

FINNISH EMPLOYER CONFEDERATIONS — STREAMLINING INNER ORGANIZATION AND REGULATING NATIONAL CAPITALISM

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Abbreviations

TT = The Confederation of Finnish Industry and Employers (Teollisuuden ja Työntantajain Keskusliitto), 1993-

PT = The Employers' Confederation of Service Industries in Finland (Palvelutyöntajat), 1995-

MTL = The Employer Organization for Rural Areas (Maaseudun Työntantajaliitto)

SY = The Finnish Entrepreneurs (Suomen Yrittäjät)

LTK = The Employers' Confederation of Service Industries (Liiketyöntantajain Keskusliitto), 1973-1994

STK = The Finnish Employers' Confederation (Suomen Työntantajain Keskusliitto), 1907-1992

SAK = The Central Organization of Finnish Trade Unions (Suomen Ammattijärjestöjen Keskusliitto)

LK = The Employers' Confederation of Service Industries (Liiketyöntantajain Keskusliitto), 1945-1973

TKL = The Confederation of Industries (Teollisuuden Keskusliitto), 1974-1992

Introduction

This chapter on Finnish private sector employer confederations is divided into four sections. The first section lays the theoretical foundation for the chapter. The second section investigates the history of private sector employers' confederations. This short historical description reviews the most important developments and landmarks in the history of employers' organizations. Whereas the second section lays down the historical framework for current developments, the third section concentrates on developments in the 1990's, and it is in the 1990's where the focus of this chapter rests. The third section deals more closely with the two most important Finnish employers' confederations in the 1990's: the Confederation of Finnish Industry and Employers, and the Service Employers' Confederation. After presenting private sector employer organizations on their own, so to speak, this chapter goes on to analyse what kinds of relations there are between employers' organizations and the Finnish system of industrial relations. This is done in the fourth section. At the end of the fourth section the main findings of the chapter are summarized by explaining how Finnish capitalism has been regulated.

The main sources of this chapter are histories of employer confederations, their annual reports from the 1990's, diverse statistical sources for the computation of employers' organization rates, interviews in the two employers' confederations in question and several earlier studies on Finnish industrial relations and the regulation of Finnish capitalism.

I would like to thank the staff of both the Confederation of Finnish Industry and the Employers and Service Employers' Confederation for providing me with material for this chapter. I owe especial gratitude to interviewees from both of these organizations. I thank Timo Kyntäjä and Pauli Kettunen for their comments, and Joel Pottala for correcting my English. I am also grateful to Pirjo, Kati and Olli who showed patience while the father of the family was working.

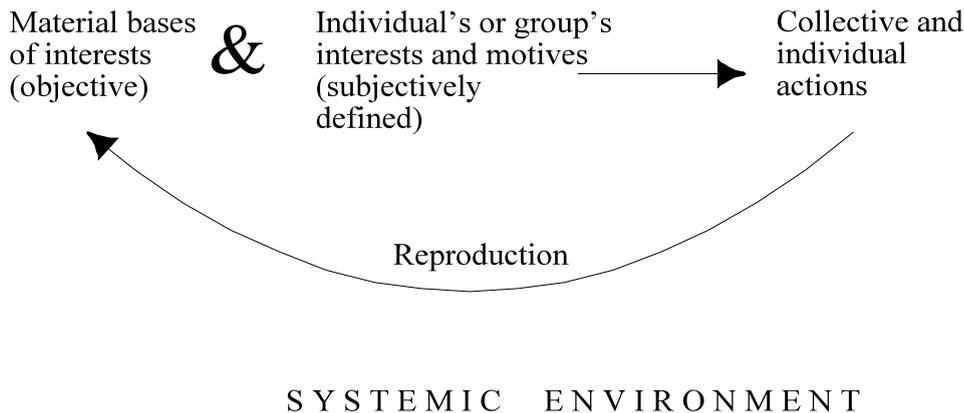
1 A rational, institutional and systemic approach to interest organizations

Organizational forms of capital's interest representation can be divided into four categories (see Müller-Jentsch 1997, 170; see also Jensen & Madsen & Due 1997, 39). First, employer organizations represent capital's interests in relation to labour. Secondly, pressure groups or business associations aim to influence the state, political parties and public opinion to capital's advantage. Thirdly, sometimes capital's organizations receive their regulatory roles from public authorities. Capital's representatives fulfil these regulatory functions, for example, in tripartite working groups, committees and tripartite labour courts. Lastly, part of capital's organizational objectives are internal: in many cases capital's organizations offer diverse services to their members.

This chapter concentrates on the two most important Finnish employer confederations but in many cases also the business functions of capital's interest representation has to be taken into account. This is because in Finland the division between business associations and employer organizations is not clear-cut. Therefore, this chapter concentrates mainly on employer functions of capital's organizations. Yet, because it is

difficult to understand the employer functions of capital's organizations without also analysing their economic, political and ideological functions, this chapter aims to give some weight to these other functions as well.

Figure 1. Reproduction of social position and interests



Capital's interest organizations are normally believed to have a specific objective (material) basis of interest from which their more subjectively interpreted interests rise. In fact, Finnish employers tend to stress the objective character of their interests almost without exception. Subjectively interpreted interests then are supposed to lead to certain kinds of interest-based actions that are carried out in such a way that the actors' objective bases of interest are improved — or at least the actors' material conditions are not worse than before (see Ritsert 1998, 323-326). In this circular way social actors reproduce, or at least aim to reproduce, their material conditions (that is, their position in the given social system). These ideas on interest organizations are illustrated in Figure 1.

Figure 1 opens up at least three interesting themes for discussion. First, the definitions of the actors "material bases" and "interests" are crucial for the inner organization and conduct of an actor. Therefore, these definitions are made at the highest levels of power of an organization, and they are also at least potentially very contested subjects in an organization. Secondly, the division between objective bases of interests and a subjective interpretation of interests leads to the possibility that actors, individuals or groups, may interpret wrongly their interests (the problem of "false consciousness"), or in any event there is always the possibility of a new definition of interests. Yet, because interests have objective material bases, their definitions must have some sort of connection to the objective world (i.e., to the actions of other actors and their material surroundings); their definition cannot be purely subjective. The objective bases and their subjective interpretations are closely interwoven, yet they are not the same thing. Thirdly, since the actors' thinking and acting in this schema are connected to their particular social position, their way of acting is inevitably biased: they perceive the world always from a certain perspective which may well hamper the attainment of the objective truth of society at large

(the problem of “ideology”, see Ritsert 1988, 325).

This general interpretation of the *modus operandi* of interest organizations aims to be rational, institutional and systemic.¹ It is “rational” because actors are supposed to act rationally according to their material interests. Yet, its rationality is historical and relative because both objective basis of interests and their subjective interpretations are dependent on historical conditions. It is “institutional” because the most important elements of its historical conditions are social organizations and institutions. It is “systemic” because it perceives objective bases of interests, subjectively defined interests and social actions as a systemic whole which reproduces itself.

The empirical subjects of this chapter, two confederations of Finnish private sector employers, comprise a very general level of capital’s interest representation. This raises the question of whether there are different subjective definitions of interests either within or between the two confederations (those of industry and of services) analysed here. This is because such a large organizations include a large number of branches, sub-branches and firms, and consequently, since their members’ material bases of interests differ from each other, they are also likely to interpret their interests differently. Apparently, the most obvious way to circumvent this problem is to divide interest representation in such a way that the more encompassing an interest organization is, the more general the interests which it represents (see Jensen & Madsen & Due 1997, 43).

The above presented theoretical considerations give rise to the following questions concerning the empirical subjects of this chapter. What are the main bases of interests of Finnish private sector employer confederations? In what way are these bases reflected in organizational structure and the policy of employer organizations? Are there conflicts of interest between confederations and their branch organizations? These and some other questions will be dealt with in this chapter.

2 On the history of employer confederations

At the present time Finnish employers have eight central organizations: four for private sector branches and four for public sector employers. These organizations are (Kauppinen 1997, Haatanen 1998, 115):

In the private sector:

- ! The Confederation of Finnish Industry and Employers (Teollisuuden ja Työntantajain Keskusliitto, TT) established in 1993; its predecessor The Finnish Employers’ Confederation (Suomen Työntantajain Keskusliitto, STK) was established in 1907;
- ! The Employers’ Confederation of Service Industries in Finland (Palvelutyöntajat, PT) established in 1995; its predecessor the Employer Confederation of Service Industries was established in 1945;
- ! The Employer Organization for Rural Areas (Maaseudun Työntajaliitto, MTL) established in 1949.

¹ As far as I can see this kind of approach is rather common in the sociology of industrial relations. For example, it resembles closely Jensen’s, Madsen’s and Due’s theoretical stance in their article on Unice (see Jensen & Madsen & Due 1997, 38-41).

- ! The Finnish Entrepreneurs (Suomen Yrittäjät, SY) represents individual entrepreneurs and small firms. Neither employer confederations nor labour unions have, however, accepted the Finnish Entrepreneurs as a participant to bipartite negotiations between employers and employees and though the Finnish Entrepreneurs do participate in tripartite consultations between diverse state actors, employers and employees, their influence in industrial relations is nevertheless minimal. Therefore, the Finnish Entrepreneurs are not included in this chapter.

In the public sector:

- ! The state labour market organization (Valtion Työmarkkinalaitos, VTML), established in 1973;
- ! The labour market organization of the municipalities (Kunnallinen Työmarkkinalaitos, KT), established in 1970;
- ! The delegation of the Evangelical-Lutheran Church of Finland for collective bargaining (Kirkon Sopimusvaltuuskunta, KiSV), established in 1975;
- ! The employer organization for privatised public enterprises (Liikelaitosten Työnantajyhdistys, LTY), established in 1993.

Inasmuch, however, as it is the purpose of this chapter to deal with the most important private sector employers' confederations, public sector organizations and the small private agricultural organization have therefore been omitted. This section of the chapter presents a short history of the Confederation of Finnish Industry and Employers (Teollisuuden ja Työnantajain Keskusliitto, TT), which prior to 1993 was called the Finnish Employers' Confederation (Suomen Työnantajain Keskusliitto, STK), and of the Employers' Confederation of Service Industries in Finland (Palvelutyönantajat, PT), which prior to July 1995 was called the Employers' Confederation of Service Industries (Liiketyönantajain Keskusliitto, LTK) (Kauppinen 1997) and it aims to give necessary background information for the analysis of the 1990's.

The periodization of the history of Finnish employer organizations and the Finnish industrial relations system is presented here in a general way, and though other researchers have used finer distinctions (see, for example Kauppinen 1994, 45-74), I have settled for an approximate periodization because my aim here is not to write a detailed history of employer organizations or Finnish industrial relations, but to present historical trends and dynamics to facilitate an understanding of the developments in the 1990's. The periodization used here stresses the importance of political history to the strategies of Finnish employers: the Civil War of 1918, the end of the Second World War¹ and the integration of Communists to corporatist (tripartite) policy making in the late 1960's mark

¹ During the second World War Finland waged, in fact, three wars: the Winter War against the Soviet Union (winter 1939-1940); the Continuation War against the Soviet Union (summer 1941-autumn 1944) and the Lapland War against Germany (autumn 1944 - winter 1945). Due to this, Finns tend speak about the "wars" when referring to the Second World War.

the most important turning points in the history of Finnish employer strategies.¹ In comparison to these historic eras the 1990's do not actually represent a new period in Finnish industrial relations, but they are separated from the rest of the analysis and placed in their own section (section three) for the reason that the main emphasis in this chapter lies in the latest developments.

In addition to the most visible political changes influencing employers' strategies, longer-term changes of economic and social structure have also led to alternations in the positions of employers. During the twentieth century Finland has developed from a peripheral agricultural country exporting mainly raw-materials, into a developed industrial nation (Lilja 1992, 199). For a long time forest industries have been very important to the Finnish economy. This economic one-sidedness in the export industries has, however, eased considerably during the last four decades (see Table 1). This enlargement of export industries has taken place in the metal industries and in information technology. Especially in the 1990's a producer of mobile telephones, Nokia, began to expand massively.² However, even if Nokia's success in the 1990's has helped to broaden Finland's industrial structure beyond its traditional wood processing industries, in one respect Nokia's success follows the old tradition of Finnish industrial development. Wood processing industries have a very centralized structure with just a few big companies dominating this branch (see Lilja & Tainio 1996, 159). Also in this case of Nokia it is one huge company that plays an important role in the whole national economy. This situation is problematic because Nokia's success, or possible failure, may affect the whole national economy.

¹ Finnish researchers have often stressed that changes in the political sphere have led to changes in industrial relations as well (see, for example, Lilja 1992, 198-199; Kauppinen 1994, 77; Haataja 1991, 41).

² In 1990 Nokia's share of gross domestic production (GDP) was 0.4%; by 1999 it had grown to 3%. In 1990 Nokia's share of all Finnish exports was 5%; in 1999 it was an impressive 20%, and it is worth of noting that approximately one fourth of Nokia's exports are services. However, Nokia's direct impact on employment is relatively small: it employs only 1.1% of the total workforce in Finland. (Ali-Yrkkö & Pajja & Reilly & Ylä-Anttila 2000, 10-11, 14.)

Table 1. Finland's exports by industry 1970-1998

	1970	1980	1990	1998
Wood industry	16	15	8	6
Paper industry	40	30	31	24
Electronics	2	4	11	26
Other metal and engineering	23	25	32	27
Chemical industry	2	11	9	7
Other industries	17	15	9	10
All industries	100	100	100	100

Source: Eva 1999, 9.

The welfare state developed later in Finland than in the other Nordic countries. Yet, since the beginning of the 1960's, public employment has increased from 8% (1960) to 24% (1995) of total employment (Työministeriö 1999, 116). In comparison to industries and public services, private services have had a relatively weak position in the Finnish economy and in Finnish politics. Only since the 1990's, and especially due to a massive unemployment problem, have public authorities started to show increasing interest in the socio-economic situation of private services (see Kauppa- ja teollisuusministeriö 1996 and Kauppa- ja teollisuusministeriö 1998).

2.1 From the 19th century to 1918: organizing employers vis-à-vis trade unions

Only in this way [by establishing employer organizations, own comment] can the exaggerated demands of Social Democrats be successfully fought, only in this way can the conditions necessary for our industry be organized in such a way that continuing activity is ensured. (Teknikern magazine 18. Nov 1905; cited after Mansner 1981, 35)

In the 1870's Finnish capitalists started to organize cartels which aimed to promote the selling of the products of Finnish wood processing industries. Later, by the turn of the century, they started to organize themselves into employer and business organizations. The primary reason for starting to build employer organizations was that employers wanted to build a counter force to the emerging labour unions (Kajaste 1975, 2-3, 9). In many cases strikes triggered the establishment of employer organizations. For example, general strikes in 1905 and 1917 increased the number of members of employer organizations. Another

important reason for building new employer organizations was that employers wanted to express their interests to the state. When employers established their first central organization, its rules stated specifically that its aim was to “conduct studies and give voice to opinions on the demands of the confederation and its members on legislative, administrative, technical and economic issues” (Mansner 1981, 35). Thus, from the very beginning, employer and business functions were united in the same organizations.

By the turn of the century several attempts had been made to establish branch-level employer organizations. In many cases small entrepreneurs were active at this stage. The first national branch-level organizations were established in 1899-1900 by tailors, bakeries and the printing industry. In 1903 employers in the metal industry were the first in a large-scale manufacturing area to organize. The General Confederation of Employers in Finland (Suomen Yleinen Työnantajaliitto) began its operations in 1907. Nine associations and 212 enterprises were members at the end of its first year of activity. Membership grew slowly until 1917, when increasing class tensions brought new members to both the employer associations and the trade union movement. As a result, the General Confederation of Employers at that time consisted of 14 associations and 342 enterprises. (Mansner 1981, 35-38, 549-550.)

At the beginning of the twentieth century there were many branch-level collective agreements in Finland, and the newly organized employer organizations took a cautiously positive attitude towards these agreements. Yet, after disputes concerning the terms of collective agreements, strikes and lock-outs in the metal industries in 1908-1909, they started to fight against collective branch-level agreements (Mansner 1981, 112). In the forefront of this campaign was the Employer Association of Metal Industries (Suomen Metalliteollisuuden Harjoittajain Liitto). This strategy was successful because by around 1911 collective agreements were abolished from all industries except the printing and construction industries (Kajaste 1975, 11-12).

In spite of opposition to collective agreements, however, by the year 1917 the number of collective agreements had increased again and employer organizations started to reconsider their position on these kinds of agreements. The political unrest of 1917 was reflected in strike movements that led to, among other, to the realisation of the eight-hour working day. To be better able to answer labour's growing demands, the employers reorganized the General Confederation of Employers: at the beginning of 1918 it was renamed the Finnish Employer's Confederation (Suomen Työnantajain Keskusliitto, STK), and new regulations gave the confederation the right to give directions to its members (branch level employer organizations) if there were a threat of labour disputes. In fact, employers anticipated that Finnish industrial relations would develop in the same direction as in the Scandinavian Countries with branch-level collective agreements. However, this kind of development was not to materialise because the 1917 October Revolution in Russia and tense class relations in Finland led to a bloody civil war in the spring of 1918. (Mansner 1981, 121-122, 181-182; Kajaste 1975, 13).

Employer strategies in this period (from the end of the 19th century to 1918) can be summarized by stating that employers organized to build a counter force to the emerging trade unions and to influence state policy. Many employers were reluctant to organize but by the beginning of 1918 they had nevertheless established the General Confederation of Employers in Finland, which had considerable powers over its members. It can be said that employers united their forces to keep the rising labour movement divided by fighting against collective agreements, and their strategy proved successful. However, conflictual

class relations led to civil war, which can hardly be described as an example of the successful regulation of capitalism.

2.2 From 1918 to the Second World War: against collective agreements

Employers and the majority of our country's working population want to organize labour relations in an individualistic way, and it is individualism that is characteristic of democracy and freedom. (Teollisuuslehti 6/1939, the magazine of Finnish Employer's Association, cited here after Mansner 1981, 460)

Collective agreements have a political aspect. That will certainly be dependent on general political development, that is, on the outcome of the war. - - The employer side can therefore avoid collective agreements only if Hitler's system is implemented or if a miracle happens. - - anyway, we cannot avoid collective agreements — in this respect our chances are gone — and therefore I believe, as I said, that it is better to take advantage now of a development that will become unavoidable in any case. (From a memo by the former chairman of the Finnish Employer' Confederation, Åke Gartz, in December 1943; quoted after Kajaste 1975, 61-62.)

Employers thought that labour unions carried a heavy responsibility for the civil war since their members and organizations were engaged in the war efforts of the Reds. Therefore, after the war employer organizations decided that they would not negotiate with trade unions. All the employers did not agree with this prohibition however, and there were discussions within the employer camp on the possible advantages of collective agreements. Yet, collective agreements remained a rarity until after the Second World War. In addition to a few local agreements the only exception to this rule was the printing and publishing industry. (Mansner 1981, 244-247, 551; Kajaste 1975, 49.) Also in other respects employers adopted a hard attitude towards organized labour (Kajaste 1975, 51-52). To fight strikes in branches which used unskilled labour (especially sawmills and harbours) employers used outside strike-breakers (a similar strategy was used in Sweden, see Kjellberg's chapter in this book).¹ In branches that needed skilled labour, employers typically used lock-outs. The situation was additionally complicated by the fact that organized labour was divided into Social Democrats and militant Communists.

Economically the newly won national independence (1917) brought considerable structural changes: the lucrative Russian markets were closed to industry, and only part of Finnish industry was able to compete internationally. This development divided industries into competitive export industries (mainly wood and paper industries) and home market industries (Kalela 1975, 15; Ahvenainen & Kuusterä 1982, 229, 245-246; Mansner 1981, 204). Both areas of industry established their own interest organizations after an attempt to

¹ This action led to the founding of a specific organization that provided strike-breakers. This organization, named the Export Peace Corporation, was established mainly by the export industries. The Export Peace Corporation had in its archives the registration cards of 34000 strike-breakers. An indicator of the political precariousness of this activity was that the leader of the Export Peace Corporation stated that he had burned these cards in the autumn of 1944. (Mansner 1981, 303-305.)

launch a common organization failed (Kalela 1975,42).

The most important organization of export industries was Central Association of Finnish Woodworking Industries (Suomen Puunjalostusteollisuuden Keskusliitto), which was established in December 1918. This organization and the wood processing industry had close relations to public authorities, and all together they strove to promote the export of the products of the wood processing industries. In fact, Central Association of Finnish Woodworking Industries acquired such a strong position in foreign trade policy that it was sometimes called “the Second Ministry for Foreign Affairs” (Kalela 1975, 20).¹

Domestic manufacturing enterprises established their own business organization, the Central Association of Finnish Import Industries (Suomen Tuontiteollisuusliitto), in 1921. In 1924 it was renamed the Finnish Association of Industry (Suomen Teollisuusliitto). Throughout the 1920’s and the 1930’s the Finnish Association of Industry tried to establish stable customs tariffs which would protect home market industries. This policy finally produced results in 1938 when the government passed a law on custom tariffs protecting home markets. This success proved, however, short-lived since in November 1939 the Soviet Union attacked Finland and the Winter War began. (Pesonen, 1992, 10-12.)

During the Winter War the government attempted to strengthen national unity by reconciling employer organizations and labour unions. The negotiations between the government, the Finnish Employer’s Confederation (STK) and the Central Organization of Finnish Trade Unions (Suomen Ammattijärjestöjen Keskusliitto, SAK) led to the so-called “January Wedding”. This was a joint statement in which the labour market parties acknowledged each other and promised to negotiate on labour market issues in future. It is, however, worth noting that neither did employers give any promise to negotiate on collective agreements nor did this statement have any binding status (Mansner 1981 469-474). A further agreement in which STK abandoned its principal opposition to collective agreements and SAK recognized the employers’ right to manage (the right to hire and fire employees and direct the work) was signed in April 1944 (Mansner 1984, 79-80).

Together these agreements formed the basis for the historic class compromise between capital and labour in Finland. Yet, this class compromise materialised only after the Second World War when employers finally were forced to accept collective negotiations with organized labour. In comparison with the other Nordic countries, this class compromise developed late. In Denmark a similar agreement of compromise was concluded as early as 1899 (Septemberforling) and in Norway in 1935 while in Sweden this was done in several steps in 1905, 1906 and 1938 (Saltsjöbadsavtalet) (see the other chapters in this book).

Between the two World Wars the rate of organization among employers seems to have been dependent on four main factors (Mansner 1981, 226-227, 235-237) (see Figure 2 in subsection 2.5). First, during the Great Depression of the 1930's the organization rate first fell and then rose again in the latter half of the 1930's. Thus, the organization rate developed parallel to business cycles. Secondly, at the beginning of the 1920’s pressure from the political left and labour unions led to increased organizing. The same reaction was repeated

¹ These close relations between export industries and diverse state actors seem to form a well established tradition in Finnish economic nationalism. For example, the former president Martti Ahtisaari (1994-2000) used to take large business delegations with him when visiting foreign countries with the explicit objective of supporting Finnish exports.

in 1937-1938 as a large strike movement spread in Finland. Thirdly, employers also negotiated increasingly with state authorities on labour legislation, social policy, industrial policy and so forth. In 1933 the managing director of Finnish Employer's Confederation, Axel Palmgren, anticipated that in the future the power struggle would not be fought so much between labour market organizations on collective agreements as on social political and other issues in the working groups established by the state (diverse committees), in parliament and in the government. Fourthly, in some cases quarrels between branch-level associations diminished the level of overall organizing.

In general the employers' strategy between the two World Wars seems to have been successful in terms of its objectives. Employers managed to avoid collective agreements, and especially the export industries managed to influence the state in questions of industrial, trade and economic policy (Kajaste 1975, 22-36). However, employers could not prevent labour from organizing, and there were large industrial disputes in the country throughout the 1920's and the 1930's. In addition, also actors other than organized labour pressed employers to conclude collective agreements: many public authorities and politicians urged employers to make collective agreements with the unions, and also collective labour laws which supported collective agreements were passed (Mansner 1981, 458; see subsection 4.2 on labour law).

2.3 From the end of the Second World War to the end of the 1960's: From class compromise to centralized industrial relations

The end of the Second World War radically changed the political situation in Finland: the Communist Party was legalized, Communists and Social Democrats won parliamentary elections and union membership figures rose rapidly. Since the end of the Second World War the political left and labour unions have remained strong forces in Finnish society. Due to the importance of these political changes, post-1944 Finland has been labelled "the Second Republic" in contrast to "the First Republic" (1917-1944) in which bourgeois forces were clearly superior (see for example Kosonen et al. 1979, 30-31, 44). The strengthening of the Communists and their membership in the government from 1944 to 1947 frightened bourgeois political forces, who cooperated with the Social Democrats in fighting communist influence (the war had created "brotherhood of arms" feelings among these actors). Many feared the possibility of a communist revolution, and the years 1944-1948 were later labelled "the Years of Danger".

In the new political situation the Central Organization of Finnish Trade Unions's (Suomen Ammattijärjestöjen Keskusliitto, SAK) membership figures exploded from about 106000 in 1944 to 306000 in 1948 (Valkonen 1989, 70) and nationwide collective branch-level agreements spread quickly. By the year 1947 almost the whole of industry was covered by collective agreements (Kajaste 1975, 64). However, their practical significance was limited, since the wartime regulation of prices and wages lasted up until 1956. In any event, STK's decision to start collective bargaining was one of the most important decisions it has ever made — opposing collective bargaining had been the core of employer's policy line ever since 1909 (Mansner 1984, 521).

As can be seen from this development, the historic Finnish compromise between capital and labour was based on wartime agreements between the parties (see the previous subsection) and the radically changed power relations between the classes right after the war. Together with post-war political changes, this class compromise between capital and

labour paved the way to the Fordist development (normalcy of wage work, coincidence of mass production and mass consumption, development of the welfare state, centralized industrial relations and so on) in the Second Republic (compare Kettunen 1998, 52-54).

The biggest organizational change in the employer camp after the war was the establishment of the Employers' Confederation of Service Industries (Liiketyöntajain Keskusliitto, LK, after 1973 LTK) in 1945 (Pietikäinen 1995, 435-436). An important background factor to the establishment of LK was that the role of private services had become more important in the Finnish economy. Nevertheless, the immediate main reason was that the government had made a decision on wage regulation, and therefore the employer camp needed an organization that could negotiate on wage increases in private services. STK supported the establishment of LK because it did not want white-collar and blue-collar workers to unite under the banners of SAK. Thus, by supporting the establishment of a separate confederation for service employers, STK hoped that trade unions would be also split into blue-collar and white-collar unions. From its very beginning LK has extensively organized employers throughout the various branches of the private service sector. Branches within LK included wholesale, banking, many large cooperatives, hotels, restaurants, as well as the food industry, which, however, split from LK's successor LTK in 1990. Within retail trade, however, organizing remained limited, and it spread to this branch only in the 1970's.

In addition, it is interesting to note that organization of trade workers welcomed the establishment of LK (Pietikäinen 1995, 34):

We, for our part, have always regarded the establishment of an employer organization for employers engaged in trade as necessary. - - We therefore wish the new endeavour success, even though we will be fighting each other.

This quotation brings one essential feature of industrial relations into the foreground. Parties in industrial relations are dependent on each other for the very core of their identity or subjectivity: There cannot be employer organizations without labour unions and vice versa. A further factor integrating the parties with each other is that the nation-state forms a self-evident frame of reference for all industrial relations actors. Thus, a national frame of reference ties employers, employees and state actors to each other. Yet, this fact of mutual interdependence has, by no means, prevented labour market actors from claiming to be autonomous in relation to each other.

The role of the Employers' Confederation of Service Industries in Finnish industrial relations remained very limited for a long time. It was export industries and their interests that dominated in industrial relations and economic policy before as well as after the Second World War. LK has often criticized this state of affairs because this predominance of the international competitiveness of the export industries undermined the role of home markets in which private services do business. STK has also criticized LK, and from the end of the 1950's to the beginning of the 1990's it tried several times to merge LK with STK. (Pietikäinen 1995, 435-441.)

Finnish labour markets were quite restless in the years from 1944 to 1956. There was a multitude of strikes, some of them with violent clashes between workers and police, these strikes culminated in a three-week general strike in 1956 that started just as the wartime price and wage control had been finally abolished. The year of the general strike, 1956, presents a watershed year in Finnish industrial relations: from now on class tensions

diminished and both industrial relations parties started to participate in the regulation of the national labour market and the economy on a more equal footing.

There were already inner conflicts within the Social Democratic Party after the war, and in 1956 these conflicts led to the split of both the party and the trade union movement. Even though a divided trade union movement offered employers a better power position, it also made collective agreements more complicated and the whole system of collective bargaining was difficult to manage. Therefore, STK supported the unification of the trade union movement that took place in 1969 (Valkonen 1989, 56-57). In the 1960's STK also started to support more comprehensive collective agreements that together with other policy measures could ensure a more coherent regulation of the economy and the labour market.

The era of "incomes policy" began in 1968 when STK, SAK and the government made a comprehensive agreement in which wages, prices, public economy, agricultural income and social policy were linked together (Mansner 1990, 289). It was symptomatic of the leading roles of STK and SAK that the Employers' Confederation of Service Industries (LK) was excluded from these negotiations, and LK criticized the agreement afterwards because this agreement favoured industry's interests. However, despite its criticism LK also accepted the agreement because everyone had to "sacrifice" something for the sake of the "common interest" (Pietikäinen 1995, 267-268).

This first incomes policy agreement dating from the year 1968 can be looked at from at least two different perspectives (Kajaste 1975, 118). First, it was a traditional Finnish "stabilising solution" after the devaluation of Finnish Mark in 1967 that ensured that the newly won better international competitiveness would not be undermined by wage increases. Secondly, it was the beginning of a new kind of regulation of the economy and the labour market. In this new system of regulation, capital strived to integrate policy for economic growth and competitiveness, labour market regulation and social policies into a comprehensive whole. An important background factor was that employers saw that increasing international integration of the Finnish economy had created a need for more long-term economic planning and regulation (Kajaste 1975, 115-117).

Even if it is possible to pinpoint the winter of 1968 as the beginning of the period of incomes policy, it is worth noting that diverse actors had already strived to move towards this policy direction in the early 1960's. For example, the first comprehensive framework agreement between STK and SAK was made already in 1960 (Mansner 1990, 242-244). In several reports from 1962 to 1967 a government organ, "the Economic Council" (Talousneuvosto), suggested a policy line in which wage increases would not undermine international competitiveness and wage development would follow the anticipated development of the national economy. The reports also recommended the creation of a voluntary system of negotiations in which nominal increases in wages would be linked to a policy for economic growth (Kajaste 1975, 108-109; Kyntäjä 1993, 82-85).

The actual practice of incomes policy was preceded by a period during which actors developed a common language and ideology as well as common concepts for incomes policy (the reports of the Economic Council have already been mentioned above). In 1965 employers and employees established a common working group with the objective "of creating a basis for unification of the language used as well as for the interpretation of the development that has taken place". Apparently its aspirations were not in vain since in 1966 *Teollisuuslehti*, the magazine of the Finnish Employer's Confederation (STK), wrote (Teollisuuslehti 5/1966, cited here after Kajaste 1975, 115):

Cooperation has already so far created some common definitions of important concepts and clarifications that are important to wage negotiations; this means the production of a basis for the “common language” in future negotiations on agreements.

These activities bring to the fore how important a common definition of reality, or a common construction of social phenomena, and a hegemonic ideology are for successful regulation of the labour market and the economy. An increasingly important role in this hegemonic ideology has been played by economists, who produce, and continue to produce, objectivistic conceptions for hegemonic policy (see Kyntäjä 1993, 89-92, 275).

When it comes to the organization rate of private sector employers between 1944 and 1968, this period differs considerably from that of the First Republic: from 1944 on STK had no problems in recruiting new members. In the Second Republic (1944 to date) firms were keen to organize into employer organizations. In this period STK experienced two major waves in which employers joined STK in massive numbers (see Figure 2 in subsection 2.5). After the war the strengthening of the political left and of labour unions led to an impressive increase in STK's membership figures. In 1943 STK had over 500 member firms, by 1948 the figure had risen to 2400 members (Mansner 1984, 147). Another wave of employer organization started in the middle of the 1960's with the beginning of the incomes policy era. In addition to the strengthening of the political left and labour unions a third central reason for this rise in the rate of organization among employers was that employers wanted to take part in the regulation of national capitalism, and a high organization rate would make this policy more credible (Kajaste 1975, 122-123). A related motive for joining employers' organizations, was that in a situation in which collective agreement and public regulation of enterprises became more comprehensive and complicated, firms needed the assistance of employer organizations to fulfil their new obligations (Mansner 1990, 114). As in the 1930's economic recession caused a slight decrease in STK's membership figures after 1956 (Mansner 1990, 112).

How can the success of the employers' strategies in this period be assessed? Obviously, employers were on the defensive after the war, but they regained the initiative in industrial relations at the latest in the 1960's when STK contributed to the unification of the trade union movement and was a major force in the formulation of incomes policy. However, it is difficult to assess to what degree STK played the role of “structure maker” (regarding the notion of “structure maker” see Jensen's, Madsen's and Due's chapter in this book and Jensen 1998, 479-483) because it was partly the strength of the labour movement that forced STK to seek comprehensive answers to problems in the regulation of the economy and the labour market. Perhaps the best characterization of STK's role would be that although STK was an active definer of the politico-economic agenda in the 1960's, the underlying structures for the agenda were created by ordinary workers who joined labour unions and a changing international economic environment (compare Figure 1). Päiviö Hetemäki, the managing director of the Finnish Employer' Confederation, described STK's socio-economic environment in autumn 1966 by saying (Kajaste 1975, 116):

External compulsion, that sets also inner necessity, regulates the bulk of economic policy making. Maintenance of competitiveness, or rather the effort to improve it, therefore presents challenges to monetary policy and labour market policy as well as to price policy. - - Before such articulation into one unity is possible it is,

however, presupposed that firstly there is an attempt to regulate conflicts between individuals and groups, and secondly that by means of planning and programming one endeavours oneself to influence the future of the economy.

2.4 The era of incomes policy: consensual regulation of labour relations and economy

First the traditional collective agreements were supplemented with social packages, that is, propositions to the government on labour and social legislation. In the next phase it was thought that also coordination of wage, price and agricultural policy was needed, then came the state's monetary and financial policy and as the last addition, tax policy. (Timo Laatuinen, the managing director of the Finnish Employer' Confederation in 1974; cited after Kajaste 1975, 119.)

Timo Kauppinen has summarized the main objectives of incomes policy agreements since 1968 in the following way (Kauppinen 1994, 64):

- ! "All current income, revenue, cost and price trends to be taken into account,
- ! preservation or improvement of companies' competitiveness,
- ! slow-down of inflation,
- ! employment to be improved,
- ! pay rises to be kept proportional to the growth of productivity,
- ! agreements to cover more than one year wherever possible,
- ! total abolition of income and price indexing,
- ! all sectors, including the public sector, to participate in the incomes policy negotiations."

All the collective agreements since 1968, except those of 1973, 1980, 1983, 1988, and for the years 1994, 1995 and 2000 have been based on the incomes policy agenda. If possible they have lasted two years but five of them were only one-year agreements (see Kauppinen 1994, 64).¹

In general employers have supported, or at least accepted, incomes policy, but they have also criticized it strongly. They have been especially discontented with the high level of strike activity and with large wage drifts. From the employers' perspective centralized collective agreements have often been unable to fulfil their promises: they have not guaranteed industrial peace nor restricted wages enough. In addition, LTK has been critical of the economic policy line that has given priority to export industries.

The number of strikes grew sharply from the end of the 1960's, and they had their influence on collective agreements. Especially in the 1970's, before a so-called "consensus period" (from 1978 onward after the recession of the 1970's) agreements were more concerned with industrial peace than with economic policy (Kauppinen 1994, 65). Many of the strikes at that time related to the inner split of the labour movement. There were tensions between Social Democrats and Communists as well as within the Communist

¹ For a more detailed description of the content of these agreements see Kauppinen 1994, 70-71.

Party. In the heated political situation employers thought that in the name of societal stability they must participate in centralized agreements (Mansner 1990, 321; Pietikäinen 1995, 290). In fact at the beginning of the 1970's — remembering the civil war and “the Years of Danger” — employers feared that hard-line Communists were planning to start a general strike to destabilize and perhaps to overthrow capitalist social order (Mansner 1990, 321; Majander 1998, 65). The high level of industrial disputes of the 1970's decreased in the 1980's and in the 1990's, but this does not mean that strikes have disappeared from the Finnish labour market (see Lilja 1998, 176). In the 1990's especially visible were those threats of general strikes that labour unions directed against government cuts in social expenditure (see section three in this chapter).

The second point of criticism of incomes policy was that even though labour unions were officially committed to centralized agreements at the confederation level, their branch-level unions tended nevertheless to demand additional wage increases afterwards. This led to considerable wage drifts. Agreed wages rose between 4% to 13% during the years 1960-1990, the average rise being 7%. Wage drift varied from 2% to 14% annually, averaging 3-4%. As a result, wage drift accounted for 40% of total pay rises in this period (Kauppinen 1994, 192).

The third indication of employer discontent with incomes policy was that as before, the Employers' Confederation of Service Industries criticized economic and labour market policy for stressing too much the interests of export industry (see Pietikäinen 1995, 291, 440-441, 443): In the ruling economic policy line, inflationary wage increases were later compensated by devaluations. High wage increases in industry forced the service sector to follow suit. That was expensive, and devaluations cut home market purchasing power (because foreign goods become more expensive).

As LK started to practice a more independent policy, STK criticized this and strove to merge LK with STK. STK suggested such a merging several times between the end of the 1960's and the beginning of the 1990's. LTK however, wanted to retain its independent status, and supported this by maintaining that because the nature of services differed from that of industries, these two sectors have diverse interests to maintain (compare Figure 1). In addition, because the role of private services was growing in the Finnish economy, LTK hoped to gain a more powerful position at the negotiating table in the future. (Pietikäinen 1995, 258-262, 330-333.)

Despite criticism of incomes policy and centralized collective agreements both industrial and service employers seem to have accepted the main lines of incomes policy. Industry probably accepted incomes policy because it had a strong position in incomes policy thinking and devaluations ensured the competitiveness of export industries and service employers apparently did so because the national hegemonic policy line stated that the interests of export industries were also national interests (regarding this traditional policy line see Kosonen 1987).

Here it is worthwhile to keep in mind that a given national mode of economic and labour market regulation does not exclude criticism and conflicts between diverse socio-economic actors, but rather such a model sets limits to these conflicts, it defines the legitimacy of the issues to be handled and it stipulates the nature of questions that can be raised. The stability of a politico-economic model does not mean that the model does not change but that there are stable preconditions for its development (Kosonen 1987, 261). Strong evidence of the hegemonic strength of incomes policy is that in spite of strikes, wage drifts and growing employers criticism, this centralized system for the regulation of the

economy and the labour market has retained its basic characteristics since 1968.

The most important organizational change in the employer camp in the 1970's was that the Central Association of Finnish Woodworking Industries (Suomen Metsäteollisuuden Keskusliitto) and the Finnish Association of Industry (Suomen Teollisuusliitto) merged to form the Confederation of Industries (Teollisuuden Keskusliitto, TKL). This merging of these two business organizations of capital indicated that the conflict between export industries and industries that were mostly concentrated in the home markets had eased. An important background condition was that Finnish industries had become more diversified and different sectors had achieved better integration with each other (see Kosonen 1978, 411- 412; Pesonen 1992, 33). In any event, this organizational change meant that industrial capital now had a more concentrated organizational structure. Consequently, the most important remaining cleavage within private sector employers was between industry and private services.

LK (the Employers' Confederation of Service Industries) radically changed its organizational structure and changed its abbreviation to LTK in 1973. At the beginning of 1974 LTK developed into a real central organization as its 23 member associations were merged into seven branch-level employer associations (see Table 2 in the next subsection). The branch-level organizations did not have independent financing or personnel; these were merged into STK. The explicit rationale behind this organizational change was that in this way branch-level actors could be strengthened, but in fact the new system also strengthened the position of LTK itself. (Pietikäinen 1995, 249-250).

In 1982 LTK externalised part of its services into two firms that sell their services to its member firms. These services include legal services, the distribution of publications and forms that are needed when hiring personnel and engaging in training and consulting activities (Liiketyönantajain Keskusliitto 1993, 23).

To assess the success of the employers' strategy in the incomes policy era before the 1990's is a difficult task: on the one hand employers themselves wanted centralized regulation of the labour market, on the other hand they seem to have been prisoners of this same system. Often the system did not produce either wage restrictions nor industrial peace but despite this, employers apparently saw no alternative to incomes policy. During this period employer confederations became more and more a part of a concentrated tripartite system of socio-economic regulation. This was also reflected in a strong growth of membership figures as can be seen in the next subsection.

2.5 Dynamics of employer's organizing

Now, having presented the development of employer confederations from 1907 to the end of the 1980's, it seems appropriate to summarize the development of the rate of organization among employers. A few remarks concerning this development have already been made above. The next figure (Figure 2) depicts STK's (from the beginning of 1993, TT's) organization rate for the years 1907-1997. This organization rate has been computed by counting how large a proportion of all employees (per cent) have been working in firms that have belonged to STK / TT.

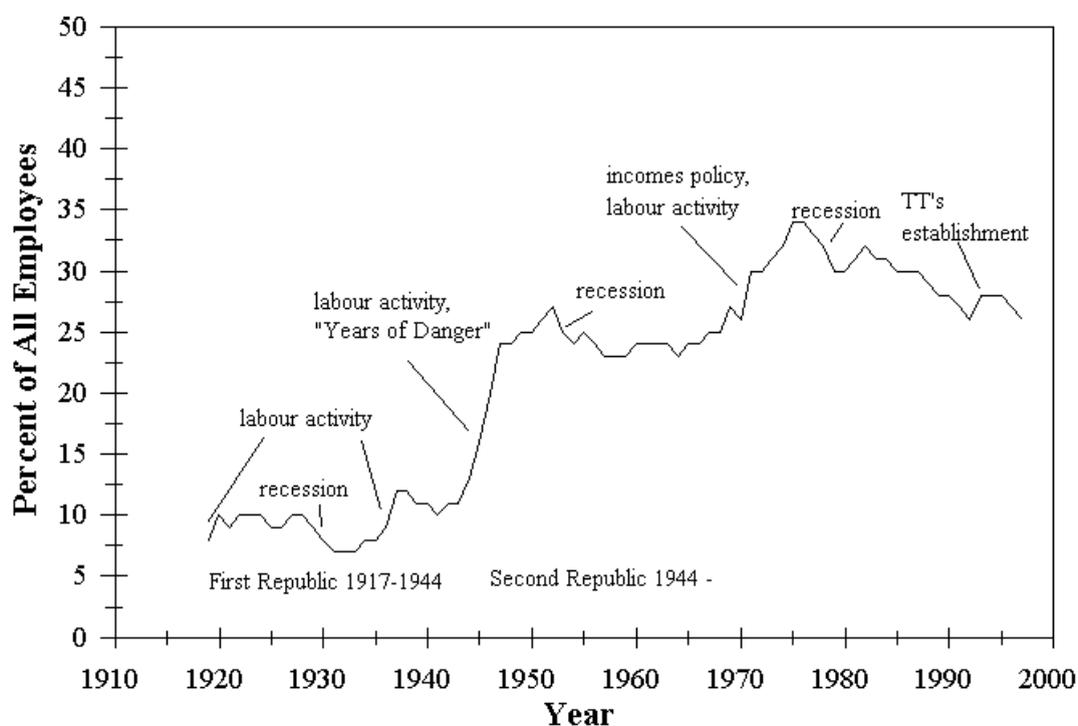
Unfortunately, however, the numbers behind this figure are somewhat inaccurate. The reasons for this inaccuracy are as follows. First STK / TT has been an employer confederation that organizes employers in the private sector, and within the private sector mainly in industry, and therefore a more accurate organization rate might have been

computed on the basis of industry's employees instead of on the basis of all employees. This kind of population would, of course, produce much higher organization rates for employers (as can be seen in the more detailed presentation in Table 2). Yet, because STK has also organized some service sector employers and because exact figures for private sector employees are harder to find, I have had to settle for these kinds of statistics. Secondly, STK's rules allow firms to belong to several branch-level organizations at the same time. For this reason several firms and their employees might be included in membership statistics more than once (Mansner 1990, 121). Whereas the first source of inaccuracy underestimates the organization rate of private sector employers this second source of inaccuracy overestimates it.

In general, however, these figures seem rather to underestimate than overestimate the organizational power of employer organizations. There are three reasons for this. First, big and powerful firms (i.e., in terms of political influence and market force) are more frequently organized in employer organizations than are small ones (Mansner 1990, 116-119; Pietikäinen 1995, 326). Secondly, since 1971 Finnish labour law has given support to central bargaining organizations by making collective agreements generally binding. This, in practice, gives organized employers the possibility to make agreements on behalf of non-organized firms. Thirdly, the traditional Finnish model of economic policy gives much weight to export industries, which are very influential within STK.

Keeping the above reservations in mind, it seems possible, nevertheless, to draw some general conclusions on developmental trends from the figure, whereas the actual percentages must be taken more cautiously.

Figure 2. The organization rate of STK/TT 1907-1997 (% of all employees)



Sources: Mansner 1981, 223; Mansner 1984, 155 (1940-1954 figures are estimated from a graph published in Mansner 1984); Mansner 1990, 113; Tilastokeskus 1997a, 56; Tilastokeskus 1998, 344; Table 4 in this chapter (membership numbers 1990-1997).

The historical presentation of STK's development and the figures in Table 2 allows for a few generalisations on the dynamic forces in the organizational activity of employers (compare with other chapters in this book and Müller-Jentsch 1997, 164-166):

- ! A first factor determining the employers' organization rate is political: labour unions and left wing parties have obtained a powerful position in Finland and this has given a strong impetus to employers to organize and to fight labour (see Mansner 1990, 114). Similar dynamics between capital's and labour's organizational developments can be traced in the other Nordic countries as well (see the other chapters in this book). Especially after the Second World War ("the Years of Danger") and when incomes policy was established, the employers' organization rate grew considerably. The strongest evidence in support of this conclusion is that in the Second Republic the employers' organization rate has been at a substantially higher level than in the First Republic. As can be recalled from the previous subsections of this section, the beginning of the Second Republic meant also that labour unions and left wing political forces gained more freedom of action.

- ! A second factor is closely related to the regulatory system of the labour market and of the economy. After the Second World War Finland experienced a rapid structural change from an agricultural to an industrial and service-based economy and society. The state has consciously accelerated this change after the war by supporting investments, industrialization and economic growth. Employers and business associations often partook in this development, and attempted to regulate, in a more or less oligarchic way, structural development to their advantage. At the same time enlarging and increasingly organized, labour fought for better wages and improvements in social policy. Together these societal forces developed after the Second World War — partly by design and partly by accident — the Finnish welfare state and a model of centralized regulation of economy and labour relations. In the broad sense of the word (coincidence of mass production and mass consumption) this regime of capital accumulation can be characterized as “Fordism” (see Aglietta 1979, 152-161). Yet, because traditional Finnish economic policy has favoured export industry, links between home-market mass consumption and mass production have been apparently weaker than in many other countries. Therefore, Finnish Fordism has had a certain peripheral character. As examples of the direct influence of the regulatory system upon the organization rate of employers some significant laws can be mentioned. Laws concerning minimum wages, the possibility of receiving tax deductions due to the payment of membership dues (1968) and a law making collective agreements generally binding (1970) increased the employers’ motivations to join employer organizations (Pietikäinen 1995, 241, Mansner 1990, 114).
- ! A third factor has been an economic one: recessions have led to a diminishing organization rate among employers. This can be seen at the beginning of the 1930’s, in the middle of the 1950’s, in the 1970’s and the 1990’s. The rationale for this tendency seems to be rather straightforward: in times of economic recession some leaders of firms want to diminish expenses by also resigning membership of employer organizations, and some firms go bankrupt (see Mansner 1990, 117). There is also a connection between economic and political cycles. In times of economic boom, labour shortage and rising wages give power resources to labour. This leads to a rising organization rate among employers. In addition, in a growing economy employers can also better afford their membership dues. In times of economic recession, unemployment and a poor level of wage development reduces labour’s power resources, and consequently, the motivation of employers to organize to fight labour diminishes. In this way economic and political cycles strengthen each other.
- ! A fourth factor influencing the employers’ organizational dynamics has been the employer camp’s inner relations, including both cooperation and conflicts. Yet, this dynamic element does not seem to play nearly as an important role as the three environmental factors. In the Figure 2 only the merging of STK and TKL into TT in 1993 has caused a noticeable change.

Some of these general conclusions can be supported with more precise figures that include also service employers (see Table 2). In Table 2 membership figures of STK and LK/LTK from 1965 to 1985 are presented. These figures are more precise than in Figure 2 because membership rates are calculated on the basis of private sector employees that form

the actual potential membership basis for private sector employer confederations. Yet, at least one problem remains. As in Figure 2 also in Table 2 both in STK and in LK/ LTK some firms might be members in more than one branch organization. Thus, the number of firms and employees in the table is likely to be higher than in reality.

Table 2. Structure and size of private sector employer organizations 1965-1985

	STK			LK/ LTK		
	Member organiza- tions	% of all firms (number of member firms)	% of private sector employees (number of employees in member firms)	Member organi- sations	% of all firms (number of member firms)	% of private sector employees (number of employees in member firms)
1965	27	.. (2114)	* 35 (364522)	21	.. (1918)	* 11 (115344)
1970	30	.. (2460)	36 (422201) (2581)	13 (151100)
1975	31	.. (5137)	53 (624826)	(1973) 7	.. (4888)	21 (246100)
1980	29	.. (4893)	50 (590450)	7	.. (5625)	23 (272100)
1985	28	(1986) 6 (6308)	52 (613303)	7 (1986)	6 (6344)	25 (299300)

* The number of private sector employers is based on a mean value for the years 1960 and 1970.

Sources: Suomen Työntajain Keskusliitto 1993, 35; Pietikäinen 1995, 145, 149, 241, 249, 325, 236; Tilastokeskus, 1988, Table 6; Tilastokeskus 1989, 187.

As the table shows, the incomes policy era meant a strong wave of organizing for both of these employers' confederations. The radical drop in the numbers of LK's member associations from 1965 to 1973 goes back to LK's organizational restructuring presented earlier (subsection 2.4). STK's organization rate is much higher in this table than in Figure 2 because in this case the basic population consists of only private sector employees. The table also reveals that member firms in STK and LK/LTK tend to be much larger than average sized Finnish firms. In 1985 STK's member enterprises employed 52% of all private sector employees, but only 6% of all firms were members of STK. Corresponding figures for LK (from 1973 LTK) were 25% of employees and 6% of firms. These figures underline the fact that small entrepreneurs and employers are clearly less organized than larger firms (Mansner 1990, 116-119; Pietikäinen 1995, 326).

The combined sum of STK's and LTK's organization rate shows rather impressive levels of organization in the private sector. In 1965 this sum was 46% and it peaked to 77% in 1986.¹

¹ It is worth noting that in contrast to such organizations in the other Nordic countries LK has had cooperatives in its membership from the beginning of the 1970's (PT's interview 1999).

To sum up the development presented in Figure 2 and in Table 2, it seems to be fair to state that the dynamics of employers' organizational activity is mainly determined by diverse environmental factors, the most important being labour's activity and the development of a national socio-economic system of regulation. Yet, it should also be kept in mind that the development of a national system of regulation is not solely an environmental factor as far as employer confederations are concerned: they themselves have actively participated in the building of this regulatory system. In fact, employer confederations themselves form an important part of this regulatory system.

3 The 1990's: streamlining inner organization and regulating national capitalism

3.1 Confederation of Finnish Industry and Employers

As described above, employers criticized incomes policy and centralized collective agreements because these agreements could not ensure industrial peace and often branch-level labour unions detached from them (Köykkä 1994, 88; TT's interview 1999). In the late 1980's this criticism was combined with the themes of "flexibility", which term was borrowed from abroad, and "increasing international competition". Employers claimed that some of labour law and agreements were at odds with new flexible forms of work organization. Important background factors in this new, more serious criticism were that labour's inner conflicts between Social Democrats and Communist had diminished and new white-collar workers created some new cleavages within labour unions. Therefore, the interest of employers in containing labour's power via centralized agreements had also diminished. In terms of the reproduction of one's social position and interests this means that employers saw that objective environmental changes gave more room for employers' initiatives (see section one and Figure 1).

However, it was only at the beginning of the 1990's that employers started seriously to demand changes in labour market regulation. In 1991 STK published its new programme for collective negotiations *Policy Lines in Collective Agreements in the 1990's*. This programme (Suomen Työnantajain Keskusliitto 1991) advocated for collective agreements which would be more decentralized, either at the branch or firm level. This programme demanded that appropriate procedures for making wage and working time agreements at working places should be established. It also advocated for the abolishment of the law making collective agreements generally binding. However, STK did not want to get rid of branch and central-level collective agreements all together but stressed rather the "practical character" of collective bargaining (Suomen Työnantajain Keskusliitto 1991):

Defining working conditions in an appropriate way in different times and situations requires diverse methods. STK aims to preserve possibilities for alternative ways of acting in its policy of collective agreements.

When stating its economic policy priorities STK followed its traditional line (Suomen Työnantajain Keskusliitto 1991; also TT's interview 1999). According to this policy line export industries constitute the back-bone of the Finnish economy and the ultimate source of the nation's wealth. Therefore, "good competitiveness is the basic

condition of the desired standard of living and the development of society”. From this point of departure STK criticized the growth of the public sector and the importance that “the closed sector” (i.e., home markets) has achieved in setting wages. It wanted to “return wage leadership to the competitive sector”.

At the same time as employers started their offensive against centralized agreements, Finland began to plunge into her worst economic depression since the 1930's. Gross national production fell 6% in 1991 (Suomen Työntajain Keskusliitto 1992, 4) and unemployment rose from 3.5% (1990) to 7.6 (1991) (Kosonen 1998, 260). In addition, the Finnish Mark was tied to the Ecu in June 1991 which robbed export industry of its old method for recovering competitiveness: devaluation.

In this situation of quickly worsening recession and new monetary restrictions employers reacted with a 14-point list of demands for the next round of collective negotiations and the financing of social security (Kauppinen 1994, 287-288). The main rationale for this list was to reduce expenses of companies and increase their freedom to react quickly to economic fluctuations. By reducing employers' social contributions, increasing regular working hours by 50 hours per year without compensation, a two-year pay freeze, abolishing the general bindingness of Employment Contracts Act, limiting employees' right to strike and other similar measures, STK aimed to reduce total labour costs of industry by 23-25%. It was planned that this “internal devaluation” would have replaced the traditional devaluation that became impossible when the Finnish Mark was tied to the Ecu in 1991.

Many of the 14 demands were attained, not however, the demand of abolishing the general bindingness of collective agreements nor limitations to employees' right to strike. Capital also got the traditional devaluation: the Finnish Mark could not stand currency speculations against its Ecu value and it was allowed to float in late 1991 and lost 12% of its value (Kauppinen 1997, 37).

The 14-point list of demands, that was renamed “the Satanic Verse” by a leader of SAK, tried to change power relations between employers and employees in a way that was exceptionally harsh in an era of a consensually oriented incomes policy. It is also worth noting that for the first time in the incomes policy era, the employers' organizations presented the demands, and employees' organizations were on the defensive (Kauppinen 1994, 288). In hindsight, the list can be seen partially as a panic reaction from the side of STK's member companies and partially as a tactical move to realise employers' demands in a situation in which economic depression would ensure success (Köykkä 1994, 90). STK's policy line is normally not so hard and it is probably symptomatic that even though the 14-point list gained a lot of public attention in 1991 it is only mentioned in passing in the STK's annual report for the year 1991 (see Suomen Työntajain Keskusliitto 1992, 4). This supports the hypothesis that the 14-point list was in the first place a panic reaction of frightened company leaders, and that it did not reflect STK's long-term policy as an employer confederation (see also Pietikäinen 1995, 380).

In 1997 TT published a new programme for labour market policy *TT's Labour Market Policy Objectives for Coming Years, New Values and Rules, Readiness to Change, Professionalism and Customer Orientation* (Teollisuuden ja Työntajain Keskusliitto 1997a). This programme followed the same line as the previous programme from 1991 by stating that collective agreements should be decentralized. Yet, the 1997 programme was more moderate than the 1991 programme: the objective of abolishing the general bindingness of the Employment Contracts Act was removed and TT stressed that it wanted

to achieve changes via tripartite negotiations between TT, employees and the government. As earlier, TT took a “pragmatic” stance as to what constitutes an appropriate level for collective agreements: depending on the situation and objectives in a given round of labour market negotiations, agreements could be done at a centralized, branch or firm level (also TT’s interview 1999). Concerning centralized agreements TT stated that “agreements should be developed from detailed collections of rules into broad framework agreements that provide firms room to manoeuvre and customer oriented solutions” (Teollisuuden ja Työnantajain Keskusliitto 1997a, 1).

TT supported its decentralization demands by referring to economic internationalization and globalization. According to TT, economic globalization directly creates pressures for a more decentralized and flexible labour market. This is because when diverse branches and firms integrate increasingly to global markets, their competitive situations diverge from each other. To answer these divergent challenges, companies and branches need more room when defining terms of employment.

Another noteworthy demand in TT’s 1997 programme was that TT wanted to ensure industrial peace by making conciliation binding and limiting the right to strike of workers in key areas of the economy. TT also condemned political protest strikes (Teollisuuden ja Työnantajain Keskusliitto 1997a, 10-11). Employers had striven for a more dependable industrial peace throughout the incomes policy period, but with little success (Kauppinen 1994, 186). Also the 14-point list of demands included ideas on restricting strike rights, and TT posted together with PT two letters to the government in 1995 and 1996 in which both confederations expressed a wish to restrict sympathy strikes (Teollisuuden ja Työnantajain Keskusliitto 1997b, 35).

Thus far, I have mostly dealt with STK’s programmatic activities in the 1990’s. But what about collective agreements and other labour market developments in the 1990’s; has STK (from 1993 TT) achieved its targets in reality?

In the autumn of 1991 pressure from employers almost led to a collective agreement that would have meant a cut in wages and salaries for the first time in the history of collective agreements, i.e., employers almost achieved their aim of “inner devaluation”. However, in the end strong unions from export sectors (unions of the metal and paper industries) did not support the initiative and it failed (Suomen Työnantajain Keskusliitto 1992, 4). Later, due to the floating and the forced devaluation of the Finnish Mark in 1992, the currency was devaluated and in any event most of STK’s 14-point list of demands were attained. After devaluation, a comprehensive incomes policy agreement was made for 1991-1992. There were no rises in earnings in 1991-1992, which was exceptional in the history of Finnish collective agreements (Kauppinen 1997, 37).

STK saw that the zero level of pay rises for the years 1991-1992 was historic, but the recession continued. Already in 1992, devaluation, wage moderation and other measures had improved the competitiveness of export industries but the situation was still very difficult in home markets. In autumn 1992 the previous collective agreement was renewed until October 1993 (Suomen Työnantajain Keskusliitto 1993, 6).

In 1993 labour unions pressed for a renewed centralized collective agreement which they hopefully christened the “employment agreement”, but the employers rejected this on the grounds that the economic situation differed between branches. Therefore, the next agreement was made at the branch level. The result was that the length of agreements varied between one and two years in the private sector. In private industries, wages rose 0-3%; in private services there were in general no pay rises and in the public sector wage expenses

were diminished between 2-3%. Many branch agreements made in 1993 also allowed for a greater degree of freedom at the firm level. Especially, flexible working time arrangements were made possible at the firm level. Also, for the first time, pay increases included a portion to be agreed on at the firm level. (Teollisuuden ja Työntajain Keskusliitto 1994, 43-44.) TT was rather content with this branch-level agreement: "The 1994 negotiating round was reasonable in our mind" (TT's interview). It felt that this development reflected the differences between these sectors in an appropriate way i.e., the wage increases were largest in export industries, and export industries took the lead in wage development.

The next one-year branch-level agreement for the year 1995 was, however, disappointing to TT (Teollisuuden ja Työntajain Keskusliitto 1995, 2, 23-24; TT's interview 1999). In 1994 it was the insurance and retail branches of the Service Employer's Confederation that made their collective agreements first. TT regarded the pay rises in these agreements as much too high, and while industrial workers wanted in any event higher pay rises than those which service workers were receiving, PT's collective agreement led also to high pay rises in industry. Another ground for discontent was that export industry had lost its position as the prime wage setter (TT's interview 1999). In TT's industrial sector wages rose from 3.1 to 7.9%, in PT's service sector pay rises were between 3.2 and 6.7% (Teollisuuden ja Työntajain Keskusliitto 1996a, 31). In this bargaining round many agreements had to be made with the help of the State Conciliator. The most noticeable strike was that of medical workers; which lasted four weeks.

Important reasons for the branch-level agreements that were in force in 1994 and 1995 were the economic recession and centre-right government's conflictual relations with labour unions (this will be explained more in detail in the following fourth section on the Finnish industrial relations system) (PT's interview 1999). Relations between government and labour unions changed dramatically as the new "rainbow government" (right and left wing parties and the Greens) took the lead in the spring of 1995 (see Kauppinen 1997, 41). The Social Democratic Party became the strongest party in the government due to its victory in the Parliamentary elections. To ensure both the smooth operating of the new government's policy and the future cooperation of the unions, the Social Democrats scheduled meetings on future cooperation with the unions even before the parliamentary elections. They also made sure that unions and employers would back the government's policy before the working programme for the government was promulgated. TT found no problems in supporting the government's economic policy, which aimed at fighting inflation and ensuring coherence between different fields of economic policy (Teollisuuden ja Työntajain Keskusliitto 1996a, 32; TT's interview 1999). A central motivating force when trying to tie economic policy and collective agreements together was that government, employers and labour unions wanted to guarantee Finland's EMU membership and this called for a restrictive anti-inflationary policy.

Consequently, the next collective agreement made in autumn 1995 (for the years 1996-1997), which was adopted thanks to strong intervention by the government, was a centralized incomes policy agreement. In fact, it was the most centralized incomes policy agreement in the history of Finnish industrial relations. Furthermore, labour's adherence to the agreement was ensured by using the new technique of making centralized collective agreements.

On earlier occasions individual unions had often withdrawn from centralized incomes policy agreements after the fact. This time TT wanted to make sure that the centralized agreement would hold. Therefore, it refused to sign the agreement until each

branch-level union had made its own agreement adhering to the centralized incomes policy agreement. Branch-level agreements were tied to the final centralized agreement in such a way that in case of the failure of the final centralized agreements, the previously agreed branch-level agreements would also have failed (TT's interview 1999). The same kind of method, in which branch-level unions promised to adhere to centralized agreement, was used also earlier in the 1990's (this method was borrowed from Sweden); but in 1995 the bond between the centralized agreement and branch-level agreements was made watertight (see Kauppinen 1994, 74; TT's interview 1999). TT was quite satisfied with this agreement: it ensured that the tendency for high wage increases ended (Teollisuuden ja Työnantajain Keskusliitto 1996a, 33-32; TT's interview 1999).

The same procedure was repeated in the next centralized agreement for the years 1998-1999 (Teollisuuden ja Työnantajain Keskusliitto 1998, 35-37). Also at this time the Social Democratic prime minister of the Rainbow Government, Paavo Lipponen, took an active initiative to ensure a comprehensive incomes policy agreement. Again the adherence of branch-level agreements with a confederation-level agreement was ensured by letting branch-level organizations sign their agreements before the final centralized agreement was signed. Again pay rises remained moderate, between 3.8-5.5% in the industrial sector.

In the spring of 1999, after the parliamentary elections, the parties of the Rainbow Government formed a new government on the same basis as that of the previous government. As in year 1995 both the employers' and employees' national confederations expressed their support for the government's programme and its emphasis on tight fiscal policy as well as on a fight against inflation and unemployment (Työmarkkinajärjestöt 16 April 1999; Helsingin Sanomat 17 April 1999). Once again the government pushed for another centralized agreement. For a while it seemed likely that there would be a third successive incomes policy agreement in which government's tax reductions would be tied to moderate wage increases. Yet, this time a centralized incomes policy agreement failed because ten unions¹ affiliated with SAK felt that their specific branch-level interests would not be taken into account in the centralized incomes policy agreement (Helsingin Sanomat 28 September 1999). After the collapse of centralized negotiations several labour unions came together to prepare a joint proposal for moderate wage increases in this round of negotiations. The most important branch-level union in this group was the Metalworkers' Union.

By the beginning of May 2000, after half a year of bargaining and a few strikes (in chemical and paper industries and in transports) all the branch-level agreements were made. In general, these branch-level agreements are to last one year (to the beginning of 2001). Both PT and TT seem to be reasonably satisfied with the general level of wage increases (3.1%), though unions in some branches received an additional one per cent wage increase through strikes (about 4%). Yet, after the 1999-2000 negotiation round was over both PT and TT expressed their discontent with the branch-level agreements. They both

¹ These unions were: Finnish Transport Workers' Union, Air Transport Union, Chemical Workers' Union, Paper Workers' Union, Postal Workers' Union, Railway Salaried Staff's Union, Finnish Seamen's Union, Finnish Foodstuff Workers' Union, Finnish Electrical Workers' Union and Finnish Locomotive Men's Union. As can be seen from the list the unions that resisted this incomes policy agreement are mostly male dominated unions from branches that are traditionally well organized.

regarded the wage increases as too high in comparison to those of the other EMU countries. TT suggested that in the coming bargaining round a longer centralized 3-4 year agreement that would be tied to tax reductions should be attempted. In addition, TT once again renewed its demand of restricting the right to engage in sympathy strikes. (Helsingin Sanomat 27 April 2000; Helsingin Sanomat 28 April 2000; Lehtilä 2000.)

What reasons might there be behind this relatively moderate wage line even in a situation in which the economy is growing fast and diverse unions might demand higher wage increases? In addition to the traditional rationale for incomes policy agreements (industrial peace, wage moderation, politico-economic regulation) there is also an important new interest in supporting a moderate wage policy: a moderate wage policy could help the government and other actors to achieve the EMU's inflation and public deficit targets and tripartite cooperation could support growth and employment in the EMU (see Teollisuuden ja Työnantajain Keskusliitto 1997b, 11; Työmarkkinajärjestöt 16 April 1999).

As can be seen from the developments in collective agreements, STK's and TT's labour market programmes for the years 1991 (STK) and 1997 (TT) have been realised to some extent: industrial relations have been somewhat decentralized and working time arrangements and wage setting have been moved in part to the firm level (Teollisuuden ja Työnantajain Keskusliitto 1996a, 34-35). On the other hand, this development has happened within the framework of branch-level agreements (1994, 1995), and after 1995 as a part of comprehensive incomes policy. Thanks to the new technique of making centralized agreements, individual labour unions have adhered to the agreements much better than before. As can be recalled, earlier employers have criticized centralized agreements because they did not fulfil their promises for industrial peace and wage moderation. Also in other respects the 1990's have been a rather successful time for STK and TT. For example, in indirect labour costs, taxation, and perhaps most importantly, in general economic policy, the direction of development has been favourable to private industry (see Teollisuuden ja Työnantajain Keskusliitto 1994, 3, 34-35; 1995, 2-3, 15-16, 27; 1996a, 11) In fact, general consensus in the 1990's regarding proper economic policy well exceeds national borders: TT has also found arguments to support its restrictive policy in programmes of the European Union as well as in the OECD's Jobs Study (Teollisuuden ja Työnantajain Keskusliitto 1996a, 26).

Considering the much praised "flexibility" of the 1980's, market orientation in political ideology from the 1980's on in addition to labour's weak negotiating position during the severe recession of the 1990's; it is interesting to reflect about why STK and later TT have not attacked centralized industrial relations more strongly. The first answer to this question seems obvious: stronger criticism or actions were not needed because in the 1990's TT got nearly all of what it wanted. As explained above, TT has had a flexible attitude towards collective agreements: it is the results of negotiations that are decisive not the level of the agreements itself, and in the 1990's the results were fair. In conditions of economic recession and mass unemployment, wage increases have remained moderate, there have been no wage drifts within centralized agreements, there have been fewer strikes and employers' contributions to social security have been reduced. The second answer to the question of the moderateness of the employers' offensive against centralized agreements has to do with the institutionalization of national regulation of the economy and the labour market. TT forms, in practice, a part of a national system of politico-economic regulation of

the economy and the labour market. This apparatus, a kind of “public-private mix”¹ of diverse (interest) organizations, forms a tight network of organizations and individual members of the politico-economic élite. TT’s regulatory role in this system prevents it from exercising too harsh a criticism. It is this TT’s regulatory function that is analysed in the following paragraphs.

As has been indicated in previous subsections, employers have actively taken part in regulating the Finnish economy and labour market throughout the 1900’s. In the incomes policy era this can be seen, for example, from the number of employer memberships in committees and working groups set up by ministries and the government. In 1972 STK’s representatives participated in 58 such bodies; in 1982 and in 1991 the figure was about 80 (Kajaste 1975, 122; Suomen Työnantajain Keskusliitto 1983, 47-55; Suomen Työnantajain Keskusliitto 1992, 46-47). In the 1990’s STK and its successor TT did not publish lists of the number of their memberships. Nevertheless, the number of their statements of opinion to public bodies can be calculated based on information in their annual reports. The number of STK’s / TT’s statements of opinion to diverse national public bodies are presented in Table 3.

Table 3. The number of STK’s and TT’s statements of opinion to national public bodies 1991-1997

Year	Number of statements of opinion
1991	90
1992	105
1993	141
1994	122
1995	109
1996	118
1997	132
1998	142

Sources: Suomen Työnantajain Keskusliitto 1992, 49-51; 1993, 42-44; Teollisuuden ja Työnantajain Keskusliitto 1994, 69-75; 1995, 47-50; 1996a, 57-59; 1997b, 62-65; 1998, 63-66; 1999b, 63-66.

As Table 3 shows, STK’s / TT’s involvement with public regulation has remained at

¹ In social policy, the concept of “public-private mix” refers to the fact that in many countries social policy is partly based on public measures and partly on families, churches and other private organizations. Similarly, in many countries the regulation of markets and national capitalism in general is based on networks of business and employer organizations, labour unions, political parties, consumer organizations and other interest organizations. From the perspective of an individual interest organization it might look like an independent actor pursuing the interests of its members, but from a broader societal perspective it is possible to comprehend that together these interest organizations comprise a coherent regulatory system.

a high level during the 1990's. Judging from the number of representative functions in 1997 TT has had its closest contacts with the Ministry of Trade and Industry. Underlying this is the fact that TT is both an employer and a business organization; and indeed it took part in number of working groups in nearly every ministry (Teollisuuden ja Työnantajain Keskusliitto 1998, 63-66).

Another way of assessing STK's / TT's regulatory roles is to try to identify those areas of policy making that were of concern to employers in the 1990's. These policy areas include:

- ! Employers have participated in the preparation of virtually every major political decision affecting the economy and society. In many cases they have also been reasonably content with the final policy line (see TT's annual reports).
- ! Unlike Swedish employers, Finnish employers have not tried to influence people directly via mass media (see Köykkä 1994, 171 and Kjellberg's chapter in this book), rather they have relied on lobbying the political élite in corporatist bodies and working groups, sometimes as "experts" sometimes as "representatives of interest" (see Teollisuuden ja Työnantajain Keskusliitto 1996a 52). For instance, leaders from employer confederations and central labour union organizations (this group has been called "the star boys") meet each other regularly (TT's interview 1999). TT's influence on mass media is more indirect than direct, it organizes press conferences and special occasions in which it express its ideas to representatives of the media, but its staff seldom write to newspapers and TT normally runs no media campaigns. Yet, the 1990's saw a major exception to this traditional line: prior to a national referendum on EU membership in 1994 TT organized and financed a public campaign in support of Finland's joining the EU. It also cooperated with labour unions in this campaign (Teollisuuden ja Työnantajain Keskusliitto 1995, 2-3, 40-41). However, in the late 1990's there were some signs that TT had started to focus more on getting its message accross via the mass media (Teollisuuden ja Työnantajain Keskusliitto 1997b, 56-57).
- ! In the 1990's TT routinely organized meetings with members of parliament and high ranking state officials. In 1995 it established a new association, the Politics and Business Association (Politiikka-Elinkeinoelämä-Seura), which aims to build closer contacts between leaders of the economy and the members of parliament. This association has organized a few seminars in which business leaders and politicians have had the possibility to discuss economic issues (Teollisuuden ja Työnantajain Keskusliitto 1995, 43; 1996a, 52).
- ! An additional way of influencing both public opinion and diverse élites is TT's research activity: its annual statistics on the status of its member firms, surveys among member companies and the general public as well as diverse studies are all used as means of supporting TT's policy (see, for instance, Teollisuuden ja Työnantajain Keskusliitto 1997b, 29).
- ! An important part of TT's regulatory activity is directed towards its members: it informs member firms about new legislation and other politico-economic developments, it creates guidelines for new labour market practices (especially in the 1990's: how to make firm-level pay and working time arrangements, see Teollisuuden ja Työnantajain Keskusliitto 1994, 45-46), it surveys its constituents' opinion on different economic and labour market issues and it defines its members'

general interests vis-à-vis labour and the state.

- ! In the 1990's TT paid special attention to the following three themes. First, environmental issues are expected to greatly affect the business environment in the future, and TT has developed its own strategy for environmental questions and started a small department for “sustainable development” (Teollisuuden ja Työntekijöiden Keskusliitto 1994, 20; 1997, 11; 1998, 25). Second, the question of whether an additional nuclear power station should be built in Finland has been discussed throughout the 1990's, but so far the parliament has rejected it. In 1996 TT established a small unit to lobby for sufficient energy resources to meet the needs of energy intensive industry in the future (Teollisuuden ja Työntekijöiden Keskusliitto 1997b, 51). Lastly, TT has given much weight in its activities in support of both Finland's EU and EMU memberships.

It is difficult to assess precisely the scope of TT's activity as an interest organization in Finnish society, especially because much of this activity is based on communication between the élites of the corporatist tripartite system. Yet, this activity seems to have increased rather than decreased in the 1990's, and the scope of TT's activity clearly exceeds its own explicit self-definition.

According to the self-definition that is often used in TT's programmes and annual reports, TT's main objective is to “ensure the general working conditions of firms” (see, for example, Suomen Työntekijöiden Keskusliitto 1991; Teollisuuden ja Työntekijöiden Keskusliitto 1998, 11) (compare Figure 1). Such a definition of TT's main functions is convenient for TT because it defines the common interest of private-sector firms in the broadest possible terms yet leaves a closer definition of “the working conditions of firms” to TT itself.

However, as the above presentation of TT's regulatory activity shows, TT's actual activity exceeds at least the narrow definition of “ensuring the general working conditions of firms”. TT does not just “ensure the working conditions of firms”; it also takes part in the comprehensive regulation of the national labour market and of the economy. TT's regulatory role can be characterized by three concepts: representation, governing and information gathering (compare with Teollisuuden ja Työntekijöiden Keskusliitto 1999a, Toimintamuodot).

First of all, TT defines the general interests of employers and represents these general interests vis-à-vis diverse state actors (such as parties, ministries), labour unions and other relevant actors (see Teollisuuden ja Työntekijöiden Keskusliitto 1996a, 12, 43). Secondly, because TT represents the interests of its members in relation to the other main industrial relations actors, it also commits itself to governing its constituents in such a way that the smooth cooperation between the actors is ensured. Hence, TT informs its members on new legislation and it consults with its members on such diverse issues as the new decentralized modes of regulating wage relations¹ (see, for example, Teollisuuden ja Työntekijöiden Keskusjärjestö 1994, 7; 1995, 5, 21-22, 34; 1997, 11; 1998, 30). In so doing TT undertakes some informative functions similar to those of public authorities.

Thirdly, in order to be able to partake in national politico-economic regulation on a

¹ TT has published a few booklets that aim to facilitate firm-level bargaining (see, for instance, Teollisuuden ja Työntekijöiden Keskusliitto 1996b).

rational objective basis, TT also gathers information from its members and other actors. This activity includes conducting economic surveys and individual studies on issues that TT deems important as well as opinion surveys among TT's members and the general public (see, for example, Teollisuuden ja Työnantajain Keskusliitto 1996a, 18; 1998, 23). For example, STK's and TT's wage statistics have been an integral part of Finnish official statistics since 1937 (Mansner 1981, 366). It is also interesting to note that in order to build an objective basis for collective negotiations, TT routinely conducts together with SAK surveys on the state of the Finnish economy, and that the labour market parties exercise statistical cooperation (Teollisuuden ja Työnantajain Keskusliitto 1993, 9-10; 1994, 36; 1995, 17). All the above-mentioned forms of information can be used to support TT's demands and — what is probably even more important — such information also helps to reproduce national ideology on the “right” way to organize and regulate the national labour market and economy.

An example of such ideological influence is that TT has striven to increase the importance of “competitiveness” as a political objective. This has been done by stressing that one should start to benchmark national competitiveness (Teollisuuden ja Työnantajain Keskusliitto 1998, 19). Indeed, bench marking national competitiveness in a globalizing economy has become one of the catch phrases in economic policy making (see Kasvio & Nieminen 1999).

The three regulatory functions of employers interact with each other. These functions support and reproduce each other reciprocally in the following manner. To represent its members and rationally define their common interests, TT needs to collect information on its members, the economy and society. In order to play its role as negotiator successfully, TT has to ensure that its members behave according to the agreed line. This can be ensured by informing and consulting members on what constitutes the appropriate conduct. In this way, representing, information gathering (production of ideology) and governance together form a coherent way of acting within the system of politico-economic regulation. TT's regulatory position between its individual members (firms) and the state can be summarized by stating that TT is a double-edged sword for its members: it is a very effective interest organization in the service of the leaders of firms — and it also takes part in governing its members.¹

The biggest organizational change in the employer camp in the 1990's was the merging of the Finnish Employer's Confederation (Suomen Työnantajain Keskusliitto, STK) with the Confederation of Industries (Teollisuuden Keskusliitto, TKL). This new organization, which united industry's employer (STK) and business (TKL) organizations was named the Confederation of Finnish Industry and Employers (Teollisuuden ja Työnantajain Keskusliitto, TT) and it began its activity at the beginning of 1993.

STK and TKL have been cooperating since the establishment of TKL in 1976, and already in 1982-1983 they considered seriously the possibility of joining together, but the initiative failed because their powerful branch-level member organizations resisted it

¹ It is also worth noting, that labour's central organizations fulfil exactly the same functions as described in the case of TT. Labour's organizations also define and represent interests, inform, consult and govern their members in addition to gathering information (opinion surveys, statistics) from their members and the public at large.

(Pesonen 1992, 84-87). The initiative to merge STK and LTK was renewed in 1990, and this time it was successful. An important background factor was that by the beginning of the 1990's many of STK's and TKL's member organizations had merged. Merged branch-level organizations included the textile, metal, construction and wood processing industries. Thus, capital's employer and business functions were in many cases already united at the branch level (Pesonen 1992, 136). The fusion of STK and TKL was mainly based on two rationales (Pesonen 1992, 136; Suomen Työntajain Keskusliitto 1993, 5). First, employers saw that the changing environment required a more concentrated and comprehensive interest representation (compare Figure 1). Secondly, companies wanted to save money by concentrating organizational structure and making their interest representation more effective — it would seem that the beginning of the economic recession of the 1990's also accelerated this fusion.

Judging from TT's rather successful work in representing capital's business and employer interests in the 1990's, the fusion has not weakened capital's power position. Apparently, firms also achieved their objective of saving money: in 1996 TT returned 5% of their membership dues, and a permanent discount of 10% was decided upon for the coming years (Teollisuuden ja Työntajain Keskusliitto 1997b, 11). It is difficult to assess, however, what influence this merger has had on the relations between capital's business and employer functions. Apparently, although such regulatory themes as problematic energy issues and environmental issues have become relatively more important labour market issues are still the key issues for TT.

In terms of the success of its policy TT has been more a structure-maker in the 1990's than in previous decades. It has succeeded in moving part of the decision making in industrial relations to the firm level. At the same time, centralized incomes policy agreements have been able to curtail wage increases even in times of a booming economy during the second half of the 1990's. At the same time the new technique of making centralized agreements and, apparently, SAK's greater commitment to centralized agreements have helped to overcome the problem of wage drifts associated with the incomes policy of the 1970's and the 1980's. An important factor behind this new development is that Finnish EMU membership does not permit devaluations. This creates additional pressures for centralized agreements (TT's interview 1999).

In general, it seems justifiable to state that employers have succeeded in their labour market and economic policy objectives. Apparently, the biggest grounds for discontent have been that employers have not succeed in restricting workers' rights to strike and that energy policy has not changed. Parliament has rejected an initiative on the construction of an additional nuclear power station, and there is no certainty as to how energy policy will develop (see Teollisuuden ja Työntajain Keskusliitto 1998, 51).

The reasons for TT's success in the 1990's seem to be in part the same as before in the Finnish context: a severe economic recession and exploding unemployment have weakened labour's negotiating power. The traditional economic policy line supports export industry, and especially in hard times capital tends to get its reform ideas through (see Kajaste 1975, 105). The market oriented ideology — partly produced and maintained by diverse organizations of capital — of the 1990's has supported the demands of employers. Lastly, Finland's EMU membership has required a more restrictive economic policy.

3.2 Employers' Confederation of Service Industries in Finland

During a time of an economic and industrial policy dependent on export-led growth, the development of services has been neglected and possibilities for development in these branches have not been sufficiently taken advantage of. Continuation of Finland's positive economic and employment development requires that a significantly larger amount of resources are directed to services. (Strategic programme of the The Employers' Confederation of Service Industries in Finland; Palvelutyöntajat 1998a, 2.)

As is the case with TT, LTK has also not been very content with the centralized incomes policy, and the reasons for this discontent are largely the same as with TT: in the 1980's almost all the branch-level unions in the private service sector detached themselves from centralized agreements (Liiketyöntäjain Keskusliitto 1990, 5; Pietikäinen 1995, 371-372). However, LTK's criticism was more moderate than STK's. Especially, when STK published its 14-point list of demands, LTK saw this as an unnecessarily harsh attempt to change prevailing power relations (Köykkä 1994, 91; Pietikäinen 1995, 379-380).

At the beginning of the 1990's LTK took the stance that centralized collective agreements were more appropriate in times of economic recession than more decentralized agreements at the branch level, even though LTK in principle advocated for more decentralized agreements (Liiketyöntäjain Keskusliitto 1990, 5; 1991, 3, 21; 1992, 3; 1993, 5). In its 1991 programme, *Service Employers' Interest Representation in the 1990's*, LTK described its labour market objectives in the following way (Liiketyöntäjain Keskusliitto 1991, 21):

The most fundamental orientation of interest representation consists of ensuring the availability of a workforce and developing the industrial relations system in a more decentralized, individual, incentivizing and flexible direction.

As described in the previous subsection on TT's development in the 1990's, branches that belonged to LTK opened a negotiating round in 1994 — though more by chance than by design (PT's interview 1999). TT criticized this strongly, but later in its annual report LTK answered the criticism by stating that (Liiketyöntäjain Keskusliitto 1995, 3):

Wage increases should be adjusted according to the home market's ability to pay; this is because 80% of the labour force work in the home markets. This was attempted in the autumn of 1994 when a round of negotiations commenced in the retail area. For some reason there was an understanding that pay increases within the export area should be twice as high as in the home market. The problems in labour markets are clearly increasing.

LTK saw that branch-level agreements in 1993 and 1994 (for the years 1994 and 1995 respectively) increased wage differences among three main sectors of the economy (industry, private services and public services). It feared that wage demands would spread in the coming years from industry to private and public sector services, and that this would

increase the expenses of companies as well as inflation in coming years (Liiketyöntajain Keskusliitto 1995, 3).

As explained above, LTK has criticized the traditional economic policy line which has given priority to export industries at the expense of home markets (see Pietikäinen 1995, 378-379). LTK's objective basis of interests differs from that of STK and therefore LTK's analysis of the reasons for the recession at the beginning of the 1990's differed substantially from STK's (compare Figure 1). According to STK, the main reason for the recession was an overheated demand in home markets, which led to inflation and a negative balance in foreign trade (Suomen Työntajain Keskusliitto 1992, 9). Consequently, STK, and later TT, wanted to improve the economic situation by improving international competitiveness and limiting wages and other expenses (Suomen Työntajain Keskusliitto 1992, 10; Teollisuuden ja Työntajain Keskusliitto 1994, 34). LTK, on the other hand, stressed the importance of demand in home markets when fighting recession (Liiketyöntajain Keskusliitto 1991, 3; 1994, 11; Pietikäinen 1995, 378-379; see also Palvelutyöntajat 1999a, 2-3). It is worth noting that even though LTK criticized traditional economic policy, it did not present any comprehensive economic policy alternative to an export-led economic policy, it merely suggested some reductions in the financial burden that public authorities demanded from employers. In its 1991 programme on service employers' interest representation LTK even states (Liiketyöntajain Keskusliitto 1991, 21): "The development of service firms must support the economy's total competitiveness." Therefore, despite LTK's criticism, and its alternative suggestions, one cannot speak about an alternative economic policy programme from the ranks of service employers.

LTK's criticism of economic policy was for the most part in vain: as before, the recession was fought by supporting export industry (see previous subsection). For example, LTK's demands for reducing indirect labour costs did not lead to substantial changes. On the contrary, at the beginning of the 1990's the government even raised the value added tax for private services (Liiketyöntajain Keskusliitto 1995, 14; Pietikäinen 1995, 409-410; PT's interview 1999).

Another policy difference between LTK and TT was that TT actively participated in the campaign for Finnish EU membership prior to the referendum of 1994. LTK, however, remained hesitant regarding EU membership: as an organization it did not take an official position on Finnish EU membership (Liiketyöntajain Keskusliitto 1995, 18; PT's interview 1999). There were two reasons for this hesitant attitude. PT saw that EU membership was more in the interest of industry and in addition personal relations between TT's and PT's leaders were tense (PT's interview 1999).

PT like its predecessor LTK, has not been as successful as TT in influencing economic and labour market policy, rather it has been advocating a new kind of industrial policy which hopefully would support private services. Already in the 1980's LTK had wanted to strengthen the position of services in relation to that of industry (Pietikäinen 1995, 342). In its 1991 programme *Service Employers' Interest Representation in the 1990's* (Liiketyöntajain Keskusliitto 1991, 21) LTK took the development of a service society as its point of departure, and it predicted that the share of production of service firms as well as their share of employment would increase. Also PT's new strategic programme of 1998, *Service Employers' Organizational Strategy*, states that "the service sector must have an equal position with the production of goods in economic and industrial policy" (Palvelutyöntajat 1998a, 3; see also Palvelutyöntajat 1999a, 3, 18 and

Palvelutyönantajat 1999b). This programme broadens PT's functions from those of a pure confederation of employers to those of an organization which also represents capital's business interests (a comparable change was introduced in Norway in 1989, see the chapter on Norway in this book): "At the confederation level also general industrial policy is added to the representation of the interests of service employers" (Palvelutyönantajat 1998a, 4). PT's interviewee predicted that in PT, industrial policy will gain more weight in relation to labour market policy in the future, and that the strengthening position of private services' in economy will also strengthen PT's position (PT's interview 1999).

To the delight of PT, the state's actors in the 1990's showed increasing interest in private services' position in the economy. The Ministry of Trade and Industry has produced two reports in which the economic role of private services is emphasized more strongly than before (see Kauppa- ja teollisuusministeriö 1996; 1998). A strong motivating force behind this interest in private services was that when the Finnish economy started to recover from the recession much hope was placed on private services as providers of new jobs (Palvelutyönantajat 1997, 11). In a situation in which industry had just laid off a great number of its workers, and public employment was ideologically on the defence, private services offered a solution to employment problems. Another general motivation was that both reports were of the opinion that private services are going to play a larger role in the economy of the future: in addition to improving employment in home markets private services could also support the competitiveness of the Finnish economy and increase services' share of exports.

Therefore, as PT more than before stresses the position of private services in economic and industrial policy and as private services have gained some additional recognition in state policy, it is interesting to look at how the actual position of private services has changed. This is illustrated by the following table (Table 4) on private services' share of employment. This table shows how private service's share of employment has developed from 1988 to 1998. Another indicator of private services' position in the economy, its share of the gross national product, is detailed in the paragraph following the analysis of the table.

Table 4. Sectoral division of employment 1988-1998 (% of total employment and absolute figures in thousands)

	Private Services	Private Industry (includes construction)	Public Sector	Private Agriculture and Forestry	All (due to the rounding of figures their annual total % sums are not always 100%)
1988	33 (805)	29 (694)	29 (707)	9 (221)	100 (2431)
1989	34 (840)	29 (718)	29 (708)	8 (203)	100 (2470)
1990	34 (850)	29 (718)	29 (705)	8 (191)	100 (2467)
1991	35 (813)	27 (635)	30 (709)	8 (178)	100 (2340)
1992	35 (760)	26 (558)	31 (684)	8 (168)	100 (2174)
1993	35 (724)	25 (508)	32 (643)	8 (156)	100 (2041)
1994	37 (744) ¹	25 (502)	31 (618)	8 (152)	101 (2024)
1995	37 (758) ²	26 (537)	30 (621)	7 (143)	100 (2068)
1996	38 (795)	26 (547)	29 (610)	6 (136)	99 (2096)
1997	38 (833)	26 (568)	28 (618)	7 (141)	99 (2169)

¹ Since 1994 Posts and Telecommunications and the Map Centre have been under the private sector.

² Since 1995 Finnish Railways has been classified under the private sector.

Sources: Tilastokeskus 1997a, 62-63; Tilastokeskus 1998, 345.

The table shows that private services widened their share of total employment in the 1990's. Their share of total employment increased from 33% in 1988 to 38% in 1997. However, since the recession of the 1990's brought about a massive reduction in the absolute numbers of total employment (2470000 in 1989; 2024000 in 1994), private services have not yet matched the absolute number of their peak year 1990, 850000 employed. The table also shows that public employment has remained at a rather high level in Finland, the bulk of this employment is in public services. In 1997 public employment totalled 618000, and 521000 of these people worked in public services (Tilastokeskus 1998, 345). Services that the public sector provides offer considerable possibilities for private providers of such services, and it is therefore no wonder that in the 1990's PT has constantly advocated for the opening up of public services to private businesses (Palvelutyönantajat 1998a, 3; 1999b, 10). A major advantage in opening public social services up to private sector firms is that these social services are likely to remain financed totally or partly by the public sector, which means that in these services the risk for entrepreneurs is lower than in many other services.

A second indicator of the position of private services in the economy is their share of the gross national product. In 1990 it was 34%, in 1992 when the recession was at its worst in terms of the gross national product, it was 35% and in 1997 when the recession had ended it was also 35% (Tilastokeskus 1999, 58-94). Thus, this indicator shows an approximately similar level of activity as the employment figures.

In the 1990's the private service employer camp introduced a few organizational changes that reflected its growing self-consciousness. In 1995 the Employers' Confederation of Service Industries (Liiketyöntajain Keskusliitto, LTK) changed its name to the Service Employers' Confederation (Palvelutyöntajat, PT). The former Finnish name referred more to trade businesses whereas the new name refers to all services (Palvelutyöntajat 1996, 4).¹ In 1998 a new branch-level association for social service employers, Sosiaalialan Työntajaliitto (The Social Service Employers' Association) was established — this reflects the growing importance of private social services (Palvelutyöntajat 1999a, 4).

In the 1990's there were a few disputes on dividing organizational lines between industry and services: LTK felt that STK/TT was trying to recruit new members from branches (food industries, newly privatised post and tele services) that clearly belonged to services and indeed was succeeding in doing this (Pietikäinen 1995, 328-330). TT on the other hand, has declared that it aims to organize industry, construction, transport and additionally those services which are close to industry (Teollisuuden ja Työntajain Keskusliitto 1999a). Because industry has externalized parts of its functions and because in any event it is closely linked to many services, the dividing line between the industrial and service branches is often fuzzy. In many cases industrial firms and service firms are mutually dependent and belong to the same functional entities, or clusters. Indeed, such functional dependencies have created divisions within services themselves: some services are economically more linked to their respective industries than other services. Especially business-to-business services differ in their labour market and economic policy attitudes from other services (PT's interview 1999). For example, banks have traditionally regarded the success of industry as more important than that of private services — they want their major clients to do well (PT's interview 1999).

PT's general regulatory functions approximate those of TT (see above). PT also fulfils the regulatory functions of representation, governing and information gathering. Judging from LTK's and PT's annual reports, PT's participation in the public-private mix of the Finnish regulatory network is no less intensive than TT's. Both in 1991 and 1998 it reported that its representatives took part in about 200 public and private working groups (Liiketyöntajain Keskusliitto 1992, 4; Palvelutyöntajat 1999a, 4).² Also the number of personnel remained at approximately 100 throughout the 1990's (Liiketyöntajain Keskusliitto 1991, 5; Palvelutyöntajat 1999a, 5).

¹ Since the official English translations used here do not recognise this difference I am giving here my literal translations. The literal translation of Liiketyöntajain Keskusliitto (LTK) is the Central Association of Business Employers; and the literal translation of Palvelutyöntajat (PT) is the Service Employers.

² Note that this figure is not directly comparable with TT's figures in Table 3 because TT's figures include only representations in public working groups.

How can one then assess the success of PT's strategy in the 1990's? The objective of more decentralized industrial relations has been attained since the firm level has gained more negotiating freedom. Thus a similar development has occurred in the service sector as in the industrial sector (see the previous subsection) (PT's interview 1999; Liiketyöntäjien Keskusliitto 1994, 6). A formal framework for this development has been created in new agreements between LTK and the central labour organizations, though it is branch-level organizations that have done most of the practical work in enhancing firm-level activities in private services (PT's interview 1999; Liiketyöntäjien Keskusliitto 1990, 9; 1991, 6-7). To the disappointment of PT, the 1990's saw no substantial change in industrial and economic policy. Export industry has retained its traditional ruling position. However, as described above, there are some signs that private services might receive more policy attention in the future and their share of employment increased in the 1990's.

3.3 High organization rate and streamlined confederation structures

TT's and PT's membership development in the 1990's seems to follow the dynamic pattern presented in subsection 2.5. The harsh economic recession and labour's weak position have led to the decreasing rate of organization among employers at the beginning of and in the middle of the 1990's and membership figures increased again in the late 1990's as the economy recovered and left wing parties began to play a crucial role in the government (see Table 5). On the other hand, apparently due to the institutional stability of the national regulatory system, the employer's rate of organization has remained at a high level despite the recession. Even more important to the stability of the regulatory system than the absolute numbers of employees and member firms is that big and powerful, internationalized and globalized, Finnish firms have decided to retain their membership in employer confederations. There were no spectacular withdrawals from employer confederations in the 1990's. Such events could have had severe institutional consequences to Finnish industrial relations even if their statistical significance would have been much more limited. The table shows that PT's organization rate increased slightly in the 1990's whereas TT's rate had been falling until 1997. In the 1990's PT received members from TT (automobile transportation, real estate services) and from newly privatised public services (private schools, hospitals, homes for the aged) (PT's interview 1999). The rise in the rate of organization in private services gives some support to PT's aspirations to strengthen the service sector's position in society.

Table 5. Structure and size of private sector employer confederations 1990-1998

	STK/TT			LTK/PT		
	Member organizations	% of all firms (number of member firms)	% of private sector employees (number of employees in member firms)	Member organizations	% of all firms (number of member firms)	% of private sector employees (number of employees in member firms)
1990	19	6 (7097)	42 (587040)	7	5 (6867)	21 (299200)
1991	19	5 (6760)	42 (536562)	6	5 (6631)	22 (278960)
1992	19	5 (6601)	42 (488979)	6	5 (6132)	21 (245423)
1993	27	5 (6027)	45 (490000)	8	5 (6068)	23 (243000)
1994	27	3 (5925)	44 (480000)	7	3 (5894)	22 (237812)
1995	29	3 (5632)	43 (493000)	8	3 (6071)	22 (250464)
1996	29	3 (5601)	41 (483000)	9	3 (6279)	23 (268888)
1997	29	.. (5664)	40 (488000)	9	.. (6373)	23 (286277)
1998	30	.. (5660)	42 (528266)	10	.. (7784)	24 (307332)

Sources: Suomen Työnantajain Keskusliitto 1993, 35; Teollisuuden ja Työnantajain Keskusliitto 1994, 63; 1995, 43; 1996a, 58; 1997b, 58; 1998, 60; 1999b, 60; Pietikäinen 1995, 145, 149, 236, 241, 249, 325; Liiketyönantajain Keskusliitto 1995, 4; Liiketyönantajain Keskusliitto 1992, 4; 1993, 4; 1994, 4; Palvelutyönantajat 1996, 5-6; 1997, 4; 1998b, 4; 1999a, 4; Tilastokeskus 1992, 199; 1993, 147; 1994, 155; 1995, 155; 1996, 153; 1997a, 61-63; 1997b; 1998, 163, 344-345; Tilastokeskus 1999, 9.

The growth of the number of TT's member organizations from 19 (1992) to 29 (1993) is due to the merger of the Finnish Employer's Confederation (Suomen Työnantajain Keskusliitto, STK) with the Confederation of Industries (Teollisuuden Keskusliitto, TKL).

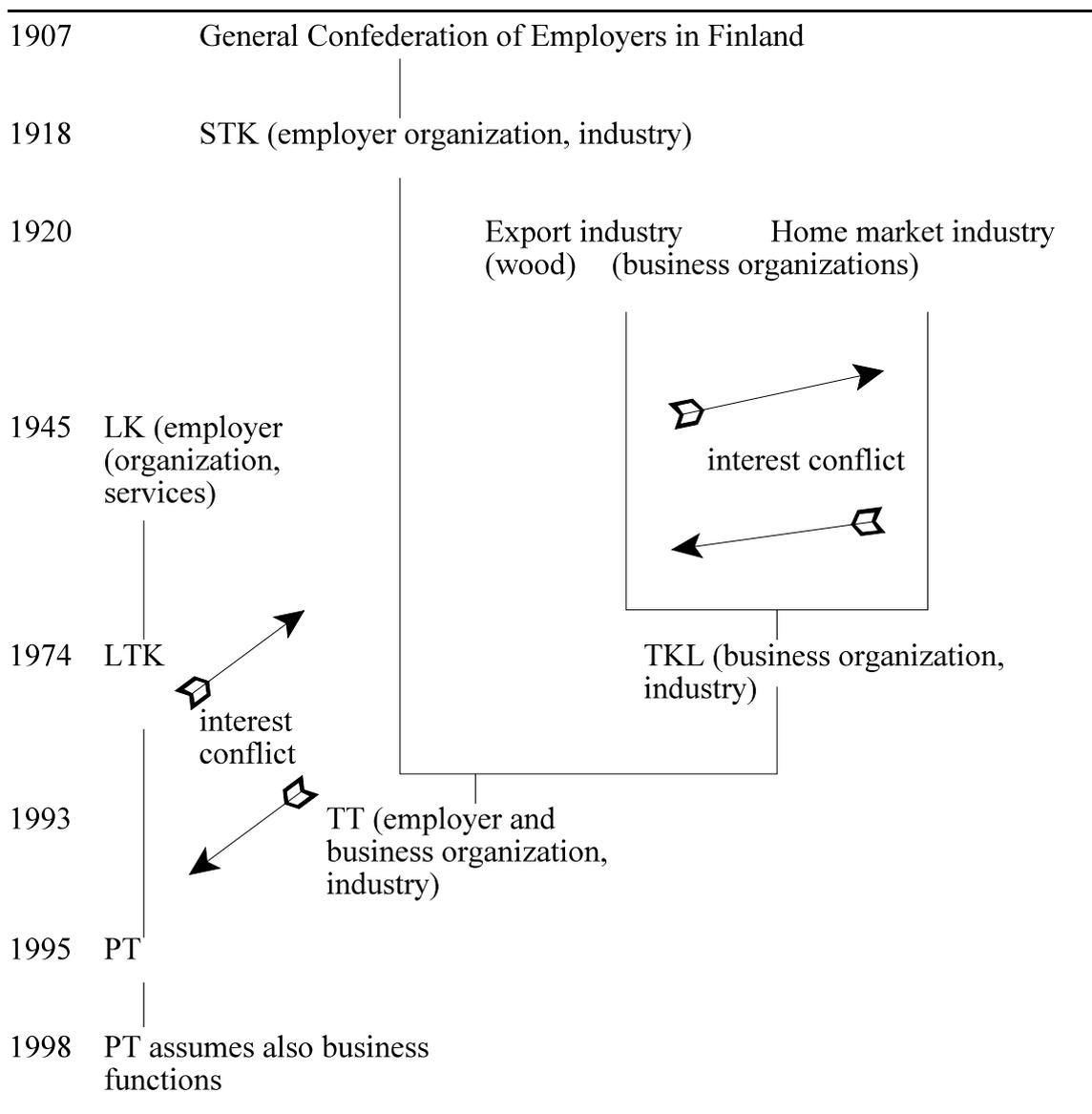
The organizational development of the nationally most important employer and business organizations is summarized in Figure 3. This figure shows how employers concentrated and streamlined their organizations in the twentieth century. Arrows indicate the most important inner cleavages within the employer camp. The General Confederation of Employers (1907) and its successor STK (1918) were the most important employer confederations thorough the twentieth century (1907-1992). For a long time (1920-1974) tensions between export industries and those industries that were mostly concentrated in home markets were reflected in the two separate business organizations for these respective industries (tensions between organizations are illustrated by arrows in the figure). By 1974 this tension had softened to a degree that allowed for the merger of these two business organizations and TKL was established. In 1993 industry's business (TKL) and employer organizations (STK) merged to form TT.

In the private service sector, capital's employer functions were organized when LK was established in 1945. Later on LK developed its functions as a confederation of private

services. This was reflected in the changing names of this confederation. In 1974 it restructured itself into a centralized national confederation and in 1995 the new name, the Service Employers' Confederation (Palvelutyönantajat, PT) underlined its role as the interest organization for all private services. In 1998 PT announced that it would also represent the business interests of the private service sector, thus enlarging its functions to those of a general business organization (Palvelutyönantajat 1998a, 4).

In sum, in the twentieth century capital's interest representation developed a more

Figure 3. Organizational structure of capital's most important organizations 1907-1998



Legend: STK = The Finnish Employers' Confederation (Suomen Työnantajain Keskusliitto)
 LK = The Employers' Confederation of Service Industries (Liiketyönantajain Keskusliitto)

TKL = The Confederation of Industries (Teollisuuden Keskusliitto)

LTK = The Employers' Confederation of Service Industries (Liiketyöntäjien Keskusliitto)

TT = The Confederation of Finnish Industry and Employers (Teollisuuden ja Työntäjien Keskusliitto)

PT = The Employers' Confederation of Service Industries in Finland (Palvelutyöntäjät)

comprehensive (see statistics on organization rate) and streamlined organizational structure. The same kind of development can be observed also in Denmark and Norway (see the respective chapters in this book). This organizational development has taken place at the same time as Finland has developed into a industrial and service based national society with comprehensive regulation of the economy and labour market. It is the employers' role in this national regulatory system which is examined in the next and final section of this chapter.

4 The system of industrial relations and the regulation of Finnish capitalism

In this section the employers' role in the regulation of the Finnish labour market and economy is analysed in three steps. First, the development of the Finnish system of industrial relations is examined. Secondly, the main features of labour law are presented. Lastly, in the summarizing subsection, I shall try to draw some general conclusions on the development of the regulatory system of Finnish capitalism.

4.1 The system of industrial relations

To summarize the development of the Finnish system of industrial relations a few descriptive concepts that help to differentiate between different industrial relations systems are needed. These concepts are (compare Müller-Jentsch 1997, 19; and Stokke's and Kjellberg's classifications of industrial relations in their chapters):

- ! **Corporatism** is a tripartite industrial relations system in which the state, employer associations and trade unions together organize and regulate the labour market. In a corporatist industrial relations system, connections to political parties are essential to both employer organizations and labour unions. In the Finnish case, unions (excluding Akava, a central organization of employees with university degrees) have traditionally had close informal connections with the Social Democrats and the Left Alliance (Vasemmistoliitto, former communists and left socialists). Employers, on the other hand, have traditionally had their closest, albeit informal, connections with the right wing National Coalition Party (Kansallinen Kokoomus).
- ! In a **bilateral** industrial relations system the power axis between parties lies: a) between employers and employees, or b) between the state and employers, or c) between the state and trade unions.
- ! The third basic form of industrial relations is a **state-centred** (or state-run) system in which the state regulates the labour market, mostly by means of legislation.

Each of these models can be more or less centralized, depending on how centralized collective agreements are, or how strict legal norms are. An important point to keep in mind

in this classification is that each of these main types of industrial relations has its own kind of social dynamics, a fact that is well illustrated in the history of Finnish industrial relations. For example, in a state-centred system, the state may look strong and independent, but because its connections with the labour market parties are weak it has, in fact, a weaker social basis. On the other hand, centralized corporatist industrial relations are stable because all the industrial relations parties have close connections with each other.

Apart from the three main actors in industrial relations systems, the environments of these systems also have a strong impact on them. Changes in the economy, culture, values and many other factors influence the way in which industrial relations and labour market regulation develop in a given national society. An especially important factor influencing industrial relations is the hegemonic ideology. Because industrial relations actors seldom fight with each other using raw power, the main arena of a power struggle is ideological. In fact, industrial relations actors use raw power against each other only in civil wars and in violent industrial conflicts. In an ideological struggle each actor tries to have the biggest influence on the hegemonic ideology regarding the “right” way to regulate the labour market and the economy.

The development of the Finnish system of industrial relations in the twentieth century can be divided into five overlapping periods (see Kauppinen 1994, 47-67). First, before independence (1917) and the civil war (1918) employers opposed collective agreements. Even though some developments towards collective agreements occurred, industrial relations in this period can be characterized as a decentralized bilateral system in which employers clearly were superior. Second, if employers were very reluctant to make collective agreements before the civil war and independence, they refused to negotiate all together during the next period (1918-1944). Consequently, industrial relations remained decentralized at the same time as employers had closer contacts with the state than did labour. Thus, during this period the industrial relations system was decentralized and bilateral (the most powerful actors were employers and the state). However, when speaking about “decentralized industrial relations” it should be kept in mind that it was the industrial relations system and labour unions that were decentralized and weak at that time, but employers as a group were not weak nor disunited. For example, wood processing companies were tightly organized thereby keeping industrial relation strictly at a company level, and preventing workers from having any collective influence on the terms and conditions of employment (Kettunen 1987, 20-21). Third, during the Second World War and immediately after it, as a consequence of the war, the state tightly regulated the economy and the labour market. Industrial relations were therefore in practice state-centred (1940-1955/1956), even though collective bipartite branch-level agreements spread like wildfire after the war.

Fourth, and this period overlaps partly with the third period, after the Second World War as the Communist Party was legalised, and left wing parties and labour unions gained a much stronger position in society, employers were forced to accept collective negotiations. From 1956 to the end of the 1960’s the industrial relations system was mainly a bipartite system between employers and employees. Collective agreements were made at the branch level without elements of social legislation, labour law reforms and they did not influence economic policy.

Lastly, already at the beginning of the 1960’s labour market parties had started to make centralized framework agreements, but centralized corporatist (tripartite) industrial relations and the incomes policy era stabilised only after 1968. Thus, also this period

overlaps with the previous one. Several factors contributed to this development.

Due to conflicts within the party and between the party and SAK the Social Democratic Party had divided into two in 1959. This led to the creation of two competing central organizations for labour unions (Valkonen 1989, 49-53). Interestingly enough, employers had a significant role in reuniting the divided labour movement. To prevent labour unions from competing for members in working places and to achieve wage restraints, i.e., to prevent firms from using wages as a means of competing for workers, employers strove to unite labour unions. This was achieved in 1969. The uniting of competing central organizations and the strengthening of incomes policy practice strengthened the unions' positions and labour's organization rate grew rapidly, and it has stayed at a very high level ever since.

Other factors that contributed to the birth of the incomes policy era were capital's interest in restricting and regulating labour's growing power, capital's aspiration to regulate national capitalism effectively and the close relations between left wing parties and labour unions. Capital and other industrial relations actors were of the opinion that as Finland had become more integrated into the western economy the country needed a better regulatory system (see Lilja 1992, 207). Informal party connections between labour unions and left wing parties have helped to consolidate corporatist industrial relations. In addition, since all the political parties are nowadays more or less wage-earner parties such informal interest coalitions are broader than the traditional connections, which were only between labour's political and trade union wings, and of course, employers have their informal party connections as well. In fact, nowadays nearly all the major parties are in favour of centralized consensual industrial relations, even though they advocate for more decentralized labour relations within the framework of the present system. The sole exception to this hegemonic ideology has been the Centre Party of Finland, which would like to decentralize industrial relations more than other actors (Kasvio & Nieminen 1999, 291-293).

The development of industrial relations in the 1990's has already been described in subsection 3.1 on the Confederation of Finnish Industry and Employers. Here I will concentrate more on the roles of political actors in industrial relations. As has been explained above, in 1991 STK presented its 14-point list of demands which aimed at cutting labour costs. STK also wanted to decentralize industrial relations and abolish the general bindingness of collective agreements. Despite the employer offensive, the main conflict in the labour market was not between employers and labour unions but between labour unions and the centre-right government.

From 1991 to the spring of 1995, when the centre-right government was in power, relations between labour unions and the government were tense (Kauppinen 1997, 38). In 1992 the unions threatened the government with a general strike if it cut unemployment benefits as it had proposed. The government backed down. The same conflict situation was repeated in 1993 when the government wanted to lower the threshold for employing a young person. The government wanted to lower the threshold for employing young novice workers by lowering their wages.

A general reason for ongoing tensions between unions and the government was that the centre-right government tried to introduce a new kind of division of labour in economic policy. According to this initiative, economic policy making was to be divided into three parts. The Bank of Finland was to take care of the outer stability of the Finnish Mark. The government was to guard public finances, i.e., in effect restricting possible public deficit.

Lastly, the labour market parties were to take care of employment, i.e., in effect restricting pay increases in the hope that this would ensure future employment.

Both for 1994 and 1995 collective agreements were made at the branch level (Kauppinen 1997, 39-41). The wage differences among export industries, private services and public services increased. For 1995 many agreements had to be made with the help of the State Conciliator. The most noticeable strike was that of the medical workers (compare the Danish “revolt from the middle” (see Ibsen 1996)), which lasted four weeks.

Relations between the government and labour unions changed dramatically as the new Rainbow Government (right and left wing parties and the Greens) took power in spring 1995 (see Kauppinen 1997, 41-41). The Social Democratic Party became the strongest party in the government due to its victory in the parliamentary elections. To ensure smooth operating of new government’s policy the Social Democrats held discussions relating to future co-operation with the unions even before the Parliamentary elections. Later, as the new government started its work the Social Democratic prime minister, Paavo Lipponen, made sure before the government’s working programme was promulgated that unions and employers would back the government's policy.

Consequently, the next collective agreement in autumn 1995 (for the years 1996-1997), which was adopted thanks to powerful intervention by the government, was a centralized one. In fact, it was the most centralized incomes policy agreement in the history of Finnish industrial relations. This made it possible for the government to continue with cuts in social insurance and welfare.

However, even though relations between the Social Democratic Party and labour unions were close, this government also had a severe dispute with unions (Kauppinen 1997, 44-45). The government wanted to cut unemployment insurance more than the unions thought had been agreed before. This led to a general strike threat in the spring of 1996, and the government backed down. The main reason for the unions’ strong defence of unemployment insurance is that unemployment benefit societies are operated by trade unions. The system of unemployment insurance makes up one of the cornerstones of the unions’ strong position in Finnish society.

In the next centralized agreement for the years 1998-1999, the procedure used in 1995 was repeated (Teollisuuden ja Työnantajain Keskusliitto 1998, 35-37). Also in this case the Social Democratic prime minister of the Rainbow Government took an active initiative for ensuring a comprehensive incomes policy agreement. Once again the adherence of branch-level agreements to a confederation-level agreement was ensured by letting branch-level organizations sign their agreements before the final centralized agreement was written. Also once again pay rises remained moderately between 3.8-5.5% in the industrial sector.

In spring 1999, after parliamentary elections, the parties of the Rainbow Government formed a new government on the old basis. It is a good indicator of the strength of the centralized industrial relations system in Finland that the Centre Party of Finland, who had wanted to decentralize industrial relations in its *Work Reform* programme and who had conflictual relations with the labour unions and the Social Democrats when it was in government 1991-1994, was excluded from the new government even though the party had won additional votes in March 1999. Apparently, one of the most important reasons for this exclusion was the Centre Party’s unsuccessful labour market policy. The Centre Party of Finland is the successor of the main agrarian party, and it seems to have had problems in finding a new position in the political system at a time when the size of the

agrarian population was strongly diminishing (see Table 4).¹

As in 1995 both the national confederations of employers and of employees expressed their support for the government's programme, which stressed tight fiscal policy and the fight against inflation and unemployment (Työmarkkinajärjestöt 16 April 1999; Helsingin Sanomat 17 April 1999). This time a centralized incomes policy agreement failed but general wage increases have remained at a moderate level in branch-level agreements for the year 2000 (for a description of negotiating round 1999-2000 see subsection 3.1 above).

The centralized structures of Finnish industrial relations have been largely preserved in the 1990's. Yet, within these structures important internal changes have taken place. As in Denmark, Finnish unions have established negotiating cartels within three central organizations (the central organizations of blue-collar workers, white-collar workers and persons with academic degrees) (Kauppinen 1997, 19-20). Also some decentralization of negotiation mandates towards the local level has taken place. Even though employers have advocated for a more decentralized system of wage negotiations, they have not been very militant about it. They have rather taken a moderate stance: it is not the structure of negotiations but their content that is important when deciding at which level of the industrial relations system to negotiate. It is in terms of the contents of collective agreements and economic policy that the biggest changes in Finnish industrial relations have taken place. Previously, many decisions were made to improve the position of wage earners, whereas recently, many of the areas for negotiation have aimed through cost-cutting at improving the employers' business environment (Kauppinen 1997, 43).

To sum up developments in Finnish industrial relations in the 1990's: centralized industrial relations are still very much alive. All the centralized industrial relations actors are still engaged in collective negotiations, the system is still corporatist, i.e., the labour market parties work together with the government, and they form an integral part of the state's economic policy. In this sense the developments in Finland resemble those in Denmark (see Due et al. 1994 and the chapter on Denmark in this book): policy changes and decentralization have taken place within the framework of centralized structures.

Developments in Finnish industrial relations in the 20th century are summarized in the next table (Table 6). The table is built on a simple model of the structuring of industrial relations in Finland: the politico-economic situation puts pressure on employers who in turn chose their line of action (strategy) on the basis of their interpretation of the actual situation and their world-view. The table underscores the fact that industrial relations systems cannot be reasonably approached as independent social systems, they need to be seen as parts of their respective social environments (see also Lilja 1992, 198-199).

¹ The Central Union of Agricultural Producers (Maataloustuottajain Keskusliitto, MTK), the interest organization of farmers and forest owners, has been closely involved with incomes policy negotiations, but also MTK's role has been diminishing. The fact, however, that the agrarian population has also had a role to play in incomes policy illustrates the inclusiveness of Finnish incomes policy.

Table 6. Industrial relations periods

Politico-economic history &	Employers strategy →	Industrial relations system
The First Republic 1917-1944		
19 th century-1917: beginning of industrialization, tense class-relations	containment and conflict	decentralized employer-centred
civil war - the beginning of the Second World War: bourgeois hegemony, tense class-relations	containment and conflict	decentralized, bilateral (employers and state) system
the Second World War - 1955/1956: due to the war economy, the state important	containment during the war	state-centred
The Second Republic 1944-		
the end of the Second World War - the end of the 1960's: labour's growing strength, accelerating industrialization and modernization	compromise	bipartite (employers and employees) branch-level system
the end of the 1960's - the 1990's: labour strong, regulation of a developed capitalist economy, development of the Finnish welfare state	compromise and regulation, more demanding policy in the 1990's	centralized corporatism

The general direction of the historic development is clear: labour unions and left wing parties have gained more power, which has led to more democratic and centralized industrial relations in the course of the 20th century. In this respect the most important dividing line runs between the First and the Second Republics. It can be seen that employers were better able to resist labour's growing power while the industrial relations system was based on bipartite relations between employers and the state, or when the state's regulatory role was strong during the war. Yet, after the Second World War employers had to begin to compromise. However, especially in the incomes policy era this compromising with labour was linked to capital's aspiration to regulate the national economy.

Have Finnish employers been able to determine the level of collective negotiations as Virpi Köykkä (1994) has maintained? Yes and no. On the one hand, it is employers who decide on what level (working place, firm, branch, centralized agreements) they want to make agreements with employees. If they do not want to negotiate on a given level there

will also be no agreement on that level. On the other hand, employers do not act in a socio-economic vacuum, they have to consider the long-term consequences of their present actions. Therefore, even if employers formally always make the final decision as to the appropriate level of negotiations, they do it within the framework of existing socio-economic relations (see Figure 1). Thus, for example, employers accepted negotiating with unions after the war because of mounting political pressures to do so.

Table 6 stresses differences between diverse industrial relations periods in Finland. Dividing historic time into diverse periods often helps to analyse and understand the social dynamics of a given social configuration. For example, in case of Finland it is useful to divide her history into the First and Second Republics, because left wing parties (especially the Communists) and labour unions have had much greater influence in the Second Republic than in the First. Consequently, social and political dynamics differ substantially between these two periods.

Yet, dividing historic time into diverse periods causes also problems because it obscures historic continuities.¹ For example, because relations between employees and employers are by definition power relations (employers have the right to hire and fire employees and manage the work), and because employees are supposed to use their human capacities while working (this requires at least some autonomy), there will always be tensions and conflicts between these social groups (Müller-Jentsch 1997, 31-32). It is therefore understandable why questions concerning the levels of collective agreements or conciliation have been recurrent themes for employers in both the First and in the Second Republics. At the firm level, management has been discussing the question of how to motivate workers into using their human potential fully at least from the beginning of the 1920's (see Kettunen 1994).

Another example of the historic continuity in industrial relations is provided by the paternalistic relations between employers and employees (Haatanen 1998, 119, 125). Such relations were though to be outdated as firms grew bigger, real flesh-and-blood owners and managers were replaced with professional managers and legal personalities and working relations were modernized and formalized. Yet, now at the turn of the 20th century, one again hears talk of the “ethics”, “morals” and “values” of firms. It is estimated that five per cent of the indirect costs of firms are nowadays spent on supporting employees’ free-time activities such as sports and culture. In addition Antero Kiianmaa has found in an interesting study conducted in a big Finnish high-tech firm (apparently alluding to Nokia) that its core work force identify strongly with the firm. He maintains that the firm constitutes a “totem”, a social object of worship, for its core employees (Kiianmaa 1996). These kinds of more paternalistic relations between employers and employees could at least partly solve the problems of power relations between employers and employees, but this solution can hardly be generalised. This is because paternalistic relations not only tie employees to their respective firm but they also tie the firm to its employees. Thus, these kinds of binds serve to restrict the freedom to act on the part of leaders of firms.

¹ This the reason why periodization is a very useful ideological procedure: by maintaining that certain problems have been solved and a new era has begun, actors can obscure the continuities in power relations and in socio-economic institutions.

4.2 Labour law, wage negotiations and conflict resolution

Having presented the general development of the Finnish industrial relations system, a more detailed account of Finnish labour law, wage negotiations and conflict resolution is given in this subsection. This presentation also concentrates on the 1990's.

The legislative system is important to employers, employees and other industrial relations actors in at least two ways. First, labour law provides a normative and authoritative infrastructure for industrial relations actors. Just as physical infrastructure (buildings, streets, machines) supports society's functioning, so does the law because it lays down formal rules for everyday activities (compare Uotila & Uusitalo 1984, 87-88). As in many other spheres of modern society also in working life formal legal regulation is quite extensive. For example, *the Working Place's Law Book* published for the year 1996 had 816 pages and described over 200 different norms, the literature that comments on labour law is extensive, and individual collective agreements can have as many as 100 pages (Haatanen 1998, 137,149). Secondly, it is not just labour law that is important to labour relations but the legal profession has an authoritative position as well. In collective negotiations legal questions are often important and later, in cases of disputes, both parties use their own lawyers to solve conflicts. It would seem that lawyers form the largest single academic profession in both employers' and labour's organizations.

In general the development of the Finnish labour law has followed the development of Finnish industrial relations (see Kauppinen 1997, 52-54; Haatanen 1998, Chapter ten; Kairinen 1998). It has been described above how politico-economic fluctuations have played an important role in employers' organizational activities. The same influence can be found in labour law as well. Recession along with right wing governments have meant legislation in favour of capital, whereas periods of economic growth along with left wing governments have produced legislation more in favour of labour (Haatanen 1998, 138).

In the 1920's, when employers refused to negotiate collectively (see subsection 2.2), a legislative basis for collective agreements was nevertheless created and legislative ideology supported bipartite relations between employers and employees (Bruun 1979, 158; compare with developments in Norway as described in Stokke's chapter). Thus, whereas before the end of the Second World War labour law was ahead of actual practise in the labour markets, later legislation has often followed the development of industrial relations. The legal basis for collective agreements was renewed and enlarged during and after the Second World War as collective agreements were realised in practise. In addition to collective labour law general agreements between parties also lay down the foundations for industrial relations. A basic agreement regulating fundamental relations between the parties was signed in 1944, renewed in 1946 and simplified in 1997 (Kairinen 1998, 21; Haatanen 1998, 157).

Especially the era of incomes policy has seen an influx of new legislation. It is interesting to note that it was only in the 1960's that legislators started to take collective, and not individual, labour law as their point of departure (compare with the opposite Danish development described in this book). From the 1960's onwards individual labour law (individual employment contracts serving as the point of departure) has been integrated with collective labour law (relations between organized labour market parties being seen as fundamental) and not vice-versa (Bruun 1979, 359). For industrial relations the most important new laws extend collective branch-level agreements to an entire branch of the

economy if at least half of its employees are organized in labour unions (1970), restrict employers' rights to fire workers (1970) and broaden the employees' rights of co-determination (1978) (though the practical relevance of the rights of co-determination has been limited) (Kairinen 1998, 25). In general, the new legislation in the incomes policy era has strengthened the position of employees vis-à-vis employers.

Since the 1990's as employers have been actively seeking more flexibility in labour markets, the rules for both collective and individual dismissals have been loosened and new working time legislation (1996) allowing for more local variation in working time has been introduced. Other, more far-reaching employer proposals, such as a loosening of the general bindingness of collective agreements have not been realised. That the renewal of industrial relations is not an easy task is illustrated by the fact that beginning in 1993 two subsequent tripartite committees have worked on changes in legislation concerning employment contracts. In February 2000 the second committee managed to finish a committee report that is intended to be used as the basis for new legislation. The most highly contested issues in the work of these committees have been the regulations making collective agreements generally binding and the terms for renting manpower. In any event, the committee suggested in its report that the present criteria for making collective agreements binding should be broadened and that rented labour should enjoy the same terms of employment as the regular employees of firms that rent additional labour force. (Helsingin Sanomat 5 February 2000).

The most important legislation proposals, which later have become part of labour law, have often been put forward jointly by organizations of employers and employees. Hence, the parties have in practice assumed legislative functions even though legislation in theory falls within parliament's area of responsibility. The fact that both employers' and employees' organizations are in effect involved in legislation is reflected in the agreement-like character of new labour legislation (Kairinen 1998, 26).

In addition to labour law, collective agreements form another important regulatory factor in the Finnish labour market and the Finnish economy. As explained above, since 1970 labour law has extended collective branch-level agreements to entire branches if unions that have signed agreements organize at least half of the employees in the branch in question. Thus, it can be seen that labour law supports collective agreements. The following paragraphs describe the habitual procedures of making collective agreements in the incomes policy era (see Haatanen 1998, 161).

At the beginning of the negotiations process the Economic Council (Talousneuvosto), which is chaired by the prime minister, prepares an assessment of the prevailing conditions of the national economy based on information provided by a group of experts called the Incomes Political Clearance Committee (Tulopoliittinen selvitystoimikunta). This committee consists of economists affiliated with or having close contacts with the main economic policy actors. Thus, these economists come from economic research institutes which have close connections with the labour market parties or with the state in addition to coming from the Ministry of Finance and the Bank of Finland. The committee follows developments in prices, wages and taxation. Often it is necessary for the government to appoint a special incomes policy official to explore the possibilities for a new incomes policy agreement. Normally, incomes policy agreements have received their names from these men who have explored the possibilities for such agreements and have brought the labour market parties together. In last two incomes policy agreements (1995, 1997) it has been the prime minister who has assumed this function.

At the same time, or starting earlier, another, a more informal parallel policy process, starts in the media, and it continues until the bargaining is over. In this process different industrial relations actors (unions, employers, political parties, ministries, the Bank of Finland¹, etc.) voice their demands, fears and ideas on the coming round of collective bargaining. Perhaps the most important issues in this public debate revolve around the question of whether the next collective agreement should be made at the centralized incomes political level or at the branch level.

This procedure for making collective agreements shows how central the positions of two professions, those of lawyers and economists, are in the regulation of labour markets and the economy. Lawyers help to make and interpret the necessary norms (labour law and agreements); economists produce and interpret economic facts, models and shared world-views that give a framework and guidelines for negotiations. Even though this procedure creates the impression of a rational administration of modern national capitalism which is partly private and partly public (public-private mix), one should not exaggerate the rationality of labour market actors nor the predictability of this regulatory system. For instance, PT's interviewee described the factual time perspective of organized labour market actors in the following way: "For labour market organizations two years is an eternity, and one year a long-term perspective". In addition, in their reactions actors tend to orientate to past experiences rather than to future expectations (PT's interview 1999). Thus, collective bargaining tends to be a short-term activity that is based on past experiences.

If centralized tripartite negotiations on incomes policy should fail, the collective negotiations are moved to the bipartite branch-level, and branch-level actors make agreements on behalf of their respective branches. This has happened seven times in the incomes policy era (1973, 1980, 1983, 1988, 1994, 1995 and 2000). Normally centralized incomes policy agreements have lasted two years; only five of them have been one-year agreements (Kauppinen 1994, 64). However, it is important to note that also in cases of incomes political agreements it is not the parties' central organizations that make the actual agreements but rather it is branch-level organizations that in accordance with incomes policy guidelines make agreements (Haatanen 1998, 151). In fact, even if the parties succeed in making a centralized incomes policy agreement this does not mean that the other levels of the industrial relations system are completely bypassed. Centralized agreements are modified and stipulations are added to them at the branch and firm levels. Accordingly, the present industrial relations system has three levels: a centralized incomes policy level (the level of national economy), a branch level and a firm level (Kauppinen 1997, 27).

Occasionally the parties fail to reach agreement and an industrial conflict (strike or lock-out) begins. However, such industrial action is legal only if there is no collective agreement in force. A collective agreement stipulates industrial peace on the part of both

¹ The ideological and political role of the Bank of Finland is an interesting one. It has an exceptionally independent position in relation to the government and parliament. From this position it has practised a monetary policy that has aimed at supporting investments and exports and at restricting inflation and private consumption (Kyntäjä 1993, 244). In addition the EMU has been supporting this independent position of the Bank. Yet even though other actors are not supposed to try to influence the Bank, the Bank itself has not hesitated to advise labour market parties to practise wage moderation (see for example Helsingin Sanomat 10 December 1999; Helsingin Sanomat 12 January 2000).

parties. If an industrial conflict has begun, or there is a threat of an industrial conflict, the process of conciliation begins. It proceeds as follows (see Kauppinen 1997, 65-67; Haatanen 1998, 155).

Employers, employees and the state together choose five District Conciliators and the State Conciliator. According to the law conflicting parties must be present at conciliatory meetings, but conciliation is not compulsory. Conflicting parties do not have to accept the conciliator's proposals, though in practice the State Conciliator has often played an important role when parties have been unable to come to an agreement by themselves. Legal disputes are to be solved in the Labour Court (established after the Swedish model in 1947). This is a tripartite organ with representatives from both sides of the labour markets and lawyers who are at least formally neutral. The Labour Court is the authoritative organ for interpreting collective agreements and its rulings are final.

Developments in collective negotiations, labour law and conflict resolution in the 1990's can be summarized as follows. The system of collective negotiations has preserved its basic elements with the exception of two important changes. First, in the last two incomes policy agreements adherence to centralized agreements has been guaranteed better than before by requiring branch-level actors to sign their agreements before the actual incomes policy agreement comes into effect. If this procedure were to be institutionalized, the Finnish industrial relations system will have solved one of its long-lasting problems: the poor coordination of incomes policy. Secondly, centralized industrial relations parties have decentralized some of their powers to the firm level, and this has happened in a consensual, organized way. The development of labour law has followed suit: rules for dismissals have been relaxed and the new legislation governing working time (1996) allows for more local variation. Employers have sought changes in laws concerning conciliation and strikes. TT has been hoping for obligatory conciliation and a restriction of the right to strike, especially as far as small key groups of employees are concerned, but so far these aspirations have been in vain. On the other hand, employees have upheld their commitments made in collective agreements and strike statistics declined radically in the 1990's, and therefore these issues have not been as problematic for employers as in the 1970's and the 1980's.

4.3 Regulation of national capitalism: from (peripheral) Fordism to restrictive EMU policy

The development of Finnish employer confederations that has been presented in this chapter can be summarized with a few basic observations:

- ! Their organization rate increased radically in the 20th century (see Figure 2 and Tables 2 and 5).
- ! Capital has streamlined its organizational structure by uniting employer and business functions in the same confederations. Its inner cleavages have changed from interest conflict between home market industries and export industries to interest conflict between industry and private services (see Figure 3).
- ! The policy line of employers has moved from a total refusal to negotiate collectively with organized labour (1918-1940/1944) to quite consensual relations with the labour movement (especially after 1968) (see Table 6).
- ! The functions of employer confederations have broadened from resisting labour's growing power at the beginning of the 20th century to participating in the

comprehensive regulation of labour markets and the economy in the 1990's. Their organizational streamlining mentioned above is closely linked with more comprehensive regulatory functions: more comprehensive confederations can take part more effectively in the regulation of labour markets and the economy.

! In the 1990's, due to the severe recession and hegemony of a more market liberal political ideology, employers have succeeded in decentralizing Finnish industrial relations somewhat (see the third section in this chapter). It is, however, worth noting that this decentralization has taken place within the framework of centralized industrial relations, and there have been no major clashes on this issue between employers and organized labour.

There is a certain irony of history in the fact that employers founded their organizations to fight socialism but these organizations, nevertheless, ended up serving as parts of the regulatory system of national capitalism. In certain respects this regulatory system solves the main contradiction of capitalism emphasized by Karl Marx, who maintained that in capitalism the ownership of the means of production is private while at the same time mass production and consumption are societal. This creates severe contradictions. Politico-economic, partly public, partly private regulation of national capitalism is one way to solve this contradiction between private ownership and societal production and consumption.

Thus far, I have only dealt with this regulatory system in passing, but in this summarizing subsection it is well worth trying to see employers' confederations and the industrial relations system as parts of this more comprehensive regulation of class relations, labour markets and the economy. In fact it can be maintained that in the Nordic countries, as well as in most Western European countries, there have been no separate systems of industrial relations, but rather industrial relations have always been integral parts of national socio-economic regulation (see Hyman 1996). In this connection I will also assess the role of employers as "structure-makers" or "structure-takers" (regarding these notions see Jensen's, Madsen's and Due's chapter in this book and Jensen 1998, 479-483) as well as the question of whether employer confederations have been solely private interest organizations or have they also taken responsibility for supporting societal order. Lastly, I will assess briefly the near future of employers' confederations as well as of industrial relations.

Between the two World Wars the Finnish regime of accumulation was predominantly extensive; that is, there were no close relations between mass production and mass consumption (for the concepts of the regulation school used here see, for example, Hübner 1990).

In the Second Republic, after the Second World War, thanks to the increasing power of the political left and labour unions, Finland developed into a Fordist regime of accumulation in which mass production and mass consumption supported each other (intensive accumulation). Organized labour's role in this system is important because its demands force employers to pay higher wages ensuring continuous mass consumption. If the wage level is not high enough, a Fordist system cannot develop. Yet, Finnish Fordism has been Fordism with a peripheral flavour; its traditional economic policy line has always stressed the importance of the international competitiveness of export industries. In cases of interest conflicts between the demand of home markets and the competitiveness of export industry, export industry has always won out at the end. Often this has meant yet another

devaluation of the Finnish Mark (see Kyntäjä 1993, 79).

The main elements of this traditional economic policy line can be constructed on the basis of STK's and TT's annual reports from the beginning of the 1990's. TT's analysis of the causes of and cures for the recession in the 1990's reveals well the export-oriented rationale of traditional economic policy. According to TT the basis for all economic success lies in successful exports which contribute to the external balance of the economy. These factors (export success and the external balance of the economy) together create sound economic growth, investments and jobs and the home market profits from the growth impulses stemming from export sector. Sufficient economic growth makes financing of the public sector (via taxation) possible. According to TT, the public sector has a double role to play. On the one hand, the public sector creates preconditions for the workings of the export sector (education, maintenance of infrastructure); but on the other hand, the public sector is often seen as a burden to the export sector (taxation, too rigid a regulation of the activities of firms, financial aid to firms which might distort economic competition). Exports are seen as the main source of national income, and therefore answers to economic problems are almost always sought by supporting export industries.

As can be seen from this presentation of hegemonic Finnish economic policy, this policy lays little explicit stress upon demand in home markets. Therefore, the Fordist connection between mass production and mass consumption in Finland is not based so much on a conscious policy which aims to ensure home market demand as on functional relations between diverse actors of the regulatory system: strong labour unions and a developed welfare state support demand in home markets. Therefore, as no doubt in many other countries as well, the Finnish regulatory system is partly based on conscious policy making and partly on established power relations between the different actors.

However, also the parts of this regulatory system which have been intentionally created are of considerable size. All the actors of the Finnish industrial relations system are well organized and they have effective organizations. This system and its actors can be characterized as a professionalised (lawyers and economists being the two most important professions) formal system of socio-economic regulation.¹ A further characteristic of this system is that it is partly public and partly private (a public-private mix).

Now, when particularly the incomes policy era has seen the development of the above described regulatory system, have either Finnish EU membership or economic globalization led to pressures to change this system? Not thus far. In fact Finnish membership of the European Monetary Union seems to have strengthened societal regulation of the economy and of the labour market. An important motivation for the two last incomes policy agreements has been that diverse actors strove to achieve the EMU's convergence criteria via centralized agreements that restrain wage increases. Timo Kauppinen has even called Finnish industrial relations after 1995 as "EMU corporatism"

¹ A third professional group that seem to have had an important role in Finnish industrial relations is that of sociologists. This is because it is quite possible that employers were influenced by sociologists' ideas on the regulation of conflicts in modern society when they started to advocate for better socio-economic regulation in the 1960's. In 1959 Ralf Dahrendorf published his famous book *Class and Class Conflict in Industrial Society*. Also a Finnish sociologist Erik Allardt wrote on the regulation of social conflicts in modern society in his *The Structure of Society and Social Pressure* in 1964.

(Kauppinen 1998). The same rationale applies to economic globalization and intensifying competition: also in this case, centralized agreements help to restrict wage increases. Therefore, it can be concluded that both the EMU and economic globalization seem to give additional support to the traditional economic policy rather than to erode its foundations!

However, something did change in the Finnish regulatory system in the 1990's with mass unemployment, an increase in poverty, a growing number of people working in "atypical" working relations and diverse forms of "flexibility": the Fordist connection between mass production and mass consumption was loosened somewhat. Yet, this relative systemic change cannot be compared with the differences between the regulatory systems of the First Republic (extensive capital accumulation) and of the Second Republic (intensive Fordist capital accumulation). It is also worth noting that despite much fuss about "free markets" in the 1990's, this decade can be more accurately described as a decade of the international reorganization of the economy than as an era of free markets.¹

What then has been the role of employers in this regulatory system? Have they been structure-makers or structure-takers? Has their role been concentrated in the narrowly defined interest representation of capital, or have they taken responsibility for the whole of national society? Each of these questions is more complicated than it would appear at first, and my answers to them can only refer to the most obvious developments.

First, in social systems based on interactions, and in which the subjectivity of the actors (their identities) is defined by their relations to each other, it is often difficult to say which of the many actors has affected the system's development the most. This general sociological idea is especially true in conditions of the well-institutionalized Finnish system of politico-economic regulation, i.e., in a situation in which networks of social integration are dense.

Employers have certainly had a strong structural role both in industrial relations and in the national regulation of the economy. This can be seen from the history of Finnish industrial relations as well as from the fact that the hegemonic economic policy line favours export industry. On the other hand, especially in the Second Republic and in the incomes policy era, labour unions and left wing parties have greatly affected the decisions of employers. It is true that in many cases employers have made the final decisions concerning collective agreements, and they have also been very influential in the development of the Finnish welfare state, but they have made their decisions under pressure from organized labour. Therefore, especially after the Second World War and in the incomes policy era, it is those ordinary workers who constitute the backbone of labour unions that have also been very important structure-makers. In the 1990's employers' power position as structure-makers improved but still they have had to consider carefully how organized labour might answer their initiatives. It is perhaps fair to conclude, that since the Finnish socio-economic

¹ Diverse markets are normally divided into relatively constant market shares between firms. Only in times of an intensified reorganization of economic structures and institutions do these market shares start to crumble due to more open competition. Sometimes firms almost panic in such situations. In such situations leaders of firms and business associations start to speak of "cut-throat competition", "price wars" or "unhealthy competition". After a period of reorganization the market situation is likely to calm down and a new division of markets and regulatory practices develop. From this point of view only the transitional periods come close to the ideal of the "free market".

system has many players no one of them can alone manipulate the system. The system therefore, has many actors but only one subject — the system itself (compare Kyntäjä 1993, Chapter 5).

Also the question of whether employer confederations have only represented capital's employer interests, or whether they have taken responsibility for the whole national society, would deserve a more detailed answer that can be given here (see Kyntäjä 1993, Chapter 5). When dealing with this question, it is important to keep in mind that employer organizations are not just one interest group among others; employers form a group that is just as constitutive to the existence of modern societies as employees are. This is so because an important element of modern societies is mass production in privately owned firms.

From this fact, rises the most vital of employers' interests: the preservation of private ownership of the means of production (see Figure 1). It is characteristic of the long-lasting conflictual character of Finnish class relations that this very core of the employers societal position was jeopardized in the civil war of 1918, and that employers feared a socialist revolution after the Second World War (the "Years of Danger") and even at the beginning of the 1970's. In the question of the ownership of the means of production employers have identified their own interest with national interests. The same applies for the traditional economic policy line that supports export industries and defines international competitiveness as one of the most important national objective. In both the questions of ownership and economic policy line, capitalists in general, and export industry in particular have succeeded in identifying their own interests with hegemonic national interests. Thus, when employers promote their own interests in these issues, they may claim that their private interests are the same as general national interests, and it becomes difficult to make a distinction between private and general interests.

On the other hand, this identification of employers' and the nation's interests does not only connects national interests to capital's interests, but it also ties capital's interests to national interests. This means that capital also has to adhere to hegemonic national objectives, which in turn restricts capital's freedom to act. For example, at end of the 1980's and at the beginning of the 1990's STK expressed several times its concern about the attitudes of its member associations being too selfish; and TT almost always defends its policy line by referring to national interests.

In issues that do not belong to the core interests of national capitalism (ownership and economic policy line) it is easier to establish the fact that employer confederations are driving their own private interests. Such issues belong more to day-to-day labour market themes such as wages, singular industrial conflicts and the terms of given collective agreements. But in general it can be said that employer confederations currently form a part of a comprehensive national regulatory system; they are part of a Finnish "economic nationalism", in which "private" and "general interests" interact with each other (a public-private mix). With their streamlined structure they actively take part in regulating the national economy and the labour market.

Now, the picture given here of the present state of Finnish employer confederations, and of Finnish industrial relations is one of overwhelming stability: employer confederations have a stable position in society and almost all industrial relations actors support the present system of industrial relations and centralized decentralization within this system (Kasvio & Nieminen 1999). Once again, in the 1990's, the centralized system of incomes policy has been preserved — despite criticism and predictions to the contrary. But

the future might be different. Therefore it is useful to speculate here at the end of the chapter on what factors might lead to substantial changes in Finnish industrial relations. There are at least four different dynamic forces which might cause substantial changes.

First, if big and powerful Finnish firms were to globalize their *modus operandi* in such a way that they were to lose their interest in the national regulation of the Finnish economy and labour market, they might resign their membership of employer organizations, and this could lead to institutional changes in the labour market. Thus far this has not been the case, even the greatly expanded electronics industry (see Table 1) has been largely content with the present mode of economic regulation. Secondly, large-scale foreign ownership pursuing a more market liberal labour market policy, together with other factors, might cause institutional changes. Thirdly, a market reduction of the power of labour unions would certainly lead to substantial changes in the labour market. Lastly, a strong government initiative in favour of different kinds of labour market institutions could, if it were supported by other factors leading in the same direction, give rise to structural changes in the regulation of the labour market and the economy.

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