



Munich Personal RePEc Archive

The Approach to Seasonal Unemployment in the Nordic Countries: A Comparison with Canada

Patrick Grady and Constantine Kapsalis

Human Resource Development Canada

September 2002

Online at <http://mpa.ub.uni-muenchen.de/2991/>
MPRA Paper No. 2991, posted 15. May 2008 00:15 UTC

***The Approach to Seasonal Employment
in the Nordic Countries:
A Comparison with Canada***

Final Report

***Patrick Grady and Costa Kapsalis
Applied Research Branch
Strategic Policy
Human Resources Development Canada***

September, 2002

**SP-572-04-03E
(également disponible en français)**

The views expressed in papers published by the Applied Research Branch are the authors' and do not necessarily reflect the opinions of Human Resources Development Canada or of the federal government.

The Working Paper Series includes analytical studies and research conducted under the auspices of the Applied Research Branch of Strategic Policy. Papers published in this series incorporate primary research with an empirical or original conceptual orientation, generally forming part of a broader or longer-term program of research in progress. Readers of the series are encouraged to contact the authors with comments and suggestions.



This paper is available in French under the title *L'approche adoptée par les pays nordiques à l'endroit de l'emploi saisonnier : Comparaison avec le Canada*

La version française du présent document est disponible sous le titre *L'approche adoptée par les pays nordiques à l'endroit de l'emploi saisonnier : Comparaison avec le Canada*



Paper

ISBN : 0-66234082-5

Cat. No.: RH63-1/572-04-03E

Internet

ISBN : 0-662-34083-3

Cat. No.: RH63-1/572-04-03E-IN



General enquiries regarding the documents published by the Applied Research Branch should be addressed to:

Human Resources Development Canada
Publications Centre
140 Promenade du Portage, Phase IV, Level 0
Hull, Quebec, Canada
K1A 0J9

Facsimile: (819) 953-7260
<http://www.hrdc-drhc.gc.ca/sp-ps/arb-dgra>

Si vous avez des questions concernant les documents publiés par la Direction générale de la recherche appliquée, veuillez communiquer avec :

Développement des ressources humaines Canada
Centre des publications
140, Promenade du Portage, Phase IV, niveau 0
Hull (Québec) Canada
K1A 0J9

Télécopieur : (819) 953-7260
<http://www.hrdc-drhc.gc.ca/sp-ps/arb-dgra>

Acknowledgements

We wish to thank Louis Grignon, Marcel Bédard and Alex Grey of the Applied Research Branch of Human Resources Development Canada (HRDC) for their support and guidance in carrying out this project. We also wish to extend a special thanks to all of the labour market experts from the Nordic countries (listed at the end of this study) who gave so freely of their time and advice and were so hospitable when we visited their countries. Many of them also provided comments on an earlier draft of this study which helped us to clear up a number of unclear or erroneous points. Without their generous assistance and cooperation, needless to say, it would have been impossible to carry out this study. Finally, we would like to thank Jean-Pierre Voyer of the Social Demonstration and Research Corporation (SRDC) for his helpful suggestions and for giving us an initial forum on returning from our trip to the Nordic countries to try out some of the ideas expressed in this study.

Table of Contents

Summary and Conclusions.....	i
1. Introduction.....	1
2. Differences in Climate between Canada and the Nordic Countries.....	3
3. Seasonal Employment in Canada	5
3.1 There is significant seasonal variation in employment and unemployment in Canada	5
3.2 Seasonal employment is most pronounced among youth	6
3.3 Seasonality particularly high in certain industries	7
3.4 Seasonal employment an important issue in some provinces	8
3.5 About a quarter of unemployed paid workers had a seasonal job	9
3.6 About 28 per cent of regular EI beneficiaries are seasonal unemployed.....	10
4. Seasonal Employment in the Nordic Countries	13
4.1 Data sources	13
4.2 Unemployment has recently decreased substantially in Nordic countries.....	13
4.3 Only Finland has greater seasonal fluctuations in employment than Canada ..	14
4.4 Trend in employment seasonality generally downwards.....	16
4.5 Seasonal swings are smaller than before in Iceland.....	18
4.6 Finland most dependent on primary sector	18
4.7 The fishery in Iceland is much less seasonal than in Atlantic Canada	19
5. Lessons from Seasonal Employment in Nordic Countries.....	21
5.1 Overview.....	21
5.2 Unemployment Insurance	26
5.3 Active labour market programming.....	28
5.4 An innovative labour market program for young people.....	31
5.5 Other approaches to deal with seasonal employment swings.....	32
References.....	33
List of Contacts	35

List of Charts

Chart 1	Percent Deviation from Seasonally Adjusted Level, Canada 2000.....	5
Chart 2a	Percent Deviation from Seasonally Adjusted Level, Canada, Age 15-24, 2000	6
Chart 2b	Percent Deviation from Seasonally Adjusted Level, Canada, Age 25-or more 2000.....	7
Chart 3	Employment: Maximum Deviation from Seasonally Adjusted Level, Canada 2000. All Ages, by Industry	8
Chart 4	Employment, Maximum Deviation from Seasonally Adjusted Level by Province 2000	9
Chart 5	Distribution of All Unemployed by Nature of Last Job, Average 1997-99 ..	10
Chart 6	Distribution of Unemployed with a Paid Job in Last 12 months, by Receipt of EI, Average 1997-1999	11
Chart 7	Unemployment Rates in Canada and the Nordic Countries, 1990-2000.....	14
Chart 8	Average Seasonal Employment Pattern 1994-98 – Actual/Moving Average (-6 to +5).....	16
Chart 9	Trend in Employment Seasonality – Actual/Moving Average (-6 to +5).....	17
Chart 10	Unemployment in Iceland	18
Chart 11a	Trend in Number of Employed Persons in Forestry, Finland	24
Chart 11b	Trend in Number of Employed Persons in Forestry, Canada.....	24

List of Tables

Table 1	Average Monthly Temperature	4
Table 2	Average Monthly Rainfall.....	4
Table 3	Distribution of Employment between Seasonal Industries and the Rest of the Economy, Canada and selected Nordic Countries, 1999	19
Table 4	Comparison of Unemployment Insurance in Canada and the Nordic Countries in 1998	27
Table 5	Comparison of Unemployment Insurance Benefit Refusals and Sanctions in Canada and three Nordic Countries	28
Table 6	Participation in Active Labour Market Policies in Nordic Countries, 1997*	30

Summary and Conclusions

1. Background

One of the early results of this study was the discovery that Nordic countries do not specifically address seasonal employment. Before explaining why this is the case, it is useful to provide a brief background on this study, which was originally intended to investigate the way the Nordic countries deal with the issue of seasonal fluctuations in employment and unemployment.

The underlying premise of the study was that, since the Nordic countries have similar weather to Canada and a similar industrial structure, they should have a similar problem with seasonal fluctuations in employment.

Much to our surprise, however, we learned from our initial contacts with labour market specialists in the Nordic countries and at the OECD that seasonal unemployment was not considered to be a problem warranting special attention and that they really had no specific special policies and programs to deal with it, even though small pockets of seasonal unemployment continue to exist in certain remote or northern areas and seasonal fluctuations in employment are much greater in Finland at the national level than in Canada.

Instead, policy analysis in these countries is focussing on the key issue of the shortage of labour resulting from the aging of the population and other special problems – including the young persons' supply of labour, the inactive population, and the multiethnic labour market resulting from immigration to meet labour shortages (Nordic Council of Ministers, Labour Market Committee 2000).

On account of our initial negative finding, the focus of this study shifted to finding out why seasonal unemployment is not perceived to be a problem in Nordic countries and how labour market policies have contributed to this felicitous result.

2. Key points

- *Weather less adverse*: Except in the north of Norway, Sweden, and Finland, winters in Nordic countries are not as cold as in Canada. They are relatively mild in Denmark and even in Iceland where the temperature does not average much below zero in the winter, because of the moderating influence of the Gulf Stream. Also, with the exception of Iceland, there is significantly less snow in the wintertime. The natural forces tending to produce seasonal fluctuations in employment are hence not as strong in the Nordic countries as in Canada.

- *Unemployment rates lower:* With the exception of Finland, the rates of unemployment are much lower in Nordic countries than in Canada. Recent rates of unemployment are under 2 per cent in Iceland, 3.5 per cent in Norway, 4.5 per cent in Denmark, 5 per cent in Sweden, and 9 per cent in Finland. In general, the lower the levels of unemployment, the smaller are the seasonal fluctuations in unemployment. In a high-pressure labour market, it is relatively easier for seasonal workers to find alternative employment in the off-season. National labour markets also tend to be more homogeneous in the Nordic countries than in Canada and more concentrated geographically.
- *Less focus on regional differences in unemployment rates:* Seasonal unemployment in Canada is largely a policy problem in the Atlantic region where seasonal fluctuations in employment in Newfoundland and Prince Edward Island are almost four times as severe as the national average. The fact that Canada is a federation whereas the Nordic countries are not is another reason for their relative lack of concern about seasonal unemployment. In Canada, provincial governments continuously pressure the federal government for economic policies to combat unemployment. The party in power federally can only disregard these concerns at its own electoral peril.
- *Economies technologically dynamic:* The low levels of unemployment in the Nordic countries except for Finland are indicators of the dynamic nature of their economies and the flexibility of their labour markets. High technology firms such as Nokia in Finland and Ericsson in Sweden have won an important place for their countries in the global information economy and have acted as engines of development. Even Iceland has been a global technology leader in the fisheries industry and in the development of geothermal technology.
- *Active labour market programs:* The flexibility of labour markets and the ability of the Nordic countries to run their labour markets at a high level of demand without generating inflation have been facilitated by the application of the Nordic model of labour market policy. While the generosity of Unemployment Insurance (UI) Benefits varies from one country to another, the Nordic model is characterized by a very active application of labour market programs to get the unemployed back to work. Often enrolling in these programs is a condition for getting UI. In addition, the national Public Employment Services provide a relatively comprehensive database of vacancies that can be used to make sure that UI claimants are obliged to take any appropriate available jobs or risk losing their benefits.
- *Fishing year-round:* The fishing industry, which is one of the most seasonal in Canada, has a much more stable pattern of output and employment in the Nordic countries. The situation in Iceland is of particular interest because the country is so heavily dependent on fishing. Over half of its exports of goods are fish and fish products and 4 per cent of its labour force is in fishing and another 4 per cent in fish processing. In contrast to Canada, output and employment in fishing in Iceland is relatively stable throughout the year and the wages of fishermen are higher than average in other industries. An important reason why the industry is able to fish all year long is the advanced boats and equipment used and the greater prevalence of multi-species licensing and harvesting.

- *Construction less seasonal*: Construction in Nordic countries has become much less seasonal than in the past because of technological changes that make it possible to pour concrete and work in the winter. This includes the use of plastic enclosures and space heaters and preparing foundations before the winter frost. These same changes have, of course, made construction less seasonal in Canada.

3. Policies

As we were warned before we went, the Nordic countries did not have any particularly innovative policies to deal with seasonal fluctuations in employment. Nevertheless, we still came across some ideas of potential interest:

- In various countries, governments made efforts to schedule government construction in the wintertime. Some sort of winter building fund is currently under consideration in Denmark. It is designed as much to deal with the problem of relieving the overheating in the construction industry in the summer as in supporting the industry in the winter.
- There were also examples where governments moved government functions to remote areas that were harder hit by seasonal unemployment, although this was done as part of a more general regional development strategy rather than to deal specifically with seasonal unemployment. This included the establishment of a university in Akureyri on Iceland's north coast and the movement of a Danish naval shipyard to the north coast of Jutland.
- Denmark has a program that is reported to be very useful in helping young people to become established in the labour market and in reducing their dependence on UI. The program is their youth initiative. It works by requiring young people who are under 25 and have not completed their formal education to enter into education or training after 6 months of UI benefits at half the ordinary benefit rate. This makes sure that the UI system does not provide an incentive for people to drop out of school and supports young people while they take the education or training required to become successfully integrated into the labour market.

Another interesting concept we learned about that is applied to UI in Norway is the distinction between a permanent and a temporary layoff. A firm that temporarily lays off a worker is not required to pay severance and the worker is able to collect UI without being required to take alternative permanent employment for a certain period of time during which a recall is expected. This in effect provides a subsidy that enables firms to retain their labour force. Until October 1990, the layoff period could be as long as 80 weeks but it was shortened to 12 weeks before being adjusted upward in a number of steps. The length of the allowed layoff was an important determinant of the duration of unemployment (Røed and Nordberg 2001).

1. Introduction

Canada is a country characterized by extreme fluctuations in the weather from one season to another, going from heavy snowfalls and subzero average temperatures in the winter to blistering heat in the summer. Few other countries experience such wide variance in temperatures and climatic conditions over the course of the year.

Canada is also a country that has a large resource sector whose output and employment is affected by the weather. This includes the traditional seasonal sectors of agriculture, fishing, trapping, and forestry. Other sectors also exhibit seasonal variations. These include: construction, accommodation and food, and even manufacturing, retail trade, education and government. The extreme seasonal variations in the weather together with the importance of the resource sector in Canada combine to produce large seasonal fluctuations in output and employment.

The objective of this study is to find out how Nordic countries have responded to the challenge of the weather and what has been the outcome in terms of the seasonality of employment. Nordic countries are of most interest to Human Resources Development Canada (HRDC) because, like Canada, they are also advanced resource-producing countries and are faced with similar seasonal weather patterns.

The key issues addressed here are: (a) the extent of overall seasonality in the Nordic countries relative to Canada, at the national level and by industry; (b) the characteristics of seasonal workers and jobs; and (c) public policy and employers' strategy towards seasonality, including Unemployment Insurance (UI) and active labour market programs.

In what follows, Section 2 provides a comparison of seasonal variations in the weather amongst Canada and the Nordic countries, which is the fundamental factor underlying the different patterns of seasonal employment across countries.

Section 3 provides the necessary background on seasonal employment in Canada, including a presentation of the characteristics of seasonal workers and jobs.

Section 4 compares the extent of the seasonality of employment in Canada and the various Nordic countries, based on available employment statistics from the OECD.

Section 5 presents the lessons on seasonal unemployment learned from our interviews with key Nordic informants and the material they provided. It reviews key aspects of public policy and employers' strategies towards the labour market including UI, and especially the active labour market policies that characterize the Nordic model. It also discusses some innovative approaches and concepts that merit consideration in Canada.

2. Differences in Climate between Canada and the Nordic Countries

It is seasonal fluctuations in the weather that largely give rise to seasonal fluctuations in unemployment. Other things such as the Christmas holidays and the school year also give rise to seasonal fluctuations in employment, but in some sense the weather is the most fundamental determinant since it is a force of nature and cannot be changed. The harsh weather in the winter with its subzero temperatures and heavy snowfalls inevitably interferes with economic activity. Fishing can be impossible in dangerous icy waters. And construction can be much more costly when it is cold and difficult to dig foundations and pour cement. On the other hand, in some industries such as logging it can be easier to get heavy equipment into the forest in the winter to harvest trees. Nevertheless, on balance, employment is usually lower in winter months than in the summer.

Since it is the weather that is largely responsible for seasonal fluctuations in employment, it is useful to compare the weather in major Canadian cities with that in major Nordic cities. As Table 1 shows, the winters are significantly milder than in Canada in all the Nordic countries, except for Finland. In Iceland, which is often, because of its name, thought to be very cold, the average temperature only goes below freezing in January. Oslo and Stockholm have average winter monthly temperatures similar to Halifax. Helsinki is about the same as Gander and much warmer than Quebec, Ontario and the Prairies. Cold winter weather is consequently less likely to depress employment in the Nordic countries than in Canada.

The weather is also much drier in the Nordic countries than in Eastern Canada in the winter except in Iceland (Table 2). This means that economic activity is less likely to be disrupted by heavy snowfalls in the Nordic countries than in Canada. This is not to say that it does not regularly snow in the winter in Oslo, Stockholm and Helsinki and in the inland/northern parts of the same three countries.

A qualification that must be made concerning these comparisons is that the climate data is for the main cities. Seasonal industries are obviously not concentrated in the main cities but in the countryside. The climate with respect to both temperature and precipitation differs significantly within each country between the coast and inland, and the north and the south. Nevertheless, the available data is for cities and climate comparisons still provide a useful starting point for an analysis of employment seasonality in the different countries.

Table 1
Average Monthly Temperature

(Degrees Centigrade)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
Canada													
Gander	-6.5	-7.0	-3.8	1.0	6.5	11.5	16.5	15.7	11.6	6.0	1.4	-3.7	4.1
Halifax	-4.7	-4.9	-0.9	4.1	9.5	14.4	18.1	18.0	14.6	9.3	3.6	-2.1	6.6
Quebec	-12.0	-10.6	-4.5	3.2	10.8	16.2	19.2	17.7	12.8	6.8	-0.1	-8.9	4.3
Ottawa	-11.0	-10.1	-3.6	5.1	12.8	18.2	20.6	19.3	14.7	8.1	0.7	-7.9	5.5
Winnipeg	-18.6	-16.0	-8.2	3.3	11.2	16.7	19.6	18.2	12.3	5.4	-5.1	-14.1	2.0
Edmonton	-15.3	-11.8	-5.8	3.7	10.6	14.2	15.6	14.3	9.3	4.3	-4.9	-12.3	1.8
Vancouver	2.7	4.4	6.1	8.9	12.3	15.1	17.3	17.1	14.3	10.0	5.9	3.7	9.8
Nordic Countries													
Rekjavik, Iceland	-0.3	0.1	0.8	2.9	6.5	9.3	11.1	10.6	7.9	4.5	1.7	0.2	4.6
Oslo, Norway	-4.9	-4.2	-0.8	4.1	9.9	14.6	16.6	15.2	10.6	5.2	0.1	-3.4	5.2
Copenhagen, Denmark	-0.4	-0.4	1.3	5.8	11.1	15.4	17.1	16.6	13.3	8.8	4.1	1.3	7.8
Stockholm, Sweden	-3.5	-3.5	-1.3	3.5	9.2	14.6	17.2	16.0	11.7	6.5	1.7	-1.6	5.8
Helsinki, Finland	-6.1	-6.5	-3.5	2.0	8.5	14.0	16.8	15.5	10.7	5.5	0.4	-3.5	4.5
Source: www.worldclimate.com													

Table 2
Average Monthly Rainfall

(Millemetres)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
Canada													
Gander	100.4	98.6	100.5	85.2	71.7	79.6	76.7	95.9	87.6	103.2	108.1	104.3	1112
Halifax	146.2	118.7	119.1	106.6	98.2	89.7	90.3	97.6	97.5	120.1	142.3	136.9	1365
Quebec	84.8	74.8	78.8	76.0	92.8	107.9	111.8	108.5	112.6	88.8	100.0	104.2	1142
Ottawa	67.0	58.9	66.7	59.9	71.8	81.7	85.6	80.2	77.4	68.6	70.3	73.8	862
Winnipeg	21.4	19.0	26.3	33.9	54.7	81.1	73.8	65.5	54.5	35.0	26.4	21.7	513.4
Edmonton	22.6	17.7	18.7	23.5	44.9	79.3	87.2	64.1	36.0	19.7	18.3	21.7	454.6
Vancouver	145.7	121.4	102.3	69.2	55.8	47.1	31.3	37.0	59.6	116.3	154.6	171.5	1107
Nordic Countries													
Rekjavik, Iceland	86.2	74.8	75.9	56.4	42.3	44.6	50.8	61.7	70.9	87.8	82.7	84.0	817.6
Oslo, Norway	40.6	31.2	33.7	36.1	44.9	58.7	74.9	85.9	71.8	70.6	57.1	48.5	654.5
Copenhagen, Denmark	43.0	34.2	35.6	38.2	41.2	50.8	63.8	68.0	56.0	57.4	52.6	48.5	589.7
Stockholm, Sweden	31.4	25.3	26.3	28.6	33.9	44.0	64.4	66.1	48.7	50.6	44.0	39.0	502.8
Helsinki, Finland	46.0	36.6	34.9	37.4	42.1	45.9	61.5	74.7	66.5	68.5	65.7	55.0	635.4
Source: www.worldclimate.com													

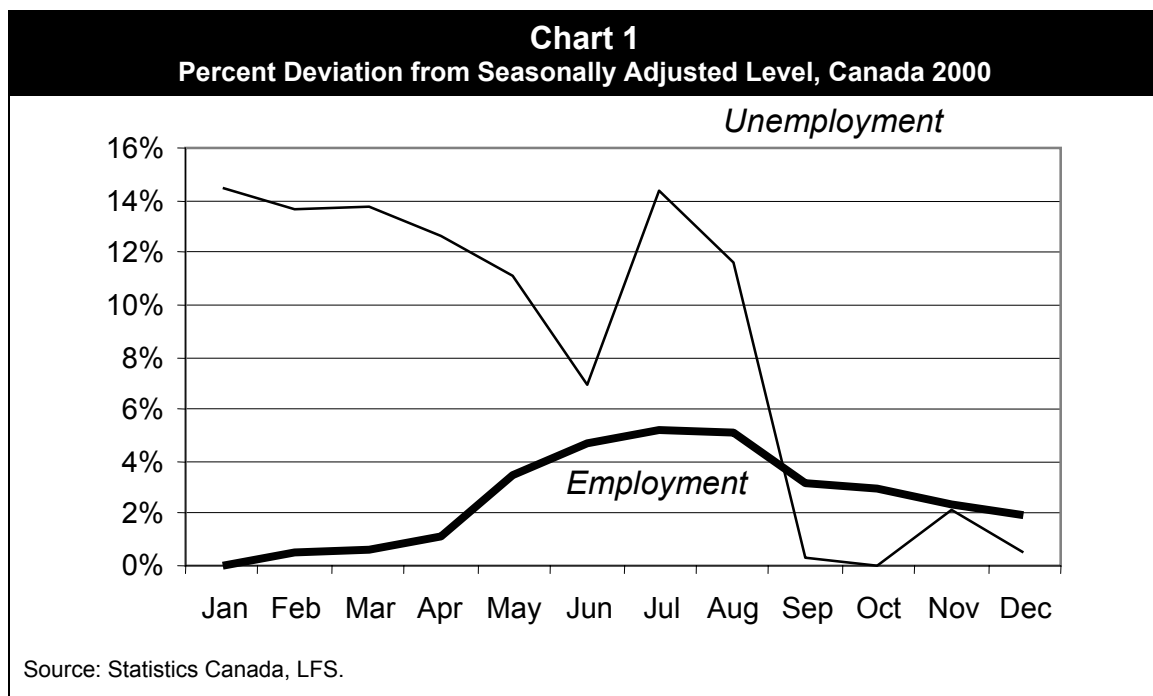
3. Seasonal Employment in Canada

3.1 There is significant seasonal variation in employment and unemployment in Canada

Analysis of data from the monthly Labour Force Survey (LFS) of Statistics Canada reveals that there is significant seasonal variation in employment and unemployment in Canada.

Chart 1 shows the deviation in 2000 between actual and seasonally adjusted employment and unemployment, as a percentage of the lowest point of the monthly pattern. It reveals that:

- Employment has a fairly pronounced seasonal pattern in Canada. This is mostly due to the effect of weather (as in the case of the construction, tourism, and fishing industries) or the effect of major holidays (as in the case of the retail sector).
- Unemployment has a wider seasonal variation than employment. The reason is that unemployment is the difference between labour force and employment, and small changes in either of the two can translate into wide variations in unemployment. Unemployment has two peaks: one in January (following the end of the Christmas sales period); and one in July (as a result of the influx of students).



3.2 Seasonal employment is most pronounced among youth

Seasonal employment and unemployment are most pronounced among youth (ages 15-24), which should not be surprising since many students only take jobs in the summer. Chart 2A shows that the maximum seasonal amplitude of employment (highest deviation of actual employment from the corresponding seasonally adjusted level) is 25 per cent. The maximum seasonal amplitude of unemployment is even greater (42 per cent). The increase in unemployment results mostly from the summer influx of students into the labour force looking for jobs.

Among older adults (ages 25+), the maximum seasonal amplitude of employment at the national level is fairly low (under 3 per cent). However, as Chart 2B shows, even among adults, the maximum seasonal amplitude of unemployment is still quite high (17 per cent) and unemployment is highest in the winter in contrast to youth where it is highest in the summer.

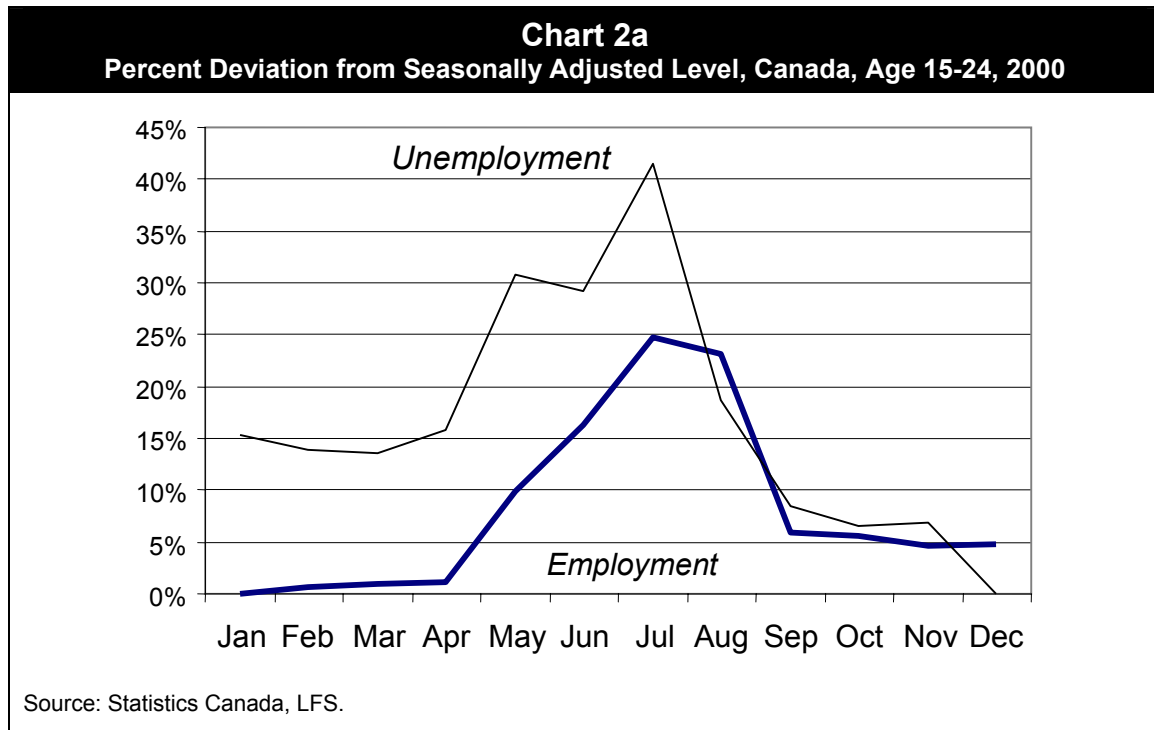
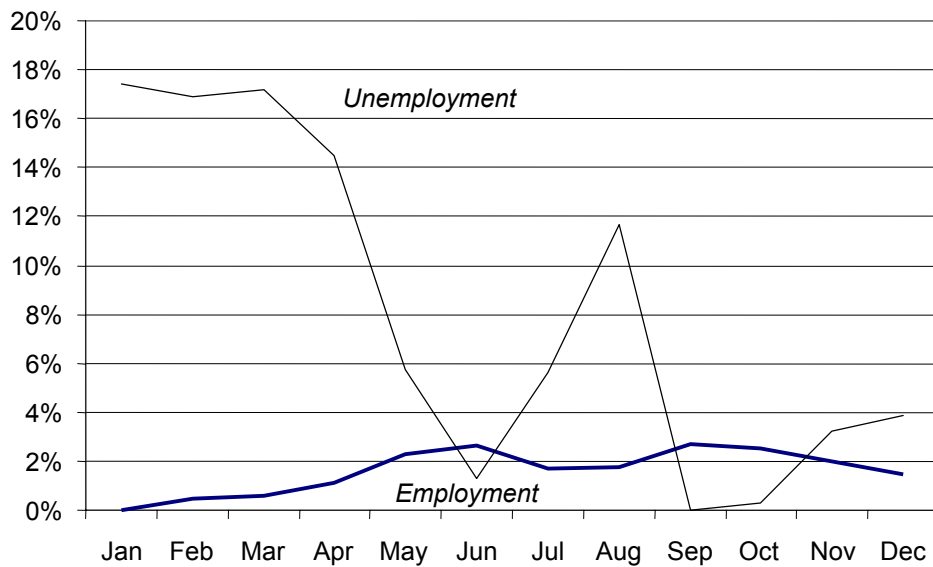


Chart 2b
Percent Deviation from Seasonally Adjusted Level, Canada, Age 25-or more 2000



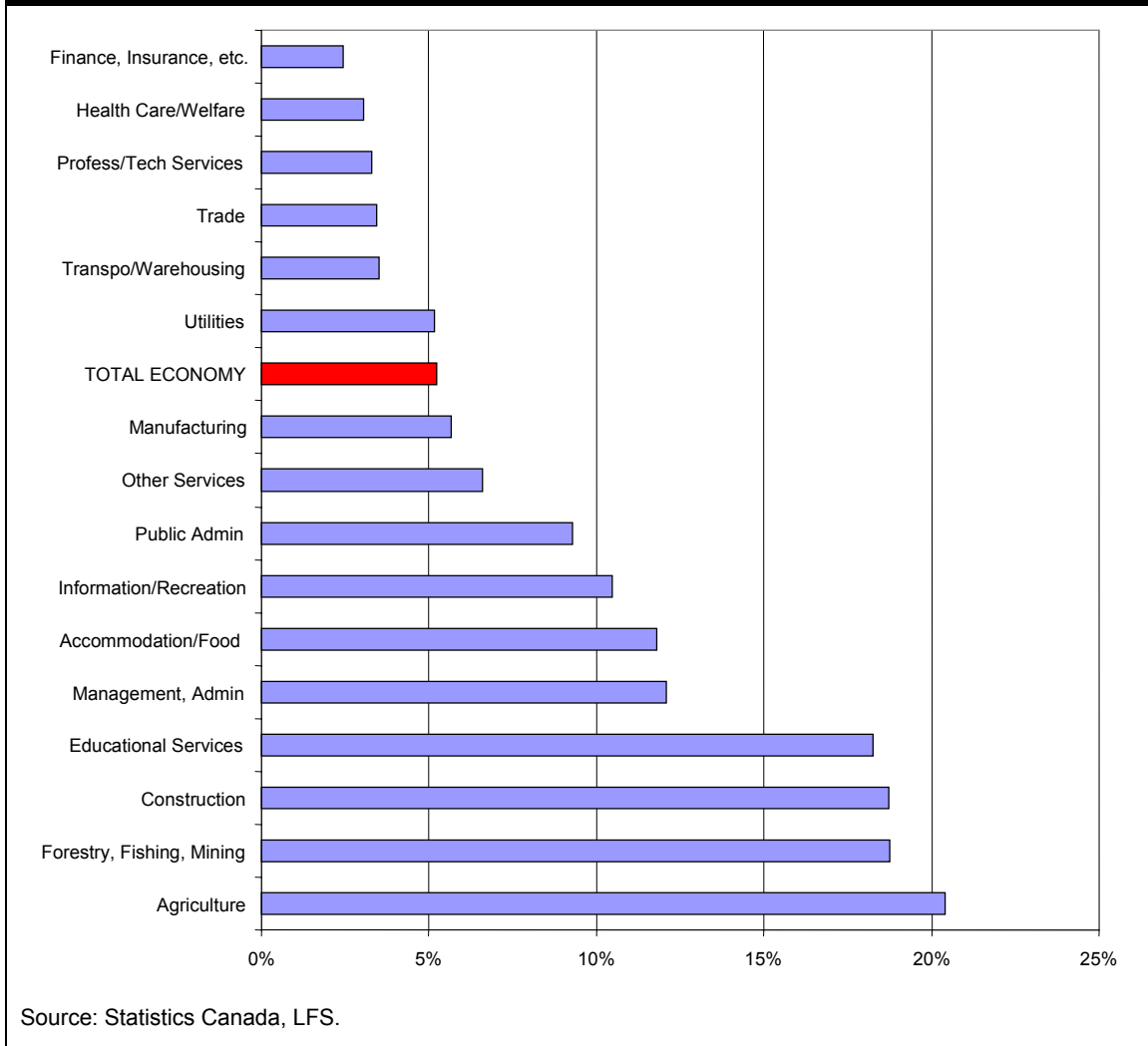
Source: Statistics Canada, LFS.

3.3 Seasonality particularly high in certain industries

Seasonal employment is particularly high in the primary sector (agriculture, forestry, and fishing) and in construction. Thus, while for the whole economy the maximum seasonal amplitude of employment is 5 per cent (including all ages), the maximum seasonal amplitude for the above sectors is about 20 per cent (Chart 3).

However, these sectors account for only 10 per cent of total employment. As a result, the majority of those with seasonal work are working outside the traditional seasonal sectors.

Chart 3
Employment: Maximum Deviation from Seasonally Adjusted Level, Canada 2000
All Ages, by Industry

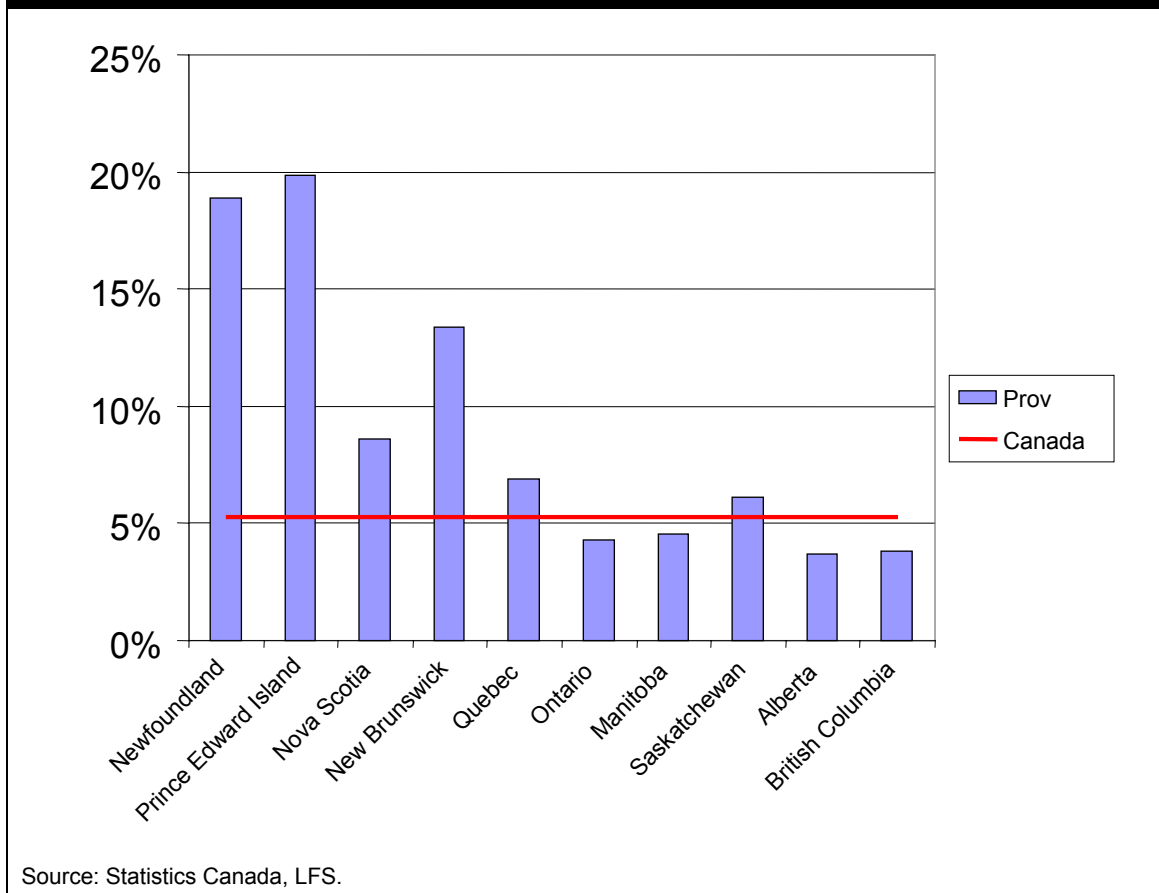


3.4 Seasonal employment an important issue in some provinces

A main reason for the concern about seasonal employment in Canada is that it also tends to be concentrated in certain provinces, which makes it more of a problem in a federation such as Canada. Thus, while the maximum seasonal employment amplitude at the national level is 5 per cent, in Newfoundland and PEI it is about 20 per cent (Chart 4).

Moreover, within specific regions the amplitude can be even higher. For example, in the South Coast/Burin Peninsula of Newfoundland the maximum seasonal amplitude is 26 per cent. The regional concentration of seasonal employment presents extra challenges since typically this is also an indication of lack of alternative forms of employment.

Chart 4
Employment, Maximum Deviation from Seasonally Adjusted Level by Province 2000



3.5 About a quarter of unemployed paid workers had a seasonal job

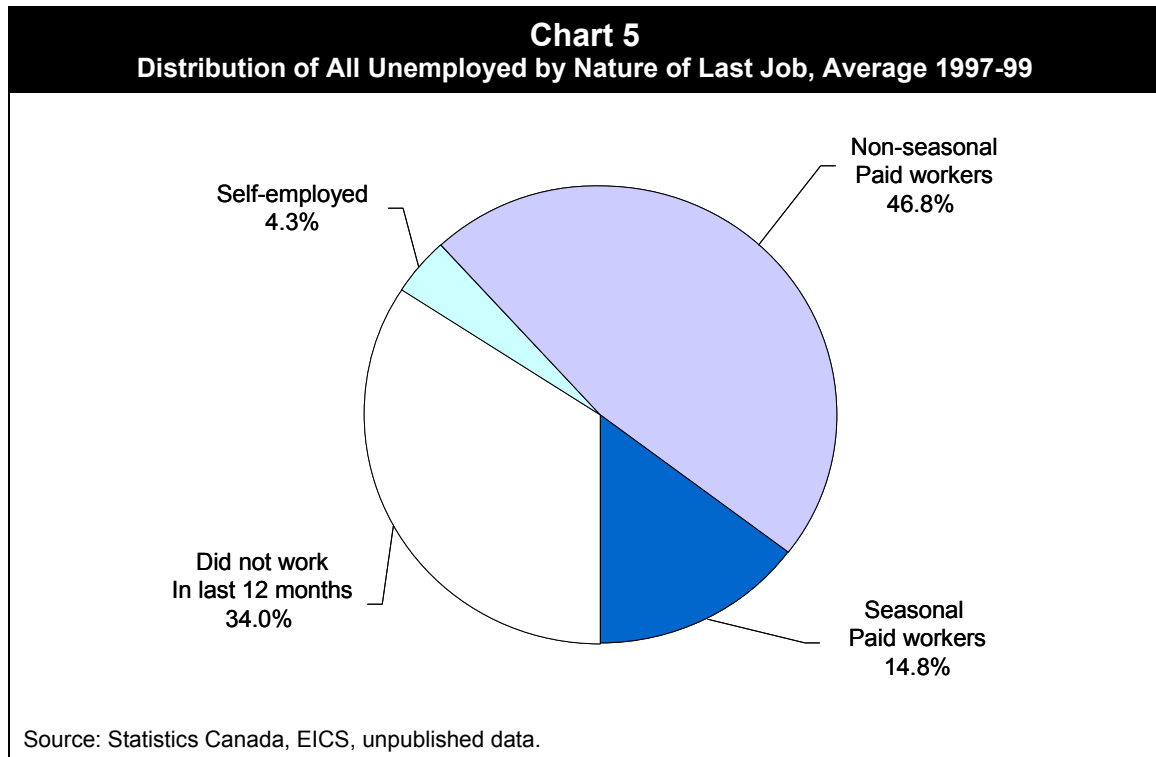
A main reason for the concern about seasonal employment is that it accounts for a large share of unemployment and of the number of Employment Insurance (EI) beneficiaries.

According to the *Employment Insurance Coverage Survey (EICS)* of Statistics Canada,¹ about 15 per cent of the unemployed reported that their last job was seasonal. In particular (Chart 5):

- Over the period 1997-1999, the average monthly number of unemployed was 1.3 million.
- Of these, 774,000 had a job during the 12 months preceding the survey and their most recent job was a paid job (i.e. not self-employment).
- Of the above 774,000 paid workers, 186,000 (or 24 per cent) reported that their last job was a seasonal job or that their last job ended for seasonal reasons.

¹ The EICS is a quarterly LFS supplementary survey with additional labour force questions and detailed questions pertaining to the EI program.

These numbers demonstrate that seasonal factors are a significant factor contributing to unemployment.

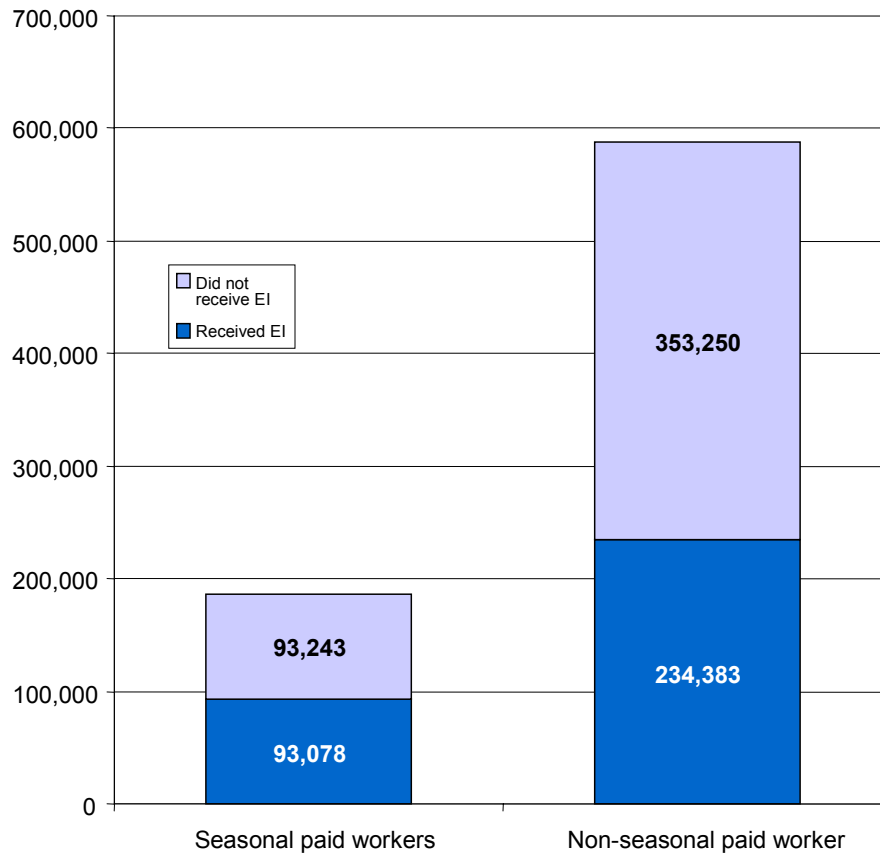


3.6 About 28 per cent of regular EI beneficiaries are seasonal unemployed

- About half of the seasonal workers with a paid job in the last 12 months, reported receiving EI benefits during the reference month of the survey. The incidence of EI among non-seasonal workers is lower (40 per cent).
- Seasonal unemployed account for about 28 per cent of all regular EI beneficiaries (Chart 6).

These results demonstrate that seasonal employment is also a major contributor to the cost of the EI program.

Chart 6
Distribution of Unemployed with a Paid Job in Last 12 months, by Receipt of EI,
Average 1997-1999



Source: Statistics Canada, EICS, unpublished data.

4. Seasonal Employment in the Nordic Countries

4.1 Data sources

This section examines available monthly or quarterly employment statistics to determine the extent of overall employment seasonality and seasonality by industry in Canada and the Nordic countries.

The main source of employment data for Canada is the monthly Labour Force Survey, which provides raw and monthly employment figures at the national and industry level. In the case of Nordic countries, two OECD sources were used:

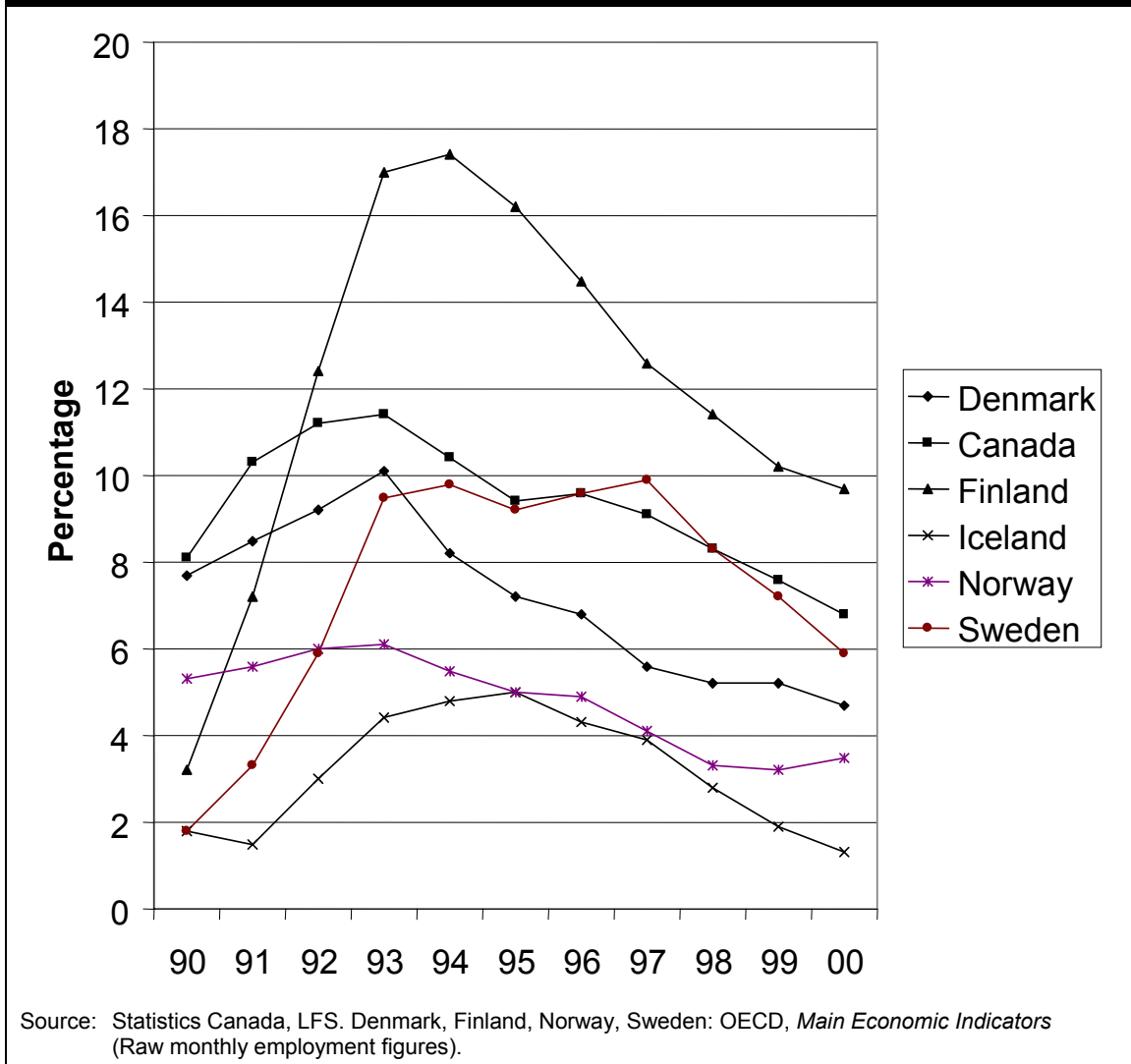
- a) *OECD Main Indicators*: Raw monthly labour market estimates at the national level derived from national sources. Data were obtained for: Finland, Sweden, Denmark, and Norway.
- b) *OECD National Accounts*: Raw quarterly labour market estimates at the industry level derived from national sources. Data were obtained for Finland, Denmark, and Sweden.

This data is obviously limited. Monthly and quarterly data on employment is not available for Iceland where the labour force survey is only conducted twice a year in the spring and the fall. In addition, it is not possible to make detailed comparisons of the characteristics of seasonal workers and seasonal jobs in the other Nordic countries as such data are not available on a consistent basis. There are also no studies on the characteristics of seasonal workers or jobs in the Nordic countries on which we could draw.

4.2 Unemployment has recently decreased substantially in Nordic countries

Unemployment in Nordic countries increased in the early 1990s as shown in Chart 7 which presents the standardized unemployment rate published by the OECD for all the Nordic countries except for Iceland where the actual unemployment rate is shown. The increase in the unemployment rate in the early part of the 1990s was most pronounced in Finland, which was hardest hit by the economic turmoil resulting from the breakup of the former Soviet Union. After rising in the early 1990s, the unemployment rate declined over the balance of the decade. By mid-2001 the unemployment rate was below 5 per cent in all Nordic countries except for Finland. It was particularly low in Norway (3.5 per cent) and Iceland (under 2 per cent). The Nordic countries except for Finland are clearly currently operating at lower levels of unemployment with much tighter labour markets than Canada.

Chart 7
Unemployment Rates in Canada and the Nordic Countries, 1990-2000



4.3 Only Finland has greater seasonal fluctuations in employment than Canada

Chart 8 shows the monthly pattern of total employment in Canada and four of the Nordic countries. The monthly pattern was estimated by dividing the raw monthly employment figures by a moving average of the current month, the previous 6 months, and the following 5 months. The moving average provides an approximate way of producing seasonally adjusted employment figures.

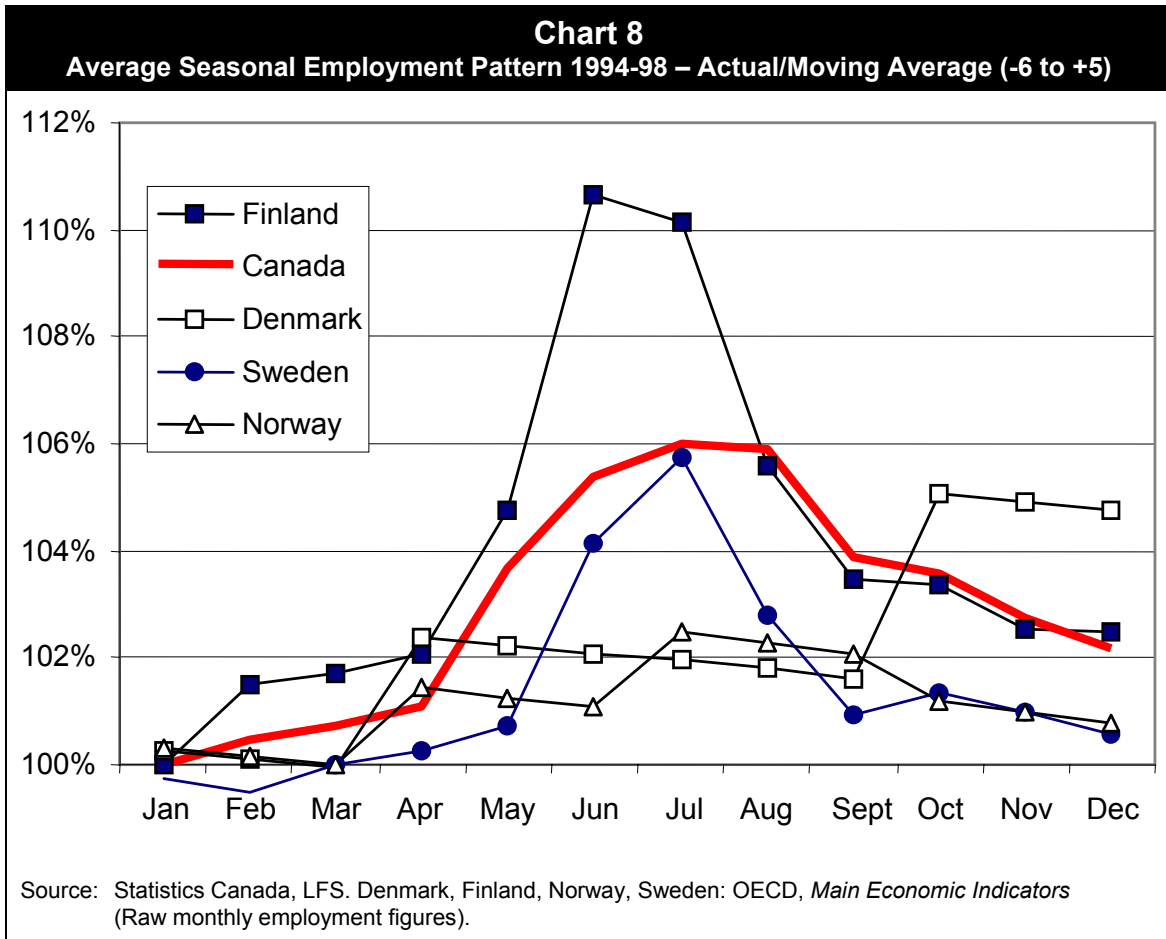
According to Chart 8, Finland, Sweden and Canada have a similar seasonal pattern of employment: high employment in the summer and low employment in the winter. Finland has the widest seasonal variation, followed by Canada and then Sweden. In all three cases, resource industries and weather are the main factors behind employment seasonality.

Denmark's seasonal employment pattern has similar amplitude to that of Canada and Sweden, but the peak period is the last quarter of the year. We were warned not to make too much of this by Danish labour market experts, however, as it could just be a statistical artefact in the OECD employment data.

Finally, Norway has virtually zero seasonality of employment. Interviews with Norwegian experts indicated that seasonal unemployment is much less of a problem today than it used to be 15-20 years ago, particularly now that unemployment is so low (see Chart 7 above). And a significant share of seasonal work in agriculture (and to some extent forestry) is done by foreign workers, mostly from Poland and the Baltic countries, who are only allowed into the country for a limited time when employers demand seasonal labour and do not add to seasonal unemployment in the off-season further reducing the problems associated with seasonal fluctuations in employment.

Finland is the only country that has greater seasonal fluctuations in employment than Canada. But even in Finland the seasonal peak in employment at just over 10 per cent is only around half of the seasonal peak in Newfoundland and Prince Edward Island (see Chart 4).

It is also important to note that none of the Nordic countries is a federal state like Canada and that consequently there is much less focus on regional differences in unemployment than there is in Canada. In Canada, provincial governments continuously pressure the federal government for economic policies to combat unemployment. The party in power federally can only disregard the demands of provincial governments at its own electoral peril. In contrast, there are no sub-federal governments in the Nordic countries that keep regional differences in unemployment rates high on the government's agenda.



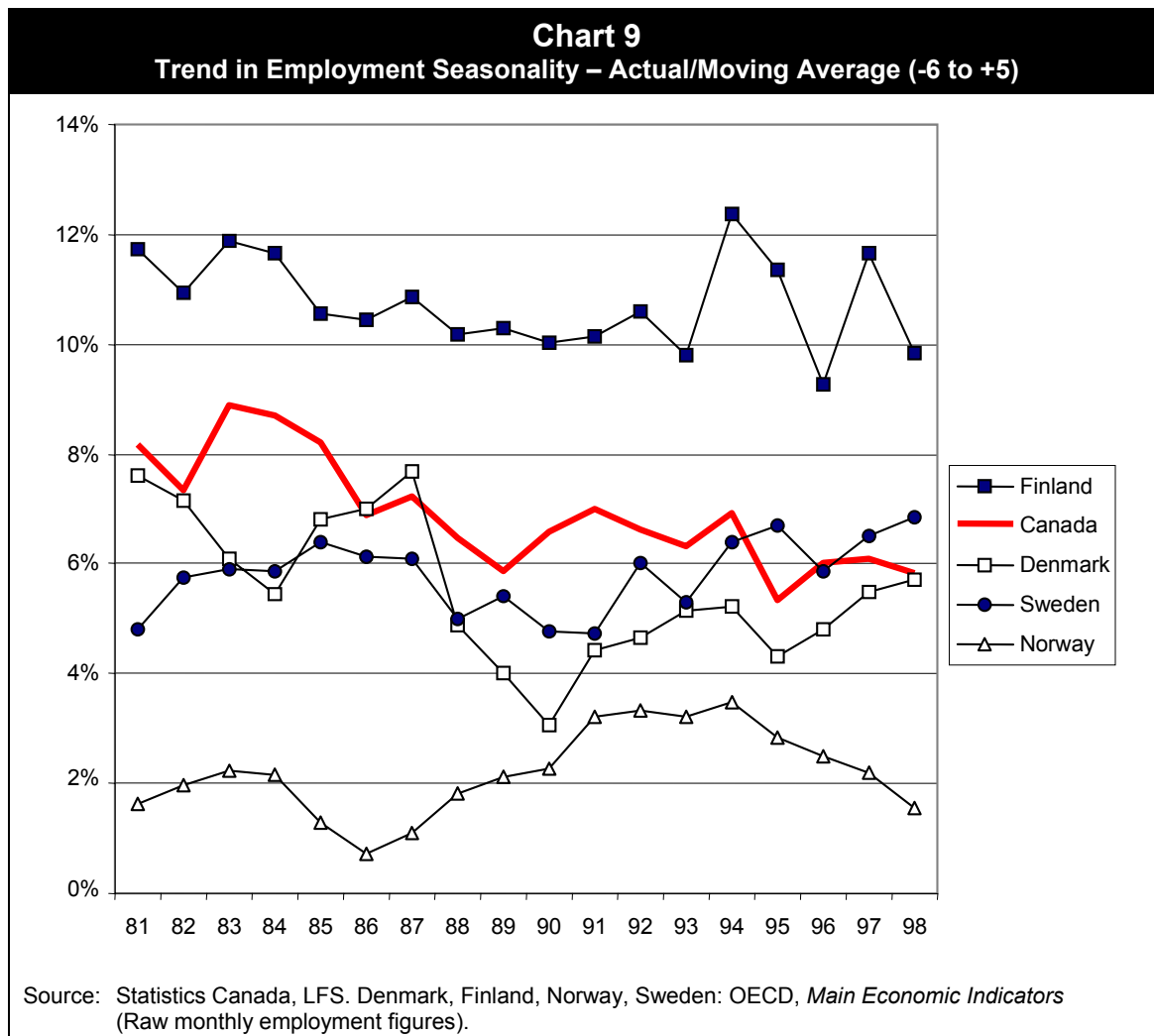
4.4 Trend in employment seasonality generally downwards

In this subsection we explore trends over time in the degree of seasonality of employment in Canada and four of the Nordic countries. The extent of employment seasonality is measured by using a variation of the maximum seasonal amplitude measure described earlier:

- first we calculated the deviation between raw monthly employment figures and a 12-month moving average (6 month lag; 5 month lead as explained above);
- then we estimated the maximum seasonal amplitude, which is equal to the highest positive deviation, plus absolute value of the highest negative deviation.²

² For a more detailed discussion of the measurement of seasonality see: Guillemette, R., L'Italien, F. and Grey, A. (2000) *Seasonality of Labour Markets: A Comparison of Canada, the U.S. and the Provinces*. Applied Research Branch, Research Paper R-00-8E, Human Resources Development Canada, Ottawa, July.

The trend in seasonality of employment in Canada is clearly down. For example, the maximum seasonal amplitude between 1981 and 1998 declined from 8.2 per cent to 5.8 per cent (Chart 9).³



A main factor behind the decline in the seasonality of employment in Canada has been the significant decline in the employment share of youth (ages 15 to 24). Youth employment is very seasonal. It accounts for more than half of all seasonal jobs during the summer months. However, within the youth group and the rest of the employed, seasonality has remained virtually unchanged over the last twenty years.⁴

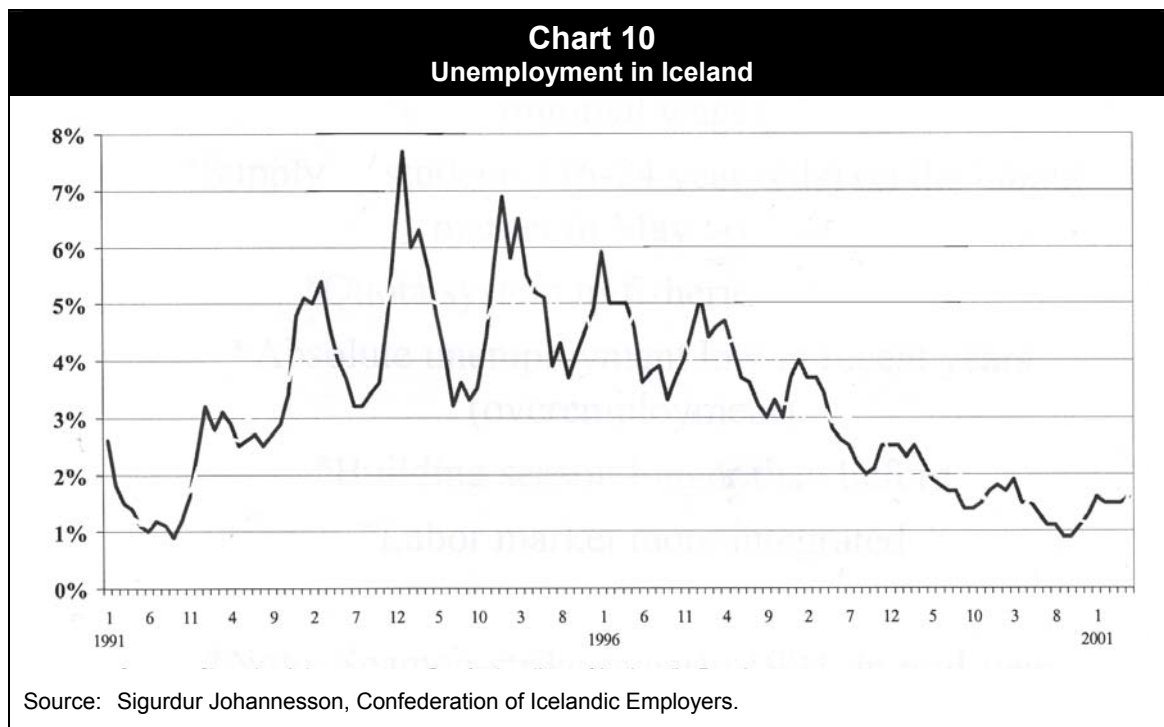
³ The results are virtually identical to those produced by Guillemette, L'Italien and Grey (2000) which showed that the maximum amplitude declined from 8.5 % in 1981, to 6.3 % in 1997 (a 2.2 % drop). Our corresponding estimates are 8.2 % and 6.1 % (a 2.1 % drop).

⁴ A similar conclusion was reached by K. Marshall (1999).

The same trend in seasonality of employment appears to be true for Finland and Denmark. However, there is no evidence of a decline in the degree of employment seasonality in Sweden or Norway (although in the case of Norway the degree of employment seasonality is low throughout the period examined).

4.5 Seasonal swings are smaller than before in Iceland

While monthly employment data is not available for Iceland because the Labour Force Survey is only taken twice a year, the data on registered unemployed from the employment service clearly shows that seasonal swings are much smaller than before now that unemployment is low (Chart 10). The dampening of seasonal fluctuations in unemployment when unemployment is low results from the availability of increased alternative employment opportunities in other industries during seasonal low spells. The Iceland labour market is described in more detail in Edvardsson (2001) and OECD (1997).



4.6 Finland most dependent on primary sector

Table 3 shows that Canada's distribution of employment between seasonal industries and the rest of the economy is similar to that of Denmark's and Sweden's. Finland, on the other hand, is more dependent on the primary sector (agriculture, hunting, fishing and, especially, forestry). Given Finland's greater dependence on the primary sector and its relatively high rate of unemployment, it should not be surprising that Finland is the only Nordic country with greater seasonal fluctuations in employment than Canada. In contrast, Iceland with 4.4 per cent of its employment in agriculture in 2000, 3.9 per cent in fishing and

4.3 per cent in fish processing is much more dependent on seasonal industries than Canada (data provided by Iceland Statistics). The impact of this on seasonal unemployment is more than offset by the Iceland's low rate of unemployment.

Table 3				
Distribution of Employment between Seasonal Industries and the Rest of the Economy, Canada and selected Nordic Countries, 1999				
	Canada	Denmark	Finland	Sweden
Agric-Hunt-Forest-Fish	3.6	3.7	6.5	2.7
Mining-Manuf-Electr etc.	17.1	17.5	21.1	19.1
Construction	5.3	6.0	6.9	5.1
Rest	73.9	72.8	65.5	73.1
Source: Canada: Statistics Canada, LFS. Denmark, Finland, Sweden: OECD, <i>Main Economic Indicators</i> (Raw monthly employment figures).				

4.7 The fishery in Iceland is much less seasonal than in Atlantic Canada

The ocean surrounding the Nordic countries is more temperate than that off Canada's east coast because of the Gulf Stream. Nordic coastal fishing communities are much less likely to become iced-in during the winter than in those in Atlantic Canada. The milder ocean and shore conditions enable the Nordic countries, including Iceland, which is the most northerly, to operate a year-round fishery.

Nordic fisheries in general and the Iceland fishery in particular are very advanced technologically. This is indicated by the statistics on its fishing fleet. In 1998, there were close to 1,650 vessels in the Icelandic fishing fleet, including 850 small undecked boats and 800 decked vessels. Of the decked boats, only 330 boats had a capacity of 12 gross tonnes (GRT) or less and would be considered small boats, 340 vessels had 12-500 GRT and 122 had over 500 GRT. Among the larger boats were 60 freezer trawlers with a capacity of 350 to 1,200 GRT and a length of 130 to 250 feet. These trawlers accounted for 45 per cent of the value of the catch. In contrast, in the Atlantic fishery in 1999, there were 20,392 registered fishing vessels, 19,333 or 95 per cent of which were under 45 feet and could be considered small. The relatively inefficient small boat fishery that can only operate in good weather is thus a much larger proportion of the fishing fleet in Canada than in Iceland.

Because of its technologically more advanced fleet, the Icelandic fishery employs relatively few fishers in relation to Canada. For instance, the 6,100 people employed in fishing in Iceland in 2000 caught more than 318 thousand metric tonnes of seafood which enabled Iceland to export \$1.2 billion Canadian dollars in fish and fish products, accounting for 56.9 per cent of Iceland's total exports. In contrast, in 1999 the 42,683 people employed in the Atlantic fishery in Canada only caught 792 thousand metric tonnes of seafood. The volume and the value of the catch per fisher is thus much higher in Iceland than in Canada.

While the fishing and fish processing industries are still seasonal in Iceland, their seasonality is much less pronounced than in Canada because of the more moderate climate and more advanced fishing fleet. For instance in 1998, monthly employment in fishing varied from a low of just over 4,000 in January to a high of under 6,000 in the summer and monthly employment in fish processing varied from under 8,000 in January to under 9,500 in the summer. The relative stability of fish processing reflects the relatively smooth flow of different types of seafood harvested at different times of year. The relative stability of fishing employment results from the fact that the same fishermen fish for different species at different times of the year and that in between harvesting periods they are busy working on their boats and gear. This is one of the reasons why fishermen in Iceland earn significantly higher average incomes than in other industries.

In contrast, seasonal fluctuations in fish processing employment are much greater in Atlantic Canada. For example, the Task Force on Incomes and Adjustment in the Atlantic Fishery reports that processing employment in Newfoundland, where the seasonality problem is most pronounced, varied from under 6,000 in December to almost 16,000 in June over the 1987 to 1991 period (Task Force on Incomes and Adjustment in the Atlantic Fishery 1993, p.131). Similarly, during the same period, total landings in Newfoundland varied from 20,000 tonnes per month in January to over 80,000 tonnes in June. The pattern of employment of fishermen follows that of landings. The data clearly shows that fishermen in Atlantic Canada are less able to keep busy during the whole year by harvesting different species in different seasons than those in Iceland.

5. Lessons from Seasonal Employment in Nordic Countries

5.1 Overview

The statistical analysis so far was designed primarily to explain why seasonal employment is viewed as an important issue in Canada and whether Nordic countries experience similar degrees of seasonality.

The focus of the remainder of the study is more subjective. It is to explore, based on our interviews with Nordic experts from labour ministries, labour market administrations, employers' associations, trade unions, and universities, how important the issue of seasonal employment is in their countries and how their countries deal with it. The objective is to identify some of the more successful policies applied in Nordic countries that might be worth examining for Canada.

Our most surprising finding after several dozen interviews with Nordic experts and the Nordic desk economists at the OECD is that seasonal unemployment is not perceived to be an important issue in any of the Nordic countries, including Finland and Sweden which have the greatest seasonal fluctuations in employment according to the available data. In fact, according to the experts that we interviewed, we were the first ones to raise the issue in recent memory and no one could identify even a single recent study dealing specifically with the issue of seasonal employment.

We did learn after further probing that, even though seasonal unemployment is not an important national issue in Nordic countries, there are small pockets of seasonal unemployment in most of the countries where small numbers of workers in the traditional industries of fishing, agriculture, forestry, or construction collect UI in the winter. There is still high unemployment in the winter in the north of Norway in the counties of Nordland, Troms and Finmark, which have a relatively severe winter and are dependent on fishing. In Denmark the traditional type of seasonal unemployment still exists in the fishing communities of North and West Jutland and especially on the island of Bornholm and in the Faeroe Islands. In the north of Sweden and Finland, there is also higher unemployment in the winter. But the numbers of people involved in all of these areas are relatively low. That is why seasonal unemployment is not perceived to be a big problem, particularly given that those who are seasonally unemployed do not protest much as they are evidently relatively content with the UI they receive.

The main findings of our discussions with Nordic labour market experts can be summarized as follows:

a) *Low rates of unemployment and decreasing importance of seasonal industries make seasonal swings in employment less important*

The low rate of unemployment and the decreasing importance of seasonal industries were cited by Nordic labour market experts as the key reason why seasonal unemployment is not considered a problem in Nordic countries. Instead, with more elderly and fewer young people, a fall in the labour force, and increased number of workers of foreign origin, the Nordic Council of Ministers set up a group of labour market experts to report on the supply of labour in Nordic countries (Nordic Council of Ministers, 2000). The objective of this exercise was to clarify the situation facing policy makers who are concerned to maintain a growing and qualified supply of labour. The four sub-themes of the report are: the ageing population; the young persons' supply of labour; the inactive population; and the multiethnic labour market. The issue of seasonal unemployment never comes up in the report.

b) *Nordic labour markets are more homogeneous than in Canada*

The common education system and social and cultural background make the labour market more homogeneous in the Nordic countries. Because of the small size of the countries, it is relatively easy to move from one part of the country to another. There is a high level of labour mobility at least from the country to the cities where the economic opportunities are mostly concentrated. The best indicator of the homogeneity of the labour market is the relatively small (by Canadian standards) differential between the unemployment rates in the regions and in the main cities. For example, in Iceland the difference in the unemployment rate between the capital region, which accounts for more than three-fifths of the country's population and the rest of the country rarely exceeds 1 percentage point and is usually less than ½ percentage point. In other Nordic countries regional differences in unemployment rates are of so little import that they are not even mentioned in the press release for the Labour Force Survey. The mobility of the labour force is facilitated by national institutions that take an integrated approach to UI, the employment service, and labour market programs.

c) *Seasonal employment mostly related to youth*

In the opinion of Nordic experts, the nature of seasonal employment has changed over the years as the importance of the traditional seasonal industries of fishing, agriculture, forestry and construction have declined in importance. Nowadays, seasonal employment is mostly related to youth employment in the summer, or youth entering the labour force after graduation. As a result, seasonal employment is not viewed as a policy issue, but as a normal healthy labour market development that helps students finance their education and gives them work experience. Consequently, there is more policy interest on such issues as youth employment, structural unemployment, skill shortages, and non-standard employment.

To some extent at least, the above views are applicable to Canada as well. As was pointed out earlier, once youth are excluded from the employment statistics, the maximum seasonal amplitude of employment is at most 3 per cent. However, even among older Canadians, it is difficult to discard completely the issue of seasonal employment. For example, we showed in our analysis above that seasonal unemployment explains about one-quarter of all unemployment among paid workers and an even higher percentage of EI beneficiaries. And of course the percentage is even greater in specific industries and regions of the country.

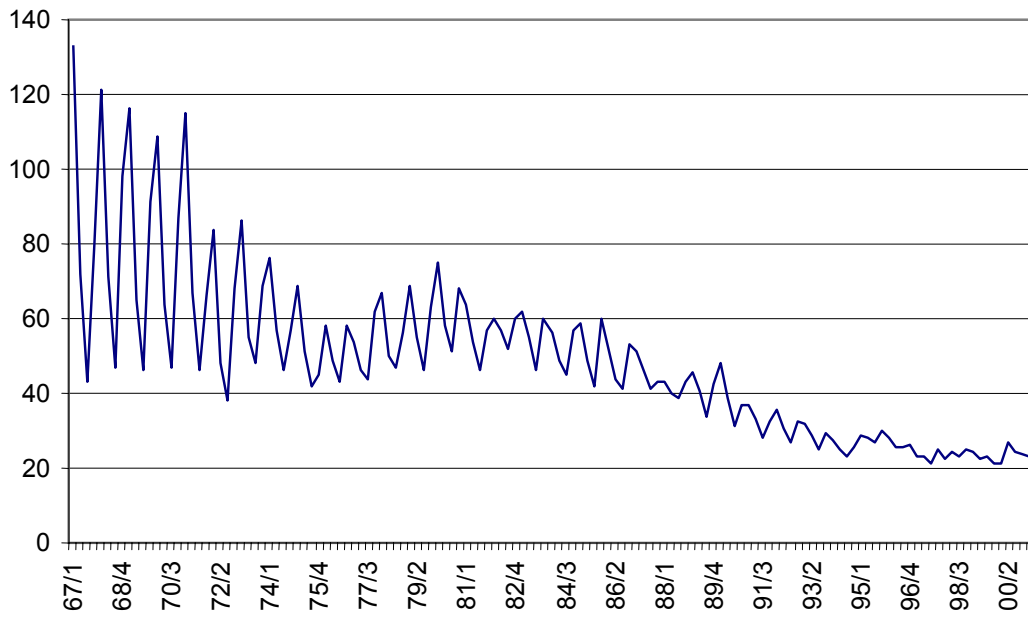
d) *Fewer seasonal jobs today than in the past*

The view in Nordic countries is that seasonal employment accounts for only a small percentage of total employment and therefore does not have substantial economic implications. Because of technological change, there are fewer seasonal jobs today than in the past.

A good example is the forestry sector in Finland. In 1967, employment ranged from 135,000 in the first quarter of the year to 45,000 in the fourth quarter of the year – a very wide seasonal variation. By the year 2000, because of mechanisation, employment was down to about 35,000 with virtually zero seasonal variation. In contrast, in Canada there has been no such reduction in seasonality in forestry sector (Charts 11a and 11b). In Norway, employment in forestry is now only in the 2,000 to 3,000 range so the sector is much less important than in the past.

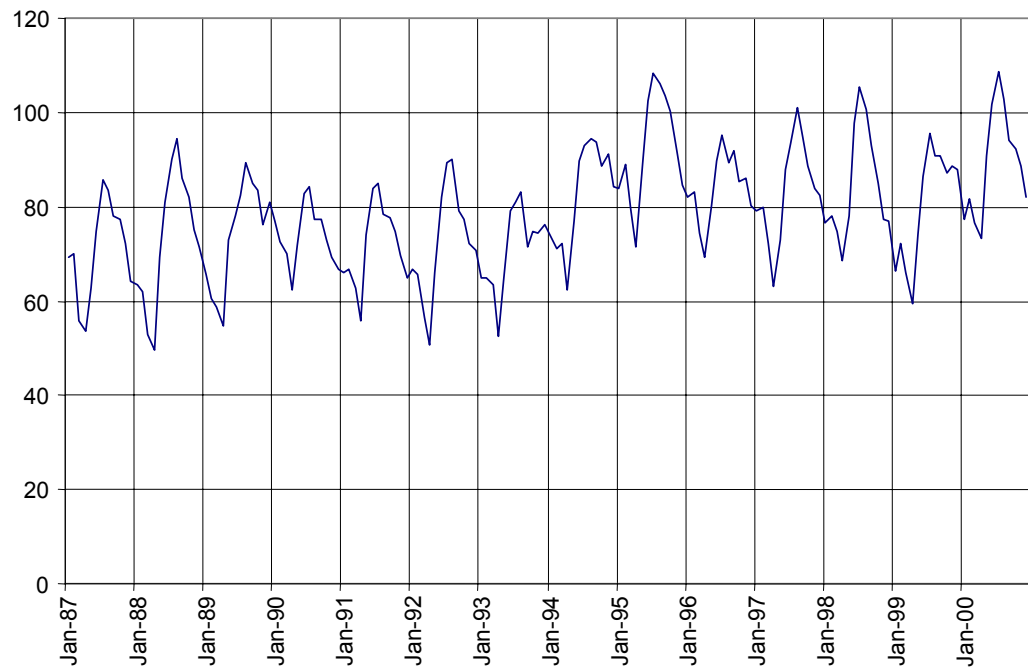
Employment in the fisheries sector has also declined over time. For instance, in Iceland as probably elsewhere, this has resulted from rationalization of the industry. Modern factory freezer trawlers process the fish at sea and fish quotas can be sold from local communities enabling consolidation of production in the most efficient plants, many of which now employ foreign workers.

Chart 11a
Trend in Number of Employed Persons in Forestry, Finland



Source: Finnish Ministry of Labour.

Chart 11b
Trend in Number of Employed Persons in Forestry, Canada



Source: Statistics Canada, LFS.

e) *Employment in seasonal industries has become more stable over time*

Seasonal industries have become less labour intensive over time as new technologies have raised productivity. Fewer workers with higher skills have remained in the industries. Employers are more reluctant to lay off these workers and risk losing their skills. Consequently, they tend to schedule production more smoothly over the year.

This is evident in the forestry industry where sophisticated mechanical harvesters do much of the work. For this reason, the production of wood is much more stable over the year in Finland and Sweden. Even the fishing industry has become much less seasonal.

In Iceland, the country that is most dependent on fishing and that uses very advanced fishing and processing technology, employment in fishing and fish processing is now also relatively stable across the year as noted in Section 4.7 above.

f) *Policies dealing with unemployment are well developed*

Another reason why seasonal unemployment is not perceived as an important issue in Nordic countries is that they feel they have adequate programs to deal with unemployment in general, regardless of whether it be seasonal or non-seasonal. This includes a comprehensive and integrated system of Unemployment Insurance, Public Employment Services, and Active Labour Market Programming. The Nordic countries justly pride themselves for pioneering an active approach to labour market policy.

g) *Part of the seasonality of employment could be hidden at least in some countries*

In the case of Sweden we heard that often companies tend to keep employees year-round, even if the work is seasonal. In part, this reflects what is perceived in Sweden as a responsible employer attitude. In part, this may be a reflection of agreements with unions or financial penalties involved when laying-off employees that are specified in labour law. So, it is quite possible that to some extent the problem of seasonal employment is masked in Sweden through "labour hoarding" by companies during the low season.

In Denmark, in contrast, where employers only have to pay the first two days of UI and there are only minimal severance provisions in legislation (5 days after 6 months and 1 month after 20 years), workers can be laid off at a very low cost to the employer. Short-term layoffs are also prevalent in Norway, where a distinction is made between a temporary layoff and a permanent layoff. By specifying a layoff as temporary, an employer can get unneeded workers off the payroll without having to pay severances. This makes labour hoarding less likely in these countries and accentuates short-term fluctuations in employment.

5.2 Unemployment Insurance

In Canada, Employment Insurance (EI) (formerly Unemployment Insurance) is often cited by analysts as an important contributor to seasonal unemployment. This is because the work requirements are shorter and the benefit periods longer in areas of high unemployment, which in effect provides a subsidy to seasonal work. For example, an individual with as little as 420 hours of work in the last 52 weeks (e.g. 12 weeks at 35 hours per week) could, in a high unemployment region, receive up to 32 weeks of EI benefits.

If UI exacerbates seasonal unemployment in Canada, you would expect a similar impact in the Nordic countries. But interestingly, UI is relatively more generous than in Canada for seasonal workers in Denmark, Finland and Sweden where waiting periods are shorter, replacement rates are higher (80 or 90 per cent compared to 55 per cent in Canada), benefits are higher, and benefit periods are longer (Table 4). Only in Iceland and Norway are benefits lower. In Iceland, benefits are set at a fixed rate of 3,137 Icelandic kronas or 90 per cent of the minimum wage. This only amounts to around \$47 CDN per day. And in addition, in Iceland, there is reportedly still some stigma associated with claiming UI. This is because in the past there has usually been enough employment for anyone who really wanted to work. However, since the period of relatively high unemployment from 1993 to 1997, the stigma associated with being unemployed has decreased. In Norway, benefits are lower for seasonal workers who only work part of the year due to the averaging of insurable earnings over a whole calendar year. For example, a worker who worked for 13 weeks at the average wage would only get benefits equal to 15.6 per cent of average wages.⁵

Even though, apart from Iceland and Norway, UI is relatively more generous in the Nordic countries than in Canada for seasonal workers, there is no concern that UI is contributing to seasonal unemployment. Why is this the case?

One possibility is that other aspects of the UI system compensate for the greater generosity. The OECD published a comparison of the incidence of unemployment benefit refusals and sanctions in thirteen countries, which included three of the five Nordic countries and Canada (Table 5). While Canada is much tougher in refusing benefits to those who voluntarily quit their previous employment, it is less strict in requiring claimants to take job offers or participate in active labour market programs. The OECD measure of sanctions and refusal for behaviour during the benefit period indicates that Canada is more lenient than Finland and Norway. The key labour market behaviours here are refusal to work where Norway is tougher and refusal to participate in an active labour market program where Finland is stricter.

⁵ The UI replacement rate of 62.4 per cent is adjusted by the number of weeks worked as a percentage of the year, in this case 13/52.

Table 4
Comparison of Unemployment Insurance in Canada and the Nordic Countries in 1998

	Canada	Denmark	Finland	Iceland	Norway	Sweden
Institution	State	Worker Funds	Worker Funds	State	State	Worker Funds
Membership	compulsory	Voluntary	voluntary	obligatory	obligatory	voluntary
Qualification Period	a minimum of 420 to 910 hours (depending on the regional unemployment rate and new entrant/ re-entrant status) of insurable work during the preceding 52 weeks	12 months over 3 years	10 months with 18 hours per week over 3 years	10 weeks in last 12 months	Earned 56,712 NOK in previous year or 136,110 NOK over 3 years	6 months with 70 hours per month over a year
Self-Employed Covered	No except fishermen	Yes	Yes	Yes	No except fishermen	Yes
Waiting Period	2 weeks	None first two days paid by employer	7 days	None	3 days	5 days
Base Insured Earnings (R)	Average insurable weekly earnings over the preceding 26 weeks	Daily average over 12 weeks	Daily average over 43 weeks	Not Applicable	Average over calendar year	Daily average over 52 weeks
Compensation	55 % of insurable earnings plus family supplements	90 % of R	120 FIM + 42 % of average (R-120)	Not Applicable	0.24 % of R 62.4 % daily	80 % of R
Minimum Daily Benefit	–	DKR 441/ \$82 CDN	FIM 120/ \$28 CDN	Flat 3,137 IKR per day/ 90 % of minimum wage	–	–
Maximum Daily Benefit	55 % of the maximum insurable earnings or around \$82.50 CDN.	DKR 538/ \$100 CDN	None	Flat 3,137 IKR per day/ \$52 CDN	NOK 653/ \$100 CDN	SEK 580/ \$89 CDN
Maximum Benefit Period	From 14 to 45 weeks	260 weeks	100 weeks	5 Years	156 weeks	60 weeks

Source: Information on UI in Nordic Countries for the year 1998 taken from Nordisk Ministerråd (1999, p.78) provided by Hege Torp. Information on Iceland gathered in interviews in Iceland for 2001. Current exchange rates used to convert into Canadian dollars for purposes of comparison.

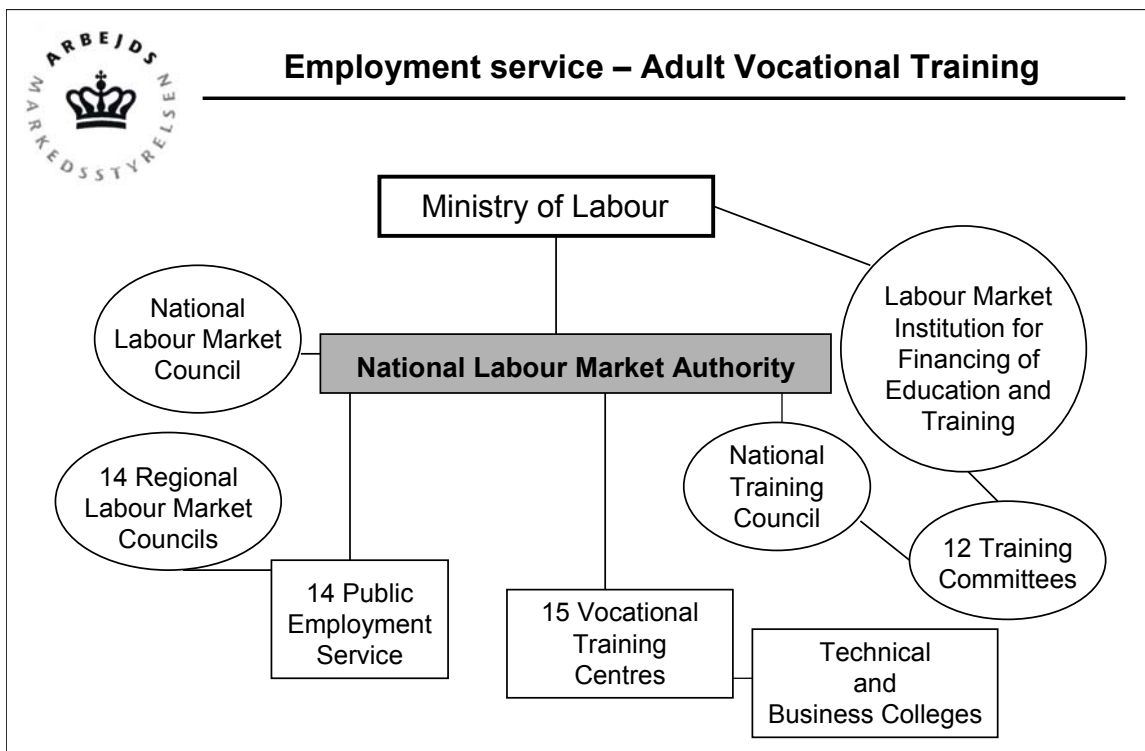
Table 5
Comparison of Unemployment Insurance
Benefit Refusals and Sanctions in Canada and three Nordic Countries

	Canada 1998	Denmark 1997	Finland 1997	Norway 1998
Period of Benefit Sanction for				
First voluntary quit or dismissal for fault	exclusion	5 weeks	3 months	8 weeks
First refusal of work or Active Labour Market Program (ALMP)	7-12 weeks for job/ 6 weeks for ALMP	1 week for job/ exclusion for ALMP	2 mos for job/ 0-2 mos for ALMP	8 weeks
Second refusal of work or ALMP	7-12 weeks for job/ 6 weeks for ALMP	exclusion	2 mos or exclusion	12 weeks
Subsequent refusals	7-12 weeks for job/ 6 weeks for ALMP			26 weeks
As a percentage of the inflow to benefits				
Sanctions for behaviour before benefits start	19.38	–	3.44	10.55
Miscellaneous initial conditions	1.09	–	0.61	–
Voluntary unemployment	18.3	–	2.83	10.55
Total sanctions in a year divided by average stock of beneficiaries in percentage				
Sanctions and refusals for behaviour during benefit period	6.07	4.3	10.19	10.84
Refusal to Work	2.74	0.57	2.69	5.01
ALMP or related action plan	–	1.55	7.5	2.31
Evidence of job search	3.33	–	–	–
Administrative Infractions	–	2.18	–	3.52
Source: OECD, <i>Employment Outlook 2000</i> , Table 4.2, p.136 and Table 4.1, p. 135.				

5.3 Active labour market programming

In general, we were very impressed by the comprehensiveness of the approach to labour market policy pursued in the Nordic countries. This is what is usually considered the Nordic labour market model. It was originally introduced by Sweden in the 1950s, and was subsequently adopted by the other Nordic countries. Denmark, which in 1994 became the most recent convert to the Nordic model, provided us with the best documentation in English of how their system works. It is described in brief in the Danish Ministry of Labour publication entitled *The Danish Labour Market Model and Developments in Labour Market Policy* (2001a) and in more detail in the supporting publications listed in the references at the end of this report.

The Danish model is characterized by tripartite cooperation. The following diagram shows the key institutions and participants. The Ministry of Labour is responsible for labour market policy and the National Labour Market Authority is responsible for the overall administration of the Public Employment Service (PES) and initiatives in relation to unemployed persons who receive UI benefits. The National Labour Market Council is a body where the tripartite partners from labour, business and government provide advice to the Minister on the planning of labour market initiatives and the framework for labour market measures at the regional level. The regional labour market councils play a similar role at the regional level. The key role of the PES is its placement activities to ensure that enterprises can get the labour they need and that job seekers are placed in jobs and can get additional training and education if required. The PES has a responsibility for special measures in relation to unemployed persons receiving UI benefits.



The key feature of the Danish model is its emphasis on an active labour market policy and programming as embodied in its “Act on an Active Labour Market Policy” which was passed in 1994. In Denmark, all employees between the ages of 18 and 63 and with at least 18 months training/education or self-employed people can enrol in one of the 35 states recognized UI funds. If they subsequently become unemployed and start to collect UI, they have a number of “rights and duties” under the new Act. When they first register for UI, recipients are assessed by the PES based on the guidelines laid down by the regional labour market council and an individual action plan (IAP) is prepared. This constitutes a form of contract between the unemployed individual and the PES that will set out job search and program participation strategies. During the first year of benefits, the support period, the recipient has a duty to accept suitable job offers and to be available for work. This helps to ensure that no suitable job offers are refused. During the next three years of benefits,

the activation period, the UI recipient has the additional right and duty for an offer of active programming including training or education for up to full time. If this offer is refused, the recipient can be denied benefits. Since 1994, 125,000 people or around 4 per cent of the labour force have taken advantage of employability enhancement programs each year.

The integrated system, which is characteristic in all the Nordic countries and is not a unique Danish invention, facilitates the administration of UI and helps to make sure that claimants take available employment. Sweden reportedly goes even farther than Denmark in this respect. It has a requirement that all job vacancies be reported to the PES before they can be staffed.

In Denmark, the administration of labour market criteria was tightened up several times over the 1990s (OECD 2000, pp.141-142). This included the enforcement of the obligation of the unemployed to accept a change of occupation and benefit sanctions for repeat refusals. In 1994, an information system was set up to allow the Ministry of Labour to access all communications from the placement services to the insurance funds about refusal to work. In 1995, a special “availability inspection unit” was established to audit the sanction decisions being made by the insurance funds. It publishes quarterly reports on the failures of the funds to impose the appropriate benefit sanctions.

The other Nordic countries, particularly Sweden, place a similar emphasis on active labour market programming. Between one fifth and one third of all the unemployed (including program participants) participate in active labour market programs in the Nordic countries (Table 6).

Table 6		
Participation in Active Labour Market Policies in Nordic Countries, 1997*		
	Per cent of Labour Force	Activation Rate for Unemployed (%)
Denmark	2.7	35
Finland	4.4	22
Norway	1.0	22
Sweden	4.5	34

Source: Nordisk Ministerråd (1999, p.88) provided by Hege Torp.

Note: Active Labour Program (ALMP) participants comprise participants in more intensive ALMPs and not first contact with the PES. They do not include participants in such programmes as those for rehabilitation or occupationally disabled. The activation rate is defined by the number of participants divided by the sum of the number of participants and the number of unemployed.

Danish labour market analysts believe that active labour market programming has been successful in their country. A study carried out by a working group of Danish officials from the Ministry of Labour, the Directorate of the Unemployment Insurance System, and the National Labour Market Authority pointed out that unemployment has been more than halved from previous relatively high levels and that most of the reduction in unemployment (i.e. 3 to 4 percentage points) was structural. It observes:

- the increased supply of labour has reduced the degree of mismatch and, to a certain extent, bottlenecks as evidenced by the fact that the number of unfilled positions has remained constant while the rate of unemployment has been reduced by more than one half;
- the more effective supply of labour has given the labour market the necessary flexibility to avoid excessive wage increases (previous experience would have suggested wage increases 4 to 5 percentage points higher); and
- for fewer passively receive UI than previously, but instead are upgrading their qualifications to meet future requirements (Government of Denmark, Ministry of Labour, 2000b, pp.152-156).

Prior to 1994 in Denmark, there was a system of subsidized work for the longer term unemployed that enabled them to requalify for UI. In 1993 when unemployment was at its peak, 80 thousand unemployed workers participated in such make-work. This “carrousel approach,” which should be familiar to Canadians, encouraged an undesirable long-term dependency on UI, which the new approach has been designed to counter.

5.4 An innovative labour market program for young people

In 1996, Denmark introduced a youth package to combat youth unemployment and growing dependency on UI. The problem at that time was that all a young person had to do to collect four years of UI was to work for a half year. The benefits at 90 per cent of base earnings were relatively attractive for low wage earners with little education and thus encouraged dependency on UI. But, the new program put a stop to this. Under it, young people under 25, who have not undergone formal education or training, are only allowed to collect normal UI benefits for 6 months. After that, their benefits are cut in half to approximately the same level that they would get as students or apprentices. This eliminates any adverse incentives favouring UI. The young people are also obliged to take the appropriate training or education deemed necessary to make them more employable. This youth program is judged to be very successful by Danish labour market experts who point out that while it has been in effect the youth unemployment rate has dropped from 10 per cent to 2½ per cent.

5.5 Other approaches to deal with seasonal employment swings

In last year's budget, the Danish Government announced that it was looking into establishing a winter construction fund to help stabilize construction over the year. This is probably as much to reduce overheating of construction in the summer as to support construction in the winter. A report on this proposal is supposed to be forthcoming in 2001, but had not surfaced by the time of our visit in late June/ early July. From our discussions we understand that the general idea behind the proposal is that construction firms would have to contribute some of their revenues to the fund during the summer and would be able to withdraw the contributions in the winter to support winter construction. The government is not expected to contribute any of its own money to the fund, which of course will make it less attractive to the construction industry. A criticism of the proposal is that it is likely to become very bureaucratic.

There are also examples where Nordic countries have moved government activities to areas of higher unemployment. Examples of this are the university that was established in Akureyri in Iceland and the movement of a Danish naval shipyard to the north coast of Jutland. But it should be noted that these steps were taken as part of a more general regional development strategy rather than specifically to deal with seasonal unemployment.

References

- Aaberge, R. (1997), *Cross-Country Comparisons of Income Inequality and Income Mobility: Empirical Evidence for the Nordic Countries*, Working Party no. 1, OECD, October 9th.
- Corak, Miles, Bjorn Gustafsson and Torun Österberg (2000), "Intergenerational Influences on the Receipt of Unemployment Insurance in Canada and Sweden," *Family and Labour Studies*, Statistics Canada, Research Paper No. 159, November.
- Edvardsson, Ingi Runar (2001), "National Policy and Regional Labour Market Performance in Iceland in the 1990s," January.
- Government of Denmark, Ministry of Labour and Ministry of Economic Affairs (2000a), *National Action Plan for Employment 2000*, April.
- Government of Denmark, Ministry of Labour (2000b), *Effects of Danish Employability Enhancement Programmes*, November.
- Government of Denmark, Ministry of Labour (2001a), *The Danish Labour Market Model and Developments in Labour Market Policy*, January.
- Government of Denmark, Ministry of Labour (2001b), *Offers to the Unemployed*, January.
- Government of Denmark, Ministry of Labour (2001c), *The Public Employment Service*, January.
- Government of Denmark, Ministry of Labour (2001d), *The Unemployment Insurance Scheme*, January.
- Heikkilä, E., M.Johansson, L.O.Persson and L.S. Stambøøl (1999), "Regional labour mobility in Finland, Norway and Sweden," *North, The Journal of Nordregio*, 6.
- International Labour Organization (2000), *World Labour Report 2000 Income security and social protection in a changing world* (Geneva: International Labour Organization).
- Marshall, Katherine (1999), "Seasonality in Employment" in *Perspectives on Labour and Income*, Statistics Canada, Catalogue No. 75-001-XPE, Vol. 11, No. 1, Spring, pp. 16-22.
- Nordic Council of Ministers, Labour Market Committee (2000), *Supply of Labour in the Nordic Countries – Experience, Developments and Political Deliberations*, A Report by a Committee of Nordic Civil Servants, Nord 2000:21.
- Nordic Council of Ministers (1998a), *Flexibility in the Nordic Labour Market*, Nord 1998:14.

- Nordic Council of Ministers (1998b), *Young and unemployed in Scandinavia*, Nord 1998:14.
- Nordisk Ministerråd, TemaNord (1999), *Dagpenningsystemene i Norden og tilpasning på arbeidsmarkedet*.
- OECD (2000), *Employment Outlook 2000* (Paris: OECD).
- OECD (1997), *Economic Surveys Iceland 1997* (Paris: OECD).
- OECD (various), *Main Economic Indicators* (Paris: OECD) and [Database on-line] at <http://www.oecd.org>.
- Røed, Knut and Morten Nordberg (2001), "Temporary or Permanent Layoffs – Evidence from Natural Experiments in Norway," June 19.
- Statistics Canada (1998), *Employment Insurance Coverage Survey, 1998*, Catalogue No. 73F0008XPE (Ottawa: Statistics Canada).
- Task Force on Incomes and Adjustment in the Atlantic Fishery (1993), *Charting a New Course: Towards the Fishery of the Future: Report of the Task Force on Incomes and Adjustment in the Atlantic Fishery* (Ottawa: Fisheries and Oceans Canada).
- Torp, Hege (1995), *Labour Market Institutions and Development: Norway Baseline Study* (Oslo: Institutt for samfunnsforskning).
- Wadensjö, Eskil (1996), *The Nordic Labour Markets in the 1990s* (Amsterdam: North Holland).

List of Contacts

Iceland

- Karl Sigurðsson – Head of Division, Directorate of Labour
- Ómar S. Harðarson - Head, Labour Market Statistics, Iceland Statistics Agency
- Thordur Fridjonsson - Managing Director, National Economic Institute
- Asgeir Danielsson - Labour Market Specialist, National Economic Institute
- Þórólfur Matthíasson - Associate Professor, University of Iceland
- Sigurdur Johannesson - Economist, Confederation of Icelandic Employers
- Ingi Runar Edvaldsson, Associate Professor, University of Akureyri (by e-mail and sent paper)

Norway

- Thomas Såheim - Adviser, Ministry of Labour and Government Administration
- Per-Morton Larsen – Economics, Ministry of Labour and Government Administration
- Tormod Reiersen – Directorate of Labour, Public Employment Service
- Knut Røed – University of Oslo and the Ragnar Frisch Centre for Economic Research
- Hege Torp – Institute for Social Research
- Knut Berg – Director, National Forestry Association
- Helge Nasheim – Head of Division for Labour Market Statistics, Statistics Norway
- Tron Pederson – Economist, Statistics Norway

Denmark

- Thomas Mølsted Jørgensen – Bureau Chief, Ministry of Labour
- Leif Christian Hansen – Chief Consultant, Labour Market Administration
- Jens-Christian Stougaard, Economist, Danish Confederation of Trade Unions

Sweden

- Hamdi A. Hassan, AMS/Swedish National Labour Market Board, Program Unit
- Jorgen Jylleblad, AMS/ Management of the Swedish Labour Market Administration
- Asa Vallin, County Labour Board, County of Vasterbotten (by phone)
- Henry Eriksson – Länsarbetsnämnden Labour Market Board (by e-mail)

Finland

- Timo Filpus, Ministry of Labour
- Mikko Kauppinen, Ministry of Labour
- Ilkka Nio, Ministry of Labour
- Kari Takala, Bank of Finland
- Pekka Tossavainen, Statistics Finland

Nordic Council

- René Høyer Jørgensen – Head of Labour Market Unit, Nordic Council of Ministers

World Maritime University

- Karl Laubstein – Rector and Former Executive Director of Task Force on Fishermen's Incomes

OECD

- Abrar Hassan – (by telephone)
- Wim Suyker - Head of Finland/Norway Desk, Economics Department (by e-mail)
- Steen Daugaard - Sweden-Denmark Desk, Economics Department (by e-mail)

