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**Hand in hand, or
influencing by stealth?
Finnish trade union
involvement in the
European Semester**



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Olli Kangas

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Hand in hand, or influencing by stealth? Finnish trade union involvement in the European Semester

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Executive summary

The aim of this OSE Research paper is to analyse relationships between the Finnish trade unions and the European Union in the period 2014 to 2018. The study concentrates on the channels through which Finnish trade unions are involved, both at the national and the EU level, in the making of the European Semester. The paper also describes themes and the linkages between the European Semester and national as well as sub-national social dialogue. The research methodology applied is a mixed-methods approach that builds on content analysis of various documents, macro-level and statistical analyses of developments in the national economy, unemployment and public finances. The main drawback is that there are no longitudinal numeric data on either the development of social dialogue or on outputs and outcomes of trade union involvement. Since formal and informal interactions take place between all parties involved in the making of the European Semester, it is difficult to disentangle the impacts of one single actor upon outputs, let alone outcomes.

Finland is a small, euro-zone, open and heavily export-oriented national economy. Therefore, Finland is vulnerable to international economic crises. Post-2008 growth in GDP up to 2017 was weak, the state budget has been in deficit for a decade, and public debt approached the critical 60% level. Given the gloomy perspectives for the Finnish economy, it is no surprise that the European Commission in the 2010s constantly warned of excessive public debt. In the 2010s, the EU pressure has been 'moderate'.

Finland belongs to the 'Nordic' industrial relations regime. The unionisation rate is close to 70%. There are three main confederations: the Central Organisation of Finnish Trade Unions (SAK, 1 million blue-collar members), the Finnish Confederation of Salaried Employees (STTK, 0.5 million lower white-collar members) and the Confederation of Unions for Professionals and Managerial Staff (Akava, 0.6 million upper white-collar members). There is a long history of collective agreement and social dialogue. As a rule, wage negotiations have included a 'social package' including various social policy measures.

The relationships between the government and trade unions depend on the composition of the government. Not surprisingly, the governments led by the Social Democrats (1995-2003) or where the Social Democrats and the Left Alliance have been involved (2011-2015) prefer a tripartite process, whereas less left-leaning governments (such as Juha Sipilä's centre-right government 2015-2019) often end up on a collision course with the trade unions. The new left-centre government (appointed on 6 June 2019) has much closer relations with the trade unions than the previous government.

Key findings

Trade unions have formal access to decision-making and discussions on the European Semester (ES) via multiple channels. The most important formal involvement takes place via 37 ministerial sections. The role of trade unions varies from section to section: sometimes it is just participation, whereas sometimes it is co-decision. The involvement of trade unions also varies from issue to issue: mostly trade unions are consulted, but on some specific issues in the domain of the social partners, these also participate in decision-making. Sectoral parliamentary committees offer other channels. Committee meetings are mostly about information-sharing and consultation. Furthermore, trade unions can have direct access to ministries. The degree of direct contact depends on the political orientation of the government.

Despite the positive views expressed on the formal channels, there also were complaints. Sometimes ES documents came to the section just for information. Thus, the existence of formal channels is a necessary but not a sufficient condition for proper representation of the trade unions. Whereas there were critical comments on the centre-right government's willingness to include trade unions in the ES process, the trade unions have a positive picture of the activity of the European Commission representatives in Finland. There are regular meetings. The frequency and form of the meetings and contacts depend, on one hand, on the semester cycle and what is happening in the country. Finnish trade unions also use the 'Brussels way' to get their voices heard in the European Semester preparations. The Finnish trade unions have established their own lobbying organisation (FinUnions) in Brussels. Brussels activities mainly take place via the European Trade Union Confederation (ETUC). Sometimes trade unions also approach the Finnish members of the European Parliament. There may also be direct meetings with various European Commission DGs.

The themes taken up by the European Semester correspond closely to national policy priorities, and this correspondence has improved, as has the commitment of various national actors to the Semester process. The consensus on themes does not necessarily mean that all the actors agree on how to react and respond to the EU recommendations. The in-depth analyses of the 2017 pension reform and of the implementation of austerity politics (our two case studies) showed that there were two totally different policy processes. In the first case, there was strong dialogue, including a two-way flow of information between the social partners and the government. In the other case study, the dialogue-type sequence was reversed or totally absent. The government unilaterally prepared the policy actions despite protests from the trade unions. Finally, the government and the trade unions ended up in open conflict, with waves of demonstrations and political strikes. The government had to abandon some of its plans.

Conclusion and Outlook

In Finland, there are strongly formalized structures for discussing ES issues. The formal structures are a *necessary* condition for trade unions' representation in the ES process. However, they are not *enough* – much depends on the political stance of the government. The previous centre-right government's lack of will to include trade unions properly in the ES process was criticized by the trade unions. There was more satisfaction with the EU representation in Finland than with the government. The outlook for the trade unions' involvement in the ES process depends on the political composition of the next governments and the governments' willingness to include trade unions in the process. The unions will use their internal resources, if they are involved in policy processes and if the government respects the principles of the social dialogue. Otherwise, trade unions will use external strategies.

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1. Introduction and setting the scene

The aim of this research paper is to analyse relationships between the Finnish trade unions and the European Union in the period 2014 to 2018. More specifically, the study will concentrate on the channels through which Finnish trade unions are involved in the making of the European Semester, both at the national and the EU level. The paper seeks to answer to what extent trade unions have an influence, if any, on outputs and outcomes of the Semester process. The paper also describes themes and the linkages between the European Semester and national as well as sub-national social dialogue.

The research methodology applied is a mixed-methods approach that builds on content analysis of various documents, macro-level and statistical analyses of developments in the national economy, unemployment and public finances. The role and characteristics of the national social dialogue are discussed on the basis of previous studies and interviews carried out with representatives of the main trade unions, the employers' federation and the state bureaucracy. Sections on the channels of trade union involvement in the making of the European Semester are based on official documents and process descriptions by the ministries responsible for the planning of the Semester reports. In addition, interviews are used to deepen the analysis. Discussion of the trade unions' influence on outputs and outcomes relies heavily on the interviews carried out, and on content analyses of European Semester reports and written commentaries and responses from the trade unions. Seven interviews were conducted with trade union representatives (of which three were with TUSLOs representing different trade union federations), one with a delegate from the employers' federation, five interviews with ministry representatives and one with a COM officer (see the list of respondents in Annex 2). All the interviews were carried out in 2018 and early 2019. Therefore, as regards relationships between the trade unions and the government, the interviews reflect the conflictual situation between the unions and the Sipilä government, which resigned on 8th March 2019.

The methodological approach utilised has both pros and cons. The main drawback is that there are no longitudinal numeric data on either the development of social dialogue or on outputs and outcomes of trade union involvement. As will be shown later on, official and unofficial, formal and informal interactions take place between all parties involved in the making of the European Semester. Therefore, it is difficult to disentangle the impacts of one single actor upon outputs, let alone outcomes. One strength of the mixed-methods approach is that the interviews put 'flesh on the bones'; they create new perspectives and provide insight into and interpretations of the making of the European Semester.

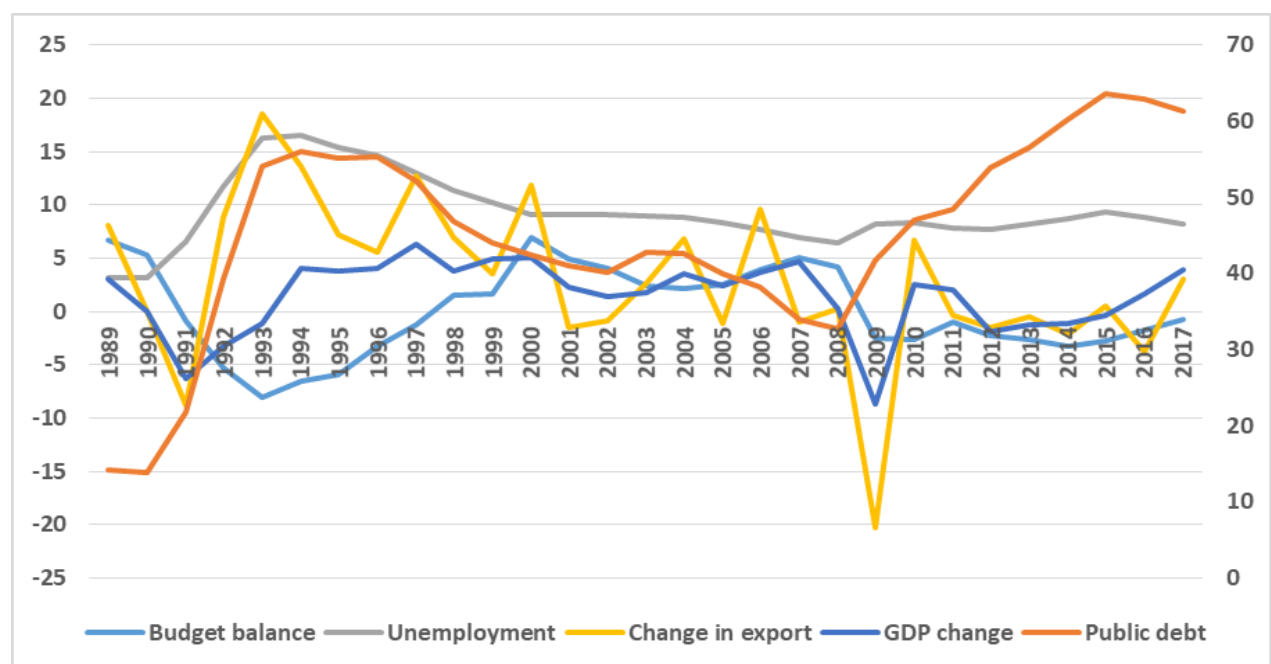
The structure of the paper is as follows: In order to map the terrain, the remainder of this Section describes the post-2008 crisis in Finland. It provides an explanation as to why Finland was subject

to the preventive arm of the Stability and Growth Pact. The section also explains the Finnish form of social corporatism. Thereafter follows a section (2) on the access channels and resources of the trade unions involved in the European Semester. Section 3 describes to what extent the European Semester and national social dialogue in Finland are in concordance. Trade unions’ strategies for involvement are addressed in Section 4. After that follows a discussion, in Section 5, on the influence and the role of trade unions in the making of the European Semester. Section 6 presents two in-depth case studies. The first, on the pension reform of 2017, is an example of how social partners jointly planned the reform. The second case study on austerity policies provides an example of how the trade union movement reacted to the policy measures introduced by the centre-right government of Juha Sipilä. This case study exemplifies the problems and disharmony in social dialogue that gradually led to open conflict between trade unions and the government. Section 7 summarises the whole presentation, and includes a number of recommendations for improving the involvement of trade unions in the European Semester.

Background: the post-2008 crisis in Finland

Finland is a small and export-oriented national economy that is vulnerable to international economic crises. The global post-2008 crisis, combined with the structural change in the Finnish economy (the collapse of the nationally important Nokia-led ICT sector), coincided with the decline of exports to Russia, due to the embargo against Russia following annexation of the Crimean Peninsula. Post-2008 growth in GDP up to 2017 was weak, the state budget has been in deficit for a decade, and public debt skyrocketed and approached 60% (Figure 1). The rapid ageing of the population was (and is) jeopardising the long-term sustainability of the welfare state.

Figure 1. GDP growth, unemployment, exports and fiscal deficit in Finland 1989-2017



Source: (Kangas, 2019: 156).

On 29 May 2015, the leader of the Centre Party (CP), Mr Sipilä, replaced the previous coalition cabinet led by Alexander Stubb. Stubb's government was a 'rainbow' coalition consisting of the conservative National Coalition (NC, the prime minister's party), the Social Democrats, Christian Democrats and Swedish People's Party. There were two former trade union leaders in the cabinet: the Minister of Finance and the Minister of Employment. Therefore, the relationships between trade unions and the government were functional. The Sipilä government, consisting of the CP, NP and Finns Party (up to 2017, thereafter Blue Alternative), was perhaps the most pro-business-oriented government ever in Finland. The Prime Minister Sipilä is himself a millionaire, and has a background in private sector big business. Many ministers and their special advisers were also from the business sector. The government followed a business logic in its decision-making: rapid decisions and fast implementation. As a result, there was no time for proper preparations and for proper social dialogue to anchor the decisions in the labour movement. Relationships with trade unions were strained and conflictual. The new government of Antti Rinne (appointed on 6th June 2019), consisting of the Social Democrats, the Centre Party, the Greens, the Left League and the Swedish Peoples Party, has established strong ties with the trade unions, and most of the criticism expressed by the representatives of the trade unions against the Sipilä government no longer holds for the new left-centre government.

Degree of EU pressure

Finland, like many other countries belonging to the euro area, is under a 'moderate' level of EU pressure, given the possibility of sanctions in case of non-compliance with European debt and deficit criteria (Sabato 2018: 11). Given the gloomy prospects for the Finnish economy (Figure 1), it was not a surprise that the European Commission's Country-specific Recommendations (CSR) in the 2010s constantly warned of excessive public debt and a high risk to sustainability in the long term due to the budgetary impact of the cost of ageing. In 2013 the Commission informed the government that in the context of the Excessive Deficit Procedure an in-depth review of Finland would be carried out. There were worries that due to budget imbalances and the public debt to GDP ratio, Finland would no longer fulfil the criteria set by the Stability and Growth Pact.

The CSR for 2015 stated that Finland was subject to the preventive arm of the Stability and Growth Pact. At that point, the budget deficit was 3.2% and thereby exceeded the critical EU value of 3%. In the 2016 CSR there were alarming diagnoses, projecting that public debt would peak at close to 70% in 2019. Moreover, the CSRs complained that the measures needed to reach the medium-term budgetary objective by 2019 were not sufficiently specified. In the Commission's view, there was a risk that Finland would not comply with the provisions of the Stability and Growth Pact. Therefore, the Commission regarded further measures as necessary to ensure compliance and to reach the medium-term budgetary objective by 2019.

In addition to these general macro-economic recommendations, the more specific topics for the CSRs 2014-2018 were: 1) lengthening working careers; 2) increasing the labour supply; 3) increasing incentives to accept jobs; 4) closing early exit routes from the labour market; 5) reforming the pension scheme to meet the challenges of increasing life expectancy; 6) social and health care (SOTE) reform; and 7) making public sector services more effective and ensuring healthy competition. A summary of the annual CSRs and of the evaluation of the progress made is given in Annex 1.

Following the Commission's recommendations, the Sipilä government launched savings measures to balance the budget and planned structural reforms to meet the future sustainability challenges for the welfare state. The Commission did not recommend how the balancing of the budget was to be done. Decisions on measures needed were left to the national decision makers. The measures included cuts and increasing conditionality in benefits, agreement on the 'Competitiveness Pact' and on the pension reform (see Section 6). As a result of these agreements based on social dialogue, the 2017 and 2018 CPRs (European Commission 2017, 2018) stated that due to the measures taken and improved economic prospects, Finland would be compliant with the preventive arm requirements as well as on debt reduction.

The sometimes-sharp tones in the earlier reports became milder when economic prospects improved, and when the budget deficit and consequently the public debt declined. In its 2018 Country Report for Finland, the European Commission (2018), evaluating the progress made in implementing the Country-specific Recommendations for 2011 to 2017, concluded that Finland had made 'substantial progress' on 3%, 'some progress' on 60% and 'no progress' on 10% of the recommendations.

Representativeness of national trade unions and employer federations

In the early 1990s, about 80% of Finnish employees were members of a trade union. Since then, there has been a trend towards lower union membership, and now the unionisation rate is about 70%, with a declining trend. The Central Organisation of Finnish Trade Unions (SAK) is a confederation of 20 trade unions. SAK has about 1 million members, mainly blue-collar workers. The Finnish Confederation of Salaried Employees (STTK) is a confederation of 17 trade unions (mainly representing lower white-collar workers), with more than 0.5 million members. The Confederation of Unions for Professionals and Managerial Staff (Akava) has 0.6 million members (mainly upper white-collar academic occupations). (FinUnions 2018) Thus, more than two million Finnish employees are unionised in three central organisations, each with separate core membership groups and consequently different political orientations and preferences.

Finnish employers are represented by two main organisations. Whereas the Confederation of Finnish Industries (Elinkeinoelämän keskusliitto, EK) represents bigger industrial employers, the central organisation of Finnish Entrepreneurs (Suomen Yrittäjät, SY) is the organisation for small and medium size enterprises.

According to Eurobarometer 2017, about 60% of Finns express their trust in unions. This share is one of the highest in the EU. It is more difficult to know how much trust the trade unions have in the EU. The European Social Survey (ESS) can give some indicative evidence. The respondents could express their trust in the European Parliament on a scale from 0 to 10, where 0 indicated complete distrust and 10 complete trust. The mean for all Finnish respondents was 5.2 (which was the second highest in the EU). The mean was precisely the same for those Finns who said that they hold trade union membership. Thus, we can tentatively conclude that among union members, trust in EU institutions is high, and it has been very stable during the last decade (European Social Survey 2018).

Industrial relations system and social dialogue

In Finland, there is a long history of collective agreement and continuous social dialogue dealing with a wide variety of issues. The first income policy agreement was reached in 1968, and since then, many wage negotiations have included a 'social package' to which the government adhered as long as the labour market partners behaved themselves. The social package was used to provide longer holidays, to agree on employer-based health care and sick pay, to lengthen the duration of maternity leave, to organise lifelong learning, etc. Social package agreements could also include cuts in benefits. These agreements played a decisive role when parliament and the government debated retrenchment bills in the 1990s and after the 2008 economic crisis. The corporatist elements in the employment-related pension system accentuated the role of the social partners (Kangas 2009). All major reforms in employment-related pensions have been the result of negotiations and agreements between central labour market partners. These kinds of negotiations will also be important in the future, when structural changes in welfare state arrangements to combat rising age-related expenditure are discussed. However, the situation is rather different when debating wage-setting and measures to improve competitiveness. Whereas the employer federations *Elinkeinoelämän Keskusliitto* (EK, Confederation of Finnish Industries) and *Suomen Yrittäjät* (SY, Finnish Entrepreneurs) prefer local and decentralised wage-setting, SAK supports centralised income policy packages or at least more coordinated wage negotiations. The role of the government depends on its political composition. Not surprisingly, the governments led by the Social Democrats, or where the Social Democrats and the Left Alliance have been involved, prefer a tripartite process, whereas less left-leaning governments (such as the Sipilä centre-right coalition) often end up on a collision course with the trade unions.

2. The involvement of trade unions in the European Semester: access channels and resources

2.1 Access channels

When Finland joined the European Union in 1995, significant national decision-making became part of the Union's decision-making process. The Finnish parliament wanted to prevent excessive concentration of power in the hands of the government. Therefore, it was decided that parliament would define Finland's position on issues that, prior to EU membership, were the responsibility of parliament. Parliament is not directly involved with the EU institutions, but it is indirectly involved by the control it exercises over the government (Eduskunta 2018a). EU affairs are dealt with in all the parliamentary committees, but parliament's position is usually decided by the Grand Committee or the Committee of Foreign Affairs (Eduskunta 2018b).

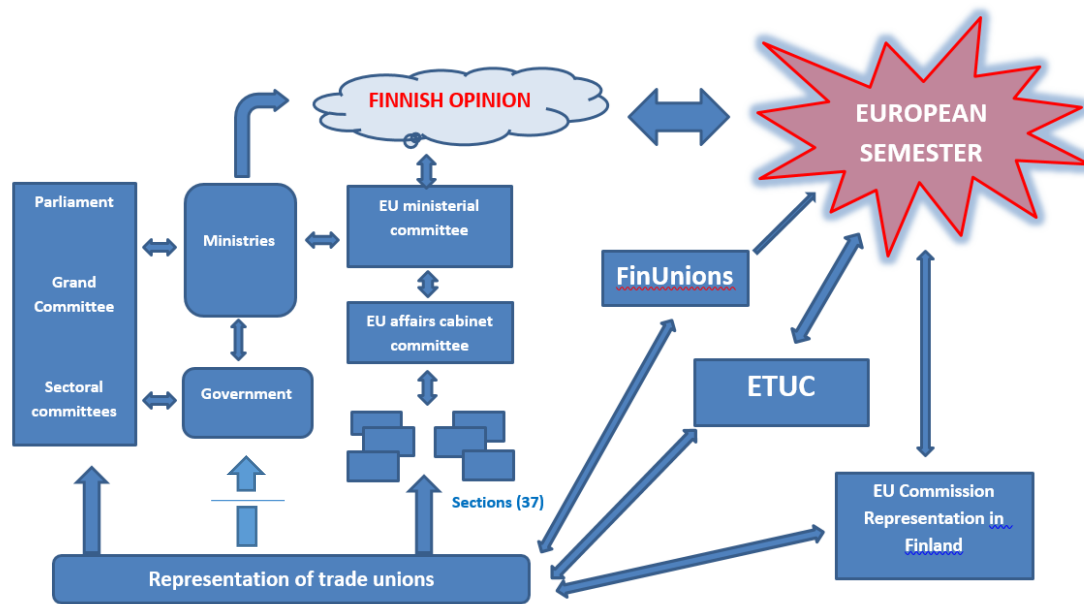
The main practical responsibility for issues relating to the European Union lies with the respective ministries and the government, and ultimately with parliament (as described above). The government has a number of ways to formulate its opinions. The government meets in the EU Ministerial Committee to discuss current EU questions. At the Prime Minister's Office, there is a special EU section responsible for coordinating all EU-related issues in Finland. The purpose of this coordinated policy is to provide a consistent position on EU questions in all pending cases at various stages of their handling. Social partners are included in the preparation process via a number of devices and mechanisms where they can express their opinions.

In parliament, all EU affairs are dealt with by the Grand Committee. The committee modifies, i.e. discusses and reformulates, parliament's comments on legislative, budget and treaty issues initiated by the EU. The Grand Committee deliberates on EU matters on the basis of statements provided by the sectoral committees of parliament. Questions related to the EU's foreign and security policy are the responsibility of the Committee of Foreign Affairs. The aim of the parliamentary processes is to ensure that EU issues are prepared on a comprehensively democratic basis (Eduskunta 2018b). Committees can organise hearings where experts and social partners (including trade unions) are heard. There is no automatic representation of trade unions in committees. If a committee deems it useful or necessary, it can ask for statements from the unions. Furthermore, most governmental bills are subject to public consultation, offering the social partners the possibility to express their views on the bill in question.

The coordination of all EU issues takes place in the EU Affairs Cabinet Committee, which consists of representatives of various sectoral ministries, the President's Office, the Chancellor of Justice, the Bank of Finland and the Government of the Åland Islands. Thus, the Cabinet Committee is not a purely parliamentary body, but also represents some other statutory institutions. The committee decides on the national experts to be sent to the EU institutions. The head of the EU section at the

Prime Minister's Office chairs the Cabinet Committee. The EU Cabinet Committee has established 37 sectoral preparatory bodies, known as EU sections (*EU jaosto*). The sections are functional equivalents to the Social and Economic Councils regarding EU issues. Each section also has a representative from the EU affairs section at the Prime Minister's Office and the Åland Islands. Sessions of the EU sections can be organised as often as necessary. In most of the sessions, trade unions have their own representation. A schematic presentation of the handling of and decisions on EU issues is shown in Figure 2.

Figure 2. The handling of EU questions in Finland.



As the schematic presentation in Figure 2 indicates, trade unions have formal access to decision-making mostly via the 37 sections, where they are represented and where most EU issues, including the European Semester, are dealt with. The role of trade unions varies from section to section: sometimes it is just participation, whereas sometimes it is co-decision. The most important sections are under the Ministry of Social Affairs and Health (MSAH) and the Ministry of Economic Affairs and Employment (MEAE). The involvement of trade unions also varies from issue to issue: whereas trade unions are mostly consulted, in some specific issues belonging in the domain of the social partners, (e.g. safety at work), the unions also participate in decision making. (TU1-TU3).

'In Finland, we have this specific system of sections where trade unions and some other actors are represented.' (TU1)

In a similar vein, the representatives of employers and the Commission expressed their views on the specific Finnish process:

'In Finland the social partners have their representation in well-defined structures that give at least some opportunities to participate in the formal process and there are various informal ways to participate. In this sense the Nordic countries perhaps are special.' (EMP1)

'We have our own and unique way of organizing the representation of social partners in the Semester process. The frequency of our contacts and meeting with the trade unions depends on the Semester cycle. We meet as often as needed. Usually the preparation and publication of Country Reports is a busy period. In addition to formal channels, there are multitude of informal channels to the trade unions as well as to the employers.' (EC1)

Despite the positive views expressed on the channels, there also were complaints. Sometimes ES documents came to the section just for information, and they were not even discussed at the preparatory stage (TU1). Thus, the existence of formal channels is a necessary but not a sufficient condition for proper representation. Another source of complaints is that the timeframe for proper preparation for the European Semesters and other EU issues is insufficient, and the timing is, at least to some extent, too tight considering the resources available (cf. ETUC 2018). This opinion was voiced in all the interviews.

'Most of the documents are open and the process is transparent, but the problem is the lack of time and personnel, in particular in organisations that finance their activities by membership fees, as trade unions do.' (TU1)

Sectoral parliamentary committees often invite representatives from trade unions (SAK, Akava, STTK) and employer federations (EK and SY) to hearings to express their views on current questions. The list of visitors and hearings is strongly biased towards interest organisations representing business (Lappalainen 2010; Liukkonen 2012). The presence of the EK alone is bigger than the sum of the three central organisations of employees. (Helsingin Sanomat 2013).

The committee meetings are information-sharing and consultation meetings. These hearings take the form of policy debates and written contributions. Furthermore, trade unions can have direct access to ministries, depending on the orientation of the government (information sharing and lobbying). Often, when the Social Democrats (SDP) have been included in the government, their ministers have recruited their policy advisers and state secretaries from the trade unions.

While the interviews with the trade unions painted a very positive picture of their representation though the sections, they indicated that there have been fewer possibilities for trade unions to participate in governmental-level decision-making on the ES since the appointment of the Sipilä centre-right government in May 2015. Previously, the Economic Council ⁽¹⁾ discussed various

1. The Economic Council is a body for co-operation between the government, the main interest groups and the Bank of Finland, and is chaired by the Finnish prime minister. The Economic Council discusses

issues related to the ES. However, since 2015, the ES questions have not been dealt with in the Council (indicated by the horizontal line in Figure 2).

'The overall picture of the European Semester has improved thanks to the activities of the Commission. Whereas the EU process has improved, the governmental-level national participation has deteriorated. The role of Prime Minister's Office has increased at the cost of tripartite social dialogue.' (TU1)

'The Commission has become more active in organizing the hearings and occasions we participate in. Mostly in Helsinki but also in Brussels.' (T2)

In addition to the channels linked to the political process, there are a number of other channels available to the trade unions. Trade unions and the ES officer have regular meetings (for information-sharing and consultation purposes), and if there are urgent issues, they organise ad hoc meetings, either with the representatives of trade unions and employer federations separately, or joint meetings where both social partners are included.

'The Commission's representatives in Finland are very active in relation to the trade unions. They organise meetings and hearings and actively provide all the information we need. In fact, we have no need to be that active ourselves.' (TU1)

The Commission representatives in Finland said that they have regular meetings with the trade unions. The frequency and form of the contacts depend, on one hand, on the semester cycle and what is happening in the country (EC1):

'We have regular contacts and meetings. The preparation of AGS takes place at the European level and then the Finnish trade unions use the ETUC and their Brussels contacts directly without our involvement. Whereas the AGS is prepared at the macro level and we do not get that much comments on it, the CR is carefully read and we get comments on it as well as on CSRs.'

Finnish trade unions also frequently use the 'Brussels way' to get their voices heard in the European Semester preparations. In order to gain influence in Brussels, the Finnish trade unions have established their own lobbying organisation (FinUnions) in Brussels. FinUnions represents 1.7 million Finnish workers in the European Union (FinUnions 2018). Brussels activities mainly take place via the ETUC. Sometimes they also approach the Finnish members of the European

the main economic and societal issues, and supports economic policy-making by providing information on economic growth and structural issues in the economy.

Parliament. There may also be direct meetings with various European Commission DGs – as exemplified by the December 2015 meeting with DG EMPL (Sabato, Vanhercke and Spasova, 2017).

2.2 Availability and exchange of key resources

Social partners in Finland are in a strong position and are important actors in national politics. Whilst the employers have direct contact with the conservative National Coalition Party, from where they sometimes recruit their leaders, the trade unions have the closest relationships with the SDP. In Finnish social policy, there is one specific aspect that increases the societal power of social partners. The employment-related pension scheme is financed by employers and employees, and is run by semi-private pension insurance companies (Kangas 2009; Kangas *et al.* 2010). Hence, the social partners have strong power resources. The question is whether, and to what extent, these resources are transformed into financial, cognitive, legal and organisational resources. The answer seems to be, at least to some extent, that yes, they are. The trade unions are well aware of EU processes and are well integrated into the Semester process, and there seems to be general consensus between the social partners and public administrators on the issues that are taken up in Country-specific Recommendations. However, the problem is the lack of personnel to work on EU questions. This was also the complaint among employers as well as the public administrators. All of them lack the personnel they would need to properly participate in the making of the European Semester. The plea for sufficient time to be given comes from all actors involved in the making of the ES in Finland. These complaints over the overly tight time schedule are very much in line with analyses carried out by the ETUC (2018).

When it comes to organisational resources, the most important question concerns the levels of representation, i.e. how to take into account the opinions of individual unions and their rank and file members. In the Finnish case, unions participate in the administrative meetings of SAK and can express their opinions on the EU issue under discussion. In sum, there is a rather strong level of satisfaction with and commitment to the present representation process for EU issues. This is confirmed by comparative data from the ETUC (2018). However, the general satisfaction in the 2018 comparison was lower, indicating changes in the relationship between the Sipilä government and trade unions (TU1).

3. Linkages between the European Semester and national social dialogue

3.1 Correspondence between the themes of the European Semester and the themes of national social dialogue

All interviews carried out indicate that nowadays the themes taken up by the European Semester correspond closely to national policy priorities. The CSRs which Finland received in the 2010s mostly revolved around economic policies, reducing budget imbalances, controlling the expansion of public debt, combating the sustainability deficit, and improving employment rates and the competitiveness of the economy (see Annex 1). Finnish politicians and decision-makers are well aware of these problems and the issues are high on the national political agenda. In fact, Finnish experts often discuss the problems with the representatives of the EU Commission. Thus, the national priorities closely match the EU priorities and this interaction has improved, as has the commitment of various national actors to the Semester process. The consensus on themes does not necessarily mean that all the actors agree on how to react and respond to the EU recommendations (see Section 6).

'The questions taken up in the development of the European Semester very properly describe the Finnish situation and the issues that are important for Finland. The Commission has a very good general picture of what is happening and we share the themes the Commission emphasises. But of course, in the details there may be lots of things to comment on.' (EMP1)

'When it comes to macro-economic questions the correspondence between the European Semester and our analyses on the state of the national economy are similar. Perhaps all the actors share the diagnosis but there may be disagreements on the medicine.' (GOV2)

Comparatively, Finland performs very well in terms of poverty, social exclusion and income inequality (Eurostat 2018a, 2018b, 2018c and 2018d). Therefore, there have been no recommendations concerning social inclusion/exclusion. The CSRs related to social policy issues have focused on institutional questions like pension reform (on the agenda up to the 2014 Semester Report) and recently the social and health care reform (*SOTE*), which four consecutive governments have tried in vain to implement. The reform is one of the most important topics on the national political agenda, and the EU fact-finding missions are very well aware of that. The *SOTE* is also constantly raised in CSRs (Annex 1). The *SOTE* exemplifies the way in which the CSRs have become a sort of dialogue: so much so that the former Prime Minister Alexander Stubb and the European Commission Vice-President Valdis Dombrovskis once, in a panel discussion, described the European Semester process between the Commission and Finland as sending love

letters to each other (EAPN Finland 2018). Thus, the strongly dialogue-based nature of the ES guarantees that the themes are very much the same in national social dialogue and in the ES.

When it comes to the strategies and themes to be taken up in EU reports, the social partners seem, to some extent, to have different priorities and emphases. Whereas the employers do not want to have too many social policy issues taken up in the European Semester, the trade unions have a stronger inclination to include social charter questions in the Semester process. However, the most important area of disagreement is how to proceed: whether to give 'soft' recommendations or to go through legislation:

'When the European Pillar of Social Rights was launched, there was an agreement on the general goals as such. Within BusinessEurope there is a rather strong consensus that we should proceed through the process of the European Semester rather than legislate at the European level on those issues. Trade unions would perhaps like to have more legislation in social issues than we do. We prefer national-level solutions in the spirit of subsidiarity.' (EMP1)

The task of the representatives of the Commission is to try to strike a balance between different views, and to act without violating the rules of social dialogue:

'Social partners agree upon the importance of structural reforms but they have different opinions on how to achieve the goal. We must present the issue in a way that we do not interfere negatively in the national social dialogue, but still provide the results of our analysis to the discussion.' (EC1)

The trade union representatives emphasised that it is good to remember that the Commission is not a technocratic and non-political organisation but is highly political: Commissioners and their advisers are politically nominated. Therefore, recommendations are political tools and may be biased to favour certain policy lines, as, in the Finnish case, since 2014 when Jyrki Katainen became the European Commission Vice-President for Jobs, Growth, Investment and Competitiveness.

3.2 Awareness and relevance of European Semester messages/initiatives for national social dialogue

Whilst there is a good correspondence between the European Semester in general, the CSRs in particular and the themes discussed in the national social dialogue, the flip side is that they match perhaps too closely, which reduces the importance of the CSRs.

'They do good job there in the Commission, but the question is if they can carry out better analyses of the Finnish situation or give better recommendations than what we can achieve

here by ourselves in the national social dialogue. In that sense the Semester process is not very useful for us. But of course, when the system is as it is, we want to be involved and participate in the decision-making.'(TU1)

Most of the interviews emphasised the particular Finnish (or Nordic) context and country-specific variation in how trade unions – or social partners – participate in EU-related decision-making. All the experts interviewed expressed their satisfaction with the recommendations, but criticised the Commission's eagerness to dictate how to proceed. Member States are very different and the Commission should respect that. One size does not fit all:

'The role of trade unions and labour market organisations is very different in different countries. Sometimes the Commission gives recommendations that do not fit that well in the Nordic context. There are countries that wish for stronger legislation on minimum wages but in the ETUC we say that such legislation may be good for you, but we do not want such interference from the EU. In this issue we do not have any disagreements with employers.' (TU1)

'We are satisfied with the messages coming from the Commission. But sometimes there is a feeling that the Commission does not understand the peculiarity of the Nordic countries and the Commission's starting point is the Central European model, such as in France or Germany.'(EMP1)

'Sometimes there may be a feeling among the social partners and other national actors that the Commission tries to intervene too much. It is always better that there is a national consensus and commitment on the reform rather than that we try to put too much pressure on details.'(EC1)

3.3 Use made of European Semester messages/initiatives for national social dialogue

There is strong agreement that the themes in the ES reports are important and that they are already part of the national social dialogue. In that sense, the Semester reports do not contribute new themes or angles to the national debates, so the ES was regarded as 'not that useful for us' (interview 1, trade unions). Despite this, the social dialogue on the themes continues.

'In the very beginning there were worries about what the European Semester is about and some members were thinking that this does not concern us. However, now the European Semester is business as usual, i.e. part of the annual policy-making.'(TU3)

All the experts interviewed said that it is good if the Commission recommendations remain rather general, and do not specify how reforms should be carried out. It is the task of national actors in the national social dialogue to find proper solutions.

However, there are some examples of when politicians have tried to justify their ideas by referring to messages from Brussels, i.e. they have used the 'Brussels way'. The use of the 'Brussels way' is to some extent selective. While the Sipilä government referred to the critical budget deficit threshold of 3% of GDP and the public debt limit of 60%, as reasons to cut public spending in general, and social transfers in particular, the opposition and the trade unions called for more emphasis to be placed on labour market questions (quality of work, labour protection, decent wages, decent employment). Furthermore, the government was keen to follow the Commission's recommendation to improve employment and to abolish work disincentives (e.g. CSRs for 2017 and 2018, see Table 1). The social partners disagreed on how to implement that recommendation:

'Whereas for us it is easier to accept to try to increase incentives to accept job offers, the trade union movement may have problems to accept changes, e.g. in the unemployment protection system.'(EMP1)

Sipilä's right-of-centre government tried to achieve the ES targets in a way advantageous to employers, by making unemployment benefits more conditional and cutting minimum-level social transfers. In that sense, the CSRs have been used as a vehicle for austerity politics (cf. Sabato, Vanhercke and Spasova 2017: 22). The trade unions, in turn, have referred to the tradition of social dialogue and the CSRs' statement that labour market issues should be resolved nationally and respecting the role of the social partners (Table 1).

4. Trade union strategies for involvement

4.1 Strategies for involvement

The Finnish trade unions have good insider opportunities to put across their interests. The 37 ministerial sections (Figure 2) offer direct ways for them to be heard. Unions have strong links with the European Commission representatives, which open up opportunities to receive information directly from the Commission and to deliver ideas to Brussels.

Union insider strategies are strongest in the realms of social protection of employees and in employment issues. Often, these issues are not only discussed in sections in which the unions are represented, but, also, special parliamentary committees, notably the Employment and Equality Committee and the Social Affairs and Health Committee, organise hearings on the topics they are being asked to address.

Sometimes the social partners have formulated their joint opinion on a subject in advance of their negotiations. In such cases it is very difficult for politicians to resist the will of the social partners (Forsten 2005; Liukkonen 2013). However, due to changes in the negotiation system and the employers' wish to do away with tripartite income policy packages, the voice of the social partners is not as unanimous as it used to be. The trade unions and the Employers' Federation have reacted very differently to issues related to restoring the competitiveness of the Finnish export sector, and how to adapt wage increases to the increase in productivity (see CSRs for 2017 and 2018 in Table 1). Social partners agree on the general goal but disagree on the right methods to use to reach that goal.

When it comes to economic issues, the influence of trade unions is more limited. Bureaucrats in the Treasury keep them on a tight lead (interview 4 Ministry of Social Affairs; 5 Ministry of Finance). This is also reflected in the importance attached to different Semester reports. The representatives of the trade unions (interviews 1 and 2) and of the Employers' Federation (interview 3) said that they read and study all the documents (AGSs, CRs and CSRs) as carefully as possible given the tight timeframe. However, most emphasis is placed on the CRs and CSRs. The AGSs are more informative, and all the experts interviewed found them useful, but influence is exerted on the AGS via the ETUC (2017) and BusinessEurope, respectively.

The preparation of the AGS, and the handling of macroeconomic questions and economic policy-making, is mostly the job of the Treasury and the Prime Minister's office.

'Trade unions are not partners in the government's economic policy. The government defines goals and means. Of course, social partners use their resources and contact politicians to get their opinions heard. Despite the fact that the budget process is under the government, the

social partners have their say. Majority of budget items are locked, meaning that we cannot change them without consulting the partners. For example, most of the income transfers schemes are financed by contributions from the employers and the employees. Therefore, they indirectly have their impact on the process. But in the end the Ministry of Finance has the lead.' (GOV2)

Under the Sipilä government, the Employers EK was in a better position than trade unions to get its interests heard. The managing director of EK served as the Minister of Trade and Industry in the coalition cabinet formed by Jyrki Katainen (since 2014 the European Commission Vice-President for Jobs, Growth, Investment and Competitiveness). Furthermore, the minister of finance in the Sipilä cabinet was from the same party, the National Coalition. No wonder, in many questions linked to CSRs on labour market issues, the government was more willing to follow the EK's views, neglecting those coming from SAK and other central confederations. Therefore, there were constant confrontations on a number of issues between the government and trade unions, indicating that from the trade unions' point of view, insider involvement and insider strategies for influencing were not effective enough. Therefore, the unions used outsider strategies and threatened 'political' strikes on several occasions, or used strikes to try to change the government's plans or decisions (see Kangas and Kalliomaa-Puha 2017). In a number of cases the government was forced to retreat and put the issue to tripartite negotiations. The process is indirectly linked to the ES. While the Sipilä government tried to balance the budget, reduce the public debt and, hence, fulfil the Commission's recommendations, trade unions did not oppose the goals as such but they criticised the way the government tried to achieve the goals, i.e. without respecting the role of social partners. The situation should change under the new Antti Rinne left-centre government, and the relationship between the government and the trade unions will most likely be restored. Prime Minister Rinne is a former trade union leader, and trade unions actively contributed to the drafting of the governmental programme for the new government.

4.2 Channels for internal coordination

A key question in internal coordination is to what extent the central trade union confederations can collect information from their member organisations and coordinate their actions accordingly. The second issue is the extent to which different central confederations (SAK, STTK and Akava) can coordinate their activities with each other. A third question concerns joint actions addressed to and via the ETUC.

The individual trade unions are represented at national level on the administrative boards of the central confederations. As a rule, EU strategies are discussed and decided on those boards. The biggest individual trade unions may have their own EU officers, but EU relations and contacts with the ETUC are mostly organised through the central confederations. There are practical reasons for this, as expressed in the interviews:

'The biggest unions may have their own experts that specialise in EU issues, but most of the unions lack resources and they expect us to take care of the representation of the interest of our members. Some branch unions have meetings with their European counterparts and they discuss and agree on the specific questions that are important to them. Depending on the issue taken up in the Semester process, we have targeted meetings with the representatives of branch unions. These targeted meetings can deal with social policy, labour market legislation or wage-setting. However, the main mechanism of coordination is our board meetings, where there is representation from our member unions and where all the information on important EU questions is shared.'(TU1)

On most questions, the main central confederation comes to an agreement, but due to different membership profiles there may be differences in emphasis on how to proceed. Sometimes these differences may cause tensions. Whereas Akava represents academic upper white-collar occupations with right-of-centre political views, SAK members are blue-collar workers with traditionally left-leaning political orientations. STTK falls somewhere in-between. Akava does not take part in the activities of FinUnions in Brussels. Instead, they have their own lobbying office in Brussels. Like the two other central confederations, Akava is a member of the ETUC. In all confederations ETUC activities are regarded as an important device for EU-level interest mediation and, in particular, in preparation of the AGS.

In some issues the social partners collaborate and are jointly prepared to resolve political problems. Three consecutive governments have tried to legislate on parental leave policies to better follow the Action Plan on the gender pay gap (EurLex 2018). All attempts have failed. The representatives of the social partners expressed their ability to jointly resolve the dispute:

'The Action Plan to tackle the gender pay gap is a good example. The government has tried in vain for three years to create legislation on the issue. If the issue had been in the hands of the social partners, we would have solved it on our way.'(EMP1)

Thus, if there are questions that are important to the social partners, they may coordinate their initiatives and together try to affect the agenda of the Semester and thus bring pressure on the Finnish government to move ahead.

There has been some fledgling collaboration between third sector organisations, e.g. with EAPNFinland and the Finnish Federation for Social Affairs and Health (EAPN1; TU2) and the trade union movement, but despite general agreement on macroeconomic and social policy goals, there are differences in opinion on priorities and means. While the unions emphasise labour market questions and income-related benefits, third sector actors emphasise basic social protection for those who are outside the labour market (EAPN Finland 2018). Thus, the labour market insider vs.

outsider divide (cf. Rueda 2007) separates, to some extent, the trade unions and the third sector social actors, making it sometimes hard to establish effective and fruitful collaboration.

4.3 Determinants of the strategies

The choice of strategies depends significantly on the success of the formal representation and the issue at stake. The default strategy is to use the multiple institutional channels available. If the insider strategies fail to produce the desired results, the next step may be the use of various external possibilities. When it comes to the European Semester, all the central documents – AGSs, CRs and CSRs – are widely accepted and respected by the social partners in Finland. They have become an essential part of the domestic policy cycle, and of the themes at European level. There is no deep disagreement between the social partners on the topics, while in some cases, there is a consensus as to how to respond and react to the CSRs, e.g. on issues concerning the budget deficit, public debt and competitiveness. Whereas employers have supported the government's austerity plans and the liberalisation of labour market regulations, the trade unions have been critical and have used external strategies to oppose the government's plans.

The previous paragraph addressed the choice of national strategies. However, strategies are also needed at the European level: the European trade unions prepare their joint opinion via the ETUC, and the national confederations try to contact the Commission directly (TU2). The Finnish unions have open channels to the ETUC: their deputy general secretary is Katja Lehto-Komulainen, who has much experience of working at SAK, where she was head of international affairs (ETUC 2016). Trade unions may begin to rely more on the 'Brussels' way', if the government does not 'respect the role of social partners'. However, as explained above, the Rinne government will have better relations with the trade unions than its predecessor.

The trade unions use different strategies and act at different levels when reacting to different Semester documents. In the autumn prior to the preparation of the AGS, national trade unions coordinate their views via the ETUC. In some cases, there are joint ETUC and BusinessEurope seminars, in order to send coordinated messages to the Commission. In the Finnish case, FinUnions (2018) puts the coordinated views of the Finnish confederations to the European-level decision-makers.

There are sometimes also direct contacts with the Commission. FinUnions and BusinessFinland share information and have meetings in Brussels and, depending on the issue at stake, they act together. In that sense the Finnish 'consensual' process contradicts somewhat what is said in Sabato *et al.* (2017:22) on the contacts between the ETUC and BusinessEurope.

5. Influence of national trade unions in the European Semester

5.1 Influence on agenda-setting

In the Finnish case, it is hard to define any single specific policy item that has originated solely from the trade unions. This is because interest mediation takes the form of a dialogue, whereby national responses are formulated in a multi-layer and multi-faceted national process. The official standpoints of Finland are then defined by the government, as described in Figure 2 and Section 2.1. The influence on the AGS mainly takes place at European level via the ETUC (see e.g. ETUC 2018) or in the case of the employers via BusinessEurope. It is impossible to pinpoint any specific national impact. The same goes for the Country-specific Recommendations.

'It is difficult to say whether the initiatives to put this or that issue on the agenda originate from the national social dialogue or from the Commission. Usually the themes they recommend are already in the national debates. What we try to do is emphasise to the Commission that we agree with the recommendations but let us handle the issue in our own way without telling us how to do it.' (TU1)

The social partners may jointly take up themes that they regard as important, and push the government to react. If that fails, the 'Brussels way' may be used, i.e. the social partners may communicate directly with the Commission, asking it to include the demand in the CSR. If they in unison put the initiative to the Commission, either via the representation of the Commission in Finland or via fact-finding missions, the initiative most probably ends up on the Commission's agenda.

5.2 Influence on the output of the process

Once the themes to be taken up have been settled, the Country-specific Recommendations are rather general in the sense that they leave room for national solutions. However, there were some complaints that the Commission was 'bossing people around' too much and trying to tell them what to do.

'When wage-setting and pension reform were simultaneously on the agenda, the Commission came out with its recommendations by saying that these are the goals and these are the means. However, through the national processes we managed to mediate our messages and finally what came out from the Council included a clause that the sovereignty of social partners must be fully respected. Since then the clause has been there.' (TU1)

The opinion is shared by the employers and the government. Thus, the national process of coordination between the social partners and the government resulted in a statement (CSR 2016)

on the competitiveness pact: 'The pact will be complemented with measures agreed between social partners to ensure more labour market flexibility and a new model for wage growth by anchoring wages of other sectors to those facing external competition. It is important to implement the labour market measures in a way that fully respects the role of social partners.'

'In the 2016 Recommendations we had competitiveness on the agenda. But when the trade unions, employers and the Government agreed upon the Competitiveness Pact we saw no reason to have it included in the 2017 recommendations.'(EC1)

In sum, it is impossible to disentangle the role of the different actors, identify from where the themes on the agenda originate and who is the mastermind behind them. In the example above, influence was exerted on the output process rather than on the outputs as such, i.e. changing the way the Commission presents the Country-specific Recommendations.

5.3 Influence on the outcomes of the process

Social policy reforms in general, pension and labour market reforms in particular, are in the jurisdiction of the social partners.

'The coming social policy reform may be politically very difficult. What is excellent is that different parties, e.g. SAK as representatives of employers, have proactively begun to plan social policy reform recommendations.'(EC1)

When planning actions in these domains, the government must negotiate and take into consideration the wishes of the labour confederations. The government's eagerness to act on its own and neglect tri- or bipartite negotiations may backfire. In a similar way, the government ended up in a dead end when trying to unilaterally push through legislation making it easier to fire staff from small enterprises. In both cases the government had to backtrack and pare down its bills, and to return to the tripartite negotiation table.

6. In-depth case studies on social dialogue

6.1 The involvement of national trade unions in the 2017 pension reform

Finland reformed its employment-related pension system in 2005, and introduced the guarantee pension in 2011. The aim of the reform was to encourage people to stay in work longer, by promising a 'super accrual rate' of 4.5% for employment between 63 and 68 years of age (see Kangas and Kalliomaa-Puha 2017). The aim of the guarantee pension was to improve the lot of those retired people who had no employment-related pensions. However, given the rapidly ageing population and the projected increases in social spending, the European Commission urged stronger measures. In order to better understand the involvement of social partners in responding to recommendations given to Finland to reform the pension system, we shall give a brief historical review.

6.1.1 Social partners 'own' the pension scheme

The basic structure of the Finnish employment-related private sector pension (TEL, implemented in 1961) legislation was negotiated between the employers' federation and SAK (Salminen 1993). The Social Democrats and SAK found it relatively easy to accept a deal with the Conservatives and employers, since the deal promised fully earnings-related, employer-financed and legislated pensions that were decentralised and run by private insurance companies. The social partners were involved in the administration of these companies (Kangas 2009).

The administration of the TEL involves a high degree of corporatism. In this way, the role of the political arena was played down, and the bipartite system enabled the social partners to use their institutional veto to resist parliamentary attempts to change the TEL scheme. By pooling their interests on social policy issues, the social partners initiated a tradition of joint negotiations that often forced politicians to accept what the partners had agreed upon. The development of the Finnish TEL was a result of a consensual policy-making process and a broad class compromise that also crossed political blocs. (Kangas *et al.* 2010)

6.1.2 While the Commission rushes, tripartite preparation takes its time but produces good results

The pension reform had been on the national agenda since the late 2000s. Through the dialogue-based processes, the pension reform was mentioned in the CSRs for 2011. In it, the Commission states that 'Finland should take further steps to discourage early exit from the labour market and further link the statutory retirement age limits to life expectancy' (European Commission 2011).

The state secretary from the Ministry of Finance convened an expert group ⁽²⁾ to plan the reform. The social partners had the right to veto the choice of experts, i.e. the members of the group had to be accepted by the social partners. The working group started its work in 2012 and delivered its report to the social partners in 2013 (ETK 2013). The extensive report included analyses of the present situation and made projections for the future. The report analysed various options for proceeding, but it was left to the social partners to decide on specific legislation. In accordance with the CSR recommendation, some early exit routes were closed.

It took time to write the expert report, find a consensus among the trade unions, between the labour confederations and representatives of the EK and Finnish Entrepreneurs (SY), to draft the legislation, send it for hearings, discuss it in parliament and finally promulgate it. The Commission was anxious to see more rapid results. There was slight criticism of the Commission's 'bossing people around'.

'The Commission wanted results quickly. We said: "wait, wait we will do it in our own way". Whereas they were fixed on couple of points, we were preparing the whole package. Therefore, it took time. The social partners came to an agreement in 2014 and the pension reform became effective in 2017. Thereafter, the Commission has constantly used the Finnish process as an example of good practice. Sometimes it is a bit embarrassing. We are not always that consensual. Neither are we always that much involved in the process of law-making.' (TU1)

On the basis of the extensive report, the central labour market organisations concluded an agreement on 26 September 2014, which formed the basis for the bill introduced on 3 September 2015. The legislation was promulgated in November 2015, to take effect at the beginning of 2017. The pension reform will gradually increase the minimum statutory retirement age from 63 to 65 by 2027. Thereafter, the retirement age will be linked to life expectancy. The issue has disappeared from the CSRs and the problem is regarded as resolved.

The 2017 pension reform process is illustrative in many ways. First, the reform was on the national agenda before it ended up in the CSRs. Second, up to the promulgation of the law, the national policy process and the European Semester ran in parallel, which confirms what is said in the previous sections on the amalgamation of the Semester process with national policy-making. They went hand in hand. Third, although some elements (e.g. the 'double link': having a lifetime coefficient and also linking the retirement age to life expectancy) were on the list of possible options, detailed demands from the Commission increased the probability that that option would be accepted:

2. The author of this Working Paper was a member of the expert group.

'We were rather strict on that point. The Commission's opinion was that the life-time coefficient is not enough to make the pension system sustainable enough. We demanded that the double link must be included into the 2017 pension reform.' (EC1)

Finnish experts who were, at least to some extent, involved in the pension reform deny the impact of the Commission (correspondence with Financial Counsellor at the Ministry of Finance (GOV3) and former Director, Centre for Pensions (ETK1):

'It took time to get the EU negotiators to understand that we already have the link, but it is made of the level of pensions. The Commission had the opinion that the standard solution was to be applied everywhere. We had a very extensive study on the impact of life-time coefficient and indexing pension age to life-expectancy. Without the EU discussions, this study would hardly have been done that thoroughly as it was finally done. If the idea of the double linking had been bad we had never implemented it. Thus we changed opinion but in the end it was a national decision that the social partners signed.' (GOV3)

Due to the 'double link', the Finnish pension system clearly became more sustainable. Consequently, the Melbourne Mercer Global Pension Index (2018) evaluated the Finnish pension system to be the third best in the world.

To sum up, the process was very much in the hands of the social partners and they were in charge of the progress of the reform. The trade unions could utilise their external resources, as they were centrally involved in the decision-making on the reform.

The process described in the next session follows a different logic. The unions were sometimes involved, sometimes 'listened to' but never properly 'heard' (cf. Sabato, Vanhercke and Spasova 2017), and on occasions they were only informed. Therefore, trade unions used external strategies to achieve their goals.

6.2 Austerity measures: the Competitiveness Pact and abolition of work disincentives

As stated earlier, the Sipilä pro-business government had better formal and informal contacts with the employers' side than with the trade unions. As a representative of SAK put it:

'When the process started, we participated in meetings with the Economic Council that discuss and formulate issues taken up in the European Semester and reactions to the Annual Growth Surveys, Country Reports and Country-specific Recommendations. But that was during the previous government. There is a clear difference here in comparison to the previous situation.'

The Sipilä government took office at a difficult time. Due to budget imbalances and rapidly growing public debt, Finland was made subject to the preventive arm of the Stability and Growth Pact. The majority of the CSRs in the 2010s dealt with economic issues and structural reforms, to help the country meet the future sustainability challenges to its welfare system. Cuts rather than improvements in the welfare provisions were the medicine prescribed by the Sipilä government. The government's working plan included austerity measures aimed at balancing the budget and carrying out substantial structural reforms (Government of Finland 2015).

6.2.1 Competitiveness Pact: trade unions included in negotiations

In the mid-2010s, the CSRs noted that the Finnish economy had lost its competitiveness against important competing European economies, notably against Sweden. While Finland is a eurozone country, Sweden has been able to benefit from the de facto devaluation of the Swedish krona against the euro. Since devaluation was out of the question in Finland, the government planned to implement 'internal devaluation'. The government called on the social partners to negotiate a far-reaching agreement on wages, working hours and terms of employment. The government called the agreement a 'social contract' on changes to the labour market. The intention was that with the help of the 'contract', the annual work volume would be increased by 100 hours per employee, without extra compensation. The other option was to cut wages by at least 5%. Whilst the Employers' Federation welcomed the initiative, the trade unions were mostly sceptical, saying that the burden rested disproportionately on employees.

Due to the resistance from the trade unions, the negotiations failed and the 'social contract' never materialised as such. The tripartite negotiations which the government initiated resulted in a 'Competitiveness Pact', signed by the government and the social partners in June 2016. In practice, the agreement, which covered more than 90% of employees, froze wages for 12 months, and permanently increased the annual working time by 24 hours without extra compensation. The agreement also stated that employees will permanently pay a larger proportion of social security contributions. The government promised to compensate for the wage freeze and the increased cost burden for employees by permanently lowering taxes on earned income from 2017 (Kangas and Kallioma-Puha 2017).

In its CSRs for 2017, the European Commission (2016) stated that 'substantial progress' had been made on the pension question and on improving the competitiveness of the Finnish economy, by enhancing local wage bargaining and removing rigidities contributing to competitiveness, and by applying a more export industry-led approach in wage-setting. However, importantly, the process that led to the pension reform of 2017 and the process that ended in the Competitiveness Pact were different. In the former example, the process was firmly in the hands of the social partners, and the social partners experienced EU pressure as being 'bossed around' when they were solving problems in 'their' pension scheme. In the second example, the EU pressure (due to the economic

constraints) was stronger and the government initiated the process. The government set the agenda and first invited the trade unions to accept the agenda. When the agenda was not accepted, the tripartite negotiations began. The government led the process. In both cases the Commission – with the help of the national actors – defined the goals, but the solutions were sought without interference from the EU.

6.2.2 'Activation model': the neglected trade unions

The 2017 CSR demanded further measures to ensure compliance. The CSR called for the government to increase incentives to accept work, and to ensure targeted and sufficient active labour market measures.

Following the recommendation, in December 2017 the government implemented a new policy measure, an 'activation model', to reduce unemployment and activate the unemployed by introducing incentives to accept work – or perhaps more accurately by introducing disincentives to be unemployed. The government decided that from the beginning of 2018, unemployment benefit would be cut by 4.65% for 65 days if the recipient had not performed 18 hours of paid labour or earned at least €241 a month, or participated in activation measures organised by the employment offices during the last 65 days.

The trade unions organised mass demonstrations against the model, but nevertheless, the government unilaterally carried through the legislation and it is still in effect. The CSRs for 2016–2018 included a call for further measures to increase incentives to accept work. The EU recommendations acted as a catalyst for the reform but the government neglected the clause 'while fully respecting the role of the social partners'. This later backfired when the government tried to introduce 'Activation model 2' (AM2). In June 2018 the AM2 was sent out for public consultation. The trade unions in particular opposed the AM2. Due to the fierce criticism and the approaching parliamentary elections (held in April 2019), the government set up a tripartite working group and postponed the reform. The Rinne left-centre government has plans to abolish the 'activation model', and the AM2 will not materialize in the form planned by the Sipilä government.

6.2.3 Making dismissal easier in small enterprises: the government's unilateral trial fails

Following demands from the Employers' Federation, the Sipilä government tried more or less explicitly to limit labour power and to allow freer wage-setting and less stringent regulations on hiring and firing. Despite the warnings from the trade unions, the government prepared a bill that made dismissals easier in small enterprises than in bigger ones. The intention was to encourage small-scale employers to employ more people. The principle was: easy to hire, easy to fire.

SAK was highly critical of the bill and launched a series of strikes. Whereas the trade unions saw that in such negotiations the union's workplace steward would be the contact person, the employers' representatives and the Sipilä government insisted that this was not necessarily the case, and that any employee representative can represent the workers' collective. Furthermore, the government constantly emphasised that it is parliament (or de facto the government itself) that has the ultimate power to make laws, and that the trade unions have no authority in the process.

When the conflict appeared to be escalating and moving towards a general strike, the government withdrew the bill. Instead, an adapted version of the bill was sent to tripartite preparations. In this case, the trade unions' outsider strategies ended in a flawed victory.

7. Conclusions and policy recommendations

7.1 Conclusions

The aim of this paper was to give an overview of the European Semester process in Finland. The main focus was on the role of trade unions in this process. The analyses presented were based on various documents and interviews carried out with representatives of public authorities, of trade unions and employer federations, and of the European Commission. The analysis began by giving background information on Finnish economic development since the international economic crisis that started in the US and gradually spread to Europe.

The 2008 global financial crisis had a severe impact on the Finnish economy. In 2009, GDP declined by 8%, but grew by more than 2% again in 2011. During the early 2010s, the growth rate was weak. Finland is a small, open economy that is exposed to fluctuations in the international markets. The global demand for capital goods in the Western market weakened, and exports to Russia collapsed as a result of the Western embargo against Russia following annexation of the Crimean Peninsula. Simultaneously, domestic demand was being held back by rising unemployment. Whereas the welfare state guarantees security for the unemployed, the flipside of the coin is a weakening sustainability of public finances. The state budget was in the red for a decade, and public debt rapidly increased.

Due to the deep economic recession, imbalanced budgets and increasing public debt, Finland was made subject to the preventive arm of the Stability and Growth Pact. Therefore, the lion's share of European Semester recommendations in the 2010s concerned economic issues. The social policy points were focused on 'big' issues such as reforming the pension scheme, implementation of the social and health care reform, balancing the state budget and strengthening the economic sustainability of the welfare state.

There is a strong national consensus regarding the importance of these issues. Thus, there are no major discrepancies between national policy-making and the EU recommendations. Since the interest mediation between the Commission and the various Finnish representatives to the EU takes the form of a dialogue, there is a more or less complete overlap between national policy issues and the issues which the EU brings to Finland's attention. Due to this interaction and dialogue, it is difficult to say where the initiatives come from. They are shared ideas; the European Semester is a part of domestic politics and vice versa.

When it comes to the involvement of trade unions in the making of the European Semester, Finnish trade unions have their representation and a formalised structure for interest mediation. There is satisfaction with the structure but there are problems in the process: for example, national reform programmes are not discussed with the trade unions.

The in-depth analyses confirmed that the national and the European Semester processes are strongly interwoven. However, trade unions were involved in the national political decision-making process in differing ways in our two examples: the reform, firstly, of employment-related pensions, and, secondly, the implementation of austerity politics aimed at higher employment rates: planning the Competitiveness Pact, the 'activation model' and legislation on dismissals in small enterprises.

In the first case there was strong dialogue, including a two-way flow of information between the social partners and the government. The social partners provided the information. The process was successful and resulted in a system that has been described as one of the best in the world. Some of the experts interviewed were of the opinion that many issues could be resolved much more easily between the social partners than within a government torn by political fissures. Furthermore, in the pension reform, the Finnish actors criticised the Commission somewhat for 'bossing them around', and for looking at the Finnish process and practices of representation from an overly German or French perspective.

In the other case studies, the dialogue-type sequence was reversed or totally absent, as in the two last examples. The Competitiveness Pact was prepared through a process of dialogue, but in this case the message sender was the government. The government unilaterally prepared the 'activation model' despite protests from the trade unions. In the case of the dismissal legislation, the government and the trade unions ended up in open conflict: the centre-right government challenged the trade unions' mandate to express their wishes and protest against the government's decisions.

However, the big picture is that the Finnish trade unions seem to be generally satisfied with their representation and their opportunities to influence the institutional channels, when it comes to EU questions in general and legislative issues in particular. Furthermore, there have been considerable improvements, as the process described in Figure 2 has been used and all parties involved have become accustomed to it.

The trade unions are not totally satisfied with the process. There is formal representation but there are shortcomings in the process. One complaint was that when preparing the ES national reform programme, the programme is not properly discussed with trade unions. There are concerns as to the overly tight timetables and the lack of proper resources for dealing with all ES issues. There are not enough possibilities to fully participate in the preparation of the ES. The government drafts are given as information, and they are not properly discussed in the sections. One complaint concerned the Sipilä centre-right government's decision not to include ES issues in the Economic Council meetings, as was done under the previous government. Thus, the existence of formal channels is one issue, but another issue is who has the right to decide who can participate and who is excluded? This brings politics back into the picture. The effectiveness of trade union participation depends on the political stance of the government. It remains to be seen whether the Rinne left-centre government will again include the ES on the agenda of the Economic Council.

Given the lack of resources – often the burden falls on the trade unions' Semester Offices alone, or in the best case on a very limited number of other people – there is insufficient time to be properly prepared for all the questions on the agenda in the Semester process. The nomination of TUSLOs has improved the coordination of trade union views and made it easier to answer all the inquiries coming from the ETUC.

Table 2 shows the various channels, and summarises the type of influence present: information sharing, consultation or participation in co-decision-making (Sabato 2018). I would also include 'listening' or 'hearing', i.e. the situation where trade unions are invited to share their opinion but where this is merely an expression of opinion which does not necessarily have any impact on decisions.

Table 2. Representation of trade unions in different institutions handling EU-related questions in Finland.

Channel of representation	Characteristics of influence
The government	No formal direct representation; informal contacts depending on the political stance of the government
Economic Council	ES is no longer discussed
Parliament/Grand Committee	No formal direct representation; informal contacts
Sectoral Parliamentary Committees	Hearing; many informal contacts
Ministries	Direct representation via Sections; many informal contacts
EU Affairs Cabinet Committee	No representation
EU Ministerial Committee	No representation
Sections	Participation and consultation
FinUnions	Decision-making
ETUC	Participation and co-decision-making
EU Commission Representation in Finland	Information sharing

In sum, in Finland there is a formal structure for discussing ES issues. The structure is a necessary condition for trade unions' representation in the ES process. However, it is not enough – much depends on the political stance of the government. The government's lack of will to include trade unions properly in the ES process was a target of criticism. There seems to be more satisfaction with the EU representation in Finland than with the national government. Politics matter!

7.2 Policy recommendations for good-quality and meaningful involvement

As is evident from the analyses presented in the previous sections, the trade unions' representation in Finland works well. They regard the representation as meaningful: they have access to full information from the EU and they are in a position, with the necessary channels, to deliver their views to the EU. They are more or less fully-informed. The timing of the Semester process has improved but still there are challenges given the scarce resources available to the unions. The question is whether there are any opportunities to make the timing easier to respect.

- Sufficient time should be made available to trade unions to comment on the position/intentions of the decision-makers and to react in accordance with their actual capacities, without altering or derogating from their internal democratic rules.

Another complaint concerned the exclusion of the ES from the agenda of the Economic Council. It is felt that it would be good to return to the previous practice. ES issues should be included in the Economic Council meetings.

As the case studies presented in Section 6 indicated, policy processes with ramifications for trade unions should not be imposed unilaterally by governmental decisions and directives.

- The government should respect the role of the social partners.
- Decisions should be made 'fully respecting the role of the social partners'.

With respect to monitoring progress towards the 2020 poverty target and the Social Scoreboard, it is important to extend the monitoring and evaluation: currently the monitoring is performed by the Ministry of Finance. Neither the trade unions nor NGOs can influence or comment on the progress made and any problems encountered.

- Trade unions and NGOs should play a stronger role in evaluating the progress in and problems relating to combating poverty and social exclusion.
- Trade unions would benefit from more extensive collaboration with other civil society NGOs.
- Once the European Social Pillar is included in the evaluation, the social partners, as well as third sector NGOs, should be more strongly included in the process.

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Annex 1

Country-specific Recommendations for Finland 2014–2018 and assessment of the progress made

Year	Recommendations	Summary assessments
2014	<p>2013 Commitments:</p> <p>CSR1: a) Pursue a growth-friendly fiscal policy and reduce the sustainability gap; b) take measures to make long-term care more effective, fortify prevention and rehabilitation.</p> <p>CSR2: Implementation of municipal and health care reform.</p> <p>CSR3: Increase employment rate of elderly (closing early exit routes) and young people.</p>	<p>Assessment in 2014:</p> <p>a) Some progress</p> <p>b) Substantial progress</p> <p>Some progress</p> <p>Some progress</p>
2015	<p>2014 Commitments:</p> <p>CSR1: Take budgetary measures to reduce the emerging gap relative to the medium-term objective and implement reforms to reduce the fiscal sustainability gap.</p> <p>CSR2: Ensure effective implementation of the ongoing administrative reforms concerning municipal structure and social and healthcare services.</p> <p>CSR3: Improve the use of the full labour force potential in the labour market, improving the employment rate of older workers, reducing early exit pathways and aligning statutory retirement age to changes in life expectancy, and improve the labour market prospects of young people.</p> <p>CSR4: Enhance healthy competition in product and service markets.</p>	<p>Assessment in 2015:</p> <p>Some progress</p> <p>Some progress</p> <p>Some progress</p> <p>Limited progress</p>
2016	<p>2015 Commitments:</p> <p>CSR1: Achieve fiscal adjustment, continue efforts to reduce the fiscal sustainability gap and strengthen conditions for growth.</p> <p>CSR2: Adopt the agreed pension reform and gradually eliminate early exit pathways. Ensure effective design and implementation of the municipal and social and health care reforms.</p> <p>CSR3: Pursue efforts to improve the employability of young people, older workers and the long-term unemployed. Promote wage developments in line with productivity, fully respecting the role of social partners.</p> <p>CSR4: Continue pursuing efforts to increase competition in services, including in retail by reducing the administrative and regulatory burden, to foster growth of high value-added production.</p>	<p>Assessment in 2016:</p> <p>Some progress</p> <p>Substantial progress in adopting pension reform (20 Nov 2015)</p> <p>Limited progress otherwise</p> <p>Some progress</p> <p>Some progress</p>

<p>2017</p>	<p>2016 Commitments:</p> <p>CSR1: a) Achieve a fiscal adjustment towards the medium-term budgetary objective and reduce the general debt ratio.</p> <p>b) Ensure timely adoption and implementation of administrative reform, with a view to better cost-effectiveness of social and healthcare services.</p> <p>CSR2: a) Respecting the role of social partners, ensure that the wage-setting system enhances local wage bargaining and removes rigidities, contributing to competitiveness and a more export industry-led approach.</p> <p>b) Increase incentives to accept work and ensure targeted and sufficient active labour market measures, and take measures to reduce regional and skills mismatches.</p> <p>CSR3: Continue pursuing efforts to increase competition in services, including in retail, by, inter alia, reducing the administrative and regulatory burden, to foster growth of high value-added production.</p>	<p>Assessment in 2017:</p> <p>a) Some progress: the medium-term budgetary objective will only be achieved as of 2020</p> <p>b) Some progress, legislation not yet ready</p> <p>a) Substantial progress: Competitiveness Pact and pension reform carried out.</p> <p>b) Some progress</p> <p>Some progress</p>
<p>2018</p>	<p>2017 commitments:</p> <p>CSR1. a) Achieving medium-term budgetary objective in 2018. b) Ensure timely adoption and implementation of the administrative reform to improve cost-effectiveness of social and healthcare services.</p> <p>CSR2: a) Promote the further alignment of wages with productivity developments, respecting the role of social partners. b) Promote active labour market policy measures to address employment and provide incentives to accept work and promote entrepreneurship.</p> <p>CSR3: Continue to improve the regulatory framework and reduce the administrative burden to increase competition in services and to promote investment.</p>	<p>Assessment in 2018:</p> <p>a) Some progress</p> <p>b) Limited progress, legislation not yet implemented</p> <p>a) Some progress</p> <p>b) Some progress</p> <p>Some progress</p>
<p>2014: European Commission, 2014a and 2014b; 2015: European Commission, 2015a and 2015b; 2016: European Commission, 2016a and 2016b; 2017: European Commission, 2017; 2018: European Commission 2018.</p>		

Annex 2

List of Respondents

Interview no.	Organisation	Date	Mode	Code
1	The Central Organisation of Finnish Trade Unions (SAK)	12/06/2018	face to face (group interview)	TU1
2	The Finnish Confederation of Salaried Employees (STTK)	4/02/2019	Internet	TU2
3	The Confederation of Unions for Professionals and Managerial Staff (Akava)	8/8/2018	face to face	TU3
4	Employers' Federation (EK)	14/06/2018	face to face	EMP1
5	Ministry of Social Affairs	13/6/2018	face to face	GOV1
6	Ministry of Finance	21/8/2018	face to face (group interview)	GOV2
7	Ministry of Finance	17/12/2018	email	GOV3
8	European Semester Officer Finland	14/06/2018	face to face	EC1
9	EAPN Finland, European Anti-Poverty Network	11/12/2018	email	EAPN1
10	Centre for Finnish Pensions (ETK)	16/12/2018	email	ETK1