

Executive summary

In the early 1990s, Sweden experienced its greatest economic crisis since the post-war period, when Swedish companies lost their competitiveness in the world market at the same time as the Swedish state became very highly leveraged. Overall, this led to significant restructuring that resulted in a large number of non-competitive businesses and jobs disappearing from Swedish industry, while employment in the public sector also fell.

After the crisis the trend reversed and the Swedish business sector created new jobs at a brisk pace, with a brief setback during the Asian crisis in 1997. This development was largely driven by a series of deregulations in the Swedish business sector in the early 1990s, while advances in IT had a multitude of impacts on organisational structure and productivity.

In the early 2000s the dotcom bubble burst. The relative importance of the IT sector declined and other sectors, particularly the services sector, grew stronger. Meanwhile, in many countries, markets – including financial markets – were deregulated. Globalisation accelerated and China emerged as a major economic power. Recovery after the dotcom crash was rapid and strong, and employment rose sharply again until 2008. This was followed by a sharp decline in employment in 2009, when the Swedish economy was hit hard by the international recession triggered by the financial crisis.

In the general political debate it is often claimed that it is the small enterprises that have created new jobs in Sweden over the past decade. Yet, findings show that in the 1980s and 1990s small businesses in Sweden grew more slowly than small businesses in other developed countries. In this report, we study the importance of small and young businesses in the restructuring of the Swedish economy during 1990–2009. Our analysis of employment and business dynamics covers firms with at least three employees and is

based on a very extensive and detailed database from Statistics Sweden (SCB). The data consists of firm and plant data for 1990–2009. Using detailed information on firms, plants and individuals working in the firms, it has been possible to analyse issues related to firm's employment dynamics in a more detailed manner than has been possible in most international studies.

We studied the following questions: How important were small and new businesses, and workplaces, to job creation in the Swedish business sector during 1990–2009? What kinds of jobs disappeared? Were they jobs where employees had a low level of education? What jobs were created? Were they jobs requiring high levels of education? Did small businesses create jobs requiring high levels of education and how did employment dynamics vary over time and between the services and manufacturing industries?

In summary, our empirical analysis shows that:

- Despite the deep crisis that hit Sweden in the early 1990s, and the ongoing financial crisis, almost 190 000 net new jobs were created in the business sector during 1990–2009. Underlying this figure are large-scale employment dynamics. These 190 000 new jobs were the difference between about 3.42 million jobs created and 3.23 million jobs lost.
- Small and medium-sized firms created around 300 000 new business sector jobs during 1990–2009. Most of these jobs were in smaller medium-sized firms. Large firms reduced their total employment by about 120 000 jobs, mainly during the 1990s crisis.
- During 2000–2009, employment grew in businesses of all sizes in the services sector. Negative employment growth in manufacturing was mainly characterised by a decrease in the number of employees in the largest firms.
- The share of employees with post-secondary education increased from about 25 per cent in the early 1990s to about 40 per cent in the late 2000s, while employees with pre-upper secondary education fell sharply.
- The greatest job gains resulted from the largest and medium-sized firms increasing their number of employees with post-secondary education. The greatest job losses during 1991–2009 resulted from the largest firms reducing their number of employees with pre-upper secondary education.

What conclusions can be drawn from this study concerning the effectiveness of employment dynamics in the Swedish business sector? In our view, economic theory should be used when empirical results are interpreted with the aim of drawing policy conclusions. However, building a theoretical framework of analysis was beyond the scope of this study. In Heyman, Norbäck and Persson (2013), on the other hand, we began work linked to this project on describing the underlying theoretical mechanisms of business and employment dynamics that have been identified in the economics literature. The goal is to develop an analytical framework that is suitable for interpreting empirical results on business and employment dynamics and to provide policy recommendations.

Our conclusion from the results of Heyman, Norbäck and Persson (2013) and the empirical analysis we conduct in this report is that diversity in the business sector is essential for an economically effective restructuring. This diversity applies not only to the relationship between small and large firms, but also between young and old firms and between small and large plants/firms. With technological and institution change, different types of firms and plants will be more or less effective over time and across industries. Diversity in entrepreneurship is therefore a prerequisite for an economically effective and ongoing restructuring. The mechanisms underlying this conclusion are described in Heyman, Norbäck and Persson (2013).