Finland

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Finland: Employment and Labour Law

1. Does an employer need a reason to lawfully terminate an employment relationship? If so, state what reasons are lawful in your jurisdiction?

Employer needs a lawful reason to terminate an employment relationship in Finland. Most commonly the need to consider termination of an employment relationship relates to indefinitely valid employment contracts.

According to the Employment Contracts Act (55/2001) the employer may not terminate an indefinitely valid employment contract without proper and weighty reason. The grounds for terminating an indefinitely valid employment contract can be divided into two categories: (i) to individual employee related grounds (dismissal) and (ii) to collective grounds that relate to financial and production-related or to employer's reorganisation related grounds (redundancy).

The proper dismissal grounds refer to a serious breach or neglect of obligations arising from the employment contract or the law and having an essential impact on the employment relationship. Furthermore, also such essential changes in the conditions necessary for working, related to the employee's person, due to which the employee is no more able to take care of his/her work duties, may be regarded as valid reasons for dismissal. However, the Employment Contracts Act sets out a non-exhaustive list of reasons that cannot be regarded as proper and weighty reasons for dismissal. Such reasons are e.g. illness or injury, unless it is accompanied by such a substantial and long-term reduction of the employee's working capacity that renders it unreasonable to require the employer to continue the employment. Furthermore, e.g. employee's participation in an industrial action or the employee's political, religious or other opinions do not constitute relevant reasons for dismissal. In addition, when assessing the grounds for dismissal, the employer's and the employee's overall circumstances must always be taken into consideration.

The employer may terminate the employment contract also on collective grounds (i.e. redundancy grounds) if the work to be offered has diminished substantially and permanently due to financial or production-related reasons or due to reasons arising from reorganisation of the employer's operations. Additionally, it is required that the affected employees cannot, within reason, be given suitable alternative work or to be retrained to other duties. Furthermore, a valid reason for redundancy is deemed not to exist if: (i) prior to or following the redundancy, the employer has employed a new employee in order to perform similar duties than which the redundant employee(s) performed, although the employer's operational conditions have not changed during the equivalent period; or if (ii) no actual reduction of work has taken place as a result of the reorganization process.

It is worth to note that fixed-term employment contracts cannot, as a rule, be unilaterally terminated during the contract period, unless termination by notice is expressly agreed between the parties at the time of the conclusion of the fixed-term employment contract.

Furthermore, both indefinitely valid employment contracts and fixed-term employment contracts may be revoked with an immediate effect, provided that there is a particularly weighty reason. Such reason must always be more profound than reason for termination with notice. Particularly weighty reason may be deemed to exist in case the employee commits a serious breach or neglects his/her duties in such an essential manner that it is unreasonable to expect the employer to continue the contractual relationship even for the period of notice.

Finally, please note that the dismissal grounds related provisions of the Employment Contracts Act are under governmental review and thus expected to change to certain extent during 2026 (no major changes expected, however).

2. What, if any, additional considerations apply if large numbers of dismissals (redundancies) are planned? How many employees need to be affected for the additional considerations to apply?

If the employer is planning redundancies (i.e. terminations of employment relationships due to financial and production-related or to employer's reorganisation related grounds) and the employer regularly employs at least 20 employees, the employer shall apply the provisions of the Co-operation Act (1333/2021). In such case the employer must initiate a consultation process

(i.e. change negotiation process) either with the employee representatives or directly with the employees concerned (please see question 8 for further details). According to the pending changes to the Co-operation Act, only the employers regularly employing at least 50 employees would, in the future, be subject to the above-mentioned change negotiation process. The pending changes are expected to enter into force on 1 July 2025.

3. What, if any, additional considerations apply if a worker's employment is terminated in the context of a business sale?

Pursuant to the Employment Contracts Act, the employees belonging to the transferrable business will transfer from the transferor to the transferee, automatically by law, at the time of transfer. Furthermore, all the rights and obligations derived from the employment contracts and employment relationships, valid at the time of the transfer, will remain as is, and devolve to the transferee in connection with the transfer of business. In addition, the transferee may not terminate any of the transferred employees merely on the grounds of a transfer of business, but will, instead, need a legally valid reason for dismissal or redundancy. (please see questions 1 and 8 for further details).

4. Do employees need to have a minimum period of service in order to benefit from termination rights? If so, what is the length of the service requirement?

The Finnish employment law does not recognize any minimum period of service in order to benefit termination rights. The dismissal and redundancy grounds as well as the provisions regarding the notice periods do apply equally to all employees. However, the length of the notice period may vary depending on the length of service (please see question 5 for further details).

5. What, if any, is the minimum notice period to terminate employment? Are there any categories of employee who typically have a contractual notice entitlement in excess of the minimum period?

If the notice period has not been agreed between the employer and the employee or set out by a collective agreement, the notice period imposed by the Employment Contracts Act must be applied. The notice period is based on the length of the employment, and it may not exceed six months. As to managing directors and directors, the contractual notice period typically varies from three to six months, and the contract may also include a severance payment clause – on top of the notice period salary.

According to the Employment Contracts Act, when the employer terminates the employment contract the notice period varies from 14 days to six months as follows:

- 14 days, if the employment relationship has continued for up to one year
- 1 month, if the employment relationship has continued 1–4 years
- 2 months, if the employment relationship has continued 4–8 years
- 4 months, if the employment relationship has continued 8–12 years; or
- 6 months, if the employment relationship has continued for more than 12 years.

If the employee terminates the employment contract the notice period is:

- 14 days, if the employment relationship has continued for no more than 5 years or
- 1 month, if the employment relationship has continued for more than 5 years.

6. Is it possible to make a payment to a worker to end the employment relationship instead of giving notice?

If an employer terminates an employment contract the employer shall, as a general rule, apply the valid notice period. Accordingly, the employee is entitled to receive his/her normal salary during the entire notice period. The Finnish employment law does not recognize e.g. a possibility to pay the employee a lump-sum compensation instead of the notice period. However, the employer and the employee are free to enter into a mutual termination agreement according to which the employee's employment may be validly agreed to end e.g. with an immediate effect against an agreed compensation. Such compensation normally corresponds at least the full salary for the notice period.

7. Can an employer require a worker to be on garden leave, that is, continue to employ and pay a worker during their notice period but require them to stay at home and not participate in any work?

Based on the employer's direction right, the employer is

entitled to release the employee from his/her work duties during the notice period. However, the employer is in such cases obliged to pay the employee his/her salary normally until the end of the notice period.

8. Does an employer have to follow a prescribed procedure to achieve an effective termination of the employment relationship? If yes, describe the requirements of that procedure or procedures.

The termination procedure depends on the grounds of termination.

In case of dismissal (i.e. person related termination grounds), a warning process is, in principle, a precondition for a legitimate termination of employment. The purpose of the warning is to provide the employee with a possibility to correct his/her behaviour and only if the employee fails to correct his/her behaviour the employer is entitled to dismiss the employee. The dismissal shall, however, be conducted within a reasonable period of time after the employer has been made aware of the existence of the grounds for dismissal. Furthermore, in case of particularly (or "extremely" as addressed in the Employment Contracts Act) weighty reasons for termination with an immediate effect, the cancellation right will lapse within 14 days of the date on which the employer is informed of the existence of the cancellation grounds.

In case of redundancy (i.e. collective termination grounds), the termination process depends on the size of the employer and on the number of employees to be made redundant. The employers who regularly employ at least 20 employees shall apply the provisions of the Co-operation Act. Such employers shall initiate change negotiation process when considering a redundancy of one or more employees. The change negotiation process starts with providing a written negotiation proposal to the employees or employee representatives no later than five days before the start of the negotiations. The proposal shall indicate at least the starting time and place of the negotiations, as well as the proposal of the main points to be discussed in the negotiations. Furthermore, in case of anticipated redundancies, the proposal shall also include the following information:

- planned measures and their grounds
- preliminary estimate of the number of employees affected by the planned measures, broken down by personnel group and measure
- description of the principles according to which the affected employees will be determined
- estimate of the implementation schedule.

The proposal shall also be submitted to the employment authorities latest at the start of the negotiations.

After having submitted the negotiation proposal, the employer shall prepare a plan of action for the systematic conduct of the negotiations and mitigation of the consequences of possible redundancies. The plan shall indicate:

- planned timetable for the negotiations
- procedures to be followed in the negotiations
- planned principles for supporting the use of public employment services and job seeking and training during and after the notice period.

However, if the employer is intending to dismiss less than 10 employees, the employer shall instead of the plan of action present the principles for supporting the employees in finding new employment or training on their own initiative and participating in the employment services during the notice period.

Change negotiations shall be conducted in a spirit of co-operation in order to reach a consensus. The parties shall act constructively and make efforts to contribute to the progress of the negotiations. The change negotiations shall address at least the grounds and impact of as well as alternatives for the planned measures. Also options for limiting the circle of personnel subject to the measures and mitigating negative consequences for employees shall be addressed.

The employer has fulfilled its duty to negotiate once this has been agreed upon between the negotiation parties or when at least the minimum duration of the negotiation process has been reached. The minimum duration of change negotiations is 14 days if the negotiations concern less than 10 employees and 6 weeks if the negotiations concern 10 or more employees.

If the employer regularly employs less than 20 employees and the Co-operation Act does not apply, the termination procedure is simpler. Prior to terminating the employment contract on collective grounds, the employer must explain to the employee(s) concerned the grounds for termination of employment as well as any potential alternatives thereto.

After change negotiation process (when relevant to the employer concerned), the employer is entitled to decide on possible redundancies and to implement the decisions by delivering notices of termination to the impacted employees. The notice of termination shall be delivered to the employee in person. However, if this is not possible, the notice of termination may be delivered either by post

or electronically.

9. If the employer does not follow any prescribed procedure as described in response to question 8, what are the consequences for the employer?

In case of a groundless termination of employment, the compensation for the employee whose employment contract has been terminated may amount to his/her salary for a maximum of 24 months (30 months in case of an employee representative), subject to the circumstances.

In addition, if the employer has failed to fulfil a proper change negotiation process, before implementing redundancies, the employer may be deemed liable to pay compensation up to EUR 35,000 for each employee who has been made redundant. Furthermore, an employer or its representative who intentionally or negligently breaches the obligations and procedures set out in the Co-operation Act, may be deemed liable to pay fines.

10. How, if at all, are collective agreements relevant to the termination of employment?

Termination of employment is primarily regulated by the Employment Contracts Act. However, collective agreements may include provisions regarding the termination of employment, such as e.g. the selection criteria for considering the order of workforce reduction in redundancy situations, length of notice periods and process of change negotiations.

11. Does the employer have to obtain the permission of or inform a third party (e.g local labour authorities or court) before being able to validly terminate the employment relationship? If yes, what are the sanctions for breach of this requirement?

No prior approval from authorities is required for termination of employment relationships. However, as regards the redundancy process and the related change negotiations, the employer is obligated to submit the proposal for change negotiations also to the employment authorities latest at the start of the negotiations (please see question 7 for further details). If the employer fails to fulfil this obligation it may be liable to pay fines.

12. What protection from discrimination or harassment are workers entitled to in respect of the termination of employment?

According to the Employment Contracts Act all employees must be treated equally, unless deviating from this is justified in view of the duties and position of the employees.

According to the Non-discrimination Act an employee may not be discriminated on the basis of age, origin, nationality, language, religion, belief, opinion, political activity, trade union activity, family relationships, state of health, disability, sexual orientation or other personal characteristics. Both direct and indirect discrimination are forbidden, as well as harassment.

Furthermore, according to the Act on Equality between Women and Men both direct and indirect discrimination and harassment based on gender, gender identity and gender expression are prohibited, as well as sexual harassment.

An employer is under a legal obligation to treat its employees equally and without discrimination also when terminating an employment.

13. What are the possible consequences for the employer if a worker has suffered discrimination or harassment in the context of termination of employment?

An employee who has been discriminated against in the context of termination of employment or who has become a target of countermeasures is entitled to receive compensation from the employer.

There is also a penalty for breaching the discrimination prohibition set out in the Criminal Code. A fine or a maximum sentence of six months of imprisonment may be issued to the employer or its representative under the Criminal Code for work discrimination.

14. Are any categories of worker (for example, fixed-term workers or workers on family leave) entitled to specific protection, other than protection from discrimination or harassment, on the termination of employment?

There are certain employee categories that have special protection. These employee categories include e.g. employee representatives (shop stewards), occupational health and safety representatives, pregnant workers and

workers on family leave. The special protection is provided for in different laws and for different employee categories.

For example, employee representatives, depending on their specific status, are protected against dismissal, requiring majority agreement from the employees they represent for termination to occur. Termination on financial or production-related grounds is permissible only if the employee representative's (shop steward) work ceases entirely and alternative employment or training cannot be provided. Similar protections extend to occupational health and safety representatives. These protections are often detailed in collective agreements, with legal provisions governing in their absence.

The Employment Contracts Act provides special protection also against termination of employment contracts of pregnant employees and employees on family leave, providing that pregnancy or the use of family leaves cannot be used as a ground for termination. Pregnant employees or employees on family leave may be dismissed on the grounds related to their person, but the employer has an especially enhanced burden of proof that the dismissal was not related to the pregnancy or the family leave. Furthermore, the employer is not allowed to terminate an employee's employment relationship during his/her family leave based on collective grounds. The employer shall be entitled to terminate the employment of an employee on family leave only if the employer's operations cease completely e.g. because of bankruptcy.

15. Are workers who have made disclosures in the public interest (whistleblowers) entitled to any special protection from termination of employment?

According to the Whistleblower Protection Act whistleblowers are protected against retaliation of any form, whether directly or indirectly, by their employer.

An act or decision of an employer shall be deemed to constitute prohibited retaliation if the terms and conditions of employment of an employee are reduced or terminated, the person is dismissed, otherwise treated unfavourably or otherwise adversely affected as a result of having reported or disclosed an infringement or participated in the investigation of an infringement which the employee has reported.

The Whistleblower Protection Act reinforces whistleblower protection in retaliation proceedings by applying a reversal of the burden of proof, so that the employer bears the burden of proving that the termination of employment was not related to the reporting of an infringement i.e. whistleblowing.

A person who has been a victim of a prohibited retaliation is entitled to compensation for the infringement caused by the retaliation and damages for the financial loss or damage caused by the retaliation from the employer who has retaliated against the whistleblower. In addition, the employer may have to pay compensation under the Employment Contracts Act for unjustified termination of employment.

16. In the event of financial difficulties, can an employer lawfully terminate an employee's contract of employment and offer re-engagement on new less favourable terms?

In general, an employer cannot solely terminate an individual employment contract and offer a new contract on less favourable terms or unilaterally change the employee's employment terms and conditions. This kind of a change is, in general, subject to mutual agreement.

In order to be able to unilaterally change the terms and conditions of the employment contract of an individual employee, the employer must have proper and weighty reason for termination to justify the change. This means, in practice, that the employer should have valid redundancy grounds.

17. What, if any, risks are associated with the use of artificial intelligence in an employer's recruitment or termination decisions? Have any court or tribunal claims been brought regarding an employer's use of AI or automated decision-making in the termination process?

Employers can use artificial intelligence or machine learning systems (AI) during a recruitment process, for example, to sort out candidates with certain expertise and knowledge for the position in question. However, AI can reproduce and reinforce existing discrimination and inequalities based on biases in its training data. In addition, since AI models are rarely trained and trimmed to take into account the details of local legislation, there is a risk that when AI is used in the application process to formulate the questions asked e.g. in job interviews, inadmissible questions linked to discriminatory characteristics and also questions infringing the general protection of privacy may be asked.

Consequently, using AI also raises personal data

protection related questions. According to legislation, during recruitment process the employer may collect personal data relating to the employee primarily directly from the employee, and only such data may be collected that is necessary with regard to the employee's employment relationship.

There are also high risks associated with the use of AI while making decisions on termination of employments, as an employer must have legally valid reasons for termination. A decision to terminate an employment contract shall be based on an overall assessment, and AI will in many cases not be sufficient or accurate enough to interpret, assess and decide whether a termination of employment is justified or not. The grounds for termination also need to be accurately documented, which an automated system may not be able to provide. Furthermore, AI is not capable to perform the legally mandated change negotiation process preceding any redundancy decisions.

There are no known court or tribunal processes regarding employers' use of AI or automated decision-making in the employment termination process in Finland yet.

18. What financial compensation is required under law or custom to terminate the employment relationship? How is such compensation calculated?

According to law, the employee is not entitled to receive any other financial compensation on top of his/her salary for the notice period, provided that a valid reason for termination exists. There are, e.g. no statutory provisions regarding a specific severance pay in Finland.

However, if an employment relationship is terminated by a mutual agreement between the employer and the employee, it is a common practice to agree a severance payment payable to the employee as a compensation for entering into such agreement. The topic of mutual agreement and the severance pay is usually brought up by the employer in a situation where there is no lawful reason to terminate the employment, and the employer wishes to offer the mutual agreement to end the employment with no further obligations. The parties may decide the amount of the severance pay, and the amount of compensation agreed normally tends to exceed the salary for the notice period and unpaid holiday compensation for the same period.

19. Can an employer reach agreement with a worker on the termination of employment in which the employee validly waives his rights in return for a payment? If yes, in what form, should the agreement be documented? Describe any limitations that apply, including in respect of non-disclosure or confidentiality clauses.

It is possible to conclude a mutual agreement on termination of employment with the employee waiving his/her rights. There are no specific provisions or requirements on the form or specific terms regarding such agreements in legal statutes, which means that termination agreements are largely assessed in light of general principles of contract law. At any case, it is recommended to conclude the mutual termination agreement in writing.

A termination agreement is legally valid and binding on the parties if concluded by mutual consent. As the employee is regarded as a weaker party in an employment context, the employer is expected to pay particular attention to the fact that the employee enters into the termination agreement on his/her own free will. This is achieved by giving the employee sufficient time – at least 2-3 days – to consider entering into the agreement and, by encouraging him/her to seek professional advice. It is also recommended that the employer reminds the employee to check the tax treatment of the compensation payments (severance pay) agreed in the mutual termination agreement as well as the potential impact of the agreement on the future unemployment benefits of the employee.

Furthermore, the parties may include non-disclosure or confidentiality clauses to the mutual termination agreement. It is advisable to add a definition of the confidential information to the agreement as well as to include a contractual penalty for the potential breaches of the commitment.

20. Is it possible to restrict a worker from working for competitors after the termination of employment? If yes, describe any relevant requirements or limitations.

The underlying principle of law is that an employee should be entitled to use his/her skills and experience freely and to become re-employed into an area of business where those skills can be benefited from after the end of the employee's previous employment. Therefore, the abilities of the employer to restrict an employee from working for competitors are limited by the guidelines set forth in the Employment Contracts Act.

The employer may include a non-competition obligation to an employment contract limiting an employee's ability to enter into a new employment with a competitor or engage in any competitive operations independently, for a period of up to 12 months after the end of employment relationship. However, the Employment Contracts Act mandates that in order to be able to introduce a non-competition obligation, the employer should be able to present a particularly compelling reason related to the employer's operations or to the employment relationship to justify the restriction. It is notable, that a non-competition agreement does not bind the employee if the employment relationship has been terminated for a reason attributable to the employer.

In exchange of the non-competition restriction, the employer is required to pay the employee a monthly compensation for the term of the restriction period. If the restriction period set forth is six months or less, the monthly compensation payable to the employee equals 40 % of the salary of the employee. For a non-competition restriction that is applied for a period longer than six months, 60 % of the relevant monthly salary is payable as a compensation.

The Act also allows that the employer introduces a contractual penalty for the breach of the non-competition commitment in to the agreement with the employee, the maximum amount of the penalty being equivalent to the six months` salary of the employee (as paid to him/her during the last six months of the employment).

The non-competition restriction set forth to an employee in a managerial position (e.g. director) is not limited to 12 months and the maximum amount of the contractual penalty for the breach is not limited to the amount equivalent to six months` salary of the employee.

If the employer and the employee terminate an employment by a mutual agreement, the parties are free to agree a mutually acceptable non-competition obligation and the compensation payable by the employer to the employee for such an obligation.

21. Can an employer require a worker to keep information relating to the employer confidential after the termination of employment?

The confidentiality obligation set forth by the Employment Contracts Act applies during the employment relationship. An employer may not require an employee to keep information relating to the employer confidential without the co-operation of the employee. If accepted by the employee, the employer may introduce a confidentiality obligation into the employment contract or into the mutual termination agreement that outlasts the end of employment relationship for a specified or unlimited period of time. It is advisable to define the confidential information and to include also a contractual penalty into such an agreement.

There are also certain specific provisions in criminal legislation that provide some protection to the employer if employee obtains or divulges confidential data in an unlawful manner after the end of employment relationship.

22. Are employers obliged to provide references to new employers if these are requested? If so, what information must the reference include?

According to the Employment Contracts Act, on termination of the employment relationship, the employee is entitled to receive, on request, a written certificate that confirms the duration of the employment relationship and description of the work duties of the employee on general level. At the specific request of the employee, the certificate may also include the reason for the termination of the employment as well as an assessment of the employee's working skills and his/her general behaviour at work. All information presented should be presented in line with the general data privacy obligations. The employer is required to provide the employee with the said certificate on request within ten years of termination of the employment. An assessment of the employee's working skills and behaviour may, however, be requested only within five years of termination of the employment.

23. What, in your opinion, are the most common difficulties faced by employers in your jurisdiction when terminating employment and how do you consider employers can mitigate these?

The most challenging situations relate to performance management and obtaining adequate grounds for termination on situations when an employee is not performing his/her tasks in expected manner. It is therefore advisable that the employer proceeds with a patient and well-documented way by giving written warnings of each established act of negligence or non-performance of work tasks as well as setting forth tangible timed goals and tasks for the ill-performing employee in order to establish a documented case and proof of not achieving reasonable expectations of the employer.

It is also worth noticing, that it is fairly typical, regardless the reason for termination of employment, that an employee is very critical of the grounds of the termination, seeks legal assistance and if there is any controversial aspects present in the grounds – decides to dispute the grounds of termination. The employee is encouraged by the fact that very often an employer wishes to avoid going to court proceedings which are not only expensive and time consuming but also generally favouring the weaker party – the employee – and is prepared to reach an agreement with the disputing employee in order to close the case.

If an employee would take the disputed termination of employment to the civil court, the court will decide whether the dismissal was based on lawful grounds or not. If the court does not agree with the grounds and justifications presented by the employer, the employer may be ordered to pay the employee compensation for the unjustified termination. The amount of compensation depends on the circumstances of the case in question – the minimum amount being equivalent to 3 months' salary and the maximum equivalent to 24 months` (30 months in case of an employee representative) salary of the employee.

An employer may mitigate the above described challenges by duly following their legal obligations and by seeking legal advice to ensure compliance with procedures set forth by employment laws. It is recommended to maintain thorough documentation of potential performance issues, disciplinary actions, and termination decisions to support the rationale for termination and to defend against potential disputes. It is essential for employers to approach termination decisions thoughtfully and ethically, prioritizing fairness, transparency, and compliance with legal obligations to minimize disagreements.

24. Are any legal changes planned that are likely to impact the way employers in your jurisdiction approach termination of employment? If so, please describe what impact you foresee from such changes and how employers can prepare for them?

The current government of Finland has indicated that they plan to reform legislation related to the termination of employment. The sections concerning the termination of employment on individual grounds in the Employment Contracts Act will be amended in such a manner that the reason for dismissal shall be based on “proper” grounds, instead of currently determined “proper and weighty” grounds. The planned change is expected to lower the dismissal threshold to certain extent. This change is expected to be enforced during 2025.

The government is also planning to limit the scope of application of the Co-operation Act to employers regularly employing 50 or more employees (compared to the current limit of 20 employees). The planned change would simplify the redundancy process of smaller employers. Also the requirements set forth for the change negotiation process preceding the redundancies are expected to be modified to make the process significantly shorter and more straightforward. These pending changes are expected to enter into force on 1 July 2025.

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