

Chapter 1. Youth employment and education in Finland

This chapter provides an overview of the educational and employment outcomes and well-being of young people in Finland. After briefly outlining the economic context of the past decade, it compares the educational and employment performance of young Finns with that of young people across OECD countries. The chapter then describes the size and composition of the population of young people who are not in employment, education or training (NEETs), paying particular attention to how their outlook and health compares to other youth. The chapter concludes with discussing the comparative length of inactivity of youth in Finland and the risk factors associated with remaining a NEET for an extended period.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

1.1. Introduction

The labour market performance of youth in Finland has been hampered by a prolonged economic crisis at a time when a rising demographic dependency ratio creates urgency in boosting the employment of all working-age adults. The global economic crisis followed by weaknesses in the key forest and electronics industries as well as a severe Russian recession depressed economic growth. Recently, the economy has started to grow again, but the labour market recovery remains tepid for all age groups. Given that the demographic dependency ratio (the number of children and the elderly to working-age adults) is projected to rise from 60 in 2017 to 66 in 2030 (Statistics Finland, 2018^[1]), easing the school-to-work transition of young people is important not only for their well-being, but also for the country's economic health and the viability of its welfare state.

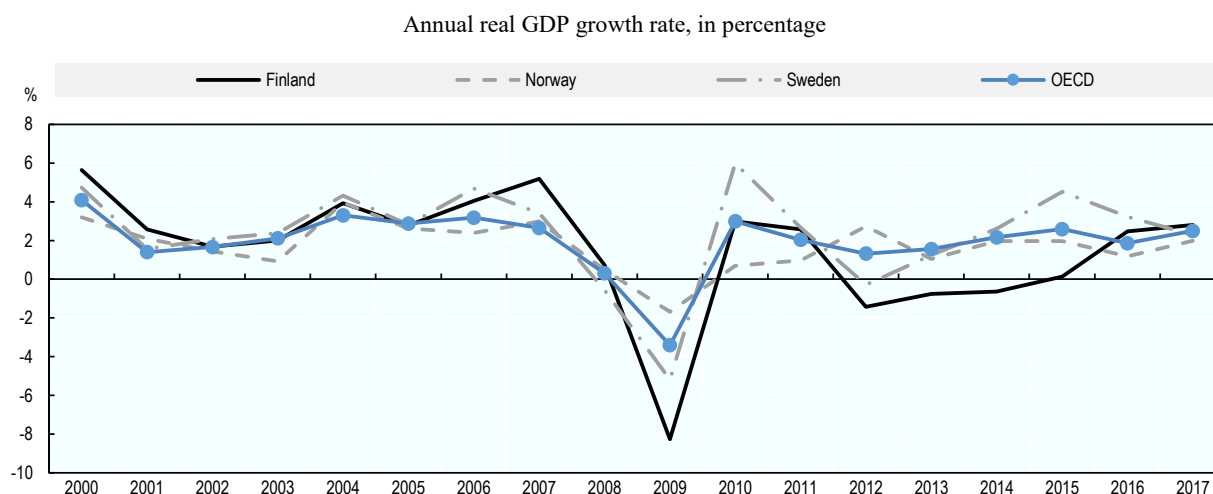
This chapter provides an overview of the labour market and educational outcomes of Finnish youth. It first discusses the employment and education outcomes of young people in the context of the current economic situation (Section 1.2). It then presents the characteristics and challenges of Finnish youth not in employment, education or training (NEETs) (Section 1.3).

1.2. The education and employment performance of Finnish youth

1.2.1. The economic context

Finland's economy has recently recovered from a near-decade of economic difficulties. The global economic crisis affected economic growth in Finland more negatively than in other OECD countries, including Norway and Sweden (Figure 1.1). The economy had barely recovered from this shock when the key industries faced major difficulties: electronics, with the collapse of Nokia, and forestry, with a decreased demand for paper products. A severe recession in Russia, an important trading partner, also had negative effects (OECD, 2018^[2]). Despite the lingering effects of the Russian downturn and trade sanctions, Finland managed to return to positive economic growth in 2016 and 2017, when GDP rose by 2.4% and 2.8% respectively. In 2018, seasonally adjusted quarter-to-quarter growth rates remained at similar levels.

Multiple factors contribute to a lower per-capita income in Finland compared to leading OECD countries. At around USD 46 000, Finnish GDP per capita is around USD 2 000 higher than the OECD average. Nevertheless, Sweden and oil-rich Norway benefitted from per-capita incomes that are USD 5 000 and 16 000 higher in purchasing power adjusted terms, respectively. Lower labour productivity is one reason that GDP per capita is lower than elsewhere, and low labour utilisation another. In fact, as will be seen in the next section, the Finnish employment rate is comparatively low.

Figure 1.1. Finland experienced two recessions during the past decade

Source: OECD (2018), "Country Statistical Profiles", OECD.Stat, <http://dotstat.oecd.org/index.aspx>.

1.2.2. Labour market outcomes of young Finns

The global economic downturn of 2008-09 disproportionately affected youth across advanced industrialised democracies. Given that relative to older workers, younger individuals have less work experience and more frequently have short-term work contracts, many are in a more precarious situation in the labour market and more vulnerable to economic downturns. Young people in Finland were no exception to the general trend in the OECD: youth employment rates fell and unemployment rates rose throughout the recession and have not fully recovered since.

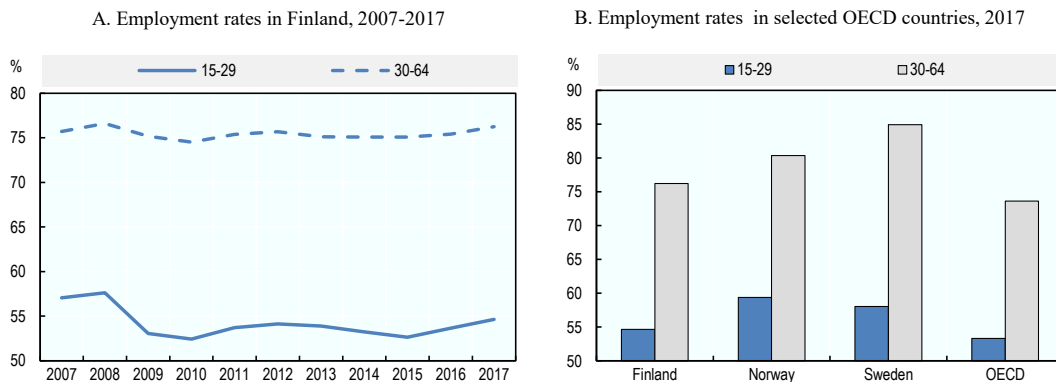
Employment in Finland dropped more for young people than for other working-age adults and continues to be lower compared to its Nordic neighbours for both age groups. The Finnish youth employment rate sharply declined in the years following the financial crisis, from 57.6% in 2008 to 53.0% in 2009. Since then, it has only marginally increased to 54.6% in 2017 (Figure 1.2, Panel A). In contrast, at 76.2%, the employment rate of older working-age adults (aged 30-64) is only slightly below the 2008 level of 76.6%. Employment rates in 2017 were slightly higher in Finland than OECD averages but markedly lower than in Norway and Sweden (Figure 1.2, Panel B).

Military service does not figure in these employment rates. The 1.5% of youth aged 15-29 who were completing their military service in 2017 are excluded from the employment rate calculation. In Finland, military service is mandatory for young men fit to serve and lasts from six to twelve months. Conscientious objectors can opt for non-military service lasting a year (Ministry of Economic Affairs and Employment of Finland, n.d.^[3]). This share of conscripts among youth is the same as in Austria and higher than the 1.2% in Estonia and the 0.8% in Norway and Korea. In contrast, nearly two thirds of OECD countries have abolished or suspended conscription.

The employment participation of young men and women has opposing effects on Finland's performance relative to the OECD average. In 2017, 56.3% of Finnish male youth were employed, compared to an OECD average of 57.8%. In contrast, the Finnish youth employment rate among women (52.9%) compares favourably with the OECD average (48.7%). Nevertheless, to catch up with its Nordic peers, the gap that needs to be

closed is even larger for young Finnish women than for their male counterparts. For example, the employment rate of young Finnish women is more than five percentage lower than that of young Swedish women, while the difference among men is less than two percentage points.

Figure 1.2. Employment rates are lower in Finland than in other Nordic countries

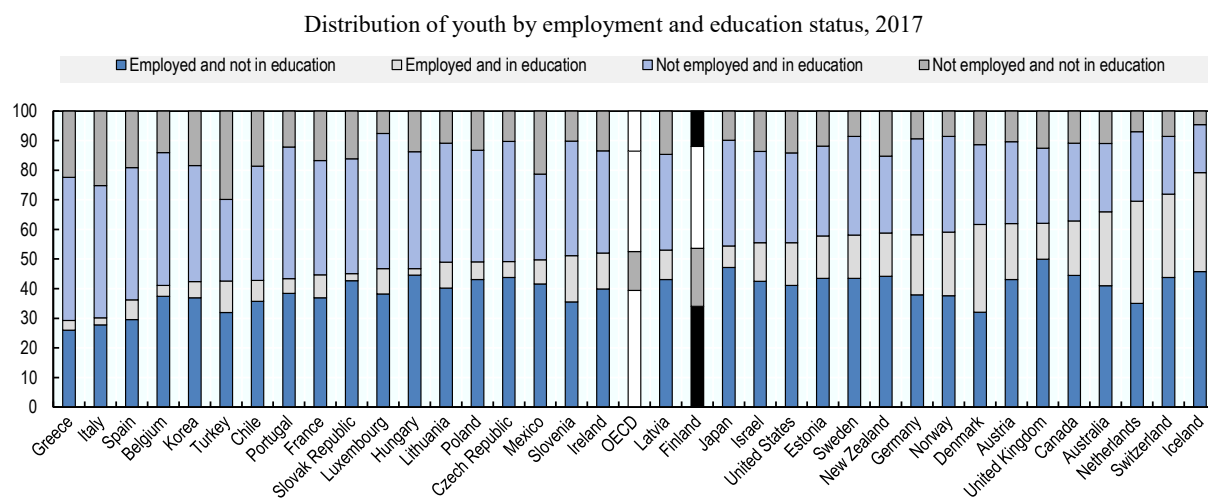


Source: OECD (2018), *LFS by sex and age*, http://dotstat.oecd.org/Index.aspx?datasetcode=LFS_D.

Only one in three young Finns works exclusively and an above-average share combine studying and working. Whereas an average of 13.1% of youth were both working and enrolled in education or training programmes across the OECD in 2017, in Finland, the share was 19.6% (Figure 1.3). Nevertheless, this share is once again lower than in most other Nordic countries with the exception of Sweden. About a third of employed young Finns are working part-time, a rate above the OECD average but below the Netherlands (64%) and Norway (44%). More than two thirds of these young part-time workers are currently in education.

The combination of work and education can partially explain why part-time employment is more common among young than middle-aged workers. However, in 2017, Finnish youth were also more than twice as likely to find themselves in involuntary part-time employment than employed individuals aged 30-64: 9.2% of young people were involuntary part-time workers, a rate well above the average of 5.9% among OECD countries for which the information was available and the 3.8% of middle-aged Finns. Moreover, compared to pre-crisis levels, the share of involuntary part-time employment remained relatively stable among the middle-aged employed but rose from 4.9% for young people.

A relatively high proportion of Finnish youth also hold temporary jobs. In 2017, 43.7% of 15-24 year old employees had temporary contracts. They are hence more than three times more likely to have temporary contracts than prime-aged employees are (13.3%). The Finnish youth temporary employment rate is lower than in neighbouring Sweden (53.8%) but higher than the OECD cross-country average (37.0%) and other Nordic countries including Iceland (25.3%) and Norway (26.4%).

Figure 1.3. One in five young Finns combine work and education

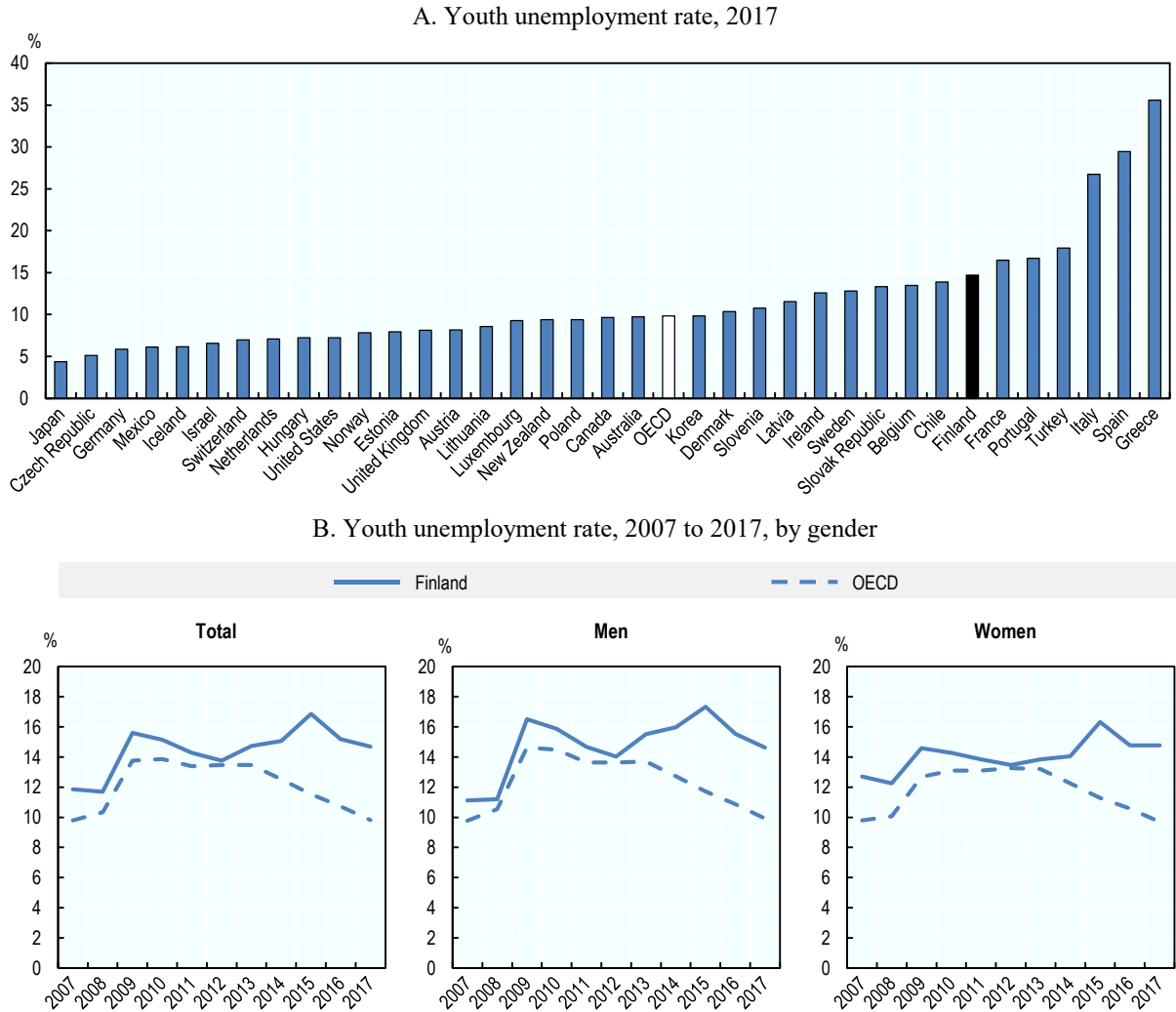
Note: The reference year is 2017 except 2013 for New Zealand, 2014 for Japan, 2015 for Chile and Turkey and 2016 for the United States. The calculations exclude individuals with missing educational information or who are in military service. Youth are defined as 15-29 year olds. Countries are ordered by the share of youth who are employed (including those in and not in education).

Source: Calculations based on labour force surveys including EU-LFS and OECD (2018^[4]), *Education at a Glance*, https://stats.oecd.org/Index.aspx?datasetcode=EAG_TRANS.

Youth unemployment is much higher in Finland than in the OECD on average. In 2017, the unemployment rate among 15-29 year olds was 14.7% in Finland, compared with 9.8% across the OECD, 7.8% in Norway and 12.8% in Sweden (Figure 1.4, Panel A). The impact of the two recessions was particularly strong among young men (Figure 1.4, Panel B). Moreover, while the unemployment rate of 30-54 year olds is also higher than in peer countries or the OECD average, the changes throughout the last decade were much less pronounced.

More positively, Finnish youth are usually unemployed for a short time. The average duration for 15-24 year olds was only 3.3 months, the second lowest duration after Canada (2.5 months) among the nine OECD countries for which the statistic is available. In Norway, the average length of an unemployment spell was 4.6 months. While the share of these unemployed youths in Finland who remain unemployed for half a year or longer has risen from 9.7% in 2008 to 14.3% in 2017, 2008 was an outlier with a particularly low duration. Finland remains among the countries where the fewest unemployed youth remain unemployed for a medium or longer term. Across the OECD, the share is twice as high (28.9%). In Norway and Sweden, 30.9% and 21.5% of unemployed youth, respectively, were in this category in 2017.

Figure 1.4. Youth unemployment is high in Finland



Note: The unemployment rate is the share of unemployed among labour force participants. Youth are defined as 15-29 year olds.

Source: OECD (2018), *LFS by sex and age*, http://dotstat.oecd.org/Index.aspx?datasetcode=LFS_D.

1.2.3. Educational attainment of Finnish youth

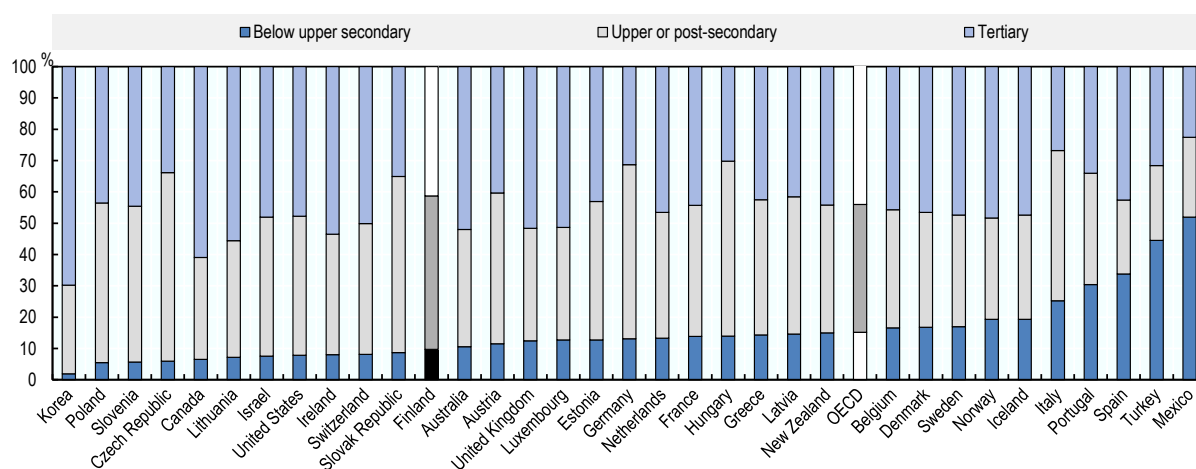
Finland’s education system is often considered a leading example for other advanced democracies. The country has consistently scored high in international comparisons of student performance and offers primarily publicly-provided, tuition-free, high-quality education to its citizens (OECD, 2017^[5]). Strengths of the system include that teaching is a high prestige occupation with relatively good salaries (OECD, 2014^[6]); teachers stand in front of small class rooms for comparatively few hours per week; and teachers have the training to identify pupils with special needs and the resources to provide them with the needed support (OECD, 2013^[7]).

An above-average share of young Finns attain upper or post-secondary degrees that often focus on vocational skills. In 2017, 90% of Finnish individuals aged 25-34 had completed at least an upper-secondary degree, compared to 85% across the OECD, 81% in Norway

and 87% in Sweden (Figure 1.5). Compared to the OECD average (44.5%), fewer young people (41.3%) have a college or university degree. In contrast, vocational education is common and well developed. In 2015, almost half of 15-19 year olds in upper secondary education were enrolled in a vocational programme, the highest share across OECD countries and three times higher than the average. Unfortunately, students in vocational education are much less likely to complete their studies than their peers in general programmes (see Chapter 2).

Figure 1.5. Young adults in Finland are highly educated

Highest educational attainment of 25-34 year olds, 2017



Source: OECD (2018^[4]), *Education at a Glance 2018*, <https://doi.org/10.1787/eag-2018-table15-en>.

1.3. Finnish youth not in employment, education or training

The youth unemployment rate only provides a partial picture of the labour market situation of young people. First, it does not count youth who are inactive on the labour market and in education and who are not searching for a job. Second, it depends not only on the number of unemployed, but also on the number of participants in the labour market. When two countries have an equal share of the population that is not working, the unemployment rate is higher in the country with a higher labour force participation. The share of young people not in employment, education or training (NEETs), in contrast, is neither dependent on how many youths have become discouraged from seeking work nor on the labour force participation rate.

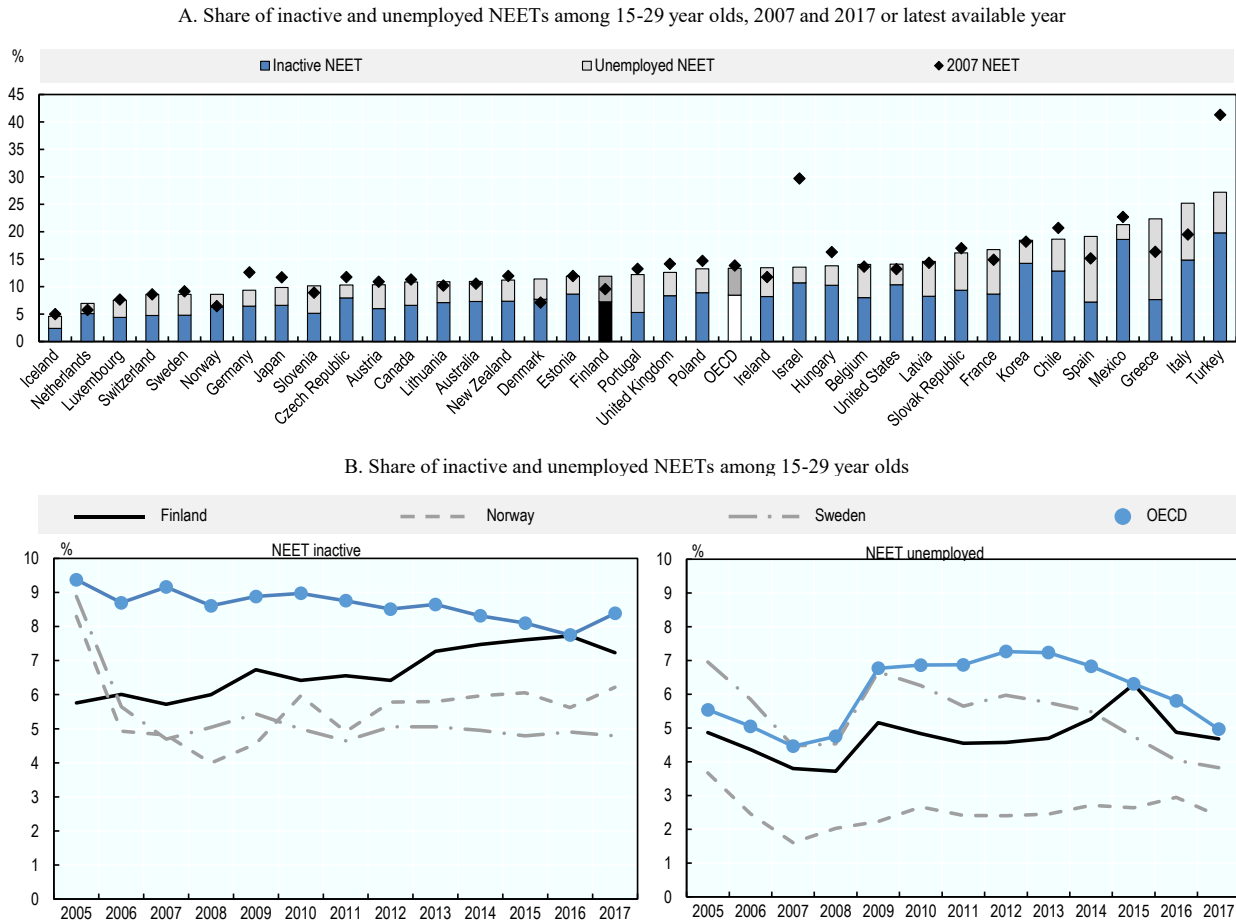
Some NEETs may have chosen their status voluntarily, but others have not and face disadvantages compared to their peers. The social inclusion and activation of these NEETs is therefore a priority for the Finnish government (Valtioneuvosto, 2017^[8]). The following section describes the NEET population in Finland. After providing information on the evolution of NEET rates, it discusses NEET's characteristics and well-being as well as the duration of NEET spells.

1.3.1. NEET rates

Finland does not have a massive NEET problem, but there is room for improvement. The share of young individuals in Finland who are NEETs (11.9% in 2017) may be somewhat lower than the OECD average (13.4%) and drastically lower than in a many countries in

Latin America and Southern Europe (Figure 1.6, Panel A). However, it is much higher than in other Nordic countries, including in Norway and Sweden (both at 8.6%). 61% of NEETs in Finland were inactive, about equal to the OECD average of 63%.

Figure 1.6. The NEET rate in Finland is close to the OECD average



Note: Unemployed NEETs are youth who are neither employed nor in education and training that are actively looking for work. Inactive NEETs, in contrast, are not searching for work. Japan (2014) and the United States (2016) have a different reference year than 2017. The values for Australia, Germany, Israel, New Zealand and Turkey are taken from *Education at a Glance*.

Source: Calculations based on labour force surveys and OECD (2018^[4]), *Education at a Glance 2018*, <https://doi.org/10.1787/72d1033a-en>.

The economic crisis had a stronger impact on young Finns in their early twenties and on the share of unemployed rather than inactive youth. Compared to 2007, the NEET rate has increased by 2.4 percentage points in Finland, while across the OECD, the rate dropped slightly by 0.4 percentage points. The increase was strongest among 20-24 year olds (3.1 percentage points), followed by 25-29 year olds (2.5 percentage points). Among 15-19 year olds, the increase was 1.0 percentage points. Business cycles generally have a stronger impact on the number of unemployed rather than inactive NEETs. This is true across the OECD as well as in Finland (Figure 1.6, Panel B). However, while the share of inactive NEETs trended downwards from 2010-16 across the OECD, it increased in

Finland. Even though both of these trends reversed in 2017, it suggests that the Finnish NEET challenge has become more entrenched.

NEET populations are proportionally more important outside the most densely populated region of Helsinki-Uusimaa. While their share in the capital region was 9.7% in 2017, in other regions the corresponding figure was above 12%. In the most sparsely populated areas of Northern and Eastern Finland, 14.0% of youth were NEETs. NEET populations in rural areas can be harder to reach and may receive fewer services, suggesting a need for targeted interventions.

1.3.2. Characteristics of NEETs

Finnish NEETs are more likely to be female, less educated and foreign-born than the general Finnish youth population.

Across the OECD, young women are more frequently NEETs than young men. In Finland, the difference of 1.7 percentage points (12.8% compared to 11.1) amounts to only one third of the average OECD difference of 5.1 percentage points (16.3% compared to 11.2%). The difference is nonetheless larger in Finland than in other Nordic countries such as Norway (0.3 percentage points) or Sweden (0.6 percentage points). In Finland, the difference is entirely due to young adults in their late twenties. In this age group, 19.3% of women and 12.0% of men are NEET. At the younger ages of 15-24 years, women are less likely to be NEET than men are.

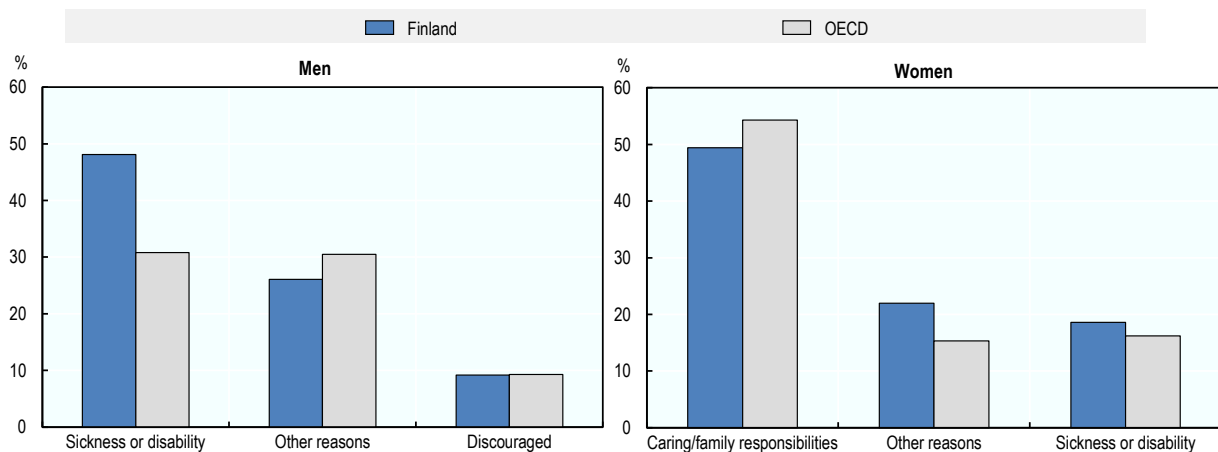
Differences in how men and women adjust their labour force participation to parenthood contribute to these patterns. Declared reasons for inactivity back up the hypothesis: Half of inactive male NEETs stated that their main reason for being inactive was that they were sick or disabled (compared to 31% across the OECD), while half of female NEETs cited family responsibilities (compared to 54% across the OECD) (Figure 1.7). In fact, according to the EU Statistics on Income and Living Conditions Survey data, in 2017, 46% of young Finnish women with children under the age of five were NEETs, more than five times the rate among young Finnish fathers with children in the same age group. The rate is comparable to the OECD average (48%), but much higher than in Norway (19%) or Sweden (15%). Overall, slightly more than one quarter of NEETs in Finland are mothers with young children, a share comparable to the OECD average. The generous parental leave policy in Finland (Adema, Clarke and Frey, 2015^[9]) apparently encourages many young mothers stay at home during the first years of their child's life. Other Nordic countries instead opt for shorter though still very generous maximum lengths of parental leave in combination with higher average payment rates

Young Finnish NEETs are more likely to have low levels of educational attainment. In all OECD countries, individuals in their late twenties who did not complete upper secondary education have a higher likelihood of being NEETs than those with higher levels of educational attainment (Figure 1.8). The difference is even larger in Finland: In Finland, the NEET rate among those with low levels of education (44.1%) is 3.1 times higher than among those with upper or post-secondary education (14.2%). Across the OECD, it is only 2.2 times as large. The difference between the NEET rates for medium (14.2%) and high educational attainments (10.5%) is less pronounced than in some, but by no means all, OECD countries. The NEET rates of Finnish women with medium and high levels of education are about ten percentage points higher than for their male peers, while the rates for men and women with low levels of education are practically equal.

Higher NEET rates among the less *educated* are mirrored in higher NEET rates among the less *skilled*. In 2012, people aged 25-64 living in Finland with low literacy (level 1 or below in the Survey of Adult Skills) were more than twice as likely to be NEETs as people with literacy level 2 (34% compared to 16%). Across the participating OECD countries, the difference was less drastic (29% compared to 18%). The difference in mean literacy scores between NEETs and employed individuals was 24 in Finland and 20 across the OECD (out of a scale of 600). However, it also needs to be noted that the mean literacy scores of NEETs in Finland (280) was higher than the average of mean literacy score across the OECD (278), reflecting the quality of the Finnish education system (OECD, n.d.^[10]). In fact, since those with very low levels of literacy or numeracy only represented 15% of the Finnish population in 2012, the second lowest share in the OECD (OECD, 2016^[11]), NEETs who are low performers only represent a small share of all NEETs despite the fact that they are over-represented among NEETs.

Figure 1.7. Male and female NEETs have different motives for being inactive

Self-reported main reason for being inactive (2017 or latest available) (% of inactive NEETs aged 15-29)



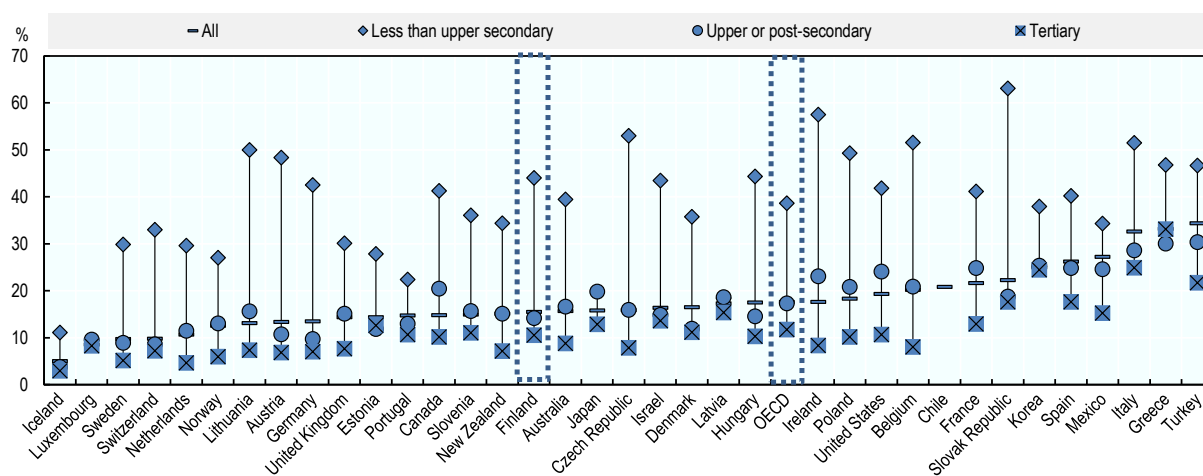
Note: The OECD average does not include Australia, Germany or Israel.

Source: OECD calculations based on Labour Force Surveys including the EU-LFS.

In addition to basic foundation skills, non-cognitive abilities, such as self-confidence, communication skills or sociability, are also important determinants of educational and labour market outcomes. While a study of a half a million Finnish men found that non-cognitive skills have improved over time (Jokela et al., 2017^[12]), research in the Swedish context suggested that some men's poor labour market outcomes were attributable to the lack of non-cognitive, rather than basic foundation skills (OECD, 2016^[13]). Mourshed, Patel and Suder (2014^[14]) also found that employers in Sweden raised concerns about youth's "soft skills" rather than their linguistic, numeracy or general competency. Deficiencies in such abilities likely explain part of NEET youth's challenges finding employment or poorer educational outcomes, at least in the Nordic context where cognitive skills proficiency is high.

Figure 1.8. Low educated Finns have a high risk of becoming NEETs

NEETs as a share of 25-29 year olds in 2017, by highest level of educational attainment

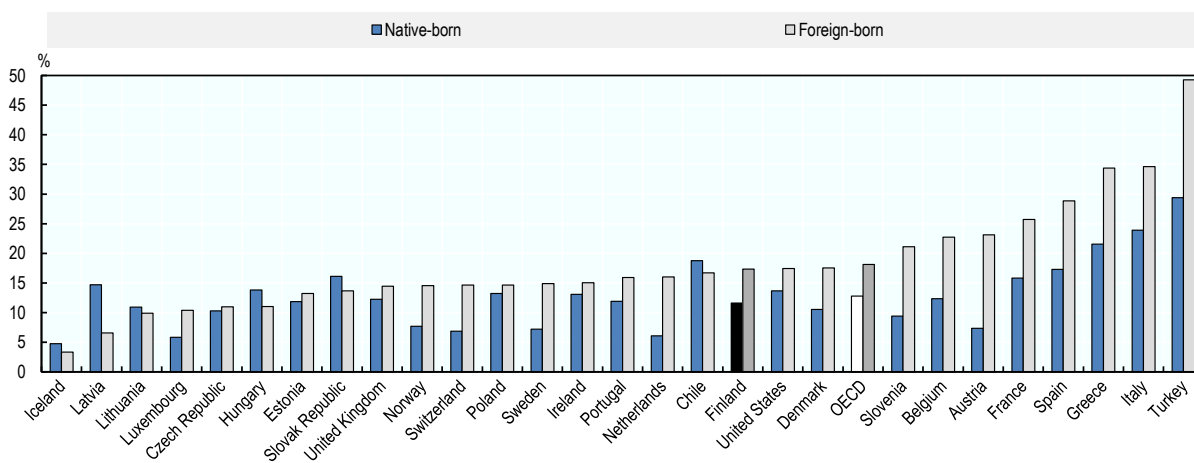


Note: Countries are sorted by the overall NEET rate for 25-29 year olds. Japan (2014) and the United States (2016) have a different reference year than 2017. The values for Australia, Germany, Israel, New Zealand and Turkey were compiled by the OECD LSO network and refer to the first quarter.

Source: Calculations based on labour force surveys.

Figure 1.9. NEET rates tend to be higher among foreign- than native-born youth

Share of NEETs among foreign- and native-born youth populations



Note: Countries are sorted by the difference in NEET rates between foreign- and native-born youth.

Source: Calculations based on EU-LFS and other labour force surveys.

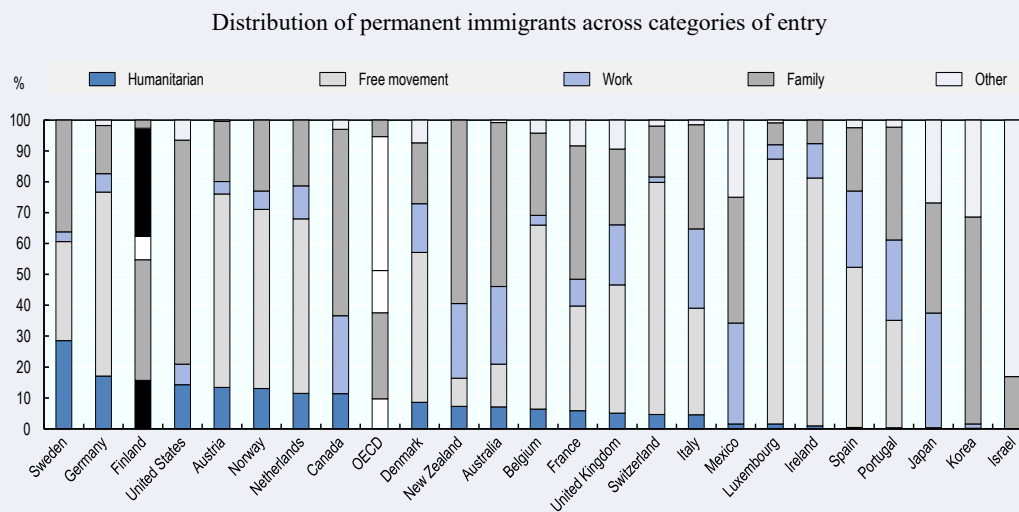
A higher proportion of foreign- than native-born youth are NEETs in Finland, but their overall share among NEETs is limited. The difference between the two NEET rates in Finland (17.3% among foreign-born compared to 11.6% among native-born youth) is similar to the OECD average, but above that observed in a few countries such as Hungary, Iceland and Ireland. However, in Finland as well as in a few other OECD countries such as Germany and Sweden, the NEET rate of the foreign-born may have been significantly affected by recent inflows of asylum seekers (Box 1.1). The impact of these inflows however already appears to have declined significantly: while in 2015,

11.2% of NEETs were born abroad, this share had dropped to 7.8% by 2017. In contrast, the share of foreign-born among all youth in Finland dropped only by 0.1 percentage points over the same period.

Box 1.1. Humanitarian migrants in Finland

Finland's immigrant population is relatively small, but humanitarian migrants represent a comparatively important share. In 2016, 6.5% of the population living in Finland were born abroad, compared to 9.8% across the OECD, 15.2% in Norway and 20.5% in Sweden (OECD/EU, 2018^[15]). Among permanent immigrant arrivals from 2005-16, 15.7% were humanitarian migrants (Figure 1.10). This share was only higher in Sweden (28.6%) and Germany (17.0%), and well above the OECD average of 9.7%. Family migrants are also common and among them, humanitarian family migrants accounted for approximately 10% (Statistics Finland, 2014^[16]).

Figure 1.10. Humanitarian immigrants in Finland make up a larger share of immigrants than in most other OECD countries



Note: 'Family' combines family reunification and accompanying family members of labour migrants. Countries are sorted by the share of humanitarian immigrants.

Source: OECD/EU (2018^[15]) "Figure 2.12. Categories of entry", *Settling in 2018 – Indicators of Immigrant Integration*, OECD Publishing, Paris/EU, Brussels, <https://doi.org/10.1787/9789264307216-en>.

The brief peak in humanitarian immigration in 2015 may have increased the NEET and youth unemployment rates. Monthly asylum applications, which were in the 300-500 range during most of the early months of 2015 and returned to these levels as of spring 2016, were in the thousands from July 2017 and peaked at 10 837 in September 2017 (Finnish Immigration Service, 2019^[17]). Since two thirds of asylum applicants during the 2015-18 period were aged 14-34, and since many likely initially faced difficulties in integrating into the labour market or education system, it is plausible that their presence led to higher unemployment and NEET rates.

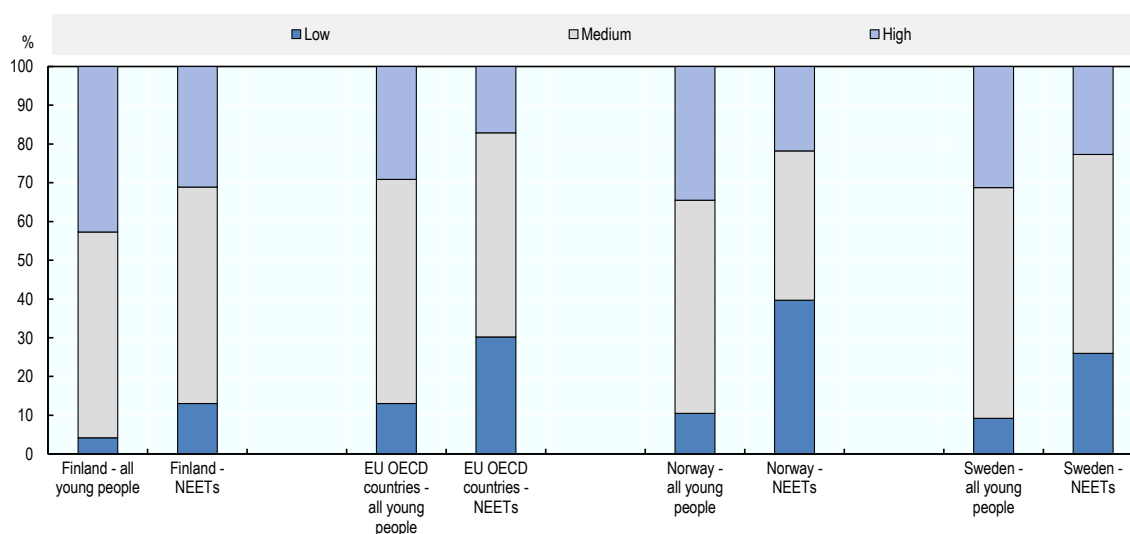
1.3.3. Well-being of NEETs

The difficulties some NEETs face can have major and lasting consequences for their health, subjective well-being and outlook on their lives and society. NEETs report lower well-being and health and more pessimistic opinions than youth overall, but the gap is lower in Finland than elsewhere.

The gap in life satisfaction between Finnish NEETs and Finnish youth overall is not as wide as the average across OECD countries that are also member states of the EU. In 2013, 13% of Finnish NEETs reported low life satisfaction, compared to 4% among youth overall (Figure 1.11). This well-being gap of nine percentage points was below the average of 17 percentage points across EU-OECD countries, as well as below the 16 percentage points in Sweden and the 29 percentage points in Norway. In fact, the share of Finnish NEETs reporting high life satisfaction was larger than the cross-country average for all young people. At the same time, the gap in well-being between NEETs and non-NEETs in Finland should also not be minimised: For example, according to a Finnish survey, the rate of youth reporting being lonely was twice as high (69% compared to 35%) among NEETs than among all youth. Even more drastically, one in five NEETs compared to one in fifty among all youth reported being pessimistic about their future (Gretschel and Myllyniemi, 2017^[18]).

Figure 1.11. Life satisfaction is comparatively high among Finnish NEETs

Distribution of youth aged 15-29 across categories of self-reported life satisfaction, by NEET status



Note: The question about life satisfaction elicits a response from 0 (not at all satisfied) to 10 (completely satisfied). "Low satisfaction" combines answers from 0-5, medium from 6-8 and high from 9-10. Germany is not included in the average.

Source: Calculations based on the 2013 ad-hoc module on well-being of the EU Statistics on Income and Living Conditions.

Nevertheless, the high life satisfaction of Finnish youth appears to affect their trust in politics and other people. The shares of all youth (28%) and of NEETs only (42%) who report no or low trust in the political system are lower than in any of the other European OECD country for which data are available, and well below the average across these countries (67% among all youth and 77% among NEETs, respectively). The pattern is the

same for trust in people. However, only 42% of Finnish NEETs had a strong attachment to Finnish society, compared to three quarters of all youth (Gretschel and Myllyniemi, 2017_[18]).

NEET status is associated with poorer physical and mental health. According to a recent study, one in five Finnish NEETs has a disability or long-term illness, compared to only one in ten among youth in general (Gretschel and Myllyniemi, 2017_[18]). The share of Finnish youth who report being limited in their activities over the last six months due to health problems is overall larger than across the OECD, but the relative – though not absolute - difference between NEETs and non-NEETs is smaller. In Finland, 32.5% of NEETs and 18.4% of non-NEET youth reported such a limitation, while the OECD cross-country averages are 13.1% and 5.7%, respectively.

Poor health can significantly reduce individuals' work capacity and hence lead to a higher NEET rate, but being inactive can likewise negatively affect physical and in particular mental health. A longitudinal study of the Finnish 1987 age cohort shows that over the 2003-12 period, almost one fifth of Finnish NEETs (19.4%) had utilised secondary in- or out-patient mental health services, compared to only 7.6% of non-NEETs (Larja et al., 2016_[19]).

1.3.4. Duration of NEET status

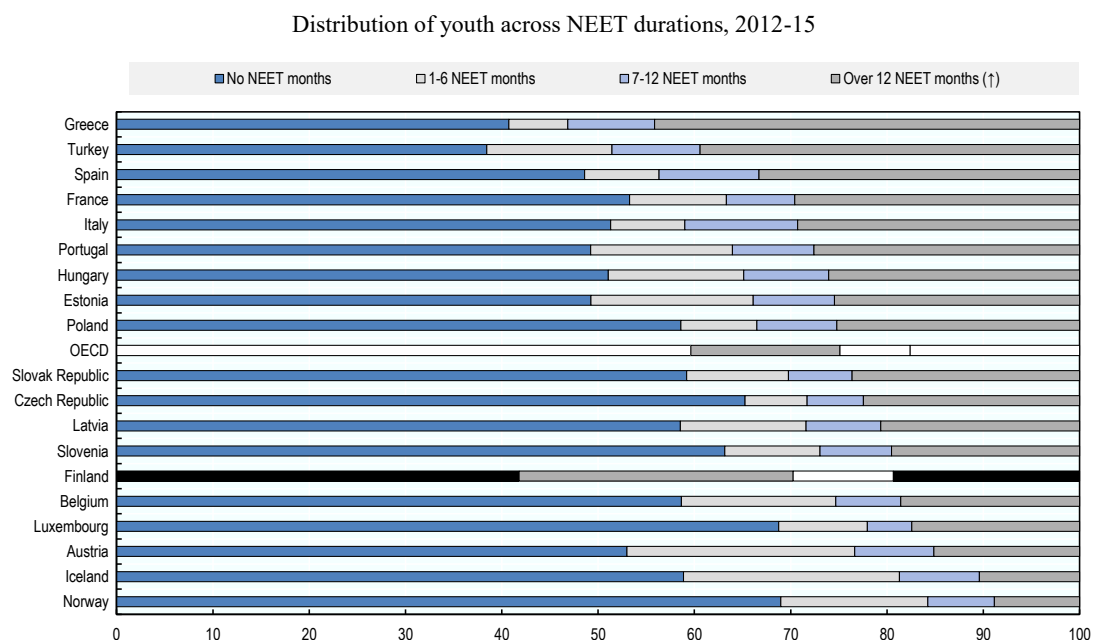
Longer NEET spells are comparatively rare in Finland. From 2012-15, about one in three Finnish NEETs spend more than twelve months as NEETs (Figure 1.12). This is well below the one in two NEETs across European OECD countries for which the information is available, though above the one in four youth in Iceland. Longer NEET spells can have lasting and profound negative effects on young individuals' educational and employment outcomes and well-being.

Low education and low parental education are risk factors for remaining inactive for prolonged periods. Data from a study of the 1987 cohort shows that youth that did not experience any NEET episode over the 2003-12 period rarely had parents that only completed basic education and themselves mostly progressed past secondary education (Figure 1.13, Panel A). In comparisons, among young people that were NEET for one year over the same period, the share with low educational attainment already doubled to 15%. Among individuals with two to ten years of NEET status over the period, the same share reached 41%. Differences in the share with parents with basic education, in contrast, exist but are less pronounced. Other measures indicative of a more disadvantaged socio-economic background rise more strongly with the length of the NEET status. For example, the share of youth whose families had received social assistance more than doubles from 28% among those without any NEET spells to 57% among those that were NEETs for two or more years (Larja et al., 2016_[19]).

The correlation between poorer health and NEET status is particularly strong for young Finns that remained NEETs for longer periods. Youth that are in poor health are around 3.5 as likely to be NEETs for more than twelve months over a four-year period compared to healthy youth. Regarding mental health, the share who have benefitted from outpatient mental health services increases by 50% for those that were NEETs during one year compared to those that were not (from 8% to 12%), and then almost doubles (to 23%) among those that remained NEET for two or more years (Figure 1.13, Panel B). Unless non-NEET youth are drastically less likely to use mental health services than NEET youth with similar mental health issues, this suggests that the likelihood of having mental health problems rises with the length of the NEET spell. Two different mechanisms likely

contribute to this outcome: First, young people with mental health problems likely have more difficulties finding or holding down a job or pursuing a degree, making it more likely that they become (long-term) NEETs. Second, the social isolation and lack of perspective that NEETs may experience can in themselves, contribute to the onset of and exacerbate existing mental health problems.

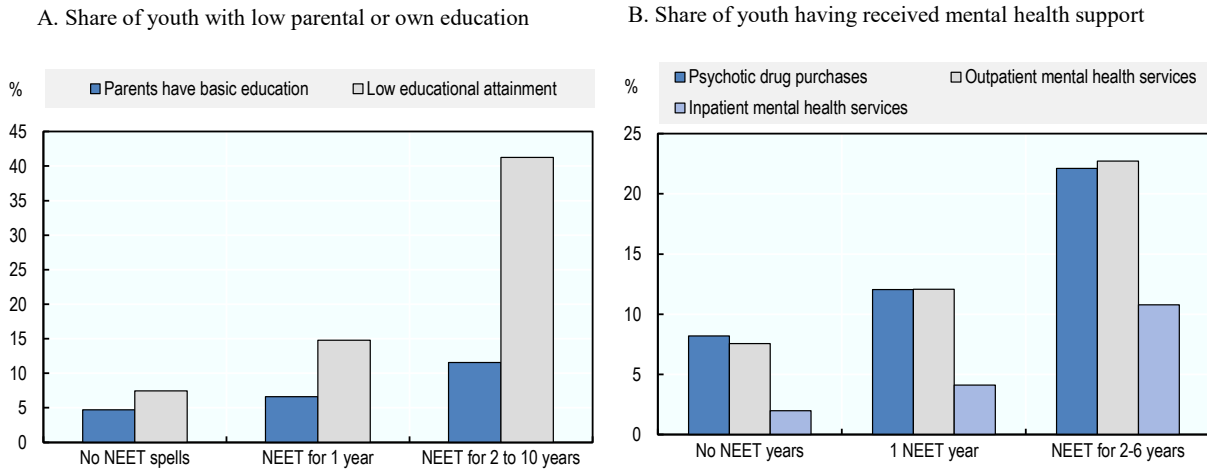
Figure 1.12. The share of young Finns with long NEET shares is comparatively small



Note: Countries are arranged by the share of youth that were NEET for more than 12 months during the 48 observed months. Censored NEET periods are included in the calculations as the observed lengths. The sample consists of youth aged 15-29 in 2015. The OECD average refers to the average for the listed European countries only.

Source: Calculations based on the longitudinal 2015 European Union Statistics on Income and Living Conditions (EU-SILC).

Figure 1.13. Youth with longer NEET spells tend to have lower education levels and receive more mental health treatment



Source: Larja et al. (2016^[19]).

1.4. Wrap-up

Despite the Finnish economy recovering from a near-decade of economic shocks, employment remains low compared to other Nordic countries. For example, the employment rate of young Finns aged 15 to 29 stood at 54.6% in 2017, slightly above the OECD average of 53.3%, but well below the rates observed in Norway and Sweden. The pattern is similar among other working-age adults. While persistently weak labour market performance partly reflects a lagged response to recent economic recovery, policy settings play an equally important role in holding back labour supply. The combination of quite generous working-age benefits and high income taxes reduces work incentives and, consequently, employment. The compressed wage distribution further reduces incentives to hire low-productivity workers, affecting people with low education or low skills in particular. As a result, Finland's labour market performance has always been markedly weak compared with other Nordic countries, with employment and unemployment rates performing barely above OECD averages.

Youth unemployment rates for the age group 15 to 29 reached 14.7% in 2017, placing Finland seventh highest in the OECD ranking, just behind France and Portugal. The high unemployment rate is not only the result of the economic recession; the large number of students searching for part-time employment in Finland contributes to this relatively high youth unemployment rate, as in other Nordic countries. An alternative indicator for youth labour market performance is the share of young people who are not in employment, education or training (NEETs). While unemployed students are not included in this rate since they are in education, the NEET rate does cover young people who are inactive, a group the unemployment rate does not capture.

In 2017, 11.9% of the Finnish youth population aged 15-29 were NEET, a rate below the OECD average of 13.4%. The majority of NEETs (60%) are currently not looking for work (they are considered inactive NEETs) – a share close to the OECD average – but only one third will remain NEET for more than one year – well below the one in two on average across European OECD countries. The difficult economic conditions of the past decade had only a limited impact on the risk to become NEET: between 2007-17, the

NEET rate rose by 2.4 percentage points. This is equal to the increase between 2007-09, but in 2015, the rate was another two percentage points higher.

Youth who have low educational attainment or who have health concerns are at a higher risk of becoming NEETs. For example, young people who failed to complete upper secondary education account for nearly half of all NEETs, and they are three times more likely to be NEET than those with tertiary education are. (Mental) health concerns and substance abuse are widespread among NEETs, and the situation is worse in Finland than in many other OECD countries. NEETs are much more likely to feel depressed than their peers, and secondary in- and out-patient mental health service and psychiatric drug use is common. The use of such services also increases significantly with the length of NEET spells.

Improving the labour market outcomes for young people and making better use of their economic potential as workers requires reforms in a range of policy areas. The remainder of the report first explores how the transition from school to work can be improved, including through preventing school dropout, ensuring good foundation skills and easing the transition from secondary to tertiary education and to the labour market. Then, the report will discuss how government support for young people can be strengthened, including through offering more integrated services.

References

- Adema, W., C. Clarke and V. Frey (2015), “Paid parental leave: Lessons from OECD countries and selected U.S. states”, *OECD Social, Employment and Migration Working Papers*, No. 172, OECD Publishing, Paris, <https://doi.org/10.1787/1815199X>. [9]
- Finnish Immigration Service (2019), *Statistics: International Protection Applications 1/2015 - 12/2018*, <http://statistics.migri.fi> (accessed on 6 March 2019). [17]
- Gretschel, A. and S. Myllyniemi (2017), “Työtä, koulutus- tai harjoittelupaikkaa ilman olevien nuorten käsityksiä tulevaisuudesta, demokratiasta ja julkisista palveluista – Nuorisobarometrin erillisnäyte/aineistonkeruu”, *Nuorisotutkimusseura ry*. [18]
- Jokela, M. et al. (2017), “Secular rise in economically valuable personality traits”, *Proceedings of the National Academy of Sciences*, Vol. 114/25, p. 6527, <http://dx.doi.org/10.1073/pnas.1609994114>. [12]
- Larja, L. et al. (2016), “NEET-indikaattori kuvaa nuorten syrjäytymistä”, *Tieto & trendit*, Vol. 2. [19]
- Ministry of Economic Affairs and Employment of Finland (n.d.), *Conscription - a Finnish choice*, <https://tem.fi/en/non-military-service> (accessed on 5 March 2019). [3]
- Mourshed, M., J. Patel and K. Suder (2014), *Education to Employment: Getting Europe’s Youth into Work*, McKinsey Center for Government, <https://www.mckinsey.com/~media/McKinsey/Industries/Social%20Sector/Our%20Insights/Converting%20education%20to%20employment%20in%20Europe/Education%20to%20employment%20Getting%20Europes%20youth%20into%20work%20full%20report.ashx>. [14]
- OECD (2018), *Education at a Glance 2018: OECD Indicators*, OECD Publishing, Paris, <https://dx.doi.org/10.1787/eag-2018-en>. [4]
- OECD (2018), *OECD Economic Surveys: Finland 2018*, OECD Publishing, Paris, https://dx.doi.org/10.1787/eco_surveys-fin-2018-en. [2]
- OECD (2017), *Education at a Glance 2017: OECD Indicators*, OECD Publishing, Paris, <https://dx.doi.org/10.1787/eag-2017-en>. [5]
- OECD (2016), *Investing in Youth: Sweden*, Investing in Youth, OECD Publishing, Paris, <https://dx.doi.org/10.1787/9789264267701-en>. [13]
- OECD (2016), *Skills Matter: Further Results from the Survey of Adult Skills*, OECD Skills Studies, OECD Publishing, Paris, <https://dx.doi.org/10.1787/9789264258051-en>. [11]
- OECD (2014), *Lessons from PISA for Korea, Strong Performers and Successful Reformers in Education*, OECD Publishing, Paris, <https://dx.doi.org/10.1787/9789264190672-en>. [6]

- OECD (2013), *Education Policy Outlook Finland*, OECD Publishing, Paris, [7]
http://www.oecd.org/education/EDUCATION%20POLICY%20OUTLOOK%20FINLAND_EN.pdf.
- OECD (n.d.), *Educational attainment and labour market outcomes by skills : NEETs, by literacy proficiency level and mean score*, OECD Publishing, Paris, <http://dotstat.oecd.org/>. [10]
- OECD/EU (2018), *Settling In 2018: Indicators of Immigrant Integration*, OECD Publishing, Paris/European Union, Brussels, <https://dx.doi.org/10.1787/9789264307216-en>. [15]
- Statistics Finland (2018), *Number of young people in danger of diminishing considerably due to the decrease in birth rate*, https://www.stat.fi/til/vaenn/2018/vaenn_2018-11-16_tie_001_en.html (accessed on 26 February 2019). [1]
- Statistics Finland (2014), *UTH Survey*, https://www.stat.fi/tup/maahanmuutto/uth-tutkimus_en.html. [16]
- Valtioneuvosto (2017), *Nuorten Syrjäytyminen Vähentäminen*, <http://valtioneuvosto.fi/documents/10616/4592272/Hallituksen-linjaukset-syrjaytymisen-vahentamiseksi.pdf/>. [8]



From:
Investing in Youth: Finland

Access the complete publication at:
<https://doi.org/10.1787/1251a123-en>

Please cite this chapter as:

OECD (2019), “Youth employment and education in Finland”, in *Investing in Youth: Finland*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/6092eae4-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.