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■ What will happen with employment in an increasingly globalised world?

Deputy Governor Kristina Persson today spoke at Mid Sweden University in Östersund about developments in employment in an increasingly globalised world.

"Global trade contributes to economic growth through greater specialisation and thereby more efficient use of the factors of production. Examples of this include the increasing propensity of companies in the US and Europe to outsource their production of goods and services to low-wage countries such as China, India and the new EU member states in central and eastern Europe. However, this does not have to mean lower growth or higher unemployment in the country from which the activities are outsourced. On the contrary, lower costs and productivity gains can give rise to new investment and jobs in the production of other, often higher valued added products and services," began Ms Persson.

"Up to now Sweden has handled fairly well the restructuring pressures that this development has entailed. As a small open economy that produces high value added goods and services, Sweden should be well capable of meeting these pressures in the future as well," continued Ms Persson.

"Structural change is an ongoing process and Sweden has been adapting to changes in competitive conditions for a long time. Concrete examples include the relocation abroad of the textile industry in the 1960s and of the shipbuilding industry in the 1970s. Industrialisation and globalisation have gone hand in hand: Less than one hundred years ago around half of Sweden's workers were employed in agriculture and forestry; today the proportion is only 2 per cent. In the services sector the opposite has occurred. In 1910, 23 per cent were employed in services or public administration; 90 years later the figure was 75 per cent. Today it is the services sector that gives the largest contribution both to economic growth and to job creation. Services cannot be rationalised as easily and the richer a country's population becomes, the more services it wants to consume," continued Ms Persson.

"Even though the outsourcing of certain jobs results in higher productivity and lower costs that in turn give rise to new jobs and incomes elsewhere in the econ-



omy, the short-term effects can be high unemployment in some sectors or regions. It is important that the creation of new jobs keeps pace with the jobs that disappear and that the unemployed can move to the sectors in which the new vacancies are being created. The need for flexibility – mobility between sectors and regions – increases with globalisation," said Ms Persson.

"Many factors suggest that restructuring pressures in Sweden will increase as a result of the accelerating integration that globalisation entails. Among other things, international competitive pressures will rise when the cost differences between Sweden and its competitors are large at the same time as the differences in educational levels become smaller. Higher-skilled jobs, too, such as in research, development, design, etc. are today exposed to competition. So far the expanding services sector has created new openings when manufacturing jobs, for example, have disappeared. Today, the new information technology in particular means that services, too, can be offshored. In order to create the best possible conditions for job creation it is important to facilitate innovation and entrepreneurship in Sweden. It is especially important to have a good business and investment climate in sectors with high growth potential," continued Ms Persson.

"Total unemployment is already high today and risks becoming higher if we do not meet the needs for change that globalisation entails. Open unemployment in Sweden averaged around 2 per cent from the start of the 1960s up to the crisis in the 1990s. After the crisis in the early 1990s it has been approximately 6 per cent on average. Despite a long period of high growth at the end of the 1990s the open unemployment rate did not fall any lower than to around 4 per cent. Many factors suggest that today's unemployment is to a large extent structural in nature and not a result of too low demand for goods and services in the economy. That the level of unemployment has shifted upward and remained high is one indication of this. Another is the large differences in unemployment between different parts of Sweden and different occupational categories," said Ms Persson.

"Monetary policy cannot be used to manage structural problems. To have an effect on employment in the long term requires different measures altogether. The instruments for boosting growth and creating jobs are primarily to be found in the policy areas controlled by the Government and Parliament. In addition to the fact that existing companies must want (dare) to employ more workers, there has to be incentives to set up new businesses, to acquire training and education, and to seek work in new sectors instead of remaining in long-term unemployment or other forms of support than gainful employment. More new jobs in the service industries must also be created outside the public, tax-funded sector. It is worth reflecting here on what the high tax wedges on work mean for the capability to increase demand for services. Continued growth also requires that we deal with the problem of having too many people of working age registered as long-term sick or receiving disability pensions. The situation will be aggravated by the demographic developments that are creating an imbalance between the proportion of elderly in the population and those of working age," said Ms Persson.

"How well different regions and countries position themselves in the international competition will determine growth rates, employment and income growth. This adjustment requires changes in society as a whole. Both labour market policy and the ability of the business community and society to interact constructively will have important roles to play in this regard in the future," concluded Ms Persson.