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**Creative knowledge and local policies in Helsinki**

**How to enhance the city's competitiveness**

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# **Creative knowledge and local policies in Helsinki**

## **How to enhance the city's competitiveness**

### **ACRE report 10.5**

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Venla Bernelius  
Kaisa Kepsu  
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Accommodating Creative Knowledge – Competitiveness of European Metropolitan  
Regions within the Enlarged Union

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## ACRE

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## EXECUTIVE SUMMARY

This report forms a part of a large EU-funded project ACRE (Accommodating Creative Knowledge - Competitiveness of European Metropolitan Regions within an Enlarged Union). The purpose of the project is to assess the impact of the “creative class” and the “creative industries” on the competitiveness of 13 metropolitan regions in the EU, and the different city-regions' ability to attract creative knowledge workers and industries. The project seeks to identify most relevant factors motivating workers and companies to establish themselves in a certain metropolitan region in the European context, as well as the key elements on what makes cities competitive in the field of creative, knowledge intensive industries.

This report sets out to analyse the way policies and strategies in the Helsinki Metropolitan Area address the needs of the creative knowledge professionals. The objective is to confront policies and strategies with the regional dynamics identified in the three previous empirical studies carried out in the project. The empirical studies of the ACRE project carried out in 2007–2009 focused on the migration and business location decisions of creative knowledge employees, managers and transnational migrants. In this study, we contrast their opinions on the Helsinki Metropolitan Area to the local policies and strategies aimed at supporting the success of the creative and knowledge economy in the metropolitan region. For this purpose, we have analysed and developed our empirical results from a policy perspective, analysed policy institutions and documents, and conducted expert interviews with key stakeholders in the regional policy-making.

In recent years, Helsinki Metropolitan Area, the HMA has rapidly become one of Europe's leading knowledge based economies. Even though the region is located at the periphery of the European markets, it has been one of the fastest growing regions in the European economy in the last decade. The new economic growth has been based on an increase of private companies in knowledge intensive industries, telecommunication and business-to-business services – the fields targeted in the ACRE project. Today the region is one of Europe's leading clusters in information and communication technologies (ICT). More widely, the role of creative and knowledge industries is central to the development of the HMA. In 2004, over 30 per cent of employees worked in sectors ACRE defines as creative and knowledge-intensive.

Helsinki and Finland have been presented as an example of successful development of knowledge industries, especially ICT, thanks to a long historic tradition to top-down centralised national policies. National policies, investments in education and creation of the welfare state have been central to the emergence of the Helsinki region as an international hub in the knowledge industries. Since 1980, investing in innovation has become one of the strongest national policy actions and a trademark of Finland (Ylä-Anttila, 2005; Steinbock, 2006; Vaattovaara, 2009). The national policies have been successful, but the role of the local and regional factors is more unclear. One conclusion from the studies of Finnish innovation capacities, or the ICT sector, is that there is a major divide between national and regional

parts of the Finnish innovation system. Currently, however, there are no sufficient regional governmental structures to respond to this need. The government driven regional policy has aimed at regional equity according to the welfare state model. Urban policy has been a part of the government driven regional policy. Policy programmes have been launched with the aim of strengthening the economic development and innovativeness of selected urban regions, eg the Centre of Expertise –programme. The profile of Finnish national government's urban policy could be described as "opportunity-oriented", focusing on science and innovations in cities as the competitiveness engines (Antikainen and Vartiainen, 2006). The larger urban regions and their own specific challenges have not received much attention in Finland. The Helsinki region has been expected to create a competitive edge for the whole country without any major investments. Gradually it has become clearer that Finland needs to focus more on developing the metropolitan region, the economic engine of the whole country. Thus, the formation of the first metropolitan program in the government in 2007 is an important shift on the national level towards addressing urban or city-regional problems aside the national or regional balance.

Another feature of governance in Finland is the autonomy of the municipalities. Although the municipal autonomy creates certain flexibility in the decision-making and encourages localised democracy, it is also problematic as it causes competition between the municipalities. The dependency on local taxes creates a certain tension between the municipalities within the same functional region, as the municipalities are competing of the businesses and tax-payers, and their interests are not always mutually compatible. This has been seen as an obstacle to cooperation initiatives in the Helsinki region. However, the demand for large-scale, inter-municipal local policies and development strategies is currently intensifying, due to an aging population and intensifying international competition for labour between cities. Cities are looking to shape and create their own visions, strategies and policies for competition and growth and are more moving away from national policies (Vaattovaara, 2009).

For this purpose, conflicts have been pushed aside and the key stakeholders in the area have created a complex networks connecting research, universities, capital, firms and municipalities, all strongly committed to the vision of a "knowledge society". The role of networking was a key area highlighted in our previous studies in this research project as an important component to enhance competitiveness. Networking is not recent but rather a long standing national tradition or a historical structure and has resulted in a culture where "everyone is involved". Thus, there is a stronger commitment to decisions, which are also implemented more easily (Alapuro, 1994; Vaattovaara, 2009; Vaattovaara et al, 2009). This networking tradition can still be seen as a key element in current policy practices, such as the formation of the new Aalto University. Currently, the Helsinki region does not have a political or operative administration. Instead, common work is organised in dynamic metropolitan policy networks.

The competitiveness of the region seems to be challenged today by a set off different issues. The creative knowledge workers and company managers pointed in our empirical studies at some key concerns as well as strengths in the conditions and capabilities of the city region that need to be addressed and improved. The results underline the importance of not only national general policies, but also local policies and strategies. The majority of the mentioned

issues are examples of emerging local, metropolitan challenges, which need to be tackled locally.

One of the most crucial factors affecting the competitiveness of the Helsinki region is the high level of education in Finland. All the target groups interviewed for the ACRE project mentioned this as a highly important attracting factor, and experts pointed at the significance of education for the past and future success of the HMA. Education has for a long time been one of the key areas in the Finnish political agenda, and the positive results are noticeable in all our surveys and interviews. The largest strategic investment to educational competitiveness in the region is now the Aalto University, and the other universities and higher education facilities are constantly being developed. Education in all levels receives plenty of attention both nationally and regionally, and in different sectors of government.

Housing appears to be the single most serious problem in the Helsinki metropolitan area from the point of view of creative knowledge industries and workers. Both the Finnish and transnational employees stressed it as their foremost concern, and the Finnish managers assessed it as a threat to the availability of labour force, which is the most valuable asset of creative knowledge companies. The poor housing situation is a threat against the attractiveness of the city region on both a national and an international level. Our study shows that the problem has been acknowledged by the policy-makers, but it seems right now there is no easy solution to the problem. None of our experts were optimistic about the possibility of lowering housing prices. The basic problem considering housing is the plain scarcity of the resource. As Helsinki metropolitan area has been one of the fastest growing regions in Europe the challenge is very difficult. In all the cities that have been successful in the new economy, in this project, the housing market seems to be tight (Musterd et al., 2007). While it seems that the general price level of housing is difficult to change, the advantage of housing in the HMA could come from the quality and versatility. If the housing would be diversified generally, it would also serve the needs of skilled workers.

One of the most positive features of the HMA relates to the high quality of life. According to the Finnish and transnational professionals, it appears that the “soft city” and quality of everyday life are highly valued, especially when settling in the city for a longer period of time. The national and local policies support many of the valued soft or quality of life factors very efficiently. The good social infrastructure is to a great extent a result of national-level Nordic welfare policies, and the municipalities are in their part active in supporting social cohesion and equality in their welfare services. Maintaining the greenness of the city is also an established and well-functioning part of the metropolitan governance. Also, there are growing political efforts to support the urban culture, which received some criticism particularly from the transnational migrants. The efforts of making the city more interesting seem to be working, as many of the interviewees pointed out that the city has become much more “buzzing” than ten years ago. In addition, the urban infrastructure and the overall functionality have been noted as particular strengths of the HMA, and they are well supported by the political and administrative systems. However, related to the previous theme, the strong orientation towards technical functionality may also appear in some aspects as a relative lack of attention on the soft qualities. A city that functions like “clockwork” may at the same time seem boring.

One of the general findings of the whole ACRE project is that more attention should be targeted to the neighbourhoods. The creative and knowledge workers in our study seem to direct much attention to the characteristics and quality of the individual neighbourhoods. The quality of the neighbourhoods contributes strongly to the satisfaction with the city-region. Thus some of the policies enhancing the competitiveness of the Helsinki metropolitan area should be directed to improve the housing and neighbourhood qualities to fit the needs of differentiated people. In the HMA, group looking primarily for entertainment or buzz seems to be relatively small. The idea of the “Creative class” and a lively city centre has been actively promoted also in Finland. However, also surprisingly many of the foreign professionals chose their location of housing outside the urban core – mainly from Espoo. In the Finnish context, the lively cultural supply and urban “buzz” in the city centre is not as important as often thought, neither for Finnish nor foreign skilled workers.

The conclusions of our project are thus positive. All in all, the Helsinki region is doing well, and recent policy actions, both on the national level and local level, have contributed to the positive development of the region. The key issues raised in our four year study, the importance of education, tradition and role of networking, housing, functionality and quality of life have all been taken notice of and further enhanced in the policy documents and recent policy actions. However, housing continues to be an unsolved challenge, especially regarding the price of good quality housing.

## 1.1 Background and objective of the report

This report forms a part of a large EU-funded project ACRE (Accommodating Creative Knowledge - Competitiveness of European Metropolitan Regions within an Enlarged Union). The purpose of the project is to assess the impact of the “creative class” and the “creative industries” on the competitiveness of 13 metropolitan regions in the EU, and the different city-regions' ability to attract creative knowledge workers and industries. The central research question addressed is: What are the conditions for creating or stimulating ‘creative knowledge regions’ in the context of the extended European Union? The project seeks to identify the key elements on what makes cities competitive in the field of creative, knowledge intensive industries, and which are the most relevant factors motivating workers and companies to establish themselves in a certain metropolitan region in the European context. In Helsinki, we have during the last three years of the project investigated these issues, and the results have been published in the following five reports: *Technology and knowledge-based development. Helsinki metropolitan area as a creative region. Pathways to creative and knowledge-based regions* (Inkinen and Vaattovaara, 2007); *Creative knowledge in the Helsinki Metropolitan Area. Understanding the attractiveness of the metropolitan region for creative knowledge workers* (Kepsu and Vaattovaara, 2008a); *Location factors of creative companies in the Helsinki Metropolitan Area. The managers’ view* (Kepsu and Vaattovaara, 2008b); *Helsinki: An attractive metropolitan region for creative knowledge workers? The view of transnational migrants* (Kepsu et al, 2009); and most recently, *Helsinki: An attractive hub of creative knowledge? The views of highly-skilled employees, managers and transnational migrants* (Vaattovaara et al, 2009). Comparativeness across countries is important; the ACRE aims to find out what similarities and differences exist in this context between the various urban regions across Europe, representing diverse pathways of development. Synthesis reports have been published comparing the different cities, and the upcoming, most comprehensive will be Musterd and Gritsai (2010): Conditions for “Creative knowledge cities”. Findings from a comparison of 13 European metropolises.

The report at hand approaches the question of the Helsinki region’s competitiveness from the perspective of local policies. The central goal is to *confront policies and strategies with the regional dynamics identified in the three former empirical studies* carried out in the project. The former empirical studies of the ACRE project focused on the migration and business location decisions of creative knowledge employees, managers and transnational migrants in the Helsinki Metropolitan Area. They have provided an analysis of the drivers behind the location decisions of these groups and the assessments they made on the attractiveness of the Helsinki Metropolitan Area. These results are now contrasted to the local policies and strategies aimed at supporting the success of the metropolitan region and solving local problems. The main questions are: Which regional characteristics appear most important for

attracting the creative knowledge professionals and managers? Are the identified strengths supported and the challenges addressed by the current policies and strategies?

The methods applied in this study are analysis of policy documents and four expert interviews conducted with selected policy-makers and key stakeholders in the area. In addition, we analyse and develop the outcomes of our previous studies from the policy perspective.

The structure of the report is following: First we take a brief look at the Helsinki Metropolitan Area, the HMA. The aim is to give an overview of its economic success, competitiveness and governance structure. After this, we provide an introductory look on the location decisions of the creative knowledge workers and industries, based on our previous research in the project. The second chapter deals with the theoretical background and the methodological choices made in the research. The first part of it is a common section for all cities involved in the ACRE project, while the section on the methods is specific for our case, Helsinki. It also includes a brief summary of the methodology used in the empirical studies of the creative knowledge professionals and businesses that was conducted in 2007-2009.

The third chapter analyses the economic and political context of the HMA. This chapter aims at providing a general understanding about the central institutional and economic structures as an environment for the Finnish creative knowledge industries. The fourth chapter continues the analysis of the region's capacity to accommodate creative knowledge by providing an insight into the strategies and policies in the national and regional level. These chapters build on the analysis of policy documents and institutional structures, as well as expert interviews.

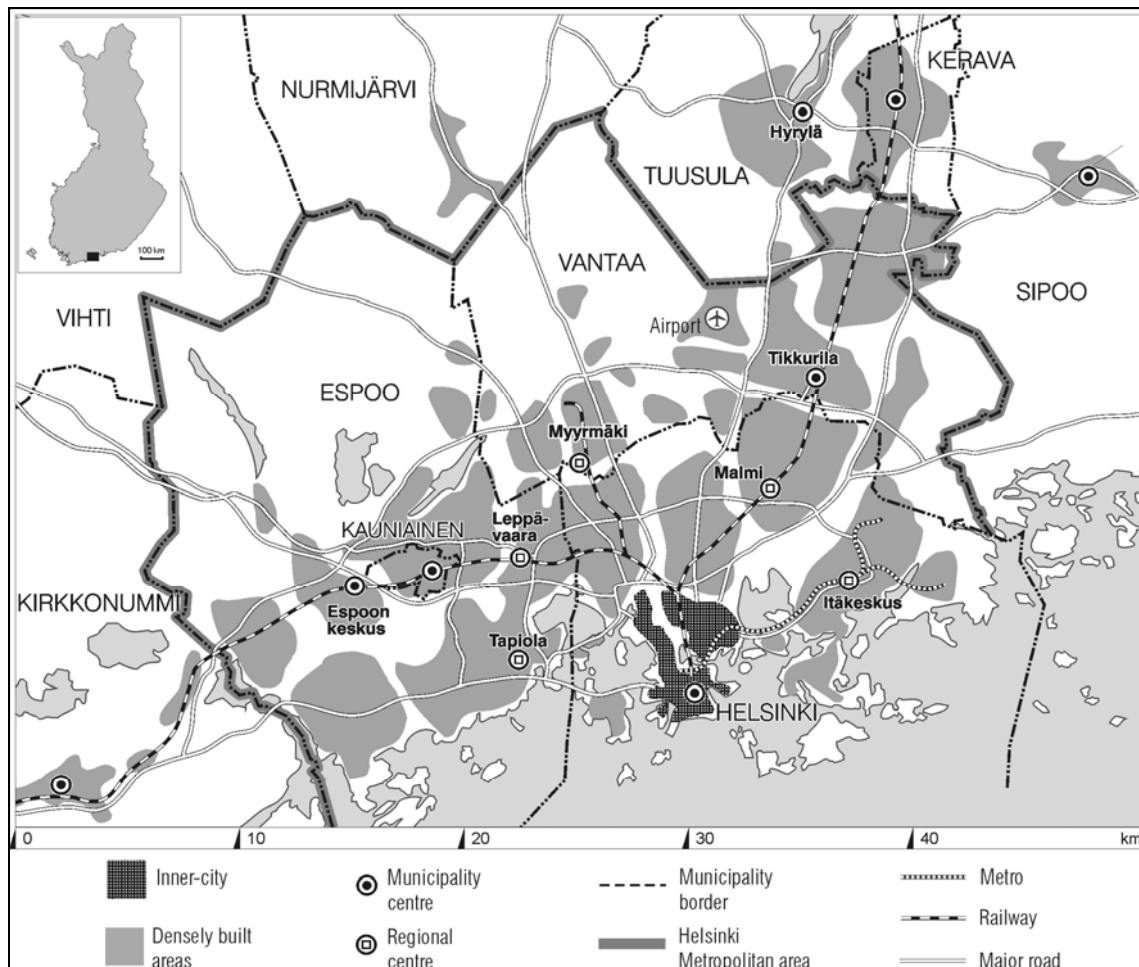
The fifth chapter of the report evaluates the strategies, policies and institutional structures from the point of view of creative knowledge. This chapter contrasts the former empirical studies of the region's creative knowledge professionals to the existing policies and strategies. This is done by presenting the central strengths and weaknesses of the region as assessed by the creative knowledge professionals, and analysing how the region is able to support further development in these central topics of interest. The chapter builds largely on the expert interviews by challenging the interviewees with our research findings and using their expert knowledge as a valuable source of information, complementing the analysis achieved on the basis of policy and strategy documents.

Finally, the sixth chapter of the report draws the findings together in a brief conclusion and discussion.

## 1.2 Helsinki Metropolitan Area as an innovative European region – introduction to the metropolitan area

Helsinki and its metropolitan region is the most prominent city in Finland, and the region dominates Finland in several respects. In this project, we focus on the geographical entity of the *Helsinki Metropolitan Area* or the *HMA* (Finnish: *pääkaupunkiseutu*). It is defined as a region consisting of the four independent municipalities of Helsinki, Espoo, Vantaa and Kauniainen (Figure 1.1). The region is the only metropolis in Finland, and altogether harbours one million inhabitants (Helsinki Regional Statistics, 2008).

**Figure 1.1 - The Helsinki Metropolitan Area (HMA) includes the municipalities of Helsinki, Espoo, Vantaa and Kauniainen**



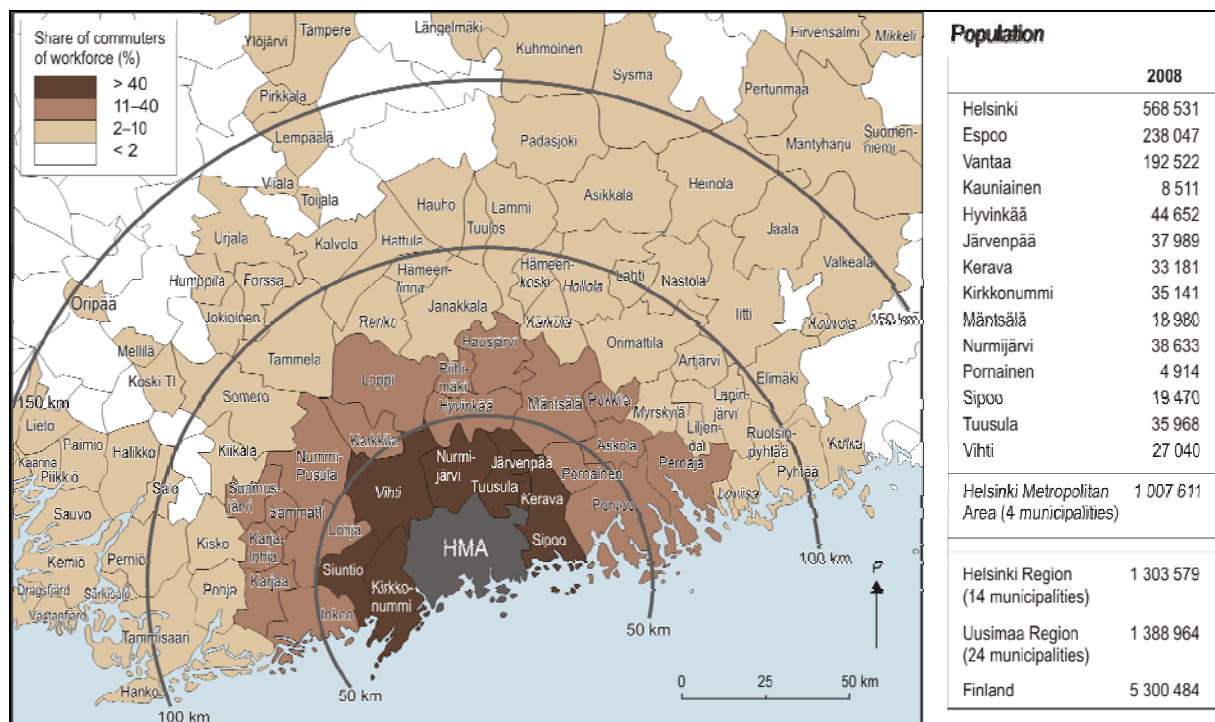
Source: Own illustration

The economic and social impact of the core region is reflected to a large metropolitan area. *The Helsinki Region* (sometimes called *Greater Helsinki*) (Finnish: *Helsingin seutu*) consists of the HMA plus ten neighbouring municipalities, and has a population of more than 1.3 million (Statistics Finland, 2009). The commuter belt reaches even further than that (Figure 1.2). The Helsinki Region is a part of *Uusimaa Region* (*Uudenmaan maakunta*), which in turn is comprised of 24 municipalities (21 after the municipality mergers in 2009) in the southern part of Finland. In this report we use the term Helsinki region also more generally representing the functional entity of the larger metropolitan region.



The Helsinki Region's share of the national population is 25 per cent and it has 30 per cent of the jobs in Finland and 36 per cent of GVA of Finland as a whole (Laakso and Kostainen, 2007; The State of the Helsinki Region, 2009). In the creative and knowledge intensive industries the region's share of the employment positions is even higher, and most of the sectors, such as the media are strongly clustered into the region. For example, in television and radio activities more than 70 per cent of the employment is in the HMA (Statistics Finland, 2007). The region also houses about 60 per cent of the software jobs and 65 per cent of film and video jobs, and the core city of Helsinki alone houses over 40 per cent of all the publishing positions in the country. In addition, the growth rate is not only one of the fastest in Finland, but also one of the fastest in Europe (Laakso and Kostainen, 2007).

**Figure 1.2 - Commuting to the Helsinki Metropolitan Area (HMA) from the neighbouring municipalities in 2004**



Source: Helsinki Region Environmental Services Authority 2010, Statistics Finland 2008

The GVA growth rate was annually 3.9 per cent between 2001 and 2005 and accelerated from 2004 onwards, until the current global downfall affected the economy in the HMA as well as in the whole Finland. While the GDP growth rate was twice the European average, a remarkable 4.6 per cent in 2006, it plunged in just two years to the record low since the recession in the 1990s (Suhdanne, 2006; Suhdanne, 2009). In 2009, the GDP *decreased* 7 per cent (Suhdanne, 2009). The Research Institute of the Finnish Economy, ETLA, has estimated that the trend will change during the 2010, reaching a modest average GDP growth of 1.5 per cent for the year (Suhdanne, 2009). There is, however, some uncertainty in the region, as the unemployment typically reacts to economic developments with a lag of some months. According to the estimate made by ETLA, the national unemployment will still increase during 2010, reaching a high of 11 per cent (Suhdanne, 2009).

Although the global recession has dealt a blow to the economies of Finland and the HMA, the city region has coped relatively well by European standards. Many of the leading industries have not been hit very severely during the economic low of 2009. For example, the software industry was still recruiting in the 2009 when many other fields were reducing workforce. In a survey made by the Ministry of Employment and the Economy, a quarter of the software businesses estimated that they will recruit during the coming year while only one per cent reported probable need to let some workforce go (Metsä-Tokila, 2009).

Employment in the relatively well-faring creative and knowledge intensive occupations in the HMA is extensive in an international comparison. In 2004 30.5 per cent of the employees worked in the sectors ACRE defines as being the creative knowledge sectors, which effectively represent the creative industries (Kepsu and Vaattovaara, 2008a; for discussion on definitions see Musterd et al, 2007; Kovács et al, 2007, p. 20-21). This share was among the highest in the city-regions studied in the ACRE. Employment in creative industries amount to 13 per cent of the total employment, and the knowledge intensive sectors employ almost 18 per cent of the workforce in Metropolitan Helsinki (Kepsu and Vaattovaara, 2008a). Also according to calculations by Florida and Tinagli (2004), the Creative Class in Finland comprises a similar share, nearly 29 per cent of the total workforce – the third highest in the European regions studied in their report. Employment in both creative industries and knowledge industries has risen significantly during the recent decennium (Kepsu and Vaattovaara, 2008a).

In general, the information and communication or ICT industries form the most important industrial segment in the region's economic profile. The ICT based growth sector was born along with the emergence of Nokia, the world's leading mobile phone manufacturer. The growth in employment was remarkable between 1993 and 2001, until the so called "dot com" boom of the ICT sector in the early 2000 balanced the growth. The ICT sector has contributed extensively in the value-adding to gross domestic product (GDP). The GDP share of ICT has increased from 4 per cent in 1990 to more than 10 per cent in 2005. Nokia's share was about 4 per cent in the 2004 (Ylä-Anttila, 2005). The employment figures, number of employed persons and jobs, are however relatively low compared to value-adding.

Although the HMA has been a successful region in the new economy, the separate municipalities of the metropolitan core are in a relatively different position with regard to their competitive capacity. Helsinki has traditionally held the strongest position in the regional economy and location of businesses, also through its status as the nation's capital. Today Helsinki is still very strong in the highly creative fields, but Espoo has risen to the regional lead in the knowledge-intensive industries. Espoo's position is especially strong within the ICT industries, and the city accommodates, for example, the head quarters of Nokia. Both cities are very popular as housing choices, but Espoo, together with the very small municipality of Kauniainen within it, houses the most highly educated population in the whole region. The third large municipality, Vantaa, on the other hand, has not achieved marked success in the business location or the attractiveness of housing. The city holds an important position in the regional logistics as the airport is located there, but it is not the primary business or housing choice, especially in the field of creative knowledge industries. For example, in our sample of transnational professionals, none of the interviewees lived or worked in Vantaa.

The differing position of the municipalities is underlined by the Finnish peculiarity in the governance structure: the municipalities are highly independent entities, which have a lot of responsibility in the local decision-making and service production, and which are financially dependent on the local tax revenue. The dependency on local taxes creates a certain tension between the municipalities within the same functional region, as the municipalities are competing of the businesses and tax-payers, and their interests are not always mutually compatible. However, the international competition in attracting global financial and migratory flows is a strong incentive for municipal cooperation in the field of regional competitiveness. This issue will be discussed more detailed further in this report.

### **1.3 The “creative class” and the attractiveness of the region**

One of the central starting points for the ACRE project is Richard Florida's (2002) notion of “creative class“ and the meaning of “soft” or quality-of-life factors as drivers of migration and factors affecting the competitiveness of urban regions. According to Florida, regional economic growth is powered by creative people, and the emerged creative class prefers places that are diverse, tolerant and open to new ideas. In other words, the attractiveness of a city, its quality of life and its diversity are pivotal for the future development of cities, and a good ‘people climate’ will draw new creative people to those places and lever the economic success of regions. Thus the cities need to pay significant attention to quality-of-life indicators and place marketing besides the traditional “hard” factors, in order to succeed in the current global economy, where cities and countries are competing for talent.

The ACRE project has tested and analysed location decisions of the European creative class and the meaning of “soft” factors vs. traditional “hard” factors, such as employment opportunities or economic incentives, as drivers of these decisions. Some summarising results for all partner cities are presented in chapter 2.1 of this report. In Helsinki, we conducted surveys and interviews to Finnish creative knowledge professionals and business managers, and a group of international professionals (see further in section 2.3.1). While Florida claims that the soft location factors are of paramount importance in the U.S. context, our results show that these factors do not play a decisive role in attracting the target groups to the Helsinki metropolitan area. Personal reasons or personal trajectories – being born in the region, studied in the region or family lives in the region seemed to be by far the most important reasons behind the decisions to locate in the area for the Finnish employees and managers. More than 40 per cent of the Finnish employees had been born in the region, and the majority of both the Finnish managers and employees had either been born, had family or had studied in the region. Following a partner was an important driver of migration also in the transnational group. Besides the personal reasons, hard factors or “classic” location factors seem to dominate the location decisions for all three groups. Most employees stressed the importance of employment opportunities or the current job, while the company managers valued the existence of skilled labour force, clients and clustering benefits.

Although our research emphasises the role of personal trajectories and hard factors, the soft factors are by no means unimportant. Over two thirds of the Finnish employees and 85 per cent of the transnational employees mentioned at least one soft factor among the four most important factors affecting the decision to settle into the area. For many companies, particularly in the highly creative fields, soft factors were in fact crucial for the customer base, business networks and recruiting, and thus in the core of the logic of business. The creative knowledge workers valued especially the safety, diversity of leisure and entertainment, the tolerant atmosphere and proximity to natural environment. Besides affecting the decision to settle in the region, the positive soft factors have a more important role as retaining forces, contributing strongly to the creative knowledge workers' decision to stay in the city. They also affect the choice of neighbourhood or business location within the metropolitan region.

The results of our studies emphasise the importance of neighbourhood and the utmost importance to solve the current lack of reasonably priced, high quality housing in the area. The majority of the Finnish and transnational creative knowledge workers in our study had chosen suburban residential locations, with strikingly similar residential patterns between the two groups. The satisfaction with neighbourhood seemed to contribute greatly to the overall satisfaction with the city, and many respondents both emphasised the neighbourhood more and were more satisfied with the neighbourhood than the city as a whole. Neighbourhood atmosphere and availability of private open space are thought to be of particular importance. The clear majority lived in owner-occupied housing and were not particularly mobile in their housing career, and they expressed a general satisfaction with the neighbourhood and a willingness to stay in the HMA in the future years. Against this background, it is alarming that the high costs of housing and lack of diversity in the residential space were seen as clear weaknesses of the HMA. All studied groups expressed strong and particular concern over the housing costs, and managers saw it as a concrete threat to the competitiveness of the region and availability of skilled labour force in the future.

In general, the employment opportunities, price and quality of housing and the quality and accessibility of social networks stand out as features, which all the target groups value, but which are somewhat problematic. Hard factors related to infrastructure, services and overall functionality of the city are generally considered strong. In important soft factors, the region's strengths are clearly its high quality of life, safety, human scale and closeness to nature. According to the transnational migrants, one of the region's problems is simply its lack of international recognition and image. Although the region has several strengths, these are poorly known outside the national borders. It needs to be said, that for some respondent groups, all problems were not seen as problems at all. Also, depending on the group some of these issues, such as tight-knit professional networks, were seen as strengths, while others saw the same issues as drawbacks (see more in chapter 5).

The results of our research underline not only the national general policies (education, innovation) but also the importance of local policies and strategies. The challenges pointed out by the target groups of the study are examples of emerging local, metropolitan problems, which need to be solved locally. In maintaining the employees and businesses in the area, the focus on reasonably priced, high quality housing and quality-of-life on the neighbourhood-level, are strongly supported by our results. The analysis of the development trajectory and the economic success of the HMA shows that the success of the region has grown from the

city's own potential: historical trajectories, local talent and local companies. However, with the growing competition between urban areas, growth and changes in the demand of labour and the rapid ageing of the population, the city needs to be closely aware of the needs of the skilled workers that are so crucial for its future competitiveness. In this report we will evaluate how the region takes these needs into account in its strategies and policies.

## 2 THEORETICAL BACKGROUND AND METHODOLOGY<sup>1</sup>

The conceptual and theoretical framework underlying the ACRE programme has been presented in length in the WP1 (Musterd et al, 2007). It is based on a critical review of literature on the role of creativity and knowledge in present and future economic development and the conditions for a successful development as a ‘creative knowledge region’. This review of literature, which has also pointed at gaps in knowledge, has framed the analysis of each case study in the following WPs, and has been refined over the course of the work.

A number of key questions have been raised in relation with this conceptual and analytical framework. They are addressed throughout this report and will in particular guide the analysis of policies and strategies, which includes the analysis of policy documents and interviews with stakeholders.

Key questions to be taken into consideration in the analysis of policies and strategies include the following ones:

- What is the role of creativity, innovation and knowledge in the metropolitan economic development strategies and visions in each case study?
- To what extent do local and regional governments in the case study regions want to build on existing regional strengths, and to what extent do they look for new strengths with regard to economic specialisations?
- What is the role of ‘soft’ location factors in metropolitan economic development strategies when compared to the more traditional, ‘hard’ location factors?
- Do the metropolitan economic development strategies specifically address the conditions for attracting an international skilled labour force?
- Which regional geographic and administrative scale is the most relevant for regional competitiveness when aiming for ‘creative knowledge regions’? Should there be a focus on core city development or on the metropolitan regional level?
- To what extent can we speak of an integrated regional strategy, and on what geographic and administrative scale level?
- To what extent are the economic development strategies and visions embedded in broader urban development strategies and visions? Are economic development policies connected to regional spatial development policies, housing market policies and/or policies to attract and cater for the desired ‘talent pool’?

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<sup>1</sup> This chapter with the exception of section 2.3. has been written by the ACRE Toulouse team (Hélène Martin-Brelot, Elisabeth Peyroux, Denis Eckert, University of Toulouse), with help from Leipzig team (Bastian Lange, Leibniz Institute of Regional Geography) It is common to all ACRE reports within Work Package 10 but has been abridged by the authors of this report to suit the local case study and its specificities. Section 2.3 is specific for Helsinki and has been written by the authors of this report.

## 2.1 ACRE theoretical framework and results in an international comparison

The WP1 has acknowledged that many authors have come to the conclusion that ‘creativity plays an outstanding role in urban and regional development’ and recognised ‘*the increasing coming together and co-mingling of technological innovation, cultural creativity and governance as the driving force of urban development in the 21st century*’ (Musterd et al., 2007: 6). In relation to urban competitiveness theories, some important interrelated ideas – mostly supported by R. Florida – have been explored. The first one suggests that policies should concentrate on their attractiveness towards individuals rather than towards companies. As a consequence, cities should strive to improve urban atmosphere – e.g. increase openness, tolerance – and pay much less attention to hard classical location factors.

### 2.1.1 On the mobility of the ‘creative class’ and the role of ‘soft factors’

One objective of the ACRE programme was to test R. Florida’s hypothesis on the mobility of highly skilled creative knowledge workers. According to the author of the ‘*Rise of the creative class*’ (2002), these people would be increasingly attracted by places combining high levels of technology, talent and tolerance. In other words, the classical ‘hard’ location factors would lose importance compared to the increasingly prized ‘soft’ location factors. The latter relate to the global atmosphere of the city such as the openness, the cultural and ethnic diversity.

Each of the three surveys conducted from 2007 to 2009 among the target groups of employees, managers and transnational migrants aimed at answering the following questions:

- What are the main drivers behind their decision to locate in the city where they currently live?
- What is the relative weight of hard and soft location factors in their decision-making process?

It appeared quickly that reasons related to what we called the ‘**personal trajectory**’ and reasons linked to classical factors such as **employment** or studies opportunities were highly significant to explain the surveyed people’s choice to settle at a particular place. Soft factors seemed to weakly influence their decision.

These observations were supported when compiling the results of the first quantitative survey conducted among employees in the 13 participant cities. 55 per cent of the respondents were born in the city or metropolitan region where they currently live and 63.6 per cent of the sampled employees obtained their highest degree locally. For those skilled workers who had no anterior link to the region, the **job-related hard factors, play the most dominant role in the selection of a place of residence. Soft factors** only play a very marginal role to attract creative knowledge workers to a city, as only nine per cent of the people coming from outside the region cite this type of reason in a first position. They seem however important to retain them on the long term. Indeed soft factors tend to have more importance if respondents are

living in the city for more than one year. As an opposite the role of hard factors is continuously decreasing with the time spent in the city. This result implies that hard factors work more as a reason for mobility (why coming), whereas soft factors are more the reason to stay (why not leaving the city).

Qualitative surveys among managers and employers in creative and knowledge industries confirmed the major role of hard factors, especially the availability of a skilled labour pool, which is often correlated to the presence of higher education institutions in the region. Access to clients and supporting services is also crucial and depends on the size of the city as well as on an efficient transport system. Entrepreneurs also insisted on the quality of the working environment and their professional networks for succeeding in their business.

For transnational migrants, the presence of universities and higher education institutions constitutes the major attraction factor. Employment opportunities come up as an important reason to settle in the city. The drivers behind the decision to stay also relate to personal links (friends, family). We could also notice the relative importance of a strong image of the city as centre of creativity (eg. Milan and Barcelona) or centre of technology (eg. Toulouse and Helsinki).

The results in Helsinki are in line with the other European findings, as can be seen in the current report and more comprehensively in our previous report (Vaattovaara et al, 2009).

The results of the ACRE empirical studies thus do not confirm R. Florida's hypothesis of a highly mobile 'creative class'. On the contrary, the highly skilled creative and knowledge workers surveyed within the ACRE programme tend to have a rather sedentary way of life. And, whenever they move, their mobility is rather driven by classical hard factor, most of the time related to employment. Our results rather confirm those of Storper and Scott (2009: 161): *'most migrants – unless they enjoy a private income or are able to capitalise on some purely personal talent that can be practiced anywhere – are unlikely to be able to significant numbers from one location to another unless relevant employment opportunities are actually or potentially available.'*

### *2.1.2 Elements for the debate on urban competitiveness*

According to our results, the size of the city, the quantity and quality of transport infrastructures, and above all the studies and job opportunities act as a significant driver behind the decision to settle in a certain region. The respondents are also heavily tied to their native and family environment or to the place where they have studied and built their social networks. On the other hand, soft factors are clearly not influential to directly attract creative and knowledge individuals – employees, entrepreneurs and transnational migrants – in a city. However this does not mean that they have no importance at all for the surveyed, especially to retain them on the long term. Several observations related to the 'quality of life' can be drawn from the empirical results and put into relation with current debates on urban competitiveness.



### **Evaluating hard and “soft” factors**

First attempts of comparison between the 13 cities show a strong heterogeneity of the results, which can be explained by the differences of local conditions. In general, dissatisfactions are clearly expressed on what refers to material aspects of the city such as dwelling, transports, cleanliness of the streets etc. This can be put into relation with the crucial issue of the development pathway of each city, which is one of the dimensions to be taken into account for a typology. But the situation also differs according to the level of infrastructure and the position of the city as a national or regional capital. The size of the city also has to be thoroughly considered in the way that it might offer more potential personal relations. Along this line, the presence of strong universities well integrated into the city's life appears to play a major role as pre-condition to the formation of further social networks.

Soft factors seem to be much more difficult to evaluate than hard factors. Here it is important to distinguish between different types of soft factors. On the one hand there are conditions which policies cannot do anything, which relates to the natural assets of the city such as its location in a favourable natural environment or the sunny climate it enjoys or not. On the other hand, there are factors like openness and tolerance that can be more or less easily promoted or improved on the long term by the mean of political decision.

### **No specific expectations of the ‘creative class’?**

The fact that the concerns of those surveyed do not differ much than those of the rest of the population is one important statement that we can draw from the empirical results. This contradicts again R. Florida's ideas of specific needs of a specific ‘creative class’. For instance, worries about the availability of jobs and affordable housing are pressing in most of the surveyed cities. Concerns about the efficiency of the urban transport system and the related issues of traffic congestion and air pollution, but also safety issues are important for a large part of the respondents. Moreover the above underlined role of soft factors as *retention* factors tend to confirm that policies should not only focus on the attractiveness of the city for a ‘creative class’ coming from outside but should be oriented towards inhabitants who already live and work in the city.

This leads to consider the complex issue of urban policies and the integration of various, often contradictory objectives such as the need to increase competitiveness, tackle social exclusion and preserve environmental resources. The risks associated to policies focusing on economic excellence relate to the growth of social and spatial disparities within urban areas. This is one of the critics made to Florida's theory (Malanga, 2004; Peck, 2005; Scott, 2006). The elitism associated with the concept of ‘creative class’ also tend to live down the debate about social polarisation associated with economic restructuring.

### **The issue of scale**

The importance of city-regions has grown substantially in the era of globalisation. Metropolises have become key actors in the global competition, and increasing focus has been shifted to place marketing in urban policies. The new meanings of the local and regional systems have been pointed out in a context of globalisation and it has been concluded that this

should not be regarded as separated from global processes (Musterd et al., 2007). The analysis highlights the need to take into account the city, the city-region and the wider regional scale, both in geographic and in political- administrative terms, as well as the need to consider *'smaller areas (sometimes neighbourhoods with specific characteristics) which either do or do not fit the requirements of residents and firms and thus demonstrate dynamic economic transformation or fail to do so'* (Ibid: 30).

The new importance of cities and regions in the global economy and the re-scaling process it entails let the neighbourhood appear as a new object of attention. One of our results relates to the idea that if soft factors do not influence people's choice to settle in a particular city, they might determine why they choose a certain district within an urban area (Martin-Brelot et al., 2010). This idea could at last be put into relation with the differences we found between creative and knowledge workers. The first ones seem to be more demanding in terms of cultural offer and social environment and the second ones more sensitive to hard factors. This has probably implications for policy makers who wish to favour a certain type of industries or individuals. Particularly in terms of scale, interventions on neighbourhoods might be more adapted to the needs of creative people, whereas strategies at the metropolitan and / or regional level might better suit a strategy targeting the development of knowledge intensive activities.

On the basis of the outcomes of this analysis and the surveys that have been carried out in the previous Work Packages, as well as on the basis of the synthesis reports which have been written, current policies and strategies are confronted with actual dynamics in the regions involved.

## 2.2 Governance approaches

### **The diversity of governance concepts and theoretical approaches**

Over the past decades a number of theories and approaches have been developed within what has been referred to as a shift of paradigm from government to governance. Prominent urban governance approaches include the American 'growth-machine' and 'urban regime' theories (and the related notion of 'urban growth coalitions') (Stone, 1993; Stone, 1989; Elkin, 1987; Stoker, 1995). Those approaches rely on the notion of 'policy networks' which is based on the (contentious) assumption that political processes are not controlled by state actors alone and that governing increasingly depends on the interaction of public and private actors (Davies, 2002). Policy network analysis has been described as *'attempts to explain policy development by examining networks of actors concerned with a given policy problem, across the public and private sectors and throughout different levels of governance'* (Mikkelsen, 2006: 17–18). Whilst all analyses use the network as unit of analysis several approaches have been developed (Ibid.). The term 'policy network' can also be understood as *'as a generic label that embraces different forms of relations between state actors and private actors'* (Kriesi et al, 2006: 341).

In the case of Helsinki, the policy network -perspective provides a reasonable framework for studies of urban development policy. In Finland, several interest groups take part in urban development policy and various organisations are dependent on each other's resources, information and skills (Sotarauta and Linnamaa, 2001). Besides analysing the regional (governance) capacity to support creative knowledge, this analysis seeks to identify and describe the functioning network structures in Helsinki.

### **Governance in creative and knowledge industries**

Despite their very different production conditions and marketing structures, the cultural and creative industries display characteristic features that are reflected in specific forms of governance. Micro-companies and/or project-based structures with a large portion of freelancers dominate. Some rare sub-areas are heavily dependent on state funds (theatres, even film industry). As a whole, the cultural economy is a high-risk area with extreme fluctuations in market success. Besides, creative industries lack organisational basis and industry associations that could serve as negotiation partners. In these particular conditions, traditional 'top-down' governance approaches seem hardly adequate. Establishing leadership in structurally unstable situations requires a more flexible, less hierarchical approach.

The knowledge industries are far more institutionalised and rely on growth coalitions that often associate public agencies, big businesses and industry associations. Furthermore, long established policies and structures are critical (Hall, 2004). These sectors are less flexible, characterised by a strong inertia. Emerging spin-off companies and spillover effects are far from exceptional. The importance of educational assets in a given city for the progressive development of knowledge-intensive industries makes them more dependent on the support of public structures; top-down governance approaches are much more frequent (and might be more relevant) in that area than in that of the creative and cultural industries.

### **2.3 Research design and methods used in Helsinki**

This report sets out to analyse the way policies and strategies in the HMA address the needs of the creative knowledge professionals. The former empirical studies of the ACRE project have focused on the migration and business location decisions of creative knowledge employees, managers and transnational migrants in the Helsinki Metropolitan Area (Kepsu and Vaattovaara, 2008a; Kepsu and Vaattovaara, 2008b; Kepsu et al., 2009; Vaattovaara et al. 2009). *These results are now contrasted to the local policies and strategies by the analysis of policy institutions and documents, and by conducting expert interviews with local key stakeholders and policy-makers.*

### 2.3.1 *Background of previous work*

The former empirical studies in the ACRE project aimed to assess the attractiveness of the HMA and the motivation behind the location decisions of the creative knowledge managers and professionals.

The data was collected using the following methods: Firstly, the attractiveness of the Helsinki Metropolitan Area for Finnish creative knowledge workers was assessed by using a survey study (n=227, selected creative and knowledge intensive sectors) (Kepsu and Vaattovaara, 2008a). Secondly, 17 managers from companies from selected creative and knowledge intensive industries were interviewed on the location factors they valued when deciding to locate their companies in the HMA (Kepsu and Vaattovaara, 2008b). In addition to managers, three high-level experts were interviewed about the general economic and business development in Helsinki. Lastly, 25 semi-structured interviews were conducted with highly skilled migrants living and working in the HMA, in order to discover the main drivers behind their decisions to move and stay in the city (Kepsu et al., 2009). Five expert interviews were also carried on in order to learn more about themes such as immigration policies and relocation services in Helsinki.

The results of the three empirical studies were combined in the fourth stage of research. The aim was to achieve a comprehensive analysis of the attractiveness of the HMA and the motivation behind the location decisions of the individuals by combining perspectives extracted from three different target groups (employees, managers and transnational migrants) through the differing research methods (qualitative, quantitative). The combination of the quantitative and qualitative data was achieved through the use of triangulation of different research methods or between-method-triangulation (quantitative research method in vs. qualitative), and theoretical triangulation, where different theories were applied to the same phenomena in order to gain different explications. The three data sets were analysed in relation to one another, identifying central findings. This way, it was possible to assess whether the results appeared to show complementarity, congruency or divergence. (Vaattovaara et al., 2009)

### 2.3.2 *Methods of current work*

All the ACRE studies in the Helsinki Metropolitan Area have aimed to gather data which would be *comparable with other ACRE metropolitan regions* and simultaneously *maintain enough methodological flexibility to be able to address the local specificities*. To achieve this end, we have used a common ACRE data collection guideline, as well as modified the common framework in order to ensure that local circumstances are accommodated. The research at hand is based on the analysis of current policy documents of the HMA and the empirical data collected in the previous stages of the ACRE project. In addition, we have carried out four expert interviews with key stakeholders in the regional policy-making and administration. The analysis has been conducted by the mutually complementary use of our previous empirical data, policy and administration documents, information of institutional structures, and expert interviews. These data have been analysed together, moving the

analysis between the different sources of data and refining the knowledge by contrasting the obtained knowledge with each data source.

The interviews were obtained applying a semi-structured interview technique. The structure was based on a common ACRE interview framework, which was tailored with additional questions to suit the local conditions (see Appendix). To further strengthen the analysis, the selection of the expert interviewees was conducted with a specific focus arising from the central findings in the previous stages of the research (see Chapter 1.1.2 and Chapter 5). The selection method of the expert interviewees was matched to the local specificities on several levels. First of all, we used the previous research to identify the key interest topics within the HMA, i.e. the major themes which were recognised to be of primary importance for the attractiveness of the HMA from the point of view of creative knowledge professionals and managers. After the identification of the key interest topics, we tightened the focus with the specification of the primary issues within these topics. This was done using both the previous research and the use of local policy and research literature. After these preliminary stages, we selected expert interviewees, who would best match the identified key interest topics and primary issues by their professional status and outstanding experience.

The single most important key interest topic in the HMA was housing. This topic was brought up by all the target groups, and it was without question the greatest concern each group had both from their own perspective and from the perspective of regional competitiveness. Primary issues within the topic of housing were recognised to be the price and the variability (i.e. innovative architecture in housing and neighbourhoods, capacity to accommodate various needs through design and tenure type) of housing. Other key interest topics were defined as higher education and international schools, urban infrastructure and functionality, and the urban quality of life. The primary issues within these fields are described in more detail in Chapter 5.

As housing was clearly lifted so uniquely high in importance, the interviews were focused on this topic. Three of the four experts interviewed were professionals in the field of housing, although they were carefully picked as representative also in the other recognised key topics. Firstly, we interviewed the most high-level political authority of housing, the Minister of Housing, Mr. Jan Vapaavuori, who represents the national level in the housing issues. He has also been involved with the creation of Metropolitan Policy and active in different cooperation bodies of the Helsinki Region. Besides his post in the national government, Minister Vapaavuori also has extensive experience in local politics in the Helsinki region, and has been a Member of Parliament since 2003. Our second interviewee was Ms. Teija Ojankoski, who is the managing director of VAV Asunnot Oy, which is a company responsible of handling the rental apartments owned by the City of Vantaa. She has also worked as the Director of Housing Issues in the City of Vantaa. Director Ojankoski thus represents the point of view of a municipality located in the margins of the HMA, and she has outstanding experience in the field of housing both in research and administration. Both Minister Vapaavuori and Director Ojankoski are experts in the area of urban infrastructure and functionality, as well as housing issues.

The third expert on housing issues was Mr. Timo Metsola, who is the managing director of Vuokratuura, a real estate agency, which specialises in mediating rental apartments and provides relocation services for people migrating to Helsinki. Director Metsola represents a private company in the (rental) housing market, and he has experience in the field thought to be most crucial by the group of transnational creative knowledge professionals. The fourth interviewee, Mr. Eero Holstila is Director of Economic Development of the City of Helsinki. He was interviewed specifically to gain insight into the competitiveness issues of the city, particularly related to business environments, urban services and quality of life, as well as to represent the voice of the city of Helsinki. Director Holstila is the former managing director and member of the board of Culminatium, a development company that has been responsible for the Centre of Expertise program in the region and formulating the Innovation Strategy. Both working for the City of Helsinki and Culminatium he thus has unique and long-time experience in strategic work to enhance the innovativeness and competitiveness of the Helsinki region. He has also participated in developing the cooperation cluster Forum Virium, which promotes the development of digital services.

**Table 2.1 - Expert interviews**

<b>Expert</b>	<b>Organisation</b>	<b>Title</b>
Jan Vapaavuori	Ministry of Environment	Minister of Housing
Eero Holstila	City of Helsinki, Office of Economic Development	Director of Economic Development
Teija Ojankoski	VAV Asunnot OY (City of Vantaa)	Managing director
Timo Metsola	Vuokratuura (real estate agency)	Managing director, Chairman of the Board

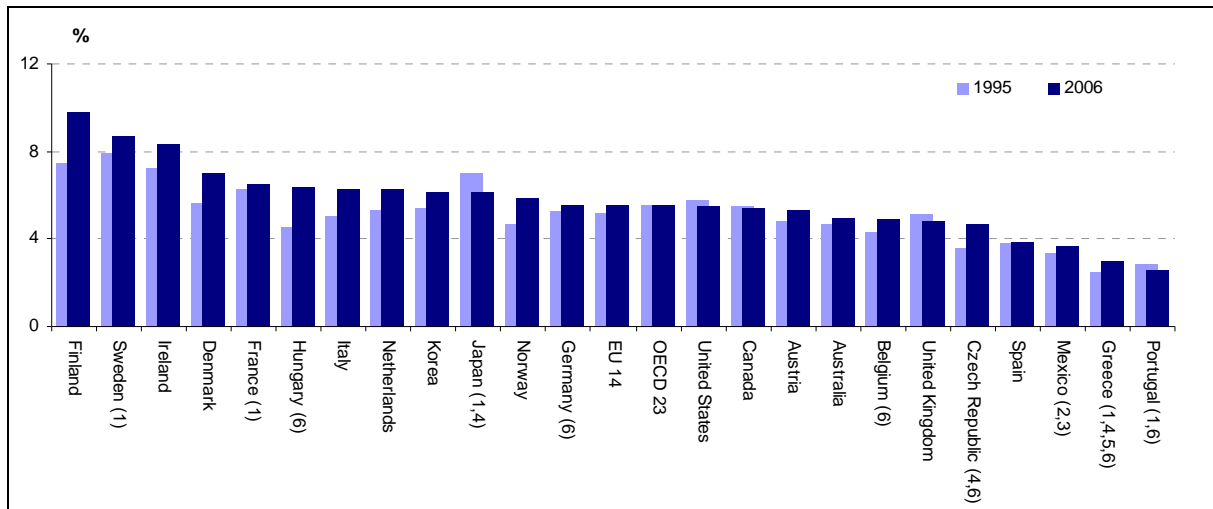


### 3 ANALYSIS OF THE ECONOMIC AND POLITICAL CONTEXT

#### 3.1 Characteristics of the urban economy

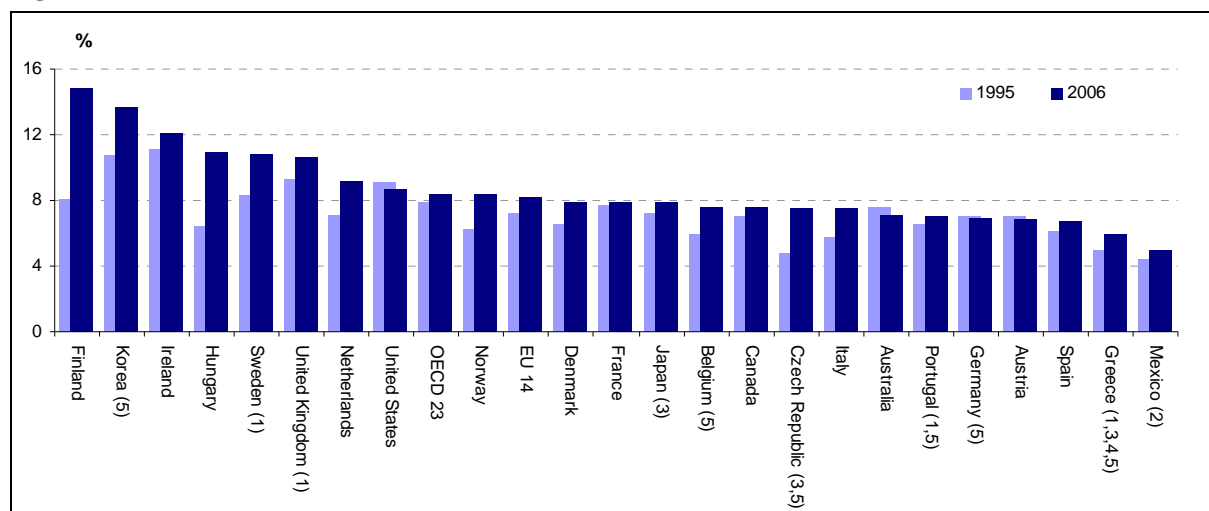
The importance of the new economy or creative knowledge industries, as studied in the ACRE project, is notable in the Helsinki Metropolitan Area. It is almost one third (30.5) of the employees in our region that work in these fields. Among the cities studied in the ACRE project, Helsinki stands out as one of the leading cities in these economies. The prominence of the employment in Helsinki is clearly in the knowledge intensive industries. Almost 18 per cent of the workforce in the Metropolitan Helsinki works in these sectors. The fields related to ICT have had a peculiar role in the economic development of not only Helsinki – but the whole Finland. The growth of the ICT sector has been remarkable in a European comparison, both in employment and value added (Figures 3.1 and 3.2).

Figure 3.1 - Share of ICT employment in business sector employment, 1995 and 2006, percentages.



Source: OECD, IT Outlook 2008



**Figure 3.2 - Share of ICT value added in the business sector value added, 1995 and 2006**

Source: OECD, *IT Outlook 2008*

Finland, particularly the Helsinki region, has during the last decades become one of Europe's leading centres of growth in information and communication technologies (ICT). A massive structural change has emerged in the economy of the country. A country that has traditionally been a kind of a north-eastern periphery, caught between the West and the Soviet Union, largely dependent on forestry, pulp- and paper-industries - has undergone a change into one of world's leading information societies according to any standard. The United Nations Technology Advancement Index (TAI) lifts Finland to the leading role in technological development, and Finland has also been at the top ever since the International Data Corporation adopted its information society index (ISI). Mainly due to these industries the whole national economy has grown fast (GNP growth 5.1% yearly on an average), on a speed that is clearly higher than in the US (3.1), Japan (4.4) or in the EU (2.6). The leading edge of the growth has been the ITC –sector, lead by Nokia, which has become the world market leader in mobile communication. Indeed, Helsinki and Finland with the development of Nokia are celebrated as one of the best practice models for the development of the information society today (Castells and Himanen, 2002). And it is the Helsinki region - the capital district of Finland that has been the leading centre of growth of the country (Vaattovaara and Kortteinen, 2003).

The employment in the creative and knowledge industries in the Helsinki Metropolitan Area has risen significantly not only during the major economic turn during the mid 1990's, but also during recent years. Tables 1.1 and 1.2 show the employment by sector and their growth levels between 1998 and 2004. It is notable how the growth of the economy has been in these fields – the creative sector has grown 16.3 per cent and the knowledge sector 19.4 per cent. The growth has clearly been above the overall increase in employment in the region, which has been also relatively high (9.7 per cent). Thus Helsinki metropolitan area has been one of the fastest growing regions in Europe during the last few decades (Laakso and Kostianen, 2007).

**Table 3.1 - Employment in creative industries in Metropolitan Helsinki 1998 and 2004. The sectors selected for the ACRE empirical research are highlighted**

Sector (with SIC-codes)	1998	2004	Growth 1998- 2004 (%)	Share of creative industries 2004 (%)
744 Advertising	4146	4255	2,6	5,8
742 Architectural and engineering activities and related technical consultancy	12601	14151	12,3	19,2
524 Other retail sale of new goods in specialised stores	11100	13494	21,6	18,3
525 Retail sales of second-hand goods in store	263	401	52,5	0,5
171 Preparation and spinning of textile fibres	35	29	-17,1	0,0
172 Textile weaving	0	3	300,0	0,0
173 Finishing of textiles	94	152	61,7	0,2
174 Manufacture of made-up textile articles, except apparel	131	172	31,3	0,2
175 Manufacture of other textiles	237	231	-2,5	0,3
176 Manufacture of knitted and crocheted fabrics	0	0	0,0	0,0
177 Manufacture of knitted and crocheted articles	42	8	-81,0	0,0
181 Manufacture of leather clothes	9	7	-22,2	0,0
182 Manufacture of other wearing apparel and accessories	415	301	-27,5	0,4
183 Dressing and dyeing of fur; manufacture of articles of fur	66	27	-59,1	0,0
192 Manufacture of luggage, handbags and the like, saddlery and harness	3	12	300,0	0,0
193 Manufacture of footwear	29	31	6,9	0,0
223 Reproduction of recorded media	155	158	1,9	0,2
921 Motion pictures and video activities	1291	1313	1,7	1,8
748 Miscellaneous business activities	6384	6213	-2,7	8,4
923 Other entertainment activities	3391	3775	11,3	5,1
927 Other recreational activities	1191	1264	6,1	1,7
221 Publishing	7453	7469	0,2	10,1
924 News agency activities	317	331	4,4	0,4
722 Software consultancy and supply	8749	14966	71,1	20,3
922 Radio and television activities	5303	4966	-6,4	6,7
<b>Creative industries total</b>	<b>63405</b>	<b>73729</b>	<b>16,3</b>	<b>100,0</b>
All employment all fields total	523208	573673	9,7	

Source: Statistics Finland, 2007; City of Helsinki Urban Facts, 2007

**Table 3.2 - Employment in knowledge intensive industries in Metropolitan Helsinki 1998 and 2004. The sectors selected for the ACRE empirical research are highlighted.**

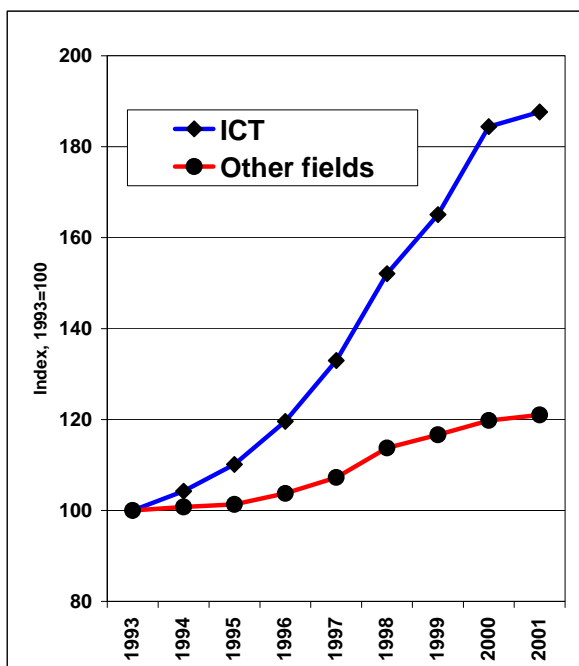
Sector (SIC-codes)	1998	2004	Growth 1998-2004 (%)	Share of knowledge industries 2004 (%)
300 Manufacture of office machinery and computers	703	65	-90,8	0,1
313 Manufacture of insulated wire and cable	198	127	-35,9	0,1
321 Manufacture of electronic valves and tubes and other electronic components	817	727	-11,0	0,7
322 Manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy	8541	10693	25,2	10,5
323 Manufacture of television and radio receivers, sound or video recording or reproducing apparatus and associated goods	51	75	47,1	0,1
332 Manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes except industrial process control equipment	1366	2141	56,7	2,1
333 Manufacture of industrial process equipment	141	499	253,9	0,5
642 Telecommunications	7379	8454	14,6	8,3
721 hardware consultancy	150	288	92,0	0,3
723 data processing	4595	6303	37,2	6,2
724 database activities	652	1083	66,1	1,1
725 maintenance and repair of office, accounting and computing machinery	740	651	-12,0	0,6
726 other computer related activities	3	161	5266,7	0,2
<i>ICT Total</i>	25336	31267	23,4	30,8
65 Financial intermediation, except insurance and pension funding	12405	12311	-0,8	12,1
66 Insurance and pension funding except compulsory social security	5293	5629	6,3	5,5
67 Activities auxiliary to financial intermediation	2365	3552	50,2	3,5
<i>Finance Total</i>	20063	21492	7,1	21,2
741 Legal, accounting, book-keeping and auditing activities; tax consultancy, market research and public opinion polling, business and management consultancy	13231	13069	-1,2	12,9
743 Technical testing and analysis	1574	1759	11,8	1,7
745 Labour recruitment and provision of personnel	4130	8845	114,2	8,7
746 Investigation and security activities	2273	3737	64,4	3,7
<i>Law and Other Total</i>	21208	27410	29,2	27,0
731 Research and experimental development on natural sciences and engineering	7711	7355	-4,6	7,2
732 Research and experimental development on social sciences and humanities	745	809	8,6	0,8
803 Higher education	10011	13234	32,2	13,0
<i>R&amp;D Total</i>	18467	21398	15,9	21,1
<b>Knowledge intensive industries total</b>	<b>85074</b>	<b>101567</b>	<b>19,4</b>	<b>100,0</b>
All employment all fields total	523208	573673	9,7	

Source: Statistics Finland, 2007; City of Helsinki Urban Facts, 2007

When looking at the sectors selected for this study (highlighted in grey in tables 3.1. and 3.2.), Software consultancy and supply has experienced the greatest growth. It is also one of the major employment sectors in these industries in Metropolitan Helsinki, with almost 15,000 employees, approximately 20 per cent of all the employment in creative industries.

In general, ICT industries including manufacturing, consultancy and telecommunications, are forming the most important industrial segment in Helsinki metropolitan area's economic profile. The growth in employment was remarkable between 1993 and 2001 (figure 1.5). However, figure 1.4 also shows the so called "dot com" boom of the ICT sector in the early 2000. The balancing period after 2001 is clearly visible. The ICT sector has lost some 3 000 job positions after the high peak. The most constant growth has been in the case of R&D sector. The growth has been steady and it has become almost as important employer as the finance sector, which is the only sector that has experienced loss of employment positions. Explanative factors underlying these development trends are related to structural changes of the economy, thus to pressure from global markets and related streamlining of the companies performance. The finance sector is a clear example of the results caused by adoption of the new technologies. The internet has changed the general way of banking considerably and the smaller need for front-desk services shows also on the total job positions.

**Figure 3.3 - The development of the ICT sector and other fields of employment in Helsinki from 1995-2003**



Source: Statistics Finland

### 3.2 Governance arrangements in brief: power on national and local level

National level politics have greatly influenced the Finnish political system and economic development. Finland has been a fairly centralised country; the focus of political decision-making has traditionally been on the national level, and state policies have aimed at regional equity and a kind of national uniformity according to the welfare state model. Resources have been actively redistributed across the country in order to achieve a “balanced” regional development.

There is a long tradition in the Finnish political system of a top down approach, among other things to knowledge-intensive industries and innovation policies. For a long time, the homogenous population followed national political guidance to raise levels of education, standards of living, housing conditions and available services. National policies with major investments in education and research were effective in turning Finland into a successful knowledge-based economy, although there are several additional explanations than good policy for the rapid transformation and boom of the economy (Porter, 2004; Steinbock, 2006; Vaattovaara, 2009; Martin-Brelot and Kepsu, 2010).

A very special feature of governance in Finland is the autonomy of the municipalities. Finland has only two tiers of government, the national government and the municipalities. The municipalities are by law self-governing entities taking care of local matters: they are responsible for their own economy and collect taxes, and also for the service production, such as schools, day care, health care and social services.

*“Finland is an internationally rare case of a country where [...] the municipal governance is much more powerful than elsewhere: the municipalities are in charge of providing the basic services and they depend on the local taxes.”*

Jan Vapaavuori, Minister of Housing

Due to the strong municipal self-government, there is a tradition of competition and rivalry between the municipalities. The municipalities compete for the wealthy tax payers and the location of businesses. Although the municipal autonomy creates a certain flexibility in the decision-making and encourages localised democracy, the competition has also been viewed as problematic.

It is only recently, from 1989 onwards, with the development of regional policies that the importance of differentiating regions and urban areas has received specific attention. The regional development policy was for a long time also centrally lead, but since the mid 1990s the democratically elected province-level structures have gained more power. Finland's Regional Councils (20) are statutory joint municipal authorities operating according to the principles of local self-government. The Councils operate as regional development and planning authorities and look after regional interests. The delegates to the decision-making bodies of the Regional Councils are influential political appointees of the member municipalities, reflecting the outcome of local elections (Local and Regional Government Finland, 2010). The changes in the governance structures took place after Finland had undergone a deep economic crisis in the early 1990s. Also, Finland became a member of the EU in 1995, and the new policy requirements forced Finland to put more emphasis on the

regions. The structure of the Finnish economy needed fundamental changes and it became even more important to focus on high-tech R&D in the field of regional development policy (Tynkkynen, 2008).

The importance of urban regions in creating economic growth was identified, and urban politics became a part of regional politics. The aim was to achieve regionally balanced economic development between the different urban regions. The sectoral politics in the urban regions needed coordination into an urban policy. Policy programmes were launched in the mid-1990s with the aim of strengthening the economic development and innovativeness of selected urban regions, one of them the metropolitan area of Helsinki (see section 4.1.2). A new aspect of this new regional policy was that it accepts differing policies and economic development of the regions, which is a clear step away from the egalitarian state model (Haila and Le Galés, 2005). Regions are encouraged to work from their strengths and specialisations, which minimises the state's role as creating equal regional conditions.

The wealth and fast population growth of the Helsinki region has created tensions between the metropolitan region and the rest of Finland. For the decision makers the problem has two different sides which involve contradictory interests (Haila and Le Galés, 2005). First, how to maintain social and economic equality and prevent social polarisation and conflicts between the capital city and the more remote parts of the country. Second, how to promote the competitiveness of the Helsinki metropolitan area, the engine of the whole Finnish economy, and at the same time manage its growth by developing housing, infrastructure and the environment.

There has not been any specific political actions or focus placed on the metropolitan area until very recently. Cooperation in the capital region has more or less been based on voluntary participation. Little by little it has become clearer that Finland needs to focus more on developing the metropolitan region, the economic engine of the whole country. Metropolitan governance strategies have thus started to be formulated only a short while back and the first strategic actions are being undertaken. We will examine this more thoroughly in chapter 4.2. As has been presented in our research, the Helsinki metropolitan area has been successful even without a specific metropolitan policy focus because the needs of the business organisations and public institutions have been sustained, due to the large supply of local human capital and the fact that the Helsinki region has been one of the fastest urbanising and growing regions in Europe.

### **3.3 The tradition of networking**

Networking is a peculiar national tradition in Finland (Allardt, 1964; Alapuro, 1994; Vaattovaara, 2009). The OECD Science, Technology and Industry Scoreboard 2007, puts Finland in the top position in terms of firms collaborating with higher education institutions over innovation. These peculiarities are linked with long standing and continuous difficulties in both the nation building process (during the wars of 1918 and 1939-1945), and in the impact of being located between two big powers afterwards (until 1989, with the collapse of the Soviet Empire). In order to protect itself from foreign pressures, Finland has put a lot of

focus on national political integration (Allardt, 1964). This national integration had to be achieved through consensual solutions, and involved decades of political and social networking, linking all fragments of the Finnish elites (the political, the economic, and the intellectual) (Alapuro, 1994). In other words, the networking between the different fields and fractions of these elites is not recent but rather a long standing national tradition or a historical structure. Consequently, as “everyone is involved”, there is stronger commitment to decisions, which are also implemented more easily. Director Holstila and Minister Vapaavuori consider this as a clear strength of the region:

*“Then we have, at least thought, that one of our strengths is what Leo van der Berg calls ‘organising capacity’. How we across sectoral and administrative boundaries, even though we are competitors, can still be in cooperation. [...] Then we have the cooperation between universities and firms, which is the key issue for competitiveness... it is the best in the world... or say at least best in Europe. It has been investigated by the European commission and there are several reports where this is seen. [...] It is clearly the largest asset even when considering the future.”*

Eero Holstila, Director of Economic Development, City of Helsinki

*“One of our clear competitive advantages is that the whole system works.”*

Jan Vapaavuori, Minister of Housing

This networking tradition can still be seen in current policy practices – the formulation of the Innovation Strategy for the Helsinki Metropolitan Area (2005) constitutes a good example of this phenomenon. Over one hundred actors were actively involved in the process - including mayors of cities, heads of educational units and heads of big industries and economies. A similar collaboration can be found in the formulation of innovation strategies at the national level in which over 300 experts were involved, many of them being high level executives of key Finnish organisations (Chapain et al, 2010).

## 4 STRATEGIES AND POLICIES FOR CREATIVE KNOWLEDGE

### 4.1 Key national level policies and tools

#### 4.1.1 National policies for innovation - the focus on education

Helsinki and Finland are presented as an example of successful development of knowledge industries, especially ICT, thanks to a long historic tradition to top-down centralised national policies. National policies, investments in education and creation of the welfare state have been central to the emergence of the Helsinki region as an international hub in the knowledge industries. Despite the acknowledged success of national policies, some questions are raised regarding the role of more local and regional factors. One conclusion from the studies of Finnish innovation capacities, or the ICT sector, is that there is a major divide between national and regional parts of the Finnish innovation system. Currently, however, there are no sufficient regional governmental structures to respond to this need. As mentioned, individual municipalities, by law, take care of their own residents and matters and more extensive regional co-operation to facilitate this is only starting. In addition, Helsinki and its neighbouring municipalities have become victims of their own economic success: the lack of affordable housing is raised as an issue by creative and knowledge workers interviewed during this research.

Traditionally, Finland specialised in exporting paper, pulp and engineering products. As the domestic market has always been too small for these activities, the country traded globally long before the era of globalisation and policy makers learned early on to pay close attention to the needs of large exporting corporations and to co-operate with them. Finland's enthusiasm to adopt policies fostering innovation can be seen as a continuation of this long historical approach. Since 1980, investing in innovation has become one of the strongest national policy actions and a trademark of Finland (Ylä-Anttila, 2005; Steinbock, 2006; Vaattovaara, 2009).

National policies developed to support the development of creative and knowledge industries initially mainly focused on raising education levels. Interviews with managers of knowledge industries companies in this project highlighted this and one manager declared that they “*do not have anything else in their business other than skilled workers*” (Kepsu and Vaattovaara, 2008b: 29). Helsinki and Finland as a whole have adopted a competitive strategy building upon classical urban economic development success factors: the development of competitive products by increasing the productivity of Finnish workers and firms. Unlike many other countries, Finland has not really promoted Helsinki abroad in order to attract international investment as a mechanism to counterbalance the scarcity of talents and firms. On the contrary it has grown from its own potential (Vaattovaara, 2009).



The focus on education is profound in the Finnish welfare model. The expansion of the university network from three to twenty between the 1960s and 1980s (spread around the nation) and the creation of public financing institutions for business-oriented research and development, were prerequisites for the subsequent growth of the Information or Innovation Society in the country. In addition, the Finnish educational system has provided, from early on, equal opportunities to all strata of the society. Compared with British, French or German educational systems, the Finnish system has never been very selective. On the contrary, opportunities have been provided for all social classes in all parts of Finland (Mäkelä, 1999). Education attendance and labour market participation of women has also been one of the highest in Europe. This has been noted as a unique phenomenon.

Other national actors relevant to the economic development policies and the creative and knowledge economy are ministries, for example the largest and newly established Ministry of Employment and Economy (formerly Ministry of Trade and Industry). Strategic policy decisions are implemented through the Finnish Funding Agency for Technology and Innovation (Tekes), the Technical Research Centre of Finland (VTT) and 15 Employment and Economic Centres (TE- centres). Tekes, the Finnish Funding Agency for Technology and Innovation is the main government financing and expert organisation for research and technological development in Finland. It has been considered a key player in the success of the Finnish economy, particularly when it comes to creating networks between companies and researchers and developing innovation.

*“Then we have the cooperation between universities and companies, which is the key issue for competitiveness... it is the best in the world... or say at least best in Europe. And the culprit for this... or the one to accredit for this, is Tekes [Finnish Funding Agency for Technology]. We have a national instrument that offers money mainly to projects where the universities and companies work together. And this culture [of close cooperation between universities and companies] has developed from this... It is clearly the largest asset even when considering the future.”*

Eero Holstila, Director of Economic Development, City of Helsinki

Another important national actor in the sector is the Finnish National Fund for Research and Development (SITRA). It is an independent public foundation under the supervision of the Finnish Parliament. There also exist several institutions promoting networking in the field. The Finnish Information Society Development Centre (TIEKE) has an important role as a neutral and non-profit organisation in promoting the efforts of its members, within public and private sectors, to create viable tools and expertise for use in the information society. Currently, Finland is also undertaking a major structural change in its educational system to favour innovation: the establishment of a new innovation university to be called the Aalto University. This university has been created through a major merger of three large existing universities: the Helsinki University of Technology (TKK), the Helsinki School of Economics (HSE) and the University of Art and Design Helsinki (TAIK). Minister Vapaavuori sees this as an important investment to regional competitiveness:

*“Another important, very concrete, investment is the Aalto University. It is an internationally remarkable initiative to combine not only technology and economy, but also art.”*

Jan Vapaavuori, Minister of Housing

#### 4.1.2 *Government driven regional and urban policy*

In Finland the government has little by little recognised the significance of large urban regions to the country's success, prosperity and national economy, because of their importance in knowledge and innovation creation (Ylä-Anttila, 2005; Steinbock, 2006; Inkinen and Vaattovaara, 2007). As mentioned earlier, urban politics became a tool of regional politics, aiming for regionally balanced economic development. Large urban regions compete in the global market for businesses and activities that could be located in Finland. The government driven urban development policy in Finland is designed to take the special role of regions into account and make them as strong as possible in the international competition. Today, the decision making power is somewhat less centralised. The current idea is that innovations should stem from local strengths (e.g. social networks, knowledge and R&D, economic capital and natural resources. More responsibilities in formulating the core of regional innovations have been moved to the Regional Councils of Finland and regional public-private clusters established through programmes from the central government. (Tynkkynen, 2008).

The aim of the policy programmes launched by the central government is strengthening the economic development and innovativeness of selected urban regions. The co-ordination responsibility is on the Ministry of the Interior. The profile of Finnish national government's urban policy could be described as "opportunity-oriented", focusing on science and innovations in cities as the competitiveness engines (Antikainen and Vartiainen, 2006). Government driven urban policy in Finland is based on a polycentric approach and a network of vital cities and towns. In current regional policy two main tools can be identified: 1) Centre of Expertise Programme (CoE) and 2) Regional Centre Programme (RC).

*Centre of Expertise Programme (CoE)* is a key national policy aimed at urban regions. It was started in 1994 with the aim of strengthening the economic development and innovativeness of selected urban regions. It now includes 21 urban areas and is in its third program period (2007-2013). The main idea of the CoE is to promote local and regionally specific economic strengths and potentials. Another main goal is to increase cooperation between different actors: local and regional authorities, the business sector and universities. The model of the programme was reformed for the term 2007-2013 as a cluster-based model. The National Programme involves 13 national Clusters of Expertise (eg. in nanotechnology, energy technology, housing and tourism) and 21 regional Centres of Expertise, one of them the Helsinki region (Centre of Expertise Programme, 2010).

There are different opinions on whether these programmes have been successful or not and have created innovation and fostered competitiveness. The funding involved in the CoE Programme has been relatively small, which has posed limits to what the urban regions can actually do. The OECD (2007: 65) has analysed the national urban policies in Finland and concludes that it has "little in the way of a specific, overt urban policy, but urban areas have been seen as key to a strong technology-orientated spatial policy". It states that this policy has been successful particularly in the Helsinki city-region, despite light funding.

The *Regional Centre Programme (RC)* was launched in 2001, after the CoE programme had been working for a few years. While the CoE aims at promoting the innovativeness of larger city regions, smaller and more peripheral regional centres needed their own regional policy

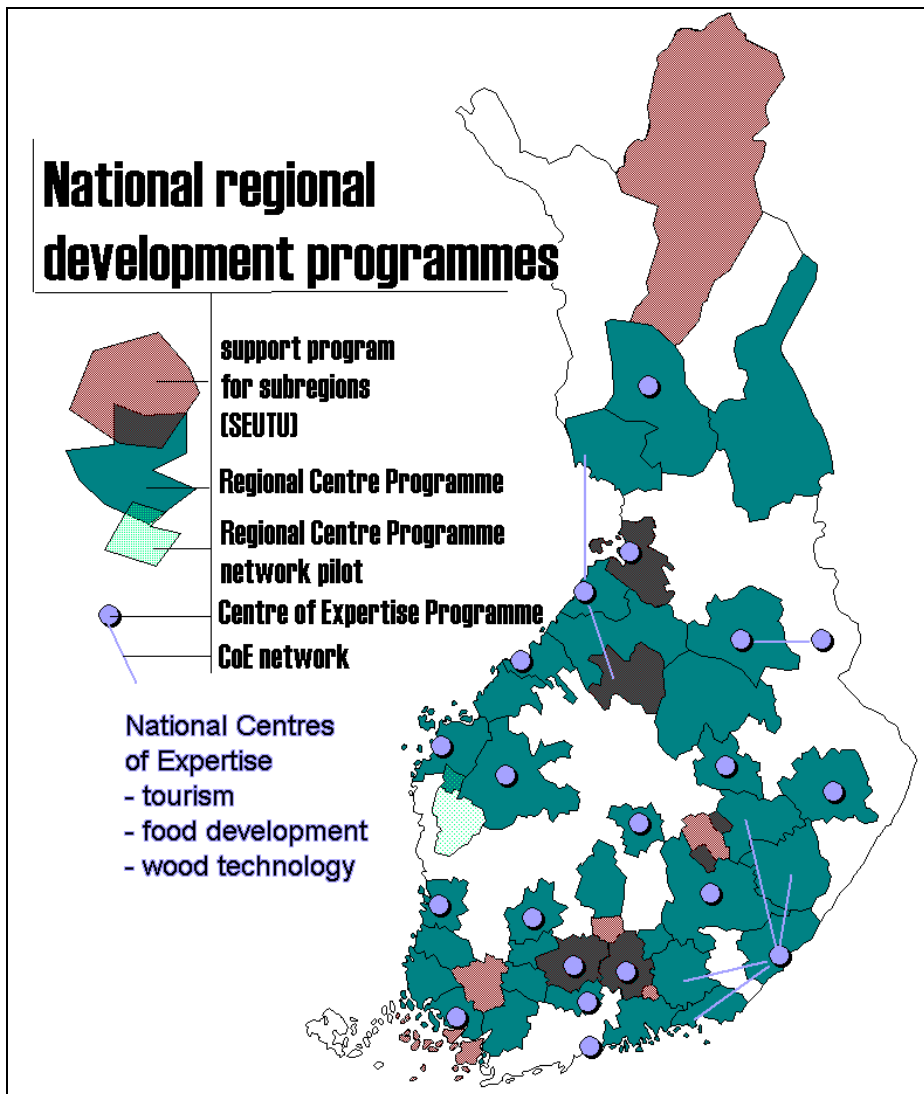
tool. The aim of the programme is to develop a network of regional centres covering every region, based on the particular strengths, expertise and specialisations of urban regions. The Regional Centre Programme implements national strategy. According to national strategy:

*“the government is developing a multi-centre regional structure based on a competitive metropolitan region and regional centre network which will maintain the vitality of all regions and facilitate more balanced economic growth throughout the country. Each province must have at least one urban region which offers a competitive location for various types of business and a diversified local job market. In addition the provinces must have successful smaller urban regions, strong municipal centres and rural regions, whose businesses are efficiently networked both within the province and outside.”*

Finnish Government 15.1.2004). (Ministry of the Interior, 2010)

The programme includes 34 urban regions. The Helsinki metropolitan area and surrounding Uusimaa region are not included in the RC programme. Innovations in these city regions are not necessarily related to international cutting-edge expertise, but rather to more traditional provincial social, natural, and economic strengths (Lemola, 2006).

Figure 4.1 - National regional development programmes and their target areas



Source: Ministry of the Interior

The latest innovation programmes in Finland are the Strategic Centres for Science, Technology and Innovation, or the SHOKs (In Finnish: *Strategisen huippuosaamisen keskittymä*). The programme started in 2008, with the goal to “thoroughly renew industry clusters and to create radical innovations” (Tekes, 2010). The SHOKs are new public-private partnerships for speeding up innovation processes. They promote long-term cooperation between the universities and industry, and aim to speed-up the process of using research results and maintain competitiveness in key topic areas. There are six centres in operation in the following fields: forest, ICT, metal products, energy, built environment and health. Director Holstila puts a lot of faith into the SHOK-model:

*“A much more effective model [than the Centres of Expertise] is the SHOK [Strategic Centres for Science, Technology and Innovation] [...] There is bigger money involved and the initiatives come from the companies. The formation of the SHOKs is one example of the organising capacity... one of our strengths. Single companies have founded limited companies in six different cluster areas, and now Tekes [the Finnish Funding Agency for Technology and Innovation] is funding their activities. [...] When the companies themselves have had to buy shares in the company they also have an interest in watching that something really goes on in it. ... And you don't get money from Tekes if you don't put money in it yourself...”*

Eero Holstila, Director of Economic Development, City of Helsinki

## 4.2 Increasing focus on the metropolitan region

The demand for large-scale, inter-municipal local policies and development strategies is currently intensifying. The whole nation is now ageing at an exceptionally rapid pace among European countries, and the shortage of labour is constantly intensifying both qualitatively and quantitatively (Hämäläinen and Tuomaala, 2007). The current challenge, as Porter (2004) states, is “boosting outward internationalisation”, to attract foreign capital as well as talent to the region. At the moment, the level of foreign direct investment in the HMA is very low in a European comparison, and there is a problem of negative migration balance in the group of highly educated professionals. There is a growing belief that urban regions are important in the new economy, together with factors related to specific urban milieus (Florida and Tinagli, 2004). This relates to the notion of competitive advantage which according to Porter (1998) ‘lies increasingly in local things – knowledge, relationship and motivation – that distant rivals cannot replicate’. In the current understanding of economy, it is not only the quality of the market but also the diversity of users that is seen as a strategic advantage to develop knowledge industries. On that front the homogenous nation and city-region of Helsinki is definitely lagging behind. Director Holstila acknowledges the need for the region to become more diverse:

*“And then the multiculturalism... During the last 20 years there are others coming here than Finns... [...] What is a big goal here is that we have to internationalise internally [...] And one major challenge here is to link the international community to local development projects.”*

Eero Holstila, Director of Economic Development, City of Helsinki

The industrial policies of urban regions have been fundamentally changing since the late 1990s. Cities are looking to shape and create their own visions, strategies and policies for competition and growth and are more moving away from national policies (Vaattovaara, 2009).

#### 4.2.1 *Increasing cooperation in the Helsinki region*

For very long, there was not much regional cooperation between municipal authorities and relationships between politicians from the different municipalities was sometimes even tense (Giersig, 2008; Karvinen, 2005). The cooperation was largely based on voluntary partnerships and networks and was not institutionalised into formal bodies. However, collaboration between public authorities and local businesses however were quite well developed already in the mid 1990s. Generally, support for inter-municipal cooperation promoting the competitiveness of the Helsinki region has been there, but has not been easy to implement. The need for cooperation and the methods of collaboration is seen in a different light in the different municipalities. Minister Vapaavuori notes that the governance structure complicates regional development:

*“Finland is an internationally rare case of a country where [...] the municipal governance is much more powerful than elsewhere: the municipalities are in charge of providing the basic services and they depend on the local taxes. [...] This makes the municipality-level extremely important, which in its part is the most noticeable barrier to both regional housing policies and the regional competitiveness. We have cities and municipalities competing with each other, and each of these assesses the situation more or less from their own perspective.”*

Jan Vapaavuori, Minister of Housing

The special features, different political traditions and cultures of the municipalities in the region cause conflicting interests. The municipalities are often stereotypically labelled with the following descriptions: Helsinki is clearly the dominant city in the region, often in conflict with Espoo, a more conservative, middle-class municipality. Vantaa, on the other hand is a more working-class, social democrat municipality, and the small Kauniainen still a “villa town” for the more well-to-do. The different, often contradictory goals and interests of different actors on various policy levels it has not been an easy task to formulate and implement concrete policy programmes for cooperation with the target of strengthening the metropolitan area. Despite common strategies and visions to make Helsinki attractive and competitive, the municipalities are still competing with each other in certain issues. In addition, the tension between the metropolitan area and the rest of Finland is obvious, which further complicates the situation.

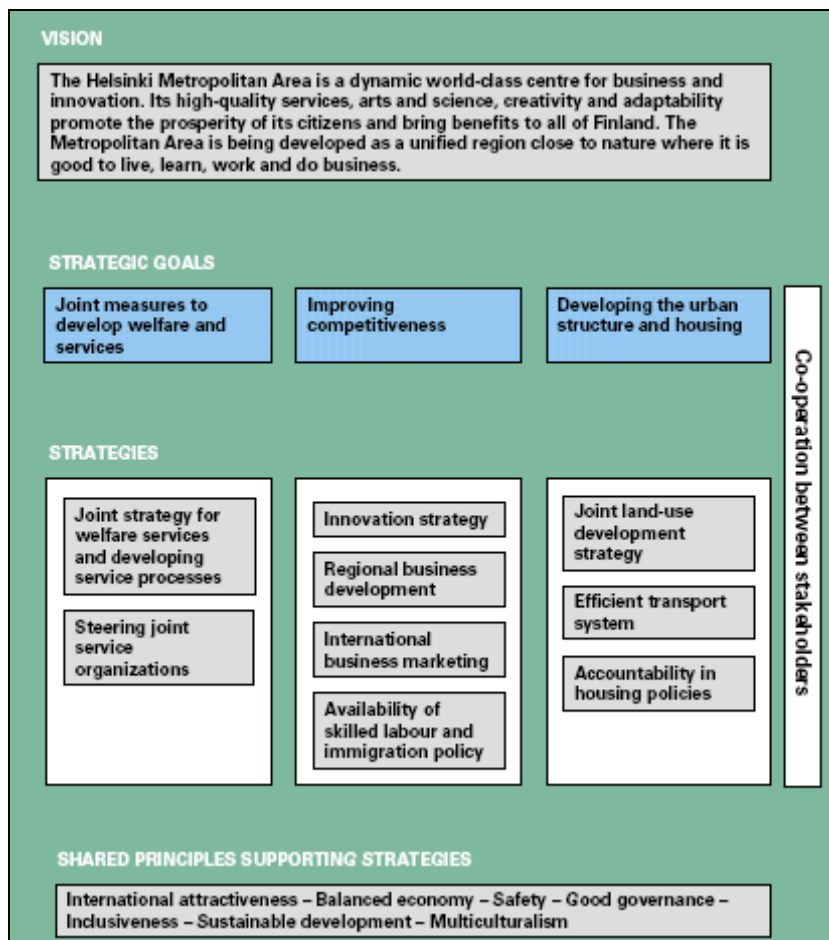
One of the first important contributing forces in formulating a strategy on a city-regional level was “The Helsinki Club”. It was a think tank of influential stakeholders in the region called together by a former mayor of Helsinki in 1996. It included top people from universities, business communities and public authorities. This group formulated a common vision and strategy for the Helsinki metropolitan area. The second Helsinki Club suggested in 2003 that a common innovation strategy for Helsinki Region should be prepared. As we noted before,

this was a good example of networking, and resulted in a large collaboration between various actors in the region: educational and research organisations, the cities of the region, national innovation organisations and local businesses (Innovation Strategy, 2005). This organising capacity is considered one of Finland's and Helsinki's strengths. The project of putting together an innovation strategy was led by the development company Culminatum. The Helsinki region has also used development company Culminatum to implement the CoE programme. Culminatum is a semi-private regional development company. It is owned by the cities of Helsinki, Espoo and Vantaa, the Uusimaa Regional Council and the universities, polytechnics, research institutes and business community of Helsinki region. The main task of Culminatum is to promote transfer of technological innovation from the conceptual level, through the research phase to the production level. To do so, Culminatum helps increase cooperation between the scientific community and companies.

Another regional cooperation form emerged around the same time as the innovation strategy was created. The leading elected politicians of Helsinki Metropolitan Area gathered for the first time to a common meeting in 2004. The politicians decided to start a new organised cooperation between the four cities. Within a short period of time, the Helsinki Metropolitan Area Advisory Board (In Finnish: Pääkaupunkiseudun neuvottelukunta) was founded, and each city council made the decision to participate in the work to formulate a common strategy for the area. The common vision and strategy for the Helsinki Metropolitan Area was approved in the advisory board in October 2004 (figure 4.2). The activities of the Advisory Board are based on decisions made by the city councils of the cities involved. Items on the agenda are prepared at mayors' meetings, and a joint work plan is adopted every year. Thus, the advisory board itself does not have any formal powers. (Karvinen, 2005; Helsinki Region Portal, 2010).

The cooperation body for an even larger territorial area, the Helsinki Region (14 municipalities) is the Helsinki Region Cooperation Assembly (In Finnish: *Helsingin seudun yhteistyökokous*). It aims to secure the Helsinki region's international competitiveness. Regional cooperation focuses particularly on land use, housing and transport issues as well as regional services.

**Figure 4.2 - A common vision and Strategy for the Helsinki Metropolitan Area was formulated in 2004**



Source: Helsinki Region Portal, 2010

#### 4.2.2 Formulation a metropolitan policy

The central government has traditionally tried to balance between the urban and the rural demands. However, a major change in the attitude of the national government towards city-regional governance came in 2007, when the government recognised the Helsinki metropolitan area for the first time in its policy programme. It called for an establishment of a metropolitan policy to deal with problems facing the metropolitan area, such as internationalisation, business policy, housing, land use, traffic and immigration. Jan Vapaavuori, the Finnish Minister of Housing, thinks the metropolitan policy programme is one of the most significant investments in the competitiveness of the region:

*“The metropolitan policy program, which meant that the national government officially recognised that the metropolitan region with its specific problems matters. This is important now and it will probably be of even more importance in the future. [...] All metropolitan areas in the world are concentrations of wealth and general welfare, but also of poverty, misery and social problems. Understanding this and that the region produces a third of the GNP is the basis for good governance.”*

Jan Vapaavuori, Minister of Housing

*“Stockholm is envious of our Metropolitan policy... Even though it is not that big, financially speaking, but the fact that the cities and the ministers get to negotiate directly to each other, past the Regions [Finnish: maakunnat]...it is impossible in Sweden. [...]It is a breakthrough.”*

Eero Holstila, Director of Economic Development, City of Helsinki

The formulation of a metropolitan policy started in 2007, and was connected to the National Government’s programme of metropolitan policy. It states that “to address the special issues affecting the Helsinki Metropolitan Area, a metropolitan policy will be launched to identify solutions to the problems associated with land use, housing and traffic, promote business and internationalisation and prevent social exclusion” (Prosperous Metropolis, 2009: 3). Overall, the metropolitan policy aims at strengthening the international competitiveness of the region and balanced development. It focuses on special issues of the metropolitan region:

- problems of land use, housing and traffic
- business and economic development policy and international competitiveness
- multiculturalism, immigration and bilingualism, and
- social cohesion

The metropolitan policy is coordinated by HALKE (Hallinnon ja aluekehityksen ministerityöryhmä – ministerial working group on public administration and regional development of Prime minister Vanhanens second cabinet). Each ministry is responsible for the preparation of the metropolitan policy of its own sector of administration. The metropolitan policy is based on cooperation between different actors, and it is implemented through making contracts that have to be accepted and signed by all 14 municipalities.

The metropolitan policy has several spearhead projects, which are the top priorities in the programme, and will be implemented during the current program period 2008-2011. The spearhead projects include

- to increase the supply of housing and building plots in the region
- coordinate and integrate land use and traffic investments in the region
- to formulate and implement a competitiveness strategy for the region
- to create and implement a programme for immigration policy
- enhancing social cohesion eg. with a programme aimed to reduce long term homelessness

Of these projects several are well underway. The state and the municipalities have signed an agreement of intent to increase the supply of housing and building plots, and if came into effect in April 2008.

The competitiveness strategy is one of the government’s spearhead projects in its metropolitan policy, and was published in 2009. The agreement of intent is currently in the signing phase in the participating municipalities and other partners, and the programme will



be launched during the period 2010-2011. Minister Vapaavuori and Director Holstila see the metropolitan policy as a major breakthrough for the recognition of the capital region:

*"This is a great victory for the Helsinki region. Finland has never before had a government programme in which the capital region would have merited more of a mention than a subordinate clause."*

(Helsingin Sanomat, 2007)

*"...when we have the different municipalities here...[...] what I was most satisfied with last year, or one of the issues I was very satisfied with, was when we worked on the competitiveness strategy [...] with focus on what the municipalities should do. One central entry is that the representatives of Espoo and Vantaa signed the clauses that a key prerequisite for the whole region's and also their own success is to maintain and invest in the attractiveness of the Helsinki city-centre. Because it is of course also their centre and their companies' as well."*

Eero Holstila, Director of Economic Development, City of Helsinki

The Competitiveness Strategy for the Metropolitan Area defines the priorities for developing international competitiveness in the area and the actions needed to achieve them. The four priorities of the competitiveness strategy are:

- 1) Improving top-quality education and know-how
- 2) Building good quality of life as well as a pleasant and secure living environment
- 3) Strengthening user-driven innovation environments and developing public procurements
- 4) Internationalisation of the metropolitan area and its connection to global networks.

The formulation and implementation of the metropolitan policy is based on partnership and requires close cooperation within the state administration as well as with the other actors: the municipalities, education and research institutes and economic life.

#### *4.2.3 The significance of metropolitan policy networks*

The rise of metropolitan governance is a result of the interactions and conflicts between state strategies and groups within cities that are trying to gain more resources and autonomy (Haila and Le Gales). The larger urban regions and their own specific challenges have not received much attention in Finland. The Helsinki region has expected to create a competitive edge for the whole country without any major investments. Instead, the Helsinki region actually has a negative financial balance, as it finances the other Finnish regions through national redistribution of funds between municipalities. The OECD for instance concludes in its territorial review that in order to organise and sustain growth, Helsinki region needs financial support to make major investments in terms of infrastructure and housing (OECD Policy Brief, 2002). The Helsinki region is a relatively dispersed, diverse and large entity that does not right now have a political or operative administration. According to Minister Vapaavuori

the specificity of the Finnish administration model of municipal autonomy causes difficulties to achieve an integrated strategy for the municipalities.

*“Nobody is responsible for the common good. Except for the state, which does not have the local resources to act. In the municipal level, where the decisions are taken, nobody has the responsibility for the whole region. Hardly anyone even has a proper understanding of the situation as a whole.”*

Jan Vapaavuori, Minister of Housing

Nevertheless, it is heatedly debated among the different actors and municipalities in the region if an extensive cooperation model is needed or not. So far the HMA has been doing relatively well without one, and has continuously been high in the rankings of successful cities in the knowledge economy. All in all, the governance in the Helsinki metropolitan area right now is a mix of strong municipal governments and dynamic metropolitan policy networks (Haila and Le Gales, 2005: 125). Suggestions for common governance and lowering the municipality boundaries are frequent in the recent political discussions. Particularly the idea of an administrative merger of the four municipalities in the Helsinki metropolitan area raises strong feelings. Espoo and Kauniainen in particular are strongly opposed to this idea. Alternatively it has been suggested that a more powerful regional cooperation body should be developed, which would get some formal powers in certain sectors.

However, temporarily the conflicts have been pushed aside for the common work of ensuring an internationally and also nationally competitive region. Elites in the area have created a complex networks connecting research, universities, capital, firms and municipalities, all strongly committed to the vision of a “knowledge society” (Haila and Le Galés, 2006). However, the competitiveness of the region seems to be challenged today by a wide array of socio-economic issues. The survey of Finnish creative and knowledge workers carried out in the present project show that these workers were in Helsinki mostly because of personal connections with the city and secondly because of employment related factors. Even if a majority of the respondents were satisfied with the city, 22 per cent of the respondents thought that the quality of life in Helsinki worsened. More specifically, close to 50 per cent of the respondents were very worried about one single thing – the availability of affordable housing. In the Finnish context this proportion is extremely, almost revolutionarily high. This concern added to those about the quality of life raises questions about the retention of creative and knowledge workers in the region. This would support the ideas of Porter (2004) and Steinbock (2005) that the microeconomic conditions and capabilities need to be addressed and improved. Housing is clearly a concern that has to be solved in the Helsinki metropolitan area. This issue was addressed also by our Minister of Housing Jan Vapaavuori as a key question for the competitiveness of the HMA.

The result of these developments and shifts of focus is a need of policies tackling the specific metropolitan problems. The region has to become more attractive, and many questions, such as the lack of affordable housing, cannot be addressed other than locally, with a thorough understanding of the metropolitan processes. Success in the competition over skilled labour force is one of the key priorities in all European cities, especially as the significance of urban regions to a country's economic success is growing due to the cities' role in knowledge and innovation creation. Helsinki, however, is in a position where international success in the race

for skilled immigration is especially important. The population in Finland is ageing at an exceptionally rapid pace, while the structure and development of the economy places a continuous demand for a large body of highly skilled workforce. The observed tendency for brain drain – unique for a West-European society – creates further pressure for enhancing the city's position as an internationally attracting urban region. Director Holstila notes this as a central challenge for the region:

*“One of the weaknesses of the Helsinki region's lack of attractiveness for skilled migrants... [.....] In my opinion, what is the biggest thing that needs to be done here is to strengthen the international community and involving them in our work... For example in that strategic seminar [Holstila mentioned in the interview] there was not one foreign person in the room.”*

Eero Holstila, Director of Economic Development, City of Helsinki

All in all, the issue of formal common administration in the Helsinki region is topical at the moment. OECD performed a territorial review on Helsinki in 2003 (OECD, 2003), where they conclude that the Helsinki region needs to rethink its urban policy. The report suggests that the region would need a new regional authority to provide the opportunity to constitute more formal mechanism to govern. So far the dynamic policy networks have been relatively effective in integrating the actors at the metropolitan level, but it still remains to be seen whether this model of governance is sufficient to actually get results.

## 5 SUPPORTING CREATIVE KNOWLEDGE

The ACRE research on the views of Finnish and transnational professionals and managers in the HMA underlines the importance of not only national general policies, but also local policies and strategies. The majority of the mentioned issues are also examples of emerging local, metropolitan challenges, which need to be tackled locally. *This chapter deals with the regional strengths and problems assessed as the most significant by our target groups.* These issues are considered together with the political and strategic interventions, which affect them. Besides our *previous research and the analysis of political and strategic documents above*, we use *expert interviews* to deepen the understanding on the political and regional context and phenomena.

In the ACRE surveys and interviews, the Finnish managers and Finnish and transnational professionals listed several especially valuable features of the HMA. The most important strengths of the HMA included:

- Nationally competitive labour market and employment opportunities (*Finnish professionals*), and the presence of extensive, inclusive professional networks (*Finnish managers and professionals*)
- High-quality educational facilities by national and international standards (*all groups*)
- Availability of skilled workforce (*Finnish managers*)
- Nationally central transportation location, good international links and a nodal position in business life (*all groups, especially the Finnish managers*)
- Functioning urban infrastructure and bureaucracy, “everything works” (*all groups*)
- Good public transportation (all groups, especially the transnationals)
- Safety and social cohesion (*all groups*)
- Closeness to (urban) nature, overall greenness of the city (*all groups, especially the transnationals*)
- Human scale of the city combined to a diversified cultural life, especially in the national comparison (*all groups*)

The nationally competitive labour market and employment opportunities have mostly risen from Helsinki’s position as the nation’s capital and the development path of the local industries. Also, Helsinki’s success, particularly the rapid growth and specialisation into a high-growth sector, the ICT, has also been a phenomenon influenced by public policy. Although the region's position as the national leader in all aspects of the economy is evident, the region naturally needs further support in the policy-making and innovation strategies. Especially the international position of the city region is not as strong as the position of many other European cities. The significance of public policies and strategies is particularly clear in

the case of educational facilities, which all groups assess as a regional strength. The investments in educational facilities have a direct effect on the assessments made of these institutions, and it also affects the labour market and the economy.

The educational facilities, good transportation links, functioning urban infrastructure and greenness of the city are all factors, which are clearly within the sphere of public policies. Some other strengths, such as safety, social cohesion and especially the diversity of cultural life, are somewhat more difficult to address directly. However, these can also be supported by public interventions and taken into account when formulating local policies and strategies.

When considering the local strategies and policies, it is naturally important to take the local strengths into account in order to enhance and support these valuable features. The majority of overall assessments of the city region were very positive, which places specific requirements for the metropolitan governance: while creating initiatives to increase the regional competitiveness, the existing strengths should be included and nurtured in the processes. The overall strengths in the region are also reflected on the interview of Minister Vapaavuori, who summarised the various positive attributes contributing most to the competitiveness of the region in the following manner:

*“[The most important competitive strengths of the HMA are that] the system works, there’s hardly any corruption, it’s easy to move around, there’s very little bureaucracy, the basic services work, everything’s close [...] and one of the key factors contributing to competitiveness is that this is a very tolerant and liberal city and region.”*

Jan Vapaavuori, Minister of Housing

On the other hand, the greatest concerns in the area for the target groups were:

- High costs of housing in both owner-occupied and rental sectors (*all groups*)
- Lack of varied, high-quality housing (*all groups*)
- Monotonous architecture and lack of attractive (public) space in the new neighbourhoods (*all groups*)
- Structural (e.g. high taxation) and cultural (e.g. attitudes towards entrepreneurship) obstacles to business (*managers*)
- Employment opportunities, especially outside the field of ICT, together with language problems and demands on Finnish skills (*transnational group*)
- Lack of urban diversity and “buzz” (most specifically the highly creative and transnational professionals)
- Accessibility of local networks both professionally and privately (*transnational group*)
- The lack of knowledge about the HMA outside the national border seen as a competitive disadvantage to the region (*pointed out by the transnational group and the Finnish managers*)

The price of housing was clearly seen as the most pressing problem of all these factors. Both the Finnish and transnational employees stressed it as their foremost concern, and the Finnish managers assessed it as a threat to the availability of labour force, which is the most valuable asset of creative knowledge companies. In the international context, the high costs of both owner-occupied and rental housing can threaten the availability of skilled transnational workers, especially in the industries or working positions where the level of wages is not noticeably above the national average. The expensive housing is also a particular concern to families with only one adult in the working life; a situation somewhat more common among the transnational workers than Finnish workers. In the national comparison the housing situation may put Helsinki in a marked disadvantage compared to other Finnish cities, where the employment opportunities are constantly diversifying and the price of high-quality housing is more affordable than in the HMA. The high cost of housing is a notable problem in several large European cities, which have been successful in the new economy. The economic growth combined to positive net migration creates competition in the housing market and pushes the prices higher. However, the costs of housing are particularly high in Helsinki, especially when taking account its position in the global hierarchy of cities. In a city comparison of dwelling prices in European cities, Helsinki is ranked the sixth most expensive city. London topped the list (State of the Helsinki Region, 2009).

The concerns on housing also include some qualitative issues, such as the versatility of the housing stock and the quality of architecture. However, all of these issues are inherently structural rather than cultural, and could be affected by political interventions or by a functioning market situation. Many of the other concerns of the target groups are largely cultural or social issues, and political interventions on these are far more challenging, if not impossible. For example the accessibility of social networks is very difficult to enhance by regional policies. However, most of the concerns mentioned can be at least partly affected by public intervention.

The next subchapters are divided into four main topics in the HMA. Housing, the greatest everyday concern of the target groups, is analysed first. The other subchapters deal with other key issues for the competitiveness of the HMA: higher education and international schools, urban infrastructure and functionality, and the urban quality of life. These topics were also brought up as particularly interesting by the creative knowledge professionals and managers. The majority of issues belonging to these topics received positive evaluations, and thus the main focus in these issues is how to maintain these regional assets and to improve some of their features.

## 5.1 Housing and neighbourhoods

Housing appears to be the single most serious problem in the Helsinki metropolitan area from the point of view of creative knowledge industries and workers. All the target groups investigated in our ACRE study expressed their worries and discontent with the housing situation in the area, which makes it a threat against the attractiveness of the city region. Therefore the housing policy and administrative solutions are extremely important to scrutinise, in order to see if the problem has been recognised and what attempts have been made to change the situation. For this policy study we thus focused on interviewing professionals with special expertise in the field of housing. Their insight is valuable in examining the current housing situation against the policy background in the Helsinki metropolitan area.

Our empirical study has also shown that the neighbourhood is a particularly important place for the creative knowledge workers in the HMA. Both the Finnish and transnational workers appreciate the greenness and safety of the (suburban) residential areas. The soft factors seem to matter more in the residential areas than in the city as a whole. It is thus also relevant to analyse, how the policies take the existing strengths of the city, such as the quality of the residential areas into account.

### Key issues: Price and quality of housing

All of the interviewees recognised that housing plays an important part in the competitiveness of the HMA. The most important trouble with the housing is the *price*. According to our expert interviewees, the elementary reason for this is the plain scarcity of the resource: the demand for apartments and building plots outreaches the supply. Since the 1960s the HMA has attracted large flows of in-migrants from other parts of the country, and the demand for housing has been constant. This leads to a situation where everything on the market is bought and the construction companies do not face serious competition or threats to their apartments being sold.

*“The scarcity of housing has kept the prices high – and will keep the prices high.”*

Teija Ojankoski, Director of VAV (public rental housing)

Director Metsola, specialising in the private rental housing, paid special attention to the price level of the most affordable housing, which sets the threshold of being able to settle in the region. A specific worry pointed out was that this price level has risen notably during the recent years.

The causes behind the low supply of housing and high prices are complex. The most fundamental problem recognised by all expert interviewees was the low availability and high price of land. Director Ojankoski also noted the often-mentioned remark that since there are not that many construction companies, they are quite powerful actors in the housing market and can keep the price of housing high. In addition, the construction laws made to progress ecological construction raise the total prices of housing. The cost of sustainable building is

naturally added directly to the housing prices and paid by the property owners, not the construction companies.

The second issue that was raised in our research relates to the *quality* of housing in the HMA. Especially the transnational workers criticised the monotony of the built environment in the HMA. The housing market seems to lack diversity in the choice of dwellings as well as in the architectural styles of the buildings, especially in relation to the price of housing. Our empirical work also shows that the creative knowledge workers do not all have similar demands on housing. On the contrary, the HMA is not offering enough high-quality housing options for varying stages in life. For example, larger apartments for families are difficult to find in the centre of the city. The interviewed experts in housing agreed that this is a true problem in the region, and there is a risk of it affecting the competitive advantage of the region negatively. Director Ojankoski described Finland as a “Xeroxed country” where housing and buildings are very similar throughout the nation.

According to our experts, the problem of monotony in housing relates first of all to the small size of the markets, where it is not profitable for the constructors to specialise in alternative housing choices.

*“The central reason for this is that when there is enough scarcity, anything can be sold, and when anything can be sold, no one is interested in developing anything new. [...] And it's a small market, which discourages companies from taking risks by building something new for target groups like creative knowledge professionals. [...] In other words, the biggest trouble in our housing market is that the market is dysfunctional.”*

Jan Vapaavuori, Minister of Housing

In addition to the small size of the housing market, the interviewees brought up the construction laws and city planning as factors restricting variance in the housing stock. The tight regulations were also seen as discouraging from trying something new.

*“If the demand and supply could regulate the [housing] market, there would be a better chance for variety because the builders would construct the kind of housing that people want. Now all the limiting regulations lead to just one type of outcome”*

Timo Metsola, Director of Vuokraturva (private rental housing)

However, the political and administrative barriers were seen as a smaller influence compared to the barriers created by the dysfunctional market situation. The scarcity of the land, disparity between demand and supply and the lack of competition within the construction business overweigh any political and administrative limitations, or, on the other hand, political or administrative attempts to solve the issue of expensive housing.



## **Housing policy and the municipalities**

As we have discussed in chapters 3 and 4 in this report, the municipalities have generous autonomy in Finland. This is also a noticeable factor affecting the housing policies in the region. The metropolitan area consists of four independent municipalities which all have their own planning right and the right to make independent decisions considering their housing policy. When the housing market of the HMA is considered more through the lenses of the individual municipalities, rather than focusing simultaneously on the entire functional area, some of the special features and possibilities of the areas around the edges of the region may remain unused. All of the expert interviewees held the opinion that not enough construction is happening in the edges of the metropolitan region, and they also wished for a higher level approach to solve the difficult housing situation.

*“This is not an issue for Espoo and Vantaa to solve. This [the HMA] is the most important urban growth centre in the nation, and the municipalities have wrong interests and they are the wrong actors to solve these kinds of things. This issue should be solved on the national level.”*

Timo Metsola, Director of Vuokratuura (private rental housing)

Currently, there is a strong Helsinki-orientation in the general administration of housing, which is noted by for example Director Ojankoski, representing the city of Vantaa, one of the smaller municipalities located in the edge of the HMA. For example, the state is often mostly interested in the perspective of Helsinki regarding the housing issues, as the state resources for handling municipal issues are also limited.

## **Strategies and policy perspectives: Housing solutions for creative knowledge workers**

However, in recent policy documents and strategies housing has been addressed more as a regional issue than before. The City of Helsinki has formulated a new spatial development strategy which was approved in 2008. This work takes account of the region as a whole (From City to City-Region, 2009). It consists of a set of development policies and a spatial planning framework. The spatial plan analyses the future of the city-region and its development needs and presents a vision of the city-region's future principles of spatial development over the next three decades. It contains policy statements in four different focus areas: business activities, housing, city-landscape and regional structure.

The strategy includes a wide variety of issues regarding housing and groups whose different housing needs need to be catered to. A few relevant key policies for the housing needs of creative knowledge workers are for example:

*From the point of view of business activity development, it will be important that the housing shortage should not become a bottleneck for the development of the region. Different types of housing solutions for different needs will be built according to demand and taking into account the possibilities the region will offer.*

(From City to City-Region, 2009 p. 16)

*“Helsinki’s own identity originates from the variety of ages and styles in its neighbourhoods. Each area is different in its own way and contributes liveliness to the overall functioning of the city. The city environment will be encouraged to continue to create different architectural and design characteristics for its new neighbourhoods, and in doing so, will assist residents to settle down and make their roots in the city.”*

(From City to City-Region, 2009, p.25)

Also the Innovation Strategy from 2005, which was formulated as a regional collaboration between a remarkably high number of different key stakeholders in the area, recognised that housing needs to be improved in order to increase the international appeal of the HMA. The Innovation Strategy visions that Helsinki needs to be “An excellent place to live, study and work”:

*In order to attract and keep creative talents, the Helsinki Region will have to provide creative settings offering high standards in housing, work and leisure opportunities. The Helsinki Metropolitan Area is well placed to develop all three of these comfort sectors.*

(Innovation Strategy, 2005)

More recently, in 2009, a competitiveness strategy for the Helsinki Metropolitan Area was formulated as one of the spearhead projects in the new metropolitan policy initiative. The completion of the competitiveness strategy for the Metropolitan Area is proof that the growing cooperation between the metropolitan cities is functioning relatively well. The Strategy is drafted in accordance to the vision for the metropolitan area:

*“The Helsinki Metropolitan Area is a dynamic world-class centre for business and innovation. Its high-quality services, art and science, creativity and adaptability promote the prosperity of its citizens and bring benefits to all of Finland. The Metropolitan Area is being developed as a unified region close to nature where it is good to live, learn, work and do business”.*

(Prosperous metropolis, 2009)

One of the four priorities in the competitiveness strategy is “*Building good quality of life as well as a pleasant and secure living environment*” (Prosperous metropolis, 2009, p.2). The following statement in the strategy mentions on the soft factors, and notes, very similarly to what our research has shown, that the residential areas matter:

*“The metropolitan area aims to be profiled as a region providing good quality of life as well as a pleasant and secure living environment. The importance of life quality factors is on the increase as they affect the decision-making of people and companies when they are choosing their domicile. They do not only attract new residents, but also bind those already residing in the area.”*

(Prosperous metropolis, 2009: 12)

As concrete action lines the strategy states that HMA creates new world-class residential areas in the region, and develops the Tapiola-Keilaniemi-Otaniemi area in Espoo into a “*diversified centre for culture, work, studies and active leisure time and as a garden city –like residential area*” (Prosperous metropolis, 2009, p. 15). Other than that, housing issues are not specifically mentioned.

Despite these the positive goals of the strategy documents, the policy experts interviewed for this study were generally critical of what can be achieved with policy. First and foremost, the key problem with the price of housing seems almost impossible to solve in the HMA with the current market disparity. Without a doubt, there is no simple solution to the problem in Helsinki, as well as in many other European metropolitan regions facing the same problem.

*“I can see this problem very clearly, and I subscribe to the interpretation [on the troubles with expensive and cramped housing and how it can negatively affect the region's competitiveness]. However, the questions on what exactly contributes to the situation and what we could do about it are markedly more difficult.”*

Jan Vapaavuori, Minister of Housing

*“I see the price of housing as an eternal question. Let's compare to, say, Munich or Amsterdam or other comparable successful cities... they ALL face the same problem. If you have a city with a lot of demand and where people want to come to, the prices will surely go up. ... [...]How this cheap housing is solved in places with high levels of demand... oh my god... [shakes his head]. The housing stock here is like in Dublin, the majority of it the same as during the 'poor times'. They do not disappear the flats. They are the same. Only the price goes up. ... [...]I can't think of any solution to this.”*

Eero Holstila, Director of Economic Development, City of Helsinki

*“There are no single governance solutions which could fix the problem. Maybe we just have to think that we can try to limit the extent of the problem. But we can never make the housing cheap around here.”*

Teija Ojankoski, Director of VAV (public rental housing)

While it seems that the general price level of housing is difficult to change, the experts agree that HMA should focus more developing the quality and versatility of the housing stock and the living environments. If the housing would be diversified generally, it would also serve the needs of skilled workers. All the expert interviewees wished for more varied and interesting housing solutions, but so far not too many results have been seen.

*“Although I believe that the housing is always likely to be kept as expensive as the people in the region can afford, the quality and versatility of housing could be developed. The region is now defined by dichotomies – owner-occupied vs. rental, one family house vs. apartments – and the discussions on housing follow these lines. And even within these types of housing, the solutions are monotonic, especially in the apartments. Although there has been a real will to diversify the solutions, the plans have thus far remained only plans. The whole country has been Xeroxed. We have a small market, which does not encourage diversification. [...] We should react to this, as public actors and as consumers. [...] Diversity could be our investment to competitiveness.”*

Teija Ojankoski, Director of VAV (public rental housing)

Another observation, specifically explicated by Director Ojankoski, is the welfare state's tendency to focus housing policies more to the deprived population than the needs of the wealthier citizens. This historical tradition might not specifically encourage the diversification of the housing, and according to Director Ojankoski, the municipalities are often left alone to deal with the issues of diversification. The experts also argue that in many cases administrative decisions considering housing have in many cases actually complicated the

situation even more, and have contributed to the somewhat dull housing stock and residential areas in the area. For instance, the construction laws define quite specifically the technical side of construction, with strict orders for catering the needs of the physically disabled. The City of Helsinki has also introduced a rule where the medium size of the new apartments should be 75 m<sup>2</sup>. According to Director Metsola, this rule makes the housing situation difficult when the share of one person households is notable and there is a growing demand for one-room apartments in the HMA.

*“In my opinion, the city planners should use the carrot instead of the stick when controlling the housing production [...]”*

Timo Metsola, Director of Vuokraturva (private rental housing)

The experts hold the view that planning is not very versatile in the region. Although there is a strive for creativity and versatility in the planning offices, the creative ideas are not always encouraged and many times old ways of doing things still get in the way of new development plans. Creative new ideas are not easy to put into practice.

*“Although planning officers do a good job and the result is often fine, this is nevertheless often a blow to creativity.”*

Jan Vapaavuori, Minister of Housing

*“For example, when the city planners want to buy exciting, Italian street lamps, the Street and Park Division comes in and says that it is too complicated [and expensive] to maintain all the different models of lamps. [...] When it comes to real experiments, someone always remembers an endless amount of fire regulations, parking regulations, city image strategy goals or something else. Many creative ideas are just shot down.”*

Teija Ojankoski, Director of VAV (public rental housing)

Many times the political decisions have mostly dealt with quantities of apartments and technical qualities of the housing construction. Social and qualitative issues have not been the centre of attention, as Director Ojankoski states:

*“The most important document regulating planning and construction is the agreement of intent [between the state and the municipalities]. But this only regulates the quantity of new dwellings, not the quality or diversity. [...] We pay a lot of attention to the technical side of things [...] But the quality of housing and quality of life are outside these.”*

*“The current problem with housing policies is that housing is usually not considered as a whole [and in connection to other sectors], but the small details are discussed separately. [...] In the past, housing policies were seen as a part of social policies and economic policies, but today we often end up fiddling with small details instead of focusing on the large mechanisms.”*

Teija Ojankoski, Director of VAV (public rental housing)

Our research has shown that creative knowledge workers are a heterogeneous group and the workers have varying needs in housing according to their stage of life and their ways-of-life. Therefore there is not a single housing solution that would suit all the skilled workers' needs. There is a strong tradition of owner-occupied housing in Finland, and most of the Finnish creative knowledge workers surveyed owned their dwellings. However, the majority of the

transnational migrants lived in rented apartments, due to the fact that they were staying in Helsinki on a less permanent basis. The private rental sector has an important role in accommodating transnational migrants, since it can react to their need of finding housing quickly and often for a temporary period of time. Also among the Finnish skilled workers rental living are improving its status as being an easy and low commitment option. Mr Holstila argues that there is a strong need for innovations in the rental sector:

*“The housing situation is very inflexible here due to historical reasons, they are planned for our Finnish national setting, and they have been polarised so that we have Arava-housing here [funded by state loan programme or by state-subsidised loans] and the big money –markets here, and in between there is nothing. If we think about foreigners here, they can’t go and buy a pricey apartment and they can’t enter the Arava markets. So they have nothing. [...] What is one important issue in the Agreement of Intent of the Metropolitan Policy: we have to, with the actions of the Ministry of Environment and the cities vitalise the markets for temporary housing. Very few foreigners come here to stay for the rest of their lives. They need housing for three months, six months, a year, three years... [...] We are desperate need of housing innovations in this sector.”*

Eero Holstila, Director of Economic Development, City of Helsinki

For the public sector it is difficult to respond to the needs of the skilled workers since the public sector focuses on housing the underprivileged part of the population, and there are strict income limits. However, according to Ms Ojankoski there are some plans to make skilled workers more aware of the municipal rental sector by co-operating with Vantaa-based companies.

In conclusion, our expert interviews suggest that there is a need to consider the current housing situation from a wider perspective, including the contexts of competitiveness and the whole metropolitan area. This is line with current strategy work in the region. For example the City of Helsinki’s strategic spatial plan states:

*One of the future main challenges will be the development of regional cooperation. From the point of view of future development, it will be essential that the existing city borders decrease in importance. (From city to city-region, 2009, p.)*

Despite general criticism towards the results of policy actions in the housing sector, the positive side is that the problems have been recognised and work has been done to improve the situation. The national expectations are also often so high that problems are locally seen more extensive than they actually appear in an international comparison, as noted by Minister Vapaavuori:

*“It shouldn’t be said that the system [of housing policies and public administration of housing] is run badly compared to other countries. We really have done reasonably well.”*

## **Importance of neighbourhoods**

One major finding in this study is that currently the neighbourhood is not a focus of attention of the policies. Our previous research has shown clearly that both the Finnish and transnational workers appreciate the greenness and safety of the (suburban) neighbourhoods in the HMA. For the “Creative class” in the Helsinki, the residential areas are where the soft, quality-of-life factors seem to matter the most. While the HMA has been active in promoting a lively city centre with more open urban space and many cultural events, the suburban neighbourhoods have not received the attention that they would need. One of our expert interviewees, Director Ojankoski, noted that although the greenness of the city is valued in the parks and recreation areas, it is not always considered enough in the case of suburban neighbourhoods.

*“The greenness of the region is a real strength, as is safety. These should not be lost. [...] We often build old-fashioned, too “urban” neighbourhoods in the edges, while people prefer a small scale. We lose the Ebenezer Howard’s garden city that could be a reality in the edges.”*

Teija Ojankoski, Director of VAV (public rental housing)

## **5.2 Higher education and international schools**

In the ACRE surveys and interviews, the Finnish higher education was generally ranked as one of the top reasons for locating into the HMA. All of the target groups mentioned this as a highly important attracting factor, and especially the Finnish managers assessed it as an important retaining factor, contributing to the decision to stay in the area. For the managers, the high quality of education is crucial for the availability of a well-educated pool of labour. The University of Helsinki ranks relatively high in the international university comparisons, and the other large universities, such as the Helsinki University of Technology and University of Art and Design Helsinki have also received international recognition. As mentioned before, the latter universities were combined with the Helsinki School of Economics in January 2010 to form the new, large Aalto University, which is hoped to become one of the leading universities in the Northern Europe.

According to our surveys and interviews on the creative knowledge professionals and managers, the competitive position of the HMA appears to be very good with regards to higher education. The transnational migrants generally held positive views of the international attractiveness of the local educational facilities, and the Finnish professionals saw the higher education very competitive in the national context. The Finnish higher education has so far been free of tuition fees also for international students, which adds to its international appeal. The group which expressed most critical views on the higher education in the HMA were, perhaps somewhat surprisingly, the Finnish managers. Some of them were worried about the quality of education, particularly in the fields which develop fast and require cutting-edge knowledge in order to support the competitiveness of professionals and companies. However, the majority of managers also expressed a general satisfaction with the educational system.

The expert interviewees were mostly satisfied with the educational policies and strategies from their own perspectives. They also saw the good educational facilities and the well-educated population as competitive advantages for the region. Director Holstila summarised the generally held opinion thus:

*“One of our major strengths is above all the education level of the population. It brings the breadth to it [the competitiveness of the region]. And secondly, we have fairly high-quality universities even internationally...”*

Eero Holstila, Director of Economic Development, City of Helsinki

The new Aalto University also received plenty of attention and was spontaneously addressed by all of the interviewees. Especially Minister Vapaavuori and Director Holstila saw it as one of the most important investments in the regional competitiveness. According to Minister Vapaavuori's views, it is the second of the two most important regional policy investments to competitiveness, alongside with the new metropolitan policy:

*“Another important, very concrete, investment is the Aalto University. It is an internationally remarkable initiative to combine not only technology and economy, but also art.”*

Jan Vapaavuori, Minister of Housing

Despite the academic criticism initially expressed by the some of the staff of the universities now being combined, the new university appears to be generally seen as a marked strategic advantage in the region. It is specifically hoped to contribute to the innovative capacity and internationalisation of the region through the synergies of the different scientific institutions. Director Holstila also paid attention to the exceptionally good links between the universities and other actors in the society. According to him, the cooperation and communication between the universities and the economic sector, as well as between the universities and the political actors, is internationally noteworthy.

*“Then we have the cooperation between universities and firms, which is the key issue for competitiveness... it is the best in the world... or say at least best in Europe. It has been investigated by the European commission and there are several reports where this is seen. [...] It is clearly the largest asset even when considering the future.”*

Eero Holstila, Director of Economic Development, City of Helsinki

This observation is doubtless linked to the often mentioned phenomenon of the “network society”, where all actors are involved in the same professional networks. Director Holstila assessed this as a great strategic advantage both for the universities, which receive wide recognition and attention in the economic and political decision-making, and for the political and economic sectors, which have a direct access to the knowledge produced in the leading research institutions of the region. He also considered the creation of the Aalto University as an example of the power and flexibility of networks, and of the unique organising capacity offered by the network structure.

*“The creation of the Aalto University is an example of the Finnish organising capacity, which is our strength. Think about it: from idea to execution it took three, four years. All of a sudden they found 500 million in the state budget just for this. Absolutely*

*unbelievable. It doesn't happen elsewhere. They don't have the ability to do this in many countries. [...] The Aalto University is one of our greatest deeds, an example of the achievements of metropolitan policy. It is a good example of what can happen if you have the determination to do it."*

Eero Holstila, Director of Economic Development, City of Helsinki

Although the higher education, particularly the large universities, received almost unanimously positive attention in all our surveys and interviews, the comprehensive education was viewed somewhat more problematic. The Finnish target groups were generally very satisfied with the comprehensive educational system, which has long received very positive assessments in the international OECD PISA comparisons. The Finns were also generally satisfied with the school network and offered no special criticism on this account. However, the transnational workers were slightly more troubled about their families' access to international schools. For families with no Finnish skills, international schools are naturally the only possible choice of education. These schools tend to be scarce in the HMA, and the access to them limits the choice of neighbourhoods for the migrant families with children. The lack of comprehensive schools providing English education was among the most important everyday concerns among the group of transnational migrants. Similar concerns have been expressed elsewhere from research and public governance documents to international consulting agencies' strategy analysis (see e.g. Innovation Strategy 2005: 22; Suomen talous, 2007).

The transnational migrants are also generally more interested in the quality of schools than the Finnish families. The educational system has traditionally been highly trusted in Finland, whereas in many other countries the schools are more differentiated and the choice of "good" school receives far more attention in educationally oriented families. This is also evident in the survey answers of the Finnish and transnational professionals. In the Finnish group, only one tenth to whom this question was applicable assessed the proximity to good quality schools as "very important", and an additional tenth as "quite important". In the transnational group, the proximity of good quality schools was considered "quite" or "very important" by half of the correspondents. Against this background, investments to a more comprehensive network of attractive international schools would be likely to contribute to the neighbourhood satisfaction of the transnational migrants arriving in the HMA with their families. The generally high quality of Finnish schools could perhaps be also marketed more efficiently to the transnational migrants.

In conclusion, the higher education appears to be generally appreciated by all target groups, and the political attention to the education system also received positive remarks from our expert interviewees. Education has for a long time been one of the key areas in the Finnish political agenda, and the positive results are noticeable in all our surveys and interviews. The largest strategic investment to educational competitiveness in the region is now the Aalto University, and the other universities and higher education facilities are constantly being developed. Education in all levels receives plenty of attention both nationally and regionally, and in different sectors of government. Besides educational policies, the educational issues are well represented in competitiveness strategies and innovation policies. For example, the Competitiveness Strategy for the Metropolitan Area, which defines the priorities for developing international competitiveness in the area, lifts education as one of the four most



important priorities. According to our research, the future challenge appears mostly to be keeping the educational system as competitive in the changing European context. The other challenge is the transnational groups' demand for developing the network of international schools in the comprehensive education. This need has been identified in the regional level, and for example, the Culminatium's Innovation Strategy for the Helsinki Metropolitan Area (2005: 22) states that:

*“International schools have an important function in attracting foreign experts and ensuring that they thrive in the Region. The cities of the Helsinki Metropolitan Area should jointly prepare for an imminent increase in the number of foreign residents by compiling a joint networking strategy for international schools that forecasts the needs of a growing foreign community.”*

### **5.3 Urban infrastructure and functionality**

The urban infrastructure and the overall functionality of everyday life have been noted as particular strengths of Finland and the HMA in several national and international studies. These were also viewed as strengths by all of our target groups. The transnational migrants were especially happy about the functionality of the city, and they assessed the good public transport and smooth bureaucracy as significant strengths in the area. One of the transnational interviewees expressed the commonly held opinion in this way:

*“[...] generally I think that everything seems to work here, everything... All the buses come when they're supposed to come, all the trains come when they're supposed to come, and the roads get cleaned when they're supposed to you know.”*

Interviewee 9, ICT

The national Brand Delegation, set up by the Minister of Foreign Affairs to establish a country brand for Finland, has also noted the overall functionality of the society as one of the cornerstones of Finland's assets. As also pointed out by our expert interviewees, mainly Director Ojankoski and Minister Vapaavuori, the Finnish administrative system is very efficient in generating technical solutions in different fields, such as traffic infrastructure and housing. Minister Vapaavuori summarised the situation similarly as the above-quoted transnational expert by stating that

*“One of our clear competitive advantages is that the whole system simply works.”*

Jan Vapaavuori, Minister of Housing

The political and administrative systems have traditionally been geared towards supporting the functionality of the physical infrastructure also on the municipal and regional levels. Although somewhat problematic in some other fields, the municipal cooperation functions efficiently in the technical and infrastructural questions. For example in the fields of traffic and environmental planning, the municipalities have organised their cooperation through regional authorities called HSL and HSY, which govern the planning and administration from the organisation of the public transportation to water management in the region.

However, according to our target groups and the interviewed experts, the HMA is also facing some challenges with regards to the functionality of the city. The main troubles relate to the restrictions for versatility and barriers to creativity, which are increased by the administrative regulation. There are also some shortcomings in the functionality mainly in the field of public and private service production and the efficiency of bureaucracy.

### **Lack of international services**

The lack of services is related to the growing service demand of the immigrant population, which has risen dramatically over the last two decades. In our interviews, many transnational workers mentioned that the public services were often difficult to access because of language issues and lack of specialised services for transnational migrants. Besides difficulties in arranging everyday things while settling in the country, the service system appeared to be even more lacking in the case of labour-migration than in the humanitarian migration:

*“[...] integration to society, here I can see it’s up to you. So there’s no such an area or forums or environment that would say: ‘How can I integrate you to the society, as a foreigner’. At least I couldn’t find out the ways of... I don’t want to go to political discussion, but Finland does that very well when it’s foreigners from other kind of situations, if you talk about refugees for example, they do that very well. But if you come by your own and you are a tax payer, that happens not so well.”*

Interviewee 6, ICT

The situation was most complicated for the transnational migrants locating without a pre-existing work arrangement. Many companies used private relocation services, and these migrants had found their settling in much easier than the ones coming on their own. Another common practical problem besides the lack of services was bureaucracy. Although the bureaucracy functions generally very smoothly by international standards in the case of Finnish citizens, some groups of migrants faced difficulties in this area. The troubles with paperwork were mostly mentioned by migrants who came from outside the EU and who did not have a fixed work position upon arrival. The majority of the EU-nationals had had no problems with permits and other official papers, and some even claimed that arranging them had been extremely easy.

Migrants who had lived in Finland for a longer period of time said that the system has improved over the last years. From policy documents it is evident that both the national government and the regional administrative system are continuously working on new service solutions. This, together with the positive development assessments from the migrants, shows that the lack of international services has been understood in the national and regional administration, and the system is reacting to the new service need. For example, the city of Helsinki set up a new office for immigration and immigrant service issues in 2007. In addition, the government and municipalities have as a cooperation effort set up an online service, the “Info Bank” with the aim of providing information on Finnish society and its services in 15 languages, and thus supporting the integration process of immigrants. The national social and health sector organisation Family Federation (Väestöliitto) also opened a new “FINFO” phone service in 2009, where migrants can ask about any public health, welfare and social services, and get information on their use in the Finnish society.

## Urban versatility

The restrictions for versatility relate mainly to the regulations on the physical infrastructure of the city. For example the strict building regulations, which on the one hand produce a highly functional and organised city, also limit the urban versatility on the other. As an example of these, the regulations for the accessibility of public and private buildings, meant to enable the disabled population, have had an effect on the variety of architectural choices. Even though the regulations on accessibility, size, energy efficiency, fire safety etc. do not make many designs actually impossible, they have a large effect on the price of many architectural solutions, thus affecting the city and private apartments through market mechanisms. Director Ojankoski also remarked that adhering to the common ways of doing things, and avoiding extra work and costs through choosing the simplest ways of operation, may also act as a barrier to diversity within the sphere of public planning and building. Even when someone within the public administration would like to experiment with a new solution, other administrative sectors may interfere:

*“For example, when the city planners want to buy exciting, Italian street lamps, the Street and Park Division comes in and says that it is too complicated [and expensive] to maintain all the different models of lamps. [...] When it comes to real experiments, someone always remembers an endless amount of fire regulations, parking regulations, city image strategy goals or something else. Many creative ideas are just shot down.”*

Teija Ojankoski, Director of VAV (public rental housing)

The strong orientation towards technical functionality may also appear in some aspects as a relative lack of attention on the soft qualities. One of the interviewed transnational migrants described a problem of boringness in a city, which functions like clockwork but lacks adventure:

*“[...] I think the things that really work are sort of quite mundane and not that interesting, the fact that like everything works so well here, there's no, like transport, trains run on time perfectly... So it doesn't make a Barcelona, and there's not really so much history to the city too, which is maybe a problem, and then there's other negative factors that you can't really do about, like climate, it's hard for most people, there's not even snow here anymore so... ”*

Interviewee 21, ICT

A member of the National Brand Delegation, communication consultant and former MP Kirsi Piha, has pointed out that the boringness can also be a strength in some comparisons (Finland..., 2009):

*“Finland is a cold land, and certainly also a little boring in some comparisons. But the boringness can be turned into a strength: Helsinki can't beat London when it comes to being exciting, but the everyday life in Helsinki is so much easier.”*

However, Minister Vapaavuori noted that the other Nordic capitals Copenhagen and Stockholm have the same advantages of functionality and safety, but they are more well-known, more centrally located in the European map, and also in some ways more versatile than Helsinki. They may thus appeal more to creative migrants. From this perspective, the

functionality and safety of Helsinki might not offer exceptional advantages in the Nordic comparison, although they are very valuable characteristics in the wider European or international comparison. According to Minister Vapaavuori, the investments to the city's versatility are thus especially important in the Nordic competition.

According to Director Holstila, the regional innovation and strategy work has recently reacted increasingly to the demand of cultural diversity, somewhat overcoming the traditional orientation to technical functionality in policies and urban development. The new city strategy builds on the existing strengths in functionality and the strive for new diversity and buzz, using the slogan of "Fun and Functionality". Director Holstila gave examples of the new strategy work particularly in the fields of arts and culture, and the new emphasis on promoting interesting events in the city. For instance, the city invested in a large Picasso exhibition when the national museum of arts ran into financial troubles in 2009. Now the city is planning significant investments for its upcoming status as the Design Capital 2012. According to Director Holstila, the neighbouring municipalities are also increasingly interested in urban culture and diversity and have supported Helsinki for example in the Design Capital planning and funding. In his view, the region is now taking up the challenge of avoiding the future as a "clockwork city", where everything works but does not inspire, and instead reinventing itself as the city of "Fun and Functionality".

#### **5.4 The "soft city" and the urban quality of life**

The Finnish administrative system has evidently been successful in creating an environment, which supports urban quality of life. In our surveys and interviews, Helsinki was ranked very high in the quality of life measurements. Several international comparisons have produced similar results. The latest one of these is the February 2010 Economist Intelligence Unit (EIU) city ranking, which assessed Helsinki as the sixth "most liveable" city in the world after Vancouver, Vienna, Melbourne, Toronto and Calgary (Winter..., 2010). The EIU ranking scores depend on factors spreading across five areas: political and social stability, health care, culture and environment, education, and infrastructure. Helsinki has been among the top ten of the cities in this ranking for several years, and the city usually scores high in similar quality of life indices. These scores are partly dependent on the physical and social functionality discussed above, and partly on the general organisation of social policies and governance solutions as well as on cultural traditions and values.

##### **Maintaining the soft city**

According to the Finnish and transnational professionals, it appears that the "soft city" and quality of everyday life are highly valued, especially when settling in the city for a longer period of time. Although the soft factors such as cultural diversity and tolerant atmosphere do not play a decisive role in the initial migration to Helsinki, they contribute to this decision, as well. Up to 70 per cent of the Finnish employees and 85 per cent of the transnational employees mentioned at least one soft factor among the four most important factors for the initial migration decision. Especially the migrants placed plenty of value on the safety for children and proximity to nature. The Finnish experts rated some soft factors, such as

proximity to leisure and entertainment or the tolerant atmosphere as more important than the transnational migrants. These differences might be attributed at least partly to different comparisons: the transnational migrants were comparing Helsinki to other major European cities, whereas the Finnish experts made the comparison with smaller, less diverse Finnish cities. Nevertheless, both groups assessed Helsinki as a city with a very high quality of life. It was generally seen as a safe, green city, with a high level of social cohesion and good leisure facilities.

The national and local policies support many of the valued soft or quality of life factors very efficiently. The good social infrastructure is to a great extent a result of the core functions of national-level Nordic welfare policies, and the municipalities are in their part active in supporting social cohesion and equality through the planning and implementation of the welfare services. For example, the city of Helsinki independently allocates extra resources to services, such as schools and health care, in the most deprived urban areas. It is noteworthy that the production of high quality, universal public services is not merely seen as a responsibility for the welfare state in the policy documents, but also as an important factor contributing to the competitiveness of the region. For example the Competitiveness Strategy for the Metropolitan Area (Prosperous Metropolis, 2009: 12) states that:

*“To have appeal, the metropolitan area must be capable of offering diversified and sufficient well-being services to its residents. Besides well-organised social and health care services, culture-related services and the possibility of spending leisure time are important factors increasing the area’s attractiveness and the residents’ commitment.”*

Maintaining the greenness of the city through protecting the urban nature and managing parks and other green areas is also a thoroughly established and well-functioning part of the metropolitan governance. The regulatory power of public urban planning is strong, and the greenness of the HMA is one of the central goals of the city-planning offices in the region. When the population in the area grows and there is greater need to more density in housing, the need for green management is seen to grow rather than diminish. For example the current City of Helsinki Strategic Plan (From City to Region, 2009: 33) states that:

*“Accessibility to the green city network and recreational areas of the city-region will be guaranteed. There will be sufficient recreation areas for all residents. The preservation of natural diversity and landscape culture will be a key feature of the Plan. As the urban structure becomes more compact, greater emphasis than before will be placed on the quality of public outdoor areas.”*

### **Supporting lively urban culture**

One of the main criticisms in the city, particularly from the transnational migrants, related to the lack of urban “buzz”, i.e. lively street-life and cultural life – and to the climate, which in its part discourages any outdoors buzzing for the most part of the year. The lack of interesting, varied architecture and high-quality public space in the new neighbourhoods of the city also received negative remarks particularly in the groups of transnational migrants and the Finnish managers. The transnational migrants were also worried about difficulties in accessing social networks in the city, in the private life as well as professional life. Finnish social life was seen

as unusually private and exclusive in an international comparison, and Finns were generally considered rather shy and difficult to get to know. There is very little that can be politically done to the cultural models of social interaction in the private sphere and city streets, or to the Northern climate, but the rest of the most noticeable criticism towards the HMA belongs to the sphere of public governance.

In the case of Helsinki, the same efficient institutional structures and administrative solutions that have contributed to the overall functionality of the city are also responsible for the noticeable “soft” strengths of the city, such as the greenness and tidiness of the city, and the physical and social safety of the neighbourhoods. However, according to some experts, the value of these assets is not always thoroughly understood and encouraged. One of our expert interviewees, Director Ojankoski, noted that although the greenness of the city is valued in the parks and recreation areas, it is not always considered enough in the case of suburban neighbourhoods. She also pointed out that although the city is very safe, the physical infrastructure does not always manage to promote the *feeling* of safety. As the planning ideal is often very urban and there is an economic as well as an ecological push for efficient land use, the new suburban neighbourhoods often have higher houses than would be conducive to feelings of safety.

However, the greatest challenges for urban “buzz” and a varied street life are not administrative barriers, but cultural and climatic reasons. Helsinki – and Finland as a whole – has not had a long urban tradition, which would contribute to a rich urban life, such as in some other European cities. The cultural models of social interaction and the climate also have an effect on the urban “buzz”. Whereas the regional success in the field of ICT has grown from its own potential and the economy has internationalised without extensive public support, the regional urban life has not developed as fast. However, according to the interviews, the urban culture appears to be changing. Especially the transnational migrants who had been in the city for a longer period of time commented on the positive changes of the city:

*“I think, because Helsinki is growing so fast, and there’s actually new restaurants popping up all the time or, different development projects going on. [...] [friend X] who adores doing this restaurant hopping, whenever there’s a new restaurant she always calls and says ‘Hey you wanna go try that out?’, and that was one way to have entertainment.”*

Interviewee 22, marketing and business consultancy

The change is evident also in the statistics of entertainment facilities, such as bars and clubs in the city centre. There are also growing political efforts to support the urban culture even outside the direct cultural policies, such as the above-mentioned “Fun and Functionality” -strategy in the urban administration. This shows that a lively urban culture is understood as part of the overall competitiveness and quality of urban life, and not as a separate field of formal culture production. Minister Vapaavuori's and Director Holstila's comments on the need for investments in the urban culture also show that these issues have been widely recognised, and the public actors are willing and ready to react to these challenges. The city still receives some critique in these issues, but the political will and the observed changes suggest that the situation is developing to a positive direction. A notable feature in these efforts is that the municipal cooperation has also been identified as a factor contributing to the

successful development of urban life. For example, the Competitiveness Strategy document (p. 16) outlines the municipal work thus: “The cities agree annually on cooperation in organising, providing and marketing cultural and other events, as well as on cooperation in developing cultural services and tourism.”

All and all, the main issues brought up by the creative knowledge professionals and managers – housing, educational facilities, functionality and quality of life – appear to be generally well understood in the regional policy-making and administration, as well as included in the regional policy and strategy goals. The region appears to be developing continually stronger in the fields of educational facilities, urban functionality and quality of life, whereas housing continues to be an unsolved challenge, especially regarding the price of good quality housing. Based on the policy analysis and expert interviews, it seems that this challenge, too, is understood well, and its effects to regional competitiveness do get political attention. However, the causes of this problem are so varied and depend on such an intricate web of economic and structural phenomena that political efforts to solve the problem have a limited effect at best. At the moment, the disparity between demand and supply in the housing market overweighs any political and administrative attempts to solve the issue of expensive housing.

## 6 CONCLUSION AND DISCUSSION

The results of our four year research (Kepsu and Vaattovaara, 2008a; Kepsu and Vaattovaara, 2008b; Kepsu et al, 2009, Vaattovaara et al, 2009) have addressed three major issues that support and but also challenge policies and strategies within the Helsinki Metropolitan Region in its progress to further competitiveness under the era of the new global economy.

The first relates to the high level of education in our country. The investments in the education that have been profound in the Finnish welfare model, have greatly influenced the current situation where Finland and Helsinki metropolitan region are among the top performers not only in the ACRE project but also in the world, especially in terms of the share of knowledge industries in the economy. The inevitable role of Nokia, in addition to the national educational network and the creation of public financing institutions for business-oriented research and development, have been seen as prerequisites for the subsequent growth of the sector. The importance of educated employees was addressed also strongly by the managers in our study (Kepsu and Vaattovaara, 2008b). As one of the most established and experienced manager stated - *“we do not have anything else in this business, other than the skilled workers”* (Ibid, p. 29). Also the policy makers interviewed in this study addressed clearly the general importance of education. For example, the Director of the Economic Development in the City of Helsinki Eero Holstila stated:

*“One of our major strengths is above all the education level of the population. It brings the breadth to it [the competitiveness of the region]. And secondly, we have fairly high-quality universities even internationally...Then we have the cooperation between universities and firms, which is the key issue for competitiveness... it is the best in the world... or say at least best in Europe. It has been investigated by the European commission and there are several reports where this is seen. [...] It is clearly the largest asset even when considering the future.”*

Eero Holstila, Director of Economic Development, City of Helsinki

Doubts have also been raised about the capability of the educational institutions to react, transform or compete in the fast developing fields of the new global economy. However, the policy makers and officials have already reacted to this need by forming a new university by the merge of relatively established and independent universities. The Aalto University was established in January 1, 2010, when the Helsinki University of Technology, the Helsinki School of Economics and the University of Art and Design Helsinki merged. The expectations for the new merged university are high as denoted by the President of Finland Tarja Halonen in her opening ceremony: *“In a global world, knowledge and skills become outdated faster than ever before. This places new demands on the development of education. We must find means to ensure that Finland continues to be successful in global competition. Meeting this challenge requires specialisation, but also broader education and knowledge cultivated by Humboldt-type universities”*. The special role of knowledge industries and technical development in



Finland was also addressed in the creation of this new, also highly debated university. As our Prime Minister Matti Vanhanen stated in the same ceremony: *"The humane general task of the Aalto University is to be involved in answering questions and opportunities, as – in the words of Alvar Aalto – "the technical culture" will have an increasingly wide impact on all civilisations, societies and natural environments. The special task of the Aalto University is to contribute to helping Finland in this humane development as well as to succeed both internally and externally"*.

All of interviewees in our research addressed the importance of this new, relatively fast formed university as well.

*"The Aalto University is one of our greatest deeds, an example of the achievements of metropolitan policy. It is a good example of what can happen if you have the determination to do it."*

Eero Holstila, Director of Economic Development, City of Helsinki

*"Another important, very concrete, investment is the Aalto University. It is an internationally remarkable initiative to combine not only technology and economy, but also art."*

Jan Vapaavuori, Minister of Housing

The second major issue that was highlighted in our previous studies in this research project as an important component to enhance competitiveness relates closely to the creation of the Aalto University – it is the role of networking. As a peculiar national tradition networking has resulted in a culture where "everyone is involved" and thus there is a stronger commitment to decisions, which are also implemented more easily (Alapuro, 1994; Vaattovaara, 2009; Vaattovaara et al, 2009). This definitely can be seen in the case of the Aalto University. In few years three established and major educational institutions were merged into one new whole – a new university.

*"The creation of the Aalto University is an example of the Finnish organising capacity, which is our strength. Think about it: from idea to execution it took three, four years. All of a sudden they found 500 million in the state budget just for this. Absolutely unbelievable. It doesn't happen elsewhere. They don't have the ability to do this in many countries."*

Eero Holstila, Director of Economic Development, City of Helsinki

The third issue and major challenge relates to housing. If the previous two elements that enhance competitiveness seem to be clearly noticed, addressed and also supported according to the best existing understanding by the policy makers - the third one remains more open and is also conceived to be problematic by our interviewees. Since housing was brought up by our target groups as the most serious problem of the HMA, we selected our expert interviewees accordingly, but still it seems that even they throw in the towel when confronted with this problem.

*"I see the price of housing as an eternal question. Let's compare to, say, Munich or Amsterdam or other comparable successful cities... they ALL face the same problem. If you have a city with a lot of demand and where people want to come to, the prices will surely go up. ... [...]How this cheap housing is solved in places with high levels of demand... oh my god... [shakes his head]. The housing stock here is like in Dublin, the*

*majority of it the same as during the “poor times”. They do not disappear the flats. They are the same. Only the price goes up. ... [...]I can’t think of any solution to this.”*

Eero Holstila, Director of Economic Development, City of Helsinki

*“Yes. I can see this problem very clearly, and I subscribe to the interpretation [on the troubles with expensive and crammed housing and how it can negatively affect the region's competitiveness]. However, the questions on what exactly contributes to the situation and what we could do about it are markedly more difficult.”*

Jan Vapaavuori, Minister of Housing

*“There are no single governance solutions which could fix the problem. Maybe we just have to think that we can try to limit the extent of the problem. But we can never make the housing cheap around here.”*

Teija Ojankoski, Director of VAV (public rental housing)

None of our experts were optimistic about the possibility of lowering housing prices. It seems that there are so many factors affecting the low supply and high prices of property that the problem as a whole is difficult to grasp. According to our expert interviewees, the basic problem considering housing is the plain scarcity of the resource. As Helsinki metropolitan area has been one of the fastest growing regions in Europe the challenge is very difficult. And indeed, in all the cities that have been successful in the new economy, in this project, the housing market seems to be tight (Musterd et al., 2007). While it seems that the general price level of housing is difficult to change, the advantage of housing in the HMA could come from the quality and versatility. If the housing would be diversified generally, it would also serve the needs of skilled workers.

One of the general findings of the whole ACRE project is that during the era of globalisation, more attention should actually be targeted to the neighbourhoods. Even if hard factors, such as employment opportunities and education facilities, as well as personal trajectories such as being born or having family in the region are by far the most important for creative and knowledge workers to choose their city-region – much attention is directed to the characteristics and quality of the individual neighbourhoods. The quality of the neighbourhoods contributes strongly to the satisfaction with the city-region. Thus some of the policies enhancing the competitiveness of the Helsinki metropolitan area should be directed to improve the housing and neighbourhood qualities to fit the needs of differentiated people. The difference between the creative and knowledge workers is very small from this perspective. The group looking primarily for entertainment or buzz seems to be relatively small, and the soft factors relate also to the business logic of these creative fields (Kepsu and Vaattovaara, 2008b; Vaattovaara et al., 2009). In the field of creative industries (eg. in film and other audiovisual sectors) many of the business contacts or networks and even employment is prepared and strengthened after theatre performances or movie premiers in the city centre. The foreign immigrants seem to behave similarly to their local reference groups. The idea of the “Creative class” and a lively city centre has been actively promoted also in Finland. However, surprisingly many of the foreign professionals chose their location of housing outside the urban core – mainly from Espoo. In the Finnish context, the lively cultural supply and urban “buzz” in the city centre is not as important as often thought, neither for Finnish nor foreign skilled workers.

In addition to these three major challenges there were two additional findings in our research that we would like to notify or highlight as possible targets of policies. One relates to lack of international recognition and image (Kepsu et al., 2009; Vaattovara et al, 2009). Many transnational migrants and company managers stated that the city's main problem is not its lack of quality but lack of international image; simply the fact that people do not know enough – if anything – about the city. Helsinki is considered an attractive city to certain types of people, but at the same time the city is also somewhat dull in some comparisons. The city is generally considered safe, well-functioning and easy to live in, while said to lack buzz compared to many larger European cities. Again, however, it seems that the policymakers have already reacted to this need - one major opportunity to boost this image is coming up, that raises high expectations in the Helsinki region. Helsinki won the tight competition and will be the World Design Capital of the year 2012. According to Director Holstila it will be a great chance to get visibility and recognition around the world for Helsinki. All in all it will polish the Helsinki “brand”. The bidding process that earned Helsinki the designation was again a proof of excellent co-operation and organisation capacity between different actors in the region. It was supported by the Finnish government, many schools and universities, and design enterprises and organisations. Holstila states that *“everyone wants to be a part of it, and are willing to give some money too”*.

And finally, an important turn in the national political tradition has also occurred. After a long history of general national level policies a turn towards policies targeting urban growth areas has occurred. The formation of the first metropolitan program in the government is an outcome of this turn and it can be seen as important shift on the national level towards addressing urban or city-regional problems aside the national or regional balance, as was addressed also by our Minister of Housing:

*“The metropolitan policy program, which meant that the national government officially recognised that the metropolitan region with its specific problems matters. This is important now and it will probably be of even more importance in the future. [...] All metropolitan areas in the world are concentrations of wealth and general welfare, but also of poverty, misery and social problems. Understanding this and that the region produces a third of the GNP is the basis for good governance.”*

Jan Vapaavuori, Minister of Housing

The conclusions of our project are thus positive. All in all, the Helsinki region is doing well, and recent policy actions, both on the national level and local level, have contributed to the positive development of the region. The issues raised in our four year study – the importance of education, tradition and role of networking, and housing have all been taken notice of and further enhanced in the policy documents and recent policy actions. All the interviewees addressed these issues strongly as well. The region appears to be strong in many of the aspects contributing to the attractiveness for the creative knowledge professionals and companies. Although the high cost of housing in the area is a serious problem, the administration is working on both national and municipal levels to find solutions for the difficult situation.

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### **WP10 Topic guide for semi-structured interviews with people in charge of the implementation of policies**

#### **INTRODUCTION**

##### **Please introduce yourself**

- Places of birth and studies ; Previous experiences...

##### **Can you describe the organisation you work for?**

- (If necessary: When and why was it created? Who took the initiative? How many people work here?) What is the budget and where does the money come from?

#### **CHALLENGES**

##### **How do you evaluate the city region?**

- What do you perceive as the most relevant strengths and weaknesses of the metropolitan region with respect to national / international competitiveness?

#### **POLICIES / STRATEGIES**

##### **What is made until now and currently to enhance competitiveness?**

- Do your actions focus more on the city (center) or does it encompass a wider area (agglomeration)? Or only specific neighbourhoods?

##### **Is there a strategy to attract / retain creative and / or knowledge intensive industries and workers?**

- Do strategies specifically address the conditions for attracting a national / international skilled labour force?
  - Hard factors: equipments, decision to locate a building or services at a certain location
  - Clusters: specific places to develop specific sectors
  - Soft factors: promote the image of a neighbourhood / the city / another scale



- Networks: associations, clubs, mediators

- Is there a specific focus on large, medium or small companies?

→ Look at the 'worries' (in WP5) and opinions on policies (in WP6 and WP7)

If creative people are 'not so mobile' and attached to their personal environment and networks, what does it imply in terms of policies?

Are there strategic links between the issue of economic development and other themes (housing market policies, culture, environment)? How is it done?

How is the issue of social polarisation dealt with? What are the main social issues that you personally consider planners or policy makers need to take on board when implementing these policies (cf. risk of social polarisation, uneven development across the city or the metropolitan area)?

## **PARTNERSHIP**

**With whom and how do you cooperate?**

- Who do you help directly and indirectly?
- Public partners:
- Private partners:
- Others (association, cities, region...)
- Role of national and supranational EU-based policies?

**With whom do you NOT cooperate? Why?**

## **OTHER POSSIBLE QUESTIONS**

- What impedes your action? What does make it easier?
- How does the issue of the economic crisis impact policies and strategies?
- To which model in France, Europe or abroad do you refer to implement policies and strategies?