

Government policy positions in the mid-term policy review and spending limits discussion

29 April 2021



FINNISH
GOVERNMENT

Contents

1	Economic policy	3
1.1	Outlining the economic policy.....	3
1.2	Tax policy positions.....	8
2	Promoting employment	11
3	Climate and energy policy	23
3.1	Government climate measures and sufficiency analysis.....	23
3.2	Set of measures concerning a fair transition	26
4	Skills and education	31
5	Social and health policy	33
5.1	Issues related to the social welfare and health care reform.....	33
5.2	Maximum waiting times for access to care	34
6	Child and youth policy	36
6.1	Government policy statement on demographic policy measures.....	36
6.2	Supporting the wellbeing of children, young people and families.....	38
7	Internal security and strengthening the rule of law	40
8	Industrial policy	42
8.1	Strategy for renewable industry, sector-specific objectives and measures.....	42
8.2	Domestic ownership programme.....	52
8.3	Increasing RDI funding to 4% of GDP	55
9	Entries related to the Government mid-term policy review	57
9.1	Government mid-term policy review and continuation of the work on the sustainability roadmap.....	57
9.2	Multi-location and regional presence of central government	57
9.3	Improving data security and privacy protection	59
	Appendix 1: Government mid-term policy review	60
	Appendix 2: Sustainability roadmaps	60

1 Economic policy

1.1 Outlining the economic policy

Parliamentary term spending limits 2022–2023

Not least as a result of the COVID-19 crisis, the overall picture of the Finnish economy and of the country's financial policy needs diverges significantly from the autumn 2019 situation when the spending limits for the parliamentary term were set. The Government has pursued an exceptionally expansionary fiscal policy that has underpinned growth and employment, prevented a permanent loss of production capacity and temporarily raised spending in areas that fall within the spending limits. Regarding the parliamentary term spending limits, the Government is in a situation where the room for manoeuvre within the spending limits does not allow the inclusion of unforeseen changes in expenditure and the implementation of all the reforms considered necessary by the Government.

Consequently, as part of the solutions determined in the mid-term policy review session, the Government has decided that the parliamentary term spending limits will be raised for 2022–2023. The expenditure line will gradually descend towards the end of the parliamentary term and will continue on this path after the parliamentary term is over. The spending limits will be raised by EUR 900 million for 2022 and by EUR 500 million for 2023.

In addition, the exceptional situation mechanism included in the spending limits rule under the Government Programme is available in 2021 and 2022, allowing an annual EUR 500 million for non-recurring expenditure. Direct COVID-19 related costs, i.e. health security costs, such as expenditure on testing and vaccination, will be covered as expenditure outside the spending limits in each of the years 2021–2023.

Adjustment

In connection with raising the spending limits, the Government has decided on a reallocation of expenditure where certain expenditure under the spending limits will be permanently reduced by EUR 370 million from 2023 onwards. As the savings will be permanent in nature, this will also reduce expenditure under the spending limits from 2024 onwards.

Moreover, tax decisions to strengthen the general government finances by EUR 100 to 150 million will be made in the 2021 government budget session.

This spending limits scheme means that expenditure under the spending limits will be less than in the proposal of the Ministry of Finance from 2024 onwards.

Allocation of the EUR 370 million:

Administrative branch	2023
Prime Minister's Office	2
Ministry for Foreign Affairs	35
Ministry of Justice	
Ministry of the Interior	7
Ministry of Defence	35
Ministry of Finance 1 (VM1)	5
Ministry of Finance 2 (VM2)	24
Ministry of Education and Culture 1 (OKM1)	
Ministry of Education and Culture 2 (OKM2)	35
Ministry of Agriculture and Forestry	35
Ministry of Transport and Communications	110
Ministry of Economic Affairs and Employment 1 (TEM1)	10
Ministry of Economic Affairs and Employment 2 (TEM2)	32
Ministry of Social Affairs and Health 1 (STM1)	
Ministry of Social Affairs and Health 2 (STM2)	
Ministry of the Environment	5
Other	
permanent savings on travel due to digitalisation	20
savings on office premises	10
housing counselling (reduction of EUR 9.3 million reserve)	5
Total	370

Spending cuts in the OKM2 sector will not be targeted at education or student financial aid.

Veikkaus

For 2022 and 2023, beneficiaries will be compensated for the decrease in revenue from the proceeds of gambling services. The compensation will amount to EUR 330 million in 2022 and EUR 305 million in 2023, and it will be financed by

- reducing the lottery tax (annual impact of EUR 80 million on gambling proceeds)
- budget funds with a spending limit impact (a total of EUR 200 million in 2022 and EUR 175 million in 2023, divided between the ministries' administrative branches in the same way as in the 2021 Budget, with preliminary figures as follows: EUR 131.4 million in 2022 and EUR 118.3 million in 2023 to the Ministry of Education and Culture; EUR 58.5 million in 2022 and EUR 47.6 million in 2023 to the Ministry of Social Affairs and Health; and EUR 10.1 million in 2022 and EUR 9.1 million in 2023 to the Ministry of Agriculture and Forestry)
- transfers from overall non-distributed proceeds (by default, EUR 50 million per year in 2022 and 2023 within the administrative branch of the Ministry of Social Affairs and Health).

Immediate further work will be launched to prepare a new permanent financing model. The aim is to decide on a model that ensures predictable, stable and adequate funding for beneficiaries that also protects their autonomy. The work will be based on the Liikanen group's report, and further work will be carried out in close cooperation with the beneficiaries. The preparation of the measures will consider parliamentary involvement, more detailed impact assessments for the various beneficiaries, the proposals of the development and digitalisation project concerning discretionary government grants, and parameters defined by EU law. Implementation of the reform will begin in 2024. The decisions will be made by the end of 2021.

Central government transfers to local government for basic public services

Central government transfers to local government for basic public services will be increased by about EUR 246 million in the spending limits in 2022. As of 2023, an increment of about EUR 50 million will be allocated to local authorities. The allocation of the EUR 24 million adjustment has been considered in the figure for 2023.

The procedure for adjustment to shared costs will be further specified in the interests of improving the predicability of local government finances. The calculation method will be revised so as to minimise the considerable annual fluctuations in adjustment to shared costs. The change to the calculation method will be enacted in an amendment to the Act on Central Government Transfers in autumn 2021.

As of 2023, long-term pressures on expenditure in local government finances will ease, as duties related to health and social services will be transferred to wellbeing services counties. On the other hand, employment services will be transferred to local authorities during 2024, so the entire system of local government finances will be subject to review during this parliamentary term, and changes will be made.

Electrification subsidy

- The subsidy for electrification will be implemented as follows:
- Aid intensity 25%
- Share of investments 50%
- Cap EUR 150 million
- The amount of appropriations to be reserved is EUR 87 million in 2022, EUR 113 million in 2023, EUR 119 million in 2024, EUR 122 million in 2025 and EUR 126 million in 2026.

Funding productivity measures in public administration

The Government continues its improvement of public administration for instance by implementing a public procurement strategy, a services and facilities online project and a public administration strategy. Possibilities to source funding for these projects, e.g. from appropriations of the Ministry of Finance earmarked for promoting productivity, are being investigated.

Promoting the Sami truth and reconciliation process

The Government is committed to promoting the Sami truth and reconciliation process and will address its funding needs in the supplementary budget of May 2021.

The Act on the Sami Parliament will also be swiftly taken forward, including a review of the level of funding for the Sami Parliament.

Entries concerning supplementary budgets in 2021

Because of the serious situation with the COVID-19 epidemic in spring 2021, it is essential to extend the vital fiscal policy measures for supporting individuals and businesses and for safeguarding the functional capacity of the authorities during the pandemic. These measures will be decided on in the supplementary budget proposal of May 2021.

Children and young people

The restrictions placed on education, teaching and recreational activities to slow down the spread of the COVID-19 epidemic will have a negative impact on the learning outcomes, wellbeing and equality of children and young people.

The Government will implement a comprehensive package of measures to mitigate these impacts. The appropriations for the package will be included in the third supplementary budget proposal of 2021.

The package covers the administrative branches of three ministries: the Ministry of Education and Culture, the Ministry of Social Affairs and Health, and the Ministry of Economic Affairs and Employment.

Funding will be allocated to the patching of the learning deficit created by distance learning, the speeding up of young people's access to mental health and substance abuse services and the improving of the accessibility and availability of such services, among other measures. In addition, families' need for support will be taken into account in the package.

Preparation of the social welfare and health care reform and of the rescue services reform

The objective is for the wellbeing services counties to be established as legal bodies as of 1 July 2021. The first application round for the ICT package of the social welfare and health care reform ('sote' reform) is to be launched in autumn 2021, with grants to be allocated to design, preparation, hiring of key personnel and procurement of essential administrative and financial services. The amount needed for these grants in the first round will be specified in supplementary budget preparations. The current estimate is EUR 50 million. This funding is contingent on the wellbeing services counties going into operation.

Offshore patrol vessel

The VII supplementary budget of 2020 included an authorisation to commission two new offshore patrol vessels (EUR 240 million in all) and an appropriation of EUR 120 million.

This authorisation could only be exercised in that budget year. The Government will make preparations to allocate funding for the acquisition of two offshore patrol vessels in the 2021 supplementary budget proposals.

Basic transport infrastructure management

It is proposed that EUR 50 million in basic transport infrastructure management appropriations be brought forward from 2022 to 2021 in the third supplementary budget proposal.

Peat package

As part of the peat package, an appropriation of EUR 60 million is being prepared for the supplementary budget proposals in 2021 to support adjustment to a rapid structural change and a just transition. The content and detailed targeting of this appropriation will be established in further planning.

1.2 Tax policy positions

Tax base protection and investment-friendly environment

The Government's aim is to strengthen the tax base, promote business investment and enhance competitiveness.

In the 2021 government budget session, decisions will be made on a tax package to strengthen central government finances by EUR 100–150 million and also on other taxation changes to encourage investment and enhance competitiveness. The portfolio to be discussed in the budget session includes the following elements:

- To support growth and investments, the Government is extending the temporary double depreciation rules for machinery and equipment to 2024–2025.
- A parliamentary working group to be set up later will look at a permanent R&D incentive as part of an overall solution that would lead to a level of private and public RDI investment and financing equivalent to 4% of GDP. The Government will outline a possible incentive in the 2021 government budget session.
- Also, the Government will explore a structural change to corporate and dividend taxation, differentiating between profits retained in a company and

profits paid out of a company, by the end of May 2022. The aim in this is to incentivise investments and domestic ownership.

- To broaden the tax liability of foreign investors, the Government will ensure that profits made by foreign funds in real estate investments are taxed as widely as possible in Finland. The changes will enter into force at the beginning of 2023.
- The opportunities for forest funds to take advantage of forest deductions will be restricted from the beginning of 2022. At the same time, the tax deductibility of interest on the purchasing debt of jointly owned forests will be investigated.
- Reform of the limits on tax deductibility of interest payments will involve examining how regulatory provisions can effectively prevent the transfer of taxable income beyond the taxation authority of Finland in the case of capital investment structures that manage real estate investments.
- In the budget session in autumn 2021, the Government will decide on policy to reform the taxation of foreign and other entities exempt from dividend taxation, on the basis of a working group final report to be completed in May, so that the reform will not impact non-profit organisations.

Tax credit for household expenses

Taxation decisions will be used to encourage the replacement of fossil fuel based heating systems. To foster the replacement of heating systems to discontinue the use of oil as a form of heating, the maximum domestic deduction will be raised from EUR 2,250 to EUR 3,500 and the compensation percentage from 40% to 60%. The change is temporary and will be in force from 2022 to 2027.

A study will be launched in autumn 2021 into how the tax credit for household expenses could be applied to renovations in other energy systems and to renovations commissioned by housing companies. The study will also explore the changes that could be made to the household expenses tax credit with a view to encouraging the use of repair and renovation services, extending the life of buildings and materials, improving energy efficiency or other ways of supporting the circular economy and reducing emissions. The study will be completed by the end of February 2022.

A tax credit for household expenses will not be allowed if the taxpayer has received other subsidies towards the same work. It is the Government's aim that after subsidies paid out from the Sustainable Growth Programme for Finland, further support for conversion work could be provided through the tax credit for household expenses.

The change, which will enter into force at the beginning of 2022, is estimated to reduce tax revenue by around EUR 8 million a year.

To assess the employment impact of the household expenses tax credit, a two-year trial was outlined in the 2021 government budget session, whereby the maximum amount of household and nursing and care work that qualifies for the tax credit will be significantly increased, for example from EUR 2,250 to EUR 3,500 and the compensation percentage from 40% to 60%, with due consideration for its impact on fiscal balance.

Taxation of company cars

The taxable value of hybrid cars will be revised in the criteria for valuing fringe benefits. A corresponding reduction will be made to the tax bases for natural gas vehicles.

In addition, the taxable value of low-emission company cars will be reduced by EUR 85 per month for the years 2022–2025. This represents 50% of the EUR 170 reduction in the taxable value of full electric cars for the period of 2021–2025.

The combined effect of the change for the years in question is EUR -24 million.

2 Promoting employment

The Government is committed to a long-term approach in its work to raise the employment rate through decisions that will stimulate an estimated addition of 80,000 people to the workforce. The Government will continue the preparation of employment measures within the Ministerial Working Group on Promoting Employment. Decisions were already made by the Government at an earlier date on measures designed to add 31,000–33,000 people to the workforce.

The measures decided in the mid-term policy review are aimed at an addition of 40,000–44,500 people to the workforce.

In addition, decisions on employment measures that will strengthen general government finances by EUR 110 million will be made before the end of the Government term.

The Government's objective is that by the middle of the decade the employment rate will be 75%.

Table 1. Employment measures at the 2021 government spending limits session

Measure	Employment impact
Support for work ability and partially disabled people	
Välittäjä Oy	1,000
Expediting procurements	2,000
Prevention of retirement on disability pension and of absences due to illness	2,500
Work ability programme and pay subsidies	5,500–6,500
Shortening periods of unemployment	
Transferring employment services to local authorities (incl. municipal incentive model)	7,000–10,000
Supply and matching of competent labour	
Integration of immigrants	2,000
Work-based immigration	10,000
Continuous learning	10,000–10,500

The employment impact estimates were made by the ministries responsible for the respective measures.

The most sustainable means for strengthening general government finances in the long term is employment growth, including work-based immigration, in a way that also boosts the supply of labour. The Government has improved employment particularly through decisions in respect of reforming social security and services, growth and fiscal policy, supporting work ability and the effectiveness of and matching efficiency in the labour market and the investment environment. Government measures have especially boosted employment among people over 55, partially disabled workers and integration clients, besides supporting access to and completion of studies by young people and their employment and considerably expediting the permit processes for foreign expert specialists. The availability of competent labour has been boosted through a variety of measures. The Government's growth and fiscal policy and actions to combat the coronavirus crisis have mitigated the impact of the crisis on the economy, maintaining employment and preventing the rise of unemployment. The Government is committed to promoting gender equality and is evaluating the gender impacts of all employment measures.

Growth and fiscal policy has significant employment impacts (Ministry of Finance)

The Government Programme specifies about EUR 1,400 million in permanent additional appropriations to: social security and social welfare and health care services; early childhood education and care, education and research; environmental protection and climate policy measures; and basic infrastructure management. These have increased overall demand in the economy and generated 4,000 to 9,000 jobs. This is considered in the total economic prognosis of the Ministry of Finance.

Adding to this the significant temporary measures undertaken, the Government's fiscal policy has an employment impact of several tens of thousands of jobs in 2020–2021. The impact of the temporary measures on production and employment will decrease as these measures expire. Some of the temporary increases in public spending – e.g. on expertise, design and delivery of new technology and the green transition – will have longer-term economic impacts on production, productivity and employment.

Once the COVID-19 pandemic has been brought under control, a rapid upswing is predicted in the economy. By boosting total demand, higher public spending has prevented output from contracting, companies from going bankrupt, employment rate from declining, skills and expertise from disappearing and production capacity from being destroyed. In doing this, the Government has sought to prevent the acute downturn from weakening the long-term growth potential of the national economy (hysteresis).

Support for work ability and partially disabled workers

Special-assignment company to employ partially disabled workers (Ministry of Economic Affairs and Employment)

In its mid-term policy review session, the Government decided to establish a special-assignment company, 'Välittäjä Oy', to hire partially disabled workers for long-term employment relationships and then offer them as temporary agency workers to other employers. One aim of the company is that some workers will eventually find employment in the open labour market. The company will provide employment support services and work ability services for its employees. The company will start operations in 2 or 3 regions, to be determined in further planning, and initially its target group will be delimited to partially disabled workers in the most difficult circumstances. The aim is that as many as possible of the developmentally disabled workers currently employed through community employment programmes would find normal paid employment through 'Välittäjä Oy'. The Government continues to work on the harmonisation of pay and disability pensions (e.g. expanding the linear model). The Government proposal for the new special-assignment company is to be given in connection with the central government budget proposal for 2022. The company will operate under normal ground rules in order to ensure market pricing and competitive neutrality. Initial capital of EUR 20 million for the company will come from the Sustainable Growth Programme for Finland. Additionally, EUR 10 million per year will be allocated within the central government spending limits as a central government grant.

- Employment impact: 1,000

Local authorities to increase employment of partially disabled workers through public procurement (Ministry of Economic Affairs and Employment)

The Government had already decided to promote the employment of those in a weaker position in the labour market through a programme that speeds up public procurement. In this programme, municipalities are assisted in setting social criteria for their outsourced services in order to employ partially disabled people or people who have been unemployed for an extended period of time. Contributions to project effectiveness are made jointly with the Centre of Expertise for Impact Investing. The Government will also support the establishment of social enterprises through an expert unit to be set up. The objective is to provide employment for 3,000 people through public procurements, with a net impact on employment of about 2,000 jobs.

- Employment impact: 2,000

Expanding the work ability programme and pay subsidies (Ministry of Social Affairs and Health, Ministry of Economic Affairs and Employment)

The Government has decided to expand the work ability programme and the Individual Placement and Support (IPS) operating model as part of the Sustainable Growth Programme for Finland. The Ministry of Social Affairs and Health will launch an application round for central government grants to local authorities and joint municipal authorities in order to increase the regional coverage of the service package for partially disabled unemployed workers. The IPS operating model will be extended to six hospital districts in order to facilitate the entry to and exit from the labour market of persons with mental health issues and their job retention. The objective of the work ability programme is to raise the employment rate by supporting partially disabled unemployed workers in finding employment and in retaining jobs, and by preventing prolonged unemployment and disability. In the government budget session in autumn 2019, the Government decided to allocate about EUR 35 million to this programme. Moreover, there are plans to fund the expansion of the programme by EUR 27 million out of the Sustainable Growth Programme for Finland. The principal aim of the pay subsidies reform is to expedite partially disabled workers finding employment. In the government budget session in 2019, the Government allocated EUR 16 million per year to this reform.

- The combined impact of the measures is expected to create employment for 5,500 to 6,500 people, with a temporary employment improvement impact of about 4,500 jobs.

Prevention of retirement on disability pension and of absences due to illness (Ministry of Social Affairs and Health)

The Government seeks to achieve a substantial increase in the employment rate by 2030 through proactively preventing retirement on disability pension and shortening absences from work due to illness. The Government aims to prevent at least 5% of all new disability pensions granted on the basis of a mood disorder, with a potential employment impact of about 2,500 persons. The services and benefits systems will be reformed to focus on swift and smooth return to work instead of retirement or extended absences due to illness. The means used to attain this aim include developing prevention of mental health issues, improving wellbeing at work and reforming the rehabilitation system and benefits.

The measures in the *operational programme for working life and good mental health* are intended to prevent the careers of people of working age from ending prematurely. The programme involves measures such as developing a mental health support model for occupational health care cooperation and promoting the implementation of the Government's *mental health strategy*.

Within the Sustainable Growth Programme for Finland, processes for work ability management in the public sector, specifically in social welfare and health care services, will be improved along with a better capacity for analysing and leveraging data on working conditions and wellbeing.

The Government continues to reform rehabilitation on the basis of the proposals of the *rehabilitation committee*. This reform involves strengthening the link between employment services and an individual client's treatment and rehabilitation path. The reform will consider how well the system of services and benefits, as a whole, promotes employment. Social insurance legislation will be reformed for instance with a view to revising the daily sickness allowance checkpoints, partial daily sickness allowance, KELA rehabilitation allowance and partial rehabilitation allowance in respect of all people of working age. This includes exploring how medical certificates ('B certificate') could better support the maintenance and improvement of the work ability of people of working age better than at present at the various stages of the process. The aim is to revise the current process of sickness allowances and rehabilitation towards activating care practices and rehabilitation.

The Government is repurposing the low-threshold occupational rehabilitation services provided by KELA to cater to unemployed partially disabled people in particular (including those over 55) while facilitating the identification of rehabilitation needs and referral to rehabilitation of young people under 30 who are on rehabilitation assistance and sickness allowance and at risk of social exclusion.

The return of employees to work from sick leave will be expedited by extending the TYÖOTE model developed in Central Finland to nationwide coverage. This model involves enhancing an employee's process of treatment, rehabilitation and return to work by improving cooperation between specialist medical care, basic health care and occupational health care. In a fixed-term development project that will run until 2023, this operating model will be deployed across the country to form part of the cooperation practices between public health care and occupational health care services. Adoption of the model is anticipated to shorten the average duration of sick leave and to reduce KELA benefits expenditure. In the supplementary budget for 2020, the Government decided on an investment of EUR 5 million in the nationwide deployment of the model.

- Employment impact 2,500

Shortening periods of unemployment

Employment services funding model for local authorities to promote employment (Ministry of Economic Affairs and Employment, Ministry of Social Affairs and Health)

In its mid-term policy review, the Government decided to continue preparations for the transfer of employment and economic development services (TE services) to municipalities. In connection with the transfer, a funding model will be created for municipalities to develop their employment promotion activities in order to increase employment by 7,000–10,000 people. The preparation is geared towards extending the liability of local authorities for the costs of the basic component of unemployment security and removing the contingency of unemployment benefit on active use of employment services. Central and local government would then share the cost liability for employment services, which would ensure that local authorities have an incentive to provide services also for unemployed persons in a weak labour market position. Further preparation will involve exploring which duties could feasibly be performed by the central government at the national level, albeit ensuring that the central government will not assume responsibility for the services of any individual municipalities. Equal access to services will be considered in this reform. Further preparation will involve an evaluation of incorporating the funding for the duties to be transferred to local government in the system of central government transfers. To ensure a controlled rollout, the Government proposal will be devised with a view to these duties being transferred during 2024. The municipal trials will be extended up until that time.

- Employment impact 7,000–10,000

Supply and matching of competent labour

Successful integration of immigrants boosts employment (Ministry of Economic Affairs and Employment, Ministry of Education and Culture)

The Government has designed a comprehensive action plan addressing the needs to revise integration measures, in the interests of promoting the integration of immigrants. This will be submitted to Parliament as a government report. Pursuant to debate in Parliament on the report, the Act on the Promotion of Immigrant Integration and other relevant legislation will be amended. The improvement of services for immigrants is also linked to broader service reforms. The overall goal is to achieve a significantly faster integration process. Local authorities and joint municipal authorities have been given central government grants for the development of low-threshold guidance and advisory services and for setting up multi-professional one-stop-shop centres of expertise in the interests of enhancing integration and employment of immigrants.

Funding to adult education institutions will be increased in order to ensure a sufficient offering of education and guidance for disadvantaged immigrants. Also, the funding system for education accepted in the integration plan will be differentiated into a separate system.

Additional resources totalling EUR 5 million will be assigned to integration measures.

- Employment impact c. 2,000

Leveraging the full potential of work-based immigration (Ministry of Economic Affairs and Employment)

Finland's immigration policy will be revised to maximise vitality, the point being to establish an operating culture conducive to ambitious goals in considerably increasing work-based immigration and achieving good societal relations. This requires close collaboration with local authorities and regional operators, and also with the forthcoming wellbeing services counties, in ensuring successful integration and good societal relations.

The Government is seeking to at least double the current volume of work-based immigration¹ by 2030, so as to attain the overall increase of at least 50,000² work-based immigrants that is required in the sustainability roadmap. Beyond 2030, the goal is an annual increase of at least 10,000. The focus in work-based immigration is on sectors that suffer from a labour shortage as identified in the Government Programme and also on specialists, students and researchers essential for RDI in leading industries and growth industries. The Government also promotes the immigration of entrepreneurs and investors. Reforms will give consideration to preventing the abuse of foreign labour.

By the budget session in 2021, a roadmap setting out the vision, specified objectives and measures for long-term promotion of work-based and education-based immigration will be drawn up. The increase in work-based immigration represents a response to the needs of economic growth, the labour market, investments and RDI in the short, medium and long term. This work draws on an international recruitment assessment carried out as a VN-TEAS study, proposals made by the working group led by Pekka Ala-Pietilä,

1 The number of residence permits for an employed person (employees, experts, seasonal employees) granted was 8,508 in 2020, 9,461 in 2019 and 7,697 in 2018.

2 Immigration improves the dependency ratio when the employment rate of immigrants is 60% or more. The Ministry of Finance estimates that increasing work-based immigration by 10,000 immigrants per year on a permanent basis by 2030 could boost general government finances by about EUR 400 million per year at the 2029 level, if net immigration were to cumulatively increase by 50,000 during the current decade. In the longer term, increasing work-based immigration by 10,000 immigrants per year on a permanent basis would reduce our sustainability gap by about 0.5 percentage points of GDP, or somewhat over EUR 1 billion at current value.

anticipation studies conducted by the Ministry of Education and Culture and the Ministry of Economic Affairs and Employment and other key studies. It is possible to achieve the proposed increase in immigration gradually. The permanent structures for work-based immigration will be reinforced in the interests of attaining the long-term goals (by EUR 2.7 million per year).

Particular attention will be given in employer and business services to bringing together businesses and highly trained immigrants, while rendering the Finnish labour market more receptive to foreign experts. Streamlining and expediting residence permit processes will help the immigration of spouses of work-based immigrants. Access to employment by such spouses will be enhanced with targeted employment, with employer and business services, with spousal programmes, with working life diversity programmes and by giving more attention to spouses of work-based immigrants in guidance and advisory services and in integration services.

The duration of students' post-graduation residence permits will be extended to two years. The relevant Government proposal will be issued in autumn 2021, after which it will be evaluated whether the duration of these residence permits is sufficient. In the Talent Boost project, the Government is investing in retaining international students in Finland through cooperation with businesses and by improving the receptiveness and diversity of working life. The aim is to triple the number of new foreign degree students in Finland by 2030 while raising the percentage of foreign students who find employment and remain in Finland to 75%. The employment impact is based on an estimate of to what extent these measures will increase immigration for employment or for studies.

Determination of the availability of labour will be streamlined by harmonising regional policies and by creating a uniform digitalisation-based model to support the expediting of permit processes. The development project for aliens legislation and permit procedures will include an evaluation of the content of national policies as part of a legislative reform. It will be ensured that information on regional policies will be easily accessible by businesses and other operators. The Ministerial Working Group for Promoting Employment will in June 2021 propose a policy on the implementation, goals and targeting of a regional trial in relaxing the determination of the availability of labour in respect of foreign workers.

Access to official and banking services by employees and entrepreneurs will be improved in order to help work-based and study-based immigrants and their families to settle and remain in Finland.

Potential for granting residence permits on the basis of remote work and investments will be explored. EU residence permits for investments will be lobbied.

Efforts will be made to reduce immigration processing fees so as to be competitive with key comparable countries, without compromising processing times in the permit processes.

The possibility of lowering income requirements for various immigrant groups will be explored.

A total of EUR 61 million in appropriations has been allocated to promoting work-based immigration, of which EUR 44 million is a permanent allocation under the spending limits. The digitalisation solution will be funded by EUR 20 million out of the Sustainable Growth Programme for Finland.

- Employment impact 10,000

Continuous learning reform concerns the entire population (Ministry of Education and Culture)

The Government has decided to strengthen the reform of continuous learning as part of the Sustainable Growth Programme for Finland. The aim is to reform the competence services of the working-age population, to improve the anticipation of changes in working life and to target training and guidance to under-represented groups and to sectors undergoing structural change. Improving guidance and the mapping of skills will help people remain employed and part of the workforce and also make the individual investments in education and training more effective. In the continuous learning digitalisation programme, a digital service package for continuous learning, spanning the entire education system across administrative boundaries will be created, along with a digitalisation and flexible learning package for the university level. With these solutions, an increasing number of people will have access to the latest knowledge and education at reasonable cost, while the quality of the education will improve and its effectiveness will increase.

A specific goal with continuous learning is to ensure and establish a sufficient and targetable educational offering, outreach services and support for the working-age population. A study will also be conducted on how to improve study opportunities for the unemployed, with an evaluation of the related needs for legislative amendment. The case for altering student financial aid so as to better support continuous learning will likewise be investigated. An allocation of EUR 70 million has been made to this reform in the Sustainable Growth Programme for Finland. The employment impact of the continuous learning reform will result from preventive action to combat unemployment and the new expertise required because of structural change.

- Employment impact: 11,000

Employment measures for further preparation

Matching labour supply and demand, and incentives for accepting employment

The effectiveness and incentivisation impact of the current mobility aid will be assessed, and development needs will be explored. The goal here is to create new incentives for an unemployed person to accept a job in another community (relocating for work) so as to strengthen general government finances. These reforms will be decided in the government discussion on spending limits in spring 2022.

Competence improvement for laid-off employees will be promoted by increasing the offering of short-term training for laid-off employees within the framework of current appropriations.

A negative income tax trial or other trial to reconcile work and social security benefits while dismantling bureaucracy will be launched at the beginning of 2023. The Government will make these policy decisions in summer 2022.

Developing the collective agreement system (Ministry of Economic Affairs and Employment)

The local agreement sub-working group will continue to sit until the end of the electoral term, as per the Government Programme.

Boosting employment by improving university education (Ministry of Education and Culture)

The Government supports the measures designed jointly with universities to implement the university education and research vision for 2030, with the aim of the expertise and degrees produced in university education being better supportive of employment and labour market reform than is currently the case. The measures in question will facilitate larger numbers of university graduates in the fields or industries where labour market needs exist or are anticipated.

The precise means of implementing these measures will be agreed with the universities in consultation with interest groups by the end of 2021, and any policy measures will be decided on thereafter.

The measures are based on policies and goals already agreed upon or in preparation in the university education and research vision, the continuous learning reform, the work-based and study-based immigration roadmap and the integration report.

Access to university education will be expedited, and the number of starts will be increased. The number of international new students will be increased, and their employment potential in Finland will be improved. The actual duration of their studies will be shortened by establishing structures to streamline study paths and thereby increasing the chances of students completing their degrees within the target time. Investments will be made in student welfare and counselling. The role of predictable, long-term funding in university funding will be strengthened.

In order to promote continuous learning, the forms and offering of university education will be made more flexible and more diverse so as to better allow the alternation of employment and study for continuous learning, studying alongside work and workplace learning that does not constitute part of a degree programme.

This package of measures has considerable employment potential, which will be specified in further preparation.

Various paths to working life for young people will be strengthened (Ministry of Education and Culture)

The criteria for determining the financial compensation for apprenticeship training will be reformed to support the education, training and employment of young people. The details will be tabled for decisions at the government budget session of 2021. The intent is to try out a reform of the financial compensation for apprenticeship training in the period 2022 to 2024 and to monitor the effects of this reform. The Government decided to allocate EUR 5 million per year for the period 2022 to 2024 for this measure.

The Government decided in the autumn government budget session, as agreed previously, to fund the development of Ohjaamo guidance centres with EUR 13 million out of the Sustainable Growth Programme for Finland. The status of young people in after-care will be improved with ESF project funding. These measures may involve support for the functional capacity, abilities and housing of young people for income and financial management, for training and employment, for the presence of a safe adult and for regular contacts with a support person. For added effectiveness, particular consideration will be given in the programme to systematically developing and strengthening structural cooperation between schools, educational institutions, youth work, social work, health care services and the employment administration.

Making hidden jobs visible (Ministry of Economic Affairs and Employment)

A nationwide employment exchange enhancement project will be launched at Employment and Economic Development Offices to improve matching between companies' labour needs and jobseekers. Goals of this project include making 'hidden jobs' at companies visible and recruiting employees for them. The project will be launched at the latest to coincide with the launch of the Nordic Model and timetabled for three years.

Promoting employment of parents caring for their children at home (Ministry of Education and Culture, Ministry of Social Affairs and Health, Ministry of Economic Affairs and Employment)

The Government will appoint a cross-sectoral working group (Ministry of Education and Culture, Ministry of Social Affairs and Health, Ministry of Economic Affairs and Employment) to work with local authorities to explore means to promote employment among parents who have been caring for their children at home. These measures should place as little additional burden on general government finances as possible. Decisions on these measures will be outlined by the end of 2021. ESF funding will be used if possible for the operating model reform.

The working group is expected to find solutions for example for how to achieve the following:

- bring employment services, study counselling and integration services to family centres
- create new solutions for combining language and integration training with child care promote open early childhood education and care at family centres
- encourage a family-friendly approach and part-time employment opportunities at workplaces
- Early childhood education and care and other services for families with children will be reformed so that it will be easier to combine family and working life, particularly in shift work.

Also, impact assessments will be made by the end of 2021 on a model where early childhood education and care would be free of charge for families on a part-time basis for six months up until the child is 2 years old.

3 Climate and energy policy

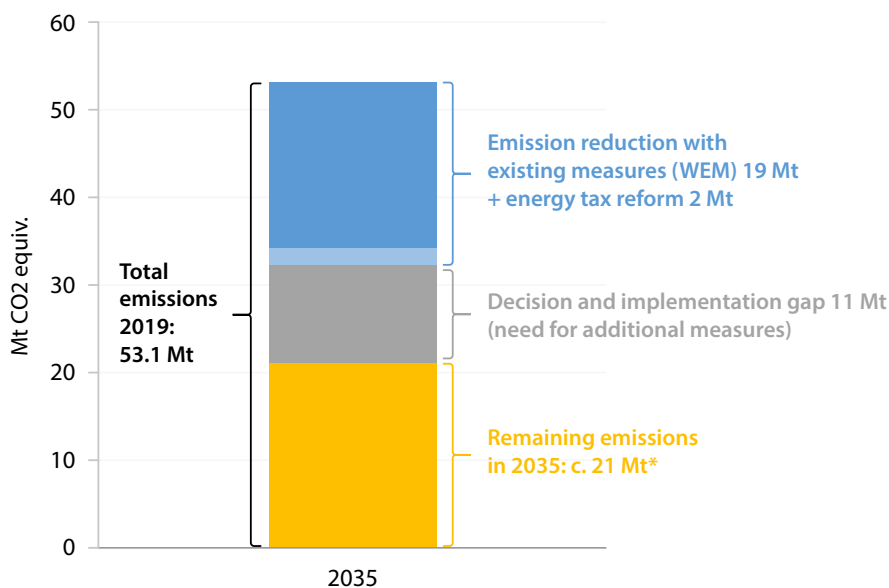
3.1 Government climate measures and sufficiency analysis

The climate measures already decided by the Government are described in Appendix 3. With more precise details on the coverage and effectiveness of these climate measures and of measures decided on earlier, the distance to carbon neutrality has been significantly shortened.

The gap with respect to the decisions and measures indicating the volume of climate decisions that are still needed to achieve carbon neutrality has decreased to 11 million tonnes (Mt) of carbon dioxide equivalent as shown in Figure 1. In the 2020 Climate Report, this gap was still estimated at 15 Mt.

At the Vuosaari climate meeting in February 2020, by contrast, the gap with respect to decisions and measures was estimated at 19 Mt. At that time, the Government prepared a roadmap detailing how to close the gap. The analysis made at Vuosaari is not methodologically wholly comparable with the present analysis and with the analysis in the Climate Report, but the comparison does indicate the trend and scale of the change.

Figure 1. Sufficiency analysis of climate measures



The emissions cuts achievable with existing measures are based on the WEM scenario (With Existing Measures) prepared in the HII SI project on 24 March 2021, i.e. the scenario including the climate decisions already made, up until 1 January 2020. It also includes the energy tax reform that entered into force on 1 January 2021; its emissions reduction impact is estimated at 2 Mt.

Government policies:

- The Government is committed to making decisions on further measures that are needed to achieve carbon neutrality by 2035.
- Based on the sufficiency analysis of climate measures (section 2.1), plans, decisions or implementation are needed to achieve a further 11 Mt in emissions reductions. The Government will decide on further measures to close this gap and on emissions cuts to compensate increased emissions caused by the change in the taxation of peat in connection with the adoption of the Climate and Energy Strategy and Medium-term Climate Change Policy Plan (KAISU plan) and the Climate and Energy Strategy at the government budget session of 2021.

Table 2. Closing the gap of 11 Mt in decisions and measures

Climate Plan	Emissions reduction*	Measures*
Medium-term climate change policy plan (KAISU)	4–5 Mt	Giving up oil heating Further measures for machinery and F gases Impact of industry roadmaps Low-carbon district heating Total for the above 2.4 Mt Agricultural measures, e.g. in the CAP reform Other additional measures
**Roadmap to fossil-free transport	**1.6 Mt + 0.4 Mt (included in the above)	Halving traffic emissions by 2030 + emission reduction in 2035, when the goal is carbon-neutral traffic by 2045
Climate and Energy Strategy (IES)	6–7 Mt	Abandoning fossil fuels Low-carbon district heating Other additional measures
**Industry roadmaps	**2–4 Mt (included in the above)	Measures in the Sustainable Growth Programme for Finland boost investments

*Details on measures and emissions reductions will be available once KAISU and IES are completed in autumn 2021.

**Included in the KAISU and IES climate plans described above.

- The Government will update its evaluation of progress in climate measures in the government discussion on spending limits in spring 2022 at the latest.
- The implementation of climate measures will be encouraged through the Sustainable Growth Programme for Finland, through the Just Transition Fund, through spending limits and budget decisions and through the Climate Fund.
- In the preparation and implementation of the new programme period in agricultural policy, it will be ensured that the measures taken are conducive to the attainment of climate goals, with reference to overall sustainability.
- Company car benefits will be revised according to the entry made in the government budget session of 2020: taxation and other means will be used to encourage employees to select low-emission vehicles as company cars.
- Sea wind power demonstration projects will be started. Harmonisation of land-based wind power and territorial surveillance, particularly in eastern Finland, will be investigated.
- Reassigning electric boilers generating heat for district heating networks and connected resistors to electricity tax category II as part of the taxation scheme for heat pumps will be investigated.
- Part of the Just Transition Fund (JTF) will be used to support district heating investments replacing peat.
- A study of the changes in competence needs caused by the green transition will be launched (jointly by the Ministry of Education and Culture, the Ministry of Economic Affairs and the Environment and the Ministry of the Environment).
- The Government will publish the My Nature Gift campaign in the mid-term policy review session, in accordance with the Government Programme. In this campaign, when a private land owner designates a valuable nature area he or she owns for protection, Metsähallitus will protect an area of about the same size in its most valuable nature areas. The campaign will run until the end of 2022. Private donations made from the beginning of June 2019 until now, some 300 hectares in total, will be included in the campaign. The Sanginjoki area of 1,400 hectares donated by the Kone Foundation is also included. The area of government land to be protected under this campaign will be at most 5,000 hectares. For land exceeding 3,000 hectares, additional protection will be implemented by Metsähallitus on a cost-neutral basis. None of the appropriations of the Ministry of the Environment will be used for the My Nature Gift campaign.
- The Archipelago Sea programme will be launched, with a view to reducing the nutrient load in the drainage area of the Archipelago Sea so that the region could be removed from the 'hot spot' list of the Baltic Marine Environment Protection Commission (HELCOM) by 2027. This effort is

undertaken under the leadership of the Ministry of the Environment with the participation of the Ministry of Agriculture and Forestry, other ministries and regional operators, and it has a ministerial monitoring group.

- The Government will submit a proposal to Parliament concerning the price floor mechanism for peat during autumn 2021. The price floor mechanism will enter into force on 1 January 2022. The price floor will be based on the level calculated as the sum of the price of emission allowances and tax on peat (EUR/tCO₂) that is estimated to be adequate to reduce the use of peat for energy by at least 50% by 2030. The level will be set on the basis of expert estimates. The average price for emission rights will be calculated annually, for instance on the basis of the 12 months preceding the time of determining the tax, to which the peat tax will be added. If the sum of the average price for emission rights plus peat tax is smaller than the combined level entered in law, a surtax equal to the difference would be imposed on peat for the following year, converted to taxation units (e/MWh). The tax must be determined well before the end of the year, in the interests of predictability.

3.2 Set of measures concerning a fair transition

The Ministerial Working Group will monitor and evaluate the social, regional and employment impacts of climate work and will prepare a measure package for a just transition.

Recent measures and reports include the following:

- national implementation of the EU Just Transition Fund (JTF)
- evaluation of the income distribution impacts of climate policy using an overall economy model (VNTEAS 2020)
- in transport, an analysis of the correlation between vehicle fuel consumption and municipality-specific emissions on the one hand and income level and place of residence on the other, and of the potential compensation of emissions (Aalto University 2020), impact assessments for the update of the basic traffic prognosis, and reports on the evaluation of additional means for reducing emissions in the roadmap to fossil-free transport.
- assessment of the impacts on the national economy and employment of the additional measures required for attaining the carbon-neutrality goal in the KAISU plan and in the Climate and Energy Strategy (HIISI project, to be completed in June) and an assessment of the impacts of these additional measures on the equality of citizens

- Round-table discussions on climate policy will serve to establish a consensus and a view to a just transition.

Government policies:

- The Ministerial Working Group secretariat will monitor the just transition measure package. The next review will be conducted in summer 2021.
- The Ministerial Working Group will decide to launch a study of the changes in competence needs caused by the Green Transition (jointly by the Ministry of Education and Culture, the Ministry of Economic Affairs and the Environment and the Ministry of the Environment).

Measures to address the transition in the peat industry

In its mid-term policy review, the Government discussed the proposals of a broad-based working group on peat. The use of peat for energy is decreasing faster than anticipated in the Government Programme. The Government recognises the need to take swift action to support a just transition and business operators and employees in the peat sector.

Peat will remain a supply security fuel even though its use for energy generation is declining. In district heating production, there is a growing need to promote the availability of domestic sustainable energy wood and to introduce non-combustion technologies. Peat continues to be needed as horticultural peat in greenhouses and forest sapling production, as bedding in animal husbandry and as a raw material for new products. Alternative materials are being developed for these needs.

The Government will decide on the next steps based on the working group's proposals and situational assessment. In further preparation, measures will be evaluated from the perspective of the regulations on state aid, for instance. Measures will be prepared by the respective ministries separately and in collaboration under the leadership of the Ministry of Economic Affairs and Employment.

Support for entrepreneurs and employees in the peat industry

- A support package for entrepreneurs giving up peat production will be urgently prepared and adopted.
- A controlled transition of entrepreneurs to new sectors will be supported along with re-employment and retraining of entrepreneurs and employees.

Security of supply

- Up-to-date information on the technical minimum volumes for peat at district heating plants will be maintained.
- The compensation level for security storage of peat will be increased, and criteria for contributing to that storage will be evaluated on the basis of the preparatory work.
- Establishing a production area reserve for peat for energy, horticulture and bedding purposes will be investigated.
- The availability of domestic energy wood will be improved for instance by strengthening procurement chains and logistics.
- Preparation of the new forestry incentive system will be continued, involving an investigation based on impact assessments of keeping energy support for low-grade timber in the system.
- General proposals concerning security of supply and delivery in electricity and heating production, availability of sustainable energy wood and the introduction of non-combustion technologies in the preparation of the Climate and Energy Strategy will be considered.

- Part of the Just Transition Fund (JTF) will be used to support district heating investments replacing peat.
- Raising the limit for tax-free minor use of peat will be decided in the government budget session as follows:
 - 2022–2026 10,000 MWh
 - 2027–2029 8,000 MWh
 - 2030– 5,000 MWh
 - Between 2022 and 2029, the change will apply to all power plants burning peat, but tax will only be payable on the amount exceeding the limit.
 - In this context, a decision will be made on the Medium-term Climate Change Policy Plan (KAISU plan) and the Climate and Energy Strategy, which will set out binding action on emission reductions corresponding to the increase in emissions due to the tax changes.

Peat use for other than energy production, alternative materials

- An up-to-date situational picture of the need for and production potential for peat as horticultural peat and bedding will be produced. The availability of horticultural peat and bedding will be assessed on the basis of the situational awareness in respect of security measures.
- Peat for bedding and other bedding materials with similar properties will be considered in the animal wellbeing compensation.
- RDI measures for developing and piloting new peat-based products with a higher degree of processing and for rendering peat production methods more sustainable in terms of their impacts on waterways, biodiversity and the climate will be supported.
- RDI measures for developing recyclable peat-based growth substrates and bedding materials and alternatives for same will be supported.

Aftercare and further use of production areas

- An operating model for the aftercare and further use of production areas will be compiled, including appropriate procedures for land use changes with design support and a knowledge for further use.
- Metsähallitus will acquire decommissioned production areas for restoration or for multi-purpose use.
- A restoration project for applicable peatland areas will be prepared to offer employment opportunities during the transition period to return

waterlogged conditions and to establish wetlands by leveraging support instruments already existing and in preparation and the climate plan of the land use sector.

Funding for measures

- The Just Transition Fund (JTF) and regional development programmes will be leveraged as far as possible in finding funding for the measures. National funding of EUR 60 million in 2021 and EUR 10 million in 2022 will be reserved for the measures. Some measures may be supported in the context of other Government measures in progress. The national funding will principally be aimed at supporting entrepreneurs and employees in the peat industry.

4 Skills and education

The Ministerial Working Group on Competence, Education, Culture and Innovation furthered the implementation of key projects in the Government Programme in the first half of the electoral period in its focus area. Specifically, it dealt with the following items:

- The Act extending compulsory education was confirmed, and the reform will enter into force on 1 August 2021.
- An education policy report is in preparation, with a view to being submitted to Parliament in March 2021.
- Policies for a parliamentary reform of continuous learning were completed towards the end of 2020, and the implementation plan will be prepared in spring 2021.
- The RDI roadmap was completed in 2020 and is being put into practice.
- The Right to Learn programme for basic education and early childhood education and care and the Programme to Develop Quality and Equality in Vocational Education and Training are being put into practice. The programme for quality and accessibility of upper secondary education is to also be launched in spring 2021.
- The Action Plan to Prevent Bullying was approved and is being implemented.
- A new Act on promoting the performing arts will enter into force on 1 January 2022.
- To promote the creative sector, a creative economy roadmap was prepared, headed by the Ministry of Economic Affairs and Employment with contributions from the Ministry of Education and Culture. This includes the establishing of Creative Business Finland.
- The Finnish model for leisure activities is being piloted, and the results of the pilot will be used for actual deployment of the model; the next round of applications will open in March 2021. The second stage of the model is currently under preparation.

Projects have progressed in accordance with the Government's goals. The Ministerial Working Group is of the opinion that the projects have created potential for raising the educational attainment and competence levels at all levels of education while

promoting equality in education and training and a narrowing of learning differentials, creating potential for promoting the wellbeing of children and adolescents and preventing bullying, strengthening Finland's status as an internationally attractive country for study, research and investments, reinforcing the position of the creative sector and supporting increased potential for sports and exercise.

However, the COVID-19 pandemic has caused significant challenges and problems, particularly for the wellbeing of children and adolescents and in the fields of culture, youth work and sports. The pandemic has led to a learning deficit and increased needs for support at all levels of education and training, requiring exceptional teaching arrangements. The Government has made significant investments towards alleviating the adverse impacts of the COVID-19 pandemic, e.g. the wellbeing package for children and youth, additional investments in culture, the arts, youth work and sports, and support for adult education and leisure pursuits. All levels of the education system have been supported through the support package for children and youth. Youth work at schools and educational institutions has been significantly strengthened. The Government has also supported skills improvement among people of working age through additional allocations.

Funding problems caused by the decline in the yields of the gaming market are felt in the arts, the creative sector, sports, youth work and science.

Government policies

- The criteria for determining the financial compensation for apprenticeship training will be reformed to support the education, training and employment of young people. The details will be tabled for decisions at the government budget session of 2021.

5 Social and health policy

5.1 Issues related to the social welfare and health care reform

The aim is for the bills included in the proposal to enter into force in stages so that some of them would enter into force on 1 July 2021 while others would enter into force on 1 March 2022 when the new county councils would start operating. The last bills would enter into force on 1 January 2023. The proposal would also involve transition periods. The Implementation Act for the reform is scheduled to enter into force on 1 July 2021. In addition, parts of the act on wellbeing services counties would be applied to the operation of counties immediately. After the passing of the bills, the preparations for the implementation of the health and social services reform can start. The Ministerial Working Group on Health and Social Services will guide the preparation and implementation of the reform.

A parliamentary study on regional government and counties with multi-sectoral duties was completed on 12 January 2021. The objective of the study was to determine which tasks could be transferred, and under what conditions, from the municipalities, joint municipal authorities and central government to the self-governing counties (larger than municipalities) that are to be formed in accordance with the Government Programme. The study report proposes that the environmental healthcare duties, currently carried out by municipalities, be transferred to the wellbeing services counties, referred to in the Government proposal on health and social services reform, on 1 January 2026. In addition, the report proposes that consideration be given to further studying the expansion of the counties' multi-sectoral duties.

A parliamentary committee on county tax investigated the introduction of county income tax. The committee's task was to investigate and evaluate the right of counties to levy taxes as their funding source and to examine what kinds of changes would need to be made to the tax system and the equalisation system for tax revenue if the financing of counties – like the financing of municipalities – was based on central government funding and income from charges and fees and on the right to levy taxes. The committee's work was completed on 11 March 2021.

The dismantling of multisource financing will be examined in a separate project. Four preparatory groups of public officials were appointed for the project on 12 November 2020 to carry out preliminary work for the parliamentary preparation due to start later.

The groups will collate solutions for the dismantling of multisource financing based on working group reports and other studies carried out during previous government terms and assess the impacts of the different options. The preparatory groups will complete their work in May 2021. The parliamentary preparation will start in 2021.

5.2 Maximum waiting times for access to care

The maximum waiting times for access to primary healthcare as referred to in the Government Programme will be implemented as part of the productivity package and the Sustainable Growth Programme for Finland. Wellbeing services counties will be provided with an incentive to comply with the treatment time guarantee. Good models and practices already exist. Provisions on the use of service vouchers will make part of legislation of treatment time guarantee as preparations progress. Preparation of the Government proposal on the guarantee of access to treatment has continued, with a view of submitting the proposal to Parliament during 2021. The seven-day cap on waiting times, or care guarantee, set out in the Government programme, means that the maximum waiting times for access to primary healthcare, as defined in the Health Care Act, would be shortened from the current three months to seven days. The maximum waiting times for access to oral health services would be shortened from the current six months to three months. The legislative changes are to enter into force in 2023. Prior to 2023, it is necessary to develop the cost effectiveness of primary healthcare activities, which are the responsibility of municipalities and joint municipal authorities, so that access to care will improve. In this way, the permanent resource need can be assessed and minimised. The care and service deficit caused by the COVID-19 epidemic must also be filled.

Development measures to improve access to and availability of care will be undertaken as part of the Social and Health Centre of the Future programme and through the additional investments facilitated by the Sustainable Growth Programme for Finland. Development projects are in progress in all areas. The Social and Health Centre of the Future programme, which forms part of the major social welfare and health care reform ('sote' reform), aims at establishing broad-based customer-oriented facilities around the country to provide both social welfare and health care services. These services must address the entire life span of customers. The population is ageing at a rapid rate, and this requires the deployment of operating models that will sustain functional capacity as late in life as possible. In 2020, a total of EUR 70 million was allocated in the form of discretionary government grants to projects in areas corresponding to the future wellbeing services counties. The grants, allocated through the Future Health and Social Services Centres programme, targeted projects with a specific aim to improve access to care, support young people's access to psychosocial treatment and promote the programme's other objectives. The aim is to

open a supplementary call for programme applications in 2021. The national guidance provided for government grant projects will be strengthened. This is to ensure that the projects improve access to care in concrete and measurable ways.

In 2021–2023, the objective is to finance, through the EU-funded Sustainable Growth Programme for Finland (Pillar 4), measures to strengthen access to healthcare and social welfare services and cost-effectiveness with a total of EUR 400 million, of which EUR 100 million will be allocated to new digital services. The plan is to implement a call for government discretionary grant applications during the latter half of 2021. The projects are to target areas corresponding to the future wellbeing services counties.

The projects to be funded with central government grants in the Social and Welfare Centre of the Future programme and in the Sustainable Growth Programme for Finland in the forthcoming wellbeing services counties constitute a framework that will reduce the permanent resource needs for expediting access to treatment.

The Ministerial Working Group on Health and Social Services will continue to discuss current affairs in health care and social welfare and also in other matters within the domain of the Minister of Family Affairs and Social Services, issues related to the COVID-19 epidemic and other current matters.

6 Child and youth policy

6.1 Government policy statement on demographic policy measures

A balanced demographic development is an essential component in Finland's welfare. Finland has one of the most rapidly ageing populations in the EU, with negative natural population growth. If the current trend persists, the population of Finland will begin to decrease in 2030. Finland's total fertility rate is below the EU average. If this demographic trend were to continue, it would bring multiple challenges for social policy and for sustainable economic growth. Having said that, we should note that there have been positive signals in 2020: the decline in the birth rate bottomed out into a slight increase, and net immigration was at a record high. This is a positive trend that should be supported and accelerated.

For both social policy and economic reasons, the Government considers it necessary to promote balanced demographic development and active demographic policies. The average ideal number of children for Finns is just under 2, but Finland's total fertility rate has been far lower than that in recent years. The Government aims to actively support opportunities for people to start a family and have the number of children they wish. This requires a positive communication strategy on the lines of "of course we want kids", equal parenting and appreciation for bringing up children, opportunities for reconciling work and family life, a determined focus on reducing child poverty and improvements in services for families. A successful family leave reform will also contribute to the Government's demographic policy goals. The Government aims to make Finland more inclusive and more equal, a friendlier country for children and families.

The Government is also actively seeking an increase in work-based and study-based immigration, with specific focus on attracting specialists, university students and returnees. For this goal, the Government will decide at the mid-term policy review session on a considerable acceleration of work-based and study-based immigration and on a measures package to attain the goals set. The Government will actively engage in communications to foster return migration.

Healthy ageing is also an issue of concern in demographic policy. What is important here is to support the maintenance of functional capacity in old age. Preparations are being made at the Ministry of Social Affairs and Health as part of the National Programme on

Ageing. The Programme was prepared jointly by various ministries, municipalities, third sector organisations and other actors.

Despite all of the above measures, action must be taken in the various regions to prepare for a decline in numbers in the overall population and in young age groups, and policies must be modified accordingly. This trend has been acknowledged for instance in the Government's Education Policy Report. Regional demographic trends can be influenced by improving the potential for multi-location work and location-independent work. Better regional data on migration than currently available is needed for policy planning.

Modern demographic policy is about augmenting human resources, the knowledge base and interaction – not just about birth rates and mortality rates. Human-oriented, data-driven demographic policy involves integrating population trends into sustainable development, growth and skills policies. The Government is improving the knowledge base on population and family data and demographic policy monitoring as a basis for data-driven decision-making, both nationally and regionally, to reinforce the demographic policy perspective in all administrative preparations.

The Government's goals are:

- Finland's population grows at a moderate rate, with a view towards achieving a better dependency ratio.
- Residents are actively supported in having the number of children that they desire, reducing the gap between the average ideal and average actual number of children. There are many ways of starting a family, and all types of family are equally valuable. Measures to promote a family-friendly environment with the desired number of children will be decided in detail in the Government's future deliberations.
- The Government will set targets and measures to accelerate work-based and education-based immigration and to encourage skilled labour to stay in Finland. The goal is to increase work-based and education-based immigration by at least 10,000 persons per year by 2030.
- The Government is improving the knowledge base on population and family data and demographic policy monitoring as a basis for data-driven decision-making, both nationally and regionally.
- The Government is reinforcing the demographic policy perspective in all administrative preparations to mainstream this perspective in various social policies.

- The Ministerial Working Group on Child and Youth Policy is monitoring attainment of demographic policy goals and will further specify the measures to be taken together with the Ministerial Working Group on Health and Social Services, the Ministerial Working Group on Promoting Employment and the Ministerial Working Group on Competence, Education, Culture and Innovation.

6.2 Supporting the wellbeing of children, young people and families

Prime Minister Sanna Marin's Government will enhance strategic efforts to support the wellbeing of children, young people and families across multiple sectors both during and after the coronavirus crisis. Local authorities and the civil society are also involved in this. The work includes preparing a situational picture, defining goals and determining measures for attaining those goals.

Building a more inclusive society and ensuring the health, development and protection of its most vulnerable members are among the greatest challenges we face at present and in the near future. The support needs of children, young people and families have been amplified by the coronavirus crisis, and several studies show that this prolonged crisis is affecting the wellbeing of everyone but particularly of children, young people and families who were in a vulnerable position to begin with.

The coronavirus crisis has exacerbated inequality in society at large in several ways. There is a risk of a long-term need for corrective services unless this trend is decisively interrupted. Thus, preventive and early-intervention support and basic services must be enhanced, with particular reference to supporting families and parenthood, addressing the service deficit in access to mental health and child welfare services and improving cooperation between the latter. The learning and wellbeing deficit must be filled, with particular reference to supporting those children and adolescents who have been put on remote teaching repeatedly or for a long time.

Government policies:

- Broad-based preparation of a multi-sector action package for children, young people and families will be begun. The Ministerial Working Group on Child and Youth Policy will coordinate this preparation, which will include effective and sufficient long-term reform and support measures for recovering from

the coronavirus crisis. The proposals will be discussed with other Ministerial Working Groups as necessary.

- To ensure the consistency of measures enacted in various areas of social policy, the Ministerial Working Group on Child and Youth Policy will prepare the action package in interaction with other Ministerial Working Groups.
- The views of children, young people and families will be considered through research data and consultations.
- The action package will be harmonised with other preparations for recovery from the coronavirus crisis and the implementation of the National Child Strategy.

7 Internal security and strengthening the rule of law

Despite occasional challenges in timetabling and human resources caused by the COVID-19 pandemic, progress has been made in implementing actions consistent with the goals entered in the Government Programme. Some of the actions related to those goals have already been completed, and a significant percentage of them will be completed during 2021. For several of the measures, implementation is only just beginning, because the first half of the Government Programme period was taken up by preparing action plans, studies, reports and Government proposals related to the goals.

The strategic goals in the domain of the Ministerial Working Group and the measures related thereto are conducive to exiting the coronavirus pandemic. Efforts were made during the preparation to respond rapidly in addressing societal challenges emerging during the pandemic, such as strengthening a sense of democracy, inclusion and safety, taking care of people in disadvantaged and vulnerable positions, upholding fundamental and human rights and combating overindebtedness among both citizens and businesses. Restriction measures imposed because of the COVID-19 pandemic have impacted the timely availability of legal protection. It is estimated in the justice system that clearing the backlog of cases will take at least until the end of 2021. The security authorities have, for the most part, retained good operational capacity during the pandemic.

The measures in the categories belonging to the domain of the Ministerial Working Group are to a large extent sufficient. However, changes that were difficult to predict have occurred in the internal security operating environment. Upholding the operating capacity of the police and of the justice system requires society at large to respond to new kinds of challenges and to prepare to address increasingly complex security situations and legal issues.

The Ministry of Justice has also initiated several measures for preventing citizens from becoming overindebted and for mitigating the resulting problems. In the interests of combating overindebtedness, resources for financial and debt counselling were increased and service channels added, and a proposal for a national strategy to promote financial literacy was prepared. In the near future, combating overindebtedness will be further boosted with the establishment of a positive credit register. Means to curb the problems

resulting from overindebtedness include stricter provisions in the legislation on consumer credit, better availability of social lending, improvements to the status of debtors in debt reorganisation and access by entrepreneurs to a fresh start. Alleviations to the status of low-income debtors subject to distraint proceedings will also be investigated. A proposal on shortening the retention periods for payment default entries will be submitted to Parliament this spring. In addition to the above, several temporary amendments have been made to provisions on consumer credit in the Consumer Protection Act, the Bankruptcy Act and the Enforcement Code in order to provide relief to individuals and enterprises.

The Government Programme includes the goal of increasing police resources to 7,500 person-years by 2022, securing adequate resources for the administration of justice and of shortening the overall length of trials. Attempts have been made during the Government term to improve resourcing for courts, but chronic under-resourcing has dramatically undermined the ability of courts to cut processing times. Public legal aid is also under pressure to reduce personnel because of a shortage of resources. Notwithstanding the above, the availability of legal protection for citizens through public legal aid must be safeguarded both in court cases and in extra-procedural matters.

Government policies:

- By amending the Act on the Adjustment of the Debts of a Private Individual, access to debt adjustment will be facilitated and the possibilities of both entrepreneurs in financial difficulties and other debtors to cope with debt adjustment will be improved. On the basis of a VN-TEAS study, a decision will be made on measures to improve the position of low-income debtors in enforcement, either by raising the protected portion in debt enforcement to at least the level of the guarantee pension or by other measures that are at least as effective. Shortening the period of limitation of debt subject to distraint will be considered as part of these measures. The retention periods for payment default entries will be shortened. The possibilities to permanently lower the maximum interest rate for consumer credits and restrictions on marketing will be assessed in the context of an overall review of consumer credit regulation. Maximum amounts will be set for the debt collection costs for business debts. A unit will be established to coordinate stakeholder cooperation related to citizens' financial literacy.
- A preliminary report on the complete overhaul of the Aliens Act will be prepared.

8 Industrial policy

To improve the social security of sole entrepreneurs, a further study will be carried out by 2022 for the government discussion on spending limits to reshape entrepreneurial and earned income contributions and the determination of daily allowances closer towards a combined contribution arrangement.

Regulatory options for combating debt problems incurred by enterprises through 'payday loans' will be explored (Ministry of Finance, Ministry of Justice).

The need to issue provisions on the right of small enterprises to access services that are essential for them to run their business, such as banking, insurance and telecommunications services, will also be examined.

8.1 Strategy for renewable industry, sector-specific objectives and measures

In the budget negotiations on 16 September 2020, the Government outlined preparations for a renewable industry strategy alongside the recovery plan. The relevant entry notes: "The Government commits to assist in utilising the EU recovery instrument in ways conducive to the renewal, growth and improved competitiveness of our export industries. The EU recovery instrument will be used to secure the operating potential of industry, to encourage reforms, to promote low-carbon solutions in industry, to raise the degree of processing, to support infrastructure investments and to foster the creation of RDI clusters.

Before the government discussion on spending limits in 2021, the Government will agree on an industrial policy strategy extending beyond the current Government term. Steps will be taken to coordinate this strategy with the implementation of the Government's carbon neutrality roadmap and industrial low-carbon roadmaps, and to prepare it in broad-based cooperation with stakeholders." A working group was appointed to devise the strategy on 11 November 2020; its term will expire on 30 April 2021.

The working group has identified the promotion of industrial investments and securing the cost competitiveness of industries as the principal themes in the strategy. It is the opinion of the working group that it is important to ensure that Finnish industry is competitive and has investment potential, particularly compared to our principal competitor countries. Cost competitiveness in current production facilitates new investments.

Strategy vision

Industry remains vital for the Finnish economy **and is a major provider of employment nationwide**. Finland is an attractive country for industrial RDI, investments and production with good connections to global markets. Thanks to this, in 2030 Finland is the world's most competitive operating environment for industry aiming for carbon neutrality, which in turn facilitates the maintaining of the Finnish welfare state through innovative digital, environment-friendly and resource-efficient solutions and robust exports.

Finland's industrial policy is predictable, and Finland is an active contributor to the industrial and competitiveness policy of the EU. The goal is to attain an EU policy position favourable to industry, ensuring cost competitiveness while enabling the continued operation and growth of Finnish industries.

Promotion of investments

Objective

The volume of investments grows steadily, and the value of new investments exceeds the value of depreciations. Finland is attractive to both domestic and international industrial investments.

Only a profitable and competitive industry is able to invest in new things. Because of this, Finland aims – within the framework of international climate commitments – to reduce the costs of industry rather than to increase them, so as to ensure that investments required for renewal are made **nationwide**.

Proposed measures

- The government generates a continuous competitor analysis to gauge competitiveness in the operating environment and analyses investments

gained and lost in order to strengthen the knowledge base on the strengths and weaknesses of Finnish industries.

- The industry low-carbon roadmaps form one of the building blocks for long-term policy measures.
- To promote large and strategically significant investments in Finland, a fast track for investments will be created, which is a cross-administrative approach coordinated by the Ministry of Economic Affairs and Employment. Its purpose is to encourage the coordination of access to financial resources, general operating conditions and the activities of the authorities, for instance. This measure will not alter the domains or duties of the various ministries. The fast track can be used if and when decided by the Ministerial Committee on Economic Policy.
- Action will be taken to reshape the authorisation procedure for investments closer to a one-stop shop principle, make the licensing process more digital, and introduce more resources for processing licences and for appellate courts.
- Steps will be taken to speed up licence processing and to make the process more predictable from the applicant's perspective. The reasons underlying licensing procedures lasting more than one year will be examined. The goal is to ensure a streamlined, high-quality licensing process and to cut processing times to less than a year in the majority of cases (excluding the time required for applicants to amend incomplete applications), without compromising the standard of environmental protection or the quality of the licensing process. These measures do not apply to court cases. If the objective cannot be attained by other means, a Government proposal will be issued in spring 2022.
- To support growth and investments, the Government is extending the temporary double depreciation rules for machinery and equipment to 2024–2025.
- Investments in intangible value added will be encouraged.

Climate policy

Objective

In 2030, Finland is a global pioneer in climate-related high carbon handprint solutions for industry, which is conducive both to Finland's goal of being carbon neutral in 2035 and to the broader goal of bringing the world's combined emissions onto the emission reduction pathway agreed upon in the Paris Agreement.

Ambitious climate policy in line with the Paris Agreement, such as the EU goal of a reduction of at least 55%, will be implemented in a way that is favourable to industry and as cost-effective as possible, with emissions trading as a key tool. Industrial developments are facilitated by a carbon-neutral, competitive and integrated energy system.

Proposed measures

- A new fixed-term subsidy for electrification will be introduced for energy-intensive companies to create a stronger incentive for carbon-neutral production and for the electrification of energy-intensive companies. This subsidy will also take cost competitiveness into account.
- RDI funding will be increased and increasingly allocated to the design and delivery of solutions addressing climate change, within the framework of the RDI roadmap.
- Industry low-carbon roadmaps will be put into practice and updated for instance for the purposes of the Climate and Energy Strategy.
- In line with the roadmaps, the use of carbon-free energy carriers, i.e. electricity, district heating and cooling and zero-emission hydrogen and synthetic fuels in industry will be promoted.
- A national and EU level plan and economic incentives for the development of the technical carbon sinks (CCS/CCU) to support industry will be created.
- The creation of a market for carbon-neutral products at the EU level will be promoted along with the aim of all steel and other energy-intensive products used in the EU being produced carbon-free as of 2050.
- Along with updating the industry roadmaps, an analysis will be performed on the positive and negative employment impacts of the measures, and employee competence needs surveys will be performed.

Energy policy

Objective

Finnish industry has access to a secure supply of carbon-neutral, competitive energy and plays an important role in integrated energy systems. Finland's energy system is adaptive, it is capable of reacting to changes in the market, and a fair, unambiguous and coherent EU guidance framework is in place to support it. The price of electricity is competitive in relation to the competing countries.

The Nordic electricity forum vision has been realised: we have the most advanced, competitive, innovative and customer-oriented market in the world.

Proposed measures

- Finland promotes measures in the EU to combat carbon leakage. Efforts will be made when Finland comments on the Commission proposal for reforming the emission trading system and the carbon border adjustment mechanism to secure the status and equitable operating potential in international competition of energy-intensive industries that have been identified as susceptible to carbon leakage. Finland considers it important that the mechanism be subjected to a thorough impact assessment, WTO compliance and dialogue with third countries. The Government considers it important that EU carbon duties system be expeditiously designed and delivered.
- Measures put forth in Finland's national Climate and Energy Strategy will promote putting into practice the low-carbon roadmaps of the energy industry and of energy-intensive industries.
- Cross-border integration of electricity and natural gas distribution systems will continue. Energy networks will be developed as a platform facilitating efficient market operations and sectoral integration. Sufficient incentives for energy storage, demand-side flexibility and energy efficiency will be ensured. Efforts are to be made to ensure supply security arrangements with neighbouring EU Member States.
- Finland is proactive in issues concerning clean hydrogen, electrofuels and the integration of these into energy systems. Investments in this field will be promoted, through public-private partnership if necessary.
- All emission-free forms of energy production will be developed in Finland. The terms and conditions of the funding and its allocation will be designed so as to support the competitive development of the system as a whole.
- Finnish specialist expertise in energy and low-carbon technology will be promoted by supporting demo projects, pilots and trials.
- Wind power construction will be facilitated through streamlined local planning processes. Preparations will be made for an increase in sea wind power, for instance through local planning and power grid design.
- The Government will prepare an energy taxation road map, which together with emission trading will contribute to the attaining of the 2035 carbon neutrality goal. The preparation process includes an assessment of how the tax base can be safeguarded in connection with emission reductions and technological advances in a way that is socially and regionally fair and just, while taking into account the operating environment of the business sector.
- The legislative status of small nuclear reactors will be evaluated when the Nuclear Energy Act is updated.
- Operational potential for all emission-free energy sources will be ensured in EU legislation.

Circular economy, scarcity of resources and sustainable use of natural resources

Objective

Finland is a pioneer in resource-efficient industry and uses natural resources responsibly, with a view to biodiversity. Finnish industry pursues product design consistent with the circular economy and employs business models geared towards the circular economy.

Proposed measures

- Finland's strategic programme to promote a circular economy will be implemented with a particular focus on technology pilots e.g. to develop the chemical recycling of industrial by-product streams and plastics.
- The importance of a sustainable bioeconomy for Finland will be stressed when EU regulation on bioeconomy and the circular economy is being drafted.
- A European model of a digital product passport to support the material cycles will be created during 2021.
- Opportunities will be created for using different kinds of recycling technologies and, through these, using processed materials as raw material in manufacturing new materials.
- Ways to promote chemical recycling and utilisation of carbon dioxide will be explored both nationally and at the EU level.
- A working group will be set up to monitor 'end of waste' decision-making and to develop procedures and to propose legislative amendments to facilitate the safe use of side flows.
- The potential for promoting the circular economy will be assessed in the context of revising the Act on Public Procurement and Concession Contracts.
- The energy sector will be linked to the circular economy:
 - Waste heat recovery will be enhanced by reassigning heat pumps in district heating systems to the industry electricity tax category.
 - The energy content of side flows and waste from industry unsuitable for materials recycling will be leveraged.
 - The electricity tax category of the recycling industry will be lowered.
- It will be ensured that all students acquire competence in the circular economy, which will be given particular emphasis in business economics and entrepreneurship studies.

Logistics

Objective

World-class logistics services and a transport system to match are a strength of Finnish industry. The reliability of logistics continues to improve. By 2030, emissions from road traffic in Finland will have been reduced to half of their level in 2005. Because of Finland's geographical location, it is essential to perform these emission cuts so as to ensure competitive logistics costs for Finnish industries compared to competing countries.

Proposed measures

- Emission reductions from transport will be carried out cost-effectively and fairly while maintaining competitiveness. It will be ensured that the price of alternative power sources in transport, such as renewable diesel, biogas and electricity, will remain competitive in Finland compared to fossil fuels. At the same time, the impacts of emission reduction measures as well as the need to compensate for example fuels used in professional transport in order to ensure the competitiveness of industry will be examined and considered.
- In accordance with the 'Liikenne 12' programme, in allocating the funding for the basic transport infrastructure management the routes important for the business and industry will be prioritised and the needs of working life will be ensured throughout the network. The repair debt will be reduced for the entire state infrastructure network, including the lower road network.
- The road investments will be targeted so that the greater dimensions and masses of goods transport vehicles could be utilised on a wider range of roads. Competition between the transport modes will be promoted with the aim of making the rail and water transport attractive and profitable by examining the potential of combined transport operations and the different ways of implementing them.
- Technology exploitation, innovations and investments will be promoted in order to put the roadmap for fossil-free transport into practice within the spending limits.
- Finland considers it important for the EU to exert influence on the IMO to adopt means for reducing emissions in line with the goals of the EU's preliminary strategy on greenhouse gas emissions, as ambitiously as possible and as soon as possible.
- Finland will lobby in the matter of the proposed EU emission trading in shipping with regard to considering both impacts on competitiveness and the special circumstances of shipping in winter when viewing the matter from the perspective of climate efficiency.

- Ice-breaking services will be secured at a predetermined standard of service and improved as vessels become larger and their ice navigation capabilities decrease.

Digitalisation

Objective

Digitalisation is a tool that reinforces productivity improvements in industries, and Finnish industries use digitalisation and the data economy to create solutions that are consistent with sustainable growth and support the green transition. Our ICT investments will at least match those of our key competitor countries.

Proposed measures

- The use of artificial intelligence in industry will be promoted in the forthcoming AI 4.0 programme.
- Measures enshrined in the ICT environment and climate strategy will be implemented.
- Achievement of the real time economy (RTE) in Finland and in Europe will be promoted.
- Digitalisation and the improvement of digital capability and employee's digital skills will be promoted in industries, particularly in SMEs.
- RDI funding will also be allocated to industry data economy ecosystems.

RDI

Objective

Finland's RDI expenditure will be increased to 4% of GDP by 2030, more funding than at present will be allocated to pilots and demo projects in industry, and the volume of business-driven research funding will increase. RDI will considerably boost the added value and productivity of industries.

Proposed measures

- The Government will appoint a parliamentary working group to prepare actions to attain the RDI funding objective.
- An adequate role for commercialisation will be secured in RDI funding. National goals and indicators for the leveraging and commercialisation of research will be set.

- Business Finland's leading companies programme will continue and its funding will be increased significantly.
- Cooperation will be strengthened between business-oriented higher education institutions (including universities of applied sciences) and companies by establishing a public-private partnership (PPP) model.
- The core research needs of renewing industry will be surveyed and proposed for inclusion in applicable EU programmes and other international RDI programmes.
- The ability of Finnish businesses to apply and further leverage new technology will be supported.
- A parliamentary working group to be set up later will look at a permanent R&D incentive as part of an overall solution that would lead to a level of private and public RDI investment and financing equivalent to 4% of GDP. The Government will outline a possible incentive in the 2021 government budget session.
- Separate programmes/agreements will be drafted with university towns regarding the strategic allocation of public and private RDI funding to strengthen the globally competitive ecosystems.
- Joint efforts will be undertaken with businesses and universities to create value in intellectual property rights in order to commercialise their industrial innovations and produce them on an industrial scale for the international markets.

Public funding instruments

Objective

Finland's potential for funding for industry is internationally competitive in terms of both quantity and price, and Finland is able to make use of a variety of domestic and international funding channels.

Proposed measures

- Industry will be encouraged to make full use of national and EU-level funding instruments, such as the RRF, the JTF, Finnish Industry Investment, the Climate Fund, etc.
- A funding advisory service will be set up with a particular view to helping SMEs in finding appropriate channels for obtaining funding.
- In state aid policy, attempts will be made to prevent the emergence of unfair competition on the internal market through lobbying at the EU level.

- The Sustainable Growth Programme for Finland will support the delivery of industry low-carbon roadmaps in effective ways.
- The transition in industries and the energy system will be funded mainly with private-sector funding, which can be efficient if the steering is market-driven. The regulation of sustainable funding should cover all elements of a low-carbon energy system.
- Direct buyer loans from Finnvera, designed for minor export trades, will be deployed urgently.

Supply of labour and skills

Objective

In 2035, having a workforce with a high level of competence by international standards will sustain the competitiveness of Finnish industries, and the employment matching problem will not significantly undermine this.

Proposed measures

- To attract international talent to Finland and to encourage foreign students to remain here, the permit procedure for residence permits should be made quicker and more flexible. Additional resources should be allocated to this on a temporary basis. The D visa and other necessary reforms should be expedited.
- The overall needs for work-based immigration will be determined as far as possible along with identifying the competence deficits and employee shortages created by the various business development programmes.
- A high standard of competence in science and mathematics, linked to a cross-discipline approach to skills, will be secured at all levels from comprehensive school to universities and continuing education.
- Development programmes designed to improve the competence of current employees will be created, particularly with a view to skills with major shortcomings and future skills.
- Potential labour shortages in industry will be identified through an analysis of age structure and needs for new skills. Regional deficits may turn out to be substantial. The attractiveness of training will be improved, and regional labour shortages will be addressed by creating a comprehensively accessible training network.

Exports, trade policy

Objective

An open, responsible and rules-based trade system supports other areas of policy by reinforcing Finland's competitiveness and the potential of industrial exports through trade deals and other trade arrangements. Finnish companies are on a level playing field in relation to competing countries.

A global, equitable and effective carbon dioxide pricing mechanism has been added to the rules of international trade, so that carbon dumping can be curbed and carbon leakage and investment leakage from the EU to third countries can be prevented.

Proposed measures

- Means for reviving the multilateral trade system will be sought by participating actively in discussions to reform the WTO, highlighting Finland's strengths and lobbying in a constructive way for establishing equitable operating conditions.
- Within the EU, collaboration with like-minded Member States will be continued on a case-by-case basis so that the trade policy interests of industry will be equitably considered alongside other trade policy interests.
- The Team Finland export promotion network will implement measures under the Programme for Export and International Growth (VKKO) so that they will boost Finland's competitiveness.
- Efforts will be made to strengthen the supply chains for raw materials and other materials of importance for industry and to reduce dependence on third countries for critical raw materials.

8.2 Domestic ownership programme

Domestic ownership programme and selected measures

These measures form a package together with the industry strategy and the entrepreneurship strategy proposals in preparation that is geared towards improving business funding, entrepreneurship and the investment environment. The long-term goal is to boost growth and employment e.g. by improving the competitiveness of Finnish businesses. The individual measures are mutually reinforcing and improve the financing opportunities of Finnish businesses overall. The measures will improve the availability of smart capital for companies at different stages of their life cycle. Good ownership creates Finnish companies that are successful in global competition and value chains. Successful

companies create jobs and make investments while also building a new tax base and new sources of wealth. Domestic ownership plays a key role in the prosperity of Finland and its people.

Measures

Investment ability

- Developing Finnvera's credit instruments
 - 1) The use of financial products (e.g. direct loans for export operations) for SMEs for export purposes will be developed and stepped up. Finnvera will also introduce direct buyer loans for minor export trades. The aim is to improve the financing potential of small export businesses, thereby bolstering the exports of Finnish companies. The financing is designed for export businesses where Finnvera's contribution would not exceed EUR 20 million.
 - 2) Due to a significant increase in changes in ownership, Finnvera's cap of EUR 100,000 for loans to entrepreneurs will be augmented in order to introduce more effective financial resources.
 - 3) The volume of growth loans will be increased to at least double the current volume. The growth loan, or junior loan, is used to improve the credit rating of companies for the purpose of bank funding when a company needs credit financing, for example for business growth, investments or business deals.
- EU equity financing will be more efficiently leveraged: Finland lacks both the instruments and the broker organisations to leverage private capital into sustainable infrastructure or into RDI and digital projects, for instance. Means for improving this situation will be explored.
- Private and public operating models will be developed for attracting international capital and expertise to Finland and to internationalise Finnish administrative teams: This measure is designed to respond to international demand and to reinforce Finland's country brand through investor meetings and systematic marketing of success stories and of the Finnish startup ecosystem. The goal is to render Finland an attractive, safe and transparent destination for international investors, experts and growth enterprises.
- Large and medium-sized companies will be encouraged to establish venture capital companies. The Finnish field of capital investment lacks major

technology corporations that would invest in or buy up small domestic startups. This measure is, in part, designed to support the growth and upward scaling of industrial startups.

- A service offering catering to changes of ownership will be developed and established on a permanent basis at the national and regional levels. Continuing funding for this service will be secured. The current role of Centres for Economic Development, Transport and the Environment, including the providing of business development services and how they are targeted, will be evaluated and improved with a view to facilitate changes of ownership at the regional level. The services will be targeted at strategic business development.
- The establishment of a co-investment fund, its operating potential and criteria and various options including its target size will be investigated. The fund will make investments alongside rounds of investments by investor consortia.
- The case for establishing an 'SME funding voucher' to simplify the equity and funding structure of businesses and the planning of changes of ownership will be investigated: The target group for this service consists of SMEs which have the potential for profitable business and wish to develop their business competence and need outside assistance for improving their financial skills. This service is intended for strategic purposes, not running operations.
- Business growth pathway: The system of services and support for businesses will be rendered more business-oriented so as to create a clearer pathway from solo entrepreneur to international growth. Along this pathway, there will be private operators to support the growing businesses.

Investment environment

- Amending the Act on Personnel Funds The current Act will be amended so as to make the establishment of a personnel fund simpler than before and allowable for more businesses. After the amendment, it would be possible to establish a personnel fund if the company has at least 5 employees, for instance, and a turnover (or comparable income) of at least EUR 100,000 at the time when the fund is established.
- A strategy for medium-sized growth enterprises will be devised to parallel the entrepreneurship strategy: Finland lacks a critical mass of scaleable growth enterprises seeking international business. Finland has a very narrow 'middle tier' of enterprises, and to augment this we need skilled ownership input and domestic capital. The most effective means for encouraging Finnish companies to enter this category through growth and to grow even further will be identified.

Strategic management of RDI and export growth

- Finland has a need for an umbrella organisation creating a coherent vision and monitoring the goals set. The Research and Innovation Council might be such a body. The management of the Team Finland network and of the promotion of exports and internationalisation should be rooted in jointly set goals and should aim at the most effective use of resources possible and maximising leverage. Under the leadership of Team Finland, export efforts will be focused on e.g. 10 to 15 principal market areas over the following 2 years. This measure has no budget impact, and it will not change the duties or domain of any of the ministries.

8.3 Increasing RDI funding to 4% of GDP

Finland's objective is to raise RDI expenditure to 4% of GDP by 2030 in accordance with the Government Programme and the RDI Roadmap. In 2019, R&D intensity was 2.8% and the public sector's share of R&D financing was 30%. Reaching the objective by 2030 would mean additional investments of almost EUR 600 million per year on average. Of this, private funding would amount to around EUR 400 million and public sector funding to around EUR 200 million if the public sector's share of R&D funding remained the same.

To attain the RDI objective, we need a common vision and missions, more ambitious RDI activities and investments from both the public and private sectors. Without a significant increase in private sector investment, this will not be achieved.

RDI funding should be predictable and ensure a balanced development of the RDI system. To ensure that RDI funding is predictable and designed for the long term, the RDI goal and the funding actions taken to attain that goal should be agreed upon in a parliamentary process. Broad-based parliamentary commitment to the RDI goal and to increasing R&D funding in the public sector would establish the required predictability to the development of the RDI system and to growing private R&D funding.

In order to advance Finland's RDI objective, the Government has decided to set up a parliamentary working group to explore ways to commit to the growth of public sector R&D financing, which is required to achieve the RDI objective until the end of the decade.

The working group to be appointed must explore various options for increasing long-term R&D funding. Among the options to be explored are: long-term planning through normal budgeting processes (e.g. the 'Liikenne 12' project); multiannual budgeting; or setting up an extrabudgetary fund for R&D funding. The purpose of such a fund would be to ensure the availability of long-term funding. Funding decisions would be made through existing

operators to which the R&D fund would channel funding. Setting up an extrabudgetary fund must be approved by Parliament by a majority of 2/3. Under section 87 of the Constitution, an extra-budgetary fund may be created by an Act, if the performance of a permanent duty of the State requires this in an essential manner.

The working group must assess the impacts of the options considered over a wide range, including the impacts on R&D funding, on the public sector deficit, on public debt and on the budgetary power of Parliament.

The parliamentary working group is hoped to report on this scheme by the end of September 2021, so that the Government can make decisions on the basis of its findings in the supplementary budget of autumn 2021 or an amendment to the budget proposal for 2022.

9 Entries related to the Government mid-term policy review

9.1 Government mid-term policy review and continuation of the work on the sustainability roadmap

The Government mid-term policy review was conducted by the Ministerial Working Groups in spring 2021. The mid-term policy review is described in Appendix 1.

The implementation of the sustainability roadmaps (Appendix 2) is being monitored regularly, for instance in the government budget sessions and government discussions on spending limits. The monitoring is performed in cross-sectoral collaboration and in dialogue with experts, the scientific community and the civil society. The Ministerial Working Groups are responsible for their respective areas in the preparation and monitoring of the action packages in the roadmaps.

The Government will next assess the sustainability roadmap scheme in wider terms at the government discussion on spending limits in spring 2022.

The Government will continue the preparation of the sustainability roadmaps for the government discussion on spending limits in spring 2022 on the basis of the roadmap adopted at the current session. Going forward, the focus will be on the interdependencies of the three component areas of sustainability and the coherence of the whole.

The knowledge base for the various dimensions of sustainability and their international comparability will be reinforced. This preparation will be undertaken in collaboration by the Prime Minister's Office and the ministries. The aim is to update the sustainability roadmap on an annual basis and to use it as a guidance document for government policy.

9.2 Multi-location and regional presence of central government

The Government will promote the continued use of multi-location working and studying, which have been widely used during the pandemic. To make use of the new practices which have emerged during the lockdown, the Government will adopt a resolution in early 2022 concerning the regional presence of central government and multi-location

working. This resolution confirms the plan for regional presence for the remainder of the Government term in accordance with the revised legislation on the regional presence of central government, along with other measures required in various administrative branches to support flexible multi-location work, study or residency. The preparation of the resolution will involve an assessment of the impact of the multi-location trends on regional development, on the attainment of climate goals and on ongoing central government projects, while reviewing current legislation in the various administrative branches vis-à-vis multi-location trends.

The potential offered by multi-location trends will be considered in the foresight activities of municipal policy. The preparation will involve an assessment of how the goals of dual municipal residency can be promoted within the framework of the Constitution as it now stands, by reinforcing involvement and the knowledge base on multi-location residency and service needs in various municipalities. Needs to amend legislation will also be considered in this context. The effectiveness of the service system vis-à-vis multi-location trends will similarly be assessed. The central government takes a favourable view of local authorities developing open-access online service platforms, e.g. municipal e-residency.

The government as employer takes a favourable view of remote working and its increasing use and intends to produce operating models facilitating remote work. Multi-location work will be promoted for instance in the Government Premises Strategy, the government services and premises online project and the project promoting multi-location work.

The central government is revising its regional presence and the offering of central government services nationwide on the basis of the recently completed public administration strategy packages and legislation on regional presence. The core principles in the services and premises online project are the primary use of digital channels whenever possible, combining services provided by various authorities into single entities together with local authorities, providing services more flexibly than at present in keeping with actual client needs in terms of time and place, and augmenting flexible, multi-location work opportunities e.g. by creating shared-use premises for remote workers at various sites around Finland. The purpose of these changes is to improve the availability and accessibility of services and thereby to safeguard the fundamental rights and language rights of citizens.

To promote e-transactions and multi-location work and, more broadly, to ensure equality of citizens, it is vital to ensure that there is a sufficient digital infrastructure and telecommunications links with comprehensive regional coverage and that online services are generally accessible. Particular attention should be given to providing adequate support for users of online services.

9.3 Improving data security and privacy protection

The Government is committed to improving data security and privacy protection in the critical sectors of society. These improvements will be made by 1) improving cooperation between authorities, 2) providing sufficient prerequisites and requirements in legislation vis-à-vis data security, and 3) adding and reallocating resources of the authorities. These measures will be undertaken using appropriations in the General Government Fiscal Plan.

Improving cybersecurity will require all three components named above to be taken forward at the same time. Improving data security and privacy protection will require action in several administrative branches. Also, ICT system and procurement costs will be incurred because of data security and privacy protection in the various administrative branches; how large these costs are will depend on how and when these measures are implemented.

Later in spring 2021, two Government resolutions will be issued to improve data security and privacy protection in sectors critical for society and to establish a cybersecurity development programme. These resolutions will be mutually complementary, containing detailed outlines on essential, critical actions, both ones to be taken in the short term and ones intended to improve cybersecurity know-how, competence and competitiveness in Finland in the longer term. With these resolutions, cybersecurity matters will be propounded in both the public and the private sector, and progress will be monitored on a regular basis.

Appendix 1: Government mid-term policy review

Conclusions of the Ministerial Working Groups on the situational evaluation 14 April 2021

Appendix 2: Sustainability roadmaps

Government's Sustainability Roadmap 29 April 2021

