Chapter 5
EMPLOYMENT: Nordic countries strong in international comparisons

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The relatively high historic rate of labour market participation among females in the Nordic countries is a trademark of the region. Labour markets with a gender imbalance where fewer women participate than men may not only be economically counterproductive, but also pose questions over basic issues of equality. By international standards, the Nordic countries continue to retain their vanguard position with a high proportion of females in the workforce. In spite of this status, males remain the dominant group across the Nordic Region when female and male employment rates are compared. The male employment rate increased slightly during the period 2012-2014 while it has decreased for females.

Wage and income distribution in the Nordic countries is more even than in many other Western countries. The corporatist Nordic bargaining systems help keep wage inequality at lower levels than in most other European countries, but it is nevertheless evident that, over time, the wage structure and income inequalities in the Nordic countries have become less distinctive compared with other European countries. The employment rate (high or low) does indicate regional economic resilience in terms of productivity and economic growth, or the lack thereof. Employment is one of the EU2020 targets; the goal is to reach 75% employment in Europe by 2020 (measured for age group 20-64 years). Sweden, Denmark and Finland have also formulated their own goals. Sweden and Denmark have set the goal of having an employment rate above 80% while for Finland the rate was set at 78%.

Employment follows a clear pattern

Compared to the EU average, employment rates in the Nordic countries are relatively high. The average employment rate for the Nordic Region in 2014 was 73.4%, which can be compared to the EU average of 64.9%.

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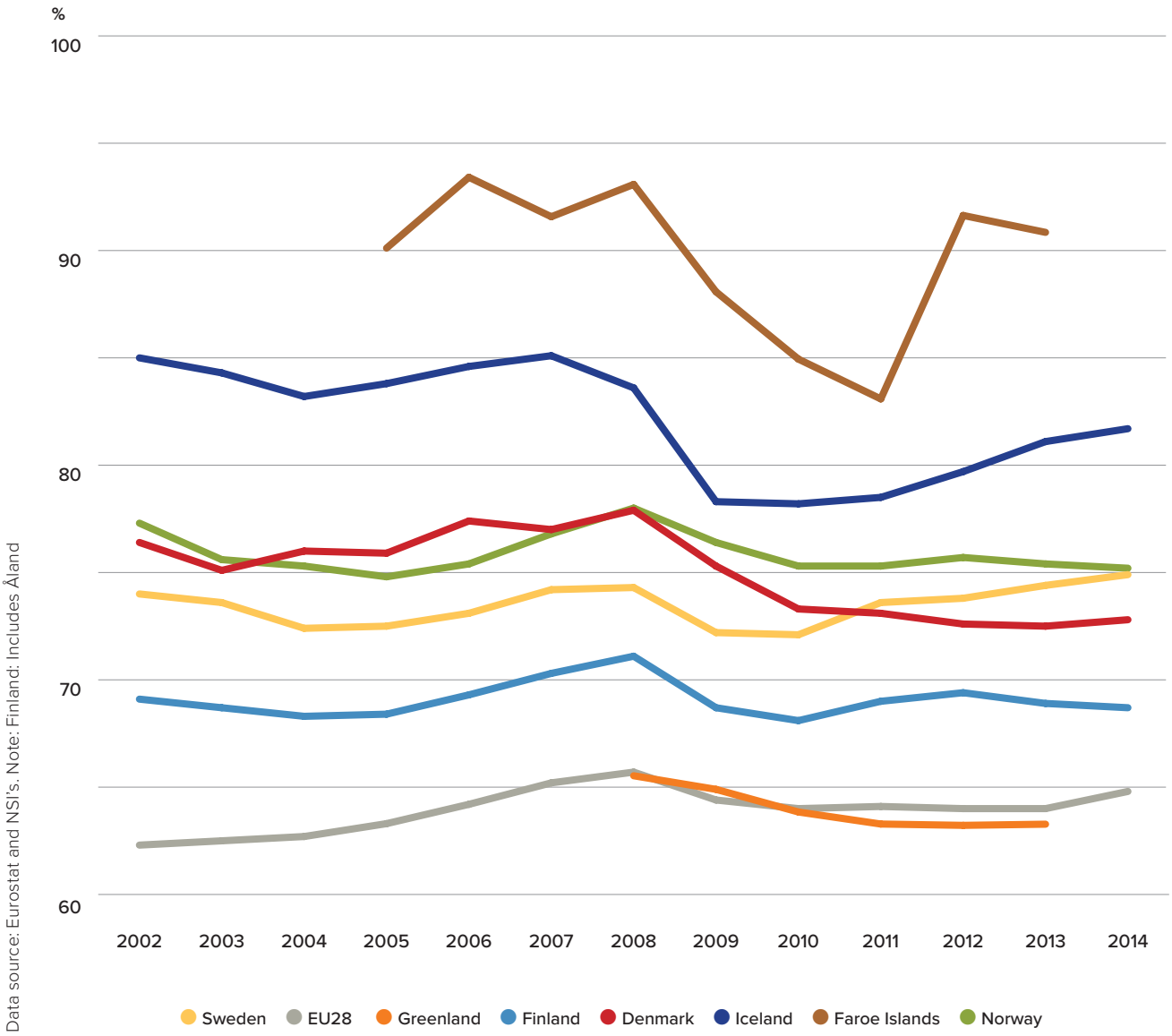
Looking at the development over time we can see that the employment rate was one factor that was affected by the financial crisis in 2008, particularly in the smaller economies such as Iceland where it dropped significantly (albeit from a very high level). As figure 5.1 shows, the labour market has since recovered in most countries. Denmark is a clear exception, with a dropping employment rate from 2008 to 2013 and where a stabilisation only began to occur between 2013 and 2014. Finland and Norway have both seen slight decreases in employment rates again after 2012.

Although the general picture in the Nordic Region is that the employment rate is high, there are regional differences and some clear patterns are visible when you zoom down to the municipal level. As seen in figure 5.2 the clearest pattern is the low employment rates in eastern and northern Finland, where many municipalities have employment rates significantly lower than the EU average.

Figure 5.1: **Employment rate (15-64 years), 2002-2014**



Data source: Eurostat and NSI's. Note: Finland: Includes Åland

Employment rates are high in the small Island economies of the Faroe Islands, Iceland and Åland, in relation to mainland Finland (between 75 and 90%). These stick out as the regions with the highest employment rates in the Nordic Region.

Together with Kujalleq in Greenland all of the 65 municipalities with the lowest employment rates are Finnish (with employment rates between 52 and 59%, i.e. also below the EU28 average). Geographically, this is mainly true for the eastern and northern parts of the country. In addition to Åland also Pohjanmaa (77%) and Uusimaa (74%) had employment rates above the Nordic average.

Norway has a high employment rate in general, only one region, Østfold, had employment rate below the Nordic average in 2014. In the main, it is municipalities close to the Swedish border that had a relatively lower employment rate; such as Stor-Elvdal, Kongsvinger and Eidskog in Hedmark (64-67%) and Halden, and Sarpsborg in Østfold (66-67%).

Only four of the Swedish regions had employment rates slightly under the Nordic average – Värmland, Skåne, Gävleborg and Östergötland. The municipalities in the north that have a strong mining and industrial tradition generally have high employment rates. Kiruna and Gällivare, for example, have employment rates around 80%. Malmö however sticks out with its low employment rate (under 65%). Even adding those commuting to Denmark however, Malmö has a low employment rate in a Swedish context.

The Danish regions all have employment rates close to the Nordic average in 2013 - from Midtjylland (72.9%) to Syddanmark (71.2%). Municipalities close to Copenhagen – Allerød, Egedal, Dragør and Hørsholm have employment rates around 80%. Odense, Langeland, Svendborg and Nyborg in Syddanmark are among the municipalities with the lowest employment rates in Denmark (65-69 %).

In general, the capital municipalities are close to the Nordic average and thus are usually not at the top in a national context: Oslo – 76%, Stockholm – 78%, Helsinki – 70%, København – 68% and Reykjavik – 75%.

In Sweden government consumption is expanding due to higher spending on integrating migrants, education and care for the elderly. Despite relatively modest economic activity, employment has grown particularly strongly in recent years. It has recovered well from the financial crisis and has already reached pre-crisis levels, with the employment rate among the highest in the EU (European Commission 2015).

The Swedish government hopes to be able to integrate the highly educated immigrants into the labour market more quickly. 30% of the immigrants have a higher education. An inventory has also shown that they often have the competences that are most sought after: such as engineers, technicians, specialist physicians, etc. It continues however to take a long time for these newly arrived immigrants to successfully break into the labour market (Arbeidsliv i Norden 2015a). The Danish authorities are also addressing policies to better integrate and more fully involve refugees and those from immigrant populations into jobs (Arbeidsliv i Norden 2015b).

The Finnish authorities emphasise on restoring growth and promoting competitiveness, as well as on spurring employment. As such, they view job creation as one of the main challenges for the economy. They are also seeking to address the risks posed by weak export performance in the context of industrial restructuring. Finland is still struggling to translate R&D investment into successful exports. It should provide more financing for start-ups and offer them more help enabling them to do more business abroad. Furthermore, in view of the ageing population and shrinking working-age population, it is important that the labour market makes use of the full potential of the workforce (European Commission 2015).

Finnish labour market reforms have been one of the hottest topics for the new government. The goal is to lift Finland out of the economic crisis. Finland's governance culture is very consensus-oriented with fixed power relations between unions, employers and the government. This makes change hard to achieve. The new government is however looking for a new deal that will lower labour costs. Another measure could be to lower the rate at which unemployment benefits are provided (Arbeidsliv i Norden 2015c).

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Nordic countries leading on gender balance

Figure 5.3 shows the difference in employment rates between men and women. In most regions the male employment rate is higher than the female employment rate; it is mainly in the northern and eastern parts of Finland that the female employment rate is higher. A few regions have a balanced gender employment ratio. These include various types of municipalities: in Finland cities that have universities' or tertiary educational opportunities, e.g. Joensuu, Helsinki, Tampere, Kuopio and Turku are prominent in this list. In Denmark only municipalities within the Copenhagen metropolitan area have a gender balanced employment ratio (Frederiksberg, Herlev, Ballerup, Tårnby and Allerød). Whereas in Sweden, a gender balanced employment ratio is only found in the municipalities of Värmland and Västra Götaland (where it is common for men to commute on a weekly basis across the border into Nor-

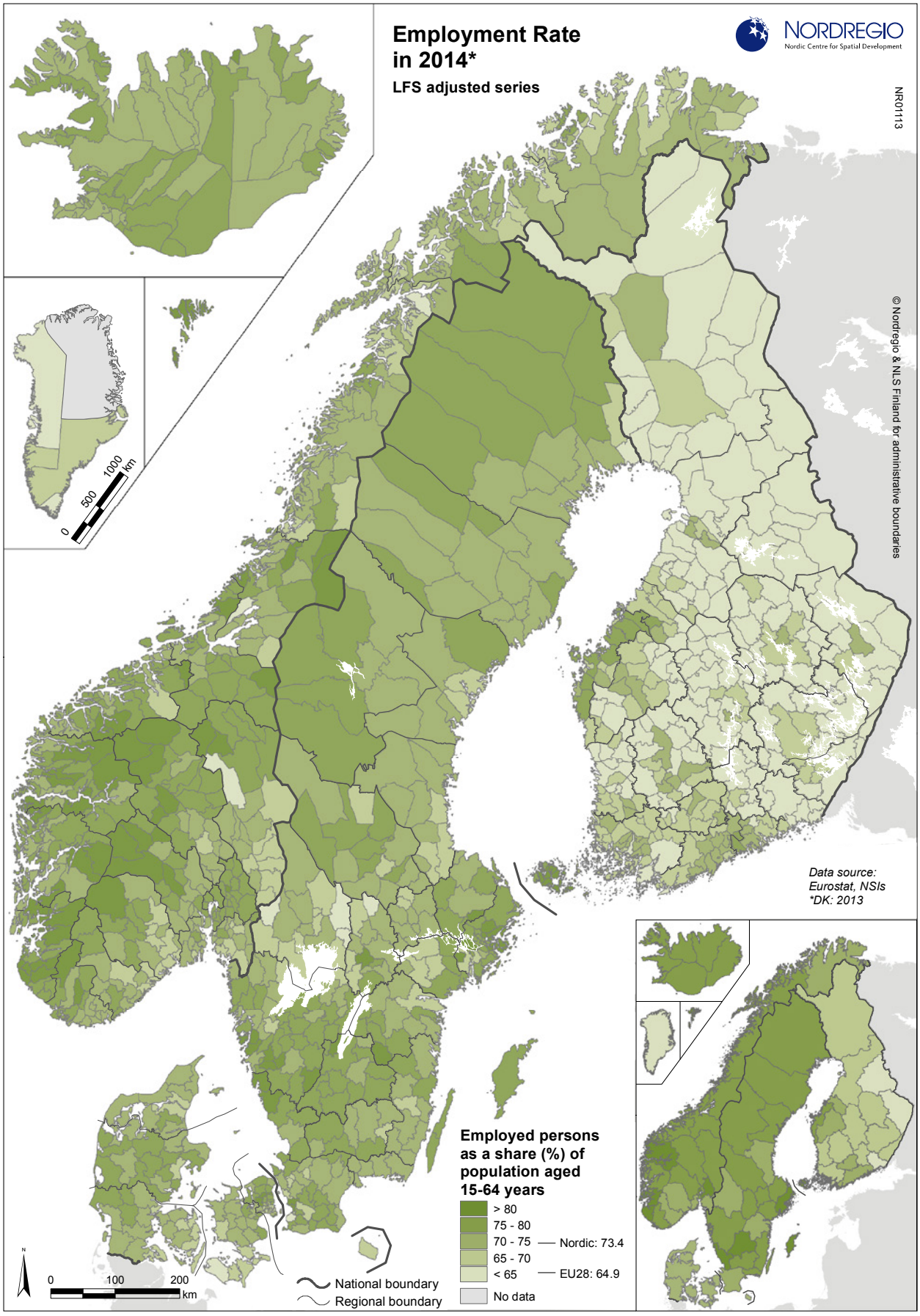

Figure 5.2: Employment rate (15-64 years) in 2014 – Labour Force Survey adjusted series

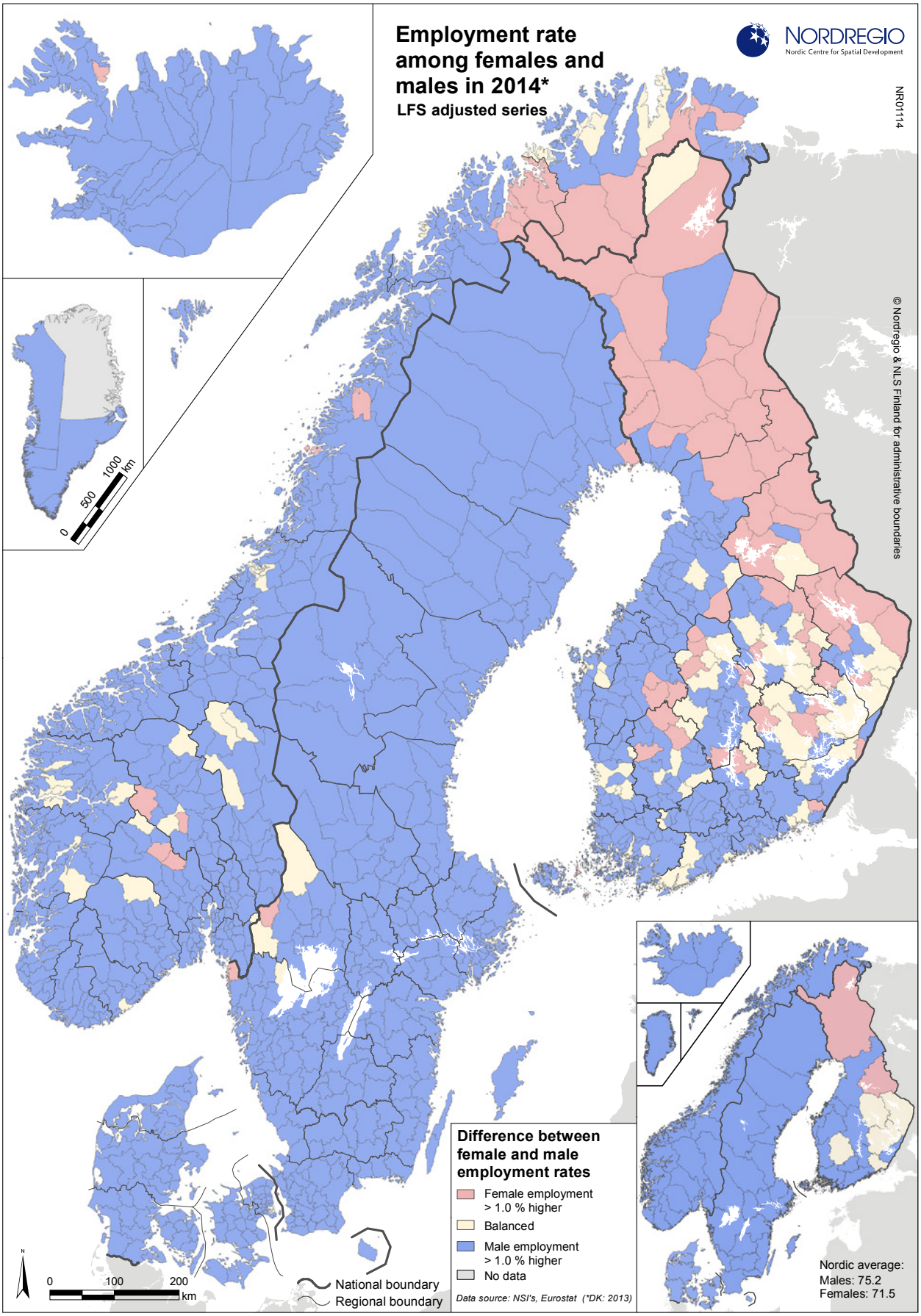

Figure 5.3: Employment rate among females and males in 2014 – Labour Force Survey adjusted series

way, which skews the statistical data). In Norway quite a varied mix of rural and small town municipalities in Oppland, Buskerud, Telemark, Hordaland, Sogn og Fjordane along with Troms and Finnmark have gender balanced employment ratios. In the North Atlantic, the Faroe Islands, Iceland and Greenland have no municipalities which are completely gender balanced in labour market terms. In Åland there is one municipality, Kökar, which has a higher employment rate for females.

The relatively high historic rate of labour market participation among females in the Nordic countries is a trademark of the region. Labour markets with a gender imbalance where fewer women participate than men, may not only be economically counterproductive, but also pose questions over basic issues of equality. For example, among the OECD countries, Finland, Iceland, Norway, Sweden and Denmark are all among the top grouping of OECD countries with regard to the employment rate for women. Nordic co-operation has also focused on increasing awareness about gender equality among the people of the region, parliamentarians, governments and the Nordic Council of Minister´s own organs and projects. Among their many broad socio-economic goals the Nordic countries, (including the Faroe Islands, Greenland and Åland) seek to ensure that women and men have equal opportunities to participate in the labour market and to be financially independent (Nordic Council of Ministers 2015).

Wage and income distribution in the Nordic countries is more even than in many other Western countries. The corporatist Nordic bargaining systems help keep wage inequality at lower levels than in most other European countries, but it is nevertheless evident that, over time, the wage structure and income inequalities in the Nordic countries have become less distinctive compared to other European countries. There are however a number of other factors affecting gender related pay distribution, such as unemployment levels, access to and the organisation of childcare, the generosity of the unemployment insurance schemes and to other benefits (Andersen et al. 2014).

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Males still predominate in the labour market

In spite of this status, males remain the dominant group across the Nordic Region when female and male employment rates are compared. The Nordic average for male employment participation is 75.2% in 2014 while it is 71.5% for females. The Nordic average employment rate has grown marginally since 2012 for both male, where it was 75% and female, where it was 71.2%. Some of the reasons explaining the difference between male and female employment rate may concern the sectoral structure and proportional labour need in a labour market that is seemingly still gender segregated.

As figure 5.3 shows, the male employment rate is at least one percentage point higher in most of Norway, Sweden, Denmark, Iceland, along with the Faroe Islands and Greenland. This is also the case for the south western corner of Finland. In general however, regional variations in Finland are much more evident than elsewhere in the Nordic countries.

Employment in the Nordic Arctic region is characterised by a relatively large public sector and a higher share of employment in primary production, while the southern parts of the Nordic countries and the main urban centres in particular have a more balanced gender ratio in terms of labour market participation.

Iceland's employment rate is well above the Nordic average, both for males and females across all regions of Iceland. The same is true for the Faroe Islands where up to 95% of the labour force of both genders is employed. The North Atlantic Islands share this characteristic with

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Åland which also has a generally high employment rate for both genders.

In the northern and eastern parts of Finland, the female employment rate is higher than that for males, which is not the case for most other parts of the Nordic countries. In these Finnish areas, the male employment rate is generally low. Most of the regions with this characteristic face problems related to industrial restructuring with a significant decline in the importance of so-called 'traditional occupations'.

A number of small communities in the southern part of Norway also have a higher proportion of women in employment than men. Three border regions in Sweden also have higher proportions of women in employment although this is because the men commute across the border to Norway for work and therefore do not appear in the Swedish national labour force statistics.

Commuting between work and home

The employment rate is usually measured from the 'night population', i.e. based on where people live. Since a labour market region is bigger than the municipalities where the people live there are often significant differences between where people live and where they work. Figure 5.4 shows out-commuting people in terms of their share of the working age population (15-64 years). Out-commuting refers to commuting out from an origin municipality, i.e. where the commuters reside, to the receiving municipality, i.e. where the commuters' work place is located. For domestic commuters only out-commuting shares above 6% have been included in the map, while for commuting between countries, only out-commuting shares above 1% have been included (applies to Denmark-Sweden and Norway-Sweden only; see the two small maps in upper left corner). The capital regions are presented in separate boxes.

Visualising commuting

The map in figure 5.4 shows municipal out-commuting flows as a share of the origin municipality's working age population (15-64 years). The origin municipality is the municipality where the commuters reside, while they work (and commute to) the destination municipality. Thus, the map does not show commuting in absolute numbers, but instead which municipalities have the largest shares of commuting (in relation to their working age population, i.e. people aged 15-64 years). One could say that this map gives the perspective of the out-commuting municipalities rather than that of the in-commuting municipalities, and takes into account the (working) population size of the included municipalities.

There is clearly a challenge here in presenting commuter flows in map form, as the map should remain readable and not too blurry. It is for this reason that the capital regions, where much of the most intense commuting take place, are presented in separate maps. In order to limit the amount of commuter flows shown in the map, a threshold was set to 6% for domestic commuting. I.e. for commuting between municipalities within a country, only out-commuting shares above 6% have been included in the map. Regarding commuting between municipalities across national borders, the commuting flows are relatively limited when compared to the largest domestic commuting flows, but are still distinct in some areas, e.g. the Värmland-Oslo region, and the Öresund region. Thus, for municipal commuting across national borders, the threshold for out-commuting shares has been set to 1%. Furthermore, due to limited data availability, only international municipal commuting between Denmark and Sweden has been included in this map (see the two folded maps in the upper left corner).

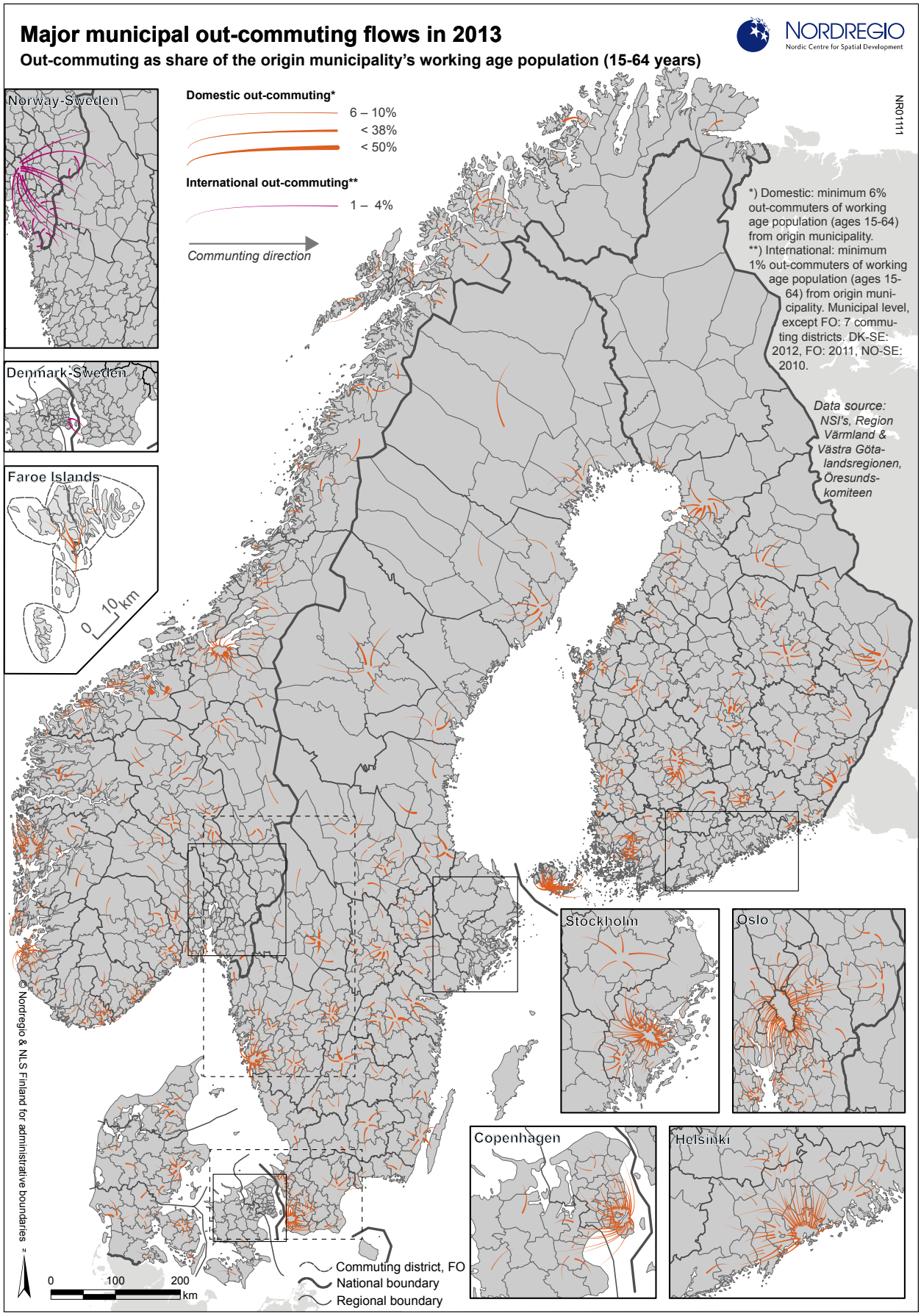
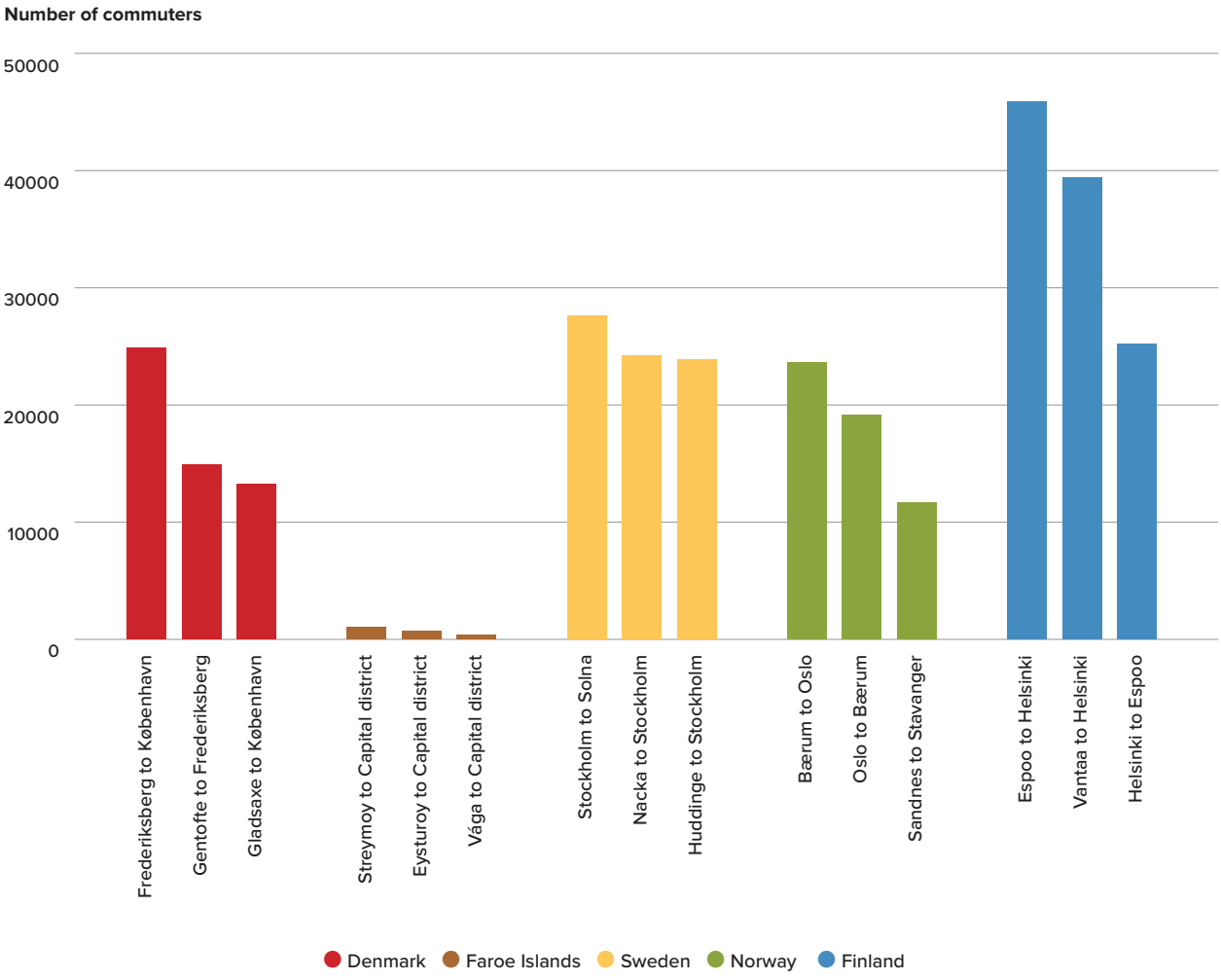


Figure 5.4: Major municipal out-commuting flows in 2013. Note: Greenland and Iceland: No data

Figure 5.5: **The three largest municipal out-commuting flows in Denmark, the Faroe Islands, Sweden, Norway and Finland in 2013**



Data source: NSI's. Note: Faroe Islands: commuting districts, 2011. Finland: Includes Åland. Greenland and Iceland: No data

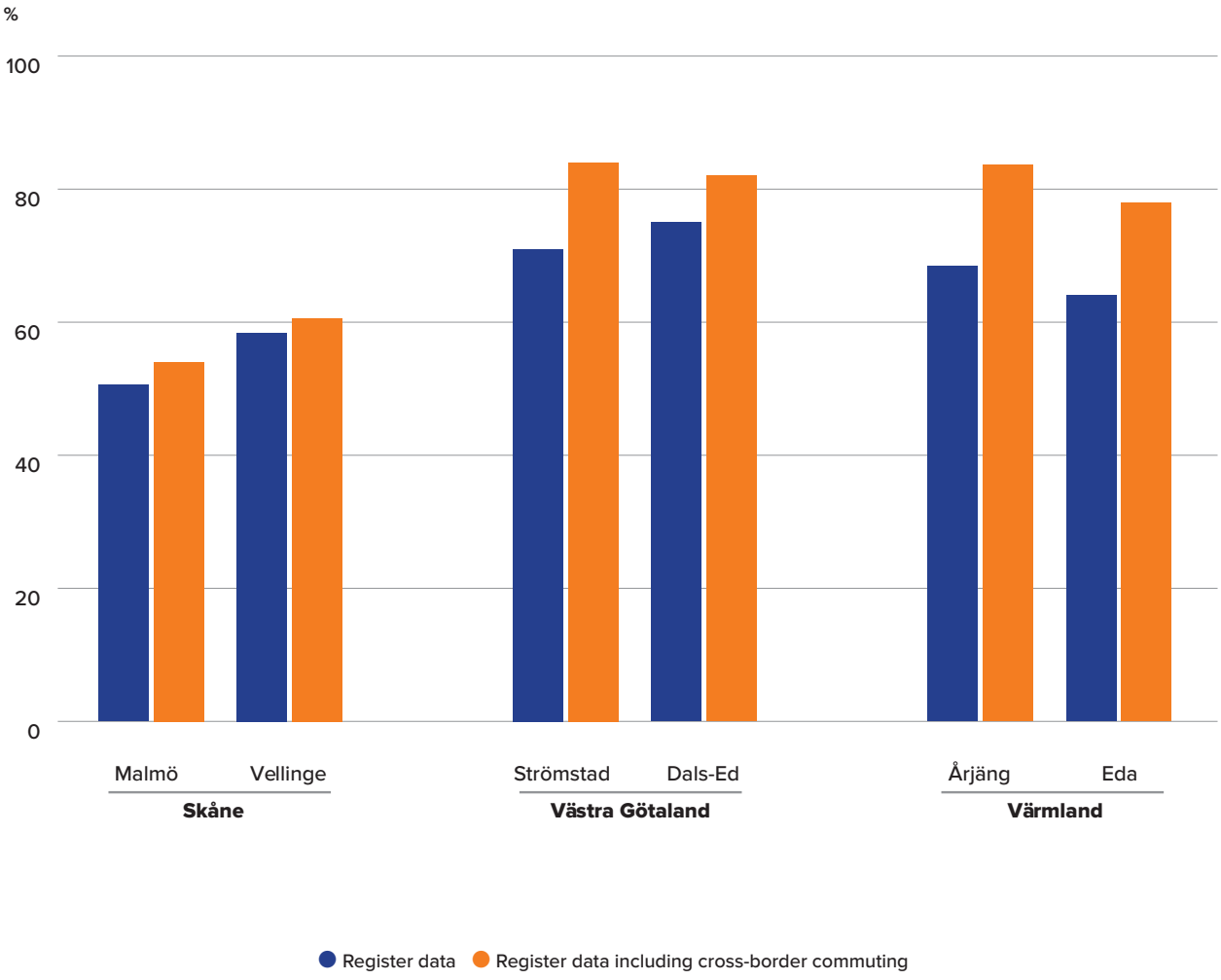
The dominant commuting flows are understandably directed to the capital municipalities. Large flows can also however be viewed in the direction of a number of municipalities located in the proximity of the Nordic capital cities where many employers are located, e.g. Solna in Stockholm region, Espoo in Helsinki region, Frederiksberg in Copenhagen region and Bærum in Oslo region. There are also large commuting flows from municipalities located around various other metropolitan municipalities, e.g. Århus and Odense in Denmark, Stavanger, Bergen and Trondheim in Norway, Malmö and Göteborg in Sweden and Turku and Tampere in Finland.

Åland, although it has quite a small total population, has many municipalities, intense commuting patterns between the municipalities, similar to the larger metropolitan regions. The commuter flow is generally directed towards Mariehamn, the main urban center. In the Faroe Islands, only two out of seven commuting districts do not have out-commuting flows to the capital district (Tórshavn and suburban settlements) above 6%, i.e. Suduroyar and Nordoya. Suduroyar is, in fact, the only commuting district without an out-commuting flow above 6% (due to its remoteness from Tórshavn, the main labour market). Inland northern Sweden and Finland generally have a sparsity of out-commuting flows above 6%, but some rather major ones do still exist, in Sweden to Östersund, Umeå and Luleå and in Finland to Oulu and Vaasa.

As can be seen in figure 5.5 the three largest municipal out-commuting flows, per country, in absolute terms can all, with the exception of Sandnes to Stavanger, be found in the capital cities, with the biggest flows between the populous municipalities in the Helsinki region.

In general, cross-border commuting is rather limited compared to commuting within the Nordic coun-

Figure 5.6: **Employment rates in 2012 for selected Swedish municipalities**



Data source: Örestat, Västra Götalandsregionen and Region Värmland. Note: Data has not been LFS-adjusted

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tries. There are however some exceptions, in particular in the Värmland, Västra Götaland and Öresund regions. In these regions cross-border commuting is of some importance. The big commuting flows go from Sweden to Norway and Denmark whereas commuting from Norway and Denmark to Sweden remains small in volume terms.

Since the national statistics on employment do not take cross-border commuting into consideration, employment rates for these border regions are usually reported as lower than they would be if cross-border commuting were included. Figure 5.6 shows the difference in the employment rate for selected Swedish municipalities if cross-border commuting is included. As can be seen here, some municipalities would have a significantly higher employment rate if cross-border commuting was added into the calculations.