



MINISTRY OF FINANCE

Competitiveness Authorities – Case Finland The Information Committee on Cost and Income Developments *

3.11.2015 Mikko Spolander

Economic governance of the EU: QuoVadis?

A panoramic view of the Helsinki skyline, showing a dense urban area with various buildings and a prominent tower in the distance.

* The views expressed in this document are those of the author and do not necessarily reflect the views of the Information Committee on Cost and Income developments.

Contents of the show

1. Wage formation in Finland
2. The Information Committee on Cost and Income Developments



Wage formation in Finland

Trade unions

3 employees' central confederations, 3 employers' central confederations

Confederations are made up of a number of separate affiliated unions.

- working age population 4.1 million
- labour force 2.7 million
- 2.2 million trade unionists
- Union density around 75 % (StatFi, 2008).

Affiliated unions have their own constitutions and have considerable negotiating autonomy.



Collective bargaining

Collective bargaining takes place at three levels: national, industry and company

- National level agreements (general incomes policy settlements) cover the whole economy, produce recommendations to negotiators at industry level and the government often plays a key role.
- Industry level negotiations set rates and basic conditions for each industry, provide a minimum standard which in most cases is binding on all employers in that industry.
- Company level negotiations take place with the framework of industry level agreements and can produce improvements on the industry settlement.

There are some 1.000 different collective agreements, out of which some 160 are generally binding.

Collective bargaining coverage is high at over 90 %.

There is no system for setting a single national minimum wage.

The pay rates set in legally binding industry level agreements fix the minimum rates for each industry.



The Information Committee on Cost and Income Developments

Functions

The Committee

- collects information and prepares reports and calculations to support collective bargaining and decision making,
- monitors wage formation, collective bargaining and settlements and assess their impact,
- discusses how wage formation and collective bargaining could promote employment and enhance the functioning of the labour market.

While carrying out its tasks the Committee should take into account

- settlements in the relevant competitor countries,
- competitive position of the economy,
- issues related to negotiations under collective bargaining.



Functions (cont.)

The Committee monitors

- economic outlook – Ministry of Finance forecast*
- wages, prices and costs
- taxes and social transfers
- employment
- purchasing power – aggregate and per household
- competitiveness – cost and real
- settlements – content and format

* According to the law the Ministry of Finance economic forecasts are prepared independently by the Ministry of Finance Economics Department.



Organisation



Members

- Ministry of Finance (the chair plus secretariat)
- Employers' central organisations
 - Confederation of Finnish Industries (EK)
 - The Office for the Government as Employer (VTML)
 - KT Local Government Employers
- Employees' central organisations
 - The Central Organisation of Finnish Trade Unions – SAK
 - Finnish Confederation of Professionals STTK
 - Confederation of Unions for Professional and Managerial Staff in Finland – Akava

Permanent Experts

- The Central Union of Agricultural Producers and Forest Owners (MTK)
- The Federation of Finnish Enterprises
- Statistics Finland
- The Prime Minister's Office
- The Bank of Finland

- Works under the Prime Minister's Office
- Members at expert level

- Four year term
 - 22.10.2008 – 21.10.2012
 - 22.10.2012 – 21.10.2016

Outcomes

The Committee prepares and publishes

- Regular reports on economic outlook and wage formation biannually
- Special reports on selected issues annually, e.g.

Taxonomy of wage settlements

Occupational structures and wage statistics

Wages and salaries in key competitor countries

Wages, productivity and employment in Germany

Indicators for cost competitiveness

Structural factors driving global competitiveness in Finland

The Government or the Cabinet Committee on Economic Policy can commission the Committee to prepare studies on selected topics or request it to issue opinions.



Key elements for success

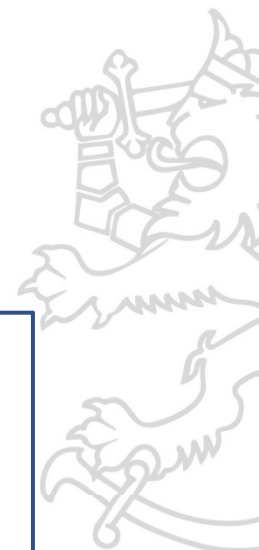
Jointly recognised mission and targets.

Mutual confidence.

Clear mandate and room for manoeuvre.

- Expert status
- Jointly recognised role in the process
- Genuine demand for the work

Ownership at high level.



Current challenges and possible steps forward



Global supply chains, outsourcing, wider EU with single labour market.

From wage formation based on economy wide averages to wage formation based on industry averages or production site or individual characteristics.

- prices, costs, productivity, profitability
- leaders, followers and benchmarking in wage formation

From centralised to decentralised collective bargaining.

Need for more decentralised and industry or market specific information.

How to make this information effectively available where negotiations take place?

Evaluate and clarify the role of shared information basis and common economic outlook in decentralised wage formation

- Substance
- Procedures

Thank you !