

## Finland

### *Key facts and issues*

Finland is a unitary country with a population of 5.5 million. Subnational governments are responsible for just over 41% of public expenditures, ranking Finland the 12<sup>th</sup> most decentralised country in the OECD with regards to public spending. Subnational governments in Finland are responsible for a wide range of policy areas in terms of spending, the main areas being education, health and social protection. Finland is in the lower range of the OECD in terms of urbanisation, as only 29% of its population live in predominantly urban regions. Finland was one of the OECD countries where the share of the population living in remote rural regions has decreased the most between 2000 and 2014.

At almost USD 41 000, Finland's GDP per capita nearly coincides with the OECD average. Finland displayed the 6<sup>th</sup> lowest regional inequalities among small regions (TL3) in terms of GDP per capita, as measured by the Gini index, and the gap has narrowed since 2000. After the 2007-08 crisis, and until 2013, the gap in GDP per capita narrowed due to the poorest regions experiencing a lower drop than the richer regions. Finland has the lowest gender gap in the labour force participation rate, and has managed to narrow that gap further since 2000. However, Finland has witnessed a widening inter-regional gap since 2001 in terms of educational attainment. Finland also has large regional disparities in employment and unemployment: Åland ranks in the top 5% of the OECD regions on these indicators while the Eastern and Northern Finland region is in the lower third. The unemployment rate is above the OECD average.

### **Finland: regional, urban and rural development policies**

Policy Area	Enabling Document, Strategy, or Framework	Strategic Objectives and Means	Lead Ministry, Agency or Committee
Regional	<a href="#">Act on Regional Development (2014)</a> <a href="#">Government decision on national regional development priorities 2016-2019 (2016)</a> <a href="#">Regional Strategy 2020 (2010)</a> <a href="#">Structural Funds Programme in Finland: Sustainable Growth and Employment 2014-2020</a>	Focus on increasing resilience to industrial shocks and increasing and improving economic drivers through business and innovation support	Ministry of Economic Affairs and Employment
Urban	Not a dedicated urban policy but a political programme: <a href="#">Strategic Programme of the Government (2015)</a> Finland has <a href="#">growth agreements</a> with some of its city-regions	Competitiveness through innovation policies, resilience, land use and planning (housing and infrastructure); secondary focus on social sustainability	Ministry of Economic Affairs and Employment
Rural	<a href="#">Rural Policy Programme 2014-2020 (2014)</a> <a href="#">Rural Development Programme for Mainland Finland 2014-2020 (2014)</a>	Entrepreneurship, diversification of rural economies, quality of life, infrastructure, accessibility, partnership and democracy issues, ecosystem services, sparsely populated rural areas, community / village based local development, agriculture	Ministry of Agriculture and Forestry

### *General policy approach*

Finland's regional policy targets are set for each Government's term of office. They fit within the broad objectives of the Act on Regional Development. There is currently a high priority on competitiveness and addressing industrial and demographic resilience as supported by several programmes (such as Proactive Structural Change) and the Business Services units of the ELY Centres, a national network of multi-sector agencies. The Ministry of Economic Affairs and Employment takes the lead for co-ordination, however sectoral ministries each prepare regional strategies. National urban policy support is channelled through growth agreements with cities along with co-ordination support from the Urban Policy Council. The inter-ministerial Rural Policy Committee, in existence since 1988, prepares the national rural policy and the rural policy system with a wide range of actions. A National Rural Network promotes stakeholder participation in rural development.

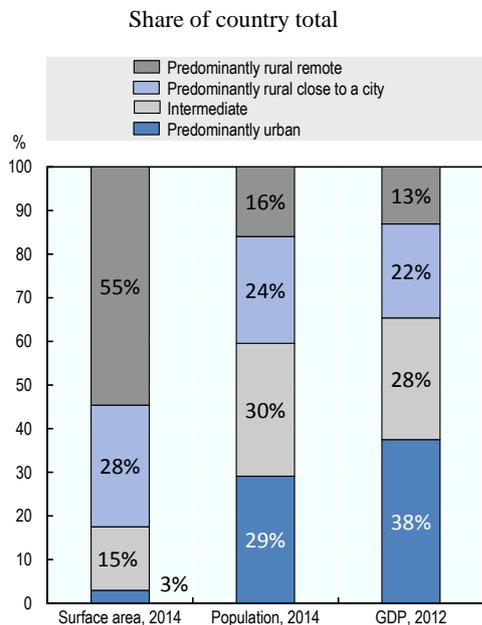
### ***Recent policy changes***

- A Strategy for the Arctic Region was launched in 2013.
- In 2013, Finland developed a new urban-rural classification system based on spatial data sets that includes three categories of urban areas and four types of rural areas.
- Growth Agreements between the state and major cities, focused on competitiveness and resilience, have been implemented, and the programme will be expanded in future years.
- There is a new focus on inter-regional co-operation, including through Growth Corridor Finland (cities from Helsinki to Tampere).
- Starting in 2014, ministries have introduced long-term planning of the spatial structure and transportation system competitiveness, eco-efficiency and well-being.
- Proactive Structural Change is a new tool to help regions anticipate and tackle sudden structural changes and firm closures.
- Launched in 2014, the Innovative Cities Programme (INKA) will be phased out in 2017. Current funding is dedicated to Finnish businesses with internationally marketable products tested in real urban environments that solve challenges associated with the concept of smart cities.
- The Regional Innovations and Experimentations (AIKO) programme was launched to support regional business structures with *i*) measures for anticipated structural change, *ii*) growth agreements with selected cities, and *iii*) establishment of nationally important growth zones.
- In a reversal of four years ago, in 2016, the Ministry of Agriculture and Forestry took back the rural portfolio from the Ministry of Economic Affairs and Employment.
- Previous restructuring of public spending and public administration in response to the long-lasting recession will have an impact on small rural municipalities with few resources.

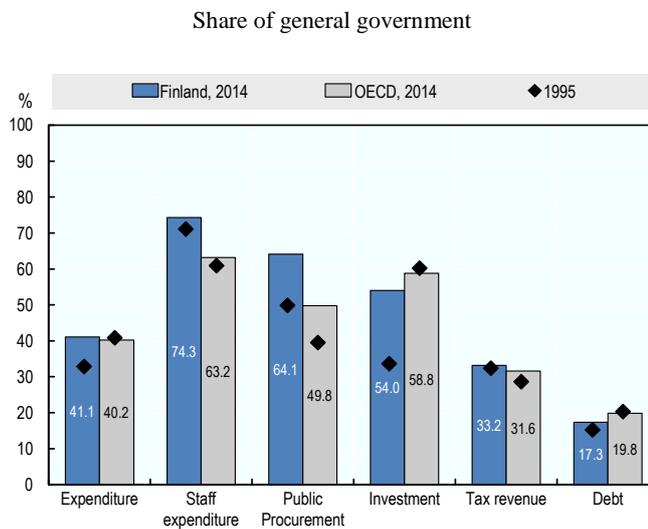
### **Finland: Main regional, urban and rural development policy tools**

Policy Instrument	✓	Examples
Transport Infrastructure investments and systems of cities	✓	The resources for basic transport infrastructure investments are allocated by the Ministry of Transport and Communication; the investments for large transport initiatives are allocated by the state budget by political decision; the allocation is based on cost and profit calculations and the anticipated economic influences
Other Infrastructure investments	✓	The <a href="#">Rural Development Programme</a> and the <a href="#">Rural Policy Programme</a> tackle broadband and transportation accessibility issues
Service delivery (subsidies for public services)	✓	There are state subsidies for municipalities
Business development/ innovation support	✓	<a href="#">European Regional Development Fund</a> (ERDF) Elements of the Regional Innovations and Experimentations (AIKO) programme and (until 2017) the Innovative Cities (INKA) programme
Urban renewal		
Urban form and land use	✓	The letter of intent regarding land use, housing and transport between the state and major urban regions (Helsinki, Tampere, Turku and Oulu)
Sustainability policies		
Rural-urban linkages	✓	<a href="#">Rural Policy Programme 2014–2020</a>
Clusters/technology platforms/ centres of expertise	✓	AIKO programme to support regional business structures; INKA programme (until 2017) focused on innovative clusters for smart cities
Special economic zones	✓	The AIKO programme will include the establishment of 1 or 2 growth zones
Rural landscape preservation		
Skills/training programmes	✓	This is currently organised mainly within the projects of the European Social Fund (ESF)
Capacity building for sub-national governments	✓	LEADER (community-led local development)

### Land, population and economy in rural and urban regions



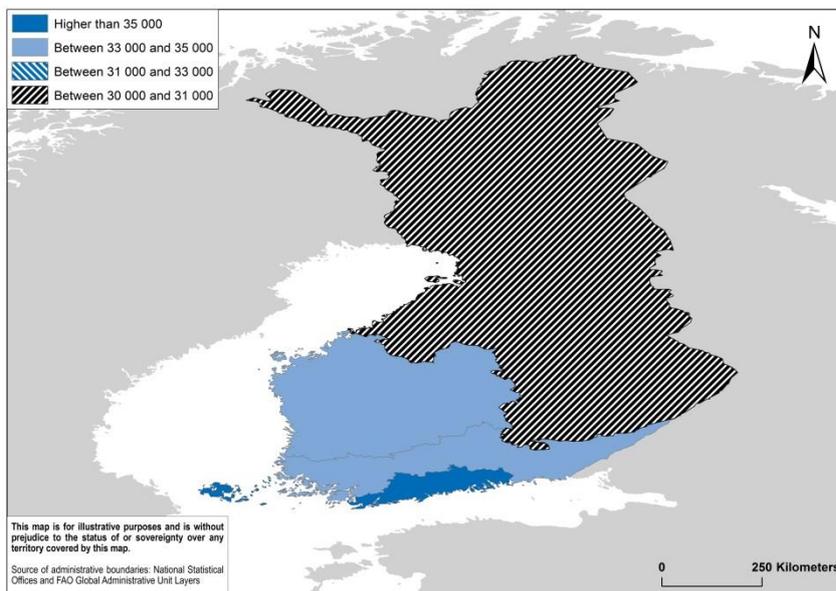
### Subnational government role in public finance



### Number of subnational governments

Municipal level	Intermediary level	Regional or state level	Total
313		1	314

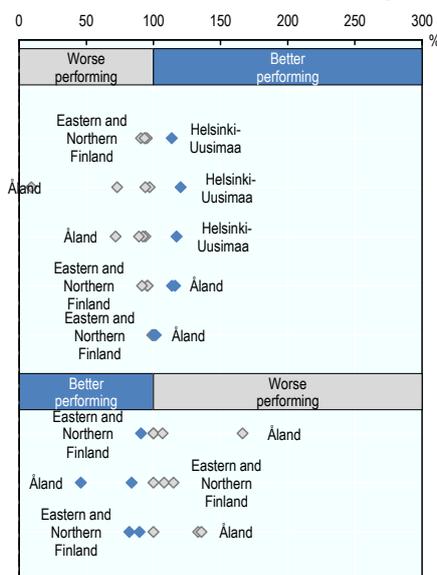
### Regional differences in GDP per capita levels, 2013



Note: GDP per capita in constant prices and constant USD PPP (base year 2010).

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### Inter-regional disparities (as a % of the country average)

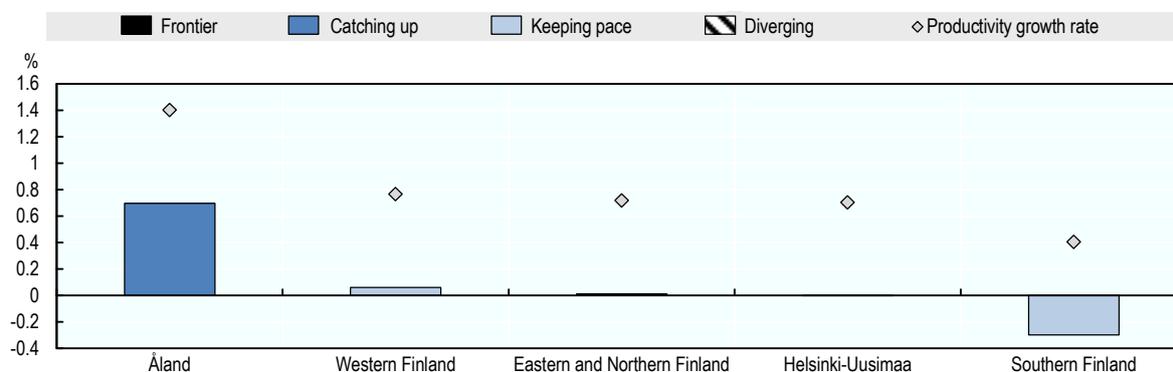


Variable	Min.	Max.	Country Avg.	OECD Avg.	Disparities up or down since 2001
GDP per worker (2012)	74 265	93 088	81 838	74 520	down
R&D expenditure as a % of GDP (2013)	0.3	3.98	3.31	2.4	down
Share of labour force with tertiary education	29.1	47.5	40.5	32.3	up
Disposable household income (2012)	24 705	31 347	26 966	34 866	down (2004)
Life expectancy (2013)	80.4	82.5	81.1	80	down
Share of workforce with only primary education	11.9	21.8	13.1	25.2	up
Unemployment rate	4	10	8.7	7.3	down
Gender gap in participation rate	-3.2	-5.3	-3.9	-15.9	down

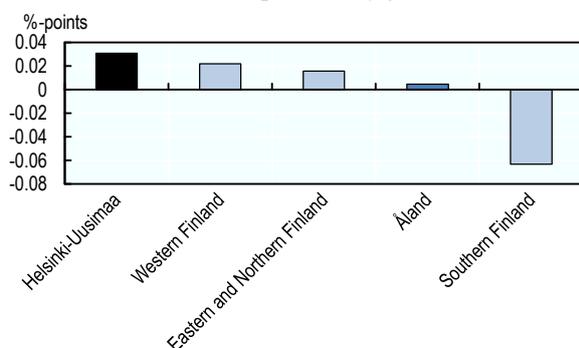
Note: Each diamond represents a TL2 region. Unless specified, all data are for 2014. Disparity is measured as the difference between the top and bottom region in the country.

### Productivity and catching-up trends among regions

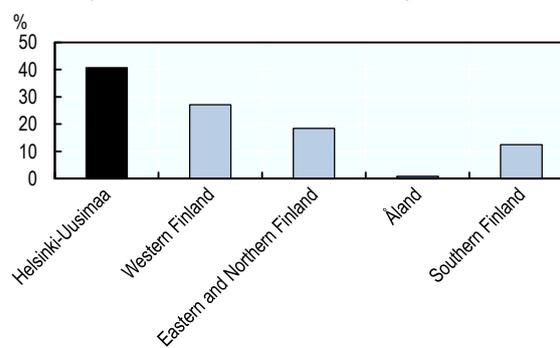
Average annual productivity (GDP per worker) growth rate [diamonds] and deviation from the growth rate of the country's productivity frontier [bars], 2000-2012  
 See country page notes for classification of regions



Contribution to labour productivity growth, 2000-12



Percentage contribution to national GDP growth, 2000-12



Note: Difference between national labour productivity growth as calculated with and without the indicated region.

Note: The contribution is the product of a region's GDP growth rate by its initial share of GDP.

StatLink <http://dx.doi.org/10.1787/888933420280>

## Country page notes

### Main indicators

OECD average	represents the weighted average of OECD country/region values for the given year or closest year available.
OECD Regional Well-being framework	considers a combination of individual characteristics and local conditions in eleven dimensions that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction).
Gross domestic product (GDP); GDP per capita; and labour productivity (GDP per worker)	is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA 2008). To make comparisons over time and across countries, it is expressed at constant prices (year 2010), using the OECD deflator and then it is converted into USD using purchasing power parities (PPPs). For regional labour productivity, GDP (gross value added for Turkey) is divided by the number of workers (at place of work) or, for GDP per capita, the number of residents. For comparisons of current (per capita) GDP across countries, GDP for 2015 is converted to USD using PPPs for 2015.
Subnational government role in public finance	is mainly derived from the OECD National Accounts, harmonised according to the new standards of the System of National Accounts (SNA 2008), with the exception of Chile, Japan and Turkey, which are still under SNA 1993. General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities, and social security funds. Subnational governments are local (regional and local) governments and state governments (in countries with a federal or quasi-federal government system).
Gini index (regional income inequality)	The Gini index is a measure of inequality in terms of GDP per capita among all regions of a given country, with equal weight for each region. The index takes on values between 0 and 1, with zero interpreted as no disparity.
R&D expenditure	is the total gross domestic expenditure on research and development by the government, higher education, business, and private non-profit sectors.
Household disposable income and poverty rate	is the income generated directly from market transactions, adding all current transfers from the government, except social transfers in kind, and subtracting current transfers, such as income or regular wealth taxes and social contributions. It is expressed in USD Purchasing Power Parities (PPP) at constant prices (year 2010) and using a standard equivalised size for households across the OECD. Due to a lack of data, the indicator is expressed in per capita terms for the Czech Republic, Estonia, Hungary and New Zealand. The poverty rate is here taken as the percentage of people with disposable household income per capita of less than half the country median.
Participation rate, unemployment rate, youth unemployment and NEETs	The (labour force) participation rate is the ratio of the labour force (employed and unemployed) aged 15+ to the population (15+). The gender gap is the difference between the participation rates for women and men. Unemployed persons are defined as those who are without work, are available for work, and have taken active steps to find work in the last four weeks. The unemployment rate is defined as the ratio of unemployed persons to the labour force. Youth unemployment considers the unemployed and the labour force aged between 15 and 24. "NEETs" refers to 18-24 year-olds who are neither in employment nor in education and training (as a percentage of the population of 18-24 year-olds).
Primary and tertiary education	Primary education includes primary education, pre-primary education and lower secondary education (ISCED 0-2). Tertiary education includes both university qualifications and advanced professional programmes (ISCED 5-8). Shares are defined with respect to the labour force aged 15 and over.
Elderly	are those aged 65+. The elderly dependency rate is the ratio of the elderly to the working age population (15-64).
Air pollution	is the 1km <sup>2</sup> grid cell population weighted average of satellite-based estimates of small particulate matter (PM <sub>2.5</sub> ).
Life expectancy	measures the number of years a newborn can expect to live, if death rates in each age group remain constant.

### Typology of regions with respect to productivity

Frontier	is the region leading its country in terms of labour productivity, measured by the real gross domestic product per employee. In some countries the leading region accounts for a small percentage of the total workforce. Where this is the case, the frontier is the weighted average of regions with the highest labour productivity levels accounting for 10% of the country's total employment.
Catching-up regions, diverging regions and regions keeping pace	is a classification of regions based on their labour productivity growth relative to the frontier. It is based on the growth in labour productivity between 2000 and 2013 (or closest year available). Regions where labour productivity grew/dropped by at least 5 percentage points more/less than in the frontier over the period are classified as catching-up/diverging regions (about 0.4 percentage points annually), with regions that are keeping pace falling within the +/- 5 percentage points band.

### Typologies of regions with respect to population or other functions

Regions (TL2 and TL3)	are classified by the OECD into two territorial levels that reflect the administrative organisation of countries. OECD's large regions (TL2) represent the first administrative tier of subnational government. OECD small (TL3) regions are contained within a TL2 region. Reference to the 20% richest/top or poorest/bottom regions, indicates the top/bottom-performing regions according to the indicator accounting for 20% of the (relevant) population.
TL3 typology (urban, intermediate, rural)	TL3 regions have been classified as: predominantly urban (PU), intermediate (IN) and predominantly rural (PR) based on the percentage of regional population living in rural communities, combined with the existence of urban centres where at least one-quarter of the regional population resides. The terms "urban", "intermediate" and "rural" refer to these categories.
Metropolitan area	is a functional urban area with 500 000 or more inhabitants defined by population density and commuting flows.

Further details and information: OECD (2016) *OECD Regions at a Glance 2016*, [http://dx.doi.org/10.1787/reg\\_glance-2016-en](http://dx.doi.org/10.1787/reg_glance-2016-en).