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"So you want to pay VAT?"

The shadow economy, undeclared work, social dumping. We are talking cheating and deception, but how do you fight the illegal actions which erode the welfare state?

EDITORIAL

29.09.2015

BERIT KVAM

"OK, so you want to pay VAT?" The question and slightly crooked smile which spread across his face made me wonder. An invitation? Undeclared work?

There is fierce debate in the Nordic region about how to stop the labour market's rules being undermined by offers of undeclared work and cheap labour. But it was a simple service. An agency had cleaned my flat before new owners moved in. VAT means 25 percent tax comes on top of what the cleaners are asking for the job. 25 percent can feel like a lot, so don't declare it?

Had I been living in Sweden I would not have to pay more than half the VAT. The previous government introduced the so-called RUT deduction in 2007, allowing for a tax break for such services. Both RUT and ROT are explained in this month's theme which explores Nordic strategies for combating the shadow economy.

The Swedish tax deduction was inspired by a Finnish system which was assessed in 2004 and found to be successful, creating many new jobs. In Sweden the tax rebate seems to have changed attitudes to undeclared work. Compared to before it was introduced, three times as many Swedes are now negative to undeclared work. Nevertheless, the government wants to reduce the measure.

Nordic citizens are largely positive to paying taxes as long as we feel they are fair, and that we are pulling together.

"The question is whether you want to cheat or contribute to society. This is linked to trust in politicians and that they manage our money in a good way," says Swedish Katarina Nordblom who has been studying the shadow economy.

The Danish government is considering introducing a system similar to the Swedish one, allowing for tax deductions on renovations and maintenance. At the same time it wants to limit the tax authorities' right to control undeclared work in order to protect people's privacy. Private gardens and work carried out in private homes will be off limits for controls.

In Norway the controls are being increased, however. Different authorities are co-operating with the social partners, backed by public awareness campaigns as part of the government's 22 point strategy for fighting the shadow economy. So far there are no plans for introducing tax deduction for household services in order to stop undeclared work.

Attitudes do not exist in a vacuum. When I saw the crooked smile it made me wonder. Undeclared? And where would the VAT go if I paid? I took the chance, hoping he had understood the dynamics of our common society.

"Yes, with VAT."

[See all articles in theme](#)



More people are paying for declared labour, but there's also been a change to norms, says Katarina Nordblom, Associate Professor at the Department of Economics at the University of Gothenburg. "It has an effect on those who aren't paying for services too."

Fewer Swedes want to buy or perform undeclared work

Today nearly three times as many Swedes are negative towards undeclared work compared to six years ago. One explanation to this change in attitudes are the household tax breaks introduced in 2007 and 2008. Now the government is reducing the size of the deduction and critics warn against an increase in undeclared labour.

THEME

29.09.2015

TEXT AND PHOTO: GUNHILD WALIN

Behind each undeclared job, whether you are selling or buying the service, there is a person making a choice — do I want to pay tax or not? There are of course exemptions. Undeclared jobs can also be offered by paperless immigrants

whose only way of making a living is to work without declaring it. This can also influence anyone buying an undeclared service. Yet for the majority of people the choice between declared and undeclared work is informed by their attitude to

tax; do you want to cheat or contribute to society? The mechanisms are complicated and complex, says Katarina Nordblom, Associate Professor at the Department of Economics at the University of Gothenburg.

“Behind tax avoidance there are purely economic considerations like ‘will I save money on cheating and is there a risk I’ll get found out?’ But if you only looked at the economic considerations there should be far more cheating going on than what is indicated in such a model. Other considerations people make before cheating on taxes are what social norms exist, as well as your own attitudes — the inner reluctance — you get a bad conscience and it doesn’t feel good,” says Katarina Nordblom.

There is also social pressure, if paying taxes is the social norm. Individuals consider what people might say if they cheat. This social pressure, the commonly accepted view of taxes, makes countries different. But what creates the norm?

“It is closely linked to the trust people have in politicians, that they will make good use of the money. If you believe politicians to be useless and public officials to be corrupt, it feels better to keep the money to yourself. But these norms change with time,” explains Katarina Nordblom.

Changing views of undeclared work

Her specialty as an economist is behavioural economy and how we act when it comes to taxes. She is visiting Stockholm to give a lecture for the Ministry of Finance about how the tax reliefs for household services, ROT and RUT, introduced in 2007 and 2008, have influenced Swedes’ tax behaviour. A 2006 survey by the Swedish Tax Agency mapped how a random selection of Swedes viewed paying for undeclared work. 17 percent said it was completely wrong to buy such services. In 2012 the exact same question was repeated, and 47 percent felt it was completely wrong to hire undeclared labour. The tax agency’s own surveys also show a growing opposition to undeclared work among tax payers. Katarina Nordblom is careful in her assessment:

“I can’t say that the changing attitudes to undeclared work is a direct result of ROT and RUT, but it indicates a strong link.”

RUT and ROT was introduced seven and eight years ago, offering tax rebates for household services. RUT is the Swedish acronym for cleaning, maintenance and washing, while ROT is short for renovation, refurbishment and extension.

So far taxpayers have been allowed to deduct 50 percent for work in each area up to a total of 50,000 kronor (€5,350) per taxpayer. The centre-left government is now making changes to both RUT and ROT. The RUT deduction is being capped at 25,000 kronor per taxpayer and certain parts are being cut. The controversial tax break for homework help has already been removed. The deduction for ROT services will be reduced from 50 to 30 percent, but the 50,000 kronor cap re-

mains. The motif for reducing the tax breaks is mainly rooted in distributive politics.

There were several motives for introducing RUT and ROT, jointly known as the household deduction. The aim was to create new service sector jobs, improve working life and free up time for workers. It was expected that making it cheaper and easier to pay for declared labour would herald a shift from undeclared to declared work.

Tax breaks benefiting high earners

RUT and ROT have been controversial yet popular and are being used to an increasing degree. In 2014 4.5 million purchases were registered, up by 2.5 million since 2012. Some criticise the distributive aspect — the tax breaks benefit the already well off, while revenues fall for universally beneficial tax measures. Statistics also show high earners are more likely to apply for tax breaks for household services. In 2014 ROT deductions alone came to 16.9 billion kronor (€1.8bn). Supporters have pointed to the fact that many new jobs have been created, not least for women who used to struggle getting into the labour market.

The government’s consultation paper published ahead of this autumn’s budget, however, says lowering the ceiling for deductions to 25,000 kronor will affect only a few purchasers and that the change will therefore probably have little impact on employment figures.

So the question is what impact the changes to RUT and ROT will have on people’s willingness to pay for declared labour? Several consultation institutions predict an increase in undeclared work, among them the Swedish Economic Crime Authority, the Swedish Federation of Business Owners and the Swedish Construction Federation.

A survey by the Swedish Tax Agency shows 56 percent of people purchasing ROT deducted services would continue to use declared labour even if ROT did not exist. Six percent would pay for undeclared work. 26 percent of those using RUT deducted services said they would carry on paying for declared work if the measure disappeared, and eight percent would pay for undeclared work.

Changing norms

Katarina Nordblom believes it is difficult to predict how the changes to RUT and ROT will affect people’s attitudes to tax in everyday life. She is keen to do more research on this development.

“It is not only a question of having made people pay for declared labour, there has been a change to norms as well and it has an effect on those who aren’t paying for services too. There has also been more focus on buying declared or undeclared services, and slowly the opposition to paying for undeclared labour has increased. There is a limit when that norm has been established, and the question is whether we have

reached that limit yet. We still don't know," says Katarina Nordblom.

[See all articles in theme](#)



Coordinated controls in fight against Norway's shadow economy

In Norway staff from six different authorities have gathered in joint offices in Oslo, Bergen and Stavanger to fight the shadow economy. Building sites and other workplaces have been targeted in coordinated operations by 120 investigators. The results have been good so far. The operations run alongside campaigns against undeclared work and have had broad media coverage.

THEME

29.09.2015

TEXT: BJÖRN LINDAHL, PHOTO: EVA B. HAAKENSEN, LABOUR INSPECTION AUTHORITY

“There are several advantages to working together this closely. We can coordinate the information we get from different registers, and we get access to more resources. We can make an analysis based on registers and experiences and we can also ask for further information,” says Pål H. Lund, head of department at the Norwegian Labour Inspection Authority, one of five control bodies working with police. The others are re-

gional and municipal tax offices, the customs and The Norwegian Labour and Welfare Administration (NAV). Oslo's new centre was opened in February this year. The 19 people who work there will carry out four major operations every year.



The government has provided a lot of backing in the fight against the black market. Here Prime Minister Erna Solberg and Minister of Labour Robert Eriksson (left) are being briefed by Pål H. Lund and Terje Ruud (right)

“We work both with big professional businesses and the part of the market which targets private individuals. In Oslo we mainly concentrate on trying to uncover those behind undeclared work in the professional market, the ones making the big money,” says Pål H. Lund.

“In Bergen and Stavanger they concentrate more on private individuals providing or purchasing undeclared labour.”

The Labour Inspection Authority’s most important task in this cooperation is to focus on working conditions.

“We check whether workers are paid what they are due and that they get overtime pay according to regulations. We check health and safety provisions and whether living quarters are adequate. It’s all in cooperation with the social partners and with the serious players in each trade.”

430 businesses controlled

During the first major control 430 businesses on various construction sites were investigated. Information was gathered on 1,200 individuals, 150 of them were thoroughly controlled. It turned out 20 of them were not registered to pay tax and four people who were illegally in the country were expelled. In 16 cases the work sites were closed down because of health and safety breaches, 10 million kroner (€1.05m) in unpaid fees and taxes were discovered and 20 businesses were found not to be VAT registered.

“The control disclosed a range of criminal circumstances and breaches of regulations. Several of these cases are also being investigated further, so this could become even more wide ranging. I have been working for the Labour Inspection Authority for 16 years and find this way of working both rewarding and exciting, since our efforts bring major results,” says Pål H. Lund.

The construction trade, cleaning trade and restaurants are among the sectors known to be involved in the shadow economy. But there have been controls of agriculture, fisheries and companies like car washes.

“If you pay 150 kroner (€15) to clean your car and four people start working on it simultaneously, something is not right,” says Pål H. Lund.

Hard to map the extent of the problem

Mapping the extent of the shadow economy is one of the 22 points presented by the Norwegian government in January as part of its strategy against the shadow economy. According to the Agenda think tank Norwegian private individuals purchase cleaning services to the tune of six million undeclared working hours every year. That equals 3,400 full time jobs just in the cleaning trade. The extent of this is now so vast that it is nearly impossible for serious players to stay competitive. Norway has no ROT or RUT deductions, tax rebates given in Finland and Sweden for repairs and maintenance of private houses and for various kinds of household work, like cleaning.

Agenda is not affiliated with any political party, but partly finance by the Norwegian Confederation of Trade Unions (LO). The think tank’s report on the shadow economy advises against Norway copying the ROT and RUT deductions because of the many problematic issues linked with the model.

“The model is too administration heavy and costly and its effect is unclear and could open up for new kinds of cheating. It also has unfortunate distribution aspects in that it benefits households with relatively high incomes,” the think tank writes.

So for now increased controls will remain Norway’s most important tool in the fight against the shadow economy.

“Nobody should feel safe that their workplace is not on the list of the Labour Inspection Authority and other control agencies. A national whistleblowing telephone line has also been set up allowing people to speak up about issues,” says Pål H. Lund.

“It is important that society tackles this kind of crime. In the long run it could undermine the welfare state and conditions in working life. People using undeclared work and other kinds of crime to gain a competitive advantage on those who follow the rules — for instance by not using scaffolding to protect workers. As a result they can also put at risk workplaces which are being run in a legal manner — and this could lead to accidents which should be avoidable.”

See all articles in theme



What's hiding behind the hedge? Danish tax authorities have carried out hundreds of visits to private properties

A Danish conflict: Fighting the shadow economy vs respecting privacy

The Danish government wants to ban the hunting for undeclared work in private gardens. The social partners and the opposition fear this will lead to more social dumping.

THEME

29.09.2015

TEXT: MARIE PREISLER

Is hunting for the shadow economy more important than respect for privacy? No, says Denmark's centre-right government coalition. It has asked tax authorities no longer to enter private gardens. Yes, argues the political left, trade unions and construction industry employers, who all believe the gov-

ernment's decision will make it harder to secure proper wage and working conditions in the building trade.

In 2012 the Danish Customs and Tax Administration, SKAT, during the reign of the then Social Democrat led government in 2012, were given the go-ahead to enter private gardens

without a warrant to look for undeclared work being carried out on renovation projects. This led to a massive political debate. Hundreds of control visits have been carried out on private property since then. A small number of them have led to charges of social fraud and undeclared work.

Now that debate has been reignited, as one of the first things the new centre-right government has done is to remove SKAT's access to gardens. The Minister for Taxation, Karsten Lauritzen (Venstre — the Liberal Party), says allowing SKAT to walk straight into a private garden while police need a warrant to look around people's properties is damaging to the rule of law and deeply offensive to citizens. The new legislation has already been through preliminary debate in Denmark's parliament, Folketinget.



Tax collection from the middle ages

The Danish constitution says people's houses are "inviolable" and that parliament can only pass legislation allowing authorities access to the house with no warrant in "exceptional" circumstances. That right should not be used here, the tax minister argues. He has compared SKAT's access to gardens to "the King's tax collectors in the middle ages".

The government's proposed legislation also includes getting rid of two other tax powers which had been introduced in order to limit undeclared work. SKAT's controllers will no

longer be allowed to demand that workers on for instance a construction site on private property must display their social security number and valid ID.

The government also wants to remove an existing rule obliging construction firms to display their name, address and social security number if they are involved in projects worth more than 50,000 kroner (€6,700).

Social partners standing together

The Conservative People's Party, the Liberal Alliance and the Danish People's Party (DF) all support the government's proposal. This gives the legislation a parliamentary majority and it can be passed despite the joint fierce objections from the social partners and the political opposition.

The Social Democrats say maintaining SKAT's access to private property, their right to ask for social security numbers and right to demand signposting on construction sites are all necessary tools in the fight against social dumping. There have only been a few complaints from private individuals over SKAT's access to their gardens, and the Social Democrats take that to mean that SKAT is using their authority in a professional and respectful manner.

Trade unions have also expressed their worries for an increase in unreasonable working conditions and an expanding shadow economy, and so too have employers. Lars Storr-Hansen, CEO at employers' organisation the Danish Construction Association has said that he considers SKAT's right to enter private property as a crucial part of the fight against undeclared labour, and that it is deeply worrying that the tax minister puts ideology ahead of practical considerations and the sense of justice among those Danes who do not use undeclared labour.

Inspired by Norway and Sweden

Denmark's Liberal Party-led government has also relaunched another tool in the fight against the shadow economy, inspired by Sweden. The Danish government has proposed legislation which would prolong the BoligJob scheme with three more years. The scheme — also known as the craftsman's deduction — allows people to deduct up to 15,000 kroner (€2,000) in salary expenses in relation to home or second home improvements.

This is inspired by Sweden's ROT and RUT schemes. However, the Danish scheme has so far had a very limited impact on undeclared work, according to several analysis.

Norway has also been an inspiration for Denmark's tax rules targeted at the shadow economy: In Norway any payment for services above 10,000 Norwegian kroner (€1,080) must be done electronically. In Denmark private individuals must pay bills of 10,000 kroner or more digitally.

Danish double standards



There are no comparative studies of what citizens in the different Nordic countries feel are acceptable measures in the fight against the shadow economy, according to Camilla Hvidtfeldt, a researcher at the Rockwool Foundation Research Unit. She has spent years measuring and analysing Denmark's shadow economy.

“But there is an ongoing discussion looking at what tools tax authorities should have in order to hunt down the type of undeclared work which the population finds unacceptable. Morals are not unimportant when it comes to attitudes to undeclared work,” says Camilla Hvidtfeldt.

Her research unveils some double standards in Danes' morals when it comes to undeclared work:

“Most Danes think undeclared work is not acceptable, yet they understand why some work is not declared. This is manifest in two ways: Smaller amounts of money are more acceptable than larger amounts, and the acceptance is partly dependent on who carries out the work. It is for instance more OK if a school girl fails to declare work than if a master builder does the same.”

See all articles in theme



The map shows the differences in youth unemployment across Nordic countries and regions. The darkest colour indicates that major areas in Sweden and Finland suffer much higher youth unemployment than for instance Norway or Denmark

Youth unemployment at the Economic Forum: how to solve it?

What is needed to make sure young people can find a proper job, allowing them to make a decent living? Youth unemployment hits the Nordic countries and other European countries in different ways, but it remains a major challenge for all of them. Is the youth guarantee the solution? What is the answer?

INSIGHT

29.09.2015

TEXT: BERIT KVAM, PHOTO BJÖRN LINDAHL AND ECONOMIC FORUM ARCHIVES

The questions were posed and answers sought by representatives from the European Youth Forum during the panel debate on youth unemployment which was one of nearly two hundred different panel debates during the 25th Economic Forum in Poland.

Economic Forum Krynica is a high profile political and economic conference with participants spanning politics, civil society and business. The annual conference is held in the

Polish town of Krynica-Zdrój, near the border with Slovakia. Economic Forum Krynica aims to be a “Davos” for Eastern and Central Europe, like the Swiss town has become a brand for the World Economic Forum.

This year the conference celebrated its 25 year anniversary by welcoming three presidents, from Poland, Croatia and Macedonia on the opening day. The conference gathered more than 3,000 participants between 8 and 10 September, hous-

ing debates on everything from security policy, business development, energy and international policies to youth unemployment.

The Polish Prime Minister, Ewa Kopacz, addressed the conference's last day.



Her main focus was the flow of refugees to Europe, and she called for solidarity, political agreement and the decent treatment of refugees. The refugee crisis coloured much of the debate in several fora, but youth unemployment was the focus of one out of the nearly 200 panel debates.

A challenge from young people

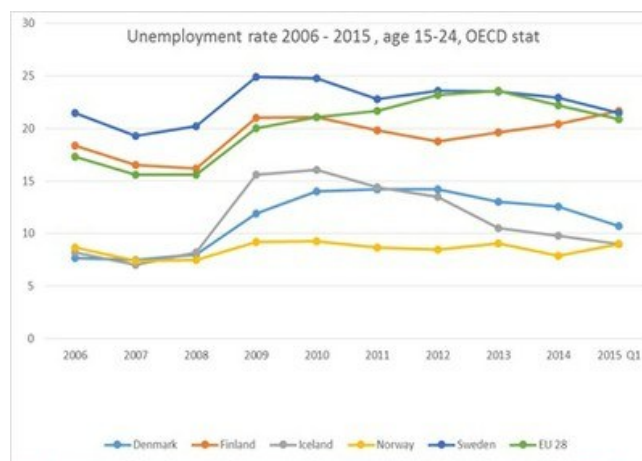
European Youth Forum organised a side conference, and during the European Forum representatives from the youth conference made their mark with critical yet genuinely interesting questions. What is the strategy? was one of the questions they asked the panel participants from Denmark, Poland, Hungary, Ukraine and the Nordic Labour Journal.



Left: Berit Kvam, Izabela Kloc, Morten Binder, Katalin Novak, Rafal Wos, Oleg Vostrykh.

The broad panel mirrored the diverse situations found in different European countries. 23.9 percent of Polish 15-24 year olds are unemployed and in Hungary the number is 20.4 percent – close to the levels found in Finland (20.5 percent) and Sweden (22.9 percent) according to Eurostat.

Even if you do not count Swedish youths who are in training or looking for jobs, the number is far higher than the number of young unemployed 15-24 year olds in Denmark, Iceland and Norway. But now the trend looks like it is about to turn in some countries. Youth unemployment in the EU 28 is also falling.

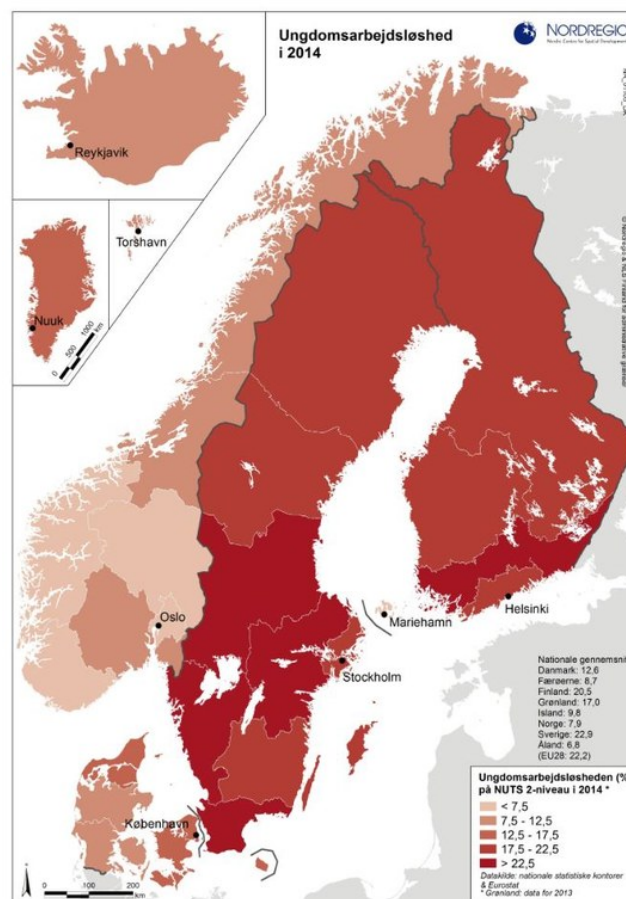


Unemployment trends among 15-24 year olds in the Nordic countries and the EU 28

The diagram we have made based on OECD statistics shows that youth unemployment in the Nordic countries is developing in different directions. It is falling in Iceland and will soon be as low as before the crisis hit in 2008/2009.

Youth unemployment is also falling somewhat in Sweden, while in Denmark it is nearly at pre-crisis levels.

In Norway and Finland the opposite is happening. General unemployment is rising in both countries, and in particular among young people.



The map shows the youth unemployment rate in the Nordic countries 2014. Source: Nordregio

Youth guarantee — a solution?

The youth guarantee is one of the solutions European governments have presented young people with. The EU adopted the programme in 2013 and it is being implemented by all the member states. According to the EU Commission this is “probably the fastest adopted structural reform in Europe”.

The youth guarantee promises an offer of training or good work linked to education and experience for all young people no later than four months after they have become unemployed or have ended their education.

The ILO has made a survey of the experiences so far: The Youth Guarantee programme in Europe: Features, implementation and challenges.

The authors call the youth guarantee “one of the most innovative labour market policies of recent years,” citing success factors like early intervention, identifying target groups, a good institutional framework, high quality programmes and sufficient resources.

The survey also concludes that the member countries have prepared well in accordance with the success factors, but that not enough resources have been allocated in order to implement the good intentions. The analysis estimates that the youth guarantee in the countries covered by the survey is underfunded by as much as 7.3 billion Euro.

Not enough resources

The youth guarantee was a keyword highlighted by the countries’ panel representatives too. Polish politician Izabela Kloc underlined the importance of the programme and its future plans, but also said Poland had so far not made much progress in the implementation of the guarantee.

Izabela Kloc was challenged by representatives from the European Youth Forum who asked her what she felt needed to be done in order to get jobs for young people that were not temporary and precarious.



The EU Commission has also criticised the quality of youth employment in Poland: “Poland has the second highest incidence of temporary contracts among young people in the EU, and the transition rate from temporary to permanent employment is low.”

Izabela Kloc, who is a member of the opposition in parliament, did not hide the fact that Poland faces major budgetary and organisational challenges in implementing the youth guarantee. But the goal is there, she argued.

Nordic countries are among those that have come far in implementing the youth guarantee. The idea originated in Nordic countries which introduced similar measures already in the late 1980s and early 1990s, but today’s strategy is a more developed one.

The Nordic countries have shortened the waiting time from four to three months. Denmark stands out with even more ambitious goals. They have cut the guaranteed time down to two weeks, said Morten Binder, head of the Danish Agency for Labour Market and Recruitment.

He explained how Denmark has linked benefits to activities. Young people will not receive welfare support if they refuse activity offers.

Denmark’s youth unemployment is low compared to the EU average, but the country faces a challenge when it comes to the number of young NEETs, people who are not in education, employment on training, the EU Commission underlined in its document on the implementation of the youth guarantee: “This challenge must be addressed before the young people are lost in the transition between school, education and work.” This is a challenge which Denmark is now trying to tackle by using stronger measures.

What is needed?

The Nordic Labour Journal has written a range of articles about the good examples: about Sweden’s 90 day guarantee, about measures to cut the number of NEETs in Denmark, about the Finnish youth guarantee and other themes which look at how to help young people into working life by using active measures, or by contributing to increasing the individual’s skills basis and finish their upper secondary education.

The good examples all have some things in common; the success criteria mentioned by the EU’s youth guarantee. This especially applies to the fact that young people who are struggling to finish their schooling or accessing the labour market must be seen as individuals with individual needs and challenges. But even though these challenges are getting a lot of attention, as exemplified by the debate at the Economic Forum in Krynica, there is still some way to go before European youth unemployment falls to an acceptable level, as long as government investments fall short by billions of Euro.



Jørn Neergaard Larsen wants more unity from the professional organisations, for instance when it comes to EU minimum wage legislation

Unity needed to deal with EU pressure on the Nordic model

Adjustments and unity will be needed to maintain the unique Nordic collective-bargaining model. That was the assessment from Denmark's Minister for Employment, Danish EU politicians and the social partners at a conference in the wake of a new report about the Nordic collective-bargaining model and the EU.

NEWS

29.09.2015

TEXT: MARIE PREISLER, PHOTO: MALTE KJEMS, EUROPA

It is completely misleading to suggest that EU legislation and EU law is about to undermine the unique Danish and Nordic labour market model, at least if you ask Denmark's Minister For Employment Jørn Neergaard Larsen.

"Put bluntly the only threat to the Danish model rests with the social partners and politicians. I cannot see any external threats," the Minister for Employment told a conference on the EU and the Danish collective-bargaining model organ-

ised by the Council of Nordic Trade Unions (NFS) and the Danish think tank Europa on 25 September in Copenhagen.

The conference was a follow-up of the report 'Europe and the Nordic Collective-Bargaining Model' which has just been published by NFS and the Nordic Council of Ministers.

Jørn Neergaard Larsen has been Denmark's Minister for Employment since the new Liberal Party-led government came

to power in June 2015. Before that he spent 19 years as CEO for The Confederation of Danish Employers (DA), a member of the Danish Councils, a judge in the labour court and a member of a commission looking at how to reform the job-seekers' allowance system. As a result he knows the Danish and Nordic labour market model like the back of his hand and is a prime advocate for it:

"I fully support the way in which the social partners are developing the model," he says, adding he believes the Nordic model does in fact have a global potential.



Jørn Neergaard Larsen views the model as a guarantor for a labour market where workers can easily switch jobs, and points to the fact that this is an opportunity many make use of: Some 750,000 Danes switch jobs every year. The minister says that this secures "fantastic dynamics and productivity".

The minister does not know of any other model which has so much social capital and allows for such a healthy development of company culture.

The minister frowns

Yet he still finds reason to frown. The model is under pressure, but not from an increase in EU regulations or EU rulings, the minister says. The social partners in Denmark are, according to him, brilliant at spotting the areas where there is a need to marry EU regulations with the Danish collective-bargaining system. The partners find the right keys.

According to the minister the problems stem from the fact that Danish benefit systems allow for a food chain of public benefits. This is not a threat to the Danish collective-bargaining model, but a challenge which must be solved, the minister said. Even before he became a government minister he was a keen supporter of public service cuts. He has called Denmark a "losers' country" compared to Sweden when it comes to the number of people of working age who are claiming benefits.

Jørn Neergaard Larsen also wants more joint proposals from the professional organisations, for instance on touchy subjects like whether the EU should pass minimum wage legislation. Disagreement in this area muddies the waters and

makes it more difficult to explain to the EU Commission and the EU Court of Justice that there is a need to adapt solutions to fit the Danish labour market model, thinks the Minister for Employment.

Come out of the bubble

The NFS President, Bente Sorgenfrey, admitted to the conference that there are major disagreements within the European trade union movement over a legally binding minimum wage, and that this makes it challenging when trying to give the European trade union movement a clear mandate in the dialogue with the EU.



Right to left: Bente Sorgenfrey, Pernille Knudsen, Lizette Risgaard

Trade unions in Southern European countries are very much in favour of a legally binding minimum wage. Bente Sorgenfrey underlined that she is opposed to both a legally binding minimum wage and universally applicable collective agreements, like what you find in Norway. But it is an issue which must be debated despite being controversial with the Nordic trade union movement.

"We cannot sit in our own little bubble and not face up to the challenges," she said. NFS represents nearly nine million Nordic workers; members from a total of 16 confederations of trade unions, civil servant and academics' organisations, including the Confederation of Professionals in Denmark, FTF with its 450,000 public and private sector Danish workers, led by Bente Sorgenfrey for many years.

An actual determination of a minimum wage by the EU does not seem realistic in the foreseeable future, but the Nordic models are increasingly becoming the exception in Europe, says the report "Europe and the Nordic Collective-Bargaining Model". In it, a range of experts describe how EU legislation and EU law influences the Nordic countries' labour law regulations, for instance when it comes to wages.



Tough times for Jari Lindström. The Finns Party's minister is being forced to defend the government's austerity measures and break promises to voters.

Jari Lindström: The Minister of Employment who switched sides

A few years ago Jari Lindström was an unemployed paper mill worker in an industrial town with no future. Today he is Minister of Justice and Employment in the Finnish government planning considerable benefit cuts. Lindström has been forced to defend decisions he was fighting against not long ago.

PORTRAIT

29.09.2015

TEXT: CARL-GUSTAV LINDÉN, PHOTO: CATA PORTIN

In this spring's general elections the Finns Party sensation-ally took 17.6 percent of the votes and entered parliament as the country's second largest political party. It won them a seat in the coalition led by Juha Sipilä from the Centre Party. Sipilä was a successful business leader in the IT trade, and has decided to improve Finland's competitiveness by cutting public expenditure and benefits. The government has promised to create 110,000 new jobs, but that promise has not impressed trade unions. They said no to a so-called social

contract which was offered in the middle of the collective bargaining period.

The populist party promised voters to defend the interests of marginalised people, but now finds itself in a situation where they have to do the opposite. Those hardest hit by the cuts are first and foremost low earners. How does that feel for the party's frontrunners?

Was unemployed

The Nordic Labour Journal asks Jari Lindström (50), who since early summer has been the Finns Party's Minister of Employment with the added responsibility for the Ministry of Justice. The interview is conducted via email because of the government's intensive negotiations.

Lindström's personal story runs parallel to the Finns Party's successes in an interesting way. He comes from Kuusankoski in the south of Finland, one of many industrial towns which has fallen victim to the restructuring of the forestry industry. For many years he worked for the forestry company UPM, owners of the paper factory Voikkaa in his home town of Kuusankoski. In 2006 the closure of the factory had a big effect on the small town of just under 20,000 inhabitants. Finland's forestry industry is struggling with restructuring programmes which have left thousands of paper workers without jobs.

Lindström used to be a deputy trustee at the Finnish paper workers' union, which in practical terms was a part of the Social Democratic Party of Finland. Kuusankoski was the Social Democrats' only stronghold in Finland outside of the major cities. When Voikkaa shut down Jari Lindström lost his job too. Disaffection with the Social Democrats among the party's core voters is one of the reasons behind the rise of the Finns Party.

Supports capital punishment

After the closure of Voikkaa, Jari Lindström spent several years working short term contracts at nearby forestry companies before he managed to secure a seat in the Finnish parliament in 2011. Lindström, who does weight lifting in his spare time, was inspired by professional wrestler and Finns Party member of parliament Toni Halmes' populist political image.

Lindström got international attention for saying he would support the death penalty if someone close to him were murdered. Death penalty in peace time was officially abolished in Finland in 1949, and also abolished for war time offences in 1972.



Yet now that Jari Lindström has got access to the corridors of power the situation is very different from when he first entered politics. The government is fighting to restart the economic growth in a country where the 2008 finance crisis still has not entirely loosened its grip and where Nokia's demise shook the very foundations of the economy. The economic problems are mirrored in rising unemployment figures. In one year unemployment has risen from 7.4 to 8.3 percent and could pass 10 percent next year. If you count supporting measures the total unemployment stands at 18.2 percent.

What did you think about the upcoming reforms and cuts when you became a government minister?

"I knew it would be both tough and difficult."

What has been the greatest surprise?

"The greatest surprise is the mental strain. It is much larger than what I had expected."

Conflicts on the horizon

The government aims to lower wage costs with five percent by reducing benefits. These are measures which will hit low earners in particular, which the Finns Party before the election called "holy".

The Central Organisation of Finnish Trade Unions, FFC, predicts conflicts in the labour market if the government pursues cuts to unemployment benefits and if it starts dictating when it comes to local agreements. How do you avoid that conflict?

"Through dialogue. I have no better solution."

Businesses and the Confederation of Finnish Industries (EK) thank the government, but the trade unions do not. How is that for you as a former union activist?

"It is difficult because I know how the trade union movement thinks. On the other side we have to push through some reforms."

The effects of the decisions which are being made will not be seen for another ten to 15 years. In what way, do you think?

"We just have to believe that this will have an effect, if not you wouldn't dare do anything at all."

How does the party deal with these kinds of difficult issues?

"We have group meetings, negotiations and other ways of communicating internally."

One of the former government's achievements was to introduce the youth guarantee which gives young people the right to a job, education or other support. Will you maintain it?

"It will remain and will develop into a society guarantee."

Some 50,000 Finnish youths have no job nor education beyond secondary school. The government still has not said what exactly the society guarantee will contain, but the idea was part of the Centre Party's programme before the general elections where the aim was to halve the number of youths at risk, while saving "billions" in

The women disappeared

There are very few women at the negotiating table, if any, when the government meets the social partners to negotiate important social issues. Why? Is this something that does not concern women? Are women not capable of negotiating these things?

"Men have been elected to handle these issues in the different organisations and that would be the reason. We should have more women."

What is your personal relationship to the quality of working life in Finland? What are the challenges and how should working life develop?

"In a number of work places things are in good order, but there are many things that can be improved when it comes to leadership, opportunities to influence the work's content, work place issues and so on. Local agreements could give us more tools."

Poverty traps

One of the government's hobbyhorses has been to increase the employment rate. Jari Lindström has several times been talking about mechanisms which mean unemployed people can't or won't accept the jobs offered to them. In Finland benefit systems which are considered to be obstacles to employment are known as diligence traps, in Sweden they are called poverty traps of marginal effects.

When you were unemployed, which kinds of diligence traps did you experience?

"The means tested benefit was good on one level, but it could have a pacifying effect on some. And the employer's duty to rehire could pacify people who perhaps would just wait to be recalled."

Did you then get ideas about how labour policies could be improved?

"Towards activation, but that is dependent on jobs."

You told a press conference recently that you spend a lot of time talking to people about the quality of the labour exchange. What have people been telling you?

"There has been talk about inefficient labour services and interpretations, and that people must wait for a long time before they get help. They are told things like 'we will get back to you in six months'."

Ombudsman Harri Hietala will soon present his ideas for how local contractual law could be extended. How much weight will his proposals carry?

"The report is important, but of course it cannot solve every problem."

How do you view the Finnish labour market compared to the Swedish, Norwegian and Danish ones?

"In Denmark it is much easier to sack people and they push activation of unemployed people very hard. At the same time the means tested benefit is higher."

What kind of contacts do you have within the Nordic region?

"They are thin on the ground, but during the autumn I am meeting Nordic colleagues."

How do you manage to relax despite the demanding task you have been given?

"You just have to make some time for yourself and your family. I go to the cabin."



- Transfer payments like development aid and block grants to Greenland and the Faroe Islands give less incentive for independent economic development,” says Lise Lyck.

The Nordic region’s remote areas need a dynamic employment policy

“Whether unemployment is high or low, it is crucial to have a concrete and dynamic employment policy which can withstand the changing economy. Employment is key for a society’s long term survival, especially in small societies.”

NEWS

29.09.2015

TEXT AND PHOTO: INGI SAMUELSEN

That was Lise Lyck’s main message to the labour market conference at The Nordic House in Tórshavn in the Faroe Islands on Wednesday 26 August. Lise Lyck is an experienced lecturer at the Copenhagen Business School.

The conference was organised by the Danish presidency of the Nordic Council of Ministers together with the Faroese Ministry of Trade and Industry, and focused on employment in the Nordic region’s remote areas. The conference ‘How do

you secure sustainable labour markets in the Nordic region’s remote areas?’ focused on labour markets in the Faroe Islands, Greenland and the Åland Islands as well as regional measures in Denmark, Norway and Iceland.

Growth through aid and block grants

There is wide agreement that the Nordics’ remote areas are facing major challenges when it comes to maintaining employment. They often deal with emigration and shrinking

populations. Some areas manage to deal with the challenges, but targeted measures are needed, says Lise Lyck. She believes transfer payments like block grants must take some of the blame for the problems faced by some of the territories.

“Transfer payments like development aid and block grants to Greenland and the Faroe Islands give less incentive for independent economic development, and will therefore not contribute to developing and strengthening local businesses. Targeted employment policies should aim to help local businesses become more independent and stronger,” says Lise Lyck.

The importance of culture

But sensible employment policies for the remote areas go beyond finance and employment politics. This is also about culture, education and taxation.

Maintaining a strong local culture is very important for the project's success.

“Culture is an important incentive. If young people who leave to study are to return, they need something to return to. They need something to long for. Culture could be one such strong incentive for returning and contributing locally,” says Lise Lyck.

Local employment

All of the Tórshavn conference speakers underlined the importance of maintaining and developing education locally, especially targeted training linked to existing local businesses.

But the remote areas will probably not manage to stop the brain drain since there will always be many young people who leave to study elsewhere. Many will not return because they have settled into the big city or because their home area has no jobs which correspond to their education.

Lise Lyck says Greenland is the most obvious example where highly educated people to a large extent chose to settle in the country where they got their education.

The Faroe Islands have to a certain extent succeeded in getting young people to return home after finishing their studies, even though the figures do not correspond to the targets set by local authorities.

The Åland Islands also see how many of their youths do not return. Nevertheless, the islands have managed to maintain stable immigration numbers and a growing population in recent years. Specialised businesses within shipping, banking, insurance and lately IT and especially gaming have attracted foreign labour with specialist knowledge.

Don't forget the women

The Faroe Islands represent a role model when it comes to taking advantage of the labour force's mobility, thinks Lise Lyck.

“We see many highly educated Faroese within the maritime sector who leave to work in fisheries and in the offshore industry, while keeping their houses in the Faroe Islands. If the islands had not managed to persuade these people to keep their residences, it could have become a problem because these people make considerable monetary contributions to the Faroe Islands,” says Lise Lyck. She believes the Faroe Islands could use taxation policies to encourage even more people to choose the islands as a base.

And then a final but important message.

“Think about women's workplaces. It is not enough to focus on heavy industries which do not attract female workers. If you want a sustainable jobs market in the remote areas, you also need jobs for well educated women,” says Lise Lyck.

Sweden tightens public procurement rules

Swedish authorities could become obliged to make sure that public procurement suppliers pay their employees in line with collective agreements. A government appointed commission has just suggested how this could work.

NEWS

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TEXT: KERSTIN AHLBERG, EDITOR EU & ARBETSRÄTT

Authorities in Denmark, Finland and Norway have long been obliged to include so-called labour clauses in their procurement contracts. These clauses mean the provider as a minimum must guarantee employment conditions in accordance with the collective agreement covering the workplace where the work will be carried out.

Swedish authorities are not obliged to make such demands. But this will now change, says the Swedish government. Just before Christmas it appointed a commission, which has now presented its recommendations.

A risk of unfair working conditions

The commission suggests that in some cases authorities should be obliged to include certain labour conditions into the contract. This is when the procurement concerns a sector where there is a risk of unfair working conditions, e.g. the construction industry, cleaning or taxi services, where problems are known to exist. In those cases authorities should always demand that the provider applies the collective agreement's minimum rules on wages, working hours and annual holidays.

Beyond this authorities can decide whether to make further demands concerning labour conditions, for instance asking providers to pay occupational pensions and other kinds of collective agreement regulated insurances for their employees. Similarly, authorities should be able to make contractual demands in relation to labour conditions in cases of procurement from other sectors than the ones where this is obligatory.

"Precise and unambiguous"

Perhaps the hardest nut to crack for the commission was finding a solution for uniting the Swedish labour market model with the transparency and predictability required by the EU's public procurement rules. The procurement rules stipulate that the so-called tender documents issued by the authority looking for tenders must be so clear, precise and unambiguous that "all reasonably well-informed tenderers

exercising ordinary care" understand what is expected from them.

They should for instance not have to look elsewhere in order to find out what salaries they should be paying. It is therefore not enough for the authorities to simply refer to a certain collective agreement — the conditions which the providers must adhere to must be spelled out in the actual tender documents. But in Sweden, where there is no system of universally applicable collective agreements, these are not normally accessible for others than the contracting parties and their members.

So the issue is how the authorities get hold of the correct collective agreement and identify which conditions should apply to a certain contract.

A new authority

The commission proposes that this should be done by a recently set up central authority, the Procurement Authority, which is assigned with the task of supporting other authorities in their procurement processes. It will decide which kinds of procurements would trigger the obligatory introduction of labour clauses, as well as identifying which collective agreement conditions the procuring authority should include in its contract. Everything should be done in consultation with the social partners.

The proposal has now been referred for consideration, but it has already proven controversial. Trade unions had been hoping for a more radical proposal which would have made it obligatory to include labour clauses in all procurements, and that they would not only refer to the minimum levels stipulated in the collective agreement.

Businesses are criticising the fact that it will be possible to demand more from domestic suppliers than from foreign companies, which would fulfil the contract using posted workers. That is in breach of the principle of equal treatment in EU law, they argue.

The Commission disagrees, saying that it is a consequence of the case law of the EU Court of Justice itself.

The commission will now continue its work. The reason why Denmark, Finland and Norway are so far ahead is that they long ago ratified the International Labour Organisation's convention number 94, which says workers as a minimum should be guaranteed the same conditions as found in collective agreements covering their place of work. Thus, Denmark, Finland and Norway have, unlike Sweden, signed up to do just that. According to new directives the Swedish commission will look into whether Sweden too can ratify the convention.



Filipino nurses taking the oath in a ceremony in General Santos City.

OECD: Big increase in number of foreign born doctors and nurses

Over the past ten years the number of nurses and doctors who have moved to one of the 38 OECD countries has risen by 60 percent. The number of foreign born doctors now makes up nearly one third of all doctors in Sweden and one in four doctors in Norway.

NEWS

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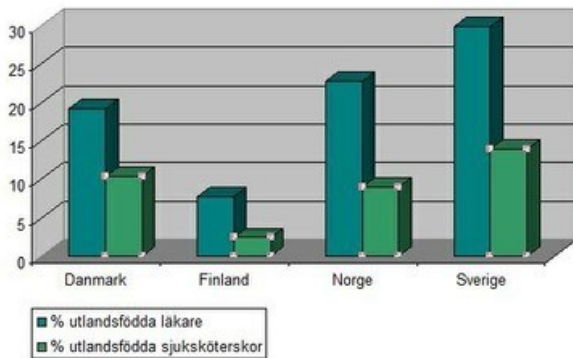
TEXT: BJÖRN LINDAHL, PHOTO: PHILIPPINE NURSES ASSOCIATION

The refugee crisis has seen 800,000 people applying for asylum in an OECD country in 2014, 600,000 of them in Europe. It has deservedly gained massive attention. Yet the number still does not match the number of migrants arriving through legal channels, outside of the asylum system. For 2014 that number was 4.3 million people, up six percent compared to 2013.

This is according to the OECD's 2015 International Migration Outlook, which has a separate chapter on health care professionals. Most of the doctors seeking work in industrialised countries come from India, while the Philippines is the world's largest exporter of nurses.

The Nordic countries have between 3.3 and 3.9 doctors per one thousand people. The number of nurses varies between 11.1 to 15.4 per one thousand people.

If you compare the proportion of foreign born doctors and nurses in the Nordic region, you will find major differences. Finland has the lowest number of foreign born doctors at 7.7 percent, and only 2.4 of nurses there are foreign born. In Sweden 29.8 percent of doctors are born abroad and 13.9 percent of the nurses.



There are no figures for Iceland in this OECD study

The differences are even bigger in the rest of the OECD. Less than three percent of doctors in Poland and Turkey are born abroad, while 50 percent of doctors in Australia and New Zealand are. The number of foreign born nurses in Poland and Slovakia is negligible, but in Switzerland they make up 30 percent of the total.

The USA, Germany and the UK have the highest number of migrant health care professionals. In the wake of the 2008 finance crisis foreign health care professionals also moved from southern European countries to Germany and the UK.

Brain drain

The countries losing their newly educated health care professionals face a problem at home. In 2010 the World Health Organisation introduced a global code of conduct for the recruitment of health care workers (Global Code of Practice on the International Recruitment of Health Personnel, WHO, 2010). Meanwhile OECD countries have increased their education of health care professionals, which has slowed the immigration down to an extent. Certain countries, like Finland, Ireland and Germany, have also entered into a cooperation on the training and recruitment of health care personnel with countries of origin in order to prevent problems arising.

Healthcare employment is generally less exposed to economic fluctuations compared to other parts of the economy. The total number of doctors and nurses has continued to increase in most OECD countries, although the growth has slowed somewhat because of the crisis. Budget cuts have also not

affected health care professionals much in countries which have been affected by the economic crisis. However, some countries, like Greece, have decided not to allow the hiring of temporary labour, and that only one in five people who retire will be replaced.



Not everyone gets to work at their own pace. Danish builders taking it easy on a summer's day (above)

Time pressure bigger work environment issue in the Nordics than rest of Europe

Psychosocial risk factors are identified as the main challenge by the European Agency for Health and Safety at Work in their second major survey of work environments in European countries.

NEWS

29.09.2015

TEXT AND PHOTO: BJÖRN LINDAHL

The previous survey was published in 2009 and ESENER-2 builds on its findings. The survey shows how big trends influence work environments, as seen in the growing service sector and ageing work population. The graphs also bring new information about the differences between the Nordic countries when it comes to work environment issues.

Nearly 50,000 establishments with more than five employees in 36 European countries have been surveyed. The Nordic countries are characterised by:

- A very high number of employees working from home. In Denmark 24 percent of the respondents said they were employing people on those terms. Only the Netherlands has a higher proportion at 26 percent.
- Sweden has the highest proportion of European establishments where more than one in four employees are older than 55.
- Sweden also scores high on the number of establishments which say they have employees

who have difficulties understanding the language spoken there.

Having to handle difficult customers, patients or pupils is considered by most countries to be the biggest work environment challenge. This is seen as a problem by 58 percent of the European establishments taking part in the survey, followed by tiring or painful positions (56 percent) and repetitive hand or arm movements (52 percent).

Different sectors have different problems

The difficult customers/patients and pupils are mostly a problem for the retail, transport, hotel/restaurant and recreation trades. Within these trades 75 percent of European establishments consider this to be a work environment problem.

Similarly, the risk for accidents involving machines or hand tools is something which concerns both the construction trade (82 percent) and agriculture, forestry and fisheries (78 percent). The one work environment risk which is considered the least prominent in Europe is discrimination because of gender, age or ethnicity. Only two percent of the establishments considered this to be a problem.

At the same time the survey points to the fact that there are major dark spots when it comes to improving the work environment:

“We note with interest that among workplaces which carry out risk assessments and also say they have employees working from home, only 29 percent say these risk assessments also include the home offices,” the survey points out.

“Here the highest numbers are found within the public sector (40 percent). Even though the results only equal 13 percent of all surveyed establishments, they should be seen as an indication of work environment strategies in correlation with new, growing trends within work organisation.”

With differences between different trends being this large, the statistics from different countries should be treated carefully. But it is still surprisingly large differences between the Nordic countries’ answers in the survey.

Finland, for example, is top out of all the European countries when it comes to the number of psychologists hired to address work environment issues, whether they are hired internally or externally. 60 percent of the establishments use such expertise, while the numbers for Norway and Iceland are 24 and 13 percent.

“Considerable changes to working life leads to an increase in psychosocial risks. Such risks linked to the nature of the work, organisation and management as well as to the economic and social whole, leads to increased levels of stress and could cause serious deterioration of psychological and physical health,” the survey warns.

Time pressure a particularly Nordic phenomenon

Time pressure is most common in Nordic workplaces, and there is a gap down to the other countries:

In Sweden and Finland 74 percent of the establishments said time pressure was a problem, followed by Denmark (73 percent) and Norway and Iceland (each 71 percent).

Then come the Netherlands at 62 percent. The lowest numbers come from Turkey (15 percent), Lithuania (16 percent) and Italy (21 percent).

The most important reason given by the establishments for prioritising the work environment was that they must fulfil legal requirements. At the same time they say the greatest obstacle for dealing with work environment issues is the complexity of those legal requirements (40 percent of the establishments in the EU-28), followed by the paperwork (29 percent). In the Nordic countries, however, it is more often a question of not having enough time and personnel.