

## PREFACE

The Finnish National Fund for Research and Development, Sitra, is a creative and flexible spearhead organization which strives to ensure that ordinary Finnish people will have even better lives in the future. Sitra has set itself the aim of placing Finland among the three most successful nations in the world by the year 2010. To this end, the following actions and areas of focus are emphasized in Sitra's strategy:

- Our knowledge about and understanding of globalization and other national and international trends, and their effects on Finland, must be increased, in both depth and clarity. This will help decision-makers find a specifically Finnish approach. Sitra wishes to help decision-makers to understand and foresee change with greater accuracy.
- Sitra formulates, develops and carries out action to help skill-based Finnish society ensure balanced development towards even greater strength.
- Sitra formulates, develops and tests action to alleviate or prevent the negative effects of a knowledge-based society, such as regional or individual exclusion.
- External experts assess Sitra's operations, operating procedures and orientation, as well as its organizational efficiency.

Sitra pursues its mission through research, innovative operations, corporate funding and training. Its activities unite the efforts of different sectors towards attaining new goals.

The Finland 2015 programme is one way of implementing Sitra's basic aims. During the programme, Finnish decision-makers will learn more about the main national and international scenarios for the future. They will submit proposals for taking up these challenges and discuss strategic policies and actions which could be applied.

The Finnish National Fund for Research and Development, Sitra, wishes to thank everyone who has participated in the Finland 2015 programme and its first course, the partners who were involved in planning and implementing the course, and the experts from Finland and abroad who contributed to its sessions.

We wish to thank Jaakko Iloniemi for chairing the first course in the Finland 2015 programme, and Petri Kantola's new media team and Nedecon Oyj for designing and implementing the virtual learning environment used as course support. The Sitra training team was in charge of running this first course in the Finland 2015 programme.

This final report on the Finland 2015 programme's first course is based on the work done by and discussions between course participants, and was written by Tuovi Allén (Sitra) and Matti Karhu.

Sitra hopes that this report will generate broad public debate and thus help promote the targets that it has set in answering the challenges of the 21st century.

Helsinki, June 2000

Finnish National Fund for Research and Development, Sitra

## **THE FINLAND 2015 PROGRAMME**

Sitra has provided Economic Policy Management Courses for decision-makers and experts since 1977. During the 1990s, it also co-operated with other organizations in the arrangements for the National Strategy Development Programme. The Finland 2015 programme is Sitra's latest training and development programme for Finnish decision-makers.

### **Aims**

The main aim of the Finland 2015 programme is to improve the knowledge, skills, resources and networks of top-level Finnish decision-makers in matters concerning the future of Finland. The programme is basically national in scope, but has a wide international perspective. In order to achieve the aims, participants

- are given a wide variety of information on current affairs and issues crucial for the future
- are given opportunities for discussion with experts in different sectors from both Finland and abroad and with other decision-makers
- evaluate the main challenges facing Finland in the future
- take a closer look at national strategy guidelines
- use the information they gain from the programme in their own daily work, and
- prepare a report on the new main strategy guidelines for further processing.

The Finland 2015 programme supports the aim proposed by Sitra, of making Finland one of the three most successful nations in the world by 2010.

## **Participants**

The programme was launched by a committee representing different elements and views in society, with Sitra's President Aatto Prihti as chairman.

The leaders of various bodies in Finnish society are invited to take part. Prospective participants come from politics, public administration, business life, NGOs, the third sector, the media, and research and education. Views and opinions right across the spectrum are represented. Both men and women, and people in different age groups are invited to take part in courses.

About 25 participants are invited to any one course. The official invitation is sent to participants by the Prime Minister. In practice, recruitment is organized by Sitra.

The detailed planning and implementation of the Sitra-funded programme was the responsibility of the Sitra training team under Tapio Anttila. The programme is not a commercial training product and it is not intended to compete with any management training programme. The course participants themselves are responsible for their travel and accommodation costs, though Sitra pays for the training content.

## **Content and structure**

The structure, methods and content of the Finland 2015 programme emphasize cooperation across social boundaries and research disciplines, and also internationally. The programme will take three years to complete, and will include six separate courses in which about 150 of Finland's top decision-makers will take part.

The results of the first course in the Finland 2015 programme are presented in this final report. The course consisted of four separate seminars. In the intervals between seminars, participants worked at home and continued their discussions over the Internet.

The first course began with a seminar held in Washington D.C. Subjects included the economic outlook for the United States and problems in the world economy, the future of the information society and new business sectors, and the differences between societies in Europe and North America.

The second seminar was arranged in Berlin and Moscow. In Berlin, subjects included the future of the European Union and the single currency, labour market pressures, migration movements, the challenges of a multicultural society and environmental problems. The Moscow seminar focused on Russia's science and technology policy, banking and finance,

the outlook for the energy sector and the prospects for business operations without public support or supervision.

The last two seminars were held in Finland. The first dealt with the future of information technology and business operations, the challenges facing a welfare state, changes in business management and control systems, and a recap of the key problems in Russian society and economic life. At the final seminar, participants worked together in small groups on their final reports.

All the experts from Finland and abroad contributing to the seminars are leading authorities in their respective fields. There is a list of these experts at the end of this report, with the topics of the papers they presented.

Sitra's partners in arranging the first course in the Finland 2015 programme included the Brookings Institute and the World Bank in Washington D.C., the European Migration Center at the Free University of Berlin and the Finland Institute in Berlin. Partners in Moscow included the Russian Ministry of Science and Technology and the International Moscow Bank. The Finnish embassies in Washington, Berlin and Moscow also helped with preparations and practical arrangements. A number of experts from Finland and abroad also helped implement this first course.

## **Methods**

Every course under the Finland 2015 programme will consist of seminar work and use of an Internet-based learning environment. Participants contribute their own expertise to the progress and content of the work, but also learn new things and pick up new ideas and influences from other experts.

Seminars are held in Finland and abroad in cooperation with experts in different fields. The experts contribute to the seminars, and there is discussion on various topics. The seminars are not open to outsiders.

An Internet-based learning environment has been constructed for the programme, and this serves as a channel for supplying course participants with background material before and after seminars. The presentations to be given by experts at coming seminars, usually with a summary of their talk, are distributed to participants beforehand over this network. It also enables participants to discuss things amongst themselves and with the experts who talk at seminars.

The virtual learning environment serves as a support network for the Finland 2015 programme in between seminars and also in the preparation of final reports. It will also be used for future Finland 2015 courses and in Sitra's other training programmes.

This final report on the first course in the Finland 2015 programme is also available in unabridged form on the Sitra website at [www.sitra.fi/suomi2015](http://www.sitra.fi/suomi2015). Feedback on the views expressed in the report is welcomed, and they can be discussed via e-mail to [suomi2015@sitra.fi](mailto:suomi2015@sitra.fi).

The proposals and views put forward in the final report are intended to be forwarded to the relevant authorities or expert working parties specifically set up for the purpose. Each participant is also free to use applicable parts of the material and the conclusions drawn in his or her own work or organization.

## **PARTICIPANTS IN THE FIRST COURSE**

The participants invited to the first course in the Finland 2015 programme were:

Maria Kaisa Aula, Member of Parliament, Finnish Centre Party.

Tuula Haatainen, Member of Parliament, Finnish Social Democratic Party.

Eero Heinäluoma, Communications Director, The Central Organization of Finnish Trade Unions (SAK).

Ville Itälä, Member of Parliament, Coalition Party.

Lea Kauppi, Director General, Finnish Environment Institute.

Johannes Koroma, Director General, Confederation of Finnish Industry and Employers (TT).

Jere Lahti, Director General, The Finnish Co-operative Wholesale Society, SOK

Markku Niskala, Secretary General, Finnish Red Cross

Arto Ojala, Managing Director, Employers' Confederation of Service Industries

Outi Ojala, Member of Parliament, Left-Wing Alliance

Matti Packalén, President, Alma Media Oyj

Aatto Prihti, President, The Finnish National Fund for Research and Development (Sitra)

Tapani Ruokanen, Editor-in-Chief, Suomen Kuvalehti

Rauno Saari, Secretary of State, Prime Minister's Office

Raimo Sailas, Permanent State Secretary, Ministry of Finance

Eva-Riitta Siitonen, Lord Mayor, City of Helsinki

Osmo Soininvaara, Minister, Ministry of Social Affairs and Health

Raija Sollamo, Vice Principal, University of Helsinki

Veli Sundbäck, Member of the Board, Nokia Group

Juhani Turunen, Permanent Under-Secretary of State, Ministry of Finance

Reijo Vihko, President, Academy of Finland

Many of the participants in the first course in the Finland 2015 programme were members of the committee which planned the programme. Jaakko Iloniemi acted as course chairman and the practical arrangements were made by the Sitra training team (Kari Tolvanen, Tapio Anttila, Tuovi Allén, Pekko Kohonen and Anne Törnroos). Esa Manninen of Sitrans Ltd helped with the preparations and practical arrangements for the seminar in Moscow, while Antti Hautamäki of Sitra helped to organise the concluding seminar. The course assessments were processed by Anu Löfhjelm and Susanna Ekola at Sitra.

## **FINLAND: SUCCESS FACTORS AND CHALLENGES**

What kind of country do we Finns want in the future? What kind of country do we want to live in, raise our children in, work in, spend our free time in, enjoy ourselves and grow old in? Is it even possible to achieve all the things we want? What would it take? What might prevent it?

The development of a nation depends on a number of different factors, as Finnish history witnesses. Many of these factors are unpredictable or cannot be controlled at all. The most important factor in building the future is, however, the nation itself. People must build their own destiny.

In the following pages, we present the vision of Finland in the year 2015 that we are striving for. The vision is still unclear in some respects. The ways of achieving it are also far from self-evident. Some people may even disagree with the aim itself. There are many unresolved questions. But we have to start somewhere; without some basic idea, all our efforts would just be fumbling in the dark.

Fifteen years is a short time in today's world, where changes take place at a breakneck pace. Just look back fifteen years and consider how fundamentally Finland, Europe and the world at large have changed since then. 2015 will be here before we know it, and we are already making the decisions which will have tangible effects on our lives then, fifteen years on.

So, what kind of Finland would we like to see then?

### **Finland in 2015**

In 2015, Finland is one of the best places in the world to live and work. Finland's civilized welfare society ranks highly in international competition and is capable of flexible change. It is an information society based on versatile skills and networking of the entire population. Society supports, encourages and rewards. It enables people to accumulate intellectual and material wealth in a tolerant, fair and equal ethos amid rapid and constant change.

In 2015, Finland is both economically and politically part of the European family and the global community. It is active among the core States in the European Union and promotes favourable development in Europe based on its own values. Finland develops and offers its own input — expertise, cooperation skills and global responsibility — to help solve international problems and conflicts, and encourage cooperation.

Finland's economic success will continue to require a stable social environment as its foundation; a society which is socially equal, competitive and attractive. A good society keeps its promises and fosters mutual trust between population groups and social partners. This kind of society is made up of citizens who are aware of their responsibilities and act accordingly.

In 2015, Finland is a good environment to live and work in. A wide range of up-to-date competitive welfare services provide the people with a good life. Service provision is an asset in competing for skilled labour, but in a wider sense, too, it is a key factor in securing a country's success and security.

Finland will develop its indigenous culture, and this will continue to be valued very highly by individuals, the general public and the world at large. In 2015, we are a multicultural society, with members from the European Union and countries even further afield. Multiculturalism has been generally accepted and readily adopted as a strength and resource for Finnish society.

It is important for Finland's success that it is built primarily on the strengths of its people and social resources. Such a society combines individual strengths with cooperation, and with creativity, education, skills and experience. The refinement of skills and knowledge forms the basis of material welfare. A solid economic base and a stable financial market will also contribute to success.

It is also important for Finland's success in the future that social, human and material capital are all built up equally. Successful societies are those which build strong bridges between social and economic life. This also provides the business sector and labour market with useful new opportunities and operating methods.

While safeguarding what it has achieved so far, a small nation must draw on all its resources if it is to be successful.

### **Skills and knowledge the foundation for success**

Skills and knowledge are the foundation of everything, and training is crucial in generating them. Finland's success as a nation derives from its skills and knowledge, and on using them to best advantage. A high educational level guarantees that Finland has adequate human capital to ensure financial and social success. Learned skills and knowledge do not consist exclusively of academic training and the advanced skills demanded by new technologies. They also include manual skills and the versatile use of other practical talents.

The labour market of the future will demand multiskilling and career versatility. Training and education are increasingly becoming a means of acquiring skills which enable people to work in different fields and different professions, and to keep making flexible career changes throughout their lives. In the information society it is impossible to foresee training needs according to the old structures; instead, the education system has to anticipate changes in economic and social structures.

Global competition for business location requires long-term development of the skills and knowledge of the workforce, ensuring versatility and consistency from the first stages of general education onward.

Social, human and economic capital, the basic resources of a nation, accumulate most effectively when deliberate investments are made in developing people's skills and knowledge. The importance of social capital will come to the fore as business operations begin to be founded increasingly on interaction and cooperation.

Education and training are no longer a finite activity which takes place during a person's youth; they have become a lifelong process. Skills and knowledge must be constantly maintained and improved through training or research, regardless of whether a person's work involves mental processes or practical skills. Every Finn possesses skills that should be harnessed for productive input to ensure economic, social and intellectual success.

The aim of the school system should be to raise responsible and cooperative citizens. Education must provide equal opportunities and promote tolerance of differences.

These principles will require many changes in society and its modes of operation.

- The Finnish education system must be thoroughly overhauled, to help Finland maintain its edge in the competition for skills and knowledge.
- Study time must be reduced, support systems improved and a greater variety of qualifications introduced. Children should start school earlier, following European and international models. Financial support systems for students should be revised so that they motivate students to graduate more quickly than at present.
- The system for admitting students to universities should be changed to reduce the time between taking the matriculation exam and being admitted to university. Students should enter university immediately upon completing upper secondary school. The matriculation exam should be changed to serve as an entrance exam to further study.
- Alternative qualifications at different levels should be introduced alongside the existing study programmes. An academic degree should only be one alternative, with

new lower degrees introduced 'along the way' as an option for those who wish to graduate sooner or in a wide range of subjects. Such reforms of the system should be carried out simultaneously with a reform of the curriculum.

- All Finnish citizens should be given the opportunity to master at least one major European language in addition to the official languages of Finland, regardless of their training level or field. This is the best way to safeguard the position of our small language community and unique national culture in an increasingly international environment.
- Vocational training must be developed in both quantity and quality in areas of growth, i.e. where new jobs are being created. Greater provision of vocational training will prevent young people from becoming excluded from the labour market.
- One of the biggest future challenges facing the education system is how to encourage girls to enter the fields of new technology, information technology and mathematics. This will require an entirely new approach from teachers, the education administration and the entire education system.
- Education and training must also draw on the expertise available in commercial enterprises. An education system developed in cooperation between educational institutes and companies would speed up the employment of new graduates in jobs they want which are suitable for their skills. This would also provide companies with better and faster access to skilled labour.
- Training for adults must be made into a process of lifelong learning where training and work can be merged together naturally throughout people's lives. Labour market training must be brought closer to the general education system, so that unemployed people can be encouraged to complement their existing general education, acquire vocational qualifications and improve their chances of rapidly finding work.
- Education and training must be made more flexible and given greater continuity, while also becoming able to respond faster to change. After a general education it should be possible to change fields and to alternate between work and study. Practical training periods should be encouraged, especially in academic studies, and students should be motivated to seek practical work experience during an early stage of their studies. The education system should encourage the trained workforce to stay in Finland.
- Training and education should take an increasingly individual approach and encourage individual students to compete with themselves in their chosen field of learning. While acknowledging that everyone is different, there should be equal opportunities for training. One person may have mathematical talent while another is musical and a third may excel at sports. They must all be offered more paths to training, and personalized curricula. Their progress must be rewarded while they are still studying. New insights such as this will result in more human capital success stories, new occupations and new sectors.

- New technology has freed learning from the constraints of time and place. The potential offered by Internet schools must be utilized. These offer potential for nationwide provision of education for the specially gifted. The Internet school also changes the role of the teacher, and means that teachers will need more further training.
- An academic education should be made more effective by revising curricula and improving quality. This will require re-assessment of the funds needed. In the information and learning society, the work of teachers must be given higher status.
- The aim of the information society is to ultimately network the entire population. In addition to the dense information networks in growth centres, the information society should also be extended to the sparsely populated fringes of the country in order to prevent exclusion and slow down regional differentiation. The information society can only be implemented with the aid of a nationwide infrastructure.
- Citizens must be provided with adequate skills and opportunities to use the resources of the information society. The skills demands must not be too high and the equipment needed to use information networks must be easy to use and not too expensive. It should be within the reach of all citizens to become Internet-literate.
- A comprehensive infrastructure and networking alone cannot, however, solve the problems of transition to the information society. The network must also be actively and versatilely used and its content must be developed. For instance, putting the services of the education authorities and the national library on the web would give the information society practical content and a kind of added value which could give rise to real new skills.
- Education is the foundation of the future, but our basic social security must also be in order. The best results will be obtained by repairing any gaps in services which come to light, for instance by improving mental welfare services for children. The foundation for education must be reinforced on all levels, from basic education to academic studies.

### **The information society demands a new work ethic**

In the information society, an increasing proportion of the work done will be mental rather than physical, and vocational skill will have to be increasingly versatile. Companies and employers will become increasingly dependent on their employees. In such a situation, people's ability to adapt to change becomes crucial, together with their ability and willingness to learn new things and apply them in practice.

An employer in the information society, whether in the private or public sector, will no longer have his main investments in machinery or buildings, but in human and social capital. This is both a resource and a challenge for companies, employees and the labour market

organizations which represent them. Human capital is mobile and may just choose to 'vote with its feet' at any time.

The information society also places the Finnish employment contracts system in a new situation. A contract-based labour market community promotes stable development in the economy and in society at large. However, it should not be just a front behind which people's individuality and the need for constant change are concealed. The development of the single market within the European Union and a world economy which is increasingly open to competition have created an opportunity to renew the Finnish contract-based system, making it more flexible and more efficient.

In an open information society, companies and public bodies live at the focal point of public interest. Their operations are increasingly subject to scrutiny based on their treatment of their employees, their customers and the environment. Social norms and structures are important, influential factors where economic efficiency is concerned. A company which operates according to ethically correct and fair principles is attractive to prospective employees and competitive in the information society and on a global market. For instance, a well-functioning labour market system and respect for human rights create a good foundation for the economic and intellectual success of both individuals and work communities.

Operating in the information society and on a global market requires that employees are willing to constantly develop their own skills and acquire new knowledge. This, in turn, means that employers and companies can respond rapidly to change. The young generations of the future will bring new information and competence capital to businesses, which must learn to hold on to that capital. The brain drain from Finland to other countries can be prevented by developing new reward systems in support of motivation.

In the information society, all jobs will require skills or knowledge regardless of whether the work in question involves conceptual information and specialist knowledge or practical skills. Productive work cannot be based solely on information capital acquired as a result of academic training. Work requiring manual skill and other talents will also be an important part of the information society of the future. Skills learned through practical work and advanced expertise acquired through training will generate innovations and new business operations, and even new occupations and sectors. The information society and its companies have room for both those with theoretical knowledge and those with practical skills.

The public authorities must ensure that economic and intellectual success can be attained by making investments in knowledge and skills and by improving the operating conditions of working life. In cooperation with the private sector, it must contribute to the processing of

skills and knowledge and the development of technology in support of welfare. Success in global competition requires that the public sector, too, is able to adapt to new approaches and encourage innovation, supporting change in working life that promotes financially and socially sustainable development.

In working life, too, society will have to change in many ways if Finland wants to make the most of its success factors.

- The structures and institutions in working life must provide incentive and flexibility. Through labour market cooperation and social and tax policy, work must be made people's first choice. The organization of work must be made more flexible, to make work less dependent on time and place.
- A working life based on knowledge and skills will require a new type of leadership. Employees need a new type of 'team leader' as their managers. The old system of orders from on high and strict hierarchies is not suited to managing a multi-skilled work community. A management system suited to Finnish culture should be developed in which the responsibility of each employee is increased.
- Corporate culture and the culture of work communities must change to meet the demands of the information society and new skills. Organizational hierarchies must be dismantled and responsibility delegated to the level where the work is done. In the future, each citizen will be a 'small enterprise'.
- A strong internal ethic must be created in the workplace, making employees feel that success is a joint effort, so that everyone is motivated to do their best. An internal spirit of entrepreneurship must be built up so that each employee feels he is creating his own job and also the jobs of other employees.
- A contract-based society must be retained, but it should be made more flexible and open, and able to take the needs of individual employees and companies into greater account. As a small country and a small nation, Finland in the future may well be a skills- and knowledge-based workplace laboratory, where the labour market organizations, company management and employees all work together to find new modes of operation, new payment models and new management systems.
- The information society must be expanded into all business sectors and all occupations, and also into the public sector. It must also be expanded in scope so that the expertise it breeds can be used in traditional service jobs and in industry, to make work easier and more efficient.
- The service sector and its occupations should be developed, because service provision is a valuable and commercially profitable sector. More services should be available to ordinary households, to companies and to the public sector. Society must turn away from a 'do-it-yourself' culture towards a service market which can help create profitable business operations and new jobs.

## **Encourage work and turn exclusion into inclusion**

People must be encouraged to earn their own living, and not depend on public support. The means can be found in labour market policy, and tax and social policy. It should be possible to achieve prosperity through your own work — indeed, people should be encouraged to do so. Any job well done deserves appreciation.

The information society of the future will require employees to be independent, open-minded, creative, inventive and able to make their own decisions and take risks. In the information society, entrepreneurship will be a more attractive option, encouraging people to create their own jobs. Structures which are a barrier to entrepreneurship must be dismantled and unnecessary bureaucracy must be eliminated using the resources of the information society.

Finnish society has always been based on work, and work should continue to be the primary source of income. It should always be more profitable to work than to be unemployed, for both individuals and society. Unemployment is a waste of human and economic resources. In order to avoid it, incentives to work and rewards for work should be improved.

Individual people's choices must be respected in the sense that everyone cannot be expected to fit in with the same model of lifelong learning, career competition and efficiency. People must be allowed to choose their own values and goals. They must also be allowed to settle for less study, ambition and achievements. This must not, however, mean that society will automatically provide social security to support such individual choices. Less ambition and hard work will inevitably also produce less rewards.

The safety net of the welfare society must be constructed and scaled so as to give students, employees and entrepreneurs the courage to take risks. If the risks should lead to temporary difficulties, the safety net will help the individual to cope. The system should also encourage people with less background education to earn a living by working, and encourage people to make the transition from one life situation to another.

Even in the most successful communities, exclusion affects some individuals. Even if material poverty could be entirely eliminated, there might still be some who feel excluded because of little education, poor social networks or unfavourable working conditions. In the information society, exclusion may thus constitute a subjective state of mind. This subjective exclusion is nevertheless just as severe as the type of exclusion which can be gauged with economic and social indicators. Civic participation in the information society must be reinforced in order to prevent subjective as well as economic exclusion.

One of the ways to help prevent exclusion is to increase the degree of tolerance in society. This is in the best interests of all its members. Cooperation and tolerance are not at odds with the fundamental nature of a competitive society.

In order to reach these goals, further development efforts and structural changes will be needed.

- The incentive traps in wages, social security and taxation must be eliminated and the incentives offered by these systems must be improved. It must always be more profitable to earn a living rather than be dependent on social security.
- In working life and entrepreneurship, it must be accepted that people sometimes fail and have to try again. It should be possible to ultimately succeed despite a trial-and-error process. Internal entrepreneurship must be raised to an equal standing with independent entrepreneurship at one's own risk, and in order to achieve this, new reward systems should be set up within companies. Obstacles to entrepreneurship should be eliminated.
- The tax and social security systems should be reformed and made into a well-functioning unit which supports work and entrepreneurship. Social security should provide for very basic needs while still encouraging people to work. It should be structured on a three-pillar model, with publicly funded basic security, employment-based statutory security and individual, voluntary forms of security merging to form a functional system.
- Early retirement systems should be re-assessed. The factors which tempt people to retire too early should be eliminated. The aim should be for people to stay on at work until they reach retirement age, if their physical and mental working capacity permit. Part-time pensions are a better alternative than early retirement, as they help ageing people to stay in touch with society. They should be developed as part of the overall pension system, and part-time pension benefits should be re-assessed. In this way, the working capacity and experience of ageing workers can be used for the benefit of society as a whole.
- The quantity and quality of social and health services for the ageing population must be safeguarded through new funding and staffing solutions and new types of service provision. The willingness and ability of elderly people to pay for these services will be different in the future. Private welfare services must be allowed onto the market in order to ensure that service needs can be catered for and also to ensure the adequacy of public funding. These must help support effective public service provision.
- The third sector can act as valuable support in preventing exclusion. NGOs, churches, voluntary work and leisure-time activities should work together with central and local government to help people feel they are part of society.

- Although Finland has one of the most equal income distributions in the world and relatively little material poverty, there are still quite a lot of people who say they feel excluded. The background and reasons for this psychological exclusion phenomenon must be studied. Economic exclusion and poverty can be prevented through the means offered by a welfare state. Perhaps this will also help to eliminate subjective feelings of exclusion.
- The excluded should be treated with dignity and fairness. They must be encouraged to enter working life. The safety nets of the welfare society should be turned into 'safety trampolines' which will help those threatened by exclusion gain the momentum needed to flexibly spring back into the labour market. Many people have become hopelessly entangled in the safety net because the incentives of the system do not work as they should.

### **Ageing and the imminent labour shortage**

In 2015, the Finnish population has begun to decrease; the population of working age is getting smaller, while the proportion of old people is increasing rapidly. This ageing of the population leads to a rapid increase in the need for social and health care services and more public spending. The faster economic growth is, the faster pension expenditure rises. In 2015, the number of old-age pensioners will be twice the present figure if the pension system stays the same. Unless new service provision models and funding systems can be developed, the increase in pension expenditure and service needs will undermine the funding base of the public economy.

The ageing population will change the structure and functioning of the labour market. The need for various private and public services will increase, but it will become more difficult to find the workforce needed in these sectors. The threat of labour shortages will become a reality in new ICT sectors as well as in traditional welfare services.

The supply of labour will begin to shrink during the next couple of decades. Structural change is also to be expected in the economy, and in industry the electrical sector and electronics will account for twice as much of production. Even if the output of other production sectors remains the same, or even falls, Finland will be facing a serious labour shortage in all sectors.

What lies ahead is very serious competition for labour and for business location in Finland. At the same time, the number of elderly people in need of care will increase and their lifespan will grow. This labour shortage cannot be solved through natural renewal of the population and a higher birth rate. New perspectives and strategies are urgently needed so that action can be taken in good time.

What changes do these prospects require from society, companies, legislation and attitudes?

- Solutions to the threat of labour shortages must be sought both among young people and among those approaching retirement age. In the long term, a higher birth rate should also be encouraged, and labour brought in from abroad.
- The pressures of the labour market can be alleviated if young people enter the labour market at an earlier age. This can be achieved by making children start school earlier, reducing study periods and revising financial support systems for students. During their active working life, people will also need additional and further training if we are to ensure flexible use of the workforce.
- Ageing workers will be able to continue to work for longer if the retirement age is raised while improving people's working capabilities and making the work environment more pleasant. Employees should be encouraged to seek training. Companies bear part of the responsibility for maintaining their employees' working capacity.
- The early retirement system should be re-assessed entirely. Pension accrual should be shifted more towards the final years of work. Pension should accrue for a person's entire working life and retirement age should be flexible. The aim should be that a longer career earns you a better pension, regardless of the sector.
- The care sector will soon be facing a serious shortage of labour when the baby-boomers retire, between 2010 and 2020. The most rapid ageing of the population will coincide with this period and the need for care will increase. Young people must be encouraged to seek work in the sectors where labour shortages threaten to strike first — for instance, by altering young people's attitudes to the state and municipalities as employers. The public sector faces a major challenge to improve its image as an employer.
- The competition for skilled labour will get tougher throughout Europe and in all sectors, as the population structure is quite similar everywhere. Imported labour will be necessary as a way of preventing such labour shortages. In this, Finland should take an active initiative to ensure that its labour market has access to labour that corresponds to the needs of prospective employers. Immigration policy should be focused and selective, and must be in line with structural changes on the labour market.
- It is also possible to correct the population structure in the long term by encouraging Finns to have more children. At present, people tend to put off having children because it takes a long time to complete a degree and because of the difficult housing and mortgage situation. The birth rate could be improved by reducing study times, reforming housing policy and introducing new family policy benefits.

- Higher productivity will certainly reduce the demand for labour in industry, but the labour shortage will threaten low-productivity sectors first. In order to alleviate this, labour mobility must be increased both regionally and internationally, through taxation and regional policy measures, for instance. Taxation and regional policy can be deployed to promote job-creation in places where labour is available.
- New employees will need daycare and schools for their children. Foreign workers will also need instruction in Finnish language and culture at as early a stage as possible, and meanwhile it should also be possible to offer them services in a language they understand.

### **Enlargement of the European Union and greater multiculturalism**

The enlargement of the European Union will increase the strength of the Union in a global context and create new market areas for Finland. Finland must ensure that its own influence is maintained and that it develops favourably even within an enlarged Union.

EU enlargement will create an even larger common labour market. The potential new member states have a more favourable age structure than the present Member States. The enlarged Union will initially have considerable differences in living standards between the old and the new member states. The old Member States also have a higher level of social security and better services. All these factors will speed up workforce mobility.

Workforce mobility will be hampered, however, by language barriers and cultural differences, as well as differences in educational background and qualification requirements. Experience within the European Union so far has shown that workforce mobility is liveliest in crossborder areas.

In any case, Finland will need more people of working age, more skilled labour, different impulses and greater cultural diversity if it is to ensure that the foundation of the welfare society can stand firm and that the nation will maintain its vitality. Finland should facilitate entry for foreigners who wish to work and study here. Public opinion may turn against immigrants if they are thought to be coming here only in search of higher social welfare benefits. In fact, the level of Finnish social welfare is not exceptionally high or otherwise attractive, compared with the other Member States.

Some immigrants will choose to stay in Finland, while others will come here to work for a fixed period. These groups need different services from society. The needs of immigrants and refugees are also different.

Multiculturalism has come to Europe to stay and should be reinforced through controlled change. Enlargement of the European Union will create a market area which will be one of the biggest in the world, simultaneously generating a tolerant, multicultural Europe. Enlargement will also increase the Union's standing in the global community, making it easier to maintain security and control environmental hazards.

Management of these largely external pressures requires us to adapt, foresee and act.

- Even before it takes place, enlargement of the European Union will create new opportunities for cooperation in economic and environmental issues with the countries around the Baltic. If Russian accession becomes possible, the effects should be predicted and studied. Cooperation within the Northern Dimension should be intensified in areas such as utilization of energy and natural resources and environmental issues.
- Finland must exert advance influence on developments in the enlarged Union through its knowledge and expertise.
- The effects of enlargement on Finnish agriculture and, subsequently, on rural livelihoods has to be studied. The competitiveness of Finnish agriculture should derive from specialization, drawing on our special conditions and pure natural landscape. Enlargement of the Union will offer Finland a large market area where we can specialize in a narrow sector.
- Finland's specialist knowledge should expand to take in new areas such as biotechnology. People are taking a growing interest in health and the environment. Products based on these values will prove important for Finnish agriculture.
- Finland should draw up an immigration strategy based on its own national situation, taking into account the experiences of countries which have a longer history of immigration and of integrating foreigners into society.
- An active immigration policy requires clear guidelines to be drawn up and a study of present and future workforce needs. We have to decide what kind of immigrants we want and how to attract them. It is a question of whether we want skilled labour or a cheap workforce. It should also be decided whether the aim is to attract people from the present Member States of the European Union, from the enlarged Union, or from third countries.
- Finnish labour market organizations should study the effects that enlargement and greater workforce mobility will have. Estimates should also be made of how long transitional periods for workforce mobility can and should be as the Union is enlarged.
- People should be educated using good examples of multiculturalism and by reinforcing Finland's indigenous identity and culture. Finns must be encouraged to

adopt a flexible and fair approach in accepting immigrants as part of Finnish society and working life.

- Successful integration of foreigners into Finnish culture requires that they learn Finnish, that their rights and obligations are clearly defined, and that services are developed. It requires provision of education and language instruction for them. Foreigners should also be given better opportunities for entrepreneurship. Exclusion must be prevented and immigrants must become a natural part of Finnish society. A multicultural Finland will require responsibilities and duties of both Finns and immigrants.

## SUMMARY

In 2015, Finland will thus be a successful country which is also a good place to live in. Will this vision come true? What would it take, and what might prevent it?

In this report, we have set out the main strengths of Finnish society as well as the main challenges facing it. There are other challenges, too, and they deserve mention if we are to paint a more complete picture of the situation.

Finland's success will be built on many strengths and competitive factors, some of the chief ones being:

- clear social norms and a clear work ethic
- strong social morals
- a high level of security
- consensus about the information society
- a comprehensive education system
- good, well-organized public administration
- an efficient transport infrastructure and logistics
- a healthy and well-functioning banking and finance sector
- a high standard of social welfare and healthcare services
- a unique national culture and a cultural life of a high standard
- a clean environment and unspoilt natural landscape
- an equal position for women and widespread equality in general
- a labour market system based on agreements and mutual commitments.

Nevertheless, Finnish society also has some room for improvement, and certain threatening factors which must be given specific attention in our drive for success:

- the education system lacks flexibility, continuity and individuality
- consumer services and the caring professions are not valued highly enough
- the opportunities for amassing wealth through one's own work are limited
- restructuring of the contract-based society is still in progress
- insufficient encouragement for entrepreneurs and low acceptance of failure
- the information network does not as yet cover the entire population
- there is a general lack of confidence in politicians and political processes
- our geographical position and topography subject logistics to development and cost pressures
- pressure for change in funding and staffing structures in the social and healthcare services

- an ageing population and imminent threat of labour shortages
- crossborder crime may be a future threat
- environmental hazards in neighbouring areas beyond our national borders
- insufficient use of the potential offered by immigrants' skills
- negative attitudes to multiculturalism and even prejudice against it

These problems can be overcome, and existing strengths form a solid base to build on. Finnish society is efficient and strong enough to seize on these ideas for further development and implementation. In an increasingly global world economy, even a small nation can succeed very well if it is fast and goal-oriented in its approaches.

Finland's future visions need to be defined urgently. The changes outlined in this report are already under way inside the country and in our immediate environment. They are changes that demand rapid decisions and solutions, action and hard work. Decisions will no longer have the desired impact if they are put off for too long. The opportunities created by political, economic and social circumstances may not necessarily become any better in the future, either.

**The question is, what kind of welfare state will we have in 2015? But above all, how will we pay for it?**

## **EXPERTS AND THEMES**

The main working language of the Finland 2015 programmes seminars abroad was English. In sessions where all the participants were Finns, the working language was Finnish. Similarly, the seminars held in Finland, which consisted mainly of group work, were conducted in Finnish.

The following is a list of all the experts who lectured at the first course in the Finland 2015 programme, including their subjects, listed chronologically for each seminar in turn.

### **5.3.2000, Helsinki-Vantaa Airport Congress Centre**

Finland 2015 programme opening address  
Prime Minister Paavo Lipponen

Social change and Sitra's work  
Aatto Prihti, President, Sitra

### **5.-8.3.2000, Washington D.C., USA**

The future of the world economy - who will be the driving force?  
Rudiger Dornbusch, Professor at the Massachusetts Institute of Technology, Cambridge, Massachusetts

Historical perspectives on the American mind set  
Haynes Johnson, Political Commentator and Author, Washington D.C.

The challenges of the information society  
Manuel Castells, Professor at the University of Berkeley, California

Social and political challenges facing the USA over the next fifteen years  
Thomas E. Mann, Senior Fellow of the Brookings Institute, Washington D.C.  
Gary Burtless, Senior Scholar of the Brookings Institute, Washington D.C.

The art of lobbying  
Les Janka, President of Les Janka International, Washington D.C.

Trade issues facing the 21st century

Michael B. Smith, Ambassador, Global USA Incorporated, Washington D.C.

Security issues facing the 21st century

Ivo H. Daalder, Senior Fellow of the Brookings Institute, Washington D.C.

An insider's view on the U.S. Congress

William Frenzel, Guest Scholar of the Brookings Institute, Washington D.C.

Finland and the World Bank - partnership for the future

Ilkka Niemi, Executive Director of the World Bank, Washington D.C.

The Bretton Woods Institutions and the UN - co-operation and finance for development

Mats Karlsson, Vice President of the World Bank, Washington D.C.

The role of the World Bank in the future

James D. Wolfensohn, Chairman of the Board of the World Bank, Washington D.C.

The different societies - USA and Finland

Bengt Holmström, Professor at the Massachusetts Institute of Technology, Cambridge, Massachusetts

USA, European Union and Finland

Jaakko Laajava, Ambassador at the Embassy of Finland in Washington D.C.

Industry and the new sciences in USA

Gregory Simon, President of Simon Strategies, Washington D.C.

The booming U.S. economy - where does Europe stand?

Charles L. Schultze, Senior Scholar of the Brookings Institute, Washington D.C.

## **2.-4.4.2000, Berlin, Germany**

Germany in 2015

Theo Sommer, Editor of *Die Zeit*, Hamburg

Germany from the Finnish point of view

Arto Mansala, Ambassador at the Embassy of Finland in Berlin

European Union in 2015

Jaakko Iloniemi, Ambassador

Peter Ludlow, Director of the Centre for European Policy Studies, Brussels

Globalization, migration and systems competition

Hans-Werner Sinn, Professor at the University of Munich

Multicultural Europe: challenges and visions - panel discussion

Jochen Blaschke, Professor and Director of the European Migration Center at the Free University of Berlin

Ines Sprenger, Officer of the Commissioner for Foreigners in Brandenburg, Berlin

Y. Kenan Kolat, Representative of the Turkish Association in Berlin-Brandenburg

Safter Cinar, Deputy for Foreigners at the German Trade Union in Berlin-Brandenburg

Environment issues as part of the stability of Eastern Europe and the Balkans

Pekka Haavisto, Chairman of the Balkans Task Force, United Nations Environment Programme, Geneva

History and future of Berlin

Hannes Saarinen, Professor and Director of the Finnland Institut, Berlin

Euro and the world economy

Charles Wyplosz, Professor, and Director of the Graduate Institute of International Studies, Geneva

Threats and solutions for European security

Walther Stütze, Secretary of State, Federal Ministry of Defence of Germany, Berlin

#### **5.-6.4.2000, Moscow, Russia**

Russia's science and technology policy

Mikhail Kirpichnikov, Minister of Science, Government of Russian Federation

Meetings with the leaders of major political parties in the Duma

Development and challenges in the Russian financial sector

Ilkka Salonen, President of the International Moscow Bank, Moscow

European Union, Finland and Russia

Markus Lyra, Ambassador at the Embassy of Finland in Moscow

How do private entrepreneurs in Russia operate without state protection and enforcement?  
Vadim Volkov, Professor at the European University, St. Petersburg

Russian energy resources and their utilisation  
Jakov Urinsson, Vice President of the United Energy Systems RAO UES, Moscow

Russia in 2015 - scenarios for Russian society  
Andrei Neshadin, Vice President of the Expert Institute, Moscow

Comments on energy and scenario issues  
Seppo Remes, Corporate Vice President of Fortum, Moscow

### **8.-9.5.2000, Hanasaari, Espoo**

Future challenges for the information society and business operations in Europe  
Erkki Liikanen, Member of the European Commission, Brussels

The welfare state in 2015  
Raija Julkunen, docent, University of Jyväskylä  
Hannu Uusitalo, Director General, STAKES, Helsinki

Corporate governance – the American and the European model  
Matti Pulkkinen, Managing Director, LTT-Tutkimus Oy, Helsinki  
Pekka Timonen, docent, University of Helsinki

Two perspectives on the future of Russia  
Pekka Sutela, Head of the Bank of Finland Institute for Economies in Transition, Helsinki  
Markku Lonkila, researcher, University of Helsinki

### **5.-6.6.2000 Tervakoski**

Group work on themes of final report