

Employment

BOOSTING JOB CREATION BY CONNECTING THE EMPLOYMENT AND SKILLS SYSTEM TO EMPLOYERS

- ▶ Unemployment is higher than before the crisis, with immigrants and low-skilled youth facing particular challenges in accessing the labour market.
- ▶ Sweden has a well-educated population, but the education system could be better connected to the labour market. Enhancing the engagement of employers, providing more part-time training options and increasing work-based training opportunities could help to reduce potential skills mismatches.
- ▶ Injecting more flexibility in the management of employment and skills policies would give local employment and training agencies greater ability to adjust programmes and strategies to labour market needs.

What's the issue?

While Sweden weathered the impact of the economic crisis better than other OECD countries, unemployment remains high (8.0% in 2014 versus 6.2% in 2008). Especially low-skilled youth and immigrants have considerable problems finding jobs. But the challenge is not only to create jobs; Sweden needs to create *high-quality* jobs that will foster new economic opportunities, boost growth, reduce poverty and increase social cohesion.

Education and training opportunities play a critical role in increasing the supply of skills. Sweden has a well-educated population and a high level of skills relative to other OECD countries, but student performance has fallen for the past decades. An additional challenge is how to better connect the education system to the labour market to ensure that students are equipped with those skills demanded by employers.

Sweden is often regarded as a role model for its employment and training policies, as well as for the autonomy of regional and local governments. The programme of higher vocational education (*Yrkeshögskolan*) appears to be an innovative and flexible model, which involves employers and includes a workplace training component. Sweden also has a long tradition of active labour market policy, where the unemployed receive relatively generous training, though generous benefits might reduce work incentives. The public employment service agency (*Arbetsförmedlingen*) offices operate within a national framework, which emphasises mobility between regions to reduce overall skills shortages. The low level of flexibility in the management of employment and skills policies (e.g. ability to adjust programmes) for local employment offices weakens collaboration, as stakeholders have limited latitude to join up their activities to promote growth and employment.

Why is this important for Sweden?

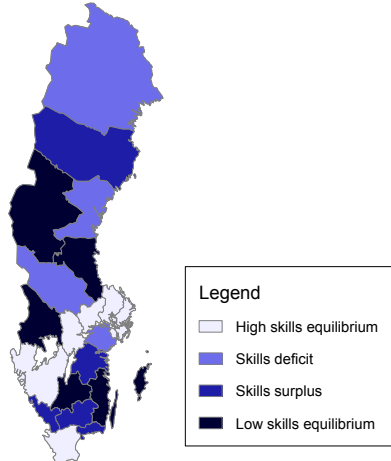
Growth and productivity are likely to become increasingly dependent on making better use of the skills of the available workforce. Ensuring that individuals such as low-skilled youth have access to labour market opportunities is also an important dimension of inclusive growth and well-being.

Considerable disparities in skills supply and demand exist across Swedish counties (see Figure). Many counties in the central part of the country are in a 'high skills equilibrium', where a high supply of skills matches a high demand for skills from employers. Areas with a major university and a higher population density tend to fall into this category, including the areas of Stockholm and Skåne. The rest of the country is characterised by a 'skills mismatch', and worrying instances of a 'low skills equilibrium', where a combination of low productivity and a low-skilled workforce can act as barriers to job creation. In 2011, six regions were in such a "low skills equilibrium". Targeted policies to these areas can help create new economic opportunities and ensure that that no one is left behind.

Reducing sub-regional differences in skills supply and demand could contribute to promoting the competitiveness, attractiveness and resilience of regions in order to strengthen growth and job creation nationally. The OECD's recent publication, *Job Creation and Local Economic Development*, demonstrates how a more integrated approach to skills can help Sweden achieve these objectives.

» Many Swedish counties suffer from a skills mismatch

Counties with high-skills equilibrium, low-skills equilibrium, skills surplus and skills deficit, 2011



Source: OECD (2014), *Job Creation and Local Economic Development*, OECD Publishing.

What should policymakers do?

- ▶ Ensure better policy integration between employment, skills, and economic development actors by strengthening strategic governance structures at the local and regional levels.
- ▶ Increase employers' engagement with the employment and skills system through greater outreach efforts and targeted programmes.
- ▶ Better link the supply and demand of skills through the use of career pathways/cluster models.
- ▶ Emphasise the importance of better utilising skills within employment and training policies, and ensure the adult education training system provides flexible training opportunities for all.
- ▶ Consider the strategic use of public procurement in tackling disadvantage and promoting inclusive growth.



Further reading

OECD (2015), *Employment and Skills Strategies in Sweden*, OECD Publishing, forthcoming.

OECD (2015), *OECD Economic Surveys: Sweden*, OECD Publishing, forthcoming.

OECD (2014), *Job Creation and Local Economic Development*, OECD Publishing. <http://dx.doi.org/10.1787/9789264215009-en>

