

EVA RAPORTTI

"From Brain Drain to Brain Circulation – top professionals as a key resource of Finnish economy"

ENGLISH SUMMARY

By Project Coordinator Kati Heikinheimo

The Finnish knowledge society needs highly educated professionals in order to survive in the global competition. In this EVA Report, researcher, EVA Fellow Mika Raunio discusses the risks and consequences of not being an important option for cosmopolitan top experts. He also presents numerous concrete and effective policy recommendations for enhancing Brain Circulation that benefits Finnish companies and society. The key target is developing Finland into an internationally attractive place to work and live.

The Finnish government has established a national strategy for becoming a knowledge society. Reaching this target necessitates economical, infrastructural, technical and, of course, human resources. According to this EVA Report, Finland has not succeeded in investing in highly educated professionals. There have been ambitious goals on e.g. providing even 70% of Finns with academic education, but efforts on keeping those most highly skilled on the Finnish job market have been insufficient. Every year, Finland has lost several hundred highly educated experts *more* than it has managed to attract. Even if the latest statistics suggest that this "brain balance" is improving, Finland still needs to actively advance its attractiveness on the global job market – especially in view of the population's ageing and the emerging labour shortage.

Is Asia the next Expert Magnet?

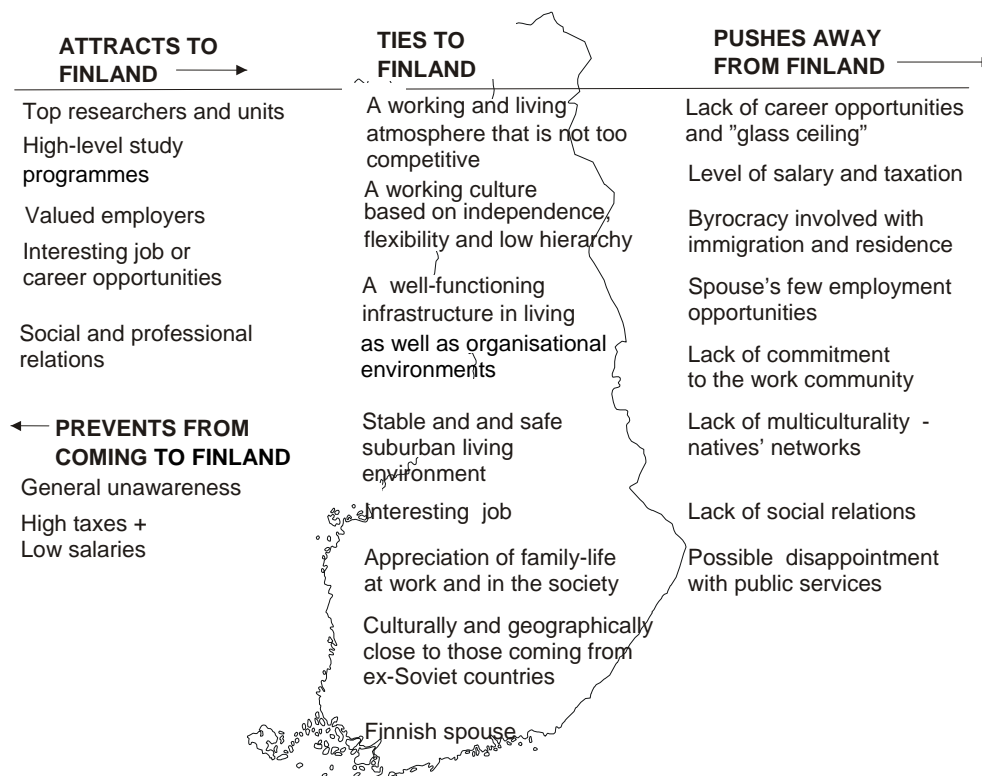
The traditional immigrant magnet has been the United States with over 7.8 million foreign professionals. This accomplishment is not only based on broad career opportunities and economic incentives of the American society: since the 1950's the US government has actively aimed to recruit university students and researchers. In 1995, for example, over half of those that obtained science doctorates were non-US citizens.

However, during the last few years the United States has gone through a rapid change regarding its role on the global expert job market. Due to tightening immigration policies the number of work permits and visas for science and financial professionals has declined markedly.

In this situation, China and other Asian countries are slowly moving away from being "drainers" to becoming "gainers". China's strategy has been to lure back emigrants that have acquired education and work experience in the Western world. Out of the 580 000 that left the country in order to study at Western – mostly American – universities, over 130 000 have returned. The current rate is about 20 000 to 30 000 returnees per year. As in the case of United States, this accomplishment has also resulted from specific policies and programmes.

Finland is far from *The Option*

Mika Raunio argues in his report that Finland must also undertake an active role in attracting foreign experts as well as returnees. The first step is creating a statistic device for following the flows of professionals incoming to and departing from Finland. The second step is setting the objectives and introducing activities at public, private and academic sectors.



Currently, despite of being a safe, stable society and even on top of international competitiveness indexes, Finland is not particularly attractive in the eyes of foreign experts. The figure above illustrates the countries main "push" and "pull" elements for foreigners. Many of these also apply to Finnish natives working abroad.

Incentives needed

Moving to the outer corner of Europe, to a foreign country with a strange language and very limited career opportunities is a big step for most cosmopolitan top professionals. These drawbacks must be compensated with financial or other incentives. Yet those working Finland are currently faced with a combination of relatively low salaries and high income taxation. Out of the twelve "old" EU countries only Spain has a lower yearly average salary (28 300 e) than Finland (36 060 e).

Today, most professionals are not able to relocate with lucrative expatriate contracts. Therefore, this inability to offer sufficient financial rewards has an unfortunate impact on Finland's attractiveness on the global employment market.

When it comes to taxation¹, Raunio believes that it is not fair to make temporary immigrants pay for the Finnish society's free education, health care and other services they use very little. He calls for further implementation of the life cycle perspective in taxation. These incoming experts bring with them high level education, knowledge and experience – their main contribution to the Finnish society is certainly not their tax euros.

Since 1996, a so-called *key personnel income taxation* of 35% has been applied on foreign experts with higher salaries. This is one of the most specific and effective ways to promote top professional immigration. However, the implementation of this practice is very infrequent. Thus

¹ The highest income tax level (57,8%) is applied already when yearly salary exceeds 60 800 euros (ETLA 2005)

Raunio proposes lowering both the applied percentage to 28%² as well as the minimum salary limit from 5 800 e to 4 500 e per month. In addition, the time limit of the tax's implementation should be five years instead of two.

Breaking off glass ceilings

When something else than skills and potential are hindering a person from being recruited or promoted, the term "glass ceiling" is often used. It is an obstacle one can see through, but cannot break through. Unfortunately, many foreigners face this problem in Finland.

Different sectors have different kinds of glass ceilings. Multinational enterprises portray the *mosaic* model, where units can have varying practices. In large part, they depend on unit managers who make recruiting decisions. Their attitudes can range from being a pioneer in diversity management to strong favouring of compatriots.

In small and medium size enterprises, the glass ceiling is often made of *bulletproof* material: foreign experts are nearly absent from the Finnish SME sector. At the academic sector, the glass ceiling has *trapdoors* that can only be detected and used by Finns that are familiar with this system. These same transparent obstacles exist for returnees as well as i.e. Finns that have studied and worked abroad. Sometimes some of the demanded qualifications (such as a degree from a Finnish university or Swedish language proficiency) can be impossible to meet.

Raunio argues that in order to secure Finnish companies' and universities' competitiveness, employers must realize the value of diversity. One potential initiative for tackling this issue is founding a *Skylight* –project, whose objective is to spread awareness and best practices of diversity management and fight against glass ceilings.

Universities as global magnets

In the global competition for attracting the best professionals to a certain area, universities have a central role. This can be seen in the cases of e.g. Stanford University (near Silicon Valley), and Switzerland's top universities. During studies, people relocate and even adjust much easier to a new place than when they are already in the working world and have families. Therefore, it is crucial to keep improving our higher education system and invest in cultivating top study programmes into international flagships. Luring foreign students is not an end in itself: the main target is ensuring that the best possible expertise is available in the Finnish working world.

The key word in ensuring universities' international attractiveness is *quality*. Raunio lists the main elements that are necessary. Firstly, the application process should be truly international. Universities should also make efforts to build strong international networks. This same objective of diversity applies to the composition of teaching staff. In addition, the volume of personnel resources is currently insufficient and decreasing.

Lastly, the above mentioned require adopting term fees. Not only they provide one additional channel of financing, but also affect the image and reputation of the study programme. Those free of charge may raise suspicions on the quality of education. Of course, a study grant programme must be included in the system.

A new era of immigration policy

In the past years, many countries suffering from insufficient brain gain have readjusted their immigration policies. In 2004, Finland also introduced a new immigration legislature applying to those arriving from outside the EU and ETA-area. The new law includes several important elements that facilitate work-based immigration.

² The overall income tax in Finland has lowered by about 5% since 1996, therefore special tax levels should also be updated.

Another challenge the Finnish society has when it comes to luring top experts is the lack of necessary services. According to Mika Raunio, the incoming foreigners - especially when they have families - are not receiving the services they need for adapting to Finnish society and culture. This leads to numerous problems: there are not suitable schools for children, spouses have difficulties finding a job, taking care of necessary arrangements at Finnish public offices can seem overwhelming etc. And of course, building a social network may prove to be difficult.

Hot-spot of global economy... or Jurassic Park?

Significant CHANNELS	Revolving Door Networks direct top experts to the country, but lack of appreciation and incentives hinders settling down	Global Hot-spot Open society which harbours diversity, is able to make the most of it and also rewards expertise	
	Jurassic Park Skills and expertise are not valued; traditional mind-sets and practices impede connecting to global networks	Clamshell A society that tries to isolate itself and remain a separate islet in the globalising world	
Limited	INCENTIVES		Significant

The initial suggestion for this report project came from **EVA Junior Fellows** who were very concerned with Finland's brain drain. Junior Fellows are young and talented students or researchers. They include both Finns studying abroad as well as foreigners having a special interest on Finland. Many of them have personal experiences of the challenges described in

³ For more, see: <http://oulu.ouka.fi/efa>

Raunio's report. A questionnaire study was conducted among EVA Junior Fellows in order to complement Mika Raunio's vast empirical background data.

The project's organizing committee consisted of the following members: **Georg Ehrnrooth** (EVA), **Mika Ihamuotila** (Sampo), **Kari Jalas** (Central Chamber of Commerce), **Karl-Erik Michelsen** (Lappeenranta Technical University), **Hannu Seristö** (Helsinki Business School), **Vesa Vainio** (UPM) and **Mervi Virtanen** (Ministry of Labour).

Four Tasks for fighting Brain Drain and promoting Brain Circulation

- 1)** Understanding the **consequences of Brain Drain** and Finland's role on the global job market for highly skilled professionals
- 2)** Turning Finland into a **working environment** that interests and rewards top professionals
- 3)** Internationalizing the Finnish **university sector** and developing top master's programmes that are internationally appealing and have strong connections to Finnish business life
- 4)** Creating services of a new global economy era, where immigrating experts, students and their families need tailor-made **assistance in adapting to a new society and culture**