

Women and economic policy

Speech by Dr Sinikka Salo, Member of the Board of the Bank of Finland, at the Conference "The Process towards Integrating a Gender Perspective in the Budgetary Process - the Nordic Experience" in Helsinki, the White Hall on 9 November 2006

I am pleased and honoured by the opportunity to say a few words in this important Conference to promote the process towards "Integrating a Gender Perspective in the Budgetary process (Gender Budgeting) – the Nordic Experience".

In the first Finnish Parliament elected 100 years ago, there were many interesting women – champions for equality of gender. Thanks to their work, all the posts are now, at least in principle, open to Finnish women – the last one to open was the position of a foreman for road network in 2000! Finnish women have, indeed, been actively building the welfare of our country, and their contribution to the development of Finland from poverty to the current welfare as one of the richest countries in the world, is crucial.

But challenges remain. Gender equality has not been realized completely. This is shown in many ways in the society. That women are important builders of current welfare does not materialize in the same proportion in economic decision-making and policy preparations. And nevertheless, women play a key role and have expertise in efforts to solve the top problem of our economic future. What is this challenge? Ageing of our population.

In Finland – like in the whole EU – population is getting older. By 2035, the population above 64 years will increase dramatically, and the so-called old age dependency ratio (>64 years / 15-64 years) will almost double, from the current 23% to 45%, the highest in the EU. Economic growth, which consists of both labour input and productivity (the way how efficiently goods and services are produced), is indeed in danger when working age population is decreasing, and financing of increasing pension and other old age-related expenditure challenges sustainability of public finances. We need both labour and human capital input of women to cope with that challenge!

In Finland – like in all Nordic countries – participation of women in work life has traditionally been high, and our challenge is to maintain such participation also in the future. In addition we have to take care that population growth maintains its current relatively good trend, i.e. that family life and working can be combined and are available for both parents – that birth rate does not fall as has happened in Italy and Spain, where increased participation of women in labour market has coincided with the collapse of birth rates.

Indeed, child care facilities and care for elderly and other services provided by the Nordic welfare model constitute a key infrastructure for economic growth. But in order to finance this all we have to modernise our welfare model, too. Otherwise we cannot afford it. We cannot increase our already high income taxation. Our government debt – albeit lower than in many EU-countries – is still almost 40 % of GDP. We have to remember that the higher the debt the larger costs for debt servicing. For example in highly-indebted countries of the EU, a huge amount of money, 5-6 % of GDP is used to service debt, i.e. instead of financing welfare services

The success of the Finnish society will be assessed on the basis of its capability to maintain the core of the highly popular welfare state while keeping taxation at a reasonable level.

We need economic growth but it is not sufficient. We need to increase productivity also in the provision of public services. It is utmost important – not only because of maintaining reasonable level of taxation but also because of the salary development of the employees in the public sector (of whom majority are women).

We have to find out how to streamline the current Nordic welfare model to fit into the information society. Needless to say that by advocating for increasing productivity and streamlining of service chains, I do not mean worsening of the quality of services. Rationalisation as a mere word means better means of producing same services.

The potential of women is needed, and women – as both users and producers of public services – should be real experts to organize the production of these services in the modern way. The know-how that women have as masters of daily life should be utilised. An interesting area, where the strong contribution of women is needed, is creation of welfare and social innovations. These are vital for increasing productivity in the provision of public services, and thus supporting sustainability of public sector in the ageing Europe.

Another area, where women's input is highly needed is in fostering entrepreneurship in Europe and worldwide. In the EU, where entrepreneurship should be revitalised in general, women account for only 27 % of all entrepreneurs. (In Finland the figure is somewhat higher – around one third.) It is thus obvious that women entrepreneurs are needed, in order to achieve more dynamic economic growth in Europe and to meet the challenges brought about by ageing population.

New companies and jobs are needed in particular in the service sector where women have already demonstrated a high level of competence in both the traditional fields and business services. There are many examples showing that women entrepreneurs have succeeded in making successful *brands* even in such branches that are not usually regarded as promising in the Europe of today. Women are indeed in a key position for revitalizing the European economy, where single markets provide lucrative possibilities for businesses.

Indeed, it is also in the interests of women to ask for better functioning single markets for Europe. And the issues there relate to topical economic policy issues – I just mention one project that relates to my area. The EU Commission and the Eurosystem (ECB and national central banks of the euroarea) are promoting the plan to develop the EU to become a Single European Payment Area. This SEPA project means that payments across the borders in the EU should take place as smoothly and cost efficiently as within national borders. It requires an infrastructure that banks in the EU are now planning and constructing. According to the current time table, already by 2008 the first phase should be ready, i.e. money transfers and direct debit payments should be available to EU citizens! You can imagine how important this is for small and medium size enterprises whose customers increasingly come from all over Europe and also to citizens who pay their rent for a holiday house outside domestic borders. I just

mention this SEPA as an example of policies to foster integration of European financial markets. There are many more things happening in economic and structural policies that are of importance to women, too, and where also women should be active!

To conclude: It goes without saying that our challenges to strengthen growth and welfare in ageing Europe cannot be met without women participating in shaping and implementing of policies required. I usually end my speeches to women by saying that welfare state is a girl's best friend. Indeed it is and women are needed to modernise it. Women are needed in all areas of economic and structural policies, where they should have more influence. And there I come to the topic of this conference. I could also say – in addition to saying that welfare state is a girl's best – that transparency and good governance in general is a girl's best friend. Gender budgeting with the purpose of providing information on how policies impact seen from gender perspective is a step forward in this direction.