

FINLAND
Prepared by Tea Telamo
Hammarstrom Pukakka

1. Are there any laws that govern a layoff of employees? If so, what do the laws require?

The laws that govern layoffs are the Employment Contracts Act and the Act on Co-operation within Undertakings. The Act on Co-operation within Undertakings only applies to employers employing more than 20 employees.

Employment Contracts Act

The Employment Contracts Act sets the grounds for layoffs. An employment contract may only be terminated “with proper and weighty reason,” which is either related to the employee's person or to financial and/or production-related reasons.

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 (Chapter 7, Section 3 of the Employment Contracts Act). According to the Employment Contracts Act there are no grounds for termination, if 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.

The Act on Co-operation within Undertakings

The Act on Co-operation within Undertakings states that lay-offs or termination of employment contracts due to production and/or financial reasons are matters covered by the co-operation procedure (Section 32). It is required under the Act on Co-operation within Undertakings that before the employer takes a decision on the matters previously mentioned (or other matters covered by Chapter 6), the employer shall negotiate the reasons for the action envisaged, its effects and possible alternatives with the employees concerned or with their representatives.

An employer shall submit a proposal for negotiations at least five days before the beginning of negotiations, if the employer is considering to serve notice of termination, lay-off or reduce a contract of employment into a part-time contract of one or several employees.

Prior to initiating the co-operation procedure, the employer shall provide the employees concerned and the relevant staff representatives with any information necessary with regard to the matters to be dealt with in the negotiations.

If a measure subject to negotiation is likely to result in the termination of contracts, lay-offs, or the reduction of contracts of employment to part-time contracts,

affecting one or more employees, the employer shall be deemed not to have fulfilled his obligation to negotiate before at least fourteen days have elapsed since the beginning of the negotiations. If the measure subject to negotiation is likely to result in the termination of contracts, lay-offs of more than 90 days or reduction of contracts to part-time contracts affecting at least 10 employees, the negotiation period shall, however, be at least six weeks from the beginning of the negotiations.

2. Are there any formal requirements for terminating an employee or groups of employees?

The co-operation procedure as stated above.

A notice must be given to the employee to terminate the employment contract. Employer must observe the notice period which is either agreed in the employment contract (up to six months) or the notice period under the Employment Contracts Act (depending on the duration of the employment relationship the notice period is from 14 days to six months).

3. Are there special legal requirements for a layoff caused by redundancy in the workforce?

No.

4. Are there employment laws that laid-off employees can use to challenge their inclusion in the layoff?

Yes, an employee can use the Employment Contracts Act to challenge his/her inclusion in the layoff, for example stating that “I was included in the layoff because of my gender/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”.

5. What sanctions or penalties may be imposed against employers for violating any of the requirements mentioned in Nos. 1-4 above?

If an employment contract is terminated without a ground laid down in the Employment Contracts Act, employer will be ordered to pay compensation for unjustified termination of the employment contract. The exclusive compensation must be equivalent to the employee's salary due for a minimum of three months or a maximum of 24 months (for an employee's representative maximum is equivalent to the salary of 30 months).

Where a lay-off or termination of employment contract for financial/production-related grounds is resolved without observing the co-operation procedure (deliberately or by gross negligence) and the employee's contract has been reduced into a part-time one, or terminated, or he has been laid off, for reasons relating to that decision, he shall be entitled to receive a sum of maximum of 30.000 Euro as indemnification from the employer.

If the termination of an employment contract is based on gender, the employer will be ordered to pay compensation of at least 3,000 Euro.

6. What are the one or two most common mistakes that employers make that lead to liability for a layoff?

- 1) Making the decision of who are the employees whose employment contracts are terminated before the co-operation procedure has been completed (or even started);
- 2) Terminating employment contracts although the employer has either before termination or right thereafter employed a new employee for similar duties even though the employer's operating conditions have not changed during the equivalent period.

7. What other employment issues are likely to arise from a layoff in your jurisdiction that you have not addressed in your answers to the previous questions?

None