



DEMOCRACY AND HUMAN RIGHTS

# A POLITICAL BATTLEGROUND

Finland's Radical Restructuring of the  
Labour Market and Welfare State

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The Finnish centre-right to extreme-right wing government has decided to radically reform the Finnish labour market and welfare system despite opposition from within as well as from outside of Finland.



The reforms that are being pushed through will alter the fundamental structures of the Finnish system in a way that might prove irreversible.



This development challenges the progressive parties and trade union movement to build new visions and alternatives that could protect the Nordic welfare state and rebuild social dialogue in the future.



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## BACKGROUND – THE 2023 ELECTIONS

The Finnish parliamentary elections in April 2023 finished with a tight result, seeing the top three parties within one percentage point of one other. This wasn't unusually tight: Four years ago, the final result was very similar, but the order of the parties very different. In 2023, the conservative National Coalition Party (NCP) became the strongest party, followed by the radical right wing Finns Party (PS) and the Social Democratic Party (SDP). In 2019, the Social Democratic Party won the election, followed by the radical right and the conservatives.

The 2023 election campaign was long and divisive. Many have argued that in this election Finnish politics, traditionally favouring broad, pragmatic coalitions, moved in the direction of bloc politics along the lines of left and right found other Nordic countries, especially because the Social Democratic Prime Minister Sanna Marin made clear before the elections that the Social Democrats would not participate in any government with the Finns Party due to their anti-democratic stances. The polarisation of the campaign into two political camps meant that the options for forming a government coalition were fairly limited and known before the elections. If the conservatives or the Finns Party were to win, they would form a government together. If the Social Democrats had won, they could have looked into continuing the previous government coalition or else tried to negotiate a coalition with the conservatives.

The polarised nature of the campaign and the main topics of the debate concentrated attention around the top three parties to their benefit, with all three of them increasing their share of the vote and parliamentary seats. The biggest losers of the election were the Centre and Greens, who had been junior partners in the previous government.

The National Coalition Party and the Finns Party had deepened ties with one another while in opposition and the conservative party leader Petteri Orpo walked back on his previous statements of NCP not being able to work with a party with such clear ties to racist and nationalist policies and actors. It appeared clear from very early on after the elections that the conservatives preferred the Finns Party to other alternatives, as they could get all of their economic and labour market policy goals accepted by the Finns Party and by no one else. This was more valuable for them than the reputational damage that was expected to follow the formation of a government with an authoritarian far-right party.

## GOVERNMENT COALITION AND A ROUGH START

The government was formed by four parties, the National Coalition Party (EPP), the Finns Party (ECR), the Swedish People's Party (Renew) and the Christian Democrats (EPP). The National Coalition Party holds the Prime Ministership and seven other ministries. The Finns Party heads the Ministry of

Finance and six other ministries. The Swedish People's Party appointed three ministers, the Christian Democrats one.

Lasting 46 days, the coalition negotiations were the longest in recent decades. The coalition agreement is extensive. At 246 pages, it is one of the longest and most detailed ones in Finnish history. The length and detail of it is telling of the atmosphere at the negotiations. The parties wanted to reach agreement on most of the policies and actions to the very last detail during the negotiations, as there was no trust that they could be agreed upon during their term.

In addition to the length and cost of the coalition negotiations, the government also broke a few other records during its initial months in power. The continuous and serious scandals the Finns Party has produced have resulted in several votes of no confidence regarding various ministers as well as the shortest ministerial tenure in the country's history by MP Vilhelm Junnila. He had dubious links to extreme right movements in Finland and had used far-right terminology and symbols in past campaigns but also in the 2023 campaign. He resigned before the no-confidence vote, having served only 11 days as Minister of Economic Affairs. The most recent of the scandals was the arrest of MP Timo Vornanen, a former police officer, for firing a gun in central Helsinki on the night of 26<sup>th</sup> April, 2024.

Despite these scandals making headlines both in Finland and internationally and the unusually large and numerous protests that followed them, the government started working on its programme after the summer break and has managed to remain surprisingly united. Many expected the Finns Party to be the weakest link in the current government, because of their track record and the fact that their achievements during their last participation in government were limited. However, this optimistic analysis ignores the fact that the Finns Party of today is not the same party that entered the government in 2015 and split under the pressure of governing in 2017. The current version of the party is united, disciplined and ideologically much more uniform than the previous iteration. The pre-split Finns Party was more populist, less extreme right, and therefore far less capable of absorbing the centre-right narratives of austerity, cuts and inequality-boosting tax breaks.

## AGEING POPULATION CHALLENGES GROWTH AND MAINTAINING THE WELFARE STATE

Finland is a fairly stable country measured by any indicator. Finland fares well in competitiveness, happiness and relative economic equality. Both its levels of public debt and economic growth are roughly the European average. There have [not been many labour market disputes](#) compared to rest of Europe and, by comparison, Finland went through the COVID pandemic well.

The war in Ukraine has obviously affected the Finnish economy and its sense of security. The best example for this

was the speed and decisiveness of the NATO membership process, based on a swift turnaround in both public opinion and political will on the issue.

Perhaps the biggest domestic challenge Finland will face in the coming years is that of an ageing population and low birth rates. Finland is [getting older](#) much faster than most of Europe and that can already be seen in very different fields. The technology sector [estimated](#) that they alone would need over 130,000 new migrant workers to replace a retiring workforce and keep up with new demand in the next 10 years.

Another aspect of the challenge is the urbanisation that has been ongoing for decades, but that now makes the demographic challenge even more visible. There are already numerous municipalities that see less than one classroom full of children born each year. And the ageing is occurring faster outside the big cities, pressuring the health and care services there where it is harder to find qualified workers. The disparities are starting to influence people's lived experiences across the country<sup>1</sup>.

If no action is taken to prevent the societal impact of ageing – and these must include both immigration and family policies – Finland will face serious problems both from economic and welfare perspectives. Upholding a Nordic welfare state is not possible without services, and these do not function without a large enough and sufficiently educated workforce.

The government programme that is introduced in the next section does little to address this challenge, except in recognising its existence. Actually, the cuts seriously harm the ability of welfare regions to provide services. Cuts to family and child benefits risk pushing tens of thousands of children into poverty. According to expert estimates, in 2024 alone there will be 17,000 more children living in poverty in Finland as a result of these policies. This will make it less desirable to have children.

The Finns Party has acknowledged that the policies they are pursuing make it more difficult to maintain welfare services. In their [response](#) to government negotiators' questions in 2019, they declared that there needs to be prioritisation of services, rather than see any increase in immigration as a solution to the problem.

The government's programme also seeks to change the long-standing system of social dialogue. Not because it does not function properly, but for ideological reasons that are made clear by the fact that by the government's own estimates these measures don't increase employment.

## THE GOVERNMENT'S HARDLINE AUSTERITY PROGRAMME AIMS AT DISMANTLING LABOUR MARKET STRUCTURES

The government's programme is titled "[A strong and committed Finland](#)". The programme looks a lot like the parties behind it. It bears the footprint of all the parties. The programme could be described as radical, because of the scale of the changes it aims to implement in Finnish society all at once. The Finnish welfare state was built over decades on cross-party consensus and the strong tripartite social dialogue that this programme aims to dismantle.

The main election campaign argument of the National Coalition Party was that Finland was supposedly at the brink of economic disaster after the irresponsible spending of the previous leftist government and mounting sovereign debt. And that overly rigid labour market regulations are hindering potential growth. This same analysis forms the basis of the government programme. The National Coalition Party was well prepared for the negotiations; it knew what it wanted and managed to get most of its objectives into the programme.

In exchange for agreeing to these objectives, the Finns Party was able to get many of its immigration policies into the programme. The Swedish People's Party advocating for the interests of the Swedish speaking minority in Finland has managed to protect Swedish-language services. For example, hospitals in the Swedish-speaking areas were excluded from the proposed list of closures. And the Christian Democrats secured funding for conservative organisations that work against the ordination of women and support LGBTQ conversion therapies, which is more a signal of a change of direction and acceptance of discriminatory policies and organisation by the state than a question of the level of funding as such.

The government claims to want to build a competitive and economically strong country. To achieve this goal, the programme emphasises austerity measures and labour market reforms. The austerity policies consist mainly of cuts, although some tax increases were agreed on as well. But even the tax increases are mostly regressive, like the increase of VAT.

The sequencing of the programme is as important as the content of it. The majority of the most far-reaching economic and labour market reforms were pushed through parliament during the first two years of the term. Most of the major cuts were identified during September 2023 budget negotiations and in [annual spending limits framework negotiations in April 2024](#), after which the government announced that it believed that these measures would suffice for the entire term.

As economic projections have been updated by the ministries and experts, the narrative of the government has somewhat changed. As the coalition was being formed,

<sup>1</sup> See for example report: "Unequal Finland Regional socio-economic disparities in Finland", <https://library.fes.de/pdf-files/bueros/stockholm/17739.pdf>

the narrative was about creating strong growth and 100,000 new jobs. As the first measures bite and general economic development looks grimmer and employment rates are falling ([76.6% in April 2024, down from 77.8% in April 2023](#)), the government has started talking less about growth and more about the necessity to avoid being subject to the EU's excessive deficit procedure (EDP).

Below, I have selected some of the measures that represent a significant shift either from the previous government's policy or longer-term Finnish tradition. This is by no means an exhaustive list of the government's policies but aims to highlight the scale of the changes the government is trying to push through in a single term.

### UNEMPLOYMENT BENEFITS AND SOCIAL SECURITY CUTS DISPROPORTIONALLY IMPACT THE MOST VULNERABLE

Unemployment benefits will see significant reductions, and these target in particular earnings-related benefits. These cuts are some of the first to be applied. Cuts include reduction of unemployment benefits after two months of unemployment, prolonged waiting periods for benefits, the requirement to work longer to qualify for benefits, etc. All of these cuts are coming into force in 2024 and in general the government aims to get all of the austerity cuts and labour market reforms adopted by the half-way mark of its term.

In addition to unemployment benefits, other aspects of social security will face significant cuts as well. There is a lack of formal assessment of impacts on individuals, however those that have been made by academics and civil society, as well as some of the ministries on some of the policies, show that the impacts are concentrated on certain individuals, especially on families with children, disabled persons and those in more vulnerable positions.

Some of the social security cuts in the government programme include large-scale cuts to housing benefits for all and especially for students, increased obstacles to eligibility for social assistance, cuts to the benefits of part-time workers, making the first day of sick leave unpaid, etc.

### SWEEPING LABOUR REFORMS UNDERMINE WORKERS' RIGHTS AND UNION POWERS

The government programme includes a wide range of measures aimed at changing labour markets. The government argues that it aims at increasing flexibility and limiting the veto powers of labour market actors on democratically elected decision-makers' ability to shape labour market policy. Yet the reforms target almost entirely trade union actors and employees. They seriously limit the unions' ability to negotiate, represent and defend the rights of employees, as well as have questionable consequences on the

internationally recognised right to strike. The limitation on the right to strike include significant restrictions on sympathetic and political strike action, introduction of a €200 fine for individual strikers when a strike is found to be illegal and a dramatic increase in union strike fines. Other labour market reforms include multiple measures weakening workers' rights, for example by making dismissals easier, making it easier to hire people on temporary contracts, shortening notification and bargaining periods for temporary layoffs and making it easier to set aside collective bargaining agreements and entering agreements on a workplace-by-workplace basis instead.

### DRASTIC CUTS TO SOCIAL AND HEALTH SERVICES AMID RISING DEMAND

Social and health services are facing some of the largest cuts, currently over 1 billion euros. This is going to hit the services a lot harder than the simple euro figure would suggest, as Finland is ageing fast and the demand for health care is expected to rise heavily over the coming years. Therefore, the proposed cuts will actually limit the availability of services even more. Most of the final decisions on what will be cut will be made in the welfare regions, but the government has also decided to relax both the time limits by which people need to be able to get treatment and staff requirements in long-term care. Both of these issues had just been part of new legislation introduced by the Social-Democrat-led Marin government in the last four years. They had been seen as imperfect, but as an adequate response to long standing problems regarding a lack of personnel and poor working conditions in health and social care professions.

The government is investing more money in private health care providers, making it easier and cheaper for those with the necessary personal resources to get treatment faster.

### CONCERNING SETBACKS ON COMBATING HATE CRIMES AND JUDICIAL INDEPENDENCE

Sometimes politics is not only about what is done, but what is not done, and what processes are cancelled. The Finns Party's input into the government programme can be seen especially from what is missing from the programme and in the slowing down of processes that were already in place. Recently, the Minister of Justice, Ms. Leena Meri from the Finns Party, intervened in two trials in a way that causes concern for many. She dismantled a high-level working group working on racist and hate crimes and made an intervention to change the assignment of another high-level working group on the independence of the judicial system. The working group can no longer propose legislation but will merely produce a memo on the issue. This will mean that there will be no new legislation on this issue during this government term.

## RESTRICTIVE IMMIGRATION REFORMS TO HINDER LABOUR MIGRATION AND REFUGEE RESETTLEMENT

Immigration policy is obviously on the list of significant changes for a government including the authoritarian-populist right. The proposed changes are mostly yet to come to parliament, but if they do, they will make both humanitarian and economic migration to Finland much more difficult. Considering the significant need for migrant workers that Finland faces, this will result in difficulties for both the public and private sectors. Some of the proposed changes include tightening the requirements to get citizenship by increasing the required time to have lived in Finland by three years and tightening the language requirements and the requirements for permanent residency permits. The government is also decreasing the annual refugee quota from 1,050 to 500 and has adopted a position that the EU must aim to implement the so-called Rwanda model in the common immigration policy.

## DIMINISHED CLIMATE AMBITION: DEEP CUTS TO ENVIRONMENTAL FUNDING

The level of ambition in climate and environmental policies is low and represents a significant departure from the previous government, which had aimed to make Finland one of the most ambitious countries with respect to stopping climate change and transitioning to a carbon-neutral economy. One of the biggest targets of budget cuts is the Ministry of the Environment, which saw its funding shrink from this year's 357 million euros to 241 million euros in 2024. In particular, the government plans to reduce funding for environmental and nature conservation programmes by more than a third — to around 66 million euros.

## UNPRECEDENTED BACKLASH AS UNIONS AND CIVIL SOCIETY PROTEST GOVERNMENT REFORMS

The reaction to the unusual government programme has been unusually strong. The trade union movement as well as large parts of civil society have staged protests and strikes both as a reaction to the scandals and to the policies. Protests have taken many forms: marches and walkouts, as well as strikes. Due to the multitude of different forms the protests took, it is hard to get an overall figure of the number of people that participated in them, but it is estimated to have been over 180,000 individuals, of which most participated on many occasions. According to the employers, strikes that started in December and ended in early April have cost the Finnish economy over 1 billion euros.

The strength of the reaction of the trade union movement shows the seriousness of the actions the government is taking. Not only are the limitations of the right to strike going to take workers' rights back decades, also the sequence of them – first limiting the right to strike and then stripping

down other rights and benefits – is intentional. Therefore, the trade union movement has used the right to strike as long as it exists, in a coordinated effort to force the government to negotiate on its policy.

But the National Coalition Party has learnt from the previous attempt to push through similar reforms by the previous Sipilä's government (2015-2019) and has refused to back down or even open any significant discussions on the reforms. It seems that the National Coalition Party has decided to push through its long-term goals in one go, regardless of expert opinions, legal advice, or the damage it does to the atmosphere and trust in the society and labour markets.

Not even international pressure has helped to slow the government down. [ILO urged](#) the government to negotiate with the social partners in the spirit of the international commitments of Finland, to no avail.

It is also likely that future governments will find it difficult to overturn a lot of the reforms being implemented now. The cuts could obviously be cancelled and many of the services returned, but the fundamental changes to the way the labour markets work are more difficult to cancel. And it might be difficult to find a majority to agree on the need to do so, based on current polling of the parties.

This leaves the Social Democrats with a challenge. It is true that due to well-developed social dialogue, a lot of labour market policies were depoliticised in the past. The SDP and the Left Party have more often than not been satisfied with safeguarding the pre-existing system and referred to social partners in any need to tinker with details. Now there is a need to rethink these positions and create a vision of work, labour markets and workers' rights for the next decades. There is a need for a plan on how to build back first the trust, and then the rights. When these reforms happen at the same time as dismantling the social welfare state, the challenge for the progressive parties that built these systems is enormous.

## 63 PERCENT OF FINNS SUPPORTED THE STRIKES

The trade union movement has shown itself united and capable of mobilising, which bodes well for the future. Even the (often) National Coalition Party-led white collar unions participated in many of the protests and strikes. Public [opinion](#) has been on the side of the unions. In December 2013, 63 percent of Finns supported the strikes, and even in March, by which point the various strike actions and walkouts had been going on for months, 52 percent were still in favour of them.

Since the limits to the right to strike came into force mid-May, the trade union movement needs to come up with new strategies to try to lessen the impact and to reorganise their own work so that their strength is not diminished by the policies.

For many Finns it might seem odd, but it might be that in the coming years any improvement to workers' rights might come via the European Union. Where our government is dismantling the social dialogue, it is strengthening in the Union. It might be best for the Social Democratic movement in Finland and elsewhere to turn our efforts to the creation of Europe-wide protections, as finding a majority that would be eager to cancel the policies of the Orpo government might prove very difficult here.



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### Finland's Radical Restructuring of the Labour Market and Welfare State



The Finnish centre-right to extreme-right government has decided to radically reform the Finnish labour market and welfare system despite opposition from inside as well as outside Finland. The reforms that are being pushed through will change the fundamental structures of the Finnish system in a way that might prove irreversible. This challenges the progressive parties and trade union movement to build new visions and alternatives that could protect the Nordic welfare state and rebuild social dialogue in the future.

At the same time, Finland faces challenges with an ageing population and low birth rates. The reforms combined with demographic developments will make it difficult to maintain existing welfare services.



The reforms include sharp cuts in unemployment benefits and the social security system, which will impact especially families with children, disabled people and those in more vulnerable positions. Extensive social and health reforms and planned labour market reforms will seriously limit the unions' ability to negotiate, represent and defend the rights of employees, as well as have questionable consequences on the internationally recognised right to strike.

The proposed changes in immigration policy will, if they come to parliament, make both humanitarian and economic migration to Finland much more difficult.



The trade union movement has shown itself united and capable of mobilising, which is a good sign for the future. However, the government has learnt from previous attempts to push through similar reforms and refuses to back down or even open any significant discussions on the reforms.

For many Finns it might seem odd, but it might be that in the coming years any improvement to workers' rights might come via the European Union. Where our government is dismantling the social dialogue, it is strengthening in the Union. It might be best for the Social Democratic movement in Finland and elsewhere to turn our efforts to the creation of Europe-wide protections, as finding a majority that would be eager to cancel the policies of the Orpo government might prove very difficult here.

Further information on the topic can be found here:

<https://nordics.fes.de/>