Labour market outlook spring 2020 – Summary
Outlook for the labour market 2020–2021
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Summary

The economic activity is clearly affected by the pandemic

The ongoing pandemic has rapidly reduced the activity in the global economy. Restrictions and measures taken to reduce the spread of infection have contributed to a clearly reduced activity in the Swedish economy. Arbetsförmedlingen’s (Swedish Public Employment Service) survey with private employers in the spring of 2020 shows low expectations regarding the demand of goods and services ahead. Arbetsförmedlingen estimates that the Swedish economic development is clearly slowing down in 2020 and that a recovery will take place in 2021. However, there is a high level of uncertainty related to the future development.

The number of employed persons will decrease during 2020 and 2021

As a result of the pandemic and its effects on the Swedish economy and the labour market, the number of employed persons is expected to decline for the first time since the financial crisis in 2008 - 2009. However, employment trends showed a clear slowdown already in the autumn of 2019 and the development is now accelerating as a result of the crisis. The number of employed is expected to decline sharply until autumn 2021 and then slowly start to turn upwards. In the initial stage when the economic activity increases, employees who have been enrolled in the short-term work programme will increase their working hours. It is only later in the recovery phase that companies are expected to recruit new staff. The employment rate will fall from 78.4 percent in 2019 to 72.8 percent in 2021.

Unemployment rises during the forecast period

The ongoing crisis and the sharp decline in economic activity are expected to lead to a reduction in the labour force during the forecast period. This is partly because more people are expected to start studies, and partly that people who have a weaker connection to the labour market will leave the labour force to a greater extent when the competition for the available jobs increases.

Unemployment is rising during 2020 and 2021. Initially, temporary employees and newcomers in the labour market have been affected by unemployment. At the same time, the crisis has resulted in more people leaving the workforce by not actively seeking jobs, which at the same time has slowed the increase in the unemployment rate. Support measures such as the short-term work programme also act as a counterbalance to rising unemployment.

The number of registered unemployed at Arbetsförmedlingen is expected to continue to increase significantly in the coming quarters to reach over 600,000 registered unemployed in the first quarter of 2021. Thereafter, the number is expected to begin to decline slowly. For the full year 2020 and 2021, the number of registered unemployed persons is estimated at an average of 490,000 and 580,000 persons, respectively. This corresponds to an annual average of 9.4 and 11.0 percent, respectively. However, the uncertainty about the continued development and the recovery is great.
Major challenges in the labour market

Higher unemployment is a major challenge for the whole society. Arbetsförmedlingen emphasizes four challenges in the labour market during 2020 and 2021:

- More difficult situation for people who are new to the labour market
- The structural transformation increases the imbalances in the labour market
- Long-term unemployment rises to record levels
- Changed conditions for implementing labour market policy

More difficult situation for new people in the labour market

Those who first become unemployed when the demand for labour decreases are people with temporary employment and new people, especially young and foreign born, who enter the labour market. The situation is even more difficult for these groups as the crisis has affected private services such as hotels, restaurants and retail where temporary employment is common and where there are many entry jobs. Young and foreign born are overrepresented both in these industries and among those with temporary employment.

At the same time, the structural change in the labour market may result in that all jobs, for example in retail, will not come back after the crisis. Consequently, the prevailing situation in the labour market therefore risks delaying and aggravate the entry for people who have recently entered the labour market. Competition for jobs is considered particularly difficult for new people in the labour market who lack upper secondary education. A completed upper secondary education is the single most important factor for the opportunities to establish in the labour market. In addition, this education level is a prerequisite for higher education. For those who have been thinking about continuing their studies, now is a good time to do so.

The structural transformation increases the imbalances in the labour market

The effects of the pandemic will speed up the ongoing structural transformation in the labour market. This is shown, among other things, by employers who have already planned cost-saving measures who now make these changes earlier than planned. At the same time, a prolonged labour shortage has created a need for new ways of working and structural rationalization in parts of the public service sector.

Some of the jobs that disappear will not come back. The structural transformation of the labour market means that digitalisation and automation will become a more important part of the work in the nearest future. This means that some people will no longer have the skills required for the new jobs. At the same time, there were many unemployed people before the crisis who did not get a job despite several years of strong demand for labour. This is explained by the discrepancy between what the employers demand and the skills of the unemployed. The structural transformation now risks further increasing the imbalance in the labour market as more people lack the skills required. Structural unemployment is therefore at risk of rising. In order to meet these challenges in the labour market, possibilities for skills development, training and adapt to the new requirements are needed.
Long-term unemployment rises to record levels

Even before the crisis, there were many long-term unemployed enrolled in Arbetsförmedlingen. A large proportion of these are assessed to have a weak competitiveness in the labour market. In Arbetsmarknadsutsikterna in the fall of 2019, Arbetsförmedlingen estimated that long-term unemployment would increase as a result of dampened job growth, fewer subsidized jobs and increased structural transformation in the labour market. This development is now further strengthened by the ongoing crisis and will have major effects on long-term unemployment, which is expected to reach record levels during the forecast period.

The ongoing crisis has led to an even more difficult situation for the long-term unemployed. When the demand for labour now temporarily or completely has stopped in areas with important entry-level jobs in the labour market, the outlook for long-term unemployed has deteriorated. At the same time, more people run the risk of ending up in longer periods of unemployment, especially people with short education. The prevailing situation in the labour market also makes it more difficult to find workplace-based initiatives such as internships and subsidized employment. Those who already stands far from the labour market therefore risk an even weaker position. The length of the crisis also increases the risk that more people will leave the workforce permanently and thus end up in long-term exclusion.

Changed conditions for implementing labour market policy

To handle the large increase in the number of unemployed Arbetsförmedlingen needs to redistribute resources and efforts. More registered unemployed leads to a higher workload, while Arbetsförmedlingen needs to make priorities. Focus is mainly on receiving notifications and taking care of the people who are now enrolling. Those who have become unemployed should receive their unemployment benefits, but also good support and planning in order to maintain contact with the labour market. Arbetsförmedlingen emphasizes the importance of skills development, being active and trying to maintain contact with the labour market.

Poorer opportunities for internships and subsidized employment result in temporarily changed conditions for implementing the labour market policy, where an important tool is missing. The strategy is to extend subsidized employment in cases where it is possible and to prioritize educational efforts to equip people with weaker competitiveness. More job seekers need to be guided to the regular education system to strengthen their formal skills. For this, collaboration and cooperation between different policy areas such as labour market, education and business policy is crucial. Collaboration between Arbetsförmedlingen and municipalities is also decisive when it comes to educational efforts. The municipalities have a great and central responsibility when it comes to achieving a well-functioning infrastructure to be able to increase the capacity of the education system.