

ECONOMIC COUNCIL OF FINLAND

THE ECONOMIC COUNCIL

Introduction

The Economic Council of Finland, chaired by the Prime Minister, is a body for facilitating co-operation between the Government, the Bank of Finland and major interest groups. The Economic Council aims to strengthen and deepen broad-based, analytical discussion prior to the taking of economic policy decisions relating to the growth, balance and structure of the economy. Under a decision of Parliament, the Economic Council also acts as a forum for dialogue between the Government, the social partners and the Bank of Finland concerning the monetary policy of the European Central Bank. The Council participates in cooperation among the EU Member States' economic and social councils. The issues discussed by the Economic Council relate to the following subject matters:

- 1) Changes in Finland's economic environment and the consequent challenges and difficulties in adjusting to them
- 2) Efficient use of national economic resources and ways of ensuring medium and long-term competitiveness
- 3) Growth and employment policy in the short and medium term
- 4) Public economy and the division of welfare.

History

The Economic Council of Finland (*Talousneuvosto*), in its present form, was established in 1966 by virtue of a decree and a related act. The history of a governmental advisory body which brings together ministers, specialists and representatives of business life, reaches to the early years of Finland's independence in 1920, when an *economic advisory board* was set up. Its mandate was to issue opinions on trade, monetary and fiscal policies and on other economic issues, particularly on measures to curb inflation. In 1946, an *economic council* was established consisting of representatives of trade unions and employer organisations. The council was active only for a year before it was dismantled due to controversies concerning, among others, wage agreements.

In 1954, a decree on the economic council and its secretariat, the *economic planning office*, was issued. In 1954-58, the economic council put forward a number of economic policy initiatives but was forced to bring its operations to a halt in the aftermath of disputes generated by the general strike and other difficulties. The reappointment of the council in 1962 finally resulted in the presentation of an Economic Council Act and a complementing decree in 1966 which, with some modifications made in 2011 form the legal basis for the present day council. Since the 1980s the role of the Economic Council has clearly been to provide a consultative forum for confidential discussions involving state authorities and major interests groups.

SECRETARIAT OF THE ECONOMIC COUNCIL:

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Structure

The Economic Council, chaired by the Prime Minister, has 10-20 members appointed by the Government, some of which are also members of the Government. Currently the Council includes: the Prime Minister and the Minister of Finance, the Minister of Culture and Sport, the Minister of Defence, the Minister of Economic Affairs, the Minister of Education and Science, the Minister of the Environment, the Minister of the Interior, the Minister of Labour, the Minister of Public Administration and Local Government, the director general of the Confederation of Finnish industry and the President of the Confederation of Agricultural Producers and forest Owners (MTK), the President of the Confederation of Finnish Trade Unions (SAK), the executive director of the Central Chamber of Commerce, the Managing Director of the Federation of Finnish Enterprises, the Governor of the Bank of Finland, the chairman of the Finnish Confederation of Salaried Employees (STTK), the Director of the Confederation of Finnish industry and the Executive Director the local Government Association of Finland, the President of the Confederation of knowledge workers (AKAVA).

The Economic Council also has permanent advisers.

The Economic Council is appointed for the duration of a Government term. However, participation by Members of Government is limited to the duration of their ministerial term.

The Secretariat of the Economic Council, operating at the Prime Minister's Office, helps the Economic Council to implement its function. The Secretariat prepares the Council meetings, organises, drafts and publishes the studies and reports compiled for the Economic Council. It maintains contacts with the authorities, institutions and organisations involved in economic research and with the economic and social councils of other countries. In addition, the Secretariat monitors economic policy developments and carries out other duties assigned to it by the chairman of the Economic Council.

Work

Each year, the Economic Council determines the guidelines and themes of a work program. The agenda of the meetings can be modified flexibly according to the needs of the moment.

The monthly meetings of the Council contain brief introductions on the topic under consideration, which are performed by a member or an outside expert and are followed by general discussion. Some presentations are based on a report prepared by the secretariat on the work of expert groups under the leadership of the Secretary-General or on studies commissioned by the secretariat from external experts. Apart from the consideration of topics on the agenda, the Council looks sometimes on urgent matters. The Prime Minister may, for example, inform the Council of significant developments with regard to policies developed at national or community level.

The meetings of the Economic Council are confidential, but a memorandum containing the main issues discussed is published by the secretariat. The reports prepared for the meetings are also published by the secretariat.

SOCIAL DIALOGUE IN FINLAND

Introduction

Finland has a long tradition of active and wide-encompassing social dialogue dating back to national unification during the WW2. Basic indicators of social dialogue such as trade union and employers' organization membership/density and collective bargaining coverage are high in international comparison. Labour market relations are characterised by close cooperation between the state and the social partners. Almost all legislation concerning working life is based on a tripartite consensus. The highly centralised pay system based on national level agreements has gradually transformed to a more flexible model that takes account of local needs and facilitates wage payment based on individual and company-level performance.

History

Traditionally, Finland has had a highly centralised bargaining system with a national incomes policy agreement (*tulopoliittinen kokonaisratkaisu*, often called *tupo*). This is a tripartite accord drafted by the government together with trade union confederations and employer organisations. It is a policy document covering a wide range of economic and political issues, such as pay increases, taxation, pensions, unemployment benefits and housing costs, as well as a range of qualitative working life measures.

The most essential legal framework for collective bargaining is the Collective Agreements Act of 1946, which is complemented by basic agreements between union confederations and employer associations.

Since 1971, a principle of general applicability of collective agreements has been applied. According to the agreement, employers that are unorganised in terms of collective bargaining must also comply with the national agreements concerning their type of business. The generally binding character of a collective agreement depends on various factors, especially the organising rate of employers and employees and type of business.

Within a tripartite bargaining system, local- and company-level bargaining has been increasing in Finland. Local bargaining can be seen as supplementary to sectoral and national accords. The Confederation of Finnish Industries has emphasised the importance of company-level bargaining.

Another trend can be described as 'increased individual pay increases'. This indicates that the Finnish pay system has moved slowly from a rigid pay model to a more flexible system that takes account of local needs and facilitates wage payment based on individual and company-level performance

Participants

The three main trade union confederations are the Central Organisation of Finnish Trade Unions (SAK); the Finnish Confederation of Salaried Employees (STTK) and the Confederations of Unions for Academic Professionals in Finland (AKAVA).

The Confederation of Finnish Industries (EK), is the leading business organisation. EK represents the entire private sector and companies of all sizes. Local government employers (KT) is an interest organisation representing all Finnish local and joint authorities employing over 400,000 people. The State Employer's Office (VTML) negotiates and concludes collective agreements for the 85,000 employees working for the state. The Church Employers (KiT) represents the Lutheran Church of Finland as an employer and negotiated a collective agreement for about 20,000 employees working for the parishes. The Federation of Employers in Agriculture (MTA) negotiates collective agreements for around 12,000 workers in the agricultural sector. The Federation of Finnish Enterprises (SY) has the largest membership of all business-related federations in Finland with its membership consisting of more than 115,000 enterprises. SY is involved in social dialogue, but is not a negotiating party in collective bargaining.

The signatory parties are the union confederations AKAVA, SAK and STTK and on the employer side the Confederation of Finnish Industries (EK) and the employer organisations of the state, municipalities and the Lutheran church.

Process

The wage agreements are struck formally at the sectoral level although occasionally still under a national level framework agreement like in 2013. Typical length of agreements is two years. The government is not directly involved in the negotiations, but may support the agreement with e.g. tax reliefs.

The Finnish government has appointed several tripartite working groups to draft proposals for pension system reforms, with the aim of persuading unions and employers to agree on ways of lengthening employees' careers and working lives.

The issue of lengthening employees' careers and working lives and a rise of retirement age has recently become the most challenging question. Social partners are trying to find new models to lengthen job careers and must therefore provide reforms related to studentships and retirement.

Future

Despite some critical voices raised occasionally in the public debate, the position of social dialogue seems to be relatively strong and secured in Finland. The union membership among wage-earners has remained quite steady in the 2000s at roughly 75 per cent. At the same time the popularity of independent unemployment funds has somewhat increased with a 14 per cent share of wage-earners in 2012.

The law base principle of general applicability of collective agreements ensures the influence of social partners on the labour market outcomes even in the future. There is however an increased pressure for the social dialogue to bring about tangible results in order to justify its usefulness. The nationwide framework for a moderate wage agreement struck in autumn 2013 is widely seen as a triumph for the social dialogue. Ability to provide effective solutions to secure to sustainability of the earnings related pension system will be the next touchtone.