

Government's Sustainability Roadmap

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Abstract With this sustainability roadmap, the Government makes visible the objective of a socially, economically and ecologically sustainable society that has been set in the Government Programme. The sustainability roadmap brings the three dimensions of sustainability together into a balanced whole and demonstrates the links between social, economic and ecological sustainability. It describes the current state of social, economic and ecological sustainability and the Government's objectives set for the 2030s. It also identifies all the key themes and subjects in which new policy measures and initiatives are required in the near future and in the long term.

Keywords government policy, government platforms, objectives, social sustainability, ecological sustainability, economical sustainability, future, sustainable development, Sanna Marin's Government

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Hallituksen kestävyystiekartta

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Tiivistelmä Tällä kestävyystiekartalla hallitus tekee näkyväksi hallitusohjelman tavoitteen sosiaalisesti, taloudellisesti ja ekologisesti kestävästä yhteiskunnasta. Kestävyystiekartta kokoaa kolmen kestävyuden ulottuvuuden elementit tasapainoiseksi kokonaisuudeksi ja näyttää sosiaalisen, taloudellisen ja ekologisen kestävyuden keskinäiset kytkökset. Kestävyystiekartassa kuvataan sosiaalisen, taloudellisen ja ekologisen kestävyuden nykytila sekä hallituksen tavoitteet 2030-luvulle mentäessä. Kestävyystiekartta tunnistaa myös ne keskeiset teemat ja aihealueet, joissa tarvitaan lähitulevaisuudessa sekä pidemmällä aikavälillä uusia poliittisia toimia ja avauksia.

Asiasanat hallituspolitiikka, hallitusohjelmat, tavoitteet, sosiaalinen kestävyys, ekologinen kestävyys, taloudellinen kestävyys, tulevaisuus, kestävä kehitys, Sanna Marinin hallitus

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Regeringens färdplan för hållbarhet

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Referat I denna färdplan konkretiserar regeringen de mål om ett socialt, ekonomiskt och ekologiskt hållbart samhälle som ingår i regeringsprogrammet. Färdplanen samlar elementen i tre dimensioner av hållbarhet till en balanserad helhet och visar sambanden mellan social, ekonomisk och ekologisk hållbarhet. I färdplanen beskrivs nuläget för den sociala, ekonomiska och ekologiska hållbarheten samt regeringens mål inför 2030-talet. Den identifierar också de centrala teman och områden där det behövs nya politiska åtgärder och initiativ inom den närmaste framtiden och på längre sikt.

Nyckelord regeringspolitik, regeringsprogram, målsättningar, social hållbarhet, ekologisk hållbarhet, ekonomisk hållbarhet, framtid, hållbar utveckling, Sanna Marins regering

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1 Introduction

With this sustainability roadmap, the Government makes visible the objective of a socially, economically and ecologically sustainable society that has been set in the Government Programme. The sustainability roadmap brings the three dimensions of sustainability together into a balanced whole and demonstrates the links between social, economic and ecological sustainability. It describes the current state of social, economic and ecological sustainability and the Government's objectives set for the 2030s. It also identifies all the key themes and subjects in which new policy measures and initiatives are required in the near future and in the long term.

2 Ecological sustainability, current state and goal state in 2030

2.1 The definition of ecological sustainability in the sustainability roadmap

Ecological sustainability means society's capability to operate within the limits of the earth's carrying capacity. The aim is to safeguard the functioning of natural systems and their capacity for regeneration today and in the future.

Ecological sustainability requires that the environmental burden and environmental impacts caused by the activities of people and society be brought down to a level that does not threaten ecosystems or cause loss of species and nature. The environmental burden and environmental impacts are revealed through climate change, loss of biodiversity, environmentally detrimental changes in land use, the accumulation of nitrogen and phosphorus, chemical pollution, globally unsustainable use of fresh water, and the ecological and material footprint.

Achieving ecological sustainability requires a reduction in the total consumption of natural resources and a transition to a carbon neutral circular economy and bioeconomy, while also taking into account social, economic and regional equality.

In ecologically sustainable communities and societies, all planning and decision-making is founded on knowledge-based respect and consideration for nature and natural systems (ecosystems). Factors that reduce ecological sustainability include not paying sufficient attention to nature and the environment in planning, overconsumption of natural resources, the economy based on unsustainable use of natural resources, unsustainable production and consumption methods, and unsustainable ways of life.

The Government aims to make Finland carbon neutral by 2035, halt the loss of biodiversity, advance the bioeconomy and circular economy, increase the sustainability of the food system, and improve animal welfare. The Government aims to reduce the consumption of non-renewable natural resources and replace it with the sustainable use of renewable ones. The Government aims at reducing the use of fossil-based energy sources and promotes the use of renewable energy sources and sustainable renewal of the business sector. The Government strives for ecological sustainability in Finland and globally.

2.2 Current state of ecological sustainability in Finland

Climate change, biodiversity loss and overconsumption of natural resources are some of the most difficult challenges faced by humanity and have a significant impact on our ability to achieve ecological sustainability. They threaten people's wellbeing in many different ways both in Finland and globally.

The principal reason for **climate change** is excessive carbon dioxide emissions, which are mainly caused by the fossil fuel-based economy, overconsumption of natural resources, energy production and transport. Climate change has wide-ranging impacts on the state of the natural environment, especially on biodiversity.

Climate change is already visible in the temperatures experienced in Finland. Over the past 40 years, the annual average temperature in Finland has risen by 0.2–0.4°C per decade. In Finland and other northern areas, warming takes place faster than the global average. Compared with the global average, the pace of warming in the Arctic region is approximately twice as fast.

The impacts of climate change are extensive and diverse. Especially the living conditions of the northern fell species will change to the extent that these species will retreat beyond the Finnish borders. Climate change increases the risk of a wider spread of alien species in Finland and the harmful effects of those alien species that have already spread to Finland may continue to strengthen. Climate change increases the weather and climate risks affecting the functioning of society, and the significant damage it causes to property and the infrastructure is sometimes difficult to predict. Climate change increases precipitation and shortens the time during which the ground is frozen, making production in agriculture and forestry more difficult and increasing the nutrient loads in water bodies. The risks related to the occurrence of current and new animal diseases and pests that threaten production will increase, causing a significant challenge to food safety and the profitability of production.

In 2019, Finland's total greenhouse gas emissions were equivalent to 53.1 million tonnes of carbon dioxide (CO₂e). Finland has reduced its emissions by 26 per cent compared with the 1990 level. In 2019, Finland's greenhouse gas emissions decreased by six per cent compared to the previous year. The decline in carbon and peat consumption was the most important factor contributing to the decrease.

The energy sector (including domestic transport) was responsible for 74 per cent of the total emissions in 2019. Industrial processes accounted for 10 per cent, agriculture for 12 per cent and the waste sector for three per cent of the emissions.

In 2019, renewable energy sources were used to cover nearly 38 per cent of total energy consumption and about 43 per cent of final consumption in Finland. In 1990, renewable energy accounted for 18 per cent of total consumption. Its share has been increasing steadily since then, and the growth accelerated in the 2010s. The share of renewable energy (43 per cent) used in Finland is the second largest of the EU Member States. The only country ahead of Finland is Sweden (56 per cent). With its share of renewable energy in transport (21 per cent), Finland comes second after Sweden (30 per cent).

The Finnish LULUCF sector (land use, land use changes and forestry) is a significant net sink reducing the total emissions. In 2019, the carbon sink of forest land was -22.9 million tonnes of CO₂ equivalents, and the net sink of the whole land use sector was -14.7 million tonnes.

Biodiversity, or the diversity of ecosystems, species and genes, is part of the earth's natural capital. Thanks to biodiversity, vital functions such as the production of nutrition, carbon binding, and the functioning of seas, oceans and water resources are possible. Diversity produces commodities and services that are the pillars of a successful economy and income, societal wellbeing and the quality of life. Alongside climate change, the loss of biodiversity is the most serious environmental threat affecting the earth, and it will result in considerable economic and societal losses.

In the 21st century, the overall development of biodiversity in Finland has been negative. The impacts of the use of natural resources on biodiversity are based on the surface area affected by land use: the larger the areas changed and made efficient use of, the more extensive the impacts on biodiversity.

As for renewable natural resources, Finland's forest resources have been growing at an increasing rate for decades and this growth is predicted to continue. Measures have been taken to reduce the harmful effects of forest use, but they have to be further enhanced to achieve a good ecological state. The status of commercial fish stocks is mainly good.

In the 21st century, the development of biodiversity in Finland's nature has been negative as a whole – in terms of the number of threatened species and the Red List Index, biodiversity loss has even accelerated. Between the 2010 and 2019 national assessments of threatened species, the situation of 461 species deteriorated and of 263 species improved. However, there are differences between groups of species and habitats in both the proportion of threatened species and the direction and speed of the change. The species that have become threatened most rapidly are the species living on treeless fell tops, on mires and in aquatic habitats. The majority of threatened

species live in forests, traditional rural biotopes and other habitats established as a result of human activity, in which the change in the Red List Index was the smallest during the past decade. The main reasons for the threatened status are the impacts of the commercial use of forests and the overgrowing of open habitats. Climate change and the new alien species spreading to Finland pose growing threats.

According to the report on threatened biotopes, almost half (48 per cent) of Finland's biotopes are threatened. For example, all of Finland's traditional biotopes, such as rural meadows, are threatened. The land area covered by farmland that is valuable for biodiversity (HNV areas) has shrunk dramatically in the long term. In northern Finland, the proportion of HNV areas is approximately 12 per cent and in southern Finland approximately seven per cent of the arable land area. The reduction is mainly due to the change in the food system brought about by industry and urbanisation. Seventy-six per cent of forest habitats are threatened. This is linked to long-term changes in the natural ecological characteristics of forests, such as the amount of dead wood, and the declining surface area of many types of forest biotopes. However, an increase in the amount of dead wood has been achieved in southern Finland as a result of the active environmental management of commercial forests, but at the same time, the amount of dead wood in northern Finland has declined.

Nevertheless, positive developments have been observed in certain biotopes and species in the past few decades. It is estimated that some change factors that have previously had a harmful effect, such as chemical pollution of habitats, are no longer important threats in Finland. However, the increase in large-scale changes based on surface area has not reversed and the rise in the number of threatened species can only be reversed by halting the negative development of habitats. The growth of the populations of rare species and species that have become rarer requires an increase in suitable habitats and an improvement in habitat quality.

The status of water bodies is closely related to biodiversity and ecological sustainability as a whole. The status of 87 per cent of the surface area of Finnish lakes, 68 per cent of rivers and 13 per cent of coastal waters is rated as good or high. The ecological status of large lakes and especially that of the water bodies in northern Lapland is mainly good or high. However, small Finnish lakes suffer from eutrophication and flowing waters from siltation. As regards the Baltic Sea, improvements can be seen in the state of the Gulf of Finland as a result of water protection measures and the improved sewage treatment in St. Petersburg, in particular. However, the state of the Archipelago Sea and the Bothnian Sea has deteriorated. Coastal areas with a good status are concentrated in the Gulf of Bothnia. Nine per cent of groundwater areas are risk areas where the risk factors caused by human activity threaten the achievement of a good status.

The ecological status of water bodies is weakened by the nutrients, especially nitrogen and phosphorus, transported to them. Between 2010 and 2019, an average of 3,400 tonnes of phosphorus and 81,000 tonnes of nitrogen ended up in the Baltic Sea from Finland every year. The volume of nutrients carried to the Baltic Sea by rivers has remained relatively similar from the 1970s until today. The high level of nutrients in rivers is particularly sustained by phosphorus accumulated in agricultural land. However, thanks to more precise artificial fertilisation of fields, the nutrient surplus in fields has decreased compared to the 1990s. Between 1995 and 2019, there was a downward trend in the overall load of phosphorus and nitrogen carried from coastal catchment areas to the Finnish marine areas. The downward trend mainly results from a reduction in point source pollution.

The most difficult challenges posed by the current loads causing eutrophication concern the management of diffuse loading and the closing of the nutrient cycles. Increased winter rainfall causes increasing nutrient and solids loading, which requires measures such as improving the water retention capacity of catchment areas by means of water management and new innovative methods to keep nutrients in the soil.

The chemical state of surface waters has not improved although the concentrations of most substances are below the limits (the quality norms) set for them. The quality norms of some permanent substances accumulating in organisms are widely exceeded in Finland. As a result, the chemical status of surface waters is rated as poor. The main reason for the poor chemical status is mercury and the concentrations of flame retardant chemicals. The accumulation of microplastics in water systems is a growing problem and a subject of research. Microplastics cause stress to the aquatic organisms and may expose them to contaminants.

Unsustainable use of natural resources causes risks and uncertainties to the economy and people's wellbeing. The consequences may be wide-ranging not only from the perspective of nature but also from the perspective of human health and the economy. The use of natural resources is defined by consumption and production methods both at the national and at the global level.

Every year, approximately 90 billion tonnes of material natural resources (fossil fuels, biomass, metals and minerals) are used globally, and the OECD predicts that the amount will more than double by 2060. On the one hand, this would mean a huge increase in the carbon dioxide emissions related to the management of materials and on the other, increasing scarcity of the raw materials required for high technology, for example. According to studies, the production and processing of materials, fuels and food accounts for approximately half of the global carbon dioxide emissions and for more than 90 per cent of biodiversity loss.

According to Statistics Finland, the total material requirement in Finland has more than doubled from the level of 1975. The largest amount of domestic natural resources are used in construction, the forest industry and the metal industry. Resource productivity (how efficiently natural resources are used in relation to GDP) has improved, but this has happened very slowly. From the beginning of the 1990s until the first few years of the 2000s, it was possible to enhance the use of natural resources. Since then, the development has stopped. As for renewable natural resources, Finland's forest resources have been growing at an increasing rate for decades and the growth is predicted to continue. The status of commercial fish stocks is mainly good.

In Finland, domestic material consumption per capita is the highest in Europe. This is because of our small population, fragmented urban structure, long distances and cold climate. For these reasons, Finland has to maintain an extensive infrastructure requiring a lot of material for a small number of people. Finland also has an energy-intensive and material-intensive industrial structure, and our exports are largely based on the natural resources obtained from our own country. In 2015, 29 tonnes of natural resources per person were consumed in Finland when calculated using the raw material consumption indicator (RMC). RMC includes the flows of domestic raw-material extraction and imports in raw material equivalents after the deduction of the raw material equivalent flows of exports. RMC thus describes the final domestic use of raw materials in tonnes. The science community has estimated the sustainable level of RMC of natural resources at 3–6 tonnes.

2.3 Goal state of ecological sustainability in the 2030s

In the 2030s, Finland will have maintained its position as one of the most innovative countries in the world. Economic growth in the country will be sustainable and based on sustainable and sparing use of natural resources and immaterial creation of value. The sustainable solutions exported by Finland will be based on clean energy and low carbon emissions, renewable natural resources, circular economy, clean food, improving the quality of life, increasing wellbeing, and the technologies related to these. Finland will be one of the leading countries in circular economy, bioproducts with high added value, low-carbon energy systems, and solutions related to climate and the environment.

Finland will be at the forefront of the global sustainability transition and Finland's global handprint will be significant. Solutions produced by Finnish companies will reduce emissions and environmental impacts worldwide. Finland will have reached the

goals of the UN's 2030 Agenda for Sustainable Development and promoted the setting of objectives common to all countries. Finland will be actively involved in strengthening the international agreement system and objectives aimed at reducing greenhouse gas emissions and safeguarding biodiversity.

By the 2030s...

1. Finland will make fast progress towards a carbon-neutral society

- Finland will be carbon neutral in 2035 and carbon negative soon after that.
- Additional measures in the land use sector will help to achieve an impact of at least 3 million tonnes of CO₂ by 2035.
- The emissions of transport will be halved in a regionally and socially fair manner by 2030.
- The share of renewable energy in total consumption of energy will be at least 51 per cent.
- The implementation of low-carbon roadmaps for industrial sectors will progress, and Finland will be a stable and predictable environment for investments that produce climate benefits.
- The carbon handprint of Finnish companies and the export earnings from clean solutions will increase.
- The consumption of fossil raw materials will have been reduced and replaced with bioeconomy and circular economy solutions in a resource-wise and sustainable manner.
- The transition to a carbon-neutral society will have been implemented in a regionally and socially equal manner.

2. Biodiversity loss will have been halted

- Biodiversity will be taken into account in all activities and the aim is that biodiversity will not deteriorate.
- People will be aware of the commercial value of natural capital and ecosystem services and the benefits of nature will have been made visible as part of decision-making.
- Weakened ecosystems will be restored cost-effectively.
- Decision-making will be based on the best available scientific knowledge and on adherence to the precautionary principle.

- Finland will actively assume responsibility for safeguarding biodiversity internationally.
 - Food production will be profitable, climate-friendly, biodiversity-friendly, and resource-efficient.
- 3. The ecological status of Finnish waters, especially coastal waters, will be improving**
- Nutrient emissions to water systems will have been reduced in accordance with the load targets presented in the water and marine management plans.
 - Nutrients will be recovered, recycled and made into new products.
 - The status of waters, especially coastal waters, will have improved.
- 4. Resource productivity and the circular material use rate (CMU) will be better and domestic consumption of non-renewable natural resources will be on the decline**
- Domestic consumption of non-renewable natural resources will have decreased from the level of 2015 and will be on the decline.
 - Resource productivity will have doubled compared to the level of 2015.
 - The circular material use rate (CMU) will have doubled from the current level by 2035.
 - Bioeconomy products will be a sustainable substitute for the use of fossil raw materials and raw materials that burden the environment, and the value added of the bioeconomy will have increased.
- 5. Public decision-making in Finland will respect nature**
- The ecological impacts of reforms and decisions will also be assessed in sectors where it has not been customary to do so before.
 - Public procurements will have become more effective and sustainable and will promote the objectives related to climate, nature, the circular economy and the food system better than today.
 - Finland will be a pioneer in responsible public procurement, and the public sector will be a major market player as a procurer of environmentally friendly solutions.
 - The public sector will act as a pioneer in the transition to a fossil-free society.

3 Social sustainability, current state and goal state in the 2030s

3.1 Definition of social sustainability in the sustainability roadmap

Social sustainability means the ability to develop society so that people's trust and security are maintained, disagreements can be resolved and conflicts prevented. Social sustainability is above all aimed at safeguarding the integrity of communities and societies, the realisation of fundamental rights, human rights and equality, the functioning of democracy, and preserving them from one generation to another.

The preconditions for the realisation of social sustainability and fundamental rights are social equality, effective rule of law, sufficient income, decent work, sufficient health and welfare services and security, access to housing, and the right of individuals to education and skills development. Fair distribution of resources and opportunities to act, and opportunities to influence one's own life, be part of communities and participate in society also play an important role. Social sustainability requires balanced demographic development, an ability to identify mechanisms that create inequality, an ability to prevent discrimination and promote equality, gender equality and solidarity between generations, and an ability to ensure the equality of activities, also at the regional level.

Socially sustainable communities and societies are based on equal treatment of people, accept diversity, function democratically, include everyone and provide a good quality of life to their members. A living culture strengthens democracy and the freedom of speech. Strong polarisation of people's range of experiences and spheres of life, loneliness and unequal opportunities weaken social integrity.

The Government aims to reduce poverty and inequality, reduce income inequalities, support effective rule of law in Finland and globally, and promote the economy of well-being and people's chances for a good life throughout their lifespan. The cornerstones of this work include equity and gender equality, the welfare, competence and education services, social mobility, an active and diverse civil society, reduction of regional inequality, promotion of employment, and responsible business activities. Ensuring that "no one is left behind" is a cross-cutting principle.

3.2 Current state of social sustainability in Finland

Finland is one of the world's leading countries when measured by **trust in society**, trust in the authorities and the judicial system, the level of corruption, and freedom of the press. Trust in fellow people is also high: according to the Citizens' Pulse survey conducted in January 2021, 76 per cent of Finns trust other people. Finland has the freest elections in the world and the judicial system is the most independent one in the world. Political and citizens' rights are realised well in Finland. Measured by the implementation of the rule of law, Finland is the third best country in the world. Trust in society is also reflected in young people's interest in politics and their attitude to decision-making: in the 2018 Youth Barometer, the majority (61 per cent) of young people were at least somewhat interested in politics. Democracy is valued highly by citizens. A free and vibrant civil society increases trust and helps to take the population groups into account widely. On the other hand, there may be major differences in the participation in democratic activities between regions and socio-economic groups. Democracy is also facing new challenges, such as the escalation and polarisation of the conversation culture. Harassment, disinformation and manipulation targeted internationally at elections have been increasing, and Finland should also be prepared for this possibility.

The **sense of security** in Finland is high: 87 per cent of Finnish people consider Finland a safe country and 95 per cent find their personal safety and security good. However, almost one half of the population is of the view that, in five years' time, Finland and Finnish people will be living in a world that is less safe than today. For most people, everyday life is still safer than it has ever been before. In safety, inequality is visible especially in relation to the threat of violence, accidents, discrimination, hate crimes and different kinds of mistreatment. Committing crimes, falling victim to crimes, and accidents and injuries are often related to disadvantage, which accumulates and may even be passed down from generation to generation.

The risk factors of violent crime are homelessness, a low level of education, a low professional status, low income and being unmarried. In addition, substance abuse is closely linked with assaults. Men face violence in public places significantly more often than women. Men also fall victim to serious violent crimes and homicides more often than women. According to a study conducted in 2010, 55 per cent of Finnish men have experienced violence or threats after having turned 15. According to the 2016 national crime victim survey, one fifth of women had experienced some degree of violence or threats during the year. Women are more often victims of domestic violence than men and especially victims of violence committed by their own partner.

Discrimination and hate crimes are primarily targeted at different minorities. Approximately 70 per cent of suspected hate crimes reported to the police are related to the victim's ethnic or national background. In 2019, slightly more than half of the reports concerned verbal insults, threats or harassment. Sexual harassment, on the other hand, is targeted especially at girls, young women and young trans people.

Respect for democracy, the rule of law and fundamental and human rights provides a solid basis for wellbeing. By international standards, **fundamental and human rights are realised well in Finland**. However, there are still shortcomings in the identification, tackling and reporting of fundamental and human rights problems and in the position of vulnerable population groups. These include shortcomings related to the position of victims of domestic violence, older people, persons with disabilities, gender minorities, ethnic minorities, victims of human trafficking and asylum seekers. Finnish companies are committed to respecting human rights at a general level. However, only one quarter of companies systematically and publicly assess the impacts of their business activities on the realisation of human rights. The result is close to the international average.

In international comparisons of **gender equality**, Finland is close to the top. For example, going to work is almost equally common among women and men, with the exception of women with an immigrant background. However, assessments of how gender equality is realised reveal a difference between women and men. Almost one half of men but only one fifth of women estimate that men and women are equal in Finland. There are differences between the sexes in terms of income and care responsibilities, for example. The average monthly earnings of women are approximately 84 per cent of the earnings of men, and the pay differences have been slow to decrease. Learning results, educational choices, and occupations and occupational fields in working life differ according to gender. Mothers use approximately 90 per cent of all days of family leave. Discrimination on the grounds of pregnancy and family leave is a gender equality issue. Women over 75 years of age are at a high risk of poverty. Violence against women and domestic violence remain a persistent social and human rights problem. The employment rate of immigrant women is lower than that of women born in Finland or men with an immigrant background. For the past five years, women have found their quality of life better than men. The life expectancy of men is lower than that of women and a significant proportion of those who die in working age are men. Morbidity, lifestyle and other factors related to wellbeing and health are also different among women and men. The polarisation of men is high: men are a majority in both socially excluded people and successful people. Similarly, men are overrepresented in perpetrators of crime. In the PISA assessment, the literacy and natural science skills of girls are better than those of boys, and the difference is the widest of the OECD countries. The majority of school drop-outs are boys. The educational level of

men is lower than that of women. Sexual and gender minorities face a lot of discrimination and harassment.

Although many welfare indicators show that wellbeing is at a higher level than ever before, **inequality** still exists in Finland. The majority of citizens feel well, but some have not been able to engage in the positive development. Disadvantage does not follow them only from one stage of life to another, but is also passed down from one generation to another. In addition to material disadvantage, disadvantage may also be related to human relationships, in other words, it may be experiences of loneliness and social exclusion.

In the latter half of the 1990s and the first decade of the 2000s, **income inequalities** in Finland were growing faster than in any other OECD country. After that, the development of income inequalities has not been as strong as in some other countries but even here, especially the highest incomes have been developing separately from the income of the rest of the population. However, income differences in Finland are still smaller than in the European Union on average. Finland also stands out positively in international comparisons with small income differences between pensioners. The gender pay gap is a persistent problem in Finland. The pay gap is 16 per cent and since 2006, it has decreased by only four per cent.

Wealth inequalities in Finland have increased almost continuously for 30 years. Even if the initial situation is good, a long-term increase in income and wealth inequalities will at some point lead to different realities and way of life for different population groups. A significant part of the wealth of Finnish people has been invested in housing, and regional differences have increased both between and within regions.

Social exclusion is a complex phenomenon in which problems in several areas of life often affect the same people. Social exclusion and over-indebtedness often include exclusion from education and the world of work, and health and substance abuse problems. Cumulative disadvantage is also related to falling victim to crime and committing crimes. These factors may intensify the experience of social exclusion and inequality. Experiences of social inclusion and opportunities to exert influence in matters concerning themselves are extremely important for children and young people. Bullying has decreased in schools and educational institutions over the past ten years but is still a significant problem from the point of view of children and young people's wellbeing and a background factor in problems emerging later in life. Children placed outside home, children with an immigrant background and children with disabilities experience exclusion by their peers or bullying more than other children. They feel significantly more often than others that they do not belong to the class community at school or that they do not have friends.

At the level of the entire population, **experiences of exclusion** have decreased slightly in Finland over the past few years, but many people with a minority background are still more likely to experience discrimination than the rest of the population. Discrimination based on ethnic origin is a common form of discrimination. Age-related discrimination is the most common form of discrimination at workplaces. The next most common forms observed are discrimination related to health, gender and working part-time. The youngest employees, aged between 18 and 29, face more forms of discrimination occurring at workplaces than older employees. Discrimination on the grounds of pregnancy and family leave is common. Many people with disabilities who have applied for jobs experience discrimination in their job search because of their disability. The different grounds for discrimination may also become intertwined in experiences of discrimination.

Measured by **social mobility** in society, Finland is able to provide its citizens with better opportunities to improve their living conditions than many other countries. The link between education and social mobility has strengthened and is likely to continue to do so even more in the future. However, social mobility related to education seems to have weakened. In Finland, education has been inherited to a lesser extent compared to many other countries. However, the situation has changed in the past few years.

Generational poverty has increased in Finland. The link between the socio-economic family background and later life reveals a lack of equal opportunities. The socio-economic status is also plays an important role from the point of view of morbidity and the need for services.

In Finland, **the risk of poverty or social exclusion** particularly affects young adults, persons living on their own and those aged over 75 years as a result of their low income. The at-risk-of-poverty rate of wage earners is 1.7 per cent and that of entrepreneurs 11.8 per cent. **Poverty of families with children** has begun to increase especially in households of single parents and immigrants. Of children under 18 years of age, 11.6 per cent, or 121,000, live in families that are at relative risk of poverty. Relative risk of poverty is closely linked with the number of adults in the family: in single-parent families, almost one in four, or 23 per cent of children were in the at-risk-of-poverty group in 2018, while the percentage for children in households of two adults was seven per cent. The risk of poverty or social exclusion among long-term unemployed people is considerable.

In the shadow of a prosperous and wealthy majority, there are still population groups whose standard of living, quality of life and lifestyle have diverged from those of the majority when measured by several indicators and whose living conditions are significantly weaker than those of the rest of the population.

Many factors with a harmful effect on health – poor quality of nutrition, substance abuse, poor housing conditions and unstable employment relationships – accumulate and are even inherited in the same population groups. The state of emergency caused by the COVID-19 epidemic has affected Finnish society and different groups of people unevenly. The greatest burden is carried by those who were already vulnerable. The crisis has hit the people in the most vulnerable position the hardest. The social consequences of the health crisis may continue in the lives of people and their children far into the future. It is important to pay attention to the groups in the most vulnerable position and the implementation of their rights.

The **number of children placed outside** home has been growing alarmingly for a long time. There are many reasons behind the placements, but the underlying issues are often problems related to parenthood, parents' or children's mental health or substance abuse problems, parents' low income, and difficulties in attending school. The inappropriateness of the service system may also be a factor. Those who have grown up in substitute care are at greater risk of becoming marginalised than the population in general. Children taken into care are at a greater risk of not completing basic education and a post-comprehensive qualification, and they are more likely to be clients of mental health services or social assistance compared to the population of the same age.

Homelessness has been decreasing for seven consecutive years. At the end of 2019, there were approximately 4,600 homeless people living on their own in Finland, which is 280 fewer than in 2018. For the first time, the number of young people aged under 25 and the number of long-term homeless fell below 1,000. An increasing proportion of homelessness is hidden homelessness that is not visible in statistics. Substance abuse, mental health problems and financial problems are the main reasons for homelessness. Three thirds of homeless people are men.

Securing an income for people in all situations is key to socially sustainable societies. International comparisons show that **social security benefits** efficiently reduce poverty in Finland. In our current system, the sufficiency of benefits compensating for loss of earnings is good, but the minimum and basic security benefits are not at a sufficient level. Some of the benefits, such as the smallest pensions, have therefore been increased significantly. The basic security benefits must often be supplemented with social assistance.

Between 30 and 40 per cent of **unemployed people** are long-term unemployed and approximately 50 per cent of them have partial work capacity. People who have completed only basic education and those in fixed-term employment are at high risk of unemployment. The employment rate of single parents and persons with disabilities is

significantly lower than in the population on average, as is also the employment rate of immigrants.

The number of long-term unemployed people declined between 2016 and 2019 but began to increase again in 2020. In the past few decades, a relatively large group of **people with poor employment prospects** not caused by cyclical fluctuations has formed in Finland. In comparisons, Finland falls behind most of the other Nordic countries in the number and quality of employment services, employment of persons with partial work capacity and the use of pay-subsidised work. Part-time work is less common in Finland than in the other Nordic countries. The negative impacts of long-term unemployment on wellbeing are wide-ranging and, in addition to people of working age, they are also reflected on other age groups, such as families, children and young people. Unemployed people have more chronic illnesses than others and they find their health weaker than those who go to work. In spite of the changes and transition of working life, there have been many positive developments in **the quality of working life**. Among Finnish people, **satisfaction with the working conditions** is at the same level as in the other Nordic countries. There are considerable regional differences in the employment rate.

In Finland, **the proportion of young people aged 15–24 who are not in employment, education or training** is somewhat higher than in the other Nordic countries, but significantly lower than the EU average. In 2019, young people who were not in employment, education or military service accounted for 7.9 per cent of the total 15–24 age group. In the past few years, the number of young people not in employment, education or training has been on the decline, but the COVID-19 pandemic is likely to affect the study and employment opportunities of young people for a long time to come.

The educational level of Finns is good and increasing slightly, but the development in other key reference countries is even faster. Gender differences in learning outcomes are the widest of all OECD countries. Literacy is among the best of in the world; however, skills in mathematics, natural sciences and literacy have declined. The link between the socio-economic background and the skills of the individual has strengthened. The rate of participation in adult education is high. In 2012, approximately 54 per cent of 25–65-year-olds participated in education and training in Finland. The reform of vocational education and training has increased flexibility in access to studies and completing them. Library visits and the borrowing of library materials reflect **the population's willingness to educate themselves**, social awareness and desire to be active citizens. The use of libraries in Finland ranks at the top of international comparisons. Almost 54 million visits were made to libraries in 2019.

The quality of life refers to an individual's assessment of their life in the cultural environment in which they live and its specific values, and in relation to their own goals, expectations, values and other things that are meaningful to them. In 2018, around 60 per cent of the population in the whole country felt that their quality of life was good, but there were significant regional differences. There are major **health and wellbeing inequalities** between regions and population groups in Finland. The objective of the health and social services reform is to balance the differences in health and wellbeing by ensuring equal access to services.

The uncertainty young people feel about the future is reflected in whether they start a family. The proportion of childless people has increased and is particularly high among people with a lower level of education. In the past few years, fewer Finnish people have had a third or a fourth child. The decade-long **decline in the birth rate was reversed** last year, but the birth rate is still at a historically low level: the total fertility rate in 2020 was 1.37 (1.35 children in 2019), which is the seventh lowest in Europe. The number of children desired by Finnish people has also declined but is still approximately two children.

Unlike in many other Western countries, the COVID-19 pandemic has so far not led to a decline in the birth rate in Finland. The demographic development in the regions continues to diverge and intensify: the population is declining in most municipalities. The demographic growth in Finland and many municipalities is due to immigration. International immigration has been moderate in the past few years. More Finnish citizens born and educated in Finland leave the country than return here, but return migration has increased in the past few years.

Art and culture widely promote wellbeing and economic activity. There are differences in engaging in art, culture and physical activity according to the socio-economic background, educational level and regional location of the population. Art and cultural activities can prevent costs resulting from the management of societal problems. The fields of art and culture have suffered most from the COVID-19 pandemic, which may also have far-reaching consequences and impacts on our ability to achieve the objectives of social sustainability.

The COVID-19 pandemic has significantly affected the wellbeing of citizens and increased inequality because many of its social impacts have affected the same people. Those already in a vulnerable position have suffered most from the crisis caused by the pandemic. The pandemic has negative impacts especially on the wellbeing of children, young people and families. Police call-outs related to domestic violence increased in 2021. For example, the importance of voluntary food aid would seem to be increasing. The polarisation related to learning has accelerated during the pandemic, and loneliness and inequality between children and young people have increased. As

for young people, references are even made to a generational experience caused by coronavirus because they have missed many milestones from the communal experience of starting studies to graduation. The burden caused by remote arrangements and their continuing effects is distributed unevenly. On the other hand, the COVID-19 pandemic has proved that working remotely is possible in many jobs, and this has reduced the time spent on commuting. Many families now spend more time together.

The employment rate has fallen and unemployment has increased during the epidemic. According to studies, people already in a more vulnerable position in the labour market (women, young people, people with a low level of education, people in fixed-term and atypical employment relationships) were hit hardest and the pandemic thus exacerbates the already existing inequalities in the labour market. For many entrepreneurs and companies, the COVID-19 pandemic and the related restrictive measures have been difficult.

As a result of the restrictive measures related to the COVID-19 epidemic, many social services were put on hold. The situation was the most difficult for homeless people, for whom the basic preconditions for life seemed to be threatened because of the backlog of services. If the backlog of services increases and becomes prolonged, there is a risk that people's lives become significantly more difficult, which may be reflected in an increased need for multiprofessional services in the next few years.

As for Finland's **global responsibility**, the COVID-19 pandemic has brought special challenges and led to steps back in the implementation of the Sustainable Development Goals of the 2030 Agenda. Challenges related especially to equality, food security, education and health services, including sexual and reproductive services, have increased in all developing countries.

3.3 Goal state of social sustainability in the 2030s

In the 2030s, Finland will be the most stable society in the world and the implementation of fundamental and human rights will be at a high level. The principle of equality will be realised in all activities. Finland will be one of the world's leading countries in equality. Social inclusion will be ensured for everyone. The employment situation will be good. Poverty will have decreased and income and wealth inequalities will have narrowed. Regional differences will have decreased.

Finland will look after the well-being of its population. People will feel they are part of society and have relationships that enrich their lives. Bullying at school will continue to decline.

General education and the level of competence and education will have improved. Finnish people will get closer to having as many children as they would like to have than they do currently. Work-based immigration will have improved the availability of skilled labour and the new Finns will have integrated into Finnish society well.

Finland will have assumed its share of global responsibility and will have achieved the goals of the 2030 Agenda for Sustainable Development and the goals of the European Pillars of Social Rights Action Plan.

By the 2030s...

1. Trust and security will be at a high level in Finland

- Finland continues to be the most stable society in the world and the implementation of fundamental and human rights will be at a high level. [Government Programme]
- The sense of security and trust in society and institutions will have been further strengthened [Government Report on Internal Security 2021]
- Recidivism will have decreased [Government Programme]
- The culture of hate speech will be eradicated and hate crime will be combated. [Action Plan for Combating Racism and Promoting Good Relations between Population Groups (in Finnish)]. Finland will combat all forms of violence [summary of the Government Programme].
- Citizens and society will be protected against digital security risks [Government resolution on digital security in the public sector]
- Young people's trust in society and the future will have grown and their participation will have increased. The differences in voter turnout among citizens will have been reduced. [Entry in the spirit of the Government Programme]
- Democratic participation rights and opportunities to exert influence will be implemented equally. [National Democracy Programme 2025]
- Opportunities to influence preparation and decision-making will have been increased, for example, by introducing new ways of democratic participation. The operating conditions of democracy will be better thanks to reliable and open information and safeguarding of the

operating conditions of a free civil society. Finland's role as a builder of a rules-based international system will be stronger [Public Governance Strategy]

- The vitality of civil society will have strengthened. [summarises the following Government Programme entries: Systematic measures will be taken to strengthen the civic space and facilitate civil society participation, Civil society will be given support in an effort to consolidate rule of law, and The operating conditions of the civil society will be improved]
- Companies' business activities will be responsible in Finland and globally [summary in the spirit of the Government Programme]
- Trust in public administration will be high. Public administration will have been developed by systematically taking advantage of strategic experiments and flexible processes and by enhancing coordination between different administrative functions.
- People-centred and equal services will have been secured in the increasingly diverse society in the whole country. Services will be implemented in an economically sustainable manner by taking advantage of information and digitalisation widely. Services and benefits will be easily accessible for the client, easy to understand, interoperable, safe and reliable.

2. Finland will be a global leader in gender equality

- Finland will be a global leader in gender equality. It will combat domestic and intimate partner violence, promote more balanced sharing of family leave and care responsibilities between the sexes and flexible reconciliation of family and work, and promote equal pay and changes in working life to reduce gender segregation at work. [Entries from the Government Programme, combined]
- Gender inequalities in health and competence, and the difference between women and men in life expectancy will have been reduced in Finland.
- The gender pay gaps will have narrowed and discrimination on the grounds of pregnancy and in recruitment will have decreased. [Entries from the Government Programme, combined]
- Care responsibilities and family leave will be equally divided between the parents in families, opportunities for choice and flexibility in taking family leave will have increased, and the system of family leave will treat all families, including diverse families, equally and allow for different

forms of entrepreneurship. Equal alternate parenting will be supported. (Entries from the Government Programme, combined)

- The position of gender and sexual minorities will be better both in legislation and regarding harassment and discrimination.
- Socially sustainable development will have been supported in all sectors of society by mainstreaming gender equality perspectives.

3. Poverty and exclusion will have decreased in Finland and more people will be have jobs

- In the 2020s, wellbeing and prosperity will continue to be based on knowledge and skills and on work and entrepreneurship. (Entry in the Government Programme)
- Income and wealth inequalities will have decreased
- Poverty and social exclusion will have declined, especially among families with children and older people.
- Over-indebtedness and problems related to it will have decreased.
- Economic skills will have been improved in all age groups. [Government Programme: reducing poverty and exclusion]
- Homelessness will have been eradicated. [Government Programme: eradicating homelessness by 2027]
- Reforms will have strengthened equal opportunities [Government Programme: the reforms aim to boost equal opportunities]
- Everyone will have the opportunity for social inclusion [Government Resolution Promotion of wellbeing, health and safety 2030]
- The health experienced by people and public health will have improved.
- Working careers will have been prolonged and the employment rate will be higher. Work will be safe and healthy in all workplaces, regardless of the form of work, place of work and size of the workplace. Everyone will have the opportunity to work according to their work capacity. [Very similar entries in the Government Programme. Also related to programmes on promoting the work capacity of persons with partial work capacity]
- Periods of unemployment will be on average shorter than currently and fewer people will be long-term unemployed. Labour market participation of people with partial work capacity, those with poor employment prospects, the young and older people and those with an immigrant background in particular will have increased. A wide range of needs-

based services for the promotion employment and skills development will be available to those disadvantaged in the labour market and, if necessary, other services such as health and social services will be combined with them. More people will have the opportunity to work part-time. [All derived from the Government Programme]

- Finland will have an active employment policy in which services are targeted individually and efficiently [derived from the Government Programme]. The professional competence of workforce will be improved to respond to changes taking place in working life [derived from the Government Programme]. The preconditions for continuous learning will have been strengthened considerably [based on the Government Programme].
- Services promoting the integration of immigrants will have speeded up access to the labour market for new immigrants [derived from the Government Programme]. The employment rate of immigrants, especially women and persons with a refugee background, will rise [derived from the Government Programme].
- The number of young people not in education, employment or training will have decreased [from the Government Programme]. Young people will not be excluded from the labour market, but will be able to easily find routes to working life [in the spirit of the Government Programme, not directly from it]
- The conditions for artistic and other creative work will have improved and the modes of production and distribution have become more diverse. [Strategy for Cultural Policy]
- Emissions reduction measures will be carried out in a way that is fair from a social and regional perspective. [Government Programme]
- Polarisation between regions and within municipalities will have decreased and all of Finland will develop equally. Contributing factors include an increase in location-independent work and studying, good telecommunications and, as a result, opportunities for people to choose their place of residence more freely.
- Companies will have good conditions to succeed, hiring staff will be easy and taxation will offer incentives to work and entrepreneurship. Decision-making by public authorities will be flexible.
- Fair rules in working life and a culture of reaching agreements will help to secure the position and livelihood of employees. [Government Programme]

4. Finland will be a country of equality and non-discrimination that looks after the wellbeing of the entire population

- Everyone will have access to quality primary healthcare and basic social services when they need them. [Government Programme]
- Social inclusion and equality will have been promoted and the polarisation of residential areas will have been curbed. [Government Programme]
- Discrimination in working life will have been reduced [entries on pay discrimination and discrimination in recruitment and on the grounds of pregnancy in the Government Programme].
- The culture of intervening in racism and discrimination in Finland will have been strengthened, and good population relations will have been promoted. [Action Plan for Combating Racism and Promoting Good Relations between Population Groups (in Finnish), in the spirit of the entries of the Government Programme, a government resolution is due in April 2021]
- Sustainable wellbeing will have been secured in all population and age groups. [Government resolution Promotion of wellbeing, health and safety 2030]
- Everyday environments support people's wellbeing, health and safety and will be accessible and aesthetic [Government Resolution Promotion of wellbeing, health and safety 2030]
- Inequalities in wellbeing and health between different population groups and regions will have decreased. Excessive client charges will not prevent the use of necessary services. [Derived from the Government Programme]
- A physically active lifestyle that promotes health and wellbeing will be more common and physical activity and sport will have increased inclusion and the sense of community. The opportunities for leisure activities for different population groups – especially children and young people – will have increased across Finland. [based on the Government Programme and a summary of the objectives of the National Youth Work and Youth Policy Programme 2020–2023, the On the Move programmes of the coordination body for sport policy (LIPOKO) and the Finnish model for leisure time activities]
- Inclusion and participation in cultural activities will have increased and the differences in participation between different sectors of population will have narrowed. [Strategy for Cultural Policy 2025, Ministry of Education and Culture]

- Finland will shoulder its global responsibility. Development policy will be aimed at poverty eradication and reduction of inequalities. [Government Programme]

5. The level of skills, competence, education and culture will be high in Finland

- The level of education and competence will have risen at all educational levels, differences in learning outcomes will have narrowed and inequality related to education will have decreased. Government Programme] Everyone will have equal opportunities for continuous learning. [Summary of the Government Programme and Parliamentary policy approaches for reforming continuous learning]
- The cultural basis will be strong and vital [Strategy for Cultural Policy 2025].

4 Economic sustainability, current state and goal state in 2030

4.1 The starting points for economic sustainability in the sustainability roadmap

Economic sustainability means that both general government finances and the entire public economy are stable and function well. Here, we will focus especially on the sustainability of general government finances, which in Finland involves challenges posed by the changing age structure, in particular. The challenge is strengthened by the anticipated slow growth of productivity, the subsequent slow growth of the economy, a lower employment rate than in the other Nordic countries, a low birth rate and low work-based and education-based immigration.

The aim of economic policy is to increase wellbeing. It means ecologically and socially sustainable economic growth, a high employment rate and sustainable general government finances. With a stable economy, unexpected changes that reduce wellbeing can be avoided in people's life.

The sustainability of general government finances means the ability of public administration to provide wellbeing to the citizens within the limits of the resources available to the national economy. These limits depend on the number and skills level of the population capable of work, the available technology, the amount and quality of physical capital and the carrying capacity of nature. The stability of the entire national economy is also widely affected by the developments in the different sectors of the economy and factors such as the crisis resilience and effectiveness of the banking sector and the debt resilience of the private sector. Social sustainability of society, the integrity of society and social inclusion also strengthen the production potential of the national economy for their part.

Economic growth in Finland is primarily based on productivity growth. The most important factors contributing to productivity growth are skills and innovation. The smoothly functioning welfare state, the effective infrastructure, education and training, research and close integration with the global economy form the foundation for Finland's successful economy and growth. These factors strengthen one another. The Government's economic policy aims to strengthen this foundation.

General government finances can be considered to have a sustainable basis when the general government debt-to-GDP ratio remains stable in the long term and does not begin to grow uncontrollably, and the availability and price of funding for the public sector does not limit the decision-making concerning economic policy. From the point of view of these factors, a good relative position in comparison with other countries is essential. In addition, it is important that the open contingent liabilities of general government, such as government guarantees, and the hidden contingent liabilities, such as liabilities in the banking sector, are reasonable in relation to the carrying capacity of the economy and that their risk management is in order. Trust in Finland's ability to manage its liabilities will then remain at the current high level.

Economic, social and ecological sustainability are closely linked with one another. Economic sustainability must be pursued through actions that do not significantly harm other societal objectives or the environment or undermine the conditions for economic growth. Similarly, measures aimed at strengthening social and ecological sustainability must be implemented in such a way that they do not cause significant harm to economic sustainability.

Economic sustainability lays the foundation for social sustainability as strong general government finances will enable the services and income transfers required for social sustainability also in the future and high employment rate will increase social inclusion. The conditions for economic sustainability are stronger in a socially sustainable society.

Economic growth and economic sustainability also enable the technological renewal required for achieving ecological sustainability and the investments required for combating climate change and biodiversity loss. The foundation of the economy depends on ecological sustainability, natural capital and its diversity.

Over the past 100 years, Finland has been a success story. During only a few generations, our country has joined the wealthiest countries in the world. Among the factors that have contributed to this success and to the strong average economic growth are an effective democracy and its decision-making ability, a stable and safe society based on trust, and investments in education and wellbeing of the population and the safety net created by social security. These strengths have also supported our country in fluctuations that have sometimes been dramatic and helped transform the changes shaking the economic and social structures into opportunities, new business activities and jobs.

4.2 Current state of economic sustainability in Finland

The crisis caused by coronavirus has significantly increased public deficits everywhere. This is because of reasons such as the slow-down of economic activity as a result of the spread of the virus and responding to the crisis. The actions taken to respond to the crisis include strong measures to support people and companies, significant fiscal policy recovery measures required by the economic situation, and measures safeguarding the functional capacity of healthcare and the authorities. In Finland, the extent of the economic and social damage caused by the crisis has remained significantly lower than anticipated as a result of people's responsible behaviour and the policies pursued and in 2020, the GDP in Finland declined significantly less than predicted in summer 2020. However, the long-term impacts of the crisis are difficult to predict, and the uncertainty and risks related to the spread of the virus are still globally high.

Last year, the general government debt of Finland increased by around 10 percentage points to about 69 per cent of GDP. In the euro area, the corresponding increase was on average 14 percentage points and the average general government debt was approximately 98 per cent of GDP. Before the financial crisis in 2008, the general government debt of Finland was less than 33 per cent of GDP, after which the debt-to-GDP ratio has varied on both sides of the EU's reference value of 60 per cent. In its autumn forecast, the European Commission estimated the debt ratios of Sweden and Denmark to be approximately 40 per cent this year, even though their debt ratios were higher than in Finland in the first years of the 2000s.

The exceptionally low interest rates and other strong monetary policy recovery measures have facilitated debt management in Finland and other countries. This is one of the reasons why it has been possible to respond to the crisis caused by the COVID-19 pandemic in the way required by it, including the strong fiscal policy recovery measures, like other countries have also done. Finland's relative position from the point of view of available financing has not declined.

In the first years of the 2000s, general government finances still showed a strong surplus, particularly as a result of the strong surplus of the current account, but have remained significantly in deficit since 2009. In 2019, general government expenditure exceeded revenues by EUR 2.4 billion. The crisis caused by coronavirus increased the imbalance to EUR 12.9 billion (5.4 per cent of GDP) in 2020. In 2020, the current account of Finland seems to show a slight surplus for the first time in approximately 10 years, meaning that Finland's foreign debt did not increase in 2020. This is because exports declined less than imports, the tourism balance turned from a deficit to

a surplus, the financial position of households improved temporarily as consumption declined and, as a result of the COVID-19 crisis, Finnish export prices fell less than import prices for reasons such as a temporary decrease in energy prices.

The risks of general government finances are also increased by the high level and rapid growth of government guarantor and guarantee liabilities when compared to many other countries. In 2008, these liabilities amounted to EUR 23 billion, and the amount had increased to more than EUR 60 billion by the end of 2019. The majority of them are linked to exports in individual industries and to the National Housing Fund. The possible realisation of these liabilities may lead to a considerable additional burden to general government finances. In addition, the financial sector in Finland is extensive in relation to the size of the economy and its importance has increased. However, it is positive that the operation of the Finnish banking system has been stable even in the exceptional conditions during the COVID-19 crisis.

From a broader perspective, the risks of general government finances are also affected by societal and ecological factors, such as climate and environmental crises, the demographic development, the stability of society and the possibility of new pandemics.

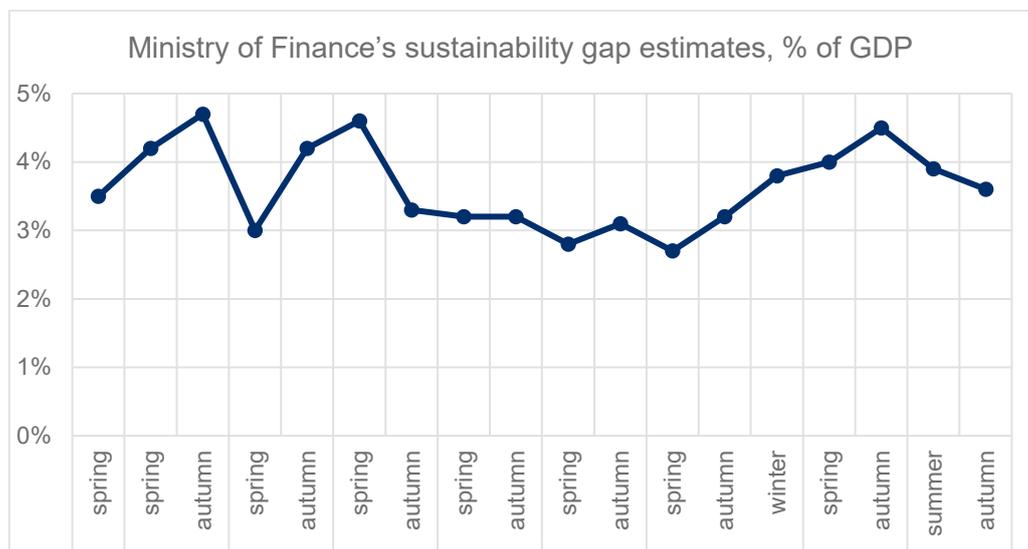
The indebtedness of households in turn increases the risks affecting the stability of the economy. The indebtedness of households has been on the increase since the first years of the 2000s and has risen to a record level of more than 130 per cent of the available annual income. The exceptionally long period of extremely low interest rates has contributed to indebtedness. Slightly over three quarters of the total debt of households consists of mortgages. The (moderate) increase of house prices has increased the sizes of the mortgages. In the past few years, loans taken by housing companies have become more common and increased the debt burden of households. In autumn 2020, housing company loans totalled more than EUR 20 billion. Almost half of the stock was in Uusimaa and almost EUR 5 billion in Helsinki alone. Migration, low interest rates, longer mortgage periods and higher house prices all have a similar impact and increase indebtedness. The possible increase in interest rates would reduce the purchasing power of households and economic growth and could lead to social problems in overindebted households.

General government finances have been weakened by the ageing of the population, the decline in economic growth and the decrease in the large surplus of the current account. In the past ten years, Finland's GDP per capita has fallen behind the development in the other Nordic countries and is still lower than in the top year 2008. A major reason for this has been the slow growth of productivity in Finland after the financial crisis. The employment rate in Finland is also lower than in the other Nordic countries, although the development of employment was good before the COVID-19 crisis

and significantly better than anticipated during the crisis. Furthermore, Finland has not been able to attract production-related investments or work-based immigration to the desired extent. According to the Commission's long-term scenario, the differences between Finland and the other Nordic countries will not decrease unless determined action is taken to reform the economy.

Without measures to strengthen general government finances, the increase in the debt ratio will continue after the end of the COVID-19 crisis. General government expenditure will be increased by the growth of the ageing population, which will increase not only the care expenditure, but also the pension and health expenditure. At the same time, the decline in the number of people of working age will weaken the financing base of general government. For these reasons, general government finances will have a long-term sustainability gap, which is estimated by the Ministry of Finance at almost EUR 8 billion (approximately 3 per cent of GDP) according to the preliminary estimate in spring 2021. The sustainability gap estimate is by nature a 'pressure projection' that involves considerable uncertainty as it is difficult to anticipate economic and demographic developments. The Ministry of Finance's sustainability gap estimate has varied from year to year:

Figure 1. Ministry of Finance's sustainability gap estimates, % of GDP



The development of the number of people of working age is defined by the demographic development, especially the trends in net immigration and the birth rate. In the 2010s, the birth rate declined dramatically in Finland. At the turn of the decade, more than 60,000 children were born every year, but the figure was only 46,000 in 2019. The total fertility rate in Finland, 1.35 children per woman in 2019, is lower than in the

other Nordic countries and in the EU on average. Very recently, the decline seems to have stopped, but the birth rate is still the seventh lowest in the EU. In the 2010s, net immigration to Finland was on average slightly over 15,000 people per year and population growth relies on net immigration. In spite of net immigration, the working age population in Finland is shrinking because the retiring generations are significantly larger than the generations reaching working age. According to the current population projection, the population of Finland will begin to decline at the beginning of the 2030s.

In addition to the need to safeguard services for the ageing population, general government finances will also be under pressure for many other reasons in the future. These include climate change and the loss of nature, the need to renew and repair the infrastructure, and actions taken to reinforce RDI activities to support economic growth. Climate change and curbing it will have direct and indirect impacts on general government finances. Climate change will cause many risks, some of which are difficult to predict, to economic activities in the short and long term. They will also lead to expenditure pressures on general government finances. The policy measures and international commitments planned for curbing climate change and adapting to it will also affect general government finances. As a result of climate change and the measures taken to curb it, the economic resources will have to be reallocated. This may provide new opportunities for growth but also weaken general government finances when the impacts of the changes on citizens and the different sectors of the economy have to be softened with public funds.

By international standards, Finland's public sector is fairly efficient, which can be seen when comparing the quality of health and social services and their expenditure-to-GDP ratio. However, measuring the productivity of the public sector is challenging and international comparisons are difficult because service systems, their funding and structures differ significantly from one another. One of the challenges faced by our service system is the fragmented field of service providers in municipalities and the social and regional inequalities in the availability of the services. The lack of coordination between administrative branches and deficiencies in the people-centred and client-centred approach make efficient use of resources in the public sector more difficult and, at worst, lead to their inappropriate use.

The current COVID-19 crisis has again demonstrated how important it is to respond to the shocks and fluctuations facing the economy with a correctly scaled fiscal policy. The exceptional policy measures have succeeded in significantly reducing the economic and social damage caused by the crisis. At best, they will have long-term impacts on the potential output of the economy. For its part, this has highlighted the importance of having leeway in general government finances when a crisis hits and coordinating the actions of the different sections of economic policy.

This emphasises the need to prepare for new future crises and strengthen general government finances and their crisis resilience. It also helps to ensure that Finland's general government debt-to-GDP ratio in relation to other countries and the costs of debt management will remain at a low level. For the past ten years, the interests of general government debt have been at an exceptionally low level and rapid changes are not expected. In the long term, there are risks in the development of the interest rates, especially if the debt ratio is at a high level.

The factors key to stabilising the debt ratio are sustainable economic growth, balanced development of the population's age structure, sustainable growth of employment and a sustainable starting situation for general government finances throughout the economic cycle.

In the image below, the sensitivity of the debt ratio to changes in the economic growth is examined with the help of four simplified scenarios:

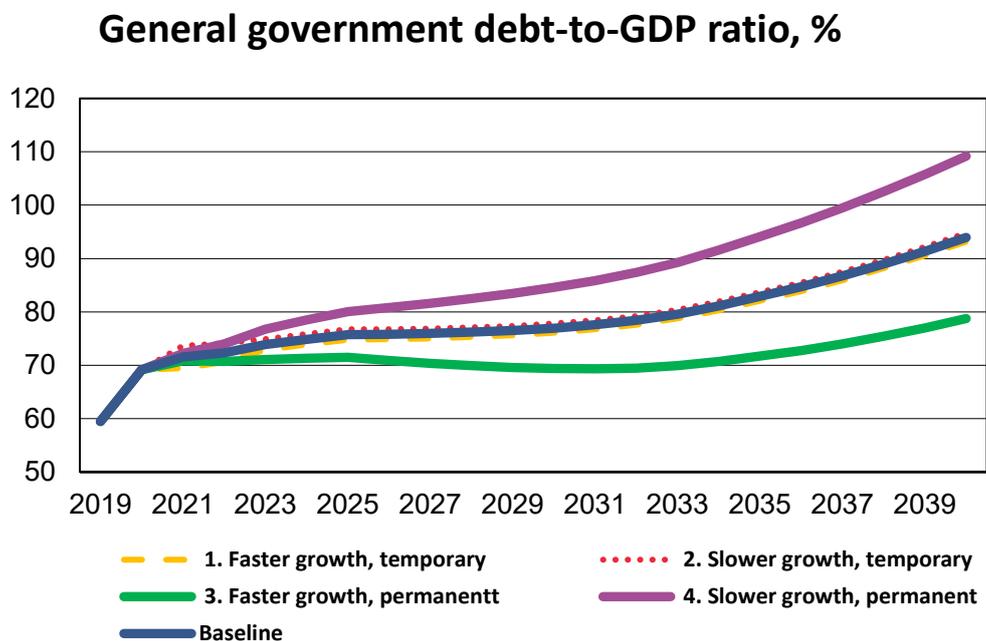
Table 1. Four sensitivity studies

	Faster growth	Slower growth
Temporary, cyclical	Economic growth would be two percentage points faster than the baseline in 2021, but the impacts of faster growth would disappear by 2023 because of growth slower than the baseline. This describes a cyclical growth spurt that does not affect the potential output of the economy ¹ .	Economic growth would be two percentage points slower than the baseline in 2021, but after that the economy would recover faster and unfavourable impacts would disappear by 2023. This describes a cyclical disturbance that does not affect the potential output of the economy.
Permanent, structural	Economic growth would be cumulatively two percentage points faster than the baseline between 2021 and 2023, and the impact would be permanent, i.e. the level of GDP would permanently remain two per cent higher than the baseline. For example, this describes a situation where the	Economic growth would be cumulatively two percentage points slower than the baseline between 2021 and 2023 and the impact would be permanent, i.e. the level of GDP would be permanently lower than the baseline. For example, this describes a situation in which the structures of the

¹ The slowing down of growth below the potential rate later corresponds to the part of the growth that created the positive output gap. In other words, growth that creates a positive gap is temporary.

Faster growth	Slower growth
growth of the economy and employment are enhanced with structural reforms ² .	economy change unfavourably or the impacts of a recession remain permanent because the loss of production factors.

Figure 2. General government debt-to-GDP ratio, %. Source: Statistics Finland, Ministry of Finance



The figure shows that temporary cyclical changes in the GDP do not have a significant impact on the long-term development of the debt ratio. In the long term, structural factors will act as drivers of the debt ratio. However, cyclical changes in economic growth have short-term effects on the development of the ratio.

A permanent change in the GDP also has a significant impact on the long-term development of the ratio. In the third scenario presented above, GDP will grow cumulatively two per cent faster than the baseline between 2021 and 2023, supported by factors

² For the results of growth to be permanent, the forming positive output gap should close in a way that enables growth of the output potential. An increase at the structural level of output would require changes in the structures providing the framework for the growth capacity of the economy.

such as structural reforms. As a result, the debt ratio will stabilise around slightly under 70 per cent in the 2020s. Correspondingly, if the economic structures changed in an unfavourable way or the impacts of the recession remained permanent because of the loss of production factors and GDP would permanently fall by two per cent as a result, the increase of the debt ratio would accelerate compared to the baseline.

The change in the growth in relation to the baseline may result from employment and/or productivity. If the change resulted merely from employment and productivity remained unchanged, a change of two per cent in GDP would mean a change of roughly 50,000 persons in the number of employed people. In the sensitivity study, GDP will already change in relation to the baseline between 2021 and 2023.

4.3 Goal state of economic sustainability in 2030

The Government aims at an employment rate of 75 per cent and reversing the growth of the debt ratio in the middle of the decade. General government finances will be strengthened through growth, employment and moderate adjustment measures.

By the 2030s, the sustainability of Finland's general government finances will have strengthened and trust in responsible management of Finland's general government will have remained. General government finances and the whole economy will still be on a stable and balanced track and there will be no significant or direct threats to the sustainability of general government finances. Finland's relative position will thus have remained good from the point of view of access to financing. Looking after the stability and sustainability of the economy will have made it possible to hold on to the promises of the Nordic welfare state and enabled public services and benefits to also provide wellbeing to future generations and enhance the conditions for sustainable economic growth.

This will have been achieved by implementing effective and cost-effective structural reforms that have increased employment and reduced unemployment, strengthened the integrity and resilience of society, supported ecologically and socially sustainable economic growth and improved the productivity and cost-effectiveness of public administration (including the health and social services reform). Fiscal policy will be scaled and timed correctly with regard to the economic situation at the time. At the same time, the wellbeing of citizens will have increased and Finland will have benefited from the development, implementation and export of environmentally friendly technologies and operating practices.

By the 2030s...

1. **Employment in Finland will have increased by 80,000 people as a result of the Government employment measures and the employment rate will be at a good Nordic level**

- The economy will have grown in a sustainable manner and the operating and investment environment of companies will have developed favourably.
- The level of skills of the working-age population will be high and it will meet the needs of the labour market. The level of education will have increased and skills development will continue throughout a person's working career.
- Labour market participation of people with partial work capacity, those with poor employment prospects, the young and older people and those with an immigrant background will have increased. (Government Programme)
- Early retirement will have declined considerably. (Government employment measures 2020)
- Periods of unemployment will be shorter and prolonged periods of unemployment will have been curbed.
- Work capacity will have been supported through early and effective measures promoting returning to work and staying on at work. (Government employment measures 2020)
- Youth unemployment and social exclusion among young people will have decreased. Education and skills levels will be higher at all levels of education. (Government Programme)

2. **Finland will be an attractive place to live, work and run a business**

- In Finland, companies will have a stable, encouraging and predictable operating environment that has made it possible for them to make new investments and create jobs. (Government Programme)
- Finland's real competitiveness and cost-competitiveness will be strong. (Government Programme)
- The processing of work-based residence permits will be swifter and smoother. Especially work-based immigration of skilled labour will have increased. (Government Programme)
- Public and private research, development and innovation activities will be at a high level and the four-per-cent target of their expenditure-to-

GDP ratio will have been reached. This will have made it possible to create new sustainable growth. (Government Programme)

- Industry and services will have been restructured in ways that are based on digitalisation and especially on carbon-neutrality, ecological investments, clean technologies, circular and bioeconomy and resource efficiency.
- Sustainable urban development will have been supported and housing construction will have been increased in growing urban areas to respond to the growing demand for housing, bring housing prices down to a more reasonable level and facilitate the mobility of the labour force.
- A dynamic, thriving and socially strong Finland will be built on the combined successes of the Greater Helsinki region, growing city regions, sub-regions and rural areas alike. (Government Programme)
- The level of divergence between regions and within municipalities will have been reduced.
- A stable and predictable economy will provide everyone with an outlook and trust in the future. Together with the child and family-friendly attitude in society, it will also support a favourable demographic development.

3. The quality and cost-effectiveness of the services provided by Finnish public administration services will be top-class

- People-oriented and equal services will have been secured in an economically and socially sustainable way throughout Finland (Public Governance Strategy)
- The cost-effectiveness of public administration will have been ensured, for example, by responding to the need for services in a timely manner and with suitable services, by taking advantage of digitalisation and by developing joint support services and joint customer service for different actors. (Public Governance Strategy)
- The processes of public administration, including strategy and budget processes, will advance environmentally sustainable practices that also support social and economic sustainability. (Public Governance Strategy)
- The health and social services reform will have been implemented in a way that improves equal access to services, enhances their quality and supports the curbing of the growth of costs. (Government Programme)

4.4 Goals of economic sustainability and directions of solutions

As the economic development in 2020 proved to be more favourable than feared, it is justified to further specify the setting of goals for general government finances. The Government has set reversing the increase in the general government debt-to-GDP ratio in the mid-2020s as the goal of its sustainability roadmap for the general government finances.

Successful stabilisation of the debt ratio requires that general government finances be strengthened. Instead of setting goals for one government term, policies on the sustainability of general government finances should be outlined for several government terms. The long-term measures safeguarding the sustainability of general government finances must also be continued after the current government term.

The figures below describe the estimate of the development of the debt ratio, submitted to the Government's mid-term policy review by the Ministry of Finance, and scenario calculations. Three scenarios are presented in the figures:

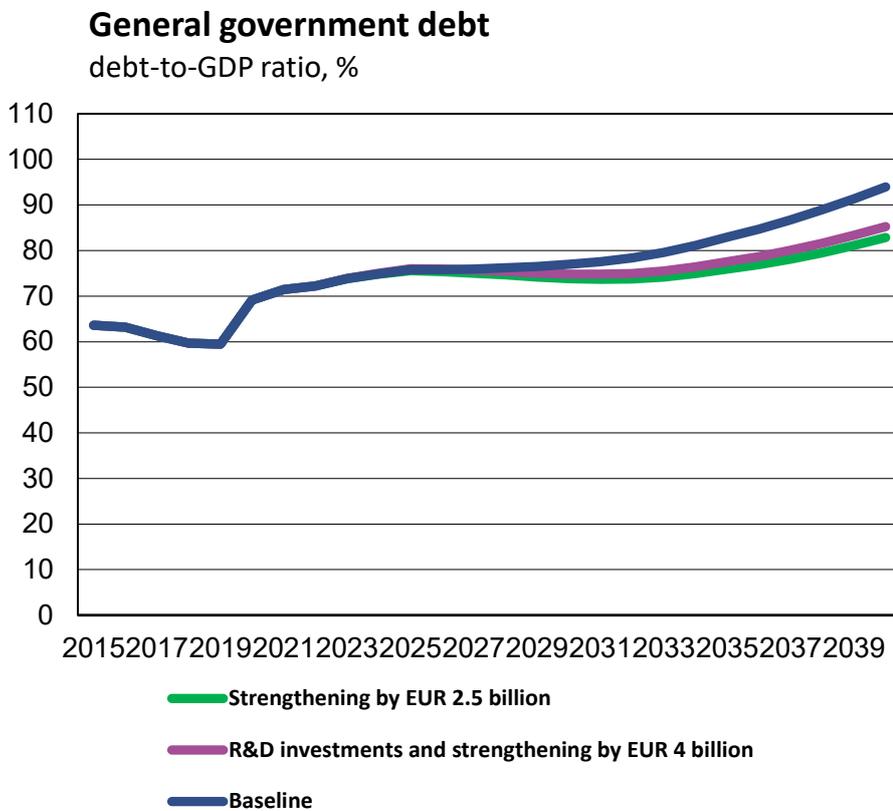
1. The general government debt-to-GDP ratio is stabilised in the 2020s by strengthening general government finances by a total of approximately EUR 4 billion. In addition, the calculation increases RDI expenditure to four per cent in accordance with the baseline, so that the RDI addition will increase the public gross expenditure (EUR 210 million per year 2022–2030). The increase in the debt ratio will then end in 2026.
2. General government finances would be strengthened by EUR 2.5 billion between 2024–2029 without the gross increase in RDI expenditure of the previous scenario. The debt ratio will then begin to decrease slightly in 2026.
3. General government finances would be strengthened by EUR 2 billion between 2024–2029 without the gross increase in RDI expenditure of the previous scenario. The debt ratio will then begin to decrease slightly in 2026.

Compared to the previous version of the sustainability roadmap in September 2020, the Ministry of Finance estimates that the stabilisation of the debt ratio will take place with significantly less strengthening of the general government finances. The difference is based especially on a more favourable development of GDP and employment.

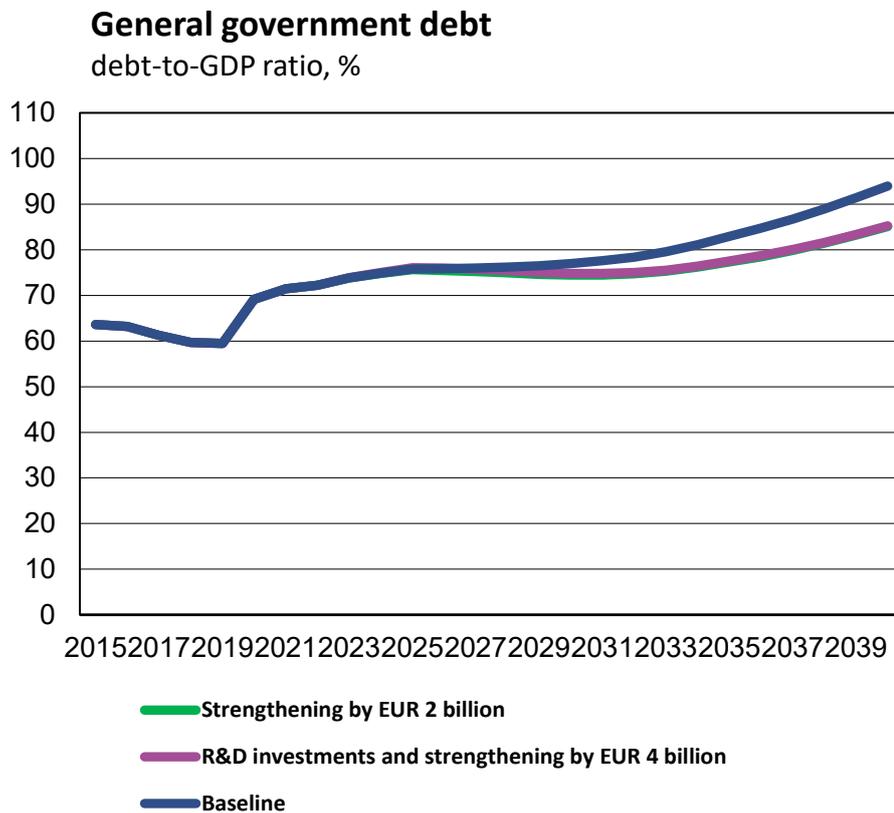
Economic policy has supported total demand and prevented production from shrinking. Compared to many other countries, Finland has succeeded well in preventing the spread of the virus, which has also had positive impacts on economic development. This way, the Government has for its part ensured that the blow suffered by the economy will not weaken the growth potential in the long term.

According to the Ministry of Finance’s calculations in the autumn, the stabilisation of the debt ratio by the end of the decade required general government finances to be strengthened by EUR 5 billion. The sustainability roadmap listed packages of measures for strengthening general government finances and the potential impact of the different packages on general government finances. According to the Ministry’s latest estimate, the debt ratio will already begin to decline in accordance with the figure below in the middle of the decade if the general government budgetary position strengthens by a total gross amount of EUR 2–2.5 billion between 2024 and 2029.

Scenario 1: strengthening general government finances by EUR 2.5 billion and by 4 billion, if investments in RDI are taken into account



Scenario 2: strengthening general government finances by EUR 2.0 billion and by 4 billion, if investments in RDI are taken into account



The below table presents measures that may strengthen general government finances:

Table 2. Scale categories illustrating the packages of measures strengthening economic sustainability

Package of measures	Effective channel	Scale category
Increasing employment and reducing unemployment	Decisions on cost-efficient measures that will increase the number of employed people by 80,000 with sufficient certainty. The aim is to achieve an employment rate of 75% in the middle of the decade.	EUR 1–2 billion

Package of measures	Effective channel	Scale category
Reinforcing the framework for economic growth	<ol style="list-style-type: none"> 1. Strengthening the competitiveness of Finland's production (promoting innovations, increasing Finland's R&D expenditure to 4% of GDP by 2030, developing the investment environment and promoting entrepreneurship and domestic ownership, supporting cost competitiveness) 2. Increasing work-based immigration by at least 50,000 people by 2030 (gradual increase to a permanent level of 10,000 per year) (EUR 400 million) 3. Competence level and continuous learning 	EUR 1–2 billion
Increasing the productivity of public administration and measures supporting cost-efficiency (municipalities and central government)	<ol style="list-style-type: none"> 1. Better use of digitalisation, procurement expertise, space solutions 2. Cost-effectiveness of health and social services (e.g. timeliness of services, integration) 	approx. EUR 1 billion
Health and social services reform, excluding the transition costs	The possibilities of the funding model presented in the government proposal to curb the growth of expenditure by 2029, excluding transition costs	approx. EUR 400 million
Other measures to strengthen general government finances	Where necessary, measures that immediately reduce expenditure or increase revenue in general government	
TOTAL		approx. EUR 3.5–5.5 billion

Some of the measures – such as actions supporting competence, work capacity, the development and introduction of new technologies, and the green transition as well as actions reducing social exclusion – focus on investments that promote productivity and

create new production, and also initiate private investments. They have long-term impacts that increase economic production, productivity and employment. However, their total impacts cannot be estimated in advance. For this reason, the potential impact of policies with regard to growth and general government finances may be greater than can be estimated in advance.

4.4.1 Measures to increase employment and reduce unemployment

The Government's fiscal and growth policy aims for a situation in which insufficient demand for labour does not limit the increase in employment. Therefore, in addition to an active fiscal policy that has been correctly scaled to the economic situation, reforms that strengthen supply of labour are also needed.

The policies implemented to prevent the spread of the virus during the COVID-19 crisis, the strong measures taken to support people and companies, and the fiscal policy recovery measures have significantly supported the development of the economy and the employment situation. These measures have prevented the loss of output potential, curbed the increase of unemployment, prevented prolonged unemployment, alleviated the social consequences of the crisis and accelerated the start of economic growth. All of these have very long-term positive impacts on GDP and the level of employment, and subsequently on the sustainability of general government finances.

Before its mid-term policy review, the Government has made decisions on structural measures to strengthen employment by a total of 31,000–33,000 employed people by 2029 according to the estimate of the Ministry of Finance. The most important individual measures are the extension of compulsory education, giving up the additional days of unemployment security, the Nordic employment model, the reduction of early childhood education and care fees, the local government pilots on employment, the reform of pay subsidies and measures increasing employment of persons with partial work capacity. According to a preliminary estimate by the Ministry of Finance, these measures could reinforce general government finances by a total of approximately EUR 300 million at the level of 2029 when the annual costs of approximately EUR 400 million resulting from the measures are also taken into account (the impacts of the increase in employment on social security expenditure and tax revenue have been taken into account in the estimate). The highest costs are caused by the reduction of early childhood education and care fees and the extension of compulsory education. On the other hand, the extension of compulsory education is the individual employment measure that will most strengthen general government finances in the long term and a considerable part of its impacts will not be realised until after 2030.

To achieve the employment target, the Government will decide on new measures that have been found effective and cost-efficient based on research evidence. The cost-efficiency of the measures is important for the increase in employment to be able to strengthen general government finances.

The policies on new employment measures have been stated in separate meeting minutes on employment. According to the Ministry of Finance's estimate, the measures will strengthen general government finances by approximately EUR 150 million (initial estimate). The estimate does not take into account the indirect positive impacts of the measures on general government finances, for example, through an increase in social inclusion or the reduction in other public expenditure as a result of increasing employment.

In addition, by the end of the government term, the Government will issue decisions on employment measures that will strengthen general government finances by EUR 110 million.

4.4.2 Raising the level of education and competence

The Government will support measures prepared together with higher education institutions for implementing the 2030 vision for higher education and research. The aim is to enable the competence and qualifications produced by the education to better support employment and the renewal of the labour market. These measures will promote the graduation of more experts from higher education institutions to regions and sectors that have or are anticipated to have labour market needs.

The more specific implementation of the measures will be agreed with higher education institutions after consultations with stakeholders by the end of 2021 and the possible policy measures will be decided after that. The potential of the reforms to increase the supply of labour is considerable, particularly in the long term.

The measures are based on those policies and objectives of the vision for higher education and research, the Education Policy Report, the reform of continuous learning, the roadmap for education-based and work-based immigration, and the report on immigrant integration that have already been decided on or are currently under preparation.

Access to higher education will be speeded up and the number of student places will be increased. The number of international new students will be increased and their

employment in Finland will be improved. The actual duration of studies will be shortened by developing structures that support the smooth running of studies and, consequently, the possibilities for the student to complete the degree in the target time. Investments will be made in student wellbeing and study guidance. The role of predictable and long-term funding in the funding of higher education will be strengthened.

To promote continuous learning, the forms of higher education and the education offered will be made more flexible and diverse to better enable continuous learning, i.e. alternation of work and studying, studying alongside work and learning at workplaces also in ways other than through education leading to a degree.

4.4.3 Measures to strengthen preconditions for sustainable economic growth

Economic growth in Finland is primarily based on productivity growth. The most important factors contributing to productivity growth are skills and innovation. Economic growth and the development of productivity can be promoted in the long term especially by ensuring the availability of skilled labour, a sufficient level of research and development expenditure, the investment capability of companies and a favourable investment environment.

It means that

- the competence of the working-age population is at a high level,
- the demographic development is favourable as a result of both the birth rate and gross immigration,
- the level of education is rising and skills development continues throughout the person's working career, and Finland is an attractive country for international experts and students,
- the level of RDI expenditure is sufficient and the target of four per cent of GDP by 2030 will be achieved,
- Finland is an attractive environment for investments and the atmosphere in the country is favourable to research and entrepreneurship,
- new technologies are taken advantage of with an open mind,
- the financial markets function well, and there are no bottlenecks in the financing of companies. The conditions for domestic ownership are in order.
- the economic operating environment is predictable and stable,

- trust in the authorities, fostering an independent judicial system, and respect for democracy and fundamental and human rights has laid a solid basis for the stability of society and wellbeing. The rule of law is implemented in full.
- equality is realised in the labour market and in the entire society

In addition, the basic preconditions for economic growth include integrity of society, social sustainability and a high level of trust.

The Government has decided to strengthen the conditions for economic growth through the permanent and temporary economic, finance, industrial and growth policy measures outlined in the Government Programme (permanent expenditure increases and one-off future-oriented investments in the Government Programme). Decisions have also been made on temporary measures to curb the impacts of the COVID-19 pandemic. Fiscal policy has been scaled as required by the economic situation, in accordance with the Government Programme. Fiscal policy measures have substantially strengthened economic activity especially in the weak economic situation (multiplier effect), but they will also have very long-term impacts on the production potential (hysteresis³). According to a macroeconomic estimate, the Government's economic policy for the period 2020–2021 will maintain the level of employment by several thousand people between 2020 and 2021. The impact of temporary measures on economic production and employment will fade out after the expiry of the measures. A part of the impact will be very long-term.

Some of the measures – such as actions supporting competence, work capacity, the development and introduction of new technologies, and the green transition as well as actions reducing social exclusion – focus on investments that promote productivity and create new production, and also initiate private investments. They have long-term impacts that increase economic production, productivity and employment. However, their total impacts cannot be estimated in advance. For this reason, the potential impact of policies with regard to growth and general government finances may be greater than can be estimated in advance.

³ Hysteresis and how it is measured in research literature in the field of economics has been discussed in more detail in the Ministry of Finance's publication *Talouden kasvu- ja finanssipolitiikka: Hallituksen päätösperäisten toimien talouskasvu- ja työllisyysarviot* ('Economic growth and fiscal policy: Estimated economic growth and employment based on the discretionary measures taken by the Government') https://vm.fi/documents/10623/306824/KasvujaFiporyhma_paatosperaisettoimet_raportti_26032021.pdf/0eb055a2-0415-15db-98eb-183e751869d8/KasvujaFiporyhma_paatosperaisettoimet_raportti_26032021.pdf?t=1617018697511

By supporting total demand, the increased use of money by the public sector has prevented production from shrinking, companies from going bankrupt, employment from declining, skills and competence from disappearing, and production capacity from being lost. This way, the Government has for its part striven to ensure that the blow suffered by the economy will not weaken its growth potential in the long term.

Strengthening the general government finances permanently requires the economy to perform better than currently. To strengthen the conditions for economic growth, the Government will decide on new effective measures based on research information.

The Government has drawn up a comprehensive package of measures supporting growth to be used alongside employment measures. These measures will 1) secure long-term funding for research and development activities, 2) strengthen Finland as an investment environment, increase the investment capability of companies and strengthen domestic ownership, and 3) ensure the availability of skilled labour by boosting work-based immigration.

The Sustainable Growth Programme for Finland, implemented with funding from the EU recovery instrument, will lay the basis for the growth activities. It will boost competitiveness, investments, the increase in the skills level, and research, development and innovation between 2021 and 2024. As a result of the programme, investments in research and development will increase by approximately EUR 700 million during this time period.

The Government aims to increase research and development expenditure to four per cent of GDP by 2030. Achieving this requires a shared view and missions, more ambitious RDI activities, and investments by both the public and the private sector. The target cannot be achieved without a substantial growth in investments made by the private sector.

Because of the predictability and long-term nature of RDI funding, the RDI target and the funding methods implemented to achieve it must be agreed on through a parliamentary process.

The domestic ownership programme and the entrepreneurship strategy currently under preparation include starting points for strengthening the operating environment, investment capability and investment environment of companies. The measures as a whole will improve the capability of Finnish companies to invest in projects that promote growth.

In the long term, the aim is to improve the operating conditions of businesses in relation to the reference countries. The individual measures reinforce one another and together improve the growth opportunities of Finnish companies. The measures will improve the availability of smart capital in the different stages of the life cycle of companies. Good ownership will make Finnish companies successful in the global competition and value chains. Companies whose success is based on sustainability create jobs, invest and will also create a new tax base and new wealth. In future, ownership will play a central role in the prosperity of Finland and Finnish people.

For example, increasing work-based immigration cumulatively by at least 50,000 people by 2030 could strengthen general government finances by approximately EUR 400 million per year at the level of 2029 if gross immigration increased cumulatively by at least 50,000 people during the current decade. The Government has already decided on reforming the legislation on work-based immigration and digitalisation of permit systems. Efforts will be made to treble the number of new foreign degree students and increase the proportion of foreign students who find employment and stay in Finland to 75 per cent by 2030. In the long term, increasing work-based immigration permanently by 10,000 people would according to the Ministry of Finance decrease the sustainability gap by approximately 0.5 percentage points in relation to GDP, which is slightly over EUR 1 billion in current money.

The policies on new growth measures are stated in separate meeting minutes.

4.4.4 Measures improving the productivity and cost-effectiveness of public administration

The objective of the measures that improve the productivity and cost-effectiveness of public administration is to create preconditions for the strategic development of cost-effectiveness in the whole public sector. The results, impacts and cost-effectiveness are examined from a broad perspective, which covers measures that promote economic, social and ecological sustainability. Cost-effectiveness is improved in a manner that enables a balanced development of quality, accessibility and economic efficiency and enhances the productivity of the activities. Efforts will be made to reduce the siloed nature of public administration by increasing cross-administrative cooperation and networking. A competence centre set up in the Ministry of Finance will promote work on cost-effectiveness together with other actors.

Healthcare and social welfare services and service processes will already be developed before the health and social services reform enters into force through measures such as the Future Health and Social Services Centres programme and supporting

structural change through projects for which discretionary government transfers have been granted. In addition, cost-effectiveness can be increased by promoting correctly timed access to care and improving the flow of patients through the care process, by increasing integration in service production, and by combining health and social services into packages. The measures also support the capacity of the health and social services reform to curb the growth of social welfare and health care expenditure after the reform has entered into force. Improving the quality of health and social services and access to them and increasing the effectiveness of the activities may also improve the preconditions for an increase in employment indirectly as a result of fewer absences due illness, disability pensions and other similar reasons.

The Sustainable Growth Programme for Finland (Section 4) is aimed at improving access to health and social services and enhancing their cost-effectiveness between 2021 and 2023 (EUR 400 million in total, of which EUR 100 million for new digital services). The plan is to implement a call for applications for discretionary government transfers for projects in areas based on the future health and social services counties towards the end of 2021.

The main objective of the section is to reduce the backlog in the care, rehabilitation and other services in healthcare and social welfare caused by the COVID-19 pandemic, accelerate access to care in the whole country by introducing new operating practices, and advance the implementation of the health and social services reform.

Efforts will also be made to improve the space management and procurement services of municipalities and central government and by taking advantage of digitalisation. In one year, the COVID-19 pandemic created a digital basis for an easily accessible service network, the further development of which will be one of the cornerstones of productivity. The pandemic also advanced the introduction of different forms of remote working in public administration, which provides opportunities for lowering travel expenditure in public administration, among other things.

The competence centre for cost-effectiveness, set up in connection with the Ministry of Finance, reports on the implementation of the measures enhancing cost-effectiveness to the political management group for the public governance reform at least twice a year. The workflows at the initial stages of the competence centre's operation have been described in an appendix. From these themes, the centre's operation will expand to different sectors in a balanced manner through the identification of new measures.

The development packages of health and social services and other measures to develop productivity in public administration have been described in more detail in Appendix 1.

4.4.5 Health and social services reform

A legislative proposal concerning the reform of health and social services and rescue services was submitted to Parliament on 8 December 2020. The Government aims to implement the reform so that it will enter into force on 1 January 2023.

With the health and social services reform, the responsibility for organising the services, currently based on municipalities, will be transferred to 21 health and social services counties and to the City of Helsinki. The opportunities of the health and social services counties to develop their operation cost-effectively are significantly better than those of the present municipalities and joint municipal authorities. In addition, combining the responsibilities for organising the primary healthcare, specialised medical care and social services will improve the integration of the services and enable new kinds of client-centred operating models that will also increase cost-efficiency. For health and social services counties and municipalities, the reform includes a mechanism that limits the changes in funding in relation to the current situation, so that the reform will not lead to unreasonable changes to an individual municipality or health and social services county.

Combining the organisation responsibilities to a regionally larger organisation will also create better conditions for the digitalisation and data security of the activities. The implementation of regionally uniform client and patient data systems will be significantly facilitated by the registers that will in future be maintained at the level of the health and social services counties. The national requirements and standards for client and patient data systems and the Kanta services lay the basis for the reform work. For example, the Omaolo and Health Village services are good examples of how cooperation between service providers and national authorities leads to effective results.

The funding model included in the reform could slow down the growth of healthcare and social welfare costs by slightly more than EUR 400 million by 2029 if the transition costs caused by the reform are not taken into account. To achieve the objective, the health and social services counties should not exceed the funding granted to them in advance at all. The potential is even greater in the long term. The counties should therefore be able to provide the existing services with lower costs, in other words, more cost-effectively, within the framework of the funding granted to them. They could then also introduce new, more expensive forms of treatment without an increase in the total costs. From the point of view of the health and social services counties, the achievement of the objective requires central government to refrain from adding new obligations or obligations requiring more extensive additional funding to healthcare and social welfare or fire and rescue services without a corresponding full amount of additional funding. From the point of view of central government finances as a whole,

the possible new tasks will not weaken the balance if they are funded by increasing the revenue or reducing other expenditure by the corresponding amount.

The impact that the reform will have on curbing the growth of expenditure also depends on the extent to which central government will be able to provide guidance and direction on cost-efficient operation to the health and social services counties. In the health and social services reform, new operating practices will be built for new kind of guidance and direction of health and social services. After the reform, national guidance and direction of healthcare and social welfare and rescue services will consist of guidance and direction at several different levels. The key guidance principles are an interactive approach and a shared knowledge base for the activities and the economy. The objectives decided at the central government level include national strategic objectives for organising healthcare, social welfare and rescue services and strategic policies for the economy of the health and social services counties. In addition, guidance and direction by central government will focus, for example, on the investments made by the counties.

The counties' view on the credibility of the assessment procedure after they have repeatedly received additional funding will also have an impact. It is not possible to estimate in advance the size of the increases that will be made to the level of funding in conjunction with ex-post reviews. However, there is a considerable risk that these reviews will increase the level of funding granted to the counties.

4.4.6 Other measures to strengthen general government finances

The Government has decided that expenditure will be permanently reduced by EUR 370 billion as from 2023. In addition, a decision on a taxation measure of EUR 100–150 million to strengthen central government finances will be made in the 2021 government budget session.

The decision on spending limits means that, as from 2024, the expenditure included in the spending limits will be lower than in the proposal made by the Ministry of Justice.

4.4.7 Implementation and monitoring

The implementation of the sustainability roadmaps is regularly monitored in government budget sessions and government sessions on spending limits. The monitoring is

carried out in cooperation between administrative branches and in a dialogue with experts, the science community and the civil society. Ministerial working groups are for their part responsible for the monitoring and preparation of the packages of measures in the roadmap.

The Government will conduct the next wider assessment of the roadmaps in the government session on spending limits in spring 2022.

The Government will continue the preparation of the sustainability roadmap for the spring 2022 government session on spending limits on the basis of this roadmap. Further preparation will focus on examining the interdependencies between the three sub-areas of sustainability and the coherence of the roadmap as a whole. Further work will strengthen knowledge of the different dimensions of sustainability and the international comparability of the different sub-areas. The preparation will be carried out in cooperation between the Prime Minister's Office and the ministries. The aim is to use the annually updated sustainability roadmap as a document guiding the Government's policies.

Appendix 1 Measures improving the productivity and cost-effectiveness of public administration

Health and social services sector

In 2019, the healthcare and social welfare expenditure of municipalities was almost EUR 19 billion, which is approximately 7.8 per cent of GDP. This was almost 17 per cent of all public expenditure. The number of people aged over 75 will lead to significant growth pressure especially on the need for care services for older people and the expenditure in the coming decades.

Measures increasing cost-effectiveness

The restructuring of health and social services creates conditions for a content-related reform and development of health and social services and for the dissemination of good practices to all health and social services counties. In other words, the structural reform alone is not enough. What is needed is a content-related reform of services. Content-related development is carried out at both national and regional level. The potential in the cost-efficiency of health and social services is based on using projects for which discretionary government transfers have been granted as well as centralised guidance and direction to ensure that the practices that have been found cost-effective will be implemented in the whole country.

Combining the organisation responsibilities to a regionally larger organisation will also create better conditions for the digitalisation and data security of the activities. The implementation of regionally uniform client and patient data systems will be significantly facilitated by the registers that will in future be maintained at the level of the health and social services counties. The national requirements and standards for client and patient data systems and the Kanta services lay the basis for the reform work. For example, the Omaolo and Health Village services are good examples of how cooperation between service providers and national authorities leads to effective results.

Increasing the cost-effectiveness of projects developing social and health services also requires cooperation between different ministries and between regions. The projects for which discretionary government transfers have been granted and the networks formed in the preparation of the health and social services reform can be used as a platform for spreading good practices.

Because the majority of the development is carried out as regional projects for which discretionary government transfers have been granted, cost-effectiveness can be increased through stronger guidance and direction of project funding. National guidance of projects for which discretionary government transfers have been granted can be strengthened, for example, by means of a decree on discretionary government transfers. In the decree, provisions strengthening and specifying the objectives of regional projects and the monitoring of their implementation can be laid down. Both numerical and operative targets are required to support the monitoring and guidance of the projects. When national objectives are set with a view to improving cost-effectiveness, it is also possible to influence projects that are already under way. At the same time, equal availability and access to services in the whole country will be improved. The objective must be that the projects will lead to more uniform operating models in the different health and social services counties regardless of the regional starting points.

In addition, the aim is to create indicators that describe the cost-effectiveness of the services to be used as part of the national Cost-effectiveness indicators in social welfare and health care (KUVA indicators). The indicators are used as support tools in both guidance and benchmarking.

Future Health and Social Services Centres programme

The Future Health and Social Services Centres programme develops basic-level health and social services. The availability of the services will be improved and the services will be coordinated to meet people's needs. The programme is aimed at reforming the practices in healthcare and social welfare and developing people-centred service packages. The programme will be implemented in project packages in accordance with the future health and social services counties, the implementation of which the Ministry of Social Affairs and Health will support through discretionary government transfers between 2020 and 2023.

The objectives of the programme are to:

1. improve equal access to services and the timing and continuity of services,
2. shift the focus of activities from heavy services to preventive and proactive work,
3. raise service quality and effectiveness,
4. ensure the multidisciplinary and interoperable nature of services, and
5. curb the growth of expenditure.

The measures related to the other objectives of the programme also contribute to slowing down the growth of expenditure. By improving access to services and their timing and continuity, the deepening and accumulation of problems can be reduced and expenditure can be mitigated. Shifting the focus of the activities to preventive and proactive work will strengthen the practices and services used in health and welfare promotion and in preventive and early support in basic-level health and social services. The need for heavy services will thus decline, which will slow down the growth of expenditure in the long term. The programme will also improve the quality and effectiveness of the services, which will increase cost-effectiveness. From the point of view of employment, improved access and effectiveness are important especially in substance abuse and mental health services and rehabilitation, as a lack of these services weakens employment and creates a large number of indirect costs, such as costs in child welfare.

Improving the multidisciplinary nature and the interoperability of the services by developing the division of work and cooperation between professional groups will increase productivity. The development of digital services, management of client information and knowledge management will increase cost-awareness and opportunities to curb costs. There are several effective and cost-effective operating models and they are used diversely based on the regional situation, earlier development work and the needs of the region.

In the Future Health and Social Services Centres programme and other development projects, the development resources must be focused on mental health and substance abuse work, rehabilitation, services for children and families, and oral healthcare.

Projects for which central government transfers have been granted to support structural reform

Projects related to the structural reform and for which central government transfers are granted support voluntary regional preparation. The projects have continued the development of health and social services and structures begun by municipalities and joint municipal authorities, which has proved to be necessary. When the government transfer was granted, especially the societal and economic objectives and the effectiveness of the project were assessed. Economic impacts mean, for example, how the measures taken in the project can be used to increase productivity or reduce the overlapping of costs, for example, in the maintenance of information systems.

The discretionary government transfer consisted of three areas:

1. Voluntary regional preparation and project coordination,
2. development of management and enhancement of guidance and direction, and
3. reform and harmonisation of operating practices and processes by using digital devices.

In addition to these, it was also possible to apply for a grant for joint development of regions. Discretionary government transfers have been granted especially for the development and harmonisation of the task of organising health and social services, such as developing the guidance and direction, defining the service chains and packages, developing the management of the service network and service chains, knowledge-based management, harmonising ICT solutions, and preparing other cost-curbing measures.

Sustainable Growth Programme for Finland, Section 4

The key elements in the section are related to reducing the backlog in care, rehabilitation and other services caused by the COVID-19 pandemic, accelerating access to care, implementing measures targeted at groups in a vulnerable position, and strengthening preventive work and low-threshold services with cost-effective operating models and digital solutions. In addition, the improvement of the knowledge base and cost-effectiveness of healthcare and social welfare will be funded by developing

and introducing nationally uniform data definitions, their technical specifications, and joint national and regional technical solutions and services.

The Future Health and Social Services Centres programme, the Sustainable Growth Programme for Finland, the health and social services reform, and the projects funded by discretionary government transfers form a whole that can be used to improve the cost-effectiveness of healthcare and social welfare in a number of ways. The development work based on regional projects places high requirements on how the objectives are set, monitored and controlled so that the service system will be cost-effective and fair in the whole country.

Sub-area of space management, procurement and digitalisation

Procurement by central government and municipalities

It has been estimated that the different units in public administration use approximately EUR 35 billion per year on procurement. A considerable part of this procurement is carried out in municipalities. The planned health and social services counties will be large procurement organisations.

Public procurement has been enhanced in different contracting entities, but there is still work to do to make procurement as effective as possible economically, ecologically and socially and to ensure it functions well. The basis for the development work is laid in the first national procurement strategy, which was approved last autumn and the implementation of which is currently under way in different units of public administration. The development will be coordinated under the leadership of the Ministry of Finance and the Association of Finnish Local and Regional Authorities in the Hankinta-Suomi operational programme, but the entire public administration is responsible for its implementation.

The implementation of the procurement strategy includes dozens of different measures and its implementation is also monitored with a separate set of indicators drawn up by VTT Technical Research Centre of Finland. The programme focuses on improving the strategic management and organisation of procurement and procurement competence in the entire public administration. It is essential that the implementation of effective procurement models be facilitated in areas where they can provide

results. This requires cooperation with companies and support from expert organisations such as Hansel, KEINO Competence Centre and Motiva.

Guidance and the flow of information, well-functioning joint procurement processes and sufficient competition are at the heart of the work carried out to improve cost-effectiveness. It is important to increase the participation of local innovative companies in the provision of services and in competitive tendering processes. In addition to improving direct cost-effectiveness by improving the price-quality ratio, it may also have wider societal impacts, for example, through new innovations, reduced grey economy, emissions reductions and improved human rights.

Premises of central government and municipalities

The number of buildings owned by municipalities and municipal groups has been estimated at approximately 62,000. Their surface area totals more than 50 million square metres of floor area and their balance sheet value is approximately EUR 35 billion. The figure also includes all health and social services properties.

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The enhancement of municipalities' space management requires that the related legislative project be advanced and an operational programme supporting the project be drawn up. To be able to estimate the cost pressures and risks related to the premises, it should be possible to form a constantly updating picture of the investment, repair, maintenance, rental and personnel costs related to the facilities and their utilisation rate.

Remote work, location-independent work and shared facilities reduce the space needs in public administration in the coming years. The space needs will also be affected by the diversification of municipalities in terms of their population and economy. If implemented, the planned health and social services counties will have a dramatic impact on the service structure and space needs of municipalities. A goal-oriented and effective premises strategy until at least 2030 is therefore required in municipalities. The aim is to reduce the pressure to invest in the building stock in the municipal sector and improve space management so that the impacts will be partly realised by 2029, but also later as a result of changes in the operating practices. With regard to achieving this objective, the possibility to lay down provisions on a statutory

obligation for municipalities to disclose information on their facilities and buildings to a national database will be investigated.

There will also be considerable changes in the space needs of central government as multi-location work is becoming more common. The network of government premises will be reformed with a plan for regional presence and in the government premises strategy, the property strategy and a project reshaping the network of government services and premises. The reforms in central government are also linked with the reforms carried out by municipalities at joint service points. A systematic approach and an improving knowledge base make it possible to improve the efficiency of space use and travelling, which will also bring savings and provide sales revenues from properties that will be freed up. Investments will also be required in planning and in renewing the premises and information systems at the initial stage of the reform.

Digitalisation

When cost-effectiveness is improved, exploiting the opportunities of digitalisation is a cross-cutting theme. The digitalisation of public services has significant potential for improving the efficiency and availability of services. It is essential to be able to integrate digital services into the reform of public services as a whole. Successful digitalisation, in terms of both cost-effectiveness and clients, requires stronger national support and crossing of administrative boundaries and levels. The Sustainable Growth Programme for Finland includes several investments in the digitalisation of public services (such as work-based immigration, continuous learning and employment services). Close cooperation between ministries must be ensured in their implementation.

For the public sector to fully benefit from the cost-effectiveness of the digitalised central government services, the provision of in-person services must also be developed to flexibly respond to the declining need for in-person services and to better supplement e-services. This requires reforms in the network of service points and the ways of providing services, so that it will still be possible to guarantee in-person services for those who need them. In the future operating model, the line between digital use of services and in-person services will be flexible, as in-person services will also increasingly mean assisted use of e-services or remote connections at an authority's service point. Mobile services can be used to supplement the physical service network.

When services are digitalised, the actual opportunities to use the electronic services must be ensured for those who need services. The implemented services must be accessible and sufficiently clear and easy to use, and sufficient support must be available for using them throughout the country.

The considerable differences in the capacity of actors in public administration to take advantage of technology are an important challenge in the digitalisation of public services. Especially in the municipal sector, there are municipalities that efficiently take advantage of digitalisation and others in which the digitalisation of services has been progressing less efficiently. However, central government does not have strong instruments for the guidance and direction of municipalities, and the situation requires support and incentives. There is also considerable variation in the measures taken by central government agencies and their capabilities to digitalise their services. For effective promotion of digitalisation, it is important that the differences are not allowed to become too wide and that the actors that have made slower progress can also be engaged in the development. One of the starting points in the improvement of cost-effectiveness is to identify already existing regional operating models that can be scaled to the whole country and expand their use.

The renewal of public administration may also be limited by the availability of skilled labour.

The COVID-19 pandemic has forced individuals and organisations to rapidly adopt new practices based on digital technologies and electronic communication. Even after the situation has normalised, it must be ensured that the progress made will remain in place and that advantage can be taken from the lessons learnt.

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