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*Staffing in the  
Welfare Sector*

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# Summary

The Swedish welfare sector has difficulty recruiting staff.<sup>1</sup> Municipalities and regions have been struggling to fill vacancies. Projected future staffing needs suggest that an ever-larger fraction of the workforce would have to work in the welfare sector for the sector to fulfil its commitments. Fast-growing public-sector activities such as correctional services and police face particularly urgent recruitment challenges.

The provision of services in the welfare sector relies to a large extent on highly skilled, specialized workers who chose their education precisely because they desired to work in the welfare sector. In turn, the sector accounts for a large fraction of recruiters in the pool of such specialized labor that it draws from. Thus, there are limited opportunities to expand by attracting qualified workers from other sectors. As a result, increasing employment within the welfare sector is tricky, expensive, and time-consuming. At the same time, the state is in a unique position to shape the rules and institutions governing both labor supply to and labor demand by the sector.

There are several factors hinting at a growing, rather than shrinking, importance of the sector in the future. Increasing life expectancy and lower fertility mean that a larger fraction of the population will be elderly and requiring personal care. The public does not seem to be in favor of lowering ambitions for the welfare sector's capacity to deliver

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1. By "welfare sector" we mean pre-schools, compulsory and high schools, health care, elderly care, police, and correctional services. We include all these activities irrespective of financing, ownership, or managerial control. The sector is largely publicly financed and run, although parts are privately run while publicly financed (e.g., independent schools), or privately run and financed (e.g., private health care).

services, if anything the opposite is true. As countries get richer, they tend to spend more of their resources on welfare services. In addition, forecasts indicate that technological development will continue to be faster in other sectors, which is likely to increase the demand for labor in the welfare sector in relative terms.

It seems unlikely that the staffing needs in the welfare sector can be met without making politically inconvenient decisions. These decisions either involve increased funding, lower qualification requirements, increased migration, or lower ambitions. Increasing the productivity of existing staff, for example through the use of new technology, may help to some extent but will hardly be enough. In order to recruit more people to the sector, either more people who already can work in the sector must be willing to do so, or more people who want to work in the sector must be enabled to do so.

We describe in this report how the welfare sector workforce has evolved over the past 20 years. Our description focuses on pre-schools, compulsory and high schools, health care, elderly care, police, and correctional services. The schools and care sectors together account for about 20 percent of the Swedish labor market, and their share has increased during the period. In contrast, police and correctional services are of rather negligible size, but are of interest due to their greatly increased recruiting ambitions. Regional differences in the welfare sector's size are substantial, from less than 10 percent in some municipalities to over 40 percent in others.

Compared to the wider economy, the welfare sector relies to a greater extent on women, the highly educated, the foreign-born, and older workers. Reliance on older workers has diminished somewhat but is still higher than elsewhere in the economy. Moreover, workers in the welfare sector continue to work into higher ages than elsewhere. Our interpretation is that the welfare sector is more attractive to the older workers, among other reasons because it offers significant opportunities for part-time work.

The high share of women among staff in the welfare sector points towards a possibly untapped recruitment potential among the male labor force. Substantial changes in sectoral gender composition do occur. For instance, the police used to be male dominated but is now more gender-equal than the wider economy. Also, female dominance in the welfare sector is more muted in municipalities where the sector

is larger, and presumably recruitment needs are greater.

The welfare sector overall makes greater use of highly educated labor than the wider economy, although there are large differences across the sub-sectors. Educational attainment of the workforce has increased in the welfare sector just as elsewhere, and this increase is particularly pronounced among pre-school staff. Although the welfare sector relies to a greater extent on highly educated workers, compulsory school grades among the workforce are comparable to the rest of the labor market. The fraction of employees who achieved top grades in school has gone down over time, especially among teachers.

The foreign-born account for a large and growing fraction of the workforce in the welfare sector. Both the share itself and its increase are larger than in the wider economy. For the most part, these workers came to Sweden as refugees rather than on work visas or as EU citizens exercising freedom of movement. This implies that a diminished inflow of refugees is a more severe limiting factor on the future labor supply than stricter labor immigration rules. Among the foreign-born, the share employed in the welfare sector increases with time spent in Sweden, meaning there may be untapped recruitment potential among the recently arrived.

There are signs that competition for workers eligible for employment in the welfare sector has increased over time. The share of private providers has increased, although it varies greatly across municipalities. Pay differences between public and private providers within the sector have shrunk. Moreover, worker mobility between the welfare sector and the wider economy has increased in both directions.

Compared to other European countries, Sweden has a large welfare sector and relatively small differences in educational attainment between the welfare sector and the wider economy. Sweden shares those two patterns with other high-income countries. A plausible interpretation is that, as countries get richer, their welfare sectors naturally grow, at the same as a larger share of highly educated workers are employed elsewhere in the economy.

Wages in the Swedish welfare sector are below those in the wider economy, even when taking into account differences in education, gender, and age. Over time, this negative wage gap has somewhat narrowed among younger cohorts, the most recent entrants to the sector. The wage gap is largest among men and smallest among the

foreign-born, which, taken at face value, might suggest that men and Swedish-born individuals face particularly weak incentives to join the welfare sector. In the same vein, the (negative) gap is especially large in the fast-expanding northern regions where the private sector is booming. In contrast, it is especially small in municipalities that border Norway, where cross-border commuting is feasible, which likely drives up wages in certain welfare occupations.

It is not obvious that wages should be lower in the welfare sector. Sweden stands out in international comparison as a country with particularly low relative wages. The negative wage gap likely contributes to recruitment problems. An obvious but costly way to make the sector more attractive is to adjust wages relative to the wider economy. In Sweden, such adjustment of relative wages happens mostly in the context of local wage setting, since the export sector is a reference point for collective bargaining in all non-export sectors. The collective bargaining system is only sustainable if it allows relative wages to adjust to shifts in labor supply and demand in the various sub-markets. In fact, such adjustments are possible in the current system since collective agreements do not prevent individual employers from raising wages by more than the sectoral agreement stipulates.

In addition to lower wages, in some cases the work environment in the welfare sector appears less attractive than in the wider economy. However, overall, job satisfaction is comparable to the wider labor market. Moreover, staff in the welfare sector consistently experience their work as more meaningful than workers elsewhere. The fact that workers in the welfare sector are more likely to keep working into advanced ages also suggests that those actually employed in the welfare sector do appreciate their jobs.

Increased opportunities to work remotely have made the outside labor market more flexible. This risks the competitiveness of the welfare sector on the labor market, especially among workers who value work-life balance. Employers in the welfare sector are thus well-advised to improve opportunities for flexible work arrangements.

The mechanisms for improving the welfare sector's recruitment prospects differ by the educational attainment and specialization of the workers sought. About half the wage bill in the sector is paid to highly educated, specialized employees. In turn, this group of workers receives 75 percent of its income from the welfare sector, a figure that

has not changed much over time. Other types of workers employed in the welfare sector enjoy a much higher demand also elsewhere in the economy.

For the welfare sector to expand within the existing framework of competencies required, it is necessary to increase the supply of suitably educated, specialized workers. Doing so can be as simple as removing barriers to pursuing the relevant educations, such as increasing the number of slots on medical programs or lowering entry requirements. If that is insufficient, then the relevant educations need to be subsidized (at a higher rate than education is subsidized generally). Research shows that subsidies can be effective in both raising the number of graduates as well as their geographical distribution. Such subsidies can be cost-effective as they directly increase the inflow of labor into the welfare sector even without raising wages. Moreover, promises that wage rises are permanent may not be perceived as credible.

It is however unlikely that the sector's staffing needs will be met simply by training more specialized personnel. It is therefore desirable to complement the specialized staff with workers who are able to perform those tasks that do not require specialized training. The most natural way of enabling the increased recruitment of non-specialized workers is to lower qualification requirements. The increased hiring of non-specialized workers helps reigning in costs both due to the lower wage costs of the hires themselves, and by freeing up time for specialized staff to perform tasks that they were actually trained for.

There are other restrictions that reduce the available pool of labor or make hiring more time-consuming. Language requirements, criminal and other types of background checks should therefore be used with caution and be restricted to those activities where they are strictly justified.

Given the major challenges faced by recruitment in the welfare sector, and the fact that the proposed solutions are often perceived as unattractive, one may stake one's hope on new technology. Artificial intelligence (AI) is perceived as particularly promising by some. We partly share such hopes, but also would like to point out that the result can be exactly the opposite. Compared to the wider economy, occupations in the welfare sector involve fewer tasks that can likely be carried out by AI-based tools. Productivity growth may therefore lag behind the wider economy. This in itself would mean that labor

demand grows faster in the welfare sector. Thus, it is possible that technological change will actually lead to even greater recruitment challenges in the welfare sector.

Such a development would not diminish the desirability of employing technology to make the welfare sector more efficient and thus save resources. At the same time, one must be careful to ensure that technology adoption does not lead to worse working conditions. To address recruitment challenges, one may want to prioritize automating those job tasks that workers dislike most.

In sum, our conclusion is that staff recruitment in the Swedish welfare sector faces major challenges which cannot be overcome without taking measures that contain unpopular elements. Higher wages would likely ease recruitment difficulties, but would at the same time require higher taxes or user fees. Labor supply can be increased by greater immigration or lower skill requirements, neither of which is obviously politically viable. At the same time, the public does not appear to desire a lowering of ambitions for the services provided by the welfare sector. A reasonable way forward is to apply the various measures selectively where they work best. Employing specialist workers where they are truly needed, while lowering skill requirements for other job tasks, frees up resources to increase wages in areas with the greatest staffing needs. In this way, one accomplishes that more individuals want to work in the highly specialized welfare occupations, and at the same time enables a greater number of individuals – who already wish to do so – to enter the sector.

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