

”The impact of Covid-19 on the Swedish Labor Market: Heterogenous responses and earnings inequality”

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Sweden before COVID-19

1. Strong labor market prior to the outbreak

- ▶ High labor force participation and employment rate
- ▶ Unemployment rate at European average
- ▶ High minimum wages and consequently, low wage dispersion
- ▶ Few low-qualified jobs

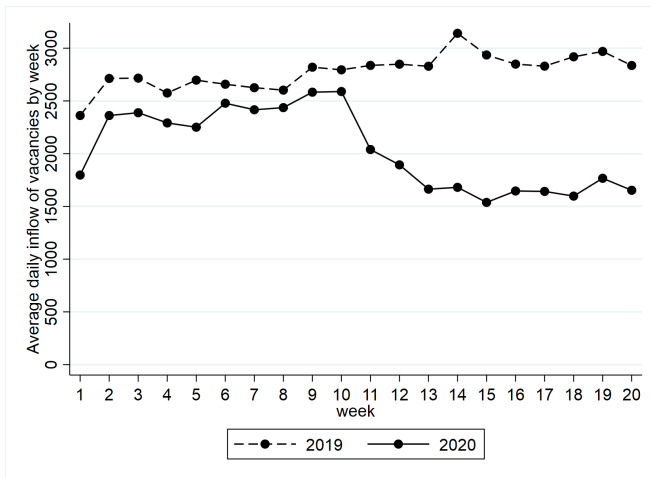
2. Structural challenges - increasing income differences

- ▶ Employment is the important margin
- ▶ Problems concentrated among people with low qualifications:
 - ▶ Recent immigrants
 - ▶ Youth without HS completion
 - ▶ Older unemployed

COVID-19-en massiv arbetsmarknadschock

- ▶ The current crisis may further increase income inequality on the Swedish labor market
- ▶ Despite mild restrictions - rapid and massive contraction on the labor market
 - ▶ New vacancies at PES -40%
 - ▶ Registered unemployed + 30%
 - ▶ 9 percent of labor force on short-time contract
 - ▶ Increased layoffs/bankruptcies

New vacancies at PES



Source: Swedish Public Employment Service

Covid-19 och income inequality

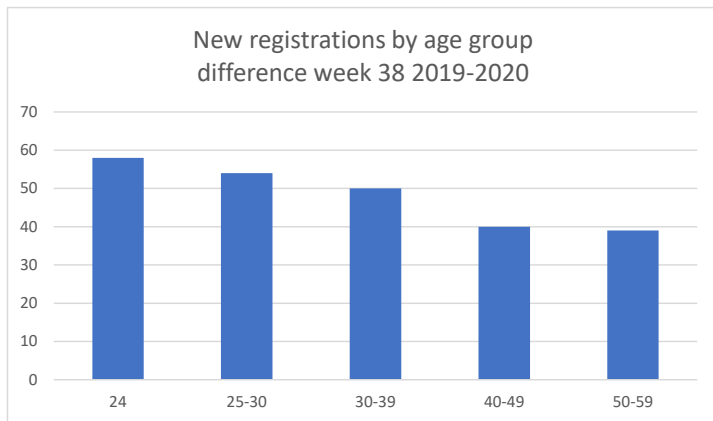
- ▶ Increased non-employment → increased income dispersion
 - ▶ transfers to non-employed have increased at slower pace than wages
- ▶ Weakly attached workers are more heavily affected by downturns
 - ▶ New hires
 - ▶ Workers on temporary contracts
 - ▶ Labor market entrants

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The nature of the current crisis may reinforce this pattern:

- ▶ Entry-level jobs particularly affected
- ▶ Policy measures targeted at protecting existing jobs
- ▶ Potential quality effects on HS education and active labor market policy

Inflow unemployment by age group



Covid-19 och income inequality

From general to targeted measures in the form of:

- ▶ Use of employment subsidies
 - ▶ Powerful tool to assist marginal groups into employment.
- ▶ Provision of education that is:
 - ▶ Short
 - ▶ Including direct interactions with employers