



Ilkka Haavisto

EVA ATTITUDE AND VALUE SURVEY 2013

– *Finns' Opinions on Growth Policies and the EU*

Summary of Key Findings

EXECUTIVE SUMMARY

EVA's 2013 Attitude and Value Study focused on the public perception of structural reforms aimed at strengthening economic growth. The results indicate that the Finns are fairly ready to boost growth through such measures. At the same time people are strongly against austerity measures and cuts in public service expenditures.

Half of the Finns (50%) would accept raising the retirement age by at least two years to 65. Almost one in two (45%) accept a significant cut in corporate income taxes. The majority (53%) would also reduce the earned income taxation.

Finns' attitudes towards EU membership have remained fairly positive. Nearly half (46%) of the respondents relate positively towards EU membership, one fourth (27%) neutrally and another fourth (25%) negatively. Although support for membership has declined slightly from last year, the result is the second most positive during Finland's membership era. Every second Finn supports the euro as well.

All these results become clear from the fresh Attitude and Value Survey of the Finnish Business and Policy Forum EVA.

The report *Kadonneen kasvun metsästäjät* was published March 19, 2013 and is part of the series of EVA's value and attitude research studies on the EU, started in 1984. It has been written by Mr Ilkka Haavisto from EVA. The following summary includes a few of the main results selected from the wide-ranging study. The report (in Finnish) can be read in its entirety on EVA's website www.eva.fi.

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Finns willingness to carry out austerity measures is limited

Finland's budget deficit is growing. Finns do not, however, support the idea that central government should apply stringent austerity measures. Over a third of the Finns (36%) think that Finland's rapidly growing central government debt must be brought under control quickly, regardless of what kind of cuts in benefits and welfare this entails for citizens (Figure 1). Slightly more (42%), however, feel that there is no need for rapid cuts.

Finns feel that the situation will not, however, improve by itself. The vast majority (78%) agrees with the notion that to succeed in the future, Finland will need a clear long-term programme implemented with the broad support of different social groups (Figure 2A). Very few (4%) are against such an objective.

People nevertheless seem to be hoping that no one will have to give up much of anything. Only three in ten (31%) agree with the idea that we should all compromise on our own interests to safeguard our country's international competitiveness (Figure 2B). Four out of ten (42%) reject the idea, and quite a few do not take a stand.

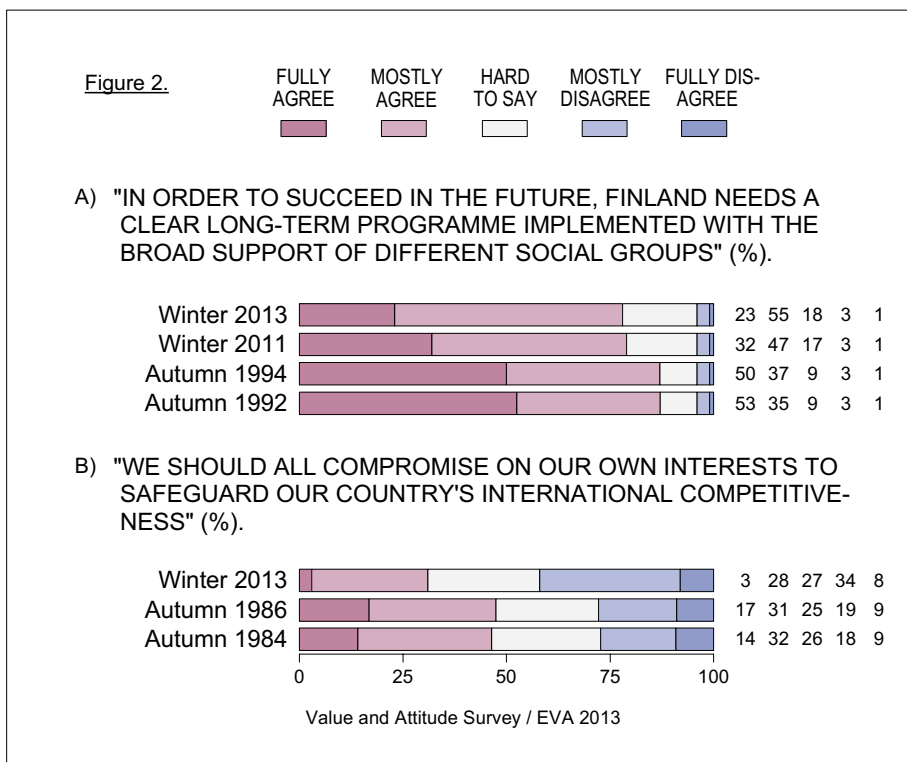
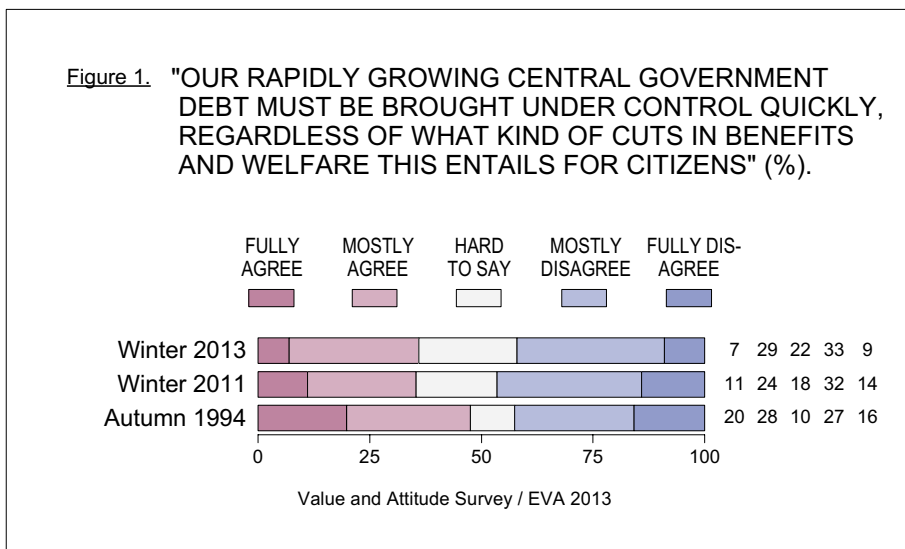
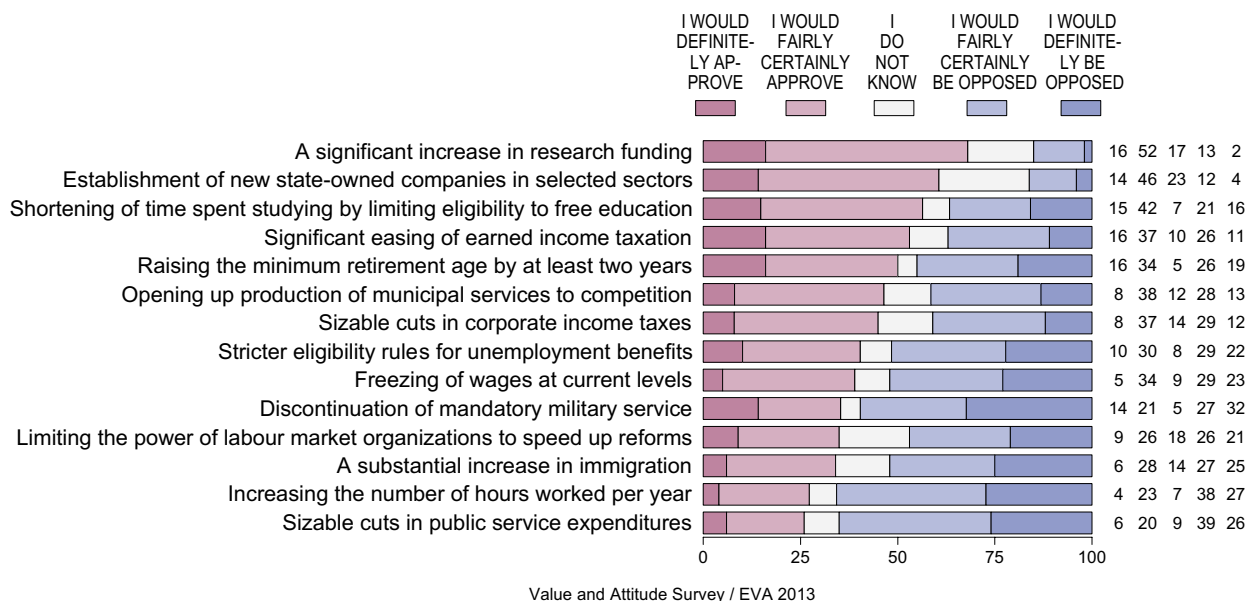


Figure 3. FINLAND'S RETURN TO AN ECONOMIC GROWTH PATH MAY REQUIRE FAR-REACHING SOCIAL REFORMS AND STRUCTURAL CHANGES IN THE COMING YEARS. TO WHAT EXTENT WOULD YOU APPROVE OF THE IMPLEMENTATION OF THE FOLLOWING MEASURES? (%).



The study also investigated in more detail the attitudes of Finns toward reform proposals currently being discussed in the public debate. Respondents were asked to express to what extent they would you approve of the implementation of fourteen different measures (**Figure 3**).

The results confirm that many of the solutions are disliked by voters. Finns' stance is nevertheless far from one of complete rejection. Many of the proposals have broad support. There were even a few surprising results.

Half would approve raising the retirement age

Possibly the most surprising result can be found at number five on the list. Every other Finnish person (50%) would be willing to accept raising the minimum retirement age by at least two years. Slightly fewer (45%) oppose raising the age limit.

So far, raising the minimum retirement age has not really gained support in Finnish polls gathering views on the issue in different ways and using different questions. For example, in EVA's 2011 Attitude and Value Survey, 78% thought it was a poor means of increas-

ing the amount of work done. The present result may indicate a turning point in Finnish attitudes towards raising the retirement age. However, the question divides demographic groups dramatically.

Another bold idea is number three on the list. The majority, almost six in ten (57%) would be prepared to aim at shortening study times by restricting the right to free education. More than a third oppose this measure (37%).

Measures ranking at the top of the list, in positions one, two, and four do not require direct sacrifices from Finns, and are thus relatively easy to accept for the majority of the population.

These include a significant increase in research funding (68% approve), as well as the establishment of new state-owned companies in selected sectors (60%). These measures would be opposed by only about one-sixth of the population.

Significant cuts in income taxation would also suit the majority (53%), even though this would be opposed by almost four in ten (37%), who are apparently fearing that a large tax cut would not be a free lunch, but rather could lead to tax revenue cuts and, consequently, cuts in public services and transfers cuts.

Cuts in corporate tax are guardedly supported

Questions six and seven on the list call for two measures that received guarded support. The opening up production of municipal services to competition (46% approve) and sizable cuts in corporate income taxes (45%) did not get a green light from the majority, but there were nevertheless fewer opposing these proposals than those approving.

Finns did not, however, approve of all the proposals. Stricter eligibility rules for unemployment benefits would be acceptable to four out of ten (40%), but half (51%) would leave the conditions as they are. The figures are almost identical for the freezing of wages at (39% approve, 52% against).

The proposals toward the end of the list begin to generate more disapproval. Discontinuation of mandatory military service is supported by more than a third (35%), but six out of ten (59%) do not see it a sensible means of boosting the employment rate. A substantial increase in immigration would be accepted by a third (34%), but the majority (52%) are opposed to such a measure.

Opinions are very polarized about limiting the power of labour market organizations. In Finland, the labour market organizations have a significant amount of power regarding labour issues compared to many other countries. More than a third (35%) would be willing to limit the power of labour market organizations to speed up implementation of reforms. Slightly less than half (47%) oppose such a measure while one-fifth express no opinion.

Finally, at the end of the list are two proposals, increasing the number of hours worked per year (27% approve, 65% oppose) and sizable cuts in public service expenditures (26%, 65%) that are rejected rather categorically with the exception of certain demographic groups.

Tax competition or not?

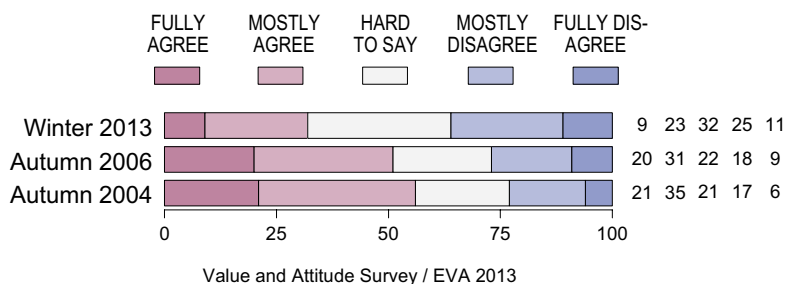
The results show that many Finns support both payroll tax reductions as well as sizable cuts in corporate income taxes, with some reservations.

In practice, this would mean that Finland would reactivate its participation in international tax competition, in which Finland has not been a mere bystander before either. During the last couple of decades, payroll taxes have been cut steadily over the long term, corporate taxation has been kept competitive and capital income taxation has been differentiated from taxation of wages.

People do not have a clear view, however, on whether Finland should participate in tax competition or not. Only one-third (32%) believe that Finland should participate more strongly in international tax competition by reducing its wage, corporate and capital income taxation significantly (**Figure 4**). More than a third (36%) have a different view and almost as many (32%) did not express an opinion.

The previous support for Finnish tax competition now seems to have dissipated. While before the crisis a little more than half supported participation in tax competition, the majority is now divided between having no opinion and being opposed to tax competition.

Figure 4. "FINLAND SHOULD PARTICIPATE MORE STRONGLY IN INTERNATIONAL TAX COMPETITION BY REDUCING ITS WAGE, CORPORATE AND CAPITAL INCOME TAXATION SIGNIFICANTLY" (%).



More immigration unwanted – attitudes are nevertheless more moderate than before

Perhaps the single biggest structural problem in the Finnish economy is the aging of the population. As the share of elderly persons in the overall population increases, so-called age-related expenditure will grow while tax revenues decrease. There is a danger that public spending and revenues are heading towards a longer period of imbalance.

The population structure can be influenced more quickly only by increasing immigration. The Finnish immigration policy has, however, quite faithfully followed the attitudes of the population towards immigration. Strict attitudes have meant a cautious, rather defensive immigration policy.

One-third (32%) think that our country's aging population and the threat of it shrinking require making immigration to Finland easier (Figure 5). More than four in ten (45%) disagree with this. The distribution is almost the same as a year earlier.

These figures reflect the continuing criticism of Finnish people towards immigration. On the other hand, the result confirms the shift in attitudes observed in the 2012 survey. A year ago, Finland was de-

railed from tracks that seemed to be leading towards even more negative views towards immigration. The climate is back closer to the long-term trend of the development of attitudes towards immigration, which has been characterized by attitudes becoming slowly more open.

Financial markets need more regulation, maybe

Financial markets throughout the world are still kept in a loose hangman's noose as the source of the economic crisis. In order to prevent excesses, people around the world would like to harness, control and regulate them more. In Finland's case, the question is nevertheless difficult, because our banks are in quite good shape. They have not exhibited similar excesses as those seen in the financial institutions of the world's financial centres.

The question of whether the financial markets need more regulation or not gets an answer from Finns weighted in favour of approval, but with strong shades of uncertainty. Half (51%) agree with this proposal, but as many as four in ten (39%) are not willing or able to take a position (Figure 6). Only a few (10%), however, reject stricter regulation out of hand.

Figure 5. "OUR AGING POPULATION AND THE THREAT OF A SHRINKING POPULATION REQUIRE MAKING IT EASIER FOR FOREIGNERS TO MIGRATE TO FINLAND" (%).

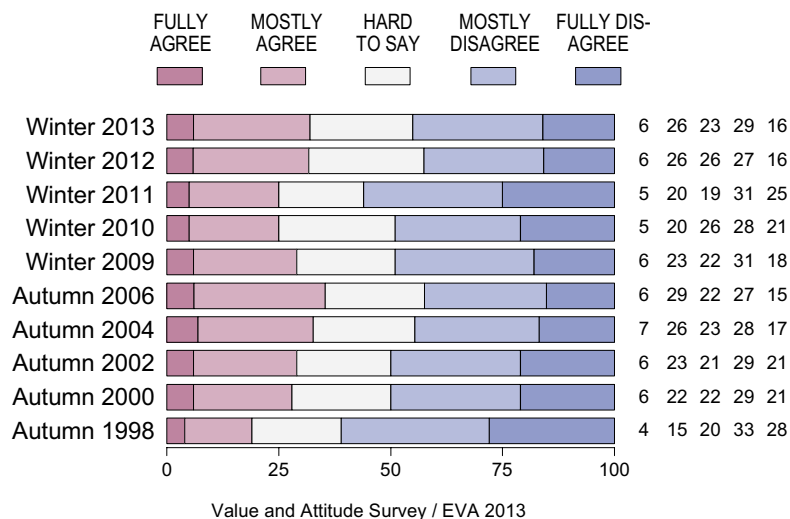
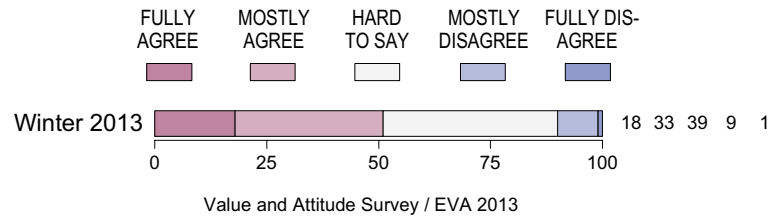


Figure 6. "FINANCIAL MARKETS NEED MORE REGULATION" (%).



Faith in EU still strong

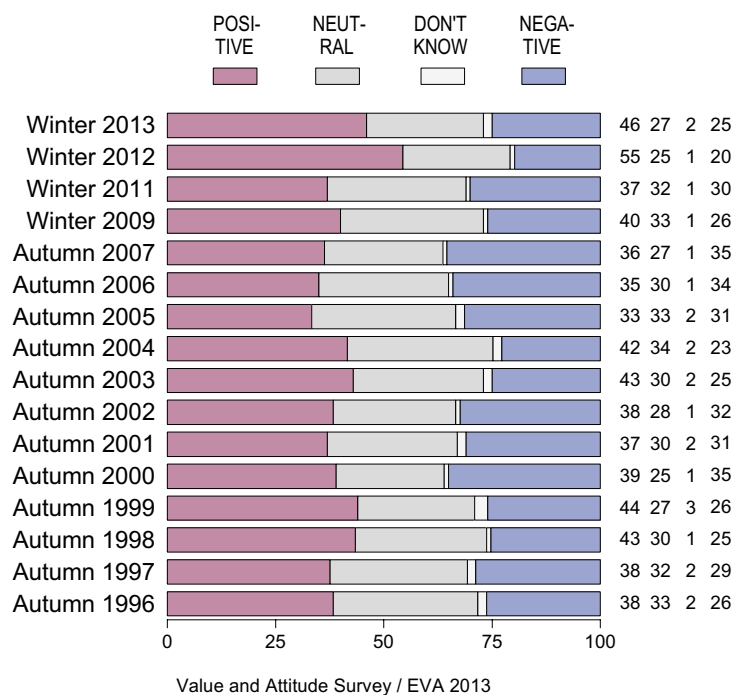
A year ago, EVA's Attitude and Value Survey reported that Finnish EU attitudes took a strong leap in a more positive direction. In this year's survey attitudes towards EU membership are returning to normal, a little closer to long-term figures. Now, a little less than one-half (46%) respond positively to the country's EU membership (Figure 7). About a quarter have negative attitudes (25%) and one quarter (27%) have taken a "neither for nor against" position.

The figures are the second-most positive during the entire membership period, second to the results of last year. This is despite the fact that the drop in positive attitudes is almost ten percentage points from the previous year.

Euro is still wanted

As with views on membership, a result is registered in Finns' attitudes towards the common currency, which falls from previous levels, but it is still the second-most

Figure 7. ATTITUDES TOWARDS FINLAND'S EU MEMBERSHIP (%).



euro- and EMU-positive result during the Finnish period in the euro. One in two (50%) report that they welcome the fact that our currency was switched from the markka to the euro. Just over a quarter (27%) are negative towards the euro and a fifth (22%) neutral – not positive or negative (**Figure 8**).

The response distribution is almost identical to that obtained in 2009. Finns can be considered quite committed to the euro, as in 2009 barely anything was known of the euro crisis yet.

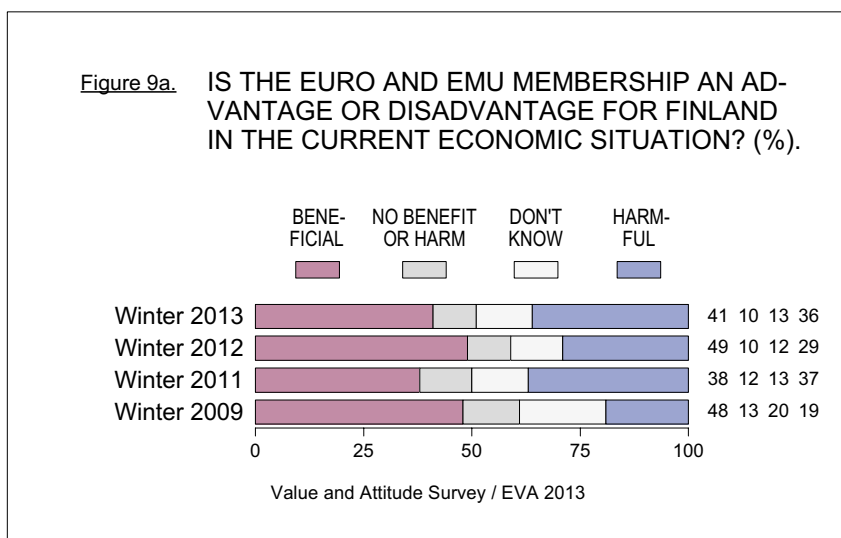
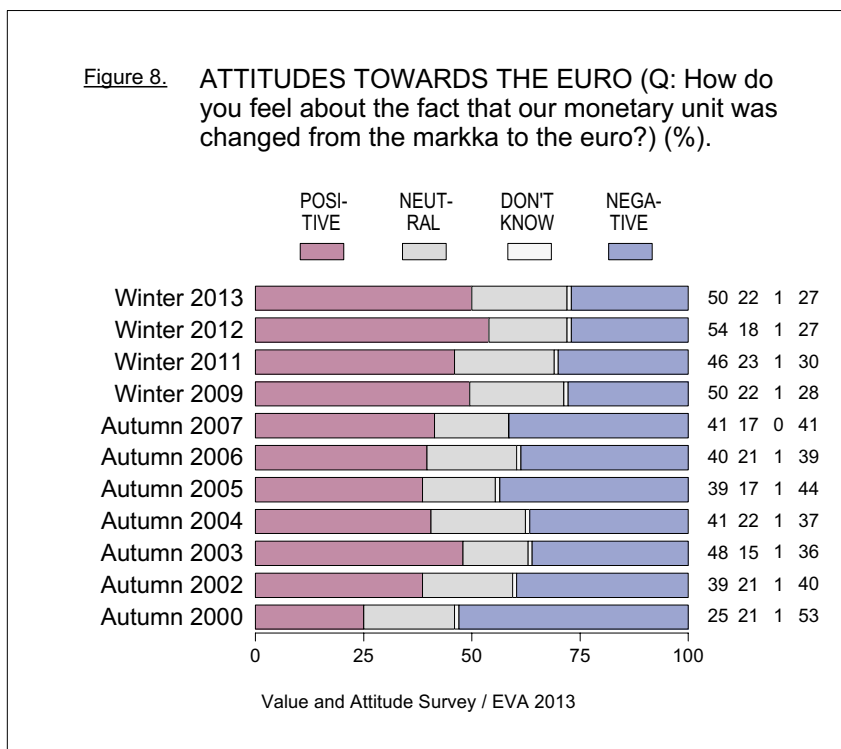
Four out of ten (41%) believe that euro and EMU membership are beneficial for Finland in the current economic crisis (**Figure 9a**). Only slightly fewer

(36%) have a different view, and one in ten think that the euro and EMU are neither positive nor harmful.

Perceptions on the benefits and risks of euro and EMU membership have become more critical than last year and figures are practically at the same level as in 2011, when the difficulty of the euro crisis gradually began to dawn on the whole nation.

Not keen on EU fiscal union

Solving the Euro crisis will take time. To protect itself from future problems the EU has planned to deepen the integration of the economic union. The first



step in this direction is a banking union, where banking supervision, bank capital injections during crises, and deposit insurance would be brought under common control.

The second step would be the so-called fiscal union. At a minimum, fiscal union means that the power of individual EU member states to determine their own economic policies in the euro area would be constrained to improve the functioning of the euro area. This would, of course, also apply to Finland, if our economy manages its economy poorly.

Finns are not keen on this idea, since only one-fifth (10%) agrees with the proposals in this regard (Figure 9b). The majority (55%) reject the idea, and a quarter (26%) do not know or are unwilling to take a position.

New referendum would bring old result

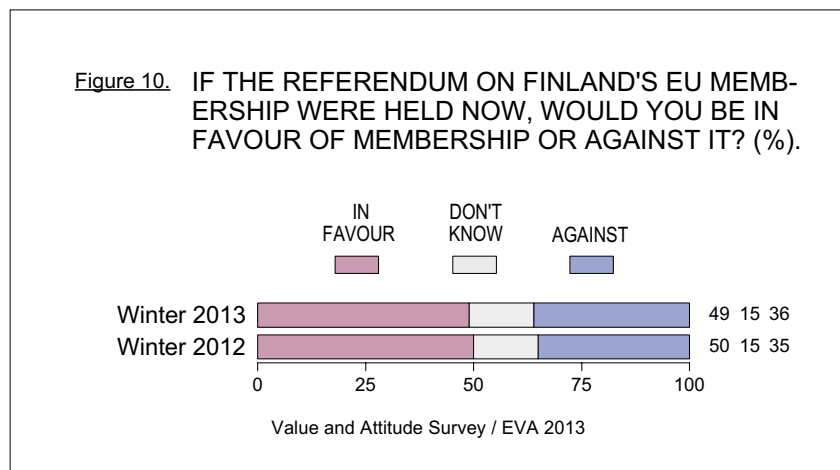
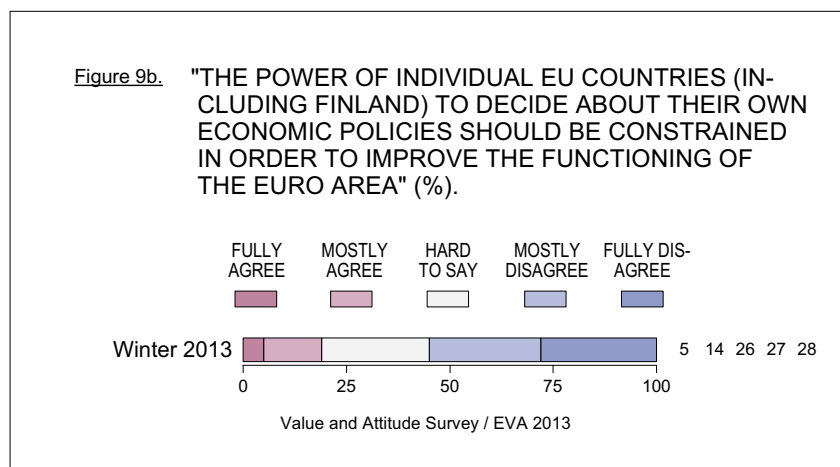
EU-sceptic opinion leaders in Finland have recently speculated about the idea that a new referendum

should be organized in our country regarding EU membership. The idea is not new, but in the past it was easily dismissed in debate as totally unrealistic. British Prime Minister David Cameron's promise to hold a referendum in his own country – if his party wins the next election – made this debate current in a whole new way.

It seems, however, that such a vote would not bring anything new to the table. If a new referendum were held now, one-half (49%) would vote for and more than a third (36%) against (Figure 10). If it is assumed that those expressing no opinion (15%) would not vote (or the group was equally distributed into both camps), the end result would be very close to the referendum of 1994, the result of which was 57–43.

NATO membership support at long-term average

In addition to attitudes regarding the EU, EVA's survey has followed Finnish attitudes towards our potential NATO membership for a long time.

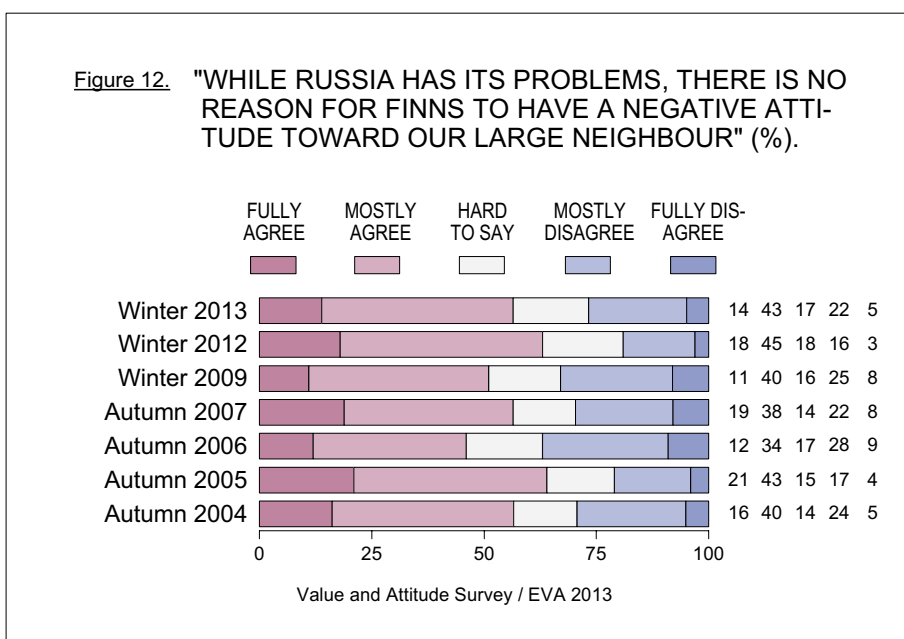
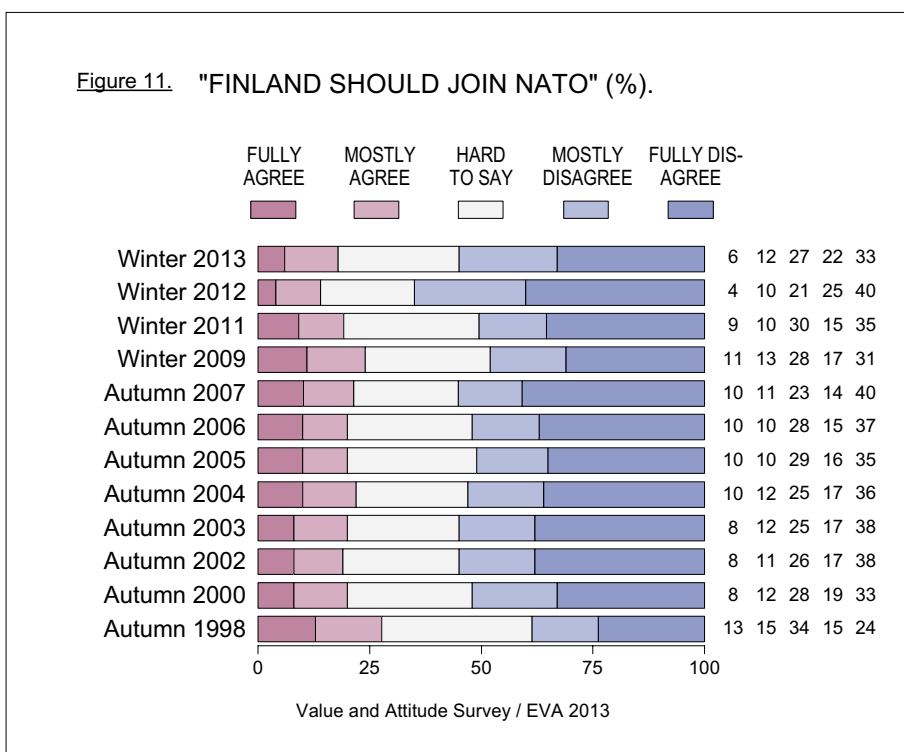


Last year's survey registered record figures not only in Finnish EU positivism, but also in anti-NATO stances. Now even these readings are returning a little closer to their long-term average values.

Slightly less than one-fifth (18%) believe that Finland should join NATO, but the majority (55%) rejects the suggestion (**Figure 11**). One in four (27%) do not take a stand on the matter. The discussion on NATO is waiting to be rekindled in Finland. The Finns do not seem to see any kind of threat from any direction justifying the military alliance.

The Finns have had rather positive attitudes towards Russia for a while now. This time, nearly six in ten (57%) believe that although Russia has its own problems, nowadays Finns have no reason to have a negative attitude towards their large neighbour (**Figure 12**). A quarter (27%) have a different view on the matter.

Finn's approach to Russia has changed since the previous survey to be slightly more reserved, which might partly be explained by the recent Russian debate on child protection services in Finland, which puzzled Finns.



Background information on the study

The study's findings are based on 2023 person's answers. These data were collected during the period of January 18–30, 2013. Respondents represent the population of the entire country (excluding the Åland Islands) between 18–70 years of age.

The data were collected from the internet panel of Taloustieto Ltd. The target group consisted of a panel selected at random from Finnish residents (excluding Åland) 18–70 years of age representative of the population by age, sex, province of residence, education and occupation / status.

The data is weighted to represent the population aged 18–70 according to the respondents' age, gender, residential area, education, occupation / status, industry as well as political affiliation (how they would vote in parliamentary elections).

The confidence interval, i.e. the margin of error, for the data at the aggregate level depending on the shape of the distribution (the obtained percentage share) is 2–3 percentage points in either direction.

As in EVA's previous studies, the statistical analysis of the data was performed by Yhdyskuntatutkimus Oy, which has also compiled the graphs presented in the study.

Additional information

Mr. Ilkka Haavisto, EVA

tel +358 9 6869 2033, mob +358 50 331 3823, email ilkka.haavisto@eva.fi

Finnish Business and Policy Forum

Finnish Business and Policy Forum EVA a pro-market think-tank financed by the Finnish business community. It is also a forum for forward-looking discussion for Finnish business leaders.

EVA's task is to identify and evaluate trends that are important for Finnish companies and the society as a whole. EVA aims to provide current information on prevailing trends as well as bring fresh ideas to public debate. EVA publishes reports, organises debates and publishes policy proposals.

Further information: www.eva.fi

