

# Can the low unemployment rate of Swedish speakers in Finland be attributed to structural factors?

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## Abstract

A previous study has shown that the substantially lower unemployment rate of Swedish speakers in Finland, as compared with Finnish speakers, cannot be attributed to demographic and socio-economic characteristics. This paper studies the role of structural factors. Using cross-section and longitudinal data of the total population, we find that Swedish speakers benefit from constituting the local majority, but that they have significantly lower unemployment rates than the Finnish speakers also in Finnish dominated areas. Industrial structure and family-related factors are important determinants of unemployment incidence, but they can to a fairly limited extent be related to the unemployment gap.

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## 1. Introduction

Swedish speakers constitute the largest minority group in Finland, as they amount to barely 6% of the total population.<sup>1</sup> They are guaranteed equal constitutional rights as the Finnish speakers, and seem to manage well in the labour market. The participation rate is about the same as that of Finnish speakers, and their unemployment rate is clearly lower. At the end of 1990, the national unemployment rate of Swedish speakers was 2.6%, in comparison with 5.7% for Finnish speakers. During the mid-1990s, Finland was hit by a deep economic recession, which resulted in a

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<sup>1</sup> Less than two per cent of the population has a native language other than Finnish or Swedish.

dramatic increase in unemployment rates. The language-group differential remained; the national unemployment rate at the end of 1995 was 11.4% for Swedish speakers, in comparison with 19.3 for Finnish speakers. Also after the recession, at the end of 1998, there was a large disparity; the unemployment rate of Swedish speakers was 7.9%, in comparison with 14.9% for Finnish speakers.

Saarela and Finnäs (2003a) were the first to explore why Swedish speakers in Finland have lower unemployment rates than Finnish speakers. In that study, we show that the between-group differential in unemployment incidence cannot be attributed to age, education, gender or municipality of residence, because it decreases only marginally when accounting for the impact of these individual-level factors. Present understanding of the reasons behind the lower unemployment rates of Swedish speakers is thus fairly limited. This paper attempts to shed some further light onto the issue by analysing the contribution of structural factors. Specifically we are interested in the role of language-group concentration, industrial structure and family situation.

## 2. Background and theoretical considerations

Belonging to an ethnic or linguistic minority does not inevitably mean that a person is disadvantaged in the labour market. From the international literature, one finds also other groups, such as American-born Chinese, Japanese and Jews in the United States (Brenner and Kiefer, 1981; Sowell, 1981; Chiswick, 1983a, 1983b), and Welsh-speakers in Wales (Drinkwater and O'Leary, 1997), which have an overall better labour market position than people belonging to the majority. As is the case with the Finnish-Swedish unemployment gap, the underlying reasons have not been fully understood.

It should, though, be emphasised that the present paper does not compare immigrants and natives, as many previous studies of ethnic minorities do (see Chiswick, 1977, 1978; Borjas, 1985, 1987, 1992, 1993, 1994). Swedish speakers constitute a native group in Finland, which has been less mobile with regard to within-country migration than the Finnish speakers. Many Finnish speakers are in fact first or second generation of migrants into the Swedish speakers' main settlement area. The latter implies that the language structure of this area has experienced a fairly dramatic change during the 20th century.

Practically, all Swedish speakers reside very concentrated on the southern and western coastlines of the country. Since these regions are those experiencing the lowest unemployment rates, one may expect that the between-group difference in unemployment rates is due to regional factors. This is not, however, the case. In this area, there are slightly smaller but still significant disparities. At the end of 1998, for instance, the unemployment rate of Swedish-speaking males was 7.5%, as compared with 11.7% for Finnish-speaking males. For Swedish-speaking females the corresponding proportion is 9.0% and for Finnish speaking females 9.9% (Table 1).

Table 1  
Unemployment rate by gender and language group at the end of 1990, 1995 and 1998 in the bilingual part of Finland

Year	Males		Females	
	Swedish speakers	Finnish speakers	Swedish speakers	Finnish speakers
1990	2.8	3.7	2.4	1.9
1995	11.7	18.3	11.8	14.1
1998	7.5	11.7	9.0	9.9

The description refers to the geographical area represented by the shaded parts on the map in Fig. 1.

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