

5 KEY HR COMPLIANCE RISKS IN FINLAND - AND HOW TO AVOID THEM



Your Essential Guide to Finnish Labor Laws & Best Practices

Provided by

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INTRODUCTION: WHY HR COMPLIANCE IN FINLAND MATTERS




Finland is known for having **some of Europe's strongest employee protections**, along with generous **leave policies and social security benefits**. However, for employers—especially foreign businesses expanding into Finland—the country's **complex labor laws and industry-wide collective agreements (CBAs)** can be challenging to navigate.

✦ Why HR Compliance in Finland Matters

- ✓ **Strict employment contract rules** – Temporary contracts are heavily regulated.
- ✓ **Mandatory employee benefits** – Finland has extensive parental leave, paid sick leave, and holiday allowances.
- ✓ **Strong union influence** – CBAs override statutory labor laws in many industries.
- ✓ **Tough dismissal laws** – Unlawful terminations can lead to significant legal and financial risks.

⚠ *Failure to comply with Finnish labor laws can result in fines, employment disputes, and reputational damage.*

FIXED-TERM VS. PERMANENT CONTRACTS: LEGAL RESTRICTIONS ON TEMPORARY EMPLOYMENT


 Finland heavily restricts the use of fixed-term contracts to protect job security


Employment Contract Types in Finland

Contract Type	Description	Maximum Duration	Renewal Rules
Permanent Contract (Toistaiseksi voimassa oleva työsopimus)	Default contract type, no end date	No limit	N/A
Fixed-Term Contract (Määräaikainen työsopimus)	Allowed only for specific, justified reasons	12-24 months (depends on role)	Max 2 renewals
Probationary Period	Max 6 months (or 4 months for shorter contracts)	N/A	Cannot be extended without mutual consent

Key Compliance Risks:

 Employers **cannot use fixed-term** contracts without a **valid reason** (e.g., project-based work, seasonal employment).

 **Continuous renewal of fixed-term contracts without justification** may result in **automatic conversion to a permanent contract**.

 **Best Practice:** Always document and justify the use of fixed-term contracts to avoid legal disputes.

WORKING HOURS & OVERTIME PAY: MANAGING FINLAND'S 40-HOUR WORKWEEK CAP

 Finland's Working Hours Act (Työaikalaki) regulates work time, overtime pay, and rest periods.

Standard Working Time Regulations

✔ **Max Weekly Hours:** 40 hours (typical industry standard is 37.5 hours).

✔ **Daily Working Hours:** 8 hours (or flexible working arrangements under CBAs).

✔ **Overtime pay:**

- 50% extra pay for the first two overtime hours per day.
- 100% extra pay for additional hours beyond that

Mandatory Rest Periods


✔ **Breaks:** Minimum 30-minute break after 6 hours of work

✔ **Daily Rest:** Minimum 11 consecutive hours between shifts

✔ **Weekly Rest:** At least 35 consecutive hours of rest per week

Key Compliance Risks:

- Employers **must track and compensate overtime correctly** to avoid disputes
- **Failure to provide required rest periods** can result in penalties.

 **Best Practice:** Implement **digital time-tracking systems** to ensure compliance with working time laws


EMPLOYEE LEAVE & BENEFITS: PARENTAL LEAVE, SICK PAY & HOLIDAY ENTITLEMENTS

 Finland has some of Europe’s most generous leave policies.

 **Statutory Leave Entitlements.**

Contract Type	Description
Annual Leave	24-30 days (4-5 weeks)
Parental Leave	320 paid days (split between both parents)
Sick Leave	100% salary for 9 days (then paid by social security)
Public Holidays	13-15 days (depends on year & region)

 **Key Compliance Risks:**

 Employers must provide holiday pay (lomapalkka) and keep track of accrued leave entitlements.

 Failing to register employees with Finland’s Social Insurance Institution (Kela) can result in penalties.

 **Best Practice:** Ensure payroll and HR systems accurately calculate holiday pay and parental leave entitlements.




DISMISSAL & SEVERANCE PAY RISKS: AVOIDING WRONGFUL TERMINATION CLAIMS

 Finland has strict termination laws to protect employees from unfair dismissal

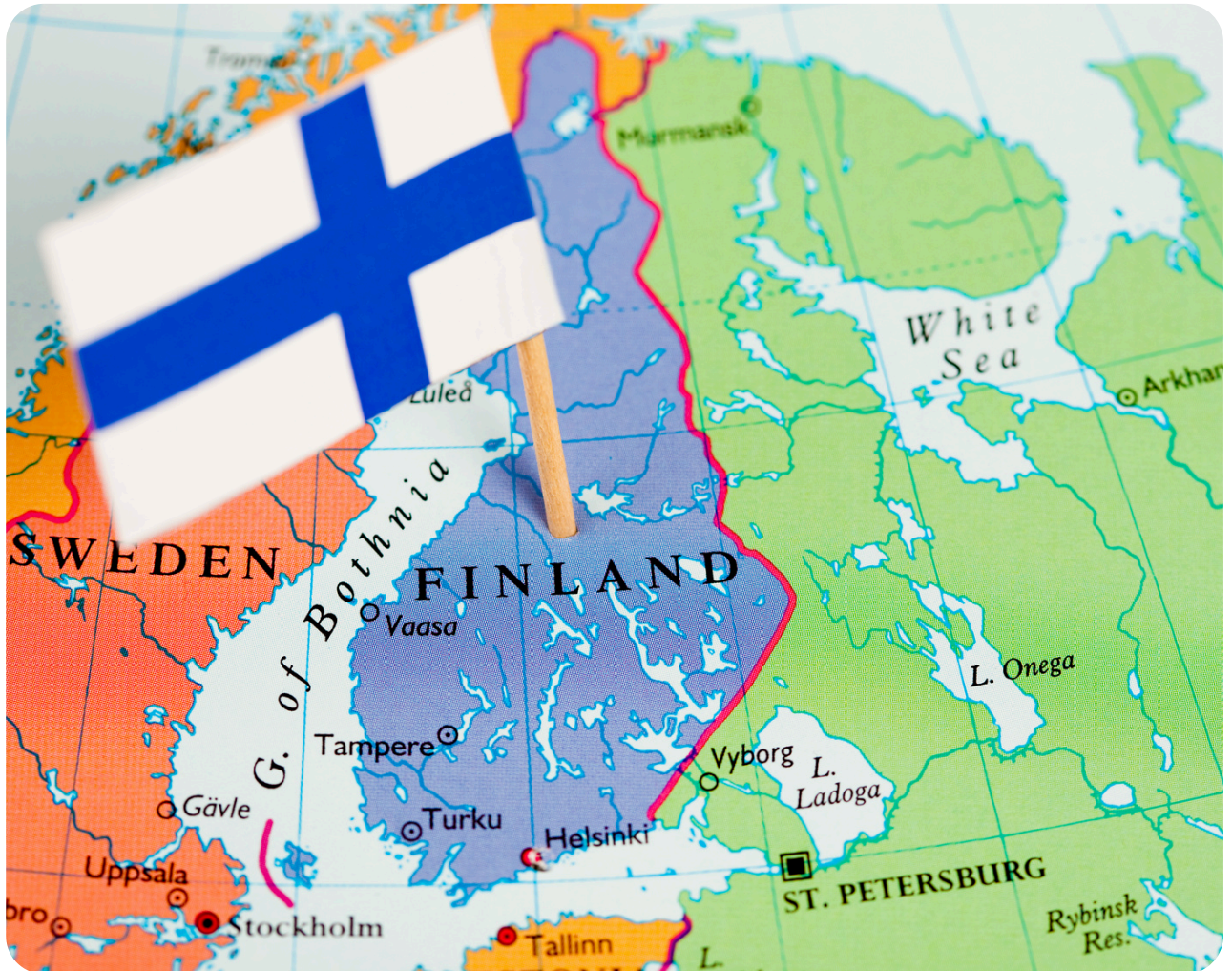
Notice Periods for Termination

Employee Tenure	Notice Period (Employer-Initiated)
0-1 year	14 days
1-4 years	1 month
4-8 years	2 months
8-12 years	4 months
12+ years	6 months

Grounds for Lawful Dismiss

-  **Performance-related dismissals** – Employees must receive **prior warnings**.
-  **Redundancy dismissals** – Employers must **justify layoffs** and follow consultation procedures
-  **Misconduct dismissals** – Requires **clear evidence** of serious wrongdoing.

COMPLIANCE BEST PRACTICES FOR EMPLOYERS



◆ Key Compliance Risks:

✳️ **Employers cannot terminate employees without just cause** – failure to follow procedures can result in **wrongful termination lawsuits**.

✳️ **Employees with 12+ years of service are entitled to severance pay** under many CBAs.

💡 **Best Practice: Always document performance issues and termination reasons thoroughly.**

CONCLUSION & NEXT STEPS FOR HR COMPLIANCE IN FINLAND



📌 Finland's labor laws are complex, and employers must navigate CBAs, employee rights, and strict termination rules.

🚀 Next Steps for Employers:

- ✔ Ensure compliance with fixed-term contract restrictions.
- ✔ Monitor working hours & overtime pay.
- ✔ Manage employee benefits & leave entitlements correctly.
- ✔ Engage with unions & comply with CBAs.
- ✔ Follow proper termination procedures to avoid legal risks.

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CONCLUSION & NEXT STEPS



📌 Germany's labor laws are among the most employee-friendly in Europe. To stay compliant, employers must:

- ✔ Understand **mandatory benefits, working hours, and notice periods**
- ✔ Ensure **employment contracts align with German law**
- ✔ Follow **proper termination procedures** to avoid legal risks.
- ✔ Stay informed on **collective agreements and compliance updates**

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