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STUDY

The Country Report of Finnish Trade Unions 2012

Strong Trade Union Movement in Gradual Decline

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- The dynamics of Finnish industrial relations have changed substantially over the last decades. In the 1970s and 1980s Finland was in the top league of industrial conflicts in Western Europe. In the early 1990s the number of strikes went down dramatically. This low level of industrial conflict has also prevailed in this millennium in Finland.

- At present, there are three main trade union confederations: AKAVA, organising mainly employees with higher educational levels, has recently gained new strength. In contrast, membership levels are stagnating in the cross-sectoral STTK (manufacturing industry, private services and the public sector) and declining in the SAK, the largest trade union confederation (construction and manufacturing industries, public and private service sector).

- The Finnish trade union confederations have still much negotiating power concerning, in particular, social issues such as pensions, unemployment insurance, parental leave etc. Their power is traditionally connected to tripartite negotiations of legislation in these fields and to the fact that collective agreements are generally and universally binding. In addition, unemployment funds are traditionally connected to trade unions.

International Trade Union Policy

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Strength and Decline

Finnish trade union confederations AKAVA (Confederation of Unions for Professional and Managerial Staff in Finland)[1], SAK (The Central Organisation of Finnish Trade Unions)[2] and The Finnish Confederation of Professionals (STTK)[3] have still much negotiation power concerning social issues, i. e. pensions, unemployment insurance, parental leave etc. This power is traditionally connected to tripartite negotiations of legislation in these fields.[4]

Collective agreements have a generally or universally binding nature. In 1970, the principle of general applicability of collective agreements was effectively introduced to the Finnish labour law. Employers that are unorganised in terms of collective bargaining also have to comply with the national agreements of their industrial sector. Therefore, coverage of Finnish collective agreements is very high in European comparison. According to Eiro (2009) it is about 90 per cent, according to Ahtiainen (2011) about 70 per cent of employees are covered by collective agreements.[5]

In 2007, the Finnish Confederation of Employers' (EK)[6] decided to abandon the tripartite incomes policy (TUPO). It looked that private sector employers had abandoned the tradition of consensus underlying the Finnish model of industrial relations for good. Then there was reversal of strategy in autumn 2011, when tripartite great bargaining between trade unions, employers associations and state (called framework agreement) was concluded between all major tripartite players. At the time of writing question of three days education right of all employees are contested by private employers. Situation due to the new down turn in economy is very fragile.

1. http://www.akava.fi/en.

2. http://www.sak.fi/this-is-sak/trade-unions.

3. http://www.sttk.fi/en-GB/.

4. About the birth of this tradition look Bergholm, Tapio: The Making of the Finnish Model: the qualitative change in Finnish corporatism in early 1960s, *Scandinavian Journal of History* Vol. 34, No 1, 2009.

5. Ahtiainen, Lasse: Palkansaajain järjestäytyminen vuonna 2009 ja työehtosopimusten kattavuus vuonna 2008 Suomessa, *Työpoliittinen Aikakauskirja* 3/2011; http://www.tem.fi/files/30783/tak32011.pdf; Eironline (2009) Finland: Industrial relations profile (26/10/2009); http://www.eurofound.europa.eu/eiro/country/finland_4.htm.

6. http://www.ek.fi/ek/en/index.php.

The peak of membership rate among people in employment was reached in the mid 1990s, when it was about 80 per cent. The organisational decline of Finnish trade unions started much later and has not been as rapid as in many other European countries. However, the trend of a gradually deceasing number of members is also a characteristic of the Finnish system. According to Ahtiainen (2011) the organisation rate of trade unions in Finland was in 1989 71,9 per cent, in 1994 78,5 per cent, in 2001 71,2 per cent, in 2004 69 per cent and in 2009 67,4 per cent.[7]

Dramatic History of Trade Union Movement[8]

Trade union movement has had an equally dramatic history in Finland as this small peripheral country on the Nordic fringe of Europe has itself lived through. The constitutive meeting of the Finnish Federation of Trade Unions (*Suomen Ammattijärjestö*) was held in Tampere Workers Hall from 15 to 17 April 1907. In 1930 the authorities banned the activities of the Finnish Federation of Trade Unions as well as numerous trade unions and other left-wing socialist organisations. These, comprising all of 1,200 organisations, were abolished in 1933 by a decision of the High Court.

The trade union movement was at its last gasp when seven trade unions met in October 1930 to found the Confederation of Finnish Trade Unions (SAK). The departure of the Social Democrats had speeded up the fall of the Finnish Federation of Trade Unions, but it had also saved part of the old trade union organisation from repression. Thus, SAK was a new central organ founded by those who had caused the break-up of the old one, but which ensured the continuation of unionism.

Intellectual Employment Union (*Henkisen Työn Yhtymä*), which had been founded in 1922, was reorganized in 1944 and renamed the Confederation of Intellectual Employment (*Henkisen Työn Keskusliitto* – HTK). In 1945 it again took a new name: the Federation of Clerical Em-

7. Ahtiainen (2011); Böckerman, Petri/Uusitalo, Roope: Erosion of the Ghent System and Union Membership Decline: Lessons from Finland, *British Journal of Industrial Relations* 44:2 June 2006.

8. This chapter is based mainly on my earlier research. English summary of history of SAK is available in book format and also on web: Bergholm, Tapio: *A Short History of SAK* (the Central Organisation of Finnish Trade Unions), Valkeala 2003; http://www.sak.fi/this-is-sak/history/timeline.

ployees' and Civil Servants' Organisations (TVK), and by 1945 it had 70,000 members. The Finnish Confederation of Technical Salaried Employees (STTK) was founded in 1946. A fourth confederation was created in 1950 to represent the professions: the Confederation of Unions for Academic Professionals (AKAVA).

After the Second World War Finnish trade union movement grew rapidly in the years 1944–1948. After that increase in membership stagnated and unions concentrated more to fight political and power struggles inside the movement. The explosive growth in the membership of the trade union movement also caused the employers to organize themselves. The foundation of the Business Employers' Confederation (LTK) in 1945 caused a long lasting divide of the employers' organisations in Finland along different lines from those in the other Nordic countries. This organisation later its name to Service Sector Employers and merged with industrial employers when the Confederation of Finnish Industries (EK) was founded in 2004 and started operate in the beginning of 2005.

SAK suffered split in late 1950s and early 19560s, when many unions left this confederation. In Italy and in France trade union movement was divided between socialist and communists. Therefore from a European perspective the split was in the wrong place because the dividing line went through social democrats. Some unions stayed independent and some formed a breakaway confederation, SAJ. However, the spilt was only temporary: In 1969 unification was possible, when statutes and name of SAK was changed. So SAK became The Central Organisation of Finnish Trade Unions and member unions gained more independence in decisions concerning collective bargaining and industrial action.

Experts on industrial relations and the social sciences predicted a drop in the membership and influence of the trade union movement in late 1980s. The prospects for the future became even more gloomy when Finland went into a deep recession in 1991. The reputation and status of the trade union movement was weakened when TVK (the female-dominated Confederation of Clerical Workers' and Civil Servants' Organisations) went bankrupt in 1992. A majority of the Unions of this Confederation joined the male dominated STTK. STTK dropped from its name epithet Technical and became The Finnish Confederation of Professionals.

In the midst of recession and after organisational catastrophe of TVK Finnish trade union movement reached its peak of organisation rate. During the crisis unions gained new members and successfully defended workers rights at work and also their social protection. Figure 1 shows these major ruptures, unifications and mergers in the Finnish trade union movement.[9]

Three Confederations

Today, the three main trade union confederations are AKAVA, SAK and STTK. Organisational lines between them are not politically drawn but are mainly based on education and status at the workplace. Due to the structural change and rise on educational level, AKAVA has gained new strength, STTK stagnated and SAK declined compared to other confederations. The number of affiliated unions has diminished in SAK and STTK, because several unions have merged recently. One major change affiliation has occurred recently when the Union of Sales and Marketing Professionals decided to leave STTK and joined AKAVA in 2009.

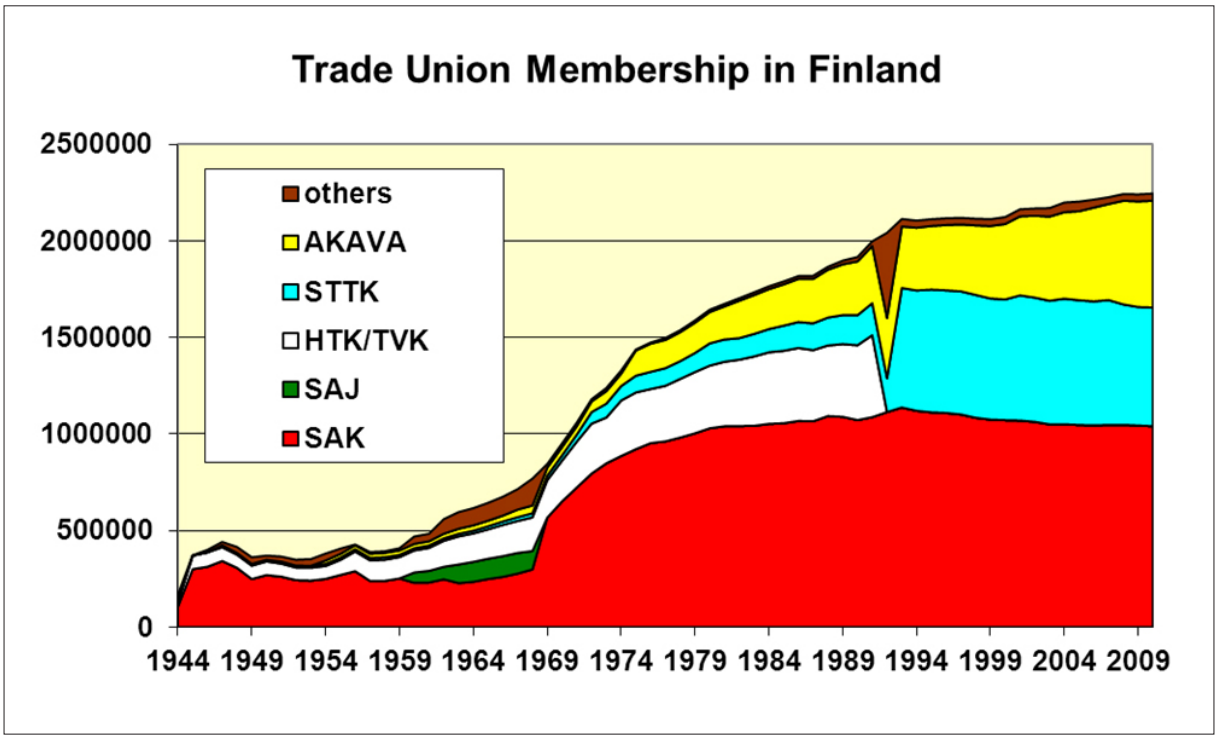
SAK has 20 affiliated member unions. They have about one million members in the private and public sectors. Nearly half of the members – about 455,000 – work in manufacturing and construction industries, while 335,000 members are employed in the private services sector, and 240,000 are in the public sector.

STTK has 600,000 members in 18 trade unions. It is the confederation for unions of in many sectors: manufacturing, private services and the public sector at local, regional and national level. The biggest member groups include nurses (in two different unions according to education), technical engineers, police officers, secretaries, institute officers.

AKAVA has 35 member unions representing workers with university, professional or other high-level education. It has about 566,000 members. The affiliate organisations of AKAVA in public sector participate in the collective bargaining of employees of state and of local authorities. They have equal treatment in collective agreements in these sectors as affiliate unions of SAK and STTK. In the

9. In the membership figures represented in this picture are student and pensioner members also included.

Figure 1: Trade Union Membership in Finland



Source: Statistics Finland. Statistical Yearbook 1944–2010.

private sector employers have resisted proper and binding collective agreements with affiliates of AKAVA. In recent years some employer organisations in the private sector have made more agreements with unions of AKAVA.

The organisational strength of Finnish trade unions grew comparatively late in the 1960s and 1970s. Membership figures after that have risen constantly, but trade unions membership rate as a proportion of people in the labour market has declined in the same period. The quotas of pensioners and students have grown at the same time. The peak of membership rate among people in employment was reached in the mid 1990s, when it was about 80 percent. The organisational decline of Finnish trade unions started much later and has not been as rapid as in many other European countries. The peak of Finnish trade union strength was achieved in mid 1990s, when recession made trade unions and their unemployment funds very popular. It has been gradual. According to Ahtiainen (2011) in organisation rate of trade unions in Finland was in 1989 71,9 per cent, in 1994 78,5 per cent, in 2001 71,2 per cent, in 2004 69 per cent and in 2009 67,4 per cent.[10]

10. Ahtiainen (2011); Böckerman/Uusitalo (2006).

Formally independent, but practically nearly connected to unions are unemployment funds, which brought members also to unions (Ghent system). An independent unemployment fund (General Unemployment Fund – YTK) supported by some employers was founded in 1992. Erosion of the trade union membership density is mainly due to the fact, that YTK has 322500 members in 2010. YTK fees are much lower than trade union membership fees, when this organisation do not make collective agreements, organise strikes or support its members in problems concerning labour law or collective agreements.

War and Peace in the Finnish Labour Market

The main task of trade unions is to make in the whole country universally binding collective agreements with employer organisations and implement them. This means negations and arbitration with employers and their organisations, when there are different interpretations of collective agreement or conflicts at the work place. During agreement periods unions are also obliged

to enforce industrial peace. Industrial action concerning matters settled in collective agreement constitutes a breach of the binding agreement. In such a case, the Labour Court can impose fines.

The dynamics of Finnish industrial relations have changed substantially in last decades. In the 1970s and 1980s Finland was in the top league of industrial conflicts in West Europe. In early 1990s the number of strikes and workdays lost went dramatically down. Economic crisis early 1990s and permanent high unemployment even after the crisis gave bases for new realism in the unions. Employer organisations have been more offensive and unions have conducted negotiations from a rather defensive position during collective bargaining rounds, which is even reflected in the public debate about changes concerning social wage, especially pensions. This low level of industrial conflict has also in this millennium dominated in Finland.

During the 1980s there was a growing resentment and disillusionment amongst employers and employer organisations towards incomes policy agreements i. e. TUPO-settlements. STK challenged the very basics of Finnish model of industrial relations. It looked that due to dire straits in economy, employers where ready to abandon the whole tradition of tripartite consensus.[11]

Hard talk did not deliver drastic action from employers before year 2007. Pragmatic and consensual solutions were made in pension policy and many TUPO-agreements were concluded. At the same time, there was increasing criticism inside private sector employer organisation from early 1980s against incomes policy. This criticism became more ideologically deterministic in this millennium. Especially Federation of Technology Industries, which is the strongest member organisation of EK, strongly condemned the results of incomes policy.

The majority of companies organized by the Federation of Technology Industries are either international Finnish companies or companies owned by foreigners. When the Federation of Finnish Technology Industries announced in Spring 2007 before the end of the 2005–2007 TUPO agreement that it was no longer willing to participate in TUPO negotiations, it was clear that the system could no longer be maintained. Without this major employer federation on board, the possibility of an encompassing agreement had vanished. For this Federation, however, the goal had not been the decentralisation to the sectoral, but to company level collective bargaining. There had always been some bargaining at company level, but rather than replacing the multi-sector with the sectoral level as the main bargaining arena, the Federation wanted to establish the company as the exclusive bargaining level.

When EK decided to terminate the tripartite incomes policy (TUPO) in 2007, it looked that private sector employers had abandoned the tradition of consensus underlying the Finnish model of industrial relations for good. Then there was reversal of strategy in autumn 2011, when great bargaining called framework agreement was concluded between all major tripartite players. Situation is not at all clear cut. At time of writing this report EK has rejected negotiated proposal for three days educational leave which was essential part of framework agreement for trade unions. Hawks and doves are in bitter fight inside EK at the moment.

Social Democrats and Conservatives Are Strongest in Finnish Unions

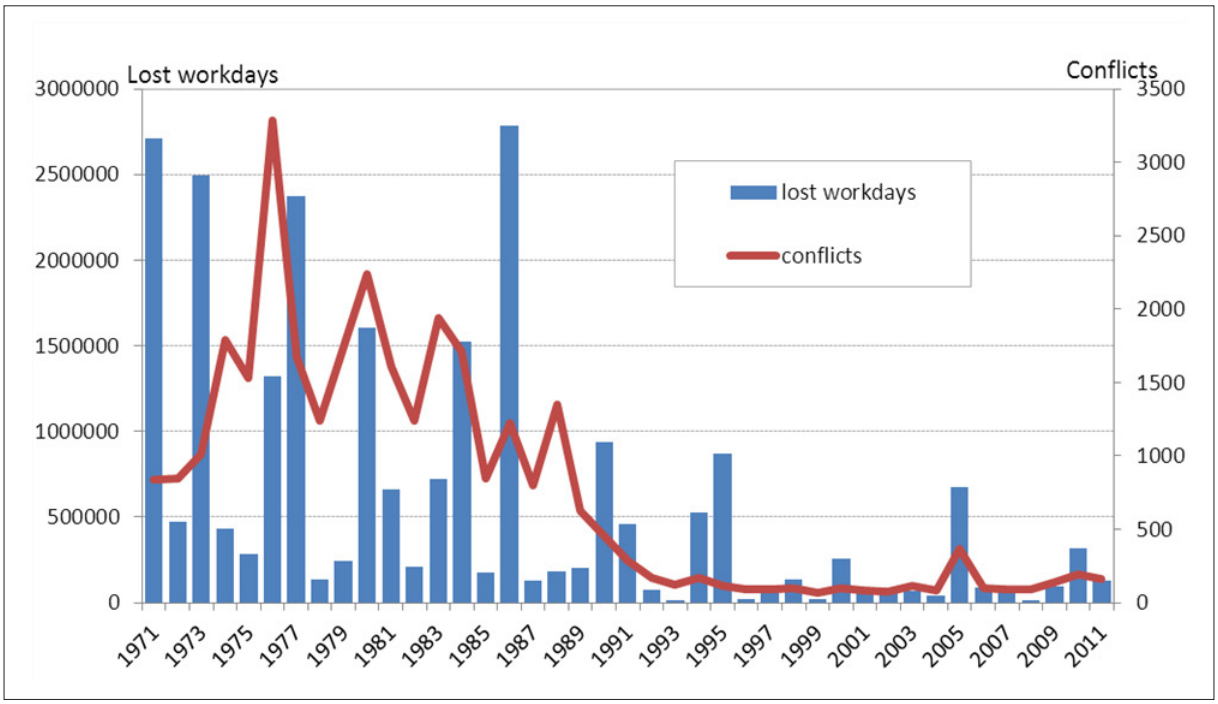
In Finland officially all trade unions and trade unions are politically independent. This means in practise that organisation structures are not based on party affiliation or otherwise ideologically. On the other hand many unions and confederations have historically had close direct connections to various parties. These earlier close ties have gradually changed to more or less lose links between unions and parties.

In the organisation of SAK the members of Social Democratic Party have clear dominance. Majority of SAK affiliates are also led by Social Democrats. Left Alliance is the other major player in SAK and unions belonging to SAK. According to recent surveys, the party »True Finns« have more support of members than the Left Alliance.[12]

11. Bergholm, Tapio: Tulopolitiikan pitkät jäähyväiset, teoksessa Politiikan polut ja hyvinvointivaltion muutos, (eds. Mikko Niemelä ja Juho Saari), Kelan tutkimusosasto, Tampere 2011.

12. Alho, Linnea: Luottamus liikkeessä. SAK:n jäsentutkimus, Painokarelia 2011. http://sakproduction.s3.amazonaws.com/materialsLuottamus_liikkeessa_17b9.pdf.

Figure 2: Labour conflicts 1970–2011



Source: *Tilastokeskus* (Statistics Finnland); http://www.stat.fi/til/tta/2011/tta_2011_2012-04-26_tau_002_fi.html.

In AKAVA the strongest party is conservative National Coalition Party. In STTK Social Democrats and Conservatives are nearly equally strong, but at the moment social democrats still have upper hand in STTK. When the organisational strength of these two confederations has increased proportionally, National Coalition Party has gained a stronger position in trade unions than Left Alliance.

The strength of the National Coalition Party in the Finnish trade union movement is a peculiar aspect. It has weakened the ties between left wing parties and union members. On the other hand conservative trade union leaders and members have influence on the policies of National Coalition Party. Employers are sometimes frustrated, when »their own party« supports special wage increases for nurses as in 2007 and this very same party is unwilling to support proposals of EK to change labour law.

Prospects Are Not Especially Bright

In recent years private sector investment in Finland has been small compared to Sweden and Germany. Therefore, unemployment has stayed around 8 per cent. Recent forecasts of economic development are mainly dismal due to the lack of demand in major export countries of Finnish products. It is highly unlikely that the negotiation power of unions in general will be stronger in coming years.

Demographics are also against brighter future of unions. Age structure of Finnish population is such, that employers and governments will also in future push the legal age of retirement to the later stages of life. AKAVA, SAK and STTK have been in favour of proactive measures to make working life more adaptable to ageing labour force instead of rising the statutory age of retirement. From this position trade union confederations have defended successfully the tripartite pension compromise from year 2005. But the question is how long this stance is politically or economically viable.

Anotherr problem, which unions have with demographics, is that organisation rate is much higher in the age groups near retirement age and low among young people. Unions have been unable to stop the increase of the independent unemployment fund YTK. Until now measures and solutions to the problem of gradually declining organisational base have been unsuccessful.

These problems are big, but in international comparative perspective Finnish unions and Finnish trade union confederations are still organisationally, politically and socially strong. They have high legitimacy in society at large. Their economic and personal resources are from European viewpoint substantial. Finnish trade union members, their unions and confederations have still in foreseeable future strong impact on the development of human rights in working life, social legislation, pension reforms and collective bargaining. It is much too early to forecast substantial change to the dynamic influence trade unions have to the economic and social development in Finland.

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