



## Järjestätyn kansalaisyhteiskunnan näkemykset uudistus- ja investointiehdotuksista ja niiden täytäntöönpanosta Suomessa

7.2.24 | 9-11

Employers house, Eteläranta 10, Helsinki, Finland

### **Finnish organised civil society round table discussion on the implementation of the European Semester**

This meeting took place at the Confederation of Finnish Industries (EK), Eteläranta 10, Helsinki, Finland, on 7 February 2024 from 09:00-11:00.

#### **Statements by organised civil society representatives (*social partners and civil society organisations*) in Finland:**

**Ms Petra Pieskä** (Finnish National Youth Council, Allianssi)

- The European Semester (ES) needed to look more at the situation of young people and take steps to involve the next generation more actively. Youth unemployment was higher than average overall employment. This was the first time that earlier generations had been better trained and earned more; the new generation was facing multiple serious challenges.
- It was important to underline the fact that youth policy was not only the responsibility of government, it was a shared responsibility in society; individual steps were also needed to make widespread changes for the better in society.
- A rising percentage of young people also had health issues.
- Use of governmental and local/regional resources to help young people had to be assessed; the objective was to direct these resources where needs were greatest (young people with special needs, immigrants etc).
- Finland was a relatively large country, it had major regional differences, and young people in border areas were clearly living in risk zones. Living in those areas had an impact on various core factors of life, from mental health and education to equal opportunities later in life.

- Birth rates had been falling for years, and preventive measures in this area were of the utmost importance; this would have a very long-term impact on the composition of Finnish society and on its economy.
- The general involvement (debates, events) of organised civil society in the European Semester process had been reduced: one factor contributing to this was the new focus of European Commission (EC) officials in Helsinki (on the green transition and related investment aspects).

**Ms Leena Eräsaari** (European Anti-Poverty Network, EAPN-Fin)

- The fabric of organised civil society in Finland had been unravelling<sup>1</sup>, and the safety net that previous generations had had to protect them was becoming increasingly torn. On more immediate issues, it had to be stressed that inflation had been a serious issue (7.2% in 2022). There were responses to alleviate its impact, but they did not adequately address the most acute issues for the most vulnerable people in society.
- The Finnish government was running permanent budget deficits. Cuts in the higher education budget were having a short- and medium-term impact on the kind of higher education that was being offered. More qualified workers were needed; there were chronic staff shortages in many sectors; and addressing those issues required strategic planning and changes in budget allocation. It was possible that at present too big a chunk of the budget was being devoted to infrastructure.
- It was also possible that key poverty-related information was not reaching decision-makers; for the last two years there had been too much focus on various financing decisions that did not address the underlying structural problems in society.
- Post-COVID situation: distance learning was creating digital fractures; poor people were being discriminated against, since they had limited – or very limited – resources and could not always participate due to a lack of access and/or a lack of proper equipment.
- The public university system had been functioning well for decades, but its role was diminishing. Distance and digital education also had a negative side for the education of the older generation.
- Voluntary organisations were seeing reductions in their funding and activities.

**Mr Otto Kyyrönen** (Finnish Federation for Social Affairs and Health, SOSTE)

- Regarding the Country-Specific Recommendations (CSRs) – The Finnish government's debt to GDP ratio was forecast to continue increasing, reaching 76.9% in 2024 and 79.1% in 2025. The new government could focus on introducing taxation to limit excessive growth of the external debt. Future country-specific recommendations should include policy proposals regarding taxation as well.

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<sup>1</sup> Several practical examples were given (on voluntary work or conflicts at various levels).

- It had to be stressed that the poverty reduction objective conflicted with the distribution of financial resources at state level. More analyses were needed to assess how the proposed government budget cuts – and those that had already been implemented – would impact middle and lower earners. Current estimations predict that the planned cuts to social and unemployment benefits will increase the number of people living in poverty by 70,000 in 2024.
- Furthermore, more attention should be paid to fiscal multiplier aspects: expenditure on boosting economic output might not be optimal. Country-specific recommendations should take this aspect into account as well.
- Investment made in the framework of the SOTE<sup>2</sup> social policy reform and its real impact on the health system should be analysed. More specifically, expenditure on social and health services have the power to decrease future expenditure on these services, which is why this kind of expenditure is not merely a cost.
- There was a need for greater spending flexibility at national level; there was policy drift and huge financial issues at different SOTE reform levels.
- There were approximately 40,000 job vacancies, but even if they were all to be filled, there would still be more than 250,000 unemployed individuals in the Finnish economy. This means that the demand for labour is not sufficient, which could be solved by using fiscal multipliers.
- The long-term unemployment rate in Finland had risen to 1.6 % in the third quarter of 2023, from 1.5 % in the second quarter of 2023. The challenge was how to connect the long-term unemployed to the labour market, and how to create the jobs that were most needed for this category of worker. In this context, it was important to underline that long-term unemployment had an impact on mental health. There were clear indications that the higher the unemployment rate in a district, the worse the mental health situation was.
- Income fragmentation was creating growing discrepancies in society.

**Ms Sari Raassina** (Wellbeing services counties, HYVIL Ltd)

- The added value of the SOTE welfare districts to the networks of voluntary organisations was not clear; many networks were dire straits. Decisions regarding the priorities and allocation of resources were being made without any proper assessment of needs. Decision-making took too long, and once decisions were made, they were not backed up by sufficient resources.
- One particular issue arose from the complicated rules for conflict resolution at different levels (between associations and private individuals, and between different associations, for example). Mediation and preventive counselling did not function properly, so many issues remain unresolved for too long and this eroded the general public's trust in the voluntary movement. Reforms to the conflict resolution procedures were needed.

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<sup>2</sup> The SOTE reform was the largest ever social policy reform in Finland; it started in 2005.

- Regarding the gender pay gap: Care work was one of the areas which employed mainly female personnel and often the latter were already in a risk group; they had to live on a very low income and would certainly face poverty in retirement.

**Mr Penna Urrila** (Head Economist at the Confederation of Finnish Industries (EK))

- Previously, cooperation with the EC representation in Helsinki had been better. Before, there were more initiatives to speak directly with representatives of organised civil society. The EC representation is currently focusing in reaching new audiences (e.g. related to green transition) which is demanding in terms of work load. The European Semester (ES) remained a complex process.
- Different reforms had to be carried out well: there should not be too much flexibility, as it could undermine the credibility of the whole process.
- The EC facility for the successful implementation of key reforms and investment was of course in place, but it was very important to look at what kind of investment was involved. There was an issue with real term investment: it may be quite problematic to have any preferential treatment for investment in the new fiscal rules. It is difficult to separate profitable investment (i.e. growth-enhancing projects/reforms which would lead to increased revenues in the future) from current expenditure.
- State debt was rising and there had been a fundamental switch – debt rules had to be fixed and implementation had to be same in all the EU Member States.
- Finnish sovereign debt has risen and deficit could be above 3 %/GDP without new measures. Therefore the position of Finland vis-à-vis the EU fiscal rules is changing : Finland will probably receive much more guidance from the EU in the future. EK agrees that the fiscal rules and their implementation have to be the same for every Member State and they have to safeguard sound public finances.

**Statements by EESC members**

**Mr Markus Penttinen** (Member of the EESC and of Akava)

- The ES was a fairly complex process. Despite the fact that there had been discussions on simplification, this had not been achieved.
- Objectives relating to the greening of the economy had clearly changed the priorities of the strategy. There had indeed been less consultation by the EC representation in Helsinki. Therefore, organised civil society had to evaluate its resources when engaging in the Semester process and focus on the questions where change could have the greatest, most helpful impact.
- Looking back at 2023, it seemed that Finnish media had not paid attention to key debates linked to the ES, but it was highly likely that the coming budget cuts would create enough pressure and a wider public debate would ensue.

- SOTE reform was the “elephant” in the room: all participants agreed on this. Several examples of the extent to which it had an impact on various ES objectives were given<sup>3</sup>.
- Finland did not have a major growth driver – this needed to be addressed: the future of job creation and the stability of the welfare system depended on it.
- There was one example of the successful integration of external workers: Indians were well integrated and paid taxes.
- The well-being of young people required more attention: the internet was having a negative impact, their physical condition had deteriorated, and mental health issues were also on the rise.
- The process of digitalising schools was problematic; perhaps some lessons could be learned from Estonia<sup>4</sup>.
- On the gender pay gap – an EU directive was in the pipeline – the **pay transparency directive**<sup>5</sup>. The process was starting up: this would bring the issue into the public eye and public discussion would begin, especially on implementation details.

**Mr Vertti Kiukas** (Member of the EESC and of SOSTE)

- At national level, the Ministry of Social Affairs and Health was being left on the side-lines. The Ministry of Finance was dominating the ES debate and the process had become very much geared to economic topics.
- It could even be said that the core debate was too far from social reality; information was not being shared, neither vertically or horizontally, and this played a critical role here.
- The ES had to adopt a more inclusive approach, its targets and recommendations needed to do more to address social issues and not just economic ones.
- The SOTE reform covered 25% of the state budget. Given its scale, this issue was clearly becoming one biggest ES issues in Finland. It had to be stressed that all wellbeing districts needed an ever-increasing number of financial resources. There was indeed a great deal of information as to how the services could be offered more efficiently (via digitalisation), but implementation remained partial and/or insufficient.
- Finnish labour market efficiency was not good enough; salary negotiations were becoming highly problematic at various levels.
- Digitalisation was changing the social fabric. Players had to adapt to the new realities of the situation, including the role of parents. How much money was left over to parents after they covered their children's needs?

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<sup>3</sup> A media article was cited regarding a small wellbeing district where the deficit was reaching 100 million euros.

<sup>4</sup> <https://www.oecd.org/pisa/>.

<sup>5</sup> <https://www.consilium.europa.eu/en/press/press-releases/2023/04/24/gender-pay-gap-council-adopts-new-rules-on-pay-transparency/>.

- More tools were needed to address these profound changes in society. Voluntary organisations were experiencing considerable difficulties in keeping up with the pace of change, due to a lack of funding and weakening networks. Voluntary organisations needed more tools to address the green and digital transitions in society.
- The younger generations were suffering from quite a high level of polarisation due to diverse internal and external factors. This needed to be addressed at the systemic level. There was a clear need for new tools and strategies. One concrete example was the poor flow of information and the limited exchange of critical information to detect and flag potential issues (data protection restrictions, etc). Integral use of data and in-depth analysis could help with the early prevention of issues – Kela data could be used in this area for example.

**Ms Päivi Wood** (Member of the EESC and of the Confederation of Finnish Industries (EK))

**Debate moderator**

- The EC representation has used lot of its’ resources for the main EC priorities e.g. for the green and digital transitions. They have consulted very well in those two areas, but consultation in other areas had indeed been reduced as a consequence. The ES process was still only known about in certain circles and the lack of interest was due to the fairly cumbersome set-up of the whole process.
- There was general agreement on the principle that “No one should be left behind”<sup>6</sup>, but Finland had to find its path back to employment growth.
- The major issue was: How could Finland attract sufficient investment? There were properly functioning sectors where industry did this well, and it worked.
- There were new economic operators that needed support for attracting sufficient levels of investment.
- There was a great need for permitting processes for businesses to be simplified.
- Conflict resolution/prevention had to become leaner.
- The green and digital transitions had attracted most of the attention.
- The Recovery and Resilience Plan (RRP) was now worth €1.95 billion in grants and covered 19 reforms and 40 investments. Green investment could be followed on the website entitled “*Suomen vihreät investoinnit*” – “Green investments in Finland”.<sup>7</sup>

**Mr Jüri Soosaar** (EESC, ECO Section, administrator)

- The 2023 CSRs relating to Finland<sup>8</sup>, in point 3, recommended the following:

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<sup>6</sup> [https://ec.europa.eu/commission/presscorner/detail/en/speech\\_19\\_6749](https://ec.europa.eu/commission/presscorner/detail/en/speech_19_6749).

<sup>7</sup> [Vihreiden investointien dataikkuna - Elinkeinoelämän keskusliitto \(ek.fi\)](https://www.vihreideninvestointien.fi/).

<sup>8</sup> [74b56553-6102-450a-9f8d-f1a0ec3a5dd0 en \(europa.eu\)](https://ec.europa.eu/commission/presscorner/detail/en/74b56553-6102-450a-9f8d-f1a0ec3a5dd0).

- “Address labour and skills shortages by reskilling and upskilling the workforce and widening the higher education offer, in particular for the study fields most in demand in the labour market”
- The gender pay gap.

**Participants' list:**

- **Ms Petra Pieskä** (Finnish National Youth Council, Allianssi)
- **Ms Leena Eräsaari** (The European Anti-Poverty Network, EAPN-Fin)
- **Mr Otto Kyyrönen** (Finnish Federation for Social Affairs and Health, SOSTE)
- **Ms Sari Raassina** (Wellbeing services counties, HYVIL Ltd)
- **Mr Penna Urrila** (Head Economist at the Confederation of Finnish Industries (EK))
- **Mr Markus Penttinen** (Member of the EESC (Gr. II) and of AKAVA)
- **Mr Vertti Kiukas** (Member of the EESC (Gr. III) and of SOSTE)
- **Ms Päivi Wood** (Member of the EESC (Gr. I) and of the Confederation of Finnish Industries (EK))
- **Ms Kirsi Marttinen** (Finnish Federation for Social Affairs and Health, SOSTE )
- **Mr Jüri Soosaar** (EESC, ECO Section, administrator)