



ARBETSFÖRMEDLINGEN
SWEDISH PUBLIC EMPLOYMENT SERVICE

Labour market outlook autumn 2022 – Summary

Outlook for the labour market 2022–2024

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Arbetsförmedlingen, December, 2022

Summary

Global slowdown and recession in Sweden in 2023

Surprisingly high inflation rates has led to rapid tightening of monetary policy around the world. The demand in the economy is slowing and pulling global GDP growth down to a historically low level in 2023. Inflation, however, continues to be high, and in waiting for a slowdown, there is a great risk of an even worse development. Sweden is an open economy and strongly dependent on the development in the rest of the world. The Swedish Riksbank has raised the key interest rate sharply with the aim of cooling economic activity, with the result that the Swedish economy is expected to enter a recession in 2023. All in all, continued price increases, rising interest costs and falling housing prices are expected to place further weight on households' willingness to consume onwards. However, the uncertainties are greater than usual.

Declining employment plans but continued labour shortages

The economic development has a clear impact on the demand for labour, which has been high in the wake of the pandemic. Despite rising energy prices, inflation and geopolitical worries, the labour market has so far been resilient. During the autumn, indications have pointed to a weakening of the labour market. This is evident, among other things, in Arbetsförmedlingen's survey, which during the autumn of 2022 points to lower demand for goods and services than normal for the next six months. Employers in the trade and the hotel and restaurant sector are particularly negative, which is connected to households' pessimistic view of the economy and reduced incentives to consume. Employment plans have fallen to the same level as in autumn 2020, although a majority of employers in the survey state an unchanged or increasing workforce in one year's time. The share of employers who have experienced labour shortages has continued to increase from record high levels during the autumn. The number of newly notified vacancies reported to Arbetsförmedlingen has decreased recently, even though from a very high level. This shows a continued need for recruitment during the forecast period and also indicates an underlying problem where employers largely fail to fill the vacancies with the right skills.

Unemployment is estimated to increase during 2023 and 2024

In 2022, the labour market has been characterized by a very strong recovery after the pandemic. During the first three quarters, employment has increased by 2.9 percent and the employment rate has reached record levels. The number of registered unemployed has continued to decrease in 2022, but the reduction has slowed during the autumn. According to Arbetsförmedlingen's assessment employment will have a weak development over the next year to turn upwards at the end of 2024. As a result of the weakened economy, the number of registered unemployed is estimated to increase during 2023 and the first half of 2024, and then decline again when the activity in the economy is strengthened. For 2023 and 2024, the number of registered unemployed is estimated to amount to an average of 357,000 and 363,000 people respectively. This corresponds to average unemployment levels of 6.9 percent each year compared to 7.9 percent in 2021. At the same time, there are a number of uncertainties that may affect the outcome versus current assessments.

More are at risk of becoming long-term unemployed...

Long-term unemployment has also continued to decrease in 2022. However, the strong demand for labour has primarily benefited people with relatively shorter enrollment periods and who almost exclusively have an upper secondary education. A reduced demand for labour is also

estimated to cause long-term unemployment to rise again during the forecast period and reach a higher level than before the pandemic.

At the end of November 2022, the number of registered unemployed who had been out of work for twelve months or more summed up to 149,000, almost half of all registered unemployed. In addition, the periods of unemployment have increased within the long-term unemployed group, where the number of unemployed people who have been out of work for more than 24 months adds up to 92,000 people. The continued high number points to a clear matching problem where the skills of the unemployed do not correspond to the employers' demand to a large extent. Many of these unemployed risks being stuck in extended periods of unemployment.

In order to reduce the large number of long-term unemployed in the coming years, a combination of different efforts within labour market policy, but also in other policy areas, is required. At the same time, more long-term unemployed need to take part in training efforts to increase their chances of establishing themselves on the labour market. Many who are further away from the labour market also need to go to various forms of subsidized employment. These provide work experience, language training and networking. The registered unemployed who are assessed to be particularly far from the labour market need intensified support and a chain of efforts where, for example, education is combined with work practice. To counter an increased inflow of long-term unemployment, the right effort at the right time is key. Therefore, it is important that Arbetsförmedlingen is given the conditions to be prepared for a worse development and greater increase in the number of unemployed than what is assessed according to this forecast.

... but the lack of in-demand skills remains

In line with the continued recovery in the economy, the demand for labour has clearly increased in 2022. The recruitment difficulties that existed in several industries even before the crisis have once again become clear as a result of the rapidly increasing demand in 2022. Despite a declining economy, the difficulties in recruiting the right competence will remain during the forecast period. In order to reduce imbalances in the labour market in the future, the availability of in-demand skills needs to increase to meet the skill requirements that exist on the labour market. It will therefore be central to motivate and guide more people to education and adjustment that leads to work. More flexible opportunities for training, adjustment and skills development are necessary. Employers also have a great responsibility to break the negative trend and facilitate the long-term supply of skills. They could, for example, improve working conditions in order to be able to attract more people to occupations struggling with labour shortages, and to retain existing staff over time.