

Yrittäjät



GUIDE TO HIRING YOUR FIRST EMPLOYEE

INTRODUCTION

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

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

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

You're now an employer!

Yrittäjät

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BEFORE YOU HIRE

1.1 Plan the job description

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

A few questions to help you clarify your situation

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

WHAT TO DO

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

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

The figures are for 2026 and the percentages represent shares of the salary amount:

- Employer’s (average) pension contribution 24,85 %
- Health insurance premiums 1,91 %
- Unemployment insurance premiums 1,20 %
- Accident insurance premium 0,51
- Group life insurance premium 0,06 %

$$€2\,500 \times 1,1949 = €2\,987,25$$

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

Read more: <https://www.yrittajat.fi/en/information-bank/for-employers/employers-contributions-and-insurance/>

1.2.2 Other costs

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

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

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

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

1.3. Support for hiring

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

1.3.1 "Hire with Skill" service

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

Read more: <https://tyomarkkinatori.fi/en/personal-customers>

1.3.2. Financial support: wage subsidies

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

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

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

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

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

2.2.1. Why must a collective bargaining agreement be upheld?

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

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

2.2.2. Establishing the relevant collective bargaining agreement

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

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

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

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

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

You can find generally binding collective bargaining agreements on Finlex:

- [Finlex collective bargaining agreements](#)

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

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

2.4.1 How to arrange occupational health services in your company

You can agree the provision of occupational health services with your municipal health centre.

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

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

Read more about occupational health services for entrepreneurs: <https://www.kela.fi/health-care-self-employed-persons>

2.4.2 Kela can compensate some of your occupational health service expenses

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

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

3.1.5 Working hours

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

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

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

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

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

Read more: <https://www.yrittajat.fi/en/information-bank/for-employers/working-hours-leave-and-absences/>

3.1.6 Collective bargaining agreement

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

Read more: <https://www.yrittajat.fi/en/information-bank/employers-obligations/collective-bargaining-agreements/>

- **Healthy and safe work:** guide your employee in safe, ergonomic working habits and methods for preventing and avoiding occupational disabilities and hazards. Speak about occupational health services and what the employee should do when he or she takes ill.
- **Orientation in the work duties:** present the machines, hardware and tools used in work in detail and without rush. Explain the key professional terms used on the job.
- **Continue orientation on the job:** encourage your employee to ask more questions as work progresses. Give feedback. Discuss how successful the orientation was with your employee, say, a few weeks into employment. Make sure that your employee feels he or she can always ask questions in your company and never needs to remain in the dark.

REMEMBER:

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

MEMBERSHIP OF SUOMEN YRITTÄJÄT

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

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

Free legal and taxation advice

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

A group of a hundred experts at your assistance

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

Advocacy

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

Local network

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

Valuable member benefits

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

www.yrittajat.fi/jasenedut



**YOU CAN JOIN
SUOMEN YRITTÄJÄT
HERE:**

yrittajat.fi/liity

Promoting enterprise.

Yrittäjät

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