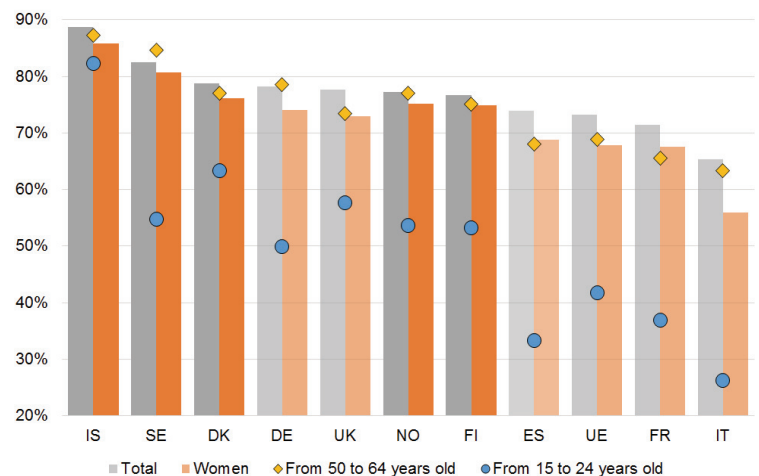


Labour markets in the Nordic countries

- The Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) have enjoyed remarkable macroeconomic performance levels since the end of the 1990s. Accordingly, their growth rates have been consistently higher than those of the EU and poverty rates are amongst the lowest in OECD Member countries with Iceland, Denmark and Finland figuring in the top five together with the Czech Republic and France. Unemployment rates are lower than the EU average (6.8% in 2018) in Norway (3.9%), Iceland (2.7%), Denmark (5.0%) and Sweden (6.3%), with only Finland having a higher rate (7.4%).
- This success means that the Nordic models are held up as international benchmarks and this is confirmed by their top international rankings for quality of policies. This is combined with deep-seated regional identity and the fact that these countries are able to preserve the competitiveness of their companies whilst at the same time ensuring that individuals are protected by a generous welfare state.
- As regards the operation of their labour markets, the Nordic countries have common basic values and principles. These include the respective role of unions and the government which fosters social dialogue based on consensus, gender equality, the emphasis on lifelong education and training to help workers adjust to changes in the workplace and the social leverage of work to promote acceptance of so-called activation policies. Consequently these countries now have relatively low unemployment rates, high levels of education and labour force participation rates, among the highest in the world for the labour force as a whole, as well as for women, young people and older workers.
- However, countries still differ within the region, especially in terms of the amount of social protection for the unemployed. This is due to the fact that, during the past twenty years, the Nordic countries have all reduced social protection levels and the amount of government expenditure in relation to GDP to focus on labour market activation and integration policies. Nevertheless, the pace and type of national reforms differ across countries. Lastly, the Nordic countries also have divergent results in terms of integrating populations such as the lowest-skilled workers and immigrants.

Labour force participation rates in the Nordic countries are amongst the highest in Europe



Source: Eurostat (2017 data, Labour Force Survey).

1. Nordic labour markets rely on robust social contracts¹

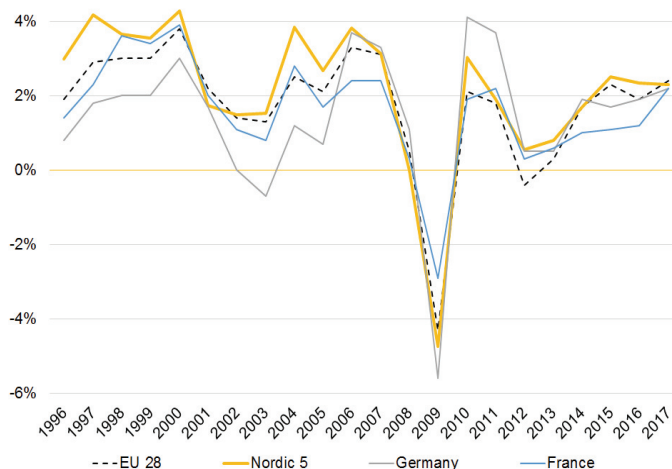
1.1 A region which outperforms the EU in terms of both wealth and growth, but which heterogeneities

The Nordic countries are prosperous and share common geographic and economic features. Their economies are small-scale, competitive, adaptable, innovative and open to the rest of the world. The aggregated GDP of the five countries is slightly more than that of Spain and Portugal combined. Per capita income levels are some of the highest in the world and are above the EU-15² average, by 18% in Finland, 38% in Sweden, 46% in Denmark and 95% in Norway.³ During the last two decades, the region's overall growth has been regularly higher than that of the EU-28 (see chart 1).

Exports of goods and services currently account for between 35% of GDP in Norway and 55% in Denmark. The matter of the competitiveness of businesses is a consensual social issue which is seen as crucial for safeguarding prosperity. The region is highly integrated in spite of the fact that there are five different currencies and five different languages. This is due to cultural, geographical, economic and historic (longstanding Hanseatic trade) reasons. The region's common characteristics, which all help convey the positive image of the Nordic models, include a highly robust social contract which is fully centred on the market economy, low income inequality⁴ and the rejection of gender inequality, the commitment to fight global warming and a strategic

industrial stance geared towards the technological frontier and innovation.⁵

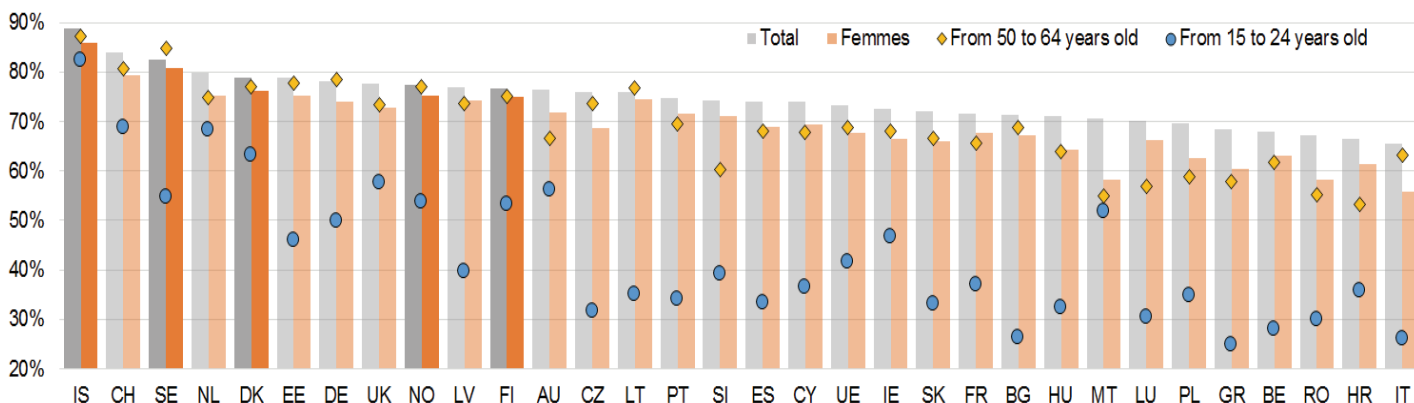
Chart 1: For the last twenty years, the region's growth has regularly exceeded that of the EU



Source: Eurostat, DG Trésor calculations.

The region's economic momentum is driven by labour market outcomes. Unemployment is seen as being frictional in Iceland, Norway and Denmark, meaning that these countries have almost full employment. The unemployment rate is also low in Sweden and has been progressively declining since 2014. Finland has a slightly higher unemployment rate and a lower labour force participation rate. The latter has historically been the lowest in the Nordic countries although rates for women and older workers are comparable with the region's other three large countries (see chart 2).

Chart 2 : The labour market participation rates of the Nordic countries are amongst the highest in Europe



Source: Eurostat (2017 data, Labour Force Survey).

(1) This work draws on information and analyses provided by the Economic Departments of the French embassies in the Nordic countries.
 (2) Corresponding to the fourth enlargement of the EU following the accession of Austria, Finland and Sweden in 1995, prior to the enlargement to central and eastern Europe where per capita income levels are lower than those of the EU-15.
 (3) Source: Eurostat (2017 data).
 (4) According to the OECD, Sweden is one of the Member countries in which income inequality has surged the most since the 1990s but still belongs to the group of most equal countries. See "2017 Economic Survey of Sweden", EDR 2016/20.
 (5) Sweden (3.25%), Denmark (2.87%) and Finland (2.75%) hold three of the top five places in the EU as regards domestic R&D expenditure as a percentage of GDP (2016 data, Eurostat).

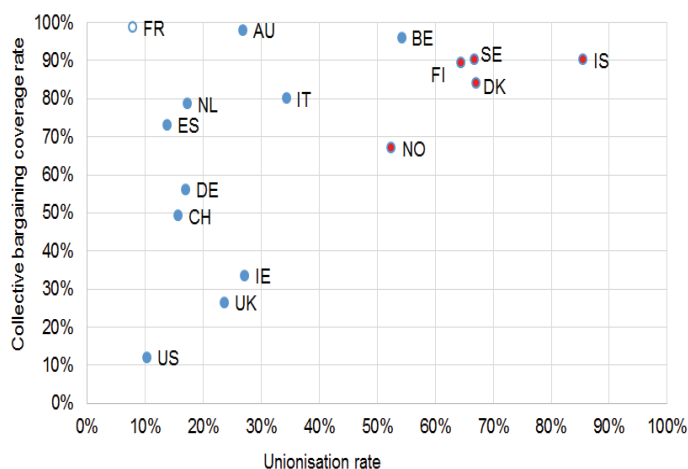
1.2 Social partners play a key role in the functioning of the labour market

For a great many years, the proper functioning of the labour market has been contingent on a consensus between economic stakeholders on how to resolve labour unrest. In the wake of the Great Depression of 1929, major agreements were executed between Nordic governments, unions and employers' associations in the 1930s. In Sweden, the Saltsjöbaden Agreement of 1938 is the cornerstone of the Swedish labour market. Under the agreement, unions and management agree to jointly arrange for collective bargaining without government intervention except as a mediator in the last resort if there is a disagreement. This means that the social partners are held accountable for reaching a consensus as part of these discussions. Norway chose a similar path with the first Hovedavtale ("basic agreement") taking effect in 1935. The principle is the same in Denmark and is even enshrined in the Constitution (Grundloven dating back to 1899). There were tripartite government/union/employers talks until 2017 in Finland but negotiations are now conducted at industry level like in the other Nordic countries. Iceland however still uses the tripartite system. As a rule, collective bargaining is principally conducted by industry in the zone, although it may be carried out at national/central level in certain counties (Finland and Norway) or sectors (industry in Sweden).

Unions are influential stakeholders which garner their legitimacy from the high levels of unionisation. In Iceland, Denmark, Sweden, Finland and, to a slightly lesser extent, in Norway, union density rates are amongst the highest in the OECD (see chart 3). Collective bargaining coverage is also very high. In contrast, the French model is characterised by very low unionisation coupled with very wide collective bargaining coverage meaning that employees glean benefits negotiated by the unions in industry-level agreements, without having to be union members. The difference in the Nordic countries is due to the fact that unions provide services to their members. This is known as the Ghent System⁶ whereby membership of a union dictates access to a number of unemployment, retirement

or healthcare benefits. The system means that the unions have been able to remain essential stakeholders in spite of the fall in union membership in the Nordic countries since 1980.

Chart 3: High unionisation rates combined with broad collective bargaining coverage in the Nordic countries



Source: OECD (ICTWSS database, 2017 or most recently available data).

The clear division of responsibilities between the unions, management and the government gives the social partners a key role in determining the fundamentals of the labour market based on subsidiarity of the law. In Denmark and Sweden, besides the enactment into national law of European directives, there is very little legislation governing the labour market. In the priority of standards, legislation takes precedence over collective bargaining agreements. However, in practice, working relations and conditions are essentially covered by industry-level collective bargaining agreements or those negotiated at national level. For instance, in Norway, there are three types of agreements: (i) four "basic agreements"⁷ which are renegotiated every four years and which set out the national rules; (ii) industry-level agreements which are renegotiated every two years and which set minimum wage levels (which are not universal for the zone but differ depending on the industry,⁸ see chart 4 with the example of Sweden), salary hikes and conditions for redundancies; (iii) company-level agreements, which can be renegotiated on an annual basis.

(6) J. Lind (2007), "A Nordic Saga: The Ghent System and Trade Unions", *International Journal of Employment Studies* vol. 15.

(7) Between unions and employers' associations in the private sector, government departments, local authorities and the hospital sector.

(8) Minimum wages are set in 80% of industries in Sweden and in 60% of industries in Denmark.

Chart 4: Examples of minimum monthly gross salaries in Sweden (2016 data in €, gross)



Source: Medlinginstitutet, URSSAF.

Conversely, the social partners play a lesser role in steering the unemployment insurance/pension/healthcare systems which are, to a greater extent, governed by the Beveridgean model's guiding principles. In all the Nordic countries, although union membership is essential for entitlement to certain welfare benefits, the government is responsible for the financial equilibrium and strategic objectives of the various insurance schemes. In Sweden, the government elected to freeze the unemployment benefit ceiling between 2003 and 2015, in tandem with five successive income tax cuts, with an eye to boosting employment and as part of a broader policy of recasting social protection and fiscal consolidation following the crisis in the 1990s.⁹ In 2007, the government also increased employees' contributions in industries carrying the highest risks of unemployment.¹⁰

1.3 The consensus on preserving competitiveness is a common goal for both labour unions and employers' organizations which explains the lack of conflict between them

The social partners undertake to conduct talks that embody peaceful labour relations.¹¹ Express mention of this notion in Sweden ("social peace obligation"), Norway ("peace obligation") and Denmark ("general peace obligation") means that the right to strike may not be exercised whilst collective bargaining agreements are in force unless the latter are breached by the employer. This commitment fosters the lack of conflict between unions and employers' organizations, which is seen as safeguarding the standard

of negotiations, and as a contributory factor for establishing a consensus between labour and management. Any long-lasting labour unrest in the region is usually localised. Examples include the case of mid-wives in Iceland between 2017 and 2018 and dockers in the port of Gothenburg between 2016 and 2019. There are almost never any strikes in Sweden unlike in Denmark, Norway and Finland, where they are happening essentially in the public sector.

Throughout the region, unions and employers' associations both prioritise the competitiveness of businesses as exports are considered to be an essential growth vector. This Nordic "focus" was emphasised by Karl Petter Thorwaldsson, President of the Swedish Trade Union Confederation for blue collar workers, LO: "New technologies prompt redundancies but they also create new jobs, [...] 75% of workers support the TTIP".¹²

The consensus for conserving competitiveness is reflected by the sequence of negotiations with priority given to industries facing international competition. The goal is to both mitigate pay gaps and ensure that salary hikes in the non-tradable sectors do not indirectly undermine competitiveness in the tradable sectors. This concept has found its formal expression in Sweden since the 1997 Industriavtalet ("industrial agreement"),¹³ and in Norway where reference is made to trendsetting industries. What this actually represents in Sweden is negotiations between employers' organization and LO to set the nominal salary increases granted for the next three years, with the amounts being used theoretically as a benchmark for collective bargaining in the other sectors. Whilst there are no rules in this respect in Denmark, in practice the unions strive to adopt similar approaches. There are also no rules in Finland but the wood/paper industry, one of the country's leading export industries, was the first to launch talks in 2017. Iceland is also looking into this model as the surge in tourism has caused a strong appreciation in the crown in recent years which is putting a drag on the price competitiveness of traditional export sectors such as fishing and electro-intensive industries. Following painstaking collective bargaining in early 2019, which was successfully concluded once the government suggested cutting taxes on low salaries and increasing welfare benefits in exchange for keeping a certain wage restraint, the authorities are looking to roll out a rule whereby salary

(9) Chabert G. and L. Clavel (2012), "Lessons for today from Sweden's crisis in the 1990s", *Trésor-Economics*, No. 105.

(10) The unions believe that this reform had the secondary effect of contributing to the fall in unionisation by more than 10 points since 2000.

(11) Andersen S.K., J.E. Dølvik and C.L. Ibsen (2014), "Nordic labour market models in open markets", *European Trade Union Institute*, Report 132.

(12) Quoted by the Figaro newspaper of 29 November 2016 in relation to an address at the France/Nordic Countries Conference arranged by the Directorate General of the Treasury at the French economy and finance ministries. Watch the conference at https://www.tresor.economie.gouv.fr/Ressources/14965_conference-franco-nordique

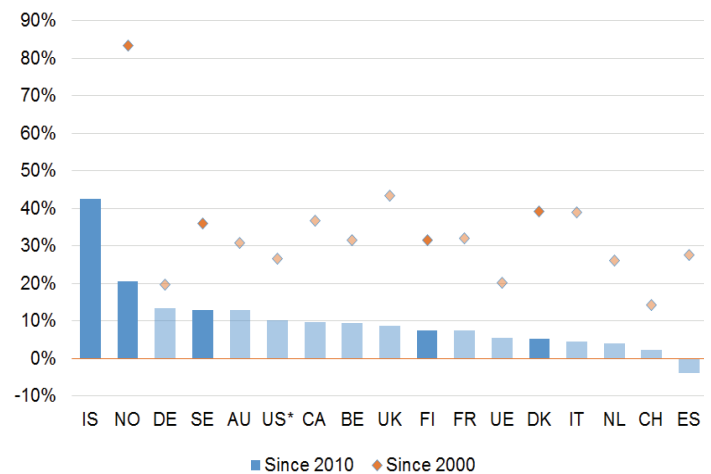
(13) Economic Survey of Sweden 2007", OECD, see box 1.2 "Manufacturing has become an anchor for responsible wage formation".

increases do not exceed GDP growth per capita in the future.

The lack of conflict in social dialogue is also due to the significant wage hikes agreed on during negotiations. In real terms, they have usually been slightly higher than the inflation target.¹⁴ In recent years, as price rises have been broadly lower than the inflation target, a number of countries have witnessed increases in real wages that have been higher than labour productivity growth while Nordic countries have labour costs among the highest labour costs in the EU and OECD. Since the crisis, unit labour costs have risen faster within the region than in the EU as a whole, especially in Iceland, Norway and Sweden. They have increased less in Denmark and Finland where the post-crisis recovery was slower (see chart 5). In practice, negotiations are increasingly being arranged annually in certain sectors instead of on a multiannual basis. This trend is led by the government in Iceland and by employers' organizations in Sweden. During an economic downturn, unions and employers' associations are able to agree to wage restraint

as was the case in Sweden in the 1990s, Denmark in 2008-2009, Iceland following the financial crisis, and in Finland in 2017 with the Competitiveness Pact to freeze wages and increase working hours.

Chart 5: Change in unit labour costs (in 2017 compared to 2000 and 2010)



Source: OECD (GDP per capita and productivity growth).

* 2016 data for the United States.

2. Nordic labour market strategies are based on three shared concepts which are adjusted specifically to each country: activation, qualifications and protection of individuals

In Nordic societies, leveraging labour is a crucial principle, at the same level as work/life balance, combining careers and family life and the mainstreaming of flat hierarchical structures in businesses. The frictionless coexistence of these concepts partly explains the historically high labour force participation rates in the region. Within the EU, Sweden has the highest global labour force participation rate and participation rate for women (followed by Denmark and Finland), and for older workers. The gender pay gap is fairly narrow as is the gap between the highest and lowest wages; parental leave is relatively long,¹⁵ with incentives to equally spread the leave period between the two parents, and it may be compensated by substitution income of up to 90% in Sweden (with reference income capped at around €3,000), and employers do not see its duration as problematic; Swedish municipalities are bound to offer childcare options from the age of one until the child starts primary school. A final specific feature of Nordic countries is their advanced economic and cultural integration which

fosters strong (and historic¹⁶) intra-regional mobility between domestic labour markets should workers experience a sectoral crisis.

2.1 Each country gives priority to activation policies at its own pace and conditions

Whereas the Nordic systems are considered to offer comprehensive protection, Denmark, Sweden and Finland are the three EU Member States which earmark the most government expenditure (in relation to GDP) to so-called activation policies¹⁷ (see chart 6). This involves encouraging the population to enter the labour market as opposed to support expenditure which provides compensation for loss of income in the event of unemployment or early retirement. This activation expenditure is especially high in Denmark and to a lesser extent in Sweden in relation to the number of jobseekers.

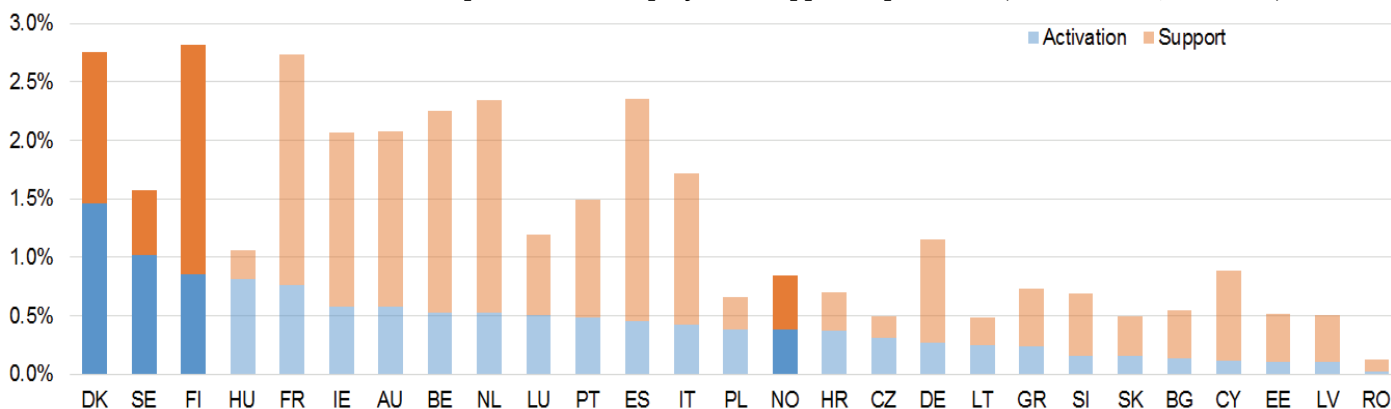
(14) The most recent triannual negotiations in Swedish industry were conducted in 2017 and resulted in a 6.5% increase in wages over three years with an inflation target of 2%.

(15) 18 weeks of maternity leave and up to 52 weeks of parental leave in Denmark, up to 16 or even 18 months in Sweden in certain cases, shared between the father and mother.

(16) The first Agreement concerning a Common Nordic Labour Market between Sweden, Denmark, Norway, Finland and Iceland was signed in 1954 and renewed in 1982.

(17) Specifically, this is public expenditure on labour market-related services (e.g. operating expenses for the national employment agency), vocational training, protected jobs and readjustment (e.g. disabled workers), direct job creation and assistance with starting businesses.

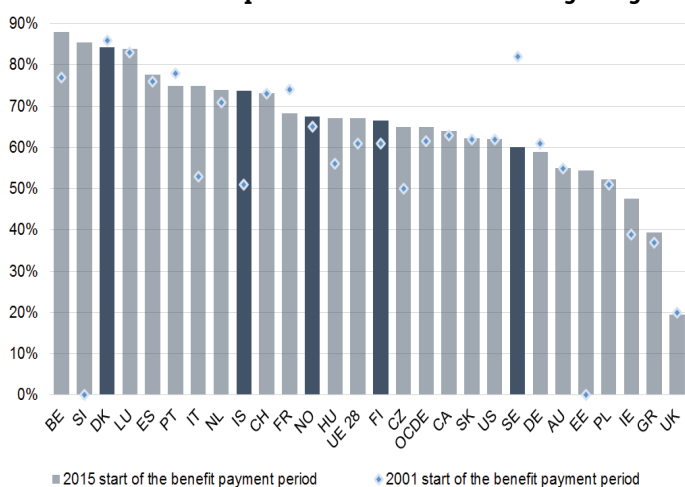
Chart 6 : Public activation expenditure vs employment support expenditure (as a % of GDP, 2015 data)



Source: Eurostat/DG EMPL (labour market policies).

The overriding trend for the region, including in Denmark, is to scale down unemployment protection arrangements in favour of incentives to return to work. In recent years, this has involved a reduction in the duration of benefit payments in Sweden, Finland and Denmark (from four to a maximum of two years), the bolstering of verification procedures whilst people are looking for work, tougher conditions for entitlement to benefits (Finland, Denmark) and the introduction of a waiting period (Sweden).

Chart 7: Net wage replacement rate during a period of unemployment for a single person with no children who received income equivalent to 67% of the average wage



Source: OECD (2015 data, Tax-Benefit Models).

Due to the pace of reforms and each country's policy choices, the relative generosity of national protection systems differs to a fair extent within the region. Denmark still posts one of the highest wage replacement rates in the OECD whilst those in Norway and Finland are in line with

EU/OECD standards. Over the last 15 years, the rate in Sweden has fallen significantly (see chart 7). For high incomes (200% of the average wage), Sweden's net replacement rate is lower than the OECD average whereas Denmark's is close and Finland's is far higher, as is the case in France.¹⁸ Swedish unemployment insurance is subject to stricter conditions than its neighbours with the benefit payment period being limited to 300 working days (for a person with no children, 450 days for a person with a child/children), with the level of benefit being cut after 100 days. In addition, jobseekers are obliged to accept jobs which the employment agency considers "suitable" and benefits are withdrawn after three refusals.

Return-to-work incentives may also differ significantly from one country to the other. As regards labour mobility, Finland has introduced financial incentives to encourage the unemployed to take up jobs based at a certain distance from their homes. In Norway, jobseekers are obliged to be mobile unless they have serious family or health issues (this is also the case in Sweden) after they refuse an initial job offer in their region. Denmark has altered benefit calculation methods and they are now based on earned income received during the last 36 months rather than on the previous criterion for a minimum period of work. The goal is to increase jobseekers' geographic and sectoral mobility. Payment of full benefits is subject to strict verification: in Denmark and Finland it is contingent on applying for a minimum number of jobs, in Sweden benefits are reduced if job offers are refused as is the case in Norway where the low unemployment rate means that the NAV agency is able to conduct close and customised monitoring.

(18) E. Dhont-Peltraut (2016), "Unemployment benefits in France compared to European practices", *Trésor-Economics*, No. 188.

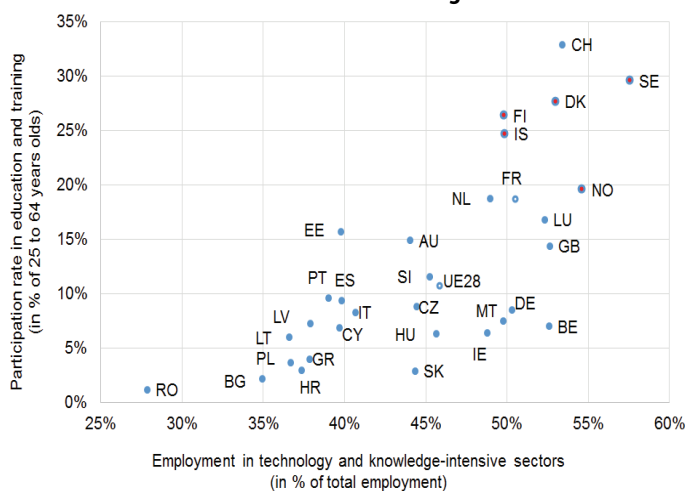
2.2 Bolstering the qualifications of the working population

The Nordic countries are fully committed to providing both initial and lifelong training. Access to education is most often via a universal public system which is almost always free-of-charge and which aims to provide a high-quality education to all citizens. The organisational structure and performance levels of education systems are subject to constant discussion with special attention being paid to the results of the OECD's PISA rankings.¹⁹ This is a source of national pride in Finland which is second only to Singapore in the PISA table. Conversely, it was a shock in Sweden suffered a national trauma when its ranking plummeted in 2013. Nevertheless, over the last two decades, Sweden has managed to substantially raise the level of qualifications of its citizens with a ten point decline in the number of less qualified people and a parallel ten point rise in higher education graduates. Among its working-age population, for an education level less or equal to secondary school, the proportion is now 10 points less than the EU-15.²⁰ Similar notions apply for higher education with access being provided for a maximum number of citizens to ensure that they will be able to secure skilled employment. Fees are broadly low, including for the most prestigious schools and universities, and entrance is assured for students having obtained the best results at secondary school. In Sweden, since the 19th century, adults have been provided with easy access to education via a night school system, called the Komvux, with free lessons paid for directly by the municipalities. On a different note, Denmark has introduced universal student grants and loans (see box 1) with Sweden having a similar system. In addition, most countries in the region offer subsidised student loans.

Once they join the labour market, workers still have a plethora of vocational training options. The social partners require citizens to be able to bolster their qualifications during their working life and to be well-equipped in order to

adjust to changes in the workplace brought about, for instance, by technological advances. Within the EU, Sweden, Denmark and Finland are the three countries (followed by France) which provide their citizens with the most vocational training (see chart 8). In Sweden, 30% of 25 to 64 years olds have been given training during the year. This boosts their qualification levels and reduces the number of low-skilled jobs. Initial training, followed by in-service training, are seen as an investment that safeguards equal opportunities and fosters the mobility and adaptability of labour input. These arrangements put strain on the public purse,²¹ as well as on businesses which fund a proportion of them. The Nordic countries' approach is to invest widely in education and training so as to best match labour supply to demand. Throughout the region, the results of this strategy are reflected in the OECD's Programme for the International Assessment of Adult Competencies (PIAAC) in which the Nordic countries are systematically "significantly above the OECD average" in terms of literacy, numeracy and problem-solving.²²

Chart 8: Qualification levels for jobs and use of vocational training²³



Source: Eurostat (2016 data, High Tech Industry and Knowledge Intensive Services (HETC), Labour Force Survey).

(19) Programme for International Student Assessment. 15-year old students are tested every three years on their knowledge acquisition (reading, mathematics and science) at the end of their compulsory education.

(20) Level less or equal to lower secondary education: 15.7% in 2016 (EU-15: 26.1%) compared to 25.9% in 1995. Higher education: 39.8% in 2016 (EU-15: 31.5%) compared to 27.7% in 1995 (data on the pool of citizens of working age, Eurostat).

(21) For instance, in Sweden, adult education cost SEK 7.3bn in 2015 (0.2% of GDP) for central government and almost SEK 6bn for local authorities, including SEK 1.3bn to fund the three schemes which the municipalities are bound to provide for: Komvux (adult education up to the last year of upper secondary education), Särvux (special education) and SFI (Swedish for Immigrants, language training).

(22) "Skills Matter: Further Results from the Survey of Adult Skills", OECD Skills Study, 2016.

(23) The participation rate in education and training covers all people aged between 24 and 64 who, during the year, have taken a training course in the previous four weeks (monthly LFS data).

Box 1: Universal student grants and loans in Denmark, Statens Uddannelsesstøtte

All Danish students over the age of 18 are entitled to universal student grants and loans which foster the independence of young adults whilst encouraging them to continue with their studies. A number of criteria condition the amount received: (i) in secondary education, the grant is subject to attendance at lessons and totals between €118 and €380 per month between the ages of 18 and 20 (with the parents being means tested) and €380 after 20 (if the student does not live with his/her parents, the amounts are increased to between €490 and €795); (ii) in higher education, the grant is €765 for students not living with their parents (or between €118 and €380 otherwise). Students receive this grant for a maximum study period of five years and for the first year following their studies. Young adults who work and study at the same time are also entitled to a grant provided their monthly income is not more than €1,535 in higher education and €973 in secondary education. In addition, all students may take out a subsidised loan from the government giving them an extra €390 per month. The loan repayment and interest payment period is 15 years at the most. The annual interest rate is 4% during study years before being brought into line with the Denmark's Nationalbank's loan facility (currently 0%) during the repayment period.

2.3 Protecting individuals rather than jobs

Whilst individual dismissals are considered to be difficult throughout the region,²⁴ there is no disagreement between labour and employers' associations as to the actual basis for redundancies under the principle of protecting individuals rather than jobs. Redundancy plans, even for mass dismissals, are rarely synonymous with challenges or demonstrations, irrespective of whether they are implemented in sectors or companies suffering a loss of competitiveness or not. For instance, in the telecoms industry, where the balance of power was upended by the expansion of Apple and the arrival of major Asian companies, the problems encountered by Ericsson in Sweden and Nokia in Finland led to huge layoffs without causing labour unrest.

This is due to the fact that the unions focus on supporting employees with their rhetoric being centred, in conjunction with the authorities, on the need to safeguard high value added jobs such as those in R&D. In consideration of this concept being accepted, the social partners and the government undertake to protect the unemployed by providing financial benefits comprising return-to-work incentives which are more or less generous depending on the country. This is combined with customised support

through training and/or retraining initiatives. Even the most binding rules, such as the LIFO (Last In First Out) system in Sweden, which does not exist in the region's other countries, may be bypassed with the social partners' agreement. Severance pay may be paid in cash in Finland and Denmark but, in the other countries, they may only be a notice period with the duration being dictated by the employee's seniority and status.

Sweden and Norway, for example, have developed robust resources for supporting employees when they are between jobs. In Norway, jobseekers are offered two separate training options: (i) courses for learning specific skills or refreshing these skills (AMO, 30% hiring rate after six months), (ii) a qualification programme (KVP) providing customised training and specific benefits for people who are the furthest removed from the labour market (43% hiring rate following the training). In Sweden, labour and employers' associations are jointly responsible for a highly effective scheme which supplements unemployment insurance in the form of Job Security Councils (JSCs) which can be marshalled as part of redundancy plans and which have excellent results as regards getting people back to work (see box 2).

(24) This applies particularly in Sweden and Finland which are ranked 8th and 9th respectively by the OECD in terms of protection of permanent workers against individual dismissal.

Box 2: Successfully getting people back to work, the example of the Job Security Councils (JSCs) in Sweden

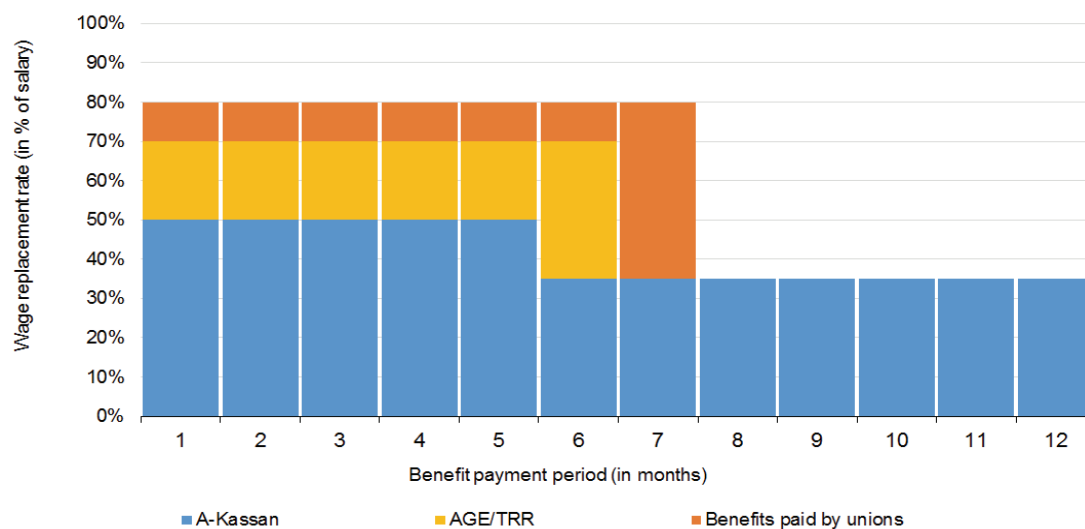
In 1973, the social partners set up a scheme to supplement basic unemployment insurance (A-kassan) during the first six months of benefit payments in the form of Job Security Councils (JSCs) to provide a buffer between employment and unemployment.^a They are financed by contributions from businesses amounting to 0.3% of their payroll. There are around fifteen in Sweden, with sector-specific specialisation, covering around 80% of employees. One of the largest is Trygghetsrådet (TRR), the white collar JSC, with whose help 80% to 90% of users find a job within seven to eight months.

The role of the JSCs is two-fold:

1/To provide redundant workers with a supplement to unemployment benefits. The basic benefits paid by A-kassan (the unemployment benefit funds) amount to a maximum of 80% of the salary capped at a gross amount of SEK 25,025 per month (around €2,400 per month), then at a gross amount of SEK 20,900 per month after 100 days and 70% of a maximum of SEK 23,885 per month between 200 and 300 days. During the first six months of benefit payment, the substitution income is supplemented by transfers from the JSC allowing for a higher wage replacement rate, plus the optional unemployment insurance offered by a number of unions, which could increase this rate to 80% up to seven months of benefit payments for gross monthly income of SEK 40,000 (see chart 9).

2/To foster the return to work by helping employees both before and after they are made redundant with their strategy for rejoining the labour market. The JSC establishes a customised action plan together with the worker: jobseeking, skills assessment, support for setting up a business or deciding on a training programme which is part funded by the JSC. As they have specialist knowledge of each sector, the JSCs are favoured by businesses as recruitment venues.

Chart 9 : Example of the wage replacement rate at the start of the benefit payment period with TRR for a salary of SEK



Source: TCO.

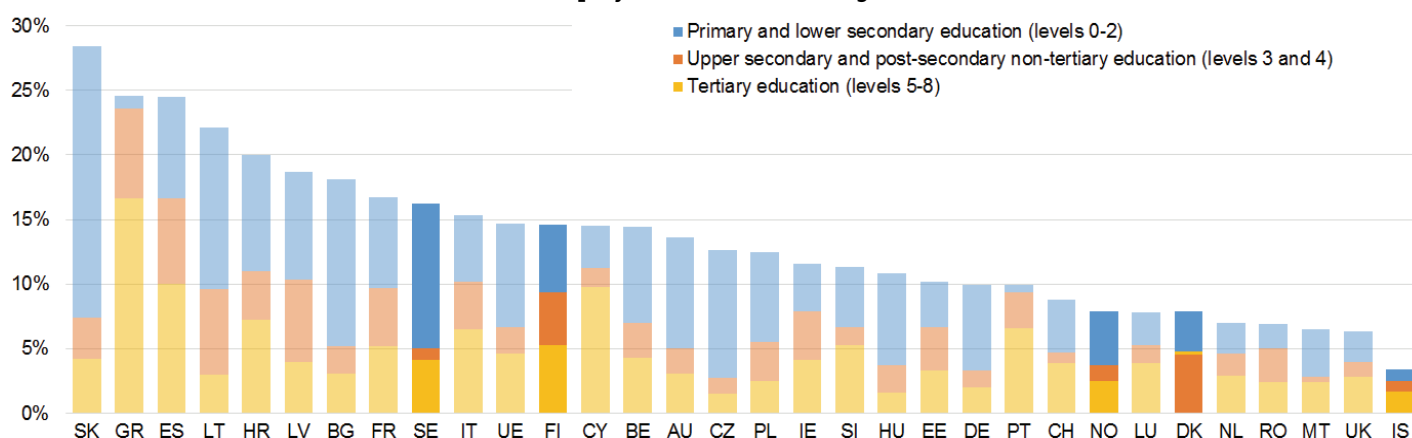
a. Back to Work: Sweden Improving the Re-employment Prospects of Displaced Workers", OECD, December 2015.

3. Lower integration rates for low-skilled workers and immigrants

All the above-mentioned schemes and resources do not manage to mitigate one of the major shortcomings of the Nordic systems: the insider/outsider duality of the labour market which puts a drag on the integration of the lowest-skilled workers and immigrants. The problem is less keenly felt in Denmark, Norway and Iceland which have near full employment but is especially prevalent in Finland and Sweden, where the overall unemployment rate was 6.3% in

2018 yet stood at 15% for persons born abroad (compared to 4% for those born in Sweden)²⁵ or having a low level of education (see chart 10). The Swedish employment agency, Arbetsförmedlingen, caters for young people and jobseekers who are the furthest removed from the labour market but is struggling to achieve conclusive results due to the difficulties in integrating young people with no qualifications.²⁶

Chart 10 : 2017 unemployment rates according to education levels



Source: Eurostat (International Standard Classification of Education, ISCED).

How to read this chart: In 2017, the unemployment rate of people with a higher education level was 4.1% in Sweden, 5% for upper secondary and post-secondary non-tertiary education, and 16.2% for primary and lower secondary education.

All the region's countries also face the issue of integrating immigrants into the labour market. Their unemployment rate is much higher, especially in Finland and Sweden, where it is at similar level to that for foreigners in France and Italy,²⁷ countries in which the overall unemployment rate is higher. There are special programmes for asylum seekers in each country to encourage language learning which is often a prerequisite for labour market integration. The municipalities assume a major proportion of the financial burden and have received additional credits in recent years to address the huge number of arrivals. In Sweden and Denmark for instance, the social partners have discussed a move away from minimum benefits²⁸ to speed

up the integration of refugees. In Sweden, this was materialised by a declaration of intent by the government and social partners in March 2018 to introduce "entry" agreements (also available for the long-term unemployed) with a term limited to two years. The agreements cater for people having been granted their residency permit during the previous three years. When salaries representing less than minimum benefits are paid (SEK 8,400, i.e. €810 per month), the government pays out an individual supplement of up to SEK 9,870 (around €950) to bring income closer to the minimum wages under the various collective bargaining agreements.²⁹

Pierre-Alexandre Miquel, Romain Saudrais

(25) "OECD Economic Surveys: Sweden", OECD, March 2019.

(26) Olofsson J. and E. Wadensjö, (2012), "Youth, Education and Labour Market in the Nordic Countries, Similar But Not the Same" Friedrich Ebert Stiftung.

(27) Source: Eurostat, 2014 data (LFS).

(28) Idea backed in an IMF working paper: Ho G. and K. Shirono (2015), "The Nordic Labor Market and Migration", WP/15/254.

(29) Declaration of intent between the Government, the Swedish Trade Union Confederation (LO), Unionen and the Confederation of Swedish Enterprise", 5 March 2018.

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