



**People are
Finland's key
success factor.**



People are Finland's key success factor

Key factor.

Finland is a great place to work and do business.
But the world is advancing at a fast pace, so we must
do even better to stay in the race.

Each and every Finn should feel that they are valuable.
We need every citizen to participate in building
our welfare society.

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For the past hundred years, Finnish society has been built on entrepreneurship, hard work and strong competence. Over the period of a century, our nation has risen from poverty to become a successful welfare society. A study published in 2018 found Finland to be the happiest nation in the world. This comes as no surprise, as it is easier for people to feel happy when their basic needs are provided for. The business community wants to continue to build a Finland where everyone has the chance to be successful.



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We are living in a time of great transformation. The nature of work is changing. Time and place are losing their meaning as boundaries between work and private life are becoming blurred. At the same time, old rules that made life, work and production harder are being dismantled.

However, cooperation and free trade are facing headwinds, with large countries and economies attempting to change the rules in their favour. Finland must continue to actively promote free trade within the EU. Unrelenting competition in the global economy is nonetheless a reality.

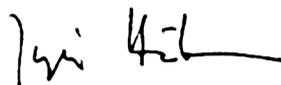
Work towards the future in Finland must focus on creating the largest number of innovations, refining raw materials as far as possible and generating the highest value. Only a person with a high degree of competence can perform this kind of high added-value work. We must find solutions to the shortage of skilled labour if we are to succeed in this growth cycle, which has had a promising start.

According to the latest forecasts, public finances will stop running a deficit in the next parliamentary term. However, the long-term sustainability gap is significant. We need smart immigration policies and child- and family-friendly measures to reverse this trend. The most effective ways to tackle the sustainability gap are increasing the employment rate and boosting the productivity of publicly funded services.

The election programme of the Confederation of Finnish Industries aims to improve employment significantly, thus adding flexibility to public finances. We are setting a target of more than 75% for the employment rate by 2023. Improved employment will have a positive effect of about EUR 2 billion on public finances.

The narrative of the next hundred years is already being written. What kind of story do we need for Finland, to allow each and every one of us to succeed? You see, change has already begun in people's minds. In the working life of the new era, where uniformity is no longer the norm, each person writes their own story. We should support this opportunity.

People are Finland's key success factor.



Jyri Häkämies
Director General
Confederation of Finnish Industries, EK

EK's Government Programme theses in a nutshell

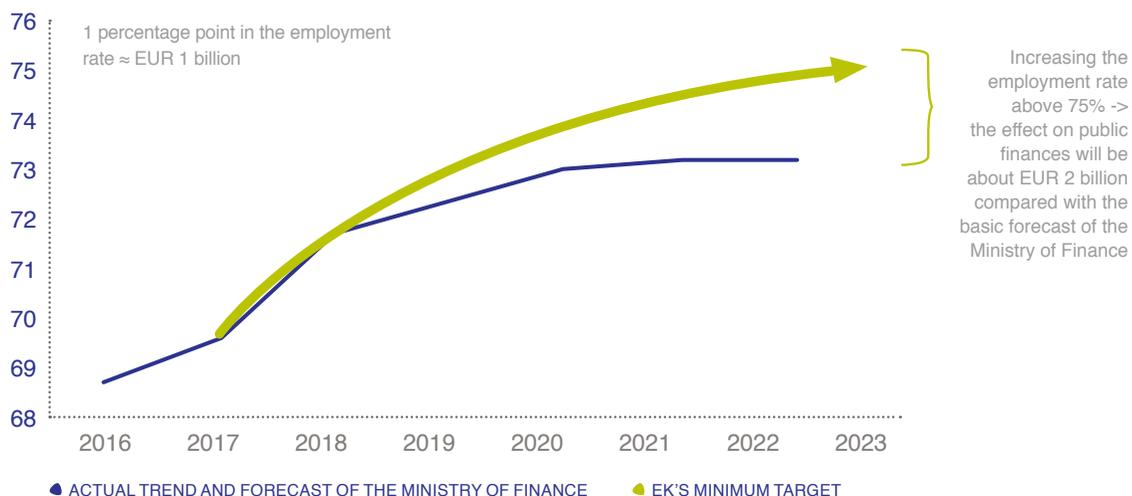
“The main aim of the next government should be to raise the employment rate above 75%. Its policies should strive to decrease inactivity traps, improve education serving the labour market, make work-based immigration more efficient and increase flexibility in the labour market. This is the only way to secure the services provided by our welfare society, namely health care, care for ageing citizens and education.”



We should invest more in education, research, innovation, transport infrastructure and the prevention of social exclusion.

A higher employment rate secures welfare

Raising the employment rate should be the no. 1 aim of the next government. The bar must be set sufficiently high. All decisions must be evaluated through their effects on employment.





Reforming social and health care services is still crucial. The aim is to slow down growth in social and health care costs in the late 2020s.



The long-term aim of tax policy should primarily be to lower taxes on work in all income classes. This will have a positive impact on employment.



The family leave reform and social security that encourages employment will raise the employment rate significantly.



Entrepreneurship and ownership must be increasingly and continuously facilitated. They create welfare and prosperity for society as a whole.

1.

What kind of skilled labour does Finland need?

The world is changing faster than ever before. Artificial intelligence and robotisation are here to stay, even though few had heard of these as little as twenty years ago. The fateful question for Finland is how to respond to continuous change and address the latest needs for competence. The young are the makers of the future.



1.1 **The urgent shortage of skilled labour must be addressed immediately**

The growth that emerged after the long recession highlighted the acute shortage of skilled labour. Competent employees and updated skills are needed everywhere in Finland, in every sector and in companies of all sizes. There is a need for both top-level experts and professional labour. We must use all available means to address the shortage of skilled labour.

Basic education provides the foundation for lifelong learning for an entire generation. Its main purpose is to arouse the interest of every child and young person in their future and to support different forms of talent. Upon graduating from basic education, every young person should have the sufficient competence and motivation for further studies. Some of the worrying trends are that young people are reading less, their literacy and mathematical skills are weakening and their language skills are narrowing. We must have the courage to invest in competence and education and to modernise the latter.



EK's proposals

- Issuing a competence guarantee to ensure that every young person possesses adequate reading, writing and mathematical skills upon graduating from comprehensive school.
- More learning by doing is needed in upper secondary school education. This would allow boys, in particular, to move on to further education and working life more successfully than they do now. Students should be allowed to start their vocational studies at an earlier stage.
- Children and young people should be encouraged to study mathematics and natural sciences by providing them with good basic skills, diversifying teaching methods and increasing cooperation between businesses and schools.
- A minimum of the short curriculum in mathematics should be made a compulsory subject in the matriculation examination.
- The revised vocational education should alleviate the acute recruitment difficulties faced by companies through, for example, short-term apprenticeships or by actively offering businesses educational services to update the skills of working-age people.
- Providing clear avenues to higher education for young people who intend to complete their first degree and for employees aiming to update their competence. Targeted education, retraining or upgrading of qualifications, and other educational modules should be increased.
- Creating a model for immigrant education centred on language studies and professional qualifications that supports employment.

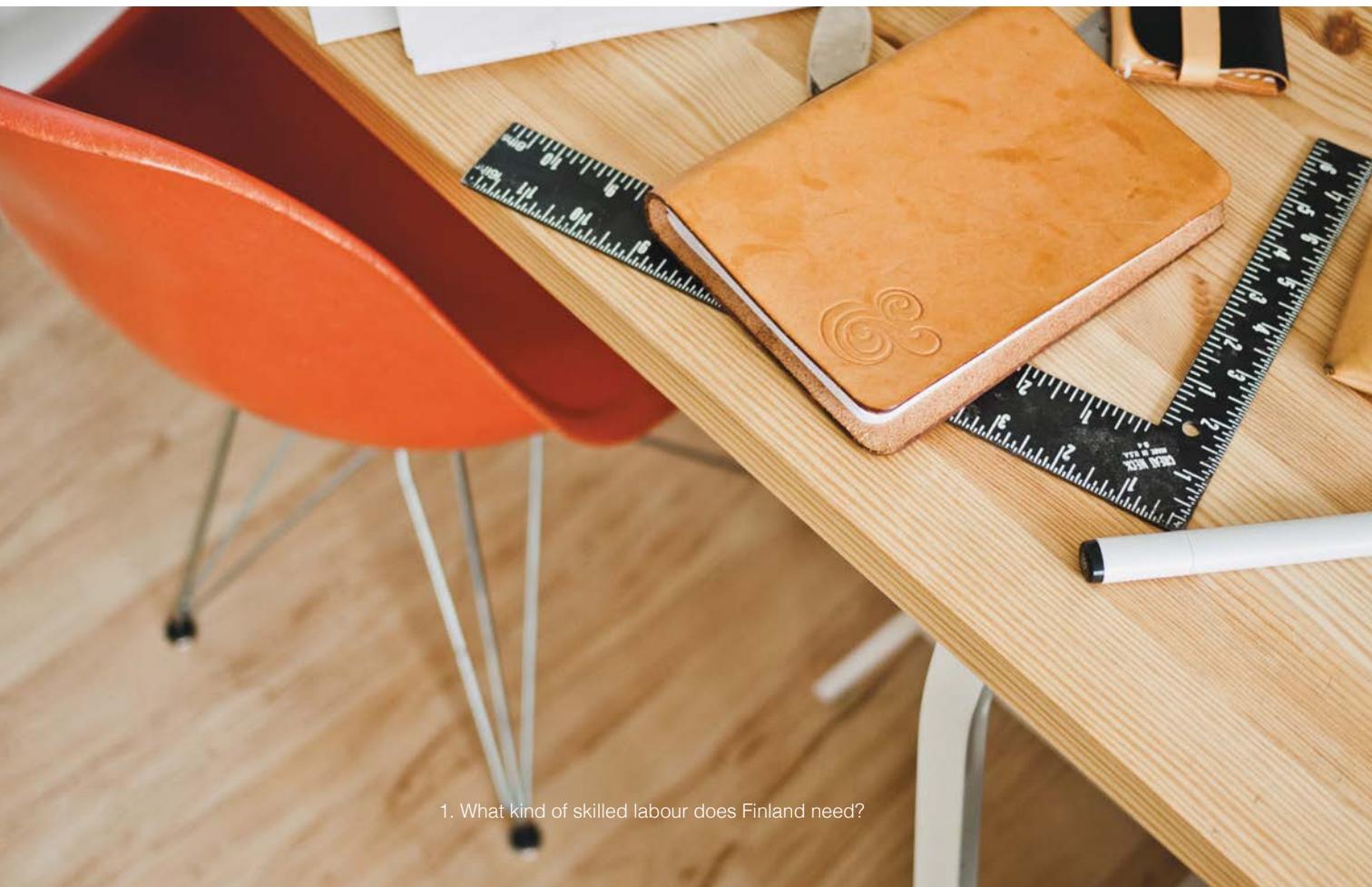


1.2 Finland needs a vision for skilled labour and the courage to take a new approach

In the Finland of the future, digitalisation and artificial intelligence offer huge opportunities. For the national economy to grow, business must be conducted in the world of data and services. Despite this, up to 65% of companies suffer from deficiencies in digital expertise that hamper their business. Particularly strong digital competence is needed in sales, marketing, innovation activities, communications, the management of business knowledge, and financial administration.

With the right actions, technological upheavals can be channelled into creating something new, increasing productivity and achieving a positive employment trend. By intensifying cooperation and obtaining a more strategic position in international networks, Finland can improve its chances of success.

To remain a global leader in competence and education, Finland must meet the competence needs of its labour market and understand global megatrends. The partnership between the business and educational community must be strengthened on all levels of the educational system. In the funding model for universities and educational institutions, more importance should be given to the number of graduates who find a job. In addition, internationally competitive competence clusters are needed for the different business sectors. Integrating education even more closely into the operations of companies on all educational levels and in different forms requires a new kind of cooperation.



EK's proposals

- The government should renew its commitment to support the target of providing 4% of GDP in investment in research and development activities by 2030.
- The government should incrementally increase innovation funding to a competitive level (permanent increase of EUR 300 million). The majority of the additional funding should be allocated to companies through Business Finland.
- Renewing the management model for innovation activities and implementing a management pilot – the Prime Minister's Office should recruit an innovation and research director who reports to the Prime Minister and the committee of ministers responsible for economic policy and who is responsible for the impacts of additional funding.
- Finland is attractive when exciting things happen here – innovation cooperation should be made into a good platform for education and attracting foreign professionals. We should increase Finland's attractiveness as a research, development and innovation environment because this will encourage companies to commit investments.
- The labour market and the Working Hours Act should be updated to reflect the digital age, and Finland should be turned into a global leader in data networks.
- More resources should be allocated to education in accordance with the competence needs reported by businesses.
- We should make Finland the first country where the financial administration of companies is digital and conducted fully in real-time.
- We should lay the groundwork for a sustainable tax base for the Finnish welfare society in the era of the platform economy in 2030.
- Legislation should enable and promote the use of digital services.
- We should create a steering model for coordinating educational and innovation policy with labour policies.
- We should compile the educational offering, study material and tracking data of all higher education institutions into a joint digital platform to provide students with more flexible access to education.
- All foreigners studying in Finland should be offered a project or training placement in a Finnish company.
- We should continue the Talent Boost programme, setting the target of attracting 20,000 to 35,000 foreign professionals to Finland by 2023.

1.3

Everyone's input is valuable.

We need workers from Finland and abroad alike.

Social exclusion begins during childhood. More effective and earlier intervention requires timely investments in appropriately targeted services. The investments cost money, but this is only a fraction of the price that the individual, and society at large, will have to pay for their exclusion from the labour market. Even partial participation in the labour market is extremely important for the welfare of our society and of the individuals themselves. It remains the duty of the public authorities to continue to balance supply and demand in the labour market in order to prevent exclusion from work. Therefore employment services must continue to be developed so as to improve their availability and effectiveness.

Finland needs foreign labour, as not even a successful educational policy will suffice to guarantee the availability of skilled labour. Work-based immigration must be promoted to alleviate the shortage of skills and recruitment problems in the labour market. Finland is not a particularly attractive country for foreign workers. Recruitment from abroad is difficult for companies and the permit process is slow. In addition, the responsibilities related to immigration are fragmented within the public administration.



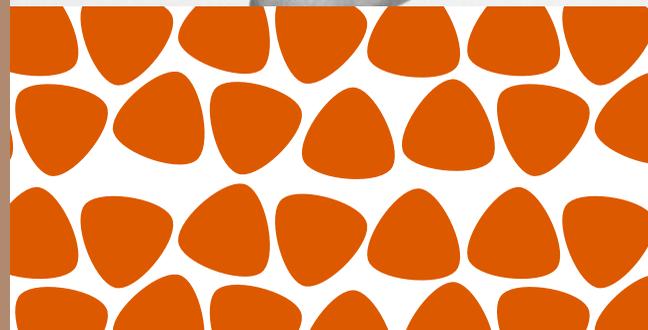
EK's proposals

- Creating the tools for assisting early childhood education professionals in identifying the children in need of early support and referring their families to social services provided by the municipalities.
 - Enhancing support for children at risk of social exclusion by obligating the municipalities to provide adequate home services and the resources for them.
 - Improving services for children with learning difficulties by increasing remedial and special education and obligating the municipalities to allocate sufficient resources to this process. This will help prevent school drop-outs at an early stage.
 - Extending free and statutory preliminary education to 5-year-olds.
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- Increasing personnel placement resources by utilising private service providers; additional funding can be drawn from savings in the government's funding share of unemployment benefit expenses.
 - Wage subsidies paid to the private sector should be targeted at employment; wage subsidies paid to the public sector should be reduced and the savings from this should be allocated to growth services and personnel education.
 - Pay subsidies for the partially disabled and the long-term unemployed, who suffer from low employability, should be increased from the current 30–50% to 30–70%.
 - Binding pay subsidy decisions should generally be made in advance to inform employers considering recruiting a partially disabled or a long-term unemployed person of the level and duration of the subsidy the prospective employee is entitled to.
 - The obligation to offer additional work to part-time employees should be removed if a company recruits a person with low employability using pay subsidies.
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- The processing period for residence permits including the right to work should be set at one month. If an application cannot be processed within this period, it must be considered to be approved. The process of determining the availability of labour should be removed from the residence permit procedure. The use of private service providers should be increased significantly in the processing of residence permits.
 - The recognition of competence gained abroad should be developed, particularly for positions and industries requiring a professional qualification. The authorities must present clear, case-specific criteria for recognising education completed outside the EU and EEA as a professional qualification. The criteria may include clearly defined supplementary training.
 - The Minister of Economic Affairs should have centralised responsibility for the duties related to promoting work-based immigration, and the promotion of work-based immigration should also be added to the duties of the Ministry of Foreign Affairs.
 - Finland should be actively marketed abroad as a country to work, study and conduct research in, and the tax-at-source practice applied to foreign key personnel should be made permanent.
 - English should be made a language for official business in some areas.

2.

How do we make sure that working is always worth it?

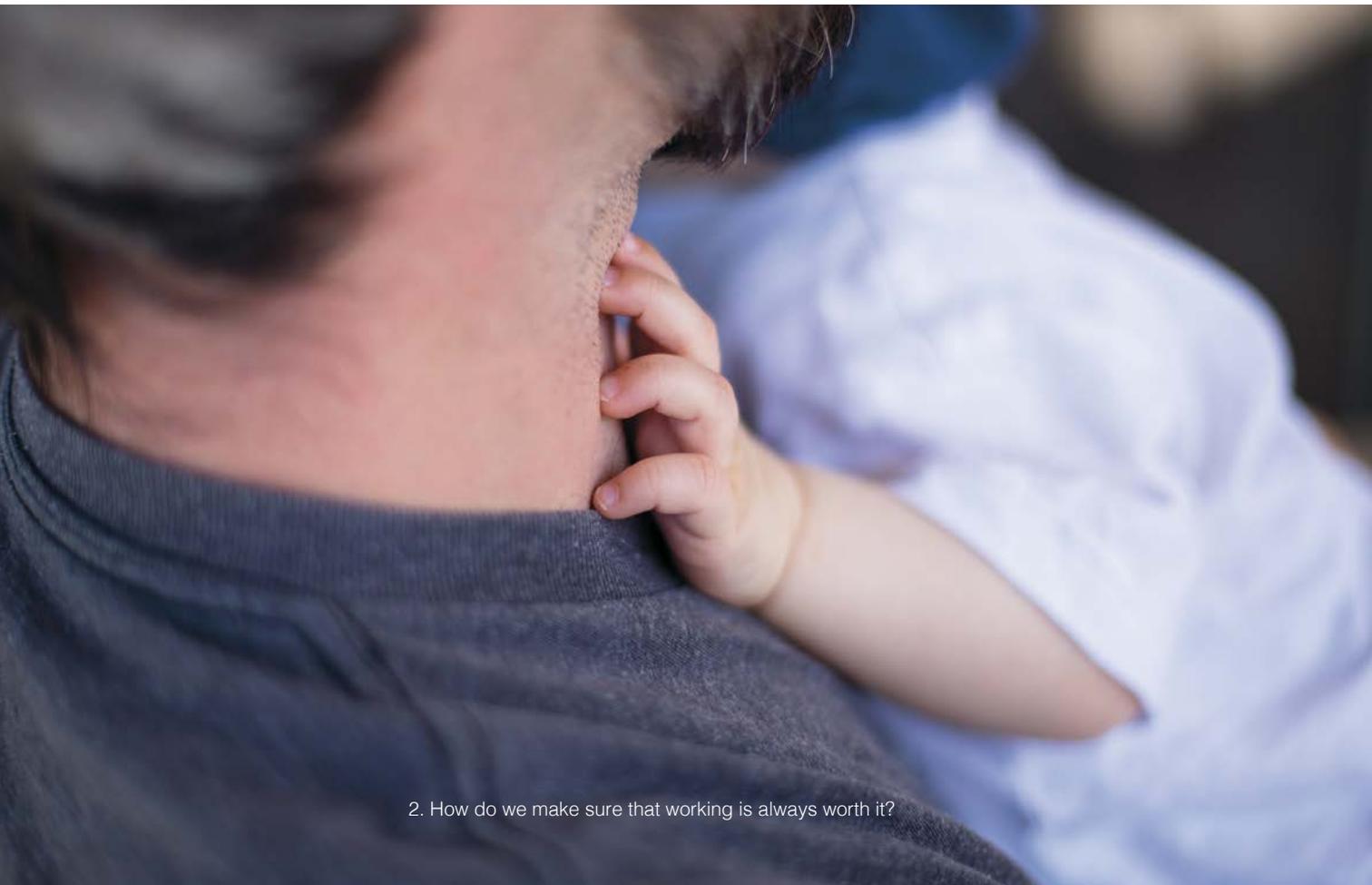
The growing problems faced by companies in finding suitable labour are jeopardising economic growth. Inactivity traps are one of the reasons for the worsening recruitment problems. Due to income taxation, income-linked service charges and social security, work is not always the most attractive alternative for the individual from a financial perspective. The reason lies in structures that create the wrong kind of incentives.



2.1 Making work the best option

The original purpose of various benefits was to serve as a temporary safety net for an individual who, for one reason or another, is unable to find employment or faces unexpected problems in earning a sufficient income. However, benefits must provide incentives for re-employment as soon as possible, and working should always be more worthwhile financially than living on benefits. Work is the best form of social security. For this reason, a social security reform that creates incentives to work must be implemented in the next parliamentary term.

High taxes are another factor that decreases incentives to work and, in the long term, skews people's studying and career choices. The heavy taxation of work is the biggest problem in Finland's tax policies, which is why cutting income taxes should be made their primary goal. Incentives to work, develop and advance one's career are needed in all income classes. Our tax code should encourage people to accept a job. Working must always be financially worthwhile.



EK's proposals

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- Income-linked day care fees should be reduced, lowering the average fee from about EUR 150 to EUR 130. A similar revision should be applied to the fees paid for private day care.
 - The reconciliation of the housing allowance with earned income should be improved, so that recipients' income and any increase in it would reduce the amount of support less than currently. At the same time, the housing allowance deductible should be increased.
 - The simplification of social security should be started by combining social assistance with the general housing allowance.
 - Income-linked unemployment benefits should be distributed according to a tiered system, and the maximum period for which the benefits are paid should be shortened by 50 days.
 - The contribution of unemployment funds to financing the benefits should be raised from 5.5% to 10%. At the same time, the general unemployment insurance payments made by wage earners should be reduced. The reform will not change the total funding contributed by wage earners.
 - A decision should be taken on a long-term tax relief programme extending across parliamentary terms, with the following aims:
 - Lowering the taxation of middle-income earners to the Nordic level.
 - Lowering the highest marginal tax rate to a maximum of 50%.
 - Significantly improving incentives to accept work by amending taxation on low-income earners and by increasing the deduction for work income.

2.2 Creating a better and more equal family leave system

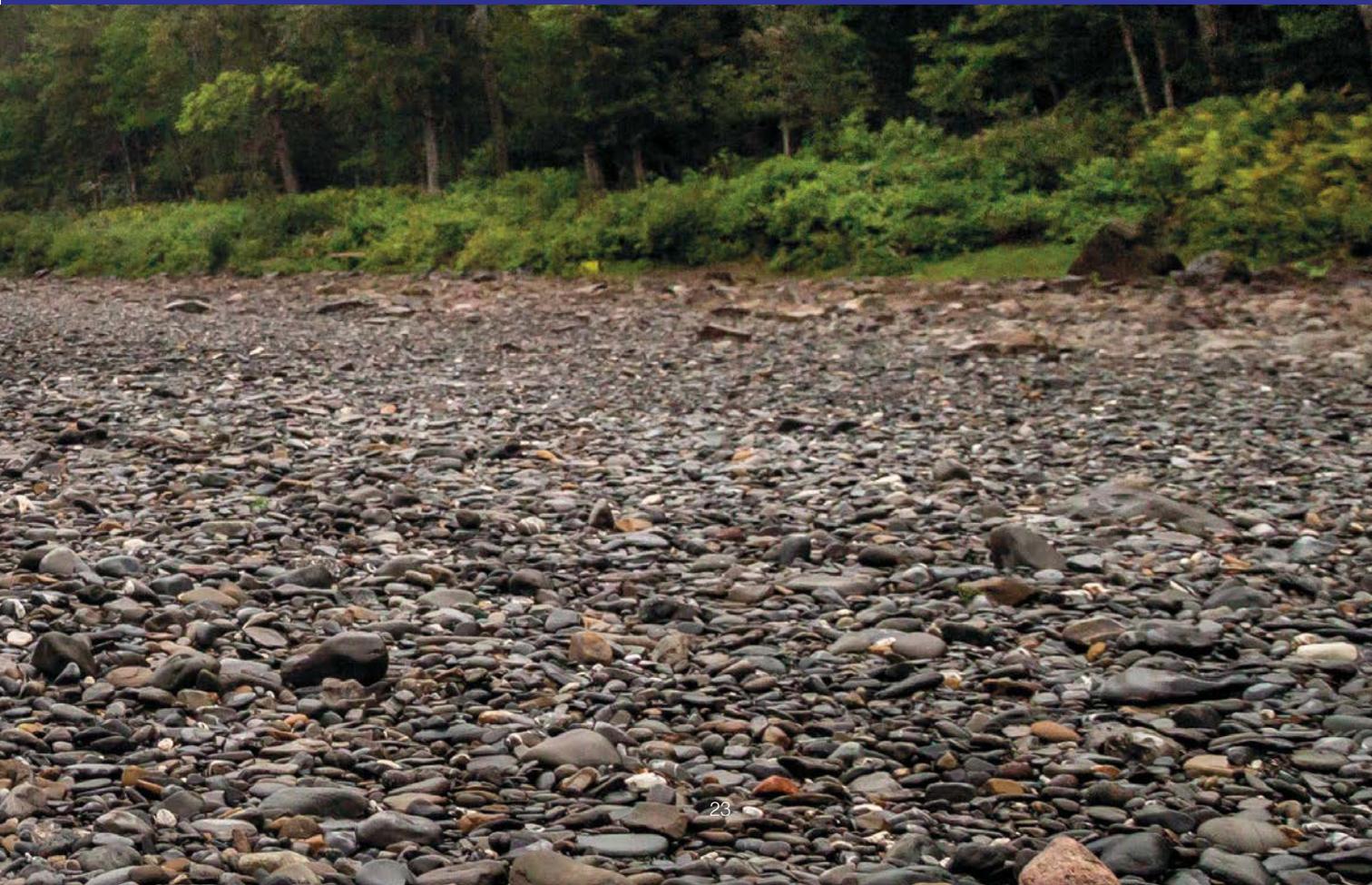
By reforming the family leave system, we can address up to four separate challenges. Firstly, the employment rate in Finland will rise as women participate more actively in the labour market. Secondly, a more even distribution of family leave will improve women's career and wage development and reduce the fragmentation of their careers. Thirdly, the participation of immigrant women in the labour market will materially improve their integration, as well as that of their families. And last, but not least: participation in high-quality early education promotes equality among children.



EK's proposals



- Obligating Kela to pay parental allowances more flexibly than currently.
- Dividing the parental allowance days referred to in the Health Insurance Act among the parents in such a way that the mother is entitled to an allowance period totalling 7 months and the father to a period totalling 6 months.
- Shortening the maximum period for the child home care allowance so that it ends when the child is aged 18 months.
- Increasing funding for early childhood education by about EUR 120 million annually to improve the quality and availability of the services.

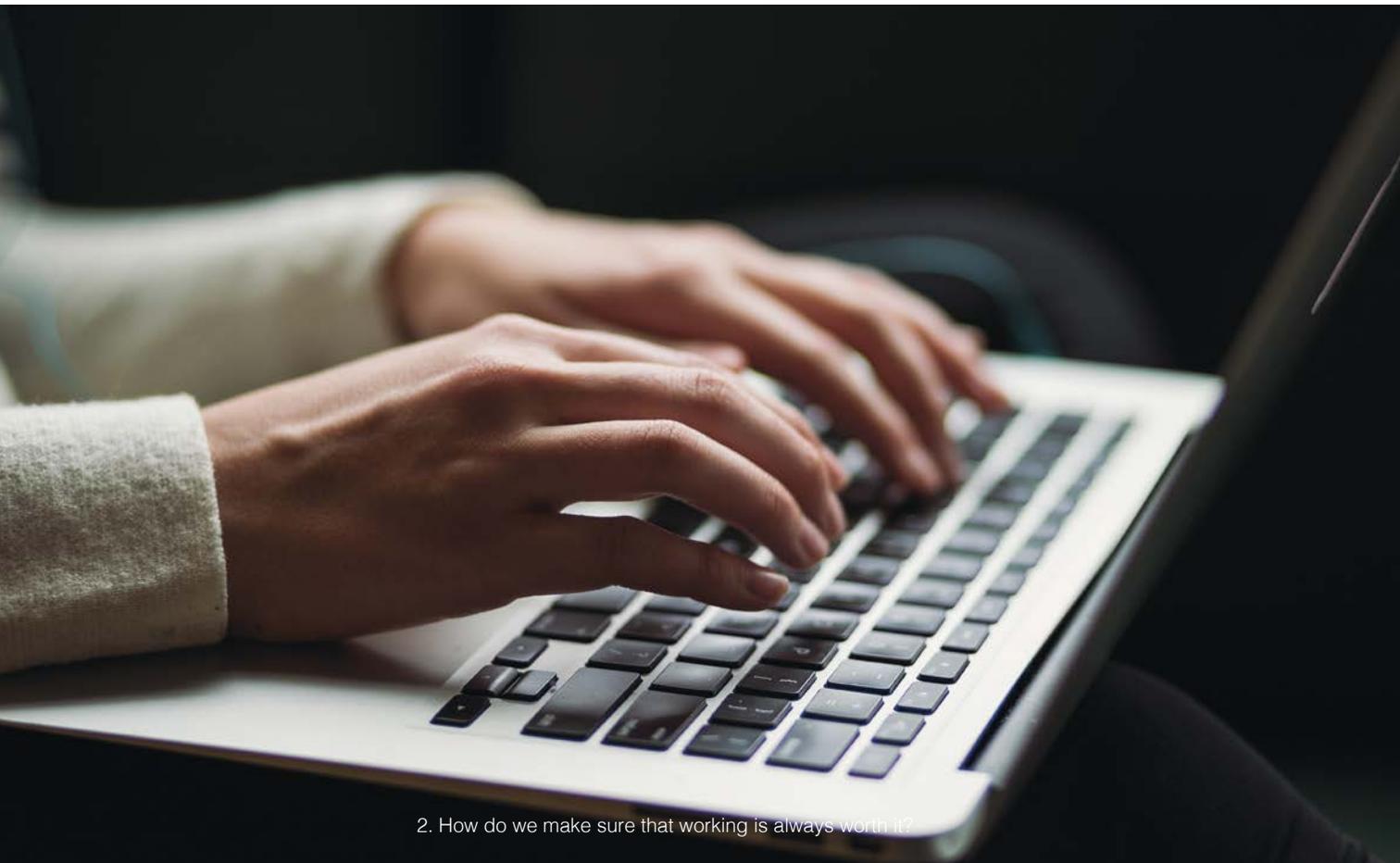


2.3

Updating the Collective Agreements Act. Increasing trust through local agreements.

The legislation governing collective agreements must be completely overhauled, as it dates from 1946 and no longer meets the demands of our modern society. Some of the biggest problems include the large number of unlawful industrial actions, the slight penalties imposed relative to the damage caused by such actions, as well as the disproportionately extensive solidarity actions. The number of political industrial actions has likewise increased to a worrying extent. Industrial action often causes widespread disruption in today's networked operating environments, weakening the reliability and competitiveness of Finnish companies.

Working life regulations in Finland should be made more flexible. The means for reaching local agreements have not increased in legislation to the same extent as the number of collective agreements, which has made it more difficult to agree on the terms and conditions of employment in companies. The procedural rules concerning the cooperation consultations on redundancies are very complex in the Act on Co-operation within Undertakings. The restrictions on concluding fixed-term employment contracts raise the threshold for employment. Flexible local solutions could, for example, significantly ease the operations of tourism and restaurant services during the tourist season.



EK's proposals

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- Penalties for participation in an unlawful industrial action must be increased significantly. The compensatory fines imposed for unlawful industrial action have usually amounted to a few thousand euros, while the damage caused to businesses has been substantial. There have been around 100 unlawful industrial actions on average every year in Finland, whereas in Sweden, for example, there have been virtually none.
 - Disproportionate solidarity action must be banned. When assessing disproportionality, special attention should be given to the damage caused by the industrial action to outsiders.
 - Statutory restrictions must be set on political industrial action in a similar manner as in the other Nordic countries.
 - Increasing the means for local agreements should be incorporated into every reform of labour legislation in accordance with the integration principle. In every reform project, legislators should assess, on a provision-by-provision basis, to what extent the right to local agreement either between the employer and the employees representative and/or between the employer and individual employees, in particular, could be increased.
 - The minimum limit of application of the Act on Co-operation within Undertakings should be raised so that the act applies to companies with at least 50 employees. The procedural rules in the act should be simplified and sanctions for breaking them should be made more reasonable. The minimum negotiating period for consultations on redundancies should be removed.
 - The requirements for concluding fixed-term employment contracts should be changed so as to allow such contracts to be concluded without separate grounds for a maximum period of one year.

2.4

Taking care of future generations by maintaining a sustainable pension system

The Finnish pension system is mostly in good shape, although it must show flexibility when necessary. Earnings-related pension security should be developed with a long-term approach based on a consensus achieved with its funders. As the dependency ratio becomes weaker, the earnings-related pension system must be re-examined at regular intervals, and if any need for revisions arises, action must be taken promptly.

EK's proposals

- Improving employment opportunities for older workers and the partially disabled by revising the payment category model for disability pensions.
- The government should prepare its proposals for amending legislation governing the earnings-related pension system based on joint proposals from the parties funding the system and in collaboration with these parties.
- Earnings-related pension policies should primarily aim for a sustainable economic dependency ratio, a sufficient level for pensions, the sustainability of funding and fairness between different generations; this would also support the credibility of economic policy as a whole.
- The economic and social sustainability of the earnings-related pension system should be evaluated in the manner stated in the pension reform agreement concluded in 2017.
- The earnings-related pension systems of the private and the municipal sectors should be merged without altering the status of the insured or the obligations of the funding parties, and with neutral effects on competition in the earnings-related pension industry.
- The survivors' pension system should be revised on the basis of a report by the Ministry of Social Affairs and Health (Reports and memoranda of the Ministry of Social Affairs and Health 2017:19).

2.5 Using common sense and resources to integrate immigrants

Finland has an international and open economy whose Nordic values are grounded in solidarity. Finland should continue to shoulder its responsibility for helping people in distress who apply for asylum. However, only by investing in integration can we ensure that risks related to immigration can be avoided and that the opportunities it offers can be fully utilised.

Work is the best form of integration. Pay subsidy periods or vocational labour market training almost double the employment opportunities of immigrants. Currently, however, pay subsidies do not suffice to cover the costs of lower productivity and the need for increased supervision at workplaces. Additionally, a separate integration model is needed in order to speed up the employment of immigrants considerably.

EK's proposals

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- Finland should introduce integration measures similar to the model used in Sweden. This would entail industry-specific agreements on the terms and conditions of employment with regard to those being integrated. In conjunction with this, a separate agreement should be reached on the state's role in providing the resources for integration measures. In the case of people granted asylum, the maximum amount of the pay subsidy should be raised so as to cover 70% of recruitment costs for up to 12 months (similarly as in the case of the partially disabled and the long-term unemployed).
 - The TE Office should be obligated to include in every integration plan a binding advance decision on a person's eligibility for pay subsidies, clearly stating the amount and duration of the subsidy.
 - Participation in language studies and other training, as well as learning the language, should be obligatory without exception. Failure to comply with these requirements should lead to a reduction in the level of subsidies.
 - An extensive competence review should be conducted for immigrants immediately after they have received their residence permit.
 - The authorities, together with employment service companies or educational sector companies, should map out the competence of working-age persons and prepare a personal aptitude assessment for each one of them. Ineffective "one-size-fits-all" courses should be discontinued, and more emphasis should be put on tailored solutions.

2.6

Making living and commuting easier: driving growth through cities while attending to the needs of the country as a whole

Urbanisation is a phenomenon taking place across the world, including Finland, driven by people's personal decisions and preferences and by the changing labour markets. A stronger urban policy would accelerate growth which, in the best of cases, radiates beyond the cities into the surrounding area. A sustainable urban policy enables us to mitigate climate change and other harmful effects on nature and the environment. Urban planning provides sustainable transport solutions, guarantees the success of housing policies and facilitates the mobility of labour.

EK's proposals

- Establishing an urban policy ministerial group for supporting growth. Regional development should start with the aim of having at least one vital urban centre in every region. The Helsinki metropolitan area's international importance for Finland's success should be considered in decision making.
- Supporting the development of a new urban culture and the vitality of urban centres with a separate cultural policy programme.
- The government should commit to the proposal of the parliamentary working group on the long-term development of traffic infrastructure. The development work should prioritise arterial roads.
- Rail connections between Helsinki, Turku and Tampere should be developed so as to grow and speed up rail traffic.
- Data should be increasingly utilised in transport. Data on uncongested routes, journey times, various alternatives, emissions and costs should be made available on all devices and for all means of transportation.
- Urban planning should be accelerated and the system should be reformed to promote housing production and other business activities; measures should include reducing plan levels, enhancing participation and streamlining appeals processes.
- The urban project plan should be adopted for implementing individual housing areas and corporate projects, and businesses should be given the right to call for one. The process of changing the intended use of vacant office buildings, especially in the capital area, should be promoted in order to increase housing supply. The built environment should be better controlled as wholes, and MAL agreements (Agreements on Land Use, Housing and Transportation) should be revised and expanded.
- Regional development based on the strengths of the various regions should be promoted, for example, in the areas of tourism, battery technology and bioenergy.



3.

How do we build a successful Finland and a better world at the same time?

What makes for competitiveness? In our global world, we are constantly competing with everyone for attracting investments, capital and skilled labour and for selling various products and services. Businesses must be able to react rapidly to transformations taking place in the markets. As the markets and consumer preferences change, it is crucial that companies are confident in the predictability of official practices and taxation. An agile government that acts predictably, fairly and transparently promotes growth and enables self-renewal.

A global world also faces global challenges, the biggest of which is climate change. Up to now, people have demonstrated their ability to create the most innovative solutions to awful problems faced by humankind. Life expectancy in the world's poorest nation today is higher than it was in the world's richest 200 years ago. Nine out of ten of the world's children receive basic education, with nearly as many girls as boys starting elementary school. Much of the credit for all of this belongs to the free market economy.

Contrary to the trend in the EU and Finland, total carbon dioxide emissions across the world continue to grow, and are currently more than 46% higher than in 1990. According to a UN estimate, the world's poorest countries would need up to USD 2,500 billion annually in new private investment to achieve the aims of sustainable development. Smart and innovative energy solutions could, however, pave the way to solving this monumental challenge. And what's best is that Finnish know-how in this area is among the best in the world.



3.1 Fair play: Open market and level playing field for competition for the private and public sector

In Finland, the role and size of the public sector are big on an EU scale. It has extensive operations in the markets and it strongly regulates the business community. The state and the municipalities must shift from their role as producer and provider to that of enabler, creating a favourable operating environment for healthy competition. More cooperation as well as constructive dialogue are needed between the public and the private sector.

The state and the municipalities in Finland annually make public procurements worth as much as EUR 35 billion. There are already more than 2,000 companies owned by the municipalities, with combined net sales of over EUR 10 billion. Procurements have a profound effect on the economy, the functioning of the markets and the public services provided to citizens. Therefore public procurements must be made more sensibly and innovatively in future, developing the markets and competition at the same time.

The municipalities are increasingly operating in a competitive market while taking advantage of unfair competitive advantages gained from their tax revenues. Compliance with regulations must be supervised more effectively, and financial penalties must be imposed for violations.

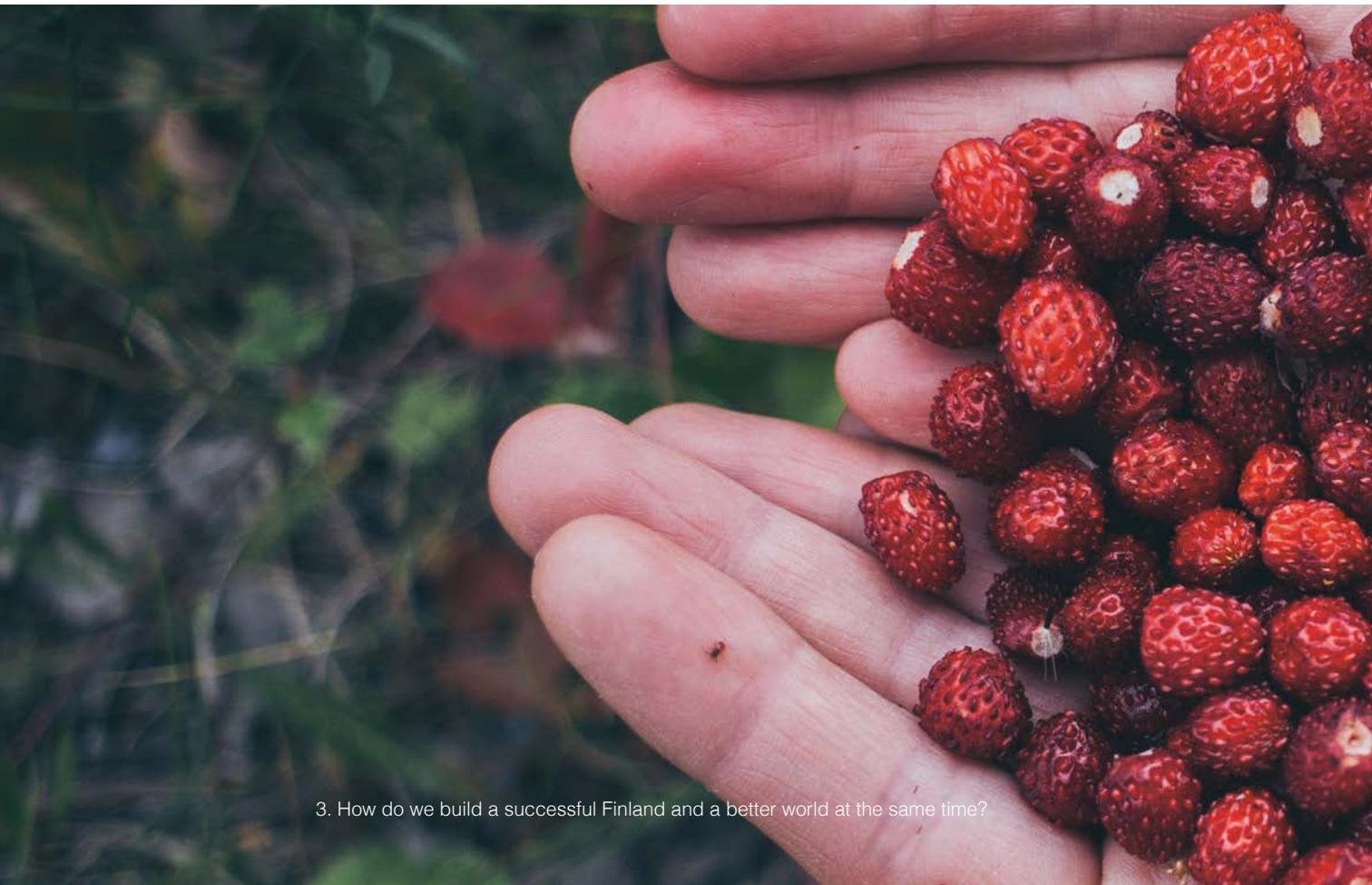
The platform economy and the digital markets are constantly introducing new types of players and products to the markets. The traditional boundaries between industries have become blurred. The interface between the public and the private sector is constantly shifting, which is evident particularly in the challenges faced by extensive structural reforms. Various sectors must be opened up responsibly to the markets so as to prevent those who break the rules from continuing to beat their competition, and to make sure all players are treated equally.

EK's proposals

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- Public services must be increasingly opened up to private companies, and legislation and official practices must treat private and public operators neutrally.
 - Participants in a competitive market must always operate as a company or as a corporation of another form.
 - The public sector must price its services in the markets on a commercial basis, and its commercial operations must be separated from other operations in its accounting – cross-subsidies must not be allowed.
 - Stricter compliance with neutral competition regulations is required, and penalties must be imposed for violations.
 - The municipalities and the regions should be given the role of enabler: instead of being a provider, they should focus on cooperation and on creating a favourable operating environment.
 - The municipalities must stop directing tax revenues to their neighbours – no more uncompetitive procurements from municipal companies.
 - Public data collected with taxpayers' money should be made more open and accessible.
 - At least 10% of public procurements should focus on innovation. The municipalities should be given incentives to take risks with innovative procurements.
 - The focus in public procurements should be on the outcome, not the procurement process itself.
 - Competition must be facilitated and new ways of working should be enabled by opening up the markets and abolishing legal monopolies.

3.2 Government to promote the free market economy

The value of the Finnish state's assets held in companies exceeds EUR 25 billion. In fact, Finland is one of the leading countries in state ownership in the OECD. In addition to state-owned companies operating in a commercial environment, various ministries are owners in special assignment companies. However, it is not appropriate for special assignment companies to compete with private companies. The state should add new legislation to its means of regulating the operations of municipal companies, which have expanded beyond the municipal sector, operating under different rules from private companies



EK's proposals



- Evaluating state ownership policies and each special assignment company (incl. State Business Development Company Vake Oy) every four years with the aim of diluting state ownership. The state's real estate assets should also be examined critically every four years.
- The state should lead by example with its ownership policy in relation to the municipalities and the regions.
- The state should list its eligible assets on the Helsinki stock exchange, taking into account the market situation, and all listings of state-owned companies should include a public offering to private investors. The same applies to share issues.
- The ownership steering of Alko Inc. should be transferred to the government ownership steering department of the Prime Minister's Office.



3.3 Making good administration a Finnish brand

Good administration does not happen by itself – it requires conscious actions and a change in attitudes. Administration is a service function with the purpose of supporting growth, self-renewal and employment. Besides making predictable and lawful decisions, every authority must ensure that its services function well, are accessible and provide a good customer experience, and that it possesses the right service attitude.

The quality and content of legislation are more crucial than the quantity. Indeed, the aim should also be to reduce the volume of existing legislation. Good and high-quality regulation makes administration more agile. Good administration and smooth regulation should be lobbied for in the EU, too. Considering the massive process needed for amending EU regulations, it is especially important for regulation to be clear, enabling, predictable and technology-neutral, and that it is well-suited to the digital age and changing circumstances.

Companies should be able to obtain the necessary official permits quickly and smoothly. As new technology that reduces emissions would be adopted faster than before, the environment would also benefit. More attention should be given in the future to the predictability, smooth functioning and efficiency of these services. For Finland and its businesses to succeed, radical leaps towards artificial intelligence solutions should be taken in the digitalisation of the permit system. The permit system should be able to serve companies electronically. Services should, among other things, generate a proposal for a decision automatically.

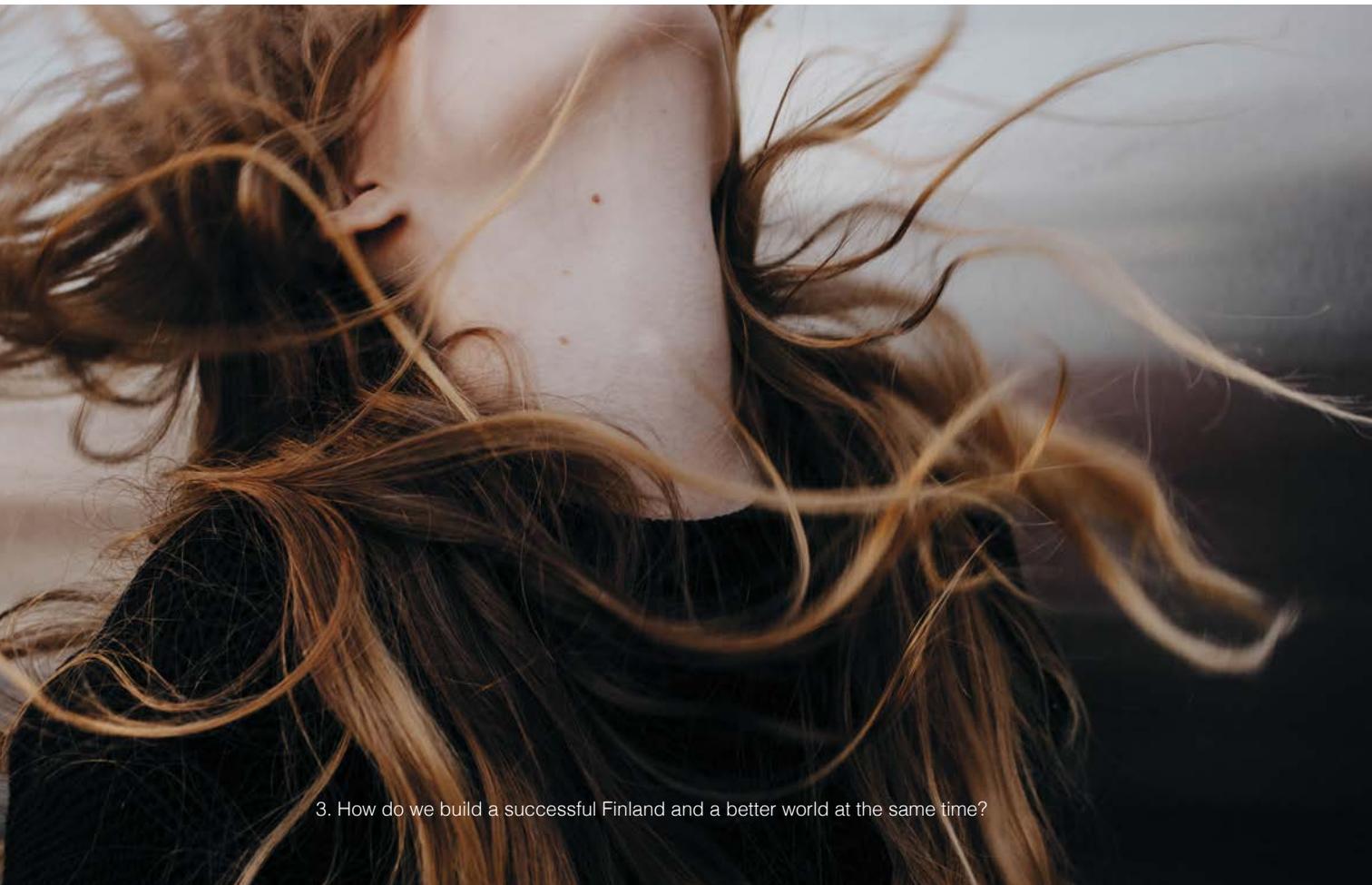
EK's proposals

- The administration should have a measurable customer promise that aims at agile and customer-friendly operations, taking into consideration the quality and predictability of decisions. At the level of the central government, its key content should consist of a promise of a welfare society in Finland that encourages people to work, start a business, invest and create jobs.
- Liberalising the opening hours of government offices. The opening hours of state and municipal services should be extended significantly in the evenings and weekends to meet customer needs.
- The opportunities offered by digitalisation should be fully utilised in public services and official business. It should be possible to use electronic tools for meetings and other contacts. The one-stop-shop principle should be widely adopted.
- Cost and competitiveness requirements should be evaluated more broadly than before, and cost impact calculations should be made a mandatory tool used by all ministries when preparing legislation.
- The one-in, one-out principle in regulation should become standard throughout the government. However, the aim is to be more ambitious by applying a one-in, two-out principle.
- Impact analyses and their impacts should be developed in various ways. The guidelines concerning impact analyses and the jurisdiction of the Finnish Council of Regulatory Impact Analysis should be developed. A procedure should be created for systematically analysing the impact of legislation after it has been enacted.
- Ensuring that matters being prepared at the EU level are introduced to the political dialogue in good time.
- Options should be exercised in the national implementation of EU legislation and additional national regulation should be avoided.
- Supervision by the authorities should be fair and effective, and its costs should be reasonable for the supervised.
- The development of the notification procedure and the prior negotiation procedure should be extended past the current parliamentary term, and the further proposals for the one-stop-shop legislative project should be prepared.
- Mandatory maximum processing times should be introduced to the permit procedure as a general rule, and where possible, the authorities should apply the "Dutch model", under which a permit is considered granted if a decision on it cannot be made within the maximum processing time.

3.4 Promoting growth, entrepreneurship and ownership through taxation

Taxation is a key factor influencing the operating environment and location decisions of companies. We must constantly maintain the competitiveness of Finland's corporate tax rate and corporate tax system to attract companies and high added-value operations.

Corporate and capital taxation as a whole should promote entrepreneurship and Finnish ownership. The current dividend taxation system for unlisted companies in Finland is complex, influencing companies' decisions artificially and treating businesses in different industries and different forms of investment in an unneutral way.



EK's proposals

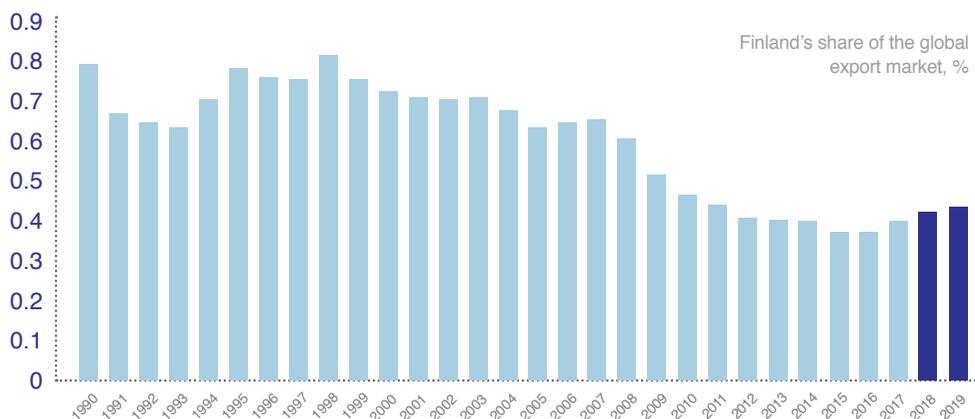
- Maintaining the current competitiveness of the Finnish corporate tax rate compared with the other Nordic countries, among others.
 - Finland must continue to defend the right of taxation of small export-driven economies when international tax treaties are revised.
 - No national or European digital tax or other right of taxation solutions should be introduced, but instead decisions should be made at the global level.
 - The EU should look after its global competitiveness, avoiding “tax wars”.
 - Finland should be kept as an attractive operating and investment environment for foreign investors from a tax point of view (tax-at-source).
 - Significant expansions of the tax base should be compensated for with decreases in the tax rate or by other means.
- The Confederation of Finnish Industries proposes a structural reform to the taxation of dividends so as to make it independent of net wealth. The total tax burden on dividend distribution should be close to the current level of capital taxes, and the taxation of small dividends should remain unchanged.
- The increases to inheritance and gift taxes made after 2011 should be overturned.
- Value added taxes and excise duties should not be raised.
- Energy taxation should support the international competitiveness of companies, the electricity tax levied on manufacturing should not be raised and the electricity tax levied on service companies should be reduced gradually to correspond to that on manufacturing.
- New surtaxes should be viewed extremely critically.
- The operating environment for business should be predictable.
- The lobbying begun for abolishing the minimum threshold for levying VAT on imports before 2021 should be continued in order to improve the competitive position of Finnish companies.

3.5 Fixing internationalisation services. Placing ownership and employer entrepreneurs at the core of entrepreneurship policies.

Our welfare continues to flow from international business operations. The value of the exports of Finnish products and services in 2017 amounted to EUR 86.3 billion, and the ratio of exports to GDP rose to almost 39%. Services account for a continuously increasing share of exports, although a significant share still comes from manufacturing. According to an estimate by the Bank of Finland, the export sector employs about half a million Finns. Our success in exports sets the direction of the Finnish economy, significantly influencing the employment situation in the country and, consequently, the sustainability of our entire welfare society.

The Finnish economy will grow or wither with its small and medium-sized companies (SMEs). A significant share of new jobs have been created by SMEs in the past decade. Meanwhile, there are fewer and fewer employer entrepreneurs, with only every third company employing another person beside the owner. Finland needs reforms that would encourage entrepreneurs to invest, create jobs and expand internationally. Ownership must be made more attractive than it is now, not just for owner entrepreneurs, but more broadly for individuals and households.

Finland's share of global exports was halved due to structural transformations in key industries, weaker competitiveness and the economic problems faced by Russia.



Source: European Commission, AMECO database

EK's proposals



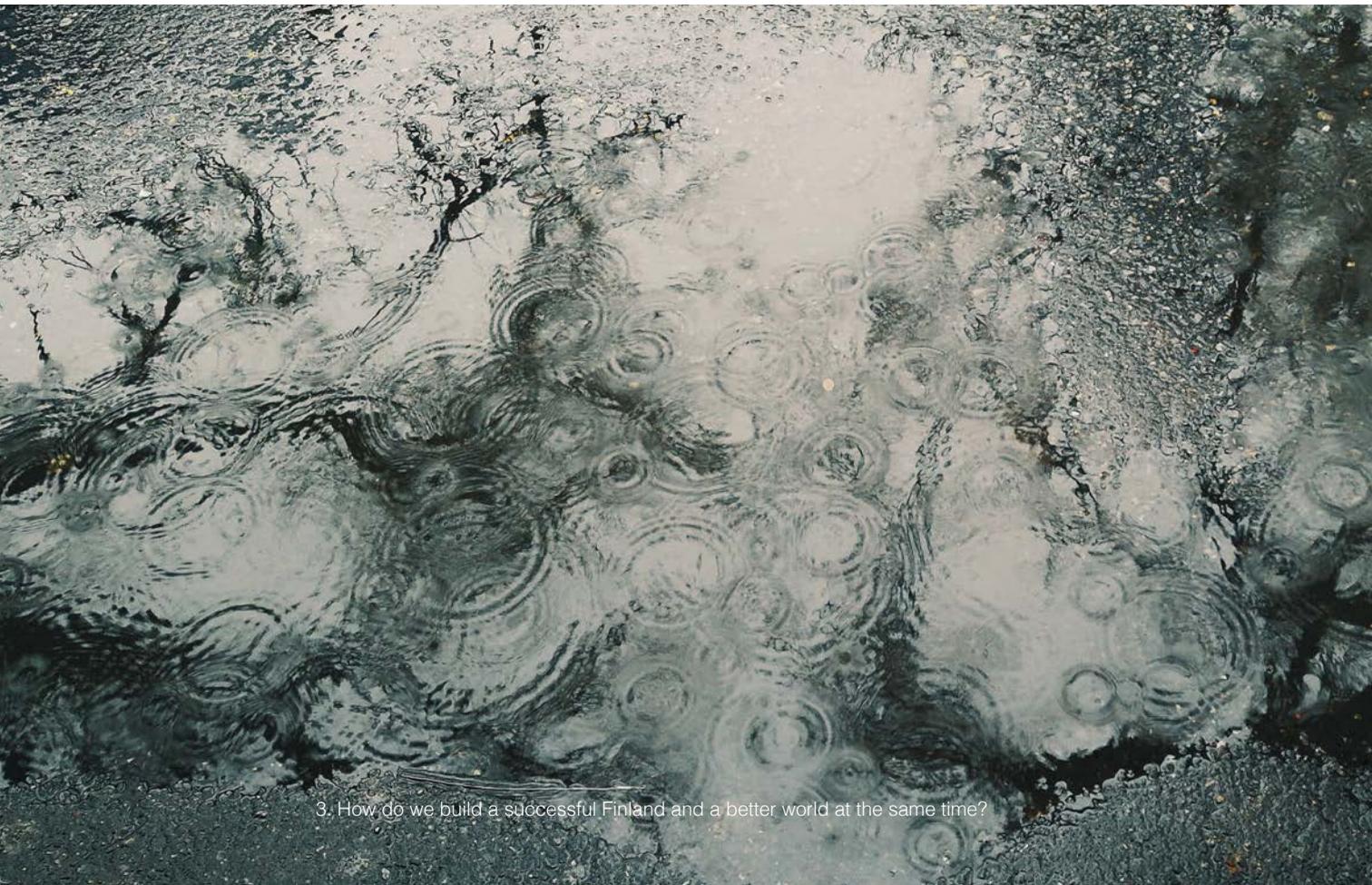
- Finnvera should be given the opportunity to provide direct loans.
- Internationalisation services should be raised to the same level as in competing countries by increasing their customer-orientation, cutting bureaucracy, proceeding towards one-stop-shop customer service and strengthening international networks.
- Ownership should be made more attractive by introducing investment savings accounts and strengthening the teaching of financial knowledge and entrepreneurship at different educational levels. The possibility of abolishing taxes on small dividends from listed companies should be evaluated based on experiences gained.
- Recruiting employees should be facilitated by reducing the additional costs of wages, increasing opportunities for local agreements and cutting employment bureaucracy.
- Official processes should be made more efficient by setting deadlines for decisions by the authorities, streamlining the processing of permits and ensuring that competition rules are observed.

3.6 Solving the climate challenge with innovations, the circular economy and global actions

Climate change is overwhelmingly the most serious challenge of our time, and it cannot be combatted without international cooperation. The Confederation of Finnish Industries supports an ambitious climate policy. Fortunately, Finnish companies can offer numerous kinds of climate solutions based on various technologies and service concepts, which should be marketed effectively across the globe.

By focusing on mitigating climate change and creating sustainable growth, we can also curb people's need to leave their home countries because of poverty or a lack of future prospects. The future of Africa is a fateful issue for Europe. Well-functioning and internationally competitive equity-based development financing instruments are needed to finance private investment in developing countries.

The circular economy should be promoted with a market-based approach, keeping in mind that innovative companies play a key role in creating solutions. For the circular economy to work, we must create the framework for a fair and efficient raw materials market, as well as for partnerships and service businesses across sector boundaries when shifting from products to services. Cutting-edge technological know-how and exports should be the focuses of the circular economy. Finland can achieve a competitive edge in the circular economy by implementing the EU's aims with a front-loaded approach.



EK's proposals

- Finland should be active and take the initiative in the EU's future decisions on energy, the climate, the bioeconomy and the circular economy so that good Finnish practices can be disseminated for the benefit of other countries. Finland and Finnish businesses should be strongly committed to promoting the aims of the Paris Agreement and the actions it calls for.
- Global pricing for carbon dioxide emissions should be promoted in cooperation with the EU to reduce emissions rapidly and effectively. This would simultaneously make international competition fairer for companies and grow the market for low-carbon solutions.
- Finland should influence the development and reinforcement of EU trade policies and WTO rules in order to improve the effectiveness of climate policy.
- Finland should encourage sustainable public procurements and projects for promoting Finnish cleantech exports (e.g. Clean Energy Ministerial, Mission Innovation), and support internationalisation services for exporting clean solutions, especially in the case of SMEs (Business Finland). Domestic and international climate and development cooperation funding should be utilised in the export projects of companies.
- Emissions reductions should be promoted by taxing transport; for instance, by using vehicle taxes to provide greater incentives to buy low-emissions vehicles.
- Finnish retailers and retailers from outside the EU should be treated equally from the point of view of sustainable development. International online retailers should be held accountable for their manufacturer's liabilities, the VAT-free status of consumer purchases of less than 22 euros made in countries outside the EU should be abolished, and customs duties should be levied on goods worth less than 150 euros.
- Finnfund should be given adequate operational resources by means of equity-based capital or another form of capitalisation.
- Businesses should promote the circular economy on a commercial basis. Finland and the EU should continue to remove obstacles to the circular economy, for example, in the utilisation of side streams and waste.
- Public procurements and funding should provide the impetus for applying the circular economy in practical terms.
- Companies should be offered incentives for researching, developing, innovating and piloting bioeconomy and circular economy solutions that can be used in their business or for exports. Calculation and comparison models should be material-neutral and based on the best available knowledge about life cycle impacts.

3.7

Upgrading our transport network to match its Nordic peers. Providing welfare with diverse energy sources.

Transport connections in Finland are long and the country is also located far from other European markets. As a result, the costs of transportation are high, which means transport charges and taxes are a factor that influences competitiveness. In addition, smooth and efficient transport and logistics are important for growth and competitiveness. Funding for transport routes should be increased to an entirely new level so that we can catch up to our Nordic peers and continue to develop routes and reduce the repair deficit. Short-term decision making should be fixed with new long-term planning and by creating opportunities for new forms of funding.

In addition to effective transport connections, good availability of reasonably priced energy has influenced the long-term success of the Finnish economy. Moreover, energy generation in Finland has for a long time mostly produced low carbon emissions, and the share of such production is continuously growing. Energy taxes and emissions trading affect companies' competitiveness, especially in international markets. The energy system is also increasingly benefiting from digitalisation and artificial intelligence. Legislation should make it possible to offer new forms of energy services to consumers.

EK's proposals

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- Funding for basic transport route maintenance should be raised to EUR 1,300 million annually, which coincides with the proposal of the parliamentary working group.
 - Investments in transport routes should similarly be increased to at least EUR 600 million per year on average.
 - New forms of funding transport should be utilised whenever possible.
 - Finland should implement the EU's energy and climate legislation as well as its national plans as cost-efficiently as possible, taking advantage of flexibility that is permitted from a commercial point of view.
 - The competitiveness of businesses should be maintained with regard to energy taxes and emissions trading, among other areas.
 - Legislation should not prevent new energy services from being offered to consumers.

3.8

Turning security into a competitive advantage – cooperation and smart use of resources are the tools for success

Finland does extremely well in international studies concerning security. Security plays a key role in the investment and location decisions of companies, and it also provides a competitive edge. Business decision makers, however, are currently worried about the trend in security in Finland. The most effective way to promote security is through close cooperation between the private and the public sector. Public resources spent on security should be targeted and regulation should be developed with a keen view of the needs of businesses.

EK's proposals

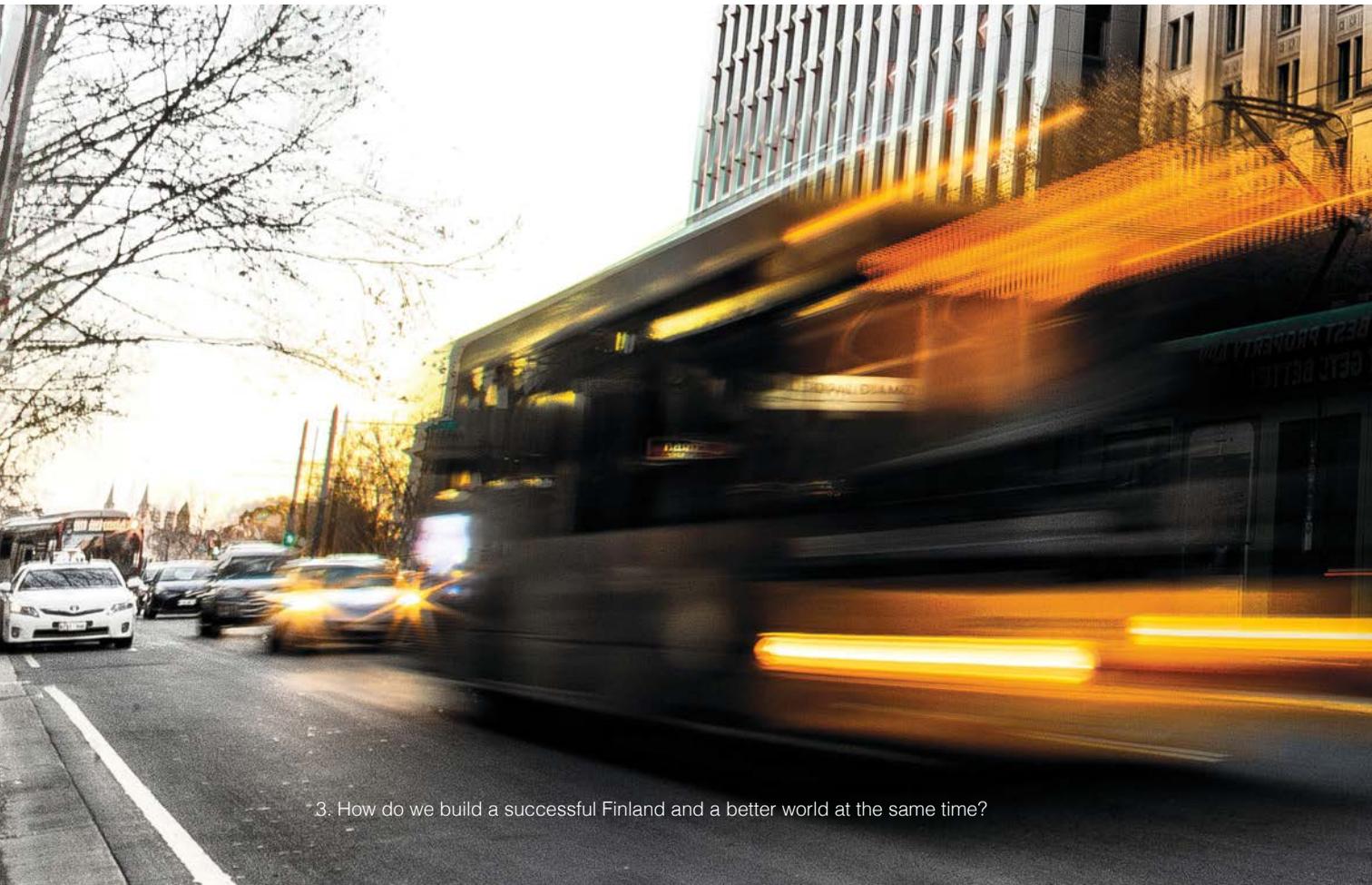


- Finland's internal and external security must be ensured in the rapidly changing security environment; security officials should be given sufficient resources and their jurisdiction extended to cover the current operating environment.
- As part of the modernisation of the national cyber security strategy, its key goal should be defined as achieving an internationally competitive and strong domestic cyber industry, as well as being self-reliant. The necessary funding should be secured for these operations.
- Quality instead of quantity in legislation – the security regulation structures that cause an administrative burden and costs for companies should be dismantled; other measures include reforming the Security Clearance Act, allowing companies to file for restraining orders, adopting a data sharing model between businesses and the police, and utilising new technology for combatting crime more effectively.

3.9 Let's make Europe smart and open

Europe is more divided than before, and expectations about the actions needed to improve the EU's activities differ significantly. Goods, services, capital and data continue to face barriers to their movement within the single market. Protectionist restrictions, however, do not serve the interests of businesses or the consumers. Since the EU's single market will actually shrink following Brexit, growth must be sought further afield. New sources of growth enabled by trade policy will only grow in importance for the EU.

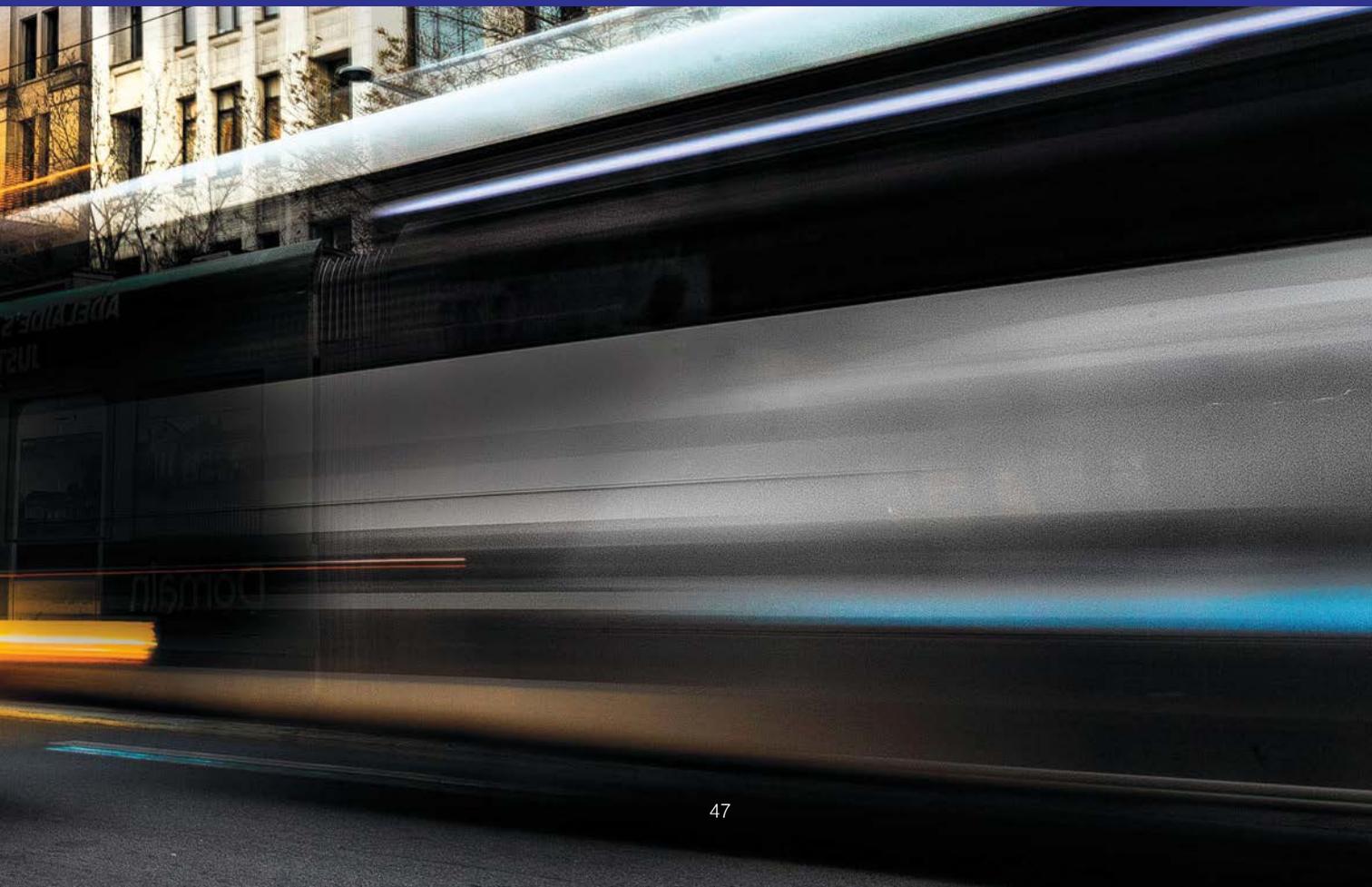
Finland's EU Presidency in the second half of 2019 will offer us a considerable opportunity to influence the direction of the EU and to raise issues that we consider important. Finland should emphasise the importance of a Smart and Open Europe.



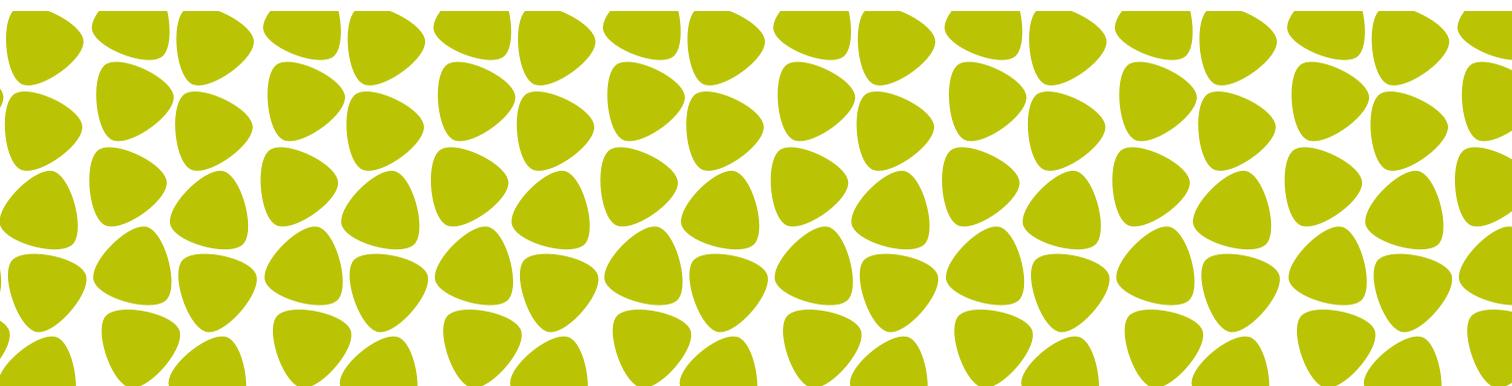
EK's proposals



- Finland should develop the Union through active and solution-oriented cooperation.
- Finland should defend the EU's shared values and the rule of law, as they are the foundation for long-term economic prosperity.
- Finland should continue to actively work towards consistently opening up markets within the EU and strengthening a fair competitive environment within the EU single market and in the global markets.
- Finland should aim to safeguard the EU's capability in trade politics and in building a network of trade agreements.
- Finland should take an active role in seeking EU-level solutions to immigration. Resources for controlling Finland's external borders should be increased.



Greetings to
the Government
Programme negotiators



The Government Programme is the most important joint action plan drawn up by the parties in the government, laying down the collective guidelines for Finland's political future in the near term. That is why it must be prepared with access to a good knowledge base, and it must be as concrete and clear as possible. Moreover, it must be implemented assertively, while reacting flexibly to changes in the operating environment.

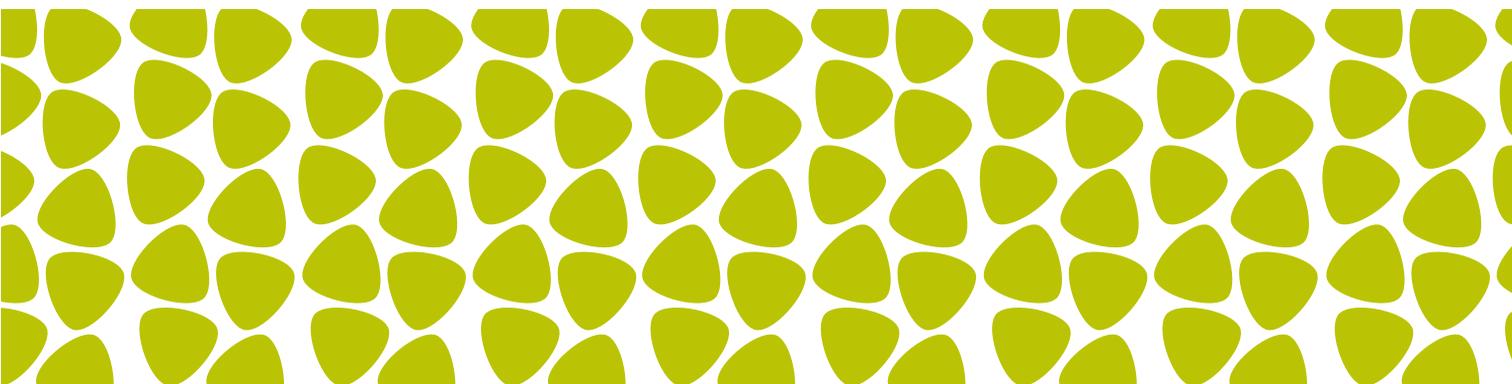
Seeing through large and difficult changes requires special expertise in change management. Change must be managed with respect to ways of thinking and familiar ways of working while maintaining a clear overall vision. The joint vision must be unambiguous, easy to understand and inspiring, and it must be communicated clearly for all participants to embrace its objectives. There should also be incentives, personal interests and concretely measurable targets for implementing change.

Taking heed of the health and social services reform, the next major reforms should be prepared and implemented in stages. Large reforms should leave room for experiments and pilots in an effort to reach the best possible outcome. It is crucial to ensure that the Constitution allows such experiments. In reforms extending over several parliamentary terms, it is justified to seek parliamentary cooperation between the governing and the opposition parties.

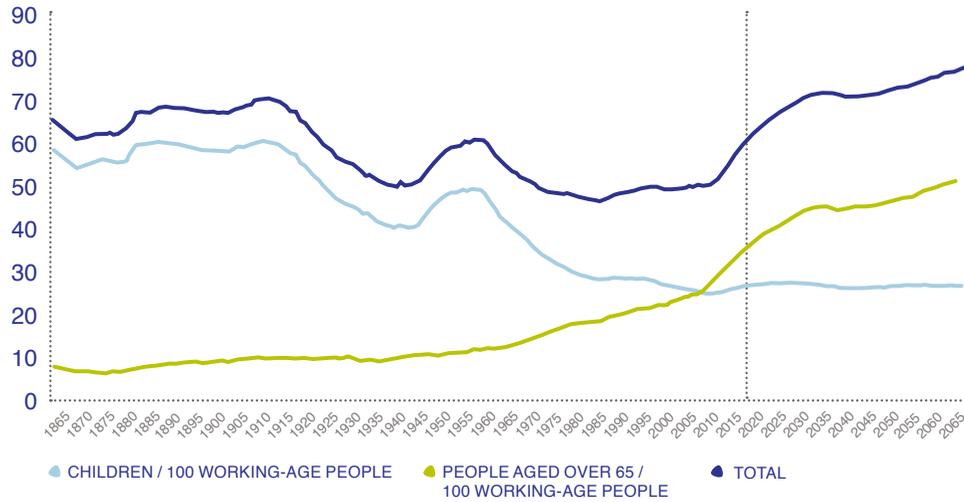
EK's proposals:

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- The aim when preparing the Government Programme should be to make it as concrete as possible, as well as making its targets quantifiable so that they can be tracked and their impacts can be measured.
 - Experiments should be continued and their number increased.
 - A procedure should be created for evaluating the constitutionality of experiments in advance so as to make the drafting process more efficient. The impacts of reforms must be tracked and further development actions should be undertaken boldly if targets are not reached. Committees can also be utilised more extensively in the drafting process.
 - Creating new institutions should be avoided. The reforms of the administration and the implementation of these reforms should be steered at the government level, and the ministries' silo mentality should be addressed.
 - There should be a natural division of work for the ministries and the ministers. This division should also account for customer relationships – for instance, an issue concerning a certain industry should not be divided under several different ministries.
 - The performance contracts of senior government officials should include promoting the Government Programme, developing alternative solutions and assessing the impacts of different alternatives as key clauses. A significant part of their remuneration should depend on their success in fulfilling these aims.

Appendices

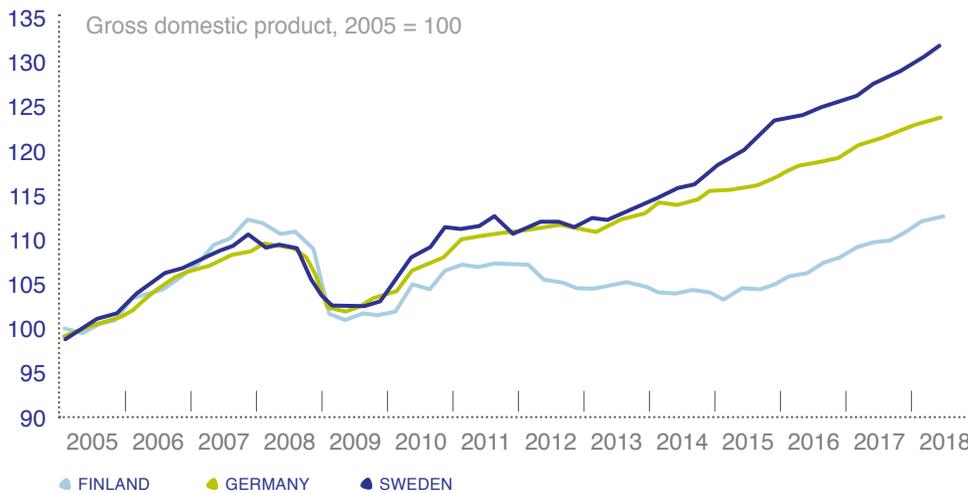


Finland's population is ageing rapidly.
The biggest wave of ageing is still ahead.



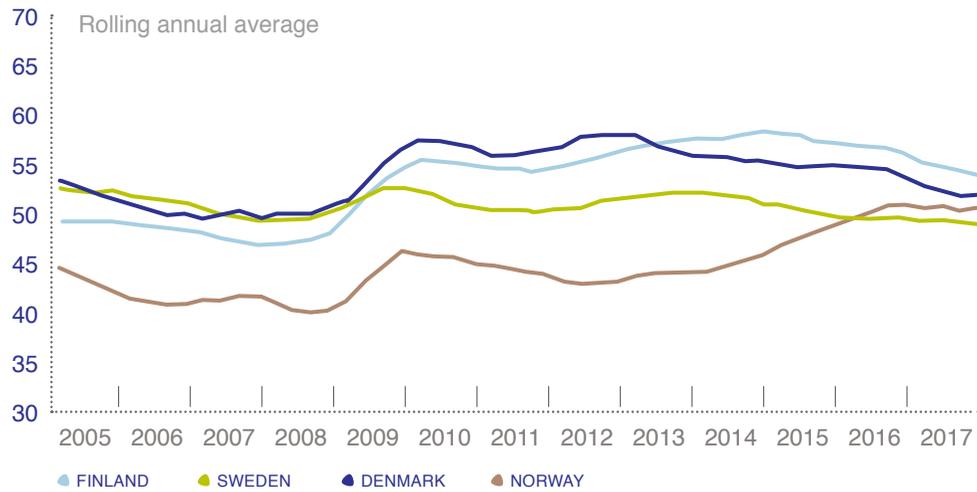
Source: Statistics Finland, population statistics and the population projection, 2015.

After a lost decade, Finland's economy is finally growing.

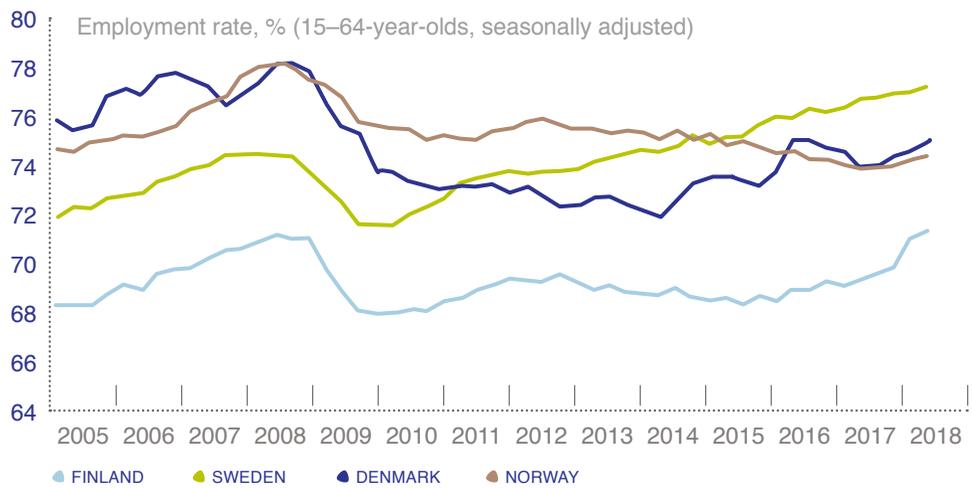


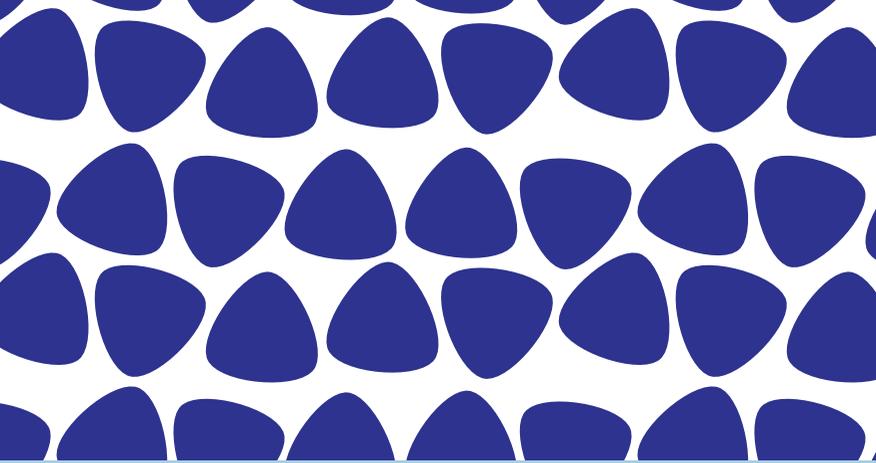
Source: Eurostat.

Public expenses relative to GDP in Finland are the highest in the Nordic countries. Our welfare services are built on a better employment rate and stronger economic performance.



Despite its increase, Finland's employment rate is clearly the lowest in the Nordic countries.



**Publisher**

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