



Future Business Policy in Municipalities and Regions of Finland

■ Introduction

- This short paper is based on the preliminary results of a research project called ‘The Future Barometer of Business Policy of Municipalities and Regions’, which was launched in spring 2002 and will be completed by September 2003. The project is carried out by the Association of Finnish Local and Regional Authorities and partly funded by the Finnish Ministry of Trade and Industry.

- The goals of the project are:
 - to support municipalities and regions in their strategic planning by providing data on future expectations for business policy expressed by experts, entrepreneurs and municipal authorities,
 - to arouse discussion on new working methods, new goals, and areas of emphasis in business policy
 - to help invent new type of co-operation models for municipal and regional business policy.

- The data was collected in a two-phase survey. The respondents represented municipal authorities, entrepreneurs, and experts from academic and governmental organisations in three different regions: North Karelia, the metropolitan area, and central Finland. One-hundred and fifty questionnaires were sent over the Internet and 67 responses were received to the first-phase questionnaire. The results presented in this paper are based on the answers to the first-phase questionnaire.

- The questions dealt with issues such as the operational environment, actors and instruments of business policy, regional differences, and weak signals. Both open and structured questions were used.



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■ Changes in Operational Environment

- The questionnaire was composed of 16 propositions on changes in the operational environment. The respondents were asked to assess the significance of the propositions from the point of view of business policy this year and in the years 2008 and 2023. The scale was 1 – 5 in which 1 stands for not significant and 5 stands for very significant. Table 1 shows the percentage of answers 4-5



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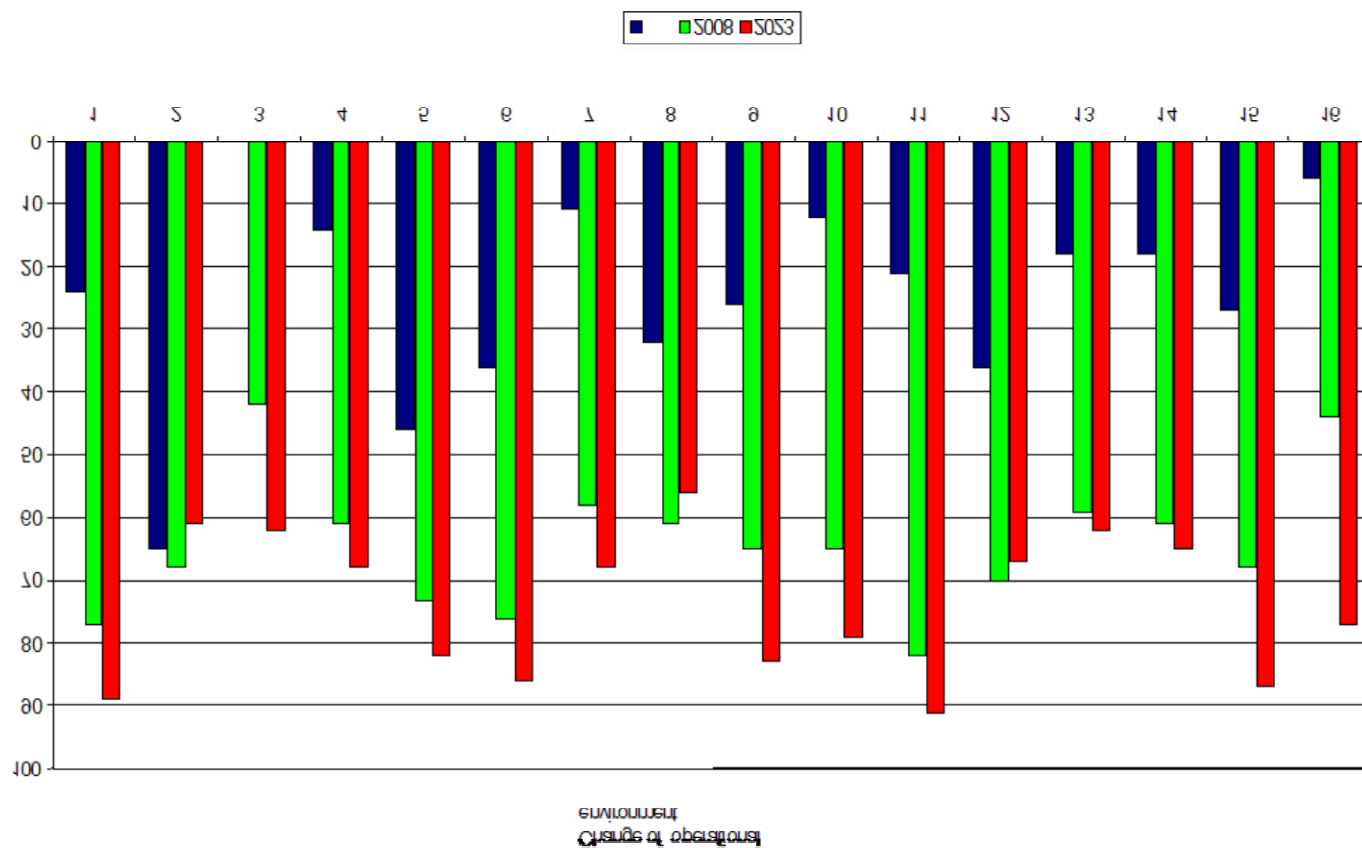
■ Changes in Operational Environment

- Propositions:**
1. The population ages, the number of young people decreases and the life expectancy gets longer (the so called double aging of the population).
 2. The population crowds into southern Finland and into regional growth centers.
 3. The mobility of workers is expected to increase with the expanding of the EU.
 4. It is anticipated that there will be a shortage of workers as baby boomers retire.
 5. Knowledge is a product and a commodity, it is the most important production factor.
 6. The products and innovations of information technology, communication technology, and biotechnology are expected to develop further and to have a great impact on people and businesses.
 7. Telework opportunities will increase with the emerging information society.
 8. Knowledge know-how may divide the population into successfully employed, part-time employed, and the unemployed.
 9. Natural resources will diminish. Demands on dematerialization and immaterialization will grow.
 10. Local environmental-friendly production and consumption are expected to increase.
 11. National and international environmental norms will become stricter.
 12. Large companies consolidate globally.
 13. Organizational cultures and practices will integrate all over the world.
 14. Markets globalize, commodities are sold and bought everywhere.
 15. Networks of companies emerge and they expand both regionally and globally.
 16. Globalization is expected to change local identity and culture. Finnish local communities and city regions will become pluralistic, which will have a positive effect on internationalization and marketing know-how.



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■ Changes in Operational Environment





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- As table 1 shows, the respondents believe that the changes described in the given propositions on business policy will become more and more prominent in the future, even though there is variety on the estimated scale of growth. The concentration of population is believed to slow down by the year 2023. The respondents thought that in the short run (year 2008), the most important factors will be strict environmental norms and the effects of ageing population. The same factors receive the highest scores also in the long run (2023). The expansion of the EU and potentially increasing migration of work force is assessed to have a relatively limited effect on business policy in the short run. Also the effects of globalisation on local identity receive relatively low scores. In the long run, knowledge know-how will perhaps not divide the population into winners and losers. The expansion of growth centres is expected to slow down.



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- **Changes in municipal structure**
- **2008:** The number of municipalities is diminished by 25 %. The regions and municipalities have inter-regional and intra-regional co-operation in business policy. At the same time the regional structure concentrates even more, the growing areas will prosper and expand while sparsely populated, remote areas will increasingly lose significance.
- **2023:** There are approximately 150 big municipalities in Finland, which co-operate regionally in the field of business policy. Regions and sub-regions form alliances in order to achieve their business policy goals. The regional structure is more concentrated than 15 years before.



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- **Future of welfare state**

- **2008:** 1) The Finnish welfare state has met its challenge. Municipal services and the service organisation are more and more diverse. Some of the social services are provided by the private sector. Regional co-operation has increased and services are provided more efficiently and for larger administrative units than before.
- 2) The welfare state is in a deep crisis. The private sector produces social services for the wealthy, local authorities for the poor. Larger service units have not solved the problems related to social policy. Owing to regional differences, social services are not equally distributed among citizens.

- **2023:**1) A new type of welfare state is born, where services are produced in a variety of ways and where the demand and supply meet.
- 2) The welfare state has ceased to exist and the production of services is determined by markets. The society has been divided into those who can afford welfare services and into outcasts who must rely on the third sector's voluntary subsidies.



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- **How to employ skilled workers in future?**
- **2008:** Educational organisations and companies work together to ensure that they will be able to employ skilled workers. Municipalities maintain a versatile service structure to attract workforce. Skilled labour force can best be employed by offering a safe and comfortable environment. Immigration flow is under control and new workers are employed to all sectors of economy. Adult education is reformed and measures are taken to maintain the current working capacity in order to prolong the average working life.
- **2023:** During the last 15 years, no real changes have taken place because best practises to employ and retain skilled labour force have been discovered. The size of the international labour force is greater than ever. At the same time, Finns have improved their international skills.



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- **EU funding as an instrument of business policy**
- **2008:** Owing to the expansion of the EU, funding from the Union can be acquired for no more than a few regional development projects per year. Funds are allocated to the new member states. Remote areas have less chances for development than before. Increased national funding cannot change the fact that subsidies have decreased.
- **2023:** Remote areas are underdeveloped and wealthy areas are still prospering. National funding is directed to, and companies invest their R & D resources in, development projects but direct subsidy policy is forgotten.



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- **Effectiveness of new business policy instruments (for example, regional knowledge and development centres, taxation)**

- **2008:** 1) Centres of expertise have succeed quite well in developing regions, although great differences among regions remain. Various types of tax reductions have created new possibilities for the remote areas, but the effects on the economy have been quite marginal. The National Regional Centre Development Programme is a failure.
- 2) The effects of the new instruments are limited and marginal.

- **2023:** 1) New business policy instruments have helped the remote areas cope better and even improve their situation.
- 2) New business policy instruments have failed and their importance has been non-existent. Finland has polarised and centralised quite dramatically.



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- **Responsibility for starting and maintaining the co-operation of business policy actors**
- **2008:** Municipalities carry main responsibility but in co-operation with other actors
- **2023:** Municipalities are still a strong actor in local and regional business policy but local solutions vary a lot. Networking is efficient and all participants share responsibility.



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■ The municipal success factors

■ Propositions

- Hyvä kunnallinen palvelukyky – Good municipal service level
- Hyvä yksityinen palveluvarustus – Good private services
- Asuinympäristön turvallisuus – Safe living environment
- Puhdas luonto ja ympäristö – Clean nature and environment
- Taloudellinen hyvinvointi ja kunnan vauraus – Economic welfare and municipal prosperity
- Menestyvät yritykset kunnassa – Successful enterprises in municipality
- Yksityisen sektorin ja kunnan yhteistyö – Co-operation between private sector and municipality
- Kehittynyt johtamiskulttuuri – Advanced management culture
- Nopea reagointikyky ja joustavuus – Flexibility and ability to react quickly
- Epävarmuuden sietokyky – Ability to tolerate uncertainty
- Monipuoliset harrastusmahdollisuudet – Versatile opportunities for recreational activities
- Hyvä tunnettuus ja imago – Positive image and well-known municipality
- Kansainvälinen verkottuneisuus ja yhteistyö – International networks and co-operation
- Toimiva seutuyhteistyö – Successful sub-regional co-operation



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- Municipal success factors
- The question was as follows: Assess the significance of these municipal success factors in the years 2003, 2008, and 2023. Use the scale 0-10 (0 = not significant; 10 = very significant). Table 2 and 3 show the mean value of answers.
- The respondents assessed that in the short run, the least significant factors are traditions and the history of municipalities. The most significant factor would be functional traffic and transport connections. In the long run, the most significant factor might be safe living environment. Also education and training, and infrastructure received high scores. The least significant was traditions and the history of municipalities. Please note that even if the difference between extreme values is fairly large, the differences between most values are modest.



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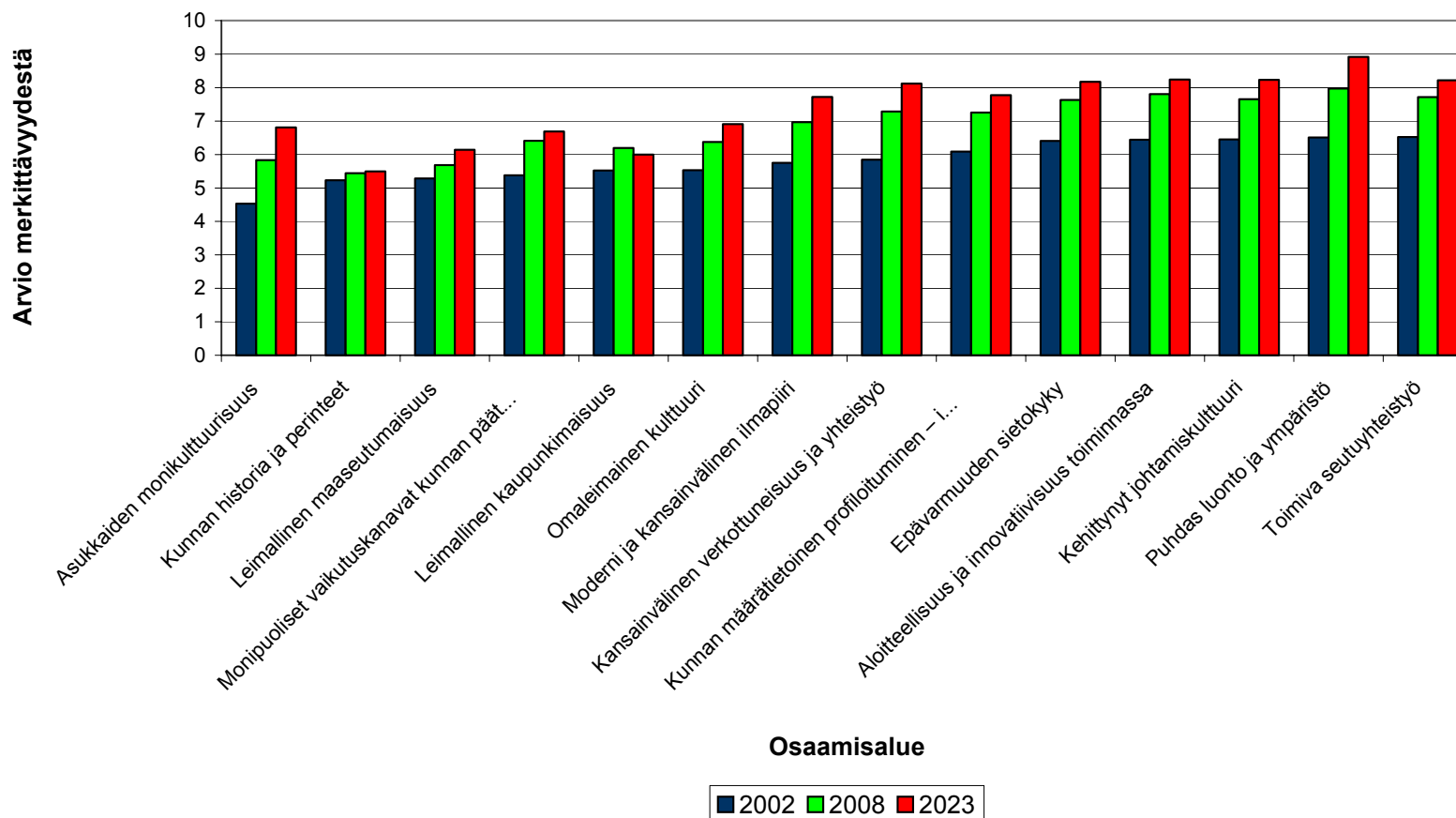
■ Propositions

- Omaleimainen kulttuuri – Own distinctive culture
- Kunnan historia ja perinteet – Traditions and the history of municipalities
- Kunnan tarjoamat koulutusmahdollisuudet – Education and training offered by municipality
- Infrastrukturi (myös tietoliikenneyhteydet) – Infrastructure (including data communication)
- Leimallinen kaupunkimaisuus – Urban characteristics
- Leimallinen maaseutumaisuus – Rural characteristics
- Kuntalaisten korkea koulutustaso – High educational level of municipal residents
- Monipuoliset vaikutuskanavat kunnan päätöksentekoon – Various opportunities for exerting influence on municipal decision-making
- Kunnan määrätietoinen profiloituminen, imago – Creation of municipal image
- Moderni ja kansainvälinen ilmapiiri – Modern and international atmosphere
- Aloitteellisuus ja innovatiivisuus toiminnassa – Own initiative and innovative action
- Hyvät liikenneyhteydet – Functional traffic and transport connections
- Asukkaiden monikulttuurisuus – Multicultural residents



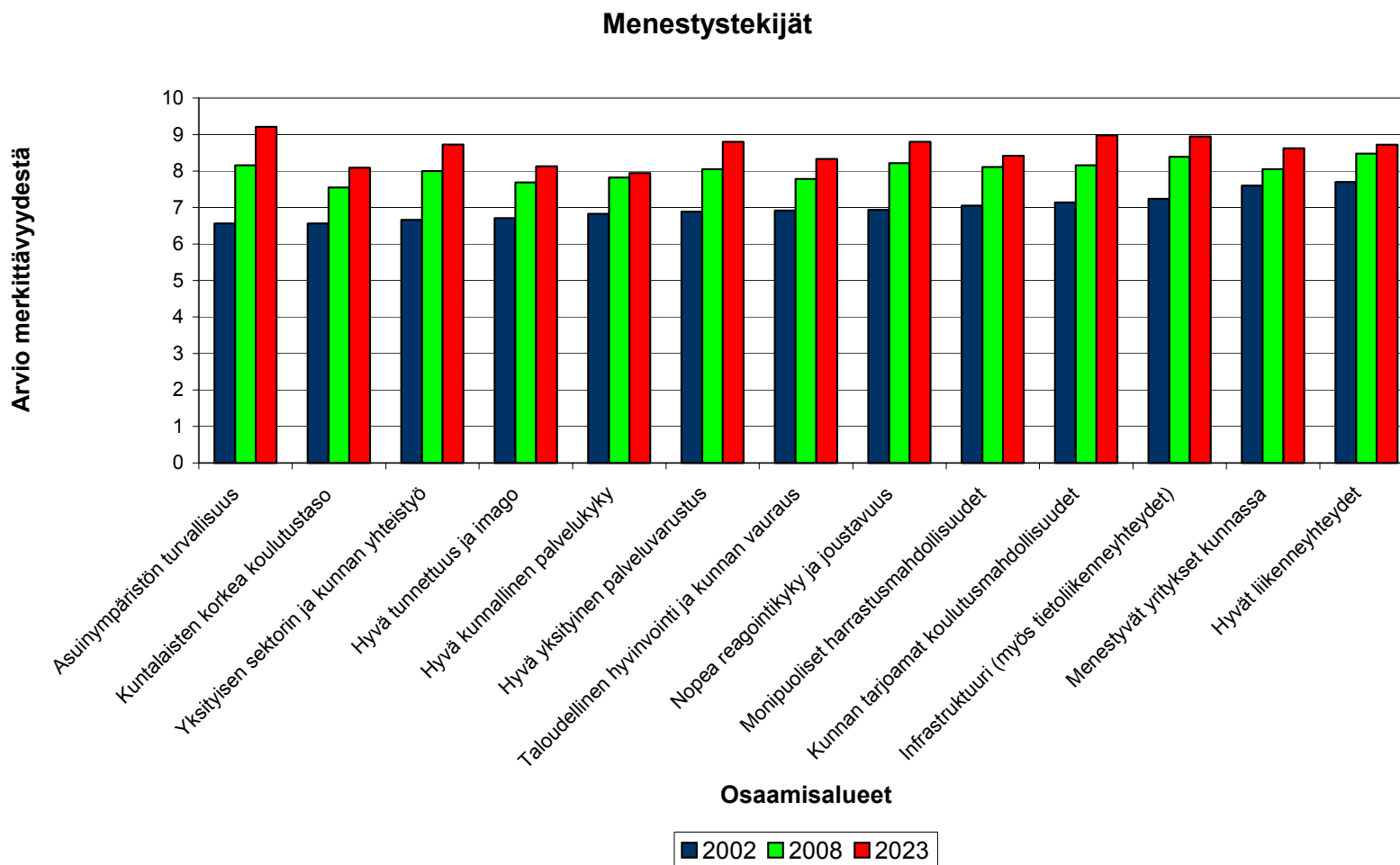
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Kuntien menestystekijät





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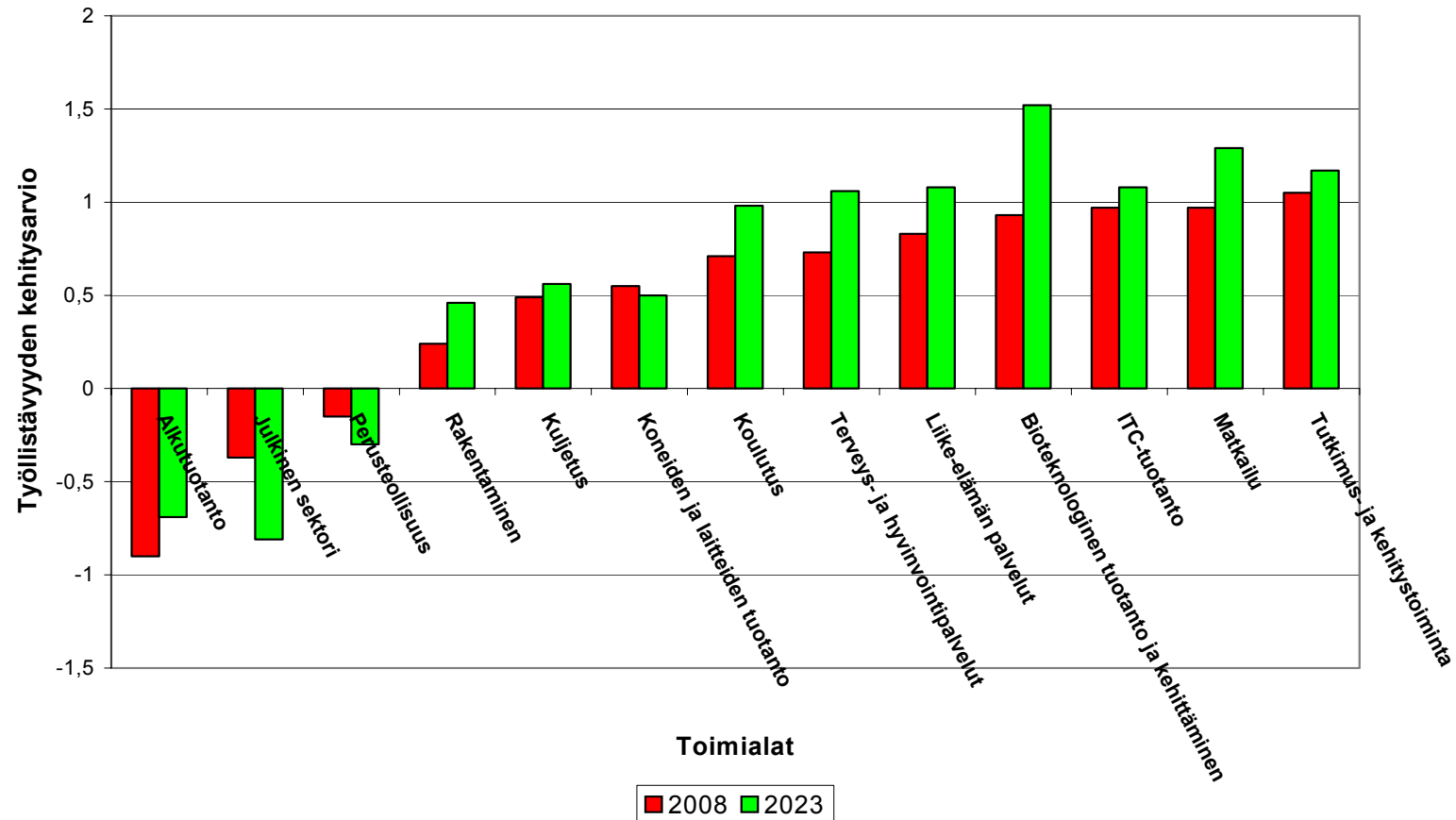
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- **Development of employment in different production sectors**
- The respondents assessed the development of employment in different production sectors on scale -2 (employment declines heavily) - $+2$ (employment increases heavily). The table shows the mean value of answers ($n = 67$).
- The message is quite clear. The employment of primary production, public sector and basic industry is expected to diminish both in the short and in the long run. In all other sectors, employment is expected to develop positively. The research and development sector have the most positive expectancies in the short run. In the long run, the employment of biotechnological production and development will probably develop most positively.



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Elinkeinotoiminnan lohkot





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- **Development of employment in different production sectors**
- **Production sectors**
- Alkutuotanto - Primary production
- Perusteollisuus - Basic industry
- Koneiden ja laitteiden tuotanto - Production of machines
- ICT-tuotanto - ICT production
- Bioteknologinen tuotanto ja kehittäminen -Biotechnological production and development
- Rakentaminen - Construction
- Kuljetus - Transport
- Liike-elämän palvelut - Business services
- Matkailu -Tourism
- Julkinen sektori - Public sector
- Terveys- ja hyvinvointipalvelut - Social and welfare services
- Tutkimus- ja kehitystoiminta - Research and development
- Koulutus - Education



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- **Weak signals 2008**
- Stabilisation of Russian society and economics
- Municipalities cannot form annexations
- Ethnical and cultural contradiction arise
- Growing desire to move to rural areas
- Loss of party politics
- Increasing need for safe living environment as aggressiveness increases and natural disasters wreak havoc
- Scanning of business cycles and changes becomes difficult, economic disturbances are fast and large
- Importance of safe operational environment
- Crisis in the economics of Western Europe, increase of importance of Asian countries
- Products and services as part of the experience industry
- Business policy as a narrative and an experience
- Large international conflicts and exile
- Part time work on the rise
- Loss of competitiveness
- Land use policy changes from restrictive to demand based
- Acceptance of inequality of people
- Unhealthy competition increases,



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- **Weak signals 2023**
- Disruption of the EU circa 2015-2020
- Strong desire to move to rural areas
- Value of handicraft has risen in different economic sectors
- State reforms the whole structure of municipalities
- New grand municipality system which may increase municipal responsibilities