

# THE RISE AND FALL OF SWEDISH UNEMPLOYMENT\*

by

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## **Abstract**

By international standards, unemployment in Sweden remained remarkably low throughout the 1970s and the 1980s. In the early 1990s, however, the unemployment rate skyrocketed and hit double-digit levels. Unemployment remained high for several years but exhibited a marked fall from 1997 and onwards. The paper describes this development and discusses the causes of the rise and fall of unemployment. It is argued that the steep rise in unemployment was mainly the result of a series of adverse macroeconomic shocks, partly self-inflicted by bad policies and partly caused by unfavourable international developments. Institutional factors, such as a trend increase in the generosity of unemployment insurance, caused some secular rise in NAIRU but do not appear as promising explanations of the events of the early 1990s. The fall in unemployment in the late 1990s reflects a combination of favorable macroeconomic conditions and structural factors that may have reduced the NAIRU.

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