

Essays on labour market outcomes in the bilingual area of Finland

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The thesis aims to unravel potential differences in unemployment and very early retirement experience between Finnish-speakers and Swedish-speakers in Finland. Such comparisons of the two language groups have not previously been made. By utilising unique linked register data sets, the thesis also explores the experiences of people in the local labour market of the City of Vasa, who were registered as jobseekers at the local Employment Service in 1996.

The estimation results indicate that there is a substantial language-group difference in unemployment propensity, even when having controlled for the impact of education, age, gender, municipality of residence and industrial structure. The between-group difference in unemployment propensity is also higher in municipalities with a higher proportion of Swedish-speakers. It is plausible that language proficiency and social integration are important in this context. Due to lack of data it is not, however, possible to measure these factors explicitly.

In addition, there are remarkable language-group differences in very early retirement rates. They should be interpreted as health disparities, and thus correspond with findings from mortality analyses. Other factors than those demographic and socio-economic factors observed here consequently also seem important. They may be related to each group's social and cultural life pattern, as well as to social networks, but they cannot be analysed explicitly with the help of ordinary data registers.

The thesis also finds that the decisions made by the Employment Service, when distributing job instructions to certain jobseekers, increase the overall transition rate from unemployment in comparison with a random assignment of these job offers. From a policy point of view this is a positive finding, as it suggests that public sector spending on these activities may be justified.

The effect of economic compensation during unemployment on the transitions from unemployment is, however, fairly modest. This is because individuals with higher replacement rates have characteristics that make them more competitive in the labour market than those with lower replacement rates. People found in unemployment traps thus become employed despite their poor economic incentives. I cannot find any evidence in favour of the hypothesis that the effect of the replacement rate varies with time spent unemployed.

The analysis results also suggest there being an effect of unemployment duration on social assistance receipt, specifically for those with bad unemployment compensation. Successful attempts to shorten individual unemployment spells may thus reduce public sector expenditure on social assistance substantially.

Keywords: Language groups, unemployment, unemployment duration, early retirement, instructions, replacement rates, social assistance receipt

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