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International Evaluation of the VATT Institute for Economic Research

Report of the Evaluation Panel

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<p>Abstract</p> <p>In 2019, the Ministry of Finance invited an international group of experts to evaluate the work of the VATT Institute for Economic Research. The evaluation task is divided into four sub-areas: the quality and amount of scientific research; effectiveness at society level; initiative-taking and success of VATT in acquiring external research funding; and international comparisons. As to social impact, the focus is on evaluating how successfully research and expert knowledge is disseminated. Visibility in public discussion is determined on the basis of a stakeholder survey where other Finnish financial research institutes provide the frames of reference. VATT's ability to produce both high-level scientific research and expert information for the government's political decision-making are studied by comparing VATT and the Swedish IFAU (Institutet för arbetsmarknads- och utbildningspolitisk utvärdering).</p> <p>According to the evaluation, the research carried out by VATT is of high academic standards, reliable and, from the perspective of decision-making, focuses on significant phenomena. However, as to providing support to political decision-making such as preparing reforms and ex ante evaluation, VATT's role and impact are weaker.</p>			
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Tiivistelmä	<p>Valtiovarainministeriö kutsui vuonna 2019 kansainvälisen asiantuntijaryhmän arvioimaan Valtion taloudellisen tutkimuskeskuksen (VATT) toimintaa. Arviointitehtävä on jaettu neljään osa-alueeseen: tieteellisen tutkimuksen laadun ja määrän arviointiin, yhteiskunnallisen vaikuttavuuden tarkasteluun, VATTin aktiivisuuteen ja onnistumiseen ulkoisen tutkimusrahoituksen hankinnassa sekä kansainväliseen vertailuun. Yhteiskunnallisen vaikuttavuuden arvioinnissa tarkastellaan onnistumista tutkimus- ja asiantuntijatiedon levittämisessä. Näkyvyyttä julkisessa keskustelussa selvitetään sidosryhmille tehdylle kyselyllä, jossa vertailukohtana ovat muut suomalaiset taloustutkimuslaitokset. VATTin onnistumista tuottaa sekä korkeatasoista tieteellistä tutkimusta että asiantuntijatietoa hallituksen poliittisen päätöksenteon tueksi tarkastellaan vertailemalla VATTia ja ruotsalaista IFAU-instituuttia (Institutet för arbetsmarknads- och utbildningspolitisk utvärdering.)</p> <p>Arvioinnin mukaan VATTin tutkimus on akateemisesti korkeatasoista ja luotettavaa sekä suuntautuu päätöksenteon näkökulmasta merkityksellisiin ilmiöihin. Poliittisen päätöksenteon tukemisessa kuten uudistusten valmistelussa ja ennakoarvioinnissa VATTin rooli ja vaikuttavuus on kuitenkin heikompi.</p>	
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Referat	<p>Finansministeriet tillsatte 2019 en internationell expertgrupp för att utvärdera Statens ekonomiska forskningscentrals (VATT) verksamhet. Utvärderingsuppdraget är indelat i fyra delområden: utvärdering av den vetenskapliga forskningens kvalitet och kvantitet, granskning av samhällliga verkningar, VATT:s aktivitet och framgång i anskaffningen av extern forskningsfinansiering samt internationell jämförelse. I bedömningen av de samhällliga verkningarna granskas hur väl forsknings- och expertinformation har spridits. Synligheten i den offentliga debatten utreds genom en enkät till intressentgrupper, där jämförelseobjekten utgörs av andra finländska ekonomiska forskningsinstitut. VATT:s framgång med att producera både högklassig vetenskaplig forskning och expertinformation till stöd för regeringens politiska beslutsfattande granskas genom en jämförelse mellan VATT och det svenska IFAU-institutet (Institutet för arbetsmarknads- och utbildningspolitisk utvärdering.)</p> <p>VATT:s forskning är enligt utvärderingen akademiskt högklassig och tillförlitlig samt inriktad på fenomen som är betydelsefulla med tanke på beslutsfattandet. När det gäller att stödja det politiska beslutsfattandet, såsom beredningen och förhandsbedömningen av reformerna, har VATT dock en svagare roll och effekt.</p>		
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1 Assignment

1.1 Terms of reference

The Ministry of Finance invited a panel of four members to conduct the 3rd evaluation of the VATT Institute for Economic Research. The members of the panel were Professor Emeritus Vidar Christiansen, Professor Olof Åslund, Doctor of Social Sciences Vesa Vihriälä and director Raija Volk, who chaired the panel.

The Evaluation Panel was tasked with preparing an evaluation of the VATT Institute for Economic Research's research activities, social impact and its quality relative to the tasks and objectives set.

The evaluation is divided into four areas:

- 1) scientific research,
- 2) social impact,
- 3) activity in the research funding field, and
- 4) a comparison of activity of VATT and the IFAU (Institute for Evaluation of Labour Market and Education Policy under the Swedish Ministry of Employment)

In the terms of reference, the purpose of the evaluation was defined as follows:

The key objective of the evaluation is to produce a baseline for developing VATT's activities. An important task of the Evaluation Committee is also to provide concrete suggestions on how to improve VATT's activities based on the evaluation.

The responsibilities of the four sub-areas of the evaluation task were divided as follows:

- 1) Vidar Christiansen focused on scientific aspects of VATT's research by assessing the quantity and quality of VATT's research and its academic impact.
- 2) Vesa Vihriälä focused on the social impact of VATT's activities. The goal was to evaluate the impact of VATT's research and expert activities on economic

policymaking and society in Finland. How has the impact of VATT's research and expert activities developed in recent years and what can be done to improve the impact?

- 3) Raija Volk, besides chairing the evaluator panel, assessed the organisation and activities of VATT in the research funding field after the reform of government research funding in 2013. How has VATT fared in the funding field compared to other comparable Finnish research institutes (e.g. ETLA) and what are its strengths and weaknesses and future challenges?
- 4) Olof Åslund was responsible for comparing VATT's organisation, research portfolio and relations to those of IFAU, which is in many respects a comparable organisation to VATT. Special attention was given to insights on how to strike a balance between high-quality academic research while building the Government's economic policy-making knowledge base.

In the assignment, the Ministry of Finance also listed possible detailed perspectives for the evaluation. Many questions are implicitly linked to the question of how to combine academic and policy-oriented work. Institutions like VATT have more target groups than pure academic research organisations: in addition to domestic and international research communities, public servants, political decision-makers, the media, etc. Political decision-makers and other domestic stakeholders seek practical advice on actual problems, whereas researchers need time to work in-depth on their topics. The panel discussed how VATT has positioned in terms of its role in practical policy advice and as an internationally-oriented academic research institute, and a cross-cutting theme in the evaluation is how VATT has found a balance between these two tasks.

1.2 Report structure

The report is structured as follows. Chapters 1.3 and 1.4 describe briefly the recommendations of the earlier evaluations and organisation of this evaluation. Chapter 2 gives an overview of the Institute's activities, describing VATT's history, resources and outputs. Finally, VATT's activities are compared with those of similar Finnish economic research institutes. Chapter 3 examines the adaptation of VATT to the reform of state research institutes decided in 2013. The quantity and quality of VATT's research and its academic impact are assessed in Chapter 4 and Chapter 5 provides a comparison of VATT and IFAU (Institute for Evaluation of Labour Market and Education Policy), located in Uppsala, Sweden. The impact of VATT's activities on economic policy-making and society in Finland is the focus of Chapter 6. Finally, Chapter 7 presents the conclusions and recommendations.

1.3 Recommendations of earlier evaluations

The first evaluation of VATT was carried out in 1995. The evaluators noticed that the quantity and scientific quality of research activities was low and the results of the publications were not going out /communicated to decision-makers. The report also identified the tension between conducting qualified scientific research on the one hand and closely supporting political decision-making on the other.

The report of the 2007 Evaluation Panel identified three main future challenges:

- 1) improving research quantity and quality,
- 2) increasing competition for external funding,
- 3) the need to integrate more strongly into the Finnish and international research community.

To answer to these challenges the Panel recommended that VATT

- 1) focuses its research activities;
- 2) increases publication in quality journals at home and abroad;
- 3) renews its publication strategy and increases its ambition;
- 4) sharpens its recruitment policies;
- 5) increases integration with academia and other research institutes;
- 6) leverages on its strengths;
- 7) develops dissemination of research information; and
- 8) upholds its achieved and recognised position as independent research institute.

1.4 Organisation and methods of the 2019 evaluation

The evaluation is based on an analysis of the qualitative and quantitative material produced by document analysis, interviews with VATT management, personnel and stakeholders. The documents consist of official documents such as VATT's annual reports, performance agreements and annual reports between the Ministry and VATT, as well as documents describing the extent of the activities, such as publication lists and descriptions of other activities. In addition, a stakeholder survey was conducted, with replies received from 101 persons, who represented six different user groups of VATT outputs. The personnel of VATT was responsive to all requests for information and various materials were produced for the evaluation panel.

After having studied the basic documents and background material, the evaluation panel visited VATT from 11 November to 13 November 2019 and had the opportunity to interview face to face both VATT personnel, representatives of the Ministry of Finance and large number of stakeholders. The names of the interviewees are listed in the Appendix 3. In addition to the joint meetings, the evaluators discussed with a number of people knowledgeable about VATT and economic research and policy-making in Finland. VATT's activities are to some extent compared with similar Swedish, Norwegian, Danish and Finnish research institutes, and written material on these was also collected both from public sources and from the research institutes. The Panel is solely responsible for the report and all conclusions.

The Evaluation Panel published the evaluation results as a joint report, although the different chapters were written up by individual members of the Panel. Raija Volk was responsible for an overview of VATT in chapters 1-3, Vidar Christiansen was responsible for chapter 4, which deals with research quality and quantity, Olof Åslund for chapter 5, which compares VATT and IFAU, and Vesa Vihriälä focuses in chapter 6 on VATT's impact on economic policy-making and society in Finland. However, the authors have commented on each other's texts and formed common conclusions and recommendations, which are summarised in chapter 7.

Since the Panel members examined the activities of VATT from different angles, they highlight different issues and the formulations of the conclusions may be slightly different or may include specific suggestions for the focus area. However, as a whole, the Panel members formed a uniform picture of the VATT's strengths and the targets to be developed.

2 Overview of VATT's activities and resources

2.1 Background of VATT

Research institutes attached to ministries are one of the main sources of information needed in political decision-making. There are currently 12 publicly-financed research institutes in Finland. VATT belongs to a group of small institutions. It was established in 1990 by merging two planning organisations: the planning secretariat of the Ministry of Finance and the Economic Planning Centre¹.

The Act on the VATT Institute for Economic Research (1990/27) defines the role of the institute as follows: "To improve general government economic activities and for the purpose of research and analysis work supporting economic policy decision-making and long-term development of the Finnish economy, the VATT Institute for Economic Research operates under the Ministry of Finance. The Ministry of Finance can issue assignments to the VATT Institute for Economic Research."

Today, VATT defines its role as an economics research unit, which is conducting high-level scientific research to promote evidence-based policy-making. In addition, VATT acts as an expert organisation in supporting decision-making and evaluating economic policy. The institute's strategy is to fulfil its mission by conducting empirical research and selecting policy-relevant topics.

An independent Economic Policy Council operates in conjunction with VATT. The Council was established in 2014 to provide independent evaluation of the objectives of economic policy and the effectiveness of the policy measures chosen. The Council's main contribution is the publication of its annual report. The Council's secretariat works within the VATT Institute for Economic Research, which also provides administrative support to the Council.

¹ For further details, see Ilmakunnas et. al. 2010.

2.2 Resources

In 2018, VATT's annual expenses were EUR 5.091 million (excluding the Economic Policy Council, whose expenses were EUR 0.325 million), of which 60 per cent came from the government budget and 40 per cent from external funding. In terms of person-years, the institute employed 50 people, of which 37 in research tasks (including trainees, roughly 3 person-years) and 13 in supporting activities in 2018 and for research activities accounted for 29.4 years. Working time has slightly increased in research projects (if the Economic Policy Council is included) and decreased in support activities over the years.

Table 1. Division of person-years into research and support activities*

	2018	2017	2016	2015	2014	2013
Research activities	37	36	37	37	40	38
Supporting activities	13	12	13	13	15	15

* The figures for 2017 and 2018 exclude Economic Policy Council labour input.

Source: VATT Annual reports

There has been a clear increase in the level of training of VATT's personnel over the years. At the time of the previous evaluation carried out in 2007, the education index was 6.5 and 31% of the personnel had researcher training (doctoral or licentiate degree). In 2018, the education index was 7.4 and 64% had received researcher training.

2.3 VATT output

There appears to be no trend in output quantity since 2012. The number of various types of publications has varied quite substantially over past years, some increasing and others decreasing in any given year. The years 2015 and 2016 look somewhat weaker than earlier years of the decade or the most recent years. This applies in particular to articles in peer-reviewed journals, the numbers of which have returned to around 20 after a weaker spell.

Table 2. VATT publishing activities

	In VATT's series				Outside VATT			Total	
	VATT Publications	VATT Research Reports	VATT Working Papers	VATT Mimeo and Policy briefs	Publications	Articles	Publications in Refereed Journals	Sum	Weighted total
2012	2	2	14	5	16	26	23	88	123
2013	4	6	14	21	17	21	22	105	131
2014	3	5	6	12	18	18	19	81	106
2015	2	2	9	14	20	11	15	72	90.9
2016	0	1	14	4	24	9	16	68	86.9
2017	1	4	18	2	19	14	20	78	101.2
2018	1	0	13	2	23	20	19	78	112.2
Weights	3	1	1	0.6	1	1.5	See below*		

*The weights for publications in refereed journals receive values of 1, 2, 3 or 4.

Source: Annual Reports

Table 3. VATT's expertise activities

	Columns	Presentations	Statements	Interviews	Membership in Working Groups	Total
2012	19	278	96	107	68	568
2013	44	387	114	135	66	746
2014	35	378	103	93	71	680
2015	30	291	92	81	70	564
2016	31	321	134	93	73	652
2017	43	323	147	124	98	735
2018	41	264	161	70	118	654

Source: Annual Reports

2.4 VATT compared with other Finnish economic research institutes

In addition to VATT, there are three Finnish private non-profit research institutes in the field of economics: The Research Institute of the Finnish Economy (ETLA), The Labour Institute for Economic Research (PT) and Pellervo Economic Research (PTT). All three carry out applied economic research to support political decision-making, monitor economic development and publish macroeconomic forecasts. The most comparable ones are VATT, ETLA and PT². The main difference between VATT and the other institutes is that VATT does not monitor economic development and publish macroeconomic forecasts. In ETLA, PT and PTT, commenting on economic trends and participation in economic policy debate in the media are also an important part of their work. PT also publishes a quarterly *Talous & Yhteiskunta* (Economy & Society) in Finnish. In general, there are some differences in the ways in which the results of the work of the institutions are disseminated. ETLA, PT and PTT monitor economic development, publish economic forecasts twice a year as well as assess economic policy and comment on it. The aim of these institutes is to contribute to economic debate and to provide information for economic policy decision-making in Finland. In addition, PTT publishes regional developments and detailed forecasts for the agricultural, food, forest and wood sectors. It also publishes a short-term forecast for the regional housing markets once a year. For this reason, PTT is not quite comparable with the other institutes.

VATT has personnel of 50 persons (excluding the Economic Policy Council), 37 of whom are researchers and most of whom (32) hold a PhD. ETLA's personnel comprise around 40 employees (depending, for example, on the number of trainees), ten of whom work in support activities. Three quarters of the personnel are trained economists. A majority of the ETLA's research staff have completed a doctoral degree. Macroeconomic monitoring and forecasting require a labour input of about three full-time years. ETLA has four research areas: 1) macro economy and public finance, 2) labour market and education, 3) growth, international trade and competition and 4) new technologies.

PT's permanent staff/personnel consists of 16 persons, 11 of whom are economists and five work in support activities. Besides macroeconomics and economic policy work, PT has two research areas: labour market issues and public economics.

These three institutions have a similar profile insofar as all of them focus on applied economic research that benefits societal debate and decision-making. The findings of research projects are published as research reports and articles in working papers series intended for academic journals. Researchers write non-technical articles and columns,

² Pellervo Economic Research emphasises besides economics research forest management and agrifood research and regional economy and is therefore not included in the comparisons.

give presentations and statements, and are involved in different working groups. In all three institutes, researchers do referee work and some serve on editorial boards of international journals, although this kind of activity varies between individuals. The number of presentations, statements and working group memberships is considerable. However, in the long run, VATT seems to have a higher number of peer-reviewed articles in international journals. There is a clear difference in financing. The share of project funding is highest in ETLA (62%) and lowest in VATT (40%).

Table 4. Finnish economic research institutes in 2018

	Funding; EUR 1000		Total	Project funding % of total budget	Personnel (number of persons)	
	Background or- ganisations and grants	Project funding			Researchers	Support activities
VATT	3231	2125	5356	39.7	37	13
ETLA	1892	3050	4942	61.7	40	10
PT	960	1018	1978	51.5	11	5
PTT	1130	1343	2473	54.3	21	5

Source: Annual Reports

Table 5. Output of ETLA (Research Institute of the Finnish Economy)

	BOOKS (ETLA Series A and B)	ETLA Reports	ETLA Working Papers	ETLA Briefs serie	Scientific publica- tions and articles*	Other re- search pub- lications**	Other ar- ticles***	Presenta- tions	Expert ac- tivities, statements and hearin- gs****	Seminars organised by ETLA
2016	3	20	13	12	6	13	16	261	58	24
2017	3	12	9	8	8	29	13	185	107	45
2018	2	8	8	13	15	27*****	-	248	90	30

* In scientific journals and academic series

** Most often in non-ETLA series

*** Most articles on topical issues in magazines and journals dealing with the economy

****Includes, for example, peer reviews of manuscripts, participations in hearings in Parliament, statements to ministries

***** Also includes category "other articles"

Source: Annual Reports

Table 6. Output of the Labour Institute for Economic Research

	Research publications	Presentations	Working group memberships	Seminars organised by PT	Academic statements	Other statements
2016	31	152	23	23	99	14
2017	52	145	27	20	82	29
2018	28	139	31	19	104	35

Source: Annual Report

3 Funding of VATT activities

3.1 VATT and the research institutes and research funding reform

In 2013, the Finnish Government decided on a comprehensive reform of state research institutes and research funding³. The purpose was to strengthen multidisciplinary, high-quality societal research and strengthen research activities in support of government decision-making.

The overall reform implemented in 2014–2017 consisted of mergers and an incorporation of one research institute, and the deepening of cooperation between research institutes and higher education institutions. In addition, the state research institutes' budget appropriations were reduced and the resources were transferred to two new research funding mechanisms, strategic research funding (SRC) and the government's analysis, assessment and research activities (Finnish acronym VN TEAS). This new research funding is subject to competition.

Prior to the reform, potential overlaps and complementarities in research topics between universities and government research institutes were identified in 2010. The conclusion was that, in the case of VATT, research was largely complementary to university research and not competing. It was also seen that complementarity arose from the fact that VATT does applied research that requires knowledge of Finnish institutions. The conclusion was that splitting research and transferring it to universities would lead to the loss of this complementarity.

3 <https://vnk.fi/documents/10616/1034423/vnp-valtion-tutkimuslaitosten-ja-tutkimusrahoituksen-kokonaisuudistukseksi-05092013.pdf/ae74f7b4-1150-4d45-a6c9-009d33426f93/vnp-valtion-tutkimuslaitosten-ja-tutkimusrahoituksen-kokonaisuudistukseksi-05092013.pdf> ; in Finnish)

VATT's preparations for the financial reform of research institutes were already reflected in the performance agreement between the Ministry and VATT in 2012. Closer cooperation with the economic campus and increased external financing were seen as means of adaptation. The performance agreement stated that major changes in research priorities were not needed and that challenges would be addressed by focusing research on existing strengths. The provision of public services and local public finance, taxation and social security, labour market, climate policy, energy and environment were identified as four strong research areas. In addition, it was stated that research "sprawl" must be eliminated in order to secure strong areas of expertise. However, until 2014 the performance agreement contained/included a statement that VATT would maintain its readiness to respond to non-priority questions as well.

The performance agreement for 2014 states that the institute will increase communication and public influence channels. To this end, VATT has, for example, established policy briefs and encouraged researchers to use social media in research communication to increase the visibility of researchers and management in the media.

It can be seen that the reform made VATT think about its future and goals in the changing environment. The aim was to strengthen academic expertise in order to be able to better apply for external funding and to make VATT's research community more attractive also from an international perspective. Closer cooperation with university institutions on the Economicum campus was also seen as a good move.

The structural reforms were also accompanied by measures to support the further development of research collaboration between universities and research institutes. The aim was to promote the quality and efficiency of research and development as well as mobility between institutions by building cooperation between actors and by making research infrastructures and monitoring systems more widely shared.

Government research institutes set up two networks. Lynet's network for research on natural resources and the environment had been operational since 2008. SOTERKO was a consortium of experts in the field of social and health care and food. Lynet and SOTERKO aimed to develop and deepen the networking of research institutes and networks of research institutes and universities, and the activities of both consortia were aimed, among other things, at promoting the quality and efficiency of R&D, promoting personnel mobility between institutions, and wider access to research infrastructures and monitoring systems. The Lynet and SOTERKO networks were merged in 2018 to create TULANET

to reduce duplication and reduce administrative work. TULANET is a cooperational organisation for Finnish research institutes⁴.

As a small institute, VATT has not seen much benefit in participating in cooperation via the TULANET network, but similarly, it had been operating on the same campus with three universities even before the research institute reform. VATT works on the Economicum campus in cooperation with the University of Helsinki, Economics, Aalto University School of Economics and the Hanken Department of Economics. Currently, cooperation takes place with the Helsinki Graduate School, which is a joint unit of Aalto University, the University of Helsinki and Hanken School of Economics. Economicum's activities have evolved to resemble those of a single institution, with its common seminar practices and internships, and have become an internationally significant unit. However, this development is not a direct result of the research institutes and research funding reform, but a continuation of the development already begun in the 1980s.

The Government's research institution and financing reform mainly focused on the reallocation of existing funds. The funding from the government budget to the research institutes was reduced and these funds were transferred to the Prime Minister's Office and the Academy of Finland. A total of EUR 55.6 million was authorised for SRC funding and VN TEAS funding totalled EUR 10.4 million in 2016.

Before the reform, VATT's funding from the government budget was more than 80 per cent of total funding. As a result of the reform, public funding fell by about a fifth compared to total expenditure, which meant a gradual increase in external financing to 40 per cent.

Under the 2015 performance agreement, changes in funding conditions were felt to require a change in operating practices and performance guidance, as the researchers' input was seen - maybe a little surprisingly - to be largely or entirely used in externally funded research contracts in the future⁵. However, it was stated that research agreements based on external funding must continue to support the VATT strategy in the selected research themes or areas. In addition, the financing reform was also seen as leading to performance agreements and VATT's action plans being increasingly built on research agreements based on external funding. This can be interpreted as a weakening of the guidance of the performance agreement.

4 See <https://tulanet.fi/> (in Finnish).

5 This may be due to fear that when fixed costs (rent, administration, etc.) cannot be influenced, a larger share of personnel costs must be covered by external research funding. In many cases, external funding requires an own contribution from the applicant's organisation. However, SRC funding and TEAS funding from the Prime Minister's Office follow the full cost model.

In retrospect, the fears of increasing the share of external funding seem exaggerated. At the same time, the requirement to increase competitive funding has also reached universities, overall funding has been cut and some of the basic funding has been transferred to competitive funding.

At about the same time as the reform of the research institutes, the Ministry of Finance reformed its performance management practices. Performance guidance seems to have changed considerably since the Ministry's internal management system was overhauled in summer 2013 and the steering of institutes within the Ministry's administrative branch, including VATT, was transferred to the administrative policy performance area. The interviews referred to the fact that the contribution of VATT to the support of everyday policy preparations has significantly decreased since then.

The overall research institute reform was evaluated in 2017⁶. The findings show that the reform succeeded in its objective to focus on research financing to strengthen the relevance, demand-centricity and multidisciplinary of research. It seems that the new funding instruments formulated by the reform have contributed to the future knowledge capabilities by reinforcing cross-disciplinary collaboration between researchers.

3.2 VATT's research funding

The funding of VATT from the government budget contracted from EUR 4.222 million to EUR 3.382 between the period of 2014-2017. During the first years VATT has adapted well to the change in funding. It has received funding both from new financial sources, and research projects in which it has been involved have been related to its core research areas. It has adapted to the requirement for multidisciplinary and has been able to find partners in the projects that complement its own skills.

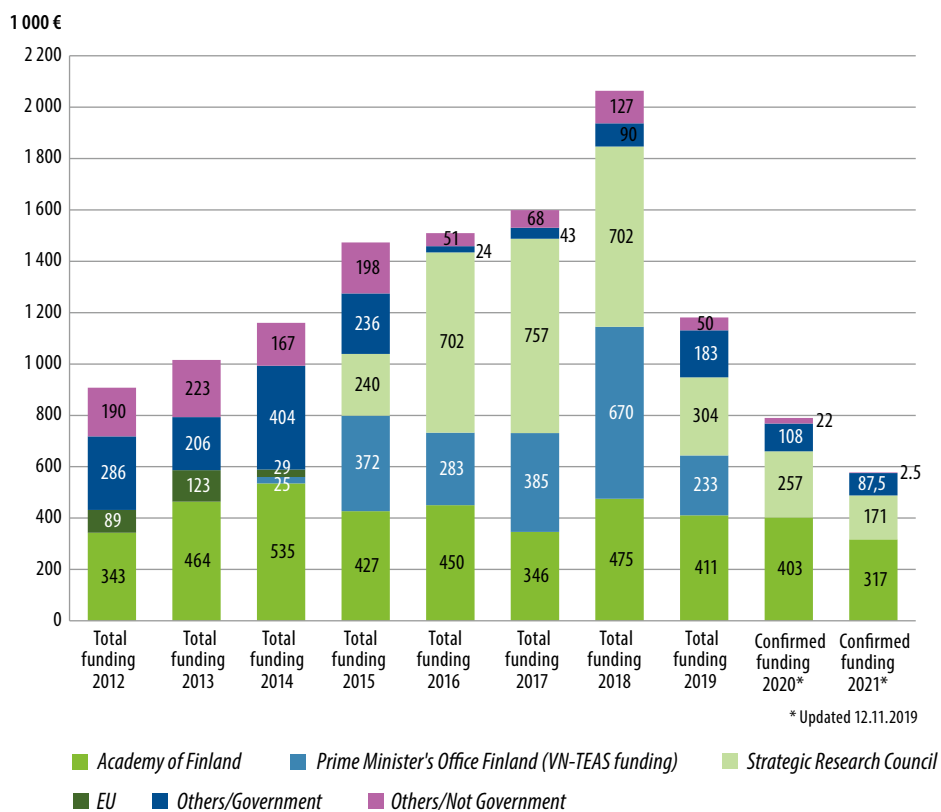
Budget funding still is the largest source/Whereas the Budget continues to account for the largest source of funding, VATT has been very successful in funding competitions of Strategic Research Council and the Government's analysis, assessment and research activities (VN TEAS). During the first few years following the research institute reform, it has been able to more than cover the decline in Budget funding. VATT has also been able to maintain other external financing at roughly the same level. The Academy of

⁶ <http://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/161250/74-2018-TULA-arviointi.pdf>. In Finnish with an English summary.

<https://www.vtv.fi/en/publications/organisation-of-the-activities-supporting-decision-making-under-the-comprehensive-reform-of-state-research-institutes-and-research-funding-tula/> In Finnish with an English summary.

Finland accounts for the most significant funding for individual projects. However, other funding received from the Academy of Finland often depends on the availability of senior researchers. As a state research institute, VATT can receive “earmarked” project funding from ministries in addition to basic funding from the Budget, regardless of the Act on Public Procurement and Concessions (2016/1397). VATT has had small amounts of such funding. However, this funding is running out, as the appropriations of the ministries for this purpose have decreased considerably in recent years.

Graph 1. VATT’s external research funding

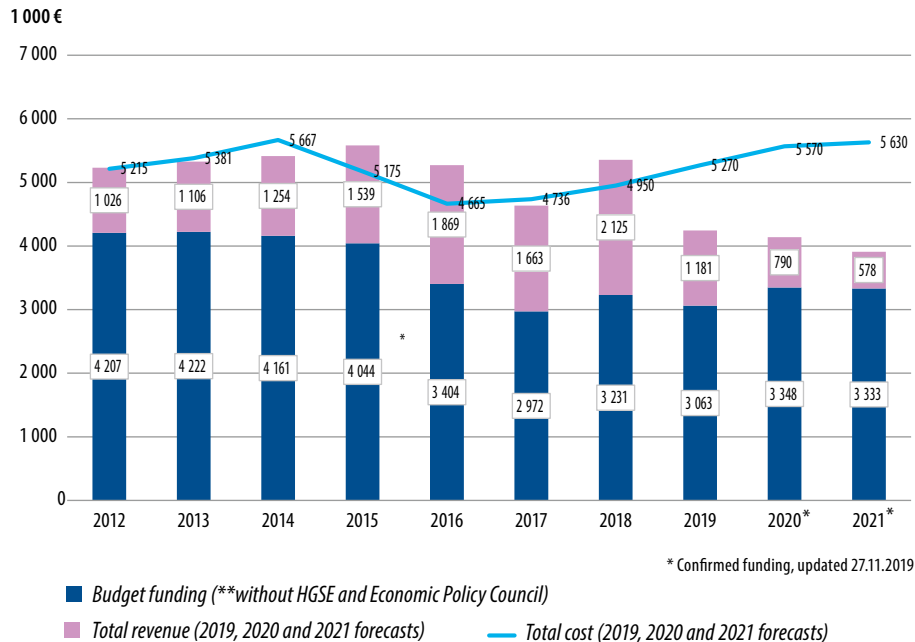


Source: VATT

Researchers value multi-annual funding, such as the funding from the Academy of Finland. The funding granted by the Strategic Research Council differs from the other funding provided by the Academy of Finland. It may be difficult for a small, specialised research institute to obtain steady funding from this financial instrument. First of all, the research programme defines in advance the subject matter of the study, although not individual research issues. Second, the institute must find suitable partners from different disciplines. Third, the project must be able to demonstrate that it has societal implications and active interaction and engagement with the users and beneficiaries of research. However, the strength of VATT is that, as a community, it is used to seek research topics with political relevance.

VN TEAS funding is also in most cases multidisciplinary and requires consortia. Both forms of funding therefore require a lot of contacts outside the own research sector and require much preparation within the consortium. Unlike Strategic Research Council funding, TEAS funding aims to generate rather immediate information that supports political decision-making or the implementation of the Government Programme. Therefore, the questions to be examined are, in most cases, defined quite precisely beforehand or they require only a rapid analysis of existing data on a topical phenomenon. The VN TEAS instrument aims to support evidence-based decision-making, but individual researchers seem to have poor incentives to participate in funding applications because they cannot produce research papers suitable for publication in an international journal through this process. However, it appears that VATT has been able to motivate its researchers to apply for VN TEAS projects, too, as during the first few years it received funding from this source at least satisfactorily and very well in 2018.

VATT has focused on certain relevant research areas in economics and therefore the reliance on this type of competitive research funding also involves risks of uneven access to funding. The vulnerability to access external financing seems to have been realised in 2019 (Graph 2). In the short term, however, this does not affect, for example, the permanence of VATT's employment relationships, as surpluses have been accumulated from previous years (transferred operating appropriations, EUR 2.2 million at the end of 2018). On the other hand, many policy-oriented research institutes, both in Finland and abroad, have managed to ensure the continuity of their activities even when the share of project funding is higher than it currently is in VATT. According to Statistics Finland, in 2018, external funding accounted for an average of 59% of the funding of state research institutes, of which an average of 20% was EU funding.

Graph 2. Development of costs and revenue

Source: VATT

The conclusion is that despite good success in obtaining funding, VATT could try to form some kind of strategic partnership or some kind of continuous cooperation relationship with other research institutes. VATT has research areas where the multidisciplinary approach is natural. For example, research in education, the provision of public services or the environment and climate issues could benefit from deeper cooperation with experts who know the substance. In research that serves decision-making, access to large-scale registers is often of key importance. In practice, it is also easily an advantage in obtaining external funding. Long-term cooperation with other institutes could speed up access to research data, facilitate the formulation of more extensive research frameworks and thus enhance the effectiveness of research. This would probably require more top-down guidance in the selection of research topics at the Institute.

4 Academic level of VATT's research and its academic impact

4.1 Assessment of quantity and quality of research

VATT's research – a brief overview

The research activities of VATT are organised into five areas: Local public finance and provision of public services, Social security, taxation and inequality, Labour markets and education, Environment, energy and climate policy, and Business regulation and international economics. The Institute states that its mission is to “do high-level scientific research to promote evidence-based policy-making”.

Each area has a research group, but there is also cooperation between researchers from different groups. The titles of areas do not always fully reflect the contents. For instance, taxation is split between two areas. “Business regulation and international economics” includes both indirect taxation, business taxation and international tax issues.

Based on our interviews, our perception is that most research projects are initiated by individual researchers and then discussed with the group leaders. There seems to be no shortage of good ideas and the role of the leaders is often to instil more realism about what is a manageable project portfolio.

VATT's research is dominated by policy-oriented, applied, and mainly empirical research in accordance with the overall objective of the Institute. Only a few papers are primarily methodological contributions. The research is policy-oriented in various ways. The bulk of the research analyses and quantifies the effects of various policy interventions, enabling comparisons and assessments. A smaller share is devoted to normative theory in the sense that it derives what is optimal policy, for instance, optimal or efficient taxation of persons or businesses. While some projects are targeted at concrete Finnish policy issues (e.g. housing policy in Helsinki, municipal mergers in Finland, energy efficiency in the Finnish building stock, taxation of the financial sector in Finland), much of the research does not

address very specific and Finnish questions, but yields broader and more general insights of relevance for policy-makers, without involving VATT in day-to-day policy-making.

VATT researchers address a wide range of policy interventions. Some examples are taxes and benefits, part-time employment subsidies, the design of labour market programmes, electricity distribution regulations, the organisation of auctions and water management. Several papers have examined various aspects of housing policy.

A number of positive studies have less clear policy implications and are less ready-made for policy advice. However, they may provide useful background information about the functioning of politically interesting sectors or about more general economic and social issues. Examples include the capitalisation of school quality in housing prices, the effects of oil price shocks on the stock returns of clean energy, cognitive consequences of the timing of puberty and mortality effects of forced migration in Finland in the aftermath of WWII.

Some “miscellaneous” projects may seem at best weakly related to VATT’s main mission , but should not necessarily be dismissed as unjustified. “Odd” projects sometimes have good explanations (e.g. a new hire bringing in some old projects, or external collaborations where a researcher contributes with some expertise without spending much time) or serve some other good purpose (trying out a method or doing something special). Nonetheless, they should be exceptions in the project portfolio.

VATT researchers use Finnish data extensively, but a number of papers use other Nordic or European, or more rarely non-European, data. In this respect, VATT researchers deviate from the fashion of using American data, which in most cases can be expected to be less relevant for Finland (and other Nordic countries). Studies by VATT of cases and policies in other countries supplement foreign studies to provide two kinds of knowledge. On the one hand, availability of data or (natural and designed) experiments in other countries can produce insights of great relevance for Finland when Finnish and foreign conditions are very similar. On the other hand, when foreign countries do things differently Finland can learn something about alternative policies that Finland might realistically opt for.

One research topic is political economy, sometimes close to political science. The policy relevance of this research may be less clear than that of most economic analysis in a stricter sense. Admittedly, interpreting how the political system works may be useful for understanding policy-making and for considering institutional changes or election reforms, but the influence on economic policy will be more layers of decision-making away than is direct policy advice.

How to assess research.

Various criteria can be used to assess the quantity and quality of research. Some are rather direct approaches while others are more indirect. The most direct approach of an evaluator is to read publications and form their own opinion about quality and quantity. However, there are good reasons why other approaches should also be taken. One reason is obviously limited time and reading capacity. Another is to avoid a too narrow and conceivably subjective judgment. More broadly, there is a case for making use of a large set of available evidence about how research contributions, and indeed the researchers, are recognised by the international research community. These are arguments for considering the number of publications, the reputation of publication outlets, citations, scientific awards, acceptance of conference papers and invitations to give presentations, to be member of editorial boards and review papers and books, to join research networks, etc. It is well known within academia that each of the commonly used criteria is an imperfect measure of the quality of a single author's research⁷. However, used in combination and applied at an institutional level, the criteria can be expected to perform much better.

4.2 Publication statistics

More or less all VATT researchers publish internationally in peer-reviewed journals more or less regularly, albeit to a different extent, and at different levels according to common journal rankings. Quite a few publications are in highly ranked outlets. A core group of researchers has an impressive publication record in terms of quantity and quality. That some members of staff have (almost) no international publications seems to be explained by their early career stage. That the distribution of publishing is skewed across personnel is normal for most organisations, including university departments and research institutes. The upshot is that VATT seems to have succeeded in creating a "publishing culture", i.e. an environment where the norm is that one is expected to publish internationally.

⁷ A frequently mentioned weakness is that a high impact factor of a journal typically reflect very high impact of a few articles and not the quality of all articles published in that journal.

Table 7. The number of peer-reviewed articles in international journals in the years 2013–2018.

	2013	2014	2015	2016	2017	2018
A	1	1	1	1	1	2
B	7	3	2	4	6	6
C	3	6	8	5	2	7
D	11	9	3	6	11	4
Total	22	19	14	16	20	19

VATT assigns its international research publications to four different categories ranked from A (highest) to D (lowest). To introduce a quality adjustment, VATT assigns the respective weights (points) 4, 3, 2 and 1 to the various categories A – D. The weights have been endorsed by the Ministry of Finance as reasonable quality indicators for an institution like VATT. The applied weights give a moderate premium to higher academic ranking. Without delving into the details of categorisation, we find the choice of weighting scheme to be a reasonable compromise between VATT’s wish to allow for scientific quality in assessment of performance and the recognition that other concerns are important for fulfilling its mission. We shall comment further on these trade-offs below.

Table 8. The weighted numbers of peer reviewed articles in international journals

	2013	2014	2015	2016	2017	2018
A	4	4	4	4	4	8
B	21	9	6	12	18	18
C	6	12	16	10	4	14
D	11	9	3	6	11	4
Total	42	34	29	32	37	44

During the period 2013 – 2018, the overall picture is that research output took a dip from 2013 to 2015 but has since increased steadily each year from a weighted total equal to 29 in 2015 to 44 in 2018. The output at level A has been stable at 1 or 2 publications per year.

The (weighted) total of all publications will include various kinds of output including policy papers, popular articles and a few scientific papers in Finnish as well as working papers. Hence, this is not a purely scientific output. For our evaluation, counting working papers poses two problems⁸. On the one hand, many working papers are published

⁸ Counting working papers may nonetheless be useful for VATT’s internal measuring of annual output.

outside VATT (in the CESifo and other series) and do not appear in the statistics. On the other hand, a large share of WPs will eventually appear as journal articles and to count both would then imply double counting. If we nevertheless consider the weighted total of all publications, the considerable increase during the past couple of years has outnumbered the increase in the non-weighted total. We can interpret this as reflecting a quality enhancement.

4.3 Other indicators of research quality

Formal competence

With a few exceptions, all researchers hold a doctorate and a couple have been found competent for a professorship (in 2018, four research professors and one associate research professor).

Citations

On the whole, VATT researchers are doing well in terms of citations (based on Google Scholar). Many researchers consistently obtain a decent number of citations of their work and many have at least a few widely-cited papers.

Scientific awards

During the period under review, VATT researchers have received ten scientific awards, some of which are prestigious international prizes.

Co-authorship

There is a fair amount of collaboration and joint papers between VATT researchers and foreign-based researchers with a solid international reputation. Examples include Joel Slemrod, Ravi Kanbur, Kimberley Scharf, Panu Poutvaara, Kjell Gunnar Salvanes and Lars Calmfors. However, this should not overshadow the fact that some very successful co-authorships are with Finnish-based researchers elsewhere or, indeed, VATT-internal. Co-authorships indicate both that VATT researchers are attractive as co-authors and that they help to promote high quality research.

Refereeing and editorial boards

Refereeing records vary a lot from those who do hardly any refereeing to those who do extensive refereeing for reputable international journals. Overall, most VATT researchers do a fair amount of refereeing. Eight VATT scholars are serving on editorial boards of international journals.

Conference presentations, invitations and networks

Most VATT researchers have a good conference record reflecting both an eagerness to submit and success in getting papers accepted for presentation. It seems that around a third of VATT researchers receive frequent invitations to present research in seminars and workshops in various places. Quite a few VATT researchers are by invitation members of international research networks (CESifo, IZA, etc.).

Research visits

During recent years, VATT researchers have had research visits at prominent international institutions (LSE, UCL, Berkeley, Stanford).

Summarising the indicators above, the upshot is that VATT research and VATT researchers are highly recognised by the international research community in economics. VATT has achieved a high international standing.

4.4 Reading of international VATT publications.

Reading a sample of international articles from various fields and journals and by different authors is a way to gain a first-hand impression of VATT's research. Based on such a direct assessment, (positive and normative) tax research is clearly a major strong field at VATT, but there are strong papers in all VATT's research areas, with labour markets and education being other major fields. Even though special competence and capacity limit the range of papers that can be singled out for a referee-type expert assessment, general research competence can be relied on to identify general hallmarks of quality in a wide range of areas.

In general, VATT authors seem to be well read in their respective fields and capable of placing their contributions in a wider context. Most empirical papers have a strong theoretical basis in terms of formal models, or at least a framework of arguments, used to derive explicit theoretical predictions and hypotheses that are empirically testable by employing available data. Overall, the authors are methodologically competent and

updated on novel approaches and tests. Beyond testing robustness and trying different specifications, the authors typically discuss frankly conceivable biases and shortcomings in their procedures and data. Of course, the quality varies as indicated by the varying level of publication outlets. This variation is, to a large extent, due to variation in originality, the level of sophistication and the amount of value added in a paper. Such variation is only natural. Even less original ideas and fairly “standard” problems may be worthwhile pursuing and also more limited contributions to the literature can be useful without getting into the very high-ranked journals. Actually, many of the more specialised or network journals slightly below the top level have a readership making them efficient channels for reaching out to peers in the same field (for instance, International Tax and Public Finance or CESifo Dice Report).

Overall, our direct inspection provides further evidence that VATT produces high-quality research.

4.5 Strategies for excellence

The aim of VATT is to achieve excellence in research. A number of measures have been taken to attain this goal:

- Recruitment of competent researchers is clearly a key to successful performance.
- VATT is creating a culture for publishing by having role models and senior personnel acting as mentors.
- There is an annual evaluation of performance.
- Career paths and, to some extent, performance-based pay are used to incentivise research.
- Selecting research problems that enable papers with potential for publications of high scientific quality.
- Even if formalised, pecuniary and other, incentives may work, it is well known that intrinsic motivation is crucial for successful research. It may be that the relatively large independence and freedom of VATT researchers to pursue their interests and choose research topics and collaborators is good for fostering intrinsically motivated creativity and initiatives.

The set of strategies in operation at VATT has proved successful from a scientific perspective. A crucial question is whether the right balance is achieved between pursuing scientific excellence and prioritising the most central and pressing policy issues. There is a

risk that scientific potential as a major criterion for choosing research projects might divert attention from more important policy issues. VATT should at least be aware of the risk.

Assessing the importance of policy issues is no trivial matter. A low-priority issue today may be high on the agenda tomorrow. Research should not be too constrained by the political agenda or media interest. It should sometimes serve as an eye-opener to policy-makers and endeavour to widen the politically feasible opportunity set.

4.6 Some comparisons

VATT has about 40 researchers who produced some 20 articles in peer-reviewed international journals in 2017, corresponding to an output ratio of 0.5. Comparing publication output across institutions raises a number of problems due to differences in activities and priorities and, conceivably, differences in quality. Interpreted with caution, some comparisons may nevertheless be of indicative interest. Considering crude statistics for some Norwegian institutions, we can find ratios of international articles to scientific person-years.

The Frisch Centre in Oslo is an economic research institute doing applied and policy-oriented research. It communicates its research to various user groups and research funders, but has no obligations to provide direct policy support. The centre is rather small and input from full-time and part-time researchers is approximately 22 full-time equivalents. The output ratio varies somewhat but the order of magnitude is above 1, i.e., more than one international publication per person-year. Judged by a common perception of journals, there is no observable quality difference from VATT. Having a large share of senior researchers on its staff as well as many external co-authors, and facing fewer non-scientific obligations, a higher output ratio would be expected at the Frisch Centre, but the difference is nevertheless significant.

A university department will have extensive obligations in teaching, supervision and exam work, and may be more closely comparable to VATT in terms of non-scientific commitments. However, a caveat may be that in practice the teaching load at the institutional level is eased by granting sabbaticals and outsourcing part of the teaching to external part-time teachers. The Economics Department at the University of Oslo has a scientific staff providing about 60 full-time equivalents. During the previous three years, the output ratio has varied between 0.70 and 0.95, significantly above the VATT score. Based on common quality indicators, the level of quality matches at least that of VATT.

The Research Department of Statistics Norway has many similarities with VATT. It does applied and policy-oriented research, most of it empirical. A major difference from VATT is that the Research Department of Statistics Norway maintains and updates computable models of the Norwegian economy, which is a resource-consuming activity. An explicit duty of the Research Department is to serve the Ministry of Finance, and to some extent Parliament, with analyses of specific policy issues, often with the aim of quantifying effects. The researchers publish reports and Norwegian articles alongside international research papers. Statistics Norway and VATT publish in many of the same journals. The Research Department has about 70 full-time and some part-time researchers. The number of researcher person-years is of an order of magnitude equal to 75. Counting international research articles, the recent output ratio has been a bit above 0.6.

4.7 Overall judgments

The previous evaluation (2007) concluded that “the levels of international publications remain relatively low” and “the institute needs to become more strongly integrated both in the Finnish and international research communities”. Moreover, the panel recommended “more collaboration with other researchers and research groups”. Since then, VATT has been totally transformed to a modern research institute with an international reputation and high domestic credibility. VATT has taken the volume of international publication to an entirely different level. There is now extensive international and domestic collaboration.

The international status of VATT is a valuable asset. Research is to a large extent international. Country-specific research is too scarce to be the only basis for policy design even if transfers of insights across borders call for discretion. “Importing” research is no trivial matter. An ability to access the international research frontier and be able to digest and accommodate it in a domestic setting is hugely facilitated by having researchers that are integrated in the international research community.

VATT research is of high quality and exhibits a rising trend with regard to both quantity and quality. Continuation of the good work is important. A question is whether VATT could do even better in terms of international publication. A comparison with other institutions may suggest that there is some unutilised potential. Considering the current trend, it may be that the observed gap will vanish more or less “automatically” due to the fact that VATT is still in an internationalisation phase and has a relatively young personnel with international ambitions. To what extent an expansion of international publication is desirable, possibly by speeding up the current trend, depends on the extent to which resources should be allocated to strengthening the role of VATT in preparing policy reforms. This is in itself a policy question that the Ministry of Finance and VATT should resolve.

Given the size of VATT, it covers a wide range of topics, and each research group is small. Two concerns are important when determining the scope of research subjects to address. On the one hand, building a long-term knowledge base and competence in an area is difficult without a critical mass ensuring robustness against changes in personnel and other exogenous shocks. On the other hand, increasing dependence on external funding requires preparedness to compete for project funding in many areas. Even acknowledging this concern, and notwithstanding the fact that close cooperation with university departments on the Economicum campus offers some scope for obtaining critical mass beyond organisational borders, we are concerned that VATT tries to cover a too wide range of topics. To the extent that funding permits, a larger concentration on core areas, focusing on public economics, labour markets, distribution of income and wealth and a few other topics, would be desirable. Several interviewees mentioned inequality as an under-researched area at VATT.

The ambition of VATT is that most projects should result in publication in high-quality international journals. High-quality journals are academically solid journals of good reputation such as leading field journals and other field and general journals of high academic standing. Publication in the "top five journals" is of course welcome, but VATT researchers are not encouraged to spend the excessive amount of time typically required to get into those journals. This seems to be a sensible policy given that VATT researchers should find time for addressing a fairly large number of policy-relevant issues.

5 Comparison VATT-IFAU⁹

This chapter provides a comparison of VATT and IFAU (Institute for Evaluation of Labour Market and Education Policy), located in Uppsala, Sweden. The two institutes are in many ways very similar, but there are also historical and contemporary differences in mission, organisation and -activities. In the context of the current evaluation, the primary purpose of the comparison is to identify areas where IFAU's experiences may be valuable for the development of VATT. In particular, the Ministry of Finance has requested "insights and ideas on how to strike a balance between high-quality academic research and, at the same time, building the government's knowledge base on economic policy-making". Of course, the comparison can also serve broader purposes in different directions.

IFAU is a research institute under the Swedish Ministry of Employment. IFAU was established in 1997, to a large extent in response to the severe economic crisis of the 1990s, when unemployment in Sweden went from 2 to 10 percent, and active labour market policies expanded rapidly. In terms of institutions, it is a regular government agency, however it is closely linked to the academic community in general and to Uppsala University in particular. In practice, IFAU has always exercised substantial independence vis-à-vis the ministries. At the same time, similar to VATT, providing the best possible relevance and value for the principal (and the broader policy process) is a key task requiring constant effort and dialogue.

The presentation below compares VATT and IFAU in different dimensions: "History, mission, and organisation", "Human resources", "Project initiation and funding", "Data access", "Publications and other dissemination of research", and "Direction and Policy dialogue". This presentation is intended to give an overview (see also the table at the end of the chapter) and to point to and discuss issues of particular relevance. A further discussion on "Striking the balance" ensues. The chapter is concluded by a summary of observations and suggestions for possible developments.

⁹ The comparison is based on documentation provided by VATT, interviews performed 11–13 November 2019, and on IFAU's annual report 2018. It also, of course, draws on Olof Åslund's perceptions and experiences as Director-General at IFAU 2010–2019.

5.1 History, mission, and organisation

Since its inception in 1997, IFAU was located close to and organised in collaboration with Uppsala University, in particular the Department of Economics. People were recruited from the department and its PhD programme, and a joint research environment developed gradually. Early on, the strategy was to invest in access to administrative data sources, partly as a way to attract interest from international scholars. As this coincided with increasing computational capabilities and a strong academic interest in programme evaluation, the institute quickly established itself as a strong research unit integrated into the international community.¹⁰ This history has meant that academic qualifications and ambitions have typically not been an issue at IFAU. VATT's history is clearly different in the sense that it started with a different orientation and a different pool of qualifications among its employees. In line with the 2007 evaluation, VATT has gradually shifted towards higher academic ambitions and requirements, both in terms of its research portfolio and in its HR strategies (more on this below). Today, IFAU and VATT are quite similar; they work with the same types of issues and projects, employ the same type of people and often interact directly and in broader contexts.

But there are also differences. As stated in the Act from 1990, VATT's mission is broader and can be interpreted as a general task to provide a qualified foundation for essentially all areas of economic policy. IFAU's instruction as a government agency has over time expanded from labour market policy and the functioning of the labour market, into education policy and social insurance. But its mission is still substantially narrower/more focused than that of VATT. Even though the research portfolios of both institutes contain projects on a very wide range of topics (typically generated by external funding), the bulk of activities at IFAU fits well within three (and mostly within two) of VATT's research areas. "Environment, energy and climate" and "Business regulation and international economics" are almost absent at IFAU and taxation is a considerable larger field at VATT than at IFAU (although growing there as well).

An obvious question is thus whether VATT can achieve the critical mass of people and competence in all research areas. To some extent, this is handled by collaboration and interaction across fields, very similar to the situation at IFAU. This can easily be motivated also from the point of using different perspectives and competencies for identifying fruitful avenues for new research. But a recurring topic in interviews is that research groups consider themselves small, and that research on some topics becomes person-dependent. Within current budget constraints, it may be motivated to consider limiting activities somewhat. Another possibility is, of course, to increase (government) funding in order to support a broad research agenda.

¹⁰ See Helmersson et. al. for the 2004 evaluation performed by FAS (Forskningsrådet för Arbetsliv och Socialvetenskap.).

VATT's current organisation resembles that of IFAU, but contains somewhat more structure and internal hierarchies. IFAU has five "area leaders"¹¹ responsible for monitoring the research portfolio, following policy developments and being a resource for the Director General as well as for researchers in their area. In many ways, this resembles the tasks of the theme leaders at VATT, although the latter are also involved in e.g. wage-setting. At IFAU, area leaders have no personnel responsibilities. Another difference is that VATT has a Research Director, whereas the area leaders report directly to the Director General at IFAU. In practice, however, the impression is that the dialogue between the different parties is rather similar at the two institutes.

5.2 Human resources

In 2018, VATT employed about 37 full-time equivalents within core activities, 32 of those employed held at least a PhD. In addition, 13 full-time equivalents were in administration and support functions. IFAU's annual report for 2018 suggests corresponding figures of 35, 25, and 5. VATT is thus somewhat bigger (reflected also in a larger in-house budget) and has more administration also in relative terms (see table below).

Another difference is that VATT's permanent research staff are more or less all PhDs or on their way to completing the degree. At IFAU, a significant share of permanent staff are instead analysts ("utredare"), who typically have a master's degree in political science, economics or statistics. While there is substantial overlap (and collaboration) between the projects of analysts and researchers (at IFAU, all those employed as researchers hold a PhD), the tasks and portfolios of analysts are typically more oriented towards core policy and somewhat shorter projects. Analysts with a qualitative background also complement the quantitative and econometric emphasis among IFAU researchers. In terms of meeting expectations from the principal, the contributions of analysts are many times essential.

The internal career path for researchers is more elaborated at VATT, especially with the recent introduction of Research Professors, which provides an opportunity to recruit and keep senior and highly-qualified people. At IFAU, the career ladder is explicitly connected to the university sector, where people advance (in terms of academic titles and wages, but not job titles) through: becoming associate professor (docent) at a university department, by being judged qualified for a full professor position in a university hiring procedure and possibly by becoming part-time adjunct professor at a university (sponsored by IFAU). This arrangement has the advantage of closely linking career progressions to criteria

¹¹ "Education policy" is shared by two researchers.

established in academia, but also the disadvantage of being dependent on factors not explicitly included in the tasks of an IFAU employee and managed by the institute (e.g. teaching). In practice, however, the VATT system also relies on similar evaluations and requires merits from outside VATT. Thus, VATT also explicitly connects career progression to academic achievements.

Keeping the best researchers at high levels of seniority is, of course, important for a research institute. They carry a lot of knowledge and experience, have the ability to generate additional funding and typically bring collaboration and recruitment opportunities. To this end, the Research Professor positions appear a suitable measure, which is also signalled by the qualifications of the people holding them. At the same time, people progressing to full professors at universities is not only a problem. It can be taken as an indication that the institute provided a strong research environment making careers possible (which can attract candidates at lower levels of seniority) and it can also be the case that a relatively small organisation becomes too “top heavy” if there is no turnover at the higher end of the seniority distribution. Furthermore, experiences from both VATT and IFAU suggest that people leaving often remain a resource for projects and other types of collaboration.

For PhD students, the situation is similar in the sense that students are connected both to their host university and to the institute (typically also to an academic adviser at the institute). At IFAU, most of the students come from the Department of Economics at Uppsala and transfer to employment at IFAU during the programme. At VATT, students are instead based in their departments but maintain a part-time office at the institute. In both places, the connections are often formed organically through internships, assistant work and contacts through teaching and advising.

VATT has recently started hiring on the international job market, which is becoming the standard channel for recruiting researchers at the postdoc level. IFAU is also taking steps in this direction. It is too early to tell the impact of moving towards this type of hiring, but some things may be worth mentioning. First, it broadens the pool and may provide access to skills that are otherwise hard to find. Second, it links the institute closer to academia. Third, it calls for considerations in terms of being an English-speaking workplace and arguably also on how to deal with tasks requiring the Finnish/Swedish language.

Looking at the overall composition of employees, there are more similarities than differences. Both institutes have been successful in attracting some of the best researchers of (relatively) younger cohorts and both appear to be doing well in recent hirings. IFAU has a bigger presence of very senior scholars, which can at least partly be explained by the long-lasting link to an active research environment.

5.3 Project initiation and funding

Both IFAU and VATT receive the majority of their resources through the principal, but also acquire substantial funding through other channels. For VATT, budget funding has decreased in recent years, whereas it has been maintained at IFAU. At both institutes, external funding has exhibited a positive trend, although a decrease was seen at VATT in 2019. In other words, also for budget reasons, VATT and IFAU both have to be relevant to the ministries at the same time as being able to attract funding in competition with other research organisations.

Being able to generate sufficient external funding of reasonable conditions is important for at least three reasons for both institutes: (i) it makes it possible to have a critical volume of people and activities; (ii) it shows that the quality of the research is competitive relative to other organisations; (iii) it creates degrees of freedom vis-à-vis the principal. The third point warrants some explanation. An institute like VATT/IFAU should be able to approach issues that the government may not be particularly interested in at the moment. This may be because the political spotlight is currently elsewhere (but may soon shift) and of course also that the government knows that some of its policies may not come out very well in an evaluation.¹² In fact, it can be argued that if a government would like to restrict an institute, a more effective and less risky way would be to give detailed directions for allocating resources than to somehow interfere with the conclusions and dissemination of results.

Combined, the institutional setting (broad missions and regulations), budget considerations and the need to be academically relevant, requires a lot from project identification and priorities. IFAU seeks to combine three dimensions in this process: (i) the importance of the issue (for policy-makers, academia, and society in general); (ii) how much we already know; (iii) the opportunities for generating reliable evidence. Weighting these factors is, of course, not an exact science, but suggests that for issues that are central enough and previous evidence limited, a less than perfect identification strategy (i.e. methodologically not optimal, but acceptable) may have to be accepted. On the other hand, when there is a suitable setting from a methodological perspective, also a narrow topic may be given high priority. On some occasions, these criteria have worked as a pedagogical tool towards the principal, also illustrating that in the best of worlds, work can be done to create conditions beneficial for all three dimensions, e.g. through policy implementation. The impression is that VATT works in a similar manner, considering policy and academic relevance simultaneously.

¹² The latter view is somewhat cynical, and it could be claimed that the very existence of external evaluators shows that the government is actually interested also in illuminating policies that do not work well. But it is not impossible that one can understand the overall value, but still believe that in some cases it is better to leave things untouched.

In practice, project initiation is to a large degree decentralised in the sense that researchers coming up with a proposal have a high probability in getting a “go ahead” from the research leaders and directors. This model has much to recommend it, since it encourages creativity and makes use of individual competencies and contacts. Going in the other direction, requests from the ministries are channelled via directors and research leaders to (groups of) researchers.

There seems to be, however, some difference in terms of centralisation. At IFAU, the common project catalogue is more of an active tool for monitoring and steering activities. At VATT, the process appears to be more focused on allocating tasks and assignments, and then the responsibility is to a greater degree left to the individual researcher. The efforts to influence policy implementation to promote evaluation appear to be more scattered and case/researcher specific at VATT. While the implications of this difference between the institutes should not be overstated (after all, the similarities are far greater), it follows a pattern which is also present regarding publications and research dissemination, and will be further discussed below.

5.4 Data access

For both IFAU and VATT, access to rich administrative datasets compiled for research purposes is essential. As mentioned above, IFAU started building an infrastructure for research data early on. This resulted in the so-called “IFAU database”, which was held within a very broad and long-term project essentially outlining the institute’s activities. As IFAU’s mission and scope expanded, sibling data collections were created, building on the original database, but expanding in some dimensions and contracting in others. As regulations and their interpretation changed (in practice restricting opportunities for researchers), a need to find a more long-term solution emerged. After a long process with substantial frictions, since 2013 there has been a law regulating IFAU’s access to research data. The primary gain of the law is arguably that it allows data to be stored at IFAU and has opened up for some special solutions in collaborations with Statistics Sweden. It has not, however, in practice provided easy access to all register data needed for managing the tasks of the institute. Expansions need to be addressed with additional compilations and are typically connected with lengthy processes requiring a lot of effort. In line with requests from IFAU, its projects are also subjected to the same requirements e.g. of ethical approval as research done in other organisations.

The message from IFAU’s experience is that a pragmatic view on data access is needed. There are many considerations, and a system that delivers the data needed in a reasonable way and can be accepted by all parties involved is likely to be a good system. In any

case, care should be given before making changes that have uncertain consequences. Overall, it seems that VATT has a functioning system for accessing data, in practice similar to other researchers in Finland. Interviews indicate that researchers at VATT believe it is working OK, but that there is always the issue of costs and waiting times. With the overall positive development for data access in Finland, where the country has approached and sometimes surpassed e.g. Sweden, the main task is to keep in mind how crucial a component data access is, and to develop technical solutions that combine cost-effectiveness with confidentiality requirements.

5.5 Publications and other dissemination of research

IFAU and VATT both produce research that is typically presented in report/article format and often aimed at publications in international refereed journals.¹³ The work is processed through presentations at seminars and conferences, and projects often take many years from start to finish. Both institutes also produce a substantial number of (more popular) reports and articles in Finnish/Swedish.

But there are some notable differences in internal publication processes. At IFAU, every registered project is assigned an editor who maintains a dialogue with the project participants. The basic rule is that every project should aim at publishing one working paper and one popular Swedish report in the IFAU series. For research done only in Swedish and/or less targeted at an academic audience, the aim may only be a Swedish report.¹⁴ The quality control process stipulates presentations at seminars, internal and external refereeing, and editor approval typically after substantial revisions. The IFAU series are considered “official” products from the institute and often feature in media reports and public debates. IFAU working papers are thus more polished than the average working paper series; it is common to issue the WP when about to submit to a (first) journal. The publication process and expectations also concern projects granted support from IFAU (in annual calls) but run in other research environments.

Having a popular report linked to almost every WP comes, of course, at a cost. Overall, however, the norm has served IFAU well and it could be argued that compared to a 3-year research project, the time spent writing a 20-page Swedish report is a minor issue. Also, popular reports are central for communication with the ministries.

13 A systematic review of VATT’s production and productivity is provided elsewhere in this report.

14 More rarely, (methodological) projects may only be published in the working paper series. “Working paper only” can also be the case for some results e.g. from external collaboration.

To some extent, VATT's procedures mimic the one described above, at least with regard to the extent of quality control. But it seems to be the case that it is left more to the individual researcher whether and when to publish in VATT's series, and what type of output is to be considered a VATT product. Responses during interviews suggest that there may also be a difference between practice and formal requirements, e.g. for the involvement of research leaders before issuing publications in the VATT series. VATT researchers are "encouraged" to write policy briefs and short summaries, whereas this is a requirement for essentially all research done at IFAU. Comparing the output in the internal series illustrates the point: VATT reports substantially more output in series linked to external publications than it does for "internal" ones, while "Swedish reports" constitute a major outlet for IFAU¹⁵. It is easy to see that at least in principle, clear individual incentives for academic publications combined with "voluntary" popular writing, may decrease the focus on the latter.

Articles in international refereed journals provide the most central and comparable publication form for the institutes. During 2016–2018, total output measured as the raw number of articles was approximately comparable (although with an unprecedented peak at IFAU in 2017). Per employee or euro, IFAU's output was higher. Articles are published in rather similar journals, although perhaps there are a few more top publications at IFAU. However, care should be taken with drawing strong conclusions based on the patterns. Journal publication is a long-term process and which collaborations generate output at a certain point in time may vary.

Unlike IFAU, VATT has an explicit system for weighting publications. This makes sense if there is a wish to emphasize increased quality in publications and also to get an output measure that takes expected input into account. If, on the other hand, it is seen that there is a need to put more weight on other forms of efforts (policy evaluation, popular communication), there may also be drawbacks with focusing on journal publication.

The general trend in economics has been to put increasing emphasis on "top 5" publications. This development brings some particular challenges for institutes like VATT and IFAU.¹⁶ It is quite easy to argue that policy-oriented research should be of very high quality, for which journal publication provides the best (although not perfect) measure. But it is not as obvious that this motivates focusing on the very best, rather than very good, journals. Such focus could affect research questions (possibly overemphasising

15 According to VATT, one reason for publications in external outlets are requirements linked to external funding. Should VATT wish to increase publications in internal series, one option could be to consider the possibilities for multiple outlets.

16 There may of course also be more general issues with this development, but that discussion is beyond the scope of this report.

originality and academic timeliness) and lead to excessively long projects with very major revisions in several rounds. However, the impression is that VATT has a reasonable ambition in this respect, where aiming for “top field” or 2nd tier general journals is common (which is indeed also a very competitive level for the output). The fact that VATT also produces some articles in the highest ranked journals should, of course, not be seen as a problem, but as a strength.

Websites and social media suggest that VATT works actively with popular dissemination of its research and that the material conveyed resembles that of other research institutes, including IFAU. But as described in detail in chapter 6, some stakeholders indicate that media visibility may be a bit low.¹⁷ On the other hand, other respondents express that VATT’s researchers are considered a reliable and competent source of information on economic and social issues, and that the VATT label signals quality. This position resembles that of IFAU in Sweden, where (relative to its size) it receives a lot of weight in debates related to its areas of interest. VATT’s activity level in social media appears to be somewhat higher, whereas IFAU’s system of “one WP, one popular report”, which stipulates that almost every report is accompanied by a press release (or a short message targeting a broad audience), results in more frequent communication of this kind.

5.6 Direction and policy dialogue

For characterising direction and participation in policy formation, there are at least two relevant (partly overlapping) dimensions: (i) the steering process from and the dialogue with the principal (i.e. the ministry); (ii) participation in the broader policy-making process.

Regarding the first dimension, IFAU and VATT are both directly subjected to a ministry and thus share the experience of being a small organisation communicating directly with public servants in government headquarters. The formal institutions are similar in the sense that there is a routine for e.g. budget discussions and annual follow-ups (similar to other agencies in the respective countries).

The steering and the dialogue on activities implies some challenges. First, the time horizon for the policy-makers is not always compatible with what is feasible for researchers/ evaluators. This concerns how quickly a question can be addressed and answered, as well as how to reconcile the short-term fluctuations in political relevance with planning needs

¹⁷ Needless to say, maximising media visibility is not an obvious goal and could come at the cost of trustworthiness.

for long-term activities. Second, there may be a less than perfect understanding of each other's realities and perspectives; it is sometimes hard for the principal to understand the possibilities and restrictions for research, and vice versa.

Decentralised contacts between public servants and researchers are an asset in many ways, but there is an obvious risk of frictions arising. People at the ministries may ask why it is so hard to get researchers to help out with an urgent matter in hand and researchers may wonder why they get requests that are impossible to meet even if everything else is dropped. A ministry may question whether it gets what it should for its money and the institute may be concerned that it is unclear what the ministry wants. Our interviews at VATT gave several examples pointing in these directions and IFAU has had similar experiences. While it is probably the case that it is impossible to completely avoid such problems, there are good reasons to try to reduce them.

For IFAU, a model combining formal and less formal reporting and dialogue has been established and gradually developed over time. In the annual directions ("regleringsbrev"), IFAU is instructed to submit a written report of ongoing and planned activities twice a year (May/June and Oct/Nov). The report lists the research portfolios by area and includes a discussion of recent (advertised) reforms and the possibilities and plans for starting new projects related to them. There is also a brief discussion with examples of previous studies in different policy areas. Thus, to some extent the report functions as a reference for internal discussions in government headquarters (although it is by no means a complete survey).

A couple of weeks after a report has been submitted, there is a meeting at the ministry to which representatives of the relevant units at the ministries of employment, education, welfare, and finance are invited. They bring questions, comments, and "wish lists" indicating political priorities for future work. This arrangement has proven useful in many ways. First, it provides a forum for picking up signals on what is on its way in the political process, clarifying matters, and pointing to relevant previous research for questions at hand. Second, it brings decentralised communication into a unified channel, making it more possible to control and get an overview of activities. Third, it makes it easy to see that the principal may need to prioritise. For a small agency with links to (and ultimately funding from¹⁸) several ministries, having everyone in the same room makes it easier to manage the risk of individual requests being presented as minor and marginal, without consideration of the total amount (cf. teachers not coordinating tests/homework). In the other direction, it also prevents the institute from claiming a workload that does not actually exist.

18 A peculiarity is that IFAU only receives a total sum, not which amount is derived from the budgets of the different ministries.

A general difference between the formal government institutions in Finland and Sweden also affects the structure of contributions to the broader policy process. Sweden's system of government commissions (Statens Offentliga Utredningar, SOU) the way they incorporate representatives from research/expert organisations and the extent to which their reports are circulated for comment according to formal procedures after having been submitted to the ministries. This creates an arena for bringing in research perspectives and experiences. Of course, there are also potential disadvantages for IFAU, which has to balance the time and effort spent responding to reports and supporting public inquiries. Since the tradition of reference groups and requests for advice extends e.g. to major government agencies, this can at times be a real concern.

The point is thus not that VATT should try to copy IFAU in this respect (which would also probably require an overall change of the public system), but that the difference in overall institutions makes the need for establishing tailored routines for dialogue and contribution greater. In this respect, there is another component worth mentioning. Both VATT and IFAU offer presentations on specific or more general topics to the ministries as a way to contribute to the policy process. These may occur at major conferences and seminars, or in a meeting targeted at a more restricted audience. A common experience is that it is sometimes hard for people at the ministry to find the time to actually attend. This is both pointed out and acknowledged in our interviews and is much in line with Swedish experiences. The consequence is that the public servants and politicians then do not get the input they in principle would need/like and that the researchers spend too much time preparing for an audience that does not show up. To some extent, this is of course a consequence of the realities in the ministries and efforts can only be made to find times and setups that diminish the problem. But an impression (admittedly from an outsider's perspective) is also that at least in Sweden, there is a culture at the ministries of cancelling late for other duties that may not have come up unexpectedly at short notice. To the extent that this is true also in Finland, the key to improved interactions lies primarily with the ministry.

5.7 Striking the balance

A fundamental argument for instituting an organisation like VATT and IFAU is (i) that the policy process needs high-quality research-based external input that cannot be generated by the ministries or other agencies, and (ii) that this is not received from the university or the institute sector to a degree that meets the needs. VATT/IFAU is thus a special case with a special purpose. Identifying what this purpose is, and how it can be achieved, is of course central.

The request from the Ministry of Finance to receive ideas and insights on how to strike a balance between academic quality and policy relevance and contribution, as well as responses during interviews, signal that there may be concerns that (following previous recommendations) VATT has moved too far in the direction of academic focus. As discussed above, there is also some uncertainty about what VATT's role should be. Although there is almost unanimous praise for its competence and quality, such concerns could pose an existential threat in the longer term.

This situation is not unlike IFAU's. At the macro level, there are recurring debates on and investigations into the value of policy evaluation, the beneficial/detrimental role of expert agencies/institutes, the way to organise such activities and whether funding should instead be focused on the overall research system. At the micro level, it is very not hard to find public servants or political representatives who would like to see a different priority or solution in particular cases. These debates and views coexist with a broad consensus on the quality and usefulness of the insights provided by the institute.

To some extent, "striking the balance" is, indeed, a relevant expression: priorities and choices are always involved in the question of how to allocate limited resources. But there is also a risk that it is misleading if the situation is interpreted as one where a pie should be shared. Rather, it is a matter of understanding how different factors and conditions should be combined and handled to achieve as much as possible in several dimensions. In many cases, there is no trade-off between academic and policy relevance, and joint efforts can generate output that would not have been feasible otherwise.

For the a research institute, a fundamental issue is recognising that being, and being perceived as, relevant for the principal is necessary. Our impression from the interviews is that VATT clearly sees this need. It is also reflected in the way projects are initiated and prioritised and in VATT's ambitions to have productive and frequent exchanges with the Ministry of Finance. But that does not mean that there is no risk of the presence of some degree of arrogance or neglect, or that career incentives strongly linked to academic achievements may need to be monitored and possibly revised. It seems that VATT has now achieved a culture and competence level where (like at IFAU) trying to increase academic ambitions is rarely a primary concern for the management.

For the principal, it is important to realise that "allowing" for broader research activities aimed at journal publication is not to be seen as a concession. First, having a very strong highest level provides high standards throughout. Second, good conditions for building a research career is arguably the best way for cost-effective recruitment from a limited pool of specialised competencies. Third, degrees of freedom will generate relevant answers that would not have been present in a system of strict requests and insights on issues that may turn out to be highly policy relevant although not currently considered by policy-makers.

One experience from IFAU is that there is often a need to consider how different tasks should be allocated to different agents. Some expertise needs to be present at the ministry (for analysis and understanding how to formulate requests), some issues are better handled by major agencies (e.g. follow-ups of labour market programmes) or statistics agencies (e.g. compilations of basic statistics), and others are more suited for short-term commissioned work by other agencies (e.g. Statskontoret in the Swedish case).¹⁹ Using a small organisation with specialised competencies for the wrong types of work comes with a significant alternative cost and experience suggests that just having a discussion sometimes opens up new ideas. Similarly, it is typically easier for an organisation like IFAU/VATT to accept “less attractive” assignments knowing that alternative solutions have been considered and/or that there is a strong political priority behind the request.

Regarding the allocation of resources, it is also worth reminding oneself about orders of magnitudes. VATT’s mission is to contribute to the development of essentially all areas of economic policy at the national level. Any result or idea having a positive impact on e.g. the tax system, the effectiveness of social programmes or the learning in compulsory schools is thus likely to more than compensate for the total annual budget of about EUR 5 million. Although it is, of course, the case that all projects and activities should be examined relative to alternatives, it could also (somewhat provocatively) be argued that as long a couple of good ideas are generated once every few years, taxpayers’ interests have been taken care of.

One area where improvements can be imagined in the potential to achieve different objectives is how to design and implement reforms in order to promote evaluation. Obviously, VATT researchers are, and have been, involved in efforts recognised internationally, so the idea is by no means new. But it seems that also in Finland it is worth continuing and intensifying the discussion on how sometimes minor alterations of reforms can bring major advantages for evidence on effects and mechanisms relevant for policy, and also academic opportunities. The Swedish experience suggests that there is gradual learning on both sides that improves opportunities, but that it must also probably be accepted that there will be setbacks and complications. Therefore, one conclusion is that having several parallel processes may be a requirement for ultimate success, at least in some cases.

¹⁹ Another reason for having a continuous discussion of these matters is that the optimal allocation may change over time. One example is that when basic evaluations of employment effects of labour market programmes have become a standard component in PES annual reporting, the need for IFAU to conduct similar analyses has decreased.

5.8 Conclusions and recommendations from the comparison with IFAU

The focus of this chapter is not on establishing whether VATT/IFAU is superior/inferior in different dimensions, but on finding areas where IFAU's experiences may be relevant for developments at VATT. The brief summary of observations and conclusions given below provides some suggestions of such areas:

- There are much greater similarities than differences between VATT and IFAU, and VATT has moved towards an employee, project and output composition similar to IFAU's.
 - Given that VATT has made a major transition, the remaining difference in the presence of very senior experts and the higher journal publication per euro/ researcher at IFAU should be interpreted with caution.
 - VATT's internal career path and incentive structure is a bit more elaborated and explicit. However, at both institutes it is strongly linked to academic achievements.
- Centralisation is somewhat stronger at IFAU. This concerns the project portfolio, internal publications and exchanges with the principal. At VATT, researchers are more "left to themselves" when it comes to issuing internal publications, running projects and having exchanges with the ministries.
- IFAU's internal publication system is more elaborate, so that the series provide popular and scientific output for essentially all projects. This has been valuable for the principal and in building an accessible knowledge base for policy discussions. In general, it has also served as a useful norm internally.
- IFAU has a clearer system for dialogue with the ministries, which has been established over time. The system provides a structure for steering, disciplines all parties to some extent, decreases frictions due to individual short-term requests not being accepted, and makes it possible to communicate possibilities and restrictions in a productive manner. It should be easy to implement something similar at VATT.
- For "striking the balance", the impression is that VATT generally understands that its existence is motivated by being relevant for policy development. Together with the Ministry's clearly expressed valuation of VATT's contributions from, this is a good starting point for improving the dialogue and clarifying the role and potential contributions of VATT. While moving too far in the academic direction is always a risk to be considered when making priorities and designing incentive

structures, efforts should be made not to think of output and activities as a pie to be shared between policy and academia. Rather, it should be a joint effort to identify how to achieve as much as possible in several dimensions. In this endeavour, it is positive to see that the Ministry of Finance seems to recognise that by allowing for some freedom and projects outside core policy, they get something essential they could not get with a stricter steering. Furthermore, the ambition should be to find policy implementation that increases the academic potential at the same time as it delivers new insights for policy.

Table 9. Comparison of VATT and IFAU

	VATT	IFAU
Organisation, direction	Government agency under the Ministry of Finance	Government agency under the Ministry of Employment Funding also from Education and Social affairs + Finance active
Mission	“To improve general government economic activities and for the purpose of research and analysis work supporting economic policy decision-making and the long-term development of the Finnish economy”	“Promote, support and through research perform”: - evaluation of labour market policy; - studies of the functioning of the labour market; - evaluation of the effects of reforms in the education system; - evaluation of the effects of social insurance on the labour market.
Research areas	Local public finance and provision of public services Social security, taxation and inequality Labour markets and education Environment, energy and climate policy Business regulation and international economics	The assignments above are interpreted into a portfolio focused on labour economics, economics of education, public economics, and methodological work. Presented also under 16 overlapping research themes.
Funding	EUR 5.1m, 2018 Government allowance, 60% Other funding (research grants etc., including calls from the Prime Minister’s Office), 40%	EUR 4.7m (SEK 50.5m), 2018. Inhouse: EUR 4.2m, for external research funded by IFAU: EUR 0.55m. Of inhouse: Government allowance, 78% Other funding (primarily grants), 22%
Staff and academic qualifications	37 full-time equivalents, 32 of which holding at least a PhD Plus 13 admin/support	35 full-time equivalents, 25 of which holding at least a PhD Plus 5 admin/support
Publications, dissemination of research (2018, 2017, 2016)	Journal articles: 19, 20, 16 Other articles: 23, 19, 24 Working papers: 13, 18, 14 Popular reports in Finnish (Artikkelit): 23, 21, 14, whereof (3, 7, 5) in internal series.	Journal articles: 20, 30, 18 Working papers: 26, 28, 26 Reports in Swedish (Rapport): 28, 22, 24

6 Impact of VATT on economic policy making and society in Finland

The social impact of research is a wide and hazy concept. In what follows, the focus is on the impact of VATT's research and other activities on policy-making. This focus is consistent with the purpose of the institute as defined in the Act on VATT (see Chapter 2). It is also clearly stated in VATT's current strategy: "VATT produces reliable policy-relevant economic research data and analyses. In our research, we focus on public economics issues and evaluates the objectives, implementation and effectiveness of economic policy through research."

There is no obvious way of measuring a research institute's impact on policy-making. While for example the number of peer-reviewed articles and citation indexes arguably do quite well reflect the scientific impact of research, no similar quantitative indicators exist to inform about the effect of a research institute's activity on political decision-making, which can take many direct and roundabout ways.

We seek to shed light on the impact by looking at the following questions:

- 1) At what stage of policy-making are VATT activities concentrated and is this focus appropriate given the current state of evidence-based policy-making in Finland?
- 2) Is the knowledge generated relevant in the sense of being of appropriate academic quality, considered trustworthy (unbiased) and thematically relevant and topical?
- 3) Is the dissemination of the knowledge effective in that the messages reach the right audiences, at the right time and in a form, which is interesting and accessible to the targeted audiences.
- 4) Are there missed opportunities of collaboration or lack of coordination, for example in the development and maintenance of analytical frameworks, which, if appropriately addressed, could improve the overall efficiency of the support that research can provide for economic policy-making.

The assessment is based on five types of information:

- (1) quantitative measures of output in different policy areas, as described in earlier chapters,
- (2) a stakeholder survey, where about 100 people in relevant positions with regard to policy-making were asked about VATT's performance and influence,
- (3) in-depth interviews of a smaller number of outside experts,
- (4) data on VATT's media attention in comparison with similar research institutes and
- (5) discussions with VATT's management.

6.1 The stages of policy making and VATT contribution

Policy-making is obviously based on the perceived needs for policy action and broad orientations of appropriate action. While such needs and broad policy orientations are articulated by many actors in society, the economic research community is well placed to identify shortcomings and inefficiencies in how the economy functions and the existing policy interventions work. On this basis, the research community can, and often does, come up with suggestions about the broad policy orientations needed to address the problems identified. Also subjecting unfounded arguments, whether about the state of affairs or the effects of various policies, to scrutiny is part of this first stage of influencing policy-making. To be effective on this front, the research establishment needs to be active and visible in current policy debates.

In Finland, the government programme has acquired a prominent position in defining policy priorities for a government term of 4 years (as a rule). Apart from broad policy orientations, the programme often contains also rather specific policy choices. This implies that whatever the research community has to contribute about policy priorities is most effective just prior to the parliamentary elections and the subsequent negotiations about the government programme.

The second stage of influencing policy-making emerges when the broad orientations of a government programme are translated into specific policy measures. While some measures, as noted, may already have been decided upon in the programme, most policy actions require lengthy and meticulous preparation. At this preparatory stage, competent impact assessments of various policy options are essential. The weaknesses of such ex

ante assessments in Finland have received increasing attention. The independent Council of Regulatory Impact Analysis, established in 2015, has criticised several reform proposals for inadequate impact assessments. Research institutions have expertise, which can alleviate this shortcoming, at least in principle.

Finally, once in place, policy measures should ideally be evaluated ex post on the basis of the empirical observations generated. While this has not happened very systematically in Finland, there is an increasing understanding that scientifically rigorous ex post evaluation of major reforms is central for evidence-based policy-making. Furthermore, it has been recognised that ex post evaluation should be prepared for already when legislating reforms.

These three stages of influencing policy are obviously not independent. Well-done ex post evaluations can be very credible and effective triggers for new policy orientations, and a good basis for later ex ante evaluations of concrete policy options. Competent ex ante evaluation can point to particular uncertainties and potential weaknesses in the measures to be taken, perhaps leading to pilots or at least implementation of measures in ways which improve the chances of making valid ex post evaluations. And clearly, developing overall understanding of the phenomena in question helps a research institute at all stages. A deep understanding of a policy field developed in the course of long-term research projects is useful in ad hoc support for policy preparation, including quick ex ante evaluations.

The pursuit of higher academic quality of the work has enhanced VATT's capacity to enlighten policy-makers about policy challenges and broad policy options as well as to conduct high-quality impact assessments, be it ex ante or ex post. At the same time, more time devoted to academic research and a greater emphasis on academic excellence in recruitment have implied less time and perhaps also interest for activities which are not directly part of longer-term research projects. In line with this, the support provided by VATT personnel/staff in policy preparation for the Ministry of Finance and other ministries has been rather limited in recent years.

The stakeholder survey (see Appendix 2) strongly supports the idea that policy evaluation should be a prominent part of VATT activities (Graph 2.1, Appendix 2). This should, however, not be at the expense of academic quality of research, the importance of which also ranks high in the survey. Relative to the status quo, the survey suggests that more attention should be given to support for policy preparation and ex ante evaluation. Also ex post evaluation is seen as in need of greater emphasis. The high ranks for more emphasis on the relevance of policy themes and topicality further underline the view that more weight on policy support and evaluation is considered important.

The in-depth interviews are consistent with these survey results. Of the three stages of influencing policy-making, VATT is widely considered to be strong in providing information on issues where policy action or reform of policies would be needed and in ex post evaluation. VATT's role and contribution to policy preparation and the impact assessments on policy options is seen much weaker in relative terms.

Several interviewees mentioned that this relative lack of attention to policy support has been problematic, particularly given the limited resources different ministries, including the Ministry of Finance, have had for impact assessments.

Attempts to alleviate this shortcoming by reorganising impact assessment activities and by reallocating resources within ministries have so far not born fruit, at least not to the extent that the ministries would be satisfied with the situation. Therefore, ministries continue to wish that outside expertise could be better used for such assessments. As such, this wish does not only concern VATT, but is general. However, as VATT is in the administrative domain of the Ministry of Finance, which provides almost two thirds of VATT funding, it is logical to ask whether VATT could provide more help in this regard. The interviews with the representatives of the Ministry of Finance suggest that while the Ministry is happy with the quality of VATT work, more practical support would be very welcome.

As noted, the relative neglect of support for policy preparation and ex ante evaluations seems in part to be a deliberate choice of strategy by VATT leadership. It is consistent with the aforementioned increased emphasis on producing papers for publication in peer-reviewed journals. Researchers capable of and motivated to do high-quality research are not always motivated to do policy support, even if they often have the best capacity to do so. Perhaps more importantly, the time and energy devoted to peer-reviewed papers necessarily constrains possibilities to support policy preparation. Finally, there is a worry that active participation in policy preparation could jeopardise the capacity of VATT researchers to conduct unbiased ex post evaluations.

On the other hand, the outcome seems to be affected also by the demand side. A recurrent observation in the in-depth interviews was that the ministries lack competencies to make the best possible use of research. A particular issue is that the ministries have difficulties in defining their research requests in a way which would make sensible policy analysis possible. One obvious challenge is the time frame. The ministries demand contributions with very short delivery times. At an extreme, researchers are requested to provide assessments at a few days' notice. Responding to such requests obviously is possible only if the researcher has extensive knowledge of the particular question at hand and can drop other tasks.

For more serious impact assessments (say VN TEAS projects through the Prime Minister's Office) more time is obviously available, but even then the schedules – from a few months to a year – are often tight from the point of view of valid analysis. A few months is usually sufficient for a literature review but seldom allows for thorough empirical analysis.

It seems that the interactions between the Ministry of Finance and VATT, e.g. in the annual discussion about the institute's performance agreement, do not provide VATT with much information about potential needs of support for policy preparation in the coming year. Thus, VATT does not necessarily know in advance about the type of impact assessments they might be requested to do in the near future. This limits VATT's capacity to produce such assessments unnecessarily, i.e. even in cases where advance information would allow work on such short-term assignments without significant disruption of longer-term research undertakings.

6.2 The relevance of VATT activity for policy-making

For VATT's work to be useful for policy-making, it needs to be relevant for the type of questions asked about the needs of policy reforms and in policy preparation and evaluation. Relevance requires that the output is of appropriate scientific quality, trustworthy, on topics subject to policy deliberation and timely.

The first observation is that the scientific quality of VATT's work is certainly adequate to be useful for policy-making; VATT ranks number one among the institutes in the stakeholder survey on the academic quality and on the personnel's skills and competencies. In the in-depth-interviews, nobody raised doubts about VATT's work meeting well the quality requirements [Appendix 3]. Secondly, VATT has a strong reputation for being independent of the providers of finance and political decision-makers. Such perceived independence can also be labelled as being unbiased and trustworthy. In this regard, VATT ranks number two in the survey, after Statistics Finland, and well ahead of the other economic research institutes. This, too, was confirmed in the in-depth interviews: VATT is widely considered to be an institute with strong integrity.

In terms of thematic choices, VATT's research seems to correspond very well to what the stakeholders consider important. Together with ETLA, its research themes are considered most relevant among the economic research institutes. Of the five research areas, "Social security, taxation and inequality" is regarded as the most important followed by "Labour markets and education". Relative to status quo, "Social security, taxation and inequality" is the area to be emphasised more, followed by "Environment, energy and climate policy".

“Business regulation and international economics” gets lowest ranking both in general and relative to status quo.

These observations are broadly in line with the opinions expressed in the in-depth interviews. In these interviews, several people emphasised VATT’s leading if not unique expertise in tax policy within the economic research community. No other research establishment has a similar track record of providing policy relevant research to support tax reforms. VATT’s role was seen also as very important in labour market issues, even if there are other institutions with strong competencies in this field. The need for analysis on climate policy is both important and urgent, and many interviewees considered VATT’s stronger effort in this is advisable. VATT’s work on the housing market and housing policy issues came up in many interviews as being of high quality, relevant and topical. In the in-depth interviews, the work done under the heading “Business regulation and international economics” did not come up as less relevant than work in other areas. This discrepancy is likely to reflect the fact that the in-depth interviewees understand better than stakeholders in general that much of the work in this field is related to international taxation and is thus a very relevant complement to other, more domestically oriented tax analyses.

In general, topicality of research is considered to be good but clearly weaker than that of ETLA. One explanation could be that, unlike ETLA, VATT does not produce regular overall assessments of policies related to the formulation of government programme and its implementation (ETLA: “Memoranda for the incoming government” prior to parliamentary elections and the subsequent government negotiations and “Memoranda for the government” as a mid-term review).

6.3 Dissemination of knowledge

Dissemination of knowledge is effective if the messages reach the right audiences, at the right time, and in a form which is interesting and accessible to the audiences targeted. To influence policy-making, VATT needs to reach several audiences. Politicians and their political advisors as well as public servants participating in policy preparation are obviously the most important target groups. These can be reached both directly and through media. Interest organisations are another important target group. Media commentators (editors, columnists, etc.) and the public at large are obviously important as well. Familiarity with the reasoning and even terminology of economics varies a great deal among people in these different groups and the vast majority do not easily digest economic analysis as reported in research reports and working papers. Therefore, reaching the varied audiences requires a deliberate effort and many types of formats.

As reported in Chapter 2.3, VATT output comes out in many forms but concentrates on research reports and presentations to experts and policy-makers. VATT experts participate regularly in the hearings at various committees of the Parliament and produce written statements for that purpose. Similarly, VATT experts are often invited to working groups set up by ministries. There is also some informal interaction between VATT experts and public servants preparing policy measures. In all these respects, VATT compares well with other economic research institutes.

In the dissemination of popularised versions of research results and expert views through the media, VATT does not appear to be as successful. While the output in terms of research reports is greater than that of any other economic research institute, VATT has scored fewer hits in online media than ETLA since 2015 and in recent years by a wide margin [Appendix 2]. More worrying than the level of hits is the trend in a survey produced by Meltwater. Visibility has been clearly declining, while a similar pattern cannot be observed in the visibility of other economic research institutes.

This media hit evidence is broadly consistent with the survey results. VATT's perceived visibility in public debate is clearly weaker than that of ETLA [Appendix 2]. This observation is also in line with the topicality assessment noted above and how the stakeholders assess different institutions' clarity of messages (Appendix 2).

However, the in-depth interviews qualify the perception of relative weakness of visibility somewhat. Several interviewees were of the opinion that VATT informs well about its research findings relevant for policy making, also through the media. At least in part, this discrepancy of perceptions may reflect the fact that VATT does not monitor and comment on macroeconomic developments, such as the most recent employment or growth statistics, or make economic forecasts. These typically receive substantial media attention, whereas their importance for policy-making is often limited. Another explanation may be that VATT has deliberately targeted more selected audiences in its media policy than the other institutes. In any case, VATT has increased attention to the dissemination of research results through social media. This is reflected in the large number of followers (for an institute) in Twitter, currently more than 5,000.

6.4 Overall comparison

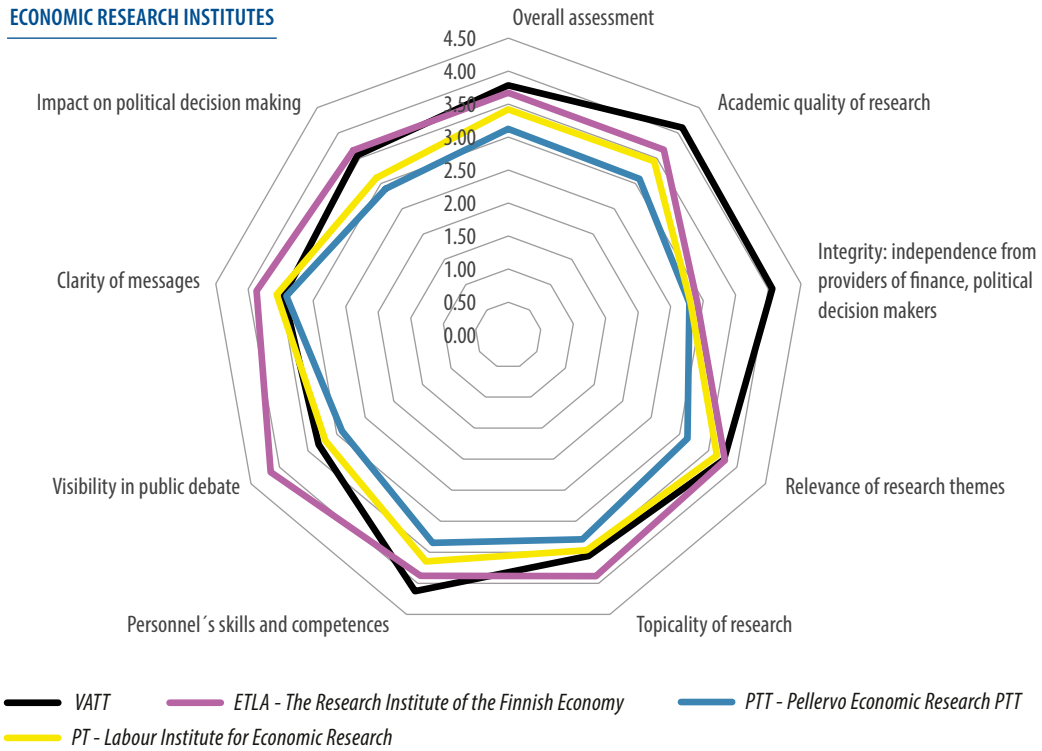
The stakeholder survey also included two questions about the overall social impact. In the first, the interviewees were requested to give school grades (range 4 to 10) for the overall quality of work and social impact, and in the second to grade the impact on political decision-making (scale 1 to 5). In both of these, Statistics Finland received the highest

impact grade among the seven institutions. VATT and ETLA came second and third, with VATT ranking better in the first question and ETLA in the second. VATT (and ETLA) thus appear to be quite influential in the sense that the other – smaller – economic research institutes get clearly lower scores and also Sitra, which is a much bigger think tank in terms of resources, comes out as less influential than VATT or ETLA in both questions. Given that Statistics Finland, Sitra, and VTT are very different in nature from the economic research institutes, the most relevant comparison is between the four institutes.

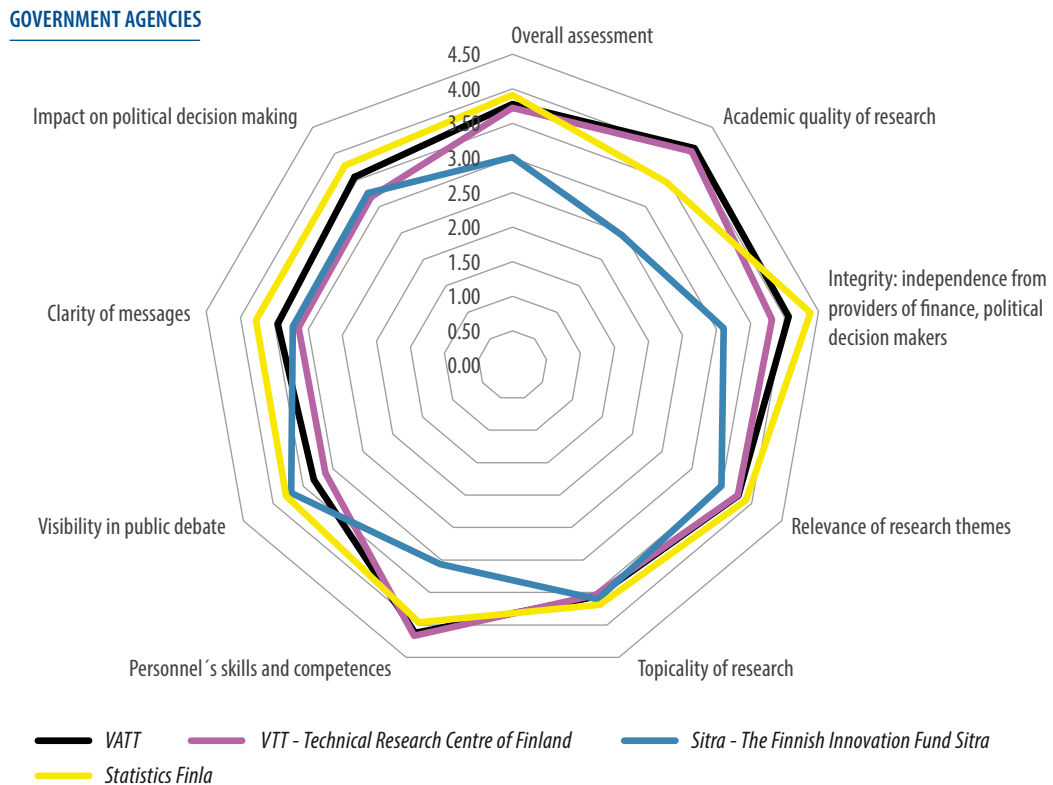
When the different aspects of comparison are considered jointly, VATT scores best or almost best in personnel skills and competencies, academic quality of research and independence. Also the relevance of the research themes appears to be high. The relative weaknesses pertain to dissemination issues, visibility in public debate and clarity of message.

Graph 3. VATT compared with other institutions

ECONOMIC RESEARCH INSTITUTES



GOVERNMENT AGENCIES



6.5 Knowledge gaps and VATT

Finnish policy making would benefit from a stronger contribution from the economics profession. Part of the problem is the small number of economics professionals in Finland, compared with the other Nordics. This can only be addressed by educating more economists with the skills and motivation needed in policy analysis. The establishment of the Helsinki Graduate School of Economics is a step in this direction.

However, also the existing resources could be better used. One particular issue concerns the development and maintenance of the model infrastructure, which can help in conducting impact assessments. The impact of, say, tax changes on income distribution is a good example. If the only interest is the static effects, i.e. excluding behavioural changes, microsimulation models, such as the existing SISU model, can produce results quickly.

However, for many policies, the key question concerns precisely behavioural responses and thus requires different types of models. A very important, and topical, such question is the impact of various employment policies on employment, unemployment, public finances and income distribution. There is currently no microsimulation model in Finland which would incorporate labour supply behaviour and could be used for an analysis of a wide variety of questions related to changes in tax and transfer policies.²⁰ The need for this type of model came up in several interviews.

It is not obvious what VATT's role should be in building, maintaining and developing various types of models. The SISU model is mainly a calculation tool intended for the planning, monitoring and assessment of personal taxation and social security legislation, and the model has limited usefulness in academic research. This is probably why, according to the interviews, VATT is currently not interested in introducing it in its own activities. The maintenance of SISU is currently the responsibility of Statistics Finland, which makes the model available to all interested parties, including ministries, the Parliamentary Research Service and research institutes. Nevertheless, no institution has the responsibility for developing the model so as to include behavioural elements. Some development work is being done at the Finnish Institute for Health and Wellbeing (THL), while Statistics Finland only takes care of updating the data base. It is of secondary importance where such development work takes place as long as the model remains at the disposal of interested competent users. Nevertheless, VATT's expertise would be useful in helping such development. And given the many questions in which even a static

²⁰ ETLA has built a stochastic life cycle model with endogenous labour supply to analyse the implications of pension system parameters for employment, public finances and income distribution. Wider questions about the impacts of tax and benefit parameters are nevertheless beyond the scope of the model.

microsimulation analysis is useful, VATT should have the competence of using SISU and any extended version of it.

There are several macroeconomic models of the Finnish economy which can be used for a number of policy simulations (The so-called DSGE models Aino at the Bank of Finland and Kooma at the Ministry of Finance, a more traditional macroeconomic model at ETLA and an OLG model FOG designed for pension policy analysis also at ETLA). However, all of these models are relatively general and do not readily bend to analysing the effects of many interesting structural policy issues, relating for example to various climate policy measures. VATT used to have a general equilibrium model, Vattage, with a rather disaggregated industry structure, which has been used to analyse, for example, the long-term effects of energy taxation. The model's usefulness has nevertheless been questioned and VATT has discontinued use of the model, which is currently being developed elsewhere.

Given that macro policy issues are not at the core of VATT's research agenda, it does not make sense to invest in macroeconomic models at VATT. It would nevertheless be advisable that VATT would follow such model development at other institutes so as to be able to collaborate in research undertakings in which the use of macro models makes sense, and also to contribute to their development.

Thematically, it would not be advisable to expand VATT's research themes beyond the current ones to fill potential gaps of knowledge. VATT's area of research is already quite wide, given the size of the institute. The discussion above nevertheless provides indications about how to change the relative emphasis of various themes in research at VATT.

There is also one new theme, where VATT might play a useful catalytic role. This concerns what may be called implementation research. Many policy reforms require an extensive reconfiguration of existing public services. The reform of the social and health care services, which have been subject to intensive policy planning over the past decade to no avail, is a case in point. The outcomes of such reforms depend crucially on how well the reform ideas are translated into practice. Yet this translation process receives limited research attention. While the responsibility of such implementation research probably would best be located at a place where expertise on management and psychology as well as that of legal and IT aspects could be efficiently combined VATT could provide useful substantive insight. After all, public sector efficiency and tax and transfer systems are central areas of VATT's expertise.

6.6 Social impact: summary and conclusions

- VATT contributes significantly to the knowledge base of policy-making in Finland, based on high-quality research in relatively wide thematic areas. From the point of view of social impact, it is very important that VATT's research has a reputation – not only being of high academic quality but also – of trustworthiness or unbiasedness.
- VATT is strong in deepening general understanding of highly policy-relevant phenomena in areas like taxation, government transfers, labour market, education system, housing and public sector efficiency. VATT has also a good capacity to conduct ex post evaluations of policy reforms related to these areas.
- However, VATT is relatively weaker in providing support for policy preparation, including ex ante evaluation of various policy options. This is in part a consequence of the deliberate orientation towards research resulting in peer-reviewed academic publications. In part, it reflects clear weaknesses on the demand side, i.e. in the procedures through which the ministries, including in particular the Ministry of Finance define the requests for analysis.
- Another relative weakness is VATT's reduced visibility in public debate. Its media attention has been on a declining path for several years and it receives substantially less attention than the broadly similar sized ETLA. The stakeholder survey points to some problems in topicality and clarity of messages, as well. In part, these observations may nevertheless reflect the fact that VATT does not comment on current economic events as other institutes do, but rather concentrates on informing about its research results.
- In terms of themes, VATT seems to focus on the issues which are considered very important by the stakeholders, including the Ministry of Finance. Relative to the status quo, "Social security, taxation and inequality" is the area, which according to the stakeholders, could be emphasised more, followed by "Environment, energy and climate policy".
- Ensuring sufficient efforts in the development and maintenance of models which can be used for policy analysis in various fields requires attention by the authorities and research community. VATT could play a constructive role in helping to define what capabilities are most urgently needed and in finding an efficient division of labour in this regard between various actors. Whether or not VATT should have the responsibility for some model development work is less clear.

7 Summary and conclusions

- Through high-quality research in relatively wide thematic areas, VATT contributes significantly to the knowledge base of policy-making in Finland. Apart from being of high academic quality, VATT's research has a reputation of trustworthiness or unbiasedness.
- VATT is an institute with international recognition and an extensive international network. The magnitude of expert activities as measured by the number of presentations, statements, participation in workshops, etc. is at a good level.
- Since the previous evaluation in 2007, there has been a significant transformation towards an institute, which regularly publishes its research in leading field journals and very good general journals. The level of journals aimed at is appropriate. In comparison with similar Nordic establishments, there might still be some room to increase the quantity of research published, though.
- VATT is strong in deepening a general understanding of highly policy-relevant phenomena in areas like taxation, government transfers, labour markets, education, housing and public sector efficiency. VATT has a good capacity to conduct ex post evaluations of policy reforms related to these areas.
- However, VATT is relatively weaker in providing support for policy preparation, including ex ante evaluation of various policy options. This is, in part, a consequence of the deliberate orientation towards an institute producing research for peer-reviewed academic journals from a much less academically competent institute prior to the 2007 evaluation. In part, it reflects clear weaknesses on the demand side, i.e. in the procedures through which the ministries, in particular the Ministry of Finance, define the requests for analysis.
- There is a need to improve the support for ex ante evaluation of policy options, while ensuring that the primary focus of expert work continues to pertain to longer-term academically-oriented research. The performance contract appears to be the natural place for defining resource allocation.

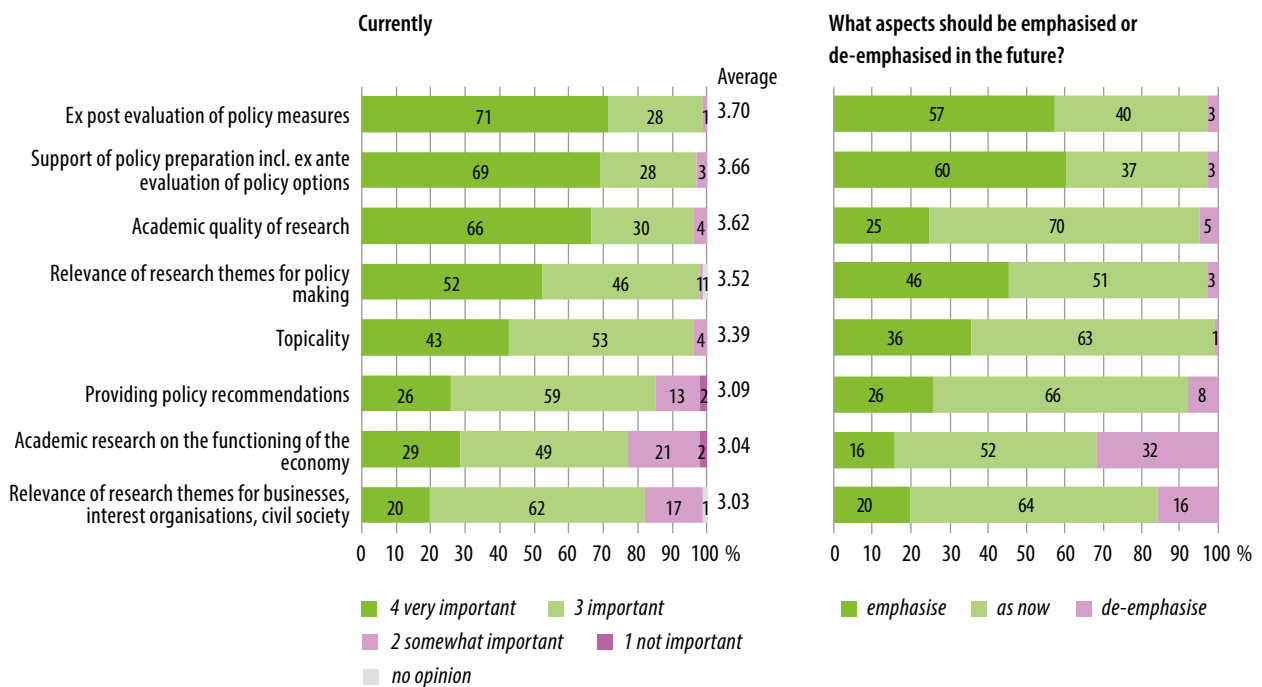
- However, it does not make sense to involve a research institute like VATT in the day-to-day preparation of policy measures. Return to such modus operandi would undermine VATT's position as a high-quality research establishment and would ultimately be counterproductive for evidence-based policy making in the longer run. Nevertheless, VATT's expertise could and should be better used in the preparation of policy.
- A clearer system for dialogue with the ministries needs to be established. Responses during the interviews and a comparison with IFAU in Sweden point to some areas and ideas for improvement. Also in Norway, the Ministry of Finance has more well-established links to research environments.
- Steering by the Ministry is formal and it seems to be dispersed within the Ministry. The transfer of research results to support practical decision-making requires active interaction between researchers and users of information. The presentation of completed research papers needs to be supplemented by a closer and more diverse dialogue.
- Achieving this change requires commitment from the senior management of both the Ministry and of VATT. The Ministry of Finance could define better, and document in the performance contract with VATT, the type of policy support, including ex ante impact assessments in particular, it is likely to request in the course of the coming year and during the term of government. At the same time, the Ministry should recognise that by allowing considerable freedom and projects outside core policy, they get something essential they could not get with stricter steering. The Ministry, along with other ministries, should improve its understanding of what economic research can produce in various time horizons and the capacity to translate research results into policy conclusions. Short-term secondments of VATT researchers to the Ministry might be one way of contributing to this effect.
- The attention VATT is attracting in the media has been on a downward path for several years and is at a much lower level than that of the broadly similar sized ETLA. Even though maximising media attention is not a goal in itself, the development combined with indications from the stakeholder survey on some problems in the perceived media visibility as well as topicality and clarity of messages, warrants attention. Doing so would not require substantially more resources but rather more attention to effective dissemination.

- In terms of themes, VATT seems to focus on the issues which are considered very important by the stakeholders, including the Ministry of Finance. Given the size of the institute, if anything, narrowing down rather than expanding the scope would be advisable. Another direction would, of course, be to increase base funding to match the broad mission. A number of interviewees wish that VATT could even further increase its work on some themes found in the research areas “Social security, taxation and inequality” and “Environment, energy and climate policy”.
- Overall, VATT’s internal processes appear to be adequate in terms of providing hiring and career opportunities, collaboration, management, and support. The absence of strict hierarchies and units promotes creativity and flexibility. The impression is, however, that in practice the organisation is even more decentralised than on paper. This puts a lot of responsibility on individual researchers and increases the need to find procedures to monitor that organisational goals are also met.
- While more emphasis on policy support and better dissemination of research findings by VATT can contribute to better use of economic analysis in policy-making, they alone are insufficient to improve the chances of evidence-based policies in Finland. A key issue is sufficient capacity of policy analysis within the ministries so that they can make efficient use of the contributions of the research community in the often very limited time available in actual political processes. A more systematic approach to policy evaluation would clearly be warranted.
- Efficient policy analysis relies very much on quantitative models, which allow rapid simulations of the effects of various policy alternatives. Comparisons with other Nordic countries suggest that Finland can improve in this area. Ensuring sufficient efforts in the development and maintenance of such models requires attention by the authorities and research community. VATT could play a constructive role in helping to define what capabilities are most urgently needed and in finding an efficient division of labour in this regard between various agents. Whether or not VATT should have the responsibility for some model development work should be agreed upon in the course of such an exercise.
- In some instances, government set commissions incorporating expertise from different research establishments, in line with the SOU/NOU commissions of Sweden and Norway, might be a good way to produce basic understanding in a given policy area and outline broad policy responses. Should this practise be adopted, VATT is a natural source of expertise in many areas.

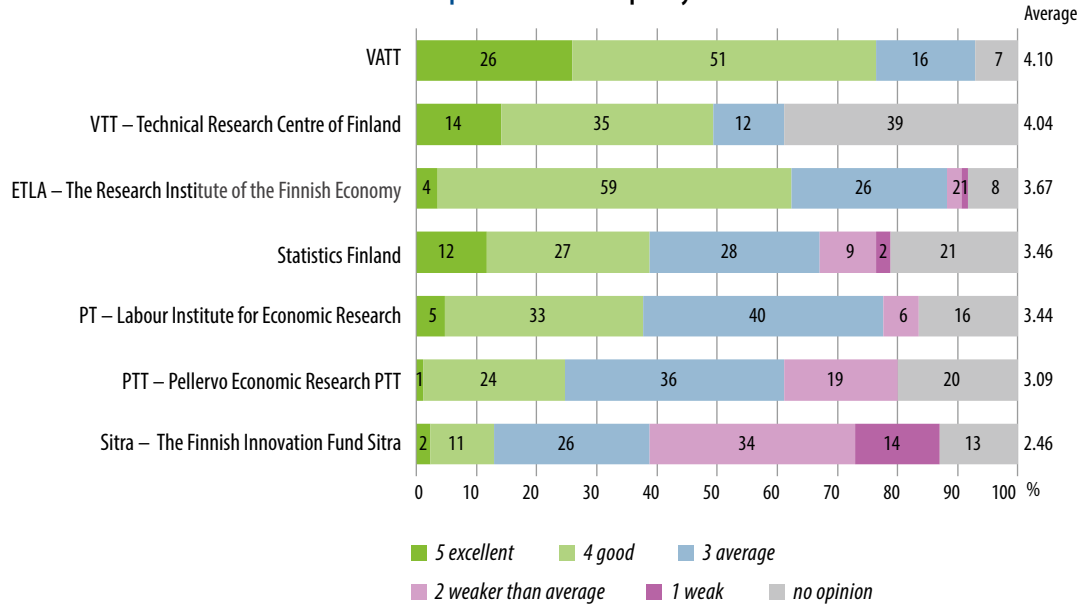
Appendix 1. The key findings of the stakeholder survey

The next slides describe the stakeholder survey conducted by Taloustutkimus Oy in September and October 2019. Taloustutkimus interviewed 101 (and for some questions 85) persons by phone from a preselected group of 285 people. The people included in the survey were selected from 6 different subgroups: politicians (ministerial advisers and MPs, predominantly from among those serving on the Finance Committee and Commerce Committee; 20 respondents), public servants participating in policy preparation (with research-related responsibilities, and/or with a key role in policy preparation, public servants working for parliamentary committees; 26 respondents), academic and other economists outside the ministries (excluding competitor institutions ETLA, PT and PTT; 23 respondents), experts from interest organisations (12 respondents), journalists (14 respondents) and others (6 respondents).

Graph 1.1 The importance of various aspects of VATT activities

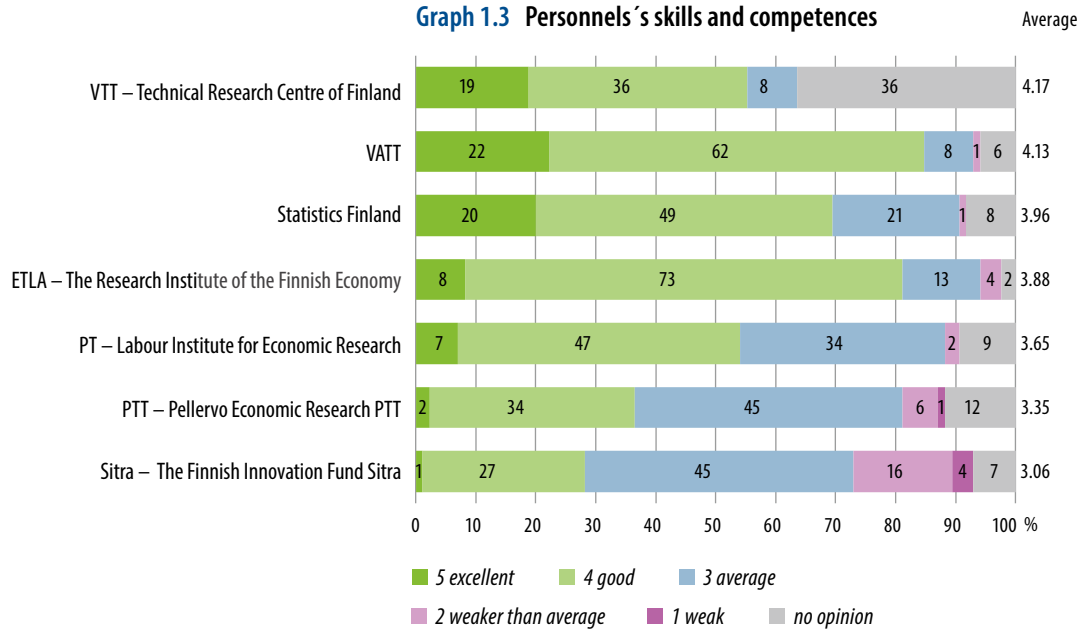


Graph 1.2 Academic quality of research



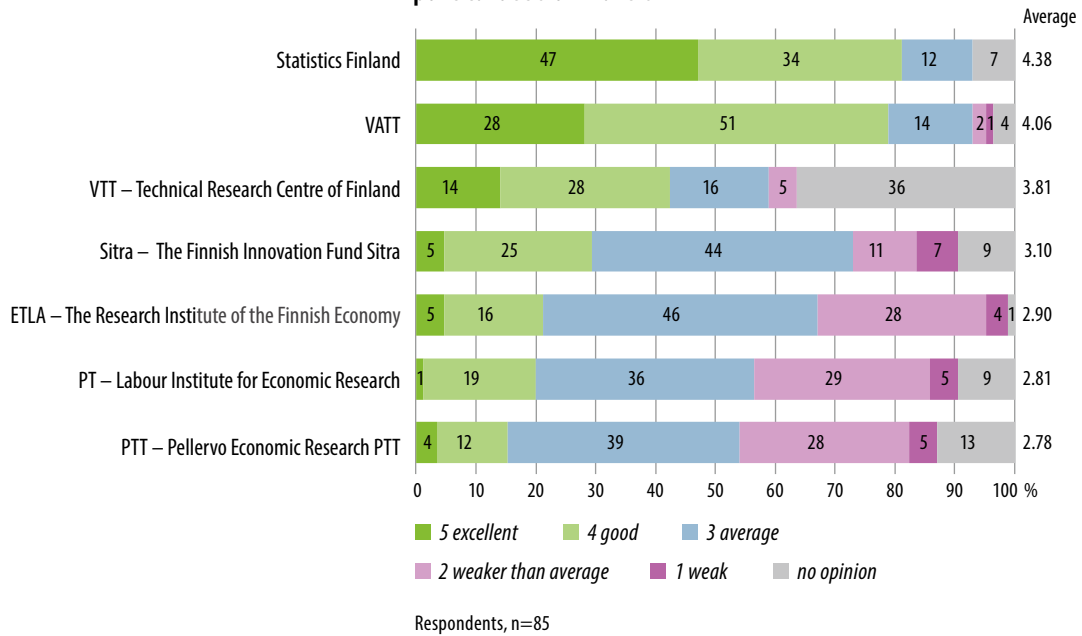
Respondents, n=85

Graph 1.3 Personnels' skills and competences

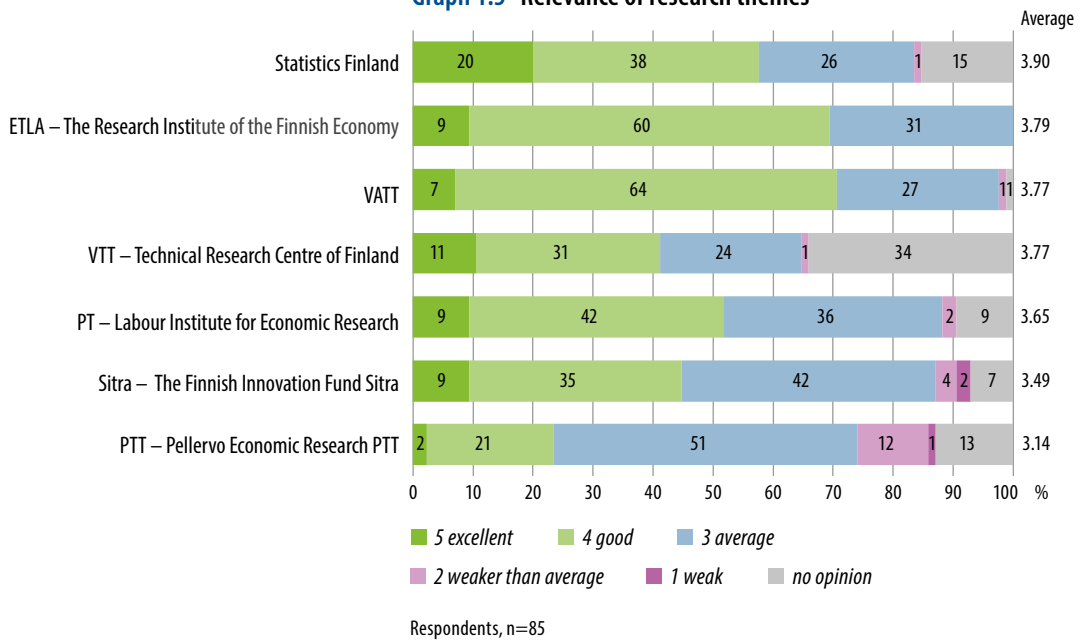


Respondents, n=85

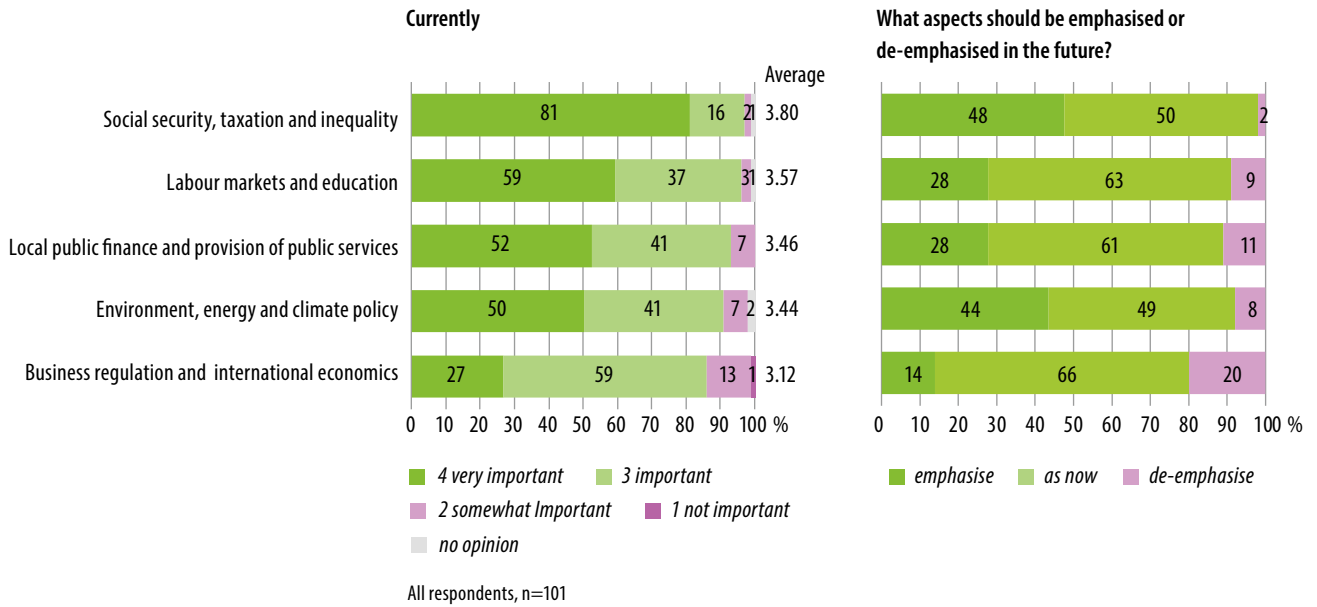
Graph 1.4 Integrity: Independence from providers of finance, political decision makers



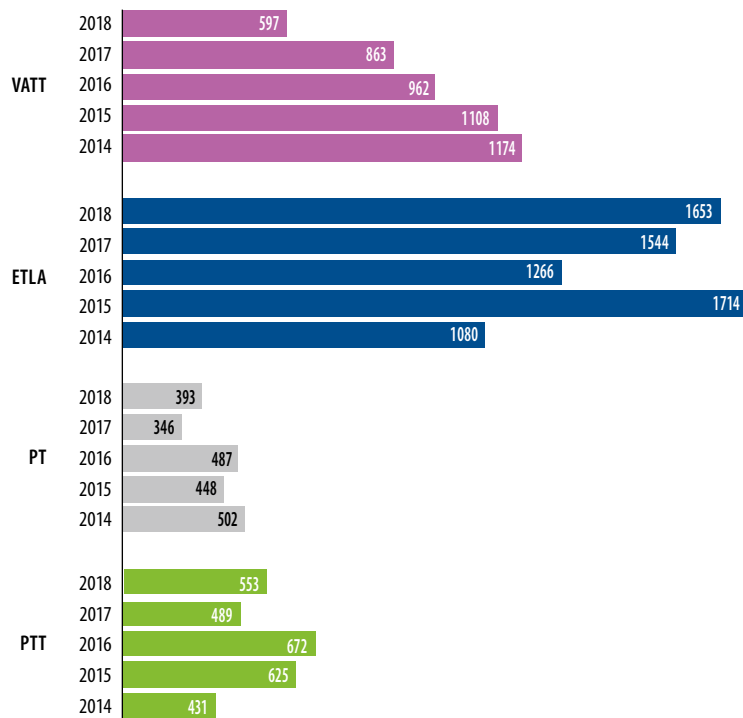
Graph 1.5 Relevance of research themes



Graph 1.6 The importance of research themes

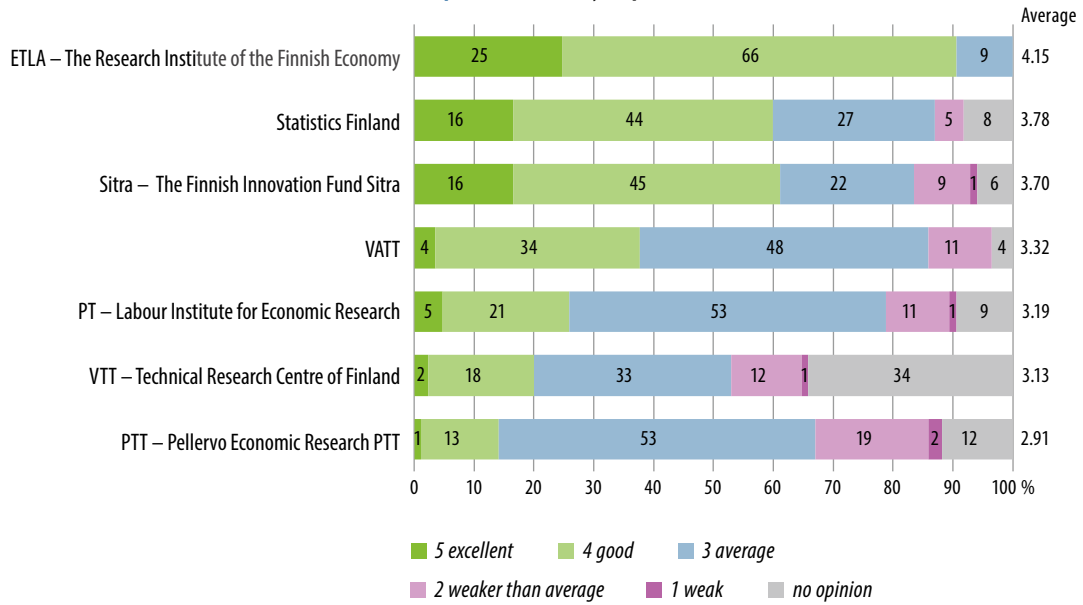


Graph 1.7 Research institutes' media hits (in online news media)



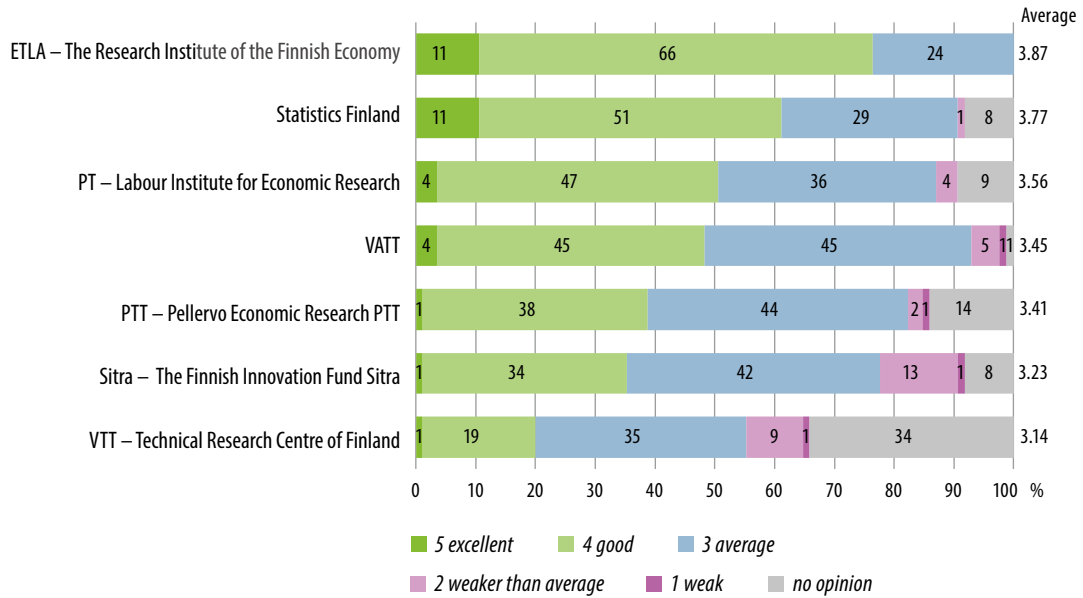
Source: Meltwater

Graph 1.8 Visibility in public debate



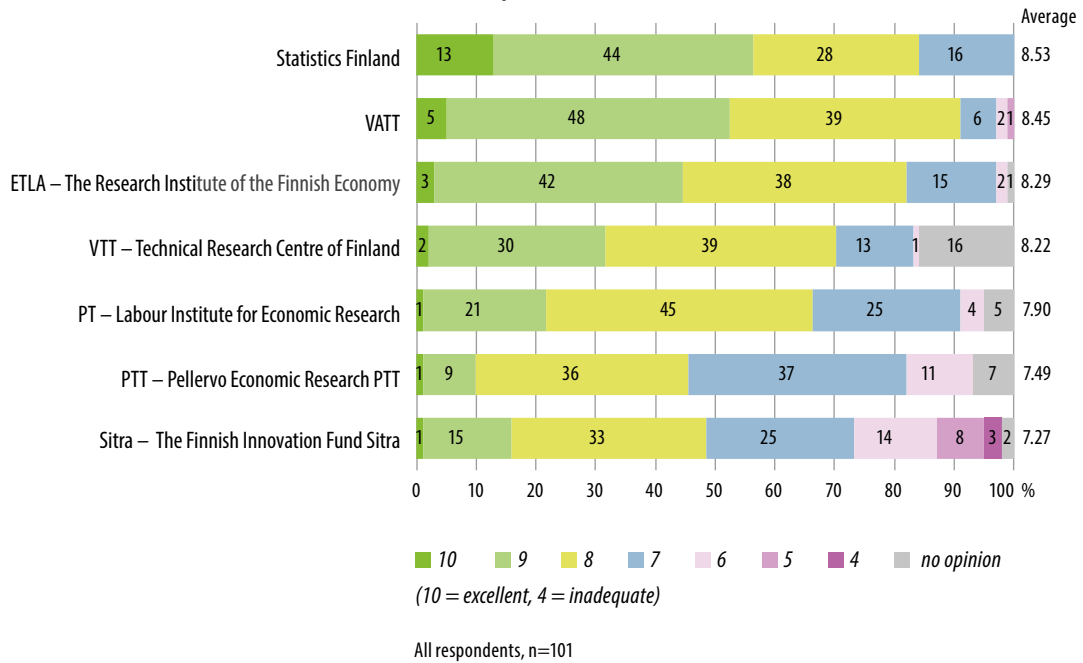
Respondents, n=85

Graph 1.9 Clarity of messages

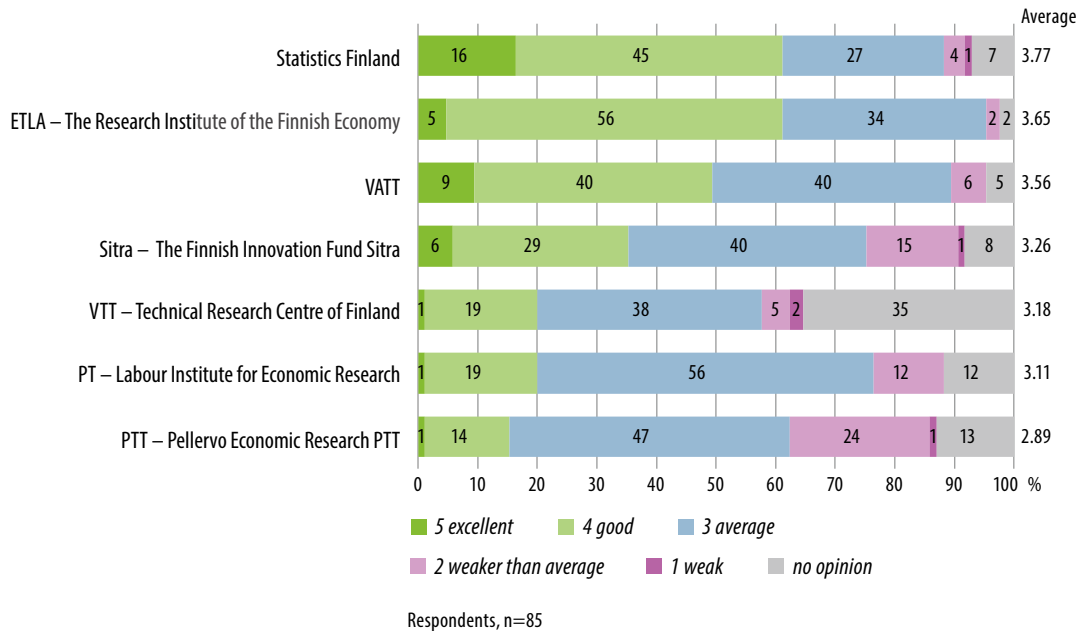


Respondents, n=85

Graph 1.10 School grades for the overall quality of work and social impact



Graph 1.11 Impact on political decision making



Appendix 2. List of interviewed persons

Aspasia Bizopoulou, Senior Researcher (VATT)
Marjo Bruun, Director General (Statistics Finland)
Petri Böckerman, Professor (University of Jyväskylä)
Essi Eerola, Research Director (VATT)
Tuulia Hakola-Uusitalo, Research Director (Competition and Consumer Authority)
Jarkko Harju, Research Professor (VATT)
Martti Hetemäki, Permanent Secretary (Ministry of Finance)
Anni Huhtala (Director General (VATT)
Kristiina Huttunen, Research Professor (VATT)
Hellevi Ikävalko, Committee Counciller, Parliament
Aki Kangasharju, Managing director (ETLA)
Seppo Kari, Research Leader (VATT)
Jaakko Kiander, Director (The Finnish Centre for Pensions)
Markku Kivioja, Director of Finance and Administration (VATT)
Aliisa Koivisto, Researcher (VATT)
Tuomas Kosonen, Research director (Labour Institute for Economic Research PT)
Kaisa Kotakorpi, Professor (Tampere University)
Tomi Kyyrä, Research Professor (VATT)
Jussi Laitila, Senior Specialist (Ministry of Finance)
Marita Laukkanen, Research Leader (VATT)
Teemu Lyytikäinen, Research Leader (VATT)
Hennamari Mikkola, Head of Research Unit (Kela, the Finnish Social Insurance Institution)
Tuomas Matikka, Chief Researcher (VATT)
Pasi Moisio, Research Professor, Finnish Institute for Health and Welfare (THL)
Tuomo Mäki, Senior Financial Adviser (retired, Ministry of Finance)
Päivi Nerg, State Under-Secretary (Ministry of Finance)

Kari Nyysölä, Head of unit (Finnish National Agency for Education)
Kimmo Ollikka, Senior Researcher, PhD
Tuomas Pekkarinen, Research Professor
Elina Pylkkänen, Director, Labour Institute for Economic Research PT
Olli-Pekka Ruuskanen, Research Director, Pellervo Economic Research PTT
Heikki Räisänen, Research Director (Ministry of Economic Affairs and Employment)
Tuukka Saarimaa, Assistant Professor (Aalto University)
Tuire Santamäki-Vuori, Director (Finnish Institute for Health and Welfare THL)
Aki Savolainen, Economist (Tax Administration)
Tanja Saxell, Senior Researcher (VATT)
Suvi-Anne Siimes, Managing Director (The Finnish pension Alliance TELA)
Pekka Sinko, Secretary General (Economic Council, Prime Minister's Office)
Markus Sovala, Director General, (Ministry of Finance)
Mikko Spolander, Director General (Ministry of Finance)
Paavo Teittinen, Politics and Economics correspondent (Helsingin Sanomat)
Marko Terviö, Professor (Aalto University)
Otto Toivanen, Professor (Aalto University,
Department of Economics & Academic Director at Helsinki GSE)
Ilari Valjus, Senior Specialist (Ministry of Finance)
Juhana Vartiainen, Member of Parliament
Jouko Verho, Senior Researcher (VATT)
Meri Virolainen, Councillor (Finnish Council of Regulatory Impact Analysis)
Hanna Virtanen, Researcher (ETLA)
Sami Yläoutinen, Budget Director (Ministry of Finance)

BACKGROUND MATERIAL AND REFERENCES

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