

Trends and tendencies 2021

Digitalisation, demography, and labour market policy

English summary

Executive summary

The labour market severely weakened in the wake of the pandemic

The corona eruption has caused a great shock to the entire world economy. Before the pandemic, the Swedish economy had entered a slowdown phase and unemployment had gradually begun to increase during the second half of 2019. The outbreak of the pandemic resulted in historically high redundancy rates and a significant increase in unemployment. During the full year of 2020, the highest number of registered unemployed was noted since 1997.

The situation on the Swedish labour market is still severe and the Swedish economy will continue to be affected to a large extent depending on the development in the rest of the world. But when economic activity strengthens during the initial phase, employees who have been granted short-term layoffs will increase their working hours during the initial phase. This means that job growth over the next year will be limited.

Young and foreign-born people are overrepresented in the industries who have been affected the most by the crisis. These groups are also overrepresented among those with temporary employment. The labour market situation is also more difficult for the long-term unemployed through increased competition for jobs, which risks extending times in unemployment further.

The pandemic accelerates structural change and the need for skill development

The pandemic has also accelerated the structural transformation of the labour market. Development in both industries and professions is largely driven by digitalisation and automation, which places new and changing demands on the labour force's skills. In the next ten years, the demand for technical skills is expected to increase and it is primarily basic digital knowledge in daily work that is expected to be more demanded. Thus, the labour force will need to develop skills which corresponds to the new demands on the labour market. Assuming a good supply of skills and societal development (increased income, investments, etc.), employment is expected to increase until 2030.

Demographics affect the conditions for the supply of skills

Until 2030, the demographic development will continue towards an increasing proportion of elderly of the population. The working age population, 16–64 years, is expected to increase marginally compared with those over 65 years. This entails increased difficulties with the supply of skills in several shortage occupations, not least in health and care where the need for labour is expected to increase sharply in the next few years. It also entails an increased burden on the welfare system when

fewer people must support more. The ongoing urbanization means that municipalities are affected differently, where the proportion of older people is expected to increase most in rural municipalities.

According to Arbetsförmedlingen's (Swedish Public Employment Service) calculations, the employment must increase by approximately 350,000 people by 2030 for the maintenance burden not to increase. Permanently increasing the employment rate in the entire population is a solution. However, an improved labour market integration for foreign-born people is the solution with highest potential to increase employment. According to Statistics Sweden, the population increase until 2030 of working age is expected to be driven almost entirely by foreign-born, whose employment rate is lower than for domestic-born.

Another way to reduce the maintenance burden is if older people work in higher ages to a larger extent. Raising the employment rate among young people is another way. Earlier education and shortened time to degrees are additional solutions. Technological development could also contribute to a development where productivity increases and thus relieves welfare.

It is of great importance that Arbetsförmedlingen facilitates and removes obstacles on the labour market for these groups. However, Arbetsförmedlingen cannot solve all problem alone. The measures often concern guidance for regular training to increase the formal skills of the workforce, not least after the accelerating structural change on the labour market as a result of the pandemic.

Authorities, labour market parties and municipalities have a great responsibility to enable education and improve the labour market for these groups. Arbetsförmedlingen, like other actors on the labour market, must also work for a labour market free from discrimination.

Labour market policy is dominated by crisis measures

To combat the rising unemployment and other societal challenges that follow from the pandemic, an autumn budget was presented in September 2020, which the government described as historic. The budget contained reforms totalling more than SEK 100 billion with an expansive labour market policy for 2021. Arbetsförmedlingen will receive increased funding for 2021, but it is temporary. The fact that the reform of the authority is taking place at the same time as Arbetsförmedlingen is managing the effects on the labour market as a result of the pandemic places very high demands on the authority. Clear management and continued focus on evaluating the effects of the new matching services is required for the reform to be implemented in a good way.

Another process that has characterized labour market policy lately has been the investigation and negotiations on changes to the Employment Protection Act, where a large share of the labour market parties now has reached an agreement. From the EU side, the Commission has come up with a proposal for a new directive that requires minimum wages in the member states. There is concern from both the Swedish government and the labour market parties that the proposal threatens the Swedish

model. Developments in the EPA issue as well as the new EU directive have the potential to have a major impact on the Swedish labour market in the future. Arbetsförmedlingen should therefore continue to monitor the development in these matters.