Supply and demand of labour force in Finland – Challenges in terms of achieving ”full employment” in all parts of the country

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Employment and population ageing

The ageing of population and labour force has been common in Finland and in Europe. The ageing of population structure is essentially affected by the strong decrease in fertility. Immediately after World War II fertility in Finland rose to an exceptional peak, producing the post-war ”baby-boom generation”. Since then, fertility has again decreased and as a consequence the elderly population has more that doubled in numbers over the past 40 years. Finland is a predecessor in population ageing in Europe and with Japan in the world (Karjalainen 1993; Parkkinen 2001).

In Finland there is a national age-programme 1998–2002, of which also others in Europe have been interested in. In the ageing society, it will be increasingly necessary to utilise the people’s creativity and capacities throughout their life span. Nowadays older and older people remain energetic, in good condition and able to work longer. They have a good education, plenty of experience, and given the chance they could well continue productive work, for example part-time work. This comprehensive social goal can be reached by thinking of the working life and retirement in terms of lifelong education and training. In recent times, emphasis has been placed on the necessity to shift from old people’s care towards an active elderly policy (Moody 1986; Oulun lääninhallitus 1992; Parkkinen 2001).

The problem is that aged population is leaving work too early. In Finland the average age to retire is 59 years and it is well under the OECD level 61 years. The increase in the number of pensioners in Finland has been much more rapid that the ageing of the population. This trend has been caused by the strong expansion of the pension systems over the past decades. If the generally improved health and working ability of the people, reforms in the early pension systems and development of working conditions could be harnessed to push the average retirement age in Finland from the current level of 59 up to 62 years by 2040, the labour force available in that year would be over 200 000 people above the present estimate (see Brunila 1991).

The supply of the labour force will begin to decrease in Finland. This decrease will be at its most rapid in the early 2010s when the baby-boom generation begins to retire to old age pension and the smaller generations reach the most active working age. The age groups entering to the labour force (15–24 years old) are smaller than those who are leaving labour force (55–64 years old) according to forecasts quite soon. The worst situation after 2010 is in the counties of the eastern Finland where the people of working age who are entering to labour force is only 60 % of those who are leaving labour force. According to projections the total number of labour force will decrease by more than 400 000 between years 2000 and 2030. During this time, only the age group 55–74 years shows an increase within the labour force. In general

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the average age of the labour force will rise. The share of the elderly in the dependency ratio will increase significantly after the retirement of baby-boom generation (see Työvoima 2000 -työryhmä 1991; Mella 2001; Parkkinen 2001).

Sustainable economic development requires high employment rate among persons over 45 years. The input to the ability to work is important. In national age-programme 1998–2002 there exits some projects in Finland for example in the University of Oulu. After baby-boom generation retires there will be jobs for younger generations in Finland, but in the long run there will be also lack of labour force in many sectors. Will there be enough labour for those sectors from which the baby-boom generation retires? It is very important question to answer.

Various new solution models have been suggested to the problems linked with population ageing, and one important alternative includes the increasing voluntary participation to working life by the elderly people. This solution emerges from the idea that at present, and even less in the future, the concept of "the elderly" no more corresponds to the assumptions that we generally have concerning old people. Old people are different, and they cannot be categorised into a single group. Thus reaching the age of 65 should not mean retirement from the working life, but instead it could mean new opportunities, such as retraining for a new kind of work. As the first step towards a change in attitudes, a functional definition of a human's age has been suggested, to replace the definition based only on chronological age (The Secretariat of the Economic Commission for Europe 1985).

Finland faces tremendous challenges in the fields of population and social policy. The diminishing age groups will not, especially in the future, be able to meet for instance the increasing demand for labour force. Deep-reaching changes will be required in the operation of both the public and private sectors when the baby-boom generations retire. The questions associated with their sustenance, health care, and housing will pose a difficult challenge. As fertility decreases, the diminishing working population will have to provide the services required for the growing population. It has been estimated that the labour force required to take care of the elderly population will increase considerably. The increase in these jobs will be between 2000 and 2025 around 103 000, and another 25 000 more between 2025 and 2030 (see Sneck et al. 1989; Työvoima 2000 -työryhmä 1991).

Immigration

One proposed solution to the labour problem is the acquisition of foreign labour force. In order to maintain the present population, Finland should receive annually some 25 000 immigrants over several decades so that around 15 000 people would actually remain in the country every year (Siirtolaisuusasiain neuvottelukunnan mietintö 1990). When discussing of the enlargement of the European Union it has been brought the idea to recruit labour force from new EU-areas, in the first place from Baltic countries. Immigration can grow a little bit but its need can be replace by the temporary work from Estonia to Finland. Also Finnish production can relocate to new EU-countries where is the access to the cheap labour force (Mella 2001).

The majority of the immigrating foreign labour force is assumed to settle in the large population centres where the demand for labour is the strongest and jobs are available in several sectors.

It has been discussed about active immigration policy and some eastern counties has started co-operation in this field. The interest towards Finland has increased after joining to the EU and after technological boom. Lately Finland has got also plenty of foreign students (see Castrén 2001).

Regional development

Unemployment level in Finland is 9 %, but there are huge regional differences among counties; Eastern Uusimaa 5 % to Kainuu 17 %. The employment rate is 68 % in Finland. In the government programme it has been proposed 70 % target level for employment rate and it has been reached already now in several counties, which are the growth areas of Finland. It has been estimated that the production will grow between 2000–2015 2–3 % per each year on average. The number of jobs will grow in each county but the growth will diminish all the time and nearly stops in the 2010s because of diminishing of labour supply (Mella 2001). It has been estimated that full-employment is possible to

reach with 70 % employment rate according to Työvoima (Labour Force) 2020 -report (Turun Sanomat 2002). This it is necessary also to secure the basis of the public economy and welfare state (Talousneuvosto 1998).

The production and employment have developed favourable in Finland and in its regions after the depression during the first half of the 1990s. Regional concentration has gained strength and the regional differences have grown during the fast economic growth. The main part of the growth has occurred in the growth centres, where the service enterprises of electric and electronic industries are mainly located. This reflects straight to the demand of labour force and also to population development. Migration between the regions has been very strong and because of it the population growth has stopped in many sub-regions (see Mella 2001). Very alarming development is in the municipalities where natural population decrease is higher than natural population increase. In 1999 there were 62 % of all municipalities, so-called end of the world municipalities, facing this situation (Nieminen 2001).

Population decline and ageing are regional problems, and especially in the rural areas the trend has been negative due to selective out-migration. Migration will also be affected by the over-supply of labour force for example in the province of Oulu, i.e. the number of people reaching working age every year is higher than the annual retirement figure. This demographic migration pressure (potential) has been the highest in the province of Oulu (Valkonen 1991).

According to the forecasts the population grows during 2000–2015 only in five counties and within them mostly in the growth centres. Fastest growth will be still in the capital area and in the Uusimaa county where the capital area is located. After natural population increase slows down and turns to decrease the meaning of migration for the regional population development will grow higher and in the future it is the only way to increase population and labour force in different regions.

Regional labour force reserves are huge. One third of them are under 25 year olds and one third of 50+ years olds. Relatively the greatest labour reserves are in the counties of low employment rate, i.e. Kainuu, Lapland and Northern Karelia. Because the migration propensity of educated is the highest, the employment rates are the lowest in the migration loss areas. One problem is that in many regions there is no demand for the labour reserves because people are old and low educated. Also migration propensity away from native locality is quite low for those who are nearly at the retirement age (see Mella 2001; Parkkinen 2001).

In the counties there have been selected the main focal points for which they can put efforts. One main area is competence. For example in Kainuu it has been analysed together middle grade education and adult education against labour demand and supply. The education structure has been modernized and still it is in progress in the county. In the projects, it has been put visions to the future, open some value chains of main branches and calculated education needs in numbers in each branch.

Co-operation and networking create possibilities for different type of regions. Great growth centres are important for the economic development in Finland and they are necessary ”engines” which create many-sided function surroundings for enterprises and education institutions. There will be also new suppositions for localization – local specialization in which the local special competence can be used effectively. All areas can’t succeed in developing new technology but they can be effective in adapting it in the traditional sectors. Local ability to take initiatives is important especially in the remote rural areas. Vital regional centres are necessary for the less developed regions to get the balanced regional structure (see Talousneuvosto 1998; Mella 2001).

The factors that affect to the successful location of the enterprises in the regional level are (Tietoyhteiskunta-asiain neuvottelukunnan raportti 2001; cf. Hyvärinen & Okko 1997):

- Regional position as a growth centre
- Good connections to Finland and internationally
- Supply of suitable labour force for enterprises
- Pleasant and safe living area and suitable price level
- The real profit from the educational institutions to the enterprises
- Qualified public and private services
- Good service level of information society (knowledge networks, support services and education)

- Existence of "engine" enterprises and clusters which support cooperation between enterprises

The good performance of the labour markets will be more important than earlier as an accommodating and competitive factor. The supply of labour force will be problem in many regions and there will be lack of both specialists and ordinary workers. To avoid labour shortage it is essential to increase mobility in the labour markets. Lack of rented apartments in the growth areas and difficulty to get rid of owned apartments in the lagging areas are effective drags on mobility. Work opportunities should be shown also outside of own living area and from new occupational sectors. So-called transformation education is one possibility. There are examples like construction engineers have been educated to electronic and IT-sectors (Talousneuvosto 1998). One dynamic labour market area will be the capital area-Turku-Tampere -triangle (Mannermaa 2002).

Finally, some interesting notions have seen in the labour markets in Finland. The academic people get employment very often from the hidden labour markets. It means that the open vacancies are not declared open. The employment channels are different contact networks and spontaneously search of the new jobs (Rouhelo 2002). In IT-sector, it has been found out that of highly educated two persons out of five move from job to job and from enterprise to enterprise. The next enthusiastic were highly educated in construction and health services: almost one third of them changed the job in 1998. Annually on average every fifth highly educated change the working place. People under 35 years old were the most willing to change the job and there were no differences among men and women (Vehkakoski 2002). In Finland, there are quite many jobs that are temporary and lasting certain time. Those who have had many "bit-work-periods", they have had higher likelihood to get permanent job than other unemployed. It is also need to get better working conditions in the working places. To avoid burn out in the jobs it is need to have so called ability to work actions for the workers. This is the way to avoid also early retirements (Talousneuvosto 1998).

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