

### What is at stake?

At least one key aspect of the Nordic socioeconomic model, that is, the labor market institutions and related wage formation mechanisms, is undergoing a major change: collective bargaining arguably becomes less desirable and less feasible when the locus of competition shifts from the industry and firm levels to the level of individual job assignments. This shift may also more generally weaken solidarity among inhabitants. Will this and other changes erode the Nordic model, or can these countries continue to achieve “the best of both worlds”?

In what follows, we consider of the motivations for and the extent of value chain dispersion. The Nordic countries are discussed as a group, although we primarily use Finland as an illustrative example. In the concluding section, we consider the sustainability of the Nordic model in light of the presented evidence.

### The Nordic countries as participants in global value chains

The business sectors in the Nordic countries have exceptionally high ratios of foreign to domestic employment. In this respect, Denmark ranks at the top. Danish companies employ 1.48 million people abroad, which is equivalent to 52% of their domestic

#### Box 1. *Nokia* in the Finnish Economy

*Nokia* is the most important single company in the Finnish national economy. Some 30% of its (including *Nokia Siemens Networks*) global R&D personnel is currently in Finland. In 2009, *Nokia* accounted for more than one-third of the total R&D and one-half of business-enterprise R&D performed in Finland. Its share of the country's GDP was nevertheless “only” 1.6% (Box 1 Table 1).

Box 1 Table 1. The role of *Nokia*'s domestic activities in the Finnish national economy

	Nokia
Share of GDP	2.6% in 2008 (1.6% in 2009)
Contribution to GDP growth	2.13 percentage points in 2000 (the peak year)
	-0.11 percentage points in 2008
	-0.88 percentage points in 2009
Share of total employment	0.9% in 2009
Share of manufacturing employment	5.5% in 2009
Share of total R&D exp. (GERD)	37.6% in 2009
Share of business sector R&D exp. (BERD)	51.2% in 2009
Share of patents (EPO patent applications)	43% in 2006
Share of corporate taxes	21.7 percent in 2003 (the peak year)
	7.1% in 2008
	2.6% in 2009
Share of manufacturing value added	11.5 % in 2008

Source: Ali-Yrkkö (2010)

Notes : GERD, Gross domestic expenditure on R&D; BERD, Business Enterprise Research and Development; EPO, European Patent Office.