



Sweden

“Feeding in” and “Feeding out”, and Integrating Immigrants and Ethnic Minorities

A Study of National Policies

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or the Member States.*

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Summary

The general economic development is favourable and 2006 is expected to be the peak in the current business cycle. The annual average growth rate has since 1994 been almost 3 per cent and the expected growth rate for 2006 is 4 per cent. Public finances are solid and shows a long term and stable surplus. Employment rate is in an EU perspective high, especially among women and among the elderly labour force. Despite the favourable economic development has unemployment remained to be a substantial problem and the Swedish unemployment rate is currently around 7.5 per cent. Poverty rates and income dispersion has since the turn of the century remained at a comparably low but stable level.

Somewhat more than 12 per cent of the Swedish population is made up by immigrants. An additional 12 per cent are first generation Swedes, i.e., they are children to immigrants.

Labour force participation and employment rate is lower among immigrants compared to native born Swedes. At the same time suffers immigrants more often from unemployment. Immigrants were especially affected by the economic crisis during the 1990s but there is still a large and persistent gap between immigrants and native born Swedes. There are also evidences showing that immigrants' often are over qualified for the jobs they have, i.e., the skill they posses is under utilized on the Swedish labour market. Immigrants, and to some degree also first generation Swede are, compared with ethnic Swedes, overexposed to unfavourable work conditions. It seems obvious that the problematic labour market situation that many immigrants are facing partly is caused by discrimination.

Poverty and economic hardship is substantially more prevalent among immigrants than among ethnic Swedes. It is also clear that first generations Swedes are more exposed to poverty and economic hardship than ethnic Swedes. Many of the indicators used cover a period from the 1980s up till now. There is no coherent indication that the gap between ethnic Swedes and immigrants has narrowed over time, if anything has the opposite occurred. Also first generation Swedes are constantly found in a relatively unfavourable situation.

Ethnic residential segregation is a well acknowledged problem which clearly reveals the intersection between ethnic categories and socio-economic stratification. There is no consistent trend towards a decrease or increase of residential segregation, the development is best described as mixed, with different development traits in different parts of the country.

Immigrants are generally facing an unfavourable health situation. The difference between immigrants and ethnic Swedes appears in basically all demographic and socio-economic categories. It is also persistent and possibly widening over time.

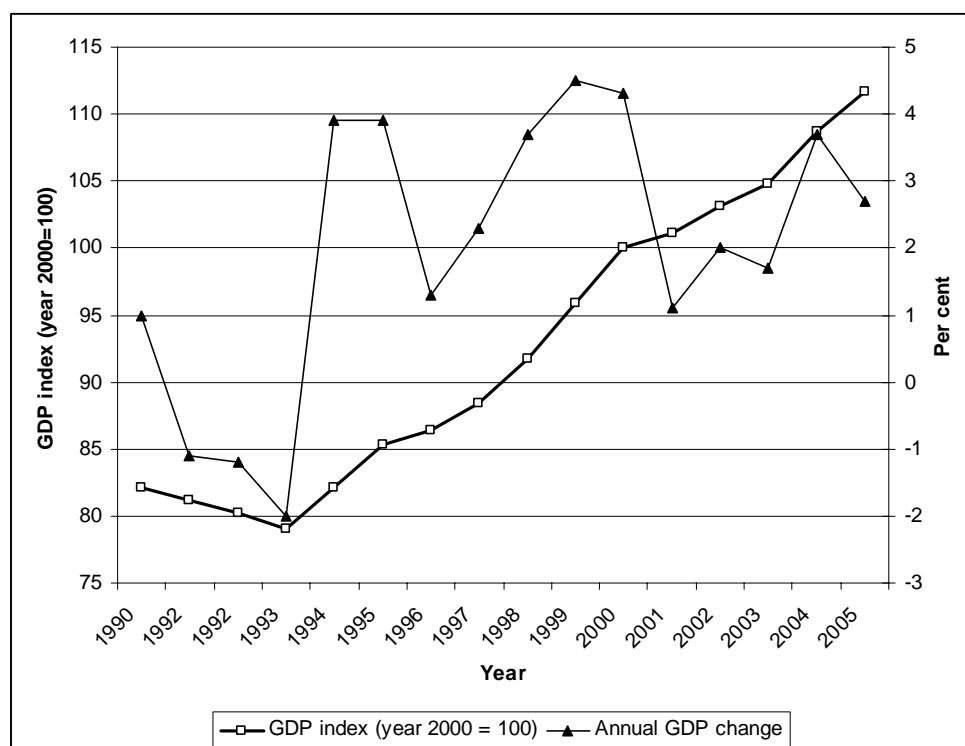
There is a longstanding and persistent gap in educational success rate between ethnic Swedes and immigrants/first generation Swedes. Hence, there is an ongoing reproduction of the cleavages between ethnic Swedes and the rest of the population.

The government's NRP-2006 implementation report is a catalogue of measures that are decided or planned in order to secure the favourable economic development. A central aim is to implement a range of measures that on the one hand increases labour supply and on the other hand increases demand for labour. The government believes that this policy not only will boost Sweden's economic performance but also promote social inclusion via labour market inclusion. A major question for the future is in what way the government intend to tackle problem facing people with no or very little chance getting a job on the regular labour market.

1. General overview

The Swedish economy is currently developing in a very positive way and the Swedish growth rate has, after the economic turmoil in the early 1990s, been strong and the average annual GDP growth has since 1994 been almost 3 per cent. In 2004 the growth rate reached 3.7 per cent, in 2005 the rate was 2.7 per cent and the government estimates a 4 per cent growth rate for 2006 and 2006 is predicted to mark the peak of the current business cycle. The growth rate for 2007 is estimated to 3.3 per cent.

Figure 1. GDP per capita (thousand SEK, in year 2000 prices) and annual change in GDP per capita (per cent)



Source:(Statistic-Sweden 2006a, Statistic-Sweden 2006b)

The Swedish general government sector, i.e., central government, state government, local government, and social security funds, did in 2005 show a budget surplus corresponding to 2.9 percentage of GDP. The average surplus over the past six years is 2 per cent of GDP. These figures can be compared with average budget deficit in the EU-15 of 2.3 per cent of GDP in 2005 and an average deficit of 1.7 per cent during the past six years (EUROSTAT 2006b). So, the over all picture of the Swedish economy is currently quite positive, the economy is growing relatively rapidly and public finance are in good shape. The favourable economic development also recently been translated into a higher demand for labour.

The employment rate has not reach 80 per cent, which was the old government's goal, and the unemployment rate has not fallen under 4 per cent, which likewise was one of the old government's goals. The gloomy labour market development was probably the main cause to why the social democratic government lost the election in September. That labour market policy and employment is the central issue for the new government is apparent and also clearly reflected in the NRP-2006.

Although unemployment figures and low employment rate are big issues in the domestic Swedish debate is Swedish labour market performing rather well in an EU perspective. The employment rate is higher, especially among women and the older section of the work force. The Swedish unemployment

rate is extremely high from a domestic perspective but at the same time slightly below EU average. However, worth to notice is the very low rate of long term unemployment, an important feature in relation to social exclusion.

Table 1: Employment rate 2004, unemployment rate 2004 and 2005 and, long term unemployment rate 2004. Sweden, EU-25 and EU-15.

	Sweden	EU-25	EU-15
Employment rate -2004	72.1	63.3	64.7
Women	70.5	55.7	56.8
Men	73.6	70.9	72.7
Older workers (55-64)	69.1	41.0	42.5
Women	67.0	31.7	33.2
Men	71.2	50.7	52.2
Unemployment rate – 2004	6.3	9.1	8.1
Women	6.1	10.3	9.3
Men	6.5	8.1	7.2
Unemployment rate – 2005	7.8*	8.7	7.9
Women	7.7*	9.8	8.9
Men	7.9*	7.9	7.0
Long term unemployment – 2004	1.2	4.1	3.4

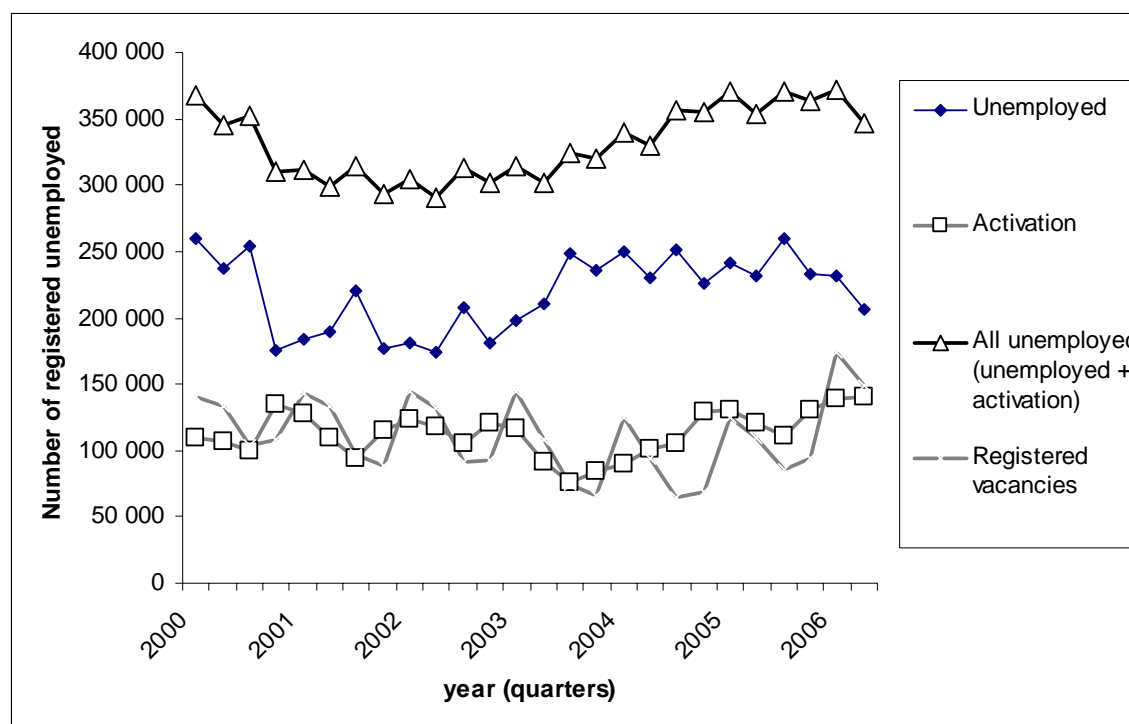
Source:(EUROSTAT 2006a)

* Preliminary figures from the adjusted Swedish LFS

The Labour Market Board (AMS) is on a regular basis presenting statistics on unemployment, job seeking, number of people engaged in activation measures et cetera. Figures from AMS are based on the number of peoples that actually have contact with the employment agency, which among other things means that they are not comparable with figures from the Labour Force Survey. Figure 2 shows that number of people that are unemployed and looking for a job. What we can see is that the figures been rather stable the last couple of years, hovering around 245 000. The number of people engaged in activation programs has increased since mid 2003. The decrease during the first three quarters of 2005 can be seen as an effect of the belief that the growing economy also should result in a growing demand for labour. When this did not happen was the activation program expanded. The number of people engaged in activation programs was in the second quarter of 2006 the highest during the whole period, and this at time when the government forces a growth rate of 3.6 per cent. Critics of the former government were very critical to this development and the new government has clearly stated that their goal is to increase regular employment and decrease the number of people engaged in activation program.

The unemployed and those in activation are together making up the total unemployment figures, i.e., "all unemployed" in the figure below. There been an increase in the total number of registered unemployed since 2003 and the figure for the first quarter of 2006 is the highest during the whole period. On the positive side we can notice that the number of registered vacancies is increasing during the first quarter of 2006. This is partly a season pattern and we can see that the number of vacancies is dropping again during the second quarter. However in year in 2006 the increase during the first starts of from a higher level than previous years and reaches the highest figure for the whole period. So, it might be that the favourable economic situation finally generates more jobs. In the second quarter of 2006 there is a clear decrease of unemployment. Again we know that this is season pattern, but again we can also see that the drop is bigger than usual.

Figure 2: Number of people that are registered as unemployed, participating in activation programs and the number of registered vacancies at the Labour Market Board first quarter 2000 to second quarter 2006



Source: Labour Market Board, http://www.ams.se/admin/Documents/ams/arbdata/arblos/2006/adata_riket0608.xls

The Swedish gini-coefficient has for the last couple of years hovered around 0.25 to 0.26. According to EUROSTAT, (theme Population and Social Conditions, domain Income and living conditions) is it in Europe only Slovenia that has a more even income distribution. There has been a general growth of real wages during the past five years, an increase that also has affected the lowest income decile. The poverty rate has been stable during the past five years, i.e., things has not been worse, but neither have they been better.

Table 2. Gini-coefficient, median income standard (equivalent disposable income, 1000/SEK, 2004 prices), mean income lowest decile, poverty rate 2000-2005.

	2000	2001	2002	2003	2004
Gini	0.295	0.263	0.258	0.253	0.256
Median	140.9	144.8	148.9	149.8	153.7
Mean income: lowest decile	62.2	58.7	64.8	66.2	68.3
Poverty < 50% of median inc.	4.4	4.3	4.5	4.2	4.2
Poverty < 60% of median inc.	8.5	8.6	8.9	8.0	8.5

Source: Income distribution survey 2004

Social assistance is a last resort means tested benefit and it is the only one of its kind in the Swedish welfare state arsenal. As such it is often used as an indicator of poverty and economic hardship. As can be there has been a favourable development since the mid 1990s but the development has been more stagnant during the last couple of years.

Table 3. Per cent of population and households that receives social assistance. Mean value for the number of months assistance has been received, total costs and full years equivalents. 1990-2005

year	Per cent of the population	Per cent of households	Number of months of received social assistance	Total costs, 2004 prices (1000 SEK)
1990	5.7	7.5	4.3	6.376
1991	5.9	8.3	4.4	6.962
1992	6.5	9.0	4.6	8.453
1993	7.4	9.7	4.8	10.028
1994	7.9	10.2	5.1	11.591
1995	7.8	9.9	5.4	11.864
1996	8.2	10.3	5.7	13.001
1997	8.1	10.3	5.8	13.452
1998	7.4	9.3	5.8	12.451
1999	6.6	8.2	5.8	11.352
2000	5.9	7.2	5.8	10.236
2001	5.3	6.4	5.7	9.138
2002	4.9	6.0	5.8	8.766
2003	4.7	5.9	5.6	8.342
2004	4.6	5.9	5.7	8.725
2005	4.5	6.1	5.8	8.584

Source: (Socialstyrelsen 2006) <http://www.socialstyrelsen.se/Publicerat/2006/9206/2006-44-7.htm>

1.1. A new government - a new policy

The new conservative-centre government that came into power in September were formulating their election campaign and now also their actual policy around the issue of work or more specifically to fight unemployment and increase the employment rate. The strategy they pursue is, on the one hand, to increase the demand for labour power via tax reductions and eventually also changes of regulations and reduction of the bureaucracy that is facing employers. On the other hand they will change criteria and replacement rates for unemployment insurance and thereby increase the pressure on the unemployed to take on jobs that they otherwise might reject. The government is at the same time reducing active labour market measures, something that the old government expanded (see NGE Report 1:2006). The argument is that active measures should not be needed in situation of rapid economic growth since a better labour market policy is supposed to facilitate the creation of 'real' jobs. The policy for a better integration of immigrants follows the same pat, more jobs will promote integration. The absolute crucial thing for this policy to succeed is of course that new jobs are created. If not, the policy will lead increased economic and social exclusion among already marginalized groups.

2. Immigrants

Sweden is an immigration country and 12.2 per cent of the population is currently born outside the country.¹ This figure is comparable with the USA and fraction of immigrants is considerably larger than in our neighbouring Nordic countries. It is also higher compared to EU countries like France, Great Britain and the Netherlands. A large share of the immigrants has since long been made up by asylum seekers and around 40 per cent of those who have received permanent VISAS the latest years belong to this group. Despite the fact that a large share of the immigrants is asylum seekers are immigrants generally well educated. Around 30 per cent of the immigrants have a university degree, a figure that is comparable with the situation in the USA, Great Britain and Ireland and it is higher than in for example Canada and Australia. The high qualification level among Swedish immigrants is also shown by the fact that only 24 per cent has not completed secondary schooling, a figure that can be compared with 64 per cent in France and 53 per cent in Belgium (Integrationsverket 2006).

The following definitions will be used:

- Immigrant: a person that is living in Sweden but is born outside the country by non-Swedish parents.
- First generation Swede I: a person that is born in Sweden but who's both parents are born outside the country, i.e., both parents are immigrants.
- First generation Swede II: a person that is born in Sweden but with one parent born outside the country, i.e., one parent has immigrated.
- Native born: a person that is born in Sweden (includes first generation Swedes I and II).
- Ethnic Swede: a person born in Sweden and whose both parents also are born in Sweden.

There is no information in Swedish statistics about ethnicity not related to immigration (like for example in the UK and USA).

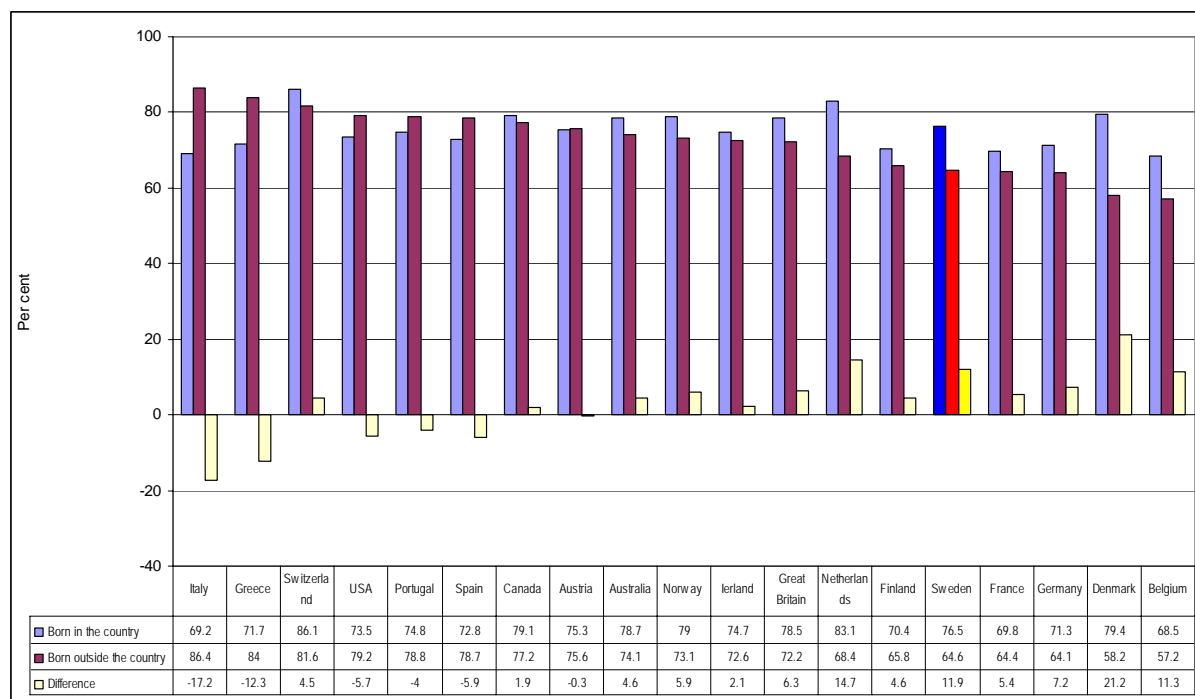
3. Immigrants and the labour market

Comparing labour market performance among immigrants between countries is generally tricky and drawing political conclusion from such a comparison is even more difficult. The outcome for immigrants is dependent on the general economic development and the composition of the immigrant group. The latter aspects relate to timing of immigration (newly arrived immigrants are more likely to be unemployed etc), qualifications/educational level among immigrants and cultural difference, especially language skill. Countries with a colonial past have for example generally a larger share of immigrants that are familiar with the language already at arrival. It is nevertheless interesting to get a general picture of country differences. OECD (Integrationsverket 2006) statistics shows, see Figure 3, that in Sweden the difference in employment rate between native born men and immigrated men in is one of the highest among the OECD countries. Only Denmark and the Netherlands are doing worse. The absolute employment rate among immigrated men is also comparably low; only four countries have a lower employment rate among immigrated men. A central explanation for the bad performance of these countries is that the proportion of refugees among the immigrant is high. Countries with a larger share of

¹ Almost 12 per cent of the population that was in the same year born in Sweden but had at least one parent that was born abroad.

labour force immigrations are quite obviously doing better. However, that does not overshadow the fact that the relatively low employment rate among male immigrants is a problem both for the immigrants themselves and for the country as a whole. Worth to emphasize is that the low employment rate among immigrated men in Sweden occurs despite the fact the relatively high educational level of the immigrants (see above).

Figure 3. Employment rate in 19 OECD countries year 2003. Per cent employed among men born in the country and among men born outside the country



The gap in employment rate between Swedish native born women and immigrated women is even bigger than among men, 14.3 per cent compared to 11.9 per cent for men, and there are only five among the 19 compared countries that are doing worse. The big difference compared to men is that the absolute employment rate among immigrated women in Sweden is rather high and the gap between immigrated men and immigrated women is small. Hence, the relatively high degree of gender equality in Sweden also affects the labour situation for immigrants.

Figure 4. Employment rate in 19 OECD countries year 2003. Per cent employed among women born in the country and among women born outside the country

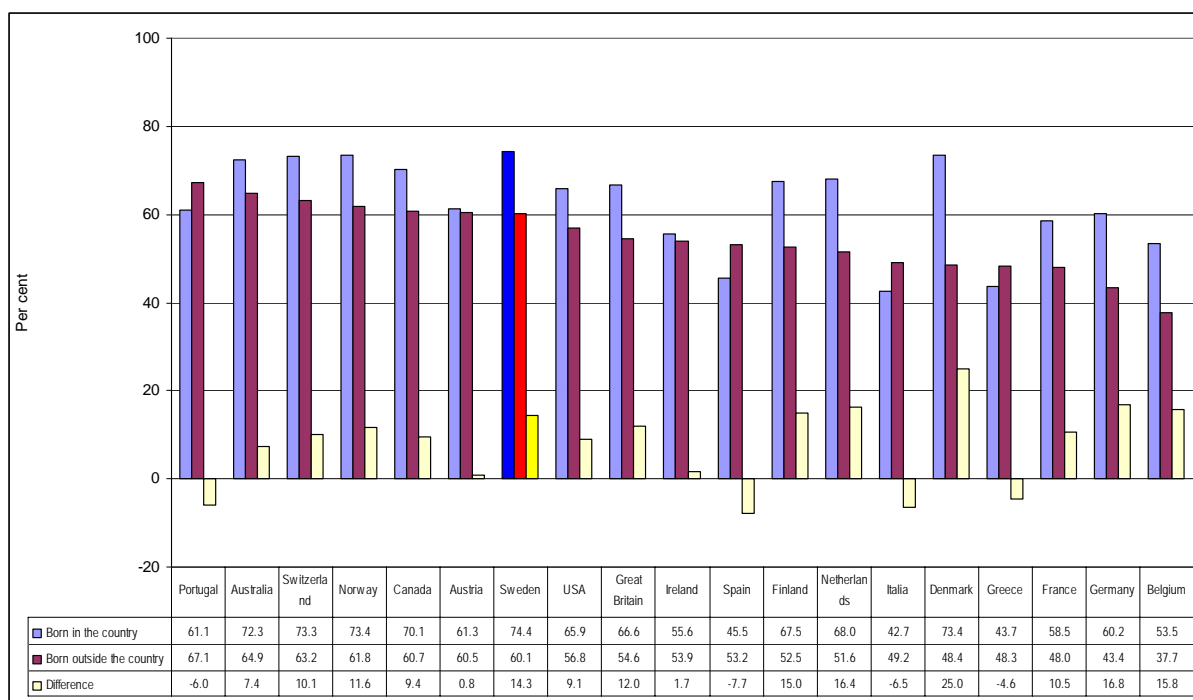


Table 4 compares the employment rate for native born Swedes and immigrants, divided on men and women for the period 1990 to 2005. The Swedish Labour Force Survey (LFS) was in 2005 adjusted to meet the EU requirements. Figures for 2005 should therefore be interpreted with care when compared with earlier figures. (For a more detailed discussion of the changes made to the Swedish LFS see NGE Report no 1:2006.) The figures show a quite dramatic employment decrease in the 1990s among all Swedes, but most among immigrants, which is shown by the ratio indicating the gap between native born and immigrants. The gap has narrowed somewhat during the latest years but the absolute employment rate among immigrants is still substantially lower than was the case in 1990.

Table 4. Employment rate for native born Swedes and immigrants. Ratio showing the relative difference in employment rate 1990 - 2005

Year	Native born men	Immigrants men	Ratio* men	Native born women	Immigrants women	Ratio* women
1990	89.7	79.2	88.3	84.8	72.8	85.8
1991	86.7	72.4	83.6	83.2	66.5	79.9
1992	82.6	67.2	81.3	80.4	62.6	77.9
1993	78.1	60.7	77.7	77.2	57.0	73.8
1994	78.4	60.3	76.9	76.7	54.5	71.0
1995	80.0	59.3	74.1	76.5	51.5	67.2
1996	79.1	57.4	72.6	76.1	52.2	68.6
1997	78.9	58.3	73.8	75.3	51.9	69.0
1998	80.6	60.5	75.0	76.0	54.4	71.6
1999	81.0	62.8	77.5	77.0	56.3	73.1
2000	82.5	69.0	83.7	78.2	58.7	75.1
2001	82.4	68.9	83.6	78.9	59.7	75.6
2002	81.9	67.7	82.6	78.8	60.1	76.3
2003	81.7	66.1	80.9	78.1	59.0	75.6
2004	81.3	65.5	80.5	77.7	57.8	74.4
2005#	83.3	67.5	81.0	78.1	61.0	78.1

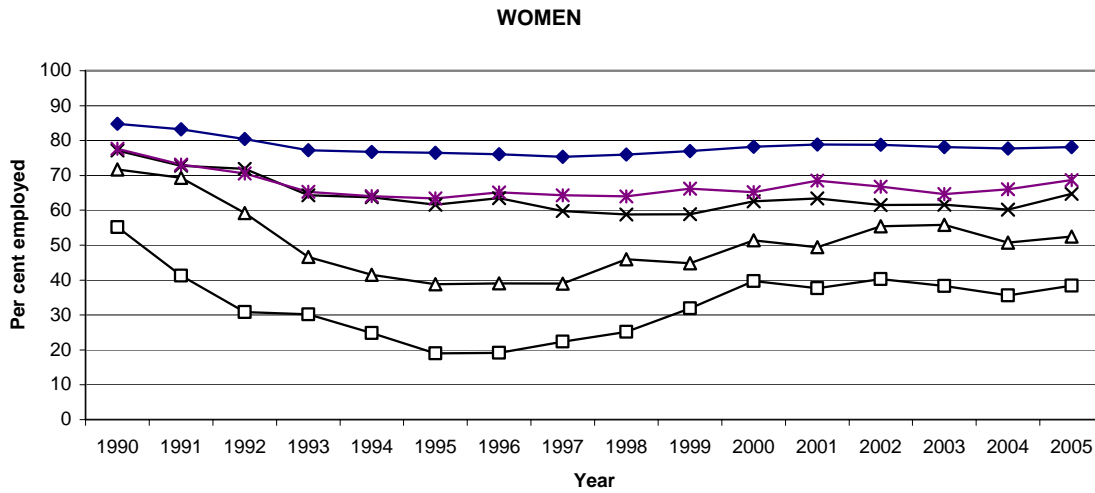
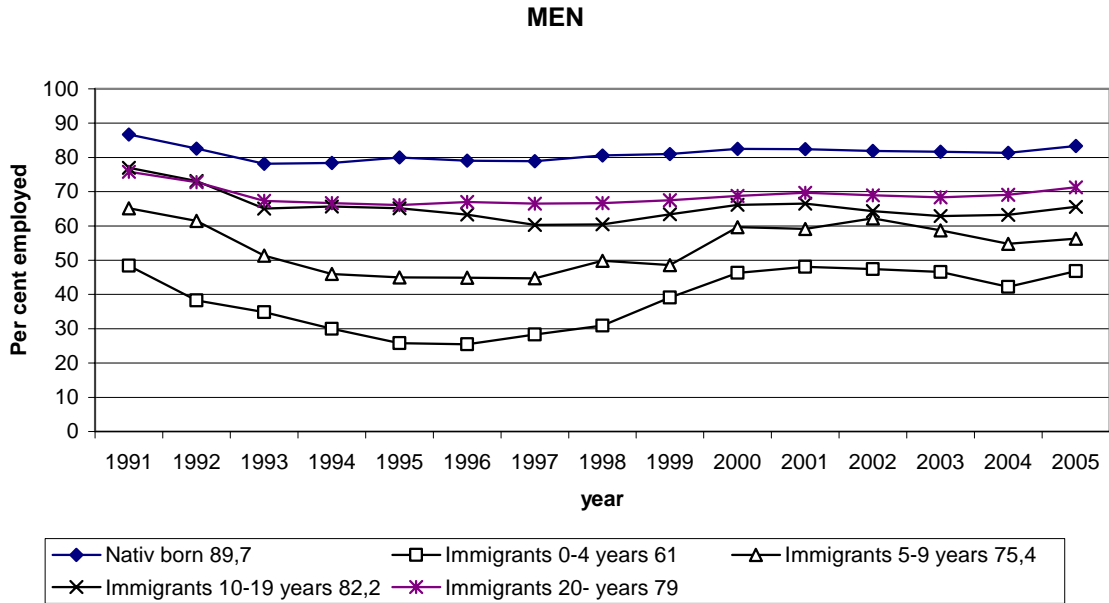
Source: (Integrationsverket 2006)

* Employment rate for immigrants divided by employment rate for native born multiplied by 100.

Figures from new LFS not entirely comparable with previous years

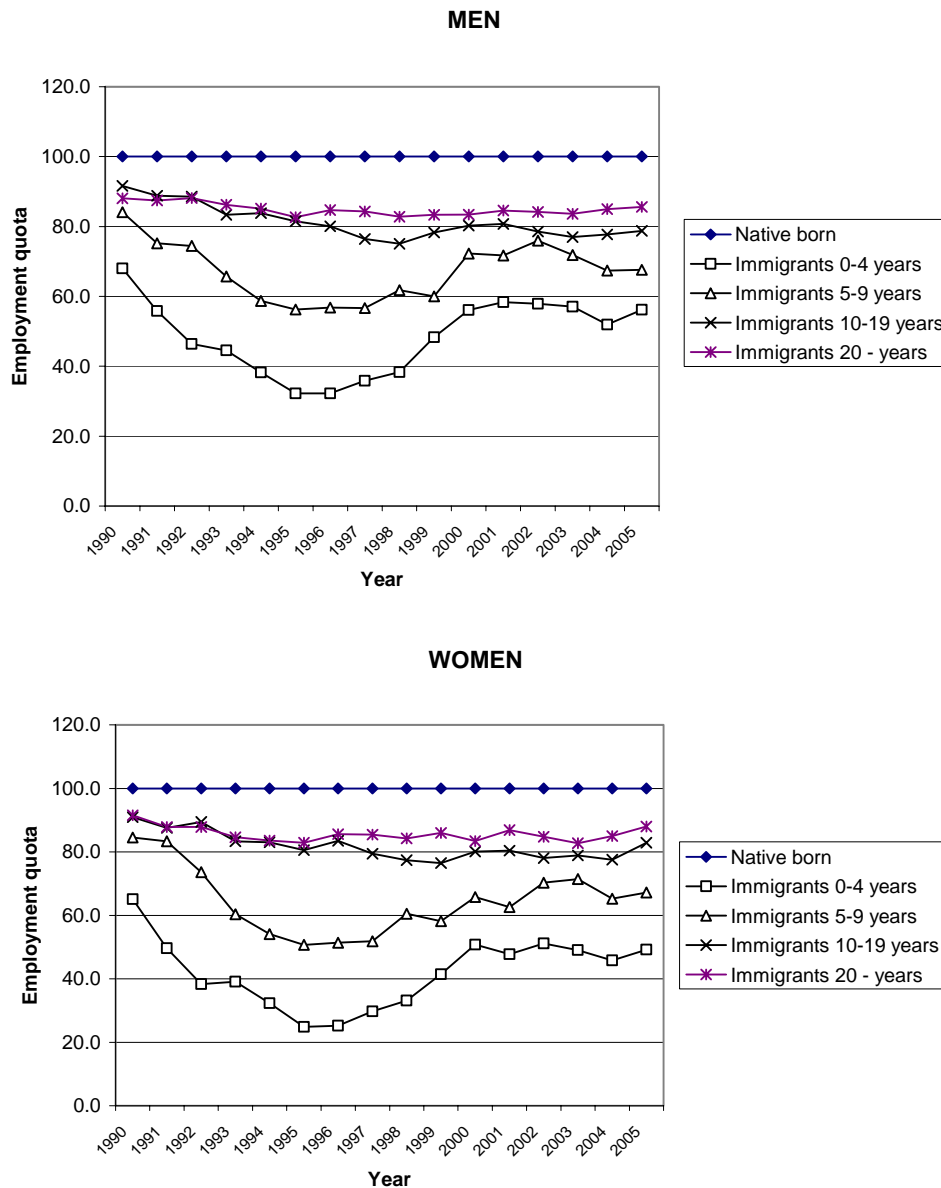
It is wrong to picture immigrants as one homogenous category. One important difference within the group is the number of years they spent in the host country. Figure 5 show that all immigrants have lower labour market participation than native born Swedes. It is also clear that there is a gradient depending on years spent in Sweden. It is also apparent that changes over time have been much greater among newly arrived immigrants, showing their vulnerable labour market situation. Especially newly immigrated women have a low employment rate. The main story that are told by Figure 5 and Figure 6 is not only that time spent in the host country is important, but also that immigrants, compared to native born, are much more vulnerable to the consequences of economic crisis and sluggish labour market performance. So, a strong economy that is translated into a demand for labour force is certainly one of the most important aspects of a successful integration policy.

Figure 5. Employment rate among native born and immigrants (age 16-64) grouped after years since arrival to Sweden 1990-2005



Source: (Integrationsverket 2006), See also Table-A 1, Appendix 1.
 OBSERVE that figures for 2005 are based on the new adjusted labour market survey.

Figure 6. Employment ratio comparing native born and immigrants (age 16-64) grouped after years since arrival to Sweden 1990-2005



Source: (Integrationsverket 2006)

OBSERVE that figures for 2005 are based on the new adjusted labour market survey.

The low employment rate is not only a problem for the immigrants themselves; it is also a waste of resources for the country as whole – valuable labour force resources are not utilised. Another problem is that the immigrants' skill and education is not utilised in an optimal way among immigrants with a job. The education level among immigrants is about the same as among the native born section of the population but immigrants do nevertheless occupy job positions with lower skill requirements compared to native born Swedes. Among immigrants with university education are only 60 per cent occupying a job that requires academic education. The corresponding figure among native born Swedes is about 80 per cent (Integrationsverket 2004). Thus, the combination of low employment rate and low utilisation of available human capital among immigrants is not only an integration problem; it is also an economic allocation problem.

The troublesome employment situation is further underpinned by

Table 5. Employment rate and labour force participation is lower among immigrants in all age groups while unemployment is higher. These figures clearly show that there is a two step selection of immigrants: there is smaller fraction of immigrants that takes active part in the labour force at the same time as a larger share of those who actually are part of the labour force are unemployed.

Table 5. Employment rate, unemployment and labour force participation among native born and immigrants divided by age and gender in 2005.

Age	Employment rate ¹⁾			Unemployment ²⁾			Labour force participation ³⁾		
	Native born	Immigrants	All	Native born	Immigrants	All	Native born	Immigrants	All
<u>All</u>									
16-24	43.4	35.8	42.5	13.4	21.7	14.3	50.2	45.7	49.6
25-54	87.1	68.0	83.9	4.2	11.3	5.2	90.9	76.6	88.5
55-64	71.5	56.6	69.6	3.8	5.0	4.0	74.3	59.6	72.4
16-64	76.1	61.6	73.9	5.1	11.3	6.0	80.2	69.5	78.6
<u>Men</u>									
16-24	42.4	34.4	41.5	14.9	23.8	15.9	49.9	45.1	49.3
25-54	89.4	71.9	86.6	4.1	11.9	5.2	93.2	81.6	91.4
55-64	73.8	61.2	72.2	4.7	5.6	4.8	77.5	64.9	75.9
16-64	77.8	64.8	75.9	5.4	11.9	6.2	82.2	73.5	81.0
<u>Women</u>									
16-24	44.4	37.3	43.6	11.9	19.5	12.7	50.4	46.3	50.0
25-54	84.6	64.3	81.1	4.3	10.7	5.3	88.5	72.0	85.6
55-64	69.1	52.4	66.9	2.9	4.3	3.0	71.2	54.7	69.0
16-64	74.2	58.7	71.8	4.9	10.5	5.7	78.0	65.6	76.1

1) Employed as per cent of the population (16-64).

2) Unemployed as per cent of the labour force.

3) Labour force as per cent of the population (16-64).

Source: Labour Force Survey 2005 (http://www.scb.se/templates/tableOrChart_163103.asp)

Table 6 gives information about employment rate, unemployment and labour force participation subdivided by educational level. Here we see that higher education do not protect immigrants from being exposed to an over risk regarding low employment rate and unemployment. In fact, the largest relative difference between native born and immigrants occurs among those with tertiary education.

Table 6. Employment rate, unemployment and labour force participation among native born and immigrants divided by educational level and gender in 2005.

Educational level	Employment rate ¹⁾			Unemployment ²⁾			Labour force participation ³⁾		
	Native born	Immigrants	All	Native born	Immigrants	All	Native born	Immigrants	All
<u>All</u>									
Primary	53.8	46.2	52.5	8.5	17.4	10.0	58.8	56.0	58.3
Secondary	81.2	67.1	79.3	5.3	9.9	5.9	85.8	74.5	84.2
Tertiary	85.4	71.7	83.4	3.4	9.4	4.1	88.4	79.1	87.0
No info.	15.8	30.3	21.4	16.9	12.9	14.7	19.0	34.8	25.1
All	76.1	61.6	73.9	5.1	11.3	6.0	80.2	69.5	78.6
<u>Men</u>									
Primary	58.1	50.9	57.0	7.8	17.2	9.3	63.0	61.5	62.8
Secondary	83.9	69.2	82.0	5.6	10.8	6.2	88.9	77.5	87.4
Tertiary	85.9	74.7	84.4	3.6	10.1	4.4	89.1	83.0	88.3
No info.	17.0	38.9	24.6	17.4	11.7	14.4	20.5	44.1	28.8
All	77.8	64.8	75.9	5.4	11.9	6.2	82.2	73.5	81.0
<u>Women</u>									
Primary	48.2	41.3	46.9	9.5	17.7	11.0	53.2	50.2	52.7
Secondary	78.1	65.0	76.3	5.1	8.8	5.5	82.3	71.3	80.8
Tertiary	84.9	69.2	82.6	3.2	8.9	3.9	87.7	76.0	86.0
No info.	14.6	23.4	18.3	16.2	14.4	15.2	17.4	27.4	21.6
All	74.2	58.7	71.8	4.9	10.5	5.7	78.0	65.6	76.1

1) Employed as per cent of the population (16-64).

2) Unemployed as per cent of the labour force

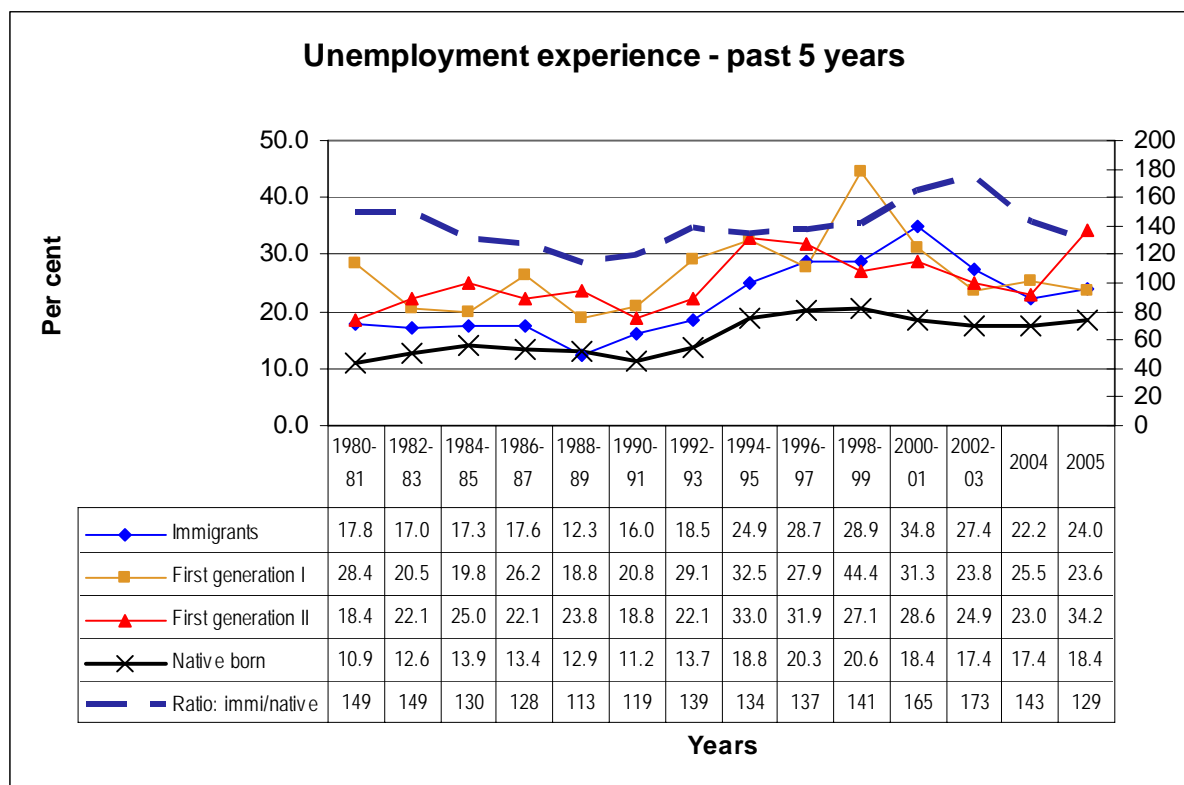
3) Labour force as per cent of the population (16-64).

Source: Labour Force Survey 2005 (http://www.scb.se/templates/tableOrChart__163103.asp)

Figure 7 are based on data from the annual Swedish Survey of Living Condition (ULF) and shows percentage of the population that, at the time for the interview, has experienced unemployment during the past five years. The diagram covers the period 1980 – 2005. Not surprisingly we can see that immigrants are more exposed to unemployment throughout this period. The ratio between immigrants and ethnic Swedes also indicates that, if anything, the gap between these two groups has increased over time. The figure also gives information about first generation Swedes, that is, people that are born in Sweden but with both parents born outside the country (labelled first generation I) or with only one parent born abroad (labelled first generation II). Both these groups are more frequently exposed to unemployment compared to native born ethnic Swedes. However, especially these differences could be spurious and caused by difference in age composition.

Table 7 shows age standardized estimates based on a data set that has merged data from ULF 2002 and 2003. This analyze shows that it is only the difference between immigrants and native born ethnic Swedes that is significant ($p < 0.05$). This result do not, of course, prove that the difference between native born ethnic Swedes and first generation Swedes is insignificant for the whole period, but it shows that it is the situation right now and it also indicates that it is reasonable hypothesis to expect that the difference mainly is an age effect during most of the period. The large difference between ethnic Swedes and immigrants is highly significant also after control for age.

Figure 7. Unemployment experience among ethnic Swedes, first generation Swedes (I and II) and, immigrants 1980-2005. Per cent and ratio (% native born ethnic Swedes / % immigrants).



Source: Statistic Sweden, Survey of Living conditions

Table 7. Employment experience during the past five years. Age standardized estimate for middle aged (41-50 year old) in 2002-03.

	Estimated per cent
Ethnic Swedes	11.9
Immigrants	20.5*
First generation I	13.2
First generation II	14.2

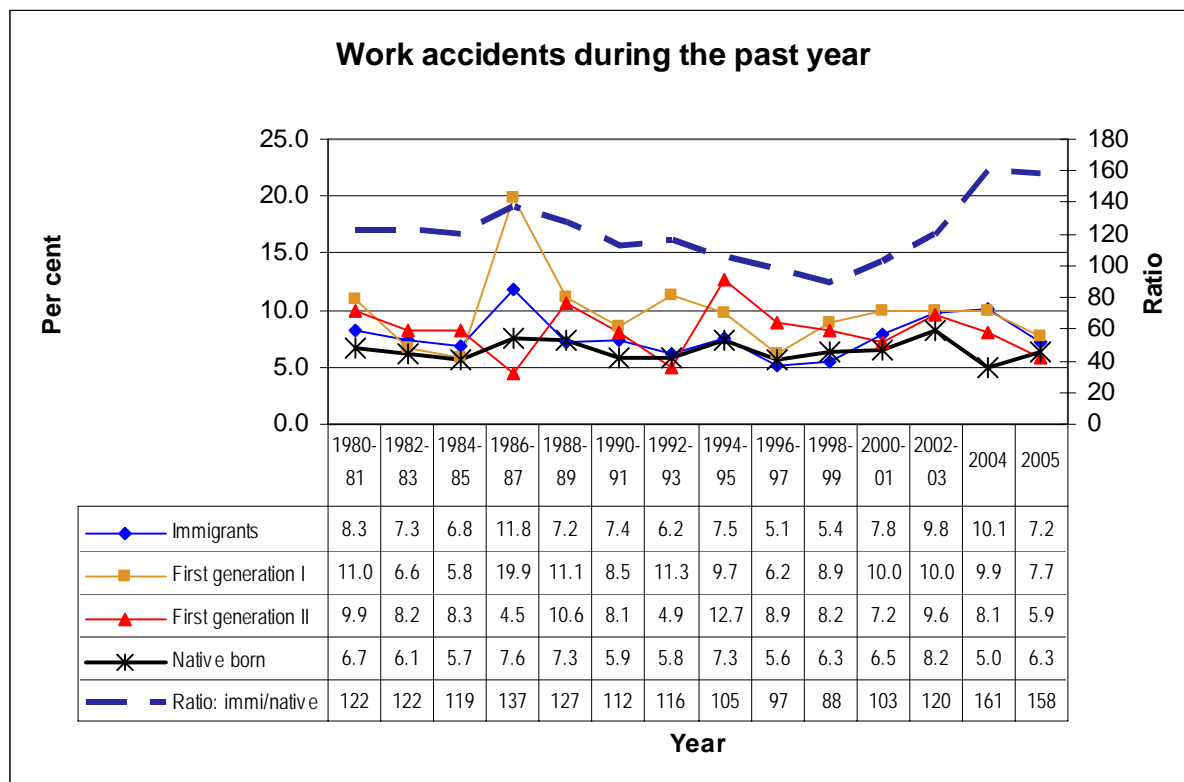
Source: Survey of Living Conditions (own calculation). *= $p < 0.05$

3.1. Work conditions

Immigrants' labour market situation is not only confined to difficulties finding a job. As mentioned above are immigrants often over qualified for the work the actually get. Another indicator of immigrants working situation is given by measures of work accidents (Figure 8 and Table 8) and of having a job that on the same time is stressful and monotonous (which is good indicator of low skill jobs where the employed has little influence over the work process) (see Figure 9 and Table 9). The prevalence of both work accidents and the combination of stressful and monotonous jobs has since 1980 been higher among immigrants compared to ethnic Swedes. The differences between these two groups are also significant after control for age (in 2002/03). Regarding stressful and

monotonous work there is also a difference between ethnic Swedes and first generation Swedes I (both parents has immigrated).

Figure 8. Work accidents during the past among ethnic Swedes, first generation Swedes (I and II) and, immigrants 1980-2005. Per cent and ratio (% native born ethnic Swedes / % immigrants).



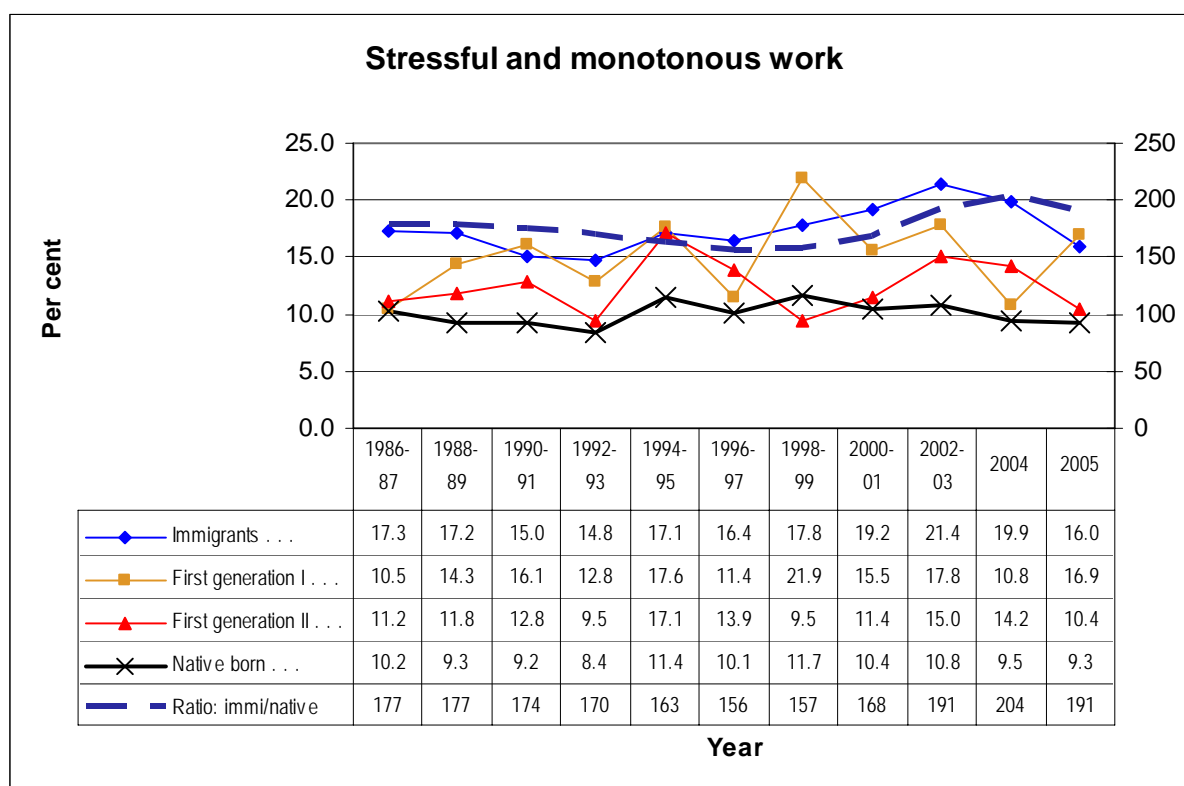
Source: Statistic Sweden, Survey of Living conditions

Table 8. Work accidents during the past year. Age standardized estimate for middle aged (41-50 year old) in 2002-03.

	Estimated per cent
Ethnic Swedes	13.4
Immigrants	19.7*
First generation I	11.3
First generation II	15.2

Source: Survey of Living Conditions (own calculation). *= $p < 0.05$

Figure 9. Stressful and monotonous work among ethnic Swedes, first generation Swedes (I and II) and, immigrants 1986-2005. Per cent and ratio (% native born ethnic Swedes / % immigrants).



Source: Statistic Sweden, Survey of Living conditions

Table 9. Stressful and monotonous work. Age standardized estimate for middle aged (41-50 year old) in 2002-03.

	Estimated per cent
Ethnic Swedes	8.4
Immigrants	17.2*
First generation I	13.8*
First generation II	10.3

Source: Survey of Living Conditions (own calculation). *=p<0.05

3.2. Why are immigrants unemployed?

The most common way to explain the poor labour market performance among immigrant relays on 'supply side' arguments, i.e., immigrants lacks the necessary human capital to be able to compete with native-born Swedes. Research has also shown that accumulation of human capital, education, language skill, etc does improve immigrants' chances on the labour market. It is also clear that time spent in Sweden, which can be seen as an indicator of accumulation of 'Sweden specific' skills, is positively correlated with labour market performance. However, it is not the case that human capital completely can explain the low employment rate and high unemployment rate among immigrants. Hence, to fully understand why immigrants are disadvantage one has to change focus from the supply

side to the 'demand side', i.e., to the selection mechanisms among employers. The demand side problems that affect immigrants can be divided into two parts. First, the risk to be laid off, second the probability to be hired.

The employment crisis in the 1990s affected, as can be seen above, immigrants more than it affected native born Swedes. It did so because of a combined effect among immigrants to have a high probability to be laid off and a low probability to be hired. Regarding the first aspect the Swedish Integration board pinpoints three causes to why immigrants, especially those who have immigrated relatively recently, are more vulnerable in situation of increasing unemployment. First, people with temporary employment contracts are the ones to be laid off first when an employer needs to reduce the labour force. Since immigrants are overrepresented among those with temporary employment contract are they also, as a group, more vulnerable. Second, for those with a more stable employment contract, i.e., a post with conditional tenure, is the general rule, according to labour market regulations, that those who have been employed the shortest time are laid off first. Again are newly arrived immigrants overrepresented in the most exposed group. Third, even in cases when immigrants have the same employment time and conditions as native born Swedes do they suffer from a higher risk of being laid off, which is another indicator of a more fundamental discrimination of immigrants on the Swedish labour market.²

When it comes to the probability to be employed, there is a long history of research that points to the importance of 'weak ties', i.e., informal contact with presumptive employers. This type of weak ties is something that immigrants typically lack or at least have less of compared to the typically native born and, according to recent research put forward by the Swedish Integration Board (2005), one of the reasons to the unfavourable labour market situation for immigrants. However, there are also strong indications of more direct acts of discrimination. In a recent investigation (SOU) are results based on phoney job applications presented. Researchers applied for 1 624 jobs. For each job they sent applications presenting similar qualifications, but with different name, one with a typical Swedish name and one with a typical Arabic name. Afterwards they compared how many from each 'name category' that was called for a job interview. The result indicated that about 30 per cent discriminated applicants with Arabic names. This is of course a high figure, but it also shows that a large majority of employers do not discriminate at this stage of the employment process. The overall results also showed that discrimination were more widespread in low skilled job. There are two process put forward as explanations for this outcome. First, employers looking for skilled workers put more emphasis on merits necessary to do a good job while employers looking for workers to fill an a position that do not requires any specific skills has to look for more secondary characteristics. This is to say that meritocracy strengthens immigrants' position on the labour market. Second, and a bit more speculative, in some types of low skilled jobs are immigrants highly overrepresented, so it might be that employers are looking for native born Swedes to get an ethnic balanced work force. This could of course be true, but it does not answer the question why immigrants are overrepresented in low skill jobs from the beginning. Another indication of discrimination are put forward in research that shows that Swedes that has been adopted as children and therefore has an un-Swedish look do find it more difficult to get a job compared to 'Swedish-looking Swedes'. It is hard to explain such an outcome as being anything else than discrimination related to skin colour (Integrationsverket 2003).

² Employers negotiate with the unions for exemptions from the basic rule 'last hired, first to go' when reducing the number of employees. This is frequently being done.

4. Immigrants, poverty and economic hardship

That immigrants in Sweden are more exposed to poverty than native born Swedes is since long an established truth and there is nothing in recent statistics or research that alters that picture. As can be seen below is poverty much more common among immigrants, especially among those who have arrived rather newly. The trend is also problematic; poverty among immigrants has increased despite the favourable macro economic development.

Table 10 shows the poverty rate during the period 2000 – 2004 divided between native born and immigrants. The latter group is also subdivided depending on region of origin and number of years in Sweden. The basic pattern is that there is a hierarchy that put native born Swedes in the top (lowest poverty rate). Immigrants from the Nordic countries and from the category “EU15+6” (see footnote Table 10) are in a middle range group. However, there is in this middle range group large differences between those who has arrived relatively recently and those who been in the country for a longer period and there are only small differences between immigrants in these two groups that lived in the country for more than 20 years and native born Swedes. The poverty rate is considerably higher among immigrants from ‘other countries’. The total poverty rate in this group was in year 2004 3.5 times higher than among native born Swedes. The figure for those that has arrived within the last ten years is the poverty rate almost six times as high as among native born Swedes. We can also see that the poverty rate among those who lived in the country for more than 20 years is about twice as high as among native born Swedes.

Table 10. Poverty rate (< 60 per cent of median income standard) by country of origin 1996-2003 (individuals 20- years old)

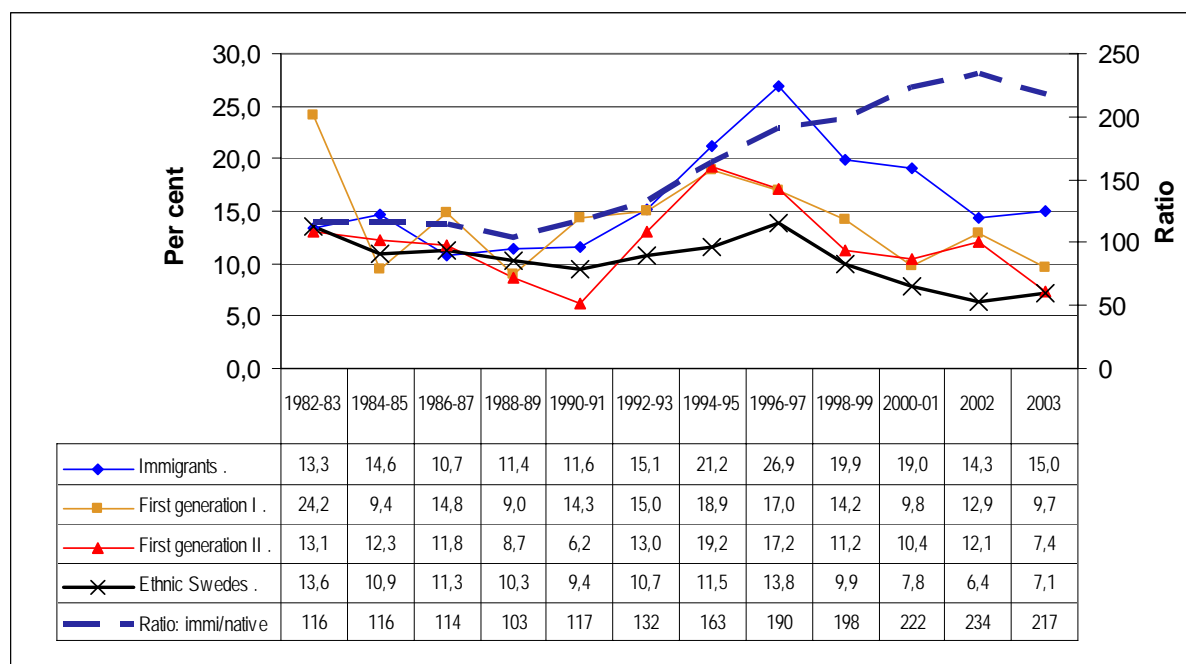
	2000	2001	2002	2003	2004
Native born Swedes	7.4	7.3	7.6	6.7	6.9
Immigrants	16.0	17.8	17.9	16.9	18.9
Nordic immigrants	8.4	10.7	8.5	9.1	9.7
Years in Sweden: 1-10	16.6	17.3	16.4	20.7	26.9
11-20	15.3	20.9	16.7	15.7	14.1
21-	6.4	9.0	6.7	7.4	7.0
EU15+6 immigrants ¹	10.7	8.9	11.4	12.2	11.8
Years in Sweden: 1-10	10.7	20.4	17.1	17.8	22.7
11-20	24.9	8.9	9.9	6.3	10.0
21-	7.1	5.0	9.8	11.7	7.9
Other countries	21.5	23.9	23.7	21.7	24.6
Years in Sweden: 1-10	29.6	33.2	32.9	35.4	40.3
11-20	17.6	22.3	22.6	17.4	20.1
21-	11.1	13.4	12.3	13.1	13.0
All households aged 20-	8.5	8.6	8.9	8.0	8.5

EU15 + Australia, Japan, Canada, New Zealand, Switzerland and USA.

Source: Income distribution survey 2004

Figure 10 shows the fractions of the population that have a disposable income that falls under the norm for social assistance (as it was defined in 1998) during the period 1982 - 2003. As it is, social assistance constitutes the 'floor' of the Swedish welfare state, with the explicit purpose of securing a minimum economic standard for those who cannot support themselves in any other way. It follows then that the norm for social assistance can be seen as a de facto poverty line (e.g. Gustafsson 1984, 2000, Salonen 1993, 2000). The poverty line based on the norm can also be seen as an absolute poverty line because it has a fixed value over time, only adjusted to current prices. Looking at the whole period, absolute poverty is declining among native born ethnic Swedes, even though the impact of the crisis in the 1990s clearly is visible as a hump in the mid of the decade. The effect of the crisis is more visible among first generation Swedes and, especially among immigrants. None of these groups has in any significant way improved their absolute situation compared to the pre-crisis situation. The ratio between native born ethnic Swedes and immigrants are also scoring at an all time high in 2002 and 2003.

Figure 10. Absolute income poverty (norm for social assistance) among ethnic Swedes, first generation Swedes (I and II) and, immigrants 1982-2003. Per cent and ratio (% native born ethnic Swedes / % immigrants).



Source: Statistic Sweden, Survey of Living conditions

4.1. Alternative indicators of economic hardship

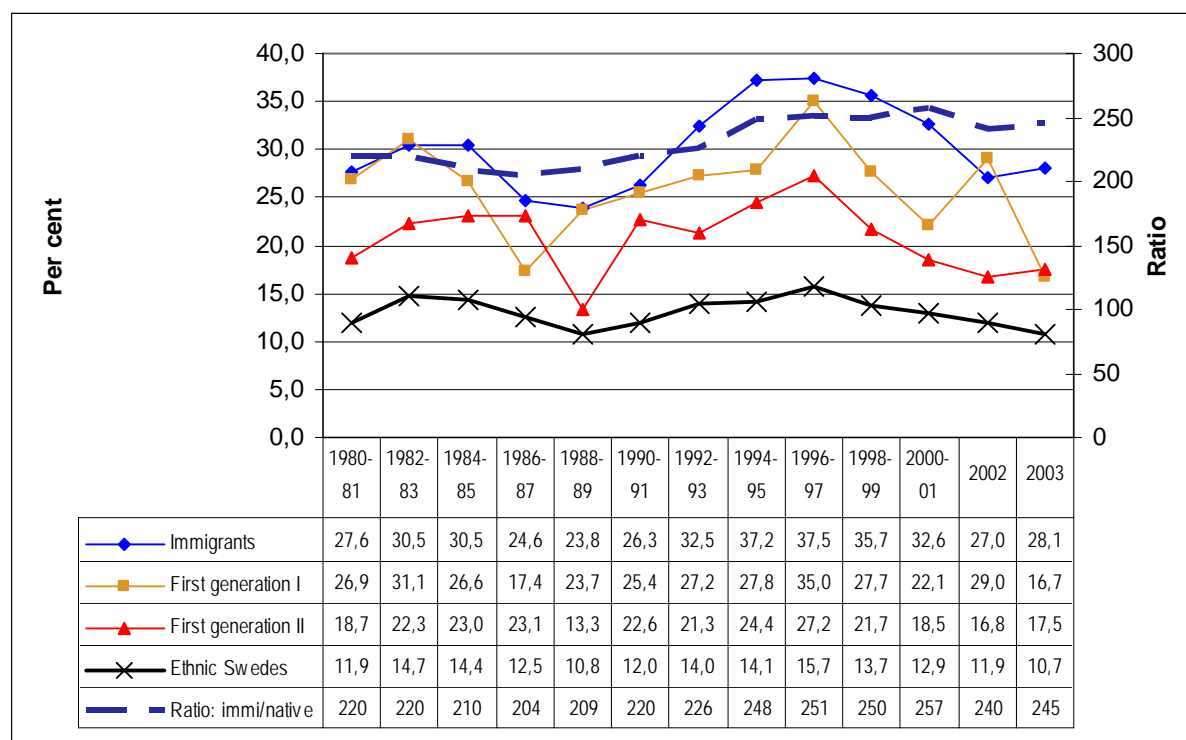
There is today a large body of research showing a substantial mismatch between monetary, or indirect, indicators of poverty and outcome based, or direct, indicators of economic hardship and deprivation (see for example Bradshaw & Finch 2003, Halleröd et al forthcoming). The following section utilizes data from the Swedish Survey of Living Conditions to show the long term development for a number of direct measures of economic hardship.

Figure 11 and

Table 11 presents figures about peoples access to 'cash margin', that is, if they in case of emergency can get hold of 15 000 Swedish Crowns within a week (the amount has been adjusted to prices over

time). The question is used to indicate economic vulnerability. The figures presented below confirm the gap between immigrants and ethnic Swedes. It also clearly reveals a gap between ethnic Swedes and first generation Swedes. A gap that in 2002-2003 was large and statistically significant also after control for age differences.

Figure 11. Lack of cash margin among ethnic Swedes, first generation Swedes (I and II) and, immigrants 1980-2003. Per cent and ratio (% native born ethnic Swedes / % immigrants).



Source: Statistic Sweden, Survey of Living conditions

Table 11. Lack of cash margin. Age standardized estimate for middle aged (41-50 year old) in 2002-03

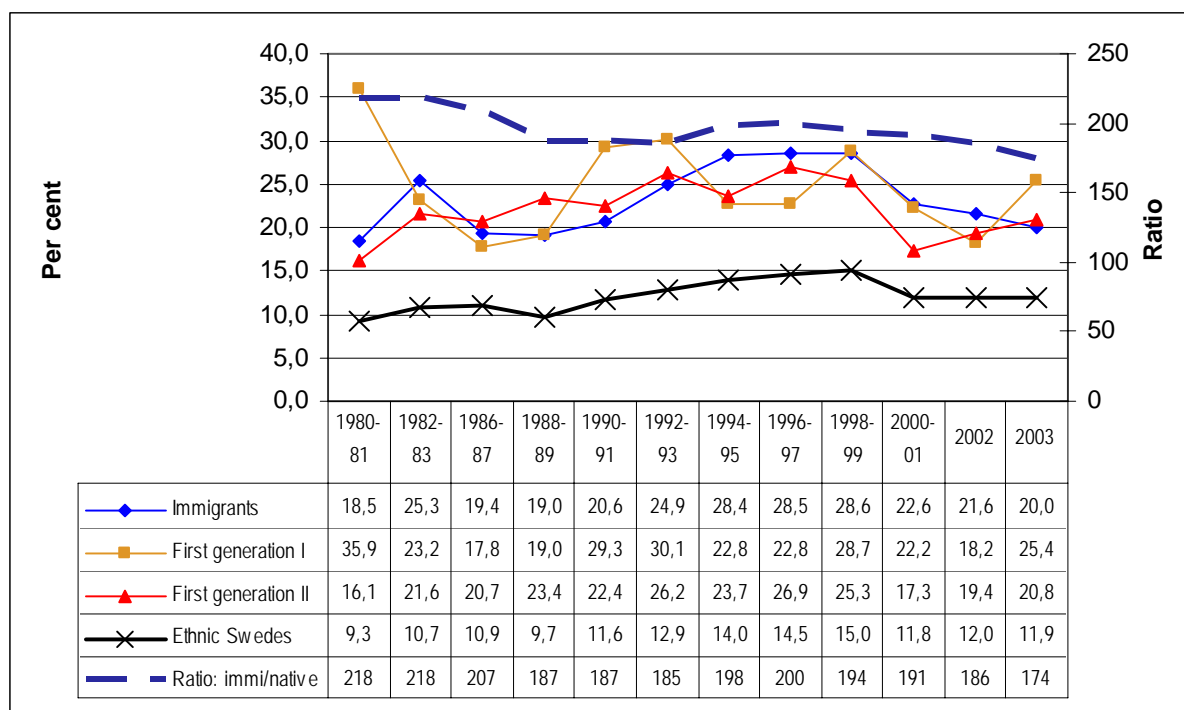
	Estimated per cent
Ethnic Swedes	12.1
Immigrants	30.2*
First generation I	19.9*
First generation II	14.9*

Source: Survey of Living Conditions (own calculation). *= $p < 0.05$

Figure 12 and Source: Statistic Sweden, Survey of Living conditions

Table 12 gives information about reported difficulties making ends meet. Again are the differences between ethnic Swedes and immigrants confirmed and it is again confirmed that the gap has remained over the 23 years period covered by data. It is also clear that first generation Swedes fair worse than ethnic Swedes.

Figure 12. Difficulties making ends meet among ethnic Swedes, first generation Swedes (I and II) and, immigrants 1980-2003. Per cent and ratio (% native born ethnic Swedes / % immigrants).



Source: Statistic Sweden, Survey of Living conditions

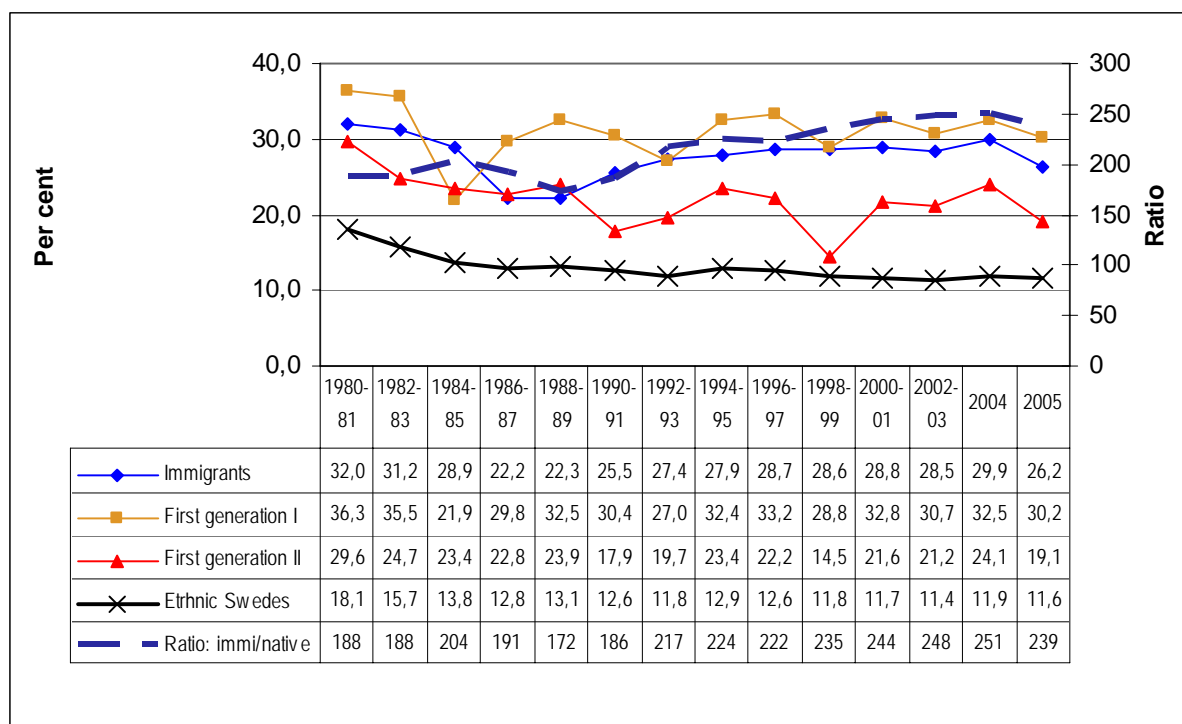
Table 12. Difficulties making ends meet. Age standardized estimate for middle aged (41-50 year old) in 2002-03.

	Estimated per cent
Ethnic Swedes	15.3
Immigrants	25.0*
First generation I	21.2*
First generation II	19.6*

Source: Survey of Living Conditions (own calculation). * = p < 0.05

A final indication of the economic differences between ethnic Swedes and others is presented in Figure 13. Here are the percentages that live in overcrowded conditions. Statistic Sweden uses different definitions of overcrowding. In this case an individual is defined as 'overcrowded' if she or he lives in a dwelling where there is less than one bedroom per person. Kitchen and living room are not counted and spouses are supposed to share bedroom. Hence, a single adult or a couple without children is defined as overcrowded if they do not have a separate bedroom. A couple with two children needs a kitchen, a living room and three bedrooms in order to not be overcrowded. The prevalence will of course be lower if a stricter norm is used, but the substantial interpretation will be the same. That is, immigrants and first generation Swedes are more likely to be live under overcrowded conditions compared to ethnic Swedes, a situation that has not changed during the past 25 years.

Figure 13. Overcrowded housing among ethnic Swedes, first generation Swedes (I and II) and, immigrants 1980-2003. Per cent and ratio (% native born ethnic Swedes / % immigrants).



Source: Statistic Sweden, Survey of Living conditions

Table 13. Overcrowded housing. Age standardized per cent estimate for middle aged (41-50 year old)

	Estimated per cent
Ethnic Swedes	9.6
Immigrants	28.0*
First generation I	17.4*
First generation II	12.4*

Source: Survey of Living Conditions (own calculation). *=p<0.05

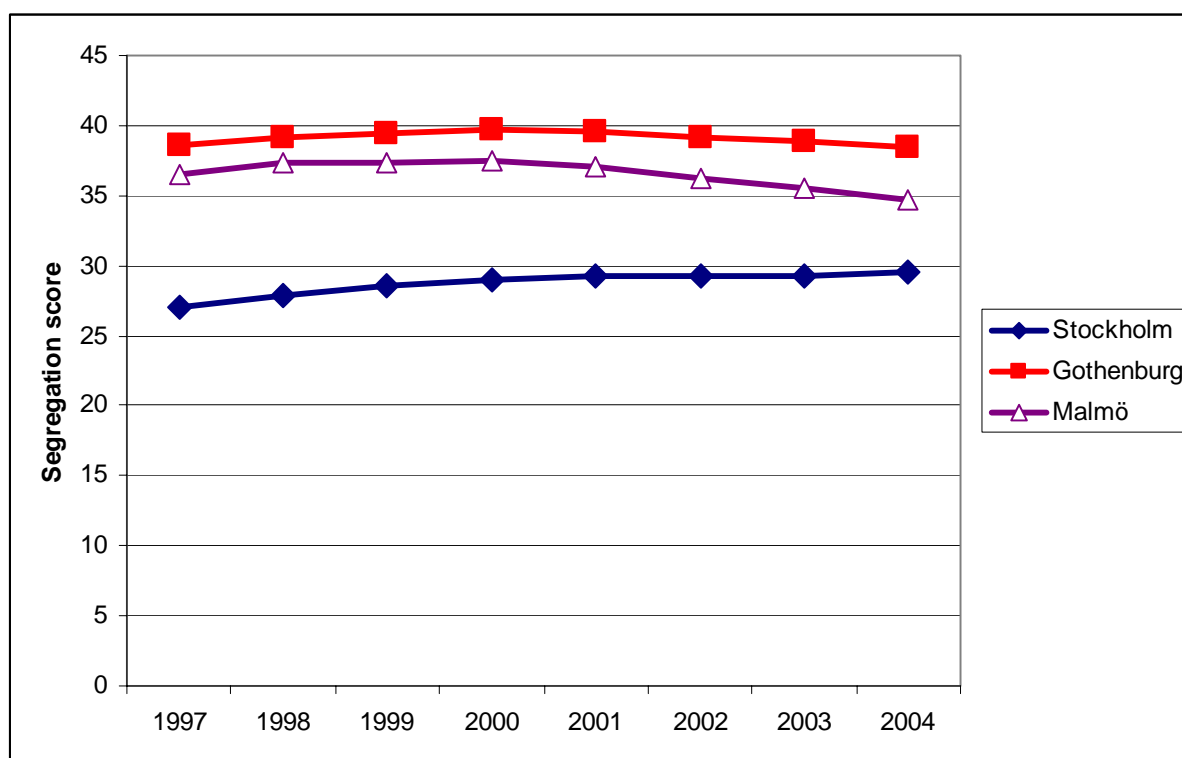
4.2. Poverty and economic hardship a summary

Poverty and economic hardship is substantially more prevalent among immigrants than among ethnic Swedes. It is also clear that first generations Swedes are more exposed to poverty and economic hardship than ethnic Swedes. Many of the indicators used cover a period from the 1980s up till now. There is no coherent indication that the gap between ethnic Swedes and immigrants has narrowed over time, if anything has the opposite occurred. Also first generation Swedes are constantly found in a relatively unfavourable situation.

5. Residential segregation

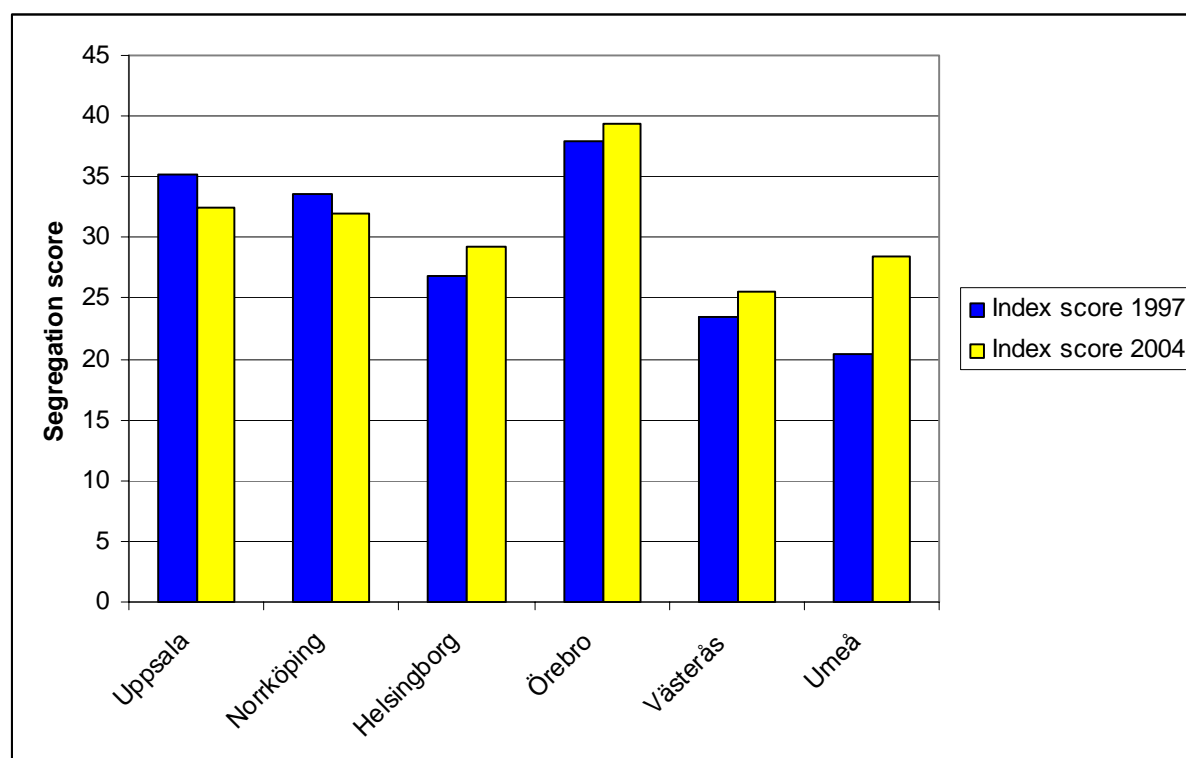
Residential segregation is mainly structured by socio-economic differences and ethnicity, often closely interlinked with each other. The problematic features of segregation are mainly connected to larger cities, which are the only areas where it is possible to talk of a segregated community when segregation affects a larger area and a larger population. When services, schools and other basic functions in the society starts to be embedded within a segregated geographic area the effects of segregation reaches a more structural level of the society and one could start to discuss area effects on people's life chances. There is no clear pattern showing if ethnic segregation is increasing or decreasing. Looking at the three largest cities it appears as if segregation has decreased in Malmö and also somewhat in Gothenburg while it has increased in Stockholm. Looking at middle range towns there are indications of an increasing ethnic segregation, comparing 1997 with 2004 (Integrationsverket 2006). However, it is worth to emphasise that high-income earners and ethnic Swedes, i.e., the ones that can choose where to live, are the most segregated. Hence, it is possible to find people with quite low incomes in most areas, but it is most unlikely to find rich people in 'poor' areas (Socialstyrelsen 2001). It is also important to acknowledge that ethnic segregation does not mean that immigrants and their ancestor are living in ethnically homogeneous areas. What signifies the areas in the larger cities with a high degree of immigrant populations is instead an ethnic mix, which means that immigrants to a large degree tends to live in the same areas but that very few of these areas are dominated by one specific group. What is most typical for the ethnically segregated areas is instead the lack of ethnic Swedes, which have lead leading researchers within the field to talk about 'Swedish-sparse' areas rather than immigrant areas. There is also a clear hierarchy among immigrant groups (Socialstyrelsen 2001).

Figure 14. Segregation index for Stockholm, Gothenburg and Malmö 1997-2004



Source: Integrationsverket 2006

Figure 15. Segregation index for six middle range towns 1997 and 2004



Source: Integrationsverket 2006

6. Health

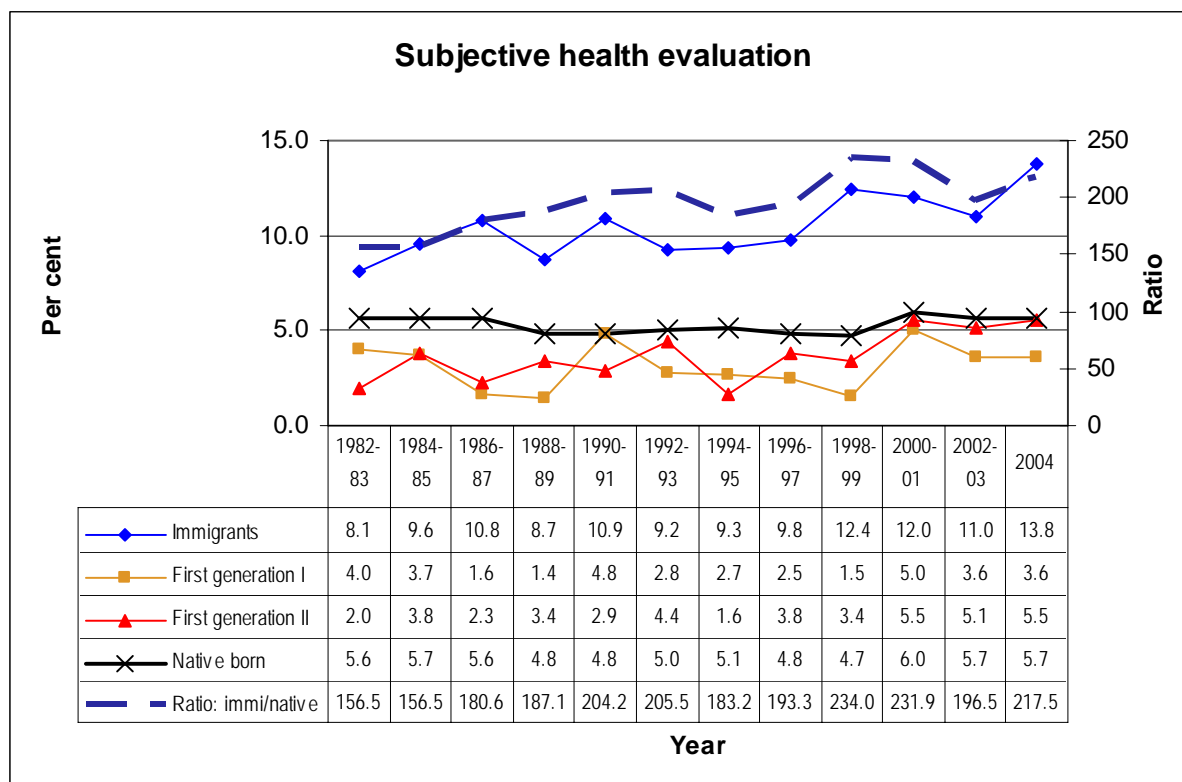
The Swedish Integration Board has in its report for 2005 (Integrationsverket 2006) presented a comprehensive and coherent picture of health status among immigrants. The largest health problem is found among immigrated women, the best among native born Swedish men. Hence, immigrated women have more health problems than native born women, and immigrated men have more health problem than native born men. With very few exceptions, this holds true in different age groups, socio-economic categories, within groups with the same educational credentials.

Below, data from the Survey of Living Conditions have been used to give an overview of the health development in Sweden during the last two decades. The times series is based on self defined health status and discriminates those who state that their health is 'bad' or 'very bad'. Figure 16 and

Table 14 are ethnic Swedes compared with immigrants and first generation Swedes. There are a number of reasons to interpret these kinds of data with care, data are, for example, not age standardised. However, they do nevertheless give a picture of the general development and indicates the magnitude of inequality in health. In the table are age standardized prevalence estimated.

Looking at subjective health, the first thing to notice is the worsening health situation during the last couple of years. Immigrants report a worse health situation than ethnic Swedes and the gap is widening over time. The result confirms that there is a significant difference between ethnic Swedes and immigrants. The difference between first generation Swedes II and ethnic Swedes are harder to interpret in a substantial way, i.e., why should first generation Swedes with only one parent born abroad be unhealthier than first generation Swedes with both parents born abroad.

Figure 16. Subjective health evaluation (bad or very bad health) among ethnic Swedes, first generation Swedes (I and II) and, immigrants 1980-2003. Per cent and ratio (% native born ethnic Swedes / % immigrants).



Source: Statistic Sweden, Survey of Living conditions

Table 14. Subjective health evaluation (bad or very bad health). Age standardized per cent estimate for middle aged (41-50 year old)

	Estimated per cent
Ethnic Swedes	5.3
Immigrants	11.3*
First generation I	5.9
First generation II	7.7*

Source: Survey of Living Conditions (own calculation). *= $p < 0.05$

Sweden has a general health insurance system and all residents are equally eligible to health care. Fees and regulations vary somewhat between different counties. Looking at Västerbottens county health care is free of charge for children (up to 20 years of age). For most health care services adults pay a fairly small amount varying from 50 SEK to 300 SEK. However, there is a system called "high cost protection" which limits the fee paid during a 12 months period to 900 SEK. There is however an upper limit for the amount that anyone has to pay during a twelve month period. There is a similar system when it comes to medication and ceiling is a set to 1 800 SEK during a 12 months period. Judging access to health care in different section of the population is always difficult since it is determined by relative health status, perceived health status, health care organization and health care resources. Figure 17 shows the percentage that has visit a medical doctor during the past three months. There are no large or systematic differences between ethnic Swedes and immigrant, if anything are immigrants more frequently utilizing health care services. The age standardized figures in Table 15 confirm this

picture. A group that obviously is outside the public health care system is illegal immigrants. They can access health care but their costs have to be covered by themselves. NGOs have an important role in relation to this group since they can, without involving authorities, provide information and maybe also cover necessary costs.

Figure 17. Visited a medical doctor during the past three months. Ethnic Swedes, first generation Swedes (I and II) and, immigrants 1980-2003. Per cent and ratio (% native born ethnic Swedes / % immigrants).

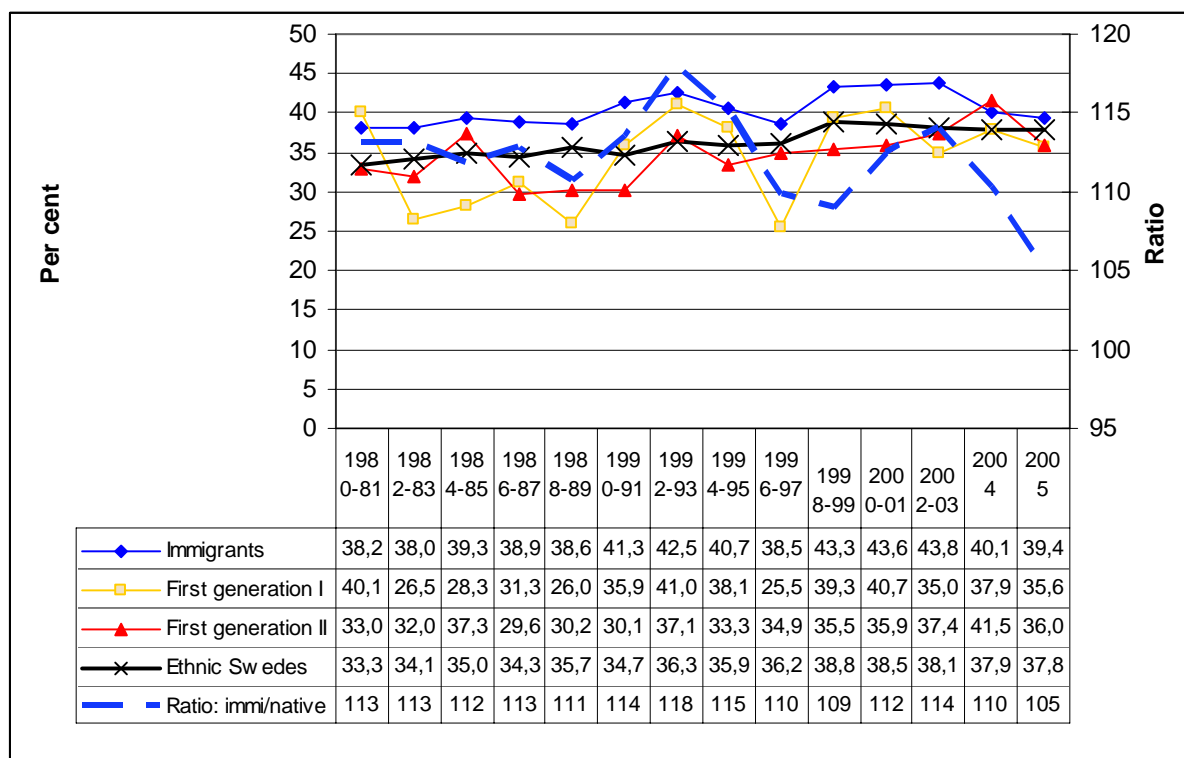


Table 15. Visited a medical doctor during the past three months. Age standardized per cent estimate for middle aged (41-50 year old)

	Estimated per cent
Native born	34.3
Immigrants	41.0*
First generation I	36.8
First generation II	37.5

Source: Survey of Living Conditions (own calculation). * = p < 0.05

7. Education

It is often taken granted that we are heading towards a more and more knowledge based society. Education is a vital part of this development and the importance of education for peoples' prospects on the labour market is often emphasised and empirically verified (Halleröd 1999). During the 1990s the grading system used in Swedish schools was changed from a relative system, placing the students in an assumed distribution, to an absolute system related to specific knowledge criteria. One feature of the new system is that it gives explicit information if a student is eligible to move on from one level of the educational system to another. As can be seen from

Table 16, around ten per cent those finishing primary school has not meet the requirement necessary for to go on to secondary school. Looking at the next step in the education system we can see that in the two latest years somewhat above ten per cent of the students in secondary school are not qualified for tertiary education. There has been a clear improvement of the qualification rate, especially if the latest figures are compared with the figure from year 2000 when almost 20 per cent of the students did not qualify for tertiary schooling.

Table 16. Per cent of student that meets the qualification criteria for moving on the next level of schooling 1998 – 2003

	Year							
	1998	1999	2000	2001	2002	2003	2004	2005
Finished primary school – qualified for secondary schooling	91.4	90.3	89.4	89.2	89.5	89,9	89,6	89,2
Girls	93.1	92.1	91.3	91.0	91.0	91.0	91,1	90,7
Boys	89.8	88.6	87.7	87.4	88.0	88.7	88,2	87,9
Immigrants/first generation*	80.4	79.6	78.6	78.4	78.9	79,5	78,2	78.0
Girls	83.2	82.1	81.0	80.8	80.8	80.9	80,5	79.6
Boys	77.7	77.6	76.3	76.2	77.1	78.1	75,9	76.5
Finished secondary school – qualified for tertiary schooling	83.3	83.5	80.3	84.6	85.7	89,2	89,4	88,9
Girls	87.4	87.6	84.8	87.8	88.8	91,8	92,0	
Boys	79.0	79.3	75.7	81.3	82.5	86,3	86,8	
Immigrants/first generation*	73.9	74.5	69.6	75.0	77.7	81,5	81,7	
Girls	78.6	79.7	75.4	78.9	80.9	84,8	85,7	
Boys	68.6	68.4	63.3	70.7	74.0	77,8	77,5	

* Children who themselves, or both of their parents, are born outside the country

Source: (Skolverket 2006)

The difference between girls and boys is also stable over time. The figures for girls are about 3.5 per cent higher than for boys when looking at primary school and about 7 per cent higher (lower the two last years) when looking at secondary school. Among immigrant children the figures are somewhat more than ten per cent below the total average. In this group the difference between girls and boys is about 5 per cent in primary school and close to ten per cent in secondary school. However, it is worth to notice that the 'gender gap' is decreasing the last couple of years. It is also worth to notice that the immigrant children that make it to secondary schooling are closing the gap to the average population.

The difference between school achievement between immigrant children and the rest of the population reveals the obvious, i.e., that the risk of not being eligible for the next education step is socially

structured. It has also recently been discussed that the gap between children that have parents with higher education and children without higher education is increasing, which basically means that the school system are becoming less successful in mitigating the inter-generational reproduction of social cleavages.

8. Feeding in and feeding out – comments to the Swedish NRP

September 15, 2006 the Swedish social democratic government delivered The Swedish National Strategic Report (NSR) to the Commission. September 17 the social democratic government was voted out of office. Thus, when the NRP-2006 was delivered, it was delivered by the new conservative-centre government. The new government did have very little time to prepare the NRP-2006. It is also the case that there is no coordination between the Swedish National Strategic Report (NSR) and the NRP-2006 report. The simple and obvious reason is that the NSR was delivered by the former social democratic government and rests on a policy agenda that the current government has promised to alter. Thus, as long as the government has not formulated its own NSR it is hard, not to say impossible, to say in what way the NSR feeds in to the NRP or vice versus. It also seems to be a rather meaningless exercise trying to do so because it will only lead to the conclusion that the new government fails to carry out the old government's policy.

As it stands, the Swedish NRP-2006 is basically a catalogue of the policy that the new conservative-centre government presented as their platform before the general election this autumn. National policies are always related to international conditions and ideological influences. So, the government's policy is not formulated in an international vacuum. Having said that I think it is fair to say that the NRP-2006 is a document that summarize the government policy and place it under the headings suggested by the Commission, often using the same arguments for a number of different headings. It is a policy that is based on a national agenda, an agenda set to win the national election.

In the NRP-2006 the Swedish government clearly set the focus on employment, entrepreneurship and economic growth, it is a program that focus on "feeding in" but that is much less developed when it comes to "feeding out", creating social inclusion. The main reasons for the government's focus on labour market policy are: high open unemployment, difficulties for young people finding regular jobs, the demographic challenge and the need for a better utilization of the available labour force in all ages, not least immigrants, and, often emphasized, the link between not being an active participant on the labour market and social exclusion. Hence, the government, rightly I will argue, sees a successful labour market policy as the main cure against social exclusion. The government's policy for labour market inclusion rests on two legs: 1) increasing work incentives, making it more profitable for the unemployed to take on a job. The basic strategy is to increase the income differences between benefits and paid work. 2) Making it less expensive to employ and support entrepreneurship and thereby increase the number of employers and the demand for labour power. The government's firm belief is these two overarching measures also will boost the general economic growth, which of course is assumed to increase the demand for labour power. Worth to mention is also that the government intends to further increase the resources to education and research in order to maintain Sweden's compatibility as a knowledge based economy.

So, what will actually happen that has relevance for the poverty and social exclusion?

8.1. Work incentive, taxes and benefits – general comments

A general tax deduction on salary incomes will be introduced January 2007. The tax deduction will be 1,000 SEK per month and making it more profitable to take on a job. This is a measure that instantly will increase the marginal gain when an individual is moving from benefits to employment.

The increase of the unemployment insurance's replacement rate that was decided by the old government is cancelled and the maximum daily allowance is lowered to 680 SEK. Allowances can never exceed a maximum of 80 per cent of previous earnings. The low maximum limit means that a majority of the employed in case of unemployment will get an allowance that is lower than 80 per cent. After 200 days unemployment is the allowance lowered to a maximum of 70 per cent of previous earnings. After 300 days, or 450 if the unemployed has children under the age of 18, is the unemployment insurance terminated. The unemployed shall, according to the government's plan, in case of termination, be offered work or education. If the unemployed agree to take on either a job or education is the daily allowance maintained. The idea behind these changes is that generous unemployment insurance affects work incentives in a negative manner, which is seen as harmful for both the individual and the overall economy.

A since long identified problem is the high level of absence from work because of health problems. To some extent it is fair to say that the new government follows the old government's policy of improved rehabilitation and promoting a healthy working life. But the government is also cancelling increased replacement rate in the sickness insurance decided by the old government. This is in line with the ambition to increase work incentives and create a situation where it always is more profitable to work than not work.

The government is also presenting a long list of measures and intentions related to misuse and fraud of the income security systems. They are also striving to make social insurances more like ordinary insurances, strengthening the link between risk and fees. This is first done in the unemployment insurance letting the fees vary between different branches of the labour union (unlike other types of social insurances is the Swedish unemployment insurance organized and administered by the unions). The underlying aim is to create incentives for people to change jobs from sectors with high unemployment (high fees) to sectors with low unemployment (low fees).

To increase the demand for labour power some general measures are planned. The government does intend to decrease payroll taxes on the services sector and to introduce tax deduction for household related services (cleaning in private homes etc). The belief is that it will lead to increase demand for labour power and also transform black market jobs into white market jobs.

Youth unemployment is comparably high in Sweden (according to EUROSTAT 22.6 per cent in the age 15-24). However, unemployment periods are relatively short, around 35 days (in the age group 18-24) (NRP-2006 2006). The government is introducing "new-start-jobs" for youths between 20 and 24 years that have been unemployed for more than 6 months. Employers that employ anyone in this category do not have to pay payroll tax during the first year of employment. The government also plans to make a general deduction of payroll taxes for all employees in the age span 19-24. During 2007 the government also plans to introduce a job or education guarantee for people under the age of 25. Unemployed youths will also be entitled to a personal coach and individual action plan.

New-start-jobs are also proposed for people above 24 years of age. The criterion for this group is that they have been unemployed, on sick leave or on "activation benefit" (which is an Orwellian term for early

retirement introduced by the old government) for at least one year. An employer is released from payroll tax during a period of time that equalize the period the employed has been out of work. New-start-jobs are also covering immigrants during the three years that follow after that they been accepted as residents (permanent as well as temporarily).

The government measures represent a change in the policy so far that is reducing active labour market program and concentrating on measures that will lead to integration on the regular labour market. The government has also throw over board many of the central features for an inclusive policy outlined by the former government's NSR as for example the increase of active labour market measures, a more generous employment insurance and sickness insurance. It has done so partly because they do not believe that these measures lead to social inclusion. Neither does the government believe that these measures will increase economic growth or competitiveness. However, besides the fact that the government hope that the policy will promote social inclusion via an improved labour market is the NRP-2006 document rather thin when it comes to issues relating to social inclusion. In fact social inclusion is only mentioned in a section consisting of two short paragraphs on page 48 were the government says that it will come back to this issue later. I hope they will.

The basic problem facing the Swedish government in relation to social exclusion is, in my opinion, the following. The Swedish employment rate is already very high (see above). Unemployment is nevertheless relatively high, indicating that the employment rate can be improved even more. What the government intend to do is to increase labour market participation with the help of both carrots and sticks. Right now, this is probably a feasible policy because of the rapid growth rate and the increasing demand for labour power (see above). But, when the government in its report (and elsewhere) says that 17 per cent of the labour force (population 20-64) is excluded from the labour market they include individuals that has no or very little chance to get a job on an open market (long term sick without any realistic prospect of getting back to work, disabled etc). These are people that are in risk of only facing the stick and so far the government has not formulated a policy for social inclusion of the most vulnerable parts of the population. An inclusive policy also needs to take measures to secure a decent economic standard for this group. The real difficulty is to implement such a policy and at the same time pursue a policy that on an individual level guarantees that work always will pay better than benefits. Solving this issue must be one of the main tasks when the government sets out to formulate a new Swedish NSR against poverty and social exclusion.

Stimulating employment, and in the long run a growing and sustainable economy, via tax/payroll tax deduction for special groups as for example young unemployed, long term unemployed, immigrants and elderly workers plays a prominent part in the government's strategy to fight back unemployment promote social inclusion. However, research shows that the effects of these kinds of measures often are less efficient than politicians are inclined to believe. There is a risk that the only thing that, at best, is achieved is a substitution effect, i.e., that person A gets the job instead of person B (Marx 2005). If that is the only thing that happens are the dynamic economic effects of these kinds of measures likely to be close to zero.

There is a long tradition of consulting different stakeholders during policy processes. There is no reason, and I have no indications, that indicate that the current government should change this strategy. Considering the short time in office the government has had very little time for consultation before delivering the NRP-2006 to the commission. Following the Swedish tradition the government has had consultations during the autumn with representative for local and semi local representatives, employers' federations and the unions. These consultations has not created a situation of giving, taking, peace and mutual understanding, especially not when it comes to the unions. The government pursues the policy that got them elected and the unions strongly oppose this policy arguing that it will lead to larger economic cleavages, poverty and social exclusion. The government is of course arguing for the

opposite. One can also say that the people in this case has been consulted and voted in favour of the government's policy.

Comments concerning specific guidelines

1. The Swedish general government sector, i.e., central government, state government, local government, and social security funds, did in 2005 show a budget surplus corresponding to 2.9 percentage of GDP. The average surplus over the past six years is 2 per cent of GDP. These figures can be compared with average budget deficit in the EU-15 of 2.3 per cent of GDP in 2005 and an average deficit of 1.7 per cent during the past six years (EUROSTAT 2006b). The inflation rate since the mid 1990s has been low. The rate for 2005 was 0.9 per cent and inflation for 2006 is estimated to 1.9. So, the overall picture of the Swedish economy is currently quite positive, the economy is growing relatively rapidly, public finance is in good shape and inflation is low.
2. The Swedish national/public (I do not know which term that is correct) was in 2006 46.5 per cent of GDP. The debt is forecasted to decrease to 37.4 per cent in 2008. The Swedish employment rate is comparably high (see above). Especially among women and the elderly part of the labour force. The development during the past years has been positive and one important trend shift is that the factual retirement age has increased. In the late 1990s was less than 50 per cent of the work force in the age 60-64 years of age employed or self employed. In 2004, this figure had reached almost 60 per cent (Vogel & Råbäck 2006). Youth unemployment is, as mentioned above, rather high which is something that is addressed by the government in their labour market policy (see above). The Swedish income security system is based on labour market participation. One could say that when Sweden is described as the prime example of de-commodification of the labour force it is often forgotten that Sweden also has a system that to a very large degree underpins commodification. For example Stephens (2006) emphasize that the Nordic countries have high labour market participation because their income security systems are individualized and geared to give work incentives. It is obvious that the government wants to strengthen the link between income security and work, emphasizing the 'work-line'. It does so by tightening the eligibility criteria for unemployment insurance and alter the way the sickness insurance's replacement rate is calculated (it used to be based on expected income but will in the future be based on actual previous income). The long row of measures intended to decrease misuse and fraud of the public systems are also in line with this policy. As mentioned in Report No 2:2006 the Swedish public pension system has been reformed during the 1990s. The reform clearly strengthens the link between labour market participation and gives incentives for a prolonged working life. The new system is also financially robust (for details see Report No 2:2006). The health care system is not discussed in the NRP-2006 but it is discussed on the national arena and public investigations are currently conducted.
3. I am definitely not the one to judge what is and what is not an efficient distribution of resources (I wonder who is)? For the government it is obviously efficient to decrease public finance share of GDP. The strategy is to gear taxes and benefits so that they increase incentives to work, reaching the double effect of decreasing benefits and lowering the tax burden.
4. The government is not involved in wage setting. What they can do is to offer a conciliator if the labour market parties cannot agree. The "work-tax-deduction" introduced next year will hopefully make the labour market negotiations easier. Stimulating labour supply is also seen as a way of avoiding wages increases that triggers inflation. The coming year will be decisive since all the major unions are to re-negotiate their general agreements with the employers.

Many of the decisions taken by the government concerning cut backs in different transfers system, changes of the financing of unemployment insurance etc is heavily opposed by the unions and there is therefore a risk that wage negotiations becomes more politicised than the usually are (we usually have a social democratic government with strong ties to the labour union, especially the blue collar unions, this is not the case now).

5. Here the government basically repeats what it already has said, emphasizing the link between public finances, low inflation and a functioning labour market.
6. Although Sweden fulfils all the requirements and basic economical goals, Sweden is not part of the EURO-area. Sweden has an independent national bank with a mandate to fight inflation. It is often repeated in the debate that this function is extremely important balancing both the states eagerness to increase public expenditures and labour market parties' eagerness to increase wages. Everyone knows that the interest rates will go up if they do not 'behave'. This is a role that the ECB never can play since ECB has to consider the whole EURO-area.
7. About 3.7 per cent of GDP is invested in research and development (RD) activities, which is above the 3 per cent goal set by the Lisbon strategy. The high expenditure on RD is partly explained by the investments done by some very large companies (like Ericsson, Volvo etc). In our global economy, this makes the RD base particular vulnerable and the government is therefore planning to increase the states part of RD investments (primarily via the university system). I cannot judge whether the proposed investments are large enough but it certainly a step in the right direction in order to secure a stable basis for RD.
8. The government clearly state they will follow the recommendation in the guideline. However, this is far beyond my competence to judge.
9. No comment.
10. No comment.
11. No comment.
12. No comment.
13. No comment.
14. Rules and regulations for companies, especially small scale companies, has since long been debated. The old government did several times promise to simplify the regulation system, but it was only talk – no action. The new government promises the same thing. Hopefully they are more dedicated so that something happens this time.
15. This is one of the main issue for this government but it is not within my area of competence.
16. No comment.
17. As mentioned above, this is the area that the government focuses on more than anything. This was the issue that helped them win the election and this is the issue they will be judge against in the future. The main features of this policy are discussed under the general comments above. The general employment goals set by the EU is already achieved.
18. The main policy idea is simple. People need to start work earlier and to quite work later. The taxation system is therefore adjusted in order to lower the costs to employ young people, see

above, and to lower the cost to keep elderly employed. For the elderly (above 65) a part of the payroll tax (which in reality is a tax) will be abolished? The government is also planning to increase the tax deduction on salaries for people over 65. At the same time are the transfer system adjusted in order to increase work incentives.

19. The Swedish policy has since long been adjusted to facilitate labour market participation for both men and women, and as mentioned in all my reports so far, this is the corner stone of the Swedish model. In order to strengthen this tradition the government pursues a policy that can be summarized as: making work pay and making it cheaper and easier to employ. So far, the government sees this policy almost as if it will solve all problems, which means that there is not a formulated policy how to fight poverty, facilitate integration, guarantee regional integration and so forth if this policy will not work. Neither is there a policy that, as mentioned above, deals with the consequences the suggested policy measures will have on those who are most marginalized and excluded and that presumably never will be able to take on a job on the open market.
20. The government is saying that they will modernize the Labour Market Board and give it a more focused assignment to get people into employment. How this goal will be achieved is at present not at all clear but the basic idea is that labour market agencies shall work in a more individualized way, setting up individual plans and offering something that is called a personal coach to long term unemployed. It is impossible for me to judge if there is enough resources allocated and if there is enough competence at the agencies to implement these ideas. The government will also open up for work related immigration.
21. The government will make it easier to employ people temporarily. They also say that they as much as possible will facilitate labour market participation among disabled. They do not say how they will do that. They also want to promote the development of work environments that makes it possible also for elderly people to continue to work. They do not say how.
22. As already mentioned, wages are set via negotiations between employers federations and the unions. The government contribution is limited to offering consolation. There is no legislation regarding minimum wages, but the unions have the far reaching power to implement agreed wage setting within their branches. (This has been a fairly big issue in relation to the open market and Swedish unions have so far been able to enforce negotiated wages also among forging service companies.) However, the government can and has enforced regulation regarding wage discrimination for example between women and men (this is one area where the EU has been a progressive force, forcing Sweden to implement a more strict legislation).
23. The education area has been subjected to fundamental and constant changes over past two decades. Not surprising, this is an area where we can expect quite large changes also in the future. Vocational training during the secondary schooling will be more focused on just vocational training. There are many reasons for this, one being to better respond to labour market demands. As, it seems the government is also abandoning the goal that 50 per cent of each cohort shall have a degree from tertiary education. The argument is that rapid expansion of tertiary education has had a negative effect on education quality. Resources should therefore be more focused on reaching qualitative, not quantitative goals. In my opinion this is a change of focus that is more than welcomed. The government is also talking about the need of life long learning both from the individual perspective and from a labour market perspective. The fact that the government at the same time has cut back economic resources from adult education (komvux) is therefore a bit surprising, especially since this type of education, in a situation of increasing labour demand, could help to improve the match between vacancies and available

workforce. The government's argument is that demand for education decreases as vacancies increases. But again, it does not help people if they have the wrong qualifications.

I finally want to emphasize that change of government quiet naturally also means a change of policy. At the moment this policy is in a rapid process where ideas are transformed in to political decisions. It is extremely hard to get a grip over the totality and it is, I will argue, impossible to evaluate if this policy will lead to economic growth, a better labour market, more social inclusion etc. The outcome will most probably be mixed but there is no way that I can have an opinion about the outcome before there is an outcome.

Appendix

Table-A 1. Employment rate among native born and immigrants (age 16-64) grouped after years since arrival to Sweden 1990-2005

Men					
Year	Nativ born	Immigrants 0-4 years	Immigrants 5-9 years	Immigrants 10-19 years	Immigrants 20- years
1990	89,7	61	75,4	82,2	79
1991	86,7	48,4	65,2	77	75,8
1992	82,6	38,3	61,5	73,1	72,8
1993	78,1	34,8	51,3	65,1	67,3
1994	78,4	30	46	65,7	66,7
1995	80	25,8	45	65,2	66,1
1996	79,1	25,5	44,9	63,3	67
1997	78,9	28,3	44,7	60,3	66,5
1998	80,6	30,9	49,8	60,5	66,7
1999	81	39,1	48,6	63,4	67,5
2000	82,5	46,3	59,6	66,2	68,8
2001	82,4	48,1	59,1	66,5	69,7
2002	81,9	47,4	62,2	64,3	68,9
2003	81,7	46,6	58,7	62,9	68,3
2004	81,3	42,2	54,8	63,2	69,1
2005	83,3	46,8	56,3	65,6	71,3
Women					
1990	84,8	55,2	71,7	77,1	77,6
1991	83,2	41,3	69,3	72,8	73,1
1992	80,4	30,8	59,2	71,9	70,6
1993	77,2	30,2	46,6	64,3	65,3
1994	76,7	24,8	41,5	63,7	64,1
1995	76,5	19	38,8	61,6	63,4
1996	76,1	19,2	39,1	63,5	65,1
1997	75,3	22,4	39	59,8	64,3
1998	76	25,2	46	58,8	64
1999	77	31,9	44,8	58,9	66,2
2000	78,2	39,7	51,4	62,6	65,2
2001	78,9	37,7	49,4	63,4	68,5
2002	78,8	40,3	55,4	61,5	66,8
2003	78,1	38,3	55,8	61,6	64,6
2004	77,7	35,6	50,7	60,2	66
2005	78,1	38,4	52,5	64,7	68,7

Source: (Integrationsverket 2006)

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