

The Common Employment Market for the Northern Countries

by

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For many years the "Northern countries" (Denmark, Finland, Iceland, Norway and Sweden) have practised a policy of co-operation in economic, social and cultural matters. In 1945, at one of the regular meetings of the Ministers of Social Affairs of these countries, a Convention was drawn up for the establishment of a common employment market. Denmark and Sweden alone have so far ratified the Convention, but in practice all the Northern countries follow the procedure laid down. The Convention, states the author of the following article, who is an expert on manpower questions in the Swedish Ministry of Social Affairs, was regarded only as a beginning; there have been further developments since 1945, and co-operation between the Northern countries has developed much further than was originally contemplated in the Convention.

The article describes the machinery established for the integration of the employment markets of the different countries, the role of the central authorities, employers' and workers' organisations and local employment services, and the working of the scheme.

BACKGROUND

BEFORE the First World War employment in the circle of the Northern countries (Denmark, Finland, Iceland, Norway and Sweden) was on the whole free, i.e., obstacles were not placed in the way of persons wishing to take jobs in countries other than their own. However, the influx of foreign labour did not long remain free, since each of the countries attempted to regulate it by the establishment of some form of immigration restrictions; but at the end of the period between the wars serious attempts were made to remove the barriers to freer movement of labour within these countries. This tendency took particularly tangible form in the encouragement given to schemes for the exchange of trainees.

Since the Second World War the idea of a common free employment market for the Northern countries has assumed more definite form, and action has been taken which brings this target nearer than at any time since before 1914. One reason is the co-operation that has been developed among these countries in many different fields since the war, but various wartime developments also constituted a powerful contributory factor to the policy of creating a common employment market. During the war Sweden received tens of thousands of refugees from the neighbouring countries. They were provided with work, first of all in occupations such as agriculture and forestry, where there was a pronounced need for manpower, and subsequently in almost every branch of activity. In 1943 the Swedish regulations requiring employment permits for persons from the other Northern countries were abolished, and since then such persons have been free to take jobs in any occupation they desire. The work done by refugees was undoubtedly of very great importance to Sweden at a time of manpower shortage. The experience obtained with several tens of thousands of foreign workers nourished the idea of continuing with a common Northern employment market after the war. At the cessation of hostilities many of the workers naturally returned to their liberated home countries, but some remained in Sweden, and after a time there was a fresh influx of persons seeking work. So the common Northern employment market began to take shape.

THE ADVANTAGES OF INTEGRATION

The advantages of this integration of the employment market are clear. Each of the countries concerned, taken alone, has a small population (Denmark, 4,300,000; Finland, 4,100,000; Iceland, 145,000; Norway, 3,300,000; Sweden, 7,100,000); but brought together they make up a population of over 18 million persons. Manpower can move within a bigger area, and each individual has a wider choice of employment openings—though of course the competition for jobs is greater also. There is more opportunity for specialisation, a greater chance of obtaining an insight into the industrial techniques of the various countries, a wider opportunity to learn from the skill of others, and perhaps also some diminution of seasonal fluctuations, which are particularly strong in these countries.

The employment markets of the Northern countries have many common characteristics—a fact which may to some extent encourage the formation of a single unit, but also perhaps hampers complete integration. They have several features which may be called characteristically modern. The countries are comparatively highly

industrialised, but agriculture is very important also. The degree of industrialisation is somewhat uneven in the various countries, but this does not affect the general picture of an important centre of industry. The distribution of the gainfully employed population among the various occupational groups, according to the latest national census in each of the countries, is as follows :

DISTRIBUTION OF GAINFULLY EMPLOYED PERSONS
IN NORTHERN COUNTRIES

(Percentages)

Country	Year	Agriculture, forestry, fisheries	Industry and handicrafts	Services
Denmark	1951	25	36	39
Finland	1940 ¹	62	20	18
Iceland	1940 ¹	46	23	31
Norway	1950	27	36	37
Sweden	1950	20	42	38

¹ The 1950 census, the results of which have not yet been published, will probably show a big increase in industry and services.

A more or less pronounced long-term tendency can be observed in all the Northern countries with regard to the distribution of the inhabitants between urban and rural areas. The population of the towns is increasing steadily at the expense of the latter, and this has undoubtedly brought big advantages to the various countries, though opinions are divided as to whether it is desirable in the long run. The movement from the countryside to the towns has been accompanied by an increased transfer of manpower from agriculture to industry and services. Expanding industry has found in agriculture a source of the additional labour required for a steadily rising level of production ; and despite its loss of manpower, agriculture's output has not fallen. On the contrary it has rather increased, thanks to a higher degree of mechanisation. This tendency towards a transfer of manpower between occupational groups and between geographical areas has made labour more mobile, and there seems no doubt that mobility of labour can be more effective in a large united employment market than in a small one.

A factor which on the other hand perhaps contributes to counteracting integration in this regard is the great influence of foreign trade on the economic life of the Northern countries and therefore on their employment market. A very large proportion of the national income of these countries comes from foreign trade. Consequently their employment market is powerfully affected by

fluctuations in the international trade situation, and as a rule these fluctuations affect the different countries in a similar way. If unemployment arises in one of them owing to a decline in exports, an analogous situation usually occurs in the others. Not much diminution of employment fluctuations can therefore be expected from the integration of the market, though it may perhaps be said that the chances of finding a new job are somewhat greater if the worker is able to operate within a relatively large area.

Another common feature of the employment market of the Northern countries is the effect of climatic conditions, which make employment depend to a large extent on the season. Action has been taken in all these countries to level out seasonal fluctuations as much as possible, but it is probably not feasible to eliminate them completely. There is, however, a great difference between the northern and southern parts of Scandinavia as regards the extent of these fluctuations, which are of course smaller in the south than in the north, and in this regard the existence of a common employment market has already played some part in smoothing out seasonal differences in the employment level between north and south. In the summer the increased demand for casual labour comes much sooner in the south, and unemployed workers are directed south irrespective of their nationality.

PRINCIPLES OF COLLABORATION

Immediately after the close of the war the question of a common employment market was taken up at the government level. Discussion at a meeting of the Ministers of Social Affairs for the Northern countries, held at Copenhagen in September 1945, led to the establishment of a Convention regarding transfer of workers, placement, etc.¹ The Convention has been ratified by Denmark and Sweden. It has not yet been ratified by the other Northern countries, but in practice they follow the procedure for which it provides.

In the main the Convention lays down guiding lines for collaboration in employment matters. The parties undertake to set up a joint committee, consisting of one or more representatives of the central employment service authority in each country, which is to follow the employment situation in them all. The committee is also required to organise co-operation on the employment market. The Convention lays down rules for such co-operation in times of unemployment and of labour shortage, with the object

¹ Cf. *International Labour Review*, Vol. LII, No. 5, Nov. 1945, p. 506 and Vol. LIII, Nos. 1-2, Jan.-Feb. 1946, p. 99.

of avoiding any undesirable competition for jobs or workers. It also contains a provision—perhaps the most important of all—to the effect that the parties to the Convention shall not require nationals of other parties to hold employment permits. The employment market is therefore free in this respect.

At the time when this Convention was adopted, immediately after the close of the war, conditions varied widely between the various Northern countries. Denmark, Finland and Norway needed a great deal of reconstruction as a result of the war and therefore wished to use their home manpower to the largest possible extent. Sweden had at that time better access to supplies of goods, and wages in that country enjoyed a higher purchasing power. It was therefore quite natural that the trend of manpower movement was first of all towards Sweden. However, in order to prevent too great a “bleeding” of the labour force that the war-depressed countries needed so urgently, it was agreed that requests for labour should not be addressed to a given country unless its representative on the joint committee had given his consent. Since that time conditions have changed, and there has been a levelling over the whole area almost without distinction.

DECENTRALISATION

The Convention was regarded merely as a beginning of co-operation in employment matters, and it was intended subsequently to draw up directives for closer joint action. This has been done in more recent years, and co-operation has developed much further than was originally contemplated in the Convention.

Owing to the exceptional conditions prevailing immediately after the war it was decided that transfers of workers from one country to another should be operated through the central labour authorities. The requests were sent to these authorities and distributed in due course to the regional and local employment offices. This system soon turned out to be very unwieldy, and the possibility of decentralisation was therefore discussed. Long experience in employment work has shown that successful placement requires the co-operation of the whole employment service organisation. If people are to move, someone must move them.

In May 1949 the Norwegian and Swedish central employment authorities agreed that transfers of workers between the two countries should be organised by the regional services with the aid of the local employment offices. In November of the same year an agreement was reached between the Swedish and Finnish central employment authorities which went a step further: transfers of workers between these two countries were to be conducted as

a rule by the local employment offices, under the supervision of the regional services. Negotiations went on between Denmark and Norway and Denmark and Sweden during 1950 regarding the decentralisation of transfers. Although adopted as a principle in Denmark, the decentralised system has not yet been put into practical effect ; the central employment authority of the country determines for each case the local office with which the Norwegian and Swedish employment services concerned shall co-operate.

The system is thus based on direct co-operation between the employment services in the various countries. This would appear to be in full conformity with the provisions of the I.L.O. Employment Service Convention, 1948, which stipulates that " the employment service shall be so organised as to ensure effective recruitment and placement and for this purpose shall . . . take the appropriate measures to . . . facilitate any movement of workers from one country to another which may have been approved by the Government concerned ".

The system adopted by the Northern countries means that, as a general rule, the individual seeking employment can obtain information from the employment office near his home regarding suitable job openings in all the other countries. The employment office in one country, at the place where there is a vacant job, establishes direct contact with the employment office in another country, at the place where there is a person seeking work : and he immediately receives definite information regarding the job, the rates of pay and other terms, the conditions of life, accommodation, etc., without these data having to pass through many different hands. The procedure is thereby greatly simplified. The person seeking employment does not need to look round in a haphazard way or to make a useless trip abroad : and there is for him the additional advantage that he can choose between a larger number of jobs and is by no means bound to the employment available in his own neighbourhood. Such co-operation has advantages for the employer also : he can seek personnel in all the Northern countries, and this possibility may be of very great importance at times of manpower shortage.

SUPERVISION BY CENTRAL AUTHORITIES AND CO-OPERATION WITH WORKERS' AND EMPLOYERS' ORGANISATIONS

It is evident that many years' experience will be required before such co-operation between employment authorities in several different countries can operate on a really large scale. The co-operation must be guided by the central authorities, even though the actual work of placement is left to the regional and local offices.

There is close contact between the central labour authorities of the various Northern countries, whose representatives meet once a year, or more frequently if necessary, with a view to discussing co-operation. Both questions of principle and matters of procedure are examined at such meetings.

The first principle is that the movement of manpower between the countries should be free. This, however, does not exclude the exercise of some control by the central employment authorities with a view to inducing workers to move in an orderly manner and in the desired directions. This is particularly important in times of acute labour shortage or pronounced surplus. Employers in a country where there is an acute shortage naturally do not approve of action aimed at inducing workers to leave that country. On the other hand, if there is considerable unemployment in a given country, the workers there do not favour the immigration of additional workers from neighbouring countries. It must be borne in mind that such situations may arise and endanger freedom of movement on the Northern employment market. It is therefore laid down as a rule that in case of any question of large-scale transfers of manpower the central employment authorities will always establish contact with the employers' and workers' organisations for the purpose of discussion. These organisations thus take a direct part in the collaboration regarding employment market matters, and they are conscious of their responsibility. There is, however, no question of any compulsion in this regard; the parties always attempt to come to some agreement after each has stated its case.

Thus, by means of negotiation with the employers' associations, an attempt has been made to establish the principle that an employer in one Northern country shall not recruit workers in another such country by private means, but only through the public employment services. If an employment office in one country is informed that private recruitment is going on, it informs the central employment authorities in the would-be employer's country, and they contact the employer with a view to inducing him to use the channels which have been agreed on with the other countries. Furthermore, if an employer directly notifies an employment office in another country that he requires a particularly large number of workers, the office is required not to refer workers to him until it has made contact with the employment office in the employer's place of business. This is important, for it enables the employment service at the employer's end to make certain that there is not sufficient manpower already available nearer home. The workers' organisations also co-operate with a view to avoiding excessive manpower movements to areas where it is possible that unemploy-

ment may arise. This is a gentlemen's agreement intended to avoid trouble. If the good idea of a free common Northern employment market is to be saved for the future, the market cannot be left entirely to *laissez-faire*; transfers of manpower must take place under the supervision of the central employment authorities in an orderly manner and with due regard for the legitimate interests of all parties.

METHODS OF MAINTAINING AND DEVELOPING CO-OPERATION

Various practical measures are taken to strengthen and extend this co-operation. An important element in this process is to secure the interest and participation of the individual employment service officials, so that they constantly think of the whole Northern area in employment matters and not merely of the possibility of placing workers within their own countries. A step which may contribute to this end is the exchange of employment officials between the various national services; this has been discussed and has indeed been started on a small scale. A few months' attachment to an employment office abroad will not only give a placement officer a good insight into the organisation of the service in the other country and the conditions of life and work prevailing there; it also enables him to establish personal contact with colleagues and others, and this will be of great value to the continuation of co-operation in matters of placement.

Information about actual job openings is collected in each country and transmitted—usually once a week—to the others. These data are distributed to all regional and to the larger local employment offices, which also have available printed reviews, revised at regular intervals, of the conditions of life and work in the various countries concerned. Furthermore, there are exchanges of periodic employment market reports and other material regarding employment matters, all with the object of familiarising placement officers with employment market conditions in the other countries.

Another important task is to spread information among the general public regarding the co-operation between the employment services and the advantages of a common Northern employment market. The central, regional and local authorities all have important functions in this connection. The daily and specialised press is provided with material, information is sent to the trade unions and other professional and economic organisations, and the radio gives regular reports on job openings. The very close co-operation between organisations of many different kinds in the Northern countries naturally also facilitates co-operation on the employment market.

RECIPROCITY IN SOCIAL MATTERS

As a rule the advantages provided by the employment offices to their own nationals seeking work apply automatically to persons from the other Northern countries. If, for instance, a national of one country receives a travel and subsistence allowance from the employment office when referred to a new workplace, an applicant from another of these countries will, in similar circumstances, receive the same allowances. Work has been going on for many years over the whole social field with the object of securing reciprocity in benefits throughout the region. As a rule workers receive the social benefits of the country in which they are working, but remain entitled—on returning home—to those accorded in their own country. Such an arrangement is of course of the very greatest importance to mobility of labour between the countries.

EMPLOYMENT SERVICE ORGANISATION

Co-operation on the Northern employment market is facilitated also by the fact that the countries concerned have to a large extent well-organised placement services. There have been public placement services in the Northern countries for over 50 years. The first employment exchanges were established at the turn of the century and were due to action by the local authorities. The services are still either municipal or partly municipal and partly central, save in Sweden, where the whole system is now centrally organised. The State has for a long period shown great interest in placement in all the Northern countries, and public subsidies began to be paid to employment exchanges at an early stage, while certain general rules for the conduct of placement were also laid down. During the period between the two world wars public placement was gradually extended, though not at a uniform pace in the various countries. After the Second World War the development of the employment services was characterised by an increased regard for the active employment market policy—aimed at full employment—which is now applied in all the Northern countries. This has necessitated an expansion and a further strengthening of placement work itself.

The development of placement is partly a result of the experience and aspirations of the countries of the region, but has also been promoted and hastened by outside influences, particularly the Conventions and Recommendations of the International Labour Organisation, which have been accepted to a large extent by the Northern countries.

The structure of the employment services is based on a central organ for all placement work, which is either part of a Ministry (as in Finland) or an autonomous agency beneath the authority of the Minister responsible for labour questions (as in the other Northern countries). Under the central organ there are as a rule regional offices which direct placement in the respective districts ; and below these again is a network of placement offices, larger or smaller according to the size of the various localities which they serve, together—in some of the countries—with employment service agents in very small places. The numbers of regional and local offices are as follows : Denmark, 37 ; Finland, 93 ; Norway, 65 ; Sweden, 236 ; in addition there are a large number of local agents in Denmark, Norway and Sweden. Sufficient regard is thus had to the geographical extension of placement. In order to be able to afford the best possible service for all occupations and branches of the economy most of the larger employment offices in the Northern countries have several trade and other special departments. The public employment services have in recent years gradually extended their grip on the employment market, and both the number of persons seeking employment and the number of vacancies have increased.

Owing to the uniformity in organisation, procedure and working material of the employment services in the Northern countries it has been possible to establish direct co-operation among them without the need for any innovation in structure or method. The preparation and issue of standard blank forms for placement in all these countries has recently been discussed.

EXCHANGE OF TRAINEES

Finally a few words should be devoted to co-operation in the exchange of trainees. As stated above, steps were already taken in the 1930s with a view to stimulating this type of exchange, and a start was actually made on a small scale in the summer of 1939, but the scheme was interrupted by the war. Afterwards the organised exchange of trainees was first restricted to agriculture. However, since 1950 the Norwegian and Swedish authorities have shown keen interest in such exchanges, and have arranged for the payment of trainees' travelling expenses from public funds, with the result that the exchanges have extended to all occupations. With the participation of *Föreningarna Norden* (voluntary associations which aim at promoting Northern co-operation in various fields, and receive public subsidies), the exchange of trainees has developed in a particular way. In order to stimulate such exchanges, contacts have been established between selected towns in the

various countries, which are known as "friend towns"; in each of these a special committee is established to make arrangements for the exchange of trainees. The committees consist of representatives of the local authorities, the employers' and workers' organisations and the employment services, together with the local representatives of the *Föreningarna Norden*.¹ The trainees exchanged are usually between 18 and 35 years of age. The period spent abroad may not be less than six months. The employment services lend their aid by arranging jobs for the trainees and handling all formalities.

The co-operation described above is a practical example of the possibility of bringing about an integration of the employment market, to a certain extent, within a group of countries and thus of contributing to a solution of the migration problem. Such co-operation has, it is true, been facilitated in the Northern countries by circumstances, particularly the existence of highly developed employment services (the first condition to successful co-operation), a varied mobile employment market, similar conditions of life and work, and a minimum of language difficulties.

Finally, it may be appropriate to quote a few figures to show the scope of this co-operation. The relevant manpower movements have been directed mainly towards Sweden, and that country now has some 65,000 workers from the other countries. The movement of Finnish workers to Sweden has been particularly noteworthy in recent years, but the other Northern countries can also appreciate the results of this co-operation. For several years there has been a flow of Danish manpower to Norway, where there are 10,000-15,000 workers from the other Northern countries. Denmark is estimated to have 10,000 and Finland about 2,000 such workers.

(Translated from the Swedish.)

¹ Cf. *Industry and Labour*, Vol. VII, No. 5, 1 Mar. 1952, p. 184.