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Assessment of the 2012 national reform programme and stability programme for FINLAND

Accompanying the document

Recommendation for a

COUNCIL RECOMMENDATION

on Finland's 2012 national reform programme and delivering a Council Opinion on Finland's updated stability programme for 2012-2015

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CONTENT

EXECUTIVE SUMMARY

In 2012, Finland's economic activity is expected to grow by 0.8% and by 1.6% in 2013. Unemployment is foreseen stay at 8%.

Finland has experienced a strong recovery in recent years and economic fundamentals remain strong. The country is on track for balancing the general government finances by 2015. and it is taking steps to ensure the long-term sustainability of public finances (e.g. by introducing a reform to reorganize the municipal sector).

However, Finland is facing important challenges with respect to the long-term sustainability of the current standard of living due to an ageing population, industrial restructuring and a loss of competitiveness on international markets. For the first time in nearly 20 years, the current account turned into deficit in 2011 and is expected to remain in deficit in 2012. Strengthening competition in product and services market has become increasingly important for boosting productivity and enhancing potential economic growth. Notwithstanding the past strong Finnish R&D and innovation performance, without a significant increase in the number of internationalising innovative high growth firms, Finland's ranking as an EU innovation leader risks declining. There is continued need to lengthen working careers and to combat the rise in long-term unemployment as well as youth unemployment.

1. INTRODUCTION

Procedural aspects

In July 2011 the Council of the European Union adopted five country-specific recommendations (CSRs) for economic and structural reform policies in Finland. These recommendations concerned public finances, the pension system, the labour market, efficiency of public services and competition in the services sector.

In November 2011 the Annual Growth Survey for 2012 (AGS 2012) set out the basis for building the necessary common understanding about the priorities for action at national and EU levels in 2012. It focused on five priorities — ensuring growth-friendly fiscal consolidation, restoring normal lending to the economy, promoting growth and competitiveness, tackling unemployment and the social consequences of the crisis, and modernising public administration — and encouraged Member States to implement them in the 2012 European Semester.

Finland presented updates of its national reform programme and the stability programme on April 19 2012. These programmes specify the progress made since July 2011 and plans for the future. They build on the update of the national reform programme submitted in November 2011 after the election of the new government in Finland.

This Staff Working Document assesses the state of implementation of the 2011 CSRs as well as the AGS 2012 in Finland, identifies current policy challenges and, on this basis, examines the country's latest policy plans.

Overall assessment

Overall, at least partial progress has been made on all the recommendations.

Finland managed to achieve general government deficit of 0.5% in 2011 while the stability programme target was 0.9% of GDP. Significant consolidation efforts were made and, in addition, economic growth continued to be strong in 2011. Discretionary tax increases and expenditure cuts improved the general government budgetary position in 2011. As from 2012, the government has introduced further fiscal measures, aimed at shifting taxation from direct to indirect, and increasing social spending while cutting administrative expenditure and transfers to local governments. Additional measures will take effect in 2013.

The Finnish government has introduced a major reform proposal aimed at obtaining a significant decrease in the number of local municipalities, leading to better and more efficient provision of public services.

To tackle the unemployment problems, the government has guaranteed that all young people under 25 and all recent graduates under 30 will be provided with a job or training, study placement, workshop or rehabilitation placement no later than three months into unemployment. For long-term, unemployed, a fixed-term pilot programme has been launched transferring the primary responsibility for management of an individual's employment support to the municipality/municipalities after a 12-month period of unemployment.

Some measures have been taken to increase the effective retirement age. The government and the social partners have agreed to raise the part-time pension age limit from 60 to 61 years, to limit early retirement and to raise pension contributions.

To increase competition in the market, a new national competition law has been adopted. It clarifies merger control, adjusts the leniency programme and provides individuals with the right to seek damages. The government has communicated its intent to initiate a broad-based project to promote healthy competition in Finland.

The policy plans submitted by Finland are relevant and credible with respect to the 2011 CSRs, AGS priorities, Europe 2020 Targets and Euro Plus Pact (EPP) commitments, although there is scope for going further in some areas. In particular, incentives to increase the effective retirement age further and fostering competition in the service sector are still among the challenges.

2. ECONOMIC DEVELOPMENTS AND CHALLENGES

2.1. Recent economic developments and outlook

Following a strong recovery in 2010, with GDP expanding by 3.7%, the Finnish economy grew by 2.9% in 2011. However, economic activity appears to have slowed down in the last quarter of 2011. For the first half of 2012, growth is expected to remain weak, but to stage a gradual recovery thereafter, resulting in annual growth of 0.8%.

The slowdown in growth comes mainly from a decline in net exports resulting from the global economic slowdown as well as diminishing export capacity linked to on-going structural changes within some of Finland’s main industries. Gross fixed capital formation is projected to continue to weigh on growth in 2012 and to recover gradually in 2013. While fiscal constraints do not allow for the increase in public investments, the private sector is even expected to reduce investments, particularly in the construction sector.

In contrast, private consumption expenditure was strong in 2011 and is expected to slow down in 2012. Although unemployment continued to decline in 2011, this favourable development is not expected to continue in 2012. In 2013, the labour market situation is projected to improve marginally, with employment in industry continuing to be replaced by employment in services.

Inflation decreased, in line with expectations, in the fourth quarter of 2011. However, in early 2012 increases in indirect taxes were introduced, contributing to somewhat higher inflation at the beginning of 2012. HICP (harmonised index of consumer prices) inflation is nevertheless forecast to decline from a peak of 3.3% in 2011 to 3% in 2012.

Taking into account the large share of investment and intermediate goods in Finnish exports, the economy faces further downside risks if the lack of confidence in global markets results in a significant reduction of global investments, thus reducing the demand for Finnish exports.

2.2. Challenges

In Finland productivity and living standards rank high among the developed countries. However, the ageing population raises serious problems for the Finnish economy. Demographic projections show that the working age population will decline by over 5% of the current labour force over the period 2010-2020. The decline will reduce the economy’s growth potential, with adverse effects on the labour market and public finances. Thus it is increasingly important to lengthen working careers and to combat the rise in long-term unemployment as well as persistently high youth unemployment. In addition, regional and skills mismatches on the labour market have to be addressed.

Although Finnish labour productivity has traditionally been very high in manufacturing, it is less so in the services sector, and in government services in particular. The majority of public services are provided by local government. This sector is fragmented, as the average size of municipalities is small. Although municipalities cooperate in the provision of services, there is very little competition and administrative measures to boost productivity have not had much effect.

Strengthening competition in the services sector has become increasingly important for boosting productivity and enhancing potential economic growth. Competition and productivity would also stand to gain from a less restrictive and transparent zoning and planning system.

Regulatory barriers in the Finnish service sector are still restrictive and market concentration is high, not only in retail trade but also in areas of production. In the grocery retail market Finland has the greatest degree of market concentration and food prices are among the highest in Europe. Recent information indicates that there is still scope for addressing structural barriers to competition and for improvement in facilitating entry to the services sector, especially in retail trade.

Since emerging from the crisis, the previous productivity growth path has not been reached. Over recent years Finland’s export-oriented economy has lost market share in foreign markets. Unit labour costs have increased over the last decade, although not in the manufacturing sector. Growth in some currently dominant industries, namely electronics and paper, appears to have peaked and in general the share of manufacturing in GDP is declining. Finland’s competitiveness is high according to comparative studies, but the country needs to continue promoting policies that support new high-growth enterprises, internationalisation and maintain its attractiveness for jobs, businesses and investments.

Over the last few years, the decline of the ICT and pulp and paper sectors has taken the form of a structural change, which is reflected in the decline of Finland’s exports and, consequently, in the trade balance. The change in the ICT sector also undermines the preconditions for GDP growth in the coming years and has, at least in the short term, a direct impact on business R&D intensity. Unless there is a significant increase in the number of innovative high-growth entrepreneurial firms, Finland’s ranking as an EU innovation leader may well decline. This will require a strong policy commitment and a reinforcement of efforts. It will also be crucial to exploit and disseminate the extensive ICT know-how in other industries in Finland, including the public sector.

Nominal unit labour costs rose by 12 % over the period 2007-2010. This is a rapid increase, especially by comparison with major trade partners such as Sweden and Germany, but also with the European Union average. It is a reflection of faster wage growth, settled by a collective agreement negotiated in 2007 immediately before the crisis and decreased productivity arising from the crises. Policy measures to support paid leave during the crisis allowed to keep employment high but decreased productivity. The tripartite wage agreement of 2011 paves the way for modest wage increases in 2012 and 2013, which should improve Finland’s relative position vis-à-vis its main trading partners.

Box 1. Summary of the results of the in-depth review under the macroeconomic imbalances procedure

The in-depth review analysed the potential imbalances and the possible macroeconomic risks in the areas of external competitiveness and developments in private sector debt. The main observations are:

- Over the past decade the current account has shown a declining trend from a surplus of 8% of GDP in 2002 into a deficit of ½% in 2011. Even the trade balance of goods turned into a deficit, the first time since 1990. Finland is exporting intermediate and investment goods mainly to mature, slowly growing economies and its products have limited presence in developing economies. World market shares have declined by one fifth over the past five years only. The country is vulnerable towards energy price increases which explain the deterioration of the terms of trade.

- Unit labour costs (ULCs) increased significantly during the crisis, as rigidities in the wage settlement process did not allow taking into account the drop of productivity during the crisis. In other periods, ULCs in industry have grown below euro area average. ULC developments have contributed to, but are not the main driving force behind the deterioration of the current account. However, in the future measures should be taken to increase productivity, including in the services sector, and the link between productivity and wages should be closely maintained.

- For a mature economy with an aging population the declining trend in the current account and trade balance can put the living standards at risk, if continued. Productivity improvements, labour market adjustments and innovation are needed to maintain the living standard. Demographic shifts will put pressure on wages and price competitiveness of the Finnish economy, even if the effective retirement age will be adapted accordingly.

- While household debt had almost doubled over the last decade, private sector debt has started to decline. The private sector, excluding the financial sector, has been deleveraging in 2011 and the debt level is moving closer to the corresponding ceiling set in the Alert Mechanism Report (160% of GDP). Household debt now amounts to 63% of GDP. The increase in the household loan stock has been driven by mortgage loans, for which average maturities have been extended, and by higher credit demand given decreasing interest rates. Loans are based on variable rates, which open the customers to the risk of rate increases.

- Evidence of housing market overheating has not been found as the housing market seems to respond to structural changes in underlying supply and demand factors. In addition, house price evolutions do not provide evidence of increased volatility. The financial sector remains strong, statistics on loan quality are good with a non-performing loan ratio below half a per cent. The average capital adequacy ratio is around 15%, offering a considerable buffer to absorb unforeseen shocks as confirmed by the EBA stress tests.

3. Assessment of policy agenda

3.1. Fiscal policy and taxation

Budgetary developments and debt dynamics

The main budgetary goal of Finland's 2012 Stability Programme is to balance the central government finances and to reduce central government debt to GDP ratio significantly by 2015, the end of the current parliamentary term. As central government deficit is the main source of general government deficit, this will contribute to (structural) budget surpluses for the general government. To fulfil these targets, the government is committed to implementing adjustment measures with regard to revenues and expenditures, as well as structural reforms. Consolidation measures taken during the preparation of the 2012 budget and those decided upon in March 2012, to be implemented in 2013, demonstrate the government's commitment to implement this strategy. Since 2009, Finland's medium-term objective has been defined as a structural surplus of 0.5% of GDP. The medium-term objective adequately reflects the requirements of the Stability and Growth Pact.

In 2011, the recommendation was to continue the fiscal consolidation using any windfall revenue to reduce the deficit, while taking additional measures to maintain the fiscal position above the medium-term objective, in particular through compliance with the medium-term expenditure benchmark. The Finnish government has demonstrated strong commitment with regard to fiscal consolidation and keeping expenditure growth under control. This resulted in a general government deficit reaching -0.5% of GDP for 2011 – better than the target of -0.9% of GDP announced in the 2011 stability programme. Government revenues turned out to be higher and expenditures somewhat lower than forecast, although part of this expenditure will be made in 2012. The 2012 stability programme projects the 2012 deficit to deteriorate to 1.1% of GDP, worse than the deficit of 0.7% of GDP forecast in the previous Programme, on account of a downward revision in real GDP growth from 2.7% to 0.8%. Over the remainder of the Programme period, the deficit is projected to narrow, reaching budgetary balance by 2015.

The aim is to reach fiscal consolidation through both expenditure- and revenue-related measures. For nominal central government expenditure a ceiling has been introduced aiming at average growth of 1% during 2012-16. On the revenue side, in order to achieve the fiscal adjustment in 2013, the government decided in March 2012 on the following measures to be implemented as from 2013: i) to increase the VAT rate across the board by 1 percentage point, ii) to introduce a temporary solidarity tax on high incomes and iii) to suspend the index adjustments of labour income taxation in 2013 and 2014. The Commission estimates the output gap to be smaller than forecast in the stability programme, resulting in a lower structural balance for the coming years. As a consequence, the Commission's assessment of the structural balance[1] based on the programme is that the MTO was met in 2011 but will not be met in subsequent years.

For 2012, the stability programme forecasts that the real growth rate of government expenditure, net of discretionary revenue measures, will not exceed the reference medium-term rate of potential GDP growth (1.45%). Given that as from 2012 the MTO is not met, the lower reference rate of 0.51% applies to growth of government expenditure for the period 2013-16. According to the Commission services' forecast, this reference rate is not met in 2013 and 2015, but the deviation is not significant in 2013 but reaches close to 0.5% of GDP in 2015. Reducing the deviation in 2015 could be needed to ensure structural adjustment towards the MTO by 0.5% of GDP.

[1] Cyclically adjusted balance net of one-off and temporary measures, recalculated by the Commission services on the basis of the information provided in the programme, using the commonly agreed methodology.

In the 2011 stability programme, general government gross debt was seen as growing and forecast to reach 56.2% of GDP in 2015. According to the current programme, the debt level will peak in 2014 at close to 52% of GDP and then start declining. This is achieved despite a less favourable macroeconomic environment in the 2012 programme (compared with the 2011 programme), namely significantly lower GDP growth, a weaker labour market and Finland becoming a net borrower from the rest of the world. Due to the consolidation measures and the macroeconomic scenario being broadly in line with the European Commission 2012 Spring Forecast, the envisaged development of the debt ratio appears to be realistic. Since Finland's debt-to-GDP ratio is below the reference rate of 60% of GDP, the debt reduction benchmark is not applicable.

Box 2. Main budgetary measures

Revenue	**Expenditure**
2012	
• Decrease in earned income taxation (-0.3% of GDP) • Decrease in corporate tax rate (-0.2% of GDP) • Increase in energy taxes (0.2% of GDP) • Increase in indirect taxes – VAT, excise tax, vehicle tax (0.2% of GDP) • Increase in social security contributions (0.3% of GDP)	• Additional expenditure from government programme (0.2% of GDP) • Expenditure cuts arising from the government programme (0.2% of the GDP)
2013	
• VAT increase by 1pp (0.4% of GDP) • Increase of taxes on earned income (0.1% of GDP) • Decrease of corporate tax rate (-0.1% of GDP) • Introduction of tax to finance Finnish Broadcast company (0.2% of GDP)	• Budget cuts (0.6% of GDP) • Expenditure increase for the promotion of employment, business and education (0.1% of GDP)

Note: The budgetary impact in the table is the impact reported in the programme and the latest economic survey of the Ministry of Finance, i.e. by the national authorities. A positive sign implies that revenue / expenditure increases as a consequence of this measure. The degree of detail reflects the type of information made available in the stability programme.

Long-term fiscal sustainability

Finland's long-term change in age-related expenditure is clearly above the EU average. However, the initial budgetary position offsets the long-term costs. Moreover, the accumulated pension fund assets reduce the sustainability risks to some extent. Under a no-policy-change assumption, debt would stabilise at 48% of GDP by 2020. Given the high projected increase in age-related expenditure, the focus should be on containing long-term public spending trends, notably pensions and care-related expenditure, in order to diminish its sustainability gap. Ensuring sufficient primary surpluses over the medium-term and beyond would improve the sustainability of public finances.

Fiscal framework

Finland's fiscal framework is currently anchored to multiannual expenditure ceilings. The system is linked to parliamentary terms, and experience with the framework suggests that governments abide by the rules.

This general government objective has been translated into a fiscal rule by a government decision on central government spending limits for 2013–2016. In essence, this decision defines the multiannual financial framework. Subsequent yearly decisions on annual ceilings follow on from this framework.

The rule sets annual limits to government expenditure from 2013 to 2016 in 2012 prices. However, neither balanced budget requirements nor limits to annual deficits are set by the rule. According to the decision, central government expenditure included in the spending limits should decrease, in real terms, by 0.35 % in 2015 compared to 2012. This policy undertaken by the government is in line with the consolidation recommendation. It provides an ambitious target to control the costs of the budget while maintaining enough flexibility to respond to changes in the economic environment. The framework includes built-in automatic stabilisers.

The framework is currently under review. Finland's EPP commitment is to make the spending limits procedure stricter and to apply the limits to total public finances. At the moment, social security funds and municipalities operate outside the system of expenditure limits. Municipalities are subject to a rule that requires a balanced budget over a four-year period but are free to decide on expenditure growth that can be financed by increasing local taxes. However, municipalities are most affected by the increasing ageing related expenditure, as majority of medical and social services are provided by them. Thus it is increasingly important to apply the expenditure ceiling system also to this sector.

Tax system

The Finnish government has taken important tax policy measures in both 2011 and 2012. The 2011 measures correspond to the AGS priority on growth-friendly fiscal consolidation and include a modest cut of labour taxation, while several excise duties (on energy, alcohol, tobacco and sweets) were increased. The cut in the corporate income tax (CIT) rate in 2012 is meant to improve competitiveness, while the increases in capital income taxes are aimed at reducing the discrepancy between the tax rates on labour and capital income.[2]

In March 2012, the government decided to increase the **VAT rate** from 2013 across the board by 1 percentage point (revenue impact €750 million). This will have a strong positive impact on fiscal consolidation. Increasing social security transfers and reducing taxes on lowest incomes will partially mitigate the negative impact on private consumption and employment.

Regarding **labour income taxation**, in 2011 the government reduced the top marginal tax rate by 0.25 percentage points and increased earned income allowances in both municipal and state taxation. These changes are in accordance with the EPP commitment to improve the incentives to work and with the AGS recommendation to reduce labour taxes. In 2012, the government decided to forego the index adjustments of taxation in 2013 and 2014 and introduced a temporary solidarity tax on high incomes, applicable as from 2013. Thus, the effective tax rate will be increased, in line with consolidation needs but increasing taxes on labour.

On **capital income taxation**, two main measures were taken: an increase in the tax rate on capital income from 28 % to 30 % and to 32 % for incomes exceeding €50 000 and a reduction of the threshold for tax-exempted dividends from 90 000€ to 60 000€ for non-listed companies. The measures are in line with fiscal consolidation requirements as well as the need to decrease the discrepancy in the tax rates between labour income and capital income.

The tax deductibility of **mortgage interest rate payments** will be gradually decreased up to 2014, so that the share of deductible interest payments will decrease to 85 % in 2012, to 80 % in 2013 and to 75 % in 2014. This corresponds to the AGS priority that concerns reducing the debt bias in housing taxation. Although the measure will reduce the debt bias, it will not remove it entirely.

The government has reduced the corporate income tax rate from 26 % to 24.5 % with the aim of improving the competitiveness of Finnish industry (EPP commitment). With this reform, Finland’s corporate income tax (CIT) rate will be slightly above the EU average (23.1 %). This is in line with the EPP commitment to enhance the competitiveness and investment of Finnish companies. The FDI (foreign direct investment)/GDP-ratio is currently very low in Finland and the lower CIT rate could attract foreign companies and more investments.

The aim of the structural reform of **energy taxation,** in force since 2011, was to shift the emphasis of Finland’s energy taxation towards CO_2. The taxation of heating and transport fuels is based on the energy content and carbon dioxide emissions. Taxes on coal and natural gas have been increased significantly (by about 100 %), the CO_2 component has been further strengthened and tax **rates on transport fuels** are increased by 10 % in two stages (2012 and 2014). The refund scheme for agriculture (fuel tax rebate) was based on the energy content and a gradually increasing tax on peat was introduced. Vehicle taxes (registration tax and

[2] In the Finnish dual income tax system capital income is taxed at a flat rate, which is much lower than top marginal tax rates on labour income. This provides an incentive to use tax planning measures to transform earned income to capital income in non-listed companies. Moreover, dividend income in non-listed (but not listed) companies is tax free up to a ceiling, which is discriminating against incorporation and may form an obstacle to growth for successful firms. The decrease of the tax-free ceiling for dividends and the increase of capital income tax rate will to some extent reduce these distortive elements in the capital income tax system.

annual circulation tax) have been increased and made more CO_2-dependent. From the perspective of the climate target, where progress is still needed in order to achieve the goal, these are steps in the right direction.

In addition, the government is committed to phasing out **environmentally harmful subsidies**. One example is the abolition of the tax exemption from the state waste tax for industrial landfills. However, the refund system on energy tax payments for industry was extended in 2011 so that 85 % of energy taxes paid are refunded when the taxes paid exceed 0.5 % of the value added (previously 3.7 %). The measure aims to protect the competitiveness of energy-intensive industry, but is also a form of environmentally harmful subsidy.

The action programme to fight the **shadow economy** and economic crime was launched on 19 January 2012. It contains 22 measures and is being implemented in close cooperation with the tax authorities and the police. The main focus is on the construction sector, but measures are also being taken to tackle aggressive tax planning and tax evasion through international operations by companies. The programme aims at increasing the government's tax revenue by EUR 300 – 400 million per year.

The government has adopted policy measures that are in line with the recommendation regarding fiscal consolidation and the AGS priority of growth-friendly consolidation. The increases in VAT, excise duties and environmentally-related taxes correspond to the AGS priorities to shift towards consumption taxation, develop environmentally-friendly taxation and move away from labour taxation, while also contributing to consolidation needs.

3.2. Financial sector

Banking

The financial sector remains strong and current statistics on loan quality are good. Banks have no difficulties in financing their operations and enterprises do not consider lack of credit as one of their most serious problems. No Finnish institutions were below the required threshold of 5 % core Tier 1 capital following the July 2011 European Banking Authority (EBA) stress test nor did they have to comply with the higher minimum core Tier 1 capital ratio of 9 % of risk-weighted assets following the temporary recapitalisation plan decided by the European Council in October 2011.

The share of housing loans has increased in recent years. The loan stock has grown rapidly with the help of decreasing interest rates and lengthening average maturities. Mortgage loans in Finland are largely based on variable interest rates, so customers face the risks of interest rate increases (although this seems to be attenuated by clauses that would extend maturity in such cases). In the current environment, private consumption is supported by the reduction in mortgage payment thanks to historically low interest rates in the euro area and the relatively low margins of local banks.

Access to finance

Finland performs above the EU average on access to finance for SMEs. However, small and medium-sized firms in particular are experiencing greater financial problems than before the economic recession. Thus, additional financing for SMEs is needed to supplement what the financial markets can provide. Policy responses to the economic and financial crisis include creating and extending loan and guarantee schemes, as well as strengthening the capital base and private equity and venture capital.[3] The Finnish government and the Export Credit Agency decided to allocate to SMEs an additional €700 million in investment loans. A venture capital initiative co-financed by the European Regional Development Fund (ERDF) was set up in 2011, targeting innovative SMEs. In February 2011, the Finnish government and the Export Credit Agency introduced easier repayment terms for government loans to small businesses to help them weather the economic recession. Firms now have ten years to repay loans obtained under this scheme instead of six.

These policy measures are relevant for the 2012 AGS priority of restoring normal lending to the economy and Finland's EPP commitment to diversify the economic structure. Although it is too early to assess the ambition level or impact of recent policy measures, the relevance and credibility criteria seem to be fulfilled.

3.3. Labour market, education and social policies

The Finnish labour market is facing important demographic changes that will have a significant impact on the way it operates over the next few years. The working-age population is projected to decline by over 5% of the current labour force by the end of the decade. Thus in 2011, the Council recommended to improve the employability of older workers and their participation in lifelong learning and to consider a link between the statutory retirement age and life expectancy.

The Finnish government has introduced reforms that have had a positive impact. The effective retirement age is rising, working careers are getting longer and the employment rate of people aged 55–64 rose from 41.6% in 2000 to 56.2% in 2010.[4] The employment rate of the 60–64 age group, however, was only 40.8%. The increase in life expectancy has been more rapid than was envisaged during the 2005 pension reform, and the current statutory retirement age range might need to be adapted accordingly to ensure long-term sustainability of financing.

In 2011, the government programme confirmed the 2009 target of the labour market organisations and government to raise the effective retirement age by at least three years from the 2008 level by 2025, i.e. to 62.4 years[5]. To avoid a major decline in future pension levels and to boost labour supply, the programme also stresses the need to extend working careers at the beginning, in the middle and towards the end, and includes measures to enhance adult education.[6] In recent months, steps have been taken to achieve these targets. At the end of March 2012 labour market organisations reached an agreement to develop and upgrade working life and skills. They also agreed on measures to limit early exits from the labour market: raising the age limit for part-time pensions from 60 to 61 years and that for the 'unemployment tunnel' by one year; limiting early retirement opportunities; and reinforcing

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[3] OECD http://www.oecd.org/dataoecd/40/34/43183090.pdf.

[4] EU average: 46.3%.

[5] In 2010, this was 60.4 years.

[6] Participation in lifelong learning in Finland was 23% in 2010, one of the highest in the EU. For 55–64 year olds, however, it was 13%.

older workers' obligations to take part in activation measures. The National Reform programme 2012 lists the changes to be taken in 2014-2015 but does not go into details as regards their impact. The steps taken can be expected to extend working careers and are thus clearly a measure to extend the working careers. However, underpinning pension reforms by implementing measures in work places and labour markets remains a challenge.

Pensions are calculated based on life expectancy and years worked. The system provides strong economic incentive to work longer to earn higher pension, but no measures have been taken to link the statutory retirement age directly to increased life expectancy. Another way of lengthening working careers would be to shorten the traditionally long duration of studies, in particular in higher education (one of the longest in all OECD countries), in order to accelerate graduation and increase the overall effectiveness of the education system.

In 2011, the Council also recommended Finland to target active labour market measures more towards the long-term unemployed and young people.

To address the recommendation to focus on the long-term unemployed, a fixed-term pilot programme lasting until the end of the government's term is being launched. Primary responsibility for management of an individual's employment support will be transferred to the municipality after 12 months of unemployment. All unemployed people's individual chances of employment will be assessed and their progress actively monitored.

To address youth unemployment, the Government will reinforce the social guarantee for young people, originally introduced in 2005: all young people under 25 and all recent graduates under 30 will be provided with a job or training, study placement, workshop or rehabilitation placement no later than three months into unemployment. Implementing measures are being prepared and the guarantee will be fully operational by the end of 2013.

These measures seem relevant, ambitious and credible in view of the targeted budget allocations[7] and rapid implementation schedule planned and can be expected to have a positive impact. The measures are in accordance with the priorities of the 2012 Annual Growth Survey and they are also confirmed in the National Reform Programme 2012.. However, while the overall unemployment rate decreased between 2010 and 2011, youth unemployment was still 19.9% at the end of 2011.[8] By the end of 2011, the number of long-term unemployed who had been unemployed without interruption for more than a year had dropped to below 2%, but the number of those unemployed without interruption for more than two years had increased considerably.[9] Moreover, while the activation rate of the

[7] For the pilot programme, EUR 5 million has been allocated in 2012. In subsequent years the sum will be EUR 20 million. Furthermore, the participation of the long-term unemployed in wage-subsidised work, training and other services will be increased by allocating a supplementary appropriation of EUR 20 million for this purpose. A total of EUR 60 million/year is to be allocated to implementation of the social guarantee, of which EUR 5 million to on-the-job training of young people and youth outreach work, aimed at identifying young people at risk of exclusion as early as possible and offering them individualised, low-threshold services. In addition to the social guarantee, in 2013 some EUR 27 million will be allocated to young people under 30 without a degree to study for a vocational degree. The allocated sum will increase to EUR 52 million per year for the period of 2014-2016.

[8] Statistics somewhat exaggerate the problem as Finnish unemployment numbers also include full-time students who are looking for a part-time job in addition to their studies.

[9] From 19 500 in 2010q3 to 22 700 in 2011q3 (national data).

unemployed in general was over 30% in 2011, it was 10.7% for the long-term unemployed. Thus, the measures must be implemented thoroughly, with a clear focus on ensuring that they lead to a permanent improvement in the skills levels and labour market position of the target groups.

The Finnish education system is performing well in terms of both the quantitative targets and the quality of educational outcomes, as measured by PISA. Moreover, Finland has traditionally a relatively high adult participation rate in lifelong learning. Nevertheless, increasing the responsiveness of the education and training system to labour market needs and reducing youth unemployment remain major difficulties. The economic crisis is reflected in a sharp increase in skills mismatches in the overall labour force between 2007 and 2010.

The overall policy objective of the Finnish government is strongly focused on reducing social exclusion through labour market integration. Nevertheless, the rate of young people not in employment, education or training (NEET) was 9.0 % in 2010. Although this is below the EU average, it grew by 1.2 pp from 2008 to 2010 and the risk is considerably higher for young people with migrant background.[10] This has serious implications for the social inclusion of a vulnerable group. The risk of poverty among young people is also increasing, often as a result of long-term unemployment or difficulties in entering the labour market in the first place. Reducing poverty, inequality and social exclusion is one of the government's priorities, and as part of the national implementation of the Europe 2020 Strategy, the government will launch a programme to prevent exclusion, poverty and health problems. These priorities are confirmed in the 2012 National Reform Programme.

The share of ESL (early school-leavers), which was 10.3% in 2010, is below the EU-27 average (14.1%). Nonetheless, this indicator increased by 0.5 percentage points between 2008 and 2010, potentially jeopardising the Europe 2020 target of reaching a rate under 10%. Development of specific instruments targeting migrant groups, especially recent immigrants, would further reduce the current ESL rate.

In 2010, 45.7% of 30-34 year-olds had tertiary attainment, which is well above the EU average. However, the plan to exclude from the indicator the technical qualifications awarded by the 'applied sciences universities' will bring the figure down to 37-38%. In this context, Finland's target is to raise the proportion of 30–34 year-olds having completed tertiary education to 42% by 2020. This target seems to be attainable.

Adult participation in lifelong learning (23% in 2010) is among the highest in Europe in comparison with an EU average of 9.1%. Traditionally, lifelong learning provision has been rich in Finland. The participation rate of older workers however is much lower.[11] Given the demographic challenges in Finland, such measures are also relevant to keeping this age group active on the labour market longer.

Investment in education and training as a percentage of GDP increased slightly in Finland and exceeded the EU average by over 1 percentage point in 2008. Finland's funding priorities for education and training are in line with the 2012 Annual Growth Survey (AGS) and the

[10] Ministry of Employment and the Economy 2011. Nuoret työmarkkinoiden ja opiskelun ulkopuolella.

[11] For the 50-64 age group participation is only ca. 15% in comparison to 23% for the age group 25-64.

Conclusions of the Spring European Council, which advised growth-friendly investment also in times of economic crisis and fiscal consolidation. Cutting down the length of studies and speeding up graduation in higher education could also have a positive impact on the efficiency of public spending in this sector.

3.4. Structural measures promoting growth and competitiveness

Internal market, liberalisation and competition

With regard to structural measures, in 2011 the Council recommended that additional steps should be taken to open up the services sector further, by redesigning the regulatory framework and removing restrictions in order to facilitate new entries into services markets, especially in the retail sector.

Lack of **competition in services,** and in **the retail sector** in particular, was identified in the 2011 SWD as an important issue. In Finland, restrictions on competition are mainly structural. Previous studies have identified issues in the protection of existing firms, licencing of commercial activities and regulation of large outlets. Retailers tend to use their strong position in relation to suppliers in several ways that may be considered questionable for sound and effective economic competition.[12]

There have been some policy developments on competition, such as the amended national competition law, and a new law on land-use planning and construction. In 2011, the Competition authority report highlighted the importance of ensuring competition neutrality between municipal and private undertakings competing in the same markets.[13] The government is taking this work forward in 2012 by launching a new broad-based programme on promoting healthy competition. One element of the programme will be to evaluate the impacts of buying power in the daily consumer goods trade, especially in the food sector. The amended Competition Act (2011) will provide support for this work.

The government is also considering merging the Finnish competition authority with the Finnish Consumer Agency, and perhaps with the National Consumer Research Centre as well. As all three bodies promote the functioning of markets, combining them could strengthen market research and analysis. The overall aim of the merger is to increase the impact of competition and consumer issues in Finland. However, it could also bring benefits in terms of efficiency.

The government will also examine the possibility of enhancing deterrence by imposing criminal responsibility on people found guilty of cartel violations. Whereas, on balance, the introduction of sanctions on individuals may not lead to more effective enforcement overall, the fining of undertakings remains an indispensable ingredient for ensuring compliance with competition rules.

While some progress has been made, there is still scope for action, for example, in the following areas:

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[12] Press release in EN: According to a recent study on buying power in the daily consumer goods trade published by the Finnish Competition Authority:
http://www.kilpailuvirasto.fi/cgi-bin/english.cgi?luku=news-archive&sivu=news/n-2012-01-10..

[13] Kilpailuvirasto 2011; Kilpailukatsaus 2: viisas sääntely – toimivat markkinat;

- Following up the Finnish Competition Authority's report on buying power in daily consumer goods trade.
- Competition in the retail sector would benefit from less restrictive zoning and planning regulations. Despite the new law on land-use planning and construction (2011), there is still room for improvement in facilitating entry to the services sector, especially in retail trade.

Research and innovation

Finland is an innovation leader showing an above the average innovation performance in the EU.[14] However within the past few years, especially the reorganisation of the R&D intensive ICT sector is transforming into a major structural change having in the short term a direct impact on the business R&D intensity development. As the Finnish economy and export sector currently are going through major changes, the Finnish Government's objective is to maintain the national EU2020 R&D target at 4% of GDP. The Government intends to exploit the growth and renewal opportunities offered by structural change within the **ICT sector**. In 2012, a new high-level expert task force 'Finnish ICT Cluster 2015' has been established to evaluate structural change and growth potential in the ICT sector in Finland and internationally. It will assess the potential for utilising ICT know-how in other industries in Finland, including the public sector, and propose an action plan for the ICT sector.

The Finnish government awards relatively high subsidies towards entrepreneurship, R&D and innovation. While direct public funding on R&D will be slightly cut in 2012 and business R&D spending is expected to decline, the national innovation system is being reformed to improve its **effectiveness and to refocus its priorities.** The focus is being shifted to growth oriented SMEs and internationalisation.[15] The planned introduction of an R&D tax incentive in 2013 is representative of the on-going paradigm shift from direct to indirect R&D aiming at improving the leverage effect of public investments. Wider use of financial instruments would help leverage national resources as well as Structural Funds. The current demand and user-driven innovation policy Action Plan 2010-2013 will be assessed in a mid-term report planned in 2012. Evaluation of the effectiveness of the innovation system is also carried out in other areas. For example, independent evaluations of the Finnish Funding Agency for Technology and Innovation (Tekes), Finnvera (Export Credit Agency of Finland), the Academy of Finland, and the Strategic Centres of Science, Technology and Innovation will be carried out by 2013. For strategic steering, a Government working group has been established for coordination of research, foresight and assessment activities. An independent expert group will give its proposal to the national Research and Innovation Council by the end of May 2012 concerning structural reorganisation of Central Governmental research institutions.

Finland's innovation policy and measures in general are geared towards speeding up the development, commercialisation and take up of new technologies. **Key Enabling Technologies** (KETs) are an integral part of public technology and innovation programmes funded by Tekes, and the Technical Research Center of Finland (VTT) and Finnish universities have competencies in all KETs. A new strategic programme on promoting

[14] Innovation Union Scoreboard, 2011.

[15] The share of **high-growth innovative companies** in Finland remains a key policy priority in the new Government Programme. Despite Finland's technological sophistication, its current performance in nurturing high-growth companies could be improved.

Finnish cleantech business has been launched in 2012, which complements the existing Strategic Programmes for the Forest Sector and the Welfare Sector.

Overall the reforms of the national innovation system seem to be well in line with Government innovation guidelines for 2011-2015. However, a strong policy commitment will be needed also in the future to carry out the reforms in a rapidly changing environment. Notwithstanding the past strong Finnish R&D and innovation performance, without a significant increase in the number of innovative high growth entrepreneurial firms, Finland's ranking as an EU innovation leader risks declining. In the short term, it will also be crucial to exploit and disseminate the extensive ICT know-how also in other industries in Finland, including the public sector. Moreover, attracting Foreign Direct Investment (FDI) is an increasingly important topic since tangible investments in manufacturing in Finland have been contracting more than in other EU countries. By 2013 a report is expected on Finland's model for sustainable growth, which will provide an important contribution to the multiple reforms.

Finland undertakes to programme the next generation of the EU **Structural Funds'** strategies more closely in line with the Europe 2020 strategy. The contribution from the Funds is relatively small in comparison to national public investments in Finland, but the scarcity of national resources allocated to regional development underlines the importance of the Funds in this sphere. The support is concentrated on thematic priorities linked to smart growth (45 %) and inclusive growth (30 %). Smart growth resources have been allocated mainly to: promoting innovation and smart specialisation (16 %); removing obstacles to growth of SMEs (11 %); and strengthening RTD (10 %). Under inclusive growth, developing a skilled workforce responding to labour market needs and promoting lifelong learning represent 21 % of the total and promoting social inclusion and combating poverty represent 7 %. Experience in implementing the Structural Funds in Finland highlights the need for better coordination within the country and with neighbouring Member States, in particular in the context of the EU Strategy for the Baltic Sea Region.

Energy, transport, infrastructure and environment

Finnish **energy policy** is broadly in line with the main European policy guidelines. Considering its economic structure and climate conditions, the energy efficiency level of the country is good. In accordance with the RES Directive, Finland has committed itself to a target of 38 % of renewable energy sources in final energy consumption and a 10 % share of renewable energy in the transport sector by 2020. To meet these targets, the country relies heavily on biomass.

Finland should finalise transposition of the Renewable Energy Sources Directive and notify all transposition measures to the Commission as soon as possible. Finland should also submit its Progress Report, which was due in December 2011, pursuant to Article 22 of the Directive.

Finland is a major importer of Russian electricity and an interconnection with Estonia is being developed. Finland sees greater use of nuclear energy and renewable energy sources as a means to reduce its energy dependence. Regarding gas supply, interconnection with Estonia could still be beneficial, as it would increase the size of the regional gas market.

Under the Europe 2020 Strategy, Finland has committed itself to **reducing greenhouse gas** (GHG) emissions in non-ETS (emission trading scheme) sectors by 16 % (compared to 2005) by 2020. Up to 2010, emissions were reduced by 5.0 % (compared to 2005). According to

Finland's latest projections based on existing measures, the country is expected to reduce GHG emissions by 13.1 % (compared to 2005) by 2020, thereby falling short of the target by 2.9 pp.

Further reductions in direct and indirect GHG emissions could be achieved by 2020 by full implementation of the existing EU waste legislation, leading to reductions of between 1.5 (full implementation) and 2.6 Mt CO_2eq (optimised scenario) compared to their 2004 level (equivalent to 2 % — 3.3 % of total GHG emissions). Furthermore, such measures could create more than 4 800 jobs in Finland and increase the annual turnover of the waste sector by over EUR 500 million.

The 2011 Commission Staff Working Document already indicated that further steps to trigger **energy efficiency** refurbishments of existing buildings would be useful. According to the new coalition government's programme adopted in June 2011, one of the government's objectives is to secure energy-efficient cogeneration of electricity and heat (district heating and cooling), as well as to improve the existing energy grant scheme for residential buildings, so that even those on low incomes will have the opportunity to replace heating systems with renewable sources and carry out energy renovations.

The main objective in **transport** is to provide sufficient capacity for the increasing needs of freight and passenger transport while achieving the national GHG target. Given the continuing growth since 1990, and the overall importance of the sector regarding emissions in non-ETS sectors, Finland may still need to design and implement further regulatory measures to reduce emissions from transport. Major work is already in progress on the road and railway networks, in ports and at border stations.

3.5. Modernisation of public administration

Finland was ranked the best performing country on government effectiveness in the EU27 in 2011, with excellent scores in the quality of public administration in general, thanks to its regulatory system, impartiality, and quality of services.[16] However, supporting flexibility and encouraging more competition in shielded private and public service sectors through further product and labour market deregulation would contribute to stronger productivity. Thus, public sector productivity could be enhanced by offering a wider choice of services to citizens. Providers of services could be selected through public procurement.

In the area of public administration, the Council recommended that further measures should be taken to achieve productivity gains and cost savings in public service provision, including structural changes, in order to respond to the challenges of an ageing population. The Finnish government has introduced a proposal for a nation-wide municipal reform. The legislative amendments required by the reform will be made in 2013 and 2014. The proposal is to merge municipalities, thus creating stronger and more efficient structures for public service provision.

Population ageing will lead to a significant rise in demand for ageing-related services, which are mostly provided by local governments in Finland. Various studies have found that

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[16] World Bank Governance Indicators 2011.

productivity improvement in public services has been in decline over the past decade compared to other parts of the economy. The Finnish authorities have already implemented several reforms to redesign public service structures and boost productivity at both the central and local government levels. They are being implemented gradually, especially at the local government level, where their impact will take several years to materialise. For instance, the relatively large investments in IT in the public sector have not yet shown up in productivity improvements, implying the need for additional structural and managerial changes.

According to its programme, the Finnish government intends to modernise public administration. Initiatives other than territorial reform include improvements to the impact, effectiveness and productivity of public services. In public administration, information technology will be updated, joint procurement increased, the efficiency of facilities improved and operating practices revised. In 2011 the government launched a broad-based development campaign for municipal productivity and effectiveness. In this connection, a set of indicators for sustainable municipal productivity will be created to assess the quality and effectiveness of municipal services.

The Finnish government is implementing an action plan to reduce the **administrative burden** on businesses by 25 % by 2012, where developing e-government plays a key role. Transactions between businesses and the authorities will be brought together to operate in line with the 'one-stop-shop' principle and all key business services will be covered by 2013. There has been progress in some priority areas towards the 25 % reduction target, but overall progress is slow. A follow-up study will be finalised in spring 2012 and a government decision on continuing the action plan is expected in autumn 2012. There is still room for improvement with respect to the Finnish point of single contact. The amount of information available through the portal is generally very good, but the possibilities for online completion of procedures are partly missing.

There has been considerable progress in e-procurement. A new law on electronic auctions and dynamic procurement procedures is expected to reduce bureaucracy while speeding up public procurement procedures. There are several e-procurement solutions in Finland and the whole procurement process can be run electronically by all contracting authorities. Electronic publication of notices has been obligatory in Finland since 2007 (electronic HILMA portal). Access for SMEs is promoted through guidance, which is one of the priorities for the public procurement advisory unit funded partly by the Ministry of Employment and the Economy. However, Finland scores moderately well for use of e-procurement in the stages before the award of contracts.[17]

The new policy measures are relevant for both the AGS 2012 priorities on promoting growth and competitiveness and Finland's country-specific recommendation on public sector efficiency. Taking into account the significance of the problem in the context of an ageing population and diminishing labour force, even more ambitious measures might be needed.

4. OVERVIEW TABLE

2011 commitments and summary assessment

[17] 'Digitising public services in Europe: Putting ambition into action', 9th Benchmark Measurement, December 2010. Report prepared for European Commission.

	2011 commitments	Summary assessment
CSRs	1. Continue the fiscal consolidation using any windfall revenue to reduce the deficit, while taking additional measures to maintain the fiscal position above the medium-term objective, in particular through compliance with the medium-term expenditure benchmark.	Finland has implemented the CSR. The medium–term objective is to reach a structural surplus of 0.5% of GDP. The Finnish government has given strong commitments with regard to fiscal consolidation and keeping expenditure growth under control. For nominal central government expenditure a ceiling has been introduced aiming at average growth of 1% during 2012-16. According to the 2012 Stability Programme, the general government balance will be 0 by 2015 (from -0.5% in 2011).
	2. Take further measures to achieve productivity gains and cost savings in public service provision, including structural changes, in order to respond to the challenges arising from population ageing.	Finland has partially implemented the CSR. Significant local government reform proposals have been introduced. A central government productivity programme is being implemented. Targets have been set for the programme up to 2015.
	3. Target active labour market measures better on the long-term unemployed and young people.	Finland has partially implemented the CSR. From 2012 and with full implementation from 2013, all young people under 25 and all recent graduates under 30 will be provided with a job or training, study placement, workshop or rehabilitation placement no later than three months into unemployment. In order to reduce long-term unemployment, a fixed-term pilot programme has been launched in which primary responsibility for management of an individual's employment support will be transferred to the municipality/municipalities after a 12-month period of unemployment. All unemployed people's individual chances of employment will be assessed and their progress actively monitored. The share of state funding will provide an incentive to municipalities and will increase with the services offered.
	4. Take measures to improve the employability of older workers and their participation in lifelong learning. Take further steps, in consultation with social partners and in accordance with national practices, to encourage older workers to stay in the labour market, by measures to reduce early exit and increase the effective retirement age. In view of the already existing system of linking pension benefits to life expectancy, consider a link between the statutory retirement age and life expectancy.	Finland has partially implemented the CSR. Measures have been taken to increase the effective retirement age. In June 2011, a commitment to increase the effective retirement age to 62.4 years by 2025 was included in the government programme. In November 2011, the social partners concluded a framework agreement which includes measures to extend working careers and upgrade skills. In March 2012, the social partners agreed: to raise the part-time pension age limit from 60 to 61 years; to limit early retirement, to raise pension contributions by 0.4% per year in 2015-2016 and to reinforce older workers' obligations to take part in activation measures and to carry out a pension reform no later than 1.1.2017. Topics to be discussed include among other things the retirement ages, starting age for pension accrual, early retirement schemes and survivors pensions. Underpinning pension reforms by implementing measures in work places and labour markets remains a challenge. Lifelong learning measures could be targeted to ensure adequate provision for up-skilling to older workers.
	5. Take further measures to open up further the service sector, by redesigning the regulatory	Finland has partially implemented the CSR.

	framework and removing restrictions in order to facilitate new entry into service sector markets, especially in the retail sector.	Measures have been taken to increase competition, such as a new national competition law, and a new law on land use and construction. The new competition law clarifies merger control, adjusts the leniency programme and provides individuals with the right to seek damages. As part of its measures to implement structural changes, the government will initiate a broad-based project to promote healthy competition in Finland. The project will involve several sectors. The amended Competition Act (2011) will contribute to this work. Importantly, in implementing its new competition act, it is important to ensure sufficient deterrence of fines on undertakings Recent information indicates that there is still scope for improvement in addressing structural barriers to competition and in facilitating entry to the services sector, especially in retail trade. Ensuring neutrality of competition between public undertakings and private undertakings operating in the same markets is still an issue.
EPP (national commit-ments and progress)	The comprehensive restructuring of local government and services to be initiated in 2011.	A government proposal has been introduced for public discussion. Commitment implemented.
	Reimbursement to the businesses for the increase in pension insurance contributions and co-funding for daily layoff allowances to facilitate labour market agreement. Corporate tax rate will be lowered to 25%. A working life development strategy will be prepared in early 2012. Need for amendments to the legislation concerning study leave will be assessed.	Commitment implemented. Strategy not received.
	Finland undertakes to secure adequate funding for R&D and innovation, to carry out reform in higher education in 2013. It is foreseen to launch environment related business programme in autumn 2011.	No information regarding the higher education reform. The new Strategic Programme for Finland's cleantech business is being implemented. A Business Programme for the Environmental Sector has been launched in 2012.
	Measures aimed at a stricter spending limits procedure will be initiated with respect to the binding effect of budget limits and the coverage of budget rules. The aim is for the limits to apply to public finances as a whole, including local finances, and they should ensure strict control over public finances at all levels. It is planned to develop macro-prudential supervision on the basis of existing institutions and to ensure that the Financial Supervisory Authority has the requisite powers and tools to i.a. prevent excessive corporate and household debt accumulation.	No information on progress. No information on progress.

Europe 2020 (national targets and progress)	Employment rate target: 78 %	73.5 % (2009) 73.0 % (2010) The employment rate has declined since the peak in 2008. This lack of progress can be explained by the difficult economic situation following the crisis. Achieving the target will require efforts such extending working careers, preventing structural unemployment and better matching of skills. The NRP provides a trajectory till 2015: 74.5%.
	R&D target:4 % of GDP	3.92 % (2009) 3.87 % (2010) Very close to the target, but there are serious concerns about over-dependence on the investments by one firm/sector.
	Greenhouse gas (GHG) emissions target: -16 % (compared to 2005 emissions, ETS emissions are not covered by this national target)	Change in non-ETS GHG emissions between 2005 and 2010: -5 % (this data corresponds to the current ETS scope)
	Renewable energy target: 38 %	The share of renewable energy sources in final energy consumption was 30.6 % in 2008 and 30.3 % in 2009. Based on 2009 (the latest available) data, Finland still needs to step up its efforts to achieve its 2011/2012 interim target for renewables.
	Energy efficiency: reduction in primary energy consumption by 2020 (in Mtoe)	Energy efficiency objectives are set according to national circumstances and national formulations. As the methodology for expressing the 2020 energy consumption impact of these objectives in the same format was agreed only recently, the Commission is not yet able to present this overview.
	Early school leaving target: 8 %	9.9 % (2009) 10.3 % (2010) The share of early school-leavers (10.3 % in 2010) is below the EU-27 average (14.4 %). However, it stayed largely unchanged over the last decade and apparently it was not possible for the country to make any more progress on reducing it further (from 2008 to 2010 this indicator even increased by 0.5 pps.).
	Tertiary education target: 42 % (narrow national definition)	45.9 % (2009) 45.7 % (2010) In 2010 45.7 % of 30 to 34-year olds had tertiary attainment, well above the EU average. However, the plan is to exclude the technical qualifications awarded by the ‘applied sciences universities’ from the indicator in future years which will bring the figure down to 37-38 %. In this context, Finland’s target is to raise the proportion of 30 to 34-year olds having completed tertiary education to 42 % by 2020, counting university graduates only. This target

		seems to be attainable.
	Target on the reduction of population at risk of poverty or social exclusion: 150 000 persons	886 000 (2009) 890 000 (2010) According to the NRP, achieving the Europe 2020 Strategy target requires reducing the number of people at risk of poverty or social exclusion by around 150,000 people; this should be achieved through employment measures with respect to 50,000 people. The NRP does not provide milestones for achieving the target.

ANNEX

Table I. Macroeconomic indicators

	1995-1999	2000-2004	2005-2008	2009	2010	2011	2012	2013
Core indicators								
GDP growth rate	4.5	3.1	3.2	-8.4	3.7	2.9	0.8	1.6
Output gap [1]	0.2	0.8	2.7	-6.3	-3.8	-2.1	-2.1	-1.5
HICP (annual % change)	1.1	1.8	1.9	1.6	1.7	3.3	3.0	2.5
Domestic demand (annual % change) [2]	4.3	2.9	3.0	-6.1	3.1	4.3	0.9	1.3
Unemployment rate (% of labour force) [3]	12.9	9.2	7.4	8.2	8.4	7.8	7.9	7.7
Gross fixed capital formation (% of GDP)	18.6	19.4	20.7	19.7	18.9	19.2	18.6	18.9
Gross national saving (% of GDP)	23.4	27.2	26.0	20.6	20.9	21.3	20.5	20.7
General government (% of GDP)								
Net lending (+) or net borrowing (-)	**-1.5**	**4.2**	**4.1**	**-2.5**	**-2.5**	**-0.5**	**-0.7**	**-0.4**
Gross debt	**52.3**	**43.3**	**37.6**	**43.5**	**48.4**	**48.6**	**50.5**	**51.7**
Net financial assets	**17.3**	**35.8**	**63.2**	**62.8**	**64.7**	**n.a**	**n.a**	**n.a**
Total revenue	55.1	53.4	53.1	53.4	52.7	53.2	53.6	54.3
Total expenditure	56.6	49.1	49.0	55.9	55.2	53.7	54.3	54.7
of which: Interest	3.8	2.2	1.5	1.1	1.1	1.1	1.2	1.2
Corporations (% of GDP)								
Net lending (+) or net borrowing (-)	**6.3**	**4.9**	**3.3**	**4.6**	**5.7**	**3.5**	**4.1**	**4.1**
Net financial assets non-financial corporations	**-148.4**	**-166.3**	**-144.4**	**-124.6**	**-128.0**	**n.a**	**n.a**	**n.a**
Net financial assets financial corporations	**2.5**	**3.2**	**1.9**	**-0.2**	**3.6**	**n.a**	**n.a**	**n.a**
Gross capital formation	10.7	10.9	12.1	9.0	8.8	10.9	10.6	10.6
Gross operating surplus	25.1	26.4	25.6	20.9	22.1	22.7	22.8	22.7
Households and NPISH (% of GDP)								
Net lending (+) or net borrowing (-)	**-0.3**	**-1.8**	**-3.3**	**0.3**	**-0.5**	**-2.2**	**-2.9**	**-3.3**
Net financial assets	**53.2**	**67.0**	**63.0**	**61.6**	**65.5**	**n.a**	**n.a**	**n.a**
Gross wages and salaries	38.5	38.3	39.1	42.5	41.6	40.9	40.7	40.4
Net property income	3.5	4.5	4.1	3.9	4.0	4.2	3.9	3.6
Current transfers received	23.3	20.1	19.5	22.4	22.5	21.9	22.4	22.6
Gross saving	5.2	4.7	4.2	7.1	6.9	5.4	4.5	4.2
Rest of the world (% of GDP)								
Net lending (+) or net borrowing (-)	**5.0**	**7.3**	**4.0**	**2.1**	**1.5**	**-0.4**	**-0.5**	**-0.6**
Net financial assets	**76.1**	**60.7**	**16.9**	**1.9**	**-4.1**	**n.a**	**n.a**	**n.a**
Net exports of goods and services	7.8	8.2	4.4	1.6	0.9	-0.5	-0.7	-0.6
Net primary income from the rest of the world	-2.3	-0.1	0.5	1.6	1.6	1.1	0.9	0.8
Net capital transactions	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Tradable sector	46.3	46.4	44.0	39.6	40.7	40.6	n.a	n.a
Non-tradable sector	40.4	40.8	43.1	47.4	46.4	45.8	n.a	n.a
of which: Building and construction sector	4.9	5.3	6.1	6.2	5.8	5.8	n.a	n.a
Real effective exchange rate (index, 2000=100)	112.9	104.5	110.0	120.7	115.4	115.2	113.7	114.0
Terms of trade in goods and services (index, 2000=100)	106.1	100.4	92.0	92.0	89.9	87.5	87.5	87.0
Market performance of exports (index, 2000=100)	91.4	98.9	99.8	95.1	92.2	86.7	86.6	86.9

Notes:

[1] The output gap constitutes the gap between actual and potential gross domestic product at 2000 market prices.

[2] The indicator for domestic demand includes stocks.

[3] Unemployed persons are all persons who were not employed, had actively sought work and were ready to begin working immediately or within two weeks. The labour force is the total number of people employed and unemployed. The unemployment rate covers the age group 15-74.

Source :

Commission services' spring 2012 forecast

Table II. Comparison of macroeconomic developments and forecasts

	2011		2012		2013		2014	2015	2016
	COM	SP	COM	SP	COM	SP	SP	SP	SP
Real GDP (% change)	2.9	2.9	0.8	0.8	1.6	1.5	2.1	1.9	1.7
Private consumption (% change)	3.3	3.3	1.7	1.0	1.0	1.1	1.8	2.0	2.0
Gross fixed capital formation (% change)	4.6	4.6	-1.2	-1.0	2.8	2.2	2.4	1.9	1.6
Exports of goods and services (% change)	-0.8	-0.8	1.9	0.5	4.8	2.7	5.0	4.5	4.0
Imports of goods and services (% change)	0.1	0.1	2.3	0.7	3.9	2.2	3.5	3.4	3.2
Contributions to real GDP growth:									
- Final domestic demand	2.9	2.9	0.9	0.6	1.3	1.2	1.6	1.7	1.6
- Change in inventories	1.3	0.3	0.0	0.2	0.0	0.0	-0.1	-0.1	-0.2
- Net exports	-0.3	-0.3	-0.2	-0.1	0.3	0.2	0.6	0.4	0.3
Output gap[1]	-2.1	-1.9	-2.1	-1.8	-1.5	-1.3	-0.4	0.3	0.7
Employment (% change)	1.2	1.1	-0.1	-0.3	-0.1	0.1	0.4	0.1	-0.1
Unemployment rate (%)	7.8	7.8	7.9	8.0	7.7	7.9	7.7	7.4	7.3
Labour productivity (% change)	1.7	1.7	0.9	1.1	1.7	1.4	1.6	1.8	1.8
HICP inflation (%)	3.3	3.3	3.0	3.0	2.5	2.4	2.0	2.0	2.0
GDP deflator (% change)	3.6	3.6	2.7	2.8	2.1	2.5	2.3	2.1	2.1
Comp. of employees (per head, % change)	2.7	3.6	3.3	2.9	3.3	2.5	3.0	3.5	3.5
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	-0.4	-0.3	-0.5	-0.5	-0.6	-0.2	0.2	0.2	0.1

Note:

[1]In percent of potential GDP, with potential GDP growth according to the programme as recalculated by the Commission services.

Source :

Commission spring 2012 forecasts (COM); Stability programme (SP).

Table III. Composition of the budgetary adjustment

(% of GDP)	2011	2012		2013		2014	2015	2016	Change: 2011-2016
	COM	COM	SP	COM	SP	SP	SP	SP	SP
Revenue	**53.2**	**53.6**	**53.3**	**54.3**	**53.9**	**54.1**	**54.2**	**54.4**	**1.2**
of which:									
- Taxes on production and imports	14.0	14.3	14.3	14.6	14.7	14.5	14.4	14.2	0.2
- Current taxes on income, wealth, etc.	16.1	16.0	16.0	16.2	16.0	16.2	16.2	16.4	0.3
- Social contributions	12.4	12.6	12.5	12.6	12.5	12.6	12.6	12.7	0.3
- Other (residual)	10.6	10.7	10.5	10.9	10.7	10.8	11.0	11.1	0.5
Expenditure	**53.7**	**54.3**	**54.4**	**54.7**	**54.4**	**54.2**	**54.2**	**54.0**	**0.3**
of which:									
- Primary expenditure	52.6	53.1	53.1	53.4	53.1	52.8	52.6	52.3	-0.3
of which:									
Compensation of employees	13.9	13.9	13.8	13.8	13.6	13.4	13.2	13.0	-0.9
Intermediate consumption	11.1	11.1	11.2	11.3	11.3	11.3	11.3	11.4	0.2
Social payments	20.3	20.9	20.8	21.1	20.9	21.0	21.0	21.1	0.8
Subsidies	1.4	1.4	1.4	1.4	1.3	1.3	1.3	1.2	-0.2
Gross fixed capital formation	2.5	2.5	2.5	2.5	2.5	2.4	2.4	2.3	-0.2
Other (residual)	3.4	3.3	3.3	3.3	3.5	3.5	3.4	3.3	-0.1
- Interest expenditure	1.1	1.2	1.3	1.2	1.3	1.4	1.6	1.7	0.6
General government balance (GGB)	**-0.5**	**-0.7**	**-1.1**	**-0.4**	**-0.5**	**-0.1**	**0.0**	**0.4**	**0.9**
Primary balance	**0.6**	**0.5**	**0.2**	**0.8**	**0.8**	**1.3**	**1.6**	**2.0**	**1.4**
One-off and other temporary measures	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
GGB excl. one-offs	**-0.5**	**-0.7**	**-1.1**	**-0.4**	**-0.5**	**-0.1**	**0.0**	**0.4**	**0.9**
Output gap[2]	-2.1	-2.1	-1.8	-1.5	-1.3	-0.4	0.3	0.7	2.8
Cyclically adjusted balance[2]	0.5	0.3	-0.2	0.3	0.2	0.1	-0.1	0.0	-0.5
Structural balance[3]	**0.6**	**0.3**	**-0.2**	**0.3**	**0.2**	**0.1**	**-0.1**	**0.0**	**-0.5**
Change in structural balance		*-0.2*	*-0.8*	*0.0*	*0.3*	*-0.1*	*-0.2*	*0.2*	
Structural primary balance[3]	1.7	1.5	1.1	1.6	1.5	1.5	1.5	1.7	0.1
Change in structural primary balance		*-0.1*	*-0.6*	*0.0*	*0.3*	*0.0*	*0.0*	*0.3*	
Expenditure benchmark									
Public expenditure growth[4] (real)		1.17	0.86	0.76	-0.97	0.46	1.52	n.a.	n.a.
Reference rate[5,6]		1.45	1.45	1.45	1.45	*1.45*	*1.45*	n.a.	n.a.
Lower reference rate[5,7]		0.51	0.51	0.51	0.51	*0.51*	*0.51*	n.a.	n.a.
Deviation in % of GDP from applicable reference rate		-0.15	-0.31	0.13	-0.77	*-0.03*	*0.52*	n.a.	n.a.
Two-year average deviation in % of GDP from applicable reference rate		n.a.	n.a.	-0.01	-0.54	*-0.40*	*0.24*	n.a.	n.a.

Notes:

[1]On a no-policy-change basis.

[2]Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission services on the basis of the information in the programme.

[3]Structural (primary) balance = cyclically-adjusted (primary) balance excluding one-off and other temporary measures.

[4]Modified expenditure aggregate used for the expenditure benchmark, growth rates net of non-discretionary changes in unemployment benefit and of discretionary measures.

[5]The reference rates applicable to 2014 onwards will be available from mid-2012. For illustrative purposes, the current reference rates have also been applied to the years 2014 onwards.

[6]The (standard) reference rate applies starting in the year following the one in which the country reaches its MTO.

[7]The lower reference rate applies as long as the country is adjusting towards its MTO, including the year in which it reaches the MTO.

Source :

Stability programme (SP); Commission spring 2012 forecasts (COM); Commission services' calculations.

Table IV. Debt dynamics

(% of GDP)	average 2006-10	2011	2012		2013		2014	2015
			COM	SP	COM	SP	SP	SP
Gross debt ratio[1]	**40.1**	**48.6**	**50.5**	**50.7**	**51.7**	**51.8**	**51.9**	**51.6**
Change in the ratio	1.3	0.2	2.0	2.1	1.2	1.1	0.1	-0.3
Contributions[2] *:*								
1. Primary balance	**-3.0**	**-0.6**	**-0.5**	**-0.2**	**-0.8**	**-0.8**	**-1.3**	**-1.6**
2. 'Snowball' effect	**0.2**	**-1.8**	**-0.4**	**-0.4**	**-0.6**	**-0.6**	**-0.8**	**-0.4**
Of which:								
Interest expenditure	1.3	1.1	1.2	1.3	1.2	1.3	1.4	1.6
Growth effect	-0.5	-1.3	-0.4	-0.4	-0.8	-0.7	-1.0	-0.9
Inflation effect	-0.6	-1.7	-1.3	-1.3	-1.0	-1.2	-1.1	-1.1
3. Stock-flow adjustment	**4.2**	**2.6**	**2.8**	**2.7**	**2.6**	**2.6**	**2.2**	**1.7**
Of which:								
Cash/accruals diff.				0.0		0.0	0.0	0.0
Accum. financial assets				2.7		2.5	2.4	2.4
Privatisation				-0.2		-0.2	-0.2	-0.2
Val. & residual effects				-1.7		-1.9	-2.4	-2.7
Gap to the debt benchmark[3,4]								
Structural adjustment[5]								
To be compared to:								
Required adjustment[6]								

Notes:

[1]End of period.

[2]The snowball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting, the accumulation of financial assets and valuation and other residual effects.

[3] Not relevant during the excessive deficit procedures that were ongoing in November 2011 and in the three years following the correction of the excessive deficit.

[4] If positive, the projected gross debt-to-GDP ratio does not comply with the debt reduction benchmark.

[5]Applicable only during the transition period of three years from the correction of the excessive deficit for excessive deficit procedures that were ongoing in November 2011.

[6]Remaining annual structural adjustment assuming that the COM (CP) budgetary projections are achieved.

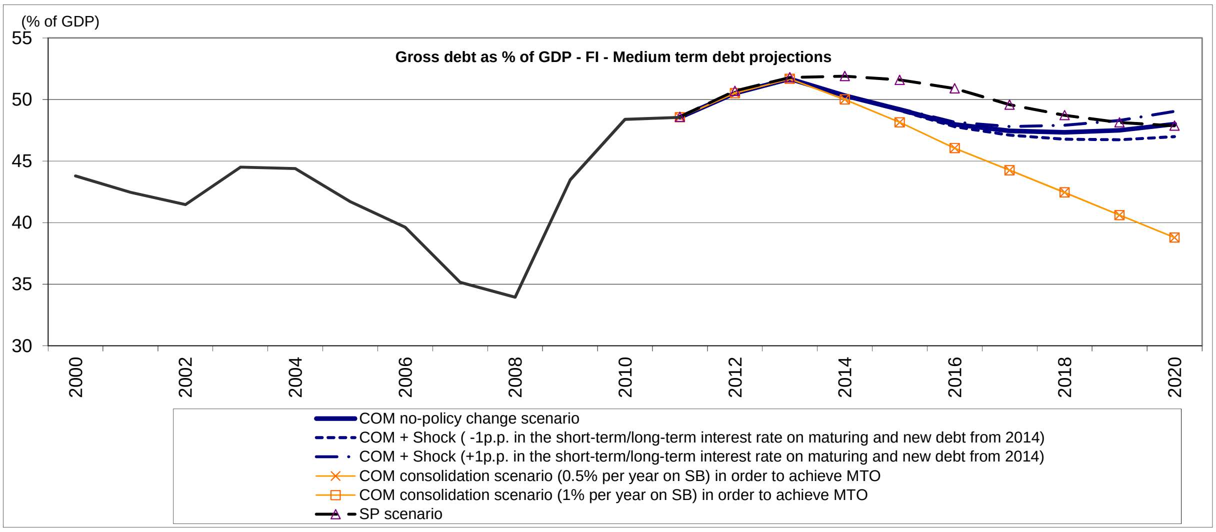
Source :
Stability programme (SP); Commission spring 2012 forecasts (COM); Commission calculations.

Table V. Long-term sustainability indicators

	FI		EU27	
	no-policy change scenario	Programme (SP) scenario	no-policy change scenario	Programme (SCP) scenario
S2	4.9	5.0	2.9	0.7
of which:				
Initial budgetary position (IBP)	-0.3	0.7	0.7	-1.6
Long-term change in the primary balance (LTC)	5.1	4.3	2.3	2.4
of which:				
Pension	2.2	1.7	1.1	1.2
Care (HC and LTC)	2.7	2.4	1.5	1.5
Others	0.3	0.3	-0.3	-0.3
S1 (required adjustment)*	1.2	0.6	2.2	-0.1
Debt, % of GDP (2011)	48.6		82.8	
Age-related expenditure, % of GDP (2011)	28.3		25.8	

Source: Commission, 2012 stability and convergence programmes.
Note: The 'no policy change' scenario depicts the sustainability gap under the assumption that the budgetary position evolves according to the spring 2012 forecast until 2013. The 'stability programme' (SP) scenario depicts the sustainability gap under the assumption that the budgetary plans in the programme are fully implemented
* The required adjustment of the primary balance until 2020 to reach a public debt of 60% of GDP by 2030.

Figure. Medium-term debt projection



Source: Commission, 2012 stability and convergence programmes.

Table VI. Taxation

	2001	2005	2007	2008	2009	2010
Total tax revenues (incl. actual compulsory social contributions, % of GDP)	44.8	43.9	43.0	42.9	42.6	42.1
Breakdown by economic function (% of GDP)[1]						
Consumption	13.2	13.6	12.8	12.8	13.2	13.1
of which:						
- VAT	8.0	8.7	8.4	8.4	8.6	8.5
- excise duties on tobacco and alcohol	1.4	1.0	0.9	0.9	1.1	1.1
- energy	2.0	1.9	1.6	1.7	1.8	1.8
- other (residual)	1.9	2.1	1.9	1.8	1.7	1.8
Labour employed	21.1	20.4	19.6	20.3	20.9	20.1
Labour non-employed	2.3	2.5	2.3	2.3	2.5	2.4
Capital and business income	7.0	6.0	6.9	6.2	4.6	5.1
Stocks of capital/wealth	1.2	1.4	1.3	1.3	1.3	1.4
p.m. Environmental taxes[2]	3.0	3.1	2.7	2.7	2.6	2.8
VAT efficiency[3]						
Actual VAT revenues as % of theoretical revenues at standard rate	58.4	60.3	59.8	57.9	55.5	52.0

Note:

1 Tax revenues are broken down by economic function, i.e. according to whether taxes are raised on consumption, labour or capital. See European Commission (2012), Taxation trends in the European Union, for a more detailed explanation.

2 This category comprises taxes on energy, transport and pollution and resources included in taxes on consumption and capital.

3 The VAT efficiency is measured via the VAT revenue ratio. The VAT revenue ratio is defined as the ratio between the actual VAT revenue collected and the revenue that would theoretically be raised if VAT was applied at the standard rate to all final consumption. A low ratio can indicate a reduction of the tax base due to large exemptions or the application of reduced rates to a wide range of goods and services ('policy gap') or a failure to collect all tax due to e.g. fraud ('collection gap'). See European Commission (2011), Tax reforms in EU Member States, European Economy 5/2011, for a more detailed explanation.

Source: Commission

Table VII. Financial market indicators

	2007	2008	2009	2010	2011
Total assets of the banking sector (% of GDP)	170.4	213.4	231.5	267.3	339.7
Share of assets of the five largest banks (% of total assets)	81.2	82.8	82.6	83.8	…
Foreign ownership of banking system (% of total assets)	65.3	69.5	67.1	…	…
Financial soundness indicators:					
- non-performing loans (% of total loans)	0.3	0.4	0.6	0.6	0.5
- capital adequacy ratio (%) [1)]	15.1	13.6	14.6	14.4	14.7
- return on equity (%) [2)]	18.0	12.1	10.0	9.2	11.2
Bank loans to the private sector (year-on-year % change)	12.4	11.6	0.9	5.7	8.6
Lending for house purchase (year-on-year % change)	12.4	8.8	6.4	6.8	6.6
Loan to deposit ratio	144.7	143.7	142.9	139.4	142.3
CB liquidity as % of liabilities	0.2	1.1	0.8	0.0	0.4
Banks' exposure to countries receiving official financial assistance (% of GDP)[4)]	0.0	0.0	0.0	0.5	0.3
Private debt (% of GDP)	88.7	93.5	103.9	104.5	106.8
Gross external debt (% of GDP) [4)]					
- Public	30.1	30.4	36.6	42.5	42.4
- Private	42.7	54.4	50.6	50.8	45.3
Long term interest rates spread versus Bund (basis points)*	7.7	30.6	51.6	26.7	39.8
Credit default swap spreads for sovereign securities (5-year)*	…	28.7	38.3	29.5	49.2

Notes:

[1)] The capital adequacy ratio is defined as total capital devided by risk weigthed assets. March 2011.

[2)] The capital adequacy ratio is defined as total capital divided by risk weighted assets.

[3)] Covered countries are IE, EL, PT, RO, LV and HU.

[4)] Latest data 2011Q3.

* Measured in basis points.

Source :

Bank for International Settlements and Eurostat (exposure to macro-financially vulnerable countries), IMF (financial soundness indicators), Commission (long-term interest rates), World Bank (gross external debt) and ECB (all other indicators).

Table VIII. Labour market and social indicators

Labour market indicators	2006	2007	2008	2009	2010	2011
Employment rate (% of population aged 20-64)	73.9	74.8	75.8	73.5	73.0	73.8
Employment growth (% change from previous year)	1.8	2.0	1.6	-2.9	-0.4	1.1
Employment rate of women (% of female population aged 20-64)	71.5	72.5	73.1	72.4	71.5	71.9
Employment rate of men (% of male population aged 20-64)	76.3	77.2	78.4	74.7	74.5	75.6
Employment rate of older workers (% of population aged 55-64)	54.5	55.0	56.5	55.5	56.2	57.0
Part-time employment (% of total employment)	14.2	14.3	13.5	14.2	14.9	15.2
Part-time employment of women (% of women employment)	19.4	19.4	18.3	19.2	19.8	19.9
Part-time employment of men (% of men employment)	9.4	9.4	9.0	9.4	10.2	10.8
Fixed term employment (% of employees with a fixed term contract)	16.4	15.9	15.0	14.6	15.5	15.6
Unemployment rate[1] (% of labour force)	7.7	6.9	6.4	8.2	8.4	7.8
Long-term unemployment[2] (% of labour force)	1.9	1.6	1.2	1.4	2.0	1.7
Youth unemployment rate (% of youth labour force aged 15-24)	18.7	16.5	16.5	21.5	21.4	20.1
Youth NEET[3] rate (% of population aged 15-24)	7.7	7.0	7.8	9.9	9.0	:
Early leavers from education and training (% of pop. 18-24 with at most lower sec. educ. and not in further education or training)	9.7	9.1	9.8	9.9	10.3	:
Tertiary educational attainment (% of population 30-34 having successfully completed tertiary education)	38.5	39.3	38.3	39.4	39.2	:
Labour productivity per person employed (annual % change)	2.5	3.1	-2.2	-5.9	4.9	1.7
Hours worked per person employed (annual % change)	-0.4	-0.1	-1.0	-1.0	0.7	0.0
Labour productivity per hour worked (annual % change; constant prices)	2.9	3.2	-1.2	-4.9	4.2	1.6
Compensation per employee (annual % change; constant prices)	2.0	0.6	1.4	0.9	3.1	-0.9
Nominal unit labour cost growth (annual % change)	0.3	0.5	6.7	8.7	-1.3	1.0
Real unit labour cost growth (annual % change)	-0.5	-2.4	3.7	7.2	-1.8	-2.5

Notes:

[1] According to ILO definition, age group 15-74)
[2] Share of persons in the labour force who have been unemployed for at least 12 months.
[3] NEET are persons that are neither in employment nor in any education or training.

Sources:
Commission (EU Labour Force Survey and European National Accounts)

Table VIII. Labour market and social indicators (continued)

Expenditure on social protection benefits (% of GDP)	2005	2006	2007	2008	2009
Sickness/Health care	6.69	6.70	6.48	6.79	7.52
Invalidity	3.35	3.24	3.10	3.20	3.60
Old age and survivors	8.70	8.76	8.59	8.78	10.38
Family/Children	2.99	2.96	2.86	2.94	3.31
Unemployment	2.39	2.19	1.91	1.80	2.40
Housing and Social exclusion n.e.c.	0.28	0.27	0.24	0.42	0.49
Total	26.7	26.4	25.4	26.2	30.3
of which: Means tested benefits	1.31	1.22	1.10	1.06	1.27
Social inclusion indicators	**2006**	**2007**	**2008**	**2009**	**2010**
Risk-of-poverty or exclusion[1] (% of total population)	17.1	17.4	17.4	16.9	16.9
Risk-of-poverty or exclusion of children (% of people aged 0-17)	13.8	15.1	15.1	14.0	14.2
Risk-of-poverty or exclusion of elderly (% of people aged 65+)	23.0	23.1	23.9	23.1	19.5
At-risk-of-poverty rate[2] (% of total population)	12.6	13.0	13.6	13.8	13.1
Value of relative poverty threshold (single household per year) - in PPS	8886	9145	9933	10366	10275
Severe material deprivation[3] (% of total population)	3.3	3.6	3.5	2.8	2.8
Share of people living in low work intensity households[4] (% of people aged 0-59 not student)	8.9	8.7	7.3	8.2	9.1
In-work at-risk-of poverty rate (% of persons employed)	4.5	5.0	5.1	3.7	3.7

Notes:

[1] People at risk of poverty or social exclusion (AROPE): individuals who are at risk of poverty (AROP) and/or suffering from severe material deprivation (SMD) and/or living in households with zero or very low work intensity (LWI).

[2] At-risk-of poverty rate: share of people with an equivalised disposable income below 60% of the national equivalised median income.

[3] Share of people who experience at least 4 out of 9 deprivations: people cannot afford to i) pay their rent or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish, or a protein equivalent every second day, v) enjoy a week of holiday away from home once a year, vi) have a car, vii) have a washing machine, viii) have a colour TV, or ix) have a telephone.

[4] People living in households with very low work intensity: share of people aged 0-59 living in households where the adults work less than 20% of their total work-time potential during the previous 12 months.

Sources:

For expenditure on social protection benefits ESSPROS; for social inclusion EU-SILC.

Table IX. Product market performance and policy indicators

Performance indicators	2002-2006	2007	2008	2009	2010	2011
Labour productivity[1] total economy (annual growth in %)	**2.1**	**3.1**	**-1.5**	**-4.9**	**5.1**	**2.8**
Labour productivity[1] in manufacturing (annual growth in %)	**6.9**	**9.3**	**0.9**	**-10.9**	**10.2**	**n.a.**
Labour productivity[1] in electricity, gas, water (annual growth in %)	**3.0**	**8.3**	**-7.6**	**-3.5**	**n.a.**	**n.a.**
Labour productivity[1] in the construction sector (annual growth in %)	**1.9**	**-3.1**	**-3.6**	**-0.5**	**5.8**	**n.a.**
Patent intensity in manufacturing[2] (patents of the EPO divided by gross value added of the sector)	**3.7**	**2.9**	**2.5**	**n.a.**	**n.a.**	**n.a.**
Policy indicators	**2002-2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Enforcing contracts[3] (days)	**n.a.**	**235**	**235**	**375**	**375**	**375**
Time to start a business[3] (days)	**n.a.**	**14**	**14**	**14**	**14**	**14**
R&D expenditure (% of GDP)	**3.4**	**3.5**	**3.7**	**3.9**	**3.9**	**n.a.**
Tertiary educational attainment (% of 30-34 years old population)	**43.2**	**47.3**	**45.7**	**45.9**	**45.7**	**n.a.**
Total public expenditure on education (% of GDP)	**6.3**	**5.9**	**6.1**	**n.a.**	**n.a.**	**n.a.**
	2005	**2006**	**2008**	**2009**	**2010**	**2011**
Product market regulation[4], Overall (Index; 0=not regulated; 6=most regulated)	**n.a.**	**n.a.**	**1.2**	**n.a.**	**n.a.**	**n.a.**
Product market regulation[4], Retail (Index; 0=not regulated; 6=most regulated)	**n.a.**	**n.a.**	**3.1**	**n.a.**	**n.a.**	**n.a.**
Product market regulation[4], Network Industries[5] (Index; 0=not regulated; 6=most regulated)	**2.3**	**2.3**	**2.2***	**n.a.**	**n.a.**	**n.a.**

Notes:

[1]Labour productivity is defined as gross value added (in constant prices) divided by the number of persons employed.

[2] Patent data refer to applications to the European Patent Office (EPO). They are counted according to the year in which they were filed at the EPO. They are broken down according to the inventor's place of residence, using fractional counting if multiple inventors or IPC classes are provided to avoid double counting.

[3] The methodologies, including the assumptions, for this indicator are presented in detail on the website http://www.doingbusiness.org/methodology.

[4] The methodologies for the product market regulation indicators are presented in detail on the website http://www.oecd.org/document/1/0,3746,en_2649_34323_2367297_1_1_1_1,00.html. The latest available product market regulation indicators refer to 2003 and 2008, except for Network Industries.

[5] Aggregate ETCR.

*figure for 2007.

Source :

Commission, World Bank - *Doing Business* (for enforcing contracts and time to start a business) and OECD (for the product market regulation indicators).

Table X. Indicators on green growth

Finland		2001-2005	2006	2007	2008	2009	2010
Green Growth performance							
Macroeconomic							
Energy intensity	kgoe / €	0.25	0.24	0.23	0.22	0.22	0.23
Carbon intensity	kg / €	0.54	0.51	0.47	0.42	0.44	n.a.
Resource intensity (reciprocal of resource productivity)	kg / €	1.37	1.40	1.33	1.32	1.21	n.a.
Waste intensity	kg / €	n.a.	0.46	0.46	0.49	n.a.	n.a.
Energy balance of trade	% GDP	-1.9%	-3.2%	-2.6%	-3.5%	-2.6%	-2.9%
Energy weight in HICP	%	8	7	7	8	7	8
Difference between change energy price and inflation	%	2.9	5.5	2.1	13.6	-4.6	8.6
Environmental taxes over labour taxes	ratio	13.3%	13.1%	12.3%	11.8%	11.2%	n.a.
Environmental taxes over total taxes	ratio	7.0%	6.9%	6.4%	6.3%	6.2%	n.a.
Sectoral							
Industry energy intensity	kgoe / €	0.36	0.34	0.31	0.31	0.32	n.a.
Share of energy-intensive industries in the economy	% GDP	12.8	12.8	12.6	11.7	10.6	n.a.
Electricity prices for medium-sized industrial users	€ / kWh	0.05	0.05	0.05	0.06	0.07	0.07
Public R&D for energy	% GDP	n.a.	0.04%	0.08%	0.09%	0.11%	n.a.
Public R&D for the environment	% GDP	n.a.	0.02%	0.02%	0.01%	0.02%	n.a.
Recycling rate of municipal waste	ratio	n.a.	40.1%	44.4%	46.8%	49.5%	n.a.
Share of GHG emissions covered by ETS	%	n.a.	56.0%	54.4%	51.4%	51.7%	n.a.
Transport energy intensity	kgoe / €	0.39	0.42	0.41	0.39	0.41	n.a.
Transport carbon intensity	kg / €	1.11	1.19	1.14	1.06	1.09	n.a.
Change in the ratio of passenger transport and GDP	%	-0.7%	-3.8%	-2.0%	-1.1%	n.a.	n.a.
Security of energy supply							
Energy import dependency	%	55.3%	54.2%	53.4%	55.0%	54.4%	n.a.
Diversification of oil import sources	HHI	n.a.	0.47	0.60	0.72	0.79	n.a.
Diversification of energy mix	HHI	0.21	0.21	0.21	0.21	0.21	n.a.
Share of renewable energy in energy mix	%	22.3%	22.9%	23.0%	25.2%	23.2%	n.a.

Country-specific notes:
The year 2011 is not included in the table due to lack of data.
General explanation of the table items:
Source: Eurostat unless indicated otherwise; ECFIN explanations given below
All macro intensity indicators are expressed as a ratio of a physical quantity to GDP (in 2000 prices)
Energy intensity: gross inland energy consumption (in kgoe) divided by GDP (in EUR)
Carbon intensity: Greenhouse gas emissions (in kg CO2 equivalents) divided by GDP (in EUR)
Resource intensity: Domestic Material Consumption (in kg) divided by GDP (in EUR)
Waste intensity: waste (in kg) divided by GDP (in EUR)
Energy balance of trade: the balance of energy exports and imports, expressed as % of GDP
Energy weight in HICP: the share of the "energy" items in the consumption basket used in the construction of the HICP
Difference between energy price change and inflation: energy component of HICP, and total HICP inflation (annual %-change)
Environmental taxes over labour or total taxes: from DG TAXUD's database "Taxation trends in the European Union"
Industry energy intensity: final energy consumption of industry (in kgoe) divided by gross value added of industry (in EUR)
Share of energy-intensive industries in the economy: share of gross value added of the energy-intensive industries in GDP
Recycling rate of municipal waste: ratio of municipal waste recycled over total municipal waste
Public R&D for energy or for the environment: government spending on R&D (GBAORD) for these categories as % of GDP
Share of GHG emissions covered by ETS: based on greenhouse gas emissions as reported by Member States to EEA (excl LULUCF)
Transport energy intensity: final energy consumption of transport (in kgoe) divided by gross value added of industry (in EUR)
Transport carbon intensity: greenhouse gas emissions in transport divided by gross value added of the transport sector
Passenger transport growth : measured in %-change in passenger kilometres
Energy import dependency: net energy imports divided by gross inland energy consumption incl. of international bunkers
Diversification of oil import sources: Herfindahl index (HHI), calculated as the sum of the squared market shares of countries of origin
Diversification of the energy mix: Herfindahl Index over natural gas, total petrol products, nuclear heat, renewable energies and solid fuels
Share of renewable energy in energy mix: percentage-share in gross inland energy consumption, expressed in tonne oil equivalents