Euregio
Helsinki - Tallinn

Growth of Interaction Between Two Capital Regions

Helsinki-Tallinn Euregio, Publication No. 1

Contents

Foreword

The integration is a process, in which two or more entities become more interdependent from each other as time goes by. The interaction between Helsinki and Tallinn, including the regions around them has grown rapidly throughout the 1990s and that development is still going forth. Most important question concerns the amount of interaction turning to integration with these two relative nations. The theme of twin cities has been lifted to publicity. The Helsinki-Tallinn Euregio is going to be the main motor in this development.

In this research project, of which this report a summary, the themes of growing interaction were in the main focus. The story of economic levelling process of prices and wages belongs to the centre, the economic scenarios following from the future decisions also. The comparative approach is characteristic to many articles, where the living conditions on both sides of the Finnish Gulf are under scrutiny. Consumption patterns, housing and working conditions and the safety situation are brought under comparison.

The main reports will be present in CD-ROM and Internet in Helsinki-Tallinn Euregio web pages where the detailed information can be retrieved. I want to thank all the participants in the research project and all the institutions funding it, i.e. Uudenmaan liitto and cities of Helsinki and Tallinn.

Markku Lankinen
Leader of the research project

The labour market in regions of Helsinki and Tallinn: the comparability of statistics and the operating trends

Kaili Järv

In the article the methodology of computation of statistical figures describing the labour market in Estonia and Finland are analyzed, also its conformity to the international standards, and an evaluation to mutual comparability of the system of statistics of the respective countries is given, whereas a special stress is laid on peculiarities of computing and disclosing the regional statistics. The purpose is to give a survey of the possibilities and deficiencies of the two regional statistical data in evaluating the indicators of labour market about future behaviour in the potential deepening of the co-operation and in forming a common labour market between these regions. Also the current situation of labour markets is described in areas of Tallinn and Helsinki.

From October to December 1999 an expertise of the system of statistics in Estonia was conducted through Phare project. The estimators were Hilkka Vihavainen from the Statistics Finland and Alain Tranap from INSEE. It appears from the report that the overall opinion of the system of statistics of Estonia is very positive. Although the complete conformity with the European requirements has not been yet achieved, many of the European standards, methods, and functions of statistics have been introduced or are being introduced.

In the statistics of labour market of both countries differences of principle in basic conceptions of the labour market and in the defining of figures can be found. The gathering of statistics about the situation of labour in Estonia and Finland is conducted in two different ways: firstly, the statistics based on the survey of labour of random sample meeting the standards of ILO and secondly, the statistics based on database of the labour force register. In Finland the data are issued in both cases about every month, in Estonia the survey of labour force is issued every quarter. Both of the countries follow the recommendations of the International Labour Organization (ILO) and the practice of Eurostat (Statistical Office of the European Communities) in presenting the statistics of the EU countries.

The number of unemployed searching for job registered because of statistical reasons does not coincide with the number of unemployed computed on the ground of criteria of the ILO, but it is interesting to note that when in Estonia the registered unemployment is smaller than it appears from the survey of labour force, then the situation in Finland is the opposite. The inducers of this phenomenon can be considered the more lenient legislative terms in Finland when registering as an unemployed; of course, the bigger allowance of unemployment is playing an important role, also the more effective mediation of jobs, and lastly the psychological aspect (for the Estonians the system has been operating only for a short time as in the former U.S.S.R. there was no unemployment as such, and because of that the formal process of registering as an unemployed is not thought to be a natural norms of conduct yet). The main reason for the low level of registering in Estonia is the scarcity of the jobs mediated (unsuitability) and the small allowance of unemployment, owing to which the people searching for job have no stimulus to register as an unemployed.

It is obvious that the labour force surveys based on the ILO methodology are good for gathering detailed and miscellaneous information as it is the random survey describing all the population, when at the same time the more active part of the unemployed comes to the employment agency. At the same time the timeliness of data gathered by the employment offices about unemployment and jobs available (the data is available by months) and the regional representation enable to make the applying of the labour market policies more effective, also on the regional level.

For the labour market policy to co-ordinate things on the labour market the EU has respective strategies and ordinances that are followed by the member countries (the employment strategy of the European Union). The methods that are used in different countries in labour market to stabilize (to keep stable) the internal situation are though different and are contingent on the respective situation and the potential regulations of conduct.

When in the member countries of the European Union on an average 2–3% of the gross domestic product is spent on carrying out the labour market policy, then in Estonia the respective figure was in 1998 0.16% that is

Unemployment rate in Finland and Estonia (Labour Exchange Statistics, Labour Force Survey), %

	Finland		Estonia	
	Unemployment rate (registered)	Unemployment rate (Labour Force Survey)	Unemployment rate (registered)	Unemployment rate (Labour Force Survey)
1994	19.4	16.6	5.1	7.6
1995	18.2	15.4	5.1	9.7
1996	17.4	14.6	5.5	10.0
1997	15.9	12.7	5.1	9.7
1998	14.4	11.4	4.7	9.9
1999	13.2	10.2	5.2	12.3

Source: Statistics Finland, Statistical Office of Estonia, Estonian Labour Market Board

also smaller in comparison with the other candidate countries (The program of employment in the Republic of Estonia 2000 IV q. – 2001. The Department of Health and Labour. Tallinn 2000.).

The rate of employment of the labour force in Tallinn (01.04.2000) is 58%.

Whereas the rate of employment has shown declining tendency: in Harjumaa from 76.1% in 1991 to 62.9% in 1998, in Tallinn the employment has at the same time declined from 76.8% to 63%.

The rearrangements carried out in economy have brought along rapid development in services. On an average seven inhabitants out of ten in Tallinn constituting labour force have found a job in the mentioned sphere. The percentage of the capital city in the sector of services in Estonia is 45% and in the sector of finances 60%. The rate of employment among the labour force was in Helsinki (1998) 68.1% and in Uusimaa 69.4%.

The state of labour market in Estonia is described by the decline of employment and by the rise in unemployment (14.8% in the I quarter of 2000), among this both the long-term unemployment and unemployment among the young have shown a rising tendency that on its part also aggravates the problem. The rate of unemployment in Helsinki was in 1998 11.0%, among this 12.8% among men and 9.4% among women; in Uusimaa 9.9%, among this 10.8% among men and 9.1% among women.

Finland and Estonia as small (economy) countries having populations with quite a low mobility have to make use of their resources and avoid the widening of structural gap between the supply and demand of the labour force in an especially effective way in order to stay on the global arena (and retain a satisfactory social stability). It could be assumed that the co-operation projects between the two countries (e.g. in the field of developmental process) and the exchange programs of labour force (rather from Estonia to Finland) would be successful because of the advantages determined by the common culture area, geographic vicinity and the economic connection (investments, goods exchange).

Employment in different fields (1999):

	in Tallinn
Trading	17.3%
Industry	17.1%
Transportation and communic.	13.2%
Finances	11%
Building	10%
Education	7%
Health care and social security	6%
Others	19%

Employment in different fields (31.12.97):

	in Helsinki	in Uusimaa
State services	34.7%	30.1%
Finances and real estate	21.2%	18.1%
Trading	17.8%	19.5%
Industry	9.3%	14.2%
Transportation and communic.	9.9%	8.9%
Building	4.3%	5.3%
Others	1.9%	2.2%
Electricity, gas, water supply	0.8%	0.8%

Differences in prices between Estonia and Finland from the 1980's until 2005

Jaanus Raim

Hereby an analysis and prognosis of the differences in prices between Estonia and Finland are given. In 2000 the prices in Estonia were on an average 52% of prices in Finland and wages in Estonia on an average 16% of wages in Finland. At the same time the differences on part of prices of specific products and services (as of wages of specific category of workers) vary greatly.. Dynamics of prices and wages will decrease the differences, whereas the pace of the decrease of the differences has been different during different periods of the 1990's. In a situation like this the ability to understand which factors affect the price and wage convergence and the ability to predict its convergence are essential in outlining Estonian-Finnish (Tallinn-Helsinki) economical correspondence as also further co-operation.

The research describes price differences between Estonia and Finland, the reasons for price differences and differences in convergence suggested by economical scientist are brought out systematically, the main behavioural concepts of price differences are presented periodically and a prognosis of the future scope of price convergence between Estonia and Finland is given.

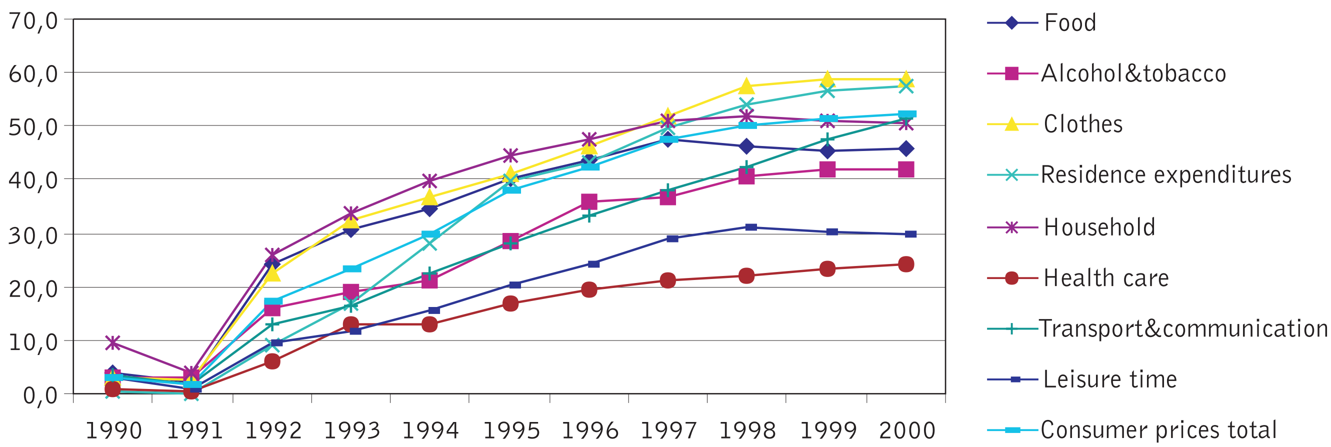
There have been considerable deviations from spending power parity between Finland and countries formed from the former Soviet Union in the 1990's. The price level of the latter countries was especially low during the first period of market economical reforms (1991 2nd half of the year), when the consumer prices there fell on an average as low as 1/100 of consumer prices in Finland.

A crucial change took place at the turn of 1991/1992. As until that time the reduction of nominal exchange rate of the rouble had outrun the price increase, then now the situation reversed – the era of relative price increase (price convergence) began in Estonia. Already during the first half of 1992 the Estonian nominal consumer price level increased on an average 6.4 times, which in circumstances of 21% weakening of nominal exchange rate (in FIMs) of roubles indicates to a five times increase of relative price level. Almost exactly similar development took place on rest of the (former) Soviet Union territories.

The price convergence in Estonia continued also in the following years, although with a retarding pace. Estonian consumer price level constituted at the end of 1995, 1996, 1997, 1998, 1999, and 2000 receptively 38, 42, 48, 50, 51, and 52% of Finnish consumer price level.

The theoretical basis of the method of predicting price differences consists of the hypothesis of the relation between income level and price level. The mentioned relation is contingent on the fact that since the

Relative price level of Estonian consumer products 1990–2000 (end of Dec.), %



foreign demand for non-trading goods is relatively limited, then on part of these goods there dominates the domestic demand that is directly connected with the development level of the country. Therefore, for example, while the relative incomes of the country decrease, the demand regarding to supply has also to decrease in short terms. In long terms, the declining conjuncture should result, on its side, in the decrease of supply. The horizontal bidding curve, however, assumes perfect mobility of capital (resources). As far as the mobility condition of the resources is not fulfilled, the level of domestic demand still affects the price level of the non-trading goods of the country.[1]

Disclosing the development of price differences is based on the relative consumer price and income level in Estonia at the end of 2000 – which is respectively 52 and 40%[2]. The quantitative prognosis method of price convergence consists of two stages: (1) the income convergence is predicted; (2) the strength and shape of the relation between income convergence and price convergence are predicted, based on the analogy of European countries.

The following is the future of the price differences in frames of two different scenarios, which are: (a) Estonia joining the European Union by the end of 2005; (b) Estonia failing to join the European Union by the end of 2005 – which means the removal of Estonia from the so-called first wave accession group.

Although there is uncertainty about probability of the scenarios, there is still a reason to believe that the subjective probability (taken into account by market) of joining the European Union by the end of 2005 is at the end of 2000 more than 50%. In the current work we also start with the subjectively more probable scenario:

Scenario I

In case of the scenario of joining the European Union soon (by 2005), Estonia will in the following 5 years experience at least 20% (in case of decrease of arbitral constraints even bigger) consumer price convergence (ca up to 63% of prices in Finland) – which presumes a little higher inflation rate than in the last years. At the same time the convergence of some products and assets will reach hundreds of per cents. The fact whether the mentioned price increase is divided between the years under observation evenly or not (or how many markets are already considering the coming integration) depends in addition to the probability of the integration scenario also on temporal mobility (carrying costs) of the products and assets which are the objects of the price increase. Thus, there is *ceteris paribus* reason to assume that the real estate converges more evenly than goods and the goods more evenly than services.

Scenario II

In case of failing to join the European Union the economic environment in Estonia will be influenced in context of price differences by the same main assumptions, which dominated from 1994 to 2000 – an import barrier from the European Union, differences in relative quality and lack of business information. As the deepening of economical relations (therefore at least mobility of capital, information and technology) is expected also in case of the scenario of failing to join, the lack of business information will be more alleviated. The same reasons, when not joining, will also affect the continuing of income convergence.

Therefore, in case of failing to join the European Union Estonia will face approximately a 10% price convergence (reaching ca 57% level of prices in Finland) from 2001 until 2005, which should be divided more or less evenly between these years. It can be concluded from this that the inflation pace of Estonia should in the following five years remain at the same level as it was from 1998 until 2000.

At the end of 2000 Estonia will face two future scenarios, of which the integration scenario is at the moment more probable. In case of Estonia joining the European Union by the end of 2005, there will be 2001–2005 at least 20% consumer price convergence between Estonia and Finland – whereas price convergence of some products (sugar) and assets (living spaces in small towns, peripheral land) can reach hundreds of per cents. In case of not joining the European Union by the end of 2005, the price convergence during the years 2001–2005 will be also positive but somewhat smaller – probably ca 10%.

Due to the probable growth in the relative effectiveness of the labour force in Estonia and due to the big (until now) immobility of the labour force, the convergence of wages will in case of both scenarios exceed the convergence of the consumer price level.

[1] Statistical Office of Estonia. Gross Domestic Product of Estonia 2/1998. Tallinn

[2] http://europa.eu.int/en/comm/eurostat/compres/en/8798/6208798a.html (11.09.2000; 12.34)

The influence of Estonian income tax reform of 2000 on Finnish investors in Estonia

Silja Kurik, Erik Terk

The Estonian income tax reform (entered into force 01.01.2000) can be shortly characterized not with the abolishment of company income tax (as it has interpreted on several occasions) but rather with the postponement of the moment of payment. The profit of the company will no longer be taxed; tax applies to the profit distributions (dividends, gifts, donations, costs of entertaining guests, other profit distributions and expenses and payments not related to business). Because of that the income tax rate of the company is in Estonia 0% before the profit distributions. But the rules for taking money out of the company were made much strict. If the profit is invested to the same company or into some other Estonian company, then the invested money will remain also untaxed. According to the amendment developers of the law the main goal of changing the income tax law is to promote investments.

There are several factors affecting the foreign investments. The tax rate factors would usually come only at the third place after factors connected with market size, growth, and the stability of business environment. As the Finns consider sometimes the Estonian market as an extension to their own, the level of tax rate and construction of tax system could be thought as a crucial factor for Finnish businessmen when deciding the place of investments. In order to confirm if the fore-mentioned factor is true and how strongly it affects the Finnish investment activity in Estonia a diagnostic research was conducted. During the course of the research a special methodology was developed, where 22 executives in the Finnish-owned companies functioning in Estonia were questioned.

Analysis of the results shows that the executives estimate their knowledge of the new law to be an average. None of them indicated a detailed comprehension of the law. 18 persons told that they know all that is relevant, and the rest of them claimed to be aware of the basics of the new tax law. From that it can be concluded that poor knowledge of the law is not a substantial factor affecting the opinion about the law or the investment decisions.

Evaluation of the respondents to the new law was rather positive (14), 1/3 of the respondents remained neutral. There were no negative evaluations. Compared with the earlier law, 17 executives were in favour of the new law, 4 executives had not formed their opinion yet.

As one of the most important advantages of the new law is a possibility "to grow a money-tree" (i.e. one can make more and more money by reinvesting to one's company), we asked the executives about the importance of this factor to their companies. In most cases the keeping of the profit untaxed is considered a positive factor, but for one's own company it was considered to be more "a quite important factor" rather than "a very important factor".

Half of the questioned executives pointed out that Estonian non-traditional law's unstable future, where the main factor is fear for an inability of maintaining the law in the EU, and for changes that might take place in government coalition might be considered a relevant flaw of the law.

As it appeared from the questionnaire, the change in tax system affecting investment decisions is left unnoticed in light of other more important factors. While making an investment decision above all (i.e. more than remission connected with the tax system) the economical and financial stability of the country (22), general quality and stability of business environment, and availability of suitable labour force is taken into account. Among the rest of the factors (availability of suitable production facilities, technical infrastructure) the tax system is considered more important.

Also the fact that **all together 2/3 of the executives questioned thought that the change of law itself would not bring along any extra investments** is obviously contingent on the previous part. As for the big increase in investments (the criteria would be up to 2 times or more investments than previous year), then only 5 types of companies (telecommunications, a printing house, a hotel, wholesale, production of building materials) confirmed the positive effect of the new tax law on investments (additional investment in 2000 was in those companies up to 50% of the overall investments).

The low increase of investment activity could be that questioned companies with Finnish participation have already functioned in Estonia several years and therefore the bigger investments are already made. On the other hand, there are signs of the increased activity on the side of Finnish companies in Estonia, so the abovementioned argument is not very persuasive. It is possible that the newness[3] of the law is a factor here, i.e., the companies are still "feeling out" the possibilities that the new law opens up for their companies. The main reason lies probably in the fact that the other elements of the investment environment are considered more important than a favourable tax system.

The main result of the research is the discovery of a distinct conflict, on one hand, between the positive attitude among Finnish owned company executives towards the new tax law in Estonia, and on the other hand, between their evaluation that the new law will not bring in additional (big) investments to Estonia.

[3] The entrepreneurs were questioned in February-March 2000.

The housing situation in Tallinn and Harjumaa

K. Paadam, L. Tomson, M. Pavelson

The current article will give an overview of the changes in the housing sector in Tallinn and Harjumaa, which have taken place in the course of the recent societal transformation. Another focus will be on the residents' market behaviour and problems concerning the affordability of housing.

The societal transformation involving primarily the transition to market relations since 1991 is explicitly reflected in the structural changes of the housing sector. The major change has taken place in the structures of housing ownership and services. The physical constructional form and scope of residential environment has, to a large extent, kept its pre-transformational nature, except for some new detached housing areas built recently in the Tallinn suburbs and in Harjumaa.

The prestige of certain housing areas near Tallinn in Harjumaa (Viimsi) has been increasingly rising already since the creation of a rather exceptional enterprising environment during the socialist system in that area. Currently the growth and creation of this residential environment, which meets residents' expectations, is mainly based on private capital investments. The complete change of the overall living environment and residential environment, in particular, is being experienced, for example, by the areas in Harjumaa, which are directly influenced by migration. These processes are the result of changes in the structures of production and occupation in the overall context of political and economic transformation. A distinct example of this is Paldiski as the former military base of the U.S.S.R., where among the few housing areas, large and deteriorated blocks of flats built during the socialist occupation are partially being demolished.

Political independence regained in Estonia in the 1990s brought along the new quality in housing relations, which was mainly initiated by the ownership reform. As is widely known, relatively favourable conditions were created in Estonia for privatisation of state and municipal rental flats. Such an initiative enabled the majority of former tenants to become owners of housing property.

The conditions for the formation of the owner occupied housing sector were created and by today, the structure of housing in the private and public sector has become reverse compared to the initial stage of the ownership reform. By now the majority of the housing stock is in private ownership.

More than two thirds of the housing stock in Tallinn has been built within the period of thirty years between 1960s and 1990s. Hence, the modern Tallinn citizens are predominantly owners of flats in large-scale blocks originating from the period of socialist mass construction. Not all of these blocks can be qualified as high-rise buildings.

In Harjumaa, where the housing situation is identifiable in the context of rural areas and small towns, the proportion of residents living in detached housing is larger. The small towns in Harjumaa have not been left untouched by the Soviet conception of the way of life. Consequently, large-scale blocks were also built into small towns as well as rural centres.

The current private housing stock has been mainly formed on the privatised former state and municipal flats, restituted flats and houses, the former flats in housing co-operatives and detached or semi-detached houses. The restituted housing property became the basis for the new private rental sector, which, although, has existed as an informal housing sector before the ownership reform. The change of the tenure status emanating from the ownership reform meant for the majority of actors in housing relations a major change in their role behaviour. Not all could avoid tensions in these relationships. Particularly complicated are the relations between tenants and landlords in the restituted section where the first are deprived of the opportunity to become owners and the others' activities in the development of the private rental sector are limited by the fixed rents. Both parties are in short of resources in order to change the situation. Thus, for some landlords, keeping their status has appeared to be a serious problem.

The public sector comprises mainly municipal and social flats. At the end of 1999 there were 10 blocks of social housing in Tallinn, comprising 842 dwellings, which formed 10 per cent of the total number of dwellings in municipal ownership.

On January 1, 2000 there were 183,243 dwellings in Tallinn, with the total floor space of 9,251,900 m^2. Between 1992–1999 no significant changes have taken place in the total stock (neither in the number of dwellings nor in the size of the total floor space). The number of dwellings has increased by 1 per cent (in 1992 there were 182,213 dwellings in Tallinn), whereas the total floor space has increased a little more – 4 per cent (in 1992: 8,864,795 m^2). The average size of dwellings in Tallinn has shown small rise in the 1990s. When in 1992 the average total floor space per dwelling was 49 m^2, then in 1999 it reached 51 m^2. According to the Statistical Office of Estonia in 1999 the number of rooms at the disposal of households (including the private sector) in Tallinn was the following: 41 per cent of the households occupied a two-room and 32 per cent had a three-room flat; flats with four or more rooms were occupied by 14 per cent and one-room flats by 18 per cent of the households. Between 1992–1999 the average floor space per resident has been somewhat increasing, from 20 m^2 in 1992 up to 23 m^2 in1999.

According to Statistical Office, on January 1, 1999 there were 43,144 dwellings in Harjumaa, with the total floor space of 2,362,000 m^2. The average size of the dwelling was 55 m2. There have been no considerable changes in the total stock between 1996–1998. In 1999 the distribution of dwellings in Harjumaa can be compared to that of Tallinn: 33 per cent of households occupied two-room flats and 33 per cent three-room flats, 18 per cent occupied flats with four or more rooms, and 15 per cent of the households had one-room flats. In 1998 the average floor space per resident in Harjumaa was 19 m^2, which is smaller than the corresponding indicator for Tallinn (1998: 22 m^2) as well as for the average for Estonia (1998: 23 m^2).

In 1994 there was a sharp decline in the construction of blocks of flats in Tallinn reflected in the decrease of new completed dwellings up to as much as half of the number the year after: 1994: 740 new completed dwellings, 1995: 310 new completed dwellings. However, simultaneously with the decline of the number of completed new dwellings, there was a rise in the total floor space and the number of rooms per residents in the years 1995–1997. The total floor space increased also in the section of detached housing. Consequently, since 1995 the housing construction has mainly been directed to the well-off strata of the society.

Starting from 1999 the distribution of housing by type of dwelling units has become more homogenous. For example, the proportion of two-room dwellings (flats) has increased to a considerable extent: from 3 per cent in the total stock in 1997 to 22 per cent in1999. Since there has been a slow decline in the number of completed detached housing and a small rise in the number of new completed blocks from 1998 onwards, the increase of the proportion of smaller flats can be expected.

Compared to the whole of Estonia, the housing construction has, to a remarkable extent, been concentrating into Tallinn.

Housing affordability and housing market

Tallinn and Harjumaa are the most expensive regions of residence in Estonia, both in terms of the property costs as well as monthly expenditures for housing management and maintenance.

When in 1999 the average housing expenditures per household member made 333 kroons a month in Estonia, then in Tallinn and Harjumaa these sums were respectively 496 kroons and 341 kroons.

Compared to other regions, there is also a significant difference in income: in 1999 the net income per household member in Estonia was 1997 kroons a month (including 61 per cent of salary/wage labour), whereas in Tallinn it was 2600 (including 67 per cent of salary/ wage labour) and in Harjumaa 2251 kroons (including 68 per cent of salary/wage labour).

When evaluating the housing expenditures per household member in Tallinn, it can be assumed that the actual costs are higher than the existing statistics indicates. Namely, this is not only the size and type of household or the quality of housing which defines the amount of actual expenditures. As has appeared, the monthly costs are influenced by, especially, the differentiated relationship between the rental prices and maintenance service prices. The official statistics cannot give an adequate picture of the role of the profit gained by (new) landlords in the private rental sector, because a part of this sector functions in the form of shadow economy.

According to survey data 76 per cent of the residents of Tallinn were living in privatised or built (purchased) single-family houses or flats in 1999.[4] The proportion of households living in flats privatised by any of the current family members is 54 per cent, which is the average indicator for the urban population in Estonia. When these flat owners are added the owners of purchased flats (11%) and house owners (11%), a quarter of the families can be defined as tenants. There are more tenants in Tallinn than in other towns in Estonia, since both the housing demand as well as the supply is higher in this city. More than half of the tenants rent rooms from private persons or from companies. There are 4 per cent of municipal tenants.

[4] The survey of living conditions in Estonia in 1999. Basic data. Norbalt II. Tartu 2000.

The rental market in Tallinn can be observed in three dominating subgroups: standard flats (that are mainly situated in the large-scale housing districts built since 1960s), flats in the central district, and detached houses. The rental prices for flats, including those for standard flats, have been going up throughout the 1990s. For example, in 1996–1997 the rental prices rose for 20–30 per cent, though for only 15 per cent in 1998. The clientele in the rental housing market is differentiated by the distinct affordability of individuals and households. In the central district, which includes the spectacular Old Town, the rental prices are significantly higher compared to standard flats. In this sub-market the clients are mainly foreigners with higher level of affordability. Also, they form the main clientele for the rented detached housing.

Tenants of Estonian origin are economically less secure, mainly single young people who have moved to Tallinn in order to continue their education or to look for job opportunities. As the maintenance costs have increased, this group is especially interested in renting smaller flats with smaller housing costs. However, due to the increased demand for namely the smaller flats, the rental prices in standard houses have also arisen. At the same time there has been a considerable over-supply of the costly rental housing in the central district, which has resulted in the decline of rental prices in this area.

Purchasing a flat is often the part of individual housing strategy and is, as a rule, the next step taken by tenants in the private rental sector. Nevertheless, the individual choices depend on the opportunities: income and supply of housing (levels of property prices, the relation of price and quality).

The Harjumaa housing market (flats as well as detached houses) can primarily be discussed in terms of property purchase. Likewise in Tallinn, the property market in Harjumaa is notably differentiated. The most valuable property development areas of Harjumaa are adjacent to Tallinn, where in addition to the increase of prices of detached houses, also the prices of renovated flats have gone up. In more distant regions of Harjumaa the property market functions only in the local context with local residents as the main actors. Obviously, the price levels are considerably lower here.

The detached housing market in Harjumaa is particularly affected by the rise of prices of the detached houses in Tallinn. Therefore the purchasers' interest has turned towards the former summer-cottage locations bordering the city of Tallinn. Here the less expensive property development focuses on adjustment or reconstruction of the former seasonal housing to the needs of the round-the-year usage. The property purchase and new housing construction requiring higher amount of investments, are extremely rare in the total number of transactions for there is a limited number of affluent clients who can afford more than a million kroon purchase or those which count several millions of kroons.

One of the criterions of choice in purchasing a flat is the expected amount of maintenance costs, which in Tallinn are differentiated not only by types of buildings but also by residential districts. Rising housing costs have increased the demand for two-room flats in large-scale areas such as Mustamäe and Õismäe. As a rule, smaller flats are also being looked for in non-standardised blocks, such as those of unique design with the location in places of natural beauty both in Tallinn and Harjumaa. At favourable loan conditions especially the younger families are ready to make a 300 000 kroon purchase for a two- or three-room flat (instead of the previous 200,000–230,000 kroons). In the central district and in the Old Town, characterised by the highly appreciated unique architectural environment, the clients are ready to pay from 9000 up to 14 000 kroons per square metre for a flat in either the renovated or newly constructed building.

According to the research data provided by the Urban Research Institute, the monthly maintenance costs are higher in large-scale blocks and showing the tendency of further growing. Thus the owners of privatised or purchased flats in these blocks spend, as an average, 1472 kroons a month per a household.

The proportion of housing expenses in the overall structure of household expenditures, obviously, depends not only on the level of housing expenses but also on the level of income. According to the household survey, 74 per cent of households considered their monthly income to be insufficient or completely insufficient in 1999. One third of the households are poor or reaching the poverty line, which makes them vulnerable towards the increasing monthly housing costs.

Housing expenditures increase in higher income groups, though it becomes explicit only in the highest income group (over 5000 kroons per family member).

In 1988 housing expenditures made 7 per cent[5] of the monthly income of households in Tallinn, whereby, evidently, this sum was insufficient for running the dwellings (flats) as well as the buildings. Despite of the

[5] Tallinn Institute for Urban Research, Self-supporting Housing Economy. Tallinn, 1989

Housing expenditures by income groups (in kroons) and satisfaction with housing conditions (the average on the scale of –1... +1)

Income (per family member)	Housing expenditures per household	Index of satisfaction	Percentage of the dissatisfied
up to 1000 kroons	1129	0,20	32
1001 ... 2000	1198	0,36	19
2001 ... 3000	1354	0,35	19
3001 ... 5000	1568	0,42	16
– over 5000	2016	0,51	10

proportionate rise of monthly expenditures, the current individual homeowners and flat owners' associations formed in large blocks face severe difficulties in funding the repair and renovation works needed in their deteriorated buildings.

In Tallinn there are more than 50 thousand households (or 28 per cent of all households) who have had difficulties in paying rents or covering the service costs. During last year 15,000 households have experienced these affordability problems for several times or constantly throughout the year, whereby every tenth family (17 thousand) had unpaid debts.

At the same time the percentage of housing expenditures in the households final consumption expenditures has constantly been increasing. Also households' expenses on management and maintenance have grown both in the final consumption expenditures as well as in the housing expenditures (from 14 per cent to 16 per cent). The most significant increase was in 1997. The rise of the price of water supply in 1998 brought along massive installation of water gauges in individual flats, which enabled the consumers (homeowners and tenants) to economise water consumption and reduce the costs for the use of water in the overall housing expenses. The expenditures on electricity, gas, and other energy supply, on the other hand, increased both in current and steady prices.

By all probability the costs related to energy supply, electricity and heating, continue to increase in the nearest future and therefore, the housing expenditures especially in Tallinn are expected to grow. Also, other prices for housing services are increasing (e.g. on telephone). The deteriorated and continuously aging buildings require higher repair costs. The older buildings of unique architectural value need particularly large investments for renovation works.

Thus, it is expected that the growth in housing expenditures is going to be continuous in the long perspective, including the blocks of high exchange value in the central district as well as those in the large-scale housing areas.

A survey of living conditions in Helsinki area, its development and problems

Markku Lankinen

The association of Uusimaa parishes comprises 24 local administrations. Helsinki is its center, surrounded by Espoo, Vantaa, Kauniainen. The neighbouring area consisting of eight local administration units, some of which are towns, some are parishes with rural settlement. Outside from this, mainly in west, there is muu Uusimaa that comprises 13 local administrations. Four of them are towns.

On the basis of the most relevant characteristic features of dwelling fund the area is divided into zones that differ from one another. The percentage of small houses in Helsinki is only 12%, whereas in the other parts of the region this per cent is significantly higher. The percentage of terraced houses is the highest in the neighbouring area. It indicates that the dwelling fund in this zone is younger. The percentage of living in a tenement decreases systematically when moving from the center of the town toward the outskirts.

The size and structure of dwelling fund has changed in time. From the situation in 1950, when the one- or two-roomed flats were in majority, the usage of considerably larger flats has been reached. The number of two-roomed flats started to grow again after 1985. With that the increase in demand for the small flats was responded to.

Inhabitants of Helsinki lived in tenements mainly in the period after the war. Continuing from that, the characteristic of development was the steady growth in the percentage and number of people living in their own residence. The total number of tenements decreased 1970–85, despite the continuous building of tenements to solve the social problems. The regulating of rents that were quite rigidly set lowered the actual rental rates, due to which the attraction of investment suffered. The percentage of living in tenements still started to grow significantly from 1995.

The regulating of the rental terms of tenements in the open market ended completely in 1995. It can be assumed that due to this kind of changes certain moving from private flats to tenements took place. A far more important factor influencing the growth is the continuous building of tenements because of social reasons in the 1990's. In addition to that half of the rooms of employers have become ordinary tenements. This kind of change, as well as taking into use the reserve fund of residence to some extent, are connected with the economic crises that has been experienced.

The surpassing of the average level of the 1980's (about 12,000 flats) comes forth in established residence in the period of activity in dwelling market 1990–1991. Dwelling construction did not stop even in the period of crisis, but production focused more on the center of the area. The average size of the built flats is systematically decreasing the closer to the center of the area one gets. The percentage of building blocks of flats has grown in Helsinki and also elsewhere on its outskirts. In the remotest parts of the area the new dwelling decreased in number is concentrated more and more on small houses. The average size of new flats is generally bigger than that of the existing dwelling fund. In the longer perspective the average size of flats will grow if production continues the same way.

In the development of a longer period of living density different stages can be seen. The period of fastest development falls into the 1970's. From this point on slow warping of the developmental line can be noted. But the floor space per a resident has been growing each year. As the average size of flats is growing slowly, the growth of floor space per a resident has its reasons in the declining number of the members of household. Although there has been a considerable slowdown in the increasing number of people living alone, the current 47% is for the circumstances of Finland quite a high indicator.

Living conditions have improved about twice. The average size of flats in Helsinki is distinctly smaller than elsewhere on its outskirts or elsewhere in Finland. The high percentage of apartment houses in the flat dwelling partly explains this backlog.

In Finland the level of prices of flats changes greatly according to the economic cycles. The first great increase in price was in 1973–74, then 1987–90 and again now having started from 1996. The two previous cycles have ended because of an economy crisis that has run down both the real and nominal price level. The prices

Floor space per a resident

	1960	1970	1980	1985	1990	1995	1998
HELSINKI	17,2	21,1	26,9	28,8	30,7	31,9	32,2
Helsinki area	16,7	20,8	26,7	28,6	30,6	32,1	32,3
Other outskirts of Hels.	14,6	19,5	26,6	28,7	31,1	...	...
Assoc.of Uusimaa parishes	16,4	20,8	26,9	28,8	30,9	32,3	32,9
Total area	14,2	19,3				33,7	34,5

in Helsinki have to some extent brought regularly about the similar development in the whole country. In nominal prices the price level of Helsinki exceeds the level of other areas in the country by 70%. In the whole Helsinki area (Helsinki, Espoo, Vantaa) a great increase in price has occurred from the beginning of 1996. It exceeds considerably the increase in price in other bigger towns.

The fund of rentable flats in Finland is divided into two. In the part that has been built with state loan rent is determined only on the basis of maintenance and capital expenditure. In the tenement fund on the open market this kind of restraint does not exist. The slowdown in increase of rents of social tenements is connected with the overall decline in the level of inflation after 1994. At the same time, the increasing of rental rates on the open market has on its side accelerated inflation.

The increase in rents is the biggest in towns where the level of prices is high. The outcome can also be interpreted in this way – the demand for tenements that had its start in the center of Helsinki has spread more widely in the Helsinki area, rising the average level of rent with a certain delay. In less appreciated areas, where long distances can be considered to be a drawback, the level of rental rates is distinctly lower than that of the center of town.

The immense demand for flats creates competition among the tenements offered; it will increase the price level of new rental contracts. The people in need of a flat are in involuntary situation mainly in areas with positive migration balance. Relatively good solvency in comparison with areas struggling in degeneration can be seen to bring about higher rents and prices of flats.

Between the level of people's income and way of life there is a variable connection present. It also expresses the change in the preferences of people. The people living in their own flats rise more distinctly above the level of the average income of the area, in case of those living in tenements the development is reversal. This kind of tendency is also peculiar to the dwelling market in Helsinki.

The population and prognosis of labour force in Helsinki area

Markku Lankinen

The Helsinki area reached its term of 1,2 million people in 2000. When 1976–1990 the growth was evenly directed towards the suburbs of the capital as well as towards the neighbouring parishes more far off, then in 1990 the direction has been to Helsinki and the growth of population in the neighbouring parishes has retarded.

In the age structure of the population of the area a shift towards the greater dominating of the labour force can be seen. The number of elderly people has stayed the same, but in the group of children there is a considerable growth in the1990's.

On the basis of languages the population of Helsinki is divided in the following way: those speaking Finnish – 88.3%, Swedish-speaking – 6.7%, and those speaking foreign languages – 5.0%. The percentage of Swedish-speaking people among population has been slowly decreasing, but due to the growing immigration the percentage of those speaking foreign languages has been increasing in the 1990's. The biggest group of foreigners has come from the regions of the former Soviet Union. We should pay attention to the number of those having come from Estonia. 01.01.2000 there were 4159 residents of Estonian origin in the Helsinki area, 3541 of whom where Estonian-speaking.

One of the most important criterions about the health and welfare of population is the life expectancy at birth. On the whole, in Finland it is lower than in many other countries. But since 1990 it has been growing remarkably – in ten years by three years. At the same time the immense death rate of men declined to some extent. In case of men the development has distinctly been more uneven than in case of women.

The demand and supply of labour force

The economic development of the Helsinki area is playing an important role when the deepening of mutual influence in the area of Euregio, the object of research, is being considered.

In the model of prognosis constructed for forecasting the demand and supply of labour force the following structural factors are considered:

- The presumptive growth in gross national product in 5-year periods
- The structure of fields of activity of the area in 1995
- The input-output coefficients external to fields of activity in 1995
- The prognoses about the growth in productivity by fields of activity
- The prognoses about changes in office hours by fields of activity

Based on these assumptions different future scenarios can be formulated. In analyzing the factors, one of the possible alternatives refers to the fact that if growth in economy took place without any changes in office hours or productivity, the result would be an enormous demand of labour force. But the continuing growth in productivity will severe a big part of this additional growth. But the presumable slowdown in the growth of gross domestic product is not able to compensate for the increase in productivity after 2015, as a result of which the number of jobs will decrease again. The shortening of office hours to a small extent would, on its side, bring along the growth in the demand of labour force. Thus, the increase of productivity has an important role when to consider the internal connections between the growth in gross domestic product and the changes in number of jobs.

Will there be enough employees to meet the needs of such a big growth? It could be examined when to observe the predicted number of population and the percentage of labour force in it. Also the pendulum labour force – people coming to work outside from the municipal administration units – is a relevant factor in the supply. We can analyze on the basis of the model what will follow when the percentage of labour force in the age groups stays the same. The experienced economic degeneration implied that there are changes going on in this area. When relating the predicted percentage of labour force with the predicted number of population, the estimated rate of supplying the labour force can be achieved. The prognosis will also include the unemployed and the number of pendulum labour force. These are not prognoses but projectional calculations carried out on the basis of stable percentage.

In 2000 the number of unemployed people is about 25,000. It is obvious that the negative per cent of unemployment is excluded. In this case the additional supply on part of labour force has to come either from the

Overall supply of labour force in Uusimaa when the per cent of unemployment stays the same (1995)

	1995	2000	2005	2010	2015	2020	2025	2030
Overall labour force	268822	273308	278643	279294	280873	284452	285121	281280
The unempl.among it	47258	47786	48571	48966	49177	50102	50522	49854
Labour f. of empl.	221564	225522	230072	230328	231696	234349	234599	231426
In own munic.adm.s	181324	177094	178653	178283	178705	181450	183679	184505
Those working outs.	40240	39301	39647	39565	39659	40268	40763	40946

growth in the percentage of labour force or from the increase in the pendulum labour force.

The model indicates that when the growth in economy is continuing, its obvious result will be labour shortage. In connection with this, and especially when with the expansion of the EU the labour migration becomes free, the Helsinki area will represent an especially strong pull for the Tallinn economic area.

The overall job prognosis about the Helsinki region has been compiled in the similar way. From 1995 it can be seen that there were 29,000 more jobs than there was employable labour force in the whole region. This must be considered the net figure of pendulum labour force outside from the whole region.

Income and consumption

The structure of consumption can be followed in about 20 years. Helsinki and the whole Finland have been compared. Three relevant cases can be seen from the chart of time. The section of food among the expenditure has decreased. Consumption of food is in essence basically the primary consumption. According to the consumption theories this section of expenditure is supposed to decrease when the income is increasing. Nevertheless, the decrease in 1995 compared to that of 1990 is connected with Finland joining the EU in 1994 that brought along a considerable decline in prices of agricultural products. The development of housing expenditure, on the other hand, has been undulating. The decline was followed by a sharp rise that in Helsinki was even sharper than elsewhere in Finland. The section of clothes has notably decreased. The section of transport and communication expenditure acts in an opposite way to expenditure in housing section. The strong rise was followed by distinct decline at the beginning of the 1990's. All three subgroups of transportation – purchasing the means of transport, their use, and buying the transportation service – all required less money than in 1990. Buying the communication services, on the other hand, required more of it. A research of consumption about the present time, made in future, will probably stress an even bigger growth in expenditure of communication services. The 70% rise in expenditure on cellular phones will surely influence growth in the percentage of this input item.

The structural differences of consumption between Helsinki and Finland have remarkably decreased. Obviously, it is connected with the fact that also the differences in income share for consumption have become uniform, especially when to look at expenditure per a person. The income level in Helsinki area exceeds the level of the whole country by 25% (the whole Finland 1995 = 100). It has to do with assessable income per a beneficiary by the government.

A survey of the state of safety in Tallinn and Harjumaa

Natalja Barkova, Silja Kurik

Viewing Tallinn as the capital of the Republic of Estonia and the principal tourist object, the question of safety is extremely important. In the article safety in issues connected with crime is observed: violence and thefts, the safety of people and their feeling secure, means to protect oneself, the effectiveness of police work and criminal prevention, etc. The first part will give an account of the crime in this area on the basis of police statistics. The second part will handle crime towards citizens of Finland, and the third part will concentrate on the survey of the population's feeling secure.

In comparison with other regions in Estonia, the number of registered crimes is the biggest in Tallinn. This number has been rising since 1996. The number of crimes registered by Harju Police District is smaller. The per cent of detecting crimes in Tallinn is unfortunately extremely small – on an average 13–16% of the registered crimes a year. The per cent of detected crimes on the rest of territory of Harju county is higher – on an average 20–34% of the registered crimes is detected there.

Since 1988 crime in **Tallinn** has been showing constant rising tendency with a small decline in 1996 (probably caused by some methodical changes in registering crimes at that time). Figure (p. 17) shows a more or less stable level of criminality in Tallinn 1984–88. To the year 1999, however, the number of crimes compared to 1995 had risen by 1.5 times.

When looking at crime by its types, we see that the majority of registered crimes are those against property: 19,769 registered crimes in 1998, 22,768 in 1999, and 9,687 in the first 6 months of 2000. The most widespread in this group is secret theft, whereas most of the thefts are made from cars. Thefts from flats stand on the second place and the stealing of vehicles on the third place. Pick-pocketing and frauds follow. The next big group of crimes in Tallinn is crimes against public order: 2,233 registered crimes in 1998, 2,605 in 1999, and 1,154 in the first half of 2000. Most widespread among those is hooliganism and stealing a car with the purpose of its temporary usage. Drug crimes belong also to the same group. In 1998 there were 117 drug crimes registered in Tallinn, in 1999 115, and in the first half of 2000 already 115[6] that is considerably more than in previous years. Statistics about assaults shows that the number of intentional murders and attempted murders in Tallinn, like in Estonia on whole, is slowly declining. A great number of murders (at least 50%) are committed towards a member of family or towards an acquaintance, mostly in connection with quarrel that has been caused by excessive use of alcohol.

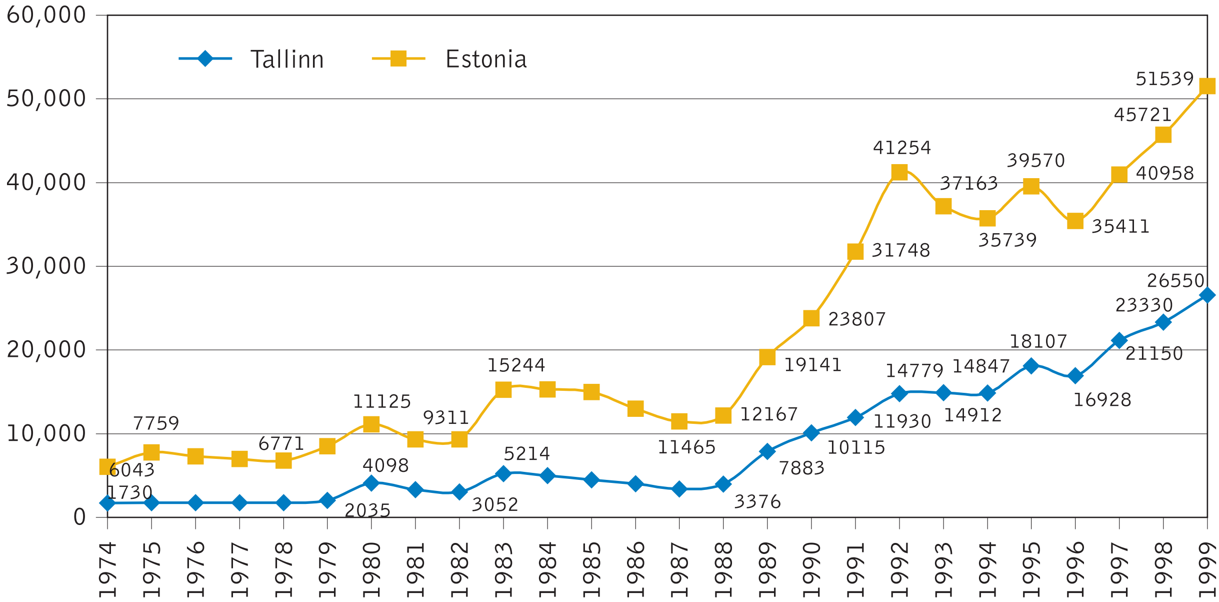
As mentioned above, the number of registered crimes on the rest of the territory of **Harju county** is smaller than that in Tallinn. The biggest number of registered crimes in Harjumaa, as in Tallinn, are crimes against property. The most widespread in this group is secret theft, whereas unlike in Tallinn the most thefts take place from flats. Another widespread type of crime in the group of crimes against property is public theft, like also in the capital. Among the crimes against public order the stealing of a motor vehicle with the intention of its temporal usage and hooliganism are most widespread in Harjumaa. The number of drug crimes in Harjumaa is much smaller than that in Tallinn: only 10 registered cases in 1998 and 1999, and 5 in the first half of 2000. The number of crimes against person is in Harjumaa also smaller than in Tallinn.

Despite the growth of crime in Estonia, the number of crimes committed against tourists visiting Estonia is relatively small, and it has stayed on the same level during last years, although at the same time the number of tourists has increased considerably. Of all the crimes committed in Tallinn the per cent of crimes committed against foreigners was in 1999 4.8%, that is, 1,272 registered crimes.

When in 1998 more than 1.8 million Finns visited Estonia and in 1999 respectively more than 1.9 million Finns (according to the Department of Tourism), then ~0.03% of them became a victim to crime. It should be emphasized that especially the number of violence crimes committed against foreigners in small. Mostly thefts – both secret and public thefts – are committed against foreigners.

[6] During 10 months in 2000 396 drug crimes were registered in Tallinn, within the same period in 1999–91. (BNS)

The number of registered crimes in Estonia and Tallinn 1974–1999



Source: Police Department of Estonia

Together with an overall growth in crime also crimes committed by foreigners have increased in Estonia – in last year almost 7 times. Among this, the number of crimes committed by the Finns has increased. When in 1998 there were only 3 crimes committed by the citizens of Finland registered in Tallinn, then in 1999 the number was already 12. These are mostly crimes against property and hooliganisms.

It appeared in the survey of living conditions[7] made in Estonia in 1999 that despite the fact that the level of crime in Estonia is a little higher than in other Baltic states, people here feel themselves more secure. In comparison with the average of Estonia, the inhabitants of Tallinn are afraid to become a victim to an assault or threatening more often. This outcome is also an expected one as more than half of the crimes in Estonia are committed in its capital.

People in Tallinn and Harjumaa do also more to protect themselves than it is done on an average in Estonia. Among the people questioned in Tallinn, in comparison with the whole Estonia, there were almost less by half those who answered that they do not use any means of protection against becoming a victim to crime. People install here considerably more security locks and avoid dangerous places more than in other regions of Estonia.

[7] Survey of living conditions in Estonia in 1999. Basic data. *Norbalt II*. Health and Labour Department of Estonia, Statistical Office of Estonia, Tartu University, Institute of Applied Social Studies Fafo (Norway). Tartu, 2000

The state and development of crime in Helsinki in the 1990's

Tapio Huttunuen, Pekka Santtila,
Martti Tuominen, Reino Simonen

Hereby an account of the reports registered in the system of informing the police will be given, viewing the state of crime in 1999 and its development trends on part of some crime types in Helsinki.

From the list of crimes that are chosen as a crucial point in the work of safety strategy petty larcenies (pickpocketing) and thefts from car are those having occurred most often in Helsinki in the 1990's. In all there were more than 20,000 cases in 1999. Thefts from car have increased the most; from the end of the 1980's their number has almost tripled. The number of petty larcenies has also risen.

When evaluating the development of the numerical tendency of the committed crimes, it should be remembered that in the 1990's there was an intensive growth in the population of Helsinki. In ten years the number of citizens there has increased by more than 50,000 people or more than 10 per cent. On the part of crimes connected with inflicting bodily injures, for example, it means that on ground of the number of population there are now less cases of infliction of bodily injures than there were ten years ago. In other words, the rated probability to become a victim of infliction of bodily injures has declined by about ten per cent.

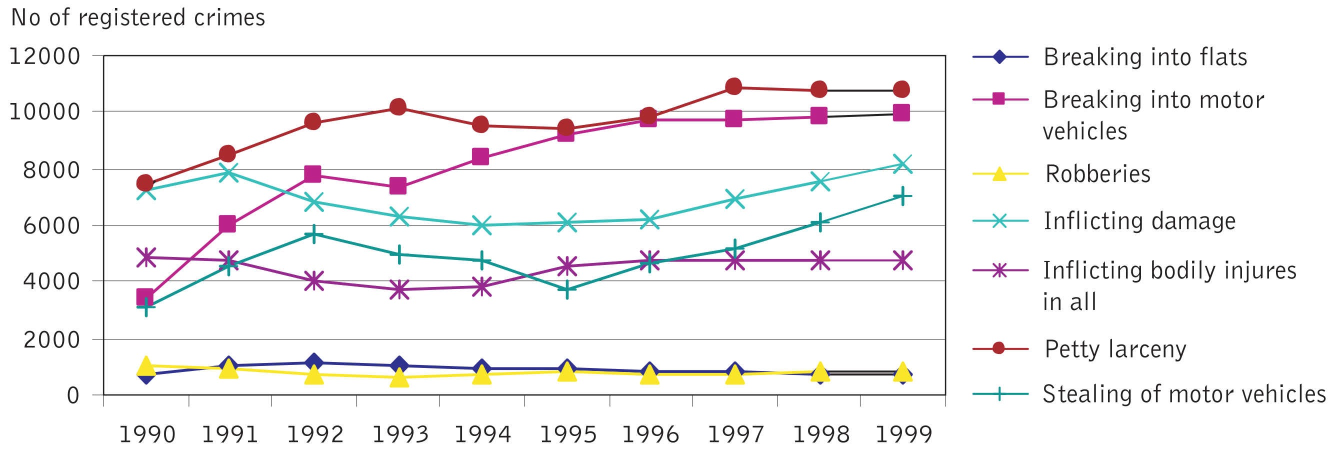
From the point of view of becoming a victim to violence the analyses of interviews will give the best picture about the overall number of the cases and the variability of time. According to surveys, in 1997 the police had been informed only about 7% of the cases of experienced violence or threatening with violence.

The most important outcome of the surveys is the decreasing of violence that inflicts traumas from 1980 in all of the surveys. In 1980 there were 109,000 adult (aged 15–74) Finns becoming a victim to such violence, and in 1997 the number was respectively 79,000.

The fear of crime has been increasing since 1988. Young women (aged 15–24) fear for their safety the most, 70 per cent of whom fear for becoming a victim in evening outside their home. Men are considerably less worried, but since 1988 their level of defenselessness has been growing more rapidly than in case of women.

Different crimes are committed in different parts of city and on different times. The inflicting of bodily injures in public places happen the most in the center of Helsinki, and when considering time, in late hours of Friday and Saturday. There are also more robberies committed against private persons taking place in the areas of the center of town than elsewhere, and these also take place mainly on Fridays and Saturdays. In addition, the robberies against private persons are committed mainly late in the evening or at night: the summit of it seems to be between 10 p.m. and 3 a.m. In course of robberies a cellular phone, or a purse, or only a credit card is being robbed.

The development of some types of crime in Helsinki in the 1990's



There are considerably less burglaries of stores than robberies against private persons taking place. In 1999 there were about 60 of this kind of burglaries. The objects of store burglaries from 8 p.m. until 9 p.m. are mainly kiosks, very seldom also restaurants, grocery stores, or other stores.

In 1999 there were 15 assaults in Helsinki. The number of assaults in the 1990's has varied from eight to twenty-six. In case of such an uncommon crime the variation can be occasional, thus, it cannot be distinctly seen if the number of assaults is growing or declining.

In 1999 the Helsinki police was informed of rapes in 65 cases. The total numbers in 1990's are still small and no distinct tendency towards one or other direction can be noticed. It should be remembered, though, that police does not get information about all rapes. Burglaries of flats have in the 1990's remained quite stable. 1990–1992 there was to some extent a growth in overall numbers, after that declining tendency can be noted. In 1999 the police was informed of about 540 burglaries of flats. In central town burglaries of flats are quite scarce, resulting from the smaller number of flats. The most burglaries of flats take place on Thursdays and Fridays. On one hand, burglaries of flats take place in the morning and at noon, from 7 a.m. until 1 p.m., and on the other hand from 4 p.m. until 7 p.m. The first accumulation could be associated with possibilities offered to the burglars – flats are empty when people have gone to work, to school, or to some other place in the morning.

An interesting point of comparison to the breaking into flats is the breaking into stores. There were a little more than 1,000 of those in 1999. Differently from the breaking into flats those into stores take place in the center of town and in Pasila more than in the quarter of Malmi and in the area of East center.

Compared to the beginning of the 1990's the robbing and stealing of motor vehicles has more than doubled (1990–3,100; 1999–~7,000). The level of stealing of cars is in the area of Malmi and Pasila higher than in the area of East center and in the center of town, where the level is the lowest. The number of thefts from car has also increased. When in 1990 there were 4,000 cases, then in 1999 already almost 10,000 of them. Likewise the stealing of cars they take place most often in the quarter of Malmi and the less in the center of town.

There are many cases of inflicting damage or hooliganism taking place compared to other crimes. Their number was more than 8,000 in 1999. The cases of damage inflicting take place more in the evening and at night and to some extent more in the center of town and less in the area of East center compared to the other two areas.

When looking at the driving a vehicle when drunk or having used drugs, it should be kept in mind that the number of these cases depends primarily on the activity of the police, in other words on the fact when and where the total inspection is organized. Thus it is not reasonable to present a distinct evaluation about the rising or declining trend without data about the activities of the police at the same time. In 1999 there were 1,806 persons caught. When considering time, people were caught most during summer time, on weekends, and from 9 p.m. until 5 a.m.

On part of drug crimes a drastic rise can be seen in the 1990's. When in 1990 there were almost 700 of them registered (the common and brutal were added up), then in 1999 there were more than 2,500 drug crimes. Drug prevention has become since 1994 one of the most crucial matters in the strategy of action of the police and the customs. Different sources of information assert the picture reflected in the police statistics and refer to a distinct rising tendency in the 1990's.

Civil protection in the Republic of Estonia: the present state and perspectives of development

Natalja Barkova

With the changing of economic relations (property relations, the structure of enterprise) that started at the end of the 1980's, and that has in the ten years almost ended, Estonia repealed the system of civil protection of Soviet Union based on the army. The current article will give a survey of the legislative side of the system of civil protection in the Republic of Estonia and of the actual problems connected with that in Tallinn.

Until 2001 the basis of organizing civil security in Estonia was the Civil Protection Act that was adopted June 3, 1992. In years following the adoption of the law many laws that were directly concerned with this field were enforced – the State Emergency Act, the Peacetime National Defence Act, the Rescue Act, the Emergencies Act, the State Reserves Act. As the law had been developed nine years ago, it had fallen behind the development of civil society and did not meet the requirements of the modern society. The same could be said also about other acts of law regulating the civil protection.

The main deficiency of the laws was the fact that their stress lay on the aspects of the state of emergency and thus on the military and catastrophic aspects of the emerging of crises. The Civil Protection Act did not regulate the organizing of preparedness, namely the preventive and operative actions on the state, regional, local administration, and object level. Until 2001 there was also no risk analysis on the state level and no regulative basis, methodology, and concept of the regional risk analysis and financing of the regional risk analysis from the means of state budget. The laws also did not regulate co-operation between different force-structures (the armed forces, the police, rescue department etc).

In order to improve the state of civil security in Estonia and to adjust the legislation of civil security to the modern conditions, the Parliament adopted "The Act of Preparedness for Emergency Occasions" November 22, 2000. The new law came into effect January 1, 2001, and from the same moment on the Civil Protection Act ceased to be valid. The new law comprises all the levels, from the Government of the Republic up to a company. The law establishes the duties of the Government of the Republic for preparedness in case of emergency, including the developing of the policy of crisis regulation, the heading and co-ordinating the crisis regulation activity of departments, the State Office and governors of districts. The law will also establish the forming of the standing crisis committee of the Government of the Republic and the forming of the national program of crisis regulation.

As the new law came into effect only January 1, 2001, it has not influenced to a large extent the state of civil protection in Estonia, including also in Tallinn. The non-fulfillment of the existing laws has been a relevant problem in the area of civil security. It was a live issue especially in Tallinn. The State Reserves Act §5 provides the existence of municipal reserve that will be financed by the local administration. In 1998 and 1999 no means were allotted from the Tallinn town budget to provide municipal reserve that in essence means violating a law.

Despite the fact that Tallinn as the capital of the Republic of Estonia with its number of residents, multitude of tourists, the historical-cultural values and as a center of the modern trade and transit traffic is an area with a high degree of risk, the general organizing of the civil protection in Tallinn is very poor. The level of civil security of an enterprise has been insufficiently developed. Both on the level of enterprises as well as on the municipal administration level there is no interest and responsibility, the economic interests are primary. Expenditure on security is eluded, on the other hand, there is no system of competent counseling for planning civil protection. The levels of region are not fully developed or have developed insufficiently. The new planned trade, business and service areas need to be separately handled. There is no system based on citizen initiative and completing the activity of professional policemen in Tallinn, although the need for such a system has been repeatedly raised in media in recent years. Still the neighbour watch is started to be exploited, especially in Nõmme.

The Tallinn Fire and Rescue Department has no equipment that would allow to act effectively in case of great accidents and vast fires and would allow to give effective help higher than on 7–9 floor (houses, hotels, offices). This kind of equipment should be provided. For financing the purchasing of equipment the Tallinn City Government might make contracts with the owners of respective offices and hotels. As they are also interested in securing safety in houses owned by them, the project may be financed by the Tallinn city budget as well as by the financial means of the respective private companies.

In order to lessen the danger of accidents and to guarantee the safety of people it is necessary to establish the rules of production, processing, storing, usage, and transportation of dangerous substances and to organize respective supervision. For transportation the dangerous substances restrictions concerning time and route are imposed. The regular accounting control and monitoring of dangerous objects has to become obligatory, for which respective methodical instructions and regulations are compiled together with the Department of Environment. The regulations of different offices should be conformed in respect of the transportation, storing, and usage of dangerous substances taking into account the conditions in Tallinn and its goals of development.

Recently there have also been positive changes in developing the civil protection of Tallinn. In the Tallinn city budget of 2001 1,600,000 Estonian kroons were allotted for building the store of municipal reserve. In February 2001 the Tallinn Security and Integration Office under supervision of the vice-mayor set to work, the budget of which is 22.9 million Estonian kroons. 4.9 million kroons are allotted for the Fire and Rescue Department. These numbers are not big (especially in FIM's), but they are still important for improving the situation.

Integration Scenarios of Northern-Estonia and Southern-Finland Region: Blueprint for the further analysis

Erik Terk, Garri Raagma,
Andres Paling, Ain Hinsberg

Integration between Estonia and Finland is not any fatal or guaranteed process with pre-written speed and success. Although the developments in more general environment (e.g. EU) will probably support this process, but the speed and way (what kind of integration!) of the integration depend on different external conditions on one hand and on the other hand – what will do the concrete actors of the integration in both sides of the Finnish Gulf (state and regional authorities, key companies, etc.). Thereby those two mentioned aspects (factors' impact and actors' doings) are related.

Integration must be treated as two-sided (not one-sided) process – "two-way road". It means that not only the acts, influences, etc. of the Finnish firms, local governments, are important, but also the interests and wishes of the Estonian actors must be considered, this as much in Estonia as in Finland. Of course we can't forget that Finland has much stronger and bigger economy and that's why it is the main "engine" in this integration process.

Composing the scenarios we have to construct the "possible worlds" (formed by outside factors) in which the integration will develop, but also we have to analyse the Finnish and Estonian different actions in forming and using this integration process.

The purpose of composing this scenario package is to create such a construction which helps to understand better how the public sector, private sector and their common actions are interconnected and how the result of these actions influence the events.

Scenario genesis

Mentioned hereafter is the preliminary vision of the Estonia-Finland integration scenarios composing possibilities: how to understand the both axis of the scheme and what kind of problems bring together with each "square" of the matrix.

Convergence between Estonia and Finland	Finland's success in the world economy		
		Low	High
	Quick	**A**	**B**
	Slow	**D**	**C**

Comments on scheme's "axes":

a) Assumption for the price convergence is that if Estonia joins EU successfully (by the year 2005), the speed of the convergence will rise and be a bit bigger than 20% in the next 5 years. Wage convergence will be even more rapid.

b) Criteria for the Finnish economic success in the world economy would be presence of the country among the first six in the world competitiveness ranking and the economic growth rate higher than in OECD in general.

The growth of the Finnish economy is discussed as the export centered growth.

The basic assumption is that Finland's development could be rapid then it connects the success in high technology clusters (oriented to developed countries' markets) like info-technology from one side to the success in processing the natural resources (including the resources in the Northern Europe-Russia). Hypothetical we presume that the first component is more important than another. It means that if the EU Northern Dimension strengthening project initiated by Finland will start (relatively slow) then Finland will win from it in some way, but it will be the extra support to it's economy not the main factor.

If Finnish economic success in the world economy decreases significantly, then it could be caused most probably by the losses in the high technological export niches. The worst variant of it may be kind of "system crisis", overcoming of what will take several years, but it probably won't be a real "crash".

Possible "worlds":

SQUARE "A"

Convergence is rapid, but Finnish economy won't be doing well. Hypothetical name of the scenario: "Falling together".

If the "decline" of the Finnish economy will begin after 2005, (then the price and wage convergence has become rather far), then Estonia won't be this cheap country any more where the Finland could bring its production capacities. Estonia could lose the Finland related export critically and don't get any important advantage for compensation. True, Estonia could already be in EU and this could compensate it in some rate, but how much?

Results of the discussion and raised questions:

- The reason of the crisis shouldn't be only the current situation in world economy or too high costs of Finnish products, but also the innovation crisis – the market gets full of kind of high technological products and the new technological "jump" won't be succeeded;
- This scenario predicts the Finland's need to export several social services (the pensioners' care) that could be a chance for Estonia. Because one could not take the social services geographically and culturally far from home.

SQUARE "B"

Convergence is rapid and Finland is doing well. In a longer perspective the name of the scenario could be even "Equal partners in the world economy" or something like that, in a shorter period it isn't right because the development cap (and the roles in the world economy) is too big.

The main issue in composing the scenarios is to catch that moment when and in what conditions Finland begins to use Estonia in fulfilling more complicated functions (even with the rapid convergence the differences in prices and wages are rather big). In this scenario Finland will be in the situation where the limits of it's inner resources will inhibit the development. She is force to take some producing out, grab the outer resources, etc. The combination of participation in high-tech clusters of Nordic countries with development (not low costs) in tourism-entertainment-culture industries may be objective for Tallinn region in the framework of this scenario.

A different problem is, will Estonia's economic success go only to the growth of the living and social standards or also to the strengthening of the competitiveness (e.g. technological infrastructure). And will Finland and Estonia expand and invest together onto the wider territories (e.g. Northern Russia).

Results of the discussion and raised questions:

- The important topic in this scenario is the development of the infrastructure, which can be partly done by the EU money. If this succeeds, it will be the basis for the further convergence and also for the qualitative development, also in Estonian side;
- This scenario could predict also the over-heating of the Big-Helsinki. So the "work related tourism" will probably increase.

SQUARE "C"

Convergence is slow, but Finland doing well. The title could be: "Big Brother and Small Brother".

It is "*low road development*" scenario by idea. The model of subcontracting and cheap tourism country will continue. The feature of the scenario is low innovativeness, Estonia must keep the prices and wages down, no stimulus for long-term development. In longer perspective this scenario is not sustainable for Tallinn and Estonia.

SQUARE "D"

Speed of the convergence is low, Finland will be not doing well – "Estonia as a shock absorber or buffer for Finland".

As Finland has difficulties, she would bring lot of her production functions to cheap Estonia (and to other cheap countries). The question is – what would say about it the Finnish social and political community. And does the more and more globalising business need that kind of accept.

Estonia may get some additional jobs from Finland, but as country, highly connected with nothern neighbour, she surely loses more. There would be the high unemployment also in Estonia.

Results of the discussion and raised questions:

- Not only normal companies, but also losers and swindlers will come to Estonia. Some events typical for the ten years old Finnish crises times occur once again (business emigrating from Finland to Tallinn), but which will be the differences?

The drafting of scenarios based on abovementioned blueprint and including quantitative indicators about number of jobs, businesses involved, growth rates etc, is just now under way.

HELSINKI-TALLINN EUREGIO

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