



## **European Employment Observatory**

### **EEO Review: Youth Employment Measures, 2010**

#### **Sweden**

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*This article is the sole responsibility of the author(s)*

## 1. Introduction

In the wake of the global economic crisis the situation of young people in the Swedish labour market has deteriorated rapidly and youth unemployment reached its highest post-war level in 2009. From an international perspective, youth unemployment is high in Sweden, and among the highest in Europe. From a level of above 14 % in the first quarter of 2008, the unemployment rate for individuals aged 20–24 rose to 23.6 % in the first quarter of 2010 (see Table 1 in the annex). For teenagers, the impact of the crisis was even stronger with unemployment rising from around 32 % to 40% during the same period<sup>1</sup>. Work experience, higher educational attainment and improved labour market conditions tend to decrease unemployment frequency and duration among young people. As shown in Table 2 in the annex, the unemployment rate is significantly higher among low-skilled/low educated youth. The recurrence of short periods of unemployment is a major feature of the youth labour market and unemployment spells are on average of shorter duration than for adults. In 2009, the average unemployment duration among young people aged 15 to 24 was around 14 weeks, compared to 33 weeks for adults aged 25 to 54. The dramatic upsurge in youth unemployment during the recession has yet not been accompanied by a sharp decline in employment rates, as was case in the previous deep economic downturn (early 1990s). The incidence of fixed-term contracts and part-time work is particularly high among the younger population and has been increasing during the last two decades (see Table 3 in the annex). Despite Sweden displaying high youth unemployment rates by international standards, the proportion of young people not in education, employment or training (NEET), as well as the share of early drop out from the educational system, remains comparatively low<sup>2</sup>.

## 2. Measures taken to promote youth employment

One of the major features of the development of the youth labour market during the last two decades has been the gradual postponement of entry into the labour market and a longer transitional phase from the educational system into the labour market. The youth population does not constitute an homogeneous group and a successful transition from the educational system to the labour market is, in Sweden as in other industrial countries, clearly dependent upon educational attainment. Early drop-out from the compulsory educational system or secondary educational attainment is associated with more erratic employment patterns and higher unemployment rates.

The fact that young workers exit unemployment much faster than older workers could suggest that youth unemployment is a transitory state requiring little attention from policymakers. However, several studies (see, for example, Nordström-Skans, 2004) analysing the long run consequences of unemployment subsequent to graduation found that experiences of unemployment have long-lasting negative effects on both employment trajectories and earnings after graduation. This implies that policy initiatives to combat youth unemployment

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<sup>1</sup> Since most teenagers and many in their twenties are still in the educational system, the youth unemployment rate tends to be high among teenagers. There is therefore reason to believe that teenagers who enter the labour market to a large extent constitute a negative selection by the teenage population with relatively low skill and low educational attainment (early school leavers). It should also be noted that in 2009 more than one third of unemployed young people (15-24) were full-time students.

<sup>2</sup> In 2009, 13.3 % of young people aged 18 to 24 had completed compulsory education (ISCED level 2 or less) and were no longer in education (see Table 4 and 5 in the annex).

are justified despite the short average unemployment duration among young job seekers. The growing awareness of the long term detrimental consequences of youth unemployment has led the Swedish public authorities to take several policy measures.

## **2.1 School education and training policies**

Since the mid-2000s, several educational reforms have been undertaken. In particular, the reform of the pre-school educational system aimed at creating a closer integration of pre-schools into the overall educational system appears to be an important step for enhancing the coherence and quality of the Swedish educational system. The second strand of measures has been the introduction of earlier national tests for young pupils, combined with the introduction of individual study plans, in order to identify at an early stage deficiency in basic knowledge such as reading and mathematics and to prevent early drop out from the educational system.

More recently, and in the aftermath of the global economic crisis, several educational and training measures have been taken. In 2009, the government temporarily increased the number of places in post-secondary vocational training (Yrkeshögskolan), in local authority upper secondary education for adults (Konvux), as well as the number of places in Universities and University Colleges<sup>3</sup>. To encourage more people to apply to secondary adult vocational education programmes, a temporary increase in opportunities for unemployed people over the age of 25 (regardless of previous education) to obtain a higher level of post-secondary student aid in 2009 and 2010 has also been adopted. Those who have dropped out from high school now have the opportunity, within the framework of the Job Guarantee (see below), to complete their study. The government has also increased the number of places in 'work placement and trainee schemes'. The number of participants in labour market training within the framework of active labour market policy has also been enlarged. However, this has occurred to a much lesser extent than with the previous deep recession of the early 1990s.

The current government has also decided to strengthen apprenticeship programmes and has permanently increased the number of places in advanced vocational training. An upper secondary school apprenticeship pilot programme, beginning in the 2008/2009 academic year, has also been introduced. The pilot program has been devised in close collaboration with the social partners and the school authorities<sup>4</sup>. In May 2009, the government presented a bill, Higher Requirements and Quality in the New Upper Secondary School, which carried proposals for a new reformed upper secondary school. In order to better prepare students for working life, a permanent apprenticeship programme will be introduced in 2011 as a standard course of studies in upper secondary school. The quality of vocational training is also expected to be enhanced by a closer collaboration, at the local level, between high school authorities and local actors. Based on evidence from countries with developed apprenticeship systems, like Austria and Germany, the introduction of a permanent upper secondary school apprenticeship programme is expected to significantly ease the transition from the educational system into the labour market.

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<sup>3</sup> These measures adopted by the parliament in December 2009 mean an increase of 10 000 places for universities and colleges, 3000 more places in post-secondary vocational training and 10 000 more places per year in adult vocational training during the period 2010-2011.

<sup>4</sup> A national apprenticeship committee with industry representatives was given a remit to promote the pilot project, to follow up on its results, to assess whether it is meeting its objectives from the perspective of the needs of the business community, and to draw attention to development needs.

In order to promote entrepreneurship among young people, the government also presented in May 2009, a strategy for entrepreneurship in the field of education, emphasizing the key role education plays in encouraging entrepreneurship.

## **2.2 Labour market and employment-related policies and access to benefits**

### ***Labour market and employment-related policies***

While many of the Swedish active labour market programmes are accessible to all age groups, the provision of programmes specifically designed for and restricted to young labour market entrants has become more common in Sweden over the last two decades, showing clear counter-cyclical patterns. In the aftermath of the economic crisis, the Swedish government instructed the Swedish Public Employment Service to expand its matching services and provide early and individual support to those losing jobs. This ‘coaching support’ was no longer only restricted to redundant workers but was also available to young people. Furthermore, new measures targeted at young people were launched. In 2009, the total employers' social security contribution for young people was lowered to 15.49 % and covered everyone under the age of 26. This reduction effectively means almost a halving of employers' contributions compared with full fees. The result is a substantial reduction in the costs of employing a young person. Young people aged 20-25 who have been unemployed for more than six months are also eligible for the New Start Job, which has also been extended to the entire public sector since January 1<sup>st</sup> 2008. Under New Start Job, the employer is compensated with an amount equivalent to the normal employers' social contribution. The reduced social contributions, together with the reductions associated with new start jobs for young people, mean that the wage cost of hiring a young person in a new start job is now about 40 % lower.

A Job Guarantee scheme for young people was also introduced in 2009. The aim of the Job Guarantee is to help young people more rapidly find a job or enrol in the regular education system. The Job Guarantee for young people is restricted to unemployed young people who have been registered with the Public Employment Service continuously for three months. The focus in the guarantee is on job search activities, since research and experience from other countries shows that this is an effective way of getting young people into work. These activities can then be combined with work experience placements and education. In 2010, further measures within the framework of the Job Guarantee for young people were introduced. New initiatives in the Job Guarantee include the new activation measure, Lyft (the ‘Boost’), support for starting a business, and also vocational rehabilitation. Participants in the Job Guarantee also now have the opportunity to participate in the guarantee part-time so that they can use the remaining time to study in the municipal adult education system. Supplementing the training offered within the Job Guarantee, a further initiative has also been introduced making it possible for unemployed young people who have not completed compulsory or upper secondary school to complete their studies.

### ***Evaluation studies***

The last two decades have seen a growing number of Swedish evaluation studies (see Calmfors et al., 2002 for a comprehensive review, and also Anxo, 2006). The number of Swedish evaluation studies on youth targeted active labour market policy programmes (ALMPs), however, remains lower, and with sometimes contradictory findings. Nevertheless,

some conclusions can be drawn. The estimated effects of labour market training for young people differ across the business cycle. Evaluations of training acquired during the first half of the 1980s, a period of low unemployment and high labour demand, suggest positive effects on young participants' employment and/or earnings development. Evaluations of training that took place in the 1990s, i.e. in an economic downturn, tended to find negative effects on subsequent employment probability and earnings development (Larsson, 2003). Early evaluations of Swedish youth job creation programmes undertaken during the 1980s produced some contradictory results. Some studies found that youth job creation programmes had a positive impact upon the likelihood of finding a job, and a positive effect upon employment duration, while others found that the participation of young people in subsidized public jobs had a negligible effect on subsequent earnings (see Anxo, 2006). More recent studies (Larsson, 2003) evaluating the impact of two youth programmes (Youth Practices and Labour Market Training for 20-24 year olds) on employment probability and subsequent earnings found that both youth work experience schemes and labour market training have had negative short-term effects on earnings and employment, while the long run effect was unclear. Overall, even though workplace experience schemes appear to be 'more effective' than pure training, neither of the youth programmes seems to work as expected.

As mentioned previously, measures taken by the current government to combat youth unemployment and enhance the integration of youth into the labour market include various forms of wage subsidy and/or reduction of payroll tax. Several empirical studies (see for example Calmfors et.al, 2002) have shown that the efficiency of general and targeted wage subsidies is rather low. While wage subsidies may quicken the transition to regular jobs these types of labour-demand oriented measures are associated with large dead-weight loss and relatively large displacement and crowding-out effects. In a study analysing the impact of general and targeted recruitment subsidies introduced in Sweden in the early 1990s, it has been shown that these two large programmes were associated with large windfall profits and large deadweight loss<sup>5</sup>. In addition, wage subsidies frequently benefit unemployed job seekers with on average better socio-economic backgrounds, implying that employers may be selecting certain candidates. Although there are reasons to believe that this 'creaming' effect could be lessened using well targeted wage subsidies for relatively disadvantaged groups, crowding-out and displacement effects may still be present. The targeted reductions in the social contributions for young people implemented by the current government and aimed at lowering youth unemployment may therefore have undesirable effects: older workers may be crowded out into long term unemployment, entailing an increase in total unemployment.

The government's current policy to expand coaching support for young people and the short-term unemployed seems more timely and appropriate. One of the more robust findings in the evaluation literature is that coaching, in the form of job search assistance, is cost effective. Hagglund (2009) found that intensified services of this kind generally reduce unemployment among participants and also have positive effects on employability and earnings in the years following the programme. Finally, combining job-search assistance and monitoring of job search seems to generate significantly better results than monitoring alone.

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<sup>5</sup> Almost 80 % of the surveyed firms declared that they would have recruited even without the existence of the wage subsidy (Anxo & Dahlin, 1995).

### ***Access to benefits***

A new unemployment insurance (UI) system took effect on January 1<sup>st</sup> 2007. Unemployment benefits are now based on the last 12 months' earnings, instead of the last six months. The work condition is that 12 months immediately prior to unemployment a person must have worked for at least six months and at least 80 hours in every calendar month, or have worked for at least 480 hours during six consecutive calendar months and at least 50 hours in every single one of those months. The eligibility condition means that a large proportion of young people with on average shorter work experience do not fulfil these conditions and therefore do not benefit from UI. The financing of the UI system has also been reformed during the current government's term of office, leading to a large increase in individual contributions to the various unemployment funds. One consequence of this reform is that the membership in UI-funds diminished dramatically, by almost 15 %. According to a recent study (Eliasson, 2008) the persons who left the UI-funds are essentially individuals from vulnerable groups with low earnings, part-time work, high risk of unemployment, and low probability of fulfilling the new UI requirement (i.e. principally the part-time unemployed and young people). There are therefore strong reasons to believe that the current severe economic downturn and the related rise in unemployment will increase the number of recipients of social benefits<sup>6</sup> (*socialbidrag*), in particular among young individuals not covered or entitled to UI.

### **2.3 Addressing problematic features of youth employment**

The last decade has also seen a steep increase in the volume of fixed term contracts (see Holmlund & Storrie, 2002). The incidence of fixed-term contracts is particularly high among the young population, particularly among teenagers<sup>7</sup> (see Table 3 in the annex) and has been increasing during the last decade. Among young women aged 15-24, close to 61 % were in temporary work in 2009; the corresponding share for young men was around 46 %. The growth of fixed term contracts might have caused some rise in youth unemployment through higher labour turnover. Investigating whether temporary jobs in the form of fixed-term replacement contracts decrease the risk of future unemployment among job seekers, Larson et al. (2005) found positive effects of short-term contracts on future employment prospects. Overall, the results suggest that receiving a fixed term contract in Sweden reduces the risk of future unemployment, and that a longer contract increases the position within the workplace but not on the labour market in general.

As far as working time is concerned, young people, in particular young women, are over-represented among part-timers. In 2009, around 47 % of employed 15-24 year olds worked part-time (less than 35 hours), and the young represented more than 20 % of part-timers. It should be noted that a large majority of young part-timers are also, at the same time, students.

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<sup>6</sup> In 1998, the Social Service Act was amended to allow municipalities to require welfare participants to take part in activation programmes (job search, education/training and job practices) to retain their eligibility. In some municipalities therefore the receipt of social benefit is conditional to mandatory activation requirements. In the Stockholm region/districts a mandatory activation was introduced (at different dates between 1998 and 2003). Using registry data for the entire population of the Stockholm region, Person and Vikman (2010) analysed the impact of mandatory activation on the transition in and out of welfare participation (social benefits). The authors found that the main reduction in welfare participation is due to a small increase in exit rates and also a reduction of an inflow of the population at risk entering into welfare, in particular young people.

<sup>7</sup> It should however be noted that the high incidence of short term contracts among teenagers is essentially related to summer jobs.

No governmental measures have been taken to restrict the development of part-time jobs or short-term contacts among young people<sup>8</sup>.

## **2.4 Roles of the labour market actors**

As previously mentioned, several measures have been adopted to improve the quality of vocational training and to better adapt the educational system to labour market needs, in particular a permanent upper secondary apprenticeship programme starting in 2011. It has become a government priority to develop closer collaboration, at the local level, between high school authorities and local actors (employers, unions, etc.) regarding the orientation and content of vocational training. In this context, it is intended that cooperation at the national level between the National Agency for Education and industry representatives will be promoted by the establishment of tri-partite national councils for vocational programmes. In order to improve the educational/qualification certification process, an upper secondary school certificate will be introduced making it possible for pupils to obtain a vocational qualification or to qualify for higher education.

## **3. Conclusions**

In the wake of the global economic crisis the youth labour market in Sweden altered significantly. The provision of programmes that are specifically designed for and restricted to young labour market entrants has become more common in Sweden during the last two decades. The available microeconomic evaluation studies suggest, however, a rather low efficiency of youth targeted programmes. Such programmes have been associated with large dead-weight loss and/or displacement effects, while at the same time the effects on subsequent labour market prospects for participants remains uncertain. On the other hand, more recent evaluations tend to show that intensified services (coaching, etc.) generally reduce unemployment among participants and have also had positive effects on employment probability and earnings in the years following the programme.

Some recent policy developments in Sweden appear to work well as instruments to ease, over the long term, the transition from school to work. These include: the proposed measures to prevent early drop out from the educational system, enhancing the quality of vocational training through closer collaboration at the local level between high school authorities and local actors (employers, unions, etc.), reform of the Swedish high school system (which implies a greater emphasis on vocational oriented curricula), and introducing a permanent apprenticeship system at the high school level.

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<sup>8</sup> On the contrary, the government made an amendment in the Protection Employment Act making it easier to employ people on short duration.

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## Annex

<b>Table 1: YOUTH EMPLOYMENT / UNEMPLOYMENT TRENDS (Q1 data)</b>									
<b>Data</b>	<b>Age group 15-19</b>			<b>Age group 20-24</b>			<b>Age group 25-29</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Employment rate (%)	20.1	17.8	16.2	60.8	56.3	51.9	79.0	77.6	73.8
Unemployment rate (%)	32.3	35.7	40.4	14.8	19.4	23.6	7.1	9.0	10.9
Long-term unemployment as a % of unemployed	-	-	-	(7.8)	(5.8)	9.5	-	(8.3)	14.3
Youth unemployment to population ratio	9.6	9.9	11.0	10.6	13.5	16.1	6.0	7.7	9.1

Source: Eurostat, Labour Force Survey

- : Data not available

Data in brackets not reliable due to small sample size.

<b>Table 2: YOUTH UNEMPLOYMENT TRENDS (Q1 data, %)</b>						
<b>Data</b>	<b>Age group 15-24</b>		<b>Age group 20-24</b>		<b>Age group 25-29</b>	
	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>
Unemployment for the low-skilled (ISCED 0-2)	39.3	44.8	40.7	40.7	19.4	22.9
Unemployment for the medium-skilled (ISCED 3-4)	19.6	23.0	17.8	17.7	9.4	8.5
Unemployment for the high skilled (ISCED 5-6)	12.8	19.3	12.8	14.9	5.9	7.2

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

<b>Table 3: YOUTH TEMPORARY CONTRACTS (% OF EMPLOYEES) (Annual data)</b>			
<b>Data</b>	<b>Age group 15-19</b>	<b>Age group 20-24</b>	<b>Age group 25-29</b>
	<b>2009</b>	<b>2009</b>	<b>2009</b>
Temporary work as a % of employment	73.7	43.5	23.4

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

<b>Table 4: NEITHER IN EMPLOYMENT NOR IN ANY EDUCATION OR TRAINING (NEET) (Annual data)</b>		
<b>Data</b>	<b>Age group 15-19</b>	<b>Age group 20-24</b>
	<b>2008</b>	<b>2008</b>
NEET rate (% of the age group) (annual averages)	4.4	11.7

Source: Eurostat, EU Labour Force Survey, Annual averages  
Provisional data

<b>Table 5: EARLY SCHOOL LEAVERS* (Annual data)</b>		
<b>Data</b>	<b>Age group 18-24</b>	
	<b>2008</b>	<b>2009</b>
Early school leavers (% of the age group)	14.6	13.3

Source: Eurostat, Labour Force Survey

\* Percentage of the population aged 18-24 having attained at most lower secondary education and not being involved in further education or training.

<b>Table 6: DIFFERENCE IN YOUTH UNEMPLOYMENT RATE BETWEEN Q4-2009 AND Q4-2007</b>		
<b>Data</b>	<b>Age group 15-19</b>	<b>Age group 15-24</b>
Difference in youth unemployment rate between Q4-2009 and Q4-2007	4.7	6.6

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted