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Economic Crisis
The Research Programme on the
Economic Crisis of the 1990s in Finland

Final Report

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Contents

1 Introduction	1
1.1 The research programme	1
1.2 Programme coordination	2
1.3 Conferences and publications	4
2 The research projects of economic and social history	8
2.1 Markets, institutions, actors: A comparative analysis of the Finnish economic crises in the 20th century	8
2.2 The social history of Finnish crises	14
2.2.1 Changing Meanings of the Political and the Depression of the 1990's	14
2.2.2 The crisis, the individual, and the mentality of subsistence - The economic crisis of the 1990s and the cultural strategies for tackling the depression	20
2.2.3 From the Great Famine Years to the recession of the 1990s: The social history of Finnish economic crises	23
3 The research projects of economics and finance	32
3.1 Finnish labour markets in the 1990s	32
3.1.1 Micro-econometric analysis of the labour market with panel data	32
3.1.2 Microeconomic analysis on the functioning of the labour market	35
3.2 Finnish economic depression in the 1990's: Macroeconomic and financial factors	38
3.3 The depression of the 1990s, the regional economic activity and the welfare state	41
3.3.1 Welfare state as an equalizer of regional income differences in 1966-1996, and especially during the depression of the 1990s	41
3.3.2 The effects of depression on regional economic activity, production structure and income levels	46
3.3.3 The regional developments of housing markets in boom and depression	51
3.4 The allocative efficiency of the Finnish asset markets: Determinants of persistent cycles, and reorganising efficiency	53
3.5 Unemployment and the distribution of the standard of living: welfare state and income-smoothing	58

4 The research projects of sociology and social studies	62
4.1 Religious communities and recession survival strategies	62
4.2 Trust and recession	68
4.3 The changing labour markets and the immigrant labour force	84
4.3.1 Changing labour markets and mechanisms of mobility under recession and expanding economy	84
4.3.2 The role of labour market organizations at the juncture of the immigrants labour force and the labour market in Finland	95
4.4 Recession and changes in the Finnish welfare state	97
4.5 Disabled people and the economic depression of the 1990s	103
4.6 Women's entrepreneurship - crisis management and survival strategies	108
5 The research projects of social policy	118
5.1 The welfare state: A resource or a constraint? A study of the effects of the economic recession	118
5.2 Economic Crisis, Job Insecurity and the Household	134
5.3 A temporary fall or a turning point?	142
6 The research projects of media research	147
6.1 Media coverage versus citizen response	147

1 Introduction

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1.1 The research programme

Finland experienced in the first half of the 1990s a very severe economic crisis. The economic collapse of 1991-93 was, in terms of output and employment, more serious than had ever been witnessed by any industrial state since the World War II. It may only be compared to the situation in the countries hit hardest by the Great Depression of the 1930s. During 1991-93 the Finnish GDP shrank by 12 percent. Employment fell by 18 percent and the asset prices plummeted. The unemployment rate rose from 3.5 percent in 1990 to 18.4 percent in 1994. As consequences of the crisis the Finnish society faced new problems in the 1990s: a realisation of a systemic risk in banking, large scale long-term unemployment and social exclusion, and the question of the sustainability of advanced welfare provisions. In many ways the economic crisis was a collective nightmare which shook the whole society.

The importance and severity of the problems caused by the crisis made it obvious to many that the crisis and its consequences form an important challenge to economic and social research. The crisis produced such sudden changes and large variation in socio-economic indicators that they offered much interesting material to research. In addition to this, the need for crisis research has become even clearer with the emergence of similar kind of financial crises experienced later in many countries.

The Research Programme on the Finnish Economic Crisis was initiated by the Board of the Academy in 1997 to promote multidisciplinary, problem oriented, and applied research dealing with the socio-economic crisis of the early 1990s and its consequences. The Academy channelled FIM 25 million (equivalent to 4.2 million euros) to the programme for years 1998-2001. At that time the programme was the largest research programme in social sciences in Finland. The programme was managed and coordinated by the Government Institute for Economic Research.

The research projects selected to participate the programme represented many fields: economic and social history, economics, sociology, social policy and media studies. Most projects concentrated on the economic and social consequences of the crisis. They dealt with questions related to unemployment, employment, income distribution and social exclusion as well as to the survival of the welfare state. The consequences of the crisis were also studied on individual level.

This volume is the final report on the program's work. The report consists of abstracts summarising the main results of the research projects and bibliographies of their research output.

1.2 Programme coordination

The coordinator of the research program was selected and nominated by the Academy of Finland well in advance of the planned beginning of the project funding. The idea was that the coordinator could participate in the selection process. The Government Institute for Economic Research (VATT) was chosen as coordinating institute, and Dr. Jaakko Kiander of that institute began his work as programme coordinator in November 1997.

The research community had an opportunity to express their interest to participate the programme in the autumn of 1997. An ad hoc committee nominated by the Academy of Finland screened the first proposals and selected about half of them for the second round. In the end of 1997 more detailed research proposals were received by the Academy and send to outside reviewers. On the basis of peer review the Academy made the final selection of projects early in 1998 and the research programme started its work in June 1998.

Summary of coordinating activities

The idea of a coordinated research programme was to get more focused and problem-oriented research efforts in addition to increased cross-disciplinarity. In practice these aims were to be advanced by coordination activities – by organising joint conferences and other opportunities for discussion between different research projects of the program. For these purposes the coordinator organised an opening conference in 1998 and two working conferences (in 1999 and 2001).

Another part of the coordination was the production of joint publications of the programme. The first two were introductory ones. The next three were collections of papers presented in the joint conferences. The last two publications were summaries of the main findings. The larger one was aimed to international research community.

Dissemination of results and interaction between researchers and the wider society were also important goals. For that purpose two conferences were organised. The first one was in year 2000 and it focused on the social consequences of the crisis. The other one was the final conference of the programme which tried to summarise and discuss the results on the causes and consequences of the Finnish crisis.

A central part of dissemination was also the short book written by the coordinator. It focused on the broad theme of the causes and consequences of the Finnish crisis. It was written in Finnish and aimed for wider domestic audience.

What are the main lessons?

Notwithstanding its exceptional deepness, the Finnish crisis had many common patterns with the experiences of other countries. Although the crisis developed to a full-scale social phenomenon, it had clearly macroeconomic roots. First of all, there was a relatively deep recession in the early 1990s in other European countries, too. The European recession at that time was connected with the European system of fixed exchange rate and high interest rates imposed by the Bundesbank, and a central part of it was the European currency crisis in the autumn 1992. The recession was deepest in UK, Sweden and Finland, the countries which had the worst debt-problems and highest inflation.

There were also many factors in the Finnish crisis which were common with the later crises of South-East Asia and Latin America in 1997-98: fixed exchange rate and overvalued currency, more inflationary pressure than in core countries of the exchange rate system, uncontrolled credit expansion, current account deficits, and asset price bubbles. In such circumstances, most countries are almost bound to suffer from any interest rate shock or sudden capital outflows. It also follows that indebted firms and households cannot survive financially, if interest rates are punitive, as they tend to be in financial crises.

This gives a rise to some research problems and potential lessons. There are points which previously had been largely neglected in traditional mainstream macroeconomic analysis:

- the importance of indebtedness and liquidity constraints, which may lead to forced savings and decreasing demand;
- the importance of asset prices as collateral values and their impact on the stability of financial system;
- possibility of destructive debt deflation;
- The vulnerability and possible unsustainability of fixed exchange rate systems.

Furthermore, for advanced welfare states such as Finland and Sweden, macroeconomic crises have also large fiscal effects. Due to high tax and benefit ratios fiscal balance moves closely with unemployment rate and large deficits are easily created.

The Finnish crisis taught a hard lesson of the importance of financial stability and prudence. But it was also a story of monetary policy misjudgements and the high social costs of neglecting the unemployment.

The picture of the recession at either the level of the economy as a whole or in terms of average figures is, however, only the partial truth. The economic downturn did not affect all people or sectors equally. Those who kept their jobs did not experience the recession as badly as those who lost them. Different age-groups and generations also experienced the recession in different ways, partly because of their different wealth and labour market positions. The regional and sectoral consequences of the crisis also varied due to structural differences in production and population.

Among the long-lasting consequences of the economic crisis were increased long-term unemployment, poverty and social exclusion as well as larger income differentials. Because of the high fiscal costs of unemployment the Finnish version of the Nordic welfare model was forced to be under significant financial strain during the whole 1990s.

1.3 Conferences and publications

Conferences

The Opening Conference of the Research Program on the Finnish Economic Crisis Academy of Finland, Helsinki, June 3-4, 1998

The Second Conference of the Research Program on the Finnish Economic Crisis Academy of Finland, Helsinki, June 7-8, 1999

The Long Shadow of the Depression, Seminar on the results of the Research Program on the Finnish Economic Crisis, Helsinki, April 13, 2000

The Third Conference of the Research Program on the Finnish Economic Crisis University of Jyväskylä, Jyväskylä, June 13-14, 2001

The Final Conference of the Research Program on the Finnish Economic Crisis Helsinki, November 1, 2001

Programme publications

J. Kiander (ed.): 1990-luvun talouskriisi – Suomen Akatemian tutkimusohjelman projektit (The Economic Crisis of the 1990s – The projects of the Research Programme of the Academy of Finland). VATT-Publications 27:1. Helsinki 1998 (in Finnish).

J. Kiander (ed.): The Economic Crisis of the 1990s. Research Programme of the Academy of Finland: The Projects. VATT-Publications 27:2. Helsinki 1999.

J. Kiander (ed.): The Economic Crisis of the 1990s. Research Programme of the Academy of Finland: Conference 1999. VATT-Publications 27:3. Helsinki 2000.

J. Kiander (ed.): Laman pitkä varjo (The long shadow of the depression). VATT-Publications 27:4. Helsinki 2001 (in Finnish).

J. Kiander: Laman opetukset. Suomen 1990-luvun kriisin syyt ja seuraukset (The lessons of the depression. The causes and consequences of the crisis of the 1990s). VATT Publications 27:5 (2001) (in Finnish).

J. Kalela – J. Kiander – U. Kivikuru – H. A. Loikkanen – J. Simpura (eds.): Down from the heavens, up from the ashes. The Finnish economic crisis of the 1990s in the light of economic and social research. VATT Publications 27:6. Helsinki 2001.

Other related publications by the program coordinator

J. Kiander – P. Vartia: A Governor defends his record. Central Banking, Autumn 1997.

J. Kiander – P. Vartia: Rolf Kullbergin haastattelu (Interview of Governor Rolf Kullberg), Kansantaloudellinen Aikakauskirja (The Finnish Economic Journal), 93(4), 1997 (in Finnish).

J. Kiander – P. Vartia: The depression of the 1990s in Finland: A Nordic financial crisis or a result of the collapse of the Soviet Union. In T. Myllyntaus (ed.): Economic crises and restructuring in history: experiences of small countries. St. Katharinen 1998.

J. Kiander – P. Vartia: Suuri lama. Suomen 1990-luvun kriisi ja talouspoliittinen keskustelu (The Great Depression. The crisis of the 1990s in Finland and economic policy). Taloustieto: Helsinki 1998 (in Finnish).

J. Kiander – J. Pehkonen: The Finnish unemployment – causes and conjectures. Finnish Economic Papers 12(2), 1999.

J. Kiander – M. Virén: Tarvitaanko vielä finanssipolitiikkaa? (Do we still need fiscal policy?), Kansantaloudellinen Aikakauskirja (The Finnish Economic Journal), 95(3), 1999 (in Finnish).

P. Böckerman – J. Kiander: Kaakkois-Aasian ja Suomen talouskriisien vertailua (Comparing the economic crises of East-Asian countries and Finland), Kansantaloudellinen Aikakauskirja (The Finnish Economic Journal), 95(3), 1999 (in Finnish).

J. Kiander: Talouspolitiikka 1990-luvun lamassa ja nousussa (The role of economic policy in the Finnish recession and recovery in the 1990s), Talous ja yhteiskunta (Economy and Society), 27(4), 1999 (in Finnish).

J. Kiander: Deflaation uhka 1990-luvulla (The threat of deflation in the 1990s), Kansantaloudellinen Aikakauskirja (The Finnish Economic Journal), 95(4), 1999 (in Finnish).

P. Böckerman – J. Kiander: Globalisaatio ja hyvinvointivaltio (Globalisation and welfare state), *Kansantaloudellinen Aikakauskirja* (The Finnish Economic Journal), 96(3), 2000 (in Finnish).

J. Kiander: Voiko lama toistua? (Can we have another depression?), *Economic Trends*, Statistics Finland, Helsinki 2000 (in Finnish).

J. Kiander – M. Viren: Do automatic stabilisers take care of asymmetric shocks in the Euro area? VATT Discussion Paper No. 234, Helsinki 2000.

J. Kilponen – J. Kiander – J. Vilmunen: Taxes, growth and unemployment in the OECD countries – does collective bargaining matter? VATT Discussion Paper No. 235, Helsinki 2000.

J. Kiander – M. Viren: Measuring labour market flexibility in the OECD countries. *Empirica*, 28, 2001.

J. Kiander: The Finnish macroeconomic policy and performance in the 1990s, in Ministry of Labour: National evaluation of the effects of the European Employment Strategy in Finland, Helsinki 2002.

J. Kiander: Talouskasvu ja yhteiskunnalliset jaot (Economic growth and social divisions), In T. Piirainen – J. Saari (eds.): *Yhteiskunnalliset jaot – 1990-luvun perintö*. Gaudeamus: Helsinki 2002 (in Finnish).

J. Kiander: Reducing unemployment in the 1990s: comparing four European countries, In J. Kajanoja – J. Kiander – I.B. Voipio (eds.): *Tutkimus ja talouspolitiikka*. VATT Publications No 33, Helsinki 2002.

J. Kiander: Talouskehitys 1990-luvulla. Kriisistä nousuun (Economic development in the 1990s: from crisis to recovery), In M. Höglund (ed.): *Kymmenvuotiskatsaus*. Statistics Finland, Helsinki 2002 (in Finnish).

P. Böckerman – J. Kiander: Labour markets in Finland during the great depressions of the twentieth century. *Scandinavian Economic History Review* (forthcoming in 2002).

J. Kiander: Capital market deregulation, financial integration and macroeconomic performance in the Nordic countries in 1980s and 1990s: Are there any lessons? *Ezoneplus Working Paper*, The Free University of Berlin (forthcoming in 2002).

Presentations on the Finnish crisis and related themes by the program coordinator

The Annual Conference of the Finnish Society for Economic Research, Kemi, March 1998

Conference on national employment pacts, Notre Europe and the European Trade Union Institute, Brussels, June 1998

Workshop on the Nordic economic crises, Yrjö Jahnesson Foundation and The Research Institute of Finnish Economy, Helsinki, October 1998

The Finnish Economic Association, Helsinki, January 1999

World Bank, Washington DC, January 1999

University of Tampere, Research Center of Working Life, November 1999

Finnish Economic Association, Helsinki, January 1999

Handelshögsskolan i Stockholm, June 2000

The Finnish Society of Social Policy, August 2000

The Annual Congress of the International Institute for Public Finance, Seville, August 2000

A national workshop on crises organised by the Department of Economic and Social History, University of Helsinki, September 2000

The European University Institute, Firenze-Fiesole, November 2000

University of Helsinki, Department of Economic and Social History, September 2000

An international workshop on economic crises organised by the Department of Economic and Social History, University of Helsinki, March 2001

The 17th Summer Seminar of Economists, University of Jyväskylä, June 2001

Finnish Economic Association, Helsinki, January 2002

2 The research projects of economic and social history

2.1 Markets, institutions, actors: A comparative analysis of the Finnish economic crises in the 20th century

Summary of findings

The aim of the project was to put the economic crisis of the early 1990s in a historical perspective by comparing it with the other crises of the 20th century. The approach of the project was institutional. Institutions, i.e. the “rules of the game” of the economy, are seen as a “filter”, which, by defining the incentive structure of an economy, determine how the “players” – different actors in the economy – behave. The differences in economic behaviour, in our opinion, result in different economic outcomes during the crises.

The project focused on five economic crises or transition periods in the 20th century Finnish economy. When choosing these crises we, firstly, kept an eye on the GDP: we chose years when it declined, or its growth slowed down to less than a fifth of its long-term rate (0.6% for the pre-1938 and 0.8% for the post-1945 period). Secondly, we paid attention to prices: deflation and inflation as well as changes in the terms of trade. The five cases to be studied were: 1) 1914-1919, 2) 1929-1932, 3) 1953-1958, 4) 1975-1977 and 5) 1990-1993.

The project has focused on three main themes: 1) exchange rate policy, 2) financial markets and 3) labour markets.

Exchange rate policy

Exchange rate adjustments were closely linked to the economic crises in Finland in the 20th century. Most of the century the Finnish currency regime was a variant of a more or less fixed parity of the markka against most other currencies. The markka floated three times: twice during the interwar period and in the beginning of the 1990s.

In all five crises studied by project the devaluation of markka was in the end a crucial factor for the recovery – after World War II a devaluation cycle has seemed like a law of nature. The devaluations in 1957 and 1967 are “classical” examples. Project is shedding new light especially on the exchange rate policy of the 1950s. Jon Hirvilähti, who is preparing his doctoral thesis on this theme, collected in the archives of IMF so far unexplored material on the Finnish exchange rate policy during the Bretton Woods -regime. His research opens a new view on the development leading to the 1957 devaluation.

It is evident that exchange rate adjustments, i.e. devaluations, facilitated the recovery of the Finnish economy in the five crises. The benefits of export

industries were obvious but the consequences in the domestic market were contradictory. In this respect the history of the Finnish economic crises in the 20th century could be summed up as the trade-off between export and consumption.

Exchange rate policy has been studied mainly by Jon Hirvilahti.

Financial markets

In explaining the deep crisis of the 1990s great attention is usually paid to the financial markets. The banking crises, which was an essential element of the 1990s crisis, is justifiably linked to the institutional changes in the financial markets. The deregulation process carried out in the 1980s changed the “rules of the game” so suddenly, so the argument goes, that economic behaviour did not adapt to them.

The project has put these aspects of the 1990s crisis in a historical perspective by studying the changes in the institutional setting of the financial markets in the 20th century. Both the first (1914-1919) and second (1929-1932) crisis had effects on banking sector, whereas the decades after the Second World War – until the 1980s – were quite a stable period of regulated banking sector.

During and after the First World War a speculative boom was experienced in the banking sector. Several new banks were established, but almost all of them failed soon. Real interest rates stayed high in the 1920s and after the break of the depression causing problems especially to farmers, who suffered for the falling prices and declining demand. In 1931 banks agreed, with the blessing of the Bank of Finland, on a common level of interest rates causing a fall in real interest rates.

The institutional setting of the banking sector was studied in the project by Antti Kuusterä, whose analysis on the 1990s banking crisis has served as the starting ground for the research of the project on this theme. Concerning the 1930s depression the emphasis of the project has been on the agriculture. Jaakko Autio is preparing his doctoral thesis on farmers’ credit facilities on the basis of the material of co-operative banks.

Labour markets

Also labour markets have got much attention in explaining the deep downturn of the 1990s. It has been claimed that the “lack of flexibility” in the labour market has been one reason for the exceptional depth of the crises. The stickiness of both real wages and relative wages, according to this view, has made the Finnish economy (or Nordic economies in general) slow to adjust to the changing market situation, and the result of this was high unemployment of the early 1990s.

In the project we compared the labour market in the 1990s to the situations in the four earlier crises. For gauging the flexibility vs. stickiness of wages (nominal and real) a large data bank of wage series were collected. The main

result of the analysis was that there were notable differences in the behaviour of the labour market in the five crises studied and they to a great extent seem to stem from the different institutional settings of the labour markets.

We distinguished three different labour market regimes in the 20th century Finland. First was the regime of a very weakly unionised labour with no collective bargaining: this situation prevailed up to the Second World War. The second regime could be dated in the 1940s, when collective bargaining was introduced in Finland. The last three decades (from the late 1960s onwards) form the third regime of labour markets. General features of this regime were the strong centralisation of the bargaining system, the active role of government in the bargaining process and the growing importance of welfare benefits.

During the first regime wages were flexible in times of depression. In the first case (1914-1919) real wages declined because of the rapid inflation. In the depression of the 1930s nominal wages, which clearly made the recovery easier for the Finnish manufacturing industries. The fall of real wages was, because of deflation, relatively modest. Sticky nominal wages, a familiar phenomenon in the unionised economies already in the interwar era, became the rule in the Finnish labour markets after the Second World War, i.e. during the second labour-market regime. Now the main method of wage adjustment was inflation. During the third regime of the “incomes policy”, since the late 1960s, government became the third partner of wage bargaining. Now taxes and welfare benefits became parts of wage arrangements. The basic aim of this era was to keep the increase of real wages within the limits of productivity growth and to fight inflation, which was quite difficult especially in the 1970s.

List of researchers

Riitta Hjerppe, leader, Professor, University of Helsinki

Sakari Heikkinen, Docent, University of Helsinki

Antti Kuusterä, Docent, University of Helsinki

Pirkko Leino-Kaukiainen, Docent, University of Helsinki

Jaakko Autio, Master of Social Sciences, University of Helsinki

Jon Hirvilahti, Master of Social Sciences, University of Helsinki

Päivi Valkama, Master of Social Sciences, Ministry of Finance

Visa Heinonen, Professor, University of Helsinki

Foreign network:

Albert Carreras, Professor, Universitat Pompeu Fabra, Barcelona, Spain

Jan Tore Klovland, Professor, Norwegian School of Economics and Business Administration, Bergen, Norway

Jonas Ljungberg, Studierektor, University of Lund, Sweden

Lennart Schön, Professor, University of Lund, Sweden

Jan Luiten Van Zanden, Professor, University of Utrecht, The Netherlands

Higher examinations completed

No degrees have been completed but Jaakko Autio and Jon Hirvilahti are working on their doctoral theses on following themes:

Jaakko Autio: Farmers' credit facilities in Finland during the Great Depression

Jon Hirvilahti: Bretton Woods era in a small open economy (Finland, 1945-1973)

Seminars and workshops

The Economic Crisis of the 1930s in Finland, Kauniainen 7.-8.9.2000. Organised with the project "From the Great Famine Years to the Recession of the 1990s: The Social History of Finnish Economic Crises". In this workshop altogether 21 papers were presented (all by Finnish scholars), 7 of them by the researchers of the project (see below the titles of the papers).

Growth, crises and regulation European economies in the 20th century, Helsinki, 1.-4.3.2001. In this international seminar altogether 10 papers were presented, 2 of them by the researchers of the project (see below the titles of the papers).

Crises and Regulation in the European Economies: The Long Twentieth Century, 1870-2000, session n:o 82 in the XIII Congress of the International Economic History Association, Buenos Aires, 22.-26.7.2002 (see <http://www.eh.net/XIIICongress>). Forthcoming

Scientific presentations

Autio, Jaakko: Maatalouslähtöinen lamaselitys 1920-30 lukujen vaihteessa ja sen tulkinta (Explaining the depression of the 1930s: an agrarian approach). Summer seminar of Economists 15.6.2000, Jyväskylä.

Autio, Jaakko: Maatalouden velkaantuminen aikalaistutkimuksen valossa (Indebtedness of Finnish agriculture in the light of contemporary studies). The Economic Crisis of the 1930s in Finland 7.-8.9.2000, Kauniainen.

Heikkinen, Sakari: A comparative analysis of the Finnish economic crises in the 20th century. The II joint conference on the Economic Crisis of the 1990s 8.6.1999, Helsinki.

Heikkinen, Sakari: Sokki ja sopeutuminen: hinnat ja palkat Suomessa 1913-1928 (Shock and adjustment: prices and wages in Finland 1913-1928). Summer seminar of Economists 15.6.2000, Jyväskylä.

Heikkinen, Sakari: Teollisuustyöväestön työllisyys ja palkat Suomessa 1925-1938 (Employment and wages in the Finnish manufacturing industries, 1925–1938). The Economic Crisis of the 1930s in Finland 7.-8.9.2000, Kauniainen.

Heikkinen, Sakari – Riitta Hjerppe – Jukka Jalava: Growth, cycles and productivity in Finnish manufacturing industries in the 20th century. Technical change, economic growth and convergence in Europe 22.-23.9.2000, Lund.

Heikkinen, Sakari – Antti Kuusterä: Finnish economic crises in the 20th century: an institutional interpretation. Growth, crises and regulation European economies in the 20th century, 1.-4.3.2001, Helsinki.

Hirvilahti, Jon: Kaaoksesta kasvuun: Ruotsin valuuttapolitiikka 1920-luvulla, Summer seminar of Economists 15.6.2000, Jyväskylä.

Hirvilahti, Jon: Suomen valuuttakurssipolitiikka ja kansainvälinen rahajärjestelmä (Finland and the international monetary system), The Economic Crisis of the 1930s in Finland 7.-8.9.2000, Kauniainen.

Hirvilahti, Jon – Riitta Hjerppe: Business cycles and currency rate changes in Finland; an application of an exchange rate pressure indicator from the 1920s to the 1990s, Growth, crises and regulation European economies in the 20th century 1.-4.3.2001, Helsinki.

Hjerppe, Riitta: The 1930s depression in Finland, Uppsala university, 10.4.2000.

Hjerppe, Riitta: Suuri lama ja Suomi (The Great Depression and Finland), The Economic Crisis of the 1930s in Finland, 7.-8.9.2000, Kauniainen.

Hjerppe, Riitta: Economic development and the 1930s depression in Finland, University of Sorbonne, 9.2.2001.

Hjerppe, Riitta – Jaakko Autio: Finland's international financial relations and the role of the banking sector from the 1920s to the 1980s, Annual conference of European Association for Banking History 18.-20.5.2000, Warsaw.

Kuusterä, Antti: Rahoitusmarkkinoiden pelisäännöt (The rules of the game in the Finnish financial market), The Economic Crisis of the 1930s in Finland 7.-8.9.2000, Kauniainen.

Leino-Kaukiainen, Pirkko: Wall Streetiltä paperikantaan: Talouskriisin tarkastelu Suomen sanomalehdissä 1929-31 (From Wall Street to paper standard: economic crisis in Finnish press 1929-31), Summer seminar of Economists 15.6.2000, Jyväskylä.

Leino-Kaukiainen, Pirkko: Kaksi pitkää vuotta: Lama sanomalehtien palstoilla 1929-31 (Two long years: the depression in the Finnish press 1929-31). The Economic Crisis of the 1930s in Finland, 7.-8.9.2000, Kauniainen.

Valkama, Päivi: Finanssipolitiikan liikkumavara (The room for financial policy). The Economic Crisis of the 1930s in Finland, 7.-8.9.2000, Kauniainen.

Publications

The project is still preparing its two main publications: an article collection on the depression of the 1930s (based on the workshop *The Economic Crisis of the 1930s in Finland* 7.-8.9.2000, Kauniainen) and a monograph presenting a synthesis of the results of the project. The basic ideas of the latter publication are presented in Heikkinen & Kuusterä 2001 (see below).

Autio, Jaakko (2002): *Maatalouden velkaantuminen aikalaistutkimuksen valossa* (Indebtedness of Finnish agriculture in the 1930s in the light of contemporary studies). In Matti Hannikainen – Sakari Heikkinen – Antti Häkkinen – Pirkko Leino-Kaukiainen (eds.): *1930-luvun talouskriisi Suomessa* (The Depression of the 1930s in Finland). Suomalaisen Kirjallisuuden Seura, Helsinki. Forthcoming.

Heikkinen, Sakari (1999): *1800-luvun pitkä deflaatiokausi* (The long deflation period of the 19th century). *Kansantaloudellinen aikakauskirja* 95 (1999), 709-712.

Heikkinen, Sakari (2002): *Jäykkää vai joustavaa? Työllisyys ja palkat Paraisten Kalkkivuori Osakeyhtiössä 1899-1970* (Sticky or flexible? Employment and wages in Partek company, 1899-1970). In Antti Kuusterä (ed.): *Partek 1899-1999*, Edita. Forthcoming.

Heikkinen, Sakari (2002): *Gendered wage systems and industrialisation in Finland in the late 19th and early 20th centuries*. In Peter Scholliers – Leonard Schwarz (eds.): *Experiencing wages: the role of wages and wage earning in Europe since 1700*. The International Institute of Social History/Berghahn Publishers.

Heikkinen, Sakari (2002): *Teollisuustyöväestön työllisyys ja palkat Suomessa 1925-1938* (Employment and wages in the Finnish manufacturing industries, 1925-1938). In Matti Hannikainen – Sakari Heikkinen – Antti Häkkinen – Pirkko Leino-Kaukiainen (eds.): *1930-luvun talouskriisi Suomessa* (The Depression of the 1930s in Finland). Suomalaisen Kirjallisuuden Seura, Helsinki. Forthcoming.

Heikkinen, Sakari – Antti Kuusterä (1999): *Markkinatalous-Suomen kriisit ja murrokset* (The crises and turning points of the Finnish economy, 1870-1999). *Talous & yhteiskunta* 1999, 4-7.

Heikkinen, Sakari – Antti Kuusterä (2001): *Finnish economic crises in the 20th century*. In Jorma Kalela – Jaakko Kiander – Ullamaija Kivikuru – Heikki A. Loikkanen – Jussi Simpura (eds.): *The Research Programme on the Economic Crisis of the 1990s in Finland: Down from the heavens, up from the ashes. The Finnish economic crisis of the 1990s in the light of economic and social research*. VATT Publications 27:6. Government Institute for Economic Research and The Academy of Finland. Helsinki. pp. 25-51.

Hirvilahti, Jon (2002): *Suomen valuuttakurssipolitiikka ja kansainvälinen rahajärjestelmä* (Finland and the international monetary system in the 1920s and 1930s). In Matti Hannikainen – Sakari Heikkinen – Antti Häkkinen – Pirkko

Leino-Kaukiainen (eds.): 1930-luvun talouskriisi Suomessa (The Depression of the 1930s in Finland). Suomalaisen Kirjallisuuden Seura, Helsinki. Forthcoming.

Hjerppe, Riitta – Juha-Antti Lamberg (2000): Changing structure and organisation of foreign trade in Finland after Russian rule. In Alice Teichova – Herbert Matis – Jaroslav Pátek (eds.), *Economic change and the national question in twentieth-century Europe*, Cambridge University Press, Cambridge, 382-403.

Kuusterä, Antti (2002): Rahoitusmarkkinoiden pelisäännöt (The rules of the game in the Finnish financial market). In Matti Hannikainen – Sakari Heikkinen – Antti Häkkinen – Pirkko Leino-Kaukiainen (eds.): 1930-luvun talouskriisi Suomessa (The Depression of the 1930s in Finland). Suomalaisen Kirjallisuuden Seura, Helsinki. Forthcoming.

Leino-Kaukiainen, Pirkko (2002): Kaksi pitkää vuotta: Lama sanomalehtien palstoilla syksystä 1929 syksyyn 1931 (Two long years: the depression in the Finnish press from the autumn 1929 to autumn 1931). In Matti Hannikainen – Sakari Heikkinen – Antti Häkkinen – Pirkko Leino-Kaukiainen (eds.): 1930-luvun talouskriisi Suomessa (The Depression of the 1930s in Finland). Suomalaisen Kirjallisuuden Seura, Helsinki. Forthcoming.

2.2 The social history of Finnish crises

2.2.1 Changing Meanings of the Political and the Depression of the 1990's

Summary of findings

The project has aimed at exploring the role the depression of the 1990's has played in the change of views on politics. As the point of departure has served the hypothesis, suggested by many different studies, according to which the sense and the references of the political are in a process of transformation. Research has concentrated on two levels, of which the first one is constituted by civic views and the second one by public rhetoric. Analysis has focused, at the first level, on people's efforts to cope with the depression and the role the supporting systems of the welfare state play in these efforts. At the second level, analysis has been directed to the ways in which the survival strategies of individual citizens and those of Finland are related to each other in public discourse.

It is possible to sum up the results of the project, on the general level, as follows. The depression seems to have produced a situation where the three concepts of politics, those of decision-makers, media and citizens, do not overlap. For the decision-makers politics is reduced to finding the exact contents of and the means to implement the postulated right economic strategy.

The media, in its turn, upholds the illusion of the functioning of the traditional political system. What is presented as politics has become, in the eyes of the citizens, equal to surrendering to economic imperatives. This summary owes a lot to the results of the project directed by Ullamaija Kivikuru in the same research programme.

Jorma Kalela (University of Turku) has concentrated, in addition to analysing the changing notions of the political, on the social consequences of the political strategy followed by the governments since the depression. The main result crystallizes into a question: did the Depression of the 1990's give birth to a new underclass in Finland? Pauli Kettunen (University of Helsinki) has studied how the survival strategy of Finland, the symbolic expression of which has been the notion of "politics without alternatives", has emerged as the combined effect of an exceptionally deep economic crisis, globalisation and a new phase in European economic integration.

Not to take at face value all the changes in political activity attributed to the depression of the 1990's is the message Anu Suoranta (University of Turku) seeks to warrant in her doctoral thesis. There seems not to be any great differences between the citizens' ways of coping with insecurity during the depression of the 1930's and that of the 1990's, for example. The concrete object of her study are the gender-related structures of the industrial labour-market in Finland in the 1920's and 1930's. It is realistic to expect that her work will be printed in the spring of 2003.

The public role of history during the depression of the 1990's was the common point of reference for Mikko Laitamo (University of Helsinki) and Ilari Lindroos (University of Turku). Through an analysis of references to history in the media Laitamo aimed at establishing how the political is constructed in public discourse. Lindroos, in turn, investigated meanings given to the political by the way of analysing the relationship between explicit historical interpretations concerning the welfare state and concepts of history. The studies of Mikko Laitamo and Ilari Lindroos were, however, financed only for 11 months within this project.

List of researchers

Jorma Kalela, leader, professor, University of Turku, Department of contemporary history

Pauli Kettunen, professor, docent, Helsinki University, Department of social science history

Mikko Laitamo, MA, University of Helsinki, Dept. of social science history

Ilari Lindroos, MA, University of Turku, Department of contemporary history

Anu Suoranta, MA, , University of Turku, Department of contemporary history

Higher examinations completed

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Seminars and workshops

At the outset of the consortium 3.-4.9.1998

Survival-strategies and the wellfarestate, Workshop at national convention of research on social polities 16.10.1998

Seminar together with Datacentre of the City of Helsinki 16.12.1998

Seminar Studying local history and the everyday labour-market, together with the research project directed by professor Heikki Lehtonen 18.2.1999

Seminar Perspectives on the wellfarestate 16.-17.4.1999 in Turku together with the project Vålfärdsstat i brytningstid from the departments of sosiology and history at the university of Stockholm

The publication policy of the consortium, 27.4.1999

The II joint onference on the Economic Crisis of the 1990s, 7.-8.6.1999

The Great Depression in Finland, seminar together with the research project directed by professor Heikki Lehtonen 16.9.1999

In which way the depression was experienced by the people?, seminar together with the research project directed by professor Ulla-Maija Kivikuru 21.10.1999

The ethics and morals of survival, seminar together with the research project directed by professor Eija Helander 27.1.2000

Seminars on the publications of the consortium, 24.2.2000 and 14.5.2000

Perspectives on the wellfarestate, a seminar 16.-17.4.2000 in Stockholm together with the project Vålfärdsstat i brytningstid from the departments of sosiology and history at the university of Stockholm

The third conference of the research programme, 14.-15.6.2000

The depressions of the thirties and the nineties, 7.-8.9.2000

Seminar Markets, Institutions, Actors: A comparative analysis of the economic crisis of the 1990's in Finland, together with the research project directed by professor Riitta Hjerppe 7.-8.9.2000

Seminar discussing the articles to be included in the common publication of the consorium 30.-31.8.2001

Seminar för forskningsprogrammet Interaction across the Gulf of Bothinia 5.-6.10.2001

The concluding conference of the research programme 1.11.2001

Scientific presentations

Kalela, Jorma: The Contribution of A Historian in Explaining the Depression of the 1990's. The II joint conference on the Economic Crisis of the 1990s, June 7-8, 1999, Helsinki.

Kalela, Jorma: Elämmekö kriisin aikaa? (Currently: A Time of Crisis?) Turun historian ja poliittisen historian laitosten Kriisi? -luentosarja 23.9.1999.

Kalela, Jorma: Suomen 1990-luvun talouskriisi tutkimuskohteena (The economic crisis of the 1990's in Finland as an object of research). Turun historian ja poliittisen historian laitosten Kriisi? -luentosarja 25.9.1999.

Kalela, Jorma: Poliitiikan monet ulottuvuudet (The many dimensions of politics). Turun yliopisto, poliittisen historian laitos 13.10.1999.

Kalela, Jorma: Mikä tekee kansalaisten kokemukset tärkeiksi 1990-luvun lamaa tutkittaessa? (The significance of the citizens' experiences in the study of depression of the 1990's). Historian-, sosiaalipoliitiikan ja tiedotustutkijoiden lamaseminaari 21.10.1999.

Kalela, Jorma: Missä kontekstissa 'poliittista historiaa' on ajateltava (In which context to think about 'political history'?) Turun poliittisen historian laitoksen seminaari 28.1.2000.

Kalela, Jorma: Kommentti Juha Sihvolan esitelmään Moraalin edistys ja historia (A comment on Juha Sihvola's paper The Progress of Morals and History). History and Change -konferenssi 7.10.2000, Turku.

Kalela, Jorma: Porvarillisen reformismin eli ennalta ehkäisevän yhteiskuntapolitiikan aika Suomessa (The time of bourgeois reformism or preventive strategy in securing the social order). Turun Yliopiston oikeustieteellisen tiedekunnan ja poliittisen historian laitoksen seminaari Yhteiskunnan suojele itsenäistyvässä Suomessa 1.2.2001.

Kalela, Jorma: Är välfärdspolitikens tid över? (Is the time of the welfare-strategy over?) Mellan kontroll- och integrationspolitiken -projektin seminaari Tukholman Försvarshögskolan 29.3.2001.

Kalela, Jorma: Från välfärdspolitiken till ??? (From the welfare-strategy to...). Pohjanlahti -ohjelman projektien seminaari 28.5.2001.

Kalela, Jorma: Uppstod det en ny underklass i Finland under 1990-talskrisen? (Did the Depression of the 1990's give birth to a new underclass in Finland?). Pohjanlahti -ohjelman seminaari 5.10.2001, Turku.

Kalela, Jorma: Syntyikö Suomeen 1990-luvulla uusi alaluokka? (Did the Depression of the 1990's give birth to a new underclass in Finland?) Suomen 1990-luvun talouskriisi -tutkimusohjelman seminaari Laman opetukset 1.11.2001, Helsinki.

Lindroos, Ilari: The Welfare-state and Its History. Finnish Researchers of Social Policy and History in the Context of the Economic Depression of the 1990s. III Pohjoismainen aatehistorian jatko-opiskelijoiden konferenssi, kesäkuu 2001, Helsinki.

Lindroos, Ilari: Poikkeusyksilö. Puuttuva lenkki historiatieteen ja yhteiskuntatieteen välillä? Kansallisessa Historiantutkimus Nyt -konferenssi 13.9.2001, Turku.

Suoranta, Anu: Joustava nainen - korvaamaton työ. Kurssi Työllä ei oo kukkaan rikastunna. Naisten toimeentulokeinot 1800- ja 1900-luvulla 30.10.2000, talous- ja sosiaalhistoria/yhteiskuntahistorian laitos, Helsingin yliopisto.

Suoranta, Anu: Naiset, työ ja sääntely 1900-luvulla. Kurssi Työelämän tasa-arvopoliittiset ohjauskeinot 12.2.2002, oikeustieteellinen tiedekunta, Helsingin yliopisto.

Suoranta Anu: Naiset työhön! Vaimot kotiin? 1930-luvun lama ja naisten työssäkäynti. The Economic Crisis of the 1930s in Finland, 7.-8.9.2000, Kauniainen.

Suoranta Anu: Joutaako nainen? Työaika ja arkiset käytännöt. Historiatieteiden tutkijakoulun konferenssi Mallit ja todellisuus 25.-26.5.2000.

Publications

Kalela, Jorma: Uhkasiko banaanisota Suomen taloutta? (Did the banana war threaten Finnish economy?) Turun Sanomat 20.5.2000.

Kalela, Jorma (2001): Historiantutkimus ja jokapäiväinen historia (The Study of history and everyday history). In Jorma Kalela – Ilari Lindroos (eds.): Jokapäiväinen historia. Helsinki: SKS, 11-25.

Kalela, Jorma (2002): Syntyikö Suomeen 1990-luvulla uusi alaluokka? (Did the Depression of the 1990's give birth to a new underclass in Finland?) In Helena Blomberg-Kroll – Matti Hannikainen – Pauli Kettunen (eds.): Lamakirja. Näkökulmia 1990-luvun talouskriisiin ja sen historiallisiin konteksteihin (The Historical Contexts of the Depression of the 1990s). Turku: Kirja-Aurora. Forthcoming.

Kalela, Jorma – Jaakko Kiander – Ullamaija Kivikuru – Heikki A. Loikkanen – Jussi Simpura (eds.) (2001): The Research Programme on the Economic Crisis of the 1990s in Finland: Down from the heavens, up from the ashes. The Finnish economic crisis of the 1990s in the light of economic and social research. VATT Publications 27:6. Government Institute for Economic Research and The Academy of Finland. Helsinki.

Kettunen, Pauli (1998): Globalisation and the Criteria of 'Us'. A historical Perspective of the Discussion of the Nordic Model and New Challenges. In Daniel Fleming – Pauli Kettunen – Henrik Söborg – Christer Thörnqvist (eds.): Global Redefining of Working Life – A New Nordic Agenda for Competence and Partipation? Nord 1998:12. Nordic Council of Ministers, Copenhagen, 33-80.

Kettunen, Pauli (1998): Kansallinen 'me' ja historia globaalistuvassa maailmassa. Tieteessä tapahtuu 5/1998, s.10-17.

Kettunen, Pauli (1998): Kuka pääsee tiedon ja osaamisen Suomeen? Kriittinen katsaus 2/1998, 7-14.

Kettunen, Pauli (1999): New challenges of the Nordic model. Nordic Labour Journal 1/1999, 21-23.

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Kettunen, Pauli (2000): Internationella jämförelser som nationell och övernationell praktik – Ett historiskt perspektiv på globalisering och nationella arbetslivsinstitutioner. In Nordisk Arbejdslivskonference 1999. Norden I verden og verden I Norden. TemaNord 2000:575. Nordisk Ministerråd, Köpenhavn, s. 53-85.

Kettunen, Pauli (2001): Modelle aus Deutschland zur Rationalisierung der Arbeit in Finland. In Pro Finlandia 2001. Festschrift für Manfred Menger. Herausgeber: Deutsch-Finnische Gesellschaft e.V. Redaktion: Fritz Petrick – Dörte Putensen. Traute Warnke Verlag, Reinbek, s. 235-255.

Kettunen, Pauli (2001): The Nordic Welfare State in Finland. Scandinavian Journal of History, Vol. 26, No. 3, 225-247.

Kettunen, Pauli (2001): Kansallinen työ. Suomalaisen suorituskyvyn vaalimisesta. Helsinki: Yliopistopaino. 325 s.

Kettunen, Pauli (2001): Mitä yhteiskunta tekee Pohjoismaissa? Tiede & edistys 4/2001, 257-269.

Kettunen, Pauli (2001): Oliko hyvinvointivaltio projekti? Ennen ja nyt. Historian tietosanomat 4/2001 (verkkojulkaisu, <http://www.ennenjanyt.net/4-01/kettunen.Htm>).

Kettunen, Pauli – Gestur Gudmundsson (1998): Introduction. In Daniel Fleming – Pauli Kettunen – Henrik Söborg – Christer Thörnqvist (eds.): Global Redefining of Working Life – A New Nordic Agenda for Competence and Partipation? Nord 1998:12. Nordic Council of Ministers, Copenhagen, 11-29.

Laitamo, Mikko (2001): Historiaa aamukahvilla. In Jorma Kalela – Ilari Lindroos (ed.): Jokapäiväinen historia. Helsinki: SKS, 92-98.

Lindroos, Ilari (2001): Historiakäsitykset. Sosiaalipolitiikan yksiulotteinen historia. In Jorma Kalela – Ilari Lindroos (ed.). Jokapäiväinen historia. Helsinki: SKS, 121-133.

Suoranta, Anu (1999): Kutojat pulassa – jatkuvaa matalapalkkaa. Työväentutkimus 1999, 15-21.

Suoranta, Anu (1999): Turun kutomateollisuus muutoksen kourisssa 1920- ja 1930-luvuilla. Pumpuliflikkojen palkat vakaat mutta alhaiset. Turun Sanomat 2.9.1999.

Suoranta, Anu (2000): Kuka puristi köyhien voin. Työnteon puuttuvasubjekti. Kirja-arvostelu, ss.58-59, Työväentutkimus 2000.

Suoranta, Anu (2001): Halpa nainen. Lama, ammattitaito ja palkka. In Matti Hannikainen – Mikko Salasuo (eds.): Elämänmuotoja. Kertomuksia yksilöistä ja yhteiskunnasta. Rauma: Koala kustannus, 60-72.

Suoranta, Anu (2001): Lama iski – naiset töihin! 1930-luvun lama ja naisten työmarkkina-asema. In Marjatta Rahikainen – Tarja Räisänen (eds.): Työllä ei oo kukkaan rikastunna. Naisten töitä ja toimeentulokeinoja 1800- ja 1900-luvulla, Helsinki: SKS, Tietolipas 176, 146-160.

Suoranta, Anu (2000): Joustava nainen. Lama ja työaikakäytännöt. In Pauli Kettunen – Auli Kultanen – Timo Soikkanen (eds.): Jäljillä. Kirjoituksia historian ongelmista. Osa 2. Turku: Kirja-Aurora, s. 285-300.

2.2.2 The crisis, the individual, and the mentality of subsistence - The economic crisis of the 1990s and the cultural strategies for tackling the depression

Summary of findings

The project was part of a larger consortium The Historical Contexts of the Depression of the 1990s: The Dimensions of Survival and the Role of the Welfare State. Being the smallest subproject with only one scholar, the project aimed to focus on the economic crisis of the 1990s from the perspective of cultural and mental history. It emphasized the cultural strategies of competing the depression: What kind of individual and collective ways of action and modes of thinking – what kind of a mentality – was seen as essential for tackling the crisis, how these strategies were used for constituting and transforming the notion of a citizen and what kind of reactions these new requirements evoked? The project concentrated especially on the notion of the individual in Finnish culture of the 1990s. In publicity, there has been a lot of criticism against the 'society of guardianship' of the 80s, demanding a stronger responsibility of the individual over his/her own wellbeing. This has been reflected also on the scenarios of the information society, promoted by the Finnish Ministry of Education. These scenarios have underlined the importance of information

economy for overcoming the obstacles. Implicitly, they have stressed the role of an “information intensive“ citizen who, through his/her own active investment on re-education, can find a way even under the circumstances of a crisis, and who, by the use of information services, can build the preconditions for his/her own welfare. The individual has been defined also by consumerism. Consumer demand has been presented as one of the prerequisites of the forthcoming upswing. Here, consuming has resembled the notion of political participation when the individual can, through his/her own choices, decisively influence on constructing the future. From a mental vantage point, it has been highly interesting to notice that economic life has occupied an ever increasing role in the media.

List of researchers

Hannu Salmi, leader, Professor of Cultural History, University of Turku

Merja Lind (employed 1998-2000), MA, Department of Cultural History, University of Turku

Additionally, other members of the department contributed in the project (cf. list of publications).

Higher examinations completed

The project had only one scholar whose PhD has not yet been completed. It is, thou, in its final stage. One PhD dissertation, however, with a strong emphasis on the research focus, was approved at the department. This was Pauliina Laitinen-Laiho's dissertation *Kotimaiset taidemarkkinat 1980- ja 1990-luvulla. Annales Universitatis Turkuensis, Ser. C, Tom. 173. Turun yliopisto, Turku 2001. (185 s.)*.

Also an MA thesis, dealing with the role of consumerism, was approved. This was Susanna Paasonen's *Fantasioiden Forum: kauppakeskus kokemuksellisenä tilana. Turun yliopisto, Kulttuurihistoria 1998 (122 p.)*.

Seminars and workshops

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Scientific presentations

Lind, Merja: Lama ja yksilö. Symposium of the project 8 August 1998.

Lind, Merja: Konstruoitu suomalaisuus ja kansainvälisyys aikakauslehti *Imagessa* 1980-luvun loppupuolella. Conference Cultural Identity and Its Global Manifestations 14-16 September 2000, Joensuu.

Lind, Merja: Yksilön konstruioiminen aikakauslehti Imagessa. Conference Pieninä palasina maailmalla – elämän yksilöllistyminen, Etelä-Suomen lääninhallitus 5-6 October 2000.

Salmi, Hannu: Tekniikka ja tunteet: kulttuurihistoriallinen näkökulma. Conference Kulttuuri ja arvot – työelämässä ja koulutuksessa 20 March 1998.

Salmi, Hannu: The Challenge of Historical Culture. The Russian Academy of Sciences 18 May 1999, Moscow.

Salmi, Hannu: Historiakulttuurin haaste. Työväen Akatemia 12 November 1999.

Salmi, Hannu: Muutoksen mielikuvat ja aikalaiskokemus. Conference Historia ja muutos 18 May 2000.

Salmi, Hannu: Movie-Going as Window Shopping: Tracing Finnish Urban Experiences. The 5th International Conference on Urban History 30 August - 2 September 2000, Berlin.

Salmi, Hannu: Kulttuuri ja teknologia. Suomen Akatemian järjestämän Kulttuuri 2001 -tapahtuman kutsuvierasseminaari 27.9.2001.

Publications

Laitinen-Laiho, Pauliina (2001): Kotimaiset taidemarkkinat 1980- ja 1990-luvulla. *Annales Universitatis Turkuensis, Ser. C, Tom. 173*. Turun yliopisto, Turku 2001. (185 p.)

Lind, Merja (2000): Savivarpaita vai cityihmisiä? Aikakauslehti Imagessa 1980-luvun loppupuolella konstruoitu suomalaisuus ja kansainvälisyys. In Pauli Kettunen – Auli Kultanen – Timo Soikkanen (eds.): *Jäljillä. Kirjoituksia historian ongelmista*. Vol. 2, Turku, pp. 337-355.

Lind, Merja (2002): Yksilön tuottaminen aikakauslehti Imagen 1990-luvun lamaa koskevassa kirjoittelussa. In Helena Blomberg-Kroll – Matti Hannikainen – Pauli Kettunen (eds.): *Lamakirja. Näkökulmia 1990-luvun talouskriisiin ja sen historiallisiin konteksteihin (The Historical Contexts of the Depression of the 1990s)*. Turku: Kirja-Aurora. Forthcoming.

Salmi, Hannu (2001): Menneisyyskokemuksesta hyödykkeisiin – historia-kulttuurin muodot. In Jorma Kalela – Ilari Lindroos (eds.): *Jokapäiväinen historia*. Tietolipas 177. Suomalaisen Kirjallisuuden Seura, Helsinki, pp. 134-149.

Salmi, Hannu (2001): Rauhanajan syvin talouskriisi. Kriisin käsitehistoria ja sairauden metafora. Turun yliopisto. <http://www.utu.fi/hum/historia/kh/lama/kriisi.pdf>

Salmi, Hannu (2002): Tietoyhteiskunta ja talouskriisi: informaatioteknologinen näkökulma 1990-luvun lamaan. In Helena Blomberg-Kroll – Matti Hannikainen – Pauli Kettunen (eds.): Lamakirja. Näkökulmia 1990-luvun talouskriisiin ja sen historiallisiin konteksteihin (The Historical Contexts of the Depression of the 1990s). Turku: Kirja-Aurora. Forthcoming.

2.2.3 From the Great Famine Years to the recession of the 1990s: The social history of Finnish economic crises

Summary of findings

The aim of our research was to shed light on the formation processes of crises in the Finnish history on the common and local levels.

Antti Häkkinen: Combining structural, cultural, political and action perspectives changes in the construction of poverty through six time periods was studied: the famine years of the 1860s, the period of transition at the turn of the 20th century, the 1930s depression, the period between the war and the 1970s, the contemporary welfare state and the crisis of the 1990s. Special attention was given to the question of the so-called social underclass.

In the catastrophe of the Great Famine Years the society of legal protection proved itself incapable and unwilling to care for the landless population. In the next period the faces of mass poverty were quite similar to the preceding period. However, the risk of starvation had diminished. Wage work relations started to replace the judicial-natural relations as a base of human life and work, and unemployment became more often the source of poverty, and the criteria of the underclass. This process made the phenomenon of poverty social in a new way and the questions of poverty became objects of political mobilization and part of the nation-building process. However, the unsuccessful revolt turned the poor into a dangerous class to the governing class and "entitled" the use of a humiliating social policy. The Great Depression created massive, long-lasting problems of unemployment and livelihood. In this period large scale unemployment was recognized as one of the most difficult problems of the whole society. The bad position of the poor gained attention and incipient initiatives were made to create and develop social reforms. After the Second World War a special type of social underclass was visible: a rural social group of small farmers, which was connected with the needs of the forest industry. When this circular system of small farming-lumberjacking was gradually demolished in the 1950s and 1960s, a part of this population was forced to emigrate to Sweden or to Southern Finland.

In the period of construction of the welfare state special attention was given to preventing impoverishment and marginalization and to minimizing the negative consequences of poverty. This project succeeded in reducing the amount of the traditional types of poverty and the size of the underclass. The most positive

result was the achievements in placing those in danger of exclusion into the society as plenipotentiary citizens. In the period of the depression of the 1990s mass unemployment was born. Without the existence of a social policy system it could have meant severe mass poverty. In spite of the fast economic growth after the depression large scale unemployment remains and has created a new type of poverty, an underclass with long-lasting lack of work, a process of exclusion and several other related problems.

The main points were, that in the long run mass poverty has changed into mass unemployment and seems to have taken a special form in the last decade of the 20th century and in addition to the economic-structural changes of society, the social policy adopted, the factors of culture and social action in each period has had great significance in the formation of poverty, unemployment and the social underclass.

Matti Hannikainen: on Construction and Crisis in an Urban Society. This research concerns the Great Depression of the 1930s in Helsinki and especially in the construction sector. The aim of Hannikainen's study is to determine how one sector and the labour market at the local level responded to the collapse of the world economy.

The first part of Hannikainen's dissertation (2003) deals with factors that affected the extent of construction industry in Helsinki during the interwar years. In the second part of this research the problem of labour market adjustment in the circumstances of an exogenous aggregate shock has been studied. In discussing the labour market during a depression period, an essential subject is the relation of unemployment and wages. Theoretical and methodological approaches have been more systematically presented in the seminar paper and in the article mentioned in the publications list. The third part of Hannikainen's research concerns unemployment among construction workers. A new longitudinal data (collected from archive of the Municipal Labour Exchange Office and from the tax records) the years from 1928 until 1938 including about 4,400 people has been collected on construction workers in Helsinki. The essential issues are the differences in the duration of unemployment among construction workers and the reemployment probabilities of the jobless workers. The fourth part of this research deals with forms and consequences of unemployment assistance in Helsinki. The main results have been presented in the two articles mentioned in the publications list.

Sakari Saaritsa: The aim has been to research empirically the claims on the importance of the "informal economy", e.g. aid from neighbours and kin, in coping with crisis periods in Finland up to the 1950s. An analysis of social networks and informal aid in a rural-industrial community in Southern Finland in 1900-1950, based on oral histories, was implemented with the following research questions: 1) what sort of informal economic transactions were important during certain crisis periods (the civil war in 1918, lock-out and evictions from company housing in 1927, the Great Depression in 1928-1936,

the Second World War in 1939-1945) and why; 2) what sort of social relationships were related to certain types of transactions, and how had the individuals reached the geographic and social positions making the transactions possible and useful; 3) through what sort of processes had the networks of informal aid of certain individuals and households emerged over time.

The hypothesis was that geographic and occupational mobility in a late industrialising society leads to the formation of diversified rural-urban networks, whose members face risks that are to some extent non-covariate and independent, enabling mutual aid in times of need. According to the results, different crises entailed different mechanisms for inducing a failure of market-based entitlement to livelihood of the wage labourers (e.g. soaring prices and failed rationing; exclusion from the labour market through industrial conflict and political discrimination; mass unemployment). A shared feature of informal economic transactions during crisis periods was the strategic importance of social ties to agricultural producers, providing non-market entitlements to food. Most common basis for such transactions was kinship. Rural-urban networks were largely formed through the mobility of members of rural families.

The theoretical and methodological work (the modeling of risk-sharing networks of informal aid, the application of network analysis to oral histories through computer-aided qualitative research) has served as a basis for a comparative research proposal for doctoral studies, which has been accepted by the European University Institute, Florence, where Saaritsa is currently working.

List of researchers

The Academy financed the project 669,000 marks, which translated into working years about five.

Two fulltime researchers:

Antti Häkkinen, leader, Senior Research Fellow, Docent, University of Helsinki, Department of Social Science History/Economic and Social History

Matti Hannikainen, MA, Researcher, University of Helsinki, Department of Social Science History/Economic and Social History

One part-time research assistant:

Sakari Saaritsa, MA, Researcher, European University Institute, Florence, Department of History and Civilization

Higher examinations completed

Matti Hannikainen, the dissertation will be finished in 2003.

Sakari Saaritsa, MA thesis has been approved with the highest grade, meaning an automatic recognition as a Licentiate thesis

Seminars and workshops

Several project meetings were held to discuss papers presented members by the project, spring 1998.

Course on collecting and using qualitative data, spring 1998.

Course on analyzing oral history data, autumn 1998.

Joint seminar Studying the historical contexts of the depression of the 1990's with the consortium (Kalela, Jorma), September 4, 1998.

Course on collecting and analyzing qualitative data of the reminiscences of the 1930s with the department of Ethnology at the University of Helsinki, April 1-28, 1999.

Workshop Studying local history with the researchers of the department of History at the University of Tampere (Lehtonen, Heikki), February 18, 1999.

Workshop The Great Depression in Finland with the researchers of the department of History at the University of Tampere (Lehtonen, Heikki), September 16, 1999.

Seminar The Economic Depression of the 1930s with the consortium (Kalela, Jorma), September 7-8, 2000.

Seminar The Historical Contexts of the Depression of the 1990's with the consortium (Kalela, Jorma), August 30-31, 2001.

Workshop The Finnish Social Underclass and Questions of Ethnicity with the project of Helena Blomberg, November 7, 2001.

Scientific presentations

Hannikainen, Matti: Institutionell teori och förändring i byggnadsteknik. Industrial Heritage in the Nordic Countries 8.12.1998, Copenhagen, Denmark.

Hannikainen, Matti: The Duration and Timing of Unemployment among Construction Workers in Helsinki 1928-1938. The Summer School, European Historical Economics Society 1999, Lund.

Hannikainen, Matti: The Duration and Timing of Unemployment among Construction Workers in Helsinki 1928-1938. A Methodological and Theoretical Approach. The European Social Science History Conference, 2000, Amsterdam and Välfärdsstat i brytningstid conference, 2000, Stockholm and Summer Seminar of Economists, 2000, University of Jyväskylä.

Hannikainen, Matti: Instituutiot ja paikallinen käytäntö. Helsingin kaupungin talous ja työttömien avustaminen 1930-luvun laman aikana (The Finance of the City of Helsinki and Unemployment Assistance during the Great Depression). The Economic Depression of the 1930s, 2000, Kauniainen.

Hannikainen, Matti: Palkat Helsingin rakennustoiminnassa 1920-1939 (Wages in the Construction Sector in Helsinki during the Interwar Years). The Historical Contexts of the Depression of the 1930's, 2001, Helsinki.

Häkkinen, Antti: Kriisin käsite historissa. Luentosarja Pula- ja lama-ajat Suomessa. 1998, Turku.

Häkkinen, Antti: Prostituution historiaa Suomessa. Ikäihmisten yliopisto, 1998, Helsinki.

Häkkinen, Antti: Kaupunkien alakulttuurien tutkimisesta, Rahvaan Suomi -tutkimuspiiri. 1998, Helsinki.

Häkkinen, Antti: Historiallinen kriminologia, historiantutkimuksen metodologisia lähestymistapoja. 1998, Helsinki.

Häkkinen, Antti: Pula-ajan tutkimuksen lähtökohtia. 90-luvun lama -tutkimusohjelman yhteistyöseminaari, 1998, Helsinki.

Häkkinen, Antti: Prostituutio sosiaalhistoria laadullisen tutkimuksen kohteena. Terveystutkimuksen päivät, 1998, Helsinki.

Häkkinen, Antti: Nälkätutkija norsunluutornissa. Ei tiedettä ilman tekijöitä -seminaari, 1999, Turku.

Häkkinen, Antti: Helsinkiläinen alaluokka ja alamaailma. Kaupunginosia -luentosarja, 1999, Helsinki.

Häkkinen, Antti: The Finnish Rural Community, Poverty and the Short-Term and Long-Term Effects of the Great Depression. The Academy of Finland, 1999, Helsinki.

Häkkinen, Antti: Pula ja kriisi sosiaalhistoriallisen tutkimuksen kohteena. Ethnos-yhdistyksen juhlaseminaari, 2000, Helsinki.

Häkkinen, Antti: The Finnish Rural Community, Poverty and the Short-Term and Long-Term Effects of the Great Depression: Case Studies of Two Local Communities. The European Social Science History Conference, 2000, Amsterdam.

Häkkinen, Antti: Köyhyys, köyhyyden kokemus ja muisti. Työväenperinteen seuran seminaari, 2000, Helsinki.

Häkkinen, Antti: The Finnish Rural Community, Poverty and the Short-Term and Long-Term Effects of the Great Depression. Summer Seminar of Economists 2000, Jyväskylä.

Häkkinen, Antti: Köyhyyden sosiaalinen konstruktio maaseutuyhteisössä – ja pula. 1930-luvun talouskriisi Suomessa, Työväen Akatemia, 2000, Kauniainen.

Häkkinen, Antti: 1930-luvun lama, köyhyys ja sen tutkiminen. Suomen Historiallisen Seuran tutkijatapaaminen, 2000, Helsinki.

Häkkinen, Antti: Nälän mahdollisuus. Seminaari Huomispäivän ruokamme – miten suomalaiset syövät vuonna 2025? 2000, Helsinki.

Häkkinen, Antti: Suomalaisen alaluokan historia. Svenska Social och Kommunalhögskolan, 2001, Helsinki.

Saaritsa, Sakari: Social identity, solidarity and informal aid: Narratives of hardship and helping in an early 20th century rural-industrial village. Välfärdsstat I brytningstid conference 15.-16.5.2000, Stockholm.

Saaritsa, Sakari: Social identity, solidarity and informal aid: Narratives of hardship and helping in an early 20th century rural-industrial village. Summer Seminar of Economists 14.-15.6.2000, University of Jyväskylä.

Saaritsa, Sakari: Informal aid during the Depression in the oral histories of a rural-industrial community. The Economic Depression of the 1930s 7.-8.9.2000, Kauniainen

Publications

Hannikainen, Matti (1998): Timpurin töissä ja varatöiden varassa (Unemployment, Wages and Annual Income of the Carpenters in Helsinki during the Great Depression). Työväentutkimus, pp. 49-52.

Hannikainen, Matti (2000): Reilu meininki sisäpiirissä. Työttömyystutkimuksen teoreettisia malleja (Fairness Among Insiders. Theoretical Models of Unemployment Research). In Pauli Kettunen – Auli Kultanen – Timo Soikkanen (eds.): Jäljillä. Kirjoituksia historian ongelmista osa 2. Kirja-Aurora, Turku, pp. 265-283.

Hannikainen, Matti (2000): Kaupungin rakentajat (Construction Workers in Helsinki). In Otto Mattsson – Milka Sunell (ed.): Pääkaupungin kuva. Luentoja Helsingin historiasta. Helsingin kaupunginmuseum, Jyväskylä, pp. 78-92.

Hannikainen, Matti (2001): Velotaan? Helsingissä 1930-luvun laman aikana annetun köyhäinavun takaisinperintä (The Re-payment of Poor Relief Given in Helsinki during the Great Depression). In Matti Hannikainen – Mikko Salasuo (eds.): Elämän muotoja. Kertomuksia yksilöistä ja yhteiskunnasta, Koala-kustannus, Rauma, pp. 44-59.

Hannikainen, Matti: Helsingin kaupungin talous ja työttömien avustaminen 1930-luvun laman aikana. Instituutiot ja paikallinen käytäntö (The Finance of the City of Helsinki and Unemployment Assistance during the Great Depression). In Matti Hannikainen – Sakari Heikkinen – Antti Häkkinen – Pirkko Leino-Kaukiainen (eds.): 1930-luvun talouskriisi Suomessa (The Depression of the 1930s in Finland). Suomalaisen Kirjallisuuden Seura, Helsinki. Forthcoming.

Hannikainen, Matti: Työehtosopimuksista palkanalennusautomaattiin. Helsinkiläisten rakennustyöläisten palkat 1930-luvun laman aikana (Wages of the Construction Workers in Helsinki during the Great Depression). In Helena Blomberg-Kroll – Matti Hannikainen – Pauli Kettunen (eds.): Lamakirja. Näkökulmia 1990-luvun talouskriisiin ja sen historiallisiin konteksteihin (The Historical Contexts of the Depression of the 1990s). Kirja-Aurora, Turku. Forthcoming.

Häkkinen, Antti (1998): Samhällets bottenskikt: Om den helsingforsiska subkulturens historia (On the bottom: the history of the underclass of Helsinki). Historisk Tidskrift för Finland, vol. 83, 1998:2, pp. 308-335.

Häkkinen, Antti (1999): Clients of Prostitutes: A Historical Perspective of Finland. In Laura Keeler – Marjut Jyrkinen (eds.): Who's buying? The Clients of Prostitution. Publications on Equality 1999:4, pp. 13-24.

Häkkinen, Antti (1999): 'Maantie kotina' – kulkuri-ilmiö Suomessa. ('On the road' – Vagrancy in Finland). In Suomen tietlaitoksen 200-vuotishistoria, II osa, pp. 150-151.

Häkkinen, Antti (1999): Conflict, Social Action and Social History. In Ethnologia Fennica, Finnish Studies in Ethnology. Vol 27, pp. 6-21.

Häkkinen, Antti (2000): 'Oletteko te se sama Kokki?' Johan Adolf Kockin elämänkulku (The Life Course of Johan Adolf Kock). In Oittinen, Riitta – Marjatta Rahikainen (eds.): Keulakuvia ja peränpitäjiä: Vanhan ja uuden yhteiskunnan rajalla. Suomen Historiallinen Seura, Helsinki, pp. 289-309.

Häkkinen, Antti (2000): Helsinkiläinen alaluokka ja alamaailma (The history of the underclass and the underworld of Helsinki). In Mattsson, Otto – Milka Sunell (eds.): Pääkaupungin kuva: Luentoja Helsingin historiasta. Helsingin kaupunginmuseum, Memoria 14, Helsinki, pp. 107-127.

Häkkinen, Antti (2002): Köyhyyden sosiaalisesta konstruktioista maaseutuyhteisössä 1930-luvun pula-aikana (The great depression and the social construction of poverty in the Finnish Countryside). In Matti Hannikainen – Sakari Heikkinen – Antti Häkkinen – Pirkko Leino-Kaukiainen (eds.): 1930-luvun talouskriisi Suomessa (The Depression of the 1930s in Finland). Suomalaisen Kirjallisuuden Seura, Helsinki. Forthcoming.

Häkkinen, Antti (2002): Pula Iisalmen maalaiskunnassa ja Alavudella (The greta depression in the local level). In Matti Hannikainen – Sakari Heikkinen – Antti Häkkinen – Pirkko Leino-Kaukiainen (eds.): 1930-luvun talouskriisi Suomessa (The Depression of the 1930s in Finland). Suomalaisen Kirjallisuuden Seura, Helsinki. Forthcoming.

Häkkinen, Antti: 1930-luvun talouskriisi: köyhyys ja pitkäaikaistyöttömyys (The Great Depression, poverty and the long term unemployment). In Helena Blomberg-Kroll – Matti Hannikainen – Pauli Kettunen (eds.): Lamakirja. Näkökulmia 1990-luvun talouskriisiin ja sen historiallisiin konteksteihin (The Historical Contexts of the Depression of the 1990s). Kirja-Aurora, Turku. Forthcoming.

Häkkinen, Antti – Jarmo Peltola (2001): Social History of Employment and Poverty in Finland. In Jorma Kalela – Jaakko Kiander – Ullamaija Kivikuru – Heikki A. Loikkanen – Jussi Simpura (eds.): The Research Programme on the Economic Crisis of the 1990s in Finland: Down from the heavens, up from the ashes. The Finnish economic crisis of the 1990s in the light of economic and social research. VATT Publications 27:6. Government Institute for Economic Research and The Academy of Finland. Helsinki, pp. 309-345.

Häkkinen, Antti – Jarmo Peltola (2002): Köyhyys ja työttömyys Suomen historiassa (Poverty and Unemployment in Finland from the Agrarian Society until the End of the 20th Century). A publishing contract is under negotiations, forthcoming.

Häkkinen, Antti – Marjatta Rahikainen (2001): Naisten työn ja toimeentulon tutkimuksesta (On the research of the female work and livelihood). In Rahikainen, Marjatta – Riitta Oittinen (eds.): Työllä ei oo kukkaan rikastunna. Naisten töitä ja toimeentulokeinoja 1800- ja 1900-luvulla. Suomalaisen Kirjallisuuden Seura, Tietolipas 176, Helsinki, pp. 7-16.

Saaritsa, Sakari (1999): Sanna-Kaisa Spooft: Savikkojen valtias: Jokelan tiilitehtaan sosiaalinen ja fyysinen miljöö (Sanna-Kaisa Spooft: Living off clay: the social and physical milieu of a Finnish one-company town). Book review, Scandinavian Economic History Review vol 47, N:o 1, 117-119.

Saaritsa, Sakari (2000): "Blessed poverty": Identity, solidarity and past-making in a rural-industrial village, 1900-2000. In "The Century", Proceedings of the Annual Conference of the International Students of History Association, Zagreb, 19th-23th April 2000. ISHA 2000.

Saaritsa, Sakari: Muistitieto ja selviytyminen. Riskeiltä suojaavan vaihtoverkoston malli ja kellokoskelaisten epäviralliset taloudelliset suoritteet kriisiaikoina 1900-1950 (Oral history and survival: A model of a risk-sharing exchange network and the informal economic transactions of the people of Kellokoski during crisis periods 1900-1950). In Työväentutkimus 2002. Forthcoming.

Saaritsa, Sakari: Riskeiltä suojaavat verkostot: Kellokoskelaisten epävirallinen talous kriisiaikoina 1900-1950 (Risk-sharing networks: The informal economy of the people of Kellokoski during crisis periods, 1900-1950.) In Helena Blomberg-Kroll – Matti Hannikainen – Pauli Kettunen (eds.): Lamakirja. Näkökulmia 1990-

luvun talouskriisiin ja sen historiallisiin konteksteihin (The Historical Contexts of the Depression of the 1990s). Kirja-Aurora, Turku. Forthcoming.

3 The research projects of economics and finance

3.1 Finnish labour markets in the 1990s

3.1.1 Micro-econometric analysis of the labour market with panel data

Summary of findings

The aim of the project was to shed light on the functioning of the labour market during the recession years. The emphasis was on micro-econometric analysis and especially on the use and development of the panel data sets.

The first part of the research project considered the importance of economic incentives of the unemployed and their effect on unemployment duration (Kyyrä 1999). The economic incentives were measured by an expected increase in the household's disposable income resulting from the employment of the unemployed member. According to the results, some 8% of the unemployed were estimated to be unable to increase the disposable income of their household through employment, and incentive factors were found to have a strong effect on unemployment duration.

An important part of the project studied how the recession of the early 1990s hit different worker groups and affected inequality in the labour market (e.g. Kyyrä 2000). This was done by taking into account changes in wages, layoff probability and hiring probability and their effect on the expected value of future income streams. Despite large employment losses the cross-section dispersion of earnings was found to remain almost constant for recession years. The recession smoothed down differences in the likelihood of becoming unemployed (i.e. in the flow into unemployment), while the dispersion in the hiring rates (i.e. in the flow out of unemployment) has been increasing over the observation period. In contrast to the patterns in the earnings data, labour market inequality – and educational differentials in welfare measures in particular – increased during the recession.

Determinants of the layoff risk are considered in more detail in the study of Korkeamäki (2001). This work exploits the possibility of accounting for both the individual and firm level factors simultaneously in modelling the layoff risk. This is one of the important advantages of the matched worker-firm data constructed in this project with the financial support from the Academy of Finland. During the recession the layoff risk for the youngest worker group increased especially rapidly, and it was 2.7 times higher than that of the workers aged between 35 and 44 in 1995. The layoff risk among workers aged over 54 was found to be

even higher, and their risk to become unemployed during the recession increased most heavily among the subgroup employed by large companies with the workforce above 500 employees. Firm's profitability, capital intensity and strong financial position all tend to reduce the layoff risk of employees.

A remarkable part of work conducted in this project can be attributed to the planning and compiling of the matched worker-firm panel data (described in Korkeamäki and Kyrrä 2000). This data source covers a wide part of the economic activity in the private sector for the period 1989-1995, and it can be updated in the future. Most of the studies associated with this research project relied on this matched data source. The importance of this kind of data sets which combine information from both worker records and firm records has been recently emphasised by many leading scholars internationally. It is obvious that this Finnish matched panel data will provide a great potential for a large range of additional research projects in the future.

List of researchers

Tomi Kyrrä (1998-2000), Licentiate of Social Sciences (Economics), senior economist, Government Institute for Economic Research

Ossi Korkeamäki (1999-2000), Master of Social Sciences, researcher, Government Institute for Economic Research

Higher examinations completed

Tomi Kyrrä, Licentiate of Social Sciences (Economics), University of Helsinki, 1999

Seminars and workshops

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Scientific presentations

Korkeamäki, Ossi: Integrated Panel of Finnish Companies and Workers. Workshop on the Economic Analysis of Linked Employee-Employer Data, 10.-11.11.2000, Århus, Denmark.

Korkeamäki, Ossi: The Effect of Individual and Firm Characteristics On Unemployment Probability in Finland 1990-1996. Summer Seminar of Economists 13.-14.6.2001, Jyväskylä, Finland.

Korkeamäki, Ossi: The Effect of Individual and Firm Characteristics On Unemployment Probability and Duration of Unemployment – And Which Firms Are Hiring Unemployed People. Workshop on the Economic Analysis of Linked Employee-Employer Data, 14.-15.12.2001, Helsinki, Finland.

Kyyrä, Tomi: Household level economic incentives, unemployment trap and job finding probability. The II joint conference on the Economic Crisis of the 1990s, 7.6.1999, The Academy of Finland, Helsinki.

Kyyrä, Tomi: Welfare differentials and inequality in the Finnish labour market over the 1990s recession. Kansantaloustieteen päivät, 8.2.2001, Turku, Finland.

Kyyrä, Tomi: Estimating equilibrium search models from Finnish data. The 1st Nordic Econometric Meeting, 25.-27.5.2001, Sønderborg, Denmark.

Kyyrä, Tomi: Estimating equilibrium search models from Finnish data. Summer Seminar of Economists, 13.-14.6.2001, Jyväskylä, Finland.

Kyyrä, Tomi: Estimating equilibrium search models from Finnish data. The 56th European Meeting of the Econometric Society, 25.-29.8.2001, Lausanne, Switzerland.

Kyyrä, Tomi: Welfare differentials and inequality in the Finnish labour market in the early 1990s. The 16th Annual Congress of the European Economic Association, 29.8.-1.9.2001, Lausanne, Switzerland.

Publications

Holm, Pasi – Kyyrä, Tomi – Rantala, Juha (1999): Household Level Economic Incentives, Unemployment Trap and Job Finding Probability. *International Tax and Public Finance*, Vol 6, No 3.

Korkeamäki, Ossi – Kyyrä, Tomi (2000): Integrated Panel of Finnish Companies and Workers. VATT Discussion Paper 226.

Korkeamäki, Ossi (2001): Työttömyysriskiin vaikuttavat yksilö- ja yrityskohtaiset tekijät Suomessa 1990-1996 (The effects of individual and firm characteristics on unemployment risk in Finland, 1990-1996). VATT Discussion paper 255.

Kyyrä, Tomi (1999): Post-Unemployment Wages and Economic Incentives to Exit from Unemployment. VATT Research Report 56.

Kyyrä, Tomi (2000): Welfare Differentials and Inequality in the Finnish Labour Market over the 1990s Recession. VATT Research Report 68.

Kyyrä, Tomi (2001): Estimating Equilibrium Search Models from Finnish Data. VATT Discussion Paper No. 256.

Kyyrä, Tomi (2001): Hyvinvointieroista ja eriarvoisuudesta Suomen työmarkkinoilla (Welfare Differentials and Inequality in the Finnish Labour Market). In Seija Ilmakunnas (ed.): *Työmarkkinat testissä*. VATT Publications 30.

Kyyrä, Tomi (2001): Evolution of Inequality in the Finnish Labour Market, 1988-1996. In Jorma Kalela – Jaakko Kiander – Ullamaija Kivikuru – Heikki A. Loikkanen – Jussi Simpura (eds.): *The Research Programme on the Economic Crisis of the 1990s in Finland: Down from the heavens, up from the ashes. The Finnish economic crisis of the 1990s in the light of economic and social*

research. VATT Publications 27:6. Government Institute for Economic Research and The Academy of Finland. Helsinki.

3.1.2 Microeconomic analysis on the functioning of the labour market

Summary of findings

Microeconomic studies examined (i) the dependence between overall unemployment and the effectiveness of labour market training as a manpower policy, (ii) the impact of selective employment measures on the subsequent migration behaviour of the participants, and (iii) the effect of different active labour market programmes (ALMPs) on the subsequent employment probability of a young person.

The results suggested that employment measures reduce the mobility of the unemployed but only during an era of low unemployment when the employment prospects in potential destination regions are favourable. In an era of high unemployment these measures were not likely to contribute to greater regional unemployment disparities. There was also large variation in the locking-in effects across different employment programmes and specific groups of job seekers. The results revealed that the employment effect of labour market training declined considerably between 1989-1994. The results indicated that the effectiveness of ALMPs does not vary that much over the business cycle, but the differences across programmes are large. Positive employment effects were present in special youth programmes, entrepreneur programmes and in subsidies for private employers. Negative effects were present in temporary public placements and in obligatory job placements. The results suggested that the emphasis of active labour market policy directed at youths should be placed on more discretionary temporary employment schemes, instead of large scale temporary employment schemes.

Macroeconomic studies contributed to the discussion on possible changes in the functioning of the labour market by scrutinising economic relations which hold considerable interest from the policy point of view. These concerned the relationship between employment and output growth and the relationship between aggregate unemployment and output growth.

The results based on panel data on 452 Finnish municipalities implied that the contemporaneous relation between changes in employment and output growth disappeared in the early 1990s and recovered in the mid 1990s. Furthermore, there are differences in the employment-output relation between different regions and the existing differences can be partly explained by differences in industrial specialisation. The empirical analysis, based on aggregate variables from the period 1975-1996, suggested that the relationship between aggregate-

level employment/unemployment and output growth remained relatively stable throughout the investigation period.

List of researchers

Jaakko Pehkonen, leader, Professor of Economics, Dean, University of Jyväskylä (School of Business and Economics)

Ulla Hämäläinen, MA (econ.), University of Jyväskylä (School of Business and Economics) and Labour Research Institute

Kari Hämäläinen, PhD (econ.), University of Jyväskylä (School of Business and Economics) and Labour Research Institute

Hannu Koskinen, MA (econ.), University of Jyväskylä (School of Business and Economics)

Virve Ollikainen, MA (econ.), University of Jyväskylä (School of Business and Economics)

Simo Rahikainen, MA (econ.), University of Jyväskylä (School of Business and Economics)

Higher examinations completed

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Seminars and workshops

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Scientific presentations

Hämäläinen, Kari: The effectiveness of labour market training in different eras of unemployment. Summer Seminar of Economists 14.6.2000, University of Jyväskylä.

Hämäläinen, Kari: Unemployment, selective employment measures and inter regional mobility of labour. Nordic Seminar on Labour Market Institutions and the Effectiveness of Labour Markets. 2000, Helsinki.

Hämäläinen, Ulla: The employment effects of training and temporary employment schemes on youth labour market. Summer Seminar of Economists, 14.6.2001, University of Jyväskylä.

Pehkonen, Jaakko: Employment and output growth: a regional-level analysis. European Regional Science Association (ERSA) 27.8.-30.8.1999, Dublin.

Pehkonen, Jaakko: Employment and economic activity in Finland: evidence from regional-level data. European Regional Science Association (ERSA) 28.8.-1.9.2000, Barcelona.

Publications

Hämäläinen, Kari (1999): Unemployment, selective employment measures and inter regional mobility of labour. University of Jyväskylä, School of Business and Economics, Working Papers No. 212.

Hämäläinen, Kari (2000): The effectiveness of labour market training in different eras of unemployment. University of Jyväskylä, School of Business and Economics, Working Papers No. 225.

Hämäläinen, Kari (2002): Unemployment, selective employment measures and inter regional mobility of labour. Papers in Regional Science, forthcoming.

Hämäläinen, Kari (2002): The effectiveness of labour market training in different eras of unemployment. In Seija Ilmakunnas – Erkki Koskela (eds.): Towards Higher Employment. The Role of Labour Market Institutions. VATT Publications 32.

Hämäläinen, K. – J. Pehkonen (2001): Gender, labour market training and employment. University of Jyväskylä, School of Business and Economics, Working Paper No. 243.

Hämäläinen, Ulla (2001): The employment effects of training and temporary employment schemes on youth labour market. Labour Research Institute, Working Paper 233.

Kangasharju, Aki – Jaakko Pehkonen (2001): Employment and economic activity in Finland: evidence from regional data. Finnish Economic Papers, 14 (1), 41-50.

Ollikainen, Virve (2001): Gender differences in transitions from unemployment: evidence from Finland. University of Jyväskylä, School of Business and Economics, Working Papers No. 234.

Pehkonen, Jaakko (1999): Employment and output growth: a regional-level analysis. ERSA, Dublin, Conference Papers, CD-ROM.

Pehkonen, Jaakko (2000): Employment and economic activity in Finland: evidence from regional-level data. ERSA, Barcelona, Conference Papers, CD-ROM.

Pehkonen, Jaakko (2000): Employment, Unemployment and Output Growth in Booms and Recessions: Time series evidence from Finland, 1976-1996. Applied Economics, 32, 885-900.

Pehkonen, J. – A. Kangasharju (2001): Employment and output growth in the 1990s. In Jorma Kalela – Jaakko Kiander – Ullamaija Kivikuru – Heikki A. Loikkanen – Jussi Simpura (eds.): The Research Programme on the Economic Crisis of the 1990s in Finland: Down from the heavens, up from the ashes. The Finnish economic crisis of the 1990s in the light of economic and social research. VATT Publications 27:6. Government Institute for Economic Research and The Academy of Finland. Helsinki.

3.2 Finnish economic depression in the 1990's: Macroeconomic and financial factors

Summary of findings

This project focused first on the general macroeconomic aspects of the depression. This led to the publication by Honkapohja and Koskela (1999, update in 2001). It is argued in the publication that Finland's depression in the early 1990s was not just the result of the collapse of its major trading partner, the Soviet Union, and the sharp rise in European interest rates. Poor institutions and poor policies made a bad situation worse. The story of "How bad policies turned bad luck into depression" begins with a poorly designed deregulation of financial markets. After deregulation, the authorities decided to stick with a fixed exchange rate regime and did not reform bank supervision. The private sector built up heavy foreign debts and subsequently interest rates started to increase as a result of emerging credibility problems and developments in Western Europe.

In the publication the authors show empirically that financial market liberalization and financial restraints later on played a large part in boosting earlier and cutting later aggregate demand consisting private consumption and private investments. They also argue that equilibrium unemployment rate increased as a result of financial crisis the Finnish economy experienced. The authors also offer some comparisons with Chile, Mexico, some East Asian countries and Sweden, which have experienced similar problems of financial crisis despite the big differences of economic institutions across these countries.

Honkapohja and Koskela conclude that Finland presents a classic case of how everything went wrong together. Tight monetary policies were imposed on a highly indebted corporate sector in the context of a tax system which favoured debt over equity finance. Borrowing from abroad was encouraged by a hard currency policy and a fixed exchange rate. Hence, one clear lesson is that financial market deregulation should not be carried out in isolation. It should include also a reform of the tax system and tightened bank supervision.

The main focus of the project was to analyse further different aspects of the financial system in Finland. This work was mostly done by the main researcher of the project, Dr. Tuomas Takalo. The findings are given in the abstracts of his publication and they are too numerous for a short summary here.

The project also employed two undergraduate students Eerik Kuosa and Inka Mattila, one of whom (Mattila) also continued as a beginning graduate student, as assistants and junior researchers. Kuosa assisted Dr. Takalo, while Ms. Mattila has produced a M.Soc.Sc. thesis on currency crises, especially on contagion effects.

List of researchers

Seppo Honkapohja, project leader (funded by other sources), Academy Professor, D.Soc.Sc., Department of Economics, University of Helsinki

Erkki Koskela, project leader (funded by other sources), Professor, D.Soc.Sc., Department of Economics, University of Helsinki

Tuomas Takalo (funded for approx. 31 months), Researcher, D.Soc.Sc., Department of Economics, University of Helsinki (Bank of Finland since January 2002)

Eerik Kuosa (funded approx. for 3 months), Research assistant, undergraduate student, Helsinki School of Economics

Inka Mattila (funded approx. for 15 months), Researcher, M.Soc.Sc., Department of Economics, University of Helsinki

Higher examinations completed

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Seminars and workshops

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Scientific presentations

Honkapohja, Seppo: The Economic Crisis of the 1990's in Finland. Meeting of the Economic Policy Panel, 1998, Vienna, Austria.

Honkapohja, Seppo: The Economic Crisis of the 1990's in Finland. Industri Uträdninginstitut, 1998, Stockholm.

Koskela, Erkki: Lama ja talouspolitiikka. Suomen 1990-luvun talouskriisi -tutkimusohjelman päätöskonferenssi Laman opetukset 1.11.2001, Helsinki.

Koskela, Erkki: The Economic Crisis of the 1990's in Finland. Meeting of the Economic Policy Panel, 1998, Vienna, Austria.

Koskela, Erkki: The Economic Crisis of the 1990's in Finland. CESifo seminar, 1999, Munchen, Germany.

Koskela, Erkki: The Economic Crisis of the 1990's in Finland. World meeting of International Economic Association, August 1999, Buenos Aires.

Koskela, Erkki: The Economic Crisis of the 1990's in Finland. Lecture in the University of Tartu, November 1999, Estonia.

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Publications

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3.3 The depression of the 1990s, the regional economic activity and the welfare state

3.3.1 Welfare state as an equalizer of regional income differences in 1966-1996, and especially during the depression of the 1990s

Summary of findings

This project is one of three sub-projects of the research consortium “Economic crisis of the 1990s, regional development and the welfare state”. Heikki A. Loikkanen has acted as the leader of the whole consortium and this sub-project. Final reports on the other two sub-projects have been prepared by their leaders (Seppo Laakso/Urban Research TA Ltd and Vesa Vihriälä/Pellervo Economic Research Institute).

This project has been mainly carried out at Government Institute of Economic Research (VATT), where also its leader Heikki A. Loikkanen worked until 31.07.2000. Thereafter he has been at Department of Economics, University of Helsinki and cooperated with VATT in this project. The project received Academy of Finland finance during 1.3.1998-31.12.2000 in addition to use of VATT resources. Since 1.1.2001 work for this project has continued with VATT's resources.

In the original research plan we promised to study income differences between and within regions during 1966-1996 with household survey data. The project became actually larger. Use of household survey data was extended until 1998. In addition to these data, available with about five year intervals, we obtained annual income distribution statistics data in order to get a more detailed picture of the crisis years 1990-93 and whole 1990s. In the study of income differences between and within regions we applied various regional divisions of Finland: a) so called old main regions b) NUTS2-regions c) cities – densely populated areas – countryside division into three components d) old provinces. In the analysis of income differences we used several income concepts (factor, gross and disposable income) and standardizations of consumption units (per capita and different equivalence scales).

As for methods income inequality was measured by some dozen different measures, and also several indicators were used in the measurement of poverty. The project gave new information about the economic crisis years and also for the first time a comprehensive picture could be given of income differences between and within regions from households' perspective. Also other aspects of regional development gained new insight from this project.

Main results:

A: Income differences between main regions (disposable income per capita):

- convergence during 1960s and 1970s, thereafter smaller changes
- during the crisis years of early 1990s no major changes, thereafter some divergence
- taxation and transfers decrease income differences between main regions in all years

B: Income differences within regions; inequality (disposable income per capita)

- in whole Finland decreasing inequality during 1960s and 1970s, thereafter changes are smaller; inequality within all main regions similar to national inequality
- during the crisis years of early 1990s first no major changes, thereafter increase in national inequality and the Capital City Area begins to differ from other areas with higher internal inequality

- taxation and transfers decrease income differences between main regions in all years, but in 1990s their equalizing effect diminishes

List of researchers (and the number of months they worked for the project)

Heikki A. Loikkanen, leader of the project, researcher (5,5 months), VATT until 31.7.2000 and thereafter at Dept. of Economics, University of Helsinki cooperating in this project with VATT.

Risto Sullström, researcher (18,7 months), VATT

Marja Riihelä, researcher (8,5 months), VATT

Henrik Lönnqvist, research assistant (8,4 months), VATT

Janne Tukiainen, research assistant (1,5 months), VATT

Anssi Rantala, research assistant (2 months), VATT

Higher examinations completed

Henrik Lönnqvist: Master of Social Science (economics) degree at the University of Helsinki, 2000

Marja Riihelä: Licentiate of Social Science (economics) degree at the University of Helsinki, will be finished in 2003

Seminars and workshops

We have participated in organizing joint seminars of the whole Economic Crisis of the 1990s program. Heikki A. Loikkanen has participated in these activities as well as in the planning of publications of the program.

Scientific presentations

Loikkanen, Heikki A.: Presentation. Nordic Local Public Finance Conference June 1998, Oslo, Norway.

Loikkanen, Heikki A.: Presentation. Seminar on Structural Policies in the Framework of Economic and Monetary Union November 18-19, 1999, Saariselkä, Finland. This seminar was part of the official program of the Finnish EU Presidency.

Loikkanen, Heikki A.: Main features of regional development in Finland. President Tarja Halonen's residence, 2000. Presentation summarized results from this project.

Loikkanen, Heikki A.: Erikoistumista vai eriarvoistumista aluekehityksessä. Uudenmaan maakuntaparlamentin seminaari 5.10.2000, Helsinki.

Loikkanen, Heikki A.: Suomalaisen sosiaalipolitiikan alueellinen rakenne -kirjan esittely. Julkistamisseminaari 24.11.2000, Sosiaali- ja terveysturvan Keskusliitto, Helsinki.

Loikkanen, Heikki A.: Alueiden Suomi 2000-luvulla. Oulun Eteläinen –seminaari 5.2.2001, Kärsämäki.

Loikkanen, Heikki A.: Regional Income Differences. EuroFaculty 20.4.2001, Tarton yliopisto.

Loikkanen, H. – Rantala, A. – Sullström, R.: Regional income differences in Finland during 1966-96. Joint International Conference of the American Real Estate and Urban Economics Association and the Asian Real Estate Society May 5-7, 1999, Maui, Hawaii.

Loikkanen, H. – Rantala, A. – Sullström, R.: Regional income differences in Finland during 1966-96. XII World Congress of the International Economic Association August 23-27, 1999, Buenos Aires, Argentina.

Loikkanen, Heikki – Marja Riihelä – Risto Sullström: Regional income convergence and inequality in boom and bust. Results from micro data in Finland 1971-1998, and especially during the 1990s. Meeting of the ESRC Urban and Regional Economics Seminar Group (of UK), 1-3 July, 2002, University of Central Lancashire in Preston, UK.

Sullström, Risto: Alueellisista tuloeroista. Summer seminar of Economists 1999, University of Jyväskylä.

Sullström, Risto: Lama, aluekehitys ja hyvinvointivaltio. Summer seminar of Economists 2000, University of Jyväskylä.

Sullström, Risto: Presentations of results of the project. Research seminars of Government Institute for Economic Research (VATT) and the National Research and Development Centre for Welfare and Health (STAKES).

Publications

Kalela, Jorma – Kiander, Jaakko – Kivikuru, Ullamaija – Loikkanen, Heikki A. – Simpura, Jussi (2001): Introduction. In Jorma Kalela – Jaakko Kiander – Ullamaija Kivikuru – Heikki A. Loikkanen – Jussi Simpura (eds.): The Research Programme on the Economic Crisis of the 1990s in Finland: Down from the heavens, up from the ashes. The Finnish economic crisis of the 1990s in the light of economic and social research. VATT Publications 27:6. Government Institute for Economic Research and The Academy of Finland. Helsinki.

Kangasharju, A. – S. Laakso – H.A. Loikkanen – M. Riihelä – R. Sullström (2001): Economic Crisis of the 1990s: What happened to regional convergence and inequality, and housing market phenomena in boom and bust? In Jorma Kalela – Jaakko Kiander – Ullamaija Kivikuru – Heikki A. Loikkanen – Jussi Simpura (eds.): The Research Programme on the Economic Crisis of the 1990s in Finland: Down from the heavens, up from the ashes. The Finnish economic crisis of the 1990s in the light of economic and social research. VATT Publications 27:6. Government Institute for Economic Research and The Academy of Finland. Helsinki.

Loikkanen, Heikki A. (1998): Alueellinen kehitys Suomessa (Regional development in Finland). In J. Pekkarinen (ed.): Takaisin täystyöllisyyteen, TSL, Helsinki.

Loikkanen, Heikki A. (2001): Income difference between main regions in Finland. Helsinki Quarterly No. 3, City of Helsinki Urban Facts.

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Loikkanen, Heikki – Riihelä, Marja – Sullström, Risto (1999): Kaupunkien, taajamien ja maaseudun väliset ja sisäiset tulo- ja kulutuserot (Income and Consumption Disparities Between and Within Cities, Densely Populated Areas and the Countryside). Valtion taloudellinen tutkimuskeskus, VATT-Keskustelualoitteita 213, Helsinki.

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Riihelä, Marja – Sullström, Risto (2002): Tuloerot ja eriarvoisuus – vieläkö tulojen uudelleenjako puree aluetasolla? (Income differences and income inequality – Does income redistribution still function at regional level?). Tilastokeskus. Kuntapuntari 1/2002.

The Annual Economic Reports ("Talouden rakenteet") (2000, 2001) of the Government Institute for Economic Research (Chapter 7) contains information on income differences between and within regions based on our research reports.

3.3.2 The effects of depression on regional economic activity, production structure and income levels

Summary of findings

Regional development in Finland is characterised on the one hand by divergence in the sense that production and population have concentrated in regional centres and Southern Finland, and on the other hand by convergence of regional differences in per capita income levels.

The purpose of the project was to analyse the effects of the depression of the early 1990s on the two general trends noted above. More specifically, the project aimed at examining the regional evolution of production, employment and income levels as well as evolution of the structure of production and entry and exit of firms. To be able to isolate the effects of depression one needs to put the recent experience into a longer-term perspective. This required analysing long-term trends.

The planned project was aimed at contributing to the convergence research in three main ways. First, by extending the period of analysis so as to cover the highly interesting years of depression and early recovery, and second, by examining the linkages between developments in the per capita incomes on the one hand and production and employment on the other hand. Third, the project was intended to augment existing knowledge of regional growth process by studying the entry and exit of firms on regional basis.

The scope of the final project: As the funding applied for the project was cut by about a third, the scope of the project had to be adjusted. The solution was to leave out the analysis of firm structure including entry and exit of firms. As a

consequence, the study focused on the regional evolution of GDP and employment as well as the role of migration in the adjustment process.

The project first documented and preliminarily analysed broad long-term trends of regional development in Finland and the changes that have taken place in the 1990s. This analysis was primarily reported in Kangasharju, Kataja and Vihriälä (1999). The analysis describes the main features of regional development since the early 1950s. It highlights the structural break that took place in the early 1990s. Initially regional disparities continued to decline and migration declined substantially with weaker economic activity. With the economy starting to recover, a clearly diverging behaviour of production and employment emerged leading to substantially increased migration towards growing regions. In a clear break with earlier periods of rapid migration, net migration concentrated strongly in a few centre areas. In addition to describing the new trends, the study also discusses theoretical explanations for the observed agglomeration phenomena in the light of the new economic geography arguments and changes in regional and industrial policy.

The evolution of GDP/capita is analysed in several papers. First, the Finnish regional disparities are shown to be large in a Nordic comparison in Kangasharju, Alanen and Arhippainen (1999). In Kangasharju and Pekkala (2000) and in Kangasharju and Pekkala (2001) it is shown, first, that GDP/capita ratios of NUTS4 level regions started to diverge during the economic crisis, second, that the divergence came from productivity and employment while population changes were a convergent factor (although insufficiently), and, third, that manufacturing was the main divergent sector whereas services were a convergent sector.

The role migration in convergence/divergence is further analysed in Pekkala and Kangasharju (1998). In cross-sectoral analysis migrations turns out to have a slightly divergent effect whereas panel analysis suggests of a convergent role of migration, as one might expect on the basis of other observations.

Kangasharju and Pehkonen (2001) uses NUTS4 level data to analyse the effect of production on employment in the period extending from the overheating years before the depression to the early years of recovery. The analysis shows a major break in the relationship during the crisis years. In addition, there are differences in the relationship between larger regions which are not fully accounted for by industrial specialisation.

Kangasharju and Vihriälä (2000) examines the key question, whether the observed increased concentration of economic activity and employment starting with the recovery can be traced back to the depression shock of the early 1990s.

The paper first finds that the initial shocks did not differ that much between NUTS3 level regions. Second, at NUTS4 level, the shocks varied a great deal but the shock size did not depend much on production structure suggesting that

unprofitable production was eliminated irrespective of the line of business. Third, there is not much association between the size of the initial employment shock and the subsequent employment growth in the recovery period. It is concluded that the depression cannot be considered a primary cause of the increased concentration of economic activity since mid-1990s. Nevertheless, the depression very likely has been a catalytic factor inducing “creative destruction” in the private sector.

In addition the depression caused cuts in public expenditure, which have fallen disproportionately on the spending on the less developed areas, as these have been more dependent on the transfers as well as public services than the wealthier areas. Also the transfer of resources from regional industrial subsidies to research and development expenditure – benefiting mainly a few large growth centres with universities and other research facilities – may partially be a response to the depression.

List of researchers

Vesa Vihriälä, project leader, Dr., Pellervo Economic Research Institute

Aki Kangasharju, the chief researcher, Dr., Pellervo Economic Research Institute

in collaboration with

Sari Pekkala, Dr., Pellervo Economic Research Institute, and University of Jyväskylä

Jaakko Pehkonen, Prof., University of Jyväskylä

Janne Huovari, M.Pol. Sci (Econ.), Pellervo Economic Research Institute

Jukka-Pekka Kataja, M.Agr.Econ., Pellervo Economic Research Institute

Aku Alanen, M.Pol.Sc., Statistics Finland

Higher examinations completed

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Seminars and workshops

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Scientific presentations

Kangasharju A.: Regional Economic Differences in Finland and other European Countries. The annual research conference of the Finnish Society for Economic Research February 1999, Lappeenranta.

Kangasharju A.: Characteristics of regional development in Finland. Summer workshop organised by the Parliament group of the Centre Party of Finland August 1999, Jyväskylä.

Kangasharju, A – S. Pekkala: The Effect of Aggregate Fluctuations on Regional Economic Disparities in Finland. 40th European Congress of Regional Science Association International, August 2000, Barcelona.

Kangasharju, A – S. Pekkala: Regional Labour Market Adjustment: Are Positive and Negative Shocks Different? 41th European Congress of Regional Science Association International, August 2001, Zagreb.

Kangasharju, A – S. Pekkala: Regional Labour Market Adjustment: Are Positive and Negative Shocks Different? 41th European Congress of Regional Science Association International - British and Irish Section, September 2001, Durham, UK.

Kangasharju, A. – J. Pehkonen: Employment and Output Growth: a Regional Analysis. 39th European Congress of Regional Science Association International, August 1999, Dublin.

Vihriälä, V: Depression and regional differences: the impact on production and employment. Suomen 1990-luvun talouskriisi -tutkimusohjelman seminaari Laman pitkä varjo 13.4.2000, Helsinki.

Vihriälä, V.: Will half of Finland be empty? Workshop organised by the Association of the Pension Insurance Companies 26 August 2000, Aavaranta.

Publications

Huovari, J. – A. Kangasharju (2000): Alueelliset erot työllisyysasteissa 1987-1998. Kuntapuntari.

Kangasharju, Aki – Aku Alanen (1998): Pohjoismaiden rikkaat alueet rikastuvat - köyhät köyhtyvät. Tilastokeskus, Euroopparaportti, July 1998/3.

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Kangasharju, Aki – Sari Pekkala (2000): Effects of Aggregate Fluctuations on Regional Economic Disparities in Finland. PTT, Working Papers, N:o 29.

Kangasharju, A. – S. Pekkala (2001): Regional Economic Repercussions of an Economic Crisis: A Sectoral Analysis. Government Institute for Economic Research, VATT Discussion Papers 248, Helsinki.

Kangasharju, Aki – Sari Pekkala (2002): Regional Economic Repercussions of an Economic Crisis: A Sectoral Analysis. Submitted to Regional Studies.

Kangasharju, Aki – Jaakko Pehkonen (1999): Employment-Output Link in Finland: Evidence from Regional-Level Data. University of Jyväskylä. Working papers 193/1999.

Kangasharju, Aki – Jaakko Pehkonen (2001): Employment and Output Growth: a Regional-level Analysis. Finnish Economic Papers, 14, 1, 41-50.

Kangasharju, Aki – Vesa Vihriälä (2000): Laman vaikutus aluekehitykseen. PTT WP no 39.

Pehkonen, Jaakko – Aki Kangasharju (2001): Employment and Output Growth in the 1990s. In Jorma Kalela – Jaakko Kiander – Ullamaija Kivikuru – Heikki A. Loikkanen – Jussi Simpura (eds.): The Research Programme on the Economic Crisis of the 1990s in Finland: Down from the heavens, up from the ashes. The Finnish economic crisis of the 1990s in the light of economic and social research. VATT Publications 27:6. Government Institute for Economic Research and The Academy of Finland. Helsinki.

Pekkala, Sari – Aki Kangasharju (1998): Migration and Regional Convergence Among the Finnish Subregions 1975-1995. PTT, WP no 12.

Pekkala, S. – A. Kangasharju (1999): Muuttoliike ja seutukuntien välinen konvergenssi 1975-1995. Kansantaloudellinen aikakauskirja 1/1999.

Pekkala, Sari – Aki Kangasharju (2002): Migration and Regional Convergence Among the Finnish Subregions 1975-1995. Submitted to Applied Economics.

Pekkala, Sari – Aki Kangasharju (2002): Regional Labour Market Adjustment: Are Positive and Negative Shocks Different? Labour, 16, 2, 267-286.

Pekkala, Sari – Aki Kangasharju (2002): Regional Labour Markets in Finland: Adjustment to Total versus Region-specific Shocks. Papers in Regional Science, 127.

Vihriälä, Vesa (2000): Lama ja alue-erot: vaikutukset tuotantoon ja työllisyyteen. In Jaakko Kiander (ed.): Suomen Akatemian tutkimusohjelma: Laman pitkä varjo, seminaari 13.4.2000. VATT-julkaisuja 27:4. Valtion taloudellinen tutkimuskeskus ja Suomen Akatemia. Helsinki.

3.3.3 The regional developments of housing markets in boom and depression

Summary of findings

The project The Regional Developments Of Housing Markets in Boom and Depression was one sub-project of the consortium project Regional Developments and the Welfare State in the Economic Crisis of the 1990s by Government Institute for Economic Research (VATT), Pellervo Economic Research Institute (PTT) and the Urban Research TA Ltd.

Housing markets were one of the sectors dramatically influenced by the depression as well as the preceding overheating period in the second half of 1980s. The project examined the regional development of housing demand, supply and prices in Finland during the 1980s and 1990s. The focus was particularly on the deep recession of the early 1990s and in the preceding boom period. The analysis was based on an economic model estimated with panel data on NUTS4 level regions classified into four area groups.

The results suggest that liberalisation of financial markets was a significant factor in the making of the housing price boom. The boom and collapse of prices can mainly be explained by changes in income, employment, interest rates and vacancy rates. There is not much evidence of a price bubble. Housing construction has responded with some lag rather strongly to price changes. Regional analysis reveals that the dramatic changes in housing prices and construction activity seen at the national level in both the boom and the recession were experienced essentially similarly in all regions. In the recovery period since about 1994, regional patterns have started to deviate. Vacancy rates have dropped and prices increased much more strongly in the Helsinki region than elsewhere in the country. Housing construction has also responded to these changes. Nevertheless, regional differences in housing consumption have also started to increase. The recent regional polarisation in housing markets is mainly due to differences in employment growth and demographic changes.

List of researchers

Seppo Laakso, Dr. Soc. Sc. (econ.), researcher, the Urban Research TA ltd

Advisors:

Heikki A. Loikkanen, professor, VATT

Vesa Vihriälä, managing director, PTT

Higher examinations completed

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Seminars and workshops

The project took part in seminars organised by the research program and workshops of the consortium but did not arrange own ones.

Scientific presentations

Laakso, S.: The regional development of housing markets in boom and depression. The II joint conference on the Economic Crisis of the 1990s. The Academy of Finland, 7.-8.6.1999, Helsinki.

Laakso, S.: The regional development of housing markets in the 1980s and 1990s. The long shadow of the depression seminar. The Academy of Finland, 13.4.2000, Helsinki.

Laakso, S.: The regional development of housing markets in the 1980s and 1990s. The III joint conference on the Economic Crisis of the 1990s. The University of Jyväskylä and the Academy of Finland, 14.-15.6.2000, Jyväskylä.

Publications

Laakso, S. (2000): Regional Housing Markets in Boom and Bust: the Experience of Finland. Reports of Pellervo Economic Research Institute (PTT), n:o 169. Helsinki. 86 pages.

Laakso, S. (2000): Asuntomarkkinoiden alueellinen kehitys Suomessa 1980- ja 1990-luvulla (Regional development of housing markets in Finland during the 1980s and 1990s). Government Institute for Economic Research (VATT), VATT discussion paper 221. Helsinki. 57 pages.

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3.4 The allocative efficiency of the Finnish asset markets: Determinants of persistent cycles, and reorganising efficiency

Summary of findings

The research plan for the project The Allocative Efficiency of the Finnish Asset Markets: Determinants of Persistent Cycles, and Reorganising Efficiency, was twofold. The first target was to research on the rationality of Finnish asset prices during the depression, both on the stock market (subproject 1.1), housing market (subproject 1.2), and to look on the volatility structure and exposure to information shocks / transmission of information (subproject 1.3). The aim was also to investigate whether the increased volatility had through embedded options postponed to recovery by slowing down new investments (subproject 1.4).

Secondly, the aim was to look at the reorganisation efficiency in the connection with the great Finnish depression. More specifically, the target was to analyse the current Finnish consumer insolvency laws as applied by the courts e.g. in terms of how favourable the re-payment plans actually are for the debtors (subproject 2.1), to study the efficiency of corporate reorganisations possible due to the new law (subproject 2.2), and to design early warning systems (bankruptcy prediction) (subproject 2.3). Finally, also the costs of financial stress would be addressed (subproject 2.4).

The first research question is addressed in papers by Liljeblom and Löflund (2001), Antell (2000), Ahlgren, Liljeblom, Löflund, Olkkonen (2000) and Högholm, Knif, Rönnlund (1999). In subproject 1.1, Liljeblom and Löflund (2001) wanted to assess the relative importance of various structural factors such as the degree of operating leverage, the degree of financial leverage, and

company size, and external shocks (world market downturn, currency risk, the downturn in the Russian economy) on Finnish industrial stock returns, and to investigate whether the structural risks are unchanged from early 1990s. The project builds on the work by Vaihekoski (1998) in testing segmented and integrated asset pricing models on Finnish data. The preliminary results reveal a dramatic shift in the sensitivities towards world exposure from 1993 and some decline in the structural risks. These results are in line with Antell (2000) who also tested for an asymmetry effect and its connection with leverage (higher price impacts produced by negative world news, and especially in highly levered companies). Although he is in line with previous results for the U.S. e.g. by Schwert (1989) obtains support for a higher conditional volatility during the recession, the asymmetry parameter is surprisingly not significant even when leverage portfolios are used. These results do therefore not support one of the structural risk explanations, the high leverage of 1980s, as a major contributor to the severe stockmarket downturn.

The subprojects 1.2 and 1.4. were analysed together in Ahlgren, Liljeblom, Löflund, Olkkonen (2000) where the embedded options explanation (option to wait, the value of which should increase under high uncertainty) was investigated as one reason for the slow uptake of real estate investments in Finland after the recession. Using two measures for uncertainty, stock market volatility and the heterogeneity of business cycle expectations, some support for an uncertainty-induced threshold slowing down real estate investments in Finland is obtained. Under subproject 1.3, Högholm et al (1999) discover a significant relation between market deregulation and stock market volatility, and a difference in the volatility patterns between regulated and unregulated time periods (reduced persistence of news). No evidence for the increased volatility being priced by means of a risk premium is however found.

The second focus of the research project was on reorganisations in Finland. Results on an economic analysis of how the Finnish insolvency laws have been applied are reported in Bergström, Eisenberg, Sundgren (2001). Theory suggests that secured creditors may increasingly oppose a debtor's reorganization as the value of their collateral approaches the amount of their claims. The study of Finnish reorganizations filed in districts that account for most of the country's reorganizations finds that creditor groups most likely to be well-secured are most likely to oppose reorganization. Evidence on a negative correlation between how well-secured banks and other institutional lenders are and the likelihood of a confirmed reorganization plan are also found. Limiting the priority of secured debt might stimulate reorganizations.

Efficiency aspects of reorganising (subproject 2.2) are discussed in Sundgren (1998), (1999) and (2000), and Bergström and Sundgren (1998), and the empirical change in cash flows obtained by claimholders in a reorganisation before and after the new law is studied in Bergström and Sundgren (1999). Only

insignificant effects are found, e.g. the cash flows to unprotected debtors changed only from 0.9% to 4%.

Finally, the costs of bankruptcy (subproject 2.4) are investigated in Sundgren (1998) and (2000), and in Ravid and Sundgren (1998). Support is found for the direct costs of a reorganization being lower than the costs of liquidation bankruptcy. However, direct costs can explain only a part of the reorganization surplus, since the reorganization surplus is much higher than the difference in direct costs. Using a sample of small firms, the efficiency aspects of the creditor-oriented old Finnish bankruptcy code and the debtor-oriented US code are compared. Although the same economic factors affect liquidations in both the US and Finland, Finnish firms are found to be somewhat more likely to be liquidated. In Finland, the costs of going-concern sales and liquidations tend to go towards the higher end of the range found in US studies, and payments to creditors in US reorganizations are higher than those under the Finnish code.

List of researchers

Researchers:

Anders Löflund, leader, Ph.D., professor, Hanken

Niklas Ahlgren, Licentiate of Science (Econ.), researcher, Hanken

Jan Antell, Master of Science (Econ.), researcher, Hanken

Johan Knif, Ph.D., professor, Hanken

Simo Launonen, Master of Science (Econ.), researcher, Hanken

Eva Liljeblom, Ph.D., professor, Hanken

Stefan Sundgren, Ph.D., later professor, researcher, Hanken, later Helsinki Sch. of Econ.

Mika Vaihekoski, Ph.D., researcher, Hanken

Assistents:

Bernard Ben Sita, Master of Science (Econ.), research assistant, Hanken

Richard Johansson, student (now Master of Science (Econ.)), research assistant, Hanken

Marko Maukonen, Master of Science (Econ.), research assistant, Hanken

Benjamin Maury, Master of Science (Econ.), research assistant, Hanken

Daniel Pasternack, Master of Science (Econ.), research assistant, Hanken

Matias Stenvall, student, research assistant, Hanken

Higher examinations completed

Mika Vaihekoski took his Ph.D. exam in Finance at Hanken in 1999 (Essays on International Asset Pricing Models and Finnish Stock Returns). Later research

projects, like Antell (2000), take advantage of Vaihekoski's empirical asset pricing results for Finland.

Furthermore, we expect that Master of Science (Econ.) Jan Antell will hand in his Ph.D. manuscript for evaluation in 2002.

Niklas Ahlgren, Licentiate of Science (Econ.) has also handed in his Ph.D. manuscript (Inference of cointegration in vector autoregressive models) for preliminary examination in December 2001 at Hanken.

Seminars and workshops

The research project has not organized separate workshops. Research papers related to the project have been presented in several of the weekly seminars at Hanken / the Helsinki School of Econ. and Bis. Admin., and the workshop of the joint Ph.D. program (GSFFA, i.e. the Graduate School of Finance and Financial Accounting):

The Joint Finance Research Seminar (JFRS) is a weekly ongoing seminar organized jointly by the Finance departments at the Helsinki School of Economics (=HSE) and Hanken. Seminars take place on most Mondays at 9.00 a.m., springtime at Hanken, falls at the HSE.

The GSFFA (Graduate School of Finance and Financial Accounting) Research Workshop is an annual one-day workshop, organized annually in May from 1994 onwards. Each year a number of research papers are presented and commented by pre-selected discussants. The workshop is organized by the GSFFA, which is the joint Ph.D. program (a so-called graduate school, part of the graduate school system in Finland) by the departments of Finance and Financial Accounting at Hanken, HSE, and the University of Vaasa.

Scientific presentations

Ahlgren Niklas: Real Estate Investments and Uncertainty: Econometric Modelling using Finnish Data. NoonToNoon Workshop in Finance, Statistics and Stochastics, 2000, Hanken, Helsinki.

Antell Jan: The Influence of World Factors on Finnish Stock Market Returns. GSFFA Workshop 1998.

Antell Jan: Characterizing Finnish Stock Market Volatility. GSFFA Workshop 1999.

Antell, Jan: The Influence of World Factors on Finnish Stock Market Volatility. GSFFA Workshop 2000.

Launonen, Simo: Risk and Uncertainty & the Float of the Finnish Markka. GSFFA Workshop 1998.

Liljeblom, Eva – Löflund, Anders: Structural Equity Risk in the Great Finnish Depression. JFRS 2001.

Sundgren, Stefan: Audit quality, qualified audit opinions and the likelihood of liquidating bankruptcy among small financially weak firms. European Accounting Association's Annual Meeting, 2000, Munchen.

Sundgren, Stefan: Audit quality, qualified audit opinions and the likelihood of liquidating bankruptcy among small financially weak firms. The third international Stockholm seminar on risk behaviour and risk management, 1999, Stockholm School of Economics.

Vaihekoski, Mika: Unconditional International Asset Pricing Models: Empirical Tests. JFRS 1998.

Vaihekoski, Mika: Conditional World Market & Currency Risks in the Finnish Stock Market. GSFFA Workshop 1999.

Publications

Antell, Jan (2000): The Influence of World Factors on Finnish Stock Market Volatility. Swedisch Sch. of Econ. and Bus. Admin. working papers 441.

Ahlgren, Niklas – Liljeblom, Eva – Löflund, Anders – Olkkonen, Olli (2000): Real Estate Investments and Uncertainty: Econometric Modelling using Finnish Data. Swedisch Sch. of Econ. and Bus. Admin. working papers 440.

Back, Peter (2001): Testing Liquidity Measures as Bankruptcy Prediction Variables, Ekonomiska Samfundets Tidskrift 3.

Bergström, C. – S. Sundgren (1998): Skall vi avskaffa kreditsäkerheterna? Ekonomisk Debatt, årg. 26, pp. 383-394.

Bergström, C. – S. Sundgren (1999): Hur inverkar förändringen av förmånsrätten på borgenärernas utdelning i konkurs? – finska resultat. In K. Grätzer – H Sjögren (eds.): Konkursinstitutets betydelse för svensk ekonomi, Gidlunds förlag, pp 78-94.

Bergström, C. – T. Eisenberg – S. Sundgren (2000): On the Design of Efficient Priority Rules for Secured Creditors: Empirical Evidence from Abroad.

Bergström, C. – T. Eisenberg – S. Sundgren (2001): Secured Debt and the Likelihood of Reorganization. International Review of Law and Economics Forthcoming.

Högholm, Kenneth – Knif, Johan – Rönholm, Tina (1999): The Impact of Volatility Development on The Pricing of Equity - An Empirical Study Covering a Period of Market Deregulations in Finland, Data. Swedisch Sch. of Econ. and Bus. Admin. working papers 411 .

Liljeblom, Eva – Löflund, Anders (2002): Structural Equity Risk in the Great Finnish Depression. Unpublished working paper, first draft, work in progress.

Ravid, S. A. – S. Sundgren (1998): The Comparative Efficiency of Small-Firm Bankruptcies: A Study of the U.S. and the Finnish Bankruptcy Codes. *Financial Management* 27, pp. 36-45.

Sundgren, S. (1998): Maksukyvyttömyyslainsäädäntö teoriassa ja käytännössä. In V. Kanninen – K. Määttä (eds.): *Näkökulmia oikeustaloustieteeseen* 2, pp. 199-217.

Sundgren, S. (1998): Kuinka yleinen on konkurssi yrityssaneerauksen jälkeen? *Velkakierre-tutkimuksia luottoalalta*, pp. 39-49.

Sundgren, S. (1998): Does a Reorganization Law Improve the Efficiency of the Insolvency Law? The Finnish Experience. *European Journal of Law and Economics* 6, pp. 177-198.

Sundgren, S. (1999): Konkurser och företagsrekonstruktioner ur ett rätts-ekonomiskt perspektiv - en litteraturoversikt. In K. Gratzner – H. Sjögren (eds.): *Konkursinstitutets betydelse för svensk ekonomi*. Gidlunds förlag, pp. 61-74.

Sundgren, S. (1999): Jako-osuudet konkurssissa ja niihin vaikuttavia tekijöitä. *Velkakierre-tutkimuksia luottoalalta*, pp. 23-37.

Sundgren, S. (2000): Yrityksen saneerauskelpoisuuden arvioimisesta. *Velkakierre-tutkimuksia luottoalalta*, pp. 21–38.

Sundgren, S. (2001): Audit Quality, Qualified Audit Opinions and the Likelihood of Liquidating Bankruptcy among Small Financially Weak Firms.

Vaihekoski, M. (1999): *Essays on International Asset Pricing Models and Finnish Stock Returns*. Publications of the Swedish Sch. of Econ. and Bus. Adm. 80. Doctoral thesis.

3.5 Unemployment and the distribution of the standard of living: welfare state and income-smoothing

Summary of findings

In our study income inequality in Finland was investigated using a decomposition analysis by income group and income source. We have offered some explanations for the recent trends or episode in income inequality, focusing on changes in employment status, different sources of incomes and the redistributive role of the government budget. Several conclusions can be drawn from its results. Total inequality rose significantly during the latter part of the 1990's. In most cases inequality rose both within and between population subgroups. The clear conclusion of decomposition is that variations within groups were far more important in accounting for total inequality than variations between groups. As a general pattern inequality rose proportionately more

within those socio-economic groups with growing capital income shares. In particular among entrepreneurs this share grew most significantly during the 1990's. The results show that capital income although it appears to represent only 15 percent of the total equivalent household income (1998) makes by far the most significant contribution to overall inequality. The 1993 tax reform, a so-called dual income tax system, is undoubtedly responsible for this trend. Rising unemployment in the early 1990's, perhaps surprisingly, did not just increase income inequality. More importantly, the numbers of the unemployed below the poverty line (50 per cent of national average income) have risen from 1994. Since 1991 there was a declining trend in the average real disposable income of unemployed households. This is due to those policy measures cutting transfers. The paper also shows that the redistributive impact of taxes and transfers has declined during the latter part of the 1990's.

List of researchers

Matti Tuomala, leader, professor, University of Tampere

Marja Riihelä, junior researcher, Government Institute for Economic Research

Risto Sullström, senior researcher, Government Institute for Economic Research

Ilpo Suoniemi, research co-ordinator, Labour Institute for Economic Research

Higher examinations completed

Marja Riihelä: Licentiate of Social Science (economics) degree at the University of Helsinki, will be finished in 2003

Seminars and workshops

International seminar on income inequality in May 2000, Helsinki.

Scientific presentations

Riihelä, Marja – Risto Sullström: Changes in the inequality of consumption in 1966-96. Summer Seminar of Economists 2000, University of Jyväskylä.

Riihelä, Marja – Risto Sullström – Matti Tuomala: Economic poverty in Finland during the 1990s. Summer Seminar of Economists 2001, University of Jyväskylä.

Riihelä, Marja – Risto Sullström – Matti Tuomala: What Lies behind the Unprecedented Increase in Income Inequality in Finland during the 1990s. Summer Seminar of Economists 2000, University of Jyväskylä.

Riihelä, Marja – Matti Tuomala: Tuloerojen kehittymisen taustalla olevista tekijöistä. Summer Seminar of Economists 1999, University of Jyväskylä.

Suoniemi, Ilpo: Decomposing the Gini and the Variation Coefficient by Income Sources and Income Recipients. Econometric Society's European Meeting 1999, Santiago de Compostella.

Suoniemi, Ilpo: Decomposing the Gini and the Variation Coefficient by Income Sources and Income Recipients. Summer Seminar of Economists 1999, University of Jyväskylä.

Suoniemi, Ilpo: Koulutus ja tulonjako. Summer Seminar of Economists 2001, University of Jyväskylä.

Tuomala, Matti: Nonlinear pricing and targenting the poor. Econometric Society's European Meeting 1999, Santiago de Compostella.

Tuomala, Matti: Publicly provided private goods and redistribution: A general equilibrium analysis. Annual Congress of the International Institute of Public Finance 2000, Sevilla.

Publications

Feist, Karen – Bernd Raffelhüschen – Risto Sullström – Reijo Vanne (1999): Finland, Macroeconomic Turnabout and Intergenerational Redistribution. European Economy, European Commission, Directorate-General for Economic and Financial Affairs, Reports and Studies, Number 6.

Leppänen, Kalervo – Risto Sullström – Ilpo Suoniemi (2001): Effects of Economic Factors on Alcohol Consumption in 14 European Countries. Nordic Studies on Alcohol and Drugs, NAT Vol. 18.

Leppänen, Kalervo – Risto Sullström – Ilpo Suoniemi (2001): The Consumption of Alcohol in Fourteen European Countries. A Comparative Econometric Analysis, STAKES.

Riihelä, Marja – Risto Sullström – Ilpo Suoniemi – Matti Tuomala (2001): Income Inequality in Finland during the 1990s. In Jorma Kalela – Jaakko Kiander – Ullamaija Kivikuru – Heikki A. Loikkanen – Jussi Simpura (eds.): The Research Programme on the Economic Crisis of the 1990s in Finland: Down from the heavens, up from the ashes. The Finnish economic crisis of the 1990s in the light of economic and social research. VATT Publications 27:6. Government Institute for Economic Research and The Academy of Finland. Helsinki.

Riihelä, Marja – Risto Sullström – Ilpo Suoniemi – Matti Tuomala (2001): Recent Trends in Income Inequality in Finland. Tampere Economic Working Papers, Net Series, WP6.

Riihelä, Marja – Risto Sullström – Matti Tuomala (2001): What Lies behind the Unprecedented Increase in Income Inequality in Finland during the 1990s. VATT-discussion papers, 247.

Suoniemi, Ilpo (1998): Tuloissa ja kulutuksessa mitatun eriarvoisuuden kehitys Suomessa 1971-1994. Labour Institute for Economic Research, Research Report No. 70.

Suoniemi, Ilpo (1999): Tulonjaon kehitys Suomessa ja siihen vaikuttavista tekijöistä 1971-1996. Labour Institute for Economic Research, Research Report No. 76.

Suoniemi, Ilpo (2000): Decomposing the Gini and the Variation Coefficient by Income Sources and Income Recipients. Labour Institute for Economic Research, Working Papers, 169.

Tuomala, Matti (2000): Nonlinear pricing and targetting the poor. In Peter Hammond – Gareth Myles (eds.): Incentives, Organization and Public Economics. Papers in Honour of Sir James Mirrlees. Oxford University Press.

Tuomala, Matti (2002): Publicly provided private goods and redistribution: A general equilibrium analysis. Scandinavian Journal of Economics, vol 104 2002 No. 1.

4 The research projects of sociology and social studies

4.1 Religious communities and recession survival strategies

Summary of findings

The aim of the project was to study the role of religious communities in helping people to survive the personal crisis caused by the recession, and the alternative actions people resort to in related problem situations. The central research problems were:

- 1) How the recession influenced the voluntary service and support systems of the Ev.-luth. Church of Finland and religious voluntary organisations, and how they through various activities helped people to survive in the crisis situations caused by the recession;
- 2) What kind of solutions people developed to solve the personal problems and crisis caused by the recession? To what extent the Church and religious communities, through their activities and proclamation, empowered people mentally and spiritually to manage the crisis?
- 3) What kind of socio-ethical problems were caused by the recession, and what kind of new lifestyles emerged as a result of the economic and spiritual influences of the recession? To what goals should people be incited, and what are the basic elements on which a meaningful life can be built?

These questions were examined from the viewpoint of sociology of religion, practical theology, and theological ethics and philosophy. The project consisted of the following studies:

Studies on issues related to family:

1. Sari Kokkonen: Social and spiritual resources of unemployed family fathers
2. Jouko Kiiski: Love in recession: the effects of the 1990s recession on marital and partnership relations

Studies related to personal crisis:

3. Liisa Lampela-Kivistö: Religiousness of bankrupt entrepreneurs from identity perspective
4. Paavo Kettunen: Pastoral care and counselling as means of helping recession victims
5. Hannu Sorri: Mental and spiritual ill-being in light of calls made to crisis hotlines

Studies related to voluntary work:

6. Anne Birgitta Yeung: Voluntary work in Evangelical Lutheran Church of Finland and its church associations

Studies related to socio-ethical issues:

7. Liisa Mäkelä: Morality and changes in the incentive structure of society
8. Teemu Laajasalo: Prostitution and morality in the context of the 1990s recession in Finland

The project included also one scholar who's funding came outside the Academy of Finland:

Paula Hirstiö-Snellman: Effectiveness of the Church Catastrophy Fund

Furthermore, four (4) students wrote their Master of Theology theses on issues related to the theme of our project.

One joint seminar with two other projects within the programme was arranged.

This project was among the few projects representing the humanities. Though within the field of theology, the project was multidisciplinary. The project participants consisted of six doctoral students, two post-doc scholars and three professors. Prof. Eila Helander (sociology of religion -Church and social studies) supervised three doctoral students (Kokkonen, Lampela-Kivistö, and Yeung), prof. Markku Heikkilä (practical theology) supervised one (Kiiski) and prof. Heikki Kirjavainen (theological ethics and philosophy) two (Mäkelä, and Laajasalo) students. The two post-doc scholars (Kettunen, and Sorri) represented the field of practical theology and church and social studies.

The project arranged 12 internal seminars in which members presented their papers and progress reports. None of the scholars were full time employed for the total duration of the project. Together with funding from other sources they were able to work as fulltime researchers for the needed period to accomplish their work.

The project proceeded within the set schedule. Apart from the socio-ethical studies, all studies within the project are empirical research. One study was based on extensive use of public statistics. In five studies various qualitative approaches were used to obtain the data. In some cases the in-depth interviews turned out to be more time consuming than what was anticipated. This caused some delay in the individual timetables. One doctoral student doctorated in 2000, and another defended his thesis in February 2002. Three doctoral students will accomplish their work in 2003. One of the doctoral thesis consists of articles some of which have already been published.

The project produced by February 2002 altogether five monographs and 17 scientific articles. A joint publication will come out in 2002 to which also professors Heikkilä, Helander, and Kirjavainen, whose role has been primarily that of supervisor for the doctoral students, will contribute.

The research results obtained thus far show how helpless people became in the economic turmoil during the economic crisis, which led to losing their ability to personal life management. In addition, the long lasting social consequences of the economic losses were severe, and in many cases also out of proportion. Men were more hit than women in the economic crisis. The number of those suffering from mental problems grew. Increasingly people resorted to religious communities in order to seek help in the mental and spiritual distress when the effects of the recession kept piling up. These communities played an important role in finding individual survival strategies. When loneliness grew and aid from the official welfare systems was no longer available, people could still contact a religious agent for help.

Research results proved to be very useful both for society and the religious bodies under study. With the increasing discussion on the importance of the third sector, specially the study on voluntary work has raised a lot of interest. The project also provided tools for examining the economic crisis and a basis for understanding the crisis from the perspective of normative ethics, by offering a moral (but not moralising) and conceptually wider perspective to social change.

List of researchers

(AF =Academy of Finland funding)

Markku Heikkilä, prof., University of Helsinki

Eila Helander, leader, prof., University of Helsinki

Paavo Kettunen, DTh, docent in practical theology, University of Joensuu, AF: 4 months

Jouko Kiiski, MTh, doctoral student, University of Helsinki, AF: 11 months

Heikki Kirjavainen, prof., University of Helsinki

Sari Kokkonen, MTh, doctoral student, University of Helsinki , AF: 6months

Teemu Laajasalo, MTh, doctoral student, University of Helsinki, AF: 21 months

Liisa Lampela-Kivistö, DTh (doctorated during the project), University of Helsinki, AF: 16,5 months

Liisa Mäkelä, MTh, doctoral student, University of Helsinki, AF: 24 months

Hannu Sorri, DTh, docent, University of Helsinki, AF: 7 months

Anne Birgitta Yeung, MTh, doctoral student, University of Helsinki, AF: 7 months

Higher examinations completed

Liisa Lampela-Kivistö, DTh 2000

Jouko Kiiski, DTh 2002

Seminars and workshops

Organising meeting of the project 1.4.1998

Seminar 4.9.1998

Seminar 19.11.1998

Seminar 24.2.1999

Seminar 16.4.1999

Seminar 30.9.1999

Seminar 25.11.1999

A joint seminar 27.1.2000 with projects The changing meanings of 'political' and the depression of the 1990s led by prof. Kalela and From the Great Famine Years to the recession of the 1990s: The social history of Finnish economic crisis led by prof. Häkkinen

Seminar 16.3.2000

Seminar 26.10.2000

Seminar 2.4-3.4.2001

Workshop on the joint publication 28.8.2001

Scientific presentations

Helander, Eila: Globalisation and the return of the sacred in Finland of the 1990s. Conference Globalisation and Religious Traditions, University of Turku & Åbo Akademi, 5.10.2001.

Kettunen, Paavo: Asiakkaan tarve ja diakoniatyöntekijän työnäky laman puristuksessa. Kuopion hiippakunnan diakoniaseminaari 19.8.2001.

Kokkonen, Sari: Työttömän perheenisän voimavarat. The II joint conference on the Economic Crisis of the 1990s, Academy of Finland 7.-8.6.1999, Helsinki.

Kokkonen, Sari: Työttömän isän haasteet ja mahdollisuudet. Perhetutkimuksen päivät 23.3.2000, Jyväskylä.

Kokkonen, Sari: Työttömän isän haasteet ja mahdollisuudet. The III joint conference on the Economic Crisis of the 1990s, Academy of Finland 14.-15.6.2000, Jyväskylä.

Kokkonen, Sari: Työttömän perheenisän haasteet ja mahdollisuudet. Sosiaalipolitiikan päivät 27.-28.10.2000, Tampere.

Laajasalo, Teemu: Prostituutiotutkimuksen rakenteesta ja ongelmista. Århusin yliopisto elokuu 1998.

Lampela-Kivistö, Liisa: Konkurssin tehneen kokemukset. Sosiaali- ja terveysministeriön järjestämä seminaari Riskit, stressi ja työkyky 26.11.1997, Helsinki, Suomi.

Lampela-Kivistö, Liisa: Bankruptcy and religiousness. The 14th Nordic Conference in Sociology of Religion, 16.8. 1998. Helsinki.

Lampela-Kivistö, Liisa: Konkurssin tehneen yrittäjän uskonnollisuus identiteetin näkökulmasta. The II joint conference on the Economic Crisis of the 1990s, Academy of Finland 8.6.1999, Helsinki.

Lampela-Kivistö, Liisa: Uskonnollisuus ja elämänhallinta. Sosiaalipolitiikan ja -historian sekä KTL:n lamatutkijoiden yhteinen seminaari 27.01. 2000, Helsinki.

Lampela-Kivistö, Liisa: Yrittäjä konkurssin pyörteissä. The III joint conference on the Economic Crisis of the 1990s, Academy of Finland 14.-15.6.2000, Jyväskylä.

Lampela-Kivistö, Liisa: Religiousness in Role Passage. The 15th Nordic Conference in Sociology of Religion, 13.-17.8.2000, Oslo.

Sorri, Hannu: TES place in the new society. Recession and mental distress. Unwell-being in the light of the conversations at the telephone counselling services. International IFOTES Congress 8.7.2000, Sevilla.

Sorri, Hannu: Recession and mental distress. Unwell-being in the light of the conversations at the telephone counselling services. The 15th Nordic Conference in Sociology of Religion 12.8.2000, Oslo.

Sorri, Hannu: Palveleva puhelin ja lamavuodet. Palvelevan puhelimen valtakunnalliset neuvottelupäivät 15.10.2000, Helsinki.

Yeung, Anne Birgitta: Kirkon sosiaalisen työn vaiheet. Summer Seminar of Economists 14.-16.6.2000, University of Jyväskylä.

Yeung, Anne Birgitta: A Will to Volunteer. A research on motives of the people inspired to volunteer by an ad of the Salvation Army. The 15th Nordic Conference in Sociology of Religion, 13.-17.8.2000, Oslo.

Yeung, Anne Birgitta: Why volunteer? Nordisk Nettverkskonferanse for forskere i frivillig sector 31.8.-2.9.2000, Oslo.

Yeung, Anne Birgitta: The re-emergence of the church in the Finnish public life? Forum for International Diaconia Research 30.3.-1.4.2001, Helsinki.

Yeung, Anne Birgitta: Voluntary work in building a civil society. Nordic conference for researchers in nonprofit sector 24.-28.10.2001, Copenhagen.

Publications

Hirstiö-Snellman, Paula (2000): Kirkon katastrofirahaston toiminnan vaikuttavuus. Kirkon tutkimuskeskus. Sarja C Nro 56. Tampere.

Kettunen, Paavo (2001): Leipää vai läsnäoloa? Asiakkaan tarve ja diakoniatyöntekijän työnäky lamanpuristuksessa. Kirkon tutkimuskeskus. Sarja A Nro 76. Tampere 2001.

Kiiski, Jouko (2002): Rakkaus lamassa. Parisuhdeongelmat ja 1990-luvun talouskriisi. Kirkon tutkimuskeskus. Sarja A nro 77. Tampere.

Kokkonen, Sari (2000): Social and spiritual resources of unemployed family fathers. In Jaakko Kiander (ed.): The Research Programme of the Academy of Finland: Conference 1999. VATT-Publications 27:3. Government Institute for Economic Research and The Academy of Finland, Helsinki.

Lampela-Kivistö, Liisa (2000): Yrittäjän konkurssin pyörteissä: Uskonnollisuus rooli siirtymässä. Diss. Käytännöllisen teologian laitoksen julkaisuja 99. Helsinki.

Lampela-Kivistö, Liisa (2000): Religiousness of bankrupt entrepreneurs from identity perspective. In Jaakko Kiander (ed.): The Research Programme of the Academy of Finland: Conference 1999. VATT Publications 27:3. Government Institute for Economic Research and The Academy of Finland, Helsinki.

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4.2 Trust and recession

Summary of findings

The project included three different research interests; the development of free associations, the impact of the privatization of some municipal social services

and trust, and "the situation" of trust in the Finnish society in the 1990s. These interests were combined by the concept of social capital.

In the following will the main results of our project be described:

a) Generalized trust in Finland in the 1990s

It has been considered that social capital has been strong in all of the Nordic countries and so it still may be. However, for good reasons it can be presumed that the social and economic change during the recession and since then has made this resource to crumble in Finland. This has obviously also happened.

Social and cultural proximity is one of the most important elements of trust. Familiar and close persons are trusted more than those that are in some respect strangers. But the strangeness is naturally a relative and context bound feature. The Finns do trust unknown Finns abroad, but they do not trust them in all situations in Finland. Either not all unknown Finns are trusted as much. Finns trust mostly the Finnish and Swedish speaking Finns, but they do not trust strangers as much in everywhere in Finland.

b) Trust in economic life

Based on case studies conducted in different positions in the industrial networks the study states that the recession produced wider segmentation of trust in the industrial networks in Finland. At the core of economy two devaluations in the beginning of the 1990's improved economic situation of firms quite rapidly. Firms continued developing new functionally flexible producing systems and raised profitability. At the same time, the recession constituted the idea of a common "external enemy" among the employers and the core group of employees. Thus, at the core of economy, recession supported the idea of common interests and built social trust.

Small suppliers at the margins of the industrial networks were hit hardest by recession. At the margins of the networks the corrosion of trust and confidence was quite evident. During the recession small scale entrepreneurs recognized that their structural position in the networks is often subordinate and insecure. Due to the lack of confidence entrepreneurs still avoid taking risks. They do not expand their businesses, which prevents them from commitment to networks.

c) The Welfare State, gender and labor markets

New forms and directions are being developed within the public sector service provision. These changes have direct and indirect effects on e.g. women's work, who are the majority of the public sector employees and service consumers. In addition, new ways of negotiating the trust relationships in the new service provision situation have been developed. Contrary to other countries' experiences, the survey results that has been far analysed, show clearly, that both the publicly provided services and privately provided services are seen as having good quality, and are trusted. Thus the division, developed in the literature between the public and private sector, does not seem to follow

the same development in Finland. Trust relationships change and are reorganized, but to large extent remain at the same level, irrespective of the service provision.

d) Recession, trust and new care entrepreneurs

Private social and health care provisioning is something relatively new in Finland. From being something totally unknown it has developed into being something that one treats carefully positively. Being something new and untried new care entrepreneurs bring the element of risk into the arena and therefore trust becomes the important element between the actors.

The municipal authorities interviewed in 1998-1999 were basically in favor of new alternatives within the field of social and health care as a supplement to the public social and health care provision as long as there are effective mechanisms for control. Most municipalities cooperated with some private providers, but the general idea seems to be that this kind of development is more likely to spread in bigger towns where the market for these kind of services would be bigger. This does not however explain the differences between municipalities of the same size.

e) The development of social movements and voluntary associations in Finland during the 1990s

The study shows that there is not general crisis of voluntary associations or organizational capital in Finland at present. However, there is a differentiation taking place between developing and deteriorating types of associations. Cultural (including arts) associations, sports clubs, hobby associations and many other kinds of life style associations are progressing whereas political and economic associations are declining. The relationship between the economic cycle of the 1990s and protest movements was also examined. In the 1990s economic recovery was not paralleled by the opening of opportunity structures to challengers. To the contrary, f.ex. membership in the European Union seemed even to lessen the possibilities to influence political decision making by social movements. These were among the main factors directing voluntary organizing to culture and to "way of life -associations".

f) Development in associational life

The associational activities in Finland are on a relatively steady ground. Significant decline of associational life cannot be observed. However, associational activities have decreased in areas which have suffered an economical setback. On the individual level associational activity correlates with trust, the involvement in social interaction and active citizenship. The very same can be observed also on the level of six studied municipalities. Active associational life correlates with population's trust, social activities and citizenship participation. Thus, the research confirms the view that associational activity is part of social capital. However, mainly the well-to-do people

participate in associations and associational activity is on a relatively low level in backward areas. Thus associational activity is part of the inequality of the allocation of the societal resources. One of its functions seems to be the reproduction of inequality on micro-level.

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Higher examinations completed

Doctoral thesis:

Anja-Riitta Lehtinen, Lasten kesken. SoPhi: Jyväskylä, 2000

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Pekka Kaunismaa, Yhdistyselämä ja sosiaalinen pääoma, forthcoming in 2002

Petri Ruuskanen, Luottamus verkostotalouden laidalla, forthcoming in 2002

Johanna Österberg, Trust and Entrepreneurship in Social Services, estimated time 2003

Sanna Sanakasenaho, Cultural capital and free associations in Finland, estimated time 2003

Mika Rautamies, Trust and Confidence, estimated time 2004

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Meri Virta, Aika työlle, aika elämälle. Työn kulttuurisesta merkityksestä italialaisessa ja suomalaisessa yhteiskunnassa nuorten näkökulmasta (81 s.), 2000

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Mikko Kallio, Verkostoituminen ja luottamus, forthcoming 2002

Seminars and workshops

What is qualitative about a qualitative research? (two seminars) Jukka Mäkelä (Director of Methodology Science, University of Lapland), Fall 1998.

Research seminar on emotion and social life, 24 hour seminar organized by Kaj Ilmonen, Spring 1999.

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Free associations and social movements organized by Martti Siisiäinen: two seminars and two lessons given by lecturer Jim Smith (Queens University, Northern Ireland) and professor Ron Eyerman (Uppsala University, Sweden), Fall 1999.

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The Third Sector and Social Movements organized by Martti Siisiäinen: two seminars and two lessons given by lecturer Jim Smith (Queens University, Northern Ireland) and professor Ron Eyerman (Uppsala University, Sweden), Fall 2000.

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Kovalainen, Anne: Concept of Social Capital and its Feminist Critique. International Feminist Social Theory Research Network meeting. Pre-conference to European Sociological Association (ESA) conference 26.8.–27.8.2001, Department of Sociology, University of Helsinki.

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4.3 The changing labour markets and the immigrant labour force

4.3.1 Changing labour markets and mechanisms of mobility under recession and expanding economy

Summary of findings

Objectives: The project focuses on finding out patterns of human mobility and labour market participation during the periods of economic crisis and economic recovery in the 1990s. The economic recession changed the working conditions and career opportunities of large employee groups at least in two ways: 1) employees in certain sectors, such as information technology and communication, found chances for rapid promotion both in economic and social ladders, and 2) a great part of workers fell down close to the conditions of secondary sector with high unemployment rates, insecure working conditions, low-paid and temporary jobs. The role and importance of human mobility, migration, in these processes became one of the main objectives in the study.

The general hypotheses were formulated in a more detailed way as follows:

- 1) The economic recession of the 1990s strengthens unbalanced regional development because larger urban areas with developed and versatile industrial structure are in the best position to maintain economic competitiveness.
- 2) The significance of migration as a labour market mechanism follows the same dualistic pattern. Migration has a minor, if any, help for job seekers in the secondary sector, while in the primary sector it still plays an important role.
- 3) The European integration along with globalisation of the developing new economy implies changes in the relations between human mobility, labour market participation and integration, and regional development during fluctuating economy in the 1990s. International labour markets grow in importance in this development.

On methodological approaches: The objectives have been approached from various perspectives. Both qualitative and quantitative methods and data have been used. The results are disseminated in numerous articles, papers, and reports in various platforms.

Key Findings:

- 1) The economic recession of the 1990s strengthened unbalanced regional development because larger urban areas with developed and versatile industrial structure were in the best position to maintain economic competitiveness.

Polarisation processes in the labour markets and among migrants have been growing in importance rather than decreasing. Studies on regional development describe and analyse developments in Finland and the Baltic Sea Region. The results suggest an increasing competitiveness of the largest urban agglomerations and some specialised smaller communities in Finland.

Despite the relatively high unemployment rate there is a lack of skilled labour force in the Tampere sub-region. The finding can be generalised to cover the labour market in the urban growth poles. Particularly in the sector of information technology the lack of highly skilled professionals has malfunctioned operations in the firms causing bottlenecks in production. The lack of skilled labour force is due to the rapid changes in the economy and production, which is a challenge to the whole Finnish professional education system. On the other hand, there is also need for lower skilled labour force to work in the secondary labour market.

- 2) The significance of migration as an labour market mechanism follows the same dualistic pattern. Migration has a minor, if any, help for job seekers in the secondary sector, while in the primary sector it still plays an important role.

Polarisation processes in labour markets and among migrants have been growing in importance rather than decreasing. Studies on internal and international migration describe and analyse different mechanisms and processes strengthening this development. The mechanisms and processes could perhaps be categorised, naturally not to any satisfactory extent, into a few groups, such as preconditions encouraging or discouraging people to move, barriers preventing from moving, immigration policies, demand for labour force by the labour markets, development of social networks between the places of origin and destination, and so on. Almost all of these factors seem to increase the selectivity of migration, based both on possibilities and motives. Economic recession slows down migration stream at the beginning but eventually its influence can be seen in the structure and success of migration rather than in numbers of migrants. The Finnish experiences indicate that the period of a recovering economy after recession tends to maintain the gap between the primary and secondary sectors. A development like this calls for more efficient policies by public authorities. The structure of migration streams changed; the number and share of unemployed migrants increased strongly during the recession and stayed high after the recession.

The information in the labour market is incomplete between employers and job seekers. This fact stresses the importance of the informal channels of information in recruitment processes. Employers have found informal recruiting channels as one of the best ways to find workers. In the other words, social networks have proved to be the most efficient channels. This finding has even given grounds and motives to the Finnish unemployment administration to launch a project to put together employers and job seekers; workers of some

unemployment offices have made visits to firms in order to find “hidden” jobs on the one hand and needs of potential employers on the other.

- 3) The European integration along with globalisation of the developing new economy implies changes in the relations between human mobility, labour market participation and integration, and regional development during fluctuating economy in the 1990s. International labour markets grow in importance in this development.

In this project a “globalisation perspective” has been added to an analysis of economic spaces from various perspectives. For the first there is the industrial transformation of the labour force markets in the Tampere regional economy in Finland. For the second, major changes and transitions have taken place in a particular North European territorial setting that illustrates the dynamics both relevant and characteristic to globalisation: the new Baltic Sea Area Regional Political Economy. The focusing on such territorial settings also made it necessary to discuss the changing nature of East-West integration and the regulated movement of labour force across the (current) external borders of the EU. Thus, a major line of argumentation within this research based on transformations in the global operation environment was made of three components in the following chronological and to a great degree also hierarchical order:

- a) Opening-up of the former socialist bloc and due integrating of a regional economy in the Baltic Sea Area;
- b) A need to regulate or “govern” some repercussions derived from this opening-up, regarded as a potential threat in the West European parts of this and other newly integrated regional economies; and
- c) The new division of labour within the integrated regional economies and its impact on traditional industrial regions within the West European parts.

Particularly Point c is relevant with special reference to new terms of employment and new kinds of labour force supply and demand asymmetries based on skills required by the economy termed, for instance, as “new”, “postindustrial” or “knowledge-based”.

The key results based on the above line of argumentation are the following. Firstly, Europe as a whole has met with several changes since 1989. The overall euphemism was first largely terminated by the steep recession in the West, and particularly in Finland. The concept of Fortress Europe soon emerged to stand for the EU Europe’s perceived need to protect its and its citizens well-being. Strict policies were designed, with corporations receiving key gatekeeper functions vis-à-vis the potential immigrants wishing to enter the Union. The corporations, with their constant record on their human resources needs, were thus given a possibility to represent a European public interest as

far as selection of the “most wanted” regular (or “economic” or “labour market induced”) migrants were concerned.

The setting was changed by the realisation of the forthcoming impact of the demographic transformation in the EU area. Alleviating it should call for a major intake of skilled and semiskilled labour force from the non-EU countries. An alternative would be and has been transformation of particularly industrial workplaces, West European jobs, to the third countries with abundant supply of suitable labour force. Not all jobs, for instance those in professional and personal service, can be transferred in the first place, and thus the entire process has coincided with major changes in the production and industrial development/business development policy paradigms in the West. All the higher qualifications are required in the labour markets as the West has drawn towards a knowledge-based economy as a strategic inevitability to stand the intensified global competition, both with the newly industrialised countries and the post-socialist Europe. This strategy has been quite easy and beneficial for many countries, and here Finland and Estonia as two open economies on the two sides of the vanished Iron Curtain form an interesting setting.

The availability and relatively good governability of the Estonian (factor) markets provided the recession-hit Finnish corporations with a good way out, a kind of best of two worlds setting, a combination of Finnish technological advancements and Estonian post-transitional socio-economic conditions for a production location within the immediate reach of the Finnish economic heartland. During the crisis years of the early/mid 1990s this Finnish-Estonian linkage brought Estonia to a direction which has been termed in the research as a “bouncing economy”, or a North European version of a miniature maquiladora model. The trade linkages opened to Estonia, despite of its status resembling that of a subsidiary economy to some large “corporate patrons”, have constituted major opportunities to its further advancements as a member of the Baltic Sea regional economy.

These transformations also polarised the harsh impacts of the recession in home economies of the corporate patrons, by transferring many of the lower-skilled jobs away from the reach of the labour force finding it difficult to acquire skills needed in other sectors. Interestingly, in the late 1990s the mobile communications equipment with Finnish and Swedish brand names but assembled in Estonia emerged as the major export goods from Estonia to Finland. In a very labour-intensive sector of textile production this had happened earlier. In the light of these two examples only it is hardly a surprise that the number of Estonians with an immediate intention to move to Finland more permanently in order to work there was found to be measured in some thousands, rather than the hundreds of thousands potential Estonian workers in Finland indicated by the largest Finnish trades union in its opinion poll.

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Higher examinations completed

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Seminars and workshops

Future Challenges and Institutional Preconditions for Regional Development Policy (a scenario workshop discussing the socio-economic challenges to be met in the 21st century spatial development in the Nordic Countries). Nordregio, Stockholm, Sept. 30, 1999. Organised and chaired by Ilari Karppi.

Colloquium on Movements, Security and Peace: Problems of globalisation or globalisation of problems? 20.-22.9.2001, Virrat. Organised and chaired by Olli Kultalahti and Tuomo Melasuo.

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4.3.2 The role of labour market organizations at the juncture of the immigrants labour force and the labour market in Finland

Summary of findings

In this study the issue of immigrant employment has been examined from the perspective of Labour Market Organizations and hiring actors, as they moderate or ignore the crucial preliminary period when immigrants negotiate entry to the labour market, circulate in its periphery as non-established workers, or become for many reasons, marginalized from labour market activity. For this purpose, an exploratory Delphi questionnaire was conducted in 1998-1999 among representatives of the Trade Unions, Employer Associations and larger employers.

High priority and the highest consensus across the three groups was on the importance of measures for improving the Finnish language skill of immigrant jobseekers. A measure regarding development of Swedish language skills was also rated nearly as important across all groups. The emphasis on language skill is well justified, but when placed in the context of the actual situation, a stark contradiction arises. While lack of Finnish language skill constitutes, and is perceived as constituting a major barrier to immigrant employment, fluent Finnish or a functional level of Finnish has all along been, not only the aim, but also the achievement of the elaborate language and labour market training system. Finnish language skill is far from rare among resettling persons. On the contrary, Finnish is now spoken vibrantly as a second language in resettling ethnocultural groups.

The interview data can be interpreted through the frame of discrimination. It may be hypothesized that the unfavourable economic situation aggravated discriminatory mechanisms in hiring. As the policy structures for equality and inclusion, were put to the test in adverse socioeconomic conditions, the state of citizenship rights was diminished in immigrant groups. The unresolved or ambivalent position of Labour Market Organizations and Employers is reflected, on the other hand, by their high consensus and strong emphasis on the need

for immigrants to be integrated in all employment areas, across all sectors of the labour market.

Immigrant integration throughout the labour market, as envisioned by the respondents of the Delphi questionnaire, cannot be adequately addressed by the incremental process of chain employment observed in the data. Positive action on the part of policy makers, including Labour Market Organizations and Employers, would be decisive for promoting the principle of ethnic equality enshrined in the Integration Act (493/1999). Addressing equality issues, including those of ethnic equality, would call for an intervention with a universalistic reach and proactive thrust in order to be effective. When the insertion of minority groups across labour market sectors is the aim, a policy embodying Employment Equity principles would be a critical step in addressing the problem of discriminatory hiring practices and moving towards egalitarian principles in the labour market.

List of researchers

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Higher examinations completed

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Seminars and workshops

-

Scientific presentations

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4.4 Recession and changes in the Finnish welfare state

Summary of findings

The project focused on two core ideas: to study the development of the recession in three phases and to look into the historical interrelatedness between social policy and employment. These phases of development are the economic recession, the labour market recession and the social political recession. Although the economy began to grow, the unemployment rate continued to rise. Even when the unemployment rate began to fall, the problems of the welfare state were still not relieved. The same kind of development also occurred during the depression of the 1930s. Gösta Esping-Andersen's concept of welfare state regime was considered to be the relevant theoretical point of departure of the research project. In its widest sense it refers to a system of labour market relations and social welfare based on political and power relations. The goal of the study was to evaluate how the recession changed the welfare state regime in Finland.

The existing research has mainly concluded that a great number of changes occurred in the 1990s but they have not essentially changed the Finnish welfare state model. We have attempted to solve this paradox and have shown (Lehtonen 2000) that the welfare state classifications are loose and allow different interpretations of the same data. It is, however, possible to state the directions of the change, and to demonstrate that most of the existing model classifications show that the Finnish welfare state model is moving towards the other welfare state models. These changes have different directions, however.

Lehtonen and Aho (2000) showed that cuts in social security weakened the Nordic characteristics of the Finnish welfare state. Although the model did not change, social security became weaker than before the recession. The model was drawn away from its Nordic ideal.

It was also shown that the Finnish employment and unemployment patterns changed during the recession. The welfare state ideals of employment policy faded and the problem of unemployment remained unsolved, and the Finnish welfare state's income structures went through crucial changes in the 1990s (Lehtonen 2000). The welfare state levelling off income differences had to give way to a policy that increased income differences.

The research group examined the inner structure of the recession of 1990s and showed that it consisted of three differently phased stages: the recessions in the economy, in employment and in social policy. Understood in this way, the recession proves to be a long-term process that is difficult to manage; a process that caused damages, the repairing of which must not be limited only to the economic recession.

The research outlined the social policy and the development of the recession in the 1990s by comparing them to the local data on the City of Tampere of the 1930s (Lehtonen & Peltola 2001; Peltola & Lehtonen 2001). We have found a surprising number of similarities despite the fact that we deal with systems that are completely different. In both the 1930s and the 1990s, the recession was reacted to by weakening basic security and by drifting towards a poor relief state. Even the comprehensive Finnish welfare state did not get over the recession without having to resort to food aid.

We have also studied the 1990s recession by examining how social policy and the recession were addressed in the press (Renvall, Vehkalahti). We gathered front-page news stories of *Aamulehti* and *Iltalehti* from 1990 to 1997 and have so far found that in the beginning of the crisis *Aamulehti* emphasised balancing of the public economy (1991), whereas the issue of unemployment has become most prominent only later. It was first framed mostly as an aspect of the general economical situation (1993) and then more and more regarding with active labour market policies (1996, 1997). Quantitatively *Aamulehti* also seems to have put more emphasis on the economic and labour market recessions than on the social political crisis during the 1990s. (Renvall 2000, manuscript)

We also found out that especially towards the end of the decade, welfare abuse became a major issue in *Aamulehti* and in *Helsingin Sanomat* as well. This and some other tendencies to put more moral pressure on the poor were analysed. Studying both the news and the responses of the unemployed led us to suggest that a potentially harmful double bind may have been construed; what was publicly required of the people was perceived by them to be impossible to achieve. (Renvall & Valtonen 1999, Renvall 2001, Renvall & Vehkalahti 2001). On the other hand, there were in the press attempts to help and support the victims of the recession. During the recession, the daily *Aamulehti* opened up a public forum, "The Page of the Unemployed", in which the unemployed and their associations had an opportunity to speak for themselves. This page managed to produce journalism in which normally marginalised groups became the chief speakers in an issue normally dominated by the elites. (Vehkalahti 2000). A

similar reversal took place in the debate on old peoples' care in the fall 2000 in Aamulehti and Helsingin Sanomat. (Kunelius & Renvall 2001).

List of researchers

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Higher examinations completed

Nieminen, Marjo, master's thesis, University of Tampere, Department of History

Vehkalahti, Pertti, master's thesis and licentiate's thesis, University of Tampere, Department of Media Studies.

Renvall, Mika, doctoral thesis in progress.

Peltola, Jarmo, doctoral thesis expected to be published in autumn 2003.

Aho, Simo, doctoral thesis in progress.

Seminars and workshops

The project arranged a workshop (Session 4-1, Social policy) at the XVII Summer Seminar of Economists in Jyväskylä 14-15 June 2000 and presented in work groups altogether four papers (Lehtonen, Aho, Peltola, Renvall). Heikki Lehtonen co-ordinated and chaired the above workshop. He also commented on three presentations (Session 2-1, Social policy).

The project arranged a workshop at the Social Policy Conference in Tampere on 27-28 October 2000, and presented in work groups altogether 3 presentations (Lehtonen, Aho, Vehkalahti). Heikki Lehtonen co-ordinated and chaired the above workshop together with Mika Renvall.

Scientific presentations

Aho, Simo: Employment regime and labour force segmentation. The II joint conference on the Economic Crisis of the 1990s, 7.-8.6.1999, Helsinki.

Kunelius, Risto – Mika Renvall: Private Stories in a Public Debate? Addressing the Quality of Old Peoples' Care in Finnish Journalism. Texts of Testimony conference 23.-25.8.2001, Liverpool.

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Renvall, Mika: Patterns of representing unemployment and welfare. The II joint conference on the Economic Crisis of the 1990s 7.-8.6.1999, the Academy of Finland, Helsinki.

Renvall, Mika and Pertti Vehkalahti: Unemployed as "others" in Welfare Journalism. 15th Nordic Conference of Media and Communication Research 11.-13.8.2001, Reykjavik, Islanti.

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4.5 Disabled people and the economic depression of the 1990s

Summary of findings

The main idea of this project is to investigate disability as a normal phenomenon in society though it often is regarded as a difference or a deviance. What this difference or deviance means, depends on the society and its culture: it is socially constructed in everyday practices, activities and speech, on both individual and organisational levels.

The project deals with the recession years of the 1990s: how the meaning of disability was socially constructed and which consequences were seen to follow from these constructions. The research utilised the stakeholder method, the stakeholders interviewed being disabled themselves, their family members and their organisations, and representatives of the public and private service systems (including decision makers and administrators).

Due to the fact that the funding of this project was appointed mainly to years 1999-2001, the project was still going on in 2002 with some extra funding. The main results will be published in 2002-2003 as a book by the total research group. The results so far can be stated as follows:

- the services arranged for the disabled people by public sector have undergone a big change in the 1990s. The main features of this change are the grown importance of cost analysis instead of need analysis (ie economic consideration instead of individual need consideration), and the increased

self-activity and responsibility required of the disabled people themselves when they are needing services;

- the former public services were partly removed to other service systems, ie to the third sector and the private enterprises;
- the total service system started to network. This has caused both positive and negative consequences from the viewpoint of the disabled people;
- the most problematic groups of disabled people (concerning children and youngsters) taken up by the stakeholders were 1) people at risk, 2) people with mental disorders, and 3) people suffering from longlasting mental depression. The reasons for their problems were seen in their families' situation (when talking about children at risk), deinstitutionalisation (when mental health was concerned) and the increased general and economic insecurity (in cases of mental depression);
- the professionals dealing with children's problems were suffering from the lack of power they encountered when dealing with legal regulations, from the variety of local factors affecting the young people's life, from the economic scarcity, and from the increased emphasis on medical diagnosis of disability. These factors seemed to cause contradictions and strains between the actual practices and the ideals cherished by the professionals, thus increasing their self-defense when trying to explain the situation to the public.

List of researchers

Marjatta Marin, leader, professor, Sociology, University of Jyväskylä

Paula Määttä, professor, Special Education, University of Jyväskylä

Pirkko Kiviniemi, PhD, Psychology, Reumaliitto

Antti Teittinen, DrSs, Sociology, University of Jyväskylä

Tanja Vehkakoski, MA, Special Education, University of Jyväskylä

Higher examinations completed

Antti Teittinen, Doctoral dissertation February 2000, Sociology

Seminars and workshops

The research group arranged two special stakeholder-sessions for different level stakeholders (in addition to interviewing them privately):

Stakeholder session for the members of the Disability Council of Jyväskylä, June 1, 1999

Stakeholder session for stakeholders that were interviewed earlier, February 22, 2001

Scientific presentations

Teittinen, Antti: The Cross-swell of public welfare services for the disabled. The Nordic Disability Research Conference August 14-16,1997, Fredrikshavn, Denmark.

Teittinen, Antti: To study disability as a societal question. The Nordic Disability Research Conference November 12-14,1998, Jyväskylä, Finland.

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Vehkakoski, T.: Disability in the Discourse of Professionals from a Viewpoint of Economic Depression. The 3rd annual Research Conference of Nordic Network on Disability Research (NNDR) 9.-11.9.1999, Trondheim, Norway.

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4.6 Women's entrepreneurship - crisis management and survival strategies

Summary of findings

The general objective for the research program has been to study "Women's entrepreneurship – what happened during 1990s in Finland?" Traditional research on entrepreneurship concentrates largely on the reasons for becoming an entrepreneur, on why enterprises are not growing, and on the role of enterprise in their surrounding environment.

The research program consists of six projects focusing on female entrepreneurs. The projects relate to two overall themes: (I) Female professional, entrepreneurial identities and Crisis management and survival strategies. Some of the studies within these themes are mostly focusing on the empirical data concerning Finnish entrepreneurs during crises, especially the recession in the 1990's. Other studies are mostly based on secondary data (for example biographical data and statistical data) about female entrepreneurs.

The results of the research are preliminary, as the conclusion of most of the studies will occur in spring of 2002.

(I) Female professional, entrepreneurial identities

Project 1: Female identities in male-dominated work contexts

Projects 2: The Finish recession in the 1990's – entrepreneurial identities among entrepreneurs and unemployed

This theme focuses on change among entrepreneurs with specific focus on gender identities.

One conclusion is that marginal identities (i.e. female in a male-dominated work context) may ease, rather than hinder performance. Our studies show that it is important to enrich our comprehension of processes linked to the beginning of the entrepreneurial life as new professional identities are defined. Project 2, especially, focussed on how professional identities are transformed and entrepreneurial identities constructed as people move from one professional context to another, and from unemployment to self-employment. Interviews were conducted among unemployed people in the Helsinki region who had received START-funding for starting up new businesses during the years 1997 or 1998. It shows that moving from unemployment to self-employment implied that new entrepreneurs rely on different resources in order to learn and cope with the process of becoming entrepreneurs. These resources seem both to be related to individual factors, and to comprise lessons from earlier experiences, such as career history, relationships established, and formal training. The research also reveals that the transition to an entrepreneur is not limited to acquiring competencies and building relationships, but is also a process of

continuous reflections on oneself and others. Thus, the transformation was profound, as the individuals learned to think, feel and value as entrepreneurs. Not surprisingly, it also appeared that processes of identity transformation are more time-consuming than learning specific competencies in a new profession are.

On a conceptual level the data demonstrates that the Finnish term 'yrittäjä' was understood as a qualitative statement, i.e. not referring plainly to "being in business". In practice, the concept 'entrepreneur' seemed to be considered more as a classification of behavioural inclinations than as an identity transformer. Interviewees seemed to regard themselves more as representatives of a craft than as entrepreneurs. Relating to classifications in earlier literature, these entrepreneurs seemed to be representatives of "Artisan Identities" with an urge to be independent and self-sufficient rather than representatives of "Classical Entrepreneur Identities".

(II) Crisis management and survival strategies

Project 3: Shifting Boundaries in the Conceptualisations of Paid Work and Entrepreneurship

Project 4: Survivors of the 1990's recession in Finland: positive intraorganizational strategies for survival?

Project 5: Personnel managers, personal responses, and organisational crisis

The second theme has to do with the recovery from the recession with a focus on enterprises with women entrepreneurs. The studies have aimed at both conceptual development and exploration of the empirical phenomenon of crises management and survival strategies among companies and individuals in companies. Studies among surviving knowledge-intensive companies shows that the companies remained active and even became more aggressive in their marketing efforts and/or more entrepreneurial at the same time as they cut costs, mostly salaries. Keeping the personnel was important, and measure were taken to develop intra-organisational competence while business activities were slow. Being knowledge intensive, the competence for this kind of development was integrated in the companies. This was said to somewhat have distracted people from the fear of the crisis, and to have created a certain amount of trust towards the management and a feeling of safety. On an individual level, among personnel managers, constructing emotion-handling strategies was one of the ways to cope with organisational and individual crises. The research has been able to classify a number of such strategies.

List of researchers

Full time researcher:

Annika Åkerberg, Assistant professor, Swedish School of Economics

Project leadership:

Guje Sevón, leader, Professor, Stockholm School of Economics (earlier: Swedish School of Economics).

Anne Kovalainen, Professor, Swedish School of Economics and Turku School of Economics

Jeff Hearn, Visiting Professor, Swedish School of Economics

Other researchers:

Barbara Czarniawska, Professor, University of Gothenburg, Sweden

Elisabeth Sundin, Professor, National Institute of Working Life and Jönköping International Business School, Sweden

Higher examinations completed by the members of the research team**Full time doctoral student:**

Mia Örndahl, Swedish School of Economics. Expected to conclude her thesis in 2002.

Other doctoral students:

Minna Hiillos, Swedish School of Economics. Expected to conclude her thesis in 2002.

Tarja Pietiläinen, University of Tampere

Seminars and workshops

An international seminar on Gender, Entrepreneurship and Change. 19.10.2000 at Hanken, Helsinki. Speakers: Professor Joanne Martin, Stanford university, Prof. Barbara Czarniawska, University of Gothenburg, Prof. Elisabeth Sundin, National Institute of Working Life and Jönköping International Business School, Sweden, Prof. Jeff Hearn Swedish School of Economics.

Workshop on Gender. Fall of 1999 at Hanken, Helsinki.

Workshop on Gender, with specific focus on fathering in organizations. Fall of 1999 at Hanken, Helsinki. Presentation by dr. Peter Tatham.

Scientific presentations

Aaltio-Marjosola, Iiris – Hiillos, Minna: The Scattered Splits of the Body and the Uniting Mother in the Organisation. The international SCOS conference (SCOS=Standing Conference on Organisational Symbolism) 30.6.-4.7.2001, Dublin, Ireland.

Hearn, Jeff: Trying to rethink gendered and non-gendered approaches to change and non-change. International Conference on Gender, Entrepreneurship and Change October 2000, Swedish School of Economics.

Hiillos, Minna: The Roles of the Personnel Department under Crisis Situations - Emotion Handling Strategies by Personnel Managers. The international EGOS conference June 2000, Helsinki, Finland.

Hiillos, Minna: The Roles of the Personnel Department under Crisis Situations. The III joint conference on the Economic Crisis of the 1990s, June 2000, The Academy of Finland, Jyväskylä.

Hiillos, Minna: The tasks of the personnel department under crisis situations. Seminar on gender, entrepreneurship and change, arranged by the project Women's entrepreneurship – crisis management and survival strategies, 2000, SSEBA.

Kovalainen, Anne: Changing forms of work – changing the gender contract? International conference on Gender, Leadership and Entrepreneurship/Small Business 24.-26.4.1998 University of Södertörn, Sweden.

Kovalainen, Anne: Changes in the Welfare Services. Research seminar on working life researchers 13.6.1998, University of Joensuu, Finland.

Kovalainen, Anne: Plenary comment on the Equality Barometer – Viewpoint of the Working life research. Seminar on Equality Questions 20.10.1998, Parliament of Finland.

Kovalainen, Anne: Plenary comment. Nordic-UK Gender and Employment Seminar 8.-10.6.1999, Stockholm, Sweden.

Kovalainen, Anne: Plenary comment. Nordic-UK Gender and Employment Seminar 7.-9.11.1999, Copenhagen, Denmark.

Kovalainen, Anne: New Forms of Entrepreneurship at the Public sector. SME Forum 2.2.2000, Turku School of Economics and business Administration, Turku, Finland.

Kovalainen, Anne: The role of the service sector employment. International workshop on the Future of European Employment and Social Model 9.-10.3.2000, University of Tampere, Finland.

Kovalainen, Anne: Opening and Presentation: Trust, Its Critique and Restructuration of the Welfare Services. Panel Session Chair on Social Capital, Trust, and third Sector. 4th International conference of International Society for Third-Sector Research 5.-8.7.2000, Trinity College, University of Dublin, Ireland.

Kovalainen, Anne: Recession and Restructuring of the Welfare Services in Finland. WES conference on New Economy 11.-13.9.2000, University of Nottingham, UK.

Kovalainen, Anne: Shifting Boundaries in Conceptualizations of Entrepreneurship and Paid Work. International workshop on Gender, Entrepreneurship and Recession 19.10.2000, Swedish School of Economics and Business Administration, Helsinki. Finland.

Kovalainen, Anne: Changes in the Public Sector and the Gender Contract: From Wage Earners to Entrepreneurs. Seminar on Welfare state is Reorganizing – What about the Gender System? 9.5.2001, Ministry of Health and Social Affairs, Helsinki, Finland.

Kovalainen, Anne: The Concept of Social Capital and its Feminist Critique. International Feminist Social Theory Research Network meeting. Pre-conference to ESA conference 26.8.–27.8.2001, Department of Sociology, University of Helsinki.

Kovalainen, Anne: Trust, its critique and restructuring of the welfare services. In Gender, Labour markets and Welfare state Research Network. European Sociological Association Conference 28.8.–1.9.2001, University of Helsinki, Finland.

Kovalainen, Anne: Social capital, trust and dependency. In Economic Sociology Research Network. European Sociological Association Conference 28.8.–1.9.2001, University of Helsinki, Finland.

Kovalainen, Anne: Bridging the Gap in Entrepreneurship Research. RENT XV International Research conference on Entrepreneurship and Small Business 22.-23.11.2001, Turku School of Economics and Business Administration, Turku, Finland.

Sevón, Guje: From Consultant to Client. Change agents and strategies in transfer of management knowledge. Track-organiser: Spridning av moderna managementidéer. Nordiska Företagsekonomiska konferensen, 1999, Helsingfors.

Sevón, Guje: A performative perspective on communication and innovation. Università Degli Studi Siena, Facoltà Di Lettere E Filosofia, Corso di laurea in science della comunicazione, 12.5.1999.

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5 The research projects of social policy

5.1 The welfare state: A resource or a constraint? A study of the effects of the economic recession

Summary of findings

In our research project we analyzed various constraints of and cuts in social policy into a wider international perspective and depicted the way in which different countries have reacted to economic recessions during the past two-three decades. The main conclusion was that welfare states and programs to a great degree follow their own path dependency. Some programs are harder to change than others. Those schemes that are financed through taxes and administrated by political decision-making are easier to change than schemes that are based on membership fees or social security contributions. When it comes to changes in different countries, we can say that that despite the fact that all the Nordic Welfare state is less generous and less universal as it used to be the model is still there.

The institutional set ups of social policy and changes in them have important ramifications for the well-being of the citizens. Welfare cuts in Finland hit mostly the long-term unemployed, families and single-mothers. We also studied the interplay between demographic factors, the institutional set ups of the welfare state and income distribution and poverty. Although poverty rates were increasing and inequalities expanding in the Nordic countries, the traditional Nordic model maintained its characteristics (low poverty rate, equal income distribution and high income level of the poor) although not in such a superior way as previously. This performance is to some extent attributable to demographic and to some extent social policy programs, e.g. the lower poverty rates in Scandinavia compared to France are 1/3 due to differences in social policy and 2/3 due to socio-demography.

If we want to chart the problems that individuals are facing during the years of recession it is important to study consumption that has been always lurking behind in all poverty studies, e.g., poverty means that a person due to lack of economic resources is unable to live (i.e., consume) in a way that is customary in his/her environment. In our project we studied poverty also from this point of view and applied various measures to measure poverty: relative income measurement, subjective feeling of being poor, overdebteness, ownership of necessary consumables and the recipiency of social assistance. Compared to 1995 all measurements displayed lower level of poverty in 2000. However, this good picture was reversed in some specific groups, i.e. the long-term unemployed and single mother. This means that there are less poor than in the mids of recession but those who now are poor are lagging much more behind

than previously. The situation is bad especially for those categories of people that are relying on last resort benefits (basic unemployment benefit, social assistance etc).

In our project we also studied the unemployment correlation across generations in Finland and according to our results there is a clear connection between parents' and children's employment status. By using an event history model, a distinction between causal and spurious correlations was made. In the case of men, there is evidence for both a causal and spurious connection between their employment status and parental employment status. In the case of women, there is only evidence for a spurious effect. Because of the spurious connection, it is important to reduce young individuals' risk for unemployment through e.g. education and training program. This is of large importance after the recession, since the problem with concentration of unemployment into some families might become even more severe later on. The observed pattern is perhaps only the tip of the iceberg, since the individuals studied were born in the 1960s.

A special effort was devoted to consumption, to categorize consumers and distinguishing Finnish consumption patterns. The criteria of categorizing consumers were examined from the framework of people's life situations. The framework was based on the assumption that people may change their categories relatively frequently and belong to various social categories simultaneously. Empirical data consisted of two types of data sets: Finnish Household Expenditure Surveys and a nation-wide postal survey (N=2417) on subjective consumption expenditure.

The central findings of the study were that both consumption expenditure and subjective experiences related one's consumer behavior is still relatively dependent on traditional social structures. In the general level, these findings contradict many popular ideas presented among contemporary theorists. While wealth creates probably the most central and foremost boundary conditions, there are other factors as well that have effect on the consumption behavior of individuals. In addition to class position, education, age, gender and place of residence can be understood as important determinants depending on the type of consumption to be explained. In general, it is reasonable to argue that these categories can still provide rather efficient approximations of preferences for expenditure and consumption choices.

The project contained a special study of consumption patterns of youngsters. The results show that young people's economic position weakened relatively much more than the position of other age groups during the economic depression. Their situation has not improved much even after the depression. Today, young people have clearly less money at their disposal than they had ten years ago. Income differences even among young people have also grown. However, young people's subjective feelings do not necessarily coincide with their actual economic situation; as consumers they are much more optimistic than other age groups. Despite scarce economic resources, young people have

also invented new consumer styles and ideologies, particularly related to the new information technology.

In relation to income and consumption, in Finland households with debt problems have become a serious problem. Estimates about the extent to which people face overindebtedness has varied from a few per cent to one fifth of the population. Reactions to these problems have mainly taken the form of services for debt counselling and the introduction of legislation allowing for the discharge of debts. In addition to this a number of new institutions emerged in the public sector, the market and the third sector, aimed at remedying and preventing debt problems. Due to these reforms the "institutional design" of Finnish debt-problem policy changed rapidly in the 1990s and the debtor's position strengthened in spite of the deep depression.

The project tried to bridge the gap between large macro-sociological comparisons and individual-level strategies. Therefore, there was an in-depth-analysis to illustrate individual welfare changes and spatial differentiation in 1990s at the local level in city of Turku. One part of study based on surveys carried-out in 1995 and 1999. Main results from this "micro-level" study confirm results from the macro-level study: the unemployed face the most negative experiences both from objective and subjective indicators of welfare and the level of welfare measures has not been changed, while groups especially the most educated but also students are clearly in better position at the end of 1990s. From spatial perspective there are some changes in socio-economic differentiation within Turku during the last half of 1990s. Basically the gap between districts with higher and lower social status has expanded in terms of unemployment, income and education. Some districts with lower social status are in a weak position, however, a clear downturn with absolute measures can not be found. Interesting methodological finding is that picture of residential differentiation is very much the same concerning socio-economic indicators and subjective experiences of quality of residential welfare in certain districts.

Obviously, the Finnish welfare state was effective in preventing social cleavages from expanding during the deepest recession, but was it too "effective"? Heavy taxes, increasing public debt, problems in fiscal policy, gray economy, and work disincentives ferment more and more vociferous critics of the welfare state. The legitimacy of the system is being questioned. Our study focused on the support for the public welfare service system during the depression of the 90s. Results point at a high and growing support for public services among the population at large, whilst the support for the system among municipal decision-makers, which are responsible for the development for services, is considerably lower. Thus, the attitude gap between the population and these elites has increased over the 90s. Popular attitudes are explained, in addition to traditional explanatory variables such as ideology, gender and education, also by structural variables, e.g. the factual economic situation of the home municipality. However, a high level or a rise in the level of taxation on

personal income in the home municipality is not a very significant explainer of attitudes. The more general acceptance of cutbacks among decision-makers is explained partially by the fact that, on the one hand, they perceive the economic situation of the municipality as much worse than the population does, and on the other hand that they are much less inclined to accept the basic normative principle of the right to free basic services.

One of the most important questions in political debates in Finland deals with poverty and social exclusion. Did the recession and policies adopted during the 1990s decrease or increase poverty in Finland. This debate revolves around a more general question about social justice. Some political spokesmen favor the so-called trickle-down theory, arguing that wider income differences are good for economic growth, and growth is good for the poor. Thus, widening income disparities benefit the poor and therefore, they fulfill the Rawlsian differences principle of justice. This was argued also in Finland: there may be more relatively poor persons but they are richer than they or their fate-mates were in the beginning of the 1990s. According to our results there are no clear connections between inequality and economic prosperity. In fact international comparisons indicate just the opposite: the wider inequality, the worse the absolute income level of the poor. In this respect the trickle down theory is falsified. However, the theory is partially correct in arguing for the beneficial effects of economic growth for the poor: the absolute income level of the poor is dependent on what is happening in the national economy, while the incidence and depth of poverty in advanced countries is not so much associated with economic factors but is a result of national social policy programs. From the social justice point of view the central question is how to evaluate a situation where the poor (people or areas) are absolutely speaking richer than previously but they are more and more lacking behind the national average, not to speak about the rich.

List of researchers

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Higher examinations completed

PhD –thesis:

Anita Haataja: Tasaetu, tarveharkinta vai ansioperiaate: sosiaalipolitiikkamallit, mikrosimulaatio ja työttömien taloudellinen asema (Flat-rate benefit, means-testing or work-merit: social policy models, micro simulations and the economic position of the unemployed) University of Turku 1998.

Terhi-Anna Wilska: Born to be consumers: consumption patterns of the Finnish and British Youngsters in the 1980s and 1990s. University of Lancaster 1999.

Virpi Timonen: Social policy restructuring in Finland and Sweden under the recession of the 1990s. University of Oxford 2001.

Heikki Hiilamo: The rise and fall of family policy? Changes in Finnish and Swedish family policy during the 1990s. University of Turku 2002.

Vesa Muttilainen: Luottoyhteiskunta: kotitalouksien velkaongelmat 1980- ja 1990-luvulla (Credit society: debt problems of Finnish households in the 1980s and 1990s). University of Tampere 2002.

Jarkko Rasinkangas: 1990s Lama ja paikalliset elintasoerot Turussa (The Recession of the 1990s and local differences in the level of living in Turku). To be submitted in spring 2003.

Licentiate thesis:

Heikki Hiilamo: Säästöt ja perhepolitiikka: tutkimus julkisen talouden ongelmien vaikutuksesta Suomen perhepolitiittiseen järjestelmään 1990-luvulla (Savings and family policy: a study of the economic problems of the public sector and family policy in Finland). University of Turku 2000.

Eva Österbacka: Sådan far sådan son: en studie av inkomstmobilitet mellan föräldrar och barn. Åbo Akademi University 2000.

Master thesis:

By Spring 2002 eight thesis written on the basis of data gathered in the project. Five thesis under preparation.

Seminars and workshops

In addition to two internal seminars (Fall 1999 and Spring 2001), and the continuous Turku Centre For Welfare Research (TCWR) seminars where various "recession papers" were discussed, the project organized three joint seminars with Jorma Kalela's project (Fall 1999, Spring 2000 and Fall 2001).

Two seminars (May 1999 and May 2000) were organized in collaboration with the University of Stockholm (Swedish Institute for Social Research & Department of History).

At the European level, the representatives (Hiilamo, Kangas, Ritakallio and Timonen) of the project have participated in the activities of the EU Cost Action 13 and 15 programs and presented their papers in COST meetings in Fall 2000 in Cologne, Spring 2001 in Berlin, Fall 2001 in Turku and Spring 2002 in Oslo.

Scientific presentations

Erola, Jani: Sociala nackdelar av kreditupplysningsregistrering i Finland som del av större ekonomisk-kulturisk förändring. NORFA:n Oikeussosiologian tutkimusseminaari 5.-11.6.1998, Lund, Ruotsi.

Erola, Jani: Kulutus ja riskirationaalinen toiminta 1990-luvun Suomessa. 1. suomalainen kuluttajasymposium Muuttuva kuluttaja 23.-24.9.1999, Helsinki.

Erola, Jani: Middle-class and risk rational consumption. Suomalais-ranskalaisessa tutkimusseminaari Eliitit ja individualismi 9.-10.12.1999, Helsinki.

Erola, Jani: Kulutus riskiyhteiskunnassa. Westermarck-seuran Sosiologipäivät, työryhmä Kulutusyhteiskunta ja riskit 24.-25.3.2000, Turku.

Erola, Jani: Maksuhäiriöisyyden yhteys velkaisuuteen. Taloustieteen kesäpäivät, työryhmä Hyvinvointivaltio - resurssi vai rajoite? 14.-15.6.2000, Jyväskylä.

Erola, Jani: Maksuhäiriöisyys ja riskirationaalisuus luottamusrakenteiden kriisinä. Taloustieteen kesäpäivät, työryhmä Lama ja luottamus 14.-15.6.2000, Jyväskylä.

Erola, Jani: Towards new sources of inequality: ideal type of risk rationality. ECSR (European Consortium for Sociological Research) workshop Macro Social Change, Welfare State Adaptation and Life Course Outcomes 12.-15.9.2000, Oxford.

Hiilamo, Heikki: Suomen perhepolitiikan muutokset laman aikana. The II joint conference on the Economic Crisis of the 1990s, 1999, Helsinki.

Hiilamo, Heikki: Perheiden tulotason muutokset 1990-luvulla. Esitelmä lamaprojektin seminaarissa maaliskuu 2000, Helsinki.

Hiilamo, Heikki: Perhepolitiikan muutokset Suomessa ja Ruotsissa 1990-luvulla. The III joint conference on the Economic Crisis of the 1990s 2000, Jyväskylä.

Hiilamo, Heikki: Perhepolitiikka ja lama. Suomen 1990-luvun talouskriisi – tutkimusohjelman seminaari Laman pitkä varjo 13.4.2000, Helsinki.

Hiilamo, Heikki: Family policies in Finland and Sweden during the recession. Cost Action-15 seminar 7.-9.10.2001, Turku.

Kangas, Olli: From workmen's compensation to working women's insurance: the development of work accident insurance in OECD countries. European Sociological Association Congress 18-21.8.1999, Amsterdam.

Kangas, Olli: Does the tide lift all boats similarly? Economic cycles and the income position of the poor. European Sociological Association Congress 18.-21.8.1999, Amsterdam.

Kangas, Olli: Why some welfare states are more rigid than others? Changes in financing of social policy. Conference on Financing of social protection in Europe 22.-23.11.1999, the Ministry of Social Affairs/Finland and the European Commission, Helsinki.

Kangas, Olli: For the good for the bad: economic conjunctures and the income position of the poor, mediocre and the rich. Conference of new challenges for the European social policy model 15.-17.6.2000, University of Stirling.

Kangas, Olli: Plenary commentary and chairmanship on Evelyn Huber's and John Stephen's paper at COST A-15 meeting 6.-8.10. 2000, Cologne.

Kangas, Olli – Karl Hinrichs: When a change is big enough to be called a system-shift: small system shifting adjustments in German and Finnish pension policies. Cost A-15 meeting 26-27 April 2001, Berlin.

Kangas, Olli – Joakim Palme: Poverty cycles and social policy in OECD countries. International Sociological Association World Congress 25.-30.7.1998, Montreal.

Mutttilainen, Vesa: Kotitalouksien velkaongelmat 1990-luvulla. Sosiologipäivät 27.3.1998, Jyväskylä.

Mutttilainen, Vesa: Who are Relieved of their Debts. Consumer Debt Net in a Changing Europe –conference 24.9.1998, Dublin.

Mutttilainen, Vesa: Velkaongelmien vakuuttaminen. Sosiologipäivät 26.3.1999, Joensuu.

Mutttilainen, Vesa: Velkaongelmien hallinta 1980- ja 1990-luvun Suomessa: organisaatiot ja instituutiot. Sosiaalipolitiikan päivät 22.10.1999, Jyväskylä.

Mutttilainen, Vesa: Luottoyhteiskunnan kannustinrakenteet. Sosiologipäivät 27.3.2000, Turku.

Muttilainen, Vesa: Ylivelkaantuminen kansalaiskyselyissä 1990-luvulla. Taloustieteen päivät 14.6.2000, Jyväskylä.

Muttilainen, Vesa: Velalliset lamassa ja laman jälkeen. Sosiaalipolitiikan päivät 28.10.2000, Tampere.

Muttilainen, Vesa: Velkaongelmien mittarit ja mittaaminen. Tilastokeskuksen velkaseminaari 24.11.2000, Helsinki.

Muttilainen, Vesa: Velkaongelmat ja velkojen järjestely. Velkajärjestelylakia käsitellyt lausunnonantajien keskustelu- ja informaatiotilaisuus 6.3.2001, Helsinki.

Muttilainen, Vesa: Alternative approaches for preventing debt problems. Consumer credits and Community harmonisation –conference 14.11.2001, Charleroi.

Rasinkangas, Jarkko: Asuinympäristöön kokemiseen liittyvän hyvinvoinnin havaintoja Turussa. Taloustutkijoiden XVII Kesäseminaari 14.6.2000, Jyväskylä.

Rasinkangas, Jarkko: Sosioekonomiset ja asuinympäristön laadulliset erot Turussa. Urban market -seminaari, kaupunkien menestystekijöitä etsimässä 11.10.2001, Turku.

Ritakallio, Veli-Matti: What Explains Cross-National Differences in Poverty: Social Policy or Structure? Series of the 'Reshaping the Australian Institutions' – programme in the Australian National University, Research School of Social Sciences, 21st of October 1998, Canberra.

Ritakallio, Veli-Matti: The Structure of Social Spending in Finland. Commonwealth Department of Family and Community Services 24th of May 1999, Australia.

Ritakallio, Veli-Matti: Life-cycle Theory of Poverty Reformulated: the Finnish Experience. Social Policy Research Centre (SPRC) in University of New South Wales, seminar series 27th of May 1999, Sydney, Australia.

Ritakallio, Veli-Matti: Life-cycle(s) and Poverty in Australia and in Finland. Seminar Series of the 'Reshaping the Australian Institutions' –programme in the Australian National University, Research School of Social Sciences, 1st of June 1999, Canberra.

Ritakallio, Veli-Matti: The Importance of Housing Costs in Cross-National Comparisons of Welfare (State) Outcomes. Commonwealth Department of Social Security, 2nd of June 1999, Australia.

Ritakallio, Veli-Matti – Katja Forssén: Social Policy, Social Work and Poverty in Australia and in Finland. Catholic University of Canberra, Department of Social Work, 29th of June 1999, Canberra.

Ritakallio, Veli-Matti: The Importance of Housing Costs in Cross-National Comparisons of Welfare (State) Outcomes. The International Sociological Association (ISA), Research Committee 19 (RC19) meeting September 1999, Prague.

Ritakallio, Veli-Matti: Suomalainen köyhyys eilen, tänään ja huomenna. Evankelis-luterilaisen kirkon Tulevaisuus ja toivo –symposiumissa 15.6.2000, Turku.

Ritakallio, Veli-Matti: Mitä on sosiaalinen kaupunkipolitiikka? Valtioneuvoston Tulevaisuusfoorumi 22.8.2000, Turku.

Ritakallio, Veli-Matti: Nykysuomalainen köyhyys. Tiedemessut 15.10.2000, Turku.

Ritakallio, Veli-Matti: Eläkeläisten toimeentulo meillä ja muualla. Eläketurvakeskukseen Työeläkepäivät 26.10.2000, Helsinki.

Ritakallio, Veli-Matti: Suomalainen sosiaalipolitiikka – Aktivoivaa vai passivoivaa? Ehkäisevän sosiaalipolitiikan ja sosiaalityön 7. valtakunnalliset päivät 28.11.2000, Helsinki.

Ritakallio, Veli-Matti: Multidimensional Poverty in the Aftermath of Recession: Finland 1995-2000. COST A-15 meeting 27th of April 2001, Berlin.

Ritakallio, Veli-Matti: Köyhimpien turvan ja köyhyyden trendit 1990-luvulla. Suomen 1990-luvun talouskriisi –tutkimusohjelman päätöskonferenssi Laman opetukset 1.11.2001, Helsinki.

Ritakallio, Veli-Matti: Sosiaalipolitiikan suunnanmuutos ja köyhyys 1990-luvulla. Ehkäisevän sosiaalipolitiikan ja sosiaalityön 8. valtakunnalliset päivät 22.11.2001, Helsinki.

Räsänen, Pekka: Life Politics, Risk and Consumerism Addressing Postmodernity in Urban Context. Institutet för bostadsforskning, Uppsala Universitet, 18.2.1999, Gävle, Sweden.

Räsänen, Pekka: Kulutus ja postmoderni elämäntapa. Tilastokeskuksen 1. suomalainen kulutustutkimussymposium 23.9.1999.

Räsänen, Pekka: Social Exclusion as a Postmodern Phenomenon. ECSR Summer School, Worklife Precarity -workshop 13.-14.9.2000, Oxford.

Räsänen, Pekka – Jani Erola: Todellisuuden riskiluonne ja taloudellinen lama, The Westermark Societyn Sosiologipäivät 27.3.1998, Jyväskylä.

Wilska, T-A: Consumption, Dependence, and Social Citizenship. Working Session of the European Sociological Association research network 'Sociology of Consumption', University of Milano, 16-19 September 1998, Italy.

Wilska, T-A: Sosiaaliavun varassa eläminen kulutusyhteiskunnassa ja sosiaalinen kansalaisuus: Suomi ja Iso-Britannia 1990-1994. Statistics Finland, Consumption Research Symposium 23.9.1999, Helsinki.

Wilska, T-A: Consumers like the rest of us? Dependent young households and consumption in Finland and Britain. Manchester University, The British Sociological Association Consumption Study Group Seminar 21.1.2000, UK.

Wilska, T-A: Ikä, toimeentulo ja kuluttajaidentiteetti. University of Turku, Annual Conference of the Westermarck Society, subgroup Consumption and Risks 24.3.2000, Turku.

Wilska, T-A: Nuoret kuluttajat ja lamanjälkeinen elämä. Taloustieteilijöiden kesäseminaari 14.–15.6.2000, Jyväskylä.

Wilska, T-A: Me, a Consumer? – The Problem of Consumption and Personal Identity. University of Tel Aviv-Jaffo, Working Session of the European Sociological Association research network 'Sociology of Consumption' 4.-6. September 2000, Israel.

Wilska, T-A: Nuorten kulutuskulttuurit tietoyhteiskunnan murroksessa. University of Lapland, Annual Conference of the Westermarck Society, subgroup Youth Sociology 22.-23.3.2001, Rovaniemi.

Wilska, T-A – I. Eresmaa: Perceived consumption and subjective well-being of Finnish young people – reflections of the future? University of Helsinki, European Sociological Association conference 28.8.-1.9.2001, Helsinki.

Wilska, T-A: Perceived consumption and subjective well-being of Finnish young people – reflections of the future? Global Youth conference 3-5 September 2001, Plymouth, UK.

Österbacka, Eva: The Connection Between Unemployment Among Relatives in Finland. European Society for Population Economics (ESPE) June 1999, Torino.

Publications

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5.2 Economic Crisis, Job Insecurity and the Household A Psychological Approach

Summary of findings

The main aim of this study was to examine the consequences of job insecurity at the household and the individual levels. Job insecurity was approached by the concept of economic stress which is a multidimensional concept that comprises both the objective and subjective aspects of employment and income. The objective aspects include employment instability and economic deprivation, whereas the subjective aspects include employment uncertainty and economic strain. In this study we concentrated on examining these two subjective aspects of economic stress - job insecurity and economic strain - from the viewpoints of the household and the individual using data gathered in years 1999 and 2000 from target individuals and their partners.

The household level findings about job insecurity (Mauno & Kinnunen, in press) showed that a moderate level of job insecurity was experienced by both the male and female partner in less than 5 % of couples (n = 387 dual-earner couples in 1999). Only the worry over job loss (the affective component of job insecurity) correlated between partners, that is, if the male partner perceived a high degree of worry over job loss, his partner was also likely to perceive worry over job loss. In addition, if the male partner experienced a high degree of economic strain, his partner perceived a high degree of job uncertainty (the rational component of job insecurity). Similarly, if the female partner perceived economic strain, it was likely that her partner experienced the worry over job loss. Thus, between partners' job insecurity experiences occurred only minor crossover effects.

From the individual level findings emerged, first, that perceived high job insecurity decreased later self-esteem, and low self-esteem increased perceived job insecurity one year later (n = 457 individuals in 1999-2000) (Kinnunen, Feldt & Mauno, in press). Thus, there existed a cumulative relationship between these phenomena. Secondly, we found that personality factors, and particularly a lack of optimism - played a significant role in

predicting an increase in perceived job insecurity between years 1999 and 2000 (Nätti ym., 2001). It seems that especially under fairly stable circumstances personality factors determine feelings of job insecurity, whereas in risk situations education, age or position in the company become more important.

The findings concerning economic strain in the context of the household (Kinnunen & Feldt, in revision), that is, couples ($n = 608$ couples in 1999) indicated that economic circumstances were linked to marital adjustment as follows: poor economic circumstances were linked to economic strain which was related to increased psychological distress, and psychological distress was negatively reflected in marital adjustment. This main result held both on the individual and couple levels, which means that economic stress was experienced through the same mechanism both personally and as a couple. In addition, wives' psychological distress was negatively related to husband's reports of marital adjustment and vice versa, as well as unemployment among men was directly linked to reports of marital adjustment among women: the greater the total spell of unemployment, the poorer the marital adjustment. Consequently, economic matters are linked to marriage through exacerbation of wives' and husbands' emotional problems.

In addition, analyses among the individuals ($n = 388$ in 1999) revealed that economic strain was also linked to parental dissatisfaction (Sallinen & Kinnunen, 2001). For women psychological distress as well as marital adjustment mediated the relationship between economic strain and parental dissatisfaction, but for men these mediator effects were only partial. So, for men economic strain was also related directly to parental dissatisfaction.

Analyses concerning the role of self-esteem as a mediating and a moderating variable in the relationship between economic strain and psychological and physical well-being ($n = 851$ in 1999) showed that economic strain was related to increased psychological and physical symptoms both directly and through low self-esteem (Kuokkanen, Kinnunen & Mauno, 2000). Thus, self-esteem partially mediated the relationship between economic strain and well-being. In addition, self-esteem moderated the relationship between economic strain and physical symptoms in both sexes. Economically strained men and women who had high self-esteem had fewer physical symptoms than those with low self-esteem. In men self-esteem moderated also the relationship between economic strain and psychological symptoms. Objective economic conditions explained subjective economic strain for both sexes, however, better among men than women.

In conclusion, our findings show that both perceived job insecurity and economic strain have negative consequences on individual well-being as well as on marital and parental well-being. However, the relationships are rather complex: there existed direct, mediating, moderating and cumulative effects.

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Higher examinations completed

Saija Mauno: Job insecurity as a psychosocial job stressor in the context of the work-family interface, 1999, published in *Jyväskylä Studies in Education, Psychology and Social Research*, 156. Jyväskylä: University of Jyväskylä. (doctoral thesis in psychology).

In addition, the project has produced 10 master's theses in psychology.

Seminars and workshops

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Scientific presentations

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Kinnunen, U. – Rönkä, A. – Sallinen, M.: Parents' job experiences and well-being in adolescents. The Tenth European Congress on Work and Organizational Psychology May 16-19, 2001, Prague, Czech Republic.

Mauno, S. – Kinnunen, U.: Job insecurity and well-being: A longitudinal study among Finnish male and female employees. The 12th Conference of the European Health Psychology Society, 31 August - 2 September 1998, Vienna, Austria.

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The viewpoint of social sciences

Summary of findings

At the individual level, the economic recession of the 1990s has manifested itself not only in the form of unemployment but also in the form of increased job insecurity, which refers to the threat of losing either one's total job or some important features of that job. The main aim of the research project as a whole is to study to what extent job insecurity has become a continuous feature of current working life and how job insecurity manifests itself in the household: what kinds of factors produce insecurity and what kinds of consequences insecurity has at the household level. The whole research consists of two subprojects from social policy and psychology. In the social policy subproject, the emphasis is on studying the prevalence and antecedents of job insecurity and the household strategies used to cope with it in each database (secondary Finnish and European data; new household and diary study).

The first aim of the study was to examine the prevalence and antecedents of job insecurity between 1977 and 2000. On the one hand, we used representative samples of the working age population (secondary data from Statistics Finland: extensive surveys on working and living conditions from the years 1984, 1990, 1994 and 1997) (study 1). In each survey some 3000-6000 wage and salary earners have been interviewed. The questions asked were: How has perceived job insecurity changed between 1977 and 1997? To what extent does job insecurity vary with gender, generation, an economic sector (private/public), socio-economic status (white-collar /blue-collar workers) and region? Which factors are the best predictors of job insecurity during different years? On the other hand, we investigated the antecedents of perceived job insecurity by collecting new household-based panel data in 1998-99 (2000 employees and their spouses) (study 2). The first survey was collected in Spring 1999 with 851 respondents (target persons) and 608 spouses. The survey was renewed in Spring 2000 with 655 respondents (target persons) and 455 spouses.

The main finding of the macrolevel analysis was that perceived job insecurity, i.e. the threat of losing one's job, became more common during the recession, and did not thereafter return to a lower level despite economic recovery. Furthermore, since 1994, feelings of job insecurity have been almost twice as common in the public sector compared to the private sector. At the individual level (study 2), the threat of job loss, reflecting cognitive elements in evaluating one's work situation, was best predicted by organisational factors (e.g., poor organizational communication) during a one-year follow-up period. However, the worry over job loss, capturing emotional elements in the evaluation process, was best predicted by personality factors and particularly by a lack of optimism. The lack of optimism - or pessimism - also played a significant role in predicting an increase in perceived job insecurity, both the perceived threat and the worry of losing one's job, between the years 1999 and 2000. Thus, our results point out that there are mechanisms of structural job insecurity in Finnish working life that maintain perceived job insecurity, such as persistent large-scale unemployment, an increased use of temporary contracts, continuous changes in the workplaces, and industrial restructuring in the form of corporate mergers. However, personality factors also determine the feelings of job insecurity, especially under fairly stable circumstances (Nätti et al. 2001).

The second aim of the study was to examine the realisation of perceived job insecurity by using register-based follow-up data from Statistics Finland. For example, how many of those employees experience the threat of losing their jobs (in 1990) are actually dismissed during the years immediately following (1990-96)? Partly due to lack of longitudinal data, subsequent unemployment among insecure employees has not been studied so far.

According to the results, the number of employees who expected to lose their jobs was considerably greater than the number of those who actually became unemployed. 17 per cent of the employees experienced the threat of job loss in

1990. For those who perceived job insecurity, the proportion of who were unemployed one, three and six years later varied from 21 per cent (1991) into 32 per cent during the recession in 1993. Thus, number of employees who expected to lose their jobs was considerably bigger than those who subsequently became unemployed. However, those who experienced the threat of job loss were more often unemployed, i.e. had a higher risk of unemployment, compared to those who did not perceive job insecurity. Yet, high unemployment risk for insecure employees could have been due to more conventional factors. Therefore, we studied the antecedents of unemployment. Even when individual and job characteristics were controlled, perceived job insecurity still predicted later unemployment independently. During the deep recession and the mass unemployment of the 1990s, the predictive power of expected job loss was quite stable. Thus, threat of job loss is not only more common during recession periods, but also predicts later unemployment over several years (Happonen & Nätti 1999, 2000).

List of researchers

Jouko Nätti, leader, docent, PhD, Dept. of Social Sciences and Philosophy, University of Jyväskylä

Mika Happonen, researcher, Dept. of Social Sciences and Philosophy, University of Jyväskylä

Higher examinations completed

Mika Happonen, licentiate of social policy, 1999, University of Jyväskylä

Seminars and workshops

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Scientific presentations

Happonen, Mika – Jouko Nätti: Perceived job insecurity among Finnish wage and salary earners in 1977-1997. 4th ESA Conference 18-21 August 1999, Vrije Universiteit Amsterdam.

Happonen, Mika – Jouko Nätti: Työn epävarmuuskokemukset ja niiden realisoituminen myöhemminä työttömyyskuukausina Sosiaalipolitiikan päivät 22.10.1999, Jyväskylä.

Happonen, Mika – Jouko Nätti: Määräaikaiset työsuhteet, työn epävarmuus ja myöhempi työura. Pätkätyöpäivät 11.11.1999, Tampere.

Happonen, Mika – Jouko Nätti: Realization of perceived job insecurity among Finnish employees in the 1980s and 1990s: a register-based follow-up study. Nordic workshop on register data in labour market research 10.-11.4.2000, Tampere.

Nätti, Jouko: Työmarkkinoiden epävarmuus. Työelämän kehityspiirteet –luentokurssi 6.10.1999, Helsinki.

Nätti, Jouko – Mika Happonen: Perceived job insecurity and later work career. The II joint conference on the Economic Crisis of the 1990s 8.6.1999, the Academy of Finland, Helsinki.

Nätti, Jouko – Mika Happonen: Työn koettu epävarmuus: työttömyyden uhka ja sen toteutuminen. Summer Seminar of Economists 1999, University of Jyväskylä.

Nätti, Jouko – Ulla Kinnunen – Mika Happonen – Saija Mauno: Job insecurity, flexible work and trade union participation in Finland. Plant closures and downsizing in Europe 28-30.1.1999, Leuven.

Publications

Happonen, Mika (1998): Työn epävarmuus ja työpaikkatiedotus. Heikentääkö tiedotus epävarmuutta? Työ ja ihminen, 12(1), 20-32.

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Happonen, Mika (2001): Yksilönäkökulma työn ja työmarkkinoiden epävarmistamiseen: tutkimuksia työn epävarmuudesta. Luonnos väitöskirjan yhteenveto-artikkeliksi.

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Happonen, Mika – Jouko Nätti (2000): Palkansaajien kokema työn epävarmuus ja epävarmuuden realisoituminen työttömyytenä. Teoksessa Anna-Maija Lehto

– Noora Järnefelt (toim): Jaksaen ja joustaen. Artikkeleita työolotutkimuksesta. Helsinki: Tilastokeskus, tutkimuksia 230. 67-86.

Kinnunen, Ulla – Saija Mauno – Jouko Nätti – Mika Happonen (1999): Perceived job insecurity: a longitudinal study among Finnish employees. *The European Journal of Work and Organizational Psychology* 1999, 8(2), 243-260.

Kinnunen, Ulla – Saija Mauno – Jouko Nätti – Mika Happonen (2000): Organizational antecedents and outcomes of job insecurity: a longitudinal study in three organizations in Finland. *Journal of Organizational Behavior*, 21, 443-459.

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5.3 A temporary fall or a turning point?

Summary of findings

The aim of the study was to find out how the Finnish system of provision of health and social services changed during the recession of the 1990s and how it responded to the changing demand for services. Indeed, the Finnish economic depression in the 1990s had effects on the living conditions of the population and thereby on the demand for health and social services. At the same time, the municipalities which were responsible for service provision, faced various economic difficulties due to the depression and chose alternative ways of responding to the challenges. The provision of health and social welfare services is one of the major areas of municipal activity in Finland. Thus, changes in the service system reflect broadly general changes in well-being and welfare policies.

The main findings concern changes in the service provision system and underlying factors and processes during the economic depression. The study

focuses on two questions: to what extent can changes caused by the economic crisis in the provision and demand for health and welfare services be interpreted, first (1) as a turning point in the political and practical development of health and welfare services, and not only as a conjectural fall, and secondly (2) as a result of long-term processes that just happened to become realised simultaneously with the economic crisis.

The five sub-studies of the project (municipal economies and the service provision; long-term and short-term changes in the supply of health and social services; changes in living conditions and demand for services; case studies on health services and social services; a comparison of the Finnish and Swedish service systems during the recessions of the 1990s in the two countries) give ground for two general conclusions. First, the overall conclusion is that the economic depression and short-term reactions thereupon served to reinforce long-term trends by providing arguments for the necessity of various changes. Therefore, adjustments to the service system largely remained a temporary fall. But in some respects, the recession marked also a turning point into the direction of a lower level of health care and social service expenditure and stricter control of the use of services. Secondly, despite some turns in the overall development, another conclusion is that the basic features of the service provision system remained intact during the recession and the system thus showed its viability and also its capacity to meet the changing needs of the population.

Key words: Finland, recession, 1990s, survival of the health care and social services.

List of researchers

Altogether 12 researchers worked various periods in the project. Most of the participants were senior researchers who worked in the project only part-time. Several members of the team changed job during the project period, which certainly made it more difficult to complete the work as planned.

Jussi Simpura, leader, Ph.D. (Social Policy), Research Professor, Project Director, National Research and Development Centre for Social Welfare and Health (Stakes) (Now Director at Statistics Finland)

Peter Blomster, M.A. (Social policy), Researcher, Stakes (Now at the University of Turku)

Linda Gerkman, M.Econ., Research assistant, Stakes

Matti Heikkilä, Ph.D. (Sociology), Research professor, Stakes

Unto Häkkinen, Ph.D. (Health economics), Research professor, Stakes

Mikko Kautto, Ph.D. (Sociology), Researcher, Stakes

Ilmo Keskimäki, M.D., Senior Researcher, Stakes

Juhani Lehto, Ph.D. (Social policy), Senior researcher, Stakes (Now Professor at the University of Tampere)

Hennamari Mikkola, M.A. (Economics), Researcher, Stakes

Merja Rastas, M.A. (Sociology), Researcher, Stakes

Pekka Rissanen, Ph.D.(Economics), Senior researcher, Stakes

Hannu Valtonen, Ph. D. (Health Economics), Senior researcher, Stakes (Now professor at the University of Kuopio)

Higher examinations completed

Mikko Kautto, Ph.D. examination in sociology (University of Helsinki, Department of Sociology, September 2001). One of the sub-studies in the dissertation was done for this research project.

Seminars and workshops

The project team met frequently but did not organise any seminars with other projects of the research programme nor with any other groups.

Scientific presentations

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Publications

Blomster, Peter (2001): Katsaus sosiaali- ja terveystalouden kysyntää koskevaan kirjallisuuteen. Mitkä tekijät vaikuttavat palveluiden kysyntään? Helsinki: Stakes, Aiheita 25/2001.

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Keskimäki, I. (2002): How did Finland's economic recession in the early 1990s affect socio-economic equity in the use of hospital care? Social Science and Medicine (submitted).

Lehto, Juhani – Blomster, Peter (1999): 1990-luvun alun lama ja sosiaali- ja terveystaloustieteiden suunta. Yhteiskuntapolitiikka 64(3): 207-221.

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Mikkola, Hennamari – Häkkinen, Unto – Klaukka, Timo (2000): Lääkemenot kasvavat tasaisesti koko maassa. In Mikkola, Hennamari (ed.): Terveystaloustiede.2000. Helsinki: Stakes, Aiheita 36.

Simpura, Jussi (2000): Lamauttiko lama sosiaali- ja terveystaloustieteet? In Jaakko Kiander (ed.): Suomen Akatemian tutkimusohjelma: Laman pitkä varjo, seminaari 13.4.2000. VATT Publications 27:4. Government Institute for Economic Research and The Academy of Finland. Helsinki. Pp. 27-38.

Simpura, Jussi – Blomster, Peter – Heikkilä, Matti – Häkkinen, Unto – Kautto, Mikko – Keskimäki, Ilmo – Lehto, Juhani – Rastas, Merja – Rissanen, Pekka – Valtonen, Hannu (2001): The survival of the Finnish health care and social service system during the economic depression of the 1990s. In Jorma Kalela – Jaakko Kiander – Ullamaija Kivikuru – Heikki A. Loikkanen – Jussi Simpura (eds.): The Research Programme on the Economic Crisis of the 1990s in Finland: Down from the heavens, up from the ashes, The Finnish economic crisis of the 1990s in the light of economic and social research. VATT Publications 27:6. Government Institute for Economic Research and The Academy of Finland. Helsinki. Pp. 130-168.

Valtonen, H. (2000): Mikä selittää kuntien sosiaali- ja terveystaloustieteiden eroja? In H. Uusitalo – A. Parpo – A. Hakkarainen (eds.): Sosiaali- ja terveydenhuollon palvelukatsaus 2000. Helsinki: Stakes. Pp. 29-42.

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6 The research projects of media research

6.1 Media coverage versus citizen response

Summary of findings

Empirical materials: The project focussed on three main dimensions. First, it studied with quantitative methods the mainstream media coverage longitudinally (1988-97). In the mainstream media, the biggest national newspaper (Helsingin Sanomat), four regional number-one papers (Etelä-Suomen Sanomat, Ilkka, Lapin Kansa and Karjalainen) and the public service broadcasting company YLE television news bulletins were included, although the television side not as systematically as the newspaper sector. Second, the citizen sector comprised an analysis of opinion polls (1988-97), qualitative theme interviews (1993-99) and school children's essays on recession effects. Third, a dimension of the project analysed elite talk (1995-96) on the recession and its causes. The volume of the quantitative material was enormous (tens of thousands of observations), while the qualitative studies were meant to operate as "deep drilling" exercises on issues of special interest.

Compared with the original plan, the study in fact focussed less on citizens and the electronic media, and a case study on business publicity was left out totally due to change of the project leader (Leif Åberg) who left the project in the middle. The volume of the citizen sector remained more limited than planned because the new leader (Ullamaija Kivikuru) could not devote much time for the project. She was not a full-time researcher even for a short period. The reason for putting aside of the electronic media radio totally, television partly (only news bulletins were included) was the fact that Finland lacks a proper archive of electronic broadcasting. Radio materials were disorganised, and the volume was so huge that the team was compelled to leave radio aside totally. The television materials were categorised in a variety of ways at the different companies. Hence the print and electronic materials could not be compared properly. Further, alternative discourses (e.g. popular magazines) could not be studied to the extent the team wished, because the number of voluntary student researchers interested to cooperate with the project was lower than expected and the project lacked funds to hire more professional researchers.

On the other hand, the main goal was to describe the behaviour of the mainstream media and its reception, and that objective was fulfilled. Further, the study of the regional press emerged more fruitful than expected, and the team also analysed changes in Finnish media structures more than it was originally planned, because this appeared as relevant. At least one study on the popular magazines is still under way.

Results: The main results covering all the above sectors were quite depressing. The actors in the Finnish publicity arena appeared as speaking past each other. This past talking was not aggressive or activating, but rather passive by character. Although the publicity as such was extensive, it rather segregated the population than united it. Another feature typical to all the three main sectors was that the recession appeared as an absolutely economic issue, politics did not have much to say about it. This led to a situation which showed the recession like a natural disaster, a phenomenon without alternatives.

In the national mainstream media (Helsingin Sanomat, YLE tv news bulletins) the economic crisis was reported as a succession of daily events rather than a process, and experts were used as sources. The theme never came close in popularity to another phenomenon taking place parallel, namely the Finnish EU membership campaign. While the EU publicity reached some 1 million stories during a two-year period, the economic crisis collected some 250,000 stories in the course of 10 years in the mainstream media. The recession was viewed as a national macro event, and first when the worst phase was over, also "ordinary people" emerged as actors in some stories. Also alternative journalistic genres appeared in the arena first when the worst phase was over. Then also some individual survival narratives passed the news threshold. The recession was shown as an expert exercise, a phenomenon without alternatives. First, a regime based on the welfare state ideology was dominant, but it was subdued by a regime based on totally economic values. This development was especially visible in Helsingin Sanomat which followed experts keenly and e.g. started to talk rather about employment than unemployment figures, although the country was experiencing a mass unemployment. Further, the issue of women's rights disappeared from the pages of the paper when it reported on a long nurses' strike; they were asked to understand the difficulties of the country, although many other groups also sought for compensation at the same time.

The regional number-one papers (in fact three out of four) reacted somewhat differently in 1994-95. They started deliberately to report on positive economic developments in their respective regions in order to strengthen regional identity and financial capacity which is in the project called as meaning marketing.

The picture was quite contradictory in the citizen sector. In the first round of polls and interviews from the early 1990s, people criticised the media strongly of the fact that they did not report on the recession enough, although the issue was found more important by the interviewees than the EU publicity. However, a few years later comments were much milder, there was no scapegoat hunt, and people even counted the start and the end of the recession based on either individual experiences or media reports. Only a few dramatic features such as people queuing bread packages from the Salvation Army were remembered well and feared because they did not fit within the limits of the welfare state ideology which people appreciated. But otherwise it appeared as if the country had experienced a heavy natural disaster and nobody wanted to think about it

any more, because it was over now. Children were kept outside the dilemma of recession as much as possible, even if the crisis hit the family first years afterwards they realised the causes and effects of particular phenomena. In short, people followed the media in order to update their information about the recession, but they did not accept the values systems offered by the media. In one respect the media and the citizens seemed agree, however: neither viewed the recession as a political phenomenon.

The elite interviews (1995,1996) analysed as part of the project gave a strongly cynical impression. The economic elites experienced all the other actors on the agenda politicians, the media, and the citizens as ignorant and confused. According to them, the recession could have been far easier to get under control without the interference of these groups which were assessed as mislead, incompetent and uninformed. All the elite groups were divided and secluded.

List of researchers

The project head was up to october 2000 Professor Leif Åberg, and after that prof. Ullamaija Kivikuru (Swedish School of Social Science, University of Helsinki). In practice, Ullamaija Kivikuru has led the project from the beginning, Åberg was predominantly a formal leader of the group.

Ullamaija Kivikuru, leader, Prof., Swedish School of Social Science, University of Helsinki

Minna Aslama, MSc, Dept. of Communication, University of Helsinki

Anu Kantola, Doctor of Soc.Sci., Dept. of Communication, University of Helsinki

Tuija Parikka, Lic.Soc.Sci., Dept. of Communication, University of Helsinki (partly US, New York University)

Inka Salovaara-Moring, Lic.Soc.Sci., Dept. of Communication, University of Helsinki (partly University of Leuven, Belgium)

Sanna Valtonen, Lic.Soc.Sci., Dept. of Communication, University of Helsinki

Besides these full-time researchers, the project had a group (8 students) of Master's students who wrote/are in the process of writing their Master's theses on themes related to the project theme. Four have so far completed their tasks.

As research ahelpers, altogether 7 unemployed were used, each for a half-a-year period.

Higher examinations completed

Anu Kantola, 2002, Markkinakuri ja managerivalta. Poliittinen hallinta Suomen 1990-luvun talouskriisissä (Market control and management power. The political regime in the Finnish economic crisis in the 1990s). Doctoral thesis. Dept. Of Communication, University of Helsinki.

Inka Moring, 2000, Median maantiede - Talouskriisi ja sanomalehti alueellisessa kontekstissa (The geography of media. The economic crisis and the newspaper in a regional context). Licentiate thesis, Dept. of Communication, University of Helsinki.

Tuija Parikka, 2000, Kumppanuutta ja kaupankäyntiä. Hyvinvoinnin sukupuoli Helsingin Sanomissa 1988-1997 (Companionship and trade. The gender of welfare in Helsingin Sanomat 1988-1997). Licentiate thesis, Dept. of Communication, University of Helsinki.

Sanna Valtonen, 1998, Työ teksteissä, tekstit talouskriisissä. Tausta-ajatuksia mediatekstien kriittiseen analyysiin (Work in texts, texts in economic crisis. Perspectives to a critical analysis of media texts). Licentiate thesis, Dept. of Communication, University of Helsinki.

Maija Koski, 2001, Poliittinen julkisuus kriisissä? Kansalaisnäkökulma poliittisen mediajulkisuuden muutoksiin vuosituhannen vaihteen Suomessa. Viestinnän pro gradu –tutkielma, Helsingin yliopisto.

Laura Raittila, 2001, Ekan joutsenlaulu – Televisioutusten raportointi Ekan romahduksesta. Viestinnän pro gradu –tutkielma, Helsingin yliopisto.

Miia Savaspuro, 2002, Talousjournalismin oppikoulu. Toimittajien lähdekäytännöt ja suhde valtaeliittiin Suomen 1990-luvun laman aikana. Viestinnän pro gradu –tutkielma, Helsingin yliopisto.

More in coming.

Seminars and workshops

In Fall 2000, the project group organised a joint seminar together with another project belonging to the programme (University of Turku and Åbo Academy). Some 30 researchers participated in the seminar.

Scientific presentations

Kantola, Anu: Eliittien yksinäisyys - miten päättäjät selvisivät lamasta? Laman pitkä varjo (Elites in solitude – how did the decision-makers come out of the recession?). Suomen 1990-luvun talouskriisi -tutkimusohjelman seminaari Laman pitkä varjo 13.4.2000, Helsinki.

Kantola, Anu: Managers in Solitude – Finnish political elites at the time of market liberalization. Taloustutkijoiden XVII kesäseminaari 14.-15.6.2000, Jyväskylä.

Kantola, Anu: Institutions of Powerlessness – Political managerialism at the time of market liberalization. The Crossroads Conference 21.-25.6.2000, Birmingham.

Kantola, Anu: Sukupolveni unta – Millaista on elämä edistyksen jälkeen? (Dreams of my generation – how is the life after progress?) Edistyksen päivät 27.-28.10.2000, Tampere.

Kantola, Anu: Yksityistytävä julkisuus – Katoavatko yhteiset tilat? (The privatisation of the public sphere – are the public places going to disappear?) Yleisradion televisiouutisten seminaari 10.11.2000, Helsinki.

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