



Economic Commentary

Long-term unemployment in the wake of the pandemic

Caroline Flodberg, Iida Häkkinen Skans and
Pernilla Wasén

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Economic Commentaries

Economic Commentaries are brief analyses of issues that are relevant to the Riksbank. They may be written by individual members of the Executive Board or by staff members at the Riksbank. Employees' commentaries are approved by their head of department, while Executive Board members are themselves responsible for the content of the commentaries they write.

Summary

Caroline Flodberg, Iida Häkkinen Skans and Pernilla Wasén¹

The authors work in the Riksbank's Monetary Policy Department.

It is important for the Riksbank to assess the extent of available resources in the economy, since resource utilisation affects inflation. An important part of the assessment is to estimate the proportion of unemployment due to cyclical and other factors, respectively. Experiences show that economic crises can cause so-called hysteresis effects. This means that unemployment remains at a higher level after the crisis and that the equilibrium unemployment rate rises. One indicator of hysteresis effects is the development of long-term unemployment, and it is therefore important for the Riksbank to monitor this.

Data from both Statistics Sweden and the Swedish Public Employment Service (PES) show that the duration of unemployment spells has increased clearly as a result of the pandemic. The rise in long-term unemployment is broad, but particularly marked among older age groups and those with less education, and to some extent among the foreign-born. Many people in these groups had difficulty getting a job even before the crisis, and they are now in risk of getting even further away from gaining employment. A mitigating factor, however, is that in this crisis the redistribution of jobs has largely taken place within the services sector, where the skills requirements are similar, rather than between sectors. Furthermore, many of the sectors most affected (hotels, restaurants, retail and transport) have a high staff turnover and relatively low demands with regard to education and job-specific skills, which can help the long-term unemployed to find a job when demand for labour in these industries normalises.

Recently, there are also signs of a more positive development. During autumn 2021, long-term unemployment declined clearly according to the PES statistics, while the decline according to the Labour Force Survey (LFS) was more marginal. The job-finding rates for the long-term unemployed have also increased significantly according to PES statistics, even for those who are less competitive in the labour market. However, the number of people registered at the PES with very long unemployment spells – longer than 24 months – has levelled out at an elevated level. The job-finding rates for these people are very low and the fact that the group has now grown larger indicates that even this crisis will result in some hysteresis effects and thus increase the equilibrium unemployment rate. The rise in unemployment is thus not considered to be purely cyclical, which means that expansionary monetary policy alone will not be sufficient to bring unemployment down to the pre-crisis levels. However, the hysteresis effects are assessed to be smaller now than after the financial crisis.

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1 Introduction

Experiences show that deep or long-lasting crises can change the way the labour market functions and that long periods of high unemployment can lead to so called hysteresis effects. This means that unemployment remains at a higher level after the crisis and that the equilibrium unemployment rate rises.² These effects arise because long unemployment spells can reduce the know-how and skills of unemployed persons and make it more difficult for them to find new jobs even when demand for labour rises again. Many employers are also less likely to employ long-term unemployed people, regardless of their skills.³ A longer unemployment spell may also mean that one loses important contacts in the labour market, which makes it more difficult to find employment in a labour market where many jobs are filled through contacts.⁴

Most unemployed people find a job relatively quickly. On average, 25 per cent of the unemployed have an unemployment period of less than four weeks and 70 per cent have an unemployment period of less than six months.⁵ Those who have an unemployment period of more than six months usually count as long-term unemployed in Sweden.⁶ Long-term unemployment (defined as the number of long-term unemployed as a percentage of the labour force) tends to rise in economic crises. The size and duration of the increase will depend, among other things, on the duration of the crisis, the pace of structural change and the groups that have become unemployed. When structural change is rapid, there is a greater risk that those who have become unemployed will not have the skills and abilities required for the new jobs that arise in the economy, and long-term unemployment will therefore rise. The risk of remaining unemployed is greater for older age groups, and long-term unemployment therefore tends to become a greater problem in crises where many older workers lose their jobs. Other groups that often risk long periods of unemployment are people with a low level of education and people who lack sufficient Swedish language skills.

It is important for the Riksbank to assess the extent of available resources in the economy, as resource utilisation affects inflation (with some time lag). An important part of the assessment is to estimate the proportion of unemployment due to cyclical and structural factors, respectively.⁷ Expansionary monetary policy can reduce cyclically high unemployment, but to permanently reduce high unemployment due to structural factors various reforms that improve the functioning of the labour market are required. In a crisis, however, expansionary monetary policy can reduce the risk of hysteresis effects. Long-term unemployment is an indicator of possible hysteresis effects and it is therefore important to monitor its development when assessing the level of

² The equilibrium unemployment rate is the unemployment rate assessed as possible to reach with the prevailing institutional conditions and without the rest of the economy becoming unbalanced. This level can vary over time.

³ See, for instance, Eriksson and Rooth (2014).

⁴ Studies show that between a third and a half of jobs are filled through social contacts, see for example an overview of the literature in Topa (2011).

⁵ Average for the period 2001–2021 according to the LFS.

⁶ In international statistics, twelve months is often used as the limit for long-term unemployment.

⁷ Examples of such structural factors are the competitiveness of the unemployed, the size and design of unemployment benefits and how wage formation functions.

the equilibrium unemployment rate. Studying the development of long-term unemployment among different groups can make it easier to assess the magnitude of the hysteresis effects.

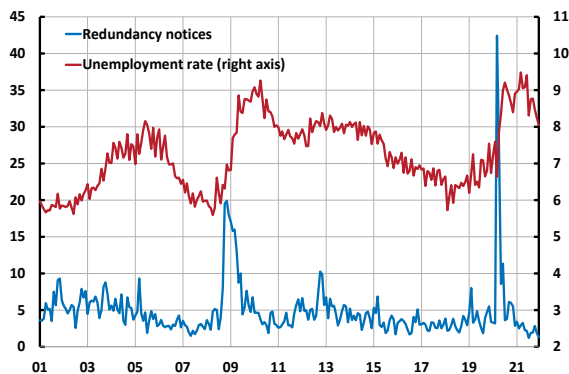
This Economic Commentary analyses how long-term unemployment has developed during the pandemic, as a whole and for different groups and lengths of unemployment spells, and the impact that these developments can have on the equilibrium unemployment rate.

Crisis measures have played a major role for labour market developments

When the economic crisis caused by the pandemic hit in March 2020, the number of redundancy notices increased to a very high level and unemployment rose (see Figure 1). Both the number of employed persons and the number of hours worked decreased rapidly (see Figure 2). Developments were much faster than in previous crises. To mitigate the economic effects of the pandemic, the Riksdag, the Riksbank and other authorities decided on crisis measures at a rapid pace and of a historical magnitude. The measures have had a major impact on the development of the labour market and thus also affect the size of the negative long-term effects of the crisis.

Figure 1. Redundancy notices and unemployment

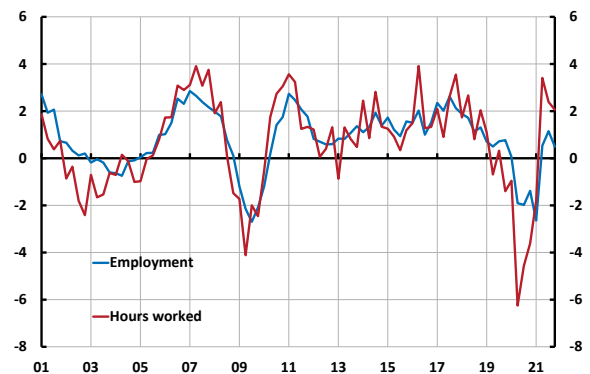
Thousands and per cent of labour force aged 15–74 years



Note. From 2021, the LFS is affected by a time series break. Sources: PES and Statistics Sweden.

Figure 2. Employment and hours worked

Annual percentage change



Note. From 2021, the LFS is affected by a time series break. Source: Statistics Sweden.

Monetary policy has kept interest rates low and contributed to the continued functioning of the credit supply. In this way, it has supported general economic developments. One of the fiscal policy measures that has had a large effect on the labour

market is the short-time work compensation scheme.⁸ This scheme has enabled employers to adjust the number of hours worked without having to lay off employees. In 2020, government compensation for short-time work was granted to nearly 600 000 employees, which represents around 18 per cent of employees in the business sector. As a result, the number of hours worked decreased significantly more than the number of employed, and a large part of the adjustment to the lower demand for labour occurred through reductions in the employees' working hours (see Figure 2). Other support measures, such as compensation for reduced turnover and the possibility to defer tax payments, have also helped companies to cope with the lower demand without major lay-offs. It is clear that the expansionary economic policy has had positive effects on the labour market and on the economy as a whole. It is also important to bear in mind the fact that the support measures have been more extensive during the pandemic than in previous crises, when studying the development of long-term unemployment.

2 Long-term unemployment according to various measures

A time series break in the official statistics measure

Statistics Sweden's Labour Force Survey (LFS) measures labour market conditions for the population aged 15–74 years through a sample survey. The LFS is the official measure for unemployment and employment in Sweden and hence the measure for which the Riksbank and other authorities publish forecasts.

In January 2021, the LFS was adapted to the EU's new directive for labour market statistics, and these changes imply a time series break.⁹ The new survey entails several changes, including a narrower definition of who is considered as employed.¹⁰ At the same time, the unemployment question was changed to "Have you **looked for or tried to find work** in the last 4 weeks?" which is a broader concept than the previous question "Have you **looked for work** in the last 4 weeks?".¹¹ There are still no statistics that correct for the time series break caused by the survey changes, but from the

⁸ To help companies survive the crisis, the government has also temporarily reduced employers' contributions, increased state responsibility for sick pay costs, provided a possibility to defer tax payments and issued state loan guarantees for SMEs. Companies have also had the opportunity to apply for compensation for reduced turnover. The unemployment insurance has temporarily become more generous. The number of university and college places has also been increased to provide more options to study when the demand for labour is low. Furthermore, municipalities and regions have received increased government subsidies to deal with the costs caused by the pandemic, so they have not needed to reduce their activities and make staff redundant.

⁹ See Statistics Sweden (2021) and information on Statistics Sweden's website.

¹⁰ In some cases, persons absent from work for at least three months are no longer regarded as employed. This applies, for example, to those on full leave of absence without salary, those on short-term work schemes with zero working hours, those absent due to shortage of work, those on parental leave not eligible for parental benefit and seasonal workers who do not work in the current season.

¹¹ The order of the questions in the survey has also changed, and Statistics Sweden has switched to using employer's tax declarations at individual level (AGI) instead of the register-based labour market statistics (RAMS) as an aid for its calculations.

data published so far it is clear that the narrower definition of employment has resulted in a time series break in the number of employed.¹² In addition, the changes in the unemployment questions seem to have increased the number of people included in the labour force that are unemployed. The measured long-term unemployment is also likely to be affected by the changes.¹³

The PES statistics can complement the picture

It is very difficult to assess the size of the time series break in the LFS, not least because at the same time the labour market is also impacted by the effects of the pandemic. To obtain a more complete and detailed picture of the development in the labour market, the analysis needs to be supplemented with other data sources. As far as the development of long-term unemployment is concerned, the PES register data are a good complement to the LFS. The unemployed at PES consist of both openly unemployed persons and persons participating in programmes with activity support in the 16–64 years age group.

The LFS and the PES register data differ in several ways, for example in the composition of the unemployed.¹⁴ Long-term unemployment is therefore considerably higher in terms of the PES data than in terms of the LFS (see Figure 3 and Figure 4). Young people, who often have short unemployment spells, are rarely registered at the PES. On the other hand, those born outside of Europe, who often have very long unemployment spells, are over-represented there. Long-term unemployment also varies less over the business cycle according to the PES than according to the LFS. This is partly because the PES has over time been given greater responsibility for various groups with difficulties in finding work, such as newly arrived refugees and family members of immigrants as well as persons who have been on long-term sick leave. Long-term unemployment according to the PES did not, therefore, decrease after the financial crisis 2008–2009 in the same way as it did in the LFS. A further difference is that the PES statistics do not measure the duration of pure unemployment, but time without work, which may also include periods in labour market policy programmes.¹⁵ However, it may still be interesting to follow these measures, in particular when developments according to the LFS are uncertain.

¹² This can be seen in the monthly data published by Statistics Sweden, where they have tried to adjust for the new employment definition and the new help information.

¹³ The new survey is assessed to increase the number of unemployed people. As a respondent who has replied that he or she is unemployed is also asked the question of how long he/she has sought work, the long-term unemployment figure may have been affected.

¹⁴ See Statistics Sweden (2018).

¹⁵ The LFS classifies persons who participate in labour market programmes (without pay) as outside the labour force if they are not looking for a job at the same time.

Figure 3. Long-term unemployment (LFS)

Per cent of labour force aged 16–64 years

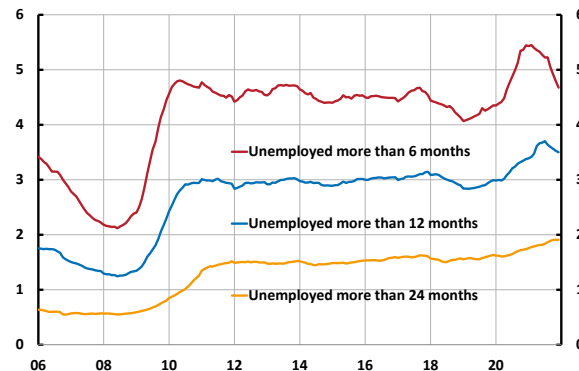


Note. Series are seasonally adjusted by the National Institute of Economic Research. From 2021, the LFS is affected by a time series break.

Sources: Statistics Sweden and the National Institute of Economic Research.

Figure 4. Long-term unemployment (PES)

Per cent of register-based labour force aged 16–64 years



Note. Series are seasonally adjusted by the Riksbank.

Sources: PES and the Riksbank.

LFS shows a sharp rise in long-term unemployment during the pandemic

According to the LFS, the long-term unemployment rate measured as longer than six months of unemployment has increased by 1.0 percentage points from the end of 2019 and amounted to 3.0 per cent in the fourth quarter of 2021 (see Figure 3).¹⁶ The number of people who have been unemployed for more than twelve months had also increased by 1.0 percentage points and amounted to 2.1 per cent of the labour force. These levels of long-term unemployment are historically high. Long-term unemployment decreased somewhat during the fourth quarter of 2021. However, the decrease was marginal for those who have been unemployed for more than twelve months.

Part of the increase in 2021 is probably due to changes in the methods and definitions in the LFS, but it is difficult to say how much. If a large part of the increase is real, it is an indication that the hysteresis effects could now be as large as after the financial crisis, when it took about ten years for unemployment to reach the pre-crisis level.

High long-term unemployment has started to decrease according to the PES data

Long-term unemployment has also risen as measured by the PES data (see Figure 4). However, the number of people who have been registered as unemployed for more than six months decreased clearly as a proportion of the labour force in 2021. The share of persons unemployed for over twelve months also decreased at the end of 2021. However, the unemployed registered at the PES for a very long time – longer

¹⁶ To enable comparison with PES data, long-term unemployment is shown for the age group 16–64 years.

than 24 months – has levelled out at an elevated level. Compared to the end of 2019, this group has increased by 0.3 percentage points.

The PES data point to a considerably smaller increase in long-term unemployment now than in connection with the financial crisis.¹⁷ In the fourth quarter of 2021, the long-term unemployment rate measured as over six months of unemployment was only 0.5 percentage points higher than in the fourth quarter of 2019. Long-term unemployment measured as over 12 months of unemployment was 0.6 percentage points higher. This is a sign that a relatively large part of the increase in long-term unemployment in the LFS in 2021 may be due to the time series break. It also indicates that the hysteresis effects of this crisis may be smaller than after the financial crisis, which was driven by other factors and where the recovery also was affected by the European sovereign debt crisis. However, long-term unemployment according to the PES statistics is also affected by factors other than the pandemic. For example, the influx of new refugees and family members of immigrants has been relatively small in recent years, which has reduced the influx of this group to long-term unemployment.

3 Developments in different groups

The probability of finding a job differs between groups. Thus, how lasting the elevated long-term unemployment is depends, among other things, on who has become long-term unemployed. When assessing the size of the hysteresis effects, it is therefore important to look at more detailed data.

The LFS shows the largest increase among older, low skilled and foreign-born workers

Unemployment is unevenly distributed in the labour force and the duration of unemployment also differs between different groups. Since the start of the pandemic, long-term unemployment in the LFS has risen in all age groups, but the rise is highest among older workers (55–74 years) (see Figure 5). Long-term unemployment among young people (15–24 years) has also increased. For the young with an unemployment period longer than 12 months, the increase had not yet slowed by the end of 2021. However, this group remains small. A gender breakdown shows that long-term unemployment initially increased a bit more among men, but decreased sharply at the end of 2021 (see Figure 6). Similar to the development of total unemployment, long-term unemployment was hence more elevated among women than among men in end-2021.

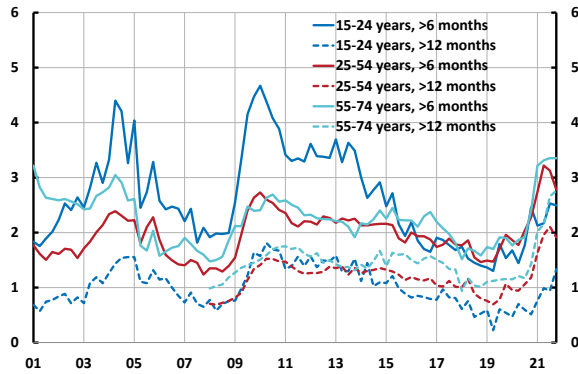
A breakdown of long-term unemployment into foreign-born and Swedish-born persons shows that it is mainly the foreign-born who have been affected during the crisis (see Figure 7). This is probably due to the fact that many severely affected industries, such as hotels, restaurants, retail and transport, employ a relatively large number of foreign-born persons. This is also reflected in the fact that long-term unemployment

¹⁷ However, major changes were made to sickness insurance in 2008–2010, which led to many people on long-term sick leave becoming job seekers at the PES. In addition, the PES was given responsibility for the labour market establishment of newly arrived refugees and family members of immigrants in 2010. These reforms have pushed up long-term unemployment following the financial crisis in the PES data.

has increased mainly among those with lower education, while the rise for those with higher education is small (see Figure 8).

Figure 5. Long-term unemployment in different age groups (LFS)

Per cent of labour force

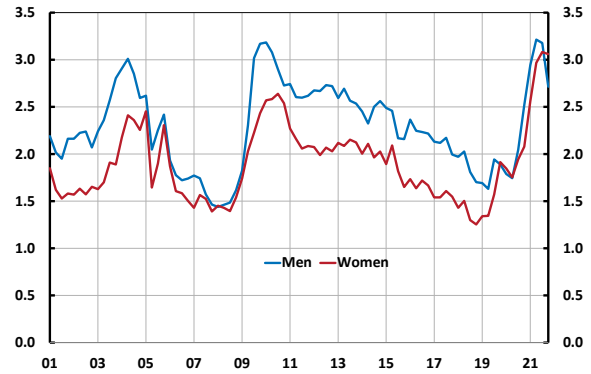


Note. The age groups 25–54 years and 55–74 years are seasonally adjusted by the Riksbank. From 2021, the LFS is affected by a time series break.

Sources: Statistics Sweden and the Riksbank.

Figure 6. Long-term unemployment among men and women (LFS)

Per cent of labour force aged 15–74 years

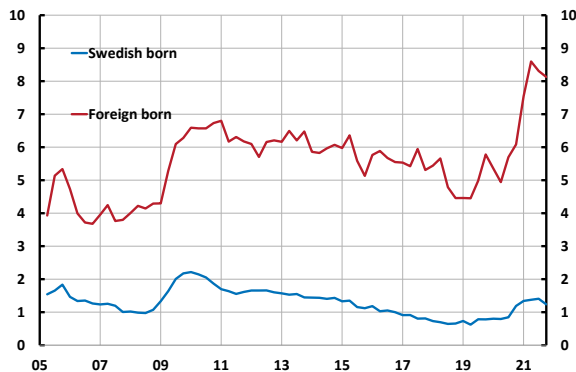


Note. Refers to periods of unemployment longer than six months. Series are seasonally adjusted by the Riksbank. From 2021, the LFS is affected by a time series break.

Sources: Statistics Sweden and the Riksbank.

Figure 7. Long-term unemployment among Swedish and foreign born (LFS)

Per cent of labour force aged 15–74 years

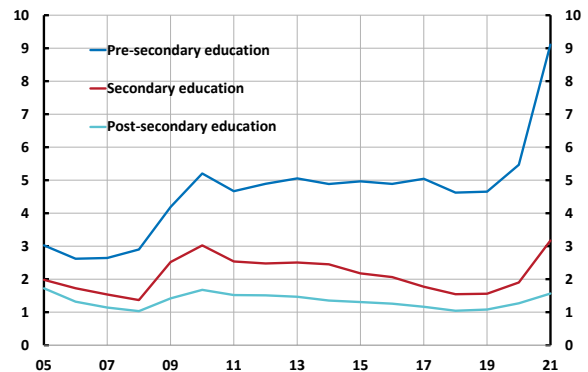


Note. Refers to unemployment spells longer than six months. From 2021, the LFS is affected by a time series break.

Source: Statistics Sweden.

Figure 8. Long-term unemployment by level of education (LFS)

Per cent of labour force aged 15–74 years



Note. Refers to unemployment spells longer than six months. Annual data. From 2021, the LFS is affected by a time series break.

Source: Statistics Sweden.

The PES data are more reliable for studies of smaller groups

The LFS is a sample survey with a relatively large non-response rate in certain groups, and it is therefore less reliable for studying smaller groups. In addition, more detailed data are available only for those who have been unemployed for longer than six months. In contrast, the PES data contain all those registered as unemployed, which makes it possible to study the developments for more and smaller groups and in more detail with regard to the duration of unemployment. However, people registered as unemployed at the PES are not representative of unemployment among the population as a whole, as they have, on average, more extensive problems in the labour market. The figures below include long-term unemployed who have been unemployed over six months to make them comparable with the LFS. However, the analysis focuses mainly on those with unemployment periods longer than 12 and 24 months respectively, because research shows that it is above all the really long periods of unemployment that reduce the chances for individuals to find jobs.¹⁸

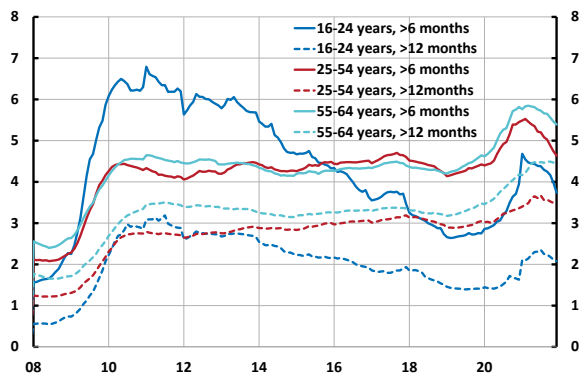
The PES statistics show highest rise in long-term unemployment among older and low-skilled workers

Long-term unemployment, measured as registered unemployment of more than twelve months at the PES, has risen in all age groups, but, as in the LFS, the increase is largest among persons over 55 years of age (see Figure 9). On average, this group has little chance of finding a job and more than 60 per cent of them have now been unemployed for more than a year (see Figure 14). However, at the end of 2021 the rise in long-term unemployment stopped even among the older workers. The rise in long-term unemployment among young people (aged 16 to 24 years) measured as more than 12 months of registered unemployment is small, and fell also clearly at the end of 2021 (see Figure 9). The increase in long-term unemployment during the pandemic has been greater among men than among women (see Figure 10). At the end of 2021, however, and similar to the LFS, long-term unemployment fell rapidly among men.

¹⁸ For example, Eriksson and Rooth (2014) show that unemployment spells up to six months do not affect the likelihood of being invited to an interview, while longer periods of unemployment than nine months give a strongly negative signal to potential employers.

Figure 9. Long-term unemployment in different age groups (PES)

Per cent of register-based labour force

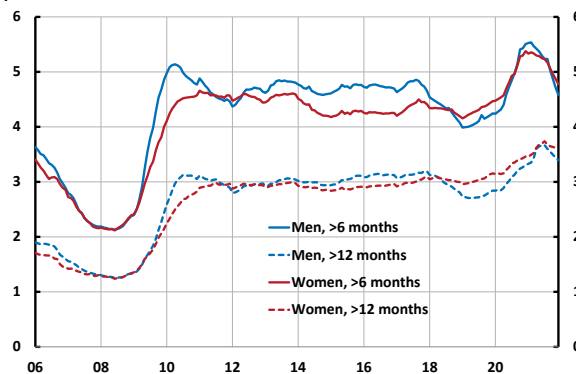


Note. Series are seasonally adjusted by the Riksbank.

Sources: PES and the Riksbank.

Figure 10. Long-term unemployment among men and women (PES)

Per cent of register-based labour force aged 16–64 years



Note. Series are seasonally adjusted by the Riksbank.

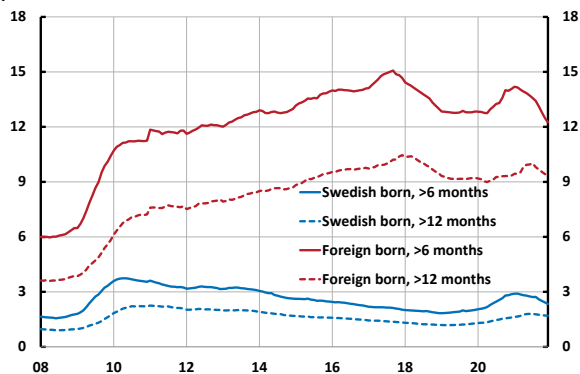
Sources: PES and the Riksbank.

Long-term unemployment among Swedish-born persons rose after the financial crisis, and then slowly decreased until the end of 2019 (see Figure 11). Among foreign-born persons it rose continuously between 2009 and 2017, reflecting the high level of immigration of refugees and family members during the period and the increased responsibility of the PES for the labour market establishment of these groups. The good economic conditions and the on average longer stay of foreign-born persons in Sweden then contributed to a decline in long-term unemployment from 2018 until the coronavirus crisis hit. Compared to the 2009 upturn, the increase in long-term unemployment among foreign born has been limited during the pandemic, and it started to decrease again in 2021. However, long-term unemployment is still more than five times higher among foreign born than those born in Sweden. At the end of 2021 long-term unemployment decreased among both Swedish-born and foreign-born persons.

The PES data show that long-term unemployment has increased for all levels of education as a result of the pandemic (see Figure 12). It is, however, above all a problem for the unemployed who lack secondary school education, as they on average have little chance of finding a job. For them, long-term unemployment has risen almost continuously since 2009, and in the fourth quarter of 2021 it was around 12 per cent. Many in this group are foreign born. This can be compared with around 2 per cent long-term unemployment among those with post-secondary education. However, during the end of 2021, long-term unemployment turned down slightly for all levels of education.

Figure 11. Long-term unemployment among Swedish-born and foreign-born persons (PES)

Per cent of register-based labour force aged 16–64 years

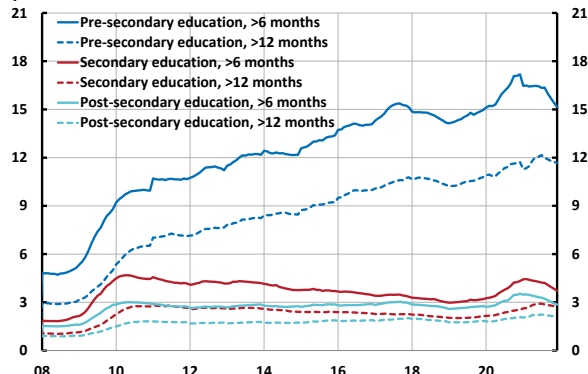


Note. Series are seasonally adjusted by the Riksbank.

Sources: PES and the Riksbank.

Figure 12. Long-term unemployment by education level (PES)

Per cent of register-based labour force aged 16–64 years



Note. Series are seasonally adjusted by the Riksbank.

Sources: PES and the Riksbank.

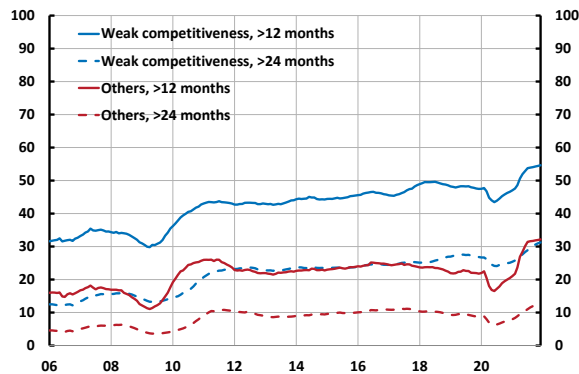
High proportion of long-term unemployed among workers with weak competitiveness

The PES usually divides the unemployed into those with weak competitiveness, who on average have little chance of finding a job, and other registered unemployed people. The group with weak competitiveness includes, in addition to those older than 55 years and those with low level of education, people born outside of Europe and unemployed with disabilities that reduce their working capacity. The share of long-term unemployed has increased clearly in both groups during the crisis (see Figure 13).¹⁹ The increase is somewhat higher among the other registered unemployed, which reflects the fact that the crisis has been going on for more than 12 months. Since many service industries have been burdened with restrictions and low demand, people who would normally have found a job have now been unemployed for a long time. More detailed data on people with weak competitiveness shows that the share of long-term unemployed has increased most in the group with disabilities that reduce their working capacity and among older workers, but the increase is also relatively high in the other sub-groups (see Figure 14). Many of these people had already before the pandemic very little chance of getting an unsubsidised job (see Figure 16). As these groups grow, there is a risk that the equilibrium unemployment rate rises.

¹⁹ In the absence of data on the number of persons in the labour force with weak competitiveness, the groups are reported here as a percentage of the unemployed.

Figure 13. Long-term unemployment, people with weak competitiveness and other registered unemployed people

Per cent of unemployed in each group

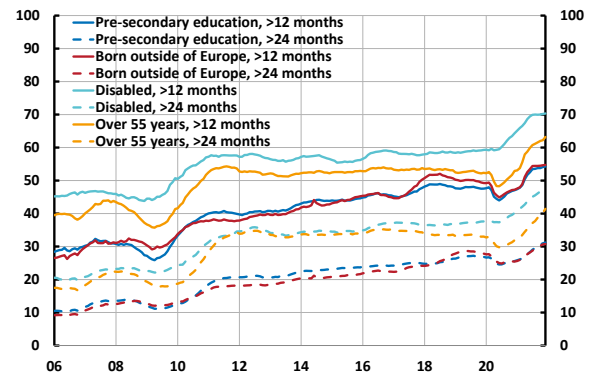


Note. Series are seasonally adjusted by the Riksbank.

Sources: PES and the Riksbank.

Figure 14. Long-term unemployment, people with weak competitiveness

Per cent of unemployed in each group



Note. Series are seasonally adjusted by the Riksbank.

Sources: PES and the Riksbank.

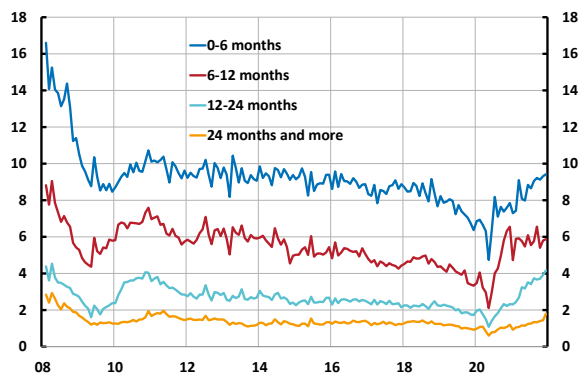
4 Job-finding rates for the long-term unemployed are increasing

The job-finding rate, that is, the share of unemployed who move from unemployment to unsubsidised work, increased markedly during 2021 for the long-term unemployed, especially for the group of other registered people, but also for those with weak competitiveness (see Figure 16).²⁰ This indicates that a large proportion of those who have become long-term unemployed during the pandemic have a relatively good chance of being re-employed. A likely contributing factor is that many of them have been separated from jobs in sectors where the activity has been on ‘pause’ as a result of the various restrictions. However, for those who have been unemployed for more than two years, i.e. those who were unemployed before the pandemic, the job-finding rate is still low and the upturn in the end of 2021 is relatively small (see Figure 15).

²⁰ The PES statistics also recently had a time series break. As of July 2020, it is possible for the registered unemployed to de-register themselves, instead of a case worker doing it for them. This may have affected the development of unemployment according to the PES since July 2020. In the data, the effect seems to be greater for those with shorter unemployment periods than for those with longer unemployment periods (see Figure 15).

Figure 15. Job-finding rate by length of unemployment period

Per cent of people registered as unemployed in previous month

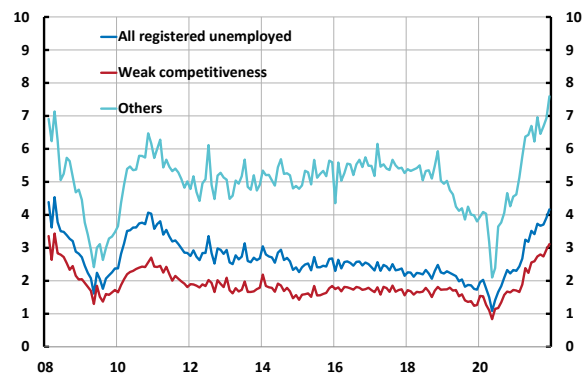


Note. Refers to unemployed who have received unsubsidised work. Series are seasonally adjusted by the Riksbank.

Sources: PES and the Riksbank.

Figure 16. Job-finding rate among those who have been unemployed 12–24 months

Per cent of people registered as unemployed in previous month



Note. Refers to unemployed who have received unsubsidised work. Series are seasonally adjusted by the Riksbank.

Sources: PES and the Riksbank.

5 Expansionary monetary policy is not sufficient to bring down unemployment to pre-crisis level

Deep or prolonged economic crises can lead to so-called hysteresis effects, that is, unemployment remains at a higher level after the crisis. Long-term unemployment tends to increase in economic crises, and its development is an indicator of the magnitude of hysteresis effects. How much long-term unemployment rises – and for how long it is elevated – depends, among other things, on the duration of the crisis, who have become unemployed and the pace of structural change.

Despite extensive support measures that have dampened the economic consequences, long-term unemployment has clearly increased in the wake of this crisis as well. The increase has been broad, but particularly marked among older age groups and those with less education, and to some extent among the foreign-born. Many people in these groups have difficulty getting a job and are therefore in danger of becoming trapped in long-term unemployment and raising the equilibrium unemployment rate. In the longer term, the older unemployed may also leave the labour market by retiring prematurely, which would mean lower labour supply and thus a lower equilibrium employment level.

However, in contrast to the financial crisis, when many jobs in the manufacturing industry were lost at the same time as many jobs were created in the services sector, the redistribution of jobs under the coronavirus crisis has to a greater extent taken place within the services sector, where the competence requirements for jobs are similar. For example, the growing e-commerce has resulted in a reduction in jobs in

physical stores, but more jobs in mail order, warehousing and logistics. These new jobs require to some extent the same skills as jobs in retail outlets. The structural change may therefore have less impact on the equilibrium unemployment than in previous crises. Many of the hardest hit industries also have high staff turnover and relatively low demands regarding education and job-specific skills, and when the restrictions have been lifted, the demand for labour in these industries has returned.

At the end of 2021, the share of the labour force with unemployment spells longer than 12 months fell clearly according to the PES, while the decline according to the LFS was more marginal. Job-finding rates according to PES statistics have increased significantly for those with shorter unemployment spells, but there has also been a clear upturn for the long-term unemployed with weak competitiveness who normally find it difficult to get a job. Given that no new restrictions are introduced that significantly dampen the economic conditions, these developments suggest that few of those who have lost their jobs during the pandemic will get stuck in long-term unemployment. This would indicate only minor hysteresis effects. However, the number of people who have been unemployed for more than two years has levelled out at an elevated level. These people have very little chance of getting a job. The people in this group were already unemployed before the pandemic and many of them are now very far from gaining employment. This indicates that even this crisis will lead to certain hysteresis effects, and thus increase the equilibrium level of unemployment. Part of the rise in unemployment during the pandemic is therefore not considered to be of a purely cyclical nature. This in turn means that expansionary monetary policy alone will not be sufficient to bring unemployment down to the pre-crisis levels. However, the hysteresis effects are assessed to be smaller now than after the financial crisis.

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SVERIGES RIKSBANK

Tel +46 8 - 787 00 00

registratorn@riksbank.se

www.riksbank.se

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