

Globalization Partners provides employer of record services for customers that want to hire employees and run payroll without first establishing a branch office or subsidiary in Finland. Your candidate is hired via Globalization Partners' Finland PEO in accordance with local labor laws and can be onboarded in days instead of the months it typically takes. The individual is assigned to work on your team, working on your company's behalf exactly as if he or she were your employee to fulfill your in-country requirements.

Table of Contents

- [Basic Facts About Hiring in Finland](#)
- [Finland Holidays](#)
- [Bonus in Finland](#)
- [Finland Working Hours](#)
- [Vacation in Finland](#)
- [Sick Leave in Finland](#)
- [Finland Maternity Leave](#)
- [Termination/Severance in Finland](#)
- [Finland Tax Rate](#)
- [Health Insurance in Finland](#)
- [Additional Benefits in Finland](#)
- [Bottom Line on Benefits in Finland](#)
- [Employment Contracts in Finland](#)
- [Why Globalization Partners](#)

Our solution enables customers to run payroll in Finland while HR services, tax, and compliance management matters are lifted from their shoulders onto ours. As a Global PEO expert, we manage employment contract best practices, statutory and market norm benefits, and employee expenses, as well as severance and termination if required. We also keep you apprised of changes to local employment laws in Finland.

Your new employee is productive sooner, has a better hiring experience and is 100% dedicated to your team. You'll have peace of mind knowing you have a team of dedicated employment experts assisting with every hire. Globalization Partners allows you to harness the talent of the brightest people in more than 187 countries around the world, quickly and

painlessly.

Finland borders Sweden, Norway, Russia, and the Gulfs of Finland and Bothnia. The most sparsely populated country in the European Union, Finland is home to 5.5 million people. The Finnish people tend to be very straight-forward, reserved, and are known for being modest, honest and reliable. They value frankness and plain-speaking, and oral agreements are as good as written ones. Punctuality is expected, and you should call ahead if you think you might be late to a meeting. Finnish meetings generally run to schedule, they tend to skip the up front chatting that is common in other countries, and they make decisions quickly. If invited to use the sauna, be sure to accept, as such an invitation is a sign of trust on the part of your host.

Basic Facts About Hiring in Finland

In Finland, there are currently around 100 trade unions belonging to three different central organizations. About 60% of Finnish wage earners belong to a trade union. The most important purpose of the trade union is to negotiate collective bargaining agreements for their members, including salaries, annual leave, working hours, etc. If any party violates the collective bargaining agreement, the dispute can be taken to labor court for resolution.

When negotiating terms of an employment contract and offer letter with an employee in Finland, it may be useful to keep the following standard benefits in Finland in mind:

Finland Holidays

All holidays in Finland are established by acts of Parliament, and can be divided into Christian and non-Christian holidays. The official public holidays are as follows:

- New Year's Day
- Epiphany
- Good Friday
- Easter Monday
- Labor Monday

- Ascension Day
- Pentecost
- Midsummer Day
- All Saints' Day
- Independence Day (non-Christian holiday)
- Christmas
- Stephen's Day

It should be noted that although Christmas Eve and Midsummer Eve are not official public holidays, they are considered the most important holidays for the locals. For most people, these are not working days, and differ from official holidays only in that most shops are open from morning until noon. Most employment contracts provide for these days as holidays.

The Finnish Government has proposed changing Epiphany and Ascension Day to unpaid days off with the goal to improve Finland's cost-competitiveness. It is currently uncertain what changes will finally come into effect but the aim of the Government is that all legislative changes will be carried out by June 2016.

Bonus in Finland

Employee bonus plans are common in Finland.

Finland Working Hours

The standard work week in Finland is 40 hours, and the work day cannot exceed 8 hours. Regular working hours may be arranged as an average of 40 hours over a period, not exceeding 1 year. Collective bargaining agreements typically provide for shorter hours of work.

If work time limits are passed, compensation of overtime is compulsory.

- Overtime is paid at an increased rate of 50% for the first two hours of overtime, and an increase of 100% for any hours beyond that.

- An agreement may be made to exchange the overtime wages for extended time off in lieu.
- It should be noted that an employee is entitled to refuse to work overtime and overtime work must be separately agreed between employee and employer on each occasion.

Vacation in Finland

Annual leave in Finland is earned according to time spent at work during ‘leave-earning’ months. A leave-earning month is any month when the employee works for at least 14 days or 35 hours.

- Employees earn two days of holiday for each leave-earning month worked if employment has continued for less than one year at the end of the leave-earning year (March 31).
- This increases to two and a half days per leave-earning month worked, after working for a full year (April 1 – March 31).
- Collective bargaining agreements often provide for longer periods of annual leave.
- The Government is proposing limiting the number of holidays to a maximum of six weeks of annual holiday.

Employers decide on when the annual leave will be taken, but must confer with the employees as well. Employees must be advised of the time of the annual holiday at least one month, but no later than two weeks, before the annual holiday begins. Saturdays are generally included in the annual leave days.

Employees typically take their holiday during the annual leave period between the beginning of May and the end of September, unless otherwise agreed to between the employer and employee.

- The employer and employee may agree that the employee may take a portion of the holiday that exceeds 12 weekdays in one or more periods.
- Moreover, the employer and employee may agree that the portion of the holiday that exceeds 18 days will be taken during the following holiday season or thereafter.
- The employee has also a right to carry over any portion of his/her holiday exceeding 24 days. The carried-over holiday must be granted to the employee in the calendar year/years that he/she decides.

Regular wages are paid to employees for the annual holiday period prior to the commencement of holiday, and will include all non-temporary bonuses.

A holiday bonus is typically stipulated in the collective bargaining agreement, generally amounting to 50% of the pay for the annual holiday, and can be paid before or after the annual holiday.

Sick Leave in Finland

Employers are obligated to pay salary during the sick leave of an employee, based on the employment contract and collective bargaining agreement stipulations.

The length of the employment relationship influences the amount of 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 illness up to nine days.
- In employment relationships of less than one month, employees are entitled to 50 per cent of their pay.
- The Government has also proposed reducing the employees' right to full salary for the first nine days of sickness by making the first day of sickness unpaid and compensating only 80 % of the salary for the following eight days.

Finland Maternity Leave

Both female and male employees are entitled to parental leave in Finland for the birth of a child. The length of maternity, paternity, or parental leave is altogether approximately 317 weekdays and covers roughly the first year of a child's life.

- Maternity leave is 105 days
- Paternity leave is up to 54 working days
- The remaining leave can be used by either parent as they decide

The Social Insurance Institution pays a compensation for the period of maternity and paternity leave in proportion to the employee's income. In some collective bargaining

agreements, it is agreed that the employee is paid a full month salary for a certain part of the maternity leave.

Termination/Severance in Finland

A probationary period may be put in place for a maximum time period of 6 months. During the probationary period, either employer or employee can terminate the employment contract without any notice period.

In case of dismissal by the employer, there are no statutory rules on counter notice. The employer and employee may, however, agree on shorter notice period in case the employee finds another job prior to the termination date. In addition, there are no statutory rules on an employer's obligation to offer outplacement services to all dismissed employees with a notice period of 30 weeks or more. The employer has a legal obligation to explain to the dismissed employees the employment services available from the employment and economic development office when the termination is based on financial and production-related grounds.

- The employer can terminate an employment relationship as long as there is a valid reason, i.e. severe negligence of duties by the employee or the financial situation of the company. The period of notice varies according to the length of the employment relationship. The notice period is 14 days if the employment relationship has lasted up to 5 years, and one month for more than 5 years. These are the statutory notice periods to be observed by the employee unless otherwise agreed.

Finland Tax Rate

The social insurance system in Finland is divided into residence-based and work-based benefits. The Social Insurance Institution of Finland, Kela, administers the residence-based benefits. These benefits include:

- unemployment security
- health insurance
- family benefits
- financial aid for students

- others

Employees pay progressive income tax in Finland. In 2016 the income tax rate for an individual is between 6.5% and 31.75%. The 2016 tax rate table is as follows:

Tax %	Tax Base (EURO)
0.00%	1-16,700
6.50%	16,700-25,000
17.50%	25,000-40,800
21.50%	40,800-72,300
31.75%	Over 72,300

There is also municipal tax in Finland on an employee's income which fluctuates between 16.5% and 22.5% depending on the municipal authority. Additionally, there is a church tax of 1%-2%.

Health Insurance in Finland

Due to the high quality of health care within the public sector, approximately only 3-4% of care is provided by the private health care system. Supplementary insurance benefits are not required.

Additional Benefits in Finland

Employees in Finland are insured for employment-based benefits. These would include earnings-related pension, vocational rehabilitation, compensation for injury at work, and occupational illnesses. The Finnish Centre for Pensions, ETK, administers the earnings-related pensions. Employers are obligated by law to provide occupational health care services for employees.

Bottom Line on Benefits in Finland

Generally, we recommend budgeting 25% as benefits cost on top of the gross salary to allocate the total employer's cost including benefits in Finland.

Employment Contracts in Finland

It is best practice is to put a strong employment contract in place in Finland that spells out the terms of the employee's compensation, benefits, and termination requirements. An offer letter and employment contract in Finland should always state the salary and any compensation amounts in euro rather than foreign currency.

This information is provided as generally accepted information and is not intended as advisory services.

Why Globalization Partners

Establishing a branch office or subsidiary in Finland to engage a small team is time-consuming, expensive and complex. Finnish labor law has strong worker protections, requiring great attention to detail and an understanding of local best practices. Globalization Partners makes it painless and easy to expand into Finland. We can help you hire your candidate of choice, handle HR matters and payroll, and ensure that you're in compliance with local laws, without the burden of setting up a foreign branch office or subsidiary. Our Finland PEO and [Global Employer of Record](#) solution provides you peace of mind so that you can focus on running your company.

If you would like to discuss how Globalization Partners can provide a seamless employee leasing or PEO solution for hiring employees in Finland, please [contact us](#).