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#### Tiivistelmä

Videopeliteollisuus on yhdistänyt Kalifornian osavaltion ja Suomen viime vuosina uudella tavalla, ja siellä missä palkataan uutta työvoimaa, on työnantajien tärkeää olla perillä myös irtisanomismenettelystä ja siihen liittyvästä lainsäädännöstä. Yleisesti ottaen joukkoirtisanomisia tapahtuu sekä Suomessa, että Kaliforniassa kaiken aikaa melko paljon.

Joukkoirtisanomisprosessia säätelee Kalifornian osavaltiossa WARN- lainsäädäntö, joka velvoittaa vähintään 75 työntekijää työllistävän työnantajan antamaan massairtisanomistilanteissa ja joissain muissa muutostilanteissa irtisanottaville työntekijöille irtisanomisilmoituksen 60 päivää ennen työsuhteen päättymistä. Alle 75 työntekijää työllistävät työnantajat voivat toteuttaa irtisanomiset ilman 60 päivän irtisanomisaikaa. Irtisanomisia koskeva perusperiaate Kaliforniassa sallii, että työsuhteen voidaan päättää ilman erillistä syytä milloin tahansa ja myös ilman irtisanomisaikaa mikäli muuta ei johdu työehtosopimuksista tai työntekijän ja työnantajan välillä sovitusta. Irtisanominen ei kuitenkaan tässäkin tapauksessa saa olla ristiriidassa esimerkiksi syrjäytälainsäädännön kanssa.

Suomessa irtisanomissäädökset on kirjattu pääasiassa työsuhtelakiin ja yhteistoimintalakiin ja joukkoirtisanominen on mahdollista tuotannollisin ja taloudellisin perustein. Pienet työnantajat, jotka työllistävät alle 20 henkeä noudattavat työsuhtelain sääntöjä irtisanomissaan tuotannollisin ja taloudellisin perustein. Käytännössä nämä säädökset velvoittavat työnantajan antamaan irtisanottavalle työntekijälle irtisanomiseen liittyviä tietoja sekä tietoja TE-palveluista. Vähintään 20 henkeä työllistävät yritykset ovat yhteistoimintalain nojalla velvoitettuja järjestämään yhteistoimintaneuvottelut henkilöstön vähentämistilanteissa. Näissä neuvotteluissa työntekijäpuoli saa tietoa työnantajan suunnitelmista ja taloudellisesta tilanteesta ja osallistuu työnantajan alustavasti suunnittelemissa irtisanomisissa koskevaan päätöksentekoon. Työnantajan velvollisuuksiin kuuluu tukea työntekijän tiedon saantia TE-palveluista tässäkin tapauksessa. Työntekijöiden syrjintä on Suomessa kielletty paitsi työsuhteen aikana niin myös sitä irtisanottaessa.

Irtisanomisen sijaan työntekijöitä voidaan usein siirtää eri työtehtäviin tai vaikkapa lomauttaa. Työnantajan velvollisuudet irtisanomisen vaihtoehtojen selvittämiseen ovat Suomessa laajemmat kuin Kaliforniassa.

Viime vuosien kehitys osoittaa, ettei työnlainsäädännön tila Suomessa tai Kaliforniassa kummassakaan ole staattinen, vaan muutoksia voidaan odottaa tapahtuviksi aina tarpeen niin vaatiessa.

Asiasanat	irtisanominen, Kalifornia, kollektiiviperusteet, WARN, peliteollisuus
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**Abstract**

Video games industry has recently bonded California and Finland in a new way and where the employers are recruiting they also need to be aware of the provisions and procedures related to terminations. In general, collective dismissals are on a relatively high level both in Finland and in California.

In California, collective redundancies are regulated under the WARN law. The WARN obligates employers with 75 or more employees to give a 60-day notice prior to a mass lay off and some other similar events. Employers with less than 75 employees are free to administer the terminations without the WARN notice period. Generally, the California at-will presumption allows employment relationship to be terminated any day with or without reason and without notice period if conditions of collective agreements or employment contract do not limit this right. Termination cannot anyhow be in violation of the anti-discrimination law.

In Finland the termination related provisions are part of the Employment Contracts Act and the Act on Co-operation within Undertakings. Collective redundancies are allowed under financial and production related grounds. Small employers with less than 20 employees follow the termination provisions of the Employment Contracts Act and are obligated to inform the employee to be terminated on the details of the termination itself and also the services of the Employment and Economic Development Office. Employers with 20 or more employees are to initiate co-operation procedure under the Act on Co-operation within Undertakings when reducing personnel. The co-operation negotiations are to inform employees on the employer's plans and financial situation as well as to involve them in the decision making regarding the terminations. The employer's duty to inform the employees of the services of Employment and Economic Development Office needs to be fulfilled also in terminations under the co-operation procedure. Discrimination is prohibited in Finland in terminations of employment.

As an alternative for terminations, employees can for example be transferred to another position or be temporarily laid off. Employer's duties related to search of alternatives for layoff are broader in Finland than in California.

The recent development of the labor laws in Finland and in California suggests that the labor law is not static in either one of these environments but changes can be expected as the needs of the business life so require.

Key words	Termination, California, WARN, collective redundancy, video games
Further information	





*This is for everyone who has encouraged and supported me in my studies along the years.*

*Thank you.*





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# **COLLECTIVE REDUNDANCIES IN THE STATE OF CALIFORNIA OF THE UNITED STATES AND IN THE REPUBLIC OF FINLAND**

**Procedures and provisions**

Master's Thesis  
in Business Law

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## 2 ABBREVIATIONS

ADA	Americans with Disabilities Act
ADEA	Age Discrimination in Employment Act
BLS	United States Bureau of Labor Statistics
Cal. 3d	California Reports, Third Series (California Supreme Court decisions)
Cal Civ Code	California Civil Code
Cal-COBRA	California Consolidated Omnibus Budget Reconciliation Act
Cal Gov Code	California Government Code
Cal Lab Code	California Labor Code
Cal. Stat.	California Statutes
Cal Unemp Ins Code	California Unemployment Insurance Code
C.F.R.	Code of Federal Regulations
Cir.	Circuit
COBRA	Consolidated Omnibus Budget Reconciliation Act
DFEH	California Department of Fair Employment and Housing
DOL	United States Department of Labor
EDD	Employment Development Department
EU	European Union
F.	Federal Reporter, series one (US Circuit Courts of Appeal decisions)
F.3d	Federal Reporter, series three (US Circuit Courts of Appeal decisions)
F.R.D.	Federal Rules of Decisions (US District Court decisions)
FEHA	California Fair Employment and Housing Act
FHEC	Fair Housing and Employment Commission
FLSA	Fair Labor Standards Act
FR	Federal Register
F. Supp.	Federal Supplement (US District Court decisions)
GC	California Government Code
HO	Hovioikeus (Court of Appeals, Finland)
ILO	International Labour Organization
IMF	International Monetary Fund
KKO	Korkein oikeus (Supreme Court, Finland)
NAFTA	North American Free Trade Agreement
NLRA	National Labor Relations Act
OECD	Organization for Economic Cooperation and Development
OSHA	Occupational Health and Safety Act
PDA	Pregnancy Discrimination Act
Pub. L.	Public Law
SAK	Suomen Ammattiliittojen Keskusjärjestö (Central Organization of Finnish Trade Unions)
s.l.	sine loco (without place, in references without place of publication)
STK	Suomen Työnantajain Keskusliitto (Central organization for Finnish employers)
TT	The Federation of Finnish Technology Industries
TT	Työtuomioistuin (Labour Court)
UN	United Nations

US or U.S.  
U.S.C.  
YTN

United States  
United States Code  
Ylemmät Toimihenkilöt YTN ry (Federation of Managerial and  
Professional Staff)

## 3 INTRODUCTION

### 3.1 Topic background

Closure of a plant or other business unit as well as relocation often results in major loss of employment. Collective redundancies are a well-known phenomenon almost everywhere, especially in developed countries. The development of legislation related to the requirements of business life follows the business trends with some delay. This thesis describes the termination procedures and related provisions in collective redundancies. The economic, technical, organizational and productivity related reasons for termination are involved in these situations<sup>1</sup>. In this thesis, collective redundancies in two different legal systems are studied; the legal system of the State of California of the United States (later on referred to as California) and the legal system of the Republic of Finland (later on referred to as Finland). The motivation for studying these two specific legal systems arises from the author's desire to understand the aspect of collective redundancies in both of these legal systems and to establish an understanding of some of the key similarities regarding the employer's obligations and the protection provided for the employee in each system. Study of collective redundancies gives important insight into the nature of employment relationship in legal, social and economic contexts.

California and Finland have recently bonded in a new way – both of them are homes for many video games companies some of which are operating both in Finland and in California. Silicon Valley in San Francisco area is home for the Finnish Supercell's subsidiary<sup>2</sup> and Silicon Beach in Los Angeles area is home for the Finnish Rovio's subsidiary<sup>3</sup>. Walt Disney, headquartered in Los Angeles area, bought the Finnish games studio Rocket Pack some years ago<sup>4</sup> and Unity Technologies headquartered in San Francisco just recently acquired the Finnish Applifier<sup>5</sup>. The recent connections between the Finnish video games industry and Hollywood movie industry further tighten the bond between Finland and California<sup>6</sup>. This recent development suggests that the overseas operations may become increasingly important in this field of industry that is

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<sup>1</sup> So-called ETOP-reasons for collective dismissals. Hellsten 2005, pg. 19.

<sup>2</sup> Dineen 2013.

<sup>3</sup> 'Angry Birds' Publisher Rovio Entertainment Bolsters Los Angeles Office, August 21, 2012.

<sup>4</sup> Disney acquires gaming engine startup to build HTML5 games outside of App stores, March 3, 2011.

<sup>5</sup> Unity Technologies to Acquire Applifier to Bring Everyplay Social Gaming Community and GameAds Video Ads to Unity, March 13, 2014.

<sup>6</sup> Dave 2014; 'Angry Birds' Set To Fly As Feature Film; David Maisel And 'Despicable Me' Producer John Cohen Board Pic Based On Game, December 11, 2012.



growing fast and awareness of termination procedures and provisions in host countries will be significantly important for the parent companies.

Collective redundancies in general remain in a high level both in Finland and in California. According to the Central Organization for the Finnish Labour Unions (SAK), collective redundancies in Finland amounted in about 14500 employees in 2013 and in about 12500 employees in 2014. Similar trend seems to continue in 2015 with more than 2400 employees terminated on collective grounds by the end of March 2015.<sup>7</sup> As an alternative for terminations, temporary layoffs in 2014 amounted in over 13500 employees (APPENDIX 1). In the early 2015 nearly 1400 employees were assigned a temporary layoff (APPENDIX 2).

According to the U.S. Bureau of Labor Statistics (BLS) report from 2013, California was number one in the increase of extended mass layoffs (collective redundancy) in 2012<sup>8</sup> and it still remained number one in the first quarter of the year 2013<sup>9</sup>. The major reasons for mass layoffs in the United States of America (later on referred to as United States) between the years 2001 and 2012 were production specific reasons, financial issues, organizational changes, business demand as well as seasonality<sup>10</sup>. In the early 2013 the number one reported reason for layoff events and separations was business demand, number two seasonality and number three financial issues<sup>11</sup>. In early 2015 the unemployment rates in many metropolitan areas in California remain over the United States average of 5,8 % (APPENDIX 3).

Production and financial related grounds for termination are the reasons for termination that enable collective redundancies in the Finnish system and very often there are also organizational changes and financial issues present that influence these terminations. Provided under the Employment Contracts Act<sup>12</sup> 7:3 §, financial and production-related grounds for termination of employment provide employers a chance to protect their profitability when unexpected changes occur. These grounds enable employers to use human resources more flexibly and to adapt to different situations that require workforce adjustments. For employees, financial and production-related grounds for termination mean protection and predictability. Employees get to follow a guided path during the co-operation procedure or the alternative termination procedure

<sup>7</sup> YT-neuvotteluissa irtisanottujen lukumäärä, kuukausivertailu 2013 ja 2014; YT-neuvotteluissa irtisanottujen lukumäärä, kuukausivertailu 2014 ja 2015. (Monthly statistics on collective redundancies 2013 - 2015).

<sup>8</sup> Extended Mass Layoff Statistics 2012, pg. 4.

<sup>9</sup> Extended Mass Layoff Statistics 2013, Table 5. The U.S. Bureau of Labor Statistics discontinued the Extended Mass Layoff Statistics in 2013 after the quarter one.

<sup>10</sup> Extended Mass Layoff Statistics 2007 pg. 2; Extended Mass Layoff Statistics 2008, pg. 2; Extended Mass Layoff Statistics 2009, pg. 2; Extended Mass Layoff Statistics 2010, pg. 2; Extended Mass Layoff Statistics 2011, pg. 3; Extended Mass Layoff Statistics 2012, pg.3.

<sup>11</sup> Extended Mass Layoff statistics 2013, Table 2.

<sup>12</sup> Työsopimuslaki (55/2001).

that is provided under the Employment Contracts Act. They also have time to adjust and prepare for the future during the notice period, should they get selected for the termination. The Employment and Economic Development Office is the third party involved in termination situations in addition to employers and employees. It provides terminated employees with support in finding new jobs and in considering educational possibilities that would improve the employees' chances of finding new jobs.

In California the the Worker Adjustment and Retraining Notification Act (later on referred to as the WARN Act) provides protection for employees, their families, and communities by requiring employers to give affected employees and state and local representatives notice 60 days in advance of a plant closing or a mass layoff<sup>13</sup>. There is no equivalent term for the Finnish cooperation negotiations in the law of California or in the federal law of the United States. Some procedural similarities exist and in California, the employee has more protection in mass layoff situation than in individual dismissal. The WARN law notification period provides employee with time for planning for the future; for finding a new job or training that would improve the employee's chances of finding a new job.

### **3.2 Research problem**

The purpose of this study is to describe the rights and responsibilities of employers and employees in two different legal environments; Finland and California. The main focus of the study will be in the status quo of the practices and processes related to collective redundancies in the private sector. Termination processes will be described step by step, highlighting the requirements and considerations. The freedom of choice the employer has during the mass layoff process brings some risks with it and making a lawful decision is always a result of careful consideration of the surrounding circumstances. The risks involved might easily result in violation of the law. While describing the termination procedures required under the law, this study also discusses the stated aims of the related statutory requirements. The effect of labour unions (also referred to as trade unions) will be mostly left outside the scope of this study.

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<sup>13</sup> WARN Overview, Worker Adjustment and Retraining Notification (WARN) Information for Employers.

### 3.3 Terminology

What is called labor legislation in Finland consists of statutes that regulate the individual employment relationship (individual labor legislation) and statutes regulating the collective aspect involving employee, employer and the unions (collective labour legislation)<sup>14</sup>. Statutes of the United States and California can somewhat similarly be divided into two different categories; the employment law statutes covering the individual employment relationship and labor law covering the labor union related activities<sup>15</sup>. For clarity, general term labor law will be used in this study when referring to the statutes related to employment relationship or the collective aspect of employment legislation.

The United States law, Worker Adjustment and Retraining Notification Act and the California law, California Worker Adjustment and Retraining Notification Act will both be addressed as the WARN law or WARN in this study unless there will be a specific need for differentiating the federal law and the state law. The Worker Adjustment and Retraining Notification Act will be referred to as the WARN Act or the federal WARN Act. The California Worker Adjustment and Retraining Notification Act will be referred to as the Cal-WARN Act.

Generally, the American English terminology is used in this thesis unless a specific term is part of the name of statute or organization. For collective termination of employment that is initiated by the employer, the prioritized terms in this thesis will be collective redundancy, collective dismissal and mass layoff. Also workforce reduction and reduction of personnel may be used when generally referring to employer's decision to terminate employees. When describing the California and the United States procedures and provisions related to collective redundancies, the term mass layoff has specific definitions provided under the United States and the California laws and these definitions are introduced in the chapter 7.4 of this study. The usage of the term mass layoff will not be limited to the narrow definition of the term but instead it will be used equivalently to the terms collective redundancy and collective dismissal in this thesis.

The term temporary layoff will be used as a catch-all term for a temporary separation from work, unpaid time off with or without pre-defined duration, while the employment relationship itself continues. The temporary layoff may occur when an employer lays off employees because the amount of work has diminished but the employer believes this condition will change and intends to recall the employees. In the United States employers who assign employees on temporary layoffs sometimes allow the employees

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<sup>14</sup> Finnish Labour Legislation and Industrial Relations 2012, pg. 5.

<sup>15</sup> Robinson, Edwards 2012, pg. 4; Employment Law: An Overview; Labor Law: An Overview.

to maintain their benefits coverage during the temporary layoff.<sup>16</sup> The American English term furlough covers some short-term unpaid leaves of defined period of time, used for example in connection with seasonality of employment relationship<sup>17</sup>. The English language term used in the official translations of the Finnish statutes for the similar situation is layoff. For consistency and simplification, the term temporary layoff will be used all through the thesis.

Anti-discrimination vocabulary used in Finland differs somewhat from the vocabulary used in California and in the United States. What is in Finland called direct discrimination is an equivalent to California and United States term disparate treatment. Indirect discrimination means in Finland loosely but not one on one the same as disparate impact in California and in the United States. Therefore, in the chapters of this thesis concerning the Finnish law the Finnish discrimination terminology will be used. Similarly, in the chapters concerning the California and United States law the California and United States terminology for discrimination will be used.

The terminology used in connection with monetary compensation the employer may be liable to pay to the employee for violations related to unlawful termination differs to a great extent in California and in Finland. When describing the liabilities related to the unlawful terminations in the California legal system, the terms contract damages and tort damages are used. In describing the similar liabilities in Finnish system the terms compensation and damages are used instead. At this point the difference in terminology is highlighted since the specifics of compensation remain outside the scope of this study.

### **3.4 Method and references**

The legal system of California is a common law system<sup>18</sup> and the legal system of Finland is a civil law system<sup>19</sup>. Some comparative law research is included in this study but the focus remains in description of the termination procedures in the situations of collective redundancy. Comparison of the systems will be included in order to highlight some major similarities and differences. The comparison will be strictly limited to the similarities and differences in employer's requirements and employee protection in the event of collective redundancy.

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<sup>16</sup> Reduction in Force: Can You Explain the Difference Between a Furlough, a Layoff and a Reduction in Force? 2012.

<sup>17</sup> Reduction in Force: Can You Explain the Difference Between a Furlough, a Layoff and a Reduction in Force? 2012.

<sup>18</sup> The World Factbook, United States, Legal System.

<sup>19</sup> The World Factbook, United States, Legal System.

The description of statutory requirements will include information on the statutes and regulations that influence the required procedures in the event of mass layoff. In addition, precedents and other court judgments related to the research problem will be presented. Due to the differences in the two legal systems in question different sources of law are given special emphasis. This reflects on the references that will be used describing the termination procedures in this study. The precedents and other court decisions will be presented as explanatory examples.

Statutes, regulations and case-law form the foundation of the reference material. Legal literature will be used for detailed explanation and interpretation of the statutory provisions and the case-law. Statistics and articles will be used as supporting information explaining the status quo and possible trends over time.

Workplace policies, practices and handbooks have their own role both in Finnish and Californian work environment. What is common in both systems is that the provisions or guidance provided in policies, practices and handbooks cannot be contradictory with the law. Further on, a practice or a handbook may sometimes constitute as a contract between the employer and the employee<sup>20</sup>. They also influence the decision-making of the employer and may have an effect on court decisions as well.

In the Finnish law the statutes on focus will be the Act on Co-operation within Undertakings<sup>21</sup> as well as the Employment Contracts Act. These two laws control the Finnish employer who is planning a workforce reduction. The backbone of the Finnish labour legislation is the Employment Contracts Act<sup>22</sup>. The general provision on the grounds for termination of an employment contract is described in Employment Contracts Act 7:1 § and the financial and production related termination of employment in 7:3 §. Financial and production related grounds are the grounds for termination in mass layoff situations. In Finland collective dismissals are often handled via the co-operation negotiation procedure. The co-operation negotiation procedure is required under the Act on Co-operation within Undertakings<sup>23</sup>.

In California, key requirements for the termination procedure in a mass layoff situation are stated in the federal law; the WARN Act<sup>24</sup> and in the state law; the Cal-WARN Act<sup>25</sup>. WARN establishes employer's obligations in a situation of mass layoff and plant closure and in relocation situations when employment loss occurs<sup>26</sup>. It requires employer to provide affected employees notice 60 days in advance of covered plant closings and covered mass layoffs. The Cal-WARN Act is codified in the sections

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<sup>20</sup> Huhta 2012, pg. 53.

<sup>21</sup> Laki yhteistoiminnasta yrityksissä (334/2007).

<sup>22</sup> Employment Contracts Act (55/2001).

<sup>23</sup> Act on Co-operation within Undertakings (334/2007).

<sup>24</sup> 29 U.S.C. § 2101-2109

<sup>25</sup> Cal Lab Code § 1400-1408.

<sup>26</sup> California Labor Law Digest 2014, pg 885.

1400 – 1408 of the Labor Code (also known as California Labor Code). The California Labor Code consists of statutes that govern the general rights and responsibilities of employers and employees in the jurisdiction of the State of California. The California Labor Code is not the only codification of the labor related statutes of California but also provisions from The California Government Code may have effect on employment and termination decision related topics, for example provisions on family and medical leaves.<sup>27</sup> The major sources for information on the federal WARN Act will be the United States Code, 29 U.S.C. § 2101-2109 and the WARN regulations in the Code of Federal Regulations, 20 C.F.R. § 639. California is one of the 16 states that have adopted their own WARN provisions and further on, one of the nine states that cover employers with fewer employees than the federal WARN Act<sup>28</sup>. Federal and state laws are both observed in California and in general the Cal-WARN Act provides more protection for employees than the federal WARN Act does. Both the laws will be studied from the perspective of California businesses and workforce, and the strictest requirements and maximum protection provided to the employer as well as to the employee.

Lawful grounds for termination as well as termination process requirements will be viewed in this study also from the point-of-view of discrimination. That is, how the employer should choose the employees to be terminated in order to remain in compliance with the anti-discrimination law. Discrimination in employment is prohibited in Finland by the Employment Contracts Act 2:2 §. The employer is not allowed to exercise any unjustified discrimination against the employees in any situation. This section becomes increasingly important in mass layoff situations when choosing employees to be terminated. Further on, several different anti-discrimination statutes will be referred to in connection with protection against discrimination. Specific questions regarding discrimination will be addressed. How to handle the termination process in a manner that reflects equal and undiscriminatory treatment towards all employees? Case-law precedents and other judgments will be used as examples in explaining the termination procedure. The WARN as well as separate anti-discrimination statutes prohibiting unlawful discrimination in employment relationships in California will be presented in this study as the statutory requirements for an employer.

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<sup>27</sup> Cal Gov Code § 12940-12951.

<sup>28</sup> Guide to Employment Law Compliance 2010, pg. 13-41.

### **3.5 Structure**

The introduction of this study presents the topic of this study as well as the motivation for studying this specific subject. The description of the research problem includes the limitations of the research setting and is followed by the description of method and references that will be used in this study.

In the very beginning of this thesis, the basic principles of the legal systems of Finland and California will be briefly introduced as background information on usage of different sources of law. The description will include observations regarding the terminology related to the topic of the thesis.

After the introductory information, the study will proceed to briefly present historical development of labor law. How the labor legislation has developed? What could have been the reasons arisen from the society that have led to the enactment of these statutes? The basic principles of the labor, and more specifically termination, legislation in California and in Finland will be explained. The connection between anti-discrimination legislation and employment relationship will be established. Further on, the role of the labor unions will be briefly touched as well. This initial presentation of the employment relationship related statutory provisions and other related concepts will provide the reader with insight into the status quo of employment aspect in California and in Finland.

The research problem will be examined further in the following chapters, continuing to handle California and Finland in separate chapters for the sake of clarity. The procedures and provisions related to collective redundancies will be presented in detail in these chapters. Since the scope of the study is relatively narrow, including only the most common situations of collective redundancy, the study will emphasise the requirements placed for employers and protection provided for employees in these specific circumstances only. Enforcement of the law related to collective redundancies as well as sanctions provided to the employer who fails to comply with the requirements provided are presented thereafter.

Information on ongoing discussions regarding the termination law will be presented towards the end of the thesis. The last section, conclusions, will include a brief summary of the key similarities and differences of the termination processes required under the law in California and in Finland and the level of protection provided for employees. Also interest in further research on the subject will be evaluated.

## **4 LEGAL AND JUDICIAL DIFFERENCES AND INTERNATIONAL ASPECT OF LAW**

### **4.1 Legal systems and judicial branches in California and Finland**

There is a fundamental difference between the legal system of Finland and the legal system of California. California's connection to the United States and Finland's connection to European Union further on contribute to the difference.

The California system is a common law system and it is based on tradition as stated in the Constitution of California, practices and legal precedents set by courts.<sup>29</sup> California is also obligated to comply with the federal law of the United States. The United States legal system is a common law system based on English common law. The United States court system consists of the federal court system and the state court systems. The systems are not totally independent of each other and they interact. The highest court in the United States is the US Supreme Court and subordinate courts include federal district courts and courts of appeal.<sup>30</sup> The highest court in California is the California Supreme Court. The subordinate courts include courts of appeal and superior courts.<sup>31</sup>

In California, the concept of binding and persuasive authorities is important. Primary authorities include case decisions, statutes, regulations, administrative agency decisions, executive orders, and treaties. Secondary authorities include basically everything else. Proper characterization of a primary authority as mandatory or persuasive is crucial and it defines how much emphasis should be given to this authority.<sup>32</sup> Case law decisions and past precedents are presented in this study as examples and the consideration whether precedents are binding or persuasive will remain outside the scope of this study.

The legal system in Finland is called a civil law or a civil code system. The Finnish civil law system is based on the Swedish model.<sup>33</sup> Civil law or civil code systems are based on all-inclusive system of written rules that tend to be very specific in their nature.<sup>34</sup> In the Finnish legal system, according to Aulis Aarnio's basic legal theory<sup>35</sup>, the statutes of law are considered to be strongly binding sources of law. Case-law is considered to be secondary and weakly binding. Highest court in Finland is the

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<sup>29</sup> The World Factbook, United States, Legal System.

<sup>30</sup> The World Factbook, United States, Judicial Branch.

<sup>31</sup> California Judicial Branch.

<sup>32</sup> Bintliff 2001.

<sup>33</sup> The World Factbook, Finland, Legal System.

<sup>34</sup> Briscoe, Schuler, Tarique 2012, pg. 136.

<sup>35</sup> Tolonen 2003, pg 23-24.



Supreme court<sup>36</sup>. Finnish judicial branch includes regional administrative courts, district courts and also specialized courts, one of them for labor related issues<sup>37</sup>.

Finland being part of the European Union (EU) since 1995, the European Union is bringing in some changes in the Finnish legal system. The European Union has a unique supranational legal system in which the treaties and law adopted by the Union have primacy over the member states<sup>38</sup>. The precedents of the Court of Justice of the European Union are to be given a major emphasis as a source of law in the relevant fields. When the national courts are uncertain of an aspect related to application of a point of law of the European Union, their obligation is to request for a preliminary ruling on the interpretation of a point of law of the European Union in question from the Court of Justice of the European Union<sup>39</sup>.

## **4.2 International organizations and international aspect of law**

### **4.2.1 International labor law**

International labor law<sup>40</sup> consists of rules and standards set by international organizations for their member nations. While the immediate guidelines for employers and employees are provided by the local law, there are international organizations and regional treaties giving broader perspective on how the regulation of employment would possibly be developing in the future.

Many international organizations such as United Nations (UN), the International Labour Organization (later on also referred to as ILO) the Organization for Economic Cooperation and Development (OECD), the World Bank and the International Monetary Fund (IMF) have been promoting labor standards that impact employees and labor relations. Some of these standards are voluntary in their nature and some of them are considered binding for the member nations of these international bodies.<sup>41</sup> The standards set by international organisations could be called supranational laws and these laws may be binding either directly or indirectly<sup>42</sup>. Regional systems, for example European Union (EU) and North American Free Trade Agreement (NAFTA), can also

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<sup>36</sup> Korkein oikeus.

<sup>37</sup> Työtuomioistuin.

<sup>38</sup> The World Factbook, European Union, Legal System.

<sup>39</sup> Court of Justice of the European Union, Types of Cases.

<sup>40</sup> Also called international labor standards.

<sup>41</sup> Briscoe, Schuler, Tarique 2012, pg. 137.

<sup>42</sup> Briscoe, Schuler, Tarique 2012, pg. 149.

be considered as factors in development of the labor dimension, having an indirect effect on the development of employment relationships over time.

#### **4.2.2 *International Labour Organization***

the International Labour Organization was originally established in 1919 for social, political and economic reasons. ILO declaration from 1958 prohibits discrimination in employment and occupational context<sup>43</sup>.

ILO accomplished in 1998 a Declaration on Fundamental Principles at Right at Work and it has become a centerpiece of the global labor standards movement. The four core standards of the declaration are 1.) freedom of association, 2.) elimination of all forms of forced or compulsory labor, 3.) abolition of child labor as well as 4.) elimination of discrimination in respect to employment and occupation.<sup>44</sup>

#### **4.2.3 *Extraterritorial law***

The concept of extraterritorial law is closely related to international business. Extraterritorial laws are something that one nation enacts and explicitly states that the laws are to be applied to a territory outside of that specific county.

Anti-discrimination statutes of the United States are extraterritorial regarding their scope of application when considering United States nationals working as international assignees in foreign countries for the companies that are headquartered in the United States.<sup>45</sup> The Criminal Code of Finland extends its scope of application also to some offences that have occurred outside Finland. An offence directed at Finnish citizen outside Finland, according to Finnish law, may be punishable by imprisonment.<sup>46</sup>

Extra-territorial law may have some effect on the international labor standards over time. Due to globalization, many employers need to be aware of and comply with requirements provided by several different legal systems, some of them with extraterritorial aspect inbuilt in their law. Extraterritorial law and any specific law

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<sup>43</sup> Discrimination (Employment and Occupation) Convention, 1958.

<sup>44</sup> Craig, Lynk 2006, pg. 19-20.

<sup>45</sup> Briscoe, Schuler, Tarique 2012, pg. 150-151.

<sup>46</sup> Criminal Code of Finland (39/1889) 1:5 §.

concerning multinational corporations with regards to requirements in situation of reduction of personnel is left outside the scope of this study<sup>47</sup>.

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<sup>47</sup> For example the Act on Co-operation within Finnish and Community-scale Groups of Undertakings (335/2007) provides on co-operation between employer and employees within groups of undertakings and The Act on Employee Involvement in European Companies (SE) and European Cooperative Societies (SCE) (758/2004) provides on the arrangement of employee involvement in European companies and European cooperative societies. Äimälä (ed.) 2007, pg.62-65 clarifies the requirements placed to some international corporations. Specific provisions regarding employer's requirements of providing information regarding the situations that potentially lead to reduction in personnel apply.

## **5 EMPLOYMENT RELATIONSHIP IN CALIFORNIA**

### **5.1 Early development of the labor law in California and in the United States**

#### ***5.1.1 Beginning of the California labor law***

The California Labor Code was codified in 1937. It gathered together some labor related acts that at the time were not that many. The California labor law originates from the early 20th century, when such issues as industrial accidents, worker's compensation, safety as well as regulation of hours were lobbied to legislature.<sup>48</sup> Since then a great amount of employment related statutes have become part of the California Labour Code as soon as they have been enacted.

The California Government Code was approved in 1943 and some of the provisions that regulate aspects of employment relationship are derived from there. Among others, the employee's right to family and medical leave is codified in the California Government Code<sup>49</sup>.

#### ***5.1.2 Development of labor rights in the United States***

In the 1950s Americans typically worked in blue-collar jobs. Some of the most common occupations included manufacturing, mining, construction and unskilled labor positions. Service sector employees counted for 12 % and professionals for 18 % of the workforce. The American workplace in 1950's was subject to minimal government regulation.<sup>50</sup> In case there was no union representation at the workplace, the employers were free to set the terms of employment within the limitations provided by the Fair Labor Standards Act (later on referred to as FLSA) of 1938<sup>51</sup>. The FLSA set requirements for example for the hourly wages and overtime compensation. Anti-discrimination law preventing discrimination of women and minorities at workplace did not yet exist<sup>52</sup>. In a unionized environment, employees were protected by the National

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<sup>48</sup> California Labor Code Statutory History.

<sup>49</sup> Cal Gov Code § 12940-12951.

<sup>50</sup> Befort 2002, pg. 353-354.

<sup>51</sup> 29 U.S.C. § 201-262.

<sup>52</sup> Befort. 2002, pg. 355.

Labor Standards Act (later on referred to as NLRA) of 1935<sup>53</sup> and the collective agreements. Workforce was virtually divided into two different sectors, the at-will sector and the unionized sector, and the amount of protection for employee depended on which sector the employee belonged to<sup>54</sup>. The amount of government regulation for employee's protection increased in the latter part of the 20th century and at the same time the prevalence of the unions and collective bargaining as well as at-will doctrine waned<sup>55</sup>.

Until the mid-1960s there was only two federal statutes, FLSA and NLRA, that comprehensively regulated the workplace. Since then, a great amount of new employment related statutes have been adopted by Congress. These newer statutes focus on 1.) establishing minimum workplace requirements and 2.) on preventing discrimination based on certain protected characteristics.<sup>56</sup> Especially the anti-discrimination statutes are given ample focus on this thesis since they are a major consideration for employers when making termination decisions.

### ***5.1.3 Development of employee's rights in collective redundancies***

Prior to the federal WARN Act of 1989 there were no federal or California laws or regulations that would have required an employer in California to provide any advance notice to employees before carrying out collective dismissals. Employers were free to administer layoffs as they deemed appropriate, within the other boundaries that existed.

Before the time of WARN Act, terminating employers' decisions were subject to any state law requirements, anti-discrimination statutes, contractual obligations and to the requirements of the collective bargaining agreements and the related law.<sup>57</sup> The federal WARN Act was complemented by the Cal-WARN Act in 2003.

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<sup>53</sup> 29 U.S.C. § 151-169.

<sup>54</sup> Befort 2002, pg. 357.

<sup>55</sup> Befort 2002, pg. 360, 459. At-will employment means that the employer and the employee both have right to terminate the employment with or without a reason. For further information on at-will doctrine, see 5.4 Employment at-will.

<sup>56</sup> Befort 2002, pg. 378.

<sup>57</sup> Simmons 2006, pg. 1.

## **5.2 Substantive statutory regulation related to employment relationship**

United States federal law the WARN Act<sup>58</sup> and California state law the Cal-WARN Act<sup>59</sup> require employers to give a 60-day notice to employees who will suffer a loss of employment due to mass layoff, plant closure or another similar event.

The federal law Occupational Safety and Health Act (later on referred to as OSHA)<sup>60</sup> of 1970 authorizes workplace health and safety standards and inspections thereof. The Employee Retirement Security Income Act (later on referred to as ERISA)<sup>61</sup> of 1974 regulates employee pension and benefit plans. ERISA contains procedural requirements regarding reporting, disclosure and fiduciary responsibilities of such plans. Anyhow, ERISA does not contain detailed provisions on the contents requirements for benefit plans, and for example health care benefits are not therefore in detail regulated by this law.<sup>62</sup>

Due to the differences in social security systems of Finland and California, it is inbuilt into the compensation system in the United States that many employers provide health care benefits to their employees. Anyhow, providing such benefits is not mandatory. Health care benefits provided by employer have a major effect on employment relationship and are one of the factors for employers to consider in connection with mass layoffs for example. For employees, health care benefits are one of the major concerns related to employment relationships. The Consolidated Omnibus Budget Reconciliation Act (later on referred to as COBRA) gives employees and their families a choice to continue to belong to the employer's group health plan after a qualifying event of job loss<sup>63</sup>. California has its own equivalent for COBRA, Cal-COBRA, and the state law extends the continuation of the coverage over 36 months after the job loss.

Family and Medical Leave Act (later on referred to as FMLA)<sup>64</sup> of 1993 requires certain employers to grant an employee a 12-week leave due to a serious health condition. The same amount of leave needs to be granted also for caring for a new child or a family member with a serious health condition. The California equivalent for the FMLA is California Family Rights Act<sup>65</sup>. Awareness of family and medical leave rights as well as other substantive statutes governing employment relationship is important for

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<sup>58</sup> 29 U.S.C. § 2101-2109.

<sup>59</sup> Cal Lab Code § 1400-1408.

<sup>60</sup> 29 U.S.C. § 651-678.

<sup>61</sup> 29 U.S.C. § 1001-1461.

<sup>62</sup> Befort 2002, pg. 380.

<sup>63</sup> Health Plans & Benefits, Continuation of Health Coverage – COBRA.

<sup>64</sup> 29 U.S.C. § 2601-2654.

<sup>65</sup> Cal Gov Code § 12940-12951.

an employer who is planning termination measures. Violation of statutes that establish the minimum requirements for employment relationship may sometimes constitute discrimination. Division of statutes to the anti-discrimination statutes and the ones establishing the minimum requirements for the employment relationship is somewhat overlapping.

## **5.3 Discrimination**

### **5.3.1 *Definition of discrimination***

In the context of this study discrimination covers actions that are taken against employees because they belong to certain protected classes. More in detail, to discriminate means to treat some people differently than other people who are not in the same class. Some acts can constitute unlawful discrimination because of their effect, regardless of the motivation.<sup>66</sup> This means that discrimination does not need to be intentional. The legislation prohibiting discrimination is something an employer needs to be aware of and comply with in all aspects of an employment relationship. Compliance with anti-discrimination law is significantly important also in mass layoff situations, when choosing the employees to be terminated. Positive discrimination, affirmative action, is generally allowed. It means taking steps for improvement of work opportunities for protected classes. While favouring a member or a perceived member of a protected class, employer may, as a result, discriminate a person who is not a member or a perceived member of a protected class.<sup>67</sup>

Unequal (disparate) treatment can occur when an employee that belongs to a protected class is treated differently due to the protected class status. Adverse employment action is a term related to disparate treatment and it is one of the requirements of classifying a case as disparate treatment. The term has not been specifically defined in federal or California anti-discrimination law. Another form of discrimination is unequal (disparate) impact. The major difference with the disparate treatment is that in disparate impact the end result is the point of judging the act. An employment practice that appears to be neutral but results in discrimination against a protected class, creates disparate impact. Retaliation against employees who attend

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<sup>66</sup> California Labor Law Digest 2014, pg 673.

<sup>67</sup> California Labor Law Digest 2014, pg. 742. Protected class refers to groups of persons protected under statutory anti-discrimination provisions.

protected activities is prohibited by both federal and California law.<sup>68</sup> For example retaliation against employee bringing up a claim of harassment is prohibited<sup>69</sup>. Prohibition of harassment includes a wide range of sexual or non-sexual conduct that creates a hostile or offensive work environment or results in an adverse employment decision (for example firing)<sup>70</sup>. Harassment is prohibited under federal and California anti-discrimination statutes.

### ***5.3.2 United States federal law protecting employees against unlawful discrimination***

The development of anti-discrimination law in the United States begun about 80 years ago along with the enactment of such laws as the NLRA<sup>71</sup> of 1935 and the FLSA<sup>72</sup> in 1938. They were followed by the Title VII of the Civil Rights Act of 1964 (later on referred to as Title VII)<sup>73</sup>, and the OSHA<sup>74</sup> of 1970<sup>75</sup>.

In 2015 several federal statutes prevent employers from unlawfully discriminating against employees<sup>76</sup>. The most well-known of the statutes is probably the Title VII<sup>77</sup>. It protects employees against unlawful discrimination. Discrimination based on race was originally prohibited under the Civil Rights Act of 1866.<sup>78</sup> Title VII, as amended by the Civil Rights Act of 1991<sup>79</sup>, prohibits employment discrimination based on race, color, religion, sex and national origin. Protection against harassment is included in the Title VII<sup>80</sup>. Protection against discrimination is extended further by the Age Discrimination in Employment Act (later on referred to as ADEA)<sup>81</sup> and Americans with the Disabilities Act (later on referred to as ADA)<sup>82</sup>. Federal law provisions offers some

<sup>68</sup> California Labor Law Digest 2014, pg 674-677.

<sup>69</sup> California Labor Law Digest 2014, pg. 678.

<sup>70</sup> California Labor Law Digest 2014, pg. 749.

<sup>71</sup> 29 U.S.C. § 151-169.

<sup>72</sup> 29 U.S.C. § 201-262.

<sup>73</sup> 42 U.S.C. § 2000e-2000e-17.

<sup>74</sup> 29 U.S.C. § 651-678.

<sup>75</sup> Kohn, Kohn 1988, chapter 7. pg.1.

<sup>76</sup> Lawful discrimination, affirmative action, is allowed in California. Affirmative action means taking steps to identify discrimination that is based on protected class statutes and improving work opportunities for women, racial and ethnic minorities as well as for people who belong to other protected groups. California Labor Law Digest, 2014. pg. 742. Similarly, in Finland, positive discrimination is allowed under the Non-discrimination Act (1325/2014) 3:9 §, and it covers the discriminating measures that aim to achieve genuine equality.

<sup>77</sup> 42 U.S.C. § 2000e-2000e-17.

<sup>78</sup> 42 U.S.C. § 1981.

<sup>79</sup> Civil Rights Act of 1991.

<sup>80</sup> 42 U.S.C. § 2000e-2(a)

<sup>81</sup> 29 U.S.C. § 621-634.

<sup>82</sup> 42 U.S.C. § 12101-12213.



extended rights and protection for the protected class of employees who are 40 years old or older. This protection against age discrimination is enforced under the ADEA of 1967<sup>83</sup>. The ADA<sup>84</sup> of 1990 prohibits discrimination against persons with disabilities<sup>85</sup>. It includes protection for pregnant employees and requires an employer to make a reasonable accommodation for pregnancy disability. The Pregnancy Discrimination Act of 1978<sup>86</sup> that amends Title VII of 1964 forbids discrimination due to pregnancy when it comes to any aspect of employment, including firing<sup>87</sup>. Discrimination on basis of pregnancy, childbirth or related medical conditions is prohibited under the term “on the basis of sex”. The Equal Employment Opportunity Commission (EEOC) is the federal agency enforcing the work-place anti-discrimination laws.<sup>88</sup>

### ***5.3.3 California law protecting employees against unlawful discrimination***

California enforces federal and state law, providing employees maximum protection allowing the more liberal statute to overrule. The California Fair Employment and Housing Act (later on referred to as FEHA) is the core of California anti-discrimination law. It is the California equivalent for the federal law Title VII<sup>89</sup>. FEHA prohibits employment discrimination on the basis of race, color, religious creed, national origin or ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age and sexual orientation<sup>90</sup>. FEHA protects membership as well as perceived membership in the protected classes. Protection under sex includes protection for pregnancy, childbirth, breastfeeding as well as any related medical conditions.<sup>91</sup> In California harassment laws are part of the FEHA<sup>92</sup>. The California enforcement for the anti-discrimination law involves both California Department of Fair Employment and Housing (DFEH) and Fair Housing and Employment Commission (FHEC)<sup>93</sup>.

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<sup>83</sup> 29 U.S.C. § 623.

<sup>84</sup> 42 U.S.C. § 12101-12213.

<sup>85</sup> Fenwick, Novitz 2010, pg 305.

<sup>86</sup> 42 U.S.C. § 2000e(k).

<sup>87</sup> Pregnancy discrimination.

<sup>88</sup> Fenwick, Novitz (ed.) 2010, pg. 305.

<sup>89</sup> Cal Gov Code § 12900-12996.

<sup>90</sup> California Labor Law Digest 2014. pg 704.

<sup>91</sup> California Labor Law Digest 2014. pg 674.

<sup>92</sup> Cal Gov Code § 12940-12951.

<sup>93</sup> Doherty, Blasi, pg. 4.

## 5.4 Employment at-will

### 5.4.1 *At-will presumption*

In California, there is a *presumption that employment for an indefinite term is at-will and can be terminated at any time, for any (lawful) reason or no reason at all, on notice to the other party*<sup>94</sup>. In other words, employment at-will means that an employer may terminate an employee any day without any reason, effective the same day. Also an employee may terminate her or his employment in a similar manner.

An American employer in 1950 had the absolute right to discharge an employee for any reason<sup>95</sup>. This is not the case anymore and the employer planning terminations needs to be aware of exceptions and limitations to the at-will presumption. Virtually all employees enjoy substantial protection under several different federal and state statutes<sup>96</sup>.

In 2015 the at-will rule is still a default legal presumption in employment relationships in California but it is subject to several limitations or exceptions derived from different sources.<sup>97</sup> Limitations have been established by statutory regulation and by judicially created exceptions<sup>98</sup>.

### 5.4.2 *Statutory exceptions to at-will presumption*

Statutory exceptions to at-will presumption include terminations in violation of discrimination law, for participating union activity and for refusing to carry out an activity that violates the law<sup>99</sup>. For example the *statute* Title VII prohibits termination at-will if termination is based on protected status and the NLRA protects union activity. A Cause of action for wrongful discharge is recognized in California in contract and in tort<sup>100</sup>.

Evidence that the termination contravened a *public policy*<sup>101</sup> delineated in a constitutional or statutory provision would supersede the at-will presumption.<sup>102</sup> Public

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<sup>94</sup> Cal Lab Code § 2922.

<sup>95</sup> Befort 2002, pg. 378.

<sup>96</sup> Castagnera, Cihon, Morriss 2014, pg 1-6.

<sup>97</sup> Befort 2002, pg. 378.

<sup>98</sup> Befort 2002, pg. 378, 381.

<sup>99</sup> At-Will Employment and Wrongful Termination.

<sup>100</sup> Kohn, Kohn 1988, pg. 42. According to Cal Lab Code § 1102.5 the employer may also be imposed to criminal liability if either retaliating against an employee or preventing an employee from disclosing information to a government or law enforcement agency.

<sup>101</sup> Public policy exception is a judicially created exception to the at-will presumption.

policy is something that may arise out of statute, the Constitution or an administrative regulation<sup>103</sup>. Being in violation of public policy happens for example when an employer requires an employee to do something illegal. In case the employee refuses to act illegally and as a punishment will be terminated it may give rise to a claim that the termination was in violation of public policy.<sup>104</sup> In *Tameny v. Atlantic Richfield Company*, the California Supreme Court ruled that the termination was in violation of public policy, when the employee was terminated after refusing to participate in price fixing. California was the first one of the states to carve out a public policy exception in the at-will doctrine.

#### 5.4.3 *Other exceptions and limitations to at-will presumption*

By judicially created exceptions, the California at-will employment presumption can be superseded by a contract, express or implied, limiting the employer's right to terminate the employee. Because there is a statutory presumption in California that employment is at-will, the employee who alleges that the employment was not at-will, bears the burden of proving otherwise. The exceptions can be proved by demonstrating that there was an *express or implied contract* stating the employment is terminable for cause only or is for a fixed-term.<sup>105</sup> This could be established by the wording of the employment contract, statements in employee handbook or oral assurances.

An implied-in-fact contract might establish that the employment was not at-will. California Supreme Court has summarized in *Foley v. Interactive Data Corp.* that the following factors could be used to show an implied-in-fact contract: 1.) employer's personnel policies and practices, 2.) employee's length of service, 3.) actions or communications by the employer indicating the assurances of continued employment, 4.) practices in the industry in which the employee is employed and 5.) whether the employee gave consideration in exchange for the employer's promise.

The covenant of *good faith and fair dealing* is recognized in some states, including California, as a part of employment contract. The covenant of good faith means that each party of an employment relationship refrains from acting in bad faith that frustrates the other party's expectations of receiving something that was agreed upon<sup>106</sup>. A breach of the implied covenant of good faith and fair dealing could be established whenever the

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<sup>102</sup> Murphy.

<sup>103</sup> 2014-2015 The California employer, 2014, pg. 473.

<sup>104</sup> Murphy.

<sup>105</sup> Caterine (ed.) 2011, pg. 83.

<sup>106</sup> Befort 2002, pg. 382 -383. Contractual exception and covenant of good faith exception are judicially created exceptions to at-will presumption.

employer engages in *bad faith action extraneous to the contract* with the *intent to frustrate the employee's enjoyment of contract rights*.<sup>107</sup> Breach of implied covenant of good faith and fair dealing may not give rise to tort damages but it may allow a claim for contractual damages.<sup>108</sup>

In a unionized environment, collective bargaining agreements might limit employer's right to terminate unionized employees.<sup>109</sup> Therefore, it is important for employers in union environment to consider the provisions of the collective agreements prior to choosing employees to be terminated in mass layoff situations.

## 5.5 Labor unions

Unionized employees in the United States are protected by statutory provisions and collective agreements. The United States federal statute NLRA protects unionization<sup>110</sup>. The contractual rules arising from privately negotiated collective bargaining agreements provide the employees with more specific, detailed protection with regards to their employment relationship.<sup>111</sup> Labor relations in the United States differ somewhat from the ones in Finland. Labor unions in the United States tend to bargain directly with individual employers regarding the detailed terms of employment<sup>112</sup> while in Finland the bargaining tends to be carried out between labor federations and industry level employer associations.

The NLRA establishes the employer's duty to bargain<sup>113</sup> in good faith with the representatives of the labor union over some mandatory subjects. These subjects include wages, hours and other conditions of employment. Some of the decisions related to reduction in force, like decision on sub-contracting, are mandatory to bargain. Also, parties may have a collective bargaining agreement in place that restricts employer's right to implement a workforce reduction. The collective agreement could for example specify the criteria to be used when conducting layoffs due to lack of work.<sup>114</sup>

The two leading labor federations for labor unions in the United States today are American Federation of Labor and Congress of Industrial Organizations<sup>115</sup> and Change to Win Federation<sup>116</sup>. The union density was 14 % in the United States in the year 2006,

<sup>107</sup> Caterine (ed.) 2011, pg. 85.

<sup>108</sup> Caterine (ed.) 2011, pg. 86.

<sup>109</sup> Caterine (ed.) 2011, pg. 83.

<sup>110</sup> 29 U.S.C. § 151-169.

<sup>111</sup> Befort 2002, pg. 357.

<sup>112</sup> Collective Bargaining: Levels and Coverage, pg. 168.

<sup>113</sup> 29 U.S.C. § 158(7)(d).

<sup>114</sup> Lipsig, Dollarhide, Seifert 2011, pg.18-5, 18-6, 18-7.

<sup>115</sup> About the AFL-CIO.

<sup>116</sup> Change to Win Federation - About Us.

with the bargaining coverage of 15 %. For comparison, the union density was 79 % in Finland the same year, with the bargaining coverage of 90 %.<sup>117</sup> The American workers reached their all-time high union density in 1954, when 35 % of workforce was unionized<sup>118</sup>. By the year 1970 the union density had dropped to 24,7 % and continued to decline further<sup>119</sup>.

Most of the unrepresented employees in the United States do not have protection of just cause required for termination but they are considered at-will employees, unless any of the previously presented at-will exceptions (in California) takes effect.<sup>120</sup> Managerial and supervisory level employees often fall outside the protection provided by the collective agreements since the labor unions may see a conflict of interest with the union membership and the managerial or supervisory position.

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<sup>117</sup> Briscoe, Schuler, Tarique 2012, pg.179.

<sup>118</sup> Befort 2002, pg. 357. Befort states that the all-time high of union density in 1954 is considerably lower than in many European countries.

<sup>119</sup> Befort 2002, pg. 361.

<sup>120</sup> Fenwick, Novitz (ed.) 2010, pg. 295.

## 6 EMPLOYMENT RELATIONSHIP IN FINLAND

### 6.1 Development of labor law in Finland

#### 6.1.1 *Finnish labor law eras of reform and job security provisions*

The development of labor law follows the interests of different stakeholders. Employees and employers have the primary interest in an employment relationship and the interest of other stakeholders, for example government's is tertiary interest<sup>121</sup>.

In the development of Finnish labor and law, there have been several eras of reform. In Finland, the rights and responsibilities of employees and employers are mainly covered under the Employment Contracts Act. The set of basic norms regulating the employment relationship was created in the 1920s but the Employment Contracts Act of 1922<sup>122</sup> still allowed both employee and employer freely to terminate an employment contract without any reason<sup>123</sup>. The collective labor law was formed after the wars, modern job security provisions around the 1960s and 1970s and the job security provisions were revisited and reformed in the late 1980s. The most recent reforms were the fundamental reform of the Employment Contracts Act in 2001 and the reform of the Act on Co-operation within Undertakings in 2007.

The job security provisions first came part of statutory protection for employee in the Employment Contracts Act of 1970<sup>124</sup> and protection has developed fast since 1970s. Some job security provisions are also included in collective agreements. In 1963 Finland approved the ILO Recommendation concerning Termination of Employment at the Initiative of the Employer<sup>125</sup>. Based on the ILO recommendation, the first collective bargaining agreement (with focus on job security) between the central labour market organizations was established in 1966<sup>126</sup> and some indication of the development of job security was already included in the provision of the agreement of the year 1946. The agreement on job security between the Central Organization of Finnish Trade Unions (SAK)<sup>127</sup> and Suomen Työnantajain Keskusliitto (STK)<sup>128</sup> was modified in 1978 to reflect of the Employment Contracts Act provisions related to grounds of termination of

<sup>121</sup> Kallio 1978, pg. 42-43.

<sup>122</sup> Employment Contracts Act (141/ 1922).

<sup>123</sup> Kallio 1978, pg. 32.

<sup>124</sup> Employment Contracts Act (320 /1970); Kallio 1978, pg. 35.

<sup>125</sup> Recommendation concerning termination of employment at the initiative of the employer.

<sup>126</sup> Saarinen 1993, pg. 303.

<sup>127</sup> Suomen Ammattiliittojen Keskusjärjestö.

<sup>128</sup> Central organization of Finnish employers, preceded the Confederation of Finnish Industries.

employment. The Act on Co-operation within Undertakings<sup>129</sup> was enacted the same year. It originally applied to employers with more than 30 employees but it has been modified since to cover more employers.

Until the year 1988, the provisions of the Employment Contracts Act were applied to all terminations of employment and the financial and production related grounds for terminations were included as a separate provision<sup>130</sup> in 1988. The act on termination procedure of employment relationship (Laki työsopimuksen irtisanomismenettelystä)<sup>131</sup> was repealed in 1991 and some of its provisions were included in the Employment Contracts Act<sup>132</sup>. The purpose of the change was to simplify and clarify the termination procedure.<sup>133</sup> The current Employment Contracts Act in force was approved in January 2001, effective January 1, 2001. The provisions concerning the collective redundancies are mandatory provisions being part of consideration of termination of employment. The employee cannot waive these rights.

### **6.1.2 Influence of the European Union**

European Union has a tertiary interest in the conditions of employment relationships in Finland. The labor legislation of the European Union has caused some changes in Finnish labor law, but not in its systematics<sup>134</sup>.

The directive of the Council of Europe concerning approximation of laws of the member states regarding collective redundancies<sup>135</sup> includes provisions regarding the layoff procedures that are included in the new Employment Contracts Act of 2001. The Directive aims to balance the protection for the employee and the need for economic and social development<sup>136</sup>.

Several different directives also have had an effect on the Act on Co-operation Negotiations within Undertakings<sup>137</sup>. When making their decisions, the national courts

<sup>129</sup> Act on Co-operation within Undertakings (725/1978).

<sup>130</sup> Employment Contracts Act 37 a §.

<sup>131</sup> Laki työsopimuksen irtisanomismenettelystä (123/1984).

<sup>132</sup> Chapter 3a.

<sup>133</sup> Koskinen 2006, pg. 695.

<sup>134</sup> KM 2000:1, pg. 45.

<sup>135</sup> Council Directive 98/59/EC

<sup>136</sup> Collective Redundancies Guide 2009, pg. 13.

<sup>137</sup> These directives include 1.) the Council Directive 98/59/EC of 20 July 1998 on the approximation of laws of the member states relating to collective redundancies, 2.) Council Directive 2001/23/EC of 12 March 2001 on the approximation of laws of the member states relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses and 3.) Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for informing and consulting employees in the European Community. This directive is a joint declaration of the European Parliament, the Council and the Commission concerning employee representation.

are to follow not only the national law but to take into consideration the aims of the Directives and as well as precedents of the Court of Justice of the European Union<sup>138</sup>.

## 6.2 Grounds for termination of an employment contract by means of notice

The employee is protected by the Employment Contracts Act during the employment. To some extent, the employee is protected from being laid off. In practice this protection means that the employer is not allowed to terminate the employment contract for any unlawful reason. The employer is not allowed to terminate an indefinitely valid employment contract without proper and weighty reason<sup>139</sup>. The protection for the employee against unlawful termination is all based on the general provision of the grounds for termination of an employment contract. The *proper and weighty reason* for termination is required and it may include *grounds related to the employee's person*<sup>140</sup> or *grounds related to the employer*. The grounds related to the employer could be the financial and production related grounds for termination<sup>141</sup> or some other special circumstances separately provided by the Employment Contracts Act. The managing director or Chief Executive Officer (CEO) of a corporation is not covered by the termination provisions of the Employment Contracts Act but her or his individual contract with the company governs the termination procedure<sup>142</sup>.

*Collective protection* against termination responds to *collective (financial and production related) grounds for termination*. The collective protection against termination means protection provided for the employee under the law<sup>143</sup> and collective bargaining agreements<sup>144</sup> and the provisions from both the sources are applied in parallel<sup>145</sup>. This protection limits the employer's actions with regards to collective redundancies. The grounds for termination need to be proper and weighty and they cannot be discriminative or in violation of equal treatment of employees<sup>146</sup>.

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<sup>138</sup> Kairinen, Uhmavaara, Finne 2005, pg. 85.

<sup>139</sup> Employment Contracts Act 7:1 §.

<sup>140</sup> Employment Contracts Act 7:2 §.

<sup>141</sup> Employment Contracts Act 7:3 §.

<sup>142</sup> Hietala, Kaivanto 2004, pg. 136.

<sup>143</sup> Statutory protection.

<sup>144</sup> Contractual protection.

<sup>145</sup> Valkonen 2006, pg. 801.

<sup>146</sup> Valkonen 2006, pg. 801.



### 6.3 Act on Co-operation within Undertakings

Employee's protection during the employment relationship is supplemented by the Act on Co-operation within Undertakings. This law promotes interactive co-operation procedures between employer and employees. These procedures are based on the employer's obligation to provide employees with sufficient information on the employer's plans in a timely manner. The objective of this law is to collectively develop the operations of the employer's company together with the employees, involving them in the decision-making regarding their work conditions, position as employees and other aspects of their employment. Another objective of this law is to strengthen the co-operation between the employer, employee and the employment authorities and to support the employees when changes are made in employer's operations.<sup>147</sup>

An employer who is considering collective redundancies, temporary layoffs or change of an employment contract or contracts from full-time to part-time may be required to initiate co-operation procedure under the Act on co-operation within Undertakings<sup>148</sup>. The Act on co-operation within Undertakings is applied to businesses normally employing 20 or more employees<sup>149</sup>. When terminating employees, businesses employing less than 20 persons are to apply the Employment Contracts Act provisions 9:2-3 §<sup>150</sup> instead of the Act on co-operation within Undertakings. Another exception to the application of the Act on Co-operation within Undertakings is the special provisions that apply only to the businesses that employ at least 30 persons<sup>151</sup>. The provisions of the Act on Co-operation within Undertakings that are especially relevant to this study are included in the chapter 8 that sets out the requirements for co-operation procedure when reducing the use of personnel.

The Ministry of Employment and the Economy had a research done in 2010 regarding the Act on Co-operation within Undertakings. The aim of the research was to gain information on how much employees were perceived to be able to influence the employer's decision making in connection with personnel reductions (FIGURE 1).

<sup>147</sup> Act on Co-operation within Undertakings 1:1 §

<sup>148</sup> Antola, Parnila, Skurnik-Järvinen 2008, pg. 51.

<sup>149</sup> Act on Co-operation within Undertakings 1:2 §.

<sup>150</sup> Hearing the employee and the employer and employer's duty to explain.

<sup>151</sup> Act on Co-operation within Undertakings 1:2 §.

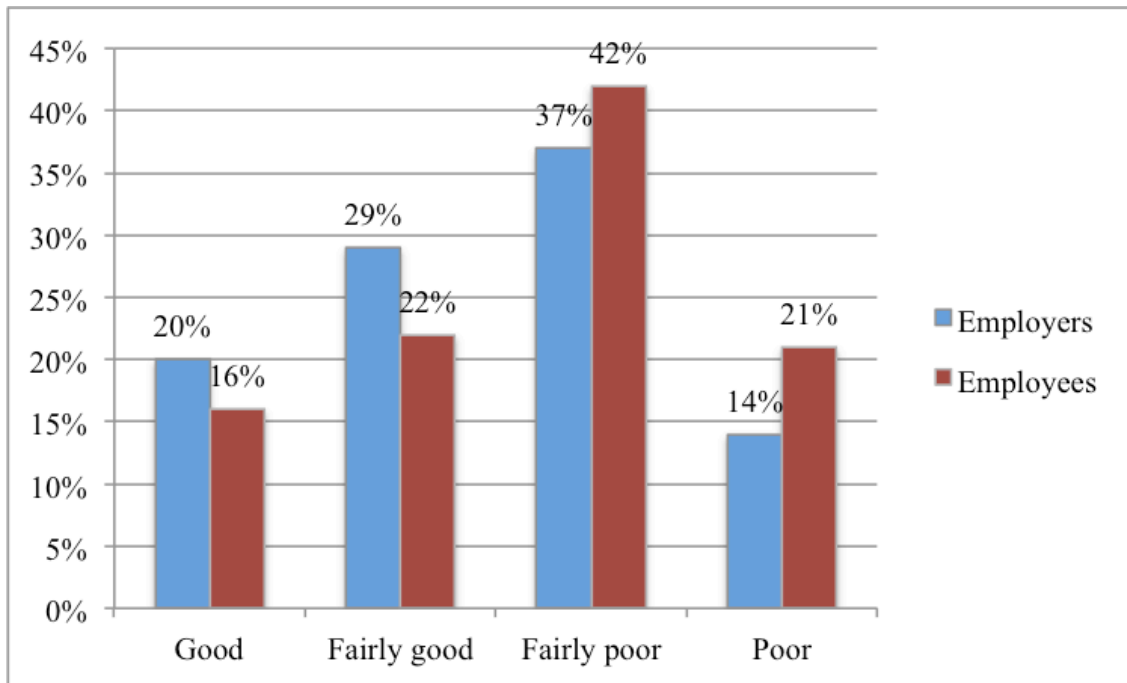


FIGURE 1 The employees' chances to influence the situations of personnel reductions. (Uusi Yhteistoimintalaki yrityksissä, uuden Yhteistoimintalain vaikutusten arviointitutkimus 2010, pg. 115.)

According to the research the employees' opportunities in influencing employer's decisions in workforce reductions were considered to be weak in general. The employees were considered to have the best chances in influencing those aspects of cooperation that were not related to personnel reductions.<sup>152</sup> According to the same study 42 % of employees and 37 % of employer's representatives stated that the employees' chances of influencing the personnel reduction decisions were in practice relatively weak.

## 6.4 Collective agreements

Employees are in several different fields protected by collective bargaining agreements. For example the collective agreement of The Federation of Finnish Technology Industries (TT)<sup>153</sup> and the Federation of Managerial and Professional Staff (YTN)<sup>154</sup> for

<sup>152</sup> Uusi Yhteistoimintalaki yrityksissä, uuden Yhteistoimintalain vaikutusten arviointitutkimus, 2010, pg. 114 and 124.

<sup>153</sup> Collective Agreements. (The Federation of Finnish Technology Industries (TT) represents employers and negotiates and signs collective agreements for the electronics and electrotechnical industry, mechanical engineering industry, metal industry and information technology.)

senior salaried employees for the term 2014- 2016 has provisions regarding the grounds of termination of employment contract. These provisions include protection in collective redundancies and are applied instead of the equivalent parts of the Act on Co-operation within Undertakings to the covered group of employees. These kinds of provisions are not atypical for the Finnish working environment and tie the law and collective agreements tightly together.

The general applicability provision<sup>155</sup> in the Employment Contracts Act provides that employer shall observe at least the provisions of generally applicable collective agreement on the terms and working conditions of employment relationship. As a general rule, the collective agreements are also applied to non-unionized employees performing work covered by such agreements<sup>156</sup>. Collective agreements as well as some of the labour law statutes also allow workplace specific, local, agreements between the employer and the employee representative on some of the conditions of employment relationship<sup>157</sup>.

## 6.5 Anti-discrimination law

In Finland equality is on a general level required under the Constitution of Finland<sup>158</sup> and already the Constitution Act of 1919 contained some initial references towards the requirement of equality<sup>159</sup>. The aim of the anti-discrimination statutes in relation to employment is to secure initially same treatment in same situation for all employees and to prevent unequal treatment<sup>160</sup>. The Employment Contracts Act 2:2 §, equal treatment and prohibition of discrimination, allows Finnish employees generally similar yet more extensive protection than the United States federal law Title VII and California FEHA offer for the employees in California. The Employment Contracts Act prohibits employers from exercising *any unjustified discrimination against employees on the basis of age, health, disability, national or ethnic origin, nationality, sexual orientation, language, religion, belief, family ties, trade union activity, political activity or any comparable circumstance*<sup>161</sup>.

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<sup>154</sup> YTN Basic Information. (YTN is the sixth largest trade union organization in Finland and one of its primary objectives is to improve the conditions of employment for professional and managerial staff by strengthening the collective agreements.)

<sup>155</sup> Employment Contracts Act 2:7 §.

<sup>156</sup> Saloheimo 2002, pg. 5.

<sup>157</sup> Huhta 2012, pg. 44.

<sup>158</sup> Constitution of Finland (731/1999) 6 §.

<sup>159</sup> Kuoppamäki 2008, pg. 18; Constitution Act of Finland (94/1919).

<sup>160</sup> Paanetoja 2014, pg. 108.

<sup>161</sup> Employment Contracts Act 2:2 §.

Under the Employment Contracts Act 2:2 §, the definition of discrimination for Employment Contract Act purposes of prohibiting discrimination and for guaranteeing equal treatment is drawn from Non-discrimination Act<sup>162</sup>. Non-discrimination Act is, among other situations, applied to employment and working conditions and the 3:8 § defines discrimination. Direct and indirect discrimination, refusal to make a reasonable accommodation, harassment as well as instruction or order to discriminate are all included under the definition. Direct discrimination<sup>163</sup> means treating another person less favourably in the same or comparable situation<sup>164</sup>. Indirect discrimination<sup>165</sup> means situations when a provision, criterion or a practice that appears to be neutral, as a result of its application, puts a person in particular disadvantage in comparison with other persons. If the aim of such provision, criterion or practice is acceptable and the means used acceptable and necessary, the provision, criterion or a practice does not fulfill the definition of discrimination.<sup>166</sup> Harassment means deliberate or practical infringement of dignity and integrity of a person or a group of people by creating a hostile or offensive environment.<sup>167</sup> The Act on Equality between Women and Men<sup>168</sup> prohibits discrimination based on gender.

Anti-discrimination statutes protect persons when they attend a recruitment process, when they are employed and also during employer's selection process of employees to be terminated in workforce reduction process. Positive discrimination that aims at the achievement of genuine equality is allowed under the Non-discrimination Act.<sup>169</sup>

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<sup>162</sup> Yhdenvertaisuuslaki (1324/2014).

<sup>163</sup> Direct discrimination has an equivalent in American English and in the discrimination statutes of the United States and in California anti-discrimination law. Direct discrimination is called disparate treatment in American English.

<sup>164</sup> Non-discrimination Act 3:11 §.

<sup>165</sup> Indirect discrimination has an equivalent in American English and in discrimination statutes of the United States and in California anti-discrimination law. Indirect discrimination is called disparate impact in American English. There seems to be a difference between what is called indirect discrimination in Finland and what is called disparate impact in the United States and California. The discrimination intent is not necessarily required to establish disparate impact.

<sup>166</sup> Non-discrimination Act 3:13 §.

<sup>167</sup> Non-discrimination Act 3:14 §.

<sup>168</sup> Laki naisten ja miesten välisestä tasa-arvosta (609/1986).

<sup>169</sup> Non-discrimination Act 3:9 §.

## 7 COLLECTIVE REDUNDANCIES IN CALIFORNIA

### 7.1 Purpose and scope of WARN

#### 7.1.1 *WARN aims and triggers*

WARN was created to help workers to plan for possible job losses and to allow them time to assess various employment services provided by states and federal government<sup>170</sup>. It supports employees on keeping themselves competitive on the labor market by allowing them some time to adjust to the job loss and for example to seek for skill training or retraining<sup>171</sup>. The Cal-WARN Act picks up some of the protections provided by the federal WARN Act but it is tailored to the needs of California<sup>172</sup>. The main difference between these two laws is that the Cal-WARN Act is broader in scope than the federal WARN Act and it affects greater amount of employers. California businesses must comply with both these acts and the emphasis is given here for the maximum requirements for employers under these two acts.

The qualifying events that trigger the WARN are *plant closings, mass layoffs, terminations and relocations*. Sometimes also a sale of employer's business could fall under one of the qualifying events<sup>173</sup>. The main responsibility of the employer under the WARN is giving a 60-day notice prior to the termination of employment (FIGURE 2). Basically in any situation of reduced activity, the covered employer should give consideration if the WARN is triggered or not.

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<sup>170</sup> Walberg 2013, pg.2.

<sup>171</sup> WARN overview, Worker Adjustment and Retraining Notification (WARN) Information for Employers.

<sup>172</sup> Corporate Counsel's Guide to Reductions in Force, 2014, pg. 176.

<sup>173</sup> California Labor Law Digest 2014, pg. 889.

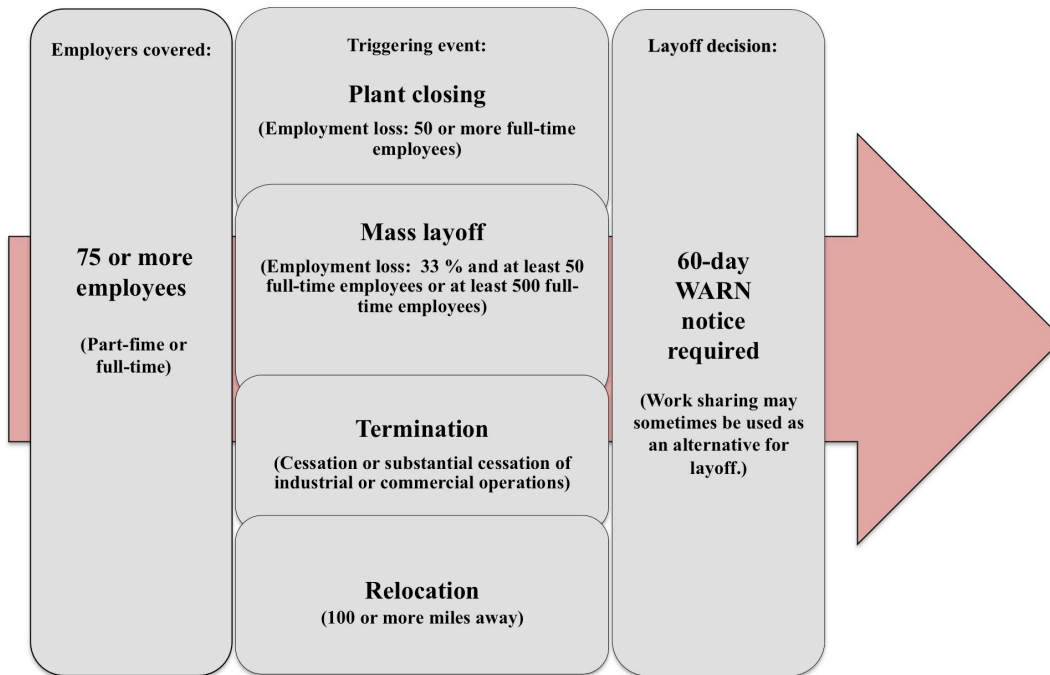


FIGURE 2 Collective redundancies: federal and state WARN requirements and work sharing alternative for layoffs in California.

Basically in any situation of reduced activity, the covered employer should give consideration if the WARN is triggered or not. Work sharing may sometimes be considered as an alternative for layoff<sup>174</sup>.

### 7.1.2 *WARN covered employers*

The Cal-WARN Act covers all employers with 75 or more employees. A covered employer is *any industrial or commercial facility or part thereof that employs or has employed 75 persons within the preceding 12 months*<sup>175</sup>. Both full-time and part-time employees are counted towards this requirement. Anyhow, seasonal or temporary

<sup>174</sup> See 7.8. for further information on work sharing.

<sup>175</sup> California Labor Law Digest 2014, pg. 885.

employees are not counted.<sup>176</sup> Project employees in broadcasting or motion picture industries, certain on-site occupations or employees in construction, drilling, logging and mining industries<sup>177</sup> may be excluded if they were hired with the understanding that their employment is limited to the duration of a particular project.<sup>178</sup>

The federal WARN Act covers private, for-profit employers as well as private, non-profit employers. Also public and quasi-public entities that operate in a commercial context and are separately organized from the regular government are covered. Regular federal, state, and local government entities that provide public services are not covered<sup>179</sup>.

Sometimes the definition of employer for WARN purposes may be somewhat complicated. The Department of Labor guides in its regulations that independent contractors shall be treated as separate employers if they are independent from contracting company. In addition, wholly or partially owned subsidiaries shall be treated as separate employers where they are independent from a parent company. For instance, an independent organization that provides personnel to a WARN covered employer as an independent contractor shall be considered separate from that employer if it is not owned by the said employer, does not have the same directors or officers, is not controlled by the said employer and has its own personnel policies and is by all means independent from the said employer.<sup>180</sup> On the other hand, joint employment rules may apply to some cases<sup>181</sup>. The Department of Labor clarifies in its regulations that an employer who has several plants throughout the country, is considered one employer for WARN purposes even if each plant would be considered a separate site of employment<sup>182</sup>.

Employers not covered by the WARN may administer terminations without WARN notice requirements complying with provisions of employment contracts, collective agreements, anti-discrimination law and any other requirements they may be subject to. For the WARN covered employers, the trigger requirement for the WARN notice is

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<sup>176</sup> The application requirement of the federal WARN Act is 100 or more employees excluding any part-time employees who have worked less than six months during the period of last 12 months. Also employees working less than 20 hours a week are not counted towards the requirement. WARN Act also applies to employers who employ 100 or more employees who work together at least 4000 hours per week.

<sup>177</sup> Wage Orders 11,12,16.

<sup>178</sup> California Labor Law Digest 2014, pg. 884-885,

<sup>179</sup> The Worker Retraining and Notification Act, a Guide to Advance Notice of Closings and Layoffs.

<sup>180</sup> Simmons 2006, pg. 4.

<sup>181</sup> In *United Paperworkers Int'l Union, AFC-CIO, CLC v. Alden Corrugated Container Corp.* (D. Mass. 1995) three nominally separate employer's, Alden, Bates and Alden Holdings constituted a single employer.

<sup>182</sup> Simmons 2006, pg. 5. In *Childress v. Darby Lumber, Inc.* the Darby Lumber and its wholly owned subsidiary, Bob Russell Construction, Inc., constituted a single employer.

subject to separate testing and in general, the requirements under the federal WARN Act are looser than under the Cal-WARN Act.

## 7.2 Employment loss

Employment loss is one of the key terms related to workforce reductions and WARN procedure. Employment loss means any other termination of employment but termination for cause, voluntary departure or retirement. A temporary layoff exceeding six months is also considered a loss of employment. In addition to layoff, also reduction in employee's work hours by more than 50 % each month in a consecutive six-month period is considered loss of employment<sup>183</sup>.

Loss of employment in relation to transfer of employees to an affiliate or transfer of employees to a sub-contractor remains a potentially troublesome WARN Act issue for employers<sup>184</sup>. In *New Orleans Clerks & Checkers Local 1497 v. Ryan-Walsh, Inc.* the court ruled that there was no actual employment loss because the longshoremen continued to work on the same jobs despite the change of the employer identity. On the other hand the employer was held liable for WARN damages in *Kalwaytis v. Preferred Meal Sys., Inc.* when it outsourced plant operations, even if the sub-contractor hired enough of the plant employees to have precluded the mass layoff.

Sometimes in a situation of termination or temporary layoff employment loss does not occur. This may happen if the employee is reassigned or transferred to employer-sponsored programs (job training or job search activities), as long as it does not constitute a constructive discharge<sup>185</sup> or other involuntary termination. Employees who are assigned a temporary layoff, for a period expected not to exceed six months are not considered to have suffered loss of employment. Sometimes the temporary layoff may be extended, and the date of commencement of the temporary layoff is in these situations considered to be the date of the original temporary layoff. It appears that the extension of a temporary layoff may cause a loss of employment and the WARN notice requirement may be triggered retroactively, unless the extension of the temporary layoff results from unforeseeable business circumstances.<sup>186</sup>

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<sup>183</sup> 29 U.S.C. § 2101(a)(2)(8).

<sup>184</sup> Lipsig, Dollarhide, Seifert 2011, pg. 10-32.

<sup>185</sup> Constructive discharge exists when an employer creates intolerable working conditions that could compel a reasonable employee to quit. California Labor Law 2014, pg. 762.

<sup>186</sup> Lipsig, Dollarhide, Seifert 2011, pg. 10-37.



### 7.3 Plant closure

Employees in California are protected in an event of plant closure by the federal WARN Act. The Plant closing for WARN purposes means a shutdown of a single site of employment<sup>187</sup> or one or more facilities<sup>188</sup> or operating units<sup>189</sup> within a single site of employment, if the shutdown results in loss of employment for 50 or more employees during any 30-day period<sup>190</sup>. Shutdown by definition does not necessarily mean that all the employees in a single site of employment are terminated. It means ceasing the production and stopping the work the unit performs even if some employees are allowed to continue to work<sup>191</sup>. In order for employer to be able to determine if the loss of employment is 50 or more employees, employer only counts full-time employees, not part-time employees<sup>192</sup>.

Should the parent-company order a reduction in workforce in its subsidiary, it will be held liable for the subsidiary's obligation of complying with the WARN 60-day notice requirement. If the personnel management services are outsourced, the company providing those services will not be held liable for giving the 60-day notice.<sup>193</sup> The decision-maker seems to be in a key position regarding the liability related to the WARN notice requirements.

### 7.4 Mass layoff

California employees are protected in the event of mass layoff by both, state law and federal law. The definition of mass layoff is somewhat different in the federal WARN Act and in the Cal-WARN Act. The federal law definition of mass layoff is more restrictive than California definition. Under the federal law, a mass layoff means a reduction in force that does not result from a plant closing and that results in an employment loss at a single site of employment during any 30-day period. The

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<sup>187</sup> Single site of employment for WARN purposes means either a single location or a group of contiguous locations. Lipsig, Dollarhide, Seifert 2012, pg. 10-44.

<sup>188</sup> Facility for WARN purposes means building or buildings. Lipsig, Dollarhide, Seifert 2011, pg. 10-41.

<sup>189</sup> Operating unit for WARN purposes means an organizationally or operationally distinct product, operation or specific work function withing or across facilities at the single site. Lipsig, Dollarhide, Seifert 2011, pg. 10-42.

<sup>190</sup> California Labor Law Digest 2014, pg. 886.

<sup>191</sup> 29 C.F.R. §639(3)(b).

<sup>192</sup> Part-time for this purpose means employee who has worked less than six of the last 12 months or employee who work an average less than 20 hours a week for that employer. It is important to notice that even if the part-time employees do not count towards the employment loss trigger, they will be entitled to the 60-day notice in case the notice requirement is triggered.

<sup>193</sup> California Labor Law Digest 2014, pg. 886.

qualifying employment loss should be of 1.) at least 33 % and at least 50 of more active employees or 2.) at least 500 active employees<sup>194</sup>.

The Department of Labor has defined that active employees mean employees currently on the pay roll and in pay status as of the time of the mass layoff which means that the employees on unpaid leaves are not counted towards the requirement<sup>195</sup>. The exact wording of the federal WARN Act<sup>196</sup> does not use the term active employees but excludes part-time employees from the counting requirement. The California definition of a mass layoff is 50 or more employees, either full-time or part-time, being laid off during any 30-day period. In order to trigger the WARN requirements, these employees would have had to be employed by the same employer at least 6 of the previous 12 months before the date on which the WARN notice would be required.<sup>197</sup>

## 7.5 Termination and relocation

For WARN purposes termination means the *cessation or substantial cessation of industrial or commercial operations*<sup>198</sup>. On the other hand, the law does not describe what are the specific requirements for cessation or substantial cessation, but it is left for courts to decide. Under the California law, termination triggers 60-day notice.

The California law defines that relocation is a *removal of all or substantially all industrial or commercial operations to a location that is 100 miles or more away*<sup>199</sup>. Under the state law 60-day notice is always required from the covered employers in connection with relocation<sup>200</sup>.

Under the federal law, relocation notice is not always required. In federal law relocation is a transfer of all or part of an employer's business to a different site and that transfer results in plant closure or mass layoff<sup>201</sup>. Basically the relocation is reconnected back to two other WARN trigger requirements stated under the federal law. The notice of a relocation is not required if the employer offers to transfer all the employees to a new site. Additionally, the new site should be within reasonable commuting distance and there should be no more than a six-month break in employment. Also, if the

<sup>194</sup> The Worker Adjustment and Notification Act, a Guide to Advance Notice and Layoffs.

<sup>195</sup> Lipsig, Dollarhide, Seifert 2011, pg. 10-32.

<sup>196</sup> 29 U.S.C. § 2101(a)(3).

<sup>197</sup> California Labor Law Digest 2014, pg. 886-887.

<sup>198</sup> Cal Lab Code § 1400(f).

<sup>199</sup> Cal Lab Code § 1400(e).

<sup>200</sup> Cal Lab Code § 1401.

<sup>201</sup> 29 C.F.R. § 639.3(f)(4).

employer offers to transfer employees to a new site anywhere and employees accept the offer, the employer is not required to give a 60-day notice.<sup>202</sup>

## 7.6 WARN notice requirements

### 7.6.1 Notice period and recipients

The WARN notice is the employer's notice 60 days before the qualifying event. WARN notice period will run concurrently with any other notice periods required<sup>203</sup> and the WARN notice needs to be given in writing<sup>204</sup>.

Under the California state law, all affected employees need to be notified individually and under the federal law, employers must, in a unionized environment, notify representatives of the affected unionized employees. As a consequence, in California, it is mandatory for the employer to inform the union representatives as well as the affected employees<sup>205</sup> both. The affected employees may be either full-time employees or part-time employees<sup>206</sup>. The other recipients of the WARN notice are the same under the California law and the federal law. They include the dislocated worker unit in Workforce Services Branch of the Employment Development Department (EDD), local workforce investment boards<sup>207</sup> as well as chief elected city and county officials within whose boundaries the mass layoff, termination of relocation is to occur<sup>208</sup>.

The WARN notice provides valuable information to several different stake-holders that provide rapid response services during plant closing or a layoff. The WARN notice data as well as other layoff related information is used by stakeholders in multiple different ways; for example for making fund allocation decisions, evaluating training needs for re-employment services, assisting individuals with job search and planning or implementing economic development programs.<sup>209</sup>

<sup>202</sup> 29 C.F.R. § 639.3(f) (3).

<sup>203</sup> Additional notice period requirements may arise for example from employment contract or from local law. Guide to Employment Law Compliance 2010, pg. 13-41. Also collective bargaining agreements may contain provisions regarding the notifications to the unions representing employees, as well as provisions regarding bargaining about the effects of the layoff. Notestine 2013, pg. 25.

<sup>204</sup> Kulka Browne, Reiter Brody 2013, pg. 9.03.

<sup>205</sup> 29 U.S.C. § 2101(a) (5).

<sup>206</sup> Even if part-time employees are not always counted when determining the size of the layoff they are entitled to WARN notice. California Labor Law Digest 2014, pg. 888.

<sup>207</sup> Local Workforce Investment Area (LWIA). The EDD provides assistance in finding the applicable contact (California labor law digest 2014, pg. 890).

<sup>208</sup> 29 U.S.C. § 2012(a); Cal Lab Code § 1401.

<sup>209</sup> Needs and alternatives for Plant Closing and Layoff Statistics 2000, pg. 15.

### 7.6.2 *Affected employees for WARN notice purposes*

Under the federal law, affected employee is any employee who was not employed on temporary basis and may reasonably expect to experience employment loss. This means that also the employees who have been on temporary layoff might be entitled to notice, if there is a reasonable expectation that they might be recalled<sup>210</sup>. The federal appeals court ruled in *Kildea v. Electro-wire Products, Inc.*<sup>211</sup> that the employer should have given the 60-day notice also to the employees who were already laid off at the time of the WARN covered plant closing. It had been a common practice to lay off employees and then recall them when the work flow picked up. The employees had also been allowed to keep their seniority status when they returned to work. The court reasoned that these employees had a reasonable expectation of being recalled and that therefore the employer should have given them the 60-day notice before the plant closure. As a penalty, the court ruled that the affected employees would be entitled to 60 days' back pay. Anyhow, the court also considered the employer's good faith belief that the notice was not required and reduced the penalty as a result. Similarly, in *Graphic Communications International Union, Local 31-N v. Quebecor Printing (USA) Corporation*<sup>212</sup>, the employees were considered aggrieved employees<sup>213</sup> and the employer did not satisfy the WARN notice requirement. Quebecor employees had received a WARN notice in September 1998 and they were already laid off prior to the permanent shutdown and plant closure in December 16, 1998 and did not expect to return to work for some extended period of time. However, the court stated that whether one is an affected employee to whom 60-day notice must be given is, a function solely of whether the employee has suffered, or reasonably may expect to suffer, an employment loss. The Quebecor employees alleged that they suffered an employment loss as a consequence of their permanent termination on December 16, 1998. The court ruled that the Quebecor employees suffered an employment loss as a result of the December 16, 1998 permanent closing of the Glen Burnie plant, for which Quebecor failed to provide 60-day notice as required by the WARN Act.

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<sup>210</sup> California Labor Law Digest 2014, pg. 888.

<sup>211</sup> *Kildea v. Electro-Wire Products, Inc.* (6th Cir 1998).

<sup>212</sup> *Graphic Communications International Union, Local 31-N v. Quebecor Printing (USA) Corporation* (4th Cir. 2001).

<sup>213</sup> 29 U.S.C. §2104 (a)(7).

### 7.6.3 *Notice contents*

Under both federal and California law the WARN notice needs to be specific and there are clear guidelines for what the notice to the affected employees must include. The notice needs to specify if the planned action is expected to be temporary or permanent. A separate statement needs to be included if the entire plant is to be closed. The expected date and time when the layoff will commence and when the individual employee will be separated as well as indication whether bumping rights<sup>214</sup> exist is to be included in the notice. In California it is possible to include a provision protecting senior employees in the WARN notice. This protection mechanism is called bumping right and it means that an employee whose position is terminated and who has been employed longer replaces an employee in a similar position who has been employed for a shorter period of time. The less senior employee will be terminated. The decision whether the bumping right exists, should also include a decision whether the employees in other facilities could be bumped or not.<sup>215</sup> Also the name and telephone number of the company official who would be the point of contact for further information is mandatory to include in the notice.<sup>216</sup> It is possible to include additional information to the WARN notice. For example, if the planned action is temporary, the estimated duration could be included as additional information<sup>217</sup>. It is also important to notice that sometimes the additional information may trigger requirement for additional recipients of the WARN notice. When the bumping rights exist, the employee, who will be terminated instead of the more senior employee, has a right to WARN notice.

The requirements for the WARN notice to unions, to local government officials and to the state differ in contents from the notice requirements for affected employees. The WARN notice to the union is more comprehensive than the notice to the individual employees. The notice to the union should include additional information as follows; 1.) the name and address of the affected employment site, 2.) the expected date of the first separation as well as the anticipated schedule for making separations and 3.) the job titles of positions to be affected and the names of the employees holding the affected jobs<sup>218</sup>. The notice to the local government officials should include the same information as the notice to the unions includes and in addition, the name of each union representing affected employees as well as name and address of the chief elected officer of each union needs to be included. The requirements for the WARN notice for the state dislocated worker unit should include overall the same information.

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<sup>214</sup> California Labor Law Digest 2014, pg. 889.

<sup>215</sup> California Labor Law Digest 2014, pg. 889.

<sup>216</sup> 29 C.F.R. § 639.7(d); Cal Lab Code § 1401(b).

<sup>217</sup> California Labor Law Digest 2014, pg. 889.

<sup>218</sup> 29 C.F.R. § 639.7(c).

The federal law offers employers a chance to give somewhat simplified notice<sup>219</sup> to local government officials and to state dislocated worker unit and to have the complementing information available on site. This alternative may be available also under the state law since the state law requires the same notices as the federal law. All in all, the WARN notice requirements are somewhat different for different groups of recipients. In order to comply with all the requirements, an employer could use the same notice for several different groups other than affected employees. Since additional information can be provided in the notice this could simplify the process for the employer.

## 7.7 Exceptions and exemptions to the WARN notice requirement

### 7.7.1 *Faltering business exception*

Both Cal-WARN Act and federal WARN Act have some exceptions and exemptions to the WARN notice requirement. The exemptions are very specific and somewhat different in the federal and the California law.

Both federal and California law protect a faltering company that is trying to stay in business and is seeking capital or business. Aforementioned employer may be allowed to shorten the 60-day notice requirement if it is able to fulfill four requirements. 1.) The employer must be *actively seeking capital or business* still at the time when the 60-day notice would be required. 2.) The *opportunity to obtain financing or business* must be *realistic*. 3.) The employer carries a burden to show that the financing or business sought would enable the employer to *avoid or postpone the shutdown* for what is a reasonable period of time. 4.) It needs to be demonstrated that the employer in *good faith* believes that giving the 60-day notice would prevent the employer from obtaining the financing or business sought.<sup>220</sup>

The California law differs from the federal law regarding the faltering business exception. California law does not allow exception if the employer is seeking a buyer for its business but fails to demonstrate that the reason for this action is to keep business afloat<sup>221</sup>.

<sup>219</sup> Simplified written notice would state name and address of the employment site in question, the name and telephone number of a company official to contact for further information, the expected date of the first separation as well as number of affected employees. 29 C.F.R. § 639.7(f).

<sup>220</sup> 29 C.F.R § 639.9(a); Cal Lab Code § 1402.5

<sup>221</sup> California Labor Law Digest 2014, pg. 892.

### 7.7.2 *Sale of business exception*

The sale of business alone does not trigger the WARN 60-day notice requirement. The general rule is that the WARN notice is not required if there is no actual loss of employment<sup>222</sup>. In *International Alliance of Theatrical and Stage Employees and Moving Picture Machine Operators, AFL-CIO v. Compact Video Services, Inc.*<sup>223</sup> the court ruled that the WARN notice was not required because there was no qualifying loss of employment. Compact Video Services, Inc. sold its assets to ATS Acquisition Company and sent a letter to its employees encouraging them to apply for employment with ATS. All but five of the Compact's employees were informed by ATS that they would be retained and those retained employees did not miss a day of work due to the transition. The Ninth Circuit Court of Appeals held that there was no compensable employment loss, the sale of business did not trigger the WARN notice requirement since only five employees were not retained by ATS.

Sometimes the sale of business may trigger the notice requirement. In *Phason v. Meridian Rail Corp.*<sup>224</sup> the employer did not give a 60-day notice to its employees but informed them about the impending sale of the business to NAE Nortrak and recommended that the employees will apply for jobs from the new owner. NAE Nortrak ended up employing all but 40 to 45 affected employees. Meridian Rail Corp. reasoned that they did not need to give the notice since less than 50 jobs were lost. The court ruled that Meridian Rail Corp. would have needed to give a 60-day notice no matter how soon the employees might find a new employment. In this case the WARN notice requirement was triggered because of the 8-day delay between the terminations and the sales transaction<sup>225</sup>. The employees were considered to have suffered a loss of employment and the termination was treated as a plant closing.

### 7.7.3 *Unforeseeable or extreme circumstances*

Case *Loahrer v. McDonnell Douglas Corporation* is an example of the unforeseeable business circumstances exception to the notice requirement. The federal WARN Act expressly states that employer may order a plant closing or mass layoff before the conclusion of the 60-day period if the closing or mass layoff is caused by business circumstances that were not reasonably foreseeable as of the time that notice would

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<sup>222</sup> California Labor Law Digest 2014, pg. 889.

<sup>223</sup> *International Alliance of Theatrical and Stage Employees and Moving Picture Machine Operators, AFL-CIO v. Compact Video Services, Inc.* 50F.3d 1464 (9th Cir. 1995).

<sup>224</sup> *Phason v. Meridian Rail Corp.* (7th Cir. 2007).

<sup>225</sup> *Marnin* 2007.

have been required<sup>226</sup>. In the discussion section of the *Loahrer v McDonnell Douglas Corporation* judgment it is stated that the Department of Labor has not presented a list of the qualifying reasons for the unforeseeable business circumstances exception but has indicated that the exception should be considered case by case<sup>227</sup>.

WARN notice is not required in extreme situations. Physical calamity and act of war<sup>228</sup> would qualify as reasons for exemption from notice requirement and similarly, a natural disaster<sup>229</sup> would qualify for a shortened notice period.

#### **7.7.4 Other exceptions and exemptions**

The Cal-WARN Act takes into account seasonality and the temporary nature of employment as reasons for failure to give the WARN notice. The Cal-WARN Act does not apply when closing or layoff is a result of a completion of a particular project or undertaking of an employer in motion picture industry or construction, drilling, logging and mining industries<sup>230</sup> whose employees were hired with understanding that their employment was limited to the length of the a specific project<sup>231</sup>. Further on, the notice requirements do not apply to seasonal employees who were hired with the understanding that their employment is seasonal or temporary<sup>232</sup>.

The federal WARN Act provides exception for good-faith omission. This means that a court has the discretion to reduce the amount of any liability or penalty if the employer can prove that it failed to give the notice in good faith and reasonably believed it did not violate the law<sup>233</sup>.

The federal WARN Act extends exemption from the notice requirement to employers who try to avoid loss of employment by offering to transfer employees to a

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<sup>226</sup> U.S.C. § 2102(b)(2)(a).

<sup>227</sup> An unforeseeable business circumstance is caused by some sudden, dramatic and unexpected action or condition that is outside the employer's control. For example a principal client's unexpected termination or cancellation of a major contract may be considered a business circumstance that is not reasonably foreseeable. *Loehrer v. McDonnell Douglas Corporation* (8th Cir. 1996).

<sup>228</sup> Cal Lab Code § 1401(c).

<sup>229</sup> 29 U.S.C. § 2103; 20 C.F.R. § 639.9.

<sup>230</sup> Employers who are subject to Wage Orders 11, 12 and 16.

<sup>231</sup> Cal Lab Code § 1400(g).

<sup>232</sup> Cal Lab Code § 1400(g)(2).

<sup>233</sup> California Labor Law Digest 2014, pg. 894; 29 U.S.C. § 2104(a)(4). In *Childress v. Darby Lumber, Inc.* the WARN notice exception was denied. The employer argued it was qualified for three different exceptions; good-faith exception, business circumstances exception as well as faltering company exception. All the exceptions were denied. Ignorance of the WARN regulation was not considered to meet the good-faith exception. The business circumstances exception was denied since the court had a different interpretation on the grounds for the closing. The faltering company exception was denied in lack of evidence.



different site located within a reasonable commuting distance<sup>234</sup>. Exemption is also granted by the federal law when closing or layoff constitutes a strike or lockout not intended to evade the notice requirement<sup>235</sup>. Yet another, very detailed, exclusion provided under the federal law is the exclusion for the recognized Indian tribal governments<sup>236</sup>.

## **7.8 Work sharing as an alternative for layoff**

Employer could, and is encouraged to, consider alternatives for layoff. Work Sharing Program<sup>237</sup> created by the California Employment Development Department (EDD) aims at helping employers to avoid mass layoffs by letting them share the available work among employees.

The employer using work sharing will be able to cut down costs and the employee can avoid the hardship of full unemployment<sup>238</sup>. Employer attending a worksharing program continues to provide some work for all employees and maintains the employment relationship with the workforce.<sup>239</sup> The Work Sharing Program was first established in California in 1978<sup>240</sup> and it has been actively developed further. The most recent changes to the program were made in 2014 and they increase the protection provided for the employees under the Work Sharing Program<sup>241</sup>.

The Work Sharing Program cannot be used as a transition to a layoff<sup>242</sup> which suggests it could not be implemented during the WARN 60-day notice period. It may, however, give the faltering employer a chance to continue its operations and try to overcome financial issues that may be leading to mass layoffs.

## **7.9 Other considerations related to layoff decision and process**

An employer planning to implement a reduction in workforce could face legal challenges and there are certain measures the employer could take in order to minimize the risk of unlawful terminations. If the employer comes to a conclusion that layoffs are

<sup>234</sup> 29 U.S.C. § 2101(b)(2); 20 C.F.R. 639.5.

<sup>235</sup> 29 U.S.C. § 2103(2).

<sup>236</sup> 29 U.S.C. § 2101(a); 20 C.F.R. § 639.3.

<sup>237</sup> Cal Unemp Ins Code § 1279.5.

<sup>238</sup> Guide for Work Sharing Employers pg. 2.

<sup>239</sup> California Labor Law Digest 2014, pg. 880.

<sup>240</sup> Fact Sheet: Work Sharing Unemployment Insurance Program pg. 1.

<sup>241</sup> Work Sharing Programs 2014.

<sup>242</sup> Work Sharing Programs 2014.

inevitable, the employer's focus should be on the business rationale behind the termination decision as well as on selection of the employees to be terminated. While California is generally a territory of at-will employment, the business rationale for the terminations may still be defined because defining such rationale may protect employer in the event of litigation. In case the business rationale is defined, it needs to be legitimate and it may include for example following grounds 1) *financial losses*, 2) *excessive operating costs* or 3) *loss of customers, market share or a portion of the business*. The terminating employer needs to be prepared to show how the company would likely perform if the terminations would take place, and how the company would fail to perform if the terminations would not be conducted.<sup>243</sup>

The employer's focus on developing the selection method for choosing the employees to be terminated needs to be in preventing discrimination. Legitimate and non-discriminatory selection criteria takes into consideration all the contractual and statutory requirements employer is bound by. The selection criteria should take into account for example job security provisions in employment contracts, pending employment litigation or other protected activity, collective agreements, employee handbooks as well as oral promises given to employees.<sup>244</sup> For example in *Rodolico v. Unisys Corp.*<sup>245</sup> the collective agreement provided for how the seniority among employees should have been determined in the event of termination. Acceptable selection criteria could include factors such as results of lottery, poor or marginal performance, skills, value to the organization, knowledge or experience and versatility. In order to avoid discriminatory termination decisions, the criteria should not include factors like age, salary levels or benefits eligibility.<sup>246</sup>

When the selection criteria are defined and the employer has defined the employees who would be terminated, the results of the selection process should be reviewed by the employer in order to confirm all the selections are legitimate and supported by necessary documentation<sup>247</sup>. The employer could increase transparency of its decision making process by decentralizing the actual termination decisions. In ensuring a that the reductions will be lawful, the employer should also assess the impact of the selection criteria on protected classes. Protected classes include, but are not limited to, race, national origin, gender, age and disability. Also, employees who are pregnant or on leave<sup>248</sup>, whistleblowers, and employees who have recently come up with a discrimination complaint or attended some other protected activity are considered to be

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<sup>243</sup> Kulka Browne, Reiter Brody 2013, pg. 9-46.

<sup>244</sup> Kulka Browne, Reiter Brody 2013, pg. 9-48.

<sup>245</sup> *Rodolico v. Unisys Corp.* (E.D. New York 2001).

<sup>246</sup> Kulka Browne, Reiter Brody 2013. pg. 9-49.

<sup>247</sup> The necessary documentation could include for example performance evaluations documents that have been updated accordant to the reduction criteria.

<sup>248</sup> For example FMLA family and medical leave.

protected employees.<sup>249</sup> Maintaining up-to-date employee files becomes useful for an employer who is planning to reduce personnel. An employer may increase self-protection in situations of reduction in force by making sure that there is no accidental pattern of terminating for example all those employees who have indicated alleged harassment or discrimination in their discussions with human resources management or with their supervisors.

Regarding the communication of the termination decision to the affected employees, the WARN does not require a personal delivery of the 60-day notice<sup>250</sup>. If an employer decides to deliver the 60-day notice personally for all employees, there are some best practices the employer may want to follow in order to protect itself from claims and litigation. Such practices include for example that at least two company representatives are present when communicating the termination decision to the affected employee. Also creating a memorandum of the termination meeting would protect the employer. Communication to the affected employee should only include facts regarding the termination decision.<sup>251</sup> Documenting each step of the selection and termination process adds transparency to the process and aids the employer in making lawful termination decisions.

## **7.10 Employer's obligations after the termination and sanctions for violation of law**

The law in California does not provide employer with obligations after the notice requirements are fulfilled, employee is terminated and all the required payments are taken care of. No rehire obligation exists and there is no guidance on whether the employer should give priority to laid off employees when rehiring. The employer could specify in the layoff policy what the employer's rehire policy is. For employer's protection any such statement should notify that the ultimate discretion to rehire an employee rests with the employer and that there will be no guaranteed rehire.<sup>252</sup>

Employers who fail to give a WARN notice are liable to each affected employee for back pay and benefits for every day that the notice was required but was not provided. According to California Labor Code<sup>253</sup> the liability is calculated for the period of the employer's violation and is up to maximum of 60 days or half of the number of days the employee was employed by the employer, whichever period is smaller. The courts have

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<sup>249</sup> Kulka Browne, Reiter Brody 2013, pg. 9-50.

<sup>250</sup> California Labor Law Digest 2014, pg. 889.

<sup>251</sup> Kulka Browne, Reiter Brody 2013, pg. 9-52, 9-53.

<sup>252</sup> California Labor Law Digest 2014, pg. 881.

<sup>253</sup> Cal Lab Code § 1402(b).

held that the liability concerns the number of workdays included in the 60 calendar day notice period<sup>254</sup>. Each aggrieved employee who suffers a WARN qualifying loss of employment is entitled to back pay and benefits under the employee benefits plan described in the ERISA<sup>255</sup>. Also, court may allow the prevailing party for reasonable attorney's fees<sup>256</sup>. There are several factors that count towards reducing the employer's liability for back pay and benefits; such as wages, voluntary payments or benefit payments made during the period of violation<sup>257</sup>. The employer faces another liability if failing to notify the local government. Such employer is liable for a penalty of up to 500 US dollars a day. This penalty does not apply if the terminating employer pays all the aggrieved employees what is owed them within three weeks after the layoff.<sup>258</sup>

Under the Cal-WARN Act the employee who seeks to establish employer's liability for WARN violation may bring a civil action in any court of competent jurisdiction<sup>259</sup>. The Federal WARN Act is enforced in the federal district courts. A lawsuit may be filed in the federal district court of the district where the alleged violation occurs or any other district where the employer conducts business.<sup>260</sup>

Violation of anti-discrimination statutes when selecting the employees to be terminated may constitute a wrongful termination and the employer may be subject to compensatory and punitive damages<sup>261</sup>. Sometimes, a wrongfully terminated employee may be required to be reinstated if the position is still available. Other remedies may include compensation for the cost of the lawsuit.<sup>262</sup> The risk of wrongful termination may be high in situations when all the employer's operations are not ceasing or the whole plant or business unit is not closing and only a part of the employer's workforce is terminated. In those situations employer's selection process of the employees to be terminated becomes increasingly important.

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<sup>254</sup> Guide to Employment Law Compliance 2010, pg. 13-40.

<sup>255</sup> Simmons 2006, pg. 26; 29 U.S.C. § 1002(3).

<sup>256</sup> WARN Advisor.

<sup>257</sup> Cal Lab Code § 1402(c)(1-3).

<sup>258</sup> Cal Lab Code § 1403.

<sup>259</sup> Cal Lab Code § 1404.

<sup>260</sup> The Worker Adjustment and Retraining Notification Act. A Guide to Advance Notice of Closings and Layoffs. Fact Sheet.

<sup>261</sup> Cal Civ Code § 3294(a). Exclusion for breach of contract termination.

<sup>262</sup> Lo 2013.

## 8 COLLECTIVE REDUNDANCIES IN FINLAND

### 8.1 Financial and production related grounds for termination

The Employment Contracts Act 7:1 § and 7:3-4 § form a body for the pre-requisites for termination of employment on financial or production related grounds.<sup>263</sup> One of these sections, 7:3 §, specifically addresses the collective, financial and production related, grounds for termination<sup>264</sup>. According to this provision, employer is allowed to terminate an employment contract when the work to be offered has diminished substantially and permanently for financial or production related reasons or for reasons arising from reorganization of the employer's operations. According to the same section, the employment contract cannot be terminated though if the employee can be placed in or trained for other duties, as described in 7:4 §. At the same time, it is important to consider whether the reason for termination is proper and weighty, as required under the Employment Contracts Act 7:1 §. All these conditions need to be fulfilled at the same time and be still valid on the day of the termination<sup>265</sup>.

The Employment Contracts Act 7:3 § specifically brings up two situations when an employer is not allowed to dismiss an employee on collective grounds. If an employer whose conditions have not changed hires a new employee into the same or a substantially similar position before or after terminating an employee, the said employer is not considered to have fulfilled the requirements of termination on collective grounds. Another specific exemption to employer's right to terminate employment on collective grounds is the reorganization of operations that does not result in actual reduction of work. On the other hand, the employer basically has a decision making right of the usage of resources.

When an employer identifies a need to take action for financial or production related reasons or desires to arrange its operations differently and collective dismissals could follow, consideration needs to take place whether the collective redundancies would be allowed under the Employment Contracts Act 7:3 §. Employer is also instead of terminating an employee, allowed to change the terms of an employment contract<sup>266</sup> if

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<sup>263</sup> Valkonen 2006, pg. 802.

<sup>264</sup> Valkonen 2006, pg. 801.

<sup>265</sup> In case the amount of work that has diminished will increase again permanently prior to the end of the notice period, the employer is obligated to cancel the termination (Rautiainen, Äimälä 2007, pg. 264). The Supreme Court decision (KKO 1987:79) obligated the employer to make the employee whole regarding the loss of income the employee had experienced.

<sup>266</sup> Employment Contracts Act 7:12 §. Employer is allowed to change the employment relationship from full-time to part-time if collective grounds exist.

collective grounds for termination exist, or to lay off an employee temporarily<sup>267</sup> without ending the employment relationship.

In some specific situations an employer's right to terminate employees is extended<sup>268</sup>. These grounds for termination would be established by bankruptcy, employer's death<sup>269</sup> or a qualifying reorganization procedure<sup>270</sup>. In these situations, the employer additionally needs to fulfill the criteria of financial or production related grounds for termination<sup>271</sup>.

## 8.2 Prerequisite: amount of work diminished permanently

The financial and production related grounds for termination require that the amount of work to be offered is substantially diminished. Being substantially diminished depends on the context – the size of the company and the size of the customer base. Even a loss of one customer may cause the amount of work to substantially diminish, especially with smaller employers. The prerequisite for terminations under the financial and production related grounds is that the amount of work is diminished permanently. According to Kairinen<sup>272</sup> there are no specific timelines defined in the Employment Contracts Act for what is considered permanent. The minimal qualification could be the amount of time that consists of the notice period as well as of the 9-month long recall obligation period<sup>273</sup>. On the other hand, the change in the amount of work is always considered to be temporary if the change does not last significantly more than 90 days. According to Saarinen<sup>274</sup> the general rule is that the employer has the right to terminate the employee in case it can be estimated that the amount of work will be diminished for a period of 90 days or more. In practice, the employer has the right and the responsibility to anticipate whether the work has diminished permanently or temporarily<sup>275</sup>.

<sup>267</sup> Employment Contracts Act 5:1-2§

<sup>268</sup> Äimälä, Åström, Nyssölä 2012, pg. 175.

<sup>269</sup> Employment Contracts Act 7:8 §.

<sup>270</sup> Employment Contracts Act 7:7 §.

<sup>271</sup> Rautiainen, Äimälä 2001, pg. 246.

<sup>272</sup> Kairinen 2004, pg.317.

<sup>273</sup> For further information on notice period, see 8.6.6. For further information on employer's recall obligation period, see 8.8.

<sup>274</sup> Saarinen 1993, pg. 340.

<sup>275</sup> Kairinen 2004, pg. 317.

### 8.3 Triggering reasons that allow termination on collective grounds

When considering whether the collective grounds for termination are fulfilled, any one of the following reasons for termination alone is a qualifying reason: financial reason, production related reason or a reason related to reorganization of employer's operations<sup>276</sup>. The employer may decide to use only financial or production-related grounds, depending on which ones the employer would qualify for. However, often these grounds are used together<sup>277</sup>.

The financial reasons are valid when the termination would be caused by for example significant decrease in turnover or profitability and such decrease could with a valid reasoning be expected to last for a long period of time. The production related grounds could allow termination even if the turnover is not negative or reduced, but it could be challenging for the employer to prove that such grounds exist. In the Helsinki Court of Appeal decision from 2011<sup>278</sup> it is stated that employer has a right to define how it wants to arrange its operations. The reasons that are related to reorganization of operations could be similar to production related reasons. In general, production related reasons are related to changes in production operations. Reasons related to reorganization of operations could for example be associated with removal of overlapping functions<sup>279</sup>. Actions in plant closure situations, in connection with relocations or termination of operations or in mass layoff situations are all to be considered under the collective grounds.

In a Supreme Court decision from 2002<sup>280</sup> an employer was allowed to terminate employees on collective grounds even if the employing subsidiary was profitable. In this specific case the financial hardship, sale of business and removal of overlapping functions were present. The employer was reorganizing its operations. The employing subsidiary was part of a corporation that was in financial hardship, and in this case the whole corporation's situation was considered by the court to allow the sufficient grounds for termination. The key criterion in such consideration is the level of independence of the employer. The employer that has an independent legal status may still have shared functions and other significant connections with another company that is part of the same corporation. These joint functions and connections may include same executives, same officers in shared support functions, same human resources policies, joint payroll systems and services and operations in the same field of industry<sup>281</sup>.

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<sup>276</sup> Valkonen 2006, pg. 802.

<sup>277</sup> Parkkinen 2002, pg. 112.

<sup>278</sup> Helsingin Ho 24.2.2011 565.

<sup>279</sup> Kairinen 2004, pg. 315.

<sup>280</sup> KKO 2002:87.

<sup>281</sup> Kallio, Sädevirta 2010, pg. 52.

Employers considering collective dismissals under the financial and production related grounds are to follow somewhat different provisions and procedures depending on the size of the employer's workforce (FIGURE 3).

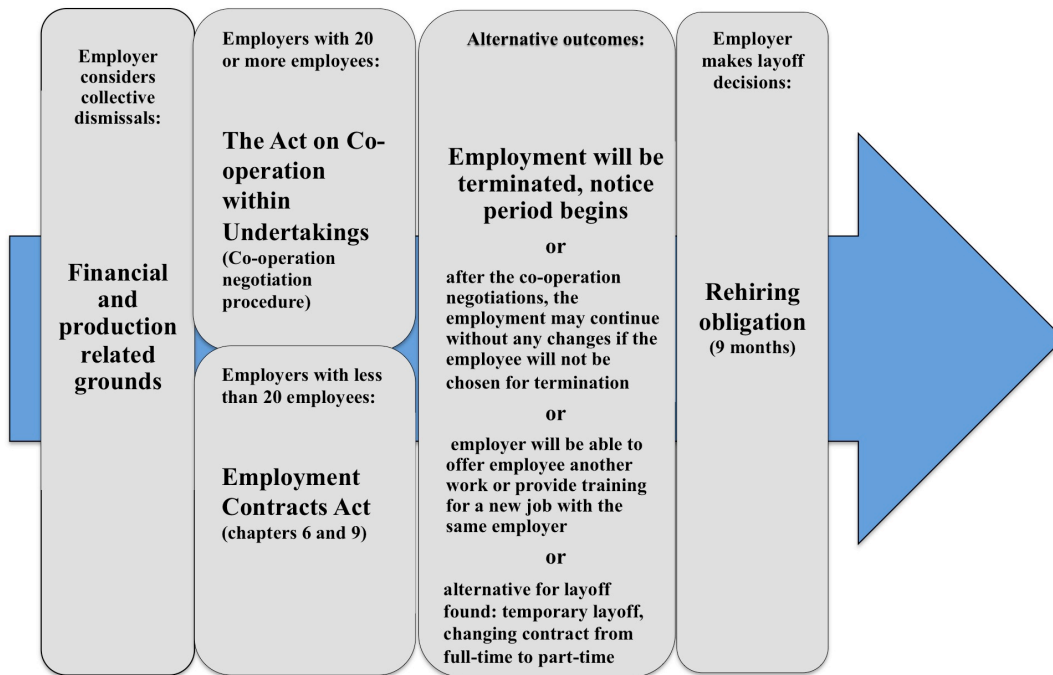


FIGURE 3 The key features of procedure and provisions related to collective redundancies in Finland. (Adapted from Hietala, Kahri, Kairinen, Kaivanto. 2006. pg. 336.)

Hietala, Kahri, Kairinen and Kaivanto demonstrate that the employer's duties depend on the size of the employer's workforce<sup>282</sup>. Terminations are one possible result of the process the employer needs to follow, but alternative outcomes are given lots of emphasis as part of the procedure. Terminating employer also has a rehire obligation of 9 months.

<sup>282</sup> Hietala, Kahri, Kairinen, Kaivanto 2006, pg. 336.



## 8.4 Collective redundancy in connection with reorganization of employer's operations and assignment of business

In Finland the employer has a right to relatively freely decide on the use of resources in its business, including for instance the amount and nature of the work done. The collective grounds for termination may be available for an employer even if the amount of work is not diminished prior to the terminations. This option is available when the employer is reorganizing its operations and needs to make adjustments in its workforce<sup>283</sup>.

In the Supreme Court decision from 1994<sup>284</sup> the employer was allowed to terminate an employee even if the amount of work had not diminished. The employer was reorganizing its operations in order to improve its unprofitable business. As a result, the duties of the terminated employee were shared by other employees. Any decision by the employer for reorganization of the operations may be the triggering event to cause such change in the amount of work that qualifies for the financial and production related grounds of termination<sup>285</sup>. That is to say that diminished amount of work may be a self-inflicted by an employer's decision or the decision may not end up in reduction in the amount of work at all. For instance outsourcing decision alone does not necessarily diminish the amount of work nor bring in any cost savings<sup>286</sup> to the employer but it may still allow the employer to terminate employment contracts on collective grounds. On the other hand, for example assignment of a business does not alone qualify as a reason for termination of employment on collective grounds<sup>287</sup>.

The definition of assignment of a business has a key role in deciding what kind of termination actions the employer is allowed to take and what grounds for termination may exist<sup>288</sup>. Assignment of a business means assignment of an enterprise, business, corporate body, foundation or an operative part to another employer if the business or part of it assigned remains initially the same or similar after the assignment<sup>289</sup>. The

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<sup>283</sup> Employment Contracts Act 7:3 § does not allow termination on collective grounds for an employer whose reorganizing actions would not result in a reduction of an amount of work. This could be read as an indication that an employer may in sometimes be allowed to terminate employees on collective grounds when reorganizing its operations, if the amount of work is reduced as a result of the employer's business decisions that lead to reorganizing and collective dismissals.

<sup>284</sup> KKO1994:17.

<sup>285</sup> Valkonen 2006, pg. 809.

<sup>286</sup> KKO 1977 II 98; TT 1982-168.

<sup>287</sup> Employment Contracts Act 7:5 §.

<sup>288</sup> The distinctive difference between assignment of an enterprise and a closing down of an enterprise and establishing a new enterprise defines whether the employees are automatically allowed to continue their employment. Some changes in the employer's operations could not possibly have any effect on employees and these changes are considered to be even less significant than assignment of an enterprise. (Rautiainen, Äimälä 2008, pg. 89.)

<sup>289</sup> Employment Contracts Act 1:10 §.

assignee may be able to terminate employees on collective grounds somewhat easier than an employer who does not have the need to adjust its operations in a role of an assignee<sup>290</sup>. Even if the assignee does not consider any terminations and there will be no other implications to the personnel in relation to the business transfer, the assignee has a responsibility to give information and engage in a dialogue with the employees regarding the business transfer<sup>291</sup>. According to Nieminen<sup>292</sup> the assigner and the assignee may also include in their agreement a job safety provision stating that there will be no reduction in force due to the business transfer by the assignee after the completion of the said business transfer. If an employment contract is terminated because the employee's working terms have substantially weakened as a result of an assignment of an enterprise, the employer<sup>293</sup> is considered to be responsible for the termination of the employment contract<sup>294</sup> even if it was the employee who terminated the contract for the aforementioned reason<sup>295</sup>.

## 8.5 Employer's obligation to offer work and provide training

The termination process related to financial and production related ground involves employer's obligation to offer work<sup>296</sup>. In an event of job loss the employer is obligated to offer another job for the employee whose work has diminished. The offered job should be equivalent to the employee's skills and similar to what has been agreed upon in the employment contract. If no such job is available, the employer would need to offer the employee any similar job the employee has had during the employment with the same employer. The employer's organizational structure is not necessarily considered a limitation when considering the employer's obligation to offer work<sup>297</sup>. In case the employer has other subsidiaries that belong to the same corporation or otherwise has the decision power and control over any other company, the employer is obligated to find out if it is possible to place the employee in any of these units. The definition of authority and control can be found for example in the Accounting Act<sup>298</sup>. Especially in large corporations that have subsidiaries abroad and employees with

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<sup>290</sup> Hirvonen, Tuomola, Tuominen 2007, pg. 96.

<sup>291</sup> Act on co-operation within Undertakings 41-42§. (In case the business transfer affects employees, the negotiation procedure will follow Act on Co-operation within Undertakings, chapter 6 or 8, dependent on the nature of the changes); Liukkonen. 2013, pg. 169.

<sup>292</sup> Nieminen 1994, pg. 144.

<sup>293</sup> The assignee's responsibility.

<sup>294</sup> Employment Contracts Act 7:6 §.

<sup>295</sup> Koskinen, Ullakonoja 2009, pg. 270.

<sup>296</sup> Employment Contracts Act 7:4.1 §.

<sup>297</sup> Nieminen 2000, pg. 222.

<sup>298</sup> Accounting Act (1336/1997) 1:5 §.

employment history of international assignments with the same employer, it could be natural that the employer would find out whether the foreign subsidiaries will be able to offer a job for an employee if the domestic units will not be able to do that.

When the collective grounds for termination concern the whole business of the employer, the employer is allowed to open all positions for applications and fill them with the best internal candidates. Replacing an employee with an outside applicant is not allowed in these situations.<sup>299</sup> Sometimes the employer may decide to offer the employee work that is outside employer's obligation to offer work. This means that the offered work is different from what is defined in the employer's obligation to offer work. If the employee decides to refuse to accept the work offered, even if it is offered voluntarily and is different from the employee's previous work, the refusal may influence the amount for compensation in the event of unlawful termination<sup>300</sup>.

The employer may be obligated to provide training<sup>301</sup> in order to place the employee in a new position for example when the employee already has the required education, basic skills or some experience related to the new position. The obligation to provide training is in general wider for the employees with a versatile skill-set than for the employees with a limited skill-set. When evaluating the employer's obligation to arrange training, practical and financial pre-requisites are to be taken into consideration. Generally, the employer is obligated to arrange training that can be considered typical, taking into account the restrictions and pre-requisites related to employer's business.<sup>302</sup>

## 8.6 Termination procedure

### 8.6.1 *Employer's duties to inform, negotiate and explain*

In connection with terminations on collective grounds, employer's obligations to share information and negotiate or explain will be fulfilled either by following the provisions of the Employment Contracts Act or the provisions of the Act on Co-operation within Undertakings. The size of the employer is a factor that defines which law the employer should follow in order to comply with the necessary requirements.<sup>303</sup> In reduction of personnel, the general rule is that an employer with 20 or more employees is to observe

<sup>299</sup> Kairinen, Koskinen, Nieminen, Valkonen 2002, pg. 711.

<sup>300</sup> Kairinen, Koskinen, Nieminen, Valkonen 2002, pg. 709.

<sup>301</sup> Employment Contracts Act 7:4.2 §.

<sup>302</sup> Kairinen 2004, pg. 325.

<sup>303</sup> Bruun, Koskull 2012, pg. 95.

the requirements provided under the Act on Co-operation within Undertakings and other employers are to observe the requirements of the Employment Contracts Act<sup>304</sup>.

Employers that are required under the Act of Co-operation within Undertakings to comply with the requirements set to co-operation under the same act, handle collective redundancies via co-operation negotiations procedure. This means that the terminations based on financial and production related grounds are handled in these businesses via the co-operation procedure. In the Act of Co-operation within Undertakings there are several provisions that are somewhat connected to collective redundancies. Focusing on terminations on financial and production-related grounds, the key chapters for the employers to consider are the ones concerning the co-operation procedure in reducing the use of personnel<sup>305</sup> as well as co-operation procedure in connection with a business transfer<sup>306</sup>. In addition, employers need to be aware of and comply with the section concerning the relation of the co-operation negotiations and the negotiation provisions of collective agreements<sup>307</sup>. The provisions of the collective agreements are prioritized if the employer or a shop steward representing the employees bound by the collective agreement, requires the matter to be handled as provided in the collective agreement. The employers also needs to consider the provisions regarding the undertaking's obligation to give information on its financial position<sup>308</sup> and principles of the use of temporary agency employees<sup>309</sup> as well as confidentiality provision<sup>310</sup>. The co-operation procedure does not apply to undertakings that have been declared bankrupt, are in liquidation or if the parties of a decedent's estate consider terminations under the Employment Contracts Act provision regarding the death of employer.<sup>311</sup>

The employers not covered by the Act on Co-operation within Undertakings follow the Employment Contracts Act provisions in collective redundancies. Employer's duty to explain<sup>312</sup> includes that prior to terminating employee's contract on collective grounds, the employer needs to inform such an employee about the 1.) grounds and alternatives for termination as well as 2.) services available from the Employment and Economic Development Office. In case the termination concerns more than one employee, the employer's explanation can be given to the representative of the employees or to all the affected employees jointly. At request of the employee, the employer also needs to inform the employee in writing and without delay about the date

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<sup>304</sup> Act on Co-operation within Undertakings 2 §.

<sup>305</sup> Act on Co-operation within Undertakings, Chapter 8.

<sup>306</sup> Act on Co-operation within Undertakings, Chapter 7.

<sup>307</sup> Act on Co-operation within Undertakings 58 §.

<sup>308</sup> Act on Co-operation within Undertakings 10 §.

<sup>309</sup> Act on Co-operation within Undertakings 17 §.

<sup>310</sup> Act on Co-operation within Undertakings 57 §.

<sup>311</sup> Scope of application, Act on Co-operation within Undertakings 44 §;  
Employment Contracts Act 9:3 §.

<sup>312</sup> Employment Contracts Act 9:3 §.

of the termination<sup>313</sup>. In some cases when terminating long-term employees, the employer is obligated to give notification to the Employment and Economic Development Office<sup>314</sup>. The notification requirement increases the transparency of employers actions. One of the overall objectives in the termination procedure is the employers support to the employee who is going to be terminated. This support includes helping the employee to establish a connection with the Employment and Economic Development Office.

### **8.6.2 Parties to the co-operation negotiations**

The attendants of the co-operation negotiations tend to vary based on how many employees the negotiations cover<sup>315</sup>. When the negotiations cover a large amount of employees, the negotiators are very typically the employer's representatives and the representatives of the employee groups. When considering actions concerning an individual employee (or some selected employees) the parties attending the co-operation negotiation may be the employee's supervisor and the employee. The employee may also request that the matter concerning her or him is to be handled between the employer and the employee's representative.<sup>316</sup>

When the co-operation negotiations concern reductions in personnel, the employer is also to involve the Employment and Economic Development Office by informing them about the commencement of the co-operation negotiations<sup>317</sup>. The Employment and Economic Development Office needs to be informed in writing, and at the latest on the date of the commencement of co-operation negotiations<sup>318</sup>.

### **8.6.3 Initiation of co-operation procedure in connection with business transfer**

The co-operation procedure in connection with a business transfer requires the qualifying employer to provide the affected employees some basic information of the upcoming transfer. This information includes *1.) time or the estimated time of transfer, 2.) reasons for transfer, 3.) legal, social and economic consequences to the employees*

<sup>313</sup> Employment Contracts Act 9:5 §.

<sup>314</sup> Employment Contracts Act 9:3a §.

<sup>315</sup> Hietala, Kaivanto 2007, pg 13.

<sup>316</sup> Act on Co-operation within Undertaking 46 §.

<sup>317</sup> Laatuinen, Savolainen, Äimälä 1997, pg. 85.

<sup>318</sup> Act on Co-operation within Undertakings 48 §.

as well as 4.) *the planned measures regarding the employees*<sup>319</sup>. This responsibility is divided between the transferer and the transferee so that the transferer is responsible for giving the employee representatives the initial information that the transferee then complements the information. The same requirements apply to mergers and divisions<sup>320</sup>. If a business transfer, merger or division of employer's operations would result in reduction in workforce, the employer is to continue the co-operation procedure according to what is required from an employer who are planning a reduction of personnel.<sup>321</sup>

#### **8.6.4 Initiation of co-operation procedure in connection with personnel reduction**

The co-operation procedure in reducing the use of personnel applies to covered employers<sup>322</sup> who consider measures that may lead to termination of employment. When an employer is allowed to terminate the employment on financial and production related grounds, it does not still always lead to termination of the employment contract but the employer needs to consider some alternatives as well. These options include temporary layoffs, reduced salaries<sup>323</sup>, change of the employment contract from full-time to part-time contract<sup>324</sup> or some other changes to the employment contract<sup>325</sup>.

The employer initiates co-operation negotiations procedure by issuing a written proposal for negotiations at least five days prior to commencement of the negotiations. The proposal should include at least the information on *when the negotiations are to begin as well as the outline of the agenda* of the topics to be handled in the negotiations.<sup>326</sup> When the employer is considering the to serve notice of termination, temporary layoff for over 90 days or reduce employment contract from full-time to part-time, it needs to attach additional information in the initial proposal for the negotiations. This additional information consists of *1.) the grounds for the intended measure, 2.) initial estimate of the amount of terminations or other aforementioned measures, 3.) report on the principles the employer will use for defining which employees shall be served the notice of termination as well as 4.) time estimate for the implementation of the said terminations or other aforementioned measures*. Information that has become available only after sending the initial proposal, needs to be provided at the latest in the

<sup>319</sup> Act on Co-operation within Undertakings 41.1 §.

<sup>320</sup> Act on Co-operation within Undertakings 43 §.

<sup>321</sup> Act on Co-operation within Undertakings 41.2-4 §.

<sup>322</sup> Employers covered under the Act on Co-operation within Undertakings.

<sup>323</sup> KKO 1997:83.

<sup>324</sup> Employment Contracts Act 7:11 §.

<sup>325</sup> Koskinen, Ullakonoja 2005, pg. 53.

<sup>326</sup> Act on Co-operation within Undertakings 45 §.

meeting that begins the co-operation negotiations. This requirement concerns actions with at least 10 affected employees.<sup>327</sup> If the duration of the employer's action is going to be less than 90 days, the employer has somewhat looser requirements for proving the additional information. The additional information does not need to be included as a written attachment of the initial proposal but may given orally, and provided in written format upon request from the employees concerned or from their representative.<sup>328</sup>

#### **8.6.5 *Employer's obligations during the co-operation procedure***

In the beginning of co-operation negotiations, an employer planning to terminate 10 or more employees, is to provide the employee representatives with a plan of action to promote employment. In preparation of the said plan, the employer is obligated to examine the public employment services supporting employment. This is to be done without delay and together with the authorities providing employment and business services. If the employer's termination actions are to influence less than 10 employees, the employer is allowed to present the employees with the plan in a simplified format; presenting the principles of the employer's support. In the beginning of the co-operation negotiations, the employer presents the principles of action as well as the information on employment services.<sup>329</sup> The principles of action explain how the employer will be supporting employees during the notice period when they are independently applying for work or searching for education or training.

The topics handled in the co-operation negotiations may concern for example the grounds for termination, estimated amount of employees to be terminated as well as selection criteria for the employees to be terminated. One of the objectives of the negotiations is to limit the number of people affected by reductions and to alleviate the consequences of the reductions to the employees<sup>330</sup>. The employer's duty to negotiate includes that the topics will be handled in the co-operation negotiations in the spirit of co-operation to obtain consensus<sup>331</sup>. The consensus reached in the co-operation negotiations between the employer and the employee representatives does not extend any immediate rights to an individual employee regarding an individual termination decision. Anyhow, the contents of the negotiation may have substantial importance indirectly. In case the employee representatives have during the co-operation negotiations considered the employer's co-operation procedure lawful, it is unlikely that

<sup>327</sup> Act on Co-operation within Undertakings 47 §.

<sup>328</sup> Act on Co-operation within Undertakings 47 §.

<sup>329</sup> Act on Co-operation within Undertakings 49 §.

<sup>330</sup> Act on Co-operation within Undertakings 50 §.

<sup>331</sup> Act on Co-operation within Undertakings 50 §.

the court would rule differently regarding the lawfulness of the said procedure<sup>332</sup>. During the co-operation negotiations, the employer also has a duty to document the outcome of the negotiations upon request. The standard procedure for inspection of the minutes of the meetings is that all the representatives of employer and personnel groups inspect the minutes and approve them with their signatures, unless something else has been agreed upon.<sup>333</sup> In order to support the employee representatives during the co-operation negotiations, the law allows the representatives to consult the experts within the same operational unit and also from other units as possible<sup>334</sup>.

### **8.6.6 Fulfillment of duty to negotiate**

Regarding the employer's fulfillment of duty to negotiate, there are different timelines for the length of co-operation negotiations based on how many employees will be affected by the employer's intended measures. The employer intending to take action that would affect under ten employees, has fulfilled its duty to negotiate when 14 days have passed after the commencement of the negotiations. When an employer is planning to take action that would affect ten or more employees, the required length of the negotiation period is six weeks. However, the length of the co-operation negotiations is 14 days for an employer who has at least 20 but less than 30 employees in an employment relationship. Another exception to the timelines is allowed under the law regarding the employers that are under the restructuring procedure. Their negotiation period is 14 days.<sup>335</sup>

Once the employer's duty to negotiate has been fulfilled, the employer needs to provide the representatives of the employees with a report on the decisions considered based on the negotiations. This report includes employer's decisions based on the co-operation negotiations and the contents of the report may vary to some extent based on the topics handled in the negotiations. The report at least provides information on number of employees to be affected and the timeline for the implementation of the reductions. If the representative of the employee group so requests, the employer needs to present the report jointly to the affected group of employees.<sup>336</sup>

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<sup>332</sup> Kairinen, Hietala, Nyberg, Ojanen 1996, pg. 97.

<sup>333</sup> Act on Co-operation within Undertakings 52 and 54 §. The meeting minutes should include at least information on when the meeting was held, who were the attendants of the meeting, what were the outcomes of the meeting as well as any dissenting opinions. Hietala, Kaivanto 2012, pg. 136.

<sup>334</sup> Act on Co-operation within Undertakings 55 §.

<sup>335</sup> Act on Co-operation within Undertakings 51 §.

<sup>336</sup> Act on Co-operation within Undertakings 53 §.



### **8.6.7 Termination notice and notice period**

The employer is allowed to start giving out the termination notices and the notice periods begin only after the employer's report is presented and all other related requirements are fulfilled. The delivery of the notice on termination of an employment contract should preferably be delivered to the employee in person. If this is not possible, the notice may be delivered by mail or electronically. The mailed termination notice is deemed to be received by the employee at the latest on the seventh day after the mailing. In case the employee is on annual vacation or on a holiday of at least two weeks for balancing the work hours, the notice is deemed to be received on the first day after such vacation or holiday.<sup>337</sup> The length of the notice period may vary from employee to employee and provisions on the notice period are provided under the Employment Contracts Act. The employer's general notice periods vary between 14 days and 6 months depending on the length of the employment relationship.<sup>338</sup> If the employer is subject to restructuring procedure<sup>339</sup> the employer may be allowed to terminate the employment contract regardless of its length, with a two-month notice period<sup>340</sup>. Also bankruptcy or death of the employer establish right for shortened notice period. The period of notice in such situations is 14 days.<sup>341</sup>

In general, the employee has the right and the responsibility to continue working during the notice period. Employer may, anyhow waive the employee's obligation to work and in these situations it is good practice to prepare a written agreement stating what has been agreed upon the matter.<sup>342</sup> If the employer does not waive the employee's obligation to work, the employee still has a right to employment leave for the purpose of searching new employment or education during the notice period<sup>343</sup>.

### **8.6.8 Exceptions to employer's duties to disclose information and negotiate**

Employers have some room for decision making on what information they disclose in co-operation negotiations. Information that may cause significant damage or harm undertaking or its operations does not need to be disclosed to employees or their representatives<sup>344</sup>.

<sup>337</sup> Employment Contracts Act 9:4 §.

<sup>338</sup> Employment Contracts Act 6:3 §.

<sup>339</sup> Act on Restructuring of Enterprises (47/1993).

<sup>340</sup> Employment Contracts Act 7:7 §.

<sup>341</sup> Employment Contracts Act 7:8 §.

<sup>342</sup> Nieminen (ed.) 2009, pg. 62.

<sup>343</sup> Employment Contracts Act 7:12 §.

<sup>344</sup> Act on Co-operation within Undertakings 59 §.

If there are particularly weighty and unforeseen reasons for an employer to believe that arranging co-operation negotiations could harm the employer's productive or service operations or finances, the employer may be allowed to make certain decisions without arranging such negotiations. This exception concerns, among some other decisions, also decision on closure of the undertaking or part of it, its transfer to another place or reduction of its operations<sup>345</sup>. Also decisions on reduction of personnel are covered under this exception.<sup>346</sup> The employer is obligated to begin without delay the co-operation negotiations procedure as soon as there are no more reasons to deviate from the co-operation obligation and the unorthodox procedure is to be clarified to the employees or their representatives at this point<sup>347</sup>. This exception allowed to an employer carries a similarity with the California notice requirement exemption that allows an employer seeking financing for enabling to carry on its operations to be exempted from the notice requirement with some conditions.

## 8.7 Choosing the employees to be terminated

Generally, an employer with collective grounds is allowed to terminate part of its workforce instead of treating all employees equally and terminating all employees<sup>348</sup>. According to Kairinen<sup>349</sup> when the employer is terminating under production related or similar grounds, terminations will affect employees whose work will be diminished. If terminating on financial grounds, the employer has some power to choose who are the employees to be terminated. There are no provisions regarding the selection criteria for terminations in Employment Contracts Act. The emphasis is given to equal treatment and non-discrimination of employees and for example age or gender are not among the acceptable selection criteria. In addition there are some groups of employees who are protected from termination more than others.

Employees who are pregnant or on family leave may only be terminated in collective redundancies if employer's operations cease completely<sup>350</sup>. Employment cannot be terminated because of pregnancy or because of a family leave. In case the employer terminates the employment contract of an employee who is pregnant or on a family leave, it is employer's obligation to prove that the reason for termination was something else but employee's condition or the family leave. Another protected group are shop

<sup>345</sup> Act on Co-operation within Undertakings 32 § and 60 §.

<sup>346</sup> Act on Co-operation within Undertakings 34 § and 60 §.

<sup>347</sup> Act on Co-operation within Undertakings 60.2 §.

<sup>348</sup> Kuoppamäki 2008, pg. 529.

<sup>349</sup> Kairinen 2004, pg. 320.

<sup>350</sup> Employment Contracts Act 7:9 §.

stewards and elected employee representatives. The basics for their protection are laid down in the Employment Contracts Act<sup>351</sup>. In general, the shop steward can only be terminated under collective grounds if her or his job ceases to continue. This often means that shop stewards and other employee representatives are the last ones to be terminated. In the Supreme Court judgment from 1994<sup>352</sup>, the employee representative was lawfully terminated. The reasoning for lawfulness of the termination was that the whole group of employees the employee representative was part of, was terminated<sup>353</sup>.

Some of the collective agreements have detailed provisions regarding the shop steward's protection against termination<sup>354</sup>. Many of the collective agreements in industry state that shop stewards or employee representatives cannot be terminated unless the operations of the whole production unit cease. Exception to this general rule can be made if the employer and the shop steward or other employee representative themselves agree in mutual discussion that the employer is not able to offer the shop steward or employee representative in question work that would match with her or his skills or be suitable by other measures.<sup>355</sup> Some collective agreements provide protection for the employees who are or have recently been nominees for shop stewards and employee representatives. Another related mechanism protects the employees who have recently ceased to be shop stewards or other employee representatives.<sup>356</sup>

While the Employment Contracts Act allows the employer to freely choose the employees to be terminated, some of the collective agreements have provisions regarding the general selection criteria. These criteria may obligate the employer to terminate the last those employees who are 1.) key employees for the employer's operations, 2.) professionals or 3.) employees who have lost part of their ability to work during the employment with the same employer. Also seniority as well as custodial obligations of an employee may be among the required selection criteria.<sup>357</sup>

## 8.8 Employer's obligation to offer re-employment

The employer's obligation to offer re-employment is part of the protection mechanism for employee in terminations on financial or production-related grounds. This obligation concerns the employees whose employment relationship has already ended. If an employer needs new employees within nine months from the termination, the employer

<sup>351</sup> Employment Contracts Act 7:10 §.

<sup>352</sup> KKO 1994:127.

<sup>353</sup> Rautiainen, Äimälä 2007, pg. 280.

<sup>354</sup> Kuoppamäki 2008, pg. 178.

<sup>355</sup> Rautiainen, Äimälä 2007, pg. 280.

<sup>356</sup> Kuoppamäki 2008, pg. 178.

<sup>357</sup> Rautiainen, Äimälä 2007, pg. 270 .

is obligated to give priority to the employees terminated by the said employer. The employer is obligated to offer re-employment for the former employee if the new work is same or similar to the work of the former employee's. In order for the terminated employee to be eligible for the re-employment offer and the employer be bound to make this offer, the former employee needs to continue to seek work via Employment and Economic Development Office.<sup>358</sup>

The employer's obligation to offer re-employment means a real possibility for the employee to be re-employed in a same or similar work. When comparing this obligation with the employer's obligation to offer work, the employer's obligations towards the employees in an employment relationship overrule the obligation to offer re-employment. Further on, the obligation to offer re-employment overrules the employer's normal recruitment practice, and therefore the former employee is to be given priority before any outside applicants.<sup>359</sup> The Labour Court has ruled that a former employee who was qualified for an open position should have been given the priority instead of another applicant even if the other applicant was more suitable for the position<sup>360</sup>. Exception to the re-employment obligation could be allowed when the employer recruits people in short fixed-term employment relationships. The Supreme Court has ruled that the employer had a right to hire trainees without violating the re-employment obligation<sup>361</sup>.

If the former employee is re-employed by the employer, the employer is not obligated to employ that employee with the same conditions of employment that were applied during the previous employment relationship. The conditions of the re-employment only need to fulfill the minimum requirements of the law and collective agreements<sup>362</sup>. The employer also needs to observe the anti-discrimination statutes when re-employing employees.

Sometimes the employee may be terminated under both collective and individual grounds. The employer's obligation for re-employment does not extend to these situations.<sup>363</sup> In a Labour Court decision the employer was not obligated to re-employ the employees who had after the termination under collective grounds committed a crime and conducted other inappropriate behaviour<sup>364</sup>. Based on the Government Bill for the Employment Contracts Act, the employer's obligation to offer work does not extend to employees terminated because of the employer's bankruptcy or death<sup>365</sup>.

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<sup>358</sup> Employment Contracts Act 6:6 §.

<sup>359</sup> Valkonen 2006, pg. 956.

<sup>360</sup> TT 1982 – 49.

<sup>361</sup> KKO 1993:97.

<sup>362</sup> HE 157/2000, pg. 94.

<sup>363</sup> Tiitinen, Kröger 2008, pg. 571.

<sup>364</sup> TT 1985-140.

<sup>365</sup> HE157/2000.

## 8.9 Sanctions for violation of law or contractual obligations

### 8.9.1 *Groundless termination and violation of the Employment Contracts Act*

Observance of the Employment Contracts Act is supervised by the health and safety authorities<sup>366</sup>. The Employment Contracts Act provides employee protection if the employer terminates the employment contract unlawfully. If the employer terminates an employment contract in violation with the grounds provided in the Employment Contracts Act the employer must be ordered to pay compensation for unjustified termination. Determination of the amount of compensation should take into account such facts as estimated time without employment, estimated loss of earnings, duration of the employment relationship, employee's age, education and training as well as the employer's procedure in terminating the contract.<sup>367</sup>

When terminating employees under financial and production related ground the employer must comply with the provisions of the applicable law, collective agreements as well as employment contracts. If the employer for example terminates employees without a notice period or with too short a notice period the employer is to pay the employee full amount of salary for the period equivalent to the notice period. The employer's obligation to pay the full amount of salary during the full notice period does not change the actual end date of the employment, but the employment relationship is still deemed to end on a date informed by the employer.<sup>368</sup> In the Supreme Court decision from 1986 the employer was obligated to pay the terminated employee not only the salary for the notice period but also the annual leave compensation<sup>369</sup>. In a termination situation, employee's claim will in general be expired within two years of the end date of the employment contract if the suit has not been filed<sup>370</sup>.

Recently the court ruling has become to protect employees in a greater extent. Before the Employment Contracts Act of 2001 it was typically allowed for the employer to bring in additional supporting documentation to the court. In 1998 the Supreme Court ruled that the employer was allowed to bring in new grounds for termination as its defence during the trial<sup>371</sup>. The new grounds for termination introduced during the trial were different from what had been communicated to the employee in connection with the termination.<sup>372</sup>

<sup>366</sup> Employment Contracts Act 13:12 §.

<sup>367</sup> Employment Contracts Act 12:2 §.

<sup>368</sup> Kairinen 2009, pg. 326.

<sup>369</sup> Employment Contracts Act 38a §.

<sup>370</sup> Employment Contracts Act 13:9 §.

<sup>371</sup> KKO 1998:70.

<sup>372</sup> Tiitinen, Kröger 2008, pg. 564.

Violation of the Employment Contracts Act may also result in a criminal liability for an employer. The Employment Contracts Act 13:11 § provides employer's penalties for violation of Employment Contracts Act. These penalties are laid down under the Criminal Code of Finland and among others, provide penalties for violation of anti-discrimination provisions and shop stewards and other employee representative's rights laid down in the Employment Contracts Act.

### **8.9.2 *Violation of co-operation procedure or collective agreements***

The observance of the Act on Co-operation within Undertakings is supervised by the Co-operation Ombudsman. Additional supervisors are those employer, employee and clerical staff associations that have jointly made the national collective agreements.<sup>373</sup>

The Act on Co-operation within Undertakings addresses the employer's actions that are in violation of co-operation obligations. Employer who deliberately or negligently fails to observe the provisions related to the co-operation obligations, is liable to pay to the affected employee.

The maximum amount of employer's liability is 30000 euros. When determining the compensation, the degree of the negligence regarding the co-operation procedure is to be given emphasis. Also, general circumstances of the employer<sup>374</sup>, nature of the measure applied to the affected employee as well as length of the employment relationship are part of the consideration. Law also provides a deadline for compensation liability. The employee's right to compensation expires two years after the termination of employment if no action is brought within that timeline.<sup>375</sup>

Violation of the Act on Co-operation within Undertakings may also result in a criminal liability for an employer. Under the Act on Co-operation within Undertakings, 67 § penalties, the employer who violates the co-operation obligation shall be imposed a fine laid down in the Criminal Code of Finland. The qualifying violations include, among others, employers violation of spirit of co-operation, certain information disclosure requirements, initiation of the process of co-operation procedure in business transfer as well as procedure regarding the usage of experts.<sup>376</sup>

<sup>373</sup> Act on Co-operation within Undertakings 66 §.

<sup>374</sup> Kairinen, Uhmavaara, Finne 2005, pg. 83. Authors discuss the reduction of employer's liability suggesting that employer's liability might also be reduced if the employer faces an extensive liability that may cause the employer such hardship that would end up in more terminations. Extensive liability could be caused by several employees pursuing the similar claim against the employer. Could that kind of an situation allow reduction of employer's liability? This still remains unclear since violation of co-operations procedure with regards to several employees' rights on the other hand suggest more severe violation.

<sup>375</sup> Act on Co-operation within Undertakings 62 §.

<sup>376</sup> Act on Co-operation within Undertakings 67.1 §.

The Collective Agreements Act<sup>377</sup> provides a penalty to the employer who violates a collective agreement. If an employer is bound by a collective agreement and violates such an agreement willingly, or should have known that he violates, the employer may be ordered to pay a compensatory fine. The Labour Court has ruled<sup>378</sup> that the violation of termination selection criteria is subject to a compensatory fine. Also the Supreme Court has ruled that the violation of the selection criteria is not a trigger for indemnity payments<sup>379</sup>.

### **8.9.3 Violation of anti-discrimination law**

The consequences and burden of proof regarding discrimination are laid down in the Non-discrimination Act. The observance of the Non-discrimination Act is supervised by occupational safety and health authorities<sup>380</sup>. Violation of the non-discrimination Act may establish liability for compensation. Liability for damages may be established under the Tort Liability Act<sup>381</sup> or some other act.<sup>382</sup>

The burden of proof in discrimination cases is generally first with the plaintiff (claimant), the employee who considers herself or himself to be a victim of discrimination and initiates the claim with a court or other authority. If the case proceeds, the burden of proof transfers from the plaintiff to the defendant.<sup>383</sup> The penalties and burden of proof provisions for work discrimination and extortionate work discrimination are provided under the Criminal Code of Finland and the penalties could vary from a fine to imprisonment of up to two years.<sup>384</sup>

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<sup>377</sup> TT 436/1946.

<sup>378</sup> TT1977-1; TT 1977-35.

<sup>379</sup> Rautiainen, Äimälä 2007, pg. 271.

<sup>380</sup> Non-discrimination Act 4:22 §.

<sup>381</sup> Tort Liability Act (412 / 1974).

<sup>382</sup> Non-discrimination Act 5:23 §.

<sup>383</sup> Non-discrimination Act 6:28 §.

<sup>384</sup> Criminal Code of Finland 47:3 § (Work Discrimination), 47:3a § (Extortionate Work Discrimination).

## **9 ONGOING DISCUSSIONS AND RECENT DEVELOPMENT OF LABOR LAW WITH FOCUS ON COLLECTIVE REDUNDANCIES**

### **9.1 Ongoing discussions and the most recent changes in Finland**

The Employment Contracts Act of 2001 modernized the Finnish employment law. In 2002, Seppo Koskinen stated in his commentary of court judgments related to terminations that he did not see any need for changes in the Finnish labor law right after the new Employment Contracts Act was enacted<sup>385</sup>. In his article from 2002, Jukka Hietanen announced that the Finnish labor unions were seeking better protection for employees in the situations of collective redundancy. Further on he discussed the findings of the study commissioned by the Central Organization of the Finnish Labor Unions and authored by Jari Hellsten regarding the collective redundancies in Europe<sup>386</sup>. According to the findings of this study, the collective redundancies were cheaper for an employer in Finland than in other member states of the European Union. Hietanen also brought up the employer perspective on the topic. Seppo Riski, Director for the collective bargaining from the Confederation of Finnish Industry and Employers commented on the topic for the article declaring that raising the redundancy threshold would discourage employers from recruiting new employees or could force employers to continue to retain employees they do not need anymore. The Managing Director of the Employer's Confederation of Service Industries, Arto Ojala, contributed to the topic by a similar statement. He expressed that the improvement for redundancy protection was already covered under the new Employment Contracts Act and that the European labor markets were already inflexible, due to tight regulation of collective redundancies as one of the reasons.

Niklas Bruun wrote about the future of the Nordic labor law in his article from 2009 and presented some scenarios for the future development. He emphasized the upcoming effects of the enlargement of the European Union on the labor relations in the member states of.<sup>387</sup> He stated that the Nordic system had a reasonable balance between the protection for the individual employee and efficiency in the implementation of the rules of the labor law and collective agreements<sup>388</sup>. While going on about the possible trends in the development of labor law and employment relationship in the Nordic countries,

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<sup>385</sup> Koskinen 2002, pg. 157.

<sup>386</sup> Hellsten 2001.

<sup>387</sup> Bruun 2009, pg. 377.

<sup>388</sup> Bruun 2009, pg. 379.



Bruun brought up a new possible tendency – increased focus on negotiation between the employee and employer before employer’s decision making<sup>389</sup>. Currently the co-operation negotiation procedure guarantees employees of covered employers some involvement in the decision making in Finland, including also situations of reduction of workforce.

The most recent change in law that is related to employment, is the new Non-discrimination Act of 2014. The new law changed the provision of the liability for compensation and the maximum amount of compensation is not defined in the new law. The most recent discussions in Finland related to the protection for employee are related to the length of probationary period of employment. While the topic is not directly related to collective redundancies, it indicates that the discussion on the balance between employee’s rights and employer’s responsibilities is ongoing in Finland. The Ministry of the Employment and the Economy opened a discussion suggesting longer probationary periods in November 2014. The initial discussions ended without mutual understanding between the parties of the negotiation, but the discussions regarding the topic continue in the media.<sup>390</sup>

For the employers seeking flexibility, the increase in the use of leased employees may be an option. Use of leased employees enables employer to adjust its workforce without co-operation negotiations<sup>391</sup>. Anyhow, a precedent of the European Court of Justice from March 2015 suggests that the permanent use of agency work may be restricted by collective agreements. A Finnish lawyer engaged in a European Union lobbying project for Finnish trade unions, Jari Hellsten stresses that the ruling would have ramifications throughout Europe.<sup>392</sup>

## **9.2 Ongoing discussions and the most recent changes in California and in the United States**

Before the 2008 recession in the United States, many large manufacturing companies announced mass layoffs and plant closures. They were moving their production to developing countries. High technology and service companies were considered to replace the manufacturing jobs lost in the United States. Anyhow, many of the high technology and service companies are outsourcing a large amount of their work in foreign locations these days.<sup>393</sup> The work sharing programs that were created at the

<sup>389</sup> Bruun 2009, pg. 383.

<sup>390</sup> Vuoden päästäkö se selviää, pärjäätkö työssäsi? March 23, 2015. Taloussanomat.

<sup>391</sup> Viitala, Vettensaari, Mäkipeltola 2006, pg. 132.

<sup>392</sup> European Court of Justice Allows Agency Work Restrictions, 2015.

<sup>393</sup> Briscoe, Schuler, Tarique 2012, pg. 294.

time of the recession in about a third of the states, provide employers an alternative for the mass layoffs and continue to develop further. The United States Department of Labor, the Center for Economic Policy and Research, estimates that work sharing programs saved more than half a million jobs between the years 2008 and 2013 in the United States.<sup>394</sup> The federal Layoff Prevention Act of 2012 is expected to raise the profile of the work sharing programs as an alternative for layoffs in the United States<sup>395</sup>.

When it comes to the possible future development of the termination practices in the United States, there has been an ongoing discussion for several decades towards changing the termination law. In 1991 the Uniform Labor Commission created a proposal for Model Employment Termination Act (later on referred to as META). META suggests to protect employees to a greater extent suggesting that employment of any qualifying employee could not be terminated without a good cause.<sup>396</sup> After it was published, the META proposal was commented and criticized in several different publications<sup>397</sup>. One of the more recent ones is Befort from Boston College Law School, who developed the META proposal further in 2002 making also some other recommendations for improvement of the labor law in the United States<sup>398</sup>. He stated that in its original format META would preempt most of the common law claims including those asserting the implied contract and all claims grounded in tort<sup>399</sup>. On the other hand, employee would still be allowed to pursue statutory claims and for example an employee who assumes to have been selected for a layoff because of her or his age, could pursue a separate action under the ADEA. Befort proposed to combine such claims under the META arbitration.<sup>400</sup> He also announced that the basic philosophical premise underlying META is compromise of the employer's and employee's interests and that in its original format the META does not provide a reasonable trade-off for the employer<sup>401</sup>. Implementation of META would result in considerable similarities in the labor law of the United States in comparison with the Finnish labor law. The possible direct or indirect effects on the WARN could only be speculated at this point. Strengthening the harmonizing the labor law in the United States would probably in the very least strengthen also the enforcement of the statutory requirements guiding the practices and procedures of collective redundancies.

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<sup>394</sup> Wentworth, McKenna, Minick 2014, pg.1.

<sup>395</sup> Ridley, Wentworth 2012, pg. 5.

<sup>396</sup> Employment Termination Act, Model Summary, 1991.

<sup>397</sup> For example Sprang (1994), St. Antoine (1994) and Navaretta (1996) have commented the META proposal in their publications.

<sup>398</sup> Befort 2002, pg. 421- 460.

<sup>399</sup> Befort 2002, pg. 427.

<sup>400</sup> Befort 2002, pg. 428.

<sup>401</sup> Befort 2002, pg. 426-427.

## 10 CONCLUSIONS

The collective redundancies in California and in Finland both follow specific procedures required under the labor law. The employer who is about to terminate employees is required to provide them with some time for planning for their future. In general, this is enabled in Finland via both co-operation procedure and notice requirements and in California by the WARN notice requirement. In California, the Work Sharing Program is another element that employers may consider as an alternative for the layoffs. In Finland temporary layoffs or changes in conditions of employment contracts may be alternatively used. Employers in California and in Finland are encouraged to consider alternatives for layoffs but are more freely allowed to make termination decisions in California. Unlawful discrimination is prohibited and positive discrimination for pursuing equity is allowed in California and in Finland.

One major difference between the requirements of the termination processes is involvement of employees in decision making. In Finland employees participate, to some extent, in the decision making by attending the co-operation negotiations. Similar requirement does not exist in the WARN notice procedure and the procedure focuses on employer's obligation to inform the employees about the upcoming termination by giving the 60-day notice. Both in Finland and in California, the employers are required to share information about the upcoming terminations with their employees; in co-operation negotiations and in employer's explanation in Finland and in the 60-day-notice in California. However, the employer does not need to disclose information that may harm the employer's operations and exceptions and exemptions to the 60-day notice requirement and to initiation of the co-operation procedure exist. Yet another similarity exists in both the environments in question – the employer's obligation to inform third parties. These third parties in general are the ones that support in one way or another the employee who is to be terminated, or focus on protection of workforce in broader perspective.

While similarities in the provisions and procedures of collective redundancies in California and in Finland exist, it is yet to be seen whether there will be future development that would bring the termination procedures applied in these two environments even closer to each others. The discussion around the labor law is very much ongoing in California and in Finland and it suggests that the labor law is rather dynamic than static in both these environment. While employers continue to face challenges especially in the event of economic downturn or recession, and need to consider layoffs, creative solutions may be required from the legislator in order to boost the economy and to find the new balance between employee's rights and employer's

rights. The international aspect of business brings in new challenges to legislators and employers and new kinds of solutions may be needed for this reason as well.

A more comprehensive study with a broader perspective of the termination provisions and procedures as well as development of them in both the Finnish and Californian or United States system would provide valuable information on the underlying principles and mechanisms and help to truly understand both the systems in question. An expanded study would enable to further focus on the issues of multinational enterprises and other international businesses operating both in California and in Finland. Additional benefits of future research on the topic could be found in providing employers with information on the similarities and the differences of the major requirements and procedures related to terminations both in Finland and in the United States. This kind of research could deepen the understanding of termination procedure requirements of American and Finnish employers with subsidiaries or other similar connections in the other country.











YHTIÖ	PVM (Neuv. aiku)	YT-NEUVOTTELUJEN ALAISET	LOMAUTUKSET uhka/toteutunut hlöt L=hlömäärää ei ilm.	VÄHENNYS- TARVE (yrit. ilmoittama)	PVM (Loppupäätös)	IRTI- SANOTUT Ilmoitettu yt-menettelyn päättymispäivänä	YT-NEUVAL. HLÖMÄÄRÄ Kurs. ei tarkkaa hlömäärää	
Wienerberger Oy Ab	18/12/14	Kärkölä, tehtaan lakkautus					30	
Winnova	01/10/13	Koko henk, irtis/lom->väh.100h,v.2016 menn.n.puolet irtis			120	07/02/14	700	
Winnova	05/09/14	Koko henk, irtis/eläke/m-aik->4 osa-aik	1		40	14/11/14	660	
Wärtsilä Oyj	29/01/14	Glob.väh.1000henk,Suomi n. 200->lisäksi 130 m-aik			200	19/03/14	3600	
Yara Suomi Oy	22/03/14	Härjavalta, koko henk					50	
Yleiselektronikka Oyj	16/06/14	Väh.tarve max 10 henk			10	08/07/14	10	
Yleisradio Oy	15/09/14	Irtis/uud.järj->m-aik, eläke, muut järj.			185	12/11/14	1030	
Ålandsbanken Abp	15/01/14	Erit.pk-seutu->4 vapaaeht.järj.8 muut työteht.			6	14/03/14	13	
	YT:1 2014			YHTEENSÄ	13 679	19 388	12 447	109 092

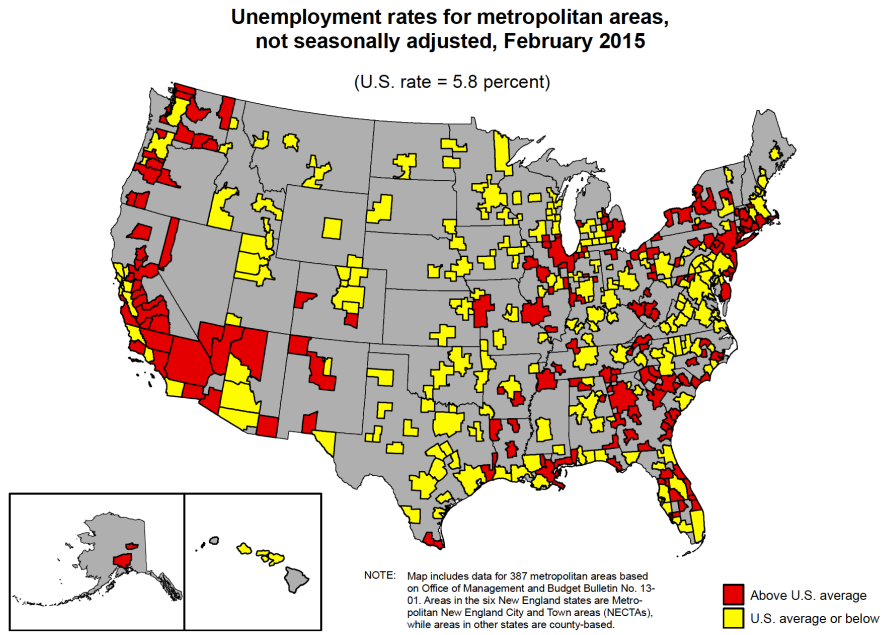
Lähteet: mm. Kaupalehti, OMX



YHTIÖ	PVM (Neuv. alkua)	YT-NEUVOTTELUJEN ALAISET	LOMAUTUKSET uhka/toteutunut hlöt L=Hlölmäärää ei ilm.	VÄHENNYS- TARVE (yrit. ilmoittama)	PVM (Loppupäätös)	IRTI- SANOTUT Ilmoitettu yhtiön päätymispäivänä	YT-NEUVAL. HLÖMÄÄRÄ Kurs. ei lasketa Hlölmäärää
Santasalo Gears Oy	08/04/15	Toimihenkilöt		30			100
Satakunta Liikenne Oy	10/04/15	Kuljettajat		30			30
SCA Hygiene Products Oy	10/11/14	Nokia,koko henk->69peht.järj,lom johto 2vko,tt 4 vko	L	80	06/02/15	0	240
Schenker Oy	30/01/15	Koko henk, irtis/lom	L	100			1600
Seinäjoen koulutus- ja kuntayhtymä	30/03/15	Sedu, koko henkilöstö, irtis/osa-aik		15			700
SEK & Grey Oy	01/04/15	Irtis/lom max 90 pv	0	10	15/04/15	3	50
SLP Kustannus Oy	10/03/15	Kainuun sanomalehdet		18			74
Sokoteli Oy	08/01/15	SOK, osa-aik/irtis->108 osa-aikaistetaan		140	24/03/15	9	1190
Sonoco-Alcore Oy	24/03/15	Karttula, Ruukki, Ruovesi		20			20
SSAB Oy	19/01/15	Hki,Hml,Oulu,Raahе,S-joki,Turku->myös eläkejärj.		35	10/03/15	21	251
ST1 Biofuels Oy	28/01/15	Hamina		8			27
Stockmann Oyj	13/02/15	Oulun tavaratalon sulkeminen			14/04/15	230	230
Stockmann Oyj	14/04/15	Retail- ja Real Estate -yksiköt, konsernihallinto		260			1100
Stora Enso Oyj	01/01/15	Hartola->40 lom toist. Palkane->30 henk max 90 pv	70		27/02/15	0	70
Stora Enso Oyj	26/03/15	Rakentamisen ratkaisut		50			100
Stora Enso Oyj	15/04/15	Joutseno,Honkalahden saha		19			115
Suomen Elinkeinoelämän Keskusarkisto	19/03/15	Mikkeli, Hki		27			42
Suomen Metsäkeskus	09/01/15	Lom/25-30 henk irtis->eläkejärj, väh.yhti. 50, myös lom	L	30	12/03/15	18	600
Suomen Terveystalo Oy	23/03/15	Kajaani, työterveyshoitajat		5			13
Säteilyturvakeskus STUK	02/10/14	Tutkimus- ja kehitystoiminta		30	24/02/15	16	30
Tallink Silja Oy	26/01/15	Maahenk, tukitoiminnot, Turku,Hki		18			70
Tapojärvi Oy	19/01/15	Kaivostoiminna, irtis/lom max 90 pv	0	10	02/03/15	7	200
Tebol Oy Ab	22/01/15	Vantaa, pääkonttori->kirjanpito ulkoistus Prahaan	L	12	08/04/15	12	38
Technip Offshore Finland Oy	02/04/15	Pori, lom 5/15 alkaen	L				526
Teknologiakeskus KETEK Oy	20/02/15	Koko henkilöstö, lom/eläkejärj/irtis	L				34
TEM	16/09/14	Ministeriö, ELY-keskukset->alustava irtis.lkm		700	20/01/15	220	3300
Teollisuuden Voima	09/01/15	Liiketoiminnan tukipalvelut->eläkejärj, m-aik		110	05/03/15	42	700
Tieteokeskussäätiö	14/01/15	Heureka, koko henk, irtis/osa-aik->lom arvio 3 vko	80	16	10/03/15	13	102
Tieto Oy	13/01/15	Jatkuvat palv, konsult.integ.		500	16/03/15	435	500
Tilastokeskus	09/12/14	Koko henk, htv->irtis.max, 49 eläke, lomarahat jne.		70	16/02/15	21	842
Trafotek Oy	12/01/15	Kaanna, koko henk		95	05/03/15	76	450
Trainers' House Oyj	12/12/14	Koko konserni		15	02/01/15	11	15
Transtech Oy	01/03/15	Lomautus toistaiseksi	180		02/04/15	50	230
Turun Osuuskauppa	12/12/14	Tavaratalot, irtis/osa-aik->28 henk osa-aik.		20	30/01/15	18	160
Turun Satama Oy	13/03/15	Koko henk		30			85
Turun Seudun Kuntatekniikka Oy	08/01/15	Kunttec Infra-mahd. lom 90 pv	40	70	20/02/15	26	270
UPM-Kymmene Oyj	13/11/14	Jämsänkoski,Kaukaa, Tre		303	20/01/15	300	325
Vacon Oy	17/03/15	Yliemät th, uud.org->tavoitteena ettei irtisanomisia			09/04/15	0	440
Vaisala Oy	27/01/15	Uud.järj. Suomen väh.tarve n. 25 henk->irtis/eläke/m-aik		25	06/03/15	18	25
Valio Oy	01/12/14	Haapavesi->osavkolom	160		08/01/15	0	160
VR-Yhtymä Oy	02/12/14	Turun varikon sulkeminen			26/01/15		80
VR-Yhtymä Oy	13/01/15	VR Track, P-Suomi.kunnossapito					70
VR-Yhtymä Oy	15/01/15	VR Track, lom->34-3vko, 45-2kk	79		14/03/15	0	150
VR-Yhtymä Oy	17/02/15	mm. Kokkola->lom, lomarahat, lomien siirrot	10		10/04/15	0	600
Väestöliitto ry	27/03/15	Koko henkilöstö, irtis/osa-aik					100
Yara Suomi Oy	22/03/14	Harjavalta, koko henk->lom toist.	43		23/01/15	0	50
Yleisradio Oy	15/01/15	Aluetoiminta, ei tav.henk.vähennykset					400
<b>YHT: 2015</b>			<b>YHTEENSÄ</b>	<b>1 385</b>	<b>5 394</b>	<b>2 919</b>	<b>29 294</b>

Lähteet: mm. Kaupalehti, OMX

APPENDIX 3 Unemployment rates for metropolitan areas



(Source: United States Department of Labor, Bureau of Labor Statistics)