

Rural development in Kainuu region in Finland: A Case of Sotkamo

Finnish Context Report
Restructuring in Marginal Rural Areas (RESTRIM)
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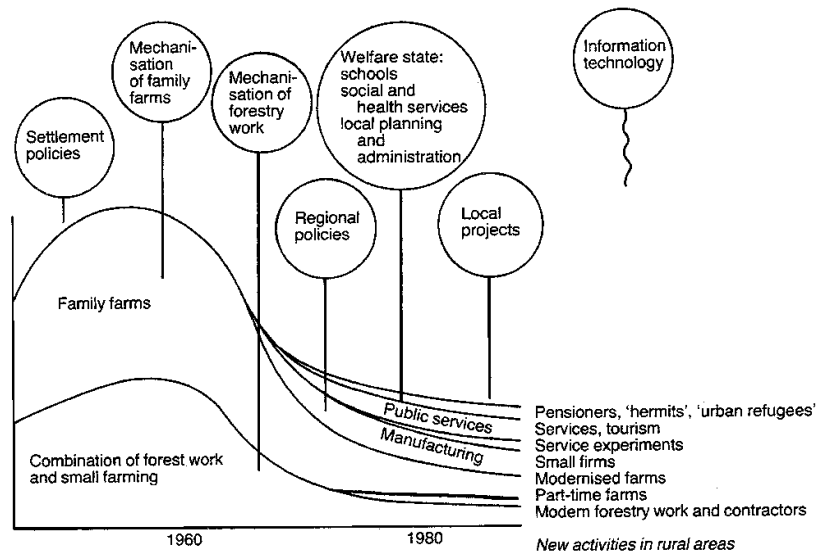


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1 Executive Summary

The Finnish research area is situated in the northeast edge of European Union at the border of Finland and Russia. The Kainuu Region has about 91 000 inhabitants and its average population density is only 3,8 persons/ km². The rural municipality of Sotkamo, the Finnish case study locality, has 11 000 inhabitants. Sotkamo has followed the typical development path of a rural community in eastern Finland. After the Second World War the population grew up until the early 1960's, which was followed by a period of rapid population loss. The share of old persons is getting higher, because the young generation is finding jobs elsewhere and moving away.

In earlier times, the economy of Sotkamo, as well as the whole region of Kainuu, has relied on family farms and forest work. Sotkamo has been the stronghold of cattle and milk farming. Its dairies were at their time called Sampos of Sotkamo. The dairy manufacturing gave jobs to 226 person still in 2000, which is almost the same number as the jobs in tourism. Dairies have been important for region's milk producing farms. At the time of two dairy mills in the 1960s, the number of milk farms was over 1600, now it has come down to 180. The sad news about Sotkamo Dairy factory was published in spring 2001: the dairy is going to be closed during 2003.

Forest has been for ages an important source of income from the period of tar exports, to the one of Kajaani Paper mill, sawmills and timber house factories.

In comparison to other rural municipalities in the Kainuu Region, Sotkamo may be regarded as having done well. After 1975 the total number of population has stabilised around 11 000. Explanation for Sotkamo's success can be found in relatively strong manufacturing (electronics and metal products) and tourism, which has nourished with the help of the image of Vuokatti landscape. The forests are now serving sports and recreation, producing unique experiences of wilderness both in summer and in winter.

The role of public sector is still important in many ways, although the welfare state has undergone economic streamlining. The municipality itself is the biggest employer in Sotkamo, offering third of the jobs in Sotkamo. Running the functions of local welfare state, it still provides the social and health services and education and training. The municipality has also supported and activated the diversification of local businesses and industries. Its has played key role in many of the new and risky development efforts.

However the success of Sotkamo cannot be fully explained by natural factors or functioning of the local state. Behind the innovations in tourism services and manufacturing, there has been local culture of activity, with leading personalities and new forms of partnerships and networking, which has been also characterised as Sotkamo style of decision-making. One may find positive self-awareness, strong motivation for local cooperation and sense of collective identity. An additional source of cohesion and local identity is found in rurally based sport of Finnish baseball. The team of Sotkamo was again the national champion in 2001. The Sotkamo baseball has grown from village effort to become a part of the regional identity. Previously baseball mobilised amazing amounts of voluntary effort, and now it has become an efficiently run entertainment business at a national level.

2 Introduction

Finland is one of Western Europe's most rural countries. It is also mentally much more rural than the proportion of population living in urban settlements (82%) may indicate. It is therefore no wonder that the rural question has always been at the top of the state agenda and Finnish countryside has been linked to the concept of a "broader" social policy, which term has been used to describe Finland's unique mixture of agricultural, regional and social policy. (See Pyy and Lehtola 1996, 17)

The central problems of Finland's rural areas include loss of population, its ageing, and decrease in the number of services and jobs. The concentration of people and operations in growth centres is related to the ongoing transformation of the economic structure, a process that has started later in Finland than in other countries. (See e.g. Lehtola 2000)

Settling the Finland's territory has started originally along riversides and water routes to the inner land. The settlement structure of Finland is characterised by the low population density, only 16 inhabitants per km², which is the lowest in the European Union. Another feature that is typical for the Finnish countryside is the late but relatively rapid structural changes (see Pyy & Lehtola 1996).

The most important factor effecting to rural structure after the World War II was the resettlement policy of evacuated inhabitants from the ceded areas in Karelia. Almost 143 000 new farms and other land estates were formed till the year 1958. Because of this settlement policy the Finnish countryside was flourishing in the 1950's, and this period is still forming the images about the Finnish countryside among the Finnish people (Westerholm 1999, 90).

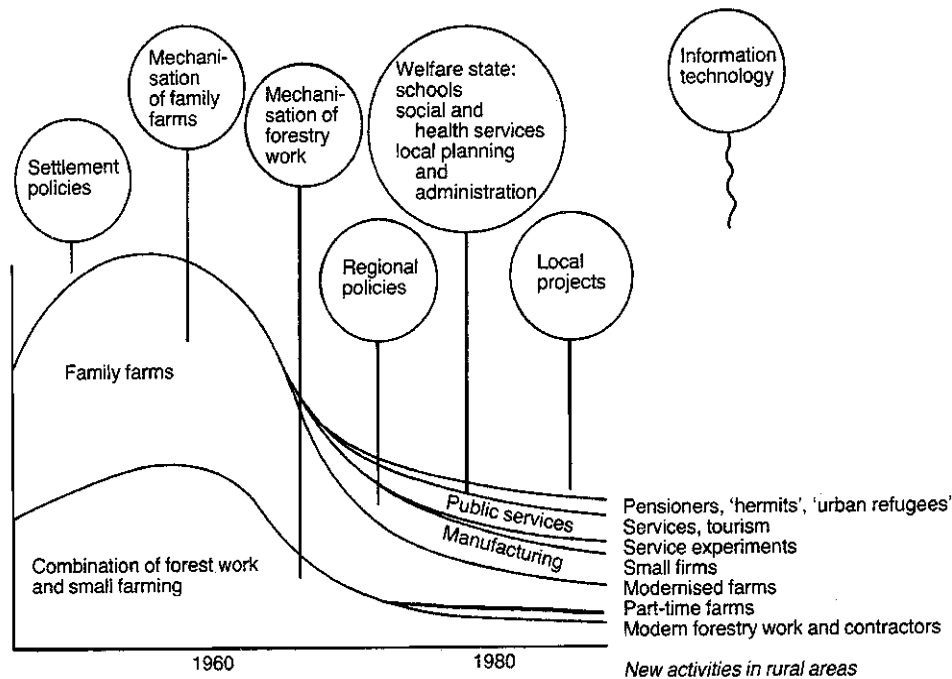
The settlement policy resulted in "the population time bomb" for the Finnish countryside. It was triggered off in the 1960s by urbanisation and technical development of agriculture and logging. The baby boom generation, born after the war, had grown up and moved to big centres of Finland or to Sweden. This wave of migration has later been called the "Great Move". The remaining elderly generation moved to the municipality centres in order to reach social services. This process is continuing in the Finnish countryside especially in the remote areas. (ibid.)

Urbanisation started in Finland later than in many other Western European industrial countries. For example in Sweden the proportion of urban population reached 50 % already in early 1930s. Finland reached the same level of urbanisation in 1960, while in Sweden the share of urban population was already 73%. Today, however the proportion of urban population in both countries is about the same (over 80%). (ibid.) Thus, in Finland the urbanisation has taken place very quickly during the last three decades.

The structural changes of the Finnish countryside have been described as a series of historically formed layers of activities. Each layer is a combined result of production systems and policies. During recent decades, the Finnish countryside has experienced several separate waves of economic development and public policies (see the figure next page). In the 1960s, the bulk of the Finnish rural population was still tied to the villages through two different forms of rural economy: 1) the forest-owning peasant and 2) the lumberman-smallfarmer. Both these forms are combinations of agriculture and

forestry. Their difference arises from the different land ownership structures and different links to national level systems of food production and forest sector. (Oksa 1992, 1995)

Figure 2-1 Historical layers of economy in the Finnish countryside.



Source: Oksa 1992

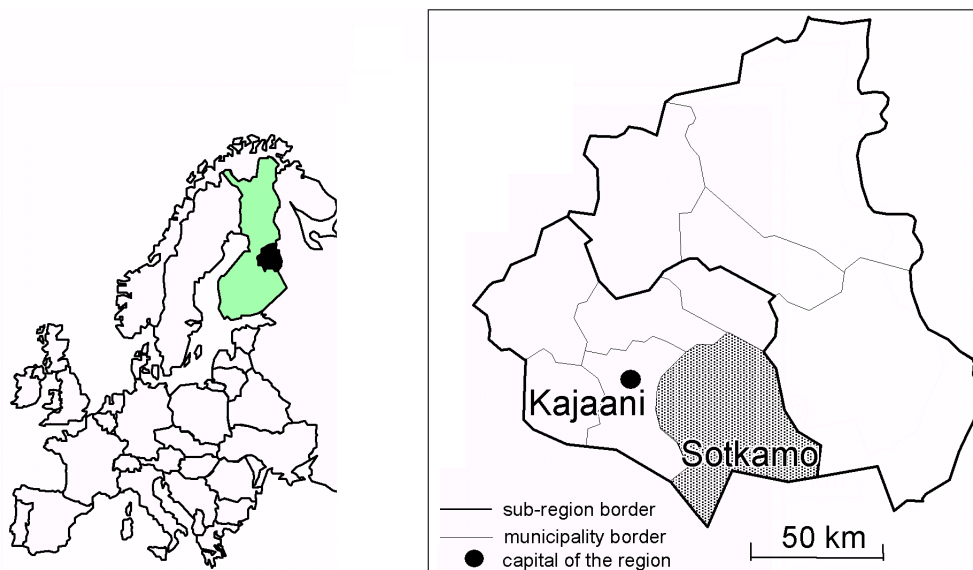
In those regions where private peasant land ownership prevails (especially southern and central Finland), forestry is a subordinated, part of family farming. The forest has been the farmer's bank, the guarantee of his independence. It has provided resources to answer the challenges of rapid structural changes. In those parts of Finland (east and north), where large-scale (state or company) forest ownership was strong, small farms have provided forestry's work force. The wives carried on farming (cattle, pigs, hens, etc.) mainly for the family's own consumption. The lumberman-smallholder combination survived only as long as forestry work demanded a lot of seasonal labour and horses, and other industries did not draw away the peripheral labour force. When the logging and transportation of round wood was mechanised, starting in the 1960s, this form of rural economy was totally abolished in a decade or two. This helps to explain why the rural depopulation, the so-called "Great Move" of 1965-1975 was especially forceful in eastern and northern Finland.

After political struggles about regional policies and welfare state reforms, new layers of industry and service were constructed in rural centres. These new activities, however have not been able replace all the work opportunities that were lost in restructuring of the primary sectors.

Our research area, the Kainuu region and the Sotkamo municipality, is situated in the northeastern edge of European Union at the border of Finland and Russia. The Kainuu

Region has about 91 000 inhabitants and its average population density is only 3,8 persons/ km². The capital of Kainuu Region is the city of Kajaani.

Figure 2-2 Location of the Kainuu Region and Sotkamo.



Natural resources are important for the regional economy of Kainuu. The role of forest sector and agriculture has traditionally been significant, although it is nowadays going through a thorough restructuring process. The landscape of Kainuu wilderness offers possibilities for recreation and tourism. There are plenty of water and clean air, and 9500 kilometres of lake shore. The region has implemented several nature protection measures and there is a regional plan of sustainable use of natural resources.

Table 2-1 Some facts about Kainuu, Finland and EU.

	Kainuu	Finland	EU
Area 1000 km ²	24	338	3191
Forest % of land area	94,8	75,5	33,0
Water % of area	11,8	9,9	..
Population in 31.12.1999	91 081	5,1 mill	374,6 mill
Pop. Density per km ² (1998)	3,8	15,2	117
Employed workforce %	50,2	59,1	60,1
Unemployment rate % (1999)	21,2	13,9	9,2
Sources of livelihood % (1997):			
Primary production %	11,0	6,1	5,0
Industry %	23,2	26,8	29,4
Services %	63,3	65,0	65,6
GDP 1997 (EU=100)	69	99	100

Source: Kainuun liitto (2000).

Sotkamo municipality is in terms of net-migration and the rate of unemployment, one of the least suffered municipalities in the Kainuu Region. The public image of Sotkamo is regarded as favourable and, in comparison with neighbouring areas, successful. The image of its Vuokatti landscape is well known, and Sotkamo's service sector has been in-

novative, at least in terms of tourism. In Sotkamo one finds very positive self-awareness, strong motivation for local co-operation and sense of collective identity, which is partly maintained by one of the top baseball teams in Finland.

3 The National and Regional Political Economy

3.1 Character of the state

Finland is relatively young state. On December 6, 1917, Parliament approved the declaration of independence drawn up by the Senate. Before the independence Finland was part of the Russian Empire as the Autonomous Grand Duchy of Finland (1809-1917). Earlier Finland was a set of eastern counties of the Kingdom of Sweden (c. 1200-1809).

Under Finnish constitution, sovereign power in Finland belongs to the people, who are represented by Parliament. There is a unicameral Parliament with 200 seats including one Member representing The Åland Islands. The minimum age for voting and standing for election is currently 18. The single chamber Finnish parliamentary system was introduced in 1906, when a system of universal and equal suffrage was introduced. Finland was the first country in Europe to introduce universal suffrage in parliamentary elections, and women gained eligibility at that date. Women now hold well over a third of the seats. The members of Parliament are normally elected every four years. Next election will be in year 2003. For the purpose of elections, the country is divided into fifteen electoral districts. (See Parliament of Finland 2002)

In years 1945-1987 the political landscape has been dominating by the two main blocks – the socialist and the agrarian block. During those years almost all governments were formed by the coalition of social democrats, left wing and Centre Party. After the late 1980s the governments have been called "rainbow governments", because of the large variety of parties: Finnish Social Democratic Party (Suomen sosiaalidemokraattinen puolue), National Coalition Party (Suomen kansallinen kokoomus), Left Alliance (Vasemmistoliitto), Swedish People's Party (Ruotsalainen kansanpuolue), The Greens (Vihreät). The main opposition parties have been Finnish Centre Party (Suomen keskusta) and Christian Democrats (Suomen kristillisdemokraatit). The present multi-party coalition government was formed in 1999, and it is headed by Prime Minister Paavo Lipponen, the leader of the Social Democratic Party.

Table 3-1 Distribution of seats in the Finnish Parliament 1999.

Social Democratic Party	51
Centre Party	47
National Coalition Party	46
Left Wing Alliance	20
Swedish People's Party	12
Greens	11
Christian Democrats	10
Rural Party	1
Reform Party	1

The head of the Finnish State is the President of the Republic who is elected for a period of six years and may serve a maximum of two terms. President Tarja Halonen was elected in 2000. Before her election she served as the Minister for Foreign Affairs. The President is chosen by direct popular vote, with a run-off between the two leading candidates to emerge after the first round of voting.

The countryside has been politically active in Finland. The majority of the political power in the countryside has been channelled into the Finnish Centre Party (the former Agrarian Party). In the beginning of the last century the farmers also founded an occupational organisation, the central Union of Agricultural Producers, and the culture of the countryside was further developed through Youth Associations. The rise of the countryside in the early 20th century gained a great deal of impetus from the strengthening of economic and political organisation among the rural population. (Katajamäki 1999, 14.) During the structural changes of the 1970's the frustrations of small farmers, the unemployed and the poor pensioners were channelled into political protest movement in the Rural Party.

In recent years the most significant political phase for Finnish countryside has been the joining to the European Union in 1995. Finland is also a part of the EMU.

3.1.1 The welfare state

The concept of welfare state refers to the public services and social transfers through which the well being of the citizens can be increased and balanced. These include pensions, health care and other social services, but in a broader sense agricultural, industrial, and educational and employment measures as well. (Pyy & Rannikko 1995, 133.) In comparing and typifying welfare states, the Nordic model is generally distinguished as a separate entity. This model is primarily based on a broad network of public services. The Nordic countries are referred to as public service states, in contrast to states where the social transfers have a more important significance. Since the practical organisation of the services is chiefly given to municipalities, the welfare state concepts includes the municipalities and municipal federations as well as the state. (Ibid.)

The welfare state developed later in Finland than in Western Europe and in the other Nordic countries. In respect to public services rapid growth really occurred in the 1970s and 1980s. At same time, a fundamental change took place in the functions of the state. The relative importance of functions of administration, defence and the maintenance of order was reduced and the significance of education, health care, housing, social services and social transfers increased rapidly. (Ibid.)

According to Kettunen, one may say at the general level that during the formation of the Nordic welfare states industrial wage-work was adjusted to three different ideological contexts: to the spirit of capitalism, to the utopia of socialism, and to the idealised tradition of independent farmer. The third part, the integration of industrial wage-work to the tradition of independent farmer, is especially indigenous to the Nordic countries. The ideological foundation of the Nordic welfare state includes norms and values which originate on the other hand from the traditional work of independent farmer, and on the other, from the modern collective work of industrial wage-workers. (Kettunen 1997, 159)

Again, there are differences between the countries. In Finland, the ideological tension between the work of independent farmer and collective wage-work was stronger than in the other Nordic countries. Following the civil war of 1918 and in fact until the 1950s

the Finnish bourgeois nourished an idea of widening the class of independent small farmers in order to secure the social and political order against the threats of the labour movement and Communism. (Kettunen 1997, 159)

This historical background may partly explain that in the Finnish moral norms work as duty has been more accentuated than in the Swedish norms, in which the idea of work as right has been stronger. In any case, perhaps besides the Danish liberal model, the Nordic welfare states were, in a sense, projects aiming to make it everybody's right to follow the moral norm according to which everybody has to work. (Kettunen 1997, 160)

While there was a discussion in the 1980s of the welfare state crisis elsewhere in Europe, the welfare state still enjoyed stable development in Finland. At the shift into 1990s, the change in the economic situation and political climate, however, brought new critical tones to the conversation about public services. Many believe that the welfare state model is crumbling also in Finland. One alternative to the Public Service State is welfare pluralism. (Pyy & Rannikko 1995.)

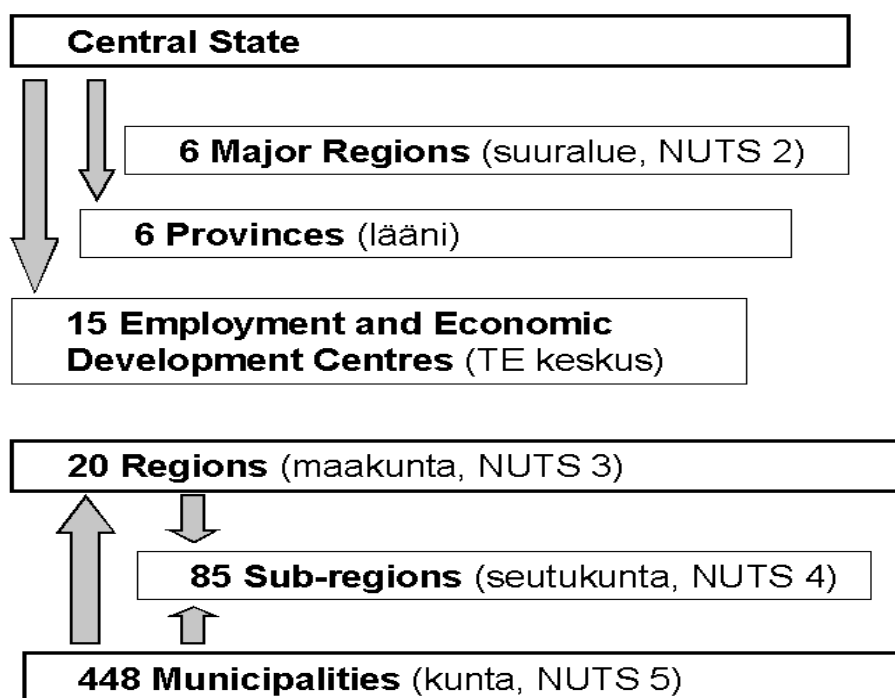
The economic recession and the funding crisis of the public sector in the early 1990s have diminished the municipalities' possibilities to produce welfare services, which has led to the rethinking of the production of welfare services. The restructuring of the services can be seen in the municipalities, since in Finland the main responsibility for producing social, health, and educational services has belonged to the municipalities. (Lehtola 1999, 1)

3.1.2 Degree of divestment of power to municipalities

The structure of Finnish administration is polarised: there is both strong central government and strong municipalities (in Finnish "kunta"; NUTS 5¹). The intermediate level consists of several bodies, representing different encounters and compromises between these two. The six provinces ("lääni") are carrying out state functions in fields like security, education, and social affairs. The 20 regions ("maakunta"; NUTS 3), often derived from historically formed counties, are administratively associations of municipalities (for example, Regional Councils co-ordinating the regional development programmes). However, also the state operates on the level of the regions. Namely, three ministries (the Ministry of Trade and Industry, the Ministry of Agriculture and Forestry, and the Ministry of Labour) operate joint Employment and Economic Development Centres (TE Centre). These 15 centres make decisions about regional development money coming through the three ministries, thus providing loans, grants and development services for businesses, entrepreneurs, and private individuals. After Finland's accession to European Union in 1995, there has become new regional level, major region ("suuralue"; NUTS 2). There are six major regions in Finland, for example major region of Eastern Finland. Major regions are important units for the regional policy of EU.

¹ NUTS (Nomenclature des Unités Territoriales Statistiques) is a regional classification system of the European Union (EU), which is used to compile all common regional statistics of the EU.

Figure 3-1 The administrative levels in Finland.



The 85 sub-regions or sub-regional units (“seutukunta”; NUTS 4) of the country are often functional employment, commuting and marketing areas consisting of several neighbouring municipalities. Municipalities are in most cases developing new forms of co-operation in service provision and industrial development (both in forms of associations and enterprises).

The 448 municipalities make up the local level administration in Finland in 2000. The municipalities differ significantly from each other in both area and population, from six large towns of over 100 000 people to almost 90 communes of less than 2000 inhabitants, the average size being 11,200 inhabitants.

3.1.3 National and local tax base

The Finnish level of taxation is relatively high. The income taxes are based on Nordic way of thinking and indirect taxes on common legislation of the European Union. The Nordic system is characterised by differentiation of taxes of earned incomes and capital incomes. The taxes of the capital incomes are relatively low, but earnings are taxed according to a progressive scale. Taxes of personal earnings consist of progressive state tax, proportional municipal tax, social security fee, and special tax for church members. (Ministry of Finance 2001.)

The total rate of taxation in Finland was 45 percent in 2001 and it is expected to be 43,5 percent in 2002. The total rate has come down 3 percentage unit from the year 1999. (Ministry of Finance 2001.)

National taxation in Finland is regionally neutral, taxes are the same irrespective of where one lives. In municipal taxation there are some differences from place to place, i.e. taxation is slightly higher in areas outside urban centres and in places undergoing restructuring. Hardly any benefits vary depending on regional location these days. (Prime Minister's Office 2001, 88)

The backbone of the Finland's strong municipalities is their right to taxation. Each municipality decides independently on its own income tax rate. The real estate tax has an upper and a lower limit prescribed in the law. In 2000, the average local income tax rate is 17.67% of taxable income (table 3-2). The lowest tax rate is 15.50%, and the highest 19.75%. Local authorities fund nearly half of their operations out of their own tax revenues. The municipal taxes are together about 10 percent of the GNP, and about 21-22 percent of the total tax income of Finnish public sector.

The municipalities are an important part of the public economy. The expenditure of local authorities and their joint organisations makes up nearly two thirds of all public consumption and public investments in Finland (Uusitalo 1999). Most of the expenditure of municipal authorities arises from the provision of basic community services, such as social services and health care, education and cultural services, infrastructure maintenance and environmental protection. Local authorities receive government grants to help cover the costs of the functions required of them by law. Government grants account for 14% of the income of local authorities. However, the financial resources of Finnish rural municipalities have diminished due to the decline in state grants.

The state grants to municipalities depend on factors such as the size of the population, its demographic structure, and the number of users of services. Special circumstances, such as dispersed population, high rate of unemployment, bilingualism or location in archipelago, are also taken into account. The economic differences between municipalities are balanced out through the equalisation of tax revenues included in the government grants system.

Table 3-2 Level of municipal taxes in 2001 (%).

	Finland	Kainuu	Sotkamo
Income tax	17,67	18,44	18,25
Real estate tax			
General	0,58	0,71	0,55
Permanent residence	0,26	0,3	0,3
Other	0,77	0,76	0,7

Source: The Association of Finnish Local and Regional Authorities (2002).

3.2 Finland's national economy

The following short history of Finnish economy is based on Jyrki Vesikansa's book "Kehityksmaasta elintasosuomeen" (From the underdevelopment to affluence, 1992). The roots of the Finnish industry date back to the 16th and 17th centuries. Then metal was melted, tar was burned, and ships were built. Finland's development into a modern industrial state started slowly in the 19th century with the sawmill industry, which was later joined by the pulp and paper industry. In 1920 as much as 88 % of Finnish exports

were by forest industries (see also Tykkyläinen 1999, 96). The growth of production influenced the development of other industries, such as textiles, metals and engineering.

After the Second World War Finland experienced several decades of growth. War reparations to the Soviet Union in the form of industrial products contributed to transforming Finnish industry. A strong metal and engineering industry grew alongside the powerful forest industry. The forest industry has looked to western markets and it has been subject to cyclical ups and downs. Finland's trade with its eastern neighbour dampened the effect of worldwide fluctuations within the forest industry. Metal products, textiles and clothing were exchanged with the Soviet Union for oil. The disintegration of the Soviet Union made the recession, which began in 1989, substantially more severe in Finland than elsewhere. In Finland, the deregulation of financial markets in 1986 opened the floodgates for speculative economics. The crisis hit first the financial sector and then spread to the economy as a whole. The government went heavily into debt, unemployment reached one-fifth of the workforce, and bankruptcies swept over industry. The Nordic welfare state model was questioned, the spiralling national debt was brought under control with a programme of budgetary cuttings. Slowly the Finnish economy has recovered, mainly with growing export sectors. However, growth in exports has not reflected rapidly in higher employment. Industry has been paying off its debts and entering the international arena. Investments have been going to countries with more favourable market outlooks.

Apart from a slight slowdown in 1995-96, and a 'mini-recession in 1998, the Finnish economy has continued to grow rapidly. Finnish industry has grown a third 'supporting leg' in the 1990s. Nowadays high technology represents a major exporter, along with the forest sector and metal and engineering. High technology competes for the top position in Finnish export statistics. In 2000 the share of electronic products in Finland's exports was 31%, while share of forest industries (pulp, paper and wood) was 27%, and that of metal and engineering industries was 24%. Nokia Company is an example of the new technology's rise to prominence. In a short period, the company changed from paper to mobile phones and telecommunications.

Table 3-3 Structure of manufacturing in Finland in 2000 (%).

	Personnel	Production
Light industries (food, textile, furniture)	15,5 %	9,2 %
Forest industries	15,5 %	22,2 %
Chemicals	9,4 %	10,1 %
Metals and engineering	35,5 %	26,7 %
Electronics	15,7 %	25,8 %
Other manufacturing	8,3 %	6,1 %
Total	100,0 %	100,0 %

3.2.1 Labour market and employment

Usually the unemployment has hit hardest those sectors that are vulnerable for economic fluctuations. One of these vulnerable sectors is forestry, which has been an important source of jobs and income in rural areas. Until the 1980's the unemployment was a special problem of peripheral areas. (See Muilu et al 1999, 78).

In the early 1990's unemployment increased rapidly in many western countries. In Finland the growth of unemployment was exceptionally fierce, even in international comparison. In the end of 1989 the Finnish rate of unemployment was only 4.4 percent, and in four years it skyrocketed up to 22.2 percent after which it started to come down slowly. While the unemployment started to decline, Finland was divided geographically into two parts. The unemployment came down mainly on the coastal areas and near the largest cities, while many municipalities in central, eastern and northern Finland had to yield to continuously increasing unemployment.

The economic growth in 1995-1999 created many new jobs, but the supply of labour increased also rapidly. In 1999 there were still 261 000 unemployed, and the unemployment rate was 10.2%, the rate of women (10.7%) being higher than that of men (9.8%). (Ministry of Labour 2002.)

From 1995 to 1999, the number of employed people rose by a total of 240 000, an average of 2.25% a year, with even a growth of 3.3% in 1999. Finland's employment rate rose to 66.0% in 1999, compared with less than 60 % at its lowest point in 1994. The employment rate for men is close to the EU average, while that for women is clearly above it. Most of the new jobs were created in the private sector. As the demand for labour has revived, problems with labour shortages have increased in sectors experiencing rapid growth, although overall the supply of labour is still good. (Ministry of Labour 2002)

The increased need for flexibility in working life, which has been supported through amendments to employment legislation, has led to more fixed-term and part-time employment. About one third two of new jobs in 2001 were part-time, and about 10% of the employed people worked less than 30 hours a week. Most of these were women.

The relationship between unemployment and vacancies shows that the structural unemployment rate has risen to 5-10 percentage points higher level in the 1990s than in the 1980s. One of the main reasons for this is the incompatibility of vocational qualifications. Labour demand has focused especially on young people with training and good skills for the information society. Employment prospects are bleakest for unemployed people over 50 years of age. Inadequate qualifications are one of the main obstacles to the employment of middle-aged and elderly unemployed. Men are less likely to become unemployed than women are, but when they do loose their job, they have a much greater risk of long-term unemployment.

3.2.2 Industry support

State aid to industry was at a relatively high level in Finland in the first years of the 1990s. This was mainly due to the severe depression that the country experienced at the

time. It should be noted, however, that even in those years Finland was no more generous in subsidising its manufacturing companies than the EU countries on average. The level of subsidies has been reduced since then, and it is the government's policy to continue this trend. The state aid given to manufacturing industry consists of loans, grants, guarantees, tax credits and unwithdrawn dividends in state-owned companies.

State aids have several different motives. Most of the aid in Finland is general (non-regional) subsidies, while regional aid dominates in the EU countries on average. General aids include assistance for research and development, environmental protection, energy and investment.

While the total amount of business subsidies paid out has fallen, public funding for research and product development has increased appreciably. Research and development activity has traditionally been rather limited in Finland in comparison with other industrialised countries. In the most recent years special emphasis has been laid on improving this situation, and the results are clearly visible. It is the stated aim of the government to increase the share further, and it has decided to spend a part of the proceeds from privatisation of state-owned firms to this effect. Research and technology development expenditure as a percentage of the Finnish GDP is increasing, being 3.4 per cent in 2000. The private sector accounted for about two thirds of these expenditures.

The regional breakdown of R&D funding depends on the location of the companies receiving it. Three quarters of all R&D financed by corporations takes place in Southern Finland. Companies in Eastern Finland account for under three per cent of the country's total private-sector R&D funding. Public-sector R&D focuses quite heavily on a small number of centres. The National Technology Agency Tekes is the main financing organisation for applied and industrial research and development in Finland. The funds are awarded from the budget of the Ministry of Trade and Industry. Tekes also coordinates and finances Finnish participation in international technology initiatives. University research and development funding is distributed more evenly, regionally speaking. (Prime Minister's Office 2001, 70)

3.2.3 Regional policies

According to Vartiainen (1998), Finnish regional policy has been marked from the start by parallel goals concerning uniformity and effectiveness. Finland did not adopt a growth policy based on industrialisation until in the mid 1960s, and this was also the time when the first actual legislation on developing areas was passed. Economic development from the late '70s to the early '90s relied on domestic demand, and regional development was then relatively uniform. The expansion of welfare services increased public-sector employment throughout the country. In addition, general inputs by the government supported the development of administrative and university centres in developing areas.

In an increasingly global environment, however, a development depending on rising public consumption and other domestic factors was unsustainable. The period of steady economic growth in the '80s concealed the fact that structural problems were arising, both nation-wide and in the various regions. The recession was felt equally everywhere, but the potential for recovery afterwards varied greatly in different parts of the country.

As regional problems started to differentiate, the emphasis in regional policy shifted to adaptive measures that suit the situation in individual areas. The change to programme-based regional development underlining the regions' own strengths may be the most recent phase in Finnish regional policy, but the development strategies of Finnish regions are largely built on the earlier basis, that was created 30-50 years ago when the State-owned companies and new universities were set up and the regional infrastructure was developed.

The argument presented ten years ago by Walter Stöhr concerning the change in European regional policy applies quite well to Finland, too (Prime Minister's Office 2001, 74):

- regional policy no longer makes a simple division into developed and underdeveloped regions, but recognises a diversity of structural problems
- the main strategy is regional innovation
- action is decentralised, deriving from local bodies
- the prevailing mechanism is not based on redistribution of overall growth but on the utilisation of local resources
- regional policy is oriented towards knowledge and technology rather than capital, on flexibility rather than quantitative growth, on services and intersectoral contacts rather than industry, on programmes rather than individual projects, and on a large number of SMEs rather than a few large companies
- the dynamics of regional policy comprise fast-changing problem areas difficult to define rather than geographically static areas and spontaneous use of local resources rather than a fixed number of planned growth centres.

3.2.4 Information society infrastructure

Finland has a reputation of being among the top countries of information and communication technology development. This may be true if we look at the introduction of internet technologies, mobile communications, and electronic banking services. Finland has also been active in putting new information technologies to schools, public libraries and administration. However, the number of computers at homes or working places is just above OECD average. Only one tenth of Finnish households has a fast internet connection, which is compensated partly by the good connections of schools and working places.

In spite of the high number of computers and connections, the use of IT technologies has progressed slowly in Finland. This is true especially about electronic contents and services, both public and commercial. The motivation for using on-line services is regarded as the main bottleneck of information society development. In addition, the new technical possibilities for teleworking have not been turned in practice.

3.3 Regional Setting

Kainuu Region is divided by natural conditions into two parts, the Lake Oulujärvi district and the hill district. Lake Oulujärvi (122 metres above sea level) is the fourth larg-

est lake in Finland. The lakeshores typically have wide sandy beaches and high banks eroded by the waves. The town of Kajaani is situated on the eastern shore of Lake Oulujärvi, at the point where the River Kajaaninjoki conducts the waters of the Sotkamo waterway system into the lake. The town is centred around a castle, built near the Ämänkoski rapids in the early 17th century. At one time it was a centre for the tar trade, but nowadays it serves as a diversified nucleus for trade and industry throughout Kainuu. The most significant industrial employer is a paper and pulp mill. The landscape east of Kajaani is characterised by high hills, the most outstanding of which, such as Vuokatti, are quartzite monadnocks in the Karelian schist zone. (Rikkinen 1992, 129)

In the hill area of Kainuu both the tops and the slopes of the hills are forested. Fields have been cleared on the top of some hills and beside many lakes, where strips of fertile land can be found. Agricultural settlements are sparse, but the extensive areas of forest are of great importance as a source of livelihood. (Rikkinen 1992, 130)

The whole of Kainuu belongs to the EUs objective 1 region in 2000-2006. The county of Kainuu is having co-operation with the counties of Eastern and Northern Finland. There is 260 km of common borderline with Russia. In Vartiuss there is international border crossing station for passenger and goods traffic to Russia. International co-operation is regarded as important to the region.

The sparsely populated areas close to the eastern border are largely areas of wild forest. They have experienced the problems of remote location, but they have also been able to reap the fruits of cross-border co-operation. A railway line has been built across the border to Kostamus, a new mining town in the Russian Karelia, the construction of which provided employment for many people in the 1980s. (Rikkinen 1992, 131)

Educational system is maintained by public sector

The University of Oulu has a filial in Kajaani, the capital of Kainuu County. The Kajaani Department of Teacher Education trains teachers for primary schools and pre-school institutions. Kajaani Research and Development Centre is also a unit of the Oulu University, its areas of competence are measuring technique, biotechnology of milk and berries, regional development, life long learning, and expertise on Russia. The Centre's forms of activity are research and development, technology transfer, support of innovations and scientific and vocational education, including open university activities.

Kajaani Polytechnic has 1400 students in the fields of commerce, administration, tourism, nutrition, social and health care, transport and technology. The bulk of the secondary school graduates of the region (about 1000) go to study in the University of Oulu. There are five other institutes giving training in professions. In addition there is one general training institute for young adults (Kainuun opisto) and a network of nine adult evening schools (kansalaisopisto).

3.3.1 Population

The Kainuu Region consists of ten municipalities (see table 3-4). The capital of the county is Kajaani with its over 36 000 inhabitants. Ten municipalities are grouped into two sub-regions: the sub-region of Kajaani District and the sub-region of surrounding

Kainuu Rim (Kehys-Kainuu). The Kajaani District has six municipalities and its population (about 60 000) is two times the size of to the sub-region of Kainuu Rim (four municipalities with about 30 000 inhabitants).

Table 3-4 Number of Population in the municipalities of Kainuu.

	1950	1980	2000	Change 1950-2000 (%)
Hyrnsalmi ²	4592	4428	3486	-24
Kajaani ¹	17004	34574	36088	112
Kuhmo ²	12179	13900	11167	-8
Paltamo ¹	8674	5474	4420	-49
Puolanka ²	7030	5327	3846	-45
Ristijärvi ¹	3719	2469	1796	-52
Sotkamo ¹	14564	11430	11106	-24
Suomussalmi ²	11930	13357	11003	-8
Vaala ¹	4792	4846	4041	-16
Vuolijoki ¹	2876	3442	2824	-2
Kainuu together	87360	99247	89777	3

Source: Statistics Finland. ¹ Sub-region Kajaani District. ² Sub-region Kainuu Rim.

Kainuu Region has been losing population. It took part in the 1960s and 1970s in the great rural exodus to southern Finland and Sweden. From the population peak of 107 000 in 1960 the region has come down below 90 000 inhabitants. The population loss of the whole region is 16 % and that of rural municipalities 35 %. At the same time the population structure is ageing in all the municipalities in Kainuu. More detailed numbers of regional demographics can be found in chapter 4.1 (Sotkamo population).

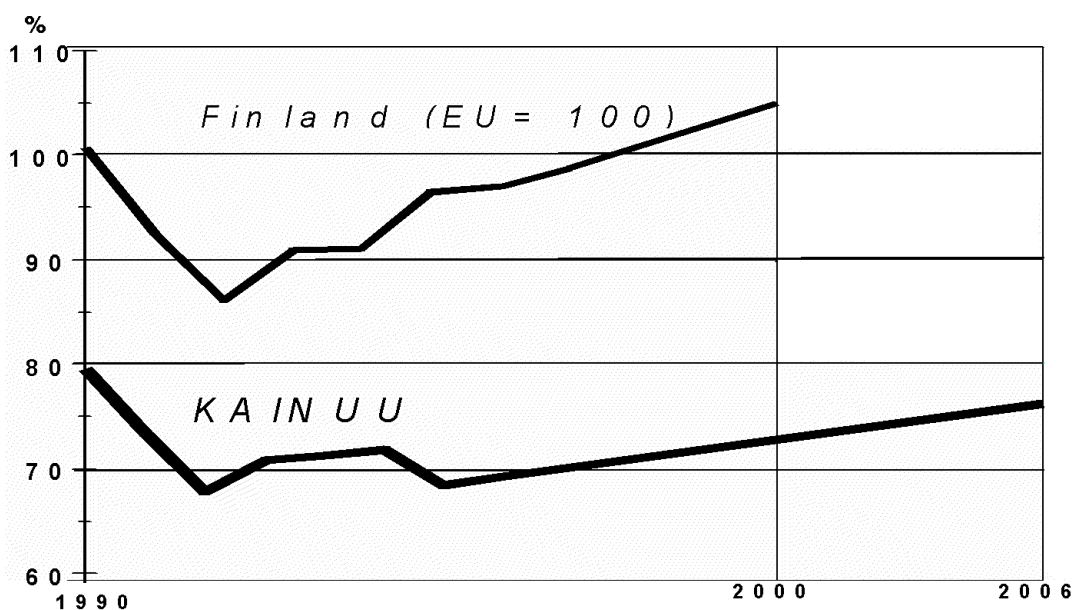
Now again the demographic issues are alarming rural problems. In earlier years, the loss of population was regarded as the main threat, nowadays attention is focused to the social problems connected with the ageing of the rural population. The problems of organising services for the elderly people in rural areas are debated. (See Pyy 1998; Volk 1999, 69)

3.3.2 *Economy and employment*

The GNP in Kainuu was in 1997 altogether 7 130 mill FIM that is 1.3 % of Finland's National Product. GNP per population was 70.2 % of the Finnish national average, the sub-region of Kainuu Rim being 55.3 % and the sub-region of Kajaani District 79.5 %.

The role of primary sector is still in Kainuu above the national average, although its role has diminished rapidly during the recent decades. The role of manufacturing has increased although it is based mainly on small enterprise units. The public sector is more important than national average. Above the national average is also the importance of tourism, which has been emphasised as a source of additional incomes to farms and as a possibility to create new jobs. In 1999 over 625 000 travellers used overnight accommodation in Kainuu Region, 90 per cent of them Finns. The largest groups of foreign visitors were the Russians and the Germans.

Figure 3-2 GNP per capita compared to EU average.



Sources: Regional Council of Kainuu, ETLA

3.3.3 Migration and labour market

From the Finnish national viewpoint, Kainuu is seen as a typical region of negative migration, from where people have moved out to get work or education. The most important migration target region has been Helsinki area. In 1994, the nearest ones were the rural town of Iisalmi and the province capital Oulu. (Kauppinen et al. 1999, 95).

Selective migration outward is changing the age structure of population in rural service centres, and even in regional centres. Young persons are moving away, and those persons who were attracted to rural centres by the growing public sector in the 1970 and 80s, are losing their work because of the cuts in public spending. The tradition migration from villages to towns and rural service centres is continuing. (Kainulainen & Niemelä 1999, 25-26)

Table 3-5 Net migration in Kainuu, Kajaani and Sotkamo by decades.

(Yearly averages)	Kainuu	Kajaani	Sotkamo
1951-60	3856	744	101
1961-70	-3188	386	-726
1971-80	-1622	325	-285
1981-90	-1377	-190	-2
1991-2000	-1647	-412	-96

Source: Statistics Finland and Regional Council of Kainuu 1999.

Since the 1980s there have been increasing movement from centres to rural areas inside Kainuu. Partly this is because centres have outgrown their administrative boundaries,

and people have moved to areas with easy access to centres. This phenomena can be seen in Sotkamo, where the main service centre Sotkamo, the northwestern rural villages, and the smaller centre of Vuokatti have benefited from the vicinity of the regional centre Kajaani. (Heikkilä 1996, 187-189.)

Due to the regionally extensive school system the *educational level of the workforce* does not greatly differ from Finnish averages. The share of persons with professional degree is near the national average in Kainuu (53.9% in 1997, national average 56.9%). The share of those with secondary level degree was higher (Kainuu 44.4%, national average 43.5%) but the share of those with university degree was lower (Kainuu 9.5%, national average 13.4%).

Kainuu is a small labour market area. In such a remote area, the attraction of enterprises is possible only by availability of qualified labour force, and this should be the focus of labour policies. According to Pentti Malinen the great issue of regional economic development in near future is how the Kajaani district succeeds in developing its growth sectors, electronics and information technology. (Malinen 2000a, 2000b)

The unemployment rates in Kainuu have continuously been among the highest in Finland. In 1997 the unemployment rate in Kainuu was 23,8 %. The region has been very active in using special public measures to create job opportunities. Especially difficult is the situation of young persons trying to enter the labour market.

The structure of the Kainuu economy is typical for resource based regional economy. In the rural places the nature of employment and unemployment is different from that of cities or the capital region. In a village the rate of unemployment may be as high as 60 per cent without urban-like social problems of exclusion. (See Malinen 2000b)

Long-term unemployment, and repeated unemployment, is connected with complicated set of social problems. High level of unemployment has a long history in Kainuu, and now some of the problems associated with unemployment are accumulating from one generation to another. In rural areas the main issues are connected with finding additional sources of income. It is the tradition of Finnish farms and rural families to combine different occupations and sources of income, and this has been recognised in Finnish rural policy documents to be one of the rural development strategies. However, this way of thinking seems to be lacking in labour policies. (Malinen 2000b)

3.3.4 Identities, culture and symbolic representations of the place

The County of Kainuu is one of the historical Finnish counties with clearly defined borders. The borders of natural lake system, the cultural area (of the dialect), the economic and administrative region, all these borders are practically the same.

Kainuu is well known elsewhere in Finland, although its image is not very positive. Several centuries ago, Kainuu was known to be the "Hunger land", because of rough conditions of agriculture. Nowadays it is known as an authentic region with clean environment and specialised expertise, which image is strengthened by the famous brands in tourism.

The roots of the regional culture are in the birthplace of the Finnish national epic Kalevala, its way of life that was embedded in forests and wild nature. The region has maintained its own every-day dialect, skills of handicrafts, local food traditions. The character of local people is regarded as friendly and nature loving. Forests have been and still are both the bases of local economy and a source of recreation and meditation (finding peace of mind).

Because of its location on traditional water-routes, Kainuu has been channel for the east-west interaction. Here Finnish culture meets Slavic culture, Lutheran and Russian orthodox faiths meet, and during the 20th century western democratic system met the Communist Socialist system. On the eastern side of the border there is Viena Karelia (Northern part of Russian Karelia) which is sharing the similar natural conditions, the similar language and cultural traditions of Kalevala with Kainuu. Although at the border the difference of living standards is among the highest in the world, the cross-border interaction is vivid. Kainuu has accumulated experience and know-how of cross-border co-operation in culture and commerce. There is a framework agreement about co-operation between the University of Oulu in Finland and the Kostamus Unit of the State University of Petrozavodsk in Russia.

Several nationally and internationally known festivals are part of the cultural image of Kainuu, such as Kuhmo Chamber music festival and Kuhmo Chamber music centre of excellence, Kajaani Week of Poetry and Springtime Jazz festival. Kainuu is famous for its sports. There are the renowned Vuokatti sports centre and the baseball team Sotkamon Jymy (The Rumble of Sotkamo), and one could mention the orienteering week "Kainuun Rastiviikko".

4 The Locality of Sotkamo

4.1 Introduction

Administratively the municipality of Sotkamo belongs to the region of Kainuu; its neighbouring municipalities are the capital city of Kainuu, Kajaani to the west, and the rural municipality of Kuhmo to the east. Its northern neighbours are rural municipalities of Paltamo and Ristijärvi. In the south Sotkamo has common border also with rural municipalities belonging to the Regions of North Karelia and North Savo.

In relation to other municipalities in the Kainuu Region, Sotkamo may be regarded as having done well. Its relative success has been based on tourism, combining both the summer and winter seasons. It has a strong identity and its social networks of co-operation are interesting in terms of social capital. At the core of local identity is the successful Sotkamo baseball team, which won many Finnish championships in the 1990s. In the region, sport is characterised as a network connecting several other networks.

4.2 Population

The population of Sotkamo is 11 237 (in 2000), of which 55 % is located in the two centres of the municipality: Sotkamo centre and Vuokatti. Sotkamo has an area of about 2950 km², which makes it the eighteenth largest municipality in Finland. The population density is 4.2 persons per square kilometre, which is quite typical for northern and eastern Finland.

The population numbers in Sotkamo have followed the typical development path of a rural community in eastern Finland. After the Second World War the population grew up until the early 1960's, which was followed by a period of rapid population loss. After 1975 the total number of population has stabilised between 11 000 and 12 000. During this period many other rural communities have continuously lost inhabitants, and in this sense Sotkamo is exceptional in all of Kainuu. (See Karjalainen 1989, 41-42.) One of the factors explaining the stability of Sotkamo's population development, is its location in vicinity of the regional capital city, Kajaani.

Table 4-1 Total population in 1950-2000.

	Finland	Kainuu	Kajaani	Sotkamo
1950	4029803	87360	17004	14564
1960	4446222	106880	24389	15254
1970	4598336	100899	29405	12671
1980	4787778	99247	34574	11430
1990	4998478	96957	36428	11603
2000	5181115	89777	36088	11106

Source: Statistics Finland; Altika

The age structure of Sotkamo population is different in comparison to the national and regional averages and even to the regional centre. The share of old persons is higher in Sotkamo, which reflect to the fact that young adults are finding jobs elsewhere and moving away. Sotkamo seems to have a lower share of people in active working age.

Table 4-2 Age structure of population 2000 (%).

	Finland	Kainuu	Kajaani	Sotkamo
Share of children 0-19 years	24,5 %	25,0 %	26,3 %	25,2 %
Share of pop. 20-64 years	60,5 %	58,1 %	60,3 %	57,2 %
Share of pop. 65 – years	15,0 %	16,9 %	13,5 %	17,6 %
Total	100,0 %	100,0 %	100,0 %	100,0 %
Total population	5 181 115	89 777	36 088	11 106

Source: Statistics Finland (Population, 31 Dec 2000).

4.3 Economy and employment

4.3.1 Turning points in local economy

This description of the local economic history is based mainly on the work of Jari Kainulainen (2000). For over one hundred years *forestry and forest work* have been important sources of extra income for the farming population. However, the number of workers employed in forestry has declined rapidly. When in 1940s over 1400 Sotkamo dwellers were working in forest cutting (and there would have been jobs for even more), the number of permanently employed forest workers came down to 112 in the early 1990s. The yearly revenues from forestry in the 1990s were still around 100 mill. FIM , which was more than the incomes generated in the tourism sector. (Wilmi 1997, 360-366.)

After the world war II, the *settlement policies* created new farms for the Karelian evacuees. In Sotkamo almost 150 new farms were constructed between 1945 and 1947. (Wilmi 1997, 279). The construction of new farms continued during the 1950s, when hundreds of farms were founded also for war veterans.

At its peak the number of farms in Sotkamo was almost 2000 in the middle of the 1960s. In the 1970s state policies started to react to the *agricultural overproduction*. That was the time of "field packages", when farmer were paid to keep the field shallow. The number of active farms dropped down almost by one third, which tendency has continued in the 1980s. The state supported both the improvement of farms and those farmers who would give up agriculture.

In 1990 *the number of farms has kept coming down*. When Finland became the member of the EU in 1995, the number of active farms was down to 370, and in 2000 the number is around 300 farms, which is expected to go further down to 120 farms.

The Sotkamo area is the *stronghold of cattle and milk farming* in the region. It also became the centre of the dairy industry in the region. The sector is based on milk production on family farms. These farmers are an important political force in the municipality. The dairies have been important for the local economy in Sotkamo, and at their times they were depicted as Sampos of Sotkamo. (Sampo is the mythological wonder-mill in Kalevala that grounded every kind of wealth and richness). After a period of village dairies a co-operative dairy mill was founded in 1905. There was considerable growth in dairy production in the 1950s, and in 1962 the county-scale Kainuu co-operative dairy enterprise built a new dairy in Sotkamo. A few years later, at the "time of two dairy mills", the number of milk producing farms was at its peak of 1634 farms. Since that the number of milk producers has come down rather steeply and the volume milk production has declined. In 1990 the two dairies were joined together. The dairy manufacturing gave jobs to 226 person still in 2000, which almost the same number as the jobs in tourism. In addition, it generated revenue for the 181 cattle farms sending milk (Wilmi 1997, 338-347.) The sad news about Sotkamo Dairy factory were published in spring 2001: the dairy is going to be closed during 2003 (Kainuun Sanomat 2001).

The growth of *manufacturing* started slowly in Sotkamo in the 1930s, but it grew rapidly in the 1960s and 1970s, when regional policies supported investments in rural industries. After that the numbers of enterprises and industrial jobs have remained rather stable.

Table 4-3 Development of manufacturing in Sotkamo 1930-1994

Year	Number of enterprises	Number of jobs
1930	1	2
1950	3	54
1960	7	69
1970	15	305
1975	16	437
1980	20	715
1985	22	782
1990	19	728
1994	20	752

Source: Wilmi 1997, 389

The latest break in the development of rural Kainuu is connected with restructuring and rise of so called *new countryside*. The membership in the EU has given more responsibility to the regional administration, and simultaneously the out-migration has become exceptionally rapid and the birth rates and the natural growth of population has fallen down (see Keränen eds. 1999). It is hard to find witness to the positive results of the new countryside in Kainuu. Anyhow, there has been increasing number of project activities, and village activities have been notably vivid.

4.3.2 Employment

The rate of employment in Sotkamo is lower than in Finland, but higher than Kainuu average. In Sotkamo the employment rate of women is higher than that of men, which is exceptional if compared with Finnish and Kainuu average.

Table 4-4 Employment rates in 2000 (%)*.

	Finland	Kainuu	Sotkamo
Total employment rate	64,5	53,9	56,3
Women's employment rate	63,2	53,8	57,7
Men's employment rate	65,8	54,0	55,0

Source: Statistics Finland (Altika).

* The employment rate is the number of economically active persons divided by number of persons of 15 - 64 years.

Like in many other remote areas in Finland, the municipality itself is the biggest employer in Sotkamo, the number of its employees being about 720 persons. Among the biggest employers one should mention also a mining enterprise, Mondo Minerals, that is quarrying talc. There is also a plan to open another talc quarry in southern part of Sotkamo.

The increasing role of tourism has also created new employment and income in Sotkamo. (These are discussed in more detail in chapter 4.3.4.)

Food production (dairy) has been important for Sotkamo; however, in the late 1990s its situation has become more difficult. The incomes derived from milk have been (1995) roughly at the same level as incomes from the manufacturing of electronics (Wilmi 1997, 317). Against this background it is very significant for the future that the electronic manufacturing located in Vuokatti has been growing. Sports, in the first place baseball, and the Vuokatti sport and recreation centre, have also economic significance, in addition to its image value.

Table 4-5 Share of employed in different sectors in 1998 (%).

	Finland	Kainuu	Sotkamo
Agriculture & forestry (A-B)	6	10	15
Manufacture & industry (C-E)	21	17	19
Construction industry (F)	6	6	6
Private service (G-K)	35	27	27
Public service (L-Q)	31	37	31
Unknown	2	3	2
Total %	101	100	100

Source: Statistics Finland

Table 4-6 The Biggest Employers in Sotkamo in 2000.

The Municipality of Sotkamo	720
Incap (electronics)	294
Aito-Maito Fin Oy (Dairy) (ownership change, new owner: Valio)	185 (during old owner) 129 (after new owner)
Mondo Minerals	143
Katinkulta (Holiday centre)	117 (exc. Moveable restaurant)

Source: Kainulainen 2000

In 1997 of the active population in Sotkamo about 18% went to work in other municipalities, mainly in Kajaani City. The share of those commuting out of the municipality is somewhat higher than in other rural municipalities in Kainuu.

Table 4-7 Commuting in 1997.

	Kainuu	Kajaani	Sotkamo
Share of working population commuting to other municipality.	14,0 %	11,9 %	18,0 %
Share of commuters from outside.	11,7 %	13,0 %	12,5 %
Difference between in- and out-commuting	-809	172	-251

Source: Kainuun liitto 1999.

4.3.3 Unemployment

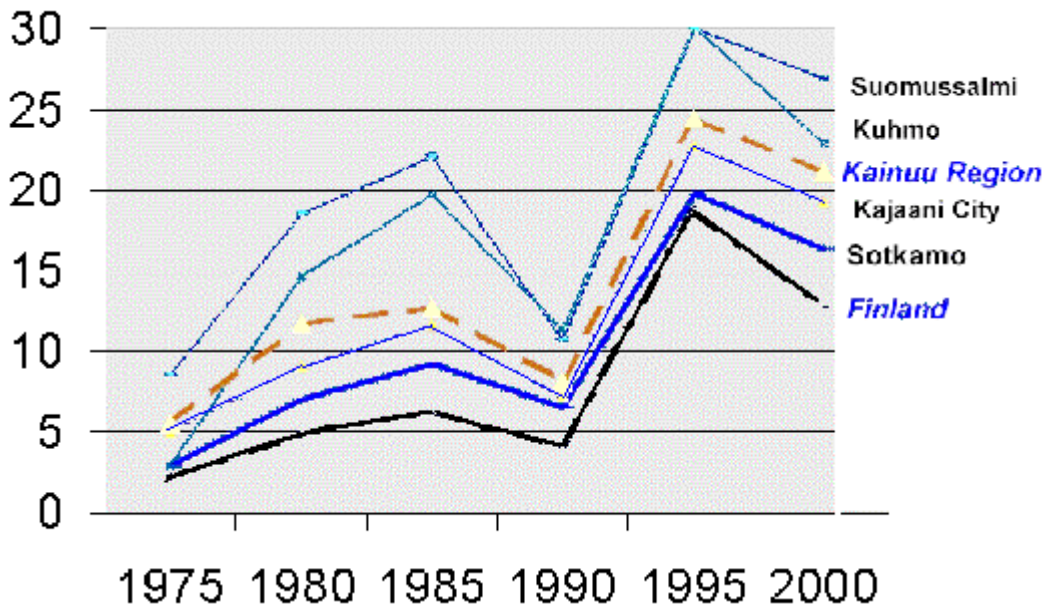
In the early 1990s the unemployment rate in Sotkamo was not very bad but it turned worse during the recession, and improved when the economy got better. In October 2000 the unemployment rate was 15,4 %, while in 1996 it was 21,0 %. (Kainuun liitto 1999; Kainuun TE-keskus 2000).

Table 4-8 Unemployment rate in 1999 (%).

	Finland	Kainuu	Kajaani	Sotkamo
Women	14,0	21,4	19,7	15,5
Men	14,0	23,8	20,2	20,4
Total	14,0	22,7	19,9	18,1

Source: Statistics Finland

Figure 4-1 Unemployment rates 1975-2000.



Source: Kainuun liitto (1999); Statistics Finland

4.3.4 Tourism – of economic and symbolic importance?

Sotkamo has a long tradition of nature-based tourism. The Vuokatti hill is an important international skiing resort in Finland, both because of the landscape and because it is the home of the Vuokatti Sport College, founded over 50 years ago. The area has also some traditions in summer time tourism. Several national companies have built there recreation resorts for their personnel. There are several small hotels and catering businesses and one large hotel and spa complex.

Tourism has become an important part of the regional economy of Kainuu. In 1995 the direct income from tourism was 630 million FIM and together with the indirect incomes it reached 735 million FIM. Tourism sector employed directly 1038 and indirectly 160 persons. (Kainuun liitto 2001, 63) The biggest private company in the tourism sector, Spa and Holiday Centre Katinkulta in Vuokatti, employed permanently 117 persons (Kainulainen 2000, 16)

Vuokatti is the biggest tourist resort in Kainuu Region. When in whole Kainuu there are 7939 all-year beds, about 2500 of them are in Vuokatti and the total number of Sotkamo's accommodation capacity is 3000 beds. Vuokatti has a set of various sporting services: 11 slalom slopes, 8 lifts, 100 km of cross-country skiing paths, 170 m variation in altitude, skiing tunnel, snow board half pipe, snowmobile driving, dog safaris, and in summer time also canoeing. Vuokatti is seen as a model for solving the difficult dilemma of tourism and limited seasons: it seems to attract both winter and summer tourists.

4.4 Social structure

4.4.1 Ownership of capital and land

There are 560 enterprises in Sotkamo. Outsiders own relatively large part of them. Two of the companies are public limited companies listed at Helsinki Stock Exchange. Vuokatti Sport College is connected with the National Ski Association. The Sotkamo Dairy is owned by the big Valio co-operative. Mondo Minerals is an international company with headquarters in Switzerland. Polarica company, which is buying and selling natural berries, is owned by Swedish company.

The historical changes in the land-ownership have impact even today. In Sotkamo in the late 19th and early 20th century there were not very many crofters on private peasant lands, because there were not large private farms. Some crofters were settled on state lands, which was common in other parts of eastern Finland, too. When the crofters got their farms in private ownership, about 600 new independent farms were created during the 1920s and 1930s. Although the farmers were independent, their farms were not large enough to support their families and they had to look for additional incomes in tar production, logging and floating. (Wilmi 1997, 272-278; Kainulainen 2000.)

In the Kainuu Region the State owns 40.5 % per cent of the forestland. In Sotkamo the state share is smaller 19.9 %, because Sotkamo farmers are also forest owners (56 % of

the land). In addition, companies own a relatively large share (21.5 %) of the land in Sotkamo. (Häkkinä & Voutilainen 1984, 48.)

4.4.2 Income brackets

The taxable income level in Sotkamo is about 80 % of the Finnish national average, which is about the same as the average in the Kainuu Region. In the region the capital of Kainuu reaches a level of 90 % of the national average. In the table 4-8 the earners of Kainuu municipalities are divided into income categories and the distributions are compared with Kainuu and Finnish averages. Sotkamo is placed very near the regional average of Kainuu. In comparison to national distribution, Kainuu region has less persons with higher incomes and more persons with lower incomes.

Table 4-9 Percentage of income earners in different income categories 1999.

Income category, FIM	10 - 49 999	50 000 - 99 999	100 000 - 199 999	200 000 -	Unknown	Total
Hyrnsalmi	40,2 %	36,0 %	20,6 %	2,0 %	1,2 %	100,0 %
Kajaani	30,9 %	28,2 %	32,5 %	7,5 %	0,9 %	100,0 %
Kuhmo	39,2 %	32,9 %	23,3 %	3,4 %	1,2 %	100,0 %
Paltamo	41,0 %	30,8 %	23,0 %	3,3 %	1,9 %	100,0 %
Puolanka	44,8 %	30,7 %	19,2 %	3,1 %	2,3 %	100,0 %
Ristijärvi	44,7 %	31,2 %	20,1 %	2,5 %	1,4 %	100,0 %
Sotkamo	36,9 %	28,9 %	28,0 %	4,9 %	1,3 %	100,0 %
Suomussalmi	41,2 %	32,2 %	22,3 %	2,8 %	1,5 %	100,0 %
Vaala	39,4 %	30,2 %	25,5 %	3,1 %	1,9 %	100,0 %
Vuolijoki	34,7 %	30,5 %	31,2 %	2,8 %	0,8 %	100,0 %
<i>Kainuu Region</i>	36,3 %	30,2 %	27,3 %	5,0 %	1,2 %	100,0 %
<i>Finland</i>	30,0 %	26,9 %	32,4 %	9,1 %	1,6 %	100,0 %

Source: Statistics Finland. Calculation is based on taxable incomes (5,94573 FIM is 1 Euro).

4.4.3 Education level

Table 4-10 Educational level of degrees of population 2000 (%)*.

Level of degree	Finland	Kainuu	Kajaani	Sotkamo
Secondary (keskiaste)	48,8	54,4	52,0	55,0
Vocational college (alin korkea-aste)	17,0	15,7	19,9	14,9
Lower university & polytechnic (alempi korkeakoulu-aste)	6,5	4,7	6,3	4,4
Higher university (ylempi korkeakoulu-aste)	7,3	4,1	6,1	3,9
Doctorate (tutkijakoulutusaste)	0,7	0,2	0,3	0,1

Source: Statistics Finland (Altika). * Population of 20-64 years.

If we compare the level of education of the adult population, the Sotkamo population has a smaller share of persons with university degrees, even when compared with the regional average of Kainuu.

4.4.4 Class position and class consciousness

About three quarters of active population in Sotkamo is salaried workers and one quarter is entrepreneurs. The proportion of entrepreneurs is slightly higher than in Kainuu or in Finland. In addition, the share of female entrepreneurs is higher. This is due to the number of agricultural entrepreneurs (farmers and their wives). About half of the salary earners are working in the public sector (municipality and the state) and another half in private companies.

Table 4-11 Social position of active population in Sotkamo 1996.

	Number of persons	Share of jobs %
Entrepreneurs	838	23,7
Salary earners	2702	76,3
- By type of employer		(99,9)
-- state organisation	147	5,4
-- municipality	846	31,3
-- state owned company	253	9,4
-- private	1454	53,8

Source: Statistics Finland.

Table 4-12 Share of entrepreneurs in 2000 (%).

	Finland	Kainuu	Sotkamo
Entrepreneurs together %	11,4	14,0	19,6
Female entrepreneurs %	8,3	10,0	13,2
Male entrepreneurs %	14,3	17,7	26,0

Source: Statistics Finland (Altika). Share of entrepreneurs in economically active population, entrepreneurs include the family members working in the enterprise.

The political culture of Sotkamo, as well as whole of Kainuu, has been based on two class-based traditions. The better-off farmers have supported the Agrarian Party of farmers (nowadays the Centre). During the 1970's this tradition was partly broken, when especially the older small-farmers supported the "Rural Party", which expressed the protest and frustrations of the "forsaken people" of the countryside. The second strong political tradition in Kainuu is the left-wing politics of poor forestry workers. The leftist action in Kainuu have been called backwoods communism, to separate it from the more organised workers movements of industrial centres (either social democrats or factory communism).

The Centre and the Folk Democratic Left are the two political groups, who have traditionally sent their representatives to the Finnish Parliament and also organised activities in municipal and regional decision-making bodies. Nowadays Kainuu leftist traditions are part of the Left Wing Alliance, which is participating in rainbow government lead by Social Democrats and the Coalition Party (moderate conservatives). The leadership

in many rural municipalities is, however, in the hands of the Centre Party, which is the major opposition party in the Finnish Parliament. One may say that the political innovations in Kainuu and Sotkamo depend, on the first hand, on the internal learning processes of the Centre, and on the second hand, on the skills of collaboration of the Left Wing Alliance and the Centre on the local and regional level.

During recent years it seems that Kainuu politicians have been able to produce new political initiatives in issues of social policy and regional development.

4.4.5 Housing

The traditional housing in rural areas of eastern Finland is based on scattered one family farms built far from each other on hills or by lake shores. The Finnish countryside is full of standardised wooden houses that were built after the late 1940's. Family lives in a wooden house, which is one and half floors high. Houses are often built locally. They are surrounded by separate production buildings (cowshed, machinery shed). Sauna is either a separate building, or it may be part of the cowshed, or in the basement of the main house.

After the 1960's, when population started moving into service centres also in the countryside, new type of housing was introduced also in rural areas. Apartment houses and row houses became common, although the ideal type of house in the minds of the people was, and still is, one-family house by the lake. This dream has been partly realised by building summer-cottages.

The new building technologies introduced also new, more economic construction technologies and materials. Wood was replaced by factory-made concrete elements in urban-like centres, and a house of red tiles became the symbol of happy family. Also heating technology changed as wood burning ovens were replaced by oil-burning central heating. Later also electricity is used for heating, especially in combinations of several heating systems.

In Sotkamo the two centres, the administrative centre and Vuokatti, have slowly grown together. The system of running water and sewerage covers both centres. Even some villages have a water co-operative of their own. Cleaning of sewerage waters is organised, too.

Nowadays municipalities understand that quality of housing and the environment of every-day life are important factors, when municipalities are trying to attract new inhabitants and maintain the old ones.

4.5 Political structure and governance

In Sotkamo the distribution of political power is typical to Kainuu rural areas, where traditionally the Centre (earlier Agrarian Party) and the Left Wing Alliance (earlier Folk

Democratic League) have strong support. In Sotkamo the Centre, representing agrarian interests is in power position. Sotkamo municipality council was elected in 2000. The political distribution of the 35 council seats is the following:

Table 4-13 Municipal council in Sotkamo in 2000.

Political party	Number of seats
Social Democratic Party	2
Centre	20
Conservatives	3
Left Wing Alliance	8
Christian Democrats	2
Total	35

4.6 Service, communications and their geography

In the County of Kainuu the services, such as commercial services, education, special health care and administration, tend to concentrate in the county capital Kajaani. In addition, local people use services in the Province Capital Oulu.

Usually the municipal services are located in the administrative centre, which has schools, health centre, kindergarten, and offices of state and municipal administration. In addition, private services tend to locate in administrative centres, such as shops, restaurants, hotels and banks. Along with the development of tourism, also the Vuokatti village in Sotkamo has developed in service structures.

In rural villages and sparsely populated areas the services are declining considerably because of the decreasing numbers of population. Earlier each village tried to maintain three basic services, which have become symbols of the vitality of village: school, post-office and village shop. During the 1990s rural post offices were closed (when the postal services were reorganised into an enterprise). In addition, many schools have been closed because of the economic difficulties of municipalities. Children from the villages, where there is no school, are transported to centres by special taxi-routes, whose costs are subsidised by state.

Table 4-14 Shops, posts and schools in 1983 and 2001

	Kainuu 1983	Kainuu 2001	Sotkamo 1983	Sotkamo 2001
Shops	149	59	18	7
Post offices	85	28	10	2
Schools	144	66	23	13

The schools have been concentrated into the two service centres of the municipality (the Sotkamo centre and Vuokatti). There are seven lower primary schools (classes from 1 to 6) in rural villages outside two centres (Kainuun liitto 2001).

Table 4-15 Local school system

Type of the school	Number of schools
Lower primary schools	13
Upper primary	1
Gymnasium	1
Vocational training institutes	2

Source: Municipality of Sotkamo

4.6.1 Transportation

Sotkamo has highway connections to three directions. A railroad goes through Sotkamo but nowadays it used for transporting goods, only. The nearest railway stations are at the distance of 26 km (Kontiomäki) and 40 km (Kajaani).

The regional capital Kajaani is about 40 km away and the province capital and university town of Oulu about 190 km. Kajaani has an airport with three daily flights to Helsinki. The border crossing point on the Russian border is 110 km away. There are railway connections both to Helsinki (8 - 9 hours) and to Oulu (2 hours). Earlier there was also a train connection to Joensuu (south), which has been replaced by busses. There are express buss connections to major towns in Finland.

4.6.2 Information technology infrastructure

The municipalities of the Kainuu Region have built a common regional communication network (ATM) that is used by the municipal administrations. The net offers its services also for enterprises that are located near the municipal centres. ADSL-connections are available near municipal centres and ISDN is becoming more accessible in remote villages. (Kainuun liitto 2001, 74)

4.6.3 Health care and elderly care

Sotkamo has its health centre for general health services. The special health services are available in Kajaani. In addition, services in Oulu (200 km away) are used in special cases.

4.7 Civil society

4.7.1 Quality of life and environment

The environmental assets of Kainuu nature consist of the hills and waterways. Because of the sparse population the nature has remained unpolluted and in the state of wilderness. There have been human impacts on the nature because of irrigation of the marsh-

lands, large scale clear-cuttings of the forests, construction of waterways and regulation of the water flows. Recently the awareness of the environmental values has increased.

The following environmental issues that have been recently subject to public debates:

- Discussions about land use plans, and especially about construction regulation on the lakeside building. There are pressures to allow for more building (lakeside building sites are valuable resource) and pressures for strict rules, for example, about safety zones.
- Debate about ski tunnel that was built on a ground-water area. Public criticism on environmental grounds: "this is waste of energy and landscape".
- A request by Kainuu Environmental office, sent to Mondo Minerals Ltd (March 2000), asking why the waste waters have included small amounts of cyanide, although the process water circuit should be a closed system.

Everymans rights

The local population and the travellers enjoy everymans rights. The age-old concept of everymans right gives everyone the basic right to roam freely in the countryside, without needing to obtain permission, no matter who owns the land. In the sparsely populated Nordic countries everymans right has evolved over the centuries from a largely unwritten code of practice. Everymans right does not, however, cover activities which damage the environment or disturb others.

Table 4-16 Everymans rights in Finland.

The following list summarises the rights and responsibilities of both Finnish and foreign citizens in the Finnish countryside under everymans right	
<p>YOU MAY</p> <ul style="list-style-type: none"> • walk, ski or cycle freely in the countryside, except in gardens and the immediate vicinity of peoples homes, and in fields and plantations which could easily be damaged • stay or set up camp temporarily in the countryside, a reasonable distance from homes pick wild berries, mushrooms and flowers, as long as they are not protected species • fish with a rod and line • row, sail, use a motorboat, swim or wash in inland waters and the sea • walk, ski, drive a motor vehicle or fish on frozen lakes, rivers and the sea 	<p>YOU MAY NOT</p> <ul style="list-style-type: none"> • disturb people or damage property • disturb breeding birds, their nests or young • disturb reindeer or game • cut down, damage, or break branches off trees on other peoples property • collect moss, lichen or fallen trees from other peoples property • light open fires on other peoples property, except in an emergency • disturb the privacy of peoples homes, by camping too near them, or making too much noise, for example • drop or leave litter • drive motor vehicles off road without the land-owners permission • fish or hunt without the relevant permits

Source: Ministry of Environment (2002).

4.7.2 *Civic organisations*

Finland is a promised land of associations. In Sotkamo during 1919-2001 there have been altogether 315 voluntary associations that were officially registered (National Board of Patents and Registration of Finland 2001). Quite often the organisation started at the national level, and was diffused to regional and village level. First voluntary organisations were founded before the time of official register of voluntary organisations. They were youth and temperance societies founded in the beginning of the 20th century. In addition, the roots of the political labour movement go back to those years. The first officially registered voluntary organisations in Sotkamo were Social Democrats of Sotkamo and Sotkamo Youth Societies of Naapurivaara and Sotkamo. The first Temperance Society was founded in Korholanmäki village in 1925. Number of societies grew up, when societies of small-farmers and farmers were founded.

Quite often the purpose of societies was to improve the living conditions. This was an important emphasis of the farmers societies and of the Martta Associations, which was a national women's' society for improving and modernising household activities. In rural areas the Hunting Associations are important for men, and in the 1980's the number of them was in Sotkamo higher than elsewhere in Kainuu Region. Of the cultural societies one should mention the Sotkamo Men's' Choir. (Wilmi 1997, 506.) Since the 1980s several village committees have been organised in different parts of the municipality.

The voluntary activities of Kainuu have been very political by their nature. Youth Societies were connected with the Agrarian Party and Labour organisations to the leftist parties. When the Youth Society movement (a nation-wide rural movement) came to Kainuu, Sotkamo was its first stronghold. (Ibid.)

Nowadays the most active organisations are hunting and sporting societies, various women's' societies and village organisations, such as Martta Societies. The most prominent sport society is Sotkamon Jymy (The Sotkamo Rumble), which organises skiing, baseball and track and field sports.

Finnish baseball has ideological roots in the national patriotism of rural youth movement. It has become a source of cohesion and local identity for Sotkamo, because its team is one of the top teams of Finland. It won again the national championship in 2001. The Sotkamo baseball has grown from village effort to an important part of the regional identity. While previously the baseball network had been able to mobilise amazing amounts of voluntary effort, now it has become an efficiently run entertainment business at a national level.

4.7.3 *Local media*

The most important local media in Sotkamo are:

- local newspaper “Sotkamo-lehti” which has been established in 1962.
- Regional newspaper “Kainuun Sanomat” which is published in Kajaani
- Regional radio “Kainuun radio” which belongs to state owned YLE Company.

4.8 Recent development projects

The name *Lex Kainuu* refers to a special proposal of legislation by which the most innovative new methods of creating employment and of preventing exclusion could be implemented as experimental projects. Lex Kainuu is an employment pact working at regional level. It is using the method of partnership in creating employment and preventing exclusion. The law would enable actors from the private, the third and the public sectors to plan together and to implement together region-wide projects. (Lex Kainuu 2002)

Sotkamo municipality has defined its strategic vision to be “Sotkamo-Vuokatti, Best for Entrepreneurship, living and recreation”. (Sotkamon kunta 2000) The successes and failures of the period 1997-2000 have been listed in the official report of the municipality in a following way.

Successes: The municipal economy has remained financially sound. There have been vivid investments that have been sensible, and they have been timed right giving impetus to private investments and economic activities. The level of know-how and the visibility of the municipality have improved, and the image of Sotkamo is very good. The demographic development has been stable in all aspects. New political culture has been introduced, which has improved the transparency of the municipal decision-making. In addition, the organisation of work in municipal administration has become clearer and the personnel have been able to concentrate their effort to performing their duties. The land-use planning for Vuokatti area is under preparation, new plans have been approved, and land-use planning process of Lake Sides is progressing favourably. There have been many environmental projects that were successful.

Failures: The planning has, at times, been too shortsighted and the objectives have been unclearly defined. Some things have been complicated with unnecessary political conflicts. In case of land-use plans, some complaints have slowed the implementation of the plan. One has not found effective means to fight against the depopulation of the countryside. In food sector, there have been events, when the municipality has not been able to get good enough results. The personnel policies of the municipality have not been consistent enough. The staff has been overloaded with work.

5 Concluding remarks

The point of departure for our research project is the question, how rural, marginal areas try to keep their population and to diversify their economy. In the case of Sotkamo, in Finland, the municipality itself is an institution that serves as a frame and arena for local actors and networks.

Since the 1960 Sotkamo has faced the impacts of mechanisation of agriculture and forestry, which has pushed the rural population toward new income and work, either in their own locality or elsewhere. During the growth of industrial welfare state of Finland, the Sotkamo municipality was able to take functions of local welfare state, producing public services for the local population. This increased the number of jobs in services. The availability of services and improved housing in the municipal centres attracted people from the remote villages, if they did not have ties to the land. The local farms grew fewer in numbers but also wealthier. Sotkamo became also a centre of rural manufacturing, based on local resources (wood, milk, talc) or availability of labour force (electronics, metal products). National regional policies did support investments in rural manufacturing and tourism. Sotkamo's location in the neighbourhood of the regional capital Kajaani made Sotkamo also an attractive living place for those working in the town but wishing to live in a more rural environment.

Economic growth in Finland enlarged demand for recreation, holiday and sporting facilities. Sotkamo has grown important both in winter and in summer tourism. The Sport College in the excellent winter sport landscape of Vuokatti, started attracting skiers and trainers of skiing teams of Finland and other countries. During recent decades Vuokatti has grown into a brandname of winter sports. Simultaneously Sotkamo has become well known in summer sports, too, as Sotkamo Jymy team rose to the top of the Finnish baseball league.

Sotkamo has been able to attract many kinds of tourist groups. Several large Finnish enterprises and organisations (such as professional unions) built cottages and recreation centres for their personnel. Several small enterprises in Vuokatti sold accommodation to summer-time visitors, who were attracted by the lakes and forests of Vuokatti. Building of the Spa and Holiday Complex Katinkulta in 1978-92 turned the tourism services to a year-around operation. Katinkulta was one of the biggest construction holiday resort projects in the Nordic Countries. It marketed itself as the most many-sided holiday centre in the North.

Nowadays Sotkamo is trying to define its future place among the localities of European Union. Agriculture and local food-production system is threatened seriously by the new demands of food markets. There are still some farmers who can increase their production to new scales demanded by the markets. Some may find special products that are unique enough to find consumers. Many have joined those working in the tourism services.

The struggle for finding new products and service concepts is difficult. Often new kind of coalitions and connections are needed, to find ideas, to develop them, to attract funding, to find expertise, to start local learning processes. Often external connections are needed to open one's eyes to recognise the significance of local raw materials, expe-

riences, expertise and culture. The same dark rye bread that has kept Kainuu and Sotkamo people alive through difficult winters for centuries may be served now as a special delicacy.

Our research will focus the link between networks and development in Sotkamo. We will ask, who are the important actors of Sotkamo development, and what is their concept of development. We study their networking in different senses, networks of different purposes, like official networks of developments and economy, networks of improving every-day life, networks of learning, networks of power and networks challenging that power.

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