

Youth Unemployment in the Nordic Countries

- A Study on the Rights of and Measures for Young Jobseekers

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Preface

The Nordic Social Statistical Committee (NOSOSCO) is a permanent committee under the Nordic Council of Ministers. The aim of the Committee is partly to coordinate social statistics from the Nordic countries, partly to compare analyses and descriptions of the scopes and contents of social welfare measures.

The Committee is composed of three representatives from each country and a number of substitutes. The countries chair the Committee in turn for three years with Sweden having had the chairmanship for the period 2008-2010. In its report, *Social Protection in the Nordic Countries*, NOSOSCO publishes its findings regarding the current social development.

The report *Youth Unemployment in the Nordic Countries – A Study of the Rights of and Initiatives Aimed at Young Jobseekers* is the theme report for 2011 published by NOSOSCO. The financial crisis in 2008 affected all the Nordic countries, and the youth unemployment rate quickly increased, especially in Iceland and Sweden. At its plenary session in August 2009, NOSOSCO therefore decided that the annual topic should be young jobseekers and their possibilities of getting a foothold in the labour market. By comparing the extent of the youth unemployment and the active initiatives that were taken after the financial crisis, it is possible to obtain new knowledge of the similarities and differences in labour and welfare policies concerning young people in the Nordic countries.

NOSOSCO set up a reference group in connection with the preparation of the theme report. The group has held several meetings at which they discussed the contents and extent of the report. The group was also responsible for the provision of data by way of texts and figures. Therese Sundell and Åshild Male Kalstø from the Norwegian Labour and Welfare Service have acted as project managers of the theme report and have collected contributions from the various countries as well as prepared the report on the basis of the submitted contributions.

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Summary

As described in the chapters above, the financial crisis that arose in the autumn of 2008 hit the Nordic countries to varying degrees. The common denominator is that all the countries experienced a fast increase in youth unemployment from 2008 to 2009. Youth in Sweden, Finland and Iceland were hit the hardest. In Denmark and Norway, the unemployment rate among young people also increased, but the rates were very low prior to the financial crisis, and these countries still have lower unemployment rates than the rest of the Nordic countries. During 2010, the financial situation improved considerably both internationally and in the Nordic countries and the youth unemployment began flattening off. This trend continued in 2011 with the exception of Denmark, where the unemployment rate continued increasing also after 2009. The Nordic countries have utilized different means to tackle the increasing youth unemployment and to improve circumstances for young vulnerable groups. There are both similarities and differences as to which means the countries have chosen to concentrate on.

As a result of high oil prices and large public surpluses, Norway has not been hit as hard by the financial crisis as the other Nordic countries. This has led to the public sector having been affected to a lesser degree by the financial crisis. Employees in the private sector have on the other hand been more exposed to dismissals and layoffs. Norway has contrary to the other countries not used tax relief as a means but has increased the public budget. In addition, the Bank of Norway lowered the key rate to prevent inflation from decreasing too much. The high youth unemployment rate was therefore to a large extent controlled by means of increased grants to labour market initiatives. Another large challenge to the Norwegian authorities is the high number of youth with reduced working capacities. The number of young people participating in health-related schemes has increased highly in the past years, and this is a group that often has severe problems getting into the labour market.

Sweden has had the highest unemployment rate of all the Nordic countries and has as the other countries drawn up its own policy to fight the crisis by way of among other things tax relief and increase of the number of places for young people in initiatives. Sweden has also endeavoured to increase the incentives to take on work and jobs by increasing the tax relief on incomes and reduce the employer tax for young employees. The number of youth in initiatives has increased steeply. In 2007, the "job and

development guarantee" was implemented for those between 16 and 24 years, the so-called "job guarantee for young people". The purpose of the initiative is to offer extra efforts at an early time in order for the young people to find work as quickly as possible or begin/resume studying in the ordinary educational system. The Swedish authorities also chose to tighten the rules governing award of unemployment benefits.

In Iceland, youth unemployment has been a relatively unknown phenomenon, and the high demand for labour resulted in a low degree of incentive to study. During the financial crisis, the unemployment rate increased sharply among young people, however. This has resulted in one of the challenges of tackling youth unemployment being that a relatively high share of the population has no higher education. In a recession, such people become extra vulnerable in the labour market. Icelandic authorities therefore launched an initiative packet called "Ungt fólk til athafna" (activation of young people), the target group being young unemployed people under 25 years. The initiative packet is directly aimed at offering work and education to unemployed youth within three months of the beginning of their unemployment period.

Denmark has also pursued an expansive fiscal policy and implemented a tax reform. Also her youth unemployment became an increasing problem during the financial crisis. The authorities have consequently emphasized active initiatives for young people. As a response to the financial crisis, the Danish authorities concluded the agreement "More young people in education and jobs" which was to provide better opportunities for an active and targeted effort to ensure that young people get jobs and education. The key principle of the agreement was to get young people with education in work, and young people with no education into training and education. The Danish authorities chose a different strategy from the Swedish authorities' regarding unemployment benefits. In Denmark, it was deemed worth maintaining unemployment benefits at a relatively high level during the crisis, while Sweden chose to make cuts in the benefits.

In Finland, both the short term and the long term unemployment rates increased among youth after the financial crisis, but during 2010 the unemployment rate flattened off. The Finnish authorities have pursued an expansive fiscal policy and introduced tax cuts as the two main incentives to stimulate economic growth. To control youth unemployment, Finland has among other things implemented the "Sanssi card" which makes it possible for graduates under 25 years to get wage subsidies to temporary positions. The main focus has to a high degree been put on the educational sector by

increasing the number of places in educational establishments. The initiative intensity has been at a relatively even level in Finland in the past decade.

An interesting difference among the Nordic countries can be seen when comparing the development in the unemployment rate and the initiative intensity among youth in the respective countries. In Finland and Norway, the initiative intensity has to some extent developed in the opposite direction of the unemployment rate in the years 2005-2008, while activation in Sweden and Denmark has developed parallelly to the unemployment rate.

This may be interpreted as the labour market policy in the latter countries having reacted more rapidly to the recession and the upswing in the unemployment rate compared with Finland and Norway. At the same time, it must be taken into account that a considerable part of those becoming unemployed during a boom form part of a more negatively selected group than the share becoming unemployed during a recession. This speaks in favour of having a high share participating in initiatives in times of an upswing, such as can be seen in Finland and Norway in the past decade.

The most important principles in the labour market policy regarding youth in the Nordic countries is to get young people with an education in work quickly and young people with no education into education or training that will later qualify them for work. In particular two types of means have been utilized in the Nordic countries in the control of youth unemployment: education and activating initiatives that are aimed at stimulating increased activity among youth and prevent passivity. This is a key aspect in preventing young people from remaining unemployed for at long time and consequently losing their motivation and competencies.

Chapter 1

Introduction

The labour market for young people is characterized by large fluctuations as a result of the huge economic trends. If the economy is doing well, more young people will find jobs. When the economy staggers, the unemployment rate often increases rapidly. In the Nordic countries, the labour market for young people has changed considerably in the past decade. The 2000s were characterized by frequent unemployment rate fluctuations. Most Nordic countries have had both low unemployment rates and record employment rates among the youngest age groups, but after the beginning of the financial crisis in the autumn of 2008, the unemployment rates increased in all the Nordic countries, and the employment rates of young people started to decline. In other words, it became more difficult for young people to find work. Unemployment rates vary considerably in the Nordic countries, but they all have one thing in common, namely that the youth unemployment rate is two to three times higher than that of the rest of the population of working age. This can have severe consequences for young vulnerable groups that already have problems finding work. The danger is that these groups of youth remain without work for long periods of time and never gain a proper foothold in the labour market.

A high youth unemployment rate is a serious problem and after the slump in 2008, many young people went straight into unemployment after finishing their education. It was therefore important to deploy initiatives in respect of this group before it dropped out of the labour market for good. The Nordic countries are famous for their universal welfare schemes and well developed public actions in respect of the unemployed. By comparing the extent of the youth unemployment and the active labour market initiatives that were instigated, we can acquire new knowledge about labour market similarities and differences and welfare policies concerning young people in the Nordic countries. The labour market and labour market policy is a rapidly developing area. Reports like the present one will therefore seldom be quite up-to-date with regard to new policies. Trends change fast, and new initiatives and schemes see the light of day while others are phased out.

The first part of this report contains Nordic comparisons. Reasons and consequences of the high youth unemployment rate are reviewed and its extent in the Nordic countries demonstrated. Besides, there is a focus on how many of the young unemployed participate in initiatives and how large a part of them draws unemployment benefits. In order to make figures as comparable as possible, figures from the Labour Market Survey (AKU) have been applied.

Following the comparison are five chapters in which we take a closer look at each of the Nordic countries. We shall begin with Norway; then follow Sweden, Iceland, Denmark and Finland. The chapters on each country contain somewhat different facts, depending on what is in focus in the country in question, but also many common traits. Among other things, the labour market policies in the respective countries are explained with special focus on initiatives taken in connection with the financial crisis. Statistics of youth unemployment, long-term unemployment and unemployment among immigrants are presented. We also take a look at initiatives concerning the unemployed and any special initiatives in respect of the young unemployed. Statistics of how many participant the various initiatives have are shown. Schemes available for those who are too ill to work are stated at the end of the chapters for each country.

A large part of the youth who have been counted as being unemployed in the Labour Market Survey are job seeking full time students who may not be regarded as belonging to the most vulnerable groups in the labour market. We therefore get a more realistic picture of unemployed youth as a group at risk in the labour market by looking at the registered unemployment rate. In the various country chapters, we have therefore as a rule applied registered data. It is important to bear in mind that the Nordic countries register unemployment and draw up statistics in different ways. Consequently, the figures in the various country chapters are not directly comparable with each other. The unemployment rate of the Labour Market Survey, on the other hand, is defined in the same way in all the countries and is directly comparable.

Youth and the Labour Market

Young Vulnerable Groups

The transition from youth to adult is a stage of life that is significant to the later course of ones life. This period is characterized by the transition from

education to work and establishment in the labour market. There will often also be other transition processes taking place at more or less the same time, such as the starting of a family and economic independence. At the same time, the transition periods have become longer (OECD, 1999). This causes young people to be especially vulnerable to structural changes and barriers in the labour market. Youth and young adults often lack the social and formal competencies connected with adult life. The oldest teenagers who enter working life are markedly different from youth in their mid-twenties, both in the form of the qualifications and experience they carry with them into their working life, and which preferences they have as to which kind of job they want. Teenagers entering the labour market often only have completed school and have little work experience. Those entering the labour market in their mid-twenties, more often find a first-time job that is more in line with their career plans, which causes them to have more experience than the teenagers. Youth with higher educations have less difficulty in finding work than those with a low degree of education. This does not mean, however, that there may not be a high unemployment rate among young people with education in a recession.

Young people who have problems entering the labour market, and who become long-term unemployed, often have some characteristics in common. They have as a rule not completed their education or training; they are of foreign origin and often come from lower social strata (Hammer 1997).

The drop-out rate from secondary and tertiary schooling is a major problem in all five Nordic countries. In Finland, the completion rate is no more than 78 per cent. Sweden takes a second place as 68 per cent of the students in secondary and tertiary schooling graduate. Then follows Norway (67 per cent), Denmark (65 per cent) and Iceland (49 per cent) (Hernes, 2010:8f.). Completed secondary and tertiary schooling is often a precondition for admittance to higher education, diplomas and certification in many trades. Those dropping out of the school system before having completed secondary and tertiary schooling will thus have a considerably poorer basis for further education and working careers. To reduce the dropping out of secondary and tertiary schooling is consequently an initiative that will be expected to improve young people's labour market attachment. This may also contribute to reducing the use of public welfare schemes (Falch & Nyhus, 2009:1). Youth dropping out of secondary and tertiary schooling have in many cases some common characteristics.

Research from Iceland and Norway shows that much can be explained by a student's social background, performance at school, vocational and social

engagement and identification with the school, as well as the context in which the education or training takes place (Markussen, 2010).

The consequences of dropping out are many, both for the individual and society. Young people who choose to terminate tertiary schooling before graduation will often end with low incomes, weak labour market attachment and at an increased risk of ending up using public welfare schemes. At worst, the dropping out can result in crime and poor health. According to the signalization theory (Grøgaard & Aamodt, 2006:38), employers will look at people who have dropped out of their education as being more "unstable" and "unreliable" labour, and will be more reluctant to employ such individuals. Dropping out thus reduces the possibility of getting a job and increases the risk of premature disability pension and an adult life outside of the labour market. A high drop-out rate in further education also results in increased public expenditure. In addition, it will have consequences for the allocation of public funds, as the welfare schemes are universal and the benefits are based on entitlement.

Youth of foreign origin are a vulnerable group, and all the Nordic countries share a common challenge of integrating an increasing non-Western immigration population in the labour market. The unemployment rate varies considerably among the various immigrant groups but is in total constantly higher than in the majority population. During the past decades, several studies have been carried out in the Scandinavian countries showing that the so-called non-Western immigrants on average have a considerably lower participation rate than have Scandinavian-born people of the same gender, age and education level. The term 'non-Western' refers to a very heterogeneous group of immigrants from Africa, Asia, Latin America and Eastern and Central Europe. There are also large variations in the average values among immigrants from different countries (Lie, 2004; Schultz-Nielsen & Constant, 2004; Østby, 2004). Some of the differences may be explained by a low degree of education and a lacking command of languages, but even immigrants with an education from the Nordic countries have more problems finding a job than have job-seekers from the majority population with equivalent education and grades (Djuve, 2008). Discrimination in the labour market may also be a problem for immigrants. Employers may discriminate against immigrants when hiring and firing and by giving preferential treatment to job-seekers from the majority population. Discrimination is illegitimate and illegal and not always easy for researchers to identify (Røed & Bratsberg, 2004).

How is Youth Unemployment Characterized?

Unemployment is defined as forced absence from paid work of some duration. Usually, people are defined as being unemployed if they unwillingly have no paid work, a definition which is in accordance with the International Labour Organization (ILO). In most Nordic countries, many young people will experience short periods of unemployment between completed education and their first jobs. This is called friction unemployment and is a natural part of the transition from education to working life. If this kind of unemployment becomes long-term, however, those involved may have severe problems getting out of unemployment and into the labour market. The longer young people are unemployed, the more difficult it will be for them to find jobs. The share of youth falling out of the labour market and remaining without a job for a long period of time varies from one country to the next.

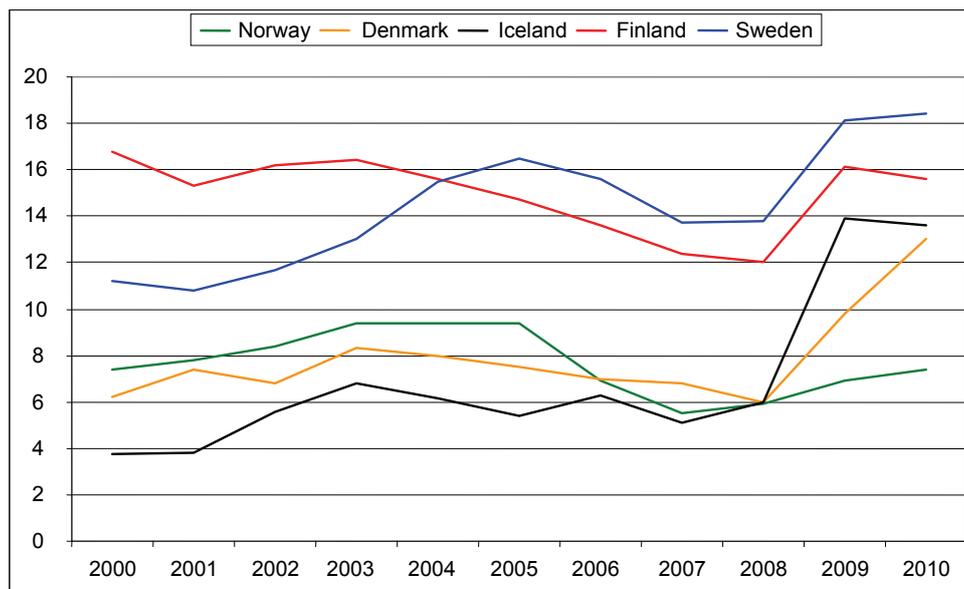
In the Nordic countries, the youth unemployment rate is about twice as high as the unemployment rate among the adult population. At times, it may even be three times as high. There are many reasons for this. As mentioned above, it is first and foremost youth with poor or incomplete education who are at a high risk of becoming unemployed, but this does not fully explain why in particular young people are affected so badly by unemployment, and why the new jobs are not available to them. Youth unemployment has a structural character, and it is particularly sensitive to fluctuations and changes in labour markets conditions. During a recession, youth is one of the groups in the labour market that is especially at risk, which entails that young people pay a disproportionately high price for the reorganization processes in the labour market. In the group of unemployed, there is an automatic influx of young people who have completed their education, military service or who for other reasons enter the labour market. Youth out of jobs will necessarily be hit harder when there are fewer jobs available. When the unemployment rate rises, older jobseekers will to a higher extent hold on to their jobs which results in a lower turnover of jobs. There will then be even fewer vacant positions and becomes more difficult for young people to find work.

Another factor which to a higher degree affects young people is the seniority rules in connection with notices. Seniority rules that are used in case of lay-offs and notices affect those hired last and consequently often the youngest part of the labour force. This results in young people becoming overrepresented in the flow from employment to unemployment. Young

people also have temporary and time-limited jobs to a higher degree than do older employees. Many young people state that they had to quit their jobs because they were basically of a temporary nature. Such jobs are easy to terminate, and consequently young people to a lesser degree find jobs that give them job security and development possibilities (Harsløf, 2003). In addition, young people do not have much work experience. The fact that work experience is used as a criterion in recruitment, leads to young people finding it more difficult to find a job. Often employers prefer adults with more experience. Young people thus first and foremost have difficulties getting into the labour market. This is usually a more serious problem than ostracization. Young people are less likely to become unemployed if they are in a stable work situation where they are unionized and get in-house company training (Hammer, 1993).

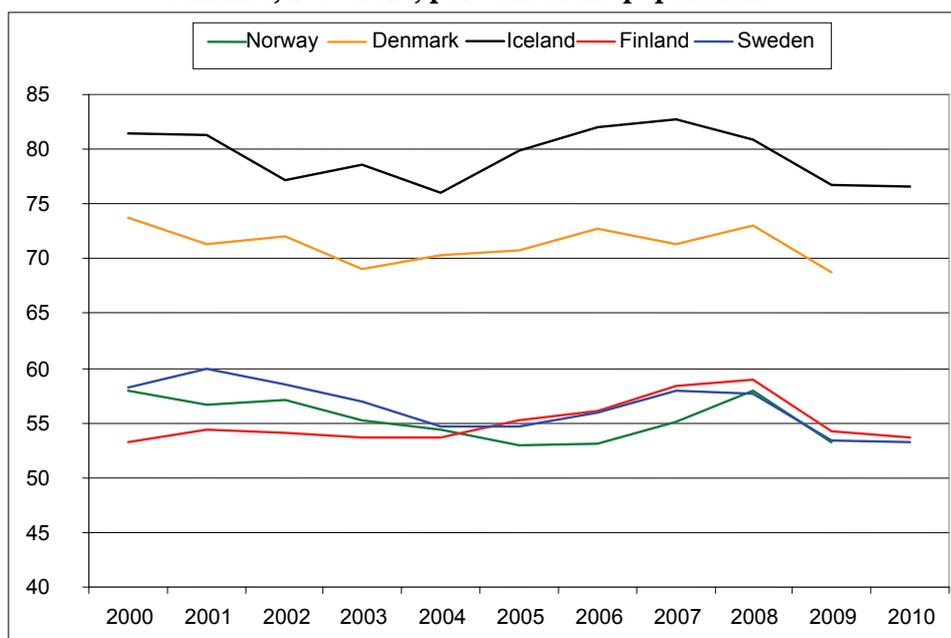
During the financial crisis in the autumn of 2008 and the following recession, the unemployment rate rose rapidly in the Nordic countries to level out during 2010 (cf. Figure 1.1). Sweden had the highest youth unemployment rate of more than 18 per cent in 2010, followed by Finland where the unemployment rate among youth was 16 per cent in 2010. In Iceland, the youth unemployment rate increased from 5 per cent in 2007 to 14 per cent in 2009 and 2010. The Danish youth unemployment rate was 13 per cent in 2010. Norway was, compared with the other Nordic countries, least affected by the financial crisis. The unemployment rate rose from 5.9 per cent in 2007 to 7.4 per cent in 2010. The high unemployment rate presents a serious risk of marginalization of vulnerable groups in the Nordic countries. A recession may result in permanent after-effects for those year groups that have been hit the hardest by having been out of the labour market for a long time.

Figure 1.1 Unemployment rates in the age group 15-29 years in the Nordic countries, 2000-2010, per cent of the labour force



Source: The Labour Market Survey.

Figure 1.2 Employment rates of the age groups 15-29 years in the Nordic countries, 2000-2010, per cent of the population



Source: The Labour Market Survey.

In connection with the financial crisis, the employment rate among youth between 15 and 29 years decreased in order to level out during 2010 (cf. Figure 1.2). The employment rate among youth has on average been higher in Iceland and Denmark than in the other Nordic countries. In Iceland, the employment rate has been as high as 83 per cent (2007). In Denmark, the employment rate has been between 69 and 74 per cent for the past 10 years. This is to a high degree due to the flexible labour market. In Denmark, it is relatively easy for enterprises both to hire and fire employees, and it is relatively easy for young people to get into the labour market. The employment rate has on the other hand decreased somewhat after 2008. In Finland, Norway and Sweden, the employment rate has been less than 60 per cent and reached 53 per cent when it was at its lowest.

Consequences of Unemployment

Young people often have a shifting connection with working life, and not many of them are permanently excluded from the labour market. They

often switch between employment, education and unemployment. This does not mean, however, that the consequences of unemployment do not become quite negative for some.

The individual consequences of being long-term unemployed can be serious. The unemployed individual becomes financially dependent on others and thus has a limited right to be in charge of their own life, and often prolongs the dependency on parents or other authorities. The worry about youth unemployment is also connected with the assumption that unemployment often leads to other social problems among young people. At the individual level, unemployed youth often experience deteriorating mental health and a higher level of psychological stress such as depression, anxiety and low self-esteem. Generally, research shows that the longer the unemployment period is, the worse the negative consequences become (Hammer, 2000).

Furthermore, young people who become long-term unemployed are in danger of becoming marginalized in the labour market. Marginalization describes a state in which one is at the outskirts of the labour market. Unemployment is then often just one of the steps between full-time work and the final phase as a disability pensioner or dependent individual (Halvorsen, 2004). This does not mean that all unemployed are part of a marginalization process, but long-term unemployment will often be the first step in the direction of a marginalization process. In case of long-term unemployment, the likelihood of finding work diminishes. Long-term unemployment can lead to loss of qualifications; that people give up hope of finding work and consequently limit or stop their search for work. What we then get is the so-called discouraged unemployed. In connection with youth, it is also stated that long-term unemployment can be self-perpetuating in that one gains less experience and poorer qualifications which can result in an increased risk of reduced adaptability and social problems (St. melding nr. 1, 1996-1997). Marginalization can also lead to permanent ostracization from working life by way of intermediate forms such as long-term absence due to illness or rehabilitation.

Unemployment does not only have financial consequences for the individual but also for society as a whole. Economically, unemployed youth cost in the form of unemployment benefits, lost production and lower tax income (Halvorsen, 2004). In addition, the risk of a life on public support is increased. The social consequences of unemployment vary with the structural conditions in the various countries. The consequences are conditioned by income distribution, redistribution and social conditions

such as family or other formal and informal social ties (Hauser, 2000). In the Nordic countries that as a whole have generous welfare schemes, it is less likely that the unemployed end as socially excluded citizens.

Concealed Unemployment

Concealed unemployment among youth is a major problem, especially among the youngest ones. Concealed unemployment comprises individuals who are often beginners in the labour market and who omits registering as being unemployed with the job centre because they often lack the right to draw benefits. For youth under 20 years, the educational system can contribute to covering up unemployment in that people wanting to find jobs but not succeeding are instead forced to turn to education and training or to remain in undesirable training or education.

That the situation in the labour market is difficult may also result in the fact that some individuals do not try to find work, but choose to stay at home instead. Whether or not this is voluntary, is an open question.

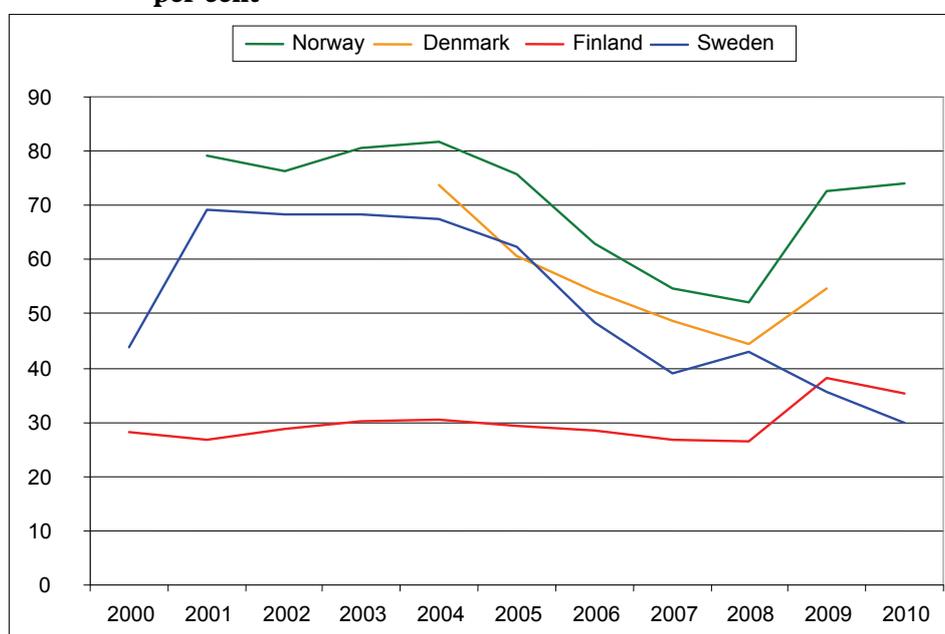
Youth and the Welfare System

To which degree and in which way vulnerable groups become drawn into working life and society depend to some degree on the extent and structures of rights and initiatives. A loose or no connection with working life results in more pressing needs for welfare benefits and services and fewer rights to such benefits and services. This may result in groups becoming dependent on temporary welfare benefits such as social assistance and to a lesser degree qualifying for entitlement to social security measures such as unemployment benefits and retirement pension. The relation between the welfare state and the labour market is consequently quite essential.

Young people often find themselves in a situation of not having earned rights to claim unemployment benefits. To be entitled to unemployment benefits one must meet a minimum of requirements in the form of work experience or income. Young people who have not accumulated the necessary work experience before becoming unemployed, will often be entitled to other kinds of benefits. Youth drawing unemployment benefits are therefore more attached to the labour market than are youth who do qualify for this benefit. Young people drawing unemployment benefits often have higher incomes than those drawing other kinds of benefits such as social assistance. They will consequently have more financial leeway.

Reductions in the unemployment benefits have turned out to have no effect on more people getting jobs, and the likelihood of people becoming forced to claim social assistance increases (Falch, Hardoy & Røed, 2011). Nevertheless, such consequences may turn out to be less problematic for youth than for adults. Young people are not as often providers as are adults and many of them still live together with their guardians.

Figure 1.3 Share of recipients of unemployment benefits in the age group 16-29 years of all unemployed in that age group, 2000-2010, in per cent



Source: Norwegian Labour and Welfare Administration (NAV); Statistics Sweden (SCB); Ministry of Employment and the Economy (ANM); Jobindsats.dk; Social Insurance Institution of Finland (FPA); Finnish Financial Supervisory Authority (FIVA).

Figure 1.3 shows the share of unemployed youth drawing unemployment benefits. When interpreting the Figure, the differences in the institutional structures of the unemployment systems in the Nordic countries should be taken into consideration. Norway has a compulsory earnings-related unemployment insurance scheme with relatively strict entitlement rules, while Denmark has a voluntary, earnings-related insurance scheme through the unemployment fund. Finland and Sweden are alike in that the

unemployment insurance scheme in both countries consists of an obligatory basic amount and a voluntary earnings-related insurance scheme through the unemployment funds. Besides, Finland has yet an unemployment benefit, the labour market benefit, which in many ways resemble the Danish social assistance payable to non-insured unemployed people, but which according to Finnish law forms part of the unemployment scheme.

Throughout the 2000s, the share which drew unemployment benefits was highest in Norway, but the share dropped sharply from 2005 to increase again in 2009. The pattern was quite similar in Denmark. From 2008, there was here an increasing share of people entitled to unemployment benefits. This may be due to the fact that it was especially the "strong" youth with an education and entitlement to unemployment benefits who became unemployed in this period. Usually, the unemployment rate in this group has been relatively low, but the financial crisis hit the group hard. In Sweden, the variations were larger. The highest share of young people drawing unemployment benefits we find in 2001 at 69 per cent and the lowest in 2010 at 30 per cent. In 2010, as much as 70 per cent of the young unemployed in Sweden were not entitled to unemployment benefits. One of the reasons for the high share with no entitlement in 2010 was that more youth than before did not manage to get into the labour market when they finished their education or training. The share of young recipients of unemployment benefits was lower in Finland than in the other Nordic countries. Only about 30 per cent of the young unemployed were entitled to unemployment benefits in the past decade. The share increased somewhat in connection with the financial crisis.

Labour Market Policies Aimed at Young People

Labour market policies have always been essential devices to reach the goal of "Jobs for everyone", and they are being constantly developed to adapt to changes in the labour market. All the Nordic countries pursue active labour market policies. The aim of the policies is to influence the offer and quality of the labour force by means of employment and qualifying initiatives and to encourage mobility by way of guidance and financial incentives. The initiatives can be divided into two groups: Active and passive initiatives. Passive initiatives mainly serve social objectives such as maintenance of a reasonable standard of living for those affected by unemployment. Active

initiatives are mediation of jobs, qualifying initiatives, special initiatives aimed at youth and employment initiatives in the public and private sectors. In addition, there are special initiatives aimed at immigrants and disabled people. The initiatives are to a high degree aimed at the offer side of the labour market, in other words at the jobseekers.

In the past twenty years, labour market policies have turned from passive initiatives to active initiatives in which focus is on improving and assisting users in their job seeking processes. The activating initiatives vary in shape and extent. Several countries have introduced an activation obligation through guaranteed initiatives, especially among young jobseekers. It is the intention that the activating initiatives shall both prevent social exclusion and improve the situation of the unemployed. Previous research has shown that youth with a low degree of education often lack the necessary qualifications in demand by the labour market (OECD, 1999). It is therefore necessary to provide unemployed youth with better qualifications to improve their opportunities to get a foothold in the labour market. Various countries have tried to solve these problems in different ways, both by way of labour market initiatives and social assistance.

By aiming at a qualified population through education and labour market policies, it is expected that people will be better prepared for meeting the structural and cyclical changes in the labour market. Better qualifications can thus contribute to helping groups at risk and imply that periods of unemployment do not necessarily result in severe consequences for the individual. Youth is consequently a prioritized group in the labour market policies, and as expected young people participate in initiatives to a higher degree than do other age groups. Previous research in labour market initiatives have shown that initiatives combining qualification and labour training or qualification and wage supplements have positive long term effects on individuals' inclusion in the labour market (Hammer, 2009). Other studies show that initiatives based on work in an ordinary work place are often more useful than those placing people in extraordinary work places, or which include practice outside of the general labour market (Gallie, 2004). There is not much information on the long term effects of the various activating initiatives. Official measurements of the success of getting people in work are often based on relative short periods of employment. The measurements carried out render little information about the quality of the jobs in the form of long term possibilities of developing new qualifications or other career possibilities. Without long-term studies it is difficult to make an evaluation as to whether the initiatives in reality lead

to proper job opportunities, or whether they only lead to more short term employment which again leads back to unemployment and new initiatives (Halvorsen, 2004). Although initiatives do not always improve people's chances of getting in work, the question is whether or not such initiatives have any intrinsic value. In this connection, young people often emphasize the social significance of the initiatives. They can be motivating and make young people feel useful. Society's aim may be to strengthen or maintain the work motivation and ability to work and to help young people to become flexible workers. Initiatives may also influence young people to accept professional roles and work conditions from which they initially dissociate themselves (Hammer, 1993).

Table 1.1 The initiative intensity for youth 16-29 years in the Nordic countries, 2000-2010¹, per cent

	Norway	Denmark	Iceland ²	Finland	Sweden
2000	19		28	29	41
2001	17		31	27	33
2002	15		29	27	31
2003	17		43	29	17
2004	19	41	42	29	28
2005	17	42	-	32	26
2006	18	39	-	34	21
2007	23	30	-	36	19.
2008	26	33	-	35	29
2009	23	43	28	28	46
2010	23	-	44	31	49

1 The initiative intensity calculated as the share of youth (16-29 years) participating in initiatives of all general initiative participants and registered unemployed people between 16 and 29 years.

2 Data from 2005 to 2008 are not available.

Source: Norwegian Labour and Welfare Administration; Statistics Sweden; Ministry of Employment and the Economy; jobsats.dk; Department of Labour.

Table 1.1 shows how large a share of the 16-29-year-olds has been participating in initiatives in the past 10 years. In Finland, the initiative intensity has been rather stable in the past decade (between 27 and 36 per cent), while it in Sweden has increased sharply from 2007, when 19 per cent participated in initiatives, to 2010, when 49 per cent participated in initiatives. In Denmark, there has been an increase since 2007 in the share

of young unemployed people who have been given an offer of activation. The reason for this is that in that period a number of initiatives was introduced in the form of earlier and longer offers of activities for young people. From 2009 to 2010, the share of measures increased in Iceland from 28 to 44 per cent. Initiative participation was lower in Norway compared with the other Nordic countries and has been between 15 (2002) and 26 per cent (2008).

An interesting difference between the countries appears when we compare the development in the unemployment rate and the initiative intensity among youth in the respective countries (Figure 1.1 and Table 1.1). In Finland and Norway, the initiative intensity developed in rather the opposite direction of the unemployment rates in the years 2005 to 2008, while activation in Sweden and Denmark developed parallelly with the unemployment rate. This may be interpreted as if the labour market policies in the latter countries have reacted more rapidly to the decline and the increase in the unemployment rate compared with Finland and Norway. At the same time, it should be taken into account that a larger share of those becoming unemployed during a revival most likely form part of a more exposed group in the labour market compared with the share that becomes unemployed during recessions. Those finding it difficult to find a job, even when there are more jobs available, are often more in need of measures. This speaks in favour of having a high share of participants in measures in times of a revival, such as could be seen in Finland and Norway in the past decade.

Chapter 2

Norway

"Jobs for everyone" is one of the Government's main aims, and an active labour market policy shall contribute to getting more people in work. It is above all important to avoid that unemployment leads to long term unemployment and exclusion. Consequently, youth unemployment ranks high on the political agenda in Norway. To participate in working life is important for people's possibility of using their skills and abilities and of having an income from work.

At the beginning of the 90s, the "work line" was introduced as a welfare policy strategy. By means of this work line, social security benefits were structured in such a way that work and self maintenance became everyone's first choice. The individual's rights are no longer to be connected to cash benefits but also to a right and a duty to work, partake in active initiatives or education or training where possible. Great store is set by pursuing an active policy concerning the group of youth to ensure a smooth transition from education to working life. Initiatives concerning youth are prioritized, and the Labour and Welfare Administration has directed several offers and projects towards this group. Through the youth guarantee, young people under 20 years are ensured an offer of initiatives and follow up. In addition, an initiative guarantee scheme was introduced in 2009 for the long term unemployed and youth between 20 and 24 years. The purpose was to increase transition to work.

Youth Unemployment in Norway

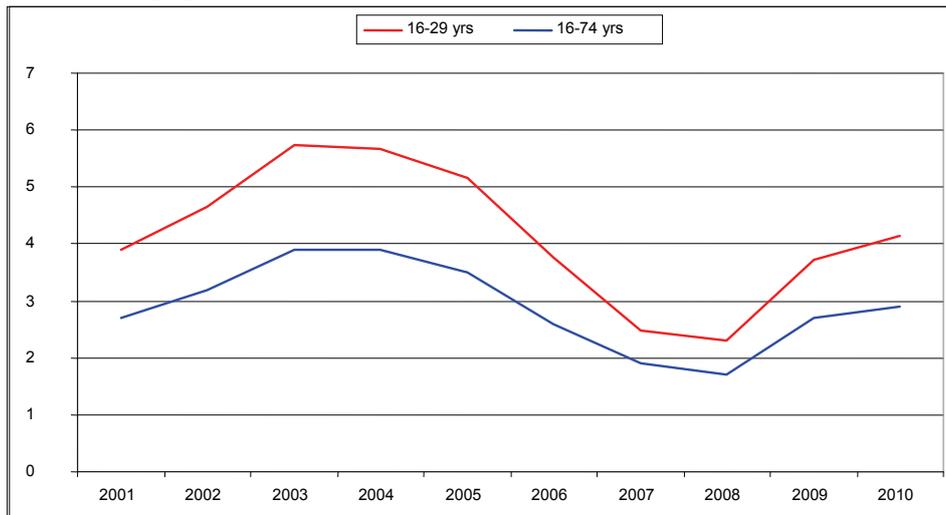
The unemployment rate was and is low in Norway in relation to the rates of other countries with which it is natural to compare. The youth unemployment rate has also been relatively low, but at the same time considerably higher than the unemployment rate in the rest of the population. Young people are especially vulnerable to changes in the labour market. Young people finishing their education and applying for their first jobs often find it difficult to gain entrance to the labour market if the

unemployment rate is high. At the same time, young people in work have lower seniority and are often the first ones to be laid off when enterprises downsize.

If we look at the share of unemployed in Norway in the past decade, the youth unemployment rate was, just as the unemployment rate in general, highest from 2003 to 2005, cf. Figure 1.4. 2007 was a very profitable year for the Norwegian economy with the highest gross domestic product growth rate the since 1985. Already at the beginning of 2008, there were nevertheless indicators pointing towards a new recession (Sørbø & Handal, 2010:13). When the financial crisis broke out in the autumn of 2008, Norway was thus already on its way into a recession, which particularly hit the building and construction sector as well as the export industry. The change in the economy, together with the increased unemployment rate, lead to a political response. The key rate was lowered to prevent inflation from declining too much, and special means were continued. In the course of seven months, Norges Bank (Bank of Norway) lowered the rate from 5.75 per cent to 1.25 per cent. Moreover, the Government pursued an expansive fiscal policy in order to stimulate Norwegian economy. These initiatives, together with continuous high activities in the oil business, resulted in the recession becoming less severe in Norway than in most other countries (Norges Bank, 2010: 80; Sørbø & Handal, 2010:14).

In the autumn of 2009, the unemployment rate began flattening off in Norway, and since then the unemployment rate has been relatively stable. If we compare figures from 2009 with figures from 2010, we see a slight increase, however. In 2010, the registered unemployment rate for people between 30 and 74 years was 2.4 per cent, while it for people between 16 and 29 years was 4.1 per cent.

Figure 2.1 Registered youth unemployment rate (16-29 years) compared with the unemployment rate among the 16-74 year-old population in Norway, 2001-2010, per cent of the labour force



Source: Norwegian Labour and Welfare Administration.

The gender difference among the young unemployed in Norway is small even though the unemployment rate in the past decade was generally higher among young men (cf. Figure 2.2). This corresponds to the gender balance among the unemployed of the entire population, of whom there are also more unemployed men than women. After the recessions in 2002 and 2008, the unemployment rate increased the most among men. One of the reasons is that the Norwegian labour market is characterized by a high degree of gender segregation, i.e. that men and women generally work in different sectors, occupations and jobs. Men are to a higher extent than women employed in occupations in the private sector, such as building and construction as well as competitive industries, and they are more exposed to fluctuations in the economy. Women work in particular in the public, care and teaching sectors and are thus more protected at the beginning of a recession (Sørbø & Handal, 2010). In 2010, the unemployment rate was 5.1 per cent among young men, but only 3.1 per cent among young women.

Figure 2.2 Registered youth unemployment from 2001 to 2010 broken down by gender in Norway, per cent of the labour force

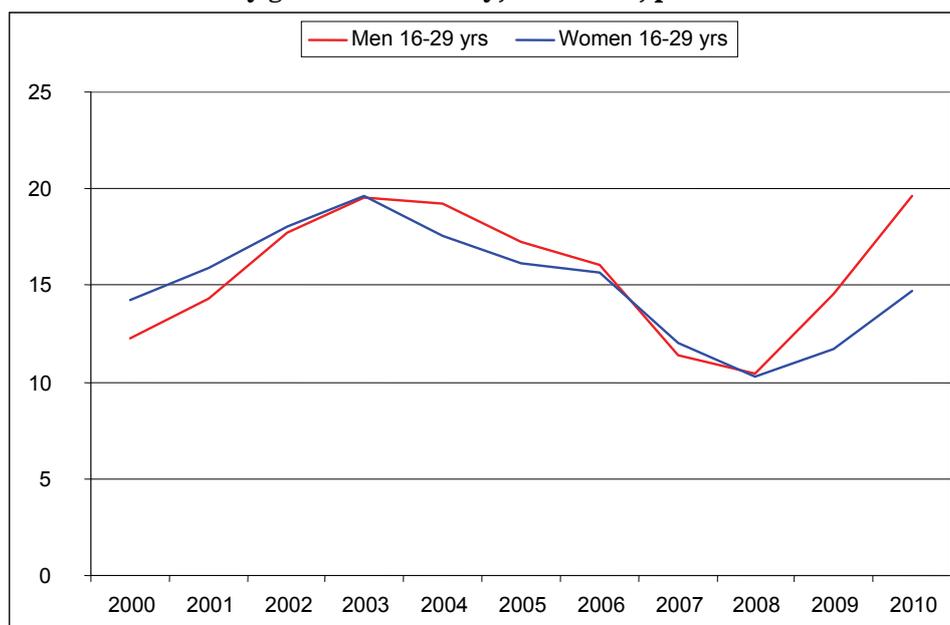


Source: Norwegian Labour and Welfare Administration.

Also when we look at the long term unemployment rate among young people, men show the worst result (cf. Figure 2.3). In the period from 2005 to 2007, the difference between the genders diminished. We see, however, that the financial crisis resulted in far more men than women becoming long term unemployed, although we see an increase in both groups. In 2010, long term unemployed young men made up 20 per cent of all unemployed men in their age group, while the share was 15 per cent for young women.

It is first and foremost those aged 40+ years that become long term unemployed. Those under 30 years get out of the unemployment period faster than those who are older. The fact that young jobseekers become long term unemployed to a lesser extent than older jobseekers is due to their often being more professionally and geographically mobile, and many of them can also alternate between studies and work more easily depending on the market conditions.

Figure 2.3 Share of long term unemployed of unemployed youth broken down by gender in Norway, 2000-2010, per cent

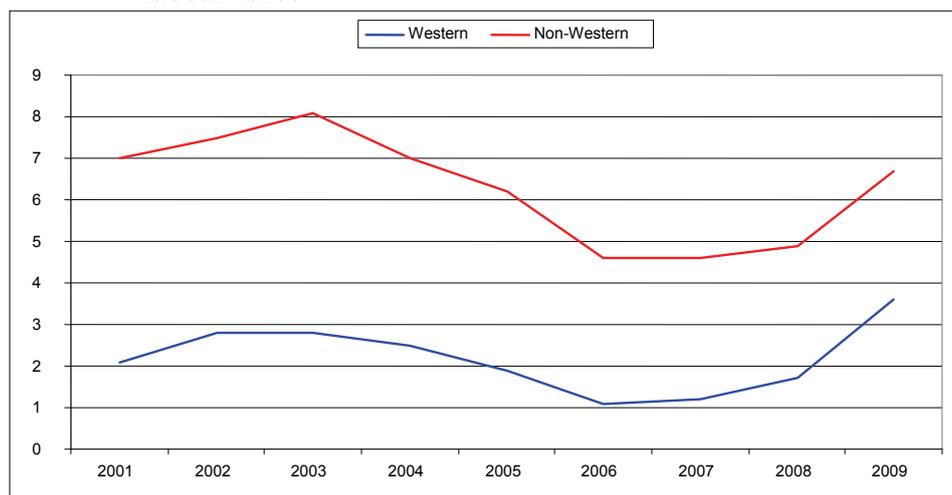


Source: Norwegian Labour and Welfare Administration.

The registered unemployment rate for non-Western youth is considerably higher than it is for immigrants from Western countries and native Norwegians. As can be seen from Figure 2.4, this trend can be observed throughout the entire period from 2000 to 2009. The distance between these groups does not diminish during the boom from 2006 to 2007, and the increase in the unemployment rate is the same for all after the financial crisis in 2008. There may be several reasons why the unemployment rate among non-Western youth is considerably higher than that of Norwegian youth. It may for example be connected with a poor command of the Norwegian language or that the foreign jobseeker does not possess the necessary qualifications demanded by the employers. Secondly, Norwegian employers may have difficulties in assessing immigrants' competencies and see employment of immigrants as more risky than choosing a Norwegian applicant. Thirdly, people who have recently moved to the country will often have a poorer network of contacts that can help them find work. Non-Western immigrants are, however, one of several prioritized target groups for labour market initiatives in order to facilitate their getting work or

starting education or training. The most utilized initiatives are work practice, labour market training and wage supplements payable to employers. Participation in labour market courses is meant to increase the command of Norwegian further, because they provide an opportunity to practice the language. While training can first and foremost improve the professional competencies required by employers, work practice and wage supplements will contribute to reducing the risk that a few employers may fear when employing people with a non-Western background.

Figure 2.4 Unemployment among Western and non-Western immigrants between 16 and 29 years in Norway, 2000-2009, per cent of the labour force

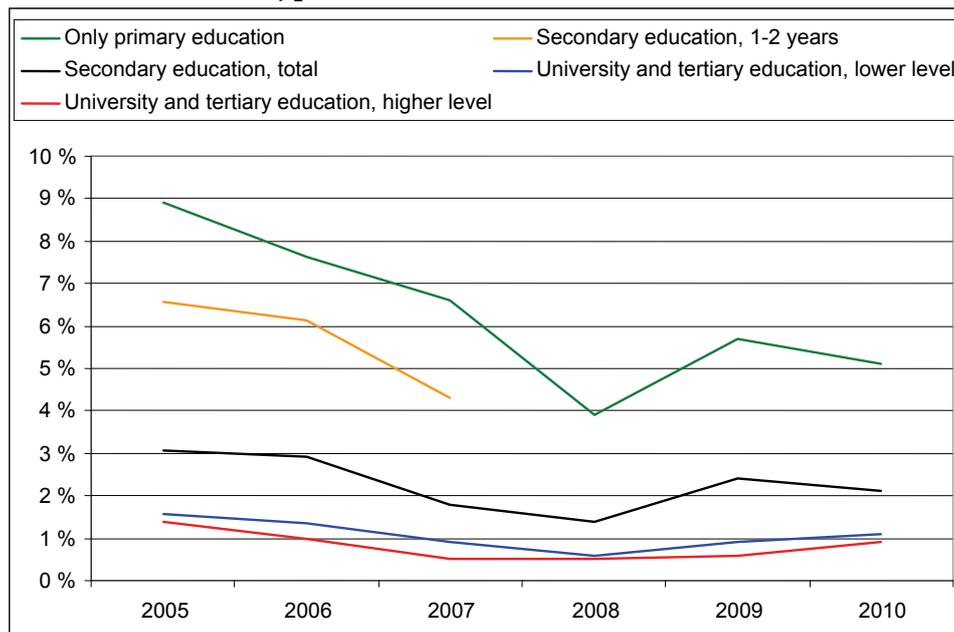


Source: (SSB)

Youth with a low degree of education are particularly vulnerable in the labour market. The likelihood of becoming unemployed declines the more education a person has, and it appears that an increased education level reduces the risk of becoming unemployed. Figure 2.5 shows the unemployment rate for youth under 30 years broken down by educational level. It clearly appears that young people without completed further education have a markedly higher unemployment rate than those with completed further education. The unemployment rate for those with a low level of education is more sensitive to market trends than the unemployment rate for the other educational groups. In the period 2005 to 2008, when the labour market was doing well, the unemployment rate decreased steeply among people with a low level of education. After the financial crisis on the

other hand, the unemployment rate increased more for these people than for those with higher levels of education.

Figure 2.5 Youth unemployment broken down by education in Norway, 2005-2010, per cent



Source: Norwegian Labour and Welfare Administration and SSB.

Labour Market Initiatives

The labour market policy in Norway is universal and does not set great store by offering tailored initiatives to special target groups. Special target groups such as youth, immigrants, people with reduced capacities for work and long term unemployed, are instead prioritized in accordance with economic trends and the situation in the labour market. With the introduction of the Norwegian Labour and Welfare Administration reform in 2006, it was desired to shift focus from target groups to individual needs as a basis for offers to the individual. Young people are, however, a prioritized group when it comes to labour market initiatives. This manifests itself among other things through the "youth guarantee" (Ramböll Management Consulting AB, 2010:46f.).

The Labour and Welfare Administration administers a number of initiative schemes for young people who are not yet ready for work, but who need help to find a job. The work-oriented means are to contribute to easing unemployed people's way to getting a vacant position, and to supply people with reduced working capacities in need of work-oriented assistance with an offer of assistance, so that they may return to work more rapidly. The situation in the labour market and the political guidelines determine the structure, extent and combination of the work-oriented initiatives. Generally, the extent of the initiatives is adapted to the economic trends so that the initiatives are stepped up when the unemployment rate increases and stepped down again when the unemployment rate decreases. Labour market initiatives are not a right but are provided on the basis of individual evaluation of the individual's needs for initiatives in order to get a job.

Youth Guarantee

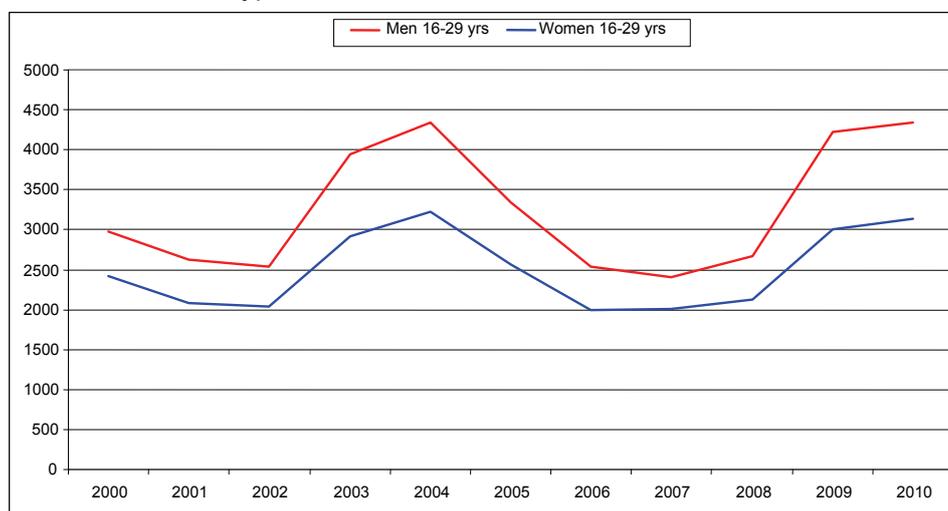
The purpose of the youth guarantee is to ensure that unemployed youth are provided with an offer of labour market initiatives and to prevent long term unemployment and passivity. In principle, the guarantee applies to everyone under the age of 20 years who has neither a job nor a place in the educational system. As from 2009, an initiative guarantee was introduced concerning youth between 20 and 24 years who have been unemployed for six consecutive months or more. It is also a follow-up guarantee for youth between 20 and 24 years. After an unemployment period of three months, one is entitled to a follow-up initiative which is to motivate the individual to search for work more actively and to increase his/her effort.

In the winter of 2010, the Labour and Welfare Administration carried out a survey of groups that are covered by the youth guarantee to learn how the initiative guarantee works. The survey shows that the Labour and Welfare Administration have actively followed up on people in the group, and that there has been quite a lot of contact between the Labour and Welfare Administration and the unemployed. 89 per cent had contact with the Labour and Welfare Administration two or more times during 2009. 82 per cent had individual meetings. Young women were to a somewhat higher extent in contact with the Labour and Welfare Administration than were young men (Vannevjen, 2010:92).

Ordinary Initiative Participants

Figure 2.6 shows the number of young ordinary initiative participants in the past decades. It appears that the statistics follow the same pattern as the unemployment curve, cf. Figure 2.4. When the unemployment rate is high, more people are participating in the initiatives. This is in line with the labour market policies where the extent of the initiatives increases during periods of recession. After the financial crisis in 2008, the Government allocated more grants to the Labour and Welfare Administration so that more people could be provided with an offer of initiatives, and from 2008 to 2009, the number of initiative participants increased by more than 50 per cent. The level was just as high in 2010 but will be stepped down gradually in line with the unemployment rate decreasing. Furthermore, it appears that more men than women have participated in initiatives, and that the increase was also highest among men after the financial crisis. This is a result of the exposed situation in which young men find themselves in the labour market as described above.

Figure 2.6 Number of ordinary initiative participants among youth (16-29 years) in labour market initiatives broken down by gender in Norway, 2000 – 2010



Source: Norwegian Labour and Welfare Administration (NAV).

Youth with Reduced Working Capacities

One of the aims of the Labour and Welfare Administration reform was to enhance the inclusion of people of working age who find it difficult to gain a foothold in the labour market, or who are about to drop out of it. It was also a wish that the Administration's services and initiatives be allocated according to the need of the individual and not according to the income security to which the individual is entitled (St. melding nr. 9, 2006-2007). On this basis, the Labour and Welfare Administration began the phasing in of a method called working capacity assessment in 2008. By way of the working capacity assessment, the Labour and Welfare Administration and the user jointly evaluate the extent of the initiative necessary for the user to get in work (Bråthen & Vetvik, 2011:25). Working capacity is defined as the ability and potential to meet the demands and expectations of working life seen in relation to the individual's health, education, competencies, work experience and life and family situation (NAV, 2010).

To begin with, people with reduced working capacities almost equalled the previous group of disabled people. With the introduction of the working capacity assessment scheme and the work clarification benefits (hereafter AAP), there are, however, now twice as many young people with reduced working capacities as there were previously people with disabilities. By the end of December 2010, 38 875 people under 30 years with reduced working capacities were registered with the Labour and Welfare Administration. In the youngest age group, there are now more people registered with reduced working capacities than there are people registered as being totally unemployed or participating in general initiatives. As to the youngest age groups (16-29 years), there are nearly as many men as women with reduced working capacities.

Initiatives for Youth with Reduced Capacities for Work

Section 14(a) of the NAV Act – the follow-up decision – stipulates who belong to the target group for initiatives among people with reduced working capacities. About 16 000 of those under 30 years who were registered as having reduced working capacities with the Labour and Welfare Administration at the end of 2010 were participating in initiatives (Bråthen & Vetvik, 2011:27). That is about 40 per cent of all young people with reduced working capacities.

One of the most important means administered by the Labour and Welfare Administration to get people back into work is work-oriented initiatives. These initiatives may have different purposes, target groups and structures. From Table 2.1 it appears which type of initiatives young people with reduced working capacities participated in in December 2010. The most utilized initiatives were training which to a high degree consists of further education within the ordinary educational system as well as labour market training (AMO) followed by work practice, follow up and wage supplements.

Table 2.1 Youth between 16 and 29 years with reduced working capacities in Norway broken down by initiative, December 2010

Initiative	Number of participants
Training	6 464
Work practice	4 743
Follow up	2 051
Arranged job	1 829
Clarification initiative	542
Wage supplements	531
Other initiative	64
In total	16 224

Source: Norwegian Labour and Welfare Administration (NAV).

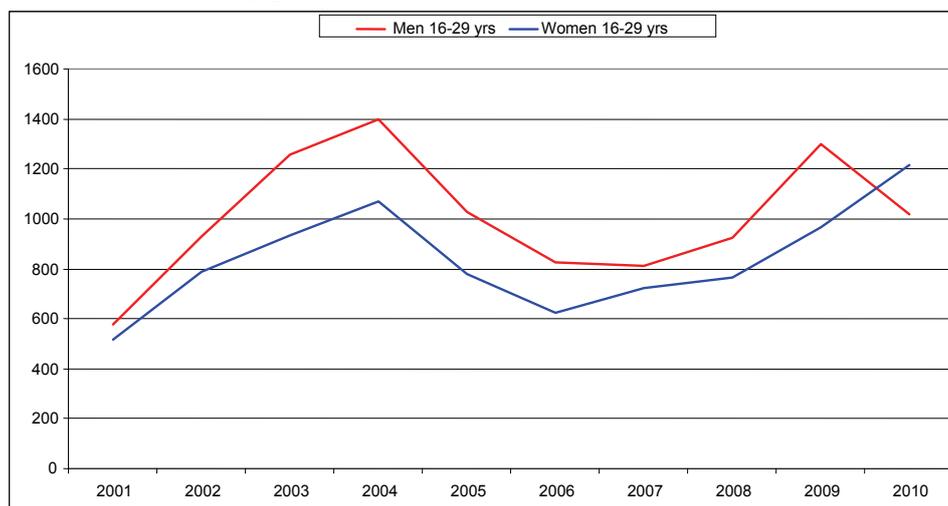
The group of people with reduced working capacities consists mainly of recipients of AAP (73 per cent at the end of 2010). This group also included recipients of disability pension, individual assistance, qualification assistance and social assistance.

Training

"Training" is offered to ordinary jobseekers and people with reduced working capacities over 19 years. The aim is to better qualify participants for vacant positions. In addition, the aim is to prevent exclusion of people who are in danger of dropping out of working life or who are in an insecure employment situation and are in need of better qualifications. Training is carried out either in the form of a labour market course or within the ordinary educational system. Labour market courses are often short work-

oriented courses that are open to ordinary jobseekers and people with reduced working capacities. The combination of labour market courses varies with the needs of the labour market. Training in the form of labour market courses may be granted for up to ten months. For people who experience considerable difficulties getting into the labour market; who have not completed any further education; and who participate in training at a work place in cooperation with the local or county authorities, the duration may be extended by up to six months.

Figure 2.7 Number of ordinary initiative participants under 30 years in Norway who have participated in training initiatives, broken down by gender, 2001-2010



Source: Norwegian Labour and Welfare Administration (NAV).

Education in the ordinary educational system may form part of an activity plan for people whose working capacities are reduced. In order to be granted training in the form of ordinary education, participants must be older than 26 years and have reduced working capacities. This type of training may be granted for up to three 3 years.

In 2001, 577 men and 518 women participated in training initiatives in Norway. In 2004, the number increased to 1400 and 1070, respectively. After 2004, the number decreased, but it increased again in connection with the financial crisis in 2008.

Job Club

"Job club" is a labour market initiative of short duration that is to contribute to jobseekers ready for work finding work in the ordinary labour market. Participation in a "job club" aims at qualifying jobseekers to be able to find their bearings in the labour market and actively look for work. Through individual guidance, the participants become aware of their own competencies. Specifically, users are trained in preparing applications and CVs as well as sitting for job interviews and using their own network. The target group for the "job club" is jobseekers ready for work who are registered with the Labour and Welfare Administration, and who may benefit from a structured and goal-oriented course. There are no formal admission requirements and an evaluation is made by jobseeker and case worker in connection with the follow up by the Labour and Welfare Administration. A "job club" takes six weeks and consists of 50 per cent group presentations and 50 per cent individual activities.

Jobs in Ordinary or Sheltered Businesses

"Job in ordinary businesses" is a work-oriented initiative for those needing to test their possibilities in the labour market, or who need work experience to enhance their possibilities of later getting a job. A work-oriented initiative includes organized job training with follow up at an employer's. A plan must be drawn up containing a description of the work tasks which the initiative participants must carry out as well as how the training is to be implemented. The duration of the initiative will be adapted to the individual's needs and to which possibilities the person in question has in the labour market. The duration will generally be up to one year, but for people with reduced working capacities, the initiative may be extended by up to two years.

"Job in ordinary businesses" is a work-oriented initiative for people who need to improve their possibilities of getting in work or commencing education. They get the opportunity of testing their working abilities in a labour market enterprise. It is possible to try out various forms of work that is adapted to the individual's competence level and challenges. Work practice in sheltered work places is only granted people who have reduced working capacities and special insecure professional qualifications in need of close and comprehensive follow up. The duration is up to one year.

Follow-up on Jobseekers

"Follow-up on jobseekers" is an offer to those in need of more comprehensive mediation and follow-up assistance than is provided by the Labour and Welfare Administration. The initiative is adapted to the individual's need based on the conditions in the labour market. Within the initiative, practical assistance with finding suitable work tasks or a suitable work place exceeding that which has already been exhausted is provided. If a person is already in a work relationship and for example on sick leave, the follow-up will take place in relation to the work place in question. In case it is out of the question to continue the work relationship, the follow-up will be aimed at the transition to another kind of work. In case a person is not in a work relationship, the follow-up will be aimed at improving the individual's competencies and motivation as a jobseeker. The person in question will get necessary and sufficient follow-up both in the job seeking phase and in the initial phase of an ordinary job, and if necessary, help to organize the work situation. The initiative may run for up to six months and in special cases be extended by another six months. In case of special needs, the follow-up may run for up to three years.

Immigrants are a prioritized group regarding initiatives. There are special programmes for immigrants such as the "introduction programme for foreign speakers" and "courses in Norwegian with a view to work". In cooperation with the local authorities, there is for example an introduction scheme for newly-arrived immigrants. It gives basic qualifications and a possibility of combining Norwegian courses and work practice.

Wage Supplements

"Wage supplements" is a work-oriented initiative aimed at motivating employers to employ people on general wage and work conditions. "Wage supplements" are granted general private enterprises and public enterprises for a limited part of the period in which the participant is employed. The intention is for the participant to enter into permanent employment with the same employer. On the basis of the assessment of need and working capacity, the duration of the wage supplement is to be adapted to the participant's individual need.

Income Security in Case of Unemployment

Daily Cash Benefits and Individual Support

The purpose of the Norwegian daily cash benefit scheme is to prevent and curb damages to the individual and society in connection with involuntary unemployment. It is partly a compensation for lost income from work and is to contribute to the unemployed seeking and keeping work. The precondition for being entitled to daily cash benefits is that the unemployed has registered as a jobseeker and applied for benefits with the local Labour and Welfare Administration centre, and that the individual's working hours have been reduced by at least 50 per cent. To be entitled to benefits, one must have had an income from work of at least NKR 109 322 (1.5 times the basic amount of the national social security fund) in the previous calendar year or at least NKR 218 643 (3 times the basic amount) during the previous past three calendar years. The benefit is payable for 104 weeks. Young people rarely have earned entitlement to daily cash benefits, and many young people are thus excluded from the daily cash benefit scheme.

Participants in labour market initiatives are entitled to some financial benefits. Supplementary benefits may be granted towards extra expenses incurred by the participants in connection with the initiative, such as travel expenses, child-minding costs, accommodation allowance (if participants have to stay away from their homes during the duration of the initiative) and allowances towards payment for school materials. If one is not entitled to daily cash benefits, one may be granted individual benefits when participating in a labour market initiative. The benefit is calculated on the basis of a daily rate.

Other Benefits

In the following, we are going to describe the rules governing schemes offered to users who due to illness, injuries or incapacities are unable to partake in an active initiative. AAP, financial social assistance and qualification programmes are aimed at providing a temporary income in case of lapse of paid work. The schemes offer follow-up regarding work and activities.

Work Clarification Benefits

Work clarification benefits (AAP) were introduced in March 2010. After the setting up of the Labour and Welfare Administration, it was necessary to simplify rules and regulations governing the various benefits and allowances administered by the two administrations. The benefits that were combined into AAP were: rehabilitation benefits, disability benefits and temporary disability benefits. During the transition to the new benefit, all recipients of the above mentioned schemes were transferred to the AAP.

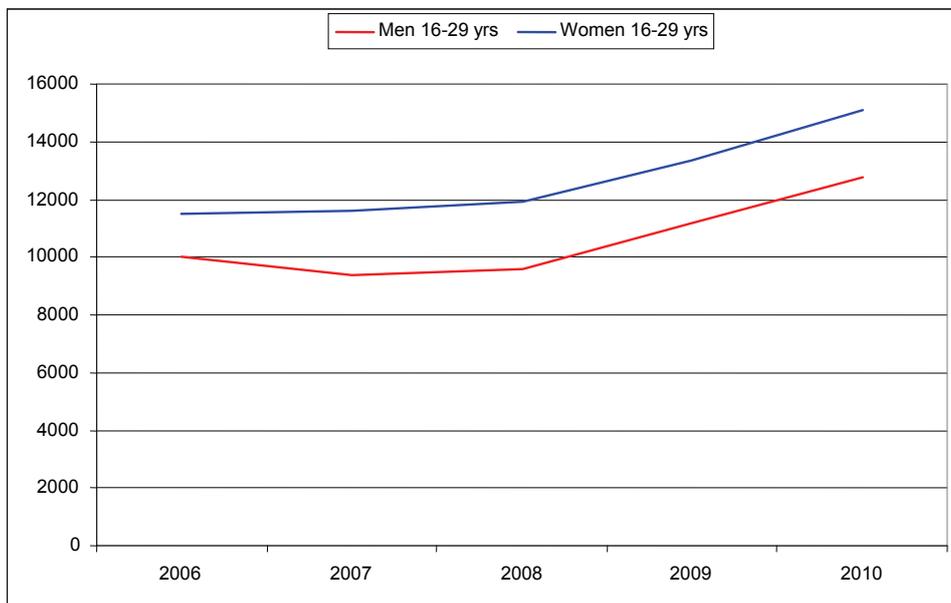
To be entitled to the AAP it is required that the user's working capacity is reduced by at least half due to illness, injury or incapacities. The important aspect is not how much one's health is affected, but to which extent it affects one's possibilities of functioning in paid work. Another requirement is active participation in the process of getting in work or activities. This may for example be participation in the preparation of one's own activity plan, scheduled meetings with the Labour and Welfare Administration and to participate actively in treatment or work-oriented initiatives. It is also desired that the individuals partake actively in their own case with a focus on future possibilities as well as the possibilities of providing for themselves. All people contacting the Labour and Welfare Administration are entitled to have their need for assistance assessed as a whole at an early stage by way of individual work capacity assessments.

Recipients of the AAP are not granted a permanent benefit and will in many cases in the long run become able to get an income from work. People applying for the AAP must be between 18 and 67 years and must live and reside in Norway. They must also have been members of the national social security fund for at least three years. If a user has been fully capable of working, it suffices that he has been a member of the national social security fund for at least one year before applying for the AAP, but exceptions may be made.

The AAP amounts to 66 per cent of the income basis. The amount depends among other things on any previous income; provision for children; receipt of any other benefits from the national social security fund; and whether one's working capacity has been reduced by at least half before the age of 26 years; or an industrial injury. Any graduation of the benefit is usually made on the basis of the reporting of paid work by way of regular forms which users are obliged to submit to the Labour and Welfare Administration.

Figure 2.8 shows the number of recipients of the previous schemes that have been combined into the AAP. In the period 2006 to 2010, there was an obvious increase in the number of young recipients. In 2006, 21 500 people drew such benefits, while the number increased to 27 900 in 2010, an increase of more than 30 per cent. There are several reasons for this. In 2004, the temporary disability benefit was introduced, and that resulted in more people who would previously have been granted permanent disability pension now instead being granted temporary disability pension and receiving a more work-oriented follow-up. The largest increase in the number of people drawing AAP took place in 2009. It was a period characterized by the financial crisis and a high growth level in the youth unemployment rate. Throughout the entire period, there have been significantly more women than men drawing AAP.

Figure 2.8 Number of youth between 16 and 29 years drawing work-related disability benefits, rehabilitation benefits and temporary disability pension in Norway, 2006-2009, AAP for 2010



Source: Norwegian Labour and Welfare Administration (NAV).

Financial Social Assistance

Financial social assistance is part of society's financial safety net and is meant to assure the subsistence of people who for various reasons are unable to provide for themselves. Many young unemployed contact the social centres because they as beginners to the labour market have not earned rights to daily cash benefits or other social protection benefits. Financial social assistance is only granted when all other possibilities are exhausted. In practice, it means that the applicant must first have tried to find work or have applied for other financial rights before becoming entitled to social assistance. Financial support is a benefit based on assessment and is granted after an individual needs test.

Unlike the other benefits and initiatives mentioned above, financial social assistance is not a State-administered scheme such as the national social security fund, but a municipally-administered benefit. The individual local authorities are thus responsible for their own populations' welfare offers, and the extent of the assistance varies from one municipality to the next.

In 2009, there were 46 000 youth between 19 and 29 years drawing social assistance one or several time during the year, and of those a little more than 20 per cent were non-Western youth. After the financial crisis in 2008, the number of young social assistance recipients increased by more than 5 000 from about 41 000 in 2008. From previous research, we have seen that young unemployed people receiving social assistance are highly characterized by difficult circumstances during their growing up; poor mental health; a high drop out rate from school; and a high level of addiction problems (Hammer, 1993).

The Qualification Programme

The Qualification Programme is based in the social assistance system forming part of the Labour and Welfare Administration. The programme is aimed at people with a marginal connection with the labour market in the form of poor work experience and weak working capacities due to poor mental or somatic health, addiction problems or a low degree of education. It is a programme which to a higher degree than the other labour market initiatives is adapted to the individual's needs and qualifications. In the qualification programme, the participants will be given close and coordinated assistance through an individually adapted programme intended to improve the participants' opportunities in the labour market.

The programme is therefore offered people who are estimated to be likely to get in work.

The Qualification Programme provides recipients of social assistance with an opportunity to utilize work-oriented initiatives that were previously to a high degree reserved for unemployed or people in rehabilitation. The programme may for example consist of labour market initiatives, job training, training, training in motivation and coping, possibly in combination with time for medical treatment, rehabilitation and personal activities in the form of job seeking. Users participating in the Qualification Programme are paid a fixed salary (qualification benefits) instead of financial support. The Qualification Programme is intended for youth aged 19+ years

Chapter 3

Sweden

The Swedish unemployment rate has been relatively high for several years. This particularly applies to the youth unemployment rate. Young people were highly affected by the previous financial crisis at the beginning of the 1990s, but also during large parts of the 2000s the youth unemployment rate was at a relatively high level. The situation improved in the course of 2007 and 2008. The improvement turned out to be rather short-lived, however. In connection with the financial crisis in the autumn of 2008, the unemployment rate generally increased again in the population and in particular the youth unemployment rate (Ramböll Management Consulting AB, 2010:15).

The financial crisis highly affected the Swedish economy. During the entire year of 2009, both the GDP and the employment rate decreased. The Swedish economy nevertheless recovered rather quickly. In the course of 2010, the economic growth increased and in the third quarter of 2010, the GDP was all of 6.9 per cent higher than a year before, and thus the previous decrease in the GDP had largely been caught up. Globally, the economic policy has been expansive in order to counteract the economic recession. This has resulted in the increase in the international demand which has been a decisive factor in the revival of the Swedish economy (Konjunkturinstitutet, 2010:7).

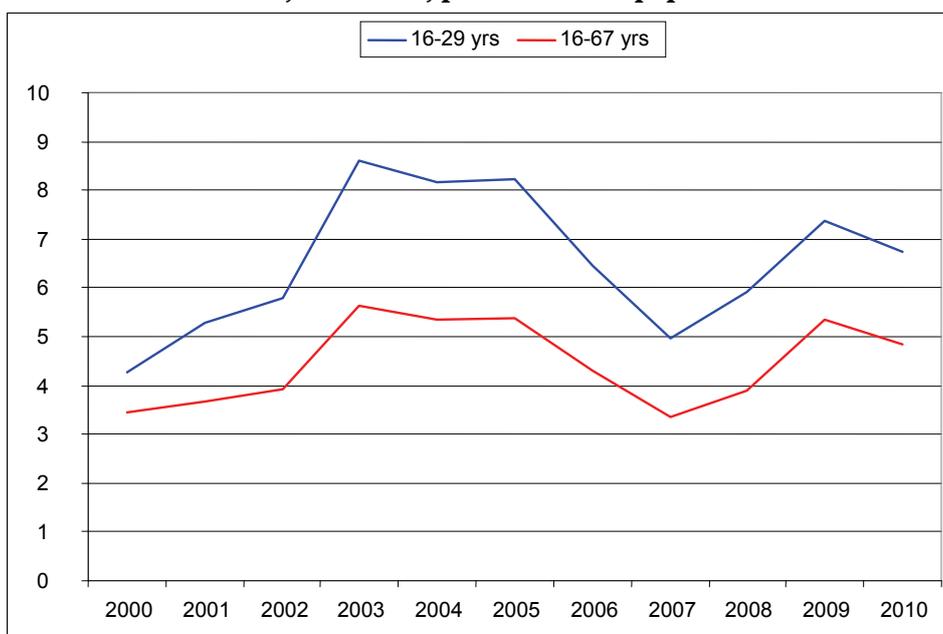
Since the rock-bottom level in the third quarter of 2009, the employment rate in Sweden has increased by about 90 000 people in one year. Despite this fact, the employment rate is still (at the end of 2010) considerably lower than in the summer of 2008. The unemployment rate is still high, and the recession in the labour market still makes itself highly felt (Konjunkturinstitutet, 2010:7).

Youth Unemployment in Sweden

In the past 10 years, the unemployment rate was higher among youth in Sweden than among the population in general (cf. Figure 3.1). The development of the youth unemployment followed the same pattern as the

total unemployment rate. Among the 16-29 year-olds, the unemployment rate was at its highest in 2003 at 8.6 per cent of the population. This was also the year in which the difference between the youth unemployment rate and the unemployment rate in general was the largest. The youth unemployment rate was then 3 percentage points higher than the general unemployment rate. In connection with the financial crisis, the unemployment rate increased more among youth than among the older age groups. In 2010, the trend shifted somewhat and the youth unemployment rate decreased more than did the unemployment rate in other age groups as a whole.

Figure 3.1 Registered youth unemployment rate (16-29 years) compared with the unemployment rate in the 16-67 year-old population in Sweden, 2000-2010, per cent of the population

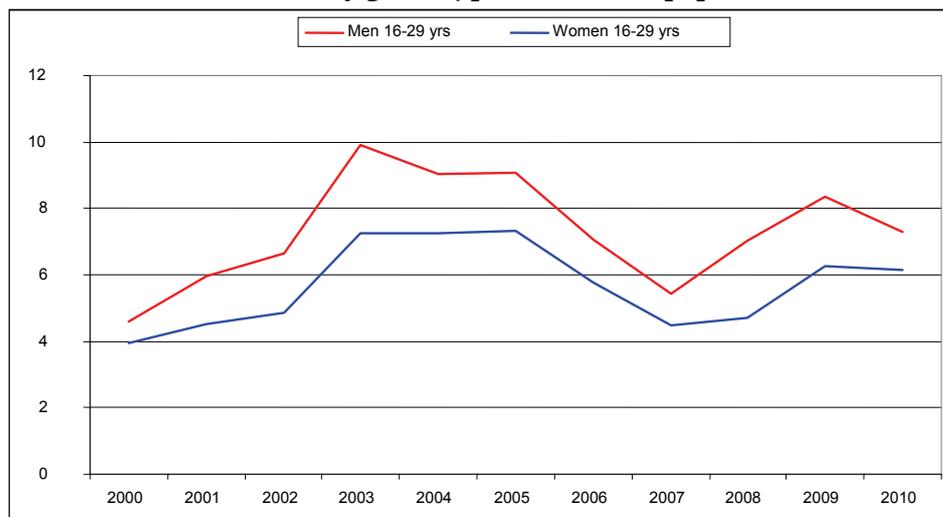


Source: The Swedish Public Employment Service.

In Sweden, the youth unemployment rate was higher among men than among women throughout the 2000s (cf. Figure 3.2). When the financial crisis arose, the unemployment rate increased both among women and men, but somewhat more regarding men. When the unemployment rate decreased during 2010, it decreased, however, more in respect of men than of women.

As to the former, the unemployment rate decreased from 8.4 to 7.3 per cent, while the unemployment rate for the latter decreased from 6.3 to 6.1 per cent.

Figure 3.2 Registered youth unemployment in Sweden from 2000 to 2010 broken down by gender, per cent of the population

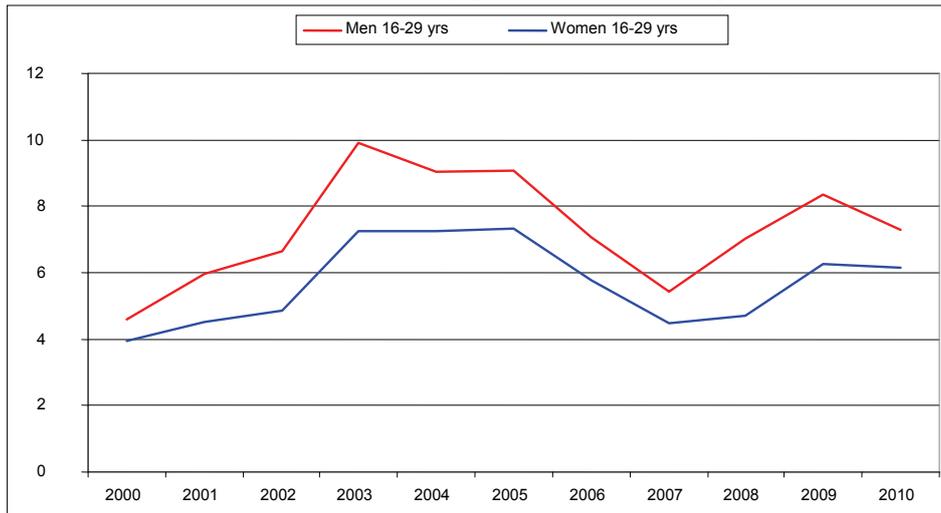


Source: The Swedish Public Employment Service.

The share of long-term unemployed among unemployed youth in Sweden was high throughout the 2000s. In the years between 2000 and 2005, the number of unemployed youth doubled, and in that period the number of long-term unemployed youth tripled. In 2006, about 43 per cent of the young unemployed were long-term unemployed. In the following years, both the number of unemployed and long-term unemployed decreased. When the financial crisis hit Sweden in the autumn of 2008, the trend from the early 2000s returned, however, and the share of long-term unemployed increased again. During 2010, the trend caught somewhat up, and the share of long-term unemployed decreased to some extent.

Throughout the entire period, the unemployment rate was higher among young men than among young women, but up until 2009, women were to a higher degree than men affected by long-term unemployment (cf. Figure 3.3). In connection with the financial crisis, this picture changed. The share of long-term unemployed men increased from 21 per cent in 2008 to 37 per cent one year later. At the same time, the share among women increased from 26 per cent to 33 per cent.

Figure 3.3 Share of long-term unemployed of unemployed youth in Sweden broken down by gender, 2000-2010, per cent



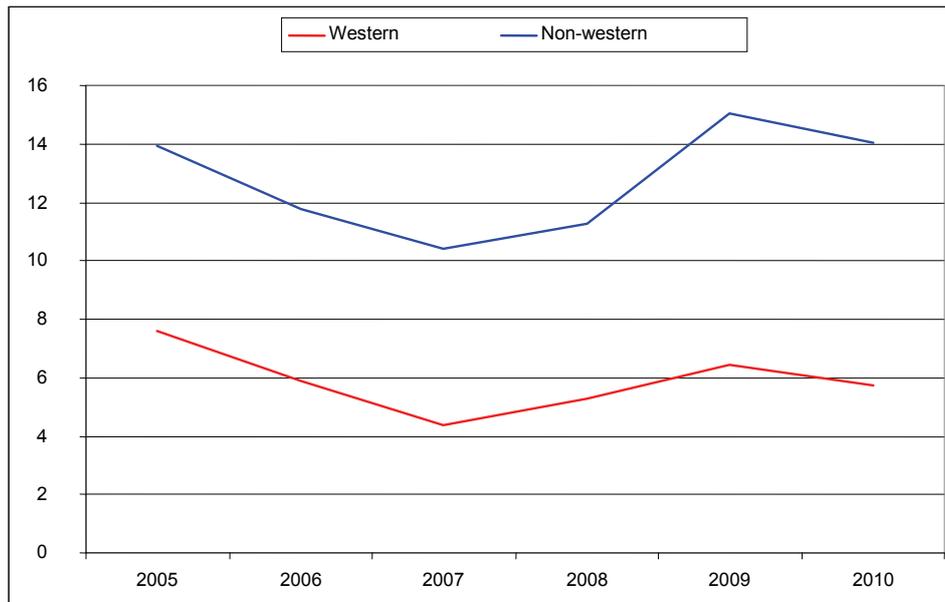
Source: The Swedish Public Employment Service.

Another vulnerable group in the Swedish labour market is non-Western youth. The unemployment rate of this group is much higher than it is for youth of Western origin. The unemployment rate of non-Western youth peaked in 2009 at 15.1 per cent; also here the unemployment rate is highest among young men of non-Western origin (cf. Figure 3.4). The unemployment rate of this group was 16 per cent in 2009.

The group of non-Western youth is a heterogeneous group, in which the unemployment rate is very unevenly distributed. The two factors playing the largest parts in relation to unemployment are how long one has stayed in Sweden and one's level of education. The longer one has stayed in Sweden, the more unlikely it is that the person in question is unemployed. Among those who in 2008 had lived in Sweden for less than four years, the unemployment rate was as high as 22.9 per cent. That is five times higher than the rate of those having lived in Sweden for 30 years or more (Statistics Sweden, 2008).

There are also differences in unemployment in respect of origin. The unemployment rate is highest among people from Africa and Asia and lowest among people from the EU25 (excluding the Nordic countries) (Statistics Sweden, 2008).

Figure 3.4 Unemployment among Western¹ and non-Western immigrants of the age group 16-29 years in Sweden, 2005-2010, per cent

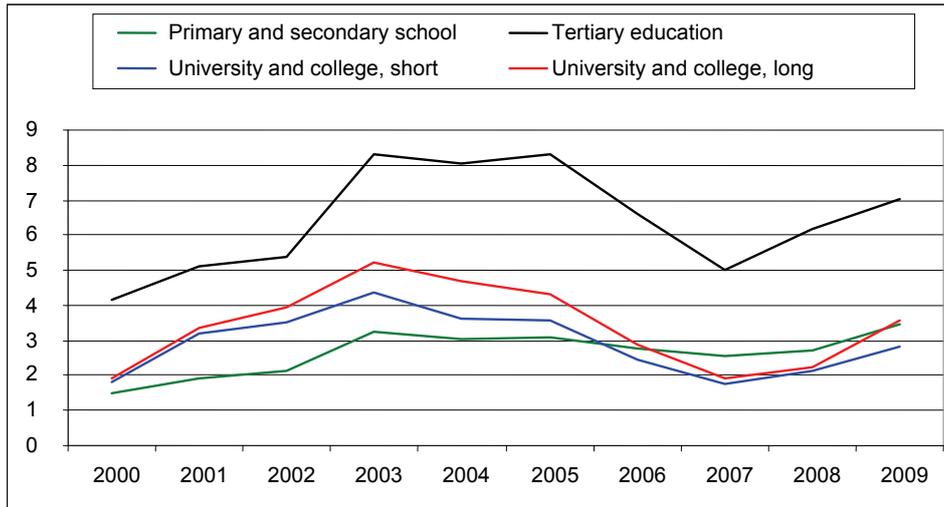


1 The group "Western" includes people born in Europe, the USA; Canada and Australia.

Source: The Swedish Public Employment Service.

Education is relatively significant as to whether or not a person finds employment. Among young people, the share of unemployed people is markedly higher among those with tertiary education than among those with a college or university degree (cf. Figure 3.5). The unemployment rate is also lower among those with primary and secondary education. This is connected with the fact that few people end their studies with secondary education and that most people choose to continue studying. The share of unemployed has been calculated in relation to the population irrespective of people being connected with the labour market or not. Had the share of unemployed been calculated in relation to those connected with the labour market, the unemployment rate among those with primary and secondary education would have been markedly higher.

Figure 3.5 Youth unemployment in Sweden broken down by education, 2000–2009, per cent



Source: The Swedish Public Employment Service (number of unemployed people) and Statistics Sweden (population figures).

Labour Market Policy and Initiatives

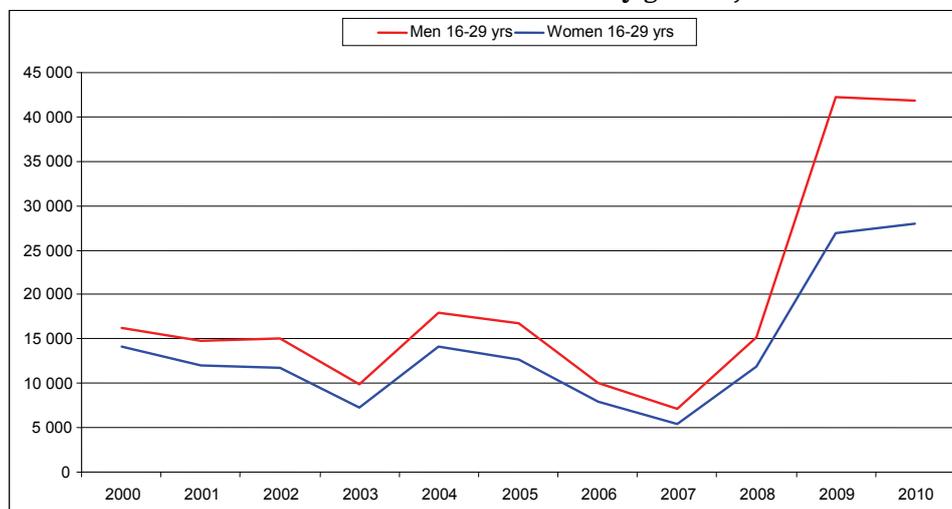
Recent years' general objective of the Swedish labour market policy has been to increase the financial incentives to work and hire. Among other things, cuts have been made in the income tax (four times) for employed people within the so-called job tax allowance. In total, taxes have been decreased by SEK 70 billion. In addition, the Government has decided that the unemployment insurance shall function as adjustment insurance. This implies, among other things, a curtailment in the period of time in which claimants are entitled to compensation; that the compensation level will be reduced over time and that it will no longer be acceptable to limit, geographically or professionally, the areas in which one applies for work.

Over the past years, the Swedish Government has given priority to the youth unemployment initiatives. In addition to the general and comprehensive efforts related to the labour market and educational policies, several special initiatives have been implemented. The aim is for these initiatives to improve job opportunities for young people in the labour

market. Examples of such initiatives are "in work again" and a reduction of the employer tax. Another objective is to activate the individual youth by offering various forms of individually adapted support (job guarantee for young people) (Ramböll Management Consulting AB, 2010:17f). These initiatives will be further described below.

Figure 3.6 shows how many young men and women have been participating in labour market initiatives in Sweden in the past 10 years. As was the case with the unemployment figures, the differences between women and men are not very large. It also appears that there have been more men partaking in labour market initiatives than women in that same period. This is a natural consequence of the fact that the unemployment rate was also higher among men in that period. From 2008, the number of youth participating in labour market initiatives increased markedly, especially among men. The difference from 2007 to 2009 is striking. In 2007, there were 7 100 men between 16 and 29 years partaking in labour market initiatives, while the number increased to all of 42 200 in 2009 to level off later.

Figure 3.6 Number of youth between 16 and 29 years in labour market initiatives in Sweden broken down by gender, 2000-2010



Source: The Swedish Public Employment Service.

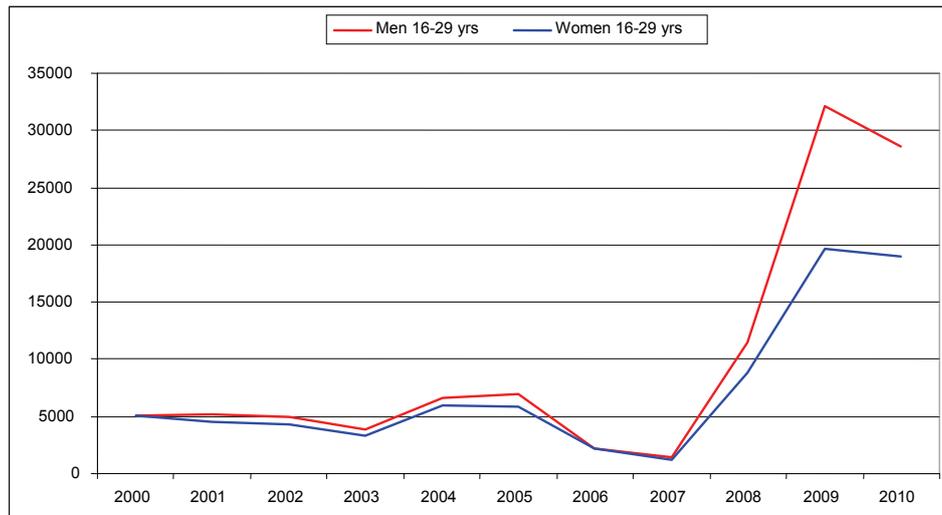
Job and Development Guarantee

In 2007, the initiative "job and development guarantee" was introduced. The "job and development guarantee" was aimed at those having been away from the labour market for a long period of time. The initiative is divided into three phases and is to contain individually drawn up plans. Phase one consists of job seeking activities with guidance and runs for up to 150 days with activity support and development allowance. Phase two consists of for example work practice; work training or education. The activities in Phase two take place in a work place, in the educational system or in one's own business (if one has been granted support towards the setting up of one's own business). If one has not found satisfactory employment after 450 days in the job and development guarantee, one is offered employment with an organizer (employer). This is the third phase.

Job Guarantee for Young People

As part of the Swedish Government's prioritized venture against youth unemployment, an initiative similar to the "job and development guarantee" called "job guarantee for young people" was initiated in 2007 for the 16-24-year-olds. The aim of this guarantee is to make an extra effort at an early stage in order for young people to find work or begin or resume studying in the ordinary educational system as quickly as possible. Young people may participate in the initiative after having been unemployed for three months. In the first three months, the activities in the job guarantee first and foremost consist of evaluation, study and vocational guidance and job seeking activities with guidance. After that, the activities are combined with work practice; education; support towards starting a business; or work-oriented rehabilitation. An individual may participate in the job guarantee for up to 15 months. Also before the introduction of "job guarantee for young people" there were other similar initiatives especially aimed at youth; a "municipal programme" for those under 20 years and a "youth guarantee" for the 20-24-year-olds. With the introduction of the job guarantee, the number of participants in these initiatives has increased steeply as from 2007 (cf. Figure 3.7).

Figure 3.7 Number of people in labour market initiatives especially aimed at youth (16-29 years) in Sweden broken down by gender, 2000-2010



Source: The Swedish Public Employment Service

Labour Market Training

"Labour market training" consists of different vocational training courses aimed at improving the individual jobseekers possibilities of getting in work and making it easier for employers to take on labour with the right competencies. The duration of the training is individual and depends on the jobseeker's background and education, but should not last more than six months. In order to participate in labour market training, jobseekers must be at least 25 years of age. Young disabled people and those pertaining to target groups for "entry jobs" and "employment assistance to the long term ill" may participate even though they have not yet reached the age of 25 years.

Preparatory Initiatives

Those in need of basic knowledge prior to labour market training, planned studies at college or prior to adult training, may partake in preparatory initiatives. Preparatory initiatives may for example consist of job seeking courses or courses in how to choose occupation; initiatives for people with

impairments resulting in reduced working capacities; or education mainly preparing a person for another labour market initiative. Unemployed people may participate in preparatory initiatives as from the day on which they turn 25 years of age. Young disabled people and those pertaining to the target group for "entry jobs" or "employment assistance to the long term ill" may be referred even though they have not yet reached the age of 25 years. The initiative runs for about six months.

Practice

The purpose of practice is to improve jobseekers possibilities of getting a job. Practice is aimed at unemployed people who have turned 25 years. Young disabled people and those in the target group for "entry jobs" may be referred even though they have not yet reached the age of 25 years. Practice is obtainable in a work place in order to acquire vocational orientation, vocational practice and working life experience or to maintain and improve one's professional competencies. Practice may, with guidance, also function as preparation to setting up one's own business. This scheme may run for up to six months.

Support towards Setting up a Business

The purpose of support towards setting up a business of one's own is to provide people who do not find a job, but who nevertheless have the qualifications to set up their own business, with support towards maintenance during the upstart of the business. In order to get the allowance, one must be looking for a job and have turned 25 years. As to young disabled people and people who meet the requirements concerning participation in the working life introduction, as well as to people who are enrolled in the "job guarantee for young people", the age limit is 20 years to be entitled to the allowance. The allowance is granted only to people who are deemed to be qualified to run a business of their own, and in case the business is deemed to be satisfactorily profitable and to provide permanent employment. The allowance is payable for a maximum of six months.

Working Life Introduction

"Working life introduction" is a new programme from 2010 aimed at long term ill individuals who are no longer entitled to sickness benefits. Both people who have previously been in work and people who have not been in work may participate in the programme. "Working life introduction" entails

that the Public Employment Service offers support and individually adapted initiatives with the aim of finding work. This may involve help to handle one's new situation and develop one's incentives and motivation before one begins working again. The support may also consist of vocational guidance.

Working Life-Oriented Rehabilitation

Working life-oriented rehabilitation is a process that through individually adapted support results in jobseekers finding, getting and keeping work. The Swedish Public Employment Service and the Insurance Fund work jointly with the working life-oriented rehabilitation in order to contribute to meeting the goal of getting more people who draw rehabilitation benefits in work. The effort of this joint enterprise is aimed at sick individuals regaining their working capacity and getting a job or beginning education or training. The initiative applies to the following groups:

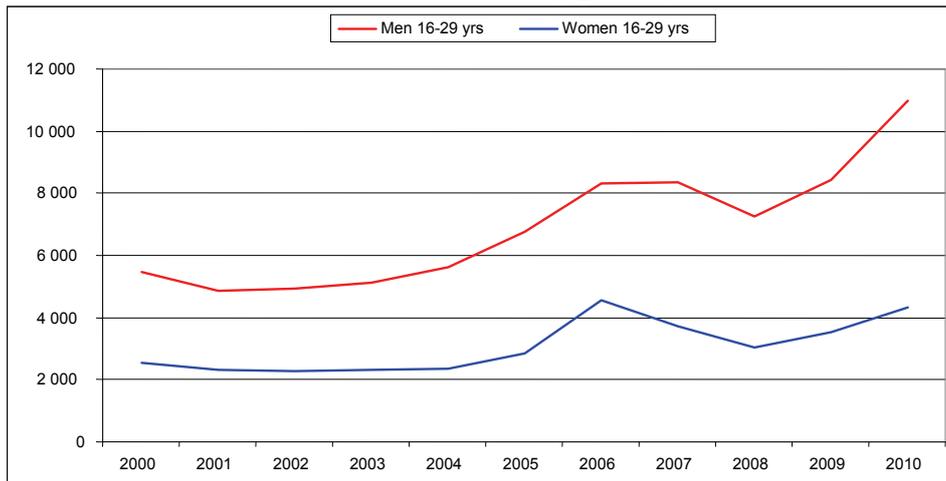
- Unemployed people on sick-leave
- Unemployed youth drawing activity allowance
- Employees who are off sick or who draw sickness benefits or activity allowance and are unable to return to their jobs.

Subsidized Work

Some people, such as disabled people and immigrants, often have particular problems getting into the labour market. In order to make it easier for such people to find work, employers who employ them can get a subsidy.

The number of youth in subsidized work has increased throughout the period and especially during recent years, among other things after the "in work again jobs" were introduced (cf. Figure 3.8). Far more young men than women have been employed with this kind of subsidy. In 2008, 7 250 men were in subsidized work, while the number had increased to 10 985 in 2010. In that period, the number of women who were employed with this kind of subsidy increased from 3 042 to 4 331.

Figure 3.8 Number of Swedish youth between 16 and 29 years in subsidized work broken down by gender, 2000-2010



Source: The Swedish Public Employment Service.

Initiatives for Impaired People

In order to give employers incentives to employ people with impairments (that result in reduced capacity for work), financial compensation by way of wage subsidies is granted to employers who choose to hire people in such a situation. In some cases, wage subsidies may also be given for people with reduced working capacities who are already employed. The employees must be paid wages and have other advantages that are in accordance with or similar to the collective agreements of the trade. The wage subsidies are influenced by the employee's wages and his/her working capacity. The subsidy is payable for a maximum of 4 years.

If an impaired person is in need of a more highly adapted work situation, the employment service can offer his/her labour to an employer who is looking for that person's competencies but is unable to offer a good and adapted work situation. The person in question can then either be employed in a "development employment" or in sheltered employment. The purpose of development employment is to improve a person's working capacity, and it runs for a maximum of one year. Sheltered employment, on the other hand, is a more permanent initiative. Employers are entitled to compensation for payroll costs for such people by way of wage subsidies.

Subsidies may be granted to public employers who provide sheltered work. The purpose is to give certain groups with disabilities the possibility of becoming employed with developing initiatives. In the long run, the employment is meant to lead to employment in the ordinary labour market. Impaired people may also get sheltered employment through "Samhall" where the work is adapted to the employee's working capacity. "Samhall" is an enterprise run by the State with the task of creating meaningful and developing jobs for people with disabilities that lead to reduced working capacities. About 19 000 people with various disabilities work at "Samhall". One of the aims of the enterprise is that about 5 per cent of the employees each year continue to employment with another employer.

"Entry Jobs"

Newly-arrived immigrants who have acquired residence permits during the past 36 months may be offered "entry jobs". An "entry job" involves subsidized employment. All employers who hire a newly-arrived immigrant are entitled to a subsidy of 75 per cent of the payroll costs, but no more than SEK 750 per day. In order to qualify for an "entry job", immigrants are required to participate in the course "Swedish for immigrants" at the same time.

"In Work Again"

"In work again" was introduced as from 1 January, 2007, and is aimed at making employers hire people who have been away from the labour market for quite some time. People who have been unemployed for at least six months or are newly-arrived immigrants may get a job under the initiative "In work again". Employers who hire people in such circumstances get financial compensation. For people between 20 and 25 years, an employer is entitled to a subsidy corresponding to the employer tax. For older people, the subsidy is twice the employer tax. Older people must have been unemployed for at least 12 months to qualify. Usually, an employer will be entitled to subsidies for as long as the person in question has been unemployed, or for a maximum of 5 years. For people between 20 and 25 years, subsidies shall be payable for no longer than 12 months.

Income Security in Case of Unemployment

Unemployment Benefits

If one becomes unemployed, one is entitled to unemployment benefits from the unemployment insurance scheme. Benefits are payable in two forms: either as a basic amount or as an earnings-related benefit. The latter amounts to 80 per cent of any previous income for the first 200 benefit days. If one is still unemployed after that, one is compensated at 70 per cent of any previous income as from day 201 and until day 300 of the benefit period. The benefit is payable at a maximum of SEK 680 per day and at a minimum of SEK 320 per day. To be entitled to earnings-related benefits one must have been a member of the unemployment fund for at least 12 months and must meet certain work requirements. This implies that during the past 12 months prior to becoming unemployed one must have worked for at least 80 hour a month for six months or at least 480 hours timer spread in six months. People meeting the working requirements, but not the membership requirements, are entitled to the basic amount of benefits amounting to SEK 320 per day. One must have turned 20 years to be entitled to this benefit. In the unemployment insurance scheme, there is a waiting period of 7 days.

Benefits when Partaking in a Labour Market Initiative

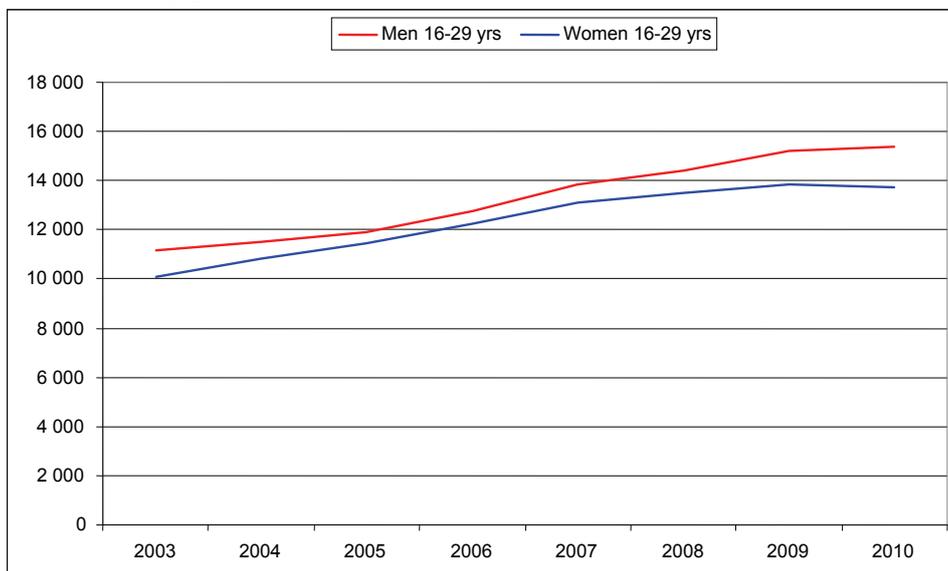
Participants in a labour market initiative are entitled to activity allowances. People who are entitled to compensation from the unemployment fund will be granted an activity allowance corresponding to SEK 223 per day. Youth under the age of 25 years who do not comply with the requirements to be granted compensation from the unemployment fund are entitled to development benefits. Those having completed further education are entitled to SEK 136 per day, while people under the age of 20 years, who have not completed any further education, are entitled to SEK 48 per day.

Other Benefits

"Activity Allowance"

"Activity allowance" is support to people between 19 and 29 years who are unable to work due to illness or other reduced capacity. The allowance was introduced in 2003 and replaced the disability pension. Contrary to disability pension, the activity allowance is, however, temporary. To be entitled to "activity allowance" one's working capacity must be reduced by at least one fourth for at least one year. The reduced working capacity must apply to all work in the entire labour market. When receiving "activity allowance" one must as soon as possible participate in work-oriented rehabilitation initiatives, such as work training or education. People receiving "activity allowance" can also participate in various activities that improve their development and have a positive influence on their illnesses or disabilities.

Figure 3.9 The number of Swedish youth between 16 and 29 years drawing sickness benefits and activity allowances broken down by gender, 2000-2010



Source: The Swedish Insurance Fund

Since the activity allowance was introduced in 2003, the number of people drawing this kind of compensation has increased every year (cf. Figure 3.9). There are approximately as many young women as young men drawing activity allowance, but the number of men is slightly higher. We also see that there has been an even increase in the number of recipients since 2003.

Financial Support

"Financial support" is meant as a last safety net for people experiencing temporary financial problems. The support is administered by the local authorities and is meant to guarantee a reasonable level of subsistence. The support must also be given in a way that ensures that people can provide for themselves in future. That is that it must enhance the individual's possibilities of leading an independent life.

When a person applies for financial support, social services carry out an individual needs-test. The aim for people is first and foremost to take responsibility for their own lives which implies that one must try to provide for oneself before being entitled to support. People who are capable of working must apply for work.

In principle, one is not entitled to financial support if one has money in the bank or other forms of income. That means that one to begin with must apply for the general compensations available, such as housing benefits and parental benefits. The local authorities may choose to pay "introduction benefits" to refugees and other immigrants instead of financial support. Those drawing "introduction benefits" must participate in an introduction programme and follow an introduction plan. The introduction plan is prepared by the local authorities in cooperation with each individual. The idea is that the "introduction benefit" be a simplified alternative to financial support both when it comes to amount and needs-testing.

In order for newly-arrived immigrants to get into the labour market faster, an establishment reform was introduced at the end of 2010. With this reform, the employment service takes over the responsibility for coordinating the "introduction benefits" from the local authorities in order to obtain faster establishment by enhancing the incentives to take on work and participate in work-preparing initiatives.

Chapter 4

Iceland

Although activities declined in many enterprises from the beginning of 2008, it was only when the Icelandic banks, in the autumn of 2008, collapsed that one could really talk of a slowing down of the entire Icelandic economy, especially in the construction sector. Many people in the construction sector lost their jobs which led to the unemployment rate in the sector being at about 30 per cent in the spring of 2009. In industry, the same trends could be observed, especially in the industries and services that are connected with the construction sector. This affected architects, engineers, production connected with the construction sector and landlords.

From the summer of 2008 to the spring of 2009, the unemployment rate increased in Iceland from 1.2 per cent to 9 per cent. The unemployment rate increased the most among youth in that young people were more vulnerable due to shorter notices and less work experience. Relatively speaking, the unemployment rate increased the most among craftsmen during these months due to the collapse of the construction sector. People with primary and secondary schooling, A-levels or a commercial diploma became to a higher extent unemployed than did people with special and university or college education. The unemployment rate among foreign citizens increased steeply in the first months after the financial collapse since they accounted for a large part of the workforce in the construction sector and in other sectors that were particularly affected by the financial crisis.

The Icelandic authorities responded to the rising unemployment rate in several ways. In the autumn of 2008, the rules governing receipt of daily cash benefits were "relaxed" in respect of people with part time work. Self-employed people then became entitled to unemployment benefits even if their businesses had not been wound up. Moreover, the authorities implemented special initiatives for young unemployed people to help them find a job or start training or education, and students were guaranteed a job in their holidays. Recently, initiatives aimed at the long term unemployed have been in focus.

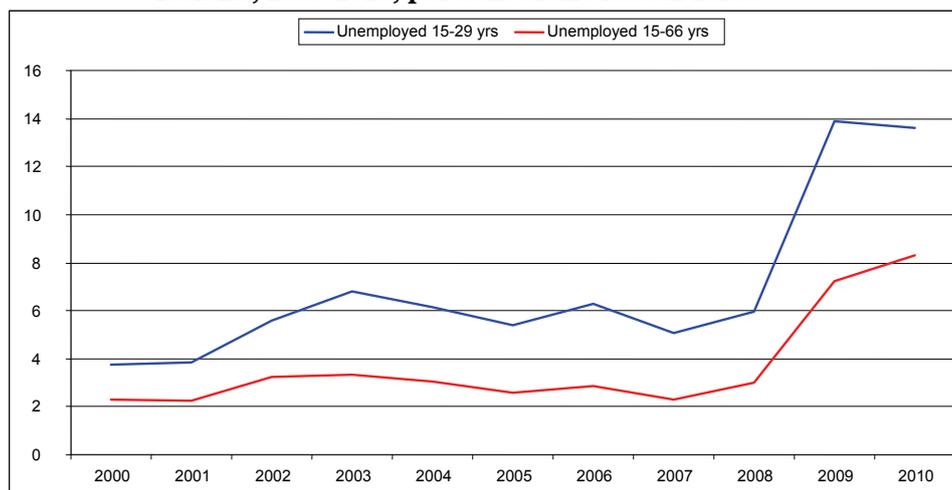
In the two and a half years that have passed since the financial collapse, the unemployment rate has in general continued rising, while the

unemployment rate among youth decreased somewhat during the winter of 2009/2010. The unemployment rate increased in particular among the oldest age group. This is a result of an increase in the number of long term unemployed in the oldest age group. Long term unemployment is generally a problem in all age groups in Iceland and the combating of it is highly prioritized.

Youth Unemployment in Iceland

The unemployment rate in Iceland has in general been low, compared with the other Nordic countries. This also applies to the youth unemployment rate. The image changed, however, with the financial crisis. It appears that the unemployment rate in general and the youth unemployment in particular increased steeply from 2008 (cf. Figure 4.1). In 2009, the unemployment rate among young Icelanders was a full 13.9 per cent, whereas it was previously between 3.8 and 6.8 per cent. The unemployment rate in the population in general peaked in 2010 at 8.3 per cent. The unemployment rate decreased, however, faster among youth than in the population in general in the summer of 2009. The changes in the unemployment rate have in recent years thus been most pronounced among youth.

Figure 4.1 Youth unemployment (15-29 years) compared with the unemployment rate of the 15-66 year-old population in Iceland, 2000-2010, per cent of the labour force



Source: Labour Market Survey.

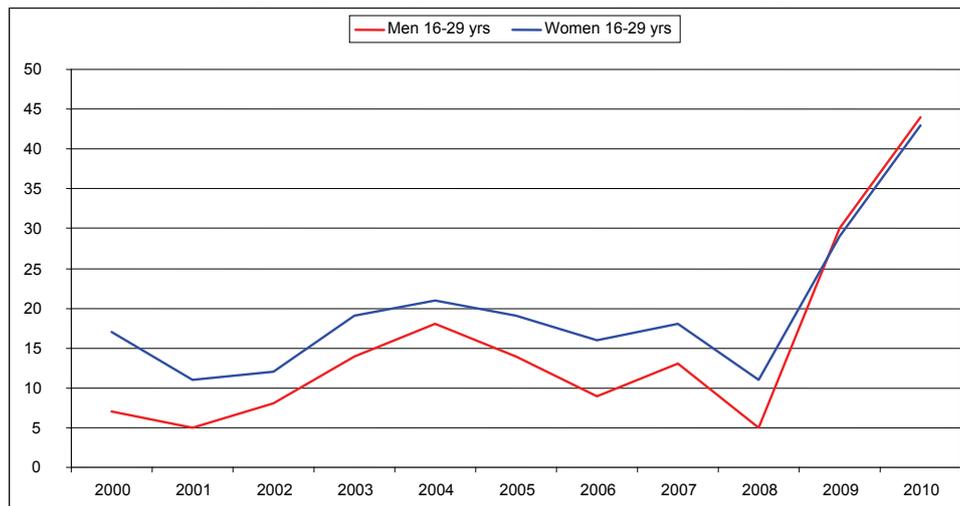
The youth unemployment rate in Iceland is as in the other Nordic countries we have surveyed so far higher among young men than among young women (cf. Figure 4.2). In 2009, the unemployment rate among men in the age group 16-29 years was at 16.5 per cent, whereas it for women in the same age group was 11.1 per cent. The year before, unemployment rates were 6.5 and 5.4 per cent, respectively. Again we see that the financial crisis resulted in a dramatic development in the Icelandic labour market.

Figure 4.2 Youth unemployment (15-29 years) broken down by gender in Iceland, 2000-2010, per cent of the labour force



Source: Labour Market Survey.

Figure 4.3 Share of long term unemployed people of the unemployed in the age group 16-29 years in Iceland, 2000-2010, per cent



Source: Norwegian Labour and Welfare Administration.

In the past 10 years, the long term unemployment in Iceland has posed a bigger problem for women than for men. In respect of young women, the share of long term unemployed of the unemployed was between 10 and 20 per cent, while the share in respect of young men was between 5 and 15 per cent. As from 2008, the share of long term unemployed increased steeply in respect of both men and women. In 2010, the share was just under 45 per cent for both genders.

Labour Market Initiatives in Iceland

In Iceland, there are a number of labour market initiatives aimed at improving the individual's possibilities of finding work by way of qualification enhancement and work training. These initiatives can be utilized by young people but they are not specially adapted to young people. A labour market initiative is offered on the basis of an individual evaluation of the individual's need for initiatives in order to get in work. Such an initiative could be work-training contracts and temporary employment (among other things with wage subsidies), where the purpose is for the initiatives to result in further employment in the enterprise; study opportunities; work-oriented rehabilitation and development of one's own

business ideas (setting up of a business that is likely to provide the person in question with a job in the future).

Development of New Initiatives due to Increasing Unemployment

After the bank crisis and the financial collapse in Iceland in October 2008, the unemployment rate has risen steeply and has reached record levels. The long term unemployment rate is, as has been seen, more pronounced now than ever before, not least among youth. To prevent social and health consequences of this situation in the long run, a large number of new initiatives aimed at young people have been developed.

The Ministry of Social Affairs (now the Ministry of Welfare) set up a special steering group to present recommendations as to how youth unemployment could be fought. The steering group analyzed the situation in the country with regard to young unemployed people, among other things on the basis of experiences from Finland under similar circumstances. The group made use of the focus group method, in which young people without work or education participated. The results show that a large part of the young people outside of the labour market and schools had negative expectations of life and did not look very optimistically at their future. In order to prevent social and health consequences of this situation in the long run, a large number of new initiatives aimed at young people have been developed, under the common denominator "Ungt fólk til athafna"(activating young people).

Table 4.1 Number of youth aged 16-29 years participating in various labour market initiatives in Iceland, 2000-2010¹

Year	Initiative			
	Total	Information, guidance and follow-up	Training and education	Work practice
2000	240	.	.	.
2001	360	.	.	.
2002	680	.	.	.
2003	1 627	.	.	.
2005	1 431	.	.	.
2005	-	.	.	.
2006	-	.	.	.
2007	-	.	.	.
2008	-	.	.	.
2009	2 577	815	1 256	506
2010	5 908	1 794	3 788	326

1 No reliable data are available for the period 2005-2008.

Source: The Directorate of Labour.

In Iceland, the unemployment rate among youth was low before the autumn of 2008. In 2008, the youth unemployment rate increased considerably, and it was decided that a wide range of new initiatives be developed for young people. Table 4.1 shows the number of participants in various labour market initiatives in Iceland. Some young people may participate in several initiatives simultaneously. The number of individuals participating in initiatives is therefore somewhat lower than the sum total shown in the left column. The share of youth of the total number partaking in initiatives has increased from 30 per cent in year 2000 to 46 per cent in 2010.

"Ungt fólk til athafna"

"Ungt fólk til athafna" (activating young people) is an initiative that was launched on 1 January 2010 with the aim of creating possibilities for unemployed youth between 16 and 24 years of getting an education or finding work. The initiative is an umbrella programme in which participants may choose more specific activities. The aim is for people aged 16-24 years to be offered jobs, work training, study opportunities or participation in

other relevant activities within three months from their becoming unemployed. Participants will be given a presentation of current initiatives and tasks to choose from and will prepare an activity plan together with a supervisor from Vinnumálastofnun (Directorate of Labour). Guidance as to studies and profession is offered, as well as possibilities of evaluating fields of interest and setting up of future goals related to studies and choice of occupation. Other already established initiatives include new study opportunities in colleges and study centres; new work-training initiatives; new possibilities of working voluntarily and rehabilitation and treatment initiatives. Furthermore, Vinnumálastofnun cooperate with unions, businesses, local authorities, sport clubs and other voluntary organizations in order to get young people back in work. The aim is to prevent young jobseekers from becoming idle. Those not wanting to partake in the offered initiatives lose their unemployment benefits.

"Fjölsmiðjan"

"Fjölsmiðjan" is a work and production centre for youth aged 16-24 years who have given up studying and have not gained a foothold in the labour market. Various work training and educational offers are aimed at increasing the possibilities of participating in the general labour market or in further education. The work is rewarded with a work-training and education grant. The ideology is based on the Danish production schools. Work-training consists among other things of car cleaning, cooking, repair of electric equipment, joinery and printing work. In addition to work, general tuition is provided in order to improve knowledge and self-confidence.

Income Security in Case of Unemployment

Unemployment Benefits

The purpose of the Icelandic unemployment benefits is to provide employees and self-employed people who have lost their previous jobs with temporary financial support while they look for work. The benefits are a partial compensation for lost income from work. Unemployment benefits are conditioned on the unemployed having signed up at the Vinnumálastofnun (Directorate of Labour) as looking for work and having claimed benefits. In order to be entitled to full unemployment benefits one must have worked with full pay for 12 out of the past 24 months. Lower

incomes from work during that same period entitles applicant to unemployment benefits in relation to average earnings and income from work for a minimum of 3 months during the past 12 months.

One difference between Iceland and many of its neighbouring countries is that Icelandic youth has often earned rights to considerable unemployment benefits due to an exceptionally high participation rate.

Supplementary Benefits to the Unemployed

Unemployed people are entitled to some financial benefits. Supplementary benefits may be payable towards payment of additional expenses in the form of moving benefits in case an unemployed person has to move to the other end of the country to get a job. If an unemployed person participate in a study initiative that is not included in the programme paid for by the Vinnumálastofnun, but which nevertheless is approved by the Vinnumálastofnun, a study grant may be payable. People who have been unemployed for at least 6 months pay the same share of health services as do retirement and disability pensioners.

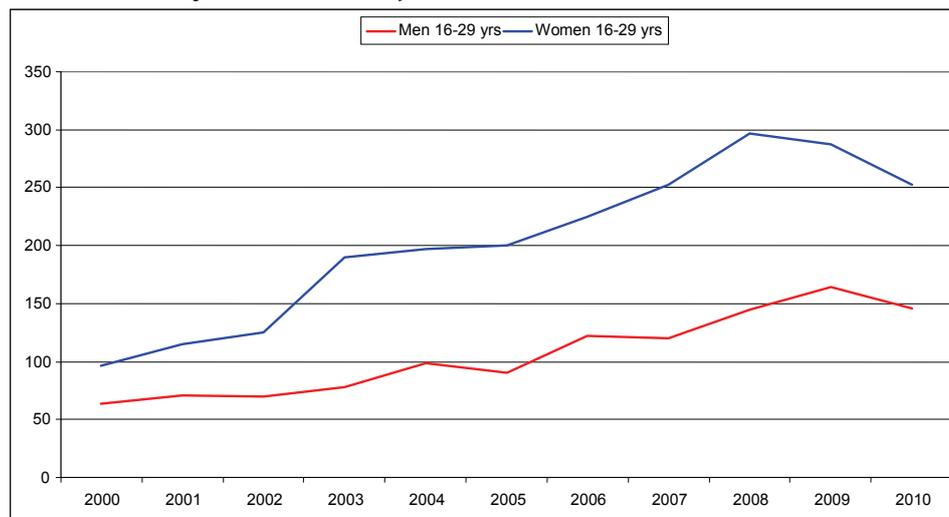
Other Benefits

Rehabilitation Pension

Rehabilitation pension is granted by "Tryggingastofnun ríkisins" (the National Social Insurance Administration). Rehabilitation pension is payable by the same amount as disability pension, and largely the same rules apply as to disability pension with the exception that the rehabilitation pension will only be granted for a short period of time. Previously, rehabilitation pension would only be granted for a total of 18 months. As from 1 January 2010, it has in special circumstances been possible to be awarded rehabilitation pension for up to 36 months. Rehabilitation pension may be granted when (1) it is unclear to what extent a person's work capacity will be reduced due to illness or as a result of an accident; (2) a satisfactory rehabilitation plan has been drawn up aimed at helping a person back to work; and (3) explicitly defined ways of maintenance have been exhausted. Rehabilitation pension is consequently a support scheme for active rehabilitation and not a confirmation of disability. If the grantee does not comply with the rehabilitation plan, the rehabilitation pension may be

withdrawn. It is the idea that the pension contributes to motivating the recipient to be in charge of his part of the rehabilitation plan.

Figure 4.4 Number of young recipients of rehabilitation benefits aged 16-29 years in Iceland, 2000-2010



Source: The Labour and Welfare Service.

The number of young recipients of rehabilitation benefits in Iceland has increased steadily since 2000. It is clear that there were far more young women than young men drawing such benefits in that period. In 2000, there were 96 women aged 16-29 years receiving rehabilitation benefits, while the number had increased to 287 in 2009. In that period, the number of men in the same age group receiving rehabilitation benefits increased from 64 to 164. The increase that we observe did not only take place among youth in the Icelandic population, but also among the population in general. Such an increase may partly be explained by a connection with the rehabilitation pension being a far more favourable financial scheme than the social insurance fund's sick-pay scheme, unemployment benefits or municipal financial support. The drop from 2009 to 2010 may be connected with a tightening of the granting of rehabilitation pension having taking place.

Disability Pension

Disability pension (uførepensjon) based on reduced working capacity due to illness or disability is granted by "Tryggingastofnun ríkisins" (the National Social Insurance Administration). A supplementary pension will be granted by the wage earners' pension fund. If there is some probability that the person in question will be able to return to work, temporary disability pension (1-5 years) will be granted, but otherwise permanent disability pension will be granted. This is conditioned on the claimant having been in regular work and no longer being able to carry out this work for medical reasons. The first three years the lack of working capacity is evaluated on the basis of that person's actual work, but after that in general.

Financial Social Assistance

Financial social assistance is part of a society's economic safety net and is to ensure the livelihood for people who for various reasons are unable to provide for themselves. Financial social assistance may be an income security for young vulnerable groups that do not qualify for social insurance benefits or who lack jobs. This type of financial assistance will only be granted when other options have been exhausted. The benefit is administered by the local authorities, and in Iceland the individual local authorities decide the amount of the individual benefits of the social assistance fund and furthermore how to define the minimum incomes on which the benefits are based. The Social and the Social Insurance Administration have published instructions as to how the local authorities are to handle this task, and most of the local authorities comply with these instructions.

Financial assistance is an estimated benefit that is granted after an individual needs-testing. The Social Service must perform a specific evaluation of which costs are necessary to ensure the applicant a proper livelihood.

"Kvennasmiðjan"

"Kvennasmiðjan" was established in April 2001. It is a joint project between "Velferðarsvið Reykjavíkurborgar" (the Social Service in Reykjavik) and "Tryggingastofnun ríkisins" (the National Social Insurance Administration). "Kvennasmiðjan" is a rehabilitation initiative for single mothers who have had problems with gaining a foothold in the labour market and/or in a

school due to health and/or social problems. The aim of this programme is to improve the participants' quality of life and to provide support towards a professional initiative or further studies after concluded rehabilitation. The rehabilitation programme consists of self-boosting, practical and creative activities for a period of 18 months. The programme aims among other things at enhancing participants' options in the general labour market and at gaining better control of their financial situation. Studies may give points in further education. Finally, participants are given a course in practical guidelines for how to apply for jobs or continue studying. The participants receive rehabilitation pension from "Tryggingastofnun", while "Velferðarsvið Reykjavíkurborgar" pays for the education.

Chapter 5

Denmark

In Denmark, as in many other countries, the financial crisis gave cause for concern in the labour market and highly influenced the Danish labour market model – the "flexicurity model". The financial crisis contributed to an increase since 2008 in the number of unemployed people under the age of 30 years. One of the aims of the Minister for Labour is thus to reduce the number of young unemployed people under 30 years as much as possible. To counteract the financial crisis and stabilize the financial sector, the Government intervened and pursued an expansive economic policy. A tax reform was introduced as from January 2010; public investments were increased; pension funds were released; and public subsidies were granted towards housing improvements. The purpose was to boost demand and reduce the unemployment rate and recession in Danish economy.

The Danish labour market model – the "flexicurity model" – plays an important part in the adaptation of society to the altered market conditions. The model consists of three different elements: a flexible labour market; a social safety net; and an active labour market policy.

The first element of the model – a flexible labour market – concerns enterprises' possibilities of adjusting the number of employees by way of flexible employment and dismissal rules, resulting in Danish enterprises being willing to run risks to a relatively high degree when it comes to employing new labour. Furthermore, the enterprises are able to adapt much quicker to altered market conditions which in turn made the labour market much more flexible during the financial crisis.

The second element of the model – the social safety net – includes a number of social benefits such as "unemployment benefits" and "cash assistance". The relatively high amounts granted to the individual wage earner, provides financial security in the event of a job change. This probably entails that employees are more willing to take on a job that implies a high risk of dismissal.

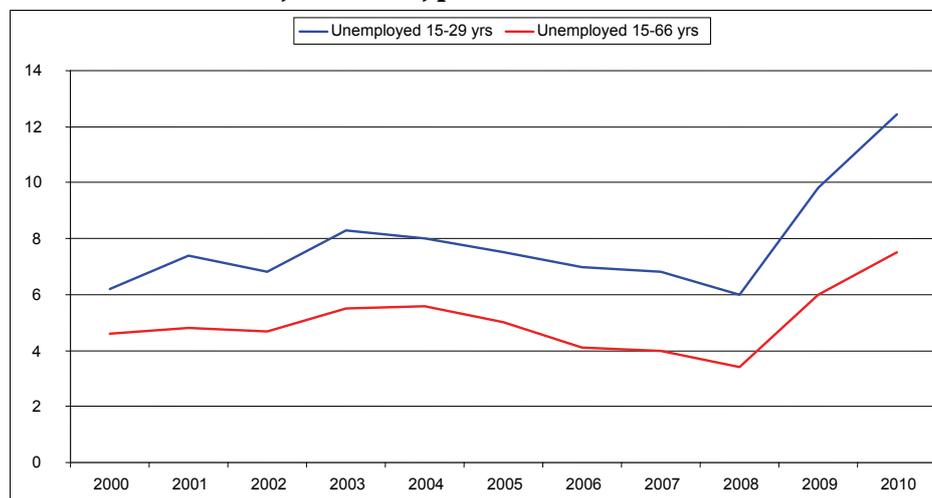
The third and last element of the model is the active labour market policy, which is to ensure that the authorities actively help the unemployed back in work. The active labour market policy consists today primarily of

contact and activation processes. Recipients of daily cash benefits, cash or start assistance have a right and an obligation to participate in regular meetings at their job centres and to accept offers of activation.

Youth Unemployment in Denmark

The Danish unemployment rate has for the past 10 years held a position approximately in the middle compared with the other Nordic countries. The unemployment rate in the population generally, and among youth especially, also increased rapidly in Denmark in connection with the financial crisis. In 2010, the unemployment rate in the age group 15-29 years was 13 per cent, whereas it in 2008 was 6 per cent. In all age groups as a whole (15-66 years) the unemployment rate was 7.5 per cent in 2010, whereas it was down to 3.4 per cent in 2008. Although the unemployment rate in Denmark in general is low, there are also here large differences in the youth unemployment rate and the unemployment rate in the entire population. In the other Nordic countries, the unemployment rate flattened off in 2009, whereas it continued rising in Denmark.

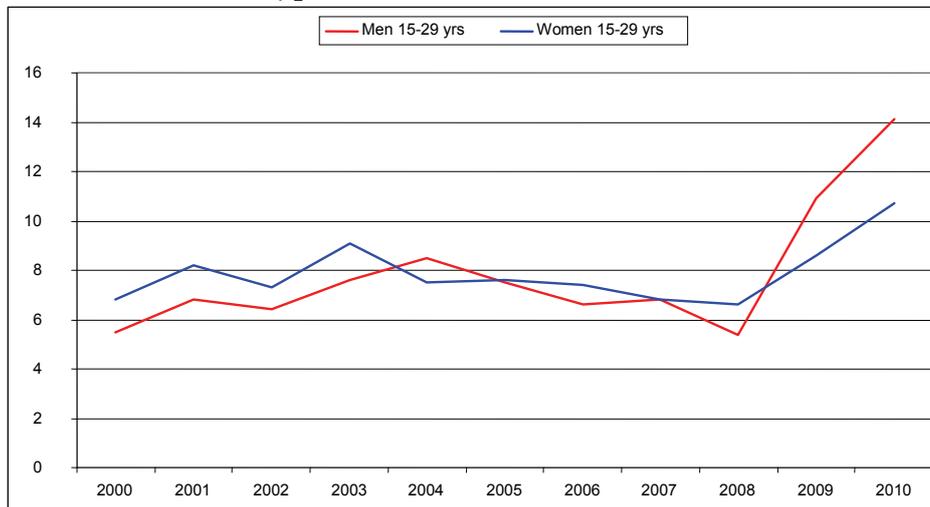
Figure 5.1 Registered youth unemployment (15-29 years) compared with the unemployment rate of the 15-66-year-old population in Denmark, 2000-2010, per cent of the labour force



Source: Labour Market Survey, Statistics Denmark.

Youth unemployment has been relatively evenly broken down by gender in Denmark (cf. Figure 5.2). For the majority of the period from 2000 to 2008, the unemployment rate was slightly higher among women than among men. However, we see that this image changed with the financial crisis. The unemployment rate among young men went from 5.4 per cent in 2008 to 14 per cent in 2010. The unemployment rate among young women also increased in that period from 6.7 per cent to 11 per cent. As in the other Nordic countries, the financial crisis thus affected men the most.

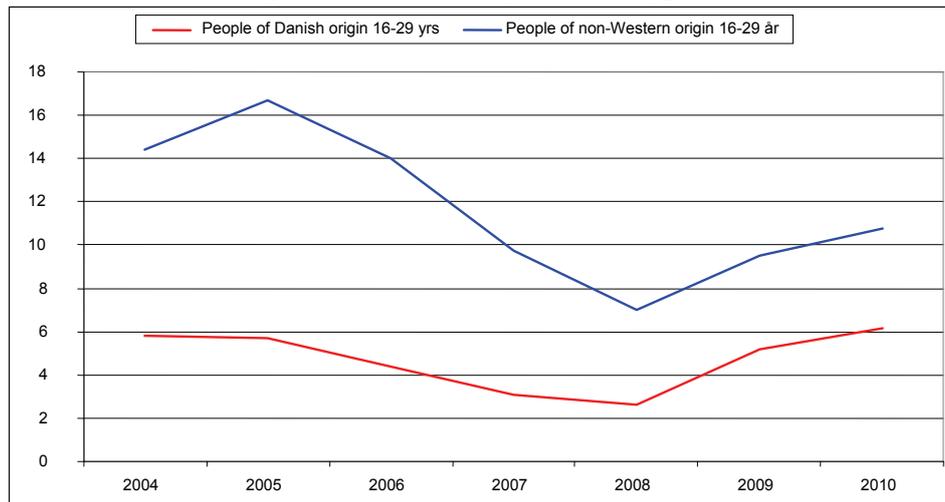
Figure 5.2 Youth unemployment broken down by gender in Denmark, 2000-2010, per cent



Source: Labour Market Survey, Statistics Denmark.

In Denmark, there were large differences in the unemployment rate among youth of non-Western origin compared with youth of Danish origin (cf. Figure 5.3). In 2004, the youth unemployment rate in Denmark was extremely high. The unemployment rate among young non-Westerners was then 14 per cent, while it among Western youth was only 5.8 per cent. Here it thus appears that there is a considerable difference between the groups. This difference increased up until 2005, but from then on the difference in the unemployment rate across ethnicity has decreased considerably. This is due to a successful initiative of getting non-Western youth in work at the same time as this group was not hit any harder by the financial crisis than was the group of youth of Danish origin.

Figure 5.3 Registered unemployment among Danish-born and non-Western youth in Denmark, 2004-2010, per cent

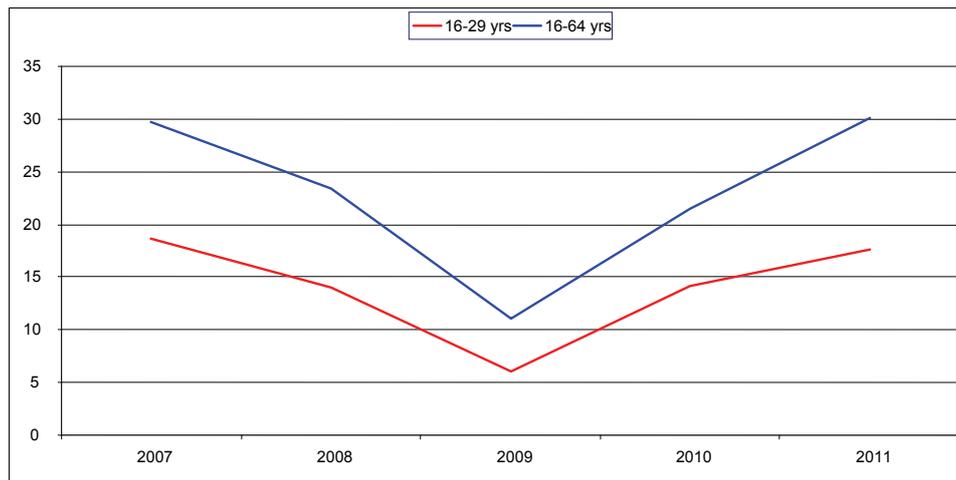


Source: Jobindsats.dk.

In March 2011, the long term unemployment rate¹ among youth amounted to 17.6 per cent of all unemployed between 16 and 29 years as against 6.0 per cent in 2008 (cf. Figure 5.4). For the population as a whole, the rates were 30 per cent in March 2011 and 11 per cent in March 2008, respectively. Although the long term unemployment rate increased in the past three years, it is still at a low level, especially when compared with the levels from the beginning of the 1990s.

¹ A long term unemployed is defined as a person having been unemployed for at least 80 per cent of the time for the past year. The statistics show long term unemployment for the month of March in the given year.

Figure 5.4 Share of long term unemployed of unemployed broken down by age in Denmark, 2007-2011



Source: Jobinsats.dk.

Labour Market Policy in Denmark

Danish labour market policy focuses highly on active initiatives. All recipients of public support in the form of daily cash benefits, cash assistance or start assistance have a right and an obligation to accept offers of active initiatives. The initiatives are meant to result in the individual clarifying and improving his competencies, participating in an active initiative, completing an education or finding work. The aim is to ensure that the unemployed takes the shortest possible way to work or education.

Danish labour market policy is laid down centrally by the Government and the Folketing. The Minister for Labour has the overall responsibility and lays down the framework by way of legislation, financial incentives and national IT tools. Four work regions follow up on the results of the work carried out by 91 job centres in Denmark. There is a systematic dialogue between the work regions and the job centres.

Danish authorities set great store by taking measures by way of the Danish labour market policy in respect of vulnerable groups in the labour market. Such measures are carried out through the local job centres and are laid down by "Lov om en aktiv beskæftigelsesindsats" (Act on Active

Employment Measures). Initiatives according to this Act is in principle the same for all unemployed, irrespective of age, level of education, ethnicity or any problems apart from being unemployed (including problems that can characterize a person as being vulnerable). Although the legislation and the measures as such are not aimed at vulnerable people or youth, the initiatives also serve unemployed people who have trouble finding or keeping a job. The initiatives provide a close, individual and flexible contact and follow-up that supports individuals in their transition to work.

Since 2007, one of the Minister for Labour's main goals has been to reduce the unemployment rate among youth. Besides getting youth in work, focus is also on the value of education and training in that education in the long run results in a closer contact with working life.

When the unemployment rate began rising in the autumn of 2008, young people were affected the most. In addition to the already existing attention to the young unemployed, an agreement was concluded by the Government (the Left Wing and the Conservative party) and the Social Democrats, the Danish People's Party and the Radical Left aimed at providing better opportunities of an active and goal-oriented measure to provide young people with jobs and education. The agreement, "More youth in education and work", was concluded in November 2009 (Ministry of Labour, 2009). The aim was to help young people with an education to find work, and to assist young people with no education to get started in education or to find a job with educational perspectives.

The agreement – More youth in education and work – includes among other things:

Active offers to young people down to 15 years: It is the aim that young people with no education or job are not left to themselves, but provided with the possibility of getting out in the ordinary labour market to learn to be in a work place.

Reading and writing tests and reading and writing courses: This offer is aimed at providing young people with poor competencies with the possibility of partaking in education and work.

Better coordination between authorities: The coordination must ensure better data exchange so that young people do not "vanish" among the various authorities.

"At-once-offers" to 18- and 19-year-olds: The job centres must give this target group an early and intensive offer.

Mentoring support: If it is estimated that a young person is in need of extra support to get started in education, job centres may offer mentoring support.

Establishment of the "National Youth Unit": under the auspices of the labour administration a Youth Unit must be established. The unit is to assist job centres in the preparation of the measures aimed at youth in which the road to education is in focus.

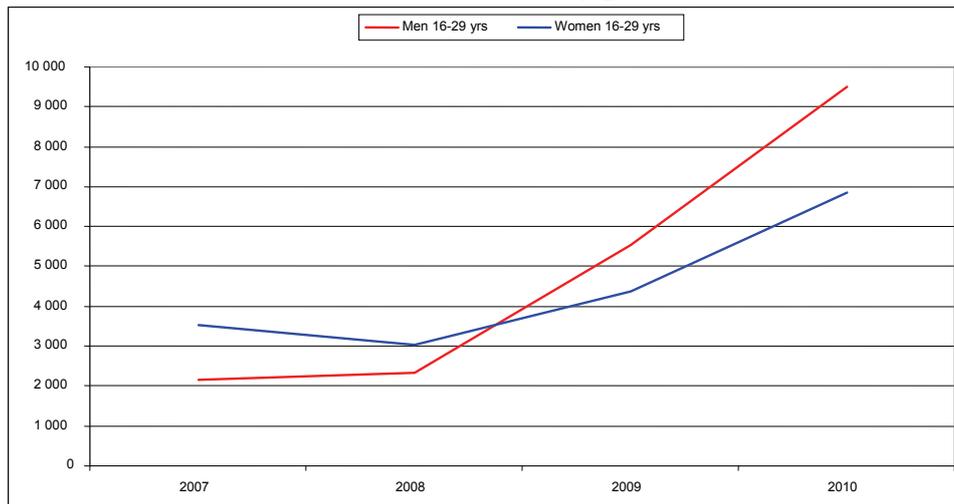
Entitlement and Obligation to Accept Participation in a Measure

Daily cash benefit recipients under the age of 30 are before 13 weeks of combined unemployment entitled and obliged to participate in one of the following measures: "Guidance and upskilling", "Work practice" or "Subsidized employment". Each time a person has drawn daily cash benefits for a total of six months, he is (as a rule) entitled and obliged to participate in a new measure. The first measure must continue for at least six months. The same rules apply to people under the age of 30 who draw cash or start assistance. One must, however, have drawn cash or start assistance for a combined period of 13 weeks in order to be entitled to the first offer of a measure and for a combined period of six months to be entitled to the next measure offer (Lov om en aktiv beskæftigelsesindsats, SS 84-85, 89, 91a, 92 and 96, (Act on Active Employment Measures).

Labour Market Initiatives

In Figure 5.5, it appears how many men and women of the age group 16-29 years who have participated in labour market initiatives in Denmark for the past four years. The curve follows the unemployment curve (cf. Figure 5.2). There were more young women in labour market initiatives up to 2008. In 2010, there were, however, far more men than women in this kind of initiative. From 2008 to 2010, the number of young men in labour market initiatives increased from 2 300 to 9 500. In that same period, the Labour Market Survey unemployment rate among young men increased from 5.4 to 14.1 per cent. The share of women in labour market initiatives also increased from 3 000 in 2008 to 6 900 in 2010. The Labour Market Survey unemployment rate among young women increased in that period from 6.7 to 10.7 per cent.

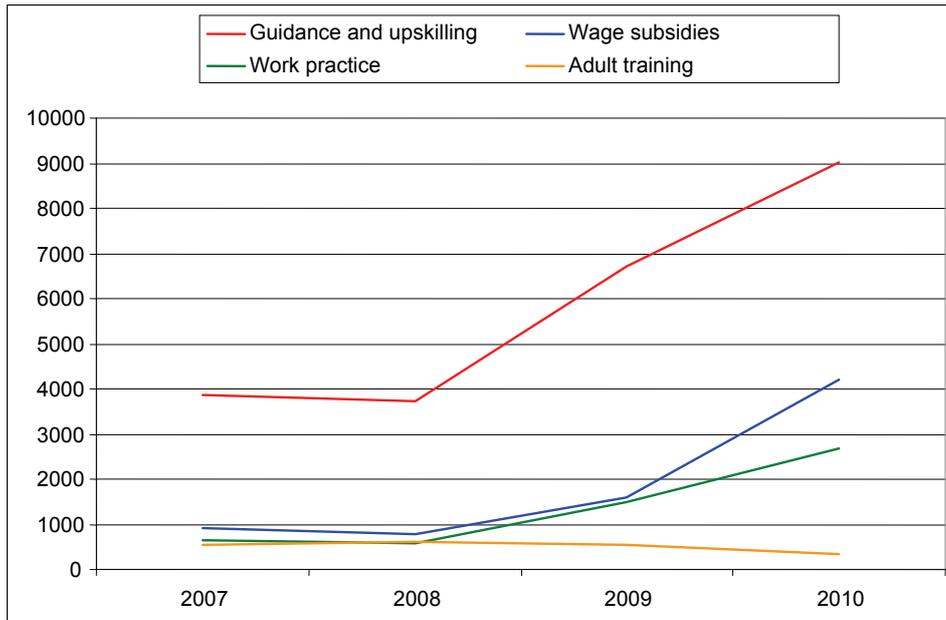
Figure 5.5 Number of Danish youth between 16 and 29 years in labour market initiatives broken down by gender, 2007-2010



Source: Jobindsats.dk.

From Figure 5.6 it appears that in particular guidance and upskilling are used as an initiative in respect of youth. From 2008 to 2010, the number of young unemployed people receiving guidance and upskilling increased from about 3 700 full-time places to 9 000 full-time places. In addition, the use of business-oriented initiatives in the form of wage subsidies and work practice has increased since 2008.

Figure 5.6 Number of young people (16-29 years) partaking in various labour market initiatives in Denmark, 2007-2010



Source: Jobindsats.dk

Individual Contact Period

An individual contact period implies that an individual and flexible contact period be prepared, in which both the individual's wishes and qualifications and the needs of the labour market are taken into consideration. Individual dialogues (job dialogues) form part of the period in which focus is on job and job seeking and further contact is planned. Job dialogues must take place each time a person has received benefits for a total of 3 months. As to daily cash benefit recipients under 30 years, the first job dialogue must take place before a person has drawn benefits for a total of one month. In respect of youth under the age of 25 with no education, the job centre must assess whether or not a person will be able to receive education on ordinary terms.

Job Plan

Unemployed people may have a job plan prepared stating how their possibilities of finding work in the ordinary labour market may be improved. According to law, a job plan must be prepared for people participating in the following kinds of measures: Guidance and upskilling, work practice and subsidized employment.

Guidance and Upskilling

In line with the labour market legislation, unemployed people are entitled to a short period of guidance and upskilling. The aim may for example be to acquire significant qualifications to be able to participate in the labour market by way of for example language courses. The main aim is to uncover and develop professional, social and personal competencies, so that it becomes easier for the person in question to find work.

Self Chosen Education

Recipients of daily cash benefits may participate in self chosen education or training for up to six weeks. It may be in secondary, tertiary or higher education. For people who have not reached the age of 25 years, education must take place within the first six months of their unemployment period. For people who have reached the age of 25 years, the education must take place within the first nine months of the unemployment period.

"Practical Training"

If an unemployed person lacks competencies, "practical training" may contribute to building up competencies. In principle, the unemployed can participate in "practical training" for four weeks. Cash benefit recipients who have for example no work experience can participate in "practical training" for a maximum of 13 weeks. That also applies to people who have problems other than being unemployed. People with reduced working capacities may have the period prolonged. "Practical training" may be used to build up and develop professional competencies, but also social and personal competencies may be improved. This implies that a person can acquire qualifications that are targeted at a specific job, and that the person for example can develop his interpersonal skills or become better in other social contexts. For young people with no education, "practical training" may

inspire them to commence an education because they find out how it is to work in a certain type of job.

Subsidized Employment

The purpose of employing an individual with wage subsidies is that that individual gets professional and social training or re-training. As a rule, a person must have been unemployed or have drawn benefits for a total of six months or more to be able to become employed with wage subsidies. This measure usually runs for a maximum of one year. The purpose of becoming employed with wage subsidies is to get ordinary employment. The target group for wage subsidies is people with or without education that are in need of improving their qualifications before becoming employed on ordinary terms.

Subsidized Technical Aids

The purpose of granting subsidies towards technical aids is to enable individuals to participate in measures such as "practical training" or "subsidized employment". Subsidies may be granted towards for example teaching materials, tools and minor work place adjustments. For people with reduced working capacities, subsidies may also be payable towards personal assistance. The technical aids must contribute to the person being able to perform his tasks and to complete the measure despite lack of competencies or reduced capacities.

Mentoring

A person who begins in an active initiative or is employed in ordinary terms and who is in need of support may have a mentor assigned to him. The mentor may be someone who is already employed in the work place or a consultant from outside and able to assist in many different kinds of tasks. Firstly, a mentor can help the newly employed person with his work. This may be help to learn the work, to organize his working day and to learn to receive feed-back regarding his performance. Secondly, a mentor can help with social or personal matters, such as participation in lunch breaks, respecting agreements and attending meetings. Thirdly, a mentor's tasks may be to reply to questions that are not directly connected with the work place but which are significant to a person's possibilities of being able to adapt to a work situation. This may be getting help to get up on time in the

morning or seeing a doctor due to health problems that may otherwise develop into illness (and ultimately to absence from work).

The purpose of mentoring is to ensure that people remain in initiatives, activities or ordinary employment. Subsidized mentoring exceeds what is expected by an employer in connection with employment. Wage costs concerning the employee or an external consultant who takes on mentoring are covered. Subsidies may also be granted towards education of employees acting as mentors.

"Flexi Job"

The purpose of "flexi jobs" is that people with considerably and permanently reduced working capacities get the opportunity to remain in the labour market. In a "flexi job", employment takes place on normal wage and employment terms and is in principle full time. The employer must in connection with the employment make the necessary adaptations, for example in the form of reduced working hours. The local authorities grant wage subsidies to the employer as a compensation for the adaptations. Various adaptations may be that a person is employed full time but works at a reduced working capacity or is employed part-time and works at full working capacity.

Before a person can be offered a "flexi job", all possibilities of rehabilitation, work capacity assessment and redeployment in unsubsidized work must be exhausted. The reduced working capacity must prevent ordinary employment in all types of work. It is decisive to the assessment what a person can or cannot actually manage. It is thus not solely a person's previous job that is taken into consideration. "The collective agreements" determine wage level and working conditions.

Income Security in Case of Unemployment

Daily Cash Benefits

Unemployed individuals who are members of an unemployment fund (a-kasse) can draw daily cash benefits if they sign up as looking for work at the job centre, have not become self-caused unemployed and comply with the employment and availability requirements. The employment requirement implies that a person must have worked for a total of 52 weeks in the past three years. As to part-time ensured members, the requirement is 34 weeks.

Members are also entitled to daily cash benefits if they become members of an unemployment fund after having completed a vocational training course of at least 18 months. Up until 2010, there were special rules concerning youth under the age of 25 when it comes to type and level of benefits.

To meet the availability requirement one must: 1) be registered with the job centre as looking for work; 2) create, have approved and currently update one's CV at jobnet.dk; 3) be domiciled and live in Denmark; 4) be able to take on work at one day's notice; 5) actively apply for all work to which one is qualified; 6) participate in meetings and dialogues called by the job centre and the unemployment fund; 7) actively apply for jobs; 8) participate in activities and measures that are stated in one's job plan. The unemployment fund estimates whether or not a member meets the availability requirement.

Daily cash benefits are payable for two years (the daily cash benefit period) in a period of three years (the reference period). This rule only entered into force on 1 July 2010. Before that daily cash benefits were payable for four years in a period of six years.

Cash Assistance

Individuals who are not insured against unemployment and do not have other ways of supporting themselves and their families can apply for cash assistance in case of for example unemployment. To be granted cash assistance one is required to have lived in Denmark for at least seven years out of the past eight years. In addition, one must be available for work which involves that one must exhaust all options of finding work and must accept job and training offers. In connection with the calculation of cash assistance, any spouse's income and any joined property are taken into consideration.

For people claiming cash assistance only on account of unemployment, the same rules governing "availability" apply as for daily cash benefit recipients. As to youth under the age of 25 years, the cash assistance rate is lower, which is meant to motivate them to educate themselves and work. Cash assistance is the lowest financial safety net in Denmark, and there is consequently no time limit as to the duration of this kind of support.

Start Help

People who are unable to provide for themselves and their families and do not live up to the cash assistance requirement of having lived in Denmark for seven out of the past eight years, may apply for start help. The amount

depends on a person's age, whether he is a provider and on any spouse's or cohabiter's income. People who draw start help must be available for work in the same way as those drawing cash assistance.

Self-Supporting Unemployed People

People who are unemployed, but who do not draw any kind of support may also participate in initiatives and receive offers such as "guidance and upskilling", "practical training", "employment with wage subsidies", "subsidized technical aids" and "mentoring".

Other Benefits

Retraining

Retraining is activities and financial support contributing to people with reduced working capacities being able to remain in or get into the labour market and becoming self-supporting. Pre-retraining applies to activities taking place before it has been decided which trade one wishes to take up. The activities are organized in a way that takes into consideration a user's qualifications, needs and wishes as to future work. At the same time consideration must be taken as to whether or not the possibilities of getting work are good.

Retraining is a combination of the active initiatives described above. Furthermore, all measures across the Ministry of Employment's legislation may be used according to relevance. Retraining must be planned in such a way that a user takes the shortest possible way back to work. This measure must as a rule run for no more than five years. If education or training forms part of the retraining, it must be concluded in the prescribed period of time.

Retraining is different from rehabilitation. Rehabilitation first and foremost takes a person's health into consideration. The aim is to improve a person's health as much as possible to ensure that he obtains the best possible quality of life. Retraining first and foremost aims at enabling a person to get back to work and to support himself.

Chapter 6

Finland

In Finland, the employment rate in the population of working age has traditionally been lower and the unemployment rate higher than in the other Nordic countries. The Finnish Government's (2007-2011) goal has been to reduce this difference by 2011. Due to the international financial crisis, it has been difficult to reach that goal. The Government has instead in the shorter run concentrated on creating a new basis for growth and has at the same time tried to take the edge off the immediate negative consequences of the crisis.

The Finnish production slumped towards the end of 2008 and in the first half of 2009. In 2010, the unemployment rate increased to 9.5 per cent. In Finland, the labour market is segregated, as women often work in the public sector and services and men work in the private and competition exposed trades. It is therefore not surprising that the crisis hit men harder than it did women. During the last half of 2010, the Finnish economy quickly recovered from the financial crisis. By the end of the year, the economic growth was 3.2 per cent. The improvement of the employment rate was, however, not quite as remarkable. In 2010, the employment rate of the entire population of working age (15-64 years) was 68 per cent, which is 2.8 percentage points lower than in 2008.

During the recession, the Finnish authorities have set great store by controlling youth unemployment, not least due to experiences gained during the financial crisis in the 1990s when youth unemployment had consequences for the most affected year groups for several years to come. Measures have to a high degree been concentrated on the education sector by increasing the number of places in the second stage after basic school and the number of vocational studies in the form of "learning agreements". In 2010, the budget estimate for youth increased steeply in both the labour and business administration and the education administration. As a result of these supplementary appropriations, 15 000 young people started in work, education or initiatives to help them by paving the way for them into the labour market.

The "Youth Act" has been altered with a view to making it less complicated for youth to get activated by way of practice, and to increase

the cooperation in matters youth between public actors. Especially the efficiency of outreaching youth work has been in focus. According to the law amendment, each municipality should have a network consisting of everyone that provides services aimed at youth. An important measure to prevent youth unemployment taken by the labour market administration is the "Sanssi card" that was put in use in May 2010. The card makes it possible for newly educated people under the age of 25 years to get wage subsidies for temporary jobs.

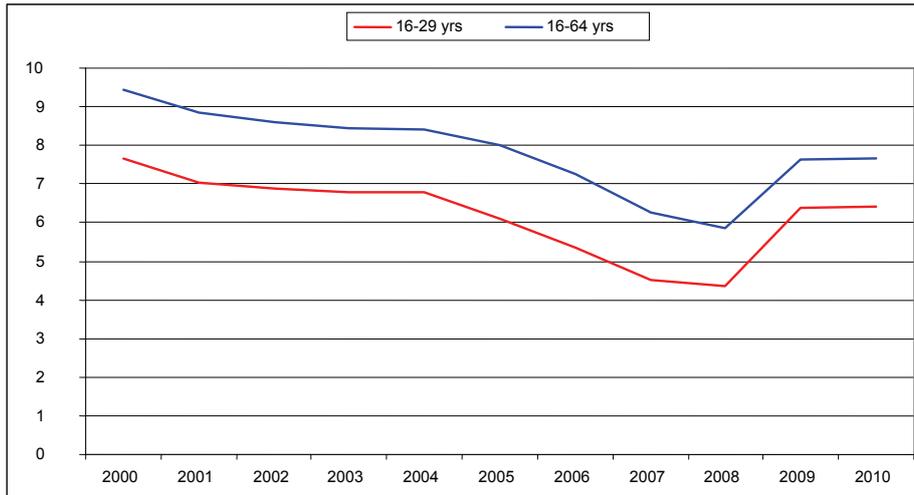
Youth Unemployment in Finland

Registered Unemployment Rate

Figure 1.1 shows that the share of registered unemployed during the entire period has been considerably lower in the age group 16-29 years compared with the entire population of working age. Here Finland differs from the other Nordic countries. A key explanation for this difference is an extended unemployment defence concerning the oldest unemployed people.

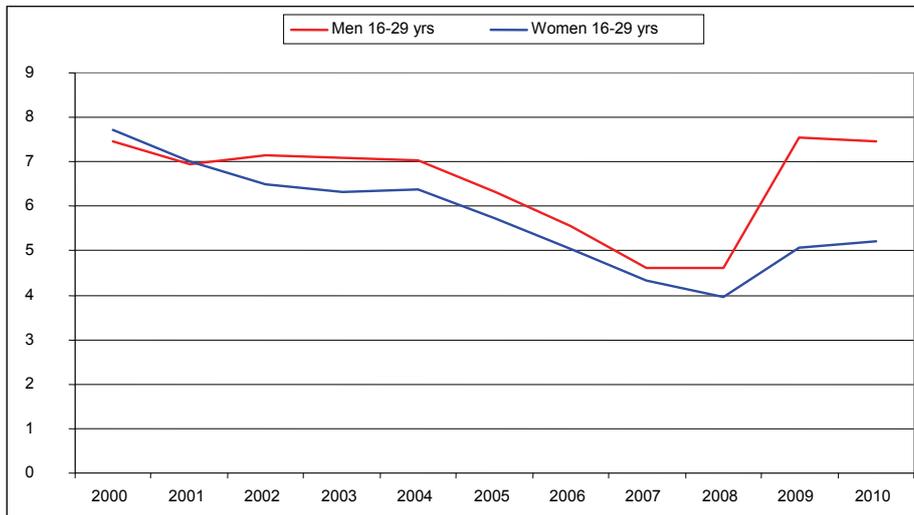
The unemployment rate among youth between 16 and 29 years was lower in 2010 (6.4 per cent) than at the beginning of the decade (7.5 per cent) (cf. Figure 6.1). It appears, however, that the trend for men and women differs considerably (cf. Figure 6.2). As a result of the financial crisis, the unemployment rate among young men increased in 2010 to the same level as in 2000 (7.5 per cent), while the unemployment rate among young women was 2.5 percentage points lower in 2010 than a decade before. What is special here is that the registered unemployment rate shows that youth unemployment in Finland is lower than the general unemployment rate. One of the reasons for this is that full-time students looking for work are not included in the registered unemployment statistics.

Figure 6.1 Registered youth unemployment (16-29 years) compared with the unemployment rate in the 16-64-year-old population in Finland, 2000-2010, per cent of the population



Source: Ministry of Employment and the Economy (ANM).

Figure 6.2 Registered youth unemployment in Finland broken down by gender, 2000-2010, per cent of the population



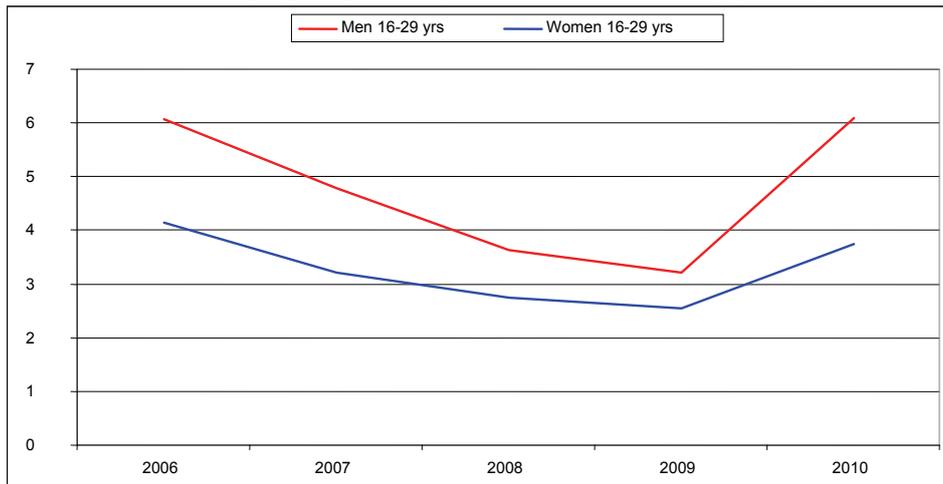
Source: Ministry of Employment and the Economy (ANM).

Long Term Unemployment

Figure 6.3 shows the development in the long term unemployment rate in Finland. To be long term unemployed one must have been continuously unemployed for at least one year. The Figure shows that the long term unemployment rate among youth has been quite low in the last half of the 2000s. If we look at both men and women as a whole, the share of long term unemployed of the unemployed decreased from 5.2 per cent in 2006 to 3 per cent in 2009. In comparison, it should be mentioned that corresponding figures for the entire population was 26 per cent and 16 per cent.

The low share of long term unemployed in the worst financial crisis year, 2009, was mainly caused by a large influx of newly unemployed, at the same time as the outflow from unemployment to employment was very small. In 2010, the share of long term unemployed youth increased quickly to the same level as in 2006. The relatively steep increase probably took place because the influx of newly unemployed people was low in this period. As a whole, statistics show that young people's possibilities of finding a job probably have not deteriorated very much after the financial crisis. The gender differences in the long term unemployment rate during the crisis years again show, however, that young men are more vulnerable than women. In 2010, the long term unemployment rate among young men was 6.1 per cent, whereas it was 3.7 per cent among young women. Corresponding figures for the entire population of working age was 21 and 19 per cent.

Figure 6.3 Share of long term unemployed (continuous unemployment for at least one year) of all registered unemployed in Finland of the age group 16-29 years broken down by gender, 2006-2010

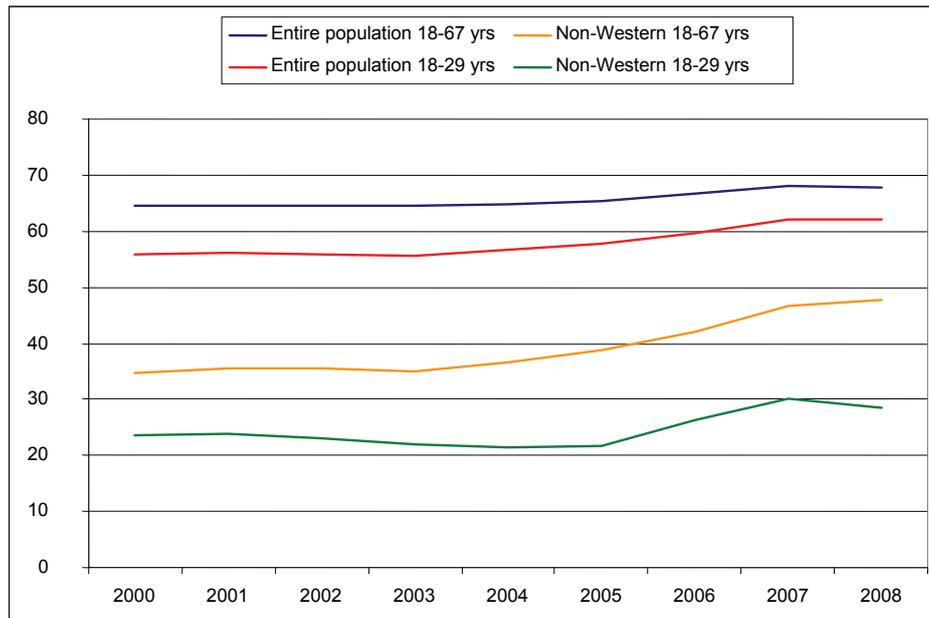


Source: Ministry of Employment and the Economy (ANM).

The Labour Market Situation among Immigrants

When comparing the labour market situation among immigrants with Finnish-born people one must take into consideration that Finland only became a net immigration country at the beginning of the 1990s when the country had just entered one of the most profound recessions in the history of the OECD countries. This among other things reflects itself in the labour market situation for immigrant from non-Western countries, and perhaps even more so when it comes to youth of immigrant origin.

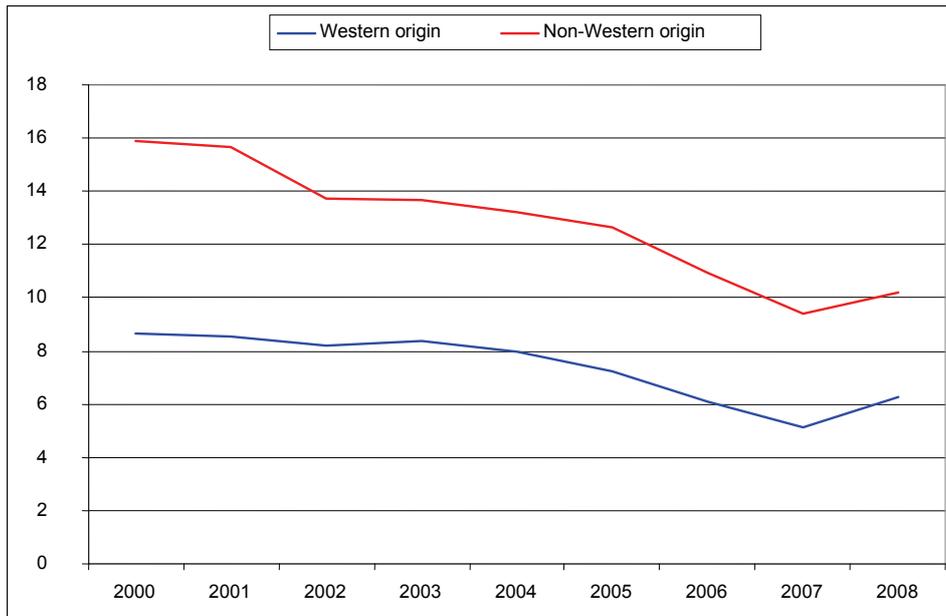
Figure 6.4 Employment rate of the non-Western population compared with the entire population at year-end, Finland, 2000-2008, per cent



Source: Statistics Finland, employment statistics.

The employment rate of the non-Western population really began to pick up in the middle of the 2000s. In that period, there was also an increase in the employment rate of the population in general, but this was considerably lower. Growth was less significant and eased off faster among non-Western youth than among the entire non-Western population (cf. Figure 6.5). At the same time, the unemployment rate in Finland declined steeply from 2004 to 2007, both among Westerners and non-Westerners (cf. Figure 6.4). As a result of the financial crisis, the unemployment rate among immigrants started to increase again in 2008.

Figure 6.5 Registered unemployment in per cent of the 18-29-year-old population broken down by nationality, Finland, 2000-2008, per cent



Source: Statistics Finland, employment statistics.

Active Labour Market Policy Initiatives in Finland²

Community Guarantee to Young People

The community guarantee to young people was introduced at the beginning of 2005 and still applies. The key elements of the guarantee are early intervention and an effective service process. The Employment and Trade Office (TE Office) draws up a jobseeker's plan together with the young unemployed jobseekers 17+ years that covers their needs of services. The

² The classification of the initiatives was altered in 2010. Time series have been changed to correspond to the new classification.

jobseeker's plan must be drawn up as quickly as possible after a young person has registered as a jobseeker. Besides, for each unemployed person younger than 25 years a specified jobseeker's plan must be prepared within three months after the person in question has become unemployed. The jobseeker's plan includes initiatives and services that the young person will be offered. For young immigrants, either an integration plan or an activation plan must be prepared.

Information, Guidance and Follow-Up

Jobseekers are entitled to various forms of offers that, apart from employment service, comprise choice of profession and career planning and information on choice of profession. At the beginning of the unemployment period, jobseekers prepare a jobseeker's plan in cooperation with the job centre. If the unemployment period is longer than five months, a binding jobseeker's plan will be prepared. Long term unemployed and other vulnerable groups will be guided by a service centre for labour, organized by the labour offices, the local authorities and the Social Insurance Institution of Finland (FPA). The service centre provides expert assistance from working life consultants, health and social workers and psychologists.

Employment Subsidies

Employment subsidies are subvention granted to employers for employment of unemployed people or as subsidies in connection with initiatives. By way of employment subsidized initiatives, the unemployed can be employed by the civil service and government bodies, local authorities, counties, or in the private sector with wage subsidies or other employment subsidies (such as start assistance).

Work Practice and Employment Training

Activation by means of labour market assistance comprises work practice and employment training. The TE Office can refer a young person who lacks vocational education and who draws unemployment benefits to work practice to gain experience from work. Employment training corresponds to work practice and is an initiative for people who either have a vocational education or have reached the age of 25 years. Work practice and employment training are meant to make it easier to get into the labour market. A person may be referred to work practice and employment training within the State, municipality, country, and other associations or in the private sector.

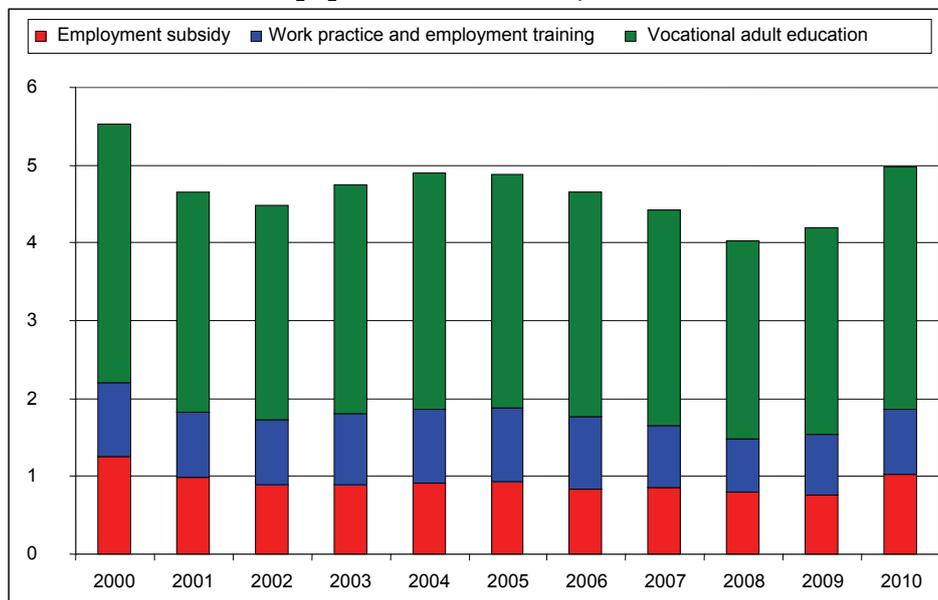
Vocational Education

Vocational adult education or vocational education is financed by the labour and industrial administration. It is intended for the unemployed and people who are at risk of becoming unemployed (have received a layoff notice). The purpose of the education is to attain knowledge about the tasks of working life. The education is intended for people who have turned 20 years. Vocational education is, in addition to the adult education centres, provided by vocational schools, colleges and private educational institutions.

Substitute Unemployment

Substitute unemployment refers to an agreement between employee and employer. The agreement implies that an employee is exempt from doing the tasks forming part of the employment for a certain period of time. At the same time, the employer commits himself to engage an unemployed person from a TE Office who is looking for work in the corresponding period of time.

Figure 6.6 Share of youth (16-29 years) in labour market initiatives in per cent of the population in Finland, 2000-2010



Source: Ministry of Employment and the Economy (ANM).

Figure 6.6 shows the development in the share of young participants between 16-29 years in labour market initiatives in relation to the age group. The Figure includes three main groups of initiatives: employment assistance, work practice and employment training and vocational adult education³. The majority of all youth who have been in active initiatives have participated in vocational adult education. The share of youth drawing employment assistance has in the entire period been somewhat higher than the share participating in work practice and employment training.

When comparing Figure 6.6 and Table 6.1 it is striking that the participation in active vocational initiatives has varied much less than the share of registered unemployed in the age group 16-29 years. In other words, the activation degree has for many years varied in the opposite direction in relation to the level of the unemployment rate. The activation degree was highest in 2007 and 2008 when the unemployment rate was at its lowest (cf. Figure 6.1). In 2009, the activation degree declined as a result of a high influx of unemployed people, but after a considerable effort to activate young people, the activation degree increased to 31.4 per cent in 2010. An interesting factor in the development is that young women in the entire period have participated in initiatives to a higher degree than men.

Table 6.1 Activation degree among youth of the age group 16-29 years in Finland, 2000-2010, per cent

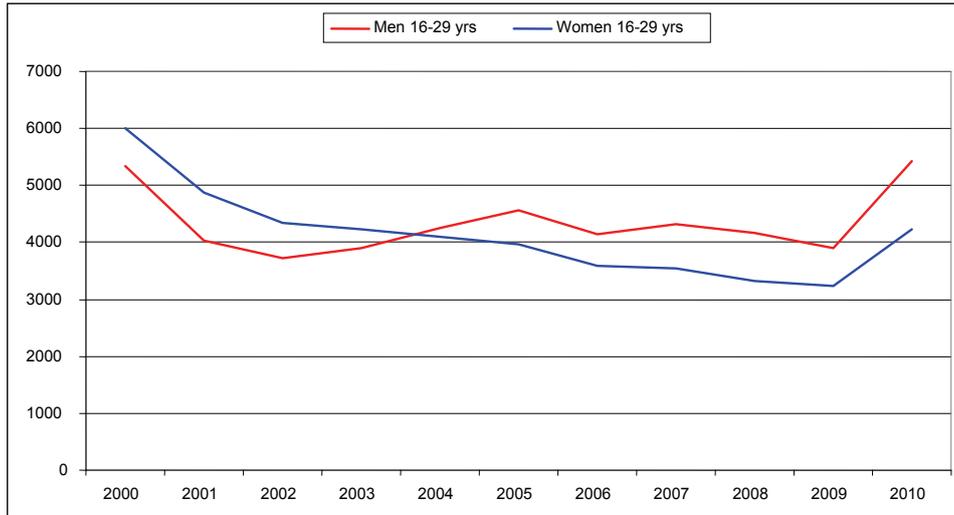
	Both genders	Men	Women
2000	29	27	31
2001	27	25	29
2002	27	24	30
2003	29	26	32
2004	29	27	32
2005	32	29	34
2006	34	31	36
2007	36	35	36
2008	35	34	37
2009	28	25	32
2010	31	29	34

Source: Ministry of Employment and the Economy (ANM).

³ Information, guidance and follow-up as well as employment in substitute unemployment has not been included due to lack of statistical data.

Figure 6.7 A-C Average number of youth in active initiatives broken down by gender in Finland, 2000-2010

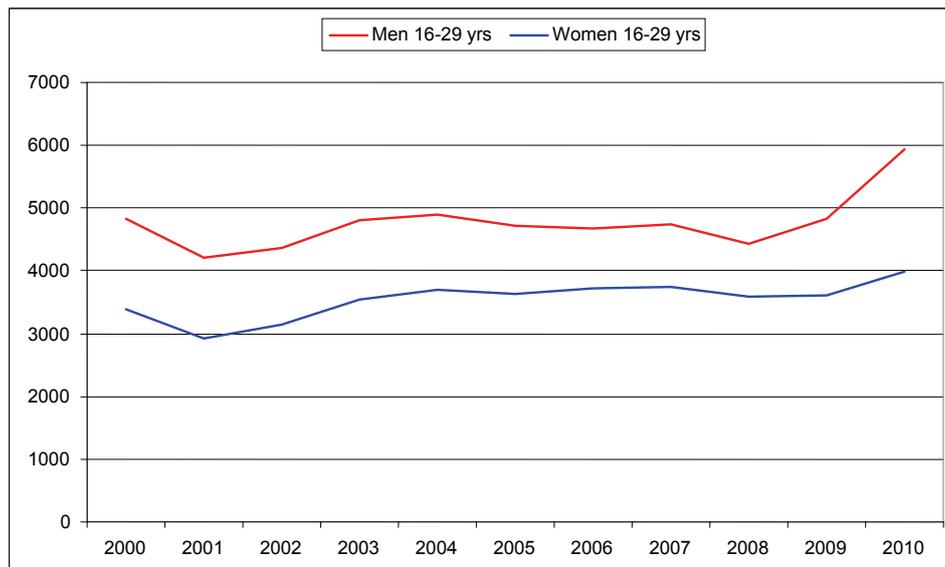
A. Employment assistance



B. Work practice and labour training



C. Vocational adult education



Source: Ministry of Employment and the Economy (ANM).

Figure 6.7 shows the development in the participation in various active labour market initiatives among men and women in the age group 16-29 years. It appears that the gender differences are very dissimilar according to which initiative one is looking at. Participation in vocational adult education has been dominated by men in all of the past decade. The effect of the financial crisis on the participation rate was also much larger among young men in comparison with women. This is not very surprising when one is familiar with the damaging effects which the financial crisis had on men's situation in the labour market. The initiative groups "employment assistance" and "work practice and employment training" seem to reflect each other. From the middle of the 2000s, the majority of participants in the programmes receiving employment assistance (financial compensation as wages) have been men, whereas the majority of the participants in work practice and employment training (financial compensation such as unemployment benefits and extra supplements) have been women.

Income Security in Case of Unemployment

Daily Cash Benefits

In Finland, the unemployed are guaranteed an income by way of daily cash benefits and labour market support. The daily cash benefit scheme consists of "basic daily cash benefits" and an earnings-related "daily cash benefit" (in the following: daily cash benefits). To be entitled to daily cash benefits, one must be at least 17 years of age and have registered as looking for work with the "Labour office", apply for full-time work and comply with the so-called employment requirement. To comply with the employment requirement governing wage earners, one must have worked for at least 34 weeks of which at least 18 must have been within the past 28 months prior to the beginning of the unemployment period. The "unemployment funds" are responsible for the earnings-related daily cash benefits. The "basic daily cash benefits" are granted to unemployed jobseekers who comply with the employment requirement and who are not members of an unemployment fund. The Social Insurance Institution is responsible for "basic daily cash benefits" and labour market assistance.

In 2010, the full basic amount of daily cash benefits amounted to EUR 25.63 (for a maximum of five days per week). The earnings-related daily cash benefits consist of a basic amount equalling the "basic daily cash benefits" and a merit amount. The amount is higher if the unemployed is providing for a child. The average compensation degree for lost income is about 58 per cent (2010). Daily cash benefits are payable for a maximum of 500 days (5 days per week).

Labour Market Assistance

Labour market assistance is the part of the unemployment protection that is closely connected with the vulnerable groups in the labour market. The purpose of the labour market assistance is to safeguard the livelihood of unemployed people looking for work and participating in employment-encouraging initiatives. To be entitled to the assistance, one must either have been unemployed and not be entitled to daily cash benefits due to non-compliance of the employment requirement, or one must have drawn "basic daily cash benefits" or earnings-related daily cash benefits for the maximum period of 500 days.

Youth between 18 and 24 years who lack a professional exam are also entitled to labour market assistance, but only under certain circumstances.

Young people can only draw assistance if they have a professional education or participate in employment-encouraging initiatives. Those without a professional education must not have refused to take on offered work or to participate in labour market initiatives or have neglected to apply for a relevant professional education. New-comers to the labour market must wait five months before they become entitled to labour market assistance.

Unlike daily cash benefits, there is no maximum time limit as to how long a person can draw labour market assistance. To increase the incentives among the long term unemployed to accept jobs or begin an education, the conditions governing labour market assistance were tightened as from 2006. The tightening implies that people in certain cases lose their entitlement to labour market assistance if they refuse to take on a job or begin an education. The entitlement may be re-obtained if a person has worked or participated in work-oriented initiatives for at least five months.

Full labour market assistance corresponds to the "basic daily cash benefits". Labour market assistance is, contrary to the "basic daily cash benefits", needs-tested. In needs-testing, the applicant's own income, as well as any spouse's income, is taken into consideration. The incomes must not exceed a certain amount. Unemployed people partaking in active initiatives initiated by labour authorities or in work activities such as rehabilitation are not needs-tested and escape waiting time. Any income from work earned during the period of unemployment is coordinated with the daily cash benefits and labour market assistance (adjusted "daily cash benefits").

Alteration Protection and Increased Unemployment Benefits

Alteration protection refers to a business model where it is endeavoured as quickly as possible to find new employment to employees under notice or employees who are threatened by unemployment. A considerable part of the alteration protection is to draw up an employment plan that replaces the jobseeker's plan. Those covered by the alteration protection are (under certain circumstances) entitled to an alteration supplement in the form of earnings-related daily cash benefits and "basic daily cash benefits". Both the daily cash benefit schemes may moreover be extended by 20, 100 or 200 days depending on the duration of the work, participation in employment-encouraging initiatives and whether or not the unemployment occurred due to financial or production reasons.

Income Security and Extra Supplements during Employment Initiatives

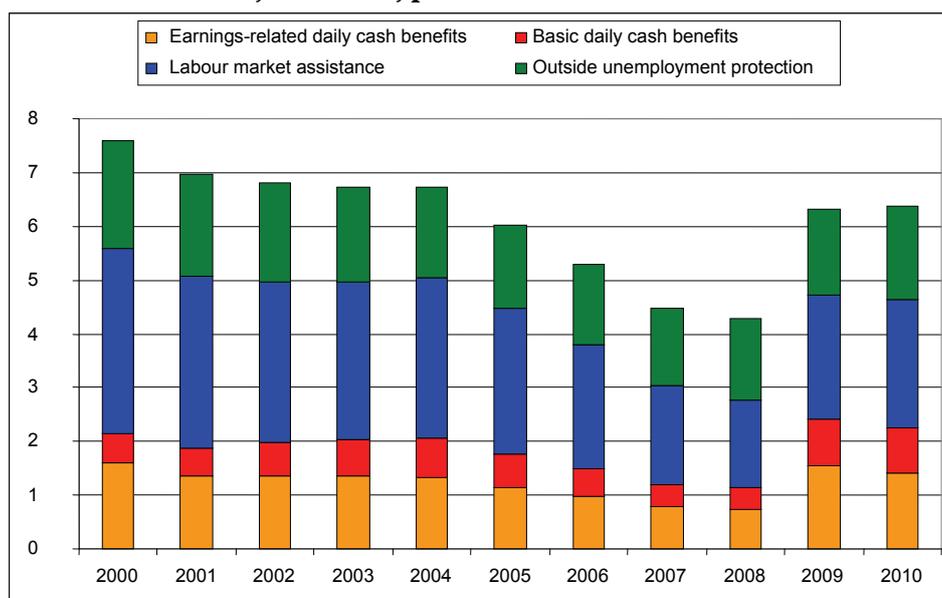
Income security during initiatives consists of the unemployment benefits to which a person would have been entitled if unemployed. Furthermore, alteration assistance, increased supplement and compensation for stay. Labour market assistance during activation periods is payable without needs-testing. As from 2010, the rules governing income security during active initiatives were altered. Among other things, the previously separate systems education daily cash benefits and education assistance were abolished. At the same time, the provision about maximum payment period for unemployment benefits was changed in that compensation days during active initiatives are now included in the 500 days. The statistics showing the number of people in active initiatives before 2010 have been changed so that they correspond to the new legislation.

Labour market assistance may also be granted in the form of travel contribution to people who are entitled to labour market assistance and have got permanent full time work (for at least 2 months) outside of their pending region. Travel contribution corresponds to the labour market assistance and is granted as the full amount plus a child supplement. Travel contribution is payable for a maximum of four months. Extra costs in connection with travel during education may also be compensated. Compensation for extra costs is payable at an increased amount to students participating in initiatives outside of their pending region.

Figure 6.8 and Table 6.2⁴ show how large a share of registered unemployed youth receives various forms of unemployment benefits. Finland differs from the other Nordic countries when it comes to the framing of the income security for the non-insured (i.e. do not comply with the employment requirement). According to the act on "income security for the unemployed", the Finnish labour market assistance is defined as an unemployment benefit. The labour market assistance differs from the municipal income assistance (social assistance). The rate of labour market assistance is to a lesser degree affected by a family's other income compared with the income assistance, while the activity obligation is stronger when it comes to the former.

⁴ The statistics in Figure 6.8 and Table 6.2 show an average situation of the year. Calculations have been made by converting replaced days throughout the year into person years. This implies that the number of days has been broken down into 258, which is the maximum number of days which a person is allowed to replace in a year (max. five days per week).

Figure 6.8 Registered unemployed people in per cent of the 16-29-year-old population broken down by unemployment benefits in Finland, 2000-2010, per cent



Source: Ministry of Employment and the Economy (ANM), Social Insurance Institution of Finland (FPA), Finnish Financial Supervisory Authority (FIVA).

In Table 6.2, the coverage of the unemployment protection is presented calculated in two different ways. The first coverage, A, shows how large a share of all full-time unemployed people is entitled to daily cash benefits from the unemployment insurance scheme ("earnings-related" or "basic daily cash benefits"). Coverage B takes into consideration all cash benefits in the unemployment protection scheme, including labour market assistance. The group "outside unemployment protection" represents registered unemployed people who are not entitled to unemployment protection due to waiting time at the beginning of the unemployment period, waiting period provisions as regards rejection of job offers or initiatives or due to the question of needs-testing.

Table 6.2 Coverage of the unemployment protection scheme in per cent of all unemployed in the age group 16-29 years in Finland, 2000-2010, per cent

	2000	2002	2004	2006	2007	2008	2009	2010
Earnings-related cash benefits	21	20	20	18	17	17	24	22
Basic daily cash benefits	7	9	11	10	9	10	14	13
Unemployment insurance, total(A)	28	29	31	28	27	26	38	35
Labour market assistance	45	4	44	43	41	38	37	37
Unemployment protection, total (B)	73	73	75	72	68	65	75	73
Outside unemployment protection	27	27	25	28	32	35	25	27
Total	100	100	100	100	100	100	100	100

Source: Ministry of Employment and the Economy (ANM), Social Insurance Institution of Finland (FPA), Finnish Centre for Pensions (PSC), Finnish Financial Supervisory Authority (FIVA).

The share receiving benefits from the unemployment insurance scheme (A) among full-time unemployed youth was at its highest (38 per cent) in the financial crisis year 2009 and at its lowest in the years 2007-2008 (cf. Table 7.2). This can mainly be explained by those becoming unemployed in times of recessions to a higher degree being people who come straight from working life and thus comply with the employment requirement. The share that drew some kind of unemployment benefits (B) was at its highest (about 75 per cent) from 2004 to 2009.

Other Benefits

Occupation-Oriented Rehabilitation and Financial Support during Rehabilitation

In Finland, occupation-oriented rehabilitation is assigned to several bodies. The Social Insurance Institution of Finland (FPA) and the Labour and

Welfare Administration are usually responsible for youth participating in occupation-oriented rehabilitation.

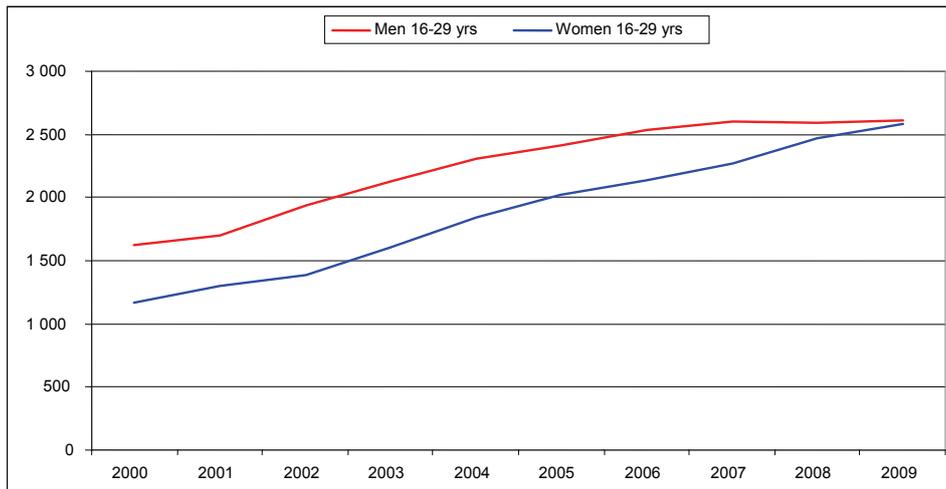
FPA is responsible for occupation-oriented rehabilitation as to people with reduced or considerably reduced working capacities due to illness or disabilities. Rehabilitation can consist of the following initiatives: vocational education or vocational training in order to preserve or improve working capacities such as rehabilitation examinations and work training; training aimed at preserving or improving working capacities; occupation-oriented basic education; retraining and further education; support towards business and/or vocational training and costly technical aids that disabled people need in order to carry out work or studies.

The employment service organizes services for the planning of occupation-oriented rehabilitation and draws up plans and solutions in relation to a users' health. In this connection, future work and education is in focus. The employment service can grant financial assistance to employers as a help towards rehabilitation in the work place in case injuries or illness arise in the work place.

Financial assistance falling under occupation-oriented rehabilitation is as a rule payable by the body preparing the rehabilitation. The amount of rehabilitation assistance usually corresponds to the sickness benefits to which the client would have been entitled according to the sickness insurance legislation, had he fallen ill. People drawing full disability or sickness pension are granted 10 per cent of the total pension amount as rehabilitation benefits.

Towards the end of 1999, a special rehabilitation scheme for youth came into force. The benefit is granted to disabled youth between 16 and 19 years to ensure occupation-oriented rehabilitation and to encourage employment. In accordance with the legislation, it was upheld that sickness pension can in principle not be granted to people under the age of 20 years. A condition for rehabilitation is that a personal study and rehabilitation plan be prepared in the young person's home municipality.

Figure 6.9 Number of young recipients (16-29 years) of rehabilitation benefits from the Social Insurance Institution of Finland, 2000-2009



Source: Social Insurance Institution of Finland (FPA).

The number of young recipients of rehabilitation benefits in Finland has increased evenly both among men and women for the past years (cf. Figure 6.9). In 2000, there were a little more than 1600 young men who drew this kind of benefit, whereas the number increased to 2600 in 2010. In that same period, the number of young women drawing rehabilitation benefits increased from 1200 to 2600. The number of women drawing this kind of benefit has also increased more than has the number of men, and consequently also the difference between the genders has decreased. The increase may first and foremost be explained by the new legislation governing rehabilitation benefits for youth between 16 and 20 years entering into force at the end of 1999.

There has been a large increase in the number of recipients of rehabilitation benefits among youth. The number of people entitled to rehabilitation benefits was almost tripled from the beginning of 2000 to 2005. The increase has occurred among youth. The number of recipients of ordinary rehabilitation benefits was reduced as from 2002 to 2007. During the financial crisis, the share of recipients of ordinary rehabilitation benefits has also increased, however.

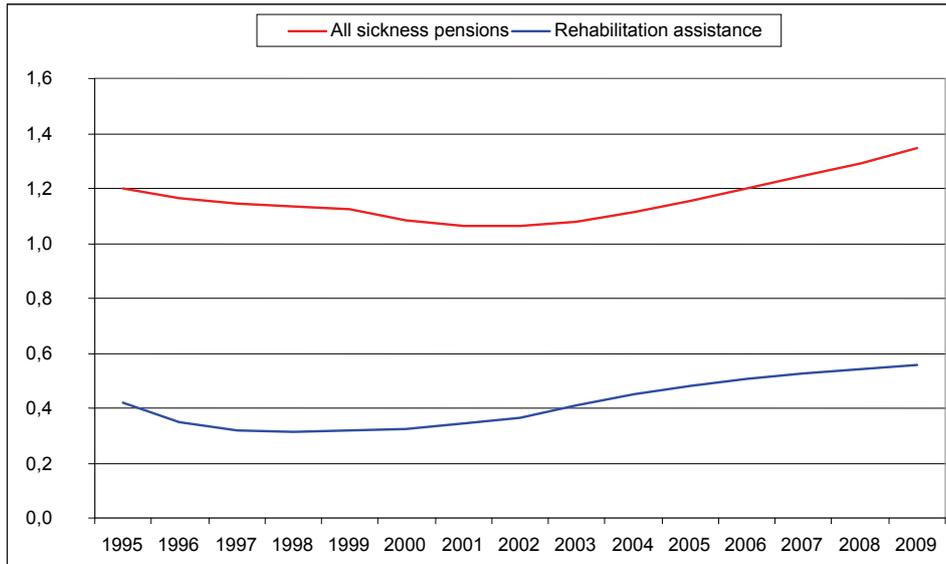
Rehabilitation Assistance

Sickness pension or rehabilitation assistance may be granted for a limited period of time. People who are permanently blind, incapable of moving about, or highly in need of help due to other kinds of illnesses, will always be regarded as disabled. Those who are granted sickness pension from the FPA or from the labour pension system may in certain cases freeze their pensions without losing their entitlement to pension when finding work. Sickness pension is usually payable when a person has drawn sickness benefits for more than a year.

Rehabilitation assistance is a time-limited sickness pension. Award of this assistance is conditioned upon a care and rehabilitation plan having been prepared. The sickness pension will be granted by both the labour pension and the retirement pension systems. The retirement pension is the only pension, or at least main pension, to those who are not entitled to earnings-related labour pension, or who have a small or no earnings-related pension income. The majority, or all, of the sickness pension to young people is usually payable from the retirement pension scheme. The disability criteria are the same irrespective of the sickness pension being granted until further notice, or as time-limited rehabilitation assistance. Sickness pension may be granted to people who due to illness or disability are unable to carry out their usual work or other comparable work. A person's age, professional competencies and other circumstances that are regarded as important in order to ensure the person with a reasonable livelihood are taken into consideration. If a person is under 20 years, sickness pension shall only be granted when the person's rehabilitation options have been investigated.

Figure 6.10 shows the development in the share of disability pensioners among youth as from 1995 to 2009. The upper curve shows the development in the share of disability pensioners (both those granted time-limited pensions and pensions payable until further notice) and the lower curve shows the development in the share drawing rehabilitation benefits. As rehabilitation benefits for young people resulted in a reduction in the transition to disability pension at the beginning of the 2000s, we have chosen to show a longer time series here than in the other presentations. It should also be noted that the number of disability pensioners in Finland also declined in the older age groups in the beginning of the 1990s.

Figure 6.10 Share of disability pensioners and recipients of rehabilitation assistance in the age group 16-29 years in Finland, 1995–2010, per cent



Source: Finnish Centre for Pensions (PSC), Social Insurance Institution of Finland (FPA).

Financial Support from Local Authorities and the Role of the Local Authorities in Activation

Income Support

Income support is a compensation meant as a last resort. Each year, the Government lays down the basic amount of income support, although the local authorities are in charge of the payment of the income support. The basic amount for single people and single providers amounted to EUR 417.45 per month in 2010. The local authorities may also grant preventive income support in order to help people with income problems in time. People drawing income support are obliged to register as looking for work with the TE Office. Income support may be reduced by between 20 and 40

per cent if a person refuses to accept a job offer or labour market initiative. People who have turned 18 years and live with a guardian have their income reduced by 20 to 40 per cent.

The municipal income support is in most cases payable as a supplement to other social benefits. In 2009, the number of young recipients of income support was for example 46 400 at the end of the year, and of these, 70 per cent also drew housing supplements from another income insurance scheme.

Workshop Activities for Young People

Workshop activities are a statutory part of the municipal youth policy and work. The target groups are youth in work or education and unemployed adults. A key task of these activities is to increase young people's real competencies, strengthen their social identity and personal development, and to back up "learning by doing". The workshops are administered by local authorities, foundations, associations and other contributors. In 2009, 11 000 youth, of whom 10 000 were under 25 years, participated in workshop activities. The number of young participants increased by about 16 per cent compared with the year before.

Work Activities for Rehabilitation Purposes

In the act on "work activities for rehabilitation purposes", the job centres, the local authorities and the user (recipients of labour market or income assistance) are instructed jointly to prepare an activity plan for the user. Work activity for rehabilitation purposes could be one of such initiatives. The local authorities are responsible for the initiative.

The activity plan is directed at long term recipients of labour market assistance or social assistance. People under the age of 25 years who are entitled to labour market assistance are obliged to participate in rehabilitating work activities if so stated in the activity plan. For people over 25 years it is optional to participate. Work activities can run for 3-24 months with a 1-5-day week and a working day of at least four hours.

Integration of Immigrants

The local authorities carry the main responsibility for the integration of immigrants. The immigrant, the local authorities and the job centre jointly draw up an integration plan. In this plan, it is agreed which initiative should be used to support the immigrants and their families in catching up on the knowledge and competencies that are needed in order to adapt to Finnish society. This takes place for example by way of adult training, language courses, work practice and other voluntary studies.

An immigrant who has signed up with a job centre as looking for work or has applied for income support, is entitled to integration support for the first three years of his/her stay in Finland. The purpose of the integration support is to ensure that immigrants are provided for according to the integration plan. The integration support consists of labour market assistance from the Social Insurance Institution and any income support granted by the local authorities. People who do not comply with the requirements for being awarded labour market assistance shall only be granted integration assistance in the form of income support.

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