

# ACT ON THE CONTRACTOR'S OBLIGATIONS AND LIABILITY WHEN WORK IS CONTRACTED OUT



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# The Act

- To promote equal competition between enterprises
- To create conditions in which contractors can ensure that enterprises concluding contracts with them on temporary agency work or subcontracted labour take care of their statutory obligations as contracting parties and as employers
- To promote observance of the terms of employment
- To prevent grey economy



# Definitions

## Contractor

- A trader under an obligation to submit the basic notification (for the Trade Register) and sole trader otherwise as well as equivalent enterprises operating abroad
- The State, a municipality, other public corporation

## Temporary agency worker

- An employee who has concluded an employment contract with an employer operating in Finland or abroad that has assigned the employee with his or her consent for use of another employer

## Subcontract

- A contract made between the contractor and his or her contracting partner to produce a certain work outcome against compensation



# How does it work?

- **The Act is applied to tasks normally performed in the course of operations at the premises of the contractor**
  - So the Act is applied at all sectors using temporary agency workers or subcontractors
- **The Act shall basically only be applied when the contracting partner is considered to be an employer**
  - Construction activity however forms an exception from this general principle since the law is applied also to work of Self-Employed Person(s)
- **The Act is not applied if**
  - the duration of the work by the temporary agency worker or workers does not exceed a total of 10 days
  - the value of the compensation is less than 9 000 euros without value added tax



# The contractor's obligation to check

- The contractor must acquire the information required by the act prior to concluding a contract:
  - An account of whether the enterprise is entered in Tax Registers (VAT etc.)
  - An extract from the Trade Register -> is the subcontractor subject to business prohibition
  - A certificate of tax payment
  - Certificates of pension insurances taken out and of pension insurance premiums paid, or an account that a payment agreement on outstanding pension insurance premiums has been made
  - An account of the collective agreement or the principal terms of the employment applicable to the work.
  - Account of the organization of occupational health care services in Finland
  - In construction activities: a certificate on taking out accident insurance
- If the contractor has entered into a contract even though it must have realized that the **other contracting partner did not intend to fulfill its statutory obligations as a contracting partner and an employer -> The prices of the contract are inspected because of this**



# The benefits of the Act

- **For the companies**

- In Finland the Act has diminished possibilities to get profit by not taking care of mandator take care of their statutory obligations
  - The Act shortens the time where such company can get Contracts
- Negligence fees are not only minus in euros. Reputation matters more.

- **For the State**

- At its best the Act has risen the companies situational awareness of preventing Grey Economy
- In the Industries where the Act is well known the supervision is actually tighter than the law itself (I.E. Construction sector)

- **The Act however is not a silver bullet like solution**

- To get the benefits the Act needs to be known to be applied



# Benefit`s don`t show up for free

- **Supervision and inspection are needed**
  - **And to be efficient in this it needs:**
    - **Co-Operation between officials**
    - **Steady flow of information**
- Enterprises are in the key role of making the Act known and applied
- How is it possible for the Enterprises efficiently to apply the Act?
- The less exceptions on definitions, applicability, the better





Questions?

Thank You