



Local and Regional
Government Finland

Future of Local Authorities

Santtu von Bruun
santtu.bruun@kuntaliitto.fi

Overview

1. Finland and Finnish local and regional structure
2. Future of local authorities – research project
3. Some views to possible futures of regions, localities and local authorities

Municipalities...

- Are self-governing units with high level of independence
- The highest decision-making authority is vested in local councils elected by residents
- Right to collect municipal taxes
- Have 426 000 employees
- Municipalities provide citizens with basic services: social welfare, health care, education, culture, environment and technical infrastructure
 - + regional development



Aims of the research project

...was to produce knowledge about futures of localities, regions and local authorities

- Short term (2010) and long term (2025)
- to help decision-making and strategic planning in local and regional authorities and in government agencies
- to help the strategic planning in association of local and regional authorities and to help it promote interests of its members

1st delphi round

- Based on open form questions
- Aim was to chart the municipal futures on long term (2025)
 - Important subjects
 - Possible changes and their effects
 - Weak signals of change
- Panel:
 - 97 mayors and elected representatives in 45 selected municipalities
 - 53 experts



2nd delphi round

- Closed format questionnaire: Probability of the presented events, trends and future developments.
- Concise report of the first round results
- Panel: 864 elected municipal representatives, 432 mayors and 82 experts
- Expert panellists: general point of view
- Municipal panellists: Local + general point of view

Observations

Challenges:

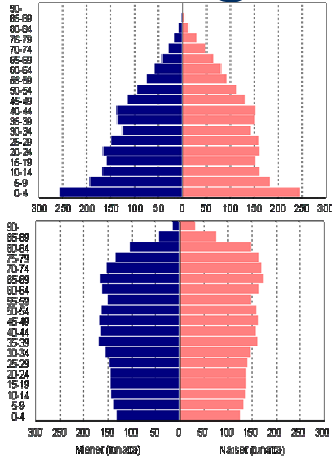
- Differences between municipalities/regions
- Different time horizons between topics

Observations:

- Both Delphi rounds were too demanding
- Different questionnaires for expert and municipal panels...
- Difficulties in comparing the results
- Extremely difficult to probe alternative development paths and discontinuities
- Number of panellists

Key drivers

Demographic change



Global economy



Economy

Services

Regional structure

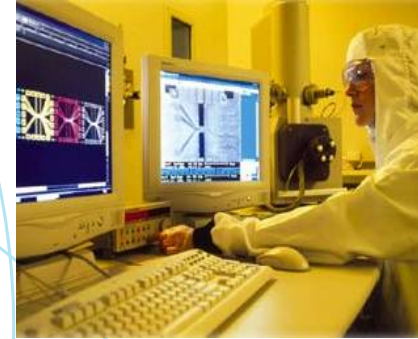


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Technological change

Global economy: Change in the action and location logic of companies

- Production, companies and work concentrate to areas that offer the best conditions for profitable activity
- Traditional industrial sectors face increasing competition from developing countries
- In future competition will increase also in high-tech and 'high skill' sectors
- Finnish competitiveness based on high tech electronics will diminish



Demographic change

- The ageing of population in Finland and in Europe
- In 2030: over 30% more children and people over 65 / working population than in year 2005
- Uneven effects on regions
- Migration of working age population to urban growth areas

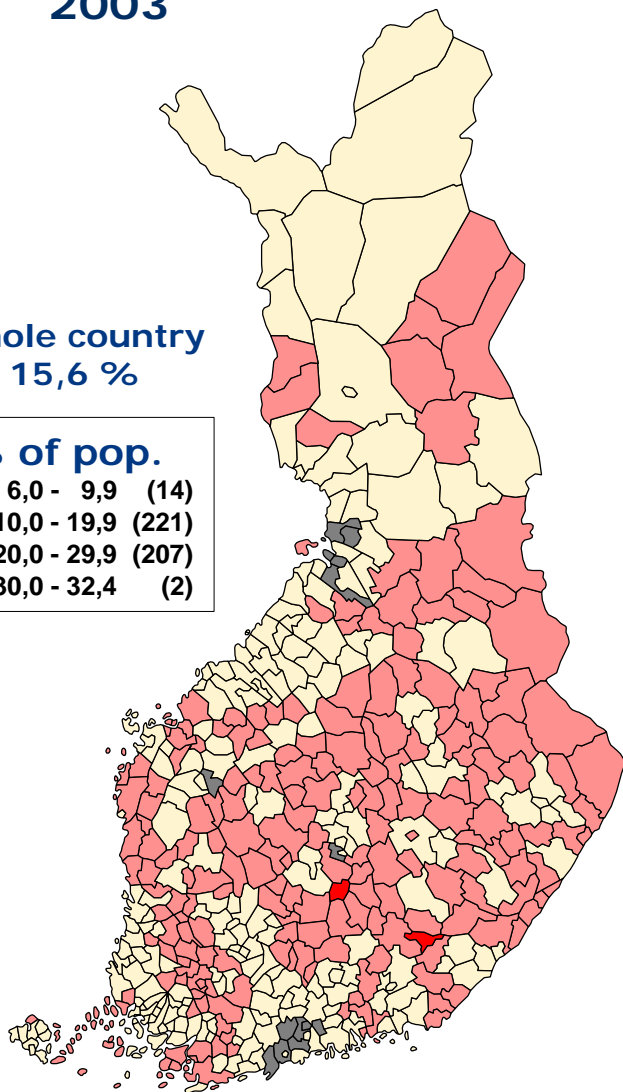


65 years and over in 2003 and 2020

65 years and over in
2003

Whole country
15,6 %

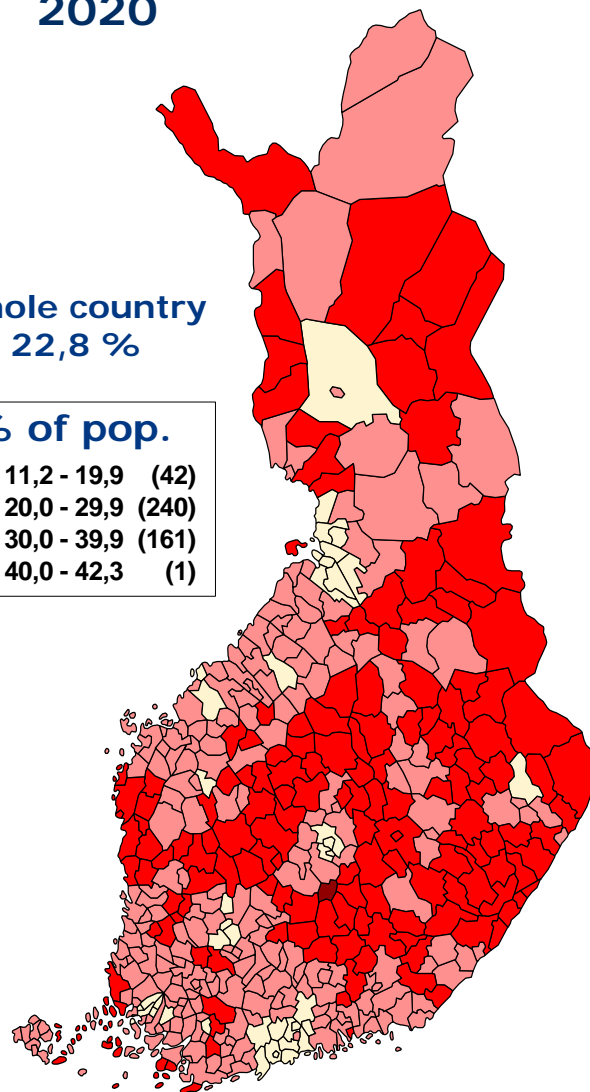
% of pop.	
■ 6,0 - 9,9	(14)
■ 10,0 - 19,9	(221)
■ 20,0 - 29,9	(207)
■ 30,0 - 32,4	(2)



65 years and over in
2020

Whole country
22,8 %

% of pop.	
■ 11,2 - 19,9	(42)
■ 20,0 - 29,9	(240)
■ 30,0 - 39,9	(161)
■ 40,0 - 42,3	(1)



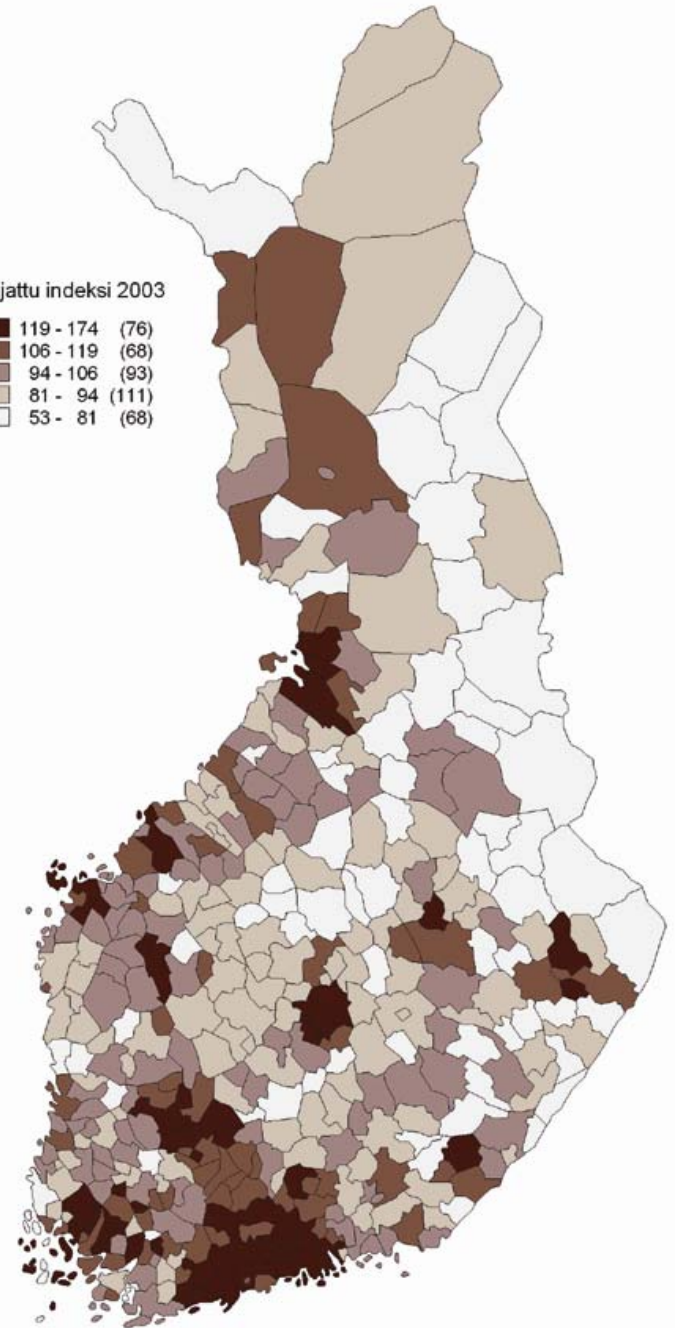
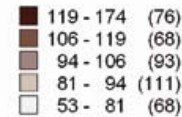
Regional differentiation

- Concentration of trade and industry, jobs and population to a few viable growth regions will accelerate
- The growth regions are particularly the biggest university towns and the surrounding municipalities
- Only a few, small successful areas besides these growth regions.
- Distinct division into successful regions and declining set-back regions.
- Extreme estimates: there will be only 5-7 viable city regions in Finland by 2025

2003

- Demographic change
- % of 65 year and over of total population
- % of employed of the total potential labour force

Rajattu indeksi 2003



Labour market and work force

- Increased international competition for labour
- Simultaneous labour shortage and high structural unemployment
- Challenge for municipal sector – by 2015 over 140 000 municipal workers will retire
- Need to reorganize modes of action
- Increased segregation of work force – new class society?



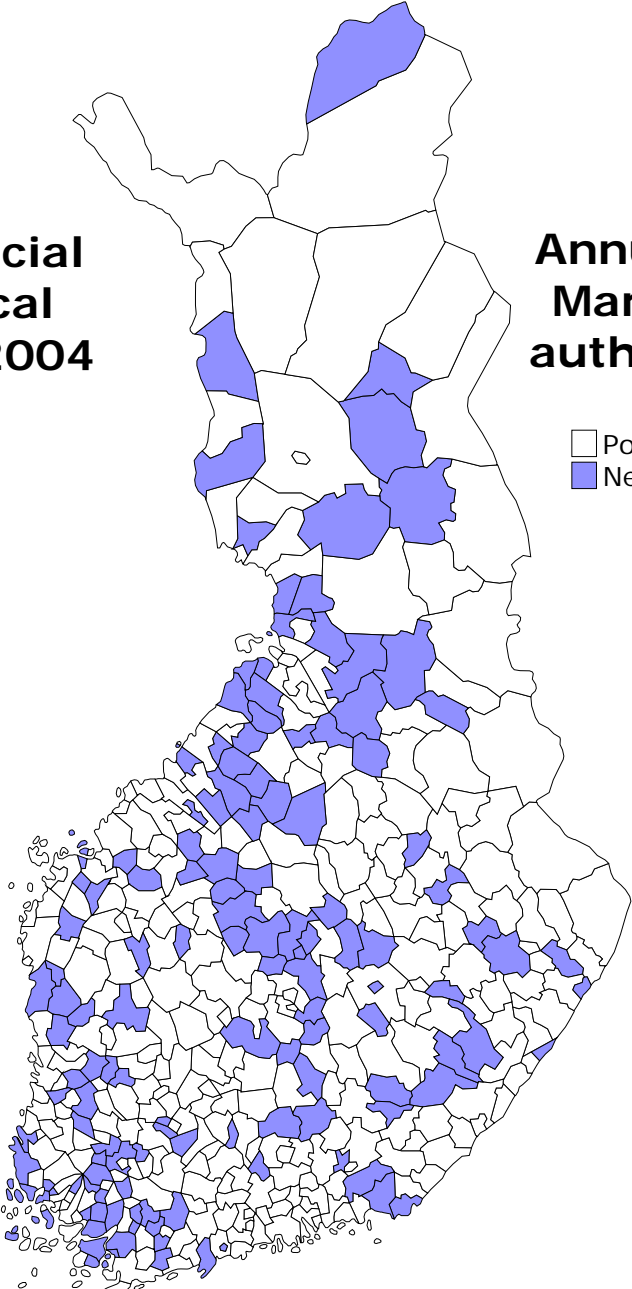
Municipal finances

- In the majority of local authorities municipal finances will weaken even in the short run.
 - Dependency on locally paid taxes
 - Fall in the support ratio
 - Increased social and health care costs
- The local tax rate will be raised
- Diminishing ability to develop the region in declining areas
- Crisis of service provision and production



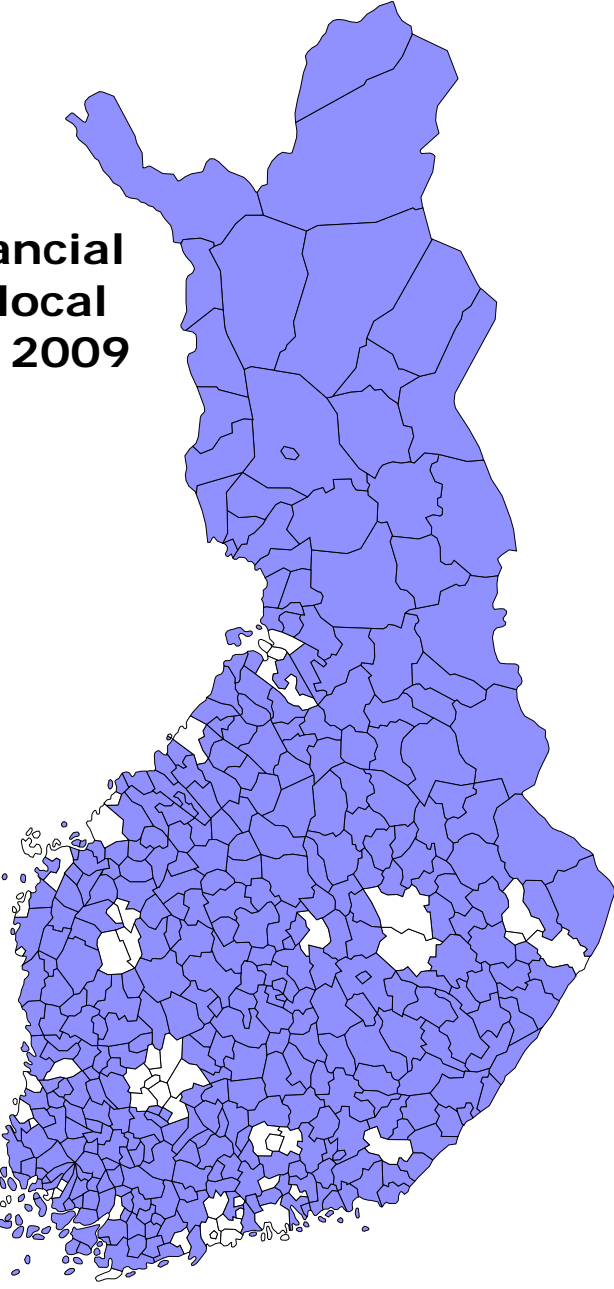
Annual financial margin in local authorities 2004

Positive
Negative



Annual financial Margin in local authorities 2009

Positive
Negative



Service provision and production

- The personal responsibility for individual well-being will increase
- Services will be prioritized and cut in almost every local authority.
- Introduction of new service fees or increase in existing fees
- Need for new ways to produce services and increase productivity.
- Services will become an important factor in regional competitiveness



Changes in local governance

- Local authorities will
 - Adapt and chop their activities
 - Form new contractual co-operative structures based on cross-border networks
 - Transferring certain functions to the regional level
- Considerable reduction of the number of local authorities through mergers
- Some of the local authorities can not manage the obligations they've been given

It is possible that there will be different kinds of local authorities with different rights and obligations

State regional development policy

- Will face increased pressures
- Balancing vs. centralizing policies
- There will be declining areas that are increasingly dependant on income transfers
- Compulsory municipal co-operation and mergers
- 'Terminal care' -policy



Democracy and political system

- Increasing conflicts in local decision making
- Local authorities in peripheral/ declining areas will lose significance as arenas of decision-making
 - They are very small actors and lack financial resources
 - Decision-making will be transferred to the regional level
- Local authorities in growth regions will become more important

