

U N I V E R S I T Y O F B E R G E N

Department of Sociology

Unemployment and economic security for youth in Nordic countries

From unemployment protection to poverty relief

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Topic of the presentation

- Generous unemployment benefits have shielded young people in the Nordic countries from the most problematic consequences of economic inactivity.
- Over the last two decades, young people in these countries have to an increasingly extent become excluded from unemployment benefits, leaving them to rely on means tested benefits.
- Might lead to increased inequality and have long-term scarring effects.
- We look at the development in unemployment protection of young adults in Finland, Norway and Sweden over the last two decades.
- More details can be found in:

Lorentzen, T., Angelin, A., Dahl, E., Kauppinen, T., Moisio, P. and Salonen, T. (2014). "Unemployment and economic security for young adults in Finland, Norway and Sweden: From unemployment protection to poverty relief." International Journal of Social Welfare **23**(1): 41-51.



The notion of the universal Nordic welfare state

- The Nordic countries are members of the same grouping of welfare states.
 - Universal welfare benefits and services.
 - Few targeted programs.
- However:
 - Available welfare services require work force participation:
 - Welfare benefits are only «universal» as long as everyone is employed.
- After the welfare system restructuring that took place during the 1990s:
 - Benefits are now even more dependent on employment history and contributions.
 - It has become more difficult to qualify for some earnings-related benefits.



The Nordic countries in perspective

- Unemployment insurance types:
 - Finland and Sweden have voluntary state-subsidized programs based on membership in an insurance fund (Ghent system).
 - Norway has compulsory comprehensive unemployment insurance.
- **Coverage rates** are 100%* and among the highest in the European Union when measured as number of insured persons in percentage of labour force and eligibility conditions are disregarded.
 - We will be looking at the **pseudo-coverage**, or the proportion unemployed who actually receive unemployment benefits.

* Esser, I., Ferrarini, T., Nelson, K., Palme, J. and Sjöberg, O. (2013)
Unemployment Benefits in EU Member States. European Commission



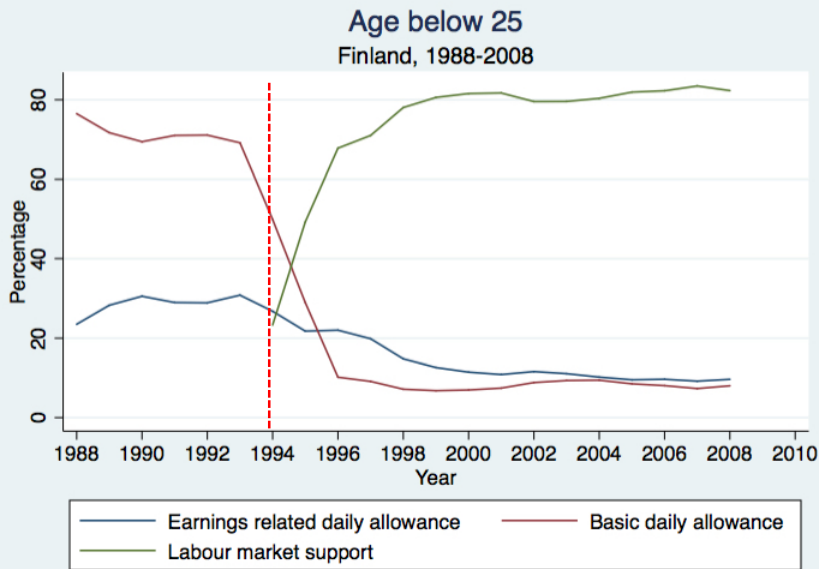
Income protection for unemployed in Finland

Three tier system:

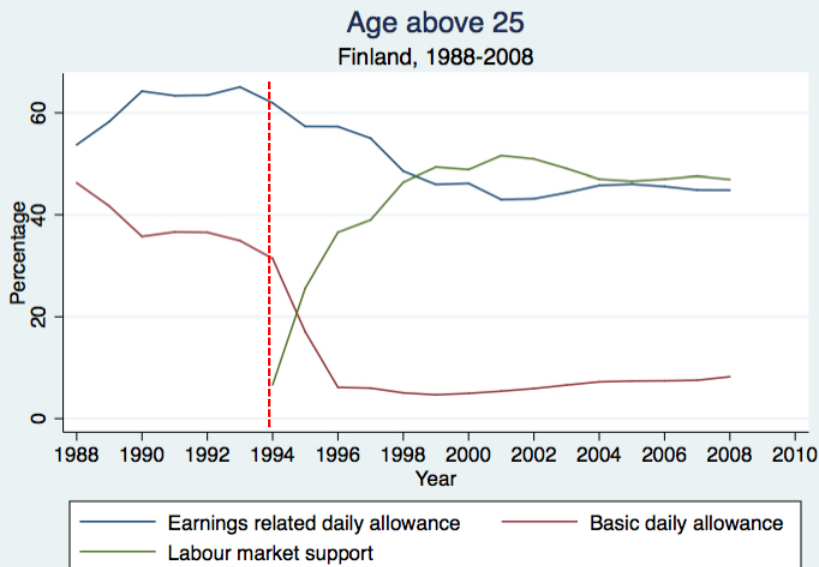
- Voluntary earnings related benefits:
 - Membership of an unemployment fund for least 8 months.
 - Have worked at least 18 hours per week for at least 8 months during the 28 months preceding the unemployment.
 - Maximum time is 500 work days, after which unemployed can apply for the basic unemployment benefit.
- Basic benefit:
 - Same work history requirements as above but for non-members of an unemployment fund (or those who have exceeded the maximum time).
 - Flat-rate and it can be paid for 500 work days.
- Means tested labour market subsidy:
 - Introduced in 1994.
 - Unemployed without previous work history (or those who have exceeded basic benefit maximum time).
 - Can be paid for an indefinite period.



Unemployment benefits coverage: Finland



1994: New means-tested benefit.
 New claims for geographic mobility.
 Tightening of sanctions for job offer refusals.



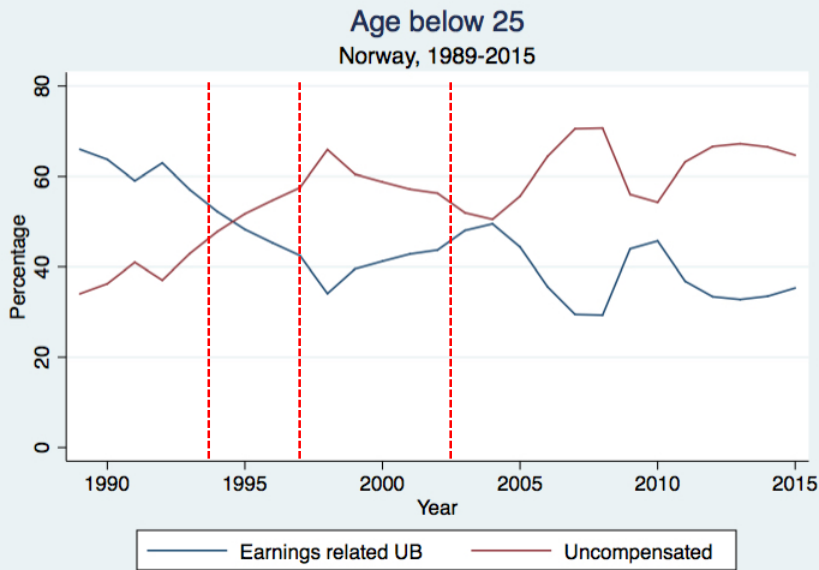
Income protection for unemployed in Norway

One tier system:

- Earnings related benefit
 - Compensation rate approximately 62% of former income.
 - Membership in «unemployment fund» not necessary.
 - At least 50% reduction in working time required.
 - NOK 135,102 (EUR 15,000) income from work last year or a total of NOK 270,207 (30,000) last three years.
 - Duration:
 - 104 weeks if annual income above NOK 180,136 (EUR 20,000).
 - 52 weeks if annual income below NOK 180,136 (EUR 20,000) and higher than NOK 90,068 (EUR 10,000).



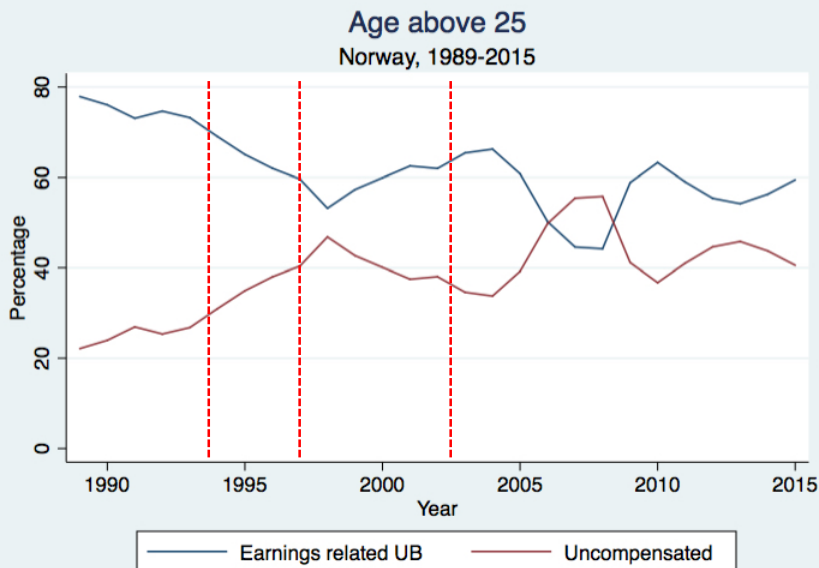
Unemployment benefits coverage: Norway



1994: Tightening in requirement for reduction in working hours.

1997: Labour market programmes no longer qualify for UB.
Maximum duration reduced.

2003: Minimum income level qualifying for UB increased.
Maximum duration reduced for low incomes.
Stricter behavioural requirements.



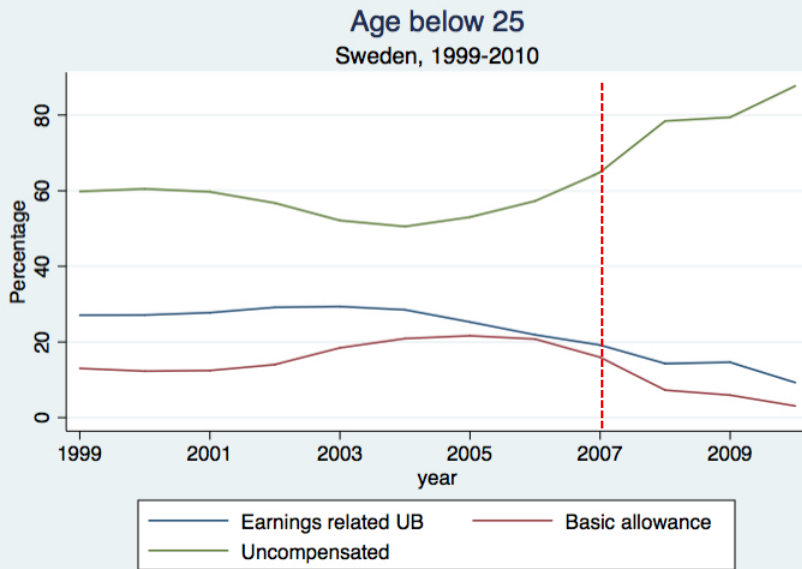
Income protection for unemployed in Sweden

Two tier system:

- Voluntary earnings related
 - Membership in «unemployment fund» required (minimum 12 months).
 - Worked more than 80 hours every month for at least six months.
 - 80% compensation the first 200 days, 70% the next 100 days.
 - Maximum duration 300 days or 450 for unemployed with children.
- Flat basic rate (for the uninsured but qualified).
 - Approximately EUR 42 a day.
 - Must be more than 20 years of age.



Unemployment benefits coverage: Sweden

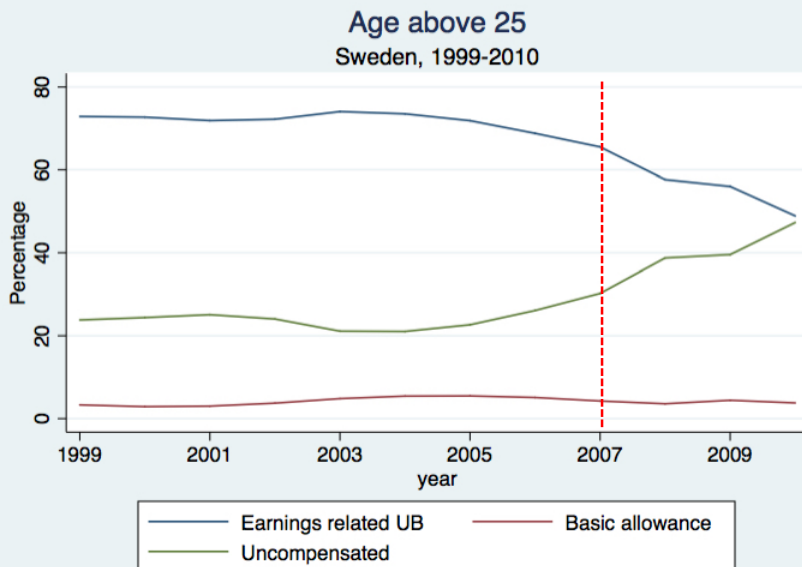


1993: Lowered compensation rates.

1996: Lowered compensation rates.

1997: Compensation rates raised.

2007: Dramatic increase in premiums for unemployment funds.
Students no longer qualified for UB.
Not possible to extend UB over 300 days.
Requirements of previous work experience were increased.



Conclusions

- The notion of universal Nordic welfare states is a myth ripe for modification.
- Unemployed are becoming more dependent on the economic safety provided by means tested benefits.
 - Unemployed under 25 are struck harder than those over 25.
 - In Finland and Sweden a total of **90%** of unemployed youth depend on means tested benefits or other sources of support.
 - In Norway the corresponding number is **65%**.
- In periods of low unemployment, this might not seem like a big problem.
- Young people's vulnerability is most conspicuous in periods of high unemployment.
- Might lead to increased poverty in the short run and increased social inequality in the long run.

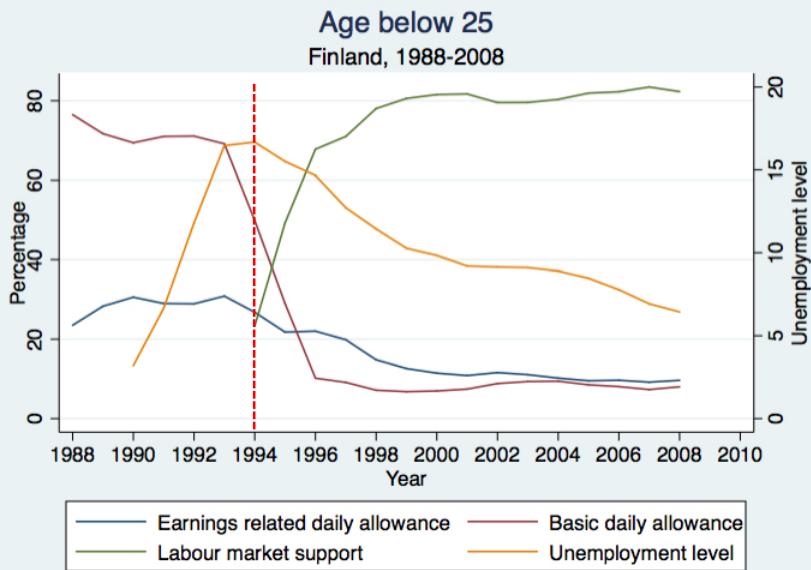




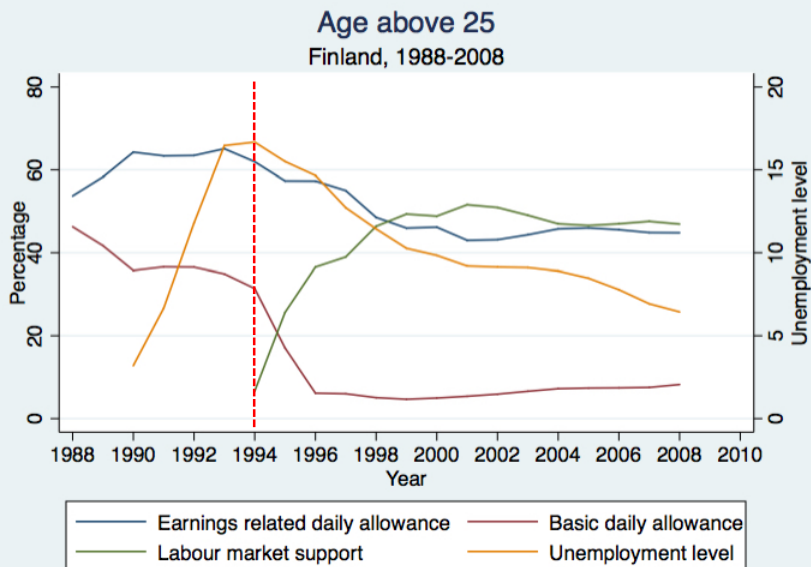
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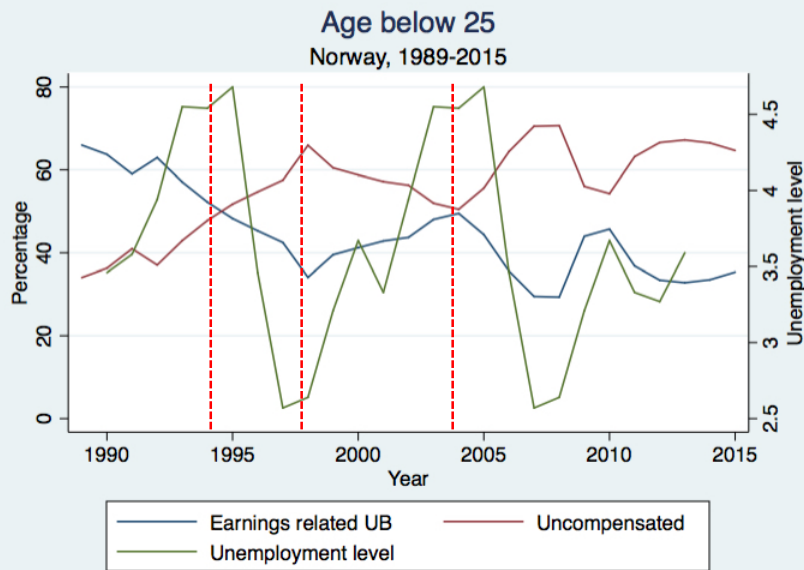
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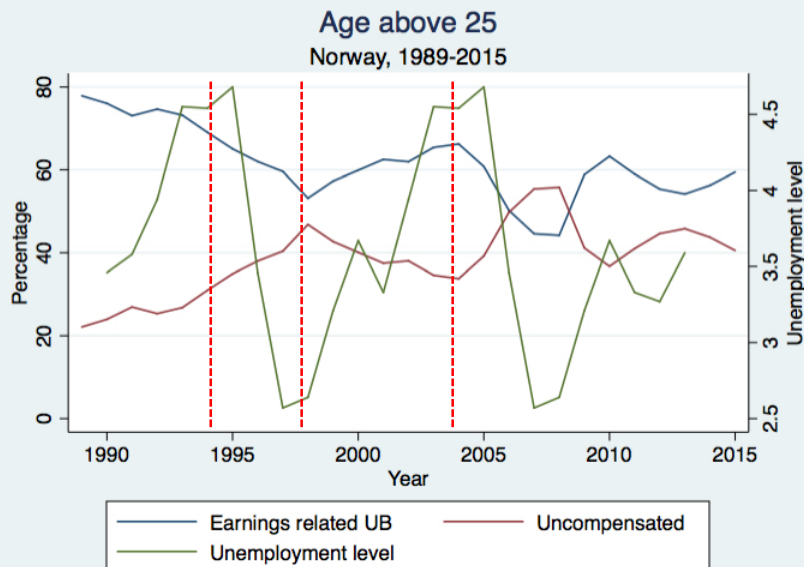
Unemployment benefits coverage: Norway



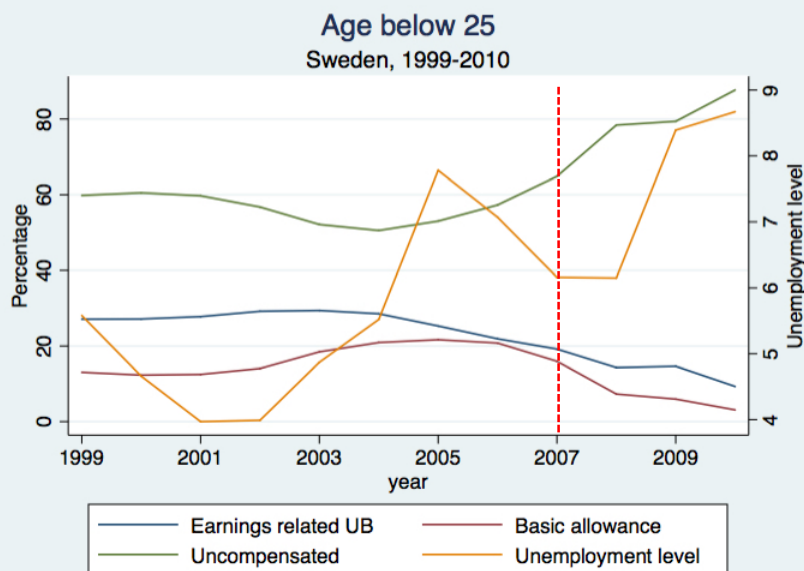
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