



RIKSREVISIONEN

Summary:

Seasonally unemployed and unemployment insurance

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Summary

Background to the audit

The Swedish National Audit Office has examined the control exercised by the Government and the work of the Public Employment Service (PES) and IAF (the unemployment insurance inspection) with respect to the seasonally unemployed. The term seasonally unemployed is taken to signify people who are employed for a certain part of the year and receive assistance from the unemployment insurance between employments and who follow this pattern for a lengthy period of time.

Motives: The point of departure of the audit is that the unemployment insurance is a form of occupational readjustment assistance. This implies that the unemployed should be unemployed for as short a time as possible and that a person failing to find work within the occupation for which he or she has been educated and/or gained experience in, or where he or she lives should change occupation and/or geographic area. The Swedish parliamentary labour market committee has clearly stated that unemployment insurance should not serve as occupational insurance or as a subsidy to businesses or sectors of commerce and industry.

An underlying hypothesis in this audit is that, in practice, there may be elements of occupational insurance existing within the unemployment insurance scheme. Certain sectors of commerce and industry or business activities which suffer from drastic fluctuations in employment could, according to this hypothesis, be subsidized systematically by the state through the unemployment insurance scheme. This is because those who are employed when demand for labour is high support themselves on unemployment assistance when demand for labour is lower.

Purpose: The audit has focused on investigating whether the unemployment insurance scheme operates as career readjustment assistance for people receiving unemployment assistance between seasonal employments. The point of departure of the Swedish National Audit Office is that according to the regulatory system the time spent by people in unemployment should be reduced to as great an extent as possible.

Implementation: The scope of and the economic and public-finance gross costs for this type of unemployment have been calculated for the period between 2006 and 2008. For these analyses, the Swedish National Audit Office has employed statistics from Statistics Sweden, IAF and PES, as well as a questionnaire specifically aimed at employers. The Swedish National Audit Office has examined the control exercised by the Government and the work of the PES and IAF in the implementation of the unemployment insurance. For this analysis, a questionnaire has been sent to staff at PES. Interviews and document studies have also been carried out.

The results of the audit

The audit has resulted in the following observations and conclusions:

The seasonally unemployed are caught in the stress field between the need for flexibility in forms of employment and the requirements of unemployment insurance for readjustment. Problems arise if those who are employed for seasonal work sandwich employment with unemployment benefit over a lengthy period of time, instead of the people involved seeking work in other occupations or in other geographic areas in order to gain employment during a greater part of the year. In these cases, the insurance scheme makes up a part of the annual income of these people and then in practice operates as an occupational insurance.

Slight in scope but incurs costs for society. Using the definition of the Swedish National Audit Office, a total of 3,012 individuals were seasonally unemployed during the period between 2006 and 2008. During 2008, a total of 327,613 people received unemployment benefit. In total, the seasonally unemployed thus made up less than one per cent of those who received unemployment benefit during 2008. There are also indications that the group is declining in size over time, since the Swedish National Audit Office has observed that the inflow to the group has declined during two comparable years.

The economic value of the extra goods and services to the national economy, which the seasonally unemployed would produce if all of them held year-round employment, amounts to about SEK 250 million per year. The gain to public finance if all seasonally unemployed were to change up to year-round employment – in other words, increased tax revenues and reduced allowances – would amount to about SEK 215 million per year. However, these calculations have not taken into account possible costs which may arise in order to achieve full employment among the seasonally unemployed. Nor have the increased social charges, which could also be a consequence of the increased level of employment, been taken into account.

The Swedish National Audit Office has not found any evidence of abuse of unemployment insurance. Put another way, that the seasonally unemployed would earn a figure corresponding to one year's income during that part of the year they were working while still claiming unemployment benefit during the times between employments.

General inputs to the unemployment insurance scheme will affect the group. No specific measures are expressly focused on people who are seasonally unemployed. However, the Government has implemented modifications to the unemployment insurance scheme with a view to increasing the incentive to work in particular for those who work only part of the year. The Government has also requested IAF and PES to submit reports relating to the general work on the unemployment insurance scheme in order to further

highlight the application of the regulatory system of the unemployment insurance scheme. This may have favourable consequences as well for the work of the authorities with respect to the seasonally unemployed.

Difficult to issue an applicable regulation for a heterogeneous group. IAF has made the assessment that the group comprising the seasonally unemployed is too small and far too heterogeneous for it to be possible to issue an applicable regulation which restricts the right of the group to unemployment benefit. The analysis carried out by the Swedish National Audit Office of the seasonally unemployed indicates precisely these qualities in the group. In the assessment of the Swedish National Audit Office, the priorities given by IAF would therefore seem to be reasonable in the current situation.

The audit by the Swedish National Audit Office has demonstrated shortcomings in the application of the regulatory code for the seasonally unemployed by the PES. The contingency plans for the seasonally unemployed are subject to review and updating less frequently than for an average registered job seeker or a job seeker from a group given priority by PES. The staff at PES also feel that the seasonally unemployed are more difficult to match to available work and that, in relation to other job seekers, they are considerably less active in seeking work.

Nevertheless, the seasonally unemployed are referred to labour market policy programmes to a lesser extent than other job seekers. In relative terms, it is also less common that staff at PES discuss the possibility of looking for work in an expanded geographic or occupational target area with the seasonally unemployed. The same applies to the use of directives.

Recommendations

The changes which were relatively recently introduced to the unemployment insurance scheme and the work carried out by the authorities so far may result in the group of seasonally unemployed declining in number in the long term. The Government has also set requirements on the work of the authorities which will mean that greater attention should be paid by PES to the seasonally unemployed as a group. Consequently, the Swedish National Audit Office is of the opinion that PES could be more active in dealing with the seasonally unemployed as a group, in particular since there are potential gains for the national economy and public finance to be made if the seasonally unemployed change up to year-round employment. Consequently, the Swedish National Audit Office makes the following recommendations to PES:

- *Give the seasonally unemployed equal access to PES.* According to its charter of instruction, PES should adapt their available service to meet the prerequisites of the individual. In order to promote long-term readjustment among seasonally unemployed,

PES should provide these individuals with equal access to PES in the form of labour market policy programmes as other job seekers.

- *Work with greater focus on encouraging the seasonally unemployed to actively seek work.*

In order to ensure that the unemployment insurance scheme works in practice as career readjustment assistance insurance, requirements should be placed on this group of job seekers to solve their unemployment problems in the long term. As a result, PES should concentrate their work on encouraging the seasonally unemployed to actively look for work during the time they receive unemployment benefit.

Fact file

The requirements of the unemployment insurance scheme for readjustment:

Unemployment benefit is payable for a maximum of 300 days to anyone who is unemployed and in other respects meets the requirements imposed in the unemployment insurance scheme. In order to qualify for unemployment benefit, the job seeker should, for example, look for work actively and be prepared to take suitable work. If the job seeker does not find any suitable work at his or her place of residence or within his or her earlier occupation, the job seeker should move to another geographic area or take employment within other occupations. Responsibility for ensuring that those in receipt of unemployment benefit satisfy the requirements in place under the provisions of the insurance scheme resides with PES.

The seasonally unemployed and the unemployment insurance scheme:

Anyone who has been continuously employed by an employer for seasonal work is entitled to unemployment benefit between periods of employment. However, one precondition is that the requirements which are in place in order to qualify for the benefit, for example actively looking for work, are satisfied.