



Nordic Council
of Ministers

TOWARD A MORE INCLUSIVE LABOUR MARKET IN THE NORDICS 5

Increasing employment among vulnerable groups

Summary of insights and recommendations
for the Nordic countries

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This publication is also available online in a web-accessible version at:
<https://pub.norden.org/temanord2025-533>

1. Executive summary

Background and purpose

Much has been said about improving labour market attachment among vulnerable groups, yet progress remains limited, especially among young people. The Nordic countries generally outperform the EU27 in labour market inclusion for vulnerable groups. However, significant challenges persist. Vulnerable groups continue to experience lower labour market participation rates, and substantial employment gaps remain despite political focus, various reforms, and locally anchored initiatives. This constitutes a challenge for both society and individuals.

Although a considerable body of literature and reports exists, the evidence on what works, and for whom, remains limited, especially for the most vulnerable groups in the Nordic labour markets. This knowledge gap arises, in part, from the heterogeneity within vulnerable groups and the complex employment barriers they face, making scalable solutions difficult to design and implement.

Many experts point to the complexity and heterogeneity within this population as making it difficult to design effective interventions. As a result, individualised and holistic approaches have become the default answer. While these approaches have merit, they often serve as a comfort zone, hindering the development of scalable and sustainable programmes for vulnerable individuals.

This project aligns with the Nordic Council of Ministers' strategic efforts to improve labour market participation among vulnerable groups (Nordic Council of Ministers, 2022). In this report, we aim to bridge the knowledge gap by presenting concrete, evidence-based policy recommendations to improve labour market inclusion among vulnerable groups.

Prerequisites for effective employment instruments

Designing effective employment instruments for vulnerable groups is both challenging and complex. However, by analysing microdata, interviewing experts and caseworkers in the Nordic countries, and summarising literature, we have found five prerequisites of effective employment instruments for vulnerable groups. Effective instruments:

Are holistic and comprehensive

They are typically holistic and comprehensive in nature, addressing not just employment barriers but also social and health-related barriers. For example, literature documents positive employment effects of individual placement and support (IPS) within the framework of Supported Employment. A central part of this type of intervention is integration of mental health services and employment services in order to provide individuals with competitive employment while being treated for the mental health issue.

Involve the individual and build on good relationships

They often actively engage the individual and are built on trust and a good relationship between the vulnerable individual and the caseworker. Our findings highlight the critical role of time in fostering meaningful engagement with the system. This can be achieved by, among other things, reducing the case load for caseworkers in order for the caseworker to establish presence, offer support, and provide encouragement.

Include some form of labour market training

They often include some form of labour market training to bridge the gap between the needs of the labour market and skills acquired through education and formal or informal work. This training also aims to provide vulnerable individuals with confidence in their abilities. Such training can take many forms, including internships, wage-subsidised jobs, or regular paid hours. A key factor appears to be ensuring that the training occurs under conditions as close to ordinary workplace terms as possible.

Are built on a solid skills and social match

They build on a solid skills and social match between the individual and the employer. Our research demonstrates that a strong match between employer and employee is crucial for the success of labour market training. Certain instruments are effective because they involve a structured sequence of job training internships that help participants develop skills. By exploring different workplaces and sectors, participants gain opportunities to find a suitable job match both professionally and socially.

Require close contact between caseworker and employer

Direct interaction between caseworkers and employers has been shown to significantly enhance the effectiveness of employment initiatives. Evidence suggests that this form of engagement facilitates faster transitions into employment for job seekers, as it allows caseworkers to acquire informal yet valuable knowledge that improves the quality of job matching.

These prerequisites form the foundation for the policy recommendations we present below.

12 Recommendations to increase labour market participation

Building on the prerequisites and prior work in this project – including literature reviews, interviews with caseworkers and experts, and extensive deep dives – we have developed 12 recommendations targeting state actors, local actors, and caseworkers. These policy recommendations outline a clear path forward to increase inclusion of vulnerable groups in the Nordic countries: embracing a system that prioritises addressing key barriers, designing flexible programmes grounded in trust and empowerment, and fostering stronger partnerships with employers. The journey towards a more inclusive labour market is not one of quick fixes but of sustained, strategic, and practical efforts, and we hope that these recommendations can pave the way for a labour market that provides opportunities for all and leaves no one behind. Such an approach would not only directly benefit individuals and society but also generate indirect effects, including fostering a more cohesive and resilient society.

For each recommendation, we present concrete signature projects that have been successful in incorporating elements from the recommendation. The recommendations are presented below.

Policy track 1: A more flexible and barrier-centric system

1.1 A system that provides greater flexibility in the selection and design of programmes and rewards long-term results

Today, caseworkers are limited in their ability to select and design effective interventions for vulnerable groups within the Nordic employment system. These systems are too heavily controlled by centrally determined requirements regarding the scope and nature of employment efforts. Therefore, we recommend that state actors in the Nordic countries place greater emphasis on providing caseworkers with flexibility in selecting and designing interventions for vulnerable individuals, allowing for individualised efforts that address each person's unique needs and challenges.

1.2 Experiment with promising initiatives – systematise approaches, follow-up, and evaluations

Lack of quantified evidence regarding the employment effects of certain employment instruments and ambiguous results regarding others is a common Nordic challenge. To address this, we recommend that state actors establish a structured system to encourage pilot projects and test of promising initiatives – even in cases where results are not yet fully documented. This approach should aim to translate pilot projects into scalable, impactful interventions through a systematic, evidence-based, and methodical approach.

1.3 Systematic knowledge sharing and development of tools for assessing long-term economic consequences

Greater flexibility and fewer process requirements (see recommendation 1.1) increase the demands on local actors and caseworkers to identify which employment instrument is effective and for whom. To address this, we recommend that state actors launch initiatives to improve local access to knowledge about effective interventions for vulnerable groups. This includes, among other things, disseminating the latest research and best practices through cross-Nordic online knowledge portals.

1.4 Initiate a proactive strategy for the use of data models, AI, and new technology

General uncertainty and technical and legal complexity surrounding data models, artificial intelligence (AI), and new technologies prevent the Nordic countries – and especially local actors – from reaping the full benefits of these types of technologies. Therefore, state actors should establish a proactive strategy to promote the adoption and effective use of data models, AI, and new technologies.

Policy track 2: Create flexible programmes for complex challenges

2.1 Design combined programmes with a focus on the individual's full set of barriers

Vulnerable individuals often face multiple employment barriers, and some of the initiatives in place today are not effective, because they inadequately address the individual's actual barriers or because they address them in the wrong sequence. Therefore, interventions risk becoming ineffective. To address this, we recommend that state and local actors place greater emphasis on designing holistic intervention programmes that take into account the full range of barriers faced by vulnerable individuals.

2.2 Continue efforts with employment-focused initiatives for vulnerable individuals – as close to a real job situation as possible

The path to employment often goes through employment-focused initiatives, but there may be a tendency today to not fully reap the benefits of these initiatives, as there is insufficient focus on why such measures are effective, i.e., that genuine working conditions in a real workplace with real wages is what works. Therefore, we recommend that local actors continue to prioritise employment-orientated initiatives but focus more than they do today on placing individuals in working conditions that resemble actual employment in a real workplace with real wages.

2.3 Prioritise vocational education with qualification certificates

Vulnerable individuals often lack formal qualifications and may struggle within the ordinary education system. Also, to some degree, they are offered fragmented courses as part of employment initiatives without receiving formal certificates for

the competencies they acquire. Therefore, we recommend increasing the use of flexible vocational education that combines skills training with workplace practice, ensuring that participants receive formal, transferable qualifications to enhance long-term employability.

Policy track 3: Create results through good relations, confidence, and motivation

3.1 Improve the interaction between vulnerable individuals and the system – focus on co-creation, peer-to-peer feedback, and autonomy

The motivation and willpower of vulnerable individuals are diminished if they feel a lack of control over their own situation and have a lack of understanding of how the system works. Therefore, we recommend that state and local actors work to improve the interaction between individuals and the system to foster greater motivation and ownership of their own development. By creating more meaningful connections and fostering genuine engagement, individuals are more likely to take an active role in their way to the labour market.

3.2 Strengthen relationship-building efforts – empower caseworkers to build continuous and trustful relationships with vulnerable individuals

The caseworker's ability to build a strong relationship with the individuals is currently hindered by large caseloads and a lack of continuity in following the individual's progress due to, e.g., frequent caseworker changes. Therefore, we recommend enhancing the capacity of caseworkers to build and establish strong, ongoing, and trust-based relationships with vulnerable individuals by providing them with extended authority and resources.

3.3 Empower caseworkers to exempt vulnerable individuals from requirements and sanctions, and increase economic incentives for progression towards employment

Striking the right balance between economic incentives, requirements, and sanctions, and providing vulnerable individuals the time and space to integrate into the labour market is a significant challenge. Therefore, we recommend empowering caseworkers to exempt vulnerable individuals from requirements and benefit sanctions for a defined period. Simultaneously, we propose strengthening economic incentives for vulnerable individuals who are assessed as ready to work, encouraging progress towards employment.

Policy track 4: Getting companies on board

4.1 Promote an inclusive labour market through systematic information, employer outreach, and best-practice cases

Many companies today are willing to take on some form of social responsibility by employing vulnerable individuals. However, a lack of information about opportunities and potentials can make employers hesitant to hire vulnerable

individuals. To address this, we recommend that state and local actors systematically work to enhance employers' awareness of the opportunities and potential benefits of contributing to a more inclusive labour market.

4.2 Strengthen the match between vulnerable individuals and employers, and simplify employers' collaboration with local actors

A lack of clarity, complex regulations, and too many points of contact with local public actors complicate and limit employers' willingness to collaborate with local actors. Additionally, insufficient focus on creating strong social and professional matches between vulnerable individuals and employers can lead to poor outcomes, discouraging future collaboration. Therefore, we recommend that state and local actors prioritise improving professional and social matches while simplifying employer collaboration.

Reader's guide

The report is organised as follows: Chapter 2 synthesises the findings of the project, including an overview of labour market statistics in the Nordic countries, a framework outlining employment barriers and their prevalence among vulnerable groups, and an overview of available employment instruments in the Nordic countries. Chapter 3 presents 12 evidence-based policy recommendations derived from the project's findings. These recommendations, based on extensive literature reviews and interviews with caseworkers and experts, are structured into four themes and accompanied by concrete Nordic examples of signature projects that successfully integrate key elements of these policies. Chapter 4 provides a detailed list of the literature used throughout the report. Chapter 5 explores three specific focus areas: young NEETs (young people not in employment, education, or training), immigrant women, and the disability employment gap. This chapter examines the barriers preventing these groups from participating in the labour market and offers insights into how these challenges can be addressed.

2. Synthesis: Summary of important results

How is inclusion in the Nordic labour markets progressing? What barriers prevent vulnerable groups from participating in the labour market, and how prevalent are these barriers among different vulnerable groups? And which employment instruments are most effective, and for whom?

We have answered these questions throughout the project *Towards a More Inclusive Labour Market in the Nordics*, and the purpose of this chapter is to summarise the key findings from the project. The key findings from the project form the foundation for the policy recommendations we will present in [Chapter 3](#). Please refer to the specific reports for more information on data and methodology.^[1]

The first section presents labour market statistics from the Nordic countries. We then introduce a framework that outlines the key employment barriers and demonstrates how prevalent these barriers are among vulnerable individuals in the Nordic countries. After highlighting the challenges faced by these groups, we examine the employment instruments currently available to address these barriers and assess their effectiveness based on the most recent literature from the Nordic countries.

It is important to note that the microdata used in this chapter is self-reported data from large surveys conducted by the national statistical offices in the Nordic countries (on behalf of Eurostat) and adjusted to reflect national population figures. Comparing the findings in this chapter to similar numbers using national register data might yield somewhat different results. For example, the disability employment gap tends to appear smaller but is also more complex and persistent when analysed using register data.

2.1 Labour force participation among vulnerable groups in the Nordic countries

The Nordic countries generally outperform EU27 in terms of labour market inclusion, as illustrated in Figure 2.1, which presents labour market statistics for the traditional demographic target groups (i.e., young people, individuals with disabilities, immigrants, and seniors). For instance, the participation rate among seniors is approximately 12 percentage points higher in the Nordic countries than in

1. [Labour market attachment in the Nordic countries](#)
[Barriers to employment for vulnerable groups in the Nordic countries](#)
[A Multitude of Barriers – analysing components in joblessness to inform policy in the Nordic countries](#)
[What works and for whom – An Overview of Employment Instruments among Vulnerable Groups in the Nordics](#)

the EU27. Similarly, the rate of young people not in employment, education, or training (NEET) is 4 percentage points lower in the Nordic countries. One exception is the disability employment gap, which is slightly higher in the Nordic countries compared to EU27.

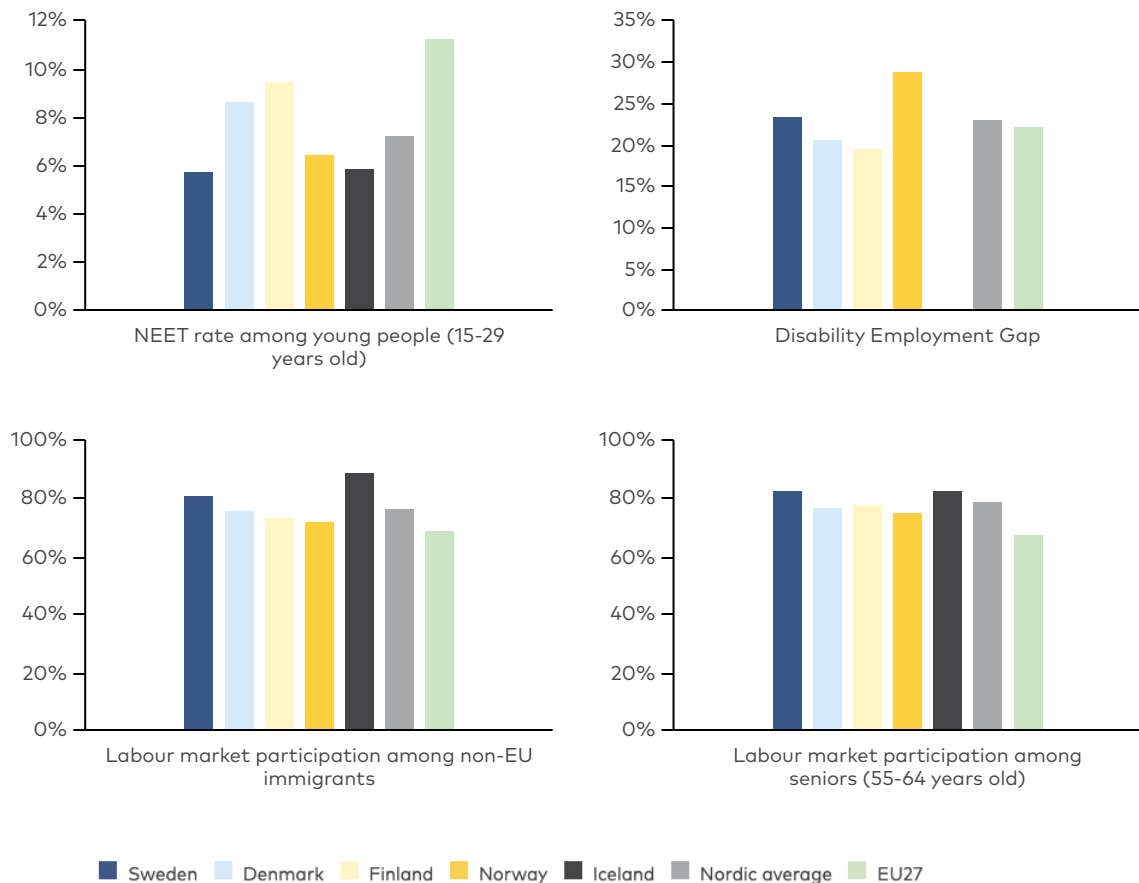


Figure 2.1 Labour market statistics for traditional demographic target groups in the Nordic countries, 2023

Source: Eurostat.

Note: The disability employment gap refers to the difference (in percentage points) in employment rates between people with disabilities and those without. Data for Iceland regarding the disability employment gap is unavailable due to insufficient observations.

However, the data also reveals notable variations across Nordic countries. For example, Denmark's and Finland's NEET rates are approx. 9 pct., compared to just 6 pct. in the other Nordic countries, indicating that some countries may have developed more effective approaches to tackling youth disengagement. These differences highlight opportunities for cross-Nordic learning and for exchange of best practices, enabling countries to address shared challenges more effectively.

Moreover, the Nordic countries have faced persistent challenges in improving labour market outcomes among some groups. Figure 2.2 shows labour market statistics in the Nordic countries in 2013 and 2023, and the figure demonstrates that the NEET rate has barely improved during the last 10 years even though this group has received extensive political attention. On the other hand, the labour market statistics among the other groups have improved to a larger degree during the last 10 years. For example, the participation rate among seniors in the Nordics has increased by 9 pps. during the last 10 years, highlighting the success of various retirement reforms.

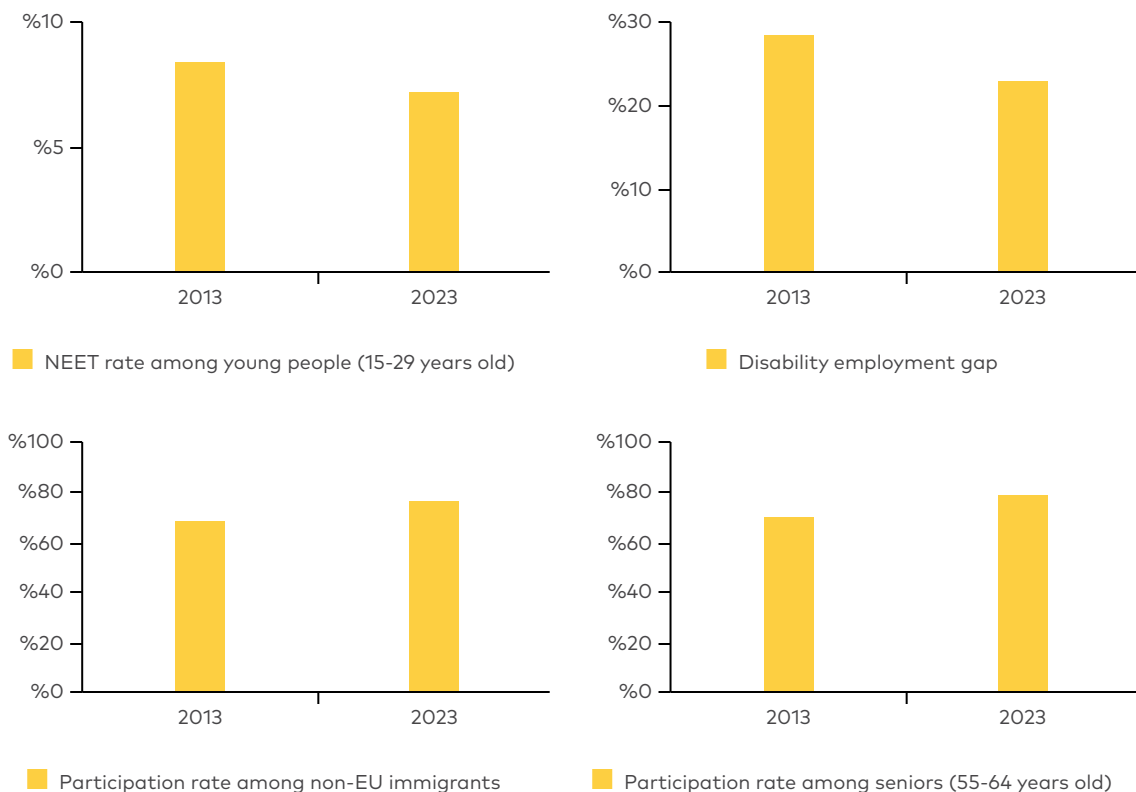


Figure 2.2 Development in labour market statistics for traditional demographic target groups in the Nordic countries

Source: Eurostat.

Note: The disability employment gap refers to the difference (in percentage points) in employment rates between people with disabilities and those without.

These findings highlight the potential to enhance labour market participation and to improve the organisation of support for these groups in the Nordic employment services. Achieving these goals, however, requires a deeper understanding of the barriers that may prevent these individuals from entering or remaining in the labour market – an issue we will explore in the next section. Moreover, as these challenges

are common across the Nordic region, there is significant scope for cross-Nordic learning and collaboration to address them effectively.

2.2 Barriers to employment among vulnerable groups

Many barriers potentially hinder vulnerable groups from participating in the Nordic labour markets.

In the second part of the project, we developed a framework for understanding employment barriers among vulnerable groups. This framework is based on a targeted literature review of studies from Nordic countries and incorporates input from a network of Nordic research experts. It was designed to capture the multifaceted nature of employment barriers and to provide a structured approach to analysing them.

Our understanding of vulnerable groups

We define vulnerable individuals as those with no or weak attachment to the labour market who face challenges beyond unemployment, placing them at risk of social exclusion. Such challenges may include health issues or limited professional qualifications.

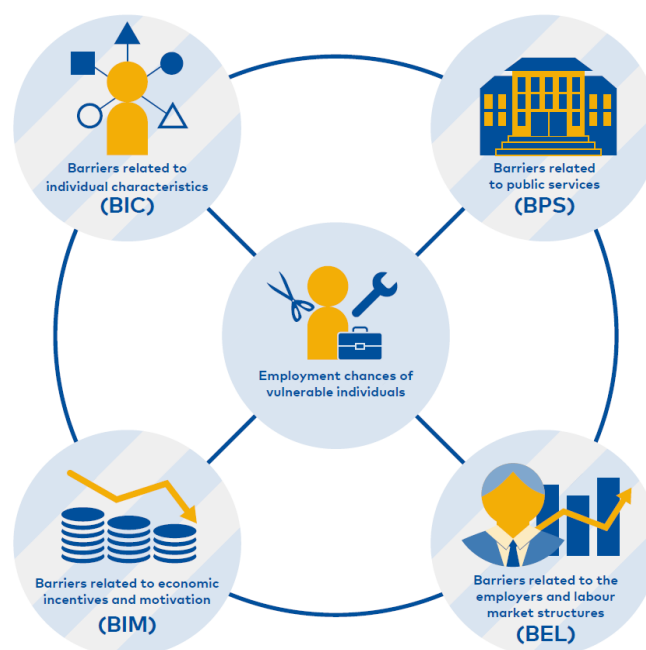
To operationalise this definition, we identify vulnerable individuals as individuals outside the labour market who experience one or more employment barriers, in addition to lacking recent employment experience, having limited job opportunities, or relying on significant non-labour income.

We use the EU statistics on income and living conditions (EU-SILC), which is a household and individual survey containing questions on living conditions, health, and position on the labour market, etc.

This group constitutes approx. 15 pct. of the working-age individuals in the Nordic countries, corresponding to 2.5 million vulnerable individuals with no or weak labour market attachment. This corresponds to approx. 75 pct. of individuals with no or weak labour market attachment in the Nordic countries.

Source: Rosholm et al. (2019) & microdata from EU-SILC.

The framework identifies 24 specific employment barriers, categorised into four dimensions: individual characteristics (BIC), economic incentives and motivation (BIM), the employers and the labour market (BEL), and public services (BPS). Figure 2.3 provides an overview of these categories and the associated barriers.



BIC

- BIC₁: Mental health issues
- BIC₂: Physical health issues
- BIC₃: Lack of relevant education
- BIC₄: Joint retirement
- BIC₅: Lack of language skills
- BIC₆: Lack of knowledge about the labour market
- BIC₇: Lack of work experience and skills
- BIC₈: Care responsibilities

BPS

- BPS₁: Low effectiveness of public services
- BPS₂: Collision between public services
- BPS₃: Lack of participation in public employment services
- BPS₄: Insufficient support for groups to overcome other barriers
- BPS₅: Lack of resources
- BPS₆: Regional differences in service provision and access to services

BIM

- BIM₁: Insufficient economic incentive to find education/ employment
- BIM₂: Retirement and pension benefits, incl. early retirement and sick pay
- BIM₃: Mismatch between job content and personal values
- BIM₄: Lack of motivation

BEL

- BEL₁: Costs associated with low productivity
- BEL₂: Information gaps and risks related to hiring employees
- BEL₃: Discrimination
- BEL₄: Working econditions
- BEL₅: Lack of local employment opportunities
- BEL₆: State of the economy

Figure 2.3 Framework over employment barriers in the Nordic countries

Read more about the framework in Højbjerg et al. (2023a): *Barriers to employment for vulnerable groups in the Nordic countries*. Link to the report: (<https://pub.norden.org/temanord2023-513/>)

This framework illustrates how various factors can hinder vulnerable individuals from participating in the labour market. These barriers are often interconnected and multifaceted, underscoring the complexity of the challenges faced by vulnerable groups.

We have actively used the framework to operationalise the employment barriers and used harmonised and cross-Nordic survey data from Eurostat to investigate the number of barriers and how prevalent they are among vulnerable groups. More specifically, we have used the EU statistics on income and living conditions (EU-SILC), which is a household and individual survey containing questions on living conditions, health, and position on the labour market, etc. By using the questions in the EU-SILC survey data, we have been able to operationalise 10 out of the 24 barriers from the framework. Therefore, we want to emphasise that the following results are most likely bottom-edge estimates of the barrier complexity in the Nordic countries; i.e., there are many barriers existing in practice that we have not been able to measure using the EU-SILC dataset.

Based on the EU-SILC data, Figure 2.4 illustrates the number of identified employment barriers among vulnerable groups in the Nordic countries (on a scale from 0 to 10 barriers).

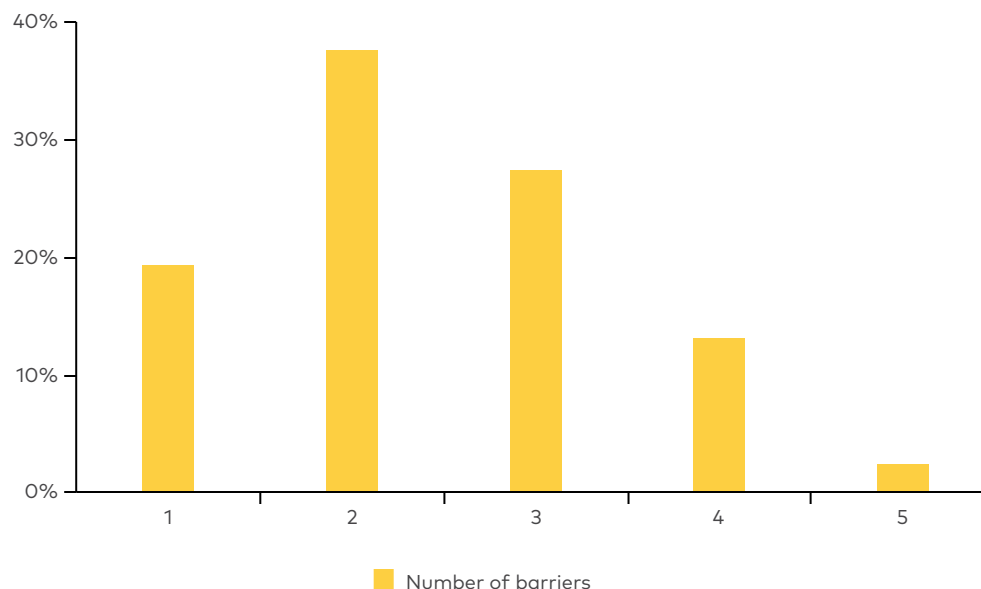


Figure 2.4 Number of employment barriers faced by vulnerable individuals

Source: Own calculations based on microdata from EU-SILC. Read more in Højbjerg et al. (2023b): *A Multitude of Barriers – analysing components in joblessness to inform policy in the Nordic countries*. Link to the report: (<https://pub.norden.org/temanord2023-538/>)

The figure shows that 80 pct. of vulnerable individuals face two or more barriers, highlighting the complexity of challenges in this policy area. Further, it shows that 15 pct. face a total of four or more barriers to employment, indicating that these individuals face complex problems characterised by many interdependent factors.

Moreover, we have examined how prevalent the barriers are among vulnerable groups in the Nordic countries. Figure 2.5 shows the prevalence of the barriers among vulnerable groups in the Nordic countries.

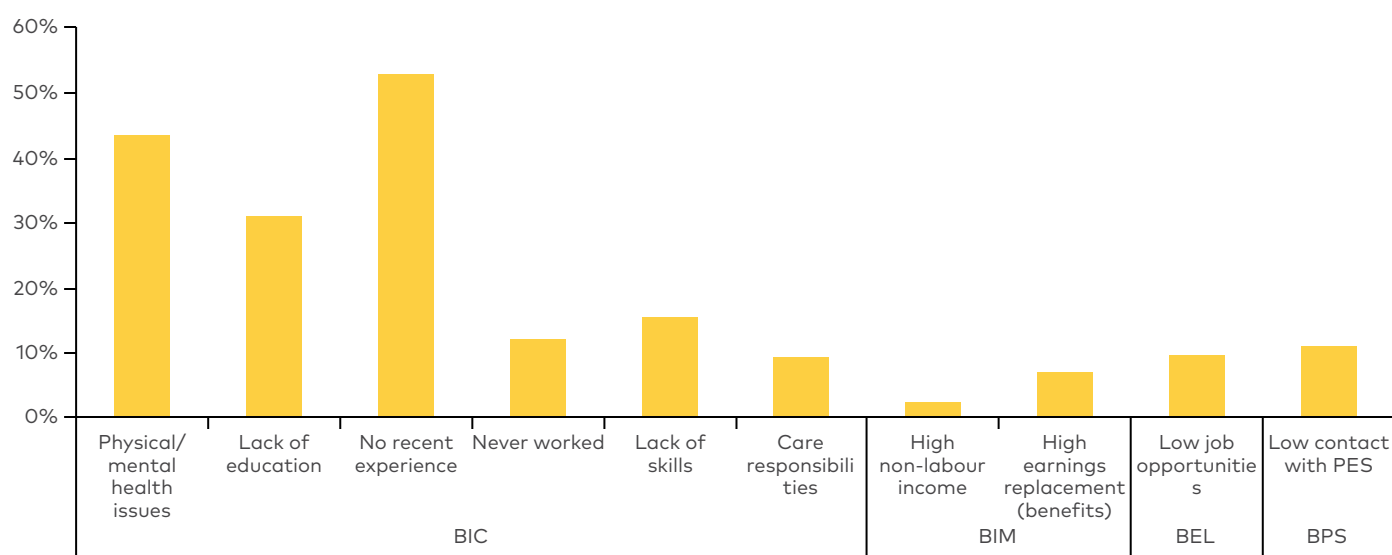


Figure 2.5 Barriers among the vulnerable groups

Source: Own calculations based on microdata from EU-SILC. Note that some of the variables overlap to some degree. For example, if you have never worked, you also have no recent experience. Read more in Højbjerg et al. (2023b): *A Multitude of Barriers – analysing components in joblessness to inform policy in the Nordic countries*. Link to the report: (<https://pub.norden.org/temanord2023-538/>)

The figure illustrates that barriers related to individual characteristics (BIC) appear to be relatively significant. Health issues, lack of education, and lack of recent work experience are particularly common barriers among vulnerable groups. 43 pct. of individuals are limited in their daily activities due to physical or mental health issues, while 31 pct. lack formal education. These findings are consistent across all Nordic countries, as previously demonstrated in Report 3 in this project. While these findings highlight the relative importance of

individual barriers, it is important to note that these barriers should not be interpreted as absolute. For example, the socio-economic positions of vulnerable individuals can exacerbate the severity and impact of barriers such as health issues.

We also examine the prevalence of these barriers among the traditional demographic target groups. This is illustrated in Figure 2.6, which shows how many individuals within these groups face specific barriers. To simplify the analysis, we have grouped related barriers for clearer interpretation.

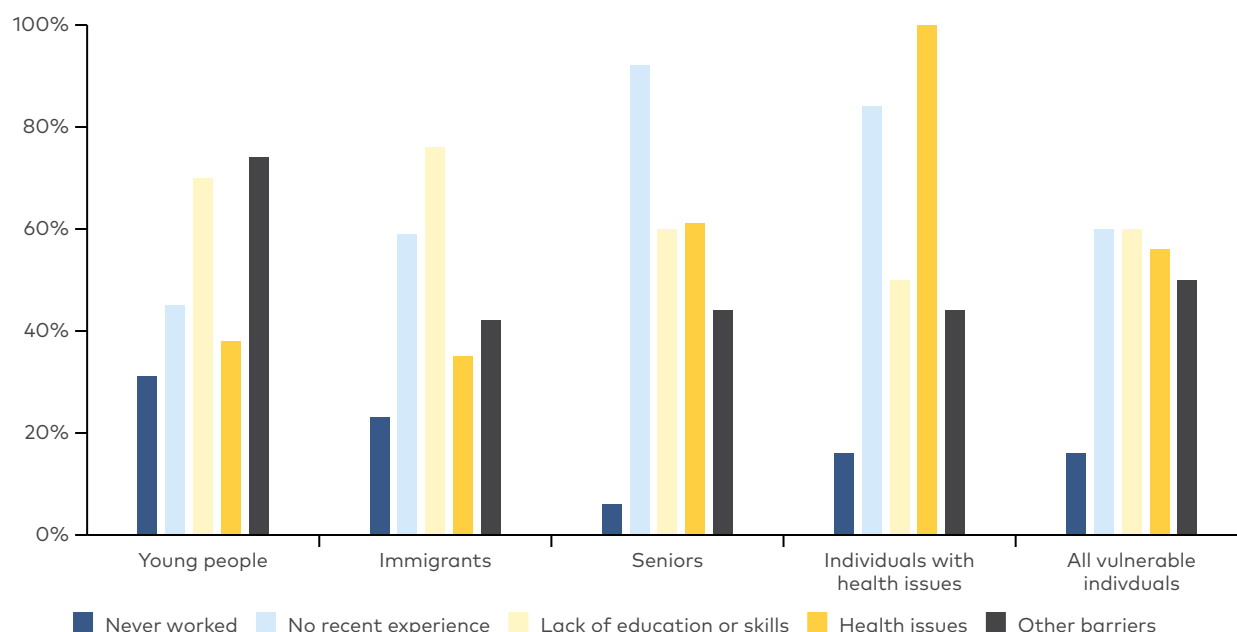


Figure 2.6 Barriers among the traditional vulnerable demographic target groups

Source: Own calculations based on microdata from EU-SILC. Read more in Højbjerg et al. (2023b): *A Multitude of Barriers – analysing components in joblessness to inform policy in the Nordic countries*. Link to the report: <https://pub.norden.org/temanord2023-538/>

Note: The other barriers among the 10 we have operationalised based on EU-SILC are the following: care responsibilities, high non-labour income, high earnings replacement (benefits), low job opportunities, and low contact with PES. To avoid double-counting, a person is assigned to only one of the traditional target groups (since some persons may belong to different vulnerable groups at the same time, e.g., being both immigrant and senior). We have used the following hierarchy: persons with disabilities, immigrants, young people/seniors.

The figure reveals a high degree of similarity in the barriers faced by traditional demographic target groups. For example, individuals with health issues often encounter additional barriers, such as a lack of education or skills, affecting 50 pct. of this group. Similarly, other traditional demographic groups face multiple barriers, including health issues. For instance, 38 pct. of vulnerable young people and 35 pct. of vulnerable immigrants experience health-related challenges. These patterns underscore the interconnected nature of the employment barriers, where one issue often exacerbates others, creating compounded difficulties for these groups in accessing and sustaining employment.

These findings illustrate that vulnerable individuals face complex sets of barriers with potentially many interdependent factors and that the traditional demographic target groups face similar employment barriers to a high degree. These are key findings which we will use as a basis when we present concrete evidence-based policy recommendations in [chapter 3](#).

2.3 Overcoming employment barriers – framework of employment instruments and systematic review

The Nordic countries are making efforts to offer vulnerable individuals initiatives that can help them enter the labour market. There is a growing recognition of the importance of effective employment instruments and the role of efficient public employment services (PES) in facilitating labour market integration. To get an overview of available instruments, we have developed a systematic framework of employment instruments used in the Nordic countries. This framework is illustrated in Figure 2.7.

The framework has an overall focus on employment instruments designed to help individuals overcome employment barriers and increase their labour market participation. Therefore, a central part of the framework includes instruments primarily targeted at the individual. However, we recognise that these instruments do not work in a vacuum. Consequently, the framework also includes elements related to the public employment system and the companies.

Which employment instrument exists?

Holistic framework over employment instruments

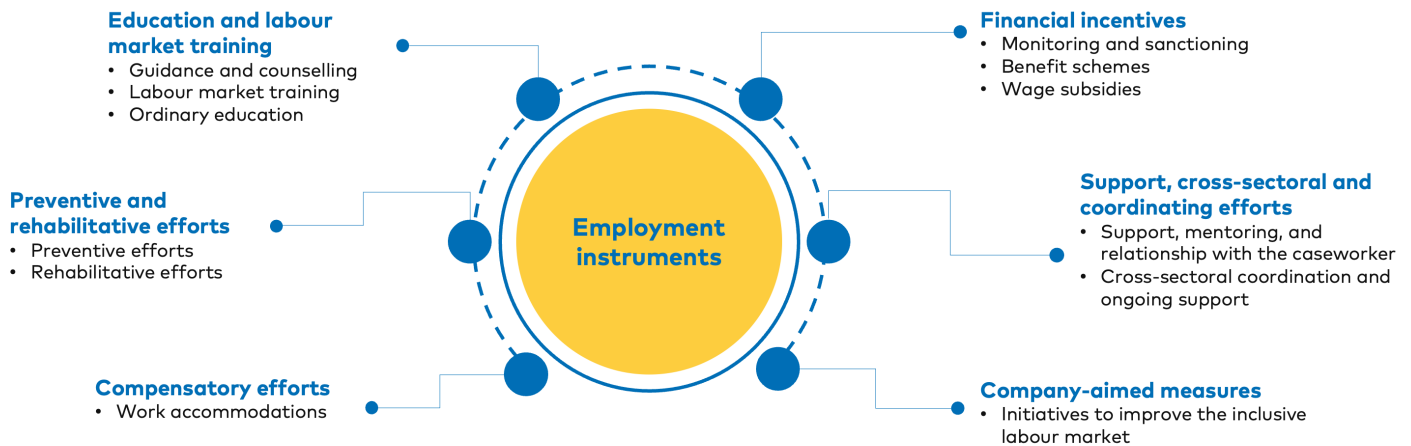


Figure 2.7 Framework of employment instruments in the Nordic countries

Read more about the framework in Højbjerg et al. (2024): *What works and for whom? An overview of employment instruments among vulnerable groups in the Nordics*. Link to the report: <https://pub.norden.org/temanord2024-546/index.html>

One of the purposes of the framework has been to establish a language and an understanding of the various employment instruments that are common and cross-Nordic. Further, we have used the framework to categorise the latest academic literature on the effectiveness of various labour market instruments and their effectiveness for the traditional demographic target groups. The output of this can be seen in Table 2.1, which summarises the literature review on which employment instruments that work, and for whom.

Table 2.1 Summary of the employment effects in the identified literature from systematic literature review

		Young people			Immigrants/ refugees			Individuals with health issues*			Seniors		
		+	0	-	+	0	-	+	0	-	+	0	-
Education and labour market training	Guidance and counselling		1		2	1							
	Labour market training	1			2	2							
	Ordinary education	2			1	1		2					
Preventive and rehabilitative efforts	Preventive efforts												
	Rehabilitative efforts							6	4				
Compensatory efforts	Work accommodations												
Financial incentives	Monitoring and sanctioning	2	1										
	Benefit schemes	1			2**	2***		1	1		4		
	Wage subsidies	1						1	1****				
Support, cross- sectoral and coordinating efforts	Support, mentoring and relationship to the case worker	1											
	Cross-sectoral coordination and ongoing support	2							1				
Company aimed measures	Initiatives to improve the inclusive labour market												

Read more about the literature review in Højbjerg et al. (2024): *What works and for whom? An overview of employment instruments among vulnerable groups in the Nordics*. Link to the report: <https://pub.norden.org/temanord2024-546/index.html>

Notes: The number in each cell represents the number of articles that have found a positive effect (+), a null effect (0), or a negative effect (-). For example, in our systematic review, in the cell related to labour market training among young people, we have identified 1 article that finds a positive effect from labour market training, whereas we have found 0 articles that found a null effect or a negative effect.

* Here, individuals with health issues are defined broadly, including individuals on sick leave due to various circumstances.

** Heterogeneous treatment effects among immigrant men and women are very prevalent in this literature.

*** Part of this literature demonstrates positive employment effects in the short run, but the effect vanishes in the long run.

**** The effect is positive in the short run, but it vanishes in the long run.

Besides demonstrating which employment instruments that work, and for whom, the table also allows for drawing some overall conclusions. First, the table demonstrates that the evaluation literature on programmes or interventions to improve labour market participation among vulnerable groups relatively often contains ambiguous results. In other words, one study shows positive effects of an intervention for one group, while another study finds null effects for the same group. For example, the evidence is ambiguous concerning labour market training among immigrants/refugees. This is related, among other things, to the complex barrier sets presented in [section 2.2](#). Second, the table demonstrates that significant knowledge gaps exist. Generally, our knowledge tends to cluster in areas where we have good data and where it is easier to measure and estimate employment effects. This means that the largest fraction of research is clustered around classical active labour market policies, such as education and labour market training, as well as financial incentives. However, our actual need is quite the opposite. To a much greater extent, we need new knowledge in areas where it is difficult to measure and uncover causal employment effects. For example, the academic literature we reviewed does not uncover any direct employment effects from company-aimed measures; therefore, additional evidence is needed to understand the effects of implementing inclusive human resource management practices within Nordic labour markets.

Further, it is a central conclusion from the literature review that choosing an instrument is complex and with no one-size-fits-all option. There are, however, some common features among the effective instruments – an issue we will turn to in the next section.

2.4 Nordic experiences designing effective interventions

For a long time, the Nordic countries have prioritised policies to increase the labour market participation among vulnerable groups, and they have succeeded to some degree, as demonstrated in [section 2.1](#). There is, however, still room for improvements, and several of the Nordic countries are currently about to implement, to a greater or lesser extent, reforms in their public employment services. Among other things, these reforms are meant to provide better services for vulnerable groups and increase their labour market participation through a greater focus on holistic employment instruments. In Finland, for example, the authorities are currently working on implementing an employment reform transferring employment and economic development services to the municipalities. According to the Finnish Ministry of Employment, this transfer of responsibilities will bring the services closer to the citizens, which puts the municipalities in a good position to offer targeted and tailored services that meet their needs and those of the local labour markets.

Characteristics of effective employment instruments

Due to the complexity of the barriers, as demonstrated in [section 2.2](#), and the challenge of formalising a holistic approach into a one-size-fits-all solution, it is unsurprising that we have not identified any universal or magical remedy for increasing labour market participation among vulnerable groups. However, during our work analysing survey data, interviewing experts and caseworkers in the Nordic countries, and summarising literature, we have found five characteristics and prerequisites of effective employment instruments. Effective instruments:

Are holistic and comprehensive

They are typically holistic and comprehensive in nature, addressing not just employment barriers but also social and health-related barriers. For example, literature documents positive employment effects of individual placement and support (IPS) within the framework of Supported Employment. A central part of this type of intervention is integration of mental health services and employment services in order to provide individuals with competitive employment while being treated for the mental health issues.

Involve the individual and build on good relationships

They often actively engage the individual and are built on trust and a good relationship between the vulnerable individual and the caseworker. Our findings highlight the critical role of time in fostering meaningful engagement with the system. This can be achieved by, among other things, reducing the case load for caseworkers in order for the caseworker to establish presence, offer support, and provide encouragement.

Include some form of labour market training

They often include some form of labour market training to bridge the gap between the needs of the labour market and skills acquired through education and formal or informal work. This training also aims to provide vulnerable individuals with confidence in their abilities. Such training can take many forms, including internships, wage-subsidised jobs, or regular paid hours. A key factor appears to be ensuring that the training occurs under conditions as close to ordinary workplace terms as possible.

Are built on a solid skills and social match

They build on a solid skills and social match between the individual and the employer. Our research demonstrates that a strong match between employer and employee is crucial for the success of labour market training. Certain instruments are effective because they involve a structured sequence of job training internships that help participants develop skills. By exploring different workplaces and sectors, participants gain opportunities to find a suitable job match both professionally and socially.

Require close contact between caseworker and employer

Direct interaction between caseworkers and employers has been shown to significantly enhance the effectiveness of employment initiatives. Evidence suggests that this form of engagement facilitates faster transitions into employment for job seekers, as it allows caseworkers to acquire informal yet valuable knowledge that improves the quality of job matching.

Common Nordic challenges

These findings indicate that the Nordic countries are on the right track. We have, however, also identified some common Nordic challenges for the design of effective employment instruments, which should be considered in order to implement solutions to the complex problems in this field.

Uncertainty about long-term effects limits investments in vulnerable groups

In general, we lack knowledge on the long-term effects of various employment instruments for vulnerable groups. Furthermore, when dealing with vulnerable individuals, the effect might only be present in the longer run. This lack of knowledge can limit the idea of using employment instruments as an investment in the cases where it can be recognised and documented that the return only comes in the longer term.

Legal complexity limits the use of new technologies

General legal complexity and uncertainty around new technologies (e.g., data models, AI, and new technologies that can support individuals and caseworkers) prevent actors in the Nordic countries from reaping the full benefits of these technologies.

Balance in economic incentives

It is difficult to find the right balance between, on the one hand, financial incentives, participation requirements, and sanctions, and, on the other hand, ensuring that there is time and space for vulnerable citizens to find a foothold in the labour market. For example, increased financial incentives may unintentionally harm vulnerable groups, e.g., by raising property crime or affecting children's education, while insufficient incentives risk keeping some individuals reliant on public benefits.

Incoherent upskilling and lack of long-term goals for building qualifications

Vulnerable individuals often lack formal qualifications and face challenges within the regular education system. Moreover, the current arrangements and the relatively short-term perspectives in the employment system create a risk that vulnerable groups are offered numerous small, incoherent courses as part of employment efforts without receiving certification for the skills they acquire.

Measures to activate employers and increase inclusivity of workplaces

Engaging employers in employment efforts is crucial, but employers can be hesitant for various reasons. A lack of information about available support schemes, unclear guidelines, and complex regulatory frameworks often discourage businesses from hiring vulnerable individuals. Additionally, companies may hesitate due to uncertainties about the target group, concerns about productivity risks, challenges in 'presenting the business case' for hiring jobseekers from vulnerable groups internally – such as showcasing positive examples of success – and a general lack of knowledge and practices aimed at including diverse employees.

In the last chapter of this report, we will present actionable recommendations addressing these common Nordic barriers, including specific policy adjustments and signature projects of successful initiatives.

3. Policy recommendations

This chapter presents 12 evidence-based policy recommendations derived from the findings summarised in [chapter 2](#). These recommendations are structured into four policy tracks, each addressing a critical aspect of improving labour market participation for vulnerable groups in the Nordic countries. The recommendations are accompanied by concrete examples of signature projects that successfully incorporate key elements of these policies, offering inspiration and practical insights for implementation. The recommendations are cross-Nordic in nature, meaning that some Nordic countries have already implemented certain elements of these recommendations, while others have not.

In the following chapter, we distinguish between three main actors. *State actors* include institutions such as employment, social, and health ministries, which are responsible for formulating legislation and overarching policies. *Local actors* refer to those tasked with implementing this legislation; in a Danish context, this typically includes municipalities. Finally, *caseworkers* are the frontline professionals who interact directly with vulnerable individuals as part of the employment support process.

Table 3.1 – overview of policy tracks and recommendations

 1. A more flexible and barrier-centric system	 3. Create results through good relations, confidence, and motivation
1.1 A system that provides greater flexibility in the selection and design of programmes and rewards long-term results 1.2 Experiment with promising initiatives – systematise approaches, follow-up, and evaluations 1.3 Systematic knowledge sharing and development of tools for assessing long-term economic consequences 1.4 Initiate a proactive strategy for the use of data models, AI, and new technology	3.1 Improve the interaction between vulnerable individuals and the system – focus on co-creation, peer-to-peer feedback, and autonomy 3.2 Strengthen relationship-building efforts – empower caseworkers to build continuous and trustful relationships with vulnerable individuals 3.3 Empower caseworkers to exempt vulnerable individuals from requirements and sanctions, and increase economic incentives for progression towards employment
 2. Create flexible programmes for complex challenges	 4. Getting companies on board
2.1 Design combined programmes with a focus on the individual's full set of barriers 2.2 Continue efforts with employment-focused initiatives for vulnerable individuals – as close to a real job situation as possible 2.3 Prioritise vocational education with qualification certificates	4.1 Promote an inclusive labour market through systematic information, employer outreach, and best-practice cases 4.2 Strengthen the match between vulnerable individuals and employers, and simplify employers' collaboration with local actors

3.1 Policy track 1: A more flexible and barrier-centric system

The Nordic employment systems face challenges in effectively addressing the needs of vulnerable groups, particularly those at high risk of exclusion due to systemic rigidity, limited evidence on the effectiveness of some employment instruments, and underutilisation of new technologies. In response, this set of recommendations outlines paths and proposals for increasing flexibility, fostering evidence-based initiatives, promoting knowledge sharing, and leveraging technology to optimise outcomes for individuals facing significant employment barriers. Each recommendation emphasises a specific pathway towards enhancing the capacity of state and local actors to address these challenges. Further, each recommendation also contains one signature project from one of the Nordic countries to help concretise the recommendation.

RECOMMENDATION 1.1

A system that provides greater flexibility in the selection and design of programmes and rewards long-term results

Today, caseworkers are limited in their ability to select and design effective interventions for vulnerable groups within the Nordic employment systems. These systems are too heavily organised around traditional demographic target groups and controlled by centrally determined requirements regarding the scope and nature of employment efforts. As a result, the most vulnerable individuals are often at risk of being neglected from meaningful intervention as they are frequently perceived as difficult cases, requiring costly measures with relatively uncertain outcomes.

We recommend that state actors in the Nordic countries place greater emphasis on providing caseworkers with flexibility in selecting and designing interventions for vulnerable individuals, allowing for individualised efforts that address each person's unique needs and challenges. This includes that:

- State actors in the Nordic countries systematically identify opportunities to provide caseworkers with greater flexibility in designing integrated and holistic interventions – potentially – across employment, social services, and health services in an integrated manner to address the specific circumstances and challenges of each individual. This requires a high level of horizontal coordination between these actors.

- State actors should re-evaluate their categorisation of vulnerable individuals into specific demographic target groups, e.g., based on age. Instead of fitting individuals into predefined boxes, which partly characterise the employment systems in the Nordics today, interventions should, to a larger degree, be focused and designed on each individual's unique challenges, regardless of demographic factors.
- State actors should focus more on rewarding long-term outcomes. This includes reducing the use of strict process requirements and instead incentivising local actors to create sustainable employment and establish municipal benchmarks. This encourages a shift in focus from compliance to genuine impact.

This recommendation is aligned with trends in current reforms of the employment efforts in the Nordic countries. One example is the trust reform (*Tillitsreformen*) in the Norwegian employment services (NAV), which is briefly described in the box below.

However, several points require attention when reducing strict process requirements, increasing caseworker discretion, and putting more emphasis on employment barriers. First, it is crucial to recognise that granting caseworkers more discretion in decision making can increase the risks of *parking* (neglecting individuals who are harder to assist) and *creaming* (prioritising those who are easier to help). These concerns could be addressed, for example, through new accountability measures that go beyond simply counting the number of successfully placed individuals, an issue we will briefly touch upon in the next chapter. Second, greater autonomy places higher demands on caseworkers' expertise, necessitating robust knowledge of effective employment tools and continuous professional development to keep this knowledge up to date. Third, while moving away from rigid demographic categorisations is beneficial, some employment barriers remain specific to traditional demographic groups. Therefore, maintaining some level of targeted intervention can be valuable to ensure comprehensive support.

The trust reform (Tillitsreformen) in the Norwegian employment services (NAV)

The trust reform is ongoing work in the Norwegian employment services (NAV). The purpose of the reform is to provide the employees in NAV the time and trust needed to provide better services. The main goal of the reform is to, among other things:

- provide employees in NAV with greater freedom to develop and use their expertise and skills to find the right solution together with the users.
- put increased emphasis on performance management, with the purpose of ensuring a good balance between local autonomy and the need for control, quality requirements, equal treatment, and good governance practices.
- further develop the trust in the interaction between the NAV employees and the users.

Similar types of reforms have been implemented in Sweden and Denmark.

Source: Arbeids- og velferdsdirektoratet (2023).

RECOMMENDATION 1.2

Experiment with promising initiatives – systematise approaches, follow-up, and evaluations

Throughout this project, we have identified a lack of quantified evidence regarding the employment effects of certain employment instruments and ambiguous results regarding others. These gaps in evidence may hinder the initiation of new, impactful initiatives for vulnerable groups. Furthermore, it often takes considerable time for vulnerable individuals to secure employment in the regular labour market, a factor it is crucial to have in mind when evaluating employment interventions.

To address these challenges, we recommend that state actors establish a structured system to encourage pilot projects and test of promising initiatives, even in cases where results are not yet fully documented. This approach should aim to translate pilot projects into scalable, impactful interventions through a methodical and comprehensive approach. To achieve this, state actors should ensure:

- A systematic approach to working with promising initiatives and pilot projects. This could be achieved by the development of a framework for evaluating new projects. This framework should include practical tools like checklists for programme design and administrative guidance. Such approaches are already used in Denmark's specialised social sector, where

initiatives are selected for their promising potential, as shown below. This recommendation aligns with the concept of Humble Governance, which is gaining traction in Finland, and which emphasises listening to diverse opinions during policymaking and reassessing one's actions based on new insights (Demos Helsinki, 2021).

- Integrated evaluation plans and follow-up from the outset of the project to collect necessary data for quality assessments. This provides a foundation for high-quality evaluations with the potential to either document successful interventions (which can be scaled up in other regions, for example) or adjust and potentially phase out ineffective ones.
- Development of measures and provision of guidance on measuring and assessing progress beyond employment outcomes. Metrics should capture whether vulnerable individuals are moving closer to the labour market, offering a more comprehensive view of progress. It could include a survey-based measure for employability (see, e.g., Jakobsen & Thuesen, 2024).

Promising initiatives (*lovende indsatser*) – a framework for prioritising instruments

Promising initiatives are practices that, while not yet supported by conclusive evidence, show a high potential for fostering positive social progress. In this framework, an initiative is determined as promising if it fulfils a set of 11 key criteria, grouped into four main categories:

- Knowledge Base (theory and knowledge, effectiveness)
- Concept (description, goals, transferability, cost-effectiveness)
- Dissemination (professional reflection, relational collaboration, individualised planning)
- Adaptation (monitoring, follow-up)

As these criteria outline an ideal standard, an initiative can still be considered promising without meeting all elements. Originally developed for social policies, this concept can also be applied to employment policies to identify high-impact interventions.

Source: Jensen et al. (2016) & Social- og Boligstyrelsen (2020).

RECOMMENDATION 1.3

Systematic knowledge sharing and development of tools for assessing long-term economic consequences

Greater flexibility and fewer process requirements (see [recommendation 1.1](#)) place increased demands on local actors and caseworkers to understand which employment instruments are effective and for whom. Moreover, a lack of evidence regarding long-term effects may lead to insufficient investment in initiatives for vulnerable individuals, as these initiatives require direct economic expenditure and are often not pursued when their outcomes are uncertain.

Therefore, we recommend that state actors launch initiatives to provide local actors with easier access to knowledge about effective interventions for vulnerable groups, as well as tools that facilitate the assessment of the long-term economic impacts of these interventions. This could be achieved through:

- Systematic knowledge sharing among local actors and caseworkers via networking groups, employment-related professional environments, and similar platforms where best practices, results from pilot projects, and the latest research can be shared.
- Dissemination of the latest research and good cases through online knowledge portals, also across the Nordic countries. This project has demonstrated that the Nordic countries face similar challenges to a significant degree (e.g., a relatively persistent rate of young people not in employment, education or training (NEET)). This supports the idea of sharing knowledge and best practices across Nordic borders; if an intervention is successful in Norway, why should it not also be effective in Sweden?
- State actors in the Nordic countries developing and enhancing models and tools for assessing the long-term impacts of employment instruments. While such tools are already in use in several Nordic countries, we encourage state actors to further refine and promote them among local actors and caseworkers. This will reinforce the understanding that employment instruments represent an investment, with returns that may only be realised in the medium to long term. An example of such a model from Sweden is described in the box below.

When developing and disseminating these tools, it is crucial to strike a balance between simplicity and functionality. The tools must be user-friendly while incorporating factors such as indirect effects, the ability to forecast long-term outcomes, and alignment with broader budgetary considerations. Furthermore, the sharing and application of knowledge from other municipalities, regions, or countries should be approached with caution, as transferring insights across

different localities or contexts can present challenges. For example, factors such as variations in administrative and national legislative frameworks as well as the rights and responsibilities of different actors may influence the effectiveness of interventions.

Ideas for Life model (*Idéer för livet*-modellen) – a cost-benefit approach to calculating the net value of interventions in both the short and long run

The Ideas for Life model is a model to calculate the social impacts and economic value of interventions. The model takes into account the cost of the intervention, the number of participants, the employment effect, and the change in benefits as a result of the intervention (e.g., five weeks less on cash benefits). This allows for a direct comparison of the costs and benefits of an intervention, enabling the calculation of its net value.

Additionally, the model can be integrated into budget planning, as it provides the opportunity for long-term comparisons and forecasts of various interventions, considering both impact and cost in the short term (1–2 years), medium term (10 years), and long term (15 years). In this way, the model also helps to promote an investment approach among local actors.

Inspired by the Ideas for Life model, similar models have been developed in Denmark to determine the net value of interventions.

Source: *Idéer för livet* (2024) & Jacobsen et al. (2018).

RECOMMENDATION 1.4

Initiate a proactive strategy for the use of data models, AI, and new technology

General uncertainty and technical and legal complexity surrounding data models, artificial intelligence (AI), and new technologies prevent the Nordic countries – and especially local actors – from reaping the full benefits of these types of technologies.

We recommend that state actors establish a proactive strategy to promote the adoption and effective use of data models, AI, and new technologies. This strategy should focus on both planning and optimising initiatives and enabling the practical application of new technologies in service delivery. Key components of this approach should include:

- State actors developing a clear, forward-thinking strategy supported by broad stakeholder involvement, with strong alignment to legal, ethical, and regulatory standards. This strategy should provide a stable framework for technological innovation in the public sector.
- State actors creating confidence and assurance around data ethics and personal data challenges for local actors. This can be achieved by offering local actors targeted guidance and training to address challenges related to data ethics and personal data security. Clarifying legal uncertainties will help foster trust and enable the use of data models, AI, and new technology to a larger degree.
- State and local actors exploring, developing, and enhancing tools to improve interventions in collaboration with vulnerable groups and their advocacy organisations (e.g., disability organisations). Throughout our project, we identified several tools that can assist caseworkers and vulnerable individuals. These include 1) profiling tools to identify particularly vulnerable individuals and those needing follow-up support in order to prioritise scarce resources in the employment system (see example below from Sweden), 2) mapping tools to track service providers and showcase how emerging technologies, such as remote case management and interpreter assistance, can improve service delivery, and 3) physical and digital aids, such as speech-to-text tools and smart glasses, which can assist individuals with health issues to gain a foothold in the labour market. For an overview of the latest physical and digital aids for individuals with disabilities, see, e.g., Lindberg (2021).

While implementing data models, AI, and new technologies, it is essential to ensure that caseworkers do not lose their professional autonomy. Tools should be designed to support their decision making rather than replace it, allowing them to maintain a sense of ownership and expertise in their work. Equally important is how unemployed individuals are engaged in the process. Care should be taken to avoid overwhelming them with all the identified challenges, ensuring the approach remains empowering rather than discouraging. Further, when developing the AI tools, it is important to avoid situations where AI reproduces mechanisms of exclusion that exist in the labour market. Finally, it is crucial to stress that ethics and the protection of personal data must never be compromised.

Profiling in Sweden – a tool to determine support needs among jobseekers

Sweden's Public Employment Service (PES), known as *Arbetsförmedlingen*, has used profiling for over a decade. Recently, a new model was launched to better assess jobseeker support needs. The model uses various factors such as gender, age, education, area of study, birth country, location, disability status, and registration time at PES. This data comes from jobseeker registrations and PES records.

The model predicts how likely someone is to find a job or enter education and suggests one of three support levels: 1) minimal support through digital services, 2) additional help with job search or training (*Rusta och Matcha*), or 3) in-depth support, which is handled by the municipalities. With an 80% accuracy rate for predicting long-term unemployment, the model's outputs guide caseworkers, who make final decisions using detailed jobseeker information. Similar tools are used in other Nordic countries. However, to our knowledge, these tools rely on questionnaire data rather than the extensive administrative data available in the Nordic countries.

Source: Helgesson et al. (2023) & Arbetsförmedlingen (2024).

3.2 Policy track 2: Create flexible programmes for complex challenges

Vulnerable individuals face complex challenges that create barriers to their integration into the labour market. This policy track highlights the need for innovative, holistic strategies that address employment barriers simultaneously or in the right sequence, prioritise employment-focused initiatives that closely mirror real job conditions, and emphasise vocational education with transferable certification. These recommendations are supported by concrete examples of successful initiatives from the Nordic countries.

RECOMMENDATION 2.1

Design combined programmes with a focus on the individual's full set of barriers

Vulnerable individuals often face multiple employment barriers, and the initiatives in place today are not effective, because they inadequately address the individual's actual barriers or because they address them in the wrong order. Therefore, interventions risk becoming ineffective if they fail to take into account the individual's full set of barriers. Additionally, to some degree, work with vulnerable

individuals is carried out with a short-term perspective, which typically works better for individuals closer to the labour market.

We recommend that state and local actors place greater emphasis on designing holistic intervention programmes that address the full range of barriers faced by vulnerable individuals. Designing effective interventions for vulnerable individuals is difficult and requires a comprehensive understanding of all their barriers, often involving a combination of measures across employment, social services, and health services. Therefore, caseworkers should be given greater opportunities to:

- Systematically identify the individual's full range of barriers. This could be achieved using a framework for identifying barriers (such as the one developed in this project) and a comprehensive long-term plan.
- Assess and prioritise employment barriers. Not all barriers need to be addressed simultaneously, but practitioners should explicitly consider all barriers. This includes determining the appropriate sequence for addressing the barriers and identifying those that may require simultaneous action.
- Regularly follow up and reassess individual intervention programmes, adjusting sequences and content as needed, since the barriers faced by individuals are not static. Additionally, local actors should systematically provide follow-up support for the most vulnerable individuals, both during programme participation and after they have gained employment.

The box below includes findings from the project, identifying specific needs for considering whether to address barriers sequentially or simultaneously, along with examples of interventions that have proven effective in addressing barriers using these approaches.

While holistic interventions that recognise an individual's full set of barriers are crucial for supporting vulnerable people, it is essential to balance the creation of individual plans with ensuring efficient resource allocation. To avoid over-administration and ineffective processes, interventions should be flexible and proportionate to the individual's distance from the labour market, meaning that individuals further from the labour market should receive more intensive follow-up and tailored support, while those closer to employment may benefit from lighter-touch interventions to ensure resources are used effectively. For those who are furthest from the labour market, interventions may also need to incorporate comprehensive and sustained efforts, including collaboration across sectors and enhanced coordination among first-line services. It is also important to continually assess whether all barriers need to be directly addressed or if some can be tackled indirectly through employment-focused initiatives.

Insights on addressing barriers – sequential vs simultaneous approaches, and effective interventions

Successfully addressing employment barriers for vulnerable individuals often requires careful consideration of whether barriers should be tackled sequentially or simultaneously. This box highlights key insights from the project, illustrating how different approaches can enhance the effectiveness of labour market interventions, depending on the specific barriers faced by individuals.

Intensive labour market training can crowd out language training

Intensive labour market training for immigrants can crowd out language training, potentially diminishing its long-term employment benefits. Research shows that language training, particularly for immigrants whose native languages differ greatly from Nordic languages, has significant long-term employment effects. This highlights the importance of addressing language barriers sequentially, prioritising language skills over labour market experience.

The local labour demand is important for the success of labour market training and/or upskilling

Our research documents that the local labour demand constitutes a significant employment barrier among vulnerable groups, and this must be taken into account when providing individuals who are lacking labour market experience with labour market training or upskilling. This is an example of a simultaneous approach, where addressing skill development while aligning it with local labour market needs can enhance the effectiveness of employment instruments. We will further turn to this topic in [recommendation 2.3](#), where the Job VEU model from Denmark will briefly be described.

Lack of guarantees for employers limits use of assistive devices

Risk for employers is a key employment barrier for vulnerable individuals, particularly those with health issues. Legislation on work accommodations can exacerbate this risk when assistive devices are granted only after a job contract is signed, creating uncertainty for both jobseekers and employers. This discourages the use of work accommodations, reducing their effectiveness as an employment instrument for individuals with health issues outside the labour market.

Absence of skills regarding everyday life reduces the effect of labour market training

We have documented that the absence of skills regarding everyday life constitutes a central employment barrier among vulnerable groups, limiting the effect of otherwise effective employment instruments. This highlights the importance of a

sequential approach, where skills regarding everyday life must first be developed before offering various employment instruments. For instance, a Norwegian study has found positive employment effects from helping young individuals set goals in relation to daily habits.

The effect of monitoring, sanctions, and benefit reductions is reduced by the degree of vulnerability

In general, our research demonstrates that financial incentives, monitoring, and sanctioning work effectively among individuals close to the labour market. However, there is limited evidence of their effectiveness for vulnerable individuals further from the labour market. Literature also demonstrates unintended effects that must be considered (e.g., increased property crime and impacts on children's educational outcomes). This suggests that a sequential approach is crucial for some vulnerable individuals, carefully timing financial incentives and support systems to avoid adverse effects.

Coordinated and combined employment and health-oriented interventions are effective

Individual placement and support (IPS), an evidence-based model, helps individuals with mental health conditions secure and maintain competitive jobs by combining employment and health interventions. By offering personalised support, rapid job placement, and integrating vocational services with mental health treatment, IPS demonstrates the effectiveness of simultaneous approaches in achieving positive outcomes.

This list is not exhaustive but illustrates the importance of determining the appropriate order or combination of interventions based on specific barriers faced by individuals. Tailored solutions are key to maximising the effectiveness of labour market strategies.

Source: Arendt & Bolvig (2023a), Bjorvatn et al. (2021), Andersen & Arendt (2015), Simonsen & Skipper (2017), Beskæftigelsesministeriet (2024), Dustmann et al. (2023), Andersen et al. (2019), Arendt (2023), Einarsdóttir et al. (2022), Sveinsdóttir et al. (2019), Brinchmann et al. (2024) & Fogelgren et al. (2023).

RECOMMENDATION 2.2

Continue efforts with employment-focused initiatives for vulnerable individuals – as close to a real job situation as possible

The path to employment often goes through employment-focused initiatives, but there may be a tendency today not to fully reap the benefits of these initiatives, as there is insufficient focus on why such measures are effective. What works are genuine working conditions in a real workplace with real wages.

We recommend that local actors continue to prioritise employment-orientated initiatives highly but focus more than they do today on placing individuals in working conditions that resemble actual employment in a real workplace with real wages – the more real, the better. This includes that state and local actors:

- Review company internship programmes (e.g., labour market training programmes) and ensure that these programmes mirror real employment relationships as closely as possible, allowing participants to experience authentic workplace expectations from both employers and colleagues.
- Examine whether wage subsidy schemes (including flex jobs) are conducted on terms that are as regular as possible, for instance, ensuring that wages are paid directly by the employer and that the tasks performed are similar to those carried out by colleagues.
- Prioritise (even a few) regular paid hours – also for vulnerable individuals. Our literature review reveals promising results of providing vulnerable individuals a few regular paid hours in a genuine employment setting under regular conditions with real expectations and real pay. This can foster the belief that one is capable of functioning in the regular labour market, potentially encouraging the pursuit of additional hours. The approach is further described in the box below.

However, there are several important considerations to keep in mind regarding this recommendation. Firstly, certain schemes, such as wage subsidies, are most effective when used as a final step for individuals facing particularly complex challenges. Second, we recognise that placing individuals in roles that closely replicate real job situations presents significant challenges. This approach is inherently resource-intensive and difficult to scale, as it requires extensive and continuous collaboration with employers to create and maintain suitable opportunities. Employers must be engaged in an ongoing dialogue to ensure that the workplace expectations, tasks, and structures align as closely as possible with regular employment conditions.

Regular paid hours (*ordinære løntimer*) in Denmark – small steps in the right direction at real workplaces

Regular paid hours is an employment instrument in Denmark, which in initial assessments seems to produce positive employment effects. Basically, the instrument provides cash benefits recipients with a few hours (typically 2-10 hours a week) in the ordinary labour market while still receiving public assistance.

The idea is to bring cash benefits recipients closer to the labour market by providing them with experience, contacts, and increased self-esteem so as to encourage them to work more hours over time. One of the key mechanisms for the success of regular paid hours is that it provides work on ordinary terms at ordinary workplaces with real expectations from employers and colleagues.

An initial descriptive evaluation demonstrates that individuals on regular paid hours fare significantly better than the overall group of activity-ready cash benefits recipients. Two years after the first regular paid hour, more than half of recipients have found a full-time job or are contributing to their own livelihood through regular paid hours. In comparison, only 12 pct. of the total group of activity-ready cash benefits recipients have a full-time job or contribute to their own income after two years.

Source: Rosholm (2024).

Furthermore, it is crucial to provide vulnerable individuals with meaningful financial incentives to participate in and progress through these schemes. Financial disincentives, such as benefit reductions when individuals increase their working hours, can discourage participation and should be carefully addressed. Mechanisms such as the social free pass, as described in the box below, can help ensure that individuals are motivated to take on additional hours without fear of financial penalties. Addressing these challenges will be key to ensuring the long-term success and scalability of these initiatives while maintaining a focus on genuinely improving employment outcomes for vulnerable individuals.

The social free pass (*socialt frikort*) in Denmark – financial incentives to vulnerable groups

The social free pass allows vulnerable individuals to earn up to DKK 41,000 (EUR 5,470) tax-free per calendar year without this income affecting their public welfare benefits.

This initiative provides vulnerable individuals better opportunities to enter employment, engage in community life, contribute meaningfully, and find value in daily activities. It also encourages companies to take social responsibility by employing vulnerable individuals. The pass can be used for regular, unsupported work with businesses or public authorities without deductions from welfare benefits, housing support, or other income-based public assistance.

The scheme has been descriptively evaluated, and the evaluation demonstrates that over a third of all cases have led to employment. Among individuals who received their pass in 2019, around 75 pct. found employment within six months of allocation. In about 35 pct. of cases, individuals remained employed at the same company for over six months.

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Our job centre works hard to secure social free passes for cash benefits recipients, aiding their work experience. However, once used, it's difficult to motivate them to engage in further activities, despite their importance for future employment prospects.

Danish caseworker on the social free pass

Source: Socialstyrelsen (2022).

RECOMMENDATION 2.3

Prioritise vocational education with qualification certificates

Vulnerable individuals often lack formal qualifications and may struggle within the ordinary education system. Moreover, the current arrangements and the relatively short-term perspectives in the employment system create a risk that vulnerable groups are offered numerous small, incoherent courses as part of employment efforts without receiving certification for the skills they acquire.

We recommend increasing the use of flexible vocational education offers (skills training combined with workplace practice) to upskill more vulnerable individuals. Efforts should, as far as possible, ensure that individuals receive formal, transferable certification for their qualifications, enabling them to use these in future job opportunities and securing a longer-lasting impact of the initiatives. These can include initiatives that:

- Make upskilling efforts as vocationally oriented as possible. This is best achieved by aligning the content of upskilling efforts with demand in local labour markets, combined with close collaboration with local educational institutions. It requires flexible cooperation between local businesses, educational institutions, and implementing organisations. An example of such efforts in a Danish context is the vocational education and training model (Job-VEU model), which is a structured approach to make upskilling anchored in the labour market and improve job matches.
- Ensure flexibility and coherence in translating skills into certifications. The aim is to develop more flexible and integrated solutions for converting individuals' skills into qualification certificates that are transferable between employers. For example, micro-credentials – certificates that validate the learning outcomes of short-term experiences, such as courses or training – can be a practical solution. Over time, these micro-credentials could be combined to achieve a full, ordinary education.
- Create systematic alignment with individuals' prior learning and experiences. There is a need for more flexible and coherent solutions to convert individuals' prior learning and experiences into qualification certificates. This can help create coherence between any previous education, courses, and work experience (e.g., through recognition of prior learning experiences). A notable example, which incorporates some of these ideas, comes from Iceland's lifelong learning centres. This signature project is further described in the box below.

While existing Nordic legislation supports access to education for vulnerable groups, placing a stronger focus on certification can enhance the long-term benefits of these initiatives. Formal qualifications not only improve employability but also motivate individuals to pursue further education and training. However, the effectiveness of this recommendation depends on ensuring accessibility of education for vulnerable groups, which should be separately addressed.

Validation of transversal skills in Iceland – a structured approach to skill validation

Iceland has pioneered the validation of transversal skills to support vulnerable individuals in recognising and leveraging their competencies. Offered in lifelong learning centres, this validation targets people who have not completed upper secondary education. Transversal skills – encompassing communication, ethics, critical thinking, and more – are essential for active participation in the labour market and ongoing learning.

Through structured processes, participants become aware of their abilities gained through life and work, connecting these competencies to general job requirements. The initiative has shown that validation boosts self-confidence, reinforces self-efficacy, and encourages career progression, helping individuals with prior unsuccessful educational experiences to develop positive career trajectories. This case demonstrates how validation can transform individuals' perceptions of their skills, motivating them to further their education and employment prospects, thus enhancing both personal and professional growth.

Similar positive effects are found in a Swedish project targeting immigrants, particularly women. The programme was designed to offer job search and matching assistance based on the participants' formal and informal skills.

Source: Jónatansdóttir et al. (2023) & Helgesson et al. (2020).

3.3 Policy track 3: Create results through good relations, confidence, and motivation

For vulnerable individuals, integration into the labour market depends not only on addressing structural employment barriers but also on fostering trust, motivation, and confidence in their meeting with the public employment services. In this policy track, we provide recommendations that highlight the importance of creating inclusive systems that empower individuals and their caseworkers, emphasising relationship building and a supportive framework that motivates vulnerable individuals to engage in employment or education.

RECOMMENDATION 3.1

Improve the interaction between vulnerable individuals and the system – focus on co-creation, peer-to-peer feedback, and autonomy

The motivation and willpower of vulnerable individuals are diminished if they feel a lack of control over their own situation and have a lack of understanding of how the system works. This constitutes a barrier to designing effective initiatives since the individual's motivation is decisive for the success of employment instruments in general.

We recommend that state and local actors work to improve the interactions between the system and the individuals, fostering greater motivation and ownership of their own development. By establishing more meaningful connections and fostering genuine engagement, individuals are more likely to take an active role in their way to the labour market. To ensure well-grounded involvement, advocacy organisations (e.g., disability organisations) can be actively involved in this effort. This includes the following:

- **Co-creation.** Assess how Nordic employment systems engage with vulnerable individuals, and leverage existing knowledge about the impact of involvement, co-creation, communication, dialogue, and user experiences. Use this understanding to enhance the interaction between the system and the vulnerable individuals, and strengthen co-creation between these individuals and caseworkers.
- **Arenas and alternative meeting forms.** Meet individuals in their own environments, and reassess existing meeting formats. Create opportunities for individuals to meet with local actors outside of formal office settings, and incorporate the context of the individual into existing meeting formats to enhance motivation and understanding. These alternative environments can also facilitate interaction between individuals facing similar challenges.

- **Peer-to-peer feedback.** Promote self-help and peer-to-peer feedback. Encourage participants to help and provide feedback to one another, enabling them to reflect on shared experiences. This can lead to a better understanding of their own strengths and areas for improvement, fostering a greater sense of ownership and engagement in their employment situation.
- **More autonomy over own situation.** This may come in various forms and can include freedom to choose service provider or giving individuals earmarked financial support that can be used for something that improves their chances of entering employment or education. Such measures can create a stronger sense of ownership of the process, which, in turn, can lead to better employment outcomes.

For inspiration, we have collected signature projects from Norway, Sweden, and Denmark, which provide examples of how to leverage alternative arenas, foster motivation through autonomy, and utilise peer-to-peer feedback to support individuals. These are further described in the box below.

However, when improving the interactions between the individuals and the system, several considerations must be taken into account. For example, providing individuals with the freedom to choose their service provider can be overwhelming, especially if they lack information about the available options, which can diminish the positive impact of such initiatives. Additionally, it is crucial to establish effective controls over private service suppliers, and the incentive structure should be designed to benefit vulnerable individuals. When that is said, increasing co-creation, meeting individuals closer to their own environment, promoting peer-to-peer feedback, and providing more autonomy for vulnerable individuals can improve the labour market participation of vulnerable individuals in the long term.

Initiatives focused on alternative arenas, motivation through autonomy, and peer-to-peer feedback

Integrating vulnerable individuals into the labour market often requires innovative approaches that go beyond traditional employment programmes. This box highlights initiatives that leverage alternative arenas, foster motivation through autonomy, and utilise peer-to-peer feedback to support individuals. By meeting individuals where they are – whether through physical activities, community-driven peer-to-peer feedback, or financial empowerment – these programmes illustrate diverse pathways to enhance labour market participation.

Co-creation – part of the Door-to-Door project (*Opgang til Opgang*) in Denmark

Co-creation refers to the interactive and dynamic relationship where value is generated through the interaction between the caseworker and the vulnerable individual. In this context, individuals play a central role in creating the value of public services, while public organisations act as facilitators of this process.

This concept is a cornerstone of the Door-to-Door project in Denmark, a holistic and relational employment intervention aimed at supporting entire families. Key elements of the project include empowering families to make their own decisions and fostering a collaborative alliance between the family and the municipal team. The role of the municipal team is to support the family in developing their own agency, for example, by helping them connect with others, enabling them to build a good and sustainable life. The participants in the project have increased their participation in the labour market.

Source: Kjær, Tauby-Theill & Lohmann (2023)

Arenas and alternative meeting forms – the Street Teams (*Gatelagene*) in Norway

Gatelagene is an initiative organised by the sports community (*Fotballstiftelsen*) and is a low-threshold initiative offering football training sessions for individuals with past or present substance abuse challenges. Participants are provided with a sense of unity and belonging through teamwork and shared experiences.

Although the main purpose is not employment, the programme helps players build confidence and experience a sense of achievement through regular activities. It prepares participants for work by fostering collaboration between the Football Foundation, clubs, NAV (Norway's Labour and Welfare Administration), and municipalities. Employees from NAV occasionally turn up at the training, and participants who are ready and willing are offered formal job training opportunities. This highlights the potential of meeting the vulnerable individuals in alternative arenas, in this case training facilities at local football clubs. The programme facilitates gradual integration into the workforce by fostering personal development among participants. The programme has demonstrated positive results for individuals and society; however, it has not been evaluated causally.

Source: Oslo Economics (2024)

Peer-to-peer feedback – Neighbourhood Mothers (*Stadsdelsmammor*) in Helsingborg, Sweden

The aim of the project *Stadsdelsmammor 2.0* was to reduce social isolation among foreign-born women, enhance their participation in society, and bring them closer to the labour market. This was achieved through local neighbourhood mothers (*Stadsdelsmammor*) and multi-café. These mothers, often from the same areas as the target group, acted as bridges to Swedish society, providing basic information about how it functions and practical support. The neighbourhood mothers, many recruited from the target group itself, shared their experiences of being new in Sweden, spoke multiple languages, and helped women with tasks such as contacting authorities or taking steps towards work or education.

The initiative has demonstrated positive results, and the concept continues to operate within municipal services in Sweden. Similar initiatives are used in Denmark and Norway, among other countries.

Source: Länsstyrelserna (2022)

More autonomy over own situation – Youth Budget (*Ungebudget*) in Denmark

The Youth Budget project provides vulnerable unemployed individuals with DKK 25,000 (approximately EUR 3,333) to spend on items or services that enhance their chances of entering employment or education. The participants are young people facing multiple barriers to employment, such as substance abuse, social anxiety, or low self-esteem. In collaboration with a caseworker, they determine how to allocate the funds, provided the spending directly supports their journey towards work or education. Eligible expenses include therapy, computers, or driving licences.

The programme is designed to foster autonomy and motivation by empowering participants. Evidence shows that they demonstrate a high level of responsibility in managing the funds, and initial evaluations demonstrate positive employment outcomes and improved overall wellbeing.

A similar concept exists in Sweden in the *Rusta och Matcha* project, where individuals, based on the results of a profiling tool, receive support from a private service provider of their own choice. The impact of this freedom of choice on employment outcomes is currently being evaluated.

Source: Lind Foundation (2023) & Arbetsförmedlingen (2024)

RECOMMENDATION 3.2

Strengthen relationship-building efforts – empower caseworkers to build continuous and trustful relationships with vulnerable individuals

The caseworker's ability to build a strong relationship with the individuals is currently hindered by large caseloads and a lack of continuity in following the individual's progress due to, e.g., frequent caseworker changes. This results in a reduction in the overall effectiveness of interventions, as well as decreased engagement and motivation among caseworkers, which can potentially become self-reinforcing and result in less individualisation of programmes.

We recommend enhancing caseworkers' capacity to build and establish strong, ongoing, and trust-based relationships with vulnerable individuals by providing them with extended authority and resources. This includes:

- Smaller caseloads. Reduce the number of cases assigned to each caseworker, especially those working with vulnerable individuals. This allows caseworkers more time to understand and address each individual's unique needs, which has proven useful in a Danish municipality. This signature project is further described in the box below.
- Increased continuity in the case management. Minimise caseworker changes to ensure consistency in support. This can foster a trusting relationship between the vulnerable individual and the caseworker.
- Empowered decision making. Grant caseworkers greater autonomy and flexibility in decision making, enabling them to tailor interventions to the specific circumstances of each individual. Such measures can contribute to more personalised, timely, and effective support.

Enhanced training and resources. Provide caseworkers with the necessary training and tools to be able to provide an individualised support that addresses each individual's unique needs.

This approach prioritises the human element of case management, recognising that trust and continuity are essential for effective support. By addressing the systemic barriers that hinder relationship building, this recommendation aims to enhance the effectiveness of interventions.

The Hjørring Model – reducing caseloads and increasing competencies among caseworkers

Hjørring Municipality in Denmark implemented employment initiatives from 2015 to 2018 to reduce vulnerable individuals' reliance on sickness and cash benefits and strengthen the workforce in the municipality. The Hjørring Model comprises four key elements: 1) setting individual job or education goals with citizens, 2) identifying resources and barriers with input from interdisciplinary teams, 3) selecting and implementing targeted interventions, and 4) conducting regular follow-ups.

Key requirements for success are manageable caseloads (reduced from 70–80 to 35–40 cases per caseworker), competent and empowered staff, tailored activation processes, and interdisciplinary collaboration among professionals and services. Research highlights positive causal effect, such as increased working hours and smoother transitions from temporary benefits to self-sufficiency using Danish register data. Overall, data from Hjørring Municipality demonstrates that the investment has been cost-effective. However, the business case has not been causally evaluated. The effectiveness of the Hjørring Model and related job centre efforts in the North Denmark Region has been recognised by the OECD.

Sources: Ravn (2019; 2022), Ravn & Nielsen (2019), OECD (2024) & Hostrup (2019).

While strong relationships between caseworkers and vulnerable individuals are essential, it is important to balance trust building with clear expectations to encourage progress. Focusing too much on building relationships without maintaining accountability can lead to dependency. Further, we are aware of the fact that reducing the caseloads among caseworkers can be a costly endeavour, especially in the short run. However, it has been documented that such investments lead to more successful outcomes in the longer run, as documented in the box below.

***Ohjaamo* – One-Stop Guidance Centres in Finland**

Since 2014, Finland's One-Stop Guidance Centres, known as *Ohjaamo*, have provided comprehensive support and guidance to young people under the age of 30 in areas such as work, education, and everyday life. There are nearly 70 *Ohjaamo* centres across Finland, offering services like *Onni* coaching, which supports young adults (ages 18–29) in managing challenges related to wellbeing, stress, and everyday life.

Based on cost-benefit analyses, these centres not only cover their operational costs but also generate government savings. As of early 2025, the multisectoral *Ohjaamo* model, including *Onni* coaching, became a mandatory component of Finland's new employment initiatives.

Sources: Valtakari et al. (2020) & *Ohjaamo* (2025).

RECOMMENDATION 3.3

Empower caseworkers to exempt vulnerable individuals from requirements and sanctions, and increase economic incentives for progression towards employment

Striking the right balance between economic incentives, requirements, and sanctions, and providing vulnerable individuals the time and space to integrate into the labour market is a significant challenge. Stricter requirements and sanctions can have unintended consequences, potentially pushing vulnerable individuals further from employment. Conversely, some vulnerable individuals remain reliant on public benefits due to insufficient economic incentives to progress towards work.

We recommend empowering caseworkers to exempt vulnerable individuals from requirements and benefit sanctions for a defined period. This approach would reduce uncertainty about their subsistence, alleviating stress and enabling them to focus on addressing the challenges that hinder their labour market participation.

Simultaneously, we propose strengthening economic incentives for vulnerable individuals who are assessed as ready to work, encouraging progress towards employment. This includes:

- Allowing exemptions from sanctions for vulnerable individuals. The complex individual circumstances and the need to address other challenges necessitate that exemption options become an integrated part of caseworkers' toolkits. An example of this is the basic income scheme currently being developed in Norway, as described in the box below.

- Giving incentives to take a few regular paid hours. Minimal or no deductions for taking a few paid hours can provide economic encouragement to work even a small number of hours. This can create a more secure transition from unemployment to employment. Even a limited number of paid hours can strengthen the individual's connection to the labour market and provide a vital sense of purpose and participation in working life. This gradual entry can, over time, foster stronger labour market attachment. Furthermore, state actors should consider whether benefit schemes are designed at the individual level or the household level, as this distinction plays a crucial role in incentivising individuals to engage with the system.
- Giving incentives for progression in flex jobs towards more hours. To promote progression in flex jobs, it is important to have incentives that encourage individuals to increase their working hours when possible. A flexible system can offer financial benefits that make it appealing to take on more hours without negatively impacting economic security. An example of this is the social free pass, which is further described in [section 3.3](#).

Research suggests that sanctions often fail to motivate the most vulnerable individuals and may lead to disengagement or negative outcomes, such as increased criminality or poorer educational outcomes among children. However, sanctions can be useful for individuals closer to the labour market by encouraging participation. Empowering caseworkers to waive sanctions, when necessary, allows them to build trust-based relationships, but this must be paired with strong incentives to avoid dependency and support for gradual integration into the labour market.

Basic income for young NEETs in Trondheim (Norway) – reducing requirements and incentivising employment without offsetting benefits

NAV in Trondheim has applied to launch Norway's first basic income pilot, offering young people under 30 who are neither employed nor in higher education an annual income of approximately 237,000 NOK. Recipients do not need to prove eligibility beyond their current employment and education status and will remain connected to NAV for support and goal setting. Further, the recipients are allowed to keep the financial support even if they increase their own income.

The initiative aims to simplify benefits, replacing a complex system with a straightforward minimum income to reduce barriers to employment. The application is currently being evaluated by the Norwegian Ministry of Labour and Social Inclusion. Research will be integral to evaluating its impact, ensuring lessons inform future policy. Inspired by similar trials abroad, the project seeks to improve health, wellbeing, and opportunities for young people in Norway.

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Many of the long-term unemployed I work with struggle to meet the job-seeking requirements. If they miss meetings or do not write enough applications, they are sanctioned and eventually fall out of the system. The strict rules do not motivate them – instead, they lose contact with the employment system, even though many still need help.

Finnish caseworker on the challenges with sanctioning

Source: Jakobsen (2024).

3.4 Policy track 4: Getting companies on board

Effectively integrating vulnerable individuals into the labour market requires active engagement from employers. This policy track underscores the importance of equipping employers with the tools, knowledge, and support needed to foster inclusion. By addressing barriers such as insufficient information and complex collaboration processes, these initiatives aim to, among other things, simplify participation for employers. Key recommendations focus on promoting inclusive hiring through targeted information campaigns, job carving, and employer outreach, while streamlining public-private collaboration.

RECOMMENDATION 4.1

Promote an inclusive labour market through systematic information, employer outreach, and best-practice cases

Many companies today are willing to take on social responsibility by employing vulnerable individuals. However, a lack of information about opportunities and potential can make employers hesitant to hire vulnerable individuals. This is partly due to insufficient knowledge about available support schemes, uncertainty about the target group, concerns regarding productivity risks, and an inability to communicate the case internally within the company, for example, by using good case examples.

We recommend that state and local actors systematically work to enhance employers' awareness of the opportunities and potential benefits of contributing to a more inclusive labour market. This requires, among other things:

- Information campaigns that provide knowledge about the potential benefits of hiring vulnerable individuals, the availability of public support, and examples of best practices. These campaigns could also introduce alternative approaches to addressing challenges, such as insurance models to mitigate perceived risks or strategies like job carving and diversity as a parameter for improving productivity.
- Assistance for companies in creating inclusive workplaces. This could involve developing a framework for inclusive human resource practices, which allows employers to examine and reassess the conditions in the workplace and address obstacles typically experienced by vulnerable groups. Further, it involves enhancing employers' inclusion competencies, which refers to, e.g., an employer's understanding of vulnerable individuals and their special needs. It cannot always be assumed that such competencies are present within companies. Providing structured guidance, training, and tools can empower employers to integrate inclusive practices effectively.
- Establishing targeted job boards for vulnerable groups. These job boards should specifically be tailored to connect vulnerable groups with potential employers and facilitate direct interactions. Such platforms can help employers meet candidates in person, fostering greater understanding and breaking down stereotypes. Additionally, they allow employers to explore the tangible opportunities and potential benefits associated with employing individuals from vulnerable groups.

Promoting an inclusive labour market requires thoughtful approaches. Employers should view inclusive hiring as part of their ESG (Environmental, Social, and Governance) commitments, linking social responsibility to sustainable growth for employers. Support must be flexible, especially for smaller businesses, with tools and evidence to address productivity concerns, such as examples of and help to implement job carving in their businesses. Efforts must also ensure that vulnerable individuals are given meaningful roles to foster genuine inclusion.

Make room (*Gör plats!*) – the impact of an information campaign in Sweden

The Swedish Public Employment Service (PES) launched the *Gör plats!* campaign in 2018–2019 to encourage employers to hire individuals with disabilities. The campaign aimed to shift norms and attitudes by highlighting the untapped potential of this group.

An evaluation conducted by PES indicated significant outcomes:

- Employer impact: 40% of surveyed employers reported a more positive attitude towards hiring people with disabilities after seeing the campaign.
- Media influence: Media coverage of disability in the labour market increased, with a shift in portrayal from vulnerability to potential labour.
- PES messaging: PES themselves adopted a more resource-oriented narrative, emphasising abilities over challenges.

While causal effects could not be determined, the campaign showed strong correlations between employer interest in supported hiring and campaign activity, as well as broader improvements in societal attitudes.

Source: de Verdier et al. (2020).

RECOMMENDATION 4.2

Strengthen the match between vulnerable individuals and employers, and simplify employers' collaboration with local actors

A lack of clarity, complex regulations, and too many points of contact with local public actors complicate and limit employers' willingness to collaborate with local actors. Additionally, insufficient focus on creating strong social and professional matches between vulnerable individuals and employers can lead to poor outcomes, discouraging future collaboration.

We recommend that state and local actors prioritise improving skills and social matches while simplifying employer collaboration. This includes:

- Creating strong matches by providing and facilitating support for initiatives like job carving and promoting the industry packages programme. These efforts can help ensure a good professional and social match between vulnerable individuals and employers. Successful cases from job carving are described in the box below.
- Streamlining employer contact and establishing a single point of contact for employers with public employment services (PES), covering both the hiring process and ongoing contact. Coordination between different services (e.g., health and employment) must be managed entirely by public authorities. Additionally, local actors should foster closer collaboration between internal departments, such as between teams working with business development and employment-focused teams.
- Reducing administrative burdens and simplifying employers' interactions with the public employment services, ensuring they are not burdened with individual education plans or similar administrative tasks. The only decision a company has to make is whether to employ a vulnerable individual for a specified number of hours per week at an agreed wage.

These steps aim to build trust, reduce complexity, and foster productive partnerships between employers and public actors. This places great demands on caseworkers to ensure that employers are equipped to support vulnerable individuals and that these individuals are prepared for workplace-focused initiatives, which is essential since a poor match can be demotivating for both parties and possibly hinder future collaboration with employers. Further, it should be noted that implementing initiatives such as job carving at workplaces can be challenging in practice. A project in Denmark attempted to disseminate information and tools related to job carving to employers through network and information meetings. However, evaluations of the project revealed that this approach was less successful, partly due to the difficulty of getting employers to prioritise attendance at such meetings. Consequently, there is a need for more systematic research into how and under what conditions such initiatives can be effectively implemented (Holt et al., 2023).

Job carving – creating employment opportunities and increasing productivity

Job carving reorganises workplace tasks to create customised roles for individuals with limited qualifications or reduced work capacity. Managers, often with support from specialised consultants like PES, identify tasks that can be reassigned to form new positions. This approach not only provides employment opportunities but also allows core employees to focus on skill-intensive duties, improving overall productivity. Training and workplace adjustments often accompany the process, making it beneficial for both employees and employers.

In Denmark, a blacksmith company hired a cash benefits recipient to handle cleaning and maintenance, enabling the blacksmiths to focus on production, which increased efficiency at a rate equivalent to adding another full-time worker. Similarly, Oslo's *Prosjekt oppgavedeling* assigns non-clinical tasks in healthcare to long-term unemployed individuals, freeing nurses to focus on patient care and providing participants with job opportunities. Both examples show the mutual benefits of tailored task sharing.

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In a medium-sized Danish town, the electrical industry faced a labour shortage, leading to the establishment of a cable assembly training programme to quickly teach citizens basic tasks. Similarly, in the automotive industry, citizens are trained to change tyres, freeing up other employees for different tasks. The key lies in how eager businesses are to secure labour.

**Danish caseworker on successful implementation of job carving
(combined with education)**

Source: Scoppetta et al. (2019a), Scoppetta et al. (2019b), Cabi (2024) & Lie & Brevig (2024).

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5. Deep dives

The final chapter of this report presents three detailed deep dives, each focusing on a critical area of labour market inclusion for vulnerable groups. These deep dives provide an in-depth analysis of specific challenges and opportunities within the Nordic context, supported by concrete examples and evidence-based insights.

- NEETs in the Nordic countries explores strategies to address the challenges faced by young people not in employment, education, or training, highlighting effective interventions to foster their inclusion.
- Inclusion of immigrant women examines the unique barriers experienced by immigrant women and identifies promising initiatives to improve their labour market participation.
- Addressing the disability employment gap focuses on overcoming the employment barriers faced by individuals with disabilities, offering practical recommendations for a more inclusive labour market.

Together, these deep dives offer a comprehensive understanding of key issues and actionable pathways to improve labour market participation for these groups in the Nordic countries.

→ 5.1 Deep dive 1: NEETs in the Nordic countries

→ 5.2 Deep dive 2: Inclusion of immigrant women

→ 5.3 Deep dive 3: Addressing the Disability Employment Gap

5.1 Deep dive 1: NEETs in the Nordic countries

Key-takeaways

A significant proportion of young people are active participants in the labour market or are participating in education across the Nordic countries. However, a subset of young individuals in the Nordic countries are in the NEET-group, i.e. neither in education nor employment or training.

The NEET group encompasses a wide range of young people with different backgrounds and challenges and can be divided into two broad subgroups: (1) Youth facing challenges solely related to being outside education or employment, and (2) Youth dealing with additional issues beyond their lack of education and employment. The second subgroup often face complex barriers to employment or education, for example low educational attainment, physical disabilities, poor mental health, low self-esteem and behavioural issues, or substance abuse. Some of these risk factors can be present at the same time and are typically entangled in complex ways.

Successful inclusion of these vulnerable young people into the labour market or the educational system often requires tailored interventions and support to address their unique needs and requires parallel efforts across multiple levels and sectors. For instance, combining employment-oriented measures with social, health-focused, or skill-development initiatives proves particularly effective. We will here emphasise three type of useful interventions targeting vulnerable youth.

Acquisition of everyday life skills: Measures that help young people with daily routines or the ability to manage their finances may have positive impact on their ability to engage in work or education, as some of the most vulnerable young people face difficulties managing everyday life.

Follow-up and support: The aim of supported employment (SE) is to assist the persons in finding and maintaining paid employment in the open labour market with the same wages, terms and conditions as other employees. The general idea behind SE is *place then train* and an important element is ongoing support whilst in paid employment. Support is individualized and is on a need basis for both the employee and the employer. Supported employment sometimes combines employment-oriented measures with social, health-focused, or skill-development initiatives.

Alternative educational pathways: Additionally, some young people have negative past experiences with the education system, and therefore they may be unmotivated to pursue education when they first enter the employment system. As a result, alternative educational pathways, such as Norway's *trade certificate* (fagbrev) without schooling, are highlighted by caseworkers as important tools.

Introduction

A significant proportion of young people are active participants in the labour market across the Nordic countries. As stated in previous reports in this project, the Nordic countries are particularly good at integrating young people into the workforce. Among young people aged 15–29 years, the average employment rate in the Nordic countries in 2020 was 58 pct., which was significantly higher than the EU-27 average of 48 percent. At the same time, the proportion of young people enrolled in education was also higher in the Nordic region than the EU-27 (54 pct. versus 50 pct.) (Højbjerg et al., 2022).

However, there remains a subset of young individuals in the Nordic countries who remain in the NEET-group, i.e. neither in education nor employment or training. The share in the NEET-group has changed only slightly for the 15–29-years-old in the Nordic countries over a ten-year period from 2013 to 2023, falling from around 8 pct. to 7 pct. As demonstrated in figure 5.1.1. There are some differences between the Nordic countries. In 2023, the share in the NEET group was lowest in Sweden at around 6 percent and highest in Finland at around 9 percent. Denmark stands out from the other Nordic countries as the share of NEET increased slightly from 2013 to 2023, while Sweden stands out with a more than 2 percentage points decrease in the share of NEET as shown in figure 5.1.2. The share of NEET is significantly lower in the Nordic countries compared to the EU-27, but the decrease in the share of NEET is smaller than in EU27 in the ten years period from 2013 to 2023.

To get a better understanding of the situation of young people in the NEET group, this deep dive focuses on barriers for young people in the NEET-group to entry the labour market and instruments that can help them to gain foothold in the labour market.

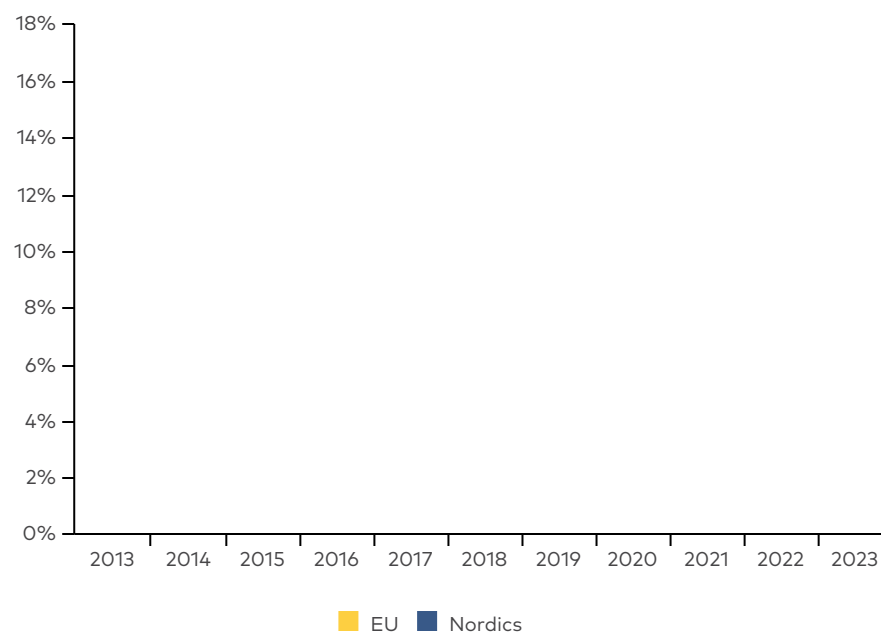


Figure 5.1.1 NEET rate in the Nordics and EU, 2013-2023

Source: Own calculations based on microdata from Eurostat's Labour Force Survey.

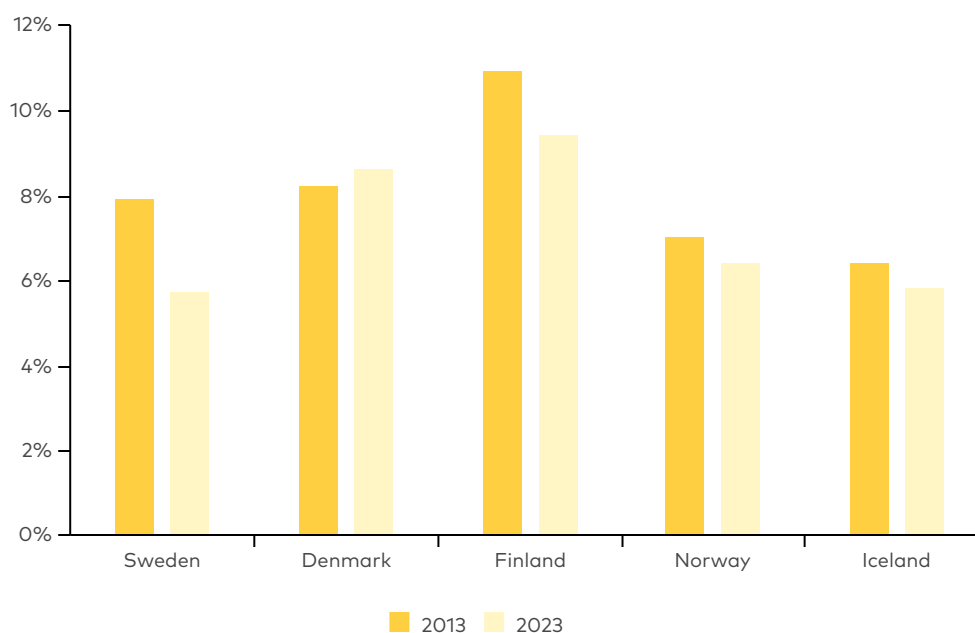


Figure 5.1.2 NEET rates in 2013 and 2023 by country

Source: Own calculations based on microdata from Eurostat's Labour Force Survey.

The NEET Group

The NEET group encompasses a wide range of young people with different backgrounds and challenges. Importantly, not all members of this group are vulnerable or disadvantaged, and, hence, not all can be characterized as being at risk of social exclusion (Katznelson et al., 2015; Mascherini, 2018; Bolvig et al., 2019; Kleif, 2021). To better understand its composition, it is helpful to distinguish between two broad subgroups with varying levels of complexity (Bolvig et al., 2019):

1. Youth facing challenges solely related to being outside education or employment.
2. Youth dealing with additional issues beyond their lack of education and employment.

This deep dive focuses on the latter subgroup – youth who struggle with multiple, interconnected challenges that extend beyond being NEET. These young people often face complex barriers to employment or education, requiring tailored interventions and support to address their unique needs (Stea et al. 2024).

Barriers to education and employment for vulnerable young people

Previous studies highlight that vulnerable youth, those who face challenges beyond a lack of education or employment, often remain disconnected from both domains for prolonged periods. This group is often characterized by complex social and health-related issues, including for instance substance abuse, mental illness and limited work or educational experience. They often struggle with multiple, overlapping difficulties (Almqvist & Lassinantti, 2018; Katznelsoin et al., 2015; Frøyland et al., 2022; Bolvig et al., 2019; Andersen, 2017; Hall et al., 2022). Mental health problems are particularly prevalent, with an increasing trend in several Nordic countries over recent decades (Hall et al., 2022; Rosenberg et al., 2024). For instance, in Sweden increasing numbers of young people report excessive worry and anxiety, while at the same time hospitalization rates for persons with mental illnesses have grown. Similarly, Norway has documented comparable developments, and mental health conditions are now the leading cause of young adults entering disability pension schemes in both countries (Hall et al., 2022).

Research also highlights that the reasons why some young people become detached from education and employment are rooted not only in individual but also institutional factors, such as the structure of vocational education programs and access to apprenticeships (Frøyland et al., 2022). Hence, the literature identifies several key risk factors for being excluded from education and employment (e.g., Frøyland et al., 2022; Andersen, 2017; Bolvig et al., 2019), including but not limited to:

- Immigrant background
- Low educational attainment (including parents' education level)
- Physical disabilities and health challenges
- Poor mental health and psychosocial problems
- Personal traits such as low self-esteem and behavioural issues
- Poor school performance and/or negative school experiences
- A disadvantaged upbringing
- Engaging in criminal activity
- Substance abuse

Some (or ultimately all) of these risk factors can be present at the same time, and they are typically entangled in complex ways. In previous reports in this project we have developed a framework of 24 different employment barriers based on a literature review. We have subsequently utilized microdata from Eurostat to operationalize 9 of these 24 employment barriers (Højberre et al. 2023a and 2023b). Calculations for the NEET group show that around 80 pct. of the young people in the NEET group face at least two barriers and around 25 pct. face at least four barriers. Many of the young people struggle with health issues and/ or lack education and working experience. Lack of job opportunities is also a prevalent employment barrier as demonstrated in figure 5.2.

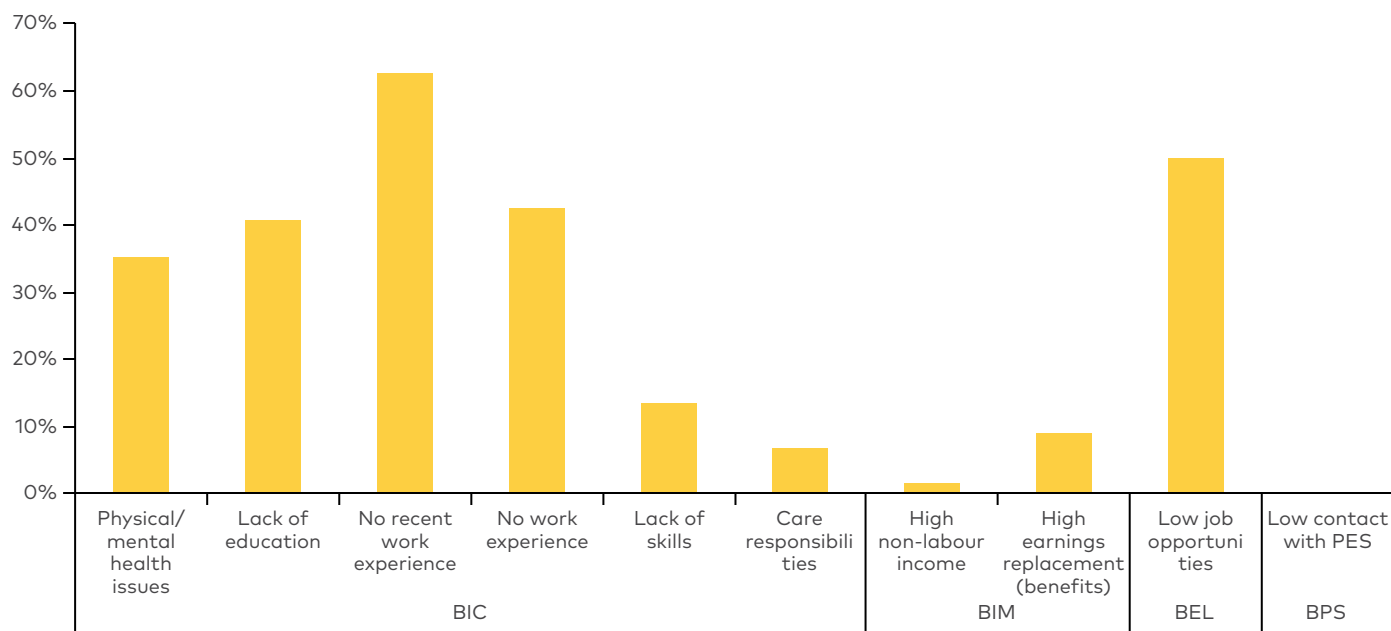


Figure 5.2 Prevalence of barriers among the NEET-group in the Nordic countries

Source: Own calculations based on microdata from Eurostat's EU-SILC. For a description of the operationalization of the barriers, see Højbjerg et al. (2023b)

Caseworkers across the Nordic countries also highlight that many of the young individuals they encounter struggle with a wide range of challenges that extend beyond employment itself. These include mental health issues (for example depression and anxiety), substance abuse, low self-confidence, lack of work identity and work experience, and difficulties managing everyday life. While this group is highly heterogeneous, a common challenge is a disadvantaged background, and a complex set of interrelated problems. According to multiple caseworkers, those with the greatest need for assistance often face severe mental health challenges, such as personality disorders in addition to depression and/or anxiety. Another significant issue is that many of these young people have not received adequate support or diagnosis while participating in primary education. As a result, they often enter the employment system without proper assessment or understanding of their needs and health issues.

The evolving labour market has further exacerbated these young people's challenges with regards to employment. As job requirements become increasingly demanding, the barriers for employment these young individuals face grow higher. Several caseworkers mention that the thresholds for entering the labour market have risen significantly, with employers expecting young people to possess a wide range of skills and knowledge, that many vulnerable young people lack. Formal qualifications are now required for most jobs, but many of these young people don't have an education or previous work experience, making it difficult for them to meet these expectations.

Employment instruments targeting young NEETs in the Nordic countries

Across the Nordic countries, there is a strong political focus on targeting employment policies and initiatives at young people to increase their participation in education and the labour market while mitigating the potential long-term effects of youth unemployment (Hall et al., 2022). For instance, Denmark introduced legislation in 2019 to guide municipal efforts for individuals under the age of 25 years. This law emphasizes cross-professional, cross-organizational, and cross-sectoral collaboration centered on the needs of each young person (KL, 2023). Similarly, Norway implemented a new youth guarantee through NAV in July 2023, obligating enhanced support for young people aged 16 to 30 years. This guarantee ensures rapid and close follow-up for those in the target group for as long as necessary (NAV, 2024). A common feature of these initiatives is the emphasis on interdisciplinary youth teams to provide coordinated and comprehensive support for young people facing multifaceted challenges.

Evidence on the causal effects of interventions aimed at vulnerable youth outside education and employment (NEETs) remains limited, and it may be challenging to evaluate the interventions. Bolvig et al. (2019) highlighted this challenge in a study of Danish projects and initiatives, emphasizing that integrated efforts often involve intertwined components, making it difficult to isolate the impact of individual measures. This issue is mirrored in a Norwegian literature review (Frøyland et al., 2022), which underscores the complexity of evaluating such interventions. Additionally, positive outcomes—such as improved health, educational performance, and sustained employment—tend to unfold gradually and vary across individuals, making their measurement particularly challenging. In the following part of this section we will present some important results from the limited research literature as well as provide insights from our caseworker interviews.

Multiple interconnected challenges require holistic interventions

Interventions targeting vulnerable young people must be holistic and consider the major and complex challenges that young people face (Frøyland et al. 2022). Bolvig et al. (2019) and Frøyland et al. (2022) find that successful inclusion of young people into the labour market and/or the educational system often requires parallel efforts across multiple levels and sectors. For instance, combining employment-oriented measures with social, health-focused, or skill-development initiatives proves particularly effective. Nordic caseworkers corroborate this, noting that while labour market training is a valuable tool, it rarely succeeds in isolation and works best when integrated into a broader, well-structured plan (Højbjerg et al., 2024).

According to several caseworkers, it is crucial that support for young people is adaptable and tailored to their specific needs. A Norwegian caseworker noted that while NAV offers numerous tools, the challenge lies in creating meaningful and individualized pathways for young people, many of whom face issues such as financial instability or housing insecurity. Interventions must therefore go beyond employment or education to address social and health-related barriers while building personal and social skills. The same caseworker also stressed that effective outcomes are not solely a product of the instruments used but also depend on the capacity for ongoing follow-up, a core objective of Norway's youth guarantee.

Given that many young people, that enter the employment system, have complex needs, coordination between actors such as psychiatric services, social authorities, educational institutions, and businesses is emphasized by caseworkers as particularly critical. This need for comprehensive support is echoed in other studies (e.g., Rosenberg et al., 2024; Bolvig et al., 2019; Frøyland et al., 2022). However, long waiting times in psychiatry and a lack of coherence between sectors (e.g. social and health services) are cited as challenges by several caseworkers in several countries. These challenges are also mirrored in previous studies, i.e. research highlights that young people with complex problems often face fragmented support due to initiatives being dispersed across various professional fields and sector-specific services, each addressing challenges within their own scope of responsibilities (Frøyland et al., 2022; Almqvist & Lassinantti, 2018; Rosenberg et al., 2024). This fragmentation can lead to unstable interventions. Furthermore, the organization of welfare services does not always effectively address these complexities or support young people in overcoming their difficulties. A recurring theme in the literature is how young people "fall through" during key transitions, such as from school to work or between educational stages (Frøyland et al., 2022).

Key elements in parallel interventions

Görlich (2016) argues that parallel interventions must incorporate three key elements:

- individual-focused initiatives, which enhance self-development and motivation
- relational interventions, such as mentoring and network-building
- organizational measures, ensuring targeted and coordinated collaboration between relevant actors

Frøyland et al. (2022) also emphasizes the importance of individual and relationship-building measures. Examples include providing young people with mentors or counselors who maintain close, ongoing dialogue and adapt support to their unique needs. Building trust and strong relationships between young people and support systems is particularly important, as it creates a foundation for

meaningful engagement with successful outcomes often requiring that young people feel seen, valued, and acknowledged. This point was also highlighted in the previous report in this project (Højbjerg et al., 2024). This underscores the necessity of allocating resources to enable consistent and close follow-up. However, several caseworkers ask for more time with the young clients, so they better can figure out what is troubling them, and prepare a sequence of interventions that are coherent and of longer duration.

Coping with everyday life

As mentioned in the section about barriers, some of the most vulnerable young people face difficulties managing everyday life which hinder their ability to engage in work or education. A Norwegian caseworker reports that young people are not able to manage basic situations in their everyday life, for instance with respect to financial management and social relations could be an element:

”

What we often see is that young people have not learned much from home due to a difficult upbringing, so I think life management would have been a good idea.

Norwegian caseworker

To ensure a smooth transition to the labour market or education, several caseworkers highlight, that it is essential that young people acquire both practical job skills and everyday life skills. Internship programs and wage subsidy schemes are highlighted as effective tools in all countries, as they provide young people with work experience and a sense of self-worth. For the most vulnerable young people, initiatives that combine basic life skills training with labour market attachment are crucial. Norwegian caseworkers emphasize the importance of support in everyday skills such as financial management and social relationships, but also that the employment services ought to have more measures that could learn the young clients to cope with everyday life challenges.

Research supports a focus on everyday-life-coping. For instance, Bjorvatn et al. (2021) demonstrate that goal-setting interventions focused on daily habits – such as (good) sleep, physical exercise, and (reduced/ no) substance use – can increase employment likelihood, improve life satisfaction, and enhance individuals' sense of

control. Similarly, studies from Denmark highlight how challenges like unstable housing, poor financial management, and lack of daily routines can prevent labour market attachment (Væksthusets Forskningscenter, 2012).

In both Denmark and Norway caseworkers mention that they utilize mentorship programs, where a mentor from the job center or the workplace helps the young person navigate practical and psychosocial challenges. However, a Danish caseworker mention that the period during which they can offer a mentoring scheme is too short for some of the young clients, and that it would be desirable to extend this period. Previous experience from Denmark shows that mentorship programs are often used to help vulnerable unemployed cope with everyday matters and can be very useful in helping individuals solve difficulties that hinder them from participating in activities related to employment or education (Albæk et al., 2012; Albæk et al., 2015). These findings underline the need for holistic support that combines practical skills development with interventions addressing everyday life challenges.

Supported employment

Ongoing follow-up and support are also emphasized as important by caseworkers in the Nordic countries and is a central element of Supported Employment (SE). The general idea behind SE is *place then train*.

A Swedish example of SE (targeting young adults between 19 and 29 with disability pension) included assisted job search and placement assistance, follow-along support and job development. Besides handling problematic situations, the caseworkers from PES also served as backup in situations, where the individual faced unexpected negative health issues. This meant that the caseworker sometimes might step in and do the participant's job. An evaluation of the intervention showed a positive effect of supported employment on the employment outcomes of the young adults (Fogelgren et al., 2023).

Supported employment sometimes combines employment-oriented measures with social, health-focused, or skill-development initiatives. This is the case with Individual Placement and Support (IPS). IPS targeting young adults in Norway, who are in the risk of early work disability, is evaluated in Sveinsdottir et al. (2019). The participants had various social and health related challenges that not necessarily involved mental illness. Therefore, the IPS principle of integrating employment services with mental health treatment was not implemented, although health personnel were involved in cases where it was applicable and accepted by the participant. The study finds positive effects of IPS on employment for young adults (18–29) (Sveinsdottir et al., 2019).

Supported Employment (SE)

The aim of SE is to assist the persons in finding and maintaining paid employment in the open labour market with the same wages, terms and conditions as other employees – the general idea is place then train. An important element is ongoing support whilst in paid employment. Support is individualized and is on a need basis for both the employee and the employer (European Union of Supported Employment, 2024).

The most well-known type of SE is probably Individual Placement and Support (IPS). In IPS there is an additional emphasis on the co-location of employment and clinical staff. IPS is a manual-based intervention that was originally developed for people with severe mental illness. IPS builds on eight principles: eligibility based on client choice, focus on competitive employment, integration of mental health and employment services, attention to client preferences, work incentives planning, rapid job search, systematic job development and individualized support (Hellström et al., 2017).

Icelandic caseworkers talked about some challenges with a newly established Icelandic 'IPS light' programme aiming at assisting vulnerable youth aged 18–29 years find a job or start an education. They recounted that although a sizeable number of young people might benefit from 'IPS light' in practice it was not always easy to provide this support for young people who might not be ready to receive it. In the first place, many young unemployed persons did not want a job, and if they did and might benefit from support, they might not want an IPS consultant accompany them to the employer or assist them in the workplace for fear of stigmatization. Still, their overall experience was that a number of young people did benefit from their IPS light approach.

Alternative educational pathways

Across the Nordic countries, there is a strong focus on increasing the number of young people completing education. However, according to several caseworkers, many vulnerable young people do not thrive in traditional educational settings. Additionally, some young people have negative past experiences with the schooling system, and therefore they may be unmotivated to pursue education when they first enter the employment system. As a result, alternative educational pathways, such as Norway's "trade certificate" without schooling, are highlighted by caseworkers as important tools.

Trade certificate (fagbrev)

Several Norwegian caseworkers highlight that a trade certificate (fagbrev) can be an effective tool for helping young people who are far away from the labour market and the education system. Many of these young people have had negative school experiences, leaving them unmotivated to return to traditional schooling. At the same time, the labour market increasingly demands formal qualifications, creating barriers for those without education or work experience.

Vocational education programs leading to a trade certificate offer a solution that combines theoretical knowledge with practical experience. The most common structure, the 2+2 model, consists of two years of schooling followed by two years of apprenticeship (Fløe et al., 2019; Tønder & Aspøy, 2017). However, alternative models are available to accommodate different needs and life situations, making them particularly relevant for young people facing complex challenges, such as:

- 0+4 Model: Four years of apprenticeship without schooling, leading to a trade certificate.
- 1+3 Model: One year of schooling followed by three years of apprenticeship, leading to a trade certificate.
- 3-Year Model: Three years of schooling with partially integrated apprenticeships, resulting in vocational competence without a trade certificate.

A common feature of these various models is the final vocational test that ensures that the candidate has achieved the right skills in the vocational subject.

This deep dive is based on three different data sources

- Own calculations using data from European Labour Force Survey and EU-SILC. The calculations are based on definitions and methods used in Højbjerg et al. (2022) og (2023b.)
- Literature from the reviews presented in Højbjerg et al. (2023a) og (2024) supplemented with some few extra references.
- Interviews with a total of 44 caseworkers in various parts of the Nordic countries' public employment services conducted for Højbjerg et al. (2024). These interviews aimed at uncovering the practical knowledge and experiences among the caseworkers concerning the effectiveness of the different types of employment instruments on which the literature review focusses

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5.2 Deep dive 2: Inclusion of immigrant women

Key takeaways

Employment rates have risen among non-western immigrants in the Nordic countries in the years following the financial crisis in 2008; especially since the economies recovered from around 2013. A report from the OECD states that in 2023 female immigrants' employment rate within the EU27 is at a record high (OECD, 2024, p. 59). Nonetheless, labour market participation and employment rates among male and especially female non-western immigrants are still far below similar rates among immigrants from EU-countries and among native males and females.

Given the low employment rates among immigrant women from less developed countries, their integration into the labour market is high on the policy agenda in many OECD countries, including in the Nordics. This deep dive documents some of the main employment barriers they confront. Moreover, it describes important tools to overcome these barriers based on research and interviews with caseworkers working in the public employment services in the Nordic countries.

The barriers confronting female immigrants typically relate to individual characteristics such as poor host country language proficiency, no recent work experience and/ or no work experience at all, lack of education, and to a less extent physical and/or mental health problems. Care responsibilities are also much more prevalent than among male immigrants. Research shows that female refugees are the most disadvantaged group among female immigrants given a greater likelihood of mental and physical health problems.

Important programme and interventions to address the barriers encompass:

Building trust and motivation is according to several caseworkers important when establishing a relationship and working with immigrant women (and men) in the employment system.

Adequate language training is crucial for improving the employment rates among immigrant women, since poor command of the host country language decreases their chances for finding a job.

Strengthening skills and providing host country work experience is also important. Internships in public or private workplaces or wage subsidy jobs can be very valuable tool for women with little to no work experience or formal education. It can provide them with some of the skills they lack and some valuable work experience.

Introduction

Immigrant women from less developed countries represent a sizeable and growing part of the population in many OECD and EU countries (OECD, 2018). Therefore, their integration into the labour market as well as the challenges and barriers they face in this process is high on the policy agenda in many OECD countries, including in the Nordics.

Immigrants—both men and women—tend to be disadvantaged with regards to employment due to the fact that they have generally been raised in a social and cultural context different from their new host country. Typically, they lack proficiency in a new host country language as well as, to varying degrees, the educational qualifications and work experience required by the host country labour market (Jakobsen et al. 2021) that potentially meets them with varying degrees of prejudice and discrimination (Dahl and Krog 2018). Immigrant women face additional barriers with respect to employment compared to both native-born women and immigrant men (Kofman, Roosblad, and Keuzenkamp 2009). Finally, female refugees as a subgroup among immigrant women tend to be affected by what Liebig and Tronstad (2018) term ‘triple disadvantage’ in the sense that they face barriers relating to being both immigrants, women and refugees; the refugee situation often involving having experienced a violent uprooting, trauma and physical injuries (Peconga and Høgh Thøgersen 2020).

In this deep dive, we will first describe the employment rate and the overall barrier profile among immigrant and refugee women in the Nordic labour markets. Secondly, we describe some of these barriers in greater detail, and thirdly outline some of the most important interventions needed to remedy these barriers. We draw on existing research and previous analyses and reports in the project, including interviews we conducted during the first half of 2024 with relevant Nordic caseworkers.

Employment rate and overall barrier profile

The overall employment rate for non-Western immigrant and refugee women is lower than for both native men and women and immigrant men (Arendt and Schultz-Nielsen 2019). Figure 5.2.1 illustrates the employment rates among women of different origin in the Nordic countries compared to the EU. As can be seen from the figure, non-EU born women have the lowest employment rates in both the Nordic countries and in the EU. Still in both contexts the employment rates among these women have risen substantially when comparing 2013 to 2023 – from 54% to 62% in the Nordic countries and from 47% to 56% in the EU.

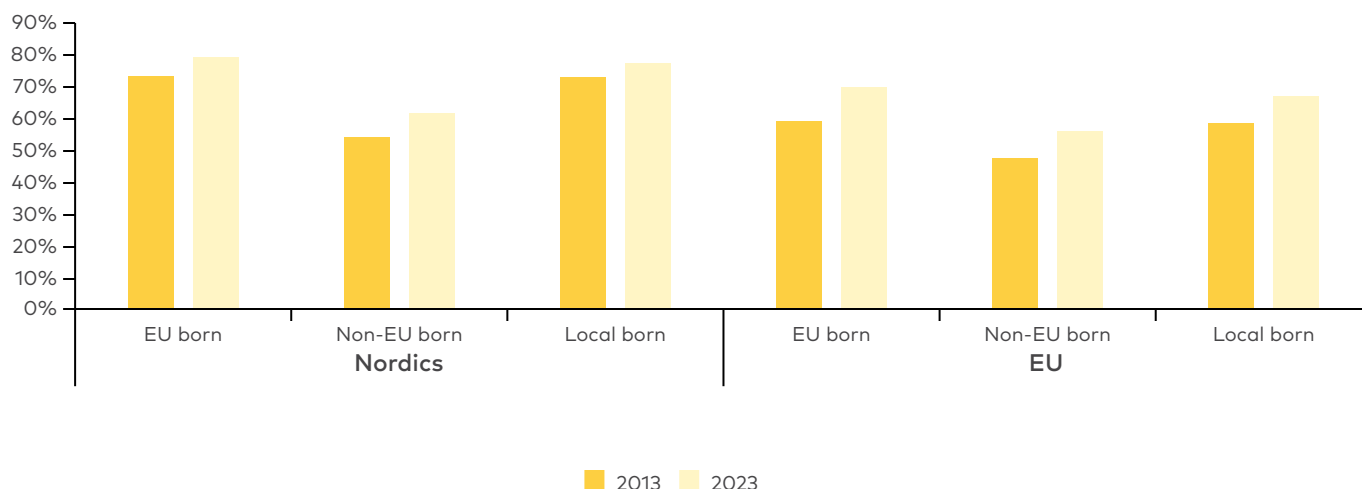


Figure 5.2.1 Employment rate among local, EU and non-EU born women in the Nordic countries.

Source: Own calculations based on microdata from Eurostat's Labour Force Survey.

Figure 5.2.2 zooms in on the differences between the Nordic countries in terms of employment rates among immigrant women of either EU- or Non-EU descent. The figure illustrates that employment has risen between 2013 and 2023 for both groups of women in all the Nordic countries. In 2023, non-EU born women have employment rates of 76 pct. in Iceland and between 60 pct. to 64 pct. in the other four countries.

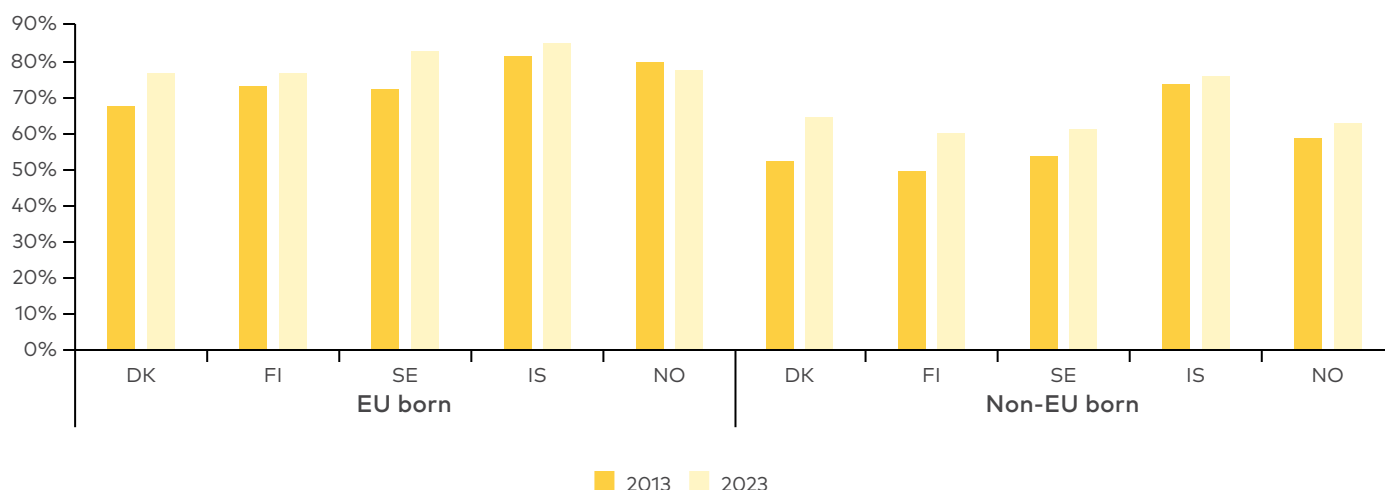


Figure 5.2.2 Employment rate among immigrant women (15–64 years old) in the Nordic countries by country

Source: Own calculations based on microdata from Eurostat's Labour Force Survey.

Figure 5.2.3 illustrates, that women born outside EU often experience employment barriers related to individual characteristics, with no recent work experience, lack of education, no work experience and physical and/or mental health problems being the four most common barriers. This is in accordance with insights from our interviews with Nordic caseworkers among whom several note that these barriers, along with limited proficiency in the host country language, are especially prevalent among female immigrants from non-EU countries.

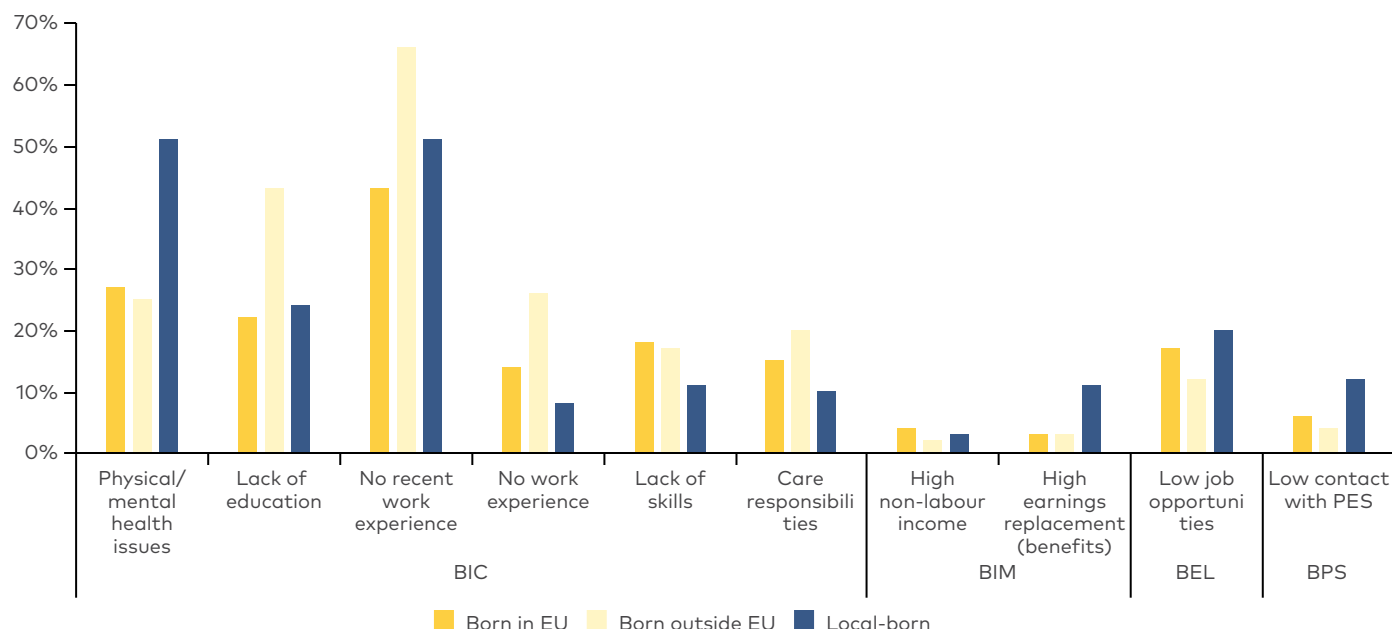


Figure 5.2.3 Prevalence of barriers among EU, non-EU and local born women in the Nordics

Source: Own calculations based on microdata from Eurostat's EU-SILC. For a description of the operationalization of the barriers, see Højbjerg et al. (2023b).

Moreover, many of these women face multiple, overlapping barriers to employment, each negatively affecting their labour market opportunities. In addition, as illustrated by figure 5.2.4, migrant women's labour market participation is to a higher degree than migrant men influenced by factors like family composition, childcare responsibilities and culturally specific norms (Arendt and Schultz-Nielsen, 2019).

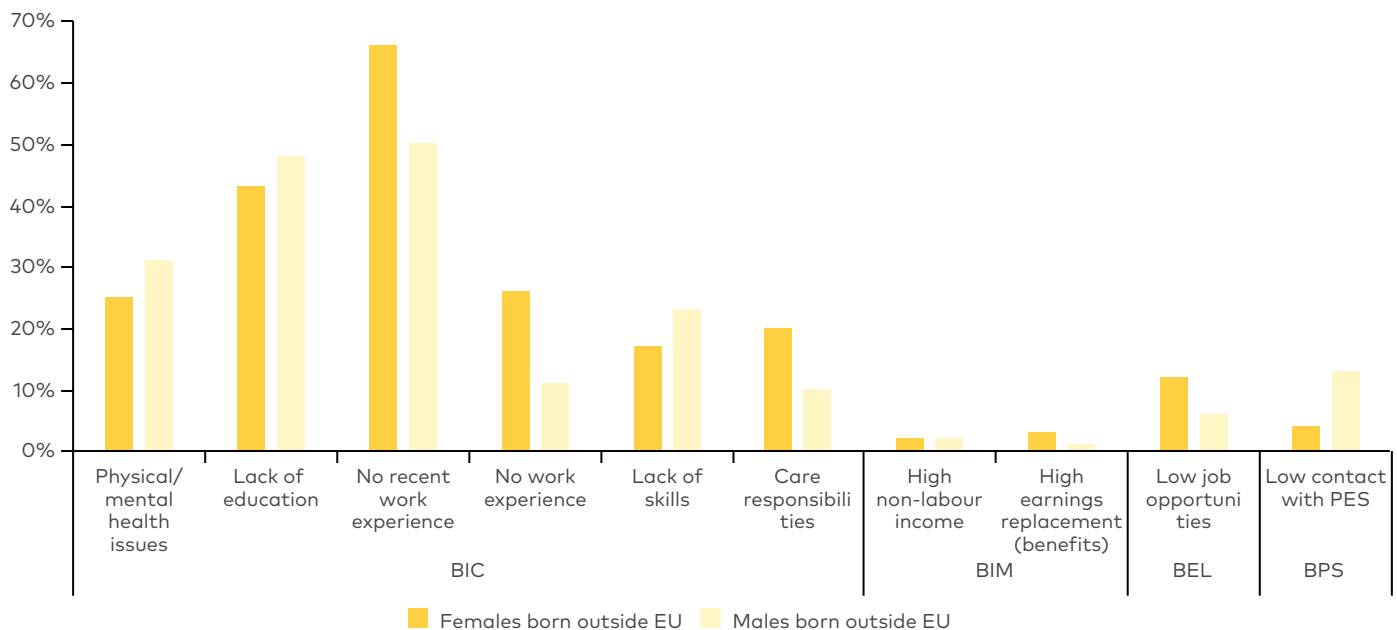


Figure 4 Prevalence of barriers non-EU born men and women in the Nordics

Source: Own calculations based on microdata from Eurostat's EU-SILC. For a description of the operationalization of the barriers, see Højbjerg et al. (2023b).

Migrant and ethnic minority women represent a highly diverse group, varying in demographics, nationality, education, skills, religion, legal status, residence duration, and employment experience. Within this group, refugee women are particularly vulnerable; studies show that they often have lower educational attainment and fewer basic qualifications compared to other immigrant women and refugee men. Refugee women also tend to achieve lower host-country language proficiency compared to men during the first 2–3 years after arrival, which may persist over time. Hence, it takes longer time for refugee women to get established in a new host society, and in particular in its labour market compared to refugee men (Liebig and Tronstad, 2018).

Main barriers

The following section provides an overview of some of the key barriers to employment for immigrant women as experienced by caseworkers in the five Nordic countries working with immigrants and refugees in the employment systems. In the interviews with the caseworkers, we focused on employment barriers and instruments to overcome these barriers in relation non-western immigrants broadly, not just women. Still, several interviewees highlight barriers to employment for immigrant women and instruments overcome these barriers.

Lack of language skills

Caseworkers across the five Nordic countries report that insufficient proficiency in the host country's language is the biggest and most prevalent barrier to employment for immigrant and refugee women. Many women arrive speaking only their native language, which makes it challenging for caseworkers to match them with employers willing to offer labour market training. Although host country language fluency is not expected by employers for many unskilled jobs, several caseworkers highlight that it is often essential that immigrants are able to understand and engage in a simple conversation in this language. Many companies are reluctant to hire people with whom managers or future colleagues cannot communicate (Jakobsen et al., 2021; Eriksson and Rooth, 2022).

Furthermore, the interviewed caseworkers also state that, even when the caseworkers and the immigrants secure workplace internships, lack of language skills can prevent their subsequent transition to paid employment. This finding is in line with recent studies on migrant's path to employment. For example, a Danish study on immigrant women found that many of the interviewed women had experienced, that employers used poor language skills as the primary reason for not offering them paid employment after the training concluded (Bertram-Larsen et al., 2023). In the same study, many immigrant women expressed the view that lack of host country language proficiency often leads to a feeling of exclusion in the workplace, since, for example, it barred them from participating in everyday interactions with their colleagues. Moreover, this feeling of exclusion became a demotivating factor in relation to employment (Bertram-Larsen et al., 2023). Another Danish study found that language barriers also hinder migrant women from pursuing ordinary education that could enhance their chances of finding employment (Ali et al., 2019).

Lack of work experience and formal qualifications

Several caseworkers highlight that many women with refugee and immigrant backgrounds, who originate in countries with more traditional family values, often lack a work identity and work experience. For some, their first job placement or labour market training in one of the Nordic countries is their initial experience of being in a workplace.

According to multiple caseworkers, that we interviewed, this lack of work experience is a significant barrier to employment, especially affecting women since most migrant men have work experience from their home countries. In addition, caseworkers experience that many of the unemployed women have limited or no understanding of the local labour market in the host country. This finding is in line with previous research showing that a lack of knowledge about the labour market

can present a barrier to employment, especially among newly arrived female immigrants (typically refugees and family reunited persons, Jakobsen et al., 2021).

Furthermore, due to their lack of work experience, many of these women also lack the necessary job-specific skills needed for employment. Several caseworkers emphasize that often women accustomed to more traditional gender roles have a low level of education. As a result, they have no formal qualifications to present to an employer. The combined lack of education and work experience is, according to multiple caseworkers, a significant barrier to employment for migrant women. In contrast, many migrant men, even if lacking formal education, often have work experience from their home country making it easier for them to find employment. According to several interviewees, these barriers are compounded by the fact that the Nordic labour markets increasingly require formal and/or job-specific qualifications.

Cultural differences; gender roles and family life

Several caseworkers highlight that a key employment barrier for many women born outside the EU is that they have been used to an everyday life with more traditional gender roles than those typically seen in the Nordic countries. Many of these women originate from societies where men are expected to be the primary earners, while women are responsible for providing family care. Several caseworkers note, that in their experience, as a result of growing up in a culture with such gender roles, it was often neither expected nor necessary for these women to pursue education or work in their home countries—the implication being that many migrant women from outside the EU arrive in the Nordics without formal education or work experience.

According to some interviewed caseworkers, it can be difficult for migrant women accustomed to more traditional gender roles in their home country to envision themselves being part of the labour market. This is partly due to that their responsibilities and obligations persist after migrating, implying that they spend a lot of time and energy on family caretaking responsibilities. For some, balancing family caregiving obligations with labour market participation can be challenging and lead to conflicting demands; on one hand, they feel a strong responsibility to care for their families, while on the other hand, they are required to participate in the labour market in order to qualify for financial benefits.

Recent research shows that, for many non-Western migrant women, the role of housewife is central to their identity. However, this should not be mistaken for a lack of interest in or motivation to work among some of these women. Bertram-Larsen et al. (2023) report that immigrant women express a strong desire to contribute financially to their family's well-being and to serve as positive role models for their children, for example by working. Thus, despite being socialized as

housewives in their home countries, they did not lack interest in working in their new country. On the contrary, many of the women strived to combine their identity as housewives with their new role as workers (Bertram-Larsen et al., 2023). In accordance, many of the caseworkers that we interviewed emphasize that most migrants in the employment system, both men and women, are motivated to work.

Barriers relating to employers/economy and the employment system

As highlighted in previous reports in this project, individual characteristics alone cannot explain the lower level of labour market participation among vulnerable groups, including immigrant and ethnic minority women. Considering the demand side of the labour market, i.e. the preferences of employers and the overall state of the economy is also important (Højbjerg et al., 2023). Previous studies have highlighted that discrimination can be a significant barrier for immigrants in the hiring process (Dahl and Krog, 2018). Moreover, underlying figure 1 and 2 the stronger state of the economy in EU and the Nordic countries in 2023 compared to 2013 likely also accounts for rising employment rates among immigrant women during that period. We should also be aware that previous research has found that refugee women receive less support in the public employment system than refugee men (Liebig and Tronstad, 2018, p. 30–31). Still, our own research indicates that this situation may have changed in the sense that low contact with the PES is a more prevalent barrier among unemployed men born outside the EU than among women with a similar background (see figure 4).

Instruments to combat employment barriers for migrant women

Relational and motivational work

Several caseworkers report that building a relationship and establishing trust with the clients is important when working with these persons in the employment system. When trust is established, it is often easier to identify the individual's specific challenges and barriers to employment. Additionally, caseworkers underline the importance of acknowledging each woman's personal wishes and goals to ensure that she feels recognized and acknowledged. As one Finnish caseworker said 'there are very few people who are unmotivated. Those who are not motivated often deal with very complicated issues. You have to understand, why they are not motivated'. Norwegian research on the relationship between unemployed immigrants and the Norwegian PES (NAV) indicates that mistrust often characterizes this relationship. This is due inter alia to the fact that NAV has to check if benefits recipients live up to their activation obligations in accordance to legislation and to a lack of Norwegian language competencies among some of the

immigrants (Andresen, Friberg, and Cecilie, 2023). Still, other research stresses that user involvement is a central component in good public service provision (Djuve and Tronstad 2011) as it may also enhance the motivation among the potential beneficiaries of this service.

Language training

As mentioned above, several caseworkers across the Nordic countries highlight that lack of proficiency in the host country language is the primary barrier to employment for many immigrant women, especially those born outside the EU since often they only speak their native language. Liebig and Tronstad point out that refugee women with intermediate or advanced levels of proficiency in the host-country language have 40 percentage points higher employment rates than those with little or no language skills (2018, p. 9). Many employers are reluctant to hire employees with no or very limited host country proficiency, making language training a crucial instrument for enhancing migrant women's employment opportunities. This is further supported by research showing positive long-term effects of language training on the employment prospects of refugees and immigrants in the Nordics (Højbjerg et al. 2024). Furthermore, previous studies also stress the importance of equipping immigrants with basic language skills before introducing them to the labour market. This is echoed in our interviews by a Finnish caseworker who, in addition, notes that for newly arrived immigrants and refugees time is often better spent on language training than on employment-oriented activities, as their limited language skills disqualify them from most jobs. However, the caseworker also notices that this is to a limited extent recognized by the Finnish employment system that requires immigrants to participate in labour market training (in order to qualify for financial benefits) rather than in language training.

Co-working and coordinating with other actors

Several caseworkers stress the importance of focusing on each individual woman's unique opportunities and challenges in regard to finding employment, hence a holistic approach is essential when working with these individuals. Additionally, caseworkers highlight the importance of close collaboration with other actors surrounding the women. This includes, for example, their spouses, other professional actors and potential employers. Multiple caseworkers note that some women are not motivated to pursue employment when they first enter the employment system in their Nordic host country. This is partly because they are accustomed to traditional gender roles, making it difficult for them to envision themselves in the workforce. In such cases, several interviewees emphasize the important role of the women's husbands in shaping their self-perception and view of employment opportunities. According to these interviewees, it is often easier for

women whose networks support their employment prospects to pursue education or secure a job. This finding is consistent with previous research stating that it can be difficult for migrant women to adapt to their new identity as a worker and that their spouses play a significant role in this adjustment process (Bertram-Larsen et al., 2023). Assistance from other immigrant women who have found work, i.e. resources inherent in local networks, may also promote these women's employment chances (Deloitte, 2015; Damm, 2009).

Labour market training and company internships

As noted, many caseworkers state that lack of work experience and (formal) skills are key employment barriers for many immigrant women born outside the EU, especially those who have been used to more traditional family roles in their home countries. Previous research emphasizes that lack of work experience makes the time immediately following immigration crucial for these women to gain local work experience (Busk and Jauhiainen, 2022). According to several caseworkers, labour market training, for example company internships, is a valuable tool for women with little to no work experience or formal education, as it provides them with insights into the structure and functioning of the labour market in their Nordic host country.

Additionally, multiple caseworkers note that it is essential to ensure a good match between the employee and the company. This includes aligning the training placement with the woman's qualifications and career aspirations, as well as making sure that the companies are prepared to invest the necessary time and resources to support and integrate the women into the workplace. As described in Højbjerg et al. (2024), the Danish so-called industry packages program for non-western immigrants with poor labour market prospects has small positive effects on employment—mainly driven by increased female employment (Rotger and Thuesen, 2023). In short, the program entails that job centers in municipalities collaborate with local employers to set up a structured sequence of job training internships that provides participants with skills relevant for local industries with labour shortages. Still, in our interviews, several caseworkers emphasize that a certain level of language proficiency is often required by employers for a company internship, which disqualifies some women from this opportunity, or weakens their chances for landing a job even after a period as an intern.

Wage subsidies and 'regular paid hours'

Many caseworkers perceive a job with a wage subsidy as an important tool for promoting labour market integration among immigrants, including immigrant women (as also stressed in report 4, see Højbjerg et al., 2024, p. 65–69). For instance, Norwegian caseworkers share the experience that wage subsidies are a

tool with good effect, that also provides rights for sickness benefits, parental benefits, unemployment benefit. Hence, it is a stepping stone into the labour market—a perspective also shared by Finnish caseworkers who also stress that even if immigrants who have had a wage subsidy job are not employed afterwards, they gain experience with the Finnish labour market. The same experience is shared by Icelandic caseworkers who also stress that wage subsidies is in fact the primary way into Icelandic workplaces because internships are not commonly used in Iceland. Sweden has recently set up a scheme termed 'establishment jobs' ('etableringsjobb') targeting persons who have been unemployed for a long time and newly arrived individuals in Sweden. It is up to the applicant to find an internship themselves and then they can apply to the PES for support, which processes it. Salary consists in wages from an employer and compensation from the Swedish Social Insurance Agency (Försäkringskassan). Wage subsidy jobs are also a commonly used tool in Denmark. During recent years so-called 'regular paid hours' ('lønnede timer') have also received a strong focus as a useful tool. The 'regular paid hours' can be an element in or an outcome of a job internship in a workplace where the employer agrees to pay ordinary salary for a limited number of hours. The purpose is to provide the person in the internship with the experience of gaining ordinary salary and hence strengthen her/ his job motivation in this way.

This deep dive is based on three different data sources

- Own calculations using data from European Labour Force Survey and EU-SILC. The calculations are based on definitions and methods used in Højbjerg et al. (2022) & (2023b.)
- Literature from the reviews presented in Højbjerg et al. (2023a) og (2024) supplemented with some few extra references.
- Interviews with a total of 44 caseworkers in various parts of the Nordic countries' public employment services conducted for Højbjerg et al. (2024). These interviews aimed at uncovering the practical knowledge and experiences among the caseworkers concerning the effectiveness of the different types of employment instruments on which the literature review focusses

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5.3 Deep dive 3: Addressing the Disability Employment Gap

Key-takeaway

The Disability Employment Gap (DEG) has shrunk by a fifth between 2014 and 2023, but a rise in the population share of people with disabilities means, that the gap remains an important challenge to be solved. Previous research has also shown that employment rates and employment conditions of people with disabilities are disproportionately affected by economic downturns (Jones et al., 2021). In this deep dive we investigate the education's role in addressing the disability employment gap. While educational attainment among people with disabilities has provided large welfare improvements for individuals and society, our analysis suggests that the DEG would only shrink from 29 to 26 ppts. if the education levels of people with disabilities were to match the levels of people with no disabilities across the Nordic countries.

Unsurprisingly, the likelihood of being employed is heavily influenced by disability, i.e. being limited in daily activities because of lasting health concerns. A rough quarter of the Nordic labour force has some type of disability which should bring the topic to the forefront of public policy. Effectively narrowing down the DEG could be part of the solution of increasingly complex challenges facing policymakers in the Nordics.

The key-takeaway is supported by calculations highlighting that educational attainment for people with disabilities in the Nordic Countries is already high and employment gaps persist even at the highest levels of education – this combination means that the potential for bringing down the DEG by increasing educational attainment is limited highlighting that other structural barriers in the labour market persist.

Governments and companies must ensure reasonable accommodation, provide support, and foster a more inclusive culture. Research shows barriers regarding obtaining jobs, but also within the workplace, where employees with disabilities may experience exclusion and marginalisation. (Mik-Meyer, 2016). This has been documented even for organisation that place emphasis on work inclusion of people with disabilities, which points to the importance of developing knowledge and practices that make work and employment sustainable for people with disabilities.

Narrowing down the DEG can address challenges facing the Nordic Countries:

- One in four adults has a disability.
- **NEETS (youth not in employment, education, or training)** are twice as likely to have a disability compared to their peers.

Source: Statistics above as well as the analysis is based on the EU-SILC database.

Among people with disabilities:

- 55 pct. are **women**.
- One in three faces **financial insecurity**.
- One in seven faces **unmet healthcare needs**.

Source: Statistics above as well as the analysis is based on the EU-SILC database.

Individuals with disabilities experience higher rates of economic and medical challenges compared to the general population and are disproportionately female. These disparities underscore the urgent need for targeted attention to this group due to the severity of the inequalities they face. Tackling workplace inequality is a crucial step toward addressing these broader disparities and enhancing the overall well-being of people with disabilities.

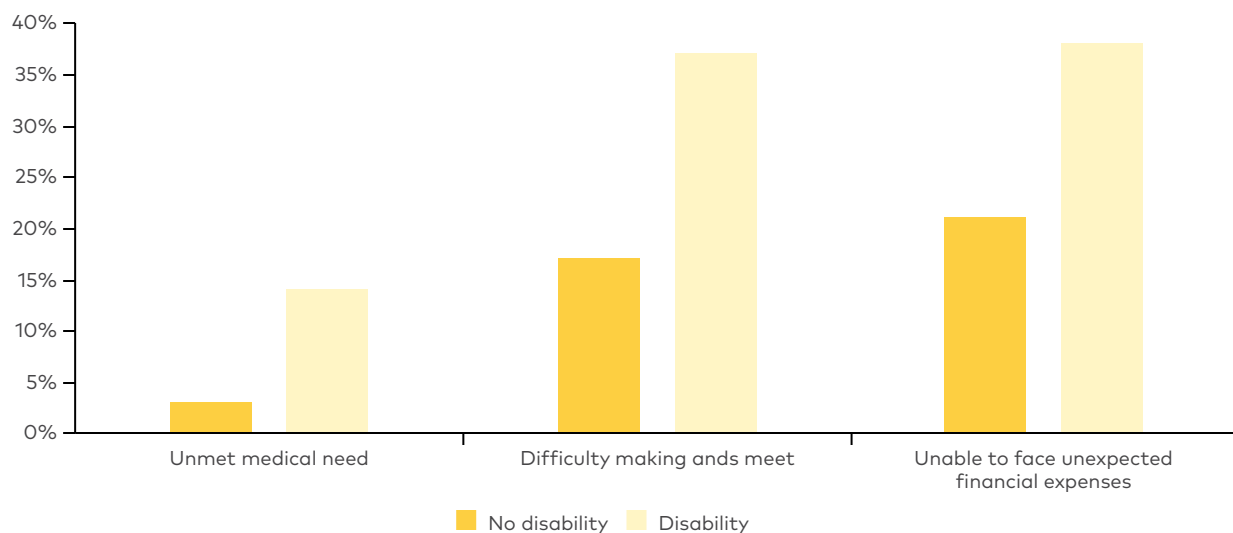


Figure 5.3.1 People with disabilities in the Nordics face a multitude of challenges

Source: EU-SILC.

Note: 16-64-year-olds in the years 2017-2020. See appendix B for an in-depth explanation.

The disability employment gap in the Nordics has been historically larger than in the EU (see figure 5.3.2 and figure 5.3.3), which is due to a combination of availability of welfare state arrangements and the Nordic countries' being on the forefront of the normalisation movement (Tøssebro et al., 2012; Gjertsen et al., 2021). While the disability gap is showing signs of narrowing, the proportion of the population with disabilities is rapidly increasing. As a result, the disability employment gap already impacts a significant number of people and may affect even more in the future. This underscores the urgent need for focused efforts to reduce employment disparities.

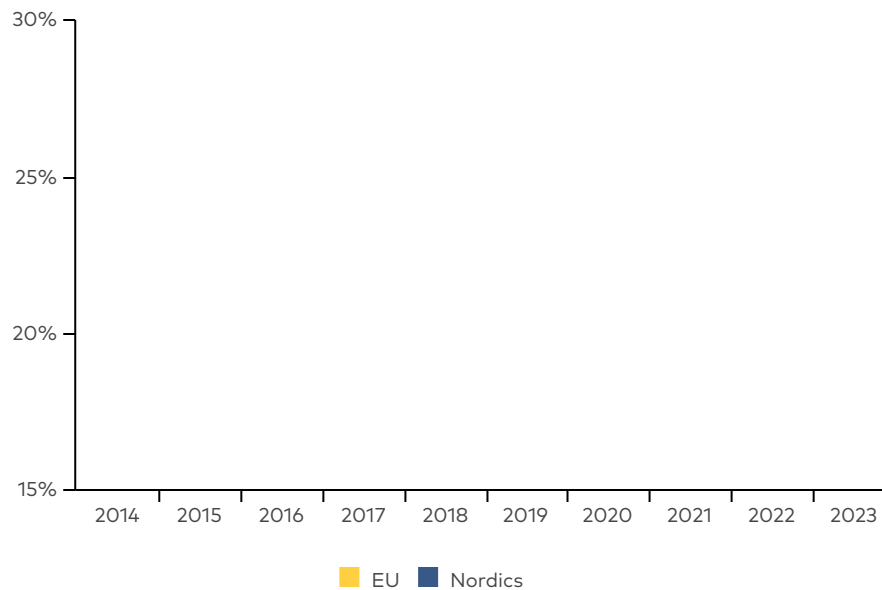


Figure 5.3.2 The Nordic DEG has shrunk by a fifth since 2014...

DEG in the Nordics and EU

Source: Eurostat.

Note: 16-64-year-olds. Iceland left after out 2019 due to data limitations. Nordic countries weighted by population.

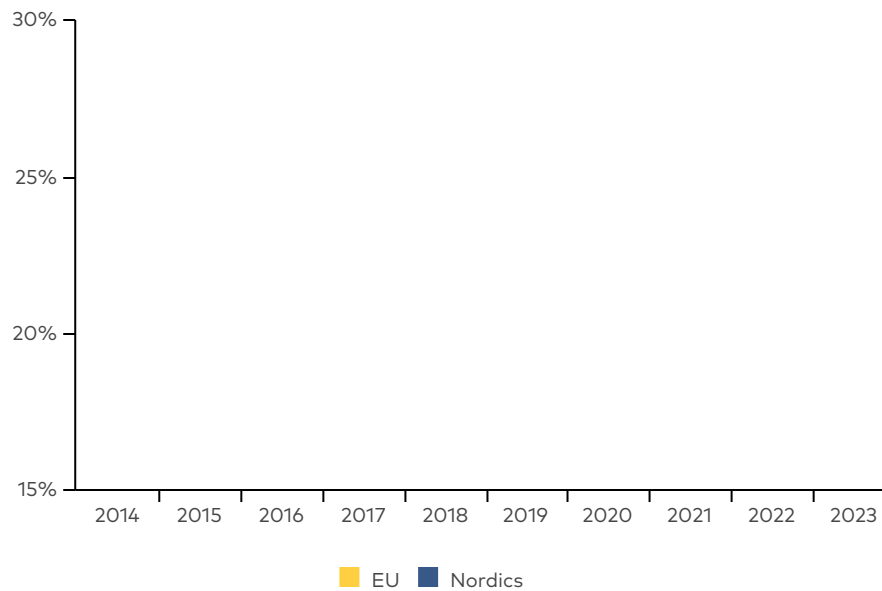


Figure 5.3.3 ...but a rising share with disabilities means that the DEG remains a problem for many people

Disability shares in the Nordics and EU

Source: Eurostat.

Note: 16-64-year-olds. Iceland left after 2019 due to data limitations. Nordic countries weighted by population.

We cannot rule out the possibility that one factor contributing to the shrinking disability employment gap is the increasing share of individuals who identify as having a disability and the increased recognition of mental health issues, intellectual disability and chronic illness. It is therefore possible that some individuals who self-identified as having a disability in 2023 might not have done so in 2014. Disability pension systems in the Nordic countries rely on socio-medical criteria for assessing eligibility, which implies that the most severe disabilities have traditionally been included in the disability pension systems. Increased recognition of other, and in many cases less severe, conditions, expands the scope of functional limitations at work and creates more diverse challenges in terms of accommodations and inclusion. These evolutions in definitions of disability may also explain the lower disability employment gap in more recent data. Therefore, changing disability employment gaps do not mean that barriers for certain types of disabilities have been successfully addressed.

Working-aged people with disabilities make up a significant portion of the population of the Nordic countries. Labour market participation, however, is significantly lower than for people with no disability (figure 5.3.4). Labour market participation based on inclusion may be beneficial both for the individual, who sees

higher income, a sense of community and purpose, as well as for the society, which sees increased tax revenue and a higher level of social cohesion, and for companies who can access valuable labour resources.

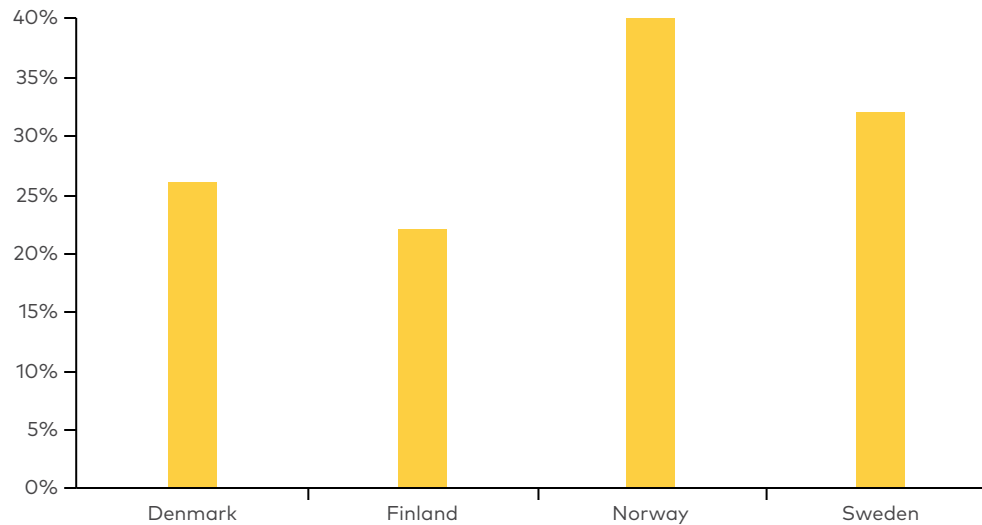


Figure 5.3.4 Gap in employment is large

Employment gap between people with disabilities and people with no disability, 2017–2020

Source: EU-SILC data.

Note: 30–64-year-olds.

Definition of disability and disability employment gap

The definition of disability used in this analysis (and in other work like Van der Zwan & de Beer (2021)) aligns closely with the standard definition in disability discussions. It encompasses individuals who report limitations in their daily activities due to long-standing health issues or disabilities. This includes a broad range of conditions, from work-related injuries like knee problems in construction workers to social anxiety and wheelchair use, if these conditions lead to perceived limitations in daily activities.

We follow the standard definition of the difference in employment rate in percentage points between people with disabilities and people with no disability.

This analysis seeks to uncover how education fits into this picture and how much of the employment gap could potentially be narrowed down by increasing the educational attainment of people with disability to the level of people without disability.

At least part of the employment gap between people with disabilities and people with no disability in the Nordic countries is attributable to differences in education levels (i.e. education gap). On average, people with disabilities have a lower level of education (figure 1.5). Since higher levels of education is generally found to increase employment rates, education alone explains some of the disability employment gap (DEG).

Further examining the data reveals that the gap between people with and without disabilities persists at higher levels of educational (figure 5.3.6). The disability employment gap, however, appears to be shrinking with an increase in educational attainment. This implies that the employment can be remedied but not entirely fixed, if the difference in educational attainment of people with disabilities and people with no disability were to be eliminated.

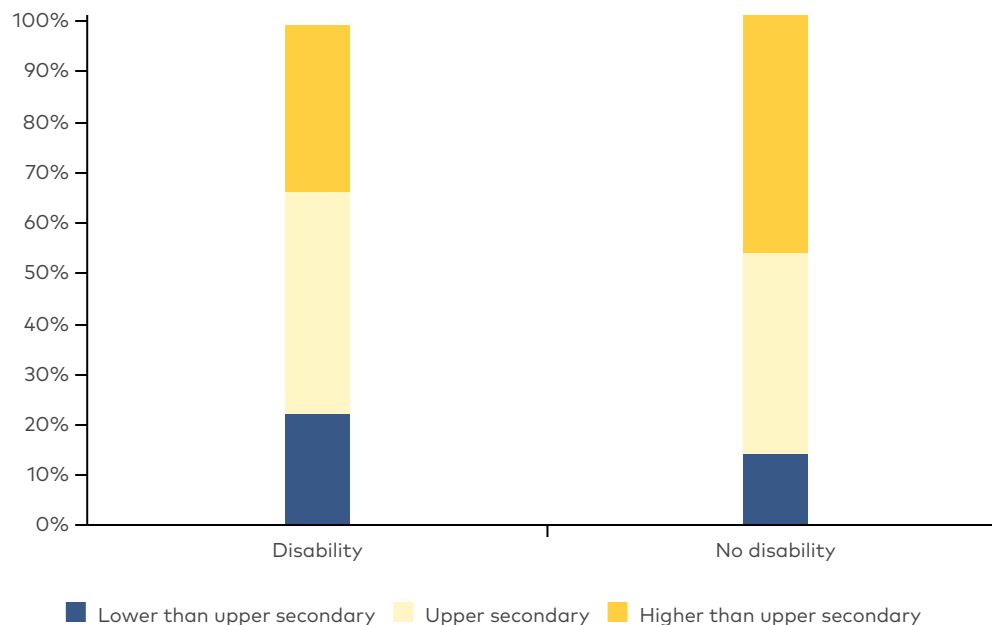


Figure 5.3.5 People with disabilities generally have a lower level of education

Population shares by educational attainment, 2017–2020, Denmark, Finland, Norway and Sweden

Source: EU-SILC data.

Note: 30–64-year-olds.

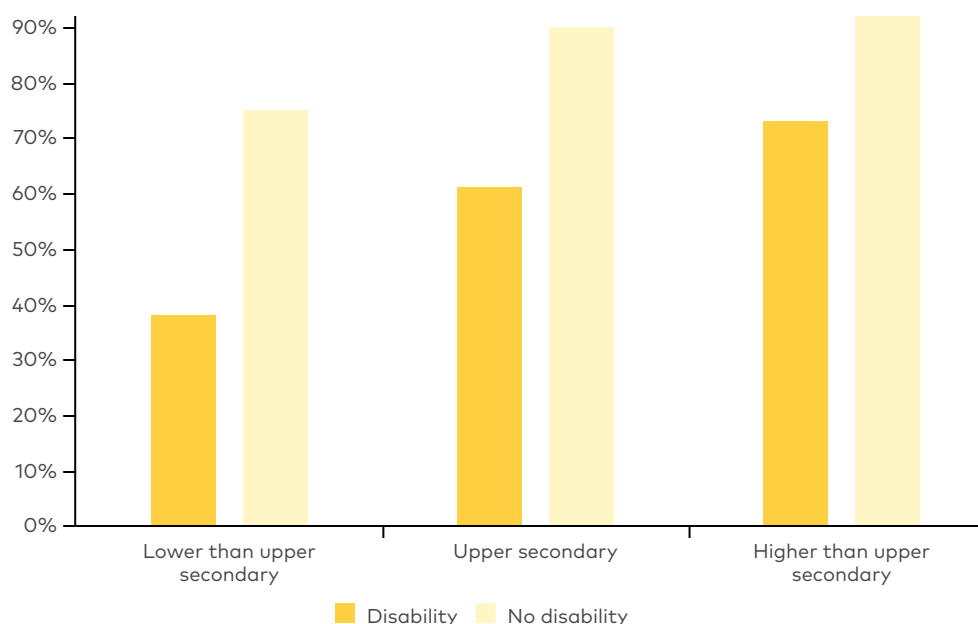


Figure 5.3.6 Disability employment gap shrinks at higher levels of education

Employment share by educational attainment, 2017–2020, Denmark, Finland, Norway and Sweden

Source: EU-SILC data.

Note: 30–64-year-olds.

In accordance with previous findings, this suggests that education generally is important for individual level outcomes and offers a higher marginal benefit for people with disabilities compared to people with no disability. This implies a shrinking disability employment gap at higher levels of education (figure 5.3.6).

To make a general assessment of the potential for narrowing down the macro-level DEG by means of education policies it is important to also consider potential number of people with disabilities that can be upskilled to a higher level of education. In the following section we combine the two to assess the potential from efforts to increase educational outcomes for people with disabilities.

Decomposing the disability employment gap

Our analysis suggests that the potential for narrowing the DEG by means of higher education is limited in the Nordic countries. We estimate that the average employment rate for people with disabilities would increase roughly three percentage points if their educational attainment matched the average of the people with no disability in the Nordics countries. i.e. the DEG would decrease from 29 to 26 pts.

The results stem from a regression-based approach that allow us to break down the differences in employment rates into two parts; namely one (explained difference) which is due to differences in observable characteristics and on the other hand those that are unexplained. The results from this relatively simple mechanical calculation are illustrative of the potential for narrowing the DEG by increasing the level of education among people with disabilities.

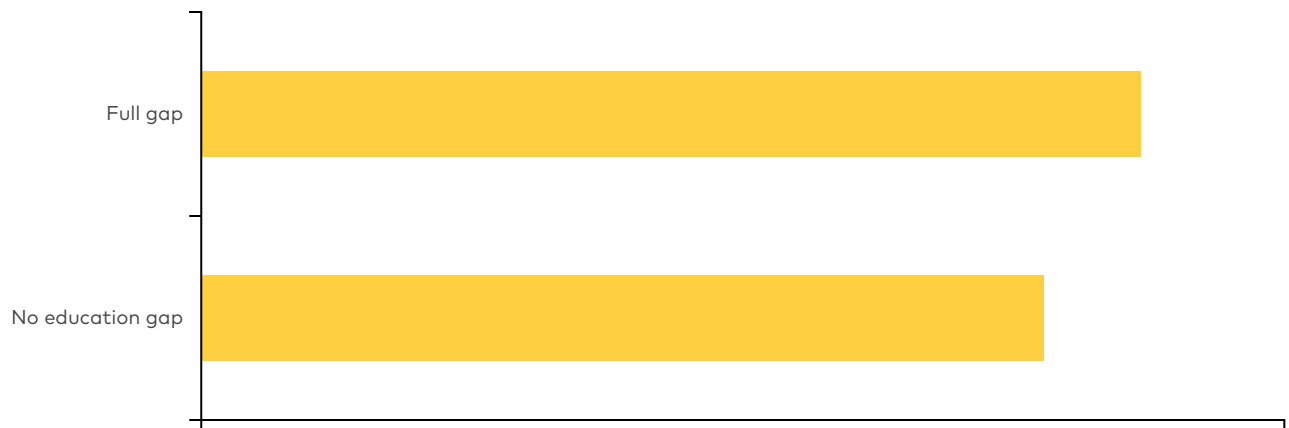


Figure 5.3.7 Closing the educational gap would imply a 3 ppts. decrease in the employment gap

Employment gap decomposition

Source: HBS Economics Blinder-Oaxaca decomposition, EU-SILC data.

Other observables includes e.g. age, gender, marital status, children, housing.

Explanation of the decomposition

We use a Blinder-Oaxaca decomposition following among others Bryan et al. (2023).

The decomposition is a statistical method used to analyse differences between group averages. It is particularly common in labour economics to understand wage disparities and employment gaps between different groups, such as between men and women, ethnic groups or in this case people with and without disabilities.

See [appendix A](#) for an in-depth explanation.

Given the fact that individual returns to education is considerably higher for people with disabilities than for people with no disability combined with the observed educational gap it seems somewhat at odds that closing the educational gap doesn't resolve a larger part of the employment gap.

There are two reasons for this: The primary reason is that a significant employment gap persists between people with disabilities and people with no disability with a high educational attainment (figure 5.3.6). The secondary reason is that educational attainment for people with disabilities in the Nordics is already high, implying a limited growth potential (figure 5.3.5).

This demonstrates that increasing the educational attainment can help reduce the disability employment gap, but only relying on education policies is insufficient in addressing the entire disability employment gap. Therefore, governments seeking to reduce the disability employment gap ought to direct a larger effort into breaking down the barriers preventing or barring people with disabilities from employment despite their educational status.

Avenues for addressing the disability employment gap

Previous work in this project demonstrates that barriers exist within the support systems in the labour market and employers' organisations, which may keep people with disabilities from obtaining and maintaining jobs, developing their careers, and more generally experiencing inclusion in the workplace (see e.g., Colella (1999) for an overview and Gjertsen et al. (2021) for a specific Nordic overview). Research has pointed to many specific barriers, including expectations of lower productivity, information gaps and risk-aversion related to hiring employees, prejudice and discrimination, and costs and lack of expertise associated with providing reasonable accommodations (Højbjerg et al., 2023). Recent Norwegian studies demonstrate the stereotypes and prejudices experienced by job applicants with disabilities (Bjørnshagen & Ugreninov, 2021; Berre, 2024), with for example wheelchair users receiving only half the callbacks after an initial job application in comparison to applications that did not disclose any disability, highlighting widespread discrimination in hiring practices.

To address barriers like these, governments and employers need to focus on three key elements to reduce the structural causes of the disability employment gap. These include:

1. **Insufficient support for reasonable accommodations in the workplace:** some work tasks may be unfeasible for a person with a disability without reasonable accommodations. The latter are a right enshrined in the UN Convention on the rights of persons with disabilities (United Nations, 2007)

and national legislation in the Nordic countries. Governments and employers should provide sufficient support and resources for reasonable workplace accommodations, such as flexible scheduling, adaptive technologies, or workplace modifications. Simplifying the process for requesting and obtaining accommodations is essential, and it is equally important to ensure that employees with disabilities are aware of their rights and the resources available to them. A lack of accommodations can unfairly limit their ability to contribute effectively to the workplace. Further, the cost of making such accommodations for people with mild physical disabilities is often relatively cheap and simple to implement (Zolna et al, 2008).

2. **Compensation schemes:** To incentivize employers to hire individuals with disabilities, wage subsidies are a measure that has been in place for decades in OECD countries (OECD, 2010, 2022), including in the Nordic countries. Its effects, however, are not clear-cut, and there are indications that wage subsidies may have no impact on employment of people with disabilities or even adverse impacts, where eligibility for wage subsidies is viewed by employers and co-workers as an indication of the person being less competent or less productive (see Angelov & Eliason, 2018; Jammaers et al., 2016). A Danish study (Datta Gupta & Larsen, 2010) indicates that wage subsidies may be successful at increasing placement of people with disabilities in jobs, but this is contradicted in a more recent Belgian study (Baert, 2016). In addition, quantitative research is lacking with regard to whether wage subsidies assist in making workplaces more inclusive. They have, at least discursively, been framed as compensations for perceived lack of productivity and employers' perceptions of risk associated with hiring a person with a disability.
3. **Combat exclusionary cultures in the workplace:** Employers must actively combat exclusionary behaviours, whether they stem from conscious bias, lack of awareness, or unintentional exclusion. For example, Bredgaard & Shamshiri-Petersen (2018) suggests that a lack of knowledge is an unconscious barrier for hiring individuals with disabilities among managers. This includes fostering a culture of openness and encouraging inclusive language and practices. Leadership must set a strong example by promoting diversity and inclusion as core values, helping to break down stigmas and stereotypes that often limit opportunities for individuals with disabilities. Other studies have pointed to the potential of informal support provided by mentors and co-workers (Gustafsson et al., 2018). An emphasis on work inclusion, as exemplified in the model developed in Canada (Lysaght et al., 2012) creates opportunities for employers' organisation to engage with diversity in a broad sense, which may lead to improved workplace culture and stronger diversity policies. Research in Iceland (Hardonk & Halldórsdóttir,

2021) suggests that caseworkers in supported employment services have the potential to contribute to organisations' inclusive competence, however current caseload, definitions of targets and what constitutes 'successful placement', and lack of instruments to incentivise employers make it difficult for the professionals to take up this role as 'inclusion coaches. This shows the potential of existing labour market services when viewed from a lens of work inclusion of people with disabilities.

The right to work is defined in the UN Convention on the rights of persons with disabilities within the context of an inclusive work environment, which requires the Nordic countries, as signatories of the convention, to engage with the complex challenges related to developing Nordic labour markets so that they are able to deal with diversity and enjoy the benefits of providing everyone with equal opportunities to contribute. Interventions must balance the concerns of both employees and employers, support for inclusion and reasonable accommodations, while not placing an insurmountable burden on employers. Initiatives related to inclusive human resource management in the USA show the potential of such interventions (see for example: <https://www.benchmarkability.org/>) and the Nordic countries are ideally placed, with strong welfare systems and services, to form an alliance with the organisations of people with disabilities, employers and professionals in support systems to develop an inclusive labour market.

Appendix A: Blinder-Oaxaca decomposition

Method

This analysis is based on the study "The Role of Education in The Disability Employment Gap" by Bryan et al. (2023). We use a method called the Blinder-Oaxaca decomposition to understand what influences employment status for people with disabilities and people with no disability respectively. This method involves looking at each group separately and then comparing the results to see why there's a difference in employment rates.

The Blinder-Oaxaca decomposition uses separate calculations for the employment status of people with disabilities and people with no disability.

The formula is:

$$\bar{y}_N - \bar{y}_D = \beta_D(\bar{x}_N - \bar{x}_D) + \bar{x}_D(\beta_N - \beta_D) + (\bar{x}_N - \bar{x}_D)(\beta_N - \beta_D)$$

The left hand side of the equality, $\bar{y}_N - \bar{y}_D$ represents the difference in average employment for people with disabilities and people with no disability, i.e. the disability employment gap, in percentage points.

The first part of the right hand side of the equality, $\beta_D(\bar{x}_N - \bar{x}_D)$, shows how much of the gap is due to differences in average characteristics (like education or work experience) between the two groups.

The second part, $\bar{x}_D(\beta_N - \beta_D)$, shows how much of the gap is due to different outcomes for the same characteristics. If people with disabilities and people with no disability were the same except for their disability status, this part would explain the whole gap.

The third part, $(\bar{x}_N - \bar{x}_D)(\beta_N - \beta_D)$, shows the combined effect of having different characteristics and different outcomes between the two groups.

Data

The analysis uses EU-SILC data from the Nordic countries between 2017 and 2020. As there is no data available for Greenland, Iceland, Åland og the Faroe Islands for the requisite years, those countries and territories are omitted from the analysis.

Following Albinowski, Magda & Rozszczypała (2023), people with less than primary education are also omitted from the analysis due to significant suspected heterogeneity with the rest of the population.

Employment is based on self reported primary status.

Disability status is based on self reported limitations in daily activities due to long-standing health issues.

Control variables

Like Bryan et al. (2023), this analysis includes control variables for sex, age group, marital status, children, housing, and urbanization.

Unlike Bryan et al., we have a less detailed birth country variable, using "LOC" (country where respondent lives), EU, and Other, where Bryan et al. (2023) uses individual country variables.

Following Van Der Zwan (2021), we categorize education into three levels: Lower than upper secondary, Upper secondary, Higher than upper secondary.

Appendix B: Method, Figure 1.1

Capacity to face unexpected financial expenses

Suggested question:

Can your household afford an unexpected required expense (amount to be filled) and pay through its own resources? Yes/No

The amount to be entered should correspond to 1/12 of the national at-risk-of-poverty threshold for a single consumption unit. Data collection agencies may round the calculated value, provided the difference between the rounded and calculated values does not exceed 5%.

We have included answer "No" as "Unable to afford unexpected financial expenses".

Ability to make ends meet

Suggested question:

A household may have different sources of income and more than one household member may contribute to it. Thinking of your household's total income, is your household able to make ends meet, namely, to pay for its usual necessary expenses.

Respondents are asked to answer the question on a scale of 1 to 6 with the corresponding values:

1. With great difficulty
2. With difficulty
3. With some difficulty
4. Fairly easily
5. Easily
6. Very easily

We have included answers of 1–3 as having "Difficulty making ends meet".

Unmet medical need

Suggested question:

Part 1: Was there any time during the last 12 months when you really needed a medical examination or treatment (excluding dental) for yourself?

- *Yes (I really needed at least at one occasion medical examination or treatment)*
- *No (I did not need any medical examination or treatment)*

Part 2 (Only considered, when answer to part 1 was "Yes"): Did you have a medical examination or treatment each time you really needed?

- *Yes (I had a medical examination or treatment each time I needed)*
- *No (there was at least one occasion when I did not have a medical examination or treatment)*

We have included people with either no medical need or only met medical needs as "No unmet medical need".

Source: Methodological Guidelines and Description of EU-SILC Target Variables, 2021 Operation

(Version 4_09/12/2020)

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Increasing employment among vulnerable groups

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TemaNord 2025:533

ISBN 978-92-893-8227-4 (PDF)

ISBN 978-92-893-8228-1 (ONLINE)

<http://dx.doi.org/10.6027/temanord2025-533>

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Cover photo: Tobias Tullius/Unsplash

Published: 25/2/2025

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