



Integration of refugees in the Swedish labor market - policies and neighborhoods

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Outline

- Some facts about Sweden
- The role of policy
 - "Settlement policies and the economic success of immigrants" Edin, Fredriksson & Åslund (JPopEc, 2004)
- The role of initial labor market conditions
 - "Do when and where matter? Initial labor market conditions and immigrant earnings", Åslund & Rooth, (EJ, forthcoming)
- The role of peers
 - "Ethnic enclaves and the economic success of immigrants" Edin, Fredriksson & Åslund (QJE, 2003)
- Concluding remarks



Some facts about Sweden

- 9 million residents
- 12 percent foreign-born
- Largest immigrant groups:

Finland 190,000

Yugoslavia 75,000

Iraq 68,000

Bosnia 54,000

Iran 53,000

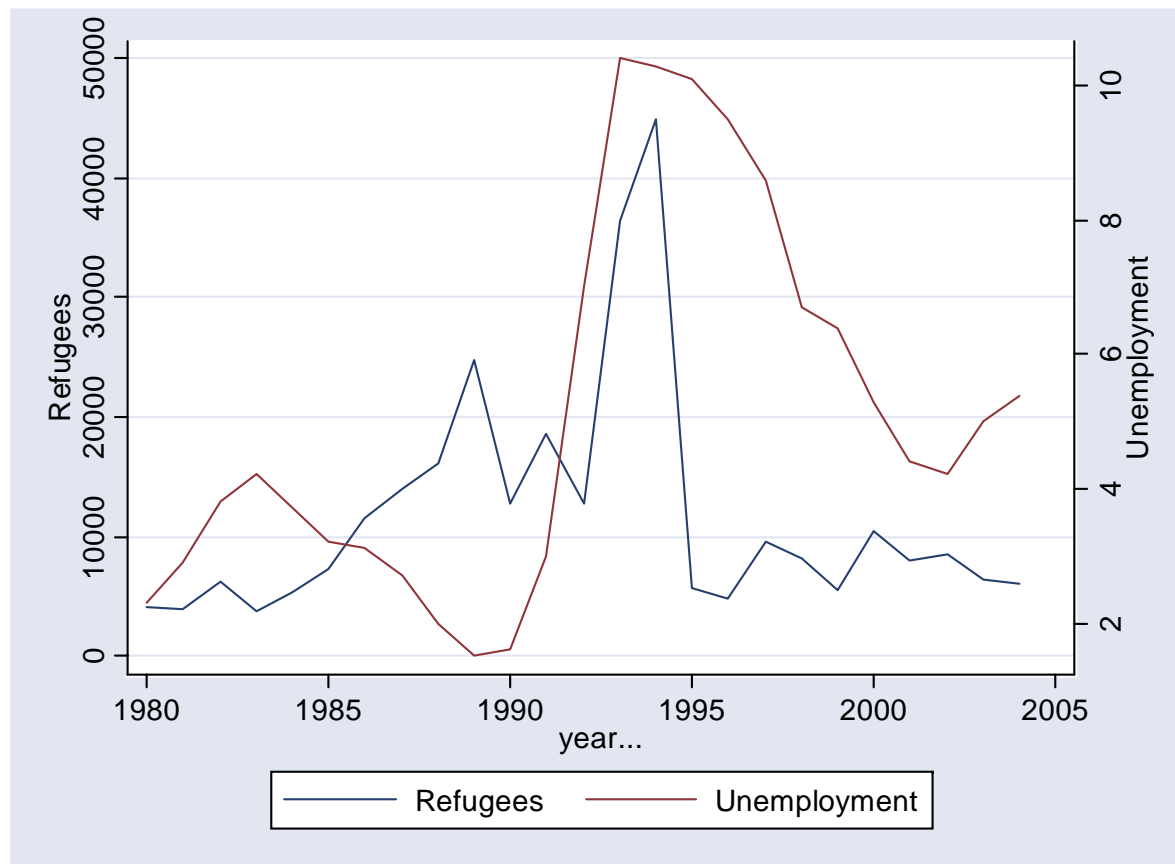


Employment and earnings in 2002

| <u>Region of birth</u> | <u>Empl.</u> | <u>Annual earn.</u> | <u>Wage</u> |
|------------------------|--------------|---------------------|-------------|
| Sweden | 76.8 | 190,700 | 22,200 |
| EU/EEC | 69.3 | 171,800 | 22,200 |
| Other Europe | 59.7 | 125,100 | 19,700 |
| Outside Europe | 53.5 | 100,400 | 19,000 |



Refugee inflow and national unemployment





The Swedish refugee dispersal policy

- 1985-1991 (formally until 1994)
- Responsibility transferred to the Immigration Board
- Municipal placement – reaction to geographic concentration
- Introduction period – 18 months
- Goals:
 - Increase geographic dispersion
 - Facilitate economic and social integration
- In practice: Housing determined placement



The role of policy

- How did the reform affect earnings, employment, and welfare dependence among refugees?
 - Total effect?
 - Effect of placement vs. “common component”?
- Study the outcomes of 1987-89 refugee cohorts
 - Compare to 1981-83 refugees + business cycle effect
 - Use dispersal policy as a quasi-experiment to get exogenous variation in individual locations



Results - outcomes 8 years after immigration

- Substantial total long-term effects of the policy:
 - 25% lower earnings
 - 6-8 percentage points lower employment
 - 40% higher welfare dependence
- Large part of the effect not due to geographic placement
 - Would have been larger if people had not relocated
- Interpretation of “common component”?
 - Policy not focused on labor market entry
 - Distancing of refugee issues from labor market policies



The role of initial labor market conditions

- Possible mechanisms:
 - State dependence – scarring
 - Signaling, preferences, HC depreciation
 - Geographic lock-in
- Odd results in some previous studies
 - Facing poor conditions \Rightarrow lower unemployment risk, better earnings development.
 - Selective migration?

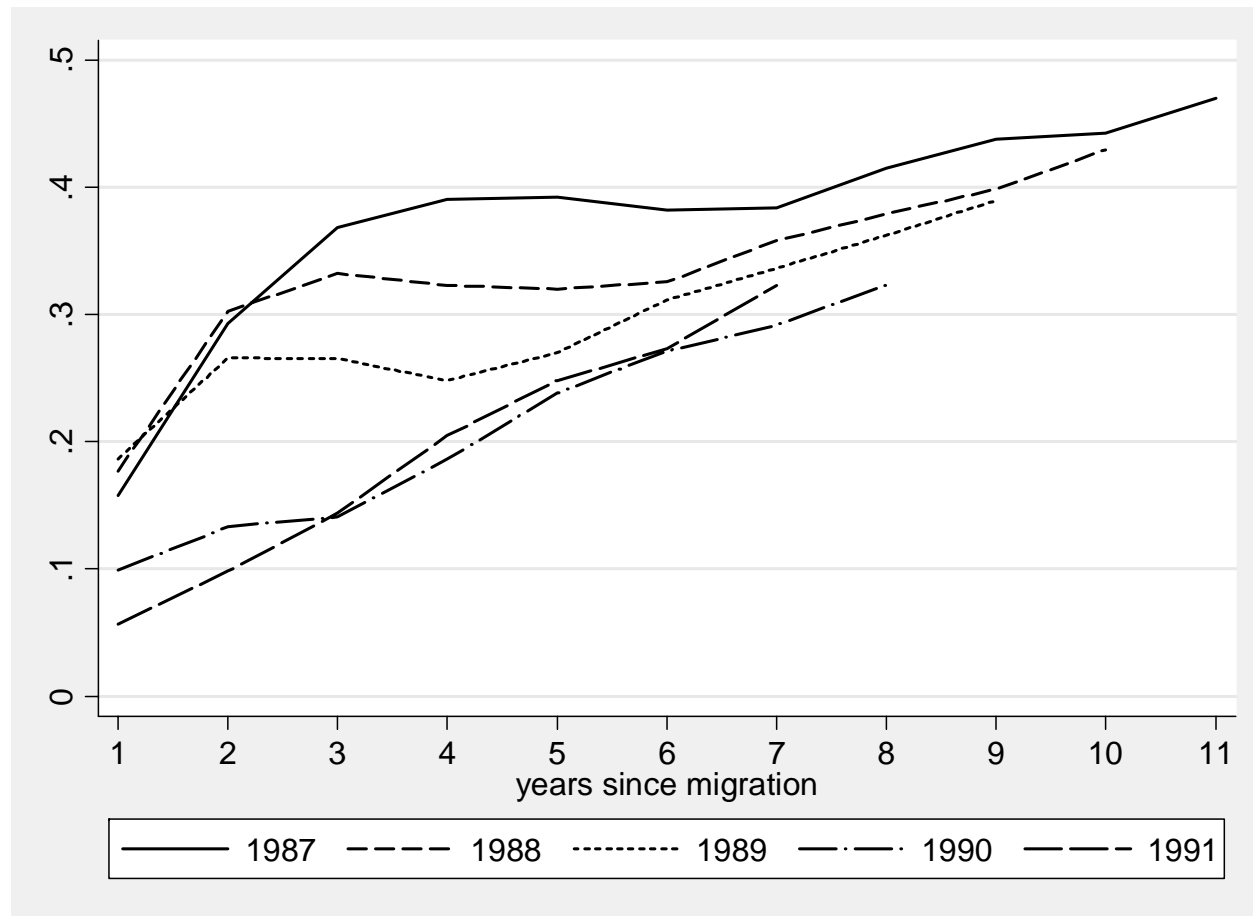


Our strategy – national and local levels

- Study refugees arriving before-during economic crisis of the 1990s
 - Unexpected magnitude of the recession
 - Made decision to migrate before the crisis
- Study the long-term impact of initial local unemployment rates
 - Exploit refugee placement policy



Refugee earnings (relative to natives)





The effects of local unemployment

- Significant impact on earnings and employment for at least ten years
 - Earnings elasticity (year 7): -0.2
 - Employment elasticity (year 7): -0.09
- Mechanisms?
 - Scarring: Local conditions \Rightarrow initial outcomes \Rightarrow subsequent outcomes
 - Geographic immobility: those who entered in poor locations continue to face poor conditions



The role of peers

- Immigrant concentration to major cities
- Big debate on the effects of segregation
- Does living among ethnic peers affect labor market outcomes?
 - Residential sorting – central methodological problem
 - Use dispersal policy
 - 1987-89 refugee cohorts, earnings 8 years after immigration



Results – peer effects on earnings

- ”Doubling of the size of the local ethnic group”
 - ”Simple correlation”: -6%
 - Controlling for sorting: 0
 - Low-educated: +19%
- Positive impact bigger when peers are successful
 - High average earnings
 - High self-employment rate
- Qualitative results confirmed in study of welfare dependence
 - ”Quality” of peers more important than the number of peers.



Concluding remarks

- Sweden – large number of refugees, frequent problems in the labor market
- Some policies have not facilitated labor market integration
- Early labor market entry important
 - Reception policies matter
 - Labor market conditions matter
 - Peers may matter