

Committee for the Future/Secretariat  
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## ***KEEPING UP WITH CHANGE***

**Background memorandum for the Committee's response to  
the Government report on population policy**  
(Report by the Committee for the Future 1/2005)

*Purpose of the background memorandum*

The population policy is a future policy in its most genuine form. Population development is one of the slowest changing phenomena in history. The political decisions and economic stimuli that influence it only take full effect after decades – sometimes centuries – have passed. As a result, changes in the population policy must be very carefully considered before their implementation. Of course, caution is particularly important when dealing with reforms that penetrate deep into the structures of Finnish society and people's lives. Although decisions that reach far into the future are always uncertain, it is a fact that population is necessary.

Contrary to previous years, the Committee for the Future decided to give a brief but politically concise answer to the Government Report on the Future in this electoral term. The Committee's statement naturally required major input from seminars and experts. This background memorandum contains some of that input, although the wealth of material was such that much had to be excluded.

There has been wide and varied discussion within the Committee. However, the background memorandum is not a summary of the discussions, nor does it represent the Committee's opinion. It was drafted to shed light on the many dimensions of the population policy and to introduce new openings.

I have picked out one message from the discussions that describes the mood, the atmosphere; a message that surpasses all others and was therefore adopted as the title of the background memorandum. Despite the potential decrease in the population and ageing development, Finland must keep up with the world. This applies to institutions as well as to each of us Finns.

Jyrki Katainen, Member of Parliament  
Chairman of the Committee for the Future

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## STARTING POINTS

### *Value-based contradictions in the starting points*

Population policy, which is linked to the most fundamental values of mankind and society, is a topic that includes contradictions right from the start. Some examples follow. First of all, is the family model and number of children a private or public issue? If it is public, a decision must be made concerning the level at which these issues should be handled. Second, what family concept forms the basis for the targets and measures – the ideal or the reality, today, in the near future or in the long term? Third, is the ageing of the population the desired objective of a long and healthy life or a problem that has arisen and must be solved? Fourth, are the problems of population development primarily economic? If so, are they universal problems related to reforms in the global economy and can long-term sustainable solutions be implemented purely as national government measures? Fifth, to what extent does the responsibility for newborn and unborn children belong to all of us as members of mankind regardless of country, and to what extent can national objectives conflict with the accepted international targets of mankind in the short and long-term?

Until now it has been easy for Finns to address population policy and other politically sensitive issues because we are an unusually unified and homogenous society. In addition to a relatively common heredity and language, we share a national awareness that dates back to the beginnings of the country. This also includes the same religious and values base. Furthermore, our governmental judicial system has survived from the days of Swedish rule through Russian rule and a nearly 100-year period of independent democracy into the 21<sup>st</sup> century.

In the future, this tradition of congruity is likely to change, for several reasons. The globalising world economy means that many economic and other related social phenomena are going to have a stronger and faster effect on Finns. It will no longer be possible to conduct business, exchange information, do research, make investments, fight terrorism or negotiate human rights in groups made up of people of similar size, opinion and religion. Modern communications have made the world a smaller place. It has come into everyone's living room, both positively and negatively. It has been said that the world became flat again during the change that began with the fall of the Berlin Wall in 1989. Columbus sailed west and, upon his return, explained that the world was round. At the beginning of 2004, Thomas L. Friedman (Columnist for The New York Times) consciously headed east to Bangalore and China and predicted that his globally successful books on globalisation would become outdated in just a few years. He called his latest book *The World is Flat* (2005).

Global population development is also a common issue, and we have to share the problems of change that it inflicts upon our values. Even if the expected population explosion does not occur, more uncertain population forecasts still indicate that the focus of the world's population is irrevocably moving in the direction of poor developing countries in future decades. Departing World Bank President James Wolfensohn was in the habit of illustrating the direction of this development in the following manner when, for example, addressing the leaders of the world's greatest economic powers at recent G7 Summits: "Your customer base will increase by 100 million over the next 20 years, while mine will grow from six to eight billion." The growth that Wolfensohn spoke of refers not only to population or an increased number of poor people but to the movement of world markets from rich to poor countries. The billions of people being born do not belong to the Judaeo-Christian world; they are part of the Islamic, Hindu and Buddhist cultures.

As they are implemented, the government's population policy strategies and proposed measures will also change Finland in many ways. For example, if Finland, alone or as a part of Europe, tries to solve the structural problems resulting from a shrinking and ageing population by increasing immigration, we have to initiate a proper discussion of values. We need to analyse the Finnish identity and how it would manifest itself or change if immigration increased significantly. The experiences in European countries with a long tradition in foreign policy have not always been encouraging. The process will require a lot of changes in the way of thinking and policies to support those changes as well as research and information to form the basis for the whole process.

### ***Bold debate on population policy***

The solutions in the population policy will define the future of all of Finland by touching all population groups, areas and sectors of life. The government has made a significant start by clearly addressing population policy. Population development, family planning and the relationships between generations are sensitive, shared issues in many European countries, and thus are not usually discussed openly, despite the fact that the problems are such that political decisions must be made about them. The term "population policy" is rarely and very carefully used in post-World War II European discussion due to the sombre modern history of our continent.

The Finnish administrative culture has always been practical, uncomplicated and public. It is natural for us to address issues in an open and unbiased manner, using the proper name and intervening in problem situations at a sufficiently early stage. In Finland, national responsibility in the broad sense is considered to be a part of sustainable population development, and politics bears the responsibility for this. The population change is not just the problem of an ageing population in working life, the permanence of a health care system or the need for pension reform. It is a matter of economy and well-being, market and commercial development, business operating methods, work organisation, housing design, exercising the right to vote, city building, traffic, mental problems and loneliness, as well as happiness and a sense of community.

A good population policy does not result from identifying the problems and the need to solve them. Choices must be made and solutions implemented. The principles of being Finnish, Finnish culture and identity need to be weighed. Rational decision-making means calculating the costs and benefits of different alternatives. In other words: Is paying to increase the birth rate and subsidising families with children more expensive than immigration in the long run? The impact of the next three alternatives on the Finnish identity has to be considered when the selection relationship between birth rate and immigration is simplified as follows on the basis of report calculations:

- 1) When the birth rate is at or above the renewal rate and there is no great emigration, the population level remains stable or grows while simultaneously maintaining the Finnish culture.
- 2) When the birth rate is below the renewal level and immigration makes up the difference, the population is renewed and gradually replaced by other cultures.
- 3) When the birth rate is below the renewal level and immigration does not make up the difference, the population decreases, the population structure ages and the Finnish culture gradually disappears.

Another starting point is the fact that Europeans have a long history of conscious political choices and utilising all possible scientific methods to increase longevity. A long life is also the

consequence of a high standard of living and the increased equality in Finland. Once this fact is recognised, a more optimistic perspective can be selected for the population policy.

***Finland will be the first country with a majority of the population over 50***

The age structure in Finland will change significantly over the next decades and probably earlier – up to 15 years earlier – than in other European countries. This year, for the first time in Finnish history, more people will leave the labour market than enter it. The great pension wave is still ahead, during the period from 2008-2010. In 30 years time the number of people over the age of 65 will have increased by one and a half times compared with the current situation. In 2030 almost every fourth person will be 65 or older. In other words, the number of people receiving age-related benefits will grow by 600,000 and the number of potential payers will decrease by 400,000. The ongoing process of regional concentration complicates the Finnish situation.

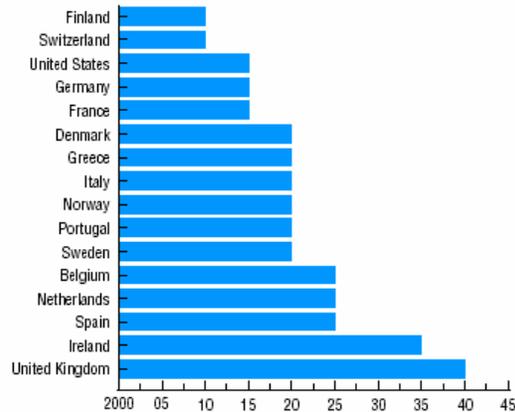
In terms of Parliament, one of the more significant long-term impact areas of the population policy is democracy, which the report does not actually address. The future of democracy is one of the Committee for the Future's themes for the final part of this electoral term. As part of its spontaneous celebration of 100 years of Parliament, the Committee has started a project in which it joins forces with future researchers to consider long-term questions of democracy.

In terms of democracy, it is notable that, according to estimates by the IMF, Finland will be the first country in the world where the majority of voters are over 50 years of age. Finland is expected to pass this milestone in 2010, while one-third of the voting population will be over 65 by 2030. This is one of the reasons why Finnish population policy is the focus of international attention. Other Western industrialised countries are interested in how Finland approaches the problems caused by her shrinking and ageing population and how she solves them. People over the age of sixty, who make up one-quarter of the population, now have very significant political power at their disposal.

### Figure 3.12. The Last Train for Pension Reform Departs in . . .<sup>1</sup>

(Year in which voters aged 50 and older comprise at least 50.1 percent of all voters)

In many countries the elderly may soon represent the majority of the voting public, making it harder to implement reforms that adversely affect them.



Sources: Institute for Democracy and Electoral Assistance, *Youth Voter Participation* (1999); Statistisches Bundesamt, *Voter Behavior in the Federal Elections 2002 by Gender and Age* (2003); United States Census Bureau (2003); and United Nations, *World Population Prospects: The 2002 Revision* (2003).

<sup>1</sup>Share of voters determined by voter participation rates for adults 50 years and older times projected 50 and older population divided by overall voter participation rate times voting age population for each projection year.

### ***Follow-up to the Government report on the future prospects of regional development***

With regard to the systematic dialogue on future policy between Parliament and the Government, this Population Policy Report is a natural continuation of the Government Report on regional balance submitted during the last electoral term, *Finland 2015: Balanced Development* (VNS 4/2001 vp, TuVM 2/2002 vp). In 2002 the Committee stressed that, despite the somewhat sombre statistics and forecasts concerning regional development, the policy can have an impact and active guidance can be used to change the direction of development. This is apparent in the solutions implemented by certain municipalities and the subsequent development.

The main conclusion of the research on premature deaths that was published in 2005 serves as a warning sign of the differences between municipalities and the significance of policy. The WHO has developed a means of measuring well-being that utilises an index of lost years of life to express the difference between life expectancy and premature death by cause of death. The index describes the requirements and changes in the national economy and national health. It can also be used to describe municipal well-being problems. The years of life measure indicates that the economic forecast in municipalities with a weak standard of living will further deteriorate in comparison with municipalities that are already in a good position. Premature deaths are very unevenly distributed between municipalities, with socially excluded men of working age and anxious young women being the two groups at greatest risk.

The number of premature deaths in the best municipalities is about half of that in the worst municipalities. Large differences can be found in neighbouring areas that belong to the same economic region and where both population development and unemployment are at the same level.

Mental problems cannot only be explained by municipal location, population structure and services. Premature death is just the tip of the iceberg, with serious illnesses and accidents, social exclusion and psychological problems all leading to it. According to the research, a good municipal situation is a sign of active decision makers and the initiative demonstrated by municipalities.

Policy can help shape the future and with emphasis on this opportunity, the Committee began a clarification project, which focused on regional innovations and innovative environments and organisations at the beginning of the electoral period. The Committee has arranged regional meetings on the topic, and in September of 2005 the Committee and the Office of the Prime Minister joined forces to organise regional forums on the future, where one theme was population policy.

### ***The EU Commission's weak initiative on population change***

On 16 March 2005 the EU Commission published a green paper on population change entitled *Confronting Demographic Change: a new solidarity between the generations* (COM(2005)94 final). This states that the European population will increase to about 470 million by the 2025, but fall by nearly one million by 2030. The European birth rate is not sufficient to renew the population. In 2004 the EU birth rate fell and was 1.48 children per woman, while the number required to renew the population is 2.1. The Finnish birth rate is one of the highest in Europe. According to the Commission's population calculations, this means that the EU will have a shortage of almost 21 million employees (6.8%) by 2030. In 2030, two people of active age (15-65 years) will have to be responsible for one elderly person (65+). At that time, Europe will have 18 million less children and young people than it does today. Life expectancy will rise and the health of elderly people will be substantially better. The EU will have nearly 35 million people over the age of 80 in 2030.

The Commission states that it is approaching the population change in different ways over a period of several years. The EU's employment strategy and education policy has mobilised school dropouts, supported independent training for young people, activated the elderly, gradually raised the retirement age and focused on quality factors in work. The reorganisation of pension reform approved in 2001 is based on balanced relations between different generations. National health and old age policy programmes have been re-examined. The Commission states that the anti-discrimination legislation passed in 2000 is important for population development, as is the immigration policy. Ageing has been taken into consideration in economic and employment programmes as well as in research programmes. The EU has set targets for preventing the poverty of children and families in the European Programme to Combat Social Exclusion. Many other programmes develop equality and strive to ensure the full participation of women in work. In 2002, Member States were encouraged to develop the structures required for a childcare system. Problematic in terms of implementing a population policy is the fact that the benefits to support establishing a family are not utilised in many countries. For example, parental leaves for men are not commonly used; according to the Eurobarometer, 84% of men do not take parental leave nor do they intend to even if they have been informed of their rights.

Thus the intended targets have not been reached. One factor that has perhaps been ignored is that the failure to meet policy targets may also be the result of goals that contradict people's values and attitudes.

When the slow pace of population policy changes and the importance of population development to the European economy, employment and well-being is taken into account, it appears that not much

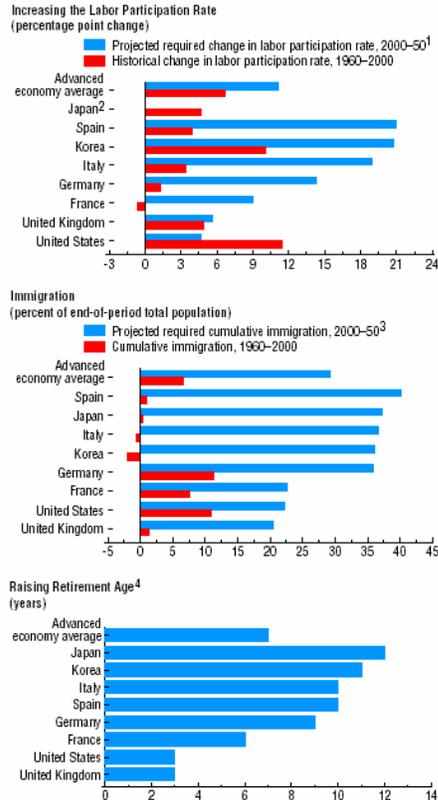
is happening at all. The EU's 11-page Green Paper on population policy is quite modest. It includes statistical data and presents some development pathways, but leaves all solutions up in the air by merely presenting the reader with questions regarding how the problems should be solved. Clearly, population policy is not a subject that people are willing to address by identifying problems by their correct names and taking them into policy preparation.

***The IMF's advice on population policy is old: work, increased retirement age and immigration***

The IMF published its own report on population policy in 2004 (*World Economic Outlook 2004*). This report also states that ageing is a problem that faces nearly the entire wealthy and developed world. The IMF offers three solutions in different forms: 1) increasing employment, 2) raising the retirement age and 3) increasing immigration. By 2050 the number of employees in the working population should have grown by 10% and retirement age should be raised by seven years in developed industrial countries alone. For Finland the most difficult – in practice nearly impossible - IMF target is immigration to the extent described. If Finland were to follow the advice provided for wealthy industrialised countries, nearly one-third of the people living in Finland would be foreigners by 2050.

**Figure 3.9. Some Policy Responses to a Declining Labor Force In Advanced Economies**

For many advanced economies, maintaining a constant ratio of work force to population over the next 50 years would require large increases in participation rates and retirement ages and/or very substantial amounts of immigration.



Sources: United Nations, *World Population Prospects: The 2002 Revision* (2003); and IMF staff calculations.  
<sup>1</sup>Increase in the labor participation rate necessary to maintain the ratio of labor force to total population in 2050 at its 2000 level.  
<sup>2</sup>For Japan, even if the labor participation rate increased from its 2000 value of 78.8 percent to 100 percent, the relative size of the labor force would still decline.  
<sup>3</sup>Cumulative immigration over 2000–50 necessary to maintain the ratio of labor force to total population in 2050 at its 2000 level.  
<sup>4</sup>Increase in the retirement age necessary to maintain the ratio of labor force to total population in 2050 at its 2000 level.

The IMF has continued its population policy calculations (IMF Aging: Some Pleasant Fiscal Arithmetic, Working Paper 05/71). The main message is that in terms of the economic development of many countries, ageing does not cause such serious funding problems as often stated. The concept of a fiscal time bomb that is so commonly used is an exaggeration. However, this does not mean that the bleak population calculations made by the OECD, UK, EU and others are meaningless. One of the most important of these is the international credit rating. On the basis of international population development forecasts, Standard & Poor's predicts an essential drop in the credit ratings of the majority of significant industrial countries.

The latest IMF calculations include a reminder that most of the increase in public consumption is the result of political solutions, not the result of automation or inevitable development. Decisive governments can increase and decrease public consumption and spending through politics. Conclusions based on the calculation even state that, in contrast to general belief, countries with

growing populations face even greater financial difficulties with ageing populations. These countries have to finance the cost of an ageing and a growing young population simultaneously, and be satisfied with low growth in spending on areas outside ageing and personal standard of living. This is what would happen in Australia, Canada and New Zealand, but not in the United States, where both can be financed due to a higher GDP/person.

On the other hand, for some countries this logical message is the just the opposite from the viewpoint of making policy. Along with Australia, the Czech Republic, France, Spain, Sweden and Korea, Finland belongs to that small group of countries that has to tighten its belt.

***The OECD also proposes old medicine for Finland***

The country report concerning Finland published by the OECD in autumn of 2004 remarks upon Finland’s fast growth and good economy. Its main message about the future can be summarised in the forecast of the following table:

	1995–2000	2000–2005	2005–2010	2010–2020
Growth in productivity	2.5	1.7	1.8	1.8
Population	0.0	0.0	-0.2	-0.9
Unemployment	1.8	0.3	-0.3	0.1
GDP/person	4.4	2.1	1.3	1.0

The OECD’s solutions to avoid the scenario in the table include speeding up and expanding growth through flexibility in competition and working life, broad reforms in order to achieve the government’s employments target and improving the economy and condition of the public sector by means of decreased taxation on income through the control of consumption. Pension reform alone is considered insufficient.

***A connection with the globalisation debate spurred by the Prime Minister***

The greatest challenge for Finland’s future is not only the change in age structure but adjustment to the reforms occurring in the global economy. The Committee for the Future’s tasks include an assessment of globalisation. At the end of 2004, when the Government submitted its Population Report, the Office of the Prime Minister published the final report of the *Finland in the Global Economy* project: *Finland Competence, Openness and Renewability*. This examines the challenges that globalisation present to Finland and how Finland should respond to these challenges. The steering group presents a strategy for allowing Finland to utilise the new opportunities of globalisation and block the threats of stiffening competition. The Government’s Futures Report provides a common perspective for all government sectors concerning preparation for the change in the age structure.

When the close dialogue between the Committee for the Future and the Prime Minister’s Office is taken into consideration, it appears natural that some important topics of the globalisation report in terms of population policy were also touched upon during the processing of the population report. These topics included the movement of jobs and investments to developing countries, refugee matters and even the outsourcing of services to India, for example.

The starting point was that developed industrial countries have always been able to take advantage of globalisation. Their governments and companies are overwhelming in comparison with developing countries. This direction cannot change without conscious decisions. If developed countries do not shift the focus from short-term national advantage to long-term structural global interests - in other words, to global public commodities - the global problems will continue to worsen and the price of solving them will rise. The governments of rich countries should adopt certain principles of fairness at the global level, and then transfer them to national administration of globalisation. For their part, developing countries have to integrate with the international system. It must be accepted that in order to guarantee human rights and ensure economic and social development, the global battle against disintegrated countries and the construction of good national administrations are the minimum requirements for a more just world. Michael Porter's observation that "in the long-term, a nation's standard of living depends on its capacity to achieve high and increasing productivity in those industrial sectors where its companies compete" must be accepted.

The market serves as a tool for ensuring the efficient allocation of economic resources. However, instead of distributing resources equally, it gives rise to inequality. Redistribution of income is a political task, and this applies on the national and international level. Global administration is required to steer global markets. Market players do not believe in this possibility, but the Finnish Government considers global administration an important issue. The basic principle of global administration is that everyone should be capable of improving their position and no one's benefits can be allowed to deteriorate.

In terms of global administration, Finland emphasises the conditions that are necessary for economic development in developing countries. In terms of managing globalisation, Finland strives to safeguard the realisation of national benefits. The benefits in these two points often conflict with one another, but it is also worth remembering that globalisation is a process that can benefit all parties.

In Finland, the next re-evaluation of globalisation management will be necessary when large numbers of companies transfer their product development offshore and outsource services that require a high degree of education (accounting, insurance, tax planning, architecture, medical services) to, for example, India. What are fair rules in this competition for high competence services? If transferring product development or a service to a developing country increases the profitability of a Finnish company, decreases world poverty and reduces product prices for Finnish consumers, isn't that right from the global administration perspective, despite the fact that the process may be problematic in terms of the future of Finnish work?

Population development is, like globalisation, a question of great changes in the world economy and human welfare. These problems affect almost every national economy, and because they have developed over a long period of time, they also require long-term solutions. This is not a matter of a specific problem in Finland that can be solved by a ten-point proposal for action presented by the government.

As a result of globalisation, we have to bear more responsibility. Each one of us has to take a stand and monitor how our representatives in various democratic forums – including global administration – solve the problems of the future. We need to consider what kind of mandate we give our country's political leaders concerning the management of common global problems. A few examples of taking global responsibility follow:

- 1) *Work poverty and distribution of work* Finland is part of the movement by the World Trade Organization (WTO) to remove agricultural subsidies, but simultaneously the EU approves them. Which is right from the perspective of Finnish, European and world citizens now and in the future? The WTO strategy has serious consequences for agriculture, regional structure and population development.
- 2) *Youth unemployment*: Every young person that has no hope for the future is likely to be a common problem. Every second unemployed person in the world (about 186 million in all) is young, and there are 130 million young people who work but are still unable to support themselves or their families. Youth unemployment grew explosively during the 1990s. Where have these young people spent their energy? Should we protect ourselves against them or offer them education, jobs and the opportunity for immigration?
- 3) *World tax*: Let's assume that the world agreed that we need a worldwide tax (for example, Tobin's tax) and, furthermore, an agreement on how to calculate and collect the tax. How would we ever reach agreement on its fairness and wise distribution? For example, the airport tax now being prepared in the EU would affect Finland, as a geographically remote country, more than Central European countries. Remote regions are net payers (Finland opposes this tax).
- 4) *The participation of Finns in peacekeeping and peace-building, and global administration*: Peacekeeping and human rights are good things, but they are not simple to implement. Should we accept interference in another country's issues and infringement of their freedom in, for example, cases of clear human rights violations that involve 100,000 people? What if 100,000 children in the same country die of starvation in a situation that is clearly the result of the wrong decisions that people have made?

These concrete examples show how globalisation has permeated not only economic action but also Finnish policy. The most important issue in terms of human welfare is to ensure the favourable development of an open global economy. It is also the best way to guarantee peace and stable population development. It is very likely that despite similar threats – the rise of protectionism, nationalism and prejudice, worldwide recession, the battle for world leadership – the open global economy of the 21<sup>st</sup> century will not experience a catastrophe like that of the early 20<sup>th</sup> century.

The thought that the State is actively assessing and creating the future cannot be allowed to result in the illusion that population and globalisation problems can be solved through public power. This requires companies and national organisations. Globalisation is not just a danger that Finland should be protected against. Understandably, industrial countries are worried about population development and the link between globalisation and economic downturn and the redistribution of work. Defenders of national rights have joined forces in many countries. The disappearance of jobs has also been one of the main themes in Finland's discussion of globalisation. It is obvious that Finland also places the blame for many problems, such as economic recession, unemployment and the financial deficit in the public sector, on globalisation. One of the basic faults in criticism of globalisation is comparison of the imperfect world of today with the perfect and ideal world of our imagination. In people's minds, globalisation is more a question of today's fears and feelings of insecurity than a view of tomorrow's opportunities. We have to learn to live with globally operating markets.

When assessing the role and opportunities of the State, we must also acknowledge the possibility that there is not much that can be done. First, the majority of national State authority is now shared in the European Union – the EU negotiates major commercial policy solutions in the global economy. Second, there has been a change in the way of thinking. When we moved to an open market economy system, the starting point in many cases was that it should be able to correct flaws

and excesses without the unnecessary intervention of public power and actively prepare for changes in the operating environment. State support, both in the population policy and solving the problems of globalisation, can result in negative effects that nullify the actual support.

## STRATEGIES

### *Time and consideration required for building and changing institutions*

Population policy is about discussing the slowly changing institutions and thought patterns of history. The family is the oldest institution of humankind. The nation and nationality are much younger, but they have proven to be strong. Finland is one of the world's smallest and most homogeneous nations. Finnish is only spoken by approximately 5 million Finns. Every change that deeply affects these structures must be carefully considered.

We have no information about the future, the world inhabited by the following generations. Neither do we have examined information based on contrastive analysis, and even fewer experiences of such great changes to population policy that are being proposed. There is always a danger that innovations produce some good result, but unforeseeable side-effects may bring forth a disastrous final result – perhaps an irretrievable one, not only as regards the target pursued but also for other institutions of society.

### *Life span and innovations as a basis for new population policy*

Population policy combines the private and the societal view of life. Every human being is a special case. Everyone has their own, unique life span. On the other hand, the formation of individual life spans depends on the general social development, the official and unofficial social institutions – such as stimuli and restraints, and, above all, values. These institutions have so far been national, but in the future they will become more and more global.

A variety of similar stages recur in the lives of Finnish people: early childhood completely dependent on the care of adults; the development of an own, independent personality through contact with other children; studying; the first job; starting a family; the first child; the first change of job requiring extra training; starting a new family; passing from junior employee to senior employee; children leaving home; own parents becoming dependent on care; the birth of a grandchild; the gradual retirement; the complete liberation from work to become a fairly energetic senior citizen; the gradual deterioration of one's physical condition; and gradually becoming dependent on the care of others.

As late as the 19<sup>th</sup> century it was a rule rather than an exception that the life span was unkindly cut at one's own death, the death of someone close, or a severe illness. Cancer, heart attack, or some other severe illness can still disturb the normal course of life, but much more rarely than they used to. Instead of illness, the normal course of life is more and more challenged by work, with its ever-increasing requirements. Work used to dominate the course of life in earlier times as well. In the agrarian society and the industrial society, however, work was of a fixed form and repetitive. Work and rest were clearly separate. Nowadays work often requires a continuous preparedness and ability to renew oneself, so success in one's work easily becomes more important than everything else. Family and children often have to be flexible. Life is filled with rush peaks that make even 40-year-olds dream of retiring.

The current social challenges of population policy are above all concerned with Finland's success in the world of rapidly changing work. The Committee for the Future has stated in many of its comments that Finland cannot succeed in the changing world by continuing to live on its past

accomplishments, dreaming of liberation from work. In its previous future reports the Committee has defined the right to be of use as a birthright. This must not be given up, because the fundamental problem of both marginalised young people and old people left alone is the feeling of exclusion. They feel that they are not needed or appreciated. It is often the case that a person who gives up work early has to experience the same kind of bitter feeling.

In an ageing society it is essential that the right to be of use includes the right to participate in the new creative economy. In Finland it has been too simply assumed that creativity and youth belong together. Experience, wisdom and innovativeness can also be combined. The future of Finland does not look promising if 59-year-olds feel that they have lived the active stage of their lives and are now entitled to move on and enjoy the fruits of their work, free of responsibility. What would have happened to our country if Juho Kusti Paasikivi had announced in 1929, when he was of that age, that from now on he is a retired old man from whom there is no use asking for any favours?

We need to trust the innovativeness of people of all ages living in all parts of Finland. A future policy building on innovations means bold political decisions and daring to try even things that do not seem to bring about immediate results in the near future and do not seem to fit in with our way of thinking and acting. Innovations are also a partial solution to the problems of ageing. Innovations – both social and technological – have been paid too little attention in the future accounts of the Government. The innovation accounts of the Committee for the Future are shot through with the idea that innovations are not confined to big growth centres. In Finland, many virtual success stories have begun in small towns and rural areas (corporate stories/TuV technology evaluation project/Local innovations; to be published in autumn 2005).

### ***The Finnish family is surprisingly stable***

In the majority of the nations in the world, societies have been built on the basis of the family, and the family is the oldest social institution in Finland, although the idea of the nuclear family became dominant among the whole nation fairly recently, during the 20<sup>th</sup> century. The concept of family has widened in recent decades to cover a very heterogeneous phenomenon. The status of the family thus defined is still strong in society. Today, its endurance is tested when it faces the rush peaks of the life span. It is important to direct the procedures of public authority so that they recognise what today's Finnish family is like, how it is changing, and how it can simultaneously tolerate both more and more demanding work and the pressures in taking care of children and other relatives.

The roots of the current multidimensional idea of family are in the development that began in the 1960s. As divorces and the dissolution of marriages become more common, it has even been claimed in international discussions that Finland too is moving towards serial polygamy. This is not the case. As the following statistical family description indicates, there has been a move from the nuclear family to the stepfamily, a network family including children of many families. As an institution, the Finnish family is stable, and most importantly, more than 76 per cent of the children in Finland live with both parents.

77 per cent of the population of Finland are part of families. The proportion decreases by a few tenths of one per cent a year. In the 1950s 86 per cent of the population were part of families. This means that nowadays every fourth citizen does not live in a family. After the war approximately every eighth Finn did not belong to a family. The family structure has diverged so that 96 per cent of families live on their own. Only two per cent of families have people from outside the family living with them, and

two per cent of families live together with another family. This combination can be, for example, a young family and grandparents. According to the report based on 1997 information, 2 to 3 per cent of children lived in three-generation families; three per cent of small children and two per cent of teenagers.

The greatest changes in families have been the increase of common-law marriages, the decrease of the number of children, and the increase of divorces. Common-law marriage is the habitation model for young people who have no children. Up to the age of 41, the relationship of women without children is more and more often common-law marriage than marriage. Of mothers, however, only in the small group of under 24-year-olds are there more common-law relationships than marriages. The majority of cohabiting others older than that is married. People usually get married when they start having children. Just over one half of mothers giving birth to their first child are not married; of mothers giving birth to their second child, only one third is not married. The older the woman is, the more probably she is married. Of the women of the baby boom generation (born 1945-1950) living in a relationship, 89 per cent are married. Of all couples, 23 per cent live in a common-law relationship. Common-law marriage is also a popular form of relationship among people who have already been married once. In every third marriage, one of the couple has been married before.

The women of the baby boom generation gave birth to an average of 2.6 children. Taking into account that part of the women was childless, it can be concluded that the average number of children per mother was just below three. Using the total fertility rate, women of today can be predicted to have an average of 1.8 children. If the number of children is calculated only per mother, the average is 2.3. This is the average ultimate number of children in families with children today. In practice this would mean that of ten families six would have one child fewer than the families of the 1950s. On the other hand, the number of children per family has been on a slow increase for the past 20 years. The total fertility has remained relatively constant, because the growing families are compensated by the constantly increasing proportion of childless women.

When the Marriage Act was revised in 1988, the yearly number of divorces rose from fewer than 10,000 divorces in the early 1980s to a new level of approximately 13,000 divorces. Divorces also take place earlier than before. In practice this means that, for instance, of 100 couples married in 1970, an average of 14 had divorced after ten years of marriage; of couples married in 1990, 24 had divorced. By the end of 2003, 34 per cent of couples married in 1975 had divorced. This is the highest divorce rate detected.

Common-law relationships are less stable than marriages. There are no formal statistics of their break-ups. It has been discovered in the reports made that common-law relationships break up many times more often than marriages. Even in common-law relationships where the children are mutual, the probability of a break-up is three times as high as that of married couples.

42 per cent (593,000) of families in Finland today have children, i.e. children under 18. 43 per cent of the population, including older siblings, live in families with children. By far the most common type of family with children is still the family of a married couple. Married couples are the providers in 63 per cent of families with

children. This, however, is a form of family with children that has constantly decreased in number and percentage but nevertheless, other family models will not threaten its dominant position for many years to come. The number of unmarried couples having families with children is constantly increasing, as well as their percentage of all families with children. These families now add up to 17 per cent of all families with children (103,000 families). These are families of young couples.

The number of single mothers has remained around 103,000 for the past seven years, which is also 17 per cent of families with children. Fathers as single parents are still rare in Finland; they only make up 2.5 per cent of families with children. Even rarer are registered couples who have children under 18. There are approximately fifty such families.

A stepfamily is a family with a child under 18 who is the child of only one of the couple, i.e. in a sense the child has a new social parent. In colloquial language, the concept is much looser: various weekend families brought about by divorces are often referred to as stepfamilies. However, the family statistics have to be compiled according to the child's permanent place of residence, and one child cannot be recorded as belonging to two families. Divorced fathers and mothers who only have children staying with them on weekends and holidays are left outside the family statistics unless they have started a new family. Stepfamilies now add up to 9 per cent of all families with children (51,000 families). The number of stepfamilies has been fairly constant since the 1990s. It has increased only by 6,000 families. At times, the number has even decreased. Almost one half of parents of stepfamilies are married to each other and the rest live in a common-law relationship. Usually, a child in a stepfamily is the mother's child who has a new social father. If the family has a mutual child as well, the parents are normally married; otherwise, the new couples live mostly in common-law relationships. Families with "my children, your children, and our children" permanently living together are still rare: there are just over 600 such families.

Looking at the family models from children's perspective, rather than the family perspective, the percentages seem even more traditional. 64 per cent of underage children live with their married mother and father. 12 per cent are mutual children of common-law couples. Thus more than 76 per cent of children in Finland live with both their parents. 7 per cent of children are "non-mutual" children of married or common-law couples. 17 per cent of children live with one parent. Families of children should, however, be examined according to the age of the child. Small children usually have unbroken families. Less than 10 per cent of babies start their life span living with one parent. The proportion increases with age so that 22 per cent of 15 to 17-year-olds live with only one parent. In addition, 10 per cent of teenagers live in stepfamilies.

### ***The reasons for a low birth rate are not clear***

In order for government actions to yield results in population policy, the problem and its reasons need to be analysed to be able to direct the actions correctly. Therefore, the birth rate must also be evaluated.

According to the interpretation of the European Commission, a low birth rate is a result of the narrowing of individual choices due to the birth of a child. Work is begun at a later stage, employment is temporary, living is expensive, and there are, to put it in economic terms, not enough stimuli to have children. Stimuli such as family benefits, parental leave, organised child care, or a uniform salary increase the birth rate; female employees in particular benefit from and appreciate them.

However, the reasons for a low birth rate are perhaps not that clear. A European phenomenon that is very difficult to explain is the deep and swift change in the social model of the Catholic south, which has traditionally been attached to a large family. The birth rate in Italy is the lowest in Europe. On the other hand, a Korean Parliament delegation asked Finns why the birth rate is so low here when, in their opinion, the greatest obstacles – women's equality and children's day care – were successfully taken care of in the Nordic countries decades ago.

The new Euro barometer does not support the popular claim that the lack of babies in the EU results from the selfishness of career women. People have children at an older age than previously because studying, for instance, takes longer. However, the birth rate is highest in the EU countries where women participate most actively in working life. In the Nordic countries, women in good occupations have even more children on average than other women.

The reason for the low birth rate is not that parents do not want children. Europeans have an average of 1.5 children, but they would like to have 2.3 children. The desired numbers of children vary substantially across Member States. In Finland, the most agreeable number of children is 2.6 for women and 2.2 to 2.4 for men, depending on the age group. The message is important for population policy. However, these, as well as other figures, have to be taken critically because people have a tendency to exaggerate their plans and hopes in surveys. It is nonetheless beyond doubt that people avoid risks and are afraid of a decrease in the standard of living. If a child causes more risks, having a child is avoided. If work and family life combine without problems, the conditions are better for having children.

### ***On the possibility of natural renewal of the population***

France, along with Ireland, is an exception in Europe because it has succeeded in turning the reduction in population into an increase. France has 62 million inhabitants, and the latest statistics indicate an annual increase of 0.5 per cent over the past five years and no less than 0.68 per cent last year. If the growth in population continues in France and the populations of other European countries decrease as predicted, France will become the biggest of the present EU countries by population in 2050, passing Germany. There will be 75 million inhabitants in France. As much as two-thirds of the growth of population in France was due to the fact that more births than deaths took place.

It is claimed that Finland could cope with the challenges of the future by having more families with 3+ children and fewer childless people. Families with 3+ children now add up to 8 per cent of all families, and 35 per cent of all children grow up in them. If there were an average of 2.1 children per mother instead of the present 1.7 children, the size of the population would remain the same and not turn to a reduction with age. Family policy needs new innovations to remove the economic obstacles for having children and to have an influence on the values and attitudes, especially in urban municipalities, to increase the proportion of 3+ families to 14 per cent and the proportion of families with children to 46 per cent, which were the percentages before the birth rate fell under the

level of renewal. Because only 2 to 5 per cent of women wish to remain childless, the challenge of family policy is to find the conditions to reduce childlessness to 10 per cent from the present 15 per cent.

Childlessness has been on the increase. The number of those who remain childless is increased by, e.g., delaying having children. The situation is especially paradoxical for the highly educated, because the women of this group have wished for more children than the women of other educational levels but have actually had fewer children because of greater infertility. Long periods of study are probably here to stay. Improving the chances to have children during studies reduces the amount of short-term work due to parental leaves and the expenses afterwards. This, in turn, improves the chances of women who have already had their children for long-term work and a better income. There have been discussions in Finland about sharing the expenses of having children with all employers and the government.

Families with children are a profitable economic investment. The calculated contribution of 0.25 million euro for education and training will yield 3.5 million euro of GDP and 1.7 million euro of tax during the child's 35 years of labour. The profitability increases as the number of children increases. Those in favour of increasing the number of children emphasise that having children improves the labour impact of families and that children bring joy and work motivation to families and vitality to society. Day care is considered to free labour from home up to 1 or 2 children. As the number of children increases, it becomes more beneficial to society to take care of the children at home. This is also the form of child care usually chosen by these families. The "economic ideal babies" of the EU are born in families with many children, as grown-ups go to work quickly after studies and have many children themselves. They can also be happy as individuals and "EU citizens" because they receive good social security, good education, and a steady career.

From the viewpoint of increasing the birth rate, there are three difficult points in the livelihood of a family with children compared with families in other stages of existence: having the first child, the growth of the number of children to 3+, and the stage when the children grow up and their expenses grow but family benefits end and studies restrict the chances of the young people to work themselves. Having the first child is often delayed, but the second child is usually had without thinking of finance. With people planning a third child or more, the increase in expenses due to children causes significant uncertainty in their trust of coping with the children. Most of this child potential is in urban municipalities where everything has to be bought.

Three main factors have an impact on the livelihood of a family with children: the expenditure due to the children; the work related to the care and education of the children, especially when the children are small; and the increase in the need for space at home and in vehicles when the number of children grows and the children get older. From these starting points it can be estimated that in order for families to have the number of children they wish, regardless of their income, in accordance with the long-term benefit to society and without compromising their own benefits too much, the financial support should focus on day-care allowance, related pension benefits, and day-care services for under ten-year-olds and study grants for over ten-year-olds. If the support policy is adhered to, child benefits and tax relief are needed throughout the child stage in order to prevent the increase of expenses due to children increasing the amount of work needed to pay them and taking all the time and strength needed for parenthood. From the viewpoint of combining family and work, the critical factors, especially for 3+ families, include high prices of apartments and cars, and the increase in operational, consumption, educational and recreational expenses.

### ***Finland cannot afford to lose any young people or children***

In the light of the current birth rate predictions, Finland, with its five million people, is in a situation where it cannot afford any children or young person to be lost or damaged in vain.

The material conditions of children and young people have been good in Finland for a long time. Systems of child care and education have been developed in a professional way. Still, an estimated number of 20,000 young people in the age range of 15 to 19 do not go to school or work. There are thus 4,000 young people like this in each age group; in the course of 40 years the total number of these marginalised and excluded people will be 160,000. The OECD comparison reveals the problem to be partly national. In 2002 21 per cent of boys aged 15 to 19 in Finland did not work or study, whereas the number for girls was only 8 per cent. The number for boys is among the highest in OECD. For young adults aged 20 to 24, the number for Finland was 21 per cent, which is also high in the OECD comparison.

The position of young people without vocational education will become more difficult in tomorrow's society, where one should be able to change occupations several times during one's working career. There are already signs in Finland indicating that in the future we may have a labour shortage and high unemployment at the same time.

Alternative forms of child care have been designed for parents in past decades. The political discussion has been contradictory. In 2003 there were almost 400,000 children under 7 in Finland, half of whom were in day care, private day care or kindergarten, and 93 per cent of these were in municipal care – 7 per cent were on a private day care allowance from the Social Insurance Institution. Just over one per cent of children less than one year are taken to day care in Finland; of 2-year-olds, 25 per cent; and of 5-year-olds, almost 70 per cent. In Sweden, children are taken to day care at a much earlier age and more often, but the children are in day care for shorter time periods because mothers have shorter working days. A research into the effects of child care during 20 years was published in Sweden in the spring of 2005. Of children taken to day care before their first birthday, 70 per cent did well in school, adapted well, and were socially capable; only 38 per cent of children nursed at home reached the same capabilities.

Experts in Finland bring forth the differences in the Finnish and Swedish systems. Quality is considered more important than the comparison of different forms of child care. The Swedish research was conducted during the heyday of Nordic day care (the children were in day care at the turn of the 1980s). Despite the controversy over the results, on the basis of an expert hearing of the Committee for the Future, there is reason to take up here a perspective on the status of children and young people that was not presented very extensively in the report. This perspective is called children's mental disintegration. Genetic research has brought up lots of new knowledge on damage to the central nervous system and their causes.

By taking many determined decisions concerning material and institutional issues, as well as values, Finland has succeeded in improving the living conditions of families and, particularly, the chances of children and young people for a better future than that of the older generations. With a good school system, skilled kindergarten teachers, and, for instance, the nationwide music education network, Finland has been able to pick out all talents – even hidden musical talents – from the population perhaps more effectively than any other country in the world. Because of this, Finland has attracted great international attention. In light of this it cannot be accepted that at the same time many children and young people can suffer from a severe mental disease without anyone noticing their troubles and doing something about them.

There is reason to evaluate the grounds for children's lives in each time period with skill and care and search for reasons for children's problems, which now also include many psychiatric disorders. The effect of the active support of the skills and abilities of children and young people on the development of those children must also be evaluated. Excessive offering of stimuli from outside and above can also upset the balance of mind. An organised mind is not in harmony with an unorganised mind. The damage often only comes to light in adulthood.

The latest research into the development of children emphasises the connection between the organised mind and the unorganised mind. The best results are obtained by mutual regulation, in which the child learns values, norms and manners of behaviour together with adults. If parents do not even have one hour a day to spend with their children, this will manifest itself in severe disorders at a later age.

There is usually an unanimous view that at the age of 3 at the latest it is good for children to be among their peers. This is about learning social skills. However, this does not mean that children can be left among themselves. The behavioural disturbances of children are often explained by too small children having to solve difficult matters and sort out arising problems without an adult. Children do get along in groups, even big groups, if there are no problem situations, but the presence and regulation of adults is needed in order to solve disputes; otherwise, the situation will lead to aggression, exclusion, and possibly violence.

Against this background, the current day care groups are too large. Adults have to be present to solve small everyday problems as well as to decide what is right in obvious conflicts, using their authority. It is estimated that in conflict and stress situations in particular the child can adopt the care and guidance of up to four adults; after this the stress threshold is exceeded. The greater distress the child is in, the more important it is for the child to feel safety and trust. Constant changing of nurses should be avoided in day care. The named nurse model would increase safety because the child would have one unchanging adult relationship in the kindergarten.

### ***An active immigration policy does not come without problems***

*Institutional gardening.* An active immigration policy is not without its problems. As a country that receives immigrants, Finland can be described as very modern market economy founded on impersonal exchange and a liberal political system. The central institutions are public and defined by official, juridical regulations. Finns have adapted to them and created the supporting unofficial institutions on the basis of their own basic values. On the other hand, many immigrants come from countries in which institutions are based on personal exchange. In countries operating without democratic government institutions and market economy structures, the rules of collaboration are strongly defined by genetics – i.e. they are built on various small groups and families. The immigrants' adaptation to the new institutional structure is wearisome and difficult. Also, as an exceptionally homogeneous people, Finns do not have experience of facing foreign cultures on their own soil. A thorough scientific analysis of the action plan for reconstructing the institutional heredity of immigrants is a prerequisite for the adoption and success of an active immigration policy.

Population development is one of the slowly changing issues in history. Population policy is a subtle field of politics, and its devices touch the basic values of people and the oldest and most permanent institutions of each nation and society, the most important of which is the family. The

modern, secular Finnish society based on a heavy government hand has transformed the traditional multigenerational family first into the nuclear family and then into the current multidimensional family capable of adapting to the operations of the economy. Each group of immigrants has its own family traditions. It is certain that none of these is even close to the Finnish family. In each culture the workings and values of the family are passed on as tacit knowledge from one generation to another. For Finns as well as immigrants, the family is an institution through which the other institutions of society are mediated. An active immigration policy requires careful examination of the future of the family in Finland.

Institutional researchers have compared the building of institutions with gardening: it takes time and care. This particularly concerns population policy. We know that immigration deeply affects both official and unofficial institutions; however, we know little of how it has affected them. For this reason, the success of countries exercising an active immigration policy should be reviewed if Finland is to move on to that policy; how the results are comparable with a unified culture such as Finland also needs to be analysed. It is particularly important that an active immigration policy does not weaken those foundation pillars of the institutional structure of the Finnish society that define the productivity of the economy and the political and social stability.

*The challenge is also ethical.* According to the UN, the EU countries will need a total of almost 80 million immigrants by 2050 to maintain the current size of the working population. Population scientists have criticised the calculations of the UN as short-sighted. They lead to a multiplication of the population after a few generations. Immigrants get older, and more immigrants are constantly needed. The strategy of occupational immigration, becoming popular in all Western countries, has been questioned. Immigration is not believed to be a true solution to the ageing population in the long term.

The difference between the immigration policies of Europe and the United States is that in the ageing Europe preparing for the coming labour shortage one country after another has moved over to selective immigration. Young, skilled and educated people, who, it is hoped will start families with 2 or 3 children, are wanted in Europe. Globally thinking, this is a strict definition of policy. For Finland, it would mean attracting young doctors, engineers and other professionals from Russia, the Baltic countries and other new EU Member States mainly through economic benefits, knowing that these countries have an even more drastic ageing situation ahead of them. These countries need every expensively trained professional for their own economic upturn.

Another difficult ethical problem that reaches the foundations of Finnish society is created if Finland, with the heavy immigration, is fragmented and divided like the other countries. Finland stands out in the global comparison as a highly uniform nation and one of the most democratic countries in the world. The increasing differences in income are probably seen as a difficult problem. In discussing the support for low-paid industries and the so-called cheap work in Finland, the development named as “servant society” has been objected to. The recent review in the *Talouselämä* magazine of the 100 biggest companies by revenue reveals that without noticing it we have moved on to the “shirt washing society”, which was so widely discussed 10 years ago that it turned into a clichéd economic joke. According to the review, jobs are disappearing: most of these 100 companies (737,573 employees) have reduced the number of employees in Finland. Jobs have been added by service companies, chiefly in the fields of real estate, cleaning and laundry services. It has been thought that the increasing differences in income, along with their consequences, will be avoided if a strictly selective immigration policy is adopted.

The third basic problem is unemployment. It is difficult to explain to people who are unemployed, under the threat of unemployment or doing unsteady short-term jobs year after year that tens or hundreds of thousands of foreigners are needed in our country. If they are hired for research and development or positions on various levels of production requiring top skills in various fields, acceptability is reached more easily. Immigrants hired for positions of low standards are feared to take all the jobs in Finland and reduce salaries.

In spite of the contradictory views presented above, it is admitted that if the current benefits are to be secured for the ageing population, lots of new workers are needed in public nursing services in particular. The current volume of immigration (net immigration rate in recent years from 5,000 to 6,000 people) is not enough to compensate for the coming labour shortage caused by the retirement of the baby boom generation.

Is there any reasonable solution in view? Foresighted and far-reaching exploitation of foreign labour should not only serve the acquisition of employees for public services but also for high-technology companies. If the immigration of foreign labour is developed in an ethically sustainable way, employees can be acquired only moderately from the insufficient labour resources of the neighbouring areas of Finland. Proceeding in a programmatic way, the enormous labour reserves of developing countries can also be used for the benefit of all parties. Foreigner policy would no longer be just the reluctant relocation of occasional groups of refugees. Finland could, for example, start a discussion with the government of India about young people from India working in the nursing section in Finland or in the new economy in both India and Finland in a way beneficial to both parties. In this model the foreigners coming to the country are both educated and uneducated; however, compulsory training including the national languages must be organised for all immediately after immigrating. In this model work can also be conducted from India.

*The situation in Finland.* Immigration is transforming Finland: half of the population growth is already due to immigration. A couple of decades ago more people migrated out of Finland than into Finland. In the 1980s immigration began to increase the population (14%), and in the 1990s the proportion increased by an average of 28 per cent. Now almost 45 per cent of population growth is due to immigration, and, according to estimates, its proportion will soon reach 50%. The biggest immigrant groups in Finland are people born in the former Soviet Union (35,000), Sweden (28,000), Estonia (8,700), the former Yugoslavia (4,500), Somalia (4,300) and Germany (3,800). The population grows by 12,000 to 13,000 a year, 7,000 of which is due to natural population growth – i.e. the difference between births and deaths in Finland – and 6,000 to net immigration – i.e. the difference between migrations into and out of Finland. The proportion of population growth due to immigration does not, therefore, include children born to immigrant families in Finland. As elsewhere, the immigrants are young, 30 years old on average, and they usually have bigger families than the original population, so the population also grows in this way. Whereas a Finnish woman gives birth to an average of 1.7 children, a foreign woman living in Finland gives birth to an average of 2.2 children.

According to the Government Programme, Finland badly needs immigration to compensate for the labour gap and the distortion of the dependency load created by an ageing and retiring population. The Government will draw up the first immigration policy programme, prepared by the Ministry of Labour, in the summer of 2005. This programme deals with all forms of immigration. The population growth caused by oppression, acute difficulties, and humanitarian reasons is not enough for the requirements of the Finnish society.

If the Government strategy of an immigration policy is to be carried out, politicians must come out in public to speak on the matter and justify the change. We need inflammatory speeches on why Finland needs occupational immigration. Paragraphs of a law are not enough. A certain popular approval needs to be reached, and this is not easy if the political field is fragmentary. Finns must be encouraged to accept the idea of occupational immigration and to work in such a way that the people arriving in Finland are welcomed in a good and friendly manner. We must bear responsibility for the traditional refugee and human rights policy in the future, but we need a new approach to an immigration policy.

In speaking of immigrants in Finland, it has rarely been distinguished whether the immigrants have moved to Finland because of work or studies, or whether they are refugees, asylum seekers or returnees. In the 1990s the active immigration policy was primarily focused on the reception of refugees and asylum seekers. Simply put, only refugees, Finnic people and persons unaccepted by other big industrial EU countries have come to Finland. Up to now, immigration has cost Finland more money than it has brought in.

The essential factors for a successful immigration policy are practices, attitudes and management culture. It has, for example, been known for a long time that although Finland offers foreign students an expensive education up to the doctoral degree free of charge, they must often leave the country because of a shortsighted, bureaucratic way of dealing with things. If the possibilities of remaining in the country and the necessary permission procedures are clearly recorded in the law, the distribution of work between the authorities is clear, and the administrative officials are properly instructed concerning the procedures, the officials should be able to do their work in a proper and friendly way. Racism must be dealt with immediately.

Racism can be defined as a notion in which an individual or a group of individuals are judged according to their skin colour, ethnic origin or background, culture, mother tongue, or religion as unequal to other people or groups of people. Racism degrades the human dignity of another person or group. Racism can manifest itself in various ways: sayings, expressions, looks, shouts, threats, small gestures, evasion, exclusion, bullying, persecution, violence, and in extreme cases even manslaughter or murder. Racism is partly due to fear. It may be difficult to admit one's fear, in which case it may be turned to anger at immigrants and ethnic minorities, who are at a disadvantage.

In the reaction against racism, the legislation and the development of attitudes must support each other. In the legislative level the ways to react against racism and interference with it are in order. According to the constitution no one can be put in an unequal position on the basis of their origin, religion, or some other personal reason. According to the Equality Act that came into operation last year, no one can be discriminated on the basis of their ethnic or national origin, language, religion, or some other personal reason. The Criminal Law prohibits discrimination and incitement against a section of people. A racist motive is a basis for harder punishment in the Criminal Law. An attitude is an outlook with a great amount of feelings and beliefs. Even unessential things may have an influence the emergence of an attitude. Attitudes change very slowly, and people search for more evidence to support the prevailing opinions. Attitudes affect the actions of people and make objective evaluation more difficult. People with strong attitudes cannot see things objectively because their judgement is mixed with feelings. History, religion,

traditions, and even superstitions affect our ideas and attitudes. Over the decades an image of what society is like and how it works best has stuck in our minds.

Surveys conducted with school children offer insights of how severe a problem racism is: in the schools of the Helsinki area, more than one-fourth of pupils had often or sometimes been the target of racist name-calling. Skin colour, in particular, was a thing that caused exposure to name-calling. Approximately 40% had been the target of bullying. However, the surveys have shown that victims of violence try to downplay the situation. This is a kind of a psychological defence reaction. Therefore, the numbers can be even higher.

It is possible that substantial immigration supported by the government will raise a lot of criticism. However, the criticism will fade if employment and the development of working life are actively taken care of and false prejudices are fought off. Knowledge must be offered instead. People believe in a prejudiced way that migration deprives the original population of their jobs and leads to marginalisation, slums, a rise in taxes and social costs, and a collision of cultures. On the other hand, occupational immigration in particular has proven to have increased entrepreneurship and reinforced technical know-how, creativity and innovativeness, in addition to the fact that the new employees moving into the country or their family members have done all the work the original population has not been able or willing to do. Sweden in the 1960s and 1970s, and Ireland in the 1990s are examples of how the addition of foreign labour has been a stimulant to the economy of the whole country.

In Finland, more respect must be given to foreign degrees and knowledge and skills acquired abroad. A country that does not acknowledge the qualifications of foreign doctors by default, does not appreciate the knowledge of law other than that of Finland, and even after years suspects that every marriage with a foreigner is a deception, achieves a reputation as a country hostile to foreigners. A bad reputation is difficult to get rid of. If Finland treats foreign labour badly, those people will easily leave Finland for a European country where the atmosphere is favourable and the reception is good. The first to leave will be the educated foreign citizens.

Correcting the age structure by immigration is slow and time-consuming. In contrast with the common impression, immigrants adapt to their new country quite rapidly. Because of prejudices and the lack of language skills, the first generation gets by worse than the original population in working life; the second generation, however, does better than the original population on average. Therefore, it is important to create a strong stimulus for the offspring of immigrants to study, get work, progress in their careers, become wealthy, gain societal respect, and invest the money earned so that it will show a profit.

The Aliens Act is already being modified to allow foreign students to work in a more flexible way and to improve their chances of staying in Finland to work after graduation. Added occupational immigration also brings family members into the country. Their rights and responsibilities need to be checked while supporting their adaptation to Finland.

### ***An active adoption policy in parallel with a labour-based immigration policy***

While the number of children is a private matter for families, the government has to try to have a positive effect by improving the conditions for adoptions. To accompany an occupational immigration policy, a more active strategy supporting adoptions is needed.

### ***Finland's success is based on productivity***

A positive view of the future of an ageing society includes a concern for high employment, increased productivity, and innovations. The standard of living is improved either by increasing the amount of work or by increasing its productivity. In Finland the amount of work will not be increased for a long time without radical solutions while the working population is ageing. Productivity, on the other hand, can be increased.

The national product of Finland per citizen has become 14 times as high as it was a hundred years ago, all because of productivity. Most of the means of productivity were brought from abroad. Finland borrowed technical innovations from other countries and applied their results with a certain delay. Beginning in the 1960s, the productivity of Finnish work in first the paper and then the metal industries, and, for the past couple of decades, in the communications industry, has been higher than in the EU or the United States. In the many revolutions of information and communications technology, Finland has been a forerunner rather than a follower. A key question of economic policy is how we can manage to turn the benefits of new technology into a means of raising the standard of living in the future. The economic policy can influence the development of technology. However, no one can know in advance what the future innovations will be and how rapidly the technology will progress.

What are the forecasts for the productivity of work until 2030? Optimists envisage an annual increase of 2.7 per cent and pessimists 1.5 per cent. As regards population policy, it is essential that the ageing of the population is not considered to restrict productivity development substantially. The effect of technological development outstrips the effects of all other factors. If the increase in productivity is considered to be most important, the most essential problem for the national economy of Finland is not the low employment rate but the deceleration of the growth in productivity. The growth rate of productivity has alarmingly halved from the rate of five per cent it reached in the 1960s and 1970s.

The Government has emphasised the rise in productivity and drawn up strategies. As regards the public sector, the decision included in the 2006-2009 budget framework to leave half of the opening State jobs unfilled is the most significant. According to the framework,

“In the way stated in the Government strategy document, the productivity of the operations of different administrative sectors have begun to be uplifted by productivity programmes which are expected to create significant opportunities for decelerating the growth of expenses and reallocating resources by the end of the next electoral period. Strengthening the operations of the public sector and improving productivity are necessary not only to secure the sustainability of public finance but also for the growth potential of the whole national economy. The overall supply of labour is estimated to decrease by several tens of thousands of people by the end of the next electoral period, and the decrease of supply will continue after that. In this situation the overall work force in the public sector cannot grow any more, but the operations of the whole public administration must be strengthened and resources reallocated in a way that the growing need for services can be fulfilled, the economically harmful price competition for the diminishing work force avoided, and the labour needs of other sectors secured. According to the basic services programme, the need for a net increase of labour continues in municipalities, which highlights the necessity for considerable reduction of the state work force.

According to the estimation of the State Employer's Office, approximately 35,000 people working in public administration will retire or move on to other employers by 2011. This is almost 29 per cent of the people working for the state now and means an annual labour expense of approximately 1.5 billion euros. The attrition that varies by administrative field is exceptionally large because of the accelerating retirement of the current personnel. It gives a unique opportunity to execute good personnel policy in compliance with the changes in operations and structure that increase productivity and effectiveness, and to increase the utilisation of information technology.

The target set by the Government is the improvement of the productivity and effectiveness of the operations of the state in such a way that by the end of the next electoral term, half of the positions opening due to the attrition of state personnel will be filled. Throughout the term this means an annual reduction of more than 2 per cent in the number of personnel and a corresponding rise in productivity."

### ***Innovative economy based on an ageing labour force: the spiral of misery and boredom must be broken***

If Statistics Finland's population estimates come true, at least in principle, Finland will be demographically divided into two approximately equal parts by 2030: regions where the proportion of over-65-year-olds is less than 25 per cent and regions where this proportion exceeds 25 per cent. Whereas there were only 45 small municipalities with an aged population in 2003, Statistics Finland estimates that there will be 380 of these in 2030. With a few exceptions, only the largest centres of growth will belong to the group that currently includes almost the entire population of Finland.

Happiness is among the characteristics of a successful and competitive region, while regressive regions are tainted by cheerlessness, misery and boredom. An ageing society and localities with a clearly declining number of young people are associated with an obvious spiral in which young people and others with vitality and activity also feel stagnation emotionally. The spiral feeds itself. Even though statistics show the progress of ageing, we should not give in to the vision of misery and boredom. This does not benefit anyone. The ultimate result must not be a well-functioning Finland where everything is superficially all right by any indicators but the atmosphere is so melancholic that 1) investors do not invest in Finland because the fundamental prerequisites for an innovation environment include a "living, cheerful, intelligent, exuberant" atmosphere, 2) young experts move elsewhere to a more inspiring environment and, finally, 3) demanding and wealthy old people want to get away as well.

We must not allow the creation of a spiral of ageing, misery and boredom. We must bring children, young people and the elderly together to face each other. Community planning and housing must ensure that residential areas are alive and joyful. Even if it was very rational or cost-efficient, we cannot afford people becoming differentiated. This must be taken into account in the placement and planning of workplaces, shops and recreational facilities.

As an objection to the thesis of boredom, one can state that Finland is a model country for competitiveness and innovativeness, as well as one of the best countries in a European comparison. It is essential that any comparisons must be global because businesses, science and innovations compete and operate globally. It is also essentially important to admit the fact that the future is surprising and change is rapid. Only a while ago Japan was at the forefront of development and ranked number one in all comparisons. Japanese information technology seemed to be winning.

Today, its reputation is one of an ageing population, huge economic impacts and a stagnant society. Even though Japan is a wealthy and large economy, it has not found any way out of its spiral.

Several of the Committee for the Future's projects have touched on the subject of societal atmosphere during this electoral period: *A caring, encouraging and creative Finland* (Pekka Himanen, Technology Assessment 18, 2004) and *Leadership of innovative environments and organisations* (Pirjo Ståhle, Markku Sotarauta and Aino Pöyhönen, Technology Assessment 19, 2004; next report to be completed in autumn 2005).

A recent report on the development of creativity will probably provide a kind of warning of the upcoming. Attitude surveys called Risc Monitor have been conducted in Finland for 30 years. In these surveys the creative class is characterised by a desire for change, flexibility and independence. Members of the creative class take an open view of other cultures, have an empathetic outlook toward other people, and a positive attitude toward technology. They are considered the engines of economic growth and employment.

The most recent study, which was conducted with the help of the Society of Finnish Labour early this year, suggests that Finland would have lost 150,000 creative people in one year. While the creative class accounted for 22% of the population in 2002 and 2003, and remained at 20% last year, this year's figure is only 17%. In proportion to the population, this means that in a couple of years hundreds of thousands of people have abandoned the creation of new things and are instead defending established positions, keeping routines running or enjoying the fruits of earlier work. According to the survey, the majority of Finns, or 49%, belongs to the applying class, followed by 24% in the perpetuating class and 9% in the wanting class. According to the researchers, the decline of the creative class is attributable to conservative materialism, which has taken over in society. Managers of workplaces take a negative view of initiative and creativity, instead focusing on efficiency and close supervision of their subordinates' activities – a culture of management by numbers robs the creative class of the oxygen it needs.

According to Professor Richard Florida, Finland still remains the second most innovative country in Europe after Sweden. Despite the grey clouds accumulating in the sky, quality of life remains Finland's greatest advantage for the time being. Are there any other well-organised and safe countries where Joe Average would be able to get a good education for his children while living in a detached house on a lake (summer cottage)? Even though young experts know that the salary level is higher elsewhere, they want to pursue a career in their native country. Those most susceptible to leaving Finland are those with no earned income at all. It is essential that one-half of the emigrants come back within five years.

### ***The Nordic countries are best prepared – the result also depends on people's choices<sup>1</sup>***

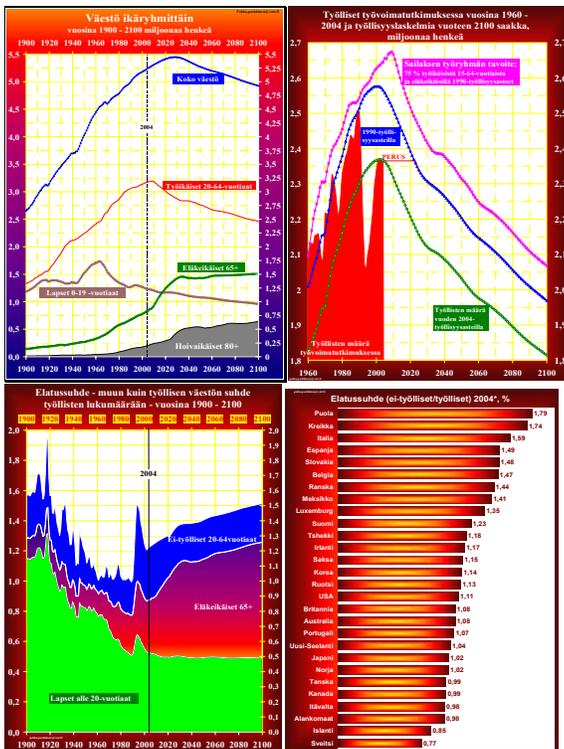
The Nordic countries have been very successful economically. The competitive ability is good. Within the EU the birth rate is high in the Nordic countries, where women's employment has been the highest for a long time. A positive correlation between involvement in working life and giving birth to children has been visible in comparison statistics ever since the mid-1980s. On the other hand, women over 55 years of age are currently more engaged in gainful employment than ever before in the history of Finland. Within the EU employment among the elderly has increased most rapidly in Finland. Most European countries have not reserved funds to prepare for ageing as the

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<sup>1</sup> The labour report was discussed at Parliament's plenary session on 11 May 2005, due to which this background memorandum does not go any deeper into these matters.

Nordic countries have done. Finland has been a pioneer here thanks to the national basic pension scheme created in the late 1930s and the employment pension scheme built in the early 1960s. The most recent pension reform was also significant in international terms, even though its ultimate success depends on people’s choices. The Nordic countries have managed their finances well on the whole, and the societies are stable.

Despite Finland’s good starting position, the problems of ageing generally culminate in the question of the dependency load and the permanence of pension funding. Economists have debated the “pension bomb” for more than 10 years, and previous Committees for the Future have also discussed the matter. The Finnish Centre for Pensions, and several experts, are continuing to back the interpretation that the system has solid foundations. On the basis of expert opinion, the Committee for the Future has prepared calculations extending beyond the Government Report, all the way to the year 2100. A long-term review seems to indicate that the problems of ageing would become less severe and the situation would become stable.



The Finnish pension reform is regarded as progressive in Europe, and Finland is one of the few European countries in which a pension reform has been realised at all. The reform aims to increase the Finns’ average retirement age from the present 59 years to 61 years using the carrot and stick approach of incentives and penalties. The most important carrot is increased accumulation of pensions depending on how many years the employee works past retirement age. The so-called super accumulation during the final years (4.5 per cent after 63 years of age) is expected to tempt those in good health to continue well past 65 years. The official retirement age was lowered from 65 to 63 years with the assumption that Finns appreciate work and the increased wealth and well-being it brings. The new scheme allows old employees to be pensioned at 63 years of age but continue working even after that. A negative point for those planning retirement is that the alternative of

unemployment pension will be abolished in 2014. Individual early retirement pension will not be granted to those born in 1944 or later.

The new principle introduced to the scheme, which will reduce pensions on the basis of increased life expectation, is significant and exceptional in international comparison. As of 2010, a life expectation coefficient will be introduced annually for each age group, and this will reduce pensions in line with increased life expectation. The idea is that one can compensate the reduction by continuing to work.

It will be slow to increase the employment rate through the pension reform. Follow-up carried out until now has surprisingly indicated that the reduced official retirement age of 63 has been a more attractive option than additional pension. In spite of the reform, retirement seems to go on strongly and the use of the so-called pension pipeline has not decreased. A lot depends on people's choices. The nature of work, attitudes and the atmosphere of working life are crucial. Extra money cannot compensate for lack of respect. In order for anyone to work in retirement age, he or she must feel useful and accepted when coming to work each morning. There is some kind of difference in the atmosphere of working life, even among close neighbours, as Swedes retire substantially later than Finns. Simply said, our neighbours are sick more often during their working life but manage to work longer.

It has been estimated that sustainable funding of a welfare state that cares for the ageing population will require an approximate employment rate of 75 per cent until 2015. Welfare costs can be funded with a moderate tax rate if the basis for taxation is stronger than present. This will require a clear and rapid improvement in employment and strong growth in productivity. The alternatives include tax increases, cuts in public expenses or additional debt. None of these is a good option. On the contrary, the pressures of international tax and business competition pull in the direction of tax cuts. The EU stability and growth pact, which requires a balanced or preferably surplus public economy, excludes the option of increased debt. It has been estimated that a sustainable means of catering for the increased expenses caused by an ageing population would only include 1) increased efficiency of public services in order to slow down the rate of expense increases, 2) increased employment and economic growth starting from the point that in a global economy well-managed financial policy equals well-managed social policy, and 3) good returns from employment pension assets.

Several factors, such as the globalisation of the economy and international tax competition, weaken the possibilities for the public economy to offer the present services, while the demographic change in the population calls for more services in a more versatile way. Public expenses are under pressure for growth. Therefore, a clear increase in the employment rate has been the most important long-term budgetary target. If full-time employment is taken into account, Finland has succeeded fairly well in this respect among European countries. It is important for population policy that we employ all the available national-level means for employing people and creating families. In the following, we examine two practical examples of poorly managed national problems in working life that have long been recognised.

There has been long-standing debate in Finland over the issue that the costs of giving birth to children are not fairly distributed in industries with a labour force dominated by women. The Committee for the Future has also demanded more equal distribution of the costs of parenthood in its earlier comments. The Minister of Social Affairs and Health has now proposed that the government should provide employers with full compensation for maternity pay and that employers should also receive full compensation for annual holiday pay accumulated during parental leave.

The government should pay a share of the wages or salaries paid to parents attending to a sick child. These reforms are expected to make it easier for young women to become employed.

This is not solely a question of additional government funds. Finland has already carried out reforms that aim for a more balanced distribution of parenthood costs in working life. Compensation schemes have been created. Earmarked money has been directed to a special fund within the Social Insurance Institution of Finland that can be used to compensate employers. The problem is that employers have not applied for the funds and they have been left unused. However, labour market parties oppose the automatic distribution of these funds directly to bank accounts – as is the case with other benefits and subsidies. There are a number of very difficult problems of principle regarding rights, obligations and responsibilities in the background.

Another example of a poorly managed employment policy is age-based discrimination of elderly employees (those over 50) in the form of age-based staggering of labour market charges. People between 50 and 65 represent a great opportunity in Finland, because the real labour potential is ultimately vested in older age groups. Pension contributions still partially depend on the age of an enterprise's staff. The older the staff, the more the employer has to pay. Only enterprises with less than 50 employees belong to the scope of collective liability manifested as a flat-rate contribution in proportion to the amount of wages and salaries. The starting point for age-based staggering of charges is that the risk of disability increases with age. Large enterprises finance the disability pensions of their employees almost at their own risk. The employer's own risk increases in enterprises with more than 50 employees; in practice, this means that large enterprises have paid 80 per cent of the capital value of disability pension with their own funds. If an employee has been pensioned due to disability 10 years before retirement age, for example, the employer has paid a lump sum amounting to 80 per cent of the capital value of 10-year disability pension. This has equalled 5 years' salary. The risk of disability is essentially higher among old employees compared with young ones. It is obvious that the employers' high risk for disability pensions has reduced interest in hiring elderly employees. With repeating short-term employment becoming more common, the problem has become worse. In a case of several employment relationships, the last employer has also paid the costs related to previous employment.

Some mitigating measures have already been taken in the 21st century. A decision has also been made to balance out the age-dependent pension tariff scheme by 2007. The funding of a disability pension should not be an obstacle to employment.

Job satisfaction has many connections with the objectives of population policy. In recent years economic researchers have combined psychology with their studies by asking people how they feel. People speak of happiness studies. Job satisfaction has also been measured in Finland as a part of pan-European studies. Job satisfaction among Finns is characterised by the same factors applicable to other Europeans. The higher the salary, the more satisfied people are with their work. The youngest and oldest employees are more satisfied than middle-aged people. Job satisfaction is at its lowest at 30 years of age. A high level of education has a negative impact on job satisfaction, while low education increases it. This is assumed to be linked to ambition. Managers are more satisfied than employees. Voluntary part-time work increases satisfaction while obligatory part-time work reduces it. Women are more satisfied with their jobs than men.

With regard to young women establishing families and considering the option of having children, the following conclusions can be drawn on the basis of the results. First of all, at 30 years of age women are more likely than men to have repeating short-term employment relationships and engage in involuntary part-time work with low wages. Secondly, if it is assumed that people with advanced

education are dissatisfied with their opportunities or rate of progress, it is obvious that dissatisfaction increases in the case of a woman caring for her children at home. Simply speaking, the study indicates that the happiest people are elderly female managers with a permanent job, high salary, low ambition and low level of education. The result may reveal some of the obstacles that cause young women to postpone having a family and children while striving for happiness.

The employment rate of elderly people can also be affected by improving the work atmosphere. More than 40 per cent of Finns retire prematurely due to mental health reasons. It is presumable that on the basis of clinical medical categorisation, the mental health of Finns has not deteriorated this much. The reason lies within the atmosphere of working life and society. The employee feels like a risk and a potential burden. The spiral is built-in. Finnish workplaces are demanding. According to a recent study, Finns do a lot of unpaid work after regular working hours. On the other hand, Finnish working life is flexible in the way that the same number of people indicate that they are able to cater for their private business at work during working hours. This is impossible in many European countries.

### ***Rational problem solving without blame or intimidation***

The generally accepted Finnish culture of politics and administration includes the feature that once problems have been identified they are resolved appropriately and rationally with no unnecessary fuss. Population policy is associated with the obvious risk that the problems of ageing are described in gloomy figures for too long, resulting in a disservice. We feed disbelief, raise despair, blame people and create conflict between generations.

### ***Facing old age with dignity – learning from other cultures***

One-half of 55-year-old women live alone. Among women older than 65, no less than 70 per cent live alone. The proportion of men living alone only starts to increase after 75 years of age and reaches one-half when approaching 80 years. The conditions of those living alone are worsened by the fact that elderly Finnish people have the most chronic diseases in the EU countries. Almost one million people, or 70 per cent of the elderly, indicated that they suffered from a chronic disease in 2001. The elderly have the most domestic accidents: 256,000 people older than 54 fell victim to accidents or violence in 2003, representing one-fifth of all the cases among the adult population; 41,000 elderly people, 63 per cent of them women, faced violence or threats – the offender was often unknown to the victim, and the crime was committed at home or in the vicinity. Approximately 70 per cent of the elderly have a child living within 20 kilometres. However, the distance is enough to make it difficult for the children to keep in touch at times. The number of meetings with neighbours and friends has decreased among the elderly within the last ten years. Contact is more often maintained by telephone.

The issue facing an old person under care is the way in which the stronger party determines the treatment of a defenceless one. Each generation serves as a model for their children on how they will be treated. The current decision makers are the baby boomers whose parents are under care. It is for everyone's shared benefit, but particularly the benefit of the baby boomers currently in power, that we will face old age in a good manner.

The values and practices of others cannot be migrated to Finland as such. It is essential to examine what we could learn and adopt from other cultures in terms of fostering family relations, for

example. Old age can be faced with dignity. All continents have models of life where a family, a village – the entire country – may be poor but the internal division of labour and value settings do not abandon the old. The Nordic countries have arrived at their own model of society and life, and the clock cannot be turned back. We have made choices, and choices will be the issue in the future as well.

In many non-European cultures old age is an appreciated resource, and age comes with respect and credibility. This used to be the situation in the older European culture as well, but modern thinking puts old people at risk of being displaced.

An appreciative attitude mostly originates from solid family relations and the hierarchical structure of a family: a family is a solid entity with the oldest generation at the top. Another factor emphasising the significance of old age is religion, which belongs within old people's scope of expertise: the constancy of religion makes old age a religious advantage, increasing the value of old age.

Appreciation of old age is in conflict with some ideas typical of the present time: the economy is focused on change and productivity, the individual's freedom to decide on his/her own matters is emphasised within families, and working life appreciates innovativeness. None of these issues prevent the appreciation of old age, but they do nevertheless make it difficult. Loosened family connections provide the individual with freedom of choice but easily leave old people on their own. Innovativeness may also vary between individuals, but generally it is more easily linked to youth, while experience with certain procedures emphasises the significance of age. A young person will adapt to change more easily than an old person, and if reform and innovativeness are the most essential factors of social values, the old will easily be tramped by the young. Command of yesterday's methods does not create appreciation in today's world.

It is important for the assessment of the significance of old age to problematise ideas, methods and their consequences, and to question the established patterns of current thinking, at least from time to time. Change can be impressive but has no absolute value as such. The relationships between old age, continuity and experience on the one hand, and youth, innovativeness and initiative on the other must be critically assessed, and, in some cases, current patterns of thinking must be changed in order to provide old age with its earned value.

In no case may appreciation for old age be used as a rhetorical means of weakening working conditions, for example. Old age can be appreciated in ways other than raising the statutory retirement age.

In many non-European cultures death is also linked to a person's life. In Finland, birth and death are institutionalised events, oddities pushed outside a person's sphere of experience. However, in many other cultures, death, particularly of old age, is an event belonging to life that is not isolated in institutions. Old people often die at home, not in hospital. The acceptance of death is associated with the idea of the family as an entity (the life of the family will continue normally even if an individual dies) as well as religious ideas that make one see death only as an intermediate stage: if earthly life is only a part of a person's existence, death does not have a meaning that would cut everything off in a manner similar to secular and individualist present-day Finland.

The extent to which ideas from other cultures can or should be utilised in Finland in the form of official institutions requires political decisions. Politics should not intervene with people's appreciations and institutions that are created unofficially. It is easy to see a number of counterparts

to the advantages of appreciating old age: emphasised significance of the family reduces the individual's freedom to build his/her own life completely independently. Increased religiousness also has its disadvantages if it produces narrow-mindedness. It is important for us to have facilities to problematise concepts considered matters of course and to carefully weigh the advantages and disadvantages of different patterns of thinking. We must keep the doors open to different directions.

### ***A small but humanly large issue: alcoholism in connection with the ageing of the baby boomers***

Each age group will be different when retiring and becoming old. The values, lifestyles and habits of people born in the 1940s are different from those of people born in the 1960s. Music makes the phenomenon concrete. Classical music has its listeners in all age groups, but popular music is linked to time. Each age group favours the music of its youth. While many people born in the 1940s listen to Olavi Virta, the children of the 1960s love rock or jazz.

Alcoholism is one of the most severe national diseases in Finland. Based on an own estimate, one in ten Finns has suffered from harm caused by a childhood spent in a family with substance abuse problems. There are more than 100,000 children in Finland who suffer from their parents' excessive use of intoxicants. Provisions have been made to cater for these problems, and new programmes for children of substance abuse families are in preparation. Forecasting the alcohol-related behaviour of the baby boomers when they become older has not attracted too much attention. That is to say, an obvious new danger can be anticipated in the development of population policy, caused by the fact that the baby boomers will not change their ways of life after retirement. The baby boomers are heavy drinkers.

Alcohol was deregulated in the 1960s and the alcohol culture changed. Due to their increased alcohol consumption, the young people of that time who belong to the baby boomers and are now ageing and retiring are known as the wet generation. There is a fear that without significant changes in values this generation will transfer its learned behaviour patterns related to alcohol to the sphere of ageing people.

Women's equality has also become true in alcohol consumption patterns. This trend does not come without problems. In addition to elderly men, increased alcohol abuse can already be evidenced among elderly women.

### ***The report lacks an important part of population policy: capital and financial markets***

*The significance of international flows of capital.* The setting of targets for population policy generally makes detailed estimates of the relationships between population, employment, markets and economic growth, and this is also true of the Government Report. According to the EU's Green Book on population policy, economic growth without population growth is not known in history. Under the circumstances of an open global market in the early 21st century, attention has to be paid to international flows of capital and financial markets in addition to labour and knowledge. The Government's population report and the report of the globalisation working group appointed by the Prime Minister are inadequate in this respect. They provide little material for the assessment of the development of capital and financial markets, and particularly scarce means of keeping these in shape in an ageing Finland.

Elderly people have more wealth than young people; they are a substantial group of consumers and they use accumulated pension savings from pension funds. They make important decisions affecting the future.



Business Network Finland have established an Advisory Committee for Finnish Ownership. One of its first tasks will probably be to attempt to dismantle unnecessary obstacles to the creation of Finnish capital, make accrued profits in enterprises circulate as quickly as possible to seek new profits, and to consider investing the almost one hundred billion euro of employment pension assets collected from enterprises and employees in order to guarantee not only pensions but also Finnish employment and prosperity in the future.

The weak analysis of finance policy in the population report is evident in the way in which Finland is positioned as a part of Europe. The question of whether political decision making will be able to resolve its largest structural problem timely and efficiently poses a great challenge to the well-being and, therefore, equality between people in Europe and Finland. This problem is inequality, which seems to be an unavoidable consequence of the advantage of the United States' economy and the fact that it is constantly pulling ahead of Europe. Because the population structure of Europe is ageing more rapidly than that of the US, Europe will have problems in the information society of the future. The following development trends in the US must be observed in this context:

- the accumulation of wealth and the record-breaking business profits of the 1990s
- a rapidly renewing population committed to individual values and thirsty for success, profits and work
- a large and attractive market that will reach 500 million consuming and otherwise active people in the near future
- new achievements in science and technology
- an attraction for experts, capital and profits and for all these reasons, even more intensifying
- investments in a growing and renewing economic zone.

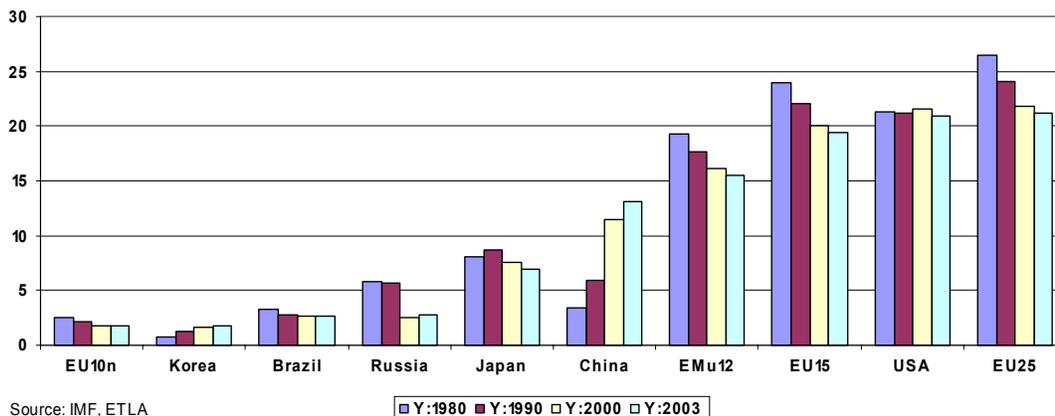
Post-war economic growth in Europe outperformed the US until the late 1970s, but when the US adopted a strong finance and business policy emphasising economic growth its economy embarked on a rapid growth trend. The US dominates the global capital market – it received 72 per cent of the world's global capital flows in 2003. The United States' GDP per capita is currently 30 per cent above Europe. Due to slow growth in Europe, the gap in living standards seems to be becoming even wider. The real annualised growth of the US economy has been almost 3 per cent for a quarter of a century. This is 55 per cent more than the growth of West Germany, 48 per cent more than that of France and 39 per cent more than that of the EU.

Europe is ageing more rapidly than the United States. According to the OECD, the dependency load, referring to the proportion of people older than 65 to the number of 20-to-64-year-olds, will increase from 22 per cent to 37 per cent in the US by 2050, while the corresponding figures for Europe are 26 per cent and 52 per cent. Public spending in Europe will increase. According to the EU's estimate, population development will increase the share of public spending in proportion to GDP from 5 per cent to 8 per cent in the 15 wealthiest EU countries. In his report describing the growth of the EU, Wim Kok, the former Prime Minister of the Netherlands, estimated that the ageing of the population alone will cause the EU's current economic growth to decrease by one percentage point – that is, from 2–2.25% to 1.25% by 2040. The share of pensions in Germany, which currently accounts for more than 10 per cent of GDP, will increase to 15 per cent by 2040. This will cause increases in taxes and public debt (according to Standard & Poor's, German and French debt will exceed 200 per cent of GDP by 2050).

When examining the major structures of the global economy, one of the facts attracting attention is that in comparison with other Western industrialised countries the US has also been able to secure

the position of traditional industries, despite the China phenomenon. This can probably be explained by good population development.

**Percentage of world industrial production accounted for by certain countries and regions, 1980-2002**



Source: IMF, ETLA

The international distribution of capital is not only an issue of mutual competition between major economic powers but also of more extensive global responsibility. In order to make joint responsibility true, governments should address the worst threat imposed by the global economy on the well being of the entire human race before it is too late. This refers to the steeply deepening structural inequality caused by cumulative wealth and accumulating opportunities. Countries that have developed a lead created by money and wealth over centuries have an enormous advantage because their governmental and market institutions are in good shape. Furthermore, these countries are democratic. They control the keys to future success: science, technology, education and know-how. They also bear the heaviest responsibility.

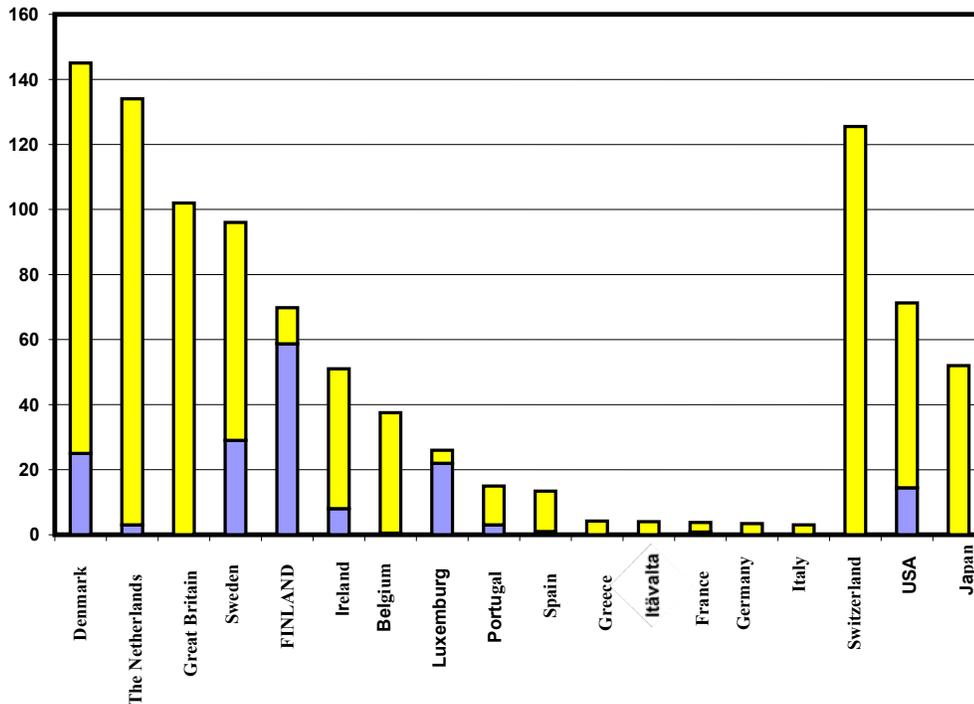
*Pension assets and pension funds – a force creating the future.* Pension assets and pension funds are an important economic factor in many ways and at all levels. A significant share of the cost of ageing is intended to be covered by the funds. Pension funds and insurance institutions are significant institutional investors. Nokia is one of the examples. The growth of the elderly population will change the structure of the economy – there will be an increased need for service businesses. Those approaching and reaching retirement age are a power driving the future through the use of their funds.

The assets vested in Finland’s statutory and voluntary pension insurance schemes amount to approximately 70 per cent of GDP. Within the EU, the proportion of funds reserved for pensions exceeds that of Finland in Denmark, the Netherlands, Great Britain and Sweden. This is also true of Switzerland. The proportion of funds reserved for pensions is typically low in the new EU countries.

The pension assets of OECD countries amounted to 10,055 billion US dollars in 2003. According to an estimate, the pension assets of OECD countries account for approximately 60–90 per cent of all pension assets globally. The proportion of pension assets invested in equity varies greatly between countries. The world’s financial assets are in the order of 118,000 billion dollars. The share of pension assets is approximately 10 per cent of this; 32 per cent of the world’s financial assets are

invested in equity, while government bonds account for 20 per cent. There is no information on the share of pension assets in global equity wealth.

SHARE OF PENSION FUNDS OF GDP IN CERTAIN COUNTRIES IN 2000-2004, %



Some examples of how pension assets can affect the economies of the world: Approximately 90 per cent of the world's accumulated pension fund reserves are estimated to lie in the pension funds of the United States, Japan, Great Britain, the Netherlands, Switzerland and Canada. It is estimated that after 2020, funds flowing out of the pension reserves of several significant countries will exceed their incoming payments. Pension funds will have to convert equities into cash, among other things, which may lead to a global decline in stock prices.

Global stock prices increased very strongly in the latter half of the last decade, followed by a three-year decline since 2000. The rapid upward and downward movements have been associated with the bubble of technology stocks. Despite the three-year decline, the real value of stock prices is significantly higher than in the beginning of 1980. The rapid increase in stock prices in the United States towards the end of the last decade coincides with the period in which the baby boomers born in 1946–64 entered a phase of life with plenty of savings. Economists are debating whether middle-aged people have inflated the stock prices with their savings, and the realisation of stocks as the baby boomers are reaching retirement age has caused a downturn in prices. This hypothesis is not only applicable to the development of stock prices but also to other types of assets, such as real estate. The issue is that when the baby boomers retire, assets released by them will be available in the markets and offered to smaller age groups. If supply exceeds demand, prices tend to decrease.

Even though the interdependencies between the population growth variables and the financial market variables are disputed, they will have a strong impact on Finland because the optimal and

secure placement of employment pension assets is crucial for the entire scheme. An increasing amount of employment pension assets have been invested abroad in hope of better returns. These will not create jobs in Finland. It is problematic that, after all, the employment pension system depends on domestic employment. Compared with many European countries, Finland's degree of funding is high. In its essential parts, the system is a so-called pay-as-you-go system. More than 70 per cent of employment pension premiums paid in Finland are directly used for the payment of current pensions. The premiums are levied on wages and salaries paid, so the sustainability of employment pension relies on jobs in Finland.

The operating logic of pension funds is clear from the individual's viewpoint. The investor desires the highest and most secure returns on his/her pension money in as short a period as possible. This is also applicable to Finns. Every Finn wants to receive the best possible returns on savings earned through hard work. We want to secure our own retirement in times of poor economic trends as well as use the talents trusted to us wisely in order to provide succeeding generations with good starting points. The more rapidly the population is becoming older and the dependency load is becoming more difficult, the more clearly the responsibility for safeguards in terms of old age and health is being transferred to people themselves. In many Western countries, particularly those in which the accumulation of pension funds has not been started in time, governments are encouraging their citizens to take active and independent care of their own protection for old age. People understand the importance of their own investments. Savings are being directed to international financial markets in accordance with a requirement for good returns. It is most probable that a large share of Finns' pension assets will continue to be transferred to international pension funds for further investment by their best investment experts. This is true despite the fact that we know that national investment assets will continue to become even more scant.

Because employment is one of the crucial issues for Finland's ageing welfare state, widespread debate on the ways in which pension schemes can actively promote domestic employment will be required. Decision making is also essential: where are decisions made, when and by whom, and on what grounds. From Parliament's point of view, the responsibilities should be clear as well – how does representative democracy direct and control the use of one of the most important resources for ageing, the assets in the pension schemes. It is clear that even though the returns on foreign investments may outperform the Finnish, the additional income from foreign investments will not compensate jobs that are transferred out of Finland. It is also clear that according to law, employment pension companies must invest their pension assets in a profitable and secure way. This brings us back to the fundamental point that everyone looks in the direction of large promising markets.

During the last 10 years globalisation has had a clear impact on Finnish ownership, businesses and stock exchange operations. Finnish enterprises have become international, and the sector of business is more important than the country. Among Finland's 50 largest enterprises, only some one-fifth of net sales originate in Finland, and no more than 40 per cent of their employees are Finnish.

The directors of employment pension companies emphasise that approximately 40 per cent of the equity portfolios of the largest companies are invested in Finnish companies. An equity portfolio is not constructed on the basis of countries but on that of sectors, because the variation in profits is greater. More focus on the Finnish stock market could distort the valuation of shares. More money can be invested in new companies, but the risks will increase. It can also be seen that new Finnish companies do not lack financing but experts who are able to create profits. The management of investment companies emphasises that investors do not manage companies.

Some new features can be seen in the operating logic of international pension funds from the viewpoints of population policy and exercise of power. Ageing investors also want to direct their money on ethical and moral grounds. One form of global responsibility is that shareholders press Wall Street investors to select the countries, companies, industries, operations and conditions on which their money is invested. Similar to the preconditions set for the development aid funds of IMF, the World Bank and any single country, preconditions can also be set for other investment decisions. This spring, the owners of pension funds on Wall Street have demonstrated their opinion on investments made in dictatorship countries (for example, against European companies trading with Sudan). Politics are not excluded from selective investment operations by pension funds.

### ***Finland must be involved in growth***

Finnish solutions for population policy can be found in the entire life span of a person. This means that we must ensure the renewal of the population. The means include an increased birth rate, immigration and adoption. We must care for the family, which is the basis not only for population renewal but also for the whole of society. We must ensure that enough work and profits are created in Finland. Young people must start work earlier and elderly people must continue to work for a longer period than today. Working life must attract people to work. Young experts must have a desire to stay in Finland. If Finland is one of the best places in the world to raise children, money will not be a sufficient incentive for emigration. The business environment must create work in Finland. We must receive investments. The parts can add up to more than their simple total. We must use the strength of the Finnish political system from time to time: reviewing systems by mutual agreement and cooperation with different parties. We must make reasonable and wise choices and decisions.

It is also essential where Finland will bind to – what will be its benchmarks for targets and success, as well as defeats, and, particularly, where it will look for new power. The Government Report does not take a stand on this. According to the predictions, Europe will not have enough to contribute to the global future without radical reforms. If Finland wants to be involved in the slipstream of rising economies, growing markets, creative youth, first-class science and successful arts, she must choose the best in the world to orientate and bind to. We must be self-confident and selfish in this respect.

## **PATHS FOR POPULATION POLICY IN THE FUTURE – does the feast get better with fewer people? (Osmo Kuusi)**

How do we keep Finland enthusiastically and inquisitively happy, regenerative and dynamic? How do we ensure that an ageing population receives the increasing amount of care services it requires without turning Finland into a huge pensioner's home of people waiting to die, and from which young people attempt to escape the all-encompassing unpleasantness? One of the key questions is whether regions in which the population over 65 years of age exceeds 25% can remain happy, dynamic and capable of renewal. Or would it be more realistic to attempt to retain the "dynamic pulse of life" only in those areas with the greatest population of young people?

These questions are being considered with the help of two scenarios that reach all the way to 2030. These scenarios come together in the two basic health care organisation models outlined in the Parliament's Future of Finnish Health Care project: the so-called health care district model (20 districts) and the health care catchments of 20,000 - 90,000 people (80 - 100 regions; the so-called Kunnamo model).

In terms of the future of Finland, the starting point for both choices is addressing the essential issues for a good future:

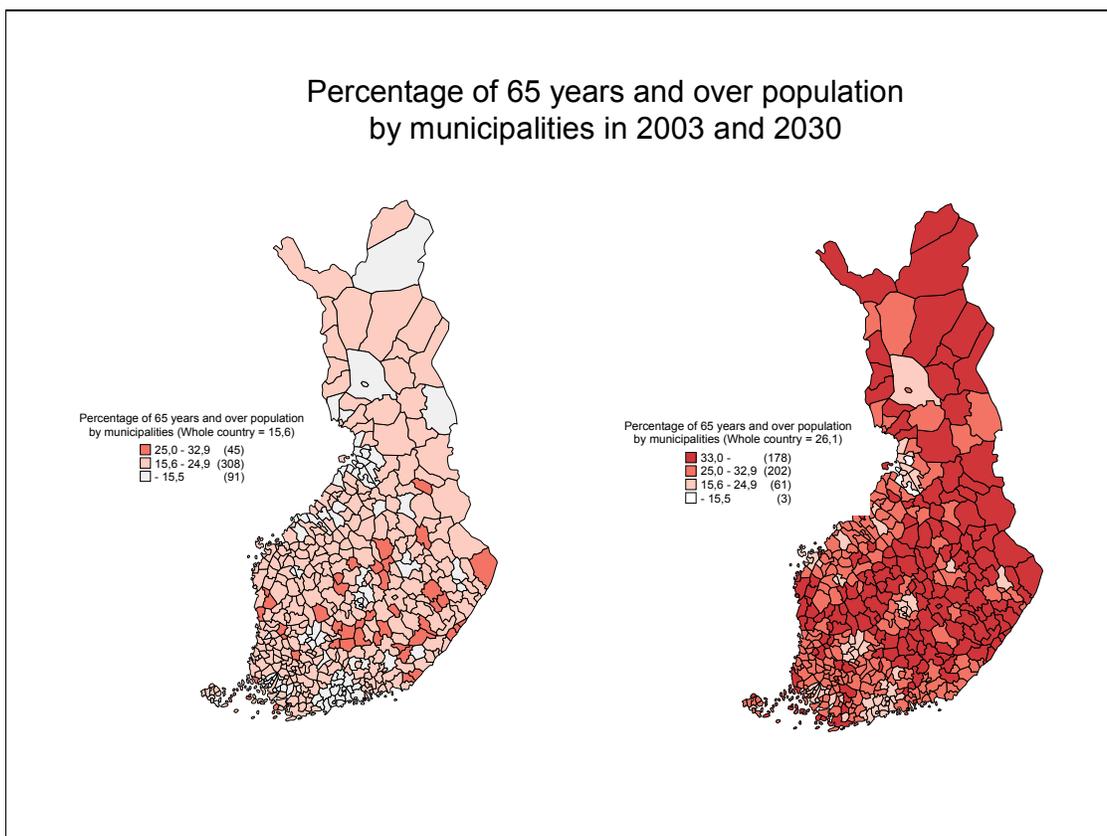
- 1) The work that is absolutely essential to Finland's well-being gets done. Care services at the current level are provided for all those who require them. People of all ages receive an education that safeguards their future. Finnish culture and lifestyle are retained. The basic infrastructure, such as roads, telecommunications connections and buildings, is functional.
- 2) Keeping companies that pay for import - in other words, export companies and their personnel - in Finland. The following factors are important to keep companies in Finland: a favourable environment for enterprise; a dynamic and creative class that enjoys living in Finland; safe and stable conditions; competitive salaries and other terms of employment.
- 3) Finland's intelligent role and operating style in the EU and global development management. As the economy globalises, development of working conditions and terms of employment in world economies is central, but it is also important to recognise the demands of global democracy as a global responsibility and the need for global solutions to environmental and energy questions.

In terms of these starting points, and with consideration to the earlier scenarios of the Committee for the Future, the most important of which are included in the previous Report on the Future and concern regional balance (VNS 4/2001 vp Finland 2015: Balanced Development, TuVM 2/2002 vp) and technology assessment in relation to the independent living of elderly people and gerontechnology (TuV, teknologian arviointeja 9, 2001), the following two scenarios can be briefly and simply presented. The basic question in these scenarios is how to keep Finland creative and dynamic.

### **Scenario 1. A Finland of dynamic growth centres and designated regions for the elderly**

The scenario arises from the theory that positive creativity and dynamism is only possible in areas where there is a large population of young people. Thus the target is to promote such areas in a manner that keeps them attractive to positive, dynamic and creative people. Ageing people will be provided with the opportunity to withdraw into peaceful areas that are particularly designed to serve their needs. The scenario gives rise to two clearly divergent lifestyles: one of youth and employment, and another of retirement.

According to Statistics Finland’s population forecasts, regions in Finland in which the population of people under 65 will still be less than 25% in 2030 stretch from south to north: the Capital region, and the regions of Salo, Turku, Lahti, Tampere, Jyväskylä, Seinäjoki, Joensuu, Vaasa, Kuopio, Kokkola, Ylivieska and Oulu, as well as Rovaniemi. In order to ensure a dynamic centre in all parts of the country, particular targets for development investments could be the Lappeenranta, Mikkeli, Pori and Kajaani regions, as well as some other regions that have a dynamic pulse. Natural development in these growth centres would be supported to strengthen the already existing spirit of growth. For example, immigrants would be mainly directed to these regions. Education and, in particular, basic health care and geriatric care services, would be organised in a growth centre-led manner on the basis of the 20 current hospital districts or even larger catchments (the so-called health care catchments model).



There would be simultaneous development of other areas where the retired population would thrive and receive the basic services that they require without the need to actively participate in organising the services. Business activities in these areas would primarily support this comfortable environment by also offering travel services that would allow people living in growth centres the opportunity to relax. People who appreciate a slower pace could also live in these areas and use telecommuting to complete their work.

#### Scenario 2: A Finland of active and innovative ageing people

This scenario is based on the principle that the significance of size, population growth and young people as factors that influence the innovative spirit of a region are exaggerated. We have forgotten

that the successful and renewed countries of the world are not those with the fastest growing populations but those with modest population growth. During the last century the standard of living in developed countries increased sevenfold in comparison with population growth. Investing in each young person and taking full advantage of the creativity of ageing persons is a more important factor than the number of young people living in the region. The creativity of the elderly differs from that of young people. It is based on diverse lifelong experience and the ability to cleverly combine different things. A field survey conducted during the Committee for the Future's Regional Innovation Systems project showed that the employers and reformers in each region are not typically young. Innovators in rural areas have been successful in combining the expertise gained from education with work experience obtained far from their home region. Rural innovators have most typically found the inspiration for their innovations close to home.

#### **PENTIN PAJA OY**

**Janne Häikiö**, Entrepreneur, Development Director

#### **Felling heads, soil compaction scoops, spot cleaners – innovations from Iiomantsi**

Pentin Paja Oy is a family-owned company that was established in 1982 in the village of Naarva in Iiomantsi. During its 20 years of operation the company has specialised in product development and manufacturing of equipment for the forestry and construction industries. Pentti Paja markets nine different products under the Naarva brand. About 20% of its one million euro turnover comes from industrial maintenance and installation services. Roughly 25-30% of production is exported.

The history of these business activities stretches back to the beginning of the 1960s. After completing his army service in the logistics company, Pentti Häikiö worked in repair shops in Imatra and Kuusankoski. When electricity was extended to Naarva village in 1963, he immediately returned to his beloved hometown and established a repair shop, just as he had once promised.

Pentti Häikiö, who died in 1996, was an entrepreneur, village smith and inventor who believed that there is a place for enterprise in development areas and rural villages. His motto was "There has to be a vision of work that takes you beyond mere intentions." During the early years of the repair shop Pentti developed many devices to ease forestry work, repaired cars and agricultural equipment. Dexterity, technical competence and an enthusiasm for learning provided the foundation for more demanding innovations. A cutting unit for forest cultivation in swamps was even awarded a prize at the Karjala Exhibition in 1969. However, it never reached the mass production stage.

During the 1970s, Pentti's business involved forestry equipment contracting in addition to the car repair shop. Self-constructed forestry machines built on top of agricultural tractors meant work for two, and sometimes even three, employees in addition to the entrepreneur. The first used lathe also marked the start of subcontracting at the workshop. As the work increased at the beginning of the 1980s, Pentti Häikiö's car and agricultural equipment shop was joined by the newly established Pentin Paja Ky, which subcontracted to larger workshops in Northern Karelia. The company employed 3-6 people at that time.

Growing professional skill, experience and competence as well as co-operation with larger partners led to even more demanding projects. The inventor and product developer side of Pentti became more and more evident. At times the commercial side of things received less attention, but hard work and a positive outlook on life did much to promote the business. Marriage and family were an important source of support as was spiritual involvement in the rural church and parish. Pentti says that the starting point for all this invention and product development was that the new device would help the life of people

living in rural areas because “people here have to make their living from the forests and the swamps”.

The beginning of the 1990s was a difficult time and many companies went bankrupt or went into hibernation to wait for better times. During the worst of the recession Pentti and his partners focused on developing new products with the tenacity of a smith and the joy of an inventor. The result of this was the first bio-energy felling head, which was also patented. Later, the patent used in this first “Naarva-Grip” was applied in a rather innovative tractor-powered Naarva Steg Master pulse harvester head that proved to be a success, at least on the scale of Pentin Paja.

Pentti’s sudden death in February of 1996 brought dark clouds over Naarva. The loss of this eternal optimist and self-taught philosopher left a large hole in a small community and forced the family, in the midst of their grief, to assess the future possibilities of the company.

Pentti’s son Mikko left his job with another employer to head the company. The pulse harvester and bio-energy felling head achieved a good position in the domestic market and the company became more prosperous, making it possible to develop more new products. Now Naarva-Grips are available in six different models for mounting on various machines that range from agricultural tractors to harvesters. At this time, the Naarva-Grip bio-energy felling head is the market leader in Finland.

Now the company is growing, developing new products and ideas and the future looks bright. At the beginning of 2004 the estate was distributed, and now Pentti’s sons Mikko and Janne Häikiö are the main shareholders in the company. Operations have since expanded to Joensuu.

Pentin Paja has its own full-time designer and the company has invested a lot in product development over the past few years. Mikko has continued in his father’s footsteps as a product developer and the latest innovation is a spruce seeding stand spot cleaner that is currently under development in co-operation with UPM-Kymmene and the University of Joensuu’s Mekrijärvi Research Station.

More than 40 years have passed since Pentti established his repair shop in Naarva. The village is shrinking and the shops, post office and school were all closed years ago. However, the people at Pentin Paja are machining and welding more than ever before. Pentin Paja still has “a good outlook”.

The distinctive characteristic of these scenarios is a population over the age of 60 that remains active, is alert and interested but is content to observe, comment on and participate in the life of young people while doing little to limit their choices. This is supported by organising education and particularly basic health care and geriatric care services in a manner that ensures that even in very elderly-intensive areas, the regions of 30,000 - 90,000 residents and their steadily ageing decision-makers, are able to take responsibility for arranging basic services.

Thus the retired population continue to be actively involved in organising the services and promoting business activities in co-operation with the younger people in the area. This forms a natural connection between generations that continues long into old age. In the traditional Finnish way, ageing people hold onto an independent lifestyle, completely dismissing the thought that they ‘deserve’ to be treated well by the younger generation. They do this in order to retain their own will to live, vitality and credibility, not to curry favour with the younger generation. In return, they demand to be treated as equal conversational partners right up until the end of their lives. They are

in the habit of asking the following question of people who doubt the capabilities of the elderly: You don't mean to say that a 70-year old Paasikivi or Mannerheim was stupid, do you?

This scenario is supported by the fact that constantly improving telecommunications connections make effective interaction possible without meeting face-to-face. For example, it's not worth starting with the assumption that population centres and particularly youth-dominated regions are more prepared to deal with people from other cultures. If the people living in the region are satisfied, those that move there will also be satisfied and the region's young people will return home after obtaining an education elsewhere.

These scenarios can be further developed on the basis of the following future table:

	<b>A Finland of dynamic growth centres and designated areas for the elderly</b>	<b>A Finland of active and innovative ageing people</b>
1. Which sectors can provide the key innovations to replace Finnish export or import?	Large-scale production for the world markets, urban youth culture	Efficient utilisation of remote production, competent production that focuses on local strengths (local raw materials and their refinement, energy, environmental management, tailored travel and other services).
2. Innovations that employ the developer and others.	Mainly in growth centres.	In leading companies elsewhere in the country as well as in growth centres.
3. Percentage of innovators aged 55-70.	Less than that of 18-54 year olds.	The same proportionate as in the 18-54 year old group.
4. Infrastructure	Favours connections to and between growth centres to an increasing degree.	Connections to regional centres are also emphasised, with special focus on good telecommunications connections all over the country.
5. Work that utilises members of the baby boomer society after 2010.	The elderly withdraw and keep to themselves while passively waiting for service, particularly in municipalities with a large percentage of elderly residents.	The elderly are active all over the country, taking responsibility for the functionality of services and industries in their region.
5. Educational focuses	Education meets the employment needs of leading companies in growth centres particularly well.	Education aims at sending each young person out into the world with a good education and also at keeping all age groups active.
6. Care services	Care services are efficiently concentrated on a national basis and managed from the growth centres.	Municipalities with elderly populations are divided into regions of 30,000-90,000 residents, where people are then given genuine responsibility for

		organising care services within the region.
7. Immigrants	Mainly settle in growth centres.	Settle all over the country.
8. Finland's role in the EU and global development management	EU connections and global responsibility is concentrated in the growth centres.	EU connections and global responsibility also exist in regions dominated by the elderly.

## **NEW INNOVATIONS ARE RARE IN POPULATION POLICY**

For the entire duration of its operations, the Committee for the Future has aimed to follow international debate on social policy with the intention of acquiring information and the so-called weak signals of new openings in different sectors of life. New social innovations are scarce in population policy, and some of these are so disputed that their adoption in the near future is improbable. As always in science, technology and innovation, each society must assess the need for reform, and the advantages and opportunities of application itself, based on its values and other starting points. Models, policies and institutional reforms of society are naturally linked to the history and culture of each country, and even the most successful of these cannot be directly copied anywhere. It is simply a fact that each country must process its social innovations itself. Despite this, long-term structural problems in society can often only be solved by actively seeking new ideas and patterns of thought. Sometimes these are required to reinforce a chosen policy and sometimes to boost even radical experiments. It would be best if Finland were able to create new social solutions on the principle of extensive consensus, similar to the development of the national basic pension scheme, comprehensive schools or the national health system.

### ***Social innovations are important but difficult to implement***

In an international review, the most important social innovations in terms of population policy include proposals and experiments aimed at improved interadaptation of work and family, well-being at work and balancing the peak periods of life. Different forms of citizens' pay have been under discussion for decades. Means have been sought for applying the idea of life span to working life so that one could work less when his/her children are small and correspondingly more once they have moved away from home. Flexibility in housing costs has aimed at ensuring spacious living conditions for families with children. The intention has been to reform salary models in accordance with the consumption needs of families so that young people with the highest family-related costs would receive pay rises. In its previous reports and surveys the Committee for the Future has also observed life-span thinking, particularly with regard to lifelong learning.

The greatest problem is funding for solutions that support the family. If the funds are taken from public assets, taxation will increase and public debt will accumulate. Several proposals for reform associated with or supporting citizens' pay has fundamentally failed due to a fear of the deterioration of the labour-based values and morals of society and the disappearance of labour-based social security. Therefore, any reforms of population and family policy intended to ensure competitiveness, the basis for funding the public sector and overall well-being by means of balancing the peak periods of life, are not progressing. The implementation of these would require Finns to start work earlier and remain within working life longer than at present.

New international social openings are focused on the functionality of the economy, particularly on investment operations and an active future-oriented investment policy. The idea of popular capitalism and the democratisation of capitalism through popular ownership and extensive entrepreneurship have spread to the Anglo-American world as well as to China. The governments of different countries invest lots of resources in the regulation and assessment of equity markets with the intention of making them as safe as possible as investment instruments for individuals. In the field of housing, people are encouraged to invest in their own homes instead of renting. People are encouraged to create personal investment accounts for different areas of life, taking their entire life span into account.

Several proposals for reform intend to create new risk management systems. Among other things, governments are trying to utilise market mechanisms to dampen the risks caused by globalisation and other social change. The intention is to diversify large personal risks. People speak of a life-long responsibility scheme for the funding of a welfare policy. If considered in this way, market-based unemployment insurance could be built on the basis of the movements of national or international sector-specific unemployment. In wealthy countries, where scientists estimate life expectancy to increase so that one in five girls born today will live to the age of 100, even clearer efforts are being made to provide health insurance for children, unemployment insurance for employees and old age insurance for the elderly.

In Finland, most of the debate has concerned the need to supplement public service production with private offerings. When the resources of the public sector are becoming weaker as a consequence of ageing, we need private solutions, including insurance schemes based on people's own savings.

Many new experiments in popular capitalism involve great personal and social risks. The education level, knowledge and skills of individuals vary. The elite and the outcasts have completely different abilities in facing the great choices in their lives. A miscalculation may lead to the loss of a personal retirement account. Parents – particularly those with a modest level of knowledge or ambition in relation to their child's abilities – may not be able to choose the correct sector and level of education if they have to decide on their children's education alone. Wealth and opportunities will be even more accumulated.

Critical assessment of new ownership and popular capitalism can be extended to the level of the economy and the entire society. First of all, this is a question of economic institutions that did not exist previously and there is no experience of them. We do not know how and on which grounds people make decisions, take action and make choices. Secondly, bubbles will form in the equity market, poorly informed private investors will be powerless in the event of a crash and the liabilities may be ultimately transferred to society. If the society's safety nets are abandoned, this will cause human distress and endanger social peace. Private accounts can also lead to a decline in the other savings of individuals. A too hopeful misconception of the returns from private investment operations will lull people into the belief that their personal accounts will become so worthy that no savings will be needed. This is not the foundation for a sound and healthy economy.

New policies for employment and taxation will also require fundamental consideration. Sustainable improvement in employment will require actions affecting the supply as well as the demand for labour. The supply of labour can be increased by improving the competence level of the labour force, increasing mobility and improving the attractiveness of work. The demand for labour can be increased by economic policy by promoting the preconditions for growth in enterprises and reducing the costs of employment. From these starting points the great choice of increasing employment in a country like Finland is associated with the welfare model. Simply speaking, we have two paths from which to choose: 1) tax cuts or 2) keeping the taxes unchanged and increasing public expenses.

The government's possibilities of affecting the creation of jobs are limited. In the late 1990s the government tried to replace lost jobs but failed. The means available in economic policy are limited to finance policy. Tax cuts become a crucial factor for increasing employment and rectifying the problem of balanced unemployment and employment. Tax incentives are essential for enterprises as well as employees. A reduction in the employers' social security contributions will make the tax wedge narrower. Reducing the VAT burden is important for small businesses. Improved employment also requires increased purchasing power among people. It is considered that this objective can be reached by reductions in income taxation as well as commodity taxes that increase

the price of private consumption. In this model of thought, multidimensional tax cuts are generally considered to simultaneously reduce the tax wedge of work, slow down salary inflation, improve the incentives for work, and increase the purchasing power of households and thus overall demand.

Tax cuts are currently a popular way of improving employment in industrialised countries. Another route is the Nordic welfare model, where employment is improved by keeping taxes high and increasing public expenses. The expansion of public services, increased infrastructure investments and increasing the purchasing power of families with children and low-income households by income transfers play a key role in this.

In the 1980s in particular, and now again since 2000, Finland has emphasised the Nordic choice – however, the intention has been to proceed along both routes in the 21st century. It has been calculated that if the targeted track for employment and economic growth would become true, decision-based public expenses could be increased in 2005–2010 by a real amount corresponding to approximately 10 per cent of GDP. It is possible that this can create a substantial economic growth impulse that would facilitate an increase in employment.

Finland is assumed to have some free play, but the option of not making choices and drifting from one situation to another is still the worst alternative.

Over time, various types of social services and support with the associated funding systems have formed into a complex and expensive system in many countries. People have woken up to the fact that the longer the route each euro reserved for common well-being takes, the less is left for the one who actually needs the help. On the other hand, it has been noted that a detailed and theoretically fine system of taxation or other funding has become expensive in terms of operating costs. It has been admitted all over the world that the equalisation of income and the management of income transfers by several mechanisms – taxes, fees, subsidies, benefits, loans – is difficult. Fairness will not necessarily come true as direction and control increases because, at the same time, businesses, organisations and individuals are developing ways of evading taxes and fees at an accelerating pace.

International comparison reveals few models that would simplify the actual system. Naturally, a flat rate of taxation is among the most significant openings in this respect. Canada has adopted a new policy simplifying the “jungle of social benefits” in her family policy. According to the new policy, a child’s daily costs would be borne by the family to a limit of 5 dollars, with the government catering for the rest.

### ***Institutional reforms crossing the system***

*Rights and obligations: the life span concept.* The practical rights and obligations in a welfare state are traditionally defined by means of legislation enacted separately for each problem. Within legislation, these are directed at a particular limited issue, a sector of life, or, often, at a particular phase of life. Life-span thinking starts from greater entities and the time span is the entire life span of a phenomenon. From the viewpoint of humans, the consideration includes one’s entire life or even the life spans of several generations. The rights and obligations are placed within these. Life-span thinking is applicable to working life, education, family policy, housing policy and many other sectors of life.

*Employment: the Danish model.* Approximately 20 years ago Denmark fell into major unemployment, which had to be solved. This was the birth of the Danish model that has survived several changes of government. Denmark succeeded in cutting unemployment in half in ten years.

This is partially a consequence of the fact that it is as easy to hire as well as fire employees in Denmark. Within this scheme, employment can and must be accepted almost anywhere, because in practice the country is one large employment area. Approximately 550,000 Danes change jobs each year. The population of Denmark is equal to Finland, but its geographical area is many times smaller. This means that the mobility of labour within the country is easy. The precondition for support from trade unions is a fairly high level of unemployment benefits, as much as 80 per cent for those with the lowest pay for a maximum of four years. Some groups with a high salary have to settle for 45 to 50 per cent but can take out separate insurance. Denmark spends lots of money on her labour policy. The amount of work and training provided to unemployed people in the activation phase is substantially higher than in Finland.

The Danish model has not been accepted in Finland. Only during this year have some signs of acceptance become visible in political debate.

*Taxation: flat rate tax.* Tax competition is a part of competition for jobs. Several countries have customised tax reliefs and comparable fees for the needs of one's own country. Indirect and direct business subsidies are still a part of reality and cover entire industries. Among our neighbouring countries, Sweden, which traditionally has heavy taxes, completely abolished inheritance tax. Even in Finland, the report by the globalisation working group appointed by the Prime Minister recommends tax cuts in line with the strong international trend. Not all economic scholars trust the justifications for tax cuts, but, on the contrary, consider the evidence suggests the current European level and progression in taxation to be close to the optimum. France and Germany have opposed the tax cuts/flat rate taxes in the new Member States of the EU and demanded a ban on tax dumping, and proposed that the EU should have the authority to harmonise taxation. A decision would have required unanimity, and the new Member States that have benefited from tax competition do not accept this.

The argument over the significance of taxation and the depth of tax competition is continuing. In terms of principle and maybe practical significance as well, the most courageous opening is the abolition of progression and adaptation of a flat rate. Everything started very modestly in our small neighbour Estonia, which introduced a 26% flat tax rate back in 1994, cut it by a couple of percentage points and now by a further percentage point. The other Baltic States followed suit. Russia introduced a 13% tax in 2001, followed by Serbia with 14% in 2003, the Ukraine with 13% in 2004, Slovenia with 19% in 2004, Georgia with 12% in 2005 and Romania with 16% the same year. The tax cuts have resulted in a flat rate tax movement that is an example of a weak signal turning into a strong signal within a decade. Suspicion has started within the old European Union countries. The Dutch finance minister is considering a 30% flat tax rate. Discussion has also started in Spain and Germany, because old Europe considers the advantages gained by new Europe in terms of investments, employment and other things to be obvious.

The justifications for a flat tax rate include competitive ability, ensuring the tax basis for a welfare state, as well as the clarity, incentive nature and fairness of taxation. A strong justification in favour of a flat rate is the flat rate of taxation similar to many countries introduced in Finland in 1993 for the highest amounts of income – that is, capital income. Almost the same grounds have been used to oppose a flat rate. Ageing is considered to require taxation similar to the present. One of the possibilities brought up in Finland is a transition to three or two State income tax brackets. While the countries of new Europe operate with one tax bracket and rate, the tax collectors of Luxembourg, for example, have 17 different income brackets (and tax rates) to deal with. According to the OECD, seven member countries reduced the number of income brackets from 2000 to 2003, but Canada, Portugal and the US each introduced one new income bracket.

Once the economy has opened up, Finland's possibilities to maintain the high tax rate required by the Nordic welfare model have become more difficult. When building sustainable well-being in the long term, it is obvious that the more deeply Finland becomes engaged in the development of the global economy and other globalisation, the more clearly she will have to take a stand on the solutions chosen and competitive challenges presented by other countries.

Taxation is a fundamental factor in resolving population problems because it determines so many issues. Simply speaking, economic growth in Finland is considered to depend on three factors: technical development, the deepening of capital – that is, increased capital stock – and labour input. We know from the last five years that employment has not increased sufficiently, investments are low and the capital stock has not increased at all. Considering this, growth relies on innovations, increased efficiency and structural change. However, technical development has its limits, so the options for accelerated growth may only include increased employment and investments.

*Civil capital: child trust funds.* An example of social innovations that will have effects clearly longer into the future but require political decisions now include the establishment of civil capital. Civil capital refers to an arrangement whereby society provides an individual with a nest egg for starting one's own life or remaining a full member of society, even in turbulent times if the system functions well. Proposals of civil capital have been considered to be in harmony with the welfare state model if the starting point is the principle of interadaptation of equality and effectiveness particularly appreciated in the Nordic countries.

Previously there was discussion on solving the pension funding problem through civil capital, but in recent times more attention has been paid to civil capital as an investment in young people and children – the future. The proposals for assets to be distributed have varied in different countries. In some countries the amount under discussion has been 100,000 dollars, and in Britain a few thousand pounds.

A Child Trust Fund has been established for children born after 1 September 2002 in Great Britain. The scheme was introduced in April 2005. The government will make a deposit of 250 pounds for each newborn child and 500 pounds for the children of the poorest families. Relatives and friends are allowed to make tax-exempt investments of 1,200 pounds per year in the trust fund. The fund invests the assets but parents can choose between investment instruments. The child will receive the assets for free use at 18 years of age. If the sum of 500 pounds grows by 7 per cent annually, the child will have 1,410 pounds at age 18. If the parents and grandparents deposit 10 pounds per month, the savings will accumulate to 5,210 pounds, and if the parents deposit the weekly child benefit in the fund, it will increase to 27,000 pounds at a 7% rate of growth.

The aim of civil capital funds directed at children is to balance the differences in starting points at birth. The funds redistribute wealth but also aim to make the economy more efficient. Parents and their children are taught to save money and act as investors. Investment in international enterprises that will benefit from globalisation in the global economy is also considered to distribute the risk caused by outsourcing in the global economy, for example. Professions will disappear from the field of studies chosen by the young person. Civil capital is expected to have the greatest effect on youth employment. Citizens' pay is believed to be an incentive for engaging in working life. The nest egg increases the desire to accumulate capital when there are actual opportunities to achieve one's own results on the horizon.

There are several alternatives for funding civil capital. It has been proposed that income from inheritance tax should be transferred to funds. The discontinuation of benefits for wealthy parts of

the population has also been proposed (including, for example, abolition of free university education).

*Ageing: Tying pensions to success and abolishing a retirement age.* The Government Report includes a short description of a reform that may be the most significant when governments have tried to prepare for an uncontrolled increase in pension costs. This refers to the tying of pension levels to the economic success of the working population. The nature of the pension system includes that the amounts of and liabilities from future pensions are known to all parties as well as possible. However, the extent of the basis of funding is uncertain, at least in the long term. Different countries have made different preparations for this risk. Finland has solved the uncertainty in that pension schemes are thoroughly assessed from time to time. The most recent major pension reform starts from the point that the sustainability of funding is assessed in relation to competitive ability, the development of the national economy and the stability target for the public economy. In addition to economic sustainability, social sustainability has been taken into account, and the intention has been to ensure that changes are fair for all generations. Furthermore, Finland has aimed to develop the pension schemes in mutual cooperation with different parties in accordance with actual economic development. Finland tied new pensions to the life expectation – if the life expectation increases, pensions will decrease. Essential points in terms of financial sustainability include the expected development of expenses and the contribution base, as well as the distribution of risks to cater for unexpected development. Surprises in the number of working-age people, the employment rate and the growth of profitability have more impact on fees than on the level of compensation. The liabilities are intended to be sustainable in the long term.

However, the funding base for pensions in Finland is not linked to economic development in a manner similar to Sweden, for example. There the uncertainty associated with the amount of contribution has been reduced so that the level of pensions will be flexible in accordance with the development of GDP. Pensions can be tied to the development of GDP, wage and salary income and/or wealth. In a pension scheme based on the success of the active population, all the parties – including a young employed person financing the pension accumulation or an elderly person waiting for retirement or already pensioned – can see directly from their account what the economy, and, therefore, pension cover, looks like. In this scheme the liability and relationships of trust are built on a different foundation to that which has been conventional in Finland since World War II.

In some countries the conventional alternatives for solving the problems of ageing have been considered so insufficient that discussion has been started on whether to abandon the entire concept of “retirement age”. In Britain, where the tradition of written law is weak, it is easier to rethink schemes tightly tied to legislation compared with Continental Europe. Maybe it is for this reason that the debate on abandoning a general statutory retirement age and determining it on the basis of the individual’s health, employment history and own interests has advanced the most.

## **Appendix 1**

### **PROPOSALS FOR SOCIAL AND TECHNICAL REFORMS**

#### ***Proposals for developing the system from Finland and the Nordic countries***

##### *Part-time work between the ages of 30-35 in families with children*

Finland has tried to create labour-based methods of making work flexible in order to meet the needs of families. One new proposal, which is based on lifespan thinking, involves the positioning of part-time leave/part-time work between the ages of 30-35. This model means that parents would be able to shorten their daily, weekly, monthly or yearly working time during the five years when they have small children.

##### *Flexible parental leave*

In Sweden, parental leave is not only longer but also more flexible than in other countries. A family is entitled to 480 days of parental leave (an extra 180 days for twins). Compensation for the first 390 days is equivalent to 80% of income, and a small daily allowance is paid for the remainder. Parental leave can be saved and then taken when the child is eight at the latest. There has been discussion in Finland that paternity leave could be taken at any time before the child reaches five or seven years of age.

##### *Child bonuses, family allowances, etc.*

Child bonuses have been used to try and increase the number of children in families. Some Southern Italian villages have offered a bonus of 1,000 euro for the second child in a family. There has been talk in Finland of an extra subsidy targeted specifically at families with many children. Family allowances and tax breaks have been proposed for the entire family period. There has also been a proposal to make home services available to ordinary families once again. Accumulation of income and pension security for the care and upbringing of children has been suggested regardless of the form childcare takes. Proposals for supporting entrepreneur families have included a tax deduction that would apply to the childcare costs for sick children under the age of ten for a certain number of days.

##### *Tax-free savings account for young entrepreneurs*

There has been debate in Finland about encouraging young entrepreneurs to establish families. A proposal has been made that would allow persons under the age of 36 who are considering establishing or continuing a business to create a tax-deductible escrow savings account agreement to save the company's own capital. According to estimates the number of entrepreneurs is decreasing by 10,000-15,000 every year. During the next ten years about 60% of Finnish family-owned companies will be faced with a change of generation or ownership.

##### *Enterprise concept for public services*

A particular characteristic of the Finnish welfare system is strong subjective rights and universal welfare benefits that are guaranteed in the constitution. The system is designed so that the state regulates the benefits by law, but the real responsibility has been transferred to the municipalities. Other countries have developed various enterprise concepts to accompany this division of responsibility model. A single, general enterprise model does not suit Finland's broad well-being sector because it includes different tasks, target groups and regions.

##### *Abolishing institutions*

The Danish model talks about employment and care of the elderly as a model. The law does not recognise the concept of institutions, and the goal is preferably to eliminate institutions altogether.

The elderly are approached at home with a variety of service packages before problems actually appear. Good home help for the elderly is a conscious choice: so-called helper patrols come into the home at a very early stage to assess the situation and need for assistance. The services work, but the high tax rate is also a well-known consequence.

#### *Care insurance*

In 2001 a working group from the Ministry of Social Affairs and Health examined the implementation of care insurance in comparable countries. The starting point was that care insurance supplements the services that the municipalities are responsible for arranging, and is a method of funding services for the elderly that supports public services. The working group felt that voluntary private care insurance, which is clearly defined as risk insurance that corresponds to indemnity insurance, could be utilised in Finland.

#### *Household work deduction*

A household work deduction has been implemented in Finland, meaning that households that provide employment can deduct the cost of the labour on their income tax returns. It has been gradually extended in terms of amount and application sector. The deduction now applies to work done in the home of the taxpayer's or his/her spouse's parents or grandparents. An increase in the household work deduction has been proposed, even to the extent of removing the upper limit for care work and expanding it to cover temporary care arranged outside the home when the relative is seriously ill or in terminal care.

#### *Equalisation fund for parenting*

Several proposals have been made concerning fairer distribution of the costs of parenthood. Another suggestion has been the establishment of a national parenthood equalisation fund in honour of the 100th anniversary of Parliament.

### ***Discussion openings and weak signals from international debate***

#### *Tying pensions, etc.*

The size of the funding base is uncertain and different countries have prepared for this risk in different ways. Some have tried to tie pensions to real economic development in a variety of ways. Raising the retirement age is another important target. Germany has plans for quite large long-term reforms: the retirement age will rise from 65 to 67 years, pension payments will increase with a higher deductible, early retirement will be penalised and pensions will decrease (even to 40% of the current level). One bold future policy strategy for increasing the state financing base and particularly the birth rate is a proposal to grant families with children an additional pension based on the fact that they have participated more actively in building the future society. The problem is that Germans, in contrast to Finns, have not been able to make actual decisions.

#### *Privatising pensions*

The privatisation of pensions has been under discussion for the past ten years. The pension system has partially shifted to an investment base that is the responsibility of the individual in Great Britain, Chile, Mexico and Sweden. The risks are large, with a particular danger being a situation in which older people are left with no pension because of poor choices or the immorality of business and actual fraud. For this reason, only a few countries have made the decision to privatise. A large social security reform is planned in the United States, and one part of it concerns personal pension accounts. People will be able to decide how the money in their accounts is invested (including the stock market). Similar health care and education accounts have also been discussed.

### *Decrease in employment pension payments for the elderly and handicapped*

Some countries have started to systematically support employment of the elderly and handicapped by scaling labour costs. In the Netherlands, for example, employers pay lower fees for ageing employees than they do for younger ones.

### *Service vouchers*

Many countries use or are experimenting with a voucher system where citizens or citizen groups receive vouchers that can be used to purchase goods and services. The system takes many forms. Parents can choose how or in which school they enrol their children, or they can hire a teacher to work in their home. The service vouchers can be used to cover the entire education or a part of it (for example, to pay the difference between a cheap and expensive school). Education vouchers have demonstrated that the system is very controversial, both in principle and operationally. In Finland, service vouchers have been used for home help services since a law came into force at the beginning of 2004 concerning their use for that purpose.

### ***Benefits of rationalisation using information technology***

The tasks of the Committee for the Future include assessing the social impacts of new technologies. Although some Finnish economists doubt the benefits of rationalisation using information technology, there is good reason to present a few examples from the health sector that, if successful, would result in great benefits and savings. Health care technology is perhaps more important than other sectors because, due to its volume, high cost and the large number of units that apply innovations, the realisation and spread of even a small amount of rationalisation would result in huge savings.

### *Social Insurance Institute of Finland (Kela) services securely on the network*

The weaknesses of broadband and other fast and secure family and individual data communications connections have delayed the digitisation of public service institutions. One of these large public service institutions is Kela. Every Finn does business with Kela, and it processes the largest single amount of public sector matters that need to be resolved or otherwise handled. In 2003, there were 2.5 million hits on the Kela website. It has an office network that covers the entire country and operates on a non-profit principle. Control of Kela lies with the political system. Security is certainly a difficult matter and is said to be the main reason for the delay, but this explanation is insufficient when compared with global operators in business.

### *Wireless Digi hospital*

The automisation of hospitals was one of the greatest technological challenges of the 1990s. Hospitals have shifted from electronic office and paper work to the digitisation of self-care. Developments include robots equipped with videoconference devices that travel along the hospital corridors, thus allowing people in or even outside the hospital to stay in contact with each other and hold negotiations. Robots can also be used for medical treatment, such as reading prescriptions, selecting medication from a storeroom and then administering it to patients. There is no experience of outsourcing robot control to India yet.

The Rikshospitalet University Clinic in Oslo moved into the digital age on 14 March 2005. The goal is that the last paper will disappear from the hospital by 2007. Patient information, various laboratory results and images have already gone electronic; 70% of hospital paper work went electronic simultaneously. The annual budget is 925 million dollars, 66 million dollars of which can

be saved (compare this with the opportunities for savings in the US health budget, which is 15% of GDP, or USD 1.7 trillion). However, the most important issue in the world's most electronic hospital is the new possibilities to do work that would never have been possible without digitisation. This applies to financial administration issues and the main task, which is treatment. Physicians are able to co-operate with their colleagues all over the world. For example, patients have the right to securely examine their own real-time treatment information on the Internet.

The European Union has a project known as e-Health, the target of which is to digitise patient information by the end of this year. Health expenditures, which grew 52% faster than the European economy during the 1990s, are one of the main factors driving the project.

As early as ten years ago, IT experts in Finland forecast that communication and office routines would significantly improve with the use of implementation of information technology. The important role of wireless information networks in the rationalisation of hospitals, homes for the elderly and other large care institutions has been under discussion for about five years. But this has not become reality. Only now can the first signs of this type of innovation be seen in Oulu. Since material administration and logistics are the greatest single expense for all large institutions, significant savings are also in store for these sectors.

Generally speaking, booming world markets for well-being technology have long been expected. Since the care sector is the largest public sector expenditure in all countries, there are also high expectations of this sector. Timing is essential in global competition. The general rule is to be active before others, although an innovation that is ahead of its time can fail because of practical obstacles. As with all technology-based reform work, cautious state control and management combined with the impossible task of managing the latest technology can derail the work, particularly in challenging projects that require a lot of investment (examples include Intel in France during the 1980s and 3G solutions and digital television in many countries during the 1990s, etc.). Finland's late start with regard to digital hospital development means that the competition is considerably tougher than it was ten years ago, when signs of the increased significance of the health care sector were already visible in Finland and public funds were directed to information technology in that sector. The Satakunta project, which cost tens of millions of euros (funding for product development alone totalled EUR 10 million), was the largest single health care information technology rationalisation project in the 1990s, but it never achieved the expected results – at least not in relation to the pace of international development.

## Appendix 2

### CONNECTION BETWEEN THE REPORT PROCEDURE AND PROJECTS INITIATED INDEPENDENTLY BY THE COMMITTEE

In addition to compiling the Report on the Future and organising the technology assessment during each electoral term, the tasks and activities of the Committee for the Future are organised in accordance with the special issues selected by the committee itself. The results of the committee's own projects are utilised in the report procedure, and are linked to the dialogue between the committee and the government – in other words, the Prime Minister's Office. Globalisation has been a common and significant topic. The government's four policy programmes have been taken into consideration in the work of the Committee for the Future. As elections draw closer, the connection between the parliamentary futures policy and the government platform is naturally an important one. The following outlines the population policy links of the Committee for the Future's own project as the steering group or main project leader sees them at this time. The democracy project is in the start-up phase.

#### *The future of Finnish health care (Doctor Osmo Kuusi)* **Health care in an ageing Finland**

##### *Introduction*

In 2003 Parliament launched the Future of Finnish Health Care assessment project under the leadership of the Committee for the Future. During the spring of 2005 the project involved interviews with 41 leading researchers, health care administration officials, municipal and hospital district representatives, operators in the private health care sector, representatives of health care personnel (particularly from the Finnish Medical Society Duodecim) and patient representatives. The following review is based upon the material from that interview. The interviews with the panellists comprised the first stage of the two-stage Delfoi process.

##### *Will Finnish health care retain its basic principles?*

According to the Government Report on the Future, Finnish health care has three basic principles:

1. Municipal responsibility for organisation
2. A tax-funded system
3. Equal availability of services

All interviewees were asked to assess the preservation of these basic principles. In particular, the subjects were asked to assess how the principles will change. The following answers were received from 29 interviewees when asked about probable development from now until 2015.

<b>Challenges to the three principles of organisation</b>			
	<b>Will become essential</b>	<b>More important than now</b>	<b>Will remain at the same level at best</b>
Regional (for example, provincial responsibility for organising health care)	29		
Insurance-based system	4	13	6
Different service systems for those who can and those who can't pay	5	15	6
Private services (now supplementary)	9	15	1

according to the Report on the Future)			
Services provided by associations (now supplementary according to the Report on the Future)	1	10	7
Will meet another development path: Nationalisation of demanding specialised health care	2		

The panellists that responded were unanimous in their belief that regional responsibility for organisation of health care will become essential. However, opinions differed concerning what this means in terms of reorganising the municipal responsibility for organisation and the extent to which the responsibility for organisation in small municipalities will be transferred to the region, as in the case of the Kainuu model that has already been implemented.

A fairly widespread opinion of the insurance-based system was that it would be implemented if the effective regionalisation of public health care fails. This is the case, although many people believe that an insurance-based system would mean an increase of about 1% in the percentage of GDP spent on health care based on experiences in the United States and other countries that have established insurance-based systems. It can also be assumed that the goal of common solutions in Europe will push development towards an insurance solution. The prevailing opinion was represented by a fairly common answer, according to which an insurance-based system is very likely to be more important in 2015 but also states that it would be better if it did not become more important than at present. However, there was also a group of panellists that considered the insurance model essential and probable, as well as reasonable. These respondents pointed out the strengths of insurance with regard to globalisation development and services under conditions of international trade deregulation. Another advantage of this model is the opportunity for better management of the multi-channel financing used in health care. Relief in terms of insurance payments was seen as an opportunity to equalise the availability of services. It was generally felt that, regardless of other development, the number of insurance policies taken out by financially sound elderly individuals or by companies on behalf of their personnel is likely to increase in the future.

The further development of separate systems for those who can and those who can't pay was generally considered probable. In combination with the deteriorating resource situation in the municipalities, this was seen as a factor influencing the increase in private and corporate health insurance. On the other hand, the concept that Finland wants to continue to be a model country in terms of health care equality was also presented. Some interviewees felt that the target of uniform service use was not an ideal solution in terms of treatments or wellness services that are questionable with regard to health promotion purposes. One panellist actually considered the present health care system to be the product of a custodial society. The panellist felt that the system should be shifted from custody to spontaneity and responsibility with regard to health care personnel and clients.

Although the gradually increasing use of private services was generally interpreted as a positive development, the majority did not consider a rapid switch to private services likely or advisable. A few panellists felt that the active pursuit of profit was poorly suited to health care and a threat to the equal availability of services. However, many believed that having private services compete with public services would rationalise service production and actually promote the goal of equality through savings. This is particularly true if the regions learn to sensibly develop work distribution between their own production and purchasing from other organisations. About one-third of the

panellists predicted that private business would develop from its current assisting role to become an essential player by 2015. However, these respondents still felt that the purchase of services would mainly remain with the public sector or insurance companies. Sitra (Finnish National Fund for Research and Development) has also been involved in developing public companies for the production of health services or their support services. The municipalities would be the owners or partial owners of the companies.

The uncertain position of Finland's Slot Machine Association (RAY) was seen as a threat to the development of associations as significant producers of services. Associations will no longer be able to rely on its assistance in 2015. Although the associations would not pursue a profit, they would have to organise their activities in a more businesslike manner. In order to use their very limited resources to take responsibility for larger service entities, such as basic health care in Karjaa, associations would require sufficient time to adapt their resources to the challenges. If a health care region makes a decision to terminate service agreements or stop purchasing services from an association only six months prior to its implementation, this will place the association in a very difficult situation. Only a large player, such as a hospital district or a large private company, can handle this type of situation. Associations seem to have the most promising outlooks in small-scale activity related to prevention, geriatric care and common activities and lobbying on behalf of groups of people that suffer from the same illness, or their relatives.

Some considered the nationalisation of demanding specialised health care sensible in order to control costs and unify treatment practices. On the other hand, many felt that health care should not implement any solution that would increase the multi-channelling of funding.

#### *Three central challenges to the future of health care*

The interviews particularly addressed the three long-term challenges that face Finnish health care:

1. How can the change from a municipal arrangement of health care to a regional arrangement be promoted?
2. How can the cost of expensive new treatments be controlled?
3. How can citizens be encouraged to take responsibility for their health?

#### *How can the regional arrangement of health care be renewed?*

The background for the interviews on this topic was the Government's decision in principle on securing the future of health care<sup>2</sup>. Because the object of assessment was the situation in 2015, strict adherence to the decisions already made was not required during the interviews, nor did the interviewees refer to those decisions. Four models for a regional arrangement of health care in 2015 were outlined during the interviews. The alternatives differed in terms of how large organisations (municipalities, Kela, the Association of Finnish Municipalities, the State) function as funders, orderers and producers of health care services.

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<sup>2</sup> In accordance with the decision in principle: "Basic health care is arranged as regional, operational entities. The recommended population base is 20,000-30,000 residents, and units structured in this way have 12-18 physicians. When configurations are formed, it is, however, necessary to take regional differences into consideration. When formulating the network of operational units, attention should be paid to the fact that distances should not be a hindrance to using services. Mental health outpatient services, psychosocial services, services for substance abusers and the associated emergency services should be arranged as an operational regional unit in association with the private and third sectors. Operational co-operation and the division of work in specialised health care will be carried out according to specific spheres of responsibility. The hospital districts will enter into co-operation agreements, amalgamate or form health care districts. District hospitals will form health care districts with the primary health care units in their district or operate as part of the central hospital in their area. In laboratory and imaging operations there will be a change over to units formed out of one or more hospital districts, and municipal enterprises and state-of-the-art information technology will be utilised."

The first model was called the *Kunnamo model*. The name is based on an interview that provided the primary basis for the model. The central starting points for the model were defined by Ilkka Kunnamo, who is known as the editor of the widely used *Lääkärin käsikirja* (Doctor's Manual) and the developer of national electronic treatment recommendations in the Finnish Medical Society Duodecim. In addition to these jobs he has worked as a health centre physician in the Saarijärvi–Karstula Regional Health Care Centre, with particular focus on developing operating methods for basic health care. The best example of the model in terms of dividing health expenditures between municipalities is the Kainuu model, which could also be interpreted as being an example of the health care district model. Another fairly good example is the so-called Forssa model, which Markku Puro and Riitta Suonen presented in the Future Report by the National Research Centre for Welfare and Health (Stakes) (Aiheita 1/2005). In terms of population (36,000), Forssa is closer to the original idea of the model than Kainuu. The health care regions achieved by combining similar regional hospitals and health centres are: Jämsä, with a population base of 24,000 people, Imatra 30,000, Kemijärvi 10,000, Pieksämäki 25,000, Raahe 36,000, Mänttä 13,000 and Rauma 33,000. With the exception of Kemijärvi and Mänttä, the sphere of responsibility in each case exceeded the minimum requirement (20,000 people) set for a health care region by the Kunnamo model.

*The (basic) health care district model* has been under development since at least 2002. The characteristics presented in its summary correspond to many of the solutions that were proposed in the first report by Stakes on the health care district model. The object was the Eastern Savo Hospital District, which is the country's smallest hospital district with roughly 65,000 residents<sup>3</sup>. Let it be said that in terms of population this district would be better suited to the Kunnamo model than the health care district model. If the country were evenly divided into districts the size of Eastern Savo on the basis of population, there would be 85 districts instead of the desired 20. The trial that may begin in the Päijät-Häme region can be considered the first real test of the model. In the spring of 2005 the roughly 200,000-resident hospital district in this region applied for a permit to act as a trial for the health care district model. In addition to the model proposed for Eastern Savo and the interviews, local dialogue on the Päijät-Häme project has been used as the basis for examination of the model.

*The Kela model* can be scheduled for the same time as the health care district model. The model has already been addressed in conjunction with the preparation of the national health care project, but it was not included in the final project report published in 2002. The model first gained publicity when Jorma Huuhtanen, Director-General of Kela, introduced it in the Helsingin Sanomat newspaper on 29 March 2003. The main literature source for the Kela model was a description of the model by Mikael Forss and Timo Klaukka in the Finnish Medical Journal.<sup>4</sup> The operating model promoted by Sitra, in which companies owned by municipalities partially or completely compete with each other, would appear to be quite ideal for this solution. Occupational health care has also developed solutions that are similar in nature to the Kela model.

*The broad purchaser pool model* combines features of the other models and particularly emphasises the role of the Association of Finnish Municipalities in arranging services. The model has not been presented in this form earlier, but solutions based on it, such as the activities of the five giant specialised health care districts as orderers of services, have been discussed at length.

**Kommentti:** Sopiiko?  
(alkuperäinen oli "miljoonapiirit")

<sup>3</sup> Markku Pekurinen, Marja-Liisa Junnila and Ulla Idänpää-Heikkilä (2003). Eastern Savo Hospital District. Selvitystyön loppuraportti, Stakesin kehittämisselvityksiä (Final Report on the Assessment Work, Stakes Development Reports) 8/2003

<sup>4</sup> Mikael Forss and Timo Klaukka (2003). Yleinen terveystakuu -idea terveydenhuollon uudeksi rahoitusmalliksi (The General Health Insurance Idea as a New Financing Model for Health Care), Suomen Lääkärelehti 16-17/2003

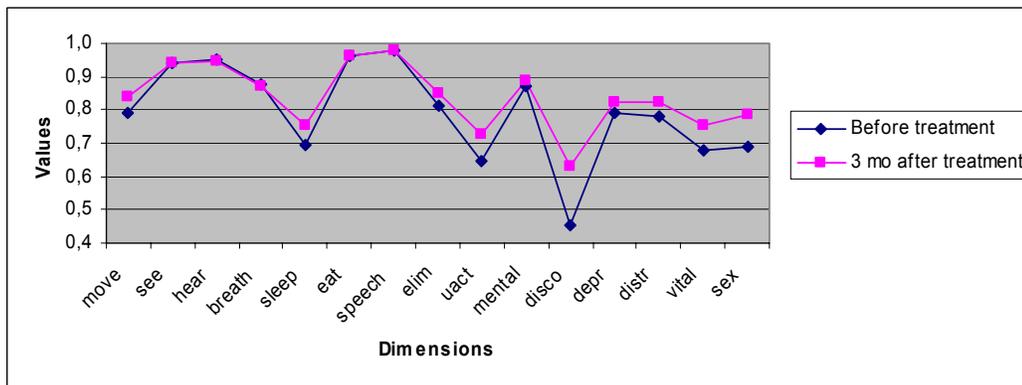
The interviews showed support for all four models. Representatives of central administration were more in favour of the health care district or Kela model, and many researchers also supported this model. The Kunnamo model found support with representatives of the municipal sector, researchers and the Duodecim Society. The broad purchaser pool was not addressed in the interviews. However, it also received endorsement during the second phase of the Delfoi process.

#### *Managing expensive treatments*

Over the long term, the development of treatment technology has increased the cost of very expensive treatments in an unsustainable manner. Municipal payments for patients whose treatment costs exceed EUR 25,000 annually doubled between 2000 and 2003. On the basis of gene and stem cell knowledge, this increase can be expected to continue at a fast pace. One expert interviewed predicted that cancer treatments in 2015 could realistically be expected to cost three times more than today. It is essential to develop a method that restricts treatment use to situations with a sensible benefit-cost ratio.

In theory, the problem could be handled by means of the national treatment recommendations that were recently taken into use; however, many interviewees felt that the development of common practices on the basis of the current method could only take place after a very long learning period, and perhaps not even then. There is a particular need for more guided solutions in terms of approving new treatments. There must be a means of addressing and, if necessary, intervening in a physician's right to prescribe treatment without considering the benefit-cost ratio.

The interviewees were asked to consider the use of a 15D Measure or some other universally applicable measure of impact. 15D is a health-related quality-of-life measure, which, in practice, means a questionnaire that the patient is asked to fill in. The questionnaire asks about the patient's health using 15 questions (D = dimension). The dimensions are mobility, vision, hearing, breathing, sleeping, eating, speech, elimination, usual activities, mental function, discomfort and symptoms, depression, distress, vitality and sexual activity. The dimensions refer to capacity but also to perceived well-being in a variety of ways. The answers are weighted, in which case the total of the answers is exactly one if the person indicates that he/she is completely healthy. Thus the respondent's health can be indicated by a profile and with a single figure. The average score for a member of the normal population is about 0.92; hospital patients often score 0.7-0.9. If the score is 0.3-0.5, the person is in need of constant assistance. Zero correlates with death. If, for example, a person can be assessed as having benefited from treatment ten years ago in that his/her score improved from 0.6 to 0.7, the treatment results in one Qaly ( $10 \times 0.1 = 1$ ). The following is a practical example of how a Qaly score can be calculated by comparing perceived health three months after treatment with the situation prior to treatment in the case of a brain surgery procedure. The dimensions are presented in the same order as above.



On the basis of the 15D measure, experts were asked to consider the following statement:

In 2015 the following procedure will be used to approve new treatments: Experimental treatment will become subject to a permit. The treatment will require approval in the following phases:

1. The person that proposes experimental treatment shall present a request to the Finnish Office for Health Care Technology Assessment (FINOHTA), which operates within Stakes. FINOHTA will provide a statement concerning the approval of the treatment within the prescribed time. A statement in favour of approval will be based on the presented report in that the cost-effectiveness of the treatment is better than EUR 50,000/Qualy.
2. On the basis of a report by the Ministry of Trade and Industry and FINOHTA, the National Advisory Board on Health Care Ethics (ETENE) will form a committee to assess the cost-effectiveness of the treatments. This committee will operate within the National Authority for Medicolegal Affairs. In obvious cases the committee chairperson will have the right to approve the treatment on the basis of the FINOHTA statement in a quick hearing. The chairperson may also transfer the process to the committee. The committee will be informed of decisions made by the chairperson and a committee member (two members) can demand a hearing by the committee.
3. If at least one of the three members of the committee feels that the treatment includes positive or negative ethical questions that are difficult to assess and influence its use, the committee can transfer the power of decision to ETENE.
4. The recipient of a permit for experimental treatment will be responsible for producing monitoring data concerning the impacts of the treatment. If the monitoring data does not support the evidence that formed the basis for the approval decision, FINOHTA can request a re-examination of the committee's decision.

#### *People's responsibility for their health*

The interviewed experts can be considered to agree on the fact that having people take responsibility for their own health is the most effective way to produce health. Many interviewees stated that the greatest threat to health is the damage that results from insufficient exercise, an unhealthy diet, and smoking and drug use. Increasing people's sense of responsibility for their own health is absolutely essential in an environment in which the cost of treatment is steadily rising. Medications are increasingly being used for purposes other than the treatment of actual diseases and symptoms. People look to them for help in grief management, slowing the progress of baldness, for weight loss or improving erection.

The main starting point for future independent health care 2015 is very likely to be the Internet. At the end of 2004, 30% of Finnish households had broadband Internet access and 94% had the

opportunity to obtain such access through a fixed network. Broadband connections increased by about 60% during 2004. This forms the basis for a prediction that at least 80% of Finnish households will have a broadband connection in 2015. It provides the opportunity for Finns to obtain diverse material concerning treatments, even in the form of pictures. They can also send information about their health, including photographic material suitable for a diagnosis, anywhere in Finland or even to the other side of the world.

Because monitoring of nutritional content is becoming increasingly more accurate on the basis of customer information at stores, a strong link exists between medication and nutrition. Personal genetic information clearly has increasing significance in terms of how medication, nutrition and other lifestyle factors take shape.

The following ways of promoting people's responsibility for their health were presented during the interviews:

1) The patient is the primary holder of his/her electronic patient records in 2015. Only the patient or his/her trusted representative will have the password needed to access the patient records. There will be no other restrictions on the use of the patient records, meaning that it may be opened at any treatment location in Finland. Only physicians will be entitled to write in the patient records. If the patient and the physician have a difference of opinion concerning the text in the patient record, the patient can refuse to open the record on the basis of this dispute. The physician must print out the patient record at the request of the patient. The patient record may include a section that is only accessible to physicians; however, its content must be deleted once a year.

2) A person has to have the power to decide how the information that is gathered about him/her in various registers may be used. When a person turns 18 in 2015, he/she will be informed about all health-related registers and the personal information about him/her that exists in those registers. The person will then provide informed consent regarding the extent to which his/her information may be used. This right lies with the person's guardian until the age of 18. The person is entitled to change his/her consent at any time and to obtain the use of any information about him/her that exists in the register at a reasonable cost. This consent does not restrict any discretion of the authorities, which is now represented by the Data Protection Ombudsperson and various ethical committees. In 2015 this type of register information will apply to disease-related information and gene information, as well as information collected by shops concerning the nutrition used by a certain person or household.

3) When a person turns 65 or retires in 2015, he/she will be invited to a "rest of the life" planning meeting. This will include a physical examination, a discussion about promoting a healthy lifestyle and the opportunity to make a legal living will.

4) All treatment facilities must have a patient spokesperson available at least once a week. The patient spokesperson may no longer be an employee of the treatment facility in 2015 because his/her neutrality would be suspect in that case. At the request of the patient, he/she must have access to all information related to the patient's treatment. This will also apply to the section of the patient records that may possibly be restricted. He/she must also receive information about all "close calls" concerning malpractice at the treatment facility and the resulting corrective measures. He/she must approve the corrective plan. Any undeclared "close call" situations discovered in the background of a patient error are considered incriminating.

5) When a physician prescribes treatment in 2015, he/she must, at the request of the patient, indicate a source where the patient can assess the appropriateness of his/her treatment. This particularly applies to the patient's opportunity to check the appropriateness of the treatment with the electronic treatment recommendations.

***Regional innovation activity (Member of Parliament Kyösti Karjula, Chairman of the Steering Group)***

The target that Parliament has set for innovation activities involves creating the world's best innovation environment in Finland. This also sets a significant challenge for the development of regional and local innovation environments.

The Committee for the Future has often emphasised the importance of leadership, organisational methods, interaction between people, and product commercialisation when promoting innovations. This increases appreciation of the management of innovative operating environments and innovations.

One reason for Finnish success in recent years has been a functional national innovation system. During globalisation a high level of expertise has become the most important strategy for many countries. This forces us to further renew and develop our own innovation system. Finnish society has become system-oriented over the past decades, and as a result the operating culture looks for practices that emphasise management of issues.

It is easier to examine institutions as opposed to people, and this is also evident when defining the national innovation system. Officially, education, research, product development and technology have often been linked to the system. Innovations arise from people's desire to create something new, find a better solution and conquer the world. The systems have to support and utilise this basic and very human desire. In terms of future success, there is a huge difference between a Finnish innovation system that looks and acts bureaucratically and one that is dynamic and entrepreneurial.

The first step in developing an operating environment is to remove barriers to innovative activity and add incentives. International competition will force us to focus on gaining an even better understanding of innovation activity. In this case we can speak about developing private sector, and in particular, public sector activities.

The Committee for the Future launched a technology assessment project that addressed the importance of innovation activities for regional development and well-being. The project has resulted in three interim reports (Regional innovation Activities in Finland – Current Status, Significance and Developmental Challenges, Pre-report TA 13, 2002; and Final Report TA 15, 2003; Leadership of Innovative Environments and Organisations, 2004) and seminars to promote regional innovation activities in the Kemi-Tornio region, Jyväskylä, Oulu South, Keski-Uusimaa and Lohja in 2002, as well as in Helsinki, Kajaani, Tampere, Lahti, Raahе, Lappeenranta, Joensuu and Rovaniemi in the autumn of 2004. There was also a follow-up seminar held in Helsinki in February of 2005.

The final report for the project will be completed at the beginning of the autumn in 2005. It will include a summary of the "Leadership of Innovative Environments and Organisations" report written by Professor Pirjo Stähle, Professor Markku Sotarauta and Researcher Aino Pöyhönen published in the autumn of 2004. That report also included some of the most important results from the seminar series and extracts from a special report the committee commissioned from the Association of Finnish Municipalities. The so-called regional innovation stories have been included in a separate chapter, and the final section of the report comprises recommendations and conclusions.

The conclusions section is divided into two parts: the principles of strengthening regional innovation activities and the core questions in relation to regional innovation activities development.

### **A. The principles of strengthening regional innovation activities**

1. Leadership of innovations
2. Moving from a technology focus to broader innovation thinking
3. Stars and potential stars in addition to the core sectors
4. Effective utilisation of market-oriented discoveries in addition to basic research
5. Intellectual patience and cross-border co-operation

### **B. Core questions/sensitive points in relation to regional innovation activities development**

The core question and sensitive points help to clarify the conclusions of the assessment project. The target of this approach is to create a series of questions that will assist in the development of innovation activities in different regions.

Preliminary questions:

1. How can we strengthen regional innovation environments and remove key bottlenecks?
2. Which focuses support the development of regional innovation activities?
3. How can we secure co-operation that crosses the border between the developing regional and local innovation environments?
4. How can we increase university, polytechnic and research institute investment in innovation development?
5. Which operating methods would increase knowledge of the regional enterprise field and make identification of potential market discoveries and starts more effective?
6. What measures would support an increase in academic enterprise and strengthen its position in educational and research activity?
7. How can we better equip companies to purposefully utilise intellectual rights?
8. How can we accelerate innovations in the service sector and, in particular, the advancement of research and development in the area of social innovations?
9. Who is responsible for the spread of best practices in the field of public sector innovation activities?
10. How can we better harness universities and polytechnics into co-operation with small and medium-size enterprises for the systematic development of innovative operating methods and procedures?
11. How can we enhance the attractiveness of the region as a location for innovators?
12. How can we create incentives to increase early-phase investment in innovations by small companies?

### ***Social capital: Information and communication technology and the development of social capital among children and young people (steering group)***

The development of the information society is changing the social interaction within families. While parents are spending less time with their children, children are using the new information and communications technologies more than ever. An increasing amount of children's social capital is formed in front of a display. How does this affect their social development? What measures does this change require from society?

Social capital refers to the values and norms that children adopt from their parents and other early relationships, community support and social networks, as well as trust.

The development of the information society has reduced the amount of time that parents are able to spend with their children on a daily basis.

The risks of information technology development particularly apply to the development of social and emotional life. Particularly for young people with social problems, virtual interaction can be more rewarding than real-life relationships.

Regardless of their social background or gender, all children have to be provided with the basic skills for using information technology and opportunities for its social and intellectual use.

Proposals for action:

- Ensure that parents have time to spend with their children while using the new media.
- Offer media education for children, parents and educators - for example, by means of Veikkaus funding.
- Develop peer support for media education and expert help for parents and educators - for example, during parent-teacher nights and information networks.
- Include more media culture and media education expertise in teacher training and continuing education.
- Support the research, development and spread of social innovations - for example, through the National Technology Agency of Finland (Tekes).
- Increase the social and intellectual dimension of children's and young people's use of information technology - for example, in school education.
- Develop electronic services for children and young people with dyslexia and promote the spread of such services.
- Promote media products that are beneficial to children by means of a VAT exemption.

### ***The future of democracy (Dr. Mika Mannermaa)***

The future of democracy is one of the Committee for the Future's main themes for the final part of this electoral term. Naturally, the perspective is national, but it also takes global development into consideration. As part of its spontaneous celebration of 100 years of Parliament, the committee has started a project in which it joins forces with future researchers to consider long-term questions of democracy. The results will be published as a book in 2006, and they will also be assessed at the international conference hosted by the committee in Parliament during November of the same year.

The Population Report does not really address the future relationship of population phenomena to democracy, the selection of decision makers or civil influence. For example, the new information and communication technology and the operating culture of the information society, as well as the changes in the opportunities for an ageing population to exert influence, are not covered by the report at all.

The impacts of population changes on, for example, the demand for education and health care services, income security and regional development are key questions of the future in a society like Finland. However, it should also be noted that the relationship between population development and societal influence is changing in many ways, and this may have very significant impacts on how decision makers are selected at different levels, other types of civil influence and the content of

decisions in the near future. The following is a summary of certain phenomena that I predict to be on the rise:

1. The impact of the change in age structure on *voting activity*. Older age groups are known to be the most active voters. What effects will that have in 10-20 years when they make up a relatively greater share of the population? Will Parliament also become older and will this be reflected in the content of decisions?
2. In relation to the previous point, is it possible that direct, non-representative social influence will further increase in younger age groups? ICT development also promotes this kind of development. The Internet, e-mail, mobile phones and new technologies of the future are already used as tools of social influence, and young people are the most skilled in their use. One threatening signal is that while representative bodies are increasingly made up of ageing people and their decisions subsequently represent that population, younger age groups, including the X generation and even younger groups, are using new technologies to more visibly and consciously create their own culture of influence, which corresponds to the information society philosophy/culture and remains outside the sphere of representative influence. In the most extreme cases they may even ignore the decisions of representative bodies and create their own, mainly virtual, reality of influence. It should be remembered that although they do not have a majority in representative bodies, they do control technology and the dynamics of the economy, and this is why they must be listened to.
3. The possible effects of the change in age structure on societal influence, including the third sector, is a topic that has already been addressed in the report and one which can be considered very important. As stated in the report, healthy ageing people, especially those who are in their so-called third life, will become a significant societal resource, one that must be treated as a valuable resource, both in terms of societal influence and in running economic and other useful processes. This will benefit a society suffering from a labour shortage and the people themselves as they experience the feeling of being a useful part of social networks and society when they contribute in accordance with their own capacity and desire. It should be remembered that the increase in life expectancy also supports and strengthens this development.
4. The link between the change in age structure and the increasing use of new information society technologies – the Internet, mobile devices, etc. - in social influence is an issue that should not only be examined from the perspective of young people but also from that of the ageing population. There are still people whose starting points for adopting the new information and communication technology are more modest, and the relative number of top experts is decreasing. Special attention should be focused on how to prevent the digital democracy gap from splitting wide open.
5. As indicated in the report, population changes are more than just a change in age structure. A possible increase in immigration will diversify values, cultures, religions, lifestyle models, the concept of desirable changes in societal development and, perhaps, even opinions concerning the whole idea of democracy. This group of multidimensional questions is likely to be on the agenda for social dialogue in the next few years.
6. One interesting and not insignificant issue concerns the future relationship of an ageing society with the possible rise of global democracy. This is linked to identity questions (Will becoming a true euro or world citizen require a change of generation? Is a 75-year-old Finn

who has spent his/her entire life in Finland interested in participating in global influence? Will such behaviour even be required of that citizen?), language issues and, once again, a good command of the new technologies. It can be assumed that new ICT applications will play a significant, if not essential, role in the strengthening of global democracy. For example, such applications will make it possible to create a global civil movement in just a few hours. Other aspects are also linked to the global democracy-population theme, including the fact that population development is, as stated in the report, quantitatively and structurally very different around the world.

7. There are also other issues related to population questions and the future of democracy that will arise sooner or later. Here are a few examples:
  - The impact of the change in age structure on the political party map. I am not about to guess about the details because I would certainly be wrong. However, it is obvious that some changes will occur over the decades. This is typically self-organising development that, with respect to democracy, should not be interfered with but which should be discussed.
  - Virtual democracy and administration, and population. For example, it is very possible that the municipal concept will be partially virtualised, and while geography will be very important in some ways— day care should be close to homes – in other ways the meaning of location will totally disappear. An example of this phenomenon could be administration – who cares whether the municipal manager lives within one kilometre of his/her home? The attitudes and prerequisites for functioning in a virtual world vary in terms of different population groups, both the elderly and other groups.

### ***Municipality barometer (barometer author Santtu Bruun)***

The following regional structure development path and the factors influencing its background are mainly based on the preliminary results of the “Future of Municipalities 2005” research project that was implemented by the Association of Finnish Municipalities, The Swedish Cultural Fund in Finland and Parliament’s Committee for the Future. The goal of the project was to outline the long-term future of Finnish municipalities (until 2025) on the basis of opinions presented by experts and people working in municipal management.

#### *The future of the regional structure*

The concentration of industry, jobs and population in a few vital growth centres is accelerating. This particularly applies to the capital region and the larger university cities, as well as the surrounding municipalities within the area of influence that offer the opportunity for spacious and reasonably priced living near the services and jobs of the growth centres.

As a result of this development, municipalities are polarising into vital winners and declining losers. The increase in inequality is pertinent, and many municipalities that were still vital in the 1990s are now declining as a result of population and economic development, as well as other factors. Some centres that are currently robust will also face this decline in the future. Southern Finland will be the site of an extensive urban area that will be home to a greater percentage of the population. The possibility that the capital region will be Finland’s only vital region in 2025 represents an extreme version of the development path.

Only a few success stories will remain outside the influence of these centres. The population decrease in rural areas will be significant, and agricultural areas in particular will suffer from

depopulation. This problem will be especially noticeable in Northern and Eastern Finland, where broad areas of decline will appear, but it will also apply to regions between cities in Southern and Western Finland. The functions and services in sparsely populated municipalities (or regions) will become more clearly focused on the population centres. Some areas outside the growth regions may benefit from the increased leisure-time residence and travel.

#### *Factors with background impact*

Economic globalisation and the related market-oriented development, as well as the ageing of the population and migration, significantly impact on the background of the presented development path.

Competitive companies are still a clear prerequisite for municipal vitality. Companies strive to be close to the markets and those areas that offer the best conditions for profitable activities. The development direction in Finland is for companies to concentrate in those areas that have access to competent labour and offer a favourable innovation environment. In practice, this will mean larger university cities. Production that has strong, new growth opportunities is expertise-intensive and thus very dependent upon efficient innovation and development activities.

Some companies transfer their operations to countries with lower production costs as they attempt to utilise the cheap labour offered by developing countries or place the company in close proximity to fast-growing markets. Single-industry municipalities that rely on labour-intensive sectors or one leading company are especially vulnerable to company transfer decisions. According to estimates, the international competition for companies, jobs and investment will also become noticeably tougher in expertise-based sectors.

The ratio of labour supply and demand in the future will vary a great deal between different tasks and sectors, and, above all, between different parts of the country. In practice, this will mean a high unemployment rate combined with a sector or region-specific labour shortage.

The extensive labour markets and educational opportunities in large city municipalities and growth centres will attract young people and those of working age. This development means that declining areas suffering from unemployment will lose their highly educated and working age population. A shortage of labour in declining areas will weaken the municipality's chances of attracting companies and encourage the establishment of new companies. At worst, it will lead to a situation in which there are no longer any targets for business subsidies and support in these areas. Immigration, which has been considered one solution to the potential labour shortage, will mainly focus on large cities and thus reinforce the concentration development.

The economies in most small and medium-sized municipalities will enter a period of crisis when tax income and State assistance are no longer sufficient to cover expenditures. The main reasons for this development include a) a narrowing tax base and weakening dependency load as people of working age retire, and, due to migration, particularly in small and agricultural municipalities, b) the transfer of companies, and c) increased social and health care costs. Furthermore, changes to EU regional subsidies and agricultural policy may lead to a decline in the agricultural sector.

Larger centres have better opportunities than small municipalities to invest in developing their region. The possibilities for municipalities in economic crisis to invest in active and independent development will become weaker because after fulfilling the legislative obligations in terms of service provision there will be little or no resources left for this type of activity. In a worst-case scenario development in declining regions will be dependent on State and EU funding. This, in turn,

will lead to a reduction in autonomy and less opportunity for elected officials to exert their influence.

The possibilities for municipalities to maintain their current service level will decrease as their economies become less healthy. In all probability the service offering will have to be prioritised and cut back. Cutbacks will primarily apply to non-legislative services, and thus municipalities will be forced to concentrate on their statutory core tasks. As the capacity of municipalities to offer services differentiates, services will become an even more important factor in competition between municipalities. For example, forecasts indicate that cultural services will become a growing attraction. However, only the most successful municipalities will be able to offer such services. The same applies to services directed at business. This will reduce the attractiveness of declining municipalities and strengthen the migration to growth centres.

#### *Local development of the region*

The concentrated development described above will not follow the general development pattern in all regions. The preservation and development of vital municipalities and regions is also possible outside the growth areas. In addition to the general economic development and decisions made in social/regional policy, the municipalities' own business policy and activities to develop their region will play a significant role.

As companies try to take advantage of the relative benefits offered by different areas, noticeable local twists in general municipal and regional economic development may occur if some areas or municipalities are able to build a business environment that provides companies with noticeable benefits. The significance of a regional and expertise-based business policy is growing, and co-operation with the industrial/business life in the area is becoming more and more important. For example, industrial policy is expanding to include strengthening the expertise foundation and related development of education and research, outlining regional development and innovation strategy and promoting co-ordination between actors, as well as all other methods needed to create a living environment that will attract an educated workforce.

Nearly every municipality requires new service production methods and increased productivity in order to secure service provision. A significant number of municipal tasks will probably be arranged in co-operation with various service providers on a contract basis. This development will be complemented by a considerable reduction in the number of municipalities through municipal consolidation and the transfer of some tasks to the regional or provincial level. In the future, small municipalities will mainly serve as "identity municipalities". Large municipalities will still be able to handle the basic tasks alone, but they will also co-operate more closely with other municipalities and may gradually grow into a "greater municipality" that is similar in size to a region or even a province.

#### *State regional policy*

There are no essential external operating environment changes in sight that would result in the collapse of this concentration development. Regional policy will be the focus of increasing pressure as the number of municipalities that require support grows. The question is whether limited resources should primarily be directed to developing growing centres or to regional concentration and slowing the progress of inequality.

Developing competitiveness and equalising regional differences are somewhat contradictory targets. Large urban areas drive the economy and competitiveness. Attractive city areas that can compete globally for companies and investment are important to the Finland of the future. For example,

many cities in the regional centre programme are very small in terms of international competitiveness. The large city areas that would result from the concentration of population and industry could be more attractive than earlier and provide better opportunities for developing vital and internationally competitive industrial activity than in a distributed regional structure. Thus regional concentration should not be limited from the viewpoint of developing competitiveness; instead, more resources should be put into the development of vital city areas. In terms of the municipalities that are in the worst state of decline, the consequences of development should mainly be alleviated by developing some sort of “terminal care” policy solution.

In accordance with an opposing view of the previous situation, it is also possible to succeed in the new economy by supporting equal regional development. Stable social conditions, an egalitarian society, expertise and human capital, as well as technological development, are Finland’s success factors in the new, global economy and can compensate for the drawbacks of poor accessibility, small size and a distributed regional structure. From this perspective we can ask whether a regionally unequal society that operates on the terms of the economy will lead to the erosion of these success factors and the competitiveness that is based upon them.