



HOW TO HIRE MY FIRST EMPLOYEE IN FINLAND

MAIN LEGAL STEPS TO FOLLOW TO HIRE A FIRST EMPLOYEE

Main legal steps to hire a first employee in Finland are as follows:

- company registration to employer register
- determine whether the employee has a work/residence permit
- sign an employment contract
- sign a pension premium and other social security contracts
- check which collective agreement (if relevant) is to be used for the work
- sign the health care contract
- start the payroll calculation
- give instructions regarding occupational safety
- etc.

DESIGN AND CONTENTS OF AN EMPLOYMENT CONTRACT

At least the following must be taken into consideration:

Form and duration of employment contract

An employment contract may be oral, written or electronic. An employment contract is valid indefinitely unless it has, for a justified reason, been made for a specific fixed term.

Trial period

The employer and the employee may agree on a trial period of a maximum of four months starting from the beginning of the work.

Information on principal terms of work

The information shall include at least:

- 1) the domicile or business location of the employer and the employee;
- 2) the date of commencement of the work;
- 3) the grounds for concluding a fixed-term contract and the date of termination of the contract, or its estimated date of termination (873/2012)
- 4) the trial period;
- 5) the place where the work is to be performed or, if the employee has no primary fixed workplace, an explanation of the principles according to which the employee will work in various work locations;
- 6) the employee's principal duties;
- 7) the collective agreement applicable to the work;
- 8) the grounds for the determination of pay and other remuneration, and the pay period;
- 9) the regular working hours;
- 10) the manner of determining annual holiday;
- 11) the period of notice or the grounds for determining it;
- 12) in the case of work performed abroad for a minimum period one month, the duration of the work, the currency in which the monetary pay is to be paid, the monetary remunerations and fringe benefits applicable abroad, and the terms for the repatriation of the employee.



Some very important aspects in an employment relationship:

- The employer shall observe at least the provisions of a national collective agreement considered representative in the sector in question (generally applicable collective agreement) on the terms and working conditions of the employment relationship that concern the work the employee performs or nearest comparable work.
- The employer shall not terminate an indefinitely valid employment contract without proper and weighty reason.
- Unless otherwise agreed, the notice periods to be observed by the employer are the following if the employment relationship has continued uninterrupted:
 - 1) 14 days, if the employment relationship has continued for up to one year;
 - 2) one month, if the employment relationship has continued for more than one year but no more than four years;
 - 3) two months, if the employment relationship has continued for more than four years but no more than eight years;
 - 4) four months, if the employment relationship has continued for more than eight years but no more than 12 years;
 - 5) six months, if the employment relationship has continued for more than 12 years.
- The employer is entitled to lay off an employee if:
 - 1) the employer has a financial or production-related reason for terminating the employment contract or
 - 2) the work or the employer's potential for offering work have diminished temporarily and the employer cannot reasonably provide the employee with other suitable work or training corresponding to its needs.
- etc. according to the Finnish Employment Contract Act.

CAN SOMEBODY DO BUSINESS FOR ME AND NOT BE AN EMPLOYEE?

To know the distinction between an employee and a self-employed individual is important not only for tax purposes, but also for other reasons. If an employer/employee relationship exists, the employer takes care of the social security contributions, statutory pension and other insurance contributions. Furthermore, the employer usually has to pay wages during sick days, vacations and holidays. The employer has to follow the Working Hours Act.

Payments made to the self-employed only cover the work that was done according to an invoice presented by the self-employed. The billing may be based on a total service fee. As an alternative, the billing may be based on the quantity of hours worked. The charge per hour of a self-employed individual is usually higher, because he/she pays his/her own social security contributions. Self-employed individuals cover their pension and other insurance themselves as well.