



Enterprise restructuring

National Background Paper Finland



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Anticipating and Managing restructuring Finland

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Finland has experienced a real roller coaster in terms of economic, employment and restructuring development, particularly since 1990 – and continues to do so. This is because Finland is highly dependent on exports and the global market, with limited workforce resources and one of the most aged populations in the world. Exports account for about half of Finnish GDP. So restructuring, and maintaining cutting edge productivity, innovation and sustainability of workforce are highly relevant themes for Finland, and becoming increasingly relevant in the next decade.

In 1992 Finland was hit by the worst depression in the post-war period, which – in a paradoxical way – helped Finland to enter the global economic crisis 2008 with somewhat milder consequences than in many other countries, particularly concerning the bank sector. The prospects of a protracted global depression are very damaging for Finland, however.

The most comprehensive structural change in Finnish industry has been in paper and forestry – the backbone of Finland's industrial modernisation since her independence 1917. This has to do with the ongoing shift of paper and pulp production close to the resources in South America and Far East in particular, but also due to changes in Russia. Already before the 2008 crisis Finland was witnessing major redundancies in regions reliant on paper-mills and their spinoffs for employment. The crisis here resembles the closure of coalmines and shipyards in many European countries a few decades ago.

The depression of the 1990s reflected in a severe bank-crisis, which served to make the Finnish bank sector more cautious about risky investments abroad and keeping national debt one of the lowest in the EU, so in 2008 Finland was able to avoid a bank and monetary crisis, so characteristic for the onset of the downturn in many other countries. Loan rates have remained at a very low level.

The recovery in the second half of 1990ies was largely due to the success in the ICT-sector epitomised by the global success of Nokia. So the post-depression Finland was different in many structural terms from the pre-depression Finland. One of the structural consequences of the earlier depression was a prolonged period of a high level of unemployment (peaking at 20%) and still prevalent in Finland to a considerable degree (now at a 9% level).

In the recent depression, all branches of the economy have been affected, first construction and then other industries. The depression has not spilled over to private consumption in a major way – yet. One of the looming structural challenges, if not a threat, is the imminent generation change, i.e. retirement of the big post-war generations, starting in full effect around 2005 and peaking around 2020. Combined with low levels of immigration Finland will probably be facing severe shortages of labour, once the global crisis is over. Also pressures on public spending has been growing all through the last decades, triggering major structural changes also in the public sector, especially in local and regional government. Local government is a very important and powerful in Finland, employs about 18% of the workforce, and is a cornerstone of women's high full-time employment rate in Finland.

The present labour market and economic situation in Finland can be characterized as mildly optimistic but precarious. The most significant policy choices and measures concerning the containment of the economic crisis have been made earlier in 2008 and 2009, by introducing recovery measures, cutting taxes, securing loans, finances and also the stability of the bank sector.

The first signs of recovery from the global crisis surfaced in Finland in the last two quarters of 2009, investments were on the rise at the end of the year, and first positive growth figures have been projected for 2010, after a historical downturn of -7,8 GDP in 2009. GDP growth is estimated to grow between 1 – 3 % in 2010, and unemployment to peak around 10% and to start to fall towards the end of 2010.

The most recent forecast (published in April 2010) on the demand of labour in the Finnish Economy has been made by by The Government Institute for Economic research (VATT), using a

modification of Applied General Equilibrium (AGE) model, indicates that Finland is moving towards a service economy, with a very high future demand of social and health services – estimates differ from 120 000 by 2025 to about half of that. In these terms, Finland is entering a period of major restructuring in the labour market.

In terms of forecasting in Finland there is an abundance – to a point of being fragmented - of anticipation and restructuring activities on national/central, regional and sub-regional levels. All key players are active concerning this: the government and parliament, ministries, regions, the social partners and the scientific community. Foresight, anticipation and restructuring activities have focused on some critical themes in the last decade: Education and training needs, the demand for labour, changes in qualifications and the competences of the labour force, changes in different business fields and clusters and business life in general, technology foresight, demographic structures, globalisation impacts and innovation systems.

From the beginning of the millennium more and more attention has been paid to the cooperation of different actors and agencies and the utilisation of the results of anticipation projects and activities. On the strategic long-term there is a broad consensus about investing in innovation and R&D, where Finland already is one of the leading investors in the world. There is rising political temperature around how to deal with the demographic challenges (aging) and immigration. In the short-term, there is debate about the best ways to deal with redundancies and the rapid rise of unemployment, particularly youth unemployment.

The short term, initial containing of the economic shock, and to a reasonable degree also dealing with major factory closures looks – for the time being – has been relatively successful, at least in comparison with worst scenarios and many European countries. Presently Finland is heading for a recovery – slow and precarious, but noticeable.

The verdict on dealing with restructuring in the labour market, employment, unemployment and recruitment is mixed, and the worst might still be around the corner. There is a definite danger that the level of active labour market measures will be – once again – too low and late to prevent a stubborn long-term unemployment problem resurfacing in Finland, shadowing the experience of being late and too low in the depression of the nineties.

Environmental, “green economy” and energy issues are now even more seriously on the table than at the time of the recovery. In terms of “green awareness”, Finland has not been in the vanguard. Also, the flagship of the ICT-success, Nokia, is facing some really tough competition in terms of tapping into the new wave of Internet, and seems to have lost some ground and momentum. The much praised National Innovation System of Finland received rather strong criticism from the international evaluation panel just recently, and on aspects highly relevant to succeed in globalisation, like lagging behind in internationalisation.

In the face of an imminent, and probable shortage of labour Finland needs to take a new look on the social and psychological “environment” of working life and the society, too. With limited manpower, a huge shift to pensions and small immigration (and one of the lowest foreign born populations in the world) Finland will have to reinvent its productivity, well-being at work, recruitment, and capability building. Despite many efforts in this direction, they are still only a beginning.

The key learning lesson coming out for Finland itself is increasing collaboration between actors in the face of these complex tasks, is relevant for any context and nation. Certainly, the successes of Finland have relied heavily on a high level of collaboration but in the face of coming restructuring challenges, it has to be taken even to new levels.

1.1 The "downside" of restructuring in Finland

Finland, a country of 5,3 million inhabitants, geographically about the size of Italy, and with a workforce of 2,3 million, has experienced a real rollercoaster in terms of economic, employment and restructuring development, particularly since 1990. Finland is highly dependent on exports and the global market, with limited workforce resources, so restructuring and maintenance of cutting edge productivity, innovation and sustainability of workforce are highly relevant themes for Finland, and will become increasingly so over the next decade.

First, after a rather long period of low unemployment and reasonable growth figures, Finland was hit in 1992 by the worst depression in the post-war period, with a severe banking crisis, waves of bankruptcies and unemployment soaring from around 3% to nearly 20%.

This triggered, in a painful way, a period of restructuring which is still ongoing today. Until joining the EU (1995) and the Euro (2002), Finland had deferred or bypassed many restructuring pressures, especially in the paper industry, by resorting to devaluation. Global production changes and the rise of the "green economy" have continually raised the pressure on energy-intensive industries, particularly the paper industry.

The paper industry, forestry and their spinoffs constituted the backbone of the post-war global success of the Finnish economy, so restructuring particularly in this branch has had, and still has, huge consequences for Finland, especially in areas and communities built around paper-mills, a development not unlike the earlier closures of coalmines or shipyards in many parts of Europe.

Then, in a matter of just a few years, an impressive recovery took place, with record growth rates - the highest in OECD countries at the end of 1990s - and eventually, around the turn of the millennium, a considerable drop in unemployment, and by 2008 a 6% unemployment level and a 70% employment rate were reached, ranking Finland slightly better than EU-15 average.

The recovery in the second half of the 1990s was largely due to the success in the ICT sector epitomised by the global success of Nokia. So post-depression Finland was different in many structural respects from pre-depression Finland. One of the structural consequences was a prolonged period of high unemployment, during which there was a mismatch of demand and supply, still prevalent in Finland to a considerable degree.

Despite a remarkable recovery, the high employment and low unemployment levels prior to the depression had not quite been re-attained by the time when the global depression hit Finland in the autumn of 2008 and unemployment started rising again; 8,6% at the time of writing, unemployment continues to rise and is projected to be over 10% in 2010 (in March it was already 9,2 %).

The employment rate in Finland improved steadily and reached 70% in 2007 and was then about 3% higher than the EU-15 average. With the onset of the global crisis it started to fall, the rate in March 2010 being 66,4%.

Figure 1: Employment rate 1997-2008, percentage totals

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
European Union (15 countries)	60.7	61.4	62.5	63.4	64.1	64.2	64.5	64.9	65.4	66.2	66.9	67.3
Finland	63.3	64.6	66.4	67.2	68.1	68.1	67.7	67.6	68.4	69.3	70.3	71.1

Eurostat: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsiem010>

Figure 2: Harmonised unemployment rate total, percentages for 2008-2009

	2008 m10	2008 m11	2008 m12	2009 m01	2009 m02	2009 m03	2009 m04	2009 m05	2009 m06	2009 m07	2009 m08	2009 m09
EU15:European Union (15 countries)	7.5	7.7	7.8	8.2	8.4	8.6	8.8	9.0	9.1	9.1	9.2	9.3
FI:Finland	6.6	6.7	6.9	7.1	7.4	7.7	8.0	8.2	8.4	8.5	8.5	8.6

Eurostat: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=teilm020>

Figure 3: Unemployment rates - yearly averages for under-25-year-olds 1997-2008

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Males											
European Union (15 countries)	18,5	17,0	15,3	13,7	13,5	14,4	15,3	15,8	16,2	15,6	14,6	15,6
Finland	25,4	22,8	20,8	21,1	19,6	21,2	21,9	22,0	20,6	19,0	16,4	17,1
	Females											
European Union (15 countries)	20,9	19,4	17,7	16,0	15,0	15,0	15,5	16,3	16,5	15,9	14,9	14,9
Finland	25,0	24,3	22,1	21,6	20,0	20,9	21,6	19,4	19,5	18,4	16,6	15,8

Eurostat: <http://nui.epp.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

Pressures on public spending have also been growing in recent decades, triggering structural changes in the public sector, especially in local government. Regional differences in terms of social development, employment and prospects for the future are also considerable. The Eastern and Northern parts of Finland have for a long time struggled with these issues, and need national investment to survive.

One of the looming structural challenges, if not a threat, is the imminent generation change, that is retirement of the large post-war generations which started to take effect around 2005 and is expected to peak around 2020-30, with the likelihood of strong demographic effects well into future decades. Finland will be experiencing one of the severest generation changes in the world. Combined with low levels of immigration Finland will probably be facing severe shortages of labour once the global crisis is over.

This fact had already triggered measures to deal with ageing by the end of 1990s, for example rising pension age, the launch of a special National Age Programme, and the putting in place of incentives to stay longer at work, which were all starting to have an effect just before the current depression.

In the recent depression all branches of the economy have been affected, first construction, then industry, and now services. Yet the depression has at least for the time being not been as severe in Finland as in many other European or global countries. First, during the severe banking crisis in 1990s the banks were rather cautious about making risky investments, and the sector has consequently survived considerably better than in many countries. Second, the national economy, with its low level of national debt - one of the lowest in the EU¹ - was in a rather good health when the recent depression started.

Most people were employed in services in 2008. Industry and primary production are dominated by men, and public services by women.

Figure 4: Distribution of active population

	Agriculture	Industry	Market services	Non-market services
Total	4.7	25.0	38.5	31.8
Men	6.6	38.4	39.7	15.3
Women	2.7	10.4	37.2	49.6

http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-QA-09-033/EN/KS-QA-09-033-EN.PDF

1.2. The “upside” of restructuring in Finland

At least so far Finland has therefore survived reasonably well, if considered in the short-term perspective of weathering the global economic crisis. Because the fiscal crisis was milder, prompt government action to secure funding and loans was enough to avoid the sort of crisis in housing, construction, loans, or the banks that so characterised the crisis in many countries. The GDP growth rate in 2000 was considerably higher in Finland than the EU-15 average, but in 2009 the downturn was steeper and the expected level was around the EU-15 average. The balance of public expenditure has been considerably better than the EU-15 average, whereas the inflation rate, for long lower than for the EU-15, is now somewhat above the average.

The present labour market and economic situation in Finland can be characterised as mildly optimistic but precarious. The most significant policy choices and measures bearing on containment of the economic crisis were made earlier in 2008 and 2009 through the introduction of recovery measures, tax cuts, and the securing of loans, finances and the general stability of the bank sector.

The first signs of recovery from the global crisis surfaced in Finland in the last two quarters of 2009, investment was on the rise at the end of the year, and the first positive growth figures have been projected for 2010, following a historic downturn of 7,8% of GDP in 2009. As an export economy Finland is highly dependent on recovery of the global markets, which of course means delays and risks for the Finnish recovery. Projections of the rate of recovery vary, the gloomiest

¹ Finnish Economy – Structural Indicators 2008. VATT. Helsinki and EUROSTAT.

being by the Ministry of Finance of Finland (1,1% growth for 2010 and 2,1% for 2011, and the most optimistic by Pellervo Economic Research PTT at 3,2 % for 2010 and 2,5% in 2011). Most others, like Bank of Finland, or Research Institute of Finnish Economy ETLA, fall somewhere between these estimates. Inflation has remained very low, with a slight increase in the first quarter (0,1%), and consumer confidence has improved, being higher than in January or than a year earlier.²

In the context of labour market developments there were no major restructuring cases in Finland in the first quarter of 2010, the most sizeable and dramatic ones, mostly in the paper industry but also in the ICT sector, occurring in 2008-2009 as well as before the global crisis broke. Perhaps indicative, however, is that Nokia, the epitome of Finnish ICT success, has continued to downsize its labour force in Finland, even in its key production plants in Salo, the most recent (March 2010) being a dismissal of 268 employees from the more routine end of mobile phone production.³

Unemployment was at a higher level in the first quarter of 2010, at 9,2 %, than in the first quarter of 2009, but it seems that the increase in unemployment slowed or stopped in the first quarter in most unemployment groups save the long-term unemployed. Most concern has been about the high and rising level of youth unemployment (25,7% for 15–24-year-olds). Forecasts of average unemployment for 2010 mostly vary from 9% to 10,3%.

In February the **employment rate** was 66.4% which was 1.6 percentage points lower than a year earlier. Adjusted for seasonal and random variation, the trend in the employment rate was 67.3%.

Figure 5: Real GDP growth rate, by volume: percentage change on previous year

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
European Union (15 countries)	3.9	1.9	1.2	1.2	2.3	1.8	3.0	2.6	0.6	-4.1	0.7	1.5
Finland	5.1	2.7	1.6	1.8	3.7	2.8	4.9	4.2	1.0	-6.9	0.9	1.6

Eurostat:<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsieb020>

² www.stat.fi/til/kbar/2010/03/kbar_2010_03_2010-03-29_tie_001.html
http://vm.fi/vm/en/01_main/index.jsp
www.etla.fi/eng/index.php
www.bof.fi/fi/julkaisut/euro_ja_talous/talouden_nakymat/index.htm?year=2010
www.ptt.fi/site/?lan=3&page_id=57

³ Helsingin Sanomat 25.3.2010

Figure 6: Public balance: net borrowing/lending of consolidated general government sector as a percentage of GDP

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
European Union (15 countries)	-2.6	-1.8	-0.8	0.8	-1.2	-2.3	-3.0	-2.8	-2.4	-1.3	-0.8	:
Finland	-1.3	1.6	1.6	6.9	5.0	4.1	2.6	2.4	2.8	4.0	5.2	4.5

Eurostat:<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsieb080>

Figure 7: HICP - all items - annual average inflation rate. Annual average rate of change in Harmonised Indices of Consumer Prices (HICPs)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
European Union (EC6-1972, EC9-1980, EC10-1985, EC12-1994, EU15-2004, EU25-2006, EU27)	1.7	1.3	1.2	1.9	2.2	2.1	2.0	2.0	2.2	2.2	2.3	3.7
Euro area (EA11-2000, EA12-2006, EA13-2007, EA15-2008, EA16)	1.6	1.1	1.1	2.1	2.3	2.2	2.1	2.1	2.2	2.2	2.1	3.3
Euro area (BE, DE, IE, GR, ES, FR, IT, CY, LU, MT, NL, AT, PT, SK, SI, FI)	1.7	1.2	1.2	2.2	2.4	2.3	2.1	2.2	2.2	2.2	2.1	3.3
Finland	1.2	1.3	1.3	2.9	2.7	2.0	1.3	0.1	0.8	1.3	1.6	3.9

Eurostat:<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsieb060>

Looking at the long term, Finland has some strong points to fall back on, and can emerge as a survivor of structural change – assuming the global crisis lifts within a reasonable time-span. If it does not, there could be early and severe consequences for Finland.

Building a national innovation system and investment in R&D: Finland has been active in promoting innovation in terms of frameworks, policies and their associated actors, building a Finnish National Innovation System and exhibiting a very high investment rate in R&D, technology and education (3,47%, the highest in the OECD together with Sweden, Japan and Korea)⁴. In various international assessments Finland has been singled out as a top performer – OECD, World Economic Forum, UNDP Human Development Report, Transparency International, and others. Castells and Himanen (2001)⁵ go as far as identifying a particular “Finnish model”, successfully combining a technologically-advanced, knowledge-based society with a socially-responsible welfare society. One might question the merits of these comparisons but nevertheless the last decade in particular, prior to the depression, has been a success story for Finland. The Finnish National Innovation System was recently evaluated by international

⁴ OECD in Figures 2009

⁵ Castells, M. and Himanen, P. (2001) The Information Society and the Welfare State: The Finnish Model. Oxford, Oxford University Press

experts⁶; while identifying the strengths of the internationally-renowned innovation system, such as the high level of investment and a comprehensive education system, the evaluation also highlighted some rather serious weaknesses such as fragmentation, weaknesses in business support, and a low level of internationalisation and top research. The need for renewal was deemed urgent, but prospects were also positive.

Consensual and cooperative politics: The politics of Finland are highly consensual, with a high degree of consistency in pursuing global competitiveness and social development, despite government changes and differing political coalitions. Cooperation between social partners, despite occasional disagreements, has been a cornerstone of virtually any major social initiative. In recent years there has been a tendency for employers to favour decentralised wage agreements and withdraw from collective agreements. The political temperature has been rising in recent years, particularly on the questions of how to extend working careers, wage agreements, and immigration. Taking a broad view, Finland has in place quite effective mechanisms and basically a cooperative culture for addressing these challenges.

Investments, participation and performance in education and learning: According to several OECD reports “Education at a Glance, OECD Indicators”, Finland stands out in its high rate (38%) of participation in “tertiary” education (universities, polytechnics), higher than in most European countries. There is major investment in engineering training in Finland. Secondary education is in the “good middle range”. Finland also ranks high in life-long-learning (18.3 years), Sweden ranking first (20.3). A peculiarity is a high rate of participation in voluntary education outside formal education, which is particularly high in Finland and Denmark. Finland was ranked first in several consecutive PISA comparisons and is number 1 in student performance in reading, maths and science.⁷ In terms of financial investment, Finland ranks 11th in the OECD.

1.2.1 DEVELOPING THE SMES AND ENCOURAGING ENTREPRENEURSHIP

In Finland there are approximately 36 SMEs per 1,000 inhabitants, which is roughly in line with the EU average of about 40. The percentage of SMEs in relation to all enterprises is also at par with the EU average, as are the relative proportions of micro, small and medium-sized enterprises respectively. However, in terms of SME employment, Finnish SMEs account for a smaller share of total employment than the EU average, due to a relatively low level of employment in the micro- and small enterprises sectors. Finland fares well as an environment for SMEs in a pan-European comparison, and the SBA (Small Business Act) policy radar for Finland shows a remarkably positive picture.⁸ Finland is above par (quite markedly in four cases) in all six SBA sections with sufficient data for averages to be calculated (Entrepreneurship; Responsive Administration; Finance; Single Market; Skills and Innovation; and Internationalisation). Even in the four sections for which no averages could be calculated (Environment; Second Chance; Public Procurement and State Aid; and Think Small First) the existing indicators are predominantly positive.

⁶ Evaluation of the Finnish National Innovation System. Ministry of Employment and the Economy. Helsinki University Print 2009.

⁷ OECD op.cit.

⁸ European Commission, DG Enterprise, SBA Fact Sheet, Finland, http://ec.europa.eu/enterprise/index_en.htm

Modernisation of the Nordic Welfare State: local government, also a cornerstone of Finnish society with its strong autonomy and broad responsibilities in typical Nordic fashion, plays a very important role in terms of welfare service delivery and employment (especially of women) and of growing into citizenship and democracy. The labour force in municipalities has steadily increased during recent decades, now accounting for over 420.000 employees (about 18% of the workforce), mainly women, so what happens in the municipalities has huge implications for Finnish society as a whole. The recent forecast by VATT, indicating an increase of 120 000 in the social and health services, implies tremendous pressure on the productivity of these services. Finland has been reasonably active in modernisation and rationalisation of the public sector and the welfare state in recent years, particularly at local level and in terms of central-local relations.

1.3. Dealing with restructuring: actors and frameworks

1.3.1 STRATEGIC CONSENSUS OF ACTORS

As indicated above Finland has strengths for addressing restructuring which tie in with a high level of cooperation, despite fragmentation and overlaps. Cooperation between research and innovation actors is comprehensive. Devising policies and frameworks is – despite political jousting every now and then - highly consensual on the major strategic issues, perhaps sometimes based less on wisdom than on necessity as a small and multi-party country with limited resources and as an export economy facing fierce global competition. Finland has a long tradition of social dialogue and there has been a strong tendency to seek consensus on major social issues such as innovation, wages, pensions and education.

The handling of negotiations between employers and employees on such issues as major changes in work and production, forming of subsidiaries, outsourcing of lay-offs, redundancies, and so forth are subject to cooperative negotiation based on a *law of cooperation* (YT-neuvottelu in Finnish). A new version of the law took effect in 2007,⁹ and is mandatory for enterprises with over 20 employees. Before the employer makes decisions on the above matters, negotiations with employees must take place. The final decision rests with the employer, but the negotiations are intended to inform all parties prior to decisions, allow room for influence, and mitigate friction. Recently these negotiations on redundancies and lay-offs has been enhanced by a new measure called “*Change Security*”, a set of cooperation measures between employers, employees, public officials (particularly PES) and others. This measure is further described in the case studies.

A level of consensus has been evident even under different political regimes until recent times. In the last couple of years there has been a tendency for employers to disengage from universal wage agreements and favour decentralised agreements, whereas trade unions lean towards central agreements with comprehensive coverage of issues other than merely wages.

⁹ www.mol.fi/mol/fi/06_tyoministerio/05_tiedotteet/2007-06-27-01/index.jsp

Even with these recent “centrifugal” tendencies social partners form a highly integrated part of national economic and social policy-making. Together with the government, the central confederations of workers’ and employers’ organisations have had a long tradition of negotiating incomes policy agreements, covering not only wages but also employment and labour market policies along with other social policy issues such as balanced work and family life; promotion of gender equality; social welfare and pension schemes; promotion of innovation and “work-ability” at workplaces; promotion of life-long learning; and agreement on taxation policies. The incomes policy agreements have been signed on a bipartisan basis, that is by workers’ and employers’ representatives but not by the government.

The government does not have the power to make binding promises to the social partners as parliament can veto government decisions. However government representatives take part in the negotiation process, and incomes policy agreements have reflected tripartite consensus. The government has endorsed the agreements by undertaking to implement the necessary policy measures. Such measures in recent years have included holiday return bonuses, earnings-related unemployment benefits, shortened working hours, and tax relief. Incomes policy agreements have normally lasted two years. The agreements of the 1960s and 1970s concentrated on improvements in pay and working conditions, and the social security system. In addition to these issues the more recent agreements focused on macroeconomic issues such as measures to reduce unemployment or the maintenance of a low level of inflation. Rather than listing detailed measures, recent agreements set out a broad economic and social policy framework, leaving room for initiative and decisions at workplace level. These qualitative changes are related to the structural change in the economy and the decentralisation of industrial relations: the Finnish economy shifted from domination by the forest industry to a society dominated by the service and ICT sectors.

An example of consensual dialogue in a highly relevant strategic issue for Finland was an agreement to introduce several measures via a National Age Programme to keep people at work for longer. In contrast, attempts to do the same, notably raising of the pension age, have triggered political conflict in many European countries. In 1990 Finland had the highest early retirement rate of all the Nordic countries with an employment rate as low as 47% for men aged 55-65, while the imminent generation change, involving pensioning of the post-war generations, will be one of the steepest in the world. To reverse this trend the government and the social partners agreed on a five-year national strategy, launched in 1998, which aimed at changing the attitudes of all stakeholders towards the ageing population by turning it into an asset for society through maintaining their health status and working capacity, improving the work environment, promoting partial retirement through employment subsidies, and helping older unemployed back to work. The Programme was a “first-step” success in many ways, and was also reviewed in the EU Peer review¹⁰. Tackling the age challenge is still far from complete, the present position being more “the end of the beginning”.

But quite recently the political temperature around this issue has risen. A recent attempt to move forward was only partly successful. The National Government and social partners agreed in 2009 on preparations for extending working life careers and for raising the pension age from 63 to 65. Two committees were set up, the so-called Rantala-committee addressing pension age and Ahtela-committee mostly offering suggestions on the quality of working life (enhancing “workability”, occupational health, early intervention in cases of disability, but also transitions

¹⁰ www.peer-review-social-inclusion.eu/peer-reviews

in and accessibility of education). Both committees were due to present their proposals in January 2010.

The Rantala committee failed to reach unanimous recommendations, and was discontinued. The Ahtela committee was more successful; its proposals, submitted in February, received a mildly positive but mixed reception. An OECD assessment¹¹, commissioned by the National Government, was mildly positive, indicating that the proposals made sense but were insufficient. ETLA, the Research Institute of Finnish Economy¹², also criticised the proposal for being vague. With these rather inconclusive results the National Government proposed to continue on a tripartite basis to search for ways of prolonging working-life careers and raising the pension age. But with the new parliamentary elections approaching, this thorny problem will be for the new Government to tackle.

1.3.2 RECENT CHANGES OF ACTORS: SETTING UP A NEW MINISTRY – MINISTRY OF EMPLOYMENT AND THE ECONOMIES

Restructuring was expected potentially to gain positive momentum following the amalgamation of the Finnish Ministries of Labour and of Trade and Industry (a centre-right government initiative) into a Ministry of Employment and the Economies (MEE). In strategic terms this implied an emphasis on innovation, industries, competition and demand. How successful this amalgamation turns out remains to be seen; but the prospect of success is somewhat overshadowed by the fact that Sweden, Germany and the UK have already tried it, only to back-track rapidly.

The above amalgamation might also mean a repositioning of public employment services, an important player in addressing restructuring and now renamed Employment and Economic Development Offices (TE-offices) The plans of the new Ministry are to make the new PES more geared to the needs of industries, companies and development of working life. Time is too short yet to make any judgements to what extent this materialises as a genuinely new service.

No radically new measures to deal with unemployment, training, unemployment benefits or other aspects directly or indirectly related to restructuring, apart from so-called Change Security (to be described later) have been introduced recently. Most renewals were executed in the earlier decade, including rationalisation and reform of public employment services, some adjustments to unemployment benefits, and introduction of a new cooperation unit between public employment services, municipalities and national insurance to address particularly vulnerable, hard-to-place and long-term unemployed experiencing multiple problems in entering or re-entering the labour market.

¹¹ www.government.fi/ajankohtaista/tiedotteet/tiedote/en.jsp?oid=289590

¹² www.etla.fi/

1.3.3 OTHER RECENT CHANGES AFFECTING RESTRUCTURING

Two other major changes in institutional structures deserve mention here. In parallel with setting up a new Ministry - the MEE - the municipalities of Finland are going through their biggest change in the post-war period. As local government the municipalities are a very important and strong element in Nordic societies. In Finland they employ 420.000 people (about 18% of the workforce), 77% of whom are women. Their biggest public responsibilities are education, social affairs and health, accounting for over 60% of total expenditure, and all these sectors are female-dominated. The employment of women is mostly full-time, and the employment rate is almost as high as that for men (68,9% vs. 72,3%). The public sector is strong at central and local levels, with a relatively weak regional level (which however has also recently undergone a change – one of many in recent years). In 2000 there were about 450 municipalities in Finland, but in 2010 there will be, through amalgamations, 342, a fall of over 100. The amalgamations are not the only changes in the municipalities. There is also a move to decouple the service chains, involving outsourcing and using more private and third sector contractors, and variations of public-private partnerships and quasi-markets. Also the economic downturn, with its pressures on public spending, will have important consequences for municipalities. In short, municipalities are in turmoil, and what happens to them will have a major impact on employment, particularly of women. There are several government and local authority programmes addressing this restructuring, the most comprehensive being PARAS – the programme for renewal of municipality structures and services.¹³

¹³ www.kunnat.net/k_perussivu.asp?path=1;55264;55275;82183

2.1. Introduction

In Finland there is an abundance of anticipation activities in terms of economic and social development and of restructuring at central, regional and sub-regional levels.¹⁴ Forecasting, anticipation and restructuring activities have during the past decade focused on certain critical themes: education and training needs; demand for labour; changes in qualifications and the competences of the labour force; changes in different business fields and clusters and in business life more generally; anticipation of technological needs; demographic structures; globalisation impacts; and innovation systems.

Describing and evaluating the forecasting and anticipation systems, and their associated actors, addressing restructuring in Finland in a balanced way poses rather a problem. Whereas some activities have been in place for quite a time and have an established status, some are quite new, with less evidence of achievement and stability. There are also the questions of time-span and levels of activity – long-term *versus* short term; national, regional or front-line activities. Also the economic downturn in the autumn of 2008 was so sudden that all systems are still reeling from it, and it is difficult to pick out examples which provide evidence of the real results of addressing the acute challenges. Finally, there is also the question of publication and language, material on many recent developments being published only on Finnish, or still in the pipeline.

To cover all such aspects with limited resources and a limited set of examples is of course impossible. The author has tried to provide reasonable coverage of the aspects and actors mentioned, relying on subjective judgment of their relevance. The cases are chosen to illustrate both anticipation methods and methods of addressing restructuring, including *long-term* anticipation at government and *central level*, both *quantitative and qualitative*; and *short-term* anticipation at *regional and local* levels, dealing with restructuring both as a *national system* and at *front-line* level. The author has also, using his best judgement, tried to choose examples that illustrate interesting and ongoing developments in the face of the future challenges, not just the most obvious or established aspects, while also keeping an eye on issues of possible transnational interest.

2.2. Forecast and anticipation in restructuring: an overview

The overview will briefly address the following actors and anticipation instruments. It is not conclusive but gives an idea of the comprehensiveness of these activities. Many authorities, such as Finnsight, ETLA, VATT and Tekes, have whole sets of different activities and measures which cannot be described comprehensively within the scope of this paper.

¹⁴ The description of foresight and anticipation draws considerably from: Kaivo-oja, J. and Marttinen, J. (2008) Foresight systems and core activities at national and regional levels in Finland 1990 – 2008. FFRC eBook 6/2008. The author is also grateful for interview comments provided by TE-centre expert Jouni Marttinen.

At the central or national level Finnish forecasting and anticipation actors and instruments include:

- (1) The Futures Committee in the Finnish Parliament
- (2) National Foresight Network of the Ministries
- (3) Foresights and restructuring activities of the Ministry of Employment and the Economies
- (4) Anticipation and forecasting in education – Ministry of Education
- (5) VATTAGE – model of Government Institute for Economic Research (VATT)
- (6) Education Intelligence Foresight System of the Confederation of Finnish Industries (EK),
- (7) Finnsight 2015 Science and Technology Foresight
- (8) ETLA Economic Five Year Regional Forecasting System
- (9) Tekes (Funding Agency for Technology and Innovation) foresight systems,
- (10) VTT (Technical Research Centre of Finland) foresight systems
- (11) SITRA (Finnish Innovation Fund) foresight systems.

At regional and local levels anticipation systems include:

- (1) Foresight system of the Finnish Economic Development Centres (TE-Centres) and the restructuring activities of the Employment and Economic development offices (TE-offices, the former Employment offices)
- (2) Regional cluster modelling and foresight systems
- (3) Surveys on the Need for Workforce and Training (TKTT Foresight Model) *and*
- (4) Sub-regional special foresight processes

Of the regional models, the TKTT model will be described

Figure 8: Overview of Finnish Forecasting

Institution	Forecasting method	Key characteristic and outputs
The Futures Committee in the Finnish Parliament	Expert and Stakeholder Networking, Committee work	Dialogue of stakeholders, Government and Parliament, Reports, 5 – 15 year forecast
National Foresight Network of the Ministries	Inter-ministerial cooperation of various forecasts in sectors	Forum for discussing the results of the anticipation work carried out in the administrative sectors.
Foresights and restructuring activities of the Ministry of Employment and the Economies	Various qualitative and quantitative methods	Long-term forecasting at central level, mid-to-short forecasting at regional level
Ministry of Education using VOSE and MITENNA	Umbrella project of various qualitative forecasting methods for competence and skills needs	Short-to-long-term forecasting of educational needs and combining of quantitative forecasts on the national economy and labour markets
VATTAGE –model of Government Institute for Economic Research (VATT)	Applied General Equilibrium Model (AGE, or also Monash model)	Quantitative model for long-term forecasts of the development of the economy and labour markets
Education Intelligence Foresight System of the Confederation of Finnish Industries (EK)	Series of anticipation projects anticipating changes in the industrial environment	Qualitative long term forecasting including networking, workshops, Delphi surveys, virtual platforms
Finnsight 2015 Science and Technology Foresight	Joint foresight project of the Academy of Finland and Tekes, the Finnish Funding Agency for Technology and Innovation. The project was carried out in 2005-2006	The core of the foresight project comprised ten expert panels, each of which was composed of twelve experts producing forecasts
ETLA (Research Institute of Finnish Economy) Economic Five Year Regional Forecasting System	Nationwide regional model, which is linked to the global economy.	This model produces five-year projections for regional GDP for both production and employment in 30 industries on a twice-yearly basis.
Tekes (Funding Agency for Technology and Innovation) foresight systems	Various quantitative and qualitative forecasts on technology and innovation	Key focus of Tekes is technology foresight and its impact on technology and innovation policy in Finland.
SITRA (Finnish Innovation Fund) foresight systems	Expert networking and analysis	Foresight topics are (1) future of welfare and everyday living (2) future of work life (3) future of the public sector (4) multiculturalism (5) future of environmental technology
VTT (Technical Research Centre of Finland) foresight systems	A broad set of foresight activities related to high-end technology and innovation	Key projects in its Nordic cooperation have been (1) Foresight Biomedical Sensors, (2) Nordic ICT Foresight and (3) Hydrogen Foresight Project.
Surveys on the Need for Workforce and Training (TKTT Foresight Model)	Interactive-network-based regional foresight model using qualitative and quantitative methods	Short-to-mid term forecasts of labour market demands on a regional-local level

2.2.1. THE FUTURES COMMITTEE IN THE FINNISH PARLIAMENT

The Parliament of Finland has an active role in the discourse on the future of the nation. It has obliged the Finnish Government to submit a report on the future once during each parliamentary term. In it the Finnish Government defines its perception of the country's future and of the measures that will be needed over a time-span of 5-15 years. The Finnish Parliament has appointed a Committee for the Future to deliberate on and reply to the Government's report. Parliament deliberates the Committee's report in session and adopts it along with any amendments that have been made, whereupon it becomes a resolution of Parliament binding on the Government.

Parliament received the first report on the future in 1993. The first, "Finland and the Future of Europe", was submitted to Parliament in autumn 1996 and the second, "Fair and Bold – A Finland of Responsibility and Expertise", which concentrates on Finland, in April 1997 (Tulevaisuusvaliokunta 1998).

One method that has been developed in Finland is the presentation by the Government of reports to Parliament. Rather than introducing legislation in Parliament, the Government submits reports on important social matters, such as rural development and energy policy. This means that problems can be discussed within a wider context than legislative proposals permit and, above all, in good time, when they are of topical relevance or can be pre-emptively influenced.

Dialogue between the Government and Parliament in the case of reports follows largely the same lines as other legislative drafting. After a general debate in the chamber, the matter is referred to special committees for deliberation. The committees hear the views of experts and draft a report, which is presented in session. There it is either adopted or rejected, in addition to which riders or demands that the Government undertake certain measures can be attached either unanimously or following a vote. The Futures Committee has produced several reports and papers for Parliament.¹⁵

2.2.2. GOVERNMENT FORESIGHT NETWORK

Government Foresight Network is an inter-ministerial forum for cooperation and exchange of information on issues relating to anticipation of future developments.¹⁶

Anticipation of future developments involves a systematic and inclusive process of collection, assessment and analysis of information. It also includes outlining projections and visions for the future in the medium and long terms.

All ministries are involved in anticipation activities relevant to their respective administrative sector. Anticipation activities undertaken by the ministries serve the strategic planning and direction functions of the administrative sector as well as the Government's decision-making. The Government Foresight Network is a forum for discussing the results of the anticipation work carried out in the administrative sectors. Appointed by the Prime Minister's Office, the

¹⁵ <http://web.eduskunta.fi/Resource.phx/parliament/committees/future.htm>

¹⁶ www.valtioneuvosto.fi/toiminta/ennakointiverkosto/en.jsp

Network's term lasts until the end of the Government's term of office. The Network includes members from all ministries, and its presidency rotates among the ministries.

2.2.3. LABOUR MARKET AND ECONOMY FORECASTING AND ANTICIPATION BY MINISTRY OF EMPLOYMENT AND THE ECONOMIES

The Ministry of Employment and the Economies is active in forecasting and anticipation in various areas of concern, involving the Strategy and Foresight Unit, MEE departments, agencies (like TEKES) and regional levels (TE-centres). Besides producing forecasts and analyses, MEE has also tested the various strategies against global scenarios¹⁷ described by EVA, a business and policy forum and pro-market think-tank financed by the Finnish business community. EVA works in close co-operation with the Research Institute of the Finnish Economy, ETLA.

MEE has also just started experimenting with wiki-based networking, looking for weak signals of change. It will entail over 1,500 experts from the areas of concern, feeding observations ("signals") of change into a net-based TrenWiki database developed by Datarangers (www.trendwiki.fi/en/)¹⁸.

An instrument with a long tradition of anticipation is The Long Term (LT) model, a macroeconomic model for assessing the impact of economic growth on employment, which has been used in several comprehensive assessments in the former Ministry of Labour.¹⁹ In 2008 the responsibility for LT-forecasting was to a large extent shifted to the Government Institute for Economic Research (VATT) using the VATTAGE model (see below). The most recent forecast on demand of labour in Finland was made using the VATTAGE model²⁰

The goals of the LT model are as follows. In the first place the model forecasts labour force supply and the demand for labour in over 30 industries. The supply of labour is determined by population forecasts (source: Statistics Finland) and participation rates. The demand side of the LT model uses data on production, labour productivity, hours worked and the number of employed. The interaction of the two sides of the model then generates unemployment projections. A distinction is made between the 'basic' scenario, which describes the most probable path of the labour market), and the 'target' scenario, which describes the 'optimal' path if effective policies are pursued to achieve high levels of employment and productivity with high quality jobs in the context of sustainable development.

The forecasting results of the LT model have been used as inputs for anticipating requirements, and possible surpluses in occupations, along with competence and skill needs. The model has included scenarios and calculations on alternative development paths for GDP, productivity and employment.

¹⁷ Transforming Strategies. Työ- ja elinkeinoministeriön konsernistrategian testaus EVA:n fokusoiduilla globaaleilla skenaarioilla. Loppuraportti Capful Oy. (*MEE strategy tested against focused EVA scenarios. In Finnish*).

¹⁸ The author is grateful for the comments in interviews of the members of the Strategy and Forecast group of MEE, Markku Wallin, Antti Joensuu, Eero Polus, Jussi Toppila, Heikki Räisänen, Petri Honkanen and Pekka Tiainen.

¹⁹ The latest one made by LT-model is Työvoima 2025. Työpoliittinen tutkimus 325/2007. (Work Force 2025 – Full employment, high productivity and good workplaces as basis of well-being in a diminishing working age population. Ministry of Labour, in Finnish).

²⁰ Honkatukia et. al. (2010) Työvoiman tarve Suomen taloudessa 2010 – 2025 (Demand in Finnish Economy 2010-2025). VATT tutkimukset 154.

In Finland, anticipation of educational needs (The MITENNA model) has been carried out as broad based cooperation between various actors. The main actors in this process in the public sector are the different Ministries, the National Board of Education, State Provincial Offices, Regional Councils and Employment and Economic Development Centres (TE Centres), joint municipal authorities, universities of applied sciences (previously polytechnics), universities and other training and educational institutions.

2.2.4. ANTICIPATION AND FORECASTING IN EDUCATION

The Finnish Ministry of Education examines and forecasts changes in educational and skills needs (quantitative and qualitative anticipation) as part of the strategic planning of education and research policies.²¹ The aim of increasing labour force qualifications and bridging skills gaps has been an essential part of educational policies since the 1990s. The main emphasis has been on different kinds of development programmes and projects, which are mainly funded by ESF. After the 1990s attention shifted appreciably from the tertiary education to vocational education (ISCED 3–4) and the skilled worker shortage. In addition to the problem of an ageing workforce a new challenge for the Finnish education system is employment-related mobility and migration, which according to the Government’s programme should be increased.

There is quite a strong tradition in Finland of quantitative anticipation of educational needs based on labour supply changes, demographic trends and employment challenges which culminated in *field-specific target numbers of entrants*. The most significant examples of national quantitative forecasting systems are the background analyses in the previously-mentioned KESU (Education and Research Development Plan), MITENNA (Finnish Regional Councils’s conclusions on regional educational needs 2006), YRKE (“vocation” in Swedish, National Board of Education), and the TYÖVOIMA (Labour Force) project by the Ministry of Labour.

The main guidelines for future anticipation of educational needs are contained in the Education and Research Development Plan published by the Ministry of Education every fourth year. Based on this forecast the Ministry of Education decides on the field-specific target number of entrants at every educational level. The latest Education and Research Development Plan 2007–2012 is based on the Labour Force 2025 report by the Ministry of Labour (2007) and also on two significant regional projects coordinated by the Finnish Board of Education. The educational demand forecast is based on field-specific calculations on retirees and demand for labour, and the conclusions were commented on by many different stakeholders to confirm the validity of the calculations. (Ministry of Education 2009)

The “Mitenna” project has been the core of quantitative educational anticipation activities in the Finnish National Board of Education since 1996.²² The Mitenna model produces long-term average quantitative estimates of qualification needs. Developing the Mitenna model included transforming the labour market data into the educational classification, which was a considerable challenge.

²¹ Ministry of Education (2009) *Selvitys koulutus- ja osaamistarpeiden kehittymisestä sekä ennakkoinnin tilasta ja kehittämistarpeista 2008*. Opetusministeriön työryhmämuistioita ja selvityksiä 2009:4.

Open database on anticipation by Finnish National Board of Education. <http://www.oph.fi/info/ensti>

²² Quantitative education anticipation project’s (MITENNA) final report by FNBE (In English): http://www.oph.fi/download/110071_Education_training_and_demand_for_labour_in_Finland_by_2020.pdf

“Ensti” is an open database including anticipation-related articles, forecasts and reports and is maintained by the Finnish National Board of Education.

In addition, there are dozens of ongoing smaller projects; during the 2000–2006 period there were 39 educational field-specific anticipation development projects funded by ESF in Finland. They have been part of the cultural change in the Finnish education system away from institution-centred education to working-life-centred educational services. This working-life-centeredness has recently become visible in educational legislation, including *inter alia* the Law on the working life development responsibilities of educational institutes (1 January 2006, Government Bill 40/2005).

In addition a collaboration project on international mobility (Heikkilä & Pikkarainen 2008) sought to predict the long-term need for labour-related immigration into Finland. Through statistical analysis, questionnaires and expert interviews the amount and quality of employment-related immigration up until 2015 was predicted.

All in all, the anticipation work in the field of education has a long and solid tradition and is comprehensive, and it cannot be described here in full. However it is also fragmented and time-consuming, and there is a constant need for a project that draws the various experiences together. “Vose” (see below) is a step in this direction.

National project on anticipation of competences and skills needs (VOSE)

VOSE is an umbrella project developing qualitative anticipation work nationally.²³ At present it is drawing together the previous models and actors and there are great expectations that it will somehow solve the problem of “anticipation amnesia”. It is coordinated by the Finnish National Board of Education and funded by ESF (2009–2012).

VOSE draws together previously accomplished anticipation systems at different education levels, along with the relevant national experts, and creates a holistic network for qualitative anticipation of competence and skill needs. In Finland the demographic changes (aging) and rapid growth in service and information sector jobs (see chapter 1) are among the factors challenging educational adequacy, while long-term unemployment has remained relatively steady during the 1990s and 2000s. In Finland the debate on educational adequacy has been acute ever since the previous recession in the 1990s. The VOSE project’s contribution to this debate nationally is that it takes the discussion on to a wider plane and adopts a dialogue-based approach to anticipation dilemmas.

As its goal, VOSE aims to cover all educational levels and present an anticipation model usable by political, regional and institutional actors as well as by working-life-based organisations. As part of the model social media will be drawn upon, which opens up possibilities for use of anticipation information by almost any interested party. The model is being developed in a wide cooperation network, which includes key stakeholders, ministries, unions, regional actors, universities, national forecasting experts, representatives of local anticipation projects, and educational institutes. However, development of the VOSE model is typically being accomplished on a low, mainly ESF-funded budget owing to low national-level investment.

²³ Qualitative skills need anticipation project’s (VOSE) pages by Finnish National Board of Education: http://www.oph.fi/tietopalvelut/ennakointi/osaamistarpeiden_ennakointi/vose-projekti

The main problem VOSE is solving is that of overlapping of separate anticipation activities, although it also aims to fill certain traditional gaps, namely 1) between quantitative and qualitative anticipation information; 2) between gathering, interpretation and application of the information; and 3) between institutional-, regional- and political-level decision-making.

The main approach used by VOSE to reduce overlapping is to make visible and negotiable the current state of the national anticipation system in an open-ended manner using several interaction-based methods such as facilitated, multi-language workshops (there are two official languages in Finland, Finnish and Swedish), model investigations, and process evaluation. The gap between quantitative and qualitative anticipation information is being bridged through the use of both cross-business cluster brainstorming and field-specific brainstorming. Several good (and improvable) cases of, for example, regional anticipation work are also discussed in detail.

2.2.5. VATTAGE - A DYNAMIC, APPLIED GENERAL EQUILIBRIUM MODEL OF THE FINNISH ECONOMY

One of the recent anticipation methods adopted in Finland is the VATTAGE model by The Government Institute for Economic research (VATT), a modification of the Applied General Equilibrium (AGE) model²⁴. According to a recent evaluation and its recommendations (Kiander and Pehkonen 2008)²⁵, many of the tasks of the LT model were taken up by the VATT model. The goal was (1) to achieve better transparency of the method of forecasting on the one hand, and (2) to clarify and streamline the roles of the stakeholders and actors involved in the forecasting process and achieve better independence of research in forecasting.²⁶

Applied general equilibrium models (AGE) have become a standard tool for analysis of structural policies in many countries and international research organisations. Their use has been prompted both by developments in economics, but also by the growing need for quantitative policy analysis. The analysis of actual policy options mandates the use of numerical methods, but there are several other reasons for promoting usage of AGE models in particular. Chief among these is the applicability of models that rely on explicit optimisation of the analysis of the welfare impacts of structural policies. It may also be the case that many policy issues become intractable using theoretical models, for example when the policies concern several sectors of the economy or involve contradictory effects.

The model has been used to study the effects of tax policies and environmental policies on the economy. The report mentioned below contains a full description of the model's code and its underlying theory. With the help of examples it also shows how simulation results can be interpreted. The model is in general an adaptation of the international Monash model²⁷.

²⁴ www.vatt.fi/julkaisut/uusimmatJulkaisut/julkaisu/Publication_6093_id/832

²⁵ Jaakko Kiander – Jaakko Pehkonen (2008) Arviointiraportti työ- ja elinkeinoministeriön pitkän aikavälin työvoimamallista. Työ ja elinkeinoministeriön julkaisu. Työ ja yrittäjyys 33/2008 (*Evaluation of the MEE Long term model. MEE-publication*. In Finnish)

²⁶ The description is based on the VATT- VATTAGE documents and interviews with PATKET-consortium chairman, research director Heikki Räisänen from MEE, VATTAGE research director Juha Honkatukia from VATT and government advisor Ville Heinonen from the Ministry of Education.

²⁷ www.monash.edu.au/policy/monmod.htm

The most recent forecast (published in April 2010) on the demand of labour in the Finnish economy was made using this model²⁸. The main outcome of the VATTAGE forecast was confirmation that Finland is moving towards a service economy, with a very high future demand for social and health services, precisely how high depending on the calculations used, the scenarios differing from VATTAGE's predicted need of 120 000 to about half of that in the Ministry of Social Affairs and Health's calculations based on the sk.SOME model. 120 000 is a substantial number in the Finnish context – translated linearly to the UK, France or Germany it would mean a need for over a million new workers in these sectors, but one has to remember that there has already been an increase of almost 90 000 in these sectors over the last 15 years.

Whatever the exact number needed in these sectors, it is clear that the need will be great, and Finland has a limited set of alternatives for meeting the need. If the demand is 120 000, it means absorbing two whole youth cohorts (now around 67 000) in these sectors alone, which is of course unthinkable, however many additional education places are provided.

2.2.6. THE EDUCATION INTELLIGENCE FORESIGHT SYSTEMS (THE CONFEDERATION OF FINNISH INDUSTRIES)

Education Intelligence is a series of long-term forward-looking anticipation projects organised by the Confederation of Finnish Industries EK.²⁹ It has sought to anticipate changes in the operating environment of industrial and construction-based clusters and in Finnish society, and the impact of such changes on competence and training needs in the year 2020. The clusters analysed were (1) the ICT cluster, (2) the well-being cluster, (3) the chemistry and biotechnology cluster, (4) the forestry cluster, (5) the construction, real estate and infrastructure cluster and (6) the Service and Knowledge Intensive Products (SKIP) cluster. A cluster is understood as a pool of suppliers, producers, customers and competitors which promotes efficiency, increases specialisation and provides a competitive advantage. A cluster is a network of networks in which competition and cooperation co-exist.

Education Intelligence was implemented side by side with another important anticipatory project of the Confederation of Finnish Industries (EK) named Services 2020, which focuses on private service sectors. The Education Intelligence project used many foresight methods and planning tools such as networking, seminars, workshops, study visits, Delphi surveys, interviews, web pages and virtual workspace.

The work is continued in a new phase in the "Oivallus" ("Insight") project addressing Finland's future skills needs in terms of learning networks, which is due to run until Spring 2011, using a series expert panels, and with the purpose of mapping future know-how needs.³⁰

²⁸ Honkatukia et. al. (2010) Työvoiman tarve Suomen taloudessa 2010 – 2025 (Demand in Finnish Economy 2010-2025). VATT tutkimukset 154.

²⁹ www.ytl.fi/

³⁰ <http://ek.multiedition.fi/oivallus/fi/oivallus/index.php>

2.2.7. FINNSIGHT 2015 SCIENCE AND TECHNOLOGY FORESIGHT

Foresight and its associated horizon scanning centre aims to provide visions of the future so as to ensure effective strategies for the challenges that emerge from those visions. It does this by providing a core of skills in future science-based projects and unequalled access to leaders in government, business and science.

The Finnsight 2015³¹ project by SITRA and the Academy of Finland is an example of nationwide foresight cooperation. The Academy of Finland and Tekes aims to use the results of FinnSight 2015 for developing Strategic Centres of Excellence in Science, Technology and Innovation. In Finland foresight activities provide a structured platform for open and insightful discussion on the future between as large a number of people as possible. It can help detect weak signals, opportunities and threats, build up a common understanding of important core issues, and identify issues and measures on which decision-makers need to concentrate their attention.

2.2.8. ETLA ECONOMIC 5-YEAR REGIONAL FORECASTING SYSTEM (THE RESEARCH INSTITUTE OF THE FINNISH ECONOMY)

The Research Institute of the Finnish Economy (ETLA, www.etla.fi/) has developed a sophisticated nationwide regional model linked to the global economy. The model produces five-year projections of regional GDP in the context of both production and employment in 30 industries on a twice-yearly basis. The model also makes forecasts of unemployment, population and migration in all Finland's 17 counties. ETLA's forecasting unit monitors and forecasts economic developments and reports them in various publications, appraises the impact of economic policy measures, and develops the necessary analytical tools needed for those tasks. The main publication of ETLA's forecasting unit is *Suhdanne (Cycle)*. An English Summary of the Finnish Economic outlook is released on the Internet whenever *Suhdanne* is published. In addition the ETLA forecasting group regularly prepares various special reports. ETLA distributes the World Commodity Prices report compiled by the association of European economics research institutes, AIECE. Indeed ETLA participates in the preparation of that report, along with its regular forecasting reports.

2.2.9. TEKES FORESIGHT SYSTEMS AND TECHNOLOGY POLICY ACTIVITIES

TEKES (www.tekes.fi), the National Technology Agency, was founded in the year 1983 as an independent agency and now falls within the remit of the Ministry of Employment and the Economies. The key focus of TEKES is technology foresight and its impact on technology and innovation policy in Finland. It is a key institution in Finnish innovation policy, and is responsible for Finnish technology strategy and technology programmes. TEKES also undertakes technology foresight activities for innovation within industrial clusters and focuses on interesting projects. From the beginning of 2008 TEKES has, under the MEE, based all its operations on its

³¹ www.aka.fi/en-gb/A/Science-in-society/Foresight/FinnSight2015/

mission, vision and values. The strategy that TEKES follows consists of the objectives, core activities, policies and actions with which it implements its mission and pursues its vision.

2.2.10. VTT'S FORESIGHT SYSTEMS

VTT, Technical Research Centre of Finland (www.vtt.fi), it is the biggest contract research organisation in Northern Europe. VTT provides high-end technology solutions and innovation services. From its wide knowledge base VTT can combine different technologies, create new innovations and provide a substantial range of world-class technologies and applied research services, which improve its clients' competitiveness and competence. Through its international scientific and technology network, VTT can produce information, upgrade technology knowledge, create business intelligence and provide a value-added service to its stakeholders. VTT is a non-profit-making research organisation and is part of the Finnish innovation system within the remit of the Ministry of Employment and the Economy. Within VTT there are about 2,780 persons working in various fields of technology.

Within this framework VTT's foresight activities are linked to innovation policy topics. In recent years it has carried out various key foresight projects. Furthermore its activities have been connected to the Nordic Foresight Forum, in which VTT has been an active partner. Key projects in its Nordic co-operation have been (1) Foresight Biomedical Sensors, (2) Nordic ICT Foresight and (3) Hydrogen Foresight Project. A special research interest in the field of technology foresight has been road-mapping studies; VTT has made various road-maps for different technology areas. It has also produced sectoral and cluster technology foresight studies, research on foresight activities and methodologies, and has taken part in international TF cooperation at Nordic and European levels.

2.2.11. SITRA'S FORESIGHT SYSTEMS

SITRA, the Finnish Innovation Fund (www.sitra.fi/), was set up in conjunction with the Bank of Finland in 1967 in honour of the 50th anniversary of Finnish independence. The fund, which was transferred to the Finnish Parliament in 1991, is an independent public fund which, under the supervision of the Parliament, promotes the welfare of Finnish society. SITRA's responsibilities are defined by law and, since its establishment, its duty has been to promote stable and balanced development in Finland, the qualitative and quantitative growth of its economy, and its international competitiveness and co-operation programmes.

SITRA's foresight topics are (1) future of welfare and everyday living, (2) future of work life, (3) future of the public sector, (4) multiculturalism, and (5) future of environmental technology

2.2.12. REGIONAL ANTICIPATION: THE STUDY OF THE NEED FOR WORKFORCE AND TRAINING (THE TKTT MODEL)

The interactive TKTT foresight model³² has been found useful in South-West Finland, and it has also been taken up elsewhere in Finland and abroad. The interactive and processing aspects of this model are particularly interesting and relevant. The responsibility for operating the model rests with the TE-centre and its networks. The workforce and training needs of enterprises have been studied in Finland since 1989. Civil servants in TE offices (former employment offices) interview firms and ask for their short-term views on the following themes:

(a) Changes in the use of their workforce – increases and decreases by profession; (b) recruitment problems; (c) training requirements for professions and job assignments; (d) changes in core professions and job content; (e) age distribution and the retirement rate of personnel; (f) the economic situation now and after one year; (g) training needs and presentations of those needs to educational institutions; (h) networking and sub-contracting needs and new business ideas; (i) prospects for export contracts; (j) investment needs; (k) needs for premises; (l) open comments.

The main phases of the TKTT foresight model are as follows:

- **Phase I:** Decisions on the selection of fields of business - these are made chiefly in the results-based management process between employment offices and the labour department of the TE Centre. The fields are chosen according to agreed criteria, including structural or rapid changes, lack of knowledge of the situation in the field, and others.
- **Phase II:** Training for the interviewers - prior to beginning the interviews, the TE centre organises a training course for employment office representatives. During the training the themes of the interview are agreed upon. Business information is used to support search and selection.
- **Phase III:** Launching the campaign - a campaign manager is chosen, along with designated officials for the various tasks.
- **Phase IV:** Carrying out the interviews - contacting the company, marketing the TKTT interview, producing marketing material, web surveys, entering results in the database.
- **Phase V:** Applications - involving attending to a business's immediate needs immediately after an interview, making training proposals, passing needs on to the employment office (TE-office), monitoring messages and results by campaign managers and other reporters, and reporting.
- **Phase VI:** Summary for the council of experts - once the results from the interviews have been completed, they are outlined in a summary to be delivered to the council of experts. The TE service's manager for the business field in question (or another TE-centre functionary) is responsible for drafting the summary.
- **Phase VII:** The meeting of the council of experts and the SWOT analysis - the organiser of the council is agreed upon at the result-based management meetings or in separate meetings. The council is organised within a month of the deadline for the interviews.

³² Kaivo-oja, J. and Marttinen, J. (2008) op. cit. and www.luotain.fi/ajankohtaista/default.htm

- **Phase VIII:** The Delphi survey - the results of the expert panel are studied by means of Delphi questionnaires. The survey is then sent back to the panel and to the enterprises interviewed.
- **Phase IX:** Reporting - a final report is sent from either the employment office or the TE centre to the businesses interviewed and to the members of the councils of experts. It is also delivered to TE centres, government ministries, the development centres of provincial sub-regions, educational institutions, and others. Details of the key outcomes are sent to the media.

3.1. Short term measures and tools for managing restructuring

3.1.1. INTRODUCTION

The rapid deterioration of the world economy prompted first national government action to secure bank and enterprise funding, such as expanding the authority of Finnvera (www.finnvera.fi/eng), a specialised State-owned financing company which provides support to companies. It provides its clients with loans, guarantees, venture capital investments and export credit guarantees. Finnvera has official Export Credit Agency (ECA) status. As pointed out earlier, Finland entered the crisis in a somewhat better economic condition than many other countries, and the crisis did not spill over to mortgages, or trigger a bank crisis, as happened in the 1990s.

Otherwise the national government has continued with various stimulation measures, such as extending tax reliefs, advancing infrastructure investments and drawing up supplementary budgets. The debate on stimulation and how best to address the crisis has revolved around the effectiveness of tax reliefs as a stimulant (taken up also in EU Commission and OECD comments), the adequacy of active labour market measures and the rapid rise in local government debt. The number of people in ALMP measures prior to the crisis (2008) and at the time of writing (10/2009) has remained essentially the same, averaging just over 8 000 per month, compared with over 120 000 in 1997.

A special task force *“Reacting to Structural Change”* headed by the Ministry of Employment and the Economies, set up to address sudden structural changes, especially major enterprise shutdowns, was already in place before the crisis. It has initiated several measures relating to factory closures in different parts of the country, drawing on both national funds and the EU globalisation fund. Closely connected with this is a new measure named “Change Security”, a set of new cooperation agreements and procedures between social partners, companies, public officials and local-regional actors. “Change Security” is described in detail below along with an example illustrating its use³³.

3.1.2. DEALING WITH SUDDEN CHANGES AND SHUTDOWNS, “CHANGE SECURITY” AND CASE “PERLOS”, AN ICT-INDUSTRY SHUTDOWN

In 2005 the Finnish Labour Ministry introduced the new, tripartite measure “Change Security” with the aim of supporting and motivating laid-off employees but also of introducing some changes in the responsibilities of employers. The model turned out to be a success, especially in terms of paving way for early new cooperation between firms, employees, trade unions, staff, employment and education officials and other local, regional and national players.³⁴

³³ The author is grateful for Timo Spangar and Esa Jokinen for providing information on several of the case-examples

³⁴ Arnkil, Robert & Jokinen, Esa & Aho, Simo & Spangar, Timo & Syrjä, Hannele & Karjalainen, Jari (2007a) Change security in Finland. Evaluation report. Employment political research 331. Helsinki: Ministry of Employment. (In Finnish)

The new cooperation model was tested afresh when a large production firm in Eastern Finland – Perlos corporation – was completely shut down between 2005 and 2007. The model was evaluated in 2006–07 and during the evaluation the case of “Perlos” was identified as an example of good practice in managing massive local restructuring (Arnkil & al. op.cit.). In the following paragraphs the main features of the measure are described, along with a case study on the Perlos experience.

The Change Security concept consists of four basic elements: first, the responsibility of employers (engaging more than 10 workers) to inform employees of imminent changes was added into Finnish Labour law; second, the employment offices have to counsel personally all laid-off workers and help them make re-employment plans immediately after the employment has ceased, or even before it; third, after drawing up the re-employment plan, the laid-off is granted a small amount of financial assistance in addition to the normal allowance, to encourage job-seeking activity; and fourth, prior to the lay-off the employees have the right to take several days’ job-seeking leave. Along with the activation of employment institutions, the cooperation and involvement of other stakeholders and parties such as the labour movement and third sector actors has also increased.

There are nationally about 25 Change Security experts in the Employment and Economic Development Centres. They have a common network in which they exchange information and experience. During the financial recession in particular, the problem of increasing unemployment was addressed jointly by the employment institutions.

In the evaluation report it was noted that, prior to the recession and during a period of relatively low unemployment, the Change Security model had helped unemployed workers find new jobs significantly more frequently than before, increasing the re-employment rate of unemployed by about 2%. In addition the model appeared to be a significant and positively-regarded cooperation platform between several stakeholders and institutions.

 Case “Perlos”³⁵

As an illustration the shutdown of Perlos is now described as one example of a wave of recent shutdowns in Finland. Most of the closures were in the paper industry, but it is interesting to note that the IT industry has also undergone restructuring; Perlos was one of the largest.

Perlos Ltd. is a large Finnish production firm specialised in producing ICT components. It had about 13,000 employees of which 1,700 were located in Finland up until 2006. During 2006–2007 Perlos decided to shut down Finnish production and in consequence dismiss 1,400 workers, mainly from the Joensuu branch, during 2007. These dismissals took place in two waves – 587 in 2006 and 1,132 in 2007. In 2006 the Ministry of Trade and Industry established a committee to address the structural change. In the Joensuu area, under the coordination of the Employment and Development Centre of Eastern Finland, a working group was established which reported to the afore-mentioned Centre and comprised representatives of:

- the management of Perlos Ltd
- the personnel of Perlos Ltd, trustees
- City of Joensuu
- City of Kontiolahti
- Joensuu area development organisation Josek Oy
- education federation of municipalities in Northern Karelia
- employment office of the Joensuu area
- invited experts.

The main operations implemented were 1) information-sharing sessions, 2) employment service desks established physically in the production firm’s facilities, and 3) subsequent guidance and education services. The total number of people losing their job as a result of the collapse of the subcontracting chain was estimated to be much higher than 1,700.

The Change Security model helped employment agencies take control of the situation and provided measures for working with the laid-off. Overall, satisfactory management of the restructuring in the Northern Karelia area was possible as the area was declared one of the Rapid Structural Change areas in Finland and was allocated significant restructuring funds by the State. In addition the European Globalisation Adjustment Fund (EGF) granted funds for re-education of the unemployed in the area. Moreover the political pressure on the management of the enterprise led to relatively significant compensation for the ex-workers.

Jolkkonen & Kurvinen (2009) observed that the re-employment rate after the massive Perlos lay-offs had been relatively good, partly due to Change Security, but also that re-employment had been socially selective despite efforts to counterbalance this effect. The likelihood of men becoming re-employed was three times as high as for women, and for white-collar workers 2.8

³⁵ Jolkkonen, Arja & Kurvinen, Arja (2009) Flexibility and security – A Case Study of Perlos Corporation closures in the Joensuu Area. Ministry of Employment and the Economy. Helsinki: Edita Publishing. (In Finnish)
Koistinen, Pertti (2009) Re(de)commodification of Social Risks in the Context of Plant Closings. Research Plan. (On author’s permission.)

times as high as for blue-collar workers. The likelihood of over-50s being re-employed was 2.8 times lower than for the under-35s.

It has been estimated that the cooperation and learning among the employment institutions has had a more profound and positive change in the Finnish employment regime than the actual outcomes of the Change Security model at the level of individual dismissed persons. The positive nature of the Change Security model has had much to do with the Nordic, institutional welfare regime. However, in the meantime, the pace of rapid restructuring of production, off-shoring and out-sourcing has increased and, society being the main bearer of the burden of structural changes in Finland, the verdict on solely national measures such as *inter alia* the Change Security model remains open.

3.2. Mid-to-long term measures and tools for managing restructuring

3.2.1. WORKPLACE DEVELOPMENT PROGRAMMES

Until the early 1990s the main focus of working life development in Finland was technological. During the past decade there has been a shift in this focus towards work organisation, human resources development, quality of working life, and sustainable productivity.

The formation in the 1980s of TEKES (The National Technology Agency³⁶ and the National Scientific and Technology Council, together with the adoption of the “National Innovation System” (www.research.fi/en) concept, have helped to move Finland forward from capital-intensive production based on raw materials and energy and to knowledge-based production. TEKES finances some 1,500 business research and development projects, and almost 600 public research projects at universities, research institutes and polytechnics.

However cooperation between workplace development and technology-based policies has not been close in Finland, and so far there has been no strong integration of technical, social and environmental development and policies. Before the 1990s Finland certainly was not in the vanguard in terms of coverage or integration of these aspects. Programmes in the field of organisational development were more or less unknown before the 1990s, and somewhat restricted to technology and production. Then things changed: rapid economic growth, bottlenecks, work fatigue problems, ageing, political consensus, coupled with “depression shock, and others”, paved the way to a higher level of development.

In these respects an interesting example, which has also gained interest abroad, is a new kind of workplace development approach, the Finnish Workplace Development Programme (Finnish acronym TYKES), first run by the Ministry of Labour, and now incorporated in one of the MEE agencies, TEKES (The Finnish Funding Agency for Technology and Innovation), a major player in

³⁶ www.tekes.fi/en/community/Home/351/Home/473

economic and technical development and innovation). TYKES has been running from 1996, and is now in its second term (2004 -2009).³⁷

The Programme provides funding for development projects in private and public companies. In practical terms it means that the company can hire specialists, scientists and consultants to assist them in running development projects addressing organisational innovations, including age management and recruitment. The projects have to comply with certain key requirements such as broad participation, management commitment and implementation of organisational innovations. The 2004-2009 budget was 68,7 million, and over 1 000 projects were run in 5 000 workplaces, with 270 000 participants (over 10% of the total workforce of Finland).

The Programme aims at accelerating working life development through development projects in private and public workplaces and by stimulating cooperation between researchers and research institutes, workplace groups, social partners, and governmental agencies and institutions at national and regional levels.

The idea is that organisations can influence their own future by engaging in a complex learning process, in long-term multi-dimensional interaction, and in networking. Highly-developed learning strategies will give companies a competitive edge, and thus directly or indirectly also secure or enhance positive employment development. It is also important to note that TYKES has also operated in the public sector, particularly the municipalities, and thereby has provided help for local government in addressing the complex challenges of reinventing public services, particularly in the face of the generation change.

3.3.2. NATIONAL AGE PROGRAMME

Finland, like many other European and other nations worldwide, has an ageing population and is facing a huge generation change in working life, a threat of labour shortages and an unfavourable change in the proportion of dependants in comparison with wage earners. All this has strong economic and social consequences. For Finland this is of very high significance, the more so as among European countries – the populations of which have on balance the highest average age in the world – Finland will by 2015 have the most unfavourable proportion of dependants (those of 0--19 and over-60) in relation to those active in working life (20–60 years) in Europe.

This was the backdrop for launching a unique programme, the Finnish National Programme for Ageing Workers, starting in 1998 and running until 2002.³⁸ Because it was the opening of a new “era” in the face of the age-issue, it is described here.

Until near the mid-1990s in the last century, the policy pursued was the opposite of that followed today: encouraging early retirement and giving work opportunities to the young generations. This was further underlined by the severe depression that hit Finland at the beginning of the 1990s. But towards the end of the millennium, with demand picking up, the generation change in sight and an imminent labour shortage looming, there was a 180-degree

³⁷ Most recent evaluation of the Programme in: Valtakari, M., Arnkil, R., Karjalainen, J./Kiuru, P. (2007): Työelämänsä kehittämissuunnitelman (TYKES): välisarviointi. TYKES. Helsinki (in Finnish): (*Intermediate evaluation of TYKES*).

³⁸ Ikäohjelman monet kasvot. Kansallisen ikäohjelman loppuraportti. Sosiaali- ja terveysministeriö. Julkaisuja 2002:3 (*Final Report of the National Age Programme. Ministry of Social and Health Affairs. In Finnish*).

change of wind. An opposite policy was designed: how to keep people in active working life longer, and how to develop the legal, institutional, attitudinal and incentive frameworks in support of this objective.

Based on a committee proposal, the national government decided in 1997 on the measures needed for improving ageing workers' employment situation, and this was the foundation of the National Programme on Ageing Workers. The programme, which ran from 1998 to 2002, consisted of 40 measures set down in a Government Resolution. These comprised an extensive information and training programme for various target groups (occupational health and safety staff, regional occupational safety authorities and labour administration staff, workplaces, individuals), with the aim both of encouraging workplace health promotion (WHP) so as to maintain the working capacity of ageing workers, and of increasing awareness of issues related to ageing. In addition to these measures, the programme comprised comprehensive practical workplace health promotion work, research on employment issues related to ageing workers, and promotion of measures to help public employment services become more effective in serving aged customers.

A key role in the Programme was performed by the Finnish Institute of Occupational Health (FIOH) (www.ttl.fi/internet/english) which is a world-renowned pace-setter on well-being at work.

The Programme also included studies and preparations for change on certain legislative topics such as the position of ageing workers in relation to redundancy or termination of employment; reform of the financial support system for adult education; the question of the insured's own risk in disability and unemployment pensions; graduation of employment pension contributions according to age; and removal of social security contributions unconnected with work.

In launching the programme, the following legislative amendments were also decided on: (i) a new paragraph was added to the Act on Co-determination in Companies: "Personnel and training plans should seek to *devote attention to the special needs of ageing workers and officials*"; (ii) amendments were made to the Occupational Safety Act; one amendment added ageing to the list of issues that employers must take into account along with gender, vocational skill, and so forth, while another added workplace health promotion to the existing mandatory programmes on promotion of health and safety in the workplace. During the programme period of the National Programme on Ageing Workers, a new Occupational Health Care Act entered into force (at the beginning of 2002).

The primary target group of the programme consisted of employed and unemployed people aged 45-64. Other target groups included occupational health care and occupational safety staff, labour administration staff, education administration staff, employers, and workplace communities, for whom the programme provided research, training and information. Finally the general public was also the target of information campaigns on ageing. The programme was funded from the Budget, and a total of 4,2m was earmarked for it for the five-year programme period. The main implementing body responsible for the programme was the Ministry of Social Affairs and Health, while the other responsible implementing bodies were the Ministry of Labour and the Ministry of Education. The responsibility for implementing the 40 programmes within the National Programme on Ageing Workers was divided between these ministries.

The programme had an advisory board consisting of representatives of the ministries already mentioned, as well as representatives of the Ministry of Finance, the Ministry of Trade and Industry, the labour market organisations, the Association of Finnish Local and Regional Authorities, the Institute of Occupational Health, the Social Insurance Institution (KELA), the

Federation of Employment Pension Institutions, the Federation of Finnish Enterprises, and the Central Union of Agricultural Producers and Forest Owners.

The key problems addressed by the FINPAW were:

1. Early retirement of ageing workers and general attitudes favouring early retirement
2. Low employment rate of ageing workers
3. Weak re-employment of ageing workers
4. Weakening working capacity of ageing workers
5. Low educational level of ageing workers
6. Lack of information in society on ageing in general and the situation of ageing workers
7. "Ageism": prejudice, even discrimination, towards ageing people creates a serious problem in society.

3.3.3. "DOORS FOR LEARNING" – COORDINATING NETWORKING IN GUIDANCE AND COUNSELLING FOR ADULTS IN FINLAND

"Doors for Learning"³⁹ is a project aimed at increasing access of adults to guidance and counselling, an important theme in measures addressing restructuring.

A major *raison d'être* for the project is that there are still about 300 000 adults in working life with no vocational training, comprising about 10% of the total labour force. By better access to counselling the adults will also have better access to vocational training leading to upgrading of their vocational competences. "Doors for Learning" is a continuation of two earlier major EU projects: the Noste project that developed methods of motivating and enabling adults to participate in vocational training, and the AiHe project that aimed at personalising adult vocational education, and the system of competence-based exams in particular. The "Doors for Learning" project will help develop the Finnish guidance system and its structure as a whole. From a labour market point of view counselling and guidance services may be seen as an important support mechanism for citizens in the labour market transitions they now face, and thus as a part of Finland's flexicurity system.

The goals of the projects are, first, to innovate new guidance services as well as modernise the existing services; the project aims at adopting a new client service concept where most of the services are taken care of by electronic media and self-service. Second, the objective is to raise the level of guidance competences among teachers, employment counsellors and the staff of other organisations dealing with adult clients. Third, the aim is to strengthen the networking capability of the different guidance providers in Finland. Fourth, as a consequence of building up a new network concept of service provision, a need for a monitoring system arises in which all levels of the services are transparent and the monitoring system can be used as a basis for joint development, for management of the system, and for evaluation.

³⁹ www.opinovi.fi Erno Hyvönen: "Doors for learning" – Coordinating networking in guidance and counselling for adults in Finland. Guidance and counselling services for adults - national coordination project. Paper presented at the conference by IAEVG June 3.-5.2009, Jyväskylä, Finland.

The “Doors for Learning” project consists of four different functions or sub-projects. ‘Nuove’ project aims at adopting new e-services and development of the new client work concept. ‘Erkkeri’ and ‘Studio’ sub-projects are projects organising guidance and counselling training for teachers and for staff in other organisations. The “co-ordination” project takes care of the operational running of the (about 30) regional “Doors for Learning” projects as well as facilitating regional networking.

The “Doors for Learning” project is financially a unique effort to strengthen the role of guidance in employment, educational, and social policies. In the EU context, it is generously funded and generates great expectations. The question is what the project has achieved so far and what its future prospects are, given that it now has three years to go until 2013.

3.3.4. LOCAL NETWORKING FOR COPING WITH EMPLOYMENT ISSUES AND RESTRUCTURING – CASE STUDY OF SASTAMALA

Sastamala region has worked for almost ten years to build up a sustainable, cross-sectoral and networking-based mechanism for dealing with regional and local employment issues. The system has also turned out to be effective in terms of reducing unemployment and increasing the employment rate; Sastamala’ unemployment rate is 8% while in the whole region of Pirkanmaa, of which Sastamala forms a part, the unemployment rate is 12%. The Sastamala employment system constitutes the most advanced and integrated approach to gathering together all relevant players for a joint effort to secure the supply of skilled labour needed in the region. The Sastamala case illustrates the potential for an integrated system to respond to the current recession and the dramatic change in employment now taking place in Finland.

In the Sastamala region the employment, educational, social, trade advancement and business policies are all integrated into a regional whole through the basic services of each player. This win-win approach has been adopted to establish joint action models and processes. Thus the integrated inputs of the players also help, under the current conditions, to achieve the goal of increased financial productivity of both State and municipality expenditure. The joint employment system is managed by a steering group within Sastamala city. In every sector there is a cross-sectoral team with a BSC card; all players in the employment system have their BSC card indicating the other players on each card.

Currently a new plan for Sastamala’s business and employment strategy is under development. The new strategy will cover the coming years up until 2015. The strategy is based on SWOT analysis and a vision for the year 2015 which states that in that year the Sastamala region will be “An overwhelming context for entrepreneurship” while, at the same time, social and health care services will be guaranteed and the supply of skilled labour will be secured by cross-sectoral network co-operation. The strategy identifies key business fields for future development and addresses the methods needed to secure the supply of skilled labour, to enhance entrepreneurship, to promote local educational policies for strengthening local competence levels, and to strengthen the role of the municipality.

The Sastamala case is a best practice case in Finland in terms of building a sustainable cross-sectoral regional and local employment system. The case study to be carried out in this endeavour will assess how effective the system is now, given the radically changed employment situation in Finland.

4.1. Serious strategic challenges ahead

Put simply, Finland is responding to three strategic drivers: high dependency of global markets, a shift to sustainable energy and society, and a world record demographic challenge in terms of aging. Finland’s response has been, broadly understood, to invest in a national system of innovation⁴⁰ and a high level of cooperation between stakeholders and actors aiming to develop sustainable productivity.

Figure 9: Strategic drivers and responses to restructuring in Finland

Strategic driver	Consequence for Finland	Responses in Finland
High global export dependence	Vulnerability to the global crisis and to delays in recovery	Strong emphasis on continuous innovation and sustainable productivity; High level of cooperation among stakeholders Prudence in public economy
Need to shift from energy-intensive to knowledge-intensive production; need to secure sustainable energy production	Restructuring of industry, particularly the paper industry Need to develop knowledge-intensive production and services	A “two-pronged” response: building nuclear plants and increasing resource efficiency and production of renewable energy
Very aged demographic structure, one of the world’s worst dependency rates, low immigration	Limited workforce, imminent shortage of labour, need to prolong working careers; need to secure services and jobs in social and health care	Rising pension age; Age Programme; investment in quality and wellbeing of working life and careers; restructuring of municipalities

There is broad political consensus on the need to take the high road in the face of the global challenges; in other words, with limited resources the only possibility is to make innovations that are environmentally and socially sustainable and to develop good cooperation networks.

Therefore in general terms one can say that Finnish policies, strategies and activities addressing strategic restructuring challenges are highly consensual. This does not mean that there are no tensions, contradictions or even paradoxes. One only needs to point to a recent example: Finland decided to build more nuclear power capacity – clearly swimming against a global tide – based on the argument in favour of producing clean energy, and this with the Green party in government! Nevertheless, Finland has been very active in a broad search for technical solutions and good practice in the context of a transition to a greener economy, albeit still a latecomer in this regard when viewed from a broader social and value-based perspective.

A broad consensus prevails also on the urgency of addressing the multi-faceted ageing challenge. The National Age Programme, launched in 1998, was a “first-step” success in many ways and was also featured in the EU Peer review⁴¹. Since then the road has been rougher; a

⁴⁰ http://www.research.fi/Suomen_innovaatiojarjestelma2 (In Finnish)

⁴¹ www.peer-review-social-inclusion.eu/peer-reviews

recent attempt to move forward on this issue was only partly successful, and at the time of writing – less than a year from general elections - the initiatives had ground to a halt.

There is no room or time for indecisiveness on this issue. The latest forecast on the Finnish economy and labour markets made by the Government Institute of Economic Research VATT using the VATTAGE model forecast a need for 120 000 new jobs in social and health care by 2025. There is no way in which this gap can be filled by recruitment alone – it would mean absorbing two whole age-cohorts (which now number about 67 000 persons). The response is much more complicated: raising the productivity of social and health services, more investment in open care, investment in the quality of working life, securing recruitment, and so on. These challenges are also linked inextricably to local government, that is the municipalities primarily responsible for these services. The municipalities themselves are undergoing severe structural change, so the whole formula becomes very complicated, and the verdict on ultimate success remains open.

4.2. Plenty of foresight and activity – but fragmented

Foresight, anticipation and restructuring activities have focused on critical themes during the last decade: education and training needs, demand for labour, changes in labour force qualifications and competences, changes in different business fields and clusters and in business life in general, technology foresight, demographic structures, globalisation impacts and innovation systems.

From the beginning of the millennium more and more attention has been paid to cooperation from different actors and agencies and utilisation of the results of anticipation projects and activities. The key challenge for Finland in terms of anticipation lies not so much in increasing the quantity of anticipation information as such but rather in raising its capability to interpret the wealth of information and translate it into cooperation across sectors and levels of activity.

Has this anticipation and management been successful? This is a hard question to answer. Anticipation has certainly been useful for a wealth of actors, but making definitive judgements on its success is beyond the reach of the author. In any case nobody could have anticipated the global downturn in any real sense, so the adequacy of anticipation and foresight measures must be judged on different criteria. But even allowing for due reservations, one could hold the Finnish anticipation system to be comprehensive and useful, albeit still fragmented.

The short term, initial containment of the economic shock, and also to a reasonable degree the handling of major factory closures, appears – for the time being at least – to have been relatively successful in comparison with worst scenarios and the experiences of many European countries. At present Finland is heading for recovery – slowly and precariously, but definitely. As pointed out earlier, Finland entered the crisis in a somewhat better economic condition than many other countries, and the crisis did not spill over into mortgages or trigger a bank crisis as in the 1990s.

The results of measures exemplified by the “Change Security” have turned out to be at least moderately positive, although still far from conclusive. The evaluation of Change Security just

over a year ago already pointed to positive potential, and the observations continue to be positive, albeit highlighting some selectivity effects despite strong efforts to counterbalance that tendency. Probably the most important facet of its success is the new level of collaboration between actors.

The verdict on addressing restructuring in the labour market, employment, unemployment and recruitment is mixed, and the worst might still be round the corner. There is a definite danger that the level of active labour market measures will – once again – be too small and too late to prevent a stubborn long-term unemployment problem resurfacing in Finland, thus repeating the experience of being too late and too slow in response to the depression of the 1990s.

Education and guidance – through vocational education, other forms of adult education and universities - is undergoing transformation. One example of guidance was described above in “Doors for Learning”. How adequate these measures are remains to be seen. Educational systems are slow to change and it might be that, once the global economy recovers, surprises are in store as regards the challenge for adult education in meeting labour market demands.

This brings us to the question of addressing the generation change. The example of the National Age Programme was initially encouraging; consciousness of the “age issue” has increased in companies and among the public, average pension age has started to rise, and good practice in “age management” has been identified and propagated.⁴² But this success is threatened by the economic downturn, and there are examples of companies starting redundancies at the upper-age end.

⁴² *Arnkil, R., Hietikko, M., Mattila, K., Nieminen, J., Rissanen, P. and Spangar, T.: The National Programme on Ageing Workers – Evaluation. Reports of the Ministry of Social Affairs and Health 2002:5*

National self-image for the usually rather modest Finns obtained a considerable boost in the 1990s with the global success of Nokia, praise for the Finnish National Innovation System, and with Finland ranking first in consecutive PISA comparisons – and all this in a Nordic welfare society with no serious social gaps. A stream of international visitors passed through to learn more about the Finnish approach, and the surprised Finns were equally curious to learn what they were doing right. The prospects looked rather bright.

But now Finnish society, industries and services are facing an unprecedented restructuring period into the next decade and beyond.

The anticipation and forecasting “system” in Finland is rich, well established and comprehensive but - despite many cooperative elements - still fragmented. One could justifiably ask whether there is a real client for all these forecasts? Forecasting is perhaps overly geared to generating more and more information and description, whereas in fact more investment in *interpretation, dialogue, reflection and translation into collaboration* is called for.

Finland survived the first global shock of the early 1990s relatively well, the most negative consequences being a prolonged unemployment problem, a wave of bankruptcies, and heavy personal indebtedness. Finland has also weathered rather successfully the short-term recovery from the second global shock, albeit with unemployment on the rise. But emerging from the downturn and facing new challenges cannot be grounded in old successes; the world has kept changing.

Environmental, “green economy” and energy issues are now even more seriously “on the table” than at the time of the recovery. This “environmental consciousness” in Finland can hardly yet be described as exemplary.

The flagship of the ICT success, Nokia, is facing some really tough competition in terms of tapping into the new wave of Internet development, and seems to have lost some ground and momentum. If anything, it is the writing on the wall, calling for reinvention throughout Finland.

The much-praised National Innovation System received rather strong recent criticism from the international evaluation panel, and indeed on aspects highly relevant to success in globalisation, such as lagging behind in internationalisation⁴³.

In the face of an imminent labour shortage Finland needs to take a new look at the social and psychological “environment” of working life and society generally. With limited manpower, the prospect of huge growth in pensions and low immigration (and one of the lowest foreign-born populations in the world) Finland will have to reinvent its productivity, wellbeing at work, recruitment, and capacity-building capabilities. Despite many efforts in this direction, they are still only a beginning.

As regards the transferability of Finnish anticipation or management measures to other countries, there is probably a continuum from more easily transferable “technical” measures to complex practices deeply imbedded in national structures, cultures and path-dependencies. Many of the measures and methods described above – such as VATTAGE, TKTT, Sastamala and Change Security - probably contain many transferable elements, but to make them work calls for local learning and modification.

⁴³ www.tem.fi/index.phtml?l=en&s=3161

Nevertheless, probably the key lesson from Finland, as the author sees it, is that increasing collaboration between actors in the face of these complex tasks is relevant in *any* context and nation. Certainly Finland's successes have relied heavily on a high degree of collaboration, which even so has to be taken to even higher levels.

So plenty of challenges remain. What Finland can best fall back on, the author concludes, is the amazing capability of the Nordic societies, again and again, to mobilise their people to find solutions and relate to each other in a democratic society.