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The Integration of Immigrants into the Labour  
Market: the Case of Sweden

Georges Lemaître

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THE INTEGRATION OF IMMIGRANTS INTO THE LABOUR MARKET:  
THE CASE OF SWEDEN

Georges Lemaitre

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## SUMMARY

1. The current situation regarding the integration of immigrants in the labour market in Sweden is the consequence of a number of factors and developments. The past fifteen years have seen a higher share of humanitarian migration in Sweden than in the past. This is a form of migration for which labour market integration appears to be slower than for other forms of migration in all countries. At the same time there has been a growing diversification of migration away from “Western” countries to those with a greater cultural distance.
2. With 1985 came the introduction of social assistance for refugees for an eighteen-month introductory period, the transfer of responsibility for integration away from the Labour Market Board and the refugee dispersal policy in which refugees were assigned to municipalities throughout Sweden to relieve the pressure on the large agglomerations, with local economic conditions not always being taken into account. The dispersal policy had a negative effect on immigrant outcomes, particularly with respect to those arriving during the economic crisis, for whom the effects seem in many cases to be persistent.
3. With the severe economic crisis of the 1990s, asylum seeking in Sweden continued and those asylum seekers that were recognised and granted a residence permit were met with a labour market situation that was highly unfavourable and where considerable numbers of native-born Swedes with domestic formal qualifications and work experience were also looking for work. At the same time, the crisis struck immigrants already present and employed disproportionately. The re-integration of immigrants into the ranks of the employed was rendered all the more difficult by the fact that some two-thirds of jobs, in the Swedish labour market appear to be filled through informal methods
4. The situation of immigrants has improved significantly since the trough of the economic downturn, especially for new arrivals. The relatively favourable impact on employment of a minimum amount of language training and of vocational training for this group and the relatively low take-up of these suggest that there is room for improvement with regard to labour market outcomes in the early years of residence, which can be expected to persist with continued residence.
5. The situation for immigrants having arrived since the mid-eighties and having suffered the brunt of the economic crisis of the nineties remains unfavourable. It is difficult to see how the continuing employment problems of this group can be turned around without a strong economic expansion, given the re-enforcing nature of further non-employment on both inactivity and employer perceptions. If targeted measures are politically infeasible, then general measures that provide especially favourable results for immigrants need to be encouraged and expanded.
6. In Sweden, as elsewhere, employers do not seem to accord much trust in foreign educational qualifications and work experience, although recognition of qualifications as equivalent to Swedish ones does appear to convey benefits. An expansion of this process and a streamlining of procedures for carrying this out would be beneficial.
7. What employers recognise and reward seems to be Swedish work experience and successful integration tends to be associated with early contact with the labour market. Results seem to suggest that the benefits of early employment experience on later employment are much stronger than those of Swedish vocational education. Improving the efficiency of language instruction so as not to overly prolong labour market entry and ensuring that proficiency requirements reflect actual occupational needs are matters of some importance.

8. The evidence concerning discrimination suggests that this is not an insignificant impediment to employment in Sweden. studies of persons with an immigrant background born in Sweden, who presumably do not have language deficiencies, show less favourable outcomes than for persons with similar characteristics born to native-born Swedes. The evidence overall does point to discrimination problems, and the diversity programmes in place in Sweden to encourage a better representativity of immigrants in work places and in society seem therefore a necessary intervention.

9. From a situation where labour market outcomes of immigrants in the late eighties, at least with respect to employment rates, seemed relatively favourable, Sweden now finds itself with an immigrant work force that is significantly under-represented among the ranks of the employed. There is a general awareness that the issue needs to be solved and an impressive mobilisation of the social partners in this regard. A reorientation of efforts towards measures that yield demonstrable returns is needed. Labour shortages may solve the problem of integration over the medium term, but a more optimal use of human resources then would be served by a more balanced labour market absorption now.

## RÉSUMÉ

10. S'agissant de l'insertion des immigrés sur le marché du travail suédois, il semblerait que la situation actuelle résulte d'un ensemble de facteurs et de développements. Les quinze dernières années ont vu une part plus importante de l'immigration humanitaire que par le passé. C'est une forme de migration pour laquelle l'intégration sur le marché du travail des personnes concernées est plus lente que pour les autres formes de migration. En même temps, il y a eu une augmentation de l'immigration en provenance de pays non « occidentaux » et partageant des cultures plus éloignées.

11. L'année 1985 a vu la mise en place d'un système d'aide sociale à l'intention des réfugiés pendant les 18 mois correspondant à la phase d'accueil. C'est aussi en 1985 que les responsabilités en matière d'intégration ont été transférées (désormais, l'intégration ne relève plus de l'Office du marché du travail), et qu'a été mise en œuvre la politique de dispersion géographique (en vertu de laquelle les réfugiés sont dirigés vers des communes réparties un peu partout sur le territoire). Pourtant, même si cette politique visait à relâcher un peu la pression s'exerçant sur les grandes agglomérations, elle ne tenait pas nécessairement compte du contexte économique local. La politique de dispersion a eu des effets négatifs sur les performances des immigrants, notamment ceux qui sont arrivés pendant la crise économique. Il semble en outre que, dans bien des cas, ces effets ont persisté.

12. Dans les années 90, alors que sévissait une grave crise économique, la Suède a continué de recevoir des demandes d'asile. Les requérants ayant obtenu le droit d'asile ainsi qu'un permis de séjour se sont trouvés confrontés à un marché du travail extrêmement déprimé, sur lequel se pressaient un nombre considérable de demandeurs d'emploi suédois nés sur le territoire et possédant des qualifications formelles ainsi qu'une expérience professionnelle acquises dans leur propre pays. Parallèlement, la crise a frappé de manière disproportionnée les immigrés déjà présents sur le territoire et munis d'un emploi. Les immigrés ont eu d'autant plus de difficultés à réintégrer les rangs des salariés qu'environ les deux tiers des emplois en Suède semblent être pourvus par des méthodes informelles.

13. Après que la courbe de la récession a atteint son point bas, la situation des immigrés s'est nettement améliorée, surtout parmi les nouveaux arrivants. L'impact positif sur l'emploi d'une formation linguistique minimum et de la formation professionnelle pour les nouveaux arrivants, ainsi qu'une souscription peu importante à ces programmes, indiquent qu'on pourrait mieux faire quant aux résultats sur le marché du travail les premières années du séjour en Suède, résultats qui auraient tendance à se prolonger avec la durée de séjour.

14. En revanche, la situation des immigrés arrivés depuis le milieu des années 80 et qui ont été frappés de plein fouet par la crise économique des années 90 ne s'est guère redressée. On ne sait pas très bien comment contourner les problèmes persistants de ces groupes au regard de l'emploi en l'absence d'une forte expansion économique, quand on connaît les effets délétères de la prolongation d'une période de non-emploi sur l'inactivité et sur la perception qu'en ont les employeurs. Si des programmes ciblés pour ces immigrés sont politiquement inacceptables, alors les mesures générales existantes produisant de bons résultats pour les immigrés doivent être encouragées et étendues.

15. En Suède comme ailleurs, les employeurs ne semblent pas avoir grande confiance dans la formation ni dans l'expérience professionnelle acquises à l'étranger, quoique la reconnaissance des qualifications étrangères comme équivalentes à des diplômes suédois semble bien conférer des avantages.

Une expansion des mesures en place à cet égard, ainsi qu'une rationalisation des procédures, semblent s'imposer.

16. Les employeurs reconnaissent et récompensent l'expérience professionnelle acquise en Suède, et une intégration réussie va souvent de pair avec une insertion rapide sur le marché du travail. Les résultats semblent indiquer qu'une insertion rapide sur le marché du travail a un impact plus important sur les chances d'un emploi par la suite qu'une formation professionnelle suédoise. Il importe par conséquent de rendre plus efficient l'enseignement du suédois de manière à ne pas prolonger à l'excès la période précédant cette insertion, et de veiller à ce que les compétences exigées des immigrés traduisent les besoins réels du marché du travail.

17. Les résultats sur la discrimination révèlent que cette dernière ne constitue pas un obstacle sans importance à l'emploi en Suède. Les études sur les personnes issues de l'immigration nées en Suède, et qui en principe ne devraient pas avoir de problèmes linguistiques, montrent des résultats moins favorables que pour les personnes ayant des caractéristiques semblables mais nées de parent nés en Suède. . Des problèmes de discrimination existent et il semble nécessaire d'intervenir pour mettre en place des programmes de diversité afin d'encourager la représentation et de veiller à assurer la représentativité des immigrés sur leur lieu de travail comme au sein de la société.

18. Alors que vers la fin des années 80, les résultats au regard de l'emploi des immigrés semblaient relativement positifs, du moins sur le plan des taux d'emploi, la Suède se retrouve aujourd'hui avec une population active d'immigrés nettement sous-représentée dans les rangs des actifs occupés. Tout le monde est bien conscient de la nécessité de résoudre le problème et, à cet égard, les partenaires sociaux se sont mobilisés de manière impressionnante. Il convient de réorienter les efforts vers des mesures permettant d'obtenir des résultats tangibles. Les pénuries de main-d'œuvre pourront peut-être résoudre le problème de l'intégration à moyen terme, mais pour parvenir à une utilisation optimisée des ressources humaines d'ici là, il faut dès maintenant chercher un meilleur équilibre dans l'insertion sur le marché du travail.

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## **THE INTEGRATION OF IMMIGRANTS INTO THE LABOUR MARKET: THE CASE OF SWEDEN**

### **Introduction**

19. A number of developments in recent years have contributed to moving international migration onto the policy agenda in many countries. First, with the coming retirement of ageing baby-boomers and the smaller cohorts of youth entering the labour market, migration is seen as playing a role in possibly alleviating the rise in the dependency ratio, in helping to finance pension systems and in satisfying the needs of the labour market. It is now generally recognised that increased migration inflows cannot be expected to offset fully the projected rise in old-age dependency rates in member countries: the required flows would be too large. However, it is also generally acknowledged that migration can nevertheless play a role in alleviating the adverse consequences of ageing populations, in conjunction with other policies.

20. A second development concerns the large increases in asylum seeking following the fall of the Iron Curtain in 1989, a phenomenon associated at once with social turmoil and ethnic violence, but also with the opening of borders and the facility of international travel. The asylum systems in many countries have had considerable difficulties in adapting to a rapidly evolving situation which saw increases not only in legitimate asylum seeking, but also the use of this channel by other potential migrants as a means of entry into OECD countries and the developed world. In a number of countries, there have been reactions by populations against such abuses, which have sometimes spilled over into xenophobic sentiments.

21. Thirdly, with globalisation and improvements in international communication has come a more acute realisation in developing countries of the difference in living standards and earnings relative to OECD countries and of the substantial welfare gains to be had from even a short employment spell in an OECD country. Developing country governments have become aware of the magnitude of remittances from their citizens living and working in OECD countries and of the contribution which remittances can make in improving the life of their populations.

22. For migration to play the role expected of it in these regards, however, it is clearly necessary that the current stock of immigrants and future arrivals be integrated into the labour markets and societies of the receiving countries and be perceived as contributing to the economy and development of the host country. The issue of the integration of immigrants, however, is not really a new one. Immigrants at all times and places have had to adapt to the host country and vice-versa. The nature of the integration process has differed from country to country and over time, depending on the migration history of the country, the characteristics of arrivals, the existing programmes in place to assist immigrants upon arrival and the general social and economic conditions in the country. The issue seems pressing now because of the large numbers of immigrants that have entered OECD countries during the past fifteen years, because integration results do not seem to be as favourable in recent years in a number of countries as they were in the past and because many countries expect that a recourse to immigrants may be necessary in the near future.

23. The integration of young immigrants into the labour markets of OECD countries was the object of an OECD conference sponsored by the Belgian authorities in Brussels in June 2002 [DELSA/ELSA/WP2(2002)4]. One general recommendation of that conference was that there was a need for a more in-depth consideration of integration policies and outcomes at the national level. This paper

constitutes a first preliminary overview of the labour market integration of immigrants in Sweden. Similar reviews are planned in the second half of this year for Germany and for Australia in early 2005. These are the first in a series of reviews that will also cover France, Denmark, Italy, the Netherlands, Switzerland and the United Kingdom.

24. The paper begins with a general description of the methodology that will be used for the country reviews, including the definition of integration, the target population and the labour force characteristics to be examined. This is followed by a historical overview of immigration to Sweden, as background. The Introduction Programme that is the heart of the refugee reception process in Sweden is described, as well as other labour-market related measures that are not necessarily targeted at immigrants but are nevertheless relevant. This includes a number of recent initiatives that affect immigrants. A general diagnostic of the current labour market situation of immigrants in Sweden is then presented, in a comparative perspective involving similar results for a number of other OECD countries. The diagnostic is then extended, with a look at the evolution of immigrant outcomes over the past fifteen years, with attention to the nature of migration flows, the effect of a number of policy initiatives, the differential impact of the 1990s economic crisis on immigrants and the subsequent slow recovery, the operation of the Introduction Programme, the recognition of foreign qualifications and experience, the filling of vacancies and discrimination issues. The paper ends with an overall summary with recommendations.

## **The integration of immigrants – definition and methodology**

### *The meaning of integration*

25. The concept of “integration” with respect to immigrants can take on a number of meanings. At one end of the spectrum is the notion of an economic/social convergence between the immigrant and native population with respect to a number of statistical measures, such as the unemployment rate, the employment / population ratio, average earnings, school achievement, home ownership, fertility rates, voting behaviour, participation in community organisations, etc., without this similarity necessarily implying any abandonment of home country culture and beliefs. At the other end is the much broader notion of integration as assimilation, i.e. acceptance of, and behaviour in accordance with, host country values and beliefs, including similarity of economic and social outcomes. This study will limit itself to integration into the labour market, by which is meant that gradually, over time, immigrants will tend to show the same range of labour market outcomes as the native population. This is not to imply that these are the only sorts of outcomes which matter, as clearly they are not, but to limit the scope of the study to something of manageable proportions. In addition, if integration into the labour market does not necessarily guarantee social integration,<sup>1</sup> it is certainly a major step with respect to immigrants’ being able to function as autonomous citizens in the host country and with respect to ensuring both acceptance of immigration by the host country population and the sustainability of migration policy over the long term. Labour market integration is arguably the single most important thing that can be done to contribute to the integration of immigrants, in whatever way this term is defined.

26. This being said, however, this view of integration is one that tends to presuppose an intention to settle in the host country on the part of immigrants. In certain cases, however, entry into the country of

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<sup>1</sup> It may be somewhat unrealistic to expect wholesale changes in perspectives and modes of thinking and behaving on the part of persons immigrating as adults and coming from countries of vastly different cultures and levels of development. Social integration will in many cases be an objective for the second generation. Even in countries favourable to the concept of multiculturalism, however, it may nonetheless be the case that not all behaviours and customs of the country of origin would be allowed or tolerated in the host country. Although it is not proposed to cover the issue of “social integration” per se in these reviews, the subject will inevitably arise, in particular with respect to certain labour market behaviours, such as the participation of immigrant women.

destination is conditional on a job offer, so that the immigrant is immediately employed upon entry, and often in a job commensurate with his/her qualifications. Sometimes, the family is left behind in the country of origin, and there may indeed be little intention of eventual settlement. In situations such as this one, labour market integration can almost be said to be immediate.

27. In other cases, the migration may be humanitarian in nature, with the immigrant having fled the country of origin as a result of war, persecution or threat to life or limb. In such cases, the host country may be viewed as a temporary refuge in anticipation of an eventual return. In addition, such migrants may have been subjected to significant psychological distress and interruption of education and working life. Thus, the objective of “integration” may not even be viewed as a necessary or an immediate one, except in so far as what is needed to function more or less well in the (temporary) host country. This type of migration is particularly pertinent for Sweden, because virtually all migration except that involving the free-movement regime of the European Economic Area is humanitarian in nature, with subsequent family reunification.

28. Still, the question of “integration” in the sense at least of self-sufficiency does arise in both labour and humanitarian migration, if the initial job is lost in the case of the labour migrant or as the stay in the host country is prolonged in the case of the humanitarian migrant and the expected return to the host country never materialises. The question is nonetheless posed differently if the immigrant already has a job upon entry, which is often a pre-condition for labour migrants.

29. The perception of the migrant regarding eventual settlement possibilities will be conditioned by the receiving country’s perspective on migration. For a number of countries, in particular the countries which have been settled by migration, the right of permanent residence is granted upon entry and integration into the home country is viewed as part of the national heritage, which may take more or less time depending on the individual migrant but is generally considered to be attainable, if not necessarily automatic. For certain other countries, migration until fairly recently was viewed as a way of dealing with labour market imbalances, with migrants eventually returning to their countries once the imbalances were resorbed or being replaced by other cohorts of (temporary) migrants. Although some immigrants did remain<sup>2</sup> and were eventually joined by their families, there was little experience with the incorporation of other nationalities or ethnic groups into an otherwise homogeneous population with a strong social and cultural identity. The experience of integration in these rather different situations can be expected to be different and indeed perhaps even differentially successful.

#### ***Methodology - target population and labour market characteristics***

30. The target population considered in this document will be the foreign-born population. Some finer distinctions are possible that are perhaps more pertinent as far as integration is concerned, for example foreign-born persons educated mainly in the host country versus those educated largely abroad, but the data sources do not generally permit such distinctions. Although the foreign-born population is not ideal as a target group and may result, for example, in different members of the same family being classified differently or in children born abroad of native-born parents being grouped in the immigrant population, it is a useful and easily understandable categorisation that captures the population that has actually immigrated as well as most of the relevant features of this population for the purposes of analyses.

31. One deficiency, however, with restricting oneself to the foreign-born population is that it ignores any problems which the second generation, that is, the children of the foreign-born population, may encounter in the labour market. To the extent that the socioeconomic characteristics of the parental

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<sup>2</sup> Permit renewals were often at the request of employers, who did not wish to undergo the repeated training costs associated with ever-changing cohorts of immigrants.

generation have an impact on that of their offspring (which they generally do) or that the second generation is still visibly of immigrant origins and that hiring, firing or wage discrimination with regard to this population exists, the assessment in this document will be incomplete. Indeed some studies suggest that integration is not fully achieved for the second generation in Sweden (Rooth and Ekberg 2003) for some immigrant groups. Still the nature of the questions one needs to consider for the native-born second generation are different, because in principle host country education and language acquisition should not be at issue.

32. The assessment of labour market integration in this document will be based on differences between the native- and foreign-born population with respect to labour force status and earnings, as well as any mismatches between educational attainment and the skill level of jobs held. Sectoral and occupational differences per se will not be examined, except in so far as they affect employment and wages, essentially because the distribution of employment among immigrants by sector and occupation will depend not only on demand in the host country and possible labour market segmentation effects, but also on the prior education and work experience of immigrants in the countries of origin. The distribution of employment by sector and occupation in the country of origin or among the more restricted population of emigrants from the source country cannot be expected to mirror that of the host country. In short, it seems problematic to interpret differences in sectoral and occupational distributions of employment as evidence of a lack of integration. They will therefore not be considered in this report.

### **The Swedish experience with migration**

33. Sweden traditionally was an emigration country until World War II, having seen large exoduses to the United States in the latter half of the nineteenth century and continuing into the twentieth century. By the end of the 1930s emigration to America declined and the stage was set for a turnaround in migration movements.

#### ***The labour immigration period (1945-1975)***

34. Immigration began with the Second World War when Sweden received refugees from the Nordic, Baltic and other European countries.

35. After the Second World War Swedish industry had a strategic advantage because of its intact infrastructure and production capital which, combined with low production costs and high consumption demand, both nationally and internationally, resulted in a significant demand for labour in manufacturing and especially in the textile sector. Swedish economic growth between 1950 and 1973 averaged 4% per year, with a period of growth of over 7% between 1959 and 1965.

36. Labour migration to Sweden has generally been dominated by Nordic citizens. During the 1950s, however, workers also came from Germany, Austria and Italy and in the 1960s from Yugoslavia, Greece and Turkey. At the end of the 1960s about 60% of the working-age immigrant population (about 375 thousand persons or over 6.5% of the working-age population) was working in industry. The service sector expanded quickly following World War II and in 1950 every fifth employee in the hotel and restaurant sector was a foreign citizen. Immigrant women worked mainly in the textile industry and in the home care sector. The need for skilled labour was extensive and skilled foreign labour was recruited partly in sending countries. However, the majority of labour migrants came to Sweden as tourists and found employment after arriving.

37. Immigration to Sweden was essentially free in principle in the early 1950s, a liberalisation that was induced by the need for foreign labour. In 1954 the Nordic Passport Union was established which guaranteed a common Nordic labour market. The Swedish requirement for work permits for Nordic

citizens, however, had already been abolished in 1943. During the 1950s and 1960s the average net migration of Finnish citizens amounted to 9 000 persons per year. To facilitate the active recruitment of non-Nordic citizens bilateral agreements were signed with Italy and Hungary in 1947 and a number of other European countries. In the 1950s, the Swedish Labour Market Board collaborated with authorities in western Germany, Austria, Belgium, Italy and the Netherlands to recruit labour.

38. In 1965 net migration rose to 34 000 and unemployment started to be observed among the immigrant population. In 1968 the requirement of a work permit prior to entry into the country for work was re-introduced. After 1968 workers were again recruited through bilateral agreements with Yugoslavia and Turkey. In addition, up to 80 000 Finnish citizens emigrated to Sweden in 1969 and 1970, due to an economic and financial crisis in Finland. Labour migration continued until the downturn precipitated by the oil crisis in 1973.

39. At the end of the 1960s the manufacturing sector had started to decline in importance both in terms of employment and production (as a proportion of GDP). The service sector began to expand, especially the public sector. An economic slowdown in the beginning of the 1970s in combination with a shrinking industrial sector led to increasing unemployment among certain groups such as youth, women, foreign labour and the handicapped. From 1950 to 1970 general economic growth had been 4% on average. But from 1970 to 1990 growth decreased to an average level of 1.7%. One of the reasons for this decrease was the increasing competition from abroad, for example in the shipbuilding and textile industries, which had previously been high-growth sectors. It was also these kinds of sectors which had employed large numbers of foreign workers. The decline lessened the need for labour with the result that Sweden became increasingly reticent to admit more workers.

#### *The refugee immigration period (1970-2004)*

40. Spontaneous refugee immigration became an increasing part of total immigration at the end of the 1960s when Greeks sought protection after the military takeover in Greece. After the oil crisis followed by the industrial downturn in the mid-1970s labour immigration declined in importance and refugees became the main source of immigrants. From 1973 until the end of the 1970s asylum seekers mainly came from Latin America and during the 1980s persons fleeing the Middle East made up the majority of humanitarian flows coming to Sweden. In the first part of the 1990s persons fleeing former Yugoslavia dominated among refugee migrants and in the end of the 1990s and the beginning of 2000 asylum seekers from Iraq were the largest group. Over time, the number of asylum seekers has gradually increased. Between 1968 and 1977 the average number of asylum seekers was 2 400. During the following five-year period their numbers increased to about 3 000 per year. Since then the increase has been larger and at the end of the 1980s the number of asylum seekers amounted to between 20 000 and 30 000 per year. In the 1990s the number of asylum seekers varied considerably with 84 000 requests in 1992 but only 5 700 in 1996. Since 1996 the number of applicants has risen again and is today at a level of about 30 000 per year.

41. Under the current set-up, only Nordic and EEA citizens are guaranteed free access to Sweden and the Swedish labour market. On the other hand, persons in need of protection, including quota refugees and convention refugees<sup>3</sup>, can be granted a residence permit. Other grounds for receiving a residence permit, whether permanent or of limited duration, include family reunion, adoption of foreign children, the holding of a work permit and international study. Since 1980 over half of all residence permits (amounting to about

<sup>3</sup> Quota refugees are refugees resettled in a host country from a country where they are temporarily residing, often in refugee camps under the auspices of the United Nations High Commission for Refugees. Host countries agree to accept a certain quota of such refugees each year. Convention refugees are asylum seekers whose request for asylum has been recognised by the host country according to the terms of the 1951 Geneva Convention.

376 000 work permits in all) have been granted for family reunion reasons. Persons in need of protection have received 37% of all residence permits and labour migrants (not counting movements of Nordic and EEA citizens) a little more than 1% (8600). Because of the preponderance of protection-related migration during the 1990s, most family reunion migrants are coming to join someone who has received a residence permit for protection.

## **The development of an active integration policy in Sweden**

### ***Early developments***

42. It was not until the mid 1960s that the situation for foreign labour in Swedish society received focused policy attention, in part because of trade union interest and pressure. The trade unions for some years had been asking for a control of labour imports, especially of the so-called “tourist immigration” (that is persons who came to Sweden on a tourist visa and stayed on to work), which they saw as a rising threat to workers’ rights. The working and living conditions which many immigrants were encountering in Sweden were not always deemed adequate. The immigrants often had the lowest paid jobs and did not speak much Swedish. The unions feared that access to cheap labour would hamper the improvement of the working environment and the evolution of wages in Sweden. After negotiations between the trade unions, the employers’ organisation and the Government, the Parliament accepted a government bill in 1968 that regulated “tourist immigration” and in particular required non-Nordics who wanted to work in Sweden to have a work permit upon entry.

43. The Swedish Immigration Board was established in 1969 and took over the responsibilities for immigration from the Swedish Labour Market Board, which had been the responsible authority until then. In 1970 the government decided to introduce free language training, including for “tourist immigrants”. Two years later a Government bill was passed guaranteeing newly arrived immigrants the right to 240 hours of salaried language training. The development of integration policy continued as the number of immigrants in the country rose. During the early stages of immigration in Sweden, immigrants had not had the right to run a company, to own real estate property or to be employed by the state. These conditions changed over the years and in 1974 foreign citizens received the same access to public jobs as native Swedes with the exception of jobs in the police, the judiciary and the armed forces as well as high-level government positions. In 1975 foreign citizens who had been residing in Sweden for three years received the right to vote in local and regional elections.

### ***Migration policy***

44. The growing number of immigrants in Sweden of varying origins and backgrounds introduced a focus on minority groups. The result was, among other things, an amendment in the Swedish constitution in 1979 which stipulated that ethnic, language and religious minorities’ possibilities to keep and develop a cultural and social life should be encouraged. Growing unemployment among immigrants meant that they as well as other groups became the object of specific labour market measures. Other measures to integrate immigrants on the labour market included a system to convert foreign educational qualifications to their Swedish equivalents. With the emphasis on labour market integration, it was in many respects the Swedish Labour Market Board that was responsible for the integration of immigrants into Swedish society. From 1985 on, however, the Swedish Immigration Board, which was responsible for handling asylum applications, was assigned the responsibility for the integration of newly arrived immigrants.

45. To avoid a large concentration of immigrants in the three metropolitan regions (Stockholm, Göteborg, Malmö) the authorities started to practice an active placement policy in 1985 through which newly arrived refugees and asylum seekers were assigned to municipalities throughout the country. As the number of newly arrived persons increased and housing became a limiting factor, immigrants tended to be

placed in municipalities where there was available housing, with less attention being paid to the state of the local labour market. The migrants were free to move if they found housing elsewhere but were to participate in an 18-month introduction scheme in the municipality in which they had originally been placed, during which time they received social assistance. The dispersal policy was later abandoned in the face of large increases in the number of asylum seekers. In 1998 the responsibility for integration and the introduction of newly arrived immigrants was transferred to the Swedish Integration Board that was established the same year. The Integration Board is responsible for disbursing the introduction allowance to municipalities and issuing general guidelines on integration, but implementation and direct responsibility for newly arrived immigrants is in the hands of the municipalities.

### ***The Introduction Programme***

46. Asylum seekers coming to Sweden and whose applications have been accepted for consideration can locate in whatever municipality they wish.<sup>4</sup> Many locate in areas where there are friends or relatives or members of their nationality already living. If it is considered that the assessment of the asylum application will take longer than four months, asylum seekers are allowed to work. Indeed all asylum seekers awaiting decisions concerning resident permits are expected to participate in some “organised activity” arranged by the Swedish Migration Board. The Board grants daily allowances, which are means-tested, to asylum seekers. Municipalities are expected to arrange schooling for their children.

47. If an asylum seeker receives a resident permit and is not already in a municipality with suitable housing, the Migration Board provides the asylum seeker with information on life in Sweden, on the introduction programme and on the varying conditions across municipalities. The Swedish Integration Board, which is responsible for the granting of residence permits and for refugee reception, enters into (voluntary) agreements with municipalities regarding the number of refugees that are to settle in each municipality. These agreements provide for grants to the municipalities for each refugee participating in the introduction programme. It is the municipalities which in practice administer, provide and co-ordinate the activities of the introduction programme.

48. The Introduction Programme is intended to prepare the immigrant for, and facilitate the transition to, the labour market. Recognised asylum seekers plus any family members joining them within two years of the granting of the original residence permit are eligible. At the beginning of the Introduction Programme, the municipal refugee reception service, in consultation with the Employment Services, carries out a preliminary assessment to determine if the immigrant is ready for insertion into the labour market. If not, an action plan is developed together with the immigrant to map out a specific strategy for movement into the labour market. This would generally involve, at the very least, language training and introduction to life in Sweden, but may also involve specific vocational upgrading or training, as required.

49. Participation in an introduction programme is not compulsory. However, once an integration plan has been agreed to with the municipal refugees reception service, it must be followed in order for the participant to be entitled to continued social benefits. The benefits can be reduced by the municipality if the immigrant is deemed not to be respecting the terms of the agreement. However, neither absence from, nor non-compliance with the terms of, the integration plan can by itself lead to revocation of the residence permit.

50. This system was introduced in 1985 when responsibility for the reception of immigrants was transferred from the Ministry of Labour to the Immigration Board. From 1991 on, the government has financed the municipal refugee reception through a standard grant with a fixed amount for each person

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<sup>4</sup> Much of the discussion concerning integration in this report focuses on non-OECD migration to Sweden.

received.<sup>5</sup> The grant is administered by the Swedish Integration Board and regulated through a governmental decree. It is paid out over a period of 24 months and follows the refugee if he moves to another municipality. If a refugee finishes the introduction programme earlier than the anticipated two years and becomes self-supporting, the municipality can use the remainder of the grant for other refugees who are in need of more support and other measures.

51. The standard grant is supposed to cover extra costs which the municipality incurs due to the reception of refugees, such as living expenses, housing, language courses, vocational training and costs related to extra resources that may be needed for refugee children in day-care centres and schools. There is no specification for how the funds should be spent. On average 90% of the grants were spent on income support for refugees who were granted residence permits in 1998 and 1999.

52. Although the introduction period is intended to last for about two years, the actual situation can differ from municipality to municipality and from individual to individual. Municipalities can also apply for certain additional costs in connection with reception of elderly and disabled persons, unaccompanied minors as well as health care, within certain limits.

53. The target groups for the introduction programme are refugees, families of refugees and persons in need of protection and their families. Nevertheless, municipalities can decide to include other immigrants for whom government grants are not provided. All immigrants have the right to attend Swedish language courses.

54. From 1994 on, municipalities have been encouraged to grant individuals participating in an introduction programme an "introduction allowance" rather than social assistance. The objective is to emphasise the special character of the allowance granted during the early stay in Sweden and to avoid the notion that social assistance is a normal means of support for immigrants.

55. The size of the introduction allowance depends on the municipality. In some municipalities it is the same amount as regular social assistance and is means-tested. Other municipalities have chosen an allowance at the level of the minimum wage. In practice, the allowance may vary from Euro 350 to 800 per month per person. Because the actual implementation of the introduction varies by municipality, it is difficult to get a comprehensive overview of the different regimes in place. Currently about 60 municipalities make use of the introduction allowance and two-thirds of refugees reside in these municipalities. It is largely the metropolitan municipalities which have chosen to introduce an allowance that is higher than normal social assistance and that is means-tested. The municipality also decides whether the allowance can be combined with income from work without being reduced. Again the situation varies with municipality, with some allowing a certain amount of earnings before the introduction allowance is reduced and others following the same rules that apply to social assistance.

56. An essential part of the introduction programme consists of Swedish language instruction (Swedish for Immigrants, SFI). The language instruction is in principle to be combined with work experience, in order to ensure familiarity with work-related terms and usage. Language competence is assessed through a national standardised test in Swedish. Immigrants are considered "ready" for the labour market when they have attained a certain level of competence, which depends on the educational background of the immigrant. The labour offices will not generally consider an applicant for services or labour market measures if the immigrant is not considered ready for the labour market in terms of language ability. In recent years, there have been initiatives to ensure that language teaching is more adapted to the needs of immigrants, with classes organised homogeneously by education level of the participants. As part

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<sup>5</sup> In 2004 the grant for an adult is about 17 830 euros and for a child below 16 years of age approximately 10 950 euros.

of the introduction programme, labour offices may make available and finance workplace-based training programmes or support measures

57. The length of the introduction period varies in practice between 18 and 36 months. Participants who have not reached an acceptable level of Swedish can continue language training. About fifty per cent of persons taking language training do not have the required level of competence after two years. Municipalities that have chosen to support the participants at the social assistance level have an introduction programme that can last up to three and a half years. The length of the introduction period can be abridged, however, if the participant interrupts it to take on a job, for example. Following the end of the introduction programme, immigrants are considered in the same category as Swedish citizens, with no special measures targeted to them. The usual employment office measures are available to immigrants who qualify. The measures include recruitment incentives, self-employment start-up grants, training for employment, advanced vocational education, job search training, work experience at a workplace and the municipal follow-up programme for youth (MIEC 2002). Immigrant workers tend to be overrepresented among the unemployed and among certain subgroups of the unemployed (e.g. the long-term unemployed) eligible for certain labour market measures.

58. Immigrants looking for a job in Sweden may have their upper secondary diplomas or degrees recognised through the National Admissions Office for Higher Education; which is the office which centralises applications of foreign students for admission to the Swedish university system. The recognition of academic degrees is carried out by the Swedish National Academic Recognition Information Centre. The criteria applied in evaluating foreign degrees include the objectives and duration of programmes and the theses or papers required. If certain study subjects are deemed to more ideological than professional or to have too strong a local influence, such as law or in some cases, humanities, the validated duration may be shortened (Dingu-Kyrklund 2004). The programmes are then compared to those for the award of a qualification in Sweden. The product of the evaluation is not a Swedish qualification but an assessment of the equivalence to such a qualification. It is intended to provide guidance to employers.

### ***Recent policy emphases***

59. Since 2000 there have been a number of programmes introduced at the national level aimed at improving the integration of immigrants in the labour market. Currently the Swedish Labour Market Board is allocating funds for strengthening the personnel capacity at job centres in regions where the number of jobseekers of foreign origin is large or where the local or regional labour market conditions are difficult. Thus, while no labour market measures per se are targeted at immigrants, labour board staff will be able to spend more time addressing the problems of unemployed immigrants.

60. From September 2003 to December 2005 the Swedish Labour Market Board has been instructed to launch a labour market experiment. This is known as “Work Place Introduction” for persons of foreign origin, which aims to support both the jobseeker and the employer in early stages of employment. Instructors are assigned whose role is to map out the job-seeker’s qualifications and wishes, match interested employers and unemployed immigrants and assist in initiation and training at the workplace. Support is provided to both parties for up to six months. During the Work Place Introduction Programme the employee is paid by the employer, except if the job starts with a traineeship period, in which case the employee is paid through the job centre. The objective of the project is to strengthen the labour market position of persons of foreign origin who have particular problems entering the labour market because of the lack of Swedish work experience. The measure is not intended for persons with weak Swedish knowledge or for handicapped persons, for which there are other measures. Women are cited as having particular problems entering the labour market and are one of the main targets of this programme.

61. An additional labour market measure is specifically aimed at persons of foreign origin with a foreign education but who today have work tasks for which they are overqualified. The project aims to strengthen sectors where there is a shortage of labour. If the current employer can offer the overqualified employee a more qualified job after the completion of supplementary education, the person receives a regular salary from the employer, otherwise compensation during education is paid by the job centre.

62. In directions addressed to the Swedish Labour Market Board for 2004, the Swedish Government indicated that the unemployed foreign-born, among other groups, should be prioritised by job centres. It also underlined that the job centres' participation in the introduction of newly arrived immigrants must be strengthened and that in accordance with an existing agreement, the Swedish Labour Market Board needs to co-operate more actively with the Migration Board, the Integration Board and the National Agency for Education. The specific responsibilities of various authorities for the integration of immigrants are currently under review.

63. As noted above, immigrant workers can also profit from general labour market measures aimed at the long-term unemployed. One such measure is the so-called activity guarantee, equivalent to unemployment benefit, for those on, or who risk being on, long-term unemployment. Existing labour market programmes are applied within the framework of the activity guarantee or for other traineeships where the trainee is sponsored through the job centre. Labour market education is viewed as a way to strengthen or re-educate workers to better answer the demands in the labour market. The main courses are currently within manufacturing, technical and computer occupations and health services.

## **Immigrant labour force outcomes in Sweden**

### *A comparative overview*

64. Immigrant populations<sup>6</sup> in many OECD countries exceed 10% and Sweden, with about 14.5% of its working-age population (15-64) foreign-born (Table 1), has attained proportions that are comparable to those of certain traditional settlement countries, such as the United States (not shown).<sup>7</sup> However, as is evident from Table 1, this is becoming a general feature of European countries. Over a third of the current foreign-born working-age population in Sweden entered during the past ten years. As far as additions to the working-age population due to immigration are concerned, Sweden has seen a relatively large increase over the ten-year period ending in 2003 (5.1 percentage points) exceeded only by that observed in Australia.

65. This large increase in Sweden, however, has occurred at a time of difficulty for the Swedish economy and labour market, with unemployment rising from scarcely 2% at the beginning of the 1990s to almost 10% from 1993 through 1997, before falling again to 5-6% by 2003. Employment levels declined by fully 12% between 1990 and 1994, a decline unparalleled in recent decades in OECD countries, except in Finland at about the same period. Labour force participation rates over the same period have fallen by about five percentage points, among both men and women. Thus immigrants arriving in Sweden over this period were subject to a particularly unfavourable economic and labour market situation (Chart 1). No other country shown in Table 1 suffered as significant an economic downturn in the nineties. Indeed, some countries (in particular, the Netherlands and the United Kingdom) showed strong employment growth

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<sup>6</sup> The term "immigrant" here is used in the sense of "person having immigrated", that is, foreign-born. It does not necessarily imply that the person in question is of foreign nationality.

<sup>7</sup> The comparison countries shown in Table 1 and in other tables and charts were chosen because they figure among the countries participating in the round of reviews of labour market integration, except for Canada, which was included because of its selective migration programme and historically favourable record with integration of immigrants.

during this period, accompanied by significant declines in unemployment. Although employment in Sweden recovered strongly around the turn of the century, it still stood at over 5% below its 1990 level in 2002.

66. These adverse conditions in Sweden were reflected in the unemployment rates of the foreign-born, which deteriorated over the nineties and still remain high in 2003 (Table 2).<sup>8</sup> Among the countries covered in Table 2, Germany and Sweden are the countries with the highest unemployment rates among the foreign-born. Sweden again ranks high in unemployment of the foreign-born relative to the native-born, a pattern shared in this case with the Netherlands, a country for which employment growth during the nineties was, by contrast, particularly strong.

67. Table 3 shows labour force outcomes by years of presence in the host country for the same set of OECD countries. Note that these results do not describe the situation of immigrants over time, that is, they do not show how immigrants who arrived in the past have done after less than 5, then after 6 to 10 years and finally after more than 10 years in the host country, but rather how foreign-born persons in the country in 2003 with the given durations of presence were doing in the labour markets of the respective countries. Nonetheless, the pattern observed is as expected, namely that immigrants who have been in the country longer have better outcomes in the labour market and the longer the presence, the closer average outcomes tend to be to those of natives (Chart 2). However, only in Australia and Canada (and in the United Kingdom with respect to unemployment) does one observe outcomes for foreign-born persons who have been in the country for over 10 years that resemble those of the native-born. Although immigrants in Sweden show, as in other countries, improvement with stay in the country, immigrants having arrived recently show among the lowest participation rates and the highest unemployment rates during the early years in the host country. Indeed, what characterises Sweden, Germany and the Netherlands together are the more unfavourable outcomes in the early years relative to Australia, Canada and the United Kingdom as well. For the latter countries, most of the convergence to native results is already achieved within five years of presence in the host country.<sup>9</sup>

68. Finally, the outcomes overall in each country including Sweden are mirrored in those observed by region or continent of origin, with generally less favourable outcomes for immigrants from North Africa and the Middle East and outcomes approaching (and in some cases equalling) those of the native-born for immigrants from OECD countries (Table 4).<sup>10</sup>

### *Comparing immigrant outcomes with those of natives*

69. The economic framework for examining labour market integration issues was formulated in Chiswick (1978). According to this, immigrants arriving into a receiving country may have general skills but are lacking the country-specific human capital valued by employers that makes their general skills

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<sup>8</sup> The nature and composition of immigration varies considerably among the countries shown in Table 2. Australia and Canada, for example, have a pro-active immigration policy that involves some selection of immigrants on the basis of skills deemed to favour labour market integration such as age, educational attainment and knowledge of the host country language. Germany has a significant inflow of so-called “ethnic Germans”, who are persons of German origin from Poland, Romania and the former Soviet Union who acquire German nationality upon entry. The effect of differences in the nature of migration are considered below.

<sup>9</sup> The fact that the host-country language for the latter three countries is English (also French for Canada) and that the pool of potential (and actual) immigrants with knowledge of these languages is extensive may have contributed in part to the better outcomes observed for these countries.

<sup>10</sup> Comparable data on earnings for the foreign-born relative to the native-born are unfortunately more difficult to obtain.

usable and that contributes to productivity. The most obvious element of country-specific human capital is knowledge of the host country language, but it also includes knowledge of work practices, local institutions, of cultural norms and behaviours, of how organisations are structured and function, etc. According to this theory, over time, with investment of time and resources, immigrants can be expected to acquire the needed skills and to show, in principle, a range of labour market outcomes similar to those of the native population. The amount of time this takes, however, is of course not known a priori and can only be examined empirically.

70. In practice, there are a number of reasons why this model of human capital acquisition and reward for immigrants may not operate entirely as portrayed. The first concerns the extent to which domestic employers will recognise the value or transferability of the formal qualifications and labour force experience acquired in institutions or labour markets or societies with which they are not familiar. This is especially the case if they were acquired in a developing country and perceived rightly or wrongly by the employer as being not entirely up to domestic standard. Thus, even if an immigrant does acquire an adequate mastery of the host country language, both the likelihood of employment and the level of earnings when employed may suffer, particularly in a slack labour market when the number of native candidates with known qualifications and experience is plentiful. One might expect, however, that any discrepancy between group hiring rates and productivity levels would tend to disappear over time, as employers learned more about immigrant workers and their performance on the job. This might not be the case, however, if the immigrant population was especially heterogeneous, making “learning” by employers about immigrant performance haphazard, or if immigrants were the object of discrimination. These points are discussed later in this report.

71. Any assessment of differences in labour market outcomes between immigrants and natives needs to take into account differences in observed characteristics that affect participation, unemployment or earnings, such as sex, age, educational attainment, labour force experience, sector and occupation, but also for immigrants, duration of residence in the host country. Ideally, it should include as well measures of language proficiency and of knowledge of the host country. In practice, however, data on the latter are rarely available. This makes it difficult to assess whether residual differences in outcomes are attributable to discrimination or to remaining differences in characteristics.

### ***Factors affecting labour market performance***

72. A number of other factors have had a significant impact on the labour market outcomes of immigrants observed in Sweden over the 1990s. The first of these concerns the nature of international migration to Sweden which, as noted above, consists of essentially two types of migrants, namely persons moving under the free-movement regime of the European Economic Area and humanitarian migrants accompanied or followed by their families<sup>11</sup> Labour migration from non-OECD countries accounts for an insignificant proportion of migration to Sweden. On the other hand, humanitarian migration and its associated family migration have accounted for 60 to 80 per cent of all foreign migration to Sweden over the past fifteen years. This migration, as is evident from Chart 1, has not been in response to either cyclical or structural labour market needs, but rather a consequence of irregularly occurring civil and ethnic conflict across the globe.

73. As noted earlier, the arrival of immigrants to the host country at times of adverse economic conditions can be expected to have a significant impact on the labour market performance of new arrivals. However, immigrants were not the only group in this situation in the 1990s. Indeed, another group of new entrants, namely young (16-24) Swedish-born persons also saw a significant deterioration in their labour

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<sup>11</sup> The former labour migration of the 60s and 70s is sufficiently distant that the current family migration can be safely assumed to arise largely out of the admission of quota and convention refugees.

market outcomes in the early nineties, with unemployment rates rising from over 5% to over 20% and participation rates declining from close to 70% to a little over 50%. Both young Swedish-born persons and immigrants had little to no labour market experience in Sweden and thus were undoubtedly at a handicap with respect to the experienced labour force, in regard to both hiring and layoff decisions. The one significant difference between two groups, of course, is that the young Swedish-born had knowledge of the Swedish language and society and the advantage of a Swedish qualification recognised in the labour market.

74. Nonetheless, the evidence does suggest that new entrants are adversely affected during an economic downturn, if for no other reason than that hiring by employers declines and new entrants by definition are looking for their first jobs.<sup>12</sup> In addition, unfavourable economic conditions at time of immigration have not only an immediate impact but also one in the medium-term on employment and earnings (Aslund and Rooth 2003). With the Swedish policy of openness to humanitarian migration, the insensitivity of humanitarian migration to domestic economic conditions and the differential impact of adverse conditions on new entrants to the labour market, it is clear that without additional policy measures, immigrant outcomes in this context may tend to suffer during downturns as well as thereafter.

75. In addition, humanitarian migration is perhaps the one form of migration that is neither self-selected nor country-selected, that is, the decision to migrate on the part of the migrant is involuntary, resulting from persecution or from risk to life or limb, and the receiving country (whether directly or through an employer) generally foregoes the right to exercise discretion with respect to the choice of migrant. Whatever the exact reasons for this, humanitarian migration does tend to manifest labour market outcomes that are generally less favourable during the early years in the host country than for labour or family-related migration (see Table 5 and Cortes 2004). This tends to be observed in all receiving countries, regardless of the history of migration in the country or the nature of the migration regime.

76. Finally, it is evident that the pool of potential migrants around the world that have some prior knowledge or understanding of the Swedish language is, outside of the Nordic countries, extremely limited. Thus the integration of virtually all non-Nordic migrants to Sweden into the labour market will need to be preceded by a period of language acquisition, which may be more or less long, except in those cases where the language of work is another language, in particular English, where the work does not require much communication or where there are persons available who can mediate between immigrants and employers. In other immigration countries, selection or hiring of immigrants may be based in part on prior knowledge of the host-country language, with an expected favourable impact on labour market outcomes.

77. Language deficiencies and the other factors mentioned above do not explain entirely a slower convergence of immigrant labour market outcomes to those of natives, but they do suggest that certain integration problems may in part reflect the consequences of broader migration or entry policies and that achieving outcomes that are as favourable as in other countries may require more intensive efforts or specially targeted policies.

### ***Outcomes in the face of changing migration currents***

78. Recent immigrants to Sweden from non-OECD countries are less likely to be employed upon arrival, they earn less and are more dependent upon social assistance than other immigrant groups. Their earnings converge over time, particularly in the first five years, but they do not seem to catch up (Edin, Lalonde and Aslund 2000). The wage convergence for men is slower than that for women. For non-

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<sup>12</sup> In at least one other OECD country (Canada, Green and Worswick 2004), general earnings deterioration for new entrants explains almost one half of the decline in immigrant outcomes relative to those of natives.

European men, there remain substantial earnings disadvantage even when they have stayed in Sweden for more than 20 years. The earnings gap cannot be explained by immigrants having less observed general human capital than natives have (le Grand and Szulkin 2000, Bevelander and Nielsen 1999).<sup>13</sup> There are significant differences with natives, even when controlling for variables such as schooling, experience, gender, civil status and place of residence. There are also differences between immigrants from different regions and between different immigrant cohorts (Hammarstedt 2003). Duration of residence has a significant impact on employment chances up to and including the first 25 years in Sweden, especially for East European and non-European immigrants, but even with over 20 years of residency, certain groups continue to show a significant employment gap (Nekby 2002).

79. Table 6 presents results for immigrant outcomes in a comparative perspective, showing results for Sweden and a number of other countries, where employment population ratios have been compared to those of the native born overall, of those who have just entered and for those with more than ten years of residence. Note, first of all, that the employment odds of the foreign-born relative to the native-born tend to fall, after one adjusts for age, marital status and educational attainment. This is observed for all countries and for both sexes. The table shows as well the estimated annual rate of increase in the odds ratios of employment rates for immigrants relative to natives during the first ten years of residence. By way of illustration, at current rates of increase with duration of residence for the first ten years, it would take about 25 years for employment population ratios of immigrants in Sweden to converge to those of the native-born, compared to approximately half that figure in Germany.

80. The failure of employment and earnings of immigrants to match those of native Swedes, even after many years of residence in Sweden, does not seem to be a phenomenon limited to refugee / asylum migrants and their families. Swedish data for the 1970-1990 period show that male immigrants from Yugoslavia and to some extent, Finland, who arrived prior to 1970 have slower upward mobility and unfavourable income trends compared to Swedish-born men (Ekberg 1994). In addition, a high proportion had left the labour force by 1990. In short, although more recent immigrants do not appear to have as favourable outcomes, at least in the nineties, as earlier arrivals, earlier waves of labour immigrants did not necessarily reach parity with native Swedes either.

81. Note, however, that the kinds of outcomes observed here are not atypical for immigrants not selected on the basis of their qualifications. The earnings of refugee and family migrants to Canada, for example, converge to Canadian average earnings for the population 15+ only after about 20 years of residence in Canada (CIC 1998), while those of skilled principal applicants exceed the Canadian average after only three years of residence.<sup>14</sup>

### ***The 1990s economic crisis and its impact on integration***

82. The situation of immigrants in Sweden during the 1990s was strongly affected by the severity of the economic downturn at the beginning of the decade. The 1990s downturn was perhaps the most severe (with that in Finland occurring at about the same time) undergone by an OECD country in terms of output and employment decline (16% and 12%, respectively) over the past fifteen years. Charts 3a and 3b show the evolution of the employment population ratio 1987-2003 for men and women for the native-born and for the foreign-born by duration of residence in Sweden. Towards the end of the 1980s differences in

<sup>13</sup> By « observed » general human capital here is meant formal educational qualifications and years of work experience, normally estimated as age minus years of education minus 6. It does not include knowledge of or degree of proficiency in Swedish.

<sup>14</sup> The reference population for the Canadian average consists of taxfilers 15 years of age and older, which may include some retired persons without earnings.

employment ratios between the native-born and the foreign-born were not overly large, except for relatively recent arrivals. That is clearly not the situation since then and today.

83. With the downturn, the foreign-born were relatively more affected and differences with the native-born population increased substantially. By 1995, the foreign-born with less than 5 years presence in Sweden had employment rates<sup>15</sup> 50 points lower than the native-born; those with 5 to 9 years presence, about 30 points difference.

84. This selective impact on immigrants of the 1990s crisis has been the object of closer study. The risk of unemployment for employed immigrants during the period 1991-1995 has been shown to be higher than for the native-born, even after controlling for job seniority and education (le Grand 2000), with higher risks for non-European as opposed to European and Nordic immigrants (Arai and Vilhelmsson, 2003). This in principle goes against the stipulations of the Swedish Security of Employment Act, in which seniority is supposed to determine the order of lay-off. Deviations from this practice are allowed, however, if employers and unions can agree on exceptions.

85. When the year of immigration is also taken into account in the Arai and Vilhelmsson study, high risks of unemployment appear even for Nordic and non-Nordic European immigrants, relative to the native-born. Thus deviation from normal seniority-based procedures during the economic crisis would seem to have affected all immigrant groups. The evolution of integration in Sweden since then has been, at least in part, a slow, gradual recovery from the trough of the 1990s economic crisis. Policies for new arrivals seem to be yielding initial outcomes, relative to the native-born, that are close, if not identical, to those that were observed at the end of the eighties. Outcomes for immigrants with longer durations of residence, however, have not yet recovered to previous levels relative to the native-born (Table 7). Current integration problems in Sweden would thus appear to be, at least in part, a reflection of the selective impact of the 1990s downturn on foreign-born workers and to the lasting effects this seems to have had on their subsequent labour market prospects.

86. During the recovery in the latter part of the 1990s, employment among immigrants has increased more than among the native-born. This accentuation of cyclical labour market effects for immigrant workers, both during a downturn and recovery, has been observed in a number of OECD countries during the eighties and nineties (OECD 1999 and 2003), although perhaps not to the same extent as was observed in Sweden in the early part of the decade.

## **Policy impacts**

### *Labour market effects of the introduction programme*

87. Notwithstanding what would appear to be the origins of current employment problems for migrants with longer durations of residence in the economic crisis of the 1990s, the role of the introduction programme in facilitating the transition of new arrivals to the labour market remains pertinent, to ensure that the current situation is not aggravated by persistent problems among new immigrants.

88. The main thrust of the introduction programme in Sweden is to ensure that immigrants have the necessary language skills for entry into the Swedish labour market. This is a critical part of the integration process because few immigrants upon entry into Sweden have any knowledge or understanding of the

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<sup>15</sup> The term employment rate here is used synonymously with the employment-population ratio. It is not the ratio of persons employed to persons in the labour force.

Swedish language, although they may learn some elements of it during the time their application for asylum is being considered.<sup>16</sup>

89. Although some knowledge of the host-country language is generally necessary for participation in the labour force and for many and perhaps most jobs, the extent of knowledge necessary can be expected to vary according to the nature of the job. It has been claimed that the changing nature of employment in OECD economies, with increasing use of information technology and with a premium placed on interpersonal communication skills (for increasing interaction between workers, between workers and management and between workers and customers) has made entrance into gainful employment more difficult for immigrants (Rosholm, Scott and Husted 2001, Bevelander and Nielsen 1999). It is difficult to assess the extent to which this holds. The widening use of information technology has been accompanied by a wider accessibility of this technology, so that more and more persons are able to use and profit from it. Moreover, when there exist labour shortages, language problems seem to be in practice less of a problem and inadequate language proficiency an obstacle to employment that appears surmountable for both worker and employer. Under slack labour market conditions, on the other hand, language proficiency becomes an additional criterion by which to assess the suitability of applicants for potential jobs.

90. What does seem to be true is that new technologies have made the creation of reading materials much easier and contributed to their proliferation throughout all aspects of daily life. To the extent that employment has also become more associated with the production, use and public dissemination of such materials, mastery of the host-country language does become a more significant element in the hiring decision and in this respect, immigrants may well be at a disadvantage. However, there continue to exist many jobs which do not require such skills (in construction, hospitality, manufacturing, etc.) but they will tend to be low-skilled and may not correspond to the skill profile of incoming immigrants. What constitutes "readiness" for the labour market with respect to language competence thus needs to be determined as a function of the intended occupation and with respect to the actual needs of the labour market.

91. Because a prolonged absence from work is generally associated with human capital depreciation in the eyes of employers, the efficiency of host-country language instruction can become a significant issue for immigrants. High quality language instruction that is completed over a relatively short period of time would be preferred over extensive language instruction aimed at achieving a level of competence that may turn out to be elusive and indeed, perhaps not entirely necessary.

92. In addition, a number of studies have shown that employers tend not to value home-country work experience (Rooth 1999 and Ferrer, Green and Riddell 2004), but that host-country work experience is highly rewarded. Thus measures that encourage early entry into the labour market would tend to favour integration, provided they do not occur at the expense of adequate language competence. This is all the more true in that it seems to take time for certain economic incentives (e.g. labour market attachment) to have their effects on immigrant language proficiency (Chiswick, Lee and Miller 2002).

93. Empirical results for Sweden indicate that less than half of immigrants appear to undertake Swedish language instruction in connection with the Introduction Programme and of these, over half take less than three hundred hours. However, among non-OECD immigrants, the percent taking language courses is somewhat higher (57%), with again about half taking less than three hundred hours. An analysis

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<sup>16</sup> The question of language learning on the part of immigrants who may already speak several widely spoken languages and needing to learn a language with a relatively narrow population base has not as yet been the object of study. If there are expectations of a return to the home country, the motivation for learning a new language may be small.

of employment rates four years after entry into Sweden for immigrants 15-64 having entered in 1997, controlling for age, sex, marital status, educational attainment, type of migration and region of origin, indicates some additional likelihood of employment after three to five hundred hours of language instruction (taken during the first two years of residence). However, publicly funded labour market training and especially early employment (both within the first two years) appear to have a greater impact (see Table 8).

94. A number of measures to improve language instruction for immigrants in Sweden have already been recommended, if not always necessarily implemented in all municipalities. These include grouping immigrants by educational level, introducing occupation-related instruction and ensuring that language instruction and workplace introduction or practice take place concurrently rather than consecutively, to maintain a link to work during the instruction period and to avoid prolonging the introduction period.

95. Despite these improvements, there remains a considerable variety in municipal implementations of the introduction programme and allowance, without any clear means or structures for identifying and transferring best practices across municipalities. A number of reviews of integration have been mandated at the national level in the recent past, which has ensured a fresh look at the introduction programme and its possible deficiencies and resulted in a number of recommendations, but a dynamic for regular improvement of the programme has yet to be developed and internalised. Although guidelines are issued nationally, there seems to be a very broad flexibility with respect to how these are to be observed. This admittedly allows room for local initiatives, but may not ensure a minimum performance level.

96. The use of social assistance as a means of income support during the introduction period by some municipalities may be transmitting a message to immigrants that is at variance with the intended labour market orientation and the ultimate objective of autonomy. In addition, the typical duration of the introduction programme varies by municipality, which conveys varying expectations concerning the time needed to prepare entry into the labour market. The kind of claw-back of the introduction allowance in the event of receipt of earned income that exists in some municipalities has been shown in many studies not to encourage labour market entry, but rather to act as a disincentive to work. The length of the language training / introduction period, which often lasts two to three years, seems an excessively long period of time to be absent from the labour market. In general, the role of the municipalities in the integration process is an important one, but there is a risk of clientalising recent arrivals with the offer of broad-based and continued assistance.

### *Recognition of qualifications*

97. The question of the extent to which the experience and formal qualifications of immigrants are recognised by potential employers can clearly be a significant factor in hiring decisions and in determining remuneration of workers. The issue here is one of partial information on the part of employers, who may be ill-equipped to assess the expected productivity of workers being considered for hiring and may consider educational qualifications obtained outside Western industrialised countries as not equivalent to similar education acquired in Sweden (le Grand 2000). This may introduce an additional element of risk in the hiring decision, which an interview with a candidate not necessarily having the fluency in Swedish normally associated with his/her formal qualification may not dispel.

98. Empirical results from Sweden would appear to support these assertions. Higher schooling, as measured by the level of pre-immigration education, has been shown to have no statistically significant effects on the unemployment rate for many immigrant groups (Rooth 1999). For immigrants arriving in 1997 (see Table 8), the increase in the odds of employment relative to non-employment for persons with tertiary attainment would appear to be no higher than for persons with secondary attainment (persons with only primary were the reference group). Other studies (Nekby 2002), however, show a more systematic

increase in employment of immigrants with education, especially for immigrant women, for whom the impact of education on the odds of employment is similar to that for native-born Swedish women. The data cover a longer time period (1990-2000) and apply to the entire stock of immigrants over this period.

99. Returns to formal qualifications and earnings have been shown to be lower for male immigrants than for comparable Swedish-born workers, with immigrants from outside Western countries showing the greatest obstacles to earnings progression (le Grand and Szulkin 2000). In addition, foreign-born persons with Swedish qualifications have been shown to have higher returns than foreign-born persons with foreign qualifications, although both have lower employment rates and wages than native-born persons with Swedish qualifications (Wadensjö 1992).

100. Similar results have been found for immigrants to Canada, with shifts in the composition of immigrants towards persons of non-European origin being accompanied by lower returns to education and by returns to foreign experience falling from positive values in the 1980s to essentially zero in the 1990s (Green and Worswick 2002, Ferrer, Green and Riddell 2004). A number of lines of evidence would appear to suggest that when employers are faced with competencies which they can evaluate, however, hiring and remuneration decisions would appear to change. For example, non-Western foreign-born persons who completed their upper secondary education in Sweden show a considerably reduced immigrant-native earnings gap (le Grand and Szulkin 2000 ). Likewise, the time spent employed since arriving in Sweden seems to be an important predictor of the likelihood of being employed (and therefore of being hired) and of good labour market attachment<sup>17</sup> (Rooth 1999). Likewise, early employment (in the year following arrival) appears to show the most significant impact on employment four years after arrival (Table 8), easily outweighing the impact of language instruction and vocational training.<sup>18</sup>

101. Andersson and Wadensjö (2004) show that immigrants, although they are no more likely than natives to enter the temporary employment sector, are more likely to move thereafter into employment in another sector than natives of the same age, educational level, marital status and (large) city of residence. This is the case for immigrants from the European Union, North America and Oceania, but especially for those from Asia, African and South America. The results would seem to suggest that temporary employment agency work in these cases may have provided immigrants with the needed labour market experience to overcome employer hiring reticence.

102. These kinds of results argue in favour of labour market measures and incentives aimed at getting immigrants into employment as soon as is feasible after arrival and acquiring labour market experience that is recognised and rewarded by employers. Indeed, studies of Swedish labour market programmes have shown that programmes that place persons into real jobs, such as recruitment subsidies and trainee replacement programmes (as opposed to labour market training, work practice and relief work programmes), are the only ones that yield positive employment probability effects over a five-year horizon after the start of the programme (Sianesi 2002). These are also the programmes for which the outcomes for non-Nordic citizens (the proportion of participants with jobs 6 months after completing a programme) are highest and most resemble those of Swedish citizens (close to 90% of the proportion of Swedes with jobs, Thoursie 2004). However, they are also the most expensive of the programmes and have been found to be subject to sizable displacement effects (65-70%, Sianesi 2002). However, in a situation in which employers

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<sup>17</sup> Measured as having an annual income above 100 000 SEK (1995).

<sup>18</sup> One would of course expect that persons employed in the year after arrival would automatically have a higher chance of being employed three years later than others not employed at that time. Moreover, there may be some self-selection occurring, in that more motivated immigrants may be finding jobs earlier and holding them. Still the increased odds of downstream employment associated with early employment experience appear to be especially large.

may be reticent to hire immigrants because of uncertainty concerning the value of their qualifications, the displacement effects can be viewed as contributing to levelling the playing field.

103. Despite the fact that programmes and procedures aimed at the recognition of formal qualifications obtained abroad do exist in Sweden, it is not clear to what extent these are successful or recognised by employers. Evidence from one country (Canada) suggests that employers tend to discount foreign qualifications (Finnie and Meung 2002).

104. Even with recognition procedures in place, however, if the outcome of the recognition process is to effectively downgrade foreign qualifications relative to domestic ones, the impact on employers may well be to reinforce existing pre-conceptions regarding the value of foreign qualifications. In a limited review of immigrants having had their qualifications evaluated, almost all felt that the evaluation presented to the employer had probably not played an important part in their getting hired (Dingu-Kyrkland 2003). In addition, employers considered that the content of the evaluation did not convey the information they needed. On the other hand, more direct evidence seems to suggest that the recognition process does convey benefits, with an evaluation of a degree as totally comparable to a Swedish resulting in an increase in odds of holding a qualified job that is much higher than that of a partial recognition, which in turn shows an increase that is higher than no recognition at all (Berggren and Omarsson 2001). However, having a Swedish degree increases the chances of holding a qualified job even more.

105. Evidence from labour force surveys on persons holding a job with a skill level that is beneath what would be expected on the basis of their formal qualifications show greater differences between the foreign-born and the native-born in Sweden than in a number of other European countries (Table 9). This is especially the case for persons holding formal tertiary qualifications, almost a third of whom are holding medium-skilled jobs compared to less than five per cent of native-born Swedes. Although not all tertiary qualifications earned outside of Sweden can be considered as equivalent to their Swedish counterparts, the larger discrepancy between job skill levels and immigrant qualifications in Sweden merits a closer examination.

### *The impact of dispersal policies*

106. Policies to disperse or to encourage immigrants to disperse throughout the country have been introduced in a number of countries (OECD 2003). The reason for this is the observation that immigrants tend to concentrate in large centres, often in enclaves with persons of the same origin, that this creates a social and fiscal burden in host regions which needs to be spread more equally across the country, and that living in such enclaves tends to retard the integration process, because immigrants tend to socialise with persons of their own communities and have less contact with the native population as a result. This was the rationale for the refugee placement policy introduced in 1985 in Sweden, when responsibility for refugee reception was transferred from the Labour Market Board to the Immigration Board. Under this policy, asylum seekers who received a residence permit were assigned to a specific municipality, but were free to leave this location if they could find housing elsewhere. Initially the plan was to locate immigrants where there was opportunity for work and education; however, this was soon abandoned because availability of housing became a critical issue. At the same time, refugee immigrants were placed on social assistance for an introductory period of about eighteen months. The dispersal system broke down with the massive inflows from former Yugoslavia in 1992 but was formally in place until 1994.

107. The impact of the policy shift appears to have been negative, with immigrants suffering fairly important long-run earnings losses, and has been attributed at once to the settlement process and to the introduction of income support measures following arrival (Edin, Fredriksson and Aslund 2001). The transfer of responsibility for integration from the Labour Market Board to the Immigration Board did not necessarily imply less concern with effective labour market integration; indeed, the aim was to facilitate

the reception of immigrants to Sweden. However, in practice, the reception of refugees was in most cases placed within departments of social services at municipal level with, perhaps inevitably, a change in focus from viewing immigrants as a potential resource for the labour market to a professional concern for persons requiring support following difficult experiences in their home countries before they could be deemed ready for the labour market.

108. The shift also meant that features of labour market skills peculiar to the immigrant population (language ability, applicability of foreign experience and education to the Swedish economy) were no longer the Labour Board's formal responsibility during the introduction period and thereafter. Rather its function became to deal with persons who were, at least in principle, "ready" for the labour market on the same basis as native-born Swedes. The fact that no labour market programmes were targeted to immigrants may have contributed to re-enforcing this view.

109. The evidence on the advantages and disadvantages of living in immigrants enclaves is not entirely clear-cut. Although living in such enclaves may result in social insularity, it is also the case that the possibilities of mutual assistance and of information sharing on host-country job opportunities, institutions and customs with friends and countrymen are much greater than in cases where immigrant families are isolated and living in communities where there are few other immigrants. Indeed the evidence seems to point to immigrant enclaves contributing to an increase in the level of earnings, although they may not necessarily contribute to assimilation (increases in earnings over time) (Edin, Fredriksson and Aslund). Evidence for Denmark where a dispersal policy similar to that in Sweden was in place from 1986 to 1998 suggests that residence in a small or medium-sized municipality (See Box 1) further characterised by low regional unemployment, a high concentration of fellow countrymen and a large number of vocational and higher education institutions increases the rate of movement into the first job for refugees (Damm and Rosholm 2003).

**Box 1. Local initiatives in favour of integration – an example**

Lysekil is a small centre of about 15 000 persons on the northwest coast of Sweden, about 8% of whom are foreign-born, a high proportion for a town of this size. Local industry includes marine research, energy, port facilities and tourism. The population of Lysekil peaked at 15 550 in 1994 and has declined steadily to reach 14 792 in 2001, an almost 5% drop over seven years. Both natural increase and net migration have been largely negative over this period. On the other hand, 2002 saw positive net migration slightly exceeding a significantly negative natural increase. Most of the positive net migration could be attributed to migration from outside the country. International migration thus provides the opportunity of making up for unfavourable demographics and departures of local residents.

For this to succeed, however, arriving immigrants need to find lasting employment and a role within the local society. The municipality of Lysekil has put in place a pilot project which invests intensively in immigrant reception, with a view to ensuring that immigrants find work and remain in Lysekil. The project involves a number of features, including in-depth identification of qualifications, job matching tied to immigrant aspirations, real-life (rather than classroom) language instruction, employment support based on the individual and social networks of instructors, contacts and mediation with employers and subsidised apprenticeships. The pilot incorporates an evaluation (forthcoming) and identification of the successful features of the project, so that they can be implemented downstream in a cost-effective manner.

In a situation in which labour market integration of immigrants is proving difficult nationally, it is clear that the prospect of reversing the demographic decline of smaller centres can prove a powerful motivating force for putting in place local initiatives aimed at facilitating the integration of immigrants and their longer term settlement.

110. In any event, it is clear that population composition does play an important role in residential decisions of immigrants. They are attracted to large municipalities but also to those with favourable labour market prospects, with low unemployment rates and high average earnings, given other characteristics (Aslund 2001).

***The filling of job vacancies***

111. Discrimination could account for the less favourable employment outcomes observed in general among immigrants relative to the native-born and in particular, for the higher unemployment risks witnessed during the economic downturns. There are, however, alternative explanations for the latter. These would include, for example, an underlying higher mobility among immigrants, which, however, would have had to persist even in the adverse economic conditions of the 1990s. Generally, however, voluntary departures tend to decrease during a downturn.

112. Alternatively, native-born workers may have managed to line up new jobs to move into before they are actually laid-off. The question of how jobs are filled in the Swedish labour market thus becomes an issue of some importance.

113. Jobs may be found not only through formal means (employment offices) but also through networks or contacts of friends and relatives. These contacts would generally be more extensive for persons born in the country than they would be for immigrants, at least in the early years following arrival and perhaps even for immigrants with longer periods of residence in the host country. The existence of such networks can facilitate job search but may also act as de facto screening mechanisms that limit access to jobs by immigrants. In Sweden, although all job vacancies by law are supposed to be reported to employment offices, studies (Okeke 2001 and Ekström 2001, cited in Behtoui 2004, forthcoming) indicate that as many as two thirds of jobs are filled through informal recruitment methods. Behtoui (2004), in a study of job search methods that led to a hiring over the period 1992-1999, finds that the odds of informal

methods being the means of hiring, as opposed to formal methods<sup>19</sup>, is 25-30% lower among immigrants and that the hirings done through such informal methods expand considerably during adverse economic conditions. Job vacancies in the private sector in particular are 70% more likely to be filled by informal methods than those in the public sector.

114. In other words, even if there were no overt discrimination against immigrants in layoffs, the recruitment channels in place would favour persons with a network of local connections and contacts, which immigrants could develop over time, although perhaps not to the same extent as native-born persons. This feature of the Swedish labour market would tend to reinforce the adverse effect of whatever employer uncertainty and reticence may exist regarding the hiring of immigrant workers.

### *Discrimination*

115. The outcomes of immigrants in the labour market are rarely up to those of natives, especially in the early years after arrival. Over time, however, as immigrants pick up country-specific human capital and learn the language, work habits and customs of the receiving country and build up networks, one does expect a certain convergence to native labour market outcomes, especially after taking into account differences with the native population that could account for any shortfall, such as differences in age, sex, educational attainment, years of work experience, occupation and sector of employment. Any remaining differences could in principle be attributed to discrimination, but this can rarely be demonstrated unequivocally. Immigrants with the same educational qualifications as native-born persons may nonetheless differ in characteristics that could be associated with productivity, such as comprehension of or literacy in the local language, knowledge of work processes or of local technology, etc., for which there is generally not a direct measure. Employer preference for native candidates for employment may be based on these.<sup>20</sup>

116. In a certain sense, empirical comparisons of immigrant and native outcomes tend to be inconclusive, because of the possibility that certain determinants of differences in outcomes may not be observed. Still, one should not underestimate the possibility of discrimination or the cost, both social and economic, to the country, not to mention, of course, to the immigrant him-herself, of a sub-optimal allocation of human resources.

117. Virtually all studies of immigrant earnings and employment show that differences persist after accounting for observed characteristics that can be expected to have an impact on these, such as age, sex, educational attainment, experience in the labour market, sector of activity and occupation and years of residence in the host country. However, the studies do not generally incorporate a direct measure of language proficiency, which is clearly an important country-specific skill that is an essential requirement for full participation in the host country work force. Studies on adopted children or on persons of immigrant background born in the country tend to give less ambiguous results, because it cannot be assumed that they have language deficiencies.

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<sup>19</sup> Informal methods consisted of “help of friends/relatives” or “employer made contact with the worker”, formal methods of “use of government or private employment agencies” and “through newspaper ads”. “Applied directly to employers” and “other methods”, because there was no way to determine the formal/informal degree of these, were classified as formal methods for the purposes of the study. The fact that at best one-third of vacancies is filled through the employment offices does reduce the scope for intervention through this means, however.

<sup>20</sup> Employer preferences based on either true or perceived average productivity-related characteristics of immigrants is generally known as “statistical discrimination”, as opposed to preferences based on race, religion or ethnic origin.

118. In one study (Rooth 2001), adopted children of native-born Swedes whose physical appearance was different from that of native children were seen to fare worse as young adults in the labour market, that is, they had a lower probability of employment than natives with comparable characteristics. Moreover, the difference could not be attributed to an adoption effect because adopted children from Northern Europe showed little difference with native Swedes. The presumption is that the non-European adopted children are in some sense “visible” and may thus be the object of discrimination.

119. Schröder and Vilhelmsson (1998) in a study of labour market outcomes of young individuals who had graduated from compulsory schooling, show a lower probability of employment, a higher risk of unemployment or of being outside the labour force for persons with immigrant backgrounds compared to persons born in Sweden of native-born parents.

120. One study provides an interesting spotlight on country-of-origin differences, by examining the effect of language skills on employment using a test-score of directly assessed Swedish reading skills. Taking Swedish proficiency into account essentially eliminates any impact on employment rates of immigrants of different regions of origin (Nordic, European, non-European) [Rooth 2001]<sup>21</sup>. This suggests that differences in employment probabilities by countries of origin may have less to do with cultural differences than with language proficiency. However, the study did not include a direct comparison of employment outcomes of immigrants and native-born persons of comparable language proficiency.

121. The results cited earlier concerning differential unemployment risks of immigrants during the 1990s, even after taking into account seniority differences and other characteristics, suggest rather widespread discriminatory behaviour in the face of economic adversity. This is also more serious than hiring discrimination, because it left persons who may have been the object of this worse off than before.

122. While employment probabilities do seem to differ between persons of immigrant background and native Swedes for reasons unrelated to demographic and human capital characteristics, the results with respect to earnings appear to be less dramatic. The immigrant-native earnings gap generally observed is considerably reduced for both immigrant men and women that have Swedish upper secondary education (le Grand and Szulkin 2000). However, for men born outside Europe a 5 per cent wage gap persists when average upper secondary grades are accounted for.

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<sup>21</sup> A cause-and-effect relationship cannot be assumed, however, because the higher incidence of employment among persons with better reading skills could be the responsible for the latter, rather than the reverse.

## Summary and recommendations

***There are more humanitarian migrants than in the past...***

123. The current situation regarding the integration of immigrants in the labour market in Sweden is the consequence of a number of factors and developments. The past fifteen years have seen a higher share of humanitarian migration in Sweden than in the past. This is a form of migration for which labour market integration appears to be slower than for other forms of migration in all countries. At the same time there has been a growing diversification of migration away from “Western” countries to those with a greater cultural distance. However, different degrees of labour market integration would appear to result more from differences in language proficiency than from cultural differences per se.

***...and this group is slower to integrate.***

124. The 1990s economic crisis also seems to have played a significant role in the deteriorating outcomes of immigrants observed during the nineties. Employment rate differences between the native- and foreign-born populations at the end of the eighties were not large except for recent arrivals. The situation for this latter group at that time seemed the normal one observed in all countries in which immigrants arrive without a pre-arranged offer of employment. The performance of immigrants in the late eighties deteriorated thereafter in part because of the increasing share of humanitarian migration in Sweden. This category of migrants, being neither self-selected nor selected by the receiving state, tends to be slower in achieving parity with the native-born population in all countries, no doubt because immigration is involuntary, because of the traumatic nature of the refugee experience and its aftermath and because the economic motivation for migration is less prominent.

***The role of the labour market board has been reduced.***

125. With 1985 came the introduction of social assistance for refugees for an eighteen-month introductory period, the transfer of responsibility for integration away from the Labour Market Board and the refugee dispersal policy in which refugees were assigned to municipalities throughout Sweden to relieve the pressure on the large agglomerations, with local economic conditions not always being taken into account. The dispersal policy had a negative effect on immigrant outcomes, particularly with respect to those arriving during the economic crisis, for whom the effects seem in many cases to be persistent. Analyses also suggest that the change in the administrative responsibility for integration and the emphasis on income support, if not necessarily responsible for, was nonetheless associated with less favourable outcomes for new arrivals, independently of local economic conditions. In addition, the Labour Board’s mandate effectively became that of dealing with workers deemed to be ready for the labour market, that is, requiring no services other than those provided by the Labour Boards. Responsibility for immigrant-specific skill deficiencies, both with respect to language competence and the applicability of foreign qualifications and work experience to the Swedish situation, lay consequently elsewhere.

***The 1990s economic crisis was especially hard on immigrants.***

126. With the severe economic crisis of the 1990s, asylum seeking in Sweden continued and those asylum seekers that were recognised and granted a residence permit were met with a labour market situation that was highly unfavourable and where considerable numbers of native-born Swedes with domestic formal qualifications and work experience were also looking for work. At the same time, the crisis struck immigrants already present and employed disproportionately, independently of job seniority and of the nature of the employment contract held. It is not clear if this was the consequence of employer/union agreement to deviate from

standard procedures, as allowed by law, but the apparent selectivity of layoffs during the economic crisis is a matter for concern. The re-integration of immigrants into the ranks of the employed was rendered all the more difficult by the fact that some two-thirds of jobs, in the Swedish labour market appear to be filled through informal methods, that the networks and contacts of immigrants with potential employers are less extensive than those of the native-born and that the recourse to informal methods seems to expand in more difficult economic conditions.

***Take-up of language and vocational training needs to be increased.***

127. The situation of immigrants has improved significantly since the trough of the economic downturn, with new arrivals now showing outcomes compared to the native-born that are closer to those observed in the late eighties than has been the case over the past decade. It remains to be seen whether the improved situation for new arrivals will persist and whether their outcomes will improve as much with stay in Sweden as was the case in the past. The relatively favourable impact on employment of a minimum amount of language training and of vocational training for new arrivals and the relatively low take-up of these suggest that there is room for improvement with regard to labour market outcomes in the early years of residence, which can be expected to persist with continued residence.

***More needs to be done for immigrants currently without jobs.***

128. The situation for immigrants having arrived since the mid-eighties and having suffered the brunt of the economic crisis of the nineties remains unfavourable. Employment rates for these groups according to their time of residence in Sweden, although they have improved since the mid-1990s, are still substantially below what was seen for immigrants of comparable stays at the end of the eighties. Whether this is a “backlog effect” or reflects greater employer hiring reticence concerning this group, with its undoubtedly more extensive history of inactivity in Sweden; is uncertain. In any event, it is difficult to see how the continuing employment problems of this group can be turned around without a strong economic expansion, given the re-enforcing nature of further non-employment on both inactivity and employer perceptions. If targeted measures are politically infeasible, then general measures that provide especially favourable results for immigrants need to be encouraged and expanded.

***Recognition of qualifications needs to be expanded and streamlined.***

129. In Sweden, as elsewhere, employers do not seem to accord much trust in foreign educational qualifications and work experience, although recognition of qualifications as equivalent to Swedish ones does appear to convey benefits. An expansion of this process and a streamlining of procedures for carrying this out would be beneficial. It is not clear, however, that formal recognition of foreign educational qualifications is necessarily a solution in all cases, especially if this means a downgrading of foreign qualifications relative to Swedish ones and a need to take time to pursue further education, to obtain recognition of equivalence, that would be better spent acquiring work experience. Recognition would be useful in cases where there are licensing requirements for certain professions which could not be otherwise exercised or in cases where an equivalence could be granted on the basis of foreign (or Swedish) work experience without the need for formal study. However, to the extent that the lack of a recognised formal qualification is not a barrier to the exercise of an occupation, the benefits of further study to obtain a Swedish equivalence for its own sake remains to be proven. Results seem to suggest that the benefits of early employment experience on later employment are much stronger than those of Swedish vocational education.

***Work experience is critical.***

130. What employers recognise and reward seems to be Swedish work experience and successful integration tends to be associated with early contact with the labour market. Thus improving the efficiency of language instruction so as not to overly prolong labour market entry and ensuring that proficiency requirements reflect actual occupational needs are matters of some importance. Real work experience also provides immigrants the opportunity to learn Swedish work organisation and practices, to demonstrate skills on-the-job and to meet and socialise with native Swedes. Evidence suggests that temporary jobs, whether or not subsidised by the employment office, appear to be a stepping-stone to more lasting employment for immigrants. This is an avenue that needs to be encouraged for both immigrants and employers. The fact that immigrants seem to move readily out of temporary agency employment into other sectors than natives of the same educational qualification may well indicate that the pool of immigrants doing temporary agency work is on average highly motivated and has managed to demonstrate skills which employers value.

***Discrimination is a problem...***

131. The evidence concerning discrimination suggests that this is not an insignificant impediment to employment in Sweden. Although virtually all studies tend to show less favourable outcomes for immigrants than natives, even after taking into account age, sex, marital status, educational attainment and work experience, it is difficult to conclude that widespread discrimination exists without examining outcomes on the basis of a measure of human capital that is common to both the native- and the foreign-born. On the other hand, studies of persons with an immigrant background born in Sweden, who presumably do not have language deficiencies, show less favourable outcomes than for persons with similar characteristics born to native-born Swedes.

***...and diversity programmes seem necessary.***

132. The situation of immigrants seems to have worsened significantly during the economic crisis of the early to mid-1990s, which witnessed a selectivity in layoff practices that seems to have particularly affected immigrants. The recovery in the latter part of the 1990s and the early part of the new century has been more favourable for them, but outcomes still remain substantially below those for native-born Swedes and those observed historically for immigrants. The evidence overall does point to discrimination problems, and the diversity programmes in place in Sweden to encourage and to encourage a better representativity of immigrants in work places and in society seem therefore a necessary intervention.

***But there are signs of progress on this front.***

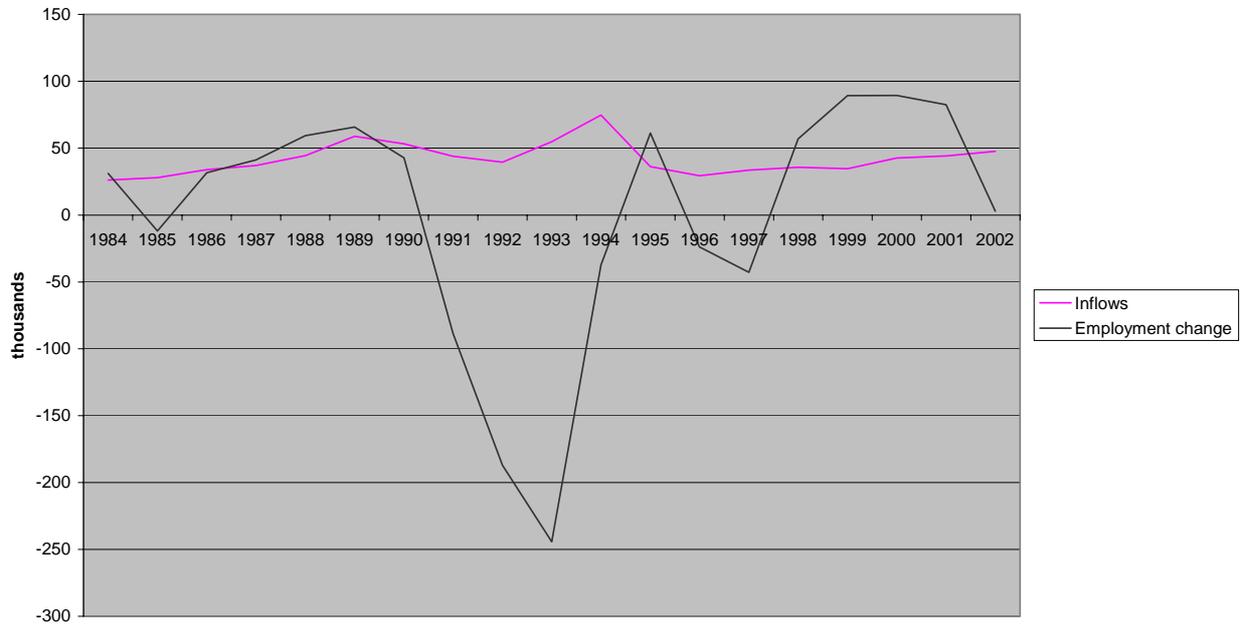
133. There are, nonetheless, positive signs. The earnings of persons of immigrant background approach (but admittedly do not attain) those of native Swedes of comparable education. Moreover, immigrants from different regions of origin having the same Swedish literacy level tend to have similar labour market outcomes, which suggests that cultural origins by themselves may not be the sole explanations for observed discriminatory behaviour. In addition, immigrants seem to exit from temporary agency work into other jobs more readily than the native-born.

***A more balanced labour market absorption would be beneficial.***

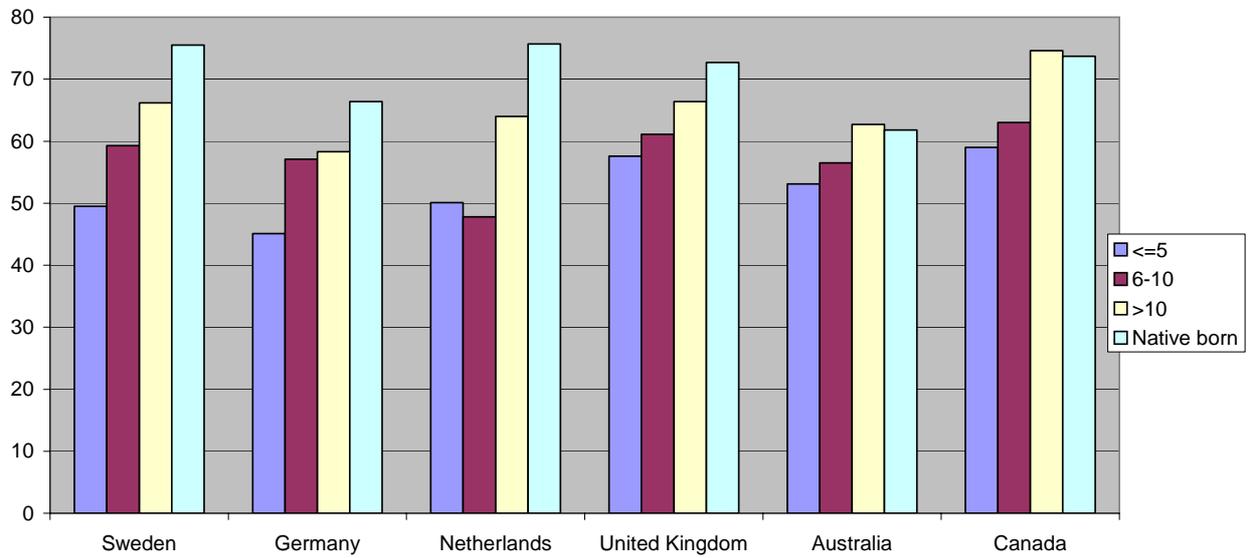
134. Thus, from a situation where labour market outcomes of immigrants in the late eighties, at least with respect to employment rates, seemed relatively favourable, Sweden now finds itself with an immigrant work force that is significantly under-represented among the ranks of the employed. Although there has been some catch-up with the economic recovery, it is not large for those who arrived shortly before and during the economic crisis, a group which continues to have serious difficulties finding jobs. There is a general awareness that the issue needs to be solved and an

impressive mobilisation of the social partners in this regard. A reorientation of efforts towards measures that yield demonstrable returns is needed. With Sweden being one of the OECD countries where the imbalance between the size of the outgoing baby-boom labour force cohorts and the new incoming cohorts appears to be the largest (about 25%), the role of immigrants in making up for the deficit will be an important one. Labour shortages may solve the problem of integration over the medium term, but a more optimal use of human resources then would be served by a more balanced labour market absorption now.

**Chart 1. Inflows of foreign citizens and year-to-year employment change, Sweden, 1984-2002.**

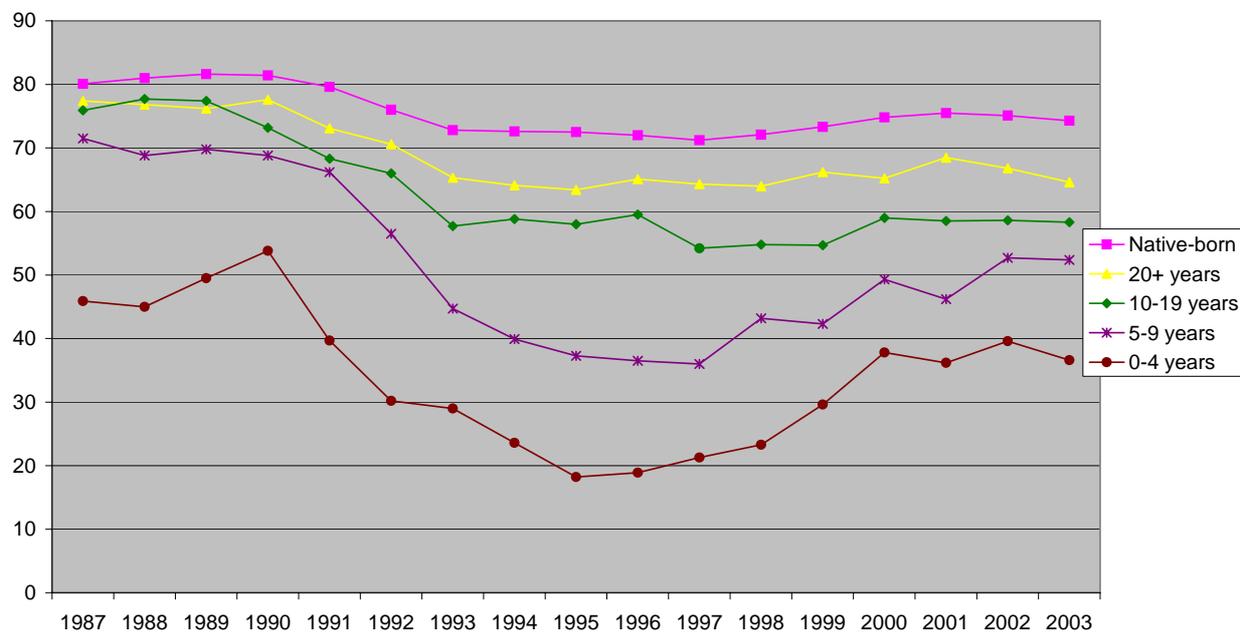


**Chart 2. Employment-population ratios of immigrants, by years of presence in the host country, selected OECD countries, 2003.**

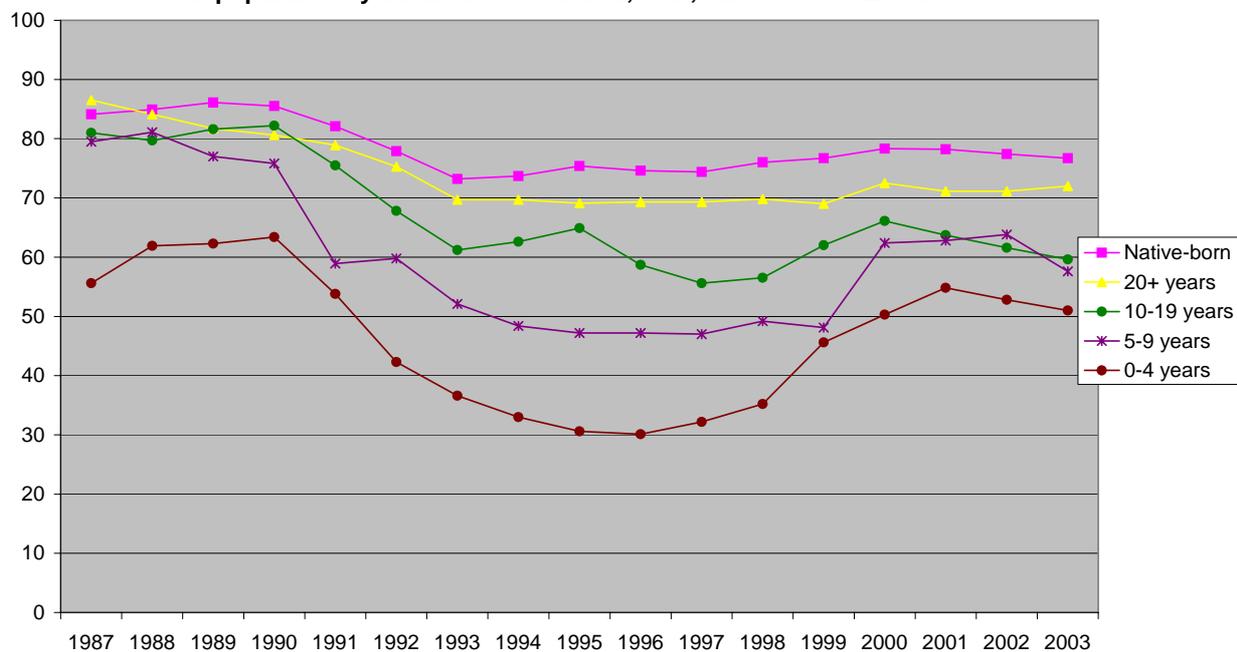


Source: See Table 1.

**Chart 3a. Employment population ratios of the native-born population and the foreign-born population by duration of residence, women, Sweden 1987-2003.**



**Chart 3b. Employment population ratios of the native-born population and the foreign-born population by duration of residence, men, Sweden 1987-2003.**



**Table 1. The foreign-born population 15-64 in selected OECD countries, 2003, by years of presence in host country**

	All foreign-born	Of which arrived over past 10 years	
	% of total working-age population	% of total working-age population	% of total foreign-born
<b>Sweden</b>	<b>14.5</b>	<b>5.1</b>	<b>35.1</b>
<b>Germany</b>	14.3	4.7	33.0
<b>Netherlands</b>	13.2	3.5	26.4
<b>United Kingdom</b>	10.4	4.2	40.6
<b>Australia</b>	27.2	5.8	21.5
<b>Canada</b>	17.8	4.7	26.4

**Sources:** For European countries, the Community Labour Force Survey.

Australia: Population Census (2001, population 15+).

Canada: Survey of Labour and Income Dynamics (2002).

**Table 2. Labour force characteristics of the native- and foreign-born populations, selected OECD countries, 2003.**

	Participation rate		Employment-population ratio		Unemployment rate	
	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born
<b>Both sexes</b>						
<b>Sweden</b>	<b>79.3</b>	<b>70.1</b>	<b>75.5</b>	<b>62.3</b>	<b>4.8</b>	<b>11.1</b>
Germany	73.0	66.3	66.4	55.9	9.1	15.7
Netherlands	78.0	65.8	75.7	59.9	2.9	8.9
United Kingdom	76.2	68.1	72.7	63.1	4.6	7.3
Australia	77.0	69.4	72.5	65.0	5.9	6.4
Canada	77.8	75.9	73.7	70.9	5.2	6.7
<b>Men</b>						
<b>Sweden</b>	<b>80.7</b>	<b>74.0</b>	<b>76.5</b>	<b>63.4</b>	<b>5.2</b>	<b>12.7</b>
Germany	79.3	77.1	71.9	64.1	9.3	16.9
Netherlands	85.5	75.3	83.1	68.4	2.8	9.1
United Kingdom	82.8	78.5	78.5	72.1	5.2	8.1
Australia	83.8	79.3	78.9	74.2	5.8	6.4
Canada	83.2	83.2	78.6	77.7	5.5	6.6
<b>Women</b>						
<b>Sweden</b>	<b>77.7</b>	<b>66.4</b>	<b>74.4</b>	<b>60.0</b>	<b>4.4</b>	<b>9.5</b>
Germany	66.7	55.4	60.6	47.6	8.8	14.0
Netherlands	70.3	56.5	68.0	51.6	3.2	8.6
United Kingdom	69.3	58.3	66.6	54.6	3.9	6.3
Australia	70.0	59.6	65.5	56.1	6.4	5.9
Canada	72.4	68.9	68.8	64.2	4.9	6.8

Notes and Sources: See Table 1.

**Table 3. Labour force activity of the native- and foreign-born populations 15-64, selected OECD countries, 2003, by years since arrival in the host country**

<b>Participation rate</b>				
	<b>&lt;=5 years</b>	<b>6-10 years</b>	<b>&gt;10 years</b>	<b>Native born</b>
<b>Sweden</b>	<b>60.8</b>	<b>69.3</b>	<b>72.5</b>	<b>79.3</b>
Germany	57.9	68.6	67.8	73.0
Netherlands	59.6	54.8	69.1	78.0
United Kingdom	63.6	66.2	70.9	76.2
Australia	61.2	63.1	67.1	66.1
Canada	69.2	70.5	78.4	77.7
<b>Employment-population ratio</b>				
	<b>&lt;=5 years</b>	<b>6-10 years</b>	<b>&gt;10 years</b>	<b>Native born</b>
<b>Sweden</b>	<b>49.5</b>	<b>59.3</b>	<b>66.2</b>	<b>75.5</b>
Germany	45.1	57.1	58.3	66.4
Netherlands	50.1	47.8	64.0	75.7
United Kingdom	57.6	61.1	66.4	72.7
Australia	53.1	56.5	62.7	61.8
Canada	59.0	63.0	74.6	73.7
<b>Unemployment rate</b>				
	<b>&lt;=5 years</b>	<b>6-10 years</b>	<b>&gt;10 years</b>	<b>Native born</b>
<b>Sweden</b>	<b>18.7</b>	<b>14.4</b>	<b>8.7</b>	<b>4.8</b>
Germany	22.1	16.7	14.1	9.1
Netherlands	15.9	12.9	7.4	2.9
United Kingdom	9.5	7.7	6.4	4.6
Australia	13.3	10.5	6.5	6.5
Canada	14.7	10.7	4.8	5.2

**Sources:** See Table 1. For Australia, the statistics concern the population 15+. " >10" refers to 11-30 years.

**Table 4. Labour force characteristics of immigrants, by region or continent of origin, selected OECD countries, 2003**

	Sweden	Germany	Netherlands	United Kingdom	Australia	Canada
<b>Participation rate</b>						
North Africa and Middle East	<b>60.1</b>	59.4	57.3	55.3	53.9	71.3
Latin America	<b>69.6</b>	55.1	72.5	67.9	--	80.8
Sub-Saharan Africa	<b>62.5</b>	67.9	62.7	72.3	78.2	81.8
East/South/Southeast Asia	<b>68.3</b>	53.1	61.7	61.0	65.1	73.0
Central and Eastern Europe	<b>68.2</b>	66.2	65.5	56.3	60.9	77.6
North America/Oceania/Japan	<b>70.1</b>	72.5	80.0	80.6	78.4	80.2
European Economic Area and Switzerland	<b>75.1</b>	76.3	74.8	74.4	75.1	76.2
Native-born	<b>79.3</b>	73.0	78.0	76.2	77.0	77.8
<b>Employment-population ratio</b>						
North Africa & Middle East	<b>46.7</b>	45.9	50.3	47.0	46.7	61.8
Latin America	<b>62.3</b>	40.1	66.3	60.6	--	75.9
Sub-Saharan Africa	<b>48.4</b>	54.0	57.2	66.7	73.9	77.3
East/South/Southeast Asia	<b>59.6</b>	45.7	56.8	56.1	59.8	67.2
Central and Eastern Europe	<b>59.3</b>	52.3	57.1	50.4	57.4	70.4
North America/Oceania/Japan	<b>64.5</b>	65.3	74.5	77.7	73.4	73.9
European Economic Area and Switzerland	<b>70.7</b>	68.6	71.2	70.6	71.7	73.2
Native-born	<b>75.5</b>	66.4	75.7	72.7	72.5	73.7
<b>Unemployment rate</b>						
North Africa & Middle East	<b>22.2</b>	22.8	12.3	15.0	13.4	13.3
Latin America	<b>10.5</b>	27.3	8.6	10.7	--	6.1
Sub-Saharan Africa	<b>22.6</b>	20.5	8.6	7.8	5.5	5.5
East/South/Southeast Asia	<b>13.1</b>	13.8	8.0	8.1	8.1	7.9
Central and Eastern Europe	<b>12.9</b>	20.1	12.9	10.5	5.8	9.2
North America/Oceania/Japan	<b>8.0</b>	9.9	6.9	3.6	6.4	7.9
European Economic Area and Switzerland	<b>5.9</b>	10.1	4.8	5.1	4.5	3.8
Native-born	<b>4.8</b>	9.1	2.9	4.6	5.9	5.2

Sources: See Table 1.

For Australia, North America/Oceania/ Japan includes Latin America but excludes Japan; Japan is included in Asia; Central and Eastern Europe also includes Southern Europe, which is then excluded from the European Economic Area.

**Table 5. Labour market-outcomes by type of migration and time since arrival, Australia and Canada**

<b>Australia</b>		<b>4-5 months after arrival</b>		<b>16-17 months after arrival</b>	
<b>Immigrant category</b>	<b>Distribution (%)</b>	<b>Participation rate</b>	<b>Unemployment rate</b>	<b>Participation rate</b>	<b>Unemployment rate</b>
Preferential family	34	54	21	62	13
Concessional family	13	88	21	87	6
Business & employer nominated	11	65	4	85	0
Independent	29	89	9	92	7
Humanitarian	12	16	75	32	43

<b>Canada</b>	<b>Year of admission</b>		
	<b>2000</b>	<b>1999</b>	<b>1997</b>
<b>Immigrant category</b>	<b>(Percent reporting employment earnings in 2000)</b>		
Family	57	69	68
Skilled - principal applicant	66	80	78
Skilled - spouses and dependents	43	61	64
Refugees	44	57	67

Notes: Australia: Preferential family concerns spouses, children or parents. Concessional family relate to other relatives.  
 Canada: Year of admission indicates the year permanent residence status was granted. Some immigrants, in particular recognised asylum seekers, may have resided in the country for some time before becoming "landed residents".

Source: Longitudinal Survey of Immigrants to Australia, second cohort; The Longitudinal Immigration Database, Canada.

**Table 6. Per cent employed and odds of being employed of the foreign-born relative to the native-born, overall and by duration of residence in host country, 2002.**

		<u>Ratio of percent employed (foreign-born/native-born)</u>			
		Sweden	Germany	Netherlands	United Kingdom
<b>Women</b>	Overall	0.78	0.80	0.78	0.84
<b>Men</b>	Overall	0.84	0.91	0.86	0.91
		<u>Ratio of odds of being employed (foreign-born/native-born)</u>			
		<u>Unadjusted</u>			
<b>Women</b>	Overall	0.45	0.61	0.52	0.60
<b>Men</b>	Overall	0.51	0.75	0.49	0.67
		<u>Adjusted</u>			
<b>Women</b>	Overall	0.37	0.52	0.45	0.56
	First year	0.14	0.22	0.16	0.43
	% Increase per year	8.4	14.2	5.6	--
	> 10 years	0.47	0.89	0.58	0.64
<b>Men</b>	Overall	0.36	0.58	0.35	0.55
	First year	0.13	0.24	0.12	0.35
	% Increase per year	7.9	12.5	5.5	--
	> 10 years	0.45	0.86	0.46	0.66

**Sources:** Logistic regression using European Union Labour Force Survey data.

**Notes:** Adjusted estimates control for age, marital status and educational attainment. The "per cent increase per year" estimate concerns the first ten years of residence only. It can be considered as the rate at which the foreign-born odds ratio converges to one, the ratio for which native- and foreign-born outcomes are the same. Results for the United Kingdom show the effects of recent increases in labour migration, with many persons already having a job upon entry and convergence thus appearing as essentially nil relative to previous entering cohorts.

**Table 7. Difference between employment population ratios of the foreign-born and of the native-born, 1987, 1995 and 2003, men and women, by duration of residence in Sweden**  
Percentage points

	<u>Men</u>				<u>Women</u>			
	<u>0-4 years</u>	<u>5-9 years</u>	<u>10-19 years</u>	<u>20+ years</u>	<u>0-4 years</u>	<u>5-9 years</u>	<u>10-19 years</u>	<u>20+ years</u>
<b>1987</b>	-29	-5	-3	2	-34	-9	-4	-3
<b>1995</b>	-45	-28	-11	-6	-54	-35	-15	-9
<b>2003</b>	-26	-19	-17	-5	-38	-22	-16	-10

Source: Secretariat calculations using data from Integration Report 2003, Swedish Integration Board.

**Table 8. Odds ratios for employment relative to non-employment in 2001 as a function of Swedish language instruction, public expenditures on training and employment in 1997-1998 for immigrants having arrived in 1997.**

	Men	Women	Both sexes
Swedish language instruction in 1997-1998			
None	Ref.	Ref.	Ref.
1-149 hours	1.215	1.020	1.110
150-299 hours	1.188	1.014	1.091
300-499 hours	1.523	1.483	1.527
500+ hours	1.427	1.599	1.456
Compensation during training 1997-1998			
None	Ref.	Ref.	Ref.
1-4999	1.788	2.237	1.976
5000-9999	1.999	2.346	2.186
10000-14999	2.044	2.971	2.406
15000+	2.117	2.673	2.329
Employment status in 1997-1998			
Employed in 1997	1.415	1.599	1.463
Employed in 1998	3.541	3.579	3.587
Educational attainment in 2001			
Primary education	Ref.	Ref.	Ref.
Secondary education	1.476	1.324	1.372
Post-secondary	1.458	1.284	1.335
Post-graduate degree	2.454	2.264	2.283
Sex	---	---	0.576

**Source:** The data source is STATIV, a database compiled by Statistics Sweden for the Swedish Integration Board.

**Notes.** The data were also controlled for age, marital status, reason for settlement (labour, humanitarian, etc.) and region of origin. The final column presents results for both sexes pooled, with men as the reference group.

Expenditures on training are actually compensation received by participants during training.

They are assumed to be proportional to the amount of training received. All estimates except those shaded were significant with  $p < 0.01$ . Shaded estimates in the first column were also significant, but with  $p < 0.05$ .

**Table 9. Persons of specific attainment levels by skill level of job held, selected countries, 2003 data**

<b>Job held</b>	<b>Attainment level of incumbent</b>			
	<b>Upper secondary</b>		<b>Tertiary</b>	
	<b>Native-born</b>	<b>Foreign-born</b>	<b>Native-born</b>	<b>Foreign-born</b>
Sweden				
In high-skilled job	17	22	97	60
In medium-skilled job	81	68	3	35
In low-skilled job	2	11	0	5
	100	100	100	100
Germany				
In high-skilled job	18	19	66	50
In medium-skilled job	80	69	34	43
In low-skilled job	2	12	0	7
	100	100	100	100
Netherlands				
In high-skilled job	51	47	88	63
In medium-skilled job	47	45	11	35
In low-skilled job	3	9	1	1
	100	100	100	100
United Kingdom				
In high-skilled job	10	23	66	60
In medium-skilled job	84	65	32	34
In low-skilled job	7	13	2	6
	100	100	100	100

**Source:** European Union Labour Force Survey

**Notes:** The job skill level is obtained from the International Standard Occupational Classification (ISCO 1998). High-skilled jobs consist of those in professional and associated professional occupations and technicians. Low-skilled jobs are those in elementary occupations (street vendors, cleaners, building caretakers, messengers, sweepers, labourers). Medium-skilled occupations are the residual.

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