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EMPLOYMENT CONTRACTS ACT
(55/2001, amendments up to 579/2006 included)

Chapter 1
General provisions

Section 1
Scope of application

This Act applies to contracts (*employment contract*) entered into by an employee, or jointly by several employees as a team, agreeing personally to perform work for an employer under the employer's direction and supervision in return for pay or some other remuneration.

This Act applies regardless of the absence of any agreement on remuneration, if the facts indicate that the work was not intended to be performed without remuneration.

Application of the Act is not prevented merely by the fact that the work is performed at the employee's home or in a place chosen by the employee, or by the fact that the work is performed using the employee's implements or machinery.

Section 2
Derogations from scope of application

This Act does not apply to:

- 1) employment relations or service obligations subject to public law;
- 2) ordinary hobby activities;
- 3) such contracts on work to be performed which are governed by separate provisions by law.

Section 3
Form and duration of employment contract

An employment contract may be oral, written or electronic.

An employment contract is valid indefinitely unless it has, for a justified reason, been made for a specific fixed term. Contracts made for a fixed term on the employer's initiative without a justified reason, and consecutive fixed-term contracts concluded without a justified reason, shall be considered valid indefinitely.

Section 4
Trial period

The employer and the employee may agree on a trial period of a maximum of four months starting from the beginning of the work. If the employer provides specific, work-related training for the employee, lasting for a continuous period of over four months, a trial period of no more than six months may be agreed on.

If a fixed-term employment relationship is shorter than eight months, the trial period may not exceed 50 per cent of the duration of the employment period.

If a collective agreement applicable to the employer contains a provision on a trial period, the employer must inform the employee of the application of this provision at the time the contract is concluded.

During the trial period, the employment contract may be cancelled by either party. The employment contract may not, however, be cancelled on the grounds referred to in chapter 2, section 2, paragraph 1, or on grounds which are otherwise inappropriate with regard to the purpose of the trial period. The employer may not cancel an employment contract when it has neglected the obligation to inform laid down in paragraph 3 of this section.

Section 5

Benefits depending on the duration of the employment relationship

If the employer and the employee have concluded a number of consecutive fixed-term employment contracts under which the employment relationship has continued without interruption or with only short interruptions, the employment relationship shall be regarded as having been valid continuously when benefits based on the employment relationship are specified.

Section 6

Contracts of employment with minors and other legally incompetent persons

Provisions concerning the right of a person under 18 years of age to conclude a contract of employment and the right of the person having the care and custody of a young employee to cancel a contract of employment concluded by a minor are laid down in the Young Workers' Act (998/1993).

A person who has been declared legally incompetent or whose competence has been limited under the Act on Guardianship (442/1999) may conclude and terminate a contract of employment on his own behalf.

Section 7

Transfer of rights and obligations

The parties to the contract of employment shall not assign any of their rights or obligations under a contract of employment to a third party without the other party's consent, unless otherwise provided below.

A claim that has fallen due may, however, be so assigned without the consent of the other party.

If, with the employee's consent, the employer assigns an employee for use by another employer (*user enterprise*), the right to direct and supervise the work is transferred to the user enterprise together with the obligations stipulated for the employer directly related to the performance of the work and its arrangement.

Section 8
The employee's assistant

If, with the employer's consent, the employee has hired an assistant to help him/her to fulfil his/her obligations under the contract of employment, the person hired as assistant also has an employment relationship with the employer which has thus given consent.

Section 9
Employer's representative

The employer may assign another person to direct and supervise the work as the employer's representative. If, in the exercise of these functions, such representative causes a loss to the employee through fault or negligence, the employer shall be liable for the loss.

Section 10
Assignment of business

Assignment of the employer's business refers to assignment of an enterprise, business, corporate body, foundation or an operative part thereof to another employer, if the business or part thereof to be assigned, disregarding whether it is a central or ancillary activity, remains the same or similar after the assignment.

When an enterprise is assigned as referred to in paragraph 1 above, rights and obligations and employment benefits related to them under employment relationships valid at the time of the assignment devolve to the new owner or proprietor. The assignor and the assignee are jointly and severally liable for the employee's pay or other claims deriving from the employment relationship that have fallen due before the assignment. Unless otherwise agreed, however, the assignor is liable to pay the assignee employee claims that have fallen due before the assignment. (943/2002)

Where an enterprise is assigned by a bankrupt's estate, the assignee is not liable for the employee's pay or other claims deriving from the employment relationship that have fallen due before the assignment, except if controlling power in the bankrupt enterprise and in the assignee enterprise is or has been exercised by the same persons on the basis of ownership, agreement or other arrangement.

Chapter 2
Employer's obligations

Section 1
General obligation

The employer shall in all respects work to improve employer/employee relations and relations among the employees. The employer shall ensure that employees are able to carry out their work even when the enterprise's operations, the work to be carried out or the work methods are changed or developed. The employer shall strive to further the employees' opportunities to develop themselves according to their abilities so that they can advance in their careers.

Section 2

Prohibition of discrimination, and equal treatment

The employer shall not exercise any unjustified discrimination against employees on the basis of age, health, disability, national or ethnic origin, nationality, sexual orientation, language, religion, opinion, belief, family ties, trade union activity, political activity or any other comparable circumstance. Provisions on the prohibition of discrimination based on gender are laid down in the Act on Equality between Women and Men (609/1986). The definition of discrimination, prohibition on sanctions and burden of proof in cases concerning discrimination are laid down in the Non-Discrimination Act (21/2004). (23/2004)

Without proper and justified cause less favourable employment terms than those applicable to other employment relationships must not be applied to fixed-term and part-time employment relationships merely because of the duration of the employment contract or working hours.

The employer must otherwise, too, treat employees equally unless there is an acceptable cause for derogation deriving from the duties and position of the employees.

The employer must observe the prohibition of discrimination laid down in paragraph 1 also when recruiting employees.

Section 3

Occupational safety and health

The employer must ensure occupational safety and health in order to protect employees from accidents and health hazards, as provided in the Occupational Safety Act (738/2002). (750/2002)

If the working duties or conditions of a pregnant employee endanger the health of the employee or the foetus and if the hazard cannot be eliminated from the work or working conditions, the employee shall if possible be transferred to other duties suitable in terms of her working capacity and skills for the period of pregnancy. Provisions on the employee's right to special maternity leave are laid down in chapter 4, section 1.

Section 4

Information on principal terms of work

The employer shall present an employee whose employment relationship is valid indefinitely or for a term exceeding one month with written information on the principal terms of work by the end of the first pay period at the latest, unless the terms are laid down in a written employment contract. If an employee repeatedly concludes fixed-term employment relationships of less than one month with the same employer on the same terms and conditions, the employer must provide information on the principal terms of work within a maximum of one month from the beginning of the first employment relationship. If the employment relationships continue to be repeated, the information shall be given once only, unless otherwise provided in paragraph 3. In work carried out abroad for a minimum of one month, the information shall be provided in good time before the employee leaves for the working location.

Such information may be given in one or several documents or by a reference to legislation or a collective agreement applicable to the employment relationship. The information shall include at least:

- 1) the domicile or business location of the employer and the employee;
- 2) the date of commencement of the work;
- 3) the duration of a fixed-term employment contract and the justification for specifying a fixed term;
- 4) the trial period;
- 5) the place where the work is to be performed or, if the employee has no primary fixed workplace, an explanation of the principles according to which the employee will work in various work locations;
- 6) the employee's principal duties;
- 7) the collective agreement applicable to the work;
- 8) the grounds for the determination of pay and other remuneration, and the pay period;
- 9) the regular working hours;
- 10) the manner of determining annual holiday;
- 11) the period of notice or the grounds for determining it;
- 12) in the case of work performed abroad for a minimum period one month, the duration of the work, the currency in which the monetary pay is to be paid, the monetary remunerations and fringe benefits applicable abroad, and the terms for the repatriation of the employee.

The employer shall also present the employee as soon as possible with written information on any changes in the terms of work, though not later than the end of the pay period following the change, unless said change derives from an amendment in the legislation or a collective agreement.

Section 5

Employer's obligation to offer work to a part-time employee

If the employer requires more employees for duties suitable for employees who are already doing part-time work for the employer, the employer shall offer such employment to these part-time employees, regardless of chapter 6, section 6.

If accepting the work referred to in paragraph 1 calls for training that the employer can reasonably provide in view of the aptitude of the employee, the employer shall provide the employee with such training.

Section 6

Information on vacancies

The employer shall provide information on vacancies in accordance with practice generally adopted in the enterprise or at the workplace in order to ensure that part-time and fixed-term employees have the same opportunity of applying for these jobs as permanent or full-time employees.

Section 7

General applicability of collective agreements

The employer shall observe at least the provisions of a national collective agreement considered representative in the sector in question (*generally applicable collective agreement*) on the terms and working conditions of the employment relationship that concern the work the employee performs or nearest comparable work.

Any term of an employment contract that is in conflict with an equivalent term in the generally applicable collective agreement is void, and the equivalent provision in the generally applicable collective agreement shall be observed instead.

In derogation from what is laid down in paragraph 1, an employer which is required under the Collective Agreements Act (436/1946) to observe a collective agreement in which the other contracting party is a national employee organization is allowed to apply the provisions of this collective agreement.

Section 8

Confirmation and validity of general applicability

Provisions on confirmation of the general applicability of a collective agreement, on the validity of the general applicability and the availability of agreements are laid down in the Act on Confirmation of the General Applicability of Collective Agreements (56/2001).

Section 9

The collective agreement applicable to the employment relationships of hired employees

If the employer has hired its employee to work for another employer (*user enterprise*), and the employer which hired its employee is neither bound by a collective agreement as referred to in section 7, paragraph 3, nor required to observe a generally applicable collective agreement in its employment relationships, at least the provisions of the collective agreement, applicable to the user enterprise, which is either an agreement referred to in section 7, paragraph 3, or a generally applicable agreement, shall be applied to the employment relationship of the hired employee.

Section 10

Minimum pay in the absence of a collective agreement

If neither a collective agreement binding under the Collective Agreements Act nor a generally applicable collective agreement is applicable to an employment relationship, and the employer and the employee have not agreed on the remuneration to be paid for the work, the employee shall be paid a reasonable normal remuneration for the work performed.

Section 11

Pay during illness

Employees who are prevented from performing their work by an illness or accident are entitled to pay during illness. If the employment relationship has lasted for a minimum of one month, the employee is entitled to full pay for the period of disability up to the end of the ninth day following the date of falling ill, but only up to the point at which the employee's right to national sickness allowance under the Sickness Insurance Act [364/1963] (1224/2004) comes into effect. In employment relationships that have continued for less than one month employees are correspondingly entitled to 50 per cent of their pay.

Employees are not entitled to pay during illness if they have caused said disability wilfully or by gross negligence. On request, employees shall present the employer with a reliable account of their disability.

When the employer has paid an employee pay for the period of illness, it is entitled to receive for a corresponding period the daily sickness allowance due to the employee under the

Sickness Insurance Act or the Employment Accidents Insurance Act (608/1948), though not more than an amount equivalent to the pay extended.

Section 11 a (460/2006)
Part-time absence due to illness

Provisions on an employee's entitlement to a part-time sickness allowance and the fixed-term contract on part-time work on which it is based are contained in Chapter 8, Section 11 of the Sickness Insurance Act. The purpose of a part-time absence due to illness is to support the employee's return to work on his or her own initiative after a long-term sick leave. A part-time employment contract will be concluded based on a report on the employee's state of health.

Changing a part-time employment contract during the term of the contract shall be subject to agreement. A contract for a fixed term will, however, be terminated during the term of the contract, in case the employee because of his or her illness no longer is able to cope with the part-time work.

Once a part-time employment contract comes to an end, the employee shall be entitled to revert to the terms and conditions of the full-time employment contract preceding the part-time contract.

Section 12
The employee's right to pay in the case of impediment to work

Unless otherwise agreed, the employer is required to pay the employee full pay if the employee has been available to the employer in accordance with the contract, but has been prevented from working by circumstances for which the employer is responsible.

If the employee is prevented from working by a fire, an exceptional natural event or another similar event affecting the workplace beyond the employer's control, the employee is entitled to pay for the period of the impediment, though not for more than a maximum of 14 days. If the impediment beyond the control of the parties to the employment contract is caused by industrial action by other employees which is independent of the employee's employment terms or working conditions, the employee is, however, entitled to pay for a maximum of seven days.

The employer may deduct from the pay due to employees under paragraphs 1 and 2 amounts that the latter have saved because their work performance has been impeded and amounts the employees have earned doing other work or chosen intentionally not to earn. In making the deduction, the employer shall observe the provisions of section 17 of this chapter on limitation of the set-off right.

Section 13
Payday and pay period

Pay shall be paid on the last day of the pay period, unless otherwise agreed. If the basis for a time rate is a period shorter than one week, payment must be made at least twice a month, otherwise once a month. If the pay rate is performance-based, the pay period must not exceed two weeks unless the performance-based pay is paid together with a monthly salary. If performance-based work lasts longer than one pay period, part of the pay determined on the basis of the time spent on the work must be paid for each pay period.

If part of the pay is determined as profit shares, commissions or on other similar grounds, the pay period for this part may be longer than stipulated above, though not more than 12 months.

Section 14

Pay period on termination of employment relationship

When an employment relationship ends, the pay period also ends. If payment of a debt arising from the employment relationship is delayed, the employee is entitled to full pay for the waiting days, though not for more than a maximum of six calendar days, in addition to the penalty interest referred to in section 4 of the Interest Act (633/1982).

If a debt arising from the employment relationship is not clear or uncontested or if the delay in payment is due to the employer's calculation error or other similar error, the employee is entitled to receive pay for the waiting days only if the employee has notified the employer of the delay in payment within one month of termination of the employment relationship and the employer has not made the payment within three working days of the notification. In such a case, entitlement to pay for the waiting days begins on the expiry of payment period granted to the employer.

Section 15

Exceptional paydays

If an employee's pay falls due on a Sunday, a religious holiday, Independence Day, May 1, Christmas or Midsummer Eve, or a Saturday that is not a holiday it shall be deemed to fall due on the preceding working day.

If an employee's pay falls due on a working day on which the payment systems generally used by banks for interbank payments are not available under a decision made by the European Central Bank or the Bank of Finland, as announced by a notice made by the Bank of Finland and published in the Statute Book, the immediately preceding working day shall as well be deemed the due day.

Section 16

Payment of pay

Pay shall be paid to the employee in cash or, if so agreed, to a financial institution designated by the employee. The employer shall bear the cost of the latter method. The payment shall be made or the pay shall be withdrawable on the due date.

On payment, the employer shall give the employee a calculation showing the amount of the pay and the grounds for its determination.

Section 17

Employer's right of set-off and advance

The employer shall not set off pay payable to an employee against counterclaims in so far as this is exempt from distraint under the Execution Act (37/1895) and the Decree on the protected amount in distraint of pay (1031/1989).

Advance pay extended as security on the contract or otherwise may be deducted from pay. Advance pay shall in the first place be deemed part of the protected amount referred to in paragraph 1.

Section 18 (579/2006)

An employee's entitlement to have time off work in order to attend to a position of trust in the municipal government

The employees are entitled to receive time off their work in order to attend to a position of trust in the municipal government as prescribed in Section 32 b of the Local Government Act (365/1995).

Chapter 3 **Employees' obligations**

Section 1 *General obligations*

Employees shall perform their work carefully, observing the instructions concerning performance issued by the employer within its competence. In their activities, employees shall avoid everything that conflicts with the actions reasonably required of employees in their position.

Section 2 *Occupational safety and health*

Employees shall observe the care and caution required by their work duties and working conditions and apply all available means to ensure their own safety and the safety of other employees at the workplace.

Employees shall notify the employer of any faults or deficiencies they may detect in the structures, machinery, equipment and work and protection implements of the workplace which may cause risk of accident or illness.

Section 3 *Competing activity*

Employees shall not do work for another party or engage in such activity that would, taking the nature of the work and the individual employee's position into account, cause manifest harm to their employer as a competing activity contrary to fair employment practices.

During the term of employment, employees shall not embark on any action to prepare for competing activities as cannot be deemed acceptable, taking into account what is stipulated in paragraph 1.

An employer which recruits a person whom it knows to be impeded from work on the basis of paragraph 1 is liable for any loss caused to the previous employer jointly with the employee.

Section 4
Business and trade secrets

During the term of employment, the employee may neither utilize nor divulge to third parties the employer's trade or business secrets. If the employee has obtained such information unlawfully, the prohibition continues after termination of the employment relationship.

Liability for any loss incurred by the employer is extended not only to the employee divulging confidential information but also to the recipient of this information, if the latter knew or should have known that the employee had acted unlawfully.

Section 5
Agreement of non-competition

For a particularly weighty reason related to the operations of the employer in the employment relationship, an agreement made at the beginning of or during the employment relationship (*agreement of non-competition*) may limit the employee's right to conclude an employment contract on work to begin after the employment relationship has ceased with an employer which engages in operations competing with the first-mentioned employer, and also the employee's right to engage in such operations on his or her own account.

In assessing the particular weight of the reason for instituting an agreement of non-competition, the criteria taken into account shall include the nature of the employer's operations and the need for protection related to keeping a business or trade secret or to special training given to the employee by the employer, as well as the employee's status and duties.

An agreement of non-competition may restrict the employee's right to conclude a new employment contract or to engage in the trade concerned for a maximum of six months. If the employee can be deemed to receive reasonable compensation for the restrictions imposed by the agreement of non-competition, a restriction period can be agreed on that extends over a maximum of one year. Instead of compensation for loss, the agreement may include a provision on contractual penalty, which shall not exceed the amount of pay received by the employee for the six months preceding the end of the employee's employment relationship.

An agreement of non-competition does not bind the employee if the employment relationship has been terminated for a reason deriving from the employer. What is provided above on restricting the duration of an agreement of non-competition and the maximum contractual penalty does not apply to employees who, in view of their duties and status, are deemed to be engaged in the direction of the enterprise, corporate body or foundation or an independent part thereof or to have an independent status immediately comparable to such managerial duties.

A restraint of trade agreement shall be void in so far as it is contrary to what is provided above. In other respects, the provisions in the Act on legal transactions pertaining to the law of property relations (228/1929, *Legal Transactions Act*) shall apply to the validity and mitigation of such agreements.

Chapter 4 Family leave

Section 1 (533/2006)

Maternity, special maternity, paternity and parental leave

Employees shall be entitled to take leave from work during maternity, special maternity, paternity and parental benefit periods as referred to in the Sickness Insurance Act.

Employees shall be entitled to take parental leave in one or two periods, the minimum duration of which shall be 12 working days.

Section 2

Work during maternity or parental allowance terms (1076/2002)

During the maternity allowance term the employee is, with the employer's consent, entitled to perform work that does not pose a risk to her or to the unborn or newly born child. However, such work is not permitted during a period of two weeks before the expected time of birth and two weeks after giving birth. Both the employer and the employee have the right to discontinue work done during the maternity allowance term at any time.

The employer and the employee may agree on part-time work and its terms during the parental allowance period prescribed in section 23 (2), of the Sickness Insurance Act. The employee's right to partial parental allowance is prescribed in section 21 (4), of the Sickness Insurance Act. (1076/2002)

Agreement shall be reached on discontinuing part-time work or altering its terms. If agreement cannot be reached, the employee is entitled for a justified reason to discontinue part-time work and return either to the parental leave referred to in section 1 of this chapter or to his previous working hours. (1076/2002)

Section 3 (533/2006)

Child-care leave

Employees are entitled to take child-care leave in order to care for their child or some other child living permanently in their household until the child reaches the age of three. The entitlement to child-care leave of a parent of an adopted child, however, continues until a period two years has elapsed from the adoption, or at the most until the time the child starts school.

Child-care leave can be taken in one or two periods of at least one month, unless the employee and the employer agree on more than two periods or a period shorter than one month. Only one parent or person having the care and custody of the child is entitled to child-care leave at one time. During maternity or parental leave, the other parent or person having care and custody is nonetheless entitled to take one period of child-care leave.

Section 3 a (533/2006)

Notification of maternity, paternity and parental leave and child-care leave

The employee shall notify the employer of maternity, paternity or parental leave or child-care leave at least two months before the intended start of the leave. In case the duration of this leave is no more than 12 working days, however, the period of notification is one month.

When giving notification of leave to care for an adopted child, the notification period prescribed above should be observed whenever possible.

In case observing the notification period of two months is not possible because of the spouse starting employment and the consequent need for child care arrangements, the employee shall be entitled to take parental leave one month from the date of the notification, unless this results in a serious inconvenience to production or service operations of the workplace. If the employer feels unable to consent to the notification period of one month, the employer shall inform the employee of the grounds for this refusal.

For a justified reason, the employee shall have the right to change the time and duration of the leave by notifying the employer thereof no later than one month before the change takes effect. However, the employee shall have the right to take maternity leave earlier than intended and to change the time of paternal leave intended to be taken in connection with childbirth, in case this is necessary because of the birth of the child or the state of health of the child, mother or father. In that case, the employer shall be notified of the change as soon as possible. The parent of an adopted child shall have the right to change the term of the leave before the leave starts for a justified reason by notifying the employer at the earliest possible date.

Section 4 *Partial child-care leave*

An employee who has been employed by the same employer for a total period of at least six months during the previous 12 months is entitled to take partial child-care leave in order to care of his or her child, or some other child living permanently in the employee's household, up to the end of the second year during which the child attends basic education. If the child is covered by the extended compulsory school attendance referred to in section 25(2) of the Basic Education Act (628/1998), however, partial child-care leave is available until the end of the child's third school year. The parent of a disabled child or a child with a long-term illness in need of particular care and support may be granted partial child-care leave until the time the child turns 18. Both of the child's parents, or persons having the care and custody of the child, are entitled to take partial child-care leave during the same calendar period, but not simultaneously. The employee must submit a proposal to the employer on partial child-care leave at the latest two months before the leave will begin. (533/2006)

The employer and the employee shall agree on partial child-care leave and the detailed arrangements concerning it as they see fit. The employer cannot refuse to agree on or grant such leave unless the leave causes serious inconvenience to production or service operations that cannot be avoided through reasonable rearrangements of work. The employer must provide the employee with an account of the grounds for its refusal.

If an employee is entitled to partial child-care leave, but it is not possible to reach agreement on the detailed arrangements, the employee shall be granted one period of partial child-care leave in a calendar year. The duration and timing of the leave shall be according to the employee's proposal. In such cases, the partial child-care leave shall be granted by reducing the regular working hours to 6 hours per day. The reduced working hours shall cover a continuous period, notwithstanding rest periods. If regular working hours have been arranged on the basis of an average, the average shall be reduced to 30 hours per week.

Section 5
Interruption of partial child-care leave

Any changes in partial child-care leave shall be agreed on. If it is not possible to reach an agreement, the employee has the right to interrupt partial child-care leave for a justified reason, observing a notice period of at least one month.

Section 6
Temporary child-care leave

If the employee's child or some other child who is under 10 years of age and who lives permanently in the employee's household falls suddenly ill, the employee shall be entitled to temporary child-care leave for a maximum of four working days at a time in order to arrange for care of the child or to care for the child personally. This entitlement also applies to a parent who does not live in the same household with the child. The parents of a child entitled to temporary child-care leave shall have the right to take temporary child-care leave during the same calendar period, but not simultaneously. (533/2006)

The employee shall notify the employer of temporary child-care leave and of its estimated duration as soon as possible. If the employer so requires, the employee shall present a reliable account of the grounds for temporary child-care leave.

Section 7
Absence for compelling family reasons

Employees shall be entitled to temporary absence from work if their immediate presence is necessary because of an unforeseeable and compelling reason due to an illness or accident suffered by their family.

Employees must notify the employer of their absence and its reason as soon as possible. If the employer so requests, employees must present a reliable account of the grounds for their absence.

Section 8
Obligation to pay remuneration

The employer is not required to pay the employee remuneration for the duration of a family leave referred to in this chapter.

Nonetheless, the employer shall compensate a pregnant employee for loss of earnings incurred from medical consultations prior to the birth if it is not possible to arrange the consultations outside working hours.

Section 9
Return to work

At the end of a leave referred to in this chapter, employees are in the first place entitled to return to their former duties. If this is not possible, employees shall be offered equivalent work in accordance with their employment contract, and if this is not possible either, other work in accordance with their employment contract.

Chapter 5 Lay-offs

Section 1 *Definition of lay-off*

Laying off means temporary interruption of work and remuneration on the basis of an employer decision or an agreement made on the employer's initiative, while the employment relationship continues in other respects. If the conditions laid down in section 2 are met, the employer is entitled to lay off employees either for a fixed period or indefinitely by interrupting the work completely or by reducing an employee's regular working hours prescribed by law or contract to the extent necessary in view of the grounds for laying off the employee.

Under restrictions arising from section 6, employees are entitled to take on other work during the lay-off. Chapter 13, section 5, contains provisions on the use of accommodation benefits during lay-offs.

Section 2 *Grounds for lay-offs*

The employer is entitled to lay off an employee if

- 1) the employer has a financial or production-related reason for terminating the employment contract, or
- 2) the work or the employer's potential for offering work have diminished temporarily and the employer cannot reasonably provide the employee with other suitable work or training corresponding to its needs; the work or the potential for offering work are considered to have diminished temporarily if they can be estimated to last a maximum of 90 days.

Notwithstanding what is provided in paragraph 1 and in section 4 of this chapter, the employer and the employee may, during the employment relationship, agree on a lay-off for a fixed period if this is needed in view of the employer's operations or financial standing.

The employer is entitled to lay off an employee in a fixed-term employment relationship only if the employee is working as a substitute for a permanent employee and if the employer would be entitled to lay off the permanent employee if the permanent employee were working.

The employer is not entitled to lay off a shop steward elected on the basis of a collective agreement or an elected representative referred to in chapter 13, section 3, except on the grounds laid down in chapter 7, section 10, paragraph 2.

Section 3 *Advance explanation and hearing the employee*

The employer shall, on the basis of information available to it, present the employee with an advance explanation of the grounds for the lay-off, and its estimated extent, implementation, commencement and duration. If the lay-off concerns a number of employees, the explanation may be given to the employees' representative or the employees jointly. The explanation shall be presented without delay as soon as the employer becomes aware of the need for lay-offs.

After presentation of the explanation but before the lay-off notice, the employer shall reserve the employees or their representative an opportunity to be heard concerning the explanation given.

It is not necessary to present an advance explanation if the employer is required under another act, agreement or other provision binding the employer to present a corresponding explanation or negotiate on the lay-offs with the employees or their representative.

Section 4 *Lay-off notice*

The employer shall notify employees of a lay-off in person a minimum of 14 days before the lay-off begins. If the notice cannot be given in person, it can be given by letter or electronically with the same minimum notice period. The notice shall include the grounds for lay-off, the date of commencement and the duration or estimated duration of the lay-off.

The obligation to give such notice does not exist if the employer is for the entire lay-off period on account of other absence from work free from the duty to pay the employee remuneration.

The representative of employees to be laid off shall be informed of the notice. If the lay-off concerns at least 10 employees, the employer shall also inform the employment authority unless the employer is under a similar obligation on the basis of another act.

Section 5 *Lay-off certificate*

At the employee's request, the employer shall provide a written lay-off certificate giving at least the reason for the lay-off, the date of commencement, and the duration or estimated duration of the lay-off.

Section 6 *Returning to work after lay-off*

If an employee has been laid off indefinitely, the employer shall notify the employee of resumption of work at least seven days in advance unless otherwise agreed.

Employees are entitled to terminate an employment contract made with another employer for the lay-off period, regardless of its duration, at five days' notice.

Section 7 *Termination of the employment relationship of a laid-off employee*

During a lay-off, employees are entitled to terminate their employment contract without notice regardless of its duration. If the date when the lay-off ends is known by the employee, this right shall not apply for seven days preceding the end of the lay-off period.

If the employer terminates a laid-off employee's employment contract by giving notice so that the contract ends during the lay-off, the employee is entitled to pay for the period of notice. The employer may deduct a pay sum due for 14 days from the pay for the notice period if the employee has been laid off using a law- or contract-based lay-off notification period of more than 14 days.

Employees who terminate their employment contract after the lay-off has lasted continuously for a minimum of 200 days are entitled to their pay for the notice period as compensation, as provided in paragraph 2.

Chapter 6 **General provisions on the termination of an employment contract**

Section 1 *Fixed-term contracts*

Fixed-term employment contracts are terminated without giving notice at the end of the fixed period or on completion of the agreed work.

If the date of the termination of the employment contract is known only by the employer, the employer shall inform the employee of the termination of the employment contract without delay as soon as it learns the date concerned.

An employment contract concluded for longer than five years may, when five years have elapsed from the conclusion of the contract, be terminated on the same grounds and using the same procedure as an employment contract concluded for an indefinite period.

Section 1a (1030/2004) *Retirement age*

An employee's employment relationship is terminated without giving notice and without a notice period at the end of the calendar month during which the employee becomes 68 years of age unless the employer and the employee agree to continue the employment relationship.

The employer and the employee may agree on a fixed-term continuation of an employment relationship regardless of chapter 1, section 3(2).

Section 2 *General provisions concerning periods of notice*

An employment contract which has been concluded for an indefinite period or is otherwise valid for an indefinite period is terminated by giving notice to the other contracting party.

The agreed notice period may not exceed six months. If a longer period has been agreed on, a six-month notice period shall be observed instead. The agreed employer's notice period may be longer than that of the employee. If the agreed notice period to be observed by the employer is shorter than that of the employee, the latter is entitled to observe the notice period agreed for the employer.

If an employment contract may be terminated without notice, the employment relationship shall end at the close of the working day or working shift during which the notice has been given to the other contracting party.

Section 3 *General notice periods*

Unless otherwise agreed, the notice periods to be observed by the employer are the following if the employment relationship has continued uninterruptedly:

- 1) 14 days, if the employment relationship has continued for up to one year;
- 2) one month, if the employment relationship has continued for more than one year but no more than four years;
- 3) two months, if the employment relationship has continued for more than four years but no more than eight years;
- 4) four months, if the employment relationship has continued for more than eight years but no more than 12 years;
- 5) six months, if the employment relationship has continued for more than 12 years.

Unless otherwise agreed, the notice periods to be observed by the employee are the following if the employment relationship has continued uninterruptedly:

- 1) 14 days, if the employment relationship has continued for no more than five years;
- 2) one month, if the employment relationship has continued for more than five years.

Section 4 *Non-observance of the notice period*

An employer which terminates an employment contract without observing the notice period shall pay the employee full pay for a period equivalent to the notice period as compensation.

Employees who have not observed the notice period are required to pay the employer an amount equivalent to their pay for the notice period as a lump-sum compensation.

If the notice period has been observed in part only, the liability is limited to what is equivalent to the pay due for the non-observed part of the notice period.

Section 5 *Tacit extension of the contractual relationship*

If the employer allows the employee to continue to work after expiry of the contract or notice period, the contractual relationship shall be deemed to have been extended indefinitely.

Section 6 *Re-employment of an employee*

If an employee is given notice on the basis of chapter 7, sections 3 or 7, and the employer needs new employees within nine months of termination of the employment relationship for the same or similar work that the employee given notice had been doing, the employer shall offer work to this former employee if the employee continues to seek work via an employment office.

In derogation from chapter 1, section 10, paragraph 2, this obligation also applies correspondingly to the assignee referred to in chapter 1, section 10, where the assignor has given notice to terminate an employee's employment contract before the assignment.

Section 7
Certificate of employment

On termination of the employment relationship, the employee is entitled to receive, on request, a written certificate of the duration of the employment relationship and the nature of the work duties. At the specific request of the employee, the certificate shall include the reason for the termination of the employment relationship and an assessment of the employee's working skills and behaviour. The certificate shall not provide any information other than that obtainable from normal perusal.

The employer is required to provide the employee with a certificate of employment on request within 10 years of termination of the employment relationship. A certificate on the employee's working skills and behaviour shall, however, be requested within five years of termination of employment relationship.

If more than 10 years have elapsed from termination of the employment relationship, a certificate of the duration of the employment relationship and the nature of the work duties shall be given only if it does not cause the employer undue inconvenience. Subject to the same conditions, the employer shall issue a new certificate on request if the original has been lost or destroyed.

Chapter 7

Grounds for termination of the employment contract by means of notice

Section 1

General provision on the grounds for termination of an employment contract

The employer shall not terminate an indefinitely valid employment contract without proper and weighty reason.

Section 2

Termination grounds related to the employee's person

Serious breach or neglect of obligations arising from the employment contract or the law and having essential impact on the employment relationship as well as such essential changes in the conditions necessary for working related to the employee's person as render the employee no more able to cope with his or her work duties can be considered a proper and weighty reason for termination arising from the employee or related to the employee's person. The employer's and the employee's overall circumstances must be taken into account when assessing the proper and weighty nature of the reason.

At least the following cannot be regarded as proper and weighty reasons:

- 1) illness, disability or accident affecting the employee, unless working capacity is substantially reduced thereby for such a long term as to render it unreasonable to require that the employer continue the contractual relationship;
- 2) participation of the employee in industrial action arranged by an employee organization or in accordance with the Collective Agreements Act;
- 3) the employee's political, religious or other opinions or participation in social activity or associations;
- 4) resort to means of legal protection available to employees.

Employees who have neglected their duties arising from the employment relationship or committed a breach thereof shall not be given notice, however, before they have been warned and given a chance to amend their conduct.

Having heard the employee in the manner referred to in chapter 9, section 2, the employer shall, before giving notice, find out whether it is possible to avoid giving notice by placing the employee in other work.

What is provided in paragraphs 3 and 4 need not be observed if the reason for giving notice is such a grave breach related to the employment relationship as to render it unreasonable to require that the employer continue the contractual relationship.

Section 3

Financial and production-related grounds for termination

The employer may terminate the employment contract if the work to be offered has diminished substantially and permanently for financial or production-related reasons or for reasons arising from reorganization of the employer's operations. The employment contract shall not be terminated, however, if the employee can be placed in or trained for other duties as provided in section 4.

At least the following shall not constitute grounds for termination:

- 1) either before termination or thereafter the employer has employed a new employee for similar duties even though the employer's operating conditions have not changed during the equivalent period; or
- 2) no actual reduction of work has taken place as a result of work reorganization.

Section 4

Obligation to offer work and provide training

Employees shall primarily be offered work that is equivalent to that defined in their employment contract. If no such work is available, they shall be offered other work equivalent to their training, professional skill or experience.

The employer shall provide employees with training required by new work duties that can be deemed feasible and reasonable from the point of view of both contracting parties.

If an employer which in fact exercises control in personnel matters in another enterprise or corporate body on the basis of ownership, agreement or some other arrangement cannot offer an employee work as referred to in paragraph 1, it must find out if it is possible to meet the employer's obligation to provide work and training by offering the employee work in other enterprises or corporate bodies under its control.

Section 5

Termination on assignment of the enterprise

The assignee may not terminate an employee's employment contract merely because of assignment of the enterprise as referred to in chapter 1, section 10.

When an employer assigns its enterprise in the manner prescribed in chapter 1, section 10, employees shall be entitled to terminate their employment contracts as from the date of assignment regardless of the period of notice otherwise applied to the employment

relationship or of its duration, if they have been informed of the assignment by the employer or the new proprietor of the enterprise no less than one month before the date of assignment. If employees have been informed of the assignment later than that, they are entitled to terminate their employment contract as from the date of assignment or from a date following it, though no later than within one month of having been informed of the assignment.

Section 6 *Assignee's responsibility*

If an employment contract is terminated because an employee's working terms are weakened substantially as a result of assignment of the enterprise, the employer is deemed to be responsible for termination of the employment relationship.

Section 7 *Termination in connection with a reorganization procedure*

If the employer is subject to a procedure referred to in the Act on Reorganization of Companies (47/1993), the employer shall be entitled, unless otherwise provided in section 4, to terminate the employment contract regardless of its duration at a notice of two months, if

- 1) the termination derives from an arrangement or measure to be carried out during the reorganization procedure which is necessary to avoid bankruptcy and which causes the work to cease or decrease in the manner referred to in section 3 or
- 2) the termination derives from a procedure in accordance with a confirmed reorganization plan that causes the work to cease or decrease in the manner referred to in section 3, or if the termination derives from an arrangement in accordance with the plan, which is attributed to financial grounds established in the confirmed reorganization plan, and calls for a reduction in personnel resources.

The employee shall observe a notice period of 14 days in connection with reorganization procedures, unless otherwise provided in chapter 5, section 7, paragraph 1.

Section 8 *Bankruptcy or death of the employer*

If the employer is declared bankrupt, the employment contract may be terminated by either party regardless of its duration. The period of notice is 14 days. The pay due for the period of bankruptcy shall be paid from the bankrupt's estate.

On the death of the employer, both the parties to the death estate and the employee are entitled to terminate the employment contract regardless of its duration. The period of notice is 14 days. The termination right shall be exercised within three months of the death of the employer.

Section 9 *Termination in the case of an employee who is pregnant or on family leave*

The employer shall not terminate an employment contract on the basis of the employee's pregnancy or because the employee is exercising his or her right to the family leave laid down in chapter 4. On request, the employee must present the employer with proof of pregnancy.

If the employer terminates the employment contract of a pregnant employee or an employee on family leave, the termination shall be deemed to have taken place on the basis of the employee's pregnancy or family leave unless the employer can prove there was some other reason.

The employer shall be entitled to terminate the employment contract of an employee on maternity, special maternity, paternity, parental or child care leave on the grounds laid down in section 3 only if its operations cease completely.

Section 10

Protection against termination in the case of shop stewards and elected representatives

The employer shall be entitled to terminate the employment contract of a shop steward elected on the basis of a collective agreement or of an elected representative referred to in chapter 13, section 3, on the basis of grounds referred to in section 2 of this chapter only if a majority of the employees whom the shop steward or the elected representative represents agree.

The employer shall be entitled to terminate the employment contract of a shop steward or an elected representative on grounds laid down in sections 3 or 7 or section 8, paragraph 1, only if the work of the shop steward or the elected representative ceases completely and the employer is unable to arrange work that corresponds to the person's professional skill or is otherwise suitable, or to train the person for some other work in the manner referred to in section 4.

Section 11

Changing the employment relationship into a part-time relationship

The employer is entitled to change the employment relationship unilaterally into a part-time relationship on the termination grounds referred to in section 3, and observing the period of notice.

Section 12 (456/2005)

An employee's right to employment leave

Unless an employer and employee have agreed otherwise after the employer has terminated a contract on grounds referred to in chapter 7, sections 3 and 4 or section 7, the employee has the right to leave with full pay in order to, during his/her period of notice, participate in the drawing up of an employment programme referred to in the Act on the Public Employment Service (1295/2002), in labour market training, practical training and on-the-job learning pursuant to it, or, at his/her own initiative or at the initiative of the authorities, in job-seeking and in a job interview, or in re-assignment coaching.

The duration of employment leave is determined in accordance with the duration of the period of notice as follows:

- 1) a maximum of five working days in total, if the period of notice does not exceed one month;
- 2) a maximum of 10 working days in total, if the period of notice is longer than one month but does not exceed four months;
- 3) a maximum of 20 working days in total, if the period of notice is more than four months.

Before taking employment leave or part thereof, the employee shall inform the employer regarding the leave and the grounds therefor as early as possible, and shall, upon request, present a reliable account on the grounds for each leave.

Taking employment leave shall not substantially inconvenience the employer.

Chapter 8 **Cancellation of the employment contract**

Section 1 *Grounds for cancellation*

The employer is only upon an extremely weighty cause entitled to cancel an employment contract with an immediate effect regardless of the applicable period of notice or the duration of the employment contract. Such a cause may be deemed to exist in case the employee commits a breach against or neglects duties based on the employment contract or the law and having an essential impact on the employment relationship in such a serious manner as to render it unreasonable to expect that the employer should continue the contractual relationship even for the period of notice.

Correspondingly, the employee shall be entitled to terminate the employment contract with immediate effect if the employer commits a breach against or neglects its duties based on the employment contract or the law and having essential impact on the employment relationship in such a serious manner as to render it unreasonable to expect that the employee should continue the contractual relationship even for the period of notice.

Section 2 *Lapse of cancellation right*

The right to cancellation lapses if the employment contract is not cancelled within 14 days of the date on which the contracting party is informed of the existence of the cancellation grounds referred to in section 1.

If cancellation is prevented for a valid reason, it may take place within 14 days of the date on which the impediment ceases to exist.

Section 3 *Deeming the employment contract cancelled*

If the employee has been absent from work for a minimum of seven days without notifying the employer of a valid reason for the absence for this period, the employer is entitled to consider the employment contract cancelled from the date on which the absence began.

If the employer is absent from the workplace for a minimum of seven days without notifying the employee of a valid reason for this absence, the employee shall be entitled to consider the employment contract cancelled.

If it has been impossible to notify the other contracting party because of an acceptable impediment, the cancellation of the employment contract shall be null and void.

Chapter 9 Procedure for terminating an employment contract

Section 1 *Appealing to the grounds for termination*

The employer must effect termination of the employment contract within a reasonable period after being informed of the existence of the grounds related to the person of the employee referred on in chapter 7, section 2.

Section 2 *Hearing the employee and the employer*

Before the employer terminates an employment contract on the grounds referred to in chapter 7, section 2, or cancels it for a reason referred to in chapter 1, section 4, or chapter 8, section 1, the employer shall provide the employee with an opportunity to be heard concerning the grounds for termination. The employee is entitled to resort to an assistant when being heard.

Before the employee cancels an employment contract on the grounds referred to in chapter 8, section 1, the employee must provide the employer with an opportunity to be heard concerning the grounds for cancellation.

Section 3 *Employer's duty to explain*

Before the employer terminates an employment contract on the grounds referred to in chapter 7, section 3 or 7, the employer must as early as possible explain to the employee to be given notice the grounds for and alternatives to termination, and the employment services available from the employment office. If the employment contract is terminated on the basis of chapter 7, section 8, the bankrupt's or deceased's estate must present an explanation of the grounds for termination to the employees as soon as possible. That which is enacted in the Act on the Public Employment Service applies to the task of employment authorities to chart the necessary employment services in cooperation with the employer and representatives of the employees. (456/2005)

If the termination concerns more than one employee, the explanation may be given to a representative of the employees or, if no such representative has been elected, to the employees jointly.

If the employer is, under law, agreement or other binding provision, required to negotiate on the grounds for termination with the employees or their representatives, the employer is not required to provide the explanation referred to in paragraphs 1 and 2.

Section 3 a (456/2005) *An employer's notification to the employment office*

An employer who, on financial or production-related grounds referred to in chapter 7, section 3, 4, 7 or 8, terminates the employment contract of an employee who, before the period of notice ends, would accrue an employment history of a total of at least three years of employment with the same employer or with different employers, is obliged to notify the employment office regarding the termination without delay. The same obligation applies to an employer for whom, at the termination of employment, an employee has been in fixed-term

employment for at least three consecutive years or in periods of fixed-term employment for at least 36 months during the preceding 42 months.

An employer shall, with the consent of the employee, attach to the notification referred to in subsection 1 information available to him/her on the education, work tasks and work experience of the employee.

Section 3 b (456/2005)

An employer's obligation to provide information on the employment programme and on the employment programme supplement

In cases referred to in section 3 a, the employer is obliged to inform the employee on his/her right to the employment programme referred to in the Act on the Public Employment Service and right to the employment programme supplement referred to in the Unemployment Security Act (1290/2002).

Section 4

Delivery of notice on the termination of an employment contract

A notice on termination of an employment contract shall be delivered to the employer or its representative, or to the employee, in person. If this is not possible, the notice may be delivered by letter or electronically. The notice is then deemed to have been received by the recipient at the latest on the seventh day after the notice was sent.

If the employee is on annual vacation in accordance with law or contract or on a holiday of at least two weeks given in order to balance out working hours, termination of the employment relationship based on a notice delivered by letter or electronically shall not be regarded as delivered until the date following the end of the vacation or holiday at the earliest.

If a notice terminating the employment contract is delivered by letter or electronically, it shall be deemed that the grounds referred to in chapter 1, section 4, and the grounds for termination of an employment contract referred to in chapter 8, section 1, have been referred to within the agreed or required time if the notice has been handed in for delivery by mail or sent electronically within that period.

Section 5

Notifying the employee of the grounds for termination

At the employee's request, the employer shall notify the employee without delay in writing of the date of termination of the employment contract and of the grounds for termination or cancellation known by the employer to have caused the termination.

Chapter 10

Invalidity of employment contract and unreasonable terms

Section 1

Invalidity under the Legal Transactions Act

If the employment contract does not bind the employee on the basis of invalidity grounds laid down in chapter 3 of the Legal Transactions Act, the employee is entitled, instead of resorting to the invalidity of the contract, to terminate the employment contract immediately, unless the invalidity grounds have lost their significance.

Section 2
Unreasonable terms

If application of a term or condition in the employment contract is contrary to good practice or otherwise unreasonable, the term or condition may be adjusted or ignored.

Section 3
Impact of null and void terms

If a term or condition in the employment contract is null and void on account of being in conflict with a provision protecting the employee, the employment contract shall be applied in other respects.

Section 4
Invalidity based on legal incompetence

The employer shall not appeal to invalidity of contract because of an employee's legal incompetence as long as the legally incompetent person meets his/her contractual obligations.

Chapter 11
Employment contracts of an international nature

Section 1
Law applicable to employment contracts

The law applicable to an employment contract with connections with more than one state shall be defined in accordance with the Convention On the Law Applicable to Contractual Obligations, signed in Rome on June 19, 1980. (*Treaty 80/934 of June 19, 1980 on the Law Applicable to Contractual Obligations*)

Section 2
Posted employees

Provisions on the minimum terms and working conditions of employees posted to Finland are laid down in the Act on posted employees (1146/1999).

Chapter 12
Liability for damages

Section 1
General liability

If the employer intentionally or through negligence commits a breach against obligations arising from the employment relationship or this Act, it shall be liable for the loss thus caused to the employee.

In derogation from the provisions of paragraph 1 above, liability for termination of the employment contract contrary to the grounds laid down in chapter 1, section 4, or in chapters 7 or 8 is determined under section 2.

If the employee intentionally or through negligence commits a breach against, or neglects obligations arising from, the employment contract or this Act or at work causes a loss to the employer, the employee shall be liable to the employer for the loss thus caused in accordance with the grounds laid down in chapter 4, section 1, of the Compensation for Damages Act (412/1974).

The compensation for neglecting to observe the period of notice is determined under chapter 6, section 4. Chapter 5, section 7, paragraph 3 lays down provisions on the entitlement of an employee who has been laid off for a minimum of 200 days, and who terminates the employment relationship, to receive compensation equivalent to pay or part of it for the period of notice.

Section 2

Compensation for groundless termination of an employment contract

If the employer has terminated an employment contract contrary to the grounds laid down in this Act, it must be ordered to pay compensation for unjustified termination of the employment contract. If the employee has cancelled the employment contract on the grounds laid down in chapter 8, section 1, arising from the employer's intentional or negligent actions, the employer must be ordered to pay compensation for unjustified termination of the employment contract. The exclusive compensation must be equivalent to the pay due for a minimum of three months or a maximum of 24 months. Nevertheless, the maximum amount due to be paid to shop stewards elected on the basis of a collective agreement or to elected representatives referred to below in chapter 13, section 3, is equivalent to the pay due for 30 months.

Depending on the reason for terminating the employment relationship, the following factors must be taken into account in determining the amount of compensation: estimated time without employment and estimated loss of earnings, the remaining period of a fixed-term employment contract, the duration of the employment relationship, the employee's age and chances of finding employment corresponding to his or her vocation or education and training, the employer's procedure in terminating the contract, any motive for termination originating in the employee, the general circumstances of the employee and the employer, and other comparable matters.

If the employer has terminated the employment contract contrary to the grounds laid down in chapter 7, sections 3 or 7, or cancelled it contrary to the grounds laid down in chapter 1, section 4, or solely contrary to the grounds laid down in chapter 8, section 1, the provision in paragraph 1 on minimum compensation shall not apply.

Section 3

Impact of daily unemployment allowance on payment of indemnities and compensation

Where a compensation ordered under section 2 above is compensation for loss of emoluments due to unemployment before a ruling is pronounced or delivered, the following deductions shall be made:

- 1) 75 per cent of the daily earnings-related unemployment allowance as referred to in the Act on Income Security for the Unemployed (602/1984) paid to the employee for the period in question;
- 2) 80 per cent of the basic unemployment allowance referred to in the Act on Income Security for the Unemployed paid to the employee for the period; and

- 3) the labour market subsidy paid to the employee for the period under the Act on Labour Market Subsidy (1542/1993).

A court may, if warranted by the amount of the compensation, the employee's financial and social circumstances and the insult suffered by him, reduce the amount deductible from the compensation referred to in paragraph 1 or waive the deduction in toto.

When processing a matter referred to in paragraph 1, subparagraph 1, above, a court shall provide the Unemployment Insurance Fund and the unemployment fund with an opportunity to be heard. The court must order the employer to pay the sum deducted from the compensation to the Unemployment Insurance Fund, and inform it of the legally valid ruling or decision in the matter. What is herein laid down pertaining to the Unemployment Insurance Fund shall correspondingly apply to the Social Insurance Institution when a matter referred to in paragraph 1, subparagraph 2 or 3, is processed.

When an agreement is made on the amount of the employer's liability, it must separately mention the total compensation agreed under section 2 and the compensation included therein paid to the employee for loss of emoluments due to unemployment before the agreement is made. The deductions prescribed in paragraphs 1 and 2 shall be made from the compensation. The employer is responsible for paying the sum deducted from the compensation to the Unemployment Insurance Fund or the Social Insurance Institution and for sending a copy of the agreement to the Unemployment Insurance Fund or the Social Insurance Institution.

What is laid down above on compensation ordered under section 2 also applies to compensation ordered under section 1, paragraph 1, for groundless lay-off.

Chapter 13 Miscellaneous provisions

Section 1 *Freedom of association*

Employers and employees have the right to belong to associations and to be active in them. They also have the right to establish lawful associations. Employers and employees are likewise free not to belong to any of the associations referred to above. Prevention or restriction of this right or freedom is prohibited.

Any agreement contrary to the freedom of association is null and void.

Section 2 *Right of assembly*

The employer must allow employees and their organizations to use suitable facilities under the employer's control free of charge during breaks and outside working hours in order to deal with employment issues and matters forming part of the function of trade unions. Exercise of this right of assembly must not have a harmful impact on the employer's operations.

Section 3 *Elected representative*

Employees who do not have a shop steward referred to in a collective agreement applicable to the employer under the Collective Agreements Act may elect a representative from among

themselves. The duties and scope of competence of such an elected representative are determined in the manner laid down separately in this Act and elsewhere in the labour legislation. The employees may further take majority decisions to authorize the elected representative to represent them in matters of employment relationships and working conditions specified in the authorization.

Elected representatives are entitled to any information that they need to carry out the duties referred to in law and to sufficient release from work obligations. The employer must compensate for any loss of earnings caused thereby. Release from work obligations in order for the elected representative to carry out other duties and compensation for any loss of earnings must be agreed on with the employer.

Chapter 7, section 10, lays down provisions concerning protection of elected representatives from termination.

Section 4

Elected representatives and assignment of the enterprise

Elected representatives retain the status laid down in section 3 if the enterprise or part thereof keeps its independence following assignment. If an elected representative's term comes to an end as a result of assignment of the enterprise, the representative has the protection against termination laid down in chapter 7, section 10, for six months from the end of his/her term.

Section 5

Accommodation benefit

The employee is entitled to use a dwelling provided as emolument for a period during which work has been interrupted for an acceptable reason and on termination of the employment relationship during the period laid down as the lessor's period of notice in section 92 of the Act on Residential Leases (481/1995). If the employment relationship is terminated on account of the employee's death, the members of the employee's family living in the dwelling are entitled to use the dwelling after the employee's death for the same period as the employee would have been entitled to do, though not for more than three months.

After termination of the employment relationship, the employer may not charge more per square metre for use of a dwelling than has been confirmed as the reasonable maximum housing cost per square metre in the locality in question under the Housing Allowance Act (408/1975). The employee or his/her family must be notified of such a charge. This remuneration may be charged as from the beginning of the month immediately following a period of 14 days after the notification.

Correspondingly, the employer is entitled to charge a remuneration for use of a dwelling if the employer's pay obligation is suspended while the employment relationship continues. Remuneration must not be charged before the beginning of the second full calendar month after cessation of the pay obligation. The employee must be notified of this remuneration at least one month before the obligation to pay such remuneration begins.

If an urgent reason exists, the employer may place another suitable dwelling at the disposal of the employee or the family of a deceased employee for the period of suspension of work referred to in paragraph 1 and for a period following termination of the employment relationship. Any consequent removal costs must be paid by the employer.

Section 6
Mandatory nature of the provisions

Any agreement reducing the rights of and benefits due to employees under this Act shall be null and void unless otherwise provided in this Act.

Section 7
Derogation under a collective agreement

In derogation from what is laid down in section 6, national employer and employee associations are entitled to agree on what is laid down in chapter 1, section 5 (benefits depending on the duration of employment relationship); chapter 2, section 5 (the employer's primary obligation to offer work to a part-time employee), section 11 (pay during illness) and section 13 (payday and pay period); chapter 5, section 3 (advance explanation and hearing the employee), section 4 (lay-off notice) and section 7, paragraph 2 (the employer's right to deduct the pay due for the lay-off notice period from the pay due for the period of notice in the case of termination); chapter 6, section 6 (re-employment of an employee) and chapter 9 (procedure for termination of employment contract). Collective agreements concluded between said associations may also be used to agree on the grounds of lay-offs referred to in chapter 5, section 2, paragraph 1, subparagraph 2, and paragraph 2, but not to extend the maximum duration of the lay-off referred to in paragraph 1, subparagraph 2, or to restrict the area covered by the obligation to offer work as laid down in chapter 7, section 4.

The employer may also apply the provisions laid down in collective agreements and referred to in paragraph 1 above to the employment relationships of employees who are not bound by collective agreement but in whose employment relationships the employer is required to observe the provisions of a collective agreement in accordance with the Collective Agreements Act. If so agreed in the employment contract, said provisions of the collective agreement may be observed after expiry of the collective agreement until a new collective agreement enters into force in employment relationships to which these provisions would apply if the collective agreement continued to be in force.

What is provided in this section on national associations of employers applies correspondingly to the State negotiating authority and other State contract authorities, the Local Government Agreements Committee, the Agreements Committee of the Evangelical Lutheran Church, the Orthodox Church of Finland, the Provincial Government of Åland and the municipal delegation for collective agreements of the Province of Åland.

Section 8
Provisions in a generally applicable collective agreement in derogation from the Act

Employers who are required to observe a generally applicable collective agreement as referred to in chapter 2, section 7, may observe the provisions referred to in section 7 of this chapter within the scope of application of this collective agreement if such application does not call for a local agreement. What is provided in section 7, paragraph 2, sentence 2, then applies.

Section 9 (743/2003)
Limitation and period for court proceedings

Employees' pay claims become statute-barred five years after the due date, unless the period of limitation has been interrupted before that time. The same period of limitation also applies to other claims referred to in this Act.

However, the period of limitation concerning bodily injury caused to an employee is ten years.

After the termination of employment, a claim as referred to in subsection 1 will expire unless suit is filed within two years of the date on which the employment ended. If the provisions of the collective agreement on which the employee's claims are based are manifestly ambiguous, however, the claim will become statute-barred as laid down in subsection 1.

Section 9, implementing provision:

This Act shall enter into force on January 1, 2004.

This Act also applies to claims whose legal basis emerged before it enters into force.

However, a claim will become statute-barred not sooner than three years after this Act enters into force unless said claim would also be statute-barred earlier under earlier provisions.

Section 10
Availability

The employer shall make this Act and the collective agreement referred to in chapter 2, section 7, freely available to employees at the place of work.

Section 11
Penalties

The penalty for violation of the non-discrimination provision laid down in chapter 2, section 2, is laid down in chapter 47, section 3, of the Penal Code (39/1889); the penalty for violation of the freedom of association provision stipulated in chapter 13, paragraph 1, is laid down in chapter 47, section 5, of the Penal Code; and the penalty for violation of the rights of shop stewards referred to in chapter 7, section 10, or of elected representatives referred to in chapter 13, section 3, is laid down in chapter 47, section 4, of the Penal Code.

If an employer or its representative intentionally or through negligence commits a breach of chapter 2, section 17 (restriction of the employer's right of set-off); chapter 6, section 7 (certificate of employment); chapter 13, section 2 (freedom of assembly) or 10 (availability), or who despite the request in violation of chapter 2, section 16, subsection 2, neglects to submit the payslip to the employee, a fine shall be imposed on the employer for *violation of the Employment Contracts Act*. The liability of the employer and its representative, respectively, is determined on the basis of the grounds laid down in chapter 47, section 7, of the Penal Code. (304/2004)

Section 12
Supervision

The occupational safety and health authorities shall supervise the observance of this Act. In their supervisory functions, and in particular when supervising the observance of generally

applicable collective agreements, these authorities must act in close cooperation with the employer and employee associations whose generally applicable collective agreements the employers are required to observe under chapter 2, section 7.

On request, the occupational safety and health authorities are entitled to be provided by the employer with copies of documents which they need for the supervision and a detailed report on agreements concluded orally.

Chapter 14 **Entry into force and transitional provisions**

Section 1 *Entry into force*

This Act shall come into force on June 1, 2001.

Section 2 *Provisions repealed*

This Act repeals the Employment Contracts Act issued on April 30, 1970 (320/1970) and later amendments thereto.

If another act or decree refers to the Employment Contracts Act valid at the time when this act comes into force, this Act must be applied instead.

Section 3 *Transitional provision*

In employment relationships in which the employer must observe or is allowed to observe a collective agreement concluded on the basis of section 17, paragraphs 1 and 2, of the Employment Contracts Act valid before this Act comes into force, the employer may apply its provisions derogating from this Act up to expiry of the collective agreement, unless the collective agreement is amended before that.

Section 17, paragraphs 1 and 2, of the Employment Contracts Act valid before this Act comes into force must be applied until the general applicability of the collective agreement has been confirmed in the manner referred to in the Act on Confirmation of the General Applicability of Collective Agreements, and the decision has become legally valid.

The employer's obligation as laid down in chapter 13, section 10 to make the generally applicable collective agreement referred to in chapter 2, section 7, available to employees begins from the date on which the decision on the confirmation of general applicability is delivered to the Statute Book maintained by the Ministry of Justice referred to in section 6 of the Act on collections of regulations issued by ministries and other State authorities (189/2000) and the generally applicable collective agreement has been published in the manner laid down in section 14 of the Act on Confirmation of the General Applicability of Collective Agreements.