Tilastokeskus
Statistikcentralen
Statistics Finland

Prices and Wages Review 1995

SVT

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Wages and salaries

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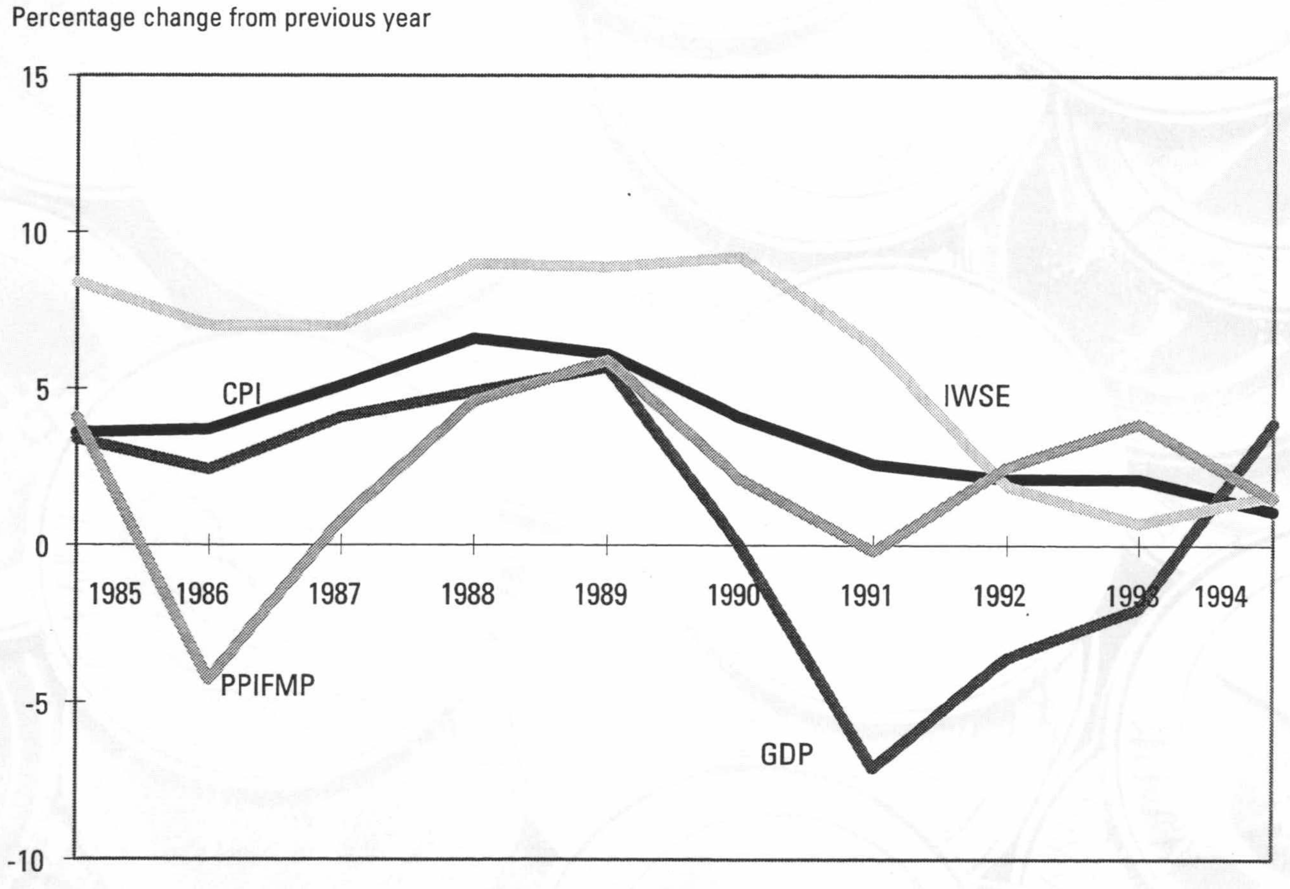


Index of Wages and Salary Earnings (IWSE), Consumer Price Index (CPI), Producer Price Index for Manufactured Products (PPIFMP) and Gross Domestic Product (GDP)

Low inflation continues

Inflation last year lower than expected

Although inflation in 1994 had generally been expected to be around 3% on account of the effects of the introduction of value added tax (VAT), a rise in rents caused by the new property tax and VAT, a predicted increase in housing prices, a stimulation in private consumption and a showing down in the rate of decrease of interest rates, the final figure for December was 1.6% and the mean rate for the whole year only 1.1%.

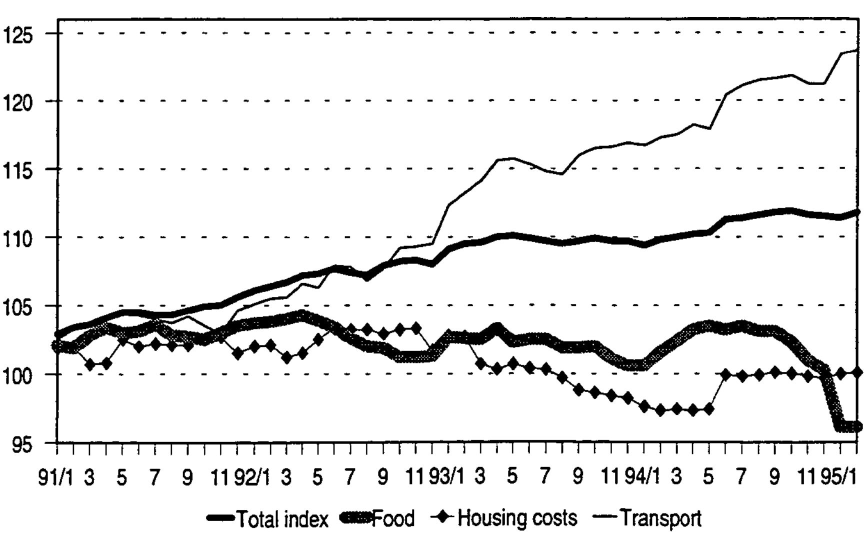
VAT come into effect as from the beginning of June 1994 and caused a rise in the prices of many services, but its overall effect on inflation in that year was only about 0.5%, largely due to the tax rebate system, the low level of demand for consumer goods and services and the gradual introduction of the tax in some spheres. Consumer demand recovered somewhat during the year and private spending increased by a couple of percent. The purchasing power of households in real terms declined by 1.3% from the previous year, and household savings by more than 3%. This alteration in savings explains about half of the rise in the GNP for the year. The recovery in demand during the year did not lead to accelerated inflation, however.

The prices of used cars increased throughout the year, but those of new cars remained more or less stable even though wholesale sales of vehicles rose by almost 30% from November 1993 to November 1994. The recovery in housing prices was weaker than expected, and some decline was recorded towards the end of the year. Many households were being cautious because of high unemployment and uncertain future prospects, and it was for this reason that the demand for housing was not greatly stimulated. The fall in the mean interest on housing loans similarly acted as a buffer against inflation.

Food prices began to drop slightly in the autumn, presaging their adaptation to EU levels in January 1995, and the removal of the edible fats tax in December acted in the same direction.

Structure of the annual change in the Consumer price index as assessed in December 1994

	% points
Value added tax	0.55
Motor vehicle user's fee	0.17
Housing prices	0.18
Electricity, oil, district heating	–0.10
Interests	–0.38
Used cars	0.42
Motor insurance (3rd party)	–0.13
Food	–0.74
- including coffee	0.14
Clothing and footwear	0.17
Others	1.18
Total	**1.63**



Development of food, housing costs and transport

Consumer price index 1990=100

Trends in producer prices

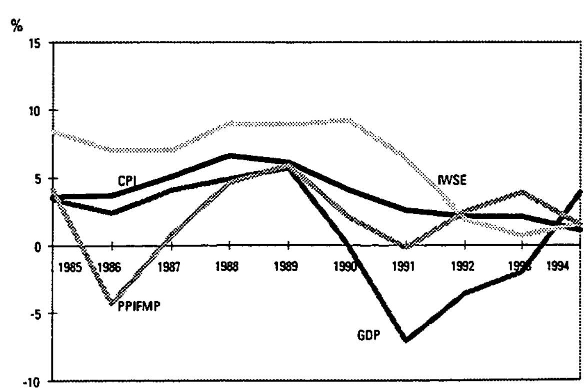
Although international price levels are always a potential source of inflationary pressure, no such pressures were transmitted via import prices in 1994. One factor contributing to this was the strengthening of the Finnish mark. Changes in exchange rates are reflected in the import price index, but not in full. In fact the main single invoicing currency for imported consumer goods is the Finnish mark itself, accounting for a third of the total. Goods invoiced in German marks amount to approx. 16% and those invoiced in US dollars 13%.

The prices of imports dropped by 0.2% from 1993 to 1994, when the averages for the two years are compared. This is attributable to falls in the prices of crude oil, oil products and ferrous metals. A year earlier prices had risen by 10%. The prices of consumer goods, on the other hand, rose by 1.2% between 1993 and 1994.

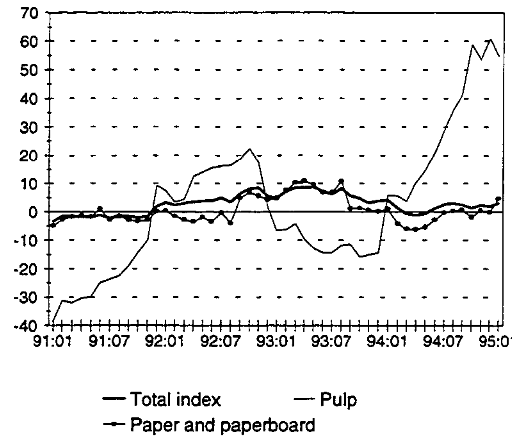
Import prices fell by 0.2% between December and January and are now at the same level as in January of last year. This is due to the lower prices of electrical and optical equipment, oilbased prodects, vehicles and machinery.

Wholesale prices went up by 1.6% from 1993 to 1994 and food and beverage wholesale prices increased by 0.8%. The wholesale prices of food and beverages fell by just under 5% between December 1994 and January 1995. Although the increase in the refinery tax imposed on fuels raised the prices of oil products by an average of almost 6%, wholesale prices in general fell by 0.4% from December to January.

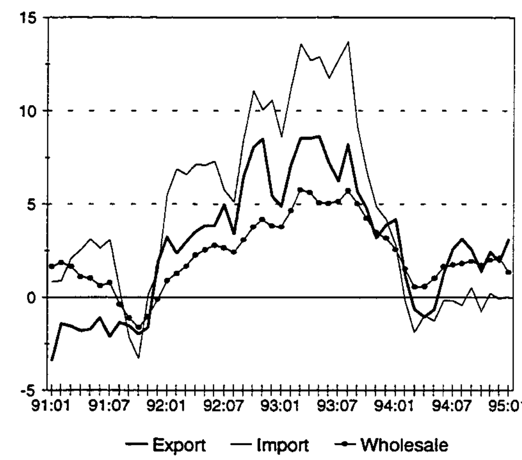
Index of Wages and Salary Earnings (IWSE) Consumer Price Index (CPI), Producer Price Index for Manufactured Products (PPIFMP) and Gross Domestic Product (GDP)
Percentage change from previous year



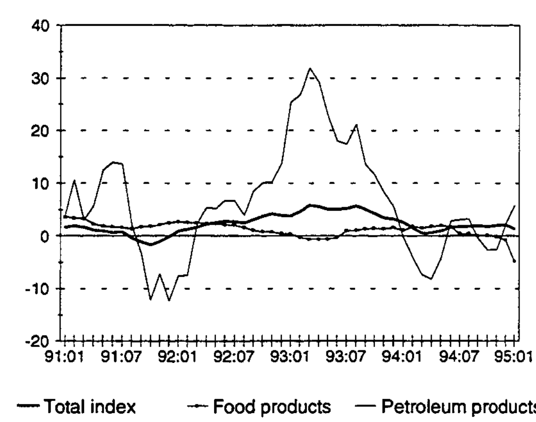
Export price index year-on-year changes
January 1991–January 1995



Total index year-on-year changes
January 1991–January 1995



Wholesale price index year-on-year changes
January 1991–January 1995



Inflation in 1995

Inflation prospects are moderately good, and the main forecasting agencies estimate that inflation will remain at around 2% on average in 1995. Private households similarly do not expect accelerating inflation during the current year, but businessmen anticipate a higher rate than is generally predicted.

The GNP increased by almost 4% in 1994, and production rose for the first time in three years. This economic growth is now expected to continue, and investments and private consumption are expected to increase as well as exports. The surplus in the balance of trade is also likely to increase compared with last year and unemployment to decline by a couple of percentage points. On the other hand, the government's financial deficit for last year was 54.5 billion FIM and it will continue to be large in the current year in spite of the economic growth. The Finnish mark has strengthened further in recent times and has now returned to its pre-floatation level. This has boosted purchasing power on the domestic market and reduced the pressure exerted on prices by imports.

Consumer prices over the last year were affected on the one hand by overt measures such as VAT and the motor vehicle user's tax, and on the other by market-induced changes in pricing, demand and trading behaviour.

The rate of inflation was 1.9% in January and it is expected to remain at this level for the early part of the year, after which it will probably decline from the beginning of the summer onwards as the effects of the introduction of VAT and the vehicle user's tax are eliminated from the annual comparison.

The complete removal of rent restrictions in May 1995, including those applying to old rent agreements, may lead to a rise in average rents and accelerate inflation to some extent. Housing prices, however, are expected to remain stable. Inflation in December is generally predicted to be about 2.5%.

Effects of EU membership on inflation

It was estimated in advance that the retail prices of foodstuffs would drop by an average of 9.5% as a result of the net effects of the changes in producer prices and taxation. This would have caused the January Consumer Price Index to decrease by slightly over 1 %. Food was 4.4% cheaper than in January of last year, and 4.1% cheaper than in December, which itself served to restrain inflation by 0.6 percentage points.

The lifting of the edible fats tax in December moderated the fall in food prices in January to some extent, but consumer prices were also affected by other factors such as seasonal fluctuations in the prices of fruit and vegetables. The price level of food is generally expected to settle down by April. Wholesale food prices fell by just under 5% between December and January, the greatest decreases being in grains and flours, 33%, and animal fodder, 20%.

EU membership should not have substantial effects on the prices of durable goods. The prices of such goods coming from outside the EU are expected to rise somewhat, but this is unlikely to affect inflation to any significant extent.

The effects of VAT have for the most part already made themselves felt in January, largely in the form of the reduction in tax on foodstuffs from 22% to 17% and the increased cost of meals at work. Television licences went up in price in February and the maintenance fees of owner occupied flats are due to increase later in the spring. Similarly, certain services that became subject to VAT at the beginning of 1995 and other increases in the tax postponed from last June are likely to raise consumer prices by about 0.2 percentage points.

The structure of inflation in January

Inflation in January was fuelled by the rises in taxes on petrol, cigarettes and tobacco and meals at work, the immediate impact of these public sector decisions being about 0.7 percentage points. The falls in food prices and the various clothing sales that took place in January served to counteract this effect. The commodities that most influenced the consumer price index in January 1995 and the extents of their impact are listed in the following table:

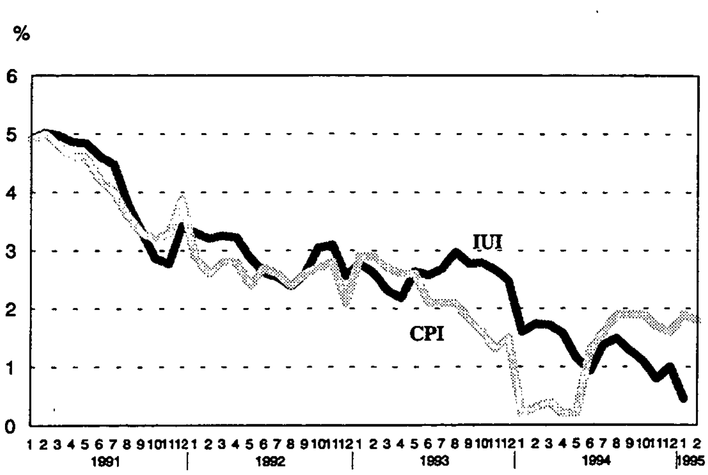
Commodity	**Effect on CPI in January**
	%-points
Petrol	0.35
Meals at work	0.13
Cigarettes	0.13
Oil	0.03
Housing service charges	0.03
Electricity	0.04
Used cars	0.04
Food	–0.58
Clothing sales	–0.24
Membership fees	–0.07
Package tour	–0.04
Depreciation	–0.05
Others	0.20
Total	**–0.03**

The Indicator of Underlying Inflation and the Bank of Finland inflation target

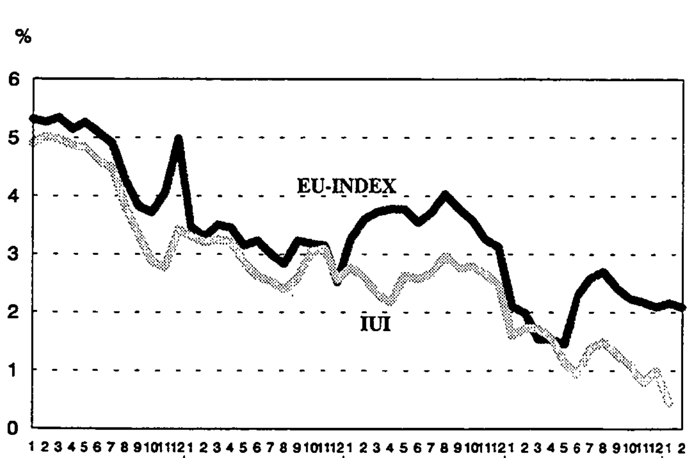
The target set by the Bank of Finland in February 1993, that the Indicator of Underlying Inflation should be stabilized permanently at 2% from 1995 onwards, is likely to affect future inflation prospects. The Indicator of Underlying Inflation is a version of the consumer price index from which the effects of indirect taxation, subsidies and capital expenditure on housing, i.e. house prices and interests on housing loans, are excluded.

Adjustments in indirect taxation are a part of political decision marking and their effects on prices are not indicative of the influence of market forces. If the reason for increased inflation is a rise in interest rates brought about by tougher monetary policy, the resulting inflation should not be allowed to precipitate a new tightening of monetary policy. Therefore it is desirable for those responsible for monetary policy to be able to observe the alterations in prices in this 'pure' form.

Consumer price index and indcator of underlying inflation changes on 12 months

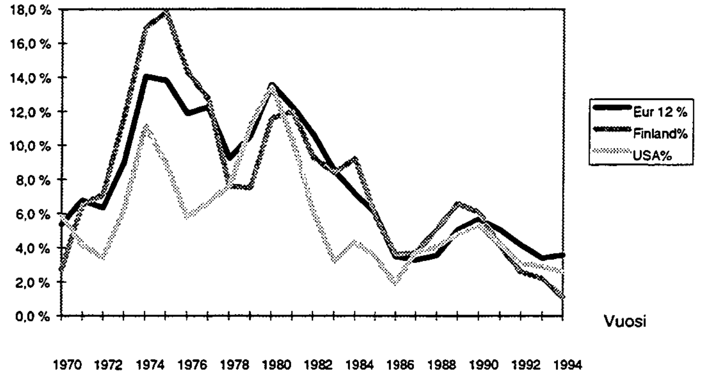


Indicator of underlying inflation and 'stage I EU-index' changes on 12 months



In spite of the rapid economic growth, the average underlying rate of inflation last year was 1.3%, and changes in indirect taxation and assistance benefits mean that the gap between this and the consumer price index will grow in 1995 relative to 1994.
In addition to the Indicator of Underlying Inflation, a Harmonized Stage I Index of Consumer Prices will be published from the beginning of 1996. This index is constructed by dropping out the least comparable item groups from the CPI's that are currently produced in the Member States.

Average annual inflation rates in EU, USA and Finland



Inflation prospects for the coming years

The recovery from the recession will begin to put a strain on the country's inflation target in 1996. Import and export prices have risen about 17% since the devaluation of the Finnish mark, and 12% since it was allowed to float, but domestic prices have remained very stable. Trends in wages and salaries have been moderate on account of the recession and the high rate of unemployment, and companies have improved their productivity and retailers cut back on their profit margins.

The wage agreements made at the end of the year and early in 1995 have demonstrated that the dichotomy on the labour market between those who have retained their jobs and those who are out of work is deepening. The rate of unemployment is nevertheless expected to decrease somewhat during this year, which together with the rise in wage levels should stimulate private consumption, and this trend should continue into the following year. The increased demand will increase inflationary pressure in 1996 as the factors which will serve to restrain inflation in the current year, namely EU membership and the introduction of VAT in June 1994, will no longer have any effect.

The international economy is expected to continue to develop favourably next year, but the growth in Finnish exports is likely to slow down as the limits of industrial capacity begin to be reached. The current situation differs from earlier economic recoveries in that markets are now determined by freely fluctuating interest rates, so that expectations of inflation are likely to lead to a rise in nominal and real long-term interest rates. Long-term interests will tend to reflect future trends in loans which are bound to short-term interest rates, and high long-term rates are apt to detract from companies' desire to invest, thereby affecting future prospects for the growth of exports and the economy in general. One problem may be that the inflation target set by the Bank of Finland may be understood as representing only the bank's own objective and the effects of increased inflation may be looked on as purely favourable ones given the current economic climate.

Wages

Wage differentials unchanged

Centralized wage determination

A system of centralized wage determination, in which an attempt is made to set the price of labour by means other than the free market, has operated in Finland since 1968. This has been far more than merely a means of arriving at an average level of wages and salaries. The fundamental idea is that by reconciling the interests of all the parties involved it will be possible to avoid conflicts and ensure a steady rise in living standards through intervention in companies' competitive ability, the rate of inflation, the rate of employment and the level of incomes. One of the aims is a 'fair' distribution of incomes, implying a reduction of wage diffferentials due to differing regions, branches of industry, company profitability or human capital.

The strategic triangle

The collective bargaining required for centralized wage determination has been carried out in a 'strategic triangle' in which the three sides are formed by the central government, the workers and the employers, with a major role played by the central organizations representing the workers and employers. These organizations have dictated the agenda and agreed on implementation of the decisions, while the government has facilitated implementation of the agenda by promising assistance in the form of tax reductions and 'social incomes', i.e. welfare services provided by the community.

Theoretical background

The economic theory behind this incomes policy has been the EFO model, the aims of which have been both to adapt trends in costs within the nation's economy to the framework of the international division of labour and to preserve the existing division of incomes between labour and capital. The model works on the assumption that this will promote favourable trends in employment and the competitive ability of the economy.

The model divides the economy into a competitive sector and a protected domestic market sector. The scope for raising wages, salaries and profits is determined by the competitive sector, and is defined as the sum of the growth in the competitive sector and international price trends.

The economic policy objective of the national incomes policy has been to ensure that cost levels are no higher than in competing countries, and with this in mind the government has frequently called for 'restraint' in wage increases as a condition for reforms in social welfare and taxation. Devaluations of the Finnish mark has often been used as a last resort.

The workers' side in the bargaining process has naturally been most active in pursuing solidarity in wage policy, the purpose of which, according to the EFO model, is to promote structural change. In this way the notion of solidarity has been extended to the corresponding central government measures. One aim has been to limit the demand for low productivity labour through demans for increases in the average minimum wages and at the same time to engage in an active labour policy to promote the transfer of employees to high productivity branches. The intention behind this is to make more effective use of the available labour and to reduce wage differentials. A further function of centralized wage determination has been to prevent skirmishes between trade unions over the distribution of wage increases.

Wage increase agreements and sliding scales

It has been common practice in the system of centralized wage determination to aim for similar-sized increases in earnings, wages agreements usually provide for a general increase applying to all those covered by the agreement and an adjustment margin intended to raise wages at certain points on the scale, i.e. to close the gap between the terms of the agreement and actual wages. Thus a supplement for the lower wage categories has regularly formed a part of such agreements from the late 1980s onwards and has usually been directed at female-dominated branches of industry. Similarly a cost of living index clause has been included to guarantee increased earnings in real terms. This has been used as a means of compensating for the 'sliding scales' of wages often applied in branches lying outside the private sector collective wage determination system in order to ensure even trends for all wage and salary earners. Both supplements for low wage categories and guarantees of increased earnings in real terms have been major aspects of wage policy solidarity in recent years. Likewise, the overall outcomes of the collective bargaining process have included significant improvements in social welfare, particularly in terms of working hours, as laid down under the 'Pekkanen' agreement in the 1980s, which reduced the hours of work for wage-earners to a level closer to that of salaried staff. Thus the centralized system has represented an attempt to achieve greater conformity in working time as well as levels of remuneration.

Achievements of solidarity in wages policy

It will be seen below when examining the overall range of variation in wages and salaries that the centralized system has worked well as a means of achieving solidarity in wages policy; the differences in wages in general are indeed small.

His nevertheless generally accepted is that the centralized determination of wages, like centralized pricing in general, has reached the end of the road. It formed an integral part of Finland's postwar national growth strategy, functioning in the context of a 'closed economy'. Now that our economy has opened up, the government, trade unions and employers' organizations no longer have a mandate in such matters. Devaluation and inflation can no longer be used to manipulate the distribution of incomes between capital and labour in order to ensure a high level of investment by companies and a smoothly functioning economic growth strategy.

Ranges of variation in wages and salaries in Finland, Sweden, France and the USA

We shall now take a look at the range of variation in wages and salaries in Finland by comparison with the situation in Sweden, France and the USA. Sweden, like Finland, has a centralized wage determination system in which wage policy solidarity has traditionally played a still more important role. The Swedish system has been showing signs of disintegration since 1983, however, and thus the comparison already points to a growth in the range of variation towards the late 1980s. In France the setting of wage levels is a matter for individual companies, although there is a statutory minimum set by the government, which has served to raise the lower wage categories towards the average level. The years from 1985 onwards have nevertheless seen a drop in the minimum wage as a proportion of the average wage. Rather than intervening in wage determination, the government is nowadays anxious to promote employment. The labour market in the USA is based more firmly on free competition and minimum wage legislation is of little importance this minimum wage dropped from 40.1% of the median wages in 1979 to only 30.3% in 1987. The empirical material serves to reveal the extent of the increase in wage differentials over this period.

The comparison is based on data at the individual level and describes regular annual earnings inclusive of annual and public holidays. The Finnish data are from the distribution of incomes statistics maintained by Statistics Finland and consist of the annual earnings of persons engaged in full- time work for the whole year, so that they also include remuneration for ancillary work. Individual ranges of variation should be treated with caution, however, and more precise comparisons between countries should be avoided, since they are affected considerably by such facts as whether the data have been compiled from administrative figures or by household inquiries. The trends in the various countries, which is what will principally be examined here, are nevertheless reliable.

The tables and figures represent attempts to relate wage levels in the uppermost and lowermost deciles to the median figure for the overall wage distribution, i.e. D9/D5 and D1/D5. Changes which have taken place at these points in the wage spectrum give an impression of whether the focus of attention has been on its upper or lower end or both.

The period covered by the comparison consists of the years 1980, 1986 and 1989-1992 in the case of Finland, up to 1991 for Sweden and France and up to 1989 for the USA (source: OECD Employment Outlook, July 1993).

Trends in the wage diffeential in 1980–1992

	1980	1986	1989	1990	1991	1992
Finland						
D9/D5	1.55	1.56	1.60	1.59	1.58	1.55
D1/D5	0.54	0.56	0.56	0.59	0.60	0.60
Sweden						
D9/D5	1.54*	1.48	1.52*		1.54	
D1/D5	0.77*	0.74	0.76*		0.74	
France						
D9/D5	1.91	1.94	1.96*	1.96*	1.96*	
D1/D5	0.62	0.64	0.65*	0.65*	0.65*	
USA						
D9/D5	2.16	2.24	2.22			
D1/D5	0.45	0.41	0.40			

* Years recorded for Sweden 1981, 1986, 1988, 1989 ja 1991.
* Figures for France in 1989–1991 are prospective.

The changes which can be detected in the range of variation in wages in Finland are generally speaking very small, although the range seems to have widened somewhat during the economic boom of the late 1980s and narrowed again during the recession of the early 1990s. Wage differentials are nevertheless seen to have decreased slightly between 1980 and 1992, the level represented by the lowest decile having risen relative to the median figure and that represented by the uppermost decile having remained the same.

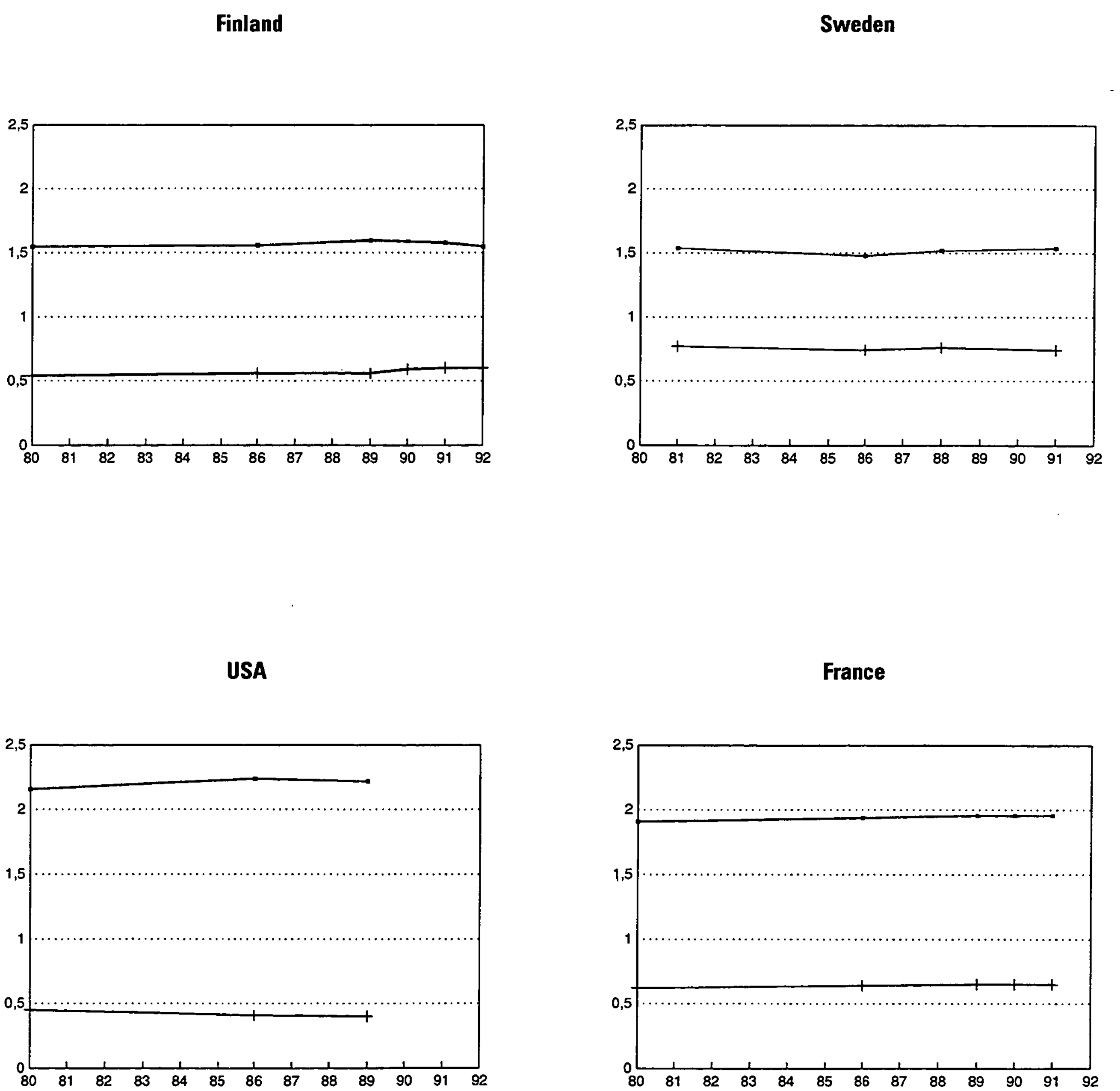
The widening of the spectrum at the time of economic growth may be attributed to rises in performance-related wages and salaries and increases in the amounts of overtime and ancillary work undertaken by those in the upper wage brackets, while these features correspondingly declined in importance once the recession of the 1990s set in. Another significant factor tending to reduce the range of variation during the recession was that unemployment affected most seriously those in the low wage brackets. Thus 45.5% of the women who became unemployed in 1992, for example, had been in the lowest quintile of the wage spectrum in 1991 and only 4% in the highest quintile, while the corresponding figures for men were 38.4% and 8.5%. When the lowest paid of all are drop per from the examination, the wage differentials will naturally diminish. This is by no means a matter of solidarity, of course.

Wage differentials in Sweden increased somewhat over the period 1981-1991, chiefly from 1986 onwards, although the overall effect was still minimal. A slight increase is also observable in France from the mid-1980s onwards, although a reduction took place in the first half of the decade. The most radical changes are to be seen in the USA, where salaries at the top end of the scale increased markedly relative to the median level throughout the 1980s at the same time as wages at the lower end decreased markedly in relative terms. This can be attributed to technological progress, which is constantly reducing the demand for manual labour and increasing that for well educated employees with good learning abilities.

Thus it seems that our centralized system of wage determination has succeeded in keeping wage differentials very stable in spite of major fluctuations in the economy. The price of labour has to a great extent been set elsewhere and not by market forces, i.e. at the point where supply and demand intersect. It will be interesting to see how our wage mechanism develops in the future and what weight will be attached to the solidarity factor in wage determination.

This account is based on research by Laura Noël du Payrat into corporatism and its part in the determination of wages and salaries, to be published in 1995.

Trends in the wage differential in 1980–1992: relation of the 1st and 9th deciles to the median wage

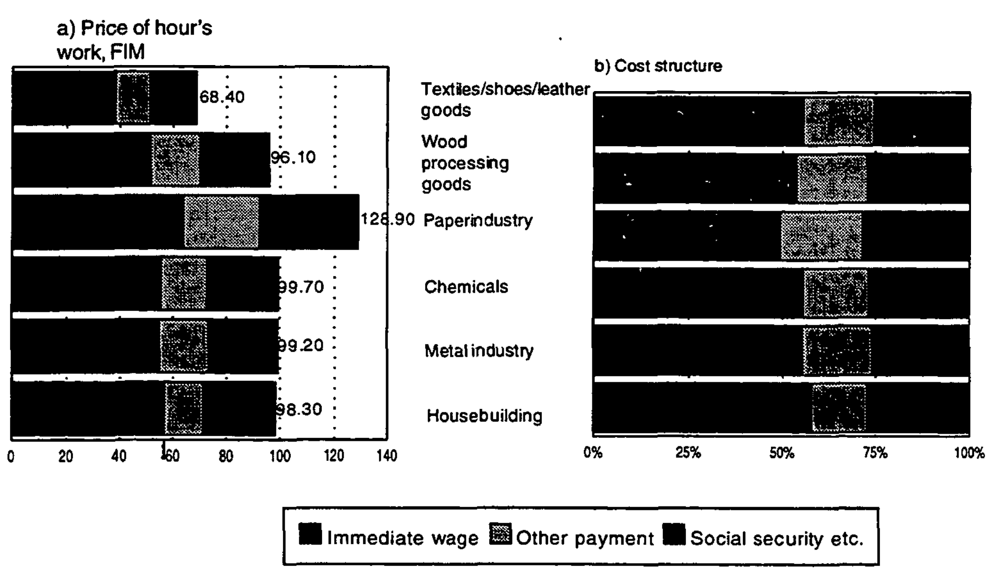


Statistics Finland developing methods for monitoring the price of labour

Statistics Finland is in the process of developing methods for describing the price of labour and monitoring trends in this, taking account of changes in wages for hours worked, wages for non-worked hours and social security costs. The aim is to link the calculation of this index to the production of the earned incomes index. We provide below a calculation of trends in the price of labour with respect to hourly paid industrial workers. This monitoring of costs will be extended gradually, so that at the next stage in the project it will cover all those employed in industry.

The costs structure in industry for 1992 follows that determined in the survey of into labour costs by the Research Institute of the Finnish Economy, while the proportions of the cost factors for the other years are determined by updating this structure in accordance with tariff changes. In the case of earnings from hours worked, both the cost level and its trends are based on quarterly wage statistics (= total earnings). Again the 1992 data for individual branches of industry apply to actual costs and the figures for other years reflect the impact of legislation and collective bargaining results on the cost level, excluding structural changes. Changes in cost structure are based chiefly on data on the estimated effects of wage agreements and insurance tariffs as compiled by the Central Association of Industrial Employers.

Price of an hour of worked and its formation in 1994: wage-earners in industry



Indirect labour costs increase differentials between branches of industry

Although the cost of an hour's work to the employer in most branches of industry is approximately FIM 100, the differences between branches are nevertheless greater than those in the wage for an hour worked. Thus, where the average cost of an hour worked in the paper industry is FIM 129, the corresponding figure for the clothing industry is just over a half of this, FIM 68. The main reason for this is the high incidence of Sunday working in the paper industry as well as payments for free shifts, which are not included in earnings from hours worked. Differences in social security costs between branches arise partly because of the graduation of companies' national pensions contributions in accordance with their depreciation accounts, so that the proportion of the total wage bill represented by these is estimated to be 1.7 percentage points higher in the capital-intensive paper industry than in the labour-intensive clothing industry.

Proportion of social security costs increasing

The price of the labour of an industrial wage-earner has risen approximately 18.5% during the present decade, which exceeds the rise in earnings from regular working hours by more than 4 percentage points. The decline in statutory pensions insurance and social security payments reduced the proportion accounted for by social security costs in 1991 and 1992, in spite of the rise in unemployment insurance payments. Since that time, however, the increases in pensions, insurance, social security and unemployment insurance payments have led to a considerable acceleration in the rise in the price of labour, especially in large, capital-intensive companies.

Prospective calculation of the formation of the hourly wage in certain branches of industry in 1994

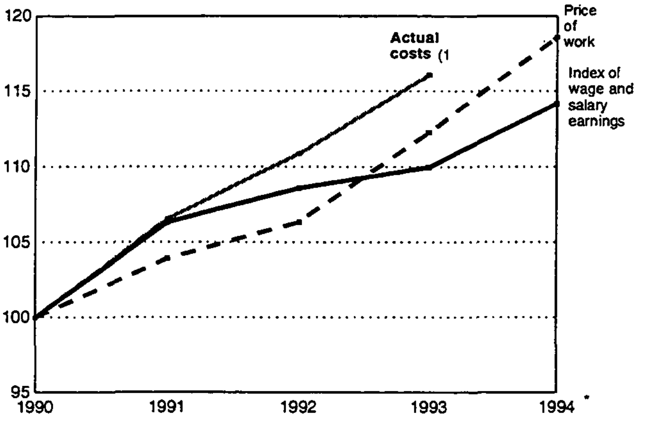
	Textiles/ shoes/leather goods	Wood processing	Paper	Chemicals	Metal industry
Immediate earnings					
Regular working hours	37.56	49.05	55.68	49.12	52.33
Overtime etc.	.43	2.60	7.89	6.34	2.51
Occasional earnings	.72	.97	4.00	1.11	1.45
Payments for days not worked					
Annual holiday pay	5.48	8.12	9.28	7.04	7.44
Holiday bonus	2.66	3.89	5.47	4.03	3.62
Free days under collective bargaining agreement	2.40	2.82	8.71	3.24	3.20
Compensation for public holidays	1.52	1.80	.06	1.57	2.43
Others	.38	.92	1.15	.50	.62
Social security paymetns					
Social security	2.24	3.89	5.71	4.01	3.77
Pensions	8.74	12.75	18.78	12.12	12.28
Unemployment insurance	2.95	4.03	5.77	4.36	4.28
Sickness/maternity pay	1.19	1.34	2.40	1.54	1.58
Accident insurance	.80	2.51	2.27	1.33	1.85
Other insurances	.07	.18	.11	.20	.09
Other social welfare costs	1.21	1.22	1.59	3.19	1.76
Total price	**68.36**	**96.09**	**128.87**	**99.71**	**99.19**

The trend in average labour costs in the early 1990s was a sharper one than that in the price of labour, partly on account of an increase in temporary layoffs and redundancies, all of which increased the wage bill for hours not worked, e.g. in the form of redundancy pay and the bringing forward of outstanding annual holidays. A further factor contributing to this was the effect of structural changes between branches of industry, which accelerated the trend in average costs even though it did not affect that in the index of wage and salary earnings, which has fixed weightings, or in the index of labour costs.

Greater differences in cost trends have emerged between branches of industry since the devaluation of the Finnish mark, so that where the price of labour per hour in the paper industry was more than 14% higher last year than in 1992, the rise in the manufacturing industries as a whole was 2.5 percentage points less. Costs with respect to hourly paid workers in the building industry have not risen since 1992, for example.

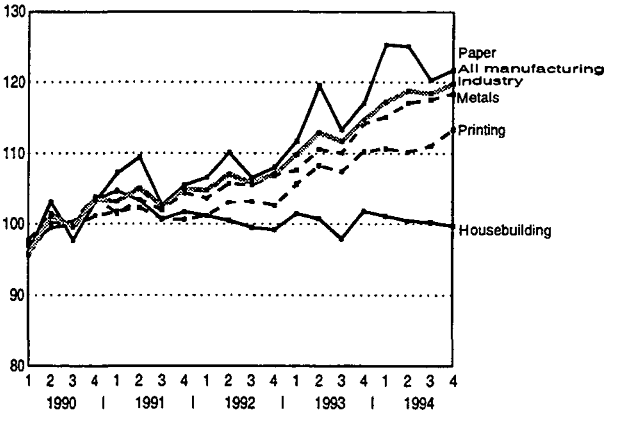
For further information on this topic, please contact **Seppo Kouvonen, tel. 358-0-17341.**

Trends in earnings and the price of an hour of work in industry in the 1990s: wage-earners



Source:
Industrial statistics

Trends in the price of work by branches of industry



Earnings of restaurant staff down by 0.3%

The average monthly earnings of those in regular employment in the hotel and catering sector in August 1993 were FIM 7674, FIM 8407 for men and FIM 7492 for women, i.e. the average for women was 89.1% of that for men.

Earnings had fallen relative to 1992 by an average of 0.3%, those for men remaining unchanged while those for women fell by the same figure, 0.3%. This meant a decrease of 2.4% in real terms since 1990.

Earnings of restaurant or hotel managers had increased by 0.8%, those of men being FIM 10,141 and those of women FIM 9039. Those of rank and file employees had dropped by an average of 1.0%. Average earnings were FIM 7648 for men and FIM 7109 for women.

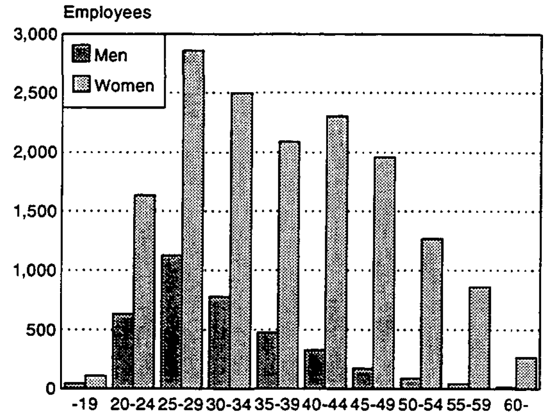
Efforts have been made from the mid-1980s onwards to introduce fixed wages for waiters previously employed on a commission basis, and this and other developments mean that considerable structural changes are taking place in this sector. One salient feature is that companies are tending to employ people able to fulfil a number of functions in a flexible manner.

The numbers employed on regular wages in hotels and catering have decreased by almost 35% within three years, and the sector is highly female-dominated, with about 80% of those are women.

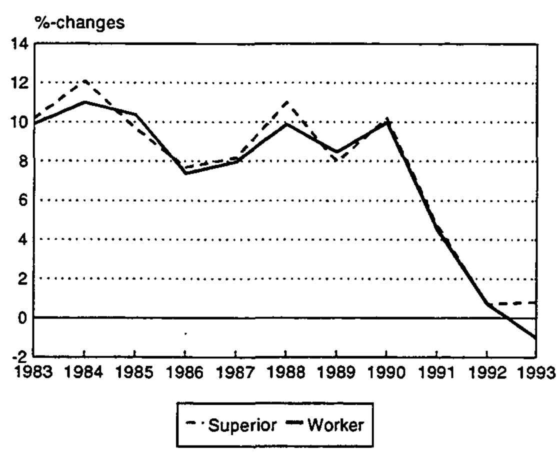
These statistics concern for the most part companies affiliated to the Federation of Business Employers, together with data available from Statistics Finland on company restaurants.

Source:
Wages and salaries in the service sector 1993.

Restaurant employees by age in August 1993



Changes in earnings of restaurants employees, 1983–1993



Numbers of employees in hotels and restaurants and earnings from regular working hours in 1988–1993

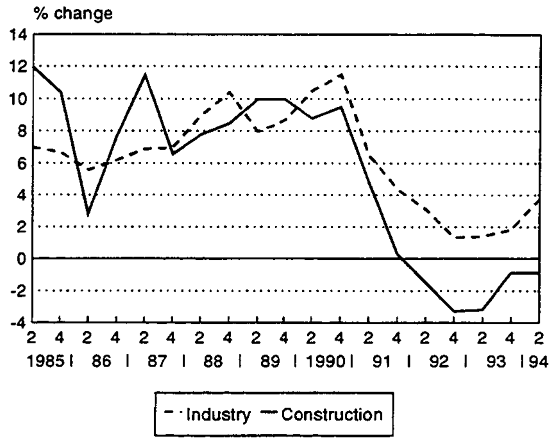
Year	Waiter Commission No.	Waiter Commission Earnings	Waiter Fixed wage No.	Waiter Fixed wage Earnings	Chef No.	Chef Earnings	Head waiter No.	Head waiter Earnings
1988	2 733	7 600	5 071	6 011	1 585	6 180	692	7 354
1989	2 234	8 204	5 556	6 615	1 670	6 756	689	7 894
1990	1 533	8 888	5 745	7 335	1 750	7 291	649	8 703
1991	1 056	8 810	5 916	7 785	1 788	7 676	543	9 067
1992	478	8 747	4 833	7 986	1 361	7 615	412	9 215
1993	181	8 799	4 137	7 923	1 171	7 614	296	9 173

Industrial wages up by 3.8%

The average wage of an industrial worker for normal working hours in the second quarter of last year was FIM 51.44, a rise of 3.8% compared with the same time the previous year, the figure for men being FIM 53.91 (3.5%) and that for women FIM 44.24 (4.3%). Sunday working and overtime included, the average hourly wages was FIM 55.71, an increase of 3.7% over the previous year.

The statistics on wages in industry and construction work were extended in the fourth quarter of 1993 by including the manufacture of paper and cardboard products under 'Other industries' and including sheet metal building materials and industrial insulation within the construction industry. This will have affected the comparability of time series for 'Other industries' and the combined categories of industry and construction. The percentage changes relative to the previous year are nevertheless calculated from comparable data.

Changes in average hourly wages in industry and construction for normal working time relative to the same quarter of the previous year, II/1985–II/1994



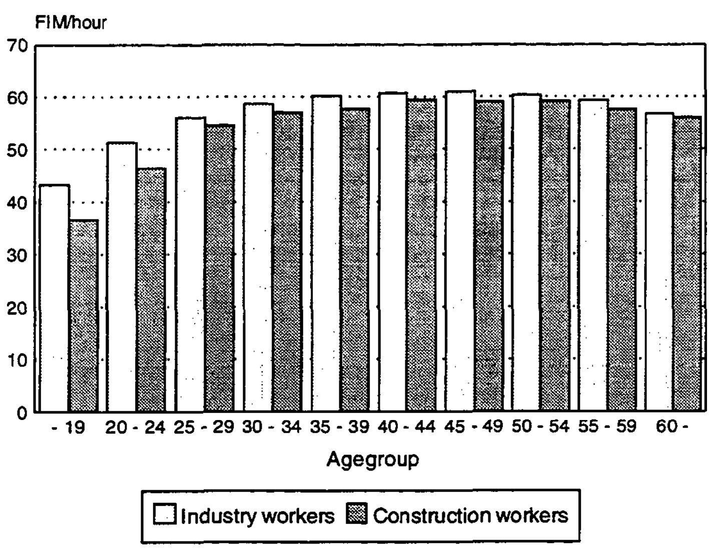
Numbers of workers employed in industry and construction and hourly wages for normal working time in the 2nd quarter of 1994

Branch	No.	% women	Hourly wages, FIM Men	Women	All	% change II/93–II/94
All industry	**154 681**	**25.9**	**53.91**	**44.24**	**51.44**	**3.8**
Mining	573	8.9	62.94	43.02	61.42	9.6
Peat mining	319	10,0	44.08	34.77	43.38	3.1
Textiles	4746	67.5	47.91	39.28	42.17	3.3
Clothing, leather, footwear	4 703	85.8	41.97	36.85	37.60	3.5
Timber	12 376	23.5	49.90	46.35	49.08	5.7
Paper	29 874	17.6	56.68	49.74	55.51	4.4
Graphics	9 074	37.7	54.19	47.31	51.63	3.2
Furniture	4 971	28.6	44.91	41.55	43.95	1.9
Chemicals	13 697	28.1	52.18	42.32	49.43	2.3
Glass, pottery, stone	7 703	20.7	51.60	43.90	50.04	3.5
Basic metal industry	8 547	11.9	59.98	53.45	59.23	6.0
Metal products and vehicles	50 601	23.6	54.31	45.02	52.14	3,7
Other industry	2 213	39.0	50.82	42.38	47.63	1.5
Electric power	5 284	7.9	54.87	43.86	54.17	4.0
All construction	**17 443**	**3.5**	**55.62**	**41.81**	**55.25**	**–0.9**
Housebuilding	8 237	4.7	55.82	41.85	54.76	–1.2
Electrical installations	1 997	0.3	59.59	.	59.56	–2.2
Plumbing	1 275	0.2	58.93	.	58.92	–1.6
Painting and decorating	1 511	5.6	56.11	48.11	55.71	–4.2
Sheet metal constr.	240	2.9	53.79	.	53.53	–
Tndustrial insulation	428	1.4	50.20	.	50.11	–
Road surfacing	1 026	5.3	53.35	32.12	52.67	2.6
Waterproofing	476	0.4	65.09		65.05	6.6
Soil and hydraulic engineering	2 006	2.1	51.29	36.79	51.11	2.4
Glazing and polishing	247	6.1	46.74	45.34	46.67	4.6

Wages in the construction sector down by 0.9%

The average hourly wage of a construction worker for normal working time in the second quarter of 1994 was FIM 55.25, that for men being FIM 55.62 and that for women FIM 41.81. This implies a drop in the average rate of 0.9% relative to the same quarter in the previous year, 1.1% for men and 1.2% for women. Sunday working and overtime included, the average hourly wages for this quarter was FIM 56.56, a drop of 0.6% from the previous year.

Source:
Wages in manufacturing and construction industries, 2nd quarter of 1994.



Total wages of men in industry and construction in the 2nd quarter of 1994, by age

Hourly wage for road transport workers FIM 46.77

The average wage of a road transport worker for normal working hours in the second quarter of 1994 was FIM 46.77, that for men being FIM 46.90 and that for women FIM 43.29, i.e. 92.3% of the men's rate. The total average hourly wage during the same period, including Sunday working and overtime, was FIM 49.89, a drop of 0.2% compared with the same period in the previous year.

The total number employed in this sector, according to the statistics, was 18,694, of whom about 4% were women. This figure included 6526 employed in passenger traffic and 11,058 drivers of goods vehicles, together with a total of 1110 working in the servicing of commercial vehicles.

Source:
Wages in the transport industry, 2nd quarter of 1994.

Hourly earnings of transport workers for normal working hours in the 2nd quarter of 1994 and changes with time

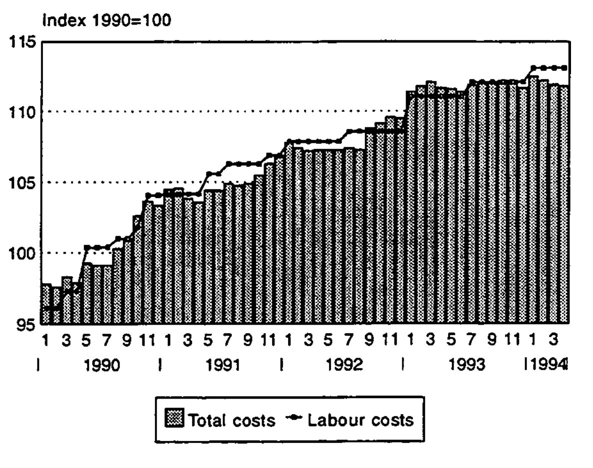
	Hourly wages , FIM			% change	
	Men	Women	All	IV/93–II/94	II/93–II/94
Bus transport	**47.74**	**44.66**	**47.55**	**0.4**	**1.1**
Driver	47.75	46.54	47.68	0.4	1.0
Conductor	44.18	34.74	36.24	–1.9	1,4
Road haulage	**46.40**	**43.89**	**46.37**	**–0.6**	**–0.7**
Full trailer comb. driver	47.62	46.54	47.62	–0.0	–0.5
Semi-trailer comb. driver	44.01	–	44.01	–1.3	–1.0
Truck driver	44.83	39.85	44.77	–1.3	-3.3
Car driver	45.26	44.79	45.23	0.4	8.6
Driver's asistant	42.26	.	42.24	0.9	–1.7
Terminal worker	46.54	50.92	46.92	4.2	2.6
Special vehicle driver	47.96	42.45	47.84	–1.1	–1.8
International transport driver	50.84	–	50.84	–0.5	–0.1
Servicing	**47.77**	**39.68**	**46.48**	**1.4**	**0.7**
Labouring	40.96	38.89	39.61	1.4	0.1
Heavy labouring	51.06	41.46	47.91	10.4	10.9
Extr. heavy labouring	44.51	.	44.18	–0.8	0.0
Skilled work	46.97	.	46.97	0.6	1.2
Highly skilled work	49.45	.	49.43	0.1	–1.4
Dockers	.	.	**59.07**	**3.6**	**3.7**

Costs practically stable in the bus transport sector

Total costs in the bus transport sector rose by only 0.1% between May 1993 and May 1994, at the same time as the total labour costs, i.e. the combined wages of drivers, stewardesses and fitters and salaries of administrative and managerial staff together with indirect labour costs, rose by 1.8%. The total wage bill accounted for 58% of the overall costs as expressed in the weighted cost index for the bus transport sector, the wages of bus crews, i.e. drivers and stewardesses, amounting to 26.1% of total costs and their indirect wage costs to 17.4%.

Source:
Cost index for bus and motor-coach traffic 1990, 1990=100

Trends in costs of bus transport, January 1990–August 1994
Index 1990=100



Average monthly earnings of salaried employees in industry FIM 11,568

The average earnings for a salaried employees in industry in December 1993 were FIM 11,568 per month, an increase of 2.5% over August of the previous year, which relative to the 2.3% rise in prices over the same period gives an increase in real terms of 0.2%. The average figure for men was FIM 13,150 and that for women FIM 8955.

The average monthly earnings for office staff were FIM 8558, those for technical staff FIM 10,653 and those for senior staff FIM 15,470. On the other hand, the number of white collar workers had declined by 16% in the course of just over a year, the greatest relative decrease being in office staff, 18%, followed by technical staff, 15%, and senior staff, 13%.

The earnings for normal working hours consisted of 96% fixed monthly salary (96% for men and 95% for women), 2% fringe benefits and 1% performance-related payments (commissions, incomes under profit sharing schemes, result-related payments etc.). These percentages had not change relative to the previous year.

Structure of earnings of salaried employees, December 1993

	Fixed monthly earnings	Payments for shift-work	Benefits in kind	Bonuses
Clerical employees	**8 306**	**26**	**119**	**107**
- Female	7 943	17	50	63
- Male	9 779	61	399	284
Techincal employees	**10 106**	**330**	**93**	**124**
- Female	8 312	140	32	77
- Male	10 498	371	106	134
Upper level employees	**14 770**	**21**	**521**	**157**
- Female	12 775	12	298	101
- Male	15 208	23	570	169
Total	**11 065**	**132**	**242**	**129**
- Female	8 761	37	86	71
- Male	12 460	190	336	164

Source:
Salaries in manufacturing industries 1993.

Earnings of major categories of salaried staff in industry in December 1993 and changes relative to August 1992

Staff category	No.	Monthly earnings FIM	%-change
Production mangement	1 817	19 250	2.1
Production planning, demanding	3 054	16 420	1.4
Specialized and indirect sales	2 739	15 970	2.2
Operative management	3 428	15 011	1.5
Operative supervision	2 375	13 009	2.8
Indirect work supervision	2 528	12 855	4.8
Product design	6 913	12 634	0.4
Sales	4 537	11 875	1.3
Production planning and demanding maintenance	2 549	11 545	1.8
Direct work supervision	12 428	11 008	2.6
Component design	5 376	10 928	1.4
Techinical palling and servicing	3 195	10 270	2.1
Quality assurance and transport arrangements	2 771	9 036	2.7
Warehouse control and transport arrangements	1 575	8 678	0.6
Preliminary design and draftsmanship	2 327	8 331	2.6
Demonstration and customer service	1 846	8 259	2.1
Department secretary	3 592	8 233	1.9
Sales office work	3 000	8 161	2.0
Financial and warehouse accounting	1 909	7 619	2.5
Office work, small branches	1 366	7 415	2.0

TABELL

Index of labour costs: Industrial wage-earners

Year and quarter		Manu-facturing	Food manu-facture	Textile industry	Manu-facturing of clothes	Wood industry	Paper industry	Printing and publishing	Furni-ture industry	Chemical industry	Manu-facturing of building materials	Basic metal industries	Fabri-cated metal products and vehicles manu-facture	Other manu-facturing	House con-struction	Other building	Mining and quarrying
1990		100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
	I	95,7	95,6	94,3	94,8	95,5	95,9	97,7	95,7	94,6	95,9	95,2	95,7	95,2	97,1	96,8	96,1
	II	101,2	101,0	101,3	99,9	101,0	103,2	101,5	100,4	103,2	100,5	101,1	100,1	98,9	99,5	97,7	102,8
	III	99,6	99,3	100,5	100,7	100,4	97,7	99,6	100,1	98,1	100,1	99,6	100,2	99,7	99,9	101,0	98,8
	IV	103,6	104,1	103,9	104,6	103,0	103,2	101,2	103,9	104,1	103,5	104,1	104,0	106,3	103,5	104,4	102,3
1991		104,0	104,1	106,1	107,7	103,8	106,3	101,8	105,5	104,1	102,1	104,9	102,8	104,5	102,6	104,5	106,0
	I	103,2	103,7	104,3	105,6	103,1	107,3	102,2	104,7	103,4	102,0	102,9	101,4	101,0	104,7	103,2	104,9
	II	105,1	104,6	107,3	107,9	104,4	109,5	102,8	105,6	106,5	102,9	105,8	103,5	102,9	103,4	104,5	106,6
	III	102,5	103,7	106,0	108,8	102,7	102,6	101,2	104,9	100,2	100,7	103,3	101,9	104,0	100,6	107,2	106,1
	IV	105,0	104,2	106,8	108,4	105,1	105,6	101,1	106,9	106,2	102,8	107,4	104,5	110,2	101,7	103,0	106,4
1992		106,3	105,2	110,0	109,3	106,6	107,9	103,7	108,0	107,0	104,1	107,9	105,5	106,9	100,1	103,8	109,7
	I	104,9	105,2	109,2	109,2	105,3	106,7	102,3	107,1	104,3	103,2	106,2	103,7	104,0	101,2	100,7	108,4
	II	107,1	105,7	110,2	108,9	106,5	110,2	104,2	108,0	110,7	104,2	109,3	105,8	105,2	100,5	105,6	111,4
	III	105,9	105,0	110,2	109,6	106,9	106,6	104,3	108,1	104,6	104,4	106,4	105,6	105,5	99,5	108,1	109,1
	IV	107,2	105,0	110,6	109,6	107,7	108,1	103,8	109,0	108,3	104,8	109,9	107,0	113,0	99,2	100,9	110,0
1993		112,4	110,6	116,2	114,0	113,5	115,5	109,3	113,6	115,1	108,9	115,0	110,7	114,7	100,5	107,7	112,2
	I	109,9	109,1	114,0	113,0	111,3	111,8	107,0	112,6	111,7	108,5	112,7	107,7	116,7	101,5	105,3	110,9
	II	113,0	109,2	116,8	113,7	113,5	119,6	109,6	113,1	117,9	108,3	114,8	110,7	111,2	100,8	110,2	112,2
	III	111,8	112,2	116,5	114,0	112,6	113,4	108,8	113,3	115,3	108,3	114,0	110,1	111,9	97,9	104,8	111,3
	IV	114,8	111,8	117,7	115,2	116,6	117,2	111,6	115,3	115,6	110,3	118,3	114,3	119,0	101,8	110,4	114,7
1994		118,6	114,8	121,6	118,1	122,9	123,2	114,1	118,3	120,8	114,1	122,7	117,1	116,0	100,4	113,2	120,5
	I	117,3	112,6	119,0	117,1	121,3	125,4	113,4	118,2	117,2	111,0	119,2	115,2	121,2	101,1	109,9	119,2
	II	118,9	114,8	122,0	118,0	123,2	125,2	113,0	117,0	121,1	114,1	123,3	117,2	113,7	100,5	114,6	119,5
	III	118,5	114,8	122,0	118,0	122,9	120,4	113,8	117,8	121,7	114,6	123,7	117,7	113,7	100,3	114,4	121,0
	IV	119,9	117,2	123,4	119,4	124,2	121,8	116,2	120,3	123,2	116,6	124,6	118,5	115,2	99,8	113,8	122,1

A decrease of 10,000 in government salaried staff

The Finnish government had a full-time salaried staff of 152,714 persons in September 1993, a drop of almost 17,000 from the figure of 169,546 for 1992. At the same time the number of part-time staff on full salary increased by 43% and that of staff on part salary by approx. 24%. The drop in the numbers of salaried staff as a whole was nevertheless just over 5%.

The number of full-time employees whose salaries were paid directly from the national budget was 111,386, of which almost a half of the women were working as executive or office secretaries in administrative or clerical positions or in tax offices. Correspondingly, almost a third of the men were engaged in technical work, the natural sciences or humanities, as engineers or technicians or in teaching.

The largest branches of the administration were the Ministry of Education, with 25% of the total employees, the Ministry of the Interior, 15%, and the Ministry of Defence, 13%. About 27% of the government staff in 1992 had been working in government-controlled enterprises, where the figure the previous year had been 28%.

The average earnings of all salaried staff in central government employment for normal working hours in September 1993 were FIM 10,203, with men earning FIM 10,977 and women FIM 9080, while the average total earnings were FIM 10,460, FIM 11,372 for men and FIM 9170 for women. This meant an increase of 0.7% overall, 0.5% for men and 1.3% for women (taking into account structural changes occurring in the interval).

Salaried staff in central government employment in 1990–1993

In Finland	No. 1990	1991	1992	1993
Total	**194 602**	**194 195**	**189 874**	**179 484**
– Full-time, full salary	169 444	172 235	169 546	152 714
– Part-time, full salary	9 588	7 807	8 250	11 820
– Part salary	15 570	14 153	12 078	14 950
Overseas, full time	1 192	1 183	987	963

Source:
Salaries of central government employees in 1993.

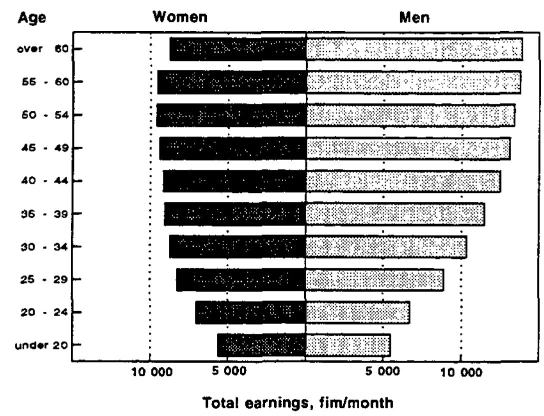
Numbers of full-time salaried staff in government-owned enterprises and departments financed from the national budget in 1992 and 1993 and their earnings for normal working time 1992–1993

	No.		Earnings for normal working time	
	1992	1993	1992	1993
	Total		Total	
Departments	**122 139**	**111 386**	**10 301**	**10 512**
– Men	67 527	61 148	11 307	11 528
– Women	54 612	50 238	9 056	9 275
Enterprises	**47 407**	**41 328**	**9 323**	**9 370**
– Men	31 285	28 319	9 875	9 850
– Women	16 122	13 009	8 253	8 326
Total	**169 546**	**152 714**	**10 027**	**10 203**
– Men	98 812	89 467	10 854	10 997
– Women	70 734	63 247	8 873	9 080

Salaried local government employees down by almost 5%

The number of local government salaried employees in October 1993 was 395,795, a drop of 4.8% from the previous year. This was the result of a decline of 11% in the number of full-time employees and a rise of over 30% in that of part- time employees and those receiving a salary for part of the month, as part of an effort by the local authorities to reduce costs by moving employees to part-time work and dismissing some of those receiving their main salary from elsewhere. These changes are also affected somewhat by staff laid off temporarily or granted leave of absence without pay for the period in question (October) under local cost cutting agreements. Some 61,000 otherwise full- time employees were affected in this way. Further savings were achieved by the local authorities by cancelling holiday bonuses.

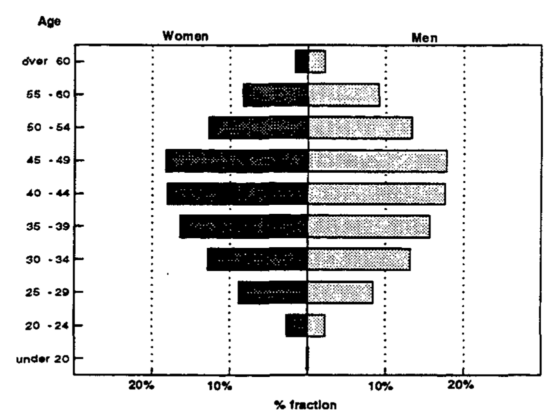
Total earnings of salaried staff in local government by age



Total earnings up by 1.3%

The average total earnings of full-time employees were FIM 9724, those for men being FIM 11,791 and those for women FIM 9072, with corresponding figures for regular working time alone of FIM 9380, FIM 11,185 for men and FIM 8856 for women.

Age distribution of salaried staff in logal government



Age raises average earnings

The mean age of local government employees was 41.9 years, that of the men 42.2 years and that of the women 41.8 years, the number of young people (under 24 years) having decreased by half, to only 7211 in 1993. The average earnings in this youngest age group were approx. FIM 6900 a month, after which the figure increased to reach approx. FIM 9500 at age 50-60 years. In the case of men the increase continued further, to FIM 13,900 among those aged over 60 years.

Source:
Salaries of local government employees in 1993

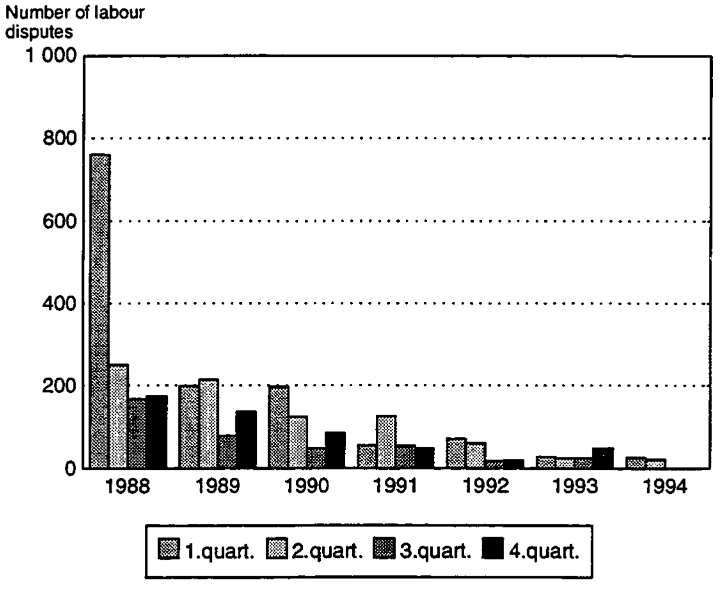
Labour disputes

21 labour disputes in the second quarter of 1994

Preliminary data compiled by Statistics Finland indicate that 21 labour disputes took place in the second quarter of last year, involving altogether 3100 workers and implying the loss of just under 4000 working days. Comparison with the situation in the same quarter of 1993 shows that there were four less disputes in 1994, with 4080 less persons involved and almost half the number of working days lost. In other words, the period was a very quiet one as far as labour disputes were concerned. Very many sectors of the economy still had existing agreements on pay and working conditions in force, so that the characteristic strikes aimed at speeding up negotiations on such agreements were practically non-existent.

90% of the labour disputes in the second quarter of 1994 took place in industry, the highest number being in the machinery and instrumentation sector, 6, while the largest numbers of workers involved and days lost were in the shipyards. Industrial unrest in the shipyards also appears to have increased slightly in the last quarter of the year.

The figure of 3100 workers engaged in labour disputes in the second quarter of the year represents only 0.2% of the working population, whereas the figure for the first quarter of the year was 1.5%. Correspondingly, the loss in gross wages was FIM 1.6 mill., where it had been FIM 179 mill. in the first quarter.



Number of labour disputes quarterly in 1988–1993 and in the first two quarters of 1994

Number of labour disputes, number of workers involved and working days lost annually in 1980–1992, quarterly in 1993 and in the first two quarters of 1994

Year	Disputes	Workers No.	Workers Per dispute	Workers % of labour force	Days lost No.	Days lost per worker
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	174 399	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**
I	27	3 240	120	0.2	3 070	0.9
II	25	7 190	287	0.3	6 000	0.8
III	25	2 720	109	0.1	1 890	0.7
IV	47	9 780	208	0.5	6 080	0.6
1994						
I	26	29 950	1 152	1.5	474 890	15.9
II	21	3 100	148	0.2	3 910	1.3

Labour disputes, working places and workers affected, and hours of work and wages lost in the 2nd quarter of 1994

Branch[1]	Disputes	Working places	Workers	Hours lost	Gross wages lost FIM
Industry	19	19	3 008	30 979	1 624 820
Textiles	1	1	24	568	28 300
Plastics	1	1	9	54	2 640
Iron and steels etc.	2	2	177	375	22 800
Metal products	1	1	50	250	13 750
Machinery	6	6	534	4 065	215 810
Electronics	2	2	391	2 764	117 660
Shipbuilding	2	2	1 522	18 412	976 960
Other vehicles	4	4	301	4 491	246 900
Construction					
Housebuilding	1	1	18	144	7 920
Transport					
Auxiliary services	1	1	77	154	7 880
Total	**21**	**21**	**3 103**	**31 277**	**1 640 620**

[1] The classification takes account only of disputes resolved during the period concerned.

For further information please contact: Jorma Niskavaara tel. +358-0-17 341

Prices

A fall in housing prices in July-September

The prices of apartments in existing blocks fell by 1.2% in the third quarter of last year relative to the second quarter, following a steady rise from the beginning of 1993 onwards.

Prices in Helsinki fell by only 0.4% and those in Espoo only by a recorded 0.2%, i.e. they remained practically constant, but those in Vantaa fell by as much as 1.8% over the three months. Thus the calculated drop in prices for the whole Helsinki conurbation was 0.6%. The overall drop elsewhere in Finland was 1.5%, with individual figures of 3.3% in Tampere, 5.7% in Lahti and 2.9% in Turku, but only 0.8% in Oulu. By contrast, prices rose by 9.4% in Pori and also to some extent in Kouvola, Hämeenlinna and Jyväskylä. The statistics for Vaasa even show a rise in prices of 23%, but this may be attributed to deals concluded in property of a special character which cannot be regarded as comparable to trading in the previous quarter.

Mean prices of existing apartments per sq. metre and price level indices in real terms in the 3rd quarter of 1994

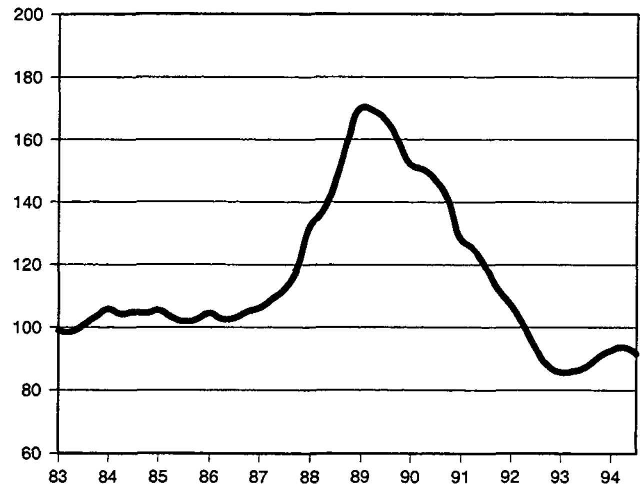
Town or city	2/1994	3/1994	Nominal index	Change from prev. quarter	Real index	Change from prev. quarter	No. of sales recorded
	mk/m^2	mk/m2	3/1994	%	3/1994	%	
Whole Contry	5 450	5 378	146.8	−1.2	91.6	−2.1	3 140
Helsinki Conurbation	7 148	7 112	139.9	−0.6	87.3	−1.5	1 015
Rest of Finland	4 431	4 344	151.5	−1.5	94.5	−2.5	2 125
Helsinki	7 645	7 624	141.9	−0.4	88.5	−1.4	750
Helsinki, south	10 201	9 885	159.4	−3.2	99.4	−4.1	126
Helsinki, west	8 576	8 836	145.7	+3.0	90.9	+2.0	250
Helsinki, east	7 115	7 081	136.4	−0.4	85.1	−1.4	239
Helsinki, north	5 888	5 792	136.8	−2.0	85.3	−2.9	135
Espoo+Kauniainen	6 523	6 459	142.6	−0.2	89.0	−1.1	150
Vantaa	5 043	4 946	126.0	−1.8	78.6	−2.7	115
Surroundings of Helsinki*	4 443	4 391	133.5	−0.2	83.3	−1.1	103
Tampere	4 745	4 581	151.2	−3.3	94.3	−4.2	229
Turku	4 882	4 743	136.7	−2.9	85.3	−3.8	276
Pori	3 595	3 939	169.4	+9.4	105.7	+8.3	68
Lappeenranta	4 854	4 876	147.0	−0.5	91.7	−1.4	82
Kouvola	3 611	3 749	151.6	+4.5	94.5	+3.5	61
Lahti	4 346	4 075	139.9	−5.7	87.3	−6.6	192
Hämeenlinna	4 311	4 125	180.3	+6.7	12.5	+5.7	34
Kotka	4 125	3 686	151.6	−9.9	94.6	−10.8	33
Rauma	3 513	3 541	177.1	+0.4	110.5	−0.5	34
Kuopio	4 786	4 745	144.2	−0.6	90.0	−1.5	136
Jyväskylä	5 001	5 035	145.0	+1.1	90.5	+0.1	98
Vaasa	4 206	5 117	163.1	+23.0	101.7	+21.9	69
Mikkeli	4 117	3 918	139.5	−4.6	87.0	−5.5	56
Joensuu	5 444	5 136	154.2	−5.6	96.2	−6.5	64
Oulu	4 736	4 685	153.5	−0.8	95.7	−1.7	175
Rovaniemi	4 294	4 305	138.7	+3.2	86.5	+2.3	34

Change calculated from indices weighted according to type of dwelling and nature of housing in the area
* Hyvinkää, Järvenpää, Kerava, Kirkkonummi, Nurmijärvi, Riihimäki, Sipoo, Tuusula ja Vihti
**Index of prices in real terms based on 1983=100 for consumer prices in general.

The index of housing prices in real terms for the whole country (1983=100) was 91.6 in the third quarter of 1994, having reached its lowest level, 85.7 in January-March 1993 and its peak, 170.2 in January-March 1989.

The statistics on housing property transactions show these to have decreased in number in July-September, possibly on account of inflated asking prices and expectations. The data are based on price statistics compiled by Statistics Finland from material supplied by real estate agencies.

Trend in housing prices in real terms, 1983–1994/3rd quarter
Index 1993=100, apartment blocks



Rents rise 2.1% within a year

The average rent for a dwelling house or apartment in April 1994 was FIM 33.40/m², an increase of 2.1% over the figure for same month in the previous year. That for apartments financed by the State Housing Board was FIM 31.10/m and that for apartments on the open market FIM 35.49/m². The figures for spring 1994 are based on inquiries regarding a total of approx. 6800 rented dwellings.

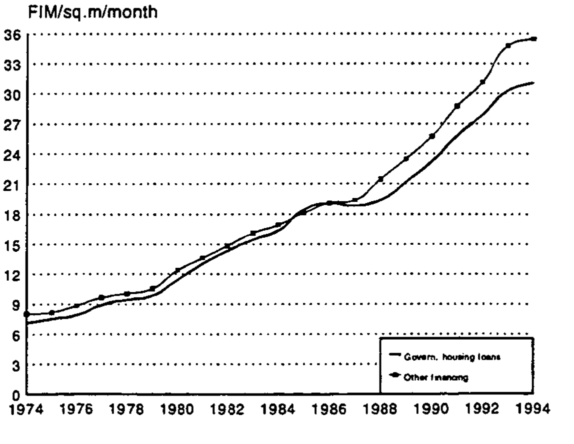
The average rent paid by a person who had occupied a single-room flat for less than a year in Helsinki was approx. FIM 62/m², as compared with FIM 41/m² for a comparable apartment if the lease had continued for over 10 years.

Rents in the Helsinki area were an average of 18% higher than elsewhere in the country, the mean rent for an apartment of 50 m on the open market being about FIM 2000 per month as compared with FIM 1600 per month elsewhere.

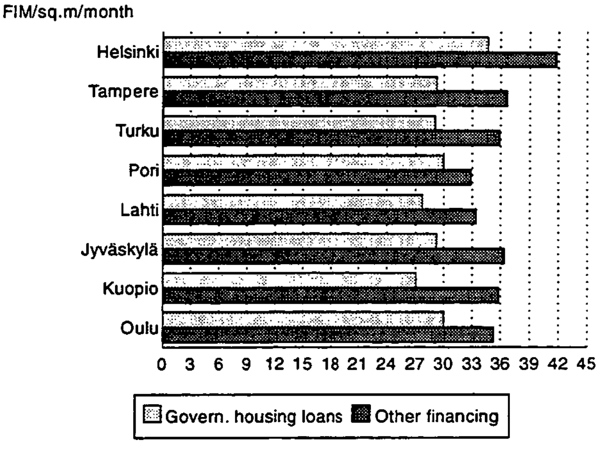
Ranges of variation in rents for housing on the Open market in April 1994, FIM/m²/month

Area	No. of rooms	Lowermost quartile	Median	Uppermost quartile	No.
Over 100 000 inh.	1	37.70	45.20	58.30	502
	2	33.30	39.80	47.80	492
	3	32.20	37.40	43.80	408
	4+	31.50	35.20	42.60	336
60 000 – 100 000 inh.	1	33.30	42.30	50.00	82
	2	27.90	35.60	43.30	101
	3	28.10	33.20	38.10	88
	4+	26.30	30.20	37.80	54
20 000 – 59 999 inh.	1	28.90	32.70	36.90	187
	2	28.40	34.00	37.80	237
	3	26.40	30.80	34.50	356
	4+	23.90	27.70	32.00	243
Under 20 000 inh.	1	28.90	32.70	36.90	187
	2	28.40	34.00	37.80	237
	3	26.40	30.80	34.50	356
	4+	23.90	27.70	32.00	243

Rents in 1974–1994



Rents for apartments in April 1994



Towards comparability in consumer price indices for the EU countries

Much work is being done in the statistical office of the European Union, Eurostat, to enable comparable consumer price indices to be produced for all the EU countries in the future. With the definition of objectives and associated inflation criteria for the European Monetary Union under the Maastricht agreement of 1991, the EMI requires comparable measures of inflation in order to form a reliable estimate of the stability of prices in the member countries. Comparison of inflation figures between countries presupposes that the differences are not attributable to the methods used to calculate inflation but to real price changes on the commodity markets of those countries.

A third attempt is now being made to harmonize the calculation of consumer price indices between the EU countries. It is a difficult undertaking, as inflation is one of the main macro-economic indicators and the achievement of conformity between countries in the manner in which it is determined involves problems of a kind that do not belong to either index theory or statistics. The intention is to complete the process this time, however, as convergence of inflation figures is a necessary even though not a sufficient condition for monetary union.

What does comparability imply?

The harmonization of consumer price indices implies the defining of consistent methods for calculating the index. The Finns cannot be compelled to eat shellfish or drink wine with their everyday meals any more than the French can be fed on sauna sausage. Consumer habits and the structure of consumption vary between countries and will continue to do so. It is nevertheless the intention to revise the weightings employed in assessing household consumption in the future in order to ensure that the differences in weightings do not hinder the comparison of inflation rates.

The indices quoted in the various countries differ in many ways at present, e.g. in the concept of consumption itself, in the assessment of living costs, in methods of accounting for changes in quality and in the impact of seasonal variations, and all of these form problematical areas which have to be considered when attempting harmonization. Professor Ralph Turvey, consultant to Eurostat, remarked in a recent interview published in Dagens Industri that the aim of harmonization is not to achieve the perfect index but to arrive at an index in which all the countries make the same mistakes, so that comparison of the national inflation figures is possible.

A harmonized index by the end of the millennium

The work is designed to proceed in three stages. At the first stage the countries will adapt their existing indices by eliminating the differences that are easiest to elimenete. They should begin to calculate their indices according to this preliminary harmonized model by March 1996. Then, in 1997, further changes will be made to the calculation methods so the consumer price indices are all calculated with reference to the same base year and towards the end of 1997 all the member countries will adopt the full range of methods and practices laid down in the harmonization regulations. A study of the degree of comparability of the indices will be carried out at the end of the millinium.

Weightings between main commodity categories used in certain countries for the calcuating consumer price index

Country	Food	Drinks& cigarettes	Clothes& footwear	Housing	Household furniture	Health	Transport	Leisure	Others	Year of origin
Finland	15.5	7.2	6.0	19.8	6.1	3.3	18.2	10.1	13.8	1990
Sweden	15.3	5.3	6.8	31.8	5.5	2.0	17.1	9.0	7.2	1992
Denmark	14.4	6.6	5.7	28.5	6.5	1.8	17.2	9.5	9.8	1987
Britain	13.3	7.3	5.8	21.0	10.0	1.7	17.4	8.7	14.8	1992
France	18.1	4.4	7.7	10.7	8.7	8.8	18.7	8.5	14.4	1992
Portugal	39.2	4.1	9.4	11.8	7.7	3.0	16.1	3.9	4.9	1989–90

Source: Eurostat

Eurostat will publish an European index of consumer prices which is an index constructed from the member states' harmonized indices. At the first stage in harmonization this index will be a simplified version of the national ones, with all those groups excluded which would give rise to differences in the calculation of member states' indices. This index will be produced alongside the separate national indices. It seems at the moment that a large number of consumption categories will have to be excluded on the grounds that the member countries are unable to produce them by comparable methods, or cannot produce them at all. Owner-occupied dwelling, for example, will entail both theoretical and practical problems of comparability, for there are many countries in which prices are monitored only in terms of rents. Similarly prices in the health care and education sectors are difficult to compare between nations, as these are services provided free of charge or heavily subsidized and financed out of tax revenues in some of the countries. In some countries such as Ireland the net values of hospital fees after deduction of the health insurance refund are included in the consumer price index, while in France, for example, they are not included in the index because they are covered by social security and insurance payments.

The Finnish consumer price index and its harmonized version

Calculation of the Finnish consumer price index traditionally presupposes a broad concept of consumption, so that it serves to monitor trends in some price categories which in many countries would not be included in the index at all. The church tax, for example, is regarded as a 'membership fee' and is included in the index, as are stamp duties on certain documents, membership fees in general and fines. Similarly the compulsory motor vehicle user's fee introduced last June was included in the price index. None of these items will appear in the harmonized index.

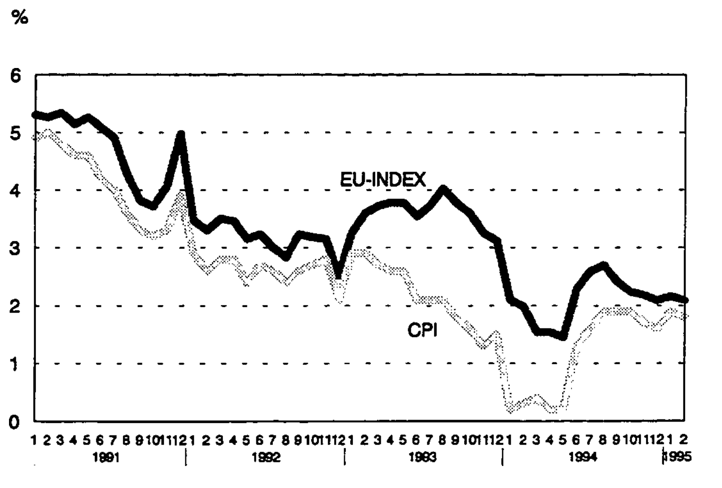
A 'first-stage harmonized consumer price index' employing the 1990 consumption weightings is shown in the diagram. The above listed product groups package tours and interest payments on consumer loans have been exluded from the present index to obtain the first stage hard version. As can be seen from the diagram shows, there is a considerable difference between the two, the most conspicuous cause of which is the exclusion of the cost of owner occupied housing from the harmonized index. The general international custom, as followed in Denmark and Germany, for example, is to assess trends in the prices of owner-occupied dwellings in terms of gross rents, on the assumption that the costs of living in one's own house follow the same trend as rents on the open market. Rents cannot be assumed to reflect the real costs of living in a dwelling of one's own under Finnish conditions, however, especially since the Household Survey indicates that 72% of Finnish households are owner-occupiers.

Furthermore, it is customary in Finland to divide the costs of living in one's own house into maintenance costs and capital costs, where the former include repairs, refuse disposal, insurances and service charges and the latter the nominal rate of interest on house loans and a depreciation factor. The loan repayments as such are not included, of course, as they are a matter of the acquisition of property and not consumption.

The production of a harmonized consumer price index does not preclude member countries from producing their own national indices. We will continue to produce our national consumer price index alongside the harmonized one. This is extremely important because of the use of this index for various compensation purposes, e.g. for adjusting pensions, salaries and rent agreements in the case of Finland.

For further information, please contact Kaisa **Weckström-Eno.**

Comparison between the Consumer price Index and the '1st stage phase' harmonized index, calculatd with the commodity weihtings for 1990=100



Food still expensive in Finland

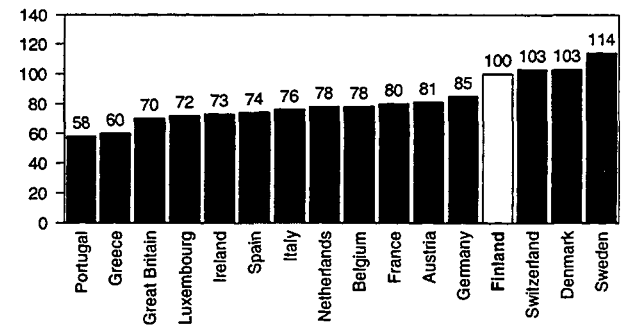
Statistics Finland and the Consumer Research Centre conducted a joint survey of food prices in Finland before membership of the EU relative to those in other European countries, i.e. the EU countries of that time together with Sweden, Austria and Switzerland. This chapter is a summary of the report by Marita Nikkilä "An international comparison of food prices" (Publications of the Consumer Research Centre, no. 14/1994). The price data were obtained from Eurostat, whose coordinated comparative price surveys have included Finland since 1992. The indices are adjusted in accordance with changes in exchange rates and inflation to correspond to 1994 price levels, an attempt being made in this updating to find a sub-index of the consumer price index that corresponds as closely as possible to each product group. Changes are calculated between the mean index for 1992 and June 1994.

Overall price level one of the highest in Europe

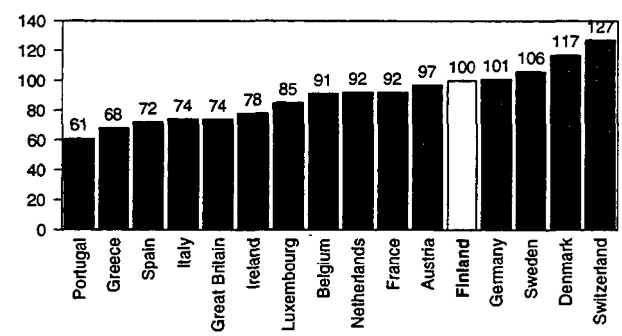
The weakening of the Finnish mark and the low rate of inflation meant that price levels in private consumption were very much lower in Finland by comparison to other western European countries in 1994 than they had been two years earlier. In 1992 Finland had been the fourth most expensive country, slightly below Switzerland and Denmark, with Sweden standing out as the most expensive of all, at a level 14% higher than Finland. Germany was then well below Finland on the scale, but had overtaken Finland by a narrow margin by 1994. Finland had also improved her position relative to Sweden, Denmark and Switzerland over the intervening two years, with the latter country now the most expensive in Europe.

The relations between price levels in these countries alter radically, however, when wage and salary levels are also included in the comparison. The measure used here is the average gross hourly wage of an industrial worker, converted to a constant currency on the basis of 1992 exchange rates. The situation is examined only for 1992, as no more recent wage data are available. It is significant that the countries with high price levels, Germany, Switzerland and Denmark now emerge as the most advantageous in terms of purchasing power.

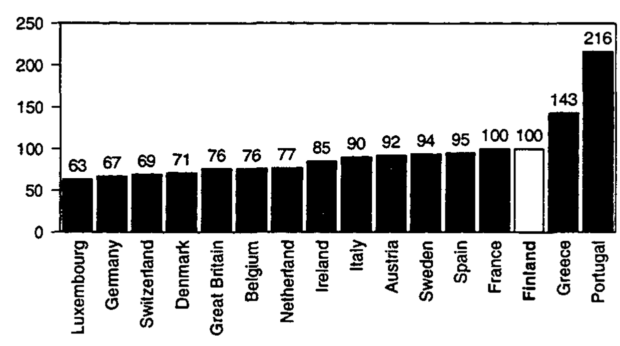
Price levels for private consumption in various countries in 1992. Finland=100



Price levels for private consumption in various countries in 1994. Finland=100

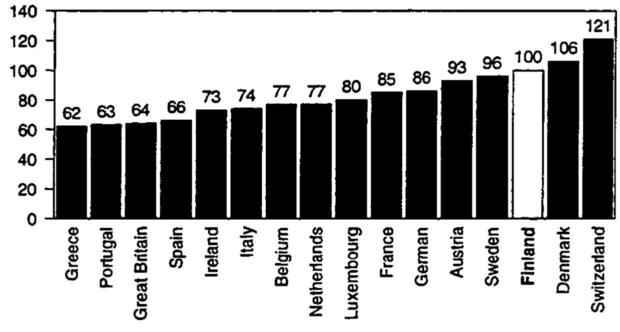


Price levels for private consumption in various countries in1992 relative to wage levels. Finland=100



The countries examined can in fact be divided into three purchasing power groups: a group with high purchasing power: Luxembourg, Germany, Switzerland, Denmark, Great Britain, Belgium and the Netherlands, where the price index corrected to the mean industrial wage level was about 30% lower than that in Finland, a group comprising Ireland, Italy, Austria, Sweden, Spain, France and Finland, and two countries with low price levels but with an average wage which leaves them well behind the others in purchasing power, Greece and Portugal. Thus Finland is one of the most expensive countries in Europe in terms of prices alone but is in a far weaker position than the other Nordic countries and those of Central Europe when wage levels are considered as well.

Price levels of foodstuffs in various countries in 1994. Finland=100



Bread expensive

The countries can be divided into four groups in terms of food prices. The most expensive is Switzerland, the next most expensive group the Nordic countries and Austria, an average level is represented by the countries of Central Europe, and the lowest prices are to be found in Southern Europe and Great Britain.

Grain and cereal products are very much more expensive in Finland than elsewhere, since producer prices paid for grain are more than twice those permitted in the EU. This affects retail prices of cereals and of flour. It is difficult to find an obvious reason for the high price of bread, however, for a large proportion of the bread consumed in Southern and Central Europe is produced by hand in small local bakeries whereas production in Finland is more centralized and mechanized.

The retail prices of meat products are closer to the European level than those of grain products, and the survey shows that mean prices are slightly lower than in Sweden and Denmark, but still a good 10% higher than in Germany and France and slightly higher still than in other parts of Central Europe. On the other hand, the comparison did not include the cheaper forms of sausage so much favoured by the Finns, so that it does not entirely do justice to the situation in Finland.

As far as dairy produce, cheeses and eggs are concerned, prices in Finland are about average by European standards. Milk as such is cheaper than in most of the other countries, but cheese is more expensive. Edible fats in Finland are among the most expensive in Europe. The survey confirmed the general impression that fruit is relatively inexpensive, but Finnish consumers pay higher prices for vegetables than most other people in Europe.

Fish cheap

Among the Finnish varieties of fish, Baltic herrings and rainbow trout were included in the comparison, and the low prices commanded by these meant that the country emerged as the most reasonable in Europe in terms of the cost of fish. Fish is cheap here in all forms, fresh, frozen, smoked and tinned. Of other products, it may be noted that ice-cream and coffee, at least, are inexpensive in Finland by European standards.

The greatest price differences of all, however, affected alcoholic beverages. Finland and Sweden observe a very similar type of alcohol policy which means that their citizens have to pay substantially more for alcoholic drinks than anyone else in Europe. Likewise cigarettes cost more in the Nordic countries than elsewhere, although the difference is not so marked as for alcoholic drinks.

Table of indices

	IV/94	Annual change %
Index of wage and salary earnings 1990=100*	**111.5**	**1.5**
Hourly paid employees	110.0	1.7
Monthly paid employees	112.1	1.4
Manufacturing	116.0	4.0
Blue-collar workers	115.8	3.8
White-collar workers	116.2	4.2
Building construction workers	99.1	–2.8
Wholesale and retail trading	111.3	1.3
Transport	111.8	1.2
Finance	118.5	3.8
Local government	**112.8**	**0.5**
Hourly paid employees	108.0	0.0
Monthly paid employees	113.2	0.6
Central government	**109.2**	**1.4**
Monthly paid employees	108.9	1.3
Private sector	**111.6**	**1.8**
Hourly paid employees	110.0	1.8
Monthly paid employees	112.7	2.3
Index of real earnings 1990=100*	99.8	–0.2
Dwelling price index 1983=100	145.2	1.8
Helsinki conurbation	139.1	6.1
Rest of Finland	148.9	–0.3
Price indices for public expenditure 1985=100*		
Central finance	143.7	0.8
Local government finance	152.0	1.8
	March 1995	
Consumer price index 1990=100	**111.8**	**1.7**
Food	95.8	–6.5
Housing, heating and lighting	100.1	2.7
Transportation	123.8	5.3
Cost of living index 1951:10=100	1388	1.7
Building cost index 1990=100	103.5	1.7
Labour	102.7	–1.1
Materials	105.7	4.0
Cost index for civil engineering works 1990=100	104.2	–3.8
Wholesale price index 1990=100	109.7	0.9
Domestic goods	105.8	0.9
Imported goods	118.1	0.7
Export price index 1990=100	115.8	6.0
Import price index 1990=100	119.8	0.9
Producer price index of manufactured products 1990=100	109.4	3.5
Basic price index for domestic supply 1990=100	107.5	2.0
Cost index for road transport of goods 1990=100	107.7	1.2
Cost index for bus and motor-coach traffic 1990=100	110.6	–1.2

* Preliminary figure

Titles published in 1994

Public sector

Wages of public sector employees
(in Finnish)
1993, 4th quarter
1994, 2nd quarter

Salries of central government employees in 1993
(in Finnish)

Salaries of local government employees in 1993
(in Finnish)

Local government official titles in 1993
(in Finnish)

Private sector

Wages in agriculture and forestry
(in Finnish)
1993, 4th quarter
1994, 1st quarter
1994, 2nd quarter
1994, 3rd quarter

Annual earnings of forestry workers in 1993
(in Finnish)

Wages in the manufacturing and construction industries *(in Finnish)*
1993, 4th quarter
1994, 2nd quarter

Wages in the transport industry *(in Finnish)*
1993, 4th quarter
1994, 2nd quarter

Salaries in the manufacturing industries in 1993
(in Finnish)

Wages and salaries in the service sector in 1993 *(in Finnish)*

Wages and salaries in the private welfare services in 1993 *(in Finnish)*

Wages and Salaries 1993/94

Dwelling prices *(in Finnish)*
1993, 4th quarter
1994, 1st quarter
1994, 2nd quarter
1994, 3rd quarter

Dwelling prices 1993 *(in Finnish), annual statistics*

Housing company financial statements statistics 1993 *(in Finnish)*

Rent statistics 1994 *(in Finnish)*

Consumer price statistics *(in Finnish)*
1993, 4th quarter
1994, 1st quarter
1994, 2nd quarter
1994, 3rd quarter

Statistics Finland Handbooks

The index of wages and salary earnings 1990=100

Indices

Monthly
Consumer Price Index
Producer Price Indices
Cost index for civil engineering works

Quarterly
Index of Wage and Salary Earnings
Cost index for road transport of goods (in Finnish)
Cost indices for earth movers and forest machinery (in Finnish)

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Tiedustelut – Förfrågningar – Inquiries:

Wages and Salaries
Seppo Kouvonen
Prices:
Kaisa Weckström-Eno

+358 0 17 341

Myynti:
Julkaisujen myynti / 3B
00022 Tilastokeskus
Puh. (90) 1734 2011

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