

 **ARBETSFÖRMEDLINGEN**
SWEDISH PUBLIC EMPLOYMENT SERVICE

The labor market outlook

Update spring 2024

Developments in the labor market 2024–2025

 **ARBETSFÖRMEDLINGEN**
SWEDISH PUBLIC EMPLOYMENT SERVICE

The employment agency

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Preface

In the report *Labor market prospects update spring 2024*, the Arbetsförmedlingen's assessment of how the labor market develops in 2024-2025 and what challenges it entails. The survey, which is usually the basis for the reports *Labor market outlook* and *Regional outlook*, has been paused in the spring of 2024 as a result of savings requirements at the authority. This means that the Employment Agency in this spring's report does not report results from the survey, for example the demand indicator, employers' employment plans or lack of labour. The authority is planning a new survey this autumn, then as part of a larger survey in collaboration with Statistics Sweden. The collaboration reduces the reporting burden for employers and is expected to result in a higher response rate.

In the calculations, incoming statistics have been taken into account up to and including June 5, 2024.

Solna 12 June 2024

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Summary

The recession affects the labor market

The world economy has continued to recover after global growth bottomed out at the end of 2022. According to the International Monetary Fund's (IMF) forecast, the risks of a global recession have decreased and growth is expected to stabilize just below the historical average over the forecast period that extends to 2025. The outlook in the Swedish economy has brightened during the beginning of 2024 as inflation has fallen back. The labor market resisted the recession for a long time and employment continued to increase during the first half of 2023 despite weak growth.

Despite the brighter outlook, several indicators suggest that the labor market will continue to weaken in 2024. Newly notified vacancies have decreased while notice levels are higher than normal, indicating a subdued demand for labor. The number of registered unemployed has increased since the summer of 2023, most clearly among young people and more among men than among women. The employment agency estimates that the number of registered unemployed will continue to increase during 2024 to gradually decrease in 2025 when the economy strengthens more clearly. The number of registered unemployed is assessed amount to an average of 351,000 people in 2024 and 347,000 people in 2025. This can be compared to an average of 334,000 registered unemployed in 2023, which means that the labor market will not fully recover during the forecast period.

The imbalances in the labor market remain

The increased unemployment risks leading to an increase in long-term unemployment as well. A large proportion of the registered unemployed are judged to have a weak ability to compete on the labor market. Even among people with shorter periods of unemployment, these groups make up the majority of the registered unemployed. It is therefore important to direct efforts towards those who are far from the labor market in order to counter a continued negative development. Significantly more people need to take part in training and work-related initiatives that to a greater extent lead to jobs. The registered unemployed who are judged to be particularly far from the labor market often need intensified support and not infrequently a chain of efforts where, for example, education is combined with work practice. By the end of 2025, the number of long-term unemployed is estimated to have increased to nearly 150,000 people.

The challenges are particularly great for the unemployed who have been out of work for two years or more. Within that group, nearly nine out of ten are judged to have a weak ability to compete on the labor market. The registered unemployed who have left for work are above all people who have at least a high school education, which indicates that a completed high school education is still central to permanently establishing themselves in the labor market. The imbalances have increased as a result of a long-standing widespread matching problem where many unemployed people lack the skills that employers demand in the Swedish labor market. These challenges risk increasing as a result of education-related as well as geographical and occupational imbalances.

1 International overview

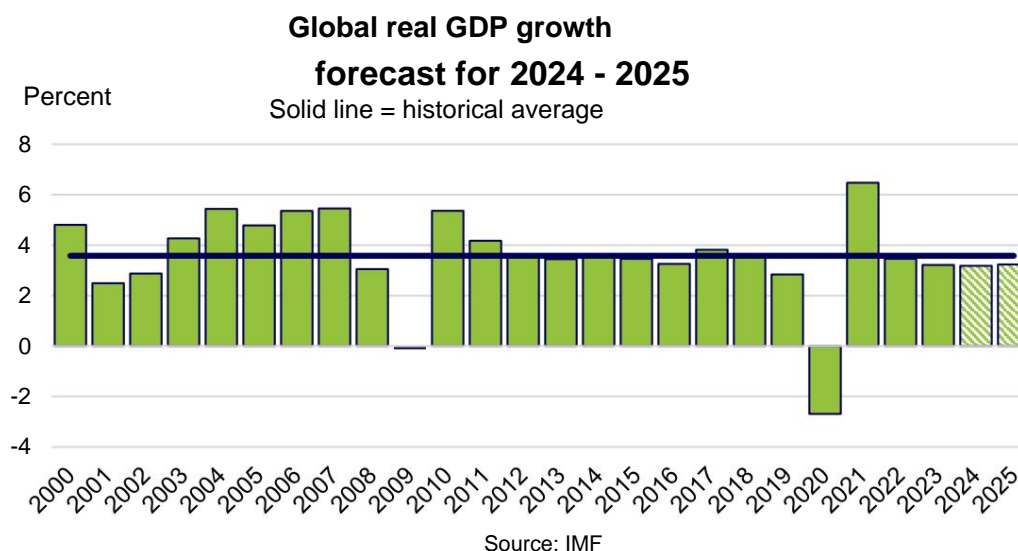
The global economy continues to recover along a historically weak growth path at the same time as the risks in the outside world have been mitigated.¹ The economic differences between the USA and the euro area are large. Imbalances in the US economy have delayed expected interest rate cuts. But the differences are narrowing this year, and in the second half of the year both the US central bank and the European central bank are expected to lower their key interest rates, for the first time in several years.

1.1 Stable but weak recovery

The world economy continues to recover along a weak but surprisingly stable growth path. Inflation in the world peaked in early 2022 and at the end of the same year global GDP growth bottomed out. Since then, the inflation rate has decreased at the same time as the world economy has shown resistance to both interest rate increases and geopolitical uncertainty. After the historically strong recovery in 2021, global GDP growth appears to have stabilized just below the historical average (+3.6%) (see figure below). According to the International Monetary Fund (IMF)

latest forecast, GDP growth amounts to 3.2 percent both this year and next year, which is also the growth rate noted in 2023. Compared to the IMF's October forecast, this means an upward revision of growth for this year, by 0.3 percentage points, and The IMF also assesses that the risks of a global recession have decreased since then. There are many indications that the resolute and coordinated economic policy of recent years has averted a situation of stagflation. Tighter monetary and fiscal policies, combined with moderate wage increases, have quickly pushed down inflation and inflation expectations.

¹ The environment section is mainly based on the IMF's latest forecast International Monetary Fund, World Economic Outlook: Steady but Slow – Resilience amid Divergence (Washington DC: International Monetary Fund, 2024). For analysis and references regarding the supply crisis, see the international overview in Arbetsförmedlingen, Arbetsmarknadutsikterna autumn 2023 (Solna: Arbetsförmedlingen, 2023) and the in-depth article "A different global crisis" (p. 37) in Arbetsförmedlingen, Arbetsmarknadutsikterna autumn 2022 (Solna: Arbetsförmedlingen, 2022) .



1.2 Strong US economy pushes interest rate cuts ahead

After a period of historically numerous and large interest rate increases among the world's central banks, during 2021 and 2022, several of the world's leading policy rates appear to have reached their peak. Last summer, the American Federal Reserve (Fed) chose to leave the interest rate unchanged after eleven consecutive interest rate increases. Shortly afterwards, the Bank of England followed with the same decision and last autumn the European Central Bank (ECB) also chose to leave the interest rate unchanged. Although inflation in the US and Europe was approaching inflation targets last year slowed down the decline in the final half of the year, particularly in the US. There, the expansive fiscal policy from the pandemic years has continued to stimulate the economy and service prices have risen in recent quarters.

This has meant that expectations about when the Fed will start a new period of interest rate cuts have been pushed forward.

Europe has been particularly hard hit by price rises during the inflationary crisis of recent years, which now appears to be coming to an end. GDP growth in the euro area fell sharply last year, ending up close to zero, while it picked up in the US and was there at significantly higher levels. The difference across the Atlantic continues to be large this year. However, total consumption by American households is about to moderate, in the wake of lagged interest rate effects, reduced savings capital among households and a more subdued labor market. In the euro area, GDP growth has started to recover as real wages have started to rise. According to the IMF's forecast, economic growth will increase further next year and reach the level of that of the United States. The economic differences between the US and the euro area are already narrowing this year, and in the second half of the year both the Fed and the ECB are expected to begin a period of interest rate cuts.

2 Swedish economy

Swedish inflation increased rapidly during 2022. After that, it has decreased as the Riksbank's interest rate increases have affected the economy. In May this year, the Swedish key interest rate was lowered, ahead of the world's leading central banks and for the first time in eight years.

After Swedish growth declined last year, Swedish household consumption is expected to drive a stronger economic recovery next year. GDP growth will then be higher than that in the euro area, the USA and our neighboring countries.

2.1 Deep bottom and early reversal

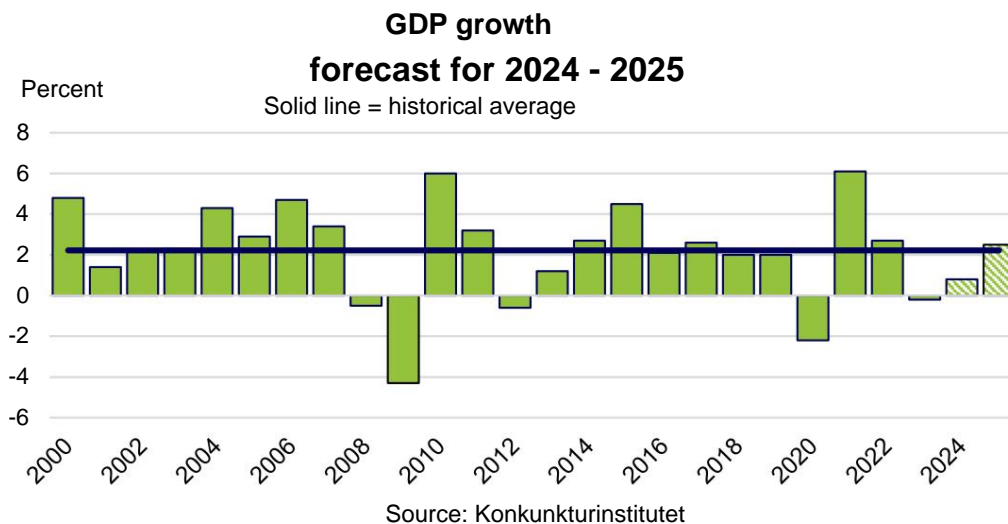
During the past two years, Swedish inflation first rose sharply and then turned downwards again. When global inflation picked up in 2021, the increase was relatively limited in Sweden. But Swedish inflation increased rapidly after Russia's full-scale invasion of Ukraine, as the krona weakened and import prices increased. At the end of 2022, the highest inflation figure since the beginning of the 1990s was reached in Sweden and was then higher than in the euro area and compared to the USA. But Swedish inflation has fallen sharply since then and is now on par with both the euro area and the US, as well as the Riksbank's inflation target. The Riksbank started raising the key interest rate earlier than the ECB, and the interest rate increases have had a major impact as a result of Swedish households' high debt ratios and short interest-fixing periods.² In May this year, the Swedish key interest rate was lowered, ahead of the world's leading central banks and for the first time in more than eight years.

The Swedish economy shrank and entered a recession in 2023, when GDP growth was well below the EU average. According to the Norwegian Economic Institute's (KI's) latest forecast, the Swedish economy starts to grow weakly this year (+ 0.8%) to reach a significantly higher growth rate next year (+ 2.5%) (see figure below). The growth rate will then be significantly higher than in our neighboring countries, the euro area and the USA.³ In Sweden, increasing service prices have slowed down the decline in inflation since the end of last year, but subdued wage growth, high profitability among companies and reduced food and import prices are expected to contribute to inflation later in year falls below the Riksbank's target.⁴

² See the in-depth section "Higher interest rate sensitivity in the Swedish economy", Riksbank, *Monetary Policy Report: September 2022* (Stockholm: Sveriges Riksbank, 2022), p. 67, but also International Monetary Fund 2024, chapter 2.

³ KI does not make an individual forecast for Finland, but according to the European Commission's latest forecast, European Commission, *European Economic Forecast: Spring 2024*, Institutional Paper 286 (Luxembourg: European Commission, 2024), Sweden's GDP growth will be 2.1 percent and Finland's 1, 4 percent next year. For analysis and references regarding how the Swedish economy has fared in the 2020s from a European perspective, see the in-depth article "Internationally weak growth in Sweden 2023" in Arbetsförmedlingen, *Arbetsmarknadsutsikterna spring 2023* (Solna: Arbetsförmedlingen, 2023), p. 38.

⁴ The section on the Swedish economy is mainly based on KI's latest forecast Konjunkturinstitutet, *Konjunkturlaget: March 2024* (Stockholm: Konjunkturinstitutet, 2024).



2.2 Households drive economic development

Household consumption continues to have a major impact on economic development. From mid-year 2022, household consumption decreased for five quarters in a row, something that has not happened in over 30 years. In recent quarters, KI's indicators for households' financial situation have increased sharply, but are still clearly below the historical average. With real wages starting to rise, falling interest rates and rising housing prices, households' disposable income is expected to increase this year. During the last quarter of last year, household consumption began to increase again, and according to KI's forecast, the increase will continue in the future and gain strength in 2025.

During the next year, the economic upswing is expected to broaden and strengthen. In addition to household consumption, other parts of the economy also contribute to it. The lower inflation levels which has now been achieved also means that fiscal policy can be more expansive without counteracting the Riksbank's task of reaching the inflation target. The municipalities' weak economy is expected to dampen their demand, but government investments in defence, the police and the judiciary still result in overall increased and continued high public consumption, both this year and next year. Global GDP growth is on a lower growth path as a result of increased trade barriers and a reduced growth rate among emerging countries, with China at the forefront.⁵ However, the recovery in Europe and among Sweden's most important trading partners means that despite the fact that the Swedish export market is growing significantly this year after having increased marginally last year. During 2025, growth is expected to be even stronger. As the interest rate falls, housing construction and business investment are also expected to increase. According to KI, inventory investments and gross fixed investments also contribute to Swedish GDP growth next year.

⁵ See International Monetary Fund 2024, Chapter 3.

3 Demand on the labor market

The labor market long resisted the economic downturn that began in early 2022. Job advertisements and notices were affected at an early stage and continue to indicate reduced demand in the labor market. Since a year ago, employment has been decreasing and it is expected to continue to develop weakly in 2024.

The delay in the effect of the economy on the labor market and an economic upswing that picks up at the end of this year suggest that employment growth will be delayed until 2025.

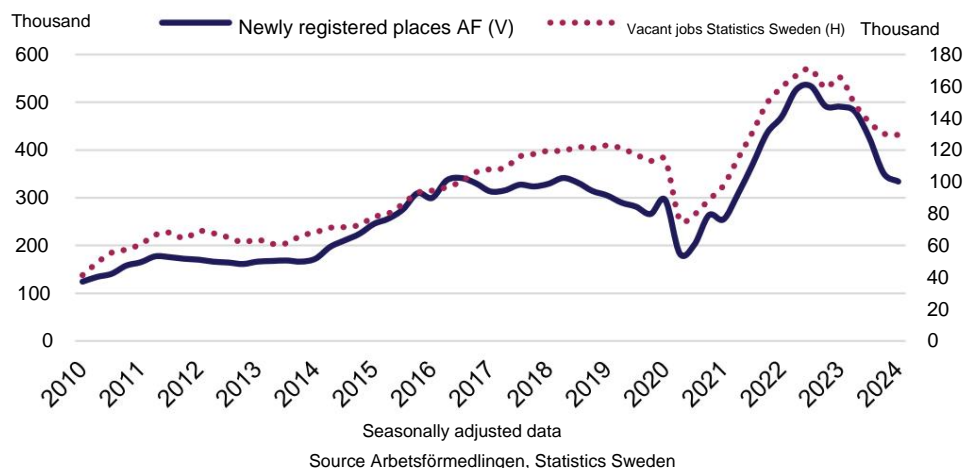
3.1 Vacancies, notices and bankruptcies show clearly subdued demand

The number of newly notified vacancies in the Employment Agency's Job Bank and the number of employees who have been notified of redundancy give an indication of demand on the labor market. These activity statistics provide a signal about employers' current demand for labor and the near-future level of employment. The statistics show a clearly subdued development since the second half of 2022 (see the respective figure below), while the statistics should be interpreted with some caution. ⁶

Although the levels differ, the development of the Employment Agency's newly notified vacancies is strongly correlated with that of SCB's vacancies ("Economic statistics on vacancies"). In both measures of vacancies, the historically strong inflow of vacancies begins to moderate significantly in 2022 and then reverse downwards from the last quarter of the same year. The inflow during the first quarter of this year indicates a slowdown in the decline in the number of vacancies. Overall, Statistics Sweden's vacancy statistics show a similar development to that of Arbetsförmedlingen's newly notified vacancies, where a long-term decline appears to have slowed down in the last quarter.

⁶ Neither newly notified vacancies nor notices represent the entire demand on the labor market. A large part of the positions that are matched on the labor market are not advertised and there may be duplicates and misregistrations among the position advertisements. Employers are only obliged to report a notice of termination to the Employment Service if it concerns five or more people, or at least 20 people for the construction industry. A significant proportion of those notified are ultimately not dismissed and the proportion varies with the economy. For a study of the consequences of notice, see Ann-Christin Jans, "Consequences of notice and dismissals", *Arbetsförmedlingen Working Paper* 2009:3 (2009). For a more up-to-date study, with a focus on the record-high notifications during the pandemic, see Arbetsförmedlingen, *Notification under the pandemic: Follow-up of notifications made March-June 2020* (Solna: Arbetsförmedlingen, 2021).

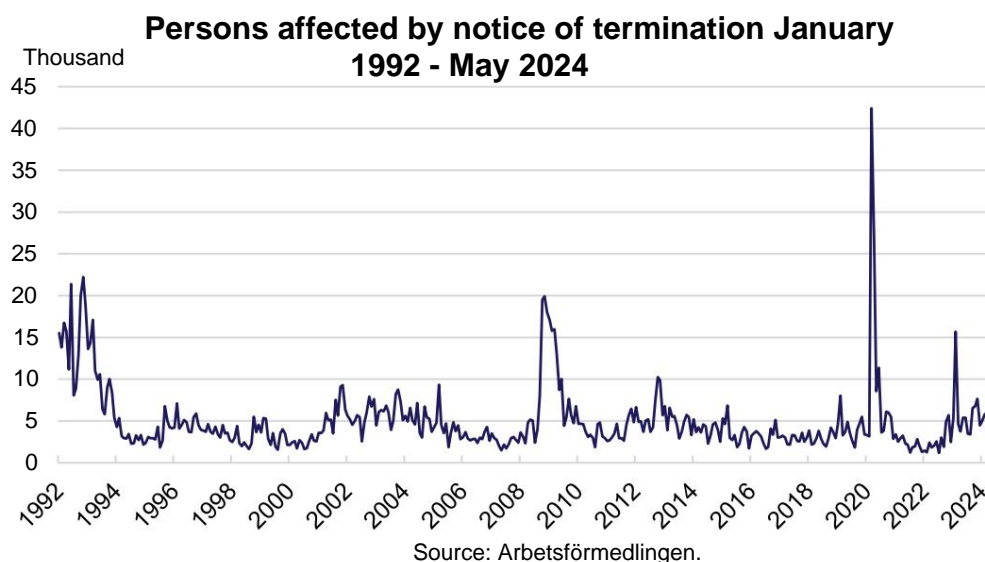
Newly registered places and vacancies Quarter 1 2010 - quarter 1 2024



The notice numbers indicate in the same way, but with an increasing trend, that employers' demand has moderated since the end of 2022.⁷ In 2021 and large parts of 2022, historically few people were notified of layoffs. Since then, the number has clearly increased. The increase in alert numbers came as a rapid trend break at the end of 2022. In October 2022, alert numbers reached around 5,000 per month after hovering around 2,000 almost every month since the second quarter of 2021. Over the past twelve months, alert levels have increased further and are an average of just under 5,800 notified per month. The increasing trend came to a large extent last year, but this year the number of notices is increasing again and the number of notices in May is the highest figure since June 2020.⁸ Construction, manufacturing and trade accounted for a large part of the increased number of notices in the fall of 2023, and that development has continued this year. During the past two months, the number of people notified in information and communication has also increased, with roughly 3,500 people during April and May.

⁷ Far from all notices result in unemployment, see for example *PM Notice during the pandemic*, Arbetsförmedlingen, Af-2021/0003 1533.

⁸ During February 2023, a notice was given to 11,200 people who are not deemed to have had any connection to the economy, which means that 4,484 were notified on the Swedish labor market that month in addition to the individual notice.



In addition to vacancies and notices, the historically high number of bankruptcies gives yet another indication that demand on the labor market was dampened last year. In 2023, the highest number of bankruptcies was recorded since the early 1990s and the increase has continued this year. After tax breaks and other aid were introduced to support businesses during the pandemic, the number of bankruptcies decreased in 2021 but has increased every year since. About tax deferrals and other business support meant that bankruptcies for less competitive companies were pushed forward in time, the bankruptcies of recent years may, however, give an exaggerated picture of the reduction in demand on the labor market. The historically large increase since last year also applies exclusively to sole proprietorships, without employees. But even if you count the number of employees affected by the bankruptcies, the increase is historically high. The increase in the number of bankruptcies is also relatively broad and covers the entire service sector and the construction industry.⁹

3.2 The resilient labor market has weakened

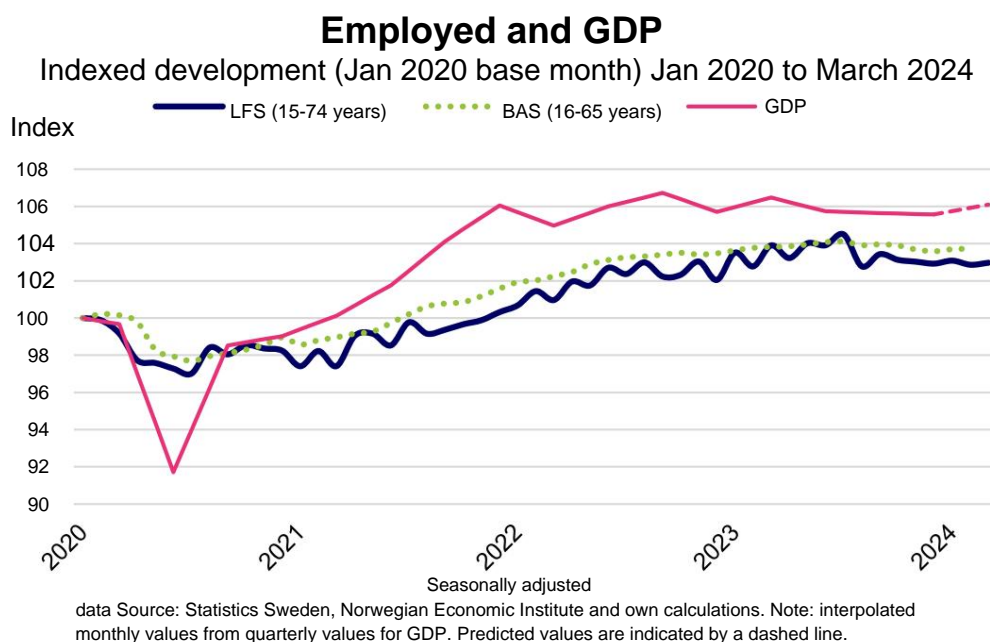
For a long time, the labor market resisted the economic downturn that began at the beginning of 2022. Although job advertisements and notices were affected at an early stage, the number of employed people continued to increase for a long time, albeit at a lower rate. The development of the economy has a lagging effect on the labor market and during the current economic downturn the GDP effect has been further delayed.¹⁰ Employment continued to increase despite the increasingly noticeable slowdown in GDP growth. Since at the end of the first half of last year, however, employment decreases for both the interview

⁹ See Riksbanken, *Financial stability 2023:2* (Stockholm: Arbetsförmedlingen, 2023), p. 65, for an in-depth analysis of the large increase in the number of bankruptcies that began last year. See Statistics Sweden, *Highest number of bankrupts in 15 years*, <https://www.scb.se/pressmedalder/hogsta-antalet-konkursdrabbade-pa-15-ar/> [retrieved 2024-05-17] for updated statistics.

¹⁰ See the in-depth section "Why is the labor market so strong?" in Arbetsförmedlingen, *Arbetsmarknadutsikterna spring 2023* (Solna: Arbetsförmedlingen, 2023), p. 43.

(AKU) and the register-based (BAS) employment statistics (see figure below). However, the downward trend is weak and shows no sign of gaining strength.

The Swedish economy was particularly weak, and shrank, in the second half of 2023. According to KI's forecast, the Swedish economy will start to grow this year, but growth will moderate and increase only towards the end of the year.¹¹ As there are signs that the GDP effect on the labor market has been delayed as a result of the so-called hibernation of labor, it is possible that the delayed effect will remain initially during the expected economic upswing. The employment agency estimates that employment will decrease in 2024 to recover in the next year, while the number in the workforce continues to increase. This means that unemployment, according to the definition used in the LFS, is estimated to increase to 8.4 percent in 2024 and then turn down in the next year, when unemployment is estimated to amount to 8.2 percent. This can be compared with 7.7 percent in 2023.



¹¹ According to Statistics Norway's GDP indicator, growth continued to decline during the first quarter of the year, while the outcome in the National Accounts showed an increase for the same period. The GDP indicator has tended to underestimate GDP's development during the 2020s, according to the detail "GDP is revised frequently" in the Institute of Economic Studies 2024, p. 56.

4 Registered unemployed at Arbetsförmedlingen

The labor market has weakened as a result of the economic slowdown and the number of registered unemployed people began to increase during the summer of 2023. The employment service estimates that unemployment will continue to increase in 2024 and then gradually decrease as the economy strengthens over the next year. A reduced demand for labor also means that the number of long-term unemployed is estimated to increase with a certain lag.

4.1 The number of registered unemployed has increased

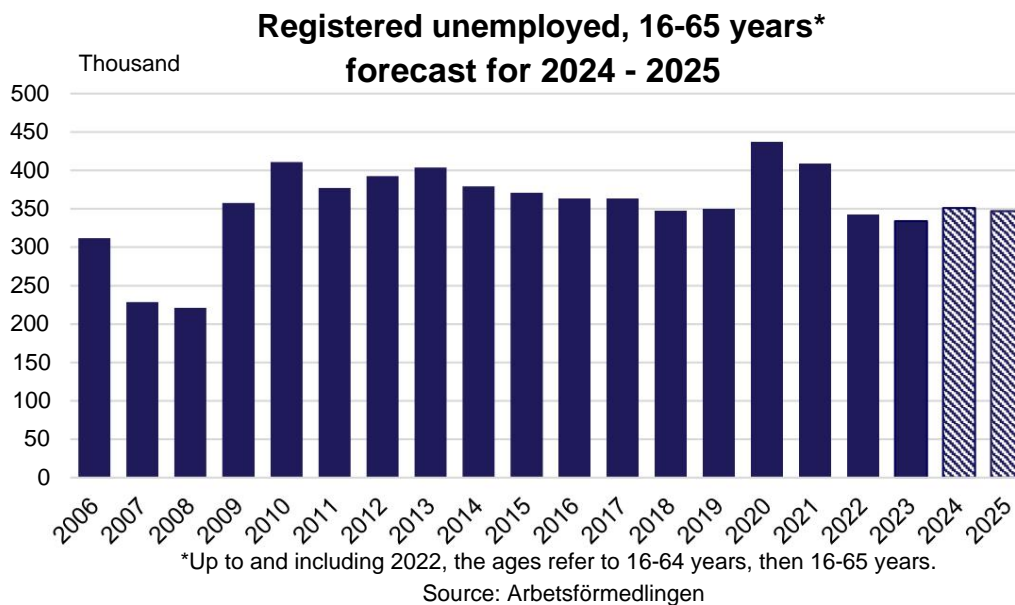
The labor market was resilient for a long time despite a weakening of the economy, but by mid-2023 the number of registered unemployed began to rise. However, the increase took place from a lower level than before the pandemic and at a slower pace compared to previous economic downturns. In May, the number of registered unemployed (16-65 years) amounted to 341,000 people, which is 22,000 more compared to the same month a year ago. In the same way that unemployment previously decreased broadly, unemployment has increased broadly within the majority of groups of registered unemployed. However, the increase has been most evident among young people (18-24 years) and domestically born men. The fact that youth unemployment often increases at an early stage in connection with economic downturns is due to the fact that young people have not had time to establish themselves on the labor market yet.¹² The fact that the number of registered unemployed domestically born men has also increased is related to the fact that certain male-dominated industries have been hard pressed by the weaker economic situation, not least the construction industry. Unemployment among women has also increased over the past year, but to a lesser extent than among men. For women, this is a four percent increase, while men have had a ten percent increase since May 2023.

4.2 More registered unemployed during the forecast period

The weaker demand in the economy is estimated to lead to unemployment continuing to rise in 2024, to start falling in the next year when the Swedish economy strengthens more clearly. However, the pace of change is relatively slow compared to the strong fluctuations during and after the financial crisis or in connection with the pandemic.

Many employers experienced great recruitment needs in the wake of the pandemic which contributed to the resilience of the labor market. However, the positive development on the labor market was interrupted in the autumn of 2023. In line with a continued weak economy going forward, the demand for labor will be dampened further in 2024. However, the difficulties in finding labor with the skills in demand and the tendency of employers to overwinter staff remain in many places, which partly contributes to dampening the rise in unemployment despite the deteriorating economic situation.

¹² Read more in 4.3 Youth unemployment will increase in 2024.



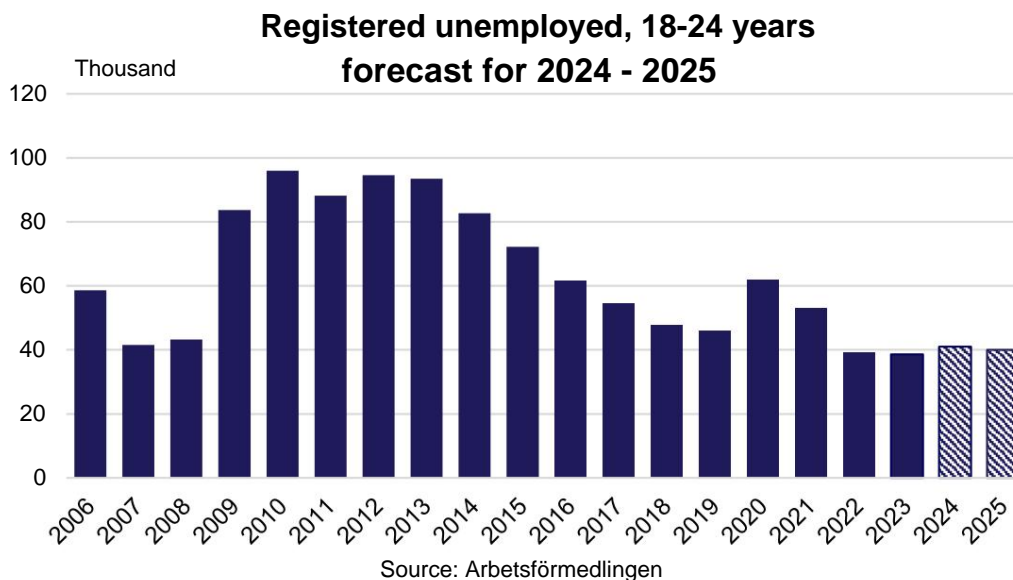
In 2024, the number of registered unemployed as an annual average is expected to amount to 351,000 people or 6.7 percent as a share of the register-based workforce (see figure above). This can be compared with 2023 when the corresponding figures amounted to 334,000 people or 6.4 percent. The number of registered unemployed is then estimated to decrease slightly and during 2025 and amount to 347,000 people on average, which corresponds to an unemployment level of 6.6 percent. This is on par with 2019, that is, before the pandemic.

4.3 Youth unemployment will increase in 2024

A completed upper secondary education has long been a watershed in the Swedish labor market. Since the proportion of people with upper secondary education has increased over time, this level of education is also in demand for jobs with traditionally lower qualification requirements. This means that young people without upper secondary education constitute a particularly cyclically sensitive group on the labor market.

What distinguishes young people in general is that many have not had time to establish themselves in the labor market in the same way as older people, and that they often have temporary employment. Young people thus risk becoming unemployed in a relatively early phase of economic decline, which became clear in the fall of 2023 when the number of temporary employees also began to decrease. Conversely, young people with completed upper secondary education usually have a relatively strong starting position when economic activity strengthens and the demand for labor increases. Young people also commute more often between shorter periods of work, unemployment and studies. Demographic factors also affect youth unemployment levels over time. When youth unemployment was at its highest in the years 2009–2014, the youth cohorts in the population were the largest. In the years since, the youth cohorts have decreased in size and so has unemployment.

At the end of May, the number of registered unemployed youths amounted to 37,000, which is 3,000 more than in the same month last year.



The employment agency estimates that youth unemployment will increase in 2024 (see figure above). This takes place from a historically low level in 2023. The number of registered unemployed young people is estimated to amount to an average of 41,000 in 2024. In 2025, as the demand for labor increases, the number drops slightly to 40,000 people. This corresponds to average unemployment levels of 7.6 percent in 2024 and 7.4 percent in 2025 as a share of the register-based workforce.

4.4 The number of long-term unemployed increases with lag

The number of long-term unemployed (people who have been out of work for 12 months or more) decreased at a decreasing rate during 2023. During the beginning of 2024, the decrease has stopped and at the end of May, the number of long-term unemployed was close to 1,000 people more than in the same month a year earlier. The number of people who had been out of work for 12 months or more then amounted to 140,000. The long-term unemployed make up 41 percent of all registered unemployed, which is the same proportion as at the beginning of 2020, i.e. before the outbreak of the pandemic.

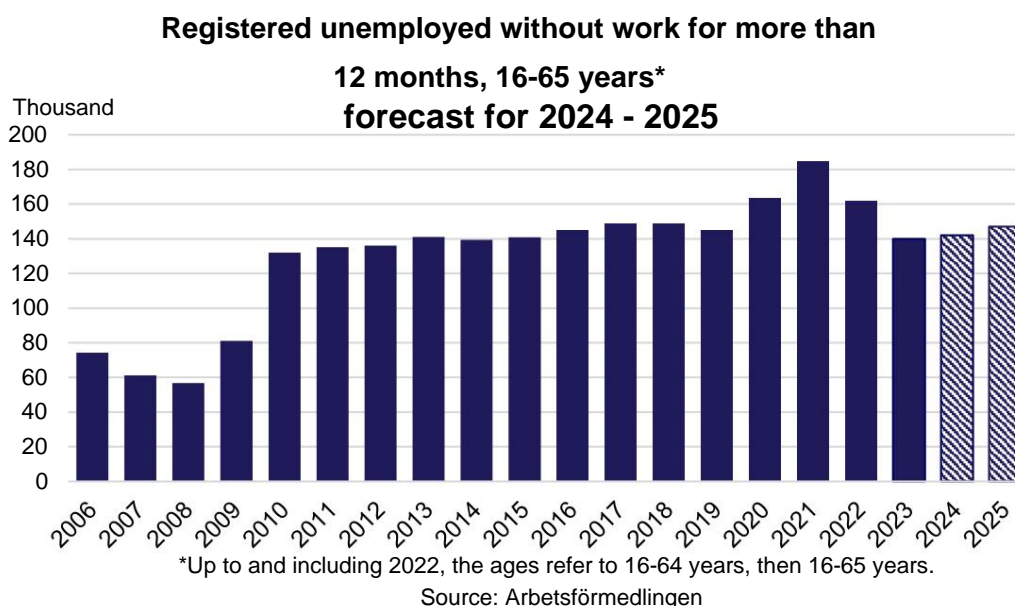
As a result of the weak economy in 2024, the number of long-term unemployed is also expected to increase again. This will take place with a certain lag compared to total unemployment. The annual average for 2024 is estimated to be 142,000 people (see figure on the next page). The increase will also continue in 2025 and is estimated at the end of that year to have increased to close to 150,000 people, which is more than before the pandemic. This means that the proportion of long-term unemployed is expected to increase to 43 percent of all registered unemployed at the end of the forecast period.

Viewed over a longer period, the number of registered long-term unemployed has not decreased significantly since 2010. This is despite periods of stronger economic activity and high demand for labour. It has become clear that certain groups of job seekers, on average, have a harder time competing for jobs. The Employment Agency has identified these groups as people with weaker competitiveness on the labor market¹³

, who, on average, are at risk of longer periods without work.

The increase in long-term unemployment during the forecast period is judged to occur mainly among people with weak competitive ability, not least people with a short education. Of the registered unemployed who leave for work, a majority (80 percent) have at least an upper secondary education. The challenges are particularly great for the unemployed who have been out of work for 24 months or longer. At the end of May, 79,000 people had been out of work for longer than 24 months and thus make up 56 percent of all long-term unemployed.

Within the group, nearly nine out of ten are judged to have a weak ability to compete on the labor market.



4.5 Registered unemployed with weak competitiveness

The recession and the weaker demand for labor have to some extent changed the composition of the registered unemployed over the past year. Unemployment has initially increased more among young people, which follows a normal economic pattern,

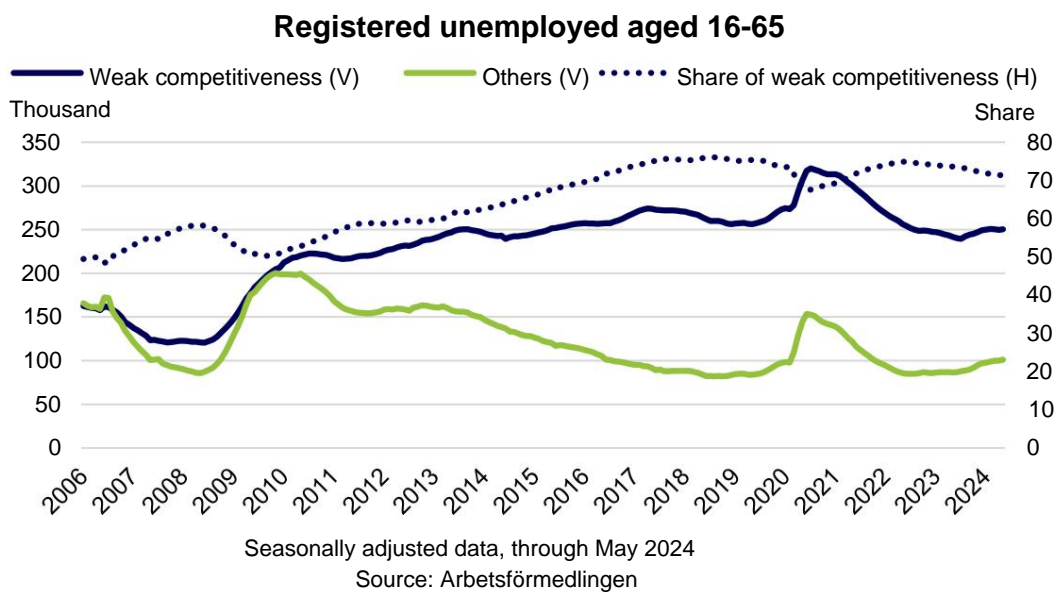
but also among people who normally have a relatively strong position on the labor market.

In the long term, however, the proportion with weaker competitiveness is expected to increase again as the demand for labor strengthens as more people with a stronger position on the labor market compete for the vacant jobs. Even now, 73 percent of the registered unemployed belong to one of the groups that risk being stuck for longer periods without work. These also form a majority among the registered unemployed

¹³ The groups are people who lack upper secondary education, were born outside Europe, are older than 55 or have a disability that results in reduced work ability.

with shorter periods without work, which risks leading to increased long-term unemployment in the future.

Both the number and the percentage of registered unemployed with weak competitiveness have increased from constituting around half of the total number of registered unemployed at the end of the financial crisis in 2008–2009 to close to 75 percent in recent years (see figure below). The increase is largely explained by the establishment program for new arrivals that was introduced in 2010 and increased migration numbers.



Over time, the percentage of new arrivals¹⁴ has decreased within the group born outside Europe, from 46 percent in May 2017 to 9 percent in May 2024. The large difference is partly explained by the fact that the large number of people who came in connection with the refugee crisis in 2015 are no longer counted as new arrivals, but also by a more restrictive migration policy in recent years.

¹⁴ Newly arrived persons who have been granted a residence permit or residence card during the last 36 months.

Refugees from Ukraine

As a consequence of Russia's full-scale invasion of Ukraine and the protracted war, people with protection under the Mass Refugee Directive were given the opportunity to apply for extended residence permits at the beginning of 2024. In May, the Swedish Migration Agency had granted extensions of temporary protection for 34,000 people. So far, the number of these registered with the Employment Service has been limited, which is why they have not affected the unemployment figures in general. Up to and including May 2024, an estimated 6,000 refugees from Ukraine had registered with the Employment Service. According to a legal council referral, Ukrainian refugees should be able to be registered as of November 1, 2024 and thus have the opportunity to participate in the Employment Service's establishment program.¹⁵ This includes the right to individually designed interventions and support, including Swedish for immigrants (SFI), work practice and validation of competences.

The daily allowance may thereby be increased from SEK 71 to an establishment allowance of SEK 308 per day. The opportunity to take part in the efforts of the Employment Service and the increased remuneration provides increased incentives to register with the Employment Service. The extent to which this will result in an increased number of new enrollees is difficult to estimate.

Even people with a disability that results in a reduced ability to work run a greater risk compared to others of ending up in long-term unemployment. The number of people in this group clearly increased during the years 2010–2013 as a result of changes in health insurance rules.

After that, the group had a weak declining trend until autumn 2023, when the number started to turn upwards. However, people with disabilities have increased both in number and in proportion as the labor market has weakened and now make up more than a quarter of all registered long-term unemployed.

Even older people who become unemployed run a greater risk than others of being stuck for longer periods without work. In contrast to previously mentioned groups with weak competitiveness, the number of older registered unemployed (aged 55 or older) is at a higher level in May 2024 compared to before the pandemic. Similar to people with disabilities, the elderly unemployed group has also steadily increased as a share of the long-term unemployed since 2018.

4.5.1 Education a watershed in the labor market

A viable education is central to the possibility of being able to establish yourself on the labor market in both the short and long term. The Swedish labor market differs from a European perspective with a lower proportion of jobs that do not require an education beyond primary school.¹⁶ In May, 114,000 registered unemployed lacked a completed upper secondary education, half of whom also lacked a completed primary school (see figure below). Eight out of ten of those with a particularly short education are born outside Europe, with a slightly higher number of women than men. The proportion of registered unemployed who lack a completed primary school has decreased somewhat recently, which is likely linked to a reduced number of people with a shorter stay in the country. The proportion is decreasing

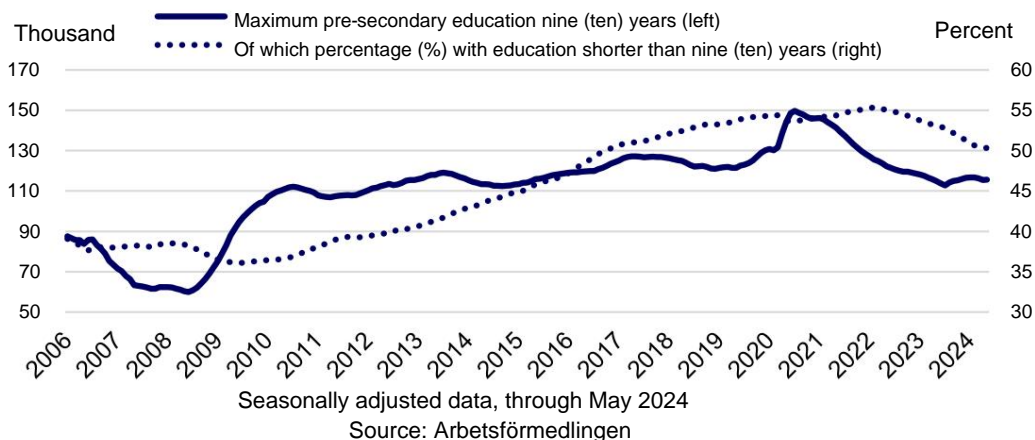
¹⁵ The government's draft for legal council referral Ju2024/00480, "Improved living conditions for foreigners with temporary protection", February 2024.

¹⁶ Eurostat database, 2022.

at the same time from a historically high level where many still lack the basic prerequisites that are usually required to get a job or to further their education.

The rapid technological development in the form of automation, digitization and AI also risks increasing the imbalances in the labor market if more people do not take part in skills-enhancing efforts, not least education at both upper secondary and post-secondary levels. The research also shows a trend where occupations in the middle of the income scale have tended to shrink relative to high- and low-paid occupations and that employment has mainly increased in occupations where the workforce is relatively highly qualified. 17

Registered unemployed aged 16-65, who do not have a secondary education



4.5.2 Long periods of unemployment make it difficult to find work

The employment service works purposefully to counteract long-term unemployment with a special focus on people who have been out of work for more than 24 months.¹⁸ The number of people registered with longer periods without work has decreased during 2022–2023 as a result of the strong demand for labor, which also benefited people with weaker anchorage in the labor market. As the economy has moderated, the rate of decline has slowed and the number looks flat at an elevated level.

Close to 90 percent of those with the longest periods without work (more than 24 months) are registered unemployed with weak competitiveness, a proportion that rises with the length of time without work. A significant percentage of these enrollees (45 percent) lack a completed upper secondary education. In addition, the extended period of unemployment in itself makes it more difficult for the jobseekers to get a job because work-related knowledge decreases with the length of the unemployment period and that longer periods of unemployment can be perceived as negative by potential employers.

17 Hensvik, L. and O. Nordström Skans (2019) Job polarization and the demand for different abilities in the future labor market, IFAU Report 2019:30.

18 Read more in 5 Challenges on the labor market.

5 Challenges in the labor market

The imbalances in the labor market, with many unemployed people who lack the skills that are in demand and employers who cannot find the skills they seeking, risks being reinforced during the forecast period. The number of registered unemployed is expected to increase, which leads to more people competing for the jobs. As a result, long-term unemployment is also expected to increase during the period and the challenges on the Swedish labor market remain.

A large proportion of the registered unemployed belong to one of the groups that are judged to have a weak ability to compete on the labor market. Even among those with shorter periods of unemployment, these groups make up the majority of the registered unemployed. This means that long-term unemployment risks growing further both due to the composition of the registered unemployed and the relatively weak demand for labour. It is therefore important to direct efforts towards those who are far from the labor market in order to counter a continued negative development. More people who are or are at risk of becoming long-term unemployed need to take part in education or labor market-related initiatives that lead to a greater degree of employment. It is about education at various levels, above all regular studies and labor market education. Even subsidized employment is effective for the unemployed who are further from the labor market because they provide

work experience, language training and networking which can improve the opportunities for Establishment. 19 For people who are far from the labor market, a chain of efforts may be required to gradually strengthen the possibility of approaching the labor market.

In this year's regulatory letter, the Employment Service was tasked with locally and regionally bringing together jobseekers with employers looking for labour. The goal is for the job seeker to find work or start studying within 12 months. The matching must be carried out with its own staff and is a complement to matching services for unemployed people who are deemed unable to receive support through suppliers. The target group is job seekers who have been unemployed for longer than 24 months, with a focus on people who have a weak ability to compete on the labor market. The employment service has stated in previous reports²⁰ that the majority of these job seekers are in need of intensified matching, which is the evidence-based working method used within the framework of this work. Within the framework of *Integrated matching support*, the regions can adapt the work based on local needs and also make use of working methods that have been successful in the past. The business must be organized so that results and costs can be followed up.

19 See, for example, the report *Labor market establishment of newly arrived low-educated refugees*, IFAU 2020:21.

20 Read more in the article *Matching efforts for jobseekers with a weak position on the labor market*, National Economic Association journal *Ekonomisk Debatt* no. 5 2023, and *Effects of enhanced mediation efforts - lessons from a randomized experiment*, *Ekonomisk Debatt* no. 2 2024 and the report *Matching efforts for people who have recently received a residence permit - Final report from the social fund project Equal Establishment*, Arbetsförmedlingen analysis 2022:10.

The matching problems can also be complicated by the fact that employers and job seekers are in different geographical locations. For many employers, not least public employers in sparsely populated areas, the availability of labor with in-demand skills can be decisive for the ability to run their business. In this year's regulatory letter, the employment agency also has a mission to increase geographical and occupational mobility, where labor needs in large company establishments must be taken into account. In addition, new regulations from the Inspectorate for Unemployment Insurance (IAF) on suitable work came into force on 1 June this year. It clarifies that a job must be realistic based on the job seeker's skills, but also clarifies the requirements to broaden the geographical and professional area. According to the Fiscal Policy Council, the geographical matching problem appears to be relatively small in comparison with the education-related matching problem.²¹ However, both the education-related and the geographical and professional matching problems contribute to the structural imbalances in the Swedish labor market.

²¹ Swedish fiscal policy, Fiscal Policy Council's report 2024.

6 Appendices

6.1 Appendix 1. Key figures table

	Outcome 2023	Forecast 2024	Forecast 2025
Labor force (15-74 years)*	5,710	0.3	0.6
Employed (15-74 years)*	5,270	-0.7	0.8
Unemployment (15-74 years)**	7.7	8.4	8.2
Registered unemployed (16-65 years)***	334	351	347

Source: Statistics Sweden (AKU) and Arbetsförmedlingen

* percentage change, ** *** thousands (Arbetsförmedlingen)

6.2 Appendix 2. About the Employment Service's operational statistics

The data on registered jobseekers in the Swedish Employment Service's operational statistics are taken from the operational mediation system. The statistics on job seekers are divided into different applicant categories. The information on notified positions includes recruitment needs that employers have reported directly to the Employment Service, primarily via the self-service system Annonsera Direkt or as directly transferred positions. The notification statistics refer to the operating restrictions covered by the Act (1974:13) on certain employment promotion measures, the so-called Promotion Act.

The employment agency's activity statistics should not be confused with the official labor market statistics provided by Statistics Norway (SCB).

Statistics Sweden's data on, among other things, employment, unemployment and the workforce are based on monthly labor force surveys (AKU). For comparisons with statistics from other countries, Statistics Sweden's official labor market statistics must always be used. As a result of different definitions and data collection methods, the LFS and the Employment Agency's register-based activity statistics do not report the same number or percentage of unemployed. Everyone who is reported as unemployed in the LFS is not registered with the Employment Service and everyone who is registered with the Employment Service is not unemployed in the LFS. Statistics Sweden has published several studies that compare the level and composition of unemployment according to each source. 22

In this report, analyzes and descriptions of the development for jobseekers who are registered with the Employment Service are based on the sub-group *registered unemployed*.

This group consists of the sum of the number of openly unemployed and the number of applicants in programs with activity support. The group registered unemployed contains the categories of jobseekers that best illustrate the cyclically related development in the labor market.

- *Openly unemployed* are jobseekers are registered with an employment agency, are without work, who are actively looking for and can immediately take up a job and who do not participate in a labor market policy program.
- *Applicants in programs with activity support* participate in a labor market policy program where activity support is the summary name for the compensation that participants in the programs receive.

Registered unemployed with weak competitiveness on the labor market

Registered unemployed with weak competitiveness on the labor market include the following groups:

- Enrolled unemployed with at least pre-secondary education
- Registered unemployed with a functional impairment that results in a reduced ability to work

22 See, for example, "Unemployed - not the same with Statistics Sweden and the Employment Service", December 2018.

- Registered unemployed who were born outside Europe
- Registered unemployed aged 55–65

It is important to underline that the individual conditions differ within the group with weak competitiveness on the labor market. Belonging to one or more of the sub-groups does not therefore have to mean for the individual that it is difficult to find a job. This is even if the group as a whole has a weaker ability to compete on the labor market compared to people who do not belong to any of the subgroups.

Register-based labor base for the relative unemployment rate

In the Employment Service's operational statistics, a register-based workforce is used as the basis for reporting relative unemployment. In the official unemployment statistics from Statistics Sweden, however, unemployment is related to the labor force according to the LFS. The size of the labor force according to the LFS has the disadvantage that it is not possible to break it down at the local level or into smaller groups of jobseekers. Thus, the Swedish Employment Agency has chosen to report the registered unemployed as a share of the register-based workforce.

The register-based workforce consists of the workforce according to BAS (Population labor market status, SCB) and is calculated on a 12-month average.

6.3 Appendix 3. List of depressions

Autumn 2023

- Unemployment trends in different groups of registered unemployed before and after the pandemic

Spring 2023

- The situation of women born abroad in the labor market • Internationally weak growth in Sweden in 2023 • Why is the labor market so strong?

Autumn 2022

- The pace of wage growth is determined in the winter wage movement • A different global crisis

Spring 2022

- Arbetsförmedlingen's new occupational forecasts • The labor market for the short-educated between the ages of 25–64
- Refugee immigration from Ukraine and the Swedish labor market

Autumn 2021

- The lack of labor has consequences • More people are long-term unemployed anymore

Spring 2021

- Older people who lost their jobs during the pandemic risk getting stuck in unemployment • More people with a strong position have ended up further from the labor market

Autumn 2020

- In the longer term, the labor shortage is assessed to remain • More difficult for the unemployed with weak competitiveness • The number of registered unemployed before the pandemic compared to the 2008 financial crisis

Spring 2020

- Most notified people do not become unemployed
- Many long-term unemployed have short education

Autumn 2019

- More participants in the job and development guarantee • Reduction of extra services mainly affects women

Spring 2019

- Employment growth dependent on foreign-born • Education level crucial for foreign-born women

The Labor market outlook report is published twice a year and is part of the Swedish Employment Agency's forecasting activities. On our website arbetsformedlingen.se/prognoser you can find all our forecasts and more information about our forecasting work.

On the website arbetsformedlingen.se/statistik/yrkes--och-kompetensanalyser there is also the Arbetsförmedlingen's occupational barometer with current situation assessments and forecasts of how the demand for labor in each occupation is expected to develop over a five-year period.

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