

Annika Forsander (ed.)

# **Immigration and Economy in the Globalization Process**

**The Case of Finland**

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# Contents

Introduction: The migration of people and the flow of capital .....	4
<i>Annika Forsander and Marja-Liisa Trux</i>	
1 The two faces of globalization: migration and globalization of cultures .....	10
<i>Maaria Ylänkö</i>	
2 From Hanseatic trade to hamburger chains – a historical survey.....	48
<i>Tuula Joronen and Mika Pajarinen and Pekka Ylä-Anttila</i>	
3 Finland in the world economy – the era of liberalization .....	66
<i>Jyrki Ali-Yrkkö and Tuula Joronen and Pekka Ylä-Anttila</i>	
4 Glocalizing capital and labor – old structures, new challenges .....	81
<i>Annika Forsander</i>	
5 Immigrant entrepreneurship in Finland in the 1990s .....	119
<i>Tuula Joronen</i>	
6 Diversity under the Northern Star .....	175
<i>Marja-Liisa Trux</i>	
Conclusion: Toward new immigration strategies? .....	226
<i>Annika Forsander and Marja-Liisa Trux</i>	
Notes on the contributors .....	235

# Introduction: The migration of people and the flow of capital

*Annika Forsander & Marja-Liisa Trux*

The world is shrinking. The rapid rate of economic globalization is diluting the diversity of local cultures and spreading an American-style business model, and a model of consumption that springs from the same origins. People all over the world are mixing and matching components according to their own interpretations, depending on their values and origins. There is an illusion of being the same, part of a common world, which will persist as long as the economy is in an upswing. English is the common language, people use the same concepts, move about in the same global business circles, and cultural differences usually only emerge when collaboration presents serious challenges, or when the trust between employer and employee is broken. Suddenly there is the realization that although people use the same concepts, they have understood them in entirely different ways, and that this may have been going on for years, in fact perhaps from the very start. We inhabit a world that each of us looks at through his or her own, highly culturally tinged spectacles.

While a globalizing economy blends cultural influences, local cultures are assuming an important role in the general awareness. The post-Cold War world is characterized by politicized ethnicity in where demands of minorities and indigenous populations, separatist movements, and the new self-image of nation-states test the tenability of these states. On the flipside of the coin, 'ethnicity' and local color have been rediscovered as resources by the business economy. Paradoxically, the globalizing economy sorely needs local knowledge. Being successful requires being familiar with local markets and national consumption habits. The traditions and know-how of local cultures must be utilized. One must also be careful not to aggravate local minority issues or to cause misunderstandings between differently identified employees.

In terms of immigration policy, Europe is in transition. The zero immigration era of recent decades is drawing to a close and European countries are once more recruiting new workforce. Many countries are opening up legal channels for finding employment in Europe. One central question is where to find the skilled professionals to replace those ageing employees who will soon retire. More and more countries are already looking for qualified professionals to remain competitive. As the population ages, the issue will not only affect the IT industry's top professionals – other sectors too will need employees with the right skills and motivation. Switching to an active immigration policy would provide the preconditions for acquiring the needed expertise. In the labor market, immigration is increasingly seen as a solution instead of a problem. Immigration policy should, however, incorporate elements that help integrate people into society, and take into account the needs of immigrants' families. Previous experiences with recruiting immigrant workforce to Europe have taught us that not all immigrants go home once they have contributed their labor, settling instead with their families in the new country and gradually becoming permanent minorities.

The Finnish National Fund for Research and Development (Sitra) launched a research project in 1999 to examine topics connected to migration and multiculturalism from the vantage point of economic development. The project's findings are compiled in this book, which was previously published in an expanded Finnish-language edition. The aim of our book is to link together the separate discussions about migration of people and the flow of capital. Behind the process of creating this book there

is a need to view migration and the globalization of economy as two sides of the same coin, and dismantle established ways of talking about the international movement of money solely in the language of economics, and of the migration of people as the cause and effect of social problems.

Uncontrolled migration is one of the popular doomsday images attached to the current globalization, in addition to the increasing power of multinational corporations, growing inequality and environmental threats. Migration flows are an outcome of the world economy, but they do not represent – perhaps excluding the biggest refugee crises – the kind of blindly moving tidal waves of people that are depicted in such doomsday imagery. Only certain people migrate, and they always have a reason and a destination. Their paths emulate economic, political and cultural ties between regions. Migration flows reoccur and are closely connected to the needs of the economy.

Figure 1 shows the parallels between the flow of capital and human migration in Finland by analyzing the development of the volume of foreign-born and foreign nationals and direct foreign investment in 1980–2000. Fluctuations in direct investments' share in the GNP reflect the immense changes that took place in the Finnish economy in the 1990s, partially as a result of opening up the economy to international competition. The similar growth trends of immigration and foreign investment represent different sides of a Finland's integration into the global economy, especially since the 1990s. The movement of people and capital are concrete manifestations of the same globalization development.



Figure 1. Foreign and foreign-born population and direct investments to Finland 1980–2000. Foreign and foreign-born population in thousands, and net capital flows as % of the GNP. Sources: The Research Institute of the Finnish Economy, The Bank of Finland, Statistics Finland.

Apart from the consequences of the flow of capital and people, this book is also about Finland and the rapid changes the country is experiencing. Finland is one of those peripheral nations of the European Union that in recent decades have transformed from countries of outward to inward migration. The larger European countries, which have been receiving immigrants for much longer, have dominated the discourse on the terms and conditions of migration and multiculturalism. But new perspectives on these issues may be opening up on Europe's outermost fringes. We believe that our context, Finland, will increase an understanding of the whole picture of European migration flows.

During the last several decades, following a 70-year period of isolation, a relatively large number of people have immigrated to Finland. In just one decade, the number of foreign nationals has grown five-fold, even though they still only make up less than two percent of the total population. This change has reverberated powerfully in Finnish society because of the speed at which it has occurred, but partially also because Finnish national identity has been based on homogeneity, in spite of its established language minorities and ethnic minorities.<sup>1</sup> The periphery thinking that is embedded in its national identity assumes, on the basis of historical experience, that there are many reasons to *leave Finland, but there can be no sensible or acceptable reasons to move there. History can make us blind, though, as witnessed by the powerful information and media clusters that have emerged in the country.*

Since the second half of the 1980s, Finns have discussed immigration as a problem. Main conversation topics have been refugees and the so-called remigrants from the former Soviet Union. The talk has focused on whether they should be received, and if so, how many people should be allowed to immigrate. Where they come from, and why, has elicited less interest. Immigrants have been viewed as social problems to be assimilated out of sight through means available to the welfare state. The ways in which migration is linked to the world economy and shifts in the world political situation have been ignored almost entirely. Yet, for example, the breakdown of the Soviet Union has had a central impact on migration flows to Finland. The area of the former super power forms a new region of origin as well as a route for those attempting to get to Western Europe. Seen from Moscow, Finland is the closest western country and a gateway to the rest of Europe.

The article in this book by *Maaria Ylänkö* looks at how the discussion of immigration has occurred in the realm of the socio-political sector. The business world is accustomed to carrying on its own separate discussion about internationalization. In spite of their potential connecting points, the two ways of speaking have not merged very often. *Culture*, the favorite concept of our times, seems to have as many meanings as it has users, and an analysis constructed exclusively on culture easily becomes

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1. Finland is a bilingual country, where the official languages are Finnish and Swedish. Swedish-speakers only account for about 5 percent of the population, but for historical reasons, the language occupies a strong position. There are other traditional, though small minorities, including the Sami, who are the indigenous population, the Roma, Jews, Tatars and Russians.

loosened from the contexts of economy and society. In her article, Ylänkö shows how widely the administrations of and also the research into immigration in many countries, including Finland, have adopted the Anglo-Saxon multiculturalism as their frame of reference. The discussion rarely acknowledges the culturally embedded background of the multicultural model or other multicultural ideologies that have been influential in different countries – all of which are grounded in their own history and culture. Since Finland changed from a country of emigration to one of immigration only in the 1990s, models for adapting have been sought from other western countries with longer immigration histories. It is easy to forget, however, that because societies are so different, direct comparisons or transfers of different ‘models’ between countries are not possible.

Finland was already closely involved in the previous liberalization phase of the world economy, from the end of the 1800s to the First World War. It is possible to show that the Finnish economy benefited from that phase. An essential difference between these two globalization phases is that in our time, nation-states and their coalitions, such as the EU, are striving to minimize or control migration. Goods, capital, and information are on the move, but for people, movement is more difficult than in the previous phase. A contrast to the present moment emerges clearly in the survey on the history of immigrant entrepreneurship in Finland by *Tuula Joronen, Pekka Ylä-Anttila and Mika Pajarinen*.

At the same time, the Finnish economy has rapidly become more and more international. Even the government has adopted a positive outlook: EEA and EU memberships come with the requirement that Finland open up its economy. The wider liberalization trend of the world economy has also been considered favorable for Finland, and there have been cautious attempts to support it. In hindsight, Finland’s economy did indeed open up quickly in the 1990s. Finnish companies became more and more closely integrated into the global economy. Analyzing the factors that are behind the internationalization trend of Finnish corporations, *Jyrki Ali-Yrkkö, Tuula Joronen and Pekka Ylä-Anttila* examine Finland’s place in the world economy and the liberalization of its economy.

Compared with other western countries, the generational shift in working life, which will occur in Finland over the next decade as a result of the ageing of the population, will be rather sharp. How can we alleviate the impending labor shortage by making use of the human potential of people who are already in the country? What terms and conditions do we as a society set if doors are opened to the immigration of labor? In her article, *Annika Forsander* considers the utilization of the immigrant workforce in the context of a universalistic, Nordic welfare state that reaches into all areas of life and controls the labor market. Societal structures and particularly the approach taken by a national government toward its immigrants have been shown to have an enormous impact on the place immigrants occupy in a country’s labor market and its economy in general.

For many immigrants, entrepreneurship is an appealing alternative in career advancement, according to *Tuula Joronen*, who has examined immigrant entrepreneurship. Not all immigrant entrepreneurs are pizza cooks; the types of businesses owned



by today's immigrant entrepreneurs in Finland largely reflect the structure of the relevant business sectors in the rest of the country. There are also some promising growth companies. A new wave of immigrant entrepreneurship is ongoing, and the most viable businesses will probably become part of Finnish everyday life, as the history of immigrant-owned businesses of previous centuries has shown.

A newer trend in Finland is that of cooperative workplaces in various fields, where the collaboration between many nationalities and *cultures* is part of the daily life of the workplace. The *diversity management* trend of Anglo-Saxon business management has remained alien to the realities of Finnish working life, as shown by *Marja-Liisa Trux*, but for businesses operating in Anglo-Saxon countries, its knowledge is essential. In managing multicultural teams the issue is finally of mutual respect and human dignity among employees, and for that reason the issues pertaining to diversity management are an inseparable part of the sustained development strategies of each field and organization. Case studies indicate that Finnish management ideals prove to be highly competitive in the global economy.

The aim of our book is to expand the research on local manifestations of migration and the globalization of capital by combining the kinds of questions asked by different academic disciplines that address these two topics. A practical reason for expanding the perspectives is the need for society's institutions to adapt to changing demographics. The population structure of the entire western world contains the same weakness: baby boom generations born after World War II have little offspring compared with preceding generations. The population pyramid has an ample "bust", but a narrow "waist", and as these different volumes pass through working age, they radically and suddenly alter the workforce reserves available to the labor market. The change in population structure also has an impact on economy by shaping the demand for services. The ageing generation, more able and willing to consume than previous generations, continues to demand personal services after retirement and, as the health condition of its members deteriorates, will demand quality care. More than before, meeting the needs of the ageing population requires labor-intensive services. Services are part of the infrastructure, so they cannot be transferred to countries with lower production costs, as has been done with large segments of the manufacturing industries.

One aim of this book is to highlight the continuum between the globalization of economy and the mundane daily work of office cleaners. These issues are rooted in common soil, even though Western Europe's three-decade long attempt to combat immigration has served to dispel these linkages. To make choices that affect labor markets and societies, it is important to understand how cultural encounters, the globalization of economy, the need for labor, and migration intersect and are interconnected.

# 1 The two faces of globalization – migration and the globalization of cultures

*Maaria Ylänkö*

Why is there so much discussion about cultural difference?

What is multiculturalism?

How do governments respond to the challenge of migration?

In what ways is culture a business, and how is business cultural?

Over the last ten to fifteen years, cultural factors and cultural differences have emerged as objects of interest in social and economic discourse. At least five different explanations for the growing interest can be offered:

*The ideological blocs of socialism and capitalism no longer dominate the view of the world.* The opening up of financial markets, free trade, expansion of international operations in corporations, and growing direct foreign investment have created a need to understand *national differences in capitalisms*. Interest has focused on the diversity of markets, consumer habits and economic systems. Cultural differences have been authenticated in competition between corporations, organizational structures, operating structures, and through these, in the ability of different nations to compete.<sup>2</sup>

*In the globalization trend of corporations, competition has shifted from natural resource and expenditure based competition to ever more innovation and knowledge based competition.* Cultural expertise is now mentioned as a central competitive factor for corporations. The farther the corporation extends itself and the stranger the operating environment, the more crucial is the *cultural competence* of the corporation's key operators. Still, special expertise in international cultural relations is not enough at the multinational level. Marketing that transcends national boundaries and human resources management require also a broader knowledge of culture and a vision of their significance. Knowledge about different cultures is essential these days in practically any sector that in some way involves interacting with people of different cultural backgrounds.<sup>3</sup> The field of management studies has developed various *diversity management* methods, and studies and advice literature have been published on the subject.<sup>4</sup>

*Migration flows have begun to be analyzed as operators in the global economy.*<sup>5</sup> The questions that are asked relate to how nation-states could best benefit from business practiced by immigrants, and how immigrant entrepreneurship could be promoted. Of special interest are *ethnic diasporas*, or *transnational migrant communities*.<sup>6</sup> When studying immigrants' business activities, the concepts of *social and cultural capital* have emerged to occupy a central position.<sup>7</sup> The social capital and networks of minorities do not alone guarantee economic success, because immigrant

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2. A lot has been written on the subject, including the bestseller *La logique d'honneur* by the French Philippe d'Iribande published in 1989, on differences between management cultures.
  3. See article by Trux in this book.
  4. For Sweden, see, for example, Broome 1998. There are also national versions of diversity thinking. South Africa, for example, recently developed a national diversity management philosophy for corporate management: *Sawubona*, (= rainbow) *Embracing four worlds in South African management* (by Lessen & Nussbaum, 1996).
  5. See Sassen 1999.
  6. See, for example, Rex 1998; Kotkin 1992.
  7. See, for example, Portes & Rumbaut 1996; Bagnasco & Sabel 1994; Kloosterman et al. 1999. In this book, the subject is discussed by Joronen and Trux.

networks do not have the same success everywhere.<sup>8</sup> This is the reason for wanting to find out what type of social and market structure in the receiving country is advantageous to the operating of networks.

*At the level of the nation-state, cultural differences have been manifested in minority policies and the integration of immigrants.* The international discourse on immigrants refers to *integration models*, which function as different theoretical models for describing ethnic and cultural diversity and working within their framework. Two opposing main trends are highlighted today: the *multicultural model* – community oriented and emphasizing cultural equality, and on the other hand, *the politics of assimilation*, which promotes individual autonomy and equality. The major receiving countries of immigrants – United States, Canada, France, The Netherlands and Germany, and the less-known Latin American nations – dominate international discourse on alien policy, integration and racism. They also act as role models for smaller countries. No real exchange of ideas really occurs between language areas.

*Cultural factors are part of the broader globalization discourse.* The issues being examined are growing global inequality, the impact of free trade, and problems in development. Also part of the discourse is the relationship between traditional ways of life and the globalization of cultures. Increasing inequality, migration flows, racism and the rise of the extreme political right are problems of our time, and cannot be examined only in economic terms.

### International mobility is growing

According to the report<sup>9</sup> for the year 2000 by the International Labour Organization (ILO):

- The world had 120 million migrants – 75 million more than in 1965; and the figure keeps growing.
- Between 1970 and 1990, the number of significant receiving countries increased from 39 to 67, and the number of significant migration sending countries from 29 to 55.
- Differences in standard of living and political conflicts explain migration flows more than any other factors.

8. See Steiner 1999: Not all ethnic minorities form networks that work for business purposes. Mutual trust is either not channeled into business activities, or it does not exist in the first place. Although some ethnic minorities are engaged very actively in business, this engagement is characterized by a lack of mutual business relationships.

9. Stalker 2000.

# The globalization of migration flows

## Distinctive characteristics of migration in Europe and across the Atlantic

In historical contexts, migration has been associated with many growth-inducing factors. One hypothesis has been that in simply making the decision to migrate, the migrants are already exhibiting the willingness to take risks that is necessary in entrepreneurship. The United States, Canada and Australia are often offered as examples of how immigration can increase entrepreneurship and make the economy more dynamic.<sup>10</sup> Cultural conflicts between immigrant groups have not become permanent features. The image of the immigrant has had a positive veneer, even though immigration has also been perceived as a source of problems.<sup>11</sup> If the questions of race and indigenous peoples that riddle these countries were left outside of analysis, they could act as models of how cultural and ethnic diversity have been embraced as resources. The collision between cultures is seen as generating competition and innovation.<sup>12</sup>

Although immigration in Europe has been brisk in different regions and times, compared with the New World, the European continent has been characterized by more reserved attitudes toward immigration. Europe was the continent that people left behind. Pressures to emigrate from Europe have been caused by lack of arable land, wars, conflicts and religious persecution. During the most active period from 1850s to 1920s, approximately 55 million emigrants left Europe to cross the ocean. Even though United States, Canada and Australia are often described as multicultural nations, the societal structures, customs and consumer habits that prevail inside these countries are actually very homogenous.<sup>13</sup> There is really only one language that it is necessary to know. Especially in the United States and Canada, internal mobility is much greater than in European nations.<sup>14</sup> These factors make it easier for immigrants to adapt. In contrast, the national, regional and linguistic diversity that abounds in Europe, is on a totally different scale.<sup>15</sup> Immigration and adapting to local conditions is different in each country. Immigration policies in each country have varied so much that it is not possible to speak of any "European tradition of integration".

The principles of this phenomenon were discussed in the Parliament of Europe in the early 1990s. It was concluded that being European has traditionally rested on an assumption that Europeans are white and Christian. In this discourse, no consensus was found on how to integrate Muslims and dark-skinned people, for example, into

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10. See, for example, Portes & Rumbaut 1996.

11. See Taïeb 1998, 200.

12. See, for example, Taïeb 1998, 195–249; Hacker 1992.

13. See Waters 1990; Ritzer 1999.

14. Todd 1998, 78. (Compilation of OECD statistics on migration and job turnover.)

15. Todd, *ibid.*

the European identity. This question contains differences in principle, especially between, on the one hand, Latin nations, Spain, France and Portugal, and on the other hand, Anglo-Saxon nations, the Netherlands, Great Britain and Germany. Latin countries do not fully accept even the way the question has been posed. This has to do with a view that skin color or religion as such should not be considered such big differences in the first place that "Europeanness" could not digest them. Anglo-Saxon nations, for their part, support an approach that is typical in multicultural thinking, in which the difficulty of foreigners to integrate and the limitations of the European identity are accepted as starting points. The issue of integration policies for immigrants has indeed been left to be resolved by national governments.<sup>16</sup> Being part of the European Union, "European citizenship" is determined according to the laws of each nation.<sup>17</sup> Europe continues to be a very diverse receiving continent from the point of view of immigration.

The sociologist *Ilvo Diamanti* has placed attitudes toward immigration in EU's largest receiving countries in three groups.<sup>18</sup> In the first attitudinal model, immigration is feared somewhat as a threat, and legislation provides immigrants with relatively many rights. Spain and Britain represent this attitude type. The second attitude type is represented by Germany, where the fear of migration flows and the rights granted to foreigners are minor compared to other countries. In the third model, immigration raises fears, but legislation grants immigrants plenty of rights. France is typical of this model.

According to the above-mentioned study, in France and Italy immigration is feared mainly as a threat to social peace and order, whereas in Britain the fears have more to do with loss of national identity. In Germany, the greatest fear is associated with losing jobs to immigrants. Unemployment figures are not directly correlated with experiencing foreigners as a threat. As an example, unemployment in Spain is among the highest in the EU, but immigrants are not considered a threat to the extent that this is true in Germany. Italian fears, conversely, have been rather strong in view of the relatively small number of immigrants. In all countries, higher social classes experience foreigners as less of a threat than those in a lower socioeconomic position.<sup>19</sup>

The increase in the number of asylum seekers in recent decades has had the impact that immigrants have been seen primarily as increasing social costs. In the last ten years, the Council of the European Union has recommended reinforcing border con-

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16. See Rex 1998, 72.

17. Hansen & Weil 1999.

18. Le Monde 6.4.2000/See I. Diamanti, 2000.

19. Like other above-mentioned factors, there are regional variations in political emphasis. In a study conducted by Jaakkola (1999) in Finland, attitudes toward foreigners were more positive among Green Party and more negative among Center Party supporters. Education did explain attitudes more than political affiliation, but after controlling for education, Conservative Party supporters proved to be more racist in their attitudes than supporters of the Green, Leftist and Social Democratic parties (pp. 108–109). The finding is consistent with Diamanti's research.

trols outside Europe, fearing illegal immigration, terrorism and drug trade. At the same time, the Schengen and Trev conventions have made it easier to move inside Europe's borders. This trend has been compared to the erection of "Fortress Europe": a wealthy Europe closes its borders to immigrants who try to enter from the south and east, and is tight-fisted in granting work permits to aliens.

### Europe's negative attitudes have been exaggerated

The pessimism that prevails in relation to immigration issues has also been apparent in the research focus on social policy. But the perception that immigration primarily increases social costs, does not bring in taxes or create new jobs, is false. In ten western European countries the number of professionals and small-business owners with an alien background increased by 18 percent between 1993 and 2000. At the same time, the increase of those who employed themselves among the original population was only seven percent. The claim that immigrants are more active and initiative-driven than the average population still holds in Europe.<sup>20</sup>

A need for a change in attitude is also supported by the disadvantageous age structure of the post-industrial western nations. It makes it necessary to consider increasing immigration, instead of maintaining the current restrictive immigration policies. Demographers have long been aware of the problem. The discussion became public when the United Nations published the report *Replacement Migration*, which presented scenarios for rectifying the situation. According to the scenario that received the most attention, to alleviate the population deficit that was impending in Western Europe, over 159 million immigrants would have to be brought in by the year 2025.<sup>21</sup> The scale and applicability of the calculations have been debated since the report came out. One of the objectives of it was indeed to provoke discussion: Is it possible, any longer, to claim that Europe can afford to fend off immigrants and asylum seekers?

The worsening of the demographic support ratio threatens the well-being of Europeans in the very near future. In addition to specialized tasks, labor will be needed in the care sector and in other labor-intensive occupations. A labor shortage is not only a result of population development – because of rising education levels, the value of many occupations has declined. The wage level and status of many labor-intensive fields are now so low that they no longer attract people to commit to life-long careers. Technology will never replace all services provided by nurses, child day-care workers, home care workers, bus drivers, cooks, police officers and electricians, and the like.

The debate has been heightened by economic prosperity and rapid development in the information technology sector. New technology has created occupations where the need for labor has swelled on an unprecedented scale. In Germany, there was a lot of uproar over the decision to recruit thousands of IT professionals from outside

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20. Echikson et al./Businessweek February 28, 2000.

21. UN Population Division. Replacement Migration 2000.

the EU.<sup>22</sup> However, it seems that Germany is not able to attract enough high-skilled workers. In attracting experts, Europe is competing with the magnetic labor markets of the United States, Canada and Australia. The low taxation, fast and systematic visa policies and the hegemony of the English language in all these countries give them an advantage. They also have the benefit of reputations as multicultural environments. In addition, Canada and Australia have none of the burdens of a former colonial power.<sup>23</sup>

Since the 1990s, EU nations have improved immigrants' possibilities for influence by developing the rights of residents, which guarantee the right to vote in local elections. Many countries where citizenship laws were previously very strict, such as Germany, have facilitated the citizenship process for second-generation immigrants. Double citizenship has also become a topical question, not only in Europe, but also in the United States. In some countries like Britain double citizenship never became an issue of principle.<sup>24</sup>

### Citizenship on what grounds?<sup>25</sup>

Nations' citizenship laws combine the following four principles, with different emphases:

- Descent, either through the father or mother, or the so-called *ius sanguinis* principle
- Birth on a country's soil, or the so-called *ius soli* principle
- *Marriage* to a citizen of the country in question
- Past or future long-term *residence* in a country.

Several EU countries are considering making double citizenship easier. After the Second World War, double citizenship has not resulted in the kind of loyalty issues in that lawmakers predicted. In addition, as mobility increases, it is increasingly difficult to control whether an individual has given up a previous citizenship. The citizenship legislations of the EU countries, develop as they did from very different starting points, are slowly unifying. Surprisingly, the process is not connected to EU integration. The most remarkable factor in the process of uniformity of citizenship legislations is the increase in the number of second-generation immigrants. A modern European nation cannot withstand a situation in which there are a great number of people who were born in that country and were educated in that country, but who lack the rights of citizens.<sup>26</sup>

22. Rickard; *Le Monde* February 26, 2000.

23. The Philippines and Haiti are former colonies of the United States. Papua New Guinea, part of the British Empire following World War II, was under Australian rule.

24. Hansen & Weil 1999, 15–17.

25. See Weil 1997, 13.

26. Hansen & Weil 1999.



In Belgium, France, Spain and Italy there have been campaigns to grant residence permits to hundreds of thousands of immigrants originating outside the EU countries, who either entered illegally or whose visas have expired. From the point of view of the population crisis, such legalization campaigns can be viewed as a kind of inventory of the work force.

The European discussion surrounding immigration is undergoing a transition. The justifications on behalf of immigration of the 1980s and 1990s, emphasizing humanitarian reasons, are being joined by increasingly market-oriented arguments. There is an attempt these days to attach threatening calculations about the population crisis to national economic strategies. Articles published in European financial publications encourage viewing immigration as a resource even when at issue is not the immediate benefit that is derived from recruiting highly educated work force. On the one hand, the myth of the temporary *Gastarbeiter* has been relinquished. There are integration programs for immigrants, and their possibilities for influence have been improved. Simultaneously, the *Gastarbeiter* thinking is making something of a comeback. But unlike in the 1960s and 1970s, when immigrant labor was viewed primarily from the perspective of national interest, this time, theories of the global economy are also having their effect. Particularly in connection with plans for EU expansion, immigrants are once again being spoken of as mobile workforce. In this vein, mention is made of calculations that could indicate that not all immigrants are looking for a new home country, but only better work opportunities from a little farther. According to this logic, the easier and cheaper mobility itself is, the better migration flows will function as a solution for both the problems of employers and the problems of job-seekers. People and goods should be allowed to move more freely: it would be easier to cross back and forth between borders, and it would promote international networking.<sup>27</sup> Relaxing border controls – also for people – would increase the productivity of the global economy.

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27. Meth-Cohn. *Business Week Central Europe*, April 2000.

## What explains migration flows?<sup>28</sup>

There are many different theories on the causes and effects of immigration. They either emphasize the *pull factors* of receiving countries or the *push factors* of countries of origin.

- Emphasizing the rationality of human motivation, the *neoclassical models of economic theory* examine migration flows as a process between labor force supply and demand. At the individual level, too, individuals move in order to maximize the profits from their work input and know-how, or their “human capital”.
- *Sociological theoretical models* often focus on studying the decision to move and its effects. In migration flows, an individual makes the first decision, but the decisions are simultaneously the economic strategies of families and communities. Mass migration flows have been launched when one family member of one family has made the decision to emigrate.
- *Labor market theories* often underline that, economically speaking, immigration is not the temporary condition of a particular part of the population. The labor markets of many post-industrial receiving nations are permanently divided in two, with immigrants in the worst jobs.
- Various *world system theories* study the movement of capital, goods and labor as systems intertwined with each other.

It is characteristic of the globalization trend that labor market boundaries lose their importance. That is why the explaining power of theories that explain the movement of labor is now being re-evaluated. In theoretical models people's increasing mobility is sometimes seen as too much of a self-ruling process.<sup>29</sup> An important partial explanation for the growth of mobility from mid-1980s until just recently is the continued low price of oil in the world market.

## Problems of international mobility

In the end, immigration cannot be viewed as a mere balancing act between labor shortages and unemployment.<sup>30</sup> Leaving behind economic and demographic calculations, it is difficult to find support for the brand of thinking that claims that the mobility of people will lead to balance. The balance of what?

Understanding movement and mobility as manifestations of freedom, progress and wealth, as “free mobility” or “the freedom of mobility”, is central in western thinking of our time. “Movement” is considered neutral in itself. Western thought represents an ex-

28. See Stalker 2000, 131–132.

29. On the complex problems of mobility, see, for example, Mayer-Tasch et al. 1990.

30. This is a slightly overstated view of neoclassical migration theory. See Stalker 2000, 131.

ception in the history of humankind.<sup>31</sup> According to one myth that lives on among some nomad peoples says that the wandering ways that are their lot are a curse.

Looking into the etymology of verbs denoting movement in western languages provides an interesting perspective. The Latin words *migratio*, *circulatio* and *trahere*, which developed, among other things, into *migration*, *circulation* and *traffic* in contemporary English, have had many negative side meanings. In etymological dictionaries, these terms have been associated with flight, upheaval, unrest, vagrancy, or “dragging along” some suspicious thing; taking something somewhere and bringing something somewhere – in other words, smuggling.<sup>32</sup> From the word *trahere* is derived for example the French *trahir*, meaning to betray. In German, the word for ‘road’, *Weg*, has also meant ‘astray’ or ‘the wrong track’.<sup>33</sup> Mobility and wandering, then, have always been parallel concepts. Throughout the times, people’s movements have been understood like this: happy are those who can remain where they are, and less lucky are those who are forced to wander.

The world today is different. Technology has made movement easier and lessened the associated risks. Changing a living location to a long way away, however, still means disrupting family relations and social safety nets. When these phenomena, occurring to individual people, are multiplied as they affect on the scale of masses, we speak of the societal problems associated with increased mobility: rootlessness, discrimination and anti-foreign sentiment.

In many European countries, uncontrolled immigration policies have created immigrant developments on the fringes of large cities, where unemployment is handed down as an inheritance from one generation to another. A culture of misery prevails in these areas. It is difficult to imagine a change for the better as long as students going to school in these developments mostly come from poor immigrant families. The unemployment of parents breeds an atmosphere of choicelessness, which is reflected on children. School is society in miniature form: when it does not offer daily encounters and friendships with children of the receiving country’s majority population, there is no “society” for immigrant children into which to integrate. Yet it is difficult to prevent the concentration of large immigrant groups in certain areas. Immigrants need their mutual support networks, so a conscious policy of deconcentration is inhuman and often pointless. In all countries that receive immigrants, there appears social segmentation of immigrants. Segmentation becomes a problem when immigrant status combines with unemployment, a low level of education and poverty. Immigrant developments carry a reputation that makes the majority population shun them when deciding where to move.

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31. In Swahili, for example, the verb that denotes movement, “zungua”, means to wander when used for humans.

32. Klotz 1874; Lewis & Short 1879.

33. Mayer-Tasch 1990, 10–11.

The most glaring side effects of mobility have to do with illegal immigration.<sup>34</sup> Strict border controls meant to prevent illegal immigration have spawned immigrant smuggling, a very specialized business today. According to an estimate by ILO, sales from immigrant smuggling are in the range of USD 5–7 billion annually. People in the Third World, frustrated with their living conditions, are prepared to pay exorbitant sums to reach their destination. For example, an arranged border crossing from Morocco to Spain costs approximately USD 500, and from China to Europe close to USD 30,000.<sup>35</sup> The sums are exorbitant because the trips can be fatal and living conditions in the destination may not be what the traveler expected.

Such reckless border crossings are worth it when the individual is running for his or her life. Nevertheless, the Convention Relating to the Status of Refugees of 1951 did not predict the kind of situation where, following a halt in the flow of labor, the pressures of mobility have erupted in refugee flows. Western Europe's tightening laws have led to a situation in which seeking asylum is almost the only option open to people from the developing world to improve their living conditions through migration. That economic distress may have been one of the factors contributing to seeking asylum has drawn accusations of being an "economic refugee", further exacerbating suspicions and anti-foreigner sentiment.<sup>36</sup>

Visions for increasing immigration ignore how widespread parochial patriotism remains within the EU. There are people who defend home and national identity against an undefined threat, and ultra-nationalist movements are increasing their popularity. Many Europeans fear that through the unification of Europe, growth of supranational corporations and development of technology, they will lose their jobs and hence the possibility of remaining in their home region. Looked at from this perspective, efforts to bring in educated workforce from outside the EU are like gas thrown into an open flame. Immigrants were already a source of fear as cheap labor and also as increasing social costs. What happens if they are highly educated, skilled experts? Demagogues on the far right know how to use the prejudice resulting from the weakening of the nation-state and changing social structures as fuel, channeling it to fear toward foreigners.<sup>37</sup>

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34. Massive migration also poses an epidemiological risk. Additionally, increased international mobility is accompanied by environmental problems.

35. Bobin, *Le Monde* March 16, 2000. Decamps, *Le Monde* March 22, 2000.

36. It is a central conflict in refugee questions that for nations that have signed the treaty, refugees are a matter of international human rights. Human rights principles should not, then, enter into national immigration or employment policy issues. In practice, this happens nonetheless, because states have a sovereign right to control immigration.

37. Jokisalo 1999.

# Globalization of culture

## Business as culture

The relationship between cultural diversity and globalization has been studied in recent years in different academic disciplines.<sup>38</sup> “Culture” is used to mean various things: high culture, business culture, the culture of indigenous peoples, kinship systems, urban culture and its trends and fashions. People are always within the reach of culture, but culture itself is elusive.

Etymologically speaking, the term ‘culture’ refers to agriculture, or a source of livelihood. Culture and the economy cannot be separated, even though they are generally treated as discrete objects of study. Whenever referring to “cultural influences”, they are usually something that have been transmitted through trade. The wealth of cultures in the world, then, owes itself to trade relations, which have provided a channel for cultural exchange. It is therefore bizarre to proclaim that culture should not be commercialized, marketed or spread.<sup>39</sup> The globalizing cultural trend that has been accelerating since the late 1970s is different from what has come before only in one sense – that the importance of national borders as boundaries for markets has eroded.

In the long term, market economy homogenizes values, consumption and cultures, and the globalization of the economy promotes this development. Smaller cultures are propelled into the sphere of western, consumption-oriented culture through increasingly efficient communications and market connections. Markets shared by different cultures require that products have certain standard features, so that they can be adopted regardless of cultural background. Walt Disney characters, techno music, cell phones and hamburger restaurants are examples of such commodities. Satellite channels, the Internet, world music and the film industry all transmit a certain kind of world culture. Youth fashion is similar all over the world.

It is natural for opposing forces to rise to this kind of development. Traditional cultures are not able to compete with a secularized, global culture in the same commercial arena. If they do not give in to global culture, their only option is to become radicalized.<sup>40</sup> In his work *Jihad vs. McWorld* (1995), *Benjamin Barber* proposes that the world economy is on the way to a kind of culture conflict, where cultural contents

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38. Academic fields that deal with cultural difference include political science, economics (in particular regional economics, economic geography and economic sociology), and social and cultural anthropology. See also Tucker 1997.

39. Warnier 1999, 23.

40. Related to this topic, theses by political scientist Samuel Huntington (1996) concerning developments in the world that are headed toward conflicts of civilizations that are based in religion, culminating in the frontier lines of Christianity and Islam. The German political and cultural scientist Bassam Tibi (1995) emphasizes, too, that religious fundamentalism is a reaction against modernization. It cannot be understood simply by becoming familiar with Islam.

become more and more one-sided on all sides. At odds are the western, materialistic market economy, of which Barber uses the symbolic term “McWorld”, and ultra-nationalist and fundamentalist movements, which Barber refers to with the term “Jihad”, meaning Islamic holy war. These parties are not real opponents in a battle, nor do they represent actual fronts, because Jihad and McWorld feed off of each other. On the one side, McWorld has already penetrated everywhere. A Chechen guerrilla fighter, for example, may be seen wearing Adidas sneakers, while wealthy upperclass Iranian families watch American TV-series on satellite channels. On the other side, Jihad’s fanatical extremist movements function as free advertising for McWorld. By presenting terrorism and fundamentalism as its opponents, the commercial, western culture of consumption, McWorld, is able to present itself as the harbinger of democracy. The polarization of cultures into opposing camps results in the impoverishment and uniformity of both western and traditional cultures. This development limits the possibilities of individuals to operate and shrinks local democracy.

## Culture as business

Even though, according to many interpretations, at the macro level the globalization of cultures leads toward cultural homogenization, this development is not straightforward. Cultural diversification, too, is occurring at the local level. According to the cultural *localization thesis*, global culture adapts to local culture and diversifies it (*global localization = glocalization*).<sup>41</sup> The phenomenon is subject, however, to the general commercialization of culture.

In countries that receive immigrants, immigration and the growing cultural spectrum promote the specialization of consumers and products. *Diversity sells*: different consumers increase demand for different products. Markets grow and diversify. In glocalization, the phenomenon is what was previously called *micro-level marketing*. Ethnic products, such as food, clothing, music and discos are now marketed to the general public. The Chinese pharmacies and Asian supermarkets of the world’s metropolitan centers attract clientele without regard for ethnic background. Ethnicity has been commodified and marketed so broadly that it no longer represents any kind of alternative way of life.

The “ethnic flair” that immigrants bring to large cities is also a tourism draw. Without it, the large cities of the western world would probably not be such popular travel destinations. Ethnic cultures have become an integral part of the western, big-city culture and its markets. Among the most popular ethnic articles today are different *fusion culture* products such as world music, the Latin boom, and Tex-Mex restaurants. Because the products also contain familiar traits, the threshold to consume is lowered for the western consumer.

The worldwide commercialization of cultures has made ethnicity part of a universal world culture. The question arises: does the commercialization of culture promote ethnic equality?

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41. Robertson 1997, 28.

The question is complicated, because the big-city ethnic cultures do not reveal the original cultural differences. The western urban lifestyle is a total way of life. It is defined by factors such as children's schooling, being a student, working for wages or living on social security, living in an apartment, and legislation that prohibits polygamy. Although individuality is the value that gets underscored, lifestyle choices in large cities are limited and depend on wealth. Regardless of immigration policies, immigrants must in any case adapt to living on conditions stipulated by the local way of life. In western post-industrial societies, the most unavoidable and weighty "conditions" for adapting are placed on immigrants. The issue is one of chronological order: the structures of the receiving society and the culture they have shaped already existed before the immigrants and the new cultures they represent entered the scene.

With the help of the ethnic products of the former home country and original culture, immigrants maintain nostalgia rather than the culture of their country of origin. Consumption creates culture, not the reverse.<sup>42</sup> On the ethnic markets of big cities, the ethnic segmentation of consumers increases the diversification of the market by way of the immigrants buying articles of their own culture alongside other articles of mass consumption. The original population, on the other hand, adopts ethnic products in addition to products of mass consumption. Ethnic restaurants are a typical example.

## Culture as regional and structural factor

The previous paragraphs on the globalization of cultures are connected to a type of cultural discourse that is often carried out within the so-called postmodern frame of reference. The background is the culture of big cities, with all their related "extreme" phenomena. Sometimes cultures, identities, choices, and the significance of consumption and images are discussed at an all-too-general level. Lively metaphors are flung about: globalization is sometimes characterized as "the world becoming one place".

Issues in the concrete, real world may recede into the background. But when globalization development is examined with the help of a map and statistics, it is possible to note that many differences are after all rather permanent. Population development, the gross national product, family models, religion, or food and alcohol culture generally do not change very quickly. And although immigration is growing, the majority of the world's people do not stray very far from their place of birth.

As proposed earlier, the regional culture of the receiving country does in the end set the conditions within which immigrants must live. Foreign companies, too, need to adapt their operations to local structures and local culture. Although big, supranational corporations and mass products of global culture are able to break these conditions, they cannot homogenize all the areas of the world. Culture continues to be a very local phenomenon. Many of the more down-to-earth ways of understanding the relationship between culture and economy continue to be applicable and necessary.<sup>43</sup>

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42. Warnier 1999, 98.

When analyzing capitalist models, economists compare the amount of consumption to savings, the organization of work, and educational systems. These factors can also be examined as cultural traits, because in the final analysis, they are value choices. Investing, for example, reflects an orientation toward the future. Economic sociologists, on the other hand, have studied the systems of capital accumulation in relation to regional diversity. An example of the combination of socio-anthropological and econo-sociological regional diversity perspectives is the book by economic and social historian *Henri Mendras*, entitled *Europe des européennes* (1997), and one by historian and anthropologist *Emmanuel Todd*, entitled *Illusion économique* (1998). Both works examine culture primarily as an economic structure. The starting point is the regions' empirically measurable social diversity and infrastructures. These refer to the traditional customs that govern family, relatives, the village community, church, land ownership, distribution of inheritance, and marriage.

According to this approach, *social infrastructures preceded the current economic infrastructures*. National differences between capitalisms, then, can still be traced to the institutional characteristics of local social structures. The econo-geographic and social characteristics of a region can explain things like the centralization of production or the popularity of family businesses, for example in different regions in Europe.<sup>44</sup> To put it simply, the issue here is that national "ethnological" traditions continue to be a decisive factor in economic systems. The competitiveness of a nation is indeed primarily determined by society and culture, not technology and economy. Here, the social construction of markets is not the sum of happenstance, but results from tradition. The way in which immigrants' "ethnic economy"<sup>45</sup> is examined, then, can be applied also in reverse, in relation to much broader economic systems.

Todd has proposed a hypothesis on the customs between, on the one hand, traditional family structures among the peasantry and distribution of inheritance (in other words, the transfer of property), and on the other hand, the mechanisms of the accumulation of capital. In his theory, Todd has classified the world's dominant family structures by combining three different variables – distribution of inheritance, marriage rules and father's authority status. The result is a limited number of sub-categories. Using this classification system, the traditional family structures in Germany, Sweden and Japan have resembled each other in that the eldest son has inherited the family property and continued working the farm under his parents' roof. Because the son and the inherited property remain in the paternal family lineage, the head of the family is able to control the property. In this sense, the system is authoritarian. The prevailing type of family model in Germany, Sweden and Japan as a historical and social infrastructure explains the fact that capitalisms in these countries have traditionally concentrated not so much on consumption as on production. They emphasize

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43. Scardigli 1993; Mlinar & Trcek 1998. Esp. pp. 77–78.

44. See utilizing anthropological family analyses in studying the competitiveness of local economies. See also Matteudi 1997.

45. See article by Joronen in this book.



investments that are profitable in the long term, as well as quality. The dominant family model represented a kind of long-term project.

On the other hand, Anglo-American capitalism with its characteristic innovation, the concentration of consumption levels since the 1920s with regard to long-term investment, and quick profits all reflect the traditional English family model. Sons left home early, thereby ending the father's ability to control their lives. Inherited property was transferred according to the free will of the deceased, in other words through a will. Unlike anywhere else in the world, in this family model an individual could assign property also to individuals or communities outside family and relatives. The early independence of sons, also with regard to their parents, and a will-based inheritance practice in the transfer of property, according to Todd, has been a crucial foundation of Anglo-American individualism and liberalism.

This theory is interesting because in it, cultural values, regional ideologies and their differences, usually discussed in terms of abstractions, are actually explained as stemming from social structures. The distribution of family structures would also explain why attitudes toward foreigners, alien policy and the central aspects of racist ideologies vary by region.<sup>46</sup>

## Cultural diversity and government strategy

The previous chapters have dealt with the cultural diversity of humankind, immigration and economy as universal phenomena. Attitudes toward immigration and ethnicity within an individual nation are manifested in its policies on the issues of minorities and culture. It is one thing to speak of the general diversity of the world's cultures, "the world's multiculturalism", and another to talk about cultural diversity in the context of a specific nation. It is only in the latter case that it becomes a political issue.

### Multiculturalism and cultural diversity

One of the ideologies for alien and minority policies, *multiculturalism*, has spread widely. It is used, on the one hand, to describe a situation where many different cultural, linguistic and ethnic groups appear simultaneously. In such contexts, it has begun to replace the term 'internationalism'. Multiculturalism also refers to political programs in which the government or another instance attempts to take into account the special needs of different cultures and to guarantee them rights, not only to realize equality, but to avoid conflicts. Multiculturalism is often perceived as a progressive ideology that is united with anti-racism and democracy, which have "come to" dominate the discourse.

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46. See Todd 1994.

The history of the ideology of multiculturalism is that it is an Anglo-Saxon political ideology that has spawned many interpretations. Russia, for example, is indisputably a multicultural country, if the word is used in a descriptive sense, but politically speaking the ideology has not made a breakthrough in Russia.

The world is not becoming multicultural – quite the opposite: the spectrum of traditional cultures is diminishing. But the presence of different cultures has increased in western countries as a result of international mobility. International corporations too are said to be becoming multicultural. Multiculturalism is no longer just a social term, but is also used in business connections.

## The history and spreading of the ideology of multiculturalism

Historically, the ideology of multiculturalism was born in the 1960s in the United States. Toward the end of the civil rights battle for Black rights, it was conceded that the ideal of equality and the national melting pot ideology had not been realized for Black people. There began to be more discussion about the negative implications of an individual's ethnic background, culture and skin color. Because the structural discrimination of Blacks had a long history, the policy of affirmative action, debated to this day, was adopted to try to improve educational and work opportunities for Black people through a system of quotas.

Simultaneously, immigration was surging after a slow period during the 1950s. But unlike previously, immigrants no longer came primarily from Europe, but arrived from all over the world: Asia, India and Latin America. For understandable reasons, the ideology that promoted the prevention of ethnic and cultural conflicts that would tear apart the social fabric became popular. Public health studies showed that society was divided. It was observed that when defining what it was to be American, only the dominant and well-off social stratum was being acknowledged. Sociologists began to call Americans in this layer "WASPs", after *White Anglo-Saxon Protestant*. Alongside the "waspy" façade, the conception of a multicultural America emerged. Multiculturalism meant the freedom of many different cultures to coexist in the spirit of liberalism and individual freedom. Race, and later ethnicity, was made into a manifestation of pluralistic and democratic ideals. At the same time, it became a fashion phenomenon of the 1970s and 1980s, inciting Americans to seek their roots.

Multiculturalism was first accepted as part of official policy in Canada in the 1970s. Conditions there were different and less strained than in the United States. Canada was already officially bilingual. According to a commission established to explore the issue, as immigration was diversifying, it was necessary to officially admit that in addition to its two language areas, Canada was also multicultural and multilingual by virtue of its history that was based on indigenous peoples and immigration. The importance of conceding multiculturalism was supported by the assumption that immigration would also continue in the future. The law on multiculturalism came into effect in the late 1980s. According to the commission's definition, the Canadian identity reflects cultural and racial diversity. Each ethnic group and indigenous people must be guaranteed the right to practice and develop their own culture. According to

the law's definition, the cultural enrichment process enjoys the special protection of the Canadian Federation.<sup>47</sup>

The multiculturalism ideology has spread widely to Anglo-Saxon immigrant-receiving nations, such as Australia. In Great Britain and the Netherlands, the multicultural approach was a natural continuation of the colonial politics of these countries, where the mother country did not attempt to assimilate her possessions. Immigration issues are dealt with through different ethnic communities, and administrative organs, committees and commissions have representatives of the most significant minorities and religious communities. In Great Britain, ethnic categories are even included in the national population register (for example *Black-Caribbean, Black-African, White, Chinese, Pakistani*). Emulating the American model somewhat, Britain has attempted to relieve inter-racial tensions through statutes (*Race Relations Acts*), which are aimed at facilitating the employment and access to education of people with darker skin. Statutes are also used to minimize the segregation of living areas.<sup>48</sup> In Germany and Sweden, multiculturalism ideology has assumed national variations, although no actual laws about multiculturalism have been passed. Although immigrants have many associations, the policy of multiculturalism is state-focused and cannot therefore be described as liberal. In Sweden, immigrants' linguistic and cultural rights were emphasized in the 1980s. Official, national minority languages, however, were not recognized until later. Recently, Finnish was approved as an official national minority language, along with Yiddish and Sámi. In Germany, as a result of the policy on foreign workers and a strict citizenship law, the multicultural ideology did not penetrate public discourse until the 1990s. The country is facing enormous challenges, especially when the German unification process has required its own national policy of integration, including remigration from the former Soviet Union and Eastern European countries. The problems in the German debate about foreigners have focused on the Turkish minority and Islam. Multiculturalism is discussed in all new and traditional receiving countries – France, Belgium, Spain, Portugal and Italy, but in these countries it is not yet the guiding line of official policy on aliens. In countries of East and Southeast Europe, the word “multicultural” is used only as a descriptive term to refer to the internal diversity in those countries.

The multiculturalism ideology also spread to South America in the 1990s. Some nations, including Colombia, have passed laws on multiculturalism in the 1990s. Because South American countries have traditionally practiced a policy of assimilation, where ethnic mixing has been part of their national ideology, an about-face toward a policy of multiculturalism has aroused discussion. In Brazil for example, ethnicity and skin color have not been traditionally considered factors that predetermine social inequality. Brazil's national ideology of “racial harmony” has been acknowledged as a myth in national research.<sup>49</sup> A debate of principle has emerged on whether Brazil's history, social structures and problems of inequality can be completely re-explained from the race

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47. McAll 1991: It is true that multiculturalism was not absorbed as it was in the Québec Province, and a more assimilative cultural conversion model was developed out of it.

48. Mason 1996.

49. Moritz Schwarcz 1996; de Castro 1996.

relations perspective.<sup>50</sup> Indeed, some researchers see foreign policy motives in the multiculturalism phenomenon of South America. Their view is that behind the phenomenon there are pressures of post-dictatorial democratization programs to create a convincing façade in order to attract foreign investment.<sup>51</sup> In South Africa, on the other hand, incorporating the principle of multiculturalism in official policy may have been the only possible solution for the development of democracy following 1991.<sup>52</sup>

### The ideology of multiculturalism in a nutshell

- What different multicultural ideologies have in common is that the state must officially recognize ethnic diversity and the presence of minorities through pluralism. Immigrants have the right to maintain the language, culture and religion of their country of birth even though their home country changes. The situation of indigenous populations and minorities must also be given attention. The government must provide minorities with rights to be able to secure the continuation of their culture, as well as support, for example to obtain operating space or native language instructors. Analogously, minorities are expected to organize for representation.
- Multiculturalism ideology is based on the idea that the ethnic background and culture of immigrants are inherited or transferred from generation to generation, and that the majority population has a tendency to discriminate against minorities. Ethnic background, race and culture are seen as shaping the choices and life span of individuals. Political activism is seen as largely occurring through ethnic communities. Statistical materials often show that disenfranchisement is concentrated in certain ethnic groups. On the other side, cultural and ethnic rights are equated with the freedom of choice and opinion of the individual. The principle of equality of multicultural ideology is grounded in the Anglo-American tradition of individualism and liberalism.
- The third basic characteristic of multicultural ideology is its pragmatism. The objective is to minimize and prevent discrimination. The prevention of labor market discrimination is of particular importance. Administrative bodies must monitor that the objective is achieved. This is why there are attempts to measure ethnic discrimination and attitudes regularly.
- Fourth, discrimination and racism are to be actively prevented through tolerance training. A central claim is one supported by many studies: that knowledge of other cultures and contacts with different kinds of people help fight prejudice. Multiculturalism occurs in public activities. Central areas are schools, universities, workplaces and the media.

The multicultural model offers practical solutions for diversity management. It provides a positive response to the basic human needs of being allowed to retain one's

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50. Hazard & Kali 1996.

51. Wade 1999, 11.

native language and culture. It may be counted among the benefits of multiculturalism that during the last 30 years it has become common knowledge that it is harmful to prevent a child from speaking his or her native language. Attention has been given to mechanisms that contain intolerance toward language and culture that cause bitterness among minorities. There is a burgeoning awareness that the requirements of uniformity are provocative, and can in time lead to conflicts.

In recent years, multiculturalism has begun to be seen as a competition factor in large, international corporations. Some large cities also market their multicultural environment. One example of utilizing a multicultural image in marketing is Montréal, which has been able to combine high-level technology, bilingualism that favors international connections, the spectrum of language and culture brought in by immigrants, as well as a secure work environment. In Western Europe, London's mosaic of many cultures is held up as a model of an established multicultural city. At the world level, Australia is often held up as the most triumphant model of well-functioning multiculturalism. The historical background of the model has been very similar in Canada: a country immensely rich in natural resources and sparsely populated, settled by immigrants, and a country that did not import hundreds of thousands of African slaves. Australia has been able to weave together the cultural, religious and linguistic diversity into a common national model. Australia's wealth has enabled it to dole out generous support to ethnic groups. It is the first country in the world to integrate multiculturalism into official politics as part of an effective economic policy. Compared to Europe and the United States, the occurrence of racially motivated riots or violence is very low.<sup>53</sup>

## Discussions on multiculturalism

In high-volume receiving countries the practical implementation of a politics of multiculturalism has been debated in critical tones as well. Multiculturalism is openly opposed by far-right political parties, which increased their popularity in the 1990s. These include Austria's Freedom Party *FPÖ*, Belgium's *Vlaamse Block*, Denmark's

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52. Launched in 1990, the democratization program "Rainbow Nation" made the ANC Party legal, among other things, and began to systematically bring down statutes that had maintained racial segregation. The South African Parliament approved in 2000 new "laws aiming at equality in working life" that are based not only on ethnic but also gender and disabled quotas. Each company with more than 50 employees must report to the government on how it is promoting employment practices that are representative of the entire population. According to the law, all levels of the company must employ 75 percent Blacks, 52 percent women, and 5 percent disabled persons. It is feared that the equality program will dismantle universities, distort competition and produce entirely new problems for national unity. On the other hand, no other effective measures exist to address the deeply entrenched institution of segregation. (Maninen, *Helsingin Sanomat* January 27, 2001; see also Beinart 1994, 236–260).

53. Castles et al. 1998.

*Dansk Folkepartiet* and the currently divided French *Front National*. These parties advocate limiting and decreasing the number of immigrants. Sometimes they appeal to a mathematics that says that unemployment figures would come down in one fell swoop if the corresponding number of immigrants were sent out of the country. For these parties, multiculturalism is the demoralized ideology of progress adopted by the power elite, unconcerned with the original population or its interests. Actual racist fringe movements form a category of their own: Sweden, Great Britain, Denmark, Norway and Finland each have seen the birth of various neo-Nazi organizations and skinhead movements. The central message of these movements is to preserve "racial purity". All anti-racist ideologies, including multiculturalism, are presented as having a decaying effect on society.

### Criticism about principles

Critiques of multicultural ideology are directed at its internal conflicts and practical implementation. In countries where multiculturalism has been incorporated into official politics, the criticism is more tempered. The discourse occurs within adherents of the ideology itself and concerns its underlying assumptions. The most common criticism focuses on the ideology's limited vision.

The self-stated purpose of "cultural diversity" is in many ways problematic, because it irrevocably calls into question the existence of common values and objectives. The ideology has generated politically correct speech that is not useful in grappling with the issues themselves.<sup>54</sup>

In the United States, multiculturalism and especially its policy of race quotas has met with criticism among both Republicans and Democrats. According to Republican criticism, affirmative action has surpassed its objectives. Supposedly, favoring Blacks has skewed competition in the labor market. Democrats, on the other hand, say that affirmative action has not achieved its goals, and favor either continuing it or coming up with entirely new ways of improving the living conditions of not only the Black population but also other ethnic minorities.<sup>55</sup> Comparing the living conditions of Black Americans (who make up an estimated 12 % of the population) to the situation 30 years ago, it is clear that their socioeconomic position has improved significantly. Averages do not, however, reflect reality as a whole, and in fact, one-third of Black Americans are worse off than before.<sup>56</sup> Affirmative action was already abolished in

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54. See Higham 1998, 224. According to Higham, multiculturalism proponents at many universities forced the addition of an introductory course in "Ethnic Studies" into all curricula, to initiate students into minority cultures. When students and instructors criticize the new practice, authorities have interpreted the objections as sending a message about potential racial problems. In response, the mandatoriness of ethnic studies courses has been reinforced. See also van den Berghe 1993.

55. See van den Berghe 1993.

56. The annual income of said one-third is an average of USD 10,000, including assistance from the state. (Kaspi 1996.)

the state of California in 1997. The fate of race quota policies will probably not have an impact on multiculturalism. In spite of criticism, it is not under threat in the United States, but is being assigned new content and meanings. Continuous immigration and the dizzying rate of growth of the Spanish-speaking population are some of its new challenges.

The more radical criticism coming from outside of the countries that have adopted the multicultural framework claims that the ideology has not been able to separate itself from its historical origins. In many of the countries with established multicultural politics, mainly the United States and Australia, the same pattern is repeated in which ethnic equality occurs at the expense of one pariah class. The civil rights of this population group have long been justified in a way that gives rise to an impression that the discrimination is intentional. In the United States, for example, a research tradition looking at genetic differences in intelligence between “blacks” and “whites” continues – and continues to receive the necessary funding. In Australia, the current situation of the Indigenous Population is in conflict with the officially adopted ideal of multiculturalism.<sup>57</sup> Of the 19 million inhabitants in the country, the Indigenous Population only makes up about two percent today. The likelihood of ending up in prison is thirty times higher for an Indigenous Australian compared to the average Australian. The average life expectancy of members of the Indigenous Population, depending on the region, can be as much as 20 years lower than among the rest of the Australian population.<sup>58</sup>

Basically, multiculturalism’s approach to difference is anything but natural. A case in point, the proportion of mixed marriages between Blacks and whites in the United States and Great Britain remains low. They are significantly more common in the latter country, but are concentrated in the lower social classes.<sup>59</sup> From a labor market perspective, multicultural thinking has been accused of forcing people to focus on ethnic and cultural difference, even though the goal should be to forget it. Difference cannot be tolerated unless it is assigned a pedagogical meaning. When a person of non-European descent is made into “a representative of his or her ethnic group”, this individual is defined according to his or her background – and kept there. And when simultaneously ethnicity is spoken of as a right and a matter of individual choice, or as one lifestyle among many, the game is not fair. In the name of multiculturalism, the real cards of working life and the rest of society are kept concealed. All focus is on the ideals of a multicultural society, while the rest of the story – that the cohesive culture of the population segment with the power is still the real ace remains untold.

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57. Australia’s Indigenous Population received citizenship rights only in 1967.

58. *Le Monde* September 2, 2000.

59. Todd 1994, 79. In the United States, only 1.2 percent of marriages of “black” women are to “white” men. In Great Britain, “black” immigrants – Black-African or Black-Caribbean – are a more recent phenomenon. In the marriages of women born in Britain of Caribbean descent, 13 percent were married to “white” men. See also Tribalat et al 1996.

Sometimes minorities have obtained the right to use articles of ethnic clothing in addition to a work uniform: for example, a Muslim nurse may wear a veil or a bus driver a turban during work hours. In Holland, as a result of a shortage of police officers, there has been discussion as to whether police can wear ethnic clothing. By making allowances, the profession could attract more immigrants. Workplace conflicts that culminate in ethnic dress have been settled in the European Human Rights Court. Even though minority rights involve major principles, multicultural politics have an awkward habit of being reduced to wrangling over clothes and diet.

In the Nordic countries, there was an existing sociopolitical framework for the state's role in immigration policy, and the push for the ideology of multiculturalism has been effective. In programs of immigration policy, the state's definition of the quality of cultural interaction is informed by details, and not necessarily by principles of universal human rights.<sup>60</sup> Sweden's politics of multiculturalism came under international criticism in the early 1990s.<sup>61</sup> Since then, multiculturalism has encountered criticism also inside the country. It has failed to prevent the emergence and growth of neo-Nazi organizations, and it is feared that anti-foreign activists have infiltrated the political system.<sup>62</sup>

## Multiculturalism and the welfare state

Multicultural politics are interpreted differently depending on the form of government. According to French *Pierre Rosanvallon*, in continental Europe, citizenship – regardless of culture or race – has meant being included in the system of social insurance. This has been and continues to be the case in Nordic countries. But in the United States, citizenship is seen as the granting and fulfillment of full civil rights. In Great Britain, a system of varying degrees of citizenship rights prevails, based among other things on the relationship of the immigrant's country of origin to the British Empire.<sup>63</sup> Citizenship, then, does not unambiguously translate into social security based on so-

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60. In, for example, Finland's program for immigration and refugee policy, approved by a Council of State basic resolution, it is stated that "an interaction exists between immigration policy and general atmosphere and attitudes, where tolerant attitudes contribute to the success of policy, and successful policy contributes to better attitudes."

61. See Hurme 1997, 17; Kyntäjä 1996, 46. In 1992, Sweden was awarded the German Carl Bertelsmann Award for its integration policy. The award may be seen as a sign that the presenters wished to point to Sweden as an example, with its integration policy that is based on multiculturalism, for all of the rest of Europe.

62. For neo-Nazism in Sweden, see Lööv 1998.

63. See Rosanvallon 1995. In 1948, Britain's citizenship law granted the same rights to all citizens of the British Commonwealth of Nations as to British citizens, and there were no restrictions on moving to Britain. Since then, the law has been changed many times to become increasingly restrictive, so that the citizenship rights of immigrants have been graded depending on colonial background and the position of the colony in the Commonwealth. (Mason 1996, 30.)



cial rights – in Europe, grounded in the concept of *anonymous risk*. In the risk conception of a European welfare state, social calamities such as unemployment are on a parallel with natural catastrophes in the sense that in seeking restitution, there is no need for a guilty party. From the vantage point of social welfare, the state *is* a contract. The task of the state is to compensate damages within its compass. When structural discrimination of ethnic minorities<sup>64</sup> is detected within the state sphere, it constitutes anonymous social harm. When equality is called upon to eliminate discrimination, this occurs in terms of membership in the state and the social rights it guarantees. The European welfare state's politics of integration for minorities is about the organic reinforcement of the relationship of minorities with the state. At issue is state membership, which in turn means entitlement to social security. Still, the state does not operate out of altruism, and social security is not a matter of course. The contract also entails obligations, such as taxes and military service.<sup>65</sup>

Taxes are low in the United States; there is no mandatory national military service, and citizenship is a matter of civil rights. Because the government guarantees civil rights, it also monitors them. When an oppressed minority attempts to improve its position, it "tries to attain rights", in other words, strives to complement its civil rights. In this process, someone is always at fault when social harm occurs: an employer, teacher, an educational institution or other instance with any power over an individual's options. When discrimination is structural, as it has been shown to be in the case of the Black population, the guilty party is the "system" itself. Discrimination means that the state has failed at its task of monitoring the fulfillment of civil rights. The state is to compensate victims for damages through various social improvements. But before compensation, the discrimination must be proven. This places state and minority in the position of disputing parties. The party seeking social improvement is automatically assigned the role of victim.

Because the structural discrimination of Blacks and indigenous peoples can be seen as stemming from history,<sup>66</sup> it is the task of the state to provide restitution for historical wrongs. If structural discrimination is not rectified, the minority seeking its rights has no other recourse but to toughen its demands and show more proof. The processing of ethnic conflicts and the presenting of the historical background for the problems acquires theatrical traits. The integration of minorities and immigrants appears as the pursuit of interests of culturally competing parties, of population groups pushing for different rights. In the context of tense relations with minorities, and in the absence of a social security that would unify people as citizens of the state, the state's task becomes to "manage diversity".

In welfare states in continental Europe and the Nordic countries, where citizenship and the associated rights have long adhered to the law of "all or nothing", multicult-

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64. This does not refer to ethnic discrimination against an individual, for which of course there is recourse through the justice system.

65. According to Rosanvallon, in this sense Canada's form of government is somewhere between the United States and continental Europe.

66. Neuman 1996.

turalism is not a crucial question in the same degree. It is more a question of many cultures within the state, rather than a state that is defined by multiculturalism. Although the equality of immigrants and other minorities is a central social problem, minority questions do not turn into public trials that tear apart the social fabric. It is not as necessary to continually keep history's wrongs visible. In this sense, the starting point is more favorable.

The continental European and Nordic state, then, differs structurally from the American state in terms of the multicultural model. In integration, the main problem is how to bring immigrants and discriminated minorities into the sphere of state membership and the redistribution of well-being and citizenship. The debate concerning the integration of Europe's immigrants concerns to whom, how and on what grounds should national solidarity be extended. In reality the question is, who is eligible for social security. Unavoidably, immigration becomes a sociopolitical issue. The problem is exacerbated by the fact that the European welfare state with its pension security and unemployment and health insurance is headed toward a crisis.<sup>67</sup>

### Multicultural programs have an international political dimension

Multiculturalism is often discussed in a domestic policy context. This allows the bypassing of the political conditions and international tensions that caused an increase in immigration in the receiving country in the first place.

Immigrant communities usually have an interest in participating in activities of their previous home country. Many communities raise funds for common activities, such as the upkeep of mosques, children's clubs, health, weddings and funerals. Sometimes the target of fundraising is support for political movements in the country of origin.<sup>68</sup>

The work *Économie des guerres civiles*, or "The economy of civil war", published on the initiative of Doctors Without Borders, deals with the international financing of civil wars and ethnic conflicts in the post-Cold War period. The study confirms that certain transnational immigrant communities have a significant role in fundraising and in channeling funds to fundamentalist extremist movements. What does this mean in terms of multiculturalism? At the very least it means that the ideal of protecting minority cultures and international *Realpolitik* are not always in harmony.

Immigrant communities that promote national political interests or represent religious extremism have provoked discussion in Canada and Sweden. Conflicts between certain groups are feared to flare up on the new soil. Assistance allocated to a certain immigrant minority may be viewed as taking a political stand. There are cases

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67. For example, a leading French "Regulation School" scientist Roger Boyer, who has attempted to integrate the themes in the globalization discourse, considers those interpretations that claim that globalization will lead to a uniformity of economic systems at a national level exaggerations. The European social state is still in working order. See Boyer. 1996; Raumolin 1998, 48.

68. Angoustures & Pascal 1997.

where governments in countries of origin have relayed notes to receiving countries for political intervention in the internal affairs of the countries of origin. Greece, for example, has warned Canada and Australia about supporting extreme groups working on behalf of a “greater Macedonia”. In practice, multicultural programs do contain conditions for granting support, to help direct the support toward cultural activities.

## Other models for diversity within the state

As an ideology, multiculturalism is difficult to define without comparing it to other models. Only presenting the assimilationist model as the diametrical opposite of the multicultural model is misleading, because there exist many other “diversity models” or national political line-definitions in relation to cultural diversity. For example, Québec’s “conversion model”, in which the main emphasis is on the bilingual culture of the receiving country, deviates from Canada’s overall Multiculturalism Act.<sup>69</sup>

Brazil has been characterized since the 1920s by *branqueamento*, a “population whitening” ideology, where the message is that the state should encourage the mixing of the population toward a whiter skin color. According to the *branqueamento* ideology, whites brought with them civilization, and it was their job to spread it hierarchically to lower population strata, which were dark skinned. The objective was to make Brazil into an image that would attract European immigrants.<sup>70</sup> Latin America is discussing the *hybridization of culture*. This means that in the course of time, the diversity of cultures is seen as resulting in their hybridization and the creation of new, distinctive cultures.<sup>71</sup>

In Russia, the existence of cultural and national diversity has been so obvious that it has not been necessary to discuss “understanding” it. The question has been above all strategic. The Russian view of “the people” has been ethnographic, i.e. descriptive. Historical documents on the Russian population, including church records and census counts, show that alongside nationality and origin, many other criteria have been used, including native language, religion, tribe, area of origin, occupation, social class and estate. The variety in criteria has made it possible to manipulate the concept of “nationality” as needed. A term used in population registers since the 1800s, *narodnost*, means “the way of life of a people that differs from other people”. Due to its looseness and vagueness, *narod* does not correspond to the Anglo-American concepts of *race* or *ethnic group*.<sup>72</sup>

When international literature on issues related to immigrants uses terms like “integration”, “segregation”, “ethnicity”, “antiracism” or “valuing cultures”, their meanings are differently charged depending on national and political backgrounds. National ideologies are also apparent in research. Anglo-Saxon literature, for instance,

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69. McAll 1991; Rogel 1994, 103.

70. Wade 1999, 3.

71. Canclini 1995, 15–19.

72. Blum & Goussef 1997; see also Ylänkö 1999a.

nowadays condemns the politics of assimilation. In studies, lists of references indicate that there is very little discussion across language boundaries.

Viewed internationally, there are three types of factors that have had an impact on the main delineations of various immigrant politics.

First, there are the structural and political historical factors, which have forced the forming of some kind of politics to manage the cultural diversity of the population. A national and linguistic diversity may already traditionally have reigned in the area of the state, increasing as it has expanded, as in Russia and Germany. The nations may have had possessions or colonized countries. Cultural and religious diversity and the presence of indigenous peoples have been starting points for politics in high-volume receiving countries like the United States, Canada, Australia and South Africa. The adopted politics have also been influenced by demographic ratios, such as population pressure or deficit. The different conceptions of citizenship that prevail in Germany and France, for example, have been explained through the demographic ratios of the 1800s. German regions were overpopulated, whereas France was the first European country to experience a drop in fertility rates. If France were a place of birth, it could acquire more citizens through the *ius soli* principle.

It is also possible to speak of *traditional conceptions that concern the fundamental nature of cultural and national differences*. These conceptions represent the cultural attitudes toward foreigners. As is always the case with cultural traits, it is unlikely that shifts in attitudes from one extreme to another would occur suddenly. For example, from the perspective of political ideology, it is difficult to explain why Soviet Russia continued the tradition of detailed, ethnographic classification in the population register, even though the Soviet citizen was supposed to be a universal. Domestic passports, for example, even carried entries for name of grandparents. Following the unraveling of the Soviet Union, pan-Slavism and the Slavic kindred peoples ideology have re-emerged.<sup>73</sup> The Chinese have traditionally striven to “mature” foreign barbarians to become Chinese – in other words, to assimilate the strangers into themselves. The Japanese are nowadays skilled at marketing products of their distinctive culture, but Japanese attitudes toward foreigners have been non-assimilationist. Japan’s citizenship laws are strict, and Japan has not made efforts to spread its culture.

The third factor comprises international economic trends, international contacts and ideological upheavals, all of which impact the actual policies on foreigners. The official policy on minorities and aliens does not always correspond to actual integration and segregation processes. Policies on foreigners have varied in Western European nations after the Second World War. When looking at the political focal points of different countries, it is better for the sake of comparison, and also more reliable, to look at, for example, the development of citizenship laws, employment statistics, proportion of intermarriages, and racially motivated violence, than it is to look at these countries’ policies on foreigners. These materials, too, should be proportioned to the duration of immigration and the number of immigrants. This does not mean that pol-

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73. For the Russian crisis in ethnicity and political-ideology, see also Krarkhordin 1997 & Kääriäinen 1999.

icies on foreigners have no impact. It indicates that it is difficult to estimate to what extent official politics are significant in integration and social development.

Unlike other models, multiculturalism is not bound to any particular nation or its culture, which is the case for assimilation models, which are national models. The spread of multicultural programs in recent decades is connected to the dominant position of the English language and the expansion of Anglo-Saxon capitalism.<sup>74</sup> *Pierre van den Berghe* speaks of the "racial virus" of American origin that is affecting international social research. It interprets social problems everywhere as ethnic problems. There is the assumption that ethnicity and difference contain something that degrades humanity.<sup>75</sup> Viewed at from this vantage point, multiculturalism is a supranational model for minority politics, born of globalization development. Although the ideology was created as a protest against racial oppression and its original supporters were radical dissidents, today it is increasingly a concept of business economics, a kind of culturalized replication of the free market.<sup>76</sup>

For historian Emmanuel Todd, the phenomenon of multiculturalism is merely one dimension in the spread of Anglo-American individualism and liberalism. Todd emphasizes that cultures cannot be brainwashed, because cultural values are bound up with local socioeconomic structures.

In practice, this view is supported by the fact that in local conditions, the politics of multiculturalism assume many different forms. Sweden's politics of multiculturalism, for instance, have included an efficient implementation of tolerance training in schools and in discourse on immigration. It is a characteristic of Nordic welfare states that quotas for specific ethnic groups are not considered acceptable.

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74. Bourdieu & Wacquant 2000.

75. Van den Berghe 1993.

76. Vincent Tucker, who has studied the globalization of cultures, is concerned about a phenomenon of the 1990s and the new millennium, in which multiculturalism is pushed forward most enthusiastically by supranational economic interests, no longer by ethnic minorities, political parties or civic organizations. He refers to conclusions made by another globalization researcher, Afir Dirlik (see Tucker p. 17): "[Cultural] traits do not simply travel and mix like some global cultural DNA; they are shaped by power relations which include political, military, and economic imperatives [...] it is no longer marxists, feminist radicals and ethnics who spearhead multiculturalism but business school administrators and the marketing managers of multinational corporations who cannibalise cultures all over the world in order to better market their commodities. Without consideration of the power relations which shape the outcomes, multiculturalism can become a cultural version of free market."

## Assimilation and kindred peoples<sup>77</sup>

Two other integration models can be placed on a par with Anglo-Saxon multiculturalism. They do not constitute organized ideologies, but instead reflect regional political traditions. Against the backdrop of their history, these models may be seen as imperial legacies.

The *assimilation model* has traditionally dominated Latin American and Catholic countries. In Europe, the model is usually cited in connection with France. The Roman Empire already adhered to an assimilationist ideology, compared with Greek city-states, in which citizenship was determined by birth. To simplify, in the assimilation model, the territory, or the nation's soil, determines membership in the nation or empire. Catholicism as a universalistic cultural force differs from the cultural force of Orthodox churches in that Orthodox churches function as powerful forces behind national identities, as national churches (see kindred peoples ideology). The colonialization of Latin America by Spain and Portugal implemented a policy of assimilation.<sup>78</sup>

In the assimilation model, the assimilation of minorities is considered unavoidable, and the state tries to accelerate the process. The strategic objective is to increase unity inside the nation. In principle, policies on foreigners always contain assimilationist characteristics in some degree. A real tradition of assimilation can be identified by the mixing that occurs across nationality and race lines in spite of racism or ethnic or national hierarchies. The goal of assimilation policy is that cultural customs,<sup>79</sup> which inhibit integration into the dominant culture, are gradually given up.<sup>80</sup> A frequently cited example is the prohibition on Muslim girls to wear veils in French schools. Behind the prohibition is the French *laïcité* principle, which posits that religion is a private affair. In reality, though, the country still follows the Catholic church calendar in terms of holidays. Wearing a veil is seen as restricting a young girl's possibilities of forming social networks and the broadening of her worldview. Assimilation is seen as a road to social advancement.

In practice, social advancement may take several generations, and it is not certain. Indeed, the assimilation model is criticized for thwarting cultures and languages.<sup>81</sup> Because in assimilation, the goals are in the future it is ill-suited to respond to demands for equality in the here and now. True, the model contains the commonness of intermarriages – which transcend religion and skin color – especially in the second and subsequent immigrant generations. This is seen as signaling equality. Even if there are ethnic hierarchies, they are not considered as fatal as in Anglo-Saxon multicultural thought.

Another great tradition of conceiving of ethnic diversity is the *kindred peoples ideology*, which reaches to the heart of Eurasia and the Balkan Peninsula. This tradition acknowledges as a fact the difference of peoples and cultures. Where the multicultural model has been criticized for its complex-ridden attitudes on ethnic differences, this model boasts an uncomplicated, straightforward approach to difference. Even though it is a “model of many cultures”, it is traditionally lacking in the ideals of pluralism and individual freedom. The people form the starting point, and humanity is seen as consisting of people.

## The case of Finland

In Finnish policies on and attitudes toward foreigners, the question is, what the local reactions, within a single country, are to migration flows and globalisation of cultures. In outlining its immigration policy, Finland is in an advantageous position in one sense: as a latecomer as a receiving country, Finland has the benefit of the political

models of other receiving countries and is able to sidestep the mistakes others have already made. On the other hand, imported political models can be deceptive for the very reason that they seem to offer an opportunity to bypass local conditions.

What kind of policy would utilize the knowledge and skill potential of immigrants and prevent inequality specifically under Finnish conditions? The question went off before the question was posed; multiculturalism has been a leading theme, very much as a result of Swedish influence, in the Finnish integration policy since 1990. The immigrant integration program adopted in 1997, the Act on the Integration of Immigrants, contains principles common in multicultural politics, from granting funds for native-language instruction to recommendations on how to employ immigrants in public administration. Integration is defined like this: “*Immigrants participate in society's economic, political and social life as equal members of society, and are affected by the obligations and rights of a member of society. Simultaneously, they have the opportunity to retain and develop their own culture and religion in harmony with Finnish laws.*” The definition is not particularly strongly delineated, but the multicultural framework is clear.

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- 77. The author has drawn the models on the basis of Emmanuel Todd's family structure theory (see Todd 1987; 1994; 1999).
  - 78. The Catholic Church participated five hundred years ago in conquering America, but ceded power voluntarily in matters pertaining to the continent to the crowns of Portugal and Spain. (See Vuola 1999, 171.)
  - 79. Lossky 1987.
  - 80. Tribalat et al. 1996.
  - 81. The term 'assimilation' usually carries a negative tone in the English language.

An indication of this is also that official language uses the moniker “ethnic groups” for non-European immigrant groups. The language pays no heed to the fact that out of the entire three percent of population with foreign backgrounds, many immigrant groups are, if the count is based on nationality, less than one thousand in number. In addition, nearly 47 percent of intermarriages among the immigrant population involve one spouse who is Finnish. The share of intermarriage is frequently even higher among immigrant groups that hail from developing countries – nowadays called ethnic immigrant groups.<sup>82</sup> Since recent statistical data on families show that immigrants are sooner hybridizing than polarizing, to speak of “ethnic groups” or “ethnic relations” between immigrant groups, is misleading in the Finnish context. Along with cultural diversification, a constant process of cultural convergence is also taking place: immigrant children and youth learn the Finnish language without much problem and go to Finnish schools.<sup>83</sup> It is more and more common that one parent of a Finnish child is from somewhere other than Finland.

The question of what the advantages of the multicultural model are is different depending on whether business and corporations, or society in general, are at issue.

A policy of multiculturalism may be a draw for corporations that want to attract skilled professionals, and committing to it is of interest to businesses also as a way of ethical profiling: for example in Great Britain, employment administration officials can grant a certificate of *Equal Opportunity Employer*.<sup>84</sup> On the other side of the coin, when a corporation’s personnel comprises people from many cultures, there is a potential for misunderstandings and conflicts. To enhance interaction and guarantee employee satisfaction, management needs to be especially skilled and take into account the presence of many cultures. In addition, particularly international corporations that market new technologies cannot afford to ignore the world’s ethnic and cultural diversity. One may ask whether “multiculturalism” is the right term to describe all of the challenges of internationalizing economy. It is also worthwhile to consider the extent to which diverse human resources policies are merely about a company’s image or branding, in other words, about one marketing factor among many. No one can dispute, however, that cultural expertise is an important competition factor for internationalizing corporations.

The question of whether “multiculturalism” or a policy of multiculturalism can be similarly understood as a national competitive factor is different. The whole question is not appropriate if it is based on an assumption that ethics should be somehow profitable. Still, nowadays it is more and more common to hear justifications in which “genuine” multiculturalism is represented as serving the interests of both big corporations and society – because ethnic discrimination is a waste of human resources. Racism would disappear as soon as the economy is freed from the shackles of prejudices produced by society and the protectionism practiced by nation-states. –There

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82. The share is calculated on the basis of immigrants’ country of birth. Ylänkö 2000.

83. The language of instruction can be some other language besides Finnish, however.

84. Mason 1995, 117. In Finland, the Advisory Board for Ethnic Relations has awarded certain businesses a similar logo.



are increasing numbers of people in the world who are not convinced by the rightness or progressiveness of such scenarios.

In different countries, research on the integration of immigrants and racism has developed from different starting points and needs. Theories in the field come attached with preconceptions originating in other societies. Many researchers emphasize that widespread multicultural thinking was initially a reaction – not a solution – to social problems in the United States and Canada. The question arises: to what extent are the basic assumptions of multiculturalism applicable to the structures of another society?<sup>85</sup> This question should be acknowledged in small nations.<sup>86</sup>

Finland's policy on aliens has been fairly restrictive for various reasons for most of the period of independence. Finland's citizenship law has been open to making foreigners into citizens, especially considering the fact that historically, citizenship has been defined as and granted primarily on the basis of descent, so that the citizenship of the father or husband has been the determining factor. During Swedish rule the formal criteria for citizenship was Lutheranism, while during Russian rule a principle was established that made it possible to grant citizenship on the basis of three to five years of residence in the country regardless of the applicant's religious affiliation. The determining role of family unity, paternity and the husband in relation to citizenship became watered down in 1968, when the objective became to unify Nordic citizenship legislation and make women's and men's positions equal. At the time, Finland was the first Nordic country to adopt the so-called birthplace right ("law of the soil") or *ius soli* principle, which provided a right to Finnish citizenship in cases where a child born in Finland cannot become a citizen of any other country.<sup>87</sup>

85. For example, Semprini 1997; van den Berghe 1993; Todd 1994, Bourdieu & Wacquant 2000.

86. In attempting to define the "Finnish model" from the perspective of integrating immigrants, ability to compete economically, and social well-being, the problem is that *economic and social models, like capitalist models, and, on the other hand, models for the integration of immigrants – of which there are already different, controversial interpretations – have not been joined together*. There are very few attempts at comprehensive models that would take into account the traditions of minority politics as well as economic structures. (For example, Semprini 1997; Todd 1994.)

87. On the contrary, the statute established during the truce in 1941, other Nordic citizens were not yet in a privileged position for Finnish citizenship, while the Finno-Ugric Ingrians were. The intention at the time was to evacuate the population "related" to Finns from "Ingermanland", or Ingria, and Eastern Karelia: According to some interpretations, this solution was also connected to employment policy. Even though the 1941 citizenship law mentions the word "kindred feeling", the current Finnish policy toward Ingrians is more reminiscent of the "kindred peoples of the Eurasian heartland" model than, for example, the German remigration policy that followed the dissolution of the Soviet Union, because the criteria for "Ingrianness" are looser and more undefined than those of "ethnic Germans". Ingrians also do not have a direct right to citizenship, and have to file for it. (See Ylänkö 1999b.)

National culture is like a compass. It reveals where a culture stands in relation to other cultures, and the direction it is going. If the compass is lost, everyone is lost.<sup>88</sup> Understanding and accepting one's own culture continues to be the starting point for everything on the map of the world, on which people, goods and money flow more quickly than ever.

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88. Warnier 1999, 13.

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## 2 From Hanseatic trade to hamburger chains – a historical survey

*Tuula Joronen – Mika Pajarinen – Pekka Ylä-Anttila*

What impact have foreign entrepreneurs and enterprises had on Finnish economy and society?

How have direct foreign investments into Finland developed in the last one hundred years?



The earliest written record of foreign entrepreneurs who were active in what is today Finland is from the 13<sup>th</sup> century. German trade, and the city of Lübeck, dominated the Baltic Sea region. Many of the Stockholm bourgeoisie, in a city that had emerged as the center of the Swedish Empire, were of German descent, and a colony of German merchants also formed in Turku. In addition to trading with Stockholm, Turku and other Finnish cities that were established later, including Vyborg, Ulvila, Porvoo, Rauma and Naantali, also traded with the nearby Hanseatic cities of Tallinn, Riga and Danzig, and to a lesser extent, with Lübeck and Visby.<sup>89</sup>

True to mercantilist ideals, the Swedish government's aims in the 17<sup>th</sup> and 18<sup>th</sup> centuries to maximize exports, promote economic growth, and ensure self-sufficiency. Part of the plan was to attract talented foreigners with capital and entrepreneurial spirit to establish industrial and commercial enterprises, and thereby help utilize and cultivate domestic resources and increase revenues. Special staple towns were established – free zones that were designed to attract foreign entrepreneurs and enterprises. Entrepreneurs operating in these cities and towns were given tax breaks and certain legislative liberties as well as the right to freedom of religion.

Foreigners who wanted to settle in Sweden and establish themselves as entrepreneurs or artisans could be eligible for special subsidies, for example the cost of relocating or cash assistance. In Gothenburg, for example, foreign enterprises and entrepreneurs made a real breakthrough. For most of the era of the Great Powers, Gothenburg was basically a foreign city on Swedish soil. Most immigrant entrepreneurs came to Sweden in the 17<sup>th</sup> and 18<sup>th</sup> centuries from Holland, the German states, Scotland and England. Some of them launched businesses that later played an important role in Sweden's economic development.<sup>90</sup>

Of the activities of foreign entrepreneurs in Finland during the same time, it is known that some were involved in the mining industry. Mining began in Finland in the 17<sup>th</sup> century with the help of Swedish government subsidies. Iron manufacturing was concentrated in factories. The first ironworks established in Finland were the smelting plants, or blast furnaces located in Mustio, Pinjainen and Fiskars, all of which obtained their raw materials from the Ojavo mines that were established in the mid-1500s. When that ore was depleted, it was necessary to transport raw material from Sweden. The iron manufacturers were big businessmen who came to Finland from abroad. Domestically, capital resources for this kind of business activity would not have been available.<sup>91</sup>

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89. Lehtonen 1999, 18-20, 30-33.

90. Nordlund 1999, 355-356.

91. Vehvilä & Castrén 1975, 83.

## Foreigners bring expertise to industrializing Finland

Foreign entrepreneurs played a significant role during Finland's gradual industrialization in the 1800s. The names Finlayson, Sinebrychoff, Gutzeit, Paulig, Stockmann and Norjan saha (Norwegian sawmill) are a lasting part of Finnish economic history. The 19<sup>th</sup> century was a real boom time for immigrant entrepreneurship, and had to do primarily with the influence of St. Petersburg. Finland's separation from Sweden meant a new direction for economy and society. The national institutions that would later play an important role in independent Finland were being established, as internationalization gained ground and was increasingly directed at St. Petersburg. In Finland, the era of rapid industrialization did not begin until the second half of the 1800s – much later on average than in the rest of Europe. The rise of nationalism in the latter part of the century transformed industrialization into a deeply nationalistic process, which was apparent in Finnish attitudes toward foreign capital.

When Finland broke away from Sweden, it was still relatively undeveloped as a nation and lacked technological as well as economic know-how. It was therefore natural for foreign businessmen to occupy key positions when new opportunities began to open up on the markets in the early phase of industrialization. There were practically no barriers on foreign capital at that point. The right to operate a factory did require Finnish citizenship, but becoming a Finnish citizen was usually a formality. Most – approximately 90 percent – of the foreign factory owners who settled in Finland during the 1800s were of Swedish, Russian or German origin. Individual cases of other nationalities are known of as well.

The important role played by immigrant entrepreneurs is illustrated in the fact that between 1809 and 1867, close to one in seven (45) of the total number of new manufacturing businesses (337) were established by foreigners. The proportion of foreigners in paper and chemical manufacturing was the greatest – they owned approximately 20 percent of all businesses. In general, foreign entrepreneurs were well represented in fast-growing sectors, which were using new innovations.

The importance of foreign entrepreneurs during the early phase of industrialization was greater than can be gleaned from merely the number of factories that they established. The foreigners built large factories, some were the largest in their field. They were also instrumental in developing older factories and elevating them to the level of large enterprises.<sup>92</sup> In addition, these immigrants were also actively bringing in new innovations. For example, the first gaslight in Finland was lighted at the Finlayson cotton factory in Tampere in 1843. The same factory also pioneered the use of electrical lighting, in 1882.<sup>93</sup>

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92. Schybergson Per 1977, 144-147.

93. Pöyhönen 1992, 194, 205.

<p><b>Factories established by immigrants that were among the largest in their field:</b></p> <p>Sinebrychoff brewery in Helsinki</p> <p>Rettig tobacco factory in Turku</p> <p>Finlayson and Forssa cotton factories</p> <p>The garment industry in Tampere</p> <p>A tapestry factory in Rieksi, and</p> <p>A match factory in Pori.</p>	<p><b>Enterprises managed by foreigners which grew into large enterprises in the 1800s:</b></p> <p>In 1812, F.P. Kiseleff purchased the Helsinki sugar factory.</p> <p>In 1867-72, brewery master J.C. Kröckell managed the Sörnäinen brewery.</p> <p>In the 1850s and 1860s, the merchant J.M. Tollander, tobacco manufacturer F.H.A. Klärich and card manufacturer J.C. Burmeister operated the Wasenius tobacco and card factories in Helsinki.</p> <p>Finlayson &amp; Co. – In the 1850s and 1860s, the brothers C.U. and A.I. Frietsch, who lived in St. Petersburg, were part-owners and managers of the garment factories in Littoinen and Tampere.</p> <p>Lieutenant Dimitri Bernardaki owned the Rokkala glassworks from 1860.</p> <p>Katarina Artemjeff managed the Suotniemi ceramics factory at the end of the 1860s.</p>
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Remnants of the previous century's economic thought were still reflected in Finland in the 1800s. The mercantilist trend remained apparent, while in the rest of Europe it had begun to give way to economic liberalism. In accordance with mercantilism, Finland continued to welcome foreign enterprises and entrepreneurs who brought the promise of increased national wealth by bringing, for example, capital investments or technological know-how. On the other hand, export traders who only came on a temporary basis were shunned, because their activities weakened the trade balance and thus depleted national wealth. In addition, from the start of industrialization, Finnish economic thinking tended to keep the ownership of certain key sectors, such as the forest industry, as well as national resources in Finnish hands.

During the period of autonomy, many of the foreign enterprises came to Finland in order to distribute their products, such as textiles and metals, to Russia, and wood materials to Europe. Until the late 19<sup>th</sup> century, Finland was the beneficiary of low customs fees on trade to Russia, and this lured foreign businesses to also set up manufacturing plants in Finland. For example, the Swedish Rörstrand founded a porcelain factory in Helsinki in order to sell its products further to the Russian market. Russian businessmen owned many manufacturing plants in Eastern Finland that used lake ore.

Most of the products were sold to Russia, mostly to the St. Petersburg area. The relatively limited market in Finland itself did not interest foreign companies very much.

At the start of industrialization, the impact of foreign experts and businessmen was quite significant. Their know-how and new technologies were necessary for developing and diversifying production. It was typical of foreign businessmen at the time that they acted in an individual capacity, without a foreign company or capital to back them up: for the most part, these entrepreneurs came with only their own know-how. One of them, James Finlayson, was a nearly penniless Scottish technician, who came from Russia and got the Finnish Senate to grant him a loan for establishing a cotton factory. It was common at the time that the ownership of factories that were originally established by foreigners was eventually transferred either to other foreigners or to Finnish owners.

### Finlayson factories

A good example of the impact foreign businessmen and investors had on the industrialization of Finland is the birth of the cotton industry in the city of Tampere. Factory founder James Finlayson was of Scottish birth and had begun his career in the textile factories of England as a machine builder. Before emigrating to Finland (1819), he managed the imperial Kolpino machine shop in St. Petersburg. He gave up the position for health reasons, and came to Tampere where he had acquaintances. Originally, he planned to establish a small foundry and machine shop, but sales difficulties altered his plans and he set up a cotton factory instead. His management of the factory did not result in a growing business, and finally debts forced him to give up the factory. Big industry, such as Finlayson, required sizable capital and sizable markets, and this meant using resources outside of Finland. New owners, Baltic-German financiers, appeared from St. Petersburg. Georg Adolf Rauch was a doctor and Carl Samuel Nottbeck a merchant and owner of several factories. The expansion of the factory was also partly financed by English Quaker businessmen William and Daniel Wheeler, as well as the Russian government.<sup>94</sup> The birth and growth of the cotton industry in Finland was a direct outgrowth of foreign entrepreneurship and investment.

Although most foreign entrepreneurs brought only their own know-how, there were exceptions. Norwegians, for example, solicited foreign capital for their Finnish operations from countries like Great Britain, Germany and France. The most important and long-standing of such companies were Gutzeit & Co., Halla Ab and T&J Salvesen Ab. The companies were backed up by strong capital and they acquired vast real estate. Gutzeit, for example, was the largest private landowner in turn-of-the-century Finland.

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94. Haapala 1986, 22-25.

### Sinebrychoff – a foreign entrepreneur's legacy

Oy Sinebrychoff Ab is the oldest industrial brewery operation in the Nordic countries, established in 1819 by Russian businessman Nikolai Sinebrychoff. The Sinebrychoff brewing family came from the market town of Gavrillov, located to the northeast of Moscow. In the 18<sup>th</sup> century, members of the family worked as farmers for the Crown. Nikolai Sinebrychoff's father, Peter, moved to Kymi, to the island of Kotka, in the late 1700s, and founded the family's first brewery there. Nikolai continued his father's business, first in the Kotka region and from 1817 in Helsinki, initially in the Suomenlinna sea fortress, and later also in the vicinity of Hietalahti, where Sinebrychoff manufacturing operations remained until the 1990s.

After the death of Nikolai Sinebrychoff in 1848, his brother Paul took over. During his three decades of management the company expanded. It became the enterprise giant of its time, employing not only Finnish workers but also various experts from Germany, the Baltic States, and Sweden, among others. Sinebrychoff had many business connections abroad, partly because the raw materials needed for brewing could not be fully supplied by the domestic market. After the death of Paul Sinebrychoff, his two sons continued to manage operations. The younger Paul Sinebrychoff (1859-1917) was the last company director with the Sinebrychoff name. After his death the company was transferred to his sister's side of the family.

The Sinebrychoff family enterprise was incorporated in 1888 and became Aktiebolaget P. Sinebrychoff (aktiebolag, Swe., incorporated company). In 1955 the name was changed to Oy Sinebrychoff Ab. The Sinebrychoffs sold the company in 1984 to the Rettig Group. In 1997, ownership of Sinebrychoff was transferred to Danish brewery giant Carlsberg.

In the early 1900s, Sinebrychoff was by far the largest Finnish brewery. In 1912 its output was nearly four million liters of beer, twice the volume of the second-largest brewery. Today, it is still the second-largest brewery, right after Hartwall, with nearly 2,000 employees and total brewery product sales of nearly 300 million liters (1998). International operations make up over half of all sales, an indication of how international the operations are.

The Sinebrychoffs have been influential not only in business but also in culture. As the family's wealth increased, they supported many cultural institutions – the elder Paul Sinebrychoff for example was one of the founders of the National Theater of Finland and the Helsinki Philharmonic Orchestra. Paul Sinebrychoff Jr. and his wife put together an extensive art collection, which they bequeathed to the State of Finland. Today, the Sinebrychoffs' apartment on Helsinki's Bulevardi with its art collection is part of the Finnish National Gallery's Museum of Foreign Art.

Sources: Mårtenson (1969), Oy Sinebrychoff Ab online (<http://www.koff.fi>), and *Helsingin Sanomat* online (<http://www.helsinginsanomat.fi/oluthelsinki/helsinki/panimohistoriaa.html>)

## Immigrant entrepreneurs in 1800s in Helsinki

When Finland became part of the Russian Empire in 1809, it meant a change in the central place hierarchy of Finnish cities. The Stockholm-centered system turned into the St. Petersburg-centered system, and Helsinki became the capital. Industrialization changed the internal hierarchy of cities so that inland cities and cities flanked by waterways gained importance.<sup>95</sup>

St. Petersburg was a populous, fast-growing and multinational city, which continued to be strongly influenced by European upper-class culture. The dominant position of this culture inhibited the introduction to Finland of Western European cultural trends such as Romanticism until the latter part of the 19<sup>th</sup> century.

St. Petersburg's urban influence extended to many areas. Politically and administratively it covered everything between Tornio in Finland and Alaska. Its economic role was expansive: the growing imperial capital was a center of consumption and needed a large *Hinterland* to fulfill demand. Finland fit the role well. Transportation between Finland and Russia was improving steadily. The development of steam ships made connections faster and more regular. The opening of the Saimaa Channel (1856) established direct connections between St. Petersburg and all of eastern Finland. Tampere, which had become a city in 1779, became Finland's largest inland industrial city. The St. Petersburg railroad (1870) brought a year-round connection between Helsinki and St. Petersburg.<sup>96</sup>

The temptation of the big city was apparent in migration trends. People were already moving to St. Petersburg in the 1700s, but the flow of migration gained volume in the 1800s. Migration was greatest from eastern Finland and southern coastal areas, but individual migrants came from all parts of Finland. Stockholm continued to attract people from western Finland and to some extent from southern Finland too. After the mid-1800s, Helsinki began to develop into the center of the Finnish city system, and gradually it surpassed St. Petersburg as the main migration destination.<sup>97</sup>

During Swedish rule there had been no Russians in Helsinki. Their migration began immediately following the transfer of power in the early 1800s. The newcomers were administrative officials, soldiers, gendarmes, and merchants, and toward the end, emigrants who remained in Finland even after independence.

Military personnel initially came for a temporary stay, but sometimes settled permanently. Russian merchants were permanent residents, but had to apply for naturalization before being granted permission to practice their trade. After they became citizens, there was nothing in principle that prevented them from acquiring all the rights of the bourgeoisie.

Initially, there was strong opposition to Russian immigration among Finnish merchants and artisans who feared competition. The artisan trades were so established that they were able to protect themselves from foreign invasion. With the exception of butchers, not a single Russian was admitted into the ranks of artisans in Helsinki. The merchant trade, however, did admit them. Russian merchants peaked at 40 percent of the total Helsinki bourgeoisie (1850), paying over half of the taxes of the merchant trade in their heyday. During 1809-1879, 175 Russian merchants were operating in Helsinki.<sup>98</sup>

After 1880, the number of Russians in Helsinki and the rest of Finland turned into a steep decline. Some assimilated into the original population while others moved somewhere else. The time of the Russian presence in Helsinki ended with Finnish independence in 1917. The emigrants and their fate occupy their own chapter in this story, but their impact on Helsinki was less visible than that of the previous immigrants.<sup>99</sup>

Trailing the Russian military, migrants also came from the Baltic area, as did Poles, Jews and Tatars. Independently of the Russian military, a separate group of German artisans, shop clerks, bookkeepers and others arrived as well.<sup>100</sup> Unlike in Tampere and Turku, Helsinki's commercial and cultural life absorbed practically no influences from England, but was engaged in a crucial exchange with Germany. Early on, Helsinki had forged trade ties with Germany's large centers of trade and culture. Alongside the dozens of German merchants and artisans who settled in Helsinki permanently from the 1830s on, only one English merchant, Alexander Parker (1873), can be mentioned.<sup>101</sup>

Helsinki's *Russian merchant trade* formed a three-tiered system in the 1800s:

- *The lowest tier was made up of miscellaneous entrepreneurs and vendors* such as ice cream, tobacco, bread, fish and vegetable vendors. Among the different trades, butchers were the only group that allowed Russian-born persons in their midst. Vendors often worked without permits. In fact, the first vendors were Viapori (now Suomenlinna) officers' wives, who baked and sold their own goods in the sea fortress and the city itself.
- *The second and most extensive and visible group of Russians was made up of petty bourgeoisie, house-owners and gardeners, but above all owners of general stores*, whose shops, which offered everything under the sun, lent their own color to the city's streets. In retail, Russians specialized in furniture, books and junk peddling. Viapori's soldier vendors, who were wealthy and versatile entrepreneurs, and many of whom eventually moved to the city center and became part of the bourgeoisie, had preceded this sector. Some soldiers also became merchants after completing their military service, as did serfs who had purchased their freedom, merchants' bookkeepers, and even laborers and peasants.

• *The top tier consisted of the merchant aristocracy, factory owners, and contractors, whose ambition as domestic and international merchants and traders brought them the best bourgeois advantages, and who eventually became Finnish and assimilated mostly into the Swedish-speaking population group. They were the only group to assimilate into the Finnish population – otherwise, intermarriage was rare – and also assumed positions of public office. The city elders and city council included people like Georg Uschakoff, Feodor and Nikolai Kiseleff, Georg Baturin and Nikolai Wavulin. The industrial and manufacturing families of Sinebrychoff (the brewery family) and the Kiseleffs whose operations included a sugar factory and gas works, lost their Russianness in the course of the 1800s.<sup>102</sup>*

The impact of foreign companies on industrialization and importing technological innovation in the 1800s was, according to studies on that period<sup>103</sup>, the greatest in textile and sawmill manufacturing, and in new sectors like electrical and chemical industries. In the sawmill industry, foreigners introduced new production methods. Norwegians, for instance, introduced the floating of logs in bundles. Although foreign businessmen were interested in Finland's forest resources, their ownership of forest enterprises remained minor overall, apart from individual giants like Gutzeit and Halla.

As electrical power began to replace steam power in the late 19<sup>th</sup> century, the energy sector became the new target of foreign companies. They were drawn by strong growth in forest industry companies and the high demand for electrical power technologies, and for the establishment of power production capacities and power systems. To fulfill these needs, companies like the American Thomas Houston Electric Company, Siemens & Halske AG, ASEA, and AEG set up in Finland. Some, like Siemens, had sales offices, while others purchased Finnish enterprises in their field (for example AEG, which acquired Paul Wahl & Co's electrotechnological department).<sup>104</sup> When the telephone network was built, Ericsson of Sweden and Bell of America took part in building it.

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95. Kolbe 1999, 157-163, Räsänen 1984, 7.

96. Kolbe 1999, 157-163, Räsänen 1984, 7.

97. Räsänen 1984, 8

98. Lampinen 1984, 18, Räsänen 1984, 8-9, Waris 1951, 27.

99. Lampinen 1984, 18

100. Åström 1956, 3835-39, Waris 1951, 26-33.

101. Waris 1951, 32-33.

102. Lampinen 1984, 20-21.

103. See, for example, Ahonen (1984), Hjerpe & Ahvenainen (1986)

104. Kuisma (1993)



The foreign interest that was displayed toward building electrical power in Finland, and the reactions this awakened in Finland are a good illustration of how the situation changed in the late 1800s. Nationalism was on the rise, and the relationship to foreigners – especially to Russians – was changing.

At the turn of the century, foreign investors and enterprises were mostly interested in the Vuoksi water system and its largest rapids in Imatra. Electricity was necessary for both Finland's growing paper industry and for St. Petersburg, the capital of the Grand Duchy, where a power system was just being built. Bringing electricity to a growing city of two million inhabitants by harnessing the Imatrankoski Rapids attracted some notable foreign companies. But the resistance in Finland was vigorous. The country's own expanding paper industry needed electricity, but meanwhile there was pressure to provide it for St. Petersburg. Foreign companies' power plant proposals were criticized harshly in the press, and political opposition was strong during the period of Russification.<sup>105</sup>

Nationalism gained momentum quickly. Compared with other European countries, industrialization came to Finland relatively late, and industrialism and nationalism coincided there perhaps more than anywhere else. The St. Petersburg companies that had the backing of German capital and wanted to harness the large waterfalls in Vuoksi, mostly to provide electricity for St. Petersburg, represented a nightmare for Finns. The nightmare did not end until Finland became independent after World War I.

It is natural that attitudes toward foreign capital and foreign companies become even more negative and restrictive in a newly independent country. Economic nationalism became one of the central resources of independent Finland. Political and economic decision-making was now in Finnish hands. Many subsequent events, for example inter-war legislation that severely restricted foreigners' rights of ownership, can be partially explained as an after-effect of the events of the turn of the century.

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105. Kuisma (1993)

### German merchants and artisans

The colony of German merchants first settled in Turku (in the 1200s) and later also in Vyborg. During the heyday of the Hanseatic League in the 1300s and 1400s, German merchants even had decision-making power over the city's administration.

The Germans in Helsinki also mostly came from the trading cities in northern Germany, particularly Lübeck and Hamburg. They were artisans, shop clerks and bookkeepers. In 1852, Helsinki had German merchants, factory owners, master tailors, a restaurant owner, a confectioner and a furrier. When freedom of trade opened up more opportunities for commerce and industry in the 1860s and 1870s, Helsinki received more enterprising German artisans and merchants, including for example Domsch the furrier, sausage makers Baldauf, Knief and Neumann, Kröckel the brewer, and Stockmann the merchant.<sup>106</sup> The Germans joined the city's bourgeoisie as an independent grouping, and though their number was not high, their influence on Helsinki's commercial and cultural life has been considerable. Some of the businesses established by these German-speaking Helsinki residents still remain in one form or another, and the names of the families that established them live on 150 years later. Stockmann, Fazer, König, Kämp, Kleineh, Osberg, Staudinger, Wulff, Paulig, Knief, Schröder, Bargum and others have left a permanent imprint on the lives of people in Helsinki.<sup>107</sup>

### Jewish merchants

Apart from a few exceptions, there were hardly any Jews in Finland during Swedish Rule. This was a consequence of contemporary laws that restricted the right of Jews to choose their place of residence. It was not until 1782 that Jews were granted permission to settle in the Kingdom of Sweden, and this permission only applied to the cities of Stockholm, Gothenburg and Norrköping, and later to Karlskrona. There are records of only a handful of individuals who converted from Judaism to Christianity and settled in Finland.

An interesting case is that of Isak Zebulon from Lübeck, who was accepted into the bourgeoisie of Oulu in 1672 and christened as Christoffer. The mother of Sakari Topelius descended from the merchant family established by Christoffer. Another well-known convert was Meyer Levin, who was accepted into the medical faculty of the Turku Academy in 1799. Later, he was the German language instructor at his university, and in 1815, was granted the right to establish a printing house.

106. Waris 1951, 32-33.

107. Klinge & Kolbe 1999, 39.

When, in 1809, Finland became a Grand Duchy of Russia, the main features of Swedish laws remained in effect, including the statute that prevented Jews from settling in Finland. Despite the restriction, Jews came to Finland on a special permission of the Governor in the early 1800s. Andreas Warelius mentions in his work 'Beiträge zur Kenntniss Finnlands in ethnographischer Beziehung' (1849) that there were a small number of Jews working as artisans, sheet iron workers, junk vendors, innkeepers, day laborers and textile factory workers in different parts of Finland.<sup>108</sup>

The Helsinki Magistrate also received and handled applications from Jews for bourgeois rights as early as the first decades of the 19<sup>th</sup> century, but at the time this was still sporadic. It was only when liberalism created better opportunities for work in all trades that Jews could be granted official permission to practice a trade. In the beginning of the 1870s, Jewish families with names like Drisin, Linder, Rung, Skurnik, Stiller and so on appeared in Helsinki.<sup>109</sup>

Restrictions meant that only very few Jews were able to settle in Finland on their own initiative. In Helsinki, aside from rabbis, teachers and circumcisers, the background of all Jews was connected to the Russian Army. Only in Vyborg there were some who had arrived of their own accord. The old regulation restricting the place of residence of Jews did not apply to those who were in Finland in service of the Russian Army. When military service could take as long as 25 years, the soldier and his family had time to put down roots wherever they were stationed. In 1858, a statute was passed concerning all soldiers discharged by the Russian Army. It guaranteed those with discharge papers, a passport or travel papers a right to settle in Finland. Regulations provided by Finnish authorities in 1869 and 1876 stipulated that former military personnel were permitted to sell handicrafts, bread, berries, snuffing paper, used clothing and objects, and other low-priced textile products. Such vending locations spawned Helsinki's Jewish rag market. Finnish Jews were granted full citizenship rights only in 1917.<sup>110</sup>

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108. Harviainen 1999, 333-335.

109. Waris 1951, 30-31; Klinge & Kolbe 1999, 37-38

110. Klinge & Kolbe 1999, 37-38; Harviainen 1999, 335-338.

## Tatars in Finland

Unlike the Jews discharged from the Russian Army, who wanted to remain in Finland despite restrictions on the freedom of trades, Muslims who had fulfilled their military requirements generally returned to their home region. There is a record of only one Muslim soldier who settled in Finland permanently. The Mishar Tatars who settled in the country permanently originally came to Finland on commercial travels. In their home villages they had cultivated the land, but because this only brought in a meager income, they traveled the rest of the time, selling textiles, clothing, furs, soap etc. Their travels spanned from their home region to the east of Moscow, and all the way to St. Petersburg and Finland. Later, market halls replaced traveling salesmen and selling in market squares. In Finland, Tatars in Vyborg's Repola market hall sold cotton products, silk fabrics, carpets and furs. Terijoki became the next center of commerce. From Kotka, trading reached all the way to Suursaari. In Tampere, textile commerce became a central source of income because of the Finlayson cotton factory. In Helsinki, fur trade was more prevalent. Carpets did not become an important item until after the last wars.<sup>a</sup> Many of the city's furriers and older clothing stores are still owned by descendants of these original furriers and clothiers.<sup>b</sup>

Many a hardworking fur, textile and carpet seller rose quickly to become a well-established and well-respected businessman. Former traveling salesmen used market squares and halls as stepping-stones to becoming tradesmen, directors and managing directors. During the depression of the 1930s they gave credits to other merchants, financing the building large-scale houses among other things. At the time, there were ten Muslim-owned fabric and fur shops in Helsinki, seven in Tampere, five in Kotka, four in Turku, three in Vyborg, two each in Terijoki and Salo, and one each in Hyvinkää and Savonlinna. Furriers often took business trips to Leipzig, the center of fur trading. As late as 1940, nearly all members of the colony earned their income from trade and commerce.

Operating a small, private business used to be more lucrative, but in the days of big corporations vying for the same markets, it has become more difficult. In addition, it is no longer easy to find successors, as the younger generations look to other occupations.<sup>c</sup>

- a. Halén 1999, 316-317.
- b. Klinge & Kolbe 1999, 39.
- c. Halén 1999, 322.

## Attitudes toward foreign-owned businesses turn more negative

In the aftermath of Finland's independence, many foreign business owners sold their businesses to Finns or ceased otherwise to operate. Among the largest enterprises to come into Finnish hands were the Norwegian companies Gutzeit, Halla and Salvesen. There were several reasons behind the demise of foreign-owned companies. World War I disrupted many business ties. In addition, the political situation remained unstable, and attitudes toward foreigners become more negative. Some businesses were transferred to private owners, while others were purchased by the state.

It is interesting that the state's position in economic life was central already during the autonomous period, for example in railroad and channel building and as a financier of private entrepreneurship, but only after independence did it have direct ownership of businesses. Direct state ownership was intended to guarantee that key sectors, i.e. forest industry and metal manufacturing, continued to operate and remained in Finnish hands. Somewhat paradoxically, the state financed its business acquisitions with foreign loans to a great extent, so that dependence on foreign capital did not cease, although it took on a different form than before.

During the period between the World Wars, the impact of foreign businesses was even less visible than during the autonomous period. In terms of sectors, all of the wood processing industry was practically speaking under Finnish ownership after the demise of the Norwegian companies. The only prominent Norwegian forest company that stayed on was Diesen Wood, but in the beginning of the 1930s, it too was bought out by Finns.

### From Strömberg Osakeyhtiö to Suomen ABB

The history of the electrical machinery manufacturer Strömberg Oy, which has been in operation since the late 1800s, mirrors the reservations Finns have held toward foreign owners. Strömberg Oy has been an important power and electronics company in Finland. Foreign companies, primarily the Swedish ASEA, expressed interest in buying Strömberg as early as 1900s. Finns torpedoed the first three attempts in various ways. The earliest attempt occurred immediately following Finnish independence when ASEA, Siemens and some other large foreign electrical manufacturing companies each negotiated separately about ownership and cooperation arrangements with Strömberg, which was on the brink of financial crisis. Siemens lost interest when Strömberg's financial situation proved to be even worse than expected and when negotiations were unsuccessful in reaching decisions that would have satisfied both parties, for example regarding the coordination of product development and manufacturing.

ASEA attempted to increase its ownership during the 1920s, and in 1929 it came close to reaching its goal. But parties that opposed a change in ownership succeeded in preventing ASEA from becoming majority shareholder, supported by Finland's Ministry of Defense and ASEA's Swiss competitor Brown, Boveri & Cie (BBC). As a result of this episode, ASEA and BBC each obtained a 30 percent share in Strömberg. Foreign ownership did not restrict the freedom of Finnish management, because the foreign partners engaged in almost no cooperation amongst themselves. The objective of the first two takeover attempts was basically to increase the foreign companies' market share in Finland's growing electrical market.

During World War II the majority of the company's shares were transferred back to Finnish hands through opportunities provided by emergency laws. By the 1960s, the unification trend in Europe was growing through the EEA and EFTA, and restrictions on competition were loosened. Competition increased in countries that were part of the unification development. In connection with this, ASEA presented one more cooperation proposal to Strömberg in 1962. Even though the offer consisted mostly of increasing cooperation, there was strong opposition to the deal in the Finnish media. The Finnish-language press in particular was dismissive of the possible benefits of cooperation. The issue was considered so important in a national sense that the Parliament obligated the Finnish Government to monitor the progress of the enterprise carefully and to prevent this Finnish industrial sector from falling under the influence of foreign cartels.

As a result of the torpedoing of foreign ownership of Strömberg, it gradually became a client-owned company. They were, however, unable to provide enough capital to support operations and product development. Changing from a domestic market oriented business to one with a greater emphasis on export also proved complicated for Strömberg: even though annual reports from the 1970s onward underscored the importance of exporting, on a practical level it was difficult for salespeople who were accustomed to domestic markets to make the transition to adopting the appropriate attitudes and methods needed to open up new markets. Strömberg was unable to create or maintain an extensive enough sales network, and compared to domestic production, the production of exports was significantly less profitable. Nor was the volume of exports enough to compensate for diminishing domestic demand.

The Finnish owners' interest in Strömberg dissipated, and in the early 1980s it merged with Kymi-Kymmene as part of a larger business restructuring. The new concern did decide shortly after the merger to focus on forest operations, and began to look for a buyer for the parts that now constituted Strömberg. Finally in 1986 ASEA bought Kymi-Strömberg's electrical manufacturing industry, or what was really the old Strömberg company. Even at that point the Finnish Government set numerous conditions for the deal. A little over a year after buying Strömberg, ASEA and its longtime Swiss competitor Brown, Boveri & Cie merged to become the ABB concern. Strömberg became the Finnish subsidiary of ABB.

Under ABB's ownership the different branches of Strömberg have been successful. Although some aspects of production have been moved abroad, the Finnish units have been assigned important areas of responsibility within the concern in their specialties and know-how in product development. The Finnish units are able to use the R&D conducted in other units within the concern, enabling the domestic units to focus their resources solely on their own strengths. Aside from product development, marketing and sales of the products have become more effective through the use of the sales organization. This has also made it possible to enter new markets at reasonable expenditures.

Sources: Hoffman (1989), Pajarinen & Ylä-Anttila (1998)

Outside of the forest industry, many of the foreign companies operate in the field of high technology, such as the electronic and chemical industries. Foreign companies like Siemens, LM Ericsson and PHILLIPS influenced the creation and development of the Finnish power and electronics industry. They made the production structures in Finland more versatile, because they operated in sectors where Finnish know-how was relatively limited. Newcomers (which also included Unilever and AGA) were typically subsidiaries of multinational companies, which provided strong backing in financing, production and marketing. The operating strategy of these companies was to primarily manufacture and sell their products on the Finnish market. For Unilever, for example, the reason for establishing a subsidiary was that, for customs reasons, it was cheaper to import raw materials and semi-finished products and then to complete production in Finland, than it was to deliver finished products to the country.

In the 1930s, attitudes toward foreign businesses became increasingly negative. This was partly influenced by the world political situation and the increased interest on the part of foreigners toward Finnish natural resources, such as nickel and other minerals. Immediately before World War II, in 1939, a law restricting the rights of foreigners to own businesses and real estate was passed. Foreign companies were prevented from acquiring fixed assets without government permission. It describes the situation well that the law defined foreign corporations as "dangerous communities". Foreign companies also needed permission from the Council of State to purchase or sell companies. The restrictive law remained in effect after the war and was not repealed until the early 1990s, although permissions were granted liberally, especially in the last few decades of the law's validity.

Economic nationalism was an important resource in the years following independence and World War II. There was a desire to initiate as much development from Finland's own resources as possible. It is true that at first there was really no alternative to a highly regulated economy. The postwar economic and political development can be described as a national project: traditional industries revived quickly, and entirely new sectors emerged, partially financed by war reparations. This is when the foundation for modern, industrial Finland was established. The flip side was that one of the most central channels of know-how and technological transfer – foreign investments – remained rather constricted for too long.

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## 3 Finland in the world economy – the era of liberalization

*Jyrki Ali-Yrkkö – Tuula Joronen – Pekka Ylä-Anttila*

Where are Finnish companies investing abroad?

What are the factors that have attracted foreign investors to Finland, and what will those factors be in the future?

Foreign entrepreneurs played an important role in the industrialization of Finland and also as importers of foreign know-how. In the late 1800s and early 1900s Europe, entrepreneurs and artisans were widely mobile, seeking opportunities to apply their skills. Some settled and established businesses in Finland. For example, the food and wood working industries and trade benefited greatly from foreign entrepreneurs and foreign know-how.

As a whole, however, the impact of foreign entrepreneurs and direct investments on the Finnish economy has been relatively minor compared to many other small industrial countries. In the decades following independence and the World Wars, investments made in Finland by foreign companies were fairly small. This had to do with reservations on the part of Finnish people, but also with Finland's small size and remote geographic location as a market area.

The situation changed in the 1990s – the circle became complete. The legislation that had restricted foreign ownership was repealed, and active measures were taken to attract foreign capital to Finland. Foreign companies and entrepreneurs have clearly helped make the economy more effective, and multinational corporations have opened up new marketing channels for Finnish technology and products.<sup>111</sup>

Attitudes toward foreign companies and ownership have changed very rapidly, even though questions and criticism have not entirely disappeared. Parliamentary discussions on repealing the law restricting foreign ownership, and on the merger between the Swedish and Finnish paper companies – Stora and Enso – are good examples of the rapidity of the change as well as of the critical attitudes that continue to exist.<sup>112</sup> The 1939 law that restricted foreign ownership was overturned in 1992 as part of Finland's policy of integration and EEA membership, but there was strident criticism toward the development, particularly with regard to freeing up land ownership. According to a popular impression, foreigners were going to "rush to buy land at cut-rate prices". Such talk died down quickly. At present, the discussion has broadened to encompass the theme of globalization, which is in some ways rendered into concrete terms by the creation of StoraEnso. Supranational mergers are an essential part of the ongoing wave of globalization. They are resulting in entirely new management and administrative clashes between cultures, which the claims that represented the national viewpoint could not foresee in the early 1990s.

The national strategic significance associated with ownership has diminished in a fundamental way. Ownership has become more international, and international investors place only one demand on management: produce earnings. From the perspective of the national economy it is important where the companies are located, where they expand and increase employment – not who their owners are. For this reason, it matters whether Finland is seen as an attractive location for businesses and people alike.

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111. Pajarinen – Ylä-Anttila 1998

112. See Väyrynen 1999, who records and analyzes closely the rather heated debate surrounding the topic.

Table 1. Summary of direct foreign investment in Finland

Time period	Typical characteristics connected to foreign investments
Industrialization (1800s-1917)	<ul style="list-style-type: none"> <li>• Foreign entrepreneurs and businesses speed up pace of industrialization and bring know-how</li> </ul>
First decades of independence (1917–1950)	<ul style="list-style-type: none"> <li>• Majority of most prominent businesses are transferred to Finnish ownership during early days of independence</li> <li>• 1939 law restricts foreigners' ownership rights; law in effect over 50 years</li> <li>• little foreign investment</li> </ul>
Gradual growth of foreign investments begins (1960s and early 1970s)	<ul style="list-style-type: none"> <li>• Number of foreign-owned companies grows gradually</li> <li>• Investments into labor-intensive fields (textile and garment industry, metal industry assembly companies)</li> <li>• Motives: low labor costs, entry into markets</li> </ul>
From assembly to higher skills (late 1970s–1980s)	<ul style="list-style-type: none"> <li>• Number of foreign-owned companies grows slowly</li> <li>• Motives: acquiring special know-how of Finnish companies</li> </ul>
Liberalization & globalization of the economy (1990s–)	<ul style="list-style-type: none"> <li>• Last restrictions on foreign investment are lifted in early 1990s ("forced" by EEA)</li> <li>• Era of protectionism of national industry ends</li> <li>• Foreign companies increasingly interested in buying Finnish businesses</li> <li>• Investments focus on industry and services</li> <li>• Foreign ownership has greater impact than before on business activity, mostly positive, for example from the perspective of economic tehokkuuden efficiency</li> </ul>

Technology, know-how and a high-quality infrastructure have made Finland a more powerful magnet for investors, and Finnish companies into interesting investment targets. A certain end of development has been reached when the capital investment operations that were originally established to provide available capital for Finnish-owned companies – and in part, to bolster Finnish ownership – now has global owners.<sup>113</sup> Investing and ownership now have a professional dimension, and ideologies and national borders are becoming less and less significant in the global world economy.

## Foreign assembly factories and garment industry come to Finland

Direct foreign investment in Finland did not surge during the decade that followed World War II, even though elsewhere in the world enterprises were experiencing a strong internationalization trend. After the war, foreigners saw Finland as politically unstable. The West saw Finland as part of the Soviet Union's sphere of interest, even though it had retained its independence. Strict currency and import regulations did not make investments any more attractive. In the late 1950s the level of foreign investment was at the same low level as two decades previously.<sup>114</sup>

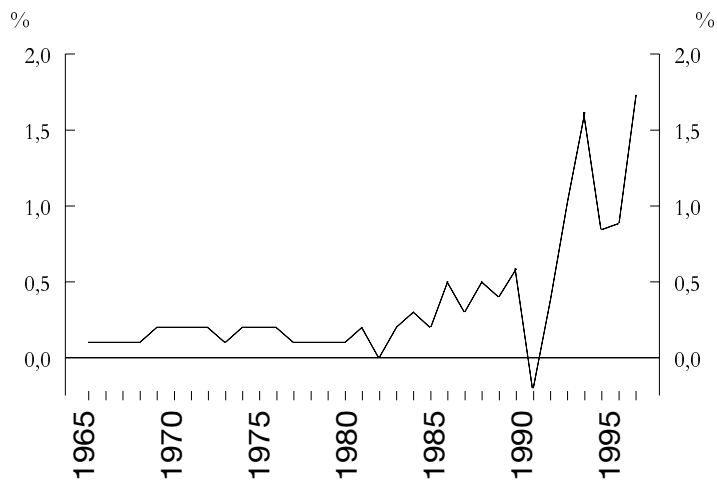


Figure 1. Inward direct foreign investment in Finland 1965-1997. Net capital flow as percentage of the gross national product. Source: ETLA (Research Institute of the Finnish Economy) and the Bank of Finland<sup>115</sup>

113. On May 18, 2000, the Finnish venture capital company SFK Finance Oy announced it would sell its entire stock to Europe's leading venture capital corporation 3i. The name is 3i Finland Oy, and the last reference to the origin of the name – SFK, Start Fund of Kera – will disappear.

114. Hjerpe & Ahvenainen 1986 s. 292

Finnish attitudes toward foreign companies became more positive during the 1960s. Simultaneously, social conditions were stabilizing, as indicated by a decrease in risk premiums of foreign currency loans.<sup>116</sup> However, the law restricting foreign ownership remained in effect.

Direct investments in Finland by foreign companies continued to be modest (Figure 1). For example, in the 1960s net investment flows were typically less than 0.2 percent of the gross national product (GNP). The modest volume of investment was connected to the fact that a majority of the foreign businesses established in Finland were marketing and sales companies that operated on small capital, and many companies indeed rented rather than owned their business offices.

It was typical of the newly established or acquired enterprises that a foreign, frequently multi-national parent company, was the sole owner of the Finnish subsidiary. Joint ventures that also had Finnish partners were less common. They were established mostly when the law restricting foreign ownership posed limits on operating a business. The strategy of most businesses was to enter the growing Finnish market and compete there. It is true that some enterprises exported their products further to Soviet markets, among others. A large portion of the businesses that engaged in exporting imported the raw materials or semi-finished products they needed for production.

In the 1960s and 1970s, foreign companies were tempted by Finland's low labor costs relative to other Western competitor countries. Some of those investors included Swedish garment companies and metal and electronics industries' assembly factories. But the companies that came to Finland merely for the sake of the low cost of labor left the country very quickly in late 1970s and early 1980s, when the relative cost of labor began to rise.

Direct foreign investments began to increase in the 1980s, but in relation to the GNP, the investments were still fairly small. The targets of investment began to be increasingly in buying and selling companies, especially small businesses with special know-how. The most significant direct foreign investment in Finland in the 1980s was the deal between what was then Kymi-Strömberg and the Swedish ASEA, in which ASEA purchased Kymi-Strömberg's entire electrical operations unit. This event was indicative of how Finnish attitudes toward foreign companies began to shift with the outward-directed internationalization trend of Finnish industry itself.

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115. Note: Net capital flows mean gross investments minus capital reimbursements directed abroad. From 1981, reinvested profits are included in capital flows. The figure for 1998 is as high as 8.6 %, and is largely a result of the mergers between Stora and Enso, and Merita and Nordbanken. A significant portion of the ownership restructuring was entered as direct investment in Finland.

116. Hjerpe & Ahvenainen 1986, 2 s. 292

## Technology is attractive to businesses and investors

Finland became much more attractive to foreign investors in the course of the 1990s. One factor that influenced this development was that, like many other industrialized countries, Finland freed the remaining restrictions on capital movements and liberalized competition in business sectors that had heretofore been protected from open competition. EU and EMU memberships carried a valuable message: they signaled that Finland wanted to be part of the integration trend of the international economy.

Transnational investments by companies had grown rapidly in the world economy starting in the mid-1980s. In addition to a liberalization trend in the flow of capital, this had to do with developments in information and transportation technologies and the services related to them. These developments made it possible for a geographically scattered company to operate more effectively than before. In many sectors, the competitive environment has become global over the last several decades. In order to succeed in this kind of competition, many companies have chosen to specialize and increase their size in areas of expertise. This has encouraged company structures to move across national borders, because domestic alternatives have not been sufficiently effective.

In part, the growth of direct investment has been the product of an international trend. An important factor in terms of the increase in direct investments into Finland has been the emergence of numerous technology-intensive companies, especially in the information and communications technology sectors. The sectors are characterized by specialized know-how considered valuable by foreign businesses. The motivation of the foreign companies to relocate to Finland is no longer to benefit from their own area of specialization in the Finnish market, but rather, for a multinational company to benefit by making the know-how of Finnish companies an integral part of its own operations. Indeed, most of the Finnish companies that were thus acquired have benefited from the new ownership arrangement: as part of a multinational company, their technologies and products have found new, international marketing and distribution channels. Financial resources have also increased notably in many cases.

Table 2. Some of the largest industrial companies in Finland in 1998. Source:ETLA's (Research Institute of the Finnish Economy) business database

Foreign parent company	Finnish subsidiary	in Finland Sector	Em- ployees
ABB	ABB-Strömberg	Power and electrical industry	9625
Kvaerner	Kvaerner Masa-Yards	Metal and engineering industry	4225
Carlsberg	Sinebrychoff	Food industry	1830
Sandvik	Sandvik	Metal and engineering industry	1339
NKF	NKF	Metal and engineering industry	1221
Aker	Aker	Metal and engineering industry	1118
Borealis	Borealis	Chemical industry	1112
Schering	Leiras	Pharmaceutical industry	1042
Tellabs	Tellabs	Power and electronics industry	903
Foster- Wheeler	Foster-Wheeler	Metal and engineering industry	879

Direct foreign investments into Finland have also increased because big Finnish corporations tend to focus on their specific area of specialization. Many operational units that had to be unloaded might not have found an appropriate or interested buyer in Finland at the time of sale. In the open economy, many operational units that were for sale were able to continue operating as part of a foreign company in the same field. The large proportion of mergers and acquisitions among foreign companies' direct investments in Finland is reflected in Table 2, which lists some of the largest subsidiaries that were operating and engaged in industrial production in Finland in 1998, and were owned by foreign parent companies. All were bought by foreign companies, and with a few exceptions, were, prior to being purchased, originally part of a larger Finnish concern.



# The internationalization of Finnish companies - from exporting to foreign production

As late as the 1970s, Finnish companies' international activities consisted mostly of exporting from Finland. Since the early 1980s, internationalization has primarily referred to production investments directed abroad. Companies have either purchased businesses abroad or set up new international units.

Before, Finnish companies became international in stages. Simple international operations gradually progressed to more complex operations. International operations were launched through exporting, which was usually targeted at Finland's traditional trading partners Sweden and Germany. Later there was an effort to expand operations to other parts of Europe and North America. Often after only several years of experience with exporting, companies moved on to more demanding forms of international operations, like overseas production.

The situation is different today. Many companies begin targeting the world market at a very early stage. Companies in the high-tech industry in particular view the entire world as a potential market from the very start. As a result, foreign subsidiaries are already established during a company's product development phase. Earlier, research and development abroad was carried out only after the company had acquired international experience through other operations.

The following figure shows where Finnish companies have invested abroad. A majority of investments have gone to the EU region. Within Europe, the most important countries are Sweden and Germany, and they have also been Finland's traditional trading partners. On the heels of Europe is North America, where the United States is naturally the dominant investment target. The following figure zeroes in on the distribution of the money amounts (FIM) of the investments.

The issue can also be examined another way, by looking at the number of subsidiaries. For the most part, the conclusions remain the same. The highest number of Finnish companies are located within the EU and in North America. Conversely, the impact of the former Eastern European nations is not visible in the figure. The following table presents the most significant countries outside of Western Europe and North America.

Table 3. Number of Finnish companies' subsidiaries outside of Western Europe and North America – the most important countries by region (number of subsidiaries in parentheses). Source: Statistics Finland enterprise register, supplemented by data from the FIBO database of the Helsinki School of Economics

Region	Countries with most subsidiaries		
Rest of Europe	Estonia (279)	Russia (238)	Poland (98)
Latin America	Brazil (31)	Chile (29)	Mexico (22)
Asia and Oceania	Australia (71)	Singapore (55)	Japan (51)
Africa	South Africa (15)	Egypt (6)	Kenya (4)
Other countries	Cayman Islands (18)	Bermuda (6)	Seychelles (3)

The table provides a sampling of the broad scope of international operations of Finnish companies. Estonia and Russia in particular are home to a high number of Finnish companies' subsidiaries. In addition to subsidiaries, many companies in Estonia and Russia are owned by Finnish individuals. They are not shown in the table, because the figures were compiled from data for the 900 largest concerns in Finland.

In South America, Brazil and Chile have been the primary targets. Finnish corporations also have operations in many other countries in the region. For example, Metra has operations in Venezuela, Peru and Argentina. Kone also has personnel in Venezuela and Argentina.

Foreign investments by Finnish corporations have grown most rapidly in Asia. For Nokia, for example, China is now the second-most important market. Trailing Nokia, a number of other Finnish companies have operations in China, where many of Nokia's cooperation partners, including Perlos, Efore, Elcoteq, Ojala and Eimo, have invested. The group keeps growing, as many companies have plans for investing in China. In addition to China, Malaysia and Singapore are among countries with significant investments by Finnish companies. There are Finnish subsidiaries in 90 different companies at the moment.

In other words, in the course of the last 10–15 years, Finnish companies have internationalized into nearly all parts of the world. Africa may be the only exception; only a handful of companies operate there, and the same is true for other western companies. This means that Africa – excluding South Africa – has not been successful in attracting foreign companies.

The growing foreign investments by companies can also be seen in the location of personnel. A significant portion of many large Finnish corporations work outside of the country's national borders. The situation has changed drastically over the last fifteen years (Table 2).

Large Finnish corporations have changed in many ways. They have grown in size. The growth has mostly occurred abroad, as international operations have been expanding actively. Companies strive to operate close to their markets. For this reason, more and more production takes place outside of our borders. In 1983 only slightly more than 15 percent of the ten largest corporations had operations abroad, when the proportion now is clearly more than half. All signs indicate that this proportion will continue to grow in the future. The growth focus of large corporations has shifted abroad. Companies want to operate in the vicinity of their customers. Because these markets are abroad, a growing share of investments too are directed outside of Finland.

Table 4. Number of employees in large Finnish corporations in 1983 and 1999. Source: Ali-Yrkkö & Ylä-Anttila (1997), updated in 2000.

Company	1983		2000	
	Total number of employees, in thousands	In foreign operating units (%)	Total number of employees, in thousands	In foreign operating units (%)
Nokia	24	17.5	59	58
Stora-Enso	15	9.8	42	64
UPM-Kymmene	35	11.7	33	37
Metso	15	12.8	22	50
Kone	13	66.2	23	94
Metsäliitto	8	7.5	25	61
Fortum	7	21	15	37
Ahlström	12	14.4	9	78
Wärtsilä	22	9.5	11	69
Rautaruukki	8	1.6	13	39
Total	163	16.3	251	59

The degree of internationalization increases even more, when we look at the role of international sales. Approximately 85 percent of sales derive from abroad. The ownership of corporations has become increasingly international as well. A significant portion of the shares of these companies is in the hands of foreigners.

Finnish companies operate in many different environments, and the international context is visible in all company operations. They constantly encounter rich varieties

of national cultures to which they must adapt their own operations. In addition to national cultures, corporate culture itself varies between countries and regions. The following will provide a closer look at the culture of ownership.

## Globalization unifies corporate objectives

When corporations work in a context that is more and more international, different management, ownership and corporate cultures have to meet. In particular, international buyouts and mergers present huge management challenges. Organizations that previously operated apart now must be streamlined to work in accordance with common goals. One current theme in economics and political science concerns the relationship between management and stakeholders. Cross-border mergers and the internationalization of ownership have elicited more discussion of this kind of *corporate governance*. Corporate governance systems refer to all the means that groups of stakeholders of a corporation seek in order to influence the management so that the group's goals are met as successfully as possible. Central factors here are, first of all, what the role of owners, management and employees, and second, what kind of governance structures work best from the point of view of society and the economy.

Until recent years, Finland's corporate governance has been of the Euro-Japanese kind, where it is typical for the objectives of personnel, customers and other stakeholders to be reflected in the company's governance structure. The situation is now changing more toward an Anglo-Saxon system, in which the only objective of the corporation is to increase shareholder value. The following offers a look at how the goals of large Finnish corporations have changed over the last 10–15 years. The objectives were gathered from company annual reports.

The objectives reported by companies are rather varied. Profitability and improving it has been the most common goal in the course of all study years. Annual reports do not, however, discuss maximizing profits, but improving or maintaining them. It is important to note that profitability does not necessarily mean that the wealth of shareholders increases, because traditional measures of profitability do not always take into account the capital used to achieve the profits.

Increasing the wealth of owners is a newcomer among corporate objectives. The position of owners is being emphasized more than before. Since mid-1980s, a growing number of companies has included among its public objectives increasing profits for owners. By the late 1990s, half of the corporations that were studied stated that they sought to increase shareholder value.

Changes in corporate objectives are reflected in the company's operations in many ways. Company management spends more and more time maintaining investor relations and PR. Foreign owners demand increasingly open PR. To ensure equal status among shareholders, PR needs to be transparent and balanced. For example, much more detail is given about management salaries and bonuses than before.

In addition, PR, wage and incentive systems have also changed. The share-based incentive programs that have become so common so quickly originally came from the United States. Nowadays, these arrangements are usually made with the help of stock options. Through stock options, shareholders want to ensure that management acts in accordance with the interests of the owners. A second reason for using stock options is to bind key persons to the company. There is a desire to retain key personnel in the company in the future as well.

New ownership structures, foreign ownership and a new way of thinking all mean changes for corporations. Globalization acts as a unifier of companies' objectives. It is not clear which system is superior, the continental European or the Anglo-Saxon. It does seem that the continental European as well as Japanese systems are veering toward the Anglo-American one. A high rate of return on capital and amassing shareholders' wealth have become more emphasized and continue to be emphasized even more as the objective behind all the decisions that are made about a company's operations. National traits in the governance structures and management styles of companies are evened out, and at least to some extent, differences will disappear.

## From exports to international corporate acquisitions

Most large industrial corporations are already multinational, and a significant portion of the sales of small and medium-sized businesses comes from abroad. Service companies too are internationalizing rapidly.

During the last fifteen years, the forms internationalization takes have changed fundamentally. Direct investments and supranational alliances are the most important forms of internationalization. Companies focus on their core operations, and a significant portion of their investments are directed abroad. Aside from production, also financing and R&D operations, for example, are already largely globalized. Two mechanisms have made globalization more embedded: it encompasses all of the company's operations, and it occurs more and more frequently through corporate acquisitions or mergers. For this reason, people and cultures encounter each other at all levels of business organizations. A central factor that determines the success of international mergers seems to be the ability to manage cultural diversity.

- Corporate governance systems become uniform

As a result of globalization, the organizations and objectives of companies operating in different countries become more uniform. The corporate governance systems of many companies edge toward Anglo-Saxon practices.

Moving toward ownership-oriented business that emphasizes efficient capital seems to result in conflicts and overemphasize the strengths of one's own culture and operating methods. A strong company culture provides an important com-

petitive edge in the global market, where cross-border mergers and acquisitions are increasingly standard practices.

- With globalization, companies encounter cultural diversity

Deepening globalization easily leads to collisions between cultures. In a majority of international mergers and corporate restructuring, the problems are greater than anticipated. According to studies, as many as over half fail. The reason is almost always cited as undefined "cultural differences".

Although cultural differences are often a veil that conceals many other causes for the failure, there is no doubt that cultural differences play a very real role. Many empirical studies show that cultural differences may result in misunderstandings that in turn lead to conflict situations that are difficult to resolve. When dealing with people of different cultural backgrounds, the biggest challenge is to leave one's own value system at the door. In other words, there is no right or wrong way to act, there are only different ways of acting. Cultural differences are felt most acutely in situations where the parties lack international experience.

On the basis of the most recent case studies (see Ali-Yrkkö et al.), it can be concluded that there are certain special cultural characteristics that are connected to managing multinational Finnish companies: working toward a flat hierarchy, direct and straight-forward communication, and extensive delegation of decision-making power. In some countries, this kind of corporate culture and management style were seen as too straightforward, even harsh. As a whole, Finnish corporate culture functions fairly well. Quick decision-making and a democratic management style are particularly useful when a company's operating environment undergoes dramatic changes.

The misunderstandings that arise between different nationalities can be minimized by using one common language. Hence, a number of international companies have adopted English as the company language. This has played a part in creating an international business culture as companies have expanded operations to several continents. By using the same terminology and concepts in different countries, they are able to bypass an obstacle that would otherwise stand in the way of inter-cultural communication.

It is nearly certain that corporations will continue to become increasingly and more fundamentally international. Operating in a multicultural environment poses ever greater challenges. Many small high-tech companies will become internationalized already in their first years of operation, and Companies and their personnel will become accustomed to operating in a multicultural environment almost from the first days of the company's existence. Many companies are multicultural as soon as they are established.

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## 4 Glocalizing capital and labor – old structures, new challenges

*Annika Forsander*

What do the movement of capital and the history of migration have to do with each other?

What kind of immigration policy would meet the needs of the labor market?

What structural barriers are there for utilizing immigrant know-how?

The profound change in population structure that will occur over the next several years is a societal challenge that will touch all western nations and their economies. A changing population structure requires the reorganization of society's institutions to address new types of service needs. In tandem with a transition in the labor market, the changing population structure results not only in demand for labor, but also in the overhaul of production in many sectors. Within the framework of this transformation, the intention of this article is to examine the conditions that determine the utilization of immigrants in the labor market – both those who are already in the country and those who will be recruited from abroad. The central questions formulate as follows: Is labor-force migration the solution to labor market problems caused by the ageing of the population and to a real labor shortage? What conditions would enable immigrants to operate in the labor market on a larger scale?

Many other factors besides those that can be directly derived from the reality of the labor force, such as the policy in effect and administrative practices, have a powerful impact on the volume and quality of the immigrant workforce. As the post-World War II labor force migration whittled down, Europe closed its borders, launching the so-called period of zero immigration, which is now coming to a close. In spite of zero immigration policies, Europe has received more immigrants in recent decades than previously: since 1980s, the newcomers have mainly been family members of previously arrived immigrants, asylum seekers and refugees. Labor market issues have been secondary in immigration policy, as other objectives have taken precedence over the utilization of immigrant labor force.

In this article, the utilization of various types of immigrants will be examined in the context of a universal Nordic welfare state that has spread to every area of life, and the regulation it practices. Society's structures and especially the attitude of the state toward its immigrants have proven to have a rather major impact on how the role of immigrants is shaped in the country's labor market and in the broader economy.<sup>117</sup> One criticism against the Nordic welfare state has been that as it penetrates into all areas of life, it demands of its members both cultural and social homogeneity as a condition for full membership in society. In this way, it excludes the culturally different from its most central institutions, allowing immigrants and others who are defined as cultural deviants into the margins, but not beyond. Social security that is based on residence in the country ensures a subsistence minimum, but simultaneously, the social structures that maintain social welfare shut out a portion of the population from the sphere of full labor market participation. The role of labor market organizations was so central already as the system was being established that they became an essential part of the structures of Nordic welfare states. For that reason, their role as important regulators of the labor market is given special attention in this article.

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117. Nordic countries are engaged in an ongoing, broad discussion on the place that immigrants occupy in the welfare state, for example: Flodgaard et al. 2000; Lepola 2000; Mogensen & Matthiessen 2000; Necef 2000; Povrzanovic Frykman, 2001; Seeberg 2001; Wahlbeck 1999.

Finland is one of the Nordic welfare states, but it is also a new immigration receiving country, and has only in recent years transformed from a country of emigration into one of immigration. Finland's integration into international economy, politics and migration accelerated in the 1990s as the country became party to an increasing number of international obligations. Membership in the European Union since 1995 boosted official and unofficial international networking. The rapid rise of the new economy, transformations in the labor market and population structure, and increased immigration have shattered the country's one-time unity and resulted in a differentiation of lifestyles. Problems with adapting to growing multiculturalism can in fact become a stumbling block for economic development.

## Population and labor force development

Birth rates, mortality rates and migration are factors that regulate population volume. In the present societies, however, age structure, not population size, is the central factor influencing population development. Because the needs of different age groups are different, age structure leaves an imprint on both the labor market and on society's service structures. An ageing population has different service needs than children and young people.<sup>118</sup> As people's life expectancy grows, their pension years stretch farther and farther into the future and are spent in better health than before. In light of these facts, the size of the elderly population and demand for services will a rapid increase over the next 20 years.

In terms of population statistics, net migration is difficult to predict. If economic push and pull factor assessment, typical in migration studies, were used, the results would indicate much larger migration volumes than the actual numbers of immigrants and emigrants.<sup>119</sup>

Migration flows are not independent phenomena, and must be examined in their contexts, such as the history of different societies, and globalization development. Immigration to Finland, for example, as well as attitudes toward immigration, has emulated the same developmental trends as cultural, economic and political internationalization.

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118. Nieminen 1999, 10-11.

119. When, for example, discussing the European Union's eastern expansion, fears have emerged of a mass migration of Eastern Europeans to the West because of the large gap in living standards. The potential number of migrants has been shown to be less than had been assumed, however. In Eastern Europe, even *internal* migration occurs on a smaller scale than in the West, as close family ties keep people in their home regions regardless of unemployment. (Sassen 1999; Bauer & Zimmermann 2000; Financial Times 16.6.2000).

Other parts of this book address the relationship of Finnish economic life and international trade. Economic policy has traditionally focused on export and its promotion, and shied away from foreign capital that wants to enter the country. Migration into and out of Finland has followed the same logic: more people have left Finland than have entered it. It has been thought obvious that leaving, acquiring experiences and capital from abroad is an everyman's right, and that Finns are welcome all over the world. The settling of foreigners in Finland, on the other hand, has been restricted in a number of ways. Finland's position has been peripheral in terms of the movement of capital and workforce mobility. The cold, distant North has not been attractive to nor actively tried to attract capital or the people who move them.

*Table 1* summarizes some integral events in direct investment and migration to Finland, as well as the history of how the position of foreigners has developed. The table shows that the movement of capital and people have been controlled differently at different times. In the medieval period and early modern times, people and capital moved relatively freely, and if people earned a livelihood and lived respectably, they could settle in the country and enter class society's estate system. As national sovereignty increased during the period of autonomy and the first decades of national independence, so did control over foreigners. Foreign capital and people were increasingly seen as national security risks – as threats to sovereignty. Not until the 1990s and EEA and EU memberships did Finland open up toward the global economy and a mutuality in the movement of people and capital. Like in medieval times, people, much like capital, entering the country ought to be viewed as a social resource instead of a threat to national sovereignty.

Table 1. Summary of the history of direct investment and immigration to Finland.<sup>120</sup>

TIME PERIOD	CHARACTERISTICS OF FOREIGN INVESTMENT	CHARACTERISTICS OF IMMIGRATION
Autonomy (1800s – 1917)	Foreign entrepreneurs accelerated the rate of industrialization and brought know-how.	In 1888, all people entering the country had to have a valid passport. Foreign entrepreneurs and artisans could immigrate to Finland; statutes; control over foreigners; residence and practicing a trade were regulated through permits, also in the case of Russians. Class divisions of the estate system also applied to foreigners: the treatment of foreigners was irregular and unequal, with the Roma and Jews under special control. Nationals of other countries were considered a national security risk.
First decades of independence (1918 – 1950)	A majority of the most significant foreign-owned enterprises were transferred to Finnish ownership in the early years of independence. In 1939, a law was passed to restrict the rights of foreigners' ownership. It remained in effect for over 50 years. Very little foreign investment.	In 1918, Tatars and Jews were granted citizenship and freedom of trade. As a result of the Russian Revolution, 33,000 Karelian refugees and Russians entered Finland. Some were granted temporary residence permits. Because of unstable conditions, most Russians continued on to other parts of the world, whereas a majority of the Karelians returned to Soviet Russia. Attitudes toward "kindred refugees" were more positive than attitudes toward Russians. The 1938 alien act created the foundation for rules in current legislation on controlling foreigners, and the statutes for preventing entry into the country and deportation. Motive: "Preventing the activities of revolutionary movements" by monitoring international traffic -> monitoring foreigners with the help of state police; foreigners considered a security risk. Low immigration; number of foreigners declined by 1950s.

120. The parts of the table that concern foreign investment are based on a summary table in an article by Joronen, Pajarinen and Ylä-Anttila. Sources for the part on immigration characteristics are Tapio Kuosma 1992 and 1999.

1960s and early 1970s	Foreign investments begin gradual growth. Investments into labor-intensive fields such as textile and garment industry. Motives: low labor costs, entry into the market.	Legal protection of foreigners nonexistent. Bringing into effect of central international human rights conventions creates pressure to overhaul legislation on foreigners -> this occurs in 1984. Small-scale, controlled immigration.
Late 1970s and 1980s	From assembly lines to high skills. Gradual growth in number of foreign-owned companies. Motive: desire to obtain special know-how from Finnish companies.	In 1984, the first alien legislation in the history of Finland is passed, including permit statutes related to entering and residing in the country, legal protection for foreigners in accordance with obligations contained in international conventions. Most immigration occurs as a result of marriage; return migration of Swedish-Finns. Receiving of refugees begins: from 1973, Chilean refugees, and from 1979, the Vietnamese. Council of State ratifies annual refugee quota starting in 1985.
1990s	Liberalization and globalization of economy. The last restrictions on investments by foreign companies eliminated in the beginning of 1990s, "forced" by EEA treaty. The era of protectionism of national industry ends. Foreign corporations are increasingly interested in buying Finnish companies. Investments concentrated in industry and services. Foreign investment has a greater impact than before on business activities, mostly positive; for example, from the perspective of economic efficiency and job security.	New alien legislation in 1991; reforms in asylum and legal protection. Continuous pressure to modify alien legislation. Permit system in practicing trades is eliminated. Ethnic return migration from the former Soviet Union begins in 1990. Number of asylum seekers grows quickly; a system for receiving them is established. Number of foreign nationals increases rapidly. The 1999 Act on the Integration of Immigrants is passed to help integrate immigrants. EU membership and easing the movement of labor inside the EU.

It may be concluded from the table that the development of the economy, and particularly of big investment, has in some degree preceded developments in the position of foreigners. However, whatever has been defined as the national interest in a given time has determined the approach to the entry of capital and people. In a broader context, the direct consequence of the globalization of capital is, in Finland as well, increased immigration and in particular, migration pressure.<sup>121</sup> Globalization of the economy is not an independent phenomenon – increases in capital, immigration and cultural influences are all different sides of globalization.

For most of its history, Finland has been a country of outward migration, and it only became one of inward migration at the turn of 1980s and 1990s, as net migration became positive. In the European context, Finland is a latecomer as a country of inward migration. Much like other nations on the outskirts of Europe – Portugal, Spain, Italy, Greece and Ireland – Finland was, until a few decades ago when economic development altered the situation, mainly a labor-sending country. There are over one million persons of Finnish descent and their descendants, or one-fifth of Finland's population of 5.2 million, living abroad. Although much of the migration has targeted North America and Australia, Sweden has been, and continues to be, the most popular emigration destination. In the years of the Great Migration in late 1960s and early 1970s, one-tenth of the baby-boom generation emigrated from the country. The volumes were so significant that they actually resulted in a population decline.

Before 1990s, migration to Finland typically consisted of return migrants who had left Finland before. Western industrial nations built their post-war wealth by recruiting millions of people from different parts of the Mediterranean. In Finland, the labor shortage did not reach similar proportions. The baby-boom generation was enough to guarantee the supply of labor. Driven away by unemployment created by a revolution in production structures, many emigrated to Sweden and even farther.<sup>122</sup>

Finally, toward the late 1980s and into the early 1990s, Finland became a real immigration destination: more people arrived in the country than left it. Immigrants also became more ethnically diverse. In the first years of the 1990s Finland received asylum seekers especially from Somalia and the former Yugoslavia. So-called ethnic return migration, referring to Finns who moved from the area of the former Soviet Union, began. In spite of refugees and return migrants from the former Soviet Union, marriage remains the most common reason for immigrating to Finland.<sup>123</sup>

Finland's immigration policy has not been determined by labor market considerations, and has instead developed as a result of external pressures, such as international agreements, or on the basis of ethnic loyalty.<sup>124</sup> The separateness of immigration and labor market policies is reflected in issues directly related to immigrants as well

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121. Cf. Sassen 1996.

122. Nieminen 1999, 34.

123. Ylänkö 2000.

124. I refer here to the so-called ethnic return migration that began in 1991, meaning immigration based on kindred peoples ideology, to Finland from the former Soviet Union. Similar immigration programs exist also in Germany and Greece.

as administrative practices that indirectly touch upon immigration issues: because a clear-cut vision is lacking, officials have a very powerful role at the practical level as architects of immigration policy.

In terms of the labor market, immigrants may be divided into two groups:

- 1 **Labor-force immigrants**, who immigrate because they or a family member have a job in Finland.
- 2 **Non-labor force immigrants**, who immigrate to Finland for reasons other than work. This group includes refugees, return migrants from the former Soviet Union, and immigrants who move to Finland because of marriage or other family reasons.

In Finland, unlike most other industrial countries, immigrants who arrive for reasons other than employment make up a significantly larger group than employment immigrants, who comprise a small but growing cluster. Although a majority of immigrants living in Finland moved there for other than employment reasons, most are nonetheless employed. The employment share of immigrants is considerably lower than among the rest of the population, and unemployment among those who are part of the workforce is many times greater compared with the rest of the population.<sup>125</sup> This kind of situation presents the challenge of how to employ those immigrants in the workforce whose immigration was not a consequence of a demand for their specific kind of labor.

The ageing of the population will soon translate into a huge loss in the labor market. At the same time, an ageing population needs more labor-intensive services that are specifically targeted at them. Generations born after the Second World War are more discerning consumers than preceding generations, and it is probable that the habit of using services will continue throughout the years of retirement. The consumer habits and accumulated wealth of the babyboomers mean that demand for services will increase. Increased demand in turn means that more people will be needed to work in service-providing jobs. Unlike industrial manufacturing, these services cannot be relocated to countries where there is available workforce.

Compared with many other countries, up to this point, Finland's support ratio has been relatively good, and will continue like that over the next several years. According to various projections, however, the support ratio will worsen drastically around 2015, when the last of the babyboomers born after the war retire. Finland is estimated to have an equal number of dependents and working people at that time. A change in age structure is not in itself the crux of the problem, which is really the rapid worsening of the support ratio. The change in the support ratio has been monitored in the long term up to the year 2025 by comparing EU countries' mean figures to Finnish figures.<sup>126</sup> Figure 1 describes the change in number of dependents per one hundred working people in Finland and the European Union in 1985-2025.

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125. Forsander 2001.

126. Ilmarinen 1999, 30.



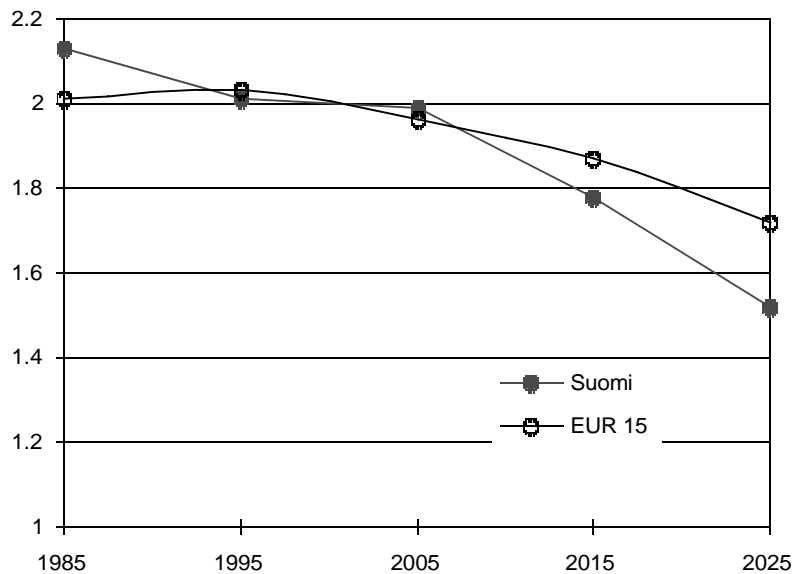


Figure 1. Number of working people (15-64 years of age) per one dependent person in the European Union and Finland in 1985-2025<sup>127</sup>

The ageing of the population and the decline of the support ratio have generated discussion of a “pension bomb”, in other words, of the difficulty of a diminishing workforce to pay for babyboomer pensions. Some estimates indicate that continued economic growth and improved work productivity are enough to secure pension financing.<sup>128</sup> But even if the pensioners’ economy can be secured, changes are inevitable in the labor market because of the transitioning age structure. The ability of national economy to finance pensions is no solace, if for example the array of care services does not match the increased demand.

## New labor from abroad?

What are the solutions needed to meet population and labor market needs? Can problems of population and workforce structure be addressed by allowing open immigration of the workforce? Is it time now in Europe to allow labor – a central production factor – to flow into countries on the same conditions as the flow of global capital?

Western industrial nations, faced with an ageing and declining workforce, have begun to talk about *replacement migration*. An eponymous UN population report (2000) outlined alternative scenarios for population development and the required replacement migration for 1995-2050 for countries experiencing a declining population and weakening support ratio. The report’s figures on replacement migration brought heated

127. Eurostat 1999.

128. Parkkinen 2000.

criticism, but even though they are hypothetical, they provide a clue to how radical the ongoing change of the population structure is. Above all, the figures reflecting the need for replacement migration help look for *other solutions* besides mass immigration to address the societal challenges caused by changing population structure.

The UN Population Report states that the population structure of the second half of the 1990s was favorable to economic growth in western industrial nations. Birth rates were “reasonable”, child mortality low – ensuring the growth of working-age population – and simultaneously, life expectancy increased. The population’s favorable age structure has lowered the retirement age and provided good pension benefits to employees and employers at a reasonable expense. In the UN population report, however, this is seen as a transition period on the way to a more permanent ageing of the age structure and population decline. After the favorable population structure period, social structures must be made to adapt to a completely new, unprecedented situation.

Adapting to the conditions of an ageing and declining population requires being ready for social change. In addition to encouraging the migration of labor, it is also necessary to:

- raise the retirement age, and invest in keeping the workforce working at least until retirement age. *Only* raising the retirement age is not enough, however, because it is difficult to imagine that a wide group of ageing people would remain in working life long enough, past the age of 75.
- re-evaluate the level and quality of pension benefits. An ageing population requires more social services than before, while at the same time there are less people to pay for them.
- re-evaluate the cost and scope of other social welfare.
- maintain a high employment share. *At the same time*, however, birth rates must be prevented from plummeting, by making it possible to combine work and family life.
- focus on making use of existing workforce reserves, including the rehabilitation of occupationally impaired and the long-term unemployed.
- be prepared for cost pressures related to the old-age support ratio. A shrinking workforce continues, through their labor, to pay the living costs of increasing numbers of people outside the workforce.
- improve work productivity to make it possible to respond to the cost pressures resulting from a declining support ratio. Increasing productivity, however, should not conflict with the demands of a prolonged working life. In other words, work should be more productive and at the same time, job satisfaction should be high enough for employees to remain in their jobs longer into old age.
- balance the pension burden between low- and high-productivity fields.

- make efforts to integrate immigrant labor force to the labor market to make use of the resources that they bring as quickly as possible.

Many of the demands mentioned above conflict even with each other. To maintain well-being and a competitive workforce at reasonable levels, however, requires that every possible method is used.

International migration has far-reaching consequences for a society's structure, economic life and labor market. The impact extends all the way from the country of origin to the country that receives immigrants. Throughout the history of social sciences, many different fields have studied migration's impact. Table 2 features some of the effects of migration for individuals, communities and society, on the basis of a broad literature survey.

The table specifies the *potential* effects of migration separately for the country of origin and the receiving country. For example, the occupational status of a well-educated immigrant often diminishes initially in the new country. Immigrants are also frequently subject to exploitation of their labor, including poor work conditions and lower wages compared to the majority population. This is especially true for immigrants who emigrate from developing countries to industrial nations.

In addition, the table differentiates between migration's *benefits and liabilities*, and all its effects from the perspective of the *individual*, in other words the immigrant and members of the receiving country's society, *corporations* and *society* as a whole.

Table 2. Migration's benefits and liabilities at individual, corporate and societal levels.<sup>129</sup>

	Potential effects from the perspective of the country of origin and the individual emigrant		Potential effects from the perspective of the receiving society and its members	
	Benefits	Liabilities	Benefits	Liabilities
Individual level	<p>Employment</p> <p>Higher income level</p> <p>Opportunity to improve skills</p> <p>New experiences</p> <p>New contacts</p>	<p>Frequently poor work conditions and long work days</p> <p>Decline in occupational status</p> <p>Discrimination and racism</p> <p>Separation from the immediate community</p>	<p>More and cheaper services and other commodities</p> <p>Opportunities to move up to supervisory positions as the ethnic hierarchy of society changes</p> <p>Increase in number and diversity of cultural services</p> <p>Expanding world-view</p>	<p>Fiercer competition in the labor market</p> <p>Declining wages in low-wage, low-skill sectors</p> <p>Cultural and linguistic difficulties increase</p> <p>Ethnic segregation of residential areas</p>
Corporate level	<p>Profiting from the skills of return migrants</p> <p>Expansion of markets in communication and travel agency services</p> <p>Internationalizing market for products and services</p>	<p>Losing skilled workforce to other countries</p> <p>Labor shortage increases wages</p>	<p>Increased workforce</p> <p>New expertise</p> <p>Cheaper and more flexible labor</p> <p>More consumers, a bigger market</p> <p>Better opportunities to enter international market through a multi-ethnic workforce</p>	<p>Increasing demands of diversity management, need to increase workplace training</p> <p>Growing dependency on foreign labor in some sectors</p> <p>Increased need for segmentation of products and marketing</p>
Societal level	<p>Declining unemployment</p> <p>Knowledge and skills return migrants bring with them</p> <p>Financial contributions by immigrants boost the economy</p> <p>Transnational communities influence politics and social life</p> <p>Easing of pressures caused by "surplus" population</p>	<p>Uncontrolled return migration</p> <p>Loss of highest-educated population</p> <p>Increasing inequality of income distribution</p> <p>Increasing political instability domestically and the creation of a culture of immigration</p> <p>Loss of population in best working and fertility age</p>	<p>Diminishing pressures on inflation</p> <p>Labor market obtains already educated workforce</p> <p>Growing diversity and innovativeness of the population</p> <p>Immigrants invest capital</p> <p>More tax payers</p> <p>Age structure of population becomes younger</p>	<p>Pressures to automate production diminish – technical development may suffer</p> <p>The necessary continued education in language and occupational training create costs</p> <p>Demographic divides and worsening problem of isolation</p> <p>Growing grey economy</p> <p>Growing cost of social security and welfare services</p>

129. Edited from Stalker 2000, 27.

## Today's immigrants – a labor resource?

For immigrants and ethnic groups, the position in the labor market is a central measure of their position in society. As is the case in other industrial nations, immigrants find it more difficult to find work than the majority population. Their unemployment figures are often many times bigger compared with the majority population. If a particular population group is under- or over-represented in some segment of the labor market, this represents a broader reflection of the position of that group in society and has an impact on the group's living conditions at both an individual and community level. When one member of an immigrant family is unemployed, it has an impact on the integration of the entire family into society, and hence also on the position in society of the following generation.

As a consequence of the mass unemployment resulting from the early 1990s recession, immigrants' employment rate worsened quickly, both in the case of immigrants who had resided in the country for a longer period as well as newcomers. Finland's immigrant population grew rapidly during the recession years, at the same time as many who had arrived earlier also were suffering from unemployment. Immigrant unemployment finally entered a downturn in mid-1990s. The decline in unemployment is above all a consequence of an improved economy, but policy measures such as training and government-sponsored employment opportunities have been essential.<sup>130</sup>

The difference in the situation of Finland's immigration, compared to other western countries, is that the labor shortage has never reached such proportions as to result in a broad demand for foreign workforce.<sup>131</sup> In many other western industrial nations, the economic growth that began in 1950s spurred governments to recruit labor particularly from Southern Europe and other Mediterranean countries. In many European nations, immigrant workers became established minorities in time, as families followed their providers and the second and third generations were born in the new country. In recent decades, the recruitment of workforce has given way to increasingly tight immigration controls all over Western Europe. In spite of controls, immigrant minorities continue to grow, mainly on the strength of family unification, asylum seekers and illegal immigration. Especially after it became a member of the European Union, Finland has designed and implemented measures that regulate immigration together with the rest of Europe, even while the volume of immigration to Finland is lighter than elsewhere in Europe.

In Finland, the immigrant population is scattered compared with most European countries. The immigrant communities of western industrial nations are born and

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130. Examples: Forsander and Alitolppa-Niitamo 2000.

131. During the previous economic upswing in late 1980s, minor efforts on behalf of recruiting foreign workforce took place in sectors plagued by labor shortage, namely construction and private services. These activities ceased quickly as the recession took over.

grow with chain immigration, so that generally the first to immigrate is the man, followed later by the family, and gradually other relatives and acquaintances arrive. In many places and at different times, entire villages have departed in search of a better life somewhere else. Communities are created in the new country of people, families and networks that were already acquainted in the country of origin. Emigrant Finns, too, have created vibrant immigrant communities in many corners of the globe.

The significance of immigrant communities in terms of the integration of immigrants is crucial. They provide the reference group support for the mental adaptation process. Co-ethnic networks also supply information and experiences related to living in the new country. They accumulate information about employment possibilities, as well as capital and knowledge needed to run a business – in other words, they support the activities of immigrants in a number of ways. In Finland, the small number and dispersion of the immigrant population have made it more difficult to integrate newcomers by utilizing immigrants' own networks.<sup>132</sup>

## Who are the immigrants living in Finland?

The economic and political development of the period of independence has not encouraged an understanding of immigration as an economic resource. Therefore, immigration has been based on other than economic grounds: marriage, need for asylum, or, since the beginning of the last decade, the newest reason for immigrating, the so-called ethnic return migration. A selective immigration policy also affects the demographic consistency of the immigrant population. Selectivity has precluded chain immigration, which has created immigrant communities in other countries where immigration is or has been part of labor policy. There are no extensive immigrant communities in Finland, so newcomers arrive without the ethnic networks that would make their integration easier. The new immigrant encounters the receiving society head-on, "naked", without the alleviating support of an ethnic community.<sup>133</sup>

Immigrants differ from the population as a whole in age structure. A majority of the immigrant population is working age, and the single largest group comprises those aged 25–34 years. The share of elderly among immigrants is small, reflecting the newness of immigration as a phenomenon. Women's share of immigrants in 1998 was approximately 49 percent. Within different immigrant groups, the ratio of men and women varies greatly, which speaks of the selectivity of immigration policies. The significance of marriage to a Finnish citizen as grounds for immigration can be seen in the variation in gender distribution among different nationality groups: Finnish cit-

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132. Valtonen 1999.

133. The chapter on ethnic entrepreneurship presents a more detailed discussion of the significance immigrant communities and immigrants' mutual networks have on the economic activities of immigrants.

izens have generally found wives in Russia and Estonia, and husbands in Turkey and Morocco. In these nationality groups, the gender distribution is skewed. A large group among spouses of Finnish citizens is made up of Swedish nationals, a majority of whom are ethnically Finnish return migrants from Sweden.<sup>134</sup>

Children make up about one-fifth of all immigrants, the same proportion as among the rest of the population in Finland. Especially among people who came as refugees, there are a lot of children under the age of 15. Among Somali nationals, for example, nearly half are children, and among immigrants from Iraq and the former Yugoslavia, 40 percent are children.<sup>135</sup> The high number of children under 15 in these groups is partly due to large families, but also to the fact that both parents are foreign nationals and therefore the children receive their parents' citizenship. In families where one parent is a Finnish citizen and the family resides in Finland, the children usually get Finnish citizenship and do not show up in statistics on foreigners.

In Finland, as elsewhere, immigrants have concentrated in large cities. Half of all foreign citizens live in the southern areas of the country. There, immigrants have concentrated in the area of the capital, especially Helsinki itself.<sup>136</sup>

Toward the end of the last decade the number of foreigners who had received Finnish citizenship soared rapidly, as many who came early in the decade were granted citizenship. Finnish citizenship laws are fairly liberal: to be eligible to apply, an immigrant must reside in the country permanently for at least three or five years.<sup>137</sup> Once a Finnish citizen, a person with an immigrant background has the same rights as all other Finnish citizens.

## Benefiting from the skills of immigrants

Immigrants who arrive for non-employment related reasons encounter many problems that have to do with transfer of skills and resources, as well as the receiving society's structures. Employment problems translate into broad unemployment among these immigrants, many-fold compared to the unemployment of the original population in many receiving countries.

It illustrates the marginal position of immigrants in employment that, as overall employment increases during an economic upswing, unemployment among immigrants is usually slower to decline than among other population groups.<sup>138</sup> When they do find employment, immigrants are more likely than others to be placed in the lower echelons of labor market hierarchy into low-wage sectors, where employment is easier to find. Many immigrants find an *entry job* in these fields into the new country's

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134. Statistics Finland 1999.

135. Statistics Finland 1999, 10.

136. Statistics Finland 1999, 24-25.

137. Cf. the comparison of citizenship requirements in the article by Ylänkö elsewhere in this book.

138. For Nordic countries, see, for example, Berg 1998; Schulz-Nielsen 2000; Broomé et al. 1996; Ekberg & Gustaffsson 1995.

job market.<sup>139</sup> In a welfare society, it is a central question whether immigrants with education, know-how and the desire, are able to move ahead in the job market, beyond entry jobs, and how they do this.<sup>140</sup> It is generally thought that the competitive ability of the first generation of immigrants suffers to some extent from a lack of cultural competency in the original population's job market, but that the obstacles that stand in the way of the subsequent generation are generally thought to be structural rather than a result of being an immigrant per se.<sup>141</sup>

Especially in countries with a high volume of immigration, different immigrant groups often concentrate in particular sectors of the economy. Classic examples of this are Chinese laundromats, the Irish in the New York City police force, or different ethnic restaurants and shops. With the help of mutual contacts and contacts in the country of origin, immigrant communities can create separate ethnic economies, an *enclave economy*. Newcomers can make contacts and find employment within the sphere of the enclave economy at a point when their command of the language, culture and social contacts of the majority population is still fledgling. Early on, Canadian sociologist John Porter<sup>142</sup> showed with his *vertical mosaic* thesis that ethnic communities do offer immigrants possibilities, but limiting oneself only to networks within the ethnic community may become an obstacle to immigrants' social advancement, because the possibilities offered by the ethnic community are more limited than those in broader society.

When examining the employment situation of immigrants, then, two factors must be taken into account: first of all, how immigrants enter the job market and how they advance in their careers. It has become apparent that, especially in times of economic growth, immigrants are able to secure low-skill jobs at the bottom of the labor market hierarchy through their own networks, assisted by immigrant communities. These entry jobs are important for immigrants' career advancement, because without work experience in the country of residence, it is difficult to find more demanding jobs. As an example, the conviction of Finnish employers that it is specifically in *Finnish* jobs that one learns how to work *in Finland*, is so strong that even extensive work experience as an engineer in a Russian steel combine does not help get a job in the Finnish metal industry, if the applicant has no Finnish job experience.<sup>143</sup>

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139. In a study by Forsander and Alitolppa-Niitamo (2000), jobs in the restaurant and cleaning industries functioned as entry professions for immigrants. Especially for many of those with little education, these fields not only offer entry jobs, but life-long careers.

140. Myers & Cranford (1998) state in their literature summary that in the United States, the social status of first-generation immigrants is largely determined by the first job in the new country, in other words, opportunities for professional advancement are limited in the first generation.

141. For example Light & Gold 2000; Myers & Cranford 1998; Knocke & Herzberg 2000; Reitz 1998; Wrench et al. (eds.) 1999.

142. Porter's classic *The Vertical Mosaic* was originally published in 1965.

143. Forsander & Alitolppa-Niitamo 2000.



Beyond the entry job, advancing to a job that corresponds to one's education, work experience and skills is often difficult for first-generation immigrants even in the midst of an economic boom. Contacts and support within one's own field help career advancement, and these can be encouraged through the methods of a welfare society. Among the methods used in the policy of integration, training and government-sponsored working life opportunities, such as internships and employment sponsoring in companies have proven effective in promoting immigrants' career advancement.<sup>144</sup> Measures that support immigrant employment have been effective in utilizing the resources of skilled immigrants beyond mere entry jobs. There are also alternatives: society may settle for a situation in which more and more immigrants, regardless of resources, spend their whole lives in low-wage, low-skill jobs, which results in an increasingly pronounced segmentation into "immigrant jobs" and majority population jobs. This type of segmentation is occurring at the present moment, of course, but it is crucial, if all parties are to retain confidence in the future, how static the achieved job market positions are and what the possibilities are for social advancement.

## The possibilities of immigration policy to respond to the demand for skills

In recent years, abandoning the zero immigration policy as well as adopting an *active immigration policy* have emerged as discussion topics all over Europe. In the European Union, too, there are attempts to outline a common, new kind of immigration policy.<sup>145</sup> The debates often neglect to specify what the demand for an active immigration policy involves. Should European countries, emulating the United States, arrange Green Card lotteries: the winner gets a work and residence permit? Should it be possible to apply for a work or residence permit without having an employer in place so that applicants would be ranked according to their linguistic and professional skills, and possibly their nationality?

From the perspective of practicing an active immigration policy, the political message conveyed to the rest of the world is most important, however: "Our country has a positive attitude with regard to immigration and immigrants, and encourages skilled people of different countries to apply for a residence permit". Recently such messages are being sent out by a growing number of countries. Germany, which previously has resisted being profiled as an immigration country, announced publicly that it would look favorably upon applicants for residence in the IT field. Even though the political message is important, the country's credibility suffers if its reputation in terms of immigration and refugees and other human rights issues is questionable in

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144. Forsander & Alitolppa-Niitamo 2000.

145. The Commission presented a communiqué, dated 22.11.2000, to the Council of Europe and the European Parliament, broadly outlining guidelines for a European Union-wide immigration policy for the period following the era of zero immigration.

the eyes of potential immigrants. Germany's *Green Card* policy, for example, has not had the anticipated success, and the cited reasons are widely reported racist attacks.<sup>146</sup> Since this is the case, no country can afford to cold-shoulder refugees or asylum seekers, not to mention allow racist activities. The country's human rights reputation binds together the seemingly separate areas of immigration policy.<sup>147</sup>

Starting in late 1990s, the changing population structure and resulting labor shortage have appeared in the headlines more and more often as Finland's economy keeps growing. Simultaneously, all sides of the labor market disagree on what the problems really are. Unemployment in Finland remains higher than in many other countries, and regional variation in the labor market is significant. In northern and eastern parts of the country unemployment is 2.5 times higher than in the south. Workforce mobility is inhibited by the capital region's prohibitively high cost of living and housing shortage. In particular, the wages paid in return for the service industry's low-skill jobs are not enough to bring in workers to the Helsinki metropolitan area from other parts of the country. There are plenty of unemployed, but the opinion of employers is that they cannot get the kind of employees they want among the unemployed. From the employers' perspective, the unemployed may have skills, but not the kind they need.

Finnish immigration policy is made up of the following components:

**Refugee policy** is founded on international obligations, which signatory nations are committed to fulfill. The most important of these is the Geneva Refugee Convention, which has been signed by 133 countries and which Finland joined in 1968. The Refugee Convention requires countries to offer protection to people whom the treaty defines as refugees. In addition, the non-refoulement principle of many human rights conventions forbids countries from returning someone, for example, to a situation where torture is a possibility. Annually, the Parliament ratifies the refugee quota, which in 2001 was 750 people. Quotas have brought Vietnamese, Iraqi, Kurdish and Afghan refugees to Finland.

In the case of asylum seekers, the Directorate of Immigration, which functions under the administration of the Ministry of the Interior, decides whether applicants meet the definition of refugee, and whether asylum, or a residence permit on protection grounds can be granted. Internationally, Finland has been rather in the margins as a target country in terms of asylum seekers: in 2000 Finland received less than one percent of all asylum seekers who arrived in the European Union. Refugee and asylum policies are above all an international and humanitarian issue, and should not be affected by employment considerations, for example. Decisions about who should be offered protection by the government should be based on the individual's need for protection, not on his or her utility value in the labor market.

The **Ingrian or return migration policy** was adopted in 1990, and it may be said to have its foundation in *kindred peoples thinking*. People living in the former Soviet Union who are able to prove that two of their four grandparents are ethnic Finns have a right to obtain a residence permit in Finland. Germany and Greece practice similar

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146. AFP bulletin, Berlin 16.5.2000; The Economist 6.5.2000.

147. The Economist 6.5.2000.

ethnic return migration policies, but German criteria place a clearer emphasis on ethnic identification with Germany.<sup>148</sup> On the basis of public attitude studies, the Finnish public supports Ingrian return migration.<sup>149</sup> Ingrian Finns have a high popularity rating in the ethnic hierarchy, unlike Russians, for example. Paradoxically, many people are in reality both Russian and Ingrian.<sup>150</sup> Because the policy of return migration began during the previous economic upturn, accompanied by a labor shortage, it has been seen as an attempt to encourage the immigration of foreign workforce.<sup>151</sup> In employment terms Ingrian return migration has not been a success: Ingrian Finnish return migrants have experienced the same difficulties in adjusting to the labor market and wider society as other immigrants who came for non-employment reasons.<sup>152</sup> From a labor policy perspective, it would be more useful when setting criteria in the context of encouraging immigration to underscore immigrants' skills instead of the ethnic origin of their grandparents.

**Integration policy** refers to societal measures, which are used to encourage immigrants to find an active role in society. Integration policy means, among other things, language instruction and other measures with objectives in employment and education. In the spring of 1999, a law on integration was passed in Finland, defining the content of integration policy.<sup>153</sup>

**Work permit policy** refers to the grounds on which work permits are granted. There is a more detailed explanation of work permit practices elsewhere in this article. What is called active immigration policy in public discourse has to do with immigrants who arrive for employment-related reasons, in other words, on a work permit. Approximately 75 percent of work permit decisions are favorable. Many of the unfavorable decisions occur in situations where the conditions of employment do not fulfill minimum requirements in Finland. When the decision is negative, the reason often lies in a conflict between employment terms and conditions offered by the employer and statutes that protect the employee. In the event that an employer wants to bring a specific employer into the country and is prepared to guarantee that the terms and conditions specified in law and labor agreements are fulfilled, a work and residence permit are often granted. After this juncture, residence permit statutes can even be fairly liberal.

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148. Dietz 1999, 2-7.

149. Jaakkola 1999; Söderling 1997.

150. Because Finnish culture, for example language or Lutheranism, could not be maintained during the Soviet period, the Finnish language skills of most working-age return migrants arriving in Finland is nonexistent and their national identity is Russian (Kyn-täjä 1997, 2000). As a result of the immigration policy on Ingrian Finns, a vibrant Russian community is being formed in the Helsinki region.

151. Laari 1997, 313.

152. Forsander & Alitolppa-Niitamo 2000.

153. The Ministry of Labor website for immigration matters, <http://www.mol.fi/migration/lakiesit.html>, contains the text of the integration law as well as other information on integration policy.

## How was the study carried out?

Many different types of data and methods were used in this study – for the most part, they were qualitative, but some were quantitative. Source materials can be divided into three groups: interviews with influential people in the labor market, materials describing the position of immigrants in the labor market, and literature sources such as articles and research literature.

### *Interviews with influential people in the labor market*

The supply, recruiting and future labor needs were examined by interviewing officials, employers and representatives of labor market organizations. Most interviews were conducted by the author. Interviews were conducted both in person and over the telephone. Some interviews were recorded and transcribed into text.

The aim of the interviews was to provide a picture of the following:

- The field's future prospects, and recruiting more workforce as the population ages
- The proportion of immigrants in the workforce, and experiences with immigrant workforce
- What will be the response to the employment situation of the future: recruiting foreigners, or recruiting domestically? Where will the workforce reserves come from?
- The field's employment situation and possible changes over the next few years.

Ten representatives of labor market organizations were interviewed. Five of them represented employees, and five represented employers. The employers represented central organizations and membership organizations. Apart from the central organizations, the labor market organizations were selected from fields where immigrants are more common than in others. Of these, the study will present case descriptions of the bus transportation and restaurant industries. The interviewees were chosen from among the leadership of their organizations.

Employers were interviewed at eight different companies. Most of the interviewees were chiefs of personnel. The companies were selected from fields that were experiencing labor shortage, and they included large corporations and small and medium-sized businesses. Six of the companies operated in the service industry, one was an industrial enterprise, and one was an IT company, with production in both industrial manufacturing and services. All companies had had immigrants as employees. With the exception of the IT company, most of the immigrant employees had been hired from among immigrants living in Finland. In addition to the above, two officials from two different administrative branches dealing with work permit issues were interviewed.

### *Materials describing the position of immigrants in the labor market*

The segments on the labor market position of immigrants were compiled from register materials from Statistics Finland and the labor administration, and from interviews with immigrants in the labor force.

*Source materials: newspaper and magazine articles and published research in the field*

Background material consists of articles and material provided by news services<sup>154</sup> in Finland and abroad, relating to the position of immigrants in the labor market, international recruiting of workforce, and the labor market situation in general. Other materials included research reports, which are listed in the reference section.

*Methodology*

In analyzing the interview and article materials, textual and discourse analysis, common with qualitative materials, were used. Materials that were originally compiled for other purposes have been reanalyzed to focus on themes explored in the present study.

## Immigrant workforce and regulation in the welfare state

The following will use case studies to illustrate changes that occur in the movement of labor and capital in labor markets that are regulated through the means used by welfare states. The intention is to decipher which factors promote or inhibit the utilization of immigrant workforce in a universalistic welfare state.

As the early 1990s recession subsided and the economic situation improved, employers began to recruit more labor directly from abroad. In order for the terms and conditions set for granting a work permit to be fulfilled, the terms and conditions of employment must correspond to the labor agreement that is in effect in the particular field, and to labor legislation. In addition, the employer is required to show the ability to pay wages and meet other basic requirements set for employers.

In handling applications for work permits, officials of local employment offices are bound by directives set out by the Ministry of Labor. The spirit of social policy in the directives concerning work permits is interesting. Foreign employees are to be protected from exploitation by employers by requiring a guarantee from the employer that the terms and conditions set forth by labor legislation and labor agreements are met. The right to employment of an unemployed person residing in Finland in favor of someone coming from abroad is passionately defended. Regulations state that the job description and employee must match. This is intended to prevent a concentration of immigrants in fields that require few skills, in other words, to prevent the creation of an ethnic hierarchy in the labor market. According to officials who were interviewed, work permits have not been granted for jobs in the cleaning industry, for example, in accordance with the spirit of the regulation. Labor administration regulations clearly take the point of view of employee protection. There is no mention of business efficiency or safeguarding economic interests. The protection of the pre-

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154. CIS-news (Center for Immigration Studies) and Esmerk news service.

sumed rights of the small individual, characteristic of welfare society, extends also to foreigners living abroad, to *potential* residents of Finland.

In a welfare society, regulations are justified through a risk perspective: if an employer does not pay wages, the employee can be compensated through wage protection by the state. Principles of the welfare state can also be used to justify the right of an unemployed individual to a job in his or her own field ahead of foreign employees – after all, the state pays for the upkeep of the unemployed. On the other hand, in the name of the common good it would be justifiable for businesses to seek to operate as profitably as possible by being able to recruit the best-qualified person for each job.<sup>155</sup> As an example, the Japanese business partner of one Finnish businessman was turned down for a work permit to set up the business, because of the possibility that the business could fail. The social policy justifications for denials of permits can be read between the lines: in the event that the entrepreneur loses his or her livelihood, there is a danger that Finnish taxpayers will have to support a foreign, former entrepreneur.

Another example of the protectionism of labor administration officials can be found in a Ministry of Labor report on work permit practices.<sup>156</sup> The example is hypothetical, because it was used to illustrate the opinions of several employment offices about the case:

A multimedia company seeks a work permit for permanent employment for a Cuban student studying at a Finnish university. The student has not studied information technology, but with an interest in the field, has acquired the knowledge and skills that the company wants. In addition, the company conducts business with Cuba, and therefore defends the need for the work permit with the student's language and cultural knowledge. The terms and conditions of employment meet the requirements in the field.

A majority of employment offices would not grant a work permit in this case. The most common reasons given included that the applicant did not have the special skills required by the job, or that for the sake of the student's fulltime studies, it is not justifiable to work full time.<sup>157</sup> Most employment offices thought they were better judges of the applicant's professional skills than the company itself. In addition, many offices that arrived at a negative decision also considered themselves better judges than the student of what was best for him or her.

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155. Although Ministry of Labor regulations prevent employers from choosing any employee from *abroad*, obliging them to plunder Finnish workforce reserves first, the work permit official who was interviewed reported that the justifications presented in the application play an important role in the decision-making process. If the company is able to show that the foreign employee has the best qualifications to perform well in the job, the justifications may help bypass the principle of using Finnish workforce reserves first.

156. Sorainen 1999.

157. Sorainen 1999, 58-59.

Once a foreign employee has obtained a residence and work permit, Finnish policies on permits become quite liberal. Usually, for the first two years, the employee's permit is tied to the same employer, but after two years, if the employment continues, most employees receive a permit for operating within one field, which leads to a permanent residence permit. Permanent residence frees the employee from the work permit obligation, meaning full freedom to choose a job on the same conditions as Finnish citizens.<sup>158</sup>

## Welfare state corporatism

The materials compiled for the study reflected a fairly unified picture of employment in the beginning of 2000. In the wake of the recession, domestic labor reserves have been available, though it is true the availability varies greatly by geographic location and line of business. Employees with sufficient skills are difficult to find in the Helsinki metropolitan area and other growth centers. This *skills deficit* pervades the IT sector as much as it does bus transportation, taxi traffic and restaurant kitchens, for example. The labor shortage is not large-scale, but certain critical fields experience localized difficulties in recruiting the necessary skills. In other words, the situation has not *yet* forced labor market organizations, authorities or politicians to come up with new visions, not to mention taking measures to attract the right kind of workforce from across borders. Comments by those interviewed did not reveal any consistent *policies* in relation to foreign workforce, and the discussions focused more on the participants' scattered experiences.

Finnish labor market organizations are in agreement over the obligations of a welfare state also in questions that relate to foreign workforce. *Domestic workforce first* is a viewpoint shared by everyone. The leader of one central organization put the country's labor reserves in order: *"First, young and old Finns, then the foreigners who are already in Finland, and only after that are we going to look abroad"*. The universalism of the welfare state, or the idea that social benefits extend equally to everyone in the country, was reflected in comments by employers and employees in the same degree:

*"I was just thinking today about something, about why it is the way it is. That this is a society that is organized in a particular way, that we have created this system where we take care of each other, the system of social welfare. If it turns out that we give it up, and you can't get by at all on your wages, since we do have these certain systems in place, it's going to end in some kind of catastrophe if the system of A-class and B-class citizens becomes more emphasized."*

AF: *"Does 'we' include immigrants as well?"*

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158. Information about procedures used in the statement process of work permit applications, grounds for granting work permits, and the oversight of regulations concerning the employment of foreigners can be found on the Ministry of Labor home pages at <http://www.mol.fi/tyolupa>.

*“Yes, yes, since they are in Finland. They are going to become a problem the fastest, because the rest of us have our relatives here, but a foreigner like that who gets exploited here, that person has no one but another countryman, maybe an employer, that they can look to for support. So I would look at it like this, that there’s a lot of work, but if you can’t live on it, it’s going to come out of somewhere, whether it’s crime or whatever, so that you can live like other people. This is what I’ve thought.”<sup>159</sup>*

In accordance with their mandate, labor market organizations adhere to the universalism of the welfare state, but also to the nation-state’s philosophy of *the rights of our own people first*. Only representatives of the IT company mentioned global recruiting and worldwide talent pools. In the breakdown of the welfare state that is shaking the corporatist foundations, labor market organizations do not seem able to envision other alternatives besides defending what has already been established. Especially for employer organizations, the whole issue of available workforce, foreign workforce, and recruiting workforce from abroad were unfamiliar and seemed like something to shy away from. Employee organizations represented fields that had more immigrants than others, and they had become acquainted at a practical level with foreign recruiting and the employment-related problems experienced by immigrants. The immigrant workforce is more vulnerable to exploitation than other workers, and for them too, membership in a trade union represents a safeguard in situations where employer and employee come in conflict with each other. The employee organizations, in fact, estimated that, compared with the majority population, their immigrant members encountered more problems while at the same time having fewer ways of avoiding or solving them.

## The service sector as the engine for the internationalization of capital and labor

In the following, two case studies are presented, one from bus transportation and the second from the restaurant industry. The aim of the case studies is to show concretely the ways in which the movement of capital and labor are linked to represent different sides of the globalization coin. At the same time, these different sides of globalization have a profound effect not only on economy, but also wider society and its culture.

The case studies shed light on the consequences of the internationalization trend in the fields in question, and on their potential future outlook. Both fields belong in the service sector, and as such, are an integral part of the infrastructure. Industrial manufacturing can, if conditions become unfavorable enough domestically, be trans-

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159. Hotel and Restaurant Workers’ Union, interview 22.3.2000.



ferred to countries where profitability is higher, either because more workforce is available or it is more qualified because of lower production costs, or even taxation. Restaurants and bus transportation, on the other hand, will always remain where the population itself resides. Services require workforce, and the conditions of increasing efficiency of production differ from those that prevail in industrial manufacturing. Even in the future, people will probably operate busses, and some restaurant tasks remain reliant on workers. As lifestyles become fragmented, the restaurant industry too will fragment according to consumer types, and high-quality services that require a lot of high-skilled workers will have their own user group. The new economy's elite cadre of experts needs plenty of labor-intensive services to support its lifestyle.<sup>160</sup>

The restaurant industry and bus transportation each combine the different sides of globalization – the movement of capital and of labor. In bus transportation, global companies entered the market in the Helsinki metropolitan area after municipalities there decided to open public transportation for competition. Around the same time, the number of immigrants among bus drivers began to grow, as part of the old workforce switched to other fields as a result of the newly increased uncertainty in the field.

In the case of the restaurant industry, the amounts of foreign capital entering the market are much lower than in the bus transportation industry. The restaurant field has long been international and eager to seek influences from other places. It is also much more common in the restaurant industry to work abroad, compared with bus transportation. The gradual unraveling of state monopolies on alcohol, required by European Union membership, together with rapid increases in foreign ownership and workforce, have created confusion in the restaurant world. It has come to be understood that internationalization is not just importing influences and experiences from abroad, but also means the coming of people and businesses to Finland.

## Bus transportation in the Helsinki metropolitan area – global capital brings diversifying human resources?

In the current situation in the bus transportation industry, the movement of global capital meets workforce mobility. Since 1995, municipalities in the Helsinki region have purchased mass transportation services from bus companies on the basis of competing bids. After foreign investment was freed and mass transportation was deregulated, international bus companies began operating first in the Helsinki metropolitan area and later in other larger cities. So far, two international bus companies operate in the Finnish market, mostly in the capital region. *Oy Linjebuss Finland AB* is part of the CGEA Transport concern, which again is part of Europe's largest private

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160. Sassen 1996.

mass transportation corporation. The second international company, *Stagecoach Finland Oy Ab* (previously the bus company *Swebus*), is part of the originally French *Concordia*. Ownership of both companies has changed frequently. At the moment, the two companies own about half of all equipment in their sector in Finland.

International mass transportation companies have quickly increased their market shares in different parts of the world by buying out small, national bus companies and participating in bidding wars along with local, private entrepreneurs and municipally owned companies.

In the Helsinki metropolitan area, the competition among bus companies for a market share has been fierce, and the routes that were opened to bidding have experienced frequent changes in operators. The operators' margins have been pushed to a minimum because of competition, and bus companies are now said to be operating at a loss. Municipalities have been satisfied because mass transportation can now be up to one-third cheaper compared to the time before open competition. For users of mass transportation, this has meant cheaper fares and improvements in equipment, though the ever-changing colors of the busses can be confusing.

For old, private local and municipal operators the appearance of global corporations on Helsinki's bus transportation market has meant stiffening competition and a continual struggle for market shares. Some have merged into larger concerns in connection with corporate merges and acquisitions. At the company level, tough competition means a narrowing of perspectives. It is difficult to develop strategies for the future beyond the next round of bidding, if, as a result of how successful the company is in the next round, the need for workforce and equipment, and finally also revenues, fluctuates dramatically.<sup>161</sup>

For bus drivers, the bidding wars and entry of global companies on the market have meant constantly changing employers and often also a distancing from the employer geographically, mentally and culturally. Although bus drivers' wages are secured in agreements in the event of a change in employers, it does present a need for constant reorientation: Who is going to pay my wages next month? Which routes will I drive? In order to be able to continue working in bus transportation in Helsinki, drivers need to develop an increased tolerance for uncertainty.

Not all bus drivers have tolerated the uncertainty, and have found jobs in other sectors. The shifting of workforce away from the sector, and the otherwise growing employment needs of the sector have increased the demand for new bus transportation workers in the region of the capital. Hundreds of new bus drivers are needed, and the number of graduates in the field is not enough to supply demand.<sup>162</sup> In the future,

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161. Used by Ulrich Beck (for example in 1999), the concept of *risk regime* describes well the financial situation of the capital region's bus companies, and the shrinking of management perspectives. Risk regime means that basically anything can happen at any time, but at the same time, nothing – for example the amount or quality of demand – can be controlled or predicted as it was in the previous Fordist world of standardized production.

162. Finland's bus transport association, interview 7.4.2000.

the need for workforce will be even greater, because the field's age structure is ageing. As is the case in many other sectors, a significant portion of workers will retire over the next 10 to 15 years. Working as a bus driver is physically taxing, and early retirement contributes to loss in the field.

Because the bus industry's labor shortage has continued for some time in the Helsinki region, workers have moved from other parts of the country to work in the field.

*"We have of course looked for workforce all over the country. It's just so darned expensive even to live here. When you think about it, if you sell your lakefront condo and in return get some two-room apartment in a suburban housing project, your quality of life will really suffer. A lot of people actually work long shifts and as soon as they have days off, they go north. It is pretty much the case that those who come down here go back to their home region as soon as they can, they can't handle being thrown around like this."<sup>163</sup>*

In the opinion of many of those interviewed, labor resources in other parts of Finland have already been used up. One possible pool still available are immigrants who are already in Finland and workforce recruited directly from abroad. Immigrant workforce is already being used. Through occupational training, hundreds of bus drivers have entered the bus transportation field in the Helsinki region, and many more are on their way. According to estimates by bus companies operating in the region of the capital, the proportion of immigrant employees exceeds their proportion of the population many times over. The high number of immigrant bus drivers is a phenomenon familiar from other parts of the world.

The principles of working as a bus driver are the same all over the world. Buses run in Borneo, Belgium and Bolivia. Equipment, language and culture differ, but it is a service job that entails being responsible for the ease of travel of many people. Because it is a global occupation, immigrants coming to Finland include many bus drivers – in fact, so many that bus drivers are one of the most common occupations immigrants bring with them into the country.

Not all immigrants who worked as bus drivers in their country of origin end up in the same occupation in the new country. Equally, not all immigrants who drive a bus in the country they immigrated to did so before. Although, as mentioned above, the occupation of bus driver exists all over the world, and is practiced on basically the same principles in every country, this does not mean that the occupation travels well across borders. Regulations related to permits and cultural differences limit the ease of emigrating and immigrating while continuing in the occupation.

The driver of a bus is required to have a so-called ABCD driver license, which authorizes an individual to operate a bus. Vocational training programs for future bus drivers, for example, require at least an ABC licence, which entitles its holder to operate a truck. A license acquired in an EEA country is acceptable as is. Those who move from a country that is a member of the Vienna or Geneva road traffic agreements are

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163. Bus company, interview 28.3.2000.

permitted during their first year of residence in Finland to switch to a Finnish license without a driving test or examination.<sup>164</sup> This type of easy switch, however, only applies to AB licenses, entitling the holder to operate regular automobiles. To obtain a license to operate a truck or bus, a driving test is required. The justification for requiring the driving test for the higher license categories is one of national legislation. According to the Ministry of Communications, the reason is “a desire to control the professional skills of drivers from these countries” through a driving test. Someone who has operated a bus in St. Petersburg, then, after spending one year in Finland, is not eligible to operate a truck, not to mention a bus. Obtaining a truck-driving license is a financial sacrifice for someone who has just immigrated, even though it might make it possible to find work in one’s own occupation as a bus driver.

*Vitali works as a cleaning person in Finland. In St. Petersburg he drove a bus for 20 years. He has calculated at times that the kilometers he drove would be enough to wrap around the globe more than 30 times. Vitali left Russia primarily for the sake of his children, and selected Finland because his Ingrian Finnish wife had the possibility of obtaining a residence permit. A talkative man, Vitali has learned to speak Finnish better than his wife. It would of course be wonderful to be driving a bus again, but first he would have to pay for a C license. Then he would have to be unemployed in order to be eligible for vocational training classes. But Vitali has specifically been proud that he has worked hard to provide for himself and his family, and that he has not had to be unemployed in Finland.*<sup>165</sup>

Another mechanism that regulates participation in the bus driving trade is concealed in the cultural aspects of service industry jobs. To operate in Finnish traffic, a bus driver from St. Petersburg needs a common language to communicate with customers and the work community. Bus companies underscore the central role of language for security reasons:

*“There is no doubt immigrants have trouble with this kind of technical terminology, but you just have to learn the language skills even for the sake of traffic safety.”*<sup>166</sup>

According to the views of the organization that works on behalf of drivers’ interests, the level of Finnish language skills needed in bus transportation, however, is not as high as it is in many other service jobs that are more tied to language.

*“The language skills a bus driver needs at work are very minor, less than in other service sectors on average. – I believe that the language skills issue is lesser here*

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164. The Vienna and Geneva road traffic agreements include about 100 nations. Many African and Asian countries, however, such as Somalia, Ethiopia and Vietnam, whose nationals have immigrated to Finland, are not parties to the agreement.

165. Interview 25.10.2000.

166. Bus company, interview 4.11.1999.

*than it is in many other fields. A bus driver working on local routes typically does not talk much.*<sup>167</sup>

Culture and environment are also connected to how the driver drives the bus. Time schedules, for example, must hold to a minute in Finland, whereas in many other countries the bus departs when it is full.

*“It’s a little difficult for them to get accustomed if they have not worked in Finland, because schedules are so central in the job of a bus driver, you really have to be there on the dot.”*<sup>168</sup>

On the other hand, driving in Helsinki’s traffic may be more unfamiliar to someone arriving in the city from rural areas in Finland than from a city in another country. For a person moving from elsewhere in Finland, traffic in Helsinki may be nerve-racking in its congestion, whereas a driver from St. Petersburg may have a calmer attitude on the basis of prior work experience.

*“– ...Their ability to handle pressure is totally different from ours, because they are used to fighting for their loaf of bread with their elbows in the air, so that to them, all of Helsinki is one big rural place, whereas people from Savo, when they come, they’re like, damn, there are traffic lights here, it’s so oppressive. So there are differences like these.”*<sup>169</sup>

Bus companies are under pressure to recruit workforce directly from abroad, for example from Estonia<sup>170</sup>, and small numbers of people have come. The forces that move global capital and workforce in the operations of bus companies in the Helsinki metropolitan area are entwined. When foreign and domestic capitals battle over market shares, many employees flee the growing uncertainty. The resulting labor shortage is filled with whatever workforce is available, and one pool comprises immigrants and workforce recruited from abroad. But who is going to pay the cost? In bidding wars the margins of bus companies have dwindled to nothing. Also, recruiting internationally entails training costs, before the workforce even becomes profitable. Bus transportation in the area of the capital cannot be transferred to countries with lower production costs – the cost benefit must be found somewhere else.

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167. Finland’s bus transport association, interview 7.4.2000.

168. Bus company, interview 4.11.1999.

169. Finland’s bus transport association, interview 7.4.2000.

170. Finland’s bus transport association, interview 7.4.2000; bus company, interview 28.3.2000.

## Restaurant industry – loosening regulations and internationalization

The entry of international capital has a longer history in the restaurant industry than in bus transportation. Chinese restaurants came to Helsinki in the 1970s with Chinese immigrants. Next, the pizzerias came to every village, and kebab and other ethnic<sup>171</sup> restaurants from every continent followed. Nowadays, nearly every menu has “ethnic” influences. In many countries that received immigrants, the fast food business has come into the hands of immigrants, with the exception of the big chains.<sup>172</sup> Germany has its Döner-Imbiss, Great Britain its Chinese take-away and Shwarma kebab. In Finland, too, traditional fast foods have been pushed out of the way by pizza and kebabs.

For immigrants, there are fewer obstacles in the way of employment in the restaurant industry, compared with many other fields. The cuisine of one’s country of origin is an ethnic resource that is relatively easy to put into use.<sup>173</sup> Entrepreneurs who are already in the industry hire co-ethnics, who, once they have acquired enough capital and experience in the field, often start their own businesses. In Finland, the restaurant industry is the main employer of immigrant labor. Approximately one-fifth of employed immigrants work in the restaurant industry. Some are restaurant owners, while others work in restaurants owned by another immigrant or a Finn. The restaurant industry’s employment impact on immigrants is so significant that a majority of particularly men of Mediterranean or Asian origin have some restaurant experience in the course of their careers – regardless of what the individual in question did in the country of origin.<sup>174</sup>

As a *field with relatively low entry requirements*, the restaurant industry offers immigrants plenty of entry jobs that can assist them in becoming part of the new country’s workforce. Especially in restaurants owned by immigrant entrepreneurs and in ethnic restaurants, employees frequently were not trained to work in the field. After acquiring work experience, language skills and capital, many move on in the labor market, either through training or a new job.

According to the restaurant industry’s labor market organizations, the same temporariness of the workforce applies to the entire restaurant field in general, with the

171. The use of the term *ethnic restaurant* has proved to be used broadly in everyday language. It could be classified as a restaurant whose business idea is to offer foods in the tradition of a certain country or region. Is a pizzeria, then, an ethnic restaurant? Restaurant industry labor market organizations used the term ‘ethnic restaurant’ for all restaurants whose owner was other than Finnish, even when the business idea itself was in no way “ethnic” – for example a regular suburban pub, some of which are now owned by immigrant entrepreneurs.

172. See, for example, the road of ‘döner kebab’ to a position of fast food market leader in Germany, Caglar 1995.

173. Light & Gold 2000.

174. Forsander & Alitolppa-Niitamo 2000.

exception of institutional food services. Restaurants offer many part-time and temporary jobs for those who need them. Some of the services connected to restaurants have been outsourced and are purchased from other firms. Food portions, for example, are often made out of different semi-finished products bought outside. Outsourcing services means that less workforce is needed in the kitchen, and for shorter shifts. The industry, then, has a core workforce of fulltime professionals, of whom there is at times even a shortage, and an ample group of part-time and temporary employees, few of whom will remain in the field for the rest of their lives. The restaurant industry offers entry jobs for others too, not just immigrants.

Many immigrants who work in a Finnish-owned or chain restaurant were trained to work in the field or were already working in restaurants in their country of origin, unlike most of the immigrants who work in immigrant-owned restaurants.<sup>175</sup> In fact, according to restaurant employees' organizations, there is a shortage of skilled professionals, particularly chefs and other kitchen staff, during periods of economic growth. Skilled immigrant workforce has been welcomed by employers who are suffering from labor shortage, especially in kitchens, where there is less need for customer service or language skills. The importance of skilled professionals was demonstrated by a representative of the restaurant industry's employer organization:

*"The restaurant industry needs skilled professionals just as much as Nokia does."*<sup>176</sup>

## Entrepreneurship

As Tuula Joronen states in her article in this book, some immigrants look to entrepreneurship when finding wage-earning work is difficult. When they have previous experience with entrepreneurship, the threshold to become an entrepreneur in Finland is lower.

One factor that makes it easier for immigrants to enter the restaurant industry are so-called *ethnic resources*. The food of one's country of origin and the skills required to prepare it represent resources that are relatively easy to acquire and mobilize to form a business. Ethnic resources can also be social contacts with other immigrant restaurateurs in Finland and other countries. Ethnic networks not only pass on information and skills related to being a restaurateur, but also business contacts and possibilities for borrowing starting capital.<sup>177</sup>

175. Forsander & Alitolppa-Niitamo 2000.

176. Finnish Hotel and Restaurant Association, interview 29.3.2000

177. Light and Gold discuss (2000, 114-118) the different forms of financing used by immigrant entrepreneurs in situations where banks and other forms of financing used by the majority population do not come through. Different ethnic groups often have "rotating funds", savings and credit arrangements for their own members. In addition, many ethnic groups use different loan giving and social security forms more than is usual in Finland, compare for example the system of mutual financial assistance among Somalians, called *Quaraan* (see Alitolppa-Niitamo 1994, 15).

Even though being an entrepreneur in the restaurant industry does not stand out among the rest of immigrant sectors, it is nonetheless the most common choice among immigrants from Turkey, North Africa, Middle East, and the rest of Asia. About a quarter of Turks are restaurant owners, and of the rest, most are employed by restaurants. According to estimates by restaurant industry organizations, approximately one in five of restaurants operating in the Helsinki metropolitan area are owned by immigrants – a huge over-representation in light of the less than four percent that immigrants make up of the whole population. Measured by volume of sales, however, the share would be smaller, because immigrant-owned restaurants, though many in number, are often small in size.

In addition to the factors mentioned above, immigrant concentration in the restaurant industry has been encouraged by the relaxing of regulations on immigrant entrepreneurship and the restaurant industry during the 1990s. Starting in 1993, foreign nationals no longer needed a license to practice a trade. The previous power of the alcohol monopoly as the sole seller of alcohol, granter of licenses to sell alcoholic beverages, and the authority with oversight over alcohol sales has crumbled, and simultaneously, according to interest groups, controls over the restaurant industry have weakened in recent decades, so that, *“these days we are closer to normal business practices”*.<sup>178</sup>

Relaxing controls and an increase in entrepreneurship in the restaurant industry have, in the opinion of labor market organization representatives, resulted in many side effects. The interviewees hastened to add that *“illegalities occur in restaurants owned by Finnish entrepreneurs as well”*<sup>179</sup>, *but that tax evasion and illegal treatment of employees are underscored among immigrant entrepreneurs. According to an estimate by a representative of the association for hotel and restaurant industry employees (HRHL), approximately 20 percent of members have an immigrant background.*<sup>180</sup> In other words, immigrants are rather well organized. Organization representatives say that members with immigrant backgrounds require more work from their organization, because *“things are already pretty tangled up when they arrive”* and many do not have a good command of Finnish or English. Organization representatives and immigrants themselves say that restaurant owners often take advantage of immigrants' low level of awareness and ability to defend their employment benefits.

But what is the future of the restaurant industry? Labor organization representatives were rather unwilling to assess the future of employment, for instance. The field is sensitive to economic fluctuations, and economic and cultural changes are quickly reflected in the use of restaurant services. Representatives believed that temporary and part-time workforce would be available in the future as well. The restaurant industry is considered to have a greater pull with regard to young workforce compared with many other fields. There may be more problems in acquiring employees with suf-

178. Finnish Hotel and Restaurant Association, interview 29.3.2000.

179. Finnish Hotel and Restaurant Association, interview 29.3.2000; Hotel and Restaurant Workers' Union, interview 22.3.2000. Sassen 1996.

180. Ethnic background and nationality are not entered into the membership register.



ficient skills and commitment. The field continues to become more fragmented, as different needs and different consumer groups are offered different services. While it is possible to sell beer in an unfashionable pub at minimal cost, there will also certainly be people for whom the trendiness of service and products comes before the price of beer. There are many styles of immigrant-owned businesses, although the capitals of recent arrivals are initially only enough for something modest, which is usually what the concept of "ethnic restaurant" refers to. As capital accumulates, the ambitions of the subsequent generation of immigrants are normally also directed at other fields besides the restaurant industry.<sup>181</sup>

## Immigrant labor – on what conditions?

Central factors that regulate the need for immigrant labor are the economic situation and general demand for labor. Demand for labor in Finland and in the European Union is not yet widespread or acute; rather, the problem lies in a structural supply and demand of skilled labor, where supply and demand do not meet – *a shortage of skilled workers*. Yet, already five or ten years from now, depending on economic fluctuations, the situation will look different. Because of a worsening support ratio resulting from the ageing of the population, many tasks will require more doers. *The service industry* will experience a particularly growing need, since the ageing population, beyond all others, will need more services. Industrial manufacturing can be moved to areas where appropriate workforce is available at a suitable price, but services cannot be moved out of reach of those who need them. In order to guarantee that the necessary skills are available, many politically complex decisions must be made over the next few years, and many of these decisions will erode trust in the welfare state.

Recruiting workforce from abroad represents a partial solution to the demand for suitable labor. To alleviate the structural change resulting from an ageing population it has been proposed that *replacement migration* be used. If, when discussing replacement migration, the calculations presented for example in the UN population report for maintaining support ratios or workforce sizes are used, the result ends up being very high numbers of immigrants. It is difficult to imagine how such unprecedented numbers of immigrants would be integrated into society in a country such as Finland, where large volumes of immigrants have not been seen before.

More than before, the current labor market needs task- and culture-specific talent, of which there is no endless supply even through global recruiting. Establishing post-war wellbeing siphoned into Europe a large number of unskilled workers to work in factories, but gradually, traditional immigrant sectors have undergone a transformation. Automatization and changes in production structures require that employees have not only the necessary technical skills, but also better communication skills than

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181. See Light & Gold 2000; Waldinger et al. 1990.

before. When immigrants enter the job market in the new country, the *entry professions* are often in the service industries, which need labor. There is also demand in the service industry for lesser skills, but even these tasks require culturally specific skills, such as language. Because recruiting needs do not apply to just any type of workforce, and instead require specific skills, it is not possible to speak of the demand for labor only in terms of *volume* – the issue is also one of *quality*.<sup>182</sup> *Labor demand cannot be addressed through a simple political decision to take in a certain number of immigrants.*<sup>183</sup>

Changing production structures and the expansion of the service sector require multidimensional cultural skills from the workforce. Teamwork in production and the service fields are bound up with the language and culture of their environment, and employees must be anchored to the extent that it makes them able to perform their work. The flipside of global mobility is that, as the obstacles preventing the movement of capital have been razed out of the way, some obstacles in the way of workforce mobility have also been selectively eliminated, and the significance of cultural, linguistic and social skills in working life receives higher emphasis.<sup>184</sup> In more occupations than ever before, the emphasis on cultural and social skills creates new obstacles for occupational mobility. The employee must know the right things and the right people, and speak the right language in order to be accepted as the right kind of employee. Recruiting may be global, but the pool from which the potential employee is recruited is limited.

As Ylänkö states in this book, culture can be learned just like language, and there is nothing that defends the idea that it comes with birth. But unlike language, culture cannot be reduced to exact rules and their exceptions. The best way to learn practical language skills and occupational terminology is to interact in practical situations, and the same goes for cultural behavior and thinking. Just as when people make mistakes using a new language, they make mistakes in the new culture – mistakes that are hardly ever fatal, and are instead an opportunity to learn. As work becomes more international, such learning situations become increasingly mundane. Not all language and cultural learning should be left to the workplace, though, and investments should be made in training. Training, here, refers to language training as well as such targeted occupational training that aims to shape employees' professional skills to meet the technological and cultural demands of Finnish working life.<sup>185</sup> A question all its own

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182. Estimates of labor needs based on population figures go astray in underscoring quantity only – forgetting less straightforward, qualitative factors. The indignant reactions arising in different parts of Europe toward the UN replacement migration report serve as an example of the multidimensional and politically sensitive nature of the field.

183. An example of this is the German government's decision to grant work permits to 20,000 IT professionals. The issue created a huge uproar, accompanied by the slogan "Kinder Statt Inder" – "children, not Indians". The result was that less work permit applications were received than expected (see Migration und Bevölkerung, September 2001 ([www.demographie.de/newsletter](http://www.demographie.de/newsletter))).

184. See, for example, Broomé et al. 1996.

is, who will pay for the training of immigrant workforce for the Finnish labor market – the employer, the employee, or the state?

The two case descriptions presented in the previous chapter showed that utilizing the labor and skills of immigrants in the labor market is not a simple matter with easy solutions. The position of immigrants in the labor market is connected to the needs of the field in question: each field presents its own challenges and development needs, and issues related to the work contribution of immigrants is part of a whole.

Utilizing immigrants' skills in the labor market to a greater extent than before is not only an immigration issue, then, and must be discussed in terms of a more multidimensional change in the ways that different operators in the labor market and society think and act. The change would mean letting go of the principle of self-sufficiency in labor, and moving toward a more global search for skilled labor. This would call into question the very foundation of the welfare state. Who is part of *us*, the group, to which the protectionism of the welfare state extends?<sup>186</sup>

When presenting a demand for an *active immigration policy*, then, the changes this would entail are far more profound than just increased flexibility in the bureaucracy that grants work permits. What we really need is a re-evaluation of the dimensions of welfare rights and citizenship.

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185. Cf. professional requirements set by employers for immigrants, Forsander & Alitolppa-Niitamo 2000.

186. Outi Lepola's book (2000) has a broad discussion on the ability of the Finnish nation-state to be multicultural.

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## 5 Immigrant entrepreneurship in Finland in the 1990s

*Tuula Joronen*

What is the significance of entrepreneurship in the employment of immigrants?

What contributions have immigrant businesses brought to economic life in Finland?

This article will examine immigrant entrepreneurship and the factors that have an impact on it. The aim, first of all, is to consider whether the entrepreneurship of immigrants differs from other business, and if so, in what ways. On the other hand, the article will examine the significance of immigrants as employers and importers of new innovation.

To be able to determine which characteristics in immigrant entrepreneurship are group-specific, special characteristics related to an ethnic group, and which traits arise out of the nature of the type of business involved, it is useful to contrast findings concerning immigrant entrepreneurship with comparable findings concerning the business activities of the majority population.

Overemphasizing ethnic characteristics when examining immigrant entrepreneurship might lead to limiting the scope of the examination excessively, for example to grocery and food trade, restaurant operation and other visible businesses, which represent only a small corner of the sector as a whole. Immigrant entrepreneurs may operate in different fields, just like other entrepreneurs, and their companies may be large or small, and the level of technology they use may vary. A company's operating principle may utilize ethnic resources, but it may equally well operate independently of them.

Were immigrant entrepreneurship examined separately from other business, it might easily happen that all of their activities would be interpreted through factors related to immigration and ethnic background, and the factors having to do with entrepreneurship might get overlooked. For example, cooperating and utilizing social networks in business is often seen as the strength of immigrant and minority businesses. However, similar strategies can be found in modern business in general, based on a flexible production organization.<sup>187</sup> Immigrants or ethnic minorities may have their own ways of creating these networks, but using family members or relatives in business is typical of both immigrants and small business owners in general.<sup>188</sup>

The article will initially deal with observations made in some other countries, on the one hand, about immigrant entrepreneurship, and on the other hand, the backgrounds and success factors of small businesses in general. After that, there will be an analysis of immigrant entrepreneurship in Finland. The article will attempt to portray the field of this business as comprehensively as possible. The objects of examination will be the self-employed and small family businesses, as well as innovative growth companies.

## Ethnic economy

The most and the longest-standing research into immigrant entrepreneurship and ethnic entrepreneurship has been conducted in the United States. Immigrant entrepreneurship is often referred to as *ethnic economies* in these studies.

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187. Scott 1988, Morokvasic 1993, Jones, Barrett and Evoy 2000, 38-40.

188. See, for example, Scase and Goffee 1982.



Bonacich and Modell<sup>189</sup> used this concept to refer to entrepreneurship only. In ethnic economy, they included only the self-employed and their co-ethnic employees and family members who worked for them. Later, some, like Light and Gold<sup>190</sup>, have used the same concept in a significantly broader meaning. They included in ethnic economy both ethnic entrepreneurship and ethnic niches in the general labor market. Also this broader interpretation of the character of ethnic economy contains the idea that all operators in such an economy are part of the same ethnic group.

The two definitions have one thing in common – namely, that they exclude a significant portion of the economic activities of immigrants and ethnic minorities from their definitions of an ethnic economy. For example, businesses owned by immigrants or those belonging to ethnic minorities, and which employ also members of the majority population or people of an ethnic group other than the one to which the owner of the business belongs, would not be included in ethnic economy according to this definition.

It should be noted that ethnic economy is not the same thing as immigrant economic activity. Only part of immigrant economic activity can be included in ethnic economy. On the other hand, ethnic economy may hold other than immigrant activity, because not all ethnic minorities are necessarily immigrants (for example African Americans, and American Indians, Jews and the Roma in many countries).

In this article, ethnic economy is examined only to the extent that it occurs specifically within the sphere of business activities conducted by immigrants. Light and Gold's classification does provide a useful basis for examining immigrant entrepreneurship, because it helps to understand where entrepreneurship belongs in the field of immigrant economic activity.

Table 1 presents an outline used by Light and Gold to examine ethnic economy. Light and Gold divide ethnic economy initially into two parts: *the entrepreneurship of immigrants* and ethnic minorities on the one hand, and on the other hand, *the parts of the general labor market controlled by members of ethnic minorities*.

Table 1. Ethnic economies and sectors.

ETHNIC OWNERSHIP ECONOMY			ETHNIC-CONTROLLED ECONOMY		
Formal Sector	Informal sector	Illegal Sector	Formal sector	Informal sector	Illegal sector

The ethnic-controlled economy refers to industries, occupations, and organizations of the general labor market in which co-ethnic employees exert appreciable and persistent economic power. This power usually results from their numerical clustering, their preponderance, their organization, government mandates, or all four. The ethnic-controlled economy is completely independent of the ethnic ownership economy, and its participants exert de facto control, not ownership authority. Control

189. Bonacich and Modell 1981, 45.

190. Light & Gold 2000, 50.

permits coethnics to secure more and better jobs in the mainstream than they otherwise would, to reduce unemployment, and to improve working conditions.<sup>191</sup>

Thus, the ethnic-controlled economy comes close to ethnic niches, the concept used by Waldinger and others. A frequently mentioned example of ethnic niches is the New York City administration, where Waldinger and others found ethnic niches of many different groups: construction was an Irish niche, sanitation was an Italian niche, teaching a Jewish niche, and so on.<sup>192</sup>

In literature on immigrant entrepreneurship, there is a frequently appearing concept called *ethnic enclave*, which is a form of economy that is based on ethnic ownership. Light and Gold use this concept in the same meaning as Portes and Bach do in their study of the ethnic economies of Miami's Cuban and Mexican immigrants<sup>193</sup>, in other words they used the concept of ethnic enclaves to indicate the kind of economy based on ethnic ownership of which it was characteristic that businesses centralized in the same geographic region.<sup>194</sup>

Each part of an ethnic economy may be further divided – as can the economy as a whole – into *formal, informal and illegal sectors*. The sectors often have floating boundaries. Before becoming an entrepreneur in the formal economy, entrepreneurship may be tried out on a small scale and informally. It is partly open to interpretation at which point the activity reaches the kind of proportions that make it necessary to pay taxes etc. Sometimes, part of the business activity takes place in the formal sector, while part of it takes place in the informal sector. A situation like this is, for example, when part of the business activity occurs outside bookkeeping in the so-called gray economy. The gray economy, again, may at times be connected to criminal activity. Because the legislation, business and work permit practices, tax practices and criminal laws that govern economic activity differ from country to country, the definitions of formal, informal and illegal waver also in this sense.<sup>195</sup> The informal and illegal sectors are usually the largest in countries with the highest rate of illegal immigration, for example Italy and the United States.<sup>196</sup>

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191. Light & Gold 2000, 25.

192. Light & Gold 2000, 21

193. Alejandro Portes and Robert L. Bach 1985. *Latin Journey*. Berkeley and Los Angeles: University of California Press.

194. Light & Gold 2000, 13-15, 24.

195. Quassoli Fabio 1999, 224-225.

196. Light & Gold 2000, 39-46; Quassoli 1999; Magatti and Quassoli 1999.

### An example of the blurred lines between formal, informal and illegal<sup>197</sup>

As the number of Muslim immigrants grew in Holland in the 1960s, they came across the following problem:

The lawful meat (*halal*) that fulfilled religious requirements was not available, because the slaughtering methods it required were forbidden by Dutch law. In addition, the occupation of a slaughterer required passing the proper examination. To obtain the kind of meat they wanted, Muslim immigrants slaughtered animals illegally.

The number of Muslim slaughterers and butchers grew quickly. Even though the operations were illegal, state officials turned a blind eye. Only in mid-1970s a small number of Muslim slaughterers and butchers were granted temporary permits to practice Islamic ritual slaughter, and the activity entered the sphere of formal economy.

The clientele of the Muslim slaughterers and butchers consisted initially only of certain ethnic-religious groups: Turks, Moroccans, Surinamese etc. who hardly ever purchased meat from majority population butchers. Because of customer loyalty, the market remained stable. Expansion of the clientele toward the majority population was hindered by skepticism about the hygiene levels of Muslim butcher shops.

In both respects, however, changes are on the way. First of all, some supermarkets in Holland have begun to sell packaged *halal* meat. Secondly, Muslim butchers have acquired new customers among the majority population. This clientele in the shop's vicinity consists of people who cook exotic meals, come for the low prices, or are simply tired of waiting in supermarket lines. Many also appreciate the fact that the butcher slices the meat in front of their eyes.

## Ethnic resources

It has often been thought that the competitive advantage of immigrant entrepreneurs compared to the majority population is their ability to utilize *social networks* in business. This is based on their *ethnic resources*, which refer to resources and forms of assistance that a person receives from members of his or her own group, or that are based on the common origin of the ethnic group. Ethnic resources have been viewed as having a particularly great significance for entrepreneurs who lack class resources: skills, education or capital related to a bourgeois background. Through ethnic networks they are able to acquire capital, know-how, business contacts and cheap labor that is loyal to the employer. Generally these networks are limited to one's own ethnic group, and access to resources is based on the mutual solidarity of group members.

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197. Kloosterman, Leun and Rath 1999.

On the other hand, the social control practiced by the group guarantees the reciprocity of the services.<sup>198</sup>

When studying immigrant labor market behavior and entrepreneurship, social networks have been divided according to whether they are based on so-called strong or weak ties. *Strong ties* have referred to *familial relationships*: spouse, children, parents, siblings, and other very intimate relationships. *Weak ties* apply, conversely, to *acquaintanceships* formed in the workplace, hobbies, associations etc. From an employment point of view, the social networks based on weak ties have proved to be crucial for immigrants.<sup>199</sup>

Similarly, relationships based on strong and weak ties have their role in immigrant business activity. Family and other close relationships are often very important in the start-up phase of a business, in establishing trust among business partners, obtaining financing, and also as employees who are loyal to the business-owner. Then again, strong ties may prove to hinder growth and development. If the business-owner is expected to distribute wealth to relatives and members of the same group at the expense of profits, the business will not be able to invest.

According to Granovetter<sup>200</sup>, the following problems, which make it more difficult to establish and develop a business, derive from the nature of social networks:

When there is *too little solidarity* between individuals and groups, a trust deficit develops. This kind of situation may come about in an environment that strongly emphasizes individuality.

But if *solidarity is uncontrolled*, the business is faced with too many claims that do not promote its development financially.

The most popular situation from the perspective of a successful business is when there is *enough mutual solidarity, but not too much or too little*. As an example of a successful arrangement, based on mutual solidarity, Granovetter offers the rotating credit associations that operate in various parts of the world. In these credit rings, each member deposits a certain amount on a regular basis into a capital pool, and each member gets a chance to use the entire amount of capital. To work, association members must be able to *trust* that everyone will fulfill their obligation. In order to predict this solidarity as carefully as possible, the leaders of the rotating credit association must have *enough information* about potential members.

When members of the credit association are members of the country's majority population, familial relationships and friendship networks guarantee a sufficient level of information and commitment. In the case of immigrants, another type of verification is required. In the United States, for example, the verification used by Japanese and Chinese credit associations was connected to the immigration history of these groups.

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198. Light & Gold 2000, 84, 105-106; Boissevain et al. 1990; Granovetter 1995, Portes 1995.

199. Granovetter 1973; Granovetter 1982.

200. Granovetter 1995.

Most of the Chinese and Japanese who emigrated to the United States prior to World War II originated in only a few geographical areas. Both groups organized themselves according to area of origin. This was an excellent way to ensure sufficient trust among members of one's group while at the same time defining boundaries for the groups that had the right to present demands to the economic organizations set up within one's own group.

When group membership was based on geographic origin instead of preferences, the associations also did not compete for members. There were no problems with loyalty, because no one could be a member of more than one association. Helping members of the group was the obligation of everyone, while members of other groups could be denied assistance (for example employment, economic assistance).

These views of the significance of ethnic resources have been criticized from different perspectives. First of all, it may be asked whether the ethnic background of immigrants always and in every situation acts as a unifying factor, producing the kind of solidarity towards one's own group mentioned above. Emphasizing ethnic identity in this context overlooks the possibility that group members may have vastly different and even conflicting interests that may have to do with gender, social class or other factors.<sup>201</sup> Secondly, even when this kind of group organizing occurs on the basis of ethnicity, the existence of ethnic networks does not automatically lead to their utilization in business. In Sweden for example, South American immigrants have been observed to have tight-knit ethnic networks, which they use in mobilizing resources for social, cultural and political activities. These networks have almost never been used to mobilize resources that are needed for business purposes, something that has been common, on the other hand, among Asian immigrants.<sup>202</sup>

Immigrant entrepreneurship is usually thought to be limited to the kind of traditional business areas that do not require advanced education or large amounts of capital: small shops, restaurants, garment industry, and other low technology industries. This was largely true until the 1980s, but in the 1990s the image of immigrant entrepreneurship changed in this sense, and continues to change.

The activities of immigrant businesses are becoming more international, and entrepreneurs in different countries are angling toward high-tech industries. This development can be seen among the Turks in Germany and the Pakistanis in Great Britain, to mention a few<sup>203</sup>, but the best example of this trend is the development of California's Silicon Valley in the 1980s and 1990s. The success of information technology immigrant entrepreneurs there has been based on advanced education, but also on extensive and diverse multinational contact networks.

This type of trend is also possible in Finland. In spousal immigration, this has already become apparent. There are also many highly educated people among Ingrian remigrants, who may have entrepreneurship potential.<sup>204</sup> The well educated among

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201. For example Rath 2000, 5-6.

202. *På väg mot egenföretagande* (On the road to private entrepreneurship) 1996, 31-32.

203. Barrett, Jones and McEvoy 1999, Joronen 2000.

204. Ekholm 1999.

refugees and their children also combine several factors that are similar compared to the case of Silicon Valley.

### The social networks of Asian entrepreneurs in Silicon Valley<sup>205</sup>

*AnnaLee Saxenian has studied the success of high technology enterprises established by Indian and Chinese engineers in Silicon Valley. It turned out that behind the success were the information and social support of professional organizations of these groups. Development was enhanced by the activism of the engineers and business managers on behalf of increasing contacts and cooperation between the technology communities in their countries of origin and the technology community of Silicon Valley.*

*As a result of this kind of activity, Taiwan has become the world's leading manufacturer of pocket calculators and many computer components, for example motherboards, monitors, scanners, keyboards etc. Simultaneously, Taiwan has become an important source of capital for Silicon Valley's newly emerging companies, particularly those owned by immigrants. Silicon Valley continues to be the center for defining and designing new products, and for developing leading products, whereas Taiwan provides world-class manufacturing, flexible research and development and integration, as well as entry to key customers in the Chinese and South Asian markets.*

*The activities of Indian engineers have bolstered India's centers of software production. However, the low rate of return migration among Indian engineers and entrepreneurs, the fact that they are more likely to operate inside large American companies than start their own businesses, the low level cooperation between the businesses and local officials have all served to slow down this development, so that India does not yet represent the kind of success story that Taiwan does.*

*Saxenian's findings are based on in-depth interviews with over 100 key operators in Silicon Valley. In addition, a total of 67 interviews with key operators were conducted in Taiwan and India in areas that had close relations with Silicon Valley.*

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205. Anna Lee Saxenian, June 1999

# Are the motives and success factors the same for all entrepreneurs, regardless of background?

## Background

It has been customary to divide the motives for becoming an entrepreneur into pull factors and push factors:

*Pull factors* have been used to indicate opportunities provided by markets, on the one hand, and also such individual characteristics as need for independence or autonomy, longing for freedom, ability to tolerate uncertainty, need for self-realization, high motivation for achievement, and self-actualization. An individual's professional and life experiences generally at least have an influence on what kind of field he or she chooses in business. Similarly, having experience with small businesses is apt to encourage becoming a business-owner. Circumstances in different countries may give rise to business clusters or an exceptionally positive atmosphere for entrepreneurship in individual localities or certain geographic regions. It has not been common to find a clear connection between a region's social characteristics and entrepreneurship. Often the whole is the sum total of cultural, historical, economic and incidental factors. *Entrepreneurship's pull factors* are connected to external circumstances like unemployment or the threat of it, dissatisfaction or disgruntlement in a current job, difficulty of professional advancement etc.<sup>206</sup>

Among immigrants, push factors may be expected to be emphasized as reasons for becoming an entrepreneur, because unemployment is often higher among immigrants than among the majority population. Lack of language skills, difficulty reconciling prior education and work experience with the labor market requirements of the new country, discrimination in the labor market, and other factors often limit immigrants' employment options to a handful of economic sectors and only to certain, frequently low-paying, jobs.<sup>207</sup> Many studies have shown, however, that even though the decision to become an immigrant entrepreneur is generally associated with push factors, there are usually also many entrepreneurs whose decision to start a business was primarily connected to pull factors.<sup>208</sup>

Immigration is often associated with a decline in social status, and entrepreneurship may offer an opportunity to maintain social status. This does not apply to everyone, but depends on the values that prevail within the group. The fact needs to be taken into account if there is to be an active effort to promote immigrant entrepreneurship. For example, in studying Iranian entrepreneurs in Stockholm it has been ob-

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206. Rämälä 1999, 19-22.

207. Light & Gold 2000, 195-212; Kloosterman et al. 1999, 253; Joronen 1997; Valtonen 1999; Forsander & Alitolppa-Niitamo 2000; Jaakkola 2000.

208. Hyrsky & Ali 1997, 46-48; Khosravi Shahram 1999, 499-501.

served that for some who were high-level officials in their home country, working as an entrepreneur signified a drop in status, even shame. These entrepreneurs emphasized that although they now worked as merchants, restaurant owners and so on, it was not their real profession. 'Actually' they were pilots, engineers and economists.<sup>209</sup> They emphasized their cultural capital and previous occupation and status as the basis for their identity.

The how and why behind the decision to become an entrepreneur also has an impact on how successful the business will be. In the case of Stockholm's Iranian entrepreneurs, the lack of experience often had the result that instead of looking for new markets niches, Iranians copied business ideas from one another, and the successful entrepreneurs preferred to invest in the same field rather than expand into new fields. This manifested itself in a strong growth in the number of Iranian travel agencies, grocery stores and restaurants, and in the long term, in increasing competition and bankruptcies.<sup>210</sup> Similar examples are available from other countries, including Holland.<sup>211</sup>

The relative significance of push and pull factors has been observed to fluctuate according to economic conditions. In an economic downturn, the pull factors that attract people to the market lose their power while the importance of push factors increases, and the reverse is true during economic boom times. Because the background of entrepreneurs varies depending on the economic situation, it may also be assumed that businesses that were established in different economic conditions differ from each other. Recession-time entrepreneurs may be presumed more likely to be self-employing and to be business owners rather than visionaries. Of course, this assumption does not exclude the possibility that a serendipitous combination of circumstances and personality factors could make a recession-time entrepreneur into the manager of a growing and developing enterprise.<sup>212</sup>

## Success factors

The perceptions of immigrants themselves of what it takes to be successful in business have been surveyed in Sweden, among other places. Here, Sweden was used as an example because of its similarities with Finland, where the type of welfare state is concerned.

Swedish Government set up a committee in the beginning of 1998 to study the particular barriers encountered by immigrant entrepreneurs in starting and developing a business, and the factors that help businesses succeed. Business-owners considered the following factors the most important for business success:

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209. Khosravi Shahram 1999, 505-506.

210. Khosravi Shahram 1999, 503-504.

211. Kloosterman et al. 1999, 258.

212. Rämälä 1999, 19-22.



- good business idea
- entrepreneurial spirit
- acquiring enough information before starting the business
- knowing the competition
- withstanding setbacks
- contacts and networks
- Swedish-language skills and cultural competence
- familiarity with services
- marketing.<sup>213</sup>

Successful businesses introduced new products or services on the market, or came up with innovative ways of selling old products or services. Because the ethnic market only afforded limited opportunity for growth, expansive immigrant businesses relied primarily on the majority population and only secondarily on the ethnic market. This required knowledge of the consumer behavior of the majority population. Many businesses also sought to enter international markets from the start. Some, before starting their business, also conducted thorough market research and evaluated how tenable their business idea was.<sup>214</sup>

*Acquiring information* was considered by immigrant entrepreneurs to be one of the most important factors in becoming successful. It is necessary to have information about the business sector, customers, the market for products and services, as well as about how to find customers and on which customer groups to focus. Also necessary is to know the relevant laws and regulations, and to be able to compare the benefits of different business types. Familiarity with the system of services was considered a factor in succeeding. For the business to succeed in tough competition, continue growing and establish a business profile, the entrepreneur must be well acquainted with competitors, their strengths, and their weaknesses. All of this information immigrant entrepreneurs obtained primarily through their own ethnic networks and acquaintances operating in the same field.

An entrepreneur must also be able to withstand the general *setbacks* that occur during the start-up phase of a business. Usually the business requires a lot of work at first. There is little free time, and the workdays are long and exhausting. Often there are unexpected setbacks: there are less customers than anticipated, competition for customers is tougher than anticipated, the products have been priced on the wrong scale, and so on. Surmounting the difficulties requires patience and persistence from the entrepreneur and understanding from the immediate circle. The support of family and friends was considered important here.

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213. Invandrare som företagare (Immigrants as entrepreneurs) 1999, 169-175.

214. Compare Waldinger, McEvoy & Aldrich 1990, 112.

An *extensive network of contacts* was also considered an important success factor among immigrant entrepreneurs in Sweden. Making contacts, again, requires a knowledge of people, ability to cooperate, and an understanding of how the majority population thinks. Good service is based on an understanding between business-owner and customer. In the service sector, it was also important to speak fluent Swedish. Entrepreneurs also considered *marketing* an important success factor. Some emphasized diverse target groups, and felt that it was dangerous to depend on a limited customer base.<sup>215</sup>

The views about success factors among immigrant entrepreneurs in Sweden were largely the same as the factors that are generally connected to becoming a successful entrepreneur. There is an idea that appears repeatedly in the theories and views of representatives of economic philosophy and economics, of the entrepreneur having an insight or idea that could be converted into a market demand for a service or product.<sup>216</sup> Apart from *innovation*, business economics has since the 1980s emphasized the importance of cooperation and *cooperative networks* as prerequisites to business success.<sup>217</sup>

According to Wiklund<sup>218</sup>, it is typical of rapidly growing businesses to display a greater than average tendency to find and utilize business opportunities. The operating environment has a large impact on growth. Small businesses have a limited resource base and few possibilities to influence competitors, suppliers, customers and officials. Therefore it is important that a small business be able to adapt to its environment and seek the most favorable operating environment.

According to Wiklund, growth is really more based on markets than on resources. Rapidly growing businesses typically situate themselves in *market niches*, where the pace of change is fast, meaning that the products and services offered to customers change quickly. The market niche of a fast-growing business also generally grows, when previous customers increase their demand and the number of potential new customers increases in time. The business grows as demand increases.

In a growing market niche it is possible to charge a high price for products. For this reason, fast-growing businesses are generally more profitable than businesses that do not experience growth. Growth-businesses are often able to finance most of their growth without having to rely on risk financing, by investing profits back into the business. On the other hand, businesses do not generally get to enjoy this kind of situation for long, because a growing market niche also attracts other businesses. As competition increases, in order to expand, a business has to develop new, expanding market niches at the same pace as more businesses enter its previous market niche.<sup>219</sup>

What is the ability of an expanding business to find and utilize opportunities and recognize dynamic, growing market niches based on? Why do some businesses lack

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215. Invandrare som företagare (Immigrants as entrepreneurs) 1999, 169-175; see also Najib 1994, 88-89; compare Hyrsky & Ali 1997, 59.

216. Rämälä 1999, 16.

217. Jonninen 1995, 1.

218. Wiklund 1999, 335.

this ability? According to Wiklund, the secret of an expanding business is an entrepreneurial operating approach. That includes *versatility and innovation, new product development, and modifying the product line*. Young businesses are on average more versatile, and have the ability to change and grasp new opportunities. That is why *young businesses* also grow faster than older ones.<sup>220</sup>

The same factors have also come up in Finnish studies. According to Koskinen, for example, the following factors are characteristic of an expansive-minded entrepreneur: good professional skills and high motivation to achieve, strong entrepreneurial identity, commitment to and identification with the venture, perseverance in planning, and the social support of family and the immediate environment. Similarly, entrepreneurs who end up ceasing operations after the first few years are typically less committed to the business, not versatile enough (innovation, alertness), and as a result, are unable to fully utilize market opportunities, have inadequate cash flow, and as a result, inadequate financing for business maintenance and development. Also, the support of their families and immediate surroundings is often limited. In-between declining and expanding businesses, there are stable and unstable businesses, which have as their main objective the continued employment of the entrepreneur without significant growth objectives.<sup>221</sup>

According to Finnish studies, business sector and regional market have had the greatest impact on the growth of a business. Also the age of the entrepreneur has come up as a central factor. Those with the greatest desire to expand have been entrepreneurs in the 35-52-year age range.<sup>222</sup>

## Immigrant entrepreneurship in the Helsinki metropolitan area – a microcosm of immigrant entrepreneurship in Finland?

This article analyzes immigrant entrepreneurship in Finland, which, as came up earlier, is somewhat different than ethnic economy. The examination of entrepreneurship will still be limited to formal, registered activity. The perspective is broadened somewhat by attempting to look at immigrant entrepreneurship as part of the economy as a whole: on the one hand, in relation to the position of immigrants in the general labor market, and on the other hand, in relation to mainstream businesses.

Entrepreneurship arose as a central theme in Finnish social discourse during the recession years of the early 1990s, when it was hoped that it would ease mass unem-

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219. It is important to distinguish between growing market niches and expanding business sectors. There are fast-growing small businesses in nearly every sector, even in those that are experiencing shrinkage. Sectors refer to the classification of businesses used in statistics. A market niche consists of specialized and often small suppliers of goods, and consumer groups, and their buying and selling patterns. The production of exclusive villas tailored to customers' needs built in large urban centers are one example.

220. Wiklund 1999, 336-337.

221. Koskinen 1989 and 1996; citation from Rämälä 1999, 26.

222. Holm 2000, 9.

ployment. Also, the interest toward supporting immigrant entrepreneurship awakened already in the latter half of the 1990s. In part, this was connected to immigrant unemployment, which, even as the overall employment situation improved, remained high. In part, it was connected to hopes inspired in the authorities with regard to the degree of business activity among immigrants by the small, immigrant-owned shops and restaurants<sup>223</sup> that appeared on the scene in Helsinki.

There was a desire to better utilize the resources of the immigrant population for the sake of Finland's national economy. That is why an effort began to develop business services to better benefit immigrants.<sup>224</sup> To do this, information about the success of immigrant businesses, entrepreneurship potential and problems were needed. These information needs were fulfilled by launching a study about immigrant entrepreneurship in the Helsinki metropolitan region.<sup>225</sup>

The article is mainly based on material that describes immigrant entrepreneurs in the Helsinki metropolitan area, both statistical and survey data. In addition, for the purpose of this article, qualitative material was gathered concerning such things as immigrant entrepreneurs' operating methods and social networks. This data consists of interviews with 35 immigrant entrepreneurs as well as published interviews with immigrant entrepreneurs, and other public statements. Entrepreneurs who appeared in newspaper and magazine interviews were not the same people as those interviewed for this study. For the purposes of this article, the press clippings were used to illustrate findings. The materials are described in more detail in the reference section of the article.

The objective is, first of all, to provide an idea of how many immigrant businesses there are and what sectors they operate in. Second, the entrepreneurs themselves are examined, including their backgrounds and operating methods. The article attempts to determine the significance of entrepreneurship in the employment of immigrants as well as determine the new or special aspects that these businesses could introduce to economic life in Finland.

Drawing nationwide conclusions on the basis of materials that apply to one economic region is somewhat problematic. First of all, the willingness and opportunities of immigrant and even other potential entrepreneurs to set up businesses may vary by region depending on local markets, prevailing demand for products and services, the employment rate and other factors related to demand. The skills of entrepreneurs, again, are dependent upon their education, availability of capital and other resources, i.e. supply factors, which also are generally divided disproportionately depending on immigrant group. Hence, business activity may vary from one immigrant group to another. On the other hand, the ethnic and education structure of the immigrant population in the receiving country may vary by region, depending on the reasons for immigration, timing and other factors.<sup>226</sup>

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223. Tani et al. 1998.

224. Ekholm 1999, Helsinki City Office 1999.

225. Joronen et al. 2000.

226. Compare Razin 1993.

As an economic region, the Helsinki area by no means represents any kind of average situation: on the contrary, structurally speaking the business sectors there differ from the rest of the country in many ways. The area's special position in the Finnish economy and administration began to form as early as the 1800s, when Finland was set under Russian Rule and Helsinki was made capital during the period of Autonomy. Apart from government, the industrial and commercial administrations, financing, and insurance activities have all centralized there, as have various enterprises that produce services for the business community. It has been and remains the center of foreign trade and international passenger traffic.<sup>227</sup>

In such a market, the language skills, cultural knowledge and contacts of immigrants may be expected to have a greater than average demand, and so the Helsinki area may be seen as deviating from the average also in terms of the degree of business activity among immigrants. It may be presumed that the level of their business activity is higher than average. Secondly, also the structure of business activity may deviate from the average.

On the other hand, the strong regional concentration of the immigrant population diminishes the problems that are related making generalizations based on the findings. All over the world, immigrants tend to congregate in big cities, and the situation is no different in Finland, where the immigrant population is centralized in the largest cities. Overwhelmingly, the largest concentration is in the Helsinki metropolitan area, which in 1999 carried approximately half of Finland's entire immigrant population.<sup>228</sup>

Apart from the immigrant population, also immigrant-owned businesses are usually concentrated in large metropolitan areas.<sup>229</sup> In Sweden, for example, immigrant-owned businesses have concentrated in three metropolitan areas, of which the Stockholm province is by far the most important. The administrative provinces of Malmöhus, as well as Gothenburg and Bohus, also have smaller concentrations. Together, these three metropolitan areas had approximately 57 percent of Sweden's immigrant-owned businesses.<sup>230</sup>

Finland's short immigration history, the small number, internationally speaking, of immigrants, and the strong concentration of this population in the Helsinki area gives reason to assume that immigrant entrepreneurship too would primarily be located in this area. The weighted significance of the Helsinki area could be seen in the immigrant population's nationality distribution. Although the nationality distribution of

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227. Olander 1978, 19, 38-72.

228. Statistics Finland 1999a, 42-53.

In 1999 nearly half (47 %) of Finland's alien population lived in the Helsinki region. The rest, too, have settled in larger urban areas: Turku and Tampere (11 % in all) and Lahti, Jyväskylä, Oulu, Vaasa, Kuopio and Lappeenranta (11 % in all).

229. Sassen 1991.

230. På väg mot egenföretagande (On the road to private entrepreneurship) 1996, 20 and 94-95.

the immigrant population clearly varies by region, the average distribution for the whole country deviated only a little from Helsinki's nationality distribution.<sup>231</sup>

Taking into account all these factors, the Helsinki area's immigrant-owned businesses may be seen as relatively representative of immigrant entrepreneurship in the country as a whole. In the future, if the number of immigrants in other central urban areas grows, obtaining a reliable picture will, however, require that regional differences be more carefully taken into account, and that data from these areas be compiled.

## Finland and labor-force immigration

Immigration to Finland has differed from immigration to other EU countries in timing, volume, ethnic structure and reasons for emigrating. Internationally speaking, immigration to Finland has occurred on a small scale, and the immigrant population has begun to grow later than average. For nearly all of its post-independence period (1917-), Finland has been more of a country of emigration than immigration. Before independence, foreign capital and entrepreneurs played a central role in the economic development of the Helsinki region. Finland became industrialized primarily on the shoulders of foreign capital, and Helsinki in the 1800s was a lively trading city, with a significant proportion of immigrants among its entrepreneurs.<sup>232</sup>

Starting in the early 1900s, the importance of immigrants declined. In the second half of the 1800s, some of the merchants and industrialists who had settled in Finland had already begun to assimilate into the original population, particularly its Swedish-speaking population group. Following independence, many foreign business-owners sold their businesses to Finns or otherwise ceased to operate in the country. Reasons for moving included the disruption of business relationships during World War I, political instability, and negative attitudes toward foreigners among Finns. In the 1930s, attitudes toward foreign-owned businesses became increasingly negative. Before World War II, a number of statutes were passed to restrict immigration and the ability of foreigners to practice business<sup>233</sup>, some of which remained in effect until the early 1990s.

Unlike in many Western European nations, Finland has not experienced labor shortages, and there has been no need to promote labor force migration. Small-scale refugee receiving began in the early 1970s, but only following the breakup of the Soviet Union did Finland's position in the international system change, turning it into a country that receives immigrants. Joining the European Union in the beginning of the 1990s forced Finland to review its restrictive legislation on employment immigration and the operating of foreign companies.<sup>234</sup> Employment immigration has nevertheless remained low. Because of the low rate of immigration, immigrant entrepreneurship has been hardly visible since the time of Autonomy.

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231. Statistics Finland 2000, 25.

232. Joronen, Pajarinen & Ylä-Anttila 2001

233. Forsander 2001, Joronen, Pajarinen, Ylä-Anttila 2001.

234. Salmio 2000.

Immigrants in Finland originate primarily from adjacent areas, and according to reasons for immigrating, they can be primarily divided into three groups: spousal immigrants, refugees and remigrants. Since the early 1990s, the latter group has included the so-called Ingrian remigrants. The proportion of refugees and remigrants grew significantly only in late 1980s and early 1990s.

Nationality groups that arrived as refugees and remigrants did not figure very prominently in the data this study. Instead, spousal immigration and the large proportion of EU nationals stood out from among immigrants' backgrounds, which is probably connected not only to Finland's geographic location but also its immigration policy. In its statutes governing immigrant entrepreneurship, Finland has most closely resembled Sweden and Germany.

Unlike in Finland, where labor force migration was strictly controlled until the early 1990s, most Western European countries suffered from a labor shortage following the Second World War, and recruited labor from abroad, especially in the 1950s and 1960s. Rather large ethnic minorities were created in these countries, in turn bringing about special ethnic markets, which provided opportunities for immigrant entrepreneurs. Aside from opportunities offered by the market, one factor in immigrant entrepreneurship since the 1970s has been increasing unemployment, which has affected immigrants more than the rest of the population.<sup>235</sup>

In *Sweden* immigration was first of all labor migration until the beginning of the 1970s. Labor was recruited from Nordic countries and elsewhere in Western Europe, Yugoslavia and Greece. The country also received refugees from the socialist countries of Eastern Europe. When the economic boom dissipated in mid-1970s and the need for labor declined, the role of refugees in migration became more important. The new refugees arrived mostly from Western Asia, South America and Africa.

The right of immigrants to operate as entrepreneurs was severely restricted until the early 1970s. This is why they generally established businesses only after becoming Swedish citizens. After the country joined EFTA, restrictions on practicing trades began to be lifted, but they were not fully eliminated until the early 1990s. In spite of restrictions, the number of small businesses owned by immigrants grew steadily starting in the 1960s. The breakthrough of immigrant entrepreneurship occurred in the 1970s.

Between 1960 and 1980, the majority of Sweden's immigrant entrepreneurs came from other Nordic countries or Western Europe. Those with refugee backgrounds came mostly from Poland, Hungary and the Baltic States. Of those who arrived from outside Europe, the single largest group were the Turks. By 1990, the proportion of immigrant entrepreneurs from outside Europe had grown to one quarter. Most of them were Turkish or Iranian. Of all immigrant entrepreneurs, the most active continued to be Germans and Danes.<sup>236</sup>

Also *Germany* recruited foreign labor extensively, but in the case of anyone who was not an EU national or a so-called remigrant (mostly Eastern Europeans of German descent), Germany did not present itself as a country of immigration. Foreign workers re-

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235. Blaschke, Boissevain et al. 1990.

236. Nordlund 1999, 360-363.

cruited from outside the EU have not had the right to establish businesses. It has been possible to obtain this right only after a residence permit has become permanent following eight years of residence in the country. In addition, all those immigrants and members of the majority population, have been required to prove professional competence before being given permission to establish a business. Competency can generally not be established unless it was obtained in Germany. In spite of these restrictions, the level of business activity of nearly all of the largest immigrant groups – from Turkey, Greece, Italy, Yugoslavia, Spain and Portugal – increased in the 1970s and 1980s.<sup>237</sup>

*Great Britain, France and the Netherlands* have had no restrictions on establishing businesses. The structure of immigration in these countries was different. *Great Britain*, until 1962, allowed free immigration from countries of the Commonwealth, and people from these countries also automatically had the same rights as the original population to set up a business. Particularly among Asians, entrepreneurship did indeed become more commonplace, especially in late 1970s and early 1980s, when unemployment in the country increased dramatically.

Also the ethnic minorities of the *Netherlands and France* are largely made up of people from their former colonies. The largest minority in *the Netherlands* are the Surinamese and the second largest are North Africans. Other sizable groups are Turks, EU nationals from Mediterranean countries, a Chinese minority, and refugees from different countries. During the 1980s immigrants' business activism was relatively modest, but there too it has picked up quickly during the 1990s.<sup>238</sup>

*France* has received immigrants on many different grounds: labor force migrants, refugees, artists and intellectuals. In France, immigrant entrepreneurial activity has traditionally been lower than among the original population, but there too it has increased. In 1990, the degree of entrepreneurial activity among the population made up of immigrants and those with immigrant backgrounds was as high as among the original population.<sup>239</sup>

## Primary operating sectors of immigrant entrepreneurs, and the largest nationality groups

In studying entrepreneurship among immigrants in the Helsinki region, it was found that the structure of immigrant entrepreneurship in the 1990s resembled that of the 1800s to a surprising degree:

- The Helsinki economic area continues to be the center of immigration and immigrant entrepreneurship.
- Foreign trade, the related services, and restaurants and retail trades are still the main operating sectors among immigrant entrepreneurs.

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237. Wilpert 1999, Blaschke, Boissevain et al. 1990, 89-91.

238. Blaschke, Boissevain et al. 1990, 82-88 and 93-99, Rath & Kloosterman 2000.

239. Blaschke, Boissevain et al. 1990, 99-104, Lacroix & Mung 1999.



- Like before, the majority of the entrepreneurs originate in adjacent areas: neighboring countries and Central Europe.<sup>240</sup>

Yet, the globalization of economy and migration flows<sup>241</sup> have introduced new features in immigrant entrepreneurship. For one thing, the variety in nationalities is now much broader than in the Helsinki of the 1800s. In 1999, some 1700 immigrant-owned businesses were operating in the Helsinki region. Those entrepreneurs came from 70 different countries.

Although the number of immigrant-owned businesses has multiplied compared with the Finland of the 1800s, their economic impact is not what it once was. In the 1800s in Helsinki, Russian merchants alone made up 40 percent of the city's total merchant trade. At the end of the 1990s, only a little over 6 percent of the wholesale companies operating in the area of the capital were owned by immigrants. In the restaurant industry their share was slightly larger: officially near 9 percent, though in reality the figure is a little higher. It is difficult to produce an exact figure, because the so-called gray economy occurs in the restaurant industry much more than on average.<sup>242</sup>

In the country as a whole, based on the regional distribution of the foreign population and the level of business activity, there were an estimated 2500 immigrant-owned businesses. The share of immigrants among all businesses was 3-4 percent in the Helsinki region, and only about 1 percent in the country as a whole.

When Finnish immigrant entrepreneurship is contrasted with that of other European countries and North America, there are a surprising number of shared characteristics considering that the size of the immigrant population in Finland is relatively small in relation to other countries and its structure is very different. Roughly speak-

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240. Joronen et al. 2000, 31.

In 1999, Helsinki's immigrant entrepreneurs came from the following countries and regions: 22 % from the area of the former Soviet Union, 24 % from the Nordic countries, 21 % from Central and Southern Europe, 2 % from Eastern Europe, 6 % from North America, 12 % from Asia, 11 % from Turkey, Middle East and North Africa, and a total of 3 % from sub-Saharan Africa, South America and Australia. Among business sectors, wholesale trade and agency operations were overwhelmingly the most popular – 30 % of immigrant-owned businesses were in this sector. A second notable business concentration consisted of the strongly import-export sector affiliated financing, insurance, real estate and business services, a total of 22 % of all immigrant businesses. The share of retail trade was 7 %, and transportation, storage and communications made up 6 %. A third group comprised service entrepreneurs: restaurant industry 15 %, and other services combined 8 %. Industrial manufacturing etc. comprised a small minority, a total of 8 %.

241. For example Sassen 1999.

242. Joronen et al. 2000, 31, 36, 44-48; Statistics Finland 1998, 13; Joronen, Pajarinen, Ylä-Anttila 2001. Harmaan talouden loppuraportti 1999 (Final report on the gray economy 1999).

ing, it is possible to say that *most of the similarities occurred in operating methods*, which emphasize the utilization of social networks and ethnic resources like language skills and the merchandising ethnic food culture. Most *differences* occurred in the *structure* of immigrant *business activity*, which in Finland seemed to focus on wholesale trade and expert services in a more pronounced way than in other countries, though perishables trade and the restaurant industry, which are common elsewhere too, were well represented.

Differences in business structure are clearly related to immigration itself; its timing, volume and structure. The ethnic background of Finland's immigrant entrepreneurs differed rather significantly from other countries. The field of immigrant entrepreneurship in different countries has also been shaped by trade legislation and immigration policies, which have fluctuated greatly from country to country.

Finland began to see ethnic markets only in the 1990s, and internationally speaking these markets are still small and concentrated mostly in the Helsinki region. But in Finland too, the push toward entrepreneurship has grown at the same time as immigration has increased. The coinciding of a strong growth in immigration the advent of the early 1990s recession years and the worst recession meant that new immigrants became unemployed almost immediately nearly without exception. These seem to be the factors that brought about the retail trade in ethnic products and restaurant businesses in the Helsinki region. This segment of Finnish immigrant entrepreneurship most closely corresponds to immigrant entrepreneurship in Central Europe.

The variation in the business sector structure of immigrant-owned businesses according to the region of origin of the entrepreneur indicates that certain *ethnic niches* have begun to appear. All of the immigrant communities in Finland so far have been too small for the creation of *an ethnic enclave economy*. The kind of economies based on *ethnic control*, studied for example by Waldinger in the United States, have not formed in Finland to any greater extent. But the germs for this type of activity already exist at least in the Helsinki region, where in certain sectors that employ immigrants at above average levels (cleaning industry, mail sorting, distribution of promotional flyers and advertisements), there are already networks that are based on ethnic groups and that help members of their own group to get jobs.<sup>243</sup>

In Finland, too, there are examples of the blurred and fluctuating boundaries between permissible, impermissible and illegal, both in terms of present immigrant entrepreneurship and history.<sup>244</sup> When the cultural distance between the country of origin and the country of arrival is great, cultural differences may make it difficult for an immigrant entrepreneur to adapt to the new country's legislation, and make it easy to drift from the official into the illegal sector. In Finland, for example, some restaurant owners have found it difficult to understand local environmental legislation, including waste sorting and recycling.<sup>245</sup>

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243. Joronen 1997, and the unpublished interview data that was the foundation for the article.

Food and environmental legislation seem in general to be areas that bring out cultural differences, because conceptions of hygiene differ from one culture to another. Other areas in which the boundary between formal, informal and illegal vacillates and varies by country include attitudes toward narcotics and prostitution. On the other hand, attitudes toward the regulations and statutes are themselves different depending on the country of origin. A typical connection between business activity and crime is money laundering, of which there have been instances in Finland as well.<sup>246</sup>

The immigrant population may bring more entrepreneurship potential to Finland. The level of entrepreneurial activity is very low in Finland internationally speaking, in spite of the fact that with regard to most of the factors that have an impact on the level of business activity, Finland is well positioned. The problem has been a low entrepreneurship motivation; establishing one's own business has not been seen as an attractive enough career choice.<sup>247</sup>

Even though the level of business activity among immigrants has not been very high in Finland so far, it will presumably rise in the future. Legislation restricting foreign ownership of businesses was repealed in the early 1990s, as Finland joined the European Union. An increase in the level of entrepreneurial activity can also be expected on the basis of the age structure of the immigrant population, and because it has a tendency to increase with the number of years spent in the country.<sup>248</sup>

Selection of entrepreneurs into different fields

In the Helsinki metropolitan region, the selection of immigrant entrepreneurs into different sectors varies significantly by country of origin (see Appendix Table 1):

- Businesses owned by people from the former Soviet Union and other Nordic countries concentrated in the foreign trade sector.
- The main business area among North Americans and Australians as well as Eastern Europeans was business services.
- Immigrants from Asia, Turkey, Northern Africa and the Middle East operate above all in the restaurant industry, but also had retail businesses at a rate slightly higher than average.

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244. According to Kovero (1950), in early 1800s, "Authorities were greatly troubled by Russian soldiers, and their baking wives and widows, who, without being familiar with our trade laws, began to peddle their products on their own, thereby violating the special rights of Finnish merchants and artisans." The mercantilist legislation that restricted trading was in effect in Finland, but not elsewhere in Russia. Unlicensed peddling was a common problem in the time of mercantilist laws, and members of the majority population were guilty of it as well as immigrants.

An activity today comparable to this unlicensed peddling are the small-scale catering services fairly common for example among the country's African population, but also among other groups, and that occurs in the unofficial sector.

- Businesses owned by Central and Southern Europeans were distributed among different sectors, with the primary sectors being wholesaling and business services.

In addition, immigrants from Central and Southern Europe and North America were more likely to have businesses in the education field and in health-care services.<sup>249</sup>

Behind these differences were *educational differences* among entrepreneurs. Entrepreneurs' educational level varied by country of origin<sup>250</sup>, and education guided the selection of operating sectors. Typical operating sectors for the most highly educated were business services, education and health-care services, and for others, they included the restaurant industry and retail trade. Foreign trade-related entrepreneurship was practiced generally regardless of education level (see Appendix Table 2).

In addition to education, the choice of operating sector among entrepreneurs clearly seems to have been guided by *demand factors*. Finland's trade with Asian and African nations has been very minor up to this point, compared with trade conducted with neighboring countries and other Western industrial nations.<sup>251</sup> Since Finland never had colonies, experiences of Asian and African markets are still limited mostly to development aid projects. Because people have no knowledge of the markets in developing countries, they also do not see business opportunities there.

As trade between these nations and Finland has been insignificant, demand for the translation and consultation services to support it has remained meager. This makes it understandable that such a small portion of Asian entrepreneurs had sought out the field of business services, even though over half of them had an academic degree.

The almost complete absence of entrepreneurs from sub-Saharan Africa was a surprise. The Somalian population, for example, has concentrated in the Helsinki metropolitan area, and their share of the country's alien population was significantly

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245. In Turku, a special environmental guide book has been produced for immigrants, because it has been noted there that many of Finland's environmental regulations and operating methods are unfamiliar to those who come from an entirely different culture. According to the director of Turku's Office of Environmental Protection, foreigners have the most problems with waste treatment and sorting garbage into different containers. It has also been difficult for foreigners to understand that littering in general is prohibited by law. In particular, many foreigners are not familiar with dealing with problem waste. Similarly, the many regulations concerning hunting and fishing are often peculiar to foreigners. For example, after fish were planted in the Aura River in Turku, someone caught young fish out of the river, and enterprising immigrants have shown up in restaurants selling Canadian geese transplanted in Ruissalo. (*Helsingin Sanomat* 25.5.2000)

Similar problems have emerged in the Helsinki area as well. Some immigrant entrepreneurs in the restaurant business have continuously neglected their waste sorting obligations, even though environmental authorities have provided them with the appropriate guidance. Environmental officials would like advice from researchers on how to deal with such situations. (Riitta Liisa Hahtola, YTV/telephone conversation 19.5.2000)

greater than that of Turks or North Africans, for example, who were represented among entrepreneurs in a degree that was many times greater than the previous groups.

Over one half (54 %) of businesses of Turkish, North African and Middle Eastern ownership were owned by Turks. Iranians owned the second-largest proportion (13 %).<sup>252</sup> Of these groups, Turks in particular are known for their effective ethnic networks and high level of entrepreneurial activity also elsewhere in Europe.<sup>253</sup> This phenomenon has been interpreted by using a cultural explanation model, for example. Employing one's self as an entrepreneur corresponds to the ideal of independence and active achievement drive that is central for Turkish immigrants.<sup>254</sup>

The absence of sub-Saharan Africans among entrepreneurs is likely to be connected to the high incidence of refugees in this group. The level of entrepreneurial activity of all immigrant groups that arrived in Finland as refugees has thus far been lower than of immigrants who arrived for other reasons. Many refugees spent their property and assets preparing for the flight, and the knowledge, skills and contacts that are necessary in entrepreneurship are scarce during the first few years in a new country.<sup>255</sup>

Also, there has been very little demand in the Finnish market for the ethnic resources refugees have to offer, including language skills, cultural knowledge etc. Immigrants who arrived in Finland from other Nordic countries, the former Soviet Union, Central Europe and North America have found the foreign trade sector a partially prepared field, and have only had to find the right market niche. Indeed, the entrepreneur interviews revealed that African entrepreneurs who had offered foreign trade consulting to Finnish companies had had to do a lot of work just to convince the companies of their own and their business partners' trustworthiness. Generally such ventures fail in the end.

## Immigrant entrepreneurs' background and success

Problems related to employment and career advancement were underscored somewhat as a motive for immigrants' entrepreneurship, but there were also many whose choice to become entrepreneurs was based solely on pull factors. They were satisfied with their tasks and position also in wage-earning jobs. Entrepreneurship was nonetheless attractive because of the independence it offered, and also because it was be-

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246. Final report on the gray economy 1999.

In Finland, business considered risky from a gray economy and tax evasion perspective include the automobile sector, cell phone sales, stock trading, construction industry, restaurants, scrap metal sales, cleaning, telemarketing and ground transportation. These were target areas in inspections carried out in 1996-1998 by a project group on the gray economy set up by the Ministry of Finance.

247. Arenius & Autio 1999.

248. Joronen et al. 2000.

249. Joronen et al. 2000, 38-39, and statistical data for the study.

lieved to bring an increased income level. For the most part, these wishes came true. Also those who chose entrepreneurship as a result of push factors, remaining an entrepreneur primarily had to do with pull factors. Very few were prepared to switch back to being wage earners. It is true that in the case of the oldest interviewees this was partly connected to a belief that they would not be able to find comparable wage-earning work because of their age.

The interviewees had primarily positive attitudes toward entrepreneurship. Even a majority of those who became entrepreneurs as a result of unemployment preferred continuing as an entrepreneur over a wage-earning job, even when the business was in a completely different field than their education and prior occupation. Only one among those interviewed seemed still to be in the process of creating an identity in part from the foundation of a previous occupation.

The assumption about the connection between the background behind entrepreneurship and the goals and success of the entrepreneur was supported to some extent by the interview data. Owners of expansive, successful businesses all had, with one exception, stepped in as entrepreneurs directly from working life, where they had worked in their own occupation. One had already been planning a business in the final phase of being a student, and established a business immediately upon graduation. Analogously, those interviewees who were having trouble with entrepreneurship and did not even earn a sufficient living had been unemployed prior to becoming an entrepreneur.

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250. Joronen et al. 2000, 41, and survey data for the study.

All in all, the immigrant entrepreneurs in the Helsinki metropolitan area are well educated. Of those who responded to the company surveys, nearly one in two had a degree from an institution of higher learning, and more than one in four had some other professional degree. Less than one-fourth had only a basic level of education.

Those with the overwhelmingly *highest level of education* were North Americans, of whom nearly all had studied at a university (82 %, N=17). Central and Eastern Europeans and people from the former Soviet Union also generally had a good education, although the proportion of those with an academic degree was smaller than above: 41 percent had studied at an institution of higher learning, and 44 percent (N=97) had completed studies that correspond to the intermediate professional level.

The low level of activity in the import-export sector of people from Northern Africa, Turkey and the Middle East would seem at least partially connected to their *lowest level of education on average*. Up to one in five of them had only completed comprehensive school (21 %, N=19). A majority of them (74 %), too, however, had professional degrees, either from an intermediate level professional institution (over one-third) or an academic degree (over one-third).

Asians were divided on the one hand to those who were very highly educated, and those with very little education. Over half (56 %, N=36) had studied at universities. There were 14 percent each of those who had completed comprehensive school, high school, or an intermediate level professional institution.

Some entrepreneurs had established a business immediately or almost immediately after immigrating to Finland, while others had behind them a long working career. When interviewees were grouped according to the time it took them to establish a business from the time of immigration, there were clear differences according to group.

The largest group was made up of *those who started a business within less than five years from the time of arrival in Finland*. All had moved to Finland in the 1990s. They were very highly educated – most had an academic degree. The businesses they had established were mostly translation and foreign trade firms, which were relatively successful at the time of the interview, although they did not have significant growth objectives. However, this group also contained extremes: there were a few innovative, fast-growing export businesses, but there were also a couple of failed entrepreneurs who, in spite of years of continued effort, had been unable to make their businesses profitable.

With regard to motives for becoming an entrepreneur, people in this group were divided clearly into two groups: those whose choice to become an entrepreneur was preceded by unemployment or the threat of unemployment, and those who had chosen entrepreneurship primarily because of its attractiveness. Among *the most successful*, none had an unemployment background.

An unemployment background and lack of success were clearly connected, but an unemployment background did not automatically translate to poor success. However, *the least successful* interviewees had both arrived in Finland during the worst recession years, and in the case of each one, the choice to become an entrepreneur was connected to employment difficulties. Although both were relatively highly educated, lack of language skills made it difficult to find work that corresponded to their education. At the time of the interview, one had credit problems, and the other was experiencing serious psychological problems. Among those whose choice of entrepreneurship was preceded by unemployment there were also a few whose success as an

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251. Statistics Finland 1998, 232-233 and 1999b, 229-234.

In 1996-98, Finland's five biggest trading partners were Germany, Sweden, Great Britain, Russia and United States. In terms of continents, Europe was the most important trading partner. In 1995-98, approximately three-quarters of the value of imports and exports consisted of trade between Finland and European nations. The second-largest volume of trade was with Asian nations (11-12 percent of imports and 11-14 percent of exports), and third-largest was North America (about eight percent of both imports and exports). The share of Africa, Oceania and South and Central America of Finland's foreign trade was less than two percent, and all of these continents accounted for more exports than imports.

252. Joronen et al. 2000, unpublished statistical data.

253. Forsander 1999, 33; Koistinen 1997, 29 and 57, *På väg mot egenföretagande* (On the road to entrepreneurship) 1996, 17; Joronen 2000.

254. For example, Caglar 1995, 224-227.

255. Forsander 1999, 33; Koistinen 1997, 29 and 57.

entrepreneur had thus far been meager, though some who became entrepreneurs as a result of unemployment were relatively successful.

Another large group consisted of entrepreneurs who began their business activities *5–9 years after the time of arrival*. Most of these entrepreneurs too immigrated to Finland in the 1990s, but there were also a few who had arrived in the 1980s, and one who had come as early as the late 1970s. These entrepreneurs were mostly highly educated with academic degrees. For most, the choice to become an entrepreneur was related to pull factors, and their businesses were reasonably successful. None had hired employees yet, however, but used subcontractors when necessary, and some of these businesses had clear growth objectives. There were only a few poorly performing businesses. The latter entrepreneurs had less education than the others, and the background for becoming an entrepreneur included either unemployment or dissatisfaction with a prior occupation.

There were also a few interviewees who had lived in Finland *over 10 years* before establishing a business. All had immigrated to Finland in the 1970s and 1980s. All were highly educated, most with an academic degree. They differed from the previous interviewees mainly in that for most of them, the reason for becoming an entrepreneur had been unemployment. Only a few individuals had made the choice solely on the basis of pull factors. Of these, both had worked for a long time in their own occupations before establishing a business.

Everyone in this group, including those with an unemployment background, had achieved a fair degree of success. The most common type of business was a translation firm, even though only one individual had been in this line of work previously. One established a restaurant, even though the education of this individual too was in a completely different field. When no work in the original occupation could be found, the person had also obtained restaurant industry training, and after working in temporary jobs for a time, decided to establish a restaurant. At the time of the interview, this person already owned two restaurants.

## Innovation and success

In 1999, most of the immigrant businesses in the Helsinki metropolitan area were young, they had only been operating for a few years. The businesses were managed primarily by entrepreneurs who were in their best working age and were well educated.<sup>256</sup> In other words, there was every reason to assume that there would be well-performing growth companies among these businesses.

Literature in the field indicates that a proper business aims at growth, employing others, and expanding the market. An entrepreneur whose only aim is to employ him- or herself is not a real entrepreneur. In this context, I have chosen to look at this more loosely: also those who only employ themselves are included as entrepreneurs.

Numerical data about the success and growth potential of businesses were not available, and hence success was evaluated only roughly on the basis of information

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256. Joronen et al. 2000, 32–33, 41.



culled from the interviews. Poorly performing businesses were those that did not guarantee their owners a sufficient income even after years of operation. The interviews provided several development trends in immigrant entrepreneurship. They will be described below with the help of categories developed by Rämälä<sup>257</sup>:

**Service providers**, whose business is based mainly on utilizing their own professional knowledge and skills. The activities may take the form of services, such as bookkeeping, physiotherapy, barber/hair stylist or leased-car driver, or artisan-like production services, manufacturing or repairing everyday products: upholsterer, repair seamster/seamstress, cobbler etc. The activities are largely similar compared with other individuals practicing the same trade.

**Business-owners**, who trade domestically or internationally in products manufactured by others, or owners of various restaurant-related businesses, who may manufacture some of the products sold in the stores. Construction firms were also included in this category.

**Innovators**, who may work in services or manufacturing, but whose business idea contains something that gives it a special place, a market niche. Examples of innovator entrepreneurs include artisans who design their own products, industrial entrepreneurs who manufacture products on a larger scale – at least some of which they design themselves, and entrepreneurs who offer new services that are in some way original in the market.

Central categories in classifying the businesses were expansivism and innovation. When looking at innovation in a broad sense, innovative entrepreneurs can include both classic innovators, i.e. those who introduce new products on the market, as well as so-called producers of secondary innovations. Some of the immigrant entrepreneurs studied here and some of the start-up entrepreneurs studied by Rämälä worked as service providers in fairly standard positions, in which the needs of the clientele remain rather steady (for example bookkeepers, translators, technology experts, consultants, health-care professionals, or providers of various personal services). However, innovations may also occur within groups such as these. For example, firms may form a chain in order to create a product name or brand name, or to form multi-service centers (for example health service centers or fitness centers). Producers of minor innovations refer to entrepreneurs who, by revamping their service concept etc., have achieved a competitive edge in the local market.

Individuals in the group of service providers were all highly educated and hailed mostly from western industrialized nations. Permanently settling in Finland was associated without exception to marriage to a Finnish person, even if the move originally occurred for a different reason, for example as a result of studies or employment. A majority had had a long career in Finland prior to becoming an entrepreneur. For most, the business idea was in one way or another connected to language; it involved education, testing, interpreting, translation and proofreading and editing. The most common languages were English and German, but also included, for example, Vietnamese and Japanese.

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257. Rämälä 1999, 57.

The entrepreneurial path and immigration history were entwined in interesting ways. Of those who originally moved to Finland to study or to work, all had switched over to entrepreneurship directly, without periods of unemployment. Their experiences of wage-earning work were primarily positive, and their line of business usually corresponded to their education and prior professional experience. The position in the labor market of those who moved solely for the reason of marriage was apparently worse than that of others, because nearly all of them chose to become entrepreneurs as a result of becoming unemployed following their last job. In the case of most, the line of their business did not correspond to their prior education or work experience.

Regardless of the stages on the road to entrepreneurship, or of whether the line of business corresponded with previous education and work experience, most of the professionals were well satisfied as entrepreneurs, and the income they earned from it was so good that they would not have switched back to wage-earning labor.

Business-owners were a notably more heterogeneous group than service providers in terms of educational and cultural background. They included those with academic degrees, certification from vocational institutes, and those who had only finished comprehensive school. Among the countries of origin, all continents were represented. Entrepreneurship was most generally connected to foreign trade, as either wholesale trade or foreign trade consulting. This group also included retail merchants and restaurant owners.

Approximately half of business-owners established their business in a field, they were already familiar with, either through work experience or education. Less than half went into a field that was completely different. The correlation between the line of business and one's own field was not a decisive factor, however, in the business' success, which seemed to be more affected by other background factors. Lack of success in business seemed at least in part to be connected to immigration history. For the least successful business-owners, immigration to Finland was not connected to studies or a job, but they had immigrated as refugees, remigrants or because of marriage. But for all entrepreneurs, unemployment preceded the decision to become an entrepreneur.

A common characteristic for business-owners was the utilization of business and social contacts in the previous home country in the delivery of goods. Merchants, and one owner of an ethnic restaurant, originating in Central Europe, Baltic States and the United States brought goods from their countries of origin. The same was true for Africans and Asians, some of whom had also attempted export trade to their area of origin, but had failed. Russian entrepreneurs exported goods to the Russian market. In Russian trade export articles may be Finnish, but in many cases Finland was merely the headquarters for the business, and acquisitions were made from elsewhere in Europe or the United States.

All *innovators* were relatively highly educated, and either had an academic or vocational degree. They came from all continents. Only some were so-called *classic innovators*. All of these businesses had in common their own product development, expansionism and exportorientation. Otherwise they were very different, and the entrepreneurs themselves had vastly differing backgrounds (industrial arts entrepreneur, a

high-tech product development and manufacturing company, and a technological services firm).

The youngest entrepreneur, with the shortest duration as an entrepreneur, operated in the industrial arts sector. The entrepreneur came from Western Europe and originally came to Finland to study. Already as a student, he planned to establish a business, and once graduated and unable to immediately find work in the field of study, established a business. During the establishing phase, the entrepreneur received assistance and help from a Finnish fellow student, who later became a business partner. The entrepreneur also received spiritual support and starting capital from his father in the country of origin, who also worked in a free trade. At the time of the interview the business had been operating only one year, but already it employed others, and nearly all of its products went into exporting.

Two entrepreneurs in *high technology*, who came from very different circumstances, had in common that they both came from outside Europe. Each was highly educated and had begun a career in Finland, working for universities in the field of research and product development, and both became entrepreneurs because they felt constrained by their job boundaries.

An entrepreneur of 43 years of age originally moved to Finland because of work. He had established a business three years before, but continued to be its only employee. However, the business operated internationally, and the entrepreneur was planning to hire additional employees. Another business had grown more quickly. The 36-year-old entrepreneur originally moved to Finland because of marriage. In Finland, he initially continued to study, and before establishing a business, had worked in his own field for some time. He established a business at about age thirty. After five years of operation the business already had several outlets, and was a significant employer. It was beginning to export.

Becoming a *producer of secondary innovations* was based mainly on pull factors, and before becoming entrepreneurs all had work experience in Finland that was connected to the line of business. One had a refugee background, but this individual too was married to a Finnish person. The rest came from Western Europe, and the reason for immigrating was an intimate relationship (girlfriend, wife, children). All businesses were in completely different fields and differed from each other greatly:

*An information technology* firm offered the concept of full-service in its field (hardware and software, sales, Internet installations, Web service, Web advertising, software design and development). Client problems were solved over the telephone, but visits were also made on-location when necessary. The firm had been operating for four years and employed seven free-lance employees besides the entrepreneur. The business closed about one year after the interview.

*The wholesale foods merchant* had his own product, with the entrepreneur in charge of product development. For image reasons, it was manufactured in Central Europe. The business was young – at the time of the interview it had been operating for two years. During this time, it had grown quickly.

*The training center* offered extensive language, communication and performance programs as well as information technology training. It deviated from the previous

businesses in its ownership base: the owner was European and had a Finnish business partner. The business had grown quickly, and it was being purposefully developed.

*The cultural services* firm was only in the planning stage at the time of the interview. The entrepreneur was an artist and had implemented various cultural projects. Together with other professionals in the arts, the entrepreneur was in the process of compiling a cooperative business to specialize in cultural services.

### Examples of immigrants working as service providers

#### *Dentist, an Iraqi Turk; and dentist, Iraq*

Mr Y and Mr K both arrived in Finland as *refugees*. They graduated as dentists in their country of origin. They met in Turku while in training, in the process of obtaining the right to practice their profession in Finland. The dental clinic they established also employs a Finnish dental hygienist, who met the Iraqi dentists while studying and was later employed by their business.

(Seura magazine No. 24, 16.6.2000)

#### *Engineer, management consultant, Ireland*

Mr D came to Finland as a result of marriage. Before moving to Finland, he had lived in Ireland, England and the United States. He knew the language and the culture already before moving to Finland, because he had worked with Finnish companies.

His first businesses: in 1985 in England, and in 1988-89 in Finland. The business in Finland was initially under his wife's name. This one-man business operates in Espoo's Otaniemi, in Innopoli. It provides consultation services in issues related to globalization. The owner also teaches management and is continuing his studies in the Ph.D. program of the Helsinki school of economics.

A success story, with no problems or failures. Even money was not a problem in the beginning, because an information professional does not need to make large investments. Praised the business environment in Finland: as good a place as any other, a wealthy nation and plenty of demand in the market, a developed infrastructure, low business taxes, nowadays even fairly international. Problems have included learning the language and adapting to the culture, communication, although the developments in communication technology alleviate the remote location problem. (Immigrant entrepreneurship and know-how -seminar. 26.1.2000, Espoo cultural center.)

## Examples of immigrants operating as business-owners

### *Kiosk entrepreneur, Egypt*

Mr Y came to Finland eleven years ago because of marriage, was able to get a job at a brewery even though he lacked Finnish language skills, learned the language and advanced gradually to become a supervisor.

Entrepreneurship background: both father and brother are entrepreneurs, and he himself owned a clothing business before he met his current wife and moved to Finland. This is why he had the financing in place when he established the kiosk business. The first kiosk (1994) was in Helsinki's Kallio section, and a year later he moved up to a bigger one. The new kiosk is a former bank, and though his business still functions as a kiosk, it has expanded. Now, it is more like a shop, and also rents videos. Annual sales have grown from FIM 500,000 in the beginning to FIM 6 million, and the one-man business now employs seven people, including the entrepreneur himself and his wife. His wife has been a partner in the business for the last 1,5 years. Everyone apart from the entrepreneur is Finnish. The entrepreneur does not hire foreigners, because of language. Customer service requires knowledge of Finnish. (Hufvudstadsbladet 4.2.2000)

### *Grill owner, Palestine*

Grill owner Mr G in Kemi seems to point to the above. He arrived in Finland 13 ago, married a Finn and settled in Kokkola. Following the stay in Kokkola, G worked as a bartender in Äkäslompolo and became infatuated with Lapland. After the employment ended, he returned to Seinäjoki and worked for some time in a local hotel. A newspaper advertisement for business space for lease in Kemi made G leave everything and again leave for an unknown town. He succeeded in leasing the business space, but spent the first three nights sleeping on newspapers until he found an apartment. In time G became the employer of two permanent employees, one of whom continues to work for him. G is also a member of the Kemi town council. He thinks that it is up to each person whether he or she wants to adapt to a new home country. He himself is more Finnish than the Finns: he lives with his family in a single-family house in the middle of a forest, and includes among his hobbies ice swimming, skiing and hiking in the wilderness. (Seura magazine No. 24, 16.6.2000)

### *Foreign trade entrepreneur, Ingrian remigrant*

Mrs M and her family came to Finland as remigrants from Russia in 1991. Prior to that, she had completed a five-year business college in St. Petersburg and worked for 20 years in trade. In Finland, she established a food import-export business in 1994, and in 1998, an antique and used furniture shop in the center of the city of Espoo, selling domestic and Central European items, high-quality, distinctive pieces of furniture, lighting fixtures and dishes. For two years it has been going well. There is also a delivery service. Both businesses are still in existence, but the operations of the import-export business have slowed as a result of the confusion reigning in Russia at the moment.

Mrs M chose entrepreneurship solely on her own capital, which the whole family saved and put together in Finland by working a lot, up to 16 hours a day. They were not granted start-up assistance, because they were not unemployed, but instead worked all the way up to the establishment of the business. The beginning was on a small scale, and the entire family was involved. (Immigrant entrepreneurship and know-how -seminar. 26.1.2000, Espoo cultural center.)

## Examples of classic innovators

### *Industrial entrepreneur, Hungary*

Mr P works for a business established by his Hungarian father-in-law in 1959. The foundry, which operates in Espoo, represents heavy industry, and 30 % of its production is directed abroad. The career of this entrepreneur was launched when he married the daughter of the man who had established the firm. He started at the very bottom, as a cleaner and caster, and advanced gradually. Following the death of his father-in-law in 1993, he became managing director. The company currently employs 27 people, including, in addition to Finns, also Russians, Estonians and one Nigerian. (Seura magazine No. 24, 16.6.2000)

### *Glass designer, Israel*

Mr M became acquainted with his present, fascinating occupation in Holland in 1987. He got excited and began to study in different European countries. He moved to Finland in late 1980s with *his then-wife*, and established a small shop in Rauma. It was not enough to provide a living, and the couple had to resort to delivering newspapers in the mornings. In 1992 M opened up a shop in Tampere, and several months later, moved there permanently. Right now M owns Finland's largest glass design company. For many years, the company has worked with ship-building, for example.

In addition to operating the business, M teaches glass treatment in various institutions, in Hämeenlinna and Kihniö for instance. M became acquainted with his Finnish employee about five years ago at a course in glass treatment. The spacious company offices are frequented by many customers, who are served by two Finnish employees. "The future looks bright", says M. "There is so much work that I have asked my son from Israel to help out in the shop". (Seura magazine No. 24, 16.6.2000)

## Benefiting from social networks

Personal contacts emerged as a central resource factor for immigrant entrepreneurs in the Helsinki metropolitan area. In *obtaining information*, personal contacts were overwhelmingly the best-used channel: of the immigrant entrepreneurs who responded to the survey, 44 percent reported obtaining the information they needed to start a business only, and 16 percent in part, through their personal contacts. Additionally, information was also obtained through services provided by authorities, and other similar channels.

## Examples of producers of secondary innovations

### *Computer specialist, Somalia*

Although Mr M has no regular employees, he employs many Finnish people in the computer field. M studied for four years at the Ein-Shams University in Cairo. When civil war broke out in Somalia, he traveled back to his home country, and from there, via Moscow to Finland, where he finally settled in Tornio. In Finland, M eventually succeeded in getting work at two computer firms, but unfortunately both went bankrupt. After that he established his own business, which provides computer services. (Seura No. 24, 16.6.2000)

### *Child-care cooperative, Russia*

The managing director of the cooperative, Mrs V, is an Ingrian-Finnish remigrant. She came to Finland in 1995. In the former Soviet Union, she graduated as a Master of English and worked as a teacher, but she was unable to find work in Helsinki. At first, V taught English and Russian on a voluntary basis within organizations for immigrants and the unemployed. By chance, she found her way to an entrepreneurship seminar for immigrants. Nearly all seminar participants had academic degrees and a good occupation acquired in the home country. All had the professional skills, but were lacking starting capital. All were unemployed in the new country, and starting a cooperative was an easier way to become an entrepreneur.

V had a clear business idea when the seminar began. She wanted to establish a Russian-Finnish day-care center. In 1997, the cooperative's first day-care center opened its doors to children. Within two years the business expanded to comprise four centers. Each day-care center had a Finnish kindergarten teacher. The rest of the personnel are Russian-speaking or bilingual. In 1999, the day-care centers employed a total of 16 full-time employees, six of whom are members of the cooperative. In addition, there are eight other employees, including hourly employees, music and drawing teachers, and speech therapists, and there are three trainees. During two and a half years, the cooperative listed 66 paid employees. An immigrant finds success as a day-care center owner, Kuntalehti 15/99)

V has later purchased one of the day-care centers for herself, continuing as an incorporated company. (Interview with entrepreneur, March 2001)

The situation was the same in terms of *financing*. Nearly one in three had borrowed at least part of their starting capital from relatives, friends or acquaintances. The support of the family was probably important also to the 44 percent, who reported that starting capital consisted solely of their own savings.<sup>258</sup>

Similarly, it emerged from interviews with entrepreneurs that alongside actual business contacts, most had plenty of personal contacts that they either were already utilizing or believed they would be able to utilize in their business relations. Aside from relatives, friends and acquaintances living in Finland and the country of origin,

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258. Joronen et al. 2000, 49-51.

such contacts usually also included people who were living in other countries. These interpersonal relations will be examined here by using Johannisson's (1995) communicative networks system, in which he classifies communicative networks into three groups, all of which are considered necessary for the entrepreneur to be successful:

- Social networks, which support the individual's self-image and self-esteem
- Resource networks, which provide knowledge and experiences
- Strategic networks, in which entrepreneurs receive and provide knowledge they need for realizing their visions.<sup>259</sup>

Because the most common reason for moving to Finland among the entrepreneurs was marriage to a Finn, most also had family relationships in Finland, apart from friendships and acquaintances. Of the 35 interviewed, 23 individuals had or had previously had a Finnish spouse or common-law partner. Seven had a spouse from their country of origin, and five were unmarried. Those among the interviewed, who had arrived in the country as refugees, had relatives and acquaintances in not only their country of origin, but also in other European countries. The networks of other interviewees also extended farther than just Finland and the country of origin. This was connected to their immigration histories. Prior to moving to Finland, ten interviewees had lived and worked in other countries after leaving their home countries.

*The assistance offered by relatives and friends* was most often connected to information and financing. Families were frequently involved in financing arrangements as providers or guarantors of loans, or at least accompanying the entrepreneur in a supporting role in loan negotiations. Support in the form of information depended on the line of business. Entrepreneurs practicing import trade most frequently imported goods from their country of origin, and received assistance from relatives, friends and acquaintances who remained there in delivering goods as well as information about prices, and so on. In businesses involved in export trade, the target country is generally the same as the entrepreneur's original home country. Relatives and acquaintances living in that country correspondingly helped market the goods, and to verify the reliability of client companies and cooperating businesses.

Belonging to different organizations was also relatively common. It was most common to be a member of organizations of entrepreneurs in one's own field. Translators were almost without exception members of the translators' association, entrepreneurs in industrial arts were members of Ornamo (Finnish Association of Designers), one of the restaurant owners was a member of the employers' organization of the restaurant industry, one entrepreneur was just about to join the silk screeners' organization, and several also mentioned being members of the Federation of Finnish Entrepreneurs. Some also participated in organizational activities within their own ethnic group among those who are from other EU countries as well as from other continents.

*Organizations for specific business fields and employers' organizations* had provided guidance in matters related to the business, legislation etc., and a platform for making contacts with other entrepreneurs in the same field. The entrepreneurs them-

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259. Johannisson 1995, citation by Rämälä 1999, 14.



selves did not see the activities and contacts related to ethnic communities as being in any way connected to their business activities. They were seen mainly as sources of social support. Yet they seem to have held significance from a business point of view in some cases. Employees or subcontractors with immigrant backgrounds were recruited when necessary specifically through friendship networks, and not for example through the employment office.

*Certain relationships can belong in the sphere of different networks.* For example, an entrepreneur may receive mental and other similar support not only from intimates, but also coworkers and others. On the other hand, family and relatives can also offer more than just social support, such as advice, financial assistance, marketing help, labor resources etc.

From the perspective of building resource networks and strategic networks, a common and significant characteristic was that nearly all of those interviewed had had *long-term employment relationships in Finland before becoming entrepreneurs*. Most had worked in positions that roughly corresponded to their education and occupation, and in many instances interviewees reported that the idea for the business had in fact come about through interaction with clients of the previous employer. The initiative to establish one's own business may have come directly from clients and cooperation partners. Even when the decision to become an entrepreneur involved the ending of long-term employment in unemployment, the present customer relationships were at times based on prior cooperation.

It was not possible to show an unambiguous or clear correlation between the success of the entrepreneurs and the structure of their interactive networks. Indeed, comparison itself was problematic, because many interviewees did not want to divulge many details of the interactive networks related to their business activities. Some differences were observed, however: In the case of *innovative, expansivist businesses* and entrepreneurs, all these different networks were rather many-sided, and did not overlap very much, complementing one another instead. For example, the entrepreneur who specialized in technological product development and manufacturing received social support from his Finnish wife and his friends. He had acquired experience in Finnish working life and the entrepreneurial field by working in corresponding positions at a university prior to becoming an entrepreneur. While working there he also formulated the idea for his business, and acquired contacts with customers and cooperating partners. Initial financing was arranged when two friends became partners. Presently, significant capital investors are involved as well. Machinery was initially borrowed from cooperating partners met in a previous job. Export to his former home country is made easier by contacts there, and to other countries, by contacts he made in his last job.

The networks of the *least lucky and successful entrepreneurs* were in some way lacking or were not the right kind. For example, the individual who attempted trade consulting with Russia seems to have had deficiencies in all sectors. The entrepreneur had no contacts among Finnish people, did not trust anyone and was shy about approaching authorities or banks. African entrepreneurs had plenty of contacts, but their business contacts abroad, for example, were not considered reliable by Finnish entrepreneurs. Relatively well-educated individuals with family relationships in Fin-

land, who had lived and worked in Finland for a relatively long period, seemed to be in the *best situation*.

## Examples of the utilization of contact networks

### Products from the entrepreneur's country of origin

#### *Mr and Mrs P, shopkeepers, India*

Mr P is from Punjab, India. He has lived in Finland for 14 years and is a Finnish citizen. His wife Mrs P is a citizen of England, as are the family's three children who were all born in Finland. They established the shop in the fall of 1995. Before establishing the present shop, Mr P worked as a restaurant owner for ten years, and grew tired of the seven-day workweek. "Here we are in peace, and we are our own bosses. We are trying to manage this on our own as a family business".

The shop sells primarily *Indian products*. Most of the customers are Finnish. A total of 1,100 products are offered currently, but they intend to expand the grocery and 'bakery side', as well as the clothing and fabric selection, especially investing in children's clothing. Colorful small business owners. Kotiliesi magazine No. 2, 19.1.1996)

#### *Mrs W, shopkeeper, Thailand*

She immigrated to Finland as a result of marriage in 1990. Her husband is a Finnish businessman. In Bangkok Mrs W worked in the textile field, but in Finland she owns a shop that sells Thai groceries, which she purchased in the fall of 1995. She had previously worked there as an employee, even though the idea for the business had been hers. A core clientele formed quickly, even though it took three years to find out what Finnish people liked to buy.

Of the articles for sale, 95 percent come *directly from Thailand* either in shipping crates or by air. Customers are 60 percent Finnish and 40 percent others, including Indonesians, Chinese, and Malaysians. Mrs W is not a Finnish citizen, but will apply for citizenship as soon as it becomes possible. Colorful small business owners. Kotiliesi magazine No. 2, 19.1.1996)

### Family and members of the same ethnic groups as a labor resource

#### *Mr B and Mr E, restaurant keepers, Kurds*

The Kurds who have gathered in the upstairs of Mr B's pizzeria become visibly confused when questioned about difficulties and cultural clashes. Mr E has not even encountered problems related to job seeking, because he did not arrive as a refugee. *A restaurant keeper he knew asked him to work for him*. Mr B's situation was the same. His *older brother* has several restaurants in Finland and a couple in Estonia. He was called in to manage one of them.

The explanation for the easy transition of Kurds into Finland, according to Mr E, derives from the history of his people. "Already as children, we had to learn at least one other language aside from our own". Out of the countries in which there are Kurds living, only in Iraq is speaking their own language even legal. Being an immigrant is familiar as well. Millions of Kurds live all over Europe. An emigrant usually has at least one acquaintance or relative who has spoken of their experiences. Even arriving in a new country, there are usually acquaintances. "Without the help of friends, things would be harder to manage". The relationships are generally maintained on a personal basis, though there are also many associations. In the Helsinki area there are only about 800 Kurds, but there are half a dozen associations. The results of close relationships can be seen in the occupational choice among Kurds. Mr B and Mr E estimate that half of the Kurds in Finland operate some kind of restaurant or kebab kiosk, and the other half is employed by them. A landless people learn to adapt. Helsingin Sanomat 3.10.1999)

*Mr C, restaurant keeper, China*

Mr C's family arrived in Finland about ten years ago from Hong Kong. With the exception of the family's son, all family members are Finnish citizens. They left to go abroad in hopes of a better life, and ended up in Finland on the recommendation of a friend. After three years of restaurant work, Mr C opened his own restaurant in 1992.

The restaurant, located in Helsinki's Lauttasaari, is operated by family and relatives. Besides the restaurant keeper himself, his wife, daughter, son and son-in-law take care of the kitchen and table service. The family is able to make a living from the restaurant, and there has been no need to hire outsiders.

According to C, Chinese restaurant employees make between FIM 6000 and 8000 gross per month. There is no shortage of employees. C says that everyone living in China knows how to cook, whereas those who were born and grew up abroad lose the skill. Competition between Chinese eateries has now stepped up, and according to Mr C, there are already too many. (Chinese arriving in Finland find work in restaurants, and study. Helsingin Sanomat 19.9.1999)

## Cooperation among entrepreneurs

Since the 1990s, there has been a lot of discussion in Finland on increasing cooperation among industrial enterprises and on the necessity of networking. In reality, progress has been slow. Studies give clear indications that prejudices and negative attitudes toward networking have obstructed change.<sup>260</sup>

Do Finnish businesses in fact have something to learn from immigrant entrepreneurs operating in Finland? The survey addressed this by questioning immigrants about their cooperation with other businesses and by comparing results with studies

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260. Jonninen 1995, 1.

conducted about Finnish enterprises. One difficulty in making the comparison was that earlier studies were limited mostly to industrial enterprises.

Less than half of immigrant entrepreneurs responded that they did cooperate with other businesses. The rate of cooperation is similar to that among Finnish small and medium-sized businesses. The cooperation also mainly takes similar forms.<sup>261</sup> *The forms of cooperation most frequently mentioned by immigrant entrepreneurs* included production cooperation, sharing space, and joint advertising. Almost as often, the entrepreneurs mentioned sharing production tools and making joint acquisitions. Cooperating varied by sector. It was most common among industrial enterprises and firms that offer services to the business community. In the trade and restaurant sectors, cooperation occurred less than on average. For all, *cooperation partners* were most commonly exclusively Finnish businesses. The highest incidence of cooperation among immigrant entrepreneurs occurred in the field of education (see Appendix Table 3).

*More active than average* builders of cooperation networks were Central and Southern Europeans, and entrepreneurs from the former Soviet Union, Turkey, North Africa and the Middle East. More than the others, they cooperated in nearly all sectors in which they had businesses. *The least common* was business cooperation among immigrants from Nordic countries, Eastern Europe, and sub-Saharan Africa.

Education and business cooperation were correlated through the use of business services. Seeking support from business services to obtain information seemed to promote the creation of network relationships between businesses. The use of services, again, was correlated with education and other cultural background. The highest incidence of using business services occurred among Central and Southern Europeans and those with a vocational or academic degree, and the lowest incidence occurred among immigrants from Turkey, North Africa and the Middle East and those with only basic education (see Appendix Table 4).

These results can be interpreted to mean that a positive attitude toward cooperation is connected to cultural background, but that cooperation can be encouraged

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261. Jonninen 1995, 14-15, 18; Pajja and Ylä-Anttila 1998, 90-91.

According to Jonninen, only approximately 40-50 percent of Finnish small and medium-sized businesses cooperated with other businesses in mid-1990s. Cooperation with domestic or foreign companies that occurred abroad was still relatively rare, although there were exceptions depending on sector and size of the business: cooperation abroad became more common as the size of the business grew.

According to Pajja and Ylä-Anttila, a typical form of cooperation in industrial manufacturing was subcontracting: acquisitions by finished product manufacturers in all of Finnish industry from subcontractors represented an estimated one half of manufacturing industry sales in 1996. Acquisitions grew by 30 percent in 1993-96, and the Confederation of Finnish Industry and Employers estimated that the rate of growth would continue at the same level, even though subcontracting was changing shape in other ways. One-time acquisitions etc. were becoming, by late 1990s, more long-term delivery contracts.

by providing a forum to facilitate the finding of cooperation partners. Business seminars and information and advice services have acted as such a forum. Information services may also have had an impact in changing attitudes toward cooperation.

Immigrant entrepreneurs' *cooperation partners and customers* were most likely to be businesses and communities operating in Finland, or individuals living in the country.<sup>262</sup> The frequency of international cooperation varied according to the entrepreneur's education. Individuals, who had only received a basic education, were slightly less likely than average to engage in cooperation and to conduct it within a narrower sector. Their cooperation partners were almost exclusively Finnish entrepreneurs. Client relationships were also almost exclusively in Finland.

Among those who had finished a vocational or academic degree, approximately one in three had also carried out cooperation with other immigrant entrepreneurs. About one in five had had businesses located abroad as cooperation partners. One in four of those with an academic degree and nearly one in five of those with a vocational degree had foreign clients.

## Immigrant entrepreneurs as employers

The size structure of immigrant businesses did not differ from other businesses. Of the immigrant enterprises operating in the Helsinki metropolitan area in 1999, a clear majority (approximately 85 %) were so-called micro businesses, meaning that they employed less than five people. Also when measured through the volume of sales, the micro enterprises were the majority.<sup>263</sup>

Employment capacity usually varies according to sector.<sup>264</sup> The same applies to immigrant enterprises. The biggest employers among immigrant enterprises are in-

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262. Joronen et al. 2000, statistical data and survey.

Twenty percent of survey respondents (N=186) stated they had as clients companies that operated abroad. Of the respondents, 43 percent had cooperated with other companies, and of these, 18 percent were also collaborating with companies located abroad. Cooperation with other businesses was defined as production cooperation, or cooperation related to joint acquisitions of goods, marketing, distribution, use of space or equipment, or subcontracting.

263. Joronen et al. 2000, 33-35.

264. Statistics Finland 1998, 21.

The average size of the operating site measured by size of personnel in 1996 was 4.9 persons. Larger than average operating spaces came up in industry (14.1 persons), electric, gas and water maintenance (12.6 persons), and in financial operations (9.4 persons). In wholesale and retail trade, restaurant and hotel industry, and business services, the operating sites were smaller than average (3.5-3.7 persons), and in education and the transportation sector, the size of the operating site corresponded to the average (5 persons). Places of business that were located in the Uusimaa region were larger than average (6.1 persons).

dustrial enterprises and companies involved in wholesaling, traffic and transportation, financing and insurance, and data processing.<sup>265</sup>

Finnish companies employ very little immigrant labor so far. Only in a few sectors suffering from labor shortages have there been more significant numbers of immigrants.<sup>266</sup> This is naturally related to the limited and regionally concentrated supply of immigrant labor force, but also to the fact that up to this point, Finnish employers have not been very eager to hire immigrants.<sup>267</sup> Conversely, immigrant entrepreneurs seem to favor other immigrants in recruiting new staff.

The survey of entrepreneurs showed that most of the immigrant entrepreneurs who had hired workers in the first place, employed other immigrants, either excessively or in addition to employees who were members of the majority population. Too many hopes should not be attached to the employing capacity of immigrant enterprises, as most are small. More than one half of the respondents in the entrepreneur survey were one-person businesses.<sup>268</sup>

Immigrant-owned restaurants and industrial enterprises employed other immigrants the most. The other businesses that responded to the survey in the fields of trade and business services, education, health-care, and businesses in other social and personal service fields were mostly one-person businesses. The proportion of those who employ immigrants also varied according to education and geographic background. Entrepreneurs who came from somewhere outside of Western industrialized countries and who had received only basic education employed other immigrants most frequently (see Appendix Table 5).

## Entrepreneurship in Finland through immigrant eyes

Most of the interviewees were quite satisfied with Finland as a place to be an entrepreneur. Those who had come from *Western Europe, the United States and Australia* considered Finland's business atmosphere and legislation fairly good, though this group also included the most frustrated entrepreneur of all, who was on the war path with every authority conceivable. Finland was compared with Germany, Switzerland, Ireland, United States and Russia, among others. Establishing a business in Germany or Switzerland was seen as significantly more difficult than setting one up in Finland.

A frequent comment on Finland's business legislation was that it was something that "could be lived with". An Estonian entrepreneur did criticize the Finnish system for being bureaucratic and the atmosphere so anti-business that "entrepreneurs are

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265. Joronen et al. 2000, 20-24, and unpublished statistical data for the study.

266. Forsander & Alitolppa-Niitamo 2000.

267. See for example Joronen 1997; Forsander & Alitolppa-Niitamo 2000; Jaakkola 2000.

268. Of those who responded to the entrepreneur survey (N=186), 60 percent were one-person businesses, which officially employed only the entrepreneur – even though in certain cases family members were involved. Fifteen percent employed exclusively other immigrants, aside from the entrepreneur him- or herself, 13 percent employed immigrants and Finns, and 12 percent Finns only.

considered akin to thieves". An unlucky *American entrepreneur* also criticized the atmosphere for being limiting and negative toward entrepreneurship. Others generally thought that although establishing a business in Finland was easy, keeping it afloat, especially in the beginning, was difficult.

Particularly those who had been in the country for a longer period were very satisfied. Among those who had been in the country for a shorter period of time, some complained of the bureaucracy and paper work and the difficulty of finding the information they needed. Some criticized the way entrepreneurs were made to run from one office to another, when all the matters connected to establishing a business could be handled in one location.

The reserved and negative attitudes of Finns toward foreigners also received criticism. A *Swedish entrepreneur* had encountered prejudices directed at Swedish-speakers. Among *Russian entrepreneurs*, most were satisfied with Finland as a place to be an entrepreneur, and they – as well as one Chinese entrepreneur – emphasized the benefits associated with Finland, including lack of corruption, security and reliability. On the other hand, they – like the African entrepreneurs – were more likely than others to have encountered prejudice on the part of authorities, other entrepreneurs or customers. True, dealings with authorities had generally gone without problems for everyone.

The entrepreneur survey offered a rather similar picture of the situation of the entrepreneurs. Some had experienced establishing a business as very difficult, while others seem to have had no problems at all. By far, the biggest problems were associated with acquiring starting capital and understanding business legislation. The frequency of problems varied according to the entrepreneur's area of origin. *North Africans, Turks and Middle Easterners* had experienced greater than average problems in finding starting capital. Also people from *the former Soviet Union* had above average problems with this issue. *Asian entrepreneurs*, again, compared with others, had more problems with the Finnish language.

*North Africans and Western Europeans* were more likely to believe that their immigrant background had had an impact on the success of their business. The impact was seen as a positive one more frequently than as a negative one.<sup>269</sup>

Similar results were obtained in a study on entrepreneurs in the Vaasa region in mid-1990s. These entrepreneurs mentioned positive aspects about Finland as being the honesty and directness of the people, the accuracy, and efficient use of time, the order and systematic and reliable nature of the justice system. Negative aspects included Finnish reserve, limited social interaction, and the related difficulties in creating networks, distrust of foreigners, the small amount of cultural variety, markets that are too small or oversaturated, high taxation, and bureaucracy. Among the Vaasa region entrepreneurs, too, the biggest problem had to do with financing.<sup>270</sup>

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269. Joronen et al. 2000, 53-55.

270. Hyrsky & Ali 1997, 53-57.

## Toward a more enterprising society?

In Finland, immigrant entrepreneurship is concentrated in the Helsinki region, which also houses a significant portion of all immigrants and where there has been demand for immigrants' language skills, cultural knowledge and contacts. Helsinki has traditionally been the center of the country's foreign trade and international passenger travel. Aside from government administration, Helsinki is the center also for commercial administration, financing and insurance activity and various enterprises that produce business services.

The central sectors in which immigrant entrepreneurs operate are, on the one hand, foreign trade and related services, and on the other hand, retail trade and the restaurant industry. In 1999, there were approximately 1700 immigrant-owned enterprises operating in the Helsinki region, and in the country as a whole, there were an estimated 2500 such enterprises. The globalization of the economy and migration flows were apparent in the broad spectrum of nationalities within immigrant entrepreneurship. The entrepreneurs represented over 70 nationalities, and came from all continents. Most, however, originally came from neighboring countries or Central Europe.

The different economic sectors that immigrant entrepreneurs found their way into varied by region of origin, and behind these differences were differences in education. The level of education varied by region, and education itself guided the choice of business sector. In addition to education, demand factors were included among other guiding factors. Entrepreneurs operating in foreign trade and business service industries came from countries with which Finland already had the most trade. Regardless of education, these sectors seemed to be closed to immigrant entrepreneurs whose countries of origin did little trade with Finland.

A majority of immigrant enterprises were small, so-called micro businesses. In this they did not differ from other enterprises operating in Finland, a majority of which were also small businesses. The immigrant-owned enterprises that employed other people besides the owner and his or her family, generally also employed other immigrants. Enterprises owned by immigrants, who were from outside Western industrialized nations and who had only a basic education, were the most likely to employ other immigrants.

Nearly all of the immigrant entrepreneurs who were interviewed had had long-term employment in Finland before becoming entrepreneurs. Most frequently they had worked in positions that approximately corresponded to their occupation and education, and in many instances the idea for a business had in fact been formed in a previous job, and often the initiative to establish a business had come from a client or cooperation partner at the previous job. Owners of expansive, successful enterprises had generally become entrepreneurs directly out of professional life without periods of unemployment or the threat of unemployment, and they had generally worked in positions that corresponded to their education level. Correspondingly, the entrepreneurs who were experiencing difficulties, and who after several years still did not



earn a sufficient income from the business often had unemployment in their backgrounds.

Personal contacts emerged strongly as a resource factor among immigrant entrepreneurs. In obtaining information related to establishing a business and in finding starting capital, the role of friend, acquaintance and family networks was significant. Finnish work experience seemed to have an important impact particularly from the point of view of building resource and strategic networks.

Cooperation between businesses was equally common among immigrant entrepreneurs and the corresponding Finnish entrepreneurs. Cooperation also mainly took the same forms. The most common forms of cooperation involved production, sharing a common space, or joint advertising.

The frequency of cooperation between businesses varied, among other things, depending on the sector, and also on the nationality of the entrepreneur. Cooperation was most common in industry, business services, and least common in trade and the restaurant industry. Immigrants from Central Europe, the former Soviet Union, Turkey, North Africa and the Middle East were more active than average in building cooperation networks. The immigrant entrepreneurs least likely to have cooperation relationships came from Nordic countries, Eastern Europe and sub-Saharan Africa.

Use of business services to obtain information seemed to promote the creation of cooperation relationships. The use of services, again, seemed to be correlated with education and other cultural background factors. The use of business services was most common among Central and Southern Europeans and those with a vocational or academic degree, and least common among immigrants from Turkey, North Africa or the Middle East and those with only basic education. On the basis of these findings it is possible to conclude that if we want to promote networking between immigrant entrepreneurs and other entrepreneurs, the best way to succeed is by directing immigrants who wish to become entrepreneurs to business seminars and information services, which will help them to find suitable cooperation partners.

Immigrant entrepreneurs were for the most part quite satisfied with Finland as a place to be an entrepreneur. Establishing a business was considered easy compared with many other countries, but on the other hand, making the business profitable, particularly in the starting phase, was considered difficult. Most commonly the problems were related to finding enough starting capital.

In their operating methods, Finland's immigrant entrepreneurs resembled the immigrant entrepreneurs of other countries. A central aspect was the utilization of social networks and other ethnic resources. But the structure of immigrant entrepreneurship in Finland did deviate from immigrant entrepreneurship in other European countries and North America. In Finland, immigrant entrepreneurship is strongly focused on wholesale trade and expert services, though retail trade and the restaurant industry, common elsewhere, are well represented in Finland as well. The garment industry, a central operating sector for immigrant entrepreneurs in many countries, did not emerge strongly out of the Finnish data.

These structural differences are in part related to differences in the structure of immigration in different countries, and in part to differences in commercial legisla-

tion and immigration policies. Unlike in most comparison countries, in Finland immigration consists mainly of three groups: spousal immigrants, refugees and Ingrian remigrants. And unlike in many comparison countries, immigration in Finland has been small-scale and strictly regulated. Hence there is no large ethnic market in Finland – a market that would support the creation of ethnic economies. Instead, immigrant entrepreneurs have had to operate in the same market and under the same conditions as other entrepreneurs. On the other hand, establishing a business has been easier than in some other countries.

Elsewhere in Western Europe, labor-force migration has been considerable. A significant portion of immigration in former colonial powers has consisted of citizens of previous possessions, although migration between EU countries has been brisk. Certain countries have recruited labor extensively from Eastern Europe and Turkey. Other countries have also accepted refugees on a much larger scale than Finland. This has encouraged the creation of extensive ethnic markets in such countries, which have provided a growth platform for the creation of ethnic economies. On the other hand, establishing a business has been strictly regulated, for example in Germany. This has pushed entrepreneurship into only certain fields.

The most central finding of this study may be the observation that there is a clear correlation between the success of immigrant enterprises and the background factors of the entrepreneurship: individuals who became entrepreneurs after working as wage-earners had clearly better resource and strategic networks, and their businesses were more successful than those of entrepreneurs with unemployment backgrounds. In other words, if Finland wants to encourage immigrant entrepreneurship, the best result will be obtained by helping immigrant entrepreneurs initially to find employment in the labor market as wage-earners.

In the recent international development of immigrant entrepreneurship it has been possible to observe a partial move from low-technology into high-technology fields. This kind of trend would seem to have good potential also in Finland. High-technology entrepreneurship and other immigrant entrepreneurship based on special expertise can be promoted, among other things, by attracting students and highly educated labor from abroad.

The creation and operating mechanisms of entrepreneurship in trade, the restaurant industry and personal services is somewhat different. These are typical business sectors for first-generation immigrants, and attract those who have knowledge resources but would be unable to utilize them in the regular job market. The family seems to play a more central role in these enterprises. Everyone is involved in operating the business, and the competitive advantages include cheap labor, good service and long opening hours etc. Because this entails hard work, it means that these entrepreneurs are mostly those for whom this represents a road to an increase in status compared with the opportunities presented by the job market. These fields will probably also experience many failures, as competition is fierce.

There is often an exclusive emphasis on the significance of hi-tech companies and specialist services, but also the previous form of entrepreneurship is important. First of all, it enables the employment of immigrants and integrates them into Finnish so-

ciety. Secondly, these enterprises bring urban services also to areas where the centralization of trade and other factors have impoverished the selection of such services. And thirdly, this kind of business accumulates capital, which may at a later stage find its way into other sectors. For example in Germany and Great Britain, the capital accumulated by previous generations of immigrants is already seeking more profitable investment targets. Continuing the parents' business as is, is not attractive to subsequent, better-educated generations.

Business services should take into account these different types of entrepreneurs, who must also have different needs. Simplifying the service system would make the services easier to find. The one- or two-window principle emerged as a wish expressed in interviews with immigrant entrepreneurs. On the other hand, it might be necessary to differentiate the services by type of business or background of the entrepreneurs, because the level of support varies at least according to region of origin and education.

Apart from Turks, entrepreneurship remains low among immigrants who come from outside Europe. Special attention should be directed at finding employment for these groups. Being employed might also open up the possibility of entrepreneurship for some of them. This would bring new know-how to the market, and in the long term, perhaps also produce new markets for Finnish products.

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## Study data

## APPENDIX

### *Statistical data*

Those incorporated companies, public corporations and limited partnership companies registered in the Helsinki region were selected from the Trade Register, that employed foreign nationals as managing director, chairman of the board or board members, as well as private tradesmen and -women who were foreign nationals. By merging the data with the Business Register, it was possible to eliminate non-functioning businesses and other businesses that were not included in the data. A total of 1,685 companies remained in the data.<sup>271</sup>

### *Survey data*

A sample of 765 immigrant entrepreneurs of the companies included in the statistical data. There were 186 responses, and the response rate was 24.3 %.<sup>272</sup>

### *Interview data*

All in all, 35 entrepreneurs were interviewed for the purposes of the study, of whom 29 had also responded to the mail-in survey. Additionally, six more interviewees were sought to complement the data. Selection criteria included the entrepreneur's business sector, region of origin, and the stage of the company's lifespan.

The distribution of the interviewed persons according to region of origin was as follows:

EU countries 14, former Soviet Union 5, United States 3, Australia 3, Turkey, North Africa and the Middle East 2, Southern Africa 4, Asia 4. Most, or 25, of the interviewed persons had immigrated to Finland directly from their region of origin, while 10 had lived in some other country before arriving in Finland.

The business sector distribution was the following:

Wholesale 11 entrepreneurs, retail sales 3 and restaurant operation 2, manufacturing 2, translation and interpreting services 8, educational services 2, data processing services 2, technical testing and analysis 1, and other activities in the service of business 1, health care and medical services 2, and cultural services 1 entrepreneur.

The age of the companies varied from start-up phase to 13 years in operation. Most were in the beginning phase of their lifespan: there were 14 that had operated a maximum of three years, and 12 had been in operation 4-5 years. Apart from one, all businesses were located in the Helsinki region.

Interviews were conducted between November 1999 and March 2000 at City of Helsinki Urban Facts, the place of business of the interviewed entrepreneurs, or other locations selected by them.

The interviews were conducted primarily in Finnish, but partially in English.

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271. Compiling the statistical data is explained in more detail in the report on the study: Joronen et al. 2000, 20-24.

272. The reliability of the survey is explained in more detail in the report on the study: Joronen et al. 2000, 24-30.

Table 1. Line of business according to the nationality of the entrepreneur. Source: Joronen et al. 2000, statistical data.

Nationality of entrepreneur	A %	B %	C %	D %	Total % (N)
Former Soviet Union	53	24	8	15	100 (372)
Nordic countries	51	29	8	12	100 (400)
Central and Southern Europe	34	33	11	22	100 (361)
North America and Australia	26	43	9	22	(103)
Eastern Europe	24	48	17	11	100 (41)
Asia	20	15	52	13	100 (206)
Turkey, North Africa and the Middle East	11	6	78	5	100 (177)
Sub-Saharan Africa, Central and South America	40	20	-	40	100 (25)

A= Wholesale and agency operations, sales and repair of motor vehicles, transportation, storage and communications

B= Financial, insurance, real estate and business services

C= Retail trade, home appliance repair, restaurant operation

D= Other lines of business

Table 2. Line of business of immigrant-owned businesses according to education of entrepreneur

Business sector of company	Entrepreneur's education level		
	Academic degree %	Professional degree %	Basic education only %
Manufacturing industry, construction	3	4	12
Wholesale trade and agency operation, sales and repair of motor vehicles, transportation, storage and communications	21	26	13
Retail trade and home appliance repair, restaurant operations	18	43	45
Financial, insurance, real estate and business services	38	18	16
Education, health care and social services, other social and personal services	20	9	14
All (N)	100 (90)	100 (54)	100 (42)

Source: Joronen et al. 2000, entrepreneur survey.

Table 3. Cooperation of immigrant-owned businesses with other businesses.

43 % of those surveyed engaged in business cooperation (N=186).

- *The most common forms of cooperation:* production cooperation 35 %, shared space 34 %, joint advertising 34 %, shared tools 25 %, joint acquisitions 21 %, distribution cooperation 8 %. (N=80)
- Of those who had engaged in cooperation with other businesses, 60 % mentioned as *cooperation partners* only Finnish businesses, 19 % only other immigrant-owned companies, and 9 % only companies operating abroad. Others had cooperated with several parties, but all of these had Finnish businesses as cooperation partners. (N=80)

**Frequency of business cooperation by business sector:*****70 % of manufacturing and construction companies (N=10)***

- The most common form of cooperation mentioned was production-related cooperation; also mentioned were shared space, joint acquisitions, shared tools, and distribution cooperation.
- Only with Finnish businesses.

***63 % of financial, insurance, real estate and business service companies (N=51)***

- The most common forms of cooperation mentioned were production-related cooperation and joint advertising; also mentioned were shared tools, shared space, and joint acquisitions.
- Primarily with Finnish businesses, but several also with other immigrant entrepreneurs or entrepreneurs operating abroad.

**45 % of education, health care and social service, and other social and personal services companies (N=29):**

- The most common forms of cooperation mentioned were shared space and joint advertising; also mentioned were shared tools, production-related cooperation and joint acquisitions.
- Primarily with Finnish companies, but a few also cooperated additionally or exclusively with companies that were not Finnish.

**37 % of wholesale, agency, motor vehicle sales and repair and transportation companies (N=38):**

- The most common forms of cooperation mentioned were shared space and shared tools; also mentioned were production-related and distribution cooperation and joint advertising.
- Primarily with Finnish companies, but a few also cooperated additionally or exclusively with companies that were not Finnish.

**28 % of restaurant businesses (N=40):**

- The most common form of cooperation mentioned was joint advertising; also mentioned were joint acquisitions, shared space, shared tools, and production-related and distribution cooperation.
- Primarily with Finnish companies, but a few only with other immigrant entrepreneurs.

**17 % of retail trade and home appliance repair businesses (N=18):**

- Shared space, and tools, joint acquisitions and advertising were all mentioned.
- With Finnish companies, or additionally also with others.

Table 4. Share (%) of immigrant entrepreneurs who engaged in business cooperation by region of origin, education and use of business services.

1. Region of origin	2. Degree	3. Use of business services
<p>60 % (N=45) of those from Central and Southern Europe</p> <p>47 % (N=68) of those from Former Soviet Union, Turkey, North Africa and the Middle East</p> <p>38 % (N=53) of those from North America, Australia and Asia</p> <p>5 % (N=20) of those from Nordic countries, Eastern Europe and sub-Saharan Africa</p>	<p>46 % (N=90) of those with an academic degree</p> <p>43 % (N=54) of those with a professional degree</p> <p>38 % (N=42) of those with basic education only</p>	<p>59 % (N=34) of those who had completed entrepreneur training</p> <p>54 % (N=78) of those who had at least partially used business services to obtain information</p> <p>42 % (N=106) of those who had completed immigrant or professional training course</p> <p>39 % (N=87) of those who had only used personal contacts in obtaining information</p> <p>33 % (N=46) of those who had not completed any training courses in Finland</p> <p>19 % (N=21) of those who had not obtained any information</p>

Table 5. Share (%) of immigrant-owned businesses employing immigrants in different sectors and by entrepreneur's education and region of origin.

1. Business sector	2. Degree	3. Region of origin
Restaurant industry 55 % (N=40)		Turkey, North Africa, Middle East and sub-Saharan Africa
Manufacturing and construction 40 % (N=10)	Basic education only 38 % (N=42)	67 % (N=24)
Financial, insurance, real estate and business services 22 % (N=51)	Professional degree 28 % (N=54)	Asia 33 % (N=36)
Retail trade and home appliance repair 22 % (N=18)	Academic degree 24 % (N=90)	Former Soviet Union and Eastern Europe 29 % (N=52)
Wholesale trade and agencies, sales and repair of motor vehicles, transportation 16 % (N=38)		Central and Southern Europe, North America and Australia 13 % (N=62)
Education, health-care and social services and other social and personal services 17 % (N=29)		Nordic countries 10 % (N=10)

## 6 Diversity under the Northern Star

*Marja-Liisa Trux*

How can culturally or ethnically diverse employees work as a resource for a company?

Is the Anglo-Saxon business world's diversity management the right method for organizations operating in new countries of immigration?

Diversity management was originally developed for the North American business world, and it is also closely connected to the originally Anglo-Saxon ideology of a multicultural society. Although the method – with minor modifications – has been adopted widely in Europe, the management and development of diverse work environments would require a thorough re-evaluation of methods and basic assumptions in a European context. Otherwise the operating method, which is firmly embedded in Anglo-Saxon culture, may present problems in workplaces in small, historic nation-states that did not evolve through migration. In addition, many such nations, including Finland, which serves as an example here, are Europe's peripheral nations, where net migration has only recently shifted from outward to inward migration. A similar situation can be found in countries like Ireland, Greece and Italy.

First, the need for a new management style regarding diversity may be questioned. A handful of international companies in Finland, and large multinational corporations have long been at work to develop practical methods for managing international organizations successfully and effectively. Using the company culture as a binding material, the organization can be made to function with relatively little friction. In the view of some, this already occurs to a great extent – if it means that, for the most part, agreements hold, goods get transported and people do the work they are supposed to. The present challenge remains rather on the side of how to make room for creativity and innovation in an organization that has been streamlined to ultimate effectiveness and is culturally unified. This question assumes greater importance under conditions of the knowledge economy. There is a fear that the same factors that bolster multinationalism and bind together the mosaic also constrain the behavior of individuals and suppress the flow of implicit information. Clearly, diversity cannot be addressed alone, but as an integral part of organizational life. Employees' personal sense of security and job satisfaction, and professional solidarity and companionship between different employees, are the points of focus here. Organisations are also deeply embedded in their surrounding economic, social, political and cultural realities. As demographic diversity increases in workplaces, new solutions are needed, but they should be tailored to suit each cultural and social environment separately.

This article will look at two different work environments in Finland. With the help of case studies, it will illustrate the ways in which multicultural work environments have been created recently in the newer countries of immigration, and the solutions that have been implemented in these workplaces. Has diversity introduced something new from an organizational perspective? Is multinationalism or multiethnicity part of a conscious human resources policy for workplaces, and are special needs identified at management by the company or by employees? Is a multiethnic employee base a problem or a resource for the workplace? The analysis will primarily rely on two case studies: a workplace in *data security* and a workplace in *the field of cleaning services* were chosen as objects of study because the immigrant workforce of each industry is situated at one extreme of today's labor market: the first represents high-skilled experts invited to the country by an employer, while the latter are people who came into the country for other than employment reasons and for whom cleaning work provides one of the most important channels into the labor market.



The diversification of the labor market and of workplaces will first be analyzed by comparing the situation in Finland with experiences from other countries. In addition, methods of diversity management adopted from elsewhere - particularly from the Anglo-Saxon world, which dominates the business world - will be evaluated. Finally, preliminary guidelines for what could become a new local approach to diverse human resources will be drafted. In this sense, the case studies provide interesting insights with regard to spontaneous tolerance among employees, and in general, the competitiveness of a management method that respects employees in the global endeavor to attract qualified experts.

## Cultural encounters - what do they involve?

A personnel base that consists of employees of many different nationalities and ethnic groups is often described as *multicultural*. The state of affairs may also be expressed like this: the employees *represent different cultures* or they *come from different cultures*. It remains fairly vague what these cultures are specifically.

Culture is everywhere where there are people. But what is the actual reference of that word, a word that has almost been robbed of meaning through excessive use? What should *corporations* do to manage cultural difference? The discussion is crammed with a hodge-podge of differing viewpoints about culture and its role in business and the workplace. One person may think that the 'cultural question' has already been resolved, while another may wish that at least the basic issues had been attended to.

The most significant polarizer of the debate seems to be a differing conception of whether the nature of culture is conscious or unconscious. If culture is understood only as a series of expressed information and values, it can be managed by writing down a set of new business values for the organization and disseminating them. But if we look at the more invisible part of culture, meaning the collections of assumptions and values of which people are hardly conscious, the task of shaping or even knowing culture appears much more daunting. According to an English saying, "we are creatures of habit", and are ruled by them without even noticing. This view of the nature of organizational culture (or culture in general) is replicated in the field's classic works, including those by Geert Hofstede or Edgar Schein.<sup>273</sup> When encounters between many different cultures are being analyzed, however, the conception of culture often gets diluted into a one-dimensional 'official' culture. The figure below outlines the roles that 'culture' is thought to have in corporations.

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273. See, for example, Hofstede 1980; Schein 1987.

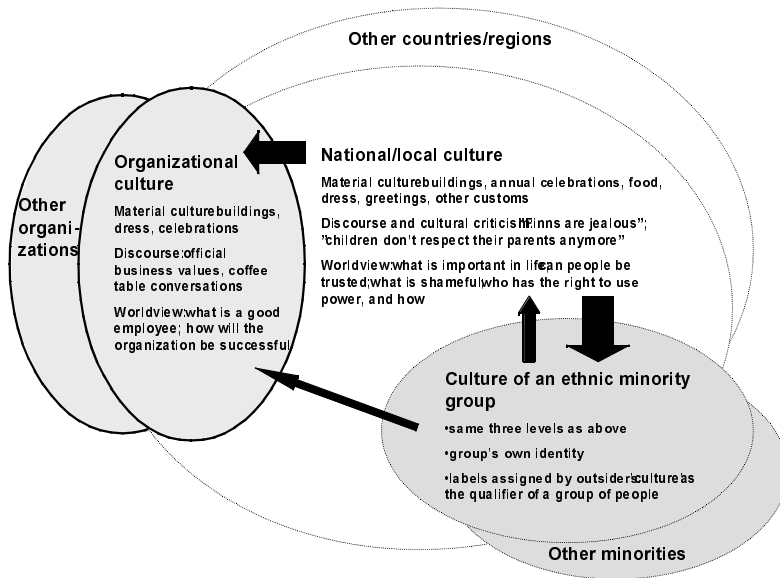


Figure 1. The role and different levels of culture in a corporation.

When the effects of *mergers* and *acquisitions* are discussed, there is usually a reference to the encounter of two or more organizational cultures. When discussing *inter-cultural business operations*, on the other hand, the focus is on bringing together the organizational culture of the international corporation and the local culture of the 'target country'. Though of course other factors are also present, including the local culture of the corporation's country of origin, the organizational cultures of partners of the 'target country' and so on. A prototypical situation, generally used to contextualize such a situation, is one in which a western corporation installs a manager in the corporation's foreign unit, who represents the parent country, and whose ability to manage the local workforce the corporation supports; or the option of hiring a local manager is given consideration.

A *multicultural* or *multiethnic work environment* is one where significant differences exist not only in the above-mentioned relationship between managers and employees, but also among employees. The organization forms a cultural 'melting pot' or 'salad bowl'.<sup>274</sup> Peer relations among employees become a focus of examination, along with management issues. Foreigners generally do not work in the capacity of

274. American discourse uses the term 'salad bowl'. Canadian discussions, on the other hand, use the mosaic symbolism. The idea is that when looked at from afar, a whole that is made up of separate parts forms a coherent figure. Fleras & Elliot 1992.

expatriates in such situations, but instead have standard, local employment agreements. An example of this are the employees of a unit located in Finland, which has recruited a large number of immigrants already in the country or people from different parts of the world. Another example may be the comparable employee base of a unit located abroad.

It is integral that in all the variations of cultural contact described above, cultural encounters occur at every level of culture. For this reason, researchers of culture emphasize that cultural contacts are by nature phenomena that contain numerous variables and are difficult to predict. They are best managed through methods that are anchored in a continuous learning process and are integrated into the normal activities of an organization. Unfortunately, it is not enough to try to grasp customs in one sitting. There are no organizations successful enough to be able to proclaim: "We have now beaten cultural differences". On the other hand, familiarity with one's own starting point - including the invisible culture of one's own organization - is a big help in trying to combine and bring together different world views. It requires that company management and all employees have the courage to familiarize themselves with the silent beliefs and assumptions of the organization, as well as practices that perhaps differ from 'official' culture.

## Managing organizations in a changing world

Until the 1980s, the western world did not fully wake up to the challenges of adaptation and integration that immigrants faced. At that point, Finland began to receive increasing numbers of immigrants who came for different reasons. The difficulties that immigrants encounter in finding employment are frequently explained by the fact that Finland has a short history as a country of immigration. The country has sought solutions from other western nations, while ignoring the economic and historical contexts in which these solutions were grounded. The new countries of immigration do not so much replicate the previous experiences of other nations as they are part of the same ongoing, historical time period shared by all. When facing the issue of immigrant unemployment, for example, it is no use looking to the 1960s. Assembly lines are a thing of the past, and we now live in an economy dominated by experts. To a substantial degree, the problems currently experienced in Finland are also current in other Western nations. Only the scale is different, because migration flows and immigrant populations have been very small in Finland up to this point.

## Structural change and competency requirements – the Finnish context

In the period following World War II in the western nations, the construction sector and industry in general needed a large workforce. To supply the demand, workers were invited and brought in from abroad to work in the growing economies of Western Europe. At this point in economic history, Finland was a source of labor – the migration from Finland to Sweden has been especially well documented. At that point,

there was a special demand for low-educated workers who were taken into jobs directly to perform tasks, 'on the assembly line', without much investment into their foreign language skills or professional training. Gradually, the immigrants settled down. They were joined by their families, and almost unnoticed, created the suburban communities or ethnic minorities of immigrants, whose consistency loosely emulates the historical, colonial and trade relations in each western nation. Such minorities did not emerge in Finland.<sup>275</sup>

The education and competency requirements of working life began to change in the 1980s, but especially during the 1990s. Assembly line workers were no longer needed. The structural change favored specialized production, high-tech industry and teamwork. To work in a team, employees have to be able to communicate effectively, something not all immigrants could do even after residing in a country for a long period. Moreover, self-managed teams tend to hire people who are like themselves, which further complicates the labor market position of immigrants. Hence, for example in Sweden, it was observed that immigrants began to fall out of the labor market as the structural change progressed.<sup>276</sup>

Traditional factory industry has declined and been replaced by high-skilled jobs and the service industry. It does not come as a surprise that poorly educated immigrants find it difficult to find high-skilled jobs, but even services are becoming more specialized. Today, service tasks that used to be considered easy involve highly differentiated customer services, command of technology and materials, spoken and verbal communication skills, and education. For instance, a contemporary office cleaner drives from one service site to another, knows how to lock up and turn on and off the security systems at the sites, is educated about cleaning fluids and the surfaces to be cleaned, is able to sort and recycle waste, knows about the confidentiality of information, and is able to provide flexible customer service. In addition, s/he must take part in continuing education seminars arranged by the employer.

## Global economy's nomads and new citizens

The situation of experts whose jobs require high skills is different than that of cleaning workers. Their position in the labor market, and in part their overall social position, is more secure, and the challenges connected to adapting are thus perhaps less of a burning issue. In Finland, adapting is made easier by the fact that the most prominent companies recruiting foreign workers (mostly in the high-tech field) have chosen English as their corporate language. This makes it possible to seek employees directly from the global economy's largely English-speaking talent pools. The matter is not the same everywhere – Japanese, French and recently even some German companies have required that for example software engineers study the local language and culture. In Finland the trend immediately took off in the direction of creating English-speaking work communities, like little islands of the global economy. Adapting to these "is-

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275. Stalker 2000, Sassen 1999. <http://www.mangfald.org/mangfald.htm>.

276. See Broomé & Bäcklund 1998; Broomé et al. 1996.

lands" is easier than working in the kind of service professions that require contact with the local population.

To understand this development we must look at the special language-related self-image that is closely connected to being Finnish, and that makes the nation's Finnish-speaking majority behave toward foreign languages in a way that is more typical of a minority. This has been commonly seen as a result of the official dual-language system of Finland. Yet there are other bi- or trilingual nations in Europe, which have by no means matched the Finnish way of meeting immigrants half the way (for example by providing instruction for children in their own language, and providing interpretation of basic services). Rather, the history of having a bilingual system is part of the self-image of the Finnish-speaking Finland, where the Finnish language has been seen as a kind of Finno-Ugric peculiarity that outsiders, aside from a handful of eccentric Fennophiles, have no interest in studying. The myth of the extreme difficulty of the Finnish language is part of this view. Even today, many foreigners report receiving answers in English when they ask questions in Finnish.

With regard to adaptation, it has been observed that many foreign specialists do not come to a country to settle permanently, moving instead from country to country working for the same or different employers for short periods of typically 2-5 years. This group can be viewed as the *nomads* of global economy – not anchored to any one nation, and with an identity that may be a constellation of various group affiliations.

Not all people move around in nomadic fashion. Some emigrate because of family relationships, making the arrival country a potential home country. Such people may be called seasonal nomads. Their world is characterized above all by *bipolarity*, taking into account the country of origin of each spouse. A family may live alternately in each country, or live in one for work purposes and spend vacations in the other.

In Finland, *Russians* form a special group. For them, Finland represents an environment of wellbeing and geographic proximity, with visits back home to relatives. Sometimes Russians also emphasize the relative shortness of the cultural distance between Finland and Russia, compared for example with North America. Russians are a special group also in that the geographic proximity benefits both high-skilled and low-wage service industry immigrants. A family living in St. Petersburg, for example, can earn a decent extra living by working in the cleaning industry in Finland, and travel costs are not as high as they are to more remote destinations. Of course, it is tough to live far from one's family and not everyone is willing to make that sacrifice regardless of the direness of their economic situation in Russia. Supporting a family in Finland, on the other hand, would not be economically worth it. It is common for neighboring countries to exchange migrant labor, but the steep differences in living standards have made this border a special case following the break-up of the Soviet Union, even internationally speaking.

For high-skilled immigrants, the cost of living does not pose a barrier, and many bring to the new country their families or have children, who are then socialized to become part of the local way of life. This often occurs without the parents' full awareness. The psychosocial situation of such families frequently resembles that of many

refugee families. They also have parents who 'never unpack their bags', while the young people set roots in the new country. The depth of the newcomers' job commitment, then, varies on a broad scale. At the more transient end are temporary employment agreements, road stops on the way to a fully global career. At the most permanent end of the scale are things like buying a house or apartment and applying for citizenship.

## Discrimination and its remedy

In nations where most immigrants still belong to the first generation, those who seek employment or professional advancement encounter many problems. These are exacerbated by insufficient language skills, lack of up-to-date technological training, or cultural values that hinder autonomy and adapting to a low hierarchy. It does not constitute discrimination if an employer does not hire or promote an employee who is not able to perform the job. In time, however, immigrants do assimilate. When the second and third generations enter the labor market, the only thing that may distinguish them from the main population is their outward appearance or a hard-to-pronounce name. These situations have been tackled by the Anglo-Saxon tradition of anti-discrimination.

As Maaria Ylänkö indicates in her article, it could be argued that the impetus that propelled anti-discrimination activism in the United States was the civil rights struggle of American Blacks in the 1960s. One result of the campaigns that continued into the 1970s was the so-called *affirmative action* legislation, which attempted to even out the effects of discrimination through education and housing policies, and by forcing employers to hire women, people with darker skin color, immigrants and others in weaker positions. This policy, and the ideological trend that supported it, is sometimes also referred to as *positive action*. In terms of working life, we speak of *equal employment opportunities* (EEO). Similarly intentioned ventures were launched all over the Anglo-Saxon world, including Great Britain, Canada and Australia. In the 1980s, the disappointment in quotas and a general atmospheric change within American society deteriorated the faith in the effectuality of these approaches. The great ideology of the 1990s, partially replacing earlier approaches, has been *diversity management*. It relinquished the goal of social equality and focused on the effectiveness of business administration, and like earlier approaches, spread first to other Anglo-Saxon nations, and then to other industrialized countries.<sup>277</sup>

## Diversity management – life management the Anglo-Saxon way

Diversity management is a school of thought in business administration. Its adherents proclaim that the equality of minorities (and genders) is not of interest from the perspective of businesses, and that only business profits brought about by equality are.<sup>278</sup> *Diversity pays*. The argumentation appeals first and foremost to the current workforce, where previously disparaged groups like women and Blacks are present in large numbers. For them to yield the same level of profits as the formerly homogenous workforce, methods need to be changed. Secondly, these same groups make up inc-

reasingly important segments of consumers. Hence, competitiveness is improved not only through a more effective use of the workforce but also through better customer service. It is a matter of economic imperative, not altruism or law abidingness.

In spite of its business rationale, as a theoretical model diversity management is closely related to multiculturalism. The starting point of both schools of thought is to reject the melting pot theory and offer instead the possibility that all ethnic and cultural groups can thrive side by side. In its home country, diversity management became one of the most prominent fields of the 1990s consulting industry, which has expanded its influence from the private to the public sector.

As a matter of fact, the 'diversity' in diversity management refers to something much broader than mere cultural and ethnic diversity. The most important dimensions of a multi-component workforce are generally mentioned as race (!), gender, age and health/disability. The list does not end here, but goes on to include sexual orientation, parenthood of small children, guardianship of the elderly etc., until in the end, nearly every employee is in some measure a special case. This is the intention. It eliminates, the consultants believe, the 'us vs. them' setup that was so problematic in the affirmative action era.

In Anglo-Saxon discourse it is common, also on the part of those who favor equality and multiculturalism, to use the concept of *race*, in spite of the fact that the concept lacks even the semblance of a scientific basis. The division of humans into biological sub-groups could just as easily be made according to blood type or lactose-tolerance.<sup>279</sup> Those who use the concept claim that 'race' already represents certain social facts, somewhat in the manner of social classes. From a European perspective, this may be as much a result of Anglo-Saxon linguistic usage that reinforces undesirable social phenomena.

Critics of diversity management suggest that in practice, it falls far short of its own ideals. The handling of discrimination in communities is such a sensitive topic that most consulting clients are content to arrange brief training seminars for personnel, instead of carrying out the recommended examination of the organization's

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277. See, for example, Thomas 1990; Wilson 1996. The Canadian web pages at <http://www.diversityatwork.com/> provide a good picture of the North American versions of this thinking. In Europe, diversity management has in some degree influenced things like social responsibility programs for companies, such as the European corporate network launched on the initiative of Jacques Delors: <http://www.ebns.org/>. These, however, have more to do with much broader ventures than diversity management, and have aims that are more clearly social. There are corporate networks focused on managing a diverse or immigrant workforce in the Nordic countries, for example Denmark's Nydansker society: <http://www.foreningen-nydansker.dk/>. In Sweden, see <http://www.mangfald.org/>. There is at least one social responsibility network for businesses operating in Finland, Finnish Business and Society, at <http://www.businessandsociety.net>.

278. See Thomas 1990; Thomas 1991; Wilson 1996.

279. See, for example, Miles 1989; Gould 1996.

structures. The seminars usually point out that there are different groups represented in the organization, and that members of the different groups have different characteristics and requirements that should be identified and valued. As a result of the training, members of the organization may learn to speak in the correct fashion, but actual changes in the organization itself remain mostly a matter of ritual.<sup>280</sup>

It has been claimed that diversity management erects fences between people instead of lowering them.<sup>281</sup> The picture it is said to paint of an organization makes it seem as if all problems are cultural in nature and derive from characteristics that are inherent to certain groups of people.<sup>282</sup> The 'diversity' in diversity management was adopted from plant and animal taxonomy, and comes attached with the burdens of these biophysical disciplines. Transported to the context of contemporary workplaces, it offers a picture of differences among employees as basically clearly delineated categories of group membership.

When analysis focuses on group membership, individual creativity or interests that transcend group boundaries are given scant attention. This increases the distance between employees. In diversity management training, demographically diverse co-workers should be viewed as essentially different from one's self, as exotic. Sowell, cited by Litvin (1997, 204), illustrates this through an example:

*"Black and white employees who were watching the same TV programs at home the previous night, and perhaps eating the same junk food at the mall during lunchtime, are taught to think of each other as exotic creatures from different worlds."*

Perhaps the most serious criticism is this: when socially constructed demographic categories of people are presented as something obvious, natural and unchanging, this way of thinking precludes possible mechanisms for change. It is symptomatic in American diversity management discourse that when the trend has been criticized by researchers, the criticism has been met with political rather than theoretical or empiric arguments. Counter-critiques say that researchers should not, through their 'leftist' critiques, endanger the politically liberal diversity project, which is trying to salvage the ideal of the civil rights movement from the conservative right.<sup>283</sup>

Dealing with discrimination in the workplace is painful for those in dominant positions. Few people want to give up their privileges, even when they were obtained passively, only by virtue of group characteristics. Similarly, if questioned as to how deserving they are of their positions, few people are thrilled.<sup>284</sup> Perhaps, in the end, it would be easier to approach the subject by openly acknowledging and recognizing conflicting interests from a moral standpoint, as has been proposed. Deborah Litvin

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280. Litvin 2000.

281. See Litvin 1997; 207.

282. See Litvin 1997; 203-204.

283. Litvin 1997, 207; See Eastman 1998.

284. Jacques 1997; Elmes & Connelley 1997.



has expressed the doubt that thoroughly implemented diversity management - reaching inside the organization's structures and altering them - is not profitable from a business perspective, or at least that it is not measureable or verifiable. Thus, companies very logically only implement the easy, fast and image-enhancing parts of the project, and leave the structures and the deeper layers of company culture untouched.<sup>285</sup>

## Diverse workplaces – a case study

This study attempts to shed light on the conditions of diverse workplaces comprehensively, from the perspective of the entire work community. Hence, the examination includes not only immigrant employees but also their coworkers and supervisors who belong to the ethnic majority. Attention was also given to practices, the interests of the company or organization, and possible customers. Even though statistical research needs attention, the present project goes a different route. Case studies are used to provide a picture of the phenomena that are present in working life, and outline their dynamics in the local context. Because the topic is new in Finland, and imported management theories, such as diversity management, that touch upon it have not yet arrived in the country, it will be interesting to discover the local solutions. Through a qualitative description of the phenomena we are laying a platform for later studies, which can measure their distribution and changes that occur in time.

The case study brings two opposite ends of working life under a single examination lamp - valued, high-skilled experts and underrated "servants". The findings may help determine whether these two tiers of immigrants, occupying society's "upstairs", "downstairs", have interesting things in common or not, and whether it is significant to speak of a continuum. Even if no commonalities are found, the special characteristics of each group can be examined by comparing them to the characteristics of the other group. The analysis does not intend to hide that the business world and society are becoming polarized, and that this is blatantly apparent in the case of immigrants.

## Cleaning services: survival and civilization

The proportion of foreigners in the cleaning industry is growing rapidly. Domestic workforce in the field has for some time now suffered from a high turnover and a lowered commitment to the work. This ends up costing employers, who have to pay more for training and the complications brought on by inexperienced employees. The situation is rooted in the recent structural change in the service industry, which outsourced cleaning services with few exceptions, while at the same time the industry's efficiency norms were tightened to make the price of services attractive. In practice, many cleaning employees were forced to work more, faster and for less money, while simultaneously becoming outsiders in their workplaces. These days, the work environment of a cleaning employee is usually represented by the cleaning services organi-

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285. Litvin 2000.

zation, even though the physical work occurs on the client's premises. Readers may have experienced this in their own workplace.

The sector is also burdened by many structural factors, including cheap rates cut down by competition. A large portion of the price is made up of the benefits that are part of salaries. It is difficult to increase profits, because cleaning work is done by people. Technology fields run far ahead in profits. The pace of work is already so fast in the cleaning industry that clients are lost because quality of work is suffering. For all of these reasons, the sector cannot compete for workforce with earnings. As a matter of fact, the earnings level is only barely competitive compared with social income transfers, and employers' representatives admit that for this reason, it is difficult, for instance, to recommend cleaning jobs to single parents.

It is in a company's interest to seek a core workforce of employees who commit to their jobs and to the company for at least a period exceeding several weeks. Another alternative is to introduce more expensive and high-quality cleaning services. Such experiments do exist in the field, including businesses that offer a quality guarantee, where the cleaning employee assumes full responsibility for maintenance of the client's premises and receives a higher compensation for her/his work. Services like this also seek immigrant employees.

There are always immigrants who, lacking language skills or professional training, or because of the inapplicability of their previous training, are unable to find employment that corresponds to their education. Employees like this have begun to look to fields that are being drained of the original population. Especially cleaning and restaurant work falls into this category.<sup>286</sup> Not all service jobs require high skills, or the employer can provide the training. But in the immigrant's country of origin, where s/he had an intermediate- or high-level education, it would be difficult to motivate a person looking to change fields to work in the cleaning industry. The interviews that were conducted as part of this study asked specifically if wages had been the primary motivator of the employees, and what other factors influence job commitment and job satisfaction.

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286. Forsander & Alitolppa-Niitamo 2000.

### Case study 1: ISS Suomi Oy

The study was carried out in the Helsinki area at four sites handled by the cleaning services company ISS Suomi Oy, between December 1999 and February 2000. The company is an established employer in the Finnish cleaning industry, and like other large companies in the field, has become seriously interested in the use of immigrants as labor. In the spring of 2000, the company employed approximately 280 immigrants.<sup>287</sup> Nearly all of them operate in the Helsinki area, where the workforce of ageing Finnish women is receding. For the most part, the recruiting of immigrants occurred during the 1990s. Approximately 50 different nationalities are involved. The largest groups are Estonians, Somalis and Russians. Compared with Finnish jobseekers, immigrants do not generally have cleaning or service industry experience. Frequently, they have received Finnish vocational school training (for example, car mechanic or metal worker), but have not found work that corresponds to their training and are therefore looking to enter the cleaning field. Most of the immigrant workers are men, except among Estonians and Russians, of whom the clear majority is female. The immigrant employees seem to be slightly younger than their Finnish counterparts.

The results are based on interviews with 12 people, as well as participatory observation carried out at all study sites. The researcher worked as a work partner of employees in the study group for one work shift at each site, and then interviewed the employees at that site. Both immigrants and Finnish employees and supervisors, men and women, were selected as interviewees. In addition, one training provider and one representative of a client company who volunteered were interviewed. Both data collection and analysis utilized the opportunity to compare interview statements and the use of observational data as a point of comparison. The interviews proceeded loosely according to theme.

The table below demonstrates the different cleaning sites used in the study. Observation in the workplace included scrutinizing the working conditions both in a physical and social sense, as well as breaks and conversations with employees during those breaks.

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287. Data on the entire company were updated during a detailed reporting phase in May 2000.

Table 1. Studied cleaning sites.

	Office	Hotel	Shop	Industrial site
Nature of work	Two-person work team, three to five sites in the late evening and night	Working in a team or pair in daytime, many coworkers present	Working alone or in a team, being on call during the day, cleaning and dish washing in the late evening and night	Working alone during the day, a small team of workers meet during breaks
Employees who participated in the study, where they are from	Male and female, Africa	Two females, Finland Male, EU area	Male, Finland Two males, Africa	Two females, former Soviet Union
Other employees at the site	-	Females, former Soviet Union Males, Africa Females, Far East, and others	Female, Finland Males, Africa	Females, former Soviet Union
Most immediate supervisors	Male, Finland	Female, Finland Female, former Soviet Union	Female, Finland	Female, Finland

### Job commitment

The motivation of the cleaning employees in the case study was divided into three groups. The first, possibly consistent with the traditional image of a cleaning person, seems to be the group of employees who *settle*. They are not interested in advancement, but neither are they looking to leave the company. Reasons given for deciding to commit included the benefits attached to the position that they had achieved, such as a work site and schedule that suited a particular employee, and reasonable wages.

*Temporary* employees have always been present in the cleaning industry, but the increase in immigrant labor makes this group a current challenge for employers. For most immigrants, cleaning work is an entry profession into the Finnish labor market.

*Career-oriented* employees are a group that is interested in moving on to positions of added responsibility and technological expertise as well as team supervisor positions. Job advancement and task rotation are good methods of retaining good employees. The field recruits lower-level supervisors largely from amongst this group. Immigrant workforce has thus far not been used in a way that seeks out supervisory potential among immigrants for the purpose of encouraging other immigrants to commit to the job.

The research material reveals that the company is able to utilize employees who *settle* or are *career-oriented* regardless of nationality. *Temporary* employees, on the other hand, form a workforce that the company has not been able to fully utilize. According to studies, cleaning work represents an entry job for a significant proportion of immigrants, meaning that they are looking for their place in the job market, want to practice their Finnish language skills and get work experience and/or finance their studies or costs associated with settling in the country.<sup>288</sup> These immigrants plan to enter a career that corresponds to the work experience or education they received in their country of origin, or a new career, but in which they cannot find employment directly. The work attitude of these employees has received attention in the company. It has been observed that they are often depressed or embittered by the drop in social status, or the difficulty of social advancement. In terms of attitude, there is a vast difference between employees who have a clear plan, which reinforces their expectations of the future, and those who do not. Students, for example, can be expected to work in a cleaning job with a higher motivation than unemployed scientists.

Even a temporary commitment may produce a mutually satisfying working career lasting several years, if other motivation factors are present. The social stigma could perhaps be alleviated in the case of these employees by underlining the temporary nature of the commitment, by construing it as a kind of stepping stone for a future success story. This would create an image of cleaning work that emphasizes a skilled service that is provided by one individual to another equal. There are examples of successful Finns who at some point in their lives worked as cleaning persons. Uncovering the persona of a cleaning person from the shadow of the client community to a recognized individual with a name is an essential part of the change that needs to happen.

From the employer's perspective, it is sufficient that the training period is followed by a relatively long commitment, enabling the seamlessness of work and client satisfaction. Cleaning need not be a life-long calling, or one's whole life. One can be a cleaning person while the rest of one's life is about something completely different, and still do one's work well and be happy in the job. A supervisor need not be shy of a more highly educated employee than her/himself – the cleaning work and the management of the client relationship would unite them. But it is clear that images of

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288. See, for example, Forsander & Alitolppa-Niitamo 2000.

'slave work' and 'ending up' as a cleaning person as a last resort complicate attitudes on both sides. The negative attitudes toward temporariness are in fact surprising, considering that cleaning has traditionally been a passing-through job, along with sectors like retail and the restaurant industry.

In a large part of the world, cleaning carries the stigma of shame. It is considered the job of women and/or inferior people. In India, for example, it continues to be seen largely as the job of the casteless. It is not surprising, then, that an immigrant man who is striving for a different kind of career has difficulty finding pride and joy in doing cleaning work. The gender hierarchy is connected to the feeling of shame: Finnish men too reportedly feel more comfortable doing cleaning work for a male supervisor. But it is not necessary to reinforce the gender hierarchy to ease the situation. The stepping stone concept mentioned above serves an academic female cleaning person equally well. It also transcends national boundaries, and does not point fingers at or place a stigma on immigrants. At least it offers opportunities for change, unlike oft-heard claims about African men in particular doing poor-quality work because, supposedly, "they have a different concept of cleanliness", or because it is said that immigrants are absent more frequently, because "they have a different sense of time". Generalizations create a tempting exoticism, but they do not help repair the situation. More often than not the question is one of motivation, not of ability. People who are frustrated and hounded to a corner are not in a good position to learn.

A central problem connected to getting immigrant employees to commit is one that touches upon the tender spot of the whole cleaning industry: how to eliminate the stamp of menial work? The field is in sore need of a new and improved public image. Although many within the organization studied here felt a lot of pride in their work, old attitudes place a heavy burden on the relationship with clients. Within the company, the cleaning person is the most important actor in the organization, but client organizations unfortunately do not always value cleaning personnel. It can be argued that the structural change has even exacerbated the disparagement, as it pushed cleaning personnel outside of the client organizations. Old attitudes that stem from the low appreciation of cleaning labor in society even turn up within the organization at times, in the mutual difficulty of utilizing temporary employment relationships.

## Motivation

Apart from managing feelings of shame, what other factors have an impact on the work motivation of immigrant cleaning employees? Immigrant and Finnish cleaning workers shared the same hopes and (observed) needs to a large extent. There were only four factors that applied mostly to immigrants. Issues that particularly enable the retention of immigrants either have to do with matters in which the organization will flex in order to adapt to new needs - for example, making it possible to take prayer breaks - or issues that make the organization prepare for new types of threats, for example discrimination or harassment based on ethnicity or appearance. The motivation of immigrant cleaning workers consisted of the following factors:

Table 2. Motivation of immigrant cleaning workers.

	Hopes that Finns and foreigners have in common	Partly connected to being an immigrant	Applies mostly to immigrants
Money	Wages that cover living and loan expenses. Opportunity to make more money through temporary contract work when one's financial situation requires it. Paid travel time (from one site to another). Benefits, for example occupational health services.		Certainty that the same wages are paid for the same work, regardless of nationality.
Power/ participation	Ability to influence one's own work. Making an attachment to a particular site. Feeling pride in the quality of one's work. Having a say on the selection of one's closest coworkers. Being assigned to the site of one's choice.	Opportunity to "practice being in working life". An opportunity for immigrants and socially disabled people, for example those who experience anxiety in social situations. Possibility of "temporary commitment".	Opportunity to practice one's religion, if one so desires (Islam).
Meaningfulness	Changing work content. A suitable amount of work; not enough work or too much work both erode commitment. "At least I don't have to live on welfare" – the sole motivation for some. The work environment may be interesting, for example working in a hotel, "[I]t's almost like traveling".		

Organization	<p>Opportunities for advancement  A relationship of trust with the closest supervisor.  Pertinent feedback.  Activities that improve relations among coworkers, such as recreational events, trips and hobbies.  Clear set of rules: rights and obligations apply to everyone.  Good communication between management and employees.</p>	<p>An existing mechanism for dealing with discrimination or harassment.</p>	<p>Appropriate management methods (collective vs. individual responsibility).  Support of the supervisor in taking care of paper work and listening to personal worries.</p>
Relationships with clients	<p>The level trust negotiated by the organization with regard to the client and the client's security guards.  Introducing the employees at the site with the backing of the organization and the supervisor.</p>	<p>Support of the organization in the face of clients who want to impose "slave labor".</p>	

## Supervisors and managing

Moving toward a multinational workforce has fallen on the shoulders of the lower level of supervisors. All the challenges brought on by immigrant employees are imposed first directly on supervisors, just as the utilization of the immigrants' know-how depends decisively on the professional and managing skills and personal style of the immediate supervisor. Practical issues and other factors connected to cultural differences, and in light of this material, mostly to the Muslim way of life, have been given solutions - when that is the case - thanks to the flexibility of the immediate supervisor. Similarly, the relationship of trust, which is emphasized among immigrant employees, crystallizes in the persona of the supervisor.

Supervisors function, in actuality, as "social workers" for their immigrant employees, assisting with the completion of tax forms and listening as a kind of "surrogate mother" to employees' health and family problems. The explanation for this must be that, unlike Finnish employees, many immigrants have less in the way of natural human networks, compared with the majority population. Immigration interrupts the everyday support relationships with other people, and the smallness of the immigrant



population in Finland does not yield enough replacement communities. It is also true that in the country of origin of many immigrants, employers traditionally have a more protective relationship to their staff, with more emphasis placed on dependence - at least as seen from a Nordic perspective. Despite the fact that supervisors themselves did not experience this as an overload, it is one more factor that puts pressure on them.

Male and female supervisors have developed far-reaching balancing acts in terms of their gender identity. Crossing gender boundaries in management and leadership is not without problems even for the majority population. While not intending to, immigrants bring with them new possibilities for misunderstandings and value conflicts. In this too, supervisors have spontaneously sought successful solutions on their own. For example, female managers have established two different ways of supervising men. In the role of the 'good guy', women will try to minimize the 'soft' traits associated with femininity, and build their authority based on strict but fair control. In another example, a female manager will use her greater age to her benefit. Even though such solutions work, in part the situation seems to present unreasonable challenges to a manager's own persona.

In the end, the overloading of supervisors becomes an issue of their work safety. There have been cases of employees being fired and then reacting to it in ways people are not accustomed to in Finland, including death threats or threats of discrimination lawsuits. In such situations a supervisor has to assess the seriousness of the threat. One supervisor's method of dealing with this is to conduct discussions with a disgruntled employee within the sight of a security camera, in order to be able to prove, if necessary, that the supervisor did not initiate the physical assault.

This study did not reveal the ethnic niches, familiar from other Western countries, at different work sites. But in one example, the supervisor adapted to the employees' custom of sharing the responsibility for work collectively. Employees who represented two family units or two families made up the majority of the cleaning staff of a store. If someone fell ill or left the job, the group looked for a replacement. The group also assumed collective responsibility for their work. The relationship with the Finnish (female) supervisor was handled through one 'spokesperson'. The relationship was characterized by strong trust, and worked well in the sense that the employees assumed part of the supervisor's responsibility.<sup>289</sup> But it was also a fragile relationship, and broke off when the supervisor was changed, and as a result of a simultaneously conducted work efficiency assessment, the new supervisor required faster work. The entire collective resigned at the same time. The case is of interest in this way: in Finnish working life, it is common to think that management is either good or bad, but there is only one scale. The concept that by organizing work in different ways there could be different ways of doing the same work well is still relatively unfamiliar in Finland. Yet it is possible that some immigrants are accustomed to organizing themselves collectively, and are more effective in that setup than they are if forced to work individ-

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289. Cf. United States' example of a model for collective organizing among Guatemalan immigrants: Hagan 1998.

ually in accordance with Nordic ideals, with a supervisor delegating tasks and responsibilities to different members of the staff. Interviews with supervisors, however, point to a view held among them that collective responsibility sharing is mostly an interfering trait that is associated with certain ethnic groups. 'Ethnic collectives' do present their own challenges. They are vulnerable to phenomena connected to the 'gray economy', and it is possible for management to lose control of them.

## Coworkers

For their closest coworkers, people prefer to have others of the same ethnic or nationality group. But it is possible to observe employees of different nationalities getting acquainted spontaneously with each other and cooperating well together. Employee events, an employee wellness campaign<sup>290</sup>, outings and parties, as well as athletic and other activities organized by the employees themselves have all encouraged this development. It is significant that both Finns and immigrants have participated in these activities. This can be seen as a valuable development that reinforces the feeling of togetherness and facilitates diversity management in the future, without creating artificial boundaries between different groups. It can also be seen as the embryonic form of a Nordic or Finnish diversity. According to the Finnish way of seeing people, a good coworker is not so much a representative of a particular population group, but instead a "good pal": is trustworthy, respects work and is unpretentiously him- or herself. The 'genuineness' of a coworker can be tested, so to speak, by comparing his or her role in the workplace to his or her role outside of work. In our society, the community of the workplace is a central fixed point for an individual, and is even characterized as a second family. The admittance of an immigrant into this family can be viewed as a sign of successful integration. Not everyone is intimate friends with each other, but the impression of the general atmosphere was not at all reserved, which differed completely from the presupposition.

A 1997 survey commissioned by the central organization of the largest Finnish trade union revealed that discrimination was present in 12 percent of the workplaces that presently had or had in the past had people of ethnic minorities. The discrimination was manifested, for example, in avoiding contact, making jokes, staring and constantly monitoring others.<sup>291</sup> In another survey study in 1999, 18.7 percent of immigrants and the Roma people had experienced unequal treatment from Finnish coworkers. In this study, too, the treatment took the form of prejudice, non-communicativeness, avoiding contacts and staring.<sup>292</sup>

Of course, a case study will depict workplaces where ethnic relations have not reached a crisis. In this sense, the findings of this study cannot perhaps be generalized. On the other hand, surveys that trace discrimination rarely focus on aspects of

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290. A governmental work safety organization awarded the studied company an honorable mention for a wellness program for employees, adopted in 1999.

291. See Laukkanen 1997.

292. Jaakkola 2000.

a workplace that are actually positive and inclusive. It is just as important to present and disseminate constructive models for the future, as it is to uncover discrimination.<sup>293</sup>

Finnish employees were generally more familiar with the work environment and working methods than immigrants. From this vantage point, they seem to have adopted either a negative or protective attitude toward immigrant co-workers. Immigrants were categorized into "completely hopeless" cases, who "will never learn cleaning work", and who receive no support in their work, - and on the other hand, to those "poor things" who receive help with the Finnish language and work tasks, and in defending their employment benefits. The quiet and the modest among immigrants, women in particular, seem to attain the favor of coworkers more easily than others. The solidarity impact of belonging to a Finnish-related nationality group could also be distinguished: Ingrian Finnish immigrants emerged as popular and protected coworkers.

In spite of all the camaraderie, the internal division of cleaning work into Finnish sites and tasks and immigrant sites and tasks has already begun. It seems possible that we are close to a kind of ethnic hierarchy, as the most desirable tasks seem to always go to the Finns, the medium-hard work includes many nationalities, while the heaviest and hardest tasks with the greatest turnover seem to be done by African immigrants. Because the study only focused on four targets, the findings are only suggestive. They do indicate the necessity of continuing to monitor the situation.

## Customers

Not all client organizations have negative attitudes toward foreigners, but when they do, the situation presents problems for the producer of the cleaning services. In this connection, too, supervisors have responded to the challenge. They have developed into two types: the 'proponents' of immigrants, and the 'optimists'.

*Proponents* talked about the clients' racist or skeptical attitudes toward foreigners, especially Africans. The attitudes seemed to be connected to the general disparagement of the professional status of cleaning work.

"The cleaning person is a 'shadow', and is the object of excessive criticism."<sup>294</sup>

"In this company, the cleaning people, not to mention the black ones, are in the lowest caste."<sup>295</sup>

Supervisors spoke of a difficult balancing act between serving the client on the one hand, and defending the human dignity of employees on the other. For the sake of profits, the client's wishes are followed, but the composition of the workforce does not allow fulfilling all wishes. If the cleaning firm has not provided a 'race' that meets with the client's approval, the client has sometimes stopped using the cleaning company's services.

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293. See Laukkanen 1997; Jaakkola 2000.

294. Chief, Finnish, 52 years. Interview 9.2.2000.

295. Chief, Finnish, 52 years. Interview 9.2.2000.

*Optimist* supervisors offered up a picture of problem-free client relations. In part, this reflects the reality at cleaning sites. At the industrial site, for example, the same foreign cleaning employee was retained for years even though the cleaning firm itself had changed. The client company also extended benefits to foreign cleaning employees, including the Christmas coffee party and gifts. The hotel, on the other hand, has rewarded immigrant cleaning employees for their cheerful disposition and well-performed work. The optimism is manifested in perhaps exaggerating the success of foreign employees. The supervisor at the hotel reported that the quality of work there had improved since immigrant employees were hired, and that the hotel was widely utilizing their language abilities. According to Finnish employees, the quality of cleaning improved with a new supervisor and that help with interpreting assistance had been needed only occasionally.

The immigrants' *good service attitude* has emerged in the service industries<sup>296</sup>, where they have earned a positive reputation for dedication, good attitude toward people and cheerfulness. It seems possible that immigrants can earn the trust of clients in the cleaning industry too, if they have the opportunity to have face-to-face contacts with them. This occurred at the hotel and the industrial site, where the benefits of a good attitude about service had been noted. At the hotel, the supervisor specifically reported assigning different tasks to different employees to make use of their individual personas. In the shop and in the service teams, on the other hand, there had not yet been much opportunity to test good service attitude, because contact with the client was minimal. Also at these sites the supervisors would have been willing to bring forth their immigrant employees more, but needed the organization's backing to do so.

In the experience of an African employee, some client sites attempted to impose "slave labor". They attempted to push more work on a dark-skinned employee than was stipulated by the contract. The history of migration supports the view that this kind of attempt to exploit the immigrant labor force is manifested more broadly in all business sectors and applies to all immigrants who are in an economically disadvantaged situation.<sup>297</sup> On the other hand, the phenomenon may also be related to the structural change of the cleaning industry itself, and, as an after-effect, to the difficulty of pricing and scaling cleaning contracts to correspond to the actual workload. At the hotel, for example, the Finnish employees complained that in addition to the tasks specified in the original contract, the hotel continually adds small, new tasks that then are expected to be completed within the prescribed time. In the end, it is impossible to discern which part of the pressure is related to skin color or immigrant status, and which parts have to do with a general saddling of work on the employees. As long as the contracts can be made to be clear, it is not even necessary to do so.

Just recently, client satisfaction has improved at some of the sites, including the client company that was interviewed, because of the improved communication skills of Finnish-speaking immigrants. The study supports the claim that through better

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296. Forsander & Alitolppa-Niitamo 2000.

297. Sassen 1999.

communication and introducing the employees to the client, customer satisfaction may be markedly improved.

## Security and safety issues

*Client security* needs present new challenges as the workforce becomes more international. Cleaning firms have their own directives, according to which cleaning employees receive background checks. Most clients also conduct their own checks, especially banks, commerce and the aviation administration. Those working at airports are additionally required to be Finnish citizens. If employees (mostly those with a refugee background) are only able to present personal identification or travel documents issued by Finnish authorities or the United Nations in place of original documents, some client organizations may question the irreproachable character of the employees. This is especially true if the documents bear the marking: "identity could not be verified". Apart from actual industrial espionage, client organizations fear theft and misuse of telephone lines. As the contract is being drawn, a client organization may express a desire that immigrant labor not be used. The provider of the cleaning service is not always in a position to know if the underlying reasons are connected to security considerations or to something else. It is likely that security concerns are partly intensified because of a general fear of whatever is foreign. Some security concerns are justified, of course. Uncertainty regarding employees' backgrounds, combined with prejudice toward foreigners, creates a situation in which employees are constantly watched and suffer prejudiced attitudes, thereby destroying the work atmosphere, and sometimes erupting into open disputes for trivial reasons. Careful background checks and introducing employees at the work site seem to represent the best way of minimizing security concerns.

*Employee safety* has spurred employers to provide employees with mace and special instructions as a result of violent or threatening situations that have occurred in the past. They have been directed at dark-skinned employees working at night at commercial and industrial sites. The assailants and threat-makers have been outsiders. According to the supervisor, there have been times when an employee was not able to leave a site because a group of people making threats was waiting by the employee's car. The supervisor reported trying to avoid placing female immigrants in service teams that clean office space. However, one partner in the two-person team met by the researcher was a woman. Work commute safety is an example of how important it is, even from the point of view of companies, to have a good general atmosphere in society and good relations between people who look different.

## Cultural flexibility on both sides

The only flexibility requirement that was specifically connected to the *culture* of immigrant employees had to do with devout Muslims. With the help of a supervisor, they were provided with the possibility of taking prayer breaks during the workday. During the Muslim fast, Ramadan, they worked as usual, and wore rubber gloves when handling dishes that had been used for pork. Up to this point, practical arrangements

have been created at the cleaning sites by supervisors and employees. In light of the study's findings, these arrangements seemed like temporary solutions, including having to pray on top of garbage bags in a dirty storage space with heavy thoroughfare. Spatial arrangements, of course, depend on the client - other cleaning staff support services also took place in the same, decrepit space. Therefore, this matter too is very intimately connected to the overall conditions that prevail in the cleaning industry.

In the question of scheduling vacations, immigrant employees are flexible, making it easier for the employer to cover Finnish holidays and the most popular vacation times. In the hotel's experience, many immigrants take only one longer vacation per year - not necessarily during the summer - and take the opportunity to visit their country of origin. Those who originally came from adjacent areas may take shorter, more frequent vacations.

### Ideas of a service company

The study brought to light social innovations and successful operating methods adopted by one particular company that could be developed further to attract and optimally utilize immigrant and other labor.

Some very positive activities, which act to promote diversity, were observed at the company, *even though this was not included among the original aims*. Recreational events, a wellness program, boat cruises, outings and Christmas parties arranged by the employer, and free-time activities initiated by the employees themselves, for example athletic activities, reinforce the communality and good camaraderie of the work community in practice, helping to transgress cultural and ethnic boundaries. These activities enable employees to get acquainted in a natural way, without a special emphasis on diversity or differences between employees. It makes it possible to avoid the uncomfortable atmosphere that often encumbers the diversity management programs of Anglo-Saxon countries.

It was also possible to observe in the company that some **information traveled from below** and there was an appreciation of **grassroots know-how**. Both factors are closely related to the full utilization of a diverse workforce and the management of know-how. This issue, too, skirts closely around the topical questions of workplace development. Among the impacts of the cleaning industry's restructuring is one positive element: following the crumbling of old hierarchies, the reorganization has at least in part favored the most modern methods. Even though client organizations and the general public continue to view cleaning employees as low-caste people, within the company studied here, these employees were the most important operators in the whole organization.

Connected to the above, **lack of prejudice toward people** was observed. To make a somewhat pointed argument: there are no hopeless cases - everyone is able to show what he or she can do. Negative conclusions are made only if the work does not go well. This provides an excellent foundation for general diversity management: the organization tries to find suitable work tasks for each employee, depending on his or her strengths and weaknesses. People who have difficulty finding work and who ex-

perience a lot of prejudice have an opportunity to show their skills and be included in working life. The study found examples of this not only among immigrants.

Locally, it was possible to observe highly skillful maneuvering of complex issues, which generally cause conflicts in society; for example, how devout Muslims and Finns who practice a secularized, Nordic way of life can work together and **build trust** amongst each other. Mutual respect is not easy to attain, because the situation is never reduced to just a conflict between religions or world views, but is mixed in with issues like immigration, refugee status, power imbalance, and powerful prejudices on all sides. The way in which the employees and the supervisor achieved trust at the studied site came about spontaneously, without basic information on the part of the supervisor, or consultation, and on both sides seems based on good self-esteem and the ability to listen to others.

Also locally, the company was successful in utilizing the **operational model of collective responsibility**, a rarity in Finnish working life. Viewing the issue as an alternative way of organizing work - depending on what the workforce is accustomed to - would also represent a pioneering attitude in Finnish management culture. So far the issue has been viewed like this: certain employees bring with them different working methods, which mostly constitute difficult barriers to work.

The company also featured examples of how **immigrants have been able to enter Finnish working life**. Work, with the sense of togetherness it brings and its importance, has been described as a 'family' for individuals. The high entry threshold into the workforce did not translate for these immigrants into exclusion in the workplace.<sup>298</sup> On the contrary, they had been practically 'adopted'. Finnish coworkers offered support as well as criticism. However, this happened on conditions set by the Finnish coworkers. In work pairs, the Finnish partner frequently begins to dominate and give orders to a foreign partner. Advancing from an apprentice-like position through promotion, for example, is the next step in becoming a full-fledged member of society.

The company is beginning to utilize the trump card of immigrants in Finnish working life: a **good service attitude**. The method could spread into wider use.

**Looking for a partner in dialogue** to assess the needs of immigrants contains an idea that could bring about future operational models, where the traditional culture of mutual suspicion and prejudice is aired out for the sake of improving the company. The immigrant workforce offers an excellent pretext for combining resources to find solutions that work well for all parties in this new situation. Even the trade unions are only just starting to pay more attention to their immigrant membership.

Plans for the **continuing education and precision training of the workforce** are an essential part of the development for addressing and alleviating recruiting problems in the near future.

The suggestions that arise from the study's findings regarding **improving the appreciation of the cleaning sector and updating its public image** would, if implemented, represent a truly significant change that would carry forward a large part of

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298. Cf. Jaakkola 2000, Laukkanen 1997.

other development projects. The appreciation of expertise outside of the sector as well as price vs. quality issues must, however, be re-evaluated in light of the work's productivity development: how much longer will work done by humans be profitable? Will cleaning work be valued only after it is taken over by a robot that sweeps the middle of the floor and vacuums important papers from desktops? Will a new, more expensive price level emerge, with more plentiful resourcing, and satisfaction guaranteed?

The desire of a client organization to retain a certain cleaning person emerged in the study in various ways. The cleaning person was known as an individual, he or she was granted some of the benefits directed at the client organization's own employees (Christmas parties, vacation pay etc.), and he or she was called upon in case of sudden need. This could be seen as a solution to the problems of outsourcing cleaning work, including a low level of job commitment, lack of motivation, feeling of being an outsider, and the even the unprecedented low level of respect for cleaning work. If the cleaning person is known as "our Lisa" at the client company, as was the case in the study, she has been included in the team of profit makers, who earn a material compensation and a moral appreciation for their input in the company's business operations.

The way in which some supervisors have set out to promote the employment of immigrants and the social responsibility of the company also has broader implications. Participation in Ministry of Labor ventures on immigrants and employment indicates that the company in this study has the courage to publicly defend its workforce and has an unprejudiced personnel policy. This by no means occurs automatically in the Finnish context.

## Data security experts: consumers of culture

The labor shortage in the information and communications technology fields and worldwide recruiting have been in the public eye prominently during the recent years of economic boom time. After a twenty-year hiatus, industrialized countries have again conducted international recruiting campaigns, spearheaded by politicians. Germany's campaign to attract thousands of IT professionals from India has probably received the most attention. Easing visa restrictions did not occur without a colorful discussion that featured some anti-foreign overtones, with the opposition adopting the election slogan of "Kinder statt Inder" (children, not Indians).

The IT field is perhaps the most thoroughly globalized labor market sector in the world, aside from performing arts and top science. Competition for skilled workers has forced the industrialized countries to re-evaluate their immigration controls: the regulations that were stiffened in the 1980s are undergoing a liberalization trend in the 21<sup>st</sup> century. Attempts to attract a larger workforce are highly selective, however: only those with the right skills are allowed in.

In practice, Finland has followed the same trend. Skilled workers are welcomed. Although no annual quotas exist for the number of foreign workers, employers can recruit from other countries if there is a shortage of skilled labor in their sector. Those



invited to Finland by an employer have a relatively easy time of getting the necessary visas and work permits. But this arrangement requires that the employer and the job-seeker make contact already prior to the move to Finland. The Internet has become an important recruiting channel in this context, and recruiting companies that import workers from abroad are starting out in Finland at the moment.

Attempts to attract labor have been criticized on two fronts. First, it has been noted that funneling IT workers from developing countries (the reference is particularly to India and China) represents a shameless exploitation of resources.<sup>299</sup> The second strain of criticism notes that industrialized countries already have a labor force that could be prodded into the field with the help of continuing education and retraining. At least some of the labor demand has been fulfilled in this way in Finland.<sup>300</sup> In discussions about recruiting difficulties, it must be noted that skill levels vary greatly even within the IT field, and that to perform a particular task requires particular expertise. In addition, the rapid rate of change within the technology and business environments is forcing companies to keep training their workers anyway. Labor policy-directed continuing education is a suitable approach, but not a sufficient one. Global competition in a skilled economy makes it necessary to open up channels, which companies hope will attract the most talented people in the international talent pool. The next few years will show the extent to which the present economic downturn will lower demand for labor in the field. Still, it is clear that the selective demand for skills is here to stay.

The question is this: how to attract desirable talent to Finland and to Finnish companies - or even to networks that benefit Finland in some way. What criteria do job-seekers use in choosing a country and a company? If and when a jobseeker actually comes to Finland, how will he or she settle in the country? Are these people happy in Finland, and happy in their jobs? The case study was also intended for identifying the push and pull factors that affect foreign workers and the conditions for success of a multinational work environment.

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299. Indians, too, are engaged in a discussion concerning the future of their own software industry and ways of retaining the workforce. See, for example, Birla, Kumar M.: Nurturing a scarce pool of talent. *Financial Times* June 15, 2000.

300. Digital communications and multimedia training have been arranged in connection with the University of Helsinki and Helsinki University of Technology since 1997.

## Case study 2: F-Secure Corporation

The study was conducted at the Espoo branch of F-Secure from November 1999 to May 2000. The company, which sells data security software and services, has received a lot of public attention, mostly because of its successful business operations, but also in part because of its multinational employee base.<sup>301</sup> At the time of reporting in August 2000, the Espoo office employed a total of 34 foreign employees (13 % of all personnel). They had been recruited for the most part during the previous three years. The personnel, including Finns, consisted of 15 different nationalities, so the dispersion was significant. Next to the Finns (224 people), Russians were the largest group (12 people). Other nationalities had no more than five representative each. Nearly all (91 %) of the foreign workers were men. The same trend applied to the Finns (87 %). The foreign workers were somewhat younger overall than the Finns. At the time of reporting, all of the foreign employees had either been recruited to Finland by F-Secure or were there in the capacity of a family member. The group did not include anyone who had entered the country as a refugee or return migrant. The company employs the foreigners through local employment agreements; they are not expatriates.

The company uses English as the working language, and has adopted many features in its personnel policy that help retain employees, including an extensive recreational program, a stock option program for each staff member, and something called the "Fellow of the week" – an honorable mention where the employee who has been chosen as the best employee of the week has the use of the company sports car. For relaxation, there is a room with video and arcade games. At the top of the list of company values, there is *people* and finally, "*fun and joy*", meaning that work is supposed to be fun.

The findings are based on interviews with ten staff members. The interviewees represented seven different nationalities: in addition to Finns, they originated in Switzerland, India, Russia, France, Australia and the United States. All interviewees were living and working in Finland. They had various positions and tasks within the company and included men and women of various ages. The interviews were conducted loosely around certain themes. Some participatory observation was conducted between the interviews, for example during lunchtime at the company and at a party organized by the company.

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301. See, for example, *Helsingin Sanomat*, Kuukausiliite (monthly magazine) 5/2000, 34-51; *Bisnes.fi*, 4-5, 1999, 74.

## Choosing Finland, and settling there

In the justifications given by foreign employees who were interviewed, choosing the company and the country of employment are closely connected. When individuals make relocation decisions, working and living conditions merge with economic benefits and experiences into packages that are then compared. The choice, in other words, is not Finland alone or F-Secure alone, but specifically the Espoo branch of F-Secure.<sup>302</sup> In the case of the company in this study, the attractiveness of the company was of primary importance. The decisive thrust to make the move often involved the human networks that exist in Finland, which made the country a concrete possibility as a place to live and work.

Table 3. Work environment factors that attract foreign data security experts.

Management	Business operations	Society	People
<ul style="list-style-type: none"> <li>· Company has good management reputation (democratic atmosphere, informality, low hierarchy)</li> </ul>	<ul style="list-style-type: none"> <li>· Company's products are well known and have a good reputation</li> <li>· good reputation of Finnish technology (Nokia, Linux)</li> </ul>	<ul style="list-style-type: none"> <li>· Reputation of Nordic welfare states (safety, security, infrastructure, good administration)</li> </ul>	<ul style="list-style-type: none"> <li>· Impact of Finnish networks (friends, coworkers, fellow students, spouses)</li> <li>· ease of traveling to visit relatives in Russia (applies to Russians)</li> </ul>

The positive perception of a well-functioning Nordic administration is reinforced through experiences with the company: it has been extremely easy to get work permits. On the other hand, it is difficult for the English-language work community to find services in English: the language skills of Finnish officials are not always sufficient even in the international departments of agencies and firms, and forms are only available in the two official languages. There has been occasional confusion with credit cards and telephone security deposits.

Most experiences with Finnish officials and public offices had been positive among the employees. The treatment they received was described for the most part as friendly. Only bringing a car into the country has caused occasional and surprising difficulties.

*"The officials, the bank and the police helped fill out the forms and had friendly attitudes."<sup>303</sup>*

*"Everything here is efficient."<sup>304</sup>*

302. The company is in the process of transferring its Finnish operations to Helsinki.

303. Male, 27 years, virus researcher. Interview 29.2.2000.

304. Male, 25 years, responsibilities: business strategy and marketing. Interview May 17, 2000.

Employees had expectations and disappointments with regard to language. Westerners, especially those with an Anglo-Saxon education, assumed that the English-language network of services would be more comprehensive, and that there would always be one English-speaking employee in every office (tax, insurance, bank etc.), and that all forms (insurance policies, leases, electric and telephone bills etc.) would also be available in English - at least on the appropriate institution's web pages. One interviewee went so far as to suggest the establishing of a new, English-language television channel for issues concerning Finland, and having English text on products sold in regular supermarkets. Even if some of the suggestions prompt a smile, the issue has a practical side: how is a person to know when a bill is due, for example? These issues become clear eventually, but adapting to a Finnish-Swedish language environment is a challenge, especially for people who speak major world languages like English and Russian.

The company offers foreign recruits a monetary relocation bonus, six months' rent, a relocation service outsourced from another company, a Finnish language course and an individual tutor from among coworkers for the beginning period. In general, people expressed satisfaction with these benefits. In the beginning, all the bureaucracy and practical arrangements connected to relocation were handled by the relocator and by company administration. As the number of foreign employees grew, the company decided to outsource this service. People were satisfied with the arrangement.

The outsourced relocation service offers a tailored support package to the person relocating, including assistance with official paper work, finding an apartment, opening up a telephone and bank account, and even familiarizing the relocator with shopping or public transportation, if people have problems with using the selection of products in shops or navigating the transportation system. People were satisfied with these services. Some needed them more than others.

It seems, however, that in the future companies that offer relocation services will have to deal with issues of long-term adjustment. Foreign employees and their families have a need for finding media and news that are of interest to them in various languages in Finland. Similarly, alongside their Finnish acquaintances, many long for contact with compatriots, cultural associations and activities in their own language, or the opportunity to practice their religion. A relocation service naturally cannot provide all of these services, but it can have a facilitating role in making a first contact or providing contact information. In particular, family members of a relocated employee are in danger of becoming isolated from their environment, if they are not involved in working or student life. The company that originally recruited the employee can also do much to activate and involve spouses and others who have accompanied the employee in social activities and society in general. Failure of adjustment of the spouse is among the biggest reasons for the departure of a foreign employee from the company.

Connected to long-term adjustment is the need to obtain information about cultural differences in relationships and communication with people, and especially about typical misunderstandings in communicating with Finns. One of the inter-

viewed foreigners obtained helpful information only in connection with the present study.

*"The coldness of Finnish people is starting to get to me. If I had not been able to talk about my impressions with other foreigners at our company, I would have probably gone crazy."<sup>305</sup>*

One could ask whether it might also have been useful to talk to Finnish people. Timely information to help communication could have spared the employee a lot of grief and disappointment in Finns as a people. The employee had already decided to leave the country because of disappointment.

The taxation of foreign experts has been a controversial political dimension in the debate on the Finnish labor shortage. For this reason, the interviewees were asked about their views on the subject. The views were not very organized. Overall, Finnish taxation was not considered very high, but some employees noted that the level of gross wages were lower than at home (for example Switzerland).

*"When I visit home, I feel poor."<sup>306</sup>*

*"Wages are good in Finland, even though you could earn three times as much in the same field in the United States."<sup>307</sup>*

According to the calculations of an employee from California, the combined U.S. city, state and federal taxes approximately equal the level of taxation in Finland. The Australian employee thought that taxes were lower in Australia, but that services had declined, and that this was one of the reasons the employee had wanted to move to Finland. A general observation was that the interviewees had not conducted detailed tax comparisons, or at least it was not a decisive factor in making the relocation decision. *Companies* seeking to relocate do assess and compare many potential target countries according to the level of taxation, but from an employee perspective the issue is more multidimensional. Middle-class relocators (the interviewees) are interested in status of living as whole, which seems to include services in an essential way. The most interesting factor, of course, is the company itself and the position it is offering to the employee.

But does some kind of selection process take place nonetheless? After all, money is generally a powerful incentive for people. The most earnings-conscious among software programming professionals have migrated to Silicon Valley in the United States. There, the entrepreneurial, high-risk work culture and way of life are completely different. Looking at the map in that way, Finland looks like a humane alternative where it is possible, for example, to combine work and family life. Certain people probably select Finland for these reasons. Problems related to tax policies are multidimensional; for example, taxation is made up many different parts, and pension systems are connected

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305. Female, 27 years, marketing. Interview March 16, 2000.

306. Male, 25 years, software expert. Interview February 29, 2000.

307. Male, 27 years, virus researcher. Interview February 29, 2000.

to this topic.<sup>308</sup> Yet taxation seems like a secondary motive from the point of view of skilled immigrant professionals. For them, working conditions in Finland were much more important, and another decisive factor in choosing the country were the human networks that made Finland seem like a concrete alternative and also provided contact information. The increased student exchange begun in the 1980s and the networks of Finnish companies worldwide have promoted the creation of such human networks.

In spite of the above, the life of new economy's nomads is often characterized by struggling in a jungle of incompatible social security and pension systems of different countries. One interviewee wonders whether it will ever be possible to benefit from the pension payments that are deducted from the employee's paycheck.

*"In Singapore you get your pension savings back when you leave the country, if you hand over your permanent resident permit."<sup>309</sup>*

Apart from one interviewee, none of the interviewees intended to live in Finland permanently. Because of the youth of the interviewees, issues related to the schooling of children did not come up. However, based on other compiled data, they will form an important theme in the future. In this sense, the signs that are now visible indicate that there will be an increased need for internationally standardized instruction in other than Finnish or Swedish especially in the Helsinki metropolitan area, but also in other parts of the country. Among languages, English, as the language of globalization, and Russian, used by a significant Russian population, are the most important. On the other hand, not all families want their children to go to a special school, and are happy if the children learn the local languages and form a local circle of friends. There will probably be enough children for all types of schools.

## Job satisfaction and commitment

In addition to wages and financial benefits, foreign employees mentioned numerous factors that increased work motivation and pleasure. The majority of these had to do with the organization and management of the company, which were considered good. As was the case with cleaning employees, most of the motivation among software engineers is common to both Finnish and foreign employees. Unlike among cleaning em-

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308. The need for tax breaks and their connection to the internationalism of different operating sectors requires closer study. It may be that the IT cluster in Finland is already enough of an incentive. If this is the case, the need for tax breaks would be greater in more traditional industrial sectors, such as metal, forest and pharmaceutical industries. The issue should be looked at in context, meaning that factors like who it affects, what other factors would influence the decision to move, how substantial the tax breaks should be to be effective, and how they would affect the Finnish work environment, society and tax morals should be taken into account. Gross wage expenditure and all deductions affecting the issue should be considered, all the way to the pension system.

309. Male, 27 years, localizer. Interview February 29, 2000.

ployees, the motivation speaks of wishes that have been fulfilled and practices that are appreciated. There were few suggestions for improvement, and mostly the interviewees stated a wish for more opportunities for social interaction alongside work, for example break areas to sit around in, and a more social lunch time.

Table 4. Work motivation among foreign data security experts.

	Money	Power, participation	Meaningfulness	Organization
Motivation that Finns and foreigners had in common	<ul style="list-style-type: none"> <li>· Salary</li> <li>· Stock option program</li> <li>· Telephone bonus</li> </ul>	<ul style="list-style-type: none"> <li>· Opportunity to influence one's own work</li> </ul>	<ul style="list-style-type: none"> <li>· Good company values</li> </ul>	<ul style="list-style-type: none"> <li>· Relaxed atmosphere, friendliness</li> <li>· Good coworkers</li> <li>· Receiving recognition (for example, "Fellow of the week" honorable mention)</li> <li>· Recreational opportunities</li> </ul>
Partially connected to being an immigrant		<ul style="list-style-type: none"> <li>· Free time and vacations that make it possible to spend time with the family and in general have a life outside of work</li> </ul>		

When asked about their plans for the future, most interviewees mentioned the possibility of transferring within the same company to another country. These employees characterized themselves as relatively or very committed to the present employer. Both the Finns and the foreigners liked the company culture, but wanted some variety in terms of climate or local culture. The most important reason for transferring to units abroad, though, seems to be that a transnational task rotation provides employees with global business experience, which is very highly valued today. Young, career-oriented jobseekers require of the employer that they have an opportunity to go on assignments abroad, and the companies on the other hand expect them to have international experience. Finnish employees yearn for the opportunity to work in Anglo-Saxon countries, because it gives them the opportunity to improve their English skills. Another observation regarding English-language

global business is that small Finnish companies have trouble finding and retaining the most talented employees, unless they are able to provide work opportunities abroad.<sup>310</sup>

Some were clearly planning not only changing jobs but also employers after 2-5 years of work experience. Not all those interviewed were 'total' nomads, but were instead seasonal nomads who migrated between two locations, with the countries being determined according to their own and their spouse's origin. The factors mentioned as affecting their plans included: the spouse and the spouse's career, possible children, and their children's education. Another important factor consisted of climate and culture. Some foreigners could not tolerate "the cold climate and cold people" for long. The climate, often experienced as a drawback for Finland, however, can be bypassed by working in units abroad. Also the cultural environment changes significantly in a foreign location, even if the employer remains the same.

### The Finnish cultural treasure chest

In examining the commentary on job satisfaction, it is noteworthy that foreign employees seem to have a rather unified perception of the company's management methods or Finnish management practices in general. Since this is everyone's first experience of working in Finland, it is natural that from the perspective of foreign employees, the way F-Secure operates equals the way Finnish companies in general are thought to operate. It is more interesting that the perception of the company's management is so unified. In spite of differences in job titles, gender and country of origin, all related spontaneously that they immensely appreciated the company's culture and operating methods.

*"Management is really good here. Thwarting innovation wouldn't work in this business anyway. This is a good model, no matter where you are from. It is wonderful to see that you are getting respect."*<sup>311</sup>

Westerners are especially admiring of the flexibility and efficiency of Finnish management methods. People from Russia and Asia emphasize freedom and respect for individuals. It is possible to see connecting points here to the proposed motive for high-tech migration. Specialists who are frustrated in their advancement possibilities and in the pace of development in their own societies head to where work opportunities and conditions are better, to a western environment characterized by democracy and wellbeing. Traditionally, this type of migration has been directed particularly toward the United States, but also other western countries, and for French-speakers for instance, toward the metropolitan centers of the French-speaking world. It will be interesting to see to what extent such motives become more common in migration to new migration countries such as Finland. At least Russians

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310. Managing director Selim Ceylan, Rapid Prototyping Center Oy. Personal statement in a meeting of the management group of the research project on 9.5.2000.

311. Male, 27 years, virus reseacher. Interview February 29, 2000.



may find Finland attractive - unless they want to go farther, to centers that are bigger than what Finland has to offer.<sup>312</sup>

Table 5. Foreign employees' perception of Finnish management methods.

Flow of information	Operations	Treatment of employees	Organization
Openness, no secrets (but one has to ask for information)	Efficiency; the organization is able to react quickly, action is taken following a decision The culture is sensible and looks for practical solutions The culture is flexible, not bound by formalities Oral agreements	Individual employees and their time are respected, and employees are listened to and trusted Mutual support among colleagues, supervisors offering help	Organization is flat and feels democratic

No organization is perfect, and the afore-mentioned features are hardly ever fully realized in the life of a work community. Yet the image, with all the praise, is worth closer examination. For some reason foreign employees see the Finnish way of management like this, and like what they see.

Revealingly, Finnish interviewees offer differing viewpoints. The most important theme through which *Finnish* employees evaluate their job satisfaction is the size of the workload, and the ways to maintain an optimal load. They are most threatened by work overload, and feel the greatest satisfaction when they muster up the courage to bring up the issue with a superior, and he or she rectifies the situation. Finns do not speak of democracy or openness, except in passing to say that the work environment has "met their expectations".

Regardless of whether the management model found in the study is a common one or forms an exception in Finnish working life, there are clear indications that the model is strongly *desired* among both Finns and foreigners. Younger generation Finnish employees expect the above treatment as a matter of course, while foreigners are very satisfied after experiencing it. In a worldwide comparison, at least part of the reality of Finnish working life is a factor that attracts those who have the option to choose.

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312. See, for example, Zander 2000.

What about a comparative point of view? Do foreign employees appreciate these characteristics so much because they have previously been without them? Is working life in Finland a kind of paradise compared to other countries? One noteworthy dimension becomes apparent when the Finnish management model is examined in relation to Finnish culture and values. Many characteristics in the picture depicted by the foreigners indicate that the question is not merely one of a phenomenon of working life or management skills, but of the overall impact of Finnish culture. For example, in the organization's efficiency, we can distinguish the influence of the cultural value that *places action before speech*. The straightforward, stripped-down way of communicating, with its attendant avoidance of double messages, ornamental rhetoric and irony, is part of the Finnish tradition of communication. Although this presents a separate set of problems, it is true that it also makes inter-cultural business activities more clear-cut. It is this way of communicating that gives rise to the impression - and end result - that operations are characterized by sense and efficiency.<sup>313</sup>

Basic pillars of the Finnish way of looking at people often mentioned by anthropologists are *equality* and *the individual's right to self-determination*.<sup>314</sup> It is no coincidence that Finnish managers - those who are successful in managing a Finnish staff - have a very well-developed sense of balance. There should be no favorites. In spite of differences in hierarchy, each employee must be treated fairly and on the basis of merit; a culture of moral equality must be created. On the other hand, managers must be constantly vigilant about not treading on the personal autonomy of their subordinates. In practice, this means managing through delegating, and handing over a significant segment of genuine decision-making power to employees. In exchange, a good employee is expected to assume full responsibility for his or her goals and to act to his or her best capacity to achieve the common goals, not only the employee's direct, personal goals. The worst kind of moral and social catastrophe for a Finn is to be labeled a 'freeloader' in the work community. The honor in work is made up of know-how, diligence, responsibility and identification with the work.

Practices that prevail in working life do not always correspond to the culture's deepest value base. Viewed from this perspective, the new financially successful organizations, which use the above-described management model, would seem to fit in with Finnish cultural values even better than their predecessors during the entire period of class society, or the serial production era that tended toward a Fordist distribution of labor.<sup>315</sup> Another way of looking at the issue is that the age-old Finnish (and Nordic) way of looking at people is a surprisingly good cultural infrastructure for units of high-tech capitalism. It provides a basis for practices in which the person who possesses a crucial production factor - know-how and expertise - in other words, the employee, can earn genuine respect as a technical, social, moral and political

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313. This interpretation of the Finnish management style is supported by observations made in the foreign units of Finnish companies. See Ali-Yrkkö et al. 2001.

314. See, for example, Roberts 1989.

315. Cf. Kevätsalo 1999.

player without threatening to dissolve the organization's goals or structure. This is not a simple task, as anyone who has participated in working life knows. Creating an organization and management model in these circumstances has gradually yielded models and methods that now seem highly competitive in the global economy. This point of view deserves to be studied more closely.

Further, the strong impression that foreign employees have of the friendliness of coworkers and the helpfulness of the professional community ought to be placed in the context of the traditional ways in which Finns maintain their own social face or those of others. It is relatively unusual to make your opposition known in working life. People listen to the opinions of others and express interest in their tasks. Direct confrontation is avoided when possible. On the other hand, negative issues, for example concerns, can be brought up rather bluntly. But if the issue at hand begins to approach actual persons (those present), Finns are very reluctant to deal with the issue. On this point, a finding has been made frequently that the Finnish culture of communication does not favor debate. Disagreement on issues is easily interpreted as a quarrel between people. There is also difficulty in distinguishing degrees of disagreement: either there is total agreement or total disagreement. This being the case, people try to avoid disagreement with people who are important to them. In practice, the issue of the culture of communication is much broader and multifarious. Other important factors include the culturally determined basis for trust between people.

A cautious and sensitive atmosphere emphasizes good rapport among coworkers and produces at least one part of the job satisfaction felt by foreign employees. This applies particularly to those who have recently transferred to Finland from another western nation, for example from a Latin cultural sphere, with markedly more aggressive interpersonal styles. Finland represents a relief, because there "one does not have to fight all the time".

It is standard in Finland to hear that Finns are uncivil, humorless, poor communicators, and excessively straightforward and blunt realists. Satu Apo, who has studied the constructs of Finnishness, has come to call the image of Finns of themselves the "ruined identity", even exhibiting internalized racism. Apo makes her case as follows:

*"[...] Stigmatizing Finnishness is based on a quite long-standing positioning that has lasted for over one hundred years (1810-1945), in which the relationship of elites with ideological and political power over those who are governed, 'the people' or 'typical Finns' has been more tension-filled than people have been willing to admit. This time period may be characterized as the era of building and defending the nation."*<sup>316</sup>

Against this backdrop, experiences of Finnish companies' business operations abroad and the evaluations of foreign employees of the Finnish management model introduce fresh, new insights to the discourse. They show that Finnish culture and ways of communicating offer unexpected resources for international business and partic-

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316. See Apo 1998, 84-86.

ularly management. But more information about the culture is needed to better reap the benefits of resources and to avoid the most common pitfalls and misunderstandings.

“Finnish coldness”, experienced as draining by many foreigners, is among the culture’s drawbacks. Even that may provide information if placed in its context. Although the “coldness” is sometimes part of the culture of distrust and “unsolicited monitoring”, it is often connected to a real misunderstanding. Finnish communication is usually very spare, and other people are approached with caution. Apart from distrust, this is often a result of respect for another’s right to self-determination and personal space, and the imperative of modesty, which stipulates that taking the initiative in social interaction approaches excessive self-promotion. When a Finnish person strives toward politeness and tactfulness, regrettably often it results in impression of coldness and reserve. Occasionally tactfulness will result in actual abandonment, for example when passers-by in the street pay no attention to a person who has fallen. Such situations constantly evoke wonderment among foreigners. This interpretation receives support from repeated observations about business life in Finland, according to which Finnish companies are good at managing business but less good in managing people.

It is clear that in order to make better use of the management practices in question here would require more, and more in-depth, study of the Finnish culture. Research should be in the hands of people who represent academic disciplines specializing in cultural research, among them anthropology, to avoid the superficial stereotypes so common in business. The term used in this article, ‘Finnish culture’, refers to a rather broad generalization of ethnic-national cultural forms encountered in Finland and in Finnish networks, and especially in their invisible parts, i.e. world view, way of seeing people, set of values, and communication methods. As a generalization, it unavoidably contains inaccuracies and a margin of error. Readers who are familiar with Finnish culture have experiences of many kinds of regional, social, linguistic and even ethnic variation. In addition, it may be noted that Finnish culture is changing constantly as its history evolves. More than a ‘software of the mind’ that determines human actions, it is a kind of game board with its own rules, used by different Finnish people as they work to reach their goals. The ‘rules’ of culture are simply not as clear and well defined as those of a board game - at any given time, they are being challenged and debated on many fronts. Still, they help to find a way of looking at the world and offer the community the possibility of at least a somewhat coordinated shared life. This is clear for everyone who thinks of his or her own cultural heritage. But when comparing cultures it is easy to forget that for every generalization used in the comparison (for example, ‘Finnish culture’), in reality there exists a world that is as complex and dynamic as it is conflicting.

## Managers

All of the foreign employees who participated in the study depicted their managers as friendly, and their interaction with them as characterized by informality, underlin-

ing a culture of equality. According to them, a flat organization is a good organization. No one complained of being monitored, nor forgotten. As mentioned above, foreign employees greatly appreciate many characteristics in management that Finnish people consider more or less self-evident. Finnish employees also assessed these same characteristics critically:

*"Sometimes informality and oral agreements lead to confusion about who is supposed to do what."<sup>317</sup>*

*The newest recruits may receive little notice from managers/supervisors:*

*"I get feedback, if I ask for it. My project is at the beginning and still a little disorganized, and I'm new. Bosses are busy too."<sup>318</sup>*

In other situations as well, it seems that employees have to ask for feedback. What about the general flow of information within the organization? According to the interviews, the information flows, if mostly from top to bottom, and employees have to be active in asking for it. This can be interpreted as being related to a company culture that emphasizes being active and having initiative on the part of employees. The case was similar in recreational offerings: employees are able to push through their own ideas and preferred activities if they boldly propose them. This suits Finnish employees well. It emphasizes the impression of self-determination. It also suits a young organization with a relatively small staff. As the organization grows and a foreign employee joins an already established organization, he or she steps up to a table that has already been laid. The first question to be asked then is not what should be changed. And yet, desires that have to do with issues like information, eating or recreation may be troubling to employees. It would be good to create a channel, legitimized by the company, for expressing wishes that could enhance the adaptation process. At the same time, the new recruit would be told that he or she is going to have to voice any wishes or concerns. In other words, tutoring could be expanded to cover not only work content but also company culture. In much of the world's work communities, the views of employees are not really heard, and so employees are not used to bringing them up.

## Coworkers

The mutual support and friendliness observed by foreign employees at the company is in part a result of the afore-mentioned interpretation. Nevertheless, there is no doubt that helping and supporting coworkers are a reality at the company. The work atmosphere seems friendly and relaxed. These positive features must have been present at the foreign employees' previous work environments. For some new recruits,

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317. Male, 25 years, software expert. Interview May 19, 2000.

318. Male, 30 years, software expert. Interview May 10, 2000.

the style of interaction of Finnish culture makes an already friendly workplace seem downright ideal.

Many employees have formed friendships, and there are networks and groups of friends in the workplace. They often spend a lot of time together, also outside of work and in activity settings. At the same time, there are employees who “just go to work”.

Ethnic groups and nationalities seem to coexist happily at this company. With the exception of Finns and Russians, none of the interviewed employees even mentioned ethnicity in discussing coworkers. Although prejudices are strongly present in today's society, and some employees may represent groups that are in direct conflict with each other in the world outside of the company, these disturbances did not seem to reach inside the company. Based on available information, it is only possible to make the preliminary assessment that personal acquaintance and sharing everyday work help transcend barriers between people, and even help to examine them together. At work, people learn information from each other daily concerning the world and its cultures. As a Finnish employee commented:

*“It's good that there are foreigners [in the workplace], it opens up new perspectives. You can practice English and global operating. I may go work abroad myself at some point.”<sup>319</sup>*

In global business, information about cultures has become its own brand of human capital, which employees like the one quoted above like to obtain from one another, with the ultimate motivating factor being a possible future job assignment abroad.

The image of ‘peaceful coexistence’ would not be believable without a minor flaw. The interviews brought forth one mention of a dispute that did not ‘become ethnic’, but came close. In an incident between employees of two nationalities, the waves from the world outside the workplace were about to crash inside the organization, but the situation was successfully neutralized. Recalling the episode, the interviewed employee reported having learned that it was necessary to be patient. It is apparent that the incident is not unique in Finland, and will not be the last. Patience can be practiced consciously, in the peaceful image of cultural awareness and coexistence. The reasons are the same: success of the company and the ability of employees to operate globally. Crises and friction are part of the cultural encounter, and in *surpassing* them lies the core of cultural competence. It is necessary in this, as in other unexpected situations where “the fire has to be put out”, that people in the organization know who is responsible for making the arbitration proposal, so that the dispute is prevented from escalating while everyone waits. It is also important to assign enough resources and prestige to the arbitration of disputes.

## Clients and networks

Knowledge of local culture and language skills are globalization's paradoxical companions. Operating in the worldwide market requires knowledge of the relevant local

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319. Male, 25 years, software expert. Interview May 19, 2000.

markets. These needs are also present to varying extents in different job titles in the studied company. More than any other group, the new profession of *localizers* operates on the basis of these needs, as they translate and tailor software and company service packages for clients in different parts of the world. Many others too, in customer service and network management, need more than excellent English-language skills. Many were hired at least in part for their knowledge of certain local markets and their language skills. Others used their knowledge unofficially as needed. There is no question that a multinational or multiethnic employee base is a business advantage in this sector.

### Cultural elements in the workplace

None of the interviewed foreigners complained about having to live “with a flag on their back”, labeled by their country or origin. At work, they represent only themselves and are treated as individuals. In the very beginning, though, the first foreign employees experienced some labeling, but now it seemed to be a thing of the past.

*“The feeling of being foreign disappears quickly, since we speak English here. Global atmosphere.”<sup>320</sup>*

*The company tradition of serving national dishes for lunch on the national day of each country is very popular with employees. This is true for one’s own nationality (“On those days I feel like I’m home ...”) as well as others (“It’s good to have cultural visibility.”).*

*In addition to lunches, the company has organized small breaks and cultural programs about countries or regions that are home to some of the company employees. The interviewees supported these activities unanimously. The activities were considered pleasant and refreshing, and were thought to bring employees closer together.*

*“It’s always good to learn something new.”<sup>321</sup>*

*At the same time, many expressed the reservation that people should not be labeled.*

*“I would allow individuals the possibility to be what they want to be.”<sup>322</sup>*

Employees want more to be *consumers* of culture rather than *producers* of culture. In this context, culture is visible, presenting different customs and traditions, and invisible, comparing different ways of thinking and acting. A Finnish employee expressed the idea like this:

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320. Male, 25 years, software expert. Interview February 29, 2000.

321. Male, 27 years, virus researcher. Interview February 29, 2000.

322. Male, 30 years, software expert. Interview May 10, 2000.

"We do talk in a really good atmosphere [with foreign coworkers] about different ways of looking at things; you learn from that. But the coworkers are individuals."<sup>323</sup>

Connected to the cultural offerings of the workplace is the observation that Finnish culture, too, deserves a separate presentation. A small work break program can just as well be constructed out of the elements of *Runeberg's birthday* as of *the French Twelfth Day celebration*.<sup>324</sup> This represents a surprising relief for those employees who expect of all kinds of 'tolerance campaigns' to bring in all the cultures of the world, while sweeping the host country's culture under the rug. At the same time, it is good to remember that the host country's culture is present anyway in many ways in the everyday life of the workplace, if nowhere else than in the holidays and celebrations during the work year. In the eyes of foreign employees, this is part of a cultural program, even though representatives of the original population do not see it that way. Hence, some Finnish employees may have the impression that the organization arranges "only foreign programming", while foreign employees may be equally convinced that "so far, we have mostly had Finnish culture". For future reference, then, it is worthwhile to remember that cultural programs are popular and entertaining, and they bring members of the organization a lot of satisfaction. At the same time, though, they may bring to light less desirable competitiveness. In the end, and as childish as it is, people are a little bit jealous of their own traditions. Traditions offer a wealth of life experiences, but they can also inspire nationalist undertones. For that reason, cultural programs should be relatively reciprocal and balanced.

As a matter of fact, there is no need to stick to national clichés in programming. Different hybrid cultures, minority cultures and neo-cultures can spark creativity. Also, the barriers between traditions and art can be broken. Connecting to the backgrounds of employees is not so essential after all; rather, acquainting a multinational staff with one another can be a natural part of a company's larger recreational and cultural activities. This eliminates the awkward "one for me - one for you" situation.

## Diversity as a conscious human resources policy?

According to the head of human resources, hiring different kinds of people has been a conscious plan at the company. The study reveals that the company culture emphasizes merit-based equality in all operations. Those with small children are assigned reasonable and steady working hours. Only women express some complaints about the male-centeredness of the recreational activities. In the future, in connection with the planning of new office space, the company has the opportunity to take into ac-

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323. Male, 25 years, software expert. Interview May 19, 2000.

324. Johan Ludwig Runeberg (1804-1877) is Finland's national poet, whose lyrics appear for example in the country's national anthem. His birthday is celebrated on February 2 with special sweetcakes named after him. French Epiphany (Fête des Rois) on 6.1. is celebrated with a special almond cake, containing a surprise object, and when discovered, earns a crown on the head of the discoverer, who will then encounter happiness in his or her life.



count in advance the needs of physically disabled employees or others with special needs.

As stated above, all employees expressed the wish to have culture in the workplace, but shied away from labeling employees as 'representatives of cultures', quotas or similar measures. Two of the interviewees were from Anglo-Saxon countries. They had experience with anti-discrimination work mentioned in the beginning of the article, and they were also familiar with the diversity management trend. These employees joined in the common wish for culture without labels. But in addition, they also expressed the opinion that some type of monitoring is necessary in order to notice early on that an ethnic hierarchy is developing in a company, or that cliques are forming among employees, or that there are persistent suspicions of unequal or unfair treatment.

### Ideas of a data security company

The study revealed social innovations and good working methods that have been adopted by the company or that could be developed further to attract immigrant and even other labor and to maximize their utilization.

**Relocation:** *Services of a relocation firm, and financial assistance for the mover, tutor services and special arrangements for the first workday, arranged by the company itself, all form a bridge to Finland and the workplace, making it easier to make the decision to move. These practices have become more common in recent years in internationalized Finnish companies, to the point that a small market has been created in Finland for companies that offer immigrant relocation services.*

**Company culture:** *Finnish management (style), which is highly popular among foreign employees. Special practices that have received praise included rewarding employees, especially the "employee of the week" title, and others that promote good camaraderie among coworkers, for example recreational activities. Recently, management has included a new, joint objective to support the prevention of work fatigue, burnout prevention. Managers who observe messages concerning workloads take them seriously, and tasks are reshuffled if necessary. This may be viewed as a countermeasure to the myth of the tireless mega-nerd that prevails in the field. In the final analysis, the question is of a company culture that is based on enduring values. The company is being built with long-term goals in mind, and it invests in people and the future.*

**Multinationalism:** *A program with a cultural content in the workplace and in recreation represents, in spite of its frivolous reputation (fun and recreation), a substantial business advantage. It bonds together the multinational mosaic of the work community without labeling individual employees. Even a data security company can fearlessly appear in public as the defender of its workforce and its unprejudiced personnel policy. This is presently not very difficult, because the kind of social pressure that is directed toward financially more fragile groups is not directed toward immigrant specialists. The significance of this issue may grow in the future, if the volume of immigrant labor from outside Europe increases.*

## Alternative viewpoints for dealing with diversity

The cultural or ethnic diversity of personnel is an undisputed resource to the extent that we are speaking of *cultural knowledge* as a resource for the company. Cultural knowledge, a set of resources that contains various types of human capital, usually refers to language skills, market knowledge and international work experience, some of which are already utilized in the current economy, and the rest could be adopted with minor investments. The personnel of the data security company act as an example of how language skills and market knowledge can be used. Other examples include using international experience in deciding which people are assigned which tasks. With minor investments, it would be possible to utilize the language skills or other cultural experience of a cleaning person or engineer, for example, in customer service or product development.

An entirely new approach is needed to *utilize implicit cultural knowledge*, to transform differences in thinking and worldviews from a friction factor into a resource. One group of people that could be immensely useful but has received very little attention is the group of people with a double or triple set of cultural backgrounds. These are people with deep-going experiences of multiple cultures, typically children of international or immigrant families. Also those who have lived extensively in different countries sometimes have the ability to view matters from different perspectives simultaneously. They may be able to act as cultural bridge-builders and 'translators', who solve misunderstandings and combine different elements in creative ways. In a broader sense, the issue has to do with multidimensional problem solving abilities, flexible thinking and multi-professionalism. A multiethnic growth environment and the associated life experience of managing risk situations gives birth to individuals with multiple sets of skills, for whom social skills are central. This is exactly the kind of know-how that the networked, team work-oriented working life expects.

## Culture in the workplace – individuals as consumers of culture

People in both the cleaning service and data security company agree that culture is something good and that an interest in it is the mark of a civilized person. This is true when the interest is directed at, for example, English vocabulary or Japanese cuisine. It is also true when interest is directed at wanting to know why Muslims do not want people to walk in front of them while they are praying.<sup>325</sup> Also less visible traits, such as values and communication traditions are objects of interest, although in this context colloquial speech limits the discourse. *Information about culture* is considered valuable, and cultural programs are welcomed in workplaces.

Conversely, there is no inclination to make culture into *a tool to classify people*. Cultural programs should not make employees into 'mannequins of their own culture'. People retain the right to use culture for their preferred goals, and to act as genuine

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325. Muslims do not like it, because the passer-by places him- or herself between the sayer of the prayer and God.

agents. For one another, coworkers are examples of how individuals never fulfill the characteristics of stereotypes. Still, traditions are a source of human wealth, and their presence in the workplace gives opportunities to discuss variation and personal preferences. This should occur naturally, without the straitjacket of group membership. For employees, culture is the product of people, not the reverse. This layman's view does not really hold up to an examination of cultural psychology. The phenomenon is usually described among experts as a continuing process in which the individual, community and culture (re)produce one another. The layman's view favored by interviewees, however, is psychologically far more useful than the alternative concept of people as puppets 'programmed' by culture. Questioning individual agency (free will) produces anxiety, which may be one reason why talk of multiculturalism encounters resistance. Researchers' view of a never-ending process of communication, on the other hand, is unfortunately difficult to envision in everyday life.<sup>326</sup>

## Creating trust

In the studied workplaces, cultural diversity has progressed slowly and from below, without proclamations from management, visible campaigns, or manager training. This is not necessarily a negative thing, except for managerial overloads witnessed in the low-wage sector. The bliss of a slow awakening may be in that development has been permitted to advance peacefully from the starting points of local working life. It is clear that results - practices and attitudes - have not been uniformly positive, but the examples presented in this study indicate that even when proceeding from the starting points of Finnish working life, it is possible to find highly successful solutions for managing diversity. This is important in the future, because imported models rarely end up working.

The observation that Finnish employees, interviewed and observed in the study, wanted to cooperate with foreigners, considered different cultures as a source of civilization, and were prepared to examine differences in worldviews, re-evaluate their own cultural identity, and learn new things, becomes underlined in this context. Even though interviewees themselves did not use this terminology, the meanings are the same. This held true for both cleaning employees and data security specialists. The most far-reaching finding was perhaps that these reactions were spontaneous.

More reserved attitudes toward foreigners could also be discerned during the interviews. This came up systematically when the researcher brought up a term or claim that had been labeled "politically correct jargon" in public discourse. For example, when interviewees were asked how their companies had taken into account the different needs of foreigners, for instance the practice of religion or a vegetarian diet, the replies were not devoid of defensive comments to the effect that people are in Finland now, and that first and foremost people should follow Finnish culture. The tone of these responses was surprising in the sense that the same people had just previously expressed their pride in their multinational workplace and reported respecting

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326. See, however, Cole 1996; Shweder 1990.

their coworkers as individuals. Participatory observation confirmed that this was not hidden discrimination, and Finnish employees genuinely accepted their foreign coworkers. They spoke with them, helped them in work tasks, and spent time with them in the context of recreation and hobbies. What is the reason, then, for the reserve?

There is another interpretation that is perhaps more to the point. In between the lines of a claim recognized as "p.c. jargon", people are used to reading that *a multicultural work environment* is created solely on the conditions of immigrants. This would explain the strict "when in Rome, do as the Romans do" argument. If this is the case, it presents employers with a sizable task in maintaining a good atmosphere. Teaching tolerance may easily end up ending tolerance. In this sense the developments described here offer a valuable example. Here, employees and lower management have sought forms of coexistence with foreign coworkers on their own. Regardless of shortcomings, the development has achieved what is hard to come by through encouragement from outside: trust.

## Diversity - a part of management

Shifting toward a knowledge economy, as it is described now - that intellectual capital is gaining ground over traditional capital as an important competitive edge - is a big change, closer to a revolution.<sup>327</sup> If visions of the future become reality, society will experience truly far-reaching changes. Because those with specialist skills become valued to an unprecedented degree, it is necessary to use all available methods to bring about committed and innovative employees. A skilled organization must be managed in a way that retains the skills within the organization, attracts more skills to serve the company, and keeps them growing in a positive work environment. A good atmosphere and good camaraderie among colleagues form the foundation of a skilled organization and its social infrastructure, which will support creative teamwork, among other things. At the top of the list of guidelines for retaining skilled employees, however, there are tried and true methods. Some of these became taken for granted in Finland long ago. Specialist immigrants, used to stock options and other benefits, for instance, greatly appreciated such a basic value of Finnish working life as the possibility of having a say in their own work.

The culture of equality that is rooted in Finnish culture's value base, and the work practices that are intertwined with it, seems surprisingly well able to meet the current transition in economic development. Both culture and politics are at issue here. What to Finnish people look like working life's conflicts, struggles, negotiations between employees and employers and benefits that have been achieved in the course of his-

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327. OECD report from September 2000 states:

"In the economies of OECD nations, expertise that is personified in people, or "human capital", and technology are becoming more central for productivity and growth. Immaterial factors are increasingly surpassing traditional production factors, such as (natural) resources, (physical) capital and (manual) labor from their key positions in a company's competitiveness." (p. 3).

tory, to foreigners merely look like a fully established Finnish model. The future will show if this “model” can be used to attract skilled employees.

Finnish working life practices provide a fertile ground for diversity building. The communal nature of working life, various employer-organized or spontaneous recreational and wellness events and joint parties offer opportunities to develop camaraderie between different employees. Also, a general interest on the part of society toward measures to improve working conditions and work communities form a valuable starting point. The diversity viewpoint can easily be integrated into many measures of work and community improvement, and in this way it becomes more discreetly accepted. The results may also be expected to be longer-lasting than if the matter had been introduced as “a new science” that was handed down from the upper echelons of the hierarchy, and that employees are supposed to swallow whole without questioning. Finnish employees want to be genuinely heard, to know that their work is appreciated and that all decisions can be justified by using “common sense”. When people feel like they have genuinely impacted not only decisions but also how and what questions are posed, they commit themselves.

Employee participation does not mean that company management is free of all responsibility concerning diversity. Diversity building and the climate among employees must be monitored, and if discrimination or other problems come up, management must intervene immediately. Company management is responsible for the wellbeing of employees and for putting into use the benefits of diversity. Instead of a visible strategy, however, it may opt for an indirect strategy in which diversity objectives have been incorporated into broader development aims using the permeation principle.<sup>328</sup>

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328. This approaches the mainstreaming concept popular in Finland and the EU. The concept has been used to describe a strategy in which the needs of special groups are taken into account by making the system itself more flexible, instead of finding a separate solution for each special group.

Mainstreaming is defined as follows in a work entitled *One Hundred Words for Equality*:

“The systematic inclusion of women’s and men’s situations, priorities and needs into all politics in a way that promotes women’s and men’s equality and utilizes all general policies and measures to attain gender equality by actively and openly considering already at the planning stage their impact on the situations of women and men in terms of implementation, follow-up and assessment.”

The challenge in mainstreaming is to find a suitable way of keeping the goals of gender equality as part of all activities also after special, separate methods have been eliminated. There is a danger that integration does not occur and gender equality is simply forgotten, if there are no “watchdogs” in workplaces.

## Diversity - one of the objectives in working life

Research and development of working life have a long tradition in Finland. Within that sphere, methods have been developed to influence the organizational cultures of workplaces in a way that involves employees. A noteworthy recent venture in Finland is the *National Workplace Development Programme*. Its many sub-projects have revealed a trend for updating management models, and through that, ensuring the competitiveness of a national economy that is based on expertise.<sup>329</sup> The development projects within the program call repeatedly for teamwork, positive atmosphere, multi-professionalism and bottom up-style information flow (from below toward the top and from clients to the company). These challenges coincide with the kind of management that was appreciated by the foreign employees interviewed in this study. Today, it would be useful to view the competitive advantage afforded by good management as not only a factor internal to the country and promoting production, but also as a direct advantage in the competition to attract skilled employees.

## Relaxed, naturally diverse work communities

For the workplace, cultural and ethnic diversity carry great resources which, if released in the right way, will provide energy toward the main mission of the organization and feed the community's creativity. The striking evidence of this study is that, even in the midst of a time of change, full of fears and uncertainty, employees in different places have set off to create an atmosphere of trust, to act as the foundation for a multiethnic work community, by encountering their coworkers voluntarily as equals. Even so, tolerance training, with its tones of religious liturgy, may still encounter resistance. This is why the general quality of management is crucial. All employees must be able to feel that they are being treated fairly, and the majority population must feel secure that diversity does not mean operating on conditions determined by immigrants alone.

If management is working, diversity is working. Diversity needs to be stripped of any undue exoticism. Special issue status will otherwise render it into an oddity that is identified with immigrants and minorities, and soon many of the problems of a work community will be seen as caused by immigrants. Structural factors will disappear out of sight. It is, therefore, best to keep the focus on general management, while ensuring that goals related to diversity are not forgotten. Workplaces will probably need to have "watchdogs" - simple monitoring systems of equality and fair treatment - or even methods that are agreed upon in advance, so there is effective intervention in cases of possible discrimination or conflict. The other parts of the diversity perspective may simply be incorporated into management, workplace development and research of working life. If this is done successfully, nations like Finland may be in an even better position to achieve thriving diversity than many old countries of im-

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329. See, for example, Virkkunen et al. 1999; Alasoini & Kyllönen, eds. 1998; Alasoini et al., ed. 1997.

migration. At least countries such as Finland do not suffer from burdens like the traumatic history of slavery or the arrogance of old colonial powers.

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# Conclusion: Toward new immigration strategies?

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The immigration debate that has been waged in Europe in recent decades has focused on immigration's problems. The reason for this focus lies in the change that occurred in migration in the 1970s and 1980s, when changes in industrial production structures and economies shut the doors on new immigrant workforce. Western countries no longer needed low-educated labor to work in low-level jobs on the terms and conditions that welfare state protectionism had brought to the labor market. Because the immigrants who did arrive came for reasons that were mostly unconnected to a demand for their labor, they were viewed as a burden on the national economy. Immigrants became the responsibility of the social sector. Increased unemployment in immigrant communities and their endemic misery were quickly labeled a social problem that should be tackled by developing a policy of integration. An endless number of projects emerged to educate the majority population to become more tolerant, combat racism, prevent social isolation, and activate the unemployed.

Even though Europe had officially entered a period of zero immigration policies, new immigrants continue coming, attracted by already existing immigrant communities and because pressures to leave behind developing nations were increasing. The asylum institution became an object of speculation, and there was discussion of preventing its use for purposes of economically motivated immigration. As legal ways to immigrate have dwindled, expanding illegal immigration to Europe has spawned a huge gray economy on its fringes, connected with various forms of criminal activity. Because of the negative effects that were associated with immigration, both immigration and immigrants became a sensitive issue and a way to measure political sympathies. This development served to polarize the debate and gave fodder to populist excess in all political camps.

At the same time as Western Europe sealed itself more and more effectively against the world's migration pressures, the flow of capital became increasingly international and gained rapidly in volume. Capital, goods, and ideas crossed national boundaries with unprecedented ease, and their movement was facilitated and hastened through political, economic and technological means. Globalization optimists proclaimed that an open economy was an efficient source of well-being. Looking at the world from the headquarters of a corporation that participated in the global economy, the entire world shrank to resemble one huge business park. The community inside the park's bounds began to express interest in fitting together the culturally determined behavior and values of all its members. The hustle and bustle of the world outside – its unrest, problems and demands for change – sounded only as a distant murmur through the frosted-glass windows of the headquarters. Inside the compa-

nies, discussions about internationalization and global recruiting of key operatives remained detached from the immigration debates that were being waged in society at large.

Economic globalization has concrete consequences for societies through their labor markets in several ways:

- The flow of capital puts pressure on the movement of labor. Simultaneously, immigration regulations become increasingly selective.
- Economic competition across nation-states' boundaries alters the structure of the workforce. The core workforce, made up primarily of the majority population, shifts away from sectors affected by structural change as the terms and conditions of work decline. The resulting labor shortage is filled with a buffer workforce that succumbs to less advantageous terms and conditions of employment. In this workforce, immigrants are proportionately over-represented.
- Global economy's successful corporations, especially within the new economy, have their own talent pool in the efficiently networking nomads of the global economy. The sector has created its own English-language communities in different parts of the world. Even though this group may be diverse in terms of its members' ethnic background, its lifestyles and choices make it rather culturally homogenous.

As the western world approached the 2000 millennium, it began to ponder where it could obtain the workforce needed to fulfill the deficit brought on by an ageing population. The problems of domestic labor markets have long been structural: supply and demand of labor do not meet for a number of reasons. Therefore, post-communist and developing nations are now eyed as potential labor reserves. The population dilemma requires that society's participants change their attitudes quickly, as the strategy of protecting countries from immigration now needs to be overhauled and transformed into a tactic of enticing new workforce. Inside the European Union, decades were spent trying to come up with ways to keep immigrants out. Now, countries involved in that process find themselves in a situation where they have to compete for the "right" immigrants and try to attract experts in an increasing number of fields to join their labor markets. Continuous immigration is becoming a necessity for a viable economy – and not only because of the care that an ageing population will require.

Finland, which provides the geographical context for our book, is an example of the new immigration-receiving countries of Europe. Finland was an active participant in the internationalization of the previous globalization period at the turn of the 19<sup>th</sup> and 20<sup>th</sup> centuries. Its economy benefited from that phase of internationalism: many of the things we consider necessities in the present society were imported to Finland by foreign capital and foreign entrepreneurs. The internationalism was interrupted by two world wars and the era of protectionism that followed. Two generations came

into adulthood before the period of isolation in the 1990s, when the Soviet Union broke apart and the new globalization began.

In the interim of the two eras of globalization, Finland underwent massive internal migration and urbanization. The country's capital has been the melting pot of regional cultures, testing the skills of coexistence. Finns also flocked to other countries, especially Sweden. As a national identity was being formed, a self-image of a unified people was constructed, a people that clearly differs from its neighbors and former rulers. The golden age of cohesive culture was, however, robbed of two generations. Those who finally reaped its benefits were the generations that grew up in conditions that were welded together by internal migration, television, and comprehensive schooling. Not until the opening up began in the 1980s did Finland really experience the illusion of a homogenous Finnish people, in large part due to comprehensive schools that guaranteed all students would study under the same school curricula, with the same content, and where extensive social security guaranteed economic survival. Mentally, it still seems difficult to let go of the egotistical idea that only Finns can live in Finland. People often seem to think that Finns are welcomed all over the world, but the world itself is not welcome in Finland. It is as if Finland were a secret place to which only club members have the entry code; during the period of isolation, what Finland did not have was an international, public space.

The country's self-image of having a cohesive culture has afforded the welfare state system a solid legitimacy, which is based on the fact that people receive something from the state in exchange for their taxes. An unwavering faith in the power of cohesive culture is problematic, however, when society must change from exclusive to inclusive, in other words become capable of including as members people who were not born and bred in Finland. The changing population structure and the demand for labor that is thus created are forcing a change in attitudes, especially because the changing demographics will hit Finland harder than most other EU countries. The reason that the transition will be more dramatic in Finland compared with most western nations is that Finland has not experienced the same steady stream of new population through immigration as the receiving countries of Western Europe – no matter Europe's closed-door policies.

Our book attempts to show how the immigration debate is linked to social challenges that are connected to labor demand, entrepreneurship, workplace development, and participation in the global economy. The debate may be rendered in concrete terms by examining immigration from the viewpoint of four social and economic needs.

## Demand for labor

Changes in population structure and the increasing domination of services will decisively shape the labor market in the near future. The increased international mobility of labor may offer partial solutions to the recruiting problems and actual labor shortages that occur differently in different fields. An *active immigration policy* requires measures from all areas of public administration. Bureaucratic flexibility in residence

and work permit issues represents only a small portion of the measures that are needed. It is not enough merely to change immigration policy (entering the country, residence, and naturalization). Broader rights to social security than those currently in effect are needed, regardless of country of residence, as well as modifications in city planning, housing policy, and the comparability of education and degrees. The central issues in demand for labor can be summarized as follows:

- In the next 5–10 years, working life will experience a generational shift.
- Demand for services will expand and become more specialized.
- Immigration may offer partial solutions to the impending labor shortage.
- To function well, immigration policies must be sustained and promote integration.

*Integration policy* must also be expanded to apply to other immigrants besides just those who are receiving income transfers. In many cases, the immigrants who migrated during the first European migration wave following World War II bore the brunt of a changing labor market, which drove those without education or language skills out. In order to learn from past experience, it is necessary to extend the principles of integration policy also to those immigrants who enter the country because of labor demand. The previous wave of labor-force migration showed that after they are no longer wanted in the labor market, a large number of immigrants do not return home, but instead settle in the new country with their families and, in time, form permanent minorities.

Freedom from prejudice against people and ideas bestows competitive advantages. We cannot afford prejudice. The young people who replace baby-boomers in the workplace expect good organizational culture and sustained values on the part of the employer. If their expectations are met, the workforce stays committed to the company and the company attracts members of the new generation from other countries as well. Similarly, the brain drain out of the country sucks out not only members of the majority population, but also immigrants trained in that country who leave to work in other western nations, or return to their country of origin. Part of transnational networks, these expatriates can benefit from their knowledge of different countries. Especially for small countries like Finland, of which very little is known around the world, such transnational networks are an essential resource in the international context. Transnational networks do move capital, but they also transfer innovation and a workforce of experts.

## Demand for expertise

In the current economy, the most burning demand for high-tech skills concerns information and telecommunications professionals. Visions of the future mention the skills required by bio-fields and the culture industry. But the systems of technology and commerce develop and change so rapidly that it is difficult to predict future de-

mand for skills very far into the future or with any certainty. Only highest-quality *educational systems* can guarantee that there are enough people with the necessary skills for fields that are not the objects of immediate economic interest. The same applies to company recruiting policies. Companies, or at least their networks, should boast a wide array of different types of experts in their reserves, who can step in and help the company to respond quickly to new challenges.

At the same time, global business requires local skills like language skills and cultural knowledge. They have become an important brand of human capital, valued by corporations and sought by employees who travel the world in different “investment” locations. The cultural and ethnic diversity of personnel is an undeniable resource when it comes to *cultural knowledge* as a business resource. As a constellation of intertwined human resources, cultural knowledge refers mainly to language skills, market knowledge and international work experience. An entirely new approach is needed when it comes to *utilizing silent cultural knowledge* – converting differences in worldviews and ways of thinking from friction-inducing factors into resources.

A third future challenge is connected to *expert organizations*, which need experts with management skills. The greater emphasis on research and product development can be seen in the newfound interest in creativity.

In a complex world, people navigate with the help of good self-knowledge. This means a good knowledge of one’s own “national” or local culture, but also knowledge of the culture of one’s own organization. The real benefits come from acknowledging basic assumptions and basic values that have been seen as self-evident. The *Finnish democratic management style* elicits real appreciation among immigrant employees, though Finnish organizations have not yet realized the full implications of this. To be able to benefit from this competitive edge requires a better grasp of the invisible side of culture: worldviews, assumptions, our view of people. There are organizations in Finland, whose human resources policy represents a competitive advantage in the eyes of the global talent pool.

Nordic welfare states have a good reputation. This reputation induces young experts to come to Finland and other Nordic countries, particularly those who are seeking a “humane alternative to Silicon Valley”. The level of safety, a clean environment, efficient public services and a well-functioning infrastructure are all part of the attraction. *Social capital* is enhanced by openness and service-oriented administration as well as a low occurrence of corruption. In spite of views that the future of welfare state services is in danger, looking in from some other countries, they are still very real. A challenge for the future is that the reputation of a humane and safe society must be maintained in order to attract and retain experts. The welfare society, which in the global economy has often been viewed as an extra expenditure item, turns out to offer a competitive advantage in attracting expertise to these countries.

On the basis of the study, the factors connected to the economy’s demand for expertise can be summarized as follows:

- It is increasingly clear that the expert workforce of the global economy are actively mobile in the global labor market.

- Global business requires local knowledge.
- Attracting and retaining experts requires resources, such as a good management reputation, transnational networks, and retention of the strong aspects of the welfare state.

In attracting expertise, it is essential to remember that skills come attached to people. A skilled individual has needs in addition to economic and intellectual ones. He or she brings along a native language, cultural frames of reference, an ethnic identity, consumption habits, a possible family. Individuals consider recruitment from their own vantage points and evaluate the overall benefit to themselves. Although campaigns by governments and corporations have an important role in spreading information, *transnational contact networks* still remain a central factor in inspiring the decision to move. Such networks are formed by international corporations as well as foreign students who return to their countries of origin, and other emigrants.

## Demand for connections

More and more corporations with strong national characteristics are now global actors. Some of these companies have come unmoored almost completely from their national origins, while others have been sold to foreign owners but continue largely to operate with the same workforce and remain connected to their home country. If a national economy is to succeed, it is not significant who owns the companies, but whether they continue operating in that country. Activities connected to skills are especially important. Future wealth depends on how expertise is created, attracted and retained. A small country can succeed by offering a quality environment to participants in the global economy. Competing with cheap production costs does not promise a viable future. Internationalization is also not yet complete – and small businesses need assistance. Large and experienced corporations need a new approach, in which the role of culture and operating in foreign societies are analyzed in more multi-faceted and systematic ways. The world's diversity and cultural differences are resources that can only be properly taken advantage of with the help of a strong corporate culture and long-term planning.

Culture and migration have emerged as objects of interest in the post-Cold War world. People have sought explanations for the differences in different countries' competitiveness in culture. Companies that operate in the global economy are showing a growing and earnest interest in cultural knowledge and diversity management. Immigrant communities and their entrepreneurs are beginning to be seen as participants in the global economy. At the level of nation-states, cultural differences have been associated with minority politics and the integration of immigrants. At the same time as new cultural forms appear in the wake of migration flows, local and traditional cultures vanish. The dangers in the globalization of culture are the growth of inequality, racism, growing support for the extreme political right, and terrorism.

Influences and innovation have always traveled and will continue to travel with immigrant entrepreneurs. Today's immigrant entrepreneurship offers the potential for

expanding international connections. To attract expertise and succeed in an open economy calls for active interaction, and the free movement of capital, innovation and people across national borders. At the same time, however, there is a growing risk of illegal immigration, gray economy and international crime. To be successful in the current environment requires management of these risks.

The challenges associated with the need for connections can be summarized in the following way:

- Future wealth depends on how expertise-based business activities are created, attracted and retained in the country. Immigrant-owned businesses have been and are now part of these activities.
- In an open economy, success is contingent upon cross-border interaction – and in this, the transnational networks of immigrants can be a success factor.
- Small and large corporations have different needs with regard to internationalization.
- The dangers in the globalization of culture are the growth of inequality, racism, and growing support for the extreme political right. In striving toward a better kind of globalization, the risk for harmful globalization increases simultaneously.

## Need for social cohesion

Economic life requires that people are able to move freely. But does the differentiation of lifestyles and values threaten societies' solidarity, identity and stability, which are the foundations of welfare society? The success story of the welfare state was based on the ability to create institutions that help prevent and arbitrate conflicts arising between different population groups. In a multiethnic and diverse society, the ability and desire to develop methods and institutions to solve everyday conflicts remains a central factor of success.

In everyday speech, the challenge of cohesion, which is connected to growing ethnic diversity brought on by immigration, is often interpreted as cultural in nature. Differences in the lifestyles of immigrants and the rest of the population are interpreted as so irreconcilable that there is no way to unite them without causing serious conflicts. Immigrant lifestyles are *acculturated* to mean static, traditional lifestyles so that they appear as the opposite of the dynamic modernity of the rest of society. The only conclusion allowed by this logic is that because the dependence of immigrants on their backward culture causes so many social problems, it is impossible for different population groups to coexist. Neo-racist logic is blind to the mechanisms of economic development, which operate independently of immigrants, and which feed polarization. We are on the brink of an hourglass economy, with a labor market that is divided more brutally than before into successful specialists and low-paid service industry workers. As a result of the divide, the supply and demand of labor and employment do not meet. The problem cannot be solved with massive immigration, and it can get worse. In many countries, including Finland, the immigrant workforce has po-



larized into the far ends of the labor market more pronouncedly than the rest of the population. If the social mobility of different generations is inhibited, a labor market that is divided according to ethnic background represents a threat to the principle of equality that characterizes the welfare society. If given the opportunity to become established, an *ethnic hierarchy* is a time bomb that threatens the safety of every group in society.

<p><b>STRENGTHS</b>  <i>Society:</i></p> <ul style="list-style-type: none"> <li>• good administration</li> <li>• good services</li> <li>• security</li> <li>• trust, lawfulness</li> </ul> <p><i>Corporations:</i></p> <ul style="list-style-type: none"> <li>• efficiency</li> <li>• international success</li> <li>• respecting employees</li> <li>• workplace development</li> </ul>	<p><b>POSSIBILITIES</b>  <i>Immigration:</i></p> <ul style="list-style-type: none"> <li>• young population</li> <li>• labor force</li> <li>• skills</li> <li>• new development</li> <li>• connections, networks</li> </ul>
<p><b>WEAKNESSES</b>  <i>Population :</i></p> <ul style="list-style-type: none"> <li>• disadvantageous population ratio</li> <li>• small language area</li> </ul> <p><i>Society:</i></p> <ul style="list-style-type: none"> <li>• tradition of uncommunicativeness</li> <li>• lack of awareness of one's own starting points</li> </ul> <p><i>Corporations:</i></p> <ul style="list-style-type: none"> <li>• managing people</li> </ul>	<p><b>RISKS</b></p> <ul style="list-style-type: none"> <li>• companies leave the country</li> <li>• brain drain</li> <li>• polarization</li> <li>• ethnic hierarchy</li> <li>• uncertainty</li> <li>• international crime</li> <li>• illegal workforce</li> <li>• grey economy</li> </ul>

Figure 1. Resource analysis based on partial studies. The situation of Finland from the perspective of migration development.

The factors that are related to maintaining social cohesion can be summarized in the following way:

- The success factors of a diverse society are founded on institutions and methods that can be used to create compromise to resolve everyday conflicts.
- Immigration or the problems of immigrants cannot be reduced to cultural issues, because frequently the problems have to do with society's operating methods, which are then replicated in the margins of society.
- Ethnic inequality is a problem if transferred to the next generation, because at that point there is a risk that it will become a structural problem, posing a particular threat to the ideological foundation of the welfare state.

Although the debate about immigration and immigrants has been carried out separately from the internationalization debate that surrounds the economy, the immigration debate and also immigration policy have nevertheless been subjected to economic logic. Countries in post-World War II Europe needed immigrants to rebuild after the war, and national arguments on behalf of economic growth were enough to form a basis for immigration policy. As demand for labor subsided and the number

of asylum seekers and refugees rose in the 1980s and 1990s, the grounds for immigration policy became humanitarian. But the logic of the world economy was working in the background when decisions were made about who would reap the benefits of Europe's humanitarian immigration policies. In the early part of the new millennium, we once again face a situation, in which securing economic growth is used as a justification for changing the course of immigration policy. This time, however, Europe is not merely interested in the labor of potential immigrants, but also in their professional skills and expertise.

Now that Europe is struggling with ageing populations and labor shortages, it needs immigrants for other purposes besides just low-skill jobs. European employers look to developing countries to recruit more highly educated people – in addition to physical labor, Europe also needs brainpower. A central tenet of European immigration policy has been the prioritization of national interests. Recently, however, the European Union has made attempts to create common guidelines instead of allowing a situation in which countries are in competition with each other. As economic interests become a factor in immigration policy more and more distinctly, the position of immigrants becomes increasingly sensitive to economic fluctuations. And yet, no matter how historical or economic situations change, Europe has always needed its immigrants.

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