

Chapter 6

UNEMPLOYMENT:

Young people pay the price for an incomplete recovery

Authors: **Anna Karlsdóttir** and **Gustaf Norlén**
 Maps and data: **Gustaf Norlén**

In terms of unemployment the Nordic Region has several distinctive development trends. The unemployment rate is very low in the North Atlantic regions, Iceland, Faroe Islands and Norway. On the other hand, Sweden and Finland are still experiencing a high unemployment rate in some areas particularly in the northernmost regions. Some urban and metropolitan regions are also witnessing high unemployment rates among their more vulnerable and immigrant populations, as is the case in Denmark. The youth unemployment rate is likely also to be on the rise across much of the Nordic Region.

In this chapter we describe unemployment development in the Nordic Region in a European context and thereafter describe the main challenges for each of the Nordic countries in terms of unemployment. We will focus on the youth segment of the population in particular as a vulnerable group, especially Finland, Sweden and to some extent also in Norway, given that across the Nordic Region as well as globally, the proportion of youth currently without work or not involved in either education or training is growing. The terms on which people get access to the labour market may need to be reconsidered to prevent a lost generation, especially in Finland.

Nordic unemployment low in a European context

The countries along the EU's southern and eastern borders are suffering from the highest levels of unemployment, i.e. the southern part of the Mediterranean region, the south-eastern part of the Baltic Sea Region, the central-eastern regions, as well as the north west of Ireland (figure 6.1). At the other end of the scale, large parts of western-central Europe, the oil driven economies of the North Sea (i.e. Scotland and Norway), as well as the

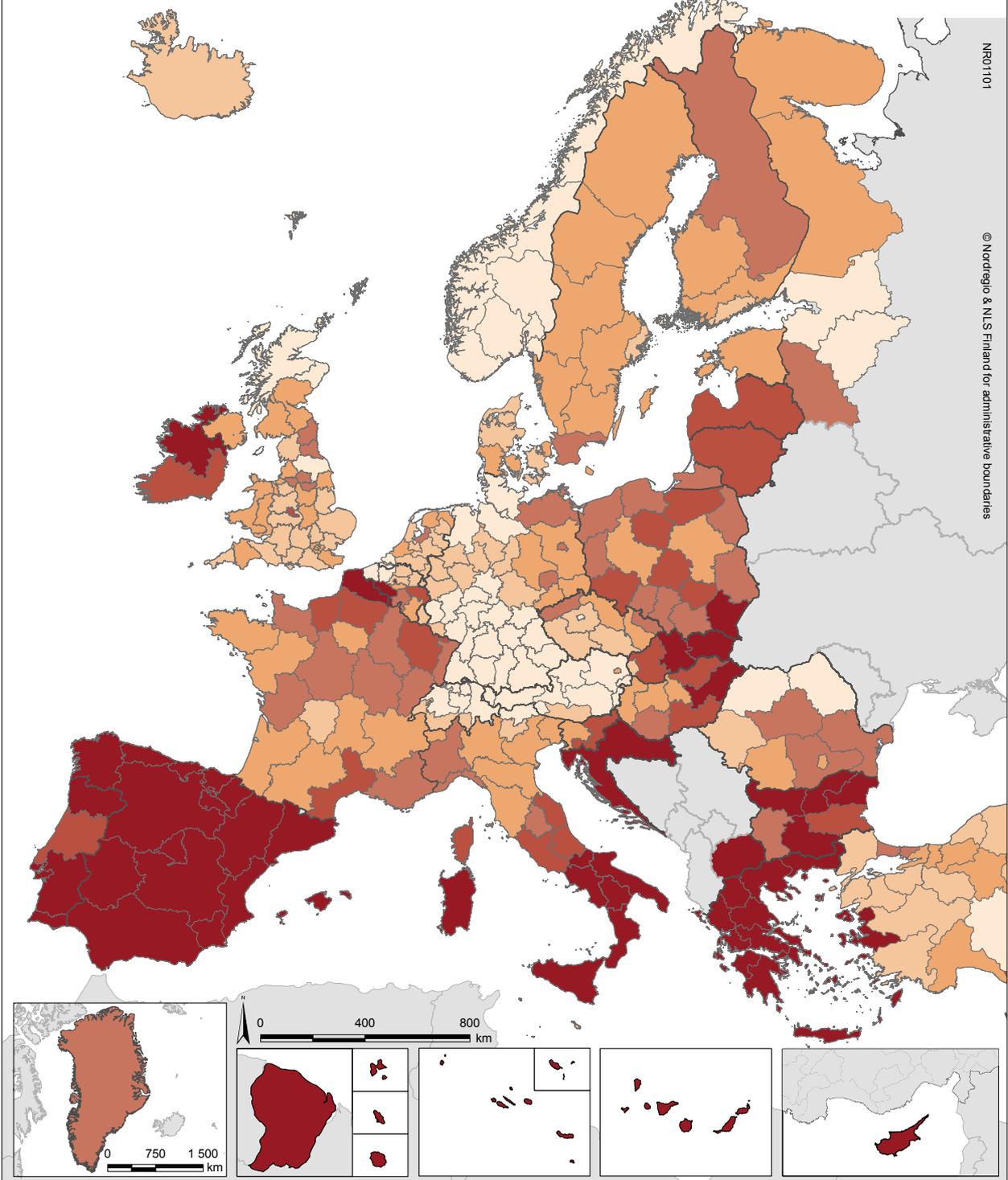
Russian regions around St. Petersburg were facing unemployment rates below 5%, which is well under the EU average of 10.8% in 2013. Compared to the rest of Europe, the Nordic Region has a regionally varied patchwork of unemployment levels across regions, but without the very high levels found in southern and south-eastern parts of the EU.

The average unemployment rate in the Nordic Region was 7.0% in 2014, a bit lower than the European rate of 10.2% for the same year. As shown in figure 6.2, the highest unemployment rates in the Nordic Region are found in northern and eastern Finland as well as in some Swedish municipalities (e.g. Södertälje, Trollhättan, Landskrona, Malmö and Haparanda). All of these have unemployment rates above 14%. Faroe Islands, Iceland and Åland with unemployment rates between 3-5%

Measuring employment and unemployment

There is a relation between the employment rate and the unemployment rate, but it is not a 1:1 relation. While employment rates are calculated as shares of the total population, the unemployment rate is calculated as a share of the active population, i.e. as a share of the employed plus the unemployed. Hence, unemployment rate does not include the people that are outside the workforce, only those who are actively searching for jobs.

Unemployment rate in 2013



Unemployment rate in 2013: annual average in %. LFS adjusted series



2013 data, except: GL 2012; RU 2011
NUTS2/SNUTS2 regional level, except: HR NUTS1

Data source: Eurostat, NSIs. N.W. Russia:
© ESPON 2014: ESPON BSR-TeMa/Nordregio

Figure 6.1: Unemployment rate in 2013

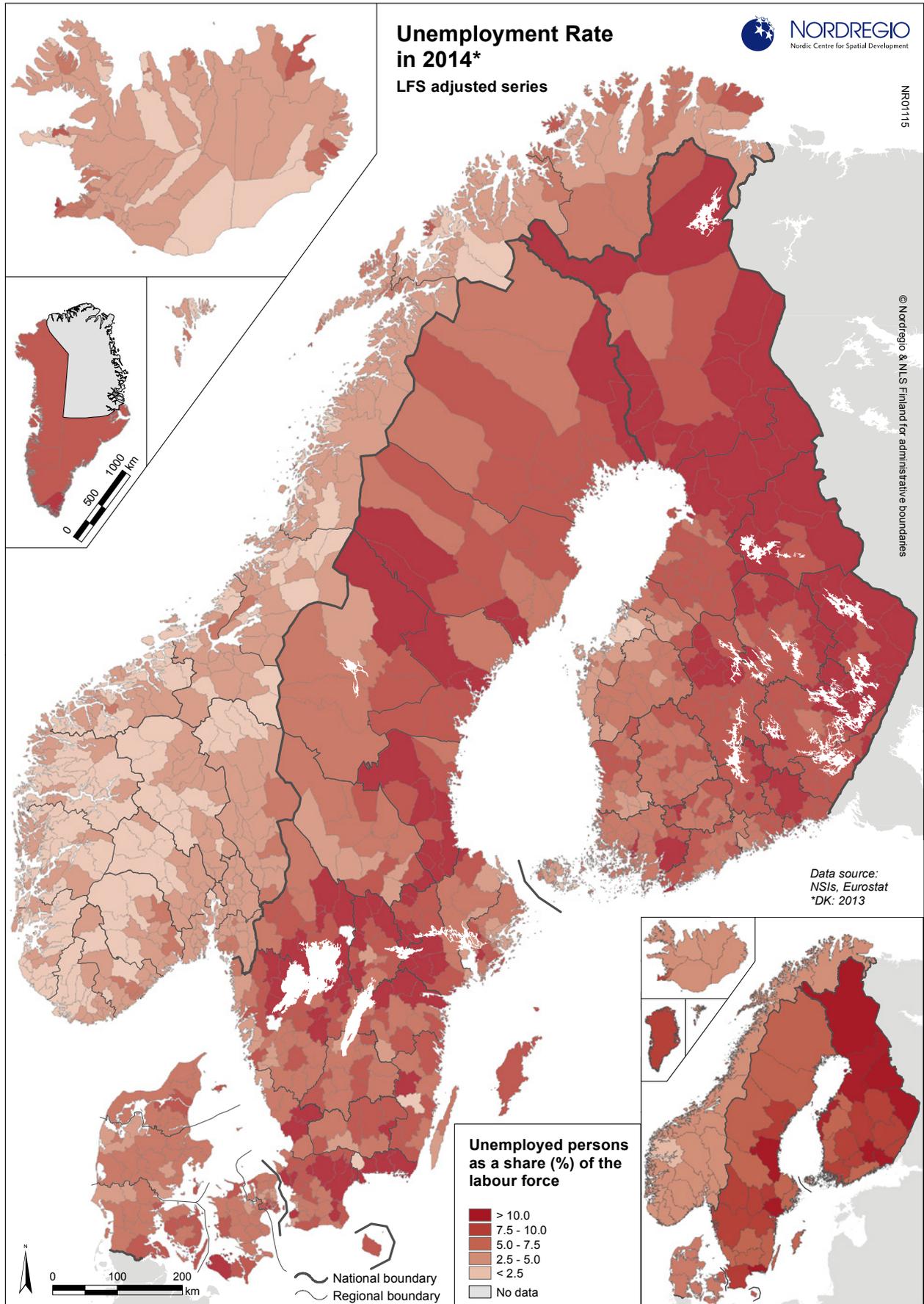


Figure 6.2: Unemployment rate in 2014 – Labour Force Survey adjusted series

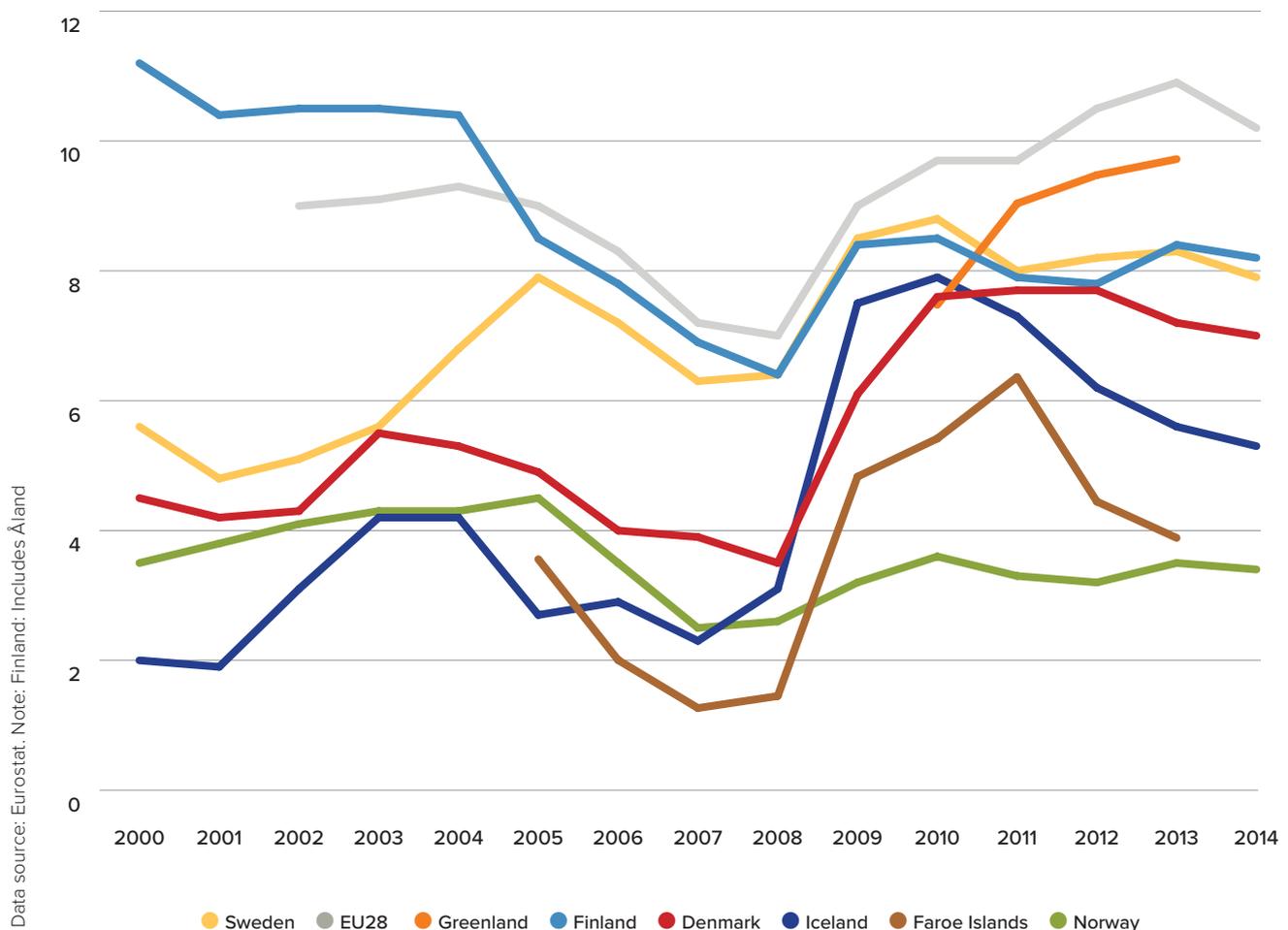
on the other hand have unemployment rates significantly lower than the Nordic average. The unemployment rate in Norway is also low, 3.5% in 2014. The regions with some of the highest unemployment rate – Østfold, Finnmark and Oslo – have an unemployment rate of around 4.5% which is still considerably lower than the Nordic average. The absolutely highest unemployment rates in Norway are found in the very northern municipalities such as Båtsfjord, Vardø and Hasvik in Finnmark and Værøy, Øksnes and Bø in Nordland (all with unemployment rates above 8%). It is also worth noting that many Norwegian municipalities have both a lower employment rate and a lower unemployment rate than e.g. many Swedish municipalities. This shows that there are many people there that are outside the workforce (e.g. Egge 2015).

In Sweden the highest unemployment rates are found in Gävleborg and Blekinge län (both around 11%). Old industrial towns, such as Trollhättan, Södertälje, Sand-

viken and Norrköping also have high unemployment rates (above 12%). The lowest unemployment rates are found in municipalities surrounding the big cities; Ekerö, Vallentuna, Täby, Danderyd and Vaxholm around Stockholm, Knivsta which is close to Uppsala, Lomma close to Malmö and Öckerö, Kungälv, Tjörn and Lerum close to Gothenburg. All of these municipalities have unemployment rates below 4%. This also highlights the issue of segregation in the bigger cities since there are municipalities here with both the lowest and the highest unemployment rates in the same city region.

The pattern of unemployment in Finland is a mirror image of its employment patterns. High unemployment rates are found in the eastern and northern part of the country (above 10%, but in some municipalities, e.g. Pelkosenniemi, Salla and Kemijärvi even above 15%). The Finnish regions of Keski-Pohjanmaa, Uusimaa and Pohjanmaa however have lower unemployment rates than the Nordic average.

Figure 6.3: Total unemployment rate (15-64 years), 2000-2014



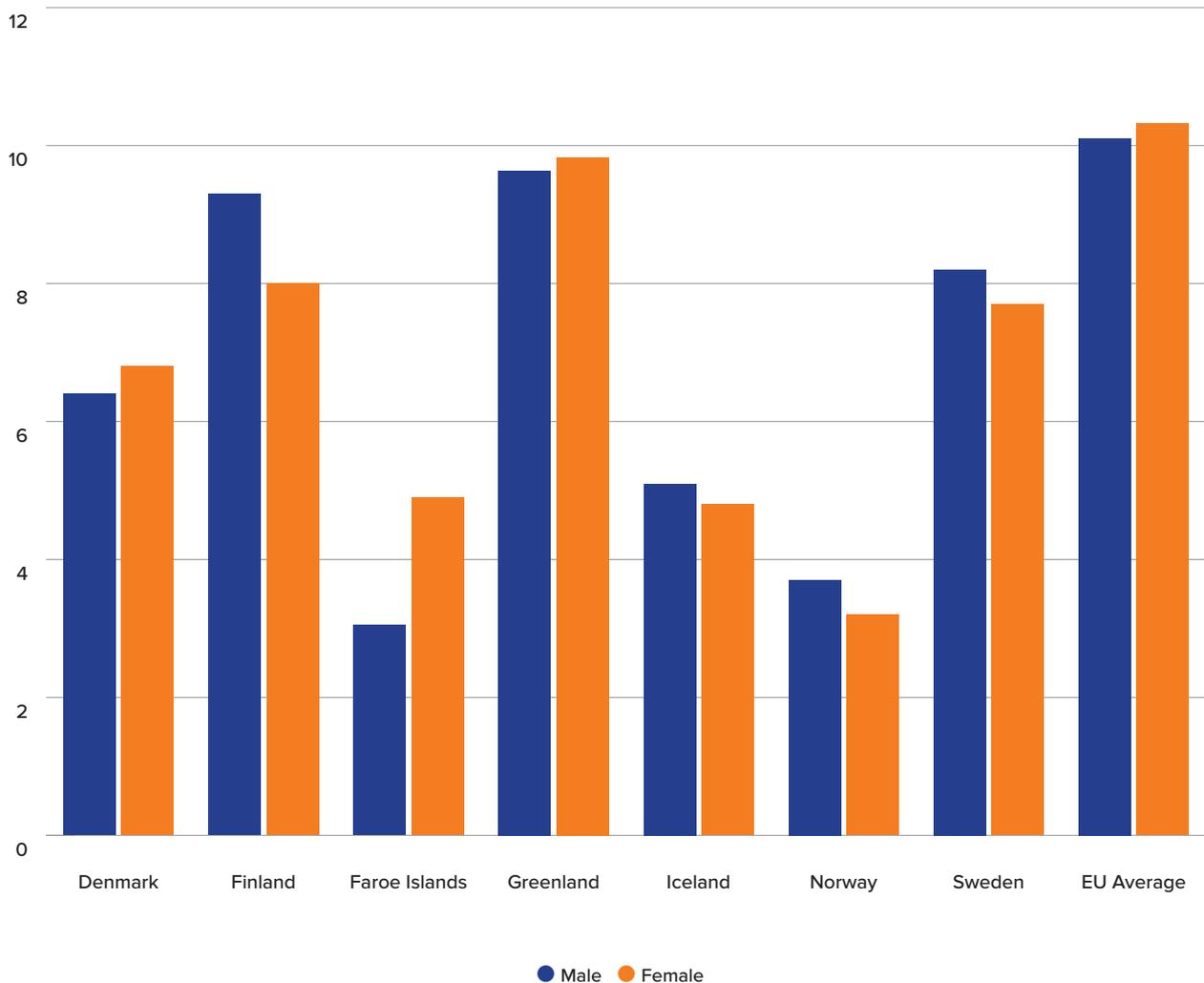
Data source: Eurostat. Note: Finland: Includes Åland

In Denmark four municipalities in Hovestaden – Ishøj, Albertslund, Brøndby, Høje-Taastrup – and Lolland in Sjælland have unemployment rates above 10%. Big cities like Copenhagen and Odense also have rather high unemployment (between 9 and 10%). The regional differences are otherwise smaller in Denmark than in the other Nordic countries and most Danish regions are rather close to the Nordic average.

As a consequence of the economic crisis, the unemployment rate for the Nordic population in working age (15-64 years) did increase sharply across several Nordic nations after 2008, especially in Denmark, the Faroe Islands, Greenland and Iceland (figure 6.3). As we can see from figure 6.3, the pace of recovery also varied, with some countries seeing unemployment decrease faster than others. This is true for Denmark after 2012 and even more so for Iceland after 2010 and the Faroe Islands

As a consequence of the economic crisis, the unemployment rate for the Nordic population in working age did increase sharply across several Nordic nations after 2008.

Figure 6.4: Unemployment Rates, Male/Female in 2014



Data source: Eurostat. Note: Finland: Includes Åland

after 2011. The Norwegian unemployment rate has been low and rather stable since the crisis, with only a limited increase between 2007 and 2010. This renders it as quite distinct from the other Nordic countries, while in Sweden and Finland the unemployment increased modestly between 2008 and 2010, then slightly decreased between 2010 and 2012 but again increased up to 2013, ending in 2014 with similar persistent levels of unemployment as those of 2009.

In the Nordic Region the average male unemployment rate, at 7.2%, was slightly higher than the female unemployment rate, which was 6.8% in 2014. As illustrated in figure 6.4, male unemployment is highest in Greenland followed by Finland and Sweden. Denmark and Iceland saw a reduction in male unemployment after 2011 while in Sweden, Finland and Norway the rate increased slightly over the same period. As illustrated in figure 6.4, unemployment rates between genders, in 2014, varied most significantly in Faroe Islands and Finland, but in rather different ways. While the unemployment rate among males in Finland is higher than for women, the opposite is true for the Faroe Islands. In the case of the Faroe Islands, men's work-mobility seems to contribute to the higher rate of female unemployment. A significant portion of the labour force in the Faroe Islands work abroad, an arrangement that appears to be taken up almost exclusively by men. The flexibility to travel gives males access to a broader range of employment opportunities than women. Furthermore, as a consequence of the large share of men working abroad, women are often required to take on more responsibility for the family, decreasing their work opportunities (ALS 2016).

Cause for concern in parts of Denmark, Finland and Sweden

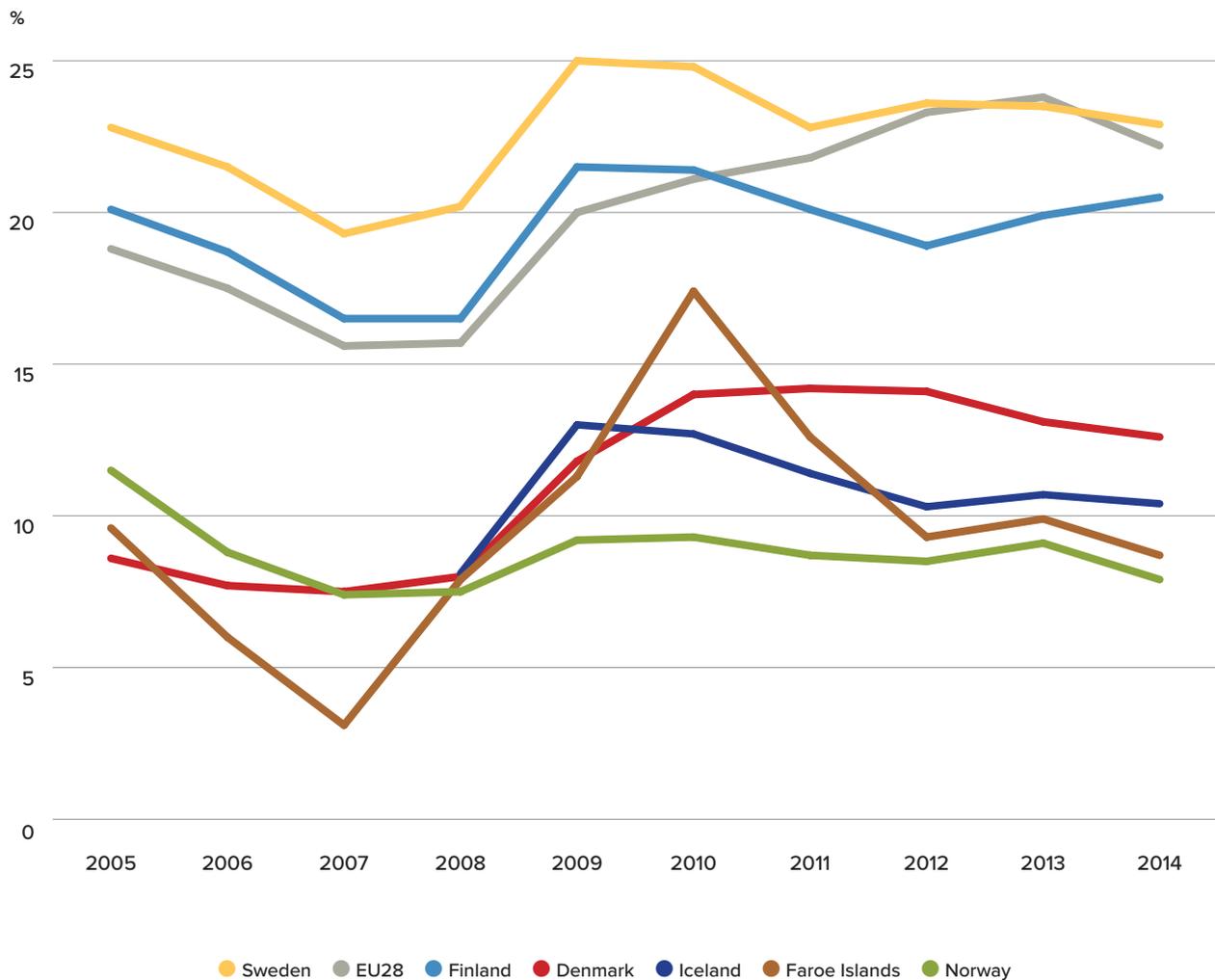
Denmark is a rich country with relatively small internal socioeconomic differences compared with many other EU countries. However, the Danish economy was hit relatively hard by the financial crisis, which led to a substantial increase in unemployment, in particular among young people and inhabitants with a non-Danish background. Denmark also continues to face a number of challenges in respect of workforce skill levels. These include a falling proportion of people taking vocational training, a decreasing proportion of people from migrant backgrounds receiving an education (especially male), and a persistently high educational drop-out rate (European Commission 2015). The Danish regions most affected by unemployment among males are Albertslund and Ishøj in the Copenhagen metropolitan region and Lolland in the south of Sjælland. There is also an interesting gendered aspect to employment and

unemployment in Denmark, in the sense, that female unemployment primarily relates to the main urban centre. Of the 26 municipalities in the Capital region of Copenhagen, 12 have higher female unemployment rates than the average of 6.9% in 2013. Moreover, some of them e.g. Albertslund, Høje Tåstrup and Ishøj have a female unemployment rate between 11 and 15%. In general, unemployment rates are higher among women than men in Denmark. The population group that features most prominently in terms of unemployment rates in the Capital region and Sjælland is, women born abroad; their unemployment rate is 26-28% which is far above average rates for 2014.

In Finland the unemployment rate was 8.7% in 2014 and is rising, particularly among young people and older workers. Another challenge for Finland is the weakening balance of public finances and the threat posed by demographic trends to their long-term sustainability. In some municipalities in Finland male unemployment is between 16 and 22% (Salla, Kemijärvi, Pelkosenniemi and Enontekiö in Lappi, Puolanka, Suomussalmi, Paltamo and Kuhmoin Kainuu) while Juuka in Pohjois-Karjala holds the dubious record of having a 21% unemployment rate among male inhabitants. In many of the regions with high unemployment for males there is also a correspondingly high female unemployment rate. Municipalities with over 12% female unemployment in 2014 were; Kemi, Simo and Savukoski in Lapland; Kotka in Kymenlaakso; Kuhmo and Suomussalmi in Kainuu; Kitee and Enonkoski in Etälä-Savo; Lahti in Päijät-Häme and Tohmajärvi in Pohjois-Karjala. Many of these areas share experiences of the challenges associated with industrial restructuring.

According to the Swedish government, GDP and employment have been boosted by growing domestic demand. However due to the growing size of the labour

In the Nordic Region the average male unemployment rate, at 7.2%, was slightly higher than the female unemployment rate, which was 6.8% in 2014.

Figure 6.5: Youth unemployment rate (15-24 years), 2005-2014

Data source: Eurostat. Finland: Includes Åland. Faroe Islands and Greenland: No data

force, unemployment has stayed at around 8% for several years (European Commission 2015). Municipalities with over 13% and up to 17% male unemployment in 2014 were Södertälje in Stockholm region, Eskilstuna in Södermanland, Lessebo in Kronoberg, Ronneby in Blekinge, Perstorp, Malmö and Landskrona in Skåne, Storfors and Filipstad in Värmland, Ljusnarsberg in Örebro, Trollhättan and Åmål in Västra Götaland, Fagersta in Västmanland and Haparanda in Norrbotten. As in Finland, some of the municipalities with high male unemployment rates also have correspondingly high female unemployment rates. This e.g. applies to Storfors, Landskrona, Trollhättan, Eskilstuna and Södertälje. In both Sweden and Finland, inner peripheries and coastal peripheries have the highest youth unemployment rates. The continuing challenge facing the

One of the major knock-on effects of the financial crisis in 2008 is rising youth (ages 15-24) unemployment across Europe.

Swedish labour market then is the need to integrate the large number of economically and socially vulnerable persons currently without work. The regions with the highest unemployment rates also have high percentages of immigrants and socially vulnerable persons (European Commission 2015).

Youth unemployment at alarming levels

One of the major knock-on effects of the financial crisis in 2008 is rising youth (ages 15-24) unemployment across Europe. As shown in figure 6.5 the youth unemployment increased in all of the Nordic countries during the financial crisis and has remained on a fairly high level since. In 2013 the average European youth unemployment level was 23.8%, although it was slightly lower for the Nordic Region, at 17.2%.

The group aged 15-24 is usually preoccupied with education. As such, unemployment statistics mainly reflect the lives of the most vulnerable group of adolescents, i.e. the share of adults which is entirely new to, or about to enter, the labour market. It is also the case that in response to the tightening of the labour market, the length of time spent in education has, in many cases, been extended. As such, young people across the Nordic Region now spend more of their life in education or training than did previous generations. The need for formal qualifications contributes to this, and as the labour market requirements for experienced labour increases, different forms of trainee or even voluntary arrangements become part of the 'entrance ticket' into the formal world of work. As a result, it takes longer for young people to become full participants in the labour market.

As seen in figure 6.6 some regions and municipalities had notably higher youth unemployment rates than the EU28 average of 23.8% in 2013. Some regions in Sweden in particular have high youth unemployment, e.g. Blekinge, Gävleborg, Gotland and Södermanland, all with youth unemployment rate of around 30%. According to Statistics Sweden (SCB) one reason for this is that the systems of apprenticeship differ between the Nordic countries. In the Labour Force Survey (LFS) series apprentices with a salary are considered to be employed. In Sweden there have been very few apprentices (under 1%) whereas in countries such as Germany and Austria almost 25% of students are apprentices. A system with many apprentices' means that fewer are considered unemployed and that the quantity of the labour force increases. Since unemployment is a ratio this affects the unemployment rate in two ways.

Another explanation relates to the system of subsidies for students. In Sweden and Finland, both countries

The youth unemployment rate is generally higher for men than for women; the Nordic average for men was 18.9 % while it was 15.6 % for women in 2013.

with high youth unemployment rates, student subsidies are not given in the summer. This increases the incentive for students to become job seekers and thus results in more students being registered as unemployed than would otherwise be the case. Labour force survey statistics counts full time students that are looking for work as unemployed. A youth unemployment rate of 25% does not mean that every fourth youth is unemployed. Rather that 25% of the potential labour force is unemployed. In 2011 more than half of all students in Sweden were part of the labour force, the rest were students that were not looking for jobs (SCB 2016).

Three of the micro economies in the Nordic Region, Iceland, Åland and, in particular, the Faroe Islands, do not face challenges in terms of youth unemployment, with generally low levels, but Greenland is challenged by higher rates of youth unemployment, up to 22%, which is the case in Kujalleq (South Greenland).

The youth unemployment rate is generally higher for men than for women; the Nordic average for men was 18.9 % while it was 15.6 % for women in 2013. The biggest differences between male and female youth unemployment is found in the Finnish regions Keski-Suomi, Etelä-Pohjanmaa and Pohjanmaa, as well as in some regions in the North of Sweden such as Västernorrland and Jämtland. All these regions have significantly higher male youth unemployment.

Persistent or long-term unemployment among young people is a concern in some of the Nordic countries. Additionally the share of young people (aged 15-29) that are neither in employment, nor in education or training (commonly abbreviated as "NEET") has risen internationally, in 30 out of 40 countries for which data is available between 2007 and 2012 (ILO 2014). High and/or rising NEET rates are a major concern for policy makers,

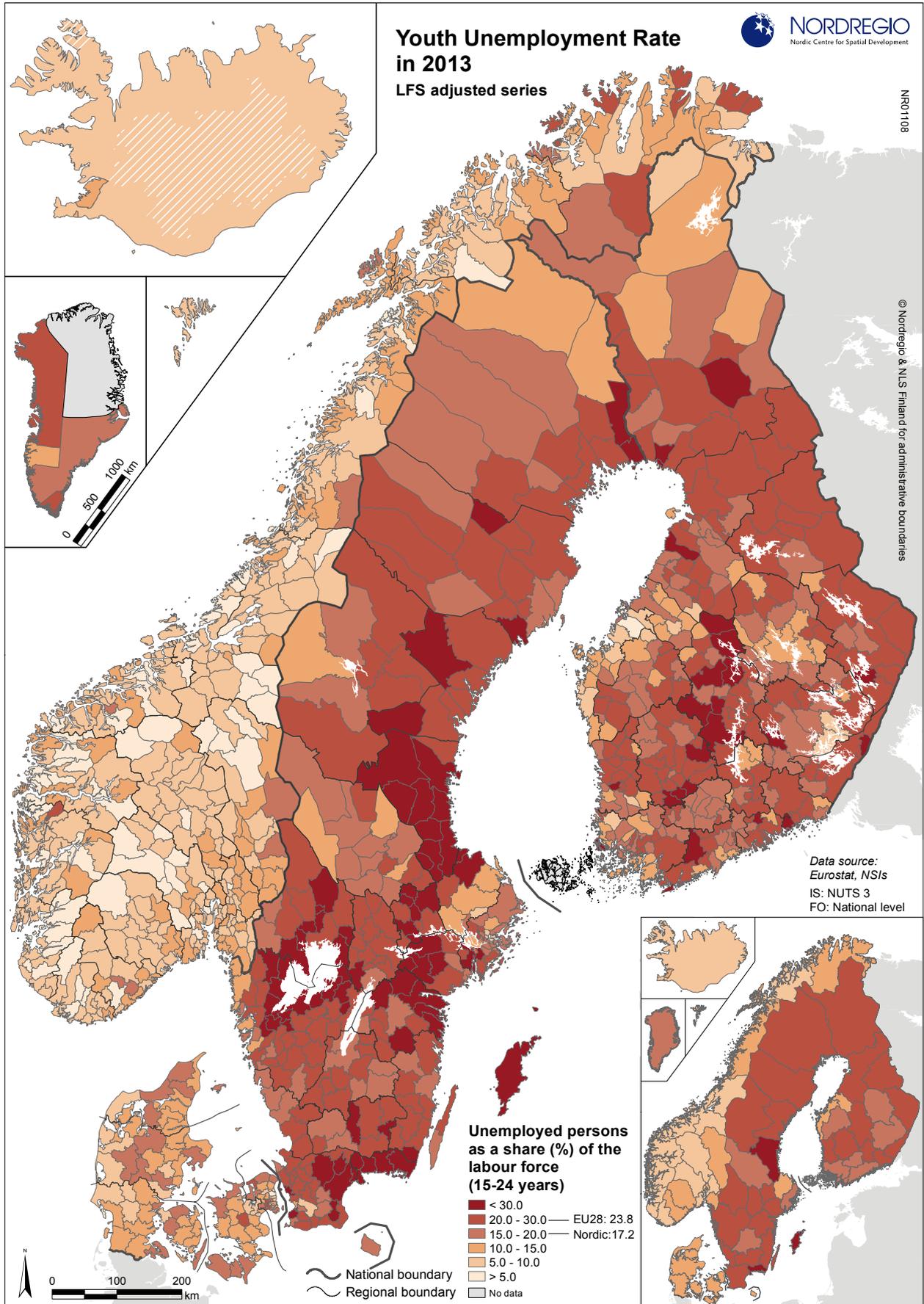


Figure 6.6: Youth unemployment rate in 2013 – Labour Force Survey adjusted series.

as this group is neither engaged in employment, nor investing in skills development. Moreover, young people that are among the NEET group may be less engaged and more dissatisfied with their societies than their peers who are employed or in the education system.

This has for example been a challenge in Norway. Norway has a low youth unemployment rate but still many young people that neither are a part of the workforce nor engaged in education. Norwegian authorities have started to pay attention to this group coining it “Nave” (Egge 2015). Swedish social authorities have also for a while focused on this marginalised group from the perspective of mental disabilities or dysfunctions (Socialstyrelsen 2013). From a regional welfare perspective, the regional labour market policies response to ageing and shrinking regions should obviously be to focus on the talents and potentials of young people, however there are indications that labour market policies, e.g. in Sweden addressing consequences of ageing fail to include young adults and the policies do not address regional heterogeneity in respect of e.g. ageing and youth unemployment (Rauhut and Kahila 2012). Globally, the labour market for the NEET group has worsened, posing significant challenges in the years ahead in terms of reconsidering employability (ILO 2014).

In Norway many young Swedes have been given opportunities to gain work experience in recent years. There is a complementarity principle between neighbour countries that calms pressures on unemployment insurance systems.

Denmark has for a number of years had as its top priority in terms of labour market and social policy issues, to recruit young long term unemployed into jobs or educational options (Norden 2010). In 2013 the highest youth unemployment in Denmark was to be found in the various municipalities across the Capital Region (on average 14.5%), with Halsnæs municipality facing the highest rate of 28.7%. The most vulnerable group in the age group 15-24 years experiences a hugely marginalised role, without education, without job or any training experience (Halvorsen et.al 2012).

In Norway many young Swedes have been given opportunities to gain work experience in recent years. There is a complementarity principle between neighbour countries that calms pressures on unemployment insurance systems, when flows of workers between the Scandinavian countries, engage in employment-related mobility.

The youth unemployment in Finland varies across regions but is high in many municipalities and in some cases exceeds the alarming levels that have been associated with Southern Europe. This applies to municipalities with unemployment rates higher than 32% and up to 45% such as Rautjärvi in Etelä-Karjala, Pyhtää in Kymenlaakso, Pätäjävesi and Jämsä in Keski-Suomi, Orivesi and Akaa in Pirkanmaa, Kemi and Kemijärvi in Lapland, Kustavi in Varsinais-Suomi and Hanko in Uusimaa. Strategies to reduce this alarmingly high youth unemployment rate and mobilise the youth segment of society are thus desperately required in order to ensure that a lost generation is not created.

Concluding comments

In this overview of development trends in respect of unemployment in the Nordic Region we have shown, supported by statistical data, how unemployment levels vary between regions. Some of the Nordic countries are experiencing generally high and persistent unemployment levels among their immigrant and socially vulnerable population that is living in the capital and urban regions. Meanwhile others are dealing with high unemployment levels in rather more rural and remote regions, where ageing and regional shrinking, due to demographic changes and industrial restructuring, is prevalent. Countries within the Nordic Region are also recovering, at varying rates, from plummeting employment levels due to the financial crisis and the recession that followed in 2008. The group of so-called NEETS has increased across the Nordic countries since 2007. This group remains of major concern for policy makers as the individuals concerned are neither engaged in employment, nor investing in skills development. Regional labour market policies will thus have to address the issue of employability more seriously.