



# Labour market outlook, spring 2019 – Summary

Outlook for the labour market 2019–2020

**Text**

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**Cut-off date for calculations and forecasts was June 6, 2019**

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**Arbetsförmedlingen, June 12, 2019**

## **Economic activity is slowing down**

The activity in the world economy slows down during the forecast period 2019 - 2020. In the Swedish economy, activity continues to be relatively high, but there are clear signs that economic growth is slowing down. This means that the economic cycle has passed its peak.

Arbetsförmedlingen's (Swedish Public Employment Service) interviews with 10 500 private employers in the spring of 2019 confirm more cautious expectations about the future. This leads to our estimation that the growth rate in the Swedish economy will slow down in 2019 and 2020.

## **120 000 more employed in 2019 and 2020**

Arbetsförmedlingen's latest interview survey shows a continued strong but somewhat subdued demand for labour during the forecast period. At the same time, the lack of skilled labour continues to limit job growth on a broad front. For the full year 2019, the number of employed persons is increasing by 67 000, corresponding to 1.4 per cent, aged 16-64. In 2020, the number of employed persons is increasing by 53 000, or 1.1 per cent. During the forecast period, the number of jobs will increase throughout the country. Metropolitan areas and larger cities continue to receive the largest share, more than 80 per cent, of job growth. This is due to an addition of labour, a larger industry width and clearer specialisation. As the employment level for domestic-born people is close to its full potential, the increase in employment is dependent on foreign-born people getting a job. During the forecast period, nine out of ten new jobs are estimated to go to foreign-born people.

## **Unemployment will rise until 2020**

The labour force continues to increase during the forecast period, but in 2019 and 2020 the rate of increase will decline. One reason is fewer native-born in working-age 16-64 years, but also a lower inflow of foreign-born to the labour force. Overall, the number of people in the labour force increases at a relatively high rate through a continued addition of foreign-born people.

Unemployment is expected to rise in 2019 and 2020. The continued increase in the labour force, a weaker economic activity in Sweden and fewer subsidized employment are contributing factors. For the full year 2019, Arbetsförmedlingen estimates that unemployment will rise from 6.4 per cent in 2018 to 6.5 per cent. In 2020, unemployment is estimated at 6.7 per cent. A total of 359 000 people are estimated to be unemployed in 2020, which is to be compared with 335 000 in 2018.

The number of registered unemployed at Arbetsförmedlingen is also expected to increase during the forecast period. On average, the number of registered unemployed is estimated to be 356 000 people per month in 2020, which is 14 000 more than in 2019. Compared with the forecast from last autumn, this is an upward revision of 11 000 people for 2020. The increase is mainly related to unemployed people with weaker competitiveness in the labour market.

## **Challenges in the labour market**

Arbetsförmedlingen faces three key challenges in 2019 and 2020:

- Counteract the lack of skilled labour
- Increase the employment of foreign-born people - use their skills
- Prevent long-term unemployment

## **The lack of competence makes matching in the labour market difficult**

In recent years, the number of registered unemployed at Arbetsförmedlingen, with education in the field of shortage occupations, has gradually decreased. The conditions for matching in the labour market will therefore remain limited during the forecast period.

Increasing the supply of demanded labour will be crucial in the future. Above all, labour supply is a major challenge for small and medium-sized local labour markets outside the three metropolitan areas. Increasing the supply of demanded labour will be important for the success of the matching, but is also necessary for employment growth in both short and long term.

## **Employment is dependent of foreign-born people getting a job**

In the coming years, employment growth and supply of skills will depend on more foreign-born people finding a job. Certain industries, such as healthcare and education and training, will find it more difficult to grow in the future and are therefore entirely dependent on the labour force increasing through a supplement of foreign-born people.

The available labour resources among foreign-born people are at all levels of education. But people in the workforce with upper secondary and post-secondary education are used to a much greater extent than those with the highest pre-secondary education. For people with short education, unemployment is generally high and the employment rate is low, while a large proportion are outside the labour market. The most difficult labour market situation is found among foreign-born women with short education.

The level of education is of great importance for the possibilities of finding a job. It turns out that people with upper secondary education or higher accounted for almost 90 percent of the employment increase among foreign-born people in 2018. Unemployed people with a short education have to a small extent benefited from the high demand for labour in recent years.

## **Imminent risk of more long-term unemployed**

The applicant composition among the registered unemployed at Arbetsförmedlingen has changed in recent years, where three out of four job seekers are now deemed to be farther from the labour market. When demand for labour is dampened in combination with fewer subsidized employment during the forecast period, the risk is imminent that the number of unemployed who have been without work for at least twelve months increases.

Over the past six months, more women than men have been out of work for more than twelve months, which is a trend break among registered unemployed with longer times of unemployment. The weakest trend is found among foreign-born women with a short educational background.

## **The supply of labour places demands on several areas**

The challenges in the labour market do not just impose demands on labour market policy, but need support from several other policy areas, including education, social, housing and business policy. Arbetsförmedlingen need to continue to cooperate with other actors, especially the education system will be of the utmost importance in the next few years. Employers also have a responsibility for the labour supply. More employers, both public and private, need to adapt their requirements when recruiting to secure their planned employment needs. In addition, efforts are needed to make professions and industries more attractive in order to succeed in meeting the labour demand.

## Balance of resources and selected indicators, forecast for 2019-2020

	Percentage change		
	Outcome 2018	Forecast 2019 2020	
GDP, at market prices	2.4	1.7	1.5
GDP, calendar-adjusted	2.5	1.7	1.3
- Household consumption	1.2	1.1	1.0
- Public consumption	1.1	0.9	0.9
- Gross fixed capital formation	4.1	2.1	1.8
- Changes in inventories*	0.3	-0.2	-0.1
- Exports	4.0	3.9	3.5
- Imports	3.9	3.0	2.8

\*Change in percentage of GDP previous year

Source: Statistics Sweden (SCB) and Arbetsförmedlingen

## Key figures, forecast for 2019-2020

	Thousands/per cent			Change, thousands/per cent		
	Outcome 2018	Forecast 2019 2020		Outcome 2018	Forecast 2019 2020	
Population (ages 16-64)	6 232	6 282	6 328	54	50	46
Labour force (ages 16-64)	5 247	5 323	5 391	78	76	68
Employed (ages 16-64)	4 912	4 979	5 032	90	67	53
Unemployed (ages 16-64)	335	344	359	-12	9	15
Unemployment (ages 16-64)	6.4	6.5	6.7	-0.3	0.1	0.2
Relative labour force rate (ages 16-64)	84.2	84.7	85.2	0.5	0.5	0.5
Employment rate (ages 16-64)	78.8	79.3	79.5	0.8	0.4	0.3
Population (ages 15-74)	7 461	7 506	7 541	58	45	35
Labour force (ages 15-74)	5 457	5 536	5 605	77	79	69
Employed (ages 15-74)	5 113	5 184	5 236	91	71	52
Unemployed (ages 15-74)	344	352	369	-14	8	17
Unemployment (ages 15-74)	6.3	6.4	6.6	-0.4	0.1	0.2
Relative labour force rate (ages 15-74)	73.1	73.8	74.3	0.6	0.6	0.6
Employment rate (ages 15-74)	68.5	69.1	69.4	0.7	0.5	0.4
Registered unemployed (ages 16-64)**	347	342	356	-16	-5	14

\*\*Arbetsförmedlingen's operational statistics

Source: Statistics Sweden (SCB) and Arbetsförmedlingen

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