

Workplace Finland: New Forms of Bargaining and Participation

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Abstract

The era of incomes policy agreements appears to have ended in Finland, with negotiations focused at sectoral and local levels, although this could change with a return to a Social Democratic-led Government. While representative systems of participation have not been abandoned, the authority of unions delegates at the workplace appears to have declined. There has also been a growth in direct forms of participation, initiated by management, and associated new forms of work organisation.

Introduction

This paper examines new forms of bargaining and participation in Finland with particular reference to the round of wage negotiations in 1993, experiences of the new systems of representative participation and the diffusion of direct participation in recent years. Based on the analysis, two hypotheses are put forward: first, that the present centralized system of collective bargaining is giving way to a more decentralized system, in which the focus of negotiations is at the union level with increasing possibilities to deviate from the provisions of sectoral agreements at local and plant levels. Second, the greatest progress in employee participation in the 1990s will take place along with the introduction of new management methods (management by

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results, quality management, lean management, etc.), not by strengthening forms of representative participation.

Collective Bargaining During the Incomes Policy Era

During this century, the Finnish labour market system has undergone several profound changes, all of which coincide with shifts in the economy, politics and international relations. The history of Finnish industrial relations can thus be divided into different phases, characterized by the relations among labour market organizations and the relations between these organizations and the State. Kauppinen (1992), for example, describes different types of corporatism where the 'strategic triangle' of decision-making is located at different levels during different periods of time (Figure 1).

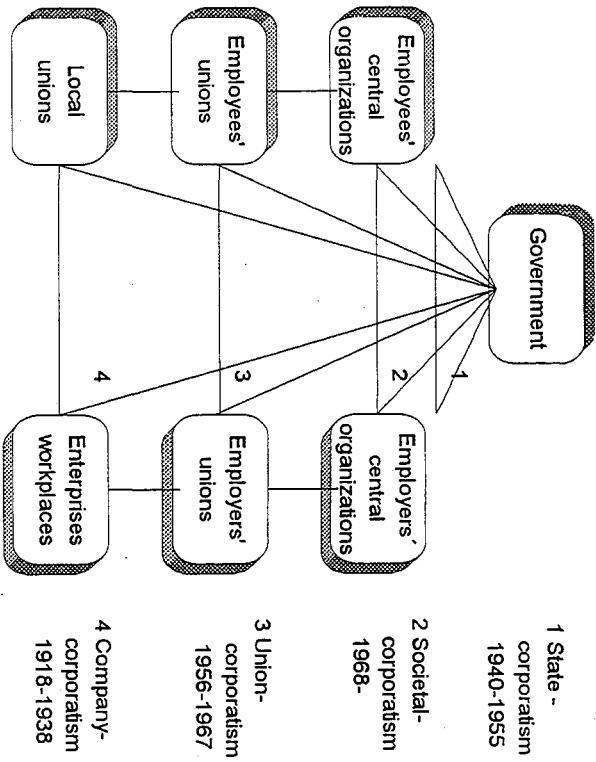
The Incomes Policy Era: 1968-93

The first incomes policy agreement (1968), which was inspired by the devaluation of the Finnish Mark by 23 percent in 1967 and facilitated the victory of the Social Democratic Party in the parliamentary elections of 1966, extensively affected the economy, politics and the labour market. The agreement, together with the devaluation, boosted competitiveness of Finnish companies and the Finnish national economy as a whole and was considered such a successful initiative that it was repeated with only few exceptions for the next 25 years. This period has been called a period of 'societal' or 'democratic corporatism'. It was characterized by incomes policy agreements which included the central organizations for employees and employers and the State as a third party, the active participation of labour market organizations in political decision-making, high union density (70 to 75 percent) and a steady growth of the welfare state (Bruun et al. 1992; Kauppinen 1992; Kyntäjä 1993; Lilja 1992; Lilja et al. 1990; Pekkarinen et al. 1992).

During 1968-92 a one or two year incomes policy agreement failed to be achieved only four times (in 1973, 1980, 1983 and 1988). It should be noted, however, that the skeleton agreements reached by the central organizations only act as recommendations for employers' associations and trade unions, which they need not follow. In practice, there have always been a few associations and unions that have not accepted the agreement. Furthermore, in a few sectors crucial to the Finnish economy, such as the paper industry, national collective agreements have left much room for local bargaining (Alasoini 1992; Committee Report 1992).

Following rapid, even overheated, economic growth encouraged by the first incomes policy agreement, the Finnish economy ran into a recession

Figure 1
Strategic Triangles of Corporatism in Finland since 1918



Source: Kauppinen (1992)

in 1976-78, brought about by the oil crisis. As a way out of the recession an incomes policy agreement was signed in December 1977, in which SAK (Central Organization of Finnish Trade Unions) and the other employees' central organizations TVK (Confederation of Salaried Employees), Akava (Confederation of Unions for Academic Professionals in Finland) and STTK (Confederation of Technical Employee Organizations in Finland, later the Finnish Confederation of Salaried Employees) agreed to postpone rises in pay that had already been decided by half a year. In addition to the positive effect it had on the economy, this agreement also carried an important symbolic meaning, and as the recession was left behind, there was talk of 'national consensus' in the Finnish labour market system. Along with the ideology of national consensus, centralized agreements became a matter of course, especially in trade unions led by Social Democrats, but also in several employers' associations. SAK in particular has been in favour of centralized agreements, because they have been seen as a means of improving employment and real wages, leveling out income differences and making reforms in social policy (Ihalainen & Bergman 1992).

From the beginning, the most virulent opponents of incomes policy were the Communists, who were in opposition within SAK and its two most important industrial unions (Metal Workers' Union and Paper Workers' Union), but who represented the majority in many of the large local metalworking and paper industry union branches. The position of the Communists in the trade union movement, however, was rendered difficult by the fact that they were divided into two fiercely competing groups. In recent years, criticism of the centralized system has declined, as the Communists have lost influence and become more moderate.

From the early 1980s, national consensus began to be eroded by the structural change in industry and occupations. This development was evident in the growth of the private service industries and the public sector and the subsequent increase of membership of the white-collar employee unions. Gradually this broke down the bipolarity of the labour market system. Up to the 1980s, SAK and the Finnish Employers' Confederation STK (later Confederation of Finnish Industry and Employers or TT) had largely dictated the general lines of the skeleton agreements. Later, new divisions in the bargaining began to emerge, such as the private versus the public sector, the open versus the closed sector, and the male-dominated versus the female-dominated sectors. The most important union led strikes of the 1980s involved white collar workers in the public sector, while major union-led strikes in private manufacturing industry were rare.

After the mid-1980s, the large employer organizations in the private sector (STK, LTK in the service industries, FIMET in the metalworking and

electronics industries and the Employers' Association of Forest Industries) began to have reservations about centralized agreements (Köykkä 1994). However, many small and medium-sized companies had earlier criticized incomes policy agreements, which they found too rigid and tailored to the needs of big companies. Centralized agreements were seen to be in conflict with the new demands for flexibility regarding pay, working hours and the use of labour, and at the same time they were not considered to guarantee labour market peace. Throughout the 1970s and 1980s, several local industrial actions were arranged in Finland, at least partly as a result of the trade union movement's internal political divisions. The strikes were mainly concentrated in a few large establishments in the metalworking and paper industry (Alasoini 1993; Kohtanen & Kauppinen 1989).

Economic Slump in the 1990s

Following an exceptional economic boom at the end of the 1980s, Finland was swept by a recession that was aggravated by a coincidence of several external and internal factors, related both to the structure of economy and to business fluctuations. The near-full employment (only 3 percent unemployment) and severe labour shortages in several fields turned into unprecedented mass unemployment. By 1993, 18 percent of the labour force was unemployed. The worst hit were the building, textile and clothing and, the metalworking industries and, later, many service industries. Unemployment in Finland was the second highest after Spain, within the European Union.

It now appears that the recession reached its peak in 1993 and that there was a resurgence in the Finnish economy during 1994, due to higher exports. However, the situation varied greatly from one sector to another. Several companies in the export business such as the paper, electronics, mechanical wood processing and part of the engineering industry were able to rapidly increase production. However, in the domestic market and in the service industry most companies continued to experience difficult times, as the purchasing power of consumers weakened because of unemployment and higher taxes.

Even an exceptional increase in production did not provide rapid relief to mass unemployment which, it is feared, will become a permanent phenomenon in Finland (Santamäki-Vuori & Sauramo 1993). At the same time, public debt has grown markedly as a result of the decline in tax income and this has, in turn, increased the pressure to drastically cut Government expenditure. Despite the expected improvement in the economy, the public sector (municipalities and the State) will probably need several years to adjust. In the future it will be more difficult than ever before for labour

market organizations, representing the various industries and groups of employees, to find common goals in collective bargaining.

The beginning of the 1990s coincided not only with an abrupt decline in the economy but also with a clear shift in the relative strengths of the different political parties. In the 1991 parliamentary elections, the Social Democrats were voted into opposition after a long period in power, and a centre-right Government was formed by four parties, led by the Centre and Coalition Parties. During the previous Government, headed by the Social Democratic Party and the Coalition Party (1987-1991), several legislative revisions were made with the support of the trade union movement, which aimed at improving employment security and employees' opportunities to participate in decision-making at the workplace. The long tradition of tripartite cooperation in working life issues was marred by the lack of confidence between the Government and the employer organizations, especially in the implementation of the legislative renewal to enhance employment security. The new Government, however, came close to an open conflict with the trade union movement in autumn 1992 and spring 1993 on issues of economic and social policy and working life legislation (e.g. changes to the employment security system and advance notification in the case of political and sympathy strikes).

At the same time, employer organizations in both the private sector (LTK and TT) and in the public sector (Commission for Local Authority Employers, KT, and Department of Public Personnel Management, VTML) increased their demands for a more decentralized labour market system. The latest round of negotiations conducted in autumn 1993 may mark a milestone in Finnish labour market policy. Despite their efforts, the central union organizations did not succeed in concluding a skeleton agreement, in the face of opposition from the employer associations. In fact, the largest trade unions in manufacturing industry also opposed such an agreement. Sectoral collective agreements were drawn up for varying periods of time, the amount of pay increases differed greatly, and many agreements underlined the opportunity to agree locally on terms and conditions of employment. It would seem that the era of centralized agreements, in the spirit of national consensus, is coming to an end in Finland.

The Union-Level Round of Negotiations in 1993

Decentralization of Bargaining

The collective bargaining round of 1993 did not achieve a skeleton agreement between the central organizations. This round of negotiations was,

rather surprisingly, opened in November 1993 by the paper industry, followed by the metalworking and chemical industries, all of which agreed on a 2.3 percent raise in pay. By Christmas most wage earners were included in one of the new collective agreements. Of the major groups, the only exception was the food industry, which reached an agreement after a two week strike in February 1994.

This round of negotiations contained several surprises. The union's central organizations (SAK, STTK and Akava) were especially taken aback by the persistent efforts of employer organizations to bring the negotiations to union level. Another surprise was the ease with which the decentralized round of negotiations was completed. The new collective agreements were reached rapidly and apparently easily, and the amount of the pay increases varied greatly, despite the fact that the central employee organizations strived, as usual, for an overall incomes policy agreement. It was also unusual that the export sector made a headway with pay raises that were relatively high, considering the unemployment rate and the deep economic recession. It should also be noted that more than two years had elapsed without any general pay rises. In the export sector, trade unions evidently expected that the low-wage sectors would be first to sign new agreements, and that long and difficult bargaining would result in a decrease in pay.

The union-level round of negotiations came as no surprise to the employer organizations, however, who had for a long time criticized centralized agreements for the 'distortion' they created in working life and the entire society. Their demands for change received a concrete form in summer 1992, in the midst of the deepest recession, when employer organizations of the private sector presented a 14-point programme for a so-called 'internal devaluation of working life'. The proposal aimed at rendering the norms of working life more flexible. These demands were the reaction of the employers in the export industries to the Government, who had refused to restore the competitiveness of export businesses by devaluing the Finnish mark. This had been done five times previously in the context of incomes policy and the measure had been usually accompanied by an inflationary spiral.

Unduly far-reaching conclusions should not be drawn from this latest round of collective bargaining. One estimate is that Finland's collective bargaining system is becoming decentralized and that bargaining will from now on be conducted at union and workplace levels without guidance from the central-organization level. A counterargument might be that this is a passing trend, as union-level agreements have also been drawn up in the past and then returned to the central level system within a year. This time,

however, decentralization seems to be here to stay for a longer period of time.

The business and political environment, as well as the context of industrial relations, are essentially different to what they were during the incomes policy era. There has been an economic slump and the extensive overhaul of structures which will continue, both in the public sector and in private companies. Moreover, the disintegration of the Soviet Union has necessitated a revision of the relationship and the commercial and political cooperation between the two countries. Together with other political changes in Europe, this encouraged Finland to submit its application to join the European Union. The shift in social atmosphere was reflected in several ways in the round of negotiations of 1993.

The New Elements

The Government Plays a Minor Role

Unlike the previous rounds of collective bargaining during the incomes policy era, the Government remained in the background during the entire round in 1993. This was a strategic choice by the employer organizations as well as the Government itself, as the centralized collective bargaining in autumn 1991 and 1992 and in spring 1993 had showed how the focus of negotiations had switched away from the central organizations as bargaining progressed. The reason for this had been that, in the name of the recession, the Government had cut benefits acquired through social and labour legislation. This signified a complete turnabout compared with the earlier situation. During a period of economic growth, the Government had always been able to offer improvements to working and social conditions for employees and tax cuts for employers, on the condition that pay raises were moderate.

The Government did not participate in the bargaining round for two main reasons: the poor state of the economy and political caution. Due to the recession, the Government was only prepared to offer a reduction of social security and amendments to labour laws. Another reason for the low profile of the Government was that in 1992 an amendment was made to the Constitution, in which simple majority parliamentarism replaced qualified majority parliamentarism in central acts relating to economic policy. In practice, this meant that the centre-right Government no longer needed the concrete support of the opposition led by the Social Democrats, nor the moral support of the trade union movement.

New Grouping of Trade Unions

In the decentralized collective bargaining of autumn 1993, there was an exceptionally clear grouping of unions by sector. In many cases, these groupings or 'cartels' crossed boundaries within and between the central organizations. Cooperation was intense especially between unions in the export industry under different central organizations, and an organization for industrial employees (*Teollisuuden palkansaajat*) was established as a coordinating body in the negotiations. Today, the total membership of the 14 unions that belong to this body exceeds 600,000. It covers nearly one third of all unionized employees in Finland, including blue-collar workers, technical white-collar employees, office staff and engineers. Previously, cooperation between unions across central organizations had been strongly promoted by unions in the private service industries. However, they had little clout and were unable to influence the general lines of any incomes policy agreements.

As a result of the new groupings, manufacturing industry, private services, municipalities and the State formed clearly distinct sectors with respect to pay increases. Generally speaking, the rise in manufacturing industry was 1.5 to 2.3 percent, while in construction and many of the service industries there were no rises. The public sector agreed on a wage freeze during the agreement periods as well as a scheme to reduce labour costs at least by 2.7 percent in the municipal sector and by 1.9 percent in the State sector. In practice, the decision to lower labour costs meant lay-offs and reductions in holiday bonuses.

Unlike the previous decentralized rounds of bargaining (in 1973, 1980, 1983 and 1988), the round of 1993 resulted in essential differences in pay raises between the sectors. Furthermore, agreement periods varied from one to two years. Because the agreements will expire at different times, it will in the future be technically difficult to achieve a negotiation situation that would promote opportunities to draw up a skeleton agreement. This means that salaries will probably continue to develop at a very different rate in various sectors. It seems evident that decentralization of the system of bargaining will widen the wage gap between the export-led and the domestic-market industries. In the female-dominated public sector, the growth of salaries will lag behind that of the male-dominated export industries, resulting in a more inequitable distribution of income between men and women.

More Leeway at the Workplace Level

A significant trend in the bargaining round of 1993 was that many of the sectoral agreements broadened opportunities for the companies to deviate from their provisions concerning matters such as working hours, and certain wage increments by a local agreement. In the metalworking industry, for example, limits on daily and weekly working hours were removed, subject to an hours-averaging scheme over a one-year reference period.

In the union-level agreements, employers 'bought' flexibility and removal of certain fringe benefits with pay awards or other compensation. The idea behind this was that in the long run it is more advantageous for them to bargain about money than social benefits. A good example is the banking sector, where several fringe benefits acquired through collective agreements, such as meals, holidays, pensions and short working hours, were exchanged for wage increases. This makes it difficult to compare various agreements with respect to pay rises, as one must take into account both regular increases in pay and former benefits that have been exchanged for wage rises.

New Forms of Representative Participation

Generally speaking, Finland has lagged behind the other Nordic countries in the evolution of participation systems. However, legislation has played a more important role and general agreements between labour market organizations played a lesser role than in the other Nordic countries (Bruun et al. 1992). Compared with many other European countries, employees' representatives through the shop steward system have a strong position, while bodies such as works councils have never gained a significant foothold.

The Evolution of Representative Participation Systems

The Shop Steward and Production Committee Systems

The shop steward system was officially established by the general agreements of 1944 and 1946, drawn up by the social partners. These agreements also laid down parameters of the collective bargaining system. Along with the increased unionization of employees, the shop steward system has grown in importance. The role of this system is worth emphasizing, as no participation system has been created which would replace or threaten it. On the contrary, the position of the shop steward system has been further strengthened by new forms of representative participation since the 1970s.

On the model of other Nordic countries, a law was passed in Finland in 1946 for the establishment of production committees in all industrial plants

employing more than 60 persons. An advisory employer's and employees' joint body had to be established in such companies to handle matters related to the development of the company and to provide the employees with essential information on production, employment and final accounts four times a year. Initially, the law was enacted for three years, but because of its positive effect it was made permanent in 1949. Later, however, the law lost some of its importance. As mere channels of information, the production committees lacked the power to make independent decisions. The shop steward system gained increasing influence during the 1960s and 1970s as a result of new general agreements between the labour market organizations and the increased adherence of employees to trade unions (Lilja 1983). The local system for the handling of industrial safety matters, that came into force in 1974, also contributed to the diminishing role of the production committee.

It seems likely that in the future the shop steward system will become even stronger and be vested with new responsibilities. According to a new legislative proposal, the senior shop steward will also be able to function as an industrial safety delegate, which will greatly increase his or her authority. Furthermore, greater local collective bargaining will also further strengthen his or her position.

Cooperation within Companies

The debate on industrial democracy began in the late 1960s and led, in 1978, to the enactment of a law on cooperation within companies. The new law abrogated the earlier law on production committees. The cooperation law concerns all companies employing at least 30 persons, and it establishes the employer's duty to consult employees about the reasons and effects of and alternatives to planned measures. In addition, the law gave the employees right of co-determination in matters of shop rules and cooperation training and authority in certain social issues. In matters concerning the use of outside labour, the Act provided that the employee representative can demand a week's postponement for negotiation on the need for such labour.

The enactment of the law was preceded by a lengthy debate among the labour market organizations on the content and nature of the law (Mansner 1990, 429-455). In the atmosphere of national consensus that prevailed in the late 1970s, the concept of 'industrial democracy' was replaced by 'cooperation' and the emphasis was placed on participation in the organization. Under the law, however, it was possible with the consent of management and the employees to establish an advisory committee which includes representatives of the employer and all main groups of employees

to deal with cooperation issues. In the 1980s, the labour market organizations drew up general agreements on practical application of the law.

New Forms of Cooperation, Employee Representation in Company Administration and Personnel Funds

In the 1980s, the focus of the discussion moved from industrial democracy to productivity-promoting aspects of employee participation. During the coalition Government headed by the Social Democratic Party and the Coalition Party in 1987-1991, representative participation systems were actively reshaped as part of the Government's so-called package for the reform of working life. A cooperation law concerning State offices and establishments entered into force in 1988 and its content followed to a great extent that of the law on cooperation within companies. The law replaced the earlier workplace democracy system. The law on cooperation within companies was amended in 1988 so that in the event of a buy-out or merger, its provisions automatically apply to a company's new owner. At the same time the number of matters belonging to the scope of the cooperation procedure was increased. The cooperation acts concerning collective notices and lay-offs were tightened in 1988 when the negotiation period in disputes was fixed at three months. The amendment entered into force despite employer organizations' loud protest.

In 1991 an amendment to the cooperation law was introduced by which employees' right to consultation and to receive information was increased in groups of companies employing at least 500 persons and their Finnish subsidiaries with 30 or more employees. In 1991 a law was enacted on employee representation in company administration. Under this law, personnel have a right to appoint representatives to the board of supervisors, the board of directors or the board of managers of the company in a manner to be agreed upon separately. The law applies to companies regularly employing at least 150 persons in Finland. In 1990 a law on personnel funds also came into force. A company applying a profit bonus system may annually deposit a certain sum of money in these employee-owned funds according to the company's profits. The system is voluntary, and the law permits individual applications. As a rule, the fund may be established in a company of at least 30 employees or in a result unit belonging to such a company and employing at least 10 persons.

Experiences Gained from the Introduction of Representative Participation Systems

The laws on cooperation, employee representation in company administration and personnel funds were introduced after lengthy tripartite preparation. Each of these laws included several opportunities for applications at company level. It is therefore understandable that the State and labour market organizations have followed the application of the laws in companies and the effects of the introduced systems with considerable interest.

Cooperation within Companies

In the 1980s the Committee for Labour Relations conducted several follow-up studies on the cooperation law (Kauppinen & Seppälä 1982; Mikola-Lahnamäki & Kauppinen 1981; 1982). Generally speaking, trade unions were somewhat disappointed in the law, because it did not result in marked improvement of industrial democracy, from their point of view. Employer organizations, by contrast, were more satisfied, as the law did not bring about any significant changes to procedures at the workplace. The law encouraged cooperation between management and employees in the organization. If cooperation did not work, parties resorted to the negotiation procedure, whereby a dispute is settled between employees' representatives and management.

In their summary of follow-up studies, Martikainen and Järvinen (1989) concluded that the law did not have any radical effects on management or employees. It was felt that the law had improved the dissemination of information and the interaction between employer and employee in companies, but had failed to markedly increase the influence of employees. The law had neither improved the economy of companies nor the atmosphere at the workplace. However, the studies did not discover any obvious harmful effects of the law. A more recent follow-up study largely reinforced these results (Uhmavaara 1994). It should be mentioned, however, that in this study nearly a third of the employers' representatives considered that the cooperation procedures had clearly enhanced the management of technical, organizational and other aspects in companies.

The results of the cooperation law, described above, occurred mainly during the period of economic growth. However, the cooperation law has really been put to trial during the recession that started in the early 1990s. The effects of the law were clearly felt in situations where employees were laid off and fired. The obligation to negotiate for three months in the case of collective lay-offs and notices caused the greatest contention. According to employer organizations, the three-month negotiation period only post-

poned inevitable decisions, while trade unions felt that it contributed somewhat to safeguarding the position of employees, even though lay-offs and notices could not be prevented.

Employee Representation in Company Administration

The law on employee representation in company administration entered into force in two stages. Companies had until 30 June 1992 to decide to which administrative body the personnel could send their representatives. If no agreement was reached by then, the company had to designate the body in question if at least two groups representing the majority of the personnel so demanded. A study on employee representation (Isaksson 1992) shows that large Finnish companies, in particular, had already implemented this system before the law came into force; for example, this was the case already by 1985 in state-owned enterprises (Kauppinen & Korkeala 1986). According to the study, three out of four companies had introduced the system by the end of the agreement phase. Most commonly, the personnel was represented in the board of managers (70 percent), although representation in the board of supervisors (30 percent) and on the board of directors (20 percent) was not unusual. As was the case with the cooperation law, it was felt that the law had increased the dissemination of information and opened a new channel for the personnel to air their views. However, it is still too early to draw more far-reaching conclusions from the effects of the reform in companies.

Personnel Funds

Personnel funds have a dual nature. On the one hand, they can be seen as a kind of bonus system. On the other hand, they can be a way of increasing the personnel's opportunities to participate in the decision-making of the company if the personnel gains partial ownership of the company through investments in the fund (which may, of course, use investments for other purposes). So far trade unions have had mixed feelings about personnel funds, and they have not actively participated in their propagation.

The law on personnel funds was justified by the positive impact it was supposed to have on economic democracy and companies' competitiveness. However, along with the recession in the beginning of the 1990s, the establishment of personnel funds has declined, and many of the existing funds have not yet been able to pay profit bonuses. At the beginning of 1994, there were 44 officially registered personnel funds in Finland, which covered an estimated 100,000 employees (just under 10 percent of the labour force in the private sector). Large industrial companies, especially

the wood processing industry, chemical industry and energy supply, have been the most eager to introduce personnel funds (Repo 1994).

Assessment

The survey above shows that forms of participation in Finland have moved from grass roots to top management. The collective agreement system is a means of influencing income distribution in companies. The cooperation and industrial safety systems help employees receive information about matters affecting the personnel directly, so that they have 'a right to inspect the company from the inside'. The system of employee representation in company administration provides an opportunity to influence strategic decision-making, while personnel funds allow the employees to decide independently how to use profit bonuses. However, it should be noted that the two last-mentioned systems, in particular, are only used in a relatively small number of the largest Finnish companies, and none of the systems have resulted in a radical increase of employees' authority.

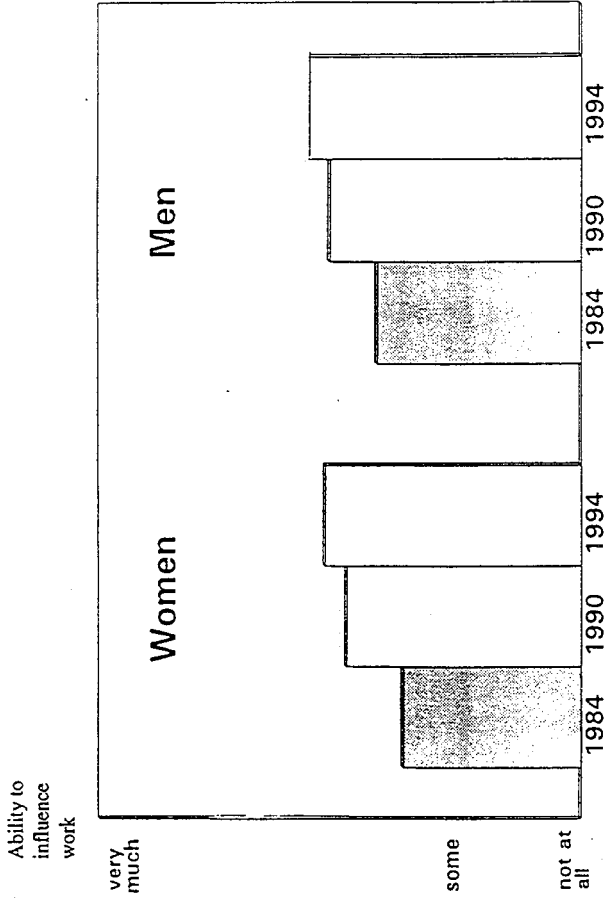
Trends Of Direct Participation In Finland

From Representative to Direct Participation

As in other Western European countries, the focus of discussion in recent years in Finland has shifted from representative to direct participation. Debate has been encouraged by the spread of new management methods as well as by the improved education and training of the labour force, individualization of values and the weakening of ties between trade unions and their members. A recent study shows that, of all Finnish wage and salary earners, 42 percent regarded that management styles at their workplace had undergone a change during the last year, and the change was evident in all sectors of the economy (Ylöstalo & Kauppinen 1994). According to the general trend at workplaces in the past ten years in Finland, employees have the impression that their power to influence their work and working conditions has grown continuously (Figure 2).

At the same time, however, employees find that the content of their jobs has become more demanding, mental work load has increased, and rivalry and social conflicts at the workplace have become more common. This concerns all major groups of employees, all sectors of activity and workplaces of all sizes. A common factor behind these changes are the more pressing demands for profitability and flexibility everywhere in Finnish working life (Kolu 1992; Ylöstalo et al. 1992). The deep economic recession has slowed down the general trend of increased participation (Ylöstalo &

Figure 2
Attitudes of Male and Female Employees in Finland towards their Ability to Influence their Work and Working Conditions, 1984-94



The data for 1994 is an estimation based on Working Life Barometer (Ylöstalo & Kauppinen 1994). The data for the years 1984 and 1990 see Lehto 1992.

Source: Ylöstalo & Kauppinen (1994)

Kauppinen 1994), but it is obvious that the economic upturn will give a new impetus to the spread of new management methods with an emphasis on delegation of decision-making powers.

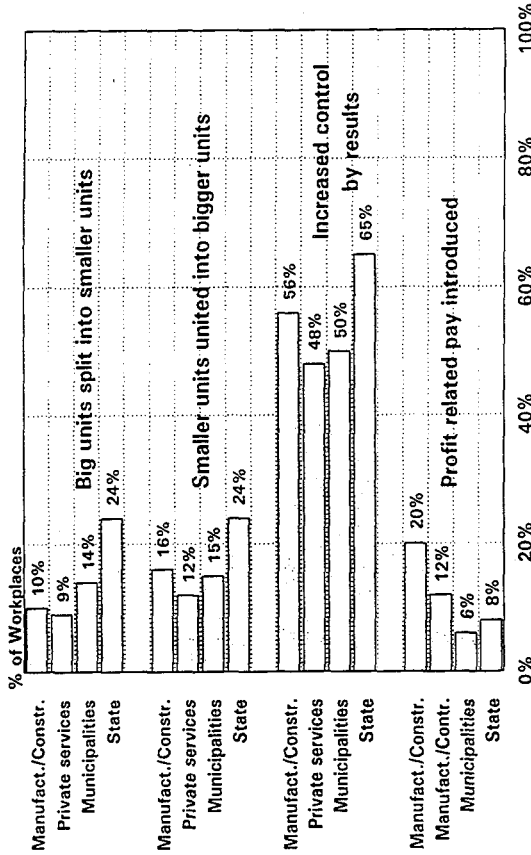
Recent Trends in the Private Sector

Finnish companies lag behind the other Nordic Countries in the extent of pioneering experiments in the field of work organization, although group-work and teamwork has been a central theme in the discussion for several years in Finland (Kasvio 1991; 1994). During the 1970s, discussion focused on semi-autonomous workgroups and referred to experiments in Swedish industry in particular. New computerized technologies, production cells and JIT management were the topics in the 1980s. It was estimated however, that there were much less production groups in Finnish industry than in other Nordic countries (Varjonen 1989). In the 1990s the debate about new ways of organizing work has been livelier than ever, especially due to the growing interest in new methods of management such as lean production, reengineering, total quality management (TQM), activity-based management (ABM) and time-based management (TBM).

The economic slump and the ensuing wave of bankruptcies, European integration and the globalization of markets have forced companies to reassess their traditional modes of operation. Companies have paid greater attention to product quality, the special needs of customers and rapid and reliable deliveries, all of which call for blurring of the former demarcations between jobs and functions and even between different companies in the value-creating production stream. This offers skilled white- and blue-collar employees the opportunity to acquire more power of decision also in the support, planning and supervisory tasks related to their work. At the same time, however, companies' headquarters and units responsible for individual support and planning functions have been streamlined, while duties and/or personnel are being transferred to production, or the tasks in question are being contracted from outside the company. In the future, the spread of new management methods will in many cases constitute a greater threat to many of the middle managers and white-collar workers in lower positions than to skilled blue-collar workers.

In Finland, the mechanical engineering industry has traditionally been a pioneer in the introduction of new management methods. In recent years this role has been played by big electronics corporations such as ABB Finland and Nokia, the first of which has openly committed itself to the lean management approach. FIMET, which represents employers of the metal-working and electronics industries in collective bargaining, also actively promote the introduction of new management and work organization meth-

Figure 3
Percentage of Finnish Workplaces Covered by Management
by Results, 1993



Working Life Barometer October 1993
 Finnish Ministry of Labour

Source: Ylöstalo & Kauppinen (1994)

ods in Finland. Since the late 1980s, the policy of the Metal Workers' Union has been to support the reorganization of work which increases employees' influence at the workplace (Kevätsalo 1990). In the sectoral agreement of 1993, drawn up between the organizations, the companies and the local union branches were given much more leeway to agree on daily and weekly working hours. FIMET and the Metal Workers' Union have also conducted general discussions concerning the gradual adoption of a single collective agreement that would cover all employees in the sector. In all manufacturing industries, such an arrangement is definitely more popular among unions representing blue-collar than those representing white-collar workers. Currently in Finland, various groups of employees in the manufacturing industry have separate collective agreements.

Recent Trends in the Public Sector

Since the mid-1980s, management by results has also been implemented in many organizations in the public sector. The motives were to improve the quality of services and flexibility by reducing bureaucracy. In the 1980s, the financial constraints in the public sector, caused by the recession, increased demands to make municipal organizations and the operation of State offices and establishments more efficient. In these circumstances the main goal was to cut costs and improve productivity. So far, results-oriented criteria have been applied by the State more often than by municipalities (Figure 3). One reason for this is that certain services, such as post and telecommunications and the state railways, which together comprise one fourth of the State employees, have been turned into State corporations and thus become less dependent on the State budget.

The public sector will undoubtedly continue to look for new ways of applying management by results and, in the longer run, applications of lean management. This will lead to a streamlining of organizational structures and the delegation of decision-making to result-oriented teams and workgroups. However, many organizations in the public sector are characterized by bureaucratic administration and professional compartmentalization, which will be an obstacle to radical change. The strictly defined, but often narrow and unrealistic profit goals have become a target for growing criticism, especially in the municipal social and health care sectors and in education. This criticism has been further fuelled by the fact that in many municipalities the introduction of management by results coincided with drastic cuts in expenditures, due to the economic recession.

It should be remembered that, with respect to employees' opportunities to exert influence, there are marked differences between the Government business organisations (or corporations) and the public service. There are

Government business organizations, for example those conducting research and producing high-quality services, where the personnel have good opportunities of direct participation. On the other hand, the public service includes large administrative offices and organizations responsible for the security of citizens in which direct participation is inevitably restricted. In the municipal sector, the differences between the various sub-sectors are notably smaller (Koskimäki 1993). It is evident that the trend both in the State and the municipal sector will be towards greater heterogeneity with the introduction of new methods of management.

Conclusions

It seems that the phase of incomes policy agreements is coming to an end in Finland and the focus of negotiations is shifting to the sectoral and local levels. Generally speaking, the advocates of centralized agreements comprise the central union organizations SAK, STTK and Akava and the trade unions representing employees of the public sector and the service industries. By contrast, all the major employers' organizations strongly seek a more decentralized system. The attitude of the unions in the manufacturing industries is ambiguous. Increased possibilities to deviate from the provisions of the sectoral agreements at local level will strengthen the collaboration between unions within the same branches of industry and partly replace former loyalties between the unions within the same central organizations. In Finland this trend will probably result in more amalgamations between unions. This has been called the 'cartelization' of the system of collective bargaining (see Kauppinen, 1992).

The scope of change will depend on many intervening factors. First and foremost, if it can be demonstrated that the overall result of decentralization will be increased employment, improved competitiveness and reduced inflation, it will be difficult for the advocates of incomes policy to argue for centralized solutions. In this case it is likely that the changes will become permanent. On the other hand, fierce inter-union competition in wage bargaining may encourage employer associations to change their position. Despite the growth of unemployment, most trade unions in Finland have survived the recession without marked decrease in their membership or their power of bargaining. The role of the Government is of decisive importance with respect to the form and content of collective bargaining. If the Social Democratic Party is returned to power after the parliamentary elections of 1995, there may well be a revived interest in incomes policy, at least on the part of the Government. Last but not least, membership in the European Union would probably weaken the ability of any Finnish Government to

persuade labour market organizations to support centralized agreements. Finland's membership of the European Union would narrow the scope for manoeuvre in economic and social political solutions, both of which have been important prerequisites for all major incomes policy agreements.

Representative participation systems were largely renewed in Finland during the period of the coalition Government headed by the Social Democratic Party and the Coalition Party in 1987–91. Since then, the debate on legislative reforms of systems of representative participation has almost entirely withered and the focus of discussion shifted to the spread of direct participation, following the introduction of new management methods and the associated new forms of work organization. Employees' enhanced opportunities to exert influence on their own work with teamwork have, in many cases, been offset by the loss of authority of departmental shop stewards. In Finnish industry, there is no evidence of erosion of the systems of representative participation on a larger scale (Mikola-Lahnalampi and Alasoini, 1995). Cooperatively implemented, new forms of work organization can open up greater chances of participation to employees than the current representative systems, many of which still remain distant from the majority of rank-and-file employees.

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