



**LEONARDO DA VINCI**  
**Community Vocational  
Training Action Programme**  
**Second phase: 2000-2006**



**Guidance and Counselling for Self-  
employment. "SELF-EMPLOYMENT"**  
**Agreement No 2004-2242 / 001-001 LE2-51OREF**

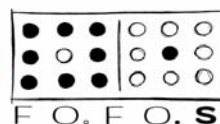
**Desk study report on:  
State of the art of Self-Employment in Finland  
(Project Deliverable 2.1)**

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Deliverable version: Final  
Preparation date: 16<sup>th</sup> May, 2005  
Author: SBI  
Classification: Public access  
Contract Start date: 1<sup>st</sup> October 2004  
Duration: 36 months  
Project coordinator: ASM (Poland)  
Partners: FO.FO.S (Austria), Small Business Institute (Finland), AJOFM (Romania), DJUG (Romania)



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This project is financially supported by the European Commission



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## 1 Introduction

This desk study report on the state of the art of self-employment in Finland is a part of a Leonardo da Vinci project “*SELF-EMPLOYMENT - Guidance and Counselling for Self-Employment*”. The aim of the whole project is to identify the location and the value of guidance and counselling services aimed at people considering self-employment. The project partners are from Austria, Poland, Romania and Finland. In the whole project we define self-employment as a one-person company.

It is very important to research self-employment. Micro, small and medium-sized enterprises are socially and economically important, as they represent 99 % of all enterprises in the EU and provide around 65 million jobs and contribute to entrepreneurship and innovation. (SME Definition 2003.) In practice, the swift from self-employment to any form of business employing more than one person is crucial to do research on. Over 80% of all business starts from one-person company.

The main target groups of the self-employment project are 1) *students* that have just graduated and will soon graduate who consider self-employment, 2) *unemployed* people that consider self-employment, and 3) *people that are working* somewhere else at the moment, but consider self-employment as a future option.

There are several different ways to define self-employment. Definitions of the terms “self-employment”, “small business” and “entrepreneurship” are difficult to agree upon and they also tend to change when used in concrete situations. (Kovalainen 1993.)

There are three dimensions that distinguish self-employed from employees: sociological, legal and statistical. The *sociological* characteristics concern ownership of the means of production, autonomy of work and the expropriation of labour power of others. The *legal* definitions of self-employment concern mostly the facts of ownership and control over work. In the Finnish *statistics* there is no unambiguous definition for self-employment. This is a common problem; the same difficulty is apparent in many countries. (Kovalainen 1993.)

In the European Commission’s definition for the small and medium-sized enterprises the self-employment (one-person companies) are not mentioned. The European commission presents following definitions (SME Definition 2003):

- Medium-sized enterprises have fewer than 250 employees. Their annual turnover should not exceed 40 million or their annual balance-sheet total should be less than 27 million.
- Small enterprises have between 10 and 49 employees. They should have an annual turnover not exceeding 7 million or an annual balance-sheet total not exceeding 5 million.
- Micro-enterprises are enterprises, which have fewer than 10 employees.

Entrepreneurship is often considered to be the engine of the welfare of different economies. The society does benefit from a greater number of high-performing, successful self-employed people (Johansson 2000). Many changes in the society have increased the importance of entrepreneurship and self-employment also in Finland. For example, depression in the 1990's, globalisation and developments in the European Union have caused many changes in the Finnish business environment and the society as a whole. (Yrittäjyyskatsaus 2004.)

There are also many other changes taking place, e.g. the population is ageing and the regional structure of Finland is changing. These transformations bring forward the need for new kinds of services and products. Additionally, the public sector is less eager to produce all services itself. The services are more frequently obtained from the private sector. (Yrittäjyyskatsaus 2004.) For example these changes bring forward new possibilities and challenges for self-employment.

The Finnish government has formulated an Entrepreneurship Policy Programme as a part of the government's economic and industrial policy. The target is to generate a business environment that will enhance start-ups, growth and internationalisation of enterprises. They also aim to offer enterprises appropriate conditions for long-term investments and employment. The programme consists of five sub-sectors (Entrepreneurship Policy Programme 2004):

1. Entrepreneurial training and consultancy
2. Establishment, growth and internationalisation of enterprises
3. Entrepreneurial taxes and payments
4. Regional entrepreneurship
5. Provisions governing entrepreneurship and the functioning of markets

Many of the aims of the Entrepreneurship Policy Programme concern also self-employment in Finland.

The main research question in this desk study report on Finland is: *What is the state of the art of self-employment in Finland?*

This research question can be divided into the following three sub-questions:

- a) How is self-employment defined in Finland?
- b) What kind of national support for and actions on self-employment are there?
- c) National and international research made on self-employment?

The first sub-question will be answered in chapter two. The second sub-question is discussed in chapter three and the third one in chapter four. In chapter five a summary and conclusions will be presented.

## 2 Descriptions and definitions

In this chapter the Finnish society will be described in the contexts relevant to self-employment and also the present state of self-employment and entrepreneurship as a whole will be described.

### 2.1 Finland in the context of self-employment

Finland has often ranked high on international competitiveness rankings<sup>1</sup>. This is due to e.g. availability of high quality labour and scientific and technological expertise. Numerous international surveys also point out that the interaction between Finnish companies and universities provide benefits for the society as a whole. (Invest in Finland 2005.) Finland is also an economy with a very strong pattern of paid employment.

In the following sub-chapters more characteristics of the Finnish society and the economy in the context of self-employment are outlined. The aim is to identify the context in which the main target groups of this project<sup>2</sup> are and on which societal and economical facts do they make decisions regarding self-employment.

#### **Economy**

Finland has made a remarkable transformation from a farming and forest industry based economy into a diversified modern industrial economy in the 21<sup>st</sup> century. As a member of the European Union, Finland was the only Nordic country to join the euro system at its initiation in 1999. (The World Fact Book 2005.) Finland has a highly industrialized, free-market economy, with per capita output roughly that of the United Kingdom, France or Germany. The key economic sector in Finland is manufacturing, predominantly the wood, metals, engineering, telecommunications, and electronics industries. Trade is important, with exports equalling one-third of gross domestic production (GDP). (The World Fact Book 2005.)

The Finnish economic growth, which stood at 2,3 % in 2002, slowed to 1,9 % in 2003. This is substantially lower than during the boom period of the late 1990's, but still higher than the EU average of 0,7 %. GDP growth is forecasted to pick up in 2004, reaching 2,9 % in 2004, mainly as a result of a moderately increased EU demand for Finnish exports. Investment is expected to stabilize after sharp falls in 2002 and 2003, as companies respond to a strengthening global economy. However, the strength of any positive stimulus from the external sector will to a large extent depend on the fortunes of the ICT sector - in particular Nokia<sup>3</sup> - and the forestry

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<sup>1</sup> E.g. the World Economic Forum ranked Finland number one in its Global Information Technology Report 2002-2003. (<http://virtual.finland.fi>)

<sup>2</sup> 1) *Students* that have just graduated and will soon graduate who consider self-employment, 2) *unemployed* people that consider self-employment, and 3) *people that are working* somewhere else at the moment, but consider self-employment as a future option

<sup>3</sup> [www.nokia.com](http://www.nokia.com)

sector. (Finpro 2005.) The 1990's recession brought some changes to the Finnish economy: global competition entered the Finnish economy at all sectors.

### ***Population***

There are 5,2 million people in Finland. Demographic data indicates that the Finnish population is quickly ageing, faster than in most European countries. This will bring along a substantial extra burden on public financing in terms of pensions and other expenses related to the ageing population. (Consumer Lifestyles in Finland 2004; Finpro 2005; World Fact Book 2005.)

The rapid ageing of the Finnish population will carry along several challenges to the society. The Finnish welfare system will not be able to support the ageing population as well as today unless reforms are introduced. The ageing population naturally requires more care and resources than a younger population. In addition, the Finnish welfare system is rather generous at present. The ability to finance the current system through taxation is in obvious decline. Taxes are already high, which hinders the introduction of new taxes. (Consumer Lifestyles in Finland 2004.)

### ***Education***

The Finnish education system consists of comprehensive school, post-comprehensive general and vocational education, higher education and adult education. (The Finnish education policy 2005.) The educational level of the Finnish population has traditionally been high. Nearly all of the adult population have completed primary level education. Today, the majority of Finns complete at least secondary level education. Thus, the share of those completing only primary level of education is decreasing. The share of the population completing higher education grew considerably over the period of 1990–2003. Over one million Finnish people have completed higher education in 2003, representing a rise of 62% from 1990. (Consumer Lifestyles in Finland 2004.)

### ***Employment and unemployment***

The Finnish labour market is characterised by a low employment rate. The inactivity and unemployment rates for both women and men are rather high. In 2003, only 49% of the male population was in work, down from 54% in 1990. The rapidly decreasing share of working men is mainly attributable to the general ageing of the population. The low birth rate is not likely to be enough to replace the existing workforce. Currently, Finnish people retire at the age of 60, compared with the average age of around 65 years in other European countries. As a result, certain measures are needed in order to keep the older population longer at work. (Consumer Lifestyles in Finland 2004.) In the beginning of 2005 the pension system in Finland was reformed with an aim to keep the employees longer at work.

Youth unemployment especially has remained at a very high level in Finland. In 2003, nearly 40% of unemployed men were under 30 years old. Current youth

unemployment is highly attributable to declining labour demand in general. Also, due to the higher level of education, the expectations of young citizens may be sometimes unrealistic regarding job prospects. (Consumer Lifestyles in Finland 2004.) The unemployment, especially among the young people, brings forward needs and opportunities to self-employment.

### ***Gender differences***

Finnish women have always worked. Childcare services are nowadays good, which increases the women's possibilities to work. However, the Finnish economy is highly segregated according to gender. (Kovalainen 2003.)

The share of working women was 44% of the total female population in 2003. This development is partly a result of women's improving educational levels. The female population in Finland is increasingly focusing on a work career, instead of staying home with the children. There is a long tradition of working women in Finland. Today, women are increasingly taking jobs, which were traditionally dominated by men, e.g. managerial positions. However, men and women still follow rather different career paths. Men are still most likely to be managers, senior officials or in skilled trades. Women have greater presence e.g. in sales and distribution, hotels and restaurants, insurance and banking. (Consumer Lifestyles in Finland 2004.)

### ***Geography***

Finland is located in Northern Europe, bordering the Baltic Sea, Gulf of Bothnia, and Gulf of Finland. Finland is between Sweden, Russia and Norway (See the map of Finland in Appendix 1). The capital of Finland is Helsinki. The urbanisation of Finland continues to be strong. In 2000, the population in urban locations reached nearly 3.5 million, compared to slightly over three million in 2000. The share of the urbanised population is expected to continue to grow dynamically, reaching nearly four million by 2015, which would represent nearly 75% of the total population. (Consumer Lifestyles in Finland 2004; Finpro 2005; The World Fact Book 2005.)

### ***Juridical and political environment***

The civil law system is mainly based on Swedish law. The president may request the Supreme Court to review laws. Finland is a parliamentary democracy with a republican constitution. The legislative power of the country is exercised by parliament and the president of the republic. The president is elected by popular vote for a six-year term. Finland is divided into 446 self-governing municipalities. (Finpro 2005; World Fact Book 2005.)



## **History and languages**

Finland was a province and then a grand duchy under Sweden from the 12th to the 19th centuries and an autonomous grand duchy of Russia after 1809. Finland was declared independent in 1917 (Finpro 2005; World Fact Book 2005.)

In Finland Finnish and Swedish are official languages. 93.4% the population speaks Finnish as their mother tongue and 5.9% Swedish. Most of Finns speak also English fluently. (World Fact Book 2005.)

## **Salaries and taxes**

The wage bargaining process in Finland is highly centralised. Although there is no legislation setting a minimum wage in Finland, a contractual minimum wage is a part of each agreement negotiated at the industry level, which is then subject to extension to non-organised workers. The pay settlement normally sets the annual increase in the minimum wage, which typically rises along with other wages. The minimum wage has contributed to a highly compressed wage structure. Inequality is the lowest of any industrialised country. But there is mounting evidence that high minimum wages and the attendant compressed wage structure have reduced the affordability of low productivity workers such as youth and those with low skills. (Consumer Lifestyles in Finland 2004.)

Tax treatment varies depending on the form of the business. Direct taxation may affect the choice of enterprise formation. The major direct taxes are the state income tax and wealth tax payable to the State and the municipal income tax payable to the appropriate Municipality (Table 1). When determining the tax burdens falling on different forms of business, attention must also be paid to the tax burden of the entrepreneur. The joint effect only determines which form of business is the most profitable in terms of taxation. Just recently the Finnish Government decided to reduce the rate of corporate tax in the country by three percentage points, to 26%. (Consumer Lifestyles in Finland 2004; Enterprise Finland 2005.)

**Table 1: Taxation in Finland in 2004 (%)** (Tax Administration of Finland)

Corporate tax	29% (soon to be 26%)
State income tax	0% on first EUR11,599
	12% on EUR11,600-14,400
	16% on EUR14,401-20,000
	22% on EUR20,001-31,200
	28% on EUR31,201-55,200
	35% on excess
Municipal tax	15.5-19.75%
Church tax	1-2.25%
Tax on capital gains	29 %



## **Pensions**

In accordance with the Self-employed Persons' Pensions Act (YEL), entrepreneurs are obligated to take out a pension insurance. YEL insurance must be taken out within six months of starting any business operations within the scope of YEL. YEL insurance is taken out through a pension insurance company. (Finnish Centre for Pensions 2005)

## **Internet and e-mail**

The number of online households has increased by over 50% over the 2000-2003 period. The trend is expected to continue increasing. In 2003, the exact number of Internet users was about 2.6 million in Finland. (Consumer Lifestyles in Finland 2004.) The Internet is a very important factor in the self-employment situation in Finland. If one does not have Internet access at home or at work, the Internet is available to everyone through the libraries and municipal service centres. Importantly, nearly all information, forms and contact information on self-employment can be accessed through the Internet. Another important factor is that most of the Finnish people use e-mail.

## **2.2 Self-employment in Finland**

As mentioned earlier there is no unambiguous definition for self-employment in the Finnish statistics. This is a common problem. The same difficulty is apparent in many countries. (Kovalainen 1993.)

In Finland the preconditions for entrepreneurship are estimated favourable. Even so, the amount of entrepreneurs is low in Finland, especially among academics<sup>4</sup>. Recently, it has been recognised, that universities have a contact surface to the highly educated group of people, which are of a lot of interest from the entrepreneurship point of view. It has been noticed, that the highest-potential new enterprises are often created by highly educated persons because they possess high level of knowledge and they are often better exposed to business opportunities (Arenius et al. 2001). In this project, however, all kinds of forms of self-employment are looked into, not only e.g. academic self-employment.

Traditionally entrepreneurship has been seen practically oriented and entrepreneurs are understood more as “doers” than “thinkers”. Also, the research history of entrepreneurship has been concentrated on individual’s entrepreneurial characteristics, which are seen rather stable and unchangeable. Lately, entrepreneurship is understood more likely as certain skills and knowledge, which can be developed or even produced through a relevant education.

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<sup>4</sup> Academic entrepreneurship is a varied concept and it can indicate several things. In literature the term academic entrepreneurship is widely used to indicate entrepreneurial activity of employees in a university. In addition to the actual creation of an organisation contract research, consultancy, patenting and licensing, product testing services as well as the establishment of spin-offs can be considered as entrepreneurial activity. (Jones-Evans & Klofsten 1999.)

In the following sub-chapters the Finnish enterprise structure is outlined, the entrepreneurial activity in Finland described, and the Finnish situation in self-employment is explained.

### **Enterprises in Finland**

Today there are more enterprises in Finland than ever before. At the end of 2003, the total number of enterprises (excluding agriculture) was approximately 230,400. The number has been on the increase since 1995. Still, the number of enterprises per capita is lower in Finland than in the countries with high entrepreneurial activity. The number has increased most in real estate and business services, social and health care services and in other personal services. (Yrittäjyyskatsaus 2004.)

International studies indicate that promotion of growth entrepreneurship is decisive for improvement of economic growth and employment. Certain comparisons show that 3–5 per cent of new firms may create even 75 per cent of the total number of jobs created by new enterprises. In Finland, the strengthening of growth entrepreneurship requires e.g. improvement of business and management skills alongside technological expertise. Among others, this again calls for increasing research into growth entrepreneurship and deepening of its various aspects. (Yrittäjyyskatsaus 2004.)

Table 2 presents the structure of enterprises in different branches in Finland in 2002. Trade, technical services and other business activities, and construction were the branches with the largest amounts of enterprises in 2002. (Statistics Finland, Business Register.)

**Table 2 Enterprises in different branches in Finland in 2002** (Statistics Finland, Business Register)

Branch	Enterprises		Personnel		Turnover	
		%	1 000	%	€mil.	%
Agriculture, hunting, forestry and fishing	7 747	3,4	20	1,5	2 643	1,0
Industry	25 423	11,2	417	31,7	103 979	37,9
Construction	30 131	13,3	122	9,3	16 203	5,9
Trade	46 823	20,7	235	17,8	89 685	32,7
Hotels and restaurants	10 113	4,5	50	3,8	4 279	1,6
Transport, storage and communications	23 246	10,3	149	11,3	22 521	8,2
Financial intermediation and insurance	3 045	1,3	44	3,3	-	-
Real estate and renting activities	11 625	5,1	26	2,0	4 930	1,8
Technical services and other business activities	32 762	14,5	160	12,1	15 410	5,6
Other branches	35 678	15,7	93	7,0	14 645	5,3
<b>All branches</b>	<b>226 593</b>	<b>100</b>	<b>1 315</b>	<b>100</b>	<b>274 295</b>	<b>100</b>

Table 3 shows the size of personnel in Finnish enterprises in 2002. 92,9% of the enterprises have only 0-9 employees in them.

**Table 3 The size of personnel in Finnish enterprises in 2002** (Statistics Finland, Business Register)

Size of personnel	Enterprises		Personnel		Turnover	
		%	1 000	%	€mil.	%
0- 9	210 484	92,9	322	24,5	45 786	16,7
10- 49	13 237	5,8	256	19,4	44 464	16,2
50-249	2 303	1,0	232	17,6	52 480	19,1
250-499	310	0,1	110	8,3	25 749	9,4
500-	259	0,1	397	30,2	105 815	38,6

The statistics in Table 3 are compatible with the European Commission's SME Definition (2003). The Commission also states that *medium-sized enterprises* have fewer than 250 employees, and their annual turnover should not exceed 40 million or their annual balance-sheet total should be less than 27 million. *Small enterprises* have between 10 and 49 employees. They should have an annual turnover not exceeding 7 million or an annual balance-sheet total not exceeding 5 million. And, *micro-enterprises* are enterprises, which have fewer than 10 employees. (SME Definition 2003.)

It is also very important to look how many of the companies do not survive the competition or other market conditions. Table 4 presents the bankruptcy petitions in Finland in 2002. In 2002 there were 2,885 bankruptcy petitions and 2,769 in 2003.

**Table 4 Bankruptcy petitions in Finland 1990-2003** (Statistics Finland, Bankruptcy Statistics)

1990	3 634	1997	3 612
1991	6 255	1998	3 138
1992	7 391	1999	3 080
1993	6 861	2000	2 908
1994	5 545	2001	2 793
1995	4 700	2002	2 885
1996	4 296	2003	2 769

### ***Entrepreneurial activity in Finland***

According to the Labour Force Survey, the number of entrepreneurs was 213,000 (excluding agriculture) at the end of 2003. Entrepreneurs accounted for nine per cent of total employment. In Finland in 2003 6,9% of the adult population is either trying to start a new business or running a new business. (Arenius, Autio & Kovalainen 2003; Yrittäjyyskatsaus 2004.)

In 2003 female entrepreneurs amounted to 71.000 which is more than ever before. Development of service firms is an important challenge for Finland. The share of private service trades of both production and employment is low on the international scale. Business services with growth potential still employ a relatively low number of persons compared to the other developed countries. More high-quality business services will also be needed to support the growth and internationalisation of enterprises. (Yrittäjyyskatsaus 2004.)

According to the Global Entrepreneurship Monitor (GEM)<sup>5</sup> study, out of the 31 participating countries, Finland scores the fifteenth on the total entrepreneurial activity level<sup>6</sup>. Finland belongs to the top-ranking European countries. Of the Nordic countries, Finland scores in the middle. (Arenius, Autio & Kovalainen 2003.)

Men are entrepreneurially most active during the age of 25 years to 34 years in Finland. Women are entrepreneurially most active during the age of 35 to 44 years. Increasing education appears to be associated with a higher level of entrepreneurial activity, particularly for men. (Arenius, Autio & Kovalainen 2003.)

Great variability exists in the distribution of opportunity and necessity entrepreneurship. The opportunity entrepreneurs tend to be more dominant in the high-income countries while necessity entrepreneurship is prevalent in low-income countries. Accordingly, countries with a low ratio of opportunity to necessity entrepreneurship will have low per capita GDP. (Acs, Arenius, Hay & Minniti 2004.)

The entrepreneurial activity in Finland is mostly opportunity driven. As also listed in Table 5, of the entrepreneurially active respondents in the GEM study in 2003, 86% report *opportunity driven motivation* for their entrepreneurial activity and only 10% indicated *necessity motivations* for their activity. Both men and women report high levels of opportunity motivation for their activity. All Scandinavian countries report a low level of necessity entrepreneurship. (Arenius, Autio & Kovalainen 2003.)

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<sup>5</sup> The Global Entrepreneurship Monitor GEM is a unique, global initiative that explores relationships between entrepreneurship and economic growth. It produces globally comparable data on the entrepreneurial potential of nations, thereby providing an unparalleled source of annually updated data and reference material for economic policymakers interested in entrepreneurship.

<sup>6</sup> Total Entrepreneurial Activity rate (TEA) represents the sum of nascent and new entrepreneurs as a proportion of the adult population.

**Table 5 TEA according to opportunity, necessity and by gender 2001 – 2003** (Arenius, Autio & Kovalainen 2003)

	TEA	Opportunity of TEA	Necessity of TEA	Men opportunity	Women opportunity
2001	9,3	79 %	10 %	78,80 %	78,70 %
2002	4,6	85 %	8 %	80,50 %	92,00 %
2003	6,9	84 %	9 %	75-80%	74-100%

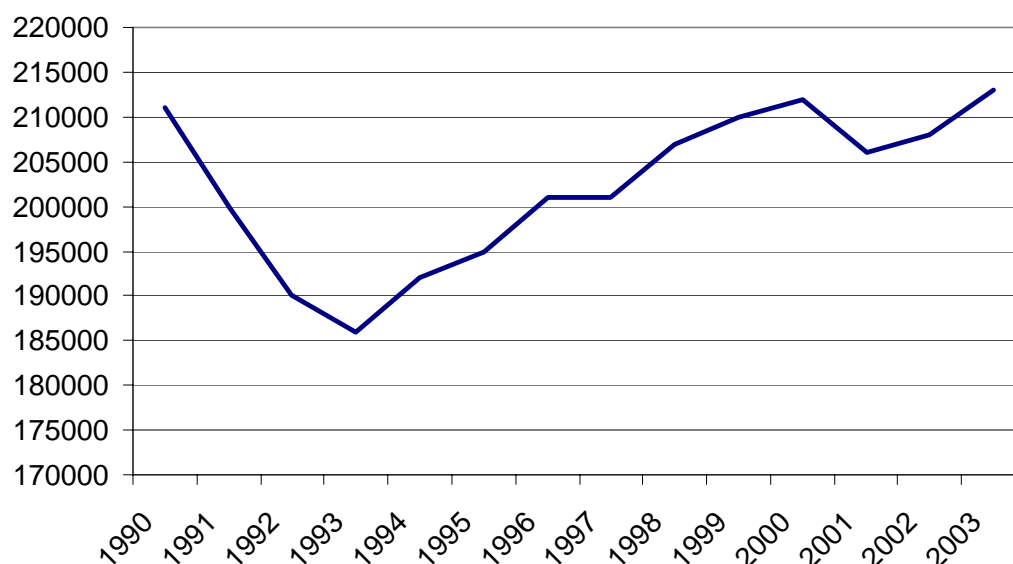
In Table 6 there are presented some statistics on the amounts of employed persons, employees, self-employed persons and unpaid family workers in 2004 and 2003 in Finland.

**Table 6 Employed persons, employees, self-employed persons and unpaid family workers in 2004 and 2003 in Finland** (Statistics Finland)

1 000 persons	2004/12	2003/12	2004/12 - 2003/12 Change, %
<i>Employed persons</i>	2 336	2 336	0,0
<i>Employees</i>	2 035	2 028	0,3
<i>Self-employed persons and unpaid family workers</i>	301	308	-2,1
<i>- of whom in agriculture and forestry</i>	80	81	-1,1

In Table 7 the total amount of entrepreneurs in Finland in 1990-2003 is described.

**Table 7 Entrepreneurs in Finland in 1990-2003** (Statistics Finland)



## Self-employment

Self-employment is often regarded rather challenging in Finland. The working hours seem to be long and the amount of work rather huge. There can be found statements like this in the Finnish media: *“Tiina Leinonen is a typical self-employed person. She has not kept record of the hours that she has worked and she has given the whole of herself to the company.”* (Luonto on valtava voimanlähde 2002.)

However, self-employment is rather common in Finland. As it is stated in Table 8, there were in 2003 124,000 self-employed persons in Finland. At the same time the number of entrepreneurs with employees was 89,000.

**Table 8 Entrepreneurs with employees and the self-employed in 1997-2003 in Finland**  
(Statistics Finland)



In Finland there seems to have been no restrictions on the legality of self-employment, contradictory to e.g. some Eastern European countries during the communist era.

Parkkinen (2000) has examined the differences in earnings between entrepreneurs and individuals *exiting* self-employment in Finland. The results suggest that higher expected rise in earnings depends on the educational level. The effects of an exit on income growth are highly significant in the group with the lowest educational attainment. The socio-economic status of a wage worker is also a significant determinant of income growth. The higher the socio-economic status after the exit, the higher is the difference in income growth compared with income growth of the entrepreneurs. In the group of entrepreneurs with medium or high education, the income growth of the exiting persons is significantly stronger than the income growth of those continuing as entrepreneurs only if they switch to a work with a high socio-economic status. Males have significantly higher rise in earnings, excluding the group of those with the highest education. Age has no significant influence on income growth.

Self-employment is an important option in the work careers of many. It may be seen as a learning process. The children of parents who owned a business are more likely to see such a career as more acceptable than working for someone else. Family background may provide self-confidence and social support, a supply of resources needed by the business, and strategic capacity to learn and organise for new activities. The movement to self-employment may also simply arise because children tend to inherit family firms. (Niittykangas & Tervo 2002.)



### 3 National support for and actions on self-employment

The public administration supports and promotes the operations and operating environment of businesses in different ways - developing the business environment and helping new enterprises are important areas of development. The varying needs of an enterprise in the different stages of its life cycle are also taken into account in the measures undertaken by the public administration to support entrepreneurship. The public administration and various organisations in different sectors of industry provide support and advisory services for those considering starting up their own business. Business start-ups may qualify for a start-up subsidy or training subsidies. Advisory and funding services are available for small and medium-sized enterprises (SMEs) or rural business enterprises that want to develop, broaden or internationalise their operations. (Suomi.fi... 2005.) There are hardly any support, actions, or services tailor-made for one-person-companies. They are all more or less addressed to all SMEs.

The available public business advisory services are targeted to all firms but particularly SMEs. The usage rate of business advisory services among certain customer segments such as individuals with low level of vocational training, firms operating in the service sector and firms having difficulties to cope is low and these groups need to be emphasized in the public business advisory service schemes. To enhance new enterprise activity it would be good to take part-time entrepreneurs, young entrepreneurs and highly educated as a special target groups. (Harju & Pukkinen 2004.)

There are the following national actions taken to promote entrepreneurship in Finland:

- The Government of Finland has at present an *Entrepreneurship Policy Programme*. The main objectives are to safeguard a stable and predictable operational environment for enterprises and to ensure that the resources available for promotion of entrepreneurship in various administrative branches will be utilised to the full. The programme underlines the importance of enterprises and entrepreneurs in the construction of economic growth and employment. More details can be found in English here: <http://www.valtioneuvosto.fi/vn/liston/base.lsp?r=40240&k=en>.
- The Government of Finland had an *Entrepreneurship Programme* in 2000-2003. The entrepreneur programme aimed at start-ups and growth-oriented entrepreneurship. Nine ministries were involved and also the Association of Finnish Local and Regional Authorities. It was coordinated by the Ministry of Trade and Industry. More details can be found in Finnish here: <http://www.te-keskus.fi/web/ktmyht.nsf/0/2A02F2A074CE8AF6C2256A4200483367?OpenDocument>.

Government's entrepreneurship programme is an example of the long-standing interest and actions on entrepreneurial activities in Finland.

In the following sub-chapters many regional and local initiatives are presented (chapter 3.1), the different forms of supporting are listed (chapter 3.2), many services offered are described (chapter 3.3), and also training possibilities are outlined (chapter 3.4). I should be noted however that many of the following are connected to each other.<sup>7</sup>

### 3.1 Regional or local initiatives

There are and have been several different kinds of regional and local initiatives on self-employment. However, they are not usually only aimed at self-employment. It is more common that they are aimed at SMEs as a whole and all people considering entrepreneurship; not only to people considering self-employment.

- In addition to the national actions, the different local or regional organisations also have or have had entrepreneurship programmes. Two examples are presented here:  
*The entrepreneurship programme in Lapland* in 2004-2006 on which more details can be found here in Finnish: <http://www2.te-keskus.fi/new/lap/Yritt%C3%A4jyshanke/etusivu.htm>  
*The entrepreneurship programme in South Ostrobothnia* in 2000-2006 on which more details can be found here in Finnish: <http://etelapohjanmaa.fi/teemat/uusi/yrittajyys/yrittajyys.PDF>
- There are also specific initiatives regarding women, young people etc. Two examples are presented here:  
*URBANET* is a *female entrepreneurs' network*. More details can be found here in Finnish: <http://www.urbanet.edupoli.fi/etusivunteksti.html>  
In 2003-2004 there was a program for *young people* in the municipal of Perho. More details can be found here in Finnish: <http://www.kase.fi/nuortenyrittajyshanke/?sivu=hanke>

### 3.2 Supporting

There is a wide range of supporting services available. Here also, the main characteristic of the Finnish system is that most of the information on the supporting can be found on the Internet.

- *The Finnish Jobs and Society association* (Suomen Jobs and Society ry). Through this network support for new business enterprises is offered. More details in Finnish: <http://www.uusyrittyskeskus.fi/default.asp>.

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<sup>7</sup> The Internet links in sub-chapters 3.1-3.4 are not included into the reference list at the end of this paper. They are only presented here. If available, the web pages that can be reached through the Internet links are in English. However, if that is not possible, the web pages that can be reached through the Internet links are in Finnish, or in some cases in Swedish that is the other official language in Finland.

- *The Employment and Economic Development Centres* help to sustain Business Activities in Finland. The centre contributes to the development of its region by financing its client companies' investment and development projects and, more generally, projects aimed at enhancing their operational framework and the rate of employment within the private sector. More details in English: <http://www.te-keskus.fi/web/ktmyht.nsf/FrameSetENG?OpenFrameSet>
- *Finnvera* plc is a specialised financing company owned by the State of Finland. It provides services to supplement the Finnish financial market. Finnvera's task is to promote the development of enterprise, regions and the exports of Finnish companies. Finnvera carries out this task by improving the range and versatility of financing options available to enterprises through loans, guarantees and export credits. More details can be found here in English: <http://www.finnvera.fi/index.cfm?id=3>
- Finland's *Regional Councils* are statutory joint municipal authorities operating according to the principles of local self-government. The Councils operate as regional development and regional planning authorities and are thus the units in charge of regional planning and looking after regional interests. More details and links to the local Regional Councils can be found in English in: <http://www.reg.fi/english/engindex.html>
- *The Foundation for Finnish Inventions* supports and helps private individuals and small entrepreneurs residing in Finland to develop and exploit invention proposals. The Foundation's Invention Market provides entrepreneurs with new business and product ideas for licensing. Keksintösäätiö: yksityisten keksijöiden ja pienyrittäjien keksintöjen kehittämiseksi on riskirahoitusta. Turvaavia vakuuksia ei vaadita. The funding provided by the Foundation for developing inventions by private inventors and small entrepreneurs is risk financing. Securities are not required. The financing can be grants, support funding or loans. Per invention it generally varies between EUR 2,000 and EUR 100,000. More details in English: <http://www.innofin.com/>.
- *Ministry of Agriculture and Forestry* in Finland takes care of financial support concerning e.g. agriculture, horticulture and forestry, fisheries, game and reindeer farming, other rural industries and the development of rural areas. More details can be found here in English: <http://www.mmm.fi/english/>
- *Tekes* gives out funding that is intended for challenging and innovative projects. Tekes funding may be a low-interest loan or a grant, depending on the stage of the innovation and the nature of the proposed project. Tekes offers companies grants, capital loans and industrial loans. More details in English: <http://www.tekes.fi/eng/>
- *Ministry of Labour* is also an important supporter. E.g. the employment offices subordinate to the labour market departments are responsible for supplying and training the labour force and for giving career guidance, and also for study information services for young people and adults. More information in Finnish [http://www.mol.fi/mol/fi/01\\_tyovoimapalvelut/09\\_yrittajyys/index.jsp](http://www.mol.fi/mol/fi/01_tyovoimapalvelut/09_yrittajyys/index.jsp) and in English: <http://www.mol.fi/english/index.html>.

- *Sitra*, The Finnish National Fund for Research and Development, is an independent public foundation under the supervision of the Finnish Parliament. *Sitra*'s aim is to establish and develop Finnish enterprises that are internationally competitive and profitable. *Sitra* is able to offer such companies both development and funding services. More details can be found here in English: <http://www.sitra.fi/eng/index.asp?MM=1&DirID=62>.
- Some Unions also offer guidance. <http://www.erto.fi/tyosuhdeneuvonta/artikkelit/?x14096=2992>
- Not all support can be found on the Internet. There are also *books* that give advice and support to people considering self-employment. Two examples are presented here:  
Sutinen, Mika (1994) *Kaikki mitä olet halunnut tietää yritystoiminnasta, mutta et ole tiennyt keneltä kysyä. [All you always wanted to know about running a business, but you did not know from whom to ask]* Kuopion kauppaoppilaitos. Suomen Graafiset Palvelut Oy Ltd, Kuopio.  
Raasio, Simo – Mäkelä, Pekka – Lahtinen, Jukka (1994) *Yrittäjäoppi. [Entrepreneurial knowledge]* Gummerus Kirjapaino Oy, Jyväskylä.

### 3.3 Services

There are all kinds of services aimed at people considering self-employment. Here also it should be noted that they are not usually only aimed at self-employment. It is more common that they are aimed at SMEs as a whole and all people considering entrepreneurship; not only to people considering self-employment.

- *Enterprise Finland* website (offerered by the Employment and Economic Development Centre) for people setting up their own business. Information on drawing up a business plan, funding, training and expert services for those who want to establish a business. More details can be found here: <http://www.enterprisefinland.fi/liston/portal/page.lsp?r=3707&l=en>
- *Enterprise Agencys* that are connected by the Finnish Jobs and Society association (Suomen Jobs and Society ry). Through this network a large number of advisory services for new business enterprises is offered. More details in Finnish: <http://www.uusyrityskeskus.fi/default.asp>.
- *Tekes* and *Sitra* are involved in e.g. LIKSA-project. LIKSA offers funding for business idea development. It is a joint form of pre-seed funding from *Sitra* and *Tekes* for developing technology and competence-oriented business ideas in order to apply for capital financing to realise the business idea. More details in English: [http://www.liksa.info/eng/FMPro?-DB=news\\_.fp5&-Format=liksaetusivu.html&-SortField=date&-SortOrder=descend&public=3&lang=e&-Max=3&-Find](http://www.liksa.info/eng/FMPro?-DB=news_.fp5&-Format=liksaetusivu.html&-SortField=date&-SortOrder=descend&public=3&lang=e&-Max=3&-Find)
- *New cooperative activity and new-wave cooperatives*. Cooperatives, set-up guide, new-wave cooperatives, advice on new cooperative activity and

information service project. More details in English can be found here: <http://www.pellervo.fi/wuokko/english/index.htm>

- Some *universities* also support the starting of an own business: E.g. there is The TKK Entrepreneurs Program is a high profile entrepreneurial education program for academic researchers. It is to equip the participants with tools and skills necessary to recognize, assess and exploit the commercial potential of their research. More details in English can be found here: <http://entrepreneur.tkk.fi/>.
- *Employment and Economic Development Centres* provide many kinds of assistance, advice and consultancy for companies. For example, they help firms to set up, expand, and develop their business operations and personnel. More details in English: <http://www.te-keskus.fi/web/ktmyht.nsf/FrameSetENG?OpenFrameSet>
- *Ministry of Labour* is also an important service provider. E.g. the employment offices subordinate to the labour market departments are responsible for supplying and training the labour force and for giving career guidance, and also for study information services for young people and adults. More information in Finnish [http://www.mol.fi/mol/fi/01\\_tyovoimapalvelut/09\\_yrittajyys/index.jsp](http://www.mol.fi/mol/fi/01_tyovoimapalvelut/09_yrittajyys/index.jsp) and in English: <http://www.mol.fi/english/index.html>.
- There is relatively little private services available. An example can be found: Omayritys portaali [*Own Company Portal*]. More details in Finnish: <http://omayritys.ohoi.net/>. They promise to offer all relevant information on starting up your own business.

### **3.4 Training**

- *Enterprise Finland* offers information on trainings and consultancy like ProStart, post Start ja Designstart More information in Finnish: <http://www.yrityssuomi.fi/liston/portal/page.lsp?r=2804&l=fi&menu=2746>
- *The local Employment and Economic Development Centres* offer free of charge seminars and meetings for those that consider entrepreneurship. These seminars and courses are often organised by the local universities or other educational institutes. They also have courses that you have to pay for. More details in English: <http://www.te-keskus.fi/web/ktmyht.nsf/FrameSetENG?OpenFrameSet>.
- *Ministry of Labour* is also an important service provider of entrepreneur courses. Some information on them can be found in Finnish [http://www.mol.fi/mol/fi/01\\_tyovoimapalvelut/09\\_yrittajyys/index.jsp](http://www.mol.fi/mol/fi/01_tyovoimapalvelut/09_yrittajyys/index.jsp) and in English <http://www.mol.fi/english/index.html>. These courses are mostly targeted for the unemployed persons or persons that are threatened by unemployment.

- In this *portal* there can be found courses for adults in Finland, some of them dealing with self-employment: <http://www.tieke.fi/aiko>.
- *The Federation of Finnish Enterprises* unites Entrepreneurs and has some small (usually one day) courses on different topics relevant to self-employment, e.g. selling skills and marketing. More information in Finnish: <http://www.yrittajat.fi/sy/bulletin.nsf/courseeventlist?openview&restricttcategory=002.002>
- There are some *books* that are used in the trainings for people considering self-employment. Two examples are presented here:  
Sutinen, Mika (1994) *Kaikki mitä olet halunnut tietää yritystoiminnasta, mutta et ole tiennyt keneltä kysyä. [All you always wanted to know about running a business, but you did not know from whom to ask]* Kuopion kauppaoppilaitos. Suomen Graafiset Palvelut Oy Ltd, Kuopio.  
Raasio, Simo – Mäkelä, Pekka – Lahtinen, Jukka (1994) *Yrittäjäoppi. [Entrepreneurial knowledge]* Gummerus Kirjapaino Oy, Jyväskylä.
- *Enterprise education* has become a part of the curricula in all school levels. Hence, the universities, polytechnics, vocational institutes as well as the comprehensive school offer more and more courses and degrees in entrepreneurship. These are of course offered to the students, but e.g. most of the university courses are offered to anyone interested through the Open University system (<http://www.avoinyliopisto.fi/english/index.html>). Universities also offer entrepreneurship courses. Entrepreneurship can be studied as a major subject in five Finnish universities.



## 4 Research made on self-employment

### 4.1 Internationally

#### a) GEM, Global Entrepreneurship Monitor's researches on entrepreneurship and self-employment.

GEM research program is an annual assessment of the national level of entrepreneurial activity. Initiated in 1999 with 10 countries, expanded to 21 in the year 2000, with 29 countries in 2001 and 37 countries in 2002. It expects close to 30 national teams in 2003. The research program, based on a harmonized assessment of the level of national entrepreneurial activity for all participating countries, involves exploration of the role of entrepreneurship in national economic growth. Systematic differences continue, with few highly entrepreneurial countries reflecting low economic growth. There is, further, a wealth of national features and characteristics associated with entrepreneurial activity. They have a long list of publications on their Internet pages. GEM's Internet pages can be found in <http://www.gemconsortium.org/>.

### 4.2 In Finland

#### b) Harju, Johanna – Pukkinen, Tommi (2004) Uusien ja vähän aikaa toimineiden mikroyritysten neuvontapalvelut: selvitys julkisten ja yksityisten palveluiden kattavuudesta ja vastaavuudesta yritysten tarpeisiin. [Business advisory service for new and recently established micro firms]. KTM Julkaisuja.

Harju and Pukkinen (2004) researched the business advisory services for new and recently established micro firms. The objective of the study was to evaluate the business advisory services targeted to new and recently established micro firms in Finland. The main task was to analyse the present advisory service supply, assess the coverage of the services and their suitability to the firms' needs, explore the good practices in other EU countries and introduce recommendations for measures to be taken to improving the service to fit better the firms' needs.

#### Identified problems:

- At the establishment phase practically all Finnish micro firms uses some kind of advisory services. After that phase, however, the use of services tends to decline.
- Those firms who have used business advisory services report relatively high satisfaction with them. Thus, those firms who do not use the services should be drawn into using them by removing barriers to access.
- The resulting increase in the use of public and private services calls for resources from the public actors.



**Solutions:**

- In Finland an open and critical discussion on the allocation of existing services should be conducted.
- The public sector should profile themselves as service providers for the recently established firms and offer services at the start-up phase.
- Additional services are needed for giving the new entrepreneurs mental support for coping with the critical start-up phase.
- Public sector should also improve firms' access to services for the overall development of their business.
- Concerning the public business service structure, there is no need for new service organizations. Instead, it is important to secure the operational preconditions of the existing ones and to focus on coordinating their activities.
- The role of the public sector should be further developed from that of a service producer to that of a service coordinator and financier. The objective of the public sector ought to be to catalyse the new and recently established firms' use of privately organized business advisory services as well as the support of peer and mentor firms.

**c) Kovalainen, Anne (1993) At the margins of the economy. Women's Self-Employment in Finland 1960-1990. Publications of the Turku School of Economics and Business administration. Series A 9:1993.**

Kovalainen (1993) has researched women in the economy both as entrepreneurs and self-employed persons. Her study sets out to analyse the general picture and conditions under which a self-employed woman is defined, and to look at how this description corresponds to the sketch of self-employed women by empirical data. The study also analyses the position of self-employed women in the Finnish economy.

**4.3 What kind of research would be needed**

There is relevantly little research on one-person companies, and that is how self-employment is defined in this project. So, there definitely is a need for this project and self-employment should be researched more elsewhere also.

## **5 Summary and conclusions**

This desk study report on the state of the art of self-employment in Finland is a part of a project called Self-Employment, i.e. "Guidance and counselling for self-employment". The project partners are from Austria, Poland, Romania and Finland and respectively there will be desk study reports made on each of these countries. In the whole project self-employment is defined as a one-person company.

Self-employment is a very important research topic. Micro, small and medium-sized enterprises are socially and economically very important, as they represent 99 % of all enterprises in the EU and provide around 65 million jobs and also contribute a great deal to entrepreneurship and innovation. In Finland 92,9% of the enterprises have only 0-9 employees in them. This indicates that the amount of self-employment companies is very high, but unfortunately there are no statistics available on the precise amount of the self-employed.

Finland has often ranked high on international competitiveness listings. This is due to e.g. availability of high quality labour and scientific and technological expertise. On the other hand, the ageing of the population and unemployment can be considered problems in Finland. Self-employment may hold in it new possibilities for example young people that are unemployed or fear unemployment after their studies. The aim of this project is to identify the location and the value of guidance and counselling services aimed at people considering self-employment. The information collected in this project is likely to improve the conditions for the people considering self-employment.

The main characteristic of the Finnish system is that most of the information on the supporting, initiatives, services etc. can be found on the Internet. There are and have been several different kinds of regional and local initiatives on self-employment. However, they are not usually only aimed at self-employment. It is more common that they are aimed at SMEs as a whole and all people considering entrepreneurship; not only to people considering self-employment. There is a wide range of supporting services available.

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## Appendixes

### Appendix 1: The map of Finland (Finpro 2005)

