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DEFINING THE NONPROFIT SECTOR:
FINLAND

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PREFACE

This is one in a series of Working Papers produced by The Johns Hopkins Comparative Nonprofit Sector Project, a collaborative effort by scholars in over twenty countries to understand the scope, structure, and role of the nonprofit sector using a common framework and approach.

The Working Papers provide a vehicle for the initial dissemination of the work of the Project to an international audience of scholars, practitioners and policy analysts interested in the social and economic role played by nonprofit organizations in different countries, and in the comparative analysis of these important, but often neglected, institutions.

Working Papers are intermediary products, and they are released in the interest of timely distribution of Project results to stimulate scholarly discussion, and to inform policy debates. A full list of these papers is provided on the inside of the back cover.

The production of these Working Papers owes much to the devoted efforts of our project staff, in particular Regina Rippetoe, as the program manager, and Wendell Phipps, the project's secretary. We also want to express our deep gratitude to our colleagues on this project, to the International Advisory Committee that is helping to guide our work, and to the many sponsors of the project listed at the end of this paper.

The views and opinions expressed in these papers are those of the authors and do not necessarily represent the views or opinions of The Johns Hopkins University, its Institute for Policy Studies, or any of its officers or supporters, or the series' editors.

We are delighted to be able to make the early results of this project available in this form and welcome comments and inquiries either about this paper or the project as a whole.

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DEFINING THE NONPROFIT SECTOR: FINLAND¹

Introduction

The origins of the main division of societal organizations in Finland are dualistic and based on the legal separation between the public and the private, with nonprofit organizations generally seen as part of the private sector. Historically, the development of a sovereign Finnish state was a common political goal where the state had a crucial role in promoting the process of modernization and just social development. Finland's history from the end of the 19th century through the 1950s was characterized by several deep social cleavages and internal conflicts including a civil war in 1918 and two wars with the Soviet Union between 1939-1944. The political conflicts, which started after independence in 1917, put their heavy stamp on society and widened the gap between the small private sphere and a large and overpoliticized public sphere. These conflicts led to the authority of the state being openly challenged from both the extreme left and the extreme right. As long as civil society was trapped in the "encampment" with which the main political parties surrounded themselves, the chances for growth within an unpolitical, social but not public, "third" sector were small. The dualistic view on voluntary work as belonging to the private rather than the public sphere was preserved even though society started to rid itself of the bonds of the political camps soon after World War II as new forms of organizations emerged.

The current interrelatedness of the private and the public, which rests on a long tradition in all Nordic countries and on the role of a strong state, is not fully explained by this dualism. The growing number of citizen's and interest organizations from the 19th century did not see themselves as solely private, and they often functioned in close relationship to the public authorities locally or nationally. But the final breakthrough of the debate on a nonprofit sector (*voittoja tavoittelematon sektori/icke vinstsyftande sektor*) or a third sector (*kolmas sektori/tredje sektorn*) is much more recent. Now at the end of the 20th century it is in the midst of terminological and conceptual diversity, a reflection of the many economic, social and political challenges Finland as a society is faced with.

Two central events for the nonprofit/third sector are related to the international scene. In Finland, the immediate effect of the collapse of Soviet communism was a dramatic increase in unemployment, which put the welfare state under extreme pressure. In addition, in 1995, Finland became a member state of the European Union (EU). It is today hard to say how much Finland will adjust its social policy to EU standards, but such an effect cannot be denied. The integration has also stimulated reflection on possible alternatives to the Finnish models of social arrangements. By referring to the European citizens instead of governments, the EU has decisively supported an increasing role for nonprofit organizations within the EU.

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The state has been one of the most important advocates for a re-evaluation of the role of nonprofit organizations in society. The “third” sector was already a concept discussed among some analysts by the mid-1980s (Weijola, 1985). Still, discussion and research on third sector issues remained modest for another decade. One explanation for the delay is that the Finnish welfare state and the national economy were expanding in the 1980s and there were large new programs for improved public social services. It seems that the economic recession which came with the collapse of Finnish trade with Russia and a deep banking crisis created a situation where government economic policy had to be revised. About half a million unemployed and many indebted families created intolerable social problems. The third sector started to be seen as a solution to several problems. The concept was brought to the fore through a speech by the President of the Republic, Martti Ahtisaari, in late 1996, strongly influenced by the book *The End of Work*, published by the American economist Jeremy Rifkin in 1995. The third sector was particularly pointed to in relation to solving the large-scale unemployment. Finnish discussion since then has deviated from the mainstream European and American debate by focusing on the issue of mass unemployment, and has thus connected to a central theme in the Nordic “social democratic” welfare ideology.

The “third sector” is the term most widely used today in Finland to describe this set of organizations both in everyday language and in the social sciences. The term “nonprofit sector” has been used in official statistics. For various reasons many other terms have relevance for the conceptualization of the Finnish nonprofit sector. However, some of these are too narrow or too wide for the present purpose; some tend to blur the criteria used within the present study. For example, the “associational sector” (*järjestösektori/föreningssektor*) refers to the important Finnish legal stipulations on associations. “Popular movement” (*kansanliike/folk rörelse*) refers to the central historical, political and cultural role played by the large social movements, both old and new. Most popular movements have been organized in associations. “Associational sector” has been widely used in everyday language, while the Scandinavian type “popular movement” has been used in the social sciences. Nevertheless, “popular movement” and “associational sector” do not refer to the whole associational universe.

“Civil society” (*kansalaisyhteiskunta/civilsamhälle*) has been used as both a political and a scientific term. Different kinds of ideological connotations have been attached to the political usage which make it difficult to operationalize. The concept as such is not a description of the nonprofit sector. A number of scholars see civil society as including everything but the state. Hence private for-profit organizations, private persons and associations are ascribed to civil society, which thus lacks the basic coherence of a specific sector. Similarly unprecise is the term “social economy” (*sosiaalitalous/socialekonomi*) which has gained increasing foothold since Finland joined the European Union. As a consequence of its official position in the EU context, “social economy” may become more relevant in the future. It has been picked up especially in relation to the Finnish cooperative movement. Furthermore, it includes many more types of organizations than the institutions and organizations conventionally covered by the third or the nonprofit sectors and should not be seen as a synonym to these.

Finally, there are two concepts which have been forwarded especially within social policy. “Informal sector” (*epävirallinen sektori/inofficiell sektor*) refers especially to social work and self-help groups (cf. Matthies, 1991). The relation between the “informal” sector and the increasing problems of a “gray economy” is problematic in a study of nonprofit organizations (Hietala, 1997).

The second concept, “intermediate networks” (*välittävät verkostot/förmedlande nätverk*), may become more important in the future since it seems that Finnish social work focusing on the creation of jobs has accepted the idea of networking as central.

The role of associations traditionally has been approached in political science from the viewpoint of interest intermediation. A comprehensive part of the discussion has proceeded around central labor-market organizations. The role of the labor-market organizations as pressure groups or corporatist actors in close collaboration with the government was on the agenda specifically in the 1960s and 1970s. The role played by associations as interest groups was studied with the help of theories of democratic development, while their role as para-governmental organizations (PGOs) or actors of indirect public administration has been central to scholars in law and public administration. Associations have also been ascribed roles as power-wielders in the sphere of public administration and as providers of collective public services (Rosas and Suksi, 1988).

The service-providing role of associations has been the main focus within social policy studies. Meanwhile, sociologists with an historical viewpoint have been especially interested in the role of associations within civil society and in social movements. The traditional movements that are typical to all Nordic countries have also been studied by historians, whereas the new social movements have been analyzed in terms of participatory democracy and political power-wielding.

Among other types of nonprofit organizations, foundations have functioned as funders of nonprofit institutes particularly in the areas of education and charity. As the development of the welfare state was strengthened, their role became relatively invisible. However, with the recovery of associations, foundations have also become more important in the area of service provision.

The main purpose of this paper is to draw the outlines of the Finnish third sector. We approach the issue from different viewpoints. First, the historical development of the sector is analyzed. Second, the actual situation of the sector will be described mainly from a structural viewpoint, with consideration made for the legal frame of reference. The application of the criteria to define the nonprofit sector developed by the Johns Hopkins project are discussed in the following chapter. Last, a discussion on the role played by the nonprofit sector in relation to the state is presented. It is assumed all through the paper that the strongly state-centered Finnish welfare institutions in the 1990s have started to change in a direction which will be beneficial for the future role of voluntary organizations in society. However, we also think that the Nordic type of public welfare solutions on an equal basis for all citizens will be preserved, and that the role played by nonprofit organizations will be to complement the state and municipalities rather than to substitute for them.

Historical Background

The East-West Dimension

Geopolitically, Finland is a border between Western and Eastern Europe. The country was part of Sweden from the Middle Ages until 1809 and the scene of several Swedish-Russian wars.

For a period of 108 years Finland was a separate region within the Russian empire, until its independence in 1917 in the wake of World War I and the Russian revolution. Still, the major social institutions in Finland are of Western origin. During the Russian period Finland preserved the legal, religious and constitutional principles from the Swedish era. The ill-advised effort of the Russian Czar at the end of the 19th century to “russify” Finnish society eventually paved the way for independence. The geo-political status which Finland had after 1809 continued to be a source of tense relations with Russia. During the period after 1809 until independence (in some respects also later) Finnish history can be seen as revolving around questions whether the country could and should continue to be part of Western Europe and Scandinavia. Finnish nationalism during the 19th and 20th centuries has sometimes tended to distance Finland from the historical and present close relations to Sweden and Scandinavia.

The role of religion is especially significant in relation to the Western European character of Finnish society and to the development of a nonprofit sector. Like the rest of the Nordic countries, Finland had become Christianized mainly through missions from the Roman Church and became in the 16th century a Protestant Lutheran country. The role of the Roman-Catholic Church in Western Europe has been crucial to the concept of a civil society. This church demanded a social space for itself, recognized by cathedrals, churches, monasteries, etc., populated by individuals who had dedicated themselves (at least in principle) to a separated religious life. The Roman Church was and is strongly engaged in societal matters. On the other hand, the Lutheran Church inherited an ambivalent attitude to secular society, marking a distance but also wanting to influence it - theologically understandable as the duty of the Christians to assist in the human process towards salvation. The role of the Church in relation to modern culture and ideas on civil society was not restricted to philanthropy or popular education. The religious dimension was probably a prototype for later secularized utopian ideologies concerning a society which is truly human and out of reach of state or church bureaucracy.

It was from this point view of crucial cultural and social importance that the shift in 1809 did not imply a shift of the state religion in Finland. Orthodox Christianity idealizes more harmonious relations between Church and state than Catholicism or Protestantism. It is to a higher degree apolitical, but runs a greater risk of becoming an uncritical supporter of state and people (“nation”) (Stackhouse, 1987). The fact that the Czars until the end of the 19th century were obliged to let Finnish society preserve its traditional institutions created a cultural platform which later became essential for the mobilization to independence. The Czar was during the Russian era the only political institution under which the country was subordinated. This was probably a condition for avoidance of russification and thus favorable to the Finns. It was also favorable to gain independence in 1917, before the Soviet system had stiffened to a totalitarian machinery. It is unlikely that traditional institutions, especially the church, would have survived if Finland had become a socialistic republic within the communist bloc after the uprising in 1918 or the two wars between 1939-1944.

The character of religiously-motivated institutions providing social aid in traditional agrarian society through parishes and parish-related arrangements was similar all over the Protestant world. As part of Sweden, Finnish local society was under the same rules (cf. Lundström and Wijkström, 1995, pp.2-3). However, Finland was often seen as the poorer and less developed eastern part of Sweden. Finland was also a periphery as part of the Russian Empire which, for this reason, was

hindered to start the process of political and social modernization which became urgent during the 19th century.

National Mobilization and the Role of Welfare Organizations

The similarities between Finland and Sweden that existed before 1809 were largely an effect of the diffusion of ideas and regulations from Stockholm. The Swedish influence was strongest in the southern and western coastal regions. Both elite culture and the Swedish language tended to be less visible the further the distance between a local milieu and the cultural and administrative center in the southwest. During the 19th century most of the population lived in relative isolation, dispersed all over the large country. The great majority were Finnish speaking and lived by primary production.

Although some religious, educational, occupational and philanthropic organizations arose during the first part of the 19th century, their role at the end of the century was by far superseded by large popular movements which organized the people for the common goal of independence. By the end of the 19th century various movements representing the lower classes were proponents of radical modern ideas about democracy, equality and belief in human progress through education and social reform. The vast social problems relating to the retarded state of the rural economy were commonly viewed as a significant consequence of Russian influence and authoritarian social and political conditions. In addition, however, the struggle for national independence was part of a general European belief in social progress that acquired different interpretations in different popular movements. During the Russian period the nationalist political aims were disguised by the popular movements under the auspices of fire brigades, associations for youth, "teetotalitarians," and hunting or sailing associations. Nationalist action united the population from all strata and within both language groups, especially when Russian oppression intensified at the turn of the century. The belief in the idea of a Finnish state became so strong that it survived severe internal political cleavages and the civil war, and it has ever since preserved high legitimacy.

The progressive social goals set by the popular movements in the 20th century have been realized by and large through the state and the democratic system. The relevance of private welfare services or philanthropic organizations in Finland often was seen in an ambivalent light since the belief in the national collective was strengthened a century ago. Social equality has been related to wider questions about democracy and politics. Welfare and philanthropy in the 19th century were generally associated with social inequality and acceptance of the status quo. The belief in collective and centralist solutions to problems of a societal character became dominant by the end of the 19th century as a result of a change in the class base of Finnish society. The political power of Finnish-speaking workers and farmers was established over the power of a Swedish-speaking minority elite which had exerted much influence when society was statist hierarchical. The nationalists represented a more democratic view of society. Nationalism became a vehicle both for the lower classes and the Fennoians (cultural nationalists focusing on the advancement of the status of the Finnish language, sometimes in opposition to the Swedish-speaking minority). The later development of a state-centered welfare system based on the idea of social equality must be understood against this historical background.

In spite of the main thrust towards encompassing social solutions, some charity organizations were founded in the 19th century as a direct result of philosophies and ideologies which had reached Finland from abroad. Many of the new organizations were inspired by ideas of social progress, while others were mainly altruistic. The Christian deaconal institutions/hospitals which were established beginning in the 1860s may have been the clearest example of philanthropy where political and nationalist ideas played a minor role. The early feminist movement which appeared some decades later as a proponent of another humanitarian movement soon split into different organizations representing conflicting political interpretations of the call to improve the position of women in society. But they were all, at least indirectly, engaged in the nationalist and political movements of their time (Jallinoja, 1983, pp.34-42; von Alfthan, 1965, pp.22-31; Finlands Svenska Marthaförbund, 1899-1959).

The early history of the Finnish Red Cross is illustrative of the conditions which were to shape the role of charity organizations which wanted to work with broad popular support. The international Red Cross, founded in 1863, was working in Finland in 1877. Nevertheless it was impossible to get dispensation for a regular, internationally integrated Red Cross association as long as Russian consent was needed. Rather, it was accepted under a different name by the international Red Cross as the legitimate representative in Finland. It became engaged in aiding activities abroad, because of wars, and in Finland, because of hunger and diseases. At an early stage the Red Cross provided temporary hospitals for people suffering from epidemic diseases and educated Finnish nurses. It also spread information and instructed people in first-aid. It remained until Finland's independence a relatively small organization which, because of its social base, shared the characteristics of earlier upper-class charity activities. After World War I the membership was only a few thousand and the number of local affiliates small. This was in part because Finland had, in the period between the two world wars, culturally turned into itself, and thus, other countries and cultures had low priority. The Finnish Red Cross attracted little attention with its pleas for international solidarity and aiding projects outside Finland.

It is symptomatic of the times that from its start the Mannerheim League for Child Welfare,² founded in 1920, became a major nonprofit philanthropic organization in close cooperation with the state. It was an important guardian of conditions concerning children in Finland and a channel for improvement of the social and medical care of children all over the country. Like the Red Cross, the Mannerheim League "filled in" where needs were large and public authorities lacked resources.

The expansion of the Finnish Red Cross parallels the development and differentiation of the Mannerheim League for Child Welfare. The local affiliates of the League also became important milieus for Red Cross activity. From 1929 onwards the two organizations jointly developed provincial bodies with the purpose of intensifying local activity. Hereby the popular support for the Red Cross started to increase. The assistance efforts of the Red Cross reached unprecedented measures during the temporary economic crisis in the early thirties and later during the two wars with the Soviet Union in 1939-1940 and 1941-1944. The organization was essential for the mobilization

² General C.G.E. Mannerheim was in the period between the two world wars probably the most authoritative person in the internally split Finland. He commanded the white army in 1918 and was president of Finland for a short period after the 1939-1944 wars with the Soviet Union. During this time, the League, which he inspired, celebrated its 25th anniversary.

of nurses and the organization of medical and social care during the wars. It was also the central network for the civil defense and took responsibility for the health care of the evacuated population. The Mannerheim League for Child Welfare and the Finnish Red Cross both engaged fully in the reconstruction of society in the immediate post-war period. The provision of concrete services to the population was gradually taken over by the public authorities, while the two organizations moved on to other tasks more related to preventive public health which served as complements to the services provided by the public sector.

The two organizations split in 1950 in order to specialize and expand along different lines. The Red Cross changed its primary goal from catastrophe-aid and hospitals to preventive popular health. When the hospitals were taken over by public authorities, the Red Cross shifted to health care, first-aid courses and home service. The elderly and retired became targets for medical and social care. All the time international solidarity remained a central area. The Red Cross organized a separate local network of associations and attained status of a public law association which gave it a unique legal status. The shift from active relief measures to information and public health issues was natural in a situation when state and municipalities took full responsibility for hospital services. Social help for the elderly, first-aid courses, youth work and - after increasing welfare - international solidarity became characteristic Red Cross activities from the 1950s. Membership reached over 200,000 in the 1980s. It was in 1995 one of the largest citizens' organizations with 120,000 members (Hemberg, 1996). The Finnish Red Cross has local activities within both main language groups.

In a similar fashion, the functions played by the Mannerheim League for Child Welfare in relation to the health of families, mothers, children, youth and parents has changed over the years due to changes in publicly-produced services. The role of the League remained innovative, often as a result of close contacts with the changing everyday problems in families. The role played by the Mannerheim League among the Finnish speaking has to great extent been played by The Health Organization of Folkhälsan, founded in 1921, among the Swedish speaking minority. The Mannerheim League for Child Welfare is nevertheless officially a bilingual organization.

The separation between the Red Cross and the Mannerheim League for Child Welfare in the 1950s indicates the impact of the deep changes that were beginning to mark Finnish society when the rebuilding period immediately after World War II had passed. The country was becoming more urbanized, more wealthy and more open to impulses from the international scene. The rising living standard and the gradual disappearance of political strain helped to vitalize civil society.

National Foundations

In 19th century Finland there were no large donations for science and culture as happened in neighboring Sweden (Lundström and Wijkström, 1995, p.4). Before independence, individual donors chose to give money to institutions representing the Finnish people or to the Helsinki University which had acquired a central role in the national front (Ilmanen and Kontuniemi, 1977). In this way some large donations were integrated into existing cultural institutions, particularly those with an aim to improve the status of the Finnish language. After independence private donations helped to create new institutions such as a new university in Turku. Wealthy representatives of the Swedish speaking population chose in a similar way in 1917 to donate the means for a private Swedish

language university as a response to marginalization of Swedish within higher education and the growing cultural cleavage between the language majority and minority (Nordström, 1968, pp.111-116). After World War II these universities, in the same town but in separate languages, became state universities as had many other formerly private cultural or social institutions.

Since 1918, the Finnish economy developed rapidly, which gradually resulted in rising living standards and increasing private and public wealth. The crisis in the beginning of the 1930s hit the rural sector and industry harder than the rest of the economy, but lasted only for a few years. Foundations for restricted purposes became more central in the period between the World Wars. Private initiatives helped to start many new social and medical institutions which later became integrated into the public welfare system.

Other Non-Profit Organizations

Associations within politics, the economy and occupations make up the largest number of registered associations during independence. Their relatively drastic decline since the 1960s in favor of associations within culture, education, leisure and sports reflect cultural adjustments to the structural processes which have changed Finland to an urban post-industrial society. Voluntarism is no longer related to political reforms or nationalism. The most creative field of voluntarism covers interest organizations such as unions or defenders of different minority rights, networks dedicated to the ideals of solidarity with those in need in Finland or abroad (unemployed, drug-users, starving, etc.), global values in relation to environment and animal rights, and various forms of alternative movements or the new social movements. A dynamic development has vitalized part of the sports organizations through the increased role of money, but this tends to lead sports organizations out of the nonprofit sector (Siisiäinen, 1996, pp. 39, 45-46).

Major Types of Organizations

Although the major form of nonprofit organization is the association, the sector also includes foundations and some cooperatives. In addition several forms of newer organizations fall on the borderline between the for-profit, public and nonprofit sectors. The borderline cases are in fact relatively frequent in Finland; the best examples are given by the historically well-established main churches. Each of these is described below.

Associations

The legal framework. The legal basis for associations is formed by the Constitution Act and the Associations Act. According to the Constitution Act (wording from the amended form in 1995), “Everyone shall have the right to freedom of association with others. The right to freedom of association shall include the right to found an association, to belong or not belong to an association, and to participate in the activities of an association. The right to form, join and participate in the activities of trade unions and the right to organize for the protection of other interests shall likewise be guaranteed.”

The Associations Act of 1989 stipulates in greater detail the establishment and organizational forms of associations. According to the basic definition, an association is a contract by which several persons act together for the common realization of a nonprofit purpose. The Association Act puts some general requirements on the association's members, which may be private persons, corporations or foundations. If the primary purpose of an association is to exercise influence over State affairs, the members must be Finnish citizens or foreigners residing in Finland or associations whose members or member associations directly or indirectly meet these criteria. To found an association a memorandum has to be signed by at least three persons. The same applies for the registration of an association.

Associations can be classified in various ways. Focusing on purpose, for example, they may be classified as nonprofit associations versus economic associations. The purpose of a nonprofit association is ideological. Even so, a nonprofit association can practice certain economic activities. The legal system also defines some associations as economic associations, regulated by special laws. The main purpose of an economic association is either to acquire profit or other economic benefit (Halila and Tarasti, 1996, p.63). For this reason economic associations are considered to be excluded from the nonprofit sector.

Nonprofit associations can be classified on several grounds. An important classification is based on legal status and legal capacity. According to this division the main types are registered and non-registered associations. Associations that intend to be registered can obtain this status by announcing it to a register kept by the National Board of Patents and Registration. Only a registered association has legal capacity. This capacity entitles it to obtain rights, make commitments and appear before a court or some other authority as a party. Based on legal capacity, registered associations have the right to hold title to movable property and to real estate, to conclude a purchase contract or other contracts, and to receive donations. The members of a registered association are not personally liable for the commitments of the association.

The freedom of association secured in the Constitution Act concerns non-registered associations as well. To have certain rights the unregistered nonprofit associations must have their own bylaws, which stipulate their purpose, ruling bodies, etc. (Ämmälä, 1991). Non-registered associations have no legal capacity, which essentially restricts their economic activities. In this respect they lack the rights that a registered association has.

Some associations are covered by special regulations. These cannot freely choose their purpose, and membership is often obligatory. Many, but not all, can exert public authority and are also defined as public law associations. The category of specially-regulated associations includes very different kinds of units, such as associations which function solely on the local level (e.g., forestry associations, fishery collectives and road maintenance associations), at the intermediary level (e.g., fishing districts), on the national level (e.g., The Finnish Bar Association) or on several levels (e.g., The Finnish Red Cross, The Central Chamber of Commerce). A number of these associations are obligatory according to certain criteria mentioned in law (e.g., road maintenance associations for maintaining local roads). Some of them have mandatory membership (statutory local landowner's association) or obligatory fees without mandatory membership (local forestry associations). Some of them function close to public authorities (e.g., The Slot Machine Association).

The associational structure. Several scholars have described Finland as “a promised country of associations.” The words hold truth - but only with certain reservations. The associational universe is highly structured. The most common organizational structure is the three-level pyramid model. The lowest level is constituted of local associations. The intermediate level comprises district organizations. The country-wide associations are usually called unions, which may further be attached to a federation or to a central organization, which constitutes the fourth organizational level. It should be stressed that the identification of the members of a local level association with the federation may be very weak or non-existent because the membership of the federation is based on membership through the unions (Halila and Tarasti, 1996, pp.27-34).

At the top of the pyramid structure federations usually cover a vast sector like social work, sports or youth organizations. Numerous unions have joined more than one federation. There are some important federations or umbrella organizations covering in practice all national unions of the sector. Hence the Association of Voluntary Health, Social and Welfare Organizations (with the Finnish acronym YTY) is an umbrella organization of more than one hundred unions functioning in the sphere of social work and health. In the sports sector some tens of unions have joined the umbrella organization SLU. The Federation of Women Organizations and the Federation of Youth Associations (*Allianssi*) cover their sectors. The only large associational sector without a comprehensive peak organization is culture (sports excluded). The trade union movement is divided into three federations. A major change in recent history is the dissolution of the traditional political sectorization (“encampment”) which was typical of the Finnish associational structure since the dawn of independence. The integration of the sports movement in the early 1990s is a clear sign of the disappearance of traditional political borderlines.

At the next level are about 2,000 nationwide unions. A great share of them have separate district level organizations. There are also numerous two-level unions with local associations directly joining them. In addition to unions there are also many nationwide associations with individual members directly affiliating to them. A substantial portion of these kinds of associations act only at one level with members dispersed all around the country. This model is particularly typical to some scientific and cultural associations.

District level associations are often non-registered organizations with very little independence. They act as intermediators between the union and local associations and as coordinators for the local level associations. The district or region level organizations are not very important associational units as far as their activities are concerned. The number of districts usually varies between ten and twenty in the country.

Focusing on human resources, it appears that all nationwide umbrella organizations and unions have at least one salaried employee. Some organizations have a headquarters staff of several dozens with even more salaried employees in the field organizations. The largest organizations employ more than one thousand people. According to the Statistics Finland the total number of people employed in the nonprofit sector is about 64,000 persons, equivalent to two percent of the total labor force. This figure includes personnel working on the district and local levels. A recent study on personnel in local level associations pointed out that every eight of these associations had at least one full-time salaried employee; and an equal amount had a part-time salaried worker (Helander, 1997, p.318).

According to information provided by the Register of Associations, there are about 105,000 registered nonprofit associations in Finland. It is estimated that about 100,000 associations exist on the local level. The actual number of active associations is much smaller (Rönnerberg, 1998). In addition to the registered associations some tens of thousands of unregistered associations constitute a comprehensive organizational network all over the country. There are relatively few single unregistered associations. It is more common that the nationwide registered unions or even registered local associations have unregistered local sub-associations. In these cases the registered organizations take care of certain duties and services otherwise attached to the lower-level associations.

The Finnish associational universe has experienced several waves, which have re-directed its focus. In the first half of the 1990s a profound structural change has taken place in the association structure. Among the associations registered between 1990 and 1994 three subcategories, culture (with a share of 21.8 percent), sports (21.3 percent), and recreation and leisure-time (19.3 percent), constitute the largest groups by far. Despite the rapid change concerning the newly-created associations, the traditional associational spheres have maintained their positions. Among all registered associations the above-mentioned three categories constitute only one-third, while the shares of economic and professional (27.5 percent) and political (21.5 percent) organizations constitute almost one-half of all registered associations (Siisiäinen, 1996). The declining trend has concerned membership and activity more than the number of political associations. These figures point out that the focus of associational life is moving from economic and political associations towards the cultural side, with other categories like social work and health care associations preserving the share of associations that they have had for decades. The rapid changes in the associational universe indicate the focus is being shifted from collective interest intermediation to satisfaction of individual needs.

Some recent studies on citizen affiliation point out that a comprehensive majority (77 percent) of adult citizens have joined at least one association. A share of 27 percent claimed to be members in at least three associations (Siisiäinen and Ylönen, 1996). A comparison with the Swedish situation indicates that the affiliation rate in Finland is a little lower than in Sweden. Stressing the democratic aspect, the arenas for participation provided by the associations are broad. However, participation concentrates in certain groups or categories of citizens: highly educated, employed and persons in high societal positions are more apt to participate than the less well-off. Research reports also indicate that participation greatly varies according to the type of associations. Hence, the cultural and sports associations are able to demonstrate high membership activity. On the other hand, trade union members are passive with only less than one-fifth participating in their activities. Still, the Finnish trade unions are able to demonstrate a high rate of affiliation, about 80 percent of all wage earners, both white-collar and blue-collar workers, one of the highest in the world (Helander, 1998).

Foundations

According to the 1930 Act on Foundations, amended in 1955, a foundation is characterized by an asset which is designated for a particular purpose. The foundation must have a separate administrative body for each asset. Unlike associations, foundations do not have owners or members whose own interests are mingled with those of the organization. The purpose must be charitable. A

foundation must be registered in order to qualify as a legal person with legal capacity, and thus the right to make commitments and to appear as a party before a court or other authorities. Independent private law foundations are usually divided into two functionally different categories, although the same law applies to both: institutional foundations (*laitossäätiö/institutionsstiftelse*) and capital foundations (*pääomasäätiö/kapitalstiftelse*). Institutional foundations may maintain hospitals, or research institutions, or publish periodicals. Capital foundations generally support other actors through grants and other services. Some foundations work both as institutional and capital foundations.

There are also public law foundations and so-called “lacking independence” foundations which are regulated outside the Foundation Act. The former are regulated through special laws, while the latter are units founded by existing corporations (associations, foundations, municipalities, parishes, etc.). The “lacking independence” foundations have no legal capacity.

Since the enactment of the Foundation Act in 1930, the number of foundations has increased annually by dozens. In 1962 their number was 1150, and in 1976, 1630 (Ilmanen and Kontuniemi, 1977). In the mid-1990s their number had risen to 2,400 of which about 2,150 are active. The size of the foundations varies enormously. Some foundations which maintain large institutions, like the *Diakonissalaitoksen säätiö* (Deaconal Institute Foundation) are nationally significant, while most are small and of basically local importance. About forty percent of the foundations act in the sphere of education and culture (including sports). The second largest group is composed of foundations in the social and health area. Institutional foundations constitute about forty percent of all foundations. Their share of the capital owned by foundations amounts to almost nine-tenths and their maintenance expenses amount to three-fifths of the total expenses of all foundations.

Tax Regulations

Two principal points of departure must be taken into consideration for the appreciation of the tax treatment of nonprofit organizations. The first relates to different forms of direct or indirect taxation. The second concerns the treatment of subjects whose intent is to donate to the nonprofits. The nonprofit organizations referred to in these regulations include both associations and foundations.

With regard to taxation of the organization, a charitable/nonprofit corporation has a special position according to the Income Tax Act (ITA). To have status as a nonprofit corporation, three preconditions must be met: 1) the corporation acts exclusively and directly for a public good in a material, moral or social sense; 2) its activity does not concern only a limited group of persons; and 3) it does not yield economic benefit as dividend, profit share or as a more than moderate wage, or as any other compensation to persons who are involved in it. The law includes a list - not exhaustive - of those units which may be regarded as charitable or nonprofit.

It is the actual activity, not just the purpose, of the association that is decisive for the taxation status. The status is determined in last resort by the National Board of Taxation, which is subordinated to the Ministry of Finance. Nonprofit corporations, thus also associations, do not pay tax on personal income. They pay state income tax only on business income and municipal tax in addition to business income from real property. According to the Act and Decree on Tax

Reliefs for Some Nonprofit Corporations, income from real property is also tax-free when it primarily is used for a public or nonprofit purpose.

According to the Value Added Tax (VAT) Act a nonprofit organization is liable to pay value added tax only if its income is deemed to be taxable profit income stipulated in the ITA. Minor activities are exempted from the VAT.

The main rule concerning deductibility of donations to nonprofit organizations is based on the idea that they are not deductible in income taxation concerning individuals. However, corporate donations are deductible within certain limits (FIM 5000-150000) if they are given for scientific or artistic purposes that have been approved by the National Board of Taxation.

The Churches

The Finnish Constitution guarantees the freedom of religion and conscience. Like in other Nordic countries a typical trait of the traditional religious life in Finland is a relatively close relationship between the Evangelical Lutheran Church and the state. The two Finnish churches that have a special legislated status, the Evangelical Lutheran Church and the Orthodox Church, both enjoy autonomy although the second represents a rather small minority. The Church Code of 1869 constitutes the basis for the legislation on the Lutheran Church. It has secured the church among other things an ecclesiastical organization separated from the state and church-tax from members. The Constitution Act stipulates that the administration of the main national church be regulated through the Church Code. A 1993 amendment has loosened the relationship between the state and the Lutheran Church. The Church Code now includes only those provisions that are of central importance for the position and activity of the Lutheran Church and require law level regulation. Direct state support to the church organization has been reduced greatly.

The relationship between the Lutheran Church and the Finnish state is unique in the Nordic region because of the relative independence of the former. Since 1870, the state had considerably less direct power over the church than was the case in other parts of Scandinavia. However most Finns continued to see it as a state-church due to the many social and practical bonds between state and church, e.g., religious education, church taxes and the state's responsibility for the care of church-related national treasures.

The status of the Orthodox Church was more vulnerable until the 1960s. This church presented a problem with political implications at the time Finland attained independence. The granting of religious freedom was considered a condition for international diplomatic acceptance of the Finnish state. The Act on Religious Freedom was accepted by the parliament in 1922, but had been on its way for many years prior to that. Finns in general in 1917 had little sympathy for the state religion of the former ruler and Russia. The Greek-Catholic church (this was the official term at that time) was attached to the Moscow Patriarch and was commonly called the "Russian church." Not all orthodox believers were Russians; there was a Finnish orthodox minority in the eastern part of the country. The difficult situation was solved by giving this church a special status. The statute regarding the "Greek-Catholic" church in Finland was issued by the government by the end of 1918. It enjoyed from the start a high degree of autonomy, the right to prescribe church-tax and a right to be heard in legislative matters concerning itself. The Finnish government became the formal head of

the church, which thus had been enculturated. Governmental influence was limited, but the church was unable to start new monasteries without the government's unlikely consent. Assets such as already existing monasteries and land could no longer be owned by the church as such, only by church foundations. The "Russian" stamp was radically modified in 1923 when the Finnish Orthodox Church came under the religions auspices of the ecumenical patriarch in Istanbul. Legislation on the Orthodox church has been amended several times since 1945. Today it enjoys almost the same privileges and status as the Lutheran Church. Its special status has been guaranteed legally since 1969. The Orthodox Church has the right to apply for economic support from the state.

Parishes are the units of local administration in both the Evangelical Lutheran and the Orthodox Church. Parishes enjoy the right of self-government. The parish tax paid by the members to both the Lutheran and the Orthodox parishes is connected to municipal taxation. The number of Evangelical Lutheran parishes was 595 in 1995. They overlap to a great extent with the municipalities, numbering 450. There are usually several parishes in one large urban municipality. The number of Orthodox parishes is 25. About 86 percent of the Finns belong to the Evangelical Lutheran Church. The share of the Orthodox is a little over 1 percent. Less than 1 percent represented other religions in 1995, and about 12 percent of the Finnish citizens were registered as unaffiliated (Heino et.al., 1997, p.24). A great deal of the members are religiously passive. In 1995, the share of active Lutheran church attendants at Sunday masses was only about 3.5 percent, but a majority of the Finns attended some kind of religious service during that year, particularly on Christmas Eve. The Lutheran church offers a relatively wide range of activities to different age categories (Heino et. al., 1997).

In addition to the Evangelical Lutheran Church and the Orthodox Church there are also other religious communities recognized by the law.³ A religious community can be founded by twenty persons living in Finland. The Act on Religious Liberty presupposes that if somebody wants to establish an officially acknowledged religious community, a request should be made to the Registry of religious communities in the Ministry of Education. There are at present 34 registered religious communities in Finland, most being very small.

There is no simple answer to questions whether the two legally "privileged" churches should be seen as part of the third sector or not. It is a question of definitions. If the criteria "voluntarism" and "private" are stressed, as in the Johns Hopkins studies, the churches probably will fall outside. On the other hand, if a more Eurocentric view of public good organizations could be applied, a lot of activities within the churches might be considered part of the third sector. In this sense the Finnish situation is not very unlike the German one. Anheier and Seibel (1993, pp.18-19,25-26) find that the distinction between public and private law categories are ill-suited to capture the German nonprofit sector. The "public" is not simply the state. In Finland, the Church Code is part of public law, but the churches are independent organizations, and church tax is required only from members. All other religious organizations and associations are ruled by civil law. A difference between Germany and Finland, however, is that the welfare system in Germany builds on the principle of subsidiarity which entrusts large responsibility on to the churches, while the welfare system in Finland is strongly state-

³ Some religious groups have chosen not to become religious communities but have preferred to be registered associations following the Association Act, e.g., the Pentecostal Church. The main reasons are that the state demands more oversight and control of the officially acknowledged religious communities.

centered. The major church has adjusted its deaconal aims in the period following World War II according to the development of secular public institutions for social and medical purposes. The problems of classifying the two main churches are complicated by the fact that the autonomy of the local parishes makes it possible for these to engage in diverse third sector projects with other local organizations and by the fact that there are many associations within the churches that are organized according to the Association Act. Many voices in Finland have during the 1990s asked whether the church - as a representative of the third sector - should take more responsibility for the social political goals. It seems that at least the churches ruled by public law should not be pushed out of the nonprofit sector.

Cooperatives

Cooperatives are regulated by the Cooperative Act which was enacted in 1954. A cooperative is a corporation which at the outset neither has a definite capital nor a definite number of members, but the intention to engage in economic activity for the benefit of members. A cooperative does not have an ideological purpose, but differs from other economic associations through the principle of cooperation. Although their purpose is economic in theory, some of them have been deemed as nonprofit organizations in taxation, especially concerning income tax (ITA). A cooperative comes into existence by simple registration. An announcement of the founding of a cooperative must be made to the Trade Register in the National Board of Patent and Registry. This way a cooperative receives the legal capacity which is required to obtain rights, make commitments and appear as a party before court or some other authority.

There are two types of cooperatives in Finland: traditional and neo. The traditional forms, mainly producer and consumer cooperatives, function on for-profit basis, usually as limited companies. There are also about 700 hundred new type (neo-) cooperatives, one third of which have been evaluated to act on nonprofit grounds (Julkunen, 1997). A large sub-category among the neo-cooperatives are so-called work cooperatives. Their main purpose is to provide participants with workplaces (Karjalainen, 1996). They function in this respect as intermediaries of work places and providers of work opportunities.

Hybrid and Borderline Cases

In addition to the typical nonprofit organizations, associations and foundations, there are a great number of organizational arrangements which often are regarded as part of the third sector. The law does not recognize these units as independent subjects. Their legal status is a function of the laws which govern the organizations and institutions which are responsible for the activities in question. New organizational forms have mainly emerged in the 1990s. A good deal of them have been founded according to foreign models and innovations recently introduced to Finland. A typical feature is that their legal status is difficult to define in exact terms. They often appear to be multi-functional. Most of these "new infrastructures" (Julkunen, 1997) try to combine different resources available on the local level. Several of the models for local cooperation have emerged as a result of various actors from the public, private, and third sectors, or as a reaction to, strategies for reducing unemployment developed by large international organizations like International Labor Organization (ILO), OECD, and particularly EU. Three of these hybrid organizations may be especially mentioned in this connection: partnership projects, activity centers and self-help groups.

Forums for local partnership. The idea which has been applied in Finland in the forums for local partnership is of Irish origin. It is mainly the tradition of a strong municipal administration on one hand and the tradition of a centralized system for wage bargaining which has caused difficulties in the strict application of the Irish model as such. The principle aim of these projects is to reduce unemployment on the local administrative level, which in the Finnish case is constituted by municipalities (Katajamäki, 1996). The participants come from several sectors. The municipalities and local state officials represent the public sector while the entrepreneurs and employer organizations represent the private sector. Different kinds of voluntary organizations like associations of the unemployed, trade unions, citizens organizations and religious communities constitute a separate category of participants.

Until now, only a few forums for local partnership have been established. Their principal functions have been to develop local cooperation between different types of organizations. Voluntary input plays a marginal role in the forums. By helping to develop local employment projects financially supported by some public domestic or foreign funder, often by some EU-fund, these forums can develop particularly the educational competence of the unemployed and bring about new workplaces for third sector participants. In addition to the forums there are also so-called work pools. The participants are similar to those in local forums. A local idea often developed by voluntary organizations may be furthered by implementing it with available funders and cooperation partners.

Activity centers. The idea of local workshops is of Danish origin. The workshops are purportedly for young people who usually have interrupted their normal schooling. The first workshops were founded in 1980. By the mid-1990s about 350 workshops functioned in the country. Most of these are maintained by the municipalities. There are also some workshops maintained by voluntary organizations. The principal aim of the workshops is educational: to give practical training for young people. One of their goals is also to prevent social marginalization (Julkunen, 1997).

Associations for the unemployed are also a phenomenon of the 1990s. Their number, about 200, is not very high. A great deal of them have founded voluntary activity centers. The purposes are multiple: to maintain the working capacity of the unemployed; to provide them with work; to avoid social marginalization and to provide inexpensive food. Another purpose is to act as interest groups for the unemployed. The centers of unemployed are usually funded by public sector organizations.

Self-help groups. A category which has gained quite a lot of attention in the 1990s are different kinds of self-help groups (Nylund, 1996). Such more or less informal groups do not represent a totally new phenomenon. Their activities and importance have come to the forefront mainly as a consequence of the shrinking of the public sector since the 1980s. The groups go under several different labels but they function as mutual help-groups. A great many of them are found in the sphere of health and social work. But they may also be active in other sectors. Hence certain neo-cooperatives, associations of unemployed, groups of heavily indebted, alcoholic anonymous, etc., may constitute self-help groups. Several of them have emerged out of the activity of one person, e.g., by a social worker. Some of them have been founded by associations, parishes and other collective organizations.

Most self-help groups are not formally organized. It is for this reason difficult to define their exact number. It has been estimated that there are at least several thousand more than purely ad-hoc groups in Finland. Because many of them have been brought about to solve an actual problem, their life span is short, from six to 18 months. Some of them survive as registered associations (Nylund, 1996).

The Finnish Nonprofit Sector

The Johns Hopkins Comparative Nonprofit Sector Project has developed a structural-operational definition for nonprofit organizations. According to it, an organization to be included must meet five criteria: it needs to be 1) organized, i.e., institutionalized to some extent; 2) private, which means it has to be institutionally separate from the governmental apparatus; 3) self-governing, i.e., it is able to control its own internal activities; 4) nonprofit-distributing, which means that no return profits are generated to members or directors; and 5) voluntary, e.g., involving a certain amount of participation (Salamon and Anheier, 1997, p.12).

The Organized Criterion

The “organized” criterion has been met relatively clearly until the 1990s among Finnish associations. The “basic laws,” the Association Act and the Foundation Act, have provided the basic models for associations and foundations. The central registers presuppose that organizations, which purport to enjoy legal capacity (i.e., obtain rights, make commitments, appear before a court or another authority as a party), have applied for registration. Also, associations that are not registered but have their own by-laws meet the “organized” criterion.

A tendency particularly among the younger generations points toward increasing individualism and non-affiliation. Certain groupings attached to the “new social movements” have tried conscientiously to found self-help or mutual-help groups without any characteristics of institutionalization. These types of groups do not meet the criterion for organization. The number of this type of informal groups seems to be increasing in the latter half of the 1990s. The “organized” criterion excludes a lot of new types of ad hoc self-help groups without any by-laws institutionalizing their activities.

The Private Criterion

The private criterion draws boundaries between the nonprofit and public sectors. Because of the close contacts and interaction between the state and nonprofit organizations typical to welfare states like Finland, the principles for oversight and coordination exerted by public authorities may also apply to the nonprofits. Particularly the financial dependency of associations may further strengthen these kinds of similarities. However, such tendencies have not obscured the borders between the nonprofit and public spheres. In reality the definition of boundaries between nonprofit associations and the governmental agencies is problematic mainly in relation to certain local activity centers. A good many of these voluntary centers and partnership companies are founded and financially maintained by municipalities, which also may hire people to coordinate their activities.

Even if voluntary organizations constitute the largest group of partners behind such corporations, they are excluded from the category of nonprofit organizations.

The private criterion puts the Lutheran and Orthodox churches outside the nonprofit sector, although in statistical classifications they often are seen as nonprofits. The churches have certain public duties determined in public law like conducting censuses and providing local cemeteries, and they have the right to taxation like other public authorities. For these reasons they do not meet the private criterion and are excluded from the nonprofit sector.

The Non-profit-distributing Criterion

From the purely legal viewpoint, the criterion of non-profit-distribution seems to be self-evident. The legislation which regulates both the activities of associations and foundations clearly presupposes that they are not allowed to distribute any profits to members or managers. However, the application of the nonprofit criterion stipulated in the legislation is problematic in certain cases, especially in relation to sports. Several large sports associations, particularly certain top-level ice hockey teams, have founded for-profit limited companies to handle their business activities (Yleishyödyllisten yhteisöjen verotus, 1997, p.23). This kind of symbiosis between nonprofit sports associations and profit-based corporations covers only a few marginal cases, which must be excluded from the nonprofit sector.

The category of neo-cooperatives includes both for-profit and nonprofit types of organizations. As a comprehensive category, the neo-cooperatives constitute a marginal group as far as the nonprofit-distributing criterion is concerned.

The Self-Governing Criterion

The self-governing criterion includes the idea that an organization must have autonomy in relation to external actors. An autonomous position is usually gained by by-laws adopted by the organization under consideration. Autonomy in absolute terms is achieved by only few nonprofit organizations as far as their economic dependency is concerned. One trend in public financing of associations has been from general unfocused functional subsidies provided by the authorities toward a system where the projects implemented by the associations are funded by the authorities. It is evident that control over the use of subsidies has increased. Despite this trend; the public control has not stretched to the internal activities of the associations, and therefore, the demarcation line between the nonprofit units and the governmental authorities has remained relatively clear.

The Voluntary Criterion

The voluntary criterion refers primarily to participation in the activities of the organizations at all levels of activity. It also concerns membership in organizations in certain cases. Applied to associations, the principle of voluntary membership is relatively difficult to ascertain in two cases. The first concerns certain associations established or regulated under special law. Hence, the law which stipulates the establishment of local forestry associations (societies) presupposes that every forest owner is obliged to pay a forestry fee. All who have payed the fee are entitled to membership in a forestry society. Joining a forestry society is not obligatory but voluntary. For this reason the

membership may be interpreted as voluntary, and the forestry societies meet the voluntary criterion, even if marginally so. Different kinds of professional associations constitute the other types of marginal associations. Membership in organizations such as the Finnish Bar Association is closed to the extent that the association in concern does not meet the voluntary criterion. It may be emphasized that certain professional or semi-professional associations well met the voluntary criterion. There is no reason to exclude some other associations like the chambers of commerce, which without doubt constitute borderline cases (cf Virén, 1997).

In summary it may be stated that the main categories of nonprofit organizations, the associations and the foundations established under the general laws regulating their founding and functioning rather clearly meet the five criteria set by the Johns Hopkins Comparative Nonprofit Sector Project. The principal borderline cases are constituted by the two churches under special legislation, which function in relatively close connection to the state; some specially regulated associations which do not meet the criterion of voluntary membership; certain self-help groups which have difficulties to meet the organized criterion; and certain sports clubs and neo-cooperatives which do not meet the criterion of nonprofit distribution.

The Finnish State and the Nonprofit Sector

Salamon and Anheier (1997, pp.21-22) from the Johns Hopkins Nonprofit Comparative Project concluded about Sweden: "A sizable and important nonprofit sector does exist in Sweden, and has for centuries. This sector is far less deeply involved in the provision of services, however, and far more in promoting social integration and political participation." The Swedish situation is interpreted in the light of the cultural heritage of the main popular movements which had become influential by the end of the 19th century. This characterization of the traditional conditions for nonprofit activities in relation to the total society and the state is, by and large, valid also for Finland. There are of course differences which depend on different social and political conditions before and during the construction of the welfare system, which often has been termed "Swedish," "Scandinavian," or "Social democratic."

During the 20th century Social Democracy never dominated political life in Finland to the same degree as in Sweden, Norway or Denmark (Lindström, 1989). Due to ideological conflicts as well as problems of the public economy, the development towards a "Swedish" welfare model took longer in Finland and never reached the same share of public employment, public allowances or forms of services. It is, however, undeniable that until recently the "Swedish model" was a great source of inspiration for Finnish social scientists and politicians, as for the other Nordic countries (Karvonen, 1981). The countries also share the same predicament in the 1990s partly due to this system; they have common interests in developing a third sector and reducing the costs of public welfare provisions (Lönroth, 1997).

The egalitarian spirit reflected in this state-centered welfare system has often been explained with reference to crucial agreements in the 1930s in Denmark, Sweden, Norway and Finland between the social democratic and agrarian movements. Esping-Andersen's (1985) influential book, "Politics Against the Market," makes a very clear point of the role of peasant support for the development of the "social democratic" welfare state. From another point of view the "red-green" agreements of the

1930s have been seen as a central explanation of the fact that the Nordic countries did remain democratic in an era when fascism was on the rise in large parts of Europe (Karvonen, 1991). A retrospective look reveals that Finland's road towards a Scandinavian type welfare state was difficult and unstable due to the deep ideological cleavages in the population. The decisive factor seems to be the moderating political role played by the parliamentary branch of the Social Democratic Party in the period between the world wars, when ideological and political polarization put national integration to hard tests.

The tense political climate which characterized Finland during the first decades of independence was a consequence of the ideological antagonisms that were opened in society at the outset of the modernization process. The defeat of the reds in the 1918 civil war created a trauma within the labor movement which consequently split into communist and social democratic branches. The latter decided to accept parliamentary action as the only legitimate political work, while the ideologically committed communists kept the dream of a real revolution alive among the "grassroots." Social democracy had in the 1920s a majority of the votes among the working population as a whole, while the communists held a majority within the labor unions. The non-socialist parties, which to most of the Finns were considered moral victors after the civil war, could not use its parliamentary power efficiently due to internal conflicts. The agrarian population favored a democratic republican state-system, while the conservatives were suspicious of democracy and all kinds of socialism and wanted to preserve traditional authoritarian structures and institutions. They almost managed to import a German prince to make him king of Finland. That project was discarded as soon as Kaiser Wilhelm abdicated after Germany's defeat in World War I (Huldén, 1989). Under these conditions Governments were short-lived all through the 1920s.

Criminalization of communist activities in the interwar period made the Social Democrats the only legitimate leftist party in parliament; it was a situation which easily drew tough criticism from both the right and the left. The leaders of the moderate left received impulses from the sister parties in Scandinavia where the political development was more favorable to social democratic expansion (Karvonen, 1988, pp.211-212). The economic crisis of 1930 caused a new wave of leftist radicalization, by which the Social Democratic Party was split again. The political field as a whole was characterized by a massive right-wing turn. In the parliamentary election of 1933, when the national economic crisis had been overcome, social democracy strengthened its position among the voters. The non-socialist parties were once more split in their reactions to the emergence of fascist activism within the populist right wing. The growing support for social democracy was due at least in part to the clear distance marked by this party in relation to rightist - and even illegal - activities. For Finland it was of utmost importance that it was the other large popular party, the Agrarians, which among the non-socialist groups refused to cooperate with the fascist movement in the 1930s (Karvonen, 1988, pp.205-206).

The red-green political deal based on Social Democracy and the Agrarian party was reached in Finland in 1937.⁴ The voter response for this solution was high immediately before the war period 1939-1944, when the content of politics was filled with patriotism and the need to survive. In the first post-war period, Social Democracy for some time faced a formidable challenge to its

⁴ These deals were reached in 1933 in Denmark and Sweden and in 1935 in Norway (Karvonen, 1991, p.77).

political role from the left. However, from the late 1960s on, it has been a central political actor in Finland, while the extreme left has faced increasing electoral difficulties. The Agrarian Party (now Center Party) has managed to preserve a high share of the votes in spite of a radical decline of peasants in the population during the post-war years. The reluctance of the Presidents of the Republic to include the Conservative Party in governments before the breakdown of the Soviet system in the 1980s favored a governmental role for the peasant party long after World War II. The coalition rested on Agrarian support of welfare state reforms in return for Social Democratic consent to subsidize the rural economy and life-styles (Karvonen, 1988, p.209).

Finnish legislation on social issues concentrated in the 1940s on expansion of basic municipal level health services and on family politics. The general child allowance (*lapsilisä/barnbidrag*) dates from 1948. Day care services were developed from the 1950s onward by municipalities and organizations. The main social political debate in the 1950s focused on issues concerning the provision of jobs at a time of high unemployment. The 1960s was a period of transformations of the pension systems; the 1970s a decade when social services got the same priority as health services. The reforms of the welfare system from the 1980s on have been of minor importance for the structure as a whole. The pension laws and social security systems which were created between 1950 and 1972 became the basis of the welfare state and sheltered the population from personal risks attached to aging, unemployment, and chronic or temporary illness. It was done by moving to a public system and leaving mutual service cooperatives behind (Urponen, 1994, pp.232-238).

During the 1950s measures were taken to change the pension system. The first legislation on a general pension (*kansaneläke/folkpension*) passed in 1937. One of its side effects was worsening conditions for the elderly population outside of the work force. An initiative to remedy the Pension Act was taken as the economy recovered after the wars. An ideological and political battle was fought around questions whether or not the system should reflect differences in individual earnings. The General Pension Law (*kansaneläkelaki/folkpensionslagen*) came into force from the first of January, 1957. The political support by the Center Party was crucial to the reform. The pension system was thereafter differentiating. A system of work-related pensions was introduced in 1961 after a conflict in which leftist demands became victorious. Finland got, as one of the last countries in Europe, a comprehensive social security system in 1964. Earlier attempts had failed for lack of political support. Although medical services provided by hospitals had long been developed, the population was found by experts to be in relatively bad health. Many hesitated to go to the doctor as long as possible for economic reasons.

The middle of the 1960s was a turning point because the social security system which had rested on private funds (*sairauskassat/sjukassor*) was replaced with a state-centered system. The public authorities were given the leading role in the provision of social security to the citizens. The private funds often survived as providers of other forms of help to their members, e.g., funeral costs. Social security was developed to cover most forms of illness, child expectancy and births for the total population. It covers individual costs that are caused by medical care and loss of wages. Since the 1960s the unique Finnish history, which from 1917 clearly had marked politics in Finland as different from its Scandinavian counterparts, has gradually lost its grip on the politics of the day. It has been said that Finland chose “the Scandinavian route” in the 1960s (Alestalo and Kuhnle, 1984).

After this the role of the state for the development of welfare services was more resolutely concentrated within the state administration.

The governmental health sector was moved from the Ministry of Interior Affairs in 1967 to the Ministry of Social Affairs, which later became the Ministry of Social and Health Affairs. The legislation on general health, (*kansanterveyslaki/folkhälsolagen*), enacted in 1972, was designed to develop preventive care through increased supply of municipal level services. Another purpose was to increase social equality by reducing the effects of varying individual resources and private solutions. The demand for social and health services was bred also by the large internal migration by which many traditional social networks based on family relations disappeared in the post-war period (Urponen, 1994).

The general social scientific debate of the 1990s on different welfare models illuminated some basic facts about the Nordic model; e.g., the large share of public social services financed through a high tax rate and the institutionalized individual rights related to a low poverty rate. Female participation in the labor market and the employment rate tend to be high. The Scandinavian trends were strengthened in the period from 1960 to 1990. The rate of women in employment increased considerably more in Scandinavia than in other countries. This fact increased the need for social security and services for the care of children and pensionists. Public expenditures related to social services increased all over Europe after 1960, and Scandinavian countries had only a moderate lead in this increase. However, the definite growth of the public sector was more significant for Scandinavia. It verifies that labor-intensive services such as education, health care, and daycare were made available to an increasing range of individuals. Finland (22 percent) however, had a markedly lower level of publicly employed in 1990 than Sweden (32 percent) and Denmark (31 percent).

Furthermore, the levels of social entitlements through pensions and health insurances have been generally higher in Scandinavia than in other parts of Europe. Other unique Finnish traits are also a stronger tradition of women in full-time jobs and the sudden rise of unemployment around 1990. The welfare systems of continental and southern Europe are less labor-intensive, resting on systems of cash-transference rather than services (Kosonen, 1994).

Decentralizing tendencies in the 1990s intensified the debate about the role of municipalities and nonprofit organizations in the provision of welfare services that was initiated in the 1970s under the influence of neo-liberalism. However, decentralization did not threaten the idea of a general and public welfare state until the economic crisis about 1990. The abolishment of the system where municipalities more or less automatically could count on state support for standard investments in social and health services in favor of the present situation - where municipalities on the one hand have freedom to choose creative and optimal solutions and on the other hand are bound by law to supply the population with equal service and support on a very broad scale - is inherently contradictory. The level of public expenses for the welfare services that were institutionalized during a period of economic growth and high employment have become a burden for a society which has to give priority to an increasing rate of socially and economically marginalized individuals because of unemployment.

The third sector has lately become a viable option in discussions about how to preserve the universal welfare state while reducing its costs and opening up for local demands and solutions. Poor

municipalities look for alternative, less costly, methods to keep up a high level of public services regarding, for instance, schools, hospitals, preventive health, care of children and the elderly, and leisure activities. Families and individuals turn to public authorities, religious parishes and nonprofit organizations for help against the devastating economic consequences of long-term unemployment. The state has in the 1990s become a central agent behind experiments where third sector organizations are given a renewed chance to step into a central role in late modern Finnish society.

The state and the large nonprofit organizations within the social and health area are the major agents in the debate on the third sector in Finland in the 1990s. The meeting takes place in negotiations concerning the possibilities to save the welfare system, which has proved to be too expensive for taxpayers - especially in view of the high unemployment rate since 1989 - and too insensitive to local and individual service needs. The welfare state has become associated with a reduction of the role of citizens to mere recipients of anonymous services, while the third sector - by its proponents - has been associated with active self-help, community and individual concern. But an exact definition of the third sector does not exist. The area between public authorities and market is heterogeneous and evolves along contradictory lines. In the future only a small part of all registered associations will be able to play a role as third sector organizations taking part in the new "welfare-mix." The demand for a third sector is a result of demands to bring down public costs. It is hoped that a market situation in which nonprofit organizations can sell welfare services to the municipalities, which may compare the price for purchased services with the price for their own production, will reduce public spending.

The Finnish state in the 1990s attached hopes to the employment capacity of the third sector. A solution to the high rate of unemployment might evolve eventually as a result of arrangements between the public authorities and nonprofit organizations. This problem, which is related to new models for thinking about the nature of work in Western society, may have far-reaching consequences for the nonprofit sector and the legislation about it in the future. It is unlikely that an increase of jobs within the third sector can take place without either pushing nonprofit organizations into business or into greater dependence on public support - eventually combined with a moderate "citizen's salary" to those who cannot be employed in wage work. The idea of a "citizen's salary" has been presented by the political left and among representatives of the alternative movements, which means among groups who today want to see the development of civil society as an alternative to privatization and market influence in the social welfare arrangements.

Conclusion

The nonprofit sector has been an important factor in Finnish societal history. Already in the second half of the 19th century some powerful social movements constituted significant societal forces in the nation-building process. They also played an important role in the dawn of independence from Russian rule. Early associations were essential providers of voluntary social services to people on the local level. The position of the associations changed to a great extent when the strong Scandinavian type welfare state was constructed after World War II. Public authorities took over the major part of the production and delivery of welfare services while the associations remained in a complementary role as producers of services and as intermediators between certain groups and the public authorities. The typical relation between the public authorities and the

voluntary organizations has been one of cooperation ever since. Corporatist models have characterized these relations particularly on the national level, but also to a great extent locally.

During the first half of the 20th century the vitality of organizations within the civil society was severely hampered by the political tensions that characterized the whole society and by the relatively late modernization of the economy. The improved social and economic relations from about 1960 triggered the construction of a full-fledged welfare society based on the ideas of universal rights and equality. At the same time, voluntary initiatives became more important for securing the interests of particular social and cultural needs in the population. For a long time during the period of economic growth, all nonprofit organizations that worked for a public good could count on public support.

As a consequence of the economic recession which caused setbacks in the production of public welfare, actors within the third sector have become targets for new challenges in the 1990s. In particular, the mass unemployment since the beginning of the decade put third sector organizations in new roles. More so than during the highlight of the strong welfare state, the associations have recently been put under demand to participate in the societal *talkoo*,⁵ and cooperatives have gained a stronger foothold. Due to these challenges and options, different types of cooperational schemes between public authorities and voluntary organizations have been developed, strengthened and enlarged. The search for new organizational forms has led to certain kinds of partnership models in the 1990s. These models comprise activity centers and local partnership fora which are constituted by participants representing the public authorities, private enterprises and voluntary organizations. In addition, several kinds of hybrid forms of self-help groups and neo-cooperatives have emerged.

The number of welfare actors has greatly increased since the development of a mature Scandinavian type welfare state - often also called Social Democratic - although the public sector (including the state and the municipalities) has continued to be the principal producer of services. The change in roles and identities taken by the different welfare actors has been reflected on the conceptual level. "Welfare mix" has become a term that describes the welfare society with an extensive scale of public and non-public actors constituting interchangeable networks and organizations in the production of services. The changes which concern the associations within this sector have been conspicuous. The increased role for citizen's organizations within the European Union has greatly raised the status of the nonprofit organizations in Europe and in Finland. They are now often seen as important independent partners of the public authorities in the social and cultural areas abroad as well as in Finland. Citizen's organizations sometimes function as ambassadors for Finland on the European scene. They can receive economic support both from the EU and the Finnish authorities. The general conditions for third sector organizations have been greatly improved recently.

In spite of all this, it is at this moment impossible to foresee the future function and social impact of nonprofit organizations in Finland. The above-sketched major social changes have forced the organizations several times to adjust their function, ideology and identity in order to survive in the space allowed by, on the one hand, the public sector and, on the other hand, by voluntary

⁵ This well-known Finnish term points at an old tradition for collective voluntary self-help.

commitments among individuals. The present period of European integration and a neo-liberal trend in the public economy has raised the expectations that third sector organizations and activities will yield fast positive results for a rather diffuse “common good” - often in practice, problems of the state and the municipalities. In the case of the old and established organizations, this may clash with their identity as representatives of the idealism and cultural heritage of the earlier popular movements. It is likely that some types of organizations will profit more from the new opportunities than others. The present trends seem to favor associations with small and efficient organizations which offer expert- based services to certain groups in society. These have little to do with the democratic and flat structure of the communitarian popular movements which played a central role in the formation of modern Finland.

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