



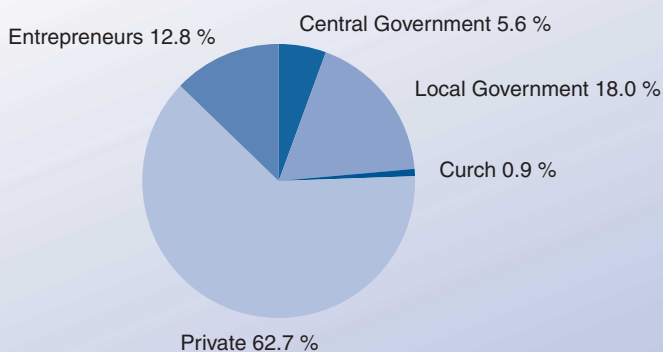
The finnish public sector as employer

## 1 THE FINNISH PUBLIC SECTOR IN BRIEF

- The public sector is large in terms of both its number of employees and its share of the GDP. The Evangelical Lutheran Church of Finland and the Finnish Orthodox Church are also part of the public sector.
- Finland's public sector services are extensive and they are funded with tax revenues. The overall tax rate is high (44% in 2004). Not only the state but also the municipalities and the church have the right to levy taxes.
- Public sector services must be provided as a rule in Finnish and Swedish, and in the northernmost parts of Finland also in the Sami language.

*Distribution of employed labour force by sector in 2004, total 2.4 million*

---



- The trade union membership rate is very high in the public sector; some 80% of all employees are union members.
- Public sector employers participate in the national incomes policy. The comprehensive incomes policy settlements made between the labour market confederations and the Government have succeeded in guaranteeing industrial peace and economic stability.
- Gender equality is implemented well in decision-making and working life. Women's educational level and proportion of the labour force are high.
- The public sector has good employment protection and overall competitive terms of employment relationships. A positive attitude is taken towards developing skills and integrating working and family life. Annual holidays are 25-38 workdays depending on the length of the employment relationship, i.e. a maximum of 7.5 weeks.
- The entire public sector has pay schemes based on job evaluation and performance appraisal. This improves the competitive edge of the public sector on the labour market.
- The quality of public sector operations and services is assessed on a continuous basis. Statistics on employment relationships and human resources are comprehensive.
- The operations of the public sector are transparent, and e.g. the salaries are public. For many years now, Finland has been the world's least corrupt country in international corruption surveys<sup>1</sup>. Citizens, too, appreciate their public sector services.
- Finland and its public sector have been rated highly in many international competitiveness assessments<sup>2</sup>.

---

1 Transparency International, international corruption surveys

2 For example, the Institute for Management Development and World Economic Forum

## 2 THE DUTIES AND PERSONNEL OF THE PUBLIC SECTOR

### *Information on public sector personnel in 2004\**

---

	<b>Central government</b>	<b>Local government</b>	<b>Church*</b>
Number of personnel	124,000	431,000	21,400
Women	49%	77%	70%
Part-time	9%	14%	18%
Permanent employees	80%	73%	66%
Officeholders	83%	40%	48%
Labour costs of total expenditure	14%	53%	62%

\*The church figures are for 2005.

### Central government and its duties

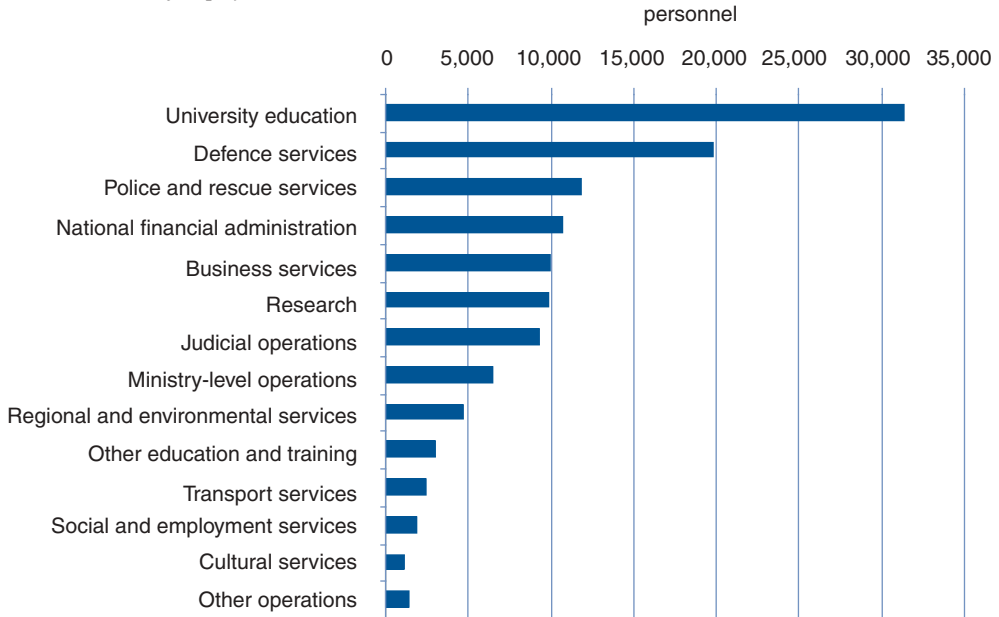
---

Central government operations are associated with the provision of important and indispensable services in the social, business and civic services sectors. The biggest personnel groups under the State's on-budget entities are defence services personnel and those employed by universities.

On-budget government agencies and departments, their duties, operations and personnel have undergone significant changes over the past fifteen years. The number of employees has been reduced from over 215,000 employees in 1988 to slightly under 124,000 in 2004. Most of this decrease is due to converting government agencies and departments into unincorporated state enterprises, incorporated state companies and municipal companies.

## State personnel by type of agency in 2004

Total number of employees 124,000



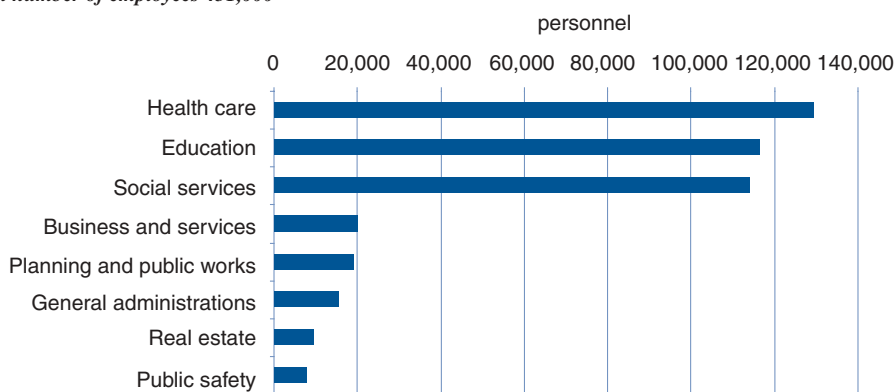
## Basic public services provided by local government

There are 431 municipalities and some 200 joint municipal authorities, all of which are independent employers. Each municipality is led by a town manager or municipal manager who has been appointed to a public service employment relationship by the municipality. Members of the municipal board and the municipal council are political decision-makers elected through local elections.

The municipalities provide basic public services for their inhabitants. They may provide statutory services themselves, through cooperation in the form of joint authorities comprising other municipalities or by outsourcing services to other local government or private sector operators.

## Local government personnel by administrative sector in 2004

Total number of employees 431,000



One fifth of the employed workforce (33% of the women and 9% of the men in the employed workforce) are employed by the local government sector. The number of local government personnel has more than doubled over the past thirty years. This increase, particularly in the 1970s and the 1980s, was due to increases in statutory welfare services.

The size of local and joint authorities as employers varies a lot. Three out of four municipal employers do not employ more than 500 people. The biggest employer is the City of Helsinki with some 36,000 employees.

More than 80% of all local government personnel work in the health care, social services or educational sectors, providing statutory basic local government services. Key areas in social services include children's day care, care for the elderly and social work. Health care covers specialized hospital care, primary health care, dental care and environmental health care. Ageing of the population will increase the need for health care services and care for the elderly. Education covers comprehensive schools, upper secondary schools, vocational training, polytechnics and libraries. Municipalities also have museums, theatres and orchestras.

Planning and public works deal with the necessary infrastructure. Business and services comprise unincorporated local government enterprises such as energy and transport services, some of which have also been incorporated or privatized in recent years. Key general administration personnel include top local government management and financial administration. Public safety covers e.g. fire and rescue services.

The local government services sector is extensive and comprises more than 5,000 different occupational titles. The most extensive occupational groups are registered and practical nurses and comprehensive school teachers.

## Church as public sector operator

---

The churches and religious communities operating in Finland have an autonomous status based on the freedom of religion defined in the Constitution Act. The Evangelical Lutheran and Orthodox Churches have a special status under public law. The employer units of the Evangelical Lutheran Church are the parishes and parish unions. The number of Evangelical Lutheran parishes was 562 with a membership of some 84% of the population at the beginning of 2005.

Apart from services and holy church ceremonies, the Evangelical Lutheran Church of Finland carries out extensive work in the sphere of education and social welfare, often in cooperation with local government authorities and social services organizations. Such work forms include social work (e.g. among the elderly, unemployed, disabled and people with multiple problems), family counselling, hospital chaplaincy and educational work among children and young people. Approximately one third of the church employees deal with education and social affairs. The church also has the statutory duty of taking care of the cemeteries in Finland.

## 3 COLLECTIVE AGREEMENT SYSTEM

### Labour market peace guaranteed through agreements

---

Labour market negotiations are largely based on a tripartite system. This means cooperation and negotiations among employer organizations, the trade union movement and the Government. Pay, working hours and other terms of employment relationships are agreed on in sector-specific negotiations between employer and employee organizations. National collective agreements guarantee labour market peace at workplaces. Collective agreements also determine the terms of employment relationships in the public sector. The agreements are usually valid for one or two years.

In the past few decades, a major proportion of national collective agreements have been based on national incomes policy agreements, i.e. comprehensive incomes policy settlements, between labour market confederations and the Government. Employers' confederations include the Confederation of Finnish Industries EK, the Commission for Local Authority Employers KT, the Office for the Government as Employer and the Church Employers' Commission. Employee confederations include the Central Organization of Finnish Trade Unions SAK, the Finnish Confederation of Salaried Employees STTK and the AKAVA Confederation of Unions for Academic Professionals. All public sector employers are members of the European employers' confederation CEEP<sup>3</sup>.

National incomes policy agreements have safeguarded stable development in society by agreement on the level and forms of pay rises for the collective agreements to be made in the various sectors. At the same time agreement has been reached on many issues concerning the development of working life, taxation and social security benefits.

The national collective agreement for government employees is made between the Office for the Government as Employer operating under the Ministry of Finance and the bargaining agents. The local government agreement system covers all local and joint authorities and their 430,000 employees. In local government, collective agreements are made between the Commission for Local Authority Employers and the bargaining agents representing the personnel. The local government sector has five participating sectors, of which educational staff and physicians for instance have their own contractual provisions that take into account the special nature of their work.

---

3 European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest

Labour market issues can also be agreed on at the local level. Local negotiations have increased in recent years, for instance as a consequence of new pay schemes. Some pay rises, too, can be left to be agreed locally. Government agencies and trade unions make agency-level collective agreements. There are some one hundred agency-level collective agreements for public servants and some 70 other agency-level collective agreements. In local government, agency-level collective agreements are made between the municipality or joint authority and a sectoral association of the principal bargaining agent.

## 4 HUMAN RESOURCES MANAGEMENT

Today the key areas of focus in the public sector in Finland are maintenance of the welfare state, its adaptation to new requirements and its further development. Changes in the operating environment of our society are causing a need for change in the public sector, too. Changes in the age structure of the population, first the significant upsurge in the number of the young in the labour force and then the fast ageing of the population which has been taking place in recent years are placing limits and requirements on the development of administration. The rapidly changing structure of education is also affecting administrative functions. Administration will increasingly have to take into account the growing requirements for better service set by an educated population.

Public sector reforms have led to a diversification in the sector of administration. Conventional administrative functions, services and public business have adopted organizational models and operating modes that are suitable for them. Reforms have changed the administrative machinery as an object and instrument of governance. New forms of governance and administration such as service management, expert management and production management have emerged parallel with traditional public servant administration. Public managers will have to meet the leadership requirements set by a novel governance.

### Human resources management is being developed

---

Results management is an established management method that requires strategic human resource planning and discussions between supervisors and employees. It is a central duty of employer and human resources policy to ensure that the public sector has sufficient, professionally skilled and motivated human resources distributed evenly between the various age groups, taking care of public welfare. The starting point of human resources management is to support implementation of the operational strategy, to advance the effectiveness of operations and to maintain personnel in working life to a later age than today.

The key areas in human resources strategy are management development, low personnel turnover, recruitment, improving personnel skills and competence, incentive rewards and promoting well-being at work. The balanced scorecard<sup>4</sup> is recommended for the evaluation and development of the effectiveness of local government services. According to the balanced scorecard, effectiveness in services is achieved through high-quality customer services, efficient processes and investment in personnel performance. One of the key projects in the government sector is the reform of the top public service management systems. The aims are to improve effectiveness, productivity and quality, to promote cross-sectoral administrative procedures and to emphasize a high level of ethics and personal financial accountability.

Various sets of evaluation criteria are applied for quality assessment in the various operating units of the public sector, such as the European Excellence Award EFQM<sup>5</sup> model and the CAF<sup>6</sup> of EU Member States.

## Success based on competence

---

The effectiveness of the public sector is based to a great extent on the competence of its employees. Skills and competence is a key success factor in the public sector. A significant proportion of organizations are expert organizations whose operating capacity is highly dependent on the skills and competence of their personnel and on its utilization and development.

For reasons of well-being at work and ageing of the workforce, attention has in recent years increasingly focused on the maintenance, development, transfer and acquisition of new knowledge. Competence calls for investments in human resources planning, which will become increasingly important, as retirement will create opportunities for improving operations. These opportunities will have to be exploited. Demands for the management of competence as part of management will gain increased importance.

In the local government sector, competence development is part of result-based management. The competence management is seen to be linking the development of human resources planning, recruitment and skills of personnel with service strategies. A training agreement safeguards the development of the skills and competence of the employees. In social services and health care local government employers are legally bound to take care of the further training of personnel.

---

4 BSC

5 European Foundation for Quality Management

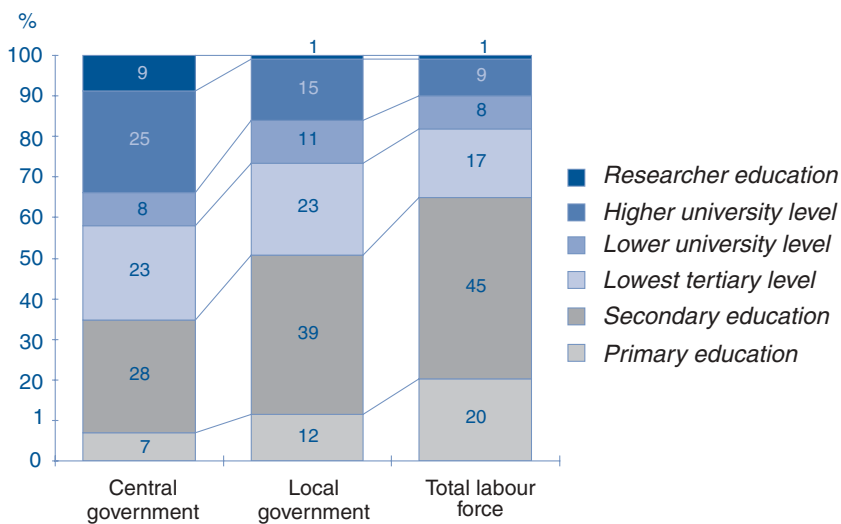
6 Common Assessment Framework

Personnel training is a component of strategic management and is based on the changing needs of working life and the development needs of work communities. Skills mapping and anticipation of labour requirements will emerge as key challenges, particularly in the current reform of local government and service structures. The public sector employer also gives strong support to the development of the skills and competence of their employees. Common short-term and long-term development needs are discussed in annual personal appraisal reviews with supervisors. Some organizations have achieved substantial benefits via online learning; others focus on planned job rotation, mentoring, internal training programmes or teamwork.

## Public sector needs trained resources

As the baby-boom generation retires, the public sector will need a great deal of new trained labour. A key goal in human resources policy is to safeguard the recruitment of expert resources to replace those retiring from the labour market. In future years, the challenge will be in enhancing the public sector employer image so that the sector will continue to be able to compete for qualified personnel. The external employer image and the reality experienced by the personnel are often contradictory, and the public sector employer is in many respects better than its reputation.

*Education by sector in 2004*



Local government develops its employer image as part of the municipal image and by improving the attractiveness of local government jobs. Local government employment is stable and safe and the turnover of permanent staff is low. Apart from good protection against unjustified termination, local government occupations offer other benefits such as a high level of competence among the personnel, the significance of the job content and factors relating to job satisfaction.

The public sector employer has a high regard for education and training, and the educational level in both the state and local government sectors is high compared with other sectors. There is no specific entry route to central government duties through education but the general education system produces new employees for the public sector. However, a higher university degree is, often required for specialist duties. There are also posts for which a specific qualification is required, such as Master of Laws or PhD. The government body responsible for strategic human resources management is the Office for the Government as Employer, which plans the broad outlines for managing competence. The practical solutions and operating models are, however, always chosen independently by each organization.

In the local government sector, many jobs have qualifications laid down in law and requiring a specific educational background. The work of health care professionals is regulated by legislation on the exercise of occupations. In addition to primary and secondary education, vocational training is in principle provided by local and joint authorities. Municipalities also own a major proportion of the polytechnics. This offers good opportunities for integrating the needs of education and working life in the local government sector.

## Incentive rewards

---

The pay schemes in the entire public sector have been undergoing a reform for a number of years now. The reform is implemented with the help of collective agreements and pay scheme development programmes. By autumn 2006, the new pay scheme will have been adopted throughout the public sector. The impact of the reform will go beyond actual pay policy, affecting effectiveness of operations, operating culture, employer image and implementation of the human resources strategy. The pay scheme reform is part of the reform of the entire public sector and the many changes in control and operating methods.

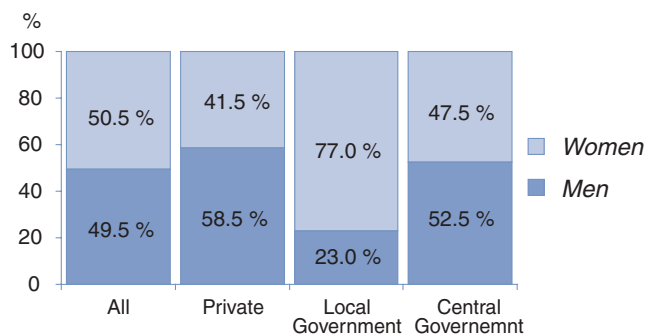
The new pay schemes are based on job evaluation and performance appraisal. The pay consists of a job-specific pay component and a personal pay component. The general job evaluation criteria are defined in agreements. The general objectives are to improve the correlation between jobs, performance and pay; to support the development of personnel competence, goal-setting and assessment of their achievement; and to provide incentives for good performance.

Result-based pay schemes will increase in the central and local government sectors in the next few years. Advancing the application of these pay schemes is a key area in developing central government pay policy in the agreement period 2005-2007. In 2003, result-based pay schemes were applied by 25 agencies and departments. The number of agencies with performance-related pay schemes has remained roughly the same for more than the past ten years, although some ten previous agencies have been excluded from the figure as they have been converted into unincorporated state enterprises.

In the local government sector, the application of performance-related pay schemes has slowly become more common. In 2004, these pay schemes were applied by 8 per cent of all local government units, and the total performance-related payroll came to EUR 13 million.

*Female and male employees by employer sector 2004*

---



## Gender equality and equal pay create opportunities

---

In Finland, women have a long history of participating in working life and half of all wage-earners are women, but the labour market is still divided by gender and a majority of women are working in sectors that have, on average, lower pay levels than typically male-dominated sectors. However, the pay difference between men and women is very small in the public sector when the impact of some background variables (age, education and training, work experience, the requirements of the job) is eliminated. Pay schemes based on job evaluation and performance appraisal have promoted the implementation of equal pay.

Women account for 24% of the top central government posts and 38% of all managers and supervisors. Thirteen percent of municipal managers and 40% of all ministers, municipal councillors, members of Parliament and members of the EU Parliament are women.

Finland's Gender Equality Act lays down an obligation for employers to draw up a gender equality plan. The plan must include payroll charting and proposals for action to advance gender equality and to reduce pay differences. A number of statutory schemes, the right to day care and a comprehensive day care system support the integration of working and family life and the possibility for parents of small children to work.

## Continuing to work to a later age also supported by pension reform

---

Pension security in Finland comprises a residence-based national pension and employment pension accrued through working. The national pension complements the employment pension for people who have accrued a low employment pension or have no employment pension. The amount of pension accrued through working depends on the years worked and the pay earned. The pension security for employees is provided by the employer, but the employee also contributes to the pension costs.

The pension system was renewed as from the beginning of 2005 in all labour market sectors. The accumulation percentage is 1.5% per year and pension begins to accrue from the age of 18. The percentage increases with age: for people in the 53-62 age bracket it is 1.9% of annual pay and for people in the 63-68 age bracket it is 4.5%.

It is possible to retire according to a flexible plan between 62 and 68 years of age in all the labour market sectors. With the increasing accumulation percentage, the goal is to induce employees to continue working to a later age.

Apart from statutory pensions, Finland has voluntary pension insurances. Their insurance premiums are deductible in taxation to a limited extent. The pension to be paid will be taxable income.

***More information:***

***Office for the Government as Employer – [www.vm.fi/vtml](http://www.vm.fi/vtml)***

***Commission for Local Authority Employers – [www.kuntatyonantajat.fi](http://www.kuntatyonantajat.fi)***

***Church Employers' Commission – [www.evl.fi/kkh/heo/](http://www.evl.fi/kkh/heo/)***







**MINISTRY OF FINANCE**

Personnel Department, State employer's office

Mariankatu 9, 00170 Helsinki

P. O. Box 28, FI-00023 GOVERNMENT

Tel. +358 9 160 01 or +358 9 578 11 (exchange)

Fax +358 9 160 34854

[given\\_name.surname@vm.fi](mailto:given_name.surname@vm.fi)

[www.financeministry.fi](http://www.financeministry.fi)



**COMMISSION FOR LOCAL AUTHORITY EMPLOYERS**

Toinen linja 14, 00530 Helsinki

P.O. BOX 200, 00101 Helsinki

Tel. +358 9 7711

Fax +358 9 701 2239

[www.kuntatyonantajat.fi](http://www.kuntatyonantajat.fi)