

Labour Market Outlook, Spring 2011

SUMMARY



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Record increase in employment in 2011

Developments in the labour market have been very strong since the demand for labour took an upward turn in autumn 2009. Employment has increased rapidly and unemployment has shrunk. However this fall in unemployment has been offset by a strong rise in the supply of labour, as more and more people have entered the labour market. The results of the Swedish Public Employment Service's (Arbetsförmedlingen) interviews of almost 12,500 private sector workplaces indicate that the strengthening of the labour market will continue through 2011 and 2012. In addition to this, the need for replacement recruitment is great, as many people will go into retirement during this period. This will lead to increased employment and reduced unemployment in the coming years. Employment is predicted to undergo a record increase during 2011, an estimated rise of 107,000 people. The rate of increase will then drop to 61,000 people in 2012. Unemployment will slide from 8.4 per cent in 2010 to 7.5 per cent in 2011 and to 6.7 per cent in 2012.

The labour market indicators have, however, slackened from a high level, which points towards a gradual deceleration in the rate of increase in employment. There is a slowing trend in the increase in the number of new job vacancies registered with The Swedish Public Employment Service, while the increase in employment also checked somewhat during March and April 2011 compared with the preceding months. However, unemployment continues to fall at a relatively good speed, which has to do with the reduction in the increase of the supply of labour.

Strong but fading growth globally

The positive development in the labour market is partly a consequence of the marked strengthening of the global boom in 2010. Global GDP growth reached a healthy 5.0 per cent in 2010, which should be seen against a 0.5 percent weakening in 2009. Most indicators point to continued healthy activity in the world economy in 2011 and 2012. Certain elements of uncertainty have now been dispelled. All economists agree that the natural disaster in Japan, followed by the malfunction of several nuclear reactors, will have no more than a limited effect on the world economy. And the uncertainty surrounding events in North Africa has diminished, at least for the time being.

What will hold back growth in the coming years is the imbalance problem in the U.S. economy, which will bring about a more restrictive economic policy. Nonetheless it is anticipated that the adjustment will take place with a relatively healthy economic expansion, driven by good export expansion. The growth nations, with China at the forefront, are facing a battle with inflation which means that the governments will do their best to dampen GDP growth. However, the major uncertainties lie in Europe once more. Growth within the EU continues to be buoyed by strong development in Germany and the Nordic countries. On the other hand, major financial problems remain in Ireland and most of the Mediterranean countries. There is great uncertainty as to whether the emergency loans to Ireland, Portugal and Greece will be sufficient, the uncertainty being greatest in Greece for the moment. To this we may add the risk that even Spain may need emergency loans. Despite everything the global economy is anticipated to grow by almost 4.5 per cent in 2011 and 2012, and as previously the growth nations will fuel this trend.

GDP to increase by 4.8 % in 2011

The Swedish economy is undergoing a period of strong growth. During the last year GDP grew by as much as 5.7 %. This means the fall in production from the financial crisis at the end of 2008 had bounced back during the fourth quarter of 2010. However, the rate of increase has weakened during the fourth quarter of 2010 and the first quarter of 2011. Between the fourth quarter of 2010 and the first quarter of 2011 GDP increased by 3.3 per cent, calendar adjusted and annualised. The predictive indicators have also weakened although at a very high level, suggesting that GDP growth has entered a slower phase. Hence, in spite of everything, GDP is expected to grow by a healthy 4.8 per cent in 2011 and by 2.9 per cent in 2012.

There will be a broad overall expansion underlying the strong growth in the country during 2011 and 2012. Private consumption is anticipated to expand strongly in the next few years, despite a weak increase during the first quarter of 2011. This is a consequence of a high increase in household income. In addition, the investment boom will be further reinforced by rising investment within industry and a continued increase in property investment. Exports will fall back slightly while remaining strong, though the contribution of exports to GDP will be offset by high imports. Public consumption is forecast to climb slowly during 2011 and 2012.

Almost 170,000 more people employed in two years

Employment began to climb at the end of 2009 and since then it has risen steadily. Up to April employment rose by almost 150,000 people, which means that the drop in employment which was experienced as a consequence of the financial crisis of autumn 2008 had been redressed by the end of 2010. Relative to the overall population, however, the number of people (aged between 16 and 64) employed continues to be lower than it was before the financial crisis. This stems from a marked increase in the active population. Nevertheless, there are signs that the increase in employment tailed off during March and April, and this development tallies with the development of new job vacancies registered with the Swedish Public Employment Service centres around the country. The labour market indicators predict a somewhat weaker increase in overall employment. In spite of this it is forecast that employment will rise by 107,000 during 2011, which would be the biggest rise in employment

the Labour Force Survey had ever recorded. The forecast increase in employment in 2012 is 61,000.

Major differences in employment opportunities for men and women

Viewed across the whole recovery period, men have made up a larger proportion of the increase in employment than women, around 60 per cent. When employment began to rise at the end of 2009 it was only men's employment which rose, and during 2010 men's employment continued to increase more rapidly than women's. At the end of the year there was an evening out which has continued so far this year. The development described led to the difference between the employment ratio for men and women in the autumn of 2010 being at its greatest since the mid-eighties. The unemployment gap will probably narrow to some extent but this will depend greatly on the labour market developments regarding women born abroad.

Employment relative to the population aged between 16 and 64 has grown slowly for those born outside Sweden and in particular for those born outside Europe. This is related to a big increase in the number of people in the population born outside Europe and to the fact that employment among women in this group has increased slowly relative to men in that group. The difference in the employment ratio is now very high between women born in Sweden and women born outside Europe. Nevertheless everything points to the positive development in the labour market in the coming years favouring those born abroad. Moreover the labour force shortage will gradually increase, which suggests that the employment gap between those born in Sweden and those born abroad will narrow during 2011 and 2012.

The employment ratio has improved for all ages and this development will continue during 2011 and 2012. One group which always benefits when the demand for labour goes up is young people. Percentage-wise, young people between the ages of 20 and 24 increased their employment ratio most during the first four months in the year, compared with the equivalent period in 2010, but the increase was also significant for the age group 25 to 34. In 2011 and 2012 people in these age groups will also find it relatively easy to find work provided they have an education equivalent to at least upper-secondary school level.

The rise in the labour force to slacken in 2011 and 2012

The supply of labour (unemployed plus employed) has increased much beyond expectation in 2010 and the beginning of 2011. During the months of March and April 2011, however, there have been signs that the rate of increase has begun to decelerate, a development which, it is forecast, will continue during the whole forecast period. This development was also predicted in our previous outlooks. The growth in the labour force is dependent on two factors, the population effect and the propensity to participate in working life. The population effect on the labour force is becoming increasingly limited and will be dependent in coming years completely on the size of the contribution of those not born in Sweden. The supply of labour is also influenced to an increasing degree by whether more people choose to participate in working life and those choosing to do so will have a significant impact in both 2011 and 2012. There are clear signs that the policy of increasing supply has had the desired effect. There is, for example, a continual transfer from the Swedish Social Insurance Agency

(Försäkringskassan) to the Swedish Public Employment Service and the Earned Income Tax Credit system (jobbskatteavdraget) may also have had a stimulating effect on people seeking work. Moreover, a healthy labour market always brings more people into it, as more people choose to work rather than, for example, study. It is forecast that the labour force will increase by 64,000 people in 2011 and by 27,000 in 2012.

Rapid growth in the private service sector

The demand for services which are provided by the private sector has increased at a good pace, even if the result in the autumn of 2010 was worse than that anticipated by the companies. Optimism for the coming year continues, nonetheless, to be strong. The best results have been for those companies selling services to other companies. I.T. consultants are doing well and anticipate activity to expand even faster. Contract/consultancy work has expanded greatly and is expected to grow even more in the next year. The staffing sector is particularly healthy. Commerce has had a downswing but sales are expected to do well going forward. The hotel and catering industry has prospered and another good year is awaited. The transport industry is benefitting from increased activity in construction, strong private consumption and continued healthy exports. The number of people employed within the private service sector is forecast to increase by 59,000 in 2011 and by 40,000 in 2012.

First time since the nineties – more jobs in the manufacturing industry

The manufacturing industry has been in a boom during recent year and businesses are very positive about the near future. Employment is rising and for the first time since 1998 employment in the manufacturing industry is on the rise. Moreover, the figures are below reality, as it has become increasingly common to use staffing companies. Most indications are that the increase in activity will fall back somewhat from a very high level, as a consequence of the slowdown in the growth of global trade. For 2011 and 2012 it is forecast that employment will increase by 11,000 and 5,000 people respectively. We would have to go back to the mid-nineties to find a bigger increase in employment in the industrial sector.

Strong activity in construction

The construction boom has been further strengthened and businesses believe that things will only get better. This is based on increased home construction and a strong expansion in reconstruction/extension work, where ROT tax deductions play a big role. In the coming year housing construction will continue to expand while the “ROT” sector (repairs, reconstruction and extension) will be checked at a high level. Employment has increased and will continue to do so with a combined addition of 11,000 people over the period 2010-2012.

Growth in public sector employment among private contractors

For Sweden's municipalities and counties 2011 looks like being yet another strong year in terms of finances, but 2012 will be tougher as the temporary support for the municipalities is phased out. The municipalities are planning contraction in the schools due to, among other things, significantly reduced student numbers in the upper-secondary schools, while a continued expansion of child care is planned. The principal contraction for the county councils will be within primary health care, as a result of outsourcing to private contractors. The municipalities and the county councils estimate that the number of people they employ

will be somewhat smaller in 2012, while the number of people working in the public service sector and employed by a private contractor will continue to increase through 2011 and 2012. Today 20 per cent of those working for the municipalities, corresponding to 255,000 people, are employed by private contractors. Employment within the public service sector, including private contractors, is forecast to rise by 28,000 in 2011 and by 12,000 in 2012.

Drop in unemployment to 6.7 per cent

The drop in unemployment has so far been offset by the rapid increase in the supply of labour, an effect which will, however, dwindle in 2011. The average unemployment figure is forecast to fall from 8.4 per cent in 2010 to 7.5 per cent in 2011 and then to 6.7 per cent in 2012. This means that the unemployment total will fall from 409,000 in 2010 to 366,000 in 2011 and to 332,000 in 2012.

The number of people in labour market programmes increased sharply between 2009 and 2010, from 127,000 to 185,000. The forecast numbers for 2011 and 2012 are 178,000 and 160,000 respectively. This is equivalent respectively to 3.6 and 3.2 per cent of the labour force.

Biggest challenges during a boom

Regardless of the strong development of the labour market in the coming years, the challenges facing the Swedish Public Employment Service will be greater than ever when compared with similar economic situations in the past.

The labour shortage will worsen within more and more sectors and in every region. Hence within certain occupations it will become more and more difficult to find the workers that employers want to take on, especially during 2012. This is when the generation shift will be at its peak. Retirement numbers will be high in many regions at the same time as the new entries onto the labour market are at a low. Within more and more municipalities, therefore, the supply of labour will fall, making it more difficult to increase the number of people in work.

The most serious recruitment problems are anticipated in the following fields:

- Jobs within IT and technology
- Jobs within building and construction
- Qualified professionals within the manufacturing industry
- Certain jobs within transport, sales and consultancy
- jobs requiring a tertiary degree within the fields of health and medical care
- Certain teaching jobs

The labour shortage within the private sector is forecast to increase within construction, IT and technology and within manufacturing industries requiring highly qualified personnel. Within these areas of shortage, recruitment problems are expected to increase during 2011 and cause major disruption within the recruitment during 2012. The number of people entering those professions where the demand is highest is too small for a continued rapid

expansion to be possible in 2012. There is no quick fix within the country that would increase the supply of labour in these fields, given the current education and training picture. The one plan of action leading to an increased supply of labour is to bring in labour from other countries. The Swedish Public Employment Service can play an important role here. There is currently a functioning collaboration within Eures¹ but there is also a need to develop collaboration with countries outside the EU. For example, there is an unexploited labour pool in North Africa and parts of Asia.

There is still nothing in our interview survey to suggest that the labour shortage will bring a general upward pressure on wages. The only sector which has signalled an upward pressure on wages due to the shortage of labour is the IT sector.

Continued difficulties for large groups to find jobs

The supply-based policy aimed at ensuring the long-term supply of labour has brought about a large increase in the available supply of labour but it has also led to an increase in the number of people in groups which find it difficult to find work. The number of people in these groups has increased much more than usual due to, among other things, a major influx of people born abroad and the transfer of people from the social insurance system. The following groups will have continued difficulty in establishing themselves in the labour market:

- Young people with insufficient training/education
- People born outside Sweden, in particular outside Europe (women)
- People with disabilities affecting their ability to work
- Unemployed people between ages 55 - 64
- People whose education ceased before upper-secondary level

There is a large number of unemployed people who, in spite of the better climate, will find it difficult to get work - approximately 225,000 people belong to the groups mentioned above. Thus, the people in these groups make up nearly 60 per cent of all those unemployed or taking part in a labour market programme. The high numbers in these vulnerable groups reflects the extent of the task facing the Swedish Public Employment Service in the next years. This ratio is expected to increase over the coming years and possibly to exceed two-thirds in 2012. It will probably be the highest ratio since the 1980's.

One common denominator for members of these groups is that many do not have an education to upper-secondary level. This level of education is commonly a requirement of employment, as it is for various types of further education and training. This lack of education to a sufficient level means that people encounter serious trouble finding a way into further training and education or a way into working life and long-term employment.

¹ Eures is a network of Public Employment Services within the European Economic Area and Switzerland who, among other things, provide information about job vacancies in 31 European countries.

Over a period of three years the number of people with only basic schooling who were without work has almost doubled reaching a level of close to 110,000 people. Almost half this increase is composed of people born outside Sweden.

Groups of young people finding it difficult to establish themselves in working life

Many youngsters encounter problematic factors which have an effect on their chances of finding work. One factor already mentioned is their educational background. A large number of young people leave the upper secondary school each year without successfully completing courses or examinations. In addition to the fact that some young people complete education which does not lead to work this means that many find it difficult to enter working life.

Of those young people who were unemployed or participated in a labour market programme in April 2011 almost 20,000 had no more than a lower-secondary school education. In addition to this 11,000 young people with upper-secondary level education had not been in work for two years since they entered the labour market. These groups of young people must be given extra support. A first step should be to carry out a deeper analysis of their situation and the next step should be to find appropriate individually adapted solutions to their problems in order to enable their entering on the labour market. For example the group made up of young people with dyslexia figures prominently among those who have not successfully completed upper-secondary school education. Otherwise these groups are at risk of facing long-term exclusion.

People born abroad with only basic schooling hit hard, especially women

The large-scale immigration of people born abroad has had a powerful effect, in that there are more unemployed people and people in labour market programmes and about 40 per cent of them have a short and incomplete education. The proportion who have the equivalent of at best lower-secondary education more than doubled between spring 2007 and spring 2011 comprising 35 per cent of the labour force or nearly 50,000 people. This rise has, in recent years, been significantly stronger for women than for men. Women born abroad with only a very basic education constitute the group which has lost ground the most, compared with other groups on the labour market.

More and more disabled not in work

There has been a major upswing in the number of unemployed people who have disabilities which affect their ability to work and many of these people have subsequently been passed on to programmes with Activity Benefit (aktivitetsstöd), primarily to the job and development guarantee programme. The number of disabled people in subsidised posts has not changed to any great extent in this time. In addition many disabled people in the job and development guarantee programme may well pass to phase 3 during the coming years.

60 per cent of jobs in metropolitan counties

Employment will increase in every county in both 2011 and 2012. The three metropolitan counties - Stockholm, Västra Götaland and Skåne - will provide a large proportion of the increased employment nationwide, over 60 per cent in 2011. This is because these counties have a large private service sector combined with a strong expansion of industry in general.

This means that the other counties are not keeping up, and indeed are losing ground, relative to the proportion of the population who live there.

The industrial counties have made a strong recovery over the last year. A clear example is Västra Götaland. But also several other industrial counties in south and central Sweden, for example parts of Småland, jumped on the economic bandwagon. These counties will also see good growth in employment in 2011. In 2012 the acceleration will slacken off, due to weaker demand from abroad, and also because the availability of labour within some key professions may slow the expansion. In the counties of the Norrland region considerably more jobs are arriving on the market and optimism in several areas of this northern region is greater than for many a year. However, this development is forecast to be weaker in the southern counties of the Norrland region, Gävleborg, Västernorrland and Jämtland, than in the most northerly counties, Västerbotten and Norrbotten.

The recruitment situation around Sweden will be more and more influenced by a large proportion of retirements, at the same time as new arrivals on the labour market declined each year going forward. This will bring about a squeeze on recruitment in more and more counties. It will be a major challenge to maintain the level of employment in many municipalities as the supply of labour falls.

Selected Indicators

	Change in %							
	2005	2006	2007	2008	2009	2010	2011	2012
GDP, at market price	3.2	4.3	3.3	-0.6	-5.3	5.7	4.8	2.9
GDP, calendar adjusted	3.1	4.5	3.5	-0.8	-5.2	5.5	4.8	3.2
Hours worked	0.2	1.3	3.1	1.2	-2.9	2.5	2.5	2.1
Hours worked, calendar adjusted	0.2	2.0	3.4	0.6	-2.6	1.9	2.6	1.3
Productivity growth	2.9	2.5	0.1	-1.6	-2.6	3.6	2.2	1.9
Inflation, annual mean	1.1	1.4	1.5	2.7	1.7	2.0	1.7	1.8
Hourly wage	3.1	3.1	3.3	4.3	3.4	2.6	2.8	3.3
Household real disposable income	2.1	3.8	5.4	3.2	1.6	1.4	2.3	3.1
Private consumption	2.8	2.7	3.7	0.0	-0.4	3.4	2.9	3.1
Savings ratio, incl. collectively agreed occupational pensions	5.5	6.6	8.8	11.2	12.9	10.8	10.3	10.3

Source: Statistics Sweden (SCB), Swedish Public Employment Service (Arbetsförmedlingen)

Key figures²

	People (1,000's)						Change (1,000's / percent)					
	Actual				Forecast		Actual				Forecast	
	2007	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011	2012
Labour force	4736	4778	4782	4838	4902	4929	65	42	4	56	64	27
In employment	4445	4484	4381	4429	4536	4597	104	40	-103	49	107	61
Unemployed	292	294	401	409	366	332	-39	2	108	8	-43	-34
Percentage of labour force	6.2	6.1	8.4	8.4	7.5	6.7	-0.9	0.0	2.2	0.1	-1.0	-0.7
In labour market programmes	88	87	127	185	178	160	-51	-1	40	58	-7	-18
Percentage of labour force	1.9	1.8	2.7	3.8	3.6	3.2	-1.1	0.0	0.8	1.2	-0.2	-0.4

Source: Statistics Sweden (SCB), Swedish Public Employment Service (Arbetsförmedlingen)

² Figures may not always tally due to rounding off. All groups refer to age group 16-64.

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