



PHS-QUALITY Project

Job Quality and Industrial Relations in the Personal and Household Services Sector - VS/2018/0041



POLICY PAPER: FINLAND

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1. Introduction

The Finnish Personal and household services (PHS, henkilökohtaiset ja kotitalouspalvelut in Finnish) are fragmented and ubiquitous branch of services that aims at improving the wellbeing of the household. It includes various types of services from elderly and childcare services to hired cleaning and home renovation aid. The health and care services in Finland are traditionally strongly linked to the public social services and have for a long time been the responsibility of the local governments. In the recent decades, the share of the market options for PHS sector has grown, especially with intention to endorse customer choice in this sector. Today the services that are offered within the PHS sector go far beyond the traditional care and cleaning services, and include variety of services such as home renovation, remedial teaching, ICT support etc. In this policy paper, a short synopsis is given of the legal regulation and the policy base of the PHS sector (for cleaning and social care sector) in Finland after the ratification of the ILO's convention on Domestic Workers rights (no. 189). The recommendations are also included at the end based on the lessons drawn from the interviews made by key-experts in the field in Finland.

2. Ratification of the ILO convention in Finland

In last decades, ambitious steps have been taken in Finland to remove exceptions and promoting the principles of equality and equal treatment in the legal regulation and labour law. The ratification of ILO convention was one of these measures. It brought various groups under the same legislation and equalised the rights. In the previous situation, the Act on the employment of Houseworkers (951/1977) had regulated the protection of household workers. The law covered workers who work in and for a household or households. Household workers were also covered by Employment Contracts Act (55/2001); the regular act that applies to employment contracts 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.

Prior to the ratification of the ILO's Domestic Workers Convention, 2011 (No. 189) and Recommendation (No. 201), the Finnish level of protection of domestic workers was not in line with the convention. The Act on employment of Houseworkers (951/1977) did not cover all domestic workers and excluded for example those who worked short time (shorter than one month or only one day a week

or worked less than three hours a day or those who care for the sick or members of the employer's family who live permanently in the employer's household.

The process of the ratification was reasonably quick and included a tripartite working group and ILO committee (HE 93/2014 VP). The Convention and its Supplementary Recommendation of Convention 189 was adopted 17 December 2012 by letter from the Ministry of Employment and the Economy to the Parliament as required by the ILO Statute. Following the EU Council adopted Decision (2014/51 / EU) authorizing the Member States to ratify the European Union in the interests of the decent work of domestic workers, Parliament was consulted in 2013 by a government letter (U 17/2013 VP) on the Commission proposal for a Council decision (ratification ILO Agreement on Household Workers).

In the ratification process (as described in HE 93/2014 VP), initial statements were requested from the tripartite bodies: from the government (Ministry of Social Affairs and Health, Ministry of the Interior), trade unions (SAK, STTK, AKAVA), employers organisations and business (Finnish Entrepreneurs (Suomen Yrittäjät), Confederation of Finnish Industries (Elinkeinoelämän keskusliitto, EK), State employers (Kunnallinen työmarkkinalaitos), municipal employers (Valtion työmarkkinalaitos). The government's proposal was also discussed both in the board of Ministry of Economic Affairs and in the Finnish ILO Advisory Board. As regards to required changes in the existing labour law, the proposal was discussed in a tripartite working group chaired by the Ministry of Employment: including the Ministry of Social Affairs and Health, Confederation of Finnish Industries EK, Finnish Federation of Trade Unions SAK Association, STTK Association, AKAVA Association, State employers, Municipal employers, Church Labour Market Association and Finnish Entrepreneurs (Suomen Yrittäjät). All respondents interviewed for the present study viewed the ratification process easy and been conducted in good collaboration. The trade unions would have liked to have more formal agreements about the supervision (TU1). On 8 January 2015, the Government of Finland deposited with the ILO the instrument of ratification of the Domestic Workers Convention, 2011 (No. 189) and made Finland the 17th ILO Member State and the fifth European country to ratify this specific instrument.

To ratify the Convention, Finnish government made several amendments to national legislation. The Act on Household workers (156/1977) was repealed and all household workers became covered by the general labour law. In this way, domestic workers were accorded equal status with other workers including working time and annual leave. The repeal of the law meant that protection of working time law would be extended to, except for the members of the family of the employer, to all household workers. The change also made it possible to do night work in nursing at households. The Working Time Act – now covering all domestic workers – set the regular working time to 8 hours a day to all new employment contracts for domestic workers. Under the old law for domestic workers, the regular working time had been longer (9 hours a day). The working time was equalized to all workers alike.

3. Policy innovations to support the household work sector

Given that the PHS sector has traditionally been strongly tied to public sector, and therefore heavily regulated, the informality of the PHS sector has for a long time not been constituted as a problem in Finland. The PHS sector in Finland is also seen unproblematic given its reasonably small size. According to the Labour Force Survey data by the Statistics Finland (Tilastokeskus), there were 66.000 persons working in the occupation category of cleaners, domestic aids and other cleaning services in 2019 (statisticsFinland, 2020). Majority of health and care services remains today to be provided by the public sector services and often within established public/private institutions (elderly care, childcare, health care). The main services in the PHS sector are considered to include the cleaning services and home renovation. The PHS sector is, however, changing. The respondents of this research project generally portrayed the transformation of the PHS sector in 21st century to be led by private providers trying to fill in the gaps that public sector withdrawal leaves behind. Much of the PHS are provided by the market economy. Private providers (construction, renovation, cleaning, gardening, ICT support) who can be hired directly by households by using the subsidies through the tax deduction system. Increasingly market actors are employed by municipality– i.e. via outsourcing agreements, via part-time entrepreneurship or via employment relationship in a private company or non-profit organization (NGO) through the Service vouchers. These services have been supported by two major Public Policy Innovations: household deduction system and service vouchers.

3.1. The tax deductions for household work

The household deduction model was one of the long-term initiatives of the government's plan to fight informality and 'grey' labour. The Tax (deduction) scheme for domestic help (kotitalousvähennys) was introduced in 2001 and it made possible for individuals to deduct a proportion of the costs of domestic services through their income tax. It can be used to purchase a wide range of services such as cleaning, gardening, home renovation, eldercare or even child home care (which for long time is seen to be covered by the public services). At the time of the writing, the amount of deduction can be up to 50% of the expenses from their income tax. Furthermore, 20% of the wage paid, including social

contributions, can be deducted if the client directly employs a worker. The annual ceiling of the tax scheme in 2018 was €2400 per person.

The popularity of this tax deduction has grown throughout the years. Whereas in 2006, 243,00 persons made use of the deduction, the number of users has grown to 406,500 in 2016 (MIN in research report Finland). The total amount of the tax deduction amounted to 393 million in 2016 (MIN in research report Finland). The figures further show that, from all tax deductions, 80 per cent was used to home renovations, 17 per cent to cleaning and only 3 per cent in care (RI in research report Finland). According to the Finnish Tax Administration and scholars (Aalto, 2015; Hiilamo, 2015; Näre, 2016), the tax reduction on household services is predominantly claimed by the highest-income households. This inherent inequality of the system is the reason that the new Rinne/Marin governments are seeking to modify the system to bring the low and mid income earners under the scope of the tax deduction system (Hallitusohjelma, 2019).

3.2. Service vouchers

Second innovation in the Finnish context to fight informality and to expand customer choice is the service voucher system. Service vouchers were first introduced in 2004 and since the Service voucher Act in 2009 (Laki sosiaali- ja terveydenhuollon palvelusetelistä, 569/2009) they are formalised to purchase health and social care services. Behind the service voucher system a variety of objectives prevail: the system aims at increasing users' freedom and choice, improving quality of services, supporting ageing in place (allow people remaining home longer) and encouraging private companies to enter home care market (EFSI, 2013).

The voucher can be used to buy services in domestic help, home-health care services and a wide range of health services from registered providers. Generally, the service voucher is a small part of the service production as a whole. Based on the survey by the Association of the Finnish municipalities (Kuntaliitto, 2015), 40 % of the municipalities were using service in 2015 and provided in total 438 different service vouchers. The majority of the vouchers were used to purchase social services (69% in 2015). The same survey conducted in 2018 (Kuntaliitto, 2018), also reveal that 37% of the social service vouchers are used to services directly related to households. The voucher system aims at increasing competition in the service sector, as the providers vary in the amount of the requested co-payments, but formally the municipalities often define a flat-rate for a voucher and identifies the requested services. The use of service voucher – although still a minor market -is seen to have decreased the precariousness of service employment and provided an alternative for the municipalities in social care services.

4. Recommendations

- i) The benefits of the tax deduction should not only benefit the (higher) middle class
Therefore, it should be ensured that the system does not only benefit the higher income classes or replace the universal public services

- ii) Service voucher system is still a very small part of the Finnish social service provision, and its' use could be improved by a better sharing of experiences among the municipalities
Therefore, mutual learning of the pros and cons with service vouchers should be facilitated among the municipalities

- iii) Despite the strong protection the workers at PHS sector (at least at the formal employment) by the labour law and the equal treatment principles of workers, the insufficient supervision and monitoring of working conditions and workers right in the PHS sector is a notorious problem. Valvira, as the national supervising authority on health care and social care lacks resources and legal capabilities to monitor the working conditions at the households.

Therefore, it should be ensured that the public authorities have sufficient resources and enhanced legal capabilities to monitor the working conditions at home environment.

- iv) In Finland, the legislation on contractors' liability (tilaajavastuu) does not include the chain liability (as in many other EU countries such as i.e. the Netherlands)
Therefore, the chain liability should be made as part of the Finnish system of contractors' liability in line with other EU countries

- v) The trade union's (but also other societal actors) have difficulties of reaching the domestic workers, especially those with migrant background.
Therefore, the social partners role in the protection of this vulnerable group of workers should be strengthened and new forms of social dialogue with a broad constellation of public and societal partners (incl. law enforcement, human right movements, NGOs) is needed.

- vi) The PHS sector is very invisible, and very little data and knowledge is about the sector

Therefore, more data and research should be obtained about the sector and people in this sector.

- vii) Deregulation of labour markets is driving precariousness within the whole sector
Therefore, both governmental policy and trade union strategies need to ensure that labour rights are respected and working conditions are protected in this vulnerable (low-paid) sector.

- viii) The risks related to bogus self-employment is growing at platform economy markets, especially for cleaning services and for migrant workers
Therefore, national and EU action is needed to regulate the platform labour markets and guarantee the worker's rights and protection in these service sectors.

- ix) Restrictive migration and family unification policy contributes to the informality, precariousness and vulnerability of the third nation migrants in this sector and endangers the principles and law of antidiscrimination and equality
Therefore, it should be ensured that migration and family unification law vis-a-vis labour market policy do not conflict or jeopardise the basic human rights of people.