

The demographic change challenges the sustainability of the Finnish society

Briefing package composed
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Introduction

Finland's population structure is going through a remarkable shift and requires close attention from decision makers. This demographic shift pertains to fundamental changes that impact individual lives, the economy, as well as the society as a whole.

This briefing package is provided by the Strategic Research Council's DEMOGRAPHY-programme and contains essential facts about demographic change and of items that should be paid attention to in decision making, and whose development should be monitored during the next government term and systematically from hereon.

FINLAND HAS ONE OF THE OLDEST POPULATIONS IN THE WORLD

Finland's population is ageing, that is, the share of the older age groups is increasing quickly. The low fertility of recent years further accelerates the rapid ageing of the population and the decrease of the working age population. Simultaneously the population diversifies ethnically and culturally, and the population is currently growing only due to immigration.

The development in Finland is in many ways different than in the other Nordic countries: our old-age dependency ratio weakens more quickly. A decrease in the population has been forecasted. By 2100, the Finnish population is estimated to shrink by one million, while Sweden's population would grow by three million.

POPULATION AS THE STARTING POINT FOR ALL POLICIES

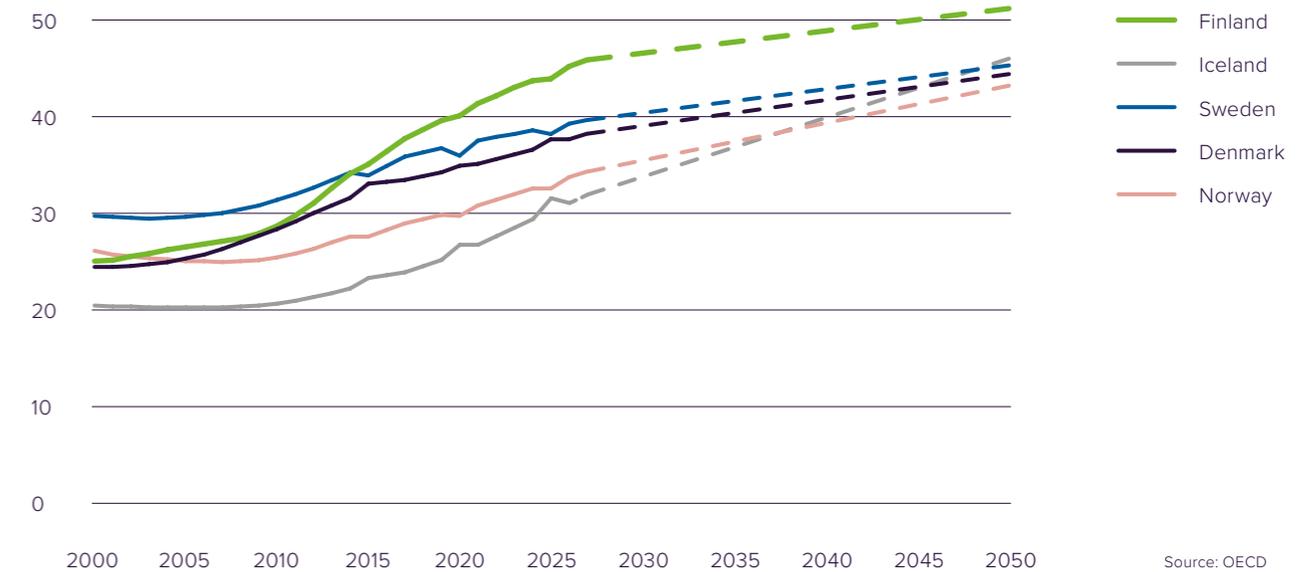
Decision making can influence population development and its consequences. To maintain and improve the social and economic sustainability of our society, it is essential to prepare for demographic changes. Sustainable societal development requires committed policy-making that spans over electoral terms.

Population issues pertain to all political enclaves and sectors of government, but are often ignored, as no single party is responsible. The population should be the basis of all policies.

Our population is one of the oldest: the proportion of 65 and older of the adult population is larger only in Japan and Italy.

In Finland, the old-age dependency ratio is deteriorating faster than in other Nordic countries.

Figure 1. Old-age dependency ratio (65+/20–64-y) in the Nordic countries 2000–2050 (observed and predicted)



Source: OECD

[The data of the graphs](#)

The change in age structure and dependency ratio

THE FACTS

1. Finland's population size is about 5.6 million. As of the year 2016, deaths have outnumbered births. Our population grows because more people are immigrating than emigrating.
2. The Finnish population is ageing quickly. The number of 80-year-olds and older is forecasted to increase by 320 000 individuals in the next 30 years. At the same time, the number of under 15-year-olds will decrease by 140 000.
3. There are approximately 0.62 under 15-year-olds and over 64-year-olds for each working age person in Finland currently. This demographic dependency ratio has risen sharply as the baby boomers have reached retirement age and is expected to rise to 0.7 by 2050.
4. Finland now has 1.3 non-employed individuals for each employed person. This economic dependency ratio has remained fairly stable in the 2010s due to the increase in employment rates.
5. The decline in fertility decreases the future working age population. If the number of born children had been at the 2010-levels in 2016–2020, the future labour force would be about 60 000 larger.



The fertility decline decreases the size of the future working age population.

THE INTERPRETATION

1. The fertility decline, growth of migration and increasing longevity are global trends that our society must prepare for.
2. Politics can shape many things, such as net migration and employment rate, which lag behind e.g., the Swedish levels.
3. The economic dependency ratio is more important than the demographic dependency ratio for the economic sustainability of the welfare state. Though, the demographic dependency ratio is the backbone of the economic dependency ratio.

PHENOMENA TO BE FOLLOWED

1. The dependency ratios (economic, demographic and old-age dependency ratio).
2. Sizes and proportions of age groups.
3. Population forecasts with alternative assumptions.
4. Healthy and productive years of life.

Figure 2. Proportion (%) of each age group in the population in Finland 2000–2050 (observed and predicted)

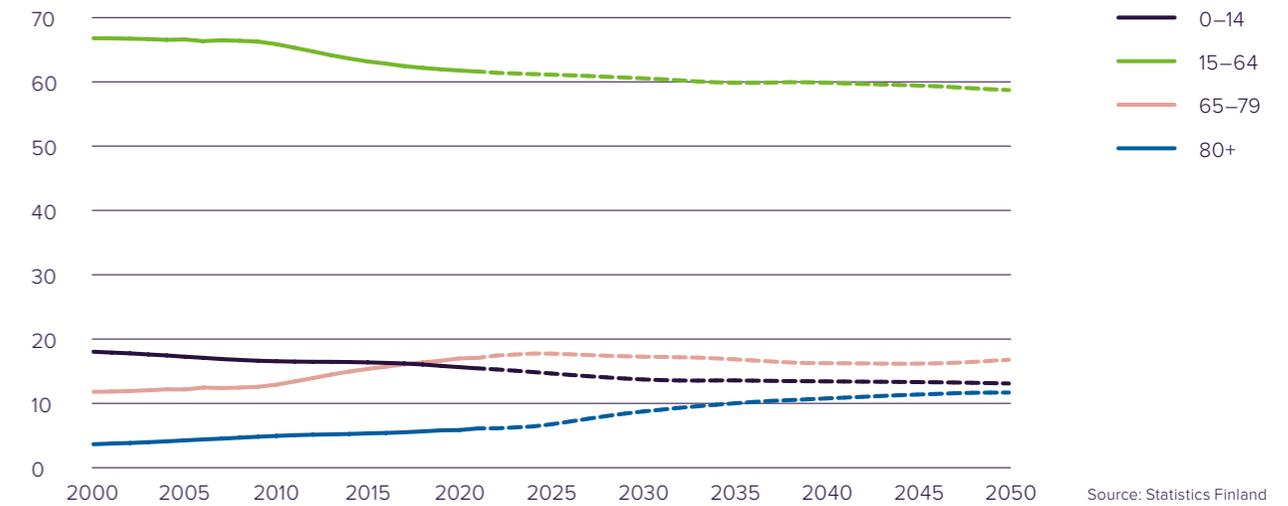
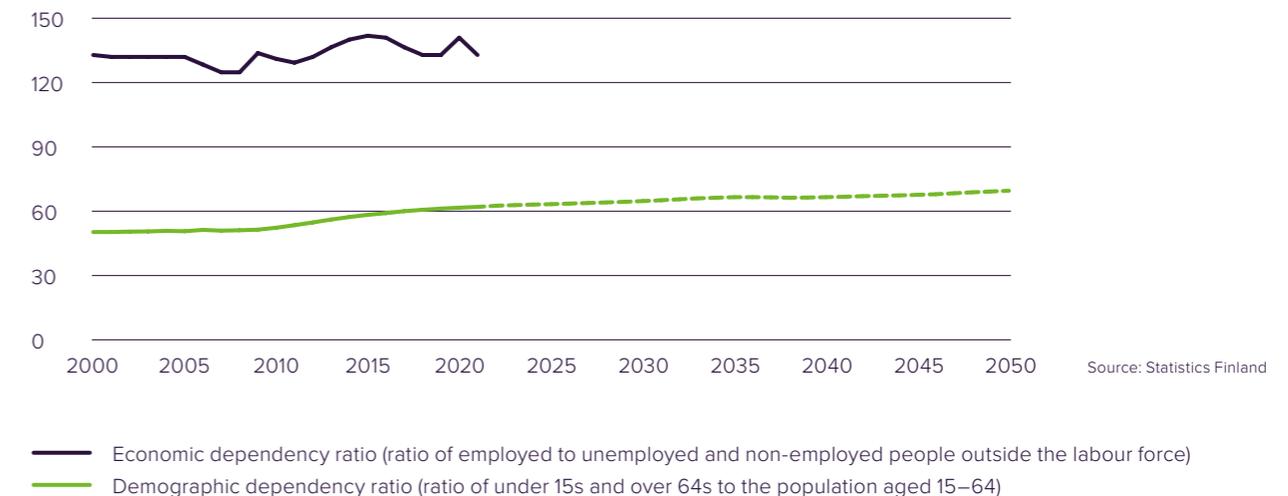


Figure 3. Economic and demographic dependency ratios in Finland 2000–2050 (observed and predicted)



Fertility

THE FACTS

1. Fertility rates remained stable for decades in Finland but decreased sharply in the 2010s. The total fertility rate decreased by 28 percent and reached an all-time low of 1.35 in 2019. The preliminary fertility rate for 2022 is even lower. If last year's fertility rates remain, each woman would bear approximately 1.3 children during her lifetime.
2. Fertility rates have also declined in the other Nordic countries, but the Finnish decline is notably sharp, and its fertility rate the lowest. Finland's fertility rate has also declined below the average of the EU-member countries.
3. The majority of the decline in fertility is associated with the decrease in first births.
4. The decrease in fertility does not only reflect changes in the timing of childbearing, but also the decline of the number of children women (and men) ultimately have. The number of children women born in the end of the 1980s ultimately have is projected to remain below 1.7. Women born in the beginning of the 1970s had approximately 1.9 children.
5. The numbers of children people desire to have are greater than

the numbers of children they actually have: on average Finns wish to have two children. Four out of five individuals of childbearing age wish to have at least two children.

6. Lifetime childlessness has become more common, but for men and women without tertiary education especially so. The proportion of the persons who remain childless in Finland is high by international standards.

THE INTERPRETATION

1. The recent decline in fertility accelerates population ageing and decreases the working age population in the decades to come. The share of those with no family will increase, which will affect the need for services and support across all stages of the life course.



2. Low fertility rates are not only a problem for the society, but also for many individuals and couples. The wished, planned and realised number of children are larger among those with higher education and larger support networks.
3. A polarisation is occurring regarding fertility and family formation: lifetime childlessness and living without a partner have become the most common among men and women with no tertiary education. On the other hand, increasing proportions of these lower educated individuals have larger numbers of children (3+), often with more than one partner, which often has to do with the instability of partnerships.

PHENOMENA TO BE FOLLOWED

1. Fertility trends and forecasts with differing scenarios.
2. Yearly fertility measures, such as total fertility rate and age-specific fertility rates.
3. The ultimate number of children and ultimate childlessness levels in different demographic groups
4. Desires regarding childbearing and their difference from actual childbearing

Figure 4. Total Fertility Rates in the Nordic countries and EU-28 -countries 2000–2021, as well as preliminary TFR for Finland in 2022

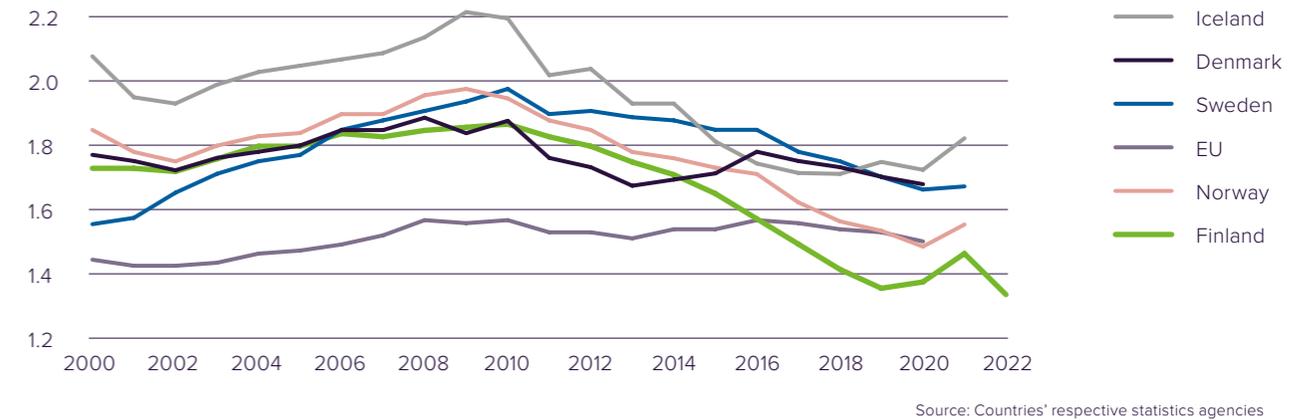
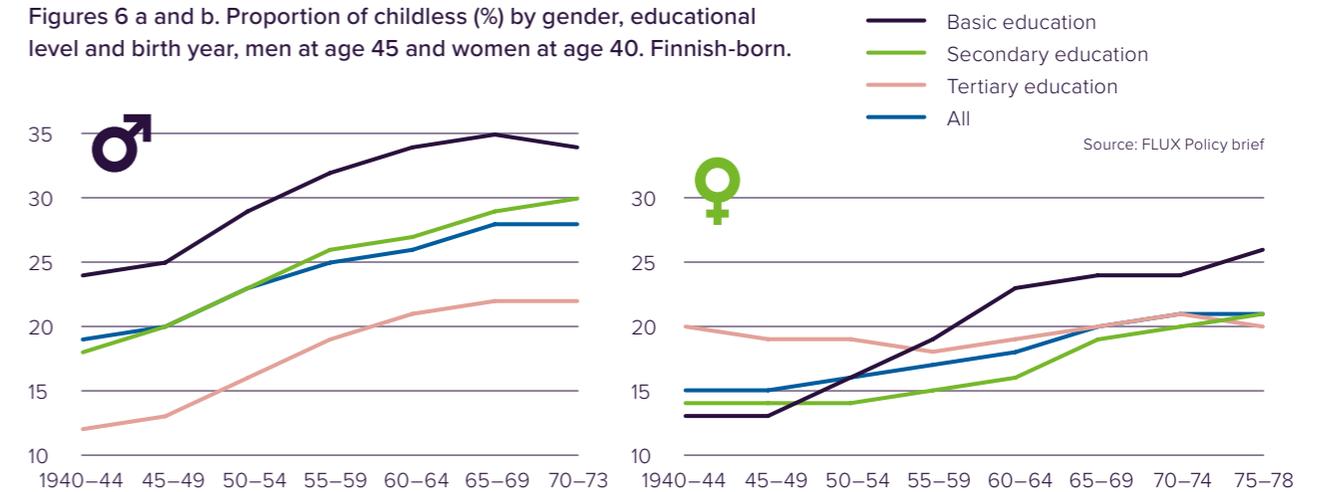


Figure 5. Desired number of children of men and women in Finland in 2022 (%)



Figures 6 a and b. Proportion of childless (%) by gender, educational level and birth year, men at age 45 and women at age 40. Finnish-born.



Working age population

THE FACTS

1. The number of working age population shrank by 136 000 in the 2010s. Estimates suggest the decrease to continue in the coming decades.
2. Finland's employment rate is lower than in the other Nordic countries. The main drivers are students being comparatively old upon graduation, mothers of young children more seldom going to work, and the early labour market exit of those above 60.
3. There are large differences in employment rates between demographic segments. For example, those with immigrant backgrounds have a lower employment rate than the rest of the population. Also, the working potential of people with partial work ability and those who have reached the retirement age could be further utilised.
4. The association between educational level and employment is strong. The higher educated have a higher employment rate, lower unemployment, as well as longer careers than the less educated. The Finnish youths' educational level has fallen below the OECD-countries' average.
5. In the younger age groups, mental health -related sickness

benefits and disability pensions have grown more common in the last decade. In 2021, nearly 3 000 individuals below the age of 35 went on disability pension for mental health reasons, which amounts to approximately eight youths per day.

THE INTERPRETATION

1. As the working age population decreases, it is even more important that the majority of the population is part of the labour force and is employed.
2. The declining educational level coupled with the shrinking working age population decreases human capital and weakens Finland's competitiveness. Ensuring the adequate educational level of the population is also important for the associations education has with all areas of well-being, such as health, income and family formation.
3. Decision making has an impact. The pension reforms, for example, have delayed retirement and stretched people's careers.
4. The beginning and middle point of careers also matter in terms of total career length, for example, how youths and immigrants

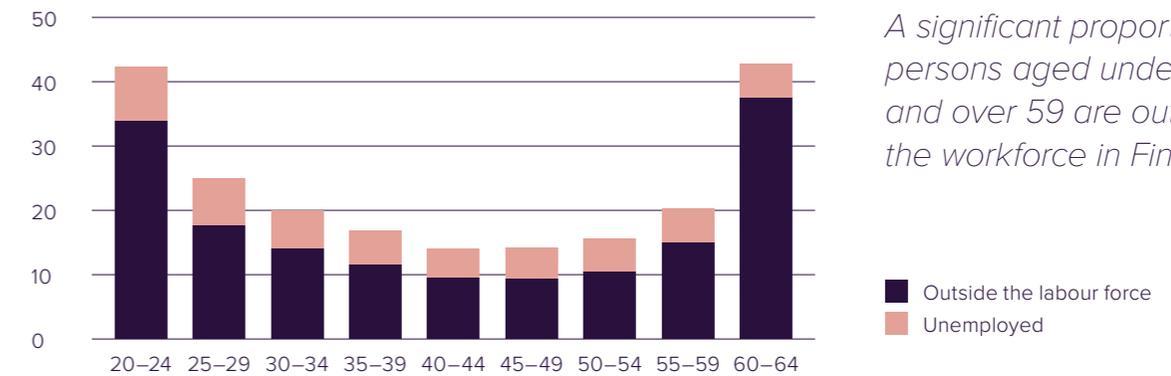
integrate into working life, how the reconciliation of work and family is made possible, and how the ability to work is both maintained and improved.

PHENOMENA TO BE FOLLOWED

1. Employment and unemployment rates by age, gender and educational level.
2. Educational levels by age and gender.
3. Working life expectancy by education and occupational group
4. Disability retirees and sick leaves, especially due to mental disorders.
5. Work ability by age, gender, education and occupational group.

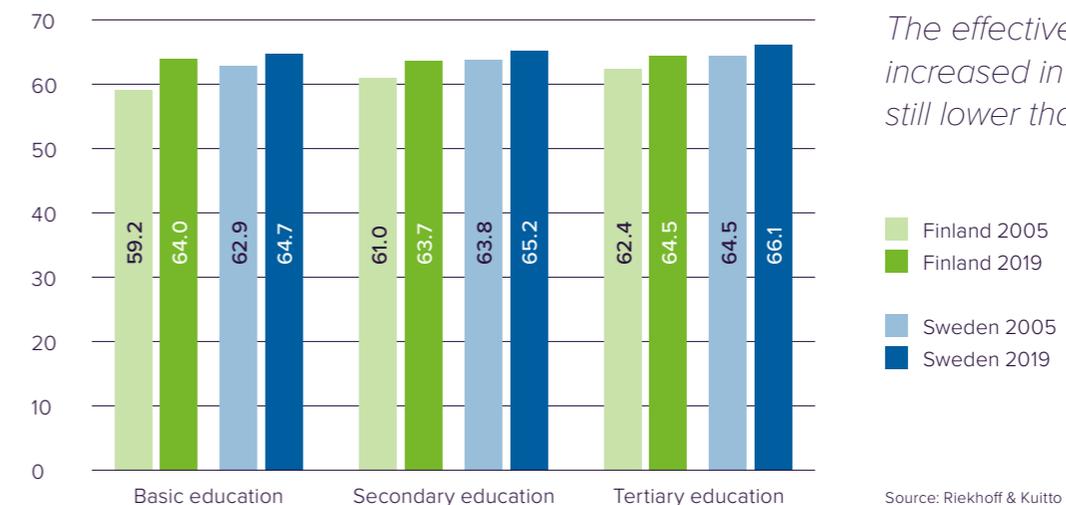


Figure 7. Proportion of unemployed and persons outside the labour force (%) by age-group in 2021



A significant proportion of persons aged under 25 and over 59 are outside the workforce in Finland.

Figure 8. Labour market exit age by educational level in 2005 and 2019 in Finland and Sweden



The effective exit age has increased in Finland but is still lower than in Sweden.

Source: Riekhoff & Kuitto 2022

Immigration

THE FACTS

1. The number of foreign-born people has grown from 65 000 to 442 000 between 1990 and 2021. In 2021, the foreign-born comprised eight percent of the population and half of them were from Europe.
2. Immigration improves Finland's economic dependency ratio only if the majority of migrants gain employment. This requires the possibility of equal participation in working life. Among those aged 25–54 and born outside the EU, the employment rate is approximately 23 percentage points lower than among the Finnish-born. There are large differences in the employment rates between different genders and different migrant groups.
3. Trust is an important prerequisite for social and labour market integration. Migrants have a higher level of trust in institutions than their Finnish-born counterparts upon arriving, but their experiences of racism and discrim-

ination erode their social and societal trust with time.

4. A large proportion of foreign-born people move away from Finland. For example, only half of the men who arrived from Western countries were in Finland at the end of the 10-year follow-up.

THE INTERPRETATION

1. Our society's cultural and ethnic diversity will expand in the future. Racism and discrimination weaken Finnish society's ability to adapt to the challenges brought by demographic changes, as they hinder the formation of good relations between population groups, decrease social and institutional trust and reduce possibilities to strengthen the economic dependency ratio with immigration.
2. The concentration of migrants to certain locations, especially large cities, further aggravates regional

polarisation in terms of the economic dependency ratios.

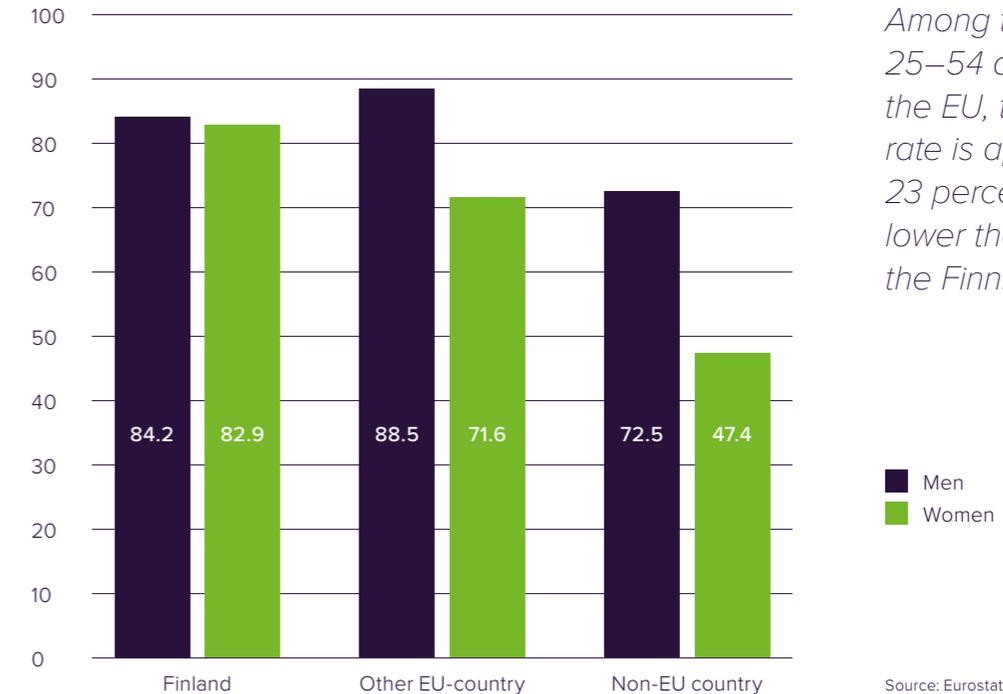
3. In addition to labour market integration, migrants' family members' social and cultural integration should be paid attention to.
4. From a global perspective, enticing migrants to Finland poses ethical questions. Skilled labour is required in origin countries as well.

PHENOMENA TO BE FOLLOWED

1. Migrants' employment rate by education, gender and age.
2. Migrants' educational level.
3. The at-risk-of-poverty rate of migrants' compared to those with a Finnish background.
4. Experiences of racism and discrimination.
5. The development of social and institutional trust.
6. The Finnish society's readiness and openness for increased diversity.



Figure 9. Employment rate of 25–54-year-olds by country of birth and gender in Finland in 2021



Among those aged 25–54 and born outside the EU, the employment rate is approximately 23 percentage points lower than among the Finnish-born.

Source: Eurostat

Urbanisation and regional population development

THE FACTS

1. Urbanisation has steadily progressed in the past decades. At the turn of the millennium, about two thirds of the Finnish population lived in urban areas. Nowadays this share is three quarters. Sparsely populated rural areas have had their population decrease by over a quarter, and the number of under 15-year-olds has halved.
2. Urbanisation is connected to other demographic trends: those with foreign backgrounds, and the higher educated have concentrated in urban regions and large cities. These areas also have lower proportions of the elderly.
3. Internal and international migration bring about higher concentrations of the population in urban areas. Excess of births over deaths also increases the population in these areas.
4. The structure of the population and its changes differ by regions. The old-age dependency ratio is highest in Uusimaa and the lowest in Southern Savonia and Kainuu, for example. These regional disparities have increased in the 2000s.
5. According to the Statistics Finland population forecast, the population would only grow in and around the largest cities in 2040. Of the regions in Finland, only Uusimaa, Pirkanmaa and Åland would see an increase in population.



The old-age dependency ratio is at its highest in the Uusimaa region, and at its lowest in Southern Savonia and Kainuu.

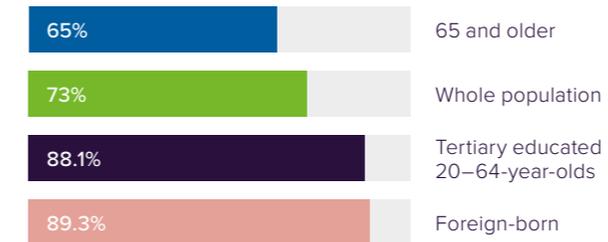
THE INTERPRETATION

1. As the population is concentrated more in cities, the provision of services becomes challenging in the areas where population is decreasing. This is exacerbated by the healthier population gathering in the cities.
2. Growing urban regions may face challenges concerning affordable housing and service overload. Additionally, there is spatial differentiation in the population composition within cities, which might compromise for example, the equality of education.
3. Individuals' future prospects becoming more regionally disparate can weaken a sense of solidarity and trust in the political system.

PHENOMENA TO BE FOLLOWED

1. Regional population changes, especially in wellbeing service counties and municipalities.
2. Regional demographic, old-age and economic dependency ratios
3. Net migration by region.
4. Natural population growth (difference between births and deaths) by region

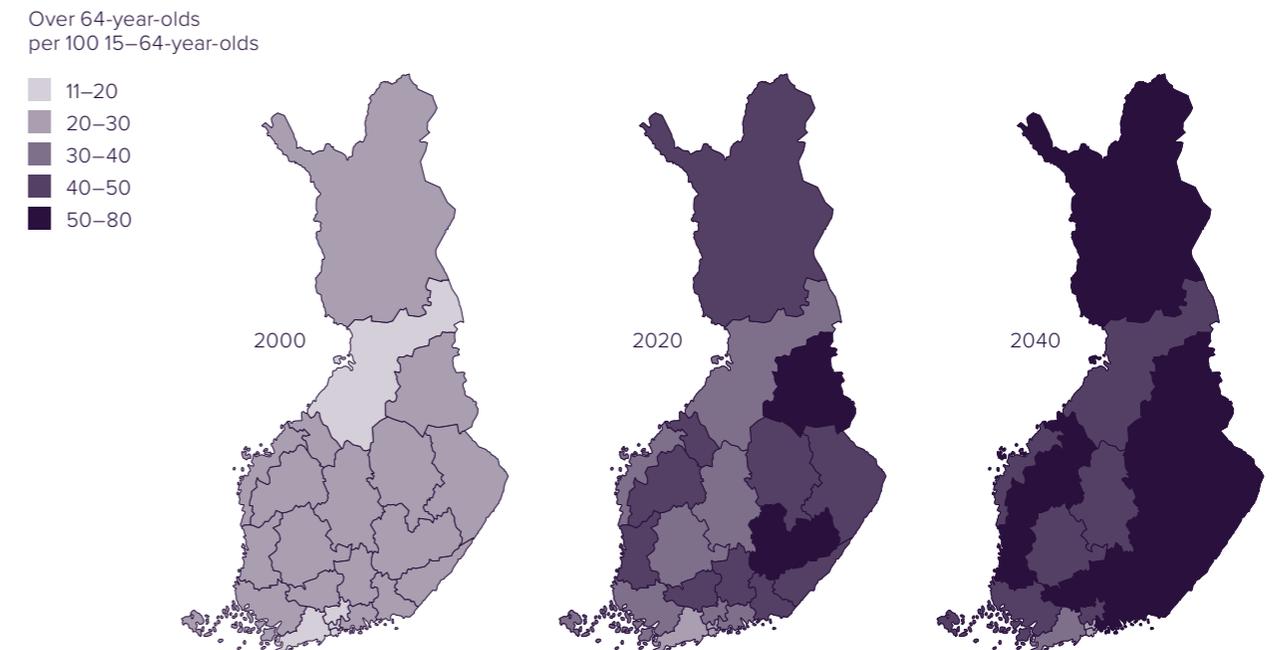
Figure 10. Proportion of persons living in urban regions of the whole population, of 65-year-olds, of persons with foreign backgrounds, and of tertiary-educated 20–64-year olds in the year 2020



Those with foreign backgrounds and the higher educated concentrate in urban regions and large cities.

Source: Timo Kauppinen's analysis on Statistics Finland data

Figure 11. Old-age dependency ratio (over 64-year-olds per 100 15–64-year-olds) in wellbeing services counties in 2000 and 2020, and forecast for the year 2040



The old-age dependency ratio weakens in all wellbeing service counties.

Source: Statistics Finland

Growth in the aged population and social and healthcare spending

THE FACTS

1. The need for health and social services will increase as the population ages. The greatest need for services and support is in the two last years of life.
2. The old-age-related expenditure in 2020 was over 32 billion, of which 12% was spent on services and 88% on cash benefits, mainly pensions. The old-age-related expenditure has over tripled since the year 2000, while other social protection expenditure has doubled.
3. A larger share of costs are covered through user fees in care services for older persons than in other services. Of home care expenses, 17% is covered by user fees – for example child and family service user fees cover 3.5% of the expenses.
4. At the end of 2020, over 8% of over 75-year-olds received around-the-clock care (care homes, hospital long-term wards and intensive service housing). This share has decreased over the last decade, as service access criteria have been made more strict. The need for regular home care has increased, while its availability has not.

5. Family caregiving is the most common form of care for older persons, in Finland as well as in other countries. About 44% of Finns care for a family member due to chronic disease, disability or old age.
6. Nearly every sixth older person does not get the assistance they need in their everyday life.

THE INTERPRETATION

1. In order to prevent old-age poverty and ensure equal treatment of different age groups, it is important to ensure that fees do not create a barrier for using care services.
2. Especially the middle-aged care for their older members of the family, which affects their employment possibilities. The lengthening of working careers and increasing strain put on informal care are hard to reconcile.
3. In addition to the population's age structure, social and healthcare spending trajectories are affected by factors such as living alone, socioeconomic status, morbidity, and digitalisation.

PHENOMENA TO BE FOLLOWED

1. Long-term care expenses, users and bed-days by region.
2. Social and healthcare user fees' share of household income by income groups.
3. Informal carers (both formal and informal) by gender, age and socioeconomic status.
4. Insufficient care or unmet care needs.



Figure 12. Social protection expenditure by function 2000–2020 in 2020's prices (millions of euros)

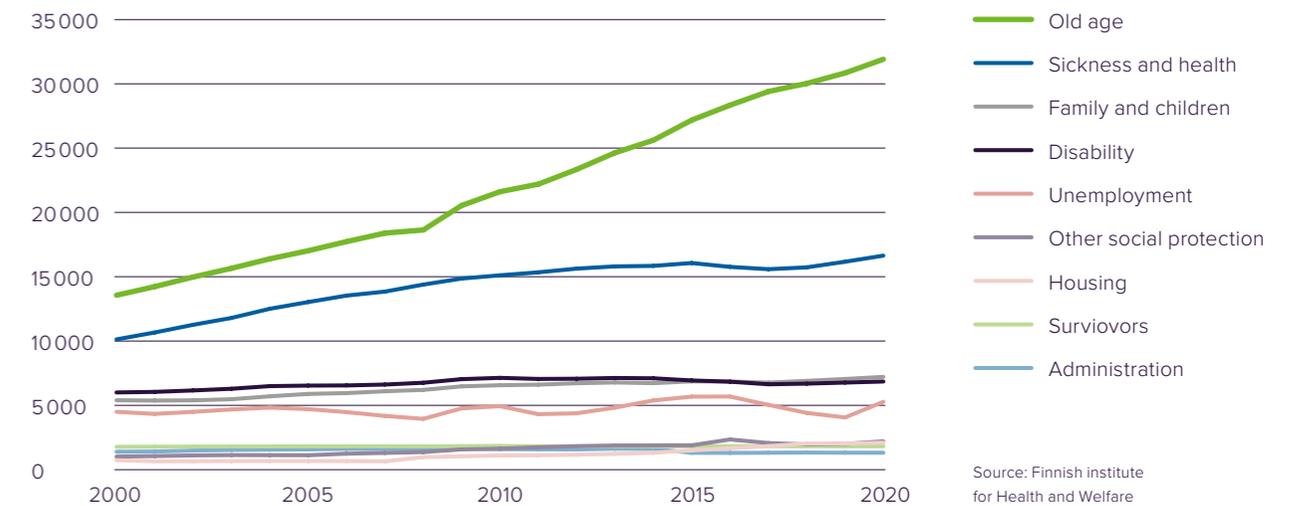
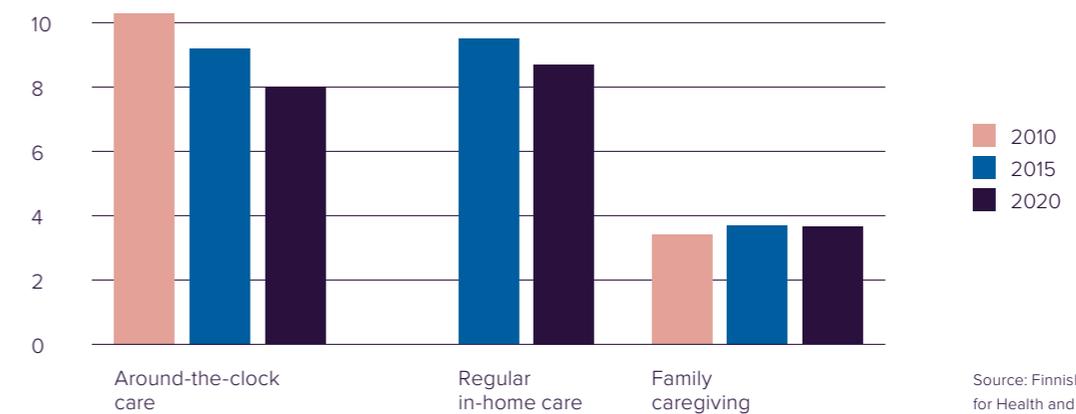


Figure 13. Proportion of elder care customers over the age of 75, %



Evidence-based information in support of decision making

The strategic research council's DEMOGRAPHY-programme's projects study demographic changes and produce concrete solutions for influencing and adapting to them.

We are happy to help when you need evidence-based knowledge on demographic changes. Follow the programme's projects and reach out!

Contact

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