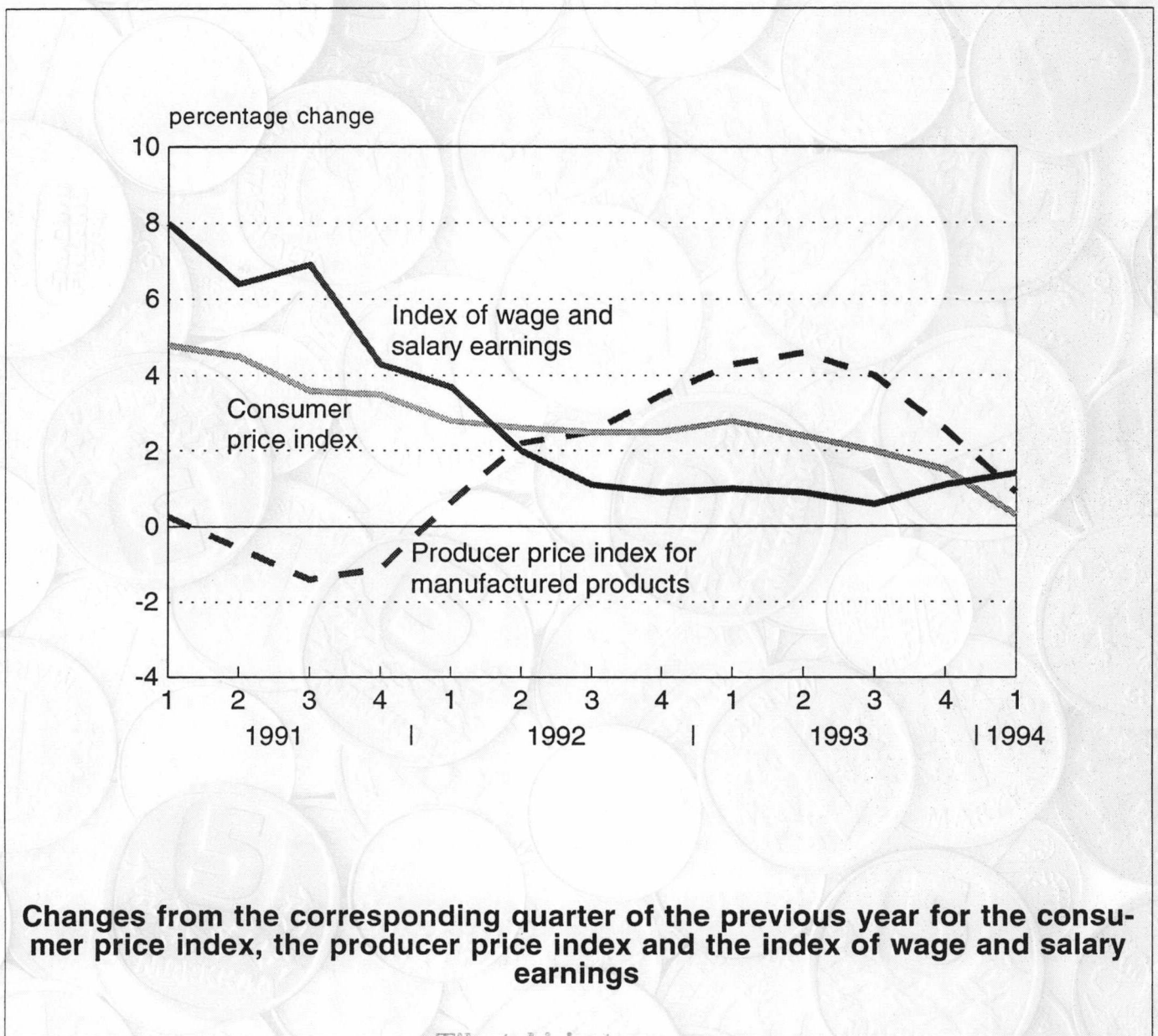


Prices and Wages Review 1994

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Prices and Wages Review 1994

Foreword

Since 1992, Statistics Finland has published a bi-monthly Prices and Wages Review, containing articles on relevant price, wages and strike related matters. The Prices and Wages Reviews have comprised in-depth analytical articles which combine statistical information from various sources and also include forecasts. New statistical information on e.g. property sales, strikes and price and wage differentials in different countries has also been published in them.

We have now chosen the most interesting articles from the 1993 Prices and Wages Reviews for the first Review to be published in English.

We hope that you will find the English version of the Prices and Wages Review useful for many purposes. We would be interested in hearing your comments in order to help us further develop our publication.

Helsinki, July 1994

Jarmo Hyrkkö

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The days of low inflation

Why did inflation in 1993 confound all predictions and remain extremely low? Ilkka Lehtinen, an index expert at Statistics Finland, discusses here the reasons why inflation may continue to be low this year.

The predictions for 1993 published by all the economic research institutes proved to be totally inaccurate. The year was characterised by:

- a high rate of unemployment,
- a decline in production, with some signs of recovery in certain sectors,
- financial deficits in the public sector,
- high levels of household savings, indicating uncertainty about the prevailing situation, and
- low inflation.

In contrast to the 3-4% rise anticipated for 1993, consumer prices increased from December 1992 to December 1993 by only 1.5%, and by an average of 2.2% in annual terms.

The predictions had been based on the upturn in Finland's economy which commenced at the beginning of 1993 and on the subsequent wage increases, an expansion in consumer demand and a resulting rise in consumer prices.

In fact, the gross national product declined almost throughout 1993, and private consumption did not show any signs of recovery until the final months of the year. The growth in unemployment at the beginning of 1993 and the wage cuts in some sectors in summer 1993 also reduced total purchasing power.

The arresting of the decline in housing prices, the price decisions made by the government and the floating of the Finnish mark were also expected to accelerate inflation in 1993, but it should be noted that the currency devaluation produced an increase of less than 3% in consumer prices between October 1991 and December 1993.

People have been overly careful in their consumption habits, and saving has increased. A rise in profitability, a decline in interest rates, the global drop in the prices of petroleum products and the appreciation of the Finnish mark have all caused consumer prices to rise considerably less than predicted.

The structure of inflation in December

Although an annual rise of 1.5% in consumer prices was detectable in December 1993, it is difficult to divide this effect into individual components.

The following analysis is based on a list of price alteration pressures on the consumer price index produced by Statistics Finland. This list indicates the effects of annual changes in the prices of 401 commodities and services on the total index.

Annual changes in consumer prices as of December 1993, %

Government measures	+0.75
Local government measures	+0.55
Floating of the Finnish mark	+0.8
Second-hand cars	+0.5
Drop in interest rates	-1.35
Housing prices	-0.25
Food	-0.1
Drop in oil prices	-0.2
Others	+0.8
TOTAL	+1.5

The decline in interest rates and housing prices produced a decrease of 1.6 percentage points in the consumer price index, which was in turn offset to the extent of approx. 1.3 percentage points by the indirect effects of measures adopted by the government and local councils.

The influence of the depreciation of the mark was reduced by the behaviour of other currencies on the world market, the appreciation towards the end of the year and some flexibility in transaction margins.

Inflation in 1994

An approx. 3% rise in consumer prices has been anticipated for the current year on the basis of

- the effects of the introduction of VAT at the beginning of June,
- a predicted increase in private consumption,
- a predicted slight increase in housing prices
- a predicted slowing down in the rate of decrease of interest rates
- a rise in rents on account of the new property tax and VAT, and
- pressures to increase prices caused by the floating of the Finnish mark.

The analysis of trends in consumer prices can be divided into the effects of government measures and market changes caused by pricing, demand and market behaviour.

Consumer price pressures due to the aforementioned factors do not seem particularly strong. If it is also assumed that the increased demand in the private sector will not lead to any appreciable rise in prices, the rate of inflation by the end of the year should barely exceed that of last December.

The rises in taxes and prices imposed by the government sector, which have usually been a prominent factor increasing inflation at the beginning of each year, were markedly smaller early in 1994 than in previous years.

The floating of the currency in 1993 also increased the annual rise in the consumer price index, but this is reflected in the index calculations at least as far as its immediate effects are concerned. In addition, if housing prices remain at the current level and interest rates continue to decline, the annual rise in consumer prices may be at a record low level in spring 1994.

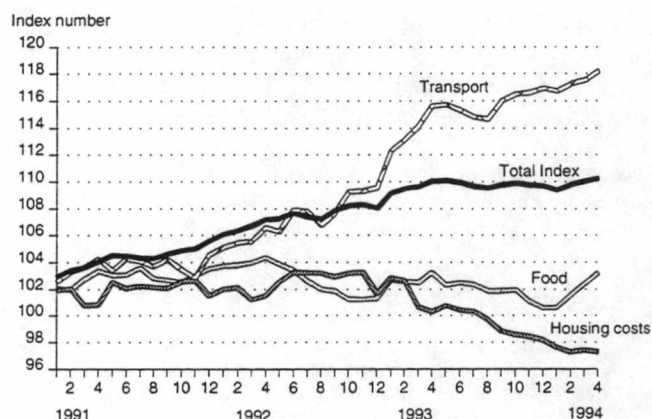
The reversal in the trade balance from a deficit to a visible surplus will create opportunities for appreciation currency or a decrease in interest rates. The appreciation which has taken place so far, and which may continue for some time, will naturally release the devaluation-induced pressure on prices and even reduce the prices of imported goods.

On the other hand, a slowing down inflation would create the preconditions for a decrease in interest rates or increase pressures to lower the real interest rate. This is an optimistic prospect from the point of view of combating inflation.

The introduction of VAT at the beginning of June will primarily affect various types of services and will increase prices less than had at first been anticipated. Implementation of the original VAT plans would have produced a theoretical rise of 1.5% in consumer prices, but certain reductions in the rates of VAT and the postponement of its introduction until June 1994 will mean that the theoretical effect of the reform will remain at 1% in 1994, or even lower on account of the low level of demand in a number of sectors. The maximum price increases may in fact only be invoked by public sector service companies which enjoy a monopoly status.

The introduction of VAT will be reflected in the consumer price index until June 1995, but the tax will apply to the hotel trade only from the beginning of 1996 onwards, at which time a rise is due to take place in the VAT percentage levied on certain services. These factors will together increase consumer prices by approximately 0.1-0.2% at the beginning of 1996.

Developments in prices of food, housing and transportation (1990=100)



Price levels are ultimately determined by the market situation, and this analysis cannot even attempt to predict the actual trends. It is evident, however, that a continued high rate of unemployment, increasingly stringent taxation and the moderate income policy involving some wage cuts cannot be expected to increase demand-based inflationary pressures.

Prospects for the near future

The future trend in the European and world economy and the possible effects of European integration in Finland will be important from the point of view of price trends in the next few years. The latter will also be dependent on how the GATT agreement is implemented at the practical level and the effects of the cheap labour available in Eastern Europe on prices and wages in Finland.

Future price trends will also be dependent on rates of VAT and alcohol and vehicle taxation. Foodstuff prices will in turn be determined by the dropping of importation barriers and the manner in which primary product deductions on meat and milk and the commodity taxes imposed on some foodstuffs and drinks are lifted.

Trends in the prices of imported articles will be largely dependent on the value of the Finnish mark. Finland's currently good competitive ability in global markets will be lost if either inflation increases or the mark appreciates disproportionately in the next few years. The latter would be a more favourable alternative for the Finnish economy, however, as interest rates are also determined by currency markets and trends in the economy.

Foreign companies have allowed for Finland's difficult position while the mark is floating by reducing factory prices in order to prevent any excessive rise in retail prices, e.g. in the case of vehicles. It remains to be seen upon the future revival in the Finnish economy whether these foreign companies will increase the prices of their products in Finland.

Profit margins on imported goods have decreased markedly during the 1990's, but it is uncertain whether they will resume the level of the late 1980's or settle at a lower level. One essential factor in this will be the competitive situation in Finland, for if there is sufficient price competition, not even an increase in demand can generate a rise in prices.

A healthy domestic market will be crucial from the point of view of trends in prices, its influence being communicated primarily through improved employment and consumer demand. The possible 'overheating' in the export sector will not influence consumer prices to any appreciable extent.

Other relevant factors will be employers' indirect wage costs in the near future, the most prominent threat being the possible need to increase pension payments. It should be noted, however, that any improvement in the unemployment situation will enable unemployment insurance costs to be reduced. There has also been much discussion recently on the possibilities of reducing or removing health insurance and social welfare contributions. If this is done, the total pressure on indirect wage bills would not increase in spite of the rise in pension contributions.

A further important external factor in addition to the value of the mark will be the trend in world raw material prices, especially as regards oil products. Oil

prices are currently extremely low, and the increase to approx. 20\$ per barrel called for by the OPEC countries would also affect the prices of petroleum products, although these are determined more by changes in taxation than by raw material prices.

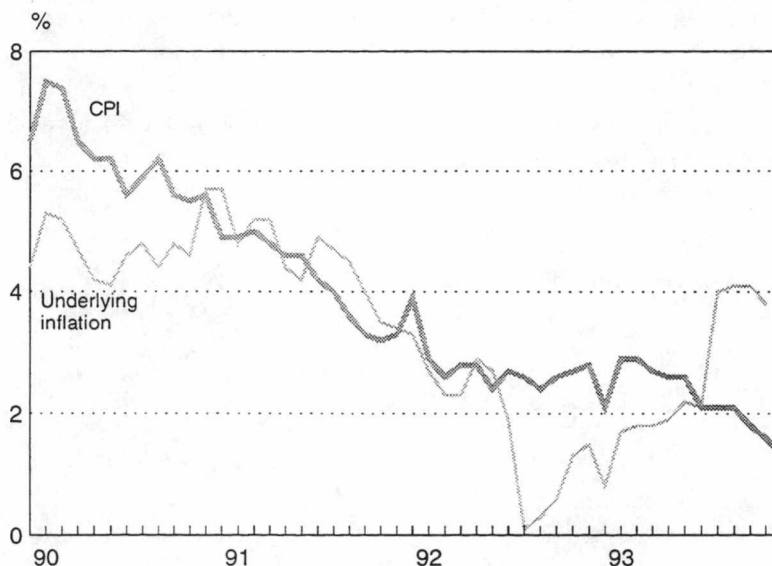
The target for underlying inflation is within sight

The Bank of Finland has set a target of 2% for the annual rise in the index of underlying inflation from 1995 onwards, i.e. for the consumer price index with the effects of housing prices, mortgage interest rates indirect taxes and subsidies removed. The annual rise in this measure of inflation has varied considerably more than the consumer price index itself in recent years, on account of the fairly radical changes in housing prices, mortgage interest rates indirect taxes and subsidies. On the other hand, these changes have occasionally occurred in opposite directions, thus reducing the differences between the trends in the index of underlying inflation and the consumer price index.

The annual rise in the index of underlying inflation as of December 1993 was 3.3%. If pricing and taxation policy, apart from the introduction of VAT, remains as moderate in 1994 and 1995 as it is at the moment and other price trends remain similar to those in 1994, there is a good chance that underlying inflation as recorded by the index will be approx. 2% at the beginning of 1995. It should be noted, however, that any rise that may take place in housing prices will not be reflected in the index.

The annual rises in these two indices in 1990-1993 are shown in the following diagram.

Annual changes in the consumer price index and underlying inflation in 1990-1993



Wages

Trends in earnings in the 1990's

The labour market in the current decade has been characterised by a sharp reversal in operating environments and a variety of mutually contradictory pressures for change. There has been a shift from a seemingly permanent lack of labour to long-term mass unemployment. Market forces have lowered the value of the previously stable Finnish mark, which had been bound to a basket currency by more than one fourth. On the other hand, the simultaneous record increase in productivity, particularly in the industrial sector, has improved competitive ability, measured in terms of labour costs per unit, to reach a record level in a couple of years.

The first part of the decade was still characterised by collective agreements on the labour market. The general income policy settlement of 1990/91 contained a number of social and welfare policy elements and a component ensuring greater equality between the sexes. The centralized income policy has nevertheless been allowing more and more room for market forces to influence the labour market, which has gradually reinforced the relationship between income levels and productivity and promoted flexibility in wages and working hours. These mechanisms have nevertheless been largely restricted in their effect to supporting productivity through income-based solutions, whereas the existing labour agreement system has usually guaranteed that nominal wages remain at a certain level despite companies' poor profitability.

The radical change which has taken place in the labour market has posed new challenges for income statistics. The role of indirect labour costs is becoming more prominent as a result of increasing unemployment and the changing age structure of the labour force. The principles of flexibility employed in individual companies are usually concerned with factors lying outside the actual concept of wages, such as holiday bonuses or regular working hours

rather than regular wage levels. The validity of the wage concept as an indicator of change has decreased under the prevailing exceptional conditions and a need has arisen for supplementary indicators, (e.g. labour costs, annual incomes).

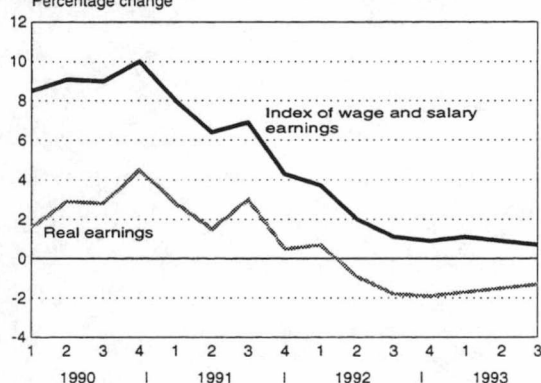
The highest wage trend to be found in the local government sector

Nominal wage levels in the third quarter of 1993 were 13.4% higher than at the beginning of the decade, although real earnings were less than 2% higher. This expansion is entirely attributable to the trend prevailing at the beginning of the decade, as a drop occurred in the level of real earnings in the second quarter of 1992 and has continued since then.

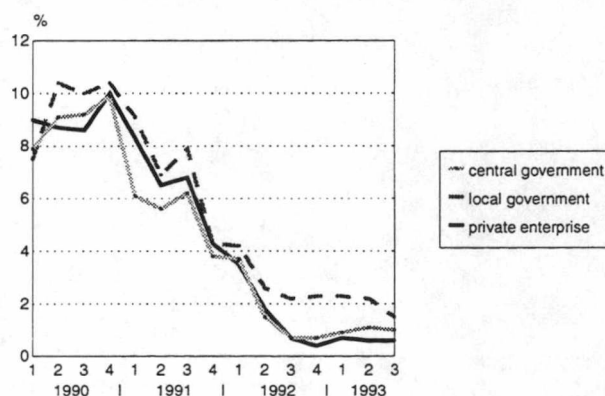
The general trend has been variable in spite of centralised wage agreements. There was a 5% increase in the real value of wages in the local government sector, whereas growth in the private sector was limited to slightly over 1% and wages in the central government sector remained constant relative to the beginning of the decade. On the other hand, if these levels are compared with average earnings in 1990, the trend in the central government sector corresponds to that in the private sector.

The rapid increase in incomes in the local government sector is attributable to the equality clause contained in the general wage agreement of 1990/91, the spread of locally concluded agreements, e.g. in the health care sector, and the increments paid under the guaranteed wage level clause. In addition, the effect of length-of-service bonuses and annual increments etc. on average earnings is more pronounced in the local government sector. The increase in wages over the last 18 months has been more pronounced in this sector than elsewhere, where it has remained at approx. 1%.

Annual changes in the index of wage and salary earnings and real earnings index



Earnings trends by employment sector



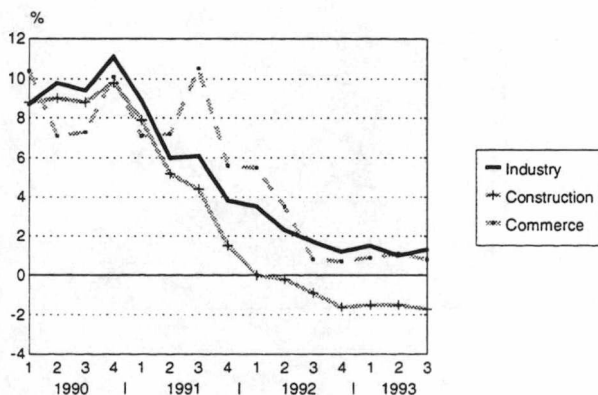
The export industries - devaluation has not emphasised the differences between sectors

Income trends in the industrial sector correspond to that observed in the labour market in general, as indicated by a comparison of income levels in the third quarter of 1993 with the average for 1990. The index of wage and salary earnings indicates that industrial wages had increased by 14.4% relative to the first quarter of 1990, i.e. 1% more than on the labour market in general. The same figure was also obtained for the commercial sector, where the trend continued slightly longer into 1991, possibly on account of a difference in the timing of business cycles.

Hourly wages in the industrial sector have increased most in the export industries, i.e. three percentage points more than in other industries, the trend being more rapid than average in the fields of chemicals, pulp and paper and basic metal industries. Wages had also increased more than average in the textiles and footwear sector, which may also be classified as export-dominated, and this trend is likely to be accelerated by the exceptionally large decrease in the work force.

Hourly wages increased by approx. 4 percentage points more on average in the industrial sector than they did in the building materials industry, the printing and publishing industry and the mining industry, which typically serve the domestic market. In fact, hourly wages have increased slightly more rapidly in the export sphere throughout the 1990's, even before devaluation, which does not seem to have influenced this already existing trend, so that the advantage gained by the export industries through devaluation has not been transferred to wage levels, certainly not during the post-devaluation period.

Annual earnings changes in given sectors of the economy



The index of wage and salary earnings as an indicator of structural change

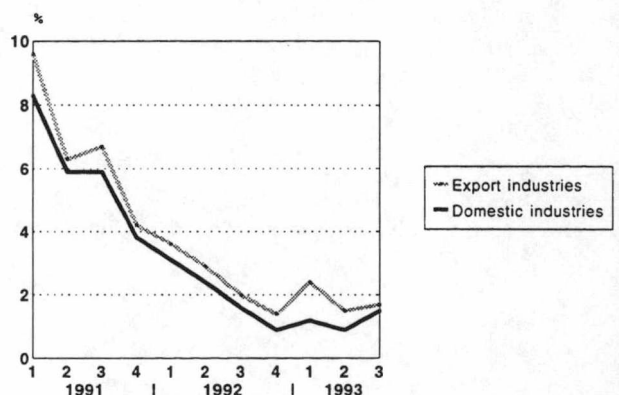
Contractual wages have increased by more than 7% in the present decade, as indicated by the index of wage and salary earnings. Thus approximately half of the rise in nominal incomes is derived from contractual wage agreements, the remainder being derived from the sliding scale in wages, which in turn is usually divided into the structural scale and the actual sliding scale, although a strict distinction between the two is often impossible. It is often a matter of interpretation even at the individual level as to whether a change in earnings is attributable to a change in working tasks.

The index of wage and salary earnings provides an opportunity for examining the structure of the sliding scale. In addition to the official index, calculations which take structural changes into consideration in a variety of ways can be derived from the computer application:

- The sum of earnings index is calculated on the basis of fixed earnings sum weightings, so that the influence of structural changes which occur between the 1300 wage earner categories, branches or occupational categories is eliminated in the resulting summed indices. The changes in average earnings in these series also cover structural changes occurring within branches or occupational categories.
- The average income index is calculated by means of varying numerical weightings, and structural changes are included as such in the indices obtained by summing.

The differences between the trends in average incomes produced by the above methods point to the manner in which the structural changes occurring between the data series influence the trend in average incomes. As variation tends to occur in the manner in which the sub-series are defined in the various sectors, comparisons between sectors may lead to false interpretations.

Annual changes in hourly wages in industries operating on the export and domestic markets.



Differences in trends between the average earnings index and sum of earnings index are attributable to these structural changes between series, and possibly to differences in the numbers of wage-earners in the basic series and in earnings trends between expanding and declining fields and between series with dissimilar earnings levels.

Structural change increases annual incomes from wages and salaries - except in the local government sector

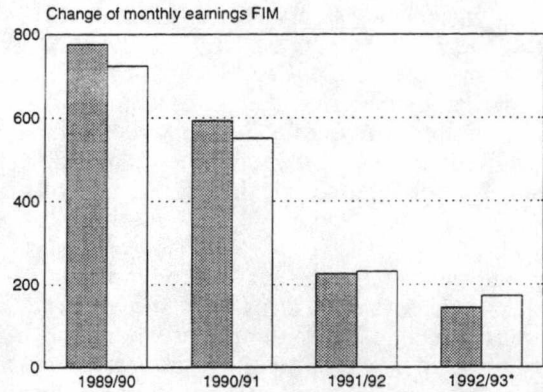
The structural change between series in the local government sector slowed down any increase in average incomes at the beginning of the decade, and the trend did not begin to be reversed until very recently. This development may be due to expansion in the low-paid social sector which took place at the beginning of the decade and the levelling influence of the additional wage agreement clause for the low income brackets.

Average incomes tend to increase more rapidly in the private and central government sectors than does the income index with a fixed weighting. The structural change between the groups has thus promoted an increase in average earnings, an effect which remained almost unchanged in the central government sector during the period investigated here, i.e. at less than 0.5% of monthly income. The effect of the structural change occurring between the basic series in the private sector was most prominent in 1992, and the relative influence of the change is anticipated to have been more pronounced in the following year, as incomes continued to increase more slowly.

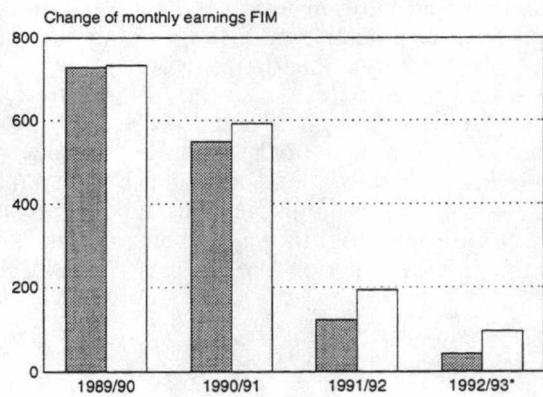
The effect of the structural change on the increase in earnings may vary even within individual branches. The high rate of staff turnover in the commercial sector reduced income levels among persons employed in shops and car sales in 1991, whereas the opposite trend was observed among commercial office staff (Price and wages report 3, 1993). The effect of internal structural changes within an occupational category or branch on earnings trends can only be evaluated on the basis of data representing individual persons.

Changes in average earnings and structurally adjusted earnings

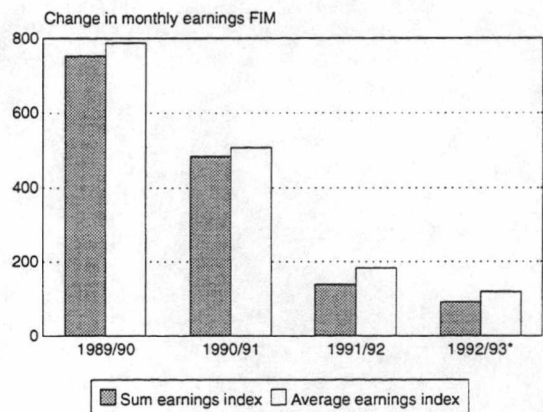
Local government sector



Private sector



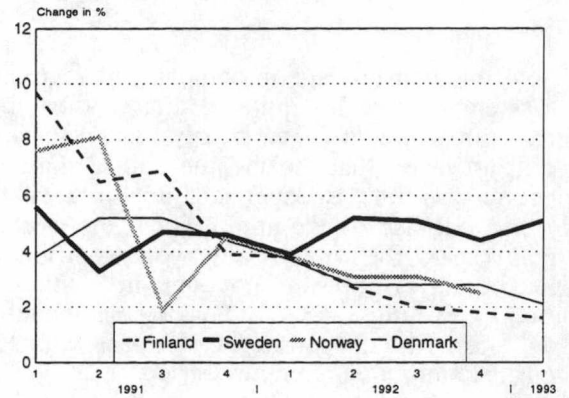
Central government sector



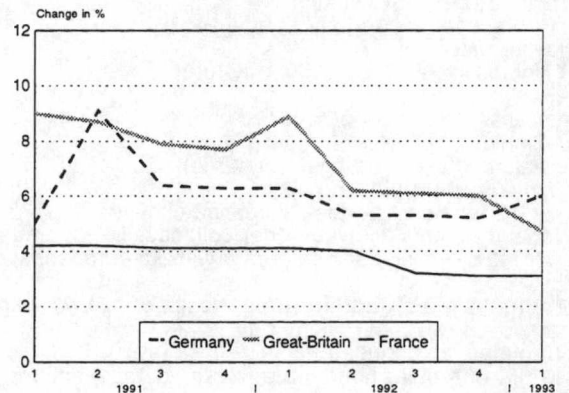
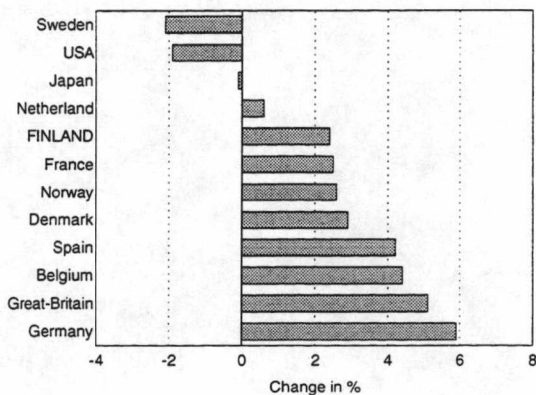
Decline in real earnings among industrial workers in Sweden and the United States since 1990

The greatest increase in real earnings among industrial workers in 1990-1992 was observed in Germany and Britain (more than 5%), while in Spain the figure was 4%, implying the largest nominal increase, almost 17%. By contrast, the earnings of industrial workers in Finland increased nominally by more than 9% and by 2.5% in real terms. The nominal rise in Norway and France was smaller than in Finland, but the increase in real earnings was of the same magnitude. The real earnings of Japanese industrial workers remained almost unchanged, whereas those in Sweden and the United States declined by approx. 2%.

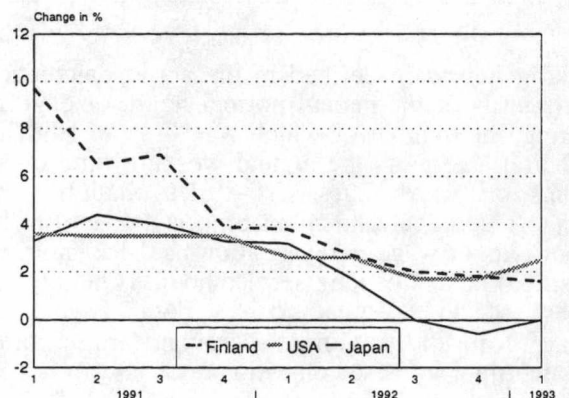
Quarterly changes in hourly wages among industrial workers



Changes in real earnings among industrial workers in 1990-1992



Source:
OECD: Main economic indicators



Annual earnings of industrial employees in Finland and elsewhere

International earnings comparisons are usually based on wages gained from actual working hours. Two types of earnings are used: total (earnings) and basic hourly earnings i.e. income gained from normal working hours (wage rate). The former covers basic hourly earnings and regular bonuses paid on account of increases in output (e.g. overtime) or for some other reason.

The use of the hourly wage in comparisons regarding industrial employees is quite natural as their total earnings are calculated on an hourly basis. It should be noted, however, that the income gained during a given period of time is dependent not only on the hourly rate, but also on the number of hours worked, the number paid for without any work contribution (e.g. paid holidays), and sums not contained within the definition of earnings, e.g. holiday or other bonuses, and fringe benefits. In order to take the above factors into consideration, the reference period

would have to be expanded so that annual earnings could be monitored instead of hourly rates.

The OECD has published international comparisons of annual and net earnings and the EC statistical unit EUROSTAT data on monthly gross and net earnings. Extras paid on an irregular basis have also been taken into consideration when defining incomes. Calculations regarding annual earnings based on regular annual working time have been performed in Finland employing principles laid down by the national board of inquiry into incomes policy. Statistics Finland has published results for 1990 and 1991 in the form of a separate wage and salary earnings index report.

Annual earnings gained by industrial workers (excluding the food industry) on the basis of their theoretical normal working hours are defined in the following calculation in a more comprehensive manner based on total earnings per hour.

Calculation of the theoretical annual earnings of industrial workers in 1991 and 1992

	1991	1992
Earnings from hours worked:		
Earnings from regular working		
Hours worked * regular hourly rate	81 836	84 851
Sunday bonuses		
Hours worked * extra Sunday rate	3 312	3 533
+ Payments for days not worked		
Annual holiday earnings		
222.4 * (total earnings - overtime)	10 560	11 156
Compensation for public holidays		
Hours worked * bonus for public holidays	2 145	2 494
Additional free days allowed under collective bargaining agreement		
8 * 12.5 * Regular hourly rate without compensations	4 635	4 762
+ Earnings not included in the concept of hourly wage		
Holiday bonus (50% of holiday pay)	5 280	5 578
Length-of-service bonuses		
1.5% of regular hourly rate without compensations	1 193	1 237
- compensation for shortened working time, included in the hourly wage (=2.8% of regular hourly rate)	-2 291	-2 376
= Annual earnings from normal scheduled working time =	106 670	111 235
+ Bonuses for overtime paid on the basis of actual hours worked:	1 630	1 974
= Theoretical annual earnings	108 300	113 209

Working hours are defined in the above calculations on the basis of theoretical normal hours of day-time working, the number of which was 1716 in 1991 and 1732 in 1992. As the annual working time of all persons on hourly rates is 10-20 less than this, the average theoretical annual income is 1% lower. The proportions of wage compensation paid for shortened working time and of long service bonuses not counted as part of the regular wage, both of which are contained in the earnings accruing from normal working time, are based on estimates.

The effect of fluctuations in work input on income (lay-off time, sick leave, overtime) is not taken into

consideration in the above calculations, nor do they contain any fringe benefits, occasional profit-related bonuses that are not regarded as hourly income (e.g. Christmas bonuses).

The income distribution statistics indicate that the annual income of an industrial worker employed on a full-time basis was FIM 114,800 in 1991, i.e. 6% higher than the theoretical figure. This is primarily due to the above conceptual differences, in addition to which it should be noted that the category of industrial workers in the actual statistics contains only persons employed throughout the year and that the notion of income can cover earnings from a number of sources.

Annual working time in Finland shorter than average

The theoretical annual working time of persons engaged in daytime work in Finland was 1732 hours in 1992, allowing for holidays and free days but not sickness or other forms of leave. This figure is approx. 1.5 weeks greater than in Germany, which had the lowest number of working hours of the countries studied, but more than a week less than in Sweden.

As laid down in the collective incomes policy agreement concluded in 1986, the working time of persons engaged on the basis of a 40-hour week declined by a total of 100 hours, or almost 3%, during the period 1987-1992. Working time did not decrease at all in some of Finland's competitor countries during that period, however, including France, Great Britain and the United States. It should be noted, however, that working time has declined more in Portugal and Denmark than in Finland.

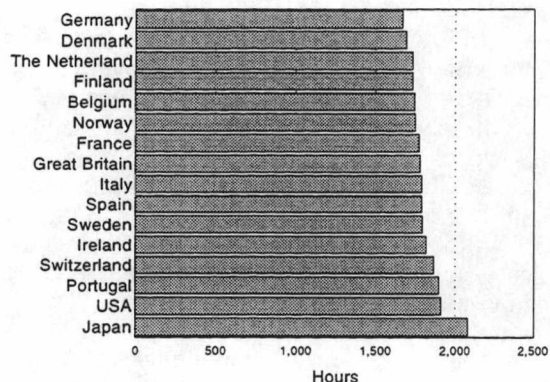
Long holidays - difficulties in comparing incomes

In a number of major fields governed by wage agreements, such as the metal, timber and woodworking industries, the loss of earnings caused by the decline in normal working time has been compensated for by a corresponding increase in rates for normal working time. This is one element which promoted the increase in hourly earnings in 1990. It should be noted, however, that in contrast to other fields of industry, the decline in working time in these sectors has not increased the number of paid days off.

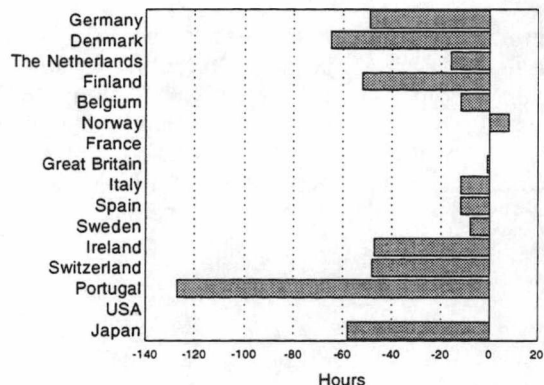
The number of free days available to workers in Finland was found in a comparison performed by the employer organisation in Germany to be large. From the point of view of annual earnings, just as important as the number of free days is the procedure used to calculate the payment for the days i.e. the number of hours to be compensated for and the theoretical hourly rate of earnings. Considerable differences exist in international terms and between sectors in which collective wage agreements exist. It is to be hoped that the research into labour costs currently being carried out in the EC countries and Finland will clarify the influence of payments for days not worked on annual earnings.

Days off are calculated in hours in the diagram on the right by reference to the length of the regular working day. When only those days for which separate payment is made are counted as days off, this yields a total of slightly less than 320 hours of paid leave per year. This figure would seem to correspond well to the level in Sweden and Germany but to be markedly higher than that in Norway and Denmark. If all the hours making up a day off were defined as paid leave irrespective of the principle of payment used, the number would increase by approximately a further 50 hours, as indicated by the oblique hatching in the diagram.

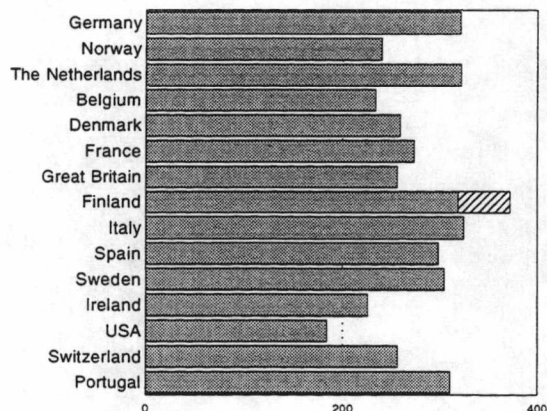
Annual normal working time of day-time industrial workers in 1992, excluding paid and unpaid leave.



Source: Bundesvereinigung der Deutschen Arbeitgeberverbände: Internationale Sozialpolitik, 1/1993



Source: Bundesvereinigung der Deutschen Arbeitgeberverbände: Internationale Sozialpolitik, 1/1988 ja 1/1993



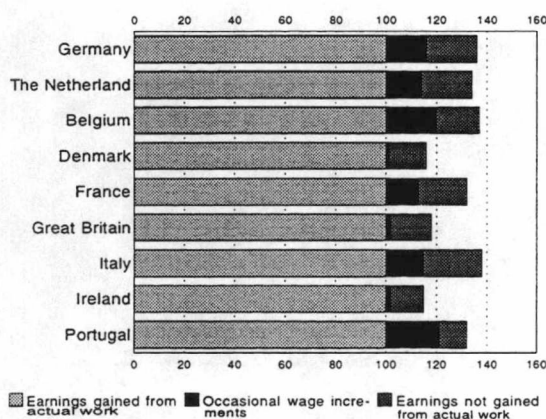
Considerable variation in occasional bonus payments

The Eurostat income calculations also take the proportion of occasional bonus payments into consideration, and these are to some extent contained in the OECD figures as well. The labour cost survey performed by Eurostat in 1988 indicates that major national differences exist in what these figures stand for. A total of approx. 20% over and above the income obtained from actual working time was received in the form of these occasional payments, e.g. an extra month's wages, holiday bonuses and other bonuses, in Portugal and Belgium, whereas the figure was only 1-2% in Denmark, Great Britain and Ireland. The situation in the British Isles may be attributable to statistical factors, since most occasional bonuses are included in hourly earnings.

In the labour cost survey, payments for days not worked include payments for paid leave and public holidays and also for other kinds of days off. This means that the figures in the labour cost survey are not directly comparable to the above calculation of normal annual earnings in Finland. The proportion of earnings of the former kind was largest in Italy, i.e. equivalent to 23% of the wage for time worked.

The information on labour costs in the EC countries covers all industrial employees. In the industrial sector in Finland, bonuses (holiday bonuses, long service bonuses etc.) were estimated to be equivalent to less than 8% of wages for the time worked, but no data suitable for comparison are available on the proportion of occasional bonus payments.

Structure of industrial earnings in the EC countries
All employees
% of earnings for time worked



Source: Eurostat; Labour Costs 1988

Purchasing power of annual income

The present comparison is based on the annual earnings data for 1991 collected and published by the OECD. Purchasing power in FIM was calculated on the basis of the average purchasing power parity for private consumption in 1991, taking the corresponding purchasing power of the hourly wage as a reference. The figures for annual incomes in Finland are underestimated as regards overtime and payments not included in the concept of wages.

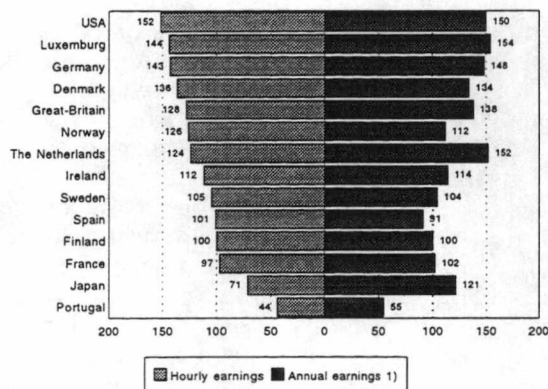
Annual earnings in Finland are lower in relative terms than hourly earnings by comparison with the relationship between annual and hourly earnings in Germany, the Netherlands, Portugal or Japan, for example. In the case of the first three countries, this is at least partly due to the larger proportion of payments not included in the concept of wages, while annual incomes in Japan and Portugal are also increased by the considerably larger numbers of annual working hours.

The differences are in many ways difficult to interpret, and suggest the existence of conceptual differences in the definition of annual income. Annual earnings in the Netherlands, for example, include the pension insurance premiums paid by employers. Differences in the principles used to determine hourly wages for time worked may give rise to inconsistencies in the relation between hourly and annual earnings.

The use of annual earnings as a measure of incomes in general tends in theory to eliminate a number of the problems which arise from differences in labour markets and wage systems. One precondition for making effective use of annual earnings data in international purchasing power comparisons is that the methods employed for measuring this should be mutually comparable. Integration on an international scale is only just in the process of being formulated in this respect, so that the results obtained from the comparison can only be regarded as approximate ones.

Purchasing power of hourly wages and annual earnings among industrial workers in 1991, relative to the situation in Finland.

Gross earnings before current transfers



1) Source of annual earnings data:
OECD: The TAX/Benefit Position of Production Workers
1988 - 1991; Paris 1992

An increase of 1.4% in hourly wages in manufacturing industry

The average hourly industrial wage for normal working time in the second quarter of 1993 was FIM 49.56, an increase of 1.4% over the corresponding period in the previous year. Male workers earned FIM 52.07 (increase 1.2%) and females FIM 42.43 (increase 1.2%). When Sunday and overtime work was included, the average hourly wage was FIM 53.70, an increase of 2.2% over the corresponding period in the previous year.

The compilation of wage information for the manufacturing and constructional sector in 1993 was facilitated by collecting data for every second quarter in most sectors governed by collective wage agreements. The principle used to determine the hourly wage was also revised, in that it had previously been determined

for persons paid monthly or periodically by dividing the earnings obtained over a three month period by the number of working hours, which thus influenced the resulting average hourly wage figure for each quarter. The figures published here, however, were determined in a manner which balances out this periodic wage effect, i.e. the influence of fluctuations in the number of working hours has been eliminated. This reform affects the comparability of hourly wage statistics for workers in the paper industry and the entire industrial sector in that the percentage increases can be calculated in the above fields on the basis of figures that are suitable for comparison purposes.

Hourly wages in the constructional sector decreased by 3.2%

The average hourly wage for normal working time in the building sector in the second quarter of 1993 was FIM 55.92, being FIM 56.41 for men and FIM 42.30 for women. Overall earnings had declined by 3.2% from the corresponding period in the previous year, 3.4% for men and 1.3% for women. The

average hourly wage, including Sunday and overtime working was FIM 57.05 during the same period, a decline of 3.0% from the corresponding period in the previous year.

Source: Wages in the manufacturing and construction industries in the second quarter of 1993.

Number of workers in the industrial and constructional sectors and their hourly wages for normal working time in the second quarter of 1993

Branch	Number	% of women	Hourly wage, FIM			Change II/92-II/93
			Men	Women	Total	
Industry, all branches	155 061	26.6	52.07	42.43	49,56	1.4
Mining	768	6.6	56.97	41,76	56.04	-1.7
Peat mining	291	10.3	42.77	34.30	42,07	-4,5
Textiles	4 533	66.7	46.24	37.95	40.81	1.8
Clothing, leather and footwear	5 510	87.5	39.36	35.78	36.34	-0.8
Timber	12 631	23.4	47.23	43,66	46,44	1.9
Paper	29 870	18.5	54.46	47.34	53.19	1.9
Graphics	9 717	39.1	52.67	45,69	50,01	1,1
Furniture	4 408	29.6	44.37	40.22	43.15	0.8
Chemicals	13 311	28.2	51.28	40,52	48,30	1,2
Glass, pottery and quarrying	7 873	20.9	49.96	42.07	48.36	-0.3
Basic metal industry	8 579	12.4	56.63	50.12	55.87	0.9
Metal products and vehicles	50 118	24.2	52.61	43,04	50,27	0.8
Other industries	1 591	35.6	49.75	41.68	46.92	0.3
Electric power	5 861	8.6	52.79	42.29	52.09	2.9
Construction, all branches	24 328	4.1	56.41	42.30	55.92	-3.2
House building	13 835	5.6	56.10	42.65	55.42	-3.6
Electrical installations	2 964	0.6	60.96	44.30	60.89	-3.3
Piping	1 798	0.3	59.87	..	59.85	-3.2
Painting	1 707	5.6	58.70	48.13	58.17	-3.7
Road surfacing	1 109	6.1	52.17	30.97	51.35	0.6
Hydraulic insulation	496	0.2	61.02	..	61.00	-3.6
Soil and hydraulic engineering	2 190	1.6	50.04	36.81	49.89	0.0
Glazing and polishing	229	3.9	44.81	..	44.62	-2.2

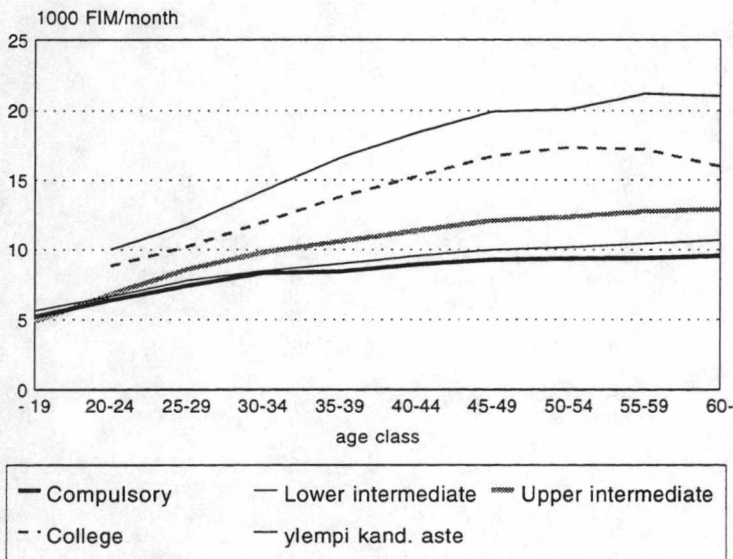
Average monthly industrial salary FIM 11,286

The average monthly earnings of salaried staff in the industrial sector was FIM 11,286 in August 1992, a rise of 1.2% from the previous August. Since consumer prices increased by 2.4% at the same time, this implies an approx. 1% drop in real earnings, which were FIM 12,903 for men and FIM 8685 for women.

Salaried office staff earned FIM 8373, salaried technical staff FIM 10,408 and senior salaried staff FIM 15,242. The number of salaried staff declined statistically by almost 10% in the one year, the trend being most notable in the case of salaried technical staff (12%) and least evident among the senior salaried staff (7%).

Salaried staff by occupation: number, monthly earnings, in August 1992, and change from the previous year

Occupation	Number	Monthly earnings FIM	Change in %
Advanced product design	3 637	16 193	-1.8
Special sales and indirect sales	3 112	15 628	0.7
Operational management	4 099	14 787	1.4
Operational supervision	3 055	12 649	1.3
Product design	7 928	12 579	0.8
Indirect labour management	2 563	12 264	0.8
Sales	5 386	11 718	0.9
Planning of production technology	2 913	11 342	-0.4
Component design	7 340	10 774	0.2
Direct labour management	13 438	10 732	2.2
Technical planning	3 736	10 059	0.4
Quality control and inspection assistance	3 122	8 798	1.0
Storage and transport management	1 982	8 629	0.8
Planning assistance and draughtsmanship	3 411	8 121	1.0
Department secretary	4 219	8 083	0.8
Office work and sales	3 444	8 000	-0.1
Accounts and bookkeeping	2 348	7 433	0.8
Total	133 137	11 286	1.2



Monthly salaries in manufacturing in August 1992, by educational background

Source: Salaries in the manufacturing industries, 1992

A 1.5% annual change in earnings in the service sector

The monthly earnings of employees in the service sector in August 1992 was FIM 9393, that of men being FIM 11,258 and that of women FIM 8371, i.e. there was increase of 1.5% from the previous year, 1.8% for both sexes. The index of wage and salary earnings increased by 1.3% during this period.

220,451 of the employees were engaged full time and 26,786 part time, while 1034 were trainees. Approx. 65% were women. The number of full-time employees had declined by 12.5% from 1991.

Numbers of full-time employees in the service sector and their earnings in August 1992, by field of occupation.

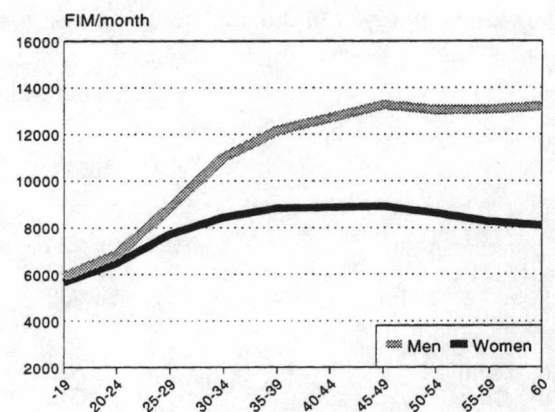
Field of occupation	Number			earnings from normal working time			
	Total	Men	Women	Total	Men	Women	M/W %
Commerce	115 543	51 263	64 280	8 737	10 188	7 580	74.4
Resaurants	23 352	4 885	18 467	7 785	8 524	7 590	89.0
Transport	5 545	1 697	3 848	9 051	10 446	8 436	80.8
Finance	41 579	8 519	33 060	10 924	15 880	9 647	60.7
Insurance	17 765	5 072	12 693	10 792	14 373	9 361	65.1
Computing	6 691	4 359	2 332	13 528	14 608	11 509	78.8
Others	9 976	2 209	7 767	9 290	11 165	8 757	78.4
Total	220 451	78 004	142 447	9 393	11 258	8 371	74.4

The men employed in the service sector were on average younger than the women, a total of 44% being under 35 years of age. Approx. 55% of those under 20 years of age were women, their proportion increasing with age so that they constituted more than 71% of the 60+ years age class.

The average earnings obtained from normal working time was highest among persons aged 45-49 years, the figure being FIM 10,220, FIM 13,275 for men and FIM 8910 for women. The earnings difference between the sexes also increased with age, so that where the women under 20 years earned approx. 4% less than the men, those aged 60+ years earned almost 39% less than men of the same age.

More than 40% of employees had obtained qualifications in some field, most notably commerce, office work and the social and behavioural sciences, for which the figure was approx. 27%. The earnings of the men with such an educational background was FIM 13,986 and that of the women FIM 9296.

Earnings of employees in the service sector in August 1992, by age class



Source: Wages and salaries in the service sector, 1992.

Numbers of full-time employees in the service sector and their earnings in August 1992, by educational background

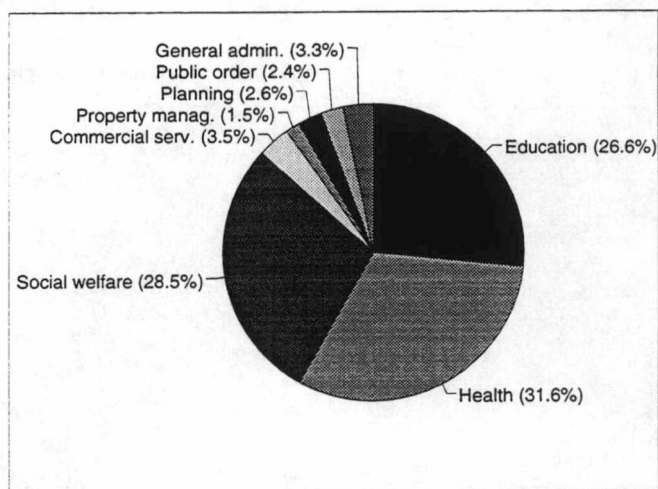
Educational background	Number				earnings from normal working time			
	Total	Men	Women	Proportion of women%	Total	Men	Women	W/M %
Compulsory	71 019	20 094	50 925	71.7	8 245	9 438	7 774	82.4
Intermediate	94 170	35 563	58 607	62.2	9 464	10 988	8 538	77.7
College	4 898	3 542	1 356	27.7	13 576	14 645	10 783	73.6
University	16 362	7 425	8 937	54.6	15 277	18 822	12 330	65.5
Postgraduate	316	238	78	24.7	19 039	20 015	16 061	80.2
Unknown	33 687	11 142	22 545	66.9	8 058	9 094	7 546	83.0
Total	220 452	78 005	142 448	64.6	9 393	11 258	8 371	74.4

60% of local government employees in the social welfare and health sector

An inquiry performed in October 1992 for local government staff register purposes indicated that there were 416,000 monthly paid employees. Hourly paid employees amounted to approx. 40,000 in August 1992. 308,000 of the former were employed on a full-time basis, i.e. they received a full month's salary, 39,000 were paid a salary for part of the month, 22,000 were part-time workers and 6000 were doing subsidiary jobs 41,000 persons were on unpaid leave or some other form of leave as of 4.10. 1992.

60% of the salaried local government employees were engaged in the social welfare and health sector, 25% in education and approx. 15% in other fields. The social welfare and health staff can be divided into a number of occupational categories, the numbers and earnings of the main ones among which are indicated in the table below. The earnings change is calculated relative to the 1975 level in terms of the index of real earnings divided by the price index.

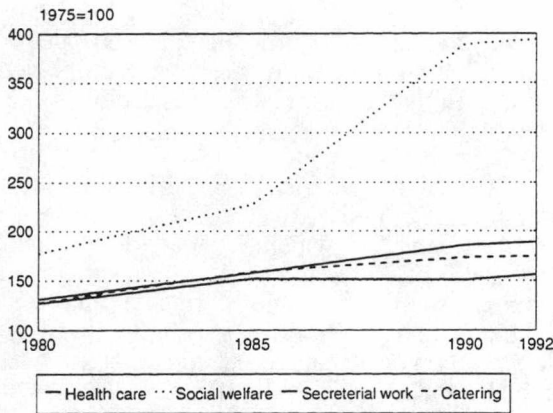
Salaried local government employees in October 1992



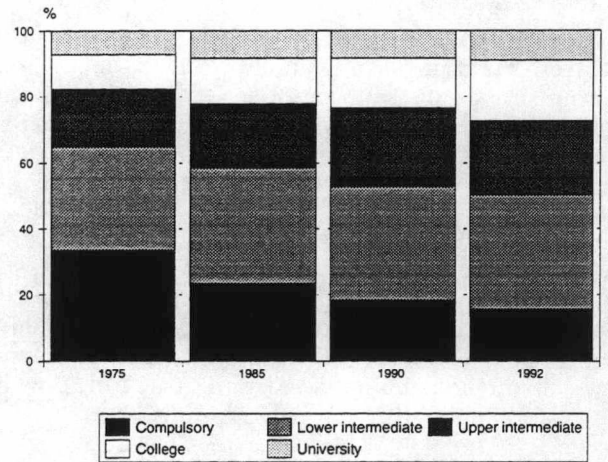
Full-time staff employed in the social welfare and health sector in 1992 by occupational categories

	Trends in staff numbers Number Index 1975=100				Earnings for normal working time FIM/month Real index		
	1992	1980	1985	1990	1992	1992	1975=100
Local government, total	307 929	127.8	152.2	172.0	173.8	9 246	114
Health, total	97 932	126.5	146.9	149.3	152.1	9 603	114
Social welfare, total	84 483	143.3	180.7	257.2	268.6	7 797	114
Occupational categories							
00 Technical	885	132.0	106.6	148.7	153.9	9 952	110
01 Chemistry, physics	746	52.8	63.1	47.9	44.4	10 043	129
03 Teaching	7 140	200.8	271.4	376.8	417.5	8 456	114
10 Health care	75 115	123.2	145.1	144.6	150.3	9 939	115
11 Occupational therapy etc.	2 562	155.1	197.3	233.5	264.4	8 375	120
12 Dental health	3 956	171.0	221.8	243.9	247.3	11 237	88
14 Veterinary services	351	124.9	128.7	137.2	134.5	9 192	94
15 Social welfare	42 553	164.1	193.4	327.2	331.6	7 666	109
16 Environmental and health protection	514	123.1	127.1	93.4	80.9	9 586	127
17 Psychology	958	139.8	174.0	180.9	200.8	11 568	118
20 Administration	1 131	120.0	144.9	181.4	191.7	13 565	125
23 Economics and bookkeeping	423	114.7	135.5	129.4	135.1	8 027	112
24 Secretarial and other office work	14 104	131.4	157.7	185.8	188.9	7 499	120
25 Computing	417	165.3	257.4	360.4	412.9	11 251	125
40 Agriculture	6 708	487.9	3 539.4	5 907.1	6 775.8	7 073	111
91 Catering	15 453	127.9	158.8	173.2	174.6	7 329	113
93 Property maintenance and cleaning	2 224	130.1	158.1	160.0	154.1	7 194	106

Staff increases in certain occupational categories in 1975-1992



Social welfare and health employees in 1975-1992, by educational background.



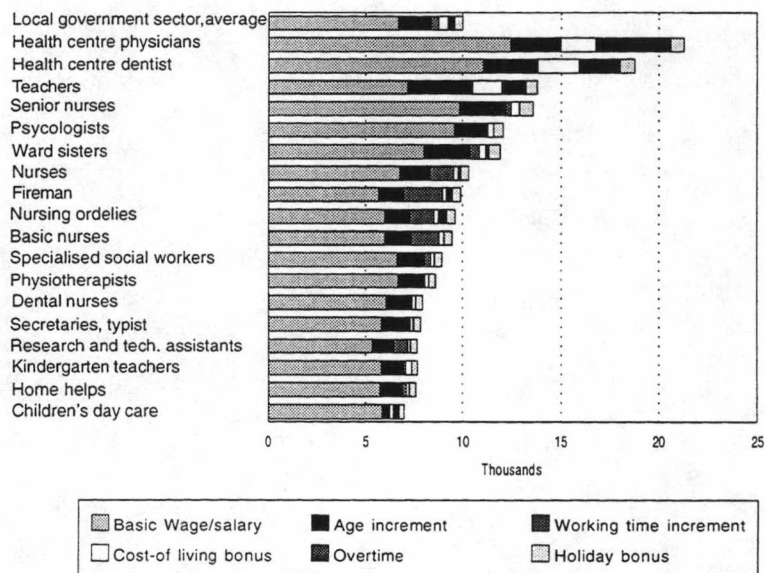
Staff numbers increased between 1975 and 1992 most markedly in the social welfare sector, and particularly prominently in occupational categories connected with agriculture, a trend attributable to the employment by local authorities of holiday substitutes for farmers. The expansion in health staff has been less marked than that in the local government sector on average, while the increase in administration, bookkeeping and office workers has been more rapid.

Unlike the increases in numbers, the growth in earnings for normal working time both in the social welfare and health branches in general and in the various occupational categories separately corresponded closely to the average for the local government sector. Earnings tended to increase slightly more rapidly than average only in the

This balanced increase in earnings is attributable to the centralised system of wage agreements employed in the local government sector. The strikes and shortage of labour that affected the health sector are reflected in a slightly more rapid increase in earnings in the late 1980's, a trend which is also partly attributable to an improvement in the level of education among such staff since 1975.

The earnings obtained by employees in the various occupational categories may be composed of highly diverse elements, even within the social welfare and health sector. For the sake of comparison, the diagram below also contains the average composition of earnings in the sector and the earnings of comprehensive school teachers and firemen to represent local government employees outside this sector.

Composition of earnings in certain occupational categories in October 1992



Average monthly earnings in the central government sector FIM 10,027

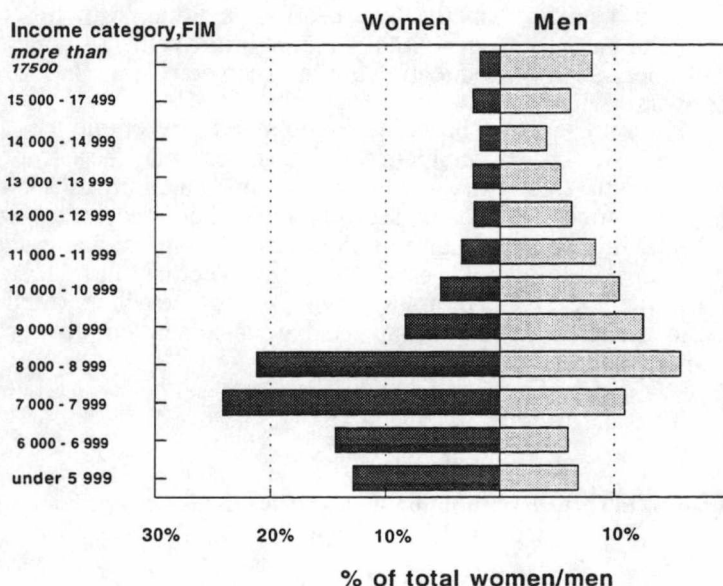
The average earnings of salaried staff in the central government sector from normal working time in September 1992 was FIM 10,027, FIM 10,854 for men and FIM 8873 for women, an increase of 0.9% over the previous year, 0.6% for men and 1.3% for women. The total monthly earnings was FIM 11,248 for men and FIM 8976 for women, with an average of FIM 10,301.

Approx 60% of the women had a total monthly earnings of FIM 6000-9000, while the men were more evenly distributed among the earnings categories, with approx. 63% in the FIM 6000-12,000 bracket.

There were a total of 190,900 salaried central government employees in September 1992, a drop of approx. 8100

from 1989 and 2.3% from the previous year. In addition, 9200 hourly paid workers were employed in this sector in November 1992, a decline of 3700 relative to 1989.

Almost 30% of the salaried staff are employed in the newly constituted government enterprises, the day-to-day finance of which lies outside the national budget. 2.6% of the entire staff are employed in government ministries and corresponding offices, while more than 50% are engaged in the central administration or its agencies and approx. 47% in provincial and local-level offices. One in every three is employed in the province of Uusimaa. The proportion of men is 57%.



Salaried staff in the central government sector, in September 1992, by earnings category.

Trends in the numbers of salaried central government staff in 1988-1992

	1988	1989	1990	1991	1992
Employed in Finland	198 500	197 900	194 602	194 195	190 870
- full-time, full salary	172 349	170 227	169 444	172 920	169 546
- part-time, full salary	12 640	11 269	9 588	7 807	8 250
- part salary	13 511	16 404	15 570	14 153	12 078
Employed abroad	1 130	1 128	1 192	1 183	996
- full-time	1 096	1 096	1 149	1 142	965

Labour disputes in Finland in 1993

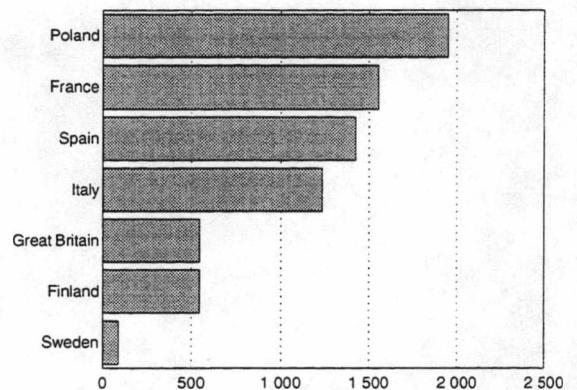
The numbers of labour disputes, workers involved in them and working days idle have plunged in Finland in the early 1990s. In 1993, there were a total of 124 labour disputes, the lowest incidence since 1968. The disputes involved close on 23,000 workers, the lowest figure since 1965. The number of working days idle, 17,000, was also near the level of 1965.

The deep economic recession and the resulting high unemployment have had a restraining effect on industrial action. The widespread decline in real earnings notwithstanding, employees have not demanded more pay; instead, they have focussed their efforts on safeguarding their existing advantages and on retaining their jobs.

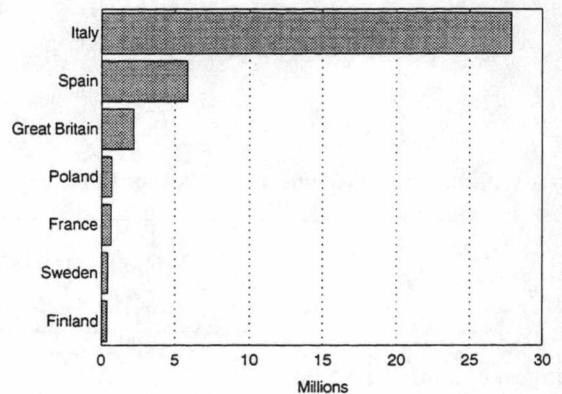
Statistics Finland's labour dispute statistics unit has made a comparison between the average numbers of labour disputes and working days idle in different European countries during the five-year period from 1988 to 1992. In addition to Finland, the comparison includes Poland, France, Spain, Italy. Finland was the sixth with 546 labour disputes. As regards working days idle, Italy was an unchallenged leader with a loss of some 28 million working days; Spain was in second and Great Britain in third place. Finland was in seventh place, with an average of 371,000 working days idle. In terms of working days lost per 1,000 employed persons, Italy was again the leader, followed by Spain and Finland, with France as the last country.

The general observation can be made that labour disputes seem to be on the decline in the industrial countries of Europe, with the exception of Spain. In Poland the number of labour disputes has soared from 305 in 1991 to 6,351 in 1992. At present, the labour dispute figures for Poland are among the highest in Europe.

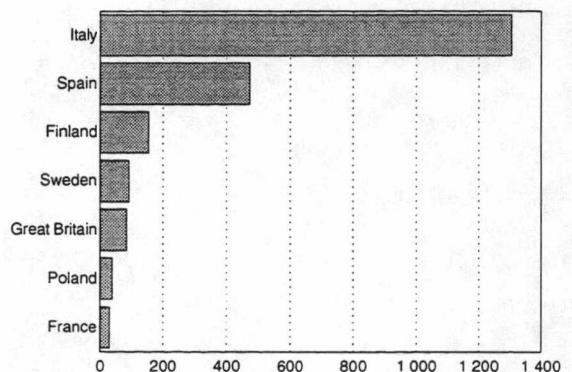
Labour disputes in different countries, averages in 1988 - 1992



Working days idle in different countries, average in 1988 - 1992



Working days idle per 1000 employed, averages in 1988 - 1992



Source: Year Book of Labour Statistics 1993 (ILO)

Labour disputes, workers directly or indirectly involved in disputes and working days idle in 1980-1993

Year	Labour disputes	Workers involved			Working days idle	
		Number	Per labour dispute	As % of the employed	Number	Per worker involved
1980	2 238	413 140	185	18.8	1 605 600	3.9
1981	1 612	492 960	306	22.0	659 100	1.3
1982	1 240	167 500	135	7.0	207 600	1.2
1983	1 940	421 840	217	17.7	719 700	1.7
1984	1 710	562 480	329	23.3	1 526 900	2.7
1985	848	171 350	202	7.0	174 300	1.0
1986	1 225	602 730	492	24.8	2 787 600	4.6
1987	802	99 290	124	4.1	130 890	1.3
1988	1 353	244 070	180	10.0	179 820	0.7
1989	629	158 480	252	6.4	204 210	1.3
1990	455	244 760	538	9.9	935 150	3.8
1991	284	166 770	587	7.1	458 340	2.7
1992	168	103 510	616	4.8	76 090	0.7
1993	124	22 920	185	1.1	17 040	0.7

Labour disputes, establishments, workers and working hours idle according to duration of labour disputes in 1993

	Labour disputes		Establishments		Number of workers		Working hours idle		
		%		%		%		%	
Duration of labour dispute									
4 hours or less	64	51.6	70	42.2	9 768	42.6	34 026	25.0	
Over 4 hours-8 hours	22	17.7	24	14.4	2 941	12.8	19 139	14.0	
Over 8 hours-5 days	35	28.3	69	41.6	9 880	43.1	77 942	57.2	
Over 5 days-10 days	2	1.6	2	1.2	312	1.4	5 240	3.8	
Duration cannot be determined	1	0.8	1	0.6	22	0.1	-	-	
Type of labour dispute									
Strike	122	98.4	164	98.8	22 894	99.9	136 317	99.9	
Sympathetic strike	1	0.8	1	0.6	7	0.0	30	0.1	
Go- slow	1	0.8	1	0.6	22	0.1	-	-	
Total	124	100.0	166	100.0	22 923	100.0	136 347	100.0	

Labour disputes, establishments, workers and working hours idle in 1993

	Labour disputes		Establishments		Workers involved			Working hours idle	
		%		%	Direct	Indirect	Total		%
Cause of labour dispute									
Wage and salary demand lagging rates of pay, piece or other rates	30	24.2	30	18.1	2 563	4	2 567	15 785	11.6
Cur in labour force,layoff or threat of cut or layoff	31	25.0	31	18.7	4 020	-	4 020	25 561	18.8
Work study, management working arrangements	18	14.5	18	10.8	1 564	-	1 564	8 473	6.2
Working conditions labour protection	2	1.6	2	1.2	116	-	116	286	0.2
Other internal cause	8	6.5	8	4.8	751	-	751	7 144	5.2
Industry's collective bargai- ning agreement	10	8.1	10	6.0	1 670	70	1 740	13 359	9.8
Sympathetic action	1	0.8	1	0.6	7	-	7	30	0.0
Other external cause	24	19.3	66	39.8	11 272	886	12 158	65 709	48.2

Labour disputes, establishments, workers and working hours idle in 1993

	Labour disputes		Establishments		Workers involved				Working hours idle	
		%		%	Direct	Indirect	Total	%		%

Groups of wage earners

White-collar workers	19	15.3	19	11.4	1 907	802	2 709	11.8	16 224	11.9
Blue-collar workers	105	84.7	147	88.6	20 056	158	20 214	88.2	120 123	88.1

Duration of labour dispute

Less than 1 day	69	55.7	75	45.2	10 848	248	11 096	48.4	41 833	30.7
1 - 2 days	49	39.5	85	51.2	10 246	712	10 958	47.8	79 824	58.5
3 - 5 days	6	4.8	6	3.6	869	-	869	3.8	14 690	10.8

Prices

Lowest food prices in hypermarkets

Consumer price statistics for individual types of retail outlets indicate that food is least expensive in hypermarkets and department stores. Levels in cut price shops vary markedly, with dry goods and canned foods being the most moderately priced and fresh foods such as bread being the most expensive.

The selected consumer prices statistics for October 1993 given in the table below indicate that prices are on average slightly higher in supermarkets and lower in hypermarkets and department stores. These average prices were derived from material compiled on the basis of interviews carried out by Statistics Finland in the middle of October, the results of which are naturally affected by the special offers valid at that time. The prices in the Table are average ones and the deviation from the average for all types of retail outlets is given below each price. Price reviews for cut price shops are compiled every quarter on the basis of the shops' own price lists.

As it is in practice difficult to make a distinction between hypermarkets and department stores, they are grouped into one category in the statistics. There are a total of 118 of such shops in the material used for calculating the index. Large supermarkets, which total 76 in the material, have a sales area of approx. 700-800 m². Price information for the index is gathered from a total of 245 general food shops throughout the country, the smallest number being that of local shops with a sales area of less than 300 m².

It has been possible to compile consumer price statistics on the basis of shop types since the beginning of 1993, and information is also available for individual regions and chains of retailers, although the statistical report published quarterly contains only regional average prices.

For more information, please contact Anne Piistari or Juhani Pekkarinen, tel +358-0-17 341.

Average prices

Deviations from the average price for all types of retail outlet (%) are indicated in italics.

	All types	Hypermark. dept.store	Large supermarket	Small supermarket	Local shop	Cut price shop
Baking flour 2 kg	10.93	10.65 <i>-2.6</i>	11.09 <i>1.5</i>	9.77 <i>-10.6</i>	9.86 <i>-9.8</i>	9.77 <i>-10.6</i>
Pudding rice 1 kg	6.34	6.09 <i>-3.9</i>	6.44 <i>1.6</i>	5.85 <i>-7.7</i>	5.74 <i>-9.5</i>	5.44 <i>-14.2</i>
Rye bread (indiv.) 1 kg	25.69	24.55 <i>-4.4</i>	26.10 <i>1.6</i>	25.93 <i>0.9</i>	25.02 <i>-2.6</i>	29.66 <i>15.5</i>
Toast bread 1 kg	21.25	20.51 <i>-3.5</i>	21.51 <i>1.2</i>	21.66 <i>1.9</i>	23.55 <i>10.8</i>	22.68 <i>6.7</i>
Sandwich biscuits 175 g	8.81	8.53 <i>-3.2</i>	9.32 <i>5.8</i>	9.38 <i>6.5</i>	7.96 <i>-9.7</i>	7.81 <i>-11.4</i>
Macaroni 400 g	3.50	3.35 <i>-4.3</i>	3.58 <i>2.3</i>	3.42 <i>-2.3</i>	3.36 <i>-4.0</i>	3.19 <i>-8.9</i>
Smoked ham (packed) 1 kg	85.11	82.92 <i>-2.6</i>	86.86 <i>2.1</i>	88.58 <i>4.1</i>	87.55 <i>2.9</i>	87.82 <i>3.2</i>
Meat roll (packed) 1 kg	38.54	38.23 <i>-0.8</i>	40.44 <i>4.9</i>	41.53 <i>7.8</i>	37.54 <i>-2.6</i>	31.84 <i>-17.4</i>
Pizza (ready to eat) 200 g	8.17	7.81 <i>-4.4</i>	8.38 <i>2.6</i>	8.76 <i>7.2</i>	8.67 <i>6.1</i>	8.01 <i>-2.0</i>
Butter 500 g	16.11	15.64 <i>-2.9</i>	16.48 <i>2.3</i>	16.36 <i>1.6</i>	16.18 <i>0.4</i>	16.90 <i>4.9</i>
Table margarine 400 g	9.30	9.25 <i>-0.5</i>	9.62 <i>3.4</i>	9.20 <i>-1.1</i>	9.33 <i>0.3</i>	8.69 <i>-6.6</i>
Fresh orange juice 1 l	5.44	5.27 <i>-3.1</i>	5.58 <i>2.6</i>	5.85 <i>7.5</i>	6.30 <i>15.8</i>	4.73 <i>-13.1</i>
Frozen mixed vegetables 250 g	2.76	2.74 <i>-0.7</i>	2.67 <i>-3.3</i>	2.73 <i>-1.1</i>	2.86 <i>3.6</i>	2.67 <i>-3.3</i>
Filter coffee 500 g	13.96	13.74 <i>-1.6</i>	14.21 <i>1.8</i>	13.85 <i>-0.8</i>	14.78 <i>5.9</i>	13.59 <i>-2.7</i>
Cola drink 1 l	5.80	5.56 <i>-4.1</i>	6.12 <i>5.5</i>	6.11 <i>5.3</i>	6.18 <i>6.6</i>	5.50 <i>-5.2</i>

International price indices float along with exchange rates

When Finland entered the international OECD price comparison system in 1980, research indicated that price levels in the private consumption sector did not differ from those in other European countries to any appreciable extent, although prices in the United States were approx. 20% lower. It should be noted here, that Sweden was not included in the 1980 survey, so that figures were obtained for it back-calculation from 1985 on the basis of exchange rates and changes in the consumer price index.

By 1985, prices were far higher in the Nordic countries than in the other OECD countries, Finland occupying second position after Norway as far as private consumption was concerned. Prices were

20-30% lower in the Central European countries, e.g. Germany, but only slightly lower in the United States, due to the high value of the dollar.

Finland became the most expensive OECD country in 1990. The price levels in the diagram on the next page represent the final months of 1991, 1992 and 1993, which indicate the price changes best. Finland became the least expensive Nordic country (alongside Denmark) in autumn 1991, following devaluation. The floating of the Finnish mark prolonged this trend into 1992, as seen in the diagram, but the situation at the end of 1993 indicates that the currency had recovered its position slightly on the financial markets.

Price indices in December 1993

Country	Private consumpt.	Food (total)	Meat	Milk, cheese, eggs	Alcoholic drinks	Cigarettes
Finland	100	100	100	100	100	100
Sweden	96	108	115	111	79	98
Norway	115	118	134	137	96	164
Denmark	116	105	96	117	61	139
Iceland	101	112	114	143	104	117
Germany	99	88	87	87	33	101
France	91	87	89	101	36	65
Italy	70	71	72	91	21	60
The Netherlands	92	85	100	89	40	74
Belgium	90	86	87	98	41	75
Luxembourg	84	86	92	98	40	61
Great Britain	74	65	57	89	47	96
Ireland	78	73	63	102	63	110
Greece	55	74	65	107	35	56
Spain	70	71	60	98	21	49
Portugal	57	67	64	97	21	55
Austria	97	91	85	116	42	93
Switzerland	127	133	148	162	70	83
Japan	146	173	196	204	82	90
Canada	81	73	62	100	56	120
USA	82	71	59	85	42	68

These price indices are calculated from purchasing power parities corrected by reference to changes in exchange rates (average Bank of Finland rates as of 31.12.1993) and in inflation (93:10).

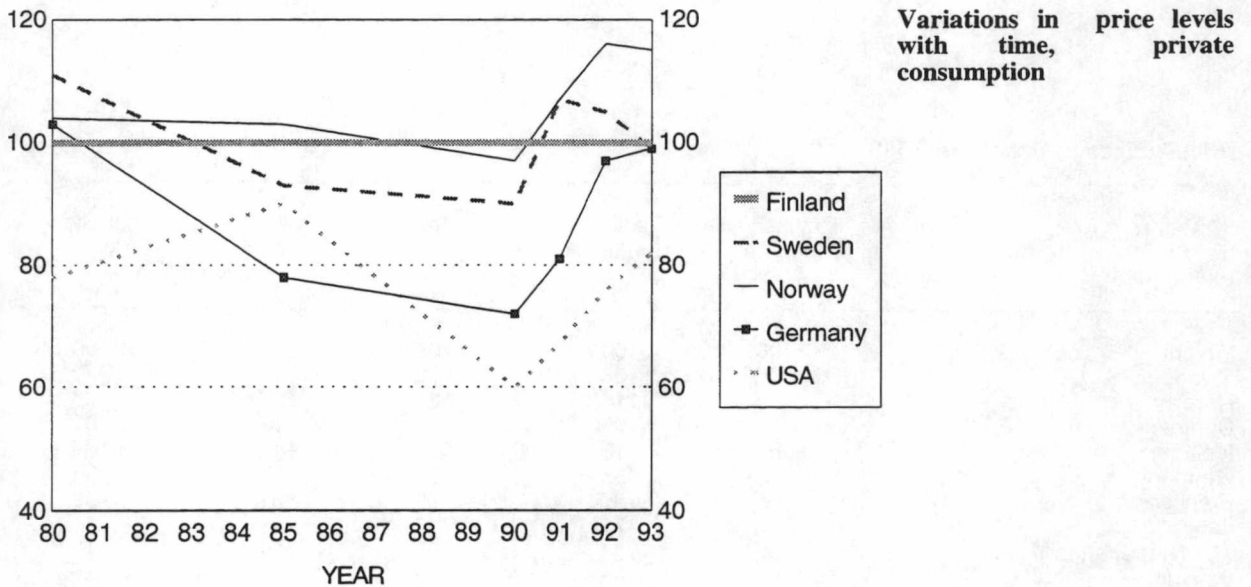
In addition to exchange rates, price trends are also dependent on inflation in other countries, although the recent changes in the indices are primarily attributable to abrupt currency fluctuations.

The Finnish mark gradually began to recover in relation to the Ecu basket and most European currencies towards the end of 1993. When examined in terms of the exchange rates prevailing on the 31st December 1993, Finland, Sweden, Iceland, Germany and Austria can be said to occupy the same position as far as total private consumption is concerned.

The weakening of the Swedish currency has evened out the situation with respect to Finland by comparison with that in May 1993, when prices in Sweden were 7% higher than in Finland.

Although Finland's position in international price comparisons has changed rapidly, this cannot be used to account for trends in consumer purchasing power within the country, which are dependent on the relation between incomes and prices. International differences in price levels can best be observed by travelling from one country to another.

For further information on the prices of individual articles and services, please call Harri Kananoja, tel. +358-0-17 341.



Statistics Finland

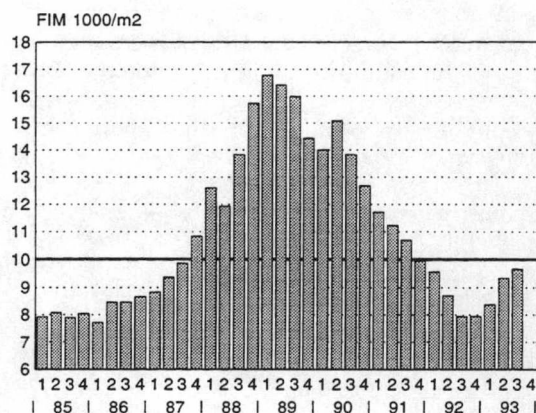
Housing prices continue to rise

The prices of existing apartments in residential blocks rose by 1.1% in the country as a whole in the third quarter of 1993. The corresponding trend in the previous quarter had mainly been attributable to a rise in prices in Helsinki, but now a slight rise was detectable almost everywhere. The trend had thus been going on for about 6 months, from April to September.

Housing prices in general had been rising in Helsinki from the beginning of 1993, particularly in the city centre, where the previous decline in the prices of single-room apartments reached its culmination in autumn 1992.

The prices of used apartments in Vantaa rose considerably, i.e. 5.6% within three months, at a time when those in the metropolitan region as a whole rose by 2.3%.

Prices of single-room apartments in the centre of Helsinki



Average freehold prices of apartments in existing residential blocks (FIM per m²) in given urban areas in the third quarter of 1993, and corresponding price indices (1983=100).

Town	2/1993 FIM/n ²	3/1993 FIM/n ²	Nominal index 3/1993	Change from prev. quart.%	Real index 3/1993	Change # from prev. quart.%	Sales events
Whole country	4 930	4 986	137.3	+1.1	87.2	+1.5	4 084
Metropol .region	6 269	6 406	126.6	+2.3	80.4	+2.7	1 407
Rest of country	4 119	4 136	144.4	+0.5	91.7	+0.9	2 677
Helsinki	6 671	6 786	126.7	+1.7	80.5	+2.1	1 017
Helsinki-1	8 554	9 035	146.2	+5.7	92.9	+6.1	238
Helsinki-2	7 753	7 550	124.4	-2.6	79.0	-2.3	277
Helsinki-3	6 131	6 322	121.7	+2.8	77.3	+3.2	314
Helsinki-4	5 190	5 295	125.4	+2.0	79.7	+2.4	188
Espoo+Kauniainen	5 753	5 906	129.8	02.2	82.4	+2.6	218
Vantaa	4 587	4 829	122.7	+5.6	77.9	+6.0	172
Kehyskunnat *	4 045	4 103	125.2	+1.8	79.5	+2.2	217
Tampere	4 560	4 402	145.6	-3.8	92.5	-3.4	260
Turku	4 436	4 600	133.0	+2.2	84.5	+2.6	320
Pori	3 393	3 531	152.2	+4.7	96.7	+5.1	70
Lappeenranta	4 696	4 635	140.3	-0.8	89.1	-0.4	127
Kouvola	3 486	3 473	139.2	-0.6	88.5	-0.2	76
Lahti	3 969	3 854	132.0	-3.0	83.9	-2.6	183
Hämeenlinna	4 158	4 141	171.2	+3.0	108.8	+3.4	60
Kotka	3 552	3 579	145.7	-2.0	92.6	-1.6	83
Rauma	3 251	3 850	190.9	+20.0	121.3	+20.5	92
Kuopio	4 389	4 275	129.7	-2.6	82.4	-2.2	169
Jyväskylä	4 545	4 576	132.4	+0.5	84.1	+0.8	105
Vaasa	4 163	4 461	141.7	+7.4	90.0	+7.8	75
Mikkeli	3 756	4 098	147.9	+8.9	93.9	+9.4	50
Joensuu	5 140	4 408	132.9	-13.9	84.4	-13.6	88
Oulu	4 450	4 480	146.7	+0.6	93.2	+1.0	212
Rovaniemi	3 790	4 082	128.0	+7.7	81.3	+8.1	40

Percentage change calculated from index figures weighted by type of housing and distribution of housing stock

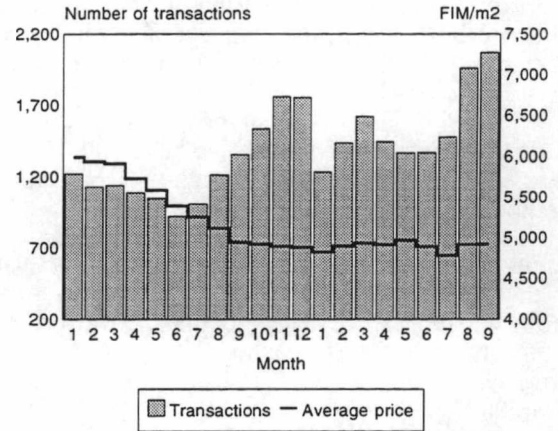
* Hyvinkää, Järvenpää, Kerava, Kirkkonummi, Nurmijärvi, Riihimäki, Sipoo, Tuusula ja Vihti

Price in the other parts of the country rose slightly, i.e. 0.5%. The figure for Turku was 2.2%, and rising trends were also observed in Pori, Rauma, Jyväskylä, Vaasa, Mikkeli and Rovaniemi, whereas a decline of 3.8% was recorded for Tampere, as opposed to the previous quarter which was characterised by a prominent rise of more than 5%.

Prices in general rose in a steady manner, although sharp changes were recorded in some areas, e.g. Rauma and Joensuu. It should be noted, however, that the figures are affected somewhat by fluctuations in the quality of the apartments sold at various times.

Apartments were by far the most expensive in the centre of Helsinki, an average of FIM 9000/m², with the lowest prices recorded in Kouvolaa, Pori, Kotka and Rauma, approx. FIM 3500-3900/m².

Housing sales between January 1992 and September 1993, as recorded in the statistics



Rents rose by 5.7%

According to a rent inquiry compiled by Statistics Finland in 1993, the average monthly rent for apartments with central heating was FIM 32.70/m², a 5.7% rise compared with the previous year.

The average rent for apartments financed by the State Housing Board was approx. FIM 30.30/m² and that of apartments on the open market FIM 34.80/m², the rise being 5.5% for the former and 5.7% for the latter.

The average monthly rent paid by persons who had lived in a single-room apartment in Helsinki for less than a year was approx. FIM 58/m², whereas the figure for tenancy agreements that had lasted more than 6 years was FIM 42/m².

Rents were 19% higher in the metropolitan region, where the average monthly rent for 50 m² apartments on the open market was approx. FIM 2100, compared with FIM 1600 in other parts of the country.

Average housing rents as a whole were found to differ considerably from those applying to new tenancy agreements, particularly in the Helsinki region. Rent control under the old law applies to all agreements concluded before 1.2.1992.

Data on new tenancy agreements in urban areas of various sizes are indicated by type of housing in the table below, which applies to August 1993.

The rent inquiry in August 1993, new agreements. Market financed blocks of flats and terraced houses

	Rooms	Lowest quartile	Median	Highest quartile	Number
Over 100 000 inhabitants	1	47.29	55.88	66.67	790
	2	41.51	47.96	56.00	585
	3	37.10	41.74	47.62	427
	4+	35.09	40.00	44.78	225
60 000 - 100 000 inhabitants	1	42.92	48.44	55.63	146
	2	35.76	41.71	46.97	93
	3	32.70	36.25	41.09	95
	4+	30.53	34.09	37.62	43
20 000 - 59 999 inhabitants	1	39.70	45.15	50.94	288
	2	34.74	40.20	44.75	237
	3	32.06	36.59	40.98	343
	4+	30.48	34.83	38.70	160
Under 20 000 inhabitants	1	31.72	35.94	41.32	197
	2	31.25	36.09	40.00	159
	3	29.43	33.04	36.67	267

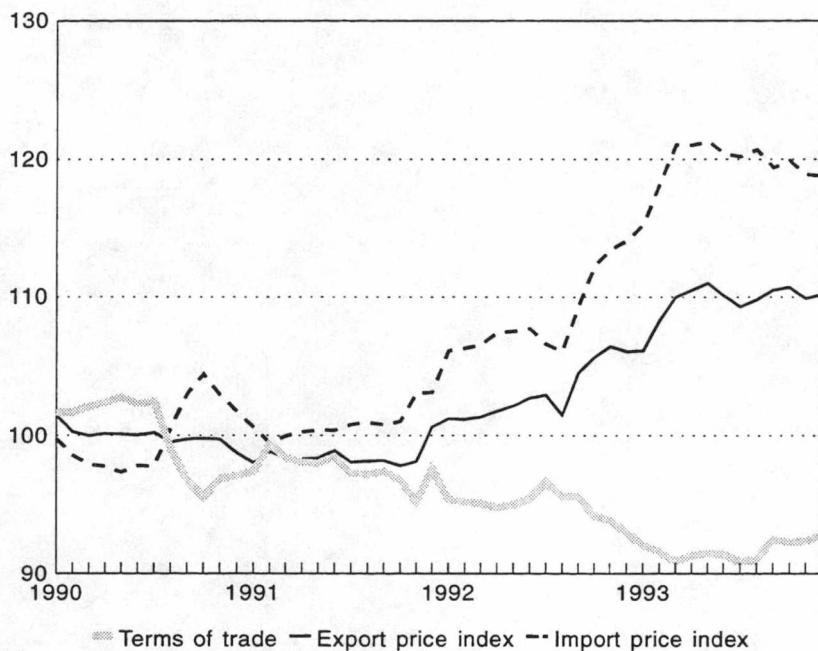
Terms of trade dropped by 3% after floating of the mark

The prices of imported articles had risen by 12% by December 1993 after Finland's decision in 1992 to allow the mark to float. This rise was at its highest, 14.3%, in May 1993, after which prices decreased slightly. The prices of imported machinery had risen by approx. 17%, those of vehicles by 20%, minerals by approx. 1%, timber and timber products by approx. 10% and for petroleum products by approx. 13%. This points to distinct differences between individual categories of goods.

Export prices had risen by 8.6% following the floating of the mark, the figure for machinery being approx. 11% and that for paper and board 10.5%, whereas the export price of wood pulp dropped by 17.6%.

The discrepancies between import and export prices and between the various categories of goods are attributable to differences in the invoicing currency baskets used for the individual categories and in trends observed in raw material prices on the global market. The international HWWA index, for example, which is used to measure global raw material prices in dollars, has declined by 23.5% since August 1992.

The terms of trade (the export price index divided by the import price index) declined by 3% between the floating of the mark and December 1993, due to the more pronounced rise in the prices of imported goods. The sharpest declines in the terms of trade (5%) following the decision to allow the mark to float were in March and July.



Trends in export and import indices (1990 = 100) and the terms of trade

Table of Indices

	I/94	Year-on-year change, %
Index of wage and salary earnings 1990=100*	110.7	1.4
Hourly paid employees	109.0	1.7
Monthly paid employees	111.3	1.3
Manufacturing	113.1	3.6
Blue-collar workers	112.9	3.5
White-collar workers	113.2	3.7
Building construction workers	98.6	-1.3
Wholesale and retail trade	110.9	0.2
Transport	110.9	1.2
Finance	114.3	1.0
Local government	112.6	1.1
Hourly paid employees	109.8	1.1
Monthly paid employees	112.8	1.2
Central government	109.0	1.2
Monthly paid employees	108.8	1.2
Private sector	110.4	1.6
Hourly paid employees	108.9	1.8
Monthly paid employees	111.4	1.5
Index of real earnings 1975=100	128.6	1.1
Dwelling price index 1983=100	146.1	+7.3
Greater Helsinki	137.9	+13.8
Rest of Finland	150.9	+4.2
Price indices for public expenditure 1985=100 *		
Central finance	143.2	0.9
Local government finance	150.9	1.6
	May 1994	
Consumer price index 1990=100	110.3	0.2
Food	103.5	1.2
Housing, heat and light	97.4	-3.3
Transportation	117.9	1.9
Cost-of-living index 1951:10=100	1368	0.2
Building cost index 1990=100	101.9	1.2
Labour	103.6	-1.7
Materials	102.5	4.4
Wholesale price index 1990=100	109.1	1.0
Domestic goods	105.0	1.8
Imported goods	117.9	-0.5
Export price index 1990=100	110.2	-0.7
Import price index 1990=100	119.8	-1.3
Producer price index of manufactured products 1990=100	106.4	0.3
Basic price index for domestic supply 1990=100	105.8	0.7
Cost index for road transport of goods 1990=100	106.6	-3.1
Cost index for bus and motor-coach traffic 1990=100	111.7	0.1

* Preliminary figure

Titles published in 1993

Public sector

Wages of public sector employees (in Finnish)

1992, 3rd quarter

1992, 4th quarter

1993, 1st quarter

Salaries of central government employees in 1992

(in Finnish)

Salaries of local government employees in 1992

(in Finnish)

Local government official titles in 1992

(in Finnish)

Private sector

Wages in agriculture and forestry (in Finnish)

1992, 4th quarter

1993, 1st quarter

1993, 2nd quarter

1993, 3rd quarter

Annual earnings of forestry workers in 1992 (in

Finnish)

Wages in the manufacturing and construction industries (in Finnish)

1992, 3rd quarter

1992, 4th quarter

1993, 2nd quarter

Wages in the transport industry

1992, 3rd quarter

1992, 4th quarter

1993, 2nd quarter

Salaries in the manufacturing industries in 1992

(in Finnish)

Wages and salaries in the service sector in 1992

(in Finnish)

Wages and salaries in the non-profit institutions

in 1992 (in Finnish)

Wages and Salaries 1992/93

Dwelling prices (in Finnish)

1992, 4th quarter

1993, 1st quarter

1993, 2nd quarter

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Dwelling prices 1992 (in Finnish), annual statistics

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Rent statistics 1993 (in Finnish)

Consumer price statistics (in Finnish)

1992, 4th quarter

1993, 1st quarter

1993, 2nd quarter

1993, 3rd quarter

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Producer Price Indices 1990=100

Cost index for earth movers 1990=100 (in Finnish)

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