



ARBETSFÖRMEDLINGEN  
SWEDISH PUBLIC EMPLOYMENT SERVICE

# Labour market outlook spring 2022 – Summary

Outlook for the labour market 2022–2023

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# Summary

## **The economy will cool down during 2022 and 2023**

The Swedish economy recovered at a remarkably fast pace during 2021 after the deep downturn due to the pandemic. However, during the first quarter of 2022 Sweden's GDP decreased for the first time since the last quarter of 2020. The Swedish economy is expected to enter a slowdown phase during the forecast period 2022–2023, where rising inflation and higher interest rates prevent further strong economic upturn. All in all, continued price increases, rising interest costs and declining house prices are expected to place additional weight on households' willingness to consume in the future.

## **Optimistic but unrealistic employment plans**

As the pandemic restrictions have been removed and the economic recovery has progressed, the demand for labour has increased sharply during the beginning of 2022. This is shown in Arbetsförmedlingen's (The Swedish Public Employment Service's) survey with private employers, which in the spring of 2022 showed record high employment plans in the private sector. At the same time, the number of newly registered vacancies at Arbetsförmedlingen has increased to a very large extent in recent times. It not only confirms the high need for labour with in-demand skills but also indicates an underlying problem where employers to a large extent fail to fill the vacancies. Overall, Arbetsförmedlingen makes the assessment that the number of employed will continue to increase during the forecast period, which extends up to and including 2023, with an emphasis on 2022.

## **Unemployment continues to decrease but at a slower pace**

The number of registered unemployed (openly unemployed and applicants in activity support programs) is back at a lower level than before the pandemic. Long-term unemployment has also continued to decline during the first half of 2022 due to the strong demand for labour. However, the registered unemployed who have left for work are primarily people with shorter enrollment periods and people who almost exclusively have a secondary education.

Despite the fact that unemployment has fallen to a lower level than before the pandemic, long-term unemployment continues to be a major challenge in the labour market. At the end of May, the number of registered unemployed who had been without work for twelve months or more summed up to 164,000 people, which corresponds to half of all registered unemployed. In addition, times in unemployment have increased within the group of long-term unemployed, where a rising number of people end up even further away from the labour market. This is shown, among other things, by that close to 100,000 unemployed have been without work for more than 24 months.

During the forecast period, the number of registered unemployed is expected to continue to decrease, but at a lower rate from the second half of 2022 and ahead. This is partly due to a slowdown in the economy, and partly to a change in the composition of applicants, where a growing proportion of registered unemployed lack the skills that are in demand in the labour market. For 2022 and 2023, the number of registered unemployed is estimated to an average of 345,000 respectively 340,000 people. This corresponds to average unemployment levels of 6.8 respectively 6.6 per cent, the lowest level since 2008. At the same time, there are a number of uncertainties that may affect the outcome. These include risks related to weaker economic activity in the future and consequences of the continued development of the war in Ukraine.

## **More are long-term unemployed for longer**

Long-term unemployment has been a major challenge for several years and the problem intensified during the pandemic. Many who were unemployed even before the pandemic have been stuck in extended periods of unemployment during the crisis, which in itself is an aggravating factor for the possibility of returning to employment.

In order to reduce the large number of long-term unemployed in the coming years, a combination of different initiatives is required in labour market policy, but also in other policy areas. More long-term unemployed need to take part in activities to strengthen their opportunities and break the negative development. In order to increase the chance for more long-term unemployed to establish themselves in the long-term labour market, significantly more people than today need to start studies. Many with a short education need to supplement their education with Komvux studies in order to be able to compete for the vacancies. For those individuals where education initiatives are not considered to be the most appropriate initiative, the thresholds in the labour market can be lowered through various forms of subsidized employment. The registered unemployed who stands particularly far from the labour market often need intensified support and a chain of initiatives where, for example, education is combined with work practice.

## **The shortage of labour with in-demand skills is increasing**

In line with the continued recovery in the economy, the demand for labour has increased clearly in the spring of 2022. The recruitment difficulties that existed in several industries and professions even before the crisis have become clear again, while a short-term shortage of labour has arisen due to the rapidly increasing demand.

Even in the longer term, regardless of the economic situation, there will be a high demand for educated labour, which is driven, among other things, by a changing demographic with, above all, more elderly people in the population. This entails a continuing great need for staff in welfare services, for example in the health care sector. At the same time, automation, digitalisation and the green transition are contributing to the continuous need for skills.

In order to reduce the imbalances in the labour market in the future, the supply of demanded skills needs to increase in order to correspond to the competence requirements that exist in the labour market. It will therefore be absolutely central to motivate and guide more people to education that leads to work. More flexible opportunities for training, adjustment and skills development are therefore necessary.

Within several occupational shortages, the main problem is a too low addition of new graduates from the education system. Some occupations are not considered attractive among young people, which leads to an insufficient number of candidates. Employers have a great responsibility to counteract this development and facilitate the long-term supply of skills. It can, for example, be a need of improving working conditions in order to be able to attract more people to areas with shortage, and also to be able to retain existing staff over time.



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