

# Trends and tendencies 2019

Digitalization, demography and labor market policy

English summary



## Executive summary

### Digitalization poses new challenges for the supply of skills

Many of the challenges that the Swedish Public Employment Service (PES) has previously identified will remain in the coming years. This applies in particular to issues and challenges that can be linked to the supply of skills. We argue that the gap between what employers demand and job seekers' qualifications will continue to expand over the next five years. Continued structural changes with continued digitalization and technical development are underlying factors behind this development.

However, major changes in technology have always affected the demand for labor. Many analysts argue that the current transformation goes faster and affects more areas than many previous technology shifts have done.

One trend that follows from digitalization is the emergence of so-called "atypical jobs", especially within the "Gig economy". The Gig economy is characterized, among other things, by self-employed workers rather than employees and that the jobs are often temporary (projects). Furthermore, the thresholds to enter jobs in the Gig economy are often (but not always) low. In other words, Gig economy jobs are often so called "simple jobs". However, the Gig economy is still only a small part of the labor market, but can potentially grow to a more significant extent in a few years' time. A challenge in this context is how the conditions in the conversion and security systems are designed.

The development, with a higher incidence of atypical jobs and non-traditional employment in the labor market, may impose new demands on how the PES works with matching, competence mapping and conversion. Already today, the PES has a special responsibility to develop the matching structure in the gig economy.

**RECOMENDATIONS:** The PES needs to continue its work for good opportunities for retraining, both in workplaces and when unemployed. A well-developed and well-functioning adult education system, together with vocationally oriented labor market education, will contribute to creating the conditions for more people to manage structural changes in the labor market.

It is crucial that the PES has a well-founded view of which type of occupations that are at risk of completely or partly disappearing due to structural changes. The PES also needs to continuously monitor and understand changes in content, competence and skills within an occupation because of digitization. For this, the work that takes place within the framework of the agency's professional forecasts and professional information is a good starting point.

The PES Analysis department makes job opportunity forecasts for close to 200 occupations in the labor market, both in one and five years' time. A concrete

recommendation is to use the information from these projections to a greater extent in the labor market assessment of a job seeker, as a way of identifying whether an applicant should consider changing career paths.

Furthermore, the PES needs to have a continuous dialogue with other participants in the labor market on how the potentially negative effects, that can arise from work in the gig economy, should be handled. Important issues are the access to security systems and the conditions for unemployed workers in the gig economy.

### **The demography stipulates the conditions for matching in the labor market**

The conditions for matching in the labor market and the supply of skills at both regional and national level will be affected by the demographic changes that Sweden faces in the coming years. Already today, there are large differences in the demographic development between the country's more central and peripheral parts.

Many smaller municipalities already faces great difficulties with the supply of skilled labor. As the workforce will continue to decrease in many of these municipalities over the coming year, these problems will tend to increase and many municipalities will find it difficult to maintain basic public service.

In order to cope with the shortage in the supply of skilled labor – as well as the support ratio – employment needs to increase in groups where the employment rate is low today. This is particularly important in smaller municipalities, where the base population and the labor force is declining. Increasing the employment rate among foreign-born, elderly and young people will be crucial to cope with the supply of skills regionally.

However, there is no single solution to increase employment in these groups. In general, however, it can be said that efforts that make it easier for employers to employ marginal groups will remain important. From this perspective, subsidized employment remains as an important tool for the PES to use.

In addition, the employers need to review and adjust their requirements for education and experience in recruitment. To cope and handle the labor shortages employers also need to expand recruitment to what can be called “complementary” professional categories. They also need to create better conditions for more people to choose to stay longer at their work.

**RECOMENDATIONS:** The PES has an important task in reducing the prejudices surrounding hiring “marginal workers”. The agency should continue to work for more employers to think in new paths when recruiting. A good example of this is the successful campaign "Make room". The campaign aims to increase awareness of how the PES can support employers when employing a person with a disability. The campaign has received much positive attention and contributed to strengthening the self-confidence in the authority.

The PES also needs to work to ensure that more young people, but also adults who want to change careers or are unemployed, choose educations for jobs with

significant labor shortages. There are a large number of upper secondary professions where the shortage of - and the need of - skilled labor will remain large in the coming years.

In order to reduce the persistent regional imbalances as far as labor shortages are considered, it is also important that the PES has a regional perspective when various educational initiatives are procured.

### **Policy makers wants a reformed Public Employment Service**

After an autumn of great political uncertainty, the conditions for both the general labor market policy and the PES are now beginning to crystallize more clearly. But still, there are a lot of uncertainty about which conditions the authority will operate in. It is however clear that the PES faces major challenges and major changes in the coming years.

Because of the budget voted in December 2018, which included a major reduction of the PES funds, an immediate decision halt was taken for some subsidized employment schemes (*extratjänster* and *moderna beredskapsjobb*). The authority also decided on a total employment stop. During the beginning of January, a notice covering 4,500 of the agency's employees was added, which corresponds to one third of the agency's employees. As a result, 130 local offices was decided to be shut down.

The same month, a new government took office. The government formation was based on a four party agreement, the so-called "January agreement", covering 73 points across all policy areas. For the PES, the most important part of the four party agreement is item number 18, which states that the Public Employment Service should be a fundamentally reformed in 2021. Private actors should be responsible for equipping and matching job seekers. The PES should focus on the exercise of authority in the form of control of job seekers and private actors, the labor market policy assessment, digital infrastructure and statistics and analysis.

**RECOMENDATIONS:** The autumn's development shows the importance of the PES having a readiness for alternative, and perhaps at first sight not the most likely, political scenarios. The agency needs to be prepared for significant and rapid changes in politics. New and unforeseen decisions can quickly be made which can change the conditions for the PES activities. This requires a high level of preparedness at all levels within the authority's activities.