The Effects of Ageing and Education on the Economic Dependency Ratio in Finland

This thesis studies the effects of ageing and education on the economic dependency ratio in Finland. The employment targets presented in the recent National Action Plans for Employment has inspired a study which questions firstly, if the target rates can be reached, secondly, if the targets will improve the economic dependency ratio, and thirdly, the rates needed to maintain the ratio at levels observed in 2000.

Policies are addressed that aim to increase the employment rate and improve the economic dependency ratio by making better use of persons belonging to the population of working age. Human capital theory and lifelong learning are recognised as leading principles, which can improve the quality of the population of working age and improve employment rates. The effects that reforms to the regular education system have in the short term are measured. Long term effects are discussed.

The effect of the ageing population structure is demonstrated by using the Population Projection of Municipalities 2001-2030. Assumptions about participation rates are based on age-specific participation rates given by the Labour Force Survey and employment and education targets drafted by the current Finnish Government. Scenarios are projected which demonstrate the plausible outcome of variables in the years 2010 and 2020. The potential size of the employed population is given by first projecting the size of the population not participating in the labour force. The central findings of this thesis are 1) that it is necessary to implement policies that sustain the ratio of dependent persons to the employed population. 2) Employment targets can be exceeded, however the 70 percent employment target is insufficient to prevent the economic dependency ratio from soaring after 2010 3) An employment rate close to 73 percent by 2020 is insufficient to keep the economic dependency ratio at the level observed in 2000. 4) Increasing the average age of retirement will improve the employment rate and economic dependency ratio. However, reforms to the regular education system will weaken this improvement in the short term.

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Additional information:

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