

# CATCHING UP THE LABOR MARKET INTEGRATION OF NEW IMMIGRANTS IN SWEDEN

By Pieter Bevelander and Nahikari Irastorza



**A Series on The Labor Market Integration of New Arrivals in Europe:  
Employment Trajectories**



THIS PROJECT IS FUNDED BY  
THE EUROPEAN UNION



MIGRATION POLICY INSTITUTE

# CATCHING UP

## The Labor Market Integration of New Immigrants in Sweden

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April 2014



This project was funded  
by the European Union



# Acknowledgments

This report is part of a project conducted by the Migration Policy Institute and the International Labour Office called “The Labor Market Integration of New Arrivals in Europe.” The project examines immigrants’ trajectories into skilled employment in the initial years after arrival, as well as the policy interventions that seek to support their economic integration. The project includes case studies of the Czech Republic, France, Germany, Spain, Sweden, and the United Kingdom. This research was undertaken for the European Commission’s Directorate-General for Employment, Social Affairs, and Inclusion.

This report has been produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.

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Cover Design: April Siruno  
Typesetting: Marissa Esthimer, MPI

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Suggested citation: Bevelander, Pieter and Nahikari Irastorza. 2014. *Catching Up: The Labor Market Outcomes of New Immigrants in Sweden*. Washington, DC and Geneva: Migration Policy Institute and International Labour Office.



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## Executive Summary

Sweden has been a country of net immigration for some decades. During the 1970s and 1980s, the bulk of newcomers arrived through humanitarian or family reunification channels, alongside only minimal labor flows. The considerable diversity among immigrants to Sweden—who have arrived within shifting periods of ethnic and political conflict—reflects the strong humanitarian dimension of Swedish immigration. Whereas during the early 1990s many came from the former Yugoslavia, subsequent waves of refugees were more likely to come from Iran, Iraq, and Somalia. For example, between 1993 and 1997, approximately 33,000 Bosnians arrived—equivalent to 20 percent of newcomers—while the subsequent four-year period saw just 139 people arrive from Bosnia-Herzegovina, but large volumes from Iran.

A longstanding magnet for labor migration from surrounding Scandinavia, Sweden has also attracted mobile EU citizens since its entry into the European Union in 1995, and especially following the EU enlargements of 2004 and 2007. More recently, labor migration reforms in 2008 that allowed employers to bring in non-EU migrants at all skill levels with minimal restrictions, as well as campaigns to recruit international students, have helped bring a more even balance of labor, family, and humanitarian arrivals to the country.

### **Box I. Situating the Research: A Series on Employment Outcomes among Immigrants and Mobile EU Citizens in Europe**

This report is one of six case studies completed during the first phase of a recent Migration Policy Institute (MPI) project evaluating the ease with which foreign-born workers within the European Union are able to establish themselves in destination-country labor markets during the first ten years after arrival. The project evaluates the conditions under which new immigrants are able not only to find employment, but also to progress out of unskilled work into middle-skilled jobs. The low wages paid for most unskilled work mean that immigrants (or native workers) who are unable to move out of these positions into higher-skill, higher-paid jobs after a few years are at risk of poverty and social and economic marginalization.

The case studies in this phase of the project consider the influence of individual characteristics and broader economic conditions on the employment prospects of foreign-born workers. The second phase of the project will evaluate the effectiveness of integration and workforce development policies in helping foreign-born workers overcome these barriers and move up into middle-skilled positions that pay a family-sustaining wage.

The six case study countries are the Czech Republic, France, Germany, Spain, Sweden, and the United Kingdom.

Family arrivals and refugees are not selected through employment-related criteria, and hence are more likely to lack locally in-demand skills. At the same time, they are eligible to participate in the government's full-time introduction programs. As a result of these two factors, they are often out of work in the years immediately after arrival. Moreover, between 20 percent and 30 percent of immigrants who arrived in the 2000s had a primary education or less, indicating further that many newcomers did not arrive equipped for jobs in the local labor market. The obstacles these groups face can be exacerbated by certain features of Sweden's labor market, such as high minimum wages, a relatively small pool of low-skilled jobs, and stringent employment protection for permanent work.

However, a large slice of recent arrivals have postsecondary education, and entered directly into high-skilled positions. Among those arriving from 1998 to 2002, for instance, immigrants who found a job on arrival were more likely than natives to work in professional occupations, and had high average earnings.

The analysis of this report maps the experiences of four groups of immigrants, organized according to their years of arrival. The first cohort includes immigrants arriving in Sweden from 1993 to 1997. The second cohort spans those who arrived between 1998 and 2002; the third cohort between 2003 and 2007; and the last cohort from 2008 to 2011.

Over time, newcomers have on the whole improved their employment rates, displayed income growth similar to natives, and moved into middle-skilled positions. Employment rates of new arrivals increased by almost 40 percentage points over a decade for the 1993-97 cohort, and by 20 percentage points for the 1998-2002 cohort. As immigrants moved out of inactivity and unemployment and into work, their share of employment in both low-skilled and middle-skilled jobs grew. Between 2002 and 2011, immigrants' share of middle-skilled jobs increased from 15 percent to 34 percent. However, a huge number of immigrants—70,000 within three years—left Sweden after the onset of the recession, and many of these were high-skilled workers.

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*Newcomers have on the whole improved their employment rates, displayed income growth similar to natives, and moved into middle-skilled positions.*

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A number of factors contributed to these trends:

- **Gender.** On arrival, women had much lower employment rates than men (21 percent compared to 33 percent). These gaps narrowed across the first decade of residence for each of the cohorts, but employment gaps between native and immigrant women persisted: after a decade of residence, 64 percent of migrant women were in work compared to 80 percent of native women. Women are overrepresented in elementary occupations and services and sales, which are two of the lowest-paid areas; but are also overrepresented as professionals, one of the highest-paid occupational groups. They also capture around 80 percent of the jobs in health, social services, and veterinary services—the sector that provides the most middle-skilled jobs for immigrants.
- **Route of entry.** Family arrivals and refugees display similar trajectories; family arrivals tend to be the family members of previous cohorts of refugees, and both groups are eligible for the government's introduction program and allowance. Refugees display the greatest gains in employment over time (although they also started from the lowest baseline) from 16 percent to 64 percent rate of employment for the earliest cohort over the 14-year period studied. Refugees also displayed mobility from unskilled work, and only 21 percent of refugees with jobs (from the 1998-2002 cohort) were in unskilled employment after a decade of residence. Meanwhile, successive cohorts of labor migrants were more likely to enter unskilled work, as a result of EU mobility from new Member States and the 2008 labor reforms which, for the first time, brought in low-skilled labor migration from outside the European Union.
- **Country and region of origin.** EU citizens enjoyed better employment rates than non-EU citizens on arrival, although they did not ultimately catch up with natives even after a decade of residence. Among non-EU migrants, there was considerable variation by country of origin: immigrants from Bosnia improved their employment rates from 19 percent to 70 percent in the ten-year period between 1997 and 2007, while immigrants from Iraq were only able to reach 50 percent employment (from a baseline of 6 percent). EU nationals were much less likely than non-EU migrants to be in the lowest-skilled work. Only 7 percent of EU nationals in the 1998-2002 cohort were employed in the lowest-skilled work on arrival, compared to 29 percent for non-EU nationals. However, recent arrivals from within the European Union were more likely to work in the lowest-skilled jobs.



- **Education level.** Only half of low-educated new arrivals were employed after 14 years of residence in 2011, while those with secondary education were able to achieve close to 70 percent employment rates, and newcomers with tertiary education had employment rates of 75 percent. These rates declined a little with the onset of the recession. Surprisingly, immigrants with only a primary education or less saw their employment rates rise slightly during the recession. Moreover, having a secondary education was poor insulation against unskilled work for more recent cohorts, who were only slightly less likely to work in these jobs than those with a primary education or less.
- **Sector.** Health, social services, and veterinary services provided decent earnings, robust income growth, and a large proportion of middle- and high-skilled jobs (although the share of immigrants in unskilled jobs grew slightly with the recession). In contrast to elsewhere in Europe, the share of immigrants working in construction rose from 2008 to 2011, making construction the second-biggest immigrant-employing sector by 2011. However, in both the construction sector and in manufacturing, wages fell in this time period. Meanwhile, many immigrant jobs in real estate and business, and wholesale and retail were wiped out with the recession. Hotels and restaurants remained reasonably stable, with only some foreign workers leaving the sector, coupled with modest occupational mobility and income growth—although the sector remained the worst paid for immigrants by far.

While intra-EU (especially Scandinavian) and high-skilled labor migrants have displayed healthy labor market performance, refugees and family arrivals continue to represent a significant challenge for integration policy—and one that will endure, especially if Sweden’s commitment to providing a sanctuary for Syrian refugees brings in new waves of newcomers. In the coming years, the longer-term impact of the country’s 2008 labor migration reforms will also become clear. The economic recovery may drive demand for more non-EU low-skilled labor migrants whose integration needs are likely to differ from previous cohorts of immigrants.

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## I. Introduction

Although Sweden is not often considered one of Europe’s main immigration countries, it has been a country of net immigration for decades. In addition to longstanding movements within Scandinavia (and especially between Finland and Sweden), Sweden has been a major recipient of refugees and humanitarian arrivals from conflict countries worldwide. After a relatively small-scale labor migration program in the 1950s and 1960s, the lion’s share of immigrants who arrived in the 1970s and 1980s entered through humanitarian and family unification channels. More recently, Sweden’s entry into the European Union in 1995 brought rising numbers of newcomers from other EU countries, alongside the continued growth in humanitarian and family immigration.

While Sweden’s immigration inflows have been modest compared to some other European countries, these levels have been substantial relative to its population. The large share of arrivals that are family and humanitarian based—whose skills are less likely to be in demand in the local labor market—has generated some challenges, especially in relation to these immigrants’ employment outcomes. Sweden has a highly skilled workforce, along with a labor market that has few low-skilled jobs that immigrants can perform on arrival. Many jobs require a considerable level of training and proficiency in Swedish, which family and humanitarian arrivals are unlikely to have.



## Box 2. Data and Definitions

This analysis is based on Swedish national register data, which contains information on the entire population of Sweden at the individual level, to track the outcomes of four cohorts of newcomers to Sweden. This data is collected in the STATIV database by Statistics Sweden from several administrative data registers in the country. The database covers the entire population registered as a resident in Sweden on December 31<sup>st</sup> of each year. The database only records migrants ages 18 to 64 with a valid permit of residence of at least one year's duration, hence it excludes temporary and seasonal migrants.

This study assesses outcomes for four groups of migrants arriving between 1993 and 2011, separated according to their years of arrival into four-year cohorts. The first cohort includes those who arrived between 1993 and 1997; the second cohort from 1998-2002; the third between 2003-07; and the fourth from 2008-11. Note that the final cohort spans only three years.

The study analyzes the cohorts' progress at four points—1997, 2002, 2007, and 2011—chosen because comprehensive microdata allowing for analysis of labor market outcomes by individual characteristics is available only for these years.

Throughout the report “immigrants” refers to those who are foreign born, and “recent” immigrants are those who arrived in Sweden since 1993. Newcomers to Sweden from other European Union countries are “mobile EU citizens.” And the term “non-EU migrant” is interchangeable with the “third-country national” terminology used by the European Union and others.

Sweden's regulatory environment, which imposes considerable costs for hiring and firing, may increase the risk for employers who hire new immigrants, whose skills and experience are yet untested. Relatively high minimum wages (negotiated by sector through collective agreements with trade unions and employers associations) may further discourage employers from hiring low-skilled migrants. This strict employment regulation for permanent work coexists with relatively lax employment regulation for temporary work, so many of Sweden's (limited) low-skilled jobs are organized through temporary contracts. While these temporary contracts may provide opportunities for newly arrived immigrants to get host-country work experience while they settle in and learn Swedish, this labor market duality poses the risk that some immigrants may get stuck in temporary, low-paid work with limited opportunities to acquire skills.<sup>1</sup>

This report examines the extent to which immigrants who arrived in Sweden from 1993 to 2011 have been able to enter work and move upwards within their occupations. The report first describes the characteristics of different cohorts, then assesses factors that shape their earnings and occupational mobility, and finally analyzes which sectors provided the best opportunities for immigrants to move into middle-skilled jobs.

## II. Characteristics of Immigrants to Sweden

At the beginning of the millennium, the foreign-born population in Sweden comprised more than 11 percent of the population. By the end of 2011, it had swelled to 15 percent—reflecting an increase of more than 1.4 million people.<sup>2</sup>

Over the past 20 years, major sending countries have included Bosnia and Herzegovina, Finland, Iraq, Iran, Poland, Somalia, and other countries of the former Yugoslavia—although these have varied considerably

1 Organization for Economic Cooperation and Development (OECD), *Economic Surveys: Sweden* (Paris: OECD, 2012), [www.oecd.org/eco/surveys/Sweden%202012%200verview.pdf](http://www.oecd.org/eco/surveys/Sweden%202012%200verview.pdf).

2 Henrik Emilsson, “Sweden” in *European Migration: A Sourcebook*, 2<sup>nd</sup> edition, eds. Anna Triandafyllidou and Ruby Gropas (Surrey, United Kingdom: Ashgate, 2014).



**Table 1. Characteristics of New Arrivals by Selected Countries of Origin, 1997-2011**

	1993-97 Cohort		1998-2002 Cohort		2003-07 Cohort		2008-11 Cohort	
	Migrants	Percent of Cohort	Migrants	Percent of Cohort	Migrants	Percent of Cohort	Migrants	Percent of Cohort
<b>Scandinavian Countries</b>								
Denmark	2,945	1.7	2,294	1.6	10,407	4	6,270	2.6
Finland	7,012	4.1	5,259	3.7	6,508	2.5	5,399	2.3
Norway	3,480	2	4,422	3.1	6,118	2.4	4,714	2.0
<b>Other Countries of Origin</b>								
Bosnia and Herzegovina	32,999	19.3	139	0.1	4,089	1.6	2,358	1.0
Chile	1,475	0.9	7,449	5.2	2,072	0.8	-	-
Iran	4,701	2.7	18,743	13	6,623	2.6	9,177	3.8
Iraq	11,775	6.9	7,837	5.4	27,005	10.5	22,000	9.2
Poland	3,024	1.8	5,949	4.1	16,392	6.4	15,553	6.5
Somalia	4,222	2.5	-	-	7,017	2.7	13,783	4.9
Turkey	3,370	2	5,130	3.6	6,017	2.3	6,698	2.8
Former Yugoslavia	18,532	10.8	5,298	3.7	2,459	1	706	0.3
<b>Regions</b>								
Rest of Africa	6,888	4.0	15,231	10.6	16,104	6.3	19,103	6.8
Rest of Asia	14,534	8.5	24,048	16.7	45,286	17.5	44,652	18.7
Rest of Europe	19,883	11.6	16,018	11.1	49,817	19.3	56,492	23.7
Rest of Middle East	-	-	-	-	-	-	65,548	27.5
North America	4,498	2.6	3,272	2.3	6,147	2.4	3,734	1.6
Oceania	767	0.4	380	0.3	1,317	0.5	1,449	0.6
Rest of South America	3,124	1.8	2,760	1.9	5,254	2	10,140	4.3
<b>European Union</b>								
Total EU	52,937	30.9	83,293	45.1	104,846	32.4	59,815	25.1
Total Non-EU	118,406	69.1	101,221	54.9	153,202	67.6	178,204	74.8

*Note:* "Rest of Europe" includes all European countries except for the ones singled out in the table (Bosnia and Herzegovina, the other countries of the former Yugoslavia, Denmark, Finland, Norway, and Poland). The same logic applies to the rest of the regions.

*Source:* Authors' analysis based on Swedish national register data from Statistics Sweden, Stativ database.

following global conflicts. For example, between 1993 and 1997 (the period following the 1992-95 Bosnian war), 33,000 Bosnians arrived—equivalent to 20 percent of newcomers—while the subsequent four-year period saw just 139 people arrive from Bosnia-Herzegovina.

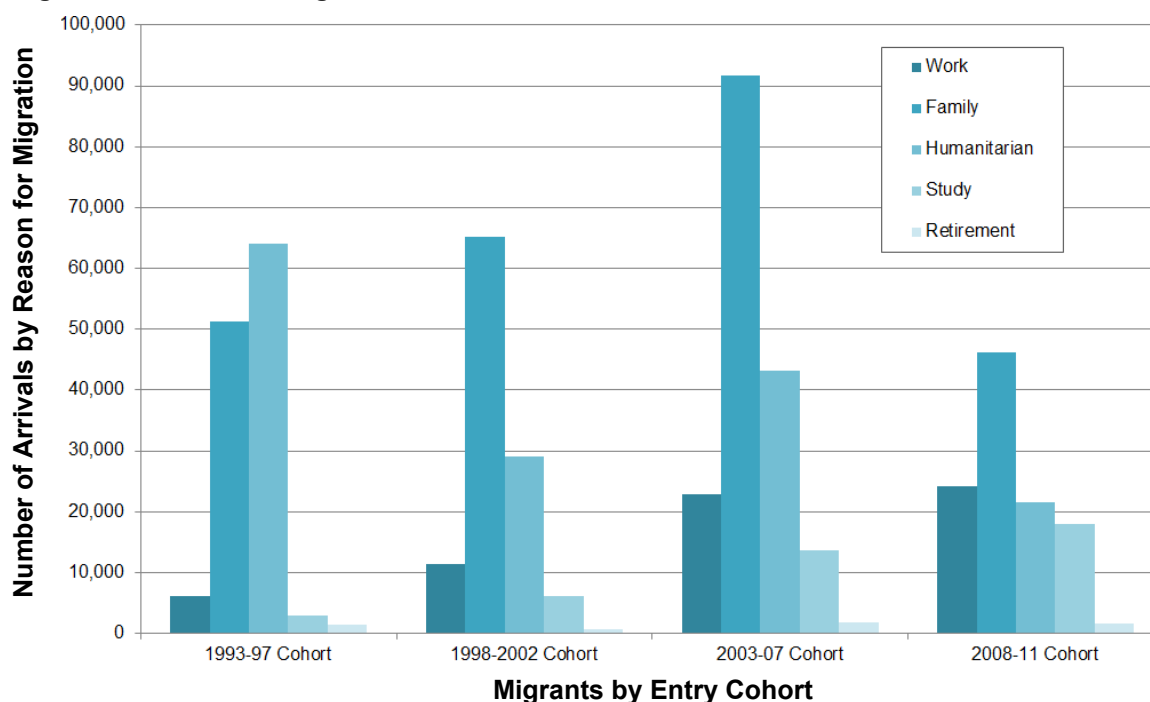
The share of new arrivals who were mobile EU citizens grew from about 30 percent in the 1993-97 cohort, to 45 percent for the 1998-2002 cohort. However, in the most recent cohort mobile EU citizens were only 25 percent of arrivals (see Table 1). Since mobile EU citizens are more likely to move for work than non-EU migrants (many of whom were asylum seekers), their inflows are likely to be more susceptible to fluctuations in the business cycle. Increased flows from the European Union 2003-07 cohort (in raw numbers, but not percentage) may reflect the 2004 EU enlargement, as well as Sweden's decision not to impose transitional measures on workers from new Member States—although fewer workers from these countries arrived than might have been anticipated, especially since Sweden was one of only three countries that did not restrict access to its labor market or welfare system.<sup>3</sup>

<sup>3</sup> Transitional arrangements are restrictions on labor market access that European Union countries are entitled to impose on workers from new Member States for their first years of residence. Only Ireland, Sweden, and the United Kingdom chose not to impose restrictions on workers from countries that joined the European Union in 2004, namely Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia.

For the past several decades, the overwhelming majority of arrivals to Sweden have come for humanitarian reasons. More than half of the immigrants who arrived between 1993 and 1997 were refugees or asylum seekers (see Figure 1). However, recent years have seen a slowing of humanitarian migration, both in raw numbers and share of immigrants, alongside an increase in family migration (meaning family reunification with Swedish citizens and residents). The numbers of people who immigrated to study also increased in this period, partly as a result of an active campaign to recruit foreign students. The number of international students increased from approximately 3,000 between 1993 and 1997 to 18,000 between 2008 and 2011, although the growth in students from outside the European Union fell off after Sweden imposed tuition fees for third-country nationals in 2011.<sup>4</sup>

Following a national debate about its labor shortages and historically low levels of employment migration, Sweden reformed its labor migration policies in 2008 to make it much easier for employers to bring in immigrants. The new system aims to be demand-led, meaning that employers can recruit workers across the skills spectrum from abroad, provided they advertise the job within the country beforehand.<sup>5</sup> Previously, social partners such as trade unions and employers' organizations could veto work permits for foreign nationals. The reforms also made it easier for international students to remain following graduation.<sup>6</sup>

**Figure 1. Reason for Migration of Select New Arrivals in Sweden, 1993-2011**



*Notes:* New arrivals are defined as having arrived in the four years before the observation point, apart from the 2011 cohort (this cohort spans only three arrival years, which means that all of the cohorts are not directly comparable in total numbers). Also, a significant number of uncategorized arrivals are excluded from this data. For these reasons, the data show the trends of migration in the main categories listed, but do not reflect the overall increase in migration to Sweden as of the arrival of the last cohort.

*Source:* Authors' analysis based on national register data.

Despite these reforms, the share of labor migrants among new arrivals to Sweden (including third-country nationals who arrived under the new policy, as well as mobile EU citizens) only increased by 1.5 percentage points from 2003-07 to 2008-11. One potential explanation is that strict employment protection might make it risky for employers to offer permanent jobs to workers who are untested in the local labor market, and workers may be less willing to move for a temporary contract. Also, few international recruitment agencies

4 OECD, *Recruiting Immigrant Workers: Sweden 2011* (Paris: OECD, 2011), [www.oecd-ilibrary.org/social-issues-migration-health/recruiting-immigrant-workers-sweden-2011\\_9789264167216-en](http://www.oecd-ilibrary.org/social-issues-migration-health/recruiting-immigrant-workers-sweden-2011_9789264167216-en).

5 Employers are required to publicize a new job for ten days on the Swedish job bank system or with the European Public Employment Service (EURES), and to pay workers at least the minimum wage for the sector or occupation.

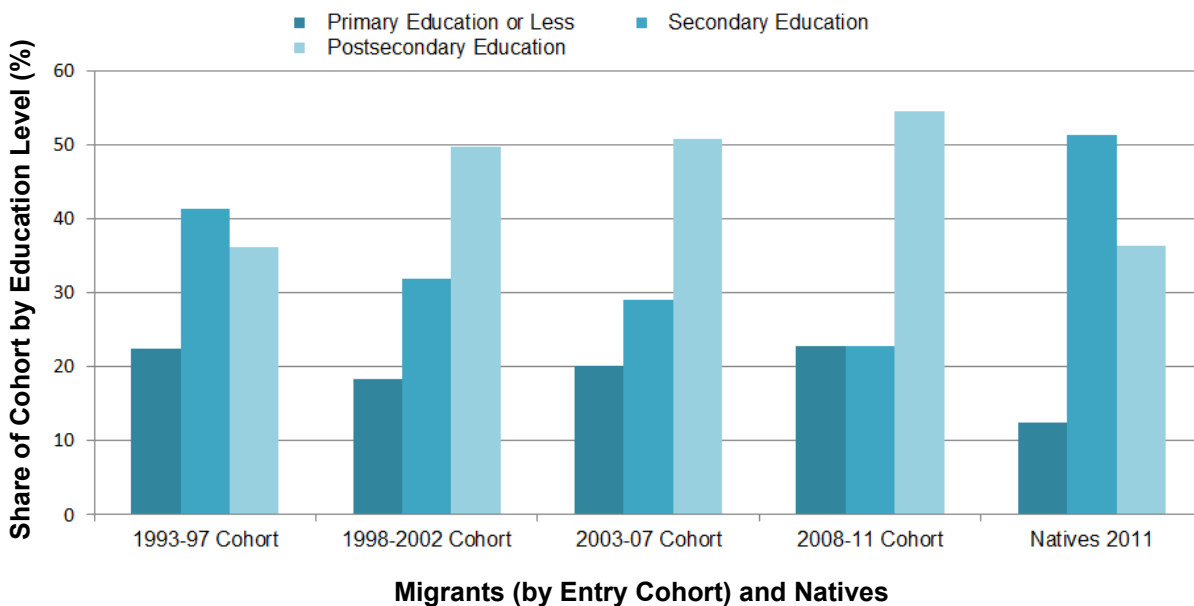
6 OECD, *Recruiting Immigrant Workers*.



facilitate recruitment into Sweden, and Sweden's public employment service does not operate beyond Europe's borders. Finally, Swedish is rarely spoken outside of Scandinavia. While all of these factors may explain why labor migration to Sweden did not increase at a higher rate despite the country's 2008 reforms, the real reason is difficult to judge since these reforms coincided with the recession. Since many new flows may have been temporary, their long-term impact remains to be seen.<sup>7</sup>

In addition to the changing mix in reasons for immigrants' migration to Sweden, the education level of newly arrived immigrants improved from one cohort to the next (see Figure 2). In fact, immigrants who arrived between 1998 and 2011 had higher education levels than native Swedes. While only 36 percent of the 1993-97 cohort had a postsecondary education, 50 percent of the 1998-2002 cohort and just over half of the 2003-07 and 2008-11 cohorts had one. This may be the result of an increased share of newcomers from within the European Union among later cohorts. Meanwhile, natives were more likely than any arrival cohort of immigrants to have an intermediate level of education.

**Figure 2. Education Level of Natives and New Arrivals to Sweden**



Source: Authors' analysis based on national register data.

### III. Labor Market Outcomes of Immigrants to Sweden

#### A. Employment Rates

Much of the growth in immigration to Sweden occurred during an economically turbulent period. During the early 1990s, Sweden experienced the worst financial crisis of any developed country since the Great Depression, and unemployment was almost 10 percent from 1993 to 1997.<sup>8</sup> Following a host of economic reforms, including changes to the banking system and new policies to improve incentives to work, Sweden established a strong economic footing by the late 1990s. Between 1997 and 2007, Swedes improved their employment rates by 7 percentage points. Employment growth then slowed following the onset of the global economic crisis and recession, but overall employment rates did not decline, and Sweden's recovery from the 2008 crisis has been robust.

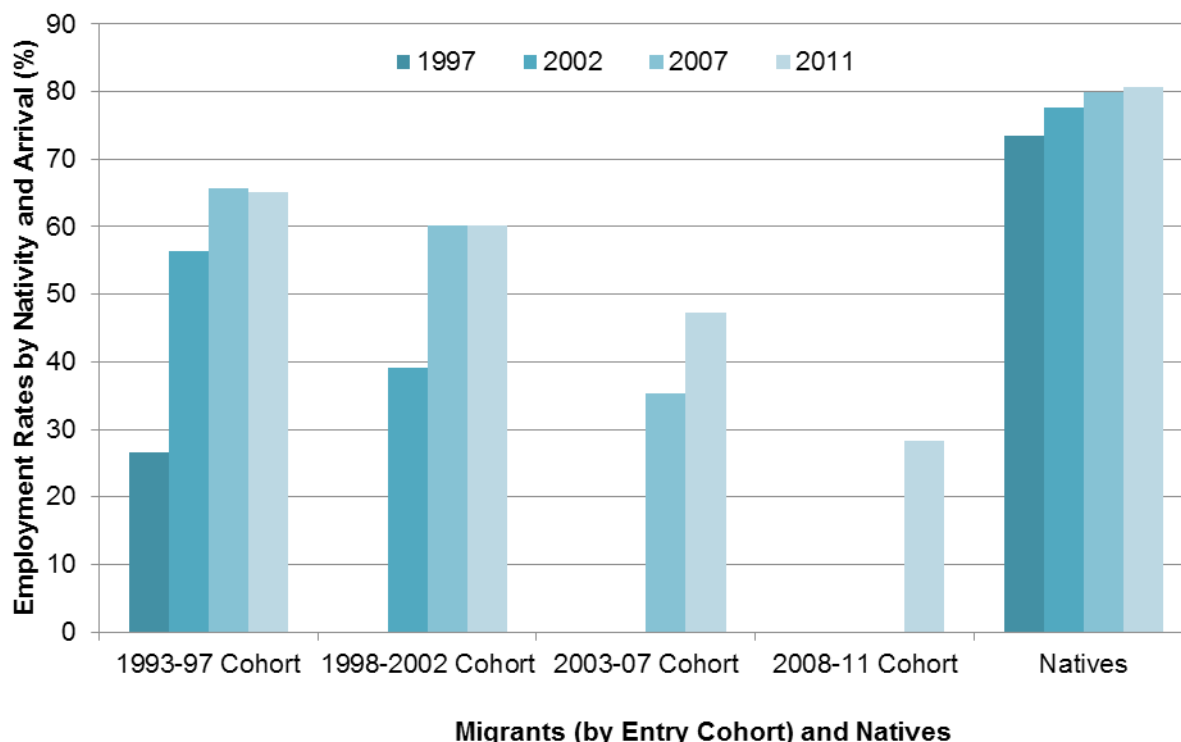
<sup>7</sup> Ibid. According to the OECD, 15,545 immigrants were admitted under seasonal work permits between 2008 and 2010.

<sup>8</sup> OECD, *Jobs for Immigrants (Vol. 1): Labour Market Integration in Australia, Denmark, Germany and Sweden* (Paris: OECD, 2007), [www.oecd.org/els/mig/jobsforimmigrantsvol1labourmarketintegrationinaustraliadenmarkgermanyandsweden.htm](http://www.oecd.org/els/mig/jobsforimmigrantsvol1labourmarketintegrationinaustraliadenmarkgermanyandsweden.htm).

The initial labor market outcomes of different cohorts of immigrants reflect these fluctuating economic conditions. The 1993-97 cohort entered into especially adverse conditions, as did the 2008-11 cohort 15 years later, following the onset of the global economic downturn. By contrast, cohorts that arrived in the intervening period were much more likely to find work upon arrival.

Regardless of initial conditions, each cohort improved its position significantly over time (see Figure 3). The employment rates of the 1993-97 cohort grew by 38 percentage points over 14 years, although they remained well below the level for natives. Unlike natives, the 1993-97 cohort saw its employment rates dip slightly with the onset of the recession.

**Figure 3. Employment Rates of Natives and Immigrant Cohorts, 1997-2011**

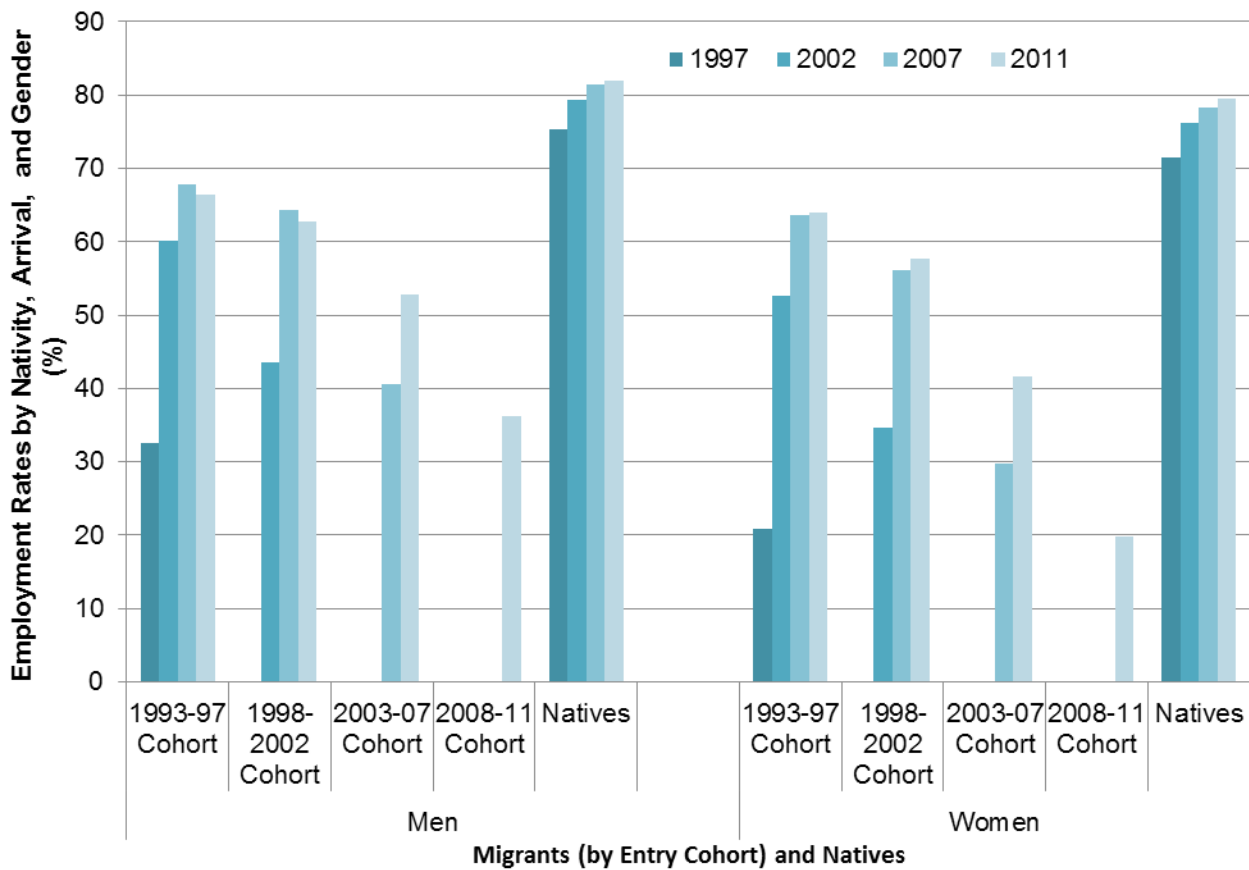


Source: Authors' analysis based on national register data.

Although the patterns are similar for male and female immigrants, newly arrived women started out with lower employment rates than men (21 percent compared to 33 percent; see Figure 4). After a decade of residence, the gap between men and women for the 1993-97 cohort had shrunk from 12 percent to 4 percent. But the distance between women in this cohort and native women leveled out at around 15 percent (widening slightly during the recession).



Figure 4. Employment Rates of Natives and Immigrant Cohorts by Gender, 1997-2011



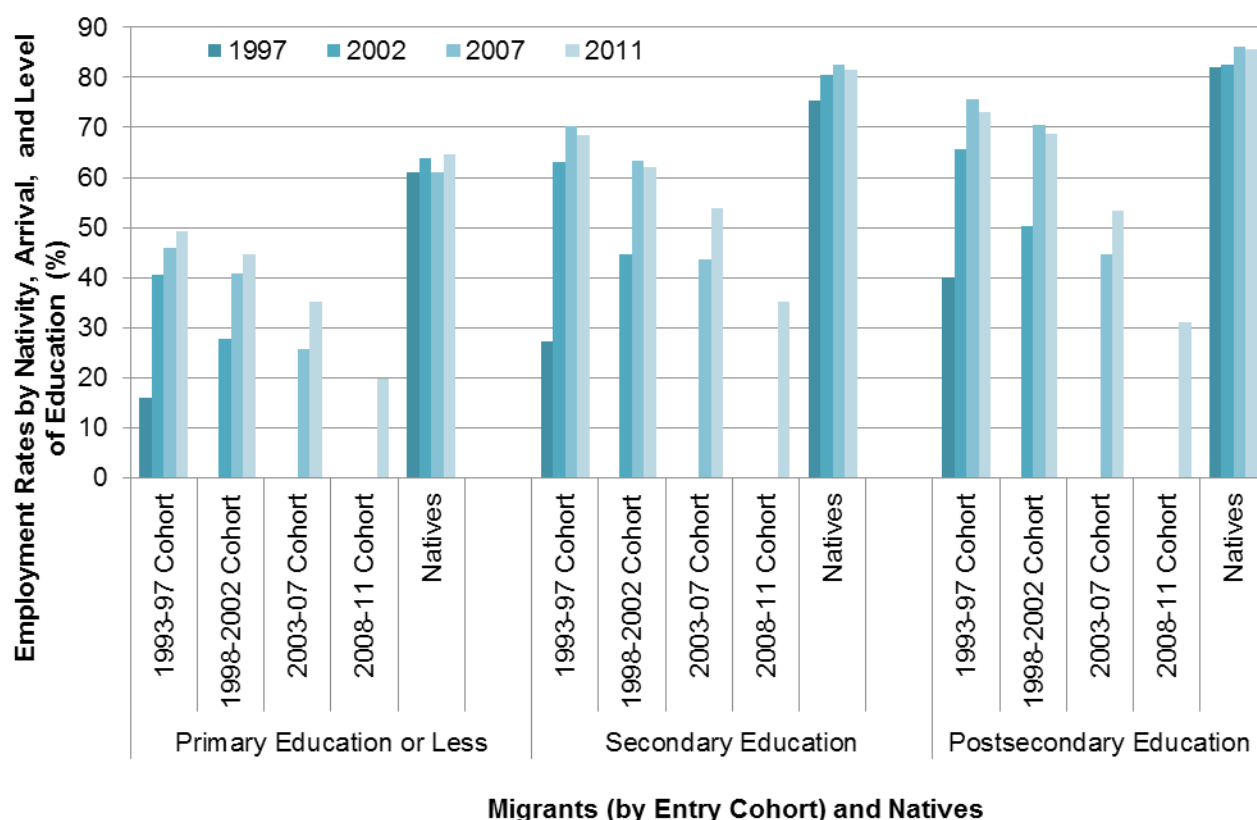
Source: Authors' analysis based on national register data.

Migrants of all education levels improved their employment rates over time (see Figure 5). However, even after more than a decade of residence, migrants with postsecondary education still lagged behind natives with the same education level, with at least a 10 percentage point difference between the employment rates of migrants of any cohort and natives (see Figure 5). The gaps with natives were greatest, however, for migrants with a primary education or less, across most cohorts and years of measurement.

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*Even after more than a decade of residence, migrants with postsecondary education still lagged behind natives with the same education level.*

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**Figure 5. Employment Rates of Natives and Immigrant Cohorts by Level of Education, 1997-2011**


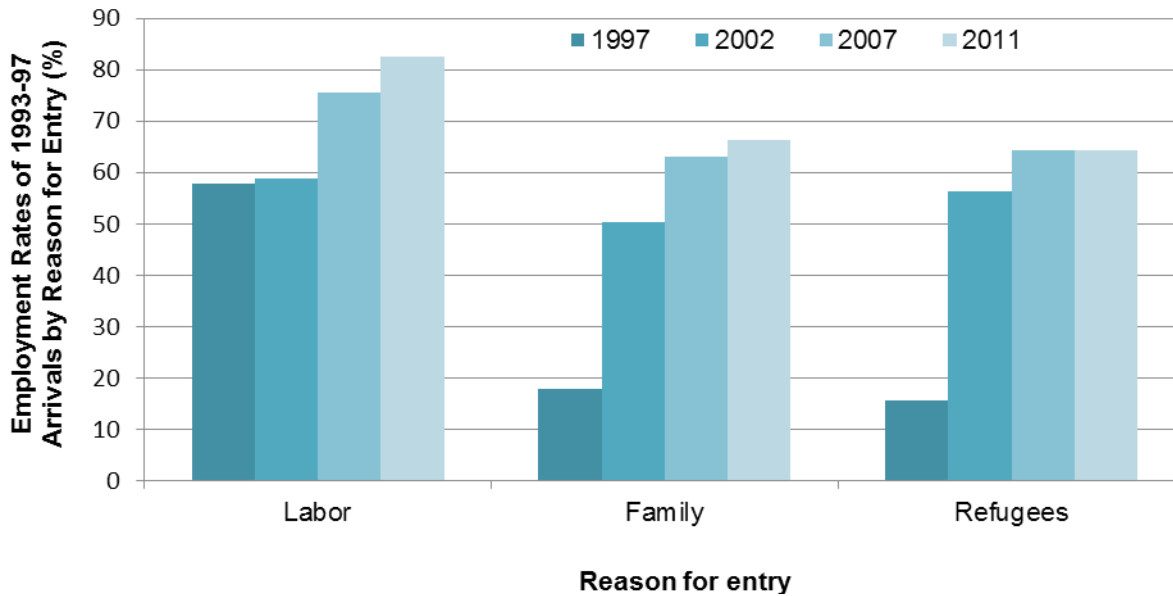
Source: Authors' analysis based on national register data.

Since labor migration was limited until 2008, migrants from outside the European Union who arrived through the labor channel were likely to have been recruited straight into jobs (see Figure 6). In fact, after 14 years of residence, labor migrants displayed slightly higher employment rates than natives (83 percent compared to 81 percent).

The difference in employment levels between family reunification migrants and refugees was small, both upon arrival and over time. The 1993-97 cohort of family unification arrivals entered the labor market with very low employment rates (18 percent), not far above the rate for refugees (16 percent). Since both of these groups arrived without work and have some similar in-country experiences at arrival—they are entitled to participate in the government's introduction programs, which are full-time and thus actively keep migrants out of the labor market during their first years of residence—it is not surprising that refugees and family migrants experience similar labor market outcomes over time. After 14 years of residence, refugees in the 1993-97 cohort had reached an employment rate of 66 percent, while family unification migrants had an employment rate of 64 percent.



**Figure 6. Employment Rates of the 1993-97 Arrival Cohort by Reason for Entry, 1997-2011**



*Note:* This figure includes data on EU and non-EU citizens. The former do not need to apply for residency and work permits, but must still register with the Swedish Tax Office and/or the Immigration Board if they are planning to stay in Sweden for more than three months.

*Source:* Authors' analysis based on national register data.

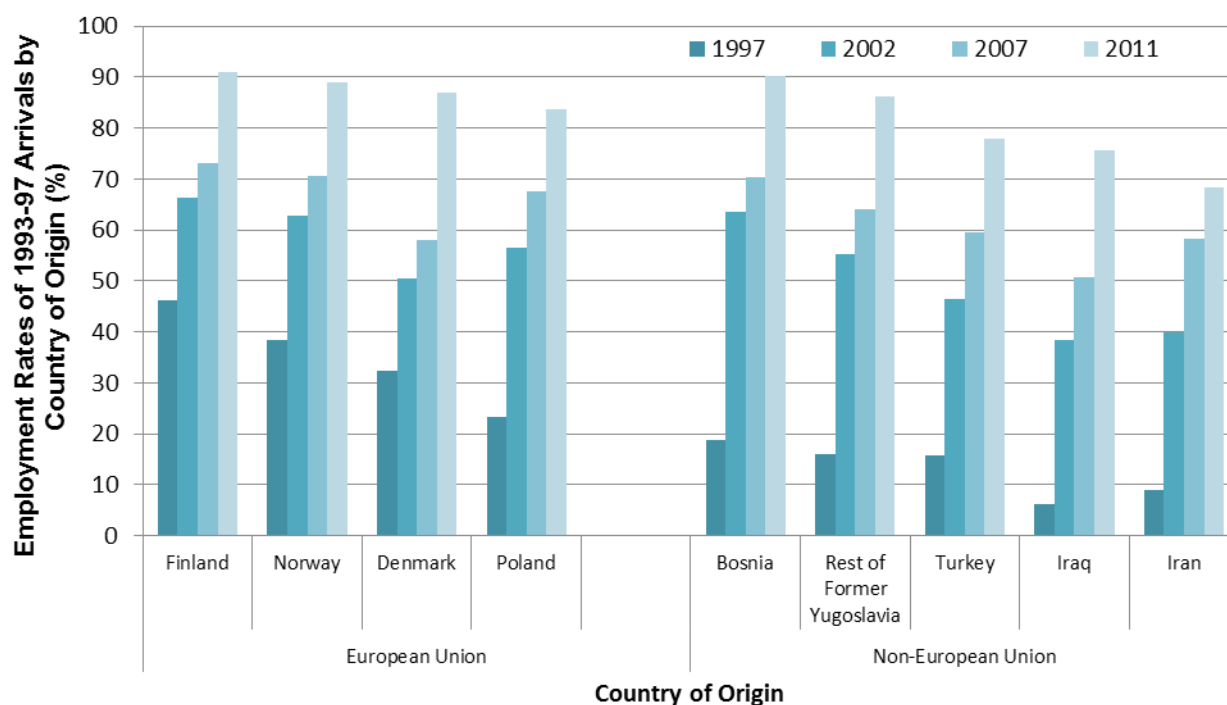
Mobile EU citizens enjoy higher employment rates than non-EU immigrants on arrival, but non-EU immigrants show greater improvement over time. These differences stem from the fact that people moved from within the European Union largely for work or family-related reasons, whereas other immigrants who arrived in Sweden before the labor migration policy shift of 2008 were predominantly refugees or family members of earlier arrivals of refugees.

Some of these arrivals had very low employment rates at arrival. For example, Iraqi immigrants who arrived between 1993 and 1997 had employment rates of 6 percent in 1997, and Iranian immigrants had employment rates of 9 percent (see Figure 7). By 2011, these employment rates had improved to 76 percent and 68 percent, respectively. By contrast, Finnish new arrivals between 1993 and 1997 had employment rates of 46 percent in 1997, rising to 91 percent by 2007.

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*Mobile EU citizens enjoy higher employment rates than non-EU immigrants on arrival, but non-EU immigrants show greater improvement over time.*

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**Figure 7. Employment Rates of 1993-97 Arrivals by Major Sending Countries, 1997-2011**


Notes: Poland entered the European Union in 2004. The former Yugoslavia includes Slovenia, which entered the European Union in 2004.

Source: Authors' analysis based on national register data.

Overall, neither mobile EU citizens nor non-EU migrants as a group ultimately caught up with the employment levels of natives over time. However, just among the main sending countries identified in Figure 7, all EU nationals as well as immigrants from Bosnia and the other countries of the former Yugoslavia exceeded the native employment rate of 81 percent in 2011.

## B. Occupational Progress and Earnings<sup>9</sup>

Sweden has relatively strong employment protection for permanent workers.<sup>10</sup> For example, before dismissing an employee, employers have an obligation to provide alternative work or retraining. They must also negotiate with the social partners (such as labor unions) in the case of collective dismissal. By contrast, regulation of temporary workers is light, and Sweden has one of the highest levels of fixed-term contracts among Organization for Economic Cooperation and Development (OECD) countries.<sup>11</sup>

While temporary and unskilled work can be an important stepping stone for new arrivals while they acquire receiving-country human capital (such as language skills, knowledge of the local labor market, and personal and professional networks), the dualism of Sweden's labor market has raised concerns that some workers will become trapped in temporary contracts. The barriers immigrants face in entering permanent positions may also contribute to stagnant wages, precarious and short-term contracts, or getting stuck in low-skilled work.

<sup>9</sup> Because of data limitations, this section only considers 1998-2002 arrivals and later cohorts.

<sup>10</sup> Among OECD countries, Sweden is ranked 11<sup>th</sup> highest for protection of permanent workers against individual and collective dismissal, but 10<sup>th</sup> lowest for regulation of fixed-term contracts and 9<sup>th</sup> lowest for regulation of temporary-work agencies. See OECD, "Protecting jobs, enhancing flexibility: A new look at employment protection legislation" in *OECD Employment Outlook 2013* (Paris: OECD Publishing, 2013), [www.oecd.org/els/emp/oecdemploymentoutlook.htm](http://www.oecd.org/els/emp/oecdemploymentoutlook.htm).

<sup>11</sup> Ibid.

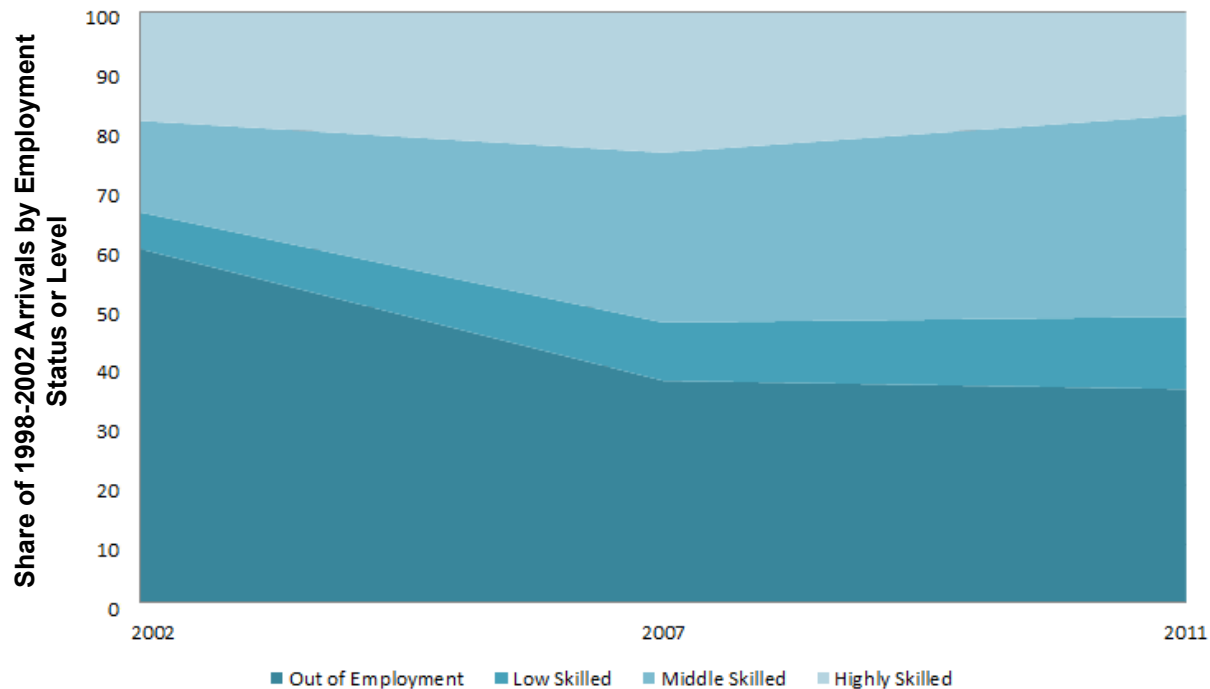




In general, immigrants are overrepresented in low-skilled jobs compared to natives. In 2011, 5.7 percent of natives were in the lowest-skilled work<sup>12</sup> compared to 16.6 percent of immigrants who arrived between 1993 and 1997, 19.2 percent of immigrants who arrived between 1998 and 2002, 25.2 percent of immigrants who arrived between 2003 and 2007, and 25.3 percent of immigrants who arrived between 2008 and 2011. These higher shares of low-skilled jobs are partly due to education level, but education does not account completely for the divergence between migrants and natives. As an example, immigrants from the 1998-2002 cohort were about 5 percentage points more likely than natives to have a primary education or less, but even after more than 14 years of residence, in 2011, their rate of employment in low-skilled work exceeded that of natives by 13 percentage points.

Although immigrants remain overrepresented in low-skilled work, the greatest changes over time come from immigrants moving out of inactivity and unemployment and into work. A whole-of-population analysis of the 1998-2002 cohort in Figure 8, shows that while the share of working immigrants in low-skilled jobs increases over time, this growth comes at the expense of immigrants in inactivity and unemployment—and not in middle-skilled work. Indeed, the share of the 1998-2002 cohort in middle-skilled work also grew from 15 percent in 2002 to 34 percent in 2011.

**Figure 8. Share of 1998-2002 Arrival Cohort by Employment Status or Level (As Percent of Cohort Population), 2002-11**



*Note:* This figure takes outcomes of the “whole of population” in the 1998-2002 arrival cohort into account, meaning all those who are out-of-employment (the inactive as well as the unemployed), rather than solely focusing on changes in occupational level among the already-employed.

*Source:* Authors’ analysis based on national register data.

Examining the raw numbers behind these trends further illuminates the picture. Between 2002 and 2007, the number of unemployed or inactive people in the 1998-2002 cohort fell by 49,200. The sector that saw the most growth was middle-skilled work, which grew by 19,240 people. However, a large number of

<sup>12</sup> Skill level is defined by the International Standard Classification of Occupations (ISCO). Lowest-skilled jobs are defined as International Standard Classification of Occupations (ISCO) Code 9: Elementary Occupations. “Elementary occupations consist of simple and routine tasks which mainly require the use of hand-held tools and often some physical effort.” See International Labour Organization (ILO), “Major Group 9: Elementary Occupations,” September 18, 2004, [www.ilo.org/public/english/bureau/stat/isco/isco88/9.htm](http://www.ilo.org/public/english/bureau/stat/isco/isco88/9.htm).

immigrants in the 1998-2002 cohort (almost 70,000) left the country between 2008 and 2011, after the onset of the economic crisis. Since refugees and their families are less likely to have been able to move, and there was no low-skilled labor migration from outside the European Union in this cohort, many of these migrants are likely to have been high-skilled workers and/or EU nationals. This flight of workers means that while the percentages of the 1998-2002 cohort in low- and middle- skilled work increased between 2002 and 2011, the raw numbers of immigrants in each type of employment actually decreased (see Figure 9).

**Figure 9. 1998-2002 Arrivals by Employment Status or Level, 2002-11**



Source: Authors' analysis based on national register data.

The gaps in income between newly arrived immigrants and natives were also small for the 1998-2002 cohort. In fact, men in this cohort displayed earnings *higher* than native workers—immigrant men earned an average of 302,400 Swedish krona (SEK; approximately US \$31,000) per year in 2002, compared to 275,500 SEK (approximately US \$28,000) for native men.<sup>13</sup> One explanation for the immigrant workers' greater earnings is that while native men had a higher employment rate than immigrant men (79 percent compared to 44 percent), immigrants who were in work were more likely to be high-skilled, likely pushing up their average income. Also, the 1998-2002 cohort had a larger share of EU workers than other cohorts (45 percent), a large share of immigrants with a postsecondary degree relative to natives (50 percent), and a large proportion of workers in professional occupations (24 percent). Subsequent cohorts had a lower share of EU nationals and more immigrants with a postsecondary education, but still had lower average earnings.

By 2011, the share of workers in professional occupations in the 1998-2002 cohort had fallen to 15 percent (see Table 2). The cohort's relative income advantage also diminished, and by 2011, natives earned 17 percent more.

<sup>13</sup> The currency conversions are calculated using the yearly average rate for the year of the data, here and throughout the report.

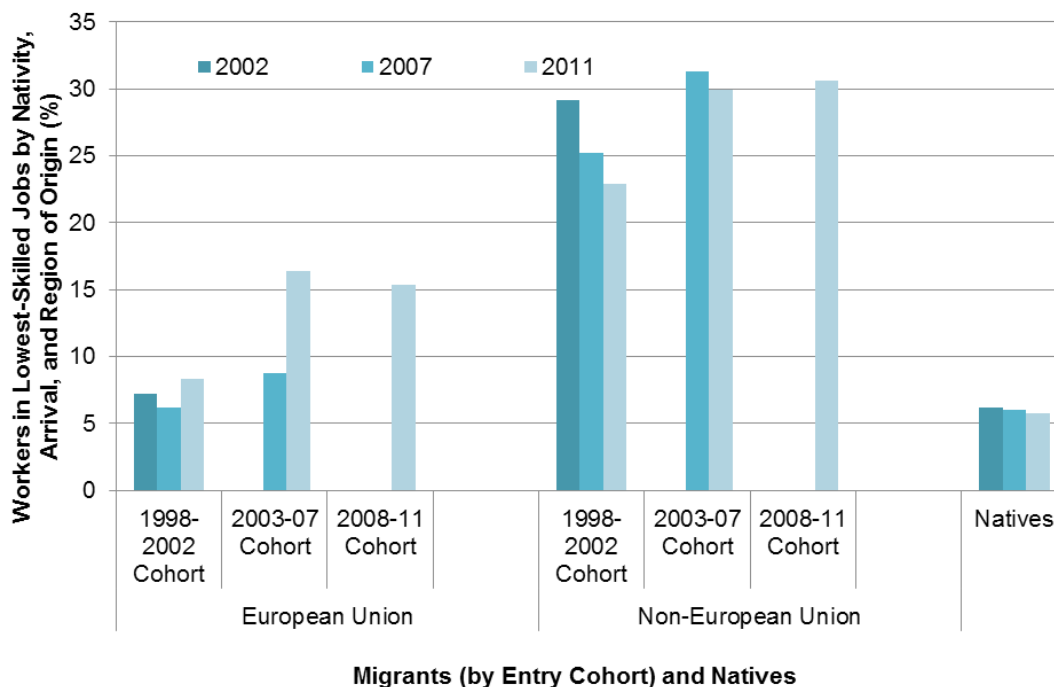
**Table 2. Occupational Distribution of 1998-2002 Arrivals, 2011**

	Percent in Occupation	Percent Female	Average Income (Swedish Krona)	Average Income Growth 2002-07 (%)	Average Income Growth 2007-11 (%)
Armed Forces	0.0	4.5	225,100	34.72	-33.61
Managers	2.3	31.7	530,500	15.35	-28.57
Professionals	14.7	53.2	373,000	16.05	6.98
Technicians and Associates	10.2	0.6	274,200	17.71	-6.24
Clerical Support Workers	6.6	49.8	182,700	21.51	6.03
Service and Sales Workers	29.1	72.7	164,400	27.63	18.70
Agriculture, Forestry, and Fisheries	0.7	31.6	149,100	21.73	0.57
Craft and Related Trades	6.6	9.1	206,700	26.97	6.16
Plant and Machine Operators	10.7	17.7	214,300	28.28	6.33
Elementary Occupations	19.2	54.4	138,100	17.42	14.98

Source: Authors' analysis based on national register data.

Men in the 1998-2002 cohort also saw a decline in earnings from 2002 to 2011 (see Figure 10), the possible result of high-skilled workers returning to their sending countries. Women showed more earnings growth in this period (32 percent over the nine-year period from 2002 to 2011), however this falls short of the earnings growth among natives (40 percent).

While the overall trend during this time is reasonably positive, not all groups performed well. Third-country nationals are overrepresented in the lowest-skilled jobs relative to EU nationals or natives (see Figure 10). Almost one-third of employed non-EU nationals in the 1998-2002 cohort were in the lowest-skilled jobs in 2002. By contrast, EU nationals were almost as unlikely as natives to be in these jobs.

**Figure 10. Share of Native and Immigrant Workers in the Lowest-Skilled Jobs by Region of Origin, 2002-11**

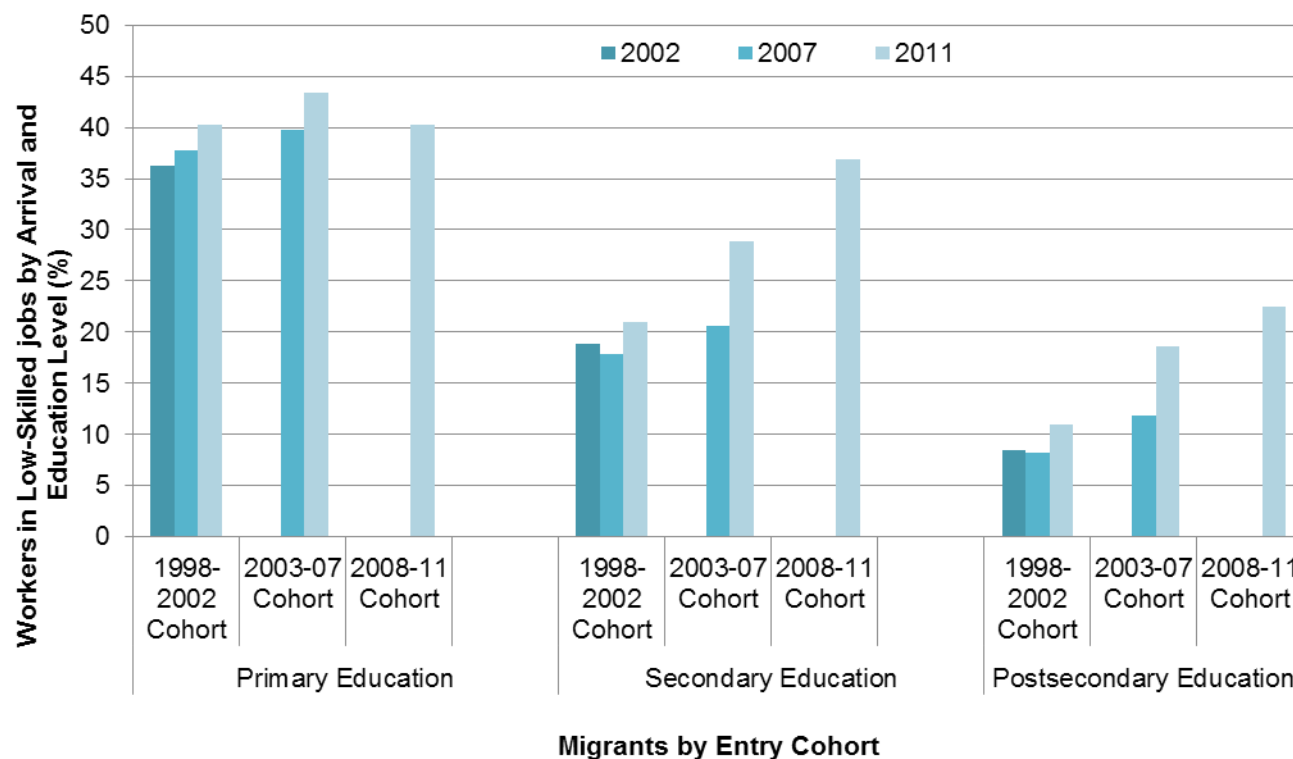
Source: Authors' analysis based on national register data.

Successive cohorts of both mobile EU citizens and non-EU migrants were more likely to be employed in low-skilled jobs in the initial years after migration (see Figure 10). However, the proportion of immigrants with a primary education or less also rose during this period, from 18 percent in the 1998-2002 cohort to 23 percent in the 2008-11 cohort (see Figure 2).

Although fewer mobile EU citizens work in the lowest-skilled jobs both upon arrival and after a period of residence, the percentage of EU nationals who arrived between 2003 and 2007 and were working in low-skilled occupations doubled from 2007 to 2011.

Figure 11 shows that immigrants with a lower education level were much more likely to be in unskilled work. That said, 60 percent of those with a primary education or less from the 1998-2002 cohort were in middle- or high-skilled work by 2011. In later cohorts, however, immigrants with a higher education level were more likely to be in low-skilled work, pointing to some “brain waste.” This may have been due to higher volumes of mobile EU workers from Eastern Europe, for whom even the prospect of unskilled work may have been a financial incentive to move, given Sweden’s higher wages. Alternatively, the higher share of migrants in low-skilled work in later cohorts may be explained by the fact that these years saw greater numbers of students from abroad in Sweden (who may have been employed in low-skilled, part-time work).

**Figure 11. Share of Immigrants in the Lowest-Skilled Jobs by Education Level, 2002-11**

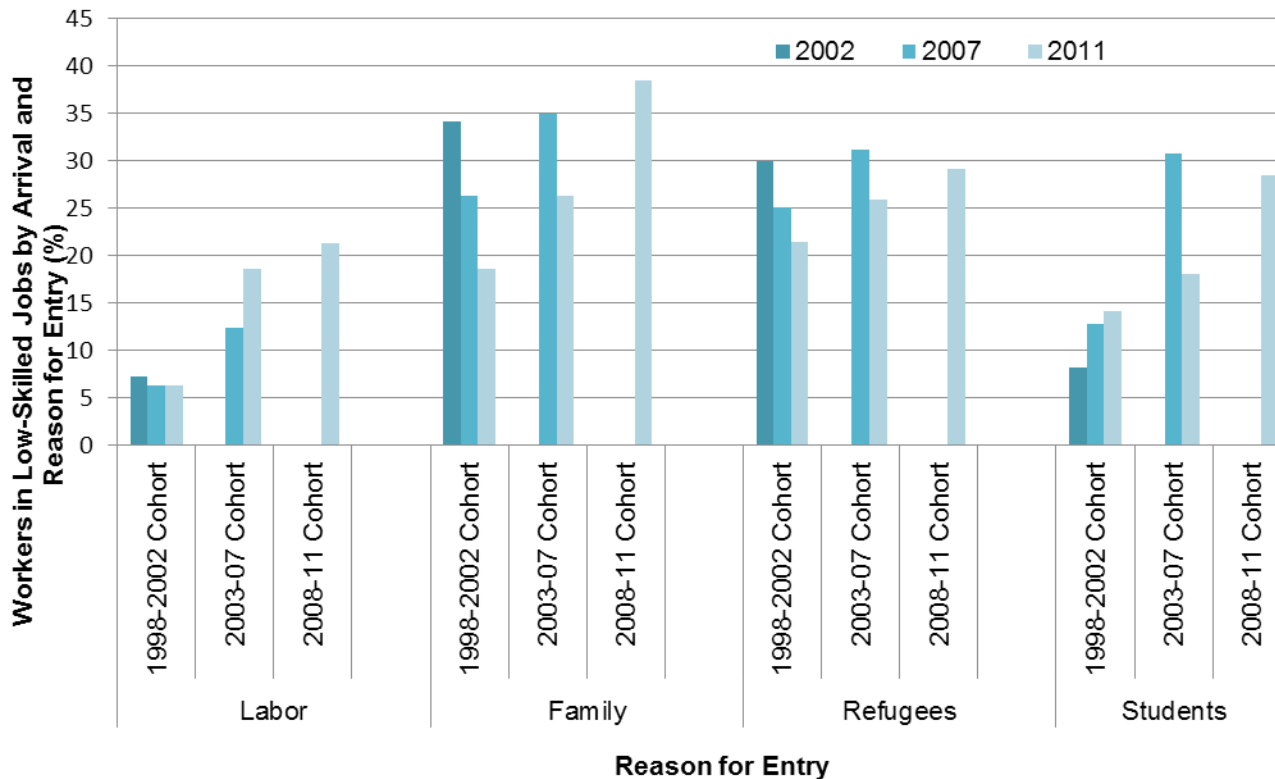


Source: Authors’ analysis based on national register data.

Successive cohorts of labor migrants were also more likely to enter into the lowest-skilled jobs (see Figure 12). This may reflect increased EU mobility and Sweden’s liberalization of labor migration in 2008, both of which increased the volume of low-educated labor migrants. Among refugees, despite significant hurdles in the labor market, their participation in low-skilled work declined over time (see Figure 12). Combined with the fact that so many more refugees entered work during this period, this indicates that at least some entered or moved up into middle-skilled work.



Figure 12. Share of Immigrants in the Lowest-Skilled Jobs, by Reason for Entry



Source: Authors' analysis based on national register data.

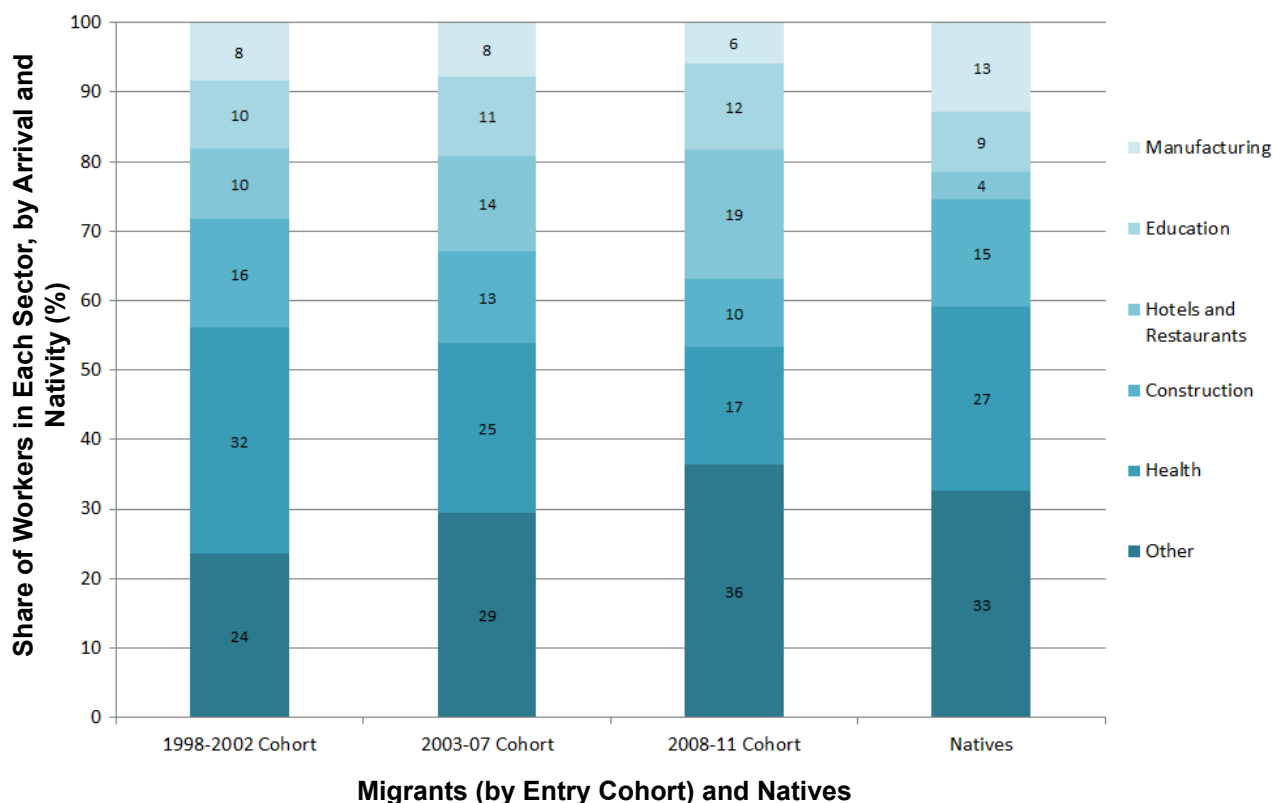
### C. Sector Concentration: Where Were the Best Jobs for Immigrants?

In 2011, the main sectors of employment for immigrants of all cohorts were health, social services, and veterinary activities; construction; and hotels and restaurants. Older cohorts of immigrants were especially likely to work in the health or construction sectors (see Figure 14). Immigrants who had been in the country for more than a decade were especially likely to work in the health sector: among the 1998-2002 cohort, almost one-third worked in health—a little more than the share of natives in the sector, and considerably higher than the 17 percent who worked in the health sector among the most recent cohort.

By contrast, recent immigrants were more likely to work in hotels and restaurants, or education.

For example, 19 percent of working immigrants who arrived between 2008 and 2011 were employed in hotels and restaurants, compared to 10 percent of the 1998-2002 cohort, and 4 percent of natives (see Figure 14). Recent immigrants were also more likely to be employed in the education sector—which was also one of the worst-paid sectors—12 percent, compared to 10 percent of the 1998-2002 cohort, and 9 percent of natives.<sup>14</sup> The 2008-11 cohort arrived in Sweden following the country's labor migration reforms that made it easier for employers to hire non-EU workers from across the skills spectrum.

<sup>14</sup> Authors' analysis based on Swedish national register data.

**Figure 13. Distribution of Native and Immigrant Workers Across Sectors, 2011**


*Notes:* “Health” refers to the health, social services, and veterinary activities sector. “Other” includes several sectors: real estate and business services; public administration, defense and mandatory national insurance; electricity, gas, and water supply; agriculture, hunting, forestry, fishing, and mining; other community, social and personal service; transport, storage, and communication; wholesale, retail trade, and repair; household activities; financial activities; and territorial organizations and foreign embassies.

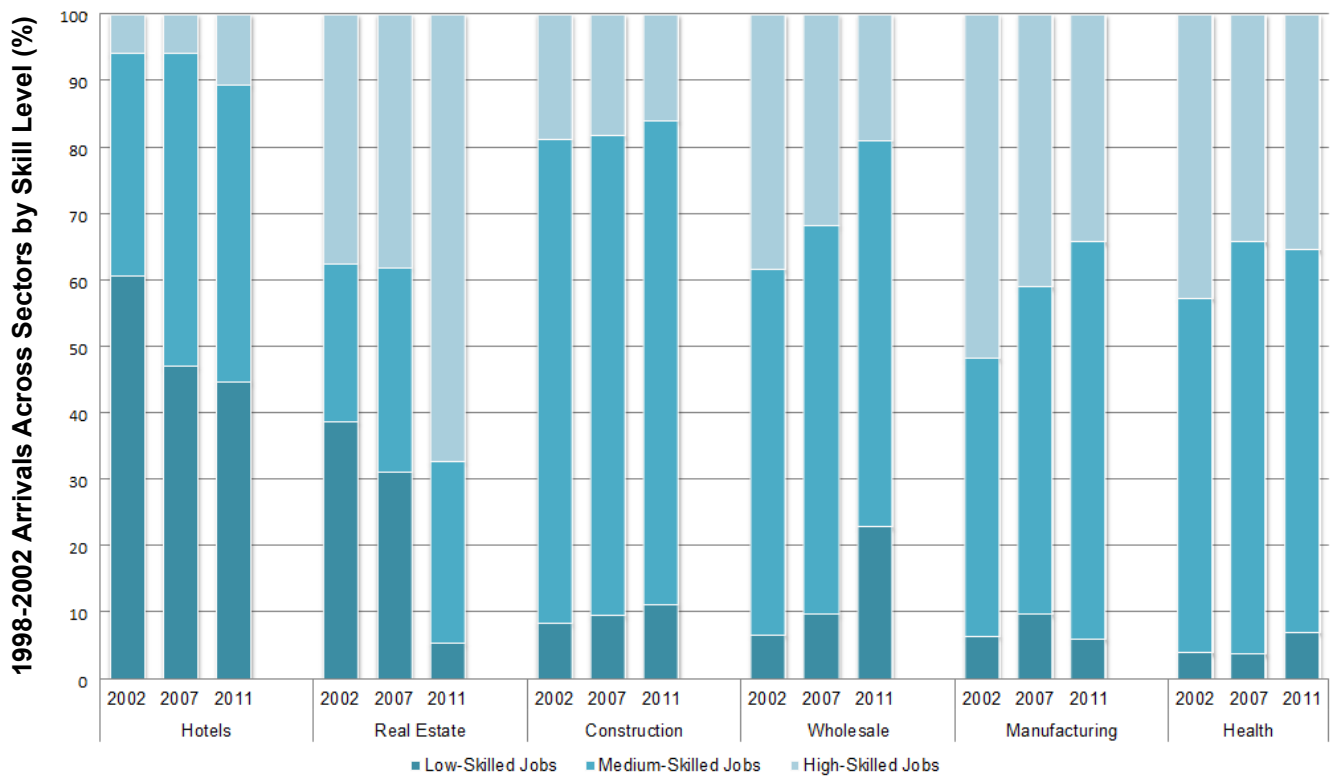
*Source:* Authors’ analysis based on national register data.

Health, social services, and veterinary services appears to have provided immigrants (all who arrived between 1988 and 2011) with robust opportunities for middle- and high-skilled work, with more than 88,000 of these migrants in high- and middle-skilled jobs in 2011. However this sector was only the 10<sup>th</sup> best paid, with average earnings of 230,700 SEK (approximately US \$36,000) in 2011 for the 1998-2002 cohort. Earnings for immigrants within the health sector also fell below natives—but not drastically, with an average of 249,200 SEK (approximately US \$38,000)—and showed marginally less income growth from 2007 to 2011. Only a small share of immigrants in the health sector worked in the lowest-skilled jobs. The sector is also overwhelmingly female—in 2011, 77 percent of the immigrants in the 1998-2002 arrival cohort who worked in the sector were women, compared to 80 percent of the natives.

In contrast, jobs in manufacturing and construction were among the better paid of the main immigrant-employing sectors. The income for both manufacturing and construction fell from 2007 to 2011, as both these sectors were hit hard by the recession, and the percentage of immigrants employed in manufacturing fell from 14 to 8 percent. Somewhat counterintuitively, the share of immigrants working in construction rose from 3 percent to 16 percent during the same time period, making construction the second-biggest sector to employ immigrants in 2011.

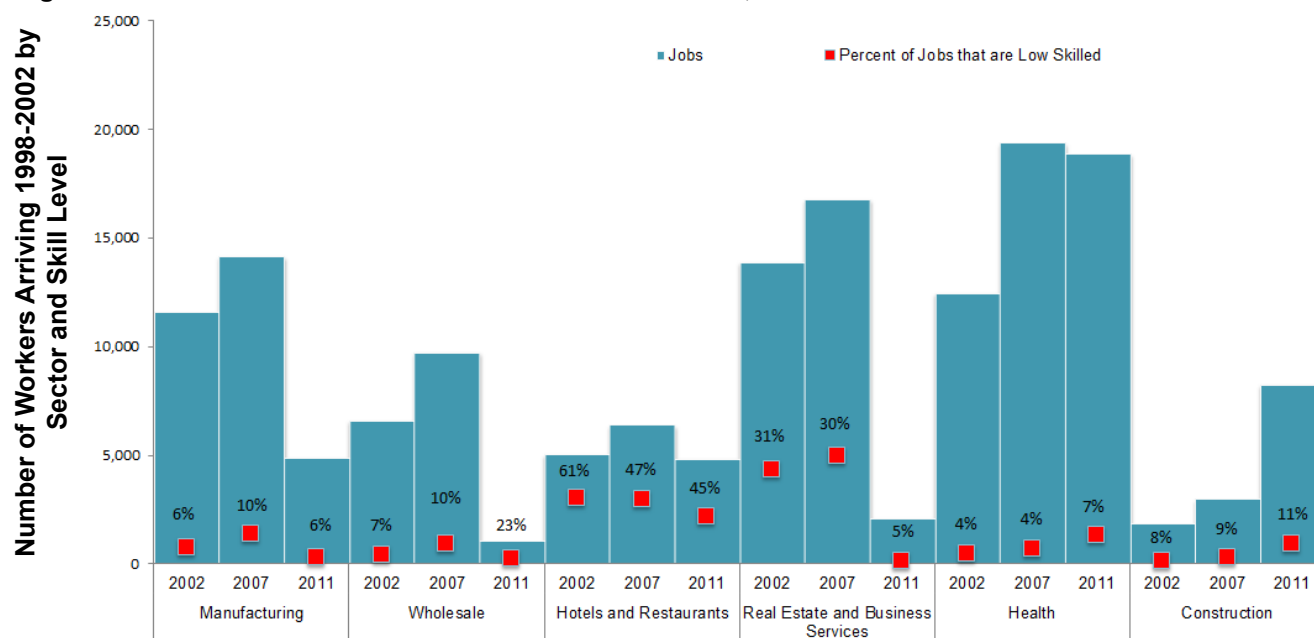


Figure 14. Distribution of Jobs Among 1998-2002 Arrivals Across Select Sectors by Skill Level, 2002-11



Source: Authors' analysis based on Swedish national register data.

The real estate and business sector was a major employer of immigrants in 2007, but most of these jobs were wiped out with the onset of the global economic crisis (Figure 16). While the proportion of low-skilled jobs fell and average salaries rose in this sector during this period, it would be misleading to suggest that this reflects occupational mobility. Instead, it looks likely that job shedding was the most likely explanation, with employers retaining only the most productive workers. Wholesale, retail trade and repair also showed a massive decline in jobs for immigrants from the 1998-2002 cohort, but unlike real estate, many of the remaining jobs were low skilled.

**Figure 15. Number of 1998-2002 Arrivals in Select Sectors, 2002-11**

Note: Sectors shown are those that employed more than 10 percent of the 1998-2002 cohort at any point in time.

Source: Authors' analysis based on Swedish national register data.

Hotels and restaurants is the lowest paid of the sectors shown in Figure 15. It also has the largest share of low-skilled jobs, and shows the greatest overrepresentation by immigrants relative to natives (see Figure 15). However, this sector appears to have been remarkably resilient during the recession, with a small increase in the share of immigrants (from the 1998-2002 cohort) working in these jobs. The sector also saw the greatest growth in average income (with the exception of the very small transport, storage and communication sector), although it was starting from a very low baseline—109,200 SEK (approximately US \$16,000) in 2007 rising to 149,500 SEK (approximately US \$23,000) in 2011 for workers in the 1998-2002 cohort, or 36 percent growth. Additionally, income growth for natives in the hotels and restaurants sector was much greater—129,900 SEK (approximately US \$19,000) in 2007 rising to 204,700 SEK (approximately US \$32,000) in 2011, or 58 percent growth.<sup>15</sup>

## IV. Conclusions

Sweden has seen substantial net migration over the last two decades. The nature of immigration has gradually changed during this period, with an increase in the share of labor migration in relation to family reunification and humanitarian flows. This period also saw an evolution of immigrant integration policies, which gradually stressed the labor market integration of newcomers as the country's primary integration priority. And immigration policies themselves have also changed, by introducing labor-related migration from third countries, and so attracting non-European Union labor migrants to Sweden for the first time in decades.

This report's analysis of the labor market integration of new immigrants shows that employment rates during newcomers' initial years in Sweden are relatively depressed for low-educated refugees and migrants who come based on family ties, in comparison to natives and labor migrants from EU countries. Non-EU labor migrants are also more concentrated in low-skilled jobs and have lower average annual earnings than both EU migrants and natives.

<sup>15</sup> Authors' analysis based on Swedish national register data.





The data also show a shift in sectors of employment over time, with a diminishing concentration of immigrant and native workers in manufacturing, and in hotels and restaurants; and an increase in the share of workers employed in construction as well as in health, social services, and veterinary activities.

The long-term integration of refugees and their relatives has been sluggish compared to that of mobile EU citizens and labor migrants. Therefore, policymakers might consider increased and directed integration resources to accompany a larger intake of refugees—which appears likely as a result of Sweden’s commitment to protecting Syrian refugees.

Sweden’s 2008 labor migration reforms seek to open the door to non-EU labor migrants in order to fill the employment shortages in different sectors. Although it is too early to comment on the results of the reforms,

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*The long-term integration of refugees and their relatives has been sluggish compared to that of mobile EU citizens and labor migrants.*

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new inflows so far have been modest. However, these reforms coincided with the onset of the recession. Greater demand for labor migrants may follow the economic recovery. Looking forward, an increase in low-skilled workers from outside the European Union could bring different immigrant integration challenges to Sweden, since these workers move straight into work and are therefore less likely to participate in Swedish integration programs.



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