

Employment

BOOSTING SKILLS FROM THE BOTTOM UP

- ▶ The national unemployment rate has fallen to less than 7%, but this aggregate number hides important regional disparities, with some regions facing unemployment rates of up to 9.5%.
- ▶ Sweden has a well-educated population, but the education system could be better connected to the labour market and VET be reinforced. Skill shortages in teaching and healthcare occupations are substantial and need to be addressed by a coherent national policy response.
- ▶ Additionally, place-based dimensions need to be considered: many counties in Sweden are characterised by skills mismatches or low-skills traps, which undermine quality job creation.
- ▶ To reduce skills imbalances, Sweden needs to enhance the engagement of employers at the local level, strengthen regional skills planning, and inject more flexibility in the management of employment and skills policies.

What's the issue?

While Sweden's unemployment rate has declined to below 7.0% in 2016, important disparities exist between counties, with an unemployment rate of 9.5% in Södermanland, compared to 4.9% in Halland. These disparities have grown since 2008, with the gap between the lowest and the highest unemployment rate observed at the county level increasing from 3.3 to 4.6 percentage points.

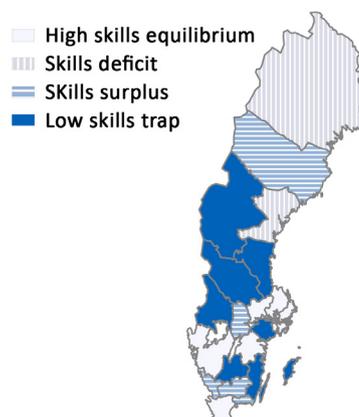
Inadequate or mismatched skills are one reason behind the high unemployment rates in some regions. According to the latest PISA results, there is a growing performance gap between socio-economic advantaged and disadvantaged students, which is now wider than the OECD average. While Sweden generally performs better than other OECD countries in terms of skills, low-skilled adults still represent an important proportion of the population. 13.3% of workers have a low level of literacy

proficiency and 14.7% a low level of numeracy proficiency (scoring at or below level 1 in the OECD Survey of Adult Skills). The relatively high incidence of under-skilling in Sweden may signal skill shortages as employers face difficulties in finding those high-skilled workers they look for in the labour market. Finally, integrating migrants into the labour market is a key challenge, with skills playing an important role: half of those scoring at or below level 1 in the OECD Survey of Adult Skills are foreign-born.

Eight counties in Sweden are currently in a so-called "low skills trap", where low supply of and demand for skills can serve as a trap which undermines job creation and growth (see Figure). In these counties – even in places such as Jönköping where unemployment is relatively low – it is important for the local employment and economic

Many Swedish counties are characterized by skills mismatches or low skills traps

Skills supply and demand in Swedish counties, 2013



Source: OECD (2016), *Job Creation and Local Economic Development 2016*, OECD Publishing. <http://dx.doi.org/10.1787/9789264261976-en>

development system to introduce policies to boost the skills of the workforce while also encouraging employers to better use those skills and move to higher value-added production and services over the long-term.

To address this challenge, Sweden has developed skills assessment and anticipation (SAA) exercises to collect timely and robust information on current and future skill needs. Though this information is widely used at the national level to design policies to align the supply and demand of skills, gaps remain in its use at the local level. In several municipalities, the lack of statistical and analytical infrastructures to process SAA information is a challenge. Moreover, competition across municipalities to attract students can exacerbate regional unbalances. Strengthening regional skills planning could help to reduce competition and spur a more rational use of government resources. There is also a negative perception of Vocational Education and Training (VET) in Sweden, making it important to build quality training opportunities within this education pathway and encourage young Swedes to apply to VET programmes.

The public employment service (PES) agency (Arbetsförmedlingen) contributes to providing a coordinated response to skills challenges by promoting mobility between regions. However, the low level of flexibility in the management of policies weakens collaboration, and this gives stakeholders only limited latitude to join up their employment, skills and social programmes for the low-skilled. Measures should also be taken to improve the use of labour market and skills profiling tools as well as to expand the capacity of PES officers to use this information. This should enhance the effectiveness of skills development and matching services and better contribute to economic growth both locally and nationally. In some regions, it may also be necessary to balance meeting short-term employer needs with helping employers who operate at the low-end of the labour market to increase the level of skills they demand over the long-term.

Why is this important for Sweden?

Sweden's unemployment rate is now estimated to be below the structural unemployment rate, which is estimated at a rather high 7.4% in the OECD's latest Economic Outlook, reflecting high labour force participation, but also mismatches between labour supply and demand. These mismatches are a waste of human talent that can hamper economic growth and prosperity, and an important barrier to truly inclusive growth. Going forward, Sweden will increasingly face shortages of high-skilled workers. The challenge is to better align the education and training system to the needs of the local labour market and effectively mobilise the talents of all groups of people, including immigrants, so that they can participate in and benefit from Sweden's economic growth.

What should policy makers do?

- ▶ Ensure better policy integration between employment, skills, and economic development actors by strengthening strategic governance structures at the local and regional levels.
- ▶ Strengthen regional skills planning and establish state-region contracts to clearly define mutual obligations, distribution of decisional power, financial commitments and enforcement and accountability mechanisms.
- ▶ Clarify the tasks of municipalities' regional co-ordinators, regions and that of county administrative boards.
- ▶ Increase employers' engagement with the employment and skills system through greater outreach efforts and targeted programmes.
- ▶ Raise the visibility and status of VET education by providing, among others, more continuity in funding between upper-secondary and higher VET tracks.
- ▶ Better link the supply and demand of skills through the use of career pathway models, which typically target disadvantaged workers, provide an integrated set of education and training opportunities linked to a specific occupation or sector, and do not only support initial entry into a job, but also career advancement over time.



Further reading

OECD (2016), *Getting Skills Right: Sweden*, OECD Publishing. <http://dx.doi.org/10.1787/9789264265479-en>

OECD (2016), *Job Creation and Local Economic Development 2016*, OECD Publishing. <http://dx.doi.org/10.1787/9789264261976-en>

Niklasson, L., J. Barr and M. Meghnagi (2016), "Boosting Job Creation in Kalmar, Sweden", *OECD Local Economic and Employment Development (LEED) Working Papers*, No. 2016/02, OECD Publishing. <http://dx.doi.org/10.1787/5jlzbdjgx8s1-en>

OECD (2015), *Employment and Skills Strategies in Sweden*, OECD Reviews on Local Job Creation, OECD Publishing. <http://dx.doi.org/10.1787/9789264228641-en>