SPRING 2017 REFORM BAROMETER – FINLAND

European Semester - Overall assessment of 2016 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (February/November 2016) is appropriate.	To a large extent	Realistic assessment on economic outlook and the main challenges of public finances in the short and long run.
2.	The Commission's country specific recommendations for your country are appropriate.	To a large extent	Ensure that the wage setting system enhances local wage bargaining and removes rigidities, contributing to competitiveness and a more export industry-led approach. Reduce regional and skills mismatches. Adapt the social and health care reform.
3.	The Commission assessment of reform implementation the year before is appropriate.	To a large extent	Finland adopted a pension reform, the earliest eligibility age for old age pension will be gradually raised to 65 by 2025. Abolished the law regulating opening hours in retail trade sector.
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	To a large extent	(1) Finland has lost competitiveness and export market shares. The government aims for a major reduction in unit labour costs in the medium term through continued wage moderation, measures to improve productivity and a one-off reduction of labour costs. (2) The parliament has approved a pension reform, to be implemented from 2017, which links pension age with life expectancy. (3) The government has announced a plan to reform the healthcare and social services

Assessment of Country Specific recommendations 2016 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR **1**	Achieve an annual fiscal adjustment of at least 0,5 % of GDP towards the medium-term budgetary objective in 2016 and 0,6 % in 2017. Use any windfall gains to accelerate the reduction of the general government debt ratio. Ensure timely adoption and implementation of the administrative reform with a view to better cost-effectiveness of social and healthcare services.	Important	Mixed	The actions of the government have focused on expenditure cuts and competitiveness. However, fiscal adjustment risks falling short of targets because of slow economic recovery.
CSR **2**	While respecting the role of social partners, ensure that the wage setting system enhances local wage bargaining and removes rigidities, contributing to competitiveness and a more export industry-led approach. Increase incentives to accept work and ensure targeted and sufficient active labour market measures, including for people with a migrant background. Take measures to reduce regional and skills mismatches.	Important	Mixed	The government did not take actions in legislation to enhance local bargaining.
CSR **3**	Continue pursuing efforts to increase competition in services, including in retail. Promote entrepreneurship and investment, including by reducing administrative and regulatory burden, to foster growth of high value added production.	Helpful (but not a priority)	Mixed	Government has fully liberalised the opening hours of retail trade. Other reforms (taxi services, potentially pharmacies) in progress but still in early stages. More decisive action needed.

Reform Progress in your Member State in 2016

How would you assess reform progress in 2016, for the following broad areas:

Taxation and Public Finances	Mixed
Business environment (regulation/access to markets)	Satisfactory
Labour market	Mixed
Innovation and skills	Mixed
Access to finance and Financial stability	No Reform Necessary

Is there any example of an economic reform, specific to your country that BUSINESSEUROPE could highlight in its 2017 Reform Barometer?

Social partners agreed 2016 on the National Competitiveness Pact. The contract periods for currently valid collective agreements will be continued by 12 months without any wage or salary increases. This means zero wage increases and predictability for the labour market until autumn 2017. The annual number of working hours shall be increased by 24 hours without increases to existing wages or salaries. Details are negotiated on branch or local level. In the public sector, holiday bonuses will be cut by 30 per cent temporarily (2017–2019). The pension and unemployment contributions of wage and salary earners will increase and employers' contributions will decrease (about 2% of wages). In addition, government has decided to reduce income taxes in order to keep purchasing power roughly constant despite increases in social security payments. As a result, unit nominal labour costs will decrease by approximately 3,5 % in the long run. According to consensus estimates, this will result in 20 000 – 30 000 new jobs in the private sector in medium and long term.

Reform priorities for 2017

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Consolidation of public expenditures	Cut public expenditure.	yes
Priority 2	Pension and health care reforms	Customers should be given more freedom of choice between public, private or third sector service providers in social and health care services.	yes
Priority 3	Wage bargaining and wage-setting policies	Decisions on wages and working time should be more firm and job specific. (=local agreements)	no
Priority 4	Making work-pay: interplay of tax and benefit system	Government should tackle income traps.	yes
Priority 5	Labour market mismatch and labour mobility	The government should take measures for the comprehensive reform of employment services to ease labour market matching problems	no