

Summary

The 2022 Swedish labour market is characterised partly by high unemployment with a high proportion of long-term unemployed and partly by a large labour supply with a very high activity rate by international comparison. At the same time, requirements of the labour force are increasing continuously, and future prospects look different for different groups. To develop an effective labour market policy, knowledge of how entry into the labour market and the establishment process appear for different groups of individuals is needed. This report specifically concerns paths into the labour market.

It follows all individuals born in 1979 on their journey into the labour market from 1995 to 2017, i.e. from ages 16 to 38. We analyse successes and setbacks for this cohort in achieving the objective of some degree of self-sufficiency.

Full employment is a central objective of economic and social policy and there is good reason to continue pursuing this objective, but we think it should be combined with the objective that the individual also has an earned income they can live on.

The study is based on seven stages of establishment

This study assumes that the generally used analyses of unemployment and definition of employment do *not* provide a complete picture of establishment in the labour market. For example, according to Statistics Sweden Labour Force Surveys, a person is considered employed if they worked one hour of the relevant measurement week. By contrast, some researchers have studied establishment of young people and immigrants by defining entry into the labour market as having an income equivalent to a certain

percentage of the median income. However, to conduct a more dynamic analysis of the establishment process, it is also interesting to study *different degrees* of self-sufficiency, i.e. not merely assuming a specific (and arbitrarily chosen) threshold for what is regarded as ‘established’.

We study annual establishment outcomes for the cohort by reporting the proportion of individuals in various stages of establishment over time. We see the need for a measurement that can be linked to an income level representing the salary an individual can live on, and also provide information about different degrees of establishment. To merely arbitrarily choose a degree of self-sufficiency that an individual does or does not reach provides limited information about the dynamic establishment process. We have therefore broadened the analysis in this study by describing seven different stages of establishment. The various stages represent various forms of self-sufficiency, from being entirely outside the labour market to the highest degree of establishment with an annual earned income over SEK 1.1 million. We examine labour market establishment at group level rather than individual level due to variety of potential paths to establishment. Analyses of individual sequences for approximately 90 000 individuals become complicated and require sequential models that are difficult to present in a comprehensible way. Moreover, we do not study the duration of time spent in various stages within the scope of this report, e.g. how long a person is in a certain stage or how a specific individual moves between different stages. Instead, we study the individual’s establishment situation each year, which can improve or worsen. We classify their establishment situations into the following seven stages:

1. In the first stage, the individual has no earned income whatsoever.
2. In the second stage, the individual comes closer to the labour market by receiving certain social income through allowances.
3. In the third stage, the introduction stage, the individual begins to receive some earned income.

4. In the fourth stage, the establishment stage, the individual has an earned income that is not insignificant, but is too low to be considered self-sufficient.
5. In the fifth stage, the individual is established, i.e. has an earned income that exceeds four price base amounts (approximately SEK 15 000 a month in 2017) in a year. This means that the individual can be self-sufficient (one price base amount above subsistence level).
6. In the sixth stage, the individual is well-established in the labour market and has an earned income above the lower threshold for national income tax.
7. In the seventh stage, the individual has a high income. This stage includes those who have an annual earned income higher than the upper threshold for national income tax and those whom we describe as having the highest degree of establishment with an annual earned income over 25 price base amounts (approximately SEK 1.1 million in 2017). This analysis is carried out to enable a description of paths to success in the labour market.

Studying a specific cohort has the advantage that all individuals encounter the same economic situation and institutional systems, which makes comparisons between different subgroups within the cohort easier in comparison with studies in which individuals come from a number of different age cohorts. The analyses are built on variables that have proved relevant in earlier studies for both increased and decreased opportunity for establishment in the labour market. By specifically studying individual groups' development paths in the labour market, we can analyse different establishment processes within the cohort born in 1979. We examine the following groups:

1. people with low grades from compulsory school;
2. family member immigrants and refugee immigrants;
3. people who have been convicted of offences;

4. unemployed people who have participated in a selection of labour market programmes offered by the Swedish Public Employment Service;
5. people who have experienced sudden external events; and
6. people who have the highest degree of establishment.

This arrangement enables us to comment on several different aspects of establishment and answer more specific questions, such as how establishment looks for young people who completed school year nine with low grades, or what proportion of young people who have committed offences are outside social security situations.

The report motivates in-depth research in the areas related to paths of success and setbacks in the establishment process. It also provides a basis for discussing feasible changes to institutional systems and for reforming initiatives to facilitate establishment for different subgroups.

How does a whole cohort become established?

The empirical material consists of a cohort comprising approximately 90 000 individuals. The analysis begins in 1995, when the group was 16 years old, and its establishment progress is studied each year until 2017. We study different subgroups in different life situations and describe the long-term significance of various conditions and events for establishment in the labour market.

The overall picture is that approximately 80 per cent of the cohort was established at age 38, but that 20 per cent did not have a total income that was adequate to be considered self-sufficient in 2017. There are, however, significant variations in outcomes within the groups, among both those who were established in 2017 and those who were not. Approximately half of those who were not established were in an establishment stage with an annual earned income of SEK 45 000–180 000, whereas three per cent were in an introduction stage with an earned income below SEK 45 000. A total of five per cent had no earned income at all and lived, for example, on unemployment insurance.

Just over 50 per cent of the cohort had an annual earned income between approximately SEK 180 000 and SEK 440 000, and 21 per cent had an income above the lower limit to pay national income tax in 2017. Approximately 6 per cent had high enough incomes to pay taxes according to the upper limit for national income taxes, which was equivalent to an earned income of approximately SEK 640 000. A total of 534 individuals had an annual earned income over 25 base amounts in 2017, which was equivalent to approximately SEK 1.1 million.

Women established to a lesser degree than men

There are gender differences in the establishment process, wherein women are established to a lesser degree than men. Among those in the cohort who were well-established in 2017, 65 per cent were men and 35 per cent were women. This is despite the fact that the proportion of women with post-secondary education in the cohort is higher than men. However, we know from earlier studies that there is causal link between having children and lower lifetime earnings for women. The difference between women and men as regards degrees of self-sufficiency is substantial from ages 20 to 30 and decreases thereafter. Possible explanations are that women assume greater responsibility for their children while they are growing up, and they choose a labour market that enables greater flexibility with respect to working hours and care for sick children. No matter the cause, we find that there is reason to investigate whether institutional changes can reduce the difference between women and men with paths to success in the labour market.

Low grades in compulsory school significantly impedes establishment

According to the National Agency for Education, 14 per cent of those who left compulsory school in 2020 lacked complete grades in all subjects. Most of those in our study who were well-established in the labour market at age 38 had post-secondary education. Of those with a high enough income to pay national income tax, approximately 80 per cent had university or other higher education.

In analysing paths to establishment for those with different educational backgrounds, we focused on the group with the lowest possible grades (1) in any of the core subjects in year 9. Our review shows that this subgroup had difficulty getting established in the labour market; at age 25, only 35 per cent of this subgroup were established, which is approximately 15 per cent lower than for the group as a whole. During the overall period of the study, the subgroup with a grade of 1 in any of the core subjects had a substantially lower degree of self-sufficiency. For the group that chose to forego or did not complete an upper secondary education, the picture was dismal, with only approximately 20 per cent being established in the labour market at age 38.

In light of these results, there is reason to strengthen support to those with low grades in compulsory school and to provide that support as early as possible.

Late labour market entry of family member immigrants and refugee immigrants causes persistent problems

The long-term follow-up of family member immigrants and refugee immigrants shows that this subgroup is less established in the labour market than those born in Sweden. The greatest difference is that it takes a long time for the establishment process to begin for those born abroad. At age 20, the difference between those born abroad and those born in Sweden is approximately 20 per cent in the share of the labour force. Although those born abroad were no older than age 16 when they came to Sweden, it was not until age 30 that approximately 50 per cent of the group were established, in comparison with age 25 for the cohort as a whole.

Late entry into the labour market causes persistent problems and is a reason to accelerate asylum case processing. In addition to this study, previous research supports the recommendation to shorten processing times in general, so that family member immigrants and refugee immigrants are ready to establish themselves in the labour market as quickly as possible.

Important to provide support after the initial offence

Being convicted of an offence negatively influences the establishment process, with multiple legal proceedings being associated with a higher likelihood of being outside the labour market and a lower likelihood of being established or well-established. It is interesting to note that the distinction of having been convicted once in a court of law does not have a significant connection with establishment, whereas the number of offences and whether the individual is convicted of serious offences do. The message is clear: it is important that those who have committed offences leave the criminal path, as additional offences risk negatively impacting establishment in the labour market.

We have investigated whether relocating between municipalities prior to age 25 affects the likelihood of establishment for those convicted in court prior to age 20. The differences between those who relocated and those who did not are minor, which indicates that relocating to a different municipality does not seem to entail increased opportunity to become established in the labour market for those who committed offences.

Employment training and work placement schemes do not seem to result in an increased degree of self-sufficiency

Approximately one million people were registered as jobseekers with the Swedish Public Employment Service at some point in 2020. Most received jobs somewhat quickly, but not all. In 1999, at age 20, 50 per cent of the 1979 cohort were registered as jobseekers with the Public Employment Service. The establishment process thereafter proceeded rather slowly: 30 per cent were registered with the Public Employment Service at age 25 and 20 per cent were registered at age 30.

In this study, we describe the trend for all people born in 1979 who participated in some programme clearly aimed at strengthening human capital, employment training and work placement schemes. The long-term path to self-sufficiency for those who participated in such programmes in comparison with other programme participants is approximately four per cent lower for those who are established and approximately two per cent lower for those who are well-

established in 2017. These cannot, of course, be interpreted as causal effects, but rather that the selection in the various programmes plays an important role. However, it can still be noted that those who were unemployed and received support in the form of employment training and/or work placement schemes do not have a higher degree of self-sufficiency in the long term than those who were unemployed and received other support. Moreover, having participated in a labour market policy programme has a negative covariance with being established when considering variables that describe inheritance, environment, choices in life and external events.

It is difficult to assess the long-term importance of labour market policy, as many different events influence the outcome over time. It is therefore difficult in the long term to isolate the importance of having participated in a labour market policy programme, and those who participated in employment training and work placement schemes are probably not fully comparable to those who did not. There is reason to reinforce the implementation of regular evaluations to find potential improvements in the design of labour market policy programmes. For example, allowing more randomised experiments would improve knowledge concerning which content provides the greatest effect on the degree of self-sufficiency and at what point in time.

Previously long-term unemployed have a weak long-term establishment process

Long-term unemployment is a major problem in today's labour market. Of all the people born in 1979 who were at some point registered with the Public Employment Service for an uninterrupted period of at least one year, at age 38:

- 11 per cent were outside the labour force;
- 14 per cent were openly unemployed;
- 23 per cent took part in some programme;
- 24 per cent had jobs with some form of subsidy; and
- 28 per cent had jobs without any form of subsidy.

The study shows that those who were unemployed for a year or longer have poor long-term prospects, as only 28 per cent had jobs at age 38. There is also a strong case for prioritising work with the long-term unemployed.

Well-established parents and university studies are success factors

The proportion of all people employed in Sweden with an annual earned income over SEK 1 million is low but has increased. In 2014, one per cent of those employed had an annual income over SEK 1 million. This group increased to two per cent in 2019.

Of the 90 716 individuals in the study, 538 had an annual earned income of over 25 base amounts, i.e. over SEK 1.1 million, at age 38 in 2017. Of those individuals, 93 per cent were born in Sweden, a total of 87 per cent had at least one well-established parent and 80 per cent had studied at university. A total of 95 per cent were employed and 5 per cent were entrepreneurs. The conclusion is that it seems to be important to have well-established parents and higher education, and an important choice to make on the path to high income is higher education and a good job.

The establishment process is influenced by major life changes

We have also chosen to consider a number of events as negative or positive shocks, which we do based on register data that shows changes from one year to the next. It may involve a person suddenly becoming wealthy through inheritance or lottery winnings, losing their job or losing a close relative. Our analyses revealed a number of correlations between certain shocks and various establishment outcomes.

Being securely established in the labour market for many years and then suddenly losing a job, for example, because the business closed down, is an event that can be considered a shock. Our analysis shows that most of those in the group who experience this return to the labour market quickly but with a lower salary; only five per cent land outside the labour market for the long term after having lost their jobs after a long establishment period.

Winning a large amount of money or receiving an unexpected inheritance has a positive impact on life. Those who received a positive income shock at some point are included among the well-established to a greater extent than those who did not receive such an increase.

The death of a partner has a negative correlation with the likelihood of being established.

Summary of the clearest results of the study

The following results are the clearest in our long-term follow-up of journeys of establishment in the labour market for people born in 1979 and residing in Sweden from 1995 to 2017.

- Women are established to a lesser degree than men; the difference is greatest with respect to the proportion with high incomes.
- Social inheritance seems to be important for future high incomes, as children of well-established parents are more likely to be well-established themselves.
- Low grades from compulsory school can be linked to long-term establishment problems, but continued studies and an upper secondary certificate seem to pay off.
- Family member immigrants and refugee immigrants have a significantly later entry into the labour market, which seems to have a negative long-term impact on the establishment process.
- From a long-term establishment perspective, having participated in upskilling labour market programmes (employment training or work placement schemes) provides, according to our results, no advantage in relation to all other labour market policy programmes.
- The likelihood of being established or well-established in the labour market increases for those who are married or cohabiting with the same person over the period studied.
- Those who committed offences represent a lower proportion of the long-term established, and the trend is increasingly negative for those who committed multiple offences. Multiple legal

proceedings have a negative correlation with the likelihood of being established.

- Major negative life changes, such as the death of a partner, seem to have negative consequences on long-term establishment in the labour market. A sudden decrease in income has a negative correlation with the long-term likelihood of being established.
- Approximately 500 of 90 000 people born in 1979 have become so well-established at age 38 that they have an annual earned income of over SEK 1.1 million in 2017. Their path to success is linked to well-established parents, higher education and good jobs.

Some proposals that can facilitate the journey to establishment

- Re-examine various institutional systems for identifying potential changes that can improve the conditions for more women to become well-established with an annual earned income that leads to a high degree of self-sufficiency.
- Analyse what can generate swifter processing of all types of migration cases linked to entry into the labour market.
- Strive to increase the number of individuals who have at least an upper secondary certificate and re-examine admission rules for vocational training, etc.
- Identify first-time offenders so as to prevent further legal proceedings. Committing one offence does not covary significantly with a lower degree of self-sufficiency, whereas multiple offences clearly do. Multiple legal proceedings entail a clearly increased risk of not being established as a middle-aged person.
- Investigate possible solutions for increased or amended support in the event of negative shocks in life, such as sudden serious illness, sudden loss of jobs or the death of a close relative. There are risks that temporary negative shocks develop into long-term deteriorated establishment in the labour market.

- Inform pupils in compulsory school and upper secondary school and their parents as regards which paths to success are available in the labour market and compile appropriate information that schools and other relevant authorities can communicate.