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Finland's National Reform Programme,
Spring 2017

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Finland's National Reform Programme

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<p>Abstract</p> <p>The European Council adopted a Strategy for Growth and Employment in 2010. The vision of the Europe 2020 Strategy, which extends to 2020, is smart, sustainable and inclusive economic growth. The strategy sets EU-wide targets for employment, research and development expenditure, climate measures, education and reducing poverty. Every Member State sets its own corresponding national targets.</p> <p>Finland's national targets are raising the employment rate of 20–64 year-olds to 78%, spending a minimum of 4% of GDP on R&D, achieving the climate and energy targets agreed in the EU, maintaining the proportion of 30–34 year-olds having completed tertiary-level education at 42%, reducing the proportion of 18–24 year-old early school leavers to 8%, and reducing the number of people living at risk of poverty and social exclusion.</p> <p>The European Council adopts for all Member States recommendations aimed at guiding national decision-making and supporting employment. The recommendations given to Finland in 2016 relate to the long-term sustainability of public finances, improving the cost-effectiveness of health and social services, reducing unemployment and increasing competition in service sectors as well as promoting entrepreneurship and investment by reducing the administrative and regulatory burden.</p> <p>The Government now presents the ninth Europe 2020 National Reform Programme. The programme describes the measures the Government has initiated in order to achieve the national targets and how the country-specific recommendations given by the EU have been taken into consideration. The information provided in the programme will facilitate a more detailed examination of Finland's situation at the EU level.</p>			
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1 Introduction

The Finnish economy rose in 2015 from an extended economic downturn. Last year, economic growth accelerated to 1.4%, driven by investment and private consumption.

The positive signs of growth are particularly welcome, because in the aftermath of the deep and prolonged recession, Finland's budgetary position has deteriorated and debt has rapidly increased. In addition, unemployment has increased and periods of unemployment have lengthened. To rectify the situation, the economy has been strongly consolidated for several years, at the same time as growth potential has been supported with structural reforms.

Competitiveness, employment and public service provision are at the heart of the economic policy of Prime Minister Juha Sipilä's Government. The Government's economic policy is aimed at levelling off fiscal indebtedness and bridging the EUR 10 billion sustainability gap through savings as well as measures to boost growth and enhance public service provision.

The immediate consolidation measures already decided will strengthen public finances as planned by EUR 4 billion. The remaining EUR 6 billion rests on structural reforms to strengthen public finances and increase employment. The intended impact of employment and growth measures is EUR 2 billion, a EUR 3 billion saving is sought through the health and social services reform, and the goal is to save EUR 1 billion by cutting general government duties and obligations.

The preparation of the health and social services reform is proceeding according to plan (Chapter 3.1). In contrast, cutting general government duties and obligations and achieving the savings sought with them has proved to be more difficult, because the municipalities have not always implemented all of the changes, and savings have accordingly not arisen. Work aimed at cutting general government duties and obligations still continues, however. The health, social services and regional government reform as well as other measures to reform public administration may, if successful, strengthen general government finances by EUR 4 billion, but only in the long term.

The Government aims to strengthen conditions for employment and economic growth through taxation as well as through measures supporting economic competitiveness and productivity growth. The Competitiveness Pact, moderate wage settlements, the introduction of an export industry-driven model in wage formation, and reforms to increase local agreement in the labour market are a key part of this package. Some of these are still work in progress and the strength of the commitment given will be tested in the autumn's labour market negotiations.

Besides the above, the Government has undertaken a number of measures aimed at reforming the labour market. As described in Chapter 3.2, the measures are targeted at young people and immigrants. In addition, unemployment security has been reformed and the Government has decided to improve employment services and increase the use private service providers in public business and employment services. Furthermore, new measures are currently being considered and planned, because the Government is committed to improving employment.

In promoting competition, major steps forward have been taken (Chapter 3.3). The retail sector has been deregulated and transport markets have been opened up through the Transport Code, for example. Aid relating to social security and education has been reformed, and further reforms are being prepared. A pioneering basic income experiment was launched on 1 January 2017 and it will last for two years, after which its impact will be assessed.

In its spending limits discussion on 24-25 April, the Government decided on additional measures to strengthen public finances and employment. The new decisions made by the Government are outlined in the Prime Minister's Office's press release.

Restoring GDP to a growth track and determined work to implement structural reforms show that Finland's economic prospects are improving, even though the growth outlook for the next few years is rather subdued. Finland's structural competitiveness, for example in terms of its education system, research and investment as well as government transparency and efficiency, is among the best in the world. With the aid of these factors, the Finnish economy is expected to reach its growth potential by 2021.

2 Macroeconomic situation and scenario

2.1 Macroeconomic outlook in the programme period

The Finnish economy continued to grow in 2016. Based on Statistics Finland provisional data, driven by domestic demand, the economy grew last year by 1.4%, accelerating significantly from the previous year. Demand was boosted particularly by increased construction investment and growth in household consumption expenditure.

According to Statistics Finland provisional data, economic growth has become more broadly based. Of the various sectors, construction and business services in particular grew strongly last year. Industrial production grew, driven by the forest and chemical industries in particular. The electrical and electronics industry continued to contract. The service sector as a whole grew more sluggishly than other sectors: private services grew by 1.8%, while public services declined by 1.4%. Growth of primary production was subdued, remaining below 1%.

Despite the pick-up in the economy, Finland's economic situation continues to be challenging, and growth will remain around 1% in next few years. Economic growth will become more broadly based as, in addition to domestic demand, GDP growth is supported by clearly accelerating growth in exports. Growth in private investment will rest on the expansion of businesses and replacement investments as well as households' housing investments. Growth of private consumption will be supported by rising employment growth as well as robust confidence. The improving outlook for global trade and Finland's improving cost-competitiveness will support export growth.

The difficult times of recent years have been strongly reflected in Finland's public finances. The general government budgetary position has deteriorated and debt has grown. Economic growth and the Government's consolidation measures are having an impact. However, because according to Statistics Finland provisional data the general government deficit was 1.9% in 2016, 0.8 percentage points less than the previous year. General government debt at the end of 2016 was 63.6% in ratio to GDP. The development of the

general government deficit, structural deficit and debt ratio are described in more detail in Finland's Stability Programme.

The realised and forecast slight growth in the economy also point to a shift in the development of employment. Last year, employment rose and unemployment fell. In 2016, the unemployment rate averaged 8.8%, whereas it was 9.4% in 2015. The employment rate, on the other hand, was 68.7%. Employment growth will continue in the wake of economic growth also in the outlook period, but at a modest pace.

Even as economic conditions improve, high structural unemployment will slow the reduction of unemployment. The number of long-term and structural unemployed will continue to grow this year, although growth has stalled in recent months in all age groups. Structural unemployment as monitored by the Ministry of Employment and the Economy, which includes, in addition to the actual long-term unemployed, unemployed people comparable to the long-term unemployed, also seems to have reached its peak. In the early part of the year 2017, the number of structural unemployed had already fallen compared with the year before.

The number of unemployed jobseekers under 25 years of age was 4,900 fewer than in January the previous year, namely a total of 43,400. The number of open and new job vacancies has started to grow.

Finland's macroeconomic and budgetary situation and scenarios are described in more detail in the General Government Fiscal Plan 2018–2021, published simultaneously with this document, and in Finland's Stability Programme.

2.2 Macroeconomic impact of structural reforms

The objective of the main structural reforms is to reduce the sustainability gap in Finland's public finances and to improve Finland's competitiveness and thereby employment. An impact assessment of the Competitiveness Pact has been presented in the 2017 budget proposal, and the assessment of it has not been appreciably updated.

The health, social services and regional government reform package is proceeding and the legislative proposals have been submitted or are due to be submitted to Parliament in the spring session. The objective of the health and social services reform is to curb expenditure by EUR 3 billion in 2029. In the short term, non-recurring transformation costs, still subject to considerable uncertainty, are also associated with the reform. The savings generated by the reform will mainly be realised after the outlook period. More detailed

macroeconomic impact assessments of the reform will be made when all of the legislative proposals have been submitted for the consideration of Parliament.

Major structural reforms will also be made to increase market competition, but there are no macroeconomic assessments of these. Similarly, there are no macroeconomic assessments of the labour market reforms already undertaken. Planning of other structural reforms is still under way, so the macroeconomic effects are not available.

3 Implementation of country-specific recommendations

3.1 Long-term sustainability of public finances

EU recommendation 1: Achieve an annual fiscal adjustment of at least 0.5% of GDP towards the medium-term budgetary objective in 2016 and 0.6% in 2017; use any windfall gains to accelerate the reduction of the general government debt ratio; ensure timely adoption and implementation of the administrative reform with a view to better cost-effectiveness of health and social services.

Health, social services and regional government reform

Finland is implementing a health and social services reform (so-called SOTE reform), whose objective is to reduce disparities in citizens' wellbeing and health, improve the equality and availability of services, and to curb growth in costs. The reform will be implemented simultaneously with a regional government reform, in which 18 counties will be established in Finland.

One key objective of the health, social services and regional government reform is to bridge the sustainability gap in general government finances by curbing growth in health-care and social welfare costs. The goal is for expenditure to be EUR 3 billion lower at the end of 2029 than it would have been according to a forecast prepared in 2016.

The health and social services reform also aims to improve healthcare and social welfare as well as integration of basic and specialised services. The reform will implement a client-oriented service integration, aimed at delivering a comprehensive assessment of clients' service needs and ensuring the flexible and timely availability and implementation of the necessary services. In addition, the reform will develop sharing of client and patient data as well as electronic public services, and will simplify the multisource financing of health and social services.

The Government submitted a bill on the health, social services and regional government reform to Parliament on 2 March 2017. The bill includes 34 legislative proposals on, among other things, the establishment of the counties, central government financing, the organisation of health and social services, transfers of personnel, and the reform of the system of central government transfers to municipalities.

The reform would enter into force on 1 January 2019, after which the counties would be responsible for, among other things, the organisation of health and social services. Some of the acts proposed by the Government would, however, enter into force on 1 July 2017 or as soon as possible after the approval and adoption of the acts, to enable the launch of the counties' provisional administration. The task of the provisional administration would be, after the county elections to be held in January 2018, to prepare, under the direction of the elected county councils, the organisation of the counties' activities as well as personnel and asset transfers in collaboration with the municipalities and joint municipal authorities.

The counties would be public law bodies enjoying regional autonomy. The counties would discharge the duties prescribed for them in law, of which the most significant would be healthcare and social welfare, and rescue services. In addition, to the counties would be transferred other duties, for example related to regional development and Structural Fund activity, business promotion, land-use management and planning, administration of agricultural and farmers' aid, construction supervision as well as other regional services assigned to the counties by law.

The counties' activities will be financed mainly with central government funding and partly with client fees levied on service users. The funding received by a county from the central government would be determined by calculation based on the country's population, residents' health and social services needs, determination criteria for other duties, and regional circumstances. The proportion of funding accounted for by regional needs and circumstances would be 89%, the proportion payable per capita would be 10%, and the proportion payable on the basis of wellbeing and health promotion would be 1%. Central government funding to the counties would be non-earmarked.

The Act on Financing the Counties included in the Government proposal contains a cost brake, which will curb growth in funding by approximately EUR 2.8 billion by the end of 2029. Limiting the level of funding in order to realise savings in a way that safeguards the fulfilment of fundamental rights requires, however, efficiency improvements and the realisation of productivity benefits in healthcare and social welfare activities as well as the more detailed specification, evaluation and, if necessary, restriction of statutory services.

Also in preparation is legislation relating to the client's freedom of choice, a Government proposal on which is due to be submitted to Parliament in spring 2017. According to the proposal, the client would have the right to choose a health and social services provider, a service location and also, according to the situation, a healthcare professional. Health and social services provision will be diversified so that a county's own and both private and third sector (e.g. organisations) service providers have equal opportunities to provide all services in the market.

Expanding freedom of choice aims to improve the availability of services particularly on the basic level. It will enable clients to receive assistance for their needs more quickly than at present. In addition, unincorporated county enterprises will prepare a service needs assessment and client plan for clients requiring lots of services. In situations prescribed in law, clients could also receive for their use a client voucher or personal budget, which can be used to obtain services. In such cases, the client could still choose a service produced by a public entity, a company or an organisation.

Preparatory work on the implementation of the reform is under way nationally and regionally.

3.2 Labour market

EU recommendation 2: While respecting the role of social partners, ensure that the wage setting system enhances local wage bargaining and removes rigidities, contributing to competitiveness and a more export industry-led approach; increase incentives to accept work and ensure targeted and sufficient active labour market measures, including for people with a migrant background; take measures to reduce regional and skills mismatches

Competitiveness Pact

In summer 2016, the Government and social partners signed the Competitiveness Pact, which will enhance the price competitiveness of Finnish production. In connection with the Competitiveness Pact, it was agreed that collective agreements will increase opportunities for local agreement. Cooperation was also agreed on developing the collective agreement model in a more export-led direction. Development of the collective agreement model is currently under way in negotiations between labour market organisations. The Competitiveness Pact and its economic effects are described in the 2017 draft budget plan.

Unemployment security reform

At the beginning of 2017, reforms entered into force aimed at accelerating acceptance of work and shortening periods of unemployment. The changes emphasise the conditionality of unemployment benefit and an unemployed person's obligation to seek work and improve their employment prospects. After the reforms, an unemployed person is also obliged, after three months' occupational protection, to seek and accept full-time work for which the salary payable is smaller than the unemployment benefit payable. The changes also aim to increase geographical mobility. Previously, an unemployed person had the option of refusing work more than 80 kilometres away from home, if public transport could not be used for commuting. Now, an unemployed person is also expected to use their own vehicle to commute to an offered job. Moreover, the fixed period when unemployment benefit is lost for refusing work was extended when an unemployed person declines a job offer. The fixed periods when unemployment benefit is lost for refusing work were changed to begin only 30 days after an unemployed person declines a job offer, in order to encourage the unemployed person to find work before the fixed period of non-payment of benefit begins.

Unemployment security was also reformed from the start of the year such that it is possible to use start-up grants, wage subsidies or mobility assistance to promote employment. In addition, use of trial work placement has been extended on an experimental basis towards trial recruitment.

The maximum duration of unemployment benefit was also shortened by 100 days from the beginning of 2017, except for individuals who are 58 years old and over when they become unemployed. The waiting period for an unemployed person was lengthened from five to seven days and payment of the increased daily allowance was abolished, except for those participating in employment-promotion services, for whom payment of the increased daily allowance was reduced.

Enhancing employment and business services

The Government has decided to improve employment services provision and increase the use of private service providers in public employment and business services. In the 2017 Budget, the Government has allocated a EUR 17 million additional appropriation to enhance public employment and business services and to arrange regular interviews for the unemployed at three-monthly intervals. The additional appropriation will be directed to recruiting staff at Employment and Economic Development (TE) Offices, to performance-based purchased services supporting employment, and to developing information systems. In addition, the ministry has allocated a EUR 5 million additional appropriation for the procurement of purchased services relating to interviews.

The objective of the regular interviews for the unemployed at three-monthly intervals, launched at the beginning of 2017, is quick returns to employment, preventing long-term unemployment, and rapid filling of job vacancies. The interviews are aimed at supporting workers' job-seeking and improving skills as well as identifying capabilities and reconciling them with employers' needs.

In supporting the implementation of job seekers' interviews and in providing services agreed in the employment plan, purchased services will be used significantly more extensively than at present. Services aimed at employment will be acquired from external service providers primarily on performance-based contracts. Services may also be acquired to support service needs assessment and employment plan preparation. The use of purchased services will also support the development of a private services market and help prepare for the regional government reform.

Regional trials of employment and business services

In accordance with Government policy, as part of the regional government reform that enters into force at the beginning of 2019, public employment services will also be transferred to the organisation responsibility of the counties. In the regional government reform, business services as well as public employment and business services will be combined into a public growth service. As part of the preparation of the county model, regional trials will be conducted in 2017–2018 aimed at creating a client-oriented cross-administrative operating model for jobseekers and employers. Nine areas have been selected for these trials. Three trials are county trials of an organiser-provider model and six trials are trials of a client-oriented service provision model implemented in the area of several municipalities.

Promoting youth employment

The most significant youth guarantee measure is developing and extending low-threshold multidisciplinary counselling centre activity. The intention is to continue the centres on a permanent basis after the pilot stage ends in 2018. In addition to face-to-face counselling, an online counselling service will be developed. Online counselling will be developed as part of a "labour market forum", namely a national recruitment platform, organised by public employment and business services. Piloting of the service will be launched during 2017 and expanded during 2018. The online counselling service is intended to be fully operational by the end of 2019.

To reduce the number of young people not in education, employment or training (NEET), cross-sectoral work has been launched in accordance with a decision made in a Government strategy session on 7 November 2016. Those cooperating in the work, namely the

Ministry of Education and Culture, the Ministry of Social Affairs and Health, the Ministry of Economic Affairs and Employment, the Ministry of the Interior and the Ministry of Defence, will prepare measure proposals, which are due to be agreed in spring 2017. Studies are currently under way on, among other things, benefits and services for young people, good practices in reducing education drop-out rates and on efficient and effective cooperation on a local level.

The needs of various learners will be better taken into account in developing education and teacher training. Leisure and cultural activities and transition-phase measures as well as support for children and young people in the most vulnerable position mitigate social exclusion and non-participation in education and work. These measures (for example JOPO, tenth grade, VALMA and TELMA) will be continued.

Structural measures to reduce the number of NEET young people include the reform of vocational education and training as well as the reform of student selection in tertiary education, which has been gradually introduced since 2014.

NEET young people's services will also be enhanced through outreach youth work and by providing counselling, guidance and support services. The task of outreach youth work is to contact young people in need of support and to help them within the sphere of services and other support that will promote their growth and independence as well as their entry into education and employment. To boost health and social services, mental health services and rehabilitation places, development projects will be launched aimed at strengthening the functional and working capacity and participation opportunities of young people who are not in education or employment. With regard to the youth guarantee, measures will be targeted particularly at promoting preparedness for education and work.

Vocational education and training

The reform of vocational education and training aims to improve the competence basis of education and training as well as employment- and client-orientation. Overlaps in vocational education and training will be eliminated by combining young people's and adult education into a single entity. The qualification system will be improved, vocational qualifications broaden, and their number reduced. Acquisition of qualifications will be clarified by transferring to a single common way for everyone to acquire a qualification. The study paths of all students will be planned individually and in a manner suitable for all client groups (personalisation). Student selections and application services will be revamped to correspond with the requirements of the reform and, in the future, it will be possible to apply for vocational education and training throughout the year. Efforts will be made to ex-

pand on-the-job training and implement this with training agreements that do not require an employment contract as well as through apprenticeships.

The reform will create one common vocational education and training funding system, which will include the funding of all forms of vocational education and training (vocational upper secondary, further and apprenticeship education and training as well as qualification-oriented labour market training). The vocational education and training steering and funding system will prioritise quality and effectiveness. In addition, the reform will renew and digitalise the operating processes and learning environments of vocational education and training providers. The reforms are intended to take effect from 1 January 2018.

In connection with the reform of vocational education and training, labour market training intended for the unemployed and those threatened by unemployment will be divided into two parts, such that from 2018 labour market training leading to a qualification and immigrants' literacy education will be the responsibility of the Ministry of Education and Culture, while shorter duration labour market training arranged in closer cooperation with businesses will remain the responsibility of the Ministry of Economic Affairs and Employment as so-called growth service education.

Integration of immigrants

To promote the implementation of integration policy, a Government resolution was issued on the Government Integration Programme for 2016–2019. The Government Integration Programme was coordinated with the Government Action Plan for Integration. In accordance with the Action Plan for Integration and the Government Integration Programme, the main focus in promoting the integration and employment of immigrants in 2016 was on accelerating immigrants' transfer to and integration into municipalities as well as their transition to education and working life.

Implementation of the Government Integration Programme and the Action Plan for Integration is under way and some of the measures have already been implemented. Through a increase in appropriations for integration training, integration training began in 2016 mainly without any significant delays. More working life-oriented integration training models as well as vocationally oriented integration training models at an early stage were approved in 2016. The new models are aimed at accelerating the path to working life and further studies, supplementing skills acquired earlier, and increasing the effectiveness of training. In accordance with the Government Integration Programme, the objective is also to direct vocationally oriented integration training to the sectors where labour shortages are largest. In addition, a target has been set that at least some immigrants could transfer from integration training to vocational education and training after six months of integration training.

To accelerate employment of immigrants, a fast-track employment of immigrants trial, to be implemented in 2016–2019, was launched applying the social impact bond (SIB) model. The aim of the project is to try out new employment and training models for accelerating employment of immigrants and to facilitate the combination of training and work in a flexible way. The target is the employment of 2,500 immigrants within four months of starting the trial. The Employment and Economic Development (TE) Offices responsible for placing immigrants will be selected according to where in Finland the employers and service providers participating in the services are located. The trial will be financed completely with funding from private investors. If immigrants are employed better using the SIB model, those who have invested in the SIB model will be paid a proportion of the savings arising to the government from more rapid entry into employment.

Basic education directed at adults will be reformed. To support the basic skills of those who are over the age of compulsory education, a new single-structure basic education will be implemented, which will replace ordinary basic education and the initial stage of the present adult basic education, preparatory education for basic education directed at those who are over the age of compulsory education, and literacy education, for those who also need basic education and for the target group that needs integration training.

The reform will also adjust the allocation of lesson hours for the early stage of basic education and the new literacy stage to be included in it. These elements have been developed with the needs of immigrants and particularly young immigrants in mind. The final stage will be mainly responsible for the upper-level content of children's basic education, reinforced with education supporting competence in the domestic languages and content promoting integration for those who need it.

Earlier expertise will be identified and recognised, and for each student will be prepared a personal study plan, including the courses they need to enhance their own skills needs in order to gain a basic education certificate. Adult basic education entails the development of basic education that is a prerequisite for operating in Finnish society and which gives individuals equal opportunities to progress to study a profession and transition into working life. The reform will enter into force on 1 January 2018.

A reform of the Act on the Integration of Immigrants to correspond with the regional government reform is under way. Through the reform, the counties will have a key role in promoting the integration of immigrants and, for example, organising integration training, taking regional requirements into account.

3.3 Competition

EU recommendation 3: Continue pursuing efforts to increase competition in services, including in retail; promote entrepreneurship and investment, including by reducing administrative and regulatory burden, to foster growth of high value added production

Increasing flexibility / partial removal of regulation on large retail units

In accordance with Annex 4 of the Government Programme, “the retail outlet quality classification in land use planning will be abolished” and “large unit regulation will be eased in the area of city centre operations”. Preparation of an amendment to the Land Use and Building Act on the easing of retail regulation in accordance with the Government Programme was incorporated into the work of the working group on the streamlining of land-use planning and building permits, established by the Ministry of the Environment. A Government proposal on the amendment of the Land Use and Building Act (HE 251/2016) was completed in the autumn and the amended act is due to enter into force in spring 2017.

The changes are aimed at reducing regulation in land-use planning and building and to streamline the granting of permits, increase construction opportunities and to promote operating conditions for business and the development of efficient competition. The proposal’s key reforms relate to regulation of large retail units, scattered construction, town planning, and the role of the Centres for Economic Development, Transport and the Environment (ELY centres). The size limit for large retail units would be raised from 2,000 gross square metres to 4,000 gross square metres. Regional land-use plans’ dimensioning requirement for city centre operating areas would be abolished, as would the requirement to take the quality of the retail unit into account when locating a large retail unit elsewhere than in the city centre. In addition, it is proposed that a clarifying provision in Section 71(e) of the Land Use and Building Act on town planning regulations relating to the quality and size of retail outlets be abolished.

The proposed changes will significantly reduce special location controls directed at the retail sector. According to a study commissioned by the Ministry of the Environment, raising the size limit of large retail units to 4,000 gross square metres alone would mean that less than one third of the present large units reviewed and around 4% of daily consumer goods outlets would be subject to special location controls. The easing of regulation would therefore be very significant.

The easing of regulation on large retail units will have significant economic effects. The proposal will increase potential for competition in the retail sector and improve conditions for retail operators to develop their services. The proposal is expected to increase activi-

ty in the retail sector and to support more broadly the strengthening of economic vitality, which in turn is expected to indirectly strengthen the sustainability of public finances.

The proposal is expected to promote the development of efficient competition by increasing opportunities for new operators to enter the business, particularly in the daily consumer goods sector. The proposal will increase potential for competition by improving location opportunities for retail outlets also outside city centre areas. In addition, expansion of current retail outlets will be facilitated. The possible negative effects of the proposal will probably concern small market areas in which opportunities to enter the business might be adversely affected if, for example, the market proves to be insufficient for new operators through the expansion of the current retail outlets.

The proposal will increase opportunities for retail operators to develop their operations and services from a business perspective and based on customers' needs. Raising the size limit of large units from 2,000 gross square metres to 4,000 gross square metres will support an expansion of product ranges and improve the retail trade's opportunities to increase cost-efficiency. The proposal will also support the development and introduction of new concepts into the market.

The joint impact of reducing regulation on large retail units and liberalising retail outlet opening hours is expected to adversely affect the opportunities to compete of small local shops and small supermarkets with sales areas of less than 500 gross square metres. The number of daily consumer goods retail outlets has been on the decline and proportion of all retail outlets accounted for by small retail outlets has fallen. The proposed changes, together with the liberalisation of open hours, are expected to intensify this trend.

Act on Transport Services

Regulation of transport markets will be brought together into a unified Act on Transport Services. The objective is to promote the creation of new service models, thereby better fulfilling users' needs. The Act will encourage the examination of the transport system as a whole as well as facilitate entry into the market and the interoperability of different parts of the system.

Through the initiative, Government projects will be implemented to build a growth environment for digital business and streamline regulation, and the competitiveness of operators thereby improved. The project will be implemented in three stages. A legislative proposal for the first stage was submitted to Parliament for consideration on 22 September 2016. The Transport and Communications Committee issued its report on the proposal on 24 March 2017. The Act is intended to enter into force in two stages, such that proposals

relating to openness of transport data and the interoperability of ticket and payment systems enter into force as of 1 January 2018 and with regard to other aspects on 1 July 2018.

In the first stage, the Act will bring together and renew provisions on the professional transport of passengers and goods by road, and will require the digitalisation of road and rail transport services. To support innovation, the provisions have been prepared to be as technology neutral as possible. Regulation will be harmonised and operators' administrative burden eased. With regard to competition, the most significant step may be the abolition of the taxi transport quota system. Digitalisation will be taken into account by requiring operators to make essential transport service data digital, open and compatible. In addition, better interoperability of ticket and payment systems will be prescribed. The aim of these measures is to promote the creation of new service models, better fulfil users' needs, and facilitate market access.

In the second stage, launched in autumn 2016, regulation relating to aviation, shipping and rail transport services and registers will be brought into the Act on Transport Services. In easing regulation, particular attention will be paid to professional qualifications. In the second stage, a key area of focus will be improving conditions for the digitalisation of transport services and the more efficient utilisation of information. This will be achieved by harmonising and reforming where necessary the use and disclosure of information relating to transport services. As part of the project, it is proposed that regulation of registers be comprehensively reformed. The most significant objective of register reform will be to facilitate and enhance accessibility and usability of a wide range of register data. The new applications and services created as a result of the proposed changes will facilitate and impact the creation and development of new mobility options for consumers and other actors as well as the introduction of a common digital service culture. The proposed changes will improve the availability of consumer services that fulfil the needs of individuals. A legislation proposal for the second stage is due to be submitted to Parliament in summer 2017.

In a third stage, the Act will ensure that the objectives for the transport system and associated digital services are comprehensively taken into account. The phasing and scheduling of the project will be revised, if necessary.

Other changes promoting competition

The aim is to diversify the financing system to support growth, employment and entrepreneurship. Development work on alternative channels of finance has been carried out as part of the Government's key projects. The new Crowdfunding Act entered into force in September 2016. The Act promotes use of alternative sources of finance to supplement

bank and private equity investment activity and improves access to finance for SMEs in particular.

To develop the bond market, the Ministry of Finance has prepared, as a result of the work of broad-based working group, a legislative proposal on bondholder representatives. By bondholder representative is meant a business that has committed to represent bondholders (investors) in their relationship with the issuer and to attend to the investors' interests. The representative model reduces transaction costs and improves investors' access to information about the issuer and the state of their investments. It also enhances contact between the issuer and the bondholder and accelerates the making of key decisions in possible problem situations affecting the issuer. The reform will increase the legal certainty of the bond market. A Government proposal on the issue is due to be submitted in the spring session of 2017.

The first stage of the reform of postal legislation entered into force in summer 2016. The reform abolished postal operating licences granted by the government and introduced a system of postal operations subject to a notification obligation. A proposed amendment for the second stage of the reform of postal legislation was submitted to Parliament on 26 January 2017. The proposal relates to the Government Programme's digitalisation and deregulation objectives. The proposal would permit, among other things, at least three-day distribution of universal service letters, and the quality standard for universal service would be eased. The proposal would reform, among other things, regulation applying to universal service, remove regulation detrimental to business, and facilitate the promotion of new services and entrepreneurship. The proposal also aims to make changes to the pricing of address listings, which would promote competition significantly in the postal market. The reformed Postal Act is due to enter into force, for the most part, in summer 2017.

A comprehensive reform of the Alcohol Act aims to reduce the adverse effects of alcohol and improve conditions for business. The reform will also implement the key Government project of deregulation. The comprehensive reform of the Alcohol Act was circulated for comment until mid-January 2017 and a Government proposal is due to be submitted to Parliament in spring 2017.

4 Progress in attaining the Europe 2020 Strategy's national targets

Table 1 lists the targets according to the EU 2020 Strategy, Finland's situation in 2015 and the strategy target for 2020. Each target is examined separately in the sections of this chapter.

Table 1. EU targets and national targets in accordance with the Europe 2020 Strategy

	EU headline target	Finalnd in 2015	Finalnd in 2020
Employment rate (20 - 64 year-olds)	75%	72.1%	78%
R&D expenditure / GDP	3%	2.90%	target level 4%
Climate:			
Greenhouse gas emissions (outside emissions trading)	-10% from 2005 level	30.1 ¹⁾	28.4 ²⁾ million t CO ₂ equivalent -16% from 2005 level
- share of renewable energy	20%	39.3%	38%
- energy efficiency (end-use energy consumption)	-20%	289 TW ⁴⁾	310 TWh
Education:			
- proportion of 30 - 34 year-olds having completed tertiary education	40%	45.5% ²⁾	42%
- early school-leavers	10%	9.2% ³⁾	8 %
People living at risk of poverty or social exclusion	20 million less	896 000	770 000

¹⁾ Finland's target for 2015 for the sector outside emissions trading is 30.8 million t CO₂ equivalent. In 2015 the sector's emissions were 0.8 million t CO₂ equivalent lower than the target. Source: Decisions (2013/162/EU; 2013/634/EU); Statistics Finland 2016 (2015 provisional data).

²⁾ The figure is based on Statistics Finland's Labour Force Survey. In the Europe 2020 indicators published by Eurostat, the corresponding proportion was 45.1% in 2013.

³⁾ 18–24 year-old early school leavers who have no post-basic education qualification and who are not studying in education leading to a qualification. The percentage has been calculated from the same age population using the qualification register and student files. The data differ from the figures published by Eurostat, which are based on the Labour Force Survey.

⁴⁾ Source: Eurostat <http://ec.europa.eu/eurostat/web/energy/data/shares>

4.1 Employment target

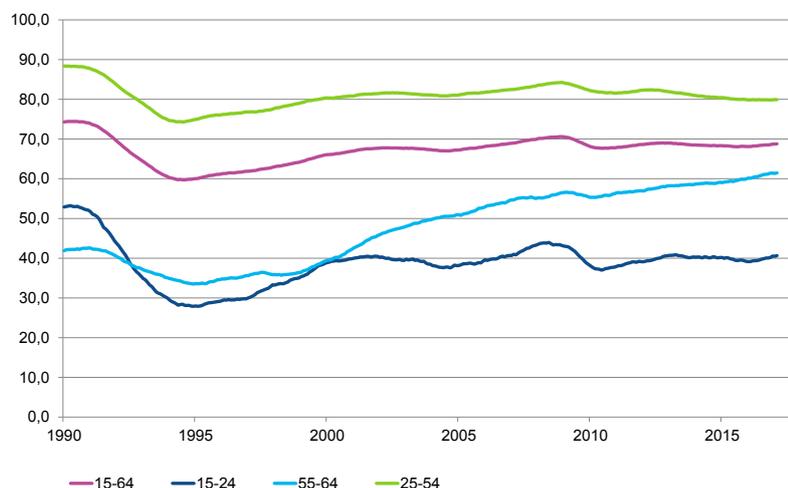
The EU-level employment rate target set for Finland is 78% in the age group of 20–64 year-olds. In 2016, this figure was 73.1% (men 74.6% and women 71.7%).

Unemployment situation is improving and the employment rate is increasing. According to Statistics Finland's Labour Force Survey, the unemployment rate averaged 8.8% in the age group of 15–74 year-olds in 2016, whereas it was 9.4% in 2015. In 2016, the employment rate averaged 68.7% in the age group of 15–64 year-olds, whereas it was 68.1% in 2015.

Achieving the employment target requires significantly faster economic growth than at present. Employment is now growing in all the main sectors. The strongest employment growth is in construction, but an upturn has also taken place in manufacturing industry employment. Growth in industrial output will not, however, necessarily have a very significant direct employment impact within the sector, because output may be increased by improving productivity. Industrial recovery is very important for employment, however, because it will mean improved employment, particularly in the service sector, through industry's use of intermediate products. Employment in services is also growing at present, but rather slowly.

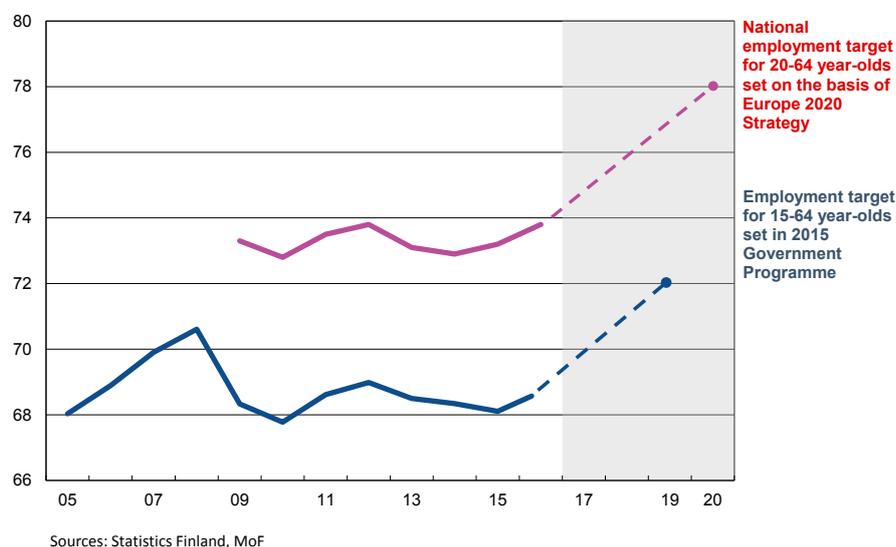
The structure of unemployment has deteriorated – long-term unemployment and the proportion of “difficult-to-employ” people have grown. The proportion of unemployed job seekers accounted for by the long-term unemployed has never been as high as now; in the future, this will adversely affect labour market matching, labour availability, the functioning of the labour market and may become a factor that slows economic growth. Chapter 3 describes the measures that the Government has initiated to improve employment.

Figure 1. Employment rate by age group, 12-month moving average



Sources: Statistics Finland

Figure 2. Employment rate (20-62 year-olds), 78% in 2020



4.2 Research and development target

The main objectives of research and innovation policy are improving the quality and effectiveness of research activity, reforming public sector research structurally and operationally, and diversifying the structure of business and industry.

According to Statistics Finland, Finland’s R&D intensity was 2.9% in 2015 and it declined in 2016 to an estimated 2.8%. The intensity of central government research funding in 2017 will be an estimated 0.82%, whereas in 2015 it was 0.96% and in 2016 it as 0.90%.

Of the Government’s 26 key projects, around 10 are more closely linked to research and innovation policy. One of the most important is the key project to strengthen cooperation between universities and business in order to utilise and commercialise research results. Alongside this, the aim is to create internationally competitive clusters of expertise and ecosystems, and to support research infrastructures and development environments in cleantech, the bioeconomy and also in other priority areas outlined in the Government Programme. The open availability of public information resources as well as research data, methods and results will be improved.

The Research and Innovation Council, led by the Prime Minister, was established in a revised form in spring 2016. The Council has launched vision work that will examine research and innovation activity throughout the various policy segments of society, to ensure that Finland is also able to produce public services and stimulate business activity in the future.

Finland's national targets and measures to implement the European Research Area were adopted in May 2016. The national measures are consistent with the priorities and measures of the European-level road map.

The Finnish Funding Agency for Innovation (Tekes) will promote growth of companies in the global market by combining many existing and also partly new financing services into a new international growth package. An innovation voucher trial for SMEs will encourage the acquisition of expert services in research and innovation from companies, universities and research institutes. The objective is induce a greater number of companies to use knowledge-intensive services in developing their competitiveness, to strengthen the development of the domestic service market and also to encourage SMEs to initiate their own research and innovation activities.

Tekes' existing and new instruments for utilising research will be increasingly directed to commercialisation of research results and to solving social challenges. Of key project financing, a total of EUR 59 million has been allocated to Tekes and EUR 30 million to the Academy of Finland (in 2016–2018) for the above-mentioned measures. The utilisation of research will also be better taken into account in other public R&D funding.

To meet the information needs of decision-makers, the Strategic Research Council at the Academy of Finland supports research aimed at finding solutions to the major challenges facing Finnish society and supporting the renewal of the public sector as well as business and working life.

Agreement negotiations between the Ministry of Education and Culture and universities covering the period 2017–2020 took place in 2016. The negotiations agreed the joint goals of universities, university-specific measures, areas of strength in research and other activities, qualification objectives and appropriations. The university-specific measures outlined strategies for the universities as well as measures to further the Government's key project objectives. The university-specific measures also agreed on arrangements relating to division of responsibilities and cooperation. Funding models for universities and universities of applied sciences were renewed in spring 2016 with the objective of enhancing the quality, effectiveness and productivity of their activities.

Conditions for new, knowledge-based business activity will be improved by building growth environments as well as innovation and development platforms for digital business and by utilising open data. A further goal is to direct 5% of public procurement to acquisitions supporting R&D activity. Entrepreneurship and the diversification of business and industry will be strengthened by channelling additional public funding into capital markets.

4.3 Climate and energy target

The objective is to achieve the 2020 targets set for Finland by the EU during the current parliamentary term. The proportion of end-use consumption accounted for by renewable energy has grown in a front-loaded manner, and the minimum target for 2020 of 38% was exceeded for the first time in 2014.

The Emissions Trading Scheme ensures that the emissions trading sector fulfils the greenhouse gas emissions reduction targets set for it by the EU (in the EU, -21% by 2020 compared with 2005). The reduction of emissions outside emissions trading is the Member States' responsibility. Finland's obligation is to reduce emissions outside emissions trading by 16% by 2020 compared with the 2005 level. According to Statistics Finland provisional data (7 December 2016), emissions outside emissions trading (e.g. use of fuels in the heating of buildings, transport excluding air transport, agriculture, waste management and use of F gases) fell in 2015 by approximately 1% from the previous year, were below the emissions quota set by the EU by 0.8 million tonnes, and were again below the obligation according to the target path for emissions reductions set in EU legislation.

The EU has set as a climate and energy policy target the reduction of greenhouse gas emissions by at least 40% from the 1990 level by 2030. The emissions trading sector has a reduction target of 43% and the sector outside emissions trading, the so-called burden-sharing sector (transport, separate heating of buildings, agriculture, waste management and industrial gases), has a reduction target of 30% from the 2005 level. According to the Commission's regulation proposal, a 39% emissions reduction would be set as Finland's obligation in the burden-sharing sector.

Finland's greenhouse gas emissions have been on a downward trend since 2004. In 2015, total emissions declined by 6% compared with the previous year and emissions outside emissions trading by 1%: in the energy sector, emissions declined by 8% and in the waste sector by 3%; in industrial processes and product use emissions rose by 2% and in agriculture emissions remained at the previous year's level.

Finland exceeded in 2015 (39.3%) its 2020 renewable energy target, which is 38%. The EU's renewable energy obligation for the transport sector is 10% (including so-called double counting), but Finland has nationally decided on the higher target of 20% for 2020. The biofuels distribution obligation for sellers of transport fuels will ensure that this target is achieved. The share of renewable energy in transport in 2015 was exceptionally high in Finland, namely 24.45%. In 2015, renewable energy accounted for 39.3% of end-use energy consumption (calculated in accordance with the Renewable Energy Directive, Eurostat).

The targets of Prime Minister Sipilä's Government Programme are increasing renewable energy's share of end-use energy consumption to more than 50%, discontinuing use of coal in energy production, halving use of imported oil for domestic needs and raising the share of renewable fuels in transport to 40%, all by 2030. In addition, it is a Government objective that Finland will achieve the 2020 climate targets during this parliamentary term and that use of low-emission energy sources will be promoted through taxation.

As required by the Renewable Energy Directive, the Government has set a target of restricting growth of end-use energy consumption by improving energy efficiency such that in 2020 consumption is a maximum of 310 TWh (26.7 Mtoe). An Energy Efficiency Act has been prepared to implement the Energy Efficiency Directive. In addition, a long-term strategy for improving the energy efficiency of buildings and an energy-saving plan for central government buildings has been formulated. A key role is played in Finland's energy-efficiency activities by energy efficiency agreements between the central government and other actors (industry, services sectors, municipalities etc.). The first agreement period was 2008–2016, and new agreements for 2017–2025 were signed in the latter part of 2016.

In January 2017, the Government submitted a report to Parliament on a *National Energy and Climate Strategy to 2030*¹. The report outlines the measures by which Finland will achieve the targets agreed in the Government Programme and the EU and will proceed purposefully towards reducing greenhouse gas emissions by 80–95% by 2050.

The measures and targets outlined in the National Energy and Climate Strategy are:

- Finland will discontinue, with minor exceptions, use of coal in power plants.
- The share of biofuels in transport will be raised to 30% and a 10% biofuel blending obligation will be introduced for light fuel oil used in working machines and heating.
- A target of at least 250,000 electric and 50,000 gas-powered vehicles.
- The electricity market will be developed on a regional and European level.
- Flexibility of electricity demand and supply as well as system-level energy efficiency will be increased. Increasing attention will be paid to the activation of energy-efficiency measures by consumers and small businesses.
- Technology-neutral competitive tenders will be prepared for the period 2018–2020, on the basis of which support will be granted for cost-efficient new electricity production based on renewable energy.

¹ Government report to Parliament on a National Energy and Climate Strategy to 2030, Ministry of Economic Affairs and Employment publications, Energy 4/2017

- Use of renewable energy will be increased so that its share of end-use energy consumption rises to more than 50% in the 2020s.
- Measures undertaken to improve use of renewable energy and energy-efficiency will raise energy self-sufficiency to 55% of end-use energy consumption by the end of the 2020s.
- The share of renewable energy in transport will significantly exceed the targets of the Government Programme.
- Halving use of imported oil for domestic needs will be pursued.

In the sector outside emissions trading, i.e. the burden-sharing sector, the emissions reduction measures specified in the medium-term climate policy plan will be implemented in order to achieve the 2030 emissions reduction target. The plan has been prepared alongside the National Climate and Energy Strategy.

The National Climate Panel was established for a four-year term from the beginning of 2016. The term expires at the end of 2019. The Climate Panel's work promotes dialogue between scientists and policy-makers and reinforces the extensive knowledge base of climate policy preparation.

4.4 Education targets

Finland fulfils the EU's headline targets in both education targets. The goal, however, is to develop education from a national perspective.

People having completed tertiary education

The Finland's target share of people having completed tertiary education in the age group 30–34 years is 42%. In 2015 the share was 45.5% and in 2016 (provisional data) it was 45.6%.

The selection procedures for tertiary education will be reformed to support the transition from upper secondary education. Utilisation of earlier qualification certificates will be increased in tertiary education student selection with the aim of reducing the number of separate entrance examinations. In addition, cooperation between upper secondary and tertiary education will be tightened to ensure that young people move more quickly into further education. Flexible study paths, recognition of earlier acquired expertise, and digital learning environments will be increased in order to facilitate completion of studies and better reconciliation of work and studies. In negotiations held in 2016 for the agreement

period 2017–2020, the Ministry of Education and Culture agreed with the universities various targets to accelerate transfers into working life. This goal will be supported by allocating to it strategy funding for tertiary education. In addition, the Government decided to allocate additional funding for the development of higher education in 2017 and 2018. This funding will be used to increase cooperation between universities from the perspectives of digitalisation, development of education and student-orientation.

Early school leavers

The proportion of early school leavers among 18–24 year-olds was 8.7% in 2016 (9.2% in 2015). Leaving school early is more common among men than women (9.9% vs. 7.5%).

A new comprehensive education programme will update comprehensive education for the requirements of the 2020s. The objective is to make Finland a leading country for modern learning and inspiring education. The reform will be carried in three areas: new pedagogy, new learning environments and digitalisation of education. The goal is to improve learning results, respond to future skills needs, renew pedagogy through experimental schemes and inspire lifelong learning.

Teachers' basic, orientation and supplementary education will be reformed as part of the new comprehensive education. The introduction of digital materials and new learning environments will be accelerated through digital-pedagogic supplementary training. Every teacher will be offered access to competence-based supplementary training. The Teacher Education Forum has prepared a Teacher Education Development Programme in extensive cooperation with stakeholders.

4.5 Poverty reduction target

In 2010, the European Council agreed that the group of people at risk of poverty and social exclusion should be assessed on the basis of three indicators, namely relative risk of poverty, material deprivation and the under-employment of households. When all of the indicators decided in the European Council are taken into account, risk of poverty or social exclusion affects a total of around 896,000 people in Finland. There are around 634,000 people living in low-income households (previous year 674,000), around 439,000 working-age members of under-employed households (previous year approximately 416,000), and around 120,000 members of households suffering from material deprivation. In Finland, the low-income group also includes students, whose low-income status is temporary.

In the poverty target monitoring period, the number of people on low incomes and suffering from material deprivation has fallen, but the number of those in under-employed households has grown. In 2015 Finland had nearly 411,400 people in the long-term low-income group, i.e. 7.7% of the entire population. The number has been falling since 2011. There are significantly more people on low incomes, however, than at the beginning of the 2000s.

The granting and payment of basic social assistance was transferred from the municipalities to the responsibility of the Social Insurance Institution of Finland (Kela) at the beginning of 2017. The aim of the reform is that clients applying for basic social assistance will be as far as possible be on an equal footing. An assessment of the impact of the transfer of the basic social assistance will be utilised in the future in developing social assistance.

As of 1 June 2017, a pension subsidy will be paid to older unemployed people who are in a particularly difficult labour market position. The pension subsidy can be applied for by people over 60 years of age who have been continuously unemployed for five years. The pension subsidy will be equivalent in amount to the full guaranteed pension, namely EUR 760.26 euros per month at the 2017 level. When the impact of the changes on housing allowance and taxation is taken into account, the net income of the average recipient of the pension subsidy will increase by approximately EUR 200 per month. The pension subsidy will be paid at most up to the old-age pension age under the National Pensions Act, namely 65 years of age. It is estimated that in 2017 the pension subsidy will be paid to approximately 5,300 people per month.

To adjust public finances, the National Pension Index was lowered by 0.85% from the 2016 level. The change will affect the national and guaranteed pensions and well as other benefits linked to the National Pension Index, which include, for example, disability benefits, the basic daily allowance of unemployment security, labour market support and the child increment. The single parent supplement of child allowances was maintained at the 2016 level, but otherwise child allowances were reduced by 0.91%. The normal index adjustment was made to the basic component of social assistance; it was increased by 0.4% in 2017.

From the beginning of 2017, the minimum level of the young people's rehabilitation allowance and of Kela's rehabilitation allowance for vocational rehabilitation was increased to the level of the guaranteed pension. The change will promote the employment of people with partial work ability and secure the implementation of rehabilitation.

To curb growth in general housing allowance expenditure, approved maximum housing allowance expenditure has not been increased in the period 2015–2017. Students will be transferred to within the scope of the general housing allowance from 1 August 2017. This

means that the housing allowance will be targeted at fewer students than at present and to those who have large housing expenditure relative to income. After the reform, students will be in an equal position with other people on low incomes with regard to housing allowance.

The Basic Income Experiment began on 1 January 2017. In the experiment, 2,000 unemployed people in the age group of 25–58 year-olds will receive a basic income of EUR 560 per month without conditions or means testing. The experiment will last for 2 years. The basic income experiment aims to explore how social security could be changed to incentivise work and to correspond better to changes in working life. A further goal is to simplify the benefits system. The Government has also ordered a study on active social security, which was published in February 2017. Possible further measures will be considered in the spring. The study group's report examines how the present social security system, particularly unemployment security and adult social work, could be used to develop the skills of unemployed people more extensively than at present, prevent exclusion from the labour market and lower the threshold to employment.

5 EU funds

The Partnership Agreement is a framework document bringing together all the measures, results and reconciliation of European Structural and Investment Funds (ESIF). It has been prepared on the basis of the strategic objectives and key challenges set out in the Europe 2020 Strategy, its National Reform Programme and the Council's country-specific recommendations. The Partnership Agreement was approved in October 2014 and it took into account the Council's country-specific recommendations, given in connection with the 2014 Semester, with respect to the following challenges: expansion of research and innovation, weaker competitiveness of businesses in sparsely populated areas and the reduction of services, unemployment (particularly young people, older people and the long-term employed), changing skills needs and flexible transitions to education and work, exclusion from working life, and growth of wellbeing and health disparities as well as inequality.

Some of the country-specific recommendations given to Finland in 2016 are directed at activity that can be supported from ESIF funds. For example, active labour market measures, also for people with an immigrant background, can be supported, and measures aimed at reducing regional and skills-related mismatching of supply and demand in the labour market can be implemented. The funds can also be used to promote entrepreneurship and investment. All in all, it is estimated that just over 70% from the European Regional Development Fund and approximately 80% from the European Social Fund can be allocated directly to projects related to the country-specific recommendations. The ESIF funds also include the European Agricultural Fund for Rural Development (EAFRD) and the European Agricultural Fund for Rural Development (EMFF). Their contribution with respect to the country-specific recommendations is smaller, however.

In 2016, Finland launched the implementation of the EU's SME Initiative with a guarantee programme. Half of the programme's EUR 40 million funding will come from the European Regional Development Fund. The objective is, in accordance with the EU 2020 Strategy, to improve SMEs' competitiveness and opportunities to participate in growth in the international markets and innovation process.

6 Institutional issues and stakeholder participation

6.1 Preparation of the National Reform Programme and participation of stakeholders

The Finnish Constitution lays down provisions on the national preparation of decisions made in the EU. Under these provisions, the Government is responsible for the national preparation of EU issues and decides on the measures to be taken by Finland in respect of them.

EU affairs are prepared in the competent ministries, if necessary working with other ministries, and are coordinated in the coordination system for EU affairs, namely in sections under the Committee for EU Affairs and, if necessary, in the Cabinet Committee on European Union Affairs.

Under the Constitution, Parliament has extensive rights to be informed on EU affairs. The provisions are designed to ensure that Parliament has the opportunity to affect the content of decisions made in the EU. Parliament participates in the forming of the national position during the entire preparation and negotiation process taking place in the EU. The views of Parliament are the point of departure for the Government's actions in the EU.

Parliament has participated in the preparation of various Council configurations and the European Council with respect to the Commission's 2016 Growth Survey and the European Semester. The National Europe 2020 Reform Programme will be submitted to Parliament. The programme will also be presented to social partners in connection with EU procedures.

Finland's National Reform Programme was reviewed in Section EU1 (Economic policy coordination and international financial issues) on 11 April 2017. Various administrative branches, labour market organisations, the Bank of Finland and key research institutes are represented in Section EU1.

The National Reform Programme was presented in the Ministerial Committee on European Union Affairs on 21 April and in a Government plenary session on 27 April.

Parliament was notified of the preparation of the National Reform Programme with an E communication on 27 April.

6.2 Participation of stakeholders in the preparation of key reform projects

The quality of Finnish legislative preparation and, among other things, consultation of stakeholders have been assessed very comprehensively (for more detail, see National Audit Office of Finland report 3/2013). In Finland, various parties have traditionally been widely consulted at the stage when legislative preparation has already produced a legislative proposal. Criticism has been directed at the fact that consultation of highly finished legislative proposals has often not been effective. The Council of Regulatory Impact Analysis, established in December 2015, has partly rectified this shortcoming. But reports suggest that Finland has had challenges with respect to the participation of stakeholders in the preparation stage of legislative proposals. Based on feedback received, the response has been to utilise the expertise of stakeholders extensively in the preparation of major reforms. Typically, it is mainly budget legislation, which is drafted within a short space of time, and issues that are confidential in nature that are prepared by a more limited group of experts.

The Ministry of Social Affairs and Health and the Ministry of Finance have a joint public servant steering group and project group preparing the health and social services reform and the regional government reform. The task of these groups is to prepare and implement the health and social services reform and its financing arrangements as well as the related establishment of the counties. Under the auspices of the project group, there are other groups preparing the various thematic entities. They have prepared, among other things, the division into regions, the Act on organising health and social services, the Implementation Act, the Counties Act and financing provisions. The project also has a Parliamentary monitoring group.

The health and social services reform is being prepared simultaneously with the regional government reform. The reforms are common to the Ministry of Finance and the Ministry of Social Affairs and Health, and they are being prepared in a large-scale health, social services and regional government reform project. In addition to the Ministry of Social Affairs and the Ministry of Finance, representatives of mainly the Ministry of Justice, the Ministry of Economic Affairs and Employment, the Ministry of the Interior, the Ministry of Agricul-

ture and Forestry, the Ministry of the Environment and the Ministry of Transport and Communications are participating in the reform.

Furthermore, in the reform's various preparation groups there are, depending on each group's particular mandate, members and experts from, among others, the Association of Finnish Local and Regional Authorities, the Regional Councils, the National Insurance Institution of Finland (Kela), the National Institute of Health and Welfare, the VATT Institute for Economic Research, the Finnish Innovation Fund Sitra, the National Supervisory Authority for Welfare and Health, Statistics Finland, the State Treasury, the Finnish Centre for Pensions, labour market organisations (both employer and employee organisations), the umbrella organisation Finnish Federation for Social Affairs and Health SOSTE, universities, student organisations and the private sector, as well as representatives of healthcare and social welfare service providers. The Advisory Committee on Local Government Finances and Administration (Kuthanek) considers all legislation projects covering the municipalities.

In preparing the implementation of the reform, in the regional preparation groups, there are also representatives of the municipalities and hospital districts, social welfare, the Regional Councils, employment and business services as well as other sectors whose tasks will be transferred in the reform to the responsibility of the counties. The national cooperation group on the implementation of the health, social services and regional government reform package also has, in addition to the above-mentioned bodies, representatives of labour market organisations.

A working group was established to steer the preparation of the Government proposal (HE 251/2016) aimed at improving the flexibility and partially reducing large retail unit regulation. On this working group were represented the Ministry of the Environment, Rakli ry, the Centre for Economic Development, Transport and the Environment for South-east Finland, the Association of Finnish Local and Regional Authorities, the Confederation of Finnish Construction Industries RT, the Helsinki Region Chamber of Commerce, the Central Union of Agricultural Producers and Forest Owners MTK, the Finnish Commerce Federation, and the Finnish Association for Nature Conservation SLL. The draft of the Government proposal was circulated for comment in summer 2016. In addition, stakeholder events were organised during the preparation.

The transport system and its reform touches all levels of society. Transport services are important for individual citizens and business but also for the authorities responsible for organising and developing publicly funded transport services. For this reason, the goal was to implement the project with the strong participation of stakeholders. In the Transport Code legislative project, a new law covering all forms of transport, utilising and supporting digitalisation, was prepared, which Parliament later designated the Act on Transport Services. The first stage of the project was divided into three broader themes (market,

services and data), and three working groups, open to everyone who was interested, were established to develop these themes. It was possible to follow theme-related stakeholder events online in real-time, and at the same time also ask questions and comment anonymously. Afterwards, recordings of the stakeholder events were available on the Ministry of Transport and Communications website, and they attracted a fairly large number of viewers. A monitoring group, in which stakeholders (sector operators, customers, various organisations, public bodies) have been widely represented, was also established to monitor the work. The public officials preparing the project diligently attended different events and various forums, presenting the objectives of the project and the reforms under consideration. Separate discussions were held with key stakeholders. An effort was also made to reach citizens via, for example, a Facebook chat with the minister. The first stage of the Act on Transport Services was prepared to a tight schedule, which required flexibility in the different phases of the process. The Act on Transport Services was also the first project that the Council of Regulatory Impact Analysis, established by the Government, accepted for its consideration.

With regard to the Competitiveness Pact, the Government negotiated with labour market organisations. Employment-promoting reform projects are discussed regularly with social partners. In other reforms, the Government works closely with labour market organisations, municipal and regional actors, universities and research institutes, and third sector actors, depending on the content of the reform at the various stages of preparation.



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