

1. Executive summary

Labour market attachment in the Nordic countries is strong, but differences between the Nordic countries exist.

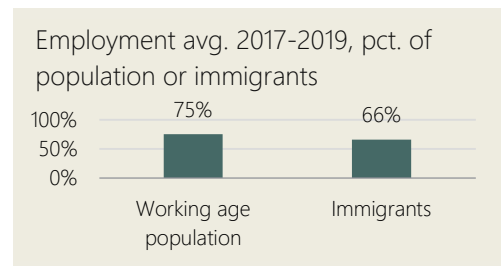
The Nordic Council of Ministers wishes to promote green growth in the Nordic Region.¹ Getting more people from vulnerable groups into work is vital for a well-functioning labour market and for the individual's socio-economic conditions. To get more people from vulnerable groups into work, a stronger knowledge base concerning how to support the weaker groups in society, including people who face the risk of labour market exclusion, is necessary.

This is an executive summary of the report “*Labour market attachment in the Nordic countries*”, which is the first of a series of research reports in a project examining how to increase labour market attachment among vulnerable groups in the Nordic countries. The focus during this part of the project have been the groups, who traditionally have faced a high risk of labour market exclusion (namely, young people, seniors, immigrants and persons with health issues or disabilities²). The final report is expected to be published in early 2023.

POTENTIAL TO IMPROVE LABOUR MARKET ATTACHMENT

Our research shows that, across all the Nordic countries, certain population groups struggle with relatively bad labour market attachment, namely young people, seniors, and immigrants. For example, the average employment rate of immigrants in the Nordic countries is 66 pct., which is 9 percentage points lower than the average for the working-age population as a whole.

Differences in labour market attachment between the Nordic countries may indicate a potential for increasing labour market attachment by learning from the best in class. We demonstrate that if Sweden, Denmark, Finland, and Norway had the same employment rate as that of these countries with the highest employment rate for relevant subgroups in the labour market, then the combined employment of these countries would increase by 700,000 individuals. This is equivalent to an increase in the employment by approximately 6 pct. for 15-64-year-olds in the Nordic countries. The differences in employment between the Nordic countries might be caused by different policy contexts and differences in population characteristics in the Nordic countries. Some of these characteristics are of a permanent character, so it is not possible for all countries to perform as the ‘best in class’. Hence, 700,000 individuals should be seen as an upper estimate of the potential. Still, it illustrates that, even though the differences in labour market attachment between the Nordic countries are small, there is great potential in learning from each other.



700,000-individual

...increase in Nordic employment if all countries had the same employment rate as the best country

¹ The Nordic Council of Ministers (2022). Programme for the Nordic Council of Ministers' Co-operation on Labour 2022-2024.

² LFS from 2010-2020 do not include information that makes it possible to define people with disabilities or health issues. However, the LFS 2021 includes questions about health status and limitations in activities and we will provide an appendix to the report when we get access to LFS 2021.

NO COUNTRY OUTSHINES ALL THE OTHERS WITH REGARDS TO LABOUR MARKET ATTACHMENT

Labour market attachment in the Nordics varies between countries and across different subgroups of the population. No country has the best labour market attachment for all the analysed groups. Rather, some countries have had success in ensuring a strong labour market attachment for some groups, while other countries have had success regarding other groups. When analysing labour market attachment, we look at two main indicators:

- Labour force participation rate, i.e., the share of the working age population in the labour force
- Employment rate, i.e., the share of the working age population that is working

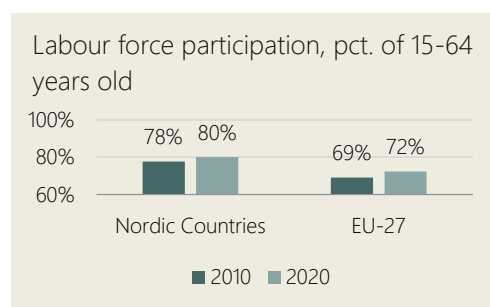
Hence, each country has its own challenges with regards to labour market attachment, and all the Nordic countries are likely to benefit from cross-country learning and collaboration.

SMALL IMPROVEMENTS IN LABOUR MARKET ATTACHMENT ACROSS TIME – BUT MANY YOUNG PEOPLE AT RISK

Labour force participation in the Nordics has increased by 2 percentage points in the last 10 years. Still, the developments look different depending on population group and country.

Seniors, in particular, have experienced large increases in labour force participation, which is likely driven, at least in part, by changes in retirement schemes in the Nordic countries.

In young people's labour force participation rate, however, there is only a one-percentage-point increase between 2010 and 2020. Furthermore, the share of young people neither in employment nor in education has remained more or less unchanged during the last ten years. Hence, young people have also not increased their participation in education. Stagnating numbers of young people with no education entail that considerable swathes of Nordic youth are at risk of exclusion in fast changing labour markets.



MORE KNOWLEDGE ON VULNERABLE GROUPS AND BARRIERS IS NEEDED

Better Nordic collaboration on supporting vulnerable groups, with the aim of devising measures and programmes to address these challenges, requires identification and knowledge of the specific challenges a particular group faces. Also, there is a need of more knowledge of the barriers that result in some people being employed in jobs with very few hours or on temporary contracts, be that due to lack of qualifications or labour conditions in particular parts of the labour market. Finally, in-depth knowledge of the interventions, administrative procedures, etc., bringing about good performance in one country is required so that other countries can learn from it.

In the coming phases of this research project, we will analyse and assess relevant barriers that lead to labour market exclusion (or risk thereof) in the Nordics. Also we will develop a method to group people according to the barriers they face, the aim being to identify and formulate concrete and actionable policy recommendations for how the Nordic countries can further improve the labour market attachment among vulnerable groups.