

## **From problematic objects to resourceful subjects: An overview of immigrant-native labour market gaps from a policy perspective**

Lena Schröder\*

### **Summary**

■ Sweden differs from many continental European countries by having a relatively high proportion of foreign-born residents as well as a high share of immigrants with tertiary educations. Research on the labour market situation of immigrants in Sweden shows large employment and income gaps between natives and the foreign-born, especially for those born in Africa and Asia. Gender aspects are rarely included in these studies, but scant evidence suggests larger wage and employment gaps for men than women. Studies of the native-born with varying ethnic or national backgrounds clearly suggest discrimination, especially of those with non-European backgrounds.

Research on the role of public policy is less extensive, but suggests severe deficiencies in many of the numerous institutions established to facilitate the transition from non-employment to employment. As such, reforms of integration policy must be based on a change of perspective concerning immigrants: from problematic objects to resourceful subjects. Necessary reforms should be based on thorough evaluations and studies of the mechanisms governing the performance of public authorities involved in the everyday implementation of integration policy. Of equal importance is the functioning of the legal system for combating discrimination as well as proactive measures to change the attitudes and behaviour of employers, trade unions, landlords, street-level bureaucrats and the general population. ■

**JEL classification:** J15, J16, J71.

**Key words:** immigrants, labour market, discrimination, integration policy, gender.

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# **From problematic objects to resourceful subjects: An overview of immigrant-native labour market gaps from a policy perspective**

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Numerous reports show substantial ethnic employment and wage gaps in the Swedish labour market.<sup>1</sup> In the Swedish debate, there are two primary explanations for these gaps: the deficiencies of immigrants and unequal treatment. Many researchers recognise the importance of both unequal treatment and individual productivity differences, especially a lack of proficiency in Swedish among the foreign-born. However, the brunt of research and public policy initiatives exclusively focuses on the problematic characteristics of immigrants and their descendants. A consequence of this one-sided approach to integration is a number of obstacles in attaining policy goals such as equal rights, opportunities and obligations for all regardless of ethnic background. As long as the main problem is considered to be the immigrants themselves, there is only a weak impetus for necessary and urgent changes in integration policy, public institutions and employer attitudes and behaviour. The purpose of this paper is to provide an overview of recent immigration patterns to Sweden, describe ethnic employment and income gaps, summarize the literature that suggests the prevalence of unequal treatment of immigrants in the labour market and discuss how the public institutions set up to facilitate the integration of immigrants can and should be revised.

*\* I wish to thank an anonymous referee, Mahmood Arai, Lena Nekby and Eskil Wadensjö for valuable suggestions.*

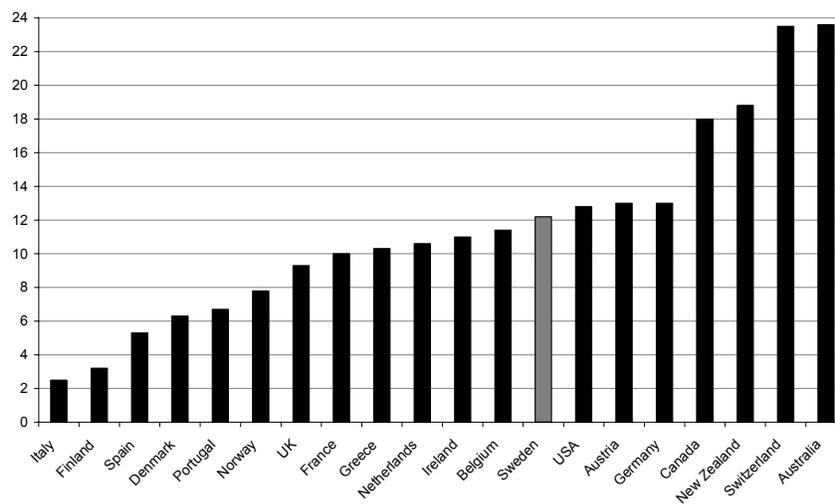
<sup>1</sup> To be clear, by “ethnic” labour market gaps, we mean differences between natives and immigrants or between natives with Swedish and non-Swedish backgrounds (both parents born abroad). The majority of empirical studies uses national background to identify ethnic affiliation, although ethnicity may vary within nations. By immigrant, we mean foreign-born.

## 1. Back-ground

### 1.1. Sweden as an immigrant country

Sweden can today be viewed as an immigrant country since a high proportion of the population is immigrants, i.e., foreign-born. Fifteen per cent of the working age population (16-64) in 2005 were born abroad. In addition, another 3 per cent of the population were born in Sweden with two foreign-born parents.

**Figure 1. Foreign-born proportion of the population, 2004**



*Source:* OECD (2006).

The foreign-born population and their descendants living in Sweden today are a very heterogeneous group. Broadly speaking, there are three major immigrant groups, the labour immigrants of the 1950s and 1960s, immigrants within the free labour markets of the Nordic countries and the EU, and refugee immigrants<sup>2</sup>. After the oil crisis and the subsequent industrial downturn in the middle of the 1970s,

<sup>2</sup> Here and in the following text, the term “refugees” is used to denote quota refugees, convention refugees, people granted residence permits for humanitarian reasons and their families.

refugees and their families have become the main source of immigration. In the 1970s, refugee immigration mainly stemmed from countries in Latin America, the Middle East and Africa while in the 1990s, refugee migration from former Yugoslavia dominated. In the last five years (2001-2005), over 220,000 individuals have immigrated to Sweden, almost 40 per cent of which were born in Asia. As more than 25,000 were born in Iraq, this was the single largest source of migration. Only 12 per cent of the circa 40,000 non-Nordic citizens who were granted residence permits in 2005 were issued for labour market reasons (Swedish Integration Board, 2006b).

### **1.2. The educational composition of immigrants**

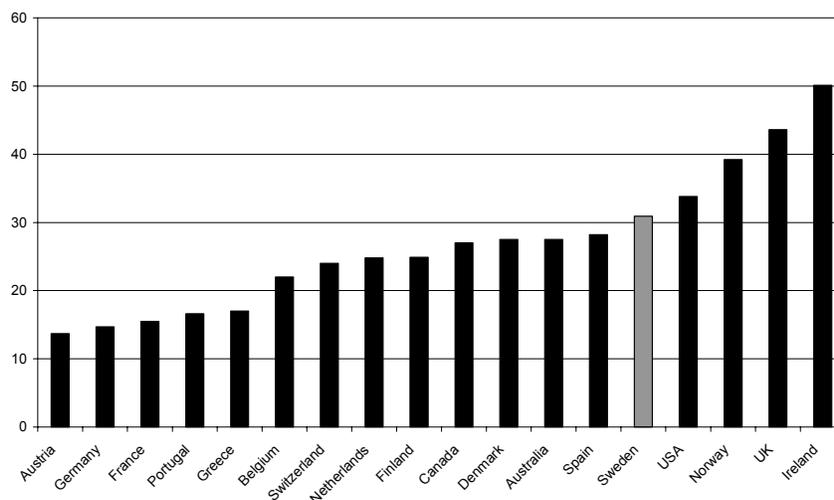
In contrast to the labour migrants of the 1950s and 1960s, the foreign-born population today is, on average, highly educated. The proportion with tertiary education is roughly the same in the native and foreign-born population (around 30 per cent of the population aged 25-64). The foreign-born are, however, somewhat over-represented among those with short educations (6 years or less). Note that approximately half of the foreign-born men with short educations were born in another Nordic country while foreign-born women with short educations were born in another Nordic country, Asia or a non-EU European country (roughly one third from each region).<sup>3</sup>

In international overviews of migration, it is common to distinguish “settlement countries” (USA, Canada, Australia and New Zealand) from “continental Europe”. In the settlement countries, there is a tradition of giving labour migrants permanent residence permits. Through point and/or quota systems, the settlement countries actively recruit highly skilled labour from all over the world. Continental Europe, on the other hand, has traditionally used a “guest worker” system. Sweden is sometimes grouped together with other “continental European” countries, but neither the Swedish migration policy nor the composition of the Swedish foreign-born population fits into the “continental European” model. Sweden does not have, and never has had, a guest worker system. When labour migration ceased in the middle of the 1970s, it was followed by an inflow of refugees, many of them with higher (tertiary) education. Although Sweden does not have any point or quota system for active recruitment of highly skilled migrants from abroad, the educational composition of the foreign-

<sup>3</sup> Own estimations of data from Statistics Sweden (2002) standardised for age.

born population today is more similar to that of the “settlement countries” than the “continental European” countries.

**Figure 2. Proportion of foreign citizens in Sweden with tertiary educations, 2002-2003 (25-64 years old)<sup>a)</sup>**



*Note:* <sup>a)</sup> International statistics on educational levels are available only by citizenship status.

*Source:* OECD (2005).

### 1.3. Integration policy then and now

The shift in the composition of immigrant inflows was followed by changes in integration policy. Up until the mid-1980s, the Swedish Labour Market Board was responsible for the integration of newly arrived immigrants. From 1985, this responsibility was assigned to the Swedish Immigration Board and local municipalities. This shift of primary responsibility also implied a shift in focus from the labour market perspective of the Labour Market Board (AMS) to the social care perspective of local municipalities.

Another policy change of this time aimed at avoiding large concentrations of immigrants in metropolitan regions. In 1985, the authorities instituted an active placement policy through which newly arrived refugees and asylum seekers were dispersed to municipalities throughout the country. This implied a tendency to place recent im-

migrants in regions with abundant housing, with little attention being paid to local labour market conditions. The active dispersal policy was later abandoned but is today once more under consideration. The active placement policy did not formally prohibit immigrants from settling in a region of their choice; however, access to “Introduction Programmes” was conditional on living in assigned municipalities. In an evaluation of the active placement policy, Edin et al. (2000) found that this policy led to substantial long-run earnings losses. The main reason for these losses was not the dispersal programme per se but a shift in policy focus from labour market integration to income support.

#### **1.4. The paradoxical shift in integration policy**

The shift in principal responsibility for the introduction of refugees from the Labour Market Board to the Swedish Immigration Board and local municipalities and the associated policy changes since the mid 1980s have implied a change in perspective where immigrants are regarded as problematic objects rather than highly educated resources with the potential to contribute to economic growth.

There is thus a paradox concerning the shifts in migration flows and the concomitant changes in integration policy. When Sweden began receiving highly educated immigrants through the refugee channel, instead of the relatively low-skilled labour immigrants from before, public policy failed to adapt and shift towards a “human resource management” perspective. Instead, the focus was on handling the perceived problems associated with integrating people originating in non-European countries. Policymakers were slow in finding effective ways of realising the productive potential of highly educated immigrants, e.g. via the recognition and validation of foreign diplomas and complementary further education.

#### **1.5. Immigrant-native labour market gap**

Research on the labour market situation of immigrants in Sweden has been extensive in the last 30 years. The short overview below gives a summary of the main findings from primarily economic quantitative research.

*The employment gap*

Until the mid 1970s, the employment rates of the foreign-born were somewhat higher than those of natives. Since then, the employment rate of the entire foreign-born population has been lower than that of natives with a continuously widening “immigrant-native employment gap”. This downward trend has levelled off somewhat in the mid 1990s for the foreign-born.

The relative employment rate of immigrants is, however, a very crude measure of the labour market situation for this group. Employment and unemployment rates vary considerably according to both duration of residence in Sweden and region of birth. There is a positive correlation between the relative employment rate and duration of residence in Sweden but an employment gap to natives remains even for those with more than 20 years of residence in Sweden. Irrespective of business cycle trends and duration of residence, labour market status differs by region of birth. Closest to the employment rates of natives are those born in other Nordic countries followed by other EU15 countries. The largest employment gap is found for those stemming from countries in Africa and Asia.

The severe employment crisis in Sweden at the beginning of the 1990s hit immigrants more than natives. In the first half of the 1990s, more than 500 000 jobs were lost in the manufacturing sector. Before the crisis, foreign-born men and women were heavily over-represented in the manufacturing industry. Today, the proportion of the work force in manufacturing is the same for natives and immigrants (Swedish Integration Board, 2006a).

*Education and job qualifications*

In recent years, the failure of the Swedish labour market to utilize the skills and competence of immigrants with academic degrees has received greater attention. Research has revealed that immigrants with academic degrees have lower employment rates than natives with a comparable education and that, when employed, highly skilled immigrants have unqualified jobs to a greater extent than natives. Foreign qualifications can in most cases not be immediately transferred from one country to another, implying initial differences in the proportion of academics with qualified work. These differences do not only exist for newly arrived immigrants, however, but also for those who have been in Sweden for longer periods of time, i.e. 16-35 years. A sorting

of workers according to countries of origin and phenotypic characteristics such as skin or hair colour is evident as well. Highly educated people from Nordic and other EU15 countries are close to natives, while the biggest differences are found for those born in African and Asian countries.<sup>4</sup> The only exception to this pattern is highly educated women from countries in the Middle East.

An interesting feature is that the traditional gender pattern is a bit less pronounced among foreign-born women than among the native born. Foreign-born women, especially from countries in Eastern Europe, the Middle East and other Asian countries, have academic degrees within the technical and natural sciences to a larger degree than native women (Ekberg and Rooth, 2004).

*The income/wage gap*

The majority of the studies on wage differences between immigrants and natives are carried out in the “income assimilation” tradition of US researchers such as Chiswick and Borjas. The general consensus is similar to that of employment differentials. Until the mid 1970s, immigrants and natives on average had roughly the same income levels. Since then, annual incomes have been lower for immigrants than for natives. Income gaps decrease with duration of residence but exist even for those with more than 20 years of residence in Sweden. Irrespective of possible human capital differences and duration of residence, income gaps are largest for non-European immigrants. Econometric estimations yield results suggesting that the income gap is primarily due to differences in labour market attachment (Edin and Åslund, 2001).

For those successful in finding employment there is, however, a gap in hourly wages as well. Irrespective of duration of residence in Sweden, the hourly wage gap in the middle of the 1990s was negligible for immigrants originating from countries in Northern and Western Europe.<sup>5</sup> The largest wage gaps were found for non-European immigrants despite controls for potential human capital differences. An interesting finding is that the wage gap increases when these variables are included in the estimation, implying that the returns to edu-

<sup>4</sup> Highly educated is defined as degrees requiring at least two years of study at the tertiary level.

<sup>5</sup> Note that USA, Canada, Australia and New Zealand are included in these regions.

cation are lower for the foreign-born than for natives, a result found only for educations acquired abroad (Le Grand and Szulkin, 2002).<sup>6</sup>

*Gender and ethnic gaps*

Immigrant women may face special problems in the regular labour market as they risk being discriminated against as both immigrants and women. There is also a concern that women from especially non-European countries may face more traditional norms concerning the role of women in the household and the workplace in comparison to women from West European countries (OECD, 2004, 2006; Council of Europe, 2005; Heron, 2005. For an overview of the Swedish literature and a debate on this issue, see de los Reyes, 2001). Unadjusted summary statistics on employment reveal a general pattern indicating that native men do best, followed by native women, foreign-born men and, at the bottom of the list, foreign-born women.

Few studies, however, have specifically addressed the question of whether ethnic employment or wage gaps are larger for men than for women. Studies analysing men and women separately show results contrary to the expectations: ethnic employment and wage gaps are smaller for women than for men and employment as well as wage convergence are faster for women than for men (le Grand and Szulkin, 2002; Nekby, 2003; Edin and Åslund, 2001). le Grand and Szulkin (2002) conclude that for women, the disadvantage of being an immigrant is reduced over time, while the disadvantage of being a woman remains. For men, the disadvantage of being an immigrant does not disappear over time. Nekby (2003) explicitly addresses the hypothesis of more traditional gender patterns and finds no support for disparities between natives and immigrants in terms of norms concerning the trade-off between home and the labour market. Women born in non-European countries are no exception to this general pattern. No support is found in Sweden for the family investment hypothesis, i.e. that among newly arrived immigrant couples, the wife adjusts her labour supply in order to support her husband's investments in country-specific human capital (Rashid, 2004).

<sup>6</sup> For studies on the effect of having immigrant parents, see Österberg (2000), Lundh et al. (2002), Behtoui (2004), Rooth and Ekberg (2003), Nilsson (2004), Hammarstedt and Palme (2006), Behrenz et al. (2007).

## 2. Explanations for employment and income gaps

The early research attempting to explain labour market gaps between immigrants and natives focused on the problem of low skilled labour in a knowledge economy. When register information on education became available, it was, however, no longer possible to explain ethnic labour market gaps with low formal skills. Instead, the persistent ethnic gaps were explained by the fact that immigrants in the 1980s and 1990s primarily came from non-European countries, perceived as culturally distant from Swedish culture, thus implying a lower transferability of human capital. In combination with structural changes in the labour market that increased the need for communicative skills, ethnic gaps in the labour market were interpreted as a mismatch between supply and demand.

The cultural distance hypothesis has its roots in the 1930s, but a more recent version of this hypothesis is that culture, attitudes and behaviour are transferred from parents to children and influenced by the prevailing norms in the individual's surroundings. Those who live in deprived or segregated areas and who have immigrant parents that may have faced discrimination in the labour market are believed to develop low incentives to invest in human capital. An alternative hypothesis, however, is that segregation and discrimination instead create stronger incentives to invest in human capital in order to compensate for unequal opportunities. Cultural hypotheses are difficult to test empirically, but the scant evidence available lends support to compensatory behaviour. Immigrants and their offspring appear to value education more than natives (Behtoui, 2006; Jonsson, 2001).

Effective integration policy crucially hinges on not only documenting labour market gaps but understanding why these gaps exist. Therefore, it is important to examine the empirical evidence that attempts to explain immigrant-native differentials. These types of studies fall under two broad categories based on whether the focus is on supply-side individual productivity differences or demand-side employer behaviour.

Economists distinguish between preference discrimination (based on tastes and attitudes in the majority population) and statistical discrimination (based on incomplete information).<sup>7</sup> From a policy perspective, it is important to distinguish between these different forms

<sup>7</sup> A thorough presentation of these concepts is given in Professor Oaxaca's article in this volume of Swedish Economic Policy Review. See also SOU 2005:56.

of discrimination. Statistical discrimination can, for example, be counteracted by measures that make it easier for immigrant job seekers to reveal their true productivity. Taste-based discrimination needs to be addressed by other types of measures aimed at changing behaviours and attitudes among the majority population. Such measures could also work against institutional or structural discrimination, i.e., the rules, norms and routines within institutions and other societal structures that represent obstacles to ethnic minorities in achieving the same rights and opportunities available to the majority population (SOU 2005:56).

### **2.1. Supply side orientation**

A number of studies focus on the degree to which potential differences in host language proficiency explain labour market gaps. Behtoui (2006), Nekby et al. (2007) and Vilhemsson (2002) all use data on young (up to the age of 30) immigrants or children of immigrants in the labour market. These individuals were either born in Sweden or arrived before they were seven years old, i.e. before school start. The data have information on grades in the Swedish language (Behtoui, 2006; and Vilhemsson, 2002) or self-assessed skills in the Swedish language (Nekby et al., 2007). All three studies also use information on the education level and socio-economic position of parents. These studies show ethnic wage or employment gaps for those with non-European backgrounds. Note that these gaps cannot be explained by inferior knowledge of the Swedish language as estimations have controlled for grades in the Swedish language as well as in other subjects. The question of international transferability of human capital is irrelevant as the samples looked at have their entire educations within the Swedish school-system. Discrimination in the labour market is therefore a probable explanation for these gaps.

### **2.2. Demand side orientation**

In order to isolate possible labour market effects due to phenotypic characteristics such as colour of skin, hair or eyes, Rooth (2002) analyses children born abroad but adopted by Swedish parents. Estimates from this study show that adopted children with probable non-European looks fare larger risks of being unemployed than adopted children with probable European looks. The conclusion is that dis-

crimination in the labour market cannot be excluded as a possible explanation for these disparities.

Another approach is to use data on employees that lost their jobs during the deep economic crisis of the early 1990s. The productivity of these individuals should be known to employers as they had already been employed. The Swedish Law on Employment Protection (*Lagen om anställningsskydd*) states that first in-last out is the governing principle when a firm reduces its personnel. Although trade unions and employers have the possibility to make exceptions to these seniority rules, there are no reasons to expect an ethnic unemployment gap for people with the same years of seniority at a firm. Arai and Vilhemsson (2004), however, find that foreign-born employees had higher risks of losing their jobs than native employees, and that the risk was highest for those born in non-European countries. This pattern was found within each seniority class, in spite of controls for the firms' industry affiliation and exposure to unemployment, as well as individual wage rates and a number of human capital variables. The authors conclude that employers and trade unions systematically deviate from the seniority rules in favour of native workers.

Niknami (2005) re-examined the data from Arai and Vilhemsson (2004) running similar estimations but separately for men and women. She finds that women born in Sweden or in another Nordic country had higher risks of losing their jobs than men from these countries. The pattern is, however, reversed for those born in a non-European country, i.e. the risk of becoming unemployed was higher for men than for women. Niknami concludes that the evidence of unequal treatment of workers born abroad (particularly from non-European countries) found in Arai and Vilhemsson (2004) is mainly driven by differences in unemployment risks between male workers.

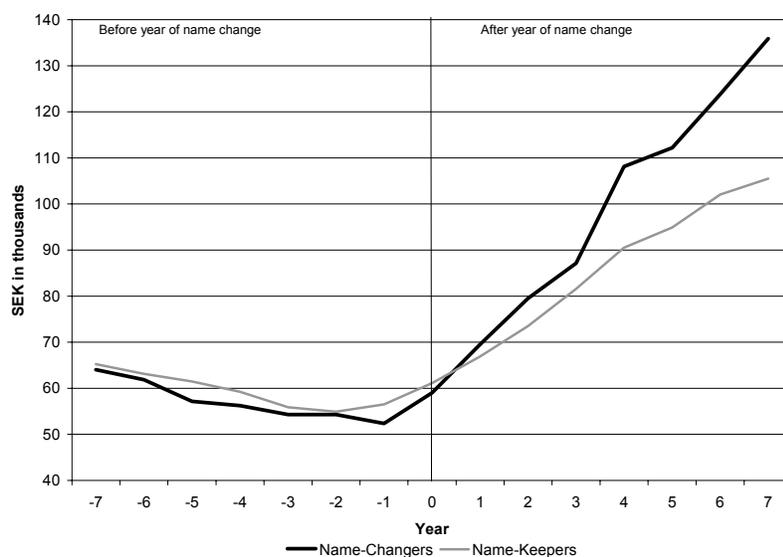
Rooth and Åslund (2004), investigate flows from unemployment to employment before and after September 11<sup>th</sup>, 2001. In spite of changes in attitudes towards immigrants after 9/11, in particular against Muslims, they find no changes in the relative employment probabilities between job seekers who could be perceived as Muslims<sup>8</sup> and other job seekers before and after September 11<sup>th</sup>.

Arai and Skogman Thoursie (2007) study the earnings development of immigrants who changed their foreign-sounding surnames to Swedish-sounding or neutral surnames. The progression of the yearly

<sup>8</sup> People born in countries in the Middle East or North Africa.

earnings of name-changers is compared with the earnings of immigrants born in the same regions who did not change their names. For immigrants with surnames that are typically African, Asian or Slavic, incomes were similar before the name-changers changed their surnames. After the change of surnames, the increase in earnings is steeper for name-changers than for those who kept their foreign sounding surnames. This is illustrated in Figure 3, where the year when name-changers changed their name is designated as zero. The earnings gain corresponds to around 15 per cent on average, and is highest at the lower end of the earnings distribution. The authors conclude that there is a preference in Swedish society for individuals with Swedish- or neutral-sounding surnames, while individuals holding foreign-sounding names pay a price in terms of lower yearly earnings.

**Figure 3. Average yearly income for name-changers and a control group of name-keepers**



*Notes:* 2000 years prices. Year 0 = year of name change (1994, 1995, 1996 or 1997).  
*Source:* Arai and Skogman Thoursie (2007).

During the last year, three field experiments have been started with the purpose of studying if discrimination in the labour market exists and, if so, the magnitude of discrimination. At present, results are

available from two of these studies. Carlsson and Rooth (2006) base their experiment on the “correspondence testing” method. Pairs of equally productive male individuals sent written job applications to the same job vacancy where one of the applicants had an Arabic-sounding name and the other a Swedish sounding name. In total, more than 3,000 applications were sent to more than 1,500 employers. Discrimination is considered to occur if the employer calls only one of the two equally productive applicants to an interview. Depending on how observations where neither of the applicants is called to an interview are treated, the net discrimination rate against job seekers with Arabic sounding names varies between 10 and 29 per cent. Another result from this study is that the net discrimination rate is larger in relatively unskilled jobs than in more high skilled jobs. Male recruiters were found to have a higher propensity to discriminate than female recruiters.<sup>9</sup> The authors’ tentative conclusion is that the difference is due to more formalized recruitment procedures in high skilled jobs.

The International Labour Organisation (ILO) (2006) used the “situation testing” or “practice test” method to measure the level of ethnic discrimination in the Swedish labour market. A pair of testers, one of native origin and one of immigrant origin, are matched in order to apply for the same vacancies. The testers are to be as similar as possible, both in terms of their fictional qualifications and their actual appearance, body language, attitude, personality etc. The testing is performed throughout the three stages of the recruitment process, i.e. inquiry by phone about the job vacancy, written application and job interview. The difference in outcomes between the two testers in each of the three stages is then calculated and used as a measure of manifest discrimination. In Sweden, the testers consisted of natives in the age-group 20-24 applying for unskilled or semiskilled jobs. The testing was done by both men and women. The pairs combined one tester with a Middle East background and one with a Swedish background. The results indicate that discrimination exists in the Swedish labour market and that the bulk of unequal treatment takes place at the second stage, i.e. when the employer selects applicants to be interviewed based on their written applications.

<sup>9</sup> The same gender pattern is found in Ahmed (2004). In a trust game experiment, he found discriminatory behaviour by male players against co-players with non-European surnames. No discriminatory behaviour was found among female players.

## 2.5. Institutional inefficiencies and structural discrimination

Research in Sweden on the labour market situation of immigrants is extensive. Scholars and policy makers draw different conclusions from this vast amount of research, but it is difficult to refute that ethnic discrimination occurs in connection with hiring and firing on the Swedish labour market. In particular, men originating from countries in Africa or Asia seem to be hit hardest by discrimination.

A field that has received less interest among quantitative researchers is the efficiency, structure and function of the numerous institutions set up to facilitate the transition from non-employment to employment in general and, more specifically, for the foreign-born. Most of the research in this field is qualitative and based on case studies. The results, however, point at considerable deficiencies in how these institutions function, which is likely to have an impact on the labour market prospects of newly arrived immigrants to Sweden. These institutional inefficiencies can be regarded as structural discrimination and are described in greater detail below.

### *The asylum process and introduction programmes*

The process of seeking asylum at the Swedish Migration Board is time consuming, often taking more than a year for completion. In most cases, the asylum seeker is not permitted to work during this period. In spite of efforts to reform the procedures for granting asylum, the prolonged asylum seeking process remains and is therefore associated with a risk for human capital depreciation and is potentially detrimental to individual self-confidence, both of which may hamper labour market integration in the new host country.

Once a permanent residence permit is granted, the responsibility for Introduction Programmes is shifted to the municipal level. Municipalities are responsible for introducing refugees and their families to Swedish society in a way that fosters entry into the labour market. An important component in these Introduction Programmes is Swedish language instruction. The results of the language courses are discouraging, however. After more than two years of study, less than one third of the newly arrived immigrants have acquired Swedish language proficiency at the highest possible level (level D), one third have reached lower levels of proficiency, and one third have failed to reach any level of proficiency (Swedish National Agency for Education, 2006).

Another important component of Introduction Programmes is the ambition to integrate work practice with Swedish language instruction, preferably within the participant's educational field and previous occupational experience. Less than one half of the participants, however, receive any form of work practice as part of their Introduction Programme. (Swedish Integration Board, 2006a). The consequence is a drawn out and inefficient introduction period which is reflected in very low employment rates in the years following registration of a refugee in the municipality.

These problems have been known for years. In spite of numerous investigations from public committees and agreements between the municipalities and the Swedish Integration Board, the process of change is slow.

There is a need for further research into the mechanisms behind this institutional inertia. First of all, there is a need for high-quality evaluation studies of the Introduction Programmes in order to get solid evidence of which types of programmes work and for whom. This would require an obligation from the municipalities to keep statistical records of programmes and programme participants. Secondly, it is important to focus on institutional inertia in order to enhance the provision of programmes that have proved to be efficient; for example, investigate the use of economic incentives, i.e. promoting a connection between the success of a given programme and the magnitude of grants that municipalities receive from the State.

#### *The lack of quality evaluations*

There is not only a need for research concerning the introduction system per se, but also regarding the many other municipal and governmental bodies generally concerned with the transition from unemployment (or non-employment) to employment. After having finished the Introduction Programme, many immigrants have difficulties in finding work and instead participate in courses and programmes aiming at enhancing their employment chances. How these welfare institutions function is important to analyse in general, but also with a particular focus on the foreign-born and their descendants.

The National Labour Market Administration and its local Employment Services deal with employer-employee matching in the labour market as well as with various programmes aimed at enhancing the employment prospects of those with difficulties in finding work.

Since the end of World War I, different types of active measures have been an important part of Swedish labour market policy.

The Social Welfare Services at the municipality level are responsible for administering social benefits. An important part of this responsibility is to facilitate entry or re-entry into the labour market through courses and subsidized jobs. The Social Welfare Services, or other parts of the municipal administration, therefore organise their own labour market programmes for the non-employed. Many of these municipal programmes are targeted towards the foreign born, or large shares of the participants are born abroad (Salonen and Ulmestig, 2004; Ulmestig, 2006).

Other authorities geared towards the unemployed or non-employed are those dealing with health insurance, adult education and validation of foreign credentials. With the exception of the National Labour Market Administration, none of these authorities systematically evaluate the effect of their programmes.

A general finding from the National Labour Market programme evaluations is that measures that subsidize wage costs in regular jobs are the most efficient in terms of future wage growth and/or employment chances. It appears, however, that job-seekers from countries in Africa and South-America have a lower probability of securing subsidized jobs (Sibbmark and Åslund, 2006). Another measure found to be effective in fostering the transition to employment is intensified matching and counselling.

From a theoretical point of view, these two types of programmes could be particularly beneficial for the foreign-born and their descendants. If ethnic discrimination is due to what economists call statistical discrimination, measures improving the possibility for demonstrating individual productivity to employers could be of value. These types of measures could also compensate for a lack of employer contacts via personal networks.

Currently, the Labour Market Administration is carrying out a pilot programme for immigrants based on a “supported employment” methodology developed for disabled workers. The methodology involves intensified counselling and matching, the possibility to subsidize wage costs for acquired jobs, and the use of employment officers for support and coaching while at work. An evaluation of the project shows that the positive employment effects seem to stem from the intensified matching efforts and the wage subsidies components of the programme. The coaching element was largely not used, which

suggests that the foreign-born do not need support and coaching at the workplace in the same manner as the disabled (Åslund and Johansson, 2006). These results indicate that labour market programmes that address some of the mechanisms behind ethnic employment and wage gaps, for example the risk of discrimination and the lack of networks, could be of value.

Another much discussed method is to use temporary employment agencies in securing employment. Andersson and Wadensjö (2004) show that immigrants (especially from countries in Africa, Asia and South-America) are more likely to work in temporary employment agencies than natives. This is probably due to a lack of other alternatives. The study also shows that immigrants from these same countries have a higher probability than others of leaving temporary agency jobs for work elsewhere.

*Is there a waiting room syndrome?*

As mentioned above, and with the exception of the National Labour Market Administration, thorough effect evaluations are rare. There are, however, many indications that the system is not working both in terms of how policies are implemented and in terms of the lack of cooperation between the different authorities involved in the process. In many instances, individuals are juggled between different authorities but not always for the purpose of enhancing the possibility of qualified employment. There are incentives for authorities to transfer the “problem” to another authority and another authority’s budget. In addition, there is an incentive to improve the statistical records at one authority at the expense of another authority. Such juggling between authorities delays the process from permanent residency to entry in the labour market. For example, those that are considered job-ready by the Social Welfare Services may be judged in a different manner by the Employment Services. In such cases, individuals are referred back to the Municipality and the Social Welfare Services.

Immigrants not successful in finding employment on their own may be assigned to courses within the adult education system, which implies a transfer of the social welfare costs to the Study Allowance Authorities or that welfare transfers cease altogether. Another possibility is that immigrants are assigned to municipal labour market programmes, which are rarely evaluated or statistically documented. There are, however, examples of municipal labour market programmes aimed at determining whether an immigrant is ill enough to

qualify for health benefits or to document that the immigrant in question can qualify for national labour market programmes, both of which imply a subsequent transfer of costs to other authorities, the Swedish Social Insurance Agency or the National Labour Market Administration (Ulmestig, 2006).

These functional inefficiencies among the various authorities dealing with improving the employment chances of the unemployed or non-employed can be part of the explanation as to why considerably more than 2,000 immigrants with academic degrees and with at least three years of residence in Sweden, remained classified in the category “not job-ready” by the Public Employment Services in December, 2004. It may also be the reason why many immigrants with academic degrees spend year after year in adult education programmes at the *lower secondary* (grundskolenivå) level (Swedish Integration Board, 2004 and 2006a). Due to the lack of evaluations, and in many cases also of statistical records, the magnitude of and the mechanisms behind such potential dysfunctions in the systems are undocumented.

Another underlying mechanism worth studying is the incentive created by governance via quantitative goals, which is commonly used in programmes within the National Labour Market Administration. When goals are formulated as “xx per cent of the programme participants shall have a job after xx days”, there is a clear risk of skim creaming implying that those at risk of being discriminated against by employers are also at risk of not being selected for labour market programmes.

Finally, there could be distortions caused by the different means of financing the unemployed. Those with a previous attachment to the labour market are covered by unemployment insurance, which is more lucrative than the social benefits available for those never successful in entering the labour market. Over and beyond differences in the remuneration levels and stipulations in the two systems, there are also differences between them in terms of access to labour market programmes. An example is that the Public Employment Services are not allowed to treat those with unemployment insurance as “not job-ready”, implying that some of the national programmes are in practice reserved for the insured. A challenging question to answer is whether there are tendencies towards two labour market policy regimes: one national for the insured unemployed and one municipal for the unemployed on social benefits. Since the foreign-born are covered by

unemployment insurance to a much lower degree, there may be a “municipalisation” of national labour market policies for this group.

### 3. Summary and discussion

There are a number of reasons behind ethnic wage and employment gaps and no “quick fix” solution to these gaps. The need for reform touches on many areas of society. A common theme for these necessary reforms should, however, be a change of perspective from considering immigrants as problematic objects to seeing and treating them as resourceful subjects.

The inefficient handling of integration policy by state and municipal authorities is a form of structural discrimination obstructing the likelihood of foreign-born persons achieving the same rights and possibilities as those born in Sweden. Emptying the waiting rooms would require a more evidence-based type of governance. Necessary reforms need to be based on thorough evaluations of the implementation and effects of policy measures.

The scant evidence available suggests the necessity of measures for immigrants in order to diminish discrimination and counter a lack of personal networks. Labour market programmes are organised by the State, the Municipalities and other private and public institutions. There is scope for improvement by including, for example, intensified matching efforts and wage subsidies for ordinary jobs into these programmes. In addition, we need to study the experiences of other countries that are actively recruiting, in particular high skilled labour from abroad.

Finding out what works, in which way and for whom is not enough. In order to change the present institutional inertia, there is a need to look into the underlying mechanisms steering the performance of governmental and municipal authorities involved in the everyday implementation of integration policy. Such mechanisms could be economic incentives that lead to an unproductive juggling of people between different authorities and institutions, quantitative goals and differing forms of financial assistance for the unemployed leading to distortion effects, especially for immigrants. Improved knowledge about the mechanisms of governance could be helpful in transforming well-meaning political declarations into effective policy.

Another field of equal importance is a use of the legal system for combating discrimination as well as proactive measures to change the

attitudes and behaviour of employers, trade unions, landlords, street-level bureaucrats and people at large. What can we learn from Anglo-Saxon countries with a long experience of anti-discrimination legislation? What are the benefits and drawbacks of criminal law as compared to civil law? What would be the effects of including anti-discrimination clauses in public procurement contracts?

Finally, we need to further analyse the intersection of gender and ethnicity. Researchers who study discrimination on basis of quantitative data rarely have a pronounced gender perspective. An interesting question to further examine is whether ethnic discrimination is a predominantly male phenomenon.

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