Finnish government outlines onslaught against working class

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19 January 2016

In his New Year message, Finnish Prime Minister Juha Sipilae declared that 2016 would be a "moment of truth."

"When confidence in the Finnish economy and its competitiveness is restored the economy will start to grow, driven by investment," Siphilae said, "even though Finland's economy has experienced a seven-year decline."

Sipilae's office complained: "For years now we have been unable to make the necessary decisions and reforms. Our labour market is inflexible and has not been able to adjust as we promised when we joined the euro. An increase in the number of unemployed has been the only way to adapt. This cannot continue."

Sipilae said the right-wing coalition government formed in April was tasked with closing a €10 billion sustainability gap. Ongoing budget cuts would save €4 billion euros and the restructuring of health and social services another €4 billion. Pension reform approved by Parliament and decisions to downsize local government are planned for early 2016.

The prime minister warned that if a final €2 billion "sustainability gap" was "not achieved then in spring 2017 the government will have to make additional savings." His proposals will be put before Parliament in February for speedy enactment.

The Finnish economy is mired in crisis, with the *Helsinki Times* noting on December 14 that it is "still paralysed". Official figures show that "industrial output of Finland contracted 0. 8 percent year on year in October."

Statistics Finland reported that output "continued to shrink for over 30 months practically across industries… the gross value added of industries has declined by €11 billion since 2007. Seven billion euros of the decline is attributable to the electronics industry, two billion euros to the traditional metals industry and €1. 7 billion to the forestry industry."

According to the Bank of Finland, "the conditions are not as favourable for the recovery of export industries as they were following the recession of the early 1990s when the country was pulled out of recession by growth in world trade and the mobile phone business of Nokia."

Jan van Gerich, the bank's chief strategist, exclaimed upon hearing last September that the economy was contracting for a fourth successive year, "Oh my God, they've killed all the growth!"

International capital is acutely aware of the crisis. Last September *Bloomberg Business* Scandinavian specialist Dara Doyle wrote that the Finnish economy is "one of the region's worst performers in part because of its failure to build a competitive labour market." He remarked that Sipilae is "a staunch ally of German led austerity" and the European Commission has predicted that in Europe "only Cyprus will perform worse this year."

Numerous economics commentators have drawn attention to what they deem to be Finland's "expensive labour market", with labour costs per hour 20 percent above the eurozone average. The *Helsinki Times* September 30 headlined a piece, "Finland falls four places in major competitiveness ranking," highlighting the nation's latest placing on the World Economic Forum's listing. Finland is now ranked eighth by that body.

Commenting on the lower ranking, Petri Rouvinen, a research director at ETLA, declared that the "downgraded ranking [is] attributable to the fact that erosion of cost competitiveness and the consequent economic uncertainty have begun to gnaw away at the wider structures of national competitiveness."

Tomas Hirst, writing in the *World Economic Forum* July 23, argues that given that Finland is a member of the eurozone, one solution to the crisis would be “internal devaluation”--which would entail low wages and/or high unemployment. “Signs of this can already be seen,” he writes, “with unemployment at 9.4 percent and likely to stay over 9 percent throughout 2016.”

Hirst advises, “One way of achieving this adjustment without significantly increasing job losses or forcing people to accept pay cuts is to increase the amount of hours worked without raising wages accordingly.”

Sipilae’s Centre Party-led government began its offensive against workers as soon as it came to office. In July 2015, Sipilae announced a new “social contract” entailing the abolition of two paid public holidays, cutting sick pay entitlement, slashing public services and social programmes across the board and the driving down of wages by 5 percent. It is projected these austerity measures will continue until 2030.

Jarma Ollila, a former Nokia CEO and now board chairman of both the Research Institute of the Finnish Economy and the Finnish Business and Policy Forum, said earlier this month, “Consequences will be dire unless Finland resolves its economic and structural problems… We need breakthroughs… Finland is on the edge of an abyss. Not in a way that it is about to become Greece, but Finland is falling behind Germany and other Nordic countries in the most important economic indicators…”

Ollila continued, “We must create a model for wage formation that is based on the demands of the export sector and allows for genuine local flexibility.”

Sipilae’s government is declaring war on the Finnish edition of the so-called Nordic Model--a corporatist alliance between government, employers and trade unions in which there was a decades-long consensus over welfare spending and living standards. Lauri Lyly, president of the Central Organization of Finnish Trade Unions (SAK), told the *Financial Times* September 9, “If these proposals are carried through they will have incalculable consequences for all of Finnish society.”

This was a warning from the union bureaucracy who fears they will not be able to contain the anger that will develop in opposition to this onslaught. That said, the unions are stepping up to enforce whatever attacks are required. In September the unions agreed details of the country’s long-awaited pension reform, which will raise the retirement age in fixed increments until 2025--entailing a minimum retirement age of 65 and a maximum of 70. In December, the trade unions walked out of the latest round of talks on the proposed measures. Lyly said December 8 that the proposal to waive wage increases in 2017 and allow export industries to determine wage rises in 2018 was no longer on the table. In response, he said, SAK was “prepared to transfer a number of social security contributions from the shoulders of the employers to those of wage earners on the condition that the government withdrew its coercive revisions to the terms and conditions of employment.”