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PAM's solutions for tackling labour exploitation

Labour exploitation means that a disadvantaged employee is exploited for financial gain.

Labour exploitation and the associated grey economy constitute a multi-billion-euro business. The victims of exploitation are the ones who suffer the most, but legitimate businesses and society as a whole are also affected. This business model, which has taken root in Finland, has spread because the risk of getting caught is virtually non-existent and the consequences are negligible. Within private service sectors, the property services industry and the hospitality sector (tourism and restaurants) are particularly high-risk areas.

Labour exploitation can be tackled, but doing so requires a comprehensive set of measures. This means information, preventive measures, monitoring, better access to justice for victims, and significant penalties for those who commit labour-related crimes.

The Ministry for Foreign Affairs and Finnish embassies have a unique opportunity to prevent labour exploitation before the worker even arrives in Finland. Workers must receive accurate and timely information about Finnish working life so that they can identify and avoid dubious or high-risk recruitment channels while still in their home country.

Eliminating opportunities for exploitation in legislation

Preventing underpayment by making it a criminal offense

Underpayment is currently not a criminal offense in Finland. The only consequence for an employer who is caught underpaying is the obligation to pay the right amount of wage to the employee. Therefore, "wage theft" should be criminalized in Finland, and the severity of the punishment should be increased to act as a deterrent.

- Classify the intentional failure by an employer to pay wages, overtime compensation, or other employment-related benefits—as required by law, collective agreements, or employment contracts—as a criminal offense, i.e. wage theft.
- Increase punishments for labour-related offenses and extend the employer's criminal liability to cover all such offenses.

The evasion of employer's obligations must be prevented

The question of whether individuals doing platform work are employees or entrepreneurs is still unresolved, even after nearly a decade of negotiations. A recent ruling by the Supreme

Administrative Court confirmed that food couriers working for Wolt are, indeed, employees.

Bogus or false self-employment is becoming increasingly common in many other sectors as well. It meets the criteria for an employment relationship, yet the individual performing the work is classified as an entrepreneur.

This effectively strips the person in a subordinate position of all the protections afforded to the weaker party under labour law. At the same time, the party commissioning the work can transfer all employer obligations and risks to the person performing the work. Such a situation also creates opportunities for labour exploitation.

- An automatic and effective presumption of employment should be established for platform work.
- Platform companies are to be held responsible for ensuring that working conditions and the work permits of foreign employees are in order throughout the subcontracting chain when a contractual partner uses substitutes.
- To prevent bogus self-employment and exploitation, a rapid and effective method is needed to determine whether a relationship constitutes employment or genuine entrepreneurship.
- Substantial sanctions are to be imposed on the party commissioning the work for the intentional misinterpretation of the legal status of the employment relationship.

No room for social dumping in public procurements

In 2024, the value of public procurement—purchases made using tax revenue—in Finland amounted to nearly 40 billion euros. Current procurement legislation allows for a “race to the bottom” regarding working conditions, particularly in labour-intensive service procurements. Labour exploitation can be prevented by establishing mechanisms to monitor procurement contracts and by increasing the risk that exploitation will lead to contract termination and sanctions.

- Promoting socially responsible procurement is added to the objectives of the Public Procurement Act.
- Selecting a tender for service procurement based solely on the lowest price is prohibited, and a minimum weight for quality criteria (e.g. 50%) is established for service procurements to ensure selection based on the best price-quality ratio.
- A requirement is introduced to reject any tender for service procurement that is clearly underpriced.
- A requirement is introduced to exclude from tendering processes any entities that have violated environmental, social, or labour law obligations stipulated in legislation and collective agreements.

- Compliance with labour laws and the applicable collective agreement—backed by contractual sanctions—is made a mandatory special condition in all service procurements.

Curbing labour exploitation in subcontracting chains

The purpose of the Act on the Contractor's Obligations and Liability when Work is Contracted Out is to promote fair competition and compliance with terms of employment. However, the current obligation to perform checks does not effectively prevent exploitation in subcontracting chains.

- The contractor is made effectively liable for its contractual partner's employer obligations, such as paying wages in accordance with the collective agreement.
- The obligation to perform checks and the liability during the contract period is extended to cover subcontractors—and their subcontractors—engaged by the contractor's direct contractual partner.
- The length of the subcontracting chain is limited to two tiers in high-risk sectors.
- Contractor's broader obligations and liability, obligation to perform checks, and liability during the contract period are also being pushed as EU legislation.

Making it easier to expose labour exploitation

The fear of losing one's residence permit must not stand in the way of escaping exploitation

The residence permit system defines the status of migrant workers in the workplace. Workers who fear losing their right to remain in the country are more prone to accept poor working conditions and may not dare to seek help. Therefore, the residence permit system must be revised with workers' rights in mind.

- The conditions for permanent residence permits is amended so that they are not unreasonable for those working in low-wage sectors.
- Time limits within the residence permit system regarding unemployment and income security are harmonized to six months for both work-based residence permits and permanent residence permits.
- Employers are required to submit the signed employment contract and other key documentation to the Finnish Immigration Service (Migri) without delay so that the agency can monitor compliance with the employment terms promised during the permit application stage.
- The Finnish Immigration Service must not grant work-based residence permits to companies that have engaged in labour exploitation.

- Employers are imposed an obligation to arrange language training for employees, and this obligation is subject to sanctions. The Finnish Immigration Service will be required to monitor the provision of such training in connection with applications for extended permits.

Increased support for victims

Legislation, cooperation between authorities, and victim support services must complement one another when combatting labour exploitation so that victims can be identified and helped as quickly as possible.

- Seamless information exchange and joint operating models among authorities such as the police, occupational safety and health officials, and immigration authorities are needed in order to identify and assist victims faster.
- Victims are offered low-threshold services such as legal aid, psychosocial support, and safe accommodation, without the fear of deportation.
- Making sure victims' accounts are understood through the use of trained cultural interpreters and translation support at all stages of the process.

Defining sectors at risk of labour exploitation

Labour exploitation is not a random phenomenon or limited to individual actors; instead, it is concentrated in specific sectors and forms of employment where the worker's position is vulnerable. Sectors at risk can be defined in legislation based on structural risk factors within the industries and on information regarding labour exploitation gathered by authorities and supervisory bodies.

- A classification of high-risk sectors are written into law and used for purposes such as targeting inspections, imposing additional risk-based obligations, and improving the identification of victims.

Implementation of the tax number system in the property services and restaurant sector

According to studies on grey economy, under-the-table wage payments cause a significant tax gap in the restaurant and property services sectors. Closer supervision of duties related to taxation and employer contributions can also help reduce labour exploitation. Tax number identification cards make it possible to ensure compliance with employer and tax-related obligations.

- Tax number system is implemented in the restaurant and property services sectors.

Right to bring action to trade unions

An exploited employee often does not dare to act as the plaintiff in their own case. Therefore, it is important that trade unions have the right to bring legal action and the possibility to independently pursue a claim on behalf of one or more employees.

- Trade unions are granted an independent right to bring legal action in matters relating to working life, gender equality, and non-discrimination. This right also includes the possibility of filing a class action in certain cases.

Ensuring sanctions for labour exploitation

Enough resources for authorities

Authorities must have enough resources, i.e. personnel, expertise, and powers, to prevent labour exploitation and ensure fair competition. Supervision is particularly important in high-risk sectors.

- Authorities are tasked with imposing administrative penalty fees on those engaging in exploitation, bypassing lengthy legal proceedings. The threshold for imposing sanctions, including corporate fines and bans on business operations, are lowered, while the severity of the penalties are increased to ensure they are substantial.
- Adequate, earmarked resources are secured for occupational safety and health authorities, the Finnish Immigration Service (Migri), the Tax Administration, and the Centres for Economic Development, Transport and the Environment (ELY Centres) to combat labour exploitation.
- The expertise and resources of the police and prosecution services to investigate and prosecute cases of labour exploitation and human trafficking are strengthened.
- Authorities are required to engage in closer and more systematic cooperation with the trade union movement.