Growth expectancies permanently eroded

Finland’s GDP is currently some 6% lower than in 2008 and it has been declining since 2012 severely affecting employment also. After a peak in 2008 (75.8%), the employment rate has since remained at between 73% and 74% according to Eurostat, which is still well above EU28 average (68.4%) and eighth highest among the EU–28 with Estonia. However, Finland has the lowest employment rate among Nordic countries and is more dependent on exports than other Nordic countries and is suffering greatly from the international crises. The EU Commission has recently projected that Finland lags far behind the Euro Zone in economic recovery – Finland’s economy will diminish 0.4% while the Euro Zone will grow 0.8% during 2014. The economic outlook remains weak and employment is estimated to only slightly increase in 2015.

Working hours have decreased the most in industries (about 20% since 2008), then in the construction sector (about 15%) and only a little in the service sector. Short term employment perspectives remain weak, but despite low growth employment is estimated to rise in the service sector by 0.7% during 2015. The export flagships of the electronics and paper industries have lost their positions in the global markets and the emphasis has turned now to domestic demand and markets.

In 2013 the labour force began to decline, which means that the long–term growth is severely threatened. In early 2014 more people than before got out of the labour force and the current trend is ambivalent. The age group over 65 is quite large in Finland and increasing, 18.1% of total population in 2012 which is the eighth highest amongst the EU countries. The employment of those aged 55+ has steadily increased since the pension reform in 2005, but lately their employment has again declined. The expected effective retirement age declined in 2013 for only the second time since 2002 being 62.6 years for 50 year–olds and 60.9 for 25 year–olds (Statistics Finland, 2014). The employment share of younger cohorts has declined since 2000 as a result of the aging workforce.

Unemployment and especially long–term unemployment have steadily increased since 2009. The unemployment rate was 8.2% in September 2014 according to Labour Force Survey which was 0.6% higher than

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2. Ibid
4. Ibid.
6. Ibid.
a year ago. Male unemployment was 8.6% and female unemployment 7.7%. The long-term unemployment rate was 1.7% in 2013 (1.6% in 2012). Including the hidden unemployment total unemployment is about 12%.8

Of the population aged over 15 around 69% had gained at least an upper secondary level qualification in 2012 which was 1% higher than a year before. However, in 2013 the amount of those without at least an upper secondary qualification has steadily increased since 2000 (Statistics Finland, 2014).

Most regions have suffered as a result of the economic downturn. However, there are regional differences in regard to labour demand, e.g. in Helsinki and Turku regions there is a lack of special needs teachers, whereas restaurant workers, catering workers, welders and physiotherapists are lacking in some other parts of the country.9

Services and domestic demand will grow but traditional industries will diminish

The main factors influencing future labour demand are:
1. the slowing down of growth in the working-age population,
2. fast growing investments relating to energy and environment due to policies,
3. policies addressing fiscal sustainability and demographic change, and
4. labour market participation of those of working age (as one of the main challenges).

According to the recent national forecasts10, employment will grow by about 5% between 2013 and 2025 which is 50% faster than EU–28 average. Moreover, there will be gradual structural change in the labour demand and employment in Finland. The basic forecast scenario expects unemployment to reach 6% by 2020.11 Economic recovery is likely but depends on exports in the remainder of this decade and on increasing household demand in 2020s. The recovery is expected to emanate from an increasing service sector and the decreasing primary production and processing sectors.12

On the basis of the basic scenario (see Figure 1), employment growth until 2025 is expected to be driven by the public and private services sector. While growth will take place in the arts, real estate activities and woodworking industry, overall the increase in employment will take place in the social and health care sectors (from 380,000 to 415,000). Also the number of employees in the construction and education sectors will be increasing. It is expected that the sectors in decline will be sales, financial services, public administration and traditional industries like textile, furniture and the electrical industry. Employment in the public sector is forecasted to decrease by 8.2%, and the process of restraining public employment is already taking place through dismissals and through cutting local government expenses.

The implications of the forecasts for the occupational structure and skills needs (see Figure 1, next page) are currently being assessed in Finland. In the previous national forecast round in 2011, health care education and self-employment were given great emphasis13. It was also concluded that most vacancies until 2025 will be for social care workers, teachers, salesmen, nurses, logistic workers and logistic entrepreneurs, cleaners, financial management workers, different kinds of experts and construction and catering workers. Specific growing professions were research and development managers, social sector special experts, arts and crafts workers, natural scientists, ICT managers and experts, health care experts, nurses and legal experts.14

High skills and fragmented careers

Although there is a well-functioning forecast system in Finland (VATTAGE15), appropriately addressing changing skill demand is challenging given the following restricting conditions:

- the global financial crises and the impact on the whole economy,
- restricted labour force and many problems related to increasing productivity,
- governmental restructuring and high structural unemployment and weakening dependency ratio,
- inability of government to steer individual educational choices to undervalued sectors,
- undervaluing of certain growing occupations like cleaners or bus drivers,
- problems in the social and health sector due to depletion of local government economy and the problem of false qualifications of both nurses and doctors,
- lack of entrepreneurial culture and innovative export products,
- increasing share of precarious work of new employment, i.e. part-time and fixed term contracts and fragmented careers,
- possible automation of work and decreasing of labour demand.

As previously mentioned, the occupational forecasts emphasise the importance of high skilled occupations, such as managers and expert occupations. This is a continuing trend, leading to a further polarisation of the workforce which can already be seen in the increasing income differences between the low and high skilled workers.

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7 Statistics Finland (2014)
8 Ibid.1
10 Government Institute for Economic Research (2014), Preliminary basic line forecasts by sector
11 Ibid.3
12 Ibid.3
14 Ibid.13
16 Ibid.
Figure 1 – Forecasted change in employment 2013–2025 by sector, basic scenario.

Source: Preliminary basic line forecasts by sector (GIER 2014).
The Finnish National Board of Education foresees many changes in skill demand in the future. Automation, the development of robotics, and digitalisation are expected to increase demand for workers with the ability to utilise new technologies, with high problem solving and generic skills, with interface expertise and with proactive adaptability skills.17

Traditionally, Finland has scored well in international comparisons of literacy, numeracy, and ICT skills such as in the survey of the Programme for the International Assessment of Adult Competencies (PIAAC) of the Organization for Economic Cooperation and Development (OECD), as well as participation in adult education and overall educational attainment.18 This has given the Finnish education system international respect. According to the PIAAC survey of 2012, Finland was the second highest ranking country in terms of literacy and numeracy with only Japan ranking better. On average, Finnish adults scored 288 points on the literacy tests – clearly above the OECD average of 273 points.19 At the same time the standard deviation was the largest, meaning that while a large proportion of the populations have good or even very high literacy skills and score at literacy level 3 or above (63%), some Finnish adults have only basic vocabulary knowledge and do not understand the structure of sentences or paragraphs (3%). Similar pattern applies to numeracy skills: while 57% have score at least at numeracy level 3, 3% scored below the level 1, meaning that they are only able to perform basic arithmetic operations with whole numbers in concrete or familiar contexts (such as money). Finland was a top 3 ranking country also in terms of the ICT related problem–solving skills measured in PIAAC. However, also here the results indicate a substantial level of polarisation as a relatively large share of those who did not participate to ICT skills test (19%, while the OECD average was 24%). Consequently, the level of problem–solving skills has recently been described as a competitive disadvantage.20

High levels of skill polarisation and somewhat decreasing average literacy skill levels compared to previous skills surveys such as the International Assessment of Life Skills (IALS), especially among young people (under 25)21 have not yet led to reforms in the education system. However, a programme targeting young adults’ skills has been launched as part of the Youth Guarantee initiative. It aims to make vocational education accessible for those 110,000 young Finns aged 20–29 who have so far only attained basic levels of education. ■

21 Ibid. 19