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Contributing Editor

Matthew Howse

Morgan, Lewis & Bockius LLP

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Contents

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Contributors

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Kalliolaw Asianajotoimisto Oy

KALLIOLAW

Pekka Kiviniemi pekka.kiviniemi@kalliolaw.fi
Anni Santanen anni.santanen@kalliolaw.fi

LEGISLATION AND AGENCIES

Primary and secondary legislation
What are the main statutes and regulations relating to employment?

The main statutes are:

- the Employment Contracts Act (55/2001);
- the Working Hours Act (872/2019);
- the Collective Agreements Act (436/1946);
- the Act on Cooperation within Undertakings (1333/2021);
- the Occupational Safety and Health Act (738/2002);
- the Occupational Health Care Act (1383/2001);
- the Act on the Occupational Safety Personnel Register (1039/2001);
- the Act on the Protection of Privacy in Working Life (759/2004);
- the Annual Holidays Act (162/2005);
- the Workers' Compensation Act (459/2015);
- the Trade Secrets Act (595/2018);
- the Security Clearance Act (726/2014);
- the Non-Discrimination Act (1325/2014);
- the Act on Posting Workers (447/2016);
- the Aliens Act (301/2004); and
- the Young Workers' Act (998/1993).

Law stated - 16 February 2024

Protected employee categories
Is there any law prohibiting discrimination or harassment in employment? If so, what categories are regulated under the law?

According to the Constitution of Finland, no one shall, without an acceptable reason, be treated differently from other persons on the grounds of sex, age, origin, language, religion, conviction, opinion, health, disability or for any other reason that concerns their person.

According to the Employment Contracts Act, an employer must treat all employees equally, unless deviating from this rule is justified given the duties and positions of employees. Without proper and justified reason, less favourable employment terms than those applicable to other employment relationships must not be applied to fixed-term or part-time employment relationships merely because of the duration of the employment contract or working hours.

Provisions on equality and the prohibition of discrimination are laid down in the Non-Discrimination Act. Provisions on equality and the prohibition of discrimination based on gender are laid down in the Act on Equality between Women and Men.

The Non-Discrimination Act states that an employer shall assess the realisation of equality in the workplace and develop the working conditions, as well as the methods to be complied with in the selection of personnel and in making decisions concerning personnel. An employer that regularly employs at least 30 people must have a plan for the necessary measures for the promotion of equality. These measures and their effectiveness must be discussed with personnel or their representatives. No one may be discriminated against based on age, origin, nationality, language, religion, belief, opinion, political activity, trade union activity, family relationships, state of health, disability, sexual orientation or other personal characteristics. The employer's conduct must be considered discrimination if, after receiving information that the employee has been subjected to harassment prohibited by law in their work, the employer fails to take measures available to them to remove the harassment.

Law stated - 16 February 2024

Enforcement agencies

What are the primary government agencies or other entities responsible for the enforcement of employment statutes and regulations?

The Occupational Health and Safety Administration operates in five divisions at the Regional State Administrative Agencies, which perform control checks at workplaces on occupational health and safety issues, investigate employment-related offences and grant exemptions from certain stipulations. They must also be notified of certain types of dangerous work. General courts (district courts, courts of appeal and the Supreme Court), and the Labour Court for collective agreement disputes, pass judgments and grant coercive measures. The parties in the labour market conduct negotiations when the dispute concerns an employer and an employee who are members of the unions that are signatories to the applicable collective agreement.

Law stated - 16 February 2024

WORKER REPRESENTATION

Legal basis

Is there any legislation mandating or allowing the establishment of employees' representatives in the workplace?

If there is more than one employee in an employee group, a representative may be elected. If the employees are unionised, the representative will be a shop steward. The employees are guaranteed by mandatory law a right to hold meetings at the workplace outside work hours to deal with employment issues and matters forming part of the function of trade unions. The employer must provide a meeting room for their use, free of charge.

If the employer employs more than 10 employees, the employer must also ensure that the employees elect an occupational safety representative. The employer is required by the Act on the Occupational Safety Personnel Register to enter certain mandatory information on the persons appointed and elected for occupational health and safety cooperation tasks in the workplace in the official occupational safety personnel register created by the Ministry of Social Affairs and Health. The register is maintained by the Centre for Occupational Safety.

According to the Act on Cooperation within Undertakings, in companies that regularly employ at least 150 people in Finland, employees have a right to participate in decision-making in executive, supervisory or advisory bodies of the company when they are handling matters of importance to the business operations, finances and employees' positions in the company.

Collective agreements contain additional stipulations on representation rights.

Law stated - 16 February 2024

Powers of representatives
What are their powers?

The mandatory law and collective agreements contain provisions on employee representatives' rights to certain information on the employer's business, non-Discrimination matters, and information regarding the work environment and issues that affect the health and safety of the employees.

Elected employee representatives may represent employees in cooperation proceedings with the employer and enter into binding local agreements on certain derogations from the mandatory law or applicable collective agreements.

Occupational safety representatives have a right to participate in health and safety inspections. They have a right to interrupt work that poses an immediate and serious risk to an employee's life or health.

The Act on Cooperation within Undertakings promotes employees' possibilities to influence decision-making by including the employee representatives in the proceeding (eg, when the employer plans reductions to the workforce).

The employer and employee representatives must enter into dialogue on certain matters stipulated by the Act on Cooperation within Undertakings. Employee representatives may request that such matters be discussed in the following meeting.

Law stated - 16 February 2024

BACKGROUND INFORMATION ON APPLICANTS

Background checks
Are there any restrictions or prohibitions against background checks on applicants? Does it make a difference if an employer conducts its own checks or hires a third party?

Regular background checks on employees are regulated by the Act on the Protection of Privacy in Working Life. Employers shall mainly collect personal data only from the employee or applicant themselves. If the employer wants to collect information from other sources, the employer must have consent from the employee. Consent is not required when the employer acquires personal credit data or criminal record information to establish the employee's reliability, and the law regulates the situations in which such data may be collected.

The Security Clearance Act contains provisions on procedures to be applied to verify the reliability of applicants for work related to the maintenance of infrastructure that is critical to the functioning of society. An employer may apply for a security clearance check to be performed on the applicant by the Finnish Security Intelligence Service in the situations listed in the statute. The consent of the applicant is required for clearance.

According to the Act on Checking the Criminal Background of Persons Working with Children, the employer has to check the criminal records of an employee who will work alone with underage children.

The employer may hire a third party on a written agreement, but the same stipulations apply. Only legally regulated checks may be performed and only in the situations listed in the applicable law.

Law stated - 16 February 2024

Medical examinations

Are there any restrictions or prohibitions against requiring a medical examination as a condition of employment?

An employer has a right to require that an employee attend a medical examination before the term of employment begins to establish that the employee is suitable for the work at hand. The employer shall organise this type of health check with a professional healthcare service provider and the examination shall be paid for by the employer.

Law stated - 16 February 2024

Drug and alcohol testing

Are there any restrictions or prohibitions against drug and alcohol testing of applicants?

There are strict regulations as to drug and alcohol testing and when such tests may be performed.

The Act on the Protection of Privacy in Working Life stipulates the situations in which an applicant may be tested for drugs. The employer may only require drug testing of an applicant who has been chosen for a specific position and shall be hired if they pass the test. Testing is possible in the situations listed in the law, as a rule, when the work requires precision, reliability, independent judgement or quick reactions, and if performing the work while under the influence of drugs or while addicted to drugs could endanger the safety of others.

Alcohol testing of applicants and employees depends on the company's drug and alcohol abuse prevention plan. If, according to the plan, an employee seems to have an alcohol abuse problem, the employee can be sent for a check-up performed by a professional healthcare service provider.

This type of personal data is covered by the special categories of personal data listed in the EU General Data Protection Regulation No. 2016/679 and should be processed accordingly.

Law stated - 16 February 2024

HIRING OF EMPLOYEES

Preference and discrimination

Are there any legal requirements to give preference in hiring to, or not to discriminate against, particular people or groups of people?

According to the Non-Discrimination Act, an employer may not state in a job advertisement that applicants must have particular qualities or personal characteristics that are unnecessary for the work at hand; for example, certain language skills that are not required for the work. Different treatment in employment relationships and during employment is justified if the treatment is founded on genuine and determining requirements concerning the type of occupational tasks and their performance, and the treatment is proportionate to achieving the legitimate objective.

Law stated - 16 February 2024

Written contracts

Must there be a written employment contract? If yes, what essential terms are required to be evidenced in writing?

No. An employment agreement may be oral, written or electronic. It may even be entered into tacitly. We always recommend a prior written employment agreement. However, the employee must always be given the following essential terms in writing:

- the domicile or business location of the employer and the employee;
- the date of commencement of the work;
- the date or estimated date of termination of a fixed-term contract and the justification for specifying a fixed term, or notification that the contract is a fixed-term employment contract with a long-term unemployed person;
- the trial period;
- the place where the work is to be performed or, if the employee has no primary fixed workplace, an explanation of the principles according to which the employee will work in various work locations or if the employee is free to determine their place of work;
- the employee's principal duties;
- the collective agreement applicable to the work;
- the grounds for the determination of pay and other remuneration, and the pay period;

- weekly and daily working hours, and possible agreements on flexible working time arrangements;
- for variable working hours agreed upon at the employer's initiative, documentation must also be submitted indicating the circumstances in which, and the extent to which, the employer will require labour;
- the manner of determining the annual holiday allowance and the period of notice or the grounds for determining it;
- the training entitlement provided by the employer, if any;
- the identity of the insurance institution receiving the pension contributions attached to the employment relationship or in which the employer has insured the employee in the case of an accident or occupational disease; and
- in the case of work performed abroad for a minimum period of one month, the duration of the work, the currency in which the monetary payment is to be made, the monetary remunerations and fringe benefits applicable abroad, and the terms for the repatriation of the employee.

Most of the above information must be given within seven days of when employment actually commences and the rest within one month of the beginning of the first employment relationship. In addition to the above terms and conditions, we recommend agreeing on confidentiality and intellectual property rights in detail.

In the case of a dispute, the employer has the burden of proof regarding the terms and conditions of employment, which is why written employment agreements are highly recommended.

Law stated - 16 February 2024

Fixed-term contracts

To what extent are fixed-term employment contracts permissible?

Fixed-term contracts are an exception and always require justified, acceptable grounds. Contracts made for a fixed term on the employer's initiative without a justified reason are considered valid indefinitely. The Employment Contracts Act contains a prohibition on using consecutive fixed-term contracts when the amount or total duration of the fixed-term contracts, or the totality of such contracts, indicates a permanent need for labour.

If the Employment and Economic Development Office confirms that the applicant has been an unemployed jobseeker during the preceding 12 months without interruption, the employer may enter into a fixed-term agreement with the person without presenting justified reasons for the fixed term and the employer's permanent labour need does not prevent the employer from concluding a fixed-term contract. In these cases, the maximum duration of the fixed-term contract, or the combined total duration of the contracts, may not exceed one year.

Law stated - 16 February 2024

Probationary period

What is the maximum probationary period permitted by law?

The main rule is that the maximum probationary period is six months. If the employment contract is made for a fixed term, the probationary period may be half of this fixed term and, at the most, six months.

If an employee is away from work during the probationary period owing to incapacity for work or family reasons, the employer is entitled to extend the trial period by one month for every 30 calendar days of sick leave or family leave.

Collective agreements may contain a shorter probationary period.

Law stated - 16 February 2024

Classification as contractor or employee

What are the primary factors that distinguish an independent contractor from an employee?

In Finland, there is no separate category of independent contractors. Agreements in which the parties agree on the performance of work tasks are either employment agreements or subcontracting agreements. It is very exceptional that compensation for work paid to a natural person would not be treated as salary and constitute employment.

The actual circumstances determine the nature of the relationship. The primary factor is the agreement between the company and the person working for the company.

Other important factors include:

- business type and corporate registration;
- arranging for mandatory social security insurance (normally provided by the employer for employees);
- inclusion in the preliminary tax withholding register;
- independence of the work engagement (substitution rights);
- lack of control and ability to exercise work direction from the customer;
- own tools, equipment and material;
- working hours that are not mandated or followed;
- whether the remuneration is based on the result rather than time;
- termination clauses; and
- the right to work for other contracting parties.

Law stated - 16 February 2024

Temporary agency staffing

Is there any legislation governing temporary staffing through recruitment agencies?

Collective agreements often contain provisions on the use of hired labour. For example, companies may be required to terminate contracts with staffing agencies before making their own employees redundant.

Temporary agency workers have the right to access the services and common facilities for employees on the same terms and conditions under which the employer offers these to its own employees unless different treatment is justified for objective reasons. Fringe benefits offered by the employer do not need to be extended to temporary agency workers.

If the employer regularly employs more than 20 employees, the employer shall also inform employee representatives of the use of hired labour according to the provisions of the Act on Cooperation within Undertakings. If the work duration exceeds 10 days, the employer shall also require from the contracting partner certain documents listed in the Act on the Contractor's Obligations and Liability when Work is Contracted Out.

Law stated - 16 February 2024

FOREIGN WORKERS

Visas
Are there any numerical limitations on short-term visas? Are visas available for employees transferring from one corporate entity in one jurisdiction to a related entity in another jurisdiction?

In most cases, a person coming from outside the European Union must have a residence permit for work, even if the work lasts for less than 90 days. The right to work depends on the type of residence permit that the person has been granted. There are certain exceptions for short-term work as a teacher, research worker or artist, among others, where a person is not required to have a residence permit and may work with a short-term visa. The scope of these exceptions should be carefully checked each time.

There is a special residence permit for employees who are transferring within a company or group of companies as a manager, specialist or trainee employee.

Law stated - 16 February 2024

Spouses
Are spouses of authorised workers entitled to work?

A person whose husband, wife, registered same-sex partner or cohabiting partner has a Finnish residence permit must also apply for a residence permit before entering Finland. The residence permit may be applied for based on family ties. Once the residence permit on the basis of family ties is granted, the spouse is authorised to enter Finland and start working.

Law stated - 16 February 2024

General rules

What are the rules for employing foreign workers and what are the sanctions for employing a foreign worker who does not have a right to work in the jurisdiction?

The employer has to check that the applicant has a valid residence permit with a working right for the work in question. It is, for example, possible for an applicant to have a working right only for a certain position or sector.

An employer or an employer representative who hires a person who is in the country illegally, or otherwise lacks the right to work, may be sanctioned with a fine. In some cases, the employer can also be sanctioned to pay the costs of returning the person to their country of residence.

An employer is required to maintain records of foreign employees and of their right to work at the workplace in such a manner that they can be easily verified in an inspection. The information shall be available at the workplace for four years after the end of the employment relationship with the foreign employee.

Law stated - 16 February 2024

Resident labour market test

Is a labour market test required as a precursor to a short or long-term visa?

A labour market test is required when applying for a residence permit for an employed person. Certain categories of residence permits, such as residence permits for top and middle management or highly skilled experts, are granted without a labour market test.

Law stated - 16 February 2024

TERMS OF EMPLOYMENT

Working hours

Are there any restrictions or limitations on working hours and may an employee opt out of such restrictions or limitations?

There are very few exceptions, all listed in the Working Hours Act, to the requirement to record working hours and pay for overtime. In most cases, only top management may be excluded from the scope of the Working Hours Act. Limiting working hours is an occupational health and safety issue and, therefore, employees may not opt out of such protection.

An employee's total working hours, including overtime, may not exceed 48 hours per week on average during a reference period of four months. Collective agreements may contain different reference periods.

There are mandatory limitations on regular daily and weekly working hours in both legislation and collective agreements.

Should no collective agreement be applicable, the maximum regular working hours are eight hours per day. The maximum regular working hours per week are 40 hours, but they may also be arranged so that the maximum weekly working hours are 40 during a 52-week period. Even in this case, the daily working hours shall be eight hours. Certain sectors listed in the Working Hours Act may derogate from the aforementioned. Within the limits set by the Working Hours Act and the applicable collective agreement, if any, the parties may also agree on a longer workday.

The Working Hours Act also gives the employer and employee various optional ways in which working hours can be arranged if the parties reach an agreement. For example, the Working Hours Act contains flexible working time arrangements that give the employee considerable freedom in choosing when to work. In 2020, a new flexible working time arrangement was introduced that is meant for senior roles where the employee has considerable independence over their own work schedule. In this arrangement, the parties agree that the employee can decide the timing and working place for at least half of their working hours freely. The employee's maximum working hours will be 40 hours per week on average over four months. Only mandatory rest periods as stipulated by the Working Hours Act limit the working hours per day and, if agreed upon by the parties, the employee may even take whole days off.

Collective agreements contain additional categories of working hours (eg, evening work and night-time work) that are compensated differently depending on the applicable collective agreement.

Law stated - 16 February 2024

Overtime pay – entitlement and calculation

What categories of workers are entitled to overtime pay and how is it calculated?

All employees that are under the scope of the Working Hours Act are entitled to overtime pay.

How overtime and overtime pay are calculated depends on the working time arrangement applicable to the employee. If the employee has considerable freedom to arrange their working hours, the employee is not automatically entitled to overtime pay for long workdays. In these situations, the employer and the employee have to separately agree on overtime work.

In most working time arrangements, overtime is time worked over eight hours per day and 40 hours per week. For the first two hours of overtime over the regular daily working hours, the regular wage plus 50 per cent is paid. For any additional hours, the regular wage plus 100 per cent is paid. The regular wage plus 50 per cent is paid on hours exceeding the regular weekly working hours.

The Working Hours Act lists certain sectors in which regular working hours may be organised into periods of two or three weeks and in which the employer may derogate from the otherwise mandatory daily and weekly working hours. In period-based work, overtime is time worked over 80 hours in two weeks or 120 hours in three weeks. In the case of period-based work that has continued for an entire two- or three-week period, the wage payable on the first 12 or 18 hours over regular working hours, including preparation and completion work, shall

be the regular wage plus 50 per cent. The wage payable on any further hours is the regular wage plus 100 per cent.

Overtime compensation can be agreed to be completely converted into corresponding free time during regular working hours. In particular, in situations listed in the Working Hours Act, the employer and the employee may also agree on a fixed monthly compensation for overtime.

Law stated - 16 February 2024

Overtime pay – contractual waiver

Can employees contractually waive the right to overtime pay?

Employees may agree that overtime pay is converted into corresponding free time. The parties can also agree that free time is transferred to a working-hours bank or added to the employee's annual holiday allowance. In specific situations listed in the Working Hours Act, the employer and the employee may also agree on a fixed monthly compensation for overtime.

Employees cannot validly waive the right to overtime compensation before or during employment.

Law stated - 16 February 2024

Vacation and holidays

Is there any legislation establishing the right to annual vacation and holidays?

The right to an annual holiday allowance is established in either the applicable collective agreement or, if no collective agreement is applicable, in the Annual Holidays Act.

An employee accumulates days of annual holiday during the holiday credit year from 1 April to 31 March, inclusive. Two-and-a-half days of holiday are credited for each month during which the employee works a full holiday credit month. Therefore, employees normally have 30 days of holiday each year. Saturdays are included in the 30-day calculation, meaning that the employee will have five weeks of holiday.

The entitlement is two weekdays of holiday for each full holiday credit month if, by the end of the holiday credit year, the duration of the employment relationship has been an uninterrupted period of less than one year. The annual holiday allowance for these employees is 24 days, forming four weeks of holiday. When the number of days of holiday is calculated, any fraction of a day is rounded up to constitute one full day of holiday.

A full holiday credit month depends on what is agreed upon in the employment contract as to how much the employee shall work. If the employee is away for a reason other than those listed in section 7 of the Annual Holidays Act, the employee might not earn any holiday during that month.

The holiday season, during which holiday is mainly taken, means the period from 2 May to 30 September, inclusive. It is normal for employees to take four weeks of accumulated holiday during this period and the remaining one week of holiday in the winter.

The employer and the employee may also agree on different timings and distributions for holidays. Mandatory law, however, stipulates that the employee shall have an uninterrupted holiday period of 12 days (two weeks) each year.

Law stated - 16 February 2024

Sick leave and sick pay

Is there any legislation establishing the right to sick leave or sick pay?

An employee has a right to sick leave if they are not fit to perform their duties under the employment agreement. If the employee is only partly unable to work, the employer may show the employee other types of work that the employee is capable of doing without harming their health.

The right to a salary during sick leave depends on the applicable collective agreement. If no collective agreement is applicable, the employer shall pay the employee their salary for a maximum period of 10 working days. After this, the employee has to apply for a daily illness allowance from the Finnish social security institution.

During sick leave, an employee is entitled to full pay. If the employment relationship has lasted for less than a month, the employee is entitled to 50 per cent of their pay.

An employee is not entitled to sick pay if they have caused their illness wilfully or by gross negligence.

Law stated - 16 February 2024

Leave of absence

In what circumstances may an employee take a leave of absence? What is the maximum duration of such leave and does an employee receive pay during the leave?

Employees have a right to temporary absence from work if their immediate presence elsewhere is necessary because of an unforeseeable and compelling reason owing to an illness or accident suffered by their family. If an employee must be absent to provide special care for a family member or someone else close to them, the employer must try to arrange the workload so that the employee may be absent from work for a fixed period. The employer and the employee shall agree on the duration of such leave and other arrangements.

An employee does not have a statutory right to be paid during the absences described above. Collective agreements may contain an obligation for the employer to pay the employee's salary for certain compelling absences.

Employees are also entitled to take leave from work during pregnancy, special pregnancy and parental benefit periods. The employer is not obliged to pay the employee's salary during these periods unless otherwise stipulated in the applicable collective agreement.

Collective agreements also stipulate other types of short-term leave. Also, mandatory law contains other rights to leaves of absence; for example, for study leave and to attend compulsory military service.

Law stated - 16 February 2024

Mandatory employee benefits

What employee benefits are prescribed by law?

There are no mandatory fringe benefits, such as lunch or mobile phone benefits. It is, however, mandatory to pay social security contributions, pension insurance, worker's compensation insurance and unemployment insurance for all employees, as well as to provide a minimum level of occupational healthcare. Employees also have the right to sick leave. The aforementioned payments and rights are not labelled as benefits in Finland.

The most common optional in-kind benefits include a mobile phone benefit, a lunch benefit, sports and culture vouchers, a home internet connection, a limited or unlimited car benefit, a housing benefit and public transport vouchers. All in-kind benefits have a taxable value that must be included in an employee's payroll entry.

Law stated - 16 February 2024

Part-time and fixed-term employees

Are there any special rules relating to part-time or fixed-term employees?

Without a proper and justified reason, less favourable employment terms than those applicable to other employment relationships must not be applied to fixed-term or part-time employment relationships merely because of the duration of their employment contract or working hours.

There are special rules about offering work through part-time contracts. If the employer requires more employees for duties suitable for employees who are already doing part-time work for the employer, the employer shall offer such employment to these part-time employees. The employer shall provide part-time employees with reasonable training for them to qualify for the work. At the request of a part-time or fixed-term employee, the employer shall, within one month of the date on which the employee made the request, give a justified written answer regarding the possibility of extending the agreed working times or period applicable to the employment relationship.

There are also special rules on the right to enter into part-time contracts in which the amount of work varies, as well as rules on how the amount of work for each period shall be determined.

Law stated - 16 February 2024

Public disclosures

Must employers publish information on pay or other details about employees or the general workforce?

The employer does not need to publish this information but, if it regularly employs more than 20 employees, it shall inform the employee representatives of the salaries in each employee group, the amount of part-time or fixed-term employees and the use of work that is contracted out.

Law stated - 16 February 2024

POST-EMPLOYMENT RESTRICTIVE COVENANTS

Validity and enforceability
To what extent are post-termination covenants not to compete, solicit or deal valid and enforceable?

All such covenants are treated as non-compete clauses and are strictly regulated by the Employment Contracts Act. The use of such covenants requires particularly onerous reasons related to the operations of the employer. Consideration shall be given to the nature of the employer's operations, any need for protection related to trade secrets, and the employee's status and duties.

The maximum length of the restriction is one year.

Law stated - 16 February 2024

Post-employment payments
Must an employer continue to pay the former employee while they are subject to post-employment restrictive covenants?

The employer must offer compensation as part of a non-compete agreement. If the non-compete obligation is to last for six months at the most, the employer must pay 40 per cent of the employee's salary for the duration of the limitation period. If the term of the non-compete obligation exceeds six months, the employer must pay 60 per cent of the employee's salary for the duration of the limitation period.

Law stated - 16 February 2024

LIABILITY FOR ACTS OF EMPLOYEES

Extent of liability
In which circumstances may an employer be held liable for the acts or conduct of its employees?

The employer is always liable for any loss to a third party caused by an employee. The employee is then liable for damages towards the employer in an amount deemed reasonable. If the employee's negligence when causing the injury or damage was merely slight, the employee is not liable to the employer for damages.

Law stated - 16 February 2024

TAXATION OF EMPLOYEES

Applicable taxes
What employment-related taxes are prescribed by law?

The Tax Administration collects income tax and the employer's health insurance contribution. Also, the employer shall take out mandatory types of social security insurance, such as pension insurance, workers' compensation insurance and unemployment coverage.

Law stated - 16 February 2024

EMPLOYEE-CREATED IP AND CONFIDENTIAL BUSINESS INFORMATION

Ownership rights
Is there any legislation addressing the parties' rights with respect to employee inventions?

The main piece of legislation relating to employee inventions is the Act on the Right in Employee Inventions (656/1976).

Copyright is regulated by the Copyright Act (404/1961).

Law stated - 16 February 2024

Trade secrets and confidential information
Is there any legislation protecting trade secrets and other confidential business information?

The Trade Secrets Act sets the framework for the protection of trade secrets and other confidential business information. The Employment Contracts Act contains a general provision forbidding employees to disclose or take advantage of their employer's trade secrets during the employment relationship. The Criminal Code contains penal sanctions for the misuse of trade secrets.

Law stated - 16 February 2024

DATA PROTECTION

Rules and employer obligations
Is there any legislation protecting employee privacy or personnel data? If so, what are an employer's obligations under the legislation?

The EU General Data Protection Regulation No. 2016/679 (GDPR) is applicable in Finland and is complemented by the Data Protection Act (1050/2018). Also, employee data is regulated in more detail in the Act on the Protection of Privacy in Working Life.

Several obligations are imposed on employers; for example, employers shall only process the personal data of employees to the extent necessary for the fulfilment of the parties' obligations in the employment relationship. Employees cannot consent to a derogation of this protection.

Law stated - 16 February 2024

Privacy notices
Do employers need to provide privacy notices or similar information notices to employees and candidates?

Both employees and applicants must be informed about the processing of their personal data as stipulated by the GDPR.

Law stated - 16 February 2024

Employee data privacy rights
What data privacy rights can employees exercise against employers?

All rights under the GDPR apply to an employment relationship and can be exercised against an employer. However, an employee's right to demand restriction or erasure of data is, in practice, limited by the fact that the employer may already only process data that is necessary for the fulfilment of the parties' obligations in the employment relationship. Therefore, if the employer follows this principle, there should not be excess data to erase during the employment relationship. Employers cannot erase data that has to be retained according to mandatory law, such as data that forms a part of accounting material or that must be retained as it may be needed to answer employment-related claims.

Law stated - 16 February 2024

BUSINESS TRANSFERS

Employee protections
Is there any legislation to protect employees in the event of a business transfer?

Council Directive 2001/23/EC relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses, or parts of undertakings or businesses was implemented by the Employment Contracts Act and the Act on Cooperation within Undertakings. The transfer of an undertaking, a business, or part of an undertaking or business shall not in itself constitute grounds for dismissal by the transferor or the transferee. Both the transferor and the transferee are required to inform employee representatives of the transfer.

Law stated - 16 February 2024

TERMINATION OF EMPLOYMENT

Grounds for termination

May an employer dismiss an employee for any reason or must there be 'cause'? How is cause defined under the applicable statute or regulation?

According to the Employment Contracts Act, an indefinitely valid employment contract cannot be terminated without proper and onerous reasons. These grounds are divided into financial and production-related grounds, and grounds relating to the employee's person.

Grounds relating to the employee's person are described in the Employment Contracts Act as:

- serious breaches or negligence of obligations arising from the employment contract or the law that have an essential impact on the employment relationship; and
- essential changes in the conditions necessary for work related to the employee's person that render the employee unable to cope with their work duties.

The Employment Contracts Act also lists certain causes that cannot be regarded as proper and onerous reasons. For example, the employee's political, religious or other opinions, or participation in social activity or associations, cannot be causes for termination.

In most cases, an employee may not be given notice for grounds related to their person before they have been warned and given a chance to amend their conduct.

Law stated - 16 February 2024

Notice requirements

Must notice of termination be given prior to dismissal? May an employer provide pay in lieu of notice?

Notice of termination must be given and the parties must observe a notice period. The employer may remove the employee's obligation to work during the notice period but must pay their salary regardless. The employment relationship will end after the notice period.

Law stated - 16 February 2024

Dismissal without notice

In which circumstances may an employer dismiss an employee without notice or payment in lieu of notice?

Both parties may cancel the employment contract during the trial period provided that the grounds for termination are not discriminatory or otherwise inappropriate. Outside the trial period, an employment contract may be cancelled due to an extremely serious cause. Such

a cause may be deemed to exist if the employee neglects their duties in a manner that has an essential impact on the employment relationship and in such a serious manner that it is unreasonable to expect the employer to continue the employment relationship even for the period of notice. It is very exceptional for a situation like this to occur.

Law stated - 16 February 2024

Severance pay

Is there any legislation establishing the right to severance pay upon termination of employment? How is severance pay calculated?

No. The employee only has a right to their salary during the notice period, unless otherwise expressly agreed upon between the parties.

Law stated - 16 February 2024

Procedure

Are there any procedural requirements for dismissing an employee?

In Finland, an employer does not need prior approval from a government agency to dismiss an employee. The procedural requirements depend on whether the dismissal is based on grounds related to the employee or the employer.

If the employer wishes to terminate an employment relationship on grounds related to the employee's person, the employer shall provide the employee with an opportunity to be heard concerning the grounds for termination. Having heard the employee, the employer shall ascertain whether it is possible to avoid giving notice by placing the employee in other work. The notice of termination shall, if possible, be given to the employee in person. If this is not possible, the notice may be delivered by letter or electronically. If the employee requests, the employer shall inform the employee without delay in writing of the date of termination and the grounds for termination.

When the employer employs more than 20 employees, it shall carefully follow the procedure set down in the Act on Cooperation within Undertakings before dismissing employees on grounds related to the employer. The Act on Cooperation within Undertakings provides a negotiation procedure that lasts from two to six weeks, depending on the number of contemplated terminations. The negotiation procedure must be completely terminated before the employer makes any decisions on possible terminations.

Law stated - 16 February 2024

Employee protections

In what circumstances are employees protected from dismissal?

Protection is awarded to employee representatives, as well as employees who are pregnant or use their right to parental leave. Collective agreements may extend the protection of employee representatives to many months preceding their election and following the

termination of their position as an employee representative. Special protection is also awarded to employees on study leave or undergoing military service.

Law stated - 16 February 2024

Mass terminations and collective dismissals

Are there special rules for mass terminations or collective dismissals?

If the employer regularly employs more than 20 employees, it shall follow the cooperation negotiation procedure set down in the Act on Cooperation within Undertakings. The negotiation procedure is strictly regulated and any breach of the obligations may lead to severe indemnity payments for each affected employee.

The cooperation procedure starts with an invitation that shall be sent to the employees concerned or their representative at least five calendar days before the first negotiation meeting. The employer shall also inform employment officials of possible terminations. The negotiations shall be conducted in meetings with either the employees or the employee representatives for each employee group. The Act on Cooperation within Undertakings contains stipulations on what needs to be discussed. The duration of the proceedings depends on the number of employees in total employed by the company and the number of contemplated terminations. The negotiation procedure lasts from two to six weeks. After the negotiation phase, the employer shall give a report stating the contemplated measures.

Law stated - 16 February 2024

Class and collective actions

Are class or collective actions allowed or may employees only assert labour and employment claims on an individual basis?

Only individual employees may assert their claims.

Law stated - 16 February 2024

Mandatory retirement age

Does the law in your jurisdiction allow employers to impose a mandatory retirement age? If so, at what age and under what limitations?

An employee's employment relationship is terminated without notice at the end of the calendar month during which the employee reaches the age of retirement stipulated by the Employment Contracts Act. The retirement age depends on the employee's year of birth and ranges from 68 to 70. The parties may agree to prolong the employment relationship even after this point. The law also stipulates a minimum retirement age after which the employee may retire on their own initiative.

Law stated - 16 February 2024

DISPUTE RESOLUTION

Arbitration
May the parties agree to private arbitration of employment disputes?

Because an employee is a private person, such a provision is easily considered void. Therefore, it is not recommended to agree to arbitration in an employment context.

Law stated - 16 February 2024

Employee waiver of rights
May an employee agree to waive statutory and contractual rights to potential employment claims?

An employee may not waive any claims in advance. The only possibility of achieving a binding waiver is to enter into an agreement to terminate the employment relationship that contains sufficient compensation from the employer.

Law stated - 16 February 2024

Limitation period
What are the limitation periods for bringing employment claims?

The general rule is five years during employment and two years after the termination of employment. During employment, claims related to working hours and annual holiday allowances can be brought for two years after the calendar year during which the working hours were performed, annual holiday allowances should have been given or annual holiday compensation should have been paid.

Claims related to equal opportunities can be brought for two years after the event (eg, a promotion decision). In the event of a job application, equal opportunity-related claims can be brought for one year after a denied hiring. In the case of personal damage caused to an employee at work, the claim can be brought up to 10 years after the incident. An employee has a right to request a certificate of employment detailing their name, position and period of employment for 10 years after the termination of the employment relationship.

Law stated - 16 February 2024

UPDATE AND TRENDS

Key developments and emerging trends
Are there any emerging trends or hot topics in labour and employment regulation in your jurisdiction? Are there current proposals to change the legislation?

Changes to employment legislation

The government of Finland is contemplating significant changes to employment legislation. These proposed changes have become a focal point for public debate and have led to the most extensive strikes by trade unions seen to date. The changes proposed by the government target, among other things, the following.

- Basis for entering into fixed-term employment contracts: in the future, it would be possible to enter into fixed-term employment contracts for up to one year without a specific reason. The aim is to facilitate the use of fixed-term contracts.
- Grounds for termination of employment related to the employee: in the future, there would not need to be a significant reason for termination of employment on grounds related to the employee; the presence of a justifiable reason would suffice. The goal is to make it easier to terminate an employee's employment for reasons related to the individual. However, the conditions under which an employee's employment could be terminated for such reasons in the future remain unclear at this stage.
- Scope of the obligation to rehire: the obligation to rehire would be removed from employers, when the number of employees in an employment relationship would regularly be fewer than 50. This obligation currently applies to all employers.
- Pay for the first day of sick leave: the first day of sick leave would, in principle, be unpaid if the duration of sick leave is less than five days. This principle would not apply if the sick leave results from a work accident or occupational disease, or if the applicable employment contract or collective agreement specifies otherwise.
- Notice period for layoffs: the current notice period for layoffs (14 days) would be halved.
- Scope of the Act on Cooperation within Undertakings: in the future, the Act on Cooperation within Undertakings would apply to businesses and organisations engaging in economic activity, where the number of employees in an employment relationship would regularly be at least 50, up from the current 20.
- Permissibility of industrial action: in the future, support for industrial action would need to comply with the principle of proportionality, meaning it should be reasonable in relation to its objectives, and its effects could only target the parties involved in the labour dispute. There would be an obligation to notify about support for industrial actions; political industrial actions could last no more than one day; the penalty for unlawful industrial action would be higher – with a minimum of €10,000 and a maximum of €150,000. An employee could also be required to pay a penalty of €200 for continuing industrial action that the labour court has found to be unlawful.
- Permissibility of local bargaining: in the future, local bargaining would be allowed also for unorganised employers covered by a generally binding collective agreement; local bargaining would be possible with representatives of employees other than those authorised by collective agreements for local bargaining. Practically, a local agreement could therefore be made with other representatives of employees than just the shop steward elected based on the collective agreement or with the whole personnel. Such other representatives include the elected representative or other representatives chosen by the personnel. The goal of the proposed change is to increase local bargaining and bring unorganised employers under generally binding collective agreements into the same position regarding local bargaining as organised employers.

Additionally, in the future, company-specific collective agreements could deviate from the same provisions of employment legislation from which deviation is currently possible only with national collective agreements. However, the condition for such deviation would be that the collective agreement on the side of the employees is made either by a national association of employees or an association of employees belonging to it.

Employment or entrepreneurship?

In recent years, new forms of work have also emerged that blur the lines between employment and entrepreneurship in Finland. These include work conducted through various digital platforms, so-called 'light entrepreneurship', the use of billing cooperatives, or work performed on behalf of a work cooperative. Even if there's an understanding between the parties about the nature of the work at the time of agreement, disputes or interpretation issues may arise, for example, when terminating a contract for services or during enforcement of laws by authorities. For instance, in the fall of 2021, the occupational safety and health authority, specifically the Regional State Administrative Agency for Southern Finland, issued a decision stating that couriers working for a platform company were in an employment relationship and required to maintain records of working hours. Before making its decision, the Regional State Administrative Agency for Southern Finland sought an opinion from the Labour Council on whether the Working Hours Act applies to couriers working for two different companies. In its opinions TN 1481-20 and TN 1482-20 (both by a vote of 6–3), the Labour Council found that the work done by couriers through each digital platform met the criteria for an employment relationship, and therefore, the Working Hours Act was applicable.

Similarly, the Finnish Centre for Pensions and the Finnish Worker's Compensation Centrr have issued decisions regarding platform work. In some cases, platform workers have been considered employees, while in others, they have been classified as entrepreneurs. Additionally, the Finnish Centre for Pensions issued a decision (case no. 1630625) in which a light entrepreneur doing delivery work for a transport company was considered to be in an employment relationship with the company. In another decision by the Finnish Centre for Pensions (case no. 1671414), an interpreter was found to be in an employment relationship with the company that sold interpretation services. Likewise, in a decision concerning telephone service work done for a company (case no. 1666275), the person was considered to be working in an employment relationship with the company.

The Helsinki Administrative Court issued a decision (H2203/2021) regarding food delivery work that concerned the VAT liability of the conducted transportation activities. According to the decision, the individual performing food delivery work carried the economic risk of their activities and, under those circumstances, operated an independent food delivery service business for their own account in a manner defined by the VAT Act (1501/1993).

An amendment to the scope of the Employment Contracts Act came into effect in July 2023. In ambiguous situations, the existence of an employment relationship is assessed through a comprehensive consideration, taking into account the conditions under which the work is performed, the intentions of the parties regarding the nature of the legal relationship, and other factors affecting the parties' actual position within the legal relationship. This provision does not change the existing legal state but provides guidance for resolving unclear

situations. If a work relationship has been incorrectly classified as a contract for services, the employer may, for example, be liable to retroactively pay benefits and social security contributions related to employment.

Law stated - 16 February 2024