Labour market outlook, autumn 2018 – Summary

Outlook for the labour market 2018–2020

ARBETSFÖRMEDLINGEN
SWEDISH PUBLIC EMPLOYMENT SERVICE

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Arbetsförmedlingen, December 6, 2018

Global growth is peaking this year

The activity in the world economy continues to be high. At the same time, the sentiment of the global economy has continued to cool down in the autumn, and more and more signs are appearing that global growth has begun to slow down. The slowdown is particularly evident in the euro area. This means that global growth will peak this year.

It is clear that the prospects for the future development of the world economy have weakened somewhat. All in all, this means that we slightly adjusted our forecast for the global growth. Having increased by 3.7 per cent in 2017, this means that we assess that the global economy will grow by 3.7 per cent this year, followed by 3.6 per cent in 2019 and 3.4 per cent in 2020.

The business cycle is gradually dampening during the forecast period

The activity in the Swedish economy continues to be high. During the last few quarters, however, growth has begun to slow down. However, resource utilization in the economy is still very high in all respects. This means that the economy is at the peak of the business cycle.

Arbetsförmedlingen’s (Swedish Public Employment Service) interviews with nearly 11,000 private employers in the autumn of 2018 continue to show continued positive expectations, but the sentiment has dampened somewhat since the spring's survey. The weakening mainly relates to the construction industry, but the mood has also dampened in the area of private services.

During the forecast period, the situation with the business cycle will gradually dampen down. We estimate that the economy is approaching a more normal resource utilization in 2020. This means that the growth rate in the economy will dampen down during the forecast period. According to our assessment, GDP will rise by 2.2 per cent this year after having risen by 2.1 per cent in 2017. Next year, growth is expected to be 1.8 per cent, followed by 1.7 per cent by 2020.

111,000 more people in employment during 2019 and 2020

Arbetsförmedlingen’s interview survey points to continued good demand for labour during the forecast period. At the same time, the economy will gradually subside, which means, among other things, that the pace of employment growth will subside. In parallel, the lack of skilled labour will continue to constitute an obstacle to job growth in a large number of professions.

For the full year 2018, the number of employed persons aged 16-64 is estimated to increase by 85,000 or 1.8 per cent. Next year, 2019, the number of employed persons is expected to rise by 65,000. During 2020, the number is expected to increase by 46,000 people. This gives an employment rate of 79.5 per cent by 2020.

The increase in employment will continue to take place for the most part among foreign-born individuals, to which about eight out of ten new jobs are expected to go to in 2019 and 2020. At the same time, the regional differences remain large. The jobs are increasing throughout the country, and jobs are emerging in metropolitan regions and regions close to them to a greater extent than before.

Major problems with recruitment continues in all industries

In the private service sector, the outlook remains bright even if the employers' optimism regarding the demand trend has cooled somewhat since last spring. The lack of competence remains high and limits employment growth in certain sub-sectors. The number of employed is expected to continue to increase at a relatively good rate during the forecast period. With 38,000 people during 2019 and with 33,000 people during 2019.

Demographic developments lead to a continued increase in the need for public services. Our interview survey shows that four out of ten public sector employers are planning for more employees in the next year. However, the increase in employment during 2019 and 2020 will be significantly lower than in the previous years. One contributing factor to this is the continuing very widespread lack of skilled workforce. Arbetsförmedlingen estimates that the number of employed persons will increase by 25,000 in 2019 and by 23,000 in 2020.

In the construction industry, the previously so marked optimism has now fallen. Behind the downturn lies the worry and the cooling down in the housing market. However, the need for housing, premises and facilities is still large in most municipalities. At the same time, the lack of skilled labour is widespread within construction operations and continues to pose a major problem for employers. During 2019, the number of people employed in construction activities is expected to increase by 6,000, to then decrease by 5 000 the following year.

In the industry, the positive employment development that began in 2017 has slowed down in the course of 2018. In parallel, the recruitment problems in the industry have risen to the highest levels measured in ten years. Several forward-looking indicators suggest a relatively positive development in the industry during the forecast period, but at the same time, global growth will slow down. This means that the demand among Swedish industrial companies will be somewhat dampened. Combined with continued efficiency measures, this means that the number of employees is expected to decrease during 2019 and 2020, by 4,000 and 6,000 respectively.

Unemployment rises slightly during the forecast period

After a continued clear reduction in unemployment in the first and second quarters of 2018, unemployment only fell marginally in the third quarter. This is primarily explained by the fact that unemployment among foreign-born individuals has started to rise again. During the third quarter 2018, unemployment among foreign-born individuals was 15.2 per cent, which is 0.4 percentage points higher than one year ago.

The development can primarily be linked to the fact that newly arrived foreign women have increasingly begun to enter the labour force. At the same time, unemployment among native-born individuals has continued to fall very clearly. The third quarter it was as low as 3.5 per cent. This is a decrease of 0.4 percentage points compared with last year.

For the full year 2018, Arbetsförmedlingen estimates that unemployment will fall from 6.7 to 6.4 per cent. During the forecast period, 2019-2020, however, unemployment is expected to gradually begin to rise again. Next year, the unemployment rate is estimated at 6.5 per cent, and then reach 6.7 per cent by 2020. This is due to a strong labour force supplement in groups that are initially farther from the labour market. At the same time, job growth is weakening as the economy dampens. In addition, the lack of skilled labour continues to be an obstacle for job growth in many professions. A total of 358,000 people are expected to be unemployed in 2020.

More registered unemployed 2020

This year, the number of registered unemployed is reduced by 16,000 to 347,000. This is in line with what was assessed in the previous forecast. The next year, 2019, the number of registered unemployed is estimated to decrease by an additional 12,000 people, to 335,000. The number of registered unemployed is estimated to be an average of 345,000 by 2020, which is 10,000 more than in 2019.

That the number of enrolled unemployed rises towards the end of the forecast period is explained, as described above, partly by a cooling down of the business cycle and partly by continued structural changes in the labour market. In addition, fewer than what was previously estimated are going to begin work with support in 2019 and 2020 is estimated.

Challeges in the labour market

Despite a persistently strong demand for labour, the challenges in the labour market remain high. The gap between what employers demand and the job-seeker's merits is great. A large part of the registered unemployed do not have the skills that employers demand. Continued structural changes will strengthen this imbalance during the forecast period. In the long run, it increases the risk of long-term unemployment.

The lack of competence makes matching in the labour market difficult

The lack of skilled labour remains high both in the business sector and in the public sector, and it applies to both upper secondary and post-secondary professions. The number of unemployed people who are educated for professions with a shortage of skilled labourers is gradually decreasing. This means that the conditions for matching in the labour market will remain difficult during the forecast period.

Within several occupations with a shortage of skilled labour, the main problem is a too low addition of newly educated individuals from the education system, this applies both nationally and regionally. This can be seen within teaching-, healthcare-, and care professions.

Increasing access to skilled labour with the required skills is an urgent question in both the short and the long term. It not only determines the possibility of improving the conditions for matching in the labour market, but also affects the conditions for economic growth. In order to alleviate the shortage problems, it is crucial to match the unemployed to education that leads to jobs. Here, both the labour market education and the regular education system play a central role.

Continued limitations in the labour market for people with short education

The development is strong for many groups in the labour market. Among native-born individuals, the employment rate is very high and unemployment is the lowest in a very long time. There is much to suggest that the utilized labour resources among native-born individuals are close to the potential ceiling. The resources that are not used are thus mainly available among foreign-born individuals. This is already evident, among other things, because a large part of the increased employment consists of foreign-born individuals and that proportion is expected to increase.

The available labour resources among foreign-born individuals are at all levels of education. But at upper secondary and post-secondary level, labour resources are used to a much greater extent than among those who only have a pre-secondary education. Among people with short education, unemployment is very high, while many are completely outside the labour market.

The primary effort to increase the chance of finding a job for unemployed people with short education is through education(s). There is a great challenge here to guide the unemployed to education that ultimately leads to work. Arbetsförmedlingen has, together with the municipalities, a great challenge to increase the transition to regular education among the registered unemployed. This applies not least to people who are within the establishment assignment, where many have a short education.

Risk for more long-term unemployed

The number of registered unemployed who have been without work for at least 12 months has tended to fall during the autumn of 2018. The development is explained by a continued high demand for labour and targeted efforts in labour market policy. However, the changed composition of unemployment in recent years poses a risk that long-term unemployment will again rise. There is also much that suggests that structural changes in the labour market will increase in 2019 and 2020, for example through continued digitization and automation. There is a risk of further strengthening the imbalance in the labour market.In order for the long-term unemployment to fall, a combination of different efforts is required. Both education and subsidized employment are such efforts. Arbetsförmedlingen also needs to interact to a greater extent with other actors, different types of organizations as well as public and private operations.

Balance of resources and selected indicators, forecast for 2018-2020

	Percentage change			
	Outcome	Forecast		
	2017	2018	2019	2020
GDP, at market prices	2,1	2,2	1,8	1,7
GDP, calendar-adjusted	2,4	2,3	1,8	1,5
- Household consumption	2,2	1,3	1,3	1,5
- Public consumption	0,0	0,8	0,9	0,9
- Gross fixed capital formation	6,0	4,8	2,1	1,8
- Changes in inventories*	0,1	0,2	-0,1	-0,1
- Exports	3,2	2,6	4,0	3,8
- Imports	4,8	4,7	3,0	3,2

*Change in percentage of GDP previous year

Source: Statistics Sweden (SCB) and Arbetsförmedlingen

Key figures, forecast for 2018-2020

	Thousands/per cent				Change, thousands/per cent			
	Outcome	Forecast			Outcome	Forecast		
	2017	2018	2019	2020	2017	2018	2019	2020
Population (ages 16-64)	6 178	6 232	6 273	6 315	70	54	41	42
Labour force (ages 16-64)	5 169	5 243	5 315	5 376	86	74	72	61
Employed (ages 16-64)	4 822	4 907	4 972	5 018	94	85	65	46
Unemployed (ages 16-64)	347	336	343	358	-9	-11	7	15
Unemployment (ages 16-64)	6,7	6,4	6,5	6,7	-0,3	-0,3	0,1	0,2
Relative labour force rate (ages 16-64)	83,7	84,1	84,7	85,1	0,5	0,5	0,6	0,4
Employment rate (ages 16-64)	78,1	78,7	79,3	79,5	0,7	0,7	0,5	0,2
Population (ages 15-74)	7 403	7 461	7 498	7 532	80	58	37	34
Labour force (ages 15-74)	5 380	5 455	5 534	5 599	104	75	79	65
Employed (ages 15-74)	5 022	5 114	5 182	5 232	112	92	68	50
Unemployed (ages 15-74)	359	342	352	367	-8	-17	11	15
Unemployment (ages 15-74)	6,7	6,3	6,4	6,6	-0,3	-0,4	0,1	0,2
Relative labour force rate (ages 15-74)	72,7	73,1	73,8	74,3	0,6	0,4	0,7	0,5
Employment rate (ages 15-74)	67,8	68,5	69,1	69,5	0,8	0,7	0,6	0,4
Registered unemployed (ages 16-64)**	364	347	335	345	1	-17	-12	10

**Arbetsförmedlingen's operational statistics

Source: Statistics Sweden (SCB) and Arbetsförmedlingen

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