



GUIDE TO HIRING YOUR FIRST EMPLOYEE

INTRODUCTION

Hiring the first employee is a big step for any business owner. It is both a big opportunity and a big responsibility. This guide provides with a lot of information and you can enquire further by contacting Suomen Yrittäjät.

When you go from being an entrepreneur to being an employer, you are no longer in charge of just your own income. This guide discusses in brief the things you should keep in mind when considering hiring your first employee and the obligations becoming an employer brings with it. It briefly presents the key legislation which concern employer's and employee's rights and obligations.

Even though becoming an employer brings new obligations, remember, that hiring your first employee is above all an opportunity. It is an opportunity to develop business, share your workload and improve your business's operations. Part of running a business is often employing others, and every year thousands of Finnish entrepreneurs hire their first employee. So, don't be unnecessarily afraid of becoming an employer.

You're now an employer!

CONTENTS

| | |
|---------------------------------------------------------------------------------------------------------------|-----------|
| INTRODUCTION | 2 |
| 1. BEFORE YOU HIRE | 4 |
| 1.1 Plan the job description | 4 |
| 1.2 Work out the costs of hiring an employee and how profitable it is to pay salary | 5 |
| 1.2.1 Budget employer's contributions..... | 5 |
| 1.2.2 Other costs | 6 |
| 1.3 Support for hiring..... | 7 |
| 1.3.1 "Hire with Skill" service | 7 |
| 1.3.2 Financial support: wage subsidies..... | 7 |
| 1.4 Choose the right recruitment channels..... | 8 |
| 2. THE EMPLOYER'S OBLIGATIONS | 8 |
| 2.1 Employment legislation | 9 |
| 2.1.1 Employment Contracts Act | 9 |
| 2.1.2 Working Hours Act | 9 |
| 2.1.3 Annual Holidays Act..... | 9 |
| 2.2 Collective bargaining agreements..... | 10 |
| 2.2.1 Why must a collective bargaining agreement be upheld? | 11 |
| 2.2.2 Establishing the relevant collective bargaining agreement..... | 11 |
| 2.2.3 If there is no applicable collective bargaining agreement | 12 |
| 2.3 Occupational safety and health (OSH): draw up an OSH programme | 13 |
| 2.4 Occupational health services..... | 13 |
| 2.4.1 How to arrange occupational health services in your company | 14 |
| 2.4.2 Kela can compensate some of your occupational health service expenses | 14 |
| 2.5 Social insurance | 15 |
| 3. SIGNING AN EMPLOYMENT CONTRACT..... | 16 |
| 3.1 Always sign a written contract | 16 |
| 3.1.1 Permanent or fixed term, full-time or part-time?..... | 16 |
| 3.1.2 Probation | 17 |
| 3.1.3 Work duties..... | 17 |
| 3.1.4 Remuneration and payment of wages..... | 17 |
| 3.1.5 Working hours | 18 |
| 3.1.6 Collective bargaining agreement | 18 |
| 3.1.7 Other conditions (sick leave wages, notice period, defining annual holidays, employment benefits) | 19 |
| 4. EMPLOYEE ORIENTATION | 20 |
| MEMBERSHIP OF SUOMEN YRITTÄJÄT | 21 |

1. BEFORE YOU HIRE

1.1 Plan the job description

Think about the tasks you are hiring your first employee for. What kind of professional would suit your company in particular and what skills would he or she bring? What tasks would he or she fulfil in your business and what responsibilities would you hand over to the new hire?

A few questions to help you clarify your situation:

- What competence does your company need to grow?
- What tasks are you best at?
- How can you be sure that you complete the tasks that you are best at?
- What tasks do you find the most difficult?
- What tasks are ones that take time away from your most important tasks?
- Do you need a full-time or part-time employee?
- What kind of colleague do you want to find, and what kind do you need to develop your company's operations?

When you have defined your expectations, the recruitment process and your employer's start on the job go smoothly.

» Read more: [Hiring your first external employee](#)

1.2 Work out the costs of hiring an employee and how profitable it is to pay salary

When you first hire an employee, the biggest financial questions are the real costs of hiring and whether hiring someone makes financial sense.

The wage calculator on our website helps you estimate the costs of the new hire for your business. It will also help you work out your actual costs as an employer:

www.yrittajat.fi/palkkalaskuri

1.2.1 Budget employer's contributions

When you become an employer, you also have to pay a number of employer's contributions. A good rule of thumb here is that regardless of sector, the employer's contributions themselves cost around 20–25 % in addition to the salary you pay.

As an employer, you pay the following compulsory contributions in addition to wages:

- Pension, health insurance and unemployment fund contributions, as well as accident and group life insurance premiums.

If a new, full-time worker's monthly salary is €2,500, the following compulsory employer's contributions must also be paid.

The figures are for 2019 and the percentages represent shares of the salary amount:

- Employer's (average) pension contribution 17.35%
- Health insurance premiums 0.77%
- Unemployment insurance premiums 0.5%
- Accident insurance premium 0.8%
- Group life insurance premium 0.07%

» €2,500 * 1.1949 = €2,987.25

Additionally, it should be noted that as an employer you must also transfer the employee's contributions to social insurance payments when paying wages.

Read more: [Employer's contributions](#)

1.2.2 Other costs

In addition to compulsory employer's contributions, you should also consider other costs caused by paying salary. These include annual holiday pay, possible holiday bonus, and salary to be paid for public holidays falling on weekdays. In addition, costs may arise from recruitment, employee orientation, training, clothing, equipment and facilities for the new employee, as well as increased accounting and payroll costs. As an employment relationship progresses, costs may also arise from occupational health services, sick leave, substitution costs and various voluntary employee costs.

Generally speaking, multiply the employee's gross wages by 1.5-1.6 to work out your actual costs. Thus, a gross monthly salary of €2,500 would cost the employer €3,750 a month on average.

This means that particularly when hiring your first employee it is essential to realistically calculate whether there is enough work to do and how much more productivity the new hire needs to bring to your business to make hiring profitable.

If the real cost of an employee is the €3,750 per month in the previous example, then the employee's work must yield at least this amount of profits from sales for the company. This means you can pay your employee's salary without your business suffering a loss.

1.3 Support for hiring

In certain cases it is possible to receive external support for recruiting and hiring an employee, as well as for the resulting costs. As a Suomen Yrittäjät member you can contact our advice service and get help on drafting an employment contract, for example. Contact us if this matter is on your mind!

1.3.1 “Hire with Skill” service

The TE services (labour exchange) offer help for entrepreneurs who are searching for and hiring new employees. For example, you can take advantage of the “Hire with Skill” (“Työllistä taidolla”) service, which offers advice for hiring and being an employer. The goal of the service is for you to proceed in hiring an employee and for any employment and contractual relationships to begin as smoothly as possible.

Read more: [“Hire with Skill” service](#)

1.3.2 Financial support: wage subsidies

In certain cases there is also financial support available for hiring employees. The most common form of support is wage subsidies, which the TE office can grant to assist employer who hires an unemployed person who cannot find employment on the open market.

Wage subsidies are primarily paid to the long-term unemployed, the disable, youths under 25 and the unemployed who face the threat of long-term unemployment or labour market discrimination.

Remember that awarding financial support always takes some time, so act early. You should always establish your eligibility for receiving support in advance and apply for support before hiring the employee and signing a contract.

Read more: [Wage subsidies](#)

1.4 Choose the right recruitment channels

Where do you find a suitable employee? Look around you courageously, talk to diverse people and say that you are looking for an employee for a growing business. The first employee is often found from among family and acquaintances.

Remember that looking for new employees is also part of marketing your company. Your customers can often act as messengers and give tips about suitable hires. If your business is active on social media, you should use it when recruiting too – tell your personal and business social media followers that you are hiring.

The TE office can also complement your channels and help you search for the right new hire. When you inform the TE office of an open position, it announces it in mutually agreed channels and offers advice for filling a vacant situation. The TE office can also find suitable candidates and present them to your company.

If you wish, you can post job ads on educational institutes' recruitment pages or private service providers' premium recruitment sites.

2. THE EMPLOYER'S OBLIGATIONS

Becoming an employer brings with it several obligations. Some of them are statutory and some are based in sector-specific collective bargaining agreements. This chapter briefly discusses the most essential factors you should keep in mind when considering hiring.

Remember that you do not need to know the Employment Contract Act or rules of the collective bargaining agreements off by heart. However, it is still good to know where to find information and how laws and collective bargaining agreement rules affect the employer's and employee's rights obligations. It is to both parties' benefit when matters are handled correctly from the start and as required by law.

2.1 Employment legislation

The key laws affecting the employer-employee relationship are the Employment Contracts Act, the Working Hours Act and the Annual Holidays Act. Other laws regulating employment rights and obligations include the Non-discrimination Act, the Act on the Protection of Privacy in Working Life, the Occupational Safety and Health Act and the Occupational Health Care Act. All employment legislation can be found free of charge at finlex.fi.

2.1.1 Employment Contracts Act

The Employment Contracts Act lays out the key rights and obligations of the employer's and employee's employment relationship. The Act includes rules on establishing an employment relationship, the obligation to pay wages, probation, payment of sick leave wages, family leave and terminating employment.

» [Employment Contracts Act \(Finlex\)](#)

2.1.2 Working Hours Act

The Working Hours Act establishes such matters as maximum daily and weekly working hours, overtime and resulting compensation, Sunday work regulations, rest time, and the employer's working time recording obligations.

» [Working Hours Act \(Finlex\)](#)

2.1.3 Annual Holidays Act

Per the name, the Act contains provisions on annual holidays. The Act lays out how employees accrue paid annual leave during employment. It contains rules for paying annual holiday pay, awarding annual holiday and how to act if an employee falls ill on holiday.

» [Annual Holidays Act \(Finlex\)](#)

2.2 Collective bargaining agreements

Alongside employment legislation, collective bargaining agreements are of key significance in employment. Before signing a contract, a prospective employer should work out which collective bargaining agreement employees will be covered by. It is also possible that no collective bargaining agreement applies.

If a collective bargaining agreement can be applied, its provisions must be followed. The collective bargaining agreement thus has primacy with respect to laws. Even if the content of a collective bargaining agreement differs from that of the law, the agreement must be complied with.

A collective bargaining agreement generally defines the working conditions to be met during employment in more detail than legislation. The most important concern employment and working hours. Collective bargaining agreements generally define in detail how employees' salary is arrived at. In terms of working hours, there are generally detailed provisions for arranging regular working hours in different ways.

Finnish law does not provide for minimum wages. However, an employer cannot define an employee's wages freely. He or she must always pay at least the minimum set by the collective bargaining agreement. The salary level is generally affected by the employer's position and duties and experience in the sector. Because pay arrangements can be complicated, study them carefully, or ask for professional advice.

Collective bargaining agreements often provide for working time-based surpluses, such as evening pay. The conditions for and levels of each working time surplus are set out in the collective bargaining agreements. There may be many various kinds of working time surpluses. It is important to remember that higher pay must by law be paid for overtime and Sunday work. Other surpluses are based on the collective bargaining agreements.

It is important for an employer to work out the cost of salary and surpluses under the collective bargaining agreement to understand the total cost of hiring an employee. For example, if an employee mainly works in the evening, the surpluses may be a significant expense on top of basic salary.

The salary provisions of the collective bargaining agreement must be obeyed in full. For example, an employer may not include surplus pay in an employee's basic salary or include holiday bonus in the employee's monthly salary. The payslip provided to an employee must clearly specify the components of the salary.

2.2.1 Why must a collective bargaining agreement be upheld?

The Employment Contracts Act provides for the "generally binding" nature of collective bargaining agreements. This means that all employers in a given sector must comply with the generally binding collective bargaining agreement in that sector. This obligation does not depend on whether the employer is the member of an employers' confederation that negotiated a collective bargaining agreement.

A generally binding collective bargaining agreement thus sets the minimum employment conditions for a certain sector. An employer may not set worse conditions for employees than those defined by the relevant generally binding collective bargaining agreement. To decide whether a collective bargaining agreement is generally binding, the authorities assess how many employees work in employers' confederation member companies that have negotiated the agreement.

2.2.2 Establishing the relevant collective bargaining agreement

The sector the employer operates in determines which collective bargaining agreement applies. Whether the employer is a member of an employers' confederation and whether the work of several sectors is performed in the company.

The main rule is the sectoral principle. This means that the company must uphold the collective bargaining agreement of the company's primary sector of operations. If the company's primary operations are for example work in the construction sector, the construction sector collective bargaining agreement must apply. This does not change even if some of the company's operations are in construction material transport, for example, as long as the company's primary operations are clearly work in the construction sector.

Defining the sector is not always simple. The company may have operations in several sectors and the work done in the company may not necessarily relate to a single sector. The regulations concerning the relevant sector of collective bargaining agreements sometimes describe the types of tasks to which the agreement is applied. These provisions of scope help define a sector, but they are often unavailable.

There are approximately 160 generally binding collective bargaining agreements. In unclear cases, it is a good idea to ask for advice, such as from the Suomen Yrittäjät advice service. You can also ask the occupational safety and health authorities about the applicable collective bargaining agreement.

If there are more than one applicable collective bargaining agreements, the employer has the right to choose the applicable one. The employee's membership in a trade union does not affect the choice of applicable collective bargaining agreement. Only the employer's sector of operations affects it.

You can find generally binding collective bargaining agreements on Finlex:

» [Finlex collective bargaining agreements](#)

Example: You are an entrepreneur and set up an online store. You become an employer. The conditions for your employee's employment are the provisions of the retail sector's collective bargaining agreement. This must be upheld even if you do not, as an employer, belong to the employer's confederation Kaupan Liitto ry, which was involved in drafting the agreement. From the perspective of following the collective bargaining agreement, it is of no significance whether the employee is a member of a trade union.

2.2.3 If there is no applicable collective bargaining agreement

If you operate in a sector to which no collective bargaining agreement applies, no provisions of any such agreement apply. In this case, employment legislation and the employment contract are obeyed.

You can consult our website to see if your sector has a normally binding or generally binding collective bargaining agreement.

[Yrittäjät.fi – collective bargaining agreements](#)

2.3 Occupational safety and health (OSH): draw up an OSH programme

The purpose of OSH is naturally to improve the employee's safety, health and work ability, as well as productivity. The goal is to prevent occupational accidents, health impacts, illnesses and

disability. The Occupational Health Care Act lays out the obligations of the employer, other persons with an impact on occupational safety, and employees.

As an employer you must compile an OSH programme. To draft the OSH programme, analyse the work-related risks and their size and probability, and after that decide on actions to manage them or remove them entirely. The purpose is thus to go through any work-related risks with your employee and then determine how they can be reduced.

Read more: [Occupational safety and OSH](#)

2.4 Occupational health services

As an employer, you must arrange free occupational health services for your employees. Remember that the statutorily mandatory occupational health services are preventive. If you wish, you may additionally arrange medical care for your employees. Bear in mind that comprehensive occupational health services can also be an attractive benefit when recruiting. You also save time when employees receive quick medical care through the services you arrange. Your dedicated occupational health physician knows the work done in your company best and can assess whether an employee's illness or disability limits the work ability he or she needs.

To arrange occupational health services as an employer, you must have a written contract with an occupational health services provider and an operating plan for the provision of these services.

2.4.1 How to arrange occupational health services in your company

You can agree the provision of occupational health services with your municipal health centre. Municipal health centres must offer occupational health services to employers who want them.

You can purchase the services from an occupational health service provider. These providers have plans and processes for arranging occupational health services in your company. You should talk to a few different service providers and choose the most suitable partner for your business.

Remember that you can also arrange occupational health services for yourself personally as an entrepreneur. Remember to look after yourself, too.

Read more about occupational health services for entrepreneurs: [Kela – occupational health services for entrepreneurs](#)

2.4.2 Kela can compensate some of your occupational health service expenses

Remember that Kela compensates some of the costs of providing occupational health services as an employer. The maximum amount of compensation can be 50% or 60% of the calculated maximum cost of the costs. The compensation paid to the employer may not, however, exceed the employee-specific compensation amount which Kela publishes annually.

Remember that the occupational health service expenses which are eligible for compensation are always based on a contract and operating plan for these services, and a workplace investigation. All these documents must be up to date.

You may receive compensation:

- for preventive occupational health services
- for general practitioner-level medical care which the employer purchases from the same

occupational health service provider which provides preventive occupational health services.

Read more: [Kela – occupational health services eligible for compensation](#)

2.5 Social insurance

As an entrepreneur, you are used to paying for your statutory insurance and social insurance contributions. As an entrepreneur, you must also provide social insurance cover for your employees. You can take out this cover from a pension insurer of your choice.

The statutory social insurance contributions are

- pension contribution
- occupational accident and illness insurance contribution
- unemployment insurance contributions
- employer's health insurance contribution and insured person's (employee's) health insurance contribution.

In addition to the statutory contributions, group life insurance contributions based on collective bargaining agreements must often be paid.

Read more: [Finnish Centre for Pensions – social insurance payments in Finland](#)

3. SIGNING AN EMPLOYMENT CONTRACT

3.1 Always sign a written contract

An employment contract confers the rights and obligations under the Employment Contracts Act on both the employer and the employee. An employment contract thus defines the conditions on which the work is done. There is no fixed format for a contract: it may be written, oral or electronic. As a rule, however, an employment contract should be written to avoid any later differences of interpretation on what was agreed. If you agree on employment orally, the employer must provide a written explanation of the key working conditions to the employer no later than the first payment of wages.

You can find templates for employment contracts and other important documents in our document bank. Become a member to gain access to the employment contract template. www.yrittajat.fi/asiakirjapankki

A short description of the main matters worth agreeing on in employment contracts follows.

3.1.1 Permanent or fixed term, full-time or part-time?

The main type of employment contract and employment relationship is valid until further notice, commonly called permanent. The contract and employment relationship are valid until further notice unless otherwise agreed.

An employment contract may also be for a fixed term. A justified reason is as a general rule necessary for the signature of a contract that is fixed-term contract on the employer's initiative. A fixed-term contract that is signed without a justified reason is considered valid until further notice. Acceptable bases include a limited job (such as a specific project), a need based on season fluctuation, peak demand or substitution. A contract may also be signed for a fixed term on the employee's initiative without specific grounds. You may also sign a fixed-term employment contract without justification when hiring a long-termed unemployed person.

Read more: www.yrittajat.fi/yrittajan-abc

3.1.2 Probation

Probation is a trial period at the start of employment which allows both employer and employee to cancel the employment contract immediately without specific justification. However, the employment relationship may not be terminated during the probation period on a discriminatory or unjust basis.

You may agree on probation when signing both a permanent and a fixed-term contract. Probation at the start of a fixed-term contract may be no longer than six (6) months. Probation at the start of a permanent contract may be no longer than half the employment period and in no case longer than six (6) months. You should also check whether the relative collective bargaining agreement contains regulations on probation. Always remember to fix the length of probation in the employment contract.

Read more: www.yrittajat.fi/yrittajan-abc/tyonantajan-abc/koeaika-317932

3.1.3 Work duties

You should always agree with your employee on work duties in the employment contract. The primary work duties agreed in the employment contract are thus the duties the employee is obliged to perform when employed. The employment duties are worth describing comprehensively in the contract. The contract may also state that the employee is obliged to perform other tasks as directed by the employer.

3.1.4 Remuneration and payment of wages

Naturally, the wages paid for work must be agreed in the employment contract. Employment legislation does not define minimum wages in euros, but the employee's wages must be at least normal and reasonable. And even though the law does not define wages, collective bargaining agreements always specify minimum wages and other wage-related matters, to which exceptions cannot generally be made, even by agreement with your employee.

In addition, it is worth recording the day of wage payments and the basis for calculating wages in the employment contract.

3.1.5 Working hours

Employment contracts generally define working hours as X hours/day or X hours/week.

However, an employment contract may define average working hours, periodical work hours, additional work, start and end times, floating working hours and Sunday work, depending on the situation.

An employment contract may also define “fluctuating working hours”. A clause on “fluctuating working hours” means a working hours arrangement in which the employee’s working hours in a specific period vary between the contractual minimum and maximum. It could also mean a working hours arrangement in which the employee commits to work for the employer when specifically asked to do so. However, fluctuating working hours may not be agreed on the employer’s initiative if the employer’s labour needs per the contract are permanent.

Note that the Working Hours Act is being amended as of 1 January 2020. The new Working Hours Act gives broader opportunities for floating working hours, “flexitime” and working hours banks.

If you are unsure how you should agree on working hours, contact our advice service.

Read more: <https://www.yrittajat.fi/yrittajan-abc/tyonantajan-abc/tyoaika-316432>

3.1.6 Collective bargaining agreement

On employment conditions, the employer must, as a minimum, adhere to the generally binding collective bargaining agreement in force in the sector, if one exists. The employee must also be informed of the collective bargaining agreement being used, and this may be recorded in the employment contract.

Read more: <https://www.yrittajat.fi/yrittajan-abc/tyonantajan-abc/tyoentosopimukset-316465>

3.1.7 Other conditions (sick leave wages, notice period, defining annual holidays, employment benefits)

There is good reason for also agreeing on things like pay during sick leave, notice periods, the definition of annual holidays, employment benefits and other employment conditions. In these matters, keep in mind that legislation and collective bargaining agreements often limit what employers and employees can agree on.

Read more about the most important clauses of an employment contract and about drafting an employment contract: [Important clauses of an employment contract](#)

4. EMPLOYEE ORIENTATION

Orientating your first – as all – employees well is important. In doing so you too will learn important things about your business. Set aside enough time for orientation and think in advance about how you are going to orientate your employee in his or her new job.

Below is a list of matters which you should go through with your employee. Make use of this list and build your own orientation programme in accordance with your business's needs. Write an orientation plan and give your employee a copy. That way you ensure all the essential matters are discussed right at the start of employment. Encourage your employee to ask questions and take initiatives during the orientation.

You will not necessarily get everything done on the first day, so phase the orientation over the first few days or weeks.

- **Strategy:** present your business's goals and operating model.
- **Brand and our operating method:** say why you exist, what you want to be, what your values are and how you meet your customers.
- **Employee's job description:** go through the job description and tell your employee what you expect of him or her. Ask your new employee what he or she expects of the job and what aims he or she has.
- **Terms of employment:** go through employment matters such as working hours, pay, holiday and leave practices, meal and rest break practices and employment benefits.
- **Healthy and safe work:** guide your employee in safe, ergonomic working habits and methods for preventing and avoiding occupational disabilities and hazards. Speak about occupational health services and what the employee should do when he or she takes ill.
- **Orientation in the work duties:** present the machines, hardware and tools used in work in detail and without rush. Explain the key professional terms used on the job.
- **Continue orientation on the job:** encourage your employee to ask more questions as work progresses. Give feedback. Discuss how successful the orientation was with your employee, say, a few weeks into employment. Make sure that your employee feels he or she can always ask questions in your company and never needs to remain in the dark.

» REMEMBER: AS A SUOMEN YRITTÄJÄT MEMBER YOU CAN ALWAYS GET INFORMATION FROM US ON LEGAL QUESTIONS TO DO WITH EMPLOYMENT!

MEMBERSHIP OF SUOMEN YRITTÄJÄT

When you become a member you get vital information and valuable benefits.

When you are a new entrepreneur, Suomen Yrittäjät, with its regional associations and local societies, offer you support, a network and sparring for your success. Some of the ways we help our members are:

Free legal and taxation advice

Take advantage of our free legal advice line – one phone call can easily save you the cost of your annual membership.

A group of a hundred experts at your assistance

Around a hundred experts are waiting for your call, ready to listen and advise. Our telephone advice service is free to members and every year we answer approximately 50,000 questions. So whether you need a tax guru or a GDPR specialist, we will direct your question to the right person.

Advocacy

We keep topics of importance to entrepreneurs in the public eye using many levels of influence.

Local network

At Yrittäjät events you can network with other entrepreneurs locally, regionally and nationally.

Valuable member benefits.

As a member you're entitled to a large number of member benefits. Read more about them at

www.yrittajat.fi/jasenedut



You can join
Suomen Yrittäjät
here:

www.yrittajat.fi/liity

PROMOTING ENTERPRISE



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