

Effects of globalization on the swedish economy



The Swedish economy has experienced times of hardship as well as times of success and growth. The growth of the Swedish economy can be largely attributed to its efforts in globalization. From technological advances to international trade, domestic and foreign corporations alike have benefited from this shift towards globalization. Native and foreign workers, however, have had a difficult time adjusting to these changes throughout the decades. With high unemployment rates, low wages, and outsourcing, service workers have not experienced as many advantages from the economy. Large corporations based in Sweden have restructured their businesses to benefit the environment and continue the growth of the Swedish economy, though. It is because of these efforts that Sweden is so successful in the exports market.

Technology

Since the rise of ecommerce, products can be bought by consumers or businesses online with one click. Because of the introduction of this technology, international trade has had a similar restructuring. As a result, many domestic businesses in Sweden have reached markets that were not as easily accessible thirty years ago. These include the clothing and footwear industries, those of which exports grew at a rate of 2% versus the world market's average of -4% in 2015 (Business Sweden Communications, 2017). With the major market share being leather footwear ("Footwear – Sweden | Statista Market Forecast"), this means that businesses like Swedish Hasbeens has an advantage over large foreign manufacturers. This is even more true because their shoes are made of vegetable leather (Hasbeens, 2015). Not only does this set them apart, but it also has allowed them to tap

into a profitable niche market. H&M, a Sweden based clothing company that branched into over 4, 000 companies worldwide, also experienced major revenue growth of over 300% in the last decade (Statista, 2018). Both of these companies, as well as countless others, benefited significantly from the limitless online shopping market.

Because of technological advances in information and communication, new business models have been rapidly adopted by internationally and domestically funded organizations. Current business models in Sweden emphasize sustainability and open communication, both of which have been popular topics in the recent decade. Volvo has been a leader in this shift of environmental consciousness in the last ten years, with their main focuses being social, economical, and environmental issues (The Local, 2018).

International managers have continued their movement toward individualism and how they can better society as a whole, instead of only focusing on the market caps for their MNCs. This means that managers are carefully analyzing the negative effects of globalization in order to reduce the company's carbon footprint.

Technology's effect on outsourcing

The ease of technology promoted more outsourcing and as a result increased the unemployment rate of unskilled workers in Sweden. According Ulf Jakobsson, author of " The Globalisation of Swedish Economy" (2007), " The fraction of workers not employed among those without upper secondary school has increased from 61% in 2006 to 66% in 2016" (p. 7). Since many manufacturing companies in the service industry need a multitude of

workers to perform simple tasks, many companies choose to outsource the work to countries like India or China where labor comes at a lower price. According to a study by The Local (2014), Sweden's average hourly labor cost of 40.1 Euros is the highest in the EU. The average Chinese factory worker, however, makes an equivalent of 1.20 Euros per hour (Kavoussi). If an unskilled worker can complete the step in the value chain for less money than a skilled worker can, the unskilled worker is usually the one hired in the manufacturing job.

Technology and unemployment of unskilled workers

However, a surge in education began in the 1980s and therefore continued to cause an influx of skilled workers in Sweden's employment pool (Jakobsson). This means that less workers between the ages of 15 and 24 are entering the workforce and therefore contributing to higher unemployment rates in Sweden overall. Since the 1980s, youth unemployment rate increased from less than 5% to over 15% in 2018 (Sweden Youth Unemployment Rate). Higher education in Sweden proves to be valuable, though, with postgraduates' wages being an average of 180% higher than workers without any college education in 2015 as well as an unemployment rate of 7.8% as of 2017 (Nils). Since the job market for engineers and IT specialists is high in Sweden, college graduates can reap the benefits of their degrees with an average monthly salary of 4,400 Euros. Because of the extensive education one must complete and the development of the skills to effectively perform the job, the information and technology employment sector of Sweden is one of the highest paid in the country (What are the average salaries, 2017).

Trade affecting domestic companies

Sweden's support of free trade beginning in the 1970s involved the country in multiplicities of international trade during the upcoming century. Ulf Jakobsson's (2007) study found the following:

A specialised economy cannot develop if it is only based on the domestic market. It is

therefore natural that we find international integration to be most advanced in small countries. It is these countries that have the most to gain from extensive international integration. (p. 9)

The flow of revenue continued its upward slope during the 1980s in Sweden partially because of the boom in the oil industry. This boom not only created more jobs at the time, but also popularized private oil consumption which boosted the economy even more. Since the initial rise of the oil/petroleum industry, cars, vehicle parts and refined petroleum have remained Sweden's top exported goods (Simoes).

Trade and competition on a global scale

When a Swedish corporation chooses where the host country will be as well as the subsidiaries, the decision is based on the potential competition that may affect the business. The limited potential for growth in Sweden is due in part to the country residing on the feminine side of the Hofstede masculinity index. The Hofstede masculinity index analyzes the attributes of a culture as well as the effects it has on the society of that country. If a country primarily consists of attributes related to the feminine side of the index, the culture is

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focused on quality of life, caring for others, and modesty among many other traits. Masculinity, the opposite attribute, prefers achievement, heroism, and extrinsic rewards (F. Luthans, p. 130-33). Being on the feminine side of the Hofstede spectrum explains Sweden's economical preference for small enterprises. This negatively affects the potential for competition in the international market. Sweden's competition with the United States and the United Kingdom, both of which reside on the masculine side of the Hofstede index, are of greatest concern for the country because of their large scale economies and populations. Trading Economies states that the United States' current GDP represents over 30% of the world economy. Sweden's GDP, on the other hand, makes up less than 1% of the world economy.

Trade affecting unskilled workers and inflation

Since the Swedish government developed many successful trade relationships with Germany, the U. S., the U. K, and even North Korea, domestic companies and their respective workers have been positively and negatively influenced. When the Swedish Krona was devalued at an all time low of 3. 87 in the 1970s, the inflation rate soared in the country (Korpi), reaching the highest it would be to date at 14. 13% in 1980 (Triami Media). During the 1980s, however, as the Swedish Krona continued its devaluation downfall, exports like petroleum were finally profitable enough to help bolster the economy by the next decade. After 1991, the Swedish Krona would only reach an inflation rate of 4. 73%, and would drop lower as the years progressed (Korpi). Ever since the 1970s Sweden's exports have outnumbered imports. As a result, more opportunities for domestic businesses arose, and employment rates of native workers rose until the late

1990s. By 1989, the unemployment rate of native and foreign workers reached 2%, the lowest that it has been since then (Knoema). The effect of exports on Sweden's economy are still prevalent to this day. Germany's imports from Sweden, a country of just 10 million people, are higher than Germany's imports from Africa where the population is 1.2 billion (Jakobsson). In fact, as of 2016 Sweden is the 32nd largest export economy (Simoes).

Outsourcing

Many businesses in Sweden have followed the trend of introducing the value chain system in production. According to Pomfrete et al, (2018), many EU countries like the Czech Republic, Poland, and Hungary have also began implementing this process. Since the implementation of the value chain, a process which adds value to an article with each simple step of production, not only have more lower paid workers been hired, but companies have also replaced physical workers with machines. In a value chain, a country is chosen for each link in the value chain on the basis of technology and labor costs. If the product itself is developed in a highly competitive industry such as technology, however, the value chain may not be implemented at all (F. Luthans, p. 167).

Conclusion

Sweden's economy has stabilized in the last few decades. This stabilization involves the regulation of unemployment rates, inflation rates, and outsourcing as well as many other factors. Sweden's restructuring of the value chain as well as a recent focus on secondary education affected the

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potential job pool significantly. In addition, positive political relations with other countries aided Sweden in establishing many successful trade deals around the world. Host countries and domestic countries alike are affected by Sweden's balanced economy, and, as trends predict, those businesses may continue to profit.

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