The new OECD Jobs Strategy
Good jobs for all in a changing world of work

How does FINLAND compare?

The digital revolution, globalisation and demographic changes are transforming labour markets at a time when policy makers are also struggling with slow productivity and wage growth and high levels of income inequality. The new OECD Jobs Strategy provides a comprehensive framework and policy recommendations to help countries address these challenges. It goes well beyond job quantity and considers job quality and inclusiveness as central policy priorities, while emphasising the importance of resilience and adaptability for good economic and labour market performance in a rapidly changing world of work.

Dashboard of labour market performance for Finland

Notes:
Employment rate: share of working age population (20-64 years) in employment (%).
Broad labour underutilisation: Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (%).
Earnings quality: Gross hourly earnings in PPP-adjusted USD adjusted for inequality.
Labour market insecurity: Expected monetary loss associated with the risk of becoming unemployed as a share of previous earnings.
Job strain: Percentage of workers in jobs with a combination of high job demands and few job resources to meet those demands.
Low-income rate: Share of working-age persons living with less than 50% of median equivalised household disposable income.
Gender labour income gap: Difference between per capita annual earnings of men and women (% of per capita earnings of men).
Employment gap for disadvantaged groups: Average difference in the prime-age men's employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men's rate).

ASSESSING JOB QUANTITY, QUALITY AND LABOUR MARKET INCLUSIVENESS

The new OECD Jobs Strategy presents a dashboard of labour market performance that provides a comprehensive overview of the strengths and weaknesses of different national labour markets, going well beyond the standard measures of employment and unemployment rates. These include measures of job quantity (employment, unemployment and broad underemployment), job quality (pay, labour market security, working environment) and labour market inclusiveness (income equality, gender equality, employment access for potentially disadvantaged groups). Some countries score well on most or all indicators, implying that there are no hard-trade-offs that prevent countries from performing well in all areas.

- Finland's employment rate has increased markedly over the past few years, as a result of the economic rebound, structural factors like higher education levels in younger cohorts, and policy reforms enhancing work incentives. Even though it is above the OECD average, the employment rate remains lower than in the other Nordic countries. The unemployment rate is higher than...
the OECD average and a substantial part relates to weak work incentives and labour market mismatches. However, Finland compares somewhat better with other OECD countries when broad labour underutilisation is considered.

- Overall, Finland performs well in the main indicators of job quality. Earning’s quality is in the top third of OECD countries. Labour market insecurity is fairly low, reflecting extensive social safety nets. Job strain is the second lowest in the OECD, following Norway and ahead of Denmark, illustrating the generally good working conditions in the Nordics.

- The labour market is among the most inclusive in the OECD. Due to a compressed wage distribution and extensive redistribution, less than 7% of working-age persons live with less than 50% of the median income, a proportion that is smaller only in the Czech Republic, Switzerland and Iceland. Finland has the lowest gender pay gap in the OECD, thanks to decades of gender-friendly policies. The employment gap between disadvantaged groups and prime-age men is among the ten lowest in the OECD, albeit higher than in all the other Nordics.

FRAMEWORK CONDITIONS FOR RESILIENCE AND ADAPTABILITY

Labour market resilience and adaptability are important to absorb and adjust to economic shocks and make the most of new opportunities. Resilience is crucial to limit the short-term costs of economic downturns. Labour productivity is a key precondition for high growth of output, employment and wages and central to long-term growth in living standards. Finally, skills are key to improving workers’ productivity and wages and provide an indication of the readiness to respond to future challenges.

- Employment is very resilient to falls in GDP, mainly because the latter are often driven by contractions in low labour intensity industries, although active labour market policies and adjustments in working time also play a role.

- Following a period of strong growth from the mid-1990s, labour productivity stalled during the global financial crisis and stagnated until 2015, due to the weakness in the global economy, as well as idiosyncratic factors, notably difficulties in the electronics and forest industries. Since 2016, labour productivity has picked up, supported by new investments and innovations. The level of labour productivity is above the OECD average and Finland remains an innovation leader.

- The share of low-performing students is the second lowest in the OECD after Japan. This reflects the excellence of the Finnish education system, also illustrated by outstanding average results in the Programme for International Student Assessment (PISA).

Framework conditions for Finland

<table>
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<tr>
<th>Resilience</th>
<th>Bottom OECD performer</th>
<th>Top OECD performer</th>
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<tbody>
<tr>
<td>Unemployment cost of a decline in GDP (2000-16)</td>
<td>Spain: 0.9 pp</td>
<td>Luxembourg: 0.1 pp</td>
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<tr>
<td>Labour productivity growth (2010-16)</td>
<td>Greece: -1.0%</td>
<td>Ireland: 5.5%</td>
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<td>Share of low-performing students (2015)</td>
<td>Mexico: 73.2%</td>
<td>OECD: 31.3%</td>
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Notes: Resilience: average increase in unemployment rate over 3 years after a negative shock to GDP of 1% (2000-16); Labour productivity growth: annual average productivity growth (2010-16), measured in per worker terms. Share of low performing students: Share of 15-year-olds not in secondary school or scoring below Level 2 in PISA (%) (2015).