



People on the Move

Advancing the Discourse on Migration & Jobs

October 2018

NEW ARRIVALS, NEW OPPORTUNITIES

Tailoring labor market policies to new challenges in Sweden

Joel Hellstrand, Guest Contributor

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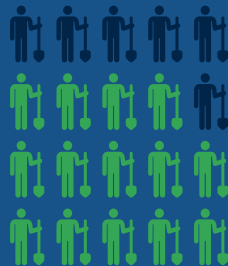
SWEDEN



In-Migration rate
(2015)



Size of Diaspora
(% of Population)
2015



72.7%
Foreign LFPR
(2015)



79.6%
Native LFPR
(2015)



TOTAL REMITTANCES RECEIVED ANNUALLY (USD) 2016 - **\$16.68 BILLION**

Foreign LFPR - The foreign-born participation rate is calculated as the share of employed and unemployed foreign-born persons aged 15-64 in the total foreign-born population (active and inactive persons) of that same age.

Native LFPR - The native-born participation rate is calculated as the share of employed and unemployed native-born persons aged 15-64 in the total native-born population (active and inactive persons) of that same age.

Source: OECD (2018), UN (2017)

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One pillar of Sweden's economic model is active labor market policies that aim to upgrade the skills of unemployed workers, enhancing their labor market prospects while also enhancing the possibilities for productive companies to recruit. Beyond the social benefits to workers and the supply of skilled labor to firms, these policies facilitate a continuous process of structural transformation in the economy: when low-productivity companies fail, their former employees are up-skilled and end up in higher-productivity companies. This is one of the reasons why Sweden has not only had some of the world's highest living standards, but also one of the world's most productive workforces. At \$56.39 per hour worked, Sweden's labor productivity as of 2016 was about 18 percent higher than the OECD average.¹

Today, the Swedish model faces a test: Employers in many sectors are finding it increasingly difficult to recruit skilled labor, while at the same time persons from outside the European Union struggle to integrate into the labor market. In 2014 and 2015, Sweden witnessed the arrival of

almost 244,000 asylum seekers, and as of 2017 almost 144,000 had been granted refugee status and the right to stay in Sweden.² Another 50,000 residence permits have been granted to family members of refugees.³ The number of people in the workforce has risen considerably in recent years, with people born abroad responsible for the bulk of workforce expansion. The Swedish government has been striving to adapt the training, education and labor market schemes that are central to the country's economic model to cater to the needs of the newly arrived refugee population. While the imperative of integrating migrants into Sweden's workforce is not new – the country has historically depended on migration to provide employers with skilled labor – the skills required by the labor market now are different and fast-changing, and the pace, scale and character of migration is different from the past.

This chapter will describe the influx of refugees over the past few years, the labor market implications of Sweden's changing workforce composition, and what is being done to improve employability among newly arrived refugees.

The arrival of refugees: 2015-2017

In 2015, some 163,000 asylum seekers arrived in Sweden – the highest per-capita influx of asylum seekers ever registered in a single year in any OECD country.⁴ Alarmed by the volume, the government and the parliament changed migration policy so that asylum seekers would only be granted temporary rather than permanent residence.

The government also introduced border controls to limit the flow of refugees into Sweden, and in 2016 the number of arriving asylum seekers fell to 29,000.⁵

In 2015, almost 52,000 people were granted refugee status and the right to stay in Sweden or were granted a right to stay on the basis of their relative being granted refugee status. The corresponding numbers for 2016 were 87,000 and for 2017 were 56,000.⁶ In other words, Sweden's population of lawful residents swelled by nearly 200,000 in just three years – significant in a country of less than 10 million people.

Once given refugee status and a residence permit in Sweden, the vast majority of new working-age arrivals are enrolled in the Swedish Public Employment Service (PES). Since 2010, the PES has provided a special program to support refugees during the two years following their

receipt of a residence permit. Between January 2014 and January 2017, the number of persons participating in the establishment program more than doubled – increasing from about 30,000 to 70,000 persons.^{7,8}

Some regions and municipalities in Sweden were more affected by the influx of refugees than others in 2015 and 2016. In extreme cases, the number of asylum seekers grew so quickly that new arrivals constituted nearly 10 percent of the municipal population.⁹ In general, towns in the countryside with more available housing came to host considerably higher shares of asylum seekers. Sweden's persistent housing shortage has exacerbated the challenge of refugee integration,

because those areas where labor demand is strong are also those where the housing shortage is most severe. To tackle this problem and to ensure that responsibility for integrating refugees is more even, the Parliament enacted a new rule: starting in March 2016, every municipality is obliged to receive newly arrived refugees independent of its housing situation. The number of refugees a municipality must accept is determined by the municipality's population, its labor market situation, and the number of refugees it has already received. The new policy has had the intended effect – municipalities are now receiving new arrivals more evenly.

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Sweden's labor market: High demand, high expectations

Among OECD countries, Sweden's employment rate is one of the highest and the gender gap in employment is one of the lowest. High employment rates for women and older workers keep the overall employment rate very high. Moreover, the high employment rate is a precondition for the Swedish welfare state, which relies on tax revenue from personal income. In contrast, many refugees come from countries where the employment rate is much lower and where a far smaller share of women are employed. Whereas Sweden's overall employment-to-population ratio (ages 15+) was 60 percent in 2017, the ratio was 35 percent and 43 percent in Syria and Somalia, respectively. These lower rates of workforce participation are structural rather than purely a consequence of recent conflict. For example, in 2010, before the outbreak of the Syrian civil war, the employment-to-population ratio in Syria was 39 percent.¹⁰ These low rates of workforce participation are largely attributable to a massive gap in men's and women's rates of participation. Only 7 percent of Syrian women, 17 percent of Somali women, and 17 percent of Iraqi women are employed.¹¹

Put simply, one of the first hurdles that newly arriving refugees must confront, both men and

women, is the mere *expectation* from Swedish society that more members of the household – and specifically more female members – will engage in paid work. This expectation is embedded in the social contract that enables the country's strong social welfare system. Levels of workforce participation in origin countries speak little to a refugee's willingness to work – this is not the question. The challenge, more specifically, is

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how to integrate workers, primarily women, who may have little labor market experience.

Employers in Sweden, moreover, are in need of the additional workforce. Almost all sectors of the Swedish economy are currently reporting problems with recruiting labor. This applies

both in the private and the public sector. One consequence of the shortage is that employers are starting to lower the skill requirements for vacant positions or trying to make the current workforce more productive by redistributing less qualified tasks to the newly employed who possess less formal education. Moreover, because the unemployment rate among Sweden-born workers is only about 4 percent, employers are increasingly turning to new arrivals to plug gaps in the labor supply.¹²

As in most economies, a worker's education level is the key factor shaping his/her labor market prospects in Sweden. Sweden's labor market is among the most demanding in the world when it comes to education: Only about 5 percent of jobs require less than an upper secondary education.¹³

While educational backgrounds of newly arrived refugees vary, about half of those enrolled in the PES establishment program have not completed upper secondary school – i.e. 12 years of schooling. Another quarter have at least an upper secondary education. The final quarter have more than 2 years of higher education – usually college graduates.¹⁴

In summary, the constellation of labor market realities in Sweden presents a particular challenge

and opportunity to the training and vocational education system in the country: integrating a record number of workers of extremely varied skill and experience levels into an economy with increasingly large demand for skilled workers.

The results from the two-year establishment program show cause for both optimism and concern. Data recorded between January and September 2018 showed that about 44 percent of people who left the two-year program were in employment or education 90 days after program completion. The figure was 53 percent for men and 29 percent for women. Intuitively, the figures are lower for those with less formal education, but the gender gap is larger. Having little formal education appears to be a much greater labor-market barrier for female refugees than male.

Entering the labor market in Sweden as a migrant

While labor market access and employability are determined by a whole range of factors, including informal networks, this section focuses on the key factors that are formally recognized in the labor market: language skills, work experience and the level and quality of education.

Language skills

Sweden's 290 municipalities are responsible for providing free Swedish language classes for immigrant adults. The classes are provided in different steps so that students with a higher

level of education are grouped together and those who need more support start with more basic classes. In a few regions, municipalities cooperate to provide profession-specific language training. For example, the Stockholm region provides language training for medical personnel, engineers, software developers, teachers, and truck drivers, to name a few. Over the past few years, municipalities have struggled to provide the quantity and quality of Swedish classes required for the major influx of refugees, facing teacher shortages. Confronting this situation, municipalities and the PES had to offer

alternatives, such as internships¹ to encourage language training in a working environment or activities provided by civil society. In some cases, such measures proved more efficient than the traditional classroom environment, given that language acquisition depends on social interaction. However, acquiring language skills through an internship requires a tutor and a learning plan; for small or under-resourced companies, this additional burden can be an issue.

Beyond the municipality-provided language classes, the Swedish PES also provides profession-specific language training that can be combined with subsidized employment, internships or vocational education. Some of the universities in Sweden are also providing language courses geared toward making immigrants eligible for higher education.

Work experience and education

Given that immigrants come from a different education system and labor market, employers struggle to assess the content and level of their qualifications, making it especially difficult for them to find employment. There are a few measures in Sweden aimed at tackling this problem:

- The Swedish Council for Higher Education evaluates foreign qualifications in order to

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provide support for people looking for work in Sweden. The council determines equivalencies of different foreign degrees in the Swedish education system, enabling employers to assess the level and content of an applicant's education. The council evaluates foreign higher education, post-secondary vocational education and upper secondary education. In 2017, the council received about 29,000 applications

for evaluation of foreign qualifications and about 12,000 of those concerned college degrees. The number of applications has increased considerably over the last several years; in 2013 the council had received only about 14,000 applications.¹⁵

- For skills not obtained in formal educational institutions, the Swedish PES uses a program called on-the-job assessment (*yrkeskompetensbedömning*). An employer in a sector relevant to the qualifications of the newly arrived person carries out the assessment. After a three-week period of on-the-job assessment, the employer gives a written report of the individual's skills and a recommendation for further development, which could be program-specific language training, a bridging program (see below) or an internship. This written assessment can also be used when the person seeks employment.

¹ An "internship" is of no costs to the employer. The intern receives a benefit from the state.

Not only does this system provide scope for recognition of prior skills, including non-certified skills, it can also help the individual build a professional network in the sector. Such an assessment is particularly important in cases where the new arrival developed his or her skills through informal means – for example, a car mechanic who learned on the job but never took formal classes.

- Another way to assess non-formal qualifications in Sweden is to validate skills according to an agreed standard for a specific sector. In some sectors, trade unions and employers' organizations have created national validation schemes. Immigrants who seek to validate unrecognized skills can do so through a test, in which both theoretical and practical skills are assessed.

Fast tracks for new arrivals

In order to shorten the time in unemployment for newly arrived immigrants with qualifications that are in demand in the Swedish labor market, the government initiated a fast-track scheme in 2015, bringing together trade unions, employers' organizations, the Swedish PES and other authorities. The imperative for addressing the trade unions and the employers organizations was that they have the knowledge of what constitutes the thresholds to enter the labor market but more importantly they possess some of the tools to reduce the thresholds. A series of tripartite agreements for different sectors emerged from these discussions, which focused

on bridging the gaps in immigrants' pathways toward obtaining a high-skilled job. Employers' organizations committed to encourage employers to offer internships and to recruit new arrivals with the right skills. The Swedish PES committed to offer validation schemes, bridging courses and profession-specific language courses. The agreements contain a chain of activities that assess, test and bridge the skills of new arrivals. In some sectors, employers have stepped up considerably to offer internships. About 7,000 newly arrived persons have participated in a fast-track program since its start in 2016.¹⁶

Bridging programs at the universities

The PES has also initiated partnerships with universities in order to offer bridging programs in some academic professions. These programs aim to help new arrivals with foreign qualifications to enter a high-skilled job in Sweden. Legislation, standards and practice for a given profession or sector differs across countries, so bridging courses are necessary for many professions. Currently, there are such programs for architecture, biomedical science, business administration, dentistry, economics, engineering, medicine, midwifery, nursing, pharmacy, psychology, physiotherapy, social work, law, systems analysis and education. The competition to enter a bridging program is stiff – especially for dentists, doctors and pharmacists – but the outcomes from the program are positive. For the regulated professions the student will receive a license to practice if she or he passes the training which is a precondition for entering the profession.

Closing the employment gap: Making space for newly arrived women with non-formal skills

Facilitating labor market access for new arrivals with non-formal skills and little to no formal education is one of the key challenges of refugee integration in Sweden, as described above. Many of those who fall into this group are women, and many female refugees are likely to have never worked in the formal economy.

The Swedish government has recently initiated a set of programs and policies aimed at promoting the employability of this population. From the beginning of 2018, new arrivals with fewer than twelve years of formal education who are unlikely to get a job within the two-year establishment program must seek out and attend adult education in order to continue receiving the establishment benefit – a welfare payment to new refugees. However, to make this policy viable, adult education must be expanded as well as adapted to meet the unique educational needs of new arrivals. Adult education programs, provided by municipalities for the last 50 years, have historically been designed for those who dropped out of Swedish schools or who need a second chance. The large share of new arrivals who lack an upper secondary education need adult education to access the labor market – and now to receive state financial support – but the number of seats is limited and in some municipalities the

curriculum is yet to be adapted to accommodate students with limited proficiency in Swedish. As with the language courses, municipalities face shortages of qualified teachers, too.ⁱⁱ

While adult education may provide an entry point for many new arrivals with a low level of formal education, not all those in this population can or should take part. Many already possess non-certified but employable skills. For this group, the most viable option may be subsidized employment where the employer receives a wage subsidy from the state when he/she hires a worker who has been long-term unemployed or newly arrived. Subsidized employment has been an important part of Sweden's active labor market policies since the early 1980s. The program lowers the risk for employers to hire and gives a worker the chance to demonstrate his or her skills in the workplace. Subsidized employment generally requires a compliance officer who ensures that only those who need the subsidy are receiving it – given that the subsidy is expensive for the state. The “special employment” (*extra tjänst*) program is one kind of subsidized employment that has already proven important for facilitating labor market entry among newly arrived women. The program is for workers in the welfare, cultural or non-profit sector.

ⁱⁱNational Agency for Education “Redovisning av uppdrag om hinder för individer med bristande kunskaper i svenska språket att delta i utbildning inom kommunal vuxenutbildning”

Labor market information and career guidance are critical to enhancing labor market access for refugee populations with short formal education. In many cases, new arrivals may not be aware of the kinds of jobs that are available to them. For example, a few months of adult education provided by PES may be adequate for becoming a bus driver, excavator driver or a real estate manager. Women from societies where the labor market is highly male-dominated are unlikely to know about social services available in Sweden that help women to work – namely child care services

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and the right to work part-time when one has small kids. This is of course important information

to women and men coming from countries where such structures are non-existing so that the pressure on women to take care of the kids within the family decreases. In this regard, creating career guidance

programs for both men and women is critical and is an area of improvement.

For many who lack experience from the formal labor market, it is crucial to also work on the self-esteem related to labor market entry. Study visits to employers is one way of achieving this.

Employer engagement in long-term competence provision

Increased cooperation between the PES, employers and employers' organizations can also improve the ability of Sweden's labor market to integrate workers with little formal education or work experience. While Sweden's school system and active labor market policies have long provided employers a steady supply of qualified workers, the new labor market reality – an abundance of immigrant workers amidst skilled labor shortages – creates an incentive for the private sector to participate more actively in training and up-skilling the workforce. Some employers are already engaged in such activities,

providing tutoring opportunities for unemployed persons and students. These training and tutoring programs can function as both corporate social responsibility initiatives as well as recruitment opportunities. Some employers even see them as a way of identifying good leadership skills within their own teams – since a good tutor usually has the interpersonal skills necessary for leadership.

The PES and the actors who provide adult education need to build their cooperation with sector organizations and employers around concrete opportunities for students and the

unemployed to get on-the-job training. This could mean, for example, placing adult education students in internships with local firms, making it easier for the employer to identify and hire new staff. A few initiatives have been undertaken over the last few years to enhance support for students or interns who have weak knowledge of Swedish. One sector that has been a positive example offering internships and guidance

for newly arrived refugees is the pharmacy sector. The employers' organization has made a commitment to tutor newly arrived pharmacists in the Swedish language, sub-field vocabularies, and how pharmacies are run in Sweden. This commitment has made it much easier for immigrant pharmacists to enter the labor market in the sector that can best utilize their skills.ⁱⁱⁱ

Conclusions and next steps

Sweden's workforce has expanded considerably in recent years due to the influx of migrants. While the pace of future growth may not match the record-setting numbers of 2015, migration to Sweden is a trend that is here to stay. Not only is there enormous demand from migrants across the world for the chance to live and work in Sweden, employers in Sweden will rely more and more on foreign-born workers in the future. According to a prognosis from the PES, about seven out of ten new jobs in Sweden in 2018 and 2019 will go to foreign-born workers.¹⁷

The initiatives underway in Sweden to support labor market integration of new arrivals offer cause for optimism. Even migrants with little formal education are finding avenues for employment in Sweden. Nevertheless, considerable challenges remain, especially in addressing the considerable gender gap in employment. The following concrete steps ought

to be taken by the municipalities, the PES and the new government to handle these gaps.

- Greater incentives and assistance to municipalities to expand and adapt adult education to newly arrived migrants who have poor formal education.
- Improved coaching and career guidance programs directed towards unemployed who lack formal education and experience of paid work. Local projects have developed methodologies that could be used more systematically.
- Increased involvement from employers and employers' organizations to provide internships, on-the-job training or other activities with the goal of increasing the provision of skilled labor in the sector. A stronger cooperation is needed between the PES, providers of adult/vocational education and employers.

ⁱⁱⁱ See for example Hälsingsborgs dagblad *Kronans apotek fångar upp nyanlända* <https://www.hd.se/2017-02-22/kronans-apotek-fangar-upp-nyanlanda>

Sweden is familiar with the challenges and opportunities that arise through immigration. In the 1960s and 70s, labor migrants arrived from countries such as Italy, Greece and Finland to work in the fast-growing industrial sector. Over the last years, conflicts in the Middle East and North Africa have brought a new population to Sweden in search of a better life. In the future,

climate change may spur new waves of migrants looking to live and work in Sweden. If Sweden continues to build and strengthen its model for labor-market integration, it can serve as a positive example for other prosperous Western countries, demonstrating the positive social and economic potential inherent in immigration.

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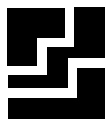
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