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# OPPORTUNITIES FOR FINLAND



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## Opportunities for Finland

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<p><b>Abstract</b></p> <p>Opportunities for Finland is the joint outlook of the Permanent Secretaries of the ministries on the key questions for the upcoming 2019–2023 government term. The document identifies the main transformation phenomena leading to challenges and opportunities, and designates sets of solutions that will play a significant role during the upcoming government term. The phenomena and solutions are examined in the context of three main purposes, which unite all of the ministries. These purposes are promoting equality, promoting sustainable growth and ensuring a secure and stable society. As a whole, the outlook aims toward achieving a sustainable society in the long term, with a view that extends beyond the electoral term.</p> <p>The central message of the document is that securing the future of the welfare society will require significant reforms in the 2020s. An important goal of the document is to support the next government, particularly in making difficult decisions. The commitment to mitigating climate change requires significant policy measures both in Finland and at the global level, and these must be decided on quickly. Additionally, there is a risk that general government debt will grow to an uncontrollable level due to factors such as changes in the population structure. Both of these challenges also present opportunities. For example, the mitigation of climate change requires solutions and investments at the global level.</p> <p>The document presents 12 outlooks that will provide a knowledge base for election discussions and government formation negotiations. In dealing with all of these issues, it is essential to acknowledge Finland's numerous links and connections to European and global development trends.</p>			
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<b>Tiivistelmä</b>	<p>Mahdollisuudet Suomelle on ministeriöiden kansliapäälliköiden yhteinen virkamiesnäkemys avainkysymyksistä hallituskaudella 2019–2023. Asiakirjassa tunnistetaan keskeisiä haasteita ja mahdollisuuksia tuovat muutosilmiöt ja nimetään ratkaisukokonaisuuksia, jotka ovat merkittäviä tulevan hallituskauden aikana. Ilmiöitä ja ratkaisuja on peilattu kolmeen päämäärään, joiden tavoittelu yhdistää kaikkia ministeriöitä. Päämäärät ovat yhdenvertaisuuden edistäminen, kestävä kasvu sekä turvallinen ja vakaa yhteiskunta. Kokonaisuutena tavoitellaan yhteiskunnan kestävyttä pitkällä aikavälillä ja katse on vaalikautta pidemmällä.</p> <p>Asiakirjan keskeisin viesti on, että hyvinvointiyhteiskunnan tulevaisuuden turvaaminen edellyttää merkittäviä uudistuksia 2020-luvulla. Tavoite on tukea seuraavan hallituksen edellytyksiä erityisesti vaikeiden päätösten tekemiseen. Sitoutuminen ilmastonmuutoksen hillintään edellyttää globaalisti ja Suomessa merkittäviä politiikkatoimia, joista tulee päättää pikaisesti. Lisäksi, jos tulojen ja menojen välistä epätasapainoa ei korjata, voi julkinen velka tulevaisuudessa kasvaa hallitsemattomaksi, muun muassa väestörakenteen muutoksista johtuen. Haasteet tarjoavat myös mahdollisuuksia, kuten ilmastonmuutokseen liittyviä globaalien tason ratkaisuja ja investointeja.</p> <p>Asiakirjassa esitetään 12 näkemyskokonaisuutta, jotka tarjoavat tietopohjaa vaalikeskusteluihin ja hallitusneuvottelujen pohjaksi. Kaikissa näissä on olennaista tunnistaa Suomen lukuisat kytkökset ja yhteydet globaaleihin ja eurooppalaisiin kehityskuluihin.</p>		
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<b>Referat</b>	<p>"Möjligheter för Finland" utgör ministeriernas kanslichefers gemensamma tjänstemannasynt på nyckelfrågorna för nästa regeringsperiod 2019–2023. I dokumentet identifieras centrala förändringar som innebär både utmaningar och möjligheter samt presenteras helheter av lösningar som är av avgörande betydelse under nästa regeringsperiod. Förändringarna och lösningarna anknyter till tre mål som alla ministerier arbetar för: främjande av likabehandling, hållbar tillväxt och ett tryggt och stabilt samhälle. Det övergripande, långsiktiga målet är hållbarhet i samhället, varför dokumentet även sträcker sig utöver den kommande valperioden.</p> <p>Det viktigaste budskapet i dokumentet är att tryggheten av välfärdssamhällets framtid förutsätter betydande reformer under 2020-talet. Syftet med dokumentet är att stödja nästa regerings arbete, särskilt när det gäller att fatta svåra beslut. Engagemang i arbetet mot klimatförändringar förutsätter snabba beslut om betydande politikåtgärder både globalt och i Finland. Därtill hotar den offentliga skulden att bli okontrollerat stor i framtiden, bland annat på grund av att befolkningsstrukturen förändras. Båda dessa utmaningar innebär också möjligheter. Till exempel bekämpningen av klimatförändringar förutsätter globala lösningar och investeringar.</p> <p>I dokumentet presenteras sammanlagt tolv helheter som bidrar med en kunskapsbas till stöd för de kommande valdebatterna och regeringsförhandlingarna. Det väsentliga i alla helheter är att identifiera Finlands åtskilliga kontakter med och kopplingar till globala och europeiska utvecklingstrender.</p>		
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# Contents

<b>Permanent secretaries' greeting</b> .....	9
Securing the welfare society of the future will require significant reforms from the next government .....	9
<b>1 Foreword</b> .....	11
<b>2 Finland's situation in the global world</b> .....	12
Climate change affects everything. Does Finland have solutions for it? .....	12
Responsibility for the sustainability of public finances rests with the Finnish Government .....	13
Capability to utilise opportunities brought by technology required .....	15
Transformation of the international order and global phenomena also a challenge for Finland...	15
Inequality is growing and eroding trust in society .....	16
<b>3 Opportunities for Finland</b> .....	17
3.1 Ambitious climate decisions.....	17
Objectives to be updated and implemented rigorously .....	18
Fast steps towards a carbon-neutral circular economy.....	18
3.2 Stable international order and security environment.....	19
3.3 Active Finland in a well-functioning EU.....	19
3.4 Sustainable growth from global trends .....	20
3.5 Long-term target of 80% for employment rate.....	21
Employment rate of 80% requires a coherent policy from all administrative branches.....	21
3.6 Raising the level of skills and education and ensuring continuous learning ....	22
Employees' and employers' opportunity and obligation to develop skills .....	22
3.7 Main objectives and order of preparation of the social security reform .....	23
In the transformation of work and livelihoods activity is encouraged, inequality mitigated and security provided.....	23
3.8 Functioning democracy and stable rule of law .....	24
Trust keeps society together .....	24
3.9 Comprehensive urban and metropolitan policy.....	24
3.10 Food security solutions.....	25
3.11 New financing models to achieve social objectives .....	25
Room for new partners in solving social challenges.....	26
3.12 Efficient public sector serving all residents.....	26
Regional government reform will transform the whole public sector .....	27



## **PERMANENT SECRETARIES' GREETING**

Opportunities for Finland is the Permanent Secretaries' shared outlook on the key challenges and opportunities for Finland in the next government term.

The document provides a knowledge base and a wide-ranging outlook of public officials in the run-up to the elections in spring 2019. The participation of Finland's leading public officials in social discussion is important and welcome.

### **Securing the welfare society of the future will require significant reforms from the next government**

In the 2020s, pivotal policy choices will be made to achieve climate goals and carbon neutrality and solve the substantial sustainability challenge in public finances. These decisions will be supported by scientific research.

Raising the level of skills and education is a prerequisite for a prosperous and civilised society. As work is transforming, Finland will ensure a positive balance by safeguarding continuous learning and through effective research and innovation. In addition, employment-based immigration needs to be increased.

Social security reform will be launched with decisions on objectives and value choices.

Funding the welfare state requires an employment rate closer to that in the other Nordic countries, with the target set as high as 80%. A significant opportunity to improve the high quality and cost-effectiveness of services is offered by the utilisation of data repositories and knowledge-based management.

The greatest opportunities for sustainable growth relate to technological transformation and embracing global trends. Growth will be pursued within the limits of the carrying capacity of the natural environment.

Finland will work actively to promote the international rule-based system and a stable, secure and safe EU. A nation where the rule of law prevails strengthens inclusion, rights of participation and active involvement, as well as good relations between demographic groups.

We live in a world where broad understanding of complex and interlinked issues is needed in decision-making. In the ministries, we want to anticipate even better the development trends of the future and build a long-term perspective for making decisions.

Instead of separate sectors, the government of the future will work collectively, and this document in itself is an example of this. Opportunities for Finland supports strategic leadership and a focus on the bigger picture.

A unified government will be created through cooperation and harmonised procedures. Continuous work is being done to improve the conditions of the ministries to perform even better, and changes associated with new government terms always provide opportunities to review the actions taken and take steps forward.

January 2019

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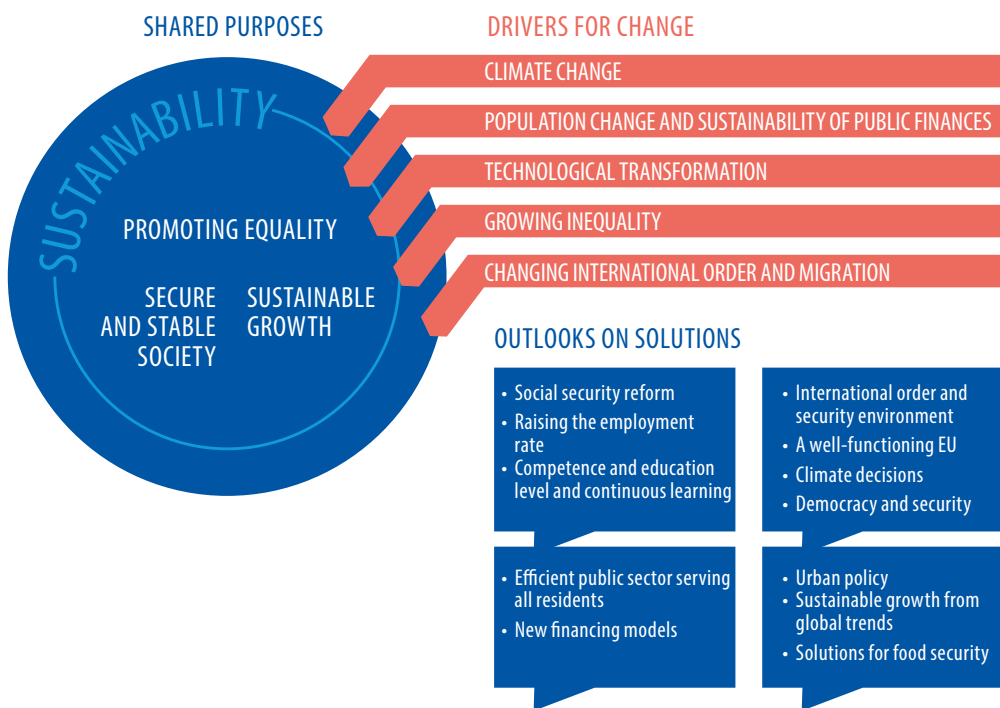
Päivi Sillanaukee, Permanent Secretary, Ministry of Social Affairs and Health

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# 1 Foreword

Opportunities for Finland is the shared outlook of the Permanent Secretaries of the Finnish government ministries. The strategic outlooks presented are based on the Permanent Secretaries' work, the results of the ministries' cross-sectoral design sprints, the ministries' futures reviews<sup>1</sup> and the open dialogue included in their preparation. A secure and stable society, promoting equality, and sustainable growth are the purposes to be pursued throughout Finland. Our biggest opportunities are based on sustainability, which means safeguarding social and human capital and economic wellbeing within the Earth's carrying capacity. The proposed solutions will help to achieve multiple objectives.

**Figure 1. Opportunities for Finland – an overall view**



Climate change and the sustainability of public finances are compelling drivers behind the direction the decisions are going to take in the coming years. Technological transformation, global migration, demographic change and growing inequality increase the pressure for reformative and forward-looking long-term decisions, both nationally and internationally. Finding solutions will be complicated by the instability of the international rule-based system.

<sup>1</sup> Futures reviews 2018, <https://vnk.fi/en/foresight/futures-reviews>

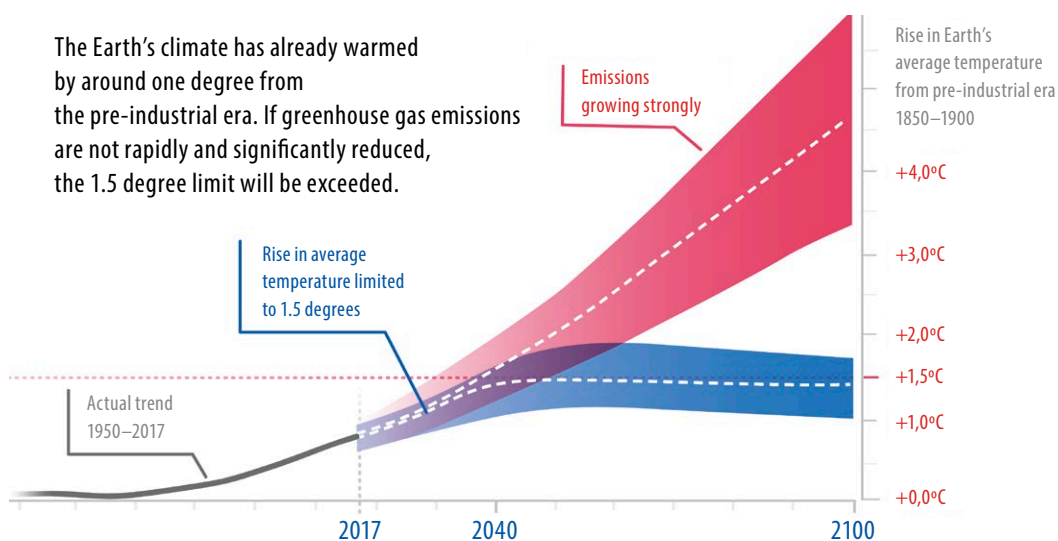
## 2 Finland's situation in the global world

Finland is closely integrated into the transformation of the global operating environment. During the next government terms, decision-making and the future of the welfare society will be determined by major transformation phenomena. Climate change, demographic change, urbanisation, accelerating technological change, and transformation of the economy and value creation are shaping society and the economy and entail the risk of growing inequality. In its policies and when operating in the international arena, Finland must be able to combine adaptation and influencing these issues.

### Climate change affects everything. Does Finland have solutions for it?

In the 2020s, a more effective policy will clearly be needed to mitigate climate change: the goal is to limit climate warming to 1.5 °C<sup>2</sup>. Finland is committed to moving towards net zero emissions in the coming decades. The changes concern all fields of activity and sectors. The scale of the necessary changes has not yet been widely recognised nor translated into policy measures.

Figure 2. Global emissions trend and goals<sup>3</sup>



2 IPCC, 2018. Global Warming of 1.5 °C, <http://www.ipcc.ch/report/sr15/>

3 Finnish Meteorological Institute, Ministry of the Environment and Climate Guide, 2018. Infographics based on the IPCC report, <http://ilmasto-opas.fi/en/>

Significant investments are needed to mitigate climate change and adapt to it, both nationally and globally. In climate policy, reducing emissions and increasing carbon sinks are in a key position. The impact of increasing carbon sinks on forestry and the bioeconomy must be taken into account. In addition to challenges, new business opportunities can be discovered, to be further discussed in Chapter 3. Cities and regions as well as consumers will also have an important role to play in implementing the solutions.

#### **SOLUTIONS FOR RESPONDING TO CLIMATE CHANGE**

- Cutting emissions and increasing carbon sinks
- Tax solutions and investments to achieve carbon neutrality
- Reforming industrial policy and utilising RDI policy in mitigating climate change
- Influence over international policies and processes: whole world to be carbon neutral by 2050

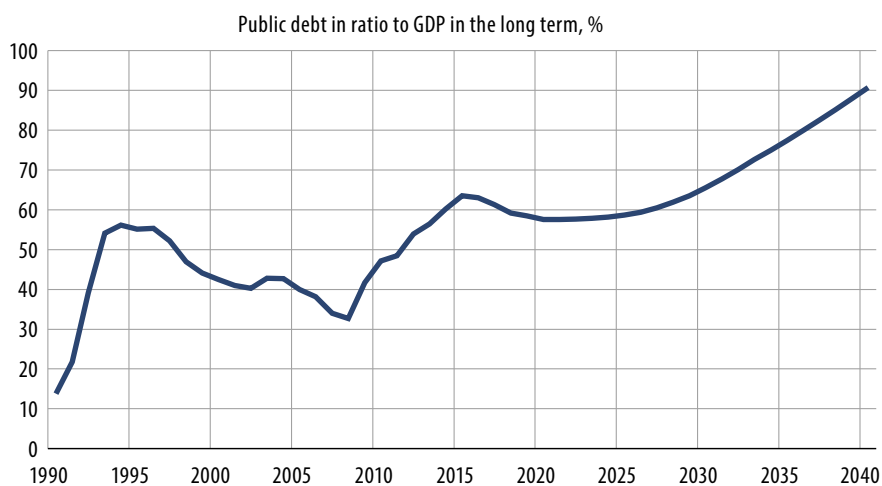
#### **Responsibility for the sustainability of public finances rests with the Finnish Government**

The long-term balance of general government finances has improved in recent years, but revenue will still be insufficient to maintain all the public sector structures and functions created on the foundations of faster economic growth and a more favourable demographic structure. There is the risk that the permanent imbalance between revenue and expenditure may lead to an unmanageable increase in debt (Figure 3). Finland will enter the next recession that is likely to come at some point with weaker public finances than before.

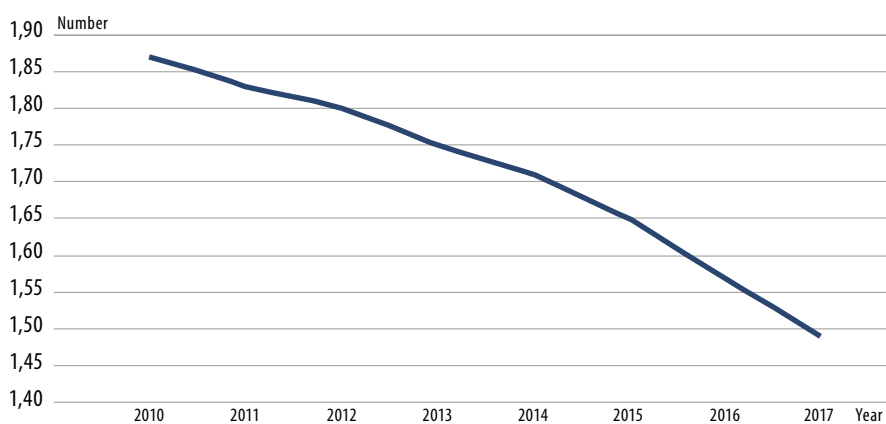
As a small, open and skills-based economy, Finland's economic development is very much dependent on the development of the global economy and trade. Digitalisation, robotics, artificial intelligence and other technological developments will continue to transform global value and earnings chains. Finnish expertise in these fields must be utilised to the full.

The changes in the demographic structure will increase pension, social and healthcare expenditure, but we can influence this development. Ageing is a global phenomenon, which is why it is essential to be involved in international cooperation to find solutions. The ageing population must also be viewed as a resource and an opportunity (so-called Silver Economy). New generations support the continuity of society and overall wellbeing. Efforts can be made to influence the birth rate, particularly by family policy, but other policy measures are also worth considering. Various forms of support for parenthood will create conditions for the safe and secure upbringing of children and young people.

**Figure 3. Public debt projection<sup>4</sup>**



**Figure 4. Birth rate is falling. Development of total birth rate in Finland<sup>5</sup>**



Source: Statistics Finland

4 Statistics Finland, Ministry of Finance, 2019. The figure is a pressure projection, based on estimated revenue and expenditure development under unchanged policy conditions. It includes assumptions about GDP development, the development of debt servicing interest expenditure and age-related expenditure. The figure does not include, for example, the cost savings pursued in the regional government, health and social services reform.

5 Statistics Finland, 2018. Births, [http://www.stat.fi/til/synt/2017/synt\\_2017\\_2018-04-27\\_tie\\_001\\_en.html](http://www.stat.fi/til/synt/2017/synt_2017_2018-04-27_tie_001_en.html)



### **SOLUTIONS FOR STRENGTHENING THE SUSTAINABILITY OF PUBLIC FINANCES**

- Reinforcing the framework for economic growth
- Raising the employment rate and improving health and wellbeing
- Raising public sector productivity
- Increasing taxes and charges or cutting services and benefits
- New financing models (impact investments and other possible sources of private financing)
- Managing demographic change (functional capacity of ageing population, birth rate and immigration)

### **Capability to utilise opportunities brought by technology required**

Technological transformation offers significant opportunities for the Finnish economy and society. To be effective, Finland must use great skill to select the areas of technological expertise to focus on, with full understanding of the extensive knowledge base they require. The focus of the economy is increasingly shifting to digitalised services, and the role of the data economy and the international norms that govern it are becoming more significant. The global need to develop and adopt the circular economy and cleaner technology is growing. Technology will have a major impact on future threats and the content of foreign and security policy, and will require new approaches. The shared EU goals and measures are a key condition for making progress.

### **SOLUTIONS FOR HARNESSING TECHNOLOGICAL DEVELOPMENT**

- Raising the level of skills and education
- Investment in RDI activities and goal-oriented co-creation with different sectors
- Role of the public sector as a facilitator (statutes, procurement, attractive operating environment, co-creation support)

### **Transformation of the international order and global phenomena also a challenge for Finland**

Intensifying competition in power politics and the economy, climate change and its effects, and changes in the state of the environment are creating insecurity and instability worldwide. Competition is also pursued through new means where interdependence is being exploited. External and internal, commercial and political, private and governmental fields of activity and approaches are becoming conflated and are obscuring the designation of the party responsible for activities. In the new risk and threat environment, hybrid operations and cyber attacks are increasingly common.

Finland's position and future depend on the functioning of the international rule-based order and our opportunities and ability to cooperate, not forgetting the development of national defence capabilities.

Instability is increasing, particularly in the Middle East and Africa. In the poorest African countries the population keeps growing fast. The pressure on the EU to manage migration is also growing. Disagreement between member states on approaches to migration make it more difficult to achieve sustainable solutions.

#### **SOLUTIONS FOR INTERNATIONAL INFLUENCE AND MIGRATION**

- Taking the initiative on international issues and strengthening the EU's capacity to act
- Coherence in achieving the goals of the UN 2030 Agenda for Sustainable Development
- Long-term strategic intent and vision on immigration
- More effective integration measures

#### **Inequality is growing and eroding trust in society**

Most people are still doing well, but growing numbers of people are also experiencing inequality. Inequality exists, for example, between socio-economic groups, genders, the majority population and minorities, and geographical regions. Inequality and its growth are a widespread and multi-dimensional social problem that reduces all human resources, undermines economic growth and erodes the stability of society. Other transformation phenomena, such as technological development and limited room for manoeuvre in public finances, may contribute to growing inequality, unless particular attention is paid to ensuring equality and non-discrimination.

#### **SOLUTIONS FOR MITIGATING GROWING INEQUALITY**

- Strengthening good relations between the demographic groups
- Equal services that take the needs of all demographic groups into account and safeguarding a sufficient livelihood
- Supporting inclusion and participation  
Raising the level of skills and education and strengthening flexibility to change

## 3 Opportunities for Finland

This joint outlook of the Permanent Secretaries on the most significant sets of policies includes the need for more ambitious decisions e.g. to mitigate climate change, reform social security, raise the employment rate, and implement a sustainable growth policy in an environment of global changes.

The alternative solutions are interlinked and they support from many directions the main purposes of promoting equality, ensuring a secure and stable society, and achieving sustainable growth. All of the outlooks presented may include both long-term decision-making and measures to be implemented during one government term.

**Figure 5. Outlooks on solutions**

Ambitious climate decisions	Stable international order and security environment	Active Finland in a well-functioning EU	Sustainable growth from global trends
Food security solutions	Long-term target of 80% for employment rate	Raising level of competence and education and ensuring continuous learning	Main objectives and order of preparation of social security reform
Functioning democracy and secure rule of law	Comprehensive urban and metropolitan policy	New financing models to achieve social objectives	Efficient public sector serving all residents

### 3.1 Ambitious climate decisions

Mitigating climate change to a level that is deemed safe means a systemic transformation of society to a new way to act. A wide-ranging debate and a shared strategic intent on the means of mitigation and adaptation is extremely important. The necessary actions may require major changes in energy- and emission-intensive industrial sectors or significant restrictions and charges as we aim to e.g. steer the transport sector or energy consumption towards zero emissions. Transport has a central role in reducing emissions, but proposals and steering instruments still need to be developed and evaluated<sup>6</sup>. Investment in zero emissions must be encouraged by making it profitable.

<sup>6</sup> Ministry of Transport and Communications, 2018 Action programme for carbon-free transport 2045 (in Finnish), <http://urn.fi/URN:ISBN:978-952-243-559-0>

### Objectives to be updated and implemented rigorously

The medium-term climate policy plan to 2030 (Kaisu) and the current Energy and Climate Strategy are heading in the right direction, but they will not be sufficient in the long term. Determined, goal-oriented and cost-effective measures are needed to achieve zero net emissions. The common climate policy goals<sup>7</sup> prepared by the parliamentary parties provide a good basis for this work. Increasing carbon sinks and curbing emissions in a balanced way may require changes to the use of forests and a reduction in the use of peat for energy. Current steps include reducing the use of fossil fuels, extensive promotion of energy efficiency, and developing renewable and zero-emission energy taking into account all forms of zero-emission energy production. These can be further supported by updating taxation practices. Phenomenon-based budgeting to reduce greenhouse gas emissions would help to enhance the visibility of interlinkages between climate policy and public finances.

Finland must through its own example and international positions demonstrate global climate leadership in the EU and further afield. The 2030 Agenda for Sustainable Development states that climate change mitigation and low-carbon transition should be included in all EU policies, legislative projects, financial instruments and external relations. Developing legislation in the EU to meet the emissions reduction obligations is a critical steering instrument.

### Fast steps towards a carbon-neutral circular economy

Finland needs a Sustainable Bioeconomy 2.0 programme that takes into account the ambitious emissions cutting targets and carbon sink policy. Effective action is needed in the energy sector and transport as well as in manufacturing industry, agriculture and forestry. Targeted policies and incentives will support the transition of the economy to closed cycles, reuse and remanufacturing, and services. Sustainable construction and use of raw materials will be supported, and economic and other guidance will be developed to support the achievement of climate targets and the circular economy market. Enhancing carbon sequestration and adapting to climate change are also linked to the protection and conservation of natural habitats.

New technologies present many opportunities. It is important to decide how the climate and circular economy policy will reform the economic base, and to direct RDI policy to support climate decisions and sustainable development. RDI investments in low carbon technologies, replacing plastic and developing a sustainable bioeconomy also offer

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<sup>7</sup> Government, 20 December 2018: Eight parties in Parliament decide on common climate policy goals, [https://valtioneuvosto.fi/artikkeli/-/asset\\_publisher/10616/kahdeksan-eduskuntapuoluetta-paatti-yhteisista-ilmastopolitikan-tavoitteista?\\_101\\_INSTANCE\\_3wyslLo1Z0ni\\_languaged=en\\_US](https://valtioneuvosto.fi/artikkeli/-/asset_publisher/10616/kahdeksan-eduskuntapuoluetta-paatti-yhteisista-ilmastopolitikan-tavoitteista?_101_INSTANCE_3wyslLo1Z0ni_languaged=en_US)

solutions that can be utilised on the global scale. The choices of consumers and businesses could be steered through economic and other means in order to meet climate targets.

### 3.2 Stable international order and security environment

In a rapidly changing world, promoting values that are important to Finland – human rights, democracy, the rule of law – is increasingly important. Effective action on the part of Finland to support the international rule-based system, conflict prevention and peace mediation requires commitment to multilateral cooperation, initiative, and a long-term strategy. International cooperation in responding to security threats will be increased and strengthened.

Hybrid threat preparedness and the Finnish concept for comprehensive security can be enhanced by preparing a comprehensive security development programme. Cybersecurity will be promoted and responsible development of digital technology and services will be supported in a balanced way.

Changes in the operating environment underline the key importance of European cooperation for Finland's security and wellbeing (see Section 3.3).

### 3.3 Active Finland in a well-functioning EU

Finland aims for a well-functioning and stable EU and a stronger global role and international influence for the EU.

In the coming years, the EU will implement a Trio programme, which emphasises the common values of the Union, sustainable growth, and strengthening security and the external capacity to act<sup>8</sup>. Finland will be in a strong position of influence during its Presidency in 2019. With regard to the EU Single Market, the emphasis will be on promoting services business and the opportunities of digitalisation. The data economy will be a key driver in the renewal of Finland and Europe and in improving competitiveness. In this, however, Finland has lagged behind the key competitor countries.

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<sup>8</sup> Council of the European Union. 2018. Romania, Finland and Croatia Trio programme, <https://vnk.fi/documents/10616/1266558/Trio-ohjelma/d307bf44-2ab6-2329-edd0-7398be52d151/Trio-ohjelma>

Strengthening the EU's capacity to act and combating hybrid threats are among the key issues in the European security and defence cooperation. A transparent and rule-based policy best supports the EU's competitiveness and resilience and its attractiveness as a partner. Finland's long-term goal is also to promote the EU's Arctic policy and to strengthen both EU-Russia relations and the EU's policy on Africa.

### 3.4 Sustainable growth from global trends

The greatest growth opportunities relate to technological transformation and global trends. Finland must focus on thematic choices for measures that support and steer growth and wellbeing and may be instrumental in meeting global challenges, promoting sustainable growth and international competitiveness, and achieving high added value. To realise the opportunities, effective growth and innovation ecosystems are needed, created and developed through joint action between business life, the public sector and other key players. Credible pursuit of sustainable growth requires coherence in the implementation of the UN's Sustainable Development Goals. Business aid can be reformed to support sustainable development and combat climate change.

The growth areas identified include the transition of mobility towards carbon neutrality, diverse and multiple-location housing and construction, resource-efficient growth and the circular economy, a new era for the manufacturing industry in fields such as autonomous factories, food production and new biomaterials, broad-based health and wellbeing, and human capital. Examples of the effectiveness of ecosystem policy are the autonomous marine transport ecosystem and the growth of research and innovation in the health sector.

A significant portion of the future growth sectors relate to the digital economy. Technology and data as enablers (e.g. automation, artificial intelligence, platform economy, block chains, virtuality, IT infrastructure) are included in all growth themes. Businesses need a wealth of data as raw material for new innovations and services. To ensure that artificial intelligence and automation can serve the people, both access to data and the protection of privacy must be ensured.

The long-term goal should be that the public and private sectors together invest 4% of GDP in research and innovation. Efforts should be made to attract and integrate international businesses and experts more effectively into Finnish universities and research institutes, business life and value networks.

Enabling legislation, creative governance and EU influence have key roles to play in accumulating knowledge, promoting new business and creating incentives for risk-taking and innovation. Taxes, incentives and subsidies are important in steering investment.

### 3.5 Long-term target of 80% for employment rate

The sustainability of a welfare society requires the participation of as many people as possible, and the employment rate is still a key indicator for this. In addition, considering the demographic change, more skilled labour from abroad is needed. The target for the employment rate is 75% by 2023, which means an increase in the number of people in employment by around 150,000 and a decline in the unemployment rate to 4.7%. The long-term target can be set at 80%, but to achieve this the measures to support employment in the current toolbox are insufficient and additional measures are needed that we cannot yet imagine. Tensions in the transformation of work and the impact of technological development on work also call for an open debate on the role and significance of work in society.

#### **Employment rate of 80% requires a coherent policy from all administrative branches**

The key measures to establish an operating environment that supports job creation include a functioning labour market, an increase in labour productivity, effective competition in goods and services markets, rationalisation of regulations, ensuring cost competitiveness, and promoting intangible investment and growth entrepreneurship. There is also a growing need for effective incentives and balanced obligations.

Increasing employment-based immigration has a key role to play in adjusting the employment-to-population ratio. Without sufficient immigration, the supply of labour and, in the longer term, employment will decline substantially. A successful immigration policy requires social cohesion between the different demographic groups, knowledge-based and open debate, and effective integration.

Improving the employment of immigrants already living in Finland is important, particularly in the case of refugees and immigrant young people and women. Utilising the expertise of all demographic groups and attracting new skilled people to the country, integrating them and keeping them here requires seamless, long-term cooperation between the state, towns and cities, educational institutions, businesses and other players. Programmes that have been launched to increase employment-based immigration and develop good demographic relations are quite appropriate, but they will be inadequate in the long term and should be strengthened.

Employment is linked to birth rate – in particular, the decline in the employment rate of young men seems to have reduced the birth rate<sup>9</sup>. Services supporting employment should be improved, and progress could be made e.g. through a digital labour market, reform of continuous learning, and growth services encouraging capacity for renewal. To raise the employment rate, the work must be attractive and the workforce skilled and able to work. Participation in work can be promoted by reconciling work and other life and by facilitating smooth transitions from one job to another. In workplaces, working capacity should be a key part of strategic management, with due account for the challenges associated with equality.

### 3.6 Raising the level of skills and education and ensuring continuous learning

As old businesses and occupations lose ground to new ones, during the next 10 years millions of jobs will disappear and be created in Finland. Such creative destruction may become even quicker in the future. Creating new jobs will not be possible without a continuous rise in the level of skills and new learning<sup>10</sup>.

Raising the level of education and skills among all demographic groups will require new kinds of incentives, operating models, tax solutions and forms of support. Competence building and education are the best means to enhance society's preparedness for change and competitiveness. The funding of continuous learning should be clarified and new opportunities to enhance competence should be addressed in the context of the social security reform. Funding can be allocated in a more targeted way than at present e.g. to address those left without the support of an employer in the transformation of work, those with low basic education and the unemployed. The transparency and digitalisation of education and learning materials throughout the education system should be strengthened.

#### Employees' and employers' opportunity and obligation to develop skills

The whole field of continuous learning and reforms must be built to cover all demographic groups. The current systems for competence building, education and services must provide people with equal opportunities at all stages of the human lifecycle. Accumulation of adult education in only part of the population presents a challenge to equality; we

9 Hetemäki, M. 2019. Reasons for the falling birth rate (in Finnish). Ministry of Finance, [https://vm.fi/artikkeli/-/asset\\_publisher/miten-vakava-ongelma-syntyvyyden-lasku-on-ja-mita-sille-voitaisiin-tehda](https://vm.fi/artikkeli/-/asset_publisher/miten-vakava-ongelma-syntyvyyden-lasku-on-ja-mita-sille-voitaisiin-tehda)

10 see e.g. Ministry of Economic Affairs and Employment 2018. Work in the age of artificial intelligence (in Finnish), <http://urn.fi/URN:ISBN:978-952-327-311-5>



must be able to raise everyone's level of education and skills. Early childhood education and the education system must provide children and young people with the capacity for continuous learning. Inadequate basic skills or education impair the preconditions for lifelong learning and put pressure on remedial measures in working life.

### **3.7 Main objectives and order of preparation of the social security reform**

As the transformation of work progresses, the need to reform the social security system is becoming even more urgent. In the near future, decision-makers will have to consider how the system will be reformed and whether it is currently being targeted in the right way. Only when the purpose and objectives of social security have been clarified will we be able to have concrete talks about the means to reform it. Models for social security are being constructed in the project on the overhaul of basic security and activity TOIMI<sup>11</sup>. Decisions on the main objectives and order of preparation of a comprehensive social security reform should be made during the next government term, including a clear description of the model of the desired welfare system and the associated value choices.

#### **In the transformation of work and livelihoods activity is encouraged, inequality mitigated and security provided**

The key aims of the reform include the harmonisation of services and benefits: in the social security of the future, services and benefits will form a concise package. The incentive aspect is important. Besides the obligation to care, a choice must be made as to what is sought with social security: employment, skills, livelihood, activity and inclusion, or something else. What is essential is that social security is kept at a sensible level for the individual and that polarisation is prevented. On the other hand, the sustainability of funding in the context of declining birth rates must be taken into account. Choices must also be made about sharing the cost burden and arranging the funding base, and finding new ways to do this. To respond to the transformation of work, we should aim for social security that facilitates employment and entrepreneurship, including the flexible combination and alternation of platform work and skills development in different life situations.

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<sup>11</sup> Basic security and activity reform project TOIMI, <http://vnk.fi/toimi>, 18 January 2019

### 3.8 Functioning democracy and stable rule of law

A functioning democracy and stable rule of law require equal participation. Trust in politics and society will not be restored or strengthened without work; the way of engaging in social debate on political values and guidelines should be rethought. To maintain social trust, good relations between demographic groups and the foundations of the rule of law should be maintained. Removing barriers to participation and strengthening the inclusion and security of all demographic groups contributes to reducing inequality and strengthens social trust.

#### Trust keeps society together

A nation where the rule of law prevails strengthens inclusion, rights of participation and active involvement, as well as good relations and solidarity between demographic groups. Open and knowledge-based dialogue about Finland as a destination for immigration is also required. Broadly-based measures will be taken to halt and prevent the growth of social exclusion and the preconditions for a strong civil society will be maintained. Promoting equality and preventing growing inequality are prerequisites for a stable and secure society.

The foundations of internal security, protection of law and national security must be safeguarded so that the experience of security is strengthened throughout society.

### 3.9 Comprehensive urban and metropolitan policy

The population is concentrating in growing towns and cities and the growth corridors between them, which means that urban areas need more housing, smooth and accessible mobility, sustainable construction, educational opportunities and services. A diverse urban policy means different measures for different types of areas, i.e. specific solutions are needed for a metropolis and for larger central and regional towns and cities of the counties. Urban areas are engines of growth and development, and strengthening them is nationally important. Finland has only a few urban areas that are naturally strong enough to attract international investment and new business activity.

To safeguard the social sustainability of towns and cities, it is important to ensure the safety, health and reasonable price development of residential areas, and to combat segregation and reduce inequality. The interaction between urban areas with developing regions strengthens the country as a whole. The bioeconomy, circular economy and multi-locality will strengthen the links with the regions.

Urban areas are also key players in climate change mitigation and adaptation. Effective measures are needed to enhance energy efficiency, the circular economy and sustainable mobility, and to prepare for extreme weather events. In transport solutions, increasing attention must be paid to emissions reduction measures and the integration of new services. Partnership-based co-development of land use, housing and transport systems will support the achievement of climate targets. Climate change will also accelerate migration and require measures to promote sustainable social inclusion and integration in urban areas.

### 3.10 Food security solutions

The growth in the demand for food and clean water as well as changes in consumption habits create opportunities. All over the world, food security is dependent on the status of the environment and ecosystems. The accelerating decline of biodiversity presents challenges for food production and acquisition. Consumers are increasingly aware and demanding in relation to the quality, origin, ethics and environmental friendliness of food. Global solutions for food security require major changes in food production, transportation and trading.

Water and food play a key role in all forms of primary production, industrial processes and wellbeing. Antibiotic-free production and high-quality, sustainably produced raw materials, traceability of food, nature-based solutions, and clean and abundant water resources are Finland's strengths in international markets and offer opportunities in terms of the viability of the different parts of the country. The Finnish food system possesses excellence of a high international standard that can be utilised even more in exports, marketing, and in building beverage and food brands. There is growing international demand for environmentally responsible and recyclable solutions as well as for comprehensive solutions relating to the environment, water management, use of forest and water resource data, water resources management and flood risks. New solutions will be built on the basis of scientific knowledge and in a way that promotes the UN's Sustainable Development Goals.

### 3.11 New financing models to achieve social objectives

The limited room for manoeuvre in public finances requires more effective social policy. Sufficient flexibility in fulfilling the diverse needs of citizens in different life situations requires new kinds of players and partnerships. The role of the public sector – state,

counties and municipalities – has changed from a service provider to also serving as a facilitator of market activities. The state will continue to be responsible for providing equitable, high-quality public services for the citizens across the country, but there is room for improvement in the ability of the public sector to utilise the markets.

### **Room for new partners in solving social challenges**

The relationship between the public authorities and the market and the various forums of cooperation are increasingly diverse. New structures for financing social policy will be built on a customer-driven basis, and e.g. phenomenon-based budgeting solutions will be tested. New financing models for goods and services (e.g. impact investing and other fund models) will be explored, and it will be important to make use of them in public investments such as transport infrastructure projects or hospitals. Market players can be more closely involved in resolving societal challenges, which is where we must make use of the good experiences already gained in different administrative branches.

Open debate is needed on which public administration tasks will in the future such that they should be steered by budget funding and which would be appropriate to organise in other ways, such as in corporate form. Innovative public procurement will support sustainable growth and the growth areas identified (see Section 3.4).

## **3.12 Efficient public sector serving all residents**

Achieving the goals the health and social services reform and its successful implementation are central to the equality of citizens and the sustainability of public finances.

A significant opportunity to achieve high quality and cost-effectiveness in services is offered by the utilisation of data repositories and knowledge-based management. Information management and knowledge-based management require a comprehensive and cross-administrative approach. Risks are posed by the sector-specific, service-specific or regionally differentiated information, systems and services whose coordination may take up a lot of resources. Information must be utilised in such a way that citizens' trust in the activities of public authorities in data protection issues remains strong.

## Regional government reform will transform the whole public sector

Monitoring and further development of the regional government reform should start right at the beginning of the government term. State, county and municipal power relationships will be specified, tax issues addressed, and guidance and interaction processes developed on a broad basis. The prerequisites for utilising knowledge management will have a significant impact on the way the counties succeed in their tasks<sup>12</sup>.

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12 Leskelä, R-L. et al. 2018. Future knowledge management in the counties. Project interim report 26 October 2018 (in Finnish), [https://tietokayttoon.fi/artikkeli/-/asset\\_publisher/tietojohtaminen-voi-maarittaa-maakuntien-onnistumisen-valmistelussa-talla-hetkella-merkittavaa-vaihtelua](https://tietokayttoon.fi/artikkeli/-/asset_publisher/tietojohtaminen-voi-maarittaa-maakuntien-onnistumisen-valmistelussa-talla-hetkella-merkittavaa-vaihtelua)



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