievements / Social partners' collective agreement on employment and growth (June 2015) for 2016

Pay raise 16 € / month, minimum 0,43 % starts from 3721 €.

Total cost impact 0,54 %.

Unemployment payments increase 0,5%
(both employers and employees).

Some inflation revisions.



Long term unemployment 2005 - 2015

6210. Rakennetyöttömät sukupuolen, ammattiryhmän ja koulutusasteen mukaan kk:

ELY-keskus(k) = FIN KOKO MAA

Sukupuoli = XX Sukupuolet yhteensä

Ikäryhmät = Ikä yhteensä

Ammatti(1) = XX AMMATIT YHTEENSÄ

Koulutus(1) = XX KOULUTUS YHTEENSÄ





Challenges for trade unions / Government programme on 29 May 2015

New government in April: Centre Party + National Coalition Party + Finns Party

Heavy budget cuts -4 mrd €

- employment benefits -200 m €,
- education -700 m €.

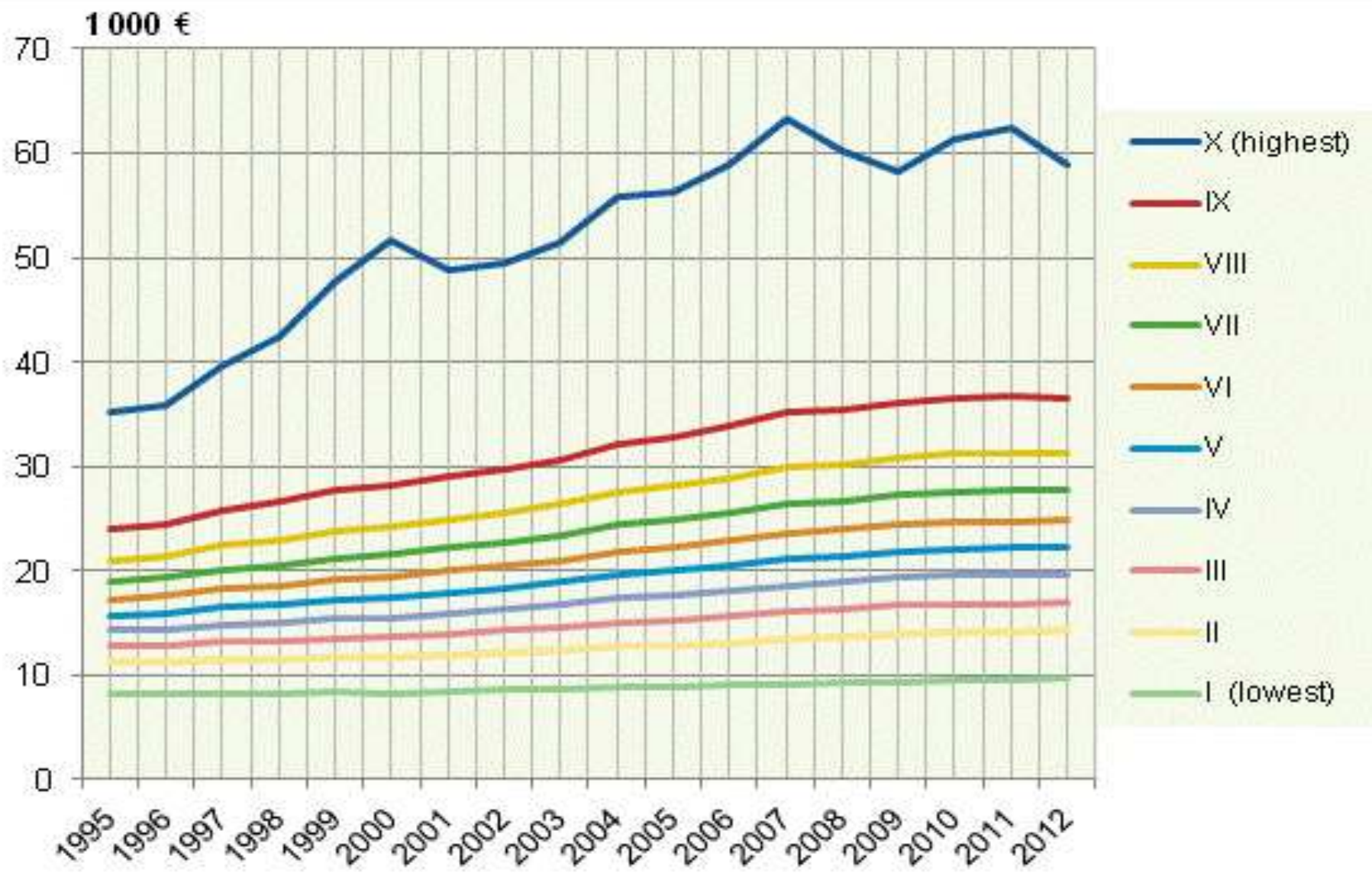
Renewal of labour markets

- not a single mention of tripartite cooperation.

Preparation of concrete action programme during summer + budget in August.

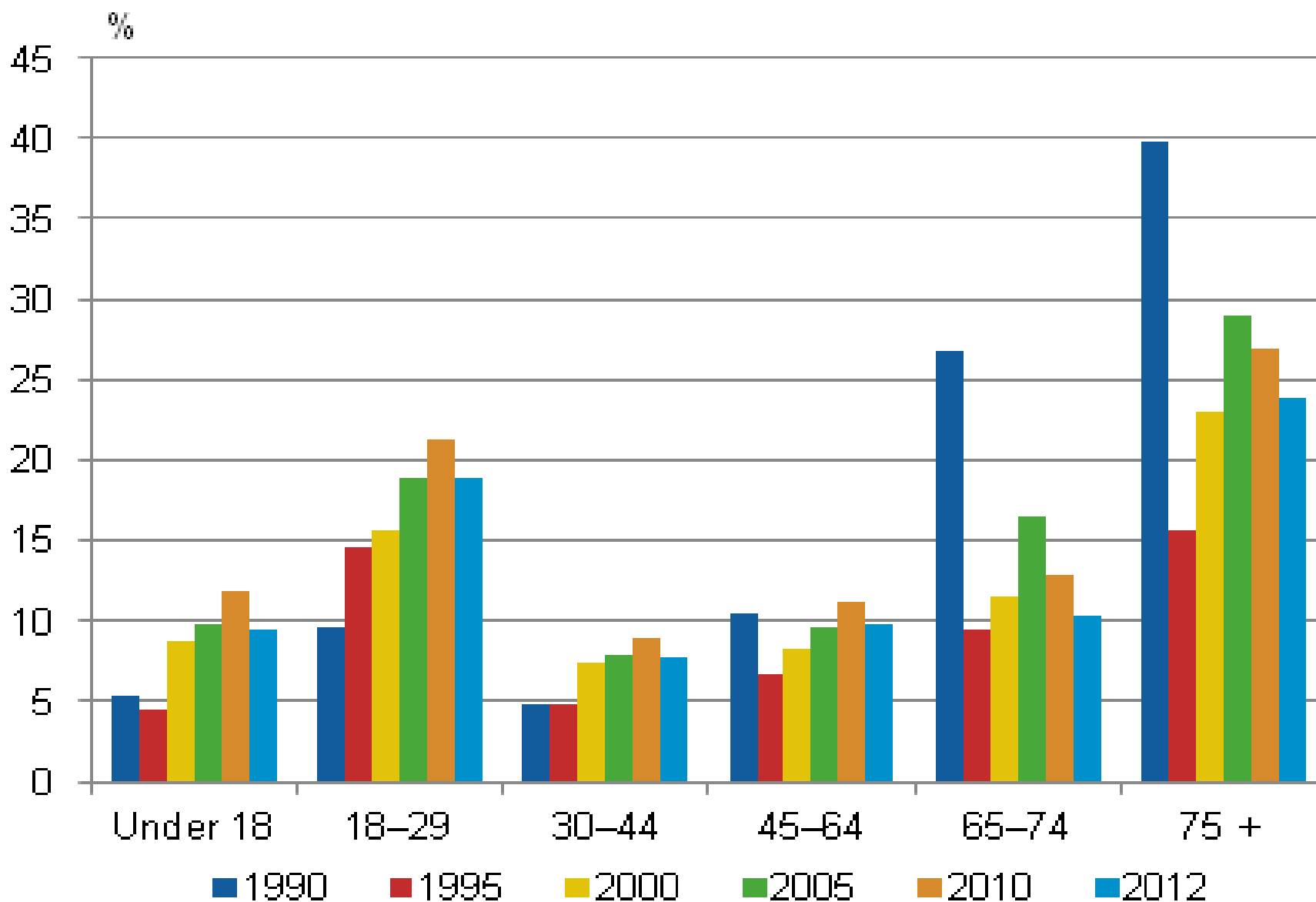


Equivalent disposable income in household-dwelling units by decile 1995–2012, in real terms, mean € per year (Statistic Finland, income distribution)





At risk of poverty rate in age groups, 1990–2012 (Statistics Finland)





Challenges for trade unions / Government's proposal on social contract to social partners

April 2015

Goals:

- price competitiveness +5 % (relative) in 4 years,
- lower the threshold of employment,
- use of the unemployment budget in a more activating way.

Social partners negotiate

- First try in April failed.
 - Agenda dead line early Autumn, completed latest in Oct.
- > **If not succeed** -> more budget cuts on unemployment benefits and cancelling the job alternation leave system.
- > **If succeeds** -> 1 mrd € tax relief (promise).



Challenges for trade unions

Means (during 4 months) negotiations on:

- Weakening the employment benefits (-200m€).
- Weakening the job alternation leave.
- Weakening the terms of employment on local level.
- Weakening the terms of fixed-term employment.
- Lengthening the duration of trial period.
- Weakening the obligation of readmit.
- Lengthening the working hours by 100 hours (unpaid).

=> Either we succeed or not, we suffer!



Conclusion



28.7.2015

Leila Kurki

TOIMIHENKILÖKESKUSJÄRJESTÖ



Askel aikaa edelle.

www.sttk.fi