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More than meets the eye: Finnish employers and the centralised labour market model, 1960s–2020s

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ABSTRACT

This article examines the evolving role and attitudes of Finnish employers towards centralised bargaining from the late 1960s to the early 2020s. Employing a qualitative historical approach and analysing archival documents from Finnish peak employers' associations, we explore the motivations behind employers' commitment to centralised bargaining, from wage moderation and competitiveness to broader political and societal goals. Recently, there has been a shift towards 'coordinated decentralisation', where employers advocate decentralised practices while maintaining coordination among themselves. The findings contribute to discussions on the evolution of industrial relations by offering insights into how national contexts, transnational trends, economic cycles, and government policies influence employer actions, which in turn have a significant impact on labour market relations and bargaining systems. We suggest notions of surface centralisation and decentralisation to characterise the complexities behind an apparently centralised or decentralised system of wage bargaining.

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Employers' associations; industrial relations; corporatism; centralised bargaining; surface decentralisation

1. Introduction

Since the 1980s, Western societies have witnessed a multifaceted process of liberalisation (Streeck & Thelen, 2005, pp. 3–4). In the sphere of industrial relations (IR), this trend has been characterised by a shift towards decollectivisation, deregulation, and decentralisation of bargaining (Baccaro & Howell, 2017; Karlson & Lindberg, 2014; Katz, 1993). The (de)centralisation of collective bargaining holds both political and scholarly significance, and IR practitioners and researchers have debated the topic for decades (Traxler, 2003). Despite a plethora of scholarship, an understanding of the determinants of collective bargaining (de)centralisation and the preferences of various labour market actors regarding the level of centralisation is still limited (Boumans, 2022; Zagelmeyer, 2005).

The Nordic countries combine strong and active states, large public sectors, high levels of taxation, and extensive welfare systems with successful economies (Fellman et al., 2022, p. 79). In the realm of industrial relations, the Nordic model has been characterised by a long tradition of centralised collective bargaining and collaboration between peak employee and employer associations (Karlson & Lindberg, 2014). However, wage setting was decentralised in Denmark as

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early as the 1980s and in Sweden in the 1990s, while highly centralised incomes policy continued in Finland and Norway into the twenty-first century (Andersen et al., 2015; Kjellberg, 2023). Tripartite corporatism has been particularly resilient in Finland, where a shift towards decentralisation has occurred only in recent years. Therefore, Finnish industrial relations are the focus of this study.

This article examines the role of employers in shaping the Finnish IR system from the 1960s to the early 2020s. The focus is on their motivations and efforts in supporting or resisting centralisation and decentralisation at different times. We ask how employers perceived centralised bargaining, how their policies evolved over time, and why. Additionally, we consider whether and to what extent developments in Finland align with broader European trends, providing a comparative perspective.

The article applies research results from social scientific industrial relations studies and Western European and Nordic labour market histories (e.g. Andersen et al., 2015; Baccaro & Howell, 2017; Bergholm & Bieler, 2013; Brandl & Lehr, 2019). We use historical methodology to uncover complex dynamics behind apparent centralisation or decentralisation. In previous research, these complexities have been described as 'surface resilience' (Baccaro & Howell, 2011) which means that IR institutions may appear unchanged but present drastically different outcomes in terms of labour market policies and practices. The observation aligns with the scholarship of incremental institutional change, which will be discussed in the next section.

IR institutions can transform through organised or disorganised decentralisation. 'Organised decentralisation' refers to a process in which sectoral or national agreements set minimum standards, allowing company-level bargaining within established frameworks that support stability and coordination (Traxler, 1995; Marginson, 2015). 'Disorganised decentralisation' signifies a shift to firm-level negotiations without such overarching frameworks or guidance from sectoral or peak level associations (Ilsøe, 2012; Thörnquist, 2003). The Finnish case is an example of the organised decentralisation, for which synonyms such as coordinated or centralised decentralisation have also been used (Andersen et al., 2015; Ilsøe, 2012; Karlson & Lindberg, 2014).

We propose an additional perspective to theoretical discussions by introducing the concepts of 'surface centralisation' and 'surface decentralisation'. These concepts highlight the contrast between the apparent and actual qualities of the bargaining system. Industrial relations are often more multifaceted than they appear, and we argue that these complexities are best captured through careful historical analysis. By drawing attention to these subtleties, we offer a framework to better understand how wage bargaining evolves over time.

Scholarship suggests that employers generally prefer liberalisation and non-collective solutions (Traxler, 2003) and that the decentralisation of wage bargaining has often been employer-initiated (Katz, 1993, p. 12; Kjellberg, 2023, p. 17; Marginson, 2015, p. 99; Thörnquist, 2003, p. 176). However, it is not evident that employers always favour liberalisation. Voskeritsian et al. (2020) and Bulfone and Afonso (2020) found that some companies, particularly small and medium-sized enterprises (SMEs), have preferred centralised systems, as decentralised bargaining could lead to wage competition, increased transaction costs, and reduced domestic private consumption. The question of what drives the variation in employers' preferences remains partly unanswered. Following Voskeritsian et al. (2020), we contribute to this discussion by analysing the nuances and less obvious aspects of employers' preferences, demonstrating that their practical policies do not always align with their preferred ideals and objectives.

Our investigation creates new knowledge on the interplay between employer strategies, national contexts, and transnational shifts in labour market policies. We contend that Finnish employers' views on centralised bargaining have evolved in response to fluctuations in trade union power, as well as changing economic conditions and the imperative for competitiveness in export markets. Additionally, social and political factors, such as the pursuit of social and industrial peace and the overarching goals of the Finnish business community, have significantly shaped these preferences and perceptions. Below, we present our findings in a concise form, detailing the development of

Table 1. Development of Finnish employers' preferences for (de)centralisation in relation to the prevailing level of wage bargaining and key objectives.

Decade	Preference	Reality	Key objective
1960s	Centralised bargaining	Decentralised coordination: sectoral-level bargaining	Prevention of state intervention
1970s	Centralised bargaining	Centralisation: Peak-association-level bargaining	Maintenance of social and industrial peace
1980s	Decentralised bargaining	Centralisation: predominantly peak-association-level bargaining, with some sectoral-level negotiation rounds	Wage moderation during an economic boom
1990s	Decentralised bargaining	Centralisation: predominantly peak-association-level bargaining, with some sectoral-level negotiation rounds	Securing EU and EMU membership
2000s	Decentralised bargaining	Centralisation: predominantly peak-association-level bargaining, with some sectoral-level negotiation rounds	Attaining government-provided incentives
2010s-2020s	Decentralised bargaining	Coordinated decentralisation: peak-association-level and sectoral-level bargaining alternating, with increased opportunities for local bargaining	Securing global competitiveness

Finnish employers' preferences regarding (de)centralisation in relation to the prevailing reality and their key objectives (Table 1).

In the next section, we present previous scholarship on the transformation of labour market systems and explain how it informs our own analysis. Furthermore, we clarify our focus on employers and the (de)centralisation of collective bargaining and provide an overview of Finnish labour history prior to the 1960s. Following this, we introduce our data and methods. The subsequent four sections are chronological and chart the evolution of Finnish industrial relations from the postwar decades to the present. Finally, we present our conclusions and highlight our contributions.

2. Literature review

In debates about the evolution of European labour market systems, two opposing interpretations stand out: one emphasising convergence, and the other, resilience. The convergence interpretation argues that, due to globalisation, economic liberalisation, and the spread of market-oriented policies, national models have since the 1970s been on a common liberal trajectory and differences across countries will gradually decrease (Baccaro & Howell, 2011, 2017; Hermann, 2014). The competing resilience interpretation, deriving from the Varieties of Capitalism literature (Hall & Soskice, 2001), asserts that historical path dependencies and institutional stickiness perpetuate national variations in industrial relations (Martin & Swank, 2012). We subscribe to a compromise that suggests a shift toward liberalisation without complete convergence (Meardi, 2018; Streeck & Thelen, 2005, p. 1). All countries do not follow the same path but there are multiple pathways to liberalisation, and diversity between national IR models persists (Howell, 2021, p. 762; Karlson & Lindberg, 2014, p. 23; Kornelakis, 2014; Meardi, 2018).

Regardless of the trajectory or variations, employers play an important role in the dynamic. Employers have been pivotal in the creation of welfare states and corporatist structures, as demonstrated by Swenson (2002). They continue to be key actors, with their support or opposition to labour market policies holding central importance (Wood, 2001). Similarly, Sheldon (2018) has emphasised the significant role of employers' associations in explaining the variation in collective bargaining systems across countries.

Many scholars (e.g. Hall & Soskice, 2001; Swenson, 2002, p. viii; Brandl & Lehr, 2019; Sánchez-Mosquera, 2022) have also stressed that employers' organisations have received relatively less attention than trade unions and politicians in studies analysing the creation and maintenance of corporatist structures. Boumans (2022, p. 1610) argues that the same applies to their dismantling: 'While the gradual liberalisation of industrial relations has increased employer discretion, the role of employers' organisations in this process is unclear'. Similarly, Waara (2017) demonstrates how shifting the focus to employers' organisations can fundamentally alter our understanding of

industrial relations dynamics. While the Swedish labour market model has often been interpreted as a cross-class alliance, Waara's analysis of employer perspectives instead highlights underlying conflicts. In other words, to understand the changes and continuities in national IR systems, we must consider the motivations and objectives of employers.

What makes employers even more relevant is the observation that, in contrast to the declining density of trade unions, the representativeness and importance of employers and business associations have remained strong (e.g. Brandl & Lehr, 2019; Wilkinson et al., 2018). Accordingly, our focus is on Finnish employers and their stance regarding the centralisation of labour market policies and collective bargaining, as well as the development of employers' perceptions and motivations over time.

On a more abstract level, the story is about gradual institutional change over the course of several decades. Following the classical definition by North (1990, p. 3), institutions 'are the rules of the game in a society' that shape human interaction. An industrial relations system can be considered as an institution, since it entails norms, rules, and practices that regulate the interaction between employers and employees. IR systems also tend to be relatively durable and stable, which are key characteristics of institutions (Mahoney & Thelen, 2009, p. 4).

According to Mahoney and Thelen (2009) and Streeck and Thelen (2005), institutional scholars often perceive institutional change as abrupt and radical shifts, brought about by exogenous developments that interrupt long periods of stability. These 'critical junctures' open opportunities for actors to induce institutional change. However, Mahoney and Thelen (2009) and Streeck and Thelen (2005) emphasise the significance of gradual, incremental, and endogenous change which, over time and often beneath the surface of apparent stability, can nonetheless lead to substantial institutional transformation. Incremental change stems from contested meanings, functions, and interpretations that actors attach to the institution, its rules, and their enforcement. These contests and reinterpretations can arise from the changing needs of the actors themselves and/or from developments in the political or economic environment, which call for the adjustment of old institutional rules or the creation of new ones (Mahoney & Thelen, 2009, p. 4, 10–14; Streeck & Thelen, 2005, pp. 18–19). From this perspective, as Hall (2009, p. 217) observes, institutions help actors 'negotiate the complexity of the world' and serve 'as enabling structures within which actors exercise a robust agency'.

We contribute to discussions on incremental institutional change by studying the slow transformation of the Finnish IR system from centralisation to decentralisation. We adopt a definition that interprets the level at which collective bargaining occurs as an indicator of centralisation in the system (Garnero, 2021, p. 187; Zagelmeyer, 2007, p. 230). Thus, firm-level wage bargaining represents a form of low centralisation, or decentralisation, whereas national-level bargaining represents a high degree of centralisation (Marginson, 2015, p. 99). A substantial body of research discusses the macroeconomic impacts of wage bargaining, particularly how different bargaining levels – such as sectoral or centralised – affect inflation, wage levels, employment, competitiveness, and overall economic performance (e.g. Kauhanen, 2023; McHugh, 2002; Ortigueira, 2013; Traxler, 2003). However, engagement with this scholarship is beyond the scope of this article.

Within the context of the Finnish IR system, the most centralised (i.e. national-level) bargaining refers to agreements concluded between the peak associations of employers and trade unions. From the late 1960s until the early 2000s, these agreements were referred to in Finland as comprehensive incomes policy (*tulopolitiikka*). Consequently, agreements concluded at the sectoral (or industry) level represent a decentralised form of bargaining whereas firm-level collective bargaining is the most decentralised alternative in the Finnish context.

Our analysis starts from the 1960s when industrial relations and wage bargaining centralised in Finland. Existing research shows that although the centralised bargaining system became a strong and long-lived institution in Finland from the late 1960s onwards, the country was a latecomer among Nordic countries in organised industrial relations. Swedish, Danish, and Norwegian employers had cooperated with trade unions since the early twentieth century (Andersen et al.,

2014, p. 11; Kjellberg, 2023, pp. 3–4, 10), but Finnish employers resisted collective agreements throughout the interwar period due to deep-rooted class conflicts stemming from the 1918 Civil War. Their stance began to shift when the Soviet Union's attack on Finland in 1939 prompted Finnish employers to acknowledge the need for unity with trade unions. This recognition, symbolised by the employer confederation's acknowledgment of *Suomen Ammattiyhdistysten Keskusliitto* (SAK; the Central Organization of Finnish Trade Unions) in 1940, was driven by the desire to align with Scandinavian practices to secure their sympathy and support for the Finnish war effort and by pragmatic concerns about labour's growing strength in the new industrial and societal dynamics changed by the Winter War (Tala, 2020, p. 47, 51, 56). Following the war years 1939–1945, the political left's rise, coupled with Finland's war reparations obligations to the Soviet Union, further solidified collective bargaining as a means to ensure social stability, industrial peace, and economic productivity. By the 1950s, employers' motivations evolved from political concerns to economic calculations, as they started to pursue coordination with trade unions to control inflation and maintain competitiveness amidst volatile export markets (Tala, 2020, pp. 76–78, 110–112; Wuokko, 2020, p. 168, 174–175).

3. Data and methods

We examine the policies of national peak employers' association, which has changed its name through mergers over time. *Suomen Työnantajain Keskusliitto* (STK; the Confederation of Finnish Employers) was founded in 1918. *Teollisuuden ja Työnantajain Keskusliitto* (TT; the Confederation of Finnish Industries and Employers) was formed through the merger of the STK and the peak-level trade association in 1992. Finally, the present-day *Elinkeinoelämän Keskusliitto* (EK; the Confederation of Finnish Industries) was established when the TT merged with the service sector employers' association in 2005 (Figure 1).

Our study involves a thorough analysis of the archived documents produced by these organisations. The data corpus upon which our results are primarily based was collected as part of a Finnish language book project conducted from 2016 to 2020 (Wuokko, 2020). The data consist of thousands of archived documents, mainly board minutes, produced by employers' peak organisations, STK, STKV, TT, and EK, between the turn of the 1960s and 2010.[1] These collections are held by *Elinkeinoelämän Keskusarkisto* (ELKA, the Central Archives for Finnish Business Records). We had access to EK archive material up to 2010, and from then on, we utilised publicly available sources, such as media sources, online press releases, blog posts, and memoirs. While public sources give us limited insight into what was happening behind closed doors, they do reveal the issues that the actors wanted to highlight. Additionally, we can draw on earlier research (e.g. Kaitila, 2019) and books authored by journalists with access to key labour market figures (e.g. Korhonen, 2018).

The historical research method relies on a careful reading of the data corpus and the selection of relevant documents that can contribute to the research question. For the purposes of this article, we selected documents that elaborate on the policies and preferences of employers' peak organisations regarding labour market centralisation and co-operation with peak trade union(s). Furthermore, we analysed the factors that determined employers' policy choices through contextualisation.

Since our focus is on understanding employers' motivations and strategic efforts, we do not rely on formal elaborations or quantitative analysis. Instead, we adopt a qualitative approach aimed at achieving 'another kind of rigor through the gathering and analysis of historical evidence' (Swenson, 2002, p. viii). We do not draw conclusions, for example, by identifying the occurrence of certain words in the source material, but by studying the beliefs and worldviews expressed in the text. Analysing concepts, meanings, and beliefs in labour market history requires

[1] *Suomen Teollisuuden Keskusvaliokunta* (STKV, the Central Committee of Finnish Industry) was a discussion arena for the representatives of the STK and Finnish industry's trade associations.

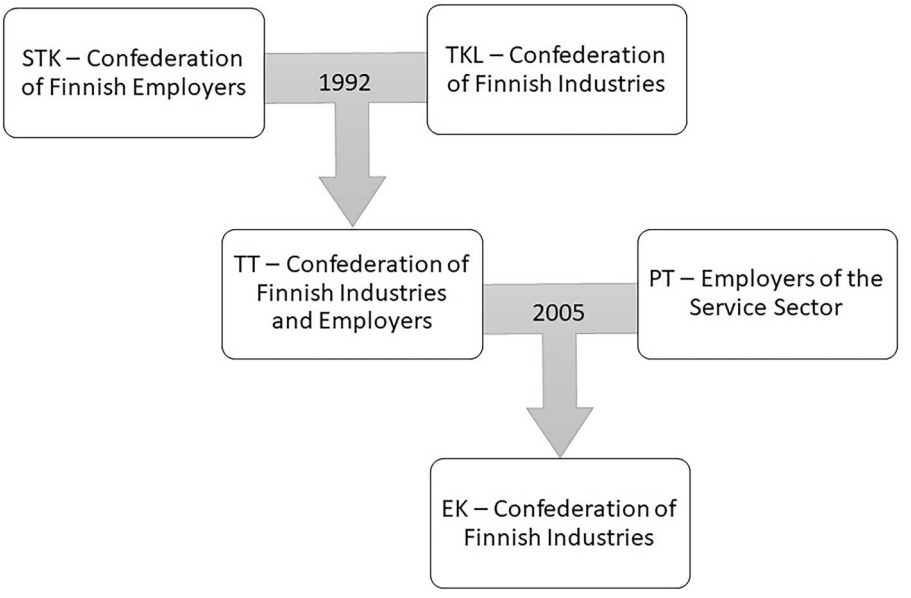


Figure 1. Organisational development of Finnish peak employer associations.

knowledge of the language used in this niche of society and economy. Employers' preferences are vocalised in various ways in the data, usually as implicit indications, but occasionally in a more explicit manner.

Our approach follows the core methods of historical research: hermeneutics, triangulation, and contextualisation (Kipping et al., 2014). Triangulation of data, which involves comparing and corroborating documents, ensures that the results are not based on anecdotal evidence. The analysis has advanced as an iterative, hermeneutical process in which we have situated the sources both in their historical context and in relation to the other documents under study. The research process and methods have created an overall analysis of how employers' preferences regarding the centralisation of bargaining have evolved in Finland since the 1960s. In contextualising our findings from the primary sources, we have found invaluable assistance in earlier scholarship on Finnish labour market history (e.g. Bergholm, 2009, 2012; Mansner, 1990, 2007; Pietiäinen, 1995, 2009) and in historical and social scientific research on industrial relations elsewhere in Europe (e.g. Baccaro & Howell, 2017; Brandl & Lehr, 2019; Kjellberg, 2023; Traxler, 2004).

The following four empirical sections broadly align with the periodisation established in earlier literature. We first trace the consolidation of centralised bargaining in the 1970s, followed by employers' growing criticism in the 1980s, in line with broader international trends. From the 1990s to the 2010s, Finnish developments and employer policies diverged from transnational patterns before realigning with them toward the late 2010s and early 2020s.

4. The era of comprehensive incomes policy

Eley (2012) has characterised the two decades following the Second World War as the 'postwar settlement' era in Western Europe. During this period, the relationships among employers, employees, and the state were reconfigured, and organised labour gained significant influence in society. One of the key outcomes of this settlement was the establishment of tripartite bargaining and decision-making, which encompassed a social pact covering wages and a broad range of labour market issues. Finland followed the Western European trend, with neighbouring Sweden offering

a notable example of centralised wage bargaining led by the peak labour market organisations between the 1950s and 1980s (Karlson & Lindberg, 2014, p. 17).

In the early 1960s, the SAK and the STK started creating centrally coordinated 'framework agreements' (Kyntäjä, 1993, pp. 105–108; Mansner, 1990, pp. 242–272). Although formally only recommendations for the peak associations' members, these framework agreements can be considered as a form of 'decentralised coordination', akin to the organised decentralisation of the 1980s and the 1990s characterised by Traxler (2004, p. 583).

The STK estimated in the mid-1960s that centralised bargaining could lead to more acceptable agreements than negotiations between industry-level associations. At the level of peak organisations, negotiators from the peak trade union were viewed as more moderate in their demands compared to those at the sectoral level.[2] Therefore, in negotiations with the SAK, the STK should support a centralised solution because 'the breakdown of negotiations and a pursuit of sector-specific agreements would lead to strikes and other difficulties, which would undoubtedly result in a significantly worse outcome for all'.[3]

The Finnish state did not directly intervene or encourage strengthened co-operation among labour-market parties. However, fear of state intervention in labour market issues motivated the STK to cooperate with the SAK. According to STK leadership, 'the doings of the Parliament were hard to predict',[4] and decisions by the parliament and/or government might turn out to be both undesirable and costly.[5] Compromises negotiated between the SAK and the STK seemed like a more desirable way to decide upon labour market reforms (Bergholm, 2009).[6]

Since neither the Social Democratic Party (SDP) nor the Agrarian League/Centre Party, the two dominant political forces during most of the Cold War era, represented employers' interests, the prevalence of centre-left cabinets further encouraged the STK to invest in tripartite corporatist decision-making. This approach allowed the association to exert more influence than decisions made solely by the government and parliament. Employers' conviction deepened following the parliamentary election of 1966, in which left-wing parties won an overall majority. Although the electoral success of leftist parties entered a slow but steady decline from the next election onwards, this declining trend was not apparent to contemporaries (Kotkavuori, 2011). Waara (2017, p. 48) has observed a similar dynamic in mid-1930s Sweden, where the employers' organisation SAF opted to negotiate with the central trade union LO, viewing it as 'the lesser evil' compared to legislation imposed by the Social Democratic-led parliament and government.

The postwar trend towards deeper centralisation culminated with the adoption of comprehensive incomes policy in Finland, inspired by broader European trends. In the early 1960s, the Organisation for Economic Co-operation and Development (OECD) began promoting the coordination of income and prices to facilitate economic growth and curb inflation. The OECD recommended collaboration among state authorities, trade unions, and employers to ensure that wage increases align with productivity gains (OECD, 1962). This approach was embraced across Europe, leading to national variations in tripartite corporatism. These ranged from compulsory wage and price freezes in Denmark and the United Kingdom to voluntary incomes policy agreements in Austria, the Netherlands, and Norway (Marks, 1986, pp. 254–255, 270–273).

After a significant devaluation of the Finnish Mark in late 1967, which threatened to trigger a wage-price spiral, the Social-Democrat-led cabinet initiated discussions on the adoption of incomes policy. The first comprehensive Finnish incomes policy agreement was signed in March 1968 by all major interest associations: the SAK, the STK, and ten other organisations representing service sector employers, agricultural employers and producers, and white-collar workers (Mansner, 1990, pp. 277–288). These interest groups agreed on wage increases, agricultural income, and several

[2]ELKA, STK, Proceedings, Board, 29 January 1966.
[3]ELKA, STK, Proceedings, Board, 3 January 1964.
[4]ELKA, STK, Proceedings, Board, 22 September 1960.
[5]ELKA, STKV, Proceedings, 2 July 1958.
[6]ELKA, STK, Proceedings, Board, 25 May 1965.

social and labour market policy reforms. The government endorsed the agreement by committing to refrain from increasing taxes and public expenditures (Helsingin Sanomat, 1968, p. 12). This type of government facilitation exemplifies the increasing state intervention in wage policy in Europe during the 1970s, as noted by Traxler (2004, p. 577).

Employment relations issues were intertwined with broader economic and social policies in the comprehensive incomes policy agreements. These agreements were applied to virtually all employers and wage earners, covering a wide range of issues, including wages, other terms of employment, price regulation, agricultural prices and income, taxation, and social security benefits (Kettunen, 2006, pp. 308–309; Kiander et al., 2011, p. 522, 528). The introduction of universal applicability in the Contracts of Employment Act of 1970 further strengthened the encompassing nature of these bargains. Today, the universality clause remains in effect, defining working conditions even for employees in companies unaffiliated with employer associations.[7]

The recipe for a comprehensive incomes policy was repeated several times in the following decades. In fact, by 2008, when the peak employers' association EK announced its withdrawal from incomes policy, a total of twenty comprehensive agreements had been concluded since 1968. However, it is worth noting that even during this golden age of incomes policy, comprehensive agreements were neither mandatory nor the only option. From 1968 to 2008, sectoral-level negotiation rounds took place in 1973, 1980, 1983, 1988, 1994, 1995, and 2000, between the nationally concluded comprehensive agreements (Mansner, 2007, pp. 309–312).

The centralised solutions reached by the SAK and STK were not binding on sectoral-level trade unions and employers' associations, which were ableto opt out of these agreements during their own negotiations on the application of the peak organisations' agreement. In practice, opting out always meant higher wage increases in those sectors, usually in male-dominated export industries, where workers had a strong bargaining position. On the other hand, employers themselves often allowed wage drift, that is, gave their employees larger wage increases than those stipulated in the centralised agreements – again a phenomenon that was particularly characteristic of export industries. We therefore suggest that even in its heyday, the Finnish incomes policy ultimately represented only 'surface centralisation', in which labour market parties' commitment to centralisation was limited to peak associations, while sectoral and local level actors often deviated from peak associations' agreements.

Employers expected the incomes policy to secure Finnish competitiveness and the favourable development of the national economy. Furthermore, it was supposed to keep inflation and government expenditure in check, maintain industrial peace, and limit wage increases to productivity increases.[8] Reaching these strategic goals came with a price in the form of wage and tax increases and the expansion of welfare expenditure (Kiander et al., 2011, p. 520, 523). However, the reality of incomes policy disappointed employers. The comprehensive agreements failed to control inflation or secure moderate wages and industrial peace. Finland held one of the top positions in international strike statistics during the 1970s (Bergholm, 2012, p. 209). Inflation reached double-digit figures between 1973 and 1977 (Rautio, 2008), and although productivity grew on average by 4 percent annually, wage increases outpaced this growth (Mansner, 2007, p. 154, 196).

Nevertheless, employers favoured centralised agreements over decentralisation. The Finnish economy, like other Western market economies, faced numerous challenges: oil crises, economic growth slowdowns, galloping inflation, and skyrocketing unemployment. Despite the shortcomings of comprehensive incomes policy agreements, employers considered them a lesser evil during these challenging times, viewing centralised bargaining as a better safeguard against unnecessarily large wage increases compared to sectoral-level agreements.[9]

[7]Unaffiliated employers operating in a certain sector must comply with the provisions of the collective agreement if around half of the sector's employees work for employers affiliated with the relevant employer organization.

[8]ELKA, STKV, Proceedings, 16 February 1970; ELKA, STKV, Proceedings, 16 February 1970 and 24 November 1971.

[9]ELKA, STK, Proceedings, Board, 16 February 1975 and attached press release, dated 15 February 1975; see also ELKA, STK, Proceedings, Board, 24 November 1971, 9 March 1974; ELKA, STKV, Proceedings, 25 January 1973 and 4 April 1973.

Another significant motivation for the STK to favour centralised agreements was the desire to ensure social stability and order (Bergholm, 2012, p. 506; Pietiäinen, 1995, pp. 290–291). As Wuokko (2017) has highlighted, political and social sentiment in Finland leaned left in the late 1960s and the early 1970s, mirroring trends observed in other Western countries. The leftist zeitgeist contributed to the expansion of welfare services and increased state intervention in the economy. Additionally, radical communist ideologies gained prominence among students, the cultural and intellectual elite, and the trade union movement in Finland.

During the 1970s, employers' assessments of the utility of centralised bargaining were influenced by the perceived threats of statism and communism. STK executives feared that communists within trade unions might collaborate with the Soviet Union and initiate strikes that could escalate into a full-fledged revolution.[10] In hindsight, we can see that the threat of revolution was far-fetched. Nevertheless, the Finnish business community took it seriously, to the extent that this perceived threat not only suppressed discontent within the STK towards comprehensive incomes policy but also positioned the association as one of its staunchest proponents.

5. Cracks in the centralised system

Following the oil crises, a wave of economic thinking that emphasised economic liberalisation and market-oriented policies gained traction internationally from the early 1980s onwards. This shift led to the scaling down of welfare state systems, privatisation of state-owned enterprises, loosening of economic regulations, and deregulation of banking systems (Berend, 2012, pp. 412–415). While corporatist policies and union membership rates declined across Western Europe, Finland's development in the 1980s deviated from this trend.

During this period, Denmark, along with the rest of Western Europe, experienced increasing decentralisation in the form of sectoral- and company-level agreements, whereas centralisation continued in Sweden, Norway, and Finland (Andersen et al., 2015; Baccaro & Howell, 2011, p. 526, 533; Kjellberg, 2023, p. 16; Traxler, 2004, p. 583). In Finland, sectoral-level agreements were reached in only three bargaining rounds (1980, 1983, and 1988); even then, the peak associations closely coordinated the bargaining process.

Nevertheless, criticism of comprehensive incomes policy intensified in Finland. As early as 1976, Pentti Somerto, CEO of the STK, raised doubts about the utility of 'expensive centralised agreements' and challenged the STK board to consider 'on what grounds should we even continue – comprehensive incomes policy'.[11] The discontent within the STK became more pronounced during the 1980s, aligning with Traxler's (2004, p. 577) observation that incomes policy was losing ground across Europe due to unsatisfactory outcomes. Surface centralisation, where unions and employer associations did not adhere to centralised agreements, was a significant source of frustration for STK leadership. As Director Seppo Riski put it, 'centralised comprehensive incomes policy – is as flimsy as a rotten floor'.[12]

It is likely that the STK's critique was also influenced by the pro-decentralisation attitudes prevalent among employer circles in Western Europe. Finnish employers maintained regular contacts with organisations such as the *Union des Industries de la Communauté Européenne* (UNICE) in the EEC and the *Business and Industry Advisory Committee* (BIAC) in the OECD (Mansner, 1990, pp. 60–61).[13]

[10]ELKA, STK, Proceedings, Board, 5 December 1970; Executive Committee, 25 February 1971.
[11]ELKA, STK, Proceedings, Board, 17 June 1976.
[12]ELKA, STK, 1259, Small Collective Agreement Committee (*Pikku-TES-valiokunta*) 1986–1987, Seppo Riski: Muutama näkökohta neuvottelumenettelystä [A few remarks on the negotiation procedure], dated 28 April 1987.
[13]ELKA, STK, 1252, Collective Agreement Committee (*TES-valiokunta*) 1986, Filip Hamro-Drotz: Lyhyesti työnantajain/teollisuuden eräistä kansainvälisistä foorumeista [Brief Overview of Certain International Forums for Employers/Industry], dated 3 November 1986.

Consequently, Finnish employers began to reevaluate their paradigms. While comprehensive incomes policy had been associated with economic efficiency since 1968, after more than a decade of experience, employers started to view centralised bargaining as the opposite of efficiency. It was seen as expensive and inflexible, offering one-size-fits-all solutions that did not adequately serve the varying interests of different sectors.[14] Of particular importance to employers would have been to separate negotiations for export industries from those of the private and especially public service sectors. According to employers, these sectors should not have automatically received the same level of wage increase as the export industry, but centralised agreements treated all sectors uniformly.[15]

Our data indicate that during the 1980s, employers' preferences regarding the level of centralisation diverged from the actual industrial relations system in which they operated. Internally, the STK engaged in repeated discussions that challenged the Finnish corporatist system and expressed an interest in decentralised wage bargaining. The STK aimed to move away from the top-down comprehensive incomes policy towards sectoral or company-level decision-making regarding wages and other employment terms.[16] 'The current centralised system should not be continued', the employers concluded in 1987.[17] The STK even pointed out that the Soviet Union, under Gorbachev's perestroika policy, was transitioning from centralisation to decentralisation, and questioned why Finnish industrial relations should remain centralised.[18]

However, the STK refrained from publicly expressing this critique, because 'difficulties may arise if we try to push through decentralisation' too forcefully.[19] According to STK's assessment, trade unions and public opinion did not support a change in the IR system.[20]

The turn of the 1990s brought profound changes to the Finnish political economy. An international economic recession negatively affected the Finnish economy. Additionally, the collapse of the Soviet Union led to the loss of a significant export market for the Finnish industry; Finnish-Soviet trade had accounted for 14 per cent of Finland's foreign trade in the latter part of the 1980s (Kivikari, 1995). Furthermore, the demand for Finnish export products in the Western European market declined, and the liberalisation of the Finnish economy in the 1980s resulted in an overheated market and a banking crisis (Kangas, 2019, p. 154). The deep economic depression in Finland lasted until the mid-1990s. Industrial production plummeted, the stock market crashed, and real estate prices dropped significantly. Numerous companies went bankrupt, and unemployment in the country, which had a population of five million, soared to half a million (Mansner, 2007, pp. 217–222).

While these circumstances were disastrous for many companies, they provided employers with a strategic advantage over trade unions. The depression seemed to create an opportunity for the reorientation of Finnish industrial relations. Retrenchment policies and high unemployment temporarily weakened the position of trade unions, giving employers a chance to reform labour market policies and the content of collective agreements. 'Politically, time is working on the side of employers', noted Krister Ahlström, Chairman of the STK.[21] These exceptional times could lead to a redistribution of political power in labour relations and a transformation of the IR system towards decentralisation, which had become the preferred approach of employers, at least in principle.

In practice, Finnish employers continued with centralised bargaining. The prerequisites for national-level employer representation only grew stronger when the STK merged with the peak trade association of Finnish industry in 1993, forming *Teollisuuden ja Työnantajain Keskusliitto*

[14]ELKA, STK, Proceedings, Board, 26 May 1982, 2 November 1983, 27 May 1987, and 28 January 1988.
[15]ELKA, STK, Proceedings, Board, 26 May 1982; ELKA, STK, 1251, Collective Bargaining Committee 1986–1987, Pentti Somerto: Neuvottelujen strategiasta [On the strategy of negotiations], dated 28 April 1986.
[16]ELKA, STK, Proceedings, Board, 26 May 1982 and Board, 2 November 1983.
[17]ELKA, STKV, Proceedings, 1 September 1987.
[18]ELKA, STK, Proceedings, Board, 24 September 1989.
[19]ELKA, STK, Proceedings, Board, 24 September 1987.
[20]ELKA, STK, Proceedings, Board, 28 August 1985 and 27 May 1987.
[21]ELKA, STK, Proceedings, Board, 21 August 1991.

(TT). It aimed to shift from 'defense to pressure and offensive'.[22] While the TT sought to maintain its position as the leading organisation representing Finnish employers in labour market matters and broader political issues, it also aimed to introduce greater flexibility and delegate wage-setting power to its members, namely, sectoral associations. In Sweden, employers' confederation SAF had withdrawn from centralised bargaining in 1990 (Kjellberg, 2023, p. 16). This development was closely observed by Finnish employers, who traditionally kept a close eye on Swedish trends in industrial relations.

However, Finnish employers failed to achieve their goal of decentralising collective bargaining from the national to sectoral level. Despite some support from the centre-right government of Esko Aho (the Centre Party), the prevailing political currents did not provide sufficient momentum for the TT to reshape the Finnish IR system. Trade unions were bolstered by the high trade union density rate, peaking at 78.5 percent in 1994 (Ahtiainen, 2023), which was not only the highest in Finnish history but also exceptional by international standards. This support enabled them to organise large-scale protests involving hundreds of thousands of strikers and to reject the most radical government initiatives and unfavourable demands from employers that would have undermined labour interests (Sahari, 2020, pp. 303–325; Korhonen, 2011, p. 9, 121–134).

6. New dawn for comprehensive agreements

When the Finnish economy started growing again, thanks to a devaluation of the currency and the revival of exports, peak employee and employer organisations concluded a series of national-level comprehensive incomes policy agreements. Simultaneously, Finland joined the European Union (1995) and further liberalised its economic system.

Despite liberalising trends, the Finnish state retained a substantial capacity to influence labour market developments and demonstrated a willingness to support national-level bargaining. The revitalisation of the centralised IR system can also be partly attributed to the close links between trade unions and leftist parties, specifically the Social Democrats and the Leftist Alliance. During the centre-right government led by Esko Aho (1991–1995), there was an open conflict between the government and trade unions. Conversely, the two broad coalition governments led by Social Democrat Paavo Lipponen (1995–2003) avoided conflicts with trade unions, which were often led by members affiliated with leftist parties. These trade unionists, active in party politics, had covertly supported the formation of Lipponen's first coalition government.

The new Lipponen government and labour market organisations immediately began planning a new comprehensive incomes policy agreement, which was signed in September 1995. Minutes from the TT board meetings reveal that employers felt compelled to participate despite their principled opposition to centralised agreements. 'In principle, we have been against centralised agreements', stated Georg Ehrnrooth, Chairman of the TT.[23] Johannes Koroma, the managing director of the TT, explained to the board that employers had a choice: they could either participate in national efforts to improve the economy or be cast as 'national troublemakers'.[24]

Although it was difficult for the employers to accept the agreement, it guaranteed them substantial benefits: low and gradual salary increases and, equally importantly, the support of the trade unions for Finland's membership in the European Monetary Union (EMU), which was a significant goal for Finnish business at the time.[25] In addition to promoting low inflation, EMU membership also resulted in lower interest rates for businesses and strengthened ties with crucial Western European markets.[26] (Korhonen, 2018, p. 12; Blom, 2018, pp. 182–195). EMU, and particularly the

[22]ELKA, TT, Proceedings, Board, 11 January 1995.
[23]ELKA, TT, Proceedings, Board, 21 August 1995.
[24]ELKA, TT, Proceedings, Board, 16 May 1995.
[25]ELKA, TT, Proceedings, Executive Committee, 25 April 1995.
[26]ELKA, TT, Proceedings, Board, 3 December 1997.

introduction of the common currency, the euro, increased pressure on labour market actors to maintain competitiveness and adapt to macroeconomic changes (Marginson, 2015, p. 108). Finland no longer had a national currency which could be devalued to improve competitiveness (Kangas, 2019, p. 172). Previously, devaluation had often been the country's policy response to solve its economic problems.

Following 1995, subsequent agreements were established. The government provided 'deal sweeteners', such as tax breaks, to encourage trade unions and employers to accept national-level collective agreements (Jonker-Hoffrén, 2019, p. 199). For example, in 2004, Social Democratic Minister Antti Kalliomäki proposed abolishing wealth tax as an incentive to gain employers' support for a new comprehensive incomes policy agreement. This proposal was particularly appealing to capital owners and successfully secured a centralised agreement lasting 2.5 years (Jensen-Eriksen, 2020, p. 358).

In contrast, the decentralisation process in Sweden culminated in the *Industriavtalet* (Industry Agreement) of 1997. This agreement solidified an export-led model by linking wage increases to productivity gains in the manufacturing sector (Andersen et al., 2015; Bergholm & Bieler, 2013). A similar shift occurred in Denmark during the 1990s, where the manufacturing industry assumed a norm-setting role in wage negotiations. Norway followed suit in 2000 with the adoption of the 'front runner model', in which the export-oriented manufacturing industry sets the norm for collective bargaining (Kjellberg, 2023, pp. 17–20). The incipient Swedish development gave Finnish employers much to consider. Jaakko Rauramo, CEO of the major Finnish media company Sanoma, questioned in 1993: 'Should we, like Sweden's SAF, completely cease acting as a party in the labour market?'[27] Despite these considerations, the TT leadership chose the path of 'evolution, not revolution' to pursue their objectives regarding the decentralisation of the Finnish IR system.[28]

Thus, in the early 2000s, Finnish corporatism appeared strong and resilient. However, despite appearances, many employers were dissatisfied. Small and medium-sized enterprises (SMEs) and service sector firms argued that they could create more jobs if their interests were better represented in comprehensive incomes policy agreements. However, negotiation traditions were rigid and exclusive, with 'outsiders' not welcomed at the negotiation table. Many SMEs channelled their lobbying efforts through the *Suomen Yrittäjät* (Finnish Entrepreneurs) association, which remained outside the centralised bargaining system. These firms were unhappy with their weak position, feeling that large manufacturing companies wielded too much power and influence over labour market issues (Jensen-Eriksen, 2020, pp. 342–351, 354; Pietiäinen, 2009, p. 182, 280).

Insiders were also not entirely satisfied. As the Finnish business environment became increasingly globalised, employers' criticisms grew louder, particularly in the two main sectors of the Finnish industry. Executives in the forest and technology sectors, which had traditionally been at the core of Finnish corporatism, no longer wanted to support this system. Leaders in the paper industry voiced particularly strong complaints about the inflexibility of comprehensive incomes policy, sectoral agreements, and trade unions. The relations between employer and employee associations in the paper industry had already been notably tense for a long time (Siltala, 2018, pp. 356–370; Korhonen, 2018, pp. 64–71).

Technology Industries of Finland, representing the largest and increasingly global sector in the country, criticised the corporatist system for its poor alignment with the internationalised economy and global competition. In 2005, the peak employers' association TT merged with the service sector employers' association to form *Elinkeinoelämän Keskusliitto* (EK), which quickly became a strong advocate of decentralisation.[29] Led by the 'hawks' from Technology Industries, EK's agenda aimed to decentralise the IR system, limit wage competition between firms, and promote company-level bargaining on wages and working conditions (Korhonen, 2018, pp. 105–107; Blom, 2018, pp. 231–233, 469).

[27]ELKA, TT, Proceedings, Executive Committee, 8 June 1993.
[28]ELKA, TT, Proceedings, Executive Committee, 20 August 1998.
[29]ELKA, EK, Proceedings, Board, 18 January 2007.

During the late 1990s and the 2000s, Finnish companies emphasised their need to adapt to globalisation. Consequently, one might easily assume that the quest for economic efficiency was the overriding consideration for employers in labour market issues. However, the continued strength of state capacity offers a more comprehensive explanation of employers' behaviour. Centre-left governments, which maintained strong links with trade unions, persuaded employers to engage in national-level bargaining. While this arrangement brought substantial economic benefits to employers, they also felt, as one of the country's leading industrialists, Antti Herlin later articulated, that trade unions were setting the agenda – a situation that companies sought to change (Blom, 2018, p. 469, note 1128). Furthermore, SMEs and service sector employees grew increasingly frustrated due to their lack of influence on comprehensive agreements.

When the employers' peak organisation began implementing decentralisation, it opted to eliminate national-level bargaining with trade unions while maintaining national-level co-operation among employers themselves.[30] It was deemed necessary for the employers' confederation to coordinate among its members and to establish a 'negotiation cartel' to unite their forces.[31] These strategies aligned Finland with other Nordic countries, where a similar process of organised decentralisation within the framework set by peak associations was taking place (Andersen et al., 2014; Ilsøe, 2012).

7. Death, resurrection, and re-death

The financial crisis of 2008 triggered a period of low growth and budgetary deficits, which prompted Finnish governments to implement austerity measures. These made the country's welfare state 'leaner and meaner', as Kangas (2019, p. 154) has summarised. Several scholars (e.g. Brandl & Bechter, 2019; Kornelakis & Voskeritsian, 2014; Marginson, 2015) have noted that the financial crisis also accelerated the decentralisation of IR systems in EU countries. Whether this observation applies directly to the Finnish case is debatable. It is true that in spring 2008, coinciding with the financial crisis, the EK decided that it would no longer negotiate comprehensive incomes policy agreements with peak employee organisations. The ensuing 'death of corporatism' was widely reported in the Finnish media. However, rather than being a cause of the financial crisis, the EK's decision in 2008 was a result of policy led by the EK's 'decentralisation hawks' since the turn of the 2000s.

In 2008, the EK closed its collective bargaining unit and made it clear to peak employee organisations, the government, and Finnish society at large that it would no longer participate in national-level bargaining. Instead, it aimed for industry- and company-level agreements. Nevertheless, coordination was still needed among the employers to control wage competition and to reinforce 'the unity of the employers – against the improving bargaining power of the employees' peak organisation'.[32] In 2008, the EK members established a 'wage anchor', similar to the Swedish *Industriavtalet* of 1997, in which wage increases in the technology industry served as a reference point for wage increases in other sectors (Kuorelahti, 2020, p. 370).

Wage negotiations were conducted at the sectoral level during 2009–2010, but the results were unsatisfactory. The wage anchor did not hold, and employers engaged in wage competition. Concurrently, the competitiveness of the Finnish industry declined, economic growth stalled, fiscal sustainability weakened, and both unemployment and the frequency of business bankruptcies and strikes increased. With the economy declining, the government offered a traditional remedy: wage negotiations between employers' and employees' peak organisations. It even offered business income tax benefits for the employers (Kuorelahti, 2020, pp. 370–377).

The pressure to find solutions to the economic depression intensified and culminated in 2011. The peak organisations for employers and employees returned to national-level bargaining with

[30]ELKA, EK, Proceedings, Board, 16 April 2008 and memorandum 'EK:n tehtävät ja organisaatio uudessa työmarkkinoitten toimintamallissa' [The tasks and organisation of EK in the labour market's new operations model], and 21 August 2008.
[31]ELKA, TT, Proceedings, Executive Committee, 22 November 2001, 13 December 2001, and 15 August 2002.
[32]ELKA, EK, Proceedings, Board, 12 March 2008 (citation) and 16 April 2008.

the assistance of Jyrki Katainen's (National Coalition Party) grand coalition between conservatives and Social Democrats. The return to the old model was facilitated by two factors. Firstly, even though the EK had closed its collective bargaining unit it had not changed its statutes and was therefore institutionally still able to engage in national-level bargaining, and secondly, the leadership changed within the EK. The decentralisation 'hawks' who had led the EK board during the economic boom of the early 2000s were replaced by new leaders. They navigated in a changed economic landscape where the government abandoned its previous emphasis on innovation and new technology as the primary means to enhance the Finnish industry's competitiveness. Instead, it now prioritised reducing unit labour costs (Kaitila, 2019, pp. 47–50; Sauramo, 2014, pp. 48–53). The EK signed centralised tripartite wage agreements in 2013 and 2016. However, the agreements could no longer be referred to as 'incomes policy' because employers had already made a principled decision to abandon this approach and were therefore severely allergic to the term.

The latest, and for the time being, the last national-level wage agreement in Finland was signed in 2016 under the title 'Competitiveness Pact'. Aimed at enhancing Finland's economic competitiveness, the pact sought to reduce labour costs and increase working hours without additional compensation. The negotiation process from which this pact emerged was exceptional in two ways. First, the government's grip on the negotiations of 2015–2016 was unusually strong. Kaitila (2019) has even suggested that the Finnish labour market moved in a neo-statist, top-down direction. The centre-right government, led by the Centre Party's Juha Sipilä, explicitly and repeatedly stated that if negotiations between labour organisations failed, the government would enact legislation to extend uncompensated working hours.

Second, during the dramatic negotiation process, the EK decided to amend its statutes so that the Competitiveness Pact would be its last centralised agreement. For years, national-level bargaining had not aligned with employers' preferences, who instead aspired to grant firms and sectors autonomy to negotiate independently. The EK's revised statutes took effect in spring 2016, following the signing of the Competitiveness Pact. This decision was cemented in 2017 when the EK confirmed that it would not renew existing confederation-level agreements. Henceforth, negotiations on employment terms would be conducted by individual sectors or companies (Kuorelahti, 2020; Kaitila, 2019, pp. 62–63; Jokinen, 2017).

Although the content of the Competitiveness Pact was favourable to employers, its centralised format was not to their liking. Despite the change in statutes, the EK's return to national-level bargaining triggered a crisis within the organisation. As a result of these internal conflicts, the Finnish Forest Industry, a traditionally strong sector within the peak employers' association, exited the EK in 2017 (Kuorelahti, 2020, pp. 406–407). In 2020, the Finnish Forest Industry further distanced itself by ceasing to coordinate collective agreements within its own sector, leaving responsibility entirely to individual companies (Wuokko, 2024).

The technology industries, whose labour force is more than eight times larger than that of the forest sector, took a different direction.[33] In spring 2021, Technology Industries of Finland was divided into two. The parent organisation, Technology Industries of Finland, continued to serve as the main lobbyist and welcomed all companies in the sector that preferred company-specific collective agreements. Furthermore, a new organisation, Technology Industry Employers of Finland, was established to negotiate sectoral collective agreements on behalf of its member companies (Teknologiateollisuuden työnantajat, 2021). Within a couple of years, 65 percent of the members of Technology Industries had also joined the new employers' organisation (Teknologiateollisuuden työnantajat, 2023). By early 2022, Technology Industry Employers had negotiated eight sectoral collective bargaining agreements with four different trade unions. However, CEO of the Employers' Federation of the Technology Industry Jarkko Ruohoniemi (2021) emphasised that opportunities for company-level agreements should also be promoted within sectoral agreements.

[33]The forest sector directly employs 40,000 people (Metsäteollisuus, n.d.), while the technology industry employs nearly 340,000 people (Teknologiateollisuus, 2023).

Ruohoniemi effectively encapsulated a key tactic of Finnish employers in the early 2020s to promote decentralised bargaining. First, they have sought to increase opportunities for local or company-level bargaining by agreeing in sectoral collective agreements on matters that can be independently decided at the workplace. Another tactic of employers has been to lobby for legislation that promotes local bargaining. This effort took a significant step forward when the right-wing government of Prime Minister Petteri Orpo (National Coalition Party) came to power in the summer of 2023. The government programme included many long-term goals that are important to Finnish employers, such as curbing the right to strike and increasing the possibility of company-level bargaining through legislative means (Wuokko, 2024).

Detachment from centralised bargaining has not diminished the EK's significance as a lobbyist and as a political and societal actor more broadly. The EK continues to enjoy privileged access to decision-makers and plays a crucial role in policy preparation and implementation (Vesa et al., 2018). This observation aligns with the analysis by Brandl and Lehr (2019), who note that business and employer associations have remained strong and influential, in contrast to the declining density and influence of trade unions; union density in Finland has decreased to around 55 per cent in the early 2020s (Ahtiainen, 2023).

Moreover, the EK has maintained a strong hold on sector-specific employers' associations as they move towards bargaining decentralisation. The peak employer association has sought to closely coordinate the level of wage increases in the agreements concluded by its member organisations. The guiding principle of this coordination is export-driven competitiveness, which dictates that other sectors should not exceed the cost impact of export-industry agreements. The Finnish case supports earlier assertions (Andersen et al., 2015; Dølvik et al., 2018) that in the Nordics, the shift away from centralised bargaining has manifested as 'organised decentralisation' spearheaded by peak-level associations.

To bring the discussion full circle from the 'surface centralisation' of the 1960s, the prevailing bargaining model in Finland in the 2020s can be described as 'surface decentralisation' reflecting the employers' confederation's firm grip on the decentralisation process. While the Finnish IR system of the early 2020s appears decentralised on the surface, a closer examination reveals strong coordination on the employer side. The peak association nominally delegates decision-making power to its members but, in practice, strives to keep them and their negotiated agreements aligned. As Jyri Häkämies, CEO of the EK, has described (2022):

> The EK is not out of the labour market negotiations but rather the table where we jointly agree on the employers' objectives for the round and ensure that the opening for exports is not exceeded. – We are still the employers' confederation, with the caveat that wage negotiations have been delegated to the unions.

The Orpo government's decision to cement the export-driven model into legislation represents a similar development trajectory. New legislation requires the national conciliator to align settlement proposals with the wage level set by the export industry and limits the scope for exceeding this 'industry norm'. The developments in Finland align with broader trends in Europe, where the state's role in labour market governance has strengthened (Karlson & Lindberg, 2014; Marginson, 2015; Meardi, 2018). In countries such as Greece, this has involved the state directly imposing decentralisation on industrial relations (Voskeritsian et al., 2020), while the Finnish case has been less dramatic. Here, the shift has been more gradual, but the trend towards greater state involvement and the weakening of traditional collective bargaining structures remains similar. We suggest that such strong guidance from both employers and the government in promoting decentralised bargaining represents only 'surface decentralisation', although from the perspective of the trade union movement, it signifies a considerable erosion of influence and negotiating power.

8. Conclusions

This study has examined the engagement of Finnish employers with the centralised bargaining system from the 1960s through the early 2020s. We explored the motivations that have influenced

employers to either support or move away from centralised bargaining, the practical opportunities or constraints they faced in implementing their preferences, and the evolution of employers' perceptions of centralised bargaining over time. Furthermore, the article assesses whether and to what extent Finnish industrial relations practices mirrored or diverged from broader European patterns.

An examination of the history of Finnish industrial relations (IR) and employer policies reveals several factors that incentivised Finnish employers to engage in centralised wage bargaining. These include economic and fiscal policy goals, as well as broader political and societal considerations that have shaped their strategies. Centralisation brought employers substantial benefits, such as 'buying' social peace during the leftist-leaning 1970s and maintaining the price competitiveness of Finnish exports in increasingly global markets since the 1990s. Additionally, Finnish governments have incentivised national-level bargaining, for instance, with tax breaks, making it challenging for employers to disengage. Consequently, Finnish employers remained committed to centralised bargaining through the late twentieth century and into the early 2000s despite their preference-in-principle for decentralisation.

Earlier scholarship notes that employers' policies do not always follow the theoretical assumptions and that they are not even necessarily rational (Traxler, 2003, p. 19; Voskeritsian et al., 2020, p. 691). We concur but want to stress a further observation that, if pragmatic calculations overrun these preferences, the employers do not always adhere to their stated principles. This complexity challenges simplistic models of employer preferences and highlights the need for historical and context-aware analysis of industrial relations.

Another key conclusion of this study is that Finnish employers have consistently benefited from the centralised bargaining system, which has motivated their sustained participation. However, they have not merely been passive beneficiaries. Rather, they have actively shaped the system to serve their own interests. Despite employers' criticisms regarding the system's rigidity, its longevity is largely due to its inherent flexibility and capacity to adapt to the evolving economic and social demands of each era. Even today, employers effectively sustain a partially centralised system through coordination within their ranks. By strategically aligning their actions, they uphold a form of centralised bargaining, albeit disguised as decentralisation. A balance between taking collective action and accommodating individual enterprises' needs ensures that the system remains relevant and beneficial to employers.

In recent years, Finland has adopted more decentralised labour market practices, as employers seek greater labour market and bargaining flexibility. The incumbent Orpo government has provided crucial momentum for employers' long-term objectives of decentralisation, aligning Finnish industrial relations more closely with European IR systems. The Finnish case lends support to scholarship emphasising the decisive role of the state in the continuation of centralised wage bargaining or its dismantling to lower – sectoral or company – levels (e.g. Karlson & Lindberg, 2014; Marginson, 2015; Meardi, 2018; Traxler, 2003; Voskeritsian et al., 2020). The waning support from dominant right-wing parties for centralised bargaining has led to a shift towards a regulatory framework that encourages decentralisation. Our study suggests that in tripartite systems, like the one that has prevailed in Finland, at least two of the three parties must support the system for it to function effectively. Until the 2010s, Finnish employers participated in the centralised IR system, albeit reluctantly, but since then their increasing opposition has further eroded centralised bargaining.

The history of Finnish employers' policies toward centralised bargaining reflects the dynamics of gradual institutional change. As Mahoney and Thelen (2009) and Hall (2009) suggest, such transformations often emerge from contested interpretations of institutional rules and their utility. In the Finnish case, changes of political, economic, and international contexts have reshaped employers' perceptions of the centralised industrial relations system, increasingly highlighting its drawbacks over its benefits. These reinterpretations have prompted incremental but impactful changes in employer policies, challenging the stability of the centralised system and contributing to the broader

decentralisation trend. This process underscores how incremental, endogenous shifts in meanings and actions can accumulate into substantial institutional transformation over time.

Our study introduces the concept of 'surface (de) centralisation' to capture the layered realities of Finnish labour market practices. While at a superficial level, the system may appear either centralised or decentralised, our historical analysis reveals underlying complexities. This reflects Baccaro and Howell's (2011) concept of 'surface resilience', where European national industrial relations systems appear resilient but are undergoing transformative changes towards deregulation and decentralisation through incremental shifts. They highlight the plasticity of political-economic institutions which allows for a mutation in the function and meaning of existing institutions (see also, Menz, 2017; Streeck & Thelen, 2005, p. 8, 18). Rather than treating (de)centralisation as a binary process, our study underlines the importance of examining how these shifts unfold in practice, offering insights that are relevant beyond the Finnish case.

In analysing seemingly stable systems, it is crucial for scholars to probe beneath the surface to uncover potentially significant changes, while also recognising that visible changes can sometimes mask the surprising continuities of certain longstanding practices. An example is the coordination among employers themselves, as observed in the Finnish case. By employing a historical approach over a decades-long timeframe, our study has been able to explore a spectrum of industrial relations. This approach not only deepens our understanding of Finnish industrial relations but also contributes to broader discussions on the evolution of labour market systems and highlights the pivotal role of employers in these processes.

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