



EUROJÄRJESTELMÄ  
EUROSYSTEMET

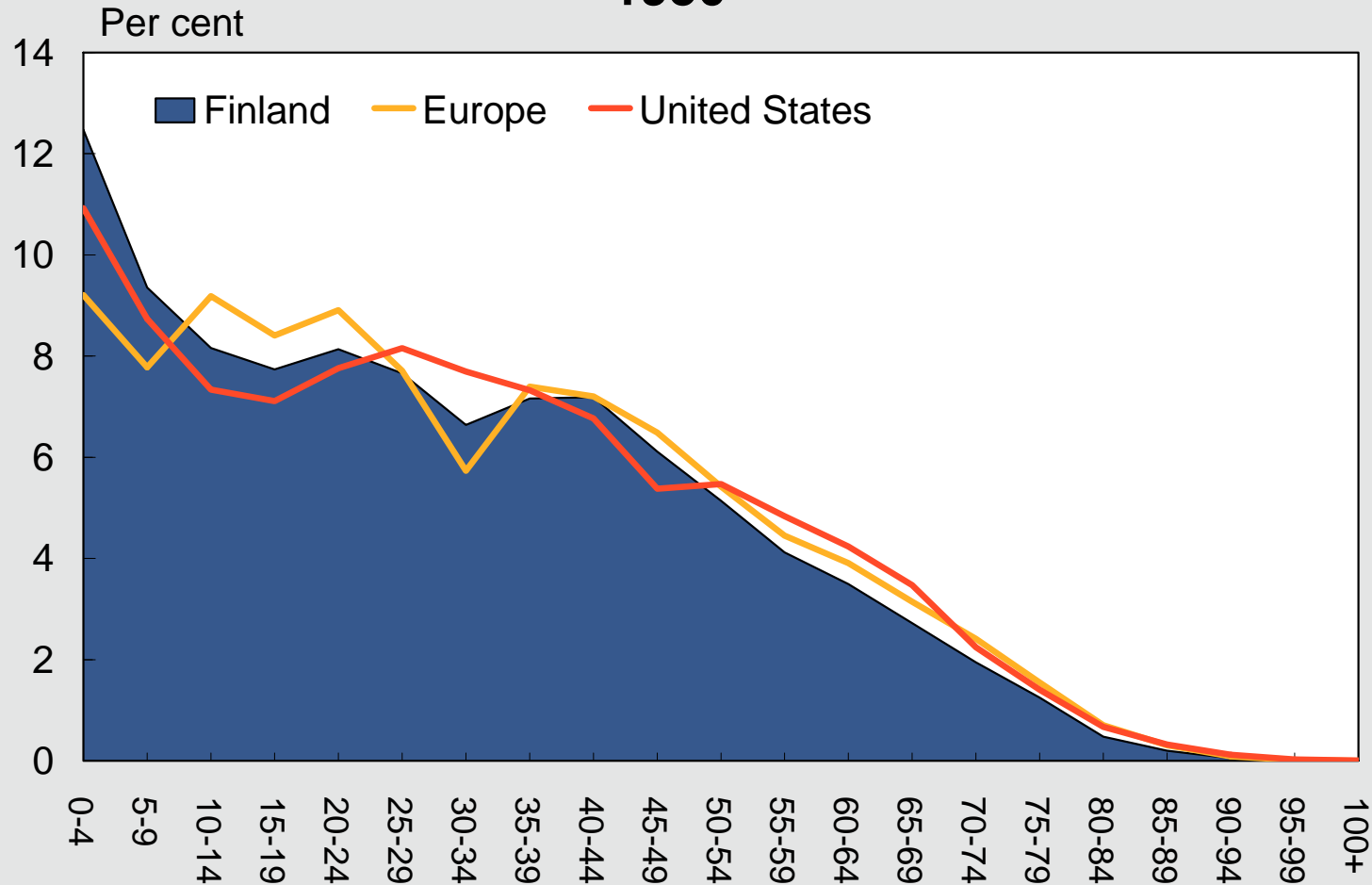
*Antti Suvanto*

# Employment Challenges in Finland

37. National Rehabilitation Conference  
Workshop 8: Employment Challenges and  
Vocational Rehabilitation  
Helsinki, 20 March 2009

# Demographic Change: Ageing of Baby Boomers

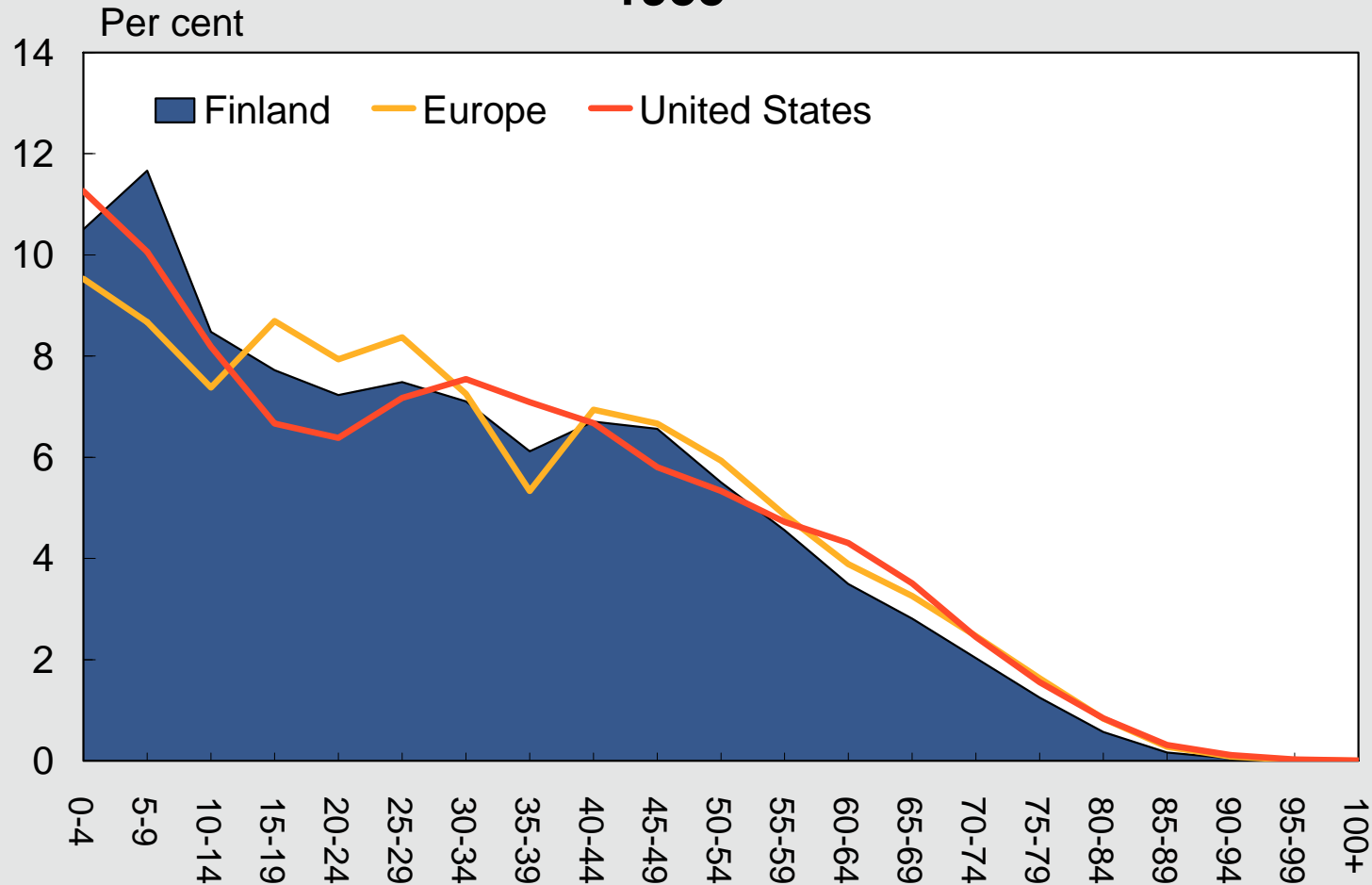
**1950**



Source: United Nations.

# Demographic Change: Ageing of Baby Boomers

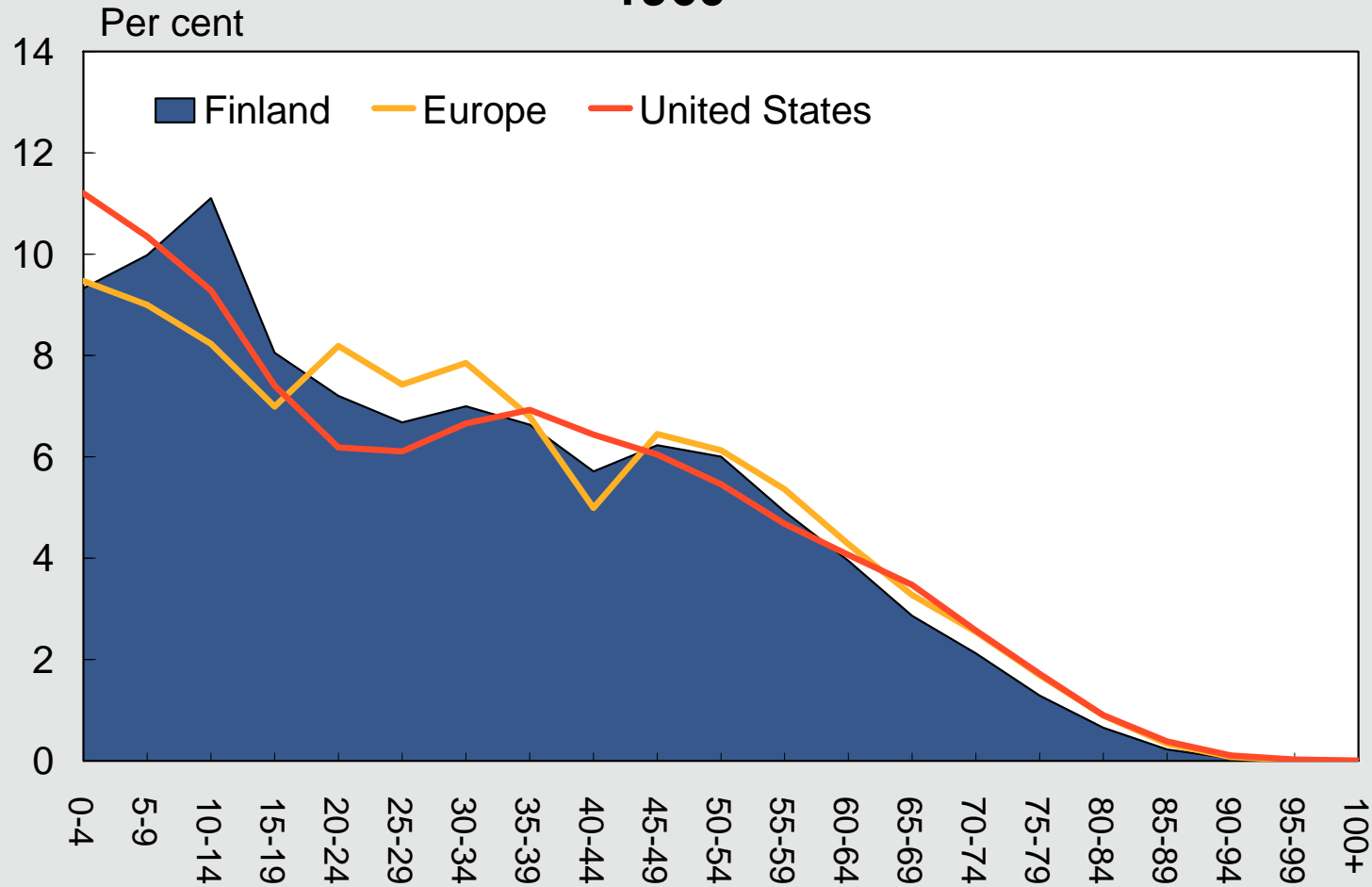
1955



Source: United Nations.

# Demographic Change: Ageing of Baby Boomers

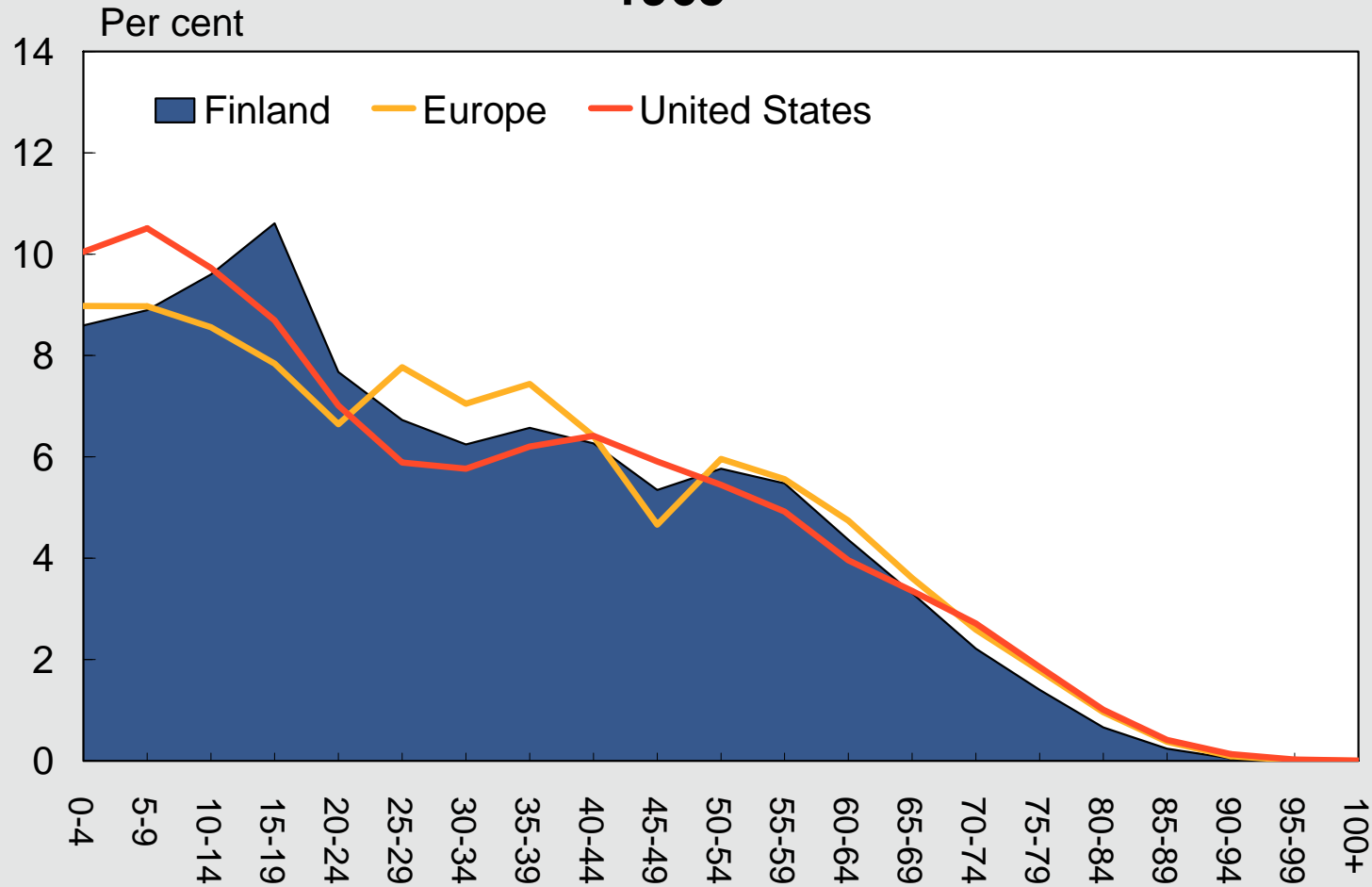
**1960**



Source: United Nations.

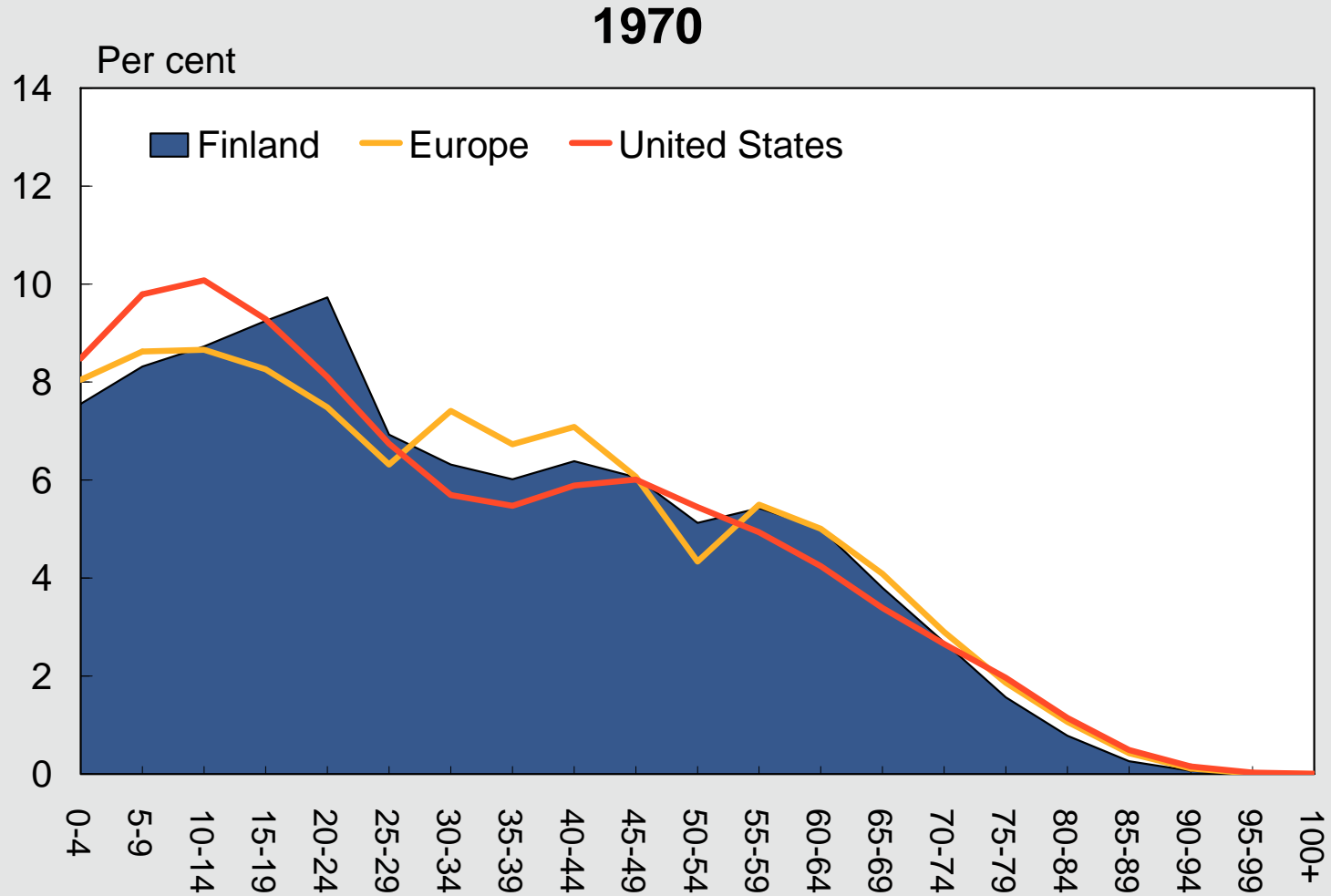
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1965



Source: United Nations.

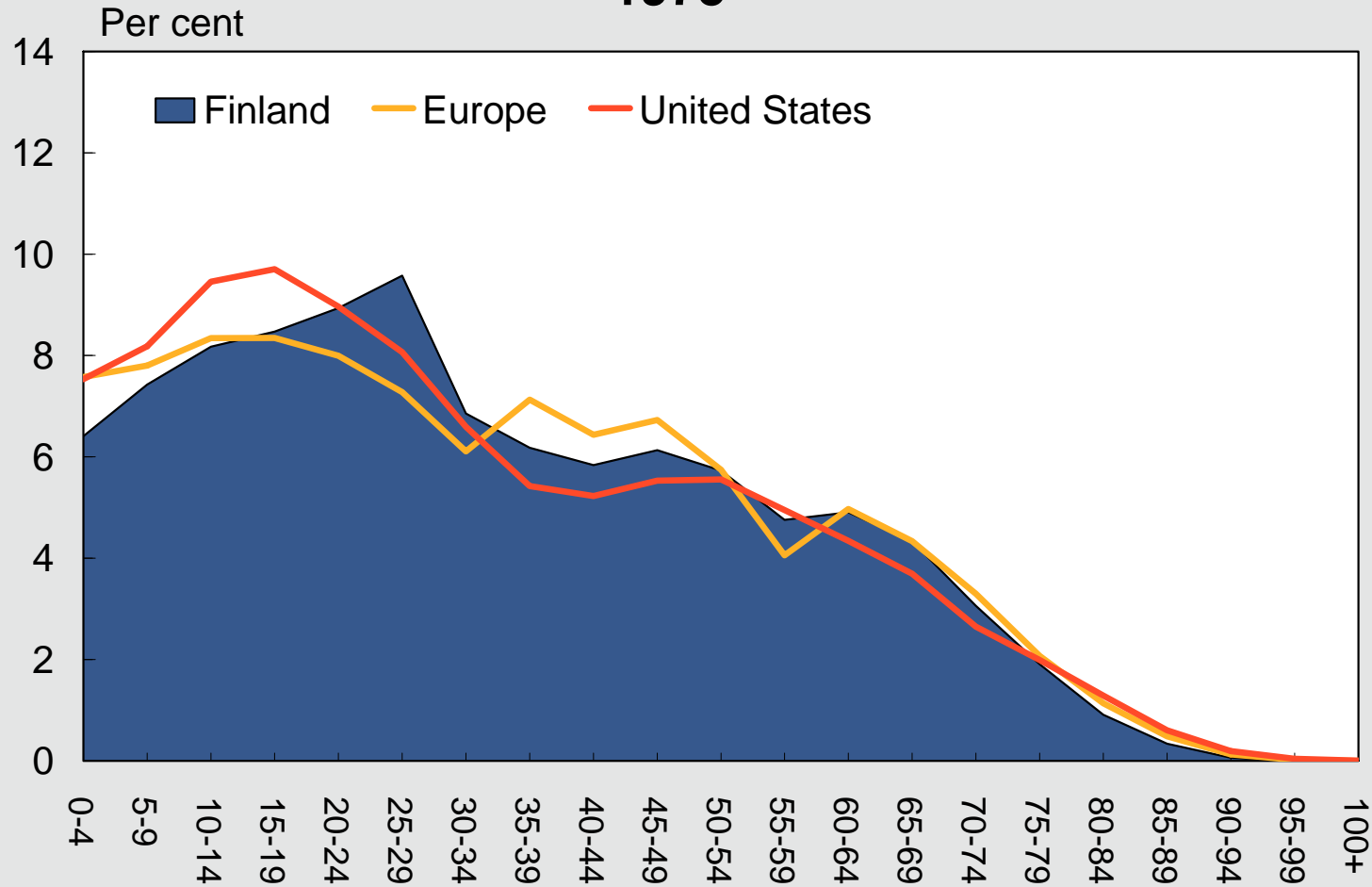
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Source: United Nations.

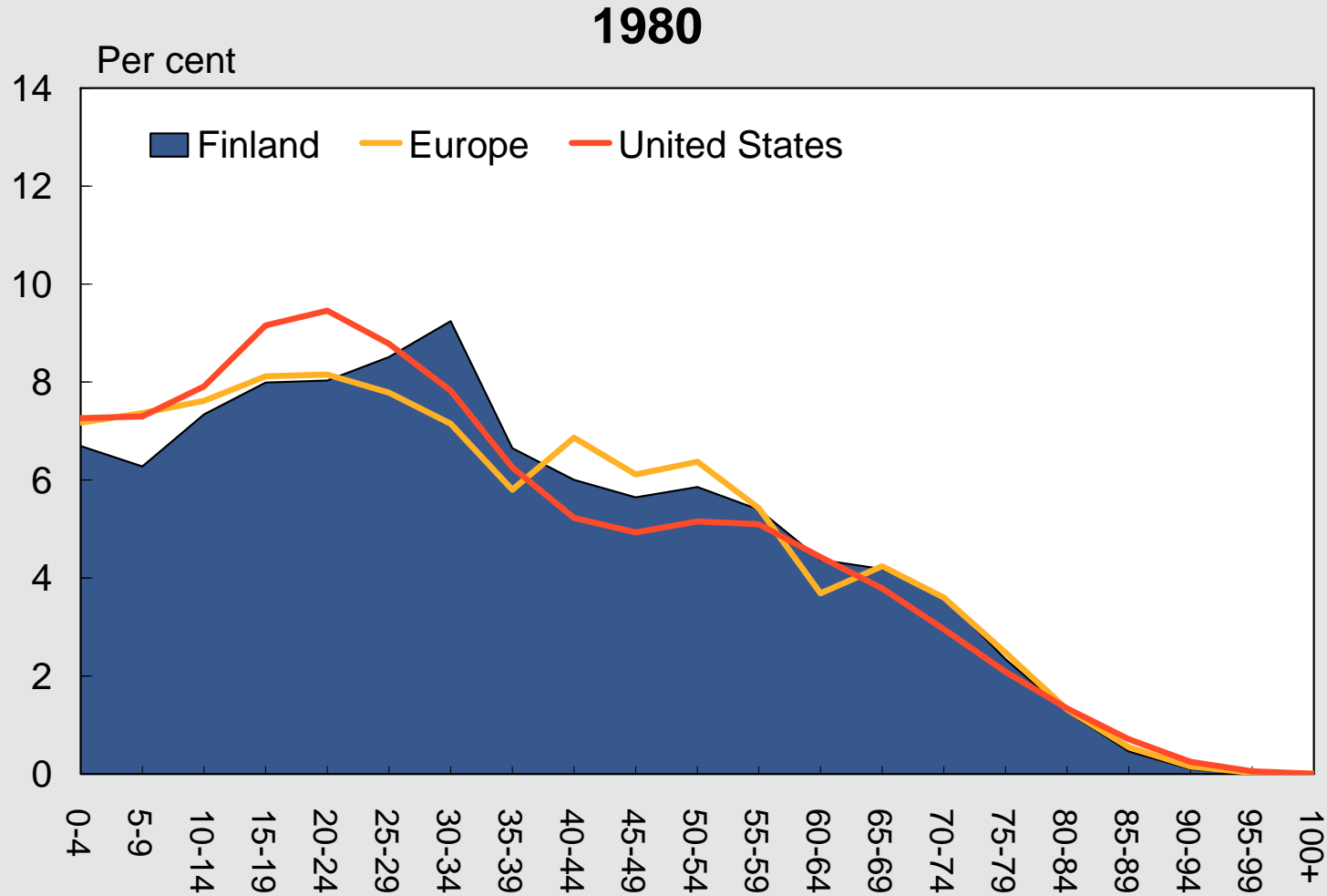
# Demographic Change: Ageing of Baby Boomers

1975



Source: United Nations.

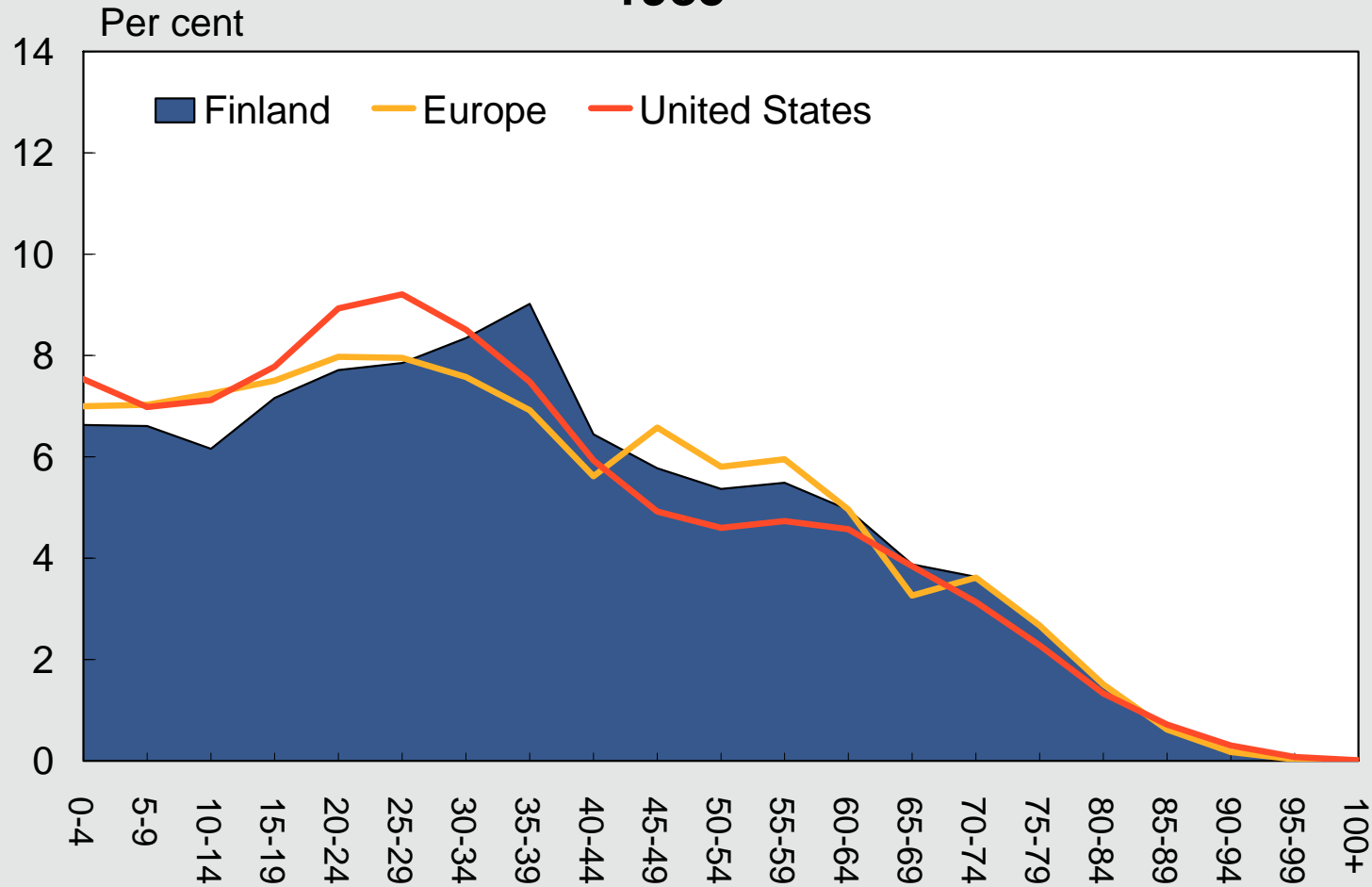
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Source: United Nations.

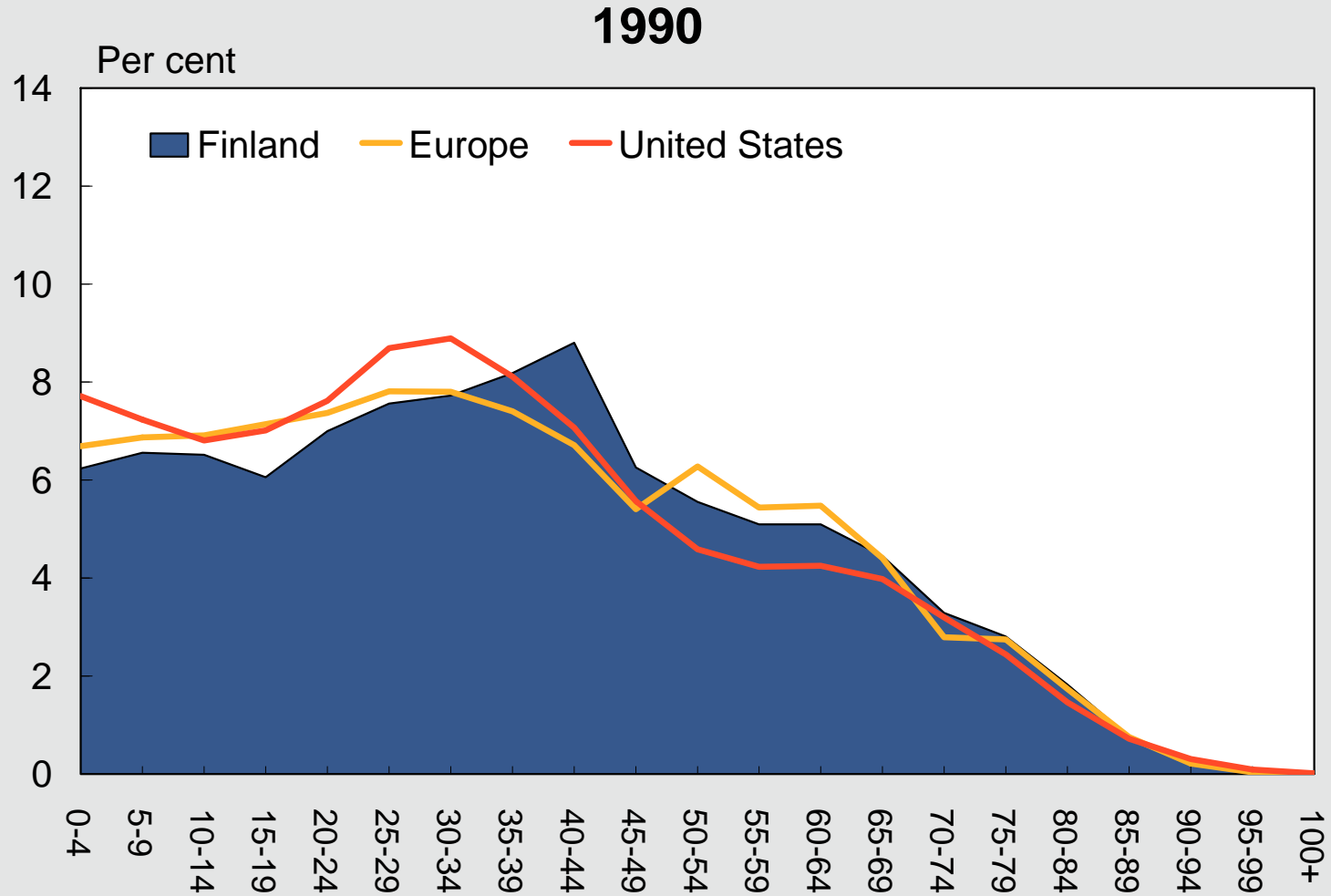
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1985



Source: United Nations.

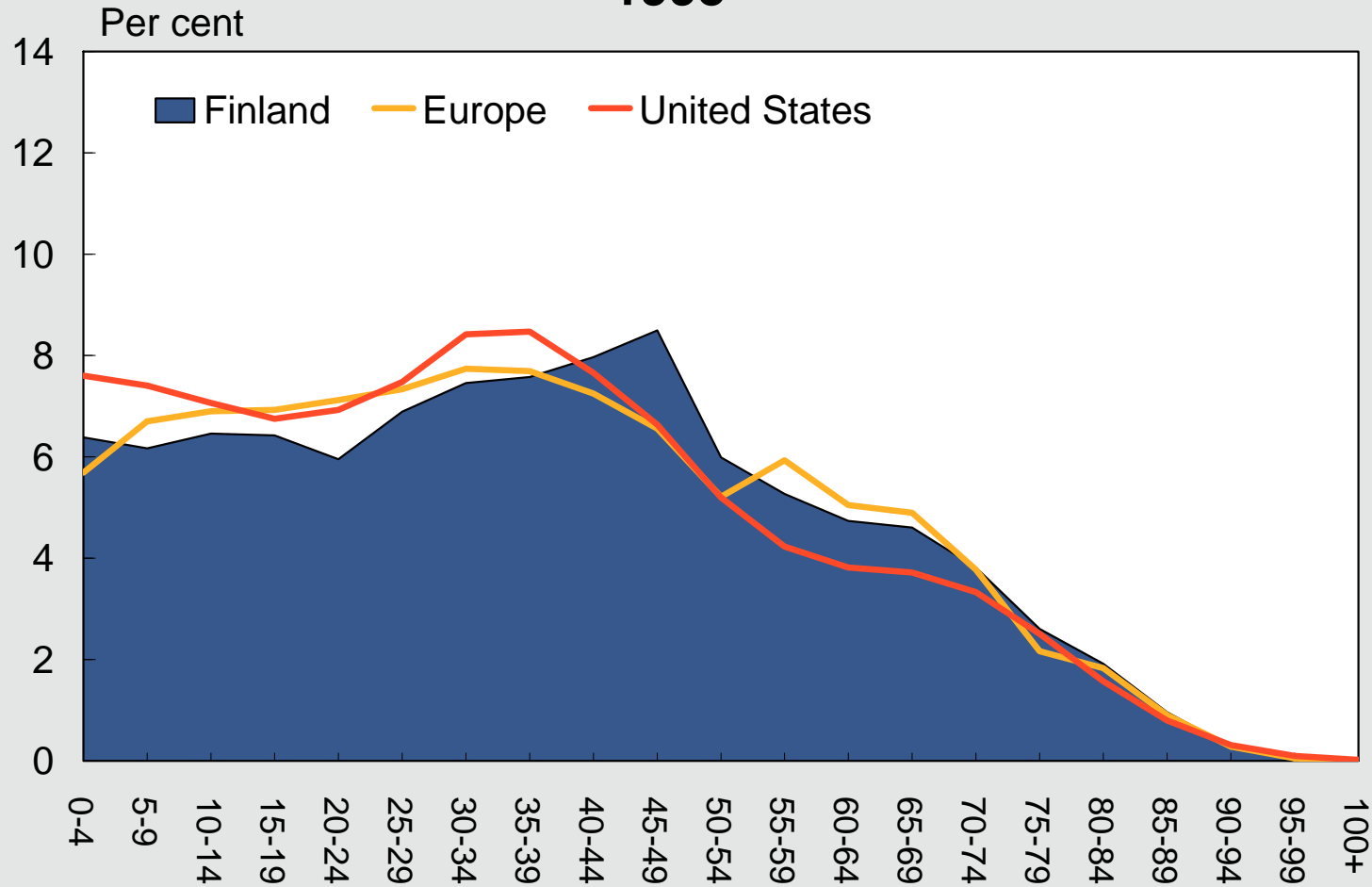
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Source: United Nations.

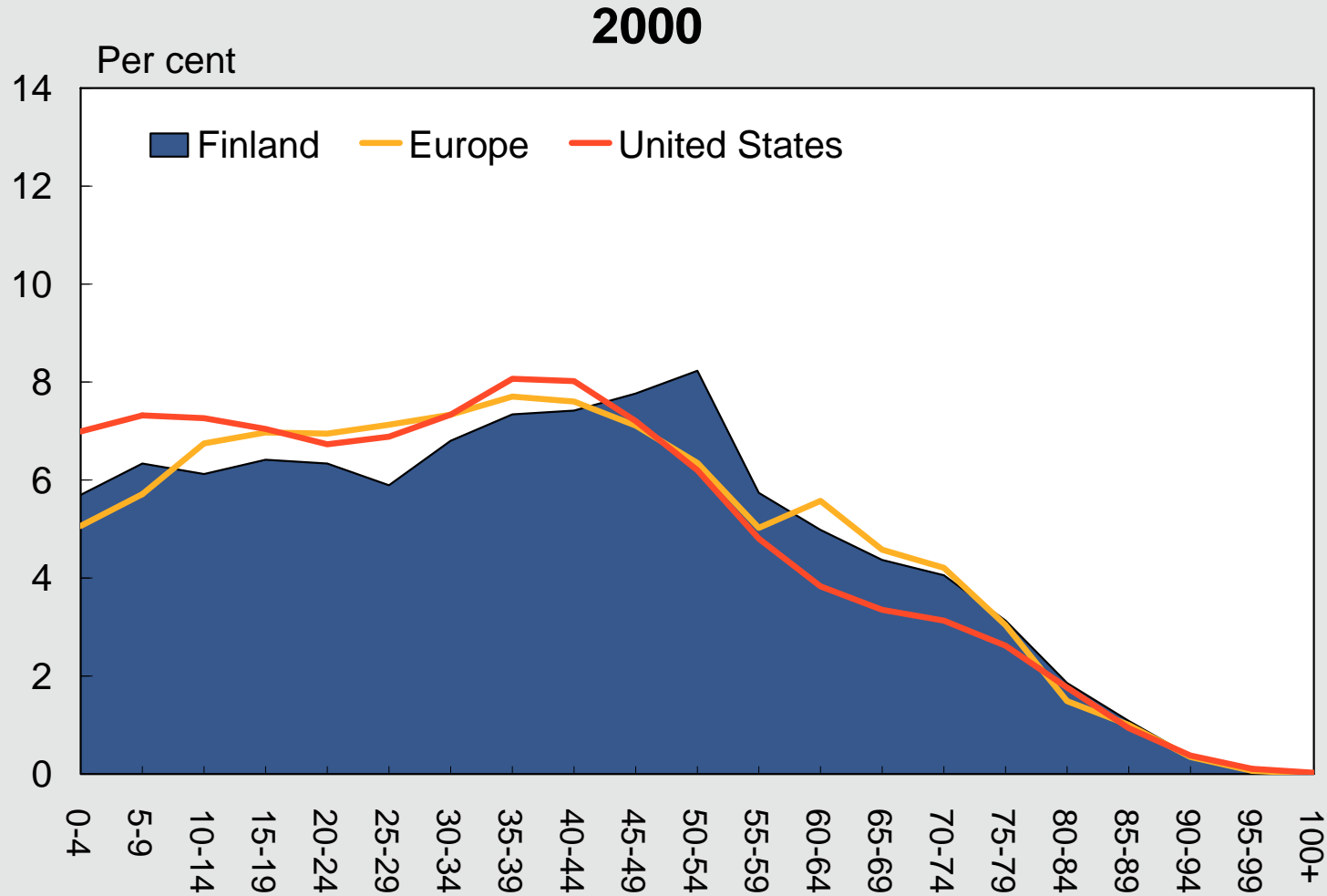
# Demographic Change: Ageing of Baby Boomers

**1995**



Source: United Nations.

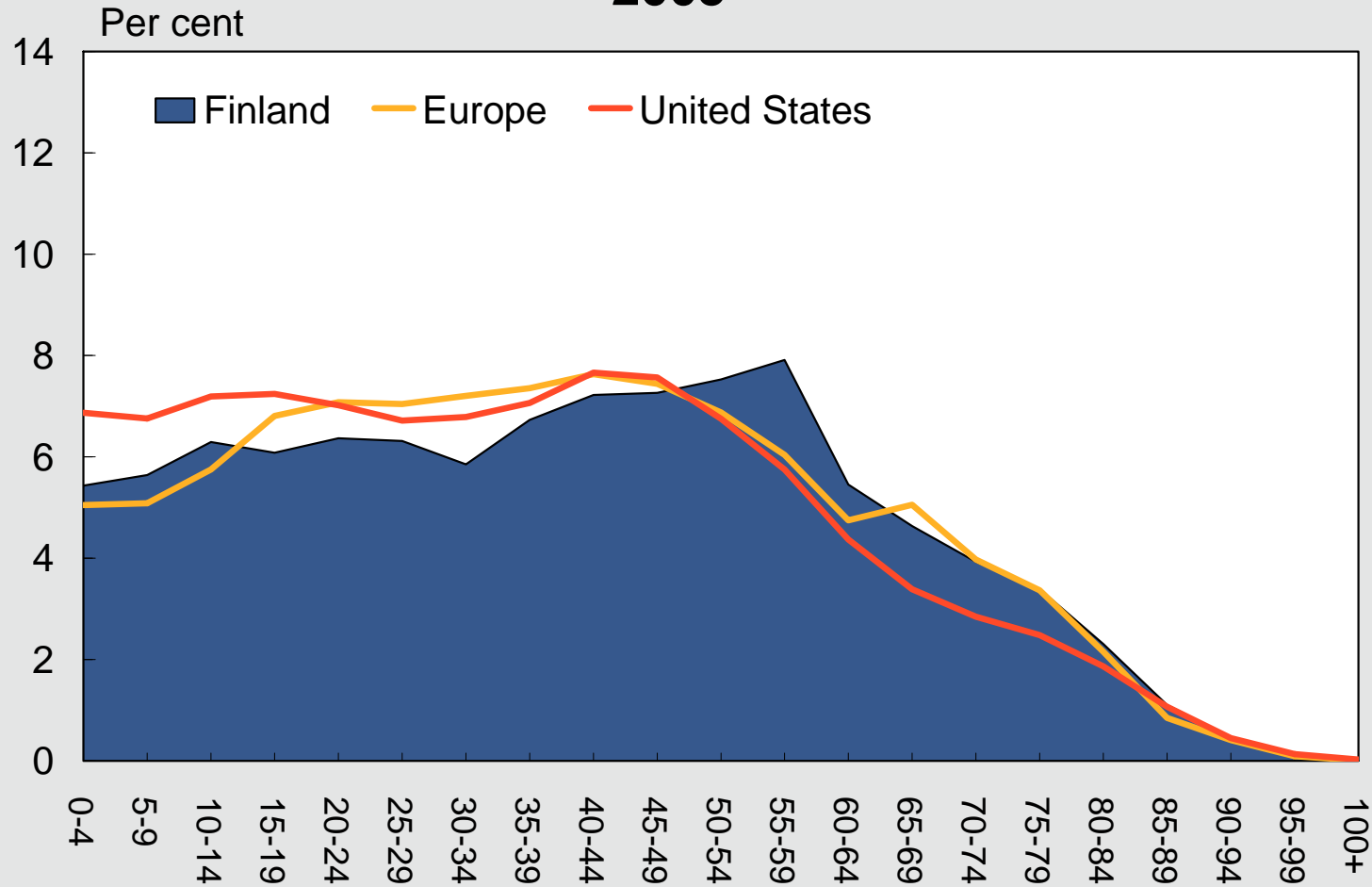
# Demographic Change: Ageing of Baby Boomers



Source: United Nations.

# Demographic Change: Ageing of Baby Boomers

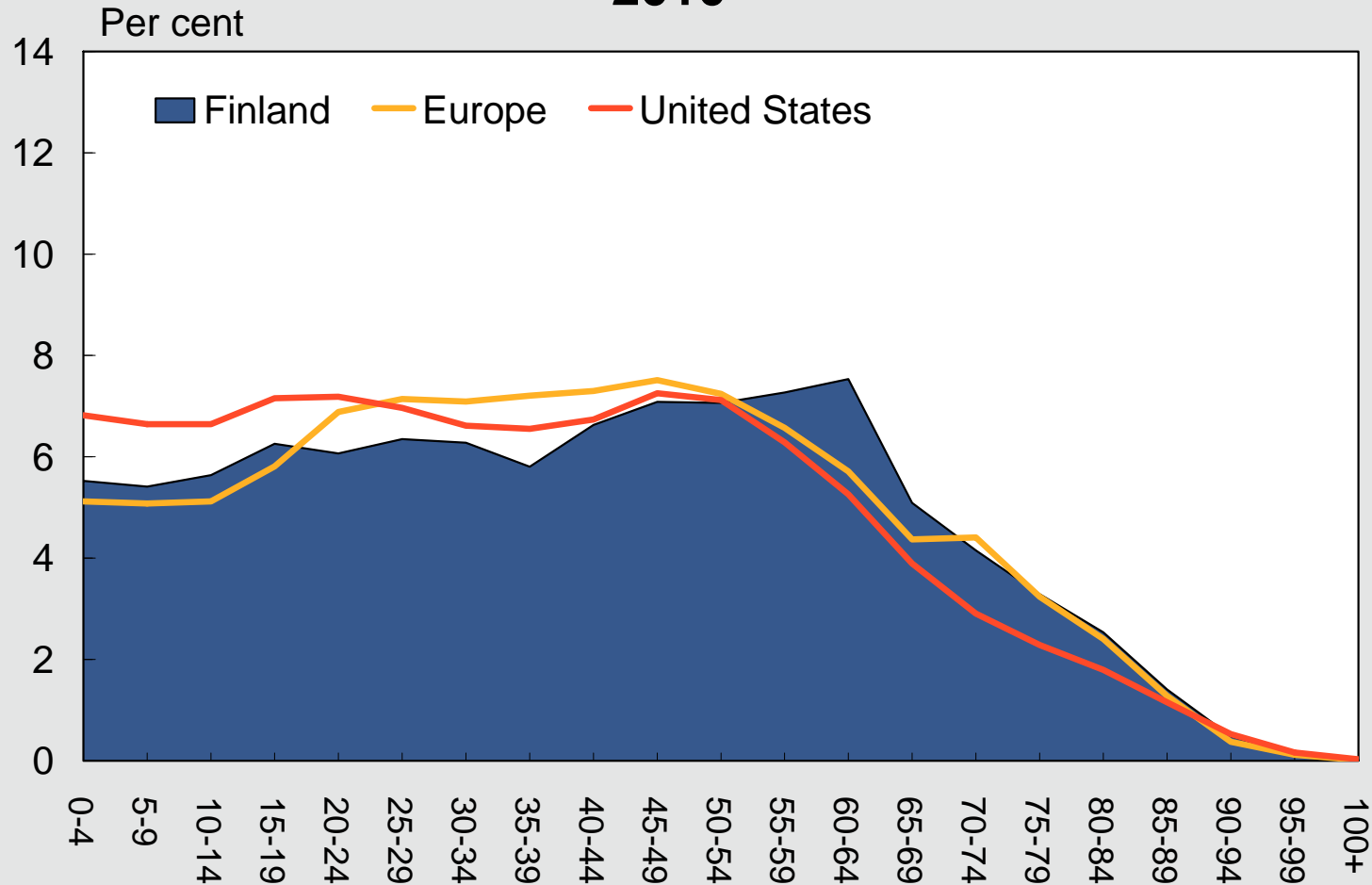
**2005**



Source: United Nations.

# Demographic Change: Ageing of Baby Boomers

**2010**

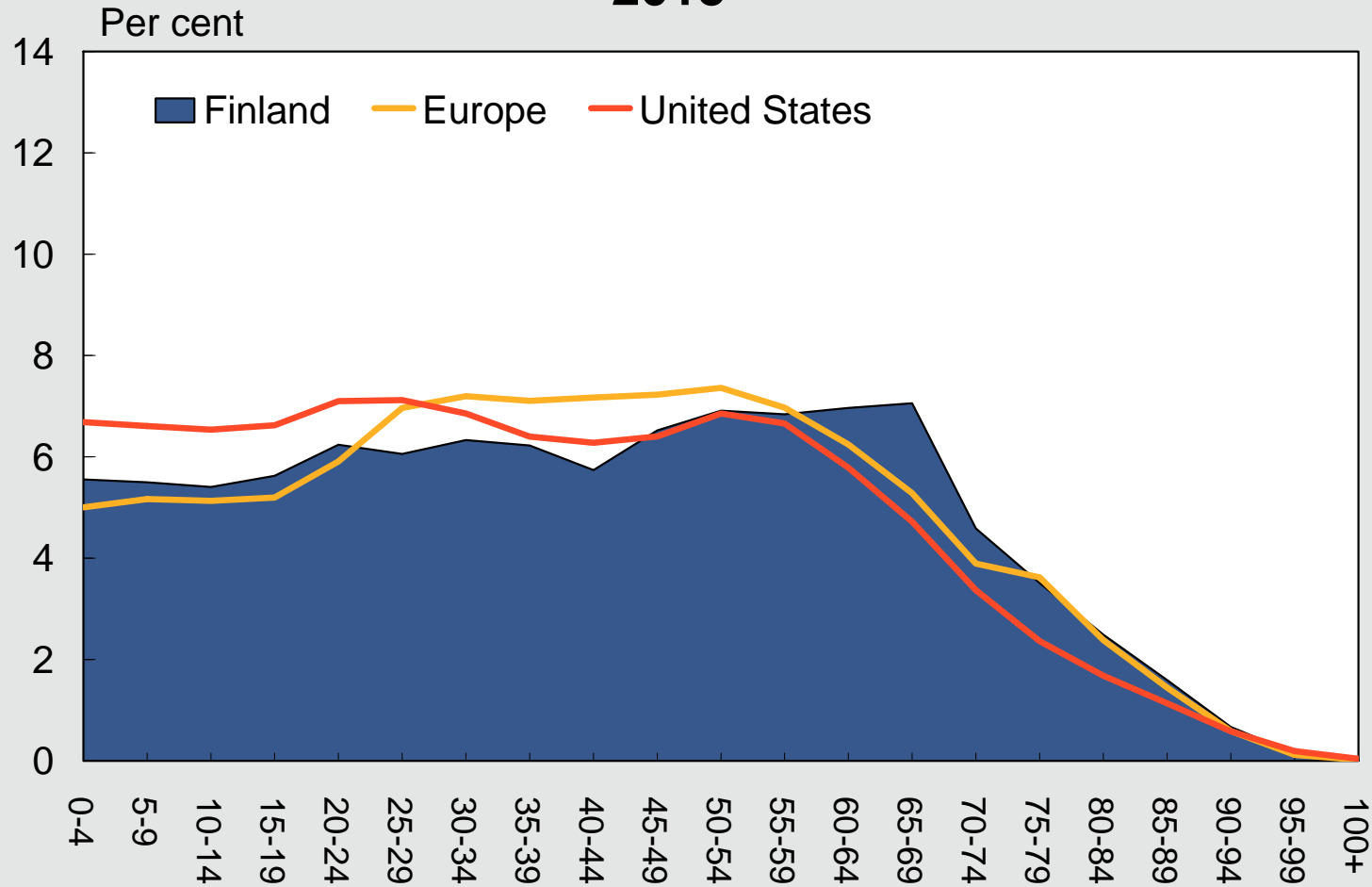


Source: United Nations.

[Repeat](#)

# Demographic Change: Ageing of Baby Boomers

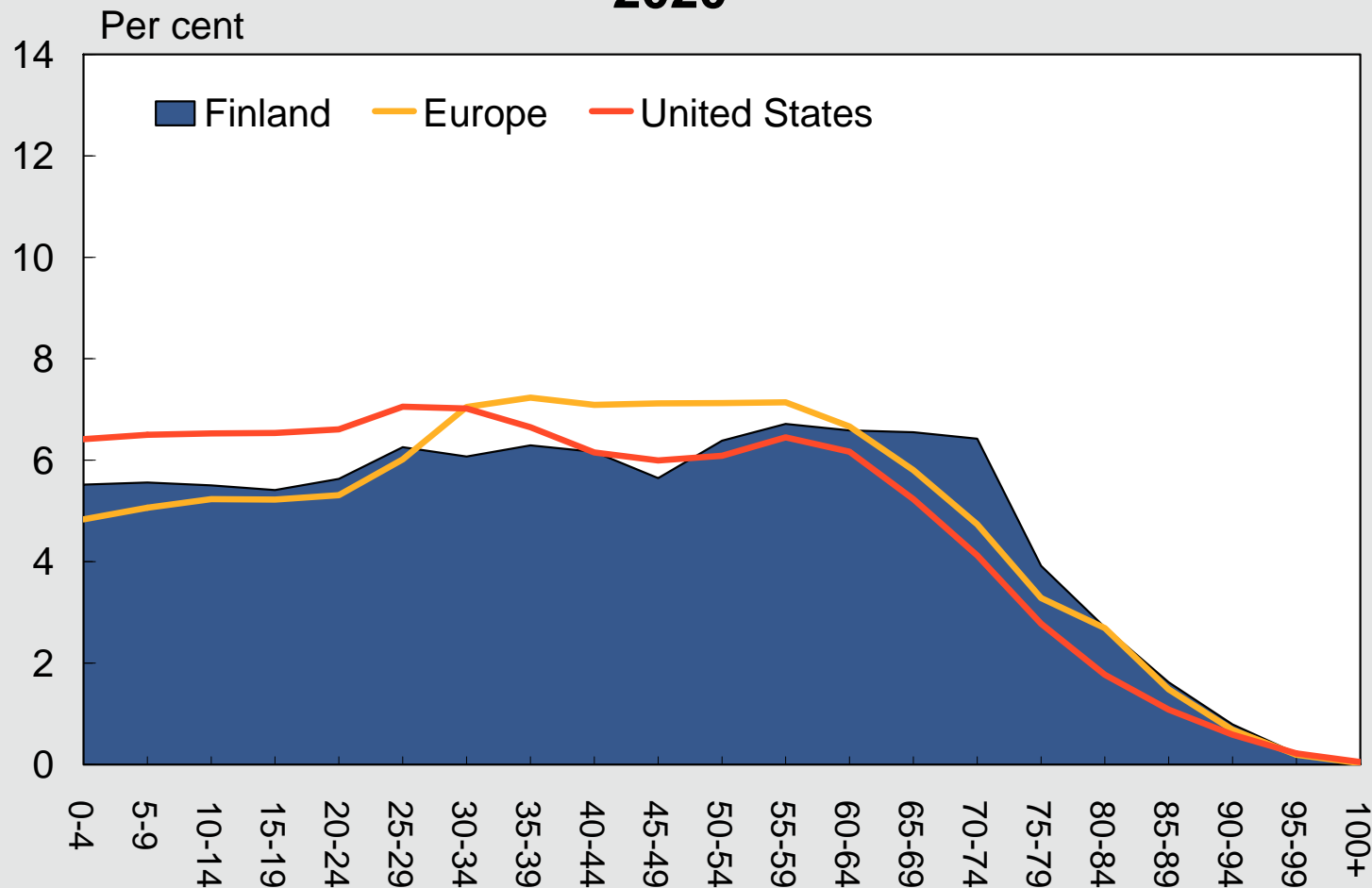
**2015**



Source: United Nations.

# Demographic Change: Ageing of Baby Boomers

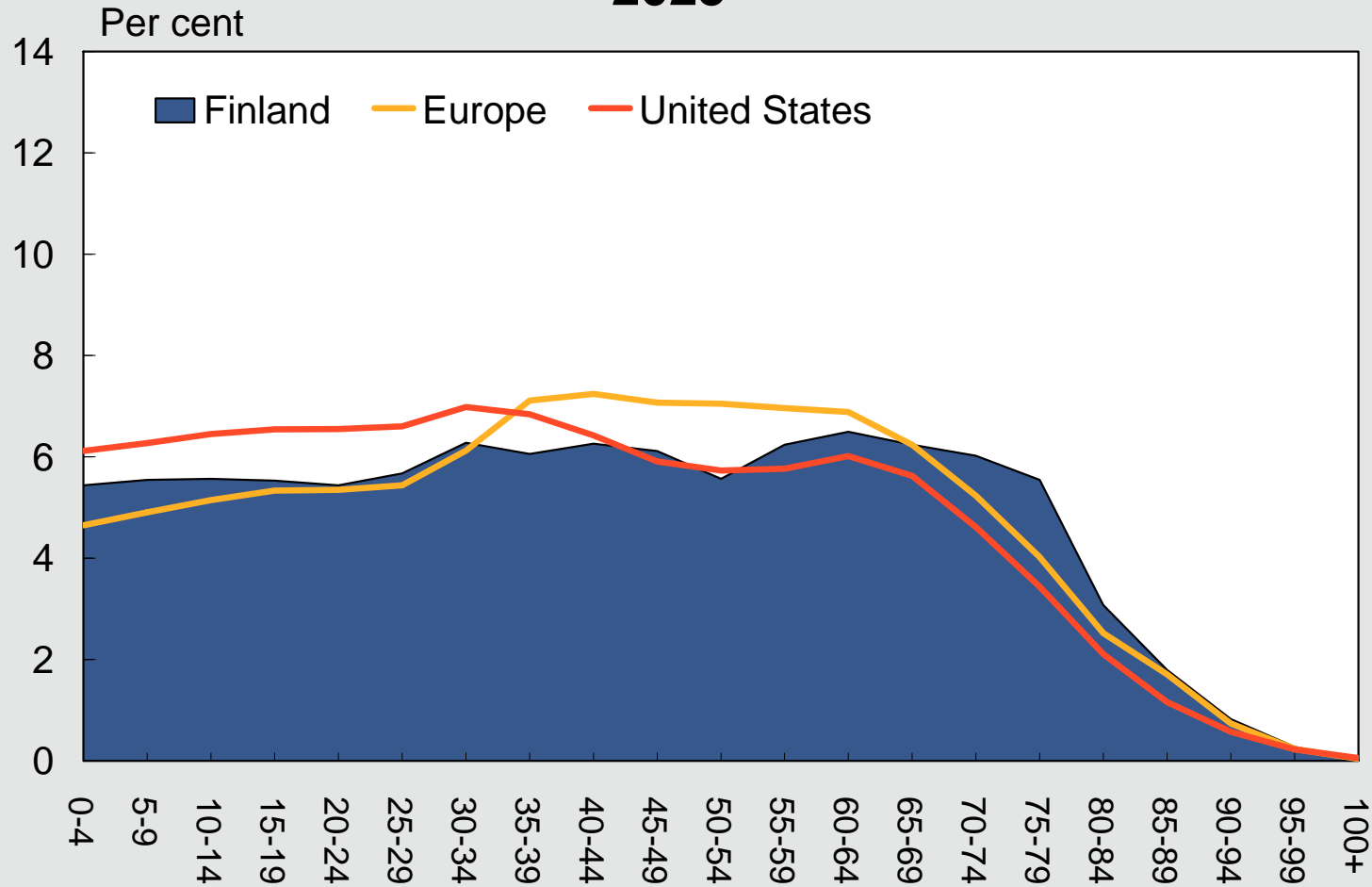
**2020**



Source: United Nations.

# Demographic Change: Ageing of Baby Boomers

**2025**

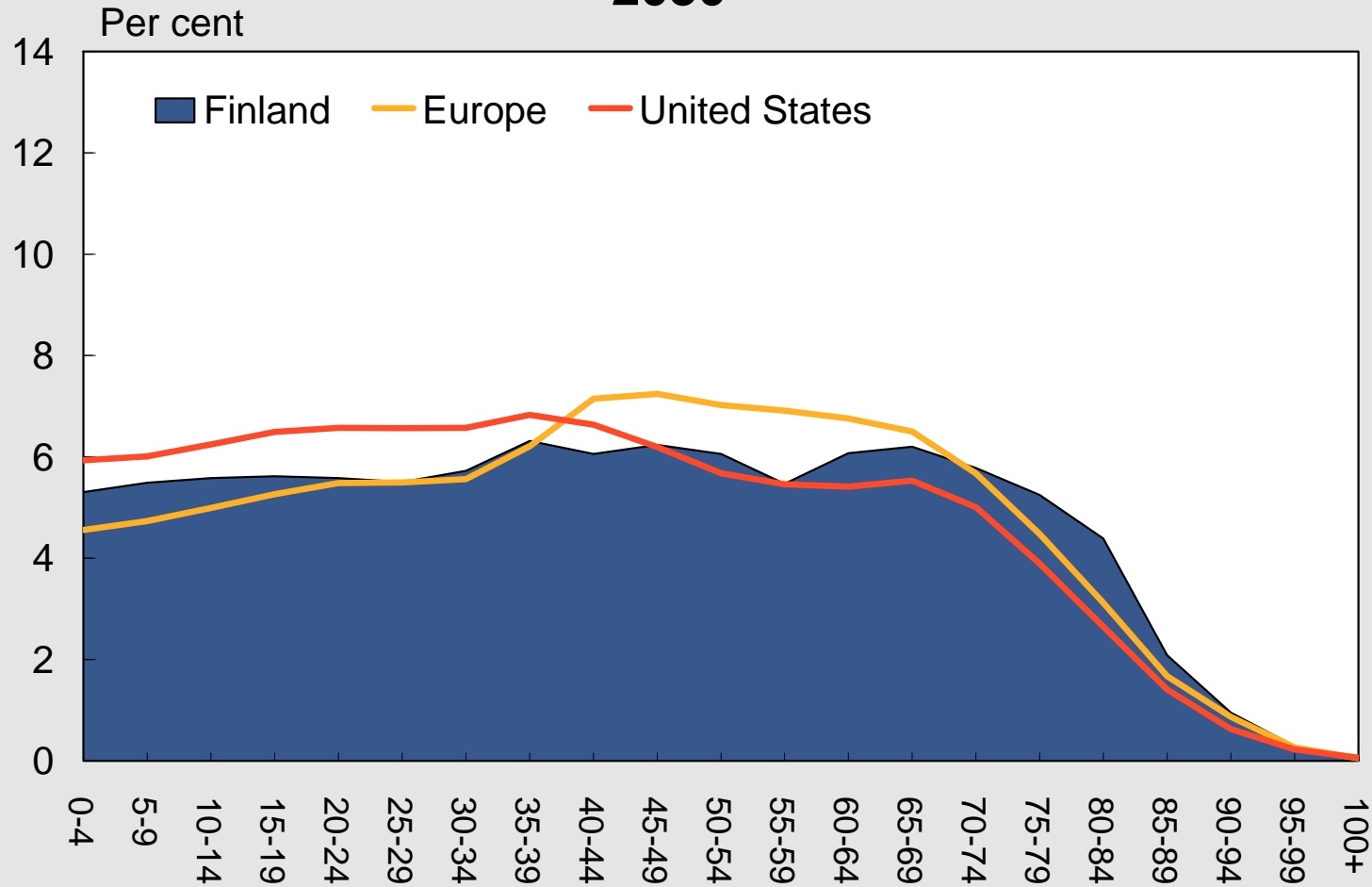


Source: United Nations.

[Repeat](#)

# Demographic Change: Ageing of Baby Boomers

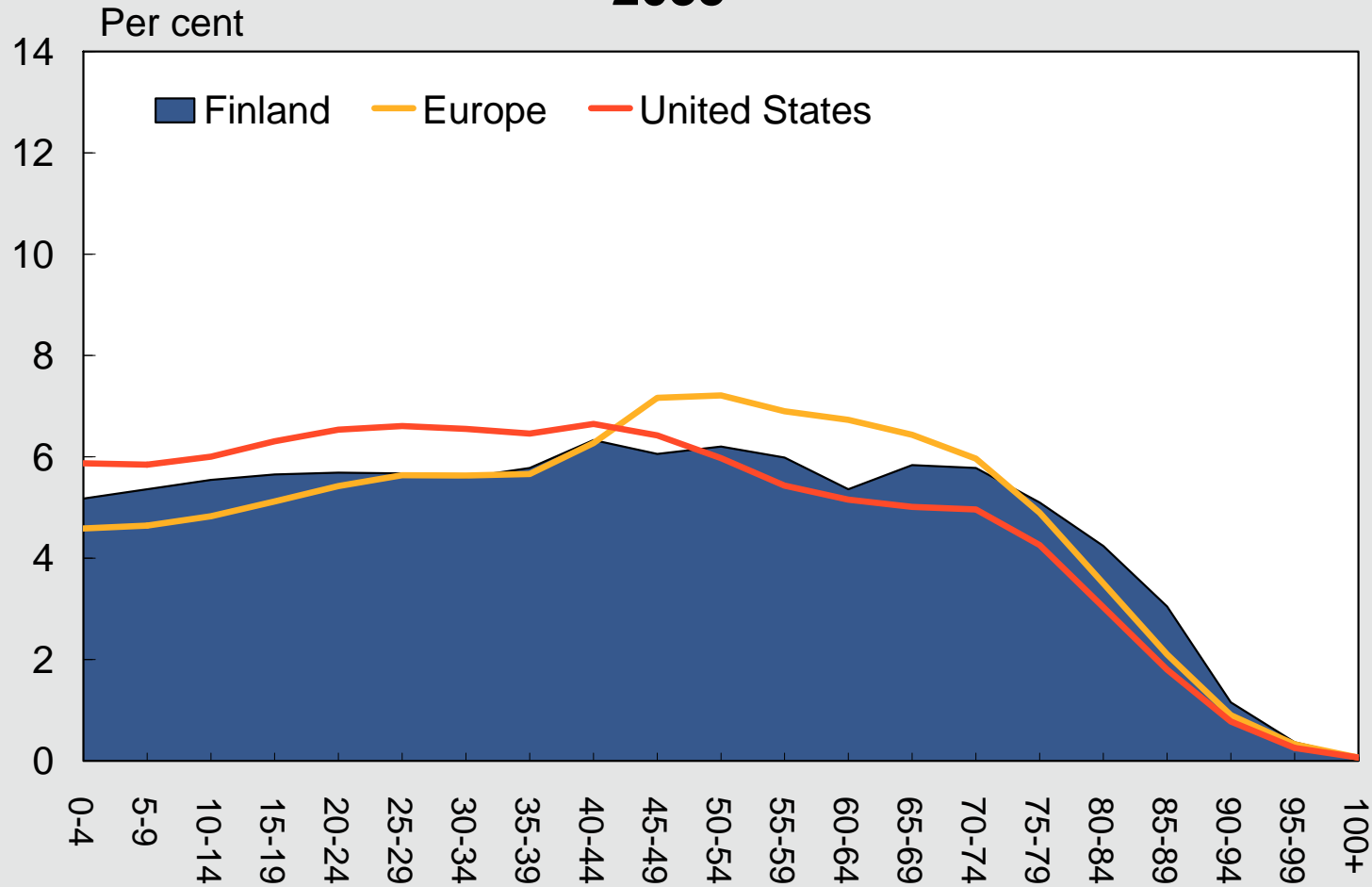
**2030**



Source: United Nations.

# Demographic Change: Ageing of Baby Boomers

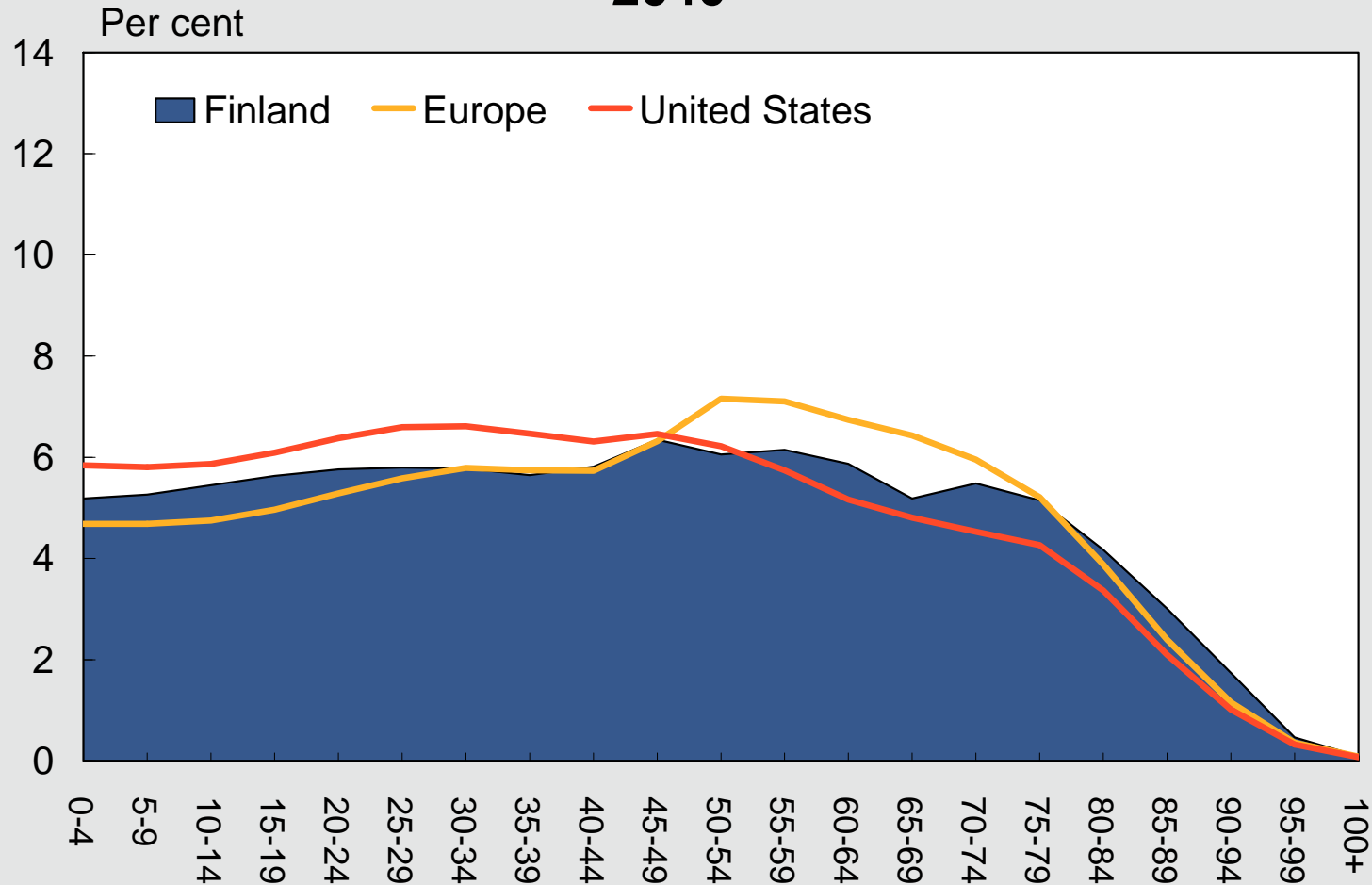
**2035**



Source: United Nations.

# Demographic Change: Ageing of Baby Boomers

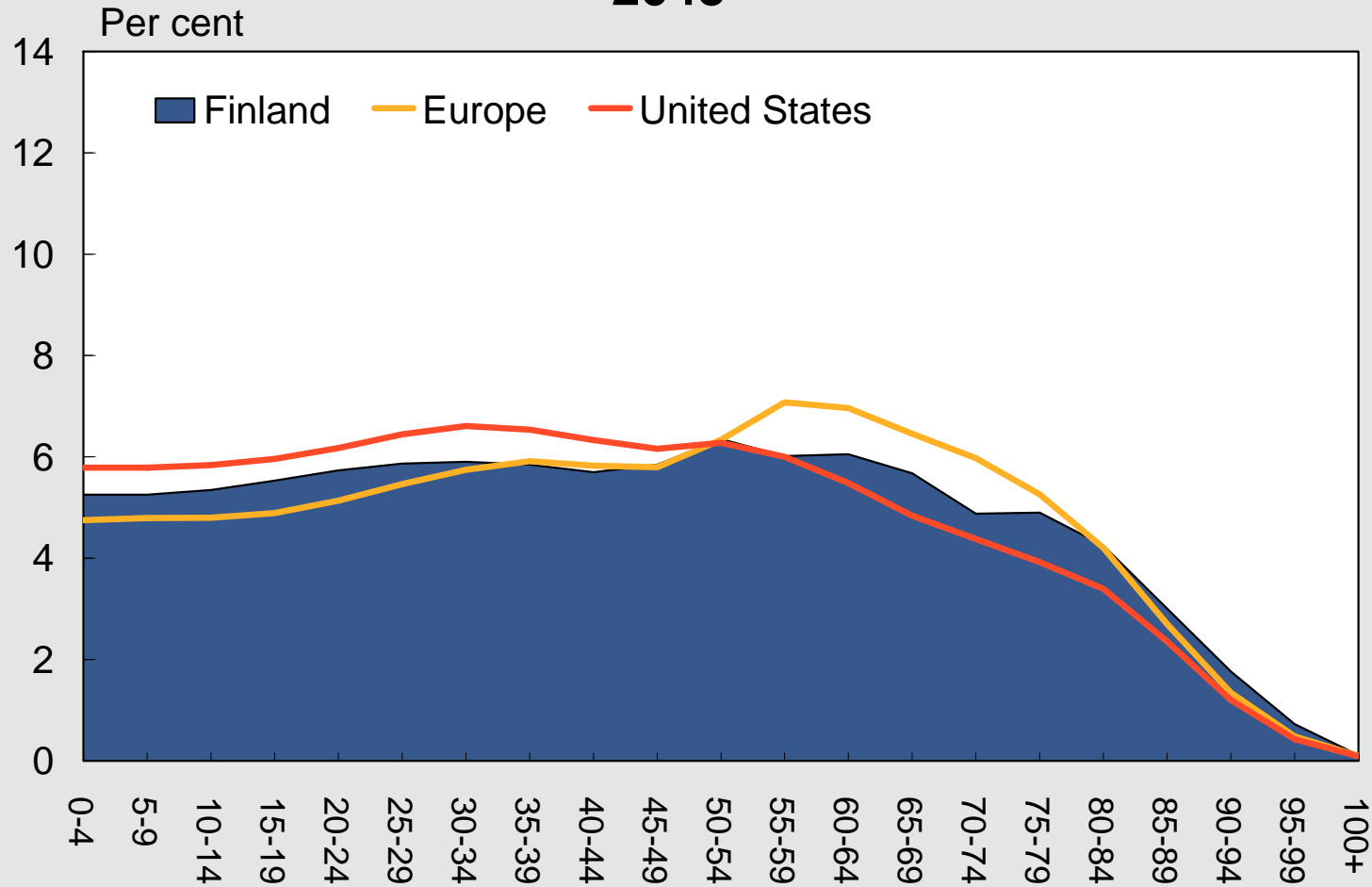
**2040**



Source: United Nations.

# Demographic Change: Ageing of Baby Boomers

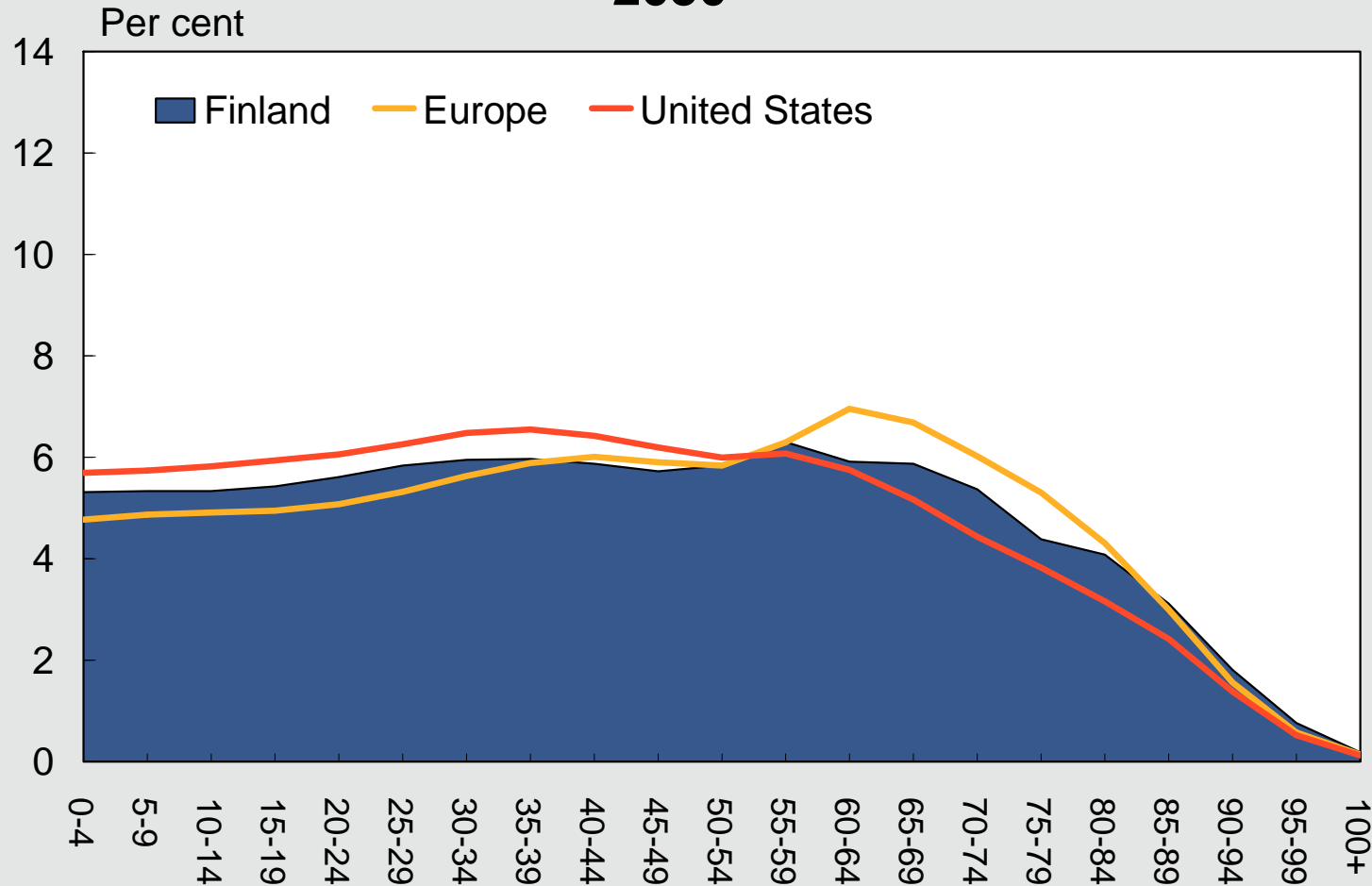
**2045**



Source: United Nations.

# Demographic Change: Ageing of Baby Boomers

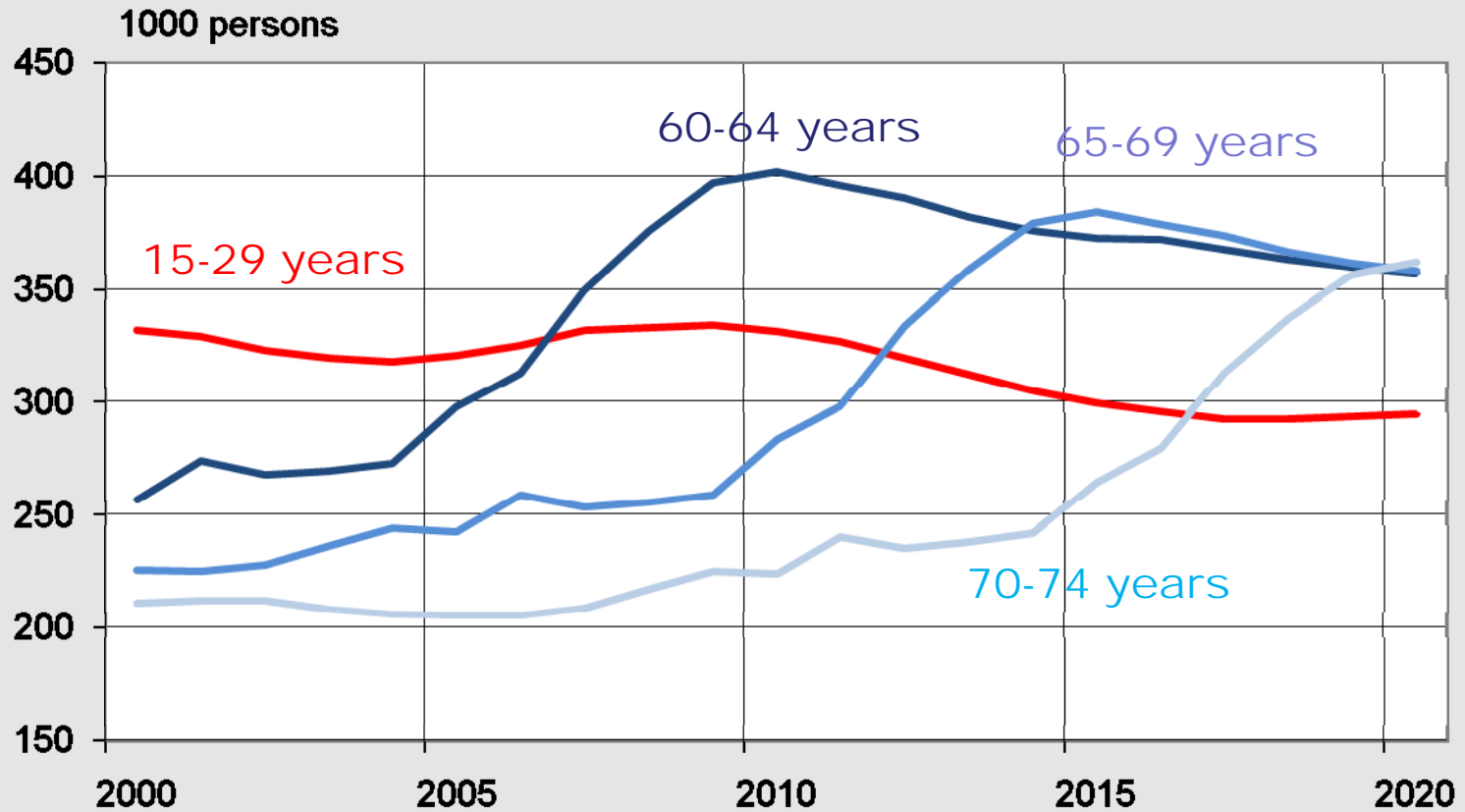
**2050**



Source: United Nations.

[Repeat](#)

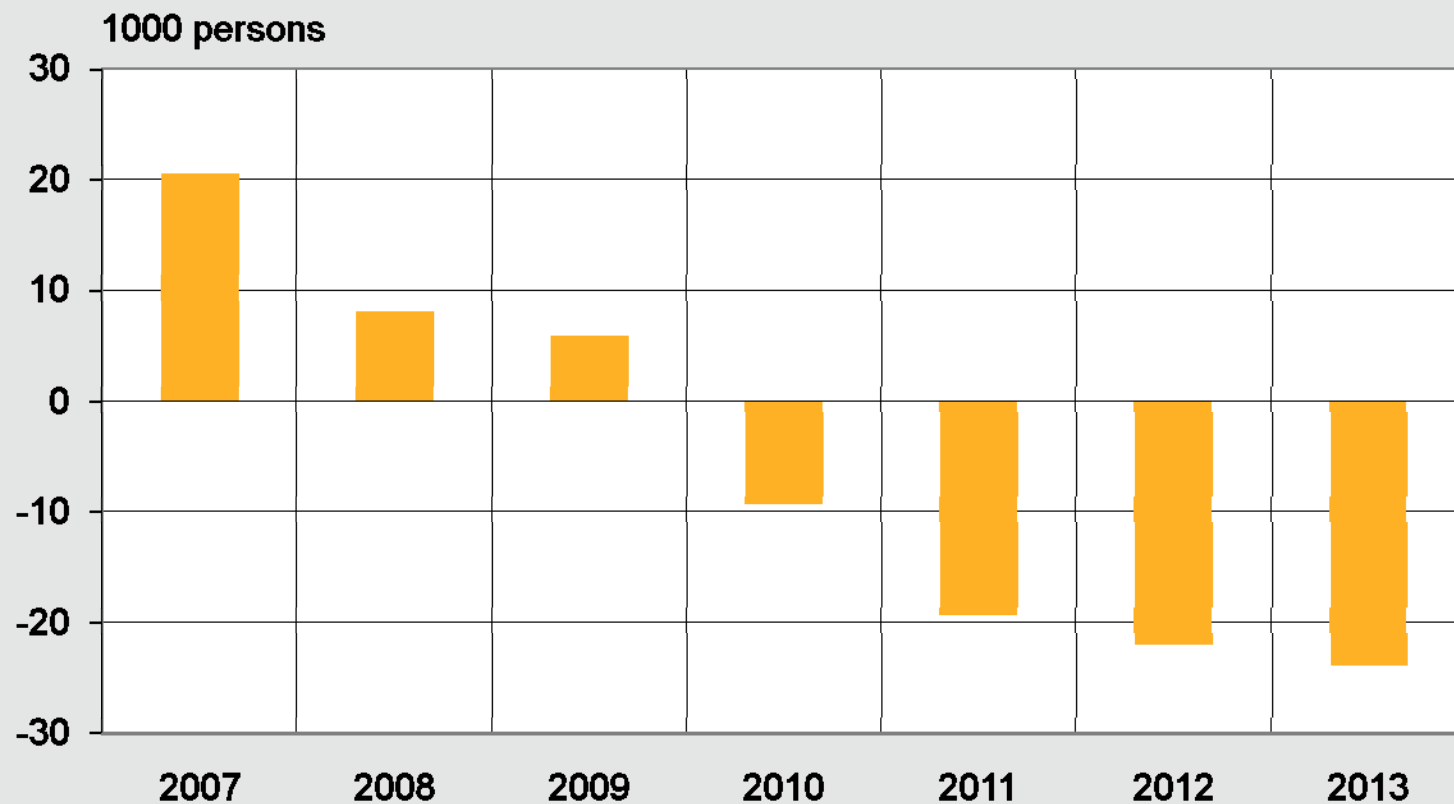
# Old and young: population by age group



Source: Statistics Finland, Population Forecast

20829

# Annual change in working age population (15-64 years old)



Lähde: Statistics Finland, Population Forecast

20829

# Consequences

- ◆ Sources of economic growth
  - labour force
  - labour productivity
- ◆ Lower labour force implies lower growth
- ◆ Higher spending on pensions and health care
- ◆ Deterioration of public finances
  - sustainability gap
    - 2008: 1 ½ % of GDP higher taxes or lower expenditure
    - now: several percentage points higher due to the recession

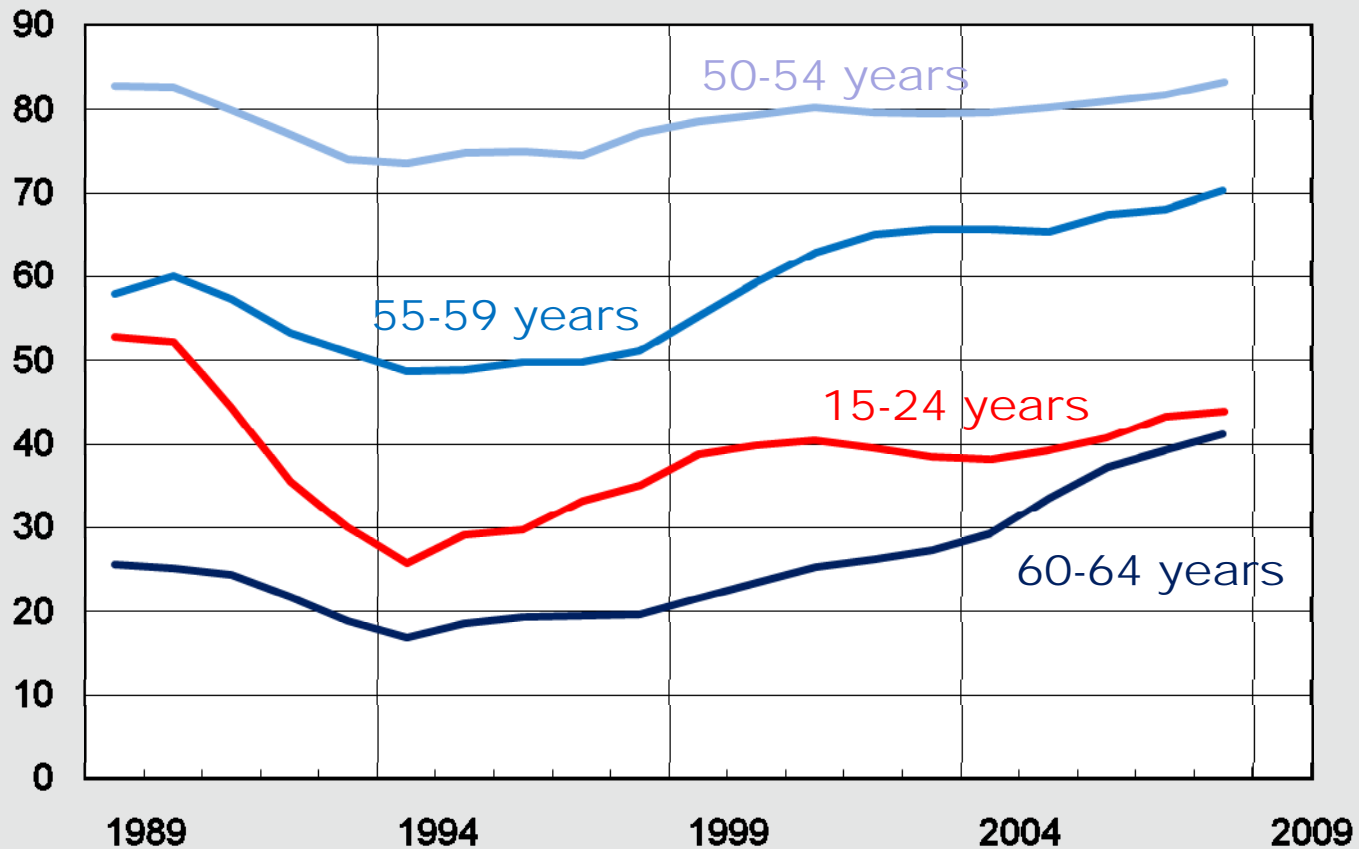
# No easy solution

- ◆ **Faster productivity growth**
  - important for the welfare as a whole
  - no solution to the sustainability of public finances
- ◆ **Higher fertility rate**
  - newly borne cohort live longer and receive more benefits that pay taxes over the life-cycle (given the present parameters)
- ◆ **More migrants**
  - yes, if the migrants are young, single and highly trained
- ◆ **Higher taxes**
  - lower labour supply

# Remedies that work

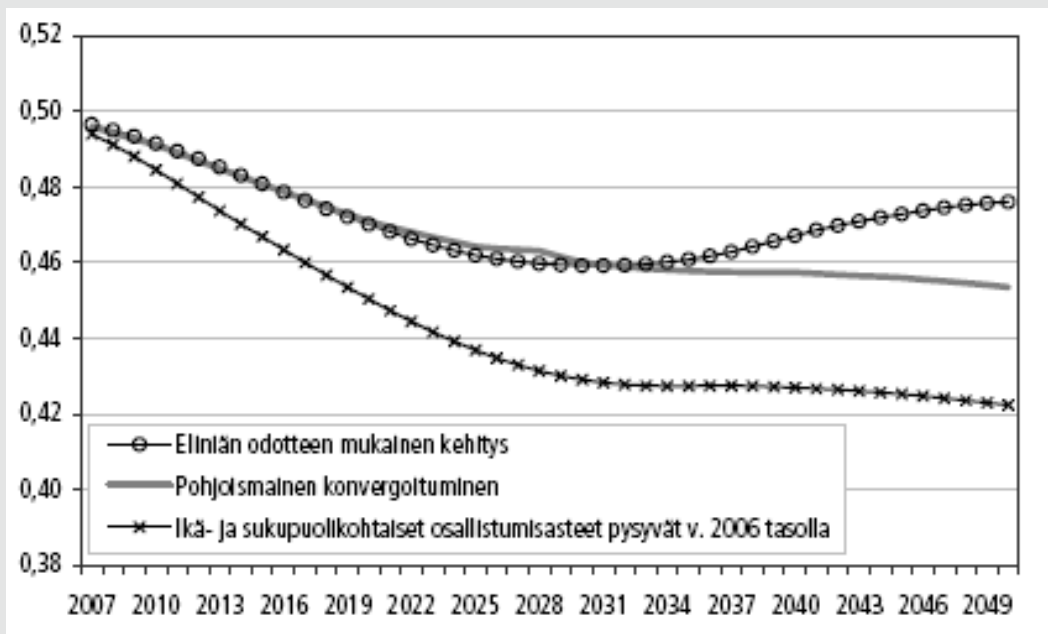
- ◆ Higher utilization rate of labour
  - working life starts earlier
  - more hours during the working life
  - working life ends later
  - lower structural unemployment
  - higher participation to labour force
    - including disabled persons
- ◆ Higher productivity growth in the provision of public services (social and health services, education)
- ◆ If these cannot be achieved the future benefits need be renegotiated

# Employment rate by age group



Source: Ministry of Finance

# Three scenarios: labour force in relation to total population



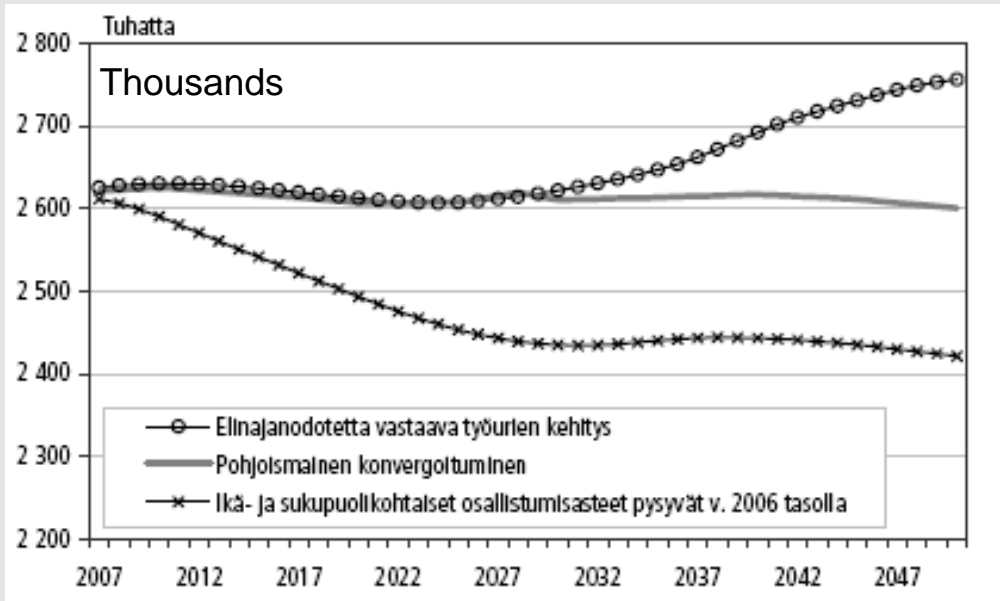
Length of the working career indexed to longevity

Participation rates converge to average level of other Nordic countries

Unchanged participation rates in each gender and age group

Source: Prime Minister's Office, Aging Report 2009

# Three scenarios: size of labour force



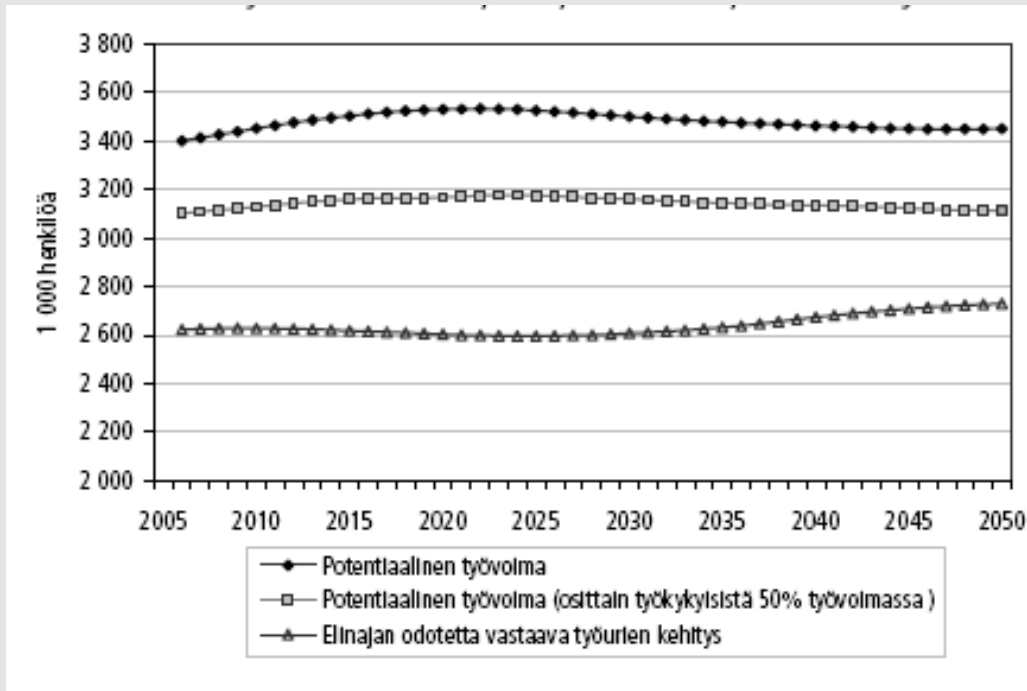
Length of the working career indexed to longevity

Participation rates converge to average level of other Nordic countries

Unchanged participation rates in each gender and age group

Source: Prime Minister's Office, Aging Report 2009

# Potential labour force



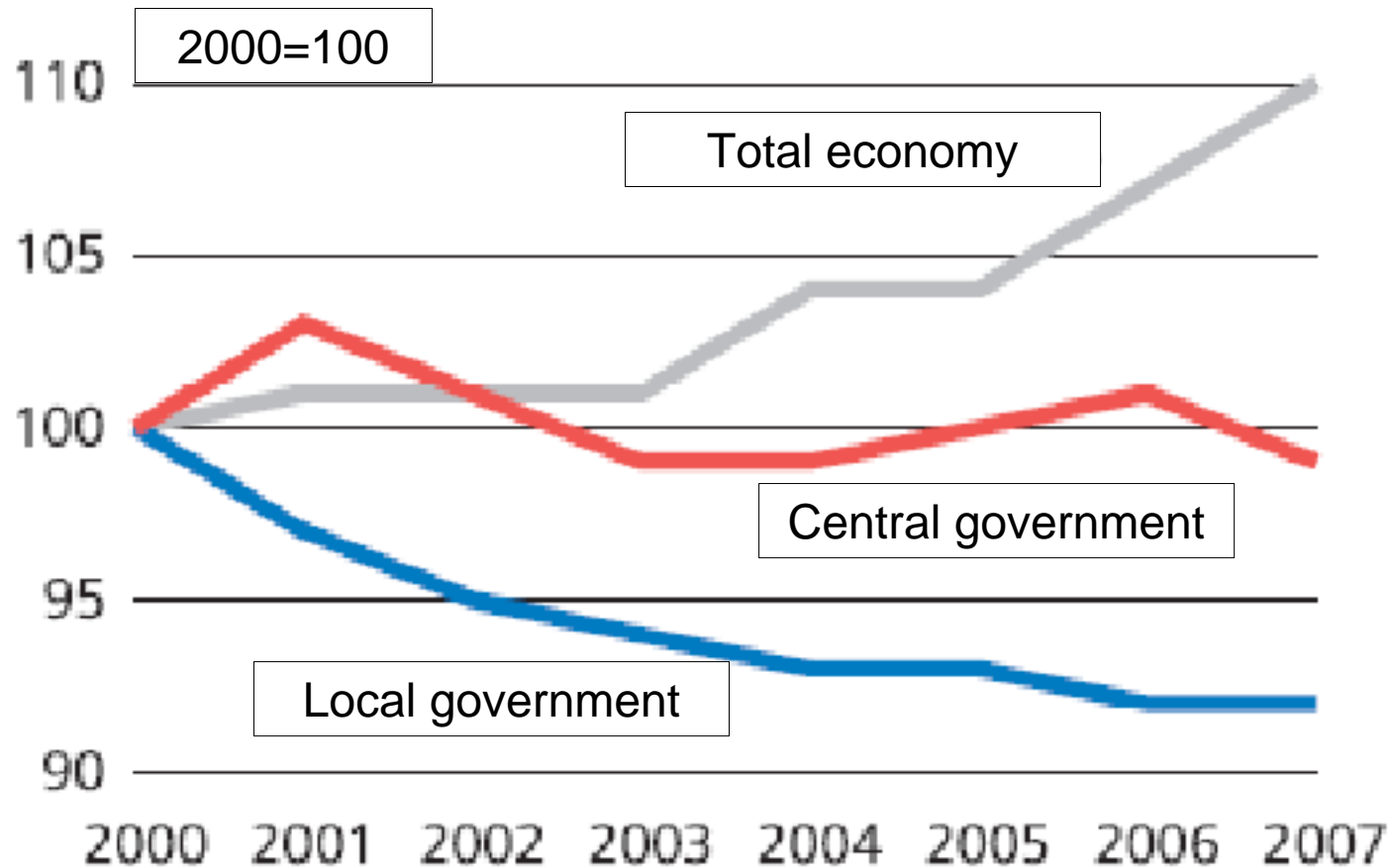
Potential labour force (improving ability to work)

Potential labour force (50% of partially disabled participating)

Length of the working career indexed to longevity

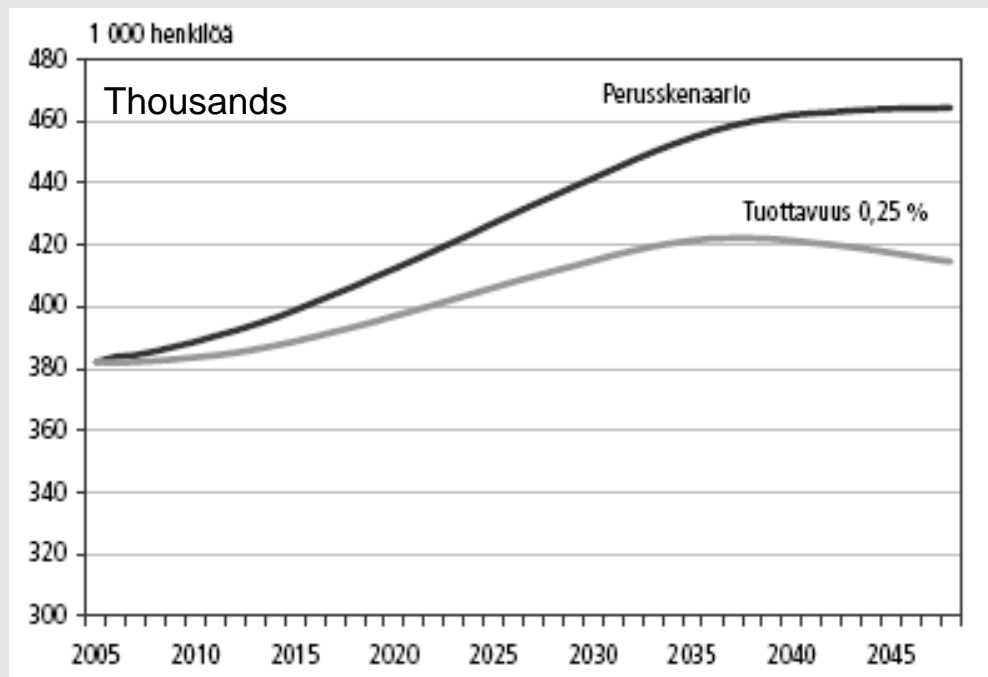
Source: Prime Minister's Office, Aging Report 2009

# Total factor productivity



Source: Statistics Finland 2009

# Higher productivity in basic services provided by municipalities pays off



Baseline scenario

Productivity improvement  
0,25 % p.a.

Source: Prime Minister's Office, Aging Report 2009

## Present situation

- ◆ Finland entered a severe recession in 2008Q4
- ◆ Total output will decline by several percentage points in 2009
- ◆ Employment situation is rapidly weakening
  - structural unemployment may start to rise again
  - participation rates may start to decline again
- ◆ Central government finances
  - although from a strong starting point
- ◆ Sustainability gap will widen by several percentage points
- ◆ Raising employment rate and improving local government productivity become increasingly pressing

## Concluding remarks

- ◆ Increase labour participation of persons with work limitations
  - rehabilitation schemes
  - positive discrimination in employment policy
    - wage subsidies
  - employers' responsibility
- ◆ Disability insurance expenditure is high in Finland (and in Nordics) compared to EU15
  - avenues for re-employment?