COMPETITIVENESS PACT

1. Introduction

In recent years, the Finnish economy has been afflicted by an exceptionally persistent recession. The increase in unemployment rates is worrying, the indebtedness of the public economy is not levelling off, and Finland underperforms her peer countries on the export markets. Behind this poor performance are three factors – the uncertainties of the global economy, negative structural changes in Finland, and losses in the country's international competitiveness that have accumulated over time.

The objective of the Competitiveness Pact between the national labour union and employer confederations is to improve the competitiveness of Finnish labour and enterprises, boost economic growth and create new jobs. At the same time, the Pact will support measures to adjust the public economy.

A precondition for the Pact is that it will avert and replace a series of measures prepared by the Government that would change the status of Ascension Day and Epiphany from holidays to payless days off, cut sick leave pay and holiday bonuses, and shorten long annual holidays. Moreover, the labour union and employer confederations require the Government to revoke planned additional cuts and tax increases amounting to EUR 1.5 billion that would replace such a societal pact, and to implement the income tax relief included in the Government's programme. The Pact also aims to promote local agreeing through collective agreements affecting both employees and civil servants.

2. Extension of collective agreements affecting employees and civil servants

The national labour union and employer confederations propose that the validity of the current collective agreements be continued for a further 12 months. At the same time, no changes in pay or other working conditions that have an effect on costs will be made to the collective agreements. The only exceptions to this will be the structural changes agreed upon in Clause 4 and the provisions on local agreements in Clause 6.

3. Social insurance

3.1 Employees Pensions Act (TyEL) premium

The agreement between the central labour union and employer confederations on the 2017 reform of the employee pensions envisaged that the TyEL premium will amount to 24.4 per cent of the corresponding wages and salaries in the years 2017–2019. According to the long-term estimates of the Finnish Centre for Pensions, this level of premiums would also be sufficient to finance pensions after 2019.

The same percentage, or 24.4 per cent of wages and salaries subject to TyEL, will also apply to the years 2020 and 2021. In line with the employee pensions reform, the social partners' goal is to achieve an even, purposeful trend in premiums, while securing both the benefits and the respective financing agreed upon in the 2017 pensions agreement over the long term. The Parties agreed that the increases in the premium will be divided in half between the employer and the employee.

In deviation from the agreed premium increase model, the employees' average TyEL premium contribution will be increased, while the employers' average TyEL premium contribution will be decreased correspondingly from the preceding year as follows:

- 0.20 percentage points in 2017
- 0.20 percentage points in 2018
- 0.40 percentage points in 2019
- 0.40 percentage points in 2020

As a consequence, the increase in the employees’ premium contribution and the decrease in the employers’ contribution will total 1.20 percentage points over the years 2017–2020. The 2021 premiums will remain at the 2020 level. After 2021, other changes in the TyEL premium payments will continue to be divided in half between the employers and the employees.

The change in the employee contribution will be applied to both private and public sector employees. The change in the employee pension premium of public sector employees will be taken into consideration in the corresponding premiums payable by public sector employers.

3.2 Unemployment insurance premium

The average unemployment insurance premium payable by employers and by employees will be set at the same percentage rate, starting from the premiums payable for the year 2018. This will lower the employers’ average premium for unemployment insurance by 0.85 percentage points and increase the employees’ corresponding premium by the same figure. Accordingly, the employee premium payment for 2017 will go up by 0.45 percentage points while the increase in 2018 will be 0.4 percentage points. The national labour union and employer confederations will conduct negotiations on the 2017 unemployment insurance premiums in August 2016.

The legislation on social benefits will be amended to ensure that the changes in premiums will not affect the so-called percentage deduction, and will thus be neutral in terms of the benefit sums.

All changes in the premiums for employee pension insurance, unemployment insurance and earnings security insurance, which is part of the statutory health insurance, will continue to be set according to the 50/50 rule.

3.3 Administrative aspects and liquidity

One third of the members of the boards of directors and supervisory boards of pension insurance companies will be candidates proposed by national labour union confederations, while one sixth will be candidates of national employer confederations. This change will enter into force in 2019 for supervisory boards and in 2020 for boards of directors.

The members of the supervisory board and board of directors of the Unemployment Insurance Fund will be elected on 50:50 terms from among the candidates proposed by the major national labour union and employer confederations. The mandates of the employer organisations will be determined on the basis of their members’ employee numbers. The chairperson and vice chairperson will be elected in alternate years from among the members elected on the proposal of the national employer and labour union confederations. In the case of a split vote concerning a proposal of the supervisory board and board of directors of the Unemployment Insurance Fund regarding unemployment insurance premiums, and concerning a decision of the board on the equalisation of the unemployment fund’s membership fees, the matter will be resolved by the casting vote of the chairperson, but only provided the vice chairperson seconds the opinion of the chairperson. The administrative changes regarding the Unemployment Insurance Fund will enter into force at the beginning of 2018.

The maximum amount of the Unemployment Insurance Fund’s counter-cyclical buffer will be increased to match the expenses capable of being incurred for an unemployment rate of seven per cent, starting from the beginning of 2017 and lasting until the end of 2019. In the spring of 2019, the social partners will prepare a proposal for the Government regarding a feasible level for the counter-cyclical buffer – which will be larger than the current level. In the preparatory work, the emphasis will be on safeguarding the liquidity of the Unemployment Insurance Fund, as well as putting the Fund in a position to provide an adequate buffer that takes account of variations in unemployment insurance premiums and the constraints of the public economy. The debt financing of the Unemployment Insurance Fund can receive Government guarantees exempted from counter guarantees and guarantee payment obligations. In 2016–2017, an annual sum of EUR 10 million will be used to equalise the membership fees of unemployment funds.

3.4 Social security payment

The social security charge payable by all employers will be decreased by at least the following extent:

- 0.94 percentage points for 2017
- 1.00 percentage points for 2018
- 1.04 percentage points for 2019
- 0.58 percentage points from 2020 onwards permanently.

The decrease will be funded by the savings accruing to public sector employers from measures related to working hours and public sector holiday bonuses and from changes in their funding liabilities for employee pension premiums and unemployment insurance premiums. The decrease has been dimensioned by taking account of the tax deduction rights related to employer contributions to employee pension and unemployment insurance premiums, but not of the agreement's impact on growth and employment rates.

A Government contribution, corresponding to the decrease in the social security payment, will be allocated for medical treatment insurance under the statutory health insurance obligation. The employees' medical treatment charges will be decreased to match the change in the Government contribution, while the daily expenses allowance of the insured will be increased by the same amount.

4 Structural changes

4.1 Increase of working hours

The annual working hours will be increased by 24 hours on average, without increasing annual earnings. The change may take place by adding full working days, for example. The change will enter into force on 1 January 2017 unless the Parties agree otherwise.

The exact ways in which working hours will be increased will be established through industry-specific agreements between the parties to the collective agreements.

4.2 Public sector holiday bonuses

The holiday bonuses paid in the public sector (the State, municipalities, the church, the National Insurance Institute Kela, the Local Government Pensions Insurance Institute Keva and the Bank of Finland) will be cut by 30 percent of their current level. The cut will affect all bonuses from annual holidays earned during the holiday credit years that end in 2017–2019. The exact ways in which these cuts will be applied will be established through industry-specific agreements between the parties to the collective agreements.

5. Employment security and occupational healthcare

The national labour union and employer confederations propose that, among the factors included in the draft for Government proposal, aimed at strengthening the country's cost competitiveness, the elements of employment security should be referred to new preparation on a tripartite basis, and that, during the preparatory work, the items on labour and tax legislation contained in the proposed draft be changed as follows:

- The scope of application is limited to employers with at least 30 employees, and who make employees redundant due to production-related and financial reasons.
- The extended rights apply to employees made redundant due to production-related and financial reasons, and who have at least a 5-year employment history with the employer now dismissing them.
- The training allowance must correspond to the employee's personal pay, provided it is at least the average pay in the company or public organisation.
- The authorities will assume statutory responsibility for assessing what is deemed to constitute the necessary and suitable competence development required of the employees, and for helping them to acquire such skills.
- The competence enhancing services can be replaced with other arrangements of at least a corresponding level.
- The service is not deemed to constitute taxable income of an employee made redundant.
- The employees made redundant for production-related or financial reasons will have the right to use occupational healthcare services for six months after the expiry of their liability to work.
- The sanction for failures to meet employability and redeployment training responsibilities will be the payment of damages rather than compensation under the Act on Co-operation within Undertakings.

6. Local agreement

The national labour union and employer confederations agree that the collective agreements should promote local agreeing and that, in this context, they should improve the operating conditions of personnel representatives. According to the national labour union and employer confederations, it is important that the parties to the collective agreement negotiate how the conditions for local agreeing can be enhanced by way of industry-specific collective agreements, and that they include provisions on the following local agreement issues in their respective collective agreements, while taking industry-specific needs and conditions into account:

1. A survival clause to secure the employer's operations and the permanence of jobs through adjusted terms of employment in cases where the employer faces financial difficulties that would lead to reduced use of labour.

2. Development of the operating conditions of shop stewards/employee representatives to correspond to the increased potential of local agreement.

3. Entry into force of the local agreement without inter-federation approvals.

4. The possibility to introduce a working-hour bank system.

The national labour union and employer confederations propose that only the following legislative amendments related to local agreement will be implemented:

1. Legislative amendments will be prepared on a tripartite basis to rescind the legislation currently prohibiting non-organised companies from making local agreements, and thereby setting non-organised companies on an equal footing with organised companies as concerns local agreement procedures and parties.

2. A tripartite preparatory process will be used to draft the necessary legislative amendments that will allow any disputes on local agreement validity, duration, contents, scope, interpretation and related performance claims to be subjected to the Labour Court's decision.

3. The necessary legislative amendments will be made in a way that maintains the employees' unemployment security and protection of wages and salaries in cases of insolvency at the level they were before an eventual survival agreement.

4. The scope of application of the Act on Co-operation within Undertakings will extend to corporate branches.

7. Following round of negotiations

The national labour union and employer confederations consider it to be important that the following round of negotiations, to start in the autumn of 2017, be conducted at the industry level, so that the ensuing decisions will support and promote the competitiveness of work performed in Finland, boosting the growth of the Finnish economy and improving employment rates.

8 Other actions proposed to the Government

8.1 Adult education allowance

The Government will no longer provide the basic finance (known as the basic element) relating to the adult education allowance. The basic element will not be converted into a loan. The maximum duration of the adult education allowance will be shortened to 15 months and the basic element will be reduced to 15 percent. The remaining share of the financing will be covered by returns yielded by the Unemployment Insurance Fund. The change will enter into force in 2017.

8.2 Tripartite preparation

The national labour union and employer confederations propose that the Government prepare the necessary amendments to labour union legislation and the changes to earnings-related social security in collaboration with the social partners.

9. Industry-level negotiations and scope of the agreement

The national labour union and employer confederations propose that the industry-level negotiations for collective agreements be conducted no later than 31 May 2016. The parties to the collective agreements must inform their respective national confederations in writing by 4 pm on 31 May 2016 whether the settlements under the present Pact have been reached.

Through their own measures and mutual cooperation, the national labour union and employer confederations will promote comprehensive implementation of the Pact on the labour market.

On 1 June 2016, the national labour union and employer confederations will assess the coverage of the Pact and the supporting Government measures to be taken, and after such date will issue a respective joint declaration addressed to the Government. Should the coverage of the Pact or the Government measures not be sufficient, the parties to the collective agreements will have the right to withdraw from their decisions under the Pact.

Helsinki, 29 February 2016

CONFEDERATION OF UNIONS FOR PROFESSIONAL AND MANAGERIAL STAFF IN FINLAND (AKAVA)

CONFEDERATION OF FINNISH INDUSTRIES (EK)

LABOUR MARKET ORGANISATION OF THE CHURCH (KiT)

LOCAL GOVERNMENT EMPLOYERS (KT)

CENTRAL ORGANISATION OF FINNISH TRADE UNIONS (SAK)

FINNISH CONFEDERATION OF PROFESSIONALS (STTK)

OFFICE FOR THE GOVERNMENT AS EMPLOYER (VTML)

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COMPETITIVENESS PACT

The signatory organisations have today jointly affirmed that the collective agreement negotiations have achieved sufficient coverage, in line with the outcome of the negotiations previously reached by the signatory organisations on 29 February 2016, and that the Government measures announced in support of the creation of the Pact were known to the parties for the purposes of adopting the Pact. The Parties confirm the result of their negotiations to be the Competitiveness Pact. Accordingly, the Parties commit themselves to the actions agreed upon in the Competitiveness Pact.

Helsinki, 14 June 2016

CONFEDERATION OF UNIONS FOR PROFESSIONAL AND MANAGERIAL STAFF IN FINLAND (AKAVA)

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