



Bishal Ram Shrestha

# The Effect of Trade Unionism on Workers

A Case Study on PAM

Business Economics and Tourism

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## ABSTRACT

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The study aims at finding out the effects of trade unionism on workers in Finland. The main objectives of this study were to first identify how the practices of trade union PAM effects on workers. Another aim was to determine how union PAM works in offering benefit for its members. In addition other functions of trade union that aim towards benefiting both organization and employees were highlighted in the study. The study also examined how to settle industrial conflicts in organization in Finland. Theories relating to introduction of trade unions, history of trade unions in Finland and collective agreement in Finland was presented in the beginning of the theoretical study and general information about industrial relations were also presented.

The study applied both the qualitative as well as quantitative research methods. Personal interviews and questionnaire were used in building up this research work. The questionnaire consisted mainly of closed ended questions. The empirical study was conducted by sending out a questionnaire to a sample of members of PAM. The sample size was 1000 members, out of which 64 responded, making the respond rate of 6.4%

The findings of this research indicate that trade union PAM has an active role in maintaining the quality life of the workers and its members also believe that by joining PAM the interests of wage earners are promoted effectively whereas there is very little relationship between the trade union members and their performance at work. Finally, PAM should avoid the path of confrontation but continue dialogue through the collective bargaining process.

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**Keywords** Trade unionism, Workers, PAM, Industrial Relations

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## TIIVISTELMÄ

Tekijä	Bishal Ram Shrestha
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Työn tarkoituksena on tutkia ammattiliiton vaikutuksia työntekijöihin. Pää tavoitteena on selvittää, kuinka ammattiliitto PAM vaikuttaa jäseniin. Toiseksi kuinka PAM toimii jäsenien eduksi. Tutkimuksessa etsitään myös muita keinoja hyödyttää jäseniä ja organisaatiota. Tutkimuksessa selvitetään miten työtaistelu ratkaistaan Suomessa. Teoriassa käsitellään ammattiliittoja ja niiden historiaa. Myös työehtosopimukset ja yleistä työsuhteasiosta esitellään teorialtutkimuksen alussa.

Tutkimuksessa käytettiin sekä määrällistä että laadullista tutkimusmenetelmää. Haastatteluja ja kyselylomaketta käytettiin aineiston keräämiseen. Kyselylomakkeessa oli vain suljettuja kysymyksiä. Empiirinen tutkimus tehtiin lähettämällä kyselylomake Pamin valituille jäsenille. Tutkimukseen valittiin 1000 jäsentä, joista 64 vastasi. Vastaus prosentiksi tuli 6,4.

Tutkimustuloksena voidaan sanoa Pamin vaikutuksen olevan tärkeä työntekijöiden elämänlaadun parantamisessa ja työntekijät uskovat, että liittyessään Pamin heidän palkkansa nousee. Pamin ei kannata olla hyökkäävä vaan ajaa etuja keskustelemalla työsuhteasioista.

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**Avainsanat** Ammattiyhdistysliike, Työntekijä, PAM, Työsuhteasiat

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# **1 INTRODUCTION**

## **1.1 Background of the Study**

Trade unions have an immense effect on labor markets and societies. The main objective of this thesis is to examine how trade unionism affects workers. The subject matter of trade unionism and workers in Finland is of interest to both the government and employers. Trade unionism, which is the activities of association of workers in a workplace have been accepted and recognized as a necessary action. A trade union can be simply defined as ‘an alliance of workers to strengthen their efforts in bargaining with their correspondents.’

The research in the area of trade unions which makes the topic very interesting and it also provides me with some insights on how trade union works and its effects on workers. There have been lots of research work done in industrial relations. Broadly, speaking the effects of unions may be positive or negative. The issues to be discussed in this thesis are the effect of trade unions on wages, effects on fringe benefits, collective bargaining which directly or indirectly affects the performance of workers. This is the main aim of the whole thesis and the primary reason for this research is to study the union efforts for wages and non-wages benefits of workers.

## **1.2 Purpose of the Study**

This study aims at finding out the effect of trade unionism on workers. It will also highlight other functions of trade unions that aim towards benefitting both organization and employees. It also seeks to examine the relationship between trade unionism and the actions of management. Finally, it describes how to settle industrial conflict in an organization.

### **1.3 Significance of the study**

This research work is expected to broaden the understanding of trade unionism. It will help the workers to make their demands while to avoid industrial conflicts. This research work will facilitate further studies by other researchers who have an interest in understanding the link between unions and workers. Additionally, it will provide insights to PAM as well as help students to gain wider knowledge on the effects of trade unionism on workers.

### **1.4 Limitation of the Study**

The study possesses some limitations. The entire study is based on the effects of trade union on workers and used PAM as a case study and the results could have been more interesting if more sectors and trade union in Finland were covered. The time factor makes it impossible for one to interact with many trade union leaders. The findings could have been more accurate if more participants had participated in the questionnaire survey.

### **1.5 Research Questions**

It is pertinent to pose some necessary research questions:

- ✓ Does trade unionism in any way influence workers?
- ✓ What are the effects of trade unionism in work organizations?
- ✓ How is conflict resolved in organizations?
- ✓ Does trade union exist solely to fight for the interest of the workers?
- ✓ What effort have unions made to improve the performance of the workers in an organization?

## 2. SERVICE UNION UNITED PAM (PALVELUALOJEN AMMATILITTO)



**Figure 1:** The Logo of PAM

Service Union PAM was established in 2000. PAM is a member of the central organization of Finnish trade unions (SAK). PAM's central office is located in Helsinki. It has over 2, 25,000 members with over 5000 immigrant members. Service Union PAM is a trade union for the employees in the private service industries. The union lobbies to improve the earnings, job security, and quality of life of those employees. PAM is one of Finland's largest unions. In addition to other benefits, membership in PAM brings you earnings related to unemployment security. PAM negotiates collective agreement for private service sectors and safeguards its members interests at workplaces. Collective agreement specifies the minimum terms and conditions of employment such as wages, working time, sick leave, annual leave, wages for the holiday period and holiday bonuses. PAM has concluded over 50 collective agreements with various employer federations. It has altogether 16 regional offices with the help of the trade union branches, the members can make motions to improve the collective agreement, participate in training events and leisure time activities, take part in different activities, at their own workplace and influence the entire society around them by making propositions to develop legislation in working life. (PAM Service Guide, 2010).

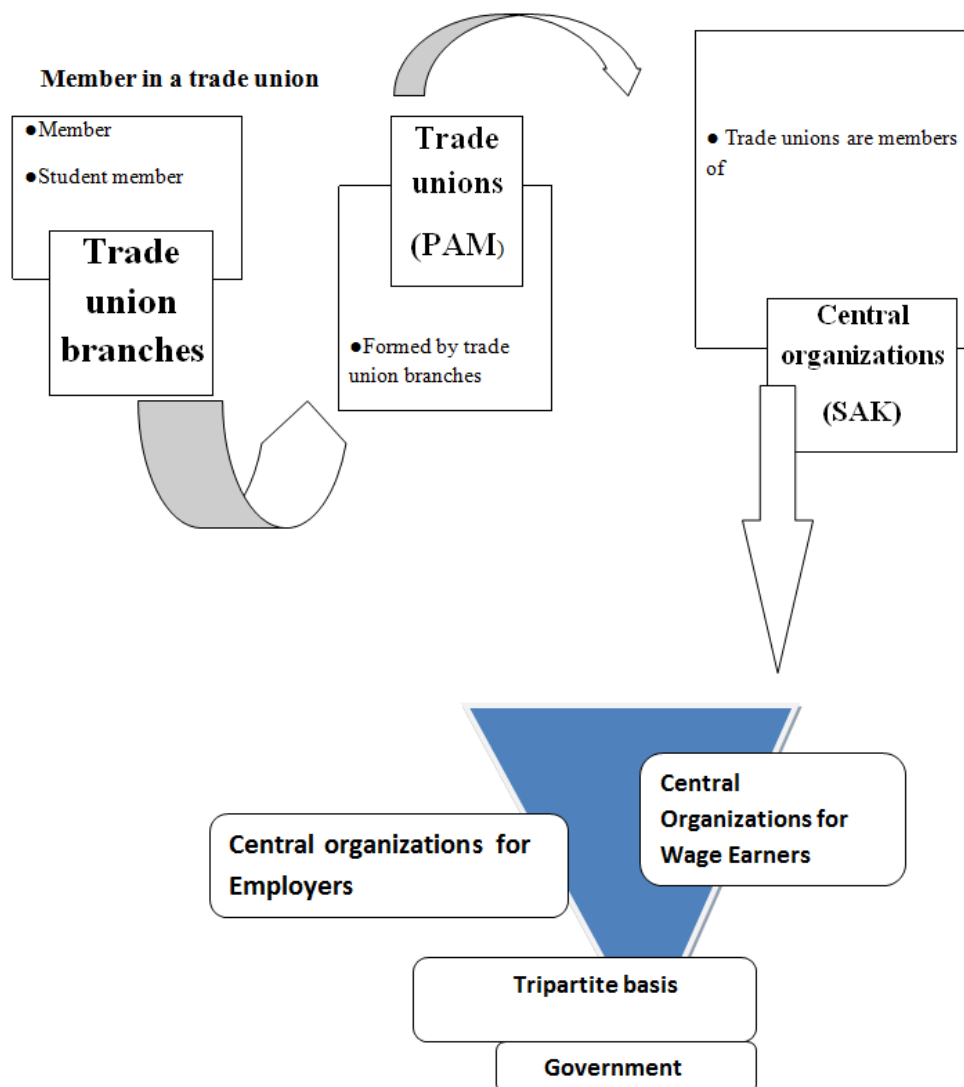
## 2.1 PAM Services

Members of PAM are entitled to a more secure future with therefore,

- Employment and membership advice
- Services of a lawyer and legal information
- Earnings- related to unemployment benefit
- Support of a shop steward at work
- PAM's training free of charge
- Pam magazine 20 times a year
- Additional Membership benefits with true value
- Holiday shares, cottages, discounts on ferry trips and Insurances

(Source from PAM leaflets, 2010)

Service Union United PAM represents the interests of its members in the private service sector, such as retail trade, tourism, restaurant and leisure time industry, hairdressing, security and facilities services. As a member of PAM the union offers security, support and information during the working period. The union checks that wages are paid correctly and the collective agreement is followed at work.



**Figure 2:** Member in a Trade Union

Figure 2 depicts how the members join trade unions. A member can join the union as a student member also. In Finland it is considered normal for employees to join a union. SAK helps a person to find the right trade union. SAK is the main central organizations which represents interests of more than one million members in 20 affiliated trade unions. SAK is considered to be the largest lobbying organization in Finland. The three bodies representing in the triangle represents the interests of each other. The private sector employers central organization is the confederation of Finnish industries EK. Under Central Organizations for Wage Earners there are three main bodies representing the Central Organization of Finnish trade union SAK, the

Finnish Confederations of Salaried Employees STTK, and the Confederation of Unions for Academic Professionals in Finland (AKAVA). The role of the government is to regulate the formation and functioning of the trade unions of workers and employers. It also acts as a mechanism for dispute settlement. (See Aimala, Astrom, Rautiainen & Nyysola 2005, 18)

### 3. CONCEPT OF TRADE UNION

According to Webbs 'as we understand the term, is a continuous association of wage earners for the purpose of maintaining or improving the conditions of their working lives. It has been defined in many ways by different authors. (Jackson 1983, 69)

Dale Yoder defined a trade union as "*a continuing long term association of employees, formed and maintained for the specific purpose of advancing and protecting the interests of the members in their working relationship.*

A trade union (or labor union) is an organization of workers or employees who have combined together to achieve common goals in areas such as in working conditions and protecting and promoting their mutual interests through collective action. A trade union, through its leadership, bargains with the employer or the management on behalf of the union members and negotiates labor contracts etc. The process of negotiating wages, work rules, complaint procedure and workplace safety is called collective bargaining. Historically, union representation and collective bargaining have been the keys to the growth of a stable working population in developed economies and it has made it possible for workers to gain a more equitable share of the wealth that they create; they are able to improve working conditions and help workers gain job security. Changes in the political, social and educational environments regarding awareness of rights –such as the right to organize, the right to bargain and the right to settle the terms and conditions of the employment- have caused workers unions to spring up to protect and further workers interests. Thus, with the establishment of minimum wages, norms for mandatory work hours, ,provisions for health and safety, and overall improvement in working conditions, unionization has become instrumental in improving the quality of life of workers ( Rao 2010, 293)

The general features of trade unions are:



- Association of employees or employers of independent workers.
- Trade union is a permanent formation of workers therefore it is not casual.
- Trade union mostly emphasizes joint, coordinated actions and collective bargaining.
- It is formed to protect and promote all kinds of interests –economic, political and social-of its members. The dominant interest with which a union is concerned is, however, economic.
- It achieves its objectives through collective action and group effort. Negotiations and collective bargaining are the tools for accomplishing objectives.

### **3.1 History of Trade Union in Finland**

Finland's trade movement has been marked by political spits, organizational fragmentation and conflictual labor relations. The first Finnish trade union was a union for printing workers and it was founded on 1894 and it had its first collective agreement in 1900. Following the general strike of 1905, the Finnish Employer's Confederation (STK) was founded in 1907. After a severe labor conflict in the metal industry a year later, most employers hesitated to participate in collective bargaining. After the communist took power in SAJ after 1920 prompting STK to refuse cooperation because they watched SAJ supporting the Communist Party. When the political divisions within the labor movement receded in the late 1920s, employers did not change the course, especially in 1930s when labor was weakened by the Great Depression the rise of Fascist Lapua movement, and the banning of SAJ after the general strike of 1929. (Ebbinghaus and Visser, 2000).

When STK entered into collective agreement along with SAK after 1945, many employers remained outside. SAK which represent the industrial sector and the non-industrial sector were organized separately. Moreover, the federation of small business (SYKL) remained outside SAK, but practically played no role in bargaining. In 1993 the manufacturing employers and the trade associations formed an integrated confederation (TT). This merger was also part of bargaining decentralization.

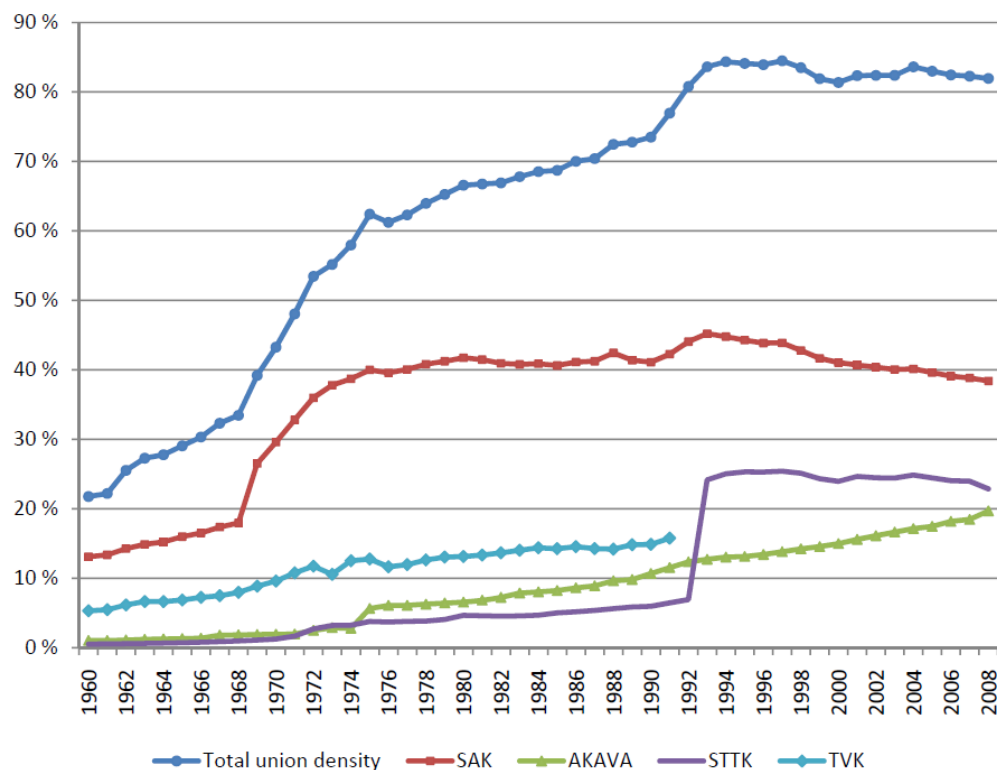
Union recognition came finally during the Second World War, when employers (STK) and unions (new SAK) signed the 'January Agreement' of 1940 and the basic agreement of 1944. While the employers right was acknowledged by the unions, the employers accepted in the Basic Agreement the rights of organization, collective bargaining, shop stewards and strikes. The first decade of collective bargaining, statutory wage and prices remained until 1956. The free negotiations were unsuccessful. It took almost 10 years between Social Democratic and Communist union to get closer which merged in 1969 in maintaining peaceful labour relations. These agreement were considered to be an 'historic compromise'. (Ebbinghaus and Visser, 2000).

In 1968 the tri-pariate agreement between the government, the employer federations and the trade union confederations which was called Comprehensive Income Policy Agreements. The employers not only reaffirmed union recognition but also agreed on check-off system for union dues. While the government provided tax reductions for them and promised to expand the welfare sector which helped to boost the union membership in Finland. (Ebbinghaus and Visser, 2000).

The central agreement which followed in 1997, which covered most workers, nearly all unions affiliate to three main union confederations. The SAK which is one of the biggest confederations has over one million members. SAK increased its membership during the late 1930s and 1940s when the Social Democrats were in power. The number of unions has increased over the first three post war decades largely due to the rapid increase in numbers of white collar associations. The main, blue-collar dominated SAK suffered from the politically motivated split during the 1950s and 1960s. The confederation of Academic Professional Associations AKAVA was founded in 1950 and is fragmented between many, often small, professional associations. The AKAVA has currently over 500,000 members.

According to the Statistical Year Book of 2010 (Finland) the number of university graduates in ayera rose from 10,982 in 1990 to 22, 310 in 2007. STTK was founded in 1946 and the trade unions affiliated to STTK have a total of about 6, 30,000

members. These members generally work in clerical and technical occupations, and include nurses, managers and supervisor, police officers and public servants as well. Whereas the confederation of salaried employees TVK was founded in 1956. After TVK's end in 1992, STTK became the largest white collar confederation. At the time of cessation TVK had over 400,000 members while STTK had over 1, 60,000 members. The new STTK combined became the second largest confederation after SAK. (Ebbinghaus and Visser, 2000).



**Figure 3.** Union Confederation Shares of total Labour force in Finland 1960-2008

See: Ebbinghaus and Visser (2000) for membership figures. Various volumes of Statistical yearbook of Finland for membership figures. The total labour force figures are collected from the OECD website. Note: SAK figures include SAJ

Figure 3 depicts the increment in union membership which mainly began in the beginning of 1970s, which is described as the ending of the political division of union movement and the merger between SAK and SAJ in 1969.

### 3.2 Functions and roles of Trade Unions

The primary functions of trade unions are to secure the interests of their workers and conditions of their employment. The main functions of a trade union can be highlighted as follows:

- ✓ Bargaining for higher wages and for better working conditions for its members
- ✓ Providing management suggestions on personnel policies and practices.
- ✓ Helping workers in getting the control of industry.
- ✓ Protecting members against discrimination and unfair justice of employers.
- ✓ Helping workers in all matters which results in workers interests. (Rao 2010, 294-295)

### **3.3 Reasons for Joining Unions**

The reasons for organizing a union may be immediate and specific. The general purpose for joining unions are as follows:

1. **Greater Bargaining Power:** As an individual employee a person has very little bargaining power. He or she cannot bargain with the employer alone. The better option for him is to join union and be in a safer position. The union is a powerful tool which compels employer to accept the demand posed by the workers for good working environment and better employment conditions.
2. **Minimize Discrimination:** There are many instances where an employer may discriminate their employees on the basis of caste, religion and sex. A trade union can force the management not to discriminate but to treat every worker equally. The labour decisions of the management are monitored very closely which has the positive effect in minimizing discrimination.
3. **Sense of Security:** Workers join unions mainly because of security purpose. The employees belief that unions can secure protection from unemployment, accidents and ill health. Unions help them in getting the retirement benefits of workers and force management to invest in the welfare of the employees.

See Industrial Relations, 2007

### **Other reasons for joining trade unions can be:**

- Trade union carries out various researches for new campaigns and policies especially for government policy and for members.
- Trade union membership helps safeguard its members job security, as union is there to campaign on behalf of its members.
- Trade union ensures that health and safety regulation exist in an organization. All workers in a working place should have access to a safe working environment.

### **3.4 Types of Unions**

Many authors have tried to isolate three or four, different types of unions. These are, first, the craft union, historically the oldest, being tracked back to the 'model unionism' of the nineteenth century. Second, the industrial union, of which two variants might be described: one is the 'monopoly industrial union' which organizes all workers in one industry, while the other is the 'single industry union' which does not organize all of the workers in an industry, but restricts its recruitment to that industry. Third, the general union: ideally open to all workers irrespective of industry, grade or geographical region. Fourth, the occupational union which is distinguished from the craft union on the ground that entry to the occupation is more clearly based on 'academic qualifications. (Jackson 1983, 49)

1. The craft union: The earliest form of trade union was of a craft type, in which the possession of certain trade skills was the basis for organization and in which these skills could be identified with jobs capable of being demarcated from others. For example, all carpenters belong to the carpenters union; the plasterers belong to the plasterers union.

2. Industrial unions: These unions include ranks all workers, skilled and unskilled, who are employed within a given industry (railroads, steel etc.). They are often called as vertical organization as they include the far ranging population of workers

within an industry, skilled or unskilled. The knights of labor and industrial workers of the world were examples of this form.

3. The professional and white-collar unions: They are concerned with non-manual workers, and may be occupationally or industrially oriented. It may possess some certain qualification as craft unions. It mainly exists in the white collar area. For instance police, bank employees, teachers and so on. It is worth adding that some professional organizations, such as the British Medical Association, though not regard themselves as trade unions, but performs trade union functions on behalf of their membership and also other activities such as promotion of research, and the publication of professional journals. In Finland AKAVA, the unions for professional and managerial staff is a trade union for white collar professionals with university, professional or with high level education.

4. General Union: A trade union which has no form of restriction on categories of workers who may join. General unions are open unions and are generally large in size. In the United Kingdom, general unions include the GMB and TGWU. In Australia a good example is the Australian Workers Union. In some cases trade unions moves away from their original areas and become like general unions. For example, the British based union EETPU now amalgamated with the Engineering union AEU and has become AEEU, which was originally a craft union.

PAM as a trade union for people working in the private services sector comes under the category of general union. As the name implies, it is open to workers whatever their industry or grade of skill.(L.C: Hunter & C. Mulvey 1981, 14-15)

## **4. INTRODUCTION TO COLLECTIVE AGREEMENTS**

Collective agreement is defined as an agreement which is concluded by competent parties on the terms and conditions of employment. It is a contract done between the labor and management governing wages and benefits and working conditions. It is usually the result of a process of collective bargaining between an employer and a trade union representing workers.

On behalf of the employer the agreement can be concluded by either the individual companies or their association. On the other hand, on the employees behalf, the agreement can be concluded by their association. (Aimala, Astrom, Rautiainen& Nyysola, 2005)

The provisions of collective agreement affect the employment relationships between the members of the signatory parties. The main provisions include the wages and the working time. Collective agreement should be concluded in writing. It ensures employees a minimum level of employment terms laid down. On the other hand, the parties who are bound by the collective agreement may not during the contract period take industrial action to improve the terms of employment complying with the agreement or pressure the other party to change the agreement. (Holopainen, 2009)

### **4.1 History of Collective Agreement in Finland**

Collective Agreement was first introduced into Finnish statutory law in 1924, but there were very little scope of collective bargaining because of lack of mutual trust. In 1940, the organized employers and the organized labour accepted each other as negotiating parties. After the II World War, the collective agreement were made for blue-collar workers in all major industries, and the new collective agreement act which is still in force was adopted in 1946. Since then, it have been extended to cover white collar workers and workers in the public sector as well as a wide range of issues relating to terms and conditions of employment.



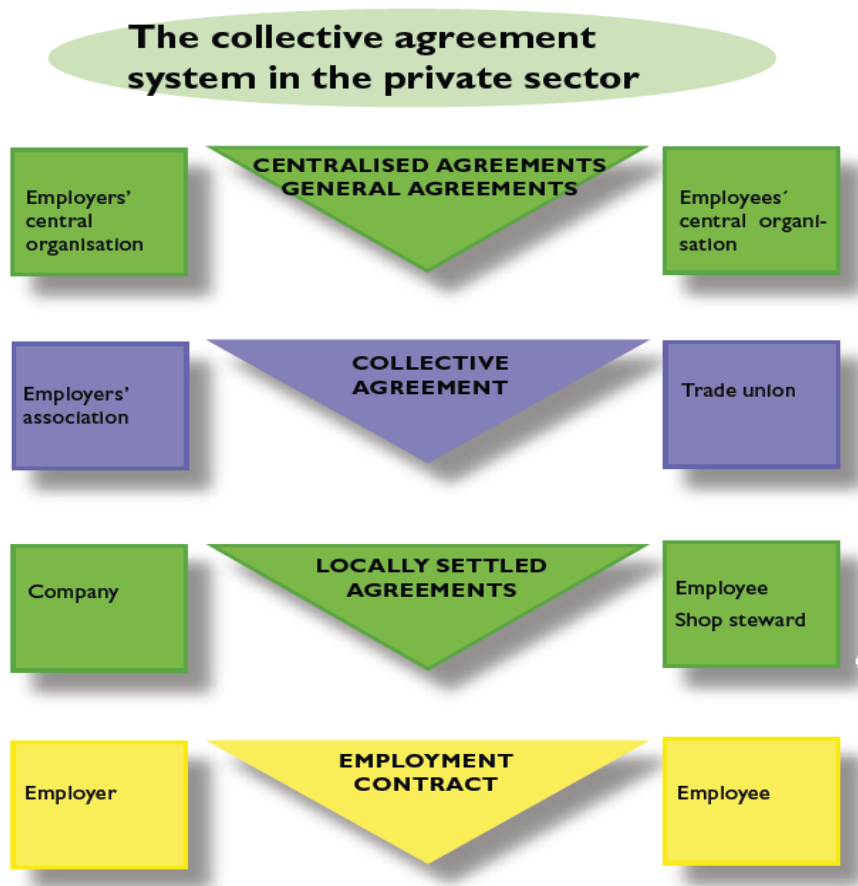
To date, the role of collective agreements represents the Nordic model for industrial relations. It is based on a unified trade union movement and high rate of unionization with a long tradition of labor regulation through collective bargaining. Governmental regulation which takes place between the cooperation with trade unions and employer organizations.

In 1940, the organized employers and organized labour accepted each other as equal negotiating parties. In today's date the role of collective agreements represent what can be called the Nordic model for industrial relations. The model which is based on the unified trade union movement and a high rate of unionization with long tradition of labour legislation through collective bargaining. Every trade union has a negotiating partner representing the employers in its industry. The government which consults the trade unions and with the employers if any change to be made on the law of hours of work will be taken care by trade union and employer representatives itself. The three sided collective bargaining process between employers, the trade union and the government is the comprehensive income policy settlement (TUPO). Traditionally, the Finnish labour market has been highly organized. The right to organize is safeguarded by the constitution and right to bargain collectively is guaranteed through a system of collective agreements, based on legislation.

The settlement covers issues general pay increase, hours of work, job security and training. The national TUPO settlement provides a solid ground by which the individual trade unions negotiate the collective agreements for specific industries and the types of work. These collective agreements generally last for about two years collective agreement guards the terms of employment of all employees working in a certain industry whether these employees belong to trade union. A public authority formally decides whether collective agreement are binding and complete list of such agreements is published in Finnish. Some trade unions and employers federations can also provide the collective agreement in English. There are about 70 trade unions in Finland, organizing employees in all kinds of work. These unions are affiliated to Finland's three labour confederations, SAK, STTK and AKAVA. PAM which is a trade union working in the private services sector affiliates to SAK. SAK which is the

largest confederation of 20 trade unions in industry, the public sector, transport, private services, cultural and journalistic branches. (SAK, STTK and AKAVA, 2012)

## 4.2 The Collective agreement system in the private sector



**Figure 4.** The collective agreement system in the private sector

(See Ministry of Labour Finland, 2006)

Figure 4 depicts about the collective agreement system in the private sector. The employer and the employee sign the employment contract to perform works for the employer against an agreed salary. If the employee has any problem in work regarding violation of the collective agreement, the employee can seek help from the shop steward in the company. The agreement can also be agreed locally if there is proper understanding between the employer and the employee representatives. Trade

union on behalf of the employees negotiates the collective agreements. The central organization of the employers has their own members union which does negotiate the agreement with the central organization of the employees. The most important employer confederations in the private sector are the Confederations of Finnish Industry, Ek.

### **4.3 Where do collective agreements come from?**

Organizations of interest groups and collective bargaining between them are a fundamental feature of Finnish society. Both the employers and the employees are highly organized. Every trade union has a negotiating partner representing employers in its industry. For example a proposal on changing the law on working hours will automatically be considered by a working group which includes trade union and the employer representatives. They continue to negotiate until they reach a common understanding.

A collective agreement will often govern the terms of employment of all employees who are engaged in a certain industry or type of work, regardless of whether these employees belong to a union or whether their employers are members of employers association that made the agreement. This binding character depends on many factors like the organizing rate of employers and employees in the line of work concerned. (SAK, STTK and AKAVA, 2012)

### **4.4 General agreements made by central organizations**

The central associations of employers and workers enter into several general agreements also to reach collective agreements. The main purpose is to create a standard process to settle different problems arising at the job level. The most important of these agreements are the Agreement on the Protection against Termination, the Agreement about Chief Shop Stewards, the Agreement on

Occupational Safety and Health, the Agreement about Modernization, the Agreement about on-the-job training, and the Agreement on Cooperation in Compiling Statistics. Some general agreements which also represent the “Finnish consensus culture” are equally important to develop working life. The agreement about Chief Shop Stewards has provided the basis on which the chief shop steward is entitled to the entire personnel of a certain work place. The employees select him/her and the appointment is made by the local trade union. The consequence of that procedure is that the chief shop stewards perform as the trade union representative at the workplace. He/she is to make sure that local trade union acts according to the prescribed agreements especially on industrial peace. (Temmes Markku, 2001)

#### **4.5 Collective agreements and their general validity**

In employment agreements and employment relations, an unorganized employer must comply with the provisions of a nationwide collective agreement considered representative in the branch on terms of employment and working conditions that relate to the work performed by the employee. A term of an employment contract that is contradictory to the corresponding provision of a collective agreement is applicable to an organized employer. An organized employer is bound by a collective agreement concluded by his organization even if the collective agreement is not of general validity. The general validity of collective agreements is nowadays confirmed through a specific confirmation procedure.

Whether a collective agreement is generally binding or not as well as generally binding are found in Finnish in the legislation register of the Ministry of Justice in the register of the Ministry of Justice in the Internet at [www.finlex.fi/fi/viranomaiset/tyoehto/](http://www.finlex.fi/fi/viranomaiset/tyoehto/).

Similarly the local occupational safety and healthy inspectorate gives advice regarding to collective agreements, the conclusion of the employment contracts, salaries, working hours and other terms of an employment relations. (Holopainen 2009, 101)

## **4.6 Parties bound by the collective agreement**

The collective agreement is binding to those parties who have signed the agreement. Therefore, the agreement is binding on the employers and the associations and they are often called the signatory parties. It is also binding on the associations who are the members of the signatory parties. Furthermore, the collective agreement is binding on those employers and employees who have been the members of the associations in between the agreement's term which conclude that organized employers and employees are forced to the collective agreement done by their associations.

The collective agreements generally cover all employees in the industry. The agreement is determined by the feature of the trade not by the profession of the employees. Generally, white collar workers have more profession specific agreements. The main task of trade unions nowadays includes collective agreements; establishing rates of pay; working hours and all of these are concluded by the affiliates of the central organization of Finnish trade unions SAK, the Finnish confederation of salaried employees STTK and the confederation of unions for Academic professionals in Finland AKAVA. SAK has 22, STTK 21 and AKAVA has 31 federations. The private sector employers' central organization is the confederation of Finnish industries EK. It has altogether 35 member federations. (See Aimala et al. 2005, 17-18)

### **4.6.1 Provisions in collective agreements and their application**

The provisions concern the relationship between the signatory parties and are divided into two categories. It is generally between the employers and employees associations. The provision affects the individual employment relationships between the employers and the employees. The provisions can also further be divided concerning the terms of employment and provisions concerning the working conditions. Generally collective agreements contain provisions on the terms of employment and it is mostly observed in the relationship between the employer and

the employees. The terms include the provision on wages, working hours, overtime, Sunday, annual holidays and sick pay. Both the individual employer and the employee can claim their rights in court on such provisions. Either the employer or the employee need to pay a fine if found they have breached the provisions. The amount of fine is also determined as 25 900 Euros for the employer and 250 for the employee.

The associations bound by the collective agreement must check whether their members abide the agreement. If found guilty of neglecting a duty a fine of maximum 25 900 Euros can be fined. Collective agreement also contains provisions on working conditions at the workplace. The provisions on working conditions only oblige employers. It concerns issues related to health and safety at the workplace. It can also be issues related to the rights of the shop steward. (See Aimala et al. 2005, 18-19)

#### **4.6.2 Duty to maintain industrial peace**

The signatory parties of a collective agreement shall not undertake the industrial action while in period of the agreement. The main duty is to maintain industrial peace between the parties and their associations such as the local trade union branches. The associations have to take care that members do not engage in industrial action which means maintaining industrial peace.

There are different forms of employees industrial actions, like strike, boycott etc. The employer generally uses a lockout. Compensatory fines can be put on the association, trade union branch or employer who has either

- taken up unlawful industrial action, or
- neglected the active duty to maintain industrial peace
- The maximum amount of the fine is 25, 900 Euros. ( see Aimala et al. 2005, 19-20)

### **4.6.3 General applicability of collective agreements**

The collective agreement is binding to its signatory parties and their members. It is called the applicability of collective agreements. Generally applicable collective agreement can be found in the internet at [www.finlex.fi/en/](http://www.finlex.fi/en/). The agreement is nationwide, if its application covers all of Finland, which means local or regional collective agreements cannot be applicable. General applicability of collective agreement is determined in a total evaluation. Statistics form the basis of evaluation. If the number of employees working in a company bound by the agreement come close half of all the employees in the branch, the agreement is representative. If not then, the focus is on whether collective bargaining is practiced in the branch, how well the organized branch is taking both the employers and the employees.

The matter is finally decided by a special board set up by the Ministry of Social Affairs and Health. The board has declared some 150 collective agreements to be generally applicable. The employer has to watch carefully the general applicability of the collective agreement. The employees should stay tuned to the collective agreement done by their respective unions. (Aimala et al. 2005, 20)

### **4.7 Local agreement**

Many collective agreements contain provisions concerning local bargaining. There is also some scope for collective bargaining on terms and conditions of employment at the workplace. Usually the provisions on local bargaining concerns of regular working hours. The opportunity for local collective bargaining differs between industries. The employees are generally represented by the shop steward who concludes the local agreement on behalf of the employees he represents. The local agreement is a part of the collective agreement. However, there are no general rules concerning labour law but the Working Hours Act contains a number of issues subjects to local bargaining.

Commonly, work rules concern issues such as

- practices followed when concluding the employment contract
- information collected upon hiring new staff
- working time arrangement
- absences
- time-off from work (see Aimala et al. 2005, 21)

#### **4.8 Negotiating Parties**

The trade unions on behalf of their members negotiate the collective agreements. Some matters can also be agreed upon locally, but only in the case when there is a better understanding between the employer and the employee representative.

A valid collective agreement can according to the Collective Agreement act be negotiated by one or several employers or associations of employers and or more registered associations of employees. Association of employers main objective is to protect the employers interests in the employment relationship. Whereas employees association is to safeguard the interest of the employees in the employment relationship.

Generally, the trade unions and the employers associations are registered and it is mandatory to be registered to conclude the collective agreements. It is to be noted that Finland has the highest density of membership with almost 80 percent organized in trade unions. The union members pay membership fees to their respective unions for their services. Employers generally take away the trade union fees from the wages of organized employees and pay directly them to the union. The organized members are also entitled to unemployment benefit fund. Such membership gives the employee to earnings related benefit if unemployed.

It is also to be noted that employer side are organized as well. They have their own central unions in each sector, for instance in industries, service sector, agriculture and within municipalities, state and church. The central organizations of the employers have their own member unions which negotiate the agreements with the central



organizations of the employees. The most important Employer Confederations in the private sector are the Confederations of Finnish Industry EK. (Ministerio de Trabajo y Asuntos Sociales. Spain, 2005)

#### **4.9 Negotiation procedure**

Collective agreement has some provisions regarding the settlement of disputes relating to agreement. The disputes from the application at workplace shall be handled between the employer and employee. In case the dispute is not settled between the above mentioned parties, the employee can ask the shop steward to negotiate with the employer. As a last step, the shop steward can refer the case to chief shop steward to negotiate.

If there is no settlement in local negotiations, the party can refer the case to employers and employees associations. According to the case law, trade union representatives who are participating have to present a proxy from the employee he represents. If the dispute cannot be settled between the associations, the case can be taken to the labour court for the solutions. Labour court only handles labour conflicts. (Aimala et al. 2005, 21-22)

#### **4.10 Various levels of collective bargaining**

Trade unions and federations of employers conclude collective agreement in the private and public sectors. Employers and the Employees representatives may also make local agreement at workplaces. An employment contract is concluded between the employer and an employee as shown in Table 1.

**Table 1:** Various levels of Collective Bargaining

<b>BUSINESSEUROPE</b>	<b>Europe wide agreements</b>	<b>ETUC</b>
National Employer Confederations	Centralized Agreements	National labour Confederations
Employers' federation	Collective Agreements	Trade union
Employer	Local Agreements	Employee representative/ shop steward
Employer	Employment contract	Employee

#### **4.11 General description about Collective Agreements in Finland**

The collective agreement in Finland affects the work relations in a mandatory way. The main clause prescribed in the Finnish labour legislation is the Employment Contracts Act 2:7 which states that collective agreements are generally applicable. The system of collective bargaining is based on the freedom of negotiation and the freedom of contract. However, it may come in between in disputes of interests and negotiations during a period which are covered by an agreement to prevent strike or a lockout.

The collective agreement in Finland practiced is the feature by the custom to note some legislation also in the collective agreement. The other special features in Finnish collective agreement are to maintain industrial peace and obligation of close observation are required. The agreement parties may expand their own obligations, but cannot enlarge the statutory duties of the member associations or member employers in any way or attract individual employees in any personal responsibility for observing the industrial peace. Individual employees cannot engage in an industrial action during the contract period, it is the organization that bears the accountability. (Ministerio de Trabajo y Asuntos Sociales Spain, 2005)

#### **4.12 Service Union PAM Collective agreements- PAM**

PAM negotiates collective agreements with the employer for its members and protects members interests at work. Collective agreement determines the minimum terms and conditions of employment such as wage, working time, sick leave, annual leave and holiday bonuses. For instance, the minimum wages negotiated by PAM should not be below the level. It should be noted that an individual employment contract cannot be made on weaker terms and conditions which has already been agreed upon in the collective agreement. In Finland, collective agreements are generally binding in nearly every sector which means that the agreed terms be followed in working life even if the employee or the employer is not organized. PAM's members work in a variety of occupations and the union negotiates almost 50 collective agreements with various employer organizations. PAM represents employee working in various sectors including in restaurants, hotels, cafeterias, staff, canteens, amusement parks and railway catering services.

See (PAM Pocket Guide 1.4.2010- 31.3.2013)

### 4.13 Employment contract

According to QFinance “*an employment contract is a legally enforceable agreement, either oral or written which defines terms and conditions of employment.*”. In the contract the employee is obliged to perform work tasks for the employer against an agreed salary and other benefits. It is however, recommended that parties draft a written agreement. It helps to check what terms have been agreed between the parties which lead to avoid disagreements between the parties. The main principal rule is that the contract is made for the time being and can only be terminated with the genuine and valid reason. The employment contract should have the following features:

- the parties to the employment relationship (name and addresses of the employer and the employee, the office of the employer, the personal identity code of the employee and the business ID code of the employer)
- the beginning of the employment relationship
- the duration of a fixed employment contract
- the duration of the trial period ( if agreed upon)
- the main contents of the job assignments of the employee ( if necessary)
- the type of salary, its amount and period of payment ( this can be indicated also by the collective agreement)
- the regular working hours (if necessary).

See ( Holopainen 2009, 102)

- **Salaries**

The salary payable to the employee is mentioned by the collective agreement of general validity in the branch. In Finland minimum wages, as salaries in general, are determined in collective agreement of different branches. According to the Employment Contracts Act, monthly salary must be paid at least once a month and hourly wages and performance based wages at least twice a month. The employer and the employee may freely agree on what manner pay is determined.

The salary levels determined by the agreements must be applied to both Finnish and foreign workers. The most common types of pay are a monthly salary and hourly fee, piecework wages and a commission based compensation. It must be paid on the last salary payment day of the month unless otherwise agreed on. The most common types of salary payments are once in a month, half a month and two weeks. Every details concerning the amount of salary and how the salary is determined should be given or informed to employee. (Holopainen 2009, 110).

- **Trial Period**

The Employment Contracts Act contains the rules to be applied in connection with the trial period. The employer and employee may agree on a trial period at the beginning of the work which may last for at least 4 months but can be extended up to six months in different circumstances if employer arranges any specific training related to work. It is the duty of the employer to inform the employee about the regulation on a trial period. If a collective agreement binding the employer on provision on trial period, the employer needs to notify the employee about the provision when the employment contract is concluded. During the trial period, both parties are free to cancel the employment contract. The employer may not terminate the employment contract during the trial period on any inappropriate grounds. (See Holopainen 2009, 103)

- **Working hours**

Working hours are usually determined by the collective agreement and the working time act. According to the Working Time Act the employer and the employee may agree on some specific questions relating to working time. For instance, the employment contract may include provisions on extra work, Sunday work. Whether it is possible to agree on such terms depends on the employees position in organization and on the applicable collective agreement.

Under the Working Hours Act, the maximum regular working hours are eight hours a day and 40 hours a week. In most branches the agreed working time in a week in

collective agreement is 37.5 hours per week. Overtime work is restricted and an increment in salary must be paid for the overtime. When the employee is working full time, his working hours are usually determined in the contract by referring to the applicable collective agreement. (Aimala et al. 2005, 36)

- **Redundancies**

The employer shall always have the grounds for termination of an employment contract required in the Employment Contracts Act. The employer can terminate the contract if he or she has the genuine and valid reason for it. The reasons for termination can be the total negligence of the duties by the employees, may be due to the financial situation of the company. The purchase of a company or a business does not allow employer to redundancies.

If the employer tries to dismiss the employees without any genuine reason or without valid justifications, the employee can ask for help from the shop steward or be in contact with the trade union which he or she belongs to. The illegal redundancies are solved in court if necessary.

According to the law, grounds for giving notice on the employment contract have to be “proper and weighty.” The employer and the employee must observe different notice periods. The longer period of the employment relationship is, the longer is the notice period.

According to the law, the employer should provide 14 days period if the employment relationship has continued for one year or less and six months if the employment relationship has continued for more than 12 years. An employer terminating the employment relationship without proper notice is deemed to pay the employee full pay for the notice period. (Aimala et. al 2005, 156-158)

- **Annual leave**

The employee's annual holidays are determined by the Annual Holidays Act. The collective agreement also contains provisions on annual holidays. The provision mainly concerns with holiday bonus, holidays longer than those laid down in law, and calculation of holiday pay (Aimala et al. 2005, 36). According to the law employee earns two days of annual leave per working month if his employment relationship is shorter than one year. If the employment relationship has continued for more than one year the employee can get 2.5 days of annual leave per month. The normal salary is paid for the period of annual leave. A separate holiday bonus is agreed upon in the collective agreement. In determining the annual holiday, weekdays, including Saturday are calculated as holidays days and Easter Sunday, Christmas Eve, 1 May, Independence day do not count as annual holiday. (Holopainen, 2009)

- **Sick leave**

It is the employer's obligation to pay salary to the employee during the sick leave and it is based on employment contract legislation and the collective agreements. The employment relationship which has lasted for at least one month, the employee has the right to full sick pay until the end of the ninth weekday following the day when he became ill, however at most until his right to a daily allowance under the Sickness Insurance Act begins. The employment relationships which is less than one month, has the right to 50% of the pay. The employee has to provide the doctor's certificate to the employer. If the employer pays the employee sick leave, he has the right to the sickness insurance provided by kela to the employee. (Holopainen, 2009)

- **Family leave**

In Finland there are different kinds of family leaves which can be classified as maternity leave, special maternity leave, paternity leave, and parental leave, leave for nursing a child and both partial and temporary leave for nursing a child. The employee has to come back to his/her work after the end of such family leave. According to the Employment Contracts Act, the employer is not liable to pay for

family leave. But the collective agreement of the branch has specified provisions regarding to pay the salary. In some collective agreements it is agreed that the employee is paid a full month salary for a certain part of the maternity leave. The employer usually has the right to obtain the maternity allowance form the kela to itself for which the employer pays the salary. (Holopainen, 2009)

Usually the length of a maternity, paternity or parental leave is altogether 263 weekdays. The length of the maternity leave is 105 days. In addition the father can get paternity leave of 18 working days. The employee can decide whether he or she will take maternity, paternity, parental and child care leave if everything is met and the employer is informed duly in time. The employer is obliged to pay for it. (Aimala et. al 2005)

○ **Industrial Safety and Impartial Treatment**

It is the duty of the employer to arrange safe working conditions for the employees. The Act has laid provisions relating to occupational health care, conditions of work at workplace. It is the duty of the employer to maintain safe working conditions for the employees. For occupational safety co-operation, the employer appoints an occupational safety manager and Industrial safety delegate elected by the employees. All the employees have an accident insurance policy. To promote, the safety and health and the working capacity of the employees, the employer needs to have the different programs to develop the needs of the working conditions at the work site and effects of task relating to the working environment. The employer must treat the employees impartially. The employer should not discriminate the employees on the basis of religion, age, language, sex or any political activities.(Aimala et al. 2005)

○ **Occupational Health care**

It is the duty of the employer to organize occupational health care for the employees to prevent the health risks due to work. Occupational health care is quite large at most workplaces. The necessary services can be bought from municipal health centres or



private clinics. The employer can also organize the occupational health care by employing health nurses, doctors and other health care professionals at his own service. The obligatory occupational health care covers only health risks arising from work. In addition to the obligatory occupational health care the employer may offer the employees other health care and medical services. This is somewhat common in Finland. The employer is entitled to receive compensation for the occupational health care expenses (Aimala et al. 2005).

- **Unemployment Security**

To be eligible to receive the unemployment compensation, the employee needs to be registered as job applicant in a labour force bureau. The members of the unemployment fund are paid earnings related unemployment allowance. The members of the unemployment fund get daily allowance for 500 days. After that also members are included in the daily allowance system of the Social Insurance Institution. The membership of an unemployment fund is taken care of when the employee joins the trade union.

The employees who are working on black market are not entitled to receive any daily allowance from the unemployment fund nor from the social institution. The applicants need to prove themselves that they are available and ready to work when offered. So, it is very important to know the real information on one's benefit and obligation if unemployed (Aimala et al. 2005).

- **Pension**

It is the duty of the employer to organize the employees employment pension security. According to TyEL the employer may organize the pension security through an insurance company or by setting up a pension fund or a pension society. The amount of pension depends on the number of years worked and the amount of salary earned. The employees' pension security is arranged and paid by the employer. It is however important that work done on black market does not accumulate pension. Working between the ages of 18 and 68 accrues the person's pensions. The accrual

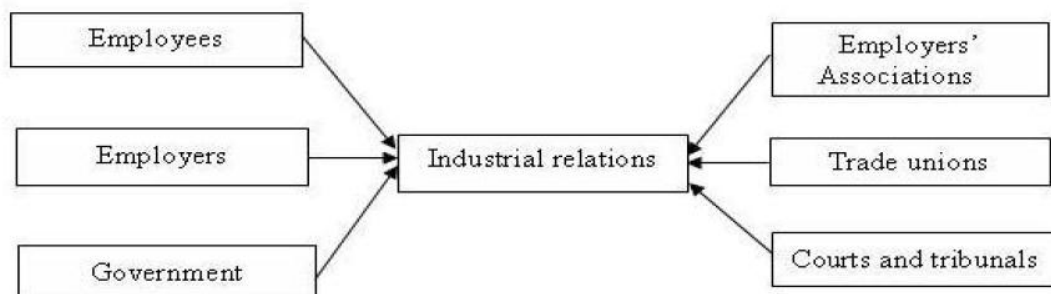
rate between the ages of 18 and 52 is 1.5% per year. Between the ages of 53 and 62 is 1.9% per year and between the ages of 63 and 68 it is 4.5% per year. There is no upper limit to the pension accrual, so all earned incomes accrue pensions up until the age of 68. (Aimala et al. 2005)

- **Development of Professional Competence**

It is the employer responsible to conduct training of the staff. Generally training during working hours are paid by the employer. People who meet certain requirement get adult education support for this purpose. The Education Fund is a fund governed by the social partners therefore trade unions and the employers who are busy in continuing social dialogue. The main principle is to support the employees vocational studies by providing them financial help that is Adult Education Allowance. (Aimala et al.2005)

## 5. Introduction to Industrial Relations

Industrial relations can be defined as the relationships between employees and the employers within an organizational setting. The industrial relations are basically the interactions between the employers, employees and the government and the associations through which interactions are mediated. The main parties who are engaged in industrial relations are shown:



**Figure 5:** Actors in the Industrial Relations System

See Industrial Relations- Naukrihub.com

Employers possess certain rights where they can hire and fire the employees. On the other hand employees work hard and share their ideas and views with the management. Employees also want to have the position on the decision making level. Workers generally join unions to get help from them to fight against the management. Government regulates the industrial relations by rules, laws and agreements which also includes the tribunal courts.

### 5.1 Legal basis of industrial relations in Finland

The parties cannot commence any industrial action which can have adverse effect on the collective agreement while the collective agreement is on force. Every party is required to maintain the industrial peace. The individual employer or associations of

employees and employers can be subject to some form of punishment if they fail to respect the duty to maintain the industrial peace.

After the agreements come to an end, the employees can go in a strike or any other measures of industrial action. The employer can also engage to a lockout. Therefore the conflicts of interests are handled by the arbitration system which is administered by the labour administration. The legal disputes which are by the infringement of the collective agreement can be solved in the labour court. The labour disputes which are not related to collective agreement are dealt in within the general courts. The main objective of this conciliation system is to help the labour market organizations to get the collective agreement through their bargaining process where their joint negotiations did not result in any result. There is one public conciliator and six part time regional conciliators for arranging the arbitration procedures. According to the law prescribed, the parties must be present at the arbitration meetings, but does not compel the parties to accept the proposals made by the conciliator.(Ministry of Labour Finland, 2006)

## **5.2 Causes of Industrial Conflicts**

Kornhauser list a number of displays of industrial conflict. His list is mainly divided into two sections; one of them covers organized conflict, usually between union and the management, while the other covers unorganized and individual conflict. All organized conflict includes strikes and lock-outs, removal of plant and conflicts in contract negotiations. The unorganized conflict includes labour turnover, absenteeism and autocratic supervision.

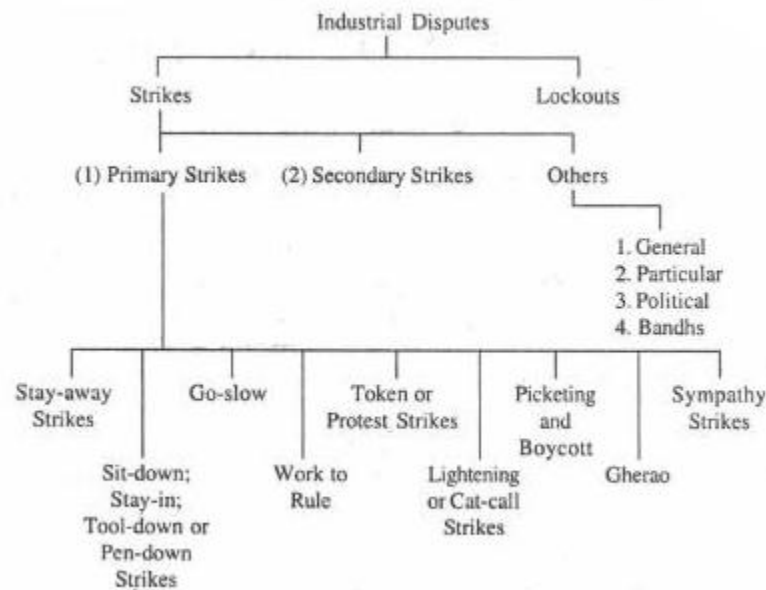
Many discussions of industrial conflict simply refer to strikes. Strikes are probably the most visible and the most spectacular aspect of industrial conflict, but they are only part of the phenomenon. (Jackson 1983, 168)

The causes of industrial conflicts may be grouped into four categories,

- (1) Industrial factors;
- (2) Management's attitude towards workers;

- (3) Government machinery and
- (4) Other causes

Industrial conflicts are basically two types, strikes and Lock-outs. The employees can express their dissatisfaction in formal or informal ways. Likewise the formal methods are done in an organized way and are well prepared in advance. Similarly, informal ones are conducted in an unorganized manner and done on spot. The management is totally unaware of those types. The following Figure 6 depicts the actions of industrial conflicts in general.



**Figure 6.** Types of Industrial conflicts Model in general

See (Rao 2010, 342)

## **Strikes**

Although strikes are only one manifestation of industrial conflict they are in many periods the most spectacular and easily visible. (Jackson, 1983).

Strikes are a formal form of industrial conflict which is generally organized by a trade union. Strikes are generally divided into primary strikes and secondary strikes. Primary strikes are against the employer with whom the disputes exist. It may be in the form of pen- down, tools-down, go slow, picketing or boycott. The secondary strikes are against a third party. These strikes are sympathetic strikes. The other strikes include general, particular, political strikes and bandhs (closure). It is generally continued until the management agrees to address the issues which have caused the dissatisfaction.

## **Lockouts**

If the employer has difference with the employees and if not settled through the negotiations, employer may shut down the factory in order to force the employees to settle the differences. Thus, it has following features

- lockout is the closure of industrial undertaking because of the existence of or apprehension of an industrial dispute, violence and loss to his properties.
- the suspension of employment relationship, in so far as the employer refuses to give work to the workmen until they yield to his demand or withdraw their demands made on him; or because of closing of a place of employment the suspension of the work.

In Finland a strike notice must be submitted to the National Conciliator 14 days before the strike is begun. Upon the request of the National Conciliator, the Ministry of Labour can delay the industrial action up to 14 days if it targets important community functions or have an adverse effect on public interests.

Secondary actions are allowed if they are not connected to the strikers own working conditions. The parties' recommendations are that notice of a secondary action be handed four days prior. A trade union can commence industrial action against

companies where the union has no members in the form of boycott. If there occurs any serious damage, the union is liable to pay the compensation. A trade union who is not bound by a collective agreement is not required to maintain a peace obligation and can take industrial action in areas where is a collective agreement.(See a comparison of industrial conflict rules in 10 European countries, 2005)

### **5.3 Dealing with conflicts**

There is an existence of conciliation system and a permanent state conciliator which deals with the conflicts concerned with the working life. The main purpose is to assist the labour market organizations to come to an agreement when the negotiations have been failed. Finland has a system of compulsory conciliation in that the parties are required to participate in the conciliation process under a state conciliator. The main task of the conciliator is to prevent the industrial disputes and negotiate settlements.

PAM negotiates collective agreements for its members and protect members interests at work. If any disagreements occur at workplace because of the contents of the collective agreements, efforts are made to solve the dispute in the workplace level. If the matter is not solved between the parties yet the negotiation procedure will continue between the employer and the shop stewards representing the trade union PAM. Furthermore, if there is no solution produced at that level, the matter is negotiated between the employer and the wage and salary earners unions. Finally, if no solution at this level is found, the matter is handled by the labour court. (See Ministry of Labour Finland, 2006)

## **6. RESEARCH METHODOLOGY**

Research refers to collecting and analyzing existing data to draw conclusions, make suggestions and suggest further research areas. This chapter deals with the precise description of the research methodology employed by the researcher. The research problem of this research is the effects of trade unionism on workers. The other possible effects are on working hours and on annual holidays. To end, reliability and validity of this research process are discussed in this chapter.

### **6.1 Research process**

Research is a systematic way of asking questions. But to call it research, the process must have certain features: it must, as far as possible, be controlled, rigorous, systematic, valid and verifiable, empirical and critical. It is very important to understand the basics of designing a research. A research study should be clearly planned in all its stages and the research problem should be well defined. The information needed has to be identified properly and determine the data collecting method. The collected data needs to be analyzed in an appropriate way in order to reach a conclusion after which a reporting and dissemination of the results can be done.

The data used for analyzing the results consists of two kinds of data – primary and secondary data. Primary data are the first hand data. Data are referred as primary if they have been collected by the researcher himself or herself for a specific research purpose. These are for example survey responses, questionnaire responses, interview transcripts, observation records and so on. Data collection can be a time consuming and an expensive process and it is not always possible to get the information needed but once you receive it, primary data can be quite multilateral.

The data is referred to as secondary if the researcher uses the existing data rather than collecting the raw information. Examples of secondary data include information from the office of population census, survey data, social trend figures and so on. Secondary



data can be very useful if researchers cannot get to the necessary sources to collect their own data. It is quick and cheap to use previously published data. Secondary data have been widely used for this study purpose mainly in the theoretical part of the study. (Churton & Brown 2010, 218-220)

## **6.2 Quantitative and Qualitative Research Methods**

There are two broad types of research methods- qualitative and quantitative research methods. These two methods were combined for this research. The methods are clearly defined as follows. (Howe, 1988, p.10).

Quantitative research deals with numbers and statistics. It involves methods that produce countable results. Counted information then can be ranked to determine highs and lows, averages, and the ranking of one item when compared numerically with another. For example, if a questionnaire is developed which consist of several multiple choice questions, it is easy to count the number of persons who answered and those who did not answered a question in a certain way.

Quantitative methods combine the practices and norms of a natural scientific model and views social reality as an external, objective reality. The researchers and their biases are unknown of participants in the study, and the participant features are hidden from the researcher. Quantitative studies emphasize on the measurement and analysis of causal relationships between variables not processes. Proponents of such studies claim that the work is done from within a value free framework. To conduct a quantitative analysis, researchers often must engage in a coding process after the data have been collected. For example, open-ended questionnaire items results in nonnumerical responses, which need to be coded before analysis. This kind of a research method is very simple and the responses are limited which makes data very reliable. This kind of research is often conducted on either telephone, mail or online. But it possesses some drawbacks also as the respondent might hesitate to answer the questions which the respondents does not feel comfortable answering or it could feel personal to answer.( Porter & Coggin 1995, 5-6)

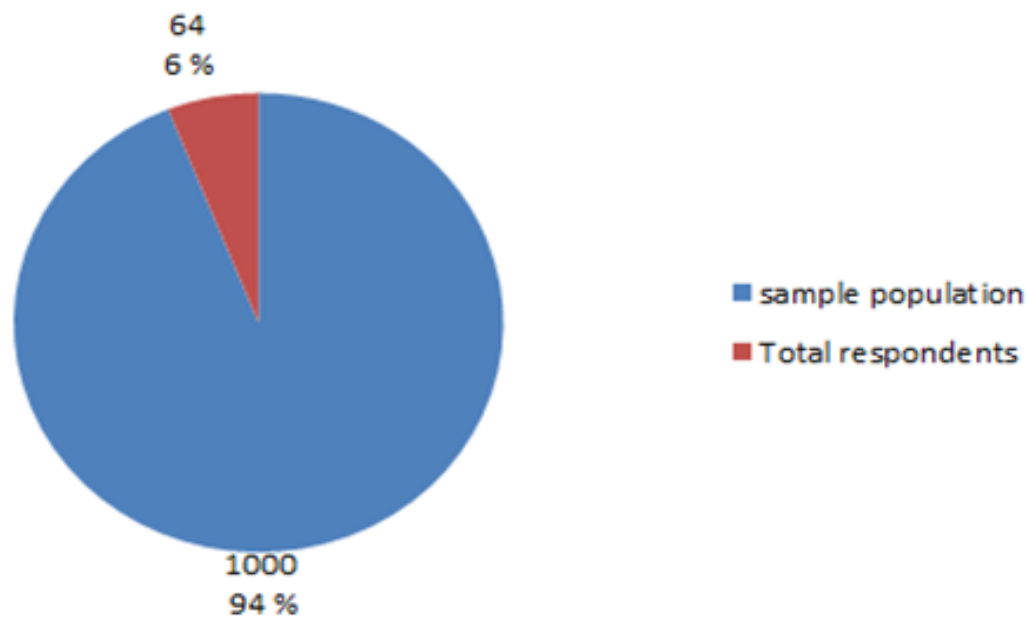
Unlike quantitative research, qualitative methods take the researcher's communication and its members as an explicit part of knowledge instead of deeming it an intervening variable. The subjectivity of the researcher and of those being studied becomes part of the research process. Qualitative research is often planned as very open and adapted to what happens in the field. Methods here are less canonized than in quantitative research. Qualitative research involves more descriptive methods and the categorization of information. Categorizing events, such as job tasks, the ways people respond to a question asked by an interviewer, and the words people use to describe their feelings, or behaviors, is the basis of qualitative research. Qualitative research is a field of inquiry in its own right. It crosscuts disciplines, fields, and subject matters. A complex, interconnected family of terms, concepts, and assumptions surround the term qualitative research. There have been various literature and approaches that cover under qualitative research. Some of them are participatory interview, case study, visual methods and so on. Qualitative research is inherently multi method in focus. (Denzin & Lincoln 2000, 2; Porter & Coggin 1995, 5-6, Flick 1998, 16)

### **6.3 Research Design and Data Collection**

This research is conducted by gathering primary data by sending out the questionnaires and conducting an interview at PAM. The study applies both the qualitative as well as the quantitative research method. Many scholars adopt different methods to carry out a research. Depending upon the purpose of the research and the type of information needed, qualitative or quantitative research methods within any of these disciplines should be used. (Porter & Coggin 1995, 7)

During this research, qualitative research method will be used. D.T. Campbell asserts "all research ultimately has a qualitative grounding". The qualitative method was used because it possibly answers the questions of why, how and in what way. It is also because it is possible to collect data from the interviews, structured and non-structured interviews, and participant observation.(Hancock, 2002). On the other

hand, quantitative approach is equally accompanied as it provides absolute values during the research. The values can also be examined in an unbiased manner. Tools such as questionnaires, surveys and other equipment are used to collect the numerical or measurable data. The researcher can also get a broader picture of what to expect from the research in the quantitative research.



**Figure 7.** Sample and data collection

Personal interviews and questionnaires are used in building up this research work. In this study the primary data is collected from the questionnaires. There are in total 64 respondents out of 1000 sample population and the respond rate is 6.4%. Among the 64 respondents, there are 2 respondents who did not answer the gender question.

### **Questionnaire design**

The main instrument used in the collection of data for this research work is a questionnaire survey. Closed ended questions are used because they provide a greater uniformity of responses and are more easily processed. This survey is coordinated by the region chef so as to achieve its final goal. The sample size is 1000 in order to get

much more information to carry out this research. The survey for this research is created in Finnish and in English too. It is because most of the members in PAM are Finns and English speaking members are fewer compared to Finns. The distribution of the survey is done by email and it is done from Helsinki main office.

The questionnaire is sent by email to the members of PAM. The questionnaire is generally of qualitative nature. A short message accompanies the questionnaire to enable the researcher to get factual information about the mode of operation of the people involved in the trade union and to determine the effects it has on workers. The respondents have two weeks to fill in the questionnaire. In this case study the responses are directly sent to Excel in format.

### **Interviews**

To acquire more qualitative data, it is necessary to go to the people who have firsthand knowledge. An interview was conducted among the two targeted groups therefore union officials and workers. The researcher conducted unstructured interviews particularly with Marja Salmivuori who is a Regional Chef and Mr. Ville Filppula who is an officer (ombudsman). The main reason to conduct this interview is to get some more information apart from the survey questionnaire. At some time, a different perspective from someone who has a different idea about a subject or experience provides a different outlook beside the other sources. The interview was conducted in PAM office in Vaasa. The main aim was to link interview with the theoretical study.

The interview was basically about how PAM works, the collective agreements agreed on and about the unemployment fund. The union effects on wages, fringe benefits and on annual holidays depend on the collective agreements agreed on. PAM's terms of employment in the hotel, restaurant and leisure industry and terms of employment in the property and house maintenance sector were discussed. The interview was more on practical issues. The interview was simple and was conducted in a conducive environment.

## 6.4 Reliability and Validity

Reliability refers to the capacity of the results of research to stand up to re- testing. For example, estimating a person's age by asking his or her friends would be less reliable than asking the person or checking the birth certificate. Repeatability of the study also indicates the extent of reliability. Coolican (1994) succinctly states that reliability 'refers to a measure's consistency in producing similar results on different but comparable occasions'. If research is said to be reliable, this means that if it is replicated (repeated under identical research conditions), identical results will be achieved. Reliability is important if generalizations are to be made. If researchers can establish that their research is reliable there is less risk of their taking a chance pattern or trend exhibited by their sample (the group being studied) and using it to make inferences or assumptions about the population as a whole.(Churton & Brown 2010, 209)

Validity refers to the extent to which the results of research provide a true picture of what is being studied. There are numerous yardsticks for determining validity: face validity, criterion-related validity, content validity and construct validity. If research is said to be valid, this means that it is really measuring what it is intended to measure and gives an accurate insight into the research area that is, it 'mirrors' reality. Validity is important if researchers are seeking to obtain an in-depth insight into individuals, small groups or situations. If researchers can establish that their research is valid, they can be confident that their findings really do portray the uniqueness of the issue being studied. If the research lacks validity, this means that the researchers cannot guarantee that their findings reflect the truth. (Churton & Brown 2010, 211; Earl Babbie 1989, 127)

In order to ascertain the validity of the instrument, the researcher recognized the need to involve personnel that are knowledgeable enough to really determine whether this research work will be able to test that it purports to test. If the research design satisfies the designated research questions and the target objectives, we can conclude the research to be valid.

Reliability of the research can also be proven, if the researcher recognized the need to pre-test the questionnaire before actually administering them on the respondents. The rationale behind this is to ascertain whether the questions are capable of eliciting the appropriate information or not. To make it more reliable, the theoretical study is combined along with the empirical findings.

## 7. EMPIRICAL FINDINGS

The chapter deals with the analysis of responses. They will be dealt by graphs and explained in words. The qualitative data will be examined in words. At the end, a conclusion is drawn from the survey.

### 7.1 Analysis of survey questionnaires

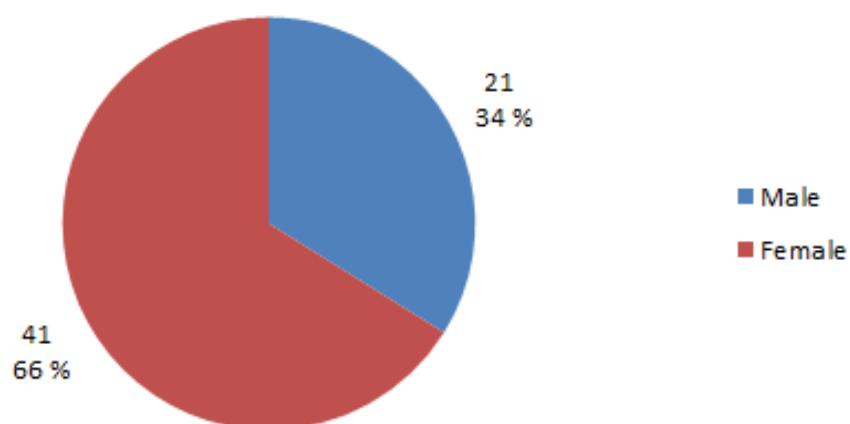
In this section I will analyze the results of the questionnaire survey. All the questions will be analyzed in the sequence order they were forwarded to the members.

#### 7.1.1 Basic information of Respondents

<b>Male</b>	21	33.87%
<b>Female</b>	41	66.13%
Total:	62	100%

There are altogether 64 valid respondents who took part in this survey. There are 41 females which constitutes of 66.13% and 21 male constituting of 33.87% of the total number shown in the figure. Two respondents did not answer about the gender question. Gender distribution is shown in Figure 8.

## Gender distribution



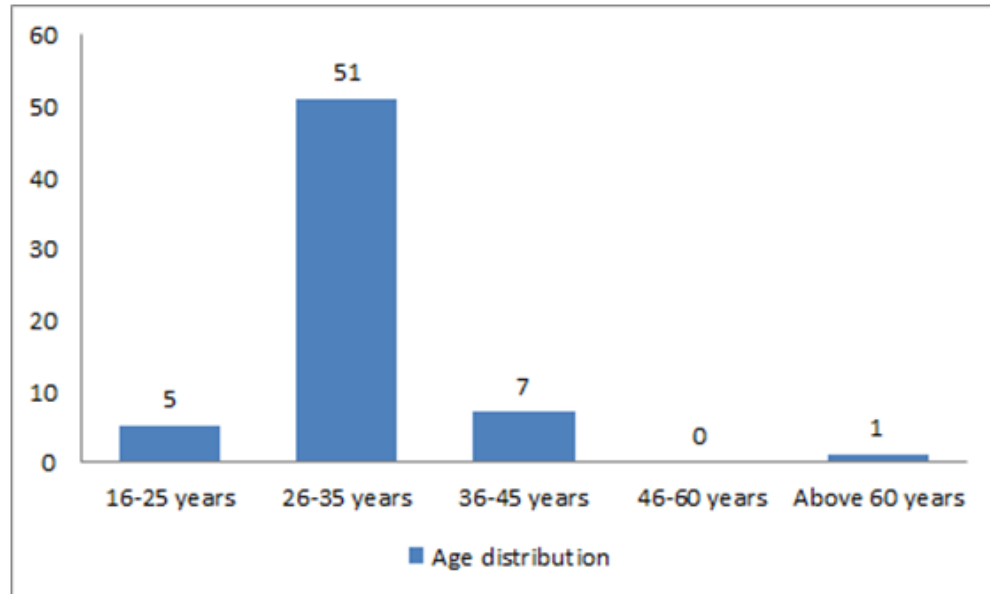
**Figure 8.** Respondents by gender

## Age distribution

16-25 years	5	7.81%
26-35 years	51	79.69%
36-45 years	7	10.94%
46-60 years	0	0%
Above 60 years	1	1.56%

Out of the total of 64 respondents, 51 or 80% are in the age group between 26-35 years as shown in following Figure. There are no respondent who fall in the age group between 46-60 group. Only one respondent fall in the group of above 60 years. Age distribution is shown in Figure 9.





**Figure 9.** Respondents by age

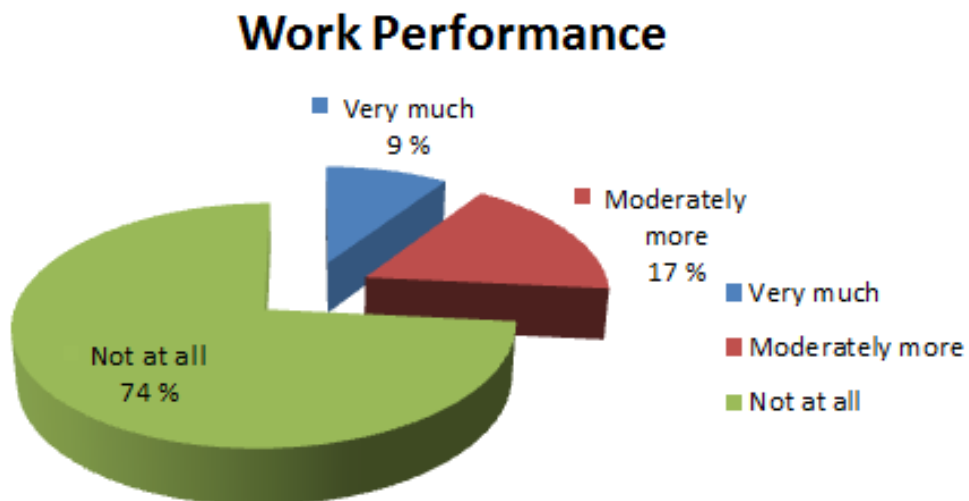
## Analysis of the survey according to the each question

### 7.1.2 Has union membership (PAM) affected work performance?

There were three possible answers to the question.

Answers	Number	Percentage
Very much	6	9.38%
Moderately	11	17.19%
Not at all	47	73.44%
Total	64	100%

Out of total 64 respondents, there are 47 respondents whose opinion is that the membership in PAM has not affected the work performance at all. 11 members have the opinion that PAM membership has affected moderately on the work performance. It can be conclude that taking the membership of PAM has not affected work performance much as shown in Figure 10.



**Figure 10.** Respondents on PAM's membership on work performance

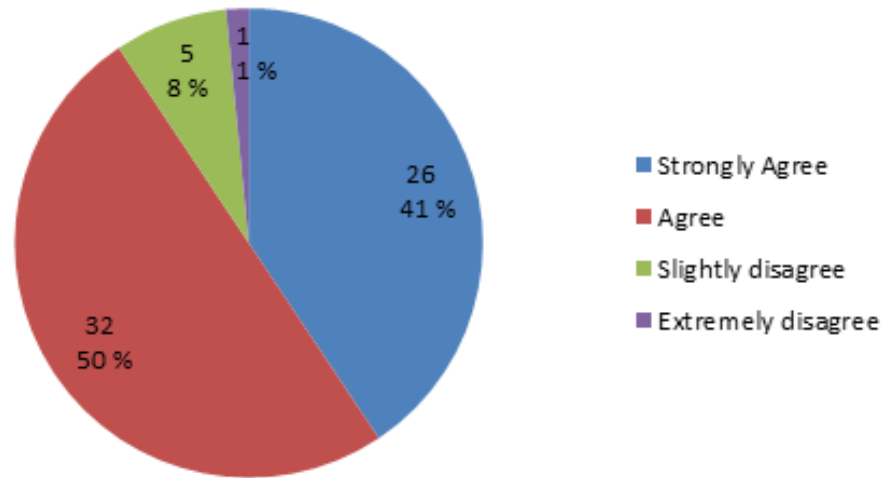
### 7.1.3 Do you think belonging to a union (PAM) brings security to life?

There were four possible answers to the question.

Answers	Number	Percentage
Strongly Agree	26	40.63%
Agree	32	50%
Slightly disagree	5	7.81%
Extremely disagree	1	1.56%
Total	64	100%

Figure 11 depicts that most of the members believe in PAM and they agree that it will bring security to the lives of the members. We can see 32 members or 50 percent agree that the membership will bring security to life. There is approximately same number of opinions between the options Strongly Agree and Agree. To conclude PAM has created a good image in the minds of its members in bringing security to the lives to its members.

## Security to life



**Figure 11.** Respondents on PAM's bringing Security to life

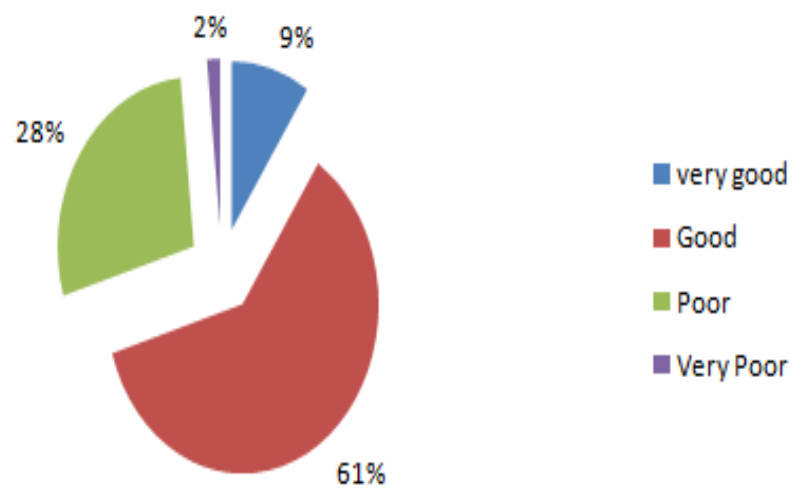
### 7.1.4 How familiar are you with the work and organization of PAM trade union?

There are four possible answers provided to answer this question.

Answers	Number	Percentage
Very good	6	9.38%
Good	39	60.94%
Poor	18	28.13%
Very Poor	1	1.56%
Total	64	100%

From Figure 12, it can be concluded that members are very much updated about the work and organization of PAM. As shown in the Figure 39 members or 61% are familiar with the work and organization of PAM and there are some members who are unaware of the work and organization. 18 or 28.13% respondents replied poorly but comparatively the figure of good has surpassed the poorly answers.

### Familiar with the work and organization of PAM



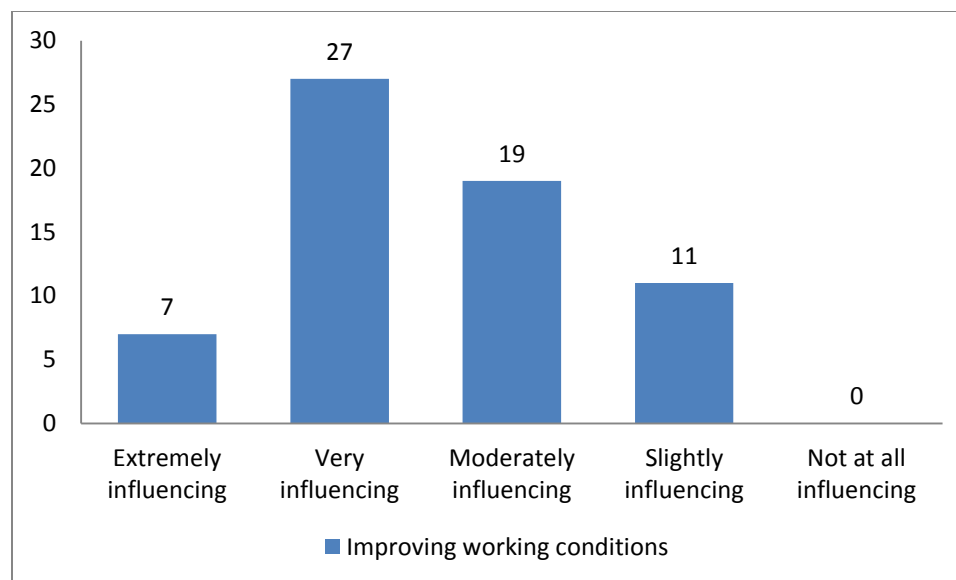
**Figure 12.** Respondents on Familiarity with Work and Organization of PAM

### 7.1.5 Does PAM exert any influence on improving the working conditions of its members?

There are five possible answers provided to answer the question.

Answers	Number	Percentage
Extremely influencing	7	10.94%
Very influencing	27	42.19%
Moderately influencing	19	29.69%
Slightly influencing	11	17.19%
Not at all influencing	0	0.00%
Total	64	100%

The results as shown in Figure 13 indicate that most of the members believe that PAM has made effort on improving the working conditions of its members. The highest number of members, 42.19% state that PAM has an impact on the working conditions and it is very influencing. The major reason is because PAM has negotiated more than 50 Collective Agreements which are done for the benefits of workers which ultimately enhance the working conditions of the workers. It can be concluded by saying that most of the workers feel PAM has great influence on the working conditions of its members and there are no members who state that PAM has no influence on working conditions at all.



**Figure 13.** Respondents on PAM's influence on working conditions of its members

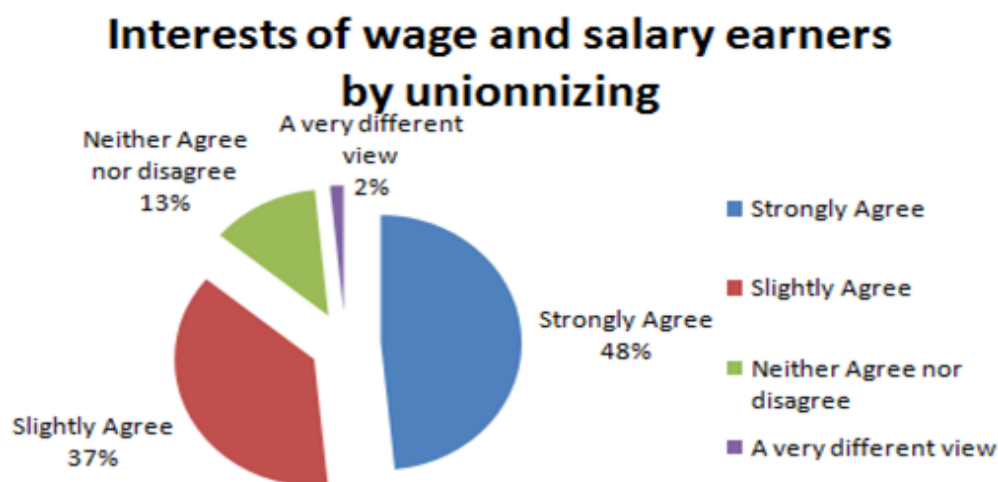
7.1.6 Do you think the interests of wage and salary earners can be promoted effectively by unionizing?

There are four possible answers provided to answer the question.

Answers	Number	Percentage
Strongly Agree	31	48.44%
Slightly Agree	24	37.50%
Neither Agree nor disagree	8	12.50%
A very different view	1	1.56%
Total	64	100%



From the survey result, 48.44% were of the opinion that they strongly agree that the interests of wage and salary earners can be promoted effectively by unionizing as shown in Figure 14. It means the workers rely on unions and by unionizing they think their interests are safeguarded by the trade unions. There is a difference between the members who strongly agree and the members who slightly agree. One of the members has a total indifferent view. Eight members stay neutral so that neither agree nor disagree. Nevertheless, most members think positive of promoting their interests by effectively unionizing.



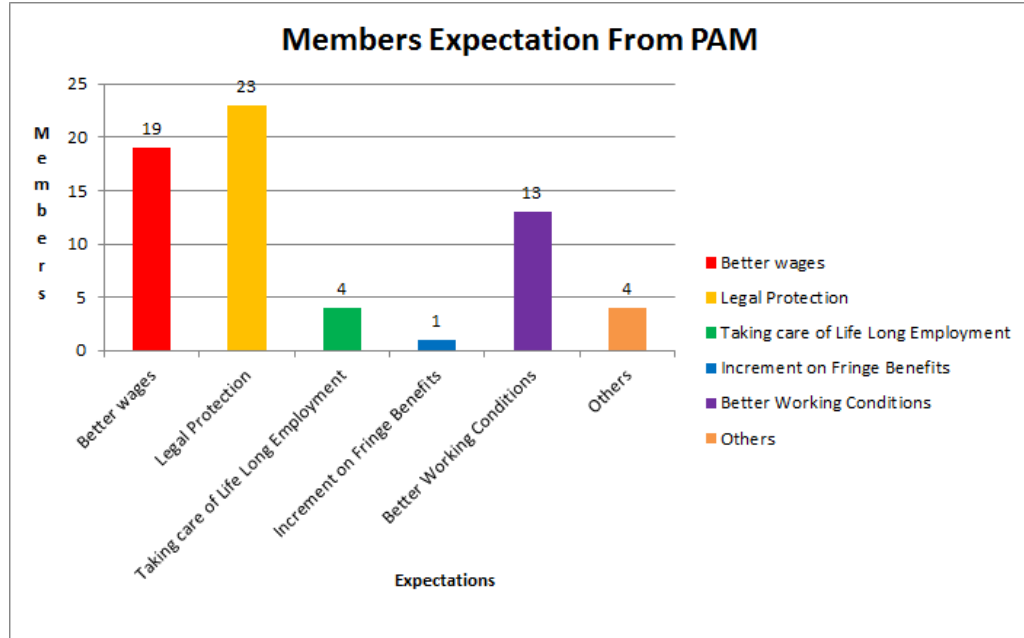
**Figure 14.** Respondents on Interests of Wage and Salary earners by unionizing

### 7.1.7 What do you expect from being a member of PAM?

There are six possible answers to answer the question.

Answer	Number	Percentage
Better Wages	19	29.69%
Legal Protection	23	35.94%
Taking care of life Long Employment	4	6.25%
Increment on Fringe Benefits	1	1.56%
Better Working Conditions	13	20.31%
Others	4	6.25%
Total	64	100%

As shown in Figure 15, 35.94% of the respondents were of the view that they expect legal protection from PAM. There are mainly three things which members expect from PAM. They are legal protection, better wages and better working conditions. Most of the members, 29.69% or 19 members also expect PAM to increase the wages. 13 members or 20.31% argue for better working conditions while they are at work. In a nutshell, members expect general basic things from PAM.

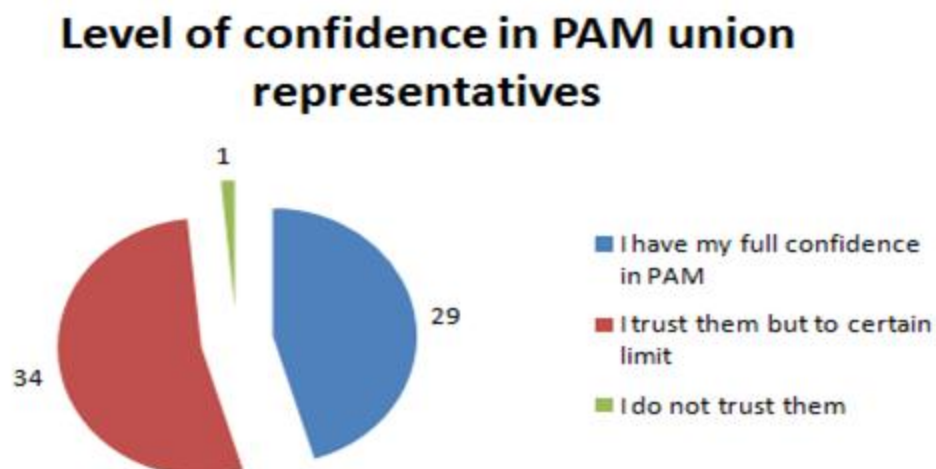


**Figure 15.** Respondents on Expectation from PAM

7.1.8 How high is the level of confidence you have in PAM trade union representative?

Answers	Number	Percentage
I have my full confidence in PAM	29	45.31%
I trust them but to certain limit	34	53.13%
I do not trust them	1	1.56%
Total	64	100%

The survey results show that members do trust PAM representatives. 45.31%, that is 29 members have full faith in union representatives whilst 53.13% believe so but to certain limit. Surprisingly, we have one member who does not believe in PAM at all. There can be various reasons why he or she distrusts PAM. Nevertheless, the major proportion of members has good faith and confidence in PAM and its activities.



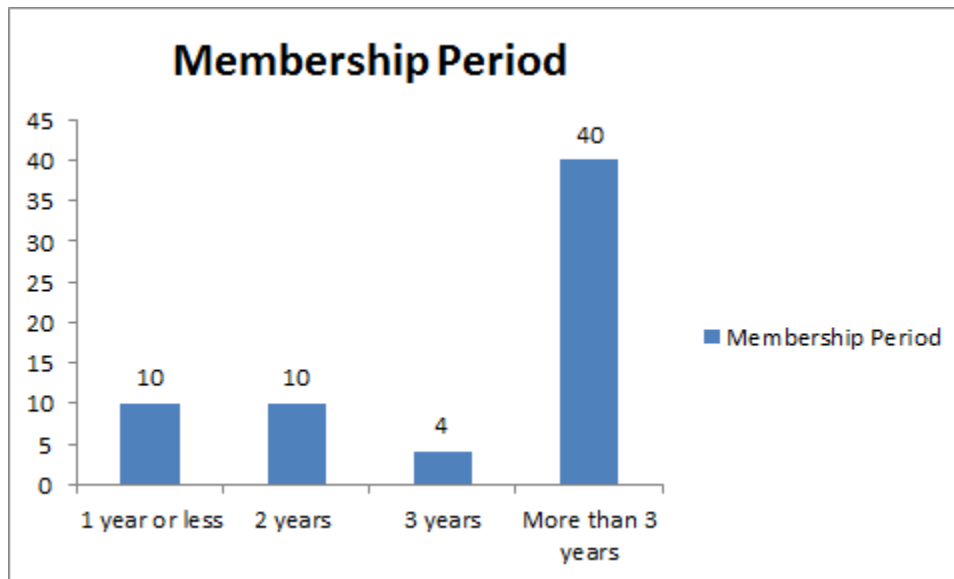
**Figure 16.** Respondents on level of confidence in PAM union representatives

#### 7.1.9 For how long have you been a member of PAM?

Answers	Number	Percentage
1 year or less	10	15.63%
2 years	10	15.63%
3 years	4	6.25%
More than 3 years	40	62.50%
Total	64	100%

As Figure 17 shows 40 members have been members for more than three years. There are 10 members who have been members for less than one year and 10 members who

have been members for less than two years. There are four respondents who have been members of PAM for three years now. To conclude, there are members who choose PAM membership to bring security to life and lead a prosperous life.



**Figure 17.** Respondents on membership period

## **8. SUMMARIES, CONCLUSIONS & RECOMMENDATIONS**

This section provides a summary of the study, and conclusions are also provided according to the research findings. The last section will put some effort in providing some recommendations where PAM can be more effective among members.

### **8.1 Summary of Analysis and Recommendations**

This research work is executed to study the effects of trade unions on workers. As a result, it became very important to examine the relationship between the major factors that make up trade unions in the organization. It is hoped that the outcome of the study will guide policy makers especially at PAM to be better informed. The ways to increase the effectiveness of trade unions and meet the respondents expectation can be provided based on the findings of the study.

The purpose of the study is concentrated in the set of objectives outlined below:

- a. To explain the concept of trade union.
- b. To identify how the practices of trade unions affect the lives of workers
- c. To determine how trade union works in benefitting their members
- d. To explain that trade unions provide a good system of industrial law.

### **8.2 Summary of the findings**

From the population of workers sampled, the following findings were made:

- There is little relationship between the trade union members and their performance at work.

- Trade unionism has significant impact on the job security of the workers.
- The union members are well familiar with the current work and the organization.
- The union PAM has very much influence on the working conditions of its members.
- Members of union PAM trust their representatives in uplifting their working lives.
- The members have a strong feeling that by joining unions the interests of wage and salary earners are promoted effectively.
- The members expect mainly three things from PAM. Most respondents expected legal protection from PAM. They expect that PAM will protect them from unnecessary dismissal from company without any cause. It mainly implies safeguarding workers interests against dismissal. The next range of respondents expected PAM to bargain for better wages. They consider unions for better wages to be one of the most important factors in improving their daily life and well-being. Hence, they consider union PAM to negotiate with the employers regarding better wages and other fringe benefits. Finally, some workers expected better working conditions from PAM. Therefore, workers want union PAM to bargain with employers for good working environment in order to prevent accidents and ill health at work.



### 8.3 Conclusion

Based on the Findings, it can be concluded that trade union PAM is playing an active role in maintaining the quality life of the workers. In fact, security in life of the workers seems to be an indispensable component of the functions of this union. Along with it, they are also maintaining good harmonious industrial relations.

Trade unions should build additional value to members in the work they perform. Besides bringing security to life and improving working conditions the union should try to put more emphasis into bringing new values to its members. The union should concentrate on membership education and training to its members. The union provides members training in fields of labor rights and collective bargaining. Considering the fact that the union membership is about 225000 individuals, if PAM could provide some new service it would attract more nonmembers and it would be a competitive advantage to PAM. Union density is a major strength and power of any union. Unions with higher density can put pressure on management level and can have a positive influence on workers lives. The data analyzed showed that a union which has strong relationship with the workers is more powerful in influencing the management and which will ultimately results in benefits for the workers. Moreover, a union should organize meetings with workers where they guide workers in improving productivity, meet their needs and deliver their voice to the management. The members of trade union are generally satisfied with the work conducted by PAM.

In a nutshell, trade union PAM should focus much more on the needs and desire of the members. The union should be much more member oriented. The members are paying the membership fees so in return the representatives of the union should consider and provide good quality service for which members are paying for. Trade union PAM should be clear about the mission and vision which is more aligned individually and cooperative with three social partners. In addition, the trade union can add value for employers by cooperating with them for the betterment of company as well as for the better future of the members. Participative decision making within

the trade unions and management will lead to a stable atmosphere for performance. It is only within this stability that good workers performance can be achieved.

## **8.4 Recommendations**

The concept of trade unionism is born out of the need to ensure good working conditions and protection of the overall interest of employees. It is also a fact that without a responsible and result oriented workforce, work efficiency will decline.

So, in order to improve the effect of trade unionism on workers, the following suggestions are made.

- Trade union should avoid the path of confrontation but continue dialogue through the collective bargaining process and also demands should be realistic in nature with what is obtainable in the related industry.
- An existence of a formal two way communication between management and trade unions will ensure that right message is properly understood and on time too. This will help in maintaining a long term cordial relationship between the parties by minimizing misconceptions.
- Finally, work efficiency can only be achieved in a peaceful atmosphere. The union should ensure that their goals are suitable and appropriate with the achievement of the overall organizations objectives. On the other hand, management should always provide path for dialogue as both parties are needed for better worker efficiency.

## **8.5 Suggestions for Further Research**

Based on the principle of inclusiveness and exclusiveness, I want to suggest that this research work will be useful to further researchers. There has been a lot of research on trade unions. Meanwhile, I did not find any research done to see the effects of the trade unions on workers. It would be interesting if someone would like to study more of it Trade unions have a huge effect on workers, so I would recommend for further research in this specific field. A more comprehensive study could also be conducted to understand the wider roles and newer effects that may be expected from trade unions. The effect of the union was clearly visible in the empirical study. Furthermore, research on improving the relationship between management and union to achieve workers performance can also be done.

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## **APPENDIX 1**

Questionnaire Cover Letter

Questionnaires on **'The effects of Trade Unionism on workers'**

I am Bishal Ram Shrestha, a Bachelor's Degree student of Business in Vaasa University of Applied Sciences. I am doing the survey on trade unions as a part of my Bachelor's Thesis; therefore I would be grateful if you would help me with filling out this questionnaire survey. Answering to this survey takes place online and takes approximately 5-10 minutes. Most of the questions are multiple choice questions, so they are relatively easy to answer. Please reply to the survey as soon as possible. Every response is really important.

Thank you in anticipation of your cooperation

Yours faithfully,

Bishal Ram Shrestha

## **APPENDIX 2**

### **Questionnaires for PAM Members**

#### **1. What is your gender?**

Male      female

#### **2. Please indicate your age**

26-35   36-45   46-60   Above 60

#### **3. Has union membership (PAM) affected the work performance?**

Very much

Moderately more

Not at all

#### **4. Do you think belonging to a union (PAM) brings security to life?**

Strongly Agree

Agree

Slightly disagree

Extremely disagree

#### **5. How familiar are you with the work and organization of PAM trade union?**

Very good

Good

Poor

Very Poor

**6. Does PAM exert any influence in improving the working conditions of its members?**

Extremely influencing

Very influencing

Moderately influencing

slightly influencing

Not at all influencing

**7. Do you think the interests of wage and salary earners can be promoted effectively by unionizing?**

Strongly Agree

Slightly Agree

Neither Agree nor disagree

A very different view

**8. What do you expect from being the member of PAM?**

Better Wages

Legal Protection

Taking care of life Long Employment

Increment on Fringe Benefits

Better Working Conditions

Others

**9. How high is the level of confidence you have in PAM trade union representatives?**

I have my full confidence in PAM

I trust them but to certain limit

I do not trust them

**10. For how long have you been the member of PAM?**

1 year or less

2 years

3 years

More than 3 years