



Demographic Change and Human Resource Management

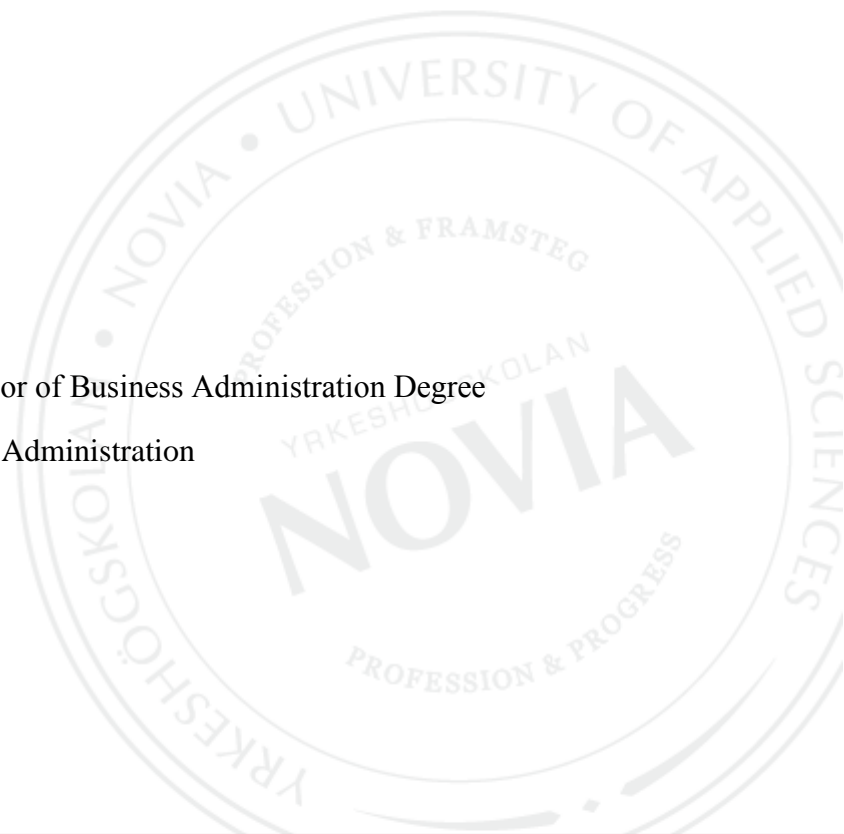
Case Finland

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Abstract

This Bachelor's Thesis focuses on how the demographic change impact Finland on the basis of the factors ageing society, reduced birth rate, and migration. Furthermore, the consequences for the Human Resource Management in companies in Finland are pointed out.

In particular, the current situation in Finland is described by means of the three mentioned factors. Furthermore, the impacts on the Finnish labour market are analysed. Afterwards, the effects on Human Resource Management are described. Those include the delineation of the different generations which are currently working in companies and the need of a demography management.

The practical part is based on an empirical social research. Therefore, representatives of companies located in the South of Finland were interviewed. The survey revealed how those interviewed companies deal with the demographic changes in their workforce.

The interviews showed that the workforces of the interviewed companies are getting older and because of that the companies improved the working conditions for older workers. Furthermore, the Human Resource Management is planning more long-term and demography management is included.

Language: English

Keywords: demographic change, Finland, ageing society, reduced birth rate, migration, Human Resource Management, generations, demography management

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1. Introduction and Course of Action

The terms “demographic change”, “ageing society”, “fewer children”, and “migration” are current topics in the Western society which are discussed in companies, politics, economy, and in the news.

But what are the exact consequences of an ageing society, of a reduced birth rate, and of the migration? How is the Finnish labour market affected by the demographic change? How are companies reacting to problems caused by changes in the demography?

All these mentioned questions have been the trigger for this Bachelor’s Thesis. Already, different Human Resource specialists such as Lynda Gratton or Marcus K. Reif are predicting changes in the future working life and in the role of the Human Resource Management (HRM) in a company. In the following the term “Human Resource Management” is going to be abbreviated with “HRM”. Due to the fact that the author of this thesis is spending a year abroad at Novia University of Applied Sciences in Turku, Finland, the impacts have been measured with regard to developments in Finland.

The aim of this Bachelor’s Thesis is to find out how Finland as a country is impacted by the changes in the demography. This will be analysed by three factors: the ageing society, the reduced birth rate and the migration of people in Finland. Furthermore, the paper seeks to clarify how companies in Finland are influenced and, especially, how the HRM of enterprises is dealing with the demographic change. Representatives of Finnish companies along with representatives of companies located in Finland have been interviewed to find out how organisations are affected by the phenomenon of demographic change in the Finnish society.

Consequently, this paper initially deals with the theoretical background of a definition of the topic and the current demographic situation in Finland on the basis of the three mentioned factors. Based on this a deeper look on the Finnish labour market is going to be done. Furthermore, the effects on HRM and resulting actions are described.

Supplementary, an empirical social research was executed to reveal how Finnish companies are affected and how those are dealing with it.

The final conclusion of this Bachelor’s Thesis contains future prospects on how companies can deal with the ageing population and the overall changes in the demography.

2. Demographic Change

“Of all the functions in a company, HR is the guardian of the future and the most influential in transforming culture.” - Lynda Gratton

(Gratton, 2015)

2.1. Definition

The term “demography” can be derived from the Greek language. It consists of the two words *Demas* and *Grapho*. *Demas* means “the people” and *Grapho* means “to draw” or “to write”. “Demography” describes the scientific research of population and numerical changes in relation to birth, death, migration, and age distribution (Thurich, 2011). In simple terms, it is the study of changes - size, growth, or decrease - in human populations. The birth rate can also be defined as fertility and the death rate as mortality. (Cox, 1976, pp. 1 - 2) This does not necessarily imply that a demographic change always means a decrease of the population number. It could also be an increase of the number of inhabitants within a country or a region.

According to the World Health Organization, old or elderly persons in western countries could be defined as people who are aged 65 years or older (World Health Organization, w.y.). Young people are persons aged less than 35 years. The age group of people from 35 years to 65 are middle aged persons. (Alleyne, 2010)

This thesis describes the demographic change resulted by the ageing of the society, a reduced birth rate and migration in Finland.

The population of the European Union (EU) increased at a level of over 500 million people since the latest demography report made by the European Commission in 2008 (European Commission, 2011). This increase is mainly caused by immigration whereas the population changed its structure. People are getting older and more variegated.

In the following the term “European Union” is going to be abbreviated with “EU”.

The European Commission represented their point of view regarding the demographic challenges in the EU and the possible approaches in October 2006. The needs for action can be found mainly in five areas which are demographic renewal, employment, productivity, integration of migrants, and sustainable public finances (European

Commission, 2011). Demographic renewals contain the reduction of imbalance of chances for people with and without children, help for parents, especially, in terms of education and care of babies, and to offer males and likewise females the possibility for a work-life balance and a lifelong learning. The employment rate should rise and new possibilities for elderly people should be created so that they are able to work longer. Furthermore, the labour productivity of whole Europe should be increased. The integration - economically and social - of migrants should be handled equally in all member states of the EU. All member states have to accomplish an appropriate social protection for their inhabitants and create sustainable public finances. (European Commission, 2006)

In the following chapter, the ageing society, the reduction of the birth rate and the migration are taken into account to explain the current demographic situation in Finland. The country is faced with a reduced fertility rate at a level of 1.75 children per woman in 2013, a net migration of 18,048 in 2013, and a population which is getting older.

The mentioned terms “EU-27” and “EU-28” indicates the number of the EU member states in the following. Since 1st of July 2013 the EU counts 28 member states so it is named EU-28. All data released between 1st of January 2007 and 1st of July 2013 is based on the EU with 27 member states. (Europäische Union, w.y.)

2.2. Current Situation in Finland

The demography report of 2010 makes clear that every EU-27 country is influenced by the phenomenon of an ageing population. Finland’s population structure is also affected as shown in Figure 1. Similar to the observation made in other countries, the appearance of the population pyramid changed in recent years. In 1917, the graph of the age structure represents a pyramid. Approximatley 35 % of the Finnish population was aged 0 - 14 years. In the latest inquiry (2006), the age group from 0 - 14 years counts only 17 % of the total Finnish population. The changes in the age group 65 or over are described and compared in the following. In 2006, the percentage was 16.5. Due to the fact that no numbers for 1917 are available, numbers from an investigation in 1980 are chosen. In this year the number of people aged 65 or over reached a level of 12.1 % (Official Statistics of Finland, 2007). Thereby, the typical population pyramid looks more like a stationary population pyramid in 2006. *“A stationary pyramid shows roughly equal numbers of people in all age categories, with a tapering towards the older age*

categories.” (Richmond, 2002). This occurred because of a lower birth rate and a decreased mortality. The diagram on the right in Figure 1, shows how the Finnish population looked in 2006. In this population pyramid there are several historical happenings included which had an impact on the demography. The time period from 1945 to 1964 is called the time of the Baby Boomers. This was after World War II. In the Baby Boomer time, about 1,729,950 people were born in Finland. In 2012, still 62,000 people of the first Baby Boom generation (1945 - 1949) were employed. At that time, the employees already reached an age of 63 - 67 years (Official Statistics of Finland, 2013). From that moment on (year 1964), the number of births decreased and lead to a situation of a decreased birth rate and a lower death rate (Official Statistics of Finland, 2007).

The changes in the mortality rate are related to a higher life expectation of females and males. In 1971, newborn males had a life expectation of 65.89 years. For females it was 74.21 years. The numbers went up to 77.7 years for males and 83.5 years for females in 2013. So it can be seen that in only 42 years the population gets about ten years older (Official Statistics of Finland, 2014; Eurostat, 2014). The reasons why people are getting older, are an improved health care, well diet, peace, better living conditions, and higher living standards. Due to war or economical crises the expectancy of life could be reduced because the living standards decrease. (Stein, 2014)

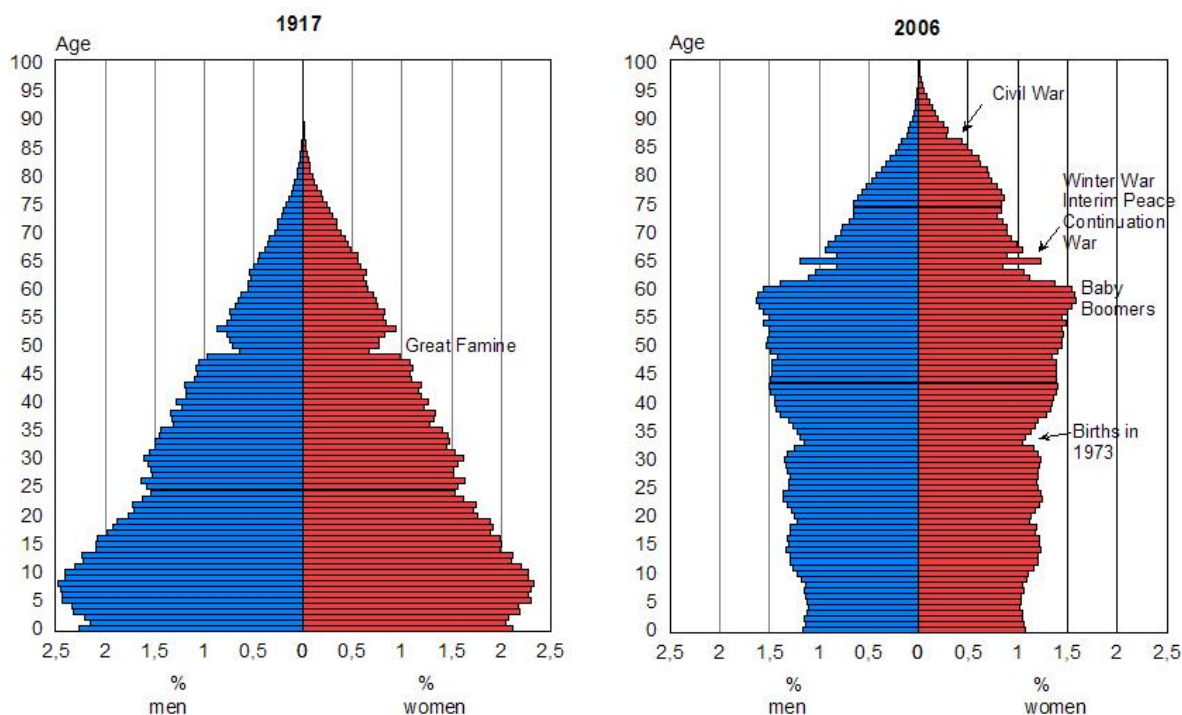


Figure 1 Age structure of population in 1917 and 2006 (Official Statistics of Finland, 2007)

In the latest publication, released on 31st of December 2013, Finland has a population of 5,451,270 inhabitants. Out of the total population, 2,770,906 inhabitants are female and 2,680,364 persons are male. Since 1900, the total population of Finland almost doubled. In this year, the amount of female was 1,345,000 and 1,311,000 were male people. (Official Statistics of Finland, 2014)

In 2042, the Finnish population will surmount the six million boarder. In 2060, the population will reach about 6,228,000 people. These are the predictions for Finland for the next years. The forecasts are based on past developments in fertility, mortality and migration. The percentage of the people aged 65 or older will increase from 22.6 % in 2020 up to 28.2 % until 2060. This will lead to a change in the age structure of the people aged 15 - 64 years. This population group will decrease from 60.8 % in 2020 down to 56.6 % in 2060 (Official Statistics of Finland, 2012). This development leads to a change in the demographic dependency ratio. The demographic dependency ratio provides information about the number of children - who are aged under 15 - and pensioners - who are aged over 65 - per one hundred persons of the working age. *“The working-age population consists of all persons aged between 15 and 74 years.”* (Official Statistics of Finland, w.y.). Figure 2 shows that the number of elderly people increases and the number of children decreases. This led to a demographic dependency ratio of 50.3 in 2008. The ratio will go up to 79.1 in 2060 (Official Statistics of Finland, 2009). This means that 100 persons in the working age had to finance approximatley 51 pensioners and children in 2008. This number will increase to 80 people per 100 employable age persons in 2060. In Finland, the retirement is regulated by a pension system. It is based on two complementary pension schemes - the national pension and the earning-related pension. The flexible retirement age for earning-related pension is 63 - 68 years and the national pension age is 65 years. (Finnish Centre for Pensions, 2014)

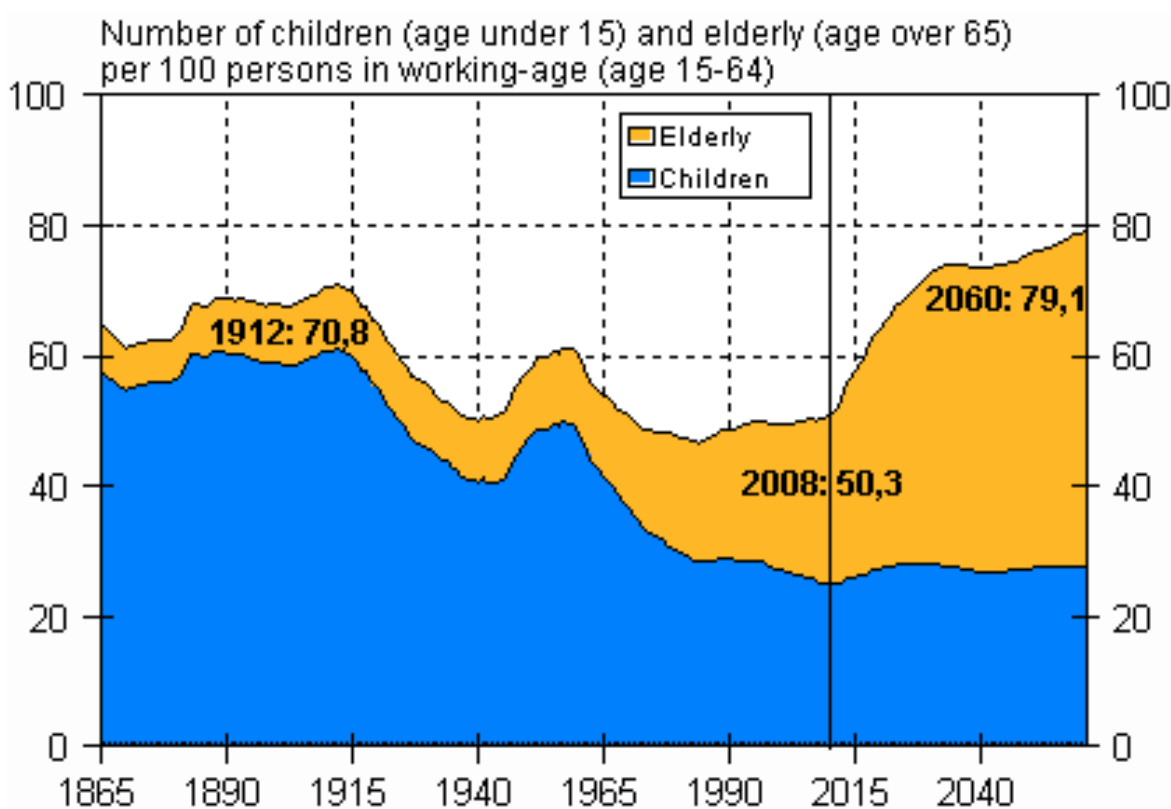


Figure 2 Demographic dependency ratio 1865 – 2060 (Official Statistics of Finland, 2009)

In Finland, the distribution of family types with underage children changed which is also an indicator for the changes in demography (Figure 3). According to the Finnish child protection act, a “child” is a person under the age of eighteen (Finlex, 2007). Factors, such as sizes of age groups being born, children who are turning 18 years old, and international migration, have influences on the number of families with children. In 1992, the typical family type of a married couple with children was most common with about 600,000 families. About 20 years later - in 2013 - the number was only 434,571. The lack in the birth rate is caused, amongst other things, by the increased number of married couples without children and cohabiting couples without children. Both types increased steadily in the last years. (Findicator, 2014) In 2013, there were 525,933 married couples without children. These are 129,980 more families of this kind than in 1995. The number of cohabiting couples without children increased from 135,996 in 1995 to 208,264 in 2013. (Official Statistics of Finland, 2014)

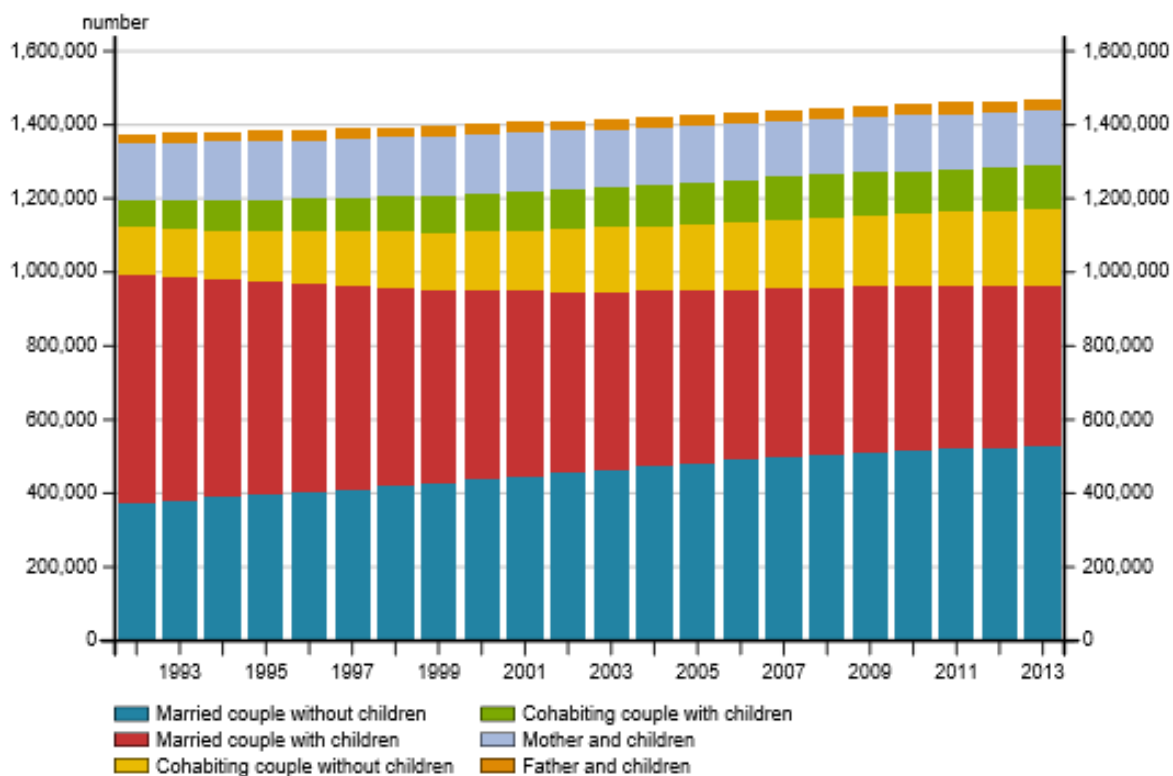


Figure 3 Families by family type 1992-2013 (Findicator, 2014)

2.2.1. Ageing Society

In the demography report of 2010 released by the EU Commission, it is mentioned that: “In 2020, Finland will have the oldest population in EU-27, measured in terms of the old-age dependency ratio.” (European Commission, 2011, p. 172). If this happens, it would lead to high pension expenditures, changes in the workforce, pressure on public finances, labour resources, and actions by the government.

Figure 4 shows how the population changed between 1900 and 2013. The number of people who are aged 65 or over increased rapidly. In 2013, 1,056,547 people were already aged over 65 years. This means that every fifth Finn was aged 65 or over. The proportion reached 19.4 % of the total population in 2013. (Official Statistics of Finland, 2014)

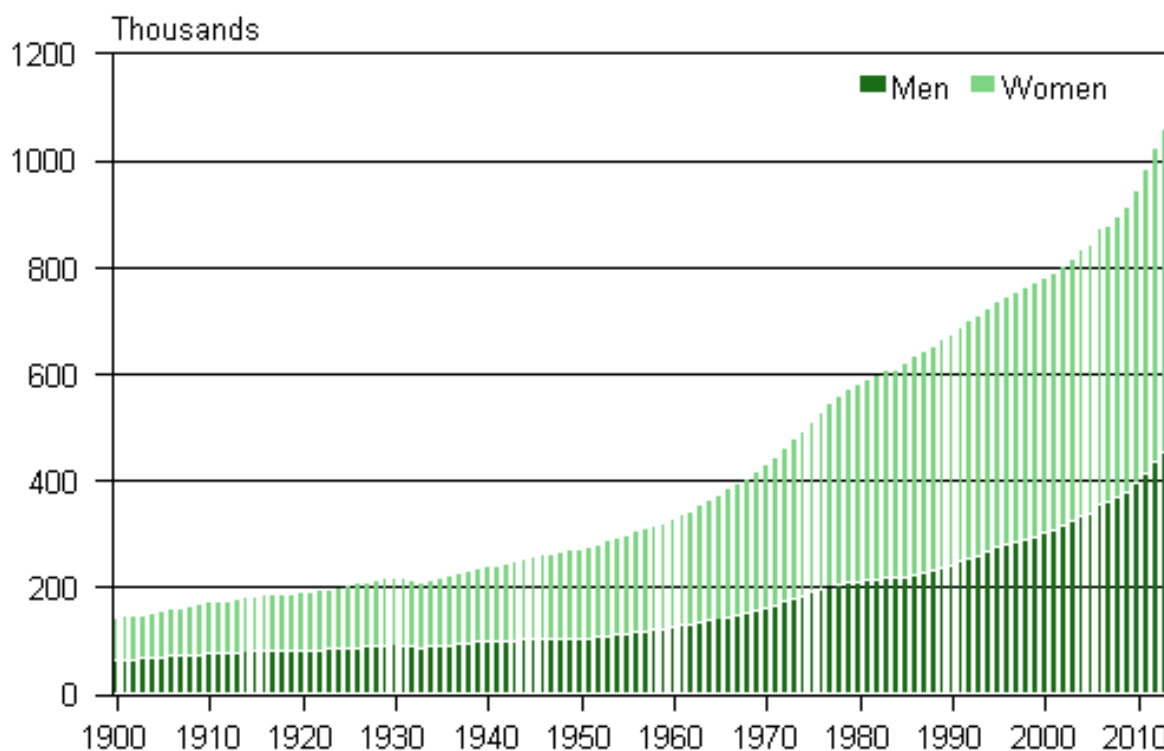


Figure 4 Number of persons aged 65 or over in Finland's population from 1900 to 2013 (Official Statistics of Finland, 2014)

In comparison to the EU-28 countries, the share of the population which is aged 65 or over was the eight highest in Finland. (Figure 5) The highest share with 21.2 % can be observed in Italy, the lowest with 12.2 % in Ireland. Finland was located in the upper third with a proportion of 18.8 %. From 2012 to 2013, the share increased from 18.8 % to 19.4 %. Finland exceeded the average share of persons aged 65 or over in all EU-28 countries. This share is predicted to grow steadily in the next few years. (Official Statistics of Finland, 2014)

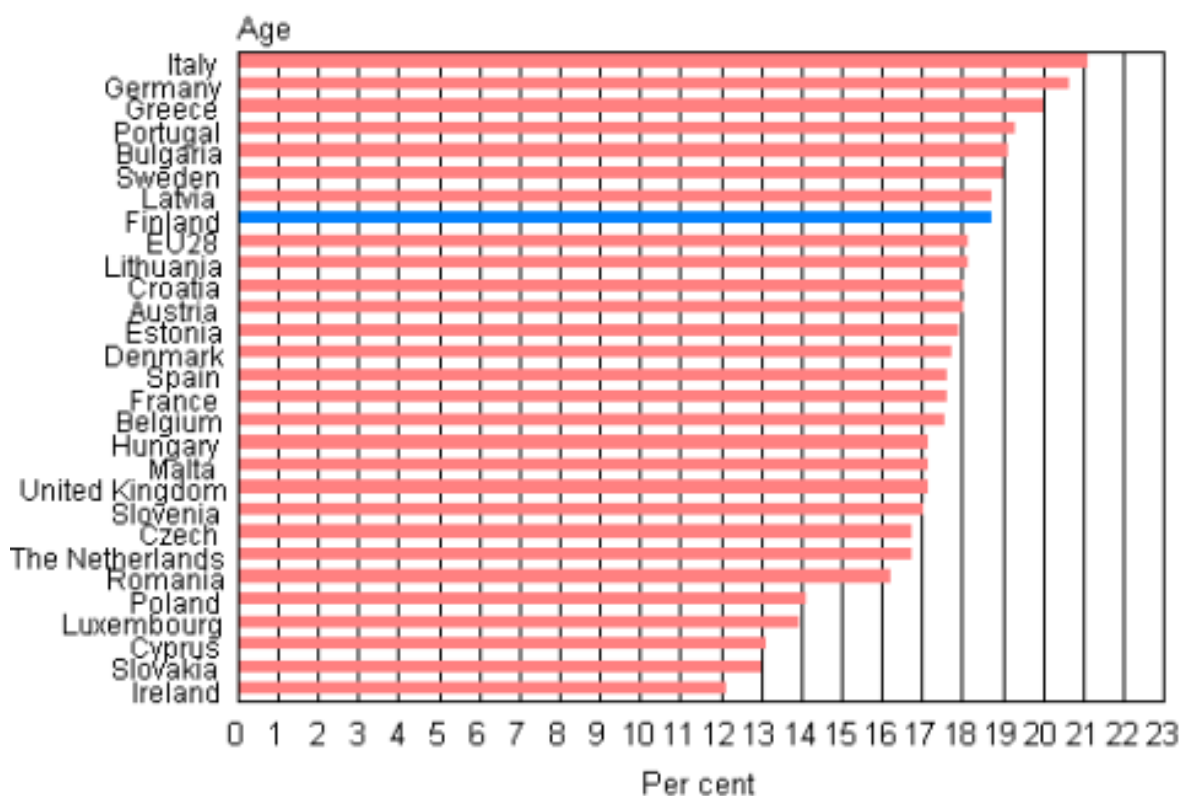


Figure 5 Share of persons aged 65 or over of the population in EU 28 countries in 2012, per cent (Official Statistics of Finland, 2014)

An issue which is even more conspicuous, is the growing number of people aged over 80 years. In the year 2010, 5 % of the Finnish population have been older than 80 years. Until 2050, this will change. In the future, the number will rocket to 12 %. It can be assumed that in 2050, Finland will have a population of 6,090,000 people, so 731,520 people will be aged over 80 years (OECD, 2014, pp. 52 - 53).

These trends show a change in the expectation of life of Finns. As mentioned before in '2.2 Current Situation in Finland', the life expectancy rose steadily in the last few years. In Figure 6, the time span from 1980 to 2013 is considered. In this time, the life expectancy for women rose from 77.81 up to 83.5 (83.81) years. For male the life expectancy increased from 69.22 up to 77.7 (77.84) years. The future prediction - which is shown in Table 1 - forecasts a steady growth of the life expectancy for Finnish people. In 2050, an average Finnish woman will reach 88.1 years of age. A man will reach 83.3 years. (Official Statistics of Finland, 2014) (Eurostat, 2014)

When considering different sources (Eurostat and Official Statistics of Finland), one can find deviations in the data for the life expectancy in the year 2013. The deviations are

small so they did not attach greater importance. The numbers in brackets in the paragraph above are the data from Eurostat (Eurostat, 2014).

Those increases in the life expectancy arise through better health care and prevention right from the beginning. There is a much more variegated diet which is accessible for mostly everyone. Peace and better living conditions as during wars contribute an important part to a longer life. The chances of recovery for cancer rose in the last few years. So, all in all, those mentioned factors and higher living standards are responsible for a longer life. (Stein, 2014; Weiland, et al., 2006)

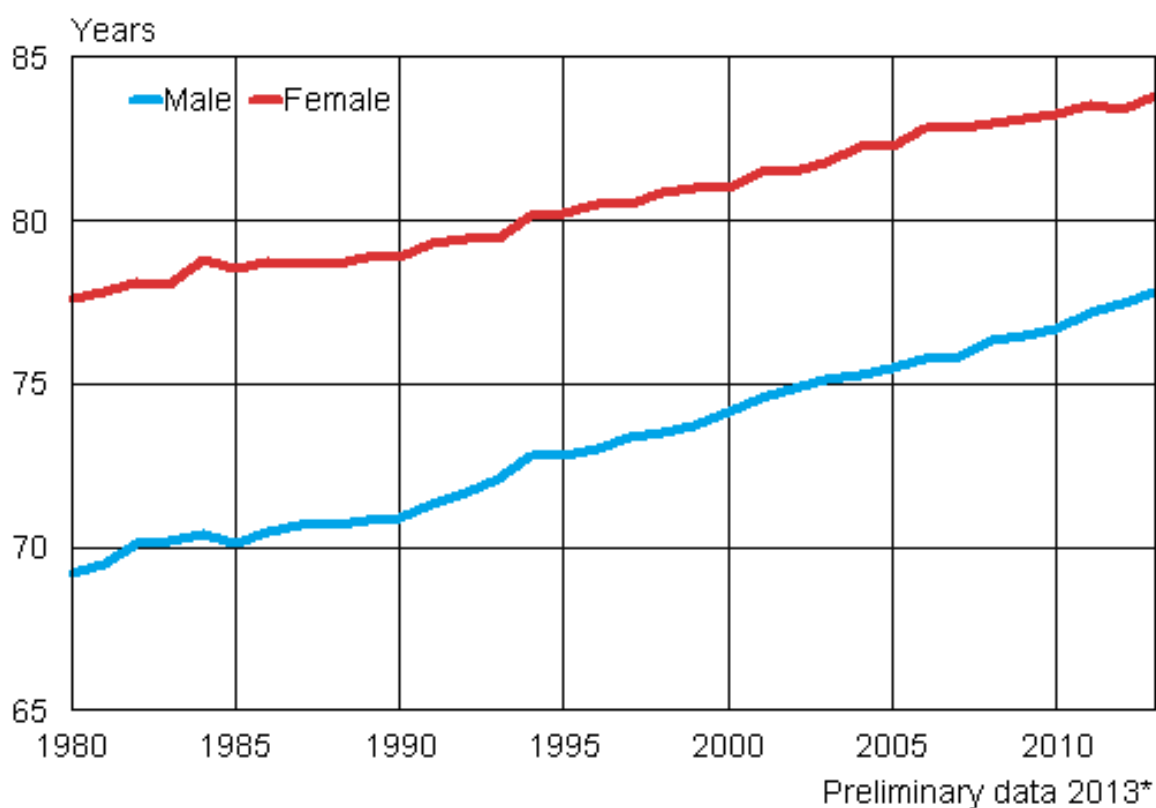


Figure 6 Life expectancy at birth by sex in 1980-2013 (Official Statistics of Finland, 2014)

Table 1 Life expectancy by age and sex

Year	2013	2020	2030	2040	2050
Male	77.7	78.9	80.4	81.9	83.3
Female	83.5	84.5	85.8	87.0	88.1

(Eurostat, 2014)

2.2.2. Reduced Birth Rate

Besides the ageing population, the reduced birth rate is also a factor which has an impact on the changes in demography.

When looking at the results of the demography report in 2010 of the European Commission, it becomes clear that the slight growth of the birth rate and the increased life expectancy impacts the demographic change in a positive way because more babies are born to compensate the balance between young and old people (European Commission, 2011). The birth rate grew in EU-27 to 1.6 children per woman but this rate is still too little to compensate the deficit. There has to be 2.1 children per woman to keep the population on a constant level if the immigration and emigration are not taken into consideration. (European Commission, 2011)

The birth rate could also be named fertility rate. Fertility rate or birth rate provides information about the number of live births measured by 1000 women of the same age. *“The total fertility rate (TFR) for a given year is a measure of the number of children that a woman would have over her childbearing years if, at each age, she experienced the age-specific fertility rate of that year.”* (Grant, et al., 2004). The childbearing years of women are determined from 15 to 45 or 49 years (Bundesinstitut für Bevölkerungsforschung, w.y.). In the following the term “Total Fertility Rate” is going to be abbreviated with “TFR”.

In Finland, the TFR has been under the threshold of 2.1 children per woman since 1969. As shown in Figure 7, the TFR has been decreasing since 1900. The growth in the years around 1920 occurred because of the independence of Finland on 6th of December 1917 and the end of the Civil War (Dr Zetterberg, 2014). In general, the changes in the fertility rate are resulted by indicators such as economic forces, social changes, and legislation changes (Cox, 1976, pp. 84 - 86). In 1940, there has been a drop in the number of births due to the Winter War. The increase of the TFR between 1945 and 1950 is caused by the end of World War II. In 1947, the numbers peaked. In total, there were 108,168 births in this year. The TFR reached a level of 3.5 children per woman. The people born in the years from 1945 - 1964 are called the Baby Boomer generation. In 1973, the birth rate hit the lowest point of 1.5 children per woman. (Official Statistics of Finland, 2007) In 2012, the TFR reached a level of 1.8 children per woman (Official Statistics of Finland, 2013).

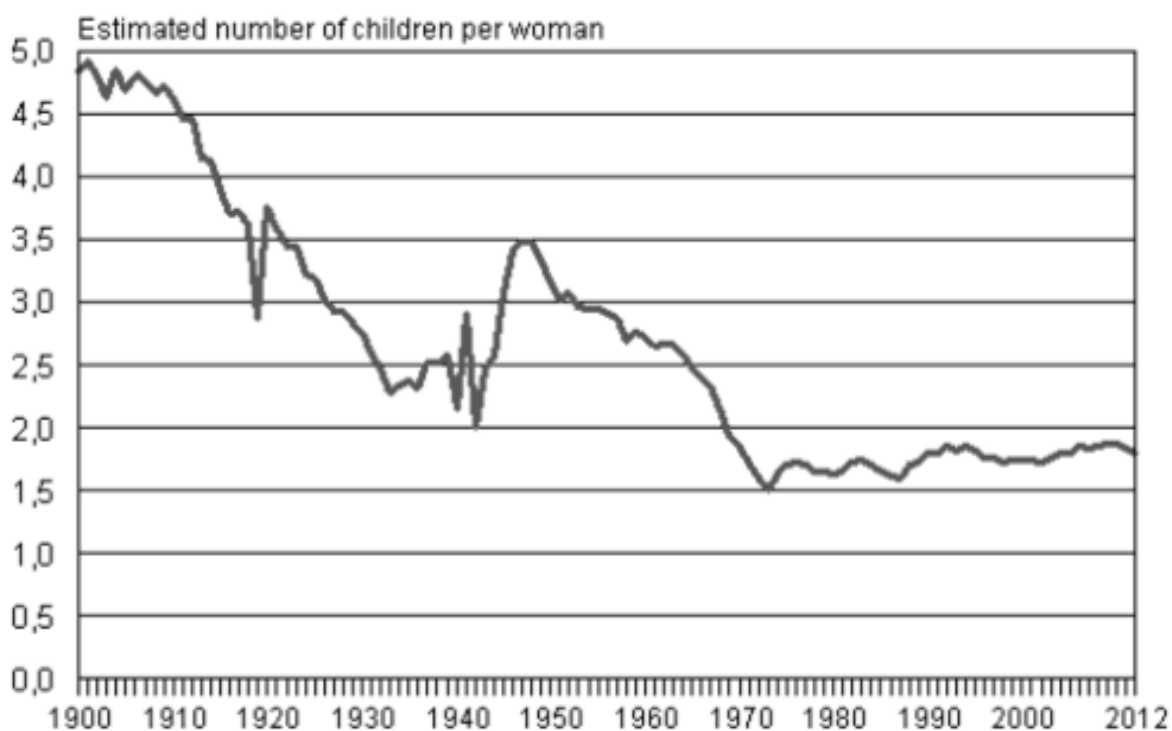


Figure 7 Total fertility rate 1900 – 2012 (Official Statistics of Finland, 2013)

Only one year later, the TFR decreased again in Finland. In 2013, a woman gave birth to 1.75 children in average. In this year, 58,134 babies have been born alive (Figure 7). Table 2 shows that on average women are having their first child later in life. In 2004, the average Finnish woman was 27.8 years old when she got her first child. Nowadays, she is 28.6 years old. On average, the mean age of women by all live births rose from 30.0 years up to 30.4 years. (Official Statistics of Finland, 2014)

Table 2 Number of live births, TFR and mother's mean age by live births in 2004 and 2013

Year	2004	2013
Number of live births	57,758	58,134
Total Fertility Rate	1.8	1.75
Mother's mean age by all live births	30.0	30.4
Mother's mean age by first live birth	27.8	28.6

(Official Statistics of Finland, 2014)

One reason for the reduced birth rate is that more adults stay childless. In the bar chart below (Figure 8), the changes in 1990, 2000, and 2013 are shown. As mentioned before, women are getting older until they get their first child. This figure makes clear that the number of women aged 45 years who have no child rose from approximately 12 % in 1990 to 19.1 % in 2013. (Official Statistics of Finland, 2014) Several studies proved that voluntary childlessness is *“common among men, highly educated women, urban residents, higher income groups, and among persons who are less religious and hold less traditional family views, or live in more egalitarian relationships.”* (Miettinen & Szalma, 2014, p. 34). In 2009, the share of employed women with a tertiary education level was 44 %. In 2011, 47 % of the employed women had a tertiary level of education. This means that women are getting more highly educated. This is a reason for the increasing childlessness of women. (Tarkoma, 2012) In Finland different kinds of a tertiary education level exist. The lowest level of tertiary education starts after upper secondary education and takes two to three years. Qualification of technician engineer, diploma in business and administration, and diploma in nursing are examples for it. The lower-degree level of tertiary education includes polytechnic and lower university degrees. Education of five to six years after upper secondary education is called higher-degree level of tertiary education. This education includes higher university degrees such as master’s degree and specialist’s degrees in medicine. (Official Statistics of Finland, w.y.)

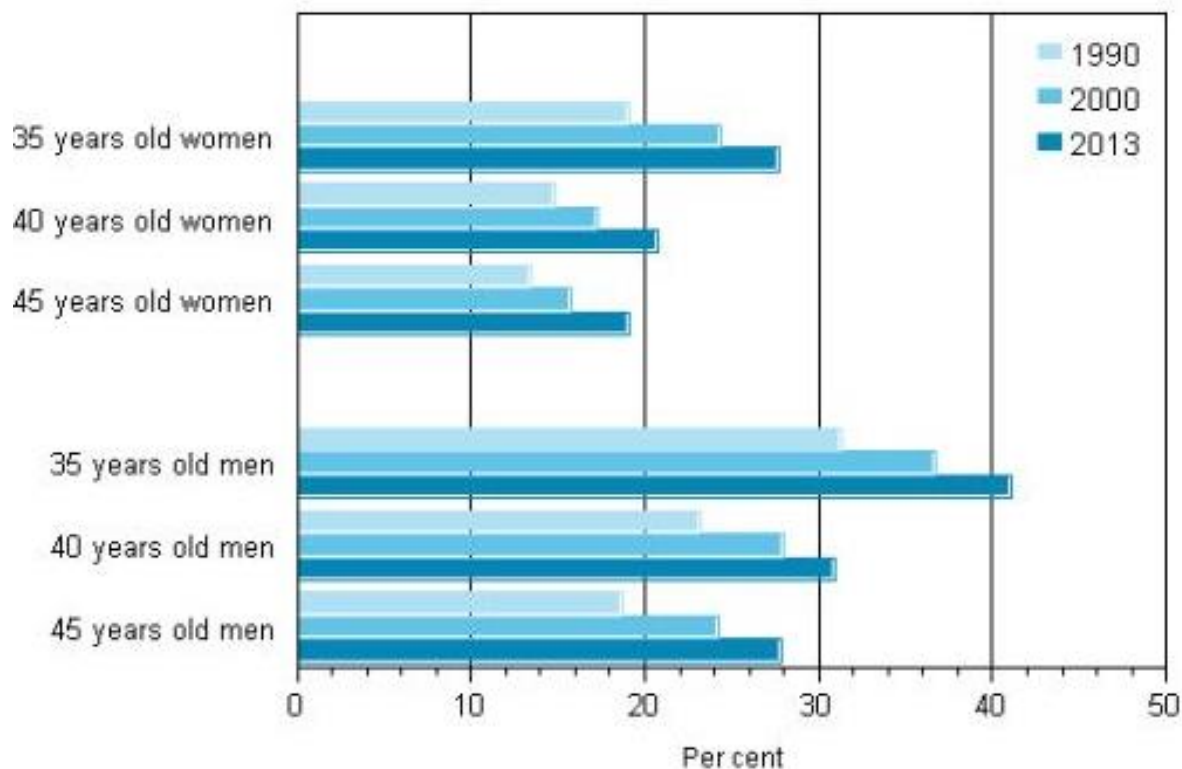


Figure 8 Share of childless persons by age and sex in 1990, 2000, and 2013 (Official Statistics of Finland, 2014)

Another reason for the reduction of the fertility rate is that women are taking part more actively in the working life in the last years. Besides this, it is also a result of the childlessness of women aged 35 years. The labour force participation rate amounted 63.8 % by women in 2012. (Harala, 2014) This will be described more precisely in ‘2.3 Impacts on the Labour Market’.

2.2.3. Migration

The third point which has to be considered when trying to explain the demographic change is migration. If a person changes its place of principal residence, it is called migration. Migration does not necessarily take place within just one country but also internationally. So people can migrate from one country to another. Migration includes immigration, emigration, and internal moves inside the country. (Razum & Spallek, 2009)

An official definition of migration was formulated by the International Organization for Migration.

“Migration - the movement of a person or a group of persons, either across an international border, or within a State. It is a population movement, encompassing any kind of movement of people, whatever its length, composition and causes; it includes migration of refugees, displaced persons, economic migrants, and persons moving for other purposes, including family reunification.” (International Organization for Migration, w.y.).

According to Marja-Liisa Helminen, a senior statistician at Statistics Finland, the number of immigrations is responsible for the increase in the total population in Finland in 2014 (Mykkänen & Teivainen, 2015). This statement was proved already in 2013. In this year, 31,941 persons immigrated from foreign countries to Finland. At the same time, 13,893 persons emigrated from Finland. The result was a light rise in the population number. (Official Statistics of Finland, 2014)

“Net migration is the difference between immigration and emigration.” (Official Statistics of Finland, w.y.). The total number of net migration was 18,048 people in 2013. This number increased steadily since 2000. The graph below shows that the number of immigrants rose from 31,278 in 2012 to 31,941 persons in 2013 (Figure 9). The number of emigrants in the years 2012 and 2013 only slightly increased from 13,845 to 13,893 people. (Official Statistics of Finland, 2014)

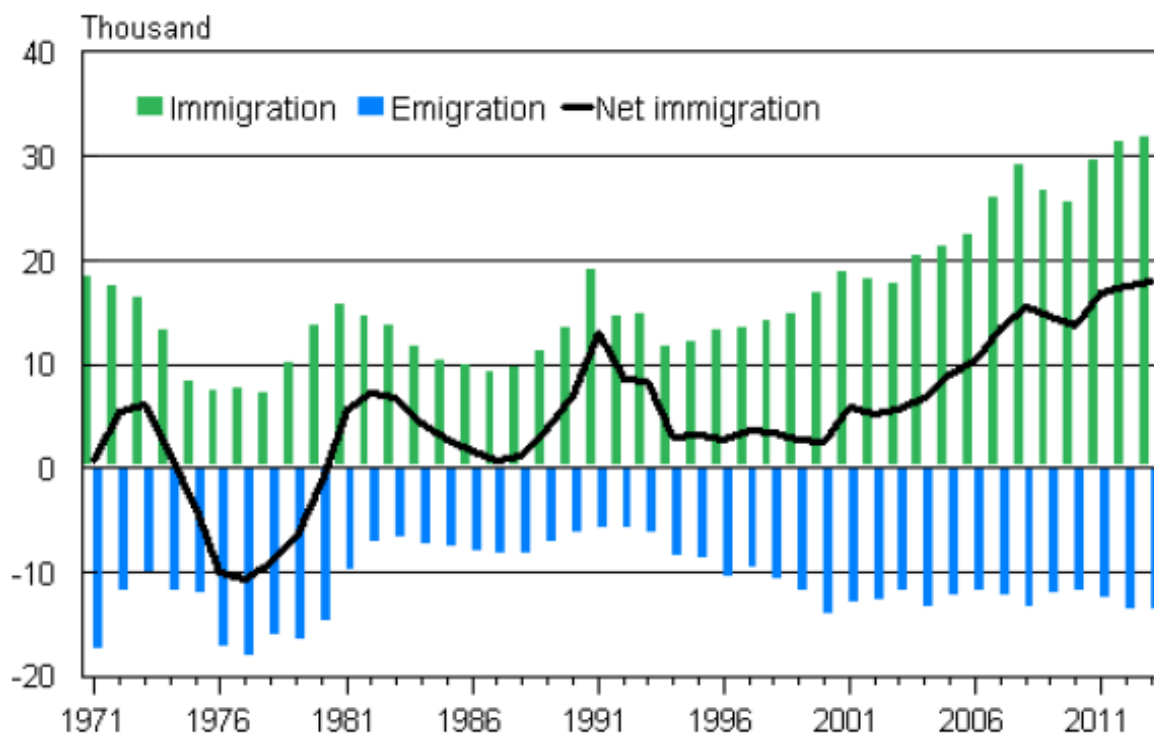


Figure 9 Immigration, emigration and net migration in 1971-2013 (Official Statistics of Finland, 2014)

The numbers of immigrants coming from the EU are steadily increasing. This development - the emigration and net migration - is shown in Figure 10. In 2013, 16,200 persons immigrated to Finland. This was only a slight decrease compared to the year before. There was also a small raise in the number of emigrations. In 2013, the number counted 8,820 persons. In total, the population of Finland grew by 7,380 people caused by migration from other EU countries in 2013. As shown in Figure 10, the number of immigrations from EU countries is steadily growing since 1994. Besides that, from 2008 until 2010 there was a decrease. This development is resulted by the economic crisis. The number reduced because there were less employment possibilities for immigrants. This is the reason why the number of people who decided to immigrate to Finland from other EU countries decreased in this time period. (European Migration Network, 2012)

Since 2000, the number of emigration mostly stayed on the same level. Due to this development, the number of net migration is constantly rising since 2000 due to the rising number of immigrants. (Official Statistics of Finland, 2014)

According to the Finnish Immigration Service, the reasons why people immigrate to Finland are education, job opportunities, remigration because of Finnish origin, or family ties in Finland (The Finnish Immigration Service, w.y.).

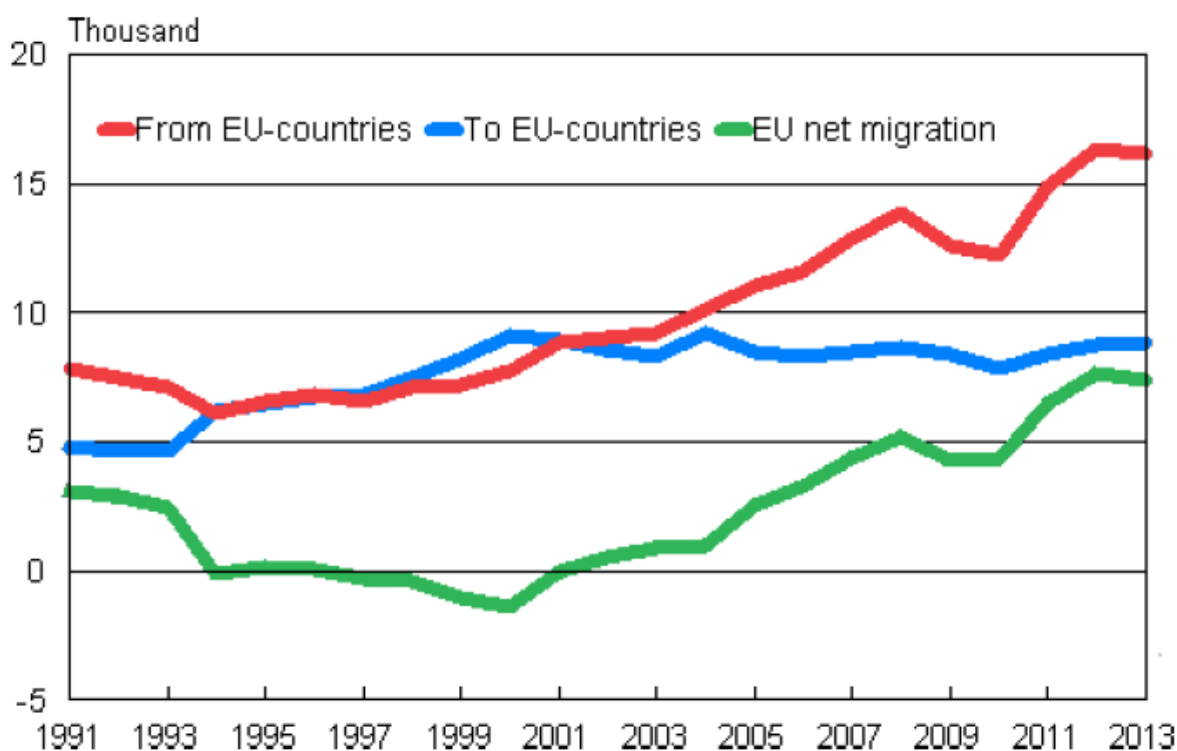


Figure 10 Migration between Finland and other EU countries 1991 – 2013 (Official Statistics of Finland, 2014)

2.3. Impacts on the Labour Market

The three factors mentioned and explained above - ageing population, reduced fertility rate and migration - show to have influences on the labour market in Finland. The small level of births in combination with the ageing society and unemployment of inhabitants is devitalising the Finnish economic dependency ratio. (Findicator, 2014)

In the monthly labour force survey given by Statistics of Finland, the age group between 15 and 74 years is considered. In total, there was an active population of 2,645,000 persons in December 2014. The active population is defined as “*all persons aged 15 to 74 who were employed or unemployed during the survey week.*” (Official Statistics of Finland, w.y.). Active population could also be referred to labour force. Out of those 2,645,000 people, 2,413,000 persons have been employed in Finland during December 2014.

The labour force could be defined as follows: “*All persons who are physically and mentally capable of may be thought of as belonging to the potential labour supply.*” (Farooq & Ofosu, 1992, p. 15). In Finland all persons - employed or unemployed during

the survey week - aged 15 to 74 years are part of the labour force (Official Statistics of Finland, w.y.).

The employed workers can be divided into two groups. The first group are employees which contain 2,061,000 persons in December 2014. The second one consists of self-employed persons and unpaid family workers. Those counted 351,000 people in the period under consideration. (Official Statistics of Finland, 2015)

The inactive population comprised 1,455,000 people. Inactive population is defined as follows: *“The economically inactive population consists of persons who are not employed or unemployed during the survey week.”* (Official Statistics of Finland, w.y.). In this group of people, persons in disguised unemployment are included. In December 2014, those have been 138,000 people. Persons in disguised unemployment are *“persons outside the labour force who would like gainful work and would be available for work within a fortnight, but who have not looked for work in the past four weeks.”* (Official Statistics of Finland, w.y.).

The employment rate was 67.4 % in December 2014 when considering persons aged 15 to 64 years (Figure 11). As shown in Figure 12, the unemployment rate was 8.8 %. This corresponds to a number of 232,000 people who were unemployed in Finland. A person is considered as

“unemployed if he/she is without work during the survey week, has actively sought employment in the past four weeks as an employee or self-employed and would be available for work within two weeks. A person who is without work and waiting for an agreed job to start within three months is also classified as unemployed if he/she could start work within two weeks. Persons laid off for the time being who fulfil the above-mentioned criteria are also counted as unemployed.” (Official Statistics of Finland, w.y.).

Out of those 232,000 people, 128,000 were male and 104,000 female. (Official Statistics of Finland, 2015)

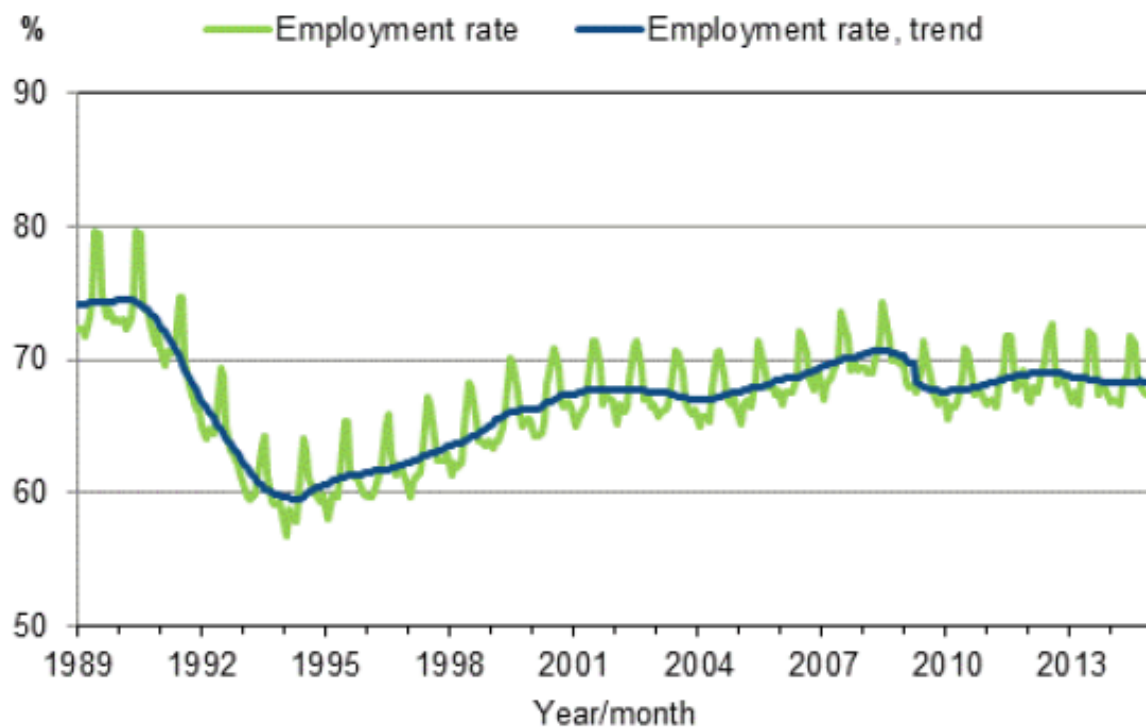


Figure 11 Employment rate and trend of employment rate 1989/01 - 2014/12, persons aged 15-64 (Official Statistics of Finland, 2015)

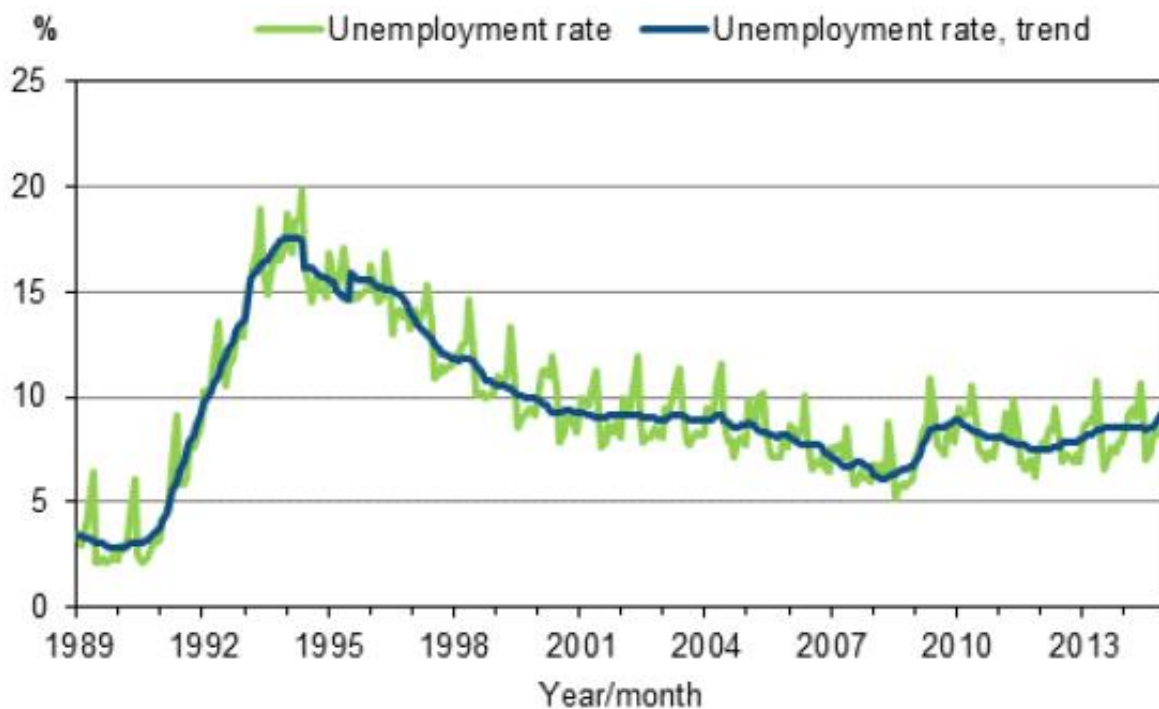


Figure 12 Unemployment rate and trend of unemployment rate 1989/01 - 2014/12, persons aged 15-74 (Official Statistics of Finland, 2015)

The following diagram shows the development of the different age groups until 2013 (Figure 13). The population is divided in five groups. The first group contains all persons aged 0 - 14 years. The people in the second group are 15 - 24 years old. The people aged 25 - 44 years build the next group. The fourth group consists of persons aged 45 - 64 years. The last one includes all people older than 65 years.

Figure 13 shows that the number of people in the age groups 0 - 14, 14 - 24, and 25 - 44 years are constantly dropping. The growth of 0 - 14 years old people was because of the so called Baby Boomer time between 1945 and approximately 1960. As already mentioned before, the births rate is declining after 1960. Due to the fact that the number of people aged 65 or older is growing since the 1960s, the declining younger generations are responsible for funding and supporting the welfare system. (Findicator, 2014)

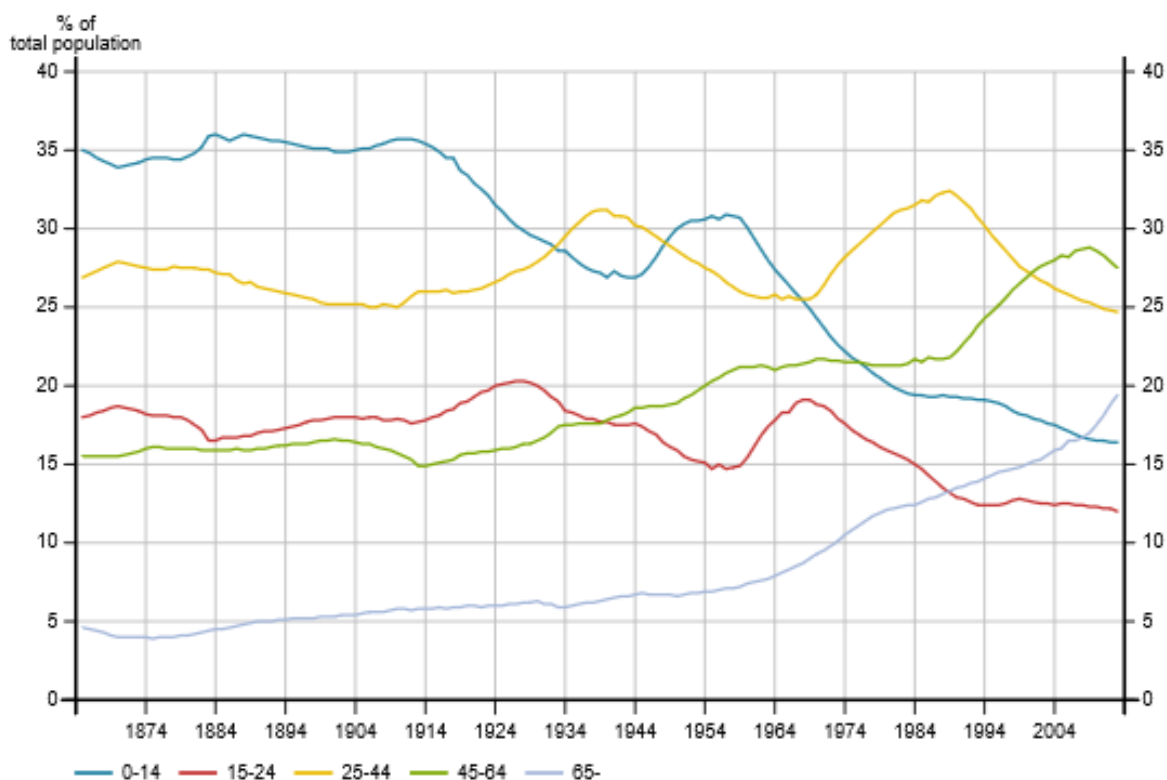


Figure 13 Population according to age groups 1865 – 2013 (Findicator, 2014)

This development will lead to a change in the workforce in the future. The labour force participation rate will decline constantly until 2060. The labour force participation rate can also be defined as the activity rate. It is “*the ratio of those in the active population to the population of the same age.*” (Official Statistics of Finland, w.y.). In December 2014, the activity rate counts 64.5 % (Figure 14). It is predicted that the rate declines to 54 % until

2060. This means that less people will be available at the labour market. A labour shortage can occur. Finland has the lowest labour force participation rate compared to the other Northern European countries Denmark, Norway, and Sweden. (OECD, 2014)

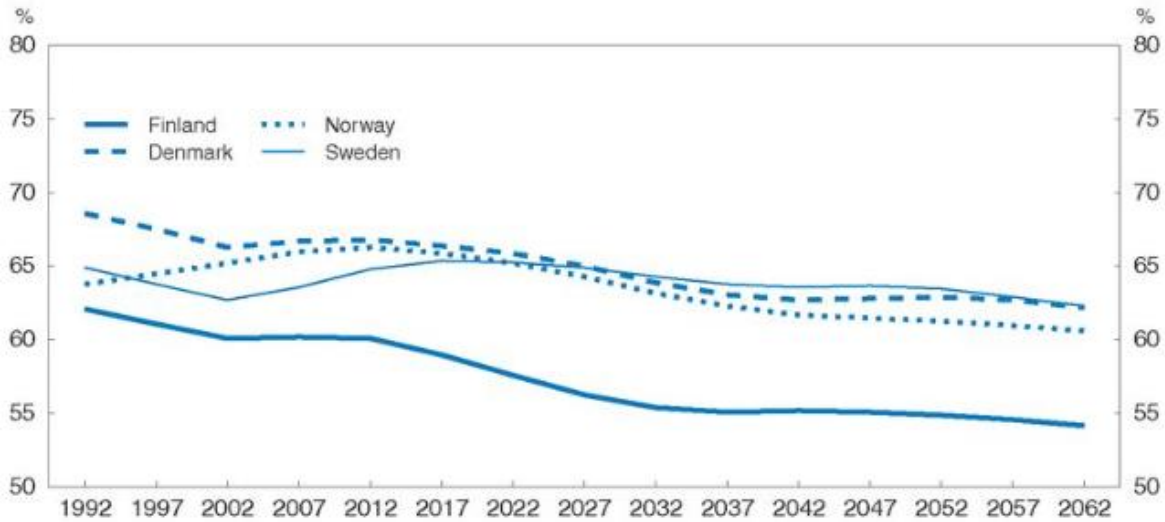


Figure 14 Labour force participation rate, people aged 15 and over (OECD, 2014, p. 60)

The number of people aged between 55 and 64 years rose during the last years. Compared to the other 34 OECD (Organisation for Economic Co-operation and Development) countries, Finland is located in the mid-range with over 60 % of old-age workers (Figure 15). (OECD, 2014) This development is depicted clearer in Figure 16.

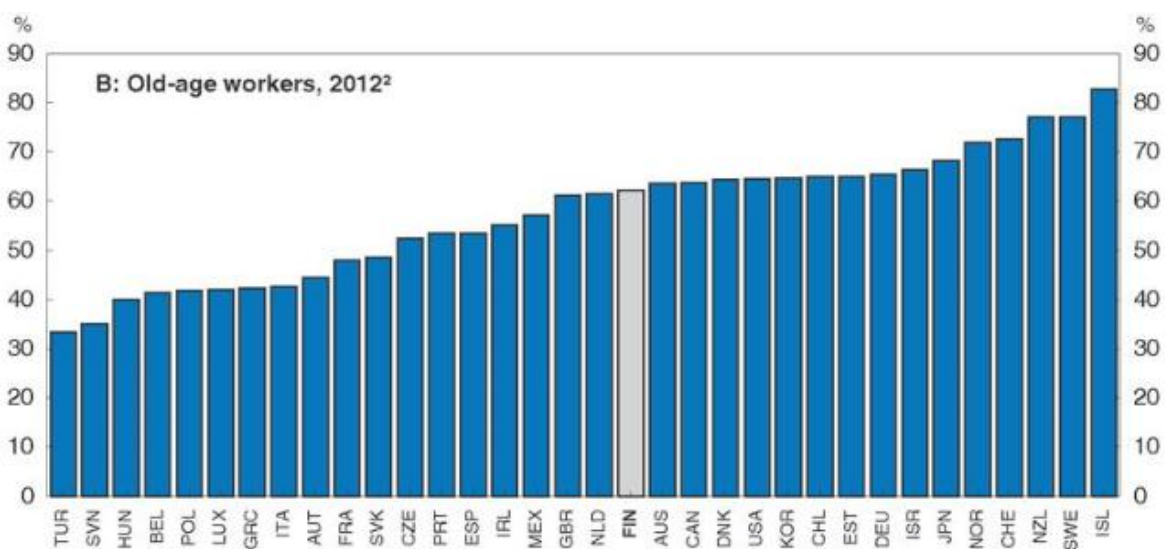


Figure 15 Labour force participation rate, people aged 55-64 (OECD, 2014, p. 60)

Until 2012, the number of employed people aged 55 - 64 and 65 - 74 years already increased (Figure 16). In 1997, 35.8 % of people aged 55 - 64 years were employed. In 2012, the number reached a level of 58.2 %. Hence, in only 15 years the number rose by 22.4 %. This is an increase of 250,000 people. The number of people aged 65 - 74 soared steadily since 2004. In 1997, the number counts 15,000 persons (6 %) but in 2012 the number reached already 114,000 people (9.5 %). (Official Statistics of Finland, 2013)

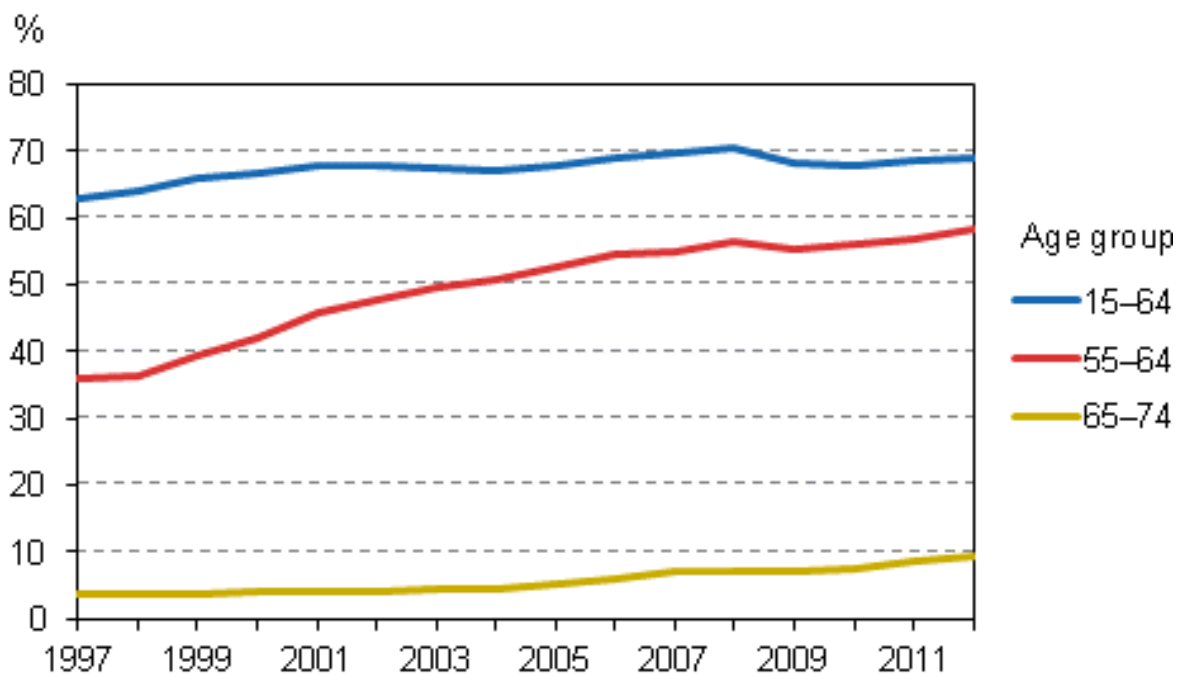


Figure 16 Employment rate for the population aged 15 to 64, 55 to 64 and 65 to 74 in 1997 to 2012 (Official Statistics of Finland, 2013)

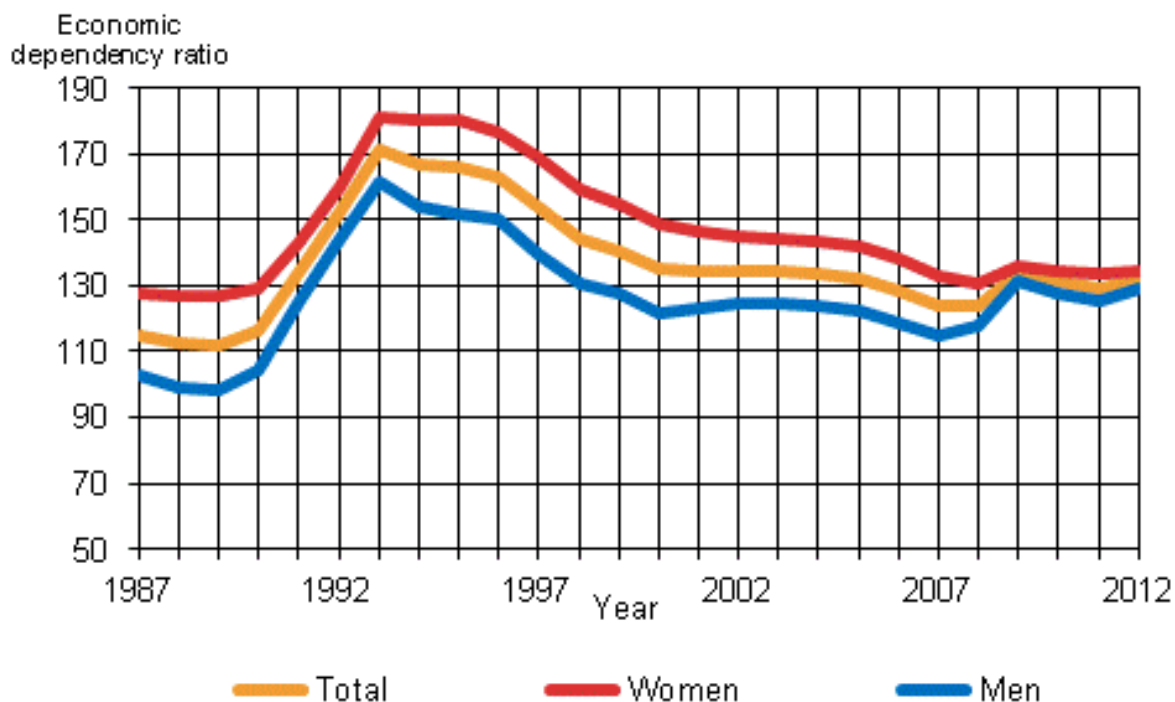


Figure 17 Economic dependency ratio by sex in 1987-2012 (Official Statistics of Finland, 2014)

Figure 17 shows the economic dependency ratio in the years 1987 until 2012 in Finland. The economic dependency ratio provides information about “*the numbers of persons unemployed or outside the labour force per one employed person.*” (Official Statistics of Finland, w.y.). The ratio is influenced by the age structure and employment rate of the population (Dr. Wöss, 2012). The economic dependency rate is the result of the total inactive population and the unemployed people divided by the employed people. The reduction of the amount of persons under 15 years and the increasing number of people aged over 65 years leads to a growth of the total inactive population. (Titu, et al., 2012, p. 221)

If the employment rate is higher, the economic dependency ratio results lower. If the economic dependency ratio falls, it is considered positive and as a desirable occurrence. (Dr. Wöss, 2012) The economic dependency rate will increase if the unemployment rate grows or is stable. The differences between the sexes can be explained by women’s higher life expectancy. (Titu, et al., 2012, p. 221)

Transferred to the development in Finland, the ratio is stable since 2009 because the employment rate hardly even shows any changes in this time period. (Figure 16) The lowest point was reached in 1989 with 111.8. Only four years later, in 1993, the highest level with 171.5 non-employed persons per one hundred employed persons was achieved.

Since 2009, the number levelled off between 133.7 and 129.4. In 2012, 100 persons had to work for 132 people. This leads to a higher pressure on the whole welfare system. (Official Statistics of Finland, 2014)

3. Human Resource Management

"The only vital value an enterprise has is the experience, skills, innovativeness and insights of its people." – Leif Edvinsson

(Edvinsson, 2002)

HRM covers all areas of activity that are relating to a targeted personnel placement in a company. Personnel management and personnel administration are the two areas which could be distinguished. Personnel management includes the support of employees, the personal and professional further development, and the communication within the company. Personnel administration comprises the targeted recruitment of qualified persons. Furthermore, it is responsible for strategic personnel placement, controlling, and processing. (Absolventa, w.y.)

The human resource management is needed more in recent times because of *"global competition, internationalization of technology and the productivity of labour."* (Bratton & Gold, 2007, p. 4). The aim of human resource management is the *"most effective utilization of human resources"* (Bratton & Gold, 2007, p. 4).

3.1. The Future of Working Life

In her book "The Shift", Lynda Gratton is describing how the working life will change until 2025. It will be influenced by five forces which are technological developments, globalisation, demography and longevity, social trends, and low-carbon developments (Gratton, 2011).

The first force is technology. Technological developments have a great influence on the long-term economic growth, the size of the world population, the life expectancy of humans, and the possibilities of education. Technological progress leads to the connection between all people worldwide by 2020 because mostly everyone will have handheld devices and the access to internet. Furthermore, knowledge is becoming free, digitalised, and much more abundant. Through technical developments such as robots workplaces will be replaced.

China, India, and Brazil are playing key roles in globalisation. This is the reason why China and India became talent pools for companies. Furthermore, the urban centres are growing. More people are living next to huge cities.

The third one – demography and longevity – is the most important one in consideration of the future working life. The three key aspects are generational cohorts, birth rates, and longevity which have a great pressure on work in the future. Generational cohorts are defined as *“people born at roughly the same time, who as a consequence tend to have rather similar attitudes and expectations.”* (Gratton, 2011, p. 34). These would be the different generations - Traditionalists, Baby Boomers, Generation X, Y, and Z - who are working together in a company.

The fourth force is society. There will be changes in the structure of families. Work groups will become more diverse, women will play an important role in the working life, and men will spend more time with their families.

The last one - energy resources - emphasizes the impact on the environment. Energy prices will increase and environmental catastrophes will occur. This will lead to the development of a sustainable culture because energy-efficient ways of living are created. This could have an impact on the way how work is done. (Gratton, 2011, pp. 27 - 50)

3.2. Generations

The working life will shift as a result of the mentioned forces in the future. Organisations have to deal with those changes. The third force - demography and longevity - is one of the main forces companies have to deal with from now on. Changes in the demography lead to changes in the concepts of the HRM.

The HRM has to deal with several issues. One aspect is that there are mostly four different generations in one company who are working together due to the older society. Each generation has other needs, values, skills, and attitudes towards work. Furthermore, every generation is different in their work habits, performance, and achievement motivation. This is a challenge for companies because every generation requires different demands on the workplace. (Schuett, 2014, p. 5) The different generations will be described according to the division by Lynda Gratton.

The Traditionalists are currently between 70 to 87 years old. Thus, they are mainly not working any more but this generation laid the foundation for organisational practices and processes which were used for many decades. This generation is not considered in this Bachelor's Thesis because of the fact that those people are mainly in their retirement.

Thus, the first generation which is examined are the Baby Boomers who have been born in the years after World War II (1945 until 1964). The people born between 1965 and 1979 form the Generation X. The age group from 1980 until 1995 is called Generation Y. The children born since 1995 make up Generation Z. (Gratton, 2011, pp. 34 - 35)

The Baby Boomers are the biggest generation after World War II. They grew up in traditional family structures. Their work motto is 'live to work'. They work hard and are competitive. It is important for them to work their way up. Furthermore, they consider appreciation, integrity, and job security as crucial factors. (Baumgarten, 2012) Nowadays, these people are 51 - 70 years old. Some of them are already in their retirement and others are on the verge of going on pension.

As already mentioned before, Generation X was born between 1965 and 1979. This generation is affected by early self-dependence and independence because the number of divorces rose and both parents have been employed. The interest for technologies started to increase in this generation and the craving for a work-life balance emerged. Flexible work time, working from home, self-contained working, and leisure time are appreciated. The 36 - 50 years old employees want to determine their working day on their own. (Baumgarten, 2012) In this generation, the work motto changed to 'work to live'. This shift was also appreciable in the consumer behaviour. Luxury and enjoyment are considered to be more important than by the generation Baby Boomer. (Reif, 2014)

The Generation Y is currently 20 to 35 years old. This generation is ambitious, excited about technology, cosmopolitan, and networked. They want to have a flat hierarchy and a work-life balance to spend time with their family and friends. Often, they are also called Generation "Why" because they call everything into doubt. Those people often grew up as the only child of a family which is why they are very self-confident (Döbelt, 2013). This generation characteristically often changes the company. If they are in one company they want to have a secured job with a permanent contract. Feedback is very crucial in this generation in order that people can improve themselves. The principal of work-life balance is still given a high priority. But this changed as a consequence of a more expected flexible

personnel policy of companies (Reif, 2013). Generation Y expects their employer to have the recent technical facilities at their workplaces. (Döbelt, 2013)

Persons born since the year 1995 are called Generation Z. They are mainly aged up to 20 years now and thus, not many of them have started their working life yet. This is why there are rarely studies regarding their attitude towards work. Since they were born, those children have grown up with access to internet, mobile devices, digital technologies, and social media. This is the reason why they are often called generation Internet or iGeneration. Generation Z will be confronted with a multicultural society, high living standards, and a high developed educational system in their future working life. (Klaffke, 2014, pp. 69 - 77)

3.3. Effects on Human Resource Management

Companies have to deal with the different requests of each generation. The so-called war for talents is present and thus, generations can exert a high pressure on companies. Young talents are becoming fewer but companies rely on them and want that those are working for the company. Firms have to conform to the wishes of possible employees. Organisations invested much in employer branding and candidate experience. Employer branding is the perception of a candidate or an employee regarding a particular company. Therefore, a company has to define its strengths and weaknesses so that afterwards a unique selling proposition can be built through strategic measures. The aim of employer branding is to attract new employees, motivate current employees, and convince current employees to stay in the company in the future. (Absolventa, w.y.) Candidate experience is an important part when recruiting qualified candidates for the company. The key is to focus on all aspects and interactions a company has with candidates. This refers to an applicant's feeling about the organisation's job application process. (Reif, 2014) Another challenge for companies is to motivate older employees to stay working in the enterprises. This can be reached by paying increases along with establishing working models where people increase or reduce their engagement. (Gratton, 2014) If elderly people leave companies early, a huge amount of valuable knowledge could get lost. (Deller, et al., 2008)

Currently, the national pension age is 63 years in Finland. But it will increase to 65 years when the reform of the national pension system is introduced in 2017 (Finnish Centre for Pensions, 2014). Based on this, the generation of the Baby Boomer will have left the

companies by the beginning of the year 2030. Thereby, Finnish companies will not have problems when the huge age group leaves the company in the future, the implementation of a strategic HRM and a demography management would help the company and the employees. Those two are described in the next paragraphs.

3.3.1. Strategic Human Resource Management

In the era of strategic management, HRM is going to be more important as a strategic success factor. HRM acts as a strategic partner. This means that competitive advantages resulted by employees are integrated in the process of strategy formulation and strategy implementation. Strategy, organisation, and HRM are designed integrative so that overall strategic related constellations are created.

The areas of responsibility such as personnel selection, staff recruitment, personnel commitment, performance, talent management, manager training, personnel management, and diversity management of HRM can only be developed depending on the strategic targets of the company.

All human resource measures have a strategic importance for the company. On the basis of personnel selection, the strategic meaning is considered in the following. Firstly, the overall corporate strategy of a company has to provide the targets for the selection and placement of employees. For example, if innovations and changes are the aims of the organisation, it should be noted that any organisational shifts can only take place with people. Furthermore, personnel selection is in conjunction with personnel development, performance, and personnel planning. All these measures are based on the tasks of the current activities and on the forward-looking changes of this tasks. In addition, personnel selection is closely related to leadership and compensation. In particular, the selection of managers is of extensive importance because not only performance and productivity but also role model and personnel management affect the whole workforce. The strategic importance of personnel selection should not only be restricted to employees in lower positions but also for top executives. (Stock-Homburg & Schuler, 2013)

It is proved on the basis of scientific studies that the strategic HRM is important for the corporate success and the competitive advantage of a company. It is necessary that HRM is no longer only an administrative part in the company. In the long term it should change to a business partner. For the successful implementation of strategic HRM employees need,

besides, the typical Human Resource knowhow, for example, personnel selection, personnel development, further competences. It is important that HRM employees are able to convert corporate strategic questions in Human Resource questions and deduce measures out of it which should be implemented. In strategic HRM, demography management should be included to secure the company's capability and the motivation of employees. (Nitschke, 2012)

3.3.2. Demography Management

The economic success depends on the company's ability to convince the less getting qualified workers and to secure the performance and achievement motivation. The employees are the added value of a company. Besides the strategic HRM, the launch of a demography management is necessary. Demography management is important for the company, for the individual and for the society. To implement demography management in the company, different demographic-orientated business strategies or human resource strategies are needed. Special personnel measures have to be developed for the demographic change. (Schuett, 2014, pp. 5 - 8) (Figure 18)

work design	<ul style="list-style-type: none"> • labour organisation • working hours model • workplace design
diversity management	<ul style="list-style-type: none"> • persons with migration background • women • youth • elderly persons
health promotion	<ul style="list-style-type: none"> • health check • cooperation • offers for prevention
compensation	<ul style="list-style-type: none"> • variable compensation scheme
personnel development	<ul style="list-style-type: none"> • personnel qualification • further education • career design
personnel management	<ul style="list-style-type: none"> • employee motivation • appraisal interview • management philosophy • lifelong learning
recruitment of personnel	<ul style="list-style-type: none"> • personnel marketing • recruitment strategy
transition management	<ul style="list-style-type: none"> • workshop 55+ • senior experts • transition in different life phases
knowledge management	<ul style="list-style-type: none"> • knowledge transfer • on-the-job training of new employees • integrative knowledge exchange • tools for knowledge management

Figure 18 Demography Management (Dachrodt, et al., 2014, p. 1912)

Work design includes the topics labour organisation, working hours model, and workplace design. In general, work design is important for the preservation and the development of the capability and motivation of employees. Motivation can be increased by a flexible workplace or flexible working hours. A company can be more successful with satisfied and motivated employees. Furthermore, the design of labour organisation impacts and increases the employee's loyalty.

Diversity management covers all employees with a migration background, women, youth, disabled persons, and elderly people. The targets of diversity management are to secure a

good atmosphere in the company, reduce social discrimination, and improve the equality of opportunity for every employee.

Health promotion is getting more important because of the arising lack of younger employees and the ageing of the total workforce. To reduce the physical load on employees, ergonomical workplaces are a major step. Regular health checks can secure the employees as a resource for the future. An integrated occupational health care can simplify the health promotion in a company.

Compensation is a motivation indicator for the employee. A variable compensation scheme provides achievement-oriented awards and provisions.

Personnel development is important for a company to be innovative in a long-term perspective. It includes the qualification of employees. Employees can profit from the update and expansion of their knowledge. Thereby, the employee is more flexible and increases the chances for a career within the company and at the external labour market. The further education of employees is a necessary requirement to be competitive as a company.

Personnel management includes that the employees are motivated and satisfied. This is mostly achieved by managers. Executives are responsible for conducting appraisal interviews. Those conversations are necessary to give the employees feedback and agree on new individual targets. Every employee should get the chance for lifelong learning. In companies, this can be realised with so called learning-time accounts where the employees get time to educate themselves.

Transition management includes the transition from one job to another, from one company to another, or from the job to retirement. To support the employees aged over 55 years, workshops are helpful and the assistance during the transition in those different life phases is necessary.

The future of a company depends on the knowledge of the employees. Strategies should be developed to prevent that knowledge which is critical for the success will get lost. The knowledge transfer should be started and guaranteed by on-the-job training for new employees. Furthermore, the integrative knowledge exchange between the different generations is important for the innovative ability of a company. (Deller, et al., 2008)

The listed parts of demography management help the company to secure the company's capability and the motivation of employees (Figure 18). The employee is the most important resource of a successful company. As a result of the mentioned changes, long-term planning is getting more important for securing the resources in the company. The strategic HRM is responsible for these topics. (Nitschke, 2012) As already mentioned in '3.3.1 Strategic Human Resource Management' it is proved by means of scientific studies that the strategic HRM is important for the corporate success of a company.

All in all, the Human Resource Management has to deal with a lot of different factors. The challenge for HRM is to combine the demands of the generations with the needs of the company. One example is offering of the possibility to work part time or with flexible working hours. Thereby, the employee can arrange the working day more flexible and the company does not have to forgo the knowledge which the employee brings into the company. This model was recognized by the author when interviewing the companies.

4. Handling the Demographic Change in Companies in Finland

In the first part, the information and data was based on statistical and theoretical aspects. To see how the demographic change influences companies in Finland, an empirical social research was carried out. An empirical social research includes all methods, techniques, and instruments which are used to conduct a research of the human behaviour and other social phenomena in an academically correct way (Häder, 2006, p. 20). The research was executed by conducting personal interviews with representatives in companies in Finland with the aid of a previously created questionnaire.

4.1. Method

The method of the survey was a personal interview with a constructed questionnaire sent in advance so that all company representatives got the chance to prepare themselves for the interview. The conversations took place in the offices of the respondents. The interviews were held by the author of this Bachelor's Thesis. One interview was conducted via a telephone conference because of the distance between the interviewer and the representative of the company. (Häder, 2006, pp. 185 - 336)

The bigger part of all businesses are located in the southern part of Finland (Official Statistics of Finland, 2014). In consequence the area for the conduction of the interviews was narrowed down to the region of Turku and Helsinki. The companies were chosen arbitrary.

Before the companies have been interrogated, the questionnaire was constructed. It can be found attached in the appendix (Appendix 1). Mainly open questions have been used to get more details out of the interview (Häder, 2006, pp. 206 - 233). In the beginning, general information about the company and the contact person were asked. Thereafter, the composition of the labour force regarding the age was requested. Afterwards, the questions were targeted on the size and appearance of the labour force of each company. Especially, the changes in the percentage of women and employees without a Finnish citizenship were elaborated. Those changes are considered for the last five to ten years. The respondents should also tell their opinion about the importance of the role of the demographic change for the Finnish labour market. In the following, the representatives got the chance to provide more information about the procedure of recruiting staff and to answer the question if there have been changes in the recruiting process. Thereafter, questions

regarding the work of the HRM were asked. To get a deeper insight what the companies are doing to face the demographic change, questions regarding ageing society, diversity management and the behaviour, and attitude towards work of the different generations were asked. The informant got the chance to explain individual programs that the company has developed and execute to counteract the changes in the demography. In the end, there was time left for the interviewee to talk about future prospects.

4.2. Companies in Finland

To get an overview of how companies are influenced in Finland, four companies were interviewed. The results should lead to an overview of how enterprises are influenced by the changes in the demography and how they are dealing with and counteracting against them.

In the following table (Table 3), all companies are listed with headquarters, branch, number of employees, and the representative who was interviewed. Afterwards, the interview with each firm is explained.

Table 3 Interviewed Companies

Company	Head- quarters	Branch	Number of employees	Representative
Orion Corporation	Espoo	Pharmaceutical industry	2,889	Olli Huotari, Senior Vice president, Corporate Functions
Veritas Pension Insurance Company Ltd	Turku	Pension Insurance	165	Sonja Lillhonga, Personal specialist
Port of Turku Ltd	Turku	Port	85	Christian Ramberg, Managing Director
Finnish Paroc Companies	Helsinki	Construction products	650	Tuija Janakka, HR Manager

4.2.1. Orion Corporation

The first company which was interviewed was Orion Corporation located in Espoo near Helsinki. The company operates in the pharmaceutical industry and was established in 1917. The interview was held on 25th of February 2015 in a conference room at Orion Corporation in Espoo. The representative was Olli Huotari who is senior vice president and responsible for corporate functions including Communications, Human Resources, intellectual Property Rights, and Legal Affairs.

All statements in the following paragraphs were given by Olli Huotari during the interview.

Orion Corporation employs 3,500 people in total, out of those approximately 2,889 worked in Finland in 2013. In the last five to ten years the size of the labour force was stable. The company has six locations in Finland (Espoo, Hanko, Kuopio, Oulu, Salo, and Turku). The sites in Espoo and Turku are the biggest ones with the highest number of employees.

In 2013, the company had following age group division of their employees (Figure 19). A division regarding the questionnaire was not possible because the necessary data was not available at the company. The largest age groups are formed by people between 20 - 29, 30 - 39 and 40 - 49 years. In 2013, already 5.5 % of all employees were 60 years or older. It can be seen that Orion employs the Generations X, Y, and Z as well as the Baby Boomers.

Employees in Age Groups Orion Corporation

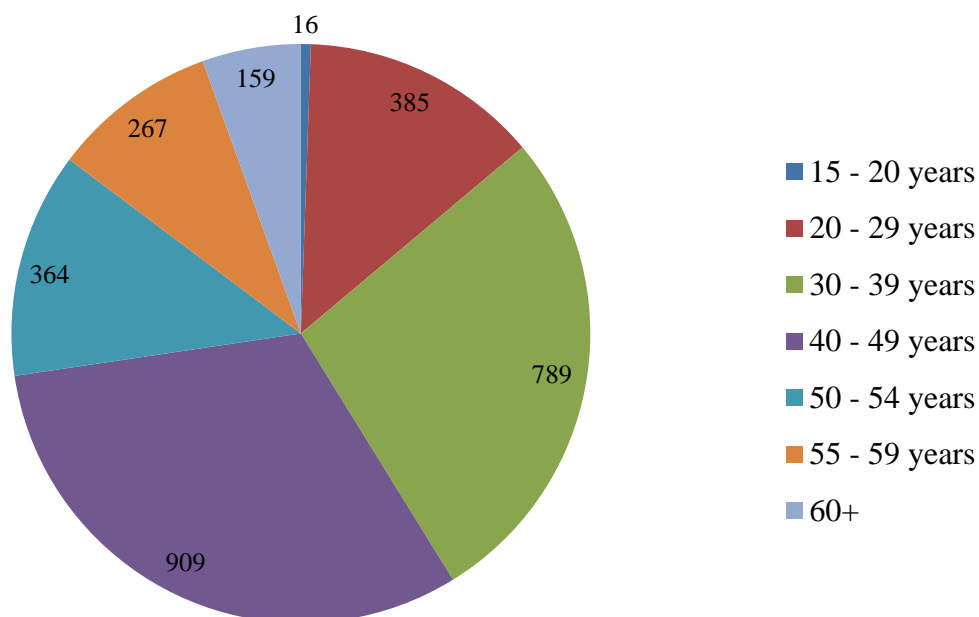


Figure 19 Employees divided in Age Groups Orion Corporation

The share of women at Orion Corporation counts 65 %. The company could not make clear indications about the percentage of employees without a Finnish citizenships but Olli Huotari considers that the number rose in the last few years as a result of the increased net-immigration in Finland. Especially, in certain supply chain or manufacturing plants, the number of people without Finish citizenships gained over the last few years.

The average age of the labour force is 42 years. This number stayed quite stable during the last years. The target of the company is to secure that their employees are able to work longer into old age. The company wants to motivate their employees to work longer than the Finnish national retirement age of 63 years.

In the opinion of Mr Huotari, the demographic change is relevant for the Finnish labour market because of the ageing of the society. He also stated that we (the Western countries) need younger people because the number of people who are retiring is increasing. Thus, younger people are necessary to balance the amount of people who start going on their pension.

In general, it is no problem for the company to find appropriate staff. Due to a new packaging plant in Salo (between Turku and Helsinki) it is easier for Orion Corporation to

find people for the manufacturing in Espoo nowadays. For the Research and Development department it is difficult to find appropriate staff but it has always been difficult in recent years. So all in all, there are no changes in the distribution of new employees.

Olli Huotari said that the recruiting process changed when using social media. The company places fewer ads in newspapers nowadays, as a result of the greater use of new technologies such as the internet. This applies, in particular, for Generation Y and Z. Employer branding has always been very important for the company so they do not have more pressure on it today but they are always trying to keep the perception of external and internal people on a high level.

Orion calls themselves a people business. Through the whole value chain they have people who are working for the company and not only machines. The role of the HRM changed from an administrative role to a business partner role ten years ago. This means that HR professionals are part of the board of directors or working closely with them. A business partnering is also seen as a strategic planning. (Kenton & Yarnall, 2010, pp. 1 - 16)

For the company it is very important that the employees are working beyond the retirement age. Therefore, Orion supports the ageing people so that it is possible for them to work beyond their 60th birthday. This target is already reflected in the number of employees who are still working although they reached the age of 60 years (Figure 19). The company is offering their employees occupational health care in Espoo and Turku. An ergonomical workplace and prevention are also important and provided. Older people but also employees with young children get the possibility to work part time or get a flexible working time if it is suitable with the job they are doing.

Olli Huotari noticed that the younger generations work differently than, for example, the Baby Boomer. For a lot of 25 - 35 year old people, the working career is not as important as it has been in older generations (Baby Boomer and Generation X). Orion Corporation is trying to support the work-life balance for their employees but the company also expects that when people are at their workplace that they work hard. When Mr Huotari is holding job interviews, the discussion regarding a work-life balance is often a topic. Thus, the company clearly faces the changes of the different needs of the generations. On the other hand, Orion clearly states that they avoid setting meetings late in the afternoon if possible and that their employees are not disturbed during their vacation or finishing time besides something really important is happening. Olli Huotari also thinks that it is more difficult to draw the line between private life and working life because of the increasing use of mobile

devices and e-mails. Everyone is working more individual and has to draw the line by himself or herself.

The next question in the interview concerned the issue of diversity management. It was asked if it is a current topic in the company. Olli Huotari answered that all over Finland, diversity management is a current topic due to the high immigration rate but that actually the company has no special programs regarding this topic. In their Human Resource Policy the company laid down important statements regarding equality between employees of different sex and age. Furthermore, religion and the ethnic background of an employee should never be regarded as a discriminating factor. (Orion Group, w.y.) In addition, the company defined English as their company language already ten years ago so it is possible for mostly everybody to understand official documents.

Mr Huotari mentioned that there are differences in the behaviour and attitude towards work in the different generations. Many younger people work well but work is not that important for them compared to the older generation. The reason for this could be the different and higher living standard nowadays. In the time of the Baby Boomers, standards were lower than in the time of Generation X, Y, and Z. Another reason is the overall economic situation in his opinion. If the economic situation is good the attitude often counts less because the people get the chance to find the job they want. If the situation is bad the people care more about their job because fewer jobs are available. Due to the fact that the company has not noticed changes in the demography yet the company does not have any special programs to counteract the demographic change.

By elaborating the future prospects how the labour force will have changed in 10 to 15 years, Mr Huotari made clear predictions. For applicants the right qualifications and education for each job are important so that the candidate gets the possibility to be employed at Orion. Education is going to play a bigger key role than ever before. A problem for employees will be that a lot of information regarding for example the company, processes, and different methods is available for everyone but the difficulty would be to find the most relevant information which the employees need out of this pool. Every employee has to have good oral and written communication skills. The interaction with other people is also getting more important so everyone should acquire those skills. As a result of globalization, diversity is going to be a bigger topic because people with different cultural backgrounds are working closer together.

4.2.2. Veritas Pension Insurance Company Ltd

The second interviewed firm was Veritas Pension Insurance Company Ltd. It is a pension insurance company. The headquarters are located in Turku with approximately 140 employees. Another office is resident in Helsinki with 20 employees. In total, Veritas has 165 employees. The interview was held on 18th of March 2015 in a conference room at Veritas in Turku. The representative was Sonja Lillhonga who is a personal specialist.

All statements in the following were given by Sonja Lillhonga during the interview.

Figure 20 shows the age distribution of the 165 employees at Veritas in end of December 2014. Thus, it appears that the biggest share is covered by the group of people aged 36 - 50 years, followed by employees with the age 51 - 65 years. The company does not occupy employees who are aged 66 - 70 years. All in all, the number of employees has grown during the last 5 - 10 years due to expansion, for example, in sales which leads to the necessity of new contact persons for partners.

Employees in Age Groups Veritas Pension Insurance Ltd

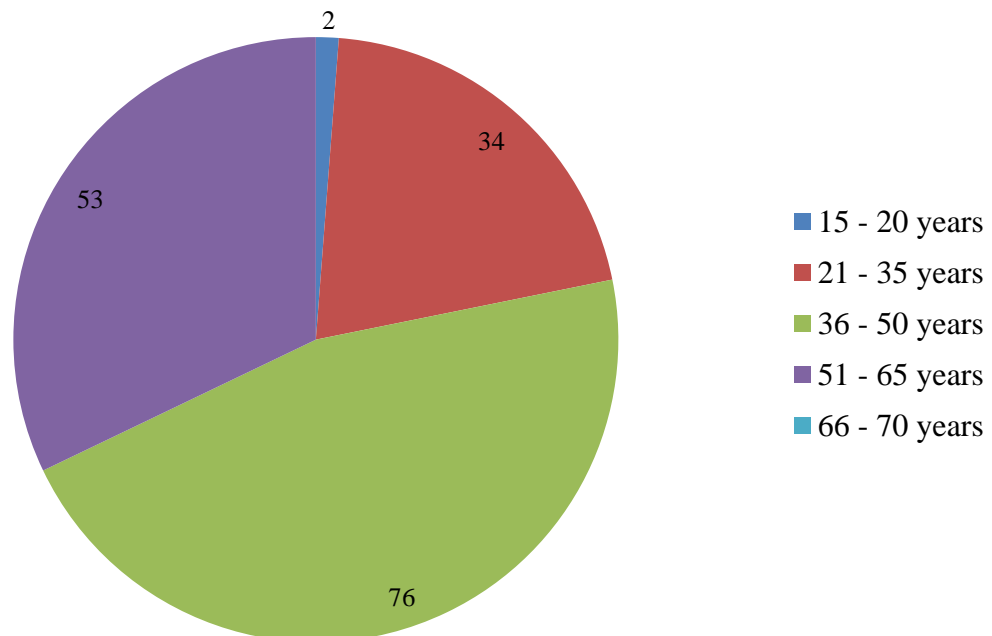


Figure 20 Employees divided in Age Groups Veritas Pension Insurance Ltd

The share of women of the total labour force counts 75 %. This amount decreased by 3 % in the last four years. According to Sonja Lillhonga, there is no special reason for this

change. Although the number of women fell, there are more women in management positions. Furthermore, the company did not have employees without a Finnish citizenship in the last few years. One reason is that the employees need language skills in Swedish, Finnish, and English because of the customer service.

In 2014, the average age of the labour force was 49 years. This number increased since 2010 by 1.9 years. The company has an average duration of employment (seniority) of nine years.

Sonja Lillhonga thinks that the demographic change is very relevant for the Finnish labour market. On the other hand, companies have to create jobs which suit older people. People have to stay in the working life for a longer period. There are needs for changes in the management as well because in the future people with an age of 20 years will be working together with 75 year old people. Opportunities have to be created to reach that people from all generations can work together well.

Veritas did not notice difficulties in finding appropriate talents on the labour market in consequence of the good economic situation in Finland and the EU at the moment. Some years ago the company used the assistance of a consulting company. Nowadays, there are many people available at the labour market with the suitable skills for Veritas. The recruiting process did not change but the company is now focusing more on social media and the internet as their announcement platforms. Furthermore, the company starts to focus on employer branding because it becomes more important in order to be attractive for employees.

According to Sonja Lillhonga, the work of HRM changed at Veritas. The company has more pressure on age leadership and developed different programs and workshops. Veritas has programs for employees aged 50 years or over and 55 years or over. Both programs are one day seminars for the employees to learn how to take care of oneself, how to sleep well and how to cope with work. Furthermore, there have been workshops for all employees focusing on how to work together in a team with different people, regarding age for example.

In programs, HRM includes all management levels and the whole company now. To see how employees evaluate themselves and their skills which are needed at their workplace a program was introduced. If lacks in know-how have been identified, the employees get special training. The company wants to support and motivate their employees.

The average age of the workforce rose, so the company noticed that actions are necessary. Due to this, Veritas provides several possibilities for their employees to have a healthier working life. Veritas offers work out, ergonomical desks and chairs, and the possibility to visit a physiotherapist. Furthermore, the room temperature can be regulated individually in every office.

To get employees to reconcile their working life with their private life better, Veritas provides a wide range of options for employees. The company is offering employees to work reduced hours and days within the Finnish law. People with children under the age of eight can work less as well as people with some other legitimate reason. In addition, Veritas offers the possibility to work reduced hours when the employer wishes to do so. There is also the possibility to work from home if it fits to the position and job. The main aim is to have motivated employees. This is reached by designing the work, work hours, and workplace to fit the employee.

Diversity management is a current topic in the company as there are many departments with people in different ages. All people are used to work in different ways and with different kinds of leadership. The company has been focusing on elderly generations and there are demands for programs for people aged 30 - 45 years now. The company is trying not to separate the age groups but to combine all generations. The aim is that all generations can work together best.

The rising retirement age plays an important role regarding the behaviour and attitude towards work in the different generations. Sonja Lillhonga thinks younger people work differently than older ones because they will have to work longer. Education and flexibility are becoming more important. The seniority of employees - which is the time how long an employee is employed in one company - will probably decrease in the younger generations.

As mentioned before, the company has special age programs to counteract the demographic change (program 50+ and 55+). In a new program - which is for all employees - Veritas is focusing on topics of well-being. This program is under development at the moment and is going to start in autumn 2015. Employees will have the chance to suggest topics for the program.

Sonja Lillhonga sees the following changes in the workforce coming: The age range in the company is going to be wider. People of different ages are going to work together. Hence,

it could be necessary that work is adjusted regarding to age. As already mentioned, the seniority of employees will be shorter. Thus, companies are going to deal with an alternating workforce. Furthermore, employees are going to have a higher education which is going to be more important. Technical skills are getting more crucial resulting from many different computer programs. All in all, the working methods of people are going to change in the future due to technical innovations.

4.2.3. Port of Turku Ltd

Port of Turku Ltd was the third company to be interviewed. The company is located at the harbour in Turku. The interview was held with Christian Ramberg - Managing Director - on 19th of March 2015 in his office.

All statements in the following were given by Christian Ramberg during the interview.

The company employed 85 people in 2014. The total size of the labour force has decreased since 2004. In that year the amount of employees was 153 people. According to Christian Ramberg, the number will drop further in the future. Figure 21 shows the distribution of the age groups. During the interview, Christian Ramberg could not mention exact numbers so the allocation was done in percentage. The biggest age group employed are people between 51 and 65 years. The age groups 21 - 35 years and 36 - 50 years sum approximately 8 % and 30 %.

Employees in Age Groups Port of Turku Ltd

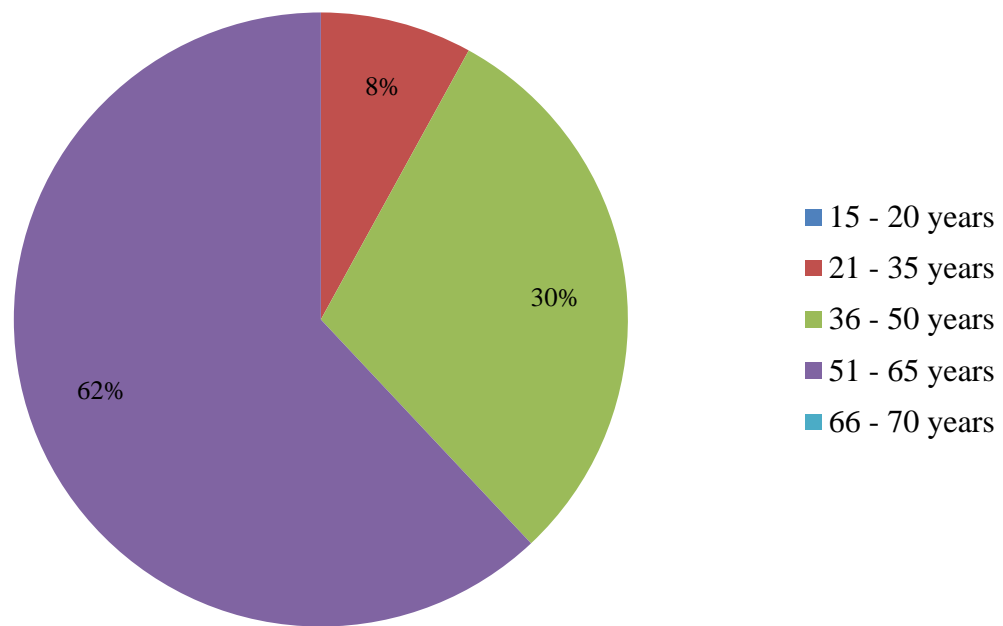


Figure 21 Employees divided in Age Groups Port of Turku Ltd

Even though the total number of employees decreased during the last ten years the percentage of women stayed on a constant level of 29.5 %. Furthermore, the company does not employ people without a Finnish citizenship.

The average age of the labour force was measured at a level of 50 years in the middle of 2000. Since that time it has not changed until 2014.

Christian Ramberg sees the demographic change as a problem for the Finnish labour market and also for the company because younger people are needed in the companies. Furthermore, he mentioned that Finland needs people from abroad for example in the construction and social service sectors to handle the occurring work in the future.

Nowadays, there are no difficulties for the company to find appropriate staff. For certain key professions they need appropriate staff but there is no problem to find those. The recruiting process changed due to the fact that the company is focusing more on those key professions. Employer branding is very important but because of the fact that it is very popular to work at the harbour and it makes people very proud to work there, it is not necessary to apply employer branding as much as in other firms until now.

The work of the HRM changed because the company is now only recruiting people the company really needs. Employees are chosen very carefully and it is very important that they fit the company. This is resulting from the fact that employing a new person is a huge investment for the company.

The company has no special programs for the older people in the company but there exists programs for all employees. They have activities such as sports, culture, studies, and excursions. All kind of measures that keep the employee healthier and more interested in the place he or she is working at are offered. The target is to motivate the employees and to have healthy employees. It is important that every employee is treated equally so the differentiation in age groups is avoided.

The company noticed that younger generations want to have a work-life balance. According to Christian Ramberg, people mixed their work with their private life in the past. Today, they want to have a cut between those two areas but because of new technical devices such as mobile phones it is difficult because employees always have the possibility to check their e-mails, for example. Ramberg sees it as a problem because people can not relax in their spare time. For some people it is possible to work from home once a week but not every job can be done from home.

The company has no diversity management but is trying to mix the employees as well as possible so that everyone has the possibility to work well with each other.

The Managing Director noticed a different behaviour in the generations. A mix of young and old people is recommendable because if there are only young people in the workforce this could become a problem concerning the way of working, respect, and leadership. Due to the fact that older people have the experience which is needed in the job, elderly people teach younger people in the job to avoid mistakes.

The company mentioned that programs are needed to counteract the demographic change but now it is focusing more on health programs. An ergonomical workplace is very important for the employees.

Christian Ramberg predicts that the workforce will further decrease. The education level of people will be crucial in the future. For the port, people with technical, maritime, and economical education are necessary. Furthermore, the economic situation is important because thereby one could see how the company is doing in an economical way.

4.2.4. Finnish Paroc Companies

The Finnish Paroc Companies include Paroc Group Oy, Paroc Oy AB, and Panel System Oy. It is a company which operates in construction products industry specialized on building insulation, technical and marine insulation, sandwich panels, and acoustics products. The Finnish companies have their headquarters in Helsinki and three more offices in Finland. The whole company produces in four more countries with representative offices in 14 countries. The business was established in the 1930s. The interview was held via a telephone conference with Tuija Janakka - HR Manager for Finland - on 20th of March 2015.

All statements in the following were given by Tuija Janakka during the interview.

In Finland, 650 employees worked for Paroc in 2014. In Figure 22 the division of the employees regarding age is shown. In this data employees with a temporary work contract are excluded. The distribution into age groups was made on the basis of the data provided by the company. The firm did not employ people younger than 20 years. The biggest age group was people between 41 and 50 years. The diagram below shows that in the Finnish Paroc Companies the Generations X and Y as well as the Baby Boomers are employed. The size of the total labour force is decreasing in Finland.

Employees in Age Groups Finnish Paroc Companies

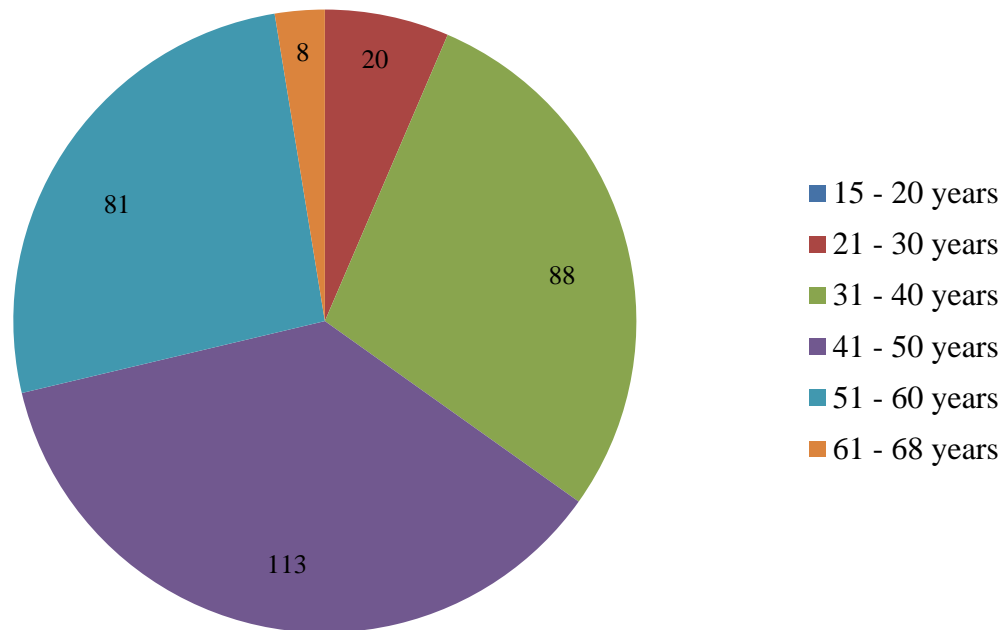


Figure 22 Employees divided in Age Groups Finnish Paroc Companies

The share of women working for Paroc has been stable at a level of 18 % in the last few years. The company did not register the number of employees without a Finnish citizenship. The average age of the labour force is 44 years. During the last five years there have not been changes in the average age. If the last ten years are considered the age increased slightly.

Tuija Sanakka thinks that the demographic change impacts the Finnish labour market but she could not say in which way and in which relevance.

In addition, there are no problems for the company to find appropriate staff for open vacancies. The recruiting process itself did not change but the company is recruiting more experienced workers nowadays. Thus, applicants have to have three to five years of work experience in their job. This is the reason why the company has no people under the age of 20 years contracted. The company uses more social media than in the past. The channel which is used to place a job advertisement is chosen depending on which kind of applicant is searched. The company is starting to focus on employer branding this year.

The following statement is the answer to the question how the work of HRM has changed. The basic elements of the HRM are the same but the way how HRM is working, changed.

The HRM became more a business partner than an administrative partner and there is a need for strategic thinking in HRM during the last five years.

The company has a limited number of arrangements for the ageing society. Those are legal arrangements such as that the employee has the possibility for partly retirement. Another option is job alternation leave. Here, full-time working employees can agree with their employer on a leave which could last 100 to 360 days. The job is done in this time by an unemployed job seeker. Furthermore, all people have the chance to work from home once a week when agreed upon in advance. The company is also trying to maintain the interest in work for people to work longer.

According to Tuija Janakka, the reconciliation of working life and private life does not only exist in younger generations but in all generations which are working for the company.

Diversity management is no current topic in the company yet. In general, the firm tries to avoid the division in generations because they want to see the workforce as a whole. The company also does not see differences in the attitude towards work in those generations. The only thing is that younger people are more familiar with the technical equipment than older people.

The company does not have any programs yet to counteract the demographic change.

Tuija Janakka mentioned the following points for the future. In total, the number of employees will decline. The level of education which an employee needs to be employed is increasing. This is occurred by the automation which requires a higher level of education. Simple tasks disappear. An important factor is leadership. The company has to develop the management system to lead their employees in a better way. The company also has to retain their people and attract new employees. For this, employer branding is getting important. The economic situation is a crucial factor no matter if the company is growing or not.

4.3. Summary

Summing up and comparing the results out of the survey it could be seen that all companies are faced with the changes in the demography. The average age of the companies is increasing or stayed stable during the last years at an age level between 42 and 50 years. Orion Corporation, Veritas Pension Insurance Company Ltd, Port of Turku Ltd, and Finnish Paroc Companies are trying to extend the working lifetime of employees through various programs in health, prevention, and well-being.

Until now, no company have had problems or difficulties in finding appropriate staff or junior talents. But this could change if the future development of an ageing society and the reduced birth rate is considered ('2.2.1 Ageing Society' and '2.2.2 Reduced Birth Rate').

All representatives mentioned that the demographic change is important for the Finnish labour market. The answers regarding how important the change is, have been relevant (Orion Corporation and Finnish Paroc Companies) and very relevant (Veritas Pension Insurance Company Ltd and Port of Turku Ltd). The result which could be drawn from all answers is that younger people are necessary for the labour market. As already mentioned in '2.3 Impacts on the Labour Market', the number of people aged 55 - 64 and 65 - 74 years who are taking part actively in the labour force is steadily increasing. In 2012, 58.2 % people already reached an age of 55 - 64 years and 9.5 % an age of 65 - 74 years. (Official Statistics of Finland, 2013)

In all companies the work of HRM changed in the direction that it has a more strategic focus. It shifts from the role of an administrative partner to a business partner for the company. The programs which are realised by the firms - for older generations or for all employees - mainly focus on health promotion, prevention, and in general on the well-being of employees. Ergonomical workplaces, several sport activities during the work time, or health care offered by the employer are common in the companies.

To attract qualified workers, employer branding is in the focus of Orion Corporation, Veritas Pension Insurance Company Ltd, Port of Turku Ltd, and Finnish Paroc Companies. All enterprises noticed that it is important how employees and possible candidates notice the firm.

For all companies, the education level of their employees is crucial and will even get more important in the future. As mentioned in '2.2.2 Reduced Birth Rate', the tertiary education level of women increased in the last years. In all companies more women are working in

management positions but the share of women in all companies stays almost stable in recent years.

Technology, globalisation, demography and longevity, and society are the forces which have been mentioned by the companies which have influences on the workforce in the future. Those forces are specified in '3.1 The Future of Working Life'.

The peculiarities of the different generations - behaviour and attitude towards work - which are described in '3.2 Generations', have been noticed by Orion Corporation, Veritas Pension Insurance Ltd, and Port of Turku Ltd. The importance of the career is getting less and work-life balance is becoming more important. Furthermore, because of the longer working life education is becoming more fundamental in younger generations. The change of the company or the workplace happens in Generation X more often, thereby the seniority is decreasing.

The economic situation is essential for the future working life and for the company itself. This point was mentioned by all four companies. The economic situation is responsible for the supply of appropriate staff on the labour market, for the financial situation and perspective of the company, and for the attitude towards work of employees. This means that if the economic situation is good, attitude towards work could get less because the employees think that they have a safe job and have more possibilities to find a new job if necessary. On the other hand, if the economic situation is bad people are often more motivated because they are afraid of losing their job.

To demonstrate how Orion Corporation, Veritas Pension Insurance Ltd, Port of Turku Ltd, and Finnish Paroc Companies handle the changes in the demography, Figure 18 is considered to show the results of the interviews. Table 4 shows which actions are realised in those companies. If a box is empty it does not necessarily mean that the company is not having those actions but those topics were not part of the interview.

Table 4 Demography Management and Companies in Finland

Parts of Demography Management	Companies	Orion Corporation	Veritas Pension Insurance Company Ltd	Port of Turku Ltd	Finnish Paroc Companies
work design labour organisation working hours model workplace design		ergonomical workplaces part time work for parents and older employees telework no meetings after 4 o'clock	ergonomical workplaces part time work telework	ergonomical workplaces telework	telework
diversity management persons with migration background women youth elderly persons		equality between employees of different sex and age → laid down in HR Policy	combine all generations workshops how to work in team with different people	no diversity management but try to mix employees	no diversity management
health promotion health check cooperation offers for prevention		occupational health care in Espoo and Turku	work out physiotherapist in general well-being	sport activities	—
compensation variable compensation scheme		—	—	—	—
personnel development personnel qualification further education career design		—	further training possibilities	—	—

Companies Parts of Demography Management	Orion Corporation	Veritas Pension Insurance Company Ltd	Port of Turku Ltd	Finnish Paroc Companies
personnel management employee motivation appraisal interview management philosophy lifelong learning	motivation of employees	further training possibilities motivation of employees age leadership	motivation of employees	motivation of employees
recruitment of personnel personnel marketing recruitment strategy	social media employer branding	social media employer branding	focus on key professions social media employer branding	more experienced workers social media employer branding
transition management workshop 55+ senior experts transition in different life phases	—	well-being and workshops for people 55+	—	partly retirement job alternation leave
knowledge management knowledge transfer on-the-job training of new employees integrative knowledge exchange tools for knowledge management	—	on-the-job training for example by launch of new computer programs	elderly people teach younger	—

5. Conclusion and Future Prospects

Taking everything into consideration, one can see that the population of Finland is changing. It is getting older and more multicultural because of the increasing number of immigrants. The life expectancy of Finns is rising whereupon the birth rate is on a very low level of 1.75 children per woman in 2013. Every fifth Finn was aged 65 years or over in 2013. This is a proportion of 19.4 % of the total population in Finland.

The ageing society can have a high pressure on financing the pension and health care system in the future. Labour shortages can occur and problems in care and service arrangements for the increasing number of older people can arise. Population ageing will lead to higher dependency ratios and thereby endanger the welfare system.

Companies try to improve the working conditions for older workers. The focus is on lifelong learning, health improvements, the prevention of age discrimination, and age management. Therefore, the HRM of companies is taking demography management into consideration. A challenge for companies is to extend the stay of older people in the workforce that they retire later. If elderly people leave companies the knowledge transfer should be secured so that valuable knowledge can not get lost. Besides knowledge management work design, diversity management, health promotion, compensation, personnel development, recruitment of personnel, and transition management are parts of demography management.

Through employer branding, firms try to attract younger and older people. Companies have to secure the future workforce already today because there are less young people. Different generations are working together in one company. Each generation is different in their work habits, performance, and achievement motivation. Furthermore, one can see differences in the behaviour and attitude towards work in the generations.

The empirical social research provided information and insights in four companies - Orion Corporation, Veritas Pension Insurance Ltd, Port of Turku Ltd, and Finnish Paroc Companies - how the workforce is developing and what these companies are doing for their employees. Furthermore, it could be identified how the demographic change influences those companies.

For the future it could be said that a higher number of older people will be available at the Finnish labour market. In 2050, an average Finnish woman will reach an age of 88.1 years and a man 83.3 years. By 2060, 29 % of the total population is aged 65 years or over. The

proportion of people being in their working age will decrease to 56 %. This development will have impacts on the welfare system, especially, on financing the pension and health care system. As a first step to counteract the pressure on the welfare system, the pension age will be rise up to 65 years by an increase every three months each year beginning in 2017. Employees born in 1962 will be the first age group who will go in pension at the age of 65 years. The Finnish government rose the retirement age from 63 to 65 in this first step. (Finnish Centre for Pensions, 2014) However, the pension age might be raised further in the future if the rising life expectancy of Finnish people and the declining proportion of people in the working age are considered. To work against an occurring labour shortage caused by a too small number of available people in the working age, these actions are necessary.

In order to achieve that people want to work longer voluntarily, well-being at the workplace has to be improved. This can be reached by implementing a demography management in the company.

Many companies have already started to hire older workers or to employ older people longer. In 2012, 450,000 people aged 55 - 64 and 52,000 people aged 65 - 74 years were still working. Still, younger workers are better because:

- They are full of energy
- They are more familiar with new technologies
- They are more willing to give discretionary effort
- They are at the beginning of their working life
- They mostly have no health problems

However, older people also present benefits for companies. Older workers are better because:

- They do not have small children
- They might not be as familiar as younger workers with new technologies but they have experiences in getting things done in a different way
- They have a higher working morale
- They are willing to join the workforce for several years until they retire

- Older workers are not sicker than younger (Tschechne, 2011).

Companies have to decide what is more important for them. In fact, the empirical social research exposed that employees belonging to the younger generations change their workplace more often. To put it in a nutshell, older workers have more experience in the job, more loyalty towards their employer and will not increase the illness rate noticeable. So why should not companies hire older workers instead of younger? Due to the increasing number of older people in Finland, this will be an alternative for companies to have an appropriate workforce.

6. Reflection and Critical Review

I have chosen the topic of my Bachelor's Thesis very fast which facilitates me that I am able to finish the dissertation until beginning of April. Unfortunately, I have noticed after a while that it was very complicated to find literature regarding the topic demographic change in Finland. Either, Finland was excluded or sources were only available in Finnish. It took a while to establish the link between literature for other countries or the EU and to transfer it to Finland.

When I started to search for companies I was supported by my supervisor. I contacted the companies via e-mail. The response was not that good in the beginning. Only one company out of seven contacted firms answered. Afterwards, I called several representatives and got a positive feedback. This showed me that it is often better to have a personal conversation instead of writing an e-mail. These phone calls gave me more self-confidence, for example, in talking English on the phone. For the future, I will call someone who I do not know directly instead of writing an e-mail.

While writing this thesis it happened that I had a lack of ideas and resulting from this a writer's block which has occurred sometimes. I have learned that breaks and sports often help to have new ideas and motivation to go on writing. Often I could not progress a result when sitting in front of the laptop for too long. A few hours or sometimes one day break will lead to more success in writing.

Furthermore, a good preparation for the interviews was very helpful to have good and structured interviews. For this, I have created the questionnaire which I have sent to the companies in advance. The creation of the questionnaire was a little bit hard in the beginning because I wanted to do it immediately due to the fact that I was afraid to miss the deadline in the end. Camilla Ekman restrained me. This was good since I read a lot and got much deeper into the topic and was able to establish a structured questionnaire. In addition, I got more self-reliant through these interviews. It is easier for me to talk English as well as with representatives of companies.

By studying related theory I was able to gain new insights in the field of HRM and what the demographic change is and how it will affect our future. All in all, this experience of a self-dependent project work will not only support my professional but also my personal development.

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Appendix

Appendix 1

Questionnaire for interviews with the companies



Questionnaire demographic change

Company: _____

Branch: _____

Contact person: _____

Position: _____

Number of locations: _____

Number of employees: _____

Employees divided into age groups:

15–20 years:	21–35:	36–50:	51–65:	66–70:
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Changes in the labour force during the last 5 – 10 years:

Size: ↗ → ↘

Percentage of women: _____ changes: ↗ → ↘

Percentage of employees without Finnish citizenship: _____ changes: ↗ → ↘

1. Did the average age of your labour force changed in the last 5 – 10 years?

- If yes, in which direction?

2. Did the percentage of women changed in the last 5 – 10 years?

- If yes, in which direction?

3. Did you recognize if the percentage of employees without a Finnish citizenship changed?

- If yes, how?

4. How important is the demographic change for the Finnish labour market and why?

1	Very relevant
2	Relevant
3	Less relevant
4	Not relevant

5. Is it more difficult to find appropriate talents/junior staff on the labour market nowadays?

6. Did your recruiting process change due to the changes in the demography/this development?

7. Do you have more pressure on employer branding?

8. Do you think that the work of your Human Resource Management changed in the last years?

9. How do you deal with the ageing society? Did you notice changes?

10. Studies indicate that younger generations want to reconcile their work life and their private life. Do you recognize that in your company?

11. Is diversity management a current topic in your company?

12. There are different generations in a company - the Baby Boomer (51 – 70 years old), Generation X (36 to 50), Generation Y (21 – 35), and Generation Z (15 – 20). Do you see a different behaviour and attitude towards work in those age groups?

13. Do you have special programs to counteract the changes in the demography?

- If yes, for whom are those programs especially?

- What do those look like?

14. How will the work force change in 10 to 15 years? What do you think?
