

Finns Trust Education and Research to Ensure Their Competitiveness

INTRODUCTION

One of the main fields of activity of the Finnish Business and Policy Forum EVA has for two decades been monitoring Finnish public opinion. Regular surveys sounding attitudes and opinions have been published every other year since 1985. In addition to this, Finnish attitudes towards the European Union and other international questions have been measured by a separate series of surveys since 1992. All the surveys have employed the same methodology thus making it possible to assess the development of attitudes over time. This methodology is briefly described at the end of this article.

The report summarising the findings of the latest survey, 'Onnellisuuden vaikea yhtälö' (Seeking Happiness: Are Finns Happy and Why?), was published in Finnish in March 2005, and it can be downloaded from EVA's website www.eva.fi. This article highlights one of the main themes of the survey, how the Finns assess their country's international competitiveness.

Other major themes in the survey include attitudes towards entrepreneurship, the functioning of the labour market, happiness, and the Finns' views of politics and political parties. Some international questions and attitudes towards the environment and technology are also briefly dealt with.

DIFFERENT DEFINITIONS OF COMPETITIVENESS

The international competitiveness of a country has been a recurring theme in public discussion. The concept was earlier interpreted to mean the ability of the country's export industries to sell their products on international markets. Most Finns value this kind of competitiveness, four out of five agree that it is crucial for employment and consequently general well-



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being (Fig. 1). Support for the view has been remarkably steady over the 12-year period that this question has appeared in EVA's surveys.

More recently it has been argued that international competitiveness should be looked at from a somewhat different angle. The background to this change of emphasis is the notion of increased international mobility of the factors of production. The question that is nowadays more often put is whether or not a country provides an attractive place of residence for highly qualified workers, who have a global market for their skills, and whether it also provides a favourable business environment. These two factors of competitiveness are in fact related. An adequate supply of well-educated labour is a crucial prerequisite for successful business.

Finland has in recent years been highly placed in international comparisons of competitiveness. The best-known of these are the indices compiled by the Institute for Management Development (IMD) and the World Economic Forum (WEF). These rankings have also received a fair amount of criticism. It has been pointed out, i.a., that high rankings in these

comparisons have predicted the subsequent economic success of the countries concerned rather poorly. For a discussion of these indices, see Vartia and Nikinmaa (2004).

KNOW-HOW A CENTRAL FACTOR OF COMPETITIVENESS

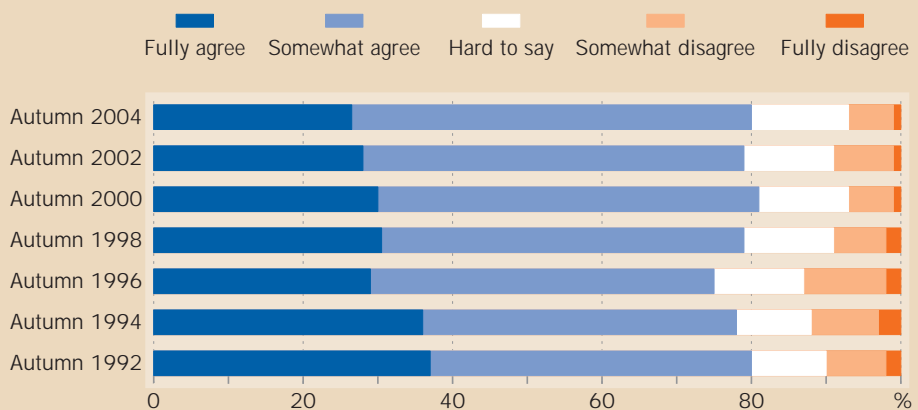
The Finns' views on their country's strengths and weaknesses were charted with an extensive, thematically focussed series of questions with 30 separate points (see Fig. 2). A general overview reveals that Finns apparently have relatively great faith in the competitive abilities of their native country. Most of the factors listed are seen as strengths rather than weaknesses.

Finland's main strengths are, in the opinion of her citizens, education, skills, technology and research. All these factors are naturally closely related, and they have been presented in public discussion as the most decisive components of competitiveness. It is also relevant to add that the PISA (Program for International

Student Assessment) studies by the OECD (see OECD (2004, 2005)) have received a great deal of attention in the Finnish media. This has been largely due to the fact that Finnish schoolchildren have done extremely well in these international comparisons of reading, mathematical, and problem-solving capabilities. This has understandably strengthened public perceptions of the quality of Finnish schooling.

Employee skills and know-how are valued very highly, well over 90 per cent of the respondents regard them as an asset for Finland. The corresponding characteristics of business managers, albeit also appreciated, are considered to be somewhat weaker with fewer than three-quarters naming them as a strength. The difference may be at least partly explained by the fact that the Finns are somewhat sceptical about the ability of Finnish enterprises to internationalise and act on global markets. Only one-half of citizens say this is a Finnish strength, while one in six sees it as a weakness.

Figure 1. "Employment and Through It Other Well-being in Our Country Crucially Depend on the Competitiveness of Our Export Industries"



Sources: EVA, Yhdyskuntatutkimus Oy 2004-2005.

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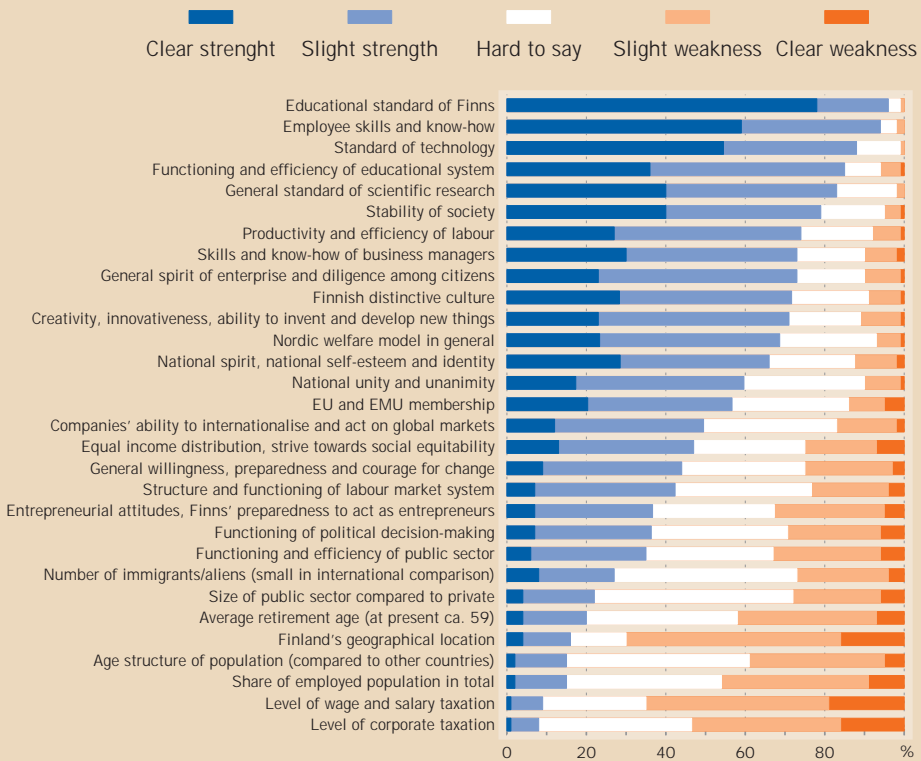
HIGH TAXATION A DRAWBACK

According to her citizens, Finland's most serious weaknesses are her geographical position, and the level of wage and corporate taxes. As there is nothing we can do about geography, lowering the level of taxation is thus implicitly put forward as the most efficient way of improving Finnish competitiveness. This view is also supported by answers to a separate question about international tax competition (Fig. 3).

It is relevant that the need to lower taxes receives majority support over a wide spectrum

of political opinion. As expected, the most eager to reduce taxes are the voters of the conservative National Coalition Party, the largest opposition party at present. Within the constituency of the governing coalition, i.e. Centre Party, Social Democrats, and the Swedish People's Party, lowering taxes to improve Finland's competitive position also receives support from a clear majority. The Left Alliance, or former communists, is the only major party where a plurality of voters oppose tax reduction.

Figure 2. "Which Factors Are Strengths, and Which Are Weaknesses for Finland Considering Her Success in Tightening International and Global Competition"



Sources: EVA, Yhdyskuntatutkimus Oy 2004-2005.

The previous national attitude survey by EVA, published in 2003, had an extensive section on taxation. The results were broadly compatible with the ones obtained this time: The Finns consider their tax burden too heavy. For a brief presentation of those results, see Torvi (2003).

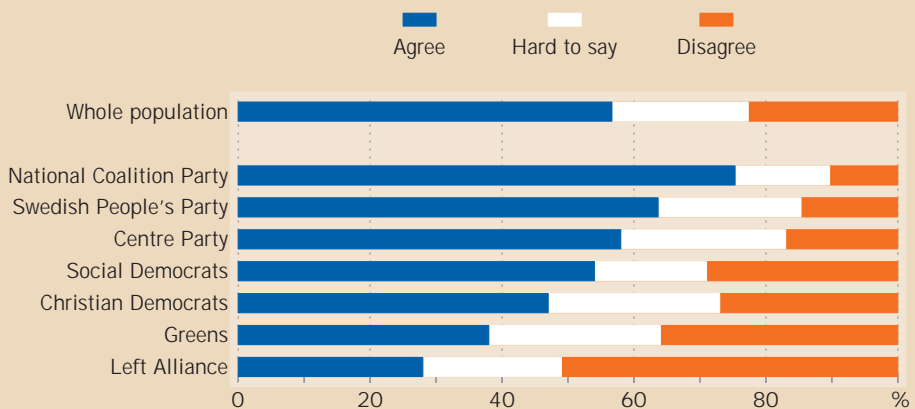
PUBLIC SECTOR AND POLITICIANS SHOULD IMPROVE THEIR ACT

Apart from taxation, other aspects of the public sector are not seen as great strengths, either. The size of the public sector is perceived to be a weakness slightly more often than a strength, and the view on the functioning and efficiency of public authorities is roughly neutral. This has a close connection to taxation: Were the public sector to operate more efficiently, taxes could be lowered without cutting public services and transfer payments. A reduced tax burden would then increase the share of total resources available to the private sector.

The Nordic welfare model is seen as a strength by more than two-thirds of the citizens. One can therefore conclude that dismantling the welfare state is not a real option, although the taxes necessary to finance it are not popular. The Finns' high regard for public services and handouts is also borne out by answers to other questions. E.g., more than eight out of ten agree with the statement 'Although maintaining a good standard of social protection and other public services is expensive, the Finnish welfare state is always worth its price.'

The functioning of the political decision-making system is fairly far down on the list of strengths, albeit it is regarded as a strength marginally more often than as a weakness. This can be interpreted to be a sign of pessimism: If the major weaknesses that are reparable by national action include taxation and other aspects of the public sector, political decisions are required to deal with them. If the

Figure 3. "Finland Should Participate More Forcefully in International Tax Competition and Lower Its Wage, Corporate, and Capital Income Taxes Considerably"



Sources: EVA, Yhdyskuntatutkimus Oy 2004-2005.

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political system is not functioning properly, tough decisions are unlikely to be carried out.

DEMOGRAPHIC FACTORS HOLD FINLAND DOWN

Factors related to demographics and the supply of labour are generally placed among weaknesses rather than strengths. The labour force participation rate, the age structure of the population, and the average effective retirement age are all among the main concerns. As the bulge formed by the post-war baby-boomers in the national age distribution is exceptionally large in Finland, the fact that these age cohorts are rapidly approaching retirement is of course likely to raise concern.

The obvious answer to the imminent labour shortage, increasing immigration, is not popular, however. Asked separately, only a third agree that immigration controls should be eased to alleviate the effects of an aging and possibly declining population.

FINNS ARE WARY OF INTERNATIONALISATION

Internationalisation is not held to be a special strength for Finland. EU and EMU membership as well as the ability of companies to internationalise and act on global markets are found towards the middle of the list of strengths in Figure 2, although the assessments are clearly on the positive side.

Foreign ownership of Finnish companies receives opposition: 86 per cent think that the prerequisites of domestic ownership of Finnish companies should be improved (Fig. 4A). Even when foreign ownership is limited to Finnish-Swedish mergers – a relatively common phenomenon in recent years – just over a fifth approve of the idea (Fig. 4B). Opposition to the idea has increased since 1998, when the same question was put for the first time.

Globalisation is thought of as a threat rather than an opportunity for Finland. More than two-

Figure 4. "A) The Prerequisites of Domestic Ownership of Finnish Firms Should Be Improved"



thirds agree that globalisation will result in a transfer of jobs from Finland to low-wage countries (Fig. 5). This line of thinking has been in ascent since the millennium.

Several aspects of the survey confirm the Finns' rather hesitant attitude towards international questions. This corroborates the main finding of EVA's previous survey, published in 2004, i.e., that Finns are quite relaxed with the European Union, considering that to be their current home base, while the world outside is watched, if not with fear, but with a great deal of scepticism. For a brief description of the results of that survey, see Torvi (2004).

HOW THE SURVEY WAS CARRIED OUT

The study is the 11th in the series of EVA's national attitude surveys, the first one of which was published in 1985. The survey, like the previous ones, was commissioned from Mr. Pentti Kiljunen of Yhdyskuntatutkimus Oy, who also co-authored the Finnish report.

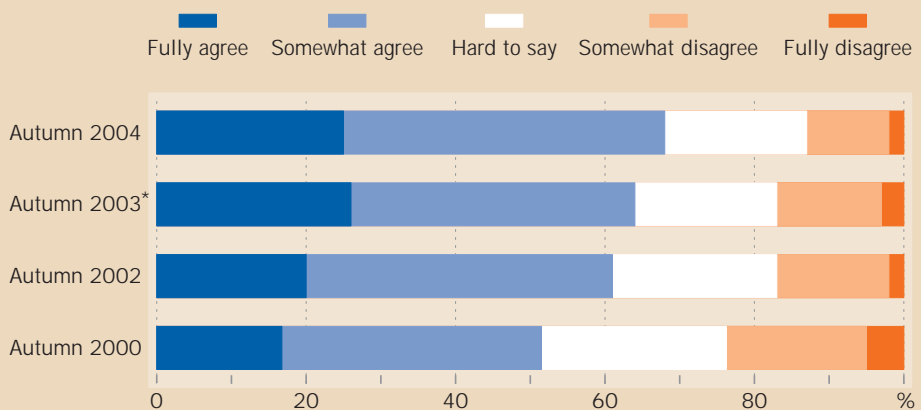
The survey is based on polling 2,264 respondents, who formed a random sample of Finland's 18- to 70-year-old population. They received a written questionnaire by mail. The replies were received between November 24th, 2004 and January 20th, 2005.

The sample is representative of the whole population with respect to demographic, social, and regional factors.

The five per cent confidence interval for the results is one to two percentage points in the whole sample depending on the form of the distribution.

The data for the whole series of surveys are held at the Finnish Social Science Data Archive (FSD), a unit of the University of Tampere. FSD's website is www.fsd.uta.fi.

Figure 5. "Globalisation Means That the So-called Low-wage Countries Will Increasingly Take Finnish Jobs"



* The result of 2003 is based on EVA's 'Finland, EU, and the World' survey of 2003.

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