Declining employment success of immigrant males in Sweden: Observed or unobserved characteristics?

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Abstract. Focusing on Nordic and Yugoslav migrants, we study the determinants of employment success of natives and immigrants in Sweden. Furthermore, we investigate the reasons behind the arising gap in employment success between Swedes and immigrants from 1970 to 1990. In a decomposition analysis, we find that the main part of the decline in the employment probability of immigrants relative to Swedes over time is explained by a change in coefficients (unobserved characteristics) rather than a change in determinants (observed characteristics).

JEL classification: J22, J23, N30

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1. Introduction

After the Second World War, Sweden has received a substantial number of immigrants. By 1990 the number of first generation immigrants was 790,445 or about 10% of the population. Until the mid seventies, the large amount of immigration into Sweden was due to the high demand for foreign labour. Hence, immigration consisted almost entirely of European labour immigrants.

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Since then, the decline in the economic and industrial growth removed the need for foreign labour, and the composition of the immigrant population by country of origin changed from being labour immigration from European countries to being refugees and tied movers (relatives to earlier immigrants) from non-European countries. The changing character of the economy and the changing character of the immigration are generally considered to be the causes of an observed decreasing employment success of immigrants.

Not even the economic upturn in the late eighties has served to reverse the development. In fact, the opposite happened as incomes and employment rates of immigrants decreased, even for those who had been living in Sweden for a long time, see Ekberg (1991a, b), Bevelander (1995, 1998), and Scott (1999). These studies suggest that not only supply side factors, but also demand side factors can explain the situation. Firstly, a lower level of economic growth was experienced during the 1970s and 1980s compared to the 1950s and 1960s. Secondly, a structural change of the economy in the direction of a smaller industrial sector and a larger service sector took place. Thirdly, more information- and communication-intense working processes were introduced in the industrial and the service sectors. This economic development increased the demand for employees with a higher general competence, while unskilled labour was made redundant by efficiency improvements. Without reducing the importance of formal education and skills, the importance of informal competence increased. The informal competence includes, for instance, culture-specific proficiency, language skills, and the understanding of different patterns of behaviour in teamwork and in relations with authorities and labour market organisations. This structural change made it more difficult for immigrants with the same general formal human capital stock as Swedes to obtain employment, see Scott (1999) and Bevelander (1995, 1998). Together with a shift towards immigration with less cultural proximity to the Swedish society, this structural change may have entailed more discrimination by authorities, employers and employees (Broomé et al. 1995).

Thus, the economic and historical literature on Swedish immigrants includes many structural hypotheses why immigrants have a declining employment rate relative to Swedes. Since employment is essential for the assimilation and integration of immigrants, it would be useful to know the factors determining whether or not the immigrants become employed after entering Sweden, and how the determinants differ over time and with nationality. In this paper, we make no attempt at testing the specific structural hypotheses, but in a reduced-form analysis we investigate the determinants of the employment success of immigrants relative to Swedes.

We use data from the 1970 and 1990 censuses in the Swedish Statistics census database and look at the core group of 25–59-year-old males. In this paper, we focus on Nordic and Yugoslavian immigrants who are purely non-refugee immigrants. In addition to saving space, we avoid any discussion of the different employment success between refugees and non-refugees.

As in standard labour supply studies, we assume that the probability of working is determined by the level of formal education, previous labour market experience, civil status and the presence of children. Furthermore, since we are dealing with immigrants, the probability of working is allowed to depend on the year of entrance to Sweden. In order to analyse the employment success in depth, we decompose the difference in employment rates between Swedes and immigrants into an explained part and an unexplained part. This decom-