

# What to expect on the Finnish labour market ?

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# Contents

1. Economic development
2. Labour market trends and characteristics
3. Connection between economic development and employment
4. Forecasting employment development in short term
5. Economic and labour market policies



# Economic development ( The Ministry of Finance)

- **Finland has experienced a strong economic growth since the depression of 1990s. Economic developments have also been among the strongest in the euro area during the latest upswing.**
- **We have been able to take advantage of the opportunities offered by the globalisation. Exports have expanded much more than GDP growth. The ratio of exports to GDP climbed from one fifth at the beginning of the 1990s to one half in 2008.**
- **The sharp fall in total output occurred late last year. Especially the volumes in industrial production and exports have fallen sharply and there are no signs of improvement in horizon. In 2009 GDP is estimated to drop 5-6,5 %, in spite of the stimulus package included in supplementary budget.**
- **The nature of expectations ( self realising expectations) plays now an important role in economy. Households are increasingly cautious which hampers consumption and encourages saving.**
- **There is no threat of bank crisis this time. Nor a collapse in domestic demand, similar to the one during the 1990s slump is likely to occur again.**
- **The recovery of the Finnish economy is intimately connected with the cyclical state of international economy.**



# Economic developments in Finland

Key forecast figures	2006	2007	2008*	2009**	2010**
	change in volume, %				
<b>GDP at market prices</b>	4,9	4,2	0,9	-5,0	-1,4
<b>Imports</b>	7,8	6,5	-1,3	-13,1	-1,4
<b>Exports</b>	11,8	8,1	-1,1	-17,4	-1,9
<b>Consumption</b>	3,0	2,5	1,9	-0,7	-0,3
<b>Investment</b>	4,8	8,7	1,0	-9,0	-5,0
<b>Total demand</b>	5,7	4,9	0,3	-7,3	-1,4
<b>Services, change in volume, %</b>	3,2	2,4	1,5	-1,5	-0,7
<b>Industry, change in volume, %</b>	10,5	8,6	0,3	-12,0	-2,7
<b>Labour productivity, change</b>	3,5	2,5	-1,7	0,3	0,6
<b>Employment rate, %</b>	68,9	69,9	70,6	67,3	66,6
<b>Unemployment rate, %</b>	7,7	6,9	6,4	9,0	9,5
<b>Index of wage and salary earnings, change, %</b>	3,0	3,4	5,2	5,0	3,5
<b>General gov. gross debt (EMU), % of GDP</b>	35,3	31,2	29,2	35,8	42,6

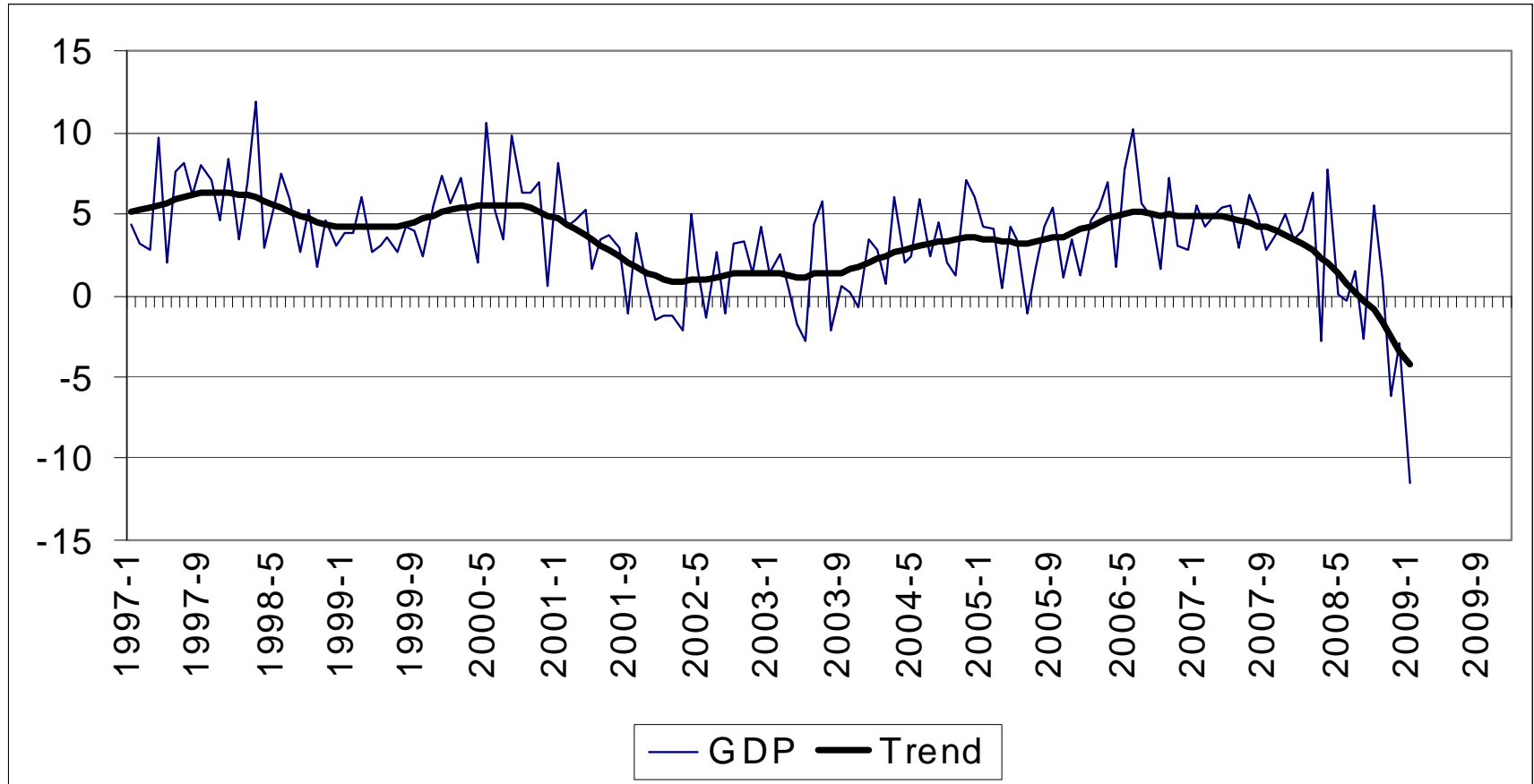


Sources: Statistics Finland, Bank of Finland, EU

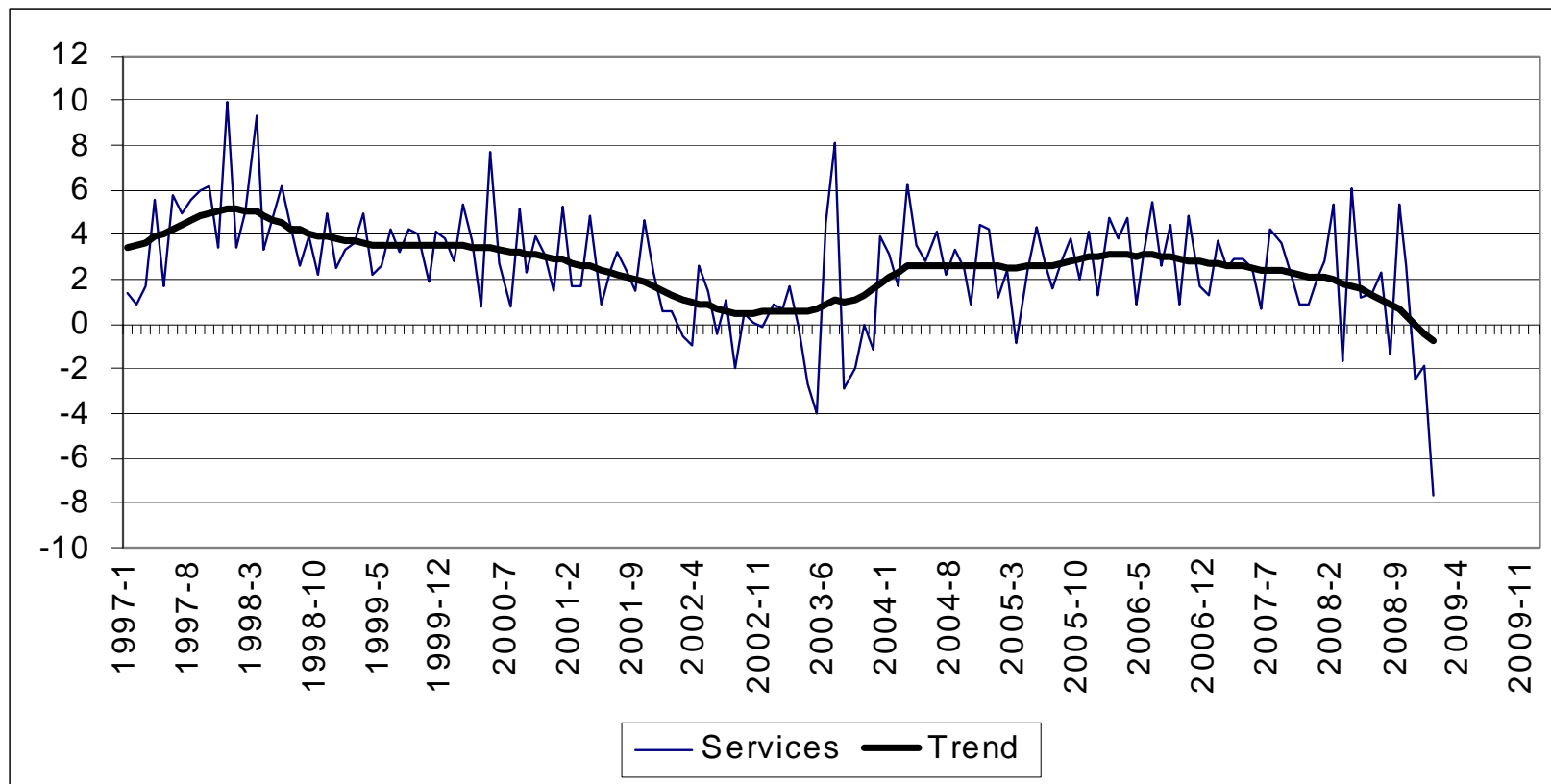
TYÖ- JA ELINKEINOMINISTERIÖ  
ARBETS- OCH NÄRINGSMINISTERIET  
MINISTRY OF EMPLOYMENT AND THE ECONOMY

Forecast: Ministry of Finance

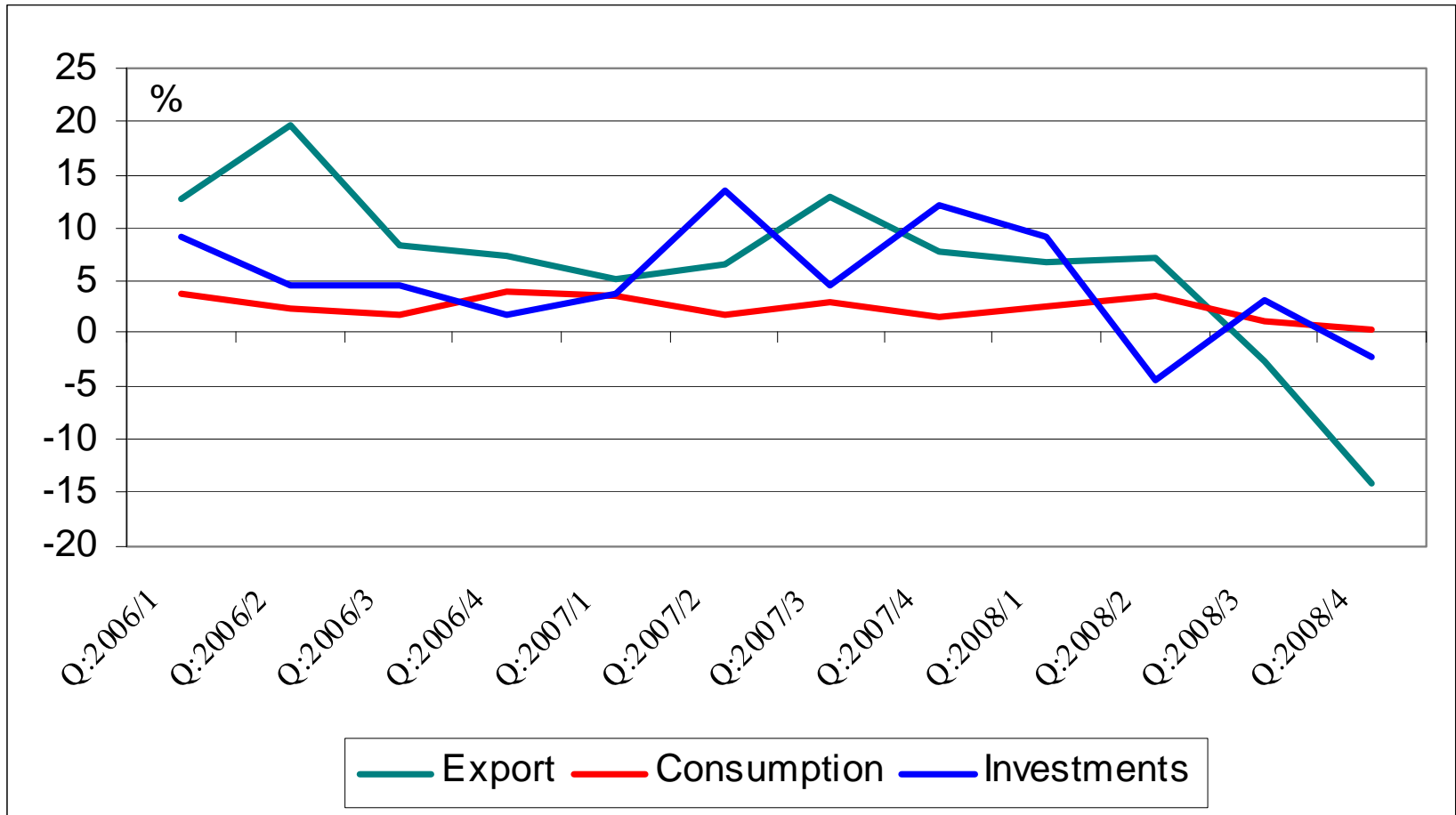
# GDP growth in 1997- 2009 (I), monthly figures



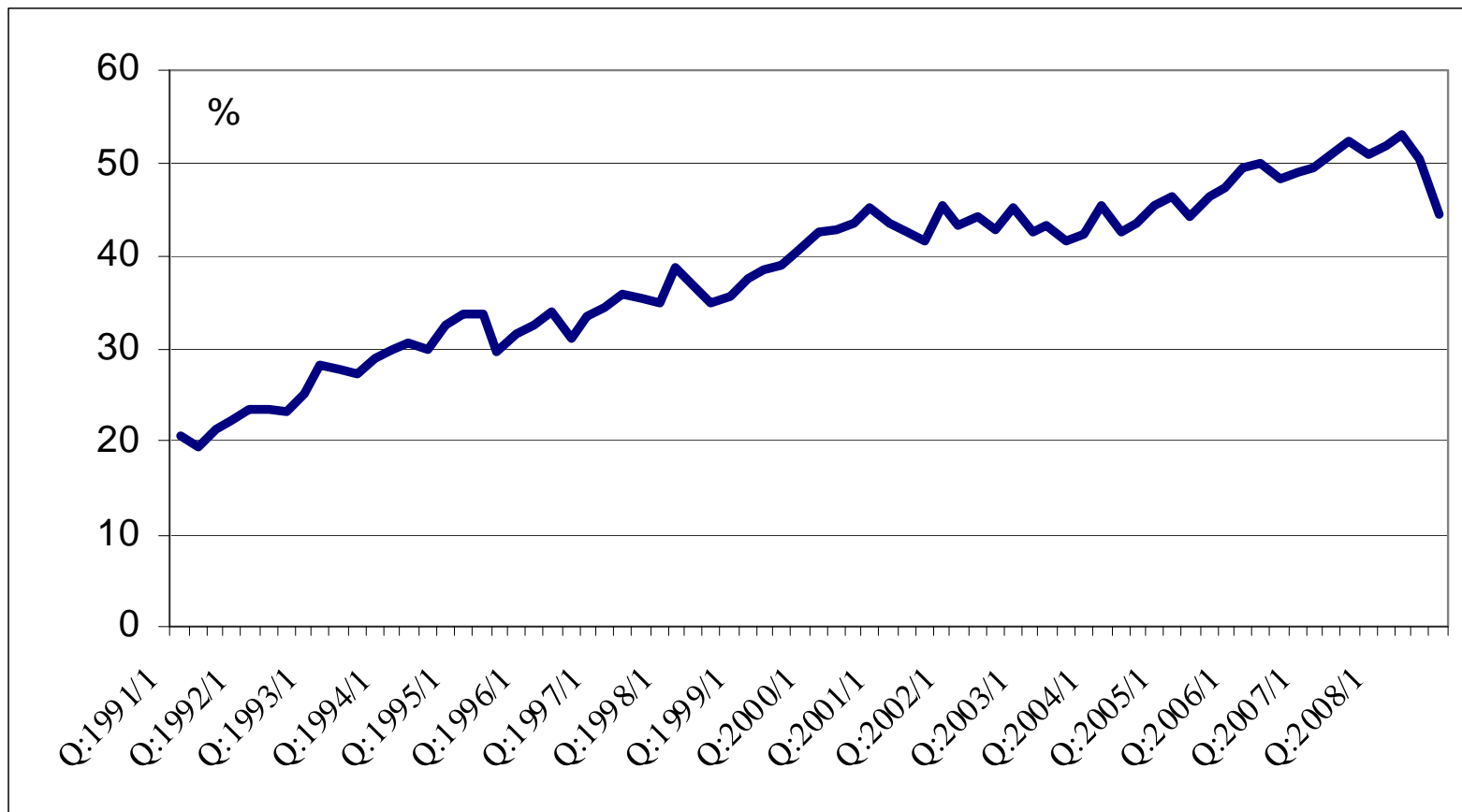
# GNP growth in the tertiary industries in 1997-2009 (I), monthly figures and trend



# Change in demand 2006 – 2008, quarterly figures



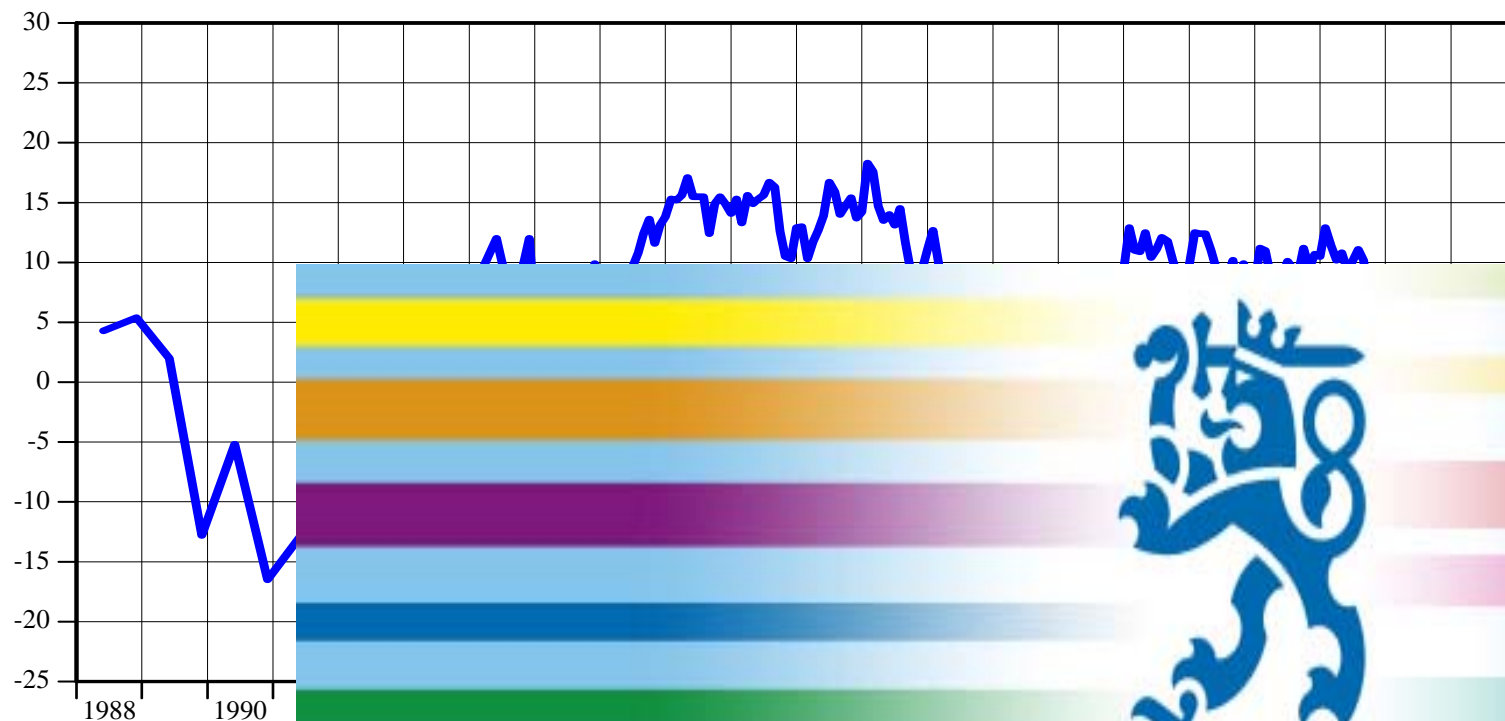
# Ratio of exports to GDP in 1991 – 2008 (IV), quarterly figures





# Consumers' confidence index 1988-2009 (II)

## Kuluttajien luottamusindeksi (talouden tila ja työllisyys)



18.3.2009/TEM

Lähde: Tilastokeskus

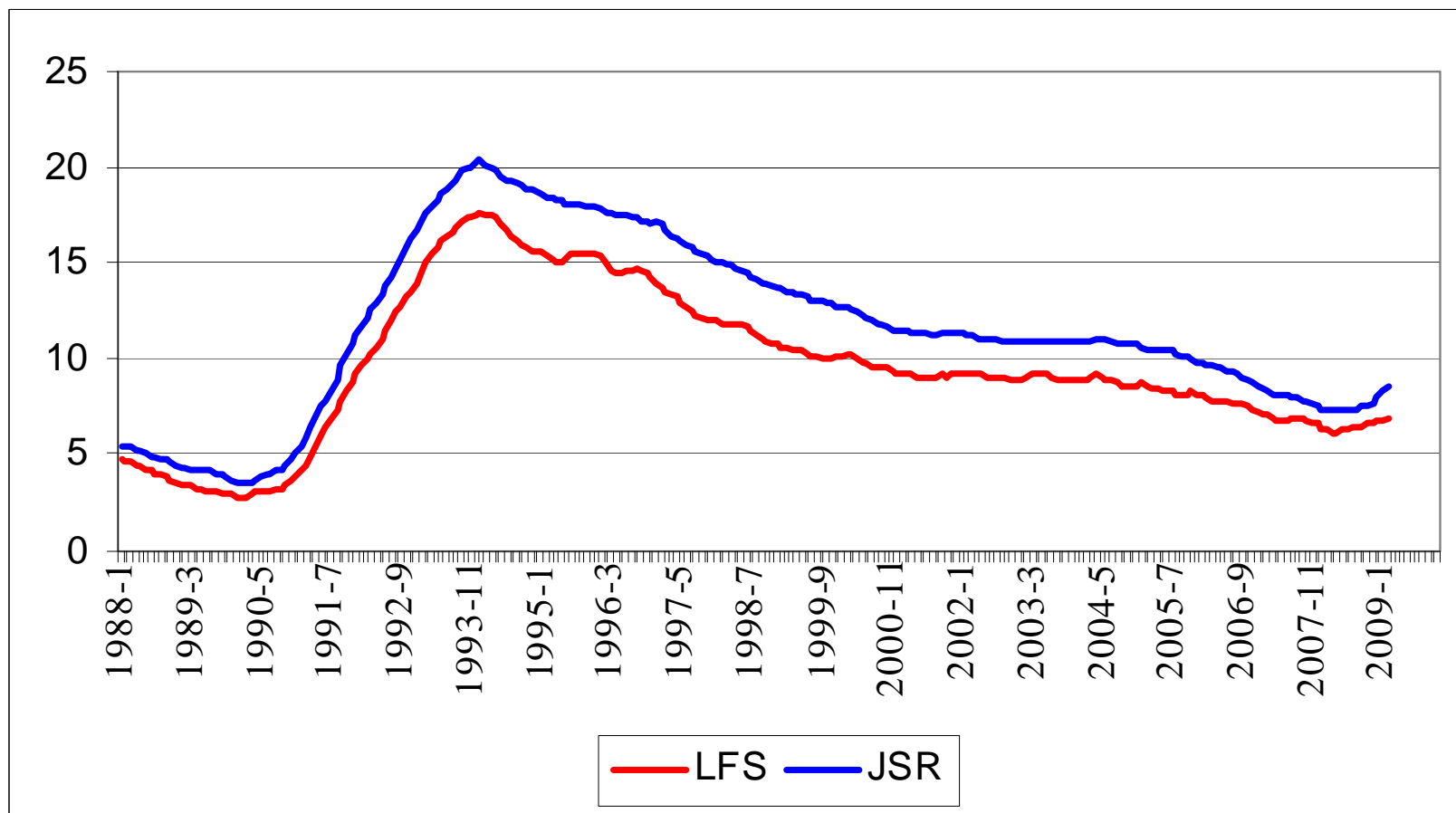


# Labour market trends and characteristics

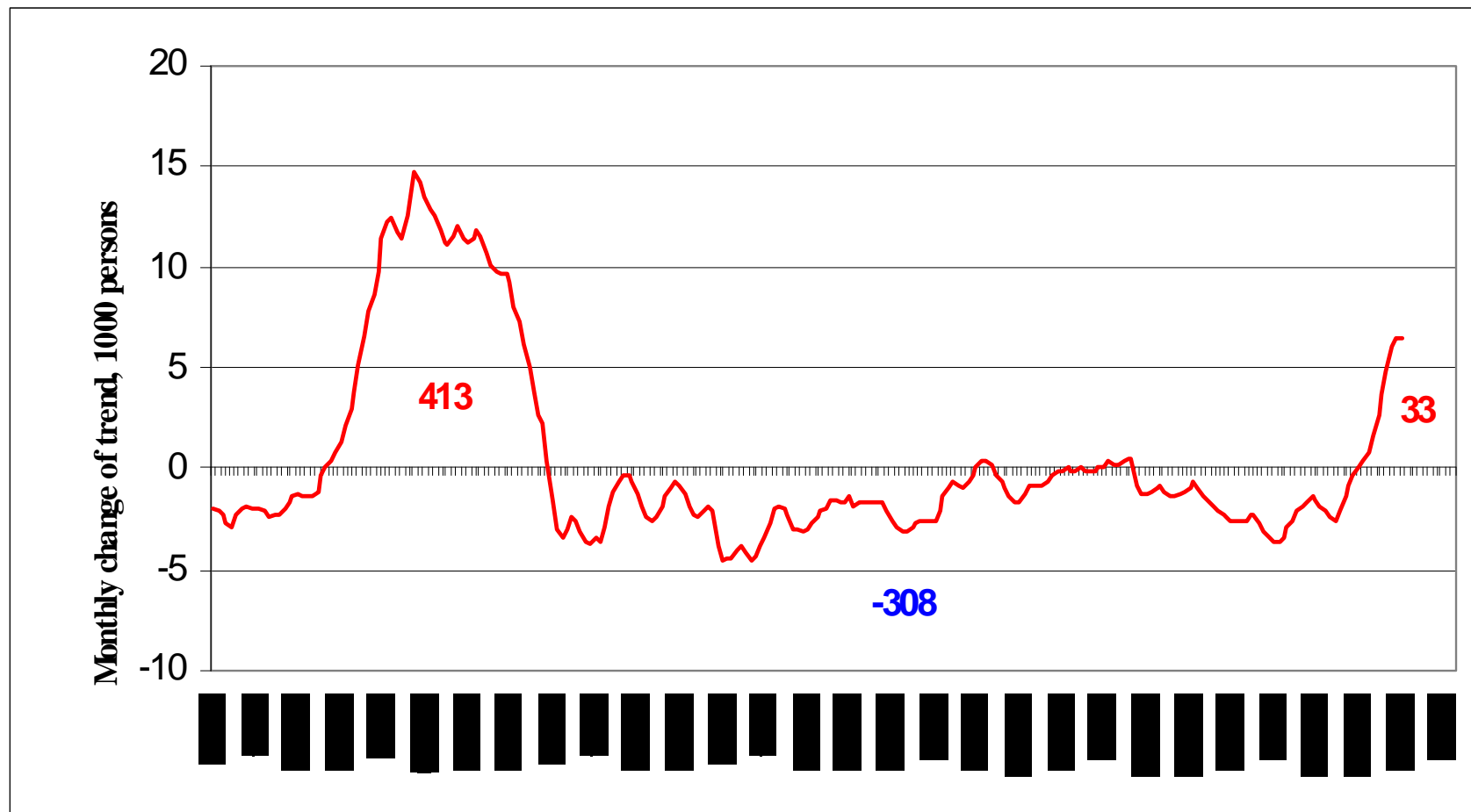
- **The turning point of the cycle has recently come up in the labour market, especially in employment offices, which record the laid offs to unemployment. The lag between production and employment is about a half year, and thus, until now the deterioration of labour market situation has been quite moderate.**
- **Long term trends in the labour market have declined the employment threshold of GDP. Compared to the depression of 1990s, less economic growth is needed to maintain employment; > Contribution of the growth in the service sector, part-time employment, subsidised jobs, removing of income traps, etc.**
- **Over the 2000s, the structure of unemployment has greatly improved in that the long-term unemployment and other structural unemployment have declined considerably.**
- **During the long period of growth labour shortages began to occur resulting in excess demand of labour ( labour hoarding) and declining productivity in 2008.**



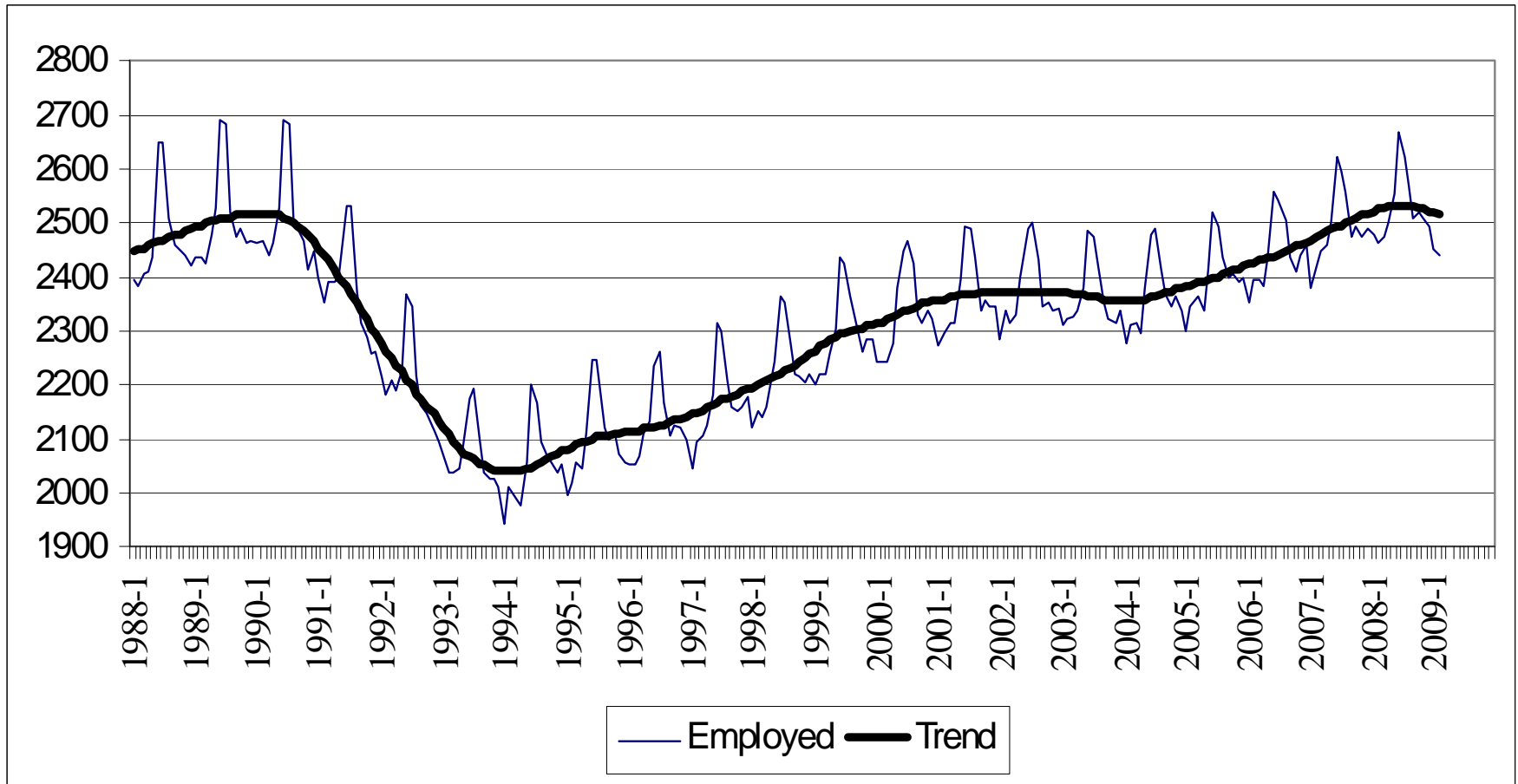
## Unemployment rates according to the LFS and the JSR in 1988- 2009 (II)



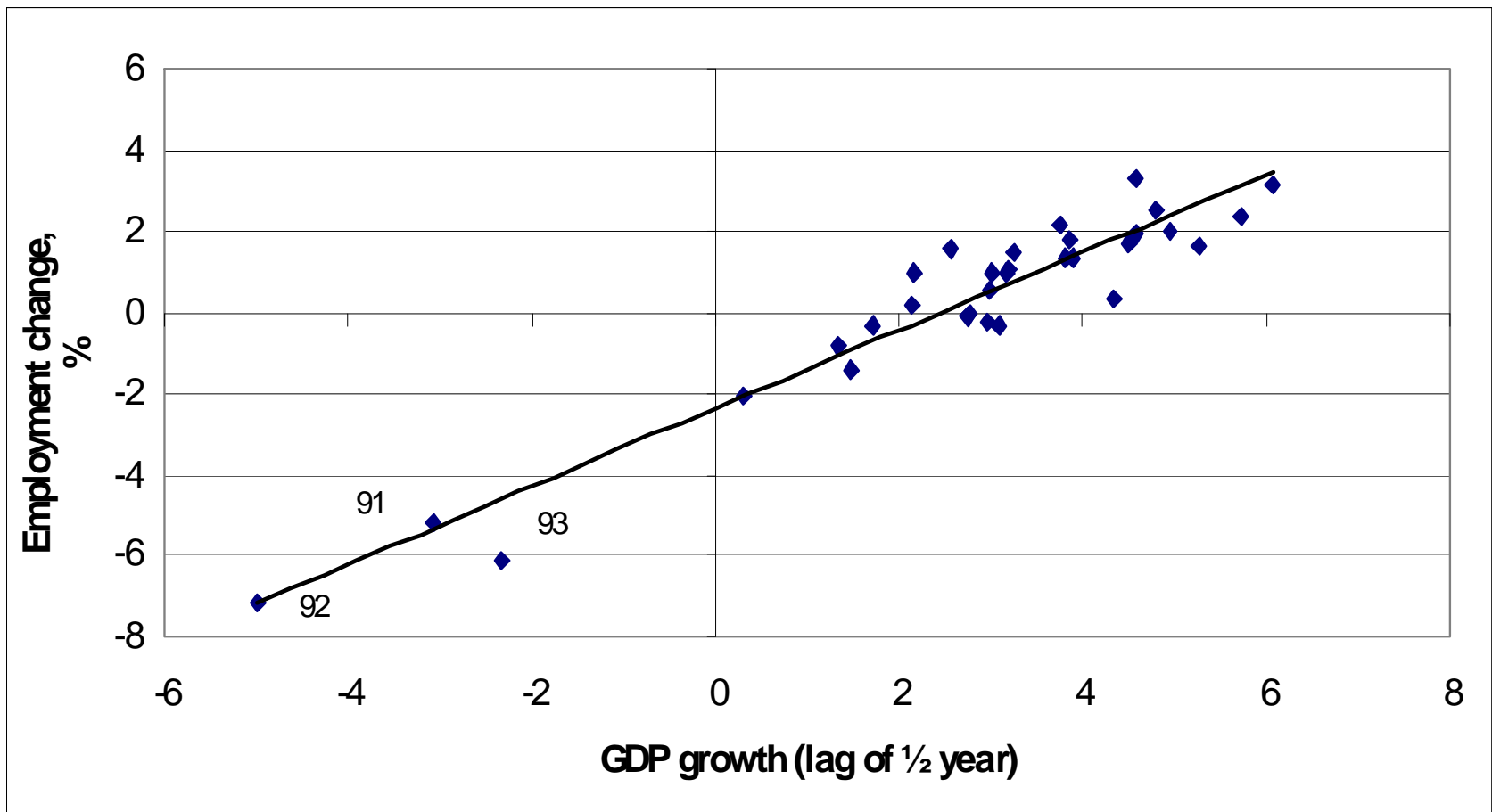
# Monthly change in the number of registered unemployed persons in 1988-2009 (II), (change in trend)



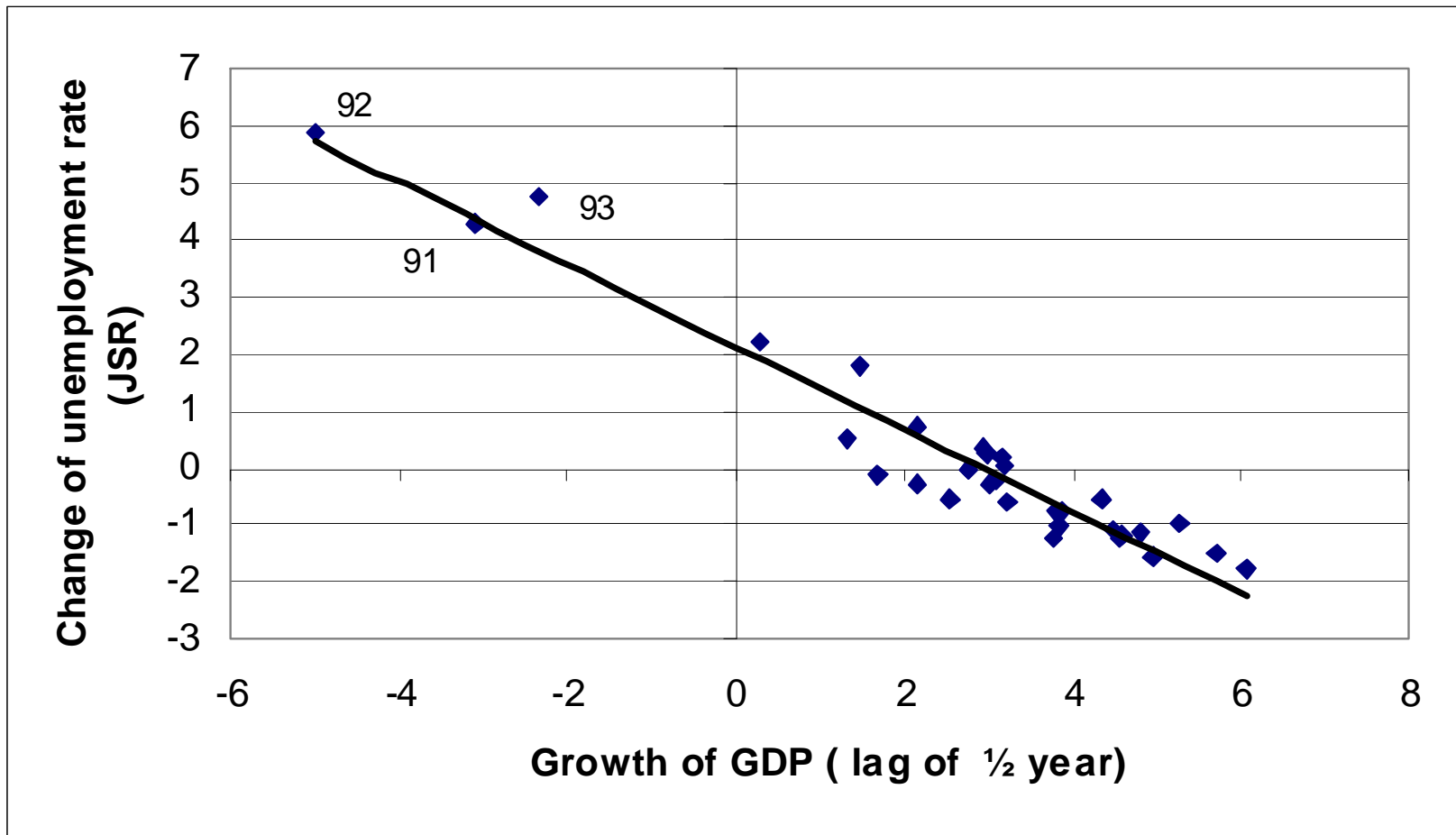
# Employed persons in 1988-2009 (II), 1000 persons, monthly figures



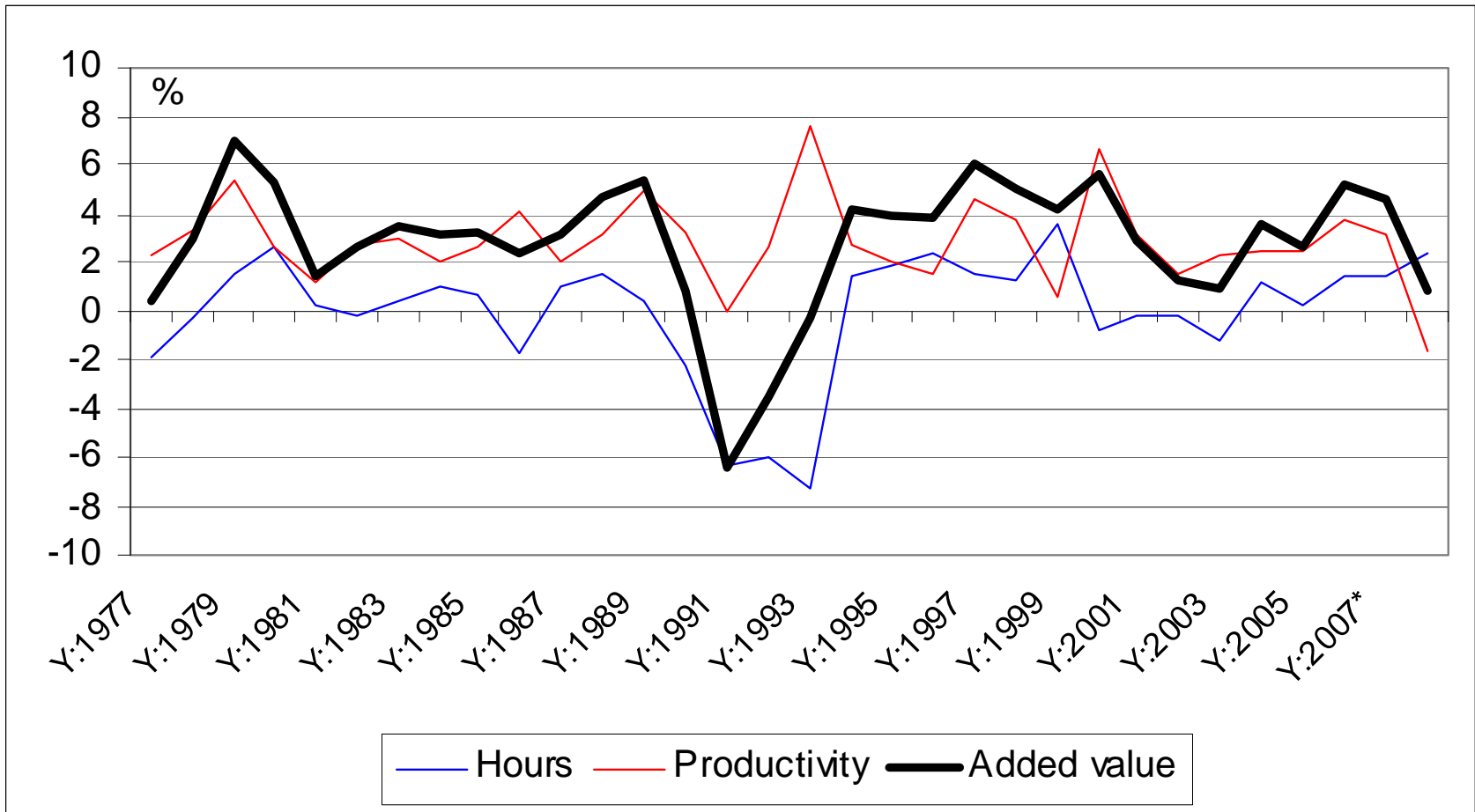
# GDP growth and change in employment 1977 - 2008



# GDP growth and change in unemployment rate in 1977 – 2008

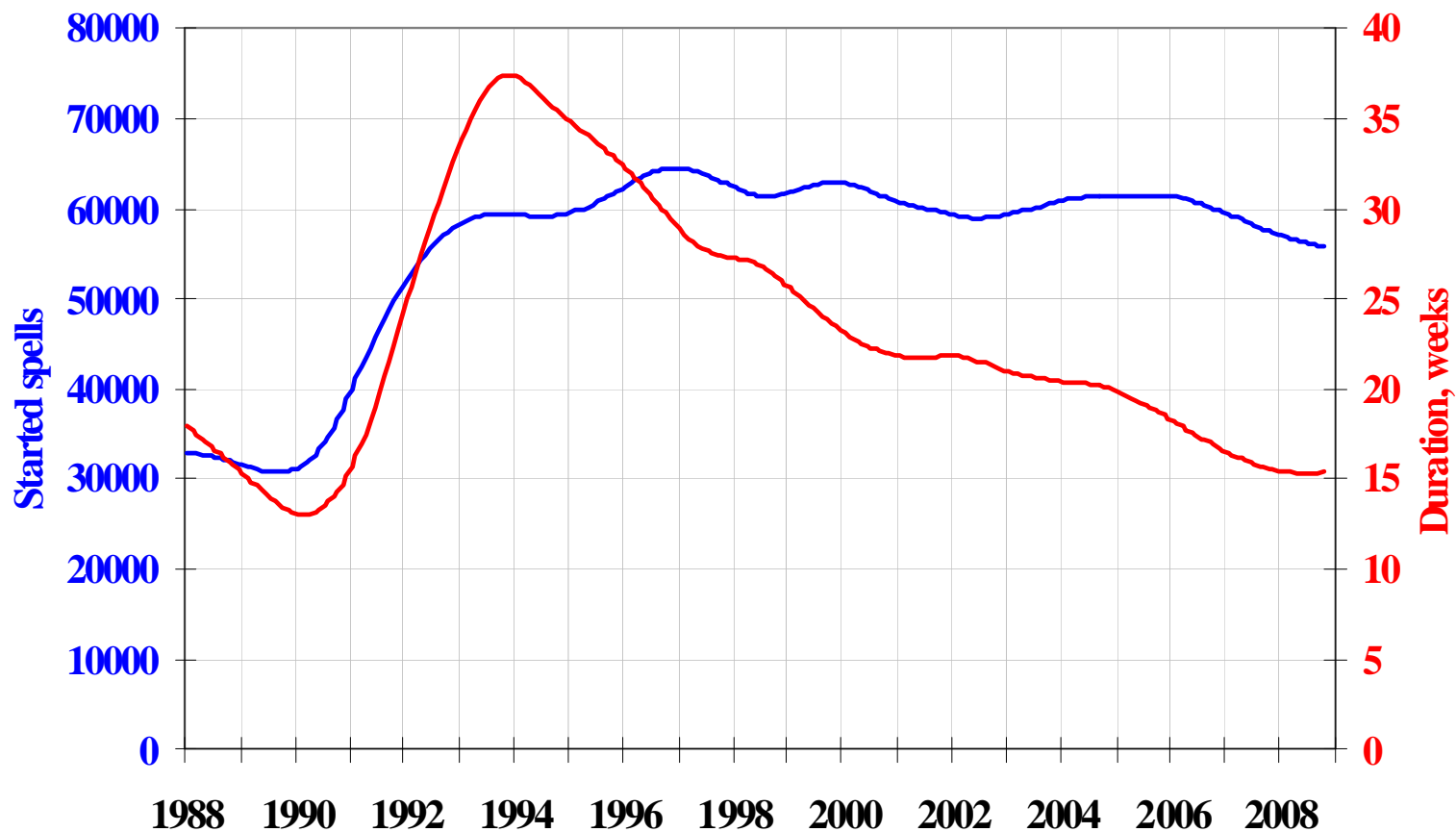


# Growth of output = increase of hours worked + increase of productivity per hour

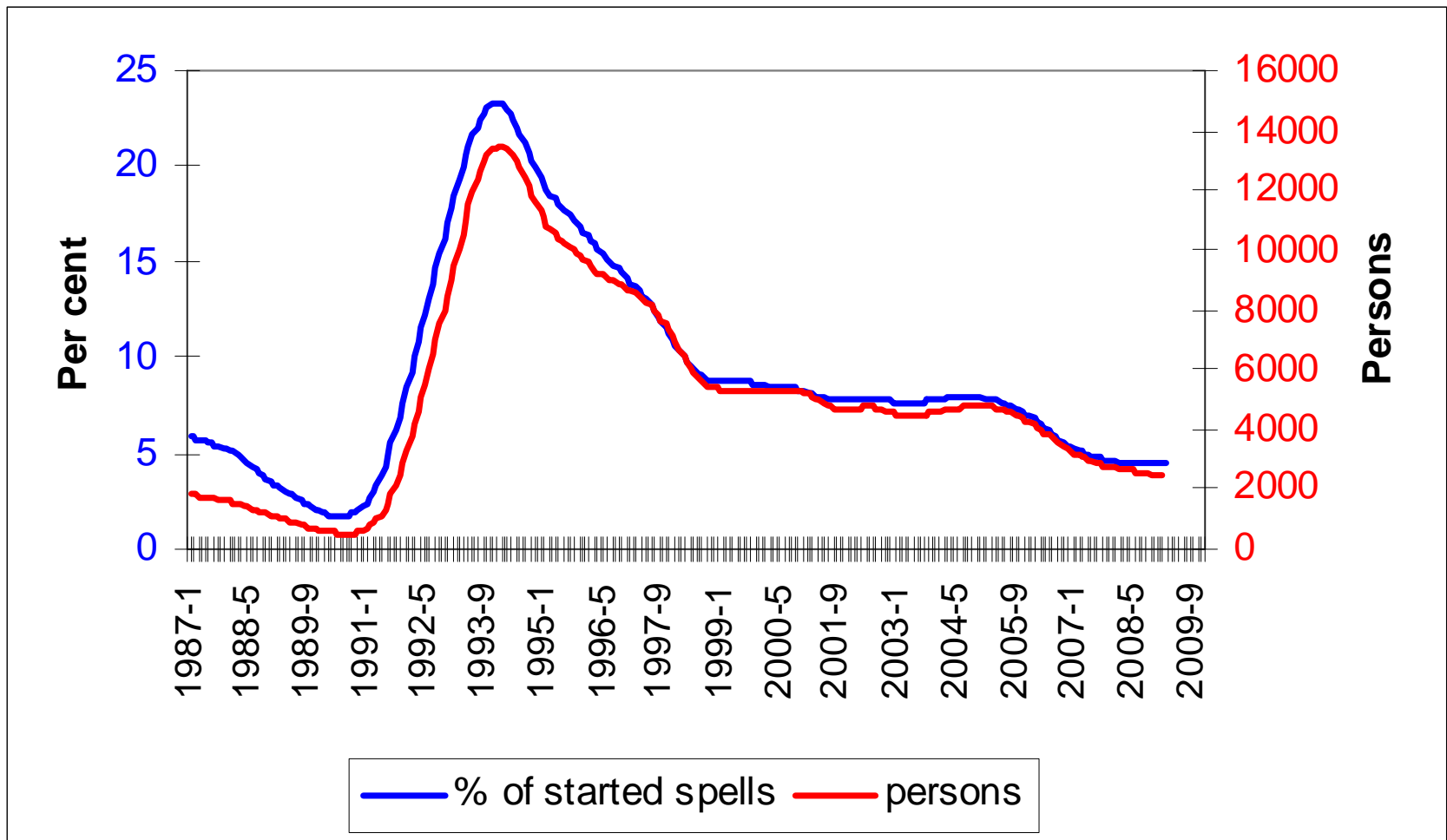




## Started unemployment spells and average length of a spell (monthly figures, trends)



# Inflow to long term unemployment 1987-2009 (II)



# Structural unemployment (hard to place job-seekers) in 1997, 2004 and 2008, in average

	2008	2004	1997	1997 - 2008 change	1997 - 2008 change %
<b>a Long-term unemployment ( 12 months)</b>	<b>43 700</b>	<b>73 000</b>	<b>128 800</b>	<b>-35 400</b>	<b>-66,1</b>
<b>b Recurrent unemployment (12/16)</b>	<b>29 600</b>	<b>41 800</b>	<b>64 800</b>	<b>-16 000</b>	<b>-54,3</b>
<b>c Unemployed after participation in active labour policy measures</b>	<b>28 000</b>	<b>39 500</b>	<b>57 800</b>	<b>-29 800</b>	<b>-51,6</b>
<b>d Recurrent participation in ALMP measures (12/16)</b>	<b>9 400</b>	<b>13 200</b>	<b>22 500</b>	<b>-13 100</b>	<b>-58,2</b>
<b>Structural unemployment ( a + b + c + d)</b>	<b>110 600</b>	<b>167 600</b>	<b>274 000</b>	<b>-163 400</b>	<b>-59,6</b>
<b>Per cent of labour force</b>	<b>4,1</b>	<b>6,5</b>	<b>11,0</b>		

*b) unemployed who have been unemployed in total 12 months during the last 16 months*

*d) those placed recurrently in LMP measure who have been unemployed or in measure in total 12 months during the last 16 months*

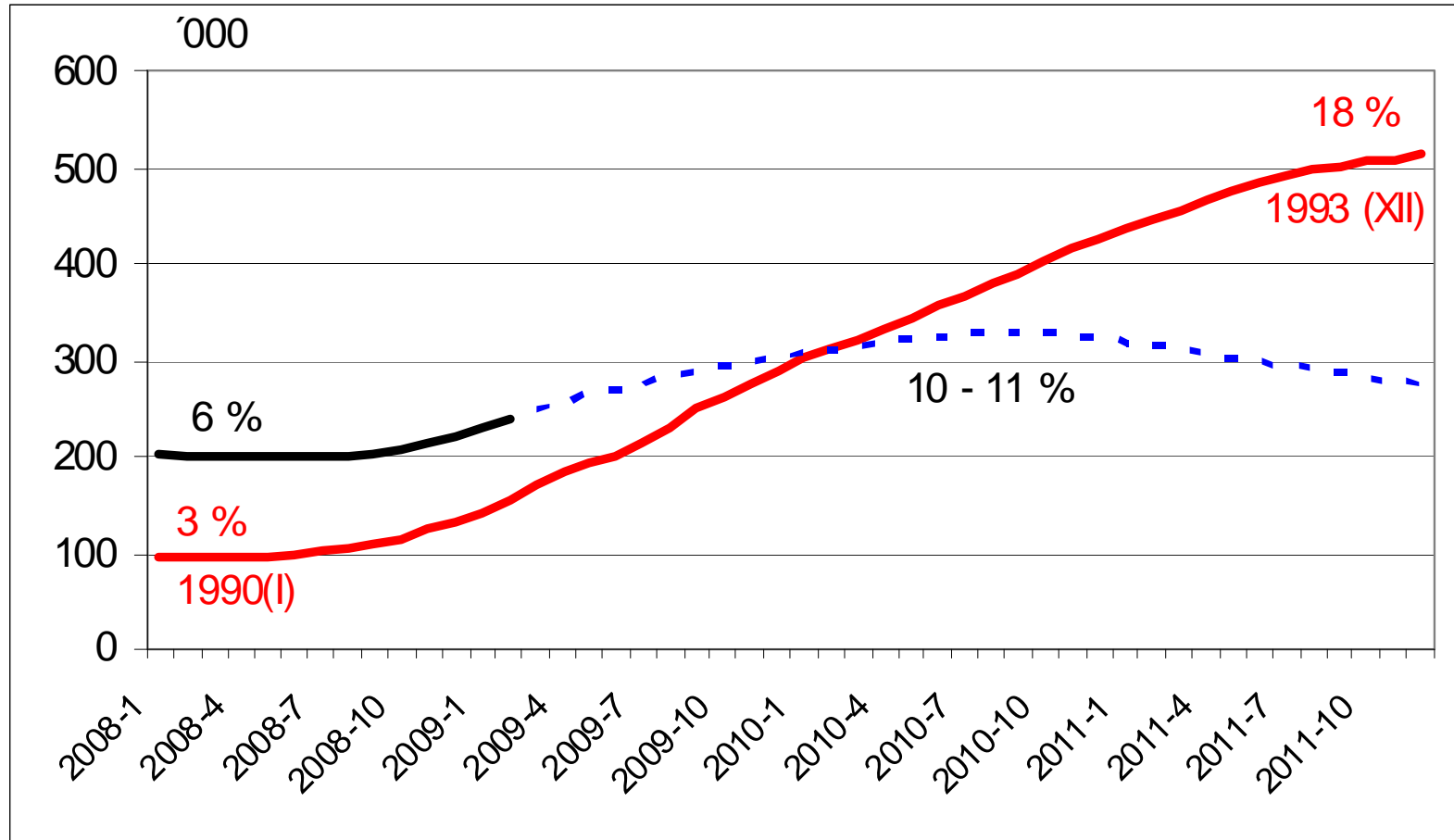


# Forecasting employment development in short term

- The outlook for next year is still unclear. Recovery is expected to start, but there is still the risk of a global depression.
- **Should the global economy start recovering early next year at the latest, growth in Finland will soon follow.**
- Domestic demand now plays a smaller role in relative terms and thus it alone cannot prevent a substantial fall in employment.
- **Employment remained at a high level until the end of 2008, but serious deterioration will be experienced this year. Over one hundred thousand jobs (- 5 % ) will be lost during the next two years and the unemployment will rise at least to 10 %.**
- **In case the recovery would follow the same pattern as in the early 1990s, the losses of jobs will be even much bigger !?**



# Unemployment forecast compared to the path of 1990s, registered unemployment ( unemployment rate of LFS)

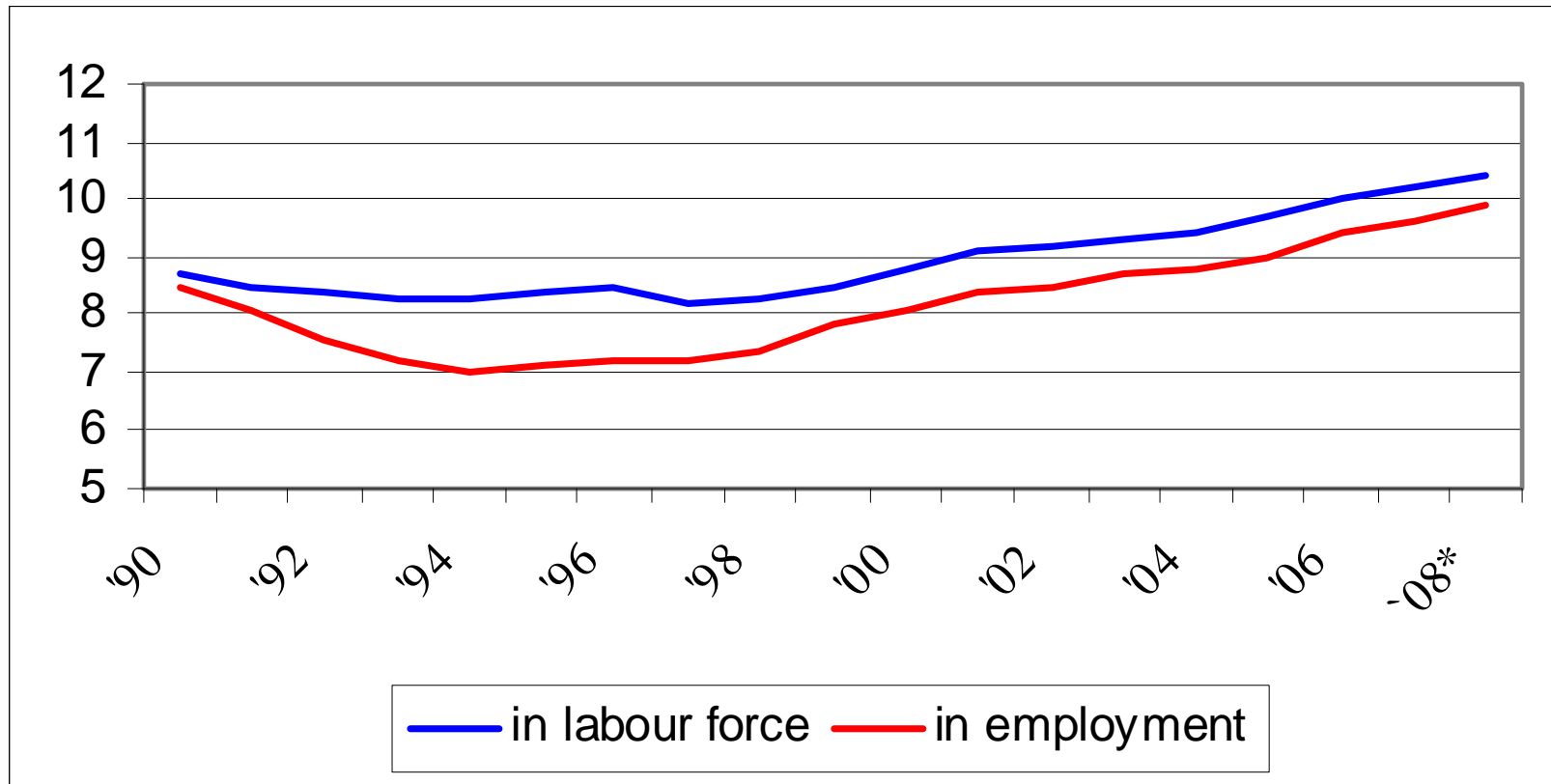


# Economic and labour market policies

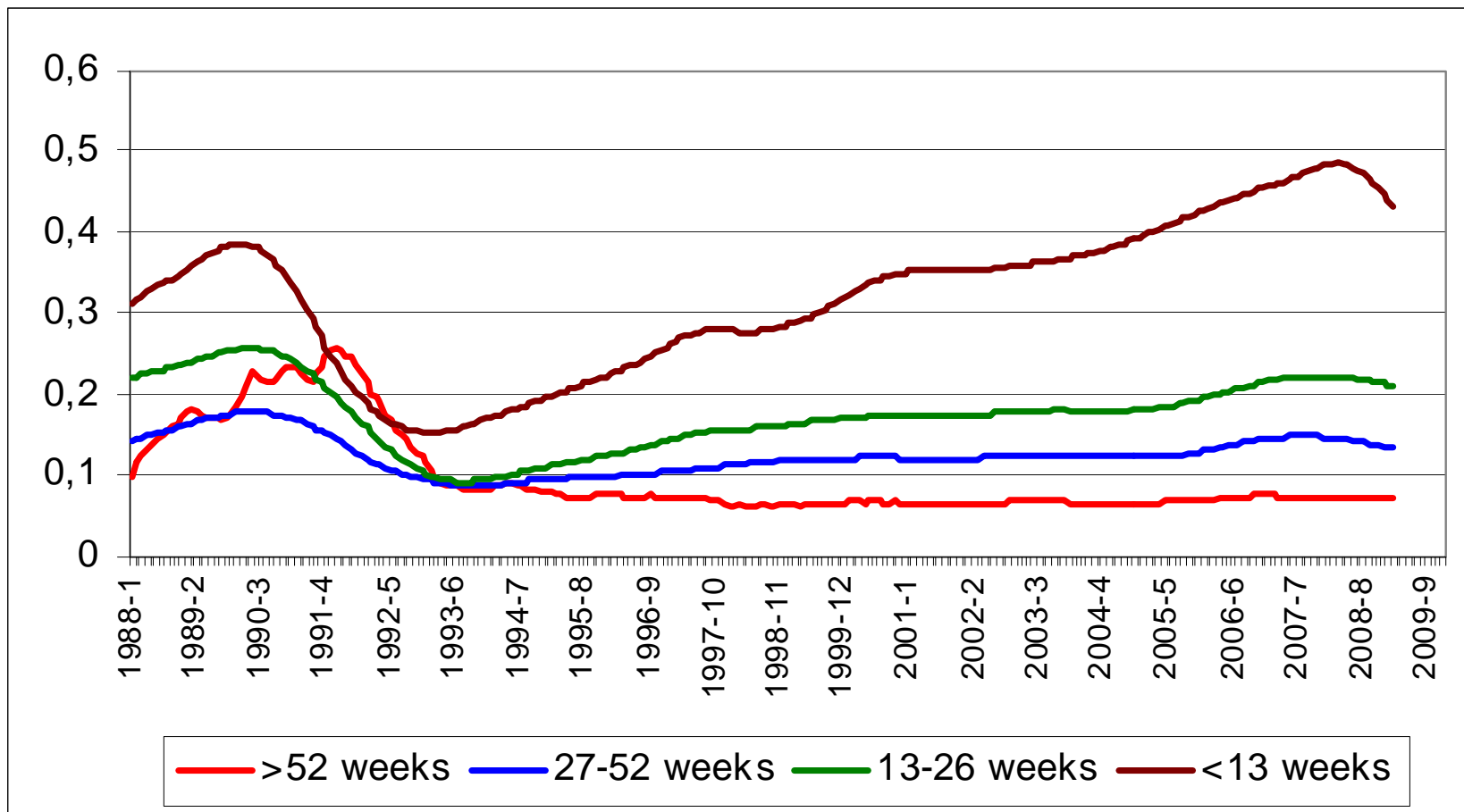
- **Two main challenges in the Finnish labour market**
    - **To ensure the availability of qualified labour for companies**
    - **To prevent the structural (long term) unemployment**
  - Economic growth in the medium term will be restricted by the shrinking of working age population and radical deterioration in the dependency ratio. This development will be more radical in Finland than in the rest of the EU and will also take place earlier.
  - Due to the ageing population and the stimulation of economy, the central government finances will soon deteriorate considerably. Central government will remain in hefty deficit for a number of years to come.
  - As the labour supply decreases, economic growth will have to rely on improved productivity.
  - Structural policy measures by the Government include improvements in matching demand and supply of labour, social security reform, tax cuts, reforms in education, training and labour policies.
  - Pressures for the increase of long-term unemployment will start again, if the recession would lengthen. Our experience indicates that the long-term unemployment is a national disaster which is difficult to cure
- >> cutting the public spending after the recovery has begun; lengthening working careers; more intensive training and research to upgrade the skills and production processes. The role of ALMP is a bit unclear !?**



# Expectation of time spent in the labour market at age of 50 in 1990-2008

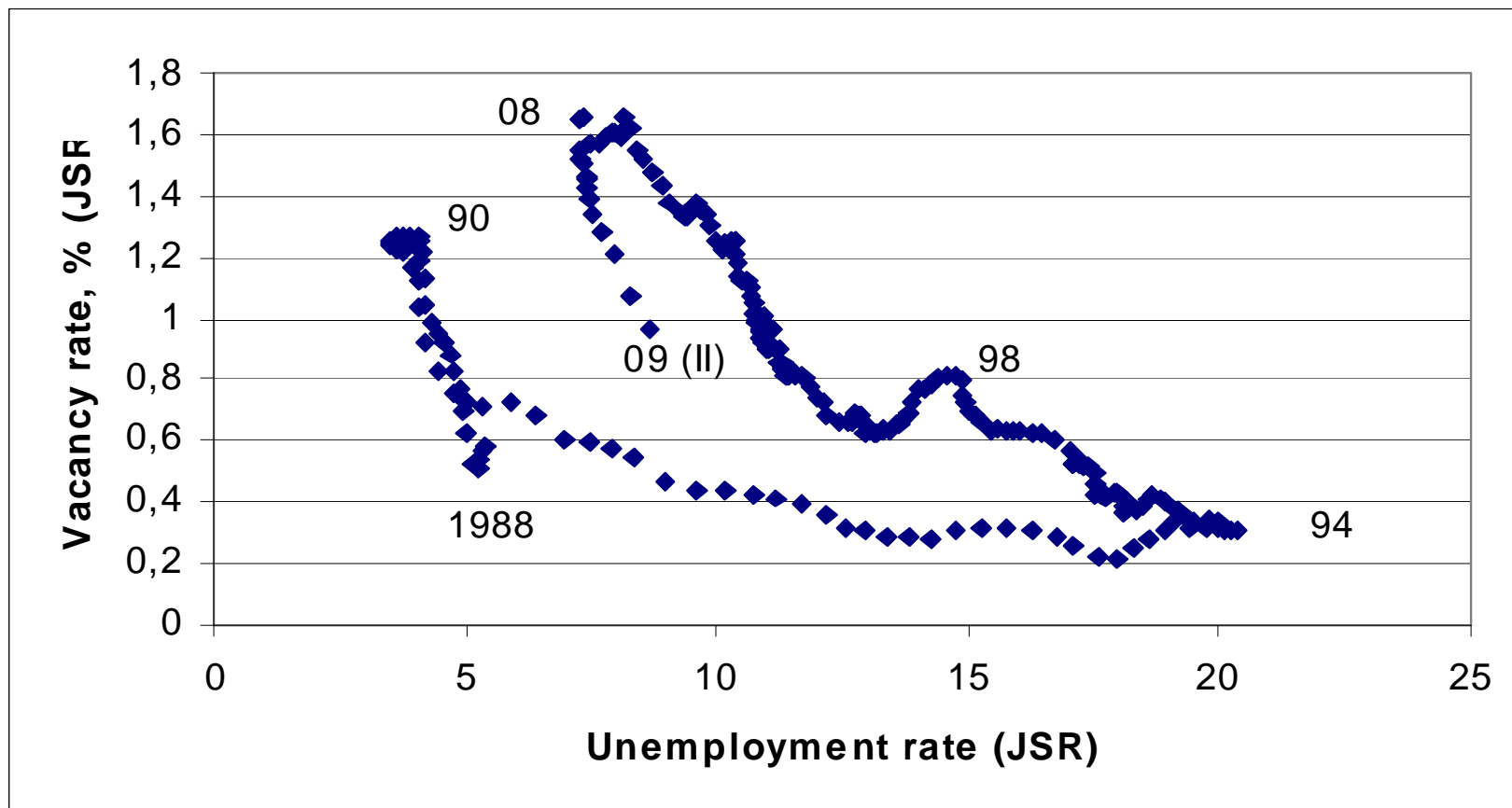


# Probability of an unemployment spell to end during one month by duration of unemployment, trends

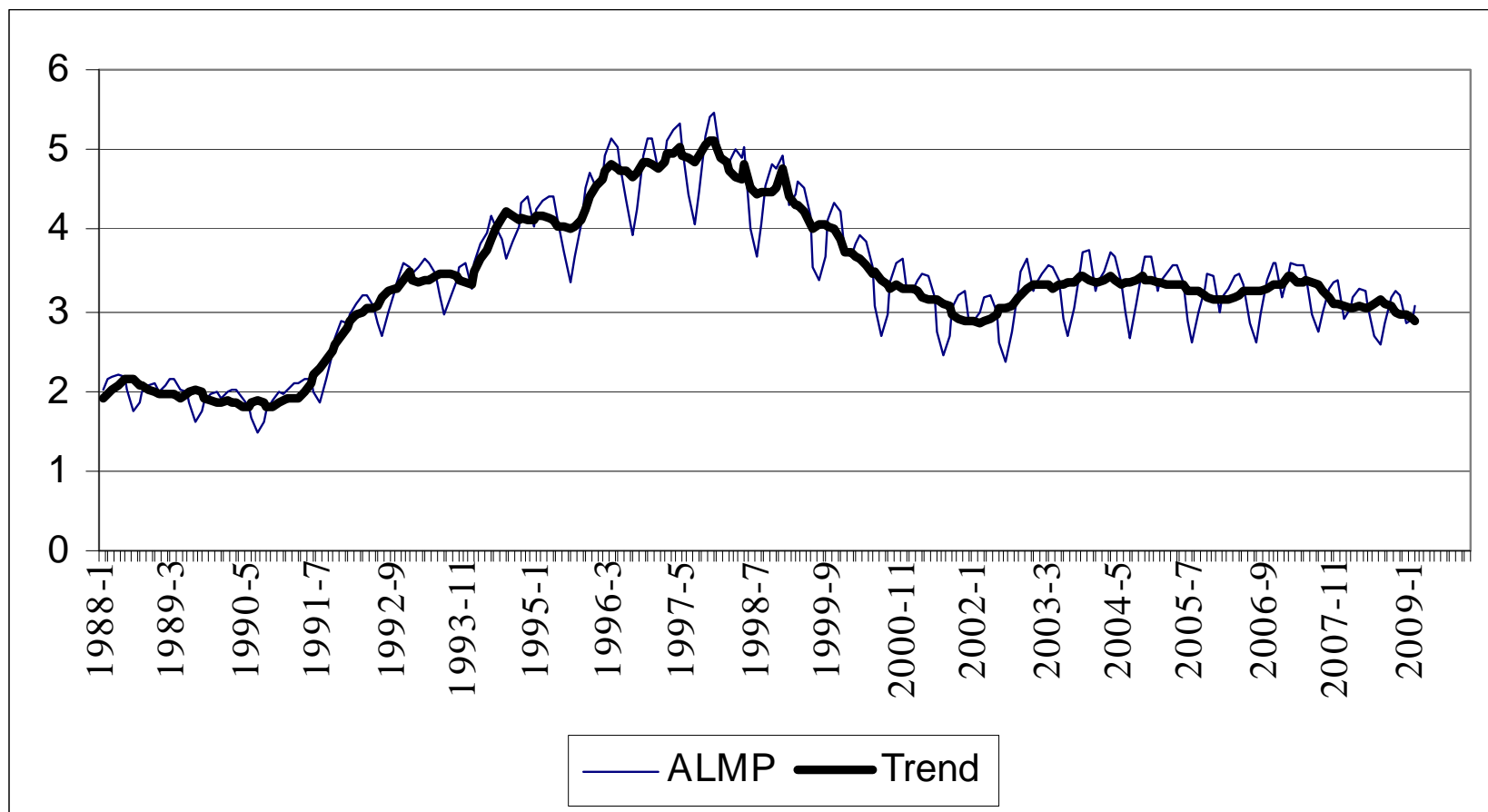




# UV- relationship in 1988 – 2009 ( II), monthly figures



# ALMP measures in 1988-2009 (II), per cent of labour force



## Activation rate of labour market policy in 1988 – 2009 (II), %

