

Perspectives on the quantity of unutilised resources in the labour market

This Box highlights a number of factors of relevance for assessing the level of resource utilisation in the labour market and discusses different measures of unemployment and their relevance for wage formation. Among other things, this review shows that the commonly used concept of “open unemployment” is a narrow measure of the quantity of unutilised resources. Alternative measures, such as those which include students who are seeking work and which take into account the search behaviour of different groups, may be of greater relevance from the perspective of wage formation.

Introduction

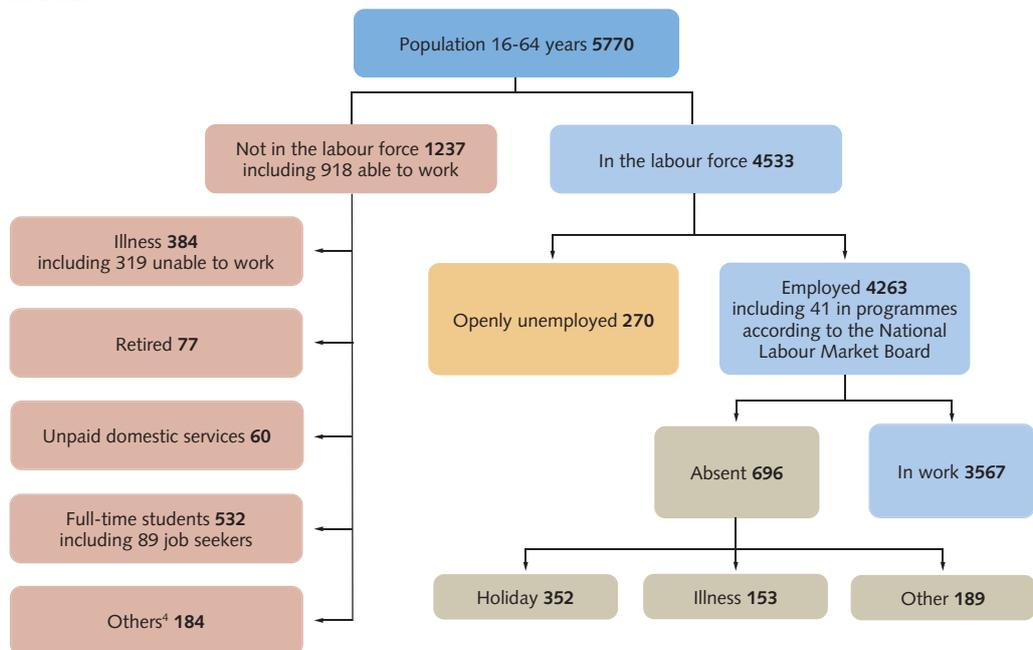
Analysis of developments in the labour market is an important part of the Riksbank’s work of producing forecasts for inflation. Inflation is primarily determined by inflation expectations and firms’ marginal costs. In the aggregate economy, marginal cost is dominated by wages. Labour costs account for approximately two-

thirds of value added. Wage development is in turn affected by a number of factors, such as resource utilisation in the labour market. Experience shows that a high level of resource utilisation in the labour market tends to push wages up. Resource utilisation in the labour market is therefore important for inflation analysis.

This Box highlights a number of factors of central importance for resource utilisation in the labour market. The introductory section covers the quantity of resources in the labour market on the basis of the population of working age, its composition and the total number of hours worked. The following section contains a discussion of the relationship between resource utilisation and wage formation with a special focus on the closeness of their labour market integration. A concluding section contains an overview of the extent of the labour market integration of different groups and possible labour reserves.

It should be emphasised that the intention has not been to quantify resource utilisation

Figure B1. Composition of the population of working age 2005
Thousands



Note. The numbers are based on the annual average for 2005. Sources: National Labour Market Board, Swedish Social Insurance Agency and Statistics Sweden.

4 The category “Others not in the labour force” includes, for instance, 39,000 individuals who claim to be job seekers but do not meet the set criteria, 8,000 conscripts and 94,000 individuals who have given no reason for not belonging to the labour force.

in the labour market but instead to indicate a number of factors that are relevant for the quantification of unutilised resources and for the connection to wage formation.⁵

Resources in the labour market

Composition of the population of working age

In general, resource utilisation means how the actual use of resources deviates from a measure of the quantity of potentially available resources. However, there is no universal agreement as to how this potential is to be measured. Should everyone who is able and willing to work be included or only those who have actively shown that they are searching for (but do not have) jobs? In order to estimate the quantity of available resources in the labour market, it is normal to start by examining the population of working age, i.e. aged between 16 and 64, even if there may also be individuals over the age of 64 who are gainfully employed.

In 2005, the population of working age totalled 5,770,000 (see Figure B1), of whom one in five (1,237,000) did not belong to the labour force. In this group 319,000 were considered unable to work. The potential working population thus totalled 5,451,000 (i.e. the 4,533,000 individuals in the labour force plus the 918,000 who did not belong to the labour force and were considered able to work). Some 270,000 (or 6 per cent of the labour force) were classified as openly unemployed. Openly unemployed refers to people who are without work even though they want to work and are actively searching for a job. Of the 4,263,000 employed, on average 696,000 were absent from work, either on holiday, because of illness or to take care of children.

Of the 1,237,000 of working age who were not included in the labour force, therefore, 918,000 were classified as being able to work. Altogether, this means that 1,884,000

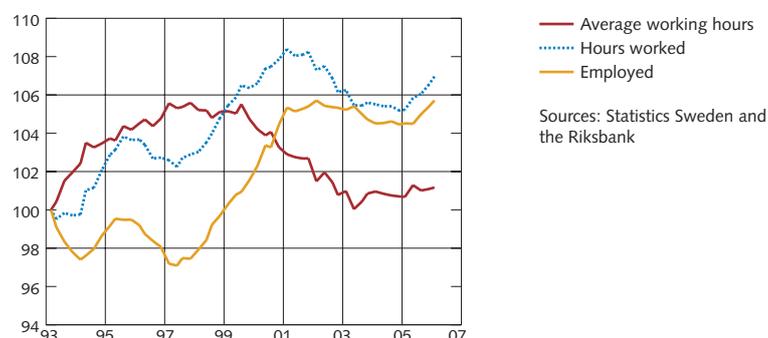
individuals⁶ among the potential working population did not have jobs. This represents just under one-third of the potential working population.

Of those outside the labour force, 532,000 were full-time students and 89,000 of these persons stated that they had looked for work in 2005. According to international standards, the latter group should be included among the unemployed. In 2005, 60,000 of those outside the labour force were working at home while 461,000 were either on long-term sick leave, received sickness and activity compensation (previously called disability pension) or agreement-based pensions. Of those outside the labour force, 100,000 have stated that they are willing and able to work but have not looked for work. This group, together with the group of full-time students who have looked for work, totals 189,000 and is referred to as latent job seekers. In other words, a considerably larger group is available for the labour market than those who are openly unemployed.

Number of hours worked

However, the resources utilised for work depend not only on the number of employed but also on how much each person works. If one only studies the composition of the labour force in

Figure B2. Employed and hours worked
Index: 1993 Q1 = 100, seasonally adjusted data



Sources: Statistics Sweden and the Riksbank

⁵ The Labour Force Survey (LFS) was altered in the spring of 2005, which means that the statistics are not completely comparable over time. For more general reasoning and analysis of developments over a longer time period, data from the old LFS have been used in certain cases; data which extends only up to 2004. The new LFS has been used for more recent assessments.

⁶ Comprising 918,000 who are capable of work but not included in the labour force plus 270,000 openly unemployed and 696,000 absent.

terms of the number of individuals, there is a risk of concealing a number of factors that are relevant to an assessment of resource utilisation in the labour market, as illustrated by Figure B2, which shows the development of the number of employed and the number of hours worked in recent years. During the years after the turn of the century, the number of hours worked decreased while the number of employed remained largely unchanged. In other words there was a sharp decline in the hours worked per person employed. This example indicates that there are good reasons to study the development of the number of hours worked more closely.

One approach would be to study the number of hours worked per person of working age (H/N) broken down according to the labour force participation rate (L/N) where L is the

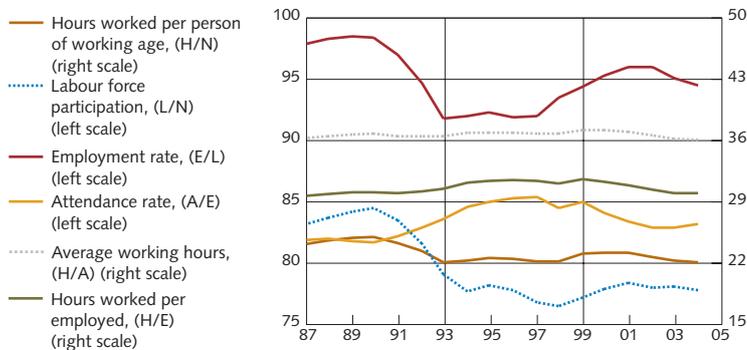
different components have developed over time. The number of hours worked per employed person (H/E) has also been included in the figure.

It is worth noting that the number of hours worked per person of working age (H/N) was lower at the end of 2004 than during the 1980s even though the attendance rate (A/E) and average working hours for people in work (H/A) had increased and were on a par with 1980s levels. The decline in the number of hours worked per person of working age was particularly noticeable during the crisis in the early 1990s. The decline goes hand-in-hand with a lower employment rate. However, the employment rate has recovered markedly since the crisis in the 1990s. The main factor contributing to the decline in the number of hours worked per person of working age is the sharp reduction in the labour force participation rate.

What then has caused this sharp decline in labour force participation? An important observation here is that the declining labour force participation rate has gone hand-in-hand with an increase in the number of those on long-term sick leave and disability pensions and an increase in the number of students. One explanation could be the dramatic increase in the number of unemployed in connection with the crisis in the 1990s together with lengthy unemployment spells which together have contributed to a large group of the population of working age concluding that there is no point in being available for work. This may per se have contributed to the increase in the number in education and those on long-term sick leave or with a disability pension. There is also reason to believe that the economic incentives in the tax and benefit systems have an effect on this, although there may also have been a change in the social norms, i.e. a change in attitude to sick leave and disability pensions.⁷

There may also be reason to study working hours per employed person (H/E) rather more

Figure B3. Average working hours per person of working age broken down into labour force participation, employment rate, attendance rate and average working hours for those present Per cent and hours per week



Source: Statistics Sweden

number of individuals in the labour force, the employment rate (E/L) where E is the number of employed, the attendance rate (A/E) where A is the number present at their employment (in work) and the average working hours among those who are present (H/A):

$$\frac{H}{N} = \frac{L}{N} \frac{E}{L} \frac{A}{E} \frac{H}{A}$$

Figure B3 shows how the number of hours worked per person of working age and the

⁷ See for instance Lindbeck, A., "Välfärdsstat och sociala normer", B. Swedenborg (ed). "Varför är svenskarna så sjuka?", SNS Förlag, Stockholm 2003.

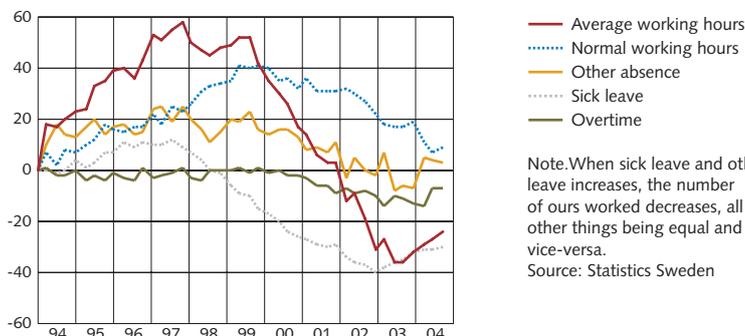
closely. This is usually procyclical. In upturns, for instance, the number of hours worked by existing staff normally increases before firms start to recruit, leading to an increase in working hours per employee. The impact of the upturn on unemployment and employment is thus delayed.

There is also a link between the level of unemployment and the number of hours worked per employee. The attendance rate increased sharply in connection with the crisis in the 1990s but fell back up to 2002 (see Figure B3). Subsequently, the attendance rate has risen again.⁸ This indicates that the level of unemployment has affected the attendance of employees.

In order to clarify the idea of resource utilisation measured as the number of hours worked, it may be appropriate to examine more closely how working hours per employed person vary with changes in normal working hours, overtime, sick leave and other absence. Normal working hours (also referred to as working hours or agreed working hours) are determined by the average extent of full-time employment and by the proportion of part-time employees. In 2005, normal working hours in Sweden were around 36 hours per week, which puts us somewhere in the middle of EU countries.⁹

Figure B4 shows how the time spent at work per week (measured in minutes) per employed has changed since 1994, broken down into normal working hours, overtime, sick leave and other absences (e.g. holidays). Hours worked per employee rose between 1994 and the end of the 1990s. One explanation for this is that normal working hours increased during most of this period. Despite agreed reductions in working hours, working hours increased for full and part-time employees during the latter half of the 1990s while the proportion of part-time employees remained relatively stable. A decline in sick leave, probably partly attributable to high unemployment (see previous discussion),

Figure B4. Components of average working hours
Accumulated change in minutes per week,
seasonally adjusted data



Note. When sick leave and other leave increases, the number of hours worked decreases, all other things being equal and vice-versa.
Source: Statistics Sweden

also contributed to increased working hours per employee between 1994 and 1997. Between 1997 and 2002, a rise in sick leave in particular but to a certain extent also a reduction in working hours and other leave contributed to a decline in average working hours. The amount of overtime worked was largely constant between 1994 and 2000 although it has since decreased slightly.¹⁰

One conclusion of this review is that resource utilisation in the labour market calculated as the number of hours worked can change markedly without there being a change in employment. A one-sided focus on open unemployment risks concealing a declining trend in the number of hours worked per person of working age despite an increased number of people of working age. This is due to a decrease in labour market participation.

Resource utilisation, job search and wage formation

It is important to distinguish between resource utilisation in a broad sense and as a measure of the quantity of unutilised resources which are relevant from the perspective of wage formation and inflation. How is wage formation actually affected by resource utilisation?

In the long run, the wage share, i.e. the labour force's share of value added, presumably

⁸ Note that one reason why employment rises when the attendance rate diminishes is that both absentees and temporary staff are counted as employed. The higher attendance rate recently may therefore have contributed to lower employment.

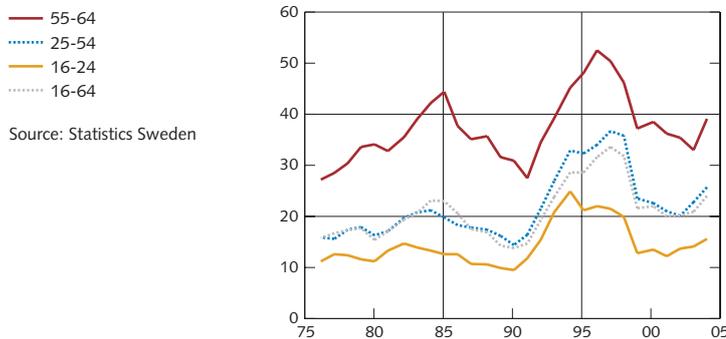
⁹ The number of *potential* working hours is probably much greater. In the nineteenth century, a normal working week for a worker was approximately 70 hours. However, nowadays most people are either not allowed, not able or not willing to work as much.

¹⁰ See the Box entitled "Average Hours Worked – A Key Factor Both Structurally and Cyclically", *The Swedish Economy August 2004*, National Institute of Economic Research.

depends on structural factors. In the short term, the wage share is determined by resource utilisation and varies more than in the long term. The wage share also depends on the bargaining strength of employers and employees. Wage levels are affected by wage-earners who are actively looking for jobs, both those who are employed and those who are unemployed. The willingness of a firm to pay a high wage depends on the probability of the employee finding new employment. When unemployment is low, this probability increases, which makes employers more willing to increase wages in order to reduce staff turnover and the firm's personnel costs. More intensive job search activities from both unemployed and employed tend to increase competition for vacancies leading to lower wage pressure.¹¹

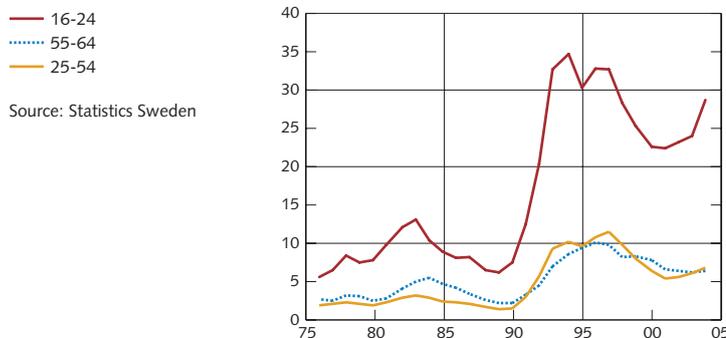
Job search is accordingly important

Figure B5. Average unemployment periods for the openly unemployed in different age groups 1976-2004
Number of weeks



Source: Statistics Sweden

Figure B6. Unemployment (incl. latent job seekers) in different age groups
Proportion of unemployed in each age group



Source: Statistics Sweden

for the correlation between wages and resource utilisation. The official definition of unemployment in the Labour Force Survey (LFS) has also for a long time been linked to job-searching; a criterion for being classified as unemployed is that a person has actually looked for work. Searching for a job means that an individual has taken specific steps during a four-week period from the week of the survey to apply for paid employment or self-employment or found work within no more than three months from the investigation week. This period has been increased from 1 to 3 months compared with the old LFS. The criterion for active searching has also been changed in the new LFS. It is now sufficient to have studied advertisements in order to find a job to be counted as actively looking for work. An additional important change is that the question about "willingness to work" included in the old LFS has been removed. Those who answered no to this question were not classified as unemployed in the old LFS, despite their being able to work and having looked for work. The measure of unemployment in the new LFS is therefore not totally comparable with the measure in the old LFS. These changes in the LFS have taken place as a result of harmonisation in the EU. This facilitates international comparisons, but means that registered Swedish open unemployment has increased by around 0.5 per cent in April 2005.

There is no direct information on search intensity in LFS and there are job seekers both in and outside the labour force (students). Those who have stated that they have looked for work and have therefore been classified as unemployed comply with a minimum requirement as regards active job searching. The openly unemployed thus registered may be considered as having a link with the labour market, being able to compete for existing jobs and thus able to influence wage formation.

¹¹ The role of unemployment benefit can be seen in this context. Lower benefit levels tend to intensify the search for jobs by the unemployed and to depress wages. The length of the benefit period also plays an important role. In Sweden, this effect has not been especially strong historically since many unemployed persons have avoided exhausting their unemployment benefits and have instead ended up in labour market programme measures. See Holmlund, B., "Unemployment Insurance in Theory and Practice", *Scandinavian Journal of Economics* 100, 1998, 113-141 and Carling, K., B. Holmlund and A. Vejsiu, "Do Benefit Cuts Boost Job Finding? Swedish Evidence from the 1990s", *Economic Journal* 111, 2001, 766-790. Since 2001 it has no longer been possible, in principle, to extend the length of the benefit period by participating in labour market programmes.

Among those outside the labour force, there may be people who are more or less linked with the labour market, for instance, among latent job seekers. They compete indirectly for existing vacancies and can therefore have some impact on wage formation.

The number of latent job seekers varies with the state of the economy. For instance, the labour force usually contracts during downturns due to the fact that many job seekers leave the labour force since the probability of finding a new job decreases. These latent job seekers tend to return to the labour force when demand for labour increases again in an upturn. There is thus a cyclical variation in the labour force which can change the unemployment figure for any given number of employed. This is another reason why open unemployment does not accurately reflect the quantity of unutilised resources in the labour market.

In the light of this, it would, from the perspective of wage formation and inflation, seem reasonable to assume a concept of unemployment which includes latent job seekers (totalling 189,000 in 2005). It is possible that wage development forecasts could be improved if one includes the latent unemployed in a measure of resource utilisation in the labour market. An additional possibility of refining the measure is to explicitly take into consideration the search intensity of different groups. As already pointed out, the LFS statistics do not contain any such information. The duration of unemployment for different groups can, however, be used as an indicator of job search activity. Search activity tends to decline when the unemployment spell is long.

Figure B5 shows average unemployment periods in different age groups. In 2004, the average spell of unemployment for persons

Table B1. Correlation between real and nominal hourly wages in the business sector and measures of unemployment in different age groups

	Real hourly wage			Nominal hourly wage		
	1980-1991	1994-2004	1980-2004	1980-1991	1994-2004	1980-2004
U	-0.881	-0.338	-0.706	-0.554	-0.277	-0.343
1	-0.610	-0.537	-0.537	-0.061	-0.298	0.004
-1	-0.578	-0.339	-0.476	-0.538	-0.390	-0.492
U 16-24	-0.774	-0.306	-0.653	-0.455	-0.108	-0.304
1	-0.509	-0.385	-0.420	-0.011	-0.086	0.033
-1	-0.668	-0.429	-0.525	-0.676	-0.445	-0.532
U 25-54	-0.865	-0.289	-0.684	-0.602	-0.253	-0.340
1	-0.576	-0.520	-0.526	-0.053	-0.278	0.029
-1	-0.565	-0.330	-0.466	-0.567	-0.410	-0.490
U 55-64	-0.903	-0.551	-0.770	-0.450	-0.609	-0.393
1	-0.787	-0.661	-0.681	-0.147	-0.654	-0.175
-1	-0.287	-0.235	-0.299	-0.186	-0.210	-0.348
UL	-0.822	-0.209	-0.665	-0.568	-0.141	-0.347
1	-0.575	-0.462	-0.537	-0.090	-0.198	-0.029
-1	-0.674	-0.478	-0.513	-0.610	-0.540	-0.564
UL 16-24	-0.758	-0.103	-0.630	-0.465	0.037	-0.304
1	-0.478	-0.323	-0.439	-0.082	-0.085	-0.027
-1	-0.818	-0.569	-0.612	-0.714	-0.585	-0.588
UL 25-54	-0.806	-0.204	-0.643	-0.613	-0.169	-0.361
1	-0.555	-0.480	-0.535	-0.058	-0.205	-0.003
-1	-0.591	-0.411	-0.451	-0.602	-0.516	-0.562
UL 55-64	-0.854	-0.505	-0.736	-0.572	-0.541	-0.439
1	-0.824	-0.661	-0.716	-0.171	-0.628	-0.187
-1	-0.229	-0.319	-0.252	-0.150	-0.283	-0.411

Note. U = Openly unemployed as a proportion of the labour force according to LFS. UL = unemployment incl. latent job seekers; 1 refers to one year ahead and -1 refers to one year in the past. The real wage is the hourly wage deflated by the consumer price index.

Sources: Statistics Sweden and the Riksbank.

aged 55-64 was approximately 40 weeks and 15 weeks in the age category 16-24.¹² If the duration of unemployment spells partially reflects search intensity, the younger unemployed can play a more important role in wage formation than older unemployed people.

Moreover, youth unemployment varies considerably more than unemployment for older people (see Figure B6). Youth unemployment tends to change more rapidly during the business cycle than unemployment for older people. At times of change in the economic cycle, youth unemployment changes before unemployment for older persons. In combination with the assumed greater search activity by young people, it can therefore be suspected that wage formation is more sensitive to variations in youth unemployment.

Table B1 shows the estimated correlation coefficients between real and nominal hourly wages in the business sector and different measures of unemployment. The correlation is calculated between the hourly wage and different measures of unemployment for the same year, and between hourly wages in a particular year and different unemployment measures one year ahead and one year in the past. The unemployment measures that have been used are open unemployment in accordance with the LFS and unemployment

age groups. Furthermore, in addition to reporting results for the whole period 1980-2004, separate results are reported for the years 1980-1991 and 1994-2004 with a view to excluding the most turbulent years at the beginning of the 1990s and the transition to the new stabilisation policy regime.¹³

It is reasonable to believe that there is a time lag in the effect of unemployment on wage formation and that it is therefore the one-year lagged unemployment that is of most interest. As expected, this correlation is negative overall. The calculations also show that the correlation in the earlier period is generally stronger than in the later period. The lower correlation during the later period can reflect a change in wage formation and the fact that wages have become less sensitive to resource utilisation, e.g. because wage agreement periods have become longer.

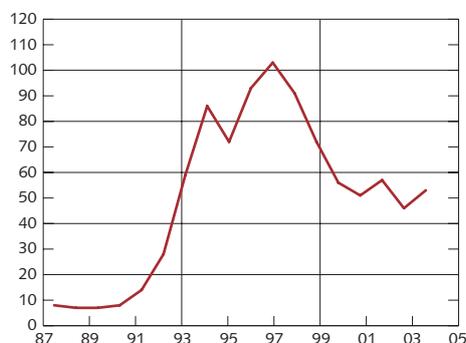
As expected, wages correlate most strongly with unemployment in the youngest age group in both time periods, even if the differences in relation to other age groups are relatively small. This conclusion applies above all to the correlation between wages for a particular year and unemployment in the previous year. The correlation for the younger age group in particular also increases slightly if the latent unemployed are included.

At the same time, it should be emphasised that simple correlation calculations of this kind should be interpreted with great caution. More sophisticated analyses are required to be able to draw more definite conclusions.

Integration of different groups to the labour market and labour reserves

In an assessment of resource utilisation and wage formation, there is reason to take a less aggregate view of the degree of the integration of different groups to the labour market and of possible labour reserves.

Figure B7. Full-time students who are willing and able to work and who have looked for work
Thousands



Source: Statistics Sweden

which also includes latent job seekers. The results are reported separately for three different

¹² This period refers to the average for the stock of unemployed and not the unemployment spell, i.e. the average time the unemployed have been unemployed.

¹³ All variables have been measured in relative (logarithmic) changes.

Education and training

An important explanation for the declining trend in labour force participation in recent years is that both the number of students and the period of education and training have increased. The average length of the education of those in the labour market increased from around 8 years in the 1970s to around 12 years in 2000.¹⁴ Moreover, study participation has been increased due to the increased investment in higher education in Sweden.

As noted earlier, there are strong arguments for including full-time students who are available for work in the labour force. The size of this group has varied over time although there are at the same time indications of a trend increase (see Figure B7). One possible explanation for this might be that the trend increase in unemployment compared with previous decades has led people who would really have preferred to work but have difficulty in finding a job to decide to study instead. For the same reason, there are also cyclical variations in the number of students. In, for instance, downturns, when there is less probability of finding a job, many opt instead to study.

Ill health

The numbers on sick leave increased during the period 2000-2002 but have since declined slightly. Many of these, those on long-term sick leave, have recently received sickness and activity compensation, which means that they are no longer regarded as belonging to the labour force. All other things being equal, this has contributed to a reduction in registered unemployment. One important question is whether this group could be regarded as a labour reserve. In this group, there are probably a number of people who are able to work and who could return to the labour force. One

important aspect in this context is the design of the tax and benefit system.¹⁵

The employment rate among those born abroad and labour immigration in the wake of globalisation

Employment would increase by over 100,000 if the employment rate among those born abroad aged between 20-64 could be increased to the same level as for those born in Sweden.¹⁶ This assumes that some of those born abroad who are unemployed obtain work and moreover that labour force participation in this group increases. The low employment rate among those born abroad can partly be related to the labour immigration in previous decades (which contributed to a high employment rate among those born abroad) largely having been replaced by the immigration of next-of-kin and refugees.

There is also concealed labour immigration to Sweden. In addition to the number of immigrants in the official statistics, there are a number of people who are staying in Sweden without permission and support themselves by working illegally. However, there is no reliable data on the number of people involved.¹⁷

One question which has been much discussed recently concerns the effects of globalisation on the labour supply and wage formation. A higher global labour supply can potentially lead to a large inflow of labour to the Swedish labour market. Some argue that a development of this kind can lead to decreasing real wages or high unemployment.¹⁸ Others consider that there are no convincing (empirical) arguments to support this. They argue instead that wages in Sweden and in low-wage countries such as China will converge but that this can take place without reductions in real wages in Sweden.¹⁹ The Riksbank has not been able to find any empirical support for increased globalisation depressing wages in Sweden.

14 See Edling, J., "Alla behövs – Blott arbetsmarknadspolitik skapar inga nya jobb", stencil, Timbro, 2005.

15 See Lindbeck, A., "Välfärdsstat och sociala normer" in B. Swedenborg (ed). "Varför är svenskarna så sjuka?" SNS Förlag, Stockholm 2003.

16 Ekberg, J., "Kan invandrare underlätta försörjningen av en åldrande befolkning?", *Ekonomisk Debatt*, no. 4, 2004.

17 "Arbetskraftsinvandring till Sverige – befolkningsutveckling, arbetsmarknad i förändring, internationell utblick", SOU 2005:50.

18 See Persson, M. and M. Radetzki, "Kina, Sverige och globalisering", *Ekonomisk Debatt*, No. 1, 2006.

19 See Bigsten, A. and B. Holmlund, "Överdrivna farhågor om hotet från Kina", *Ekonomisk Debatt* No. 2, 2006.

Unemployment in different age groups

As shown by Figure B6, unemployment is considerably lower in the 55-64 age group than in the 16-24 group. At the same time, the average unemployment spell is considerably longer (see Figure B5). This reflects the fact that older people seem to have greater difficulty than young people in returning to the labour market. One reason for this might be that the vocational skills of older people may be less attractive in a rapidly changing labour market.

In the age group over 64, who are not included in the LFS, there are individuals who may be employed and some who might also constitute a labour reserve. This group can moreover have increased in line with improved health among older people.

As noted above, unemployment among young people is considerably higher than in other age groups while unemployment spells are relatively short. This suggests that youth unemployment may largely be a temporary phenomenon. The number of openly unemployed young people in 2005 was just over 70,000 which constitutes a considerable labour reserve.

Summary

This Box has aimed to highlight a number of factors of relevance for assessing the quantity of unutilised resources in the labour market which are also important for wage formation and, ultimately, inflation. The review shows that there are many complicated factors to take into consideration to be able to make this kind of assessment which cannot be summarised in a single measure of resource utilisation in any simple way.

One lesson is that it is important to distinguish between the quantity of unutilised resources expressed in the number of people and in the number of hours worked; during certain periods, wholly different conclusions can be obtained depending on the approach adopted. Regardless of the approach adopted,

the conclusion must, however, be that there are a large number of unutilised resources in the labour market in broad terms. Among other things, this review shows that the concept of open unemployment which is currently the one most frequently used, is a very narrow measure of the quantity of unutilised resources. Alongside the openly unemployed, there were 189,000 latent job seekers in 2005 who can be considered as being available to the labour market. Moreover, average working hours can increase.

The Swedish official unemployment figures, for instance open unemployment, exclude groups which are available to the labour market and which can thus be assumed to affect wage formation. This applies above all to full-time students who can work and apply for jobs but also to other latent job seekers. However, it is difficult to determine which groups in the labour market have the greatest impact on wage formation. Simple correlation calculations indicate that the correlation between the hourly wage and unemployment in the age group 16-24 is higher than for other age groups and that this correlation increases slightly if latent job seekers are also included in the unemployment figures. These calculations also indicate that the correlation between wages and resource utilisation has weakened since the mid-1990s. This could be explained by changes in wage formation and the increasing length of agreement periods.

When making an assessment of resource utilisation in the labour market, there are also grounds for considering a more long-term perspective. One important explanation for the decline in the number of hours worked in the past decade is that labour market participation has decreased markedly. A policy that leads to greater labour force participation can have a considerable impact on wage formation and inflation. Seen from this perspective, it is worth considering how factors such as demographic changes, increased integration of immigrants and increased labour immigration can affect labour supply and wage formation. Knowledge of these structural factors is limited, however, and it is therefore too early to assess how they can affect wage formation.