Government of Finland imposes further austerity

Ellis Wynne
29 August 2016

Finland’s trade unions are fully signed up for major attacks being implemented by the government and corporations.

In June, the general council of the Finnish Metal Workers’ Union voted by 32 to 24 to accept the right-wing coalition government’s Competitiveness Pact.

The union, with over 140,000 members, is the largest in the private sector and the last to sign up to the agreement—the other unions having formally agreed in March.

This enabled the Centre Party-led government of Prime Minister Juha Sipilä, to announce on June 14 that the “social partners” (trade unions and employers) had signed the Competitiveness Pact.

The Centre Party rules in coalition with the conservative National Coalition Party and right-wing populist Finns Party.

The pact covers 86.5 percent of Finnish wage and salary earners. Behind the pact is the need of Finland’s capitalists to “restore competitiveness,” as Sipilä stated in his New Year message. The economy, he said, had been in a “seven-year decline” and the “labour market is inflexible and has not been able to adjust as we promised when we joined the euro.” The Competitiveness Pact is central to the coalition’s aim to close a “10 billion euro sustainability gap,” he added.

To this end, the government proposed a new “social contract,” entailing the abolition of two paid public holidays, the cutting of sick pay entitlement, the slashing of public services and social programmes across the board and the driving down of wages by 5 percent.

First announced in July last year, the contract was originally to be imposed by decree. The government was forced, however, into a series of negotiations with SAK, the central trade union body, in the face of growing hostility of the working class. This was seen in last September’s strike by Post Office workers that received wide public support.

The basic objection of the trade union bureaucracy to the pact was its compulsory character and their lack of involvement in policing the working class.

Once at the negotiating table they proceeded, with a pose of reluctance, to agree to a yearlong wage freeze, increased deductions from employees for pensions and sickness benefits, with a corresponding decrease in employers’ contributions and a 30 percent cut in holiday pay for public employees for the period 2017-2020. Workers will also have to work an additional 24 hours a year with no extra pay.

The Centre Party now intends to press ahead with the abolition of the premium for Sunday working.

Laury Lyly, the then head of the SAK union bureaucracy, said of the deal’s consequences: “A business with a staff of sixty employees will be in a position to hire the work input of three employees with no extra labour costs at all. Two of these employees’ positions will be made available by reduced employer contributions while one will be a consequence of longer working hours.”

Although both big business and the press urge measures to increase productivity and cut social spending, these circles are not satisfied that the Pact goes far enough in attacking the working class.

Yle, the state broadcasting service, reported July 4, “The hard-fought deal, which was the centre piece for Prime Minister Juha Sipilä’s plan to get the economy growing again, saw unions agree to cuts to pay and benefits in return for the government withholding 1.5 billion euros worth of austerity measures.

“However a survey of finance directors carried out by the consultancy Rainmaker has found that the majority believe that the hard-fought deal will have only a modest effect on the competitiveness of their own business.”

Blunter still were the responses recorded in the *Helsinki Times* July 15. Kristiina Helenius, chief executive of Amcham Finland, a network promoting Finnish business, opined “….reforms are being implemented very very slowly... Finland not only has a competitiveness problem but also a competitive drive problem… Europe is like an elderly home looking from the United States. Lying around in a safety net is a disincentive for entrepreneurship.”

The trepidation in Finnish business circles is backed up by the response of the international credit rating agencies. In early June, Moody's Investor Service downgraded Finland's debt rating from Aaa to Aa1. Fitch had already downgraded Finland in March and Standard and Poor as far back as 2014.

Central to this lack of confidence is their assessment of developments in the "real economy." *Yle* reported last month that Finnish exports were "continuing to slide," noting, "there has been no growth in monthly exports since a year ago in July 2015."

In July, Statistics Finland published figures showing that the values of orders in manufacturing had declined 0.1 percent year on year in May, while industrial output had increased by roughly 1 percent from the previous year but had declined a half percent since May. Finnish Customs meanwhile published preliminary data indicating a fall of 7 percent in the value of goods exported from Finland to 4.3 billion euros in May.

The Finnish ruling elite is seeking to impose harsh austerity measures. In April, Alexander Stubb, then Finance Minister and leader of the National Coalition Party, notorious for his role in insisting on the forcing of austerity measures upon the Greek working class, defended the government's record before the European Commission.

Yle reported that he pointed "to progress in wide ranging reforms and positive signs in recent budget deficit figures."

The following month Stubb confronted criticism from within his own party that the government had not shown itself ambitious enough in attacking wages and working hours by responding, "The measures we would have liked to utilise may have brought us farther than the social contract but it is still a step in the right direction."

This prospect proved insufficient for the National Coalition Party. Stubb was challenged for the leadership by Petteri Orpo, the Interior Minister, who won in the ballot on June 11. On becoming leader of the National Coalition Party, Orpo took over as Finance Minister.

The party (also known as the Conservatives), has shifted even further right, proposing, among other things, that the upper retirement age be removed, that working pensioners be allowed to work outside collective labour agreements, that the double rate Sunday pay premium be abolished and that companies be allowed to make their own agreements with staff.

These proposals are not yet approved by the other coalition partners.

The True Finns, the anti-immigrant nationalist party whose leader Timo Soini is Foreign Minister, has called for Finland to leave the European Union (EU). Soini came under fire for visiting Britain for talks after June's Brexit referendum vote to leave the EU. Soini visited not as a government representative but as chairman of the True Finns.

The leader of the party's youth wing, Sebastian Tykkynen, organised a petition after the UK's vote to leave the EU, for a referendum in Finland. By the middle of last month it had some 27,000 signatures.

Adopting a populist stance, the party opposes the abolition of double time pay on Sundays and opposes other austerity measures being proposed by Finnish capital. The party represents those sections of the ruling elite that believe that a return to the markka would ease the pressures on Finnish capitalism.

The government agenda to escalate its assault on the working class takes place amid rising discontent at growing levels of social inequality in Finland.

Last week President Sauli Niinistö drew attention to a new report, "Who Has Had Their Fill?" by the e2 think tank. The study found that 74 percent of Finns estimate that the preconditions for leading a good life have deteriorated. The *Helsinki Times* said the report found that discontent is increasing among low-paid workers who are "especially displeased with the status quo, while high-income earners, managerial staff members and people with higher education qualifications do not share the concerns and discontent of the rest of the public." Another finding is that, more than four in five, or 82 percent, of the public consider inequality a threat to social stability.

Niinistö warned, "When those in society who view themselves as having lost out are roused, the consequences can be difficult to predict."