

Report to the Swedish Government on the coordination of actions concerning the current crisis in Västra Götaland

Lars Bäckström, county governor of Västra Götaland, and Kent Johansson, member of the regional executive board, were on October 2, 2008 appointed coordinators of public and private actions in order to respond to the crisis due to the lay-off situation within the automotive industry. Their main task is to coordinate public and private measures in order to reduce the effects of the crisis.

The following topics have been addressed:

- Further training and education of employees to prepare for future competitiveness on the labor market
- Strong measures should be taken in order to keep production resources within the automotive industry
- Strong measures should be taken in order to facilitate for subcontractors to the automotive industry
- Further investments in R&D (research and development)
- Facilitate for employees to participate in individual in-service training while at work
- Raise study grants for people over 25 who wish to attend vocational courses and advanced vocational education and training
- Additional financial stimulation for new car sales by keeping environmental car premiums and reintroducing scrap premiums
- Further examine possibilities to finance additional actions aimed at the unemployed by using the EU Globalization fund
- Review plans for investments in infrastructure in order to facilitate for earlier investments
- Strengthen the demand for wind energy and the production of domestic wind power by adapting financial means of control in favor of expanding wind energy
- Stimulate investments within the housing construction sector
- Further investments in increased capacity within broadband networks

The automotive cluster in Västra Götaland

The coordination mission in Västra Götaland has a strong focus on the automotive industry. The automotive industry is the most important business cluster in West Sweden. The automotive industry is also Sweden's most important export trade and here we find Sweden's largest private employer, Volvo Ltd.

The automotive industry's importance for the service sector has risen remarkably during the last decades. Automotive business communities have been even more integrated with the service sector, and vice versa. Increasing service contents within the production process has contributed with important knowledge to the automotive industry. Several head offices with central R&D departments are to be found in West Sweden.

Several of the leading automotive companies also have a close cooperation. They engage in joint research projects and often consult the same service companies. The automotive industry together with the pharmaceutical industry and IT account for the largest investments in R&D within Swedish industry. Sweden's as well as Västra Götaland's future competitiveness is to a large extent based on an advanced knowledge based industry and service sector. This may be jeopardized if one of the three most research intensive sectors within the country, the automotive industry, would be denied the possibility to develop during the current recession. Not only will manufacturing be affected, but also the service production sector that delivers knowledge to the automotive industry. Central research projects within the fields of safety, quality, environment and energy adjustment may be threatened.

The market situation within the automotive industry in Sweden

Swedish automotive industry is very dependent on foreign export. 87% of Volvo's cars and 80% of Saab's cars are sold on the international market. In 2008 Volvo sold about 48 000 cars in Sweden, this was a reduction by 16 000 cars (or a 25% reduction) compared to 2007. During 2007 Saab sold 25 000 cars. In 2008 Saab only sold 20 000 cars, a loss by 20%. Two thirds of the total sales reduction occurred during the three last months in 2008 for both Volvo and Saab. 2009 has started with further reductions in the recent selling of cars. The decline compared to January 2008 is 34%. For 2009, the Swedish car organization *Bil Sweden*, anticipates a total sale of about 185 000 cars. For Volvo *Bil Sweden* predicts a sale of 35 000 cars in 2009. This would mean a reduction by 27% or a sales drop by 13 000 cars compared to

2008. *Bil Sweden* also predicts a further sales drop for Saab in 2009 and anticipate a total sale of 14 000 cars in 2009. Saab may face a sales drop by 5 500 cars. This would mean a reduction by 27% compared to 2008.

Bil Sweden asserts that sales of new cars in 2009 may reach 215 000, on condition that several incentives will come into force, such as the keeping of scrap premiums as well as premiums for environmental friendly cars.

The current labor market situation in Västra Götaland, January 2009

During 2008 21 642 people were temporary laid-off or faced dismissal in Västra Götaland. This corresponded to almost a fourth of the total lay-offs or dismissals in the country. People employed for only a limited period in 2008 were not accounted for in this statistics. The lay-off figures in Västra Götaland have now become apparent in unemployment statistics. At the beginning of February 2009, about 50 000 people were unemployed in Västra Götaland according to statistics from the unemployment office. Compared to the same time last year the number of unemployed people has risen by 13 600 people – an increase by 37%. This can be compared with an increase by 29% in the country during the corresponding period.

During 2008 2 250 persons employed under a collective agreement at Volvo PV were laid-off. 1 800 of these people have now been dismissed. During spring 2009 the rest of the staff who were laid-off in 2008 will face dismissal depending on different terms of notice. Among the salaried employees only a limited number of people have been dismissed.

Current unemployment statistics also show that other parts of the labor market face falling demand. This mostly concerns commerce and businesses within the construction sector. Local government workers will soon be laid-off and dismissed as well.

Preventative measures taken within Västra Götaland

The measures taken within Västra Götaland are to a large extent based on an established system for cooperation of common strategic development efforts. This system has facilitated an efficient and active communication between concerned parties within the region.

Associations of local authorities, local authorities, local businesses, representatives from

universities and R&D-institutes have met and developed ways of direct communication with the two coordinators, Kent Johansson and Lars Bäckström.

The two coordinators have also established ways of communication with representatives of the automotive industry, subcontractors, trade unions, trade representatives and the business community.

The coordinators assessment of needs and further actions

Strengthen the industry's competitiveness through in-service training of employees within companies as well as investments in R&D.

Instead of dismissing employees, many businesses in the automotive industry have decided to introduce in-service training activities for those employees who otherwise would risk unemployment. These in-service training activities are carried out in close cooperation with educational/training institutions. By doing this, companies can keep staff and at the same time ensure that competences and skills stay within the company, while waiting for the next upward economic trend. It is now suggested that the Government should support these trade specific in-service training activities for employees. Similar systems are also applied in other competing countries. By taking this measure the companies' competitiveness is further strengthened for the future and this will also speed up the recovery. This will naturally relieve the strain on employment offices. This proposal has been positively accepted by trade unions, local representatives as well as Region Västra Götaland.

Västra Götaland is a national center as well as a leading global region concerning advanced research and development within the automotive industry, systems of transportation and logistics. Within the frame of the regional growth program special efforts are made in order to maintain this position and further develop infrastructure for R&D in Västra Götaland. The Swedish Government will continue support R&D investments in a sustainable automotive industry. Swedish automotive industry is characterized by quality and new thinking and in order to maintain its core values broad development projects are required. Energy and environment are essential prerequisites for the future fleet of cars and this also characterizes short term and long term R&D investments within the automotive industry.

The possibilities with EU's Globalization fund

The aim of the EU Globalization fund is to provide individual support for workers that have been laid off because their companies were affected by globalization. Money from this fund, alongside with money from the state/Government, can be used in order to facilitate for workers to find new employments. The Swedish Government should inquire whether Sweden can receive money from this fund. This money could finance parts of the actions that are now planned for the unemployed.

Vocational training and education

In December 2008 the Government announced further public investments in vocational training and education. Region Västra Götaland together with the four associations of local authorities within the region have now jointly drawn up a system for cooperation concerning communication, planning, dimensioning and content of vocational (adult) education and training. Recent discussions show that there is a readiness to extend the places of admission within local vocational (adult) education and training among local authorities. The recently drawn up system for cooperation between Region Västra Götaland and the four associations of local authorities will with great possibility also constitute a basis for a soon coming collaboration on a regional program for lifelong learning. A framework for this program is about to be developed this spring (in accordance with regional, national and EU-guidelines).

Moreover, the Government has suggested that grant subsidies should be raised to 80% for students over 25 who take supplementary courses. The grant subsidy could also be raised for adult students who wish to pursue supplementary studies within the system of vocational adult education.

Higher education studies

The Government has decided to redistribute places of admission within the higher education system. Therefore, universities and university colleges in Västra Götaland have been assigned an additional 600 places of admission. Universities and university colleges within Västra Götaland will redistribute places of admission among themselves and there will be further cooperation between university institutions and business communities concerning educational and training needs. Contract education (uppdrags utbildning) is something that university institutions may be more involved with in the future as demands on a more flexible educational system grows.

Validation/Recognition

The Swedish Agency for Advanced Vocational Education will be responsible for validation/recognition on the national level. The Agency starts its public function on July 1, 2009, and it will assemble, administer and manage all post upper-secondary vocational education in Sweden. It is essential that the work with vocational validation/recognition speeds up since not very much work has been done on a national level so far. Region Västra Götaland assists in coordinating actions concerning vocational validation/recognition within the region, but there is a great need for national coordination in the field.

Validation/Recognition is an important tool which, together with further training efforts, will contribute to shorten the period of adjustment for those who need a professional change. A constantly changing labor market requires possibilities to make career changes, opportunities to “cross”(“cut corners”) within the educational system, opportunities to cross between different trades and, in doing so, take advantage of each individual’s competence that he/she has acquired in different contexts.

The coordinators’ concluding comments

Finally, the appointed coordinators wish to emphasize the importance of a broad participation of actors in the coordination process on the local as well as on the regional level. It is of great importance that the employment office is included in this process. Local employment offices should to a greater extent be given the possibility to arrive at certain decisions that today are managed on a national level. It is important that measures are taken as soon as possible in order to prevent individuals from risking prolonged periods of unemployment.

Active cooperation and joint actions between the business communities, local and regional authorities, educational institutions and national agencies will be of great significance in order to meet people who face dismissal and unemployment.