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The economic opportunity of AI in Finland

Capturing the next wave of benefits from *generative* AI

An Implement Consulting Group study commissioned by Google

April 2024

The economic potential of AI can be boosted further by generative AI

To maximise the benefits of AI across society, Finland needs to leverage its strong performance in AI research by promoting innovation, investment and AI talent

The economic opportunity

Generative AI technology is developing faster than previously anticipated, and the peak economic contribution could come sooner than expected, already in around ten years.

In the peak year, generative AI alone could boost Finland's GDP by

€20-25 billion

+8% GDP
annual contribution in the peak year if Finland achieves widespread adoption.

Gains come from three sources …

Productivity boost from people working with generative AI.

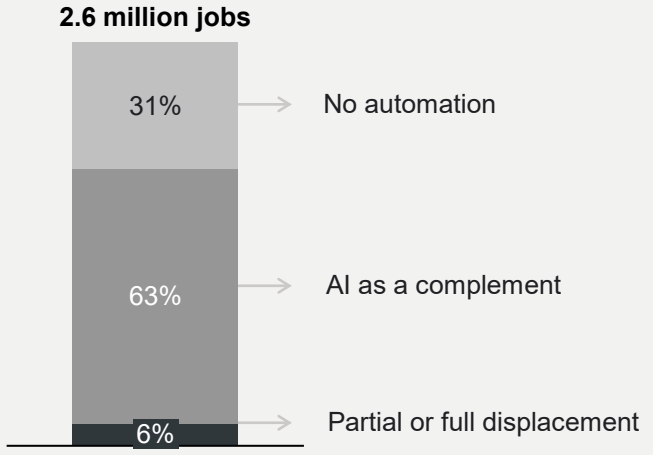
Freed-up time when generative AI helps to automate our work.

Re-prioritised and re-employed time for other value-creating activities.

The job implications

63% of jobs in Finland are estimated to work **together with** generative AI.

Share of jobs exposed to automation by generative AI
% of total employment in Finland



Finland is well placed to manage the job changes from generative AI.

New jobs in the AI-powered economy are expected to replace those lost due to automation, resulting in unchanged employment levels. The highly exposed jobs represent less than 10% of the historical level of job changes in Finland.

The transition is expected to be gradual, allowing workers time to adapt to new tasks and develop new skills.

SUMMARY

Finland has historically been at the research frontier in the EU and needs to focus on innovation and talent to seize the AI opportunity

AI readiness in Finland

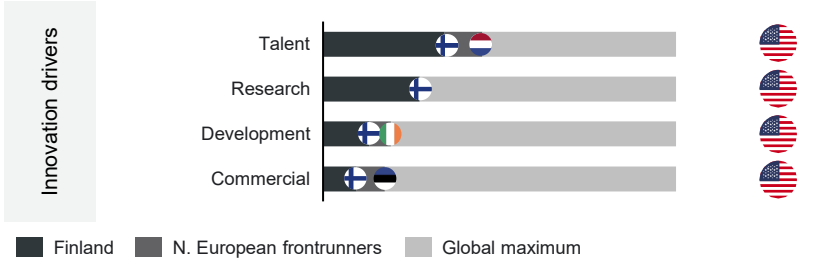
Finland is a true frontrunner in the basic AI adoption drivers ...

Finland's AI capacity according to the Tortoise Global AI Index

Global AI Index, score out of 100 (global leader)

On track
Finland ranks fourth globally in terms of operating environment for AI and leads Northern European frontrunners in government strategy and infrastructure.

… but lags behind on innovation drivers compared to global leaders



Behind
While Finland leads among Northern European frontrunners in AI research, it lags behind globally in innovation, investment and AI-related skills.

Conclusions and policy implications

Finland's future economic growth could exceed current long-term GDP forecasts. Leading banks are raising growth forecasts from as early as 2028.

The 8% boost to annual GDP at peak assumes that Finland achieves widespread adoption in line with the leading countries.

A five-year delay in adoption will reduce the annual GDP potential of generative AI in Finland from 8% to 2% of GDP i.e. from €20-25 billion to €4-5 billion.

Capturing the full economic gains requires innovation capabilities and a conducive regulatory framework

Accelerate commercial uptake

Grow R&D by local innovators

Retrain and upskill workforce

Note: The Tortoise Global AI Index is underpinned by 111 indicators collected from 28 different public and private data sources and 62 governments. Northern European frontrunners refers to nine European countries comparable to Finland in terms of size and level of digitalisation.

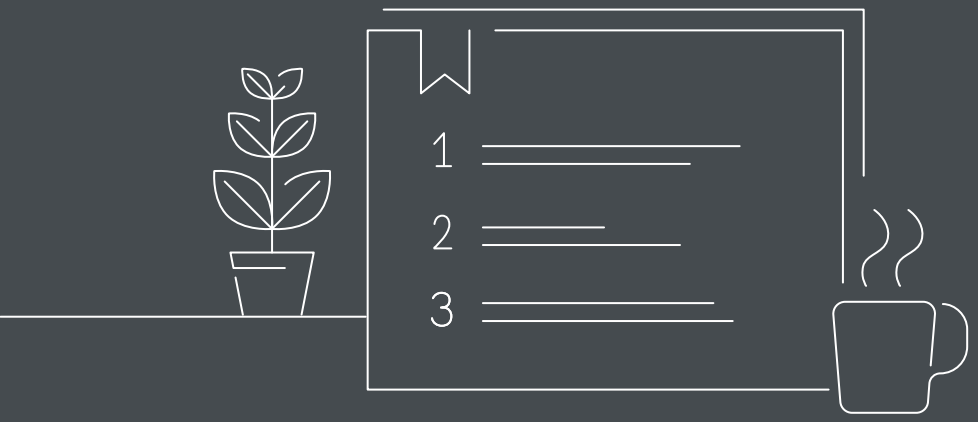
Foreword

Making AI benefit society as a whole requires an adaptive, human-centric and trustworthy approach

AI and the next wave of generative AI have the potential to be the most powerful technology in decades. Responsible AI can help solve global challenges like climate change and access to quality medical care.

AI can make countries more prosperous, productive, innovative, creative and secure. At the same time, there are plenty of pitfalls, paradoxes and tensions that decision-makers will need to navigate.

AI has evolved rapidly with the breakthrough of generative AI in 2022 and its fast adoption in 2023. This report estimates the economic potential of generative AI while recognising the significant economic potential of other types of AI.



Contents

01

Introduction to AI

This report covers all types of AI with a particular focus on generative AI.

AI can help humans solve tasks faster and better – and with generative AI, machines can now understand and interact in language, sound and images

Artificial Intelligence (AI)

- AI is a general term for anything that allows computers to carry out human-like behaviours, including rule-based programmes.

Machine Learning (ML)

- ML is a subset of AI where machines do not need to be explicitly programmed. They use algorithms to identify and learn patterns in data, apply that learning and improve themselves to make better and better decisions.

Deep Learning (DL)

- DL is a subset of ML where computers learn in a way that mimics the human brain. In deep learning, machines build layers of knowledge that are increasingly complex.
- These AI models are typically trained on specific data sets and used within a given field or industry.

Capabilities include:

Forecasting and prediction

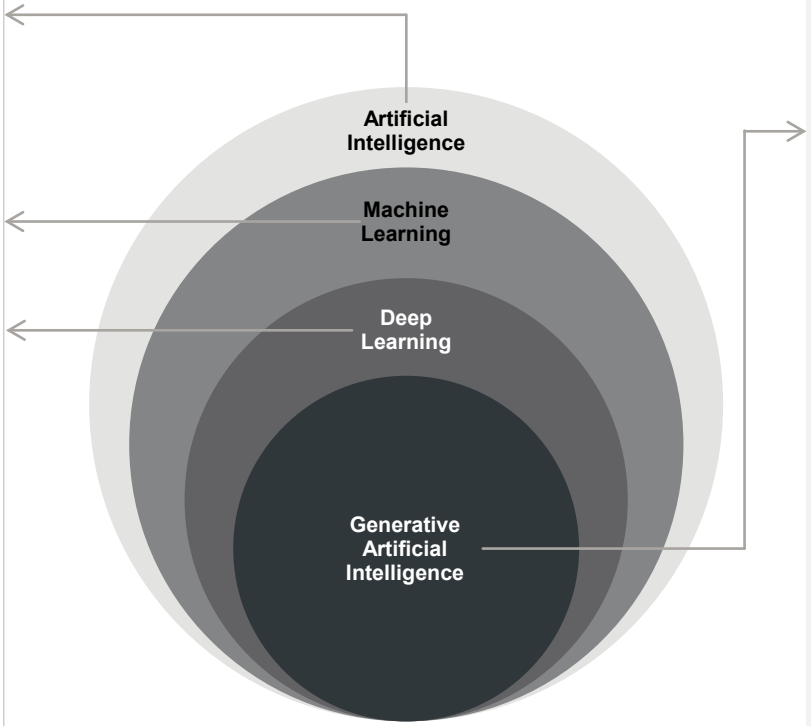
In addition to weather forecasting, similar predictive models are employed in managing warehouse inventories.

Categorisation and recognition

Beyond email spam filtering, AI can be utilised to categorise and recognise patterns in legislative documents.

Optimisation

When it comes to optimisation, AI not only aids navigation via GPS but also plays a crucial role in enhancing the efficiency of energy consumption in data centres.



Generative AI

- Generative AI is a new form of AI made publicly available in 2022. It can understand text, code, images, sound and video and can use it to generate or synthesise new content.
- Generative AI models are trained on huge general data sets to gain a general comprehension of text, visuals, code and sound.
- Generative AI can be used generally across almost any field or industry.

New capabilities include:

Create new unique images

For example, generating an image of a product that does not yet exist based on user input in natural language.

Interact with voice and sound

For example, translating a doctor's memo into a structured text or following up with a customer in writing based on a phone conversation.

Analyse and revise text and code

For example, translating text and adapting it to a different target group or translating code between programming languages.

Do research and analyse data

For example, searching the web for relevant information and synthesising conclusions from large data sets.

Note: An algorithm is a detailed set of instructions that a computer follows to carry out a task or solve a problem.
Source: Implement Economics based on expert interviews.

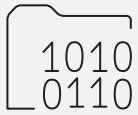
Recent developments have increased the capabilities and availability of AI models and have accelerated uptake

Generative AI models have strong built-in capabilities and are easy to work with …

01

No or low data requirements

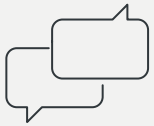
Generative AI models are already trained on huge data sets. This makes them readily available for many tasks without any further data needed.



02

Easy to use in plain language

Generative AI models can be operated using ordinary language and do not require any specific coding skills to use.

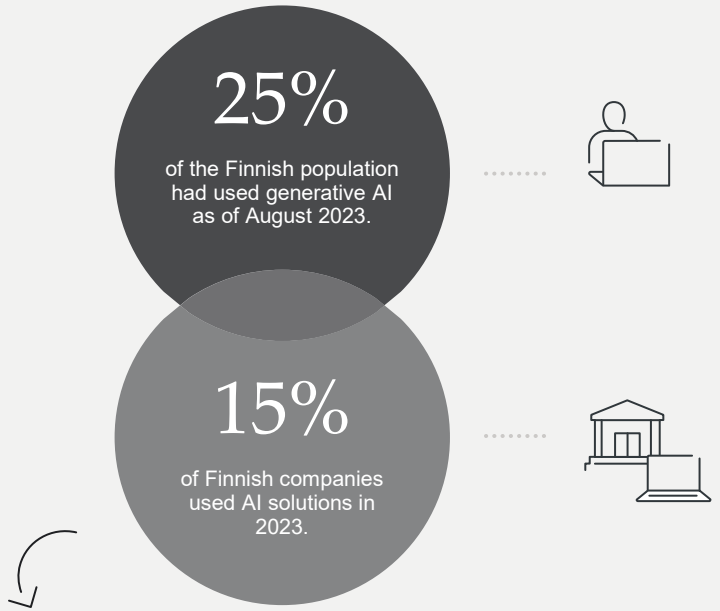


03

Many models are online and free of charge

Several high-performing generative AI models are available online and do not require local ML setups or infrastructure to use.

… and many users have already adopted the technology



Solutions adopted at a company level are driven by non-generative solutions today.

Generative AI is still at an early stage and is yet to be widely adopted at a company or institution level.

Source: Implement Economics based on the European Commission and Tietoevry.

Leveraging the full potential of AI will require further research, development and innovation

AI capabilities and requirements by level of development

	Organisational ML-based AI	Generic pre-trained models used online	Adaptions of pre-trained models using APIs	Specialised fine-tuned models	Foundation models
Solvable tasks	Specific	General	General and moderately specialised	General and specialised	Most
Example	*E.g. detection of flawed products in manufacturing*	*Online chatbots, e.g. Gemini or ChatGPT*	*Organisation-level automation solution, e.g. auto-replies*	*Pre-trained model like Llama trained further on context-specific data*	*Model trained from the ground on new data, e.g. Mistral*
Requirements					
Competences for use	●	○	◔	◔	◔
Competences for integrating solution	◕	◔	◔	◕	●
Data and infrastructure	◑	○	◔	◕	●
	Pre-2022	Current fast-adopting models	Next level of adoption	Only adopted by few frontrunner organisations	New frontier of AI

- Generative AI is still in its early phase using generic pre-trained models.
- Future value creation from AI requires more advanced models than the pre-trained models that are available online today.
- Leveraging the full potential of AI technology requires more advanced and specialised models.
- This requires new organisational skills, more data, more computing power and better infrastructure.

Figure explanation

○ No requirements

● Highest requirements

Note: Training or fine-tuning generative AI models generally requires significantly more computational resources compared to classic machine learning training.
Source: Implement Economics based on OECD.

02

Economic opportunities from AI

The main economic opportunity in Finland arises from humans working together with generative AI.

AI has great economic potential which can be further boosted by generative AI

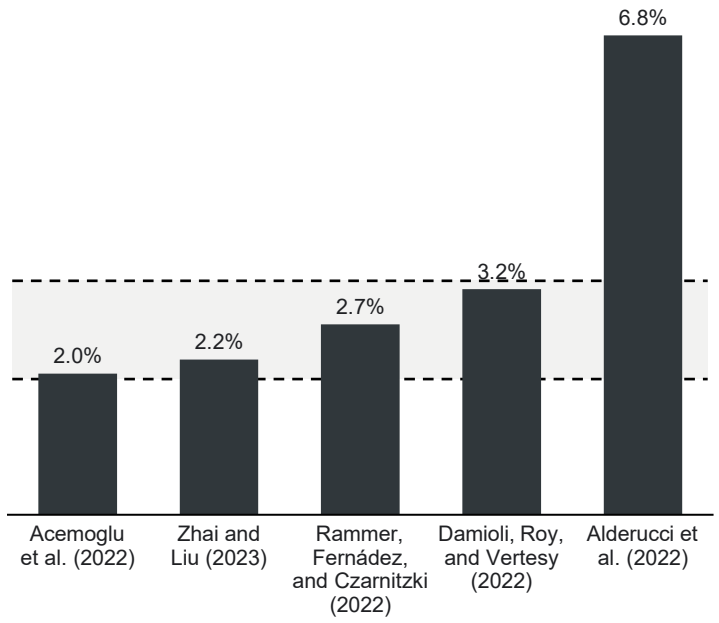
How to think about generative AI:

"What would you do if you had 1,000 well-trained interns ready to work for you day and night?"

AI can increase productivity

Academic studies conclude that labour productivity typically increases by 2-3 percentage points per year after firm-level AI adoption. The studies have been carried out on early adopters of AI technology and, as such, cannot be extrapolated to the general effects of AI on productivity.

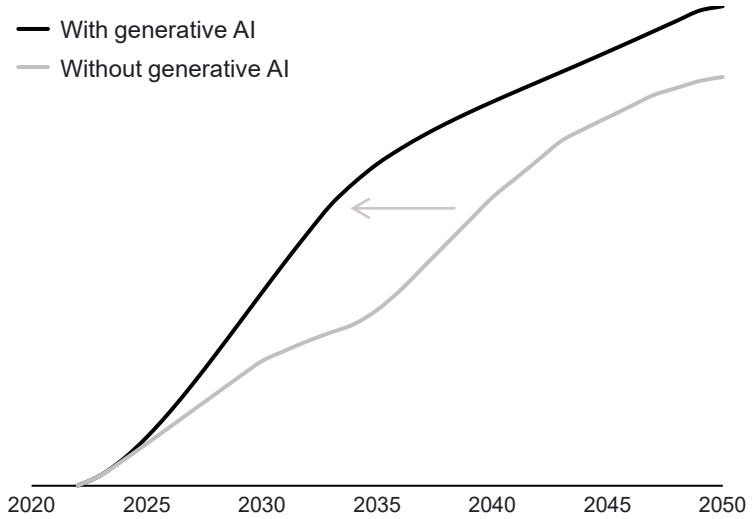
Growth in labour productivity from AI adoption
Percentage points



Generative AI advances automation

Generative AI can advance automation by nearly a decade because it is easier to use for individuals and organisations. However, significant uncertainty about adoption rates and speed of realisation of its benefits remain.

Automation potential
Adoption of AI technology



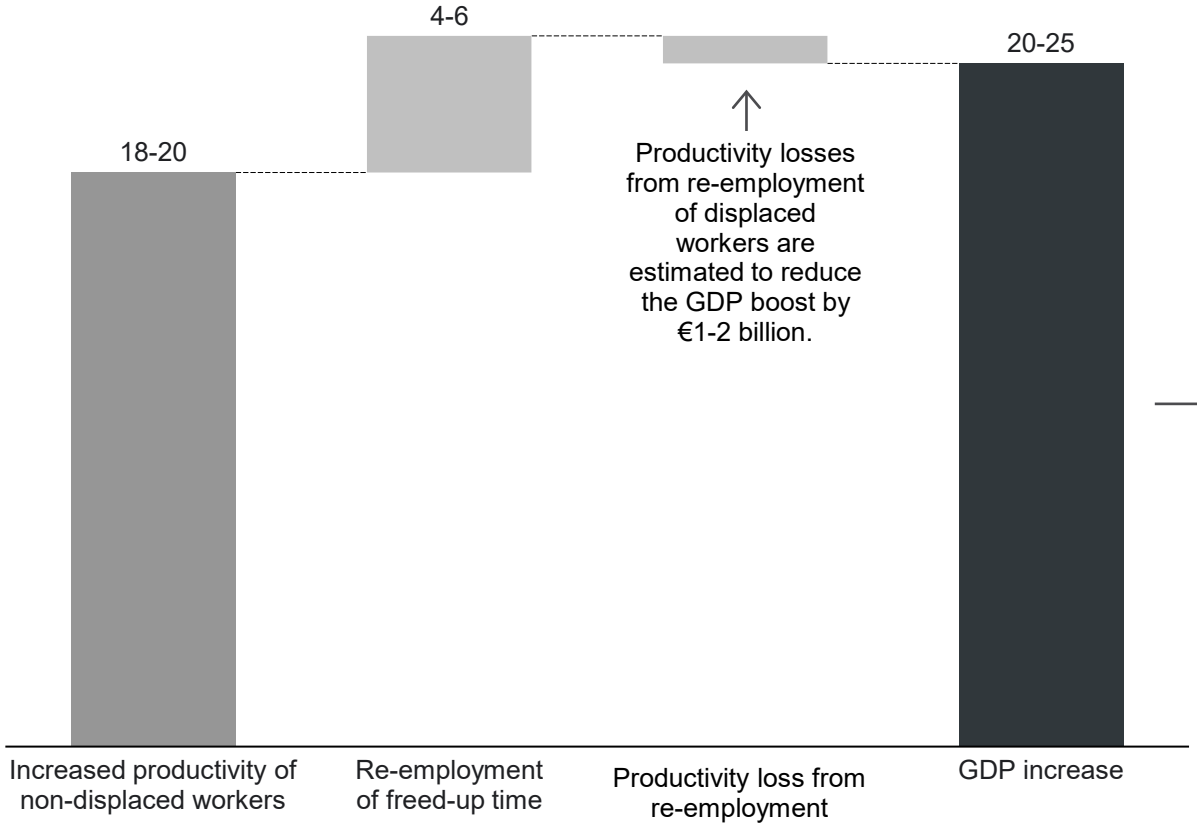
- AI has evolved rapidly with the recent breakthrough of generative AI. Due to its user-friendly nature, generative AI is expected to greatly accelerate the potential of AI to create economic impacts.
- Generative AI is only a part of AI's overall economic potential. Some studies estimate with some uncertainty that generative AI accounts for around one-third of the total effect of AI.
- This report estimates the macroeconomic potential of generative AI while recognising the significant economic potential of other types of AI.

Source: Implement Economics based on Brynjolfsson et al.(2019), Acemoglu et al. (2022), Andersen, Harmsen, Rants and Schröder (2023), Alderucci et al. (2022), Rammer, Czarnitziki, and Fernández (2022), Damioli, Roy, and Vertesy (2022), Zhai and Liu (2023).

Generative AI could increase Finland's GDP by 8% in ten years

GDP potential of generative AI in Finland

€ billion annual increase from baseline GDP after a ten-year adoption period



+8% GDP

annual contribution in peak year if Finland achieves widespread adoption.

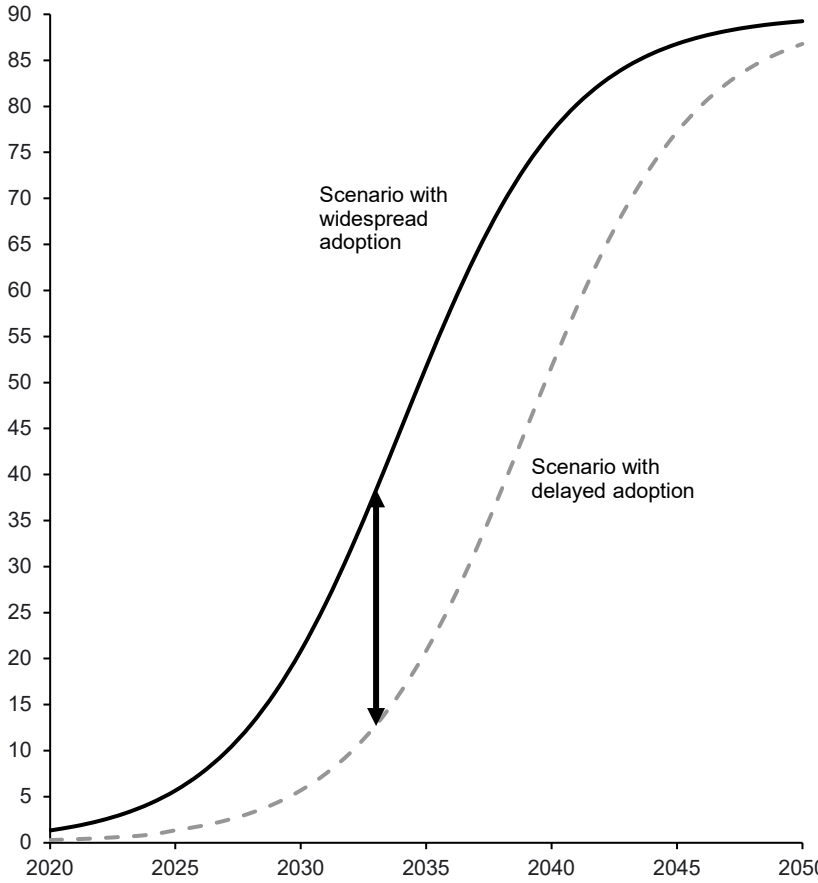
- If Finland achieves widespread adoption of generative AI, we estimate an annual GDP potential of €20-25 billion in the peak year, which could be already in around ten years from now.
- The dominant impact of generative AI is a productivity boost to the majority of workers (63%) by augmenting their capabilities, quality and efficiency, which is estimated at €18-20 billion for Finland.
- The estimate includes impacts of re-employment of a small share of workers (6%), where generative AI is freeing up a significant share of work for other tasks. This is estimated at €4-6 billion in Finland.
- The estimate accounts for the possible productivity loss associated with re-employment to other occupations. This reduces the estimate for Finland by €1-2 billion.
- At its peak, the productivity effect of generative AI in Finland is estimated to be equivalent to 1.5% annually.
- Generative AI is so powerful that Finland's future economic growth could exceed current long-term GDP forecasts, and leading banks are raising growth forecasts from as early as 2028.

Note: The estimate assumes widespread adoption of generative AI over a ten-year period. There is much uncertainty around the capability and adoption timeline of generative AI. The size of the productivity boost depends on the difficulty level of tasks that generative AI will be able to complete and the number of jobs it can automate. GDP is in 2022 levels. The average number of work activities that potentially can be performed by generative AI across all types of tasks for both complemented and highly exposed workers corresponds to 20-25%. Our estimate is the isolated potential of generative AI around ten years from now, when the impact is assumed to peak in the widespread adoption scenario (see next page). The estimated boost from generative AI may not be fully additive to GDP trends, as the GDP forecast already assumes a growth contribution from new technologies and generative AI may substitute some of that. Also, the boost from generative AI may be partially offset by an underlying growth slowdown.
Source: Implement Economics based on Eurostat, O*Net, Briggs and Kodnani (2023a), BNP Paribas (2023), Bank of Finland and Dell'Acqua et al. (2023).

A five-year delay in the adoption of generative AI could reduce Finland's potential GDP gains from 8% to 2%

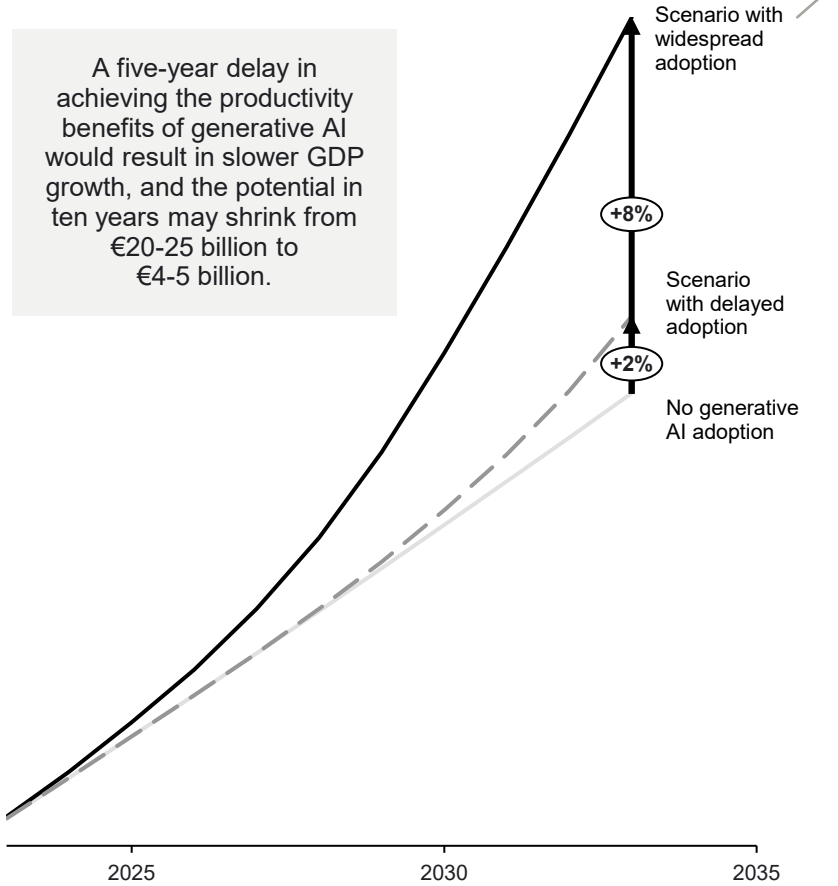
Adoption of generative AI

%



GDP potential of generative AI in Finland

Index, 2023=100



- Generative AI is a new general-purpose technology and will take time to adopt.
- Our estimate of Finland's GDP potential from generative AI is reliant on the widespread adoption and development of the new AI technology within the next ten years.
- A five-year delay in capturing the benefits of generative AI is estimated to reduce the annual potential at peak from 8% (€20-25 billion) to only 2% (€4-5 billion) of GDP.
- Finland can enhance the welfare and GDP contribution of generative AI by ensuring that policies are in place to capture the benefits as assumed in the widespread adoption scenario.

Note: GDP figures in € billion are expressed in 2022 levels. The leftmost figure shows generative AI adoption expressed as a percentage of work activities exposed to automation by generative AI. The estimate is made for a ten-year adoption period to align with the time horizon for widespread adoption in the most advanced countries apart from the US. The "widespread adoption" scenario assumes adoption in line with "other developed markets" in Briggs and Kodnani (2023b).
Source: Implement Economics based on Eurostat, O*Net and Briggs and Kodnani (2023a&b).

Generative AI models have the potential to boost SME AI adoption to new levels, but regulatory uncertainty and lack of skills can stand in the way

SMEs lag behind larger corporations on AI adoption

Finnish SMEs account for
~63% of total employment

Like other European countries, Finnish SMEs are slower to adopt AI compared to large enterprises.

53%
of large Finnish enterprises had adopted AI in 2023.

14%
of Finnish SMEs had adopted AI in 2023.

The gap in AI adoption between SMEs and large enterprises reflects a **general challenge** in the EU, and overall, Finnish enterprises perform well on AI adoption:

- #2 Finland ranks 2nd in the EU on AI adoption by SMEs.
- #2 Finland ranks 2nd in the EU on AI adoption by all enterprises.

Generative AI could boost SME AI adoption …

- **No or low data requirements** mean that SMEs can readily use generative AI for many tasks without any further work needed.
- **Ease of use** in plain language means that SMEs can use many generative AI models without the need for coding skills.
- **Free online availability** means that SMEs do not need to invest in new computing power or new infrastructure to use generative AI.

… but SME uptake can be slowed down because …

- **Lack of broader skills** required to fully leverage the potential of new generative AI technologies can hamper uptake.
- **Regulatory uncertainty** around generative AI can increase implementation risks and compliance costs, notably for SMEs lacking in-house legal capabilities.

Note: According to the classification by the European Commission, SMEs are defined as enterprises with 1-249 employees, and large enterprises are defined as enterprises with 250+ employees. The percentage of total employment accounted for by SMEs is based on 2022 data.
Source: Implement Economics based on theEuropean Commission and OECD (2024).

03

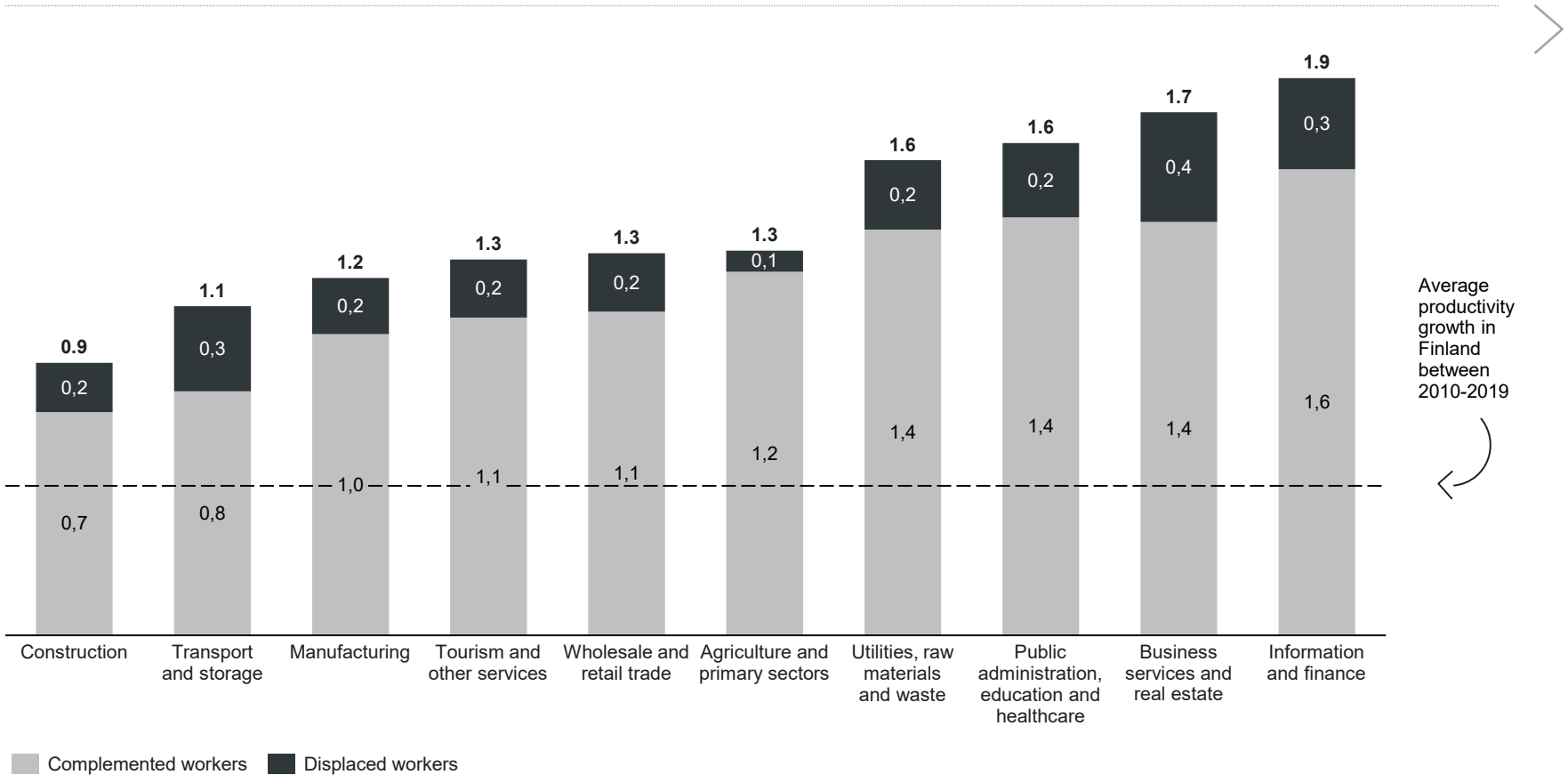
Key sectors benefitting from AI

Some sectors are expected to gain more from generative AI, mostly owing to the types of tasks performed.

AI can boost productivity in all sectors, offering a much-needed boost to Finnish productivity

Productivity boost from generative AI

% productivity growth p.a. at peak



- The complementary role of generative AI prevails in most industries, meaning that most occupations are estimated to use AI to augment and improve human capabilities.
- This would provide a much-needed boost to Finnish productivity, which has been sluggish since 2008. The Finnish Ministry of Finance emphasises that while labour productivity in manufacturing has been at a healthy international level, it remains far behind the reference countries in many service sectors, including digital-intensive services.
- Unlike previous automation, such as robots, generative AI has the ability to boost productivity in the service sector.
- Displacement mainly occurs where administrative and repetitive knowledge-based tasks make up a large part of the work activities.

Note: Sectors are aggregated according to NACE categorisation. "Information and Finance" is a combination of information, communication, financial and insurance activities. "Tourism and other services" comprises accommodation, food and other services. Labour productivity gains are mapped one-to-one to GDP if total employment (as here) is assumed constant and the capital stock increases to match productivity improvements. The estimates take into account that the growth impact of generative AI may not be fully additive to the current GDP trend. First, AI-related gains may substitute for growth that would otherwise occur in a non-AI baseline. Second, underlying productivity growth has slowed over the past decades. The estimated boost from generative AI may be partially offset by an underlying growth slowdown.
Source: Implement Economics based on Eurostat, O*Net, Briggs and Kodnani (2023), OECD and the Finnish Ministry of Finance (2021).

75% of generative AI's economic potential lies in service sectors, while manufacturing and other sectors can also benefit from other types of AI

Gross value added by sector

€ billion

75% of potential

Generative AI has the potential to boost value added in knowledge-intensive business services by around **€7.5 billion**, e.g. by generating content, assisting in research and automating complex data processing. The impact of other types of AI in these sectors is limited to automating repetitive tasks.

Generative AI can benefit the public sector with an estimated **€5 billion**, e.g. through personalised tutoring in education, diagnostic support and patient interactions in healthcare and automatic document handling and preparatory decision-making in public administration. Other types of AI also have potential in the public sector.

Although the trade, transport and tourism sector has a small percentage impact from generative AI, it still presents a significant economic potential of an estimated **€5 billion** due to its large size. The sector can, for example, benefit from enhanced customer service through responsive chatbots and processing of legal documents or contracts.

Generative AI has the potential to increase productivity in manufacturing and construction by around **€5 billion** although the percentage impact is assessed to be smaller than in other sectors. Other types of AI are expected to have a significant impact on these sectors, e.g. through supply chain optimisation and automation of manual processes for specific tasks.

Generative AI can, for example, facilitate predictive maintenance by processing operational reports and predicting potential system failures, thereby supporting an estimated potential of up to **€1 billion**.

Note: Sectors are aggregated as follows: "Knowledge-intensive business services": NACE sectors J-M. "Public administration, education and healthcare": NACE sectors O-R, U. "Trade, transport and tourism": NACE sectors G-I, N, S-T. "Manufacturing, construction, energy and water": NACE sectors C-F. "Agriculture and primary sectors": NACE sectors A-B. Estimates for GVA and GDP may vary slightly due to net indirect taxes.
Source: Implement Economics based on Eurostat, O*Net and Briggs and Kodnani (2023a).

04

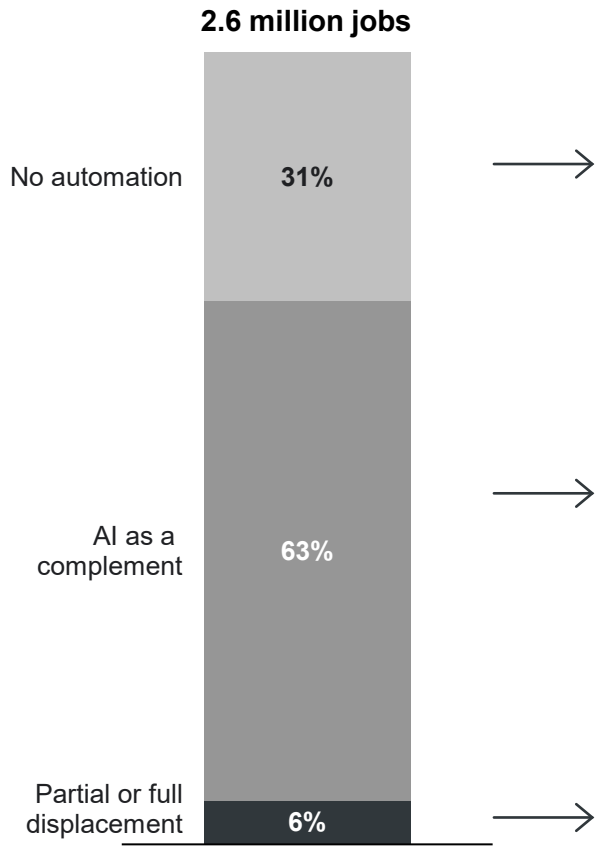
Job implications of AI

Generative AI will introduce job changes in Finland – the nature and degree of which depend on economic and demographic factors.

Generative AI augments most jobs

Share of jobs exposed to automation by generative AI

% of total employment in Finland



~ 0.8 million jobs are unlikely to be exposed to automation

An estimated 31% of jobs in Finland are likely to remain largely unaffected by generative AI. These jobs include manual labour, outdoor tasks, such as construction and cleaning, and human-to-human tasks, such as personal care and food services.

~ 1.7 million jobs are likely to be augmented by generative AI

Most jobs (63%) are expected to be assisted by generative AI by automating a limited share of their tasks and helping to create content (text, code and images), collaborating with workers on complex problems and contributing to product design.

Unlike previous waves of automation that mainly impacted manual workers, generative AI is expected to primarily affect office-based professionals.

~ 0.1 million jobs are likely to be fully or partially displaced

A small share of jobs (6%) are expected to have over half of their work activities exposed to automation by generative AI, e.g. in occupations such as clerical support workers, contact centre salespersons and translators. These workers are likely to see their jobs fundamentally change and may need to be re-employed in new occupations.

Note: Based on 2022 employment data. In accordance with Briggs and Kodnani (2023a), "No exposure" are occupations with less than 10% exposure, "Medium exposure" are occupations with 10-49% exposure and "High exposure" are occupations with exposure of or above 50%. Note that percentages and absolute numbers are rounded.
Source: Implement Economics based on Eurostat, O*Net and Briggs and Kodnani (2023a).

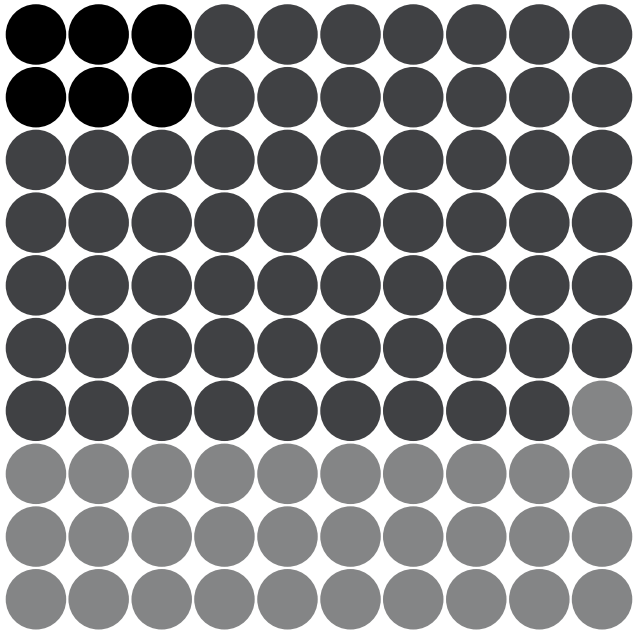
The AI-powered economy is expected to create new jobs and ensure full re-employment of potentially displaced workers

Share of jobs exposed to automation by generative AI

% of total employment in Finland

Partial or full displacement | AI as a complement | No automation

6% of Finnish jobs are estimated to be highly exposed to generative AI, leading to some job closures.



At the same time, 63% of jobs are expected to see a boost in productivity. This will create new jobs due to:

I

Increase in general demand for goods and services

With higher GDP growth, the AI-powered economy will demand more labour across a wide range of occupations and skill levels.

II

New tasks and jobs created

Widespread use of AI will also create new jobs such as AI prompt engineers, AI content creators and data trainers – and create jobs we cannot preconceive.

III

Demand within occupation

Generative AI will also make highly exposed occupations, such as translators, more efficient, and hence at lower costs, which in turn can increase demand for those occupations.

Even with accelerated and broad adoption of generative AI over a ten-year period, only around 10,000-15,000 people in highly exposed jobs are estimated to need re-employment per year, which is low compared to historical averages (see page 22).

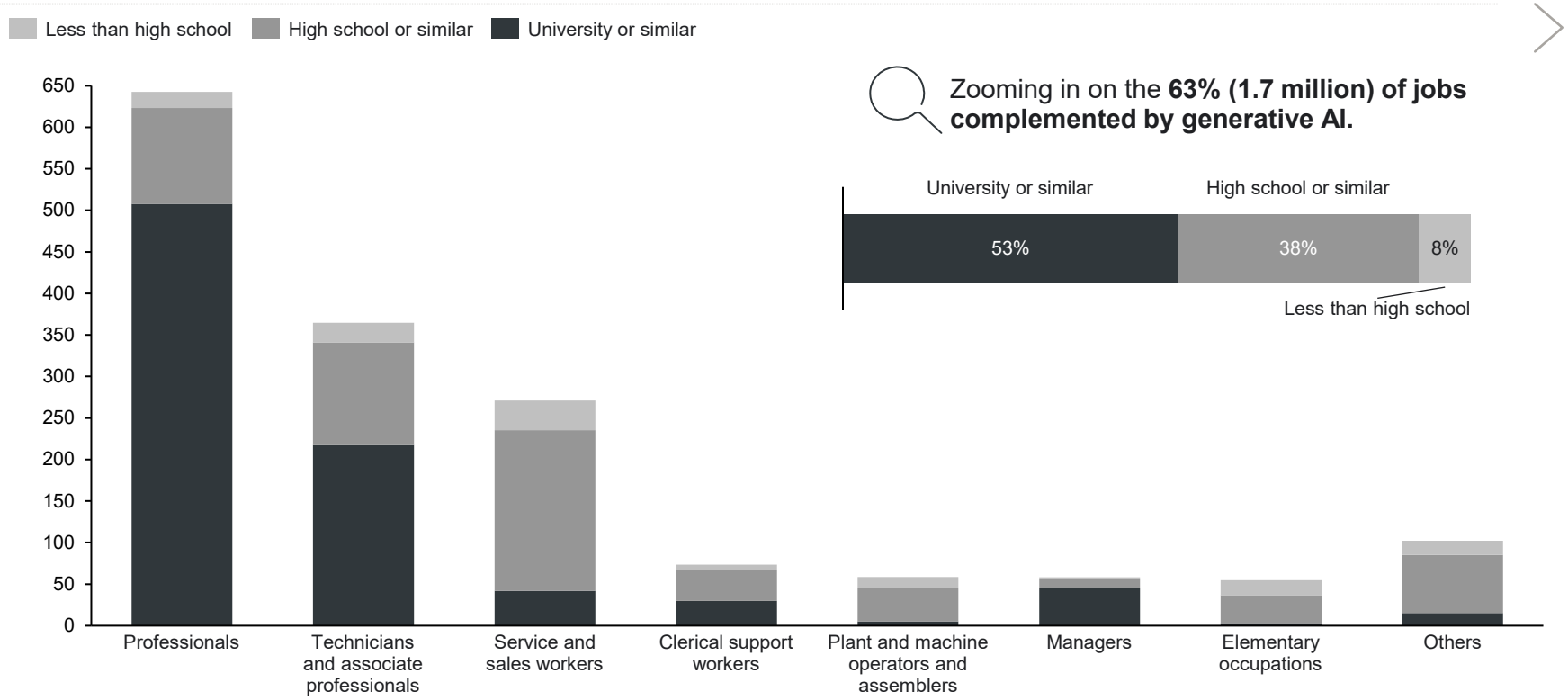
- The job development in Finland over the next decades will depend on a range of factors.
- The isolated impact of generative AI depends on the speed of adoption and the size of the productivity boost relative to the size of the displacement effect for the jobs that are highly exposed to generative AI.
- This report assumes full re-employment of displaced workers over a ten-year period. This means no net change in total employment or unemployment.
- This assumption builds on the large size of the productivity boost compared to a relatively small share of displaced jobs. This suggests that the demand for new jobs will be sufficiently strong to create jobs for those exposed.
- Furthermore, economic theory suggests that long-term employment is determined by the labour supply and skill mix of the workforce.
- The short-term job impacts will depend, among other things, on the flexibility of the labour market as well as re-training and skilling opportunities for workers.

Note: The assumption that labour supply predetermines employment is widely applied by economists. See, for example, *Principles Of Economics* by N. Gregory Mankiw (2020).
Source: Implement Economics based on based on Eurostat, O*Net and Briggs and Kodnani (2023a).

1.7 million jobs are expected to be complemented by AI – mainly highly educated professionals and technicians

Jobs complemented by generative AI

Thousand jobs



Examples of jobs include:	Research, analysis and advising services (including legal)	Engineering technicians, robot controllers and air traffic safety technicians	Caterers, housekeepers and travel agents	Secretaries, record keepers and information suppliers	Train drivers and machinery operators	Executives and supply and general managers	Cleaners, washers and delivery	Police services and farmers

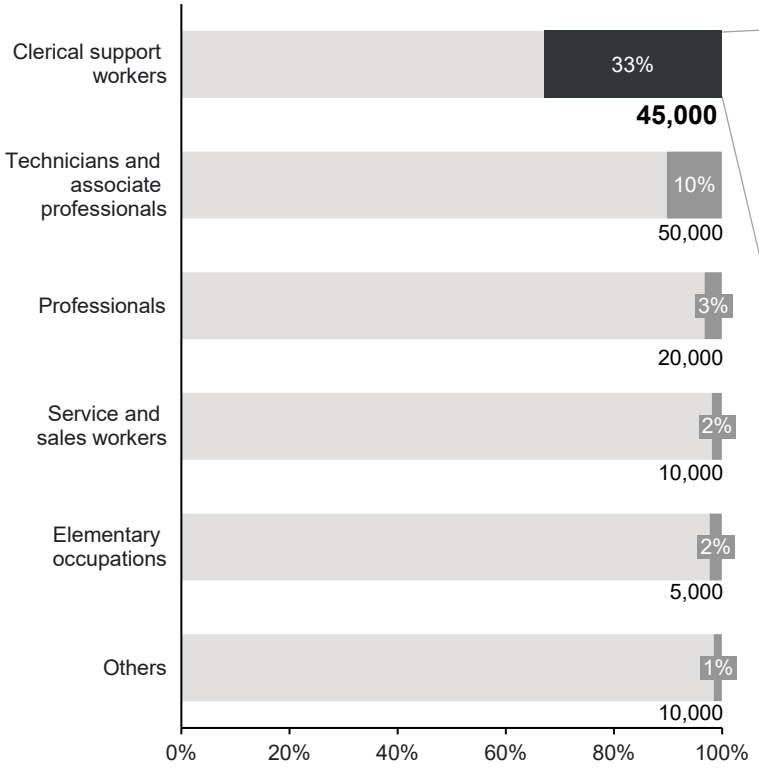
- Generative AI is estimated to augment the capabilities of around 1.7 million jobs in Finland at full adoption and around half of these over a ten-year period.
- Of the complemented workers, 53% are estimated to hold higher educational attainment, such as lawyers, scientists and engineers.
- Generative AI can perform complex cognitive tasks and complement human abilities, creating opportunities for individuals to work with generative AI to create new content and free up time for other tasks.
- Unlike previous waves of automation, generative AI is less relevant in jobs carried out by those with lower levels of educational attainment.

Note: Based on 2022 employment data
Source: Implement Economics based on Eurostat, O*Net and Briggs and Kodnani (2023a).

Around 0.1 million Finnish jobs are highly exposed to generative AI, but the AI-powered economy will help create new jobs

Jobs highly exposed to generative AI

Share of jobs in occupation exposed



Highly exposed jobs in total ~ 140,000

***Example*: Finnish clerical support workers and job transition**

Of the 45,000 highly exposed clerical support workers, only around half are assumed to be affected by generative AI over ten years, and all of these are assumed to be employed either outside or within the occupation.

Most are expected to be re-employed in other occupations due to:

I **Increase in general demand for goods and services** due to increased income in the AI-powered economy leading to job opportunities in other sectors.

II **New tasks and jobs created**, arising from the introduction of generative AI.

A smaller share is expected to be employed *within* occupation because:

III **Not all highly exposed workers will be displaced**. Some will continue to hold employment with new tasks replacing the exposed tasks.

Increased demand within occupation due to the increase in productivity and lower costs.

The proportions of employment within occupations and in new occupations are uncertain.

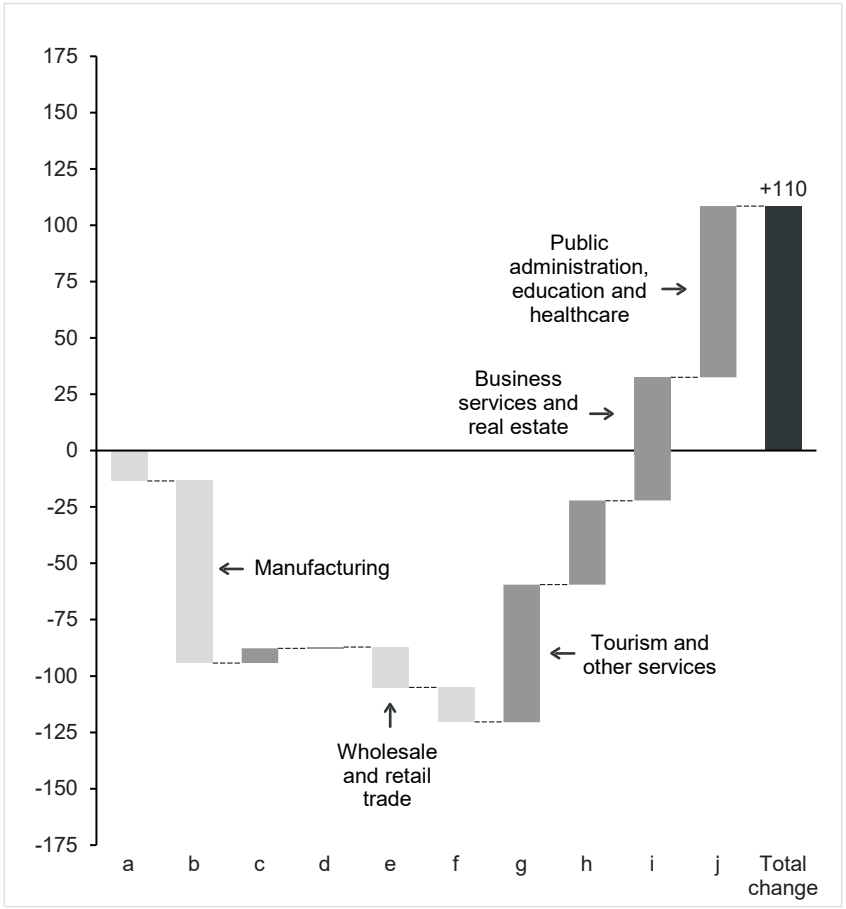
- Around 0.1 million jobs in Finland are estimated to be highly exposed to generative AI at full adoption, and around half of these are expected to be affected over a ten-year period.
- This report assumes full re-employment of displaced workers. This means no net change in total employment or unemployment.
- Clerical support workers, technicians and service and sales workers are highly exposed to generative AI and up to a third of these jobs are expected to see significant change.
- The transition is likely to be gradual, allowing workers time to adapt to new tasks and skills.
- The AI-powered economy will gradually lead to new jobs through three channels and support employment within the occupation or re-employment in other sectors.
- Historically, worker displacement from automation has been offset by the creation of new jobs, and the emergence of new occupations following technological innovations accounts for the vast majority of long-run employment growth.

Note: Based on 2022 employment data. High exposure to AI does not automatically imply full displacement of all workers in that occupation. In the GDP estimates, we conservatively assume low automation potential to avoid overestimating GDP impacts. In the job exposure and potential displacement assessment, we show the full size of the potential displacement to avoid underestimating the job implications. The size of each re-employment channel is uncertain and depends on how the technology is adopted and the interplay between increased efficiency and how unmet demand translates into increased or decreased employment in various occupations.
Source: Implement Economics based on Eurostat, O*Net and Briggs and Kodnani (2023a).

Job changes from generative AI are small compared to historical averages

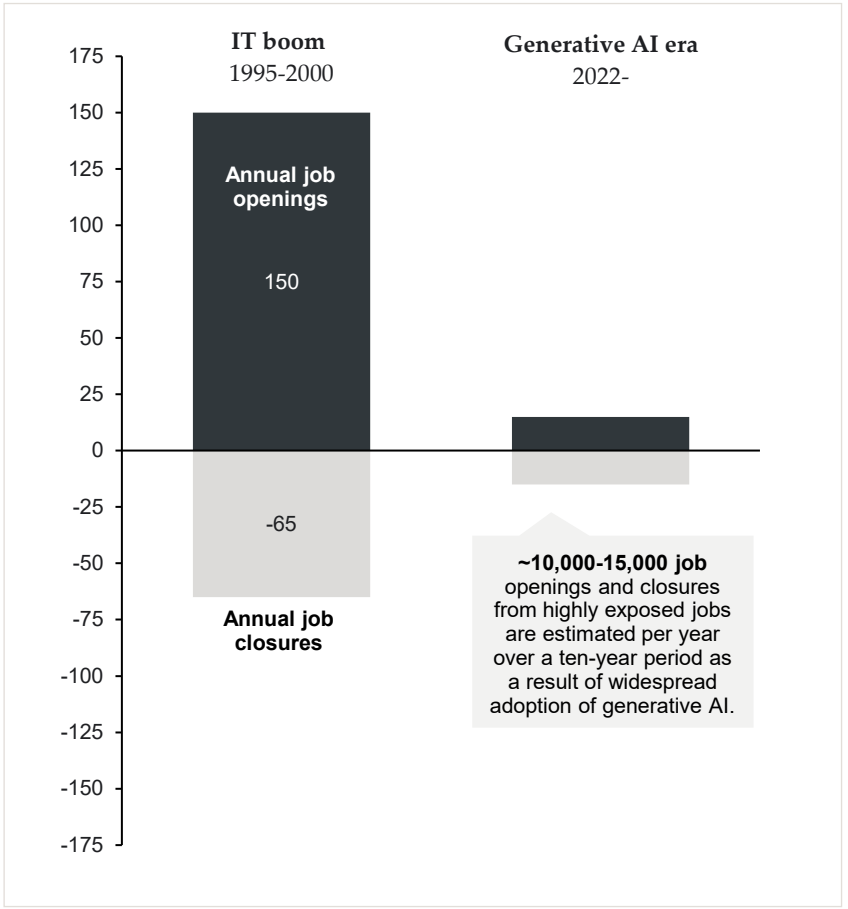
Change in employment across Finnish sectors, 2008-2022

Thousand jobs



Jobs development during the 1990s IT boom in Finland

Thousand jobs



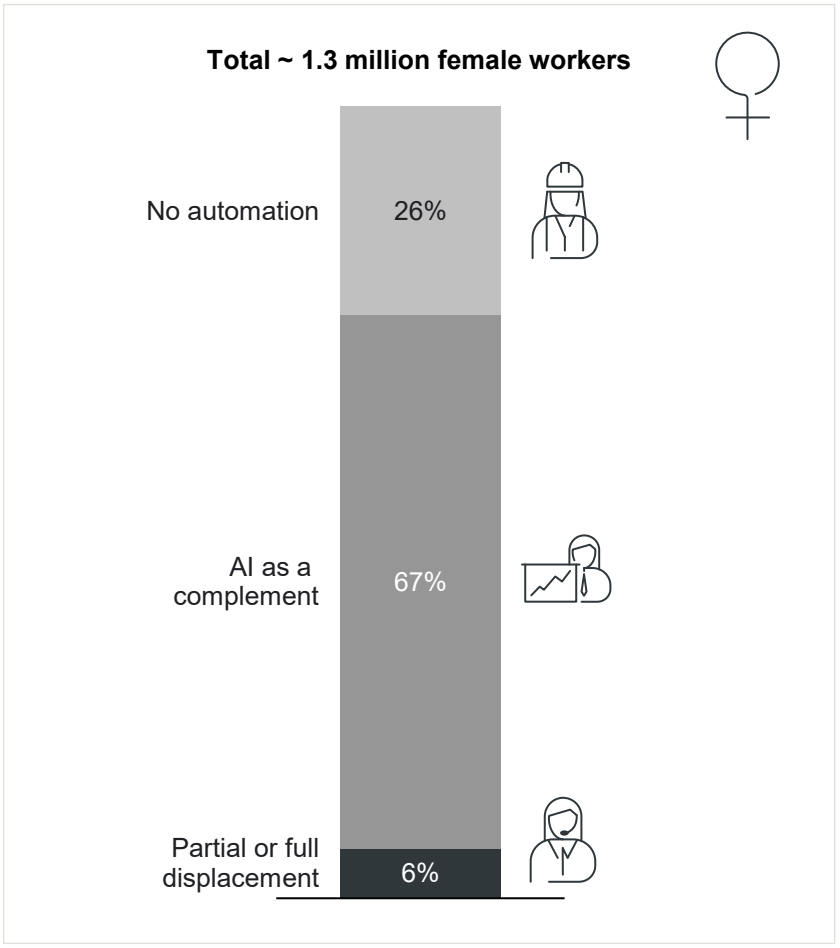
- The Finnish economy has added around 110,000 jobs over the last 15 years. Sectors such as manufacturing and retail have contracted, while most other sectors have increased the number of jobs significantly, such as tourism, business services and the public sector.
- In addition, numerous new jobs are being created and closed every year *within* each sector to adapt to changing needs and demands.
- During the rapid IT adoption in the 1990s, the Finnish economy created around 150,000 new jobs every year and only closed 65,000 jobs annually during the same period.
- We estimate that the jobs that are highly exposed to generative AI could lead to 10,000-15,000 annual job openings and closures over ten years. This is less than 10% of the historical average number of job openings in Finland.
- The labour market effects stemming from generative AI's impact on highly exposed jobs are thus small compared to historical levels of job changes.
- To avoid underestimating the possible job impacts of generative AI, these estimates are in a *compressed scenario* with broader and more accelerated adoption of generative AI than in our estimates of the GDP impacts.

Note: a. Agriculture and primary sectors; b. Manufacturing; c. Utilities, raw materials and waste; d. Construction; e. Wholesale and retail trade; f. Transport and storage; g. Tourism and other services; h. Information and finance; i. Business services and real estate; j. Public administration, education and healthcare. Our GDP estimate makes conservative assumptions around the scope of tasks for generative AI and the speed of adoption as in the base scenario in Briggs-Kodnani (2023a). The *compressed scenario* used to gauge the potential job market implications assumes faster adoption (full adoption over ten years) and/or more broad application of generative AI (as in the Briggs-Kodnani scenario with "more labour displacement").
Source: Implement Economics based on Eurostat and ECB.

A higher share of female workers are estimated to be affected by generative AI – both in terms of potentially positive and negative impacts

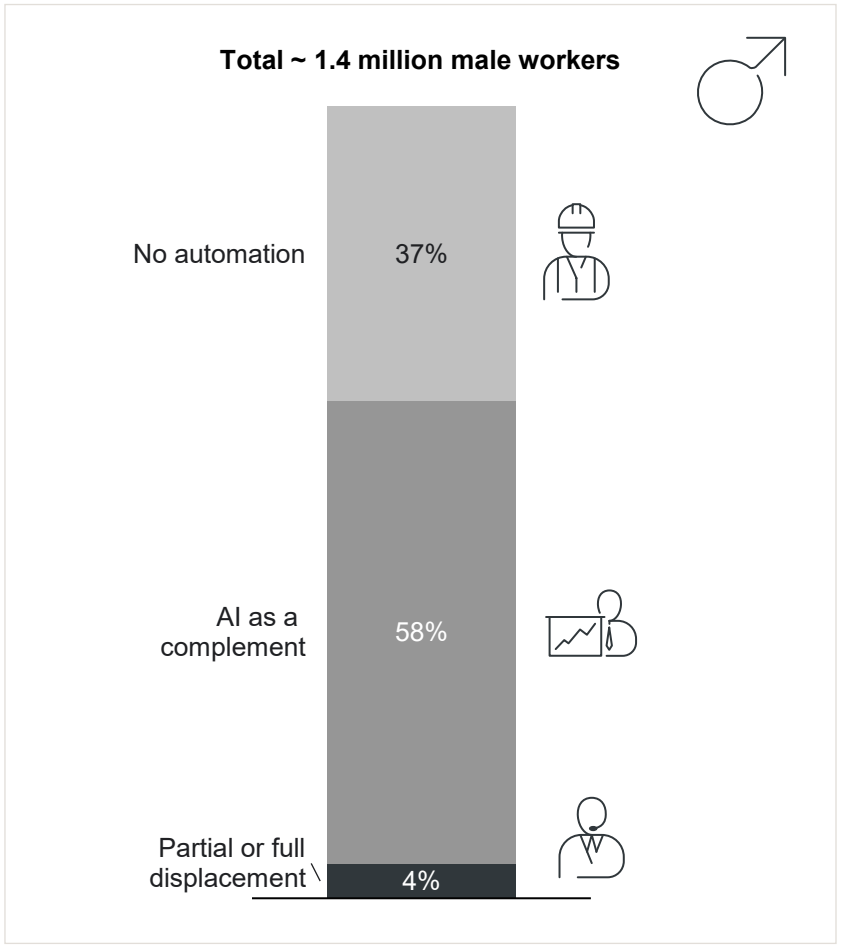
Share of female jobs exposed to automation by generative AI

% of total employment among female workers



Share of male jobs exposed to automation by generative AI

% of total employment among male workers



No automation

- 26% of female and 37% of male Finnish workers are in jobs with limited exposure to generative AI. These are, for example, manual, outdoor and human-to-human jobs.

Complemented jobs

- 67% of female workers are expected to see generative AI complement their current job, whereas the share is only 58% for male workers. Female workers are, to a higher degree than men, employed in jobs such as teachers and lawyers, where generative AI is expected to augment human capabilities and make workers more productive.

Potentially displaced jobs

- 6% of female workers and 4% of male workers in Finland are currently in jobs such as clerical work, call centre workers and technicians that are likely to be highly exposed to automation by generative AI and hence more at risk of seeing their current job being fully or partially displaced by the new technology.

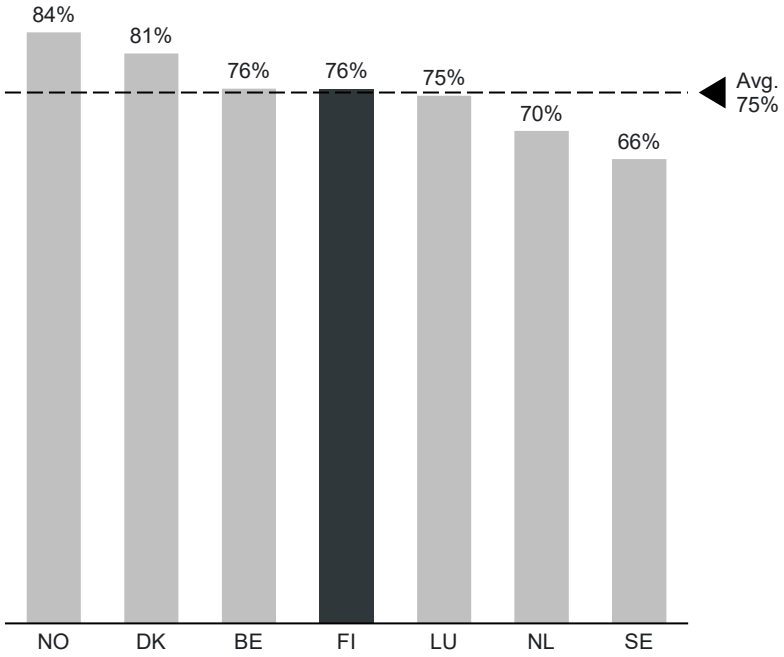
Note: Based on 2022 employment data. In accordance with Briggs and Kodnani (2023), "No automation" are occupations with less than 10% exposure, "AI as a complement" are occupations with 10-49% exposure, "Partial or full displacement" are occupations with exposure of or above 50%. Note that percentages and absolute numbers are rounded.
Source: Implement Economics based on Eurostat, O*Net and Briggs and Kodnani (2023a).

76% of Finnish workers see productivity-enhancing effects of generative AI, and 43% of workers in European countries expect AI to positively impact their job

Workers in Finland think that generative AI makes them more productive

Generative AI will help improve my productivity at work

Workers who agree, %



Workers in European countries think that AI will positively impact their job

How will AI impact your job over the next five years?

- Polling conducted by Public First shows that 76% of Finnish workers think that generative AI will help them be more productive, which is in line with the average across the European countries surveyed. This could, for example, be through optimising workflows, automating certain tasks and enhancing capabilities.
- A recent Ipsos survey on attitudes towards AI reveals that 43% of workers in the surveyed European countries expect AI to have an overall positive impact on their job while only 18% expect a negative impact.
- The positive expectations are more pronounced for higher-educated workers with 49% expecting a positive job impact.
- Workers who have used an AI application in the past 12 months have the most positive expectations, with 57% expecting AI to have a positive impact on their job in the future.

Note: Public First survey conducted in summer 2023. Nationally representative consumer and business polling. Respondents of the survey include Sweden (SE), Denmark (DK), the Netherlands (NL), Belgium (BE), Luxembourg (LU), Finland (FI) and Norway (NO). The average across countries is computed as an arithmetic mean. The surveyed European countries in the Ipsos survey are Belgium, France, the Netherlands, Spain and Sweden.
Source: Implement Economics based on Public First country survey and Ipsos survey.

Workers need a broad set of skills to reap the benefits of generative AI

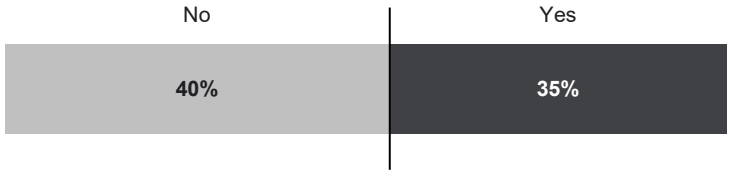
Multiple skills are needed to leverage generative AI …

Skill needs in the age of AI (incl. both generative and traditional) OECD

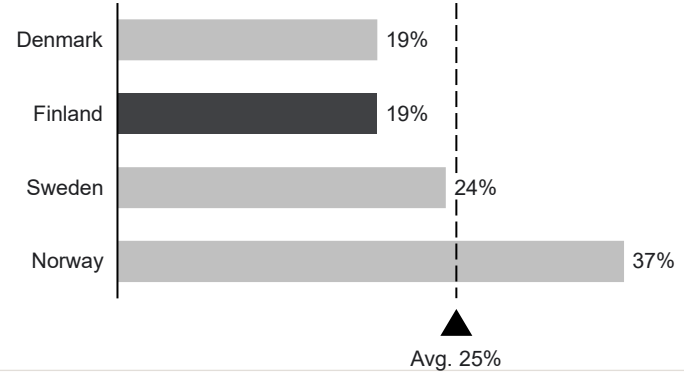
Skills …	*Type of skills*	*Examples*
… for developing and maintaining AI systems.	Specialised AI skills	Machine learning capabilities and knowledge
	Data science skills	Data analysis and visualisation, cloud computing and programming
	Other cognitive skills	Create problem-solving
	Transversal skills	Social skills and management skills
… for adopting, using and interacting with AI applications.	Elementary AI knowledge	Principles of machine learning
	Digital skills	Ability to use computer/smartphone
	Other cognitive skills	Analytical skills, critical thinking and problem-solving
	Transversal skills	Creativity, communication, teamwork, multitasking

… and recent surveys indicate a need for upskilling of workers in Nordic countries

Are there specific digital competencies that you are currently lacking among the employees in your organisation?
% of managers in Nordic countries



I have self-trained or received AI-related training from my employer
% of employees



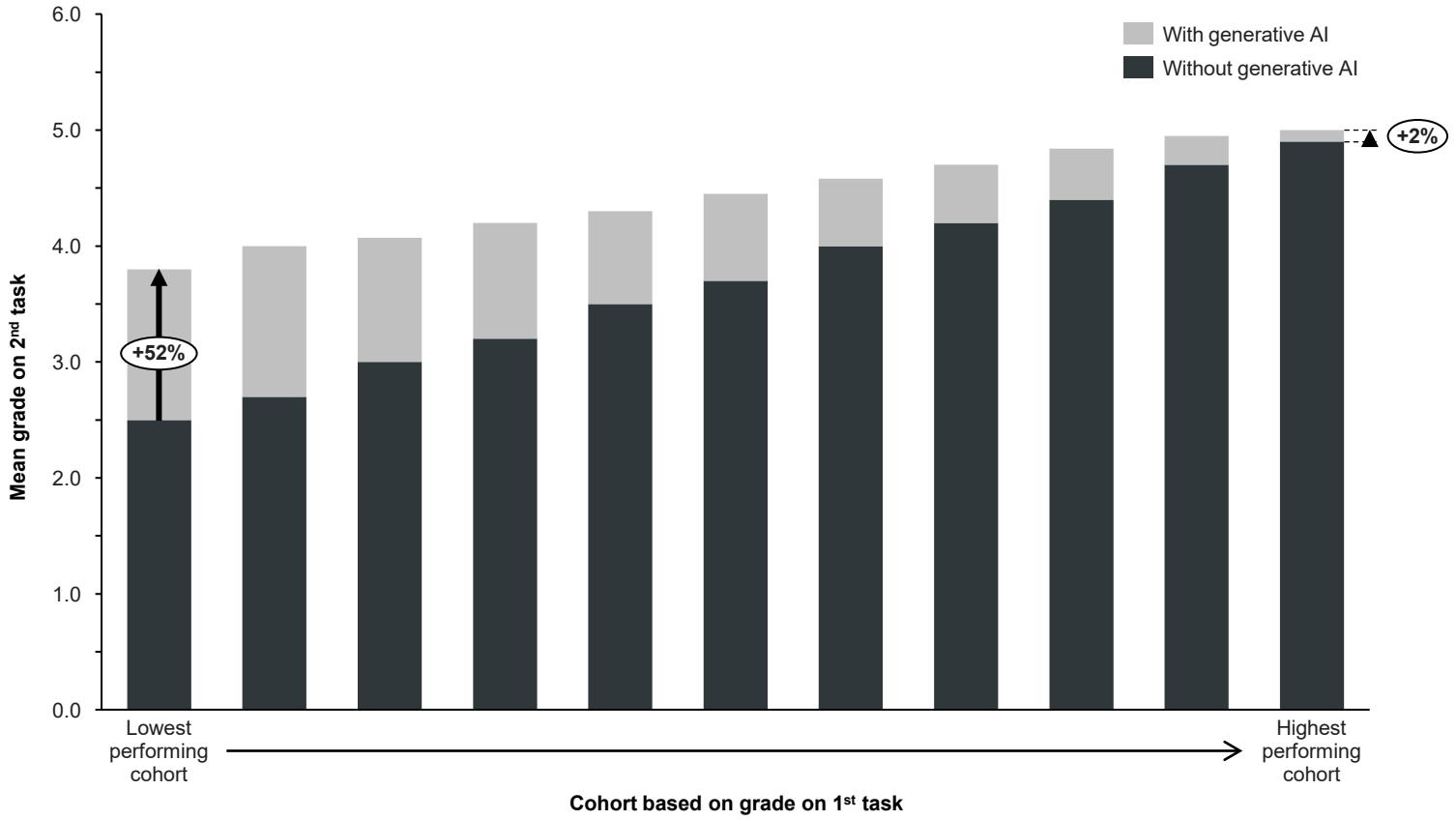
- Generative AI adoption and usage requires limited digital skills to earlier advancements in information and communication technology (ICT) due to its ease of use via normal language prompts.
- However, fully leveraging generative AI requires skills beyond basic digital skills, i.e. creative, managerial and analytical skills.
- A recent survey by Tænketanken Mandag Morgen assessing AI readiness in Nordic organisations reveals that 35% of managers believe that there are specific digital competencies that employees in their organisations are lacking.
- Another survey by YouGov showed that only 19% of Finnish employees have self-trained or received AI-related training from their employer, which is low compared to other Nordic countries.
- OECD studies suggest that companies that provide ICT training for their employees on average have 3-5% higher growth in their annual labour productivity.
- The literature highlights that companies that combine technology/ICT adoption with employee training have higher implementation and financial success.

Note: Nordic countries refer to Denmark, Sweden, Norway and Finland.
Source: Implement Economics based on OECD, Tænketanken Mandag Morgen, YouGov, Eurostat, Mosiashvili and Pareliussen (2020), Borowiecki et al. (2021), Gal et al. (2019) and Andrews et al. (2016).

Generative AI can help close the skills gap for those with the lowest skill levels

Grades with and without generative AI

Estimated mean grade on 2nd task



- AI requires a broad skill set to reap the benefits. However, AI as a tool can itself augment the performance of human skills.
- Furthermore, generative AI can help close the skills gap by increasing the performance of those with the lowest skill levels.
- An experimental study by Noy and Zhang (2023) tested candidates' writing skills with and without access to generative AI.
- The results showed that, on average, all candidates were able to boost their grades on a written task with the use of generative AI – in this case, a large language model.
- The AI augmentation effect was highest among those with the lowest performance on the first task.
- The lowest-performing group increased their average grade by more than 50% when allowed to interact with a large language model, whereas the best-performing group increased performance by 2%.
- This study is an early indication that generative AI has the potential to boost skills for everyone *and* reduce skill inequalities in the labour market.

Note: The graph shows mean estimates for cohorts.
Source: Implement Economics based on Noy and Zhang (2023), Brynjolfsson et al. (2023) and Dell'Acqua et al. (2023).

05

AI’s impact on societal challenges

AI can help with some of Europe’s most pressing societal challenges.

AI can play a key role in addressing climate change

Public First poll

44% of Finns support AI tools being used to help them make more environmentally sustainable choices in their lives.

63% of Finns support the use of AI tools to reduce carbon emissions by managing energy use.

Finland's gross greenhouse gas emissions, 2021
$MtCO_2e$

Gross GHG emissions
48
$MtCO_2e$

Decarbonisation initiatives enabled by AI and other digital technologies
(non-exhaustive)

Agriculture

- Efficiency improvements from precision farming
- Reduced food waste
- Changes in land use

Domestic transport

- Electric cars, vans, buses and small trucks
- Efficient and eco-friendly driving
- Reduced travel by use of digital tools (working from home and video conferences)

Manufacturing

- Smart factory with AI systems
- Efficiency improvements
- Electrification of lighter processes

Energy supply

- Expansion of renewable energy
- Electrification
- Smart grid
- Flexible electricity demand

- Finland has one of the most ambitious climate targets in the world, aiming for climate neutrality by 2035. Artificial intelligence and other digital solutions are expected to play a key enabling role in achieving this target.
- AI and other digital technologies can play a significant role in decarbonising the energy sector by supporting the transition to flexible energy utilisation and smart grids.
- Large gains also arise from facilitating the electrification of vehicles, where AI and other digital solutions are crucial to optimising the charging of EVs, providing a cleaner and cheaper solution for consumers.
- In manufacturing, AI and other digital solutions can help optimise energy efficiencies as well as reduce overproduction by more accurately forecasting demand.
- Agricultural emissions can also be reduced by AI and other digital solutions, where machine learning algorithms allow precision farming practices that are more eco-friendly and reduce consumption of, for example, fertilisers.

Note: Data on net greenhouse gas emissions and removals sent by countries to UNFCCC and the EU Greenhouse Gas Monitoring Mechanism (EU Member States). This data set reflects the GHG inventory data for 2021 as reported under the United Nations Framework Convention for Climate Change. CRF inventory categories: Energy supply: CRF 1A1 (energy industries) + 1B (fugitives); Industry and manufacturing: CRF 1A2 (manufacturing industries and construction) + CRF 2 (industrial processes and product use); Domestic transport: CRF 1.A.3; Residential and commercial: CRF 1A4a (commercial) + CRF 1A4b (residential); Agriculture: CRF 1A4c (agriculture, forestry and fishing) + CRF 3 (agriculture); Waste: CRF 5 (waste); LULUCF: CRF 4 (LULUCF); Other combustion (CRF1A5a + CRF1A5b + CRF indirect CO2).
Source: Implement Economics based on the European Environment Agency (EEA).

AI can optimise resources in the Finnish health sector and improve patient treatment

Like many other countries, the Finnish healthcare system struggles with two challenges: a growing elderly population and a shortage of healthcare professionals (HCPs).

Finland recently reformed its healthcare provision and delivery, forming “wellbeing service counties” for more centralised services. The reform aims to improve equality in access and quality of healthcare.

More hands are needed

- Finland has fewer doctors and significantly more nurses per 1,000 inhabitants than the EU average.
- The shortage of doctors has prompted policies to increase the utilisation of nurses for primary care tasks, prescribing and consultations.
- The increased demand for nursing care, as well as the implementation of maximum wait times, puts additional pressure on the entire system.

Better and more preventative treatment and care is needed

- An ageing population requires more healthcare services and specialised care.
- Growing living standards drive up societal expectations for healthcare services.
- Chronic diseases are becoming more challenging and rare diseases more common.

Finland is driving innovation in personalised healthcare with nationwide research efforts.

The Finnish National AI Strategy (2017) has identified healthcare as an area where AI solutions can have a significant impact, from supporting the work of HCPs to helping achieve the objectives of the healthcare reform, namely improved healthcare equality.

Moreover, Finland's Recovery and Resilience Plan prioritises reducing wait times and supporting digital healthcare transformation – areas where AI’s potential is promising.

AI can help free up resources and alleviate bottlenecks

- Automating tasks in healthcare administration, e.g. appointment scheduling.
- Recording and synthesising appointment notes, referral information and care plans.
- Enabling faster and more accurate screening and decision-making by physicians and nurses.
- Enabling physicians to undertake remote consultations.

AI can improve how we treat patients

- Analysing and enhancing medical images as well as earlier and more accurate detection of diseases and injuries.
- Improving detection of complex and rare diseases with training data sets and smarter diagnostic tools.
- Predicting individual treatment responses by analysing different patient data.
- Enabling the development of targeted therapies.
- Tracking health issues and accidents through wearable devices and sensors.

Public First poll **55%** of Finns support AI tools being used to track their medical data.

The Finnish Centre for AI (FCAI) – AI for health

- The FCAI bridges top expertise in academia, industry and the public sector to produce tangible AI solutions and scientific advancements in fundamental AI development, including in healthcare.
- FCAI’s *AI for Health* currently runs five research programmes, covering the full range of AI use cases in health:
  1. Agile probabilistic AI
  2. Simulator-based interference
  3. Next-generation data-efficient deep learning
  4. Privacy-preserving and secure AI
  5. Interactive AI

Source: Implement Economics based on The Ministry of Economic Affairs and Employment (2017), Finland’s Recovery and Resilience Plan (2021), The Finnish Centre for Artificial Intelligence and OECD/European Observatory on Health Systems and Policies

06

AI readiness in Finland

Finland’s capacity to leverage the potential of AI can be evaluated based on several factors and compared to European and global frontrunners.

In assessing Finland's AI readiness, we compare with other small digital frontrunner countries in Northern Europe

- In assessing Finland's AI readiness, we can compare Finland to a comparable group of small, digitally advanced and open European economies.
- Big economies, such as the United States, have an advantage when it comes to scale – i.e. absolute AI capacity, including the amount of commercial activity, availability of funding and volume of R&D.
- Common indicators, such as the Tortoise Global AI Index, compound both **scale** and **intensity** (AI capacity relative to population or GDP).
- As a small country, Finland cannot compete on scale on, for example, the absolute amount of AI-related R&D investment. Finland will be dependent on EU-wide initiatives.
- Therefore, Finland should work for initiatives at EU level, especially in the areas of R&D investment, regulation and digital infrastructure.

The digital frontrunners of Northern Europe

Finland
#1 in DESI in 2022

Denmark
#2 in DESI in 2022

The Netherlands
#3 in DESI in 2022

Sweden
#4 in DESI in 2022

Norway
#5* in DESI in 2022

Ireland
#5 in DESI in 2022

Luxembourg
#8 in DESI in 2022

Estonia
#9 in DESI in 2022

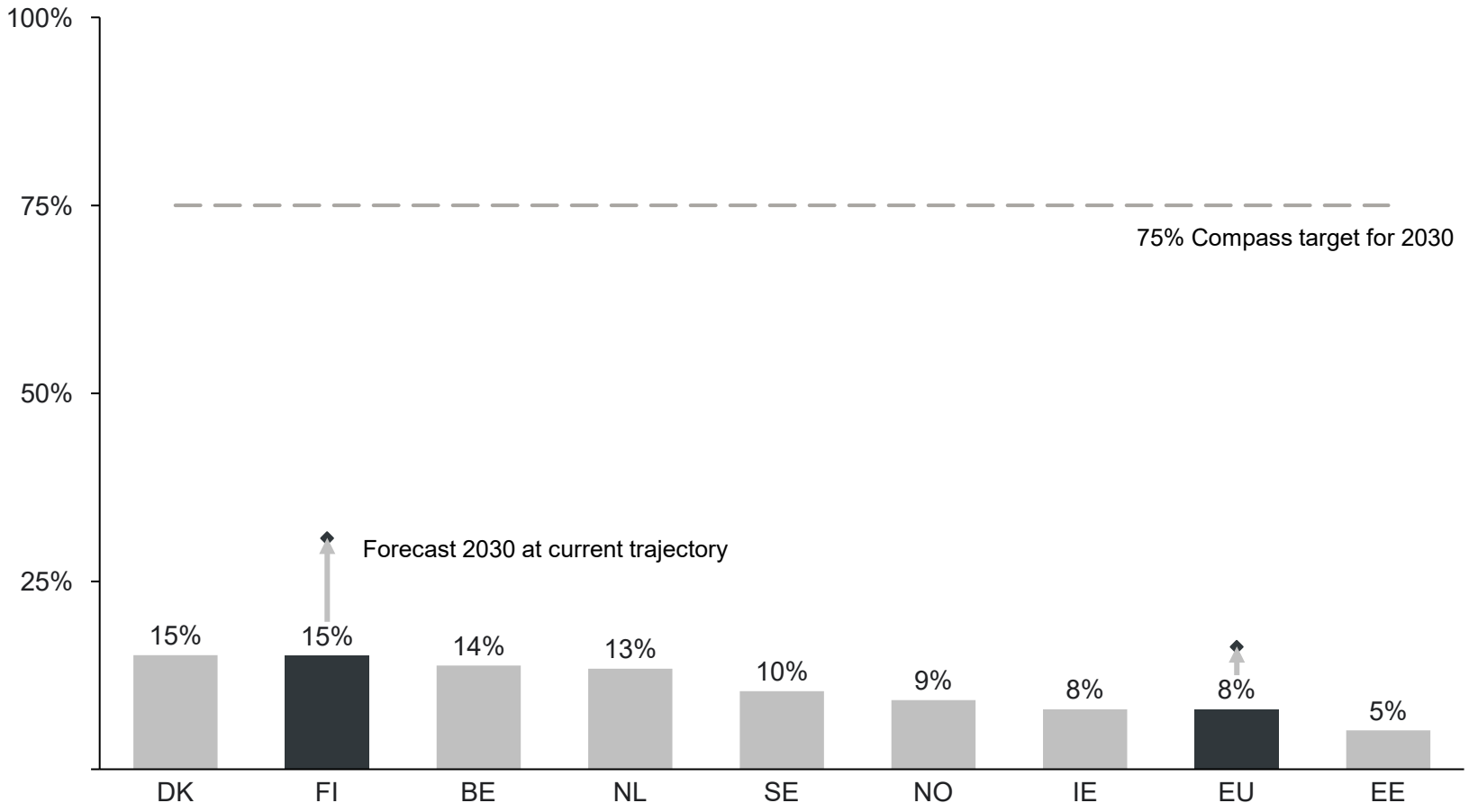
Belgium
#16 in DESI in 2022

Note: Ranking within the EU is shown. *) When we include Norway, it ranks #5 in DESI in the region.

AI adoption in Finnish enterprises leads in the EU but is still far from the EU 2030 target of 75% adoption

Adoption of AI 2023

% of enterprises using at least one type of AI technology



- Finland ranks highest in the EU on AI adoption by companies, on par with Denmark. 15% of Finnish companies had adopted at least one type of AI technology in 2023.
- In its most recent assessment, the European Commission concluded that the EU is set to fall significantly short of its target on AI adoption for 2030.
- If we assume the same pace of adoption as the EU average, there is a risk that Finland will fall short of the 2030 target.
- Firm-level adoption data underestimates actual use in business settings (see page 7) as many instances of individual-level AI use are not captured.

Elements of AI course

- To foster widespread comprehension and application of AI at the individual level, Finland initiated the *Elements of AI* course in 2018. This course provides fundamental insights into AI and its capabilities and guides participants on how to get started creating AI solutions. The course is offered free of charge both domestically and internationally and has reached over 1 million students across 170+ countries.

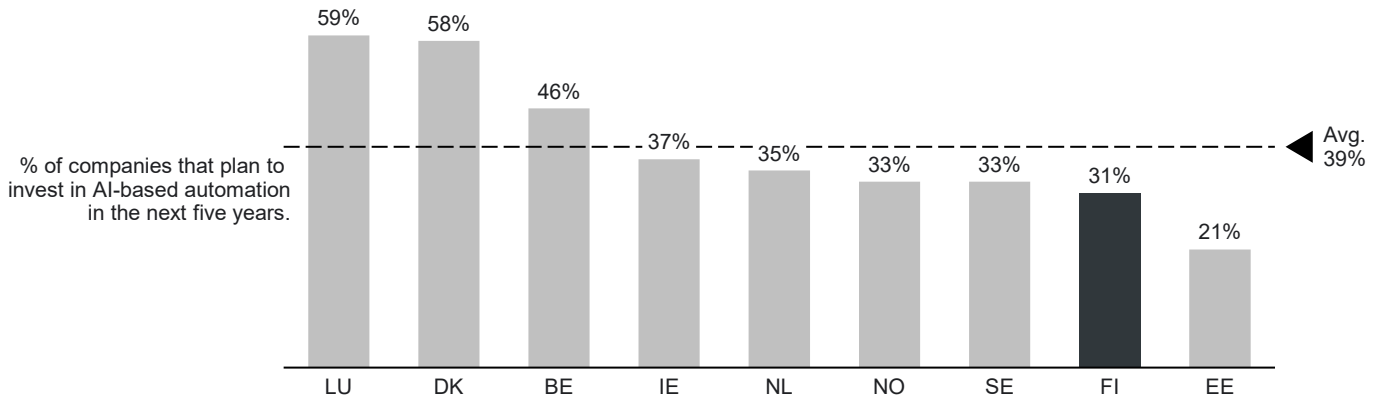
Note: Current adoption is from 2023 and includes enterprises with ten or more employees, excluding financial services. Forecast for 2030 is based on European Commission-forecasted AI adoption.
Source: Implement Economics based on Eurostat and the European Commission.

New survey data points to accelerated adoption but lower than peers and not enough to reach full potential

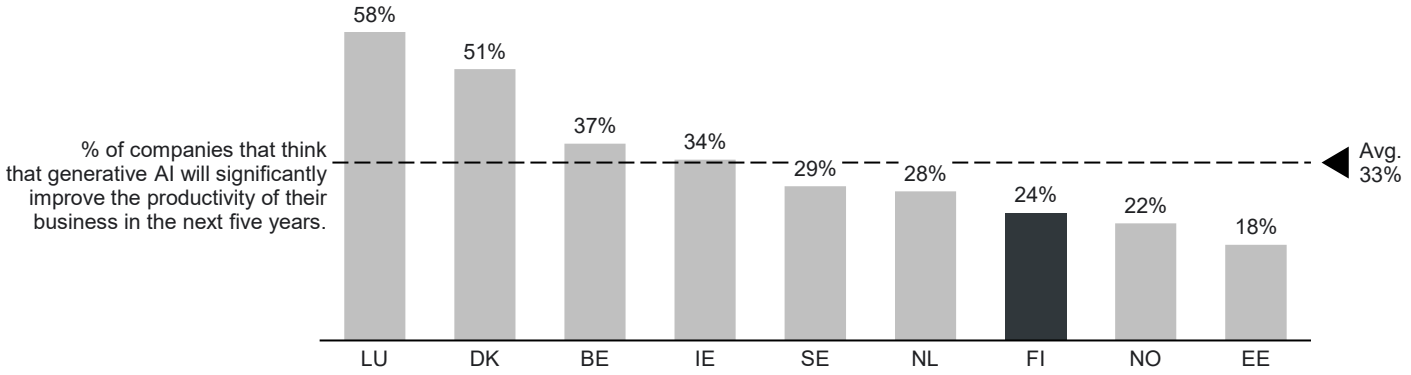
Survey responses from companies on their five-year outlook on generative AI

% weighted average of enterprises, 2023

Planned firm-level adoption of AI automation



Expected productivity boost from generative AI



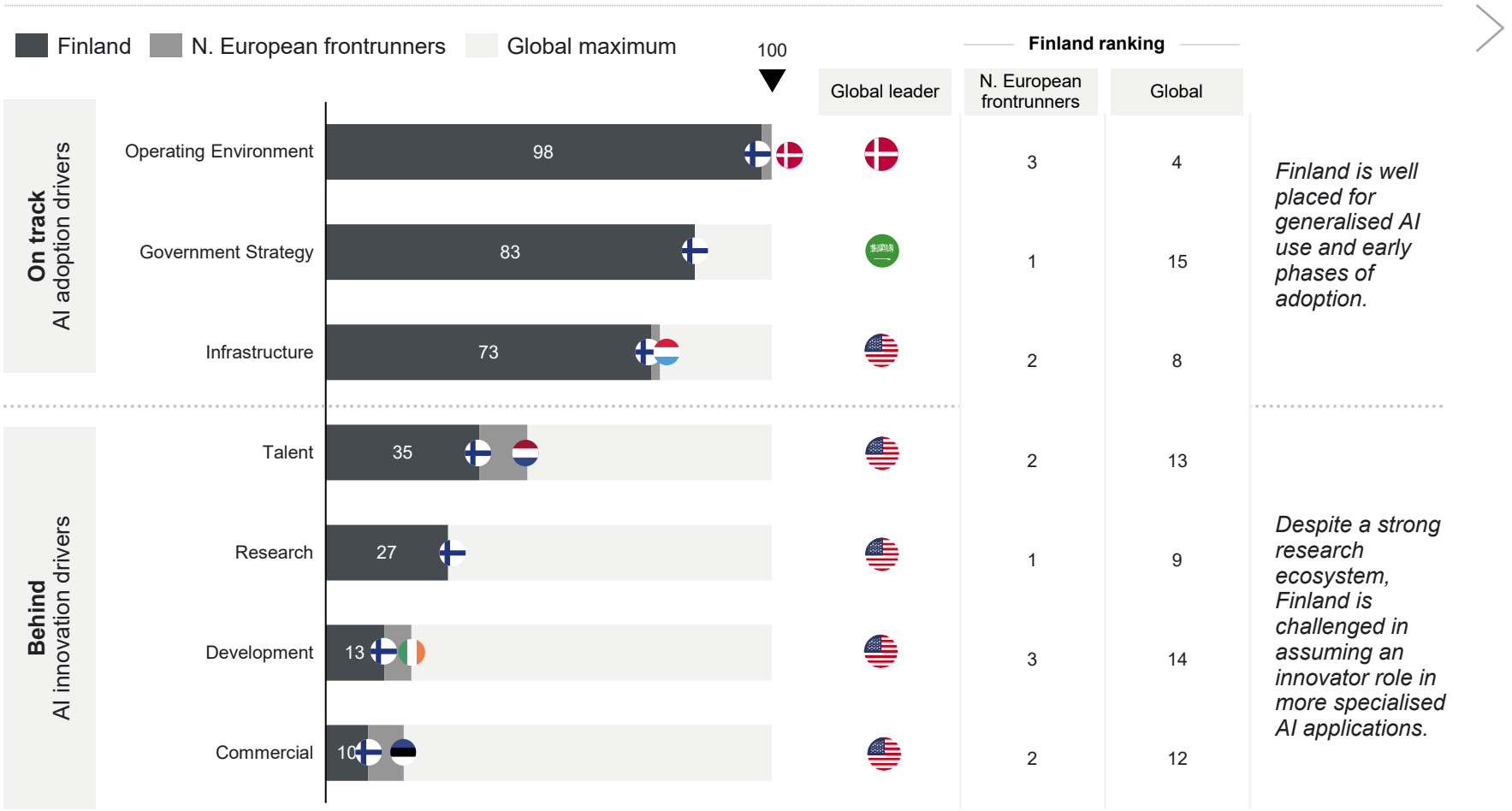
- According to survey data by Public First, 31% of companies in Finland claim that they plan to invest in AI-based automation in the next five years, which is lower than the Northern European frontrunner average of 39%.
- 24% of Finnish companies expect generative AI to have significant productivity impacts on their business in the next five years. This is, again, lower than the Northern European frontrunner average of 33%.
- While this generally suggests a fast pace of adoption, AI adoption is still in an early phase, and more complementary innovations, investments and commercial ventures in AI are needed to capture the full economic potential.

Note: Public First survey conducted in summer 2023 and Q1 2024 for Estonia and Ireland. Nationally representative consumer and business polling. Respondents of the survey include Sweden (SE), Denmark (DK), the Netherlands (NL), Belgium (BE), Luxembourg (LU), Finland (FI), Norway (NO), Estonia (EE) and Ireland (IE). Averages across countries are computed as arithmetic means.
Source: Implement Economics based on Public First country surveys.

Finland performs well on many drivers of AI adoption but would need to ramp up on commercialisation and AI talent to take on a global AI innovator role

Finland's AI capacity according to the Tortoise Global AI Index

Global AI Index, score out of 100 (global leader)



- Finland is best positioned in terms of the early foundational drivers of AI adoption that ensure a safe and reliable AI-ready environment: operating environment (e.g. trust, data governance), government strategy and infrastructure. In government strategy, Finland ranks first among the Northern European frontrunners.
- More specialised AI applications (e.g. foundational and fine-tuned models) and the realisation of full productivity gains will require a cohesive and competitive innovation ecosystem that is conducive to development and commercial uptake.
- Finland performs impressively in AI research despite its size, which is largely due to a thriving and collaborative R&D ecosystem that unites industry and academia.
- Similar to the other Northern European frontrunners, Finland lags behind globally on innovation drivers (talent, research, development and commercialisation). Here, the United States is far ahead globally, which is largely due to scale in AI capacity.
- Current gaps suggest that Finland is at risk of losing its frontrunner position and needs to focus on strengthening its strategic efforts in AI and AI-related innovation drivers.

Note: The Global AI Index looks at seven sub-pillars for AI capacity: talent (availability of skilled practitioners in AI solutions, including IT and STEM graduates, data scientists, AI professionals etc.), infrastructure (download speed, supercomputing capabilities etc.), operating environment (regulation, cybersecurity etc.), research (AI publications and citations etc.), development (fundamental platforms and algorithms etc.), government strategy (national funding commitments to AI etc.) and commercial ventures (AI startup activity, investments etc.).
Source: Implement Economics based on Tortoise Media.

07

The way forward to capture the benefits of AI

Finland can consider several choices to capture the benefits and navigate the dilemmas of AI.

Potentials, pitfalls and paradoxes

Artificial intelligence (AI) has the potential to be the most powerful technology in decades

- AI enables us to do things better and work more efficiently. It also enables us to do better things. With AI, we can focus on the best parts of our jobs and leave the rest to AI. Yet, AI is still in its infancy and how it is applied is highly uncertain.
- To make AI benefit humans and society as a whole will require pursuing the potentials, avoiding the pitfalls and navigating the paradoxes.
- The future of AI should *not* be reduced to a simple one-dimensional question: Should we have more AI or less AI — or even ban AI?
- AI is not a fixed technology with a predetermined future that can come quickly or slowly. AI is new, **uncertain** and malleable and will require wise choices by all stakeholders across business, governments and civil society.

Potentials

- The estimated economic potential assumes **widespread adoption** of generative AI within ten years.
- The estimate includes both narrow **labour-saving** impacts and broader **value-creating** impacts that enable workers to do something novel or powerful.
- It assumes that AI lives up to its promise of being the most radical **technological breakthrough** in decades.
- Moreover, we estimate that AI will **complement the majority of workers** and free up time to spend on non-routine, creative and inventive tasks.
- The result is an economy not simply at a higher level of productivity, but at a **permanently higher growth rate**.

Pitfalls

- Displaced workers might end up in **less productive jobs** (than already assumed).
- AI may end up being **less promising** or less ready to bring to market than initially hoped.
- Time to market may be **challenged by a legal regime** not designed for AI.
- Companies may **miss out on the benefits** of AI due to a lack of competences or failure to change organisations and habits.
- National regulators, driven by any number of concerns, may **impose strict regulations** that slow the speed of AI development.
- **Regulatory uncertainty** and lack of clarity on future rules may delay the uptake.

Paradoxes

- How can policies encourage the types of AI that complement human labour and best prepare those at risk of losing a job to AI?
- What choices will encourage the development of AI that companies of all sizes can access instead of just the largest ones?
- What kind of investment in AI research and development might unleash the most interesting new ideas, innovations and applications in support of overall societal value?
- What kind of high-performance computer infrastructure is needed to power the new technology and how is that best provided?

Note: For more background AI policies and principles, see OECD, IMF and Google.

Unlocking the AI opportunity by creating trust *and* preserving the incentive to invest

The benefits of new waves of technology do not come automatically. As with past waves of technology, it takes time for people to trust the technology. Regulators across the world are set to ensure the safety of the technology while achieving its benefits. The EU's AI Act aims to lead on this. In the urgent efforts to achieve broad-based trust, regulators may create fragmentation, misalignment and uncertainty about future rules, which can hamper investment and adoption.

Developers and early technology adopters will need clarity on future rules. Clarity is needed regarding, for example, the requirements for transparency in the functioning of the generative AI models, the data used to train them, issues of bias and fairness, potential intellectual property issues, possible privacy violations as well as security concerns.

To navigate these choices, this report offers five perspectives:

Enable **innovation** and invest in AI **research and development**

- Invest in long-term public AI research and encourage private investment in basic and applied research at national and EU level.
- Foster industry, government and university innovation partnerships to undertake pre-commercial AI research projects.
- Support innovation on top of already developed foundational models and findings, e.g. by leveraging the new EU AI innovation package.
- Make AI tools available to entrepreneurs and scientists so they can use AI in support of other discoveries and innovations.
- Support international research collaboration, technology transfer and international movement of researchers.

Create a conducive and aligned AI **regulation**

- Avoid siloed approaches to AI regulation to minimise the risk of misalignment and fragmentation by increased international co-operation.
- Ensure copyright rules that support innovation and creativity and preserve the incentive to generate new content.
- Adopt a risk-based approach to AI regulation to provide clarity to developers, adopters and users about which uses are disallowed.
- Encourage privacy and security principles so that individuals' personal data is safeguarded.

Promote widespread **adoption** and universal accessibility

- Promote widespread adoption and universal accessibility by helping governments, small businesses and all sectors of the economy adopt and use AI.
- Lead with the public sector adoption of AI solutions, which may require overcoming procurement roadblocks that often appear when public entities aim to adopt new technologies.
- Create a national strategy to spur AI adoption across all industries and all sizes of businesses.
- Give small businesses an "AI jumpstart" through technical assistance, training and guidance to help them understand and leverage AI for their businesses.

Build **human capital** and an AI-empowered workforce

- Build an AI-empowered workforce by investing in human capital, education and training systems. This means treating AI as a core component of the education system.
- Focus training and upskilling on areas where AI enhances and augments the capabilities of workers so that workers are trained to work together with the new technology. The aim should be to *improve the marginal productivity of workers* rather than replace them.
- In those selected types of jobs where AI risks displacing workers, efforts should be devoted to reskilling workers for other jobs.
- Ensure a flexible labour market and continuous lifelong training enabling new opportunities in the labour market.

Invest in AI **infrastructure** and compute power

- Ensure the right incentive and regulation for public and private entities to invest in AI infra-structure and compute capacity such as graphics processing and supercomputers needed to drive the powerful AI models.
- Enable trusted cross-border data flows in trade agreements and ensure regulatory interoperability and non-discrimination in the EU.
- Support the building of cross-border AI infrastructure and subsea cables through initiatives such as the G7 partnership for global infrastructure and investment.
- Reduce electricity emissions from data centres by promoting ambitious decarbonisation strategies such as 24/7 Carbon-Free Energy.

Note: For more details on policies, see OECD AI principles, OECD AI Observatory, EU's ethic guidelines for trustworthy AI, EU's AI innovation package, Google's AI principles and paper on "An Opportunity Agenda for AI". For more details on carbon-free energy and digital decarbonisation, see the European perspective and global perspective.

Finland can draw on policy choices of other frontrunners

Finland leads on AI infrastructure and research …

… and can draw on best practice initiatives from other Northern European frontrunners

Indicator	Infrastructure	Research	Talent	Operating environment	Development	Commercial
Northern European leaders						
Best practice	Finland is home to one of the **fastest supercomputers** in the world called LUMI. Up to 20% of the LUMI supercomputer's capacity has been reserved for European industry and SMEs, including access to the LUMI user support team, enabling companies to take advantage of high-performance computing for innovation and development activities. **Example:** Poro LLMs • A family of open LLMs built and trained on the LUMI supercomputer. • With its advanced capabilities with low-resource languages, Poro will be built to handle all 24 languages of the EU.	Finland's long track record in AI research is a testament to its **world-renowned universities** offering a variety of AI courses/programmes, active industry-academic collaboration and innovative startups with roots in universities and research. **Example:** AI for Business programme (2018-2021) • Funding targeted for all-sized companies and research institutions for AI R&D projects. • Aimed to increase AI expertise and build global ecosystems and research collaborations.	The Netherlands is nurturing and growing AI **talent through targeted and joint undertakings by industry and research institutions.** **Example:** Kickstart AI • Host AI superchallenges to solve societal issues and promote talent globally. • Create joint industry-academia appointments, adding 25 new positions to enhance education and training. • Promote a national AI course, aiming to reach 170,000 people in the Netherlands within one year.	Denmark is a **pioneer in enforcing transparency and ethical use of AI** and has introduced principles and tools to ensure responsible AI deployment. The tools are aimed at building trust in AI technologies. **Example**: Guide for responsible use of generative AI • Formal ethics and safety guidelines for using and implementing AI publicly and privately. • *Datavejviseren:* A platform that provides access to all public data sources. • *Sprogteknologi:* Supports the development of AI solutions in Danish.	Ireland attracts global tech companies for its **competitive, pro-business environment and strong industry-academic research credentials**, ensuring that innovative researchers, companies and entrepreneurs that are developing and using AI are connected to each other. **Example**: Lero, The SFI Research Centre for Software • Brings together 200 researchers in Ireland, covering a wide range of software development related to AI.	Estonia recognises itself as being an **implementation leader** for startups and AI applications. The national AI strategy (2019) outlines 12 initiatives to accelerate AI uptake in companies, incl. different funding measures and 9 initiatives to increase R&D. **Example:** AI & Robotics Estonia (AIRE) • Supports Estonian industrial companies in adopting smart digital solutions in the field of AI and robotics. • Provides funding and expertise through training and consulting as well as by connecting companies with service providers.

Finland's Elements of AI course has successfully taught the fundamentals of AI to over 1 million students in 170+ countries.

Note: Luxembourg scores highest across Northern European frontrunners for infrastructure, largely due to high per capita supercomputing capacity, but we find it more appropriate to refer to Finland (ranking second among its peers in infrastructure) for best practice.

Enhancing the competitive edge in AI research requires a balanced set of choices

Grow R&D by local innovators

Enable **innovation** and invest in AI **research and development**

Dilemma

Ensuring performance of AI technology in a Finnish context

and

Driving application of leading global AI technology

Recommendation

- Finland should use its leading research environment to drive AI innovations aimed at both Finnish and global societal challenges, leveraging entities like the Finnish Centre for Artificial Intelligence (FCAI) for cross-sector innovation.
- Focus on enhancing AI in manufacturing and green tech sectors in which Finland excels to develop innovative and market-ready solutions, building on initiatives established in the Tekoäly 4.0 Program. Further inspiration may be taken from **Dutch academia-industry partnership, ICAI labs**.

Accelerate commercial uptake

Promote widespread **adoption** and universal accessibility

Dilemma

Encouraging AI-based business models in tech-focused startups

And

Facilitating AI adoption in traditional, established companies

Recommendation

- Finland stands out in terms of AI adoption among regional peers. To extend the lead, it is crucial to focus on SMEs' access to generative AI technologies and address regulatory and expertise hurdles.
- Finland could expand its successful AI for Business programme to further assist SMEs in leveraging AI, including generative AI. These programmes should offer legal advice and technical support to SMEs, drawing inspiration from e.g. **the Danish Industry Foundation**'s approach to supporting AI projects in SMEs.

Retrain and upskill workforce

Build **human capital** and an AI-empowered workforce

Dilemma

General AI upskilling across population

and

Targeted re-skilling of groups affected by AI

Recommendation

- Finland is facing a growing demand for specialised AI talent. Although Finland's regions perform well in AI, the country faces a talent gap.
- To address this gap, policymakers should prioritise increasing efforts to attract international top talent and reinforce Finland's position as a global AI research and development hub, e.g. through partnerships with global tech companies. Building on the existing Talent Boost initiative, further inspiration could be drawn from efforts in **Denmark and Sweden** to attract international talent.

Note: For more details on policies, see Finnish Centre for Artificial Intelligence (FCAI) , OECD AI Observatory and Google's policy paper on "AI Opportunity".

08

Annex

Modelling the impacts of generative AI in Finland.

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Modelling the economic opportunity for Finland

Overview of the methodological approach to calculating economic growth and productivity impact from generative AI

The economic effects are calculated in the following steps

1. **Automation potential of work activities:** First, the exposure to generative AI is calculated by breaking down the automation potential of 39 different work activities/tasks in the occupational task database O*NET. The database includes an estimate of the share of each activity (e.g. getting information, performing administrative activities etc.) that can be automated by generative AI (if the activity is above level 4 on an O*NET-defined scale of difficulty 1-7, no automation potential is assumed).

2. **Mapping automation potential of work activities to occupations:** The automation potential of the work activities is mapped in ten European industry aggregates in two sub-steps. First, the 39 work activities for 900 US occupations are mapped using importance-average activities for each occupation, providing an estimate of the share of each occupation's total workload that AI has the potential to automate. Secondly, this number is projected from US to European occupations through the European Commission's crosswalk between ESCO and O*NET and finally compiled into aggregated occupations (using the sub-occupation employment). This leaves us with the three shares that describe how big a share of the work activates for each occupation is expected to see: No automation, AI complement and Likely replacement.

3. **Quantifying productivity gains in each sector:** Generative AI is assumed to affect the productivity of the work activities for each occupation as follows (see section 3 for further details). The "No automation" share of work activities is assumed to be unaffected by generative AI. "AI complement" work activities experience a productivity boost from automation. "Likely replacement" is the share of work activities in a sector that is expected to be entirely automated/replaced. These workers are expected to be re-employed in slightly less productive jobs. The three effects are calculated across sectors and scaled by each sector's value added to determine the full productivity potential/generation of new jobs from generative AI across the economy, once the technology adoption peaks.

4. **Aggregate GDP impact:** Based on the estimated increase in labour productivity resulting from AI adoption, the result is aggregated to an overall GDP. Only part of the total long-run productivity increases from generative AI is expected to materialise in the economy during the initial ten-year period of technology adoption following an S-curve adoption trajectory.

- The method used to calculate productivity and GDP effects of generative AI in this paper is in line with the methodology developed by Briggs and Kodnani (2023) in "The Potentially Large Effects of Artificial Intelligence on Economic Growth".

Note: Methodology is based on Briggs and Kodnani (2023).
Source: Implement Economics based on the European Commission, Eurostat, O*Net and Briggs and Kodnani (2023).

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