

Henrik Emilsson & Nahikari Irastorza

30 percent lower income

*A follow-up of the Swedish 2008
labour migration reform*

MIM Working Paper Series 19: 1



MALMÖ UNIVERSITY

MALMÖ INSTITUTE FOR STUDIES
OF MIGRATION, DIVERSITY AND
WELFARE (MIM)

MIM Working Paper Series No 19: 1

Published

2019

Editor

Anders Hellström, anders.hellstrom@mah.se

Published by

Malmö Institute for Studies of Migration, Diversity and Welfare (MIM)

Malmö University

205 06 Malmö

Sweden

Online publication

www.bit.mah.se/muep

30 percent lower income. A follow-up of the Swedish 2008 labour migration reform

Abstract

In 2008, Sweden introduced a non-selective labour migration policy without labour market tests and human capital considerations. This article studies the effects of the policy change on the size, composition and labour market outcomes. Using longitudinal register data, we find that the 2008 liberalizations of the Swedish labour migration policy increased the number of labour migrants from non-EU countries. Post-reform labour migrant cohorts have on average lower level of human capital, and the lower level of human capital translates into worse labour market outcomes. One year after migration, post-reform cohorts have a higher skills-mismatch and about 30 percent lower income. Migration controls against abuse introduced in 2011 and 2012 improved the labour market outcomes somewhat.

Key words

Labour Market Integration, Labour migration, Migration Policy, Sweden

Biographical notes

Henrik Emilsson is a Doctor in International Migration and Ethnic Relations (IMER) and a researcher at the Malmö Institute for Studies of Migration, Diversity and Welfare (MIM), Global Political Studies, Malmö University.

Nahikari Irastorza has a PhD in Humanities from the University of Deusto, Spain. She is currently the Willy Brandt Research Fellow at the Malmö Institute for Studies of Migration, Diversity and Welfare (MIM).

Contact

henrik.emilsson@mau.se

nahikari.irastorza@mau.se

Introduction

This article investigates the 2008 labour migration policy change in Sweden (Bill 2007/08:147). The reform meant that the state reduced its ambition to control and manage labour migration and left the decision of who can migrate to individual employers. The introduction of this laissez-faire migration policy is an excellent opportunity to study what happens when state control is withdrawn to a minimum and employers and potential employees are left to regulate the migration flows. The rationale behind the policy is that the employers know best what competences are needed in the labour market. The reform was also guided by the principles of equality and openness, where it was seen as important that lower skilled could come to Sweden and work on the same terms as higher skilled. The goal of the policy was not stated clearly in the bill, since the principles behind the reform seems more important than the goals. From the promotion material it can be understood that the goals were, in the short term, to ease labour shortages in shortage occupations and, in the long term, increase the labour supply to counteract demographic challenges (Government Offices of Sweden, 2008).

Studies of the effects of labour migration policy reforms is scarce and mostly investigated in traditional settler states with elaborated systems in place for selecting immigrants, such as New Zealand, Canada and Australia (Rinne, 2013). What most of those studies have in common is that they find that a more careful screening and selection improved the overall human capital of the labour migrants and by this also improved the labour market outcomes (Green and Green, 1995; Cobb-Clark, 2003; Hawthorne, 2005; Tani, 2017). The fact that Sweden opted for an opposite strategy of almost no selection criteria's is what makes the Swedish case so interesting to investigate.

Our aim is to contribute to the current research debates about state selection of labour migrants and about the relation between policy output and policy outcomes. This article studies the effects of the Swedish 2008 labour migration policy change on the size, composition and labour market outcomes. Using longitudinal register data, we find that the 2008 liberalizations of the Swedish labour migration policy increased the number of labour migrants from non-EU countries. Post-reform labour migrant cohorts have on average lower level of human capital, and the lower level of human capital translates into worse labour market outcomes. One year after migration, post-reform cohorts have a higher skills-mismatch and about 30 percent lower income. Migration controls against abuse introduced in 2011 and 2012 improved the labour market outcomes somewhat. This article differs from previous studies about labour migration to Sweden in several ways. First, it uses longitudinal statistical data instead of cross section data. Second, the previous studies using cross sectional data only

studied the short-term effects. In this article, we follow more labour migration cohorts over a longer period of time.

Labour migration policy in Sweden 1955-2008

Labour migration to Sweden during the post-war period can be divided into three periods; from the end of World War II until the early '70s, from 1972 until the new law was introduced in 2008, and the one under the current system of labour migration.

Immigration to Sweden was generally speaking free from 1955 to 1967, which can be attributed mainly to the large general labour shortages which had predominated since the end of the war. After a successive phasing out of visa requirement for immigrants from non-Nordic countries as well as a liberalisation of praxis in cases involving applications for residence and work permits it became possible to come to Sweden on tourist visas and apply for a job (Lundqvist 2002). In 1967 the rules for non-Nordic labour immigration were tightened due to demands from the trade union movement. From then on, non-Nordic citizens who wanted to work in Sweden were required to arrange work permits and housing before entering the country (Lundqvist 2002). Despite the new rules, non-Nordic labour immigration continued to be relatively substantial until the recession during 1971 and 1972 when the Swedish Trade Union Confederation (LO) issued a circular calling for a more restrictive policy, which was followed by the Employment service (Lundh & Ohlsson 1999). This resulted in very low non-Nordic labour immigration until Sweden's entry into the EEA in 1994 and the EU in 1995. During this period, a large majority came to work as manual labour in the expanding manufacturing industry. The supply was provided by two sources of labour migrants. Many came from other Nordic countries (foremost Finland) as a result of the joint Nordic labour market that was created in 1954. The other large group during the 60s and beginning of the 70s came from Mediterranean countries, especially Yugoslavia and Greece.

In the second period, 1972 to 2008, labour migration was governed by the guidelines issued in 1968 and 1984 legislations (SOU 2005:50). Labour migration was demand driven and required a job offer from an employer with wages and employment conditions equivalent to those applicable to domestic labour. Work permits would normally be given before entering Sweden. The Employment Service did a labour market test and examined if there were available workers in Sweden or other EU/EEA Member States before a work permit was granted and relevant trade union were consulted. A permanent residence permit was given to those with skills seen as important for the long term labour market needs. Temporary permits, with no clear path to permanent residence permits, were issued for other categories such as temporary labour market shortages, employees in international corporations or seasonal workers. Few permanent work permits, about 200-500 every year, were

granted during this period. However, the number of work permits did increase in the periods last years after relaxing the education requirements in the labour market test.

The 2008 Swedish labour migration law (Bill 2007/08:147) was a clear breach of an almost 40-year-long period of state-controlled labour migration. The Confederation of Swedish Enterprises had lobbied for years to liberalise labour migration and when the centre-right parties together with the Green Party had a majority in parliament, the Social Democratic Party and the Left Party could not stop the reform.

The new labour migration policy is demand driven, where the employers decide the need for labour and the part of the world from which they wish to recruit it. There are no restrictions with regard to skills, occupational categories or sectors and there are no quantitative restrictions in the form of quotas. The only condition to obtaining a work permit is an offer of employment with a liveable wage and that the level of pay is in line with applicable collective agreements and general insurance conditions. As OECD (2011) noted, the Swedish labour migration model is based on trust for the employers and it assumes that they give preference to workers who already live in the country.

Work and residence permits must normally be arranged prior to leaving one's country of origin. In certain cases a residence and work permit may be granted from Sweden. The precondition is that the application is done during the visa-free period (90 days) or before the entry visa expires and the employment relates to work where there is a labour demand. Visiting students who have completed studies for one semester are entitled to apply for a work and residence permit from within Sweden. Asylum seekers whose asylum application has been rejected may also be granted a permit if they have worked for six months with a one-year offer of continued work.

A residence and work permit is granted for no more than two years and can be extended one or more times. A permanent residence permit is granted if he or she has worked for an aggregate period of four years during the past five years. The permit is linked to an occupation and employer for two years and then, in the event of a subsequent extension, to an occupation for a further two-year period. There is, however, some degree of flexibility in the system. If an individual would like to change employers during the first term, he/she can apply for a new work permit from Sweden. If a person is losing her job, she has three months to find a new one before the residence permit is revoked. A labour migrant basically enjoys the same rights as other residents when working and living in Sweden. Family members are entitled to accompany the employee from day one and they get a work permit regardless of whether they have a job offer when leaving their country of origin.

Table 1. The regulatory framework of labour migration in Sweden before and after December 2008

	Assessment criteria	Time	Family	Categories
Old labour migration policy	Permanent residence permit for labour market reasons	No limitations	Yes	Not specified, determined by the long term needs on the labour market.
	Temporary labour market shortage	18+6 months	Yes	Skilled and experienced professionals for short term shortages.
	International exchange	Maximum 4 years	Yes	Managerial employees/specialists in international corporations
	Seasonal workers	Maximum 3 months	No	Workers in agriculture, horticulture and forestry.
2008 policy	Minimum wage according to occupational standards	2+2 years, then permanent	Yes	Same regulation for all categories.

Source: SOU 2005:50, p. 212 and own adaptations

Selecting labour migrants

The most common way to categorise labour migration policies is to differentiate between two models for selecting labour migrants: supply-driven and demand-driven (Chaloff & Lemaître, 2009; Papadimitriou & Sumption, 2011). This dichotomy is nowadays less true since most OECD countries combine the two selection mechanisms, with the exception of Sweden as will be explained below. In supply-driven models, the state selects labour migrants based on their expected productivity. Typically, a points system is designed in which different forms of human capital (Becker, 1993) – such as education level, age, work experience and language skills – are assessed. The first points system for selecting labour migrants was introduced in Canada in 1976 and Australia (1989) and New Zealand (1991) soon followed. A demand-driven model starts from specific employers initiating the recruitment process by asking for permission to hire a person from a third country. Most demand-driven labour migration models set up criteria's for granting such a request, a so-called labour market test, which can, for example, examine whether there is available domestic labour, or stipulate that the work requires certain qualifications or provides a certain salary.

European countries, as well as the United States, have traditionally used demand-driven models (Facchini & Lodigiani, 2014).

Today, most countries have abandoned strict supply- or demand-driven models and opted for a combination of both – so-called hybrid models (Kolb, 2014; Koslowski, 2014). The supply-driven models in Canada, Australia and New Zealand have been adjusted to take greater account of labour market demand, trying to find the right balance between human capital requirements and employment offers (Desiderio and Hooper, 2016; Hawthorne, 2005, 2011). This way, the models try not only to ensure that labour migrants are highly skilled, but also that their particular skill is valued in the labour market. Many European countries have barred lower skilled from their programs or experimented with variations of the points system, combining demand- and supply-driven selection mechanisms (OECD, 2013; Somerville, 2013). The fact that many countries in Europe also developed hybrid models for selecting labour migrants suggests a convergence of labour migration policies between traditional settler countries and European countries (Finotelli & Kolb, 2015). The EU blue card is another example, where member states accept labour migrants that both have high skills and an employment offer over a minimum income threshold. The main driver for hybrid systems seems to be to increase the selectiveness of labour migrants so that they are both highly skilled and match the needs of host country labour markets.

Sweden is the exception of the trend towards hybrid labour migration selection systems, which also is noted in Martin Ruhs influential book *The Price of Rights* (2015). The Swedish regulations of entry and rights differentiate from most other countries in three important ways.

First, the Swedish regulations of entry and rights are the same for all types of labour migration, both high- and low-skilled. Before 2008, Swedish labour migration policy was separated into five different streams, which also gave the migrants different rights. For example, a high-skilled migrant whose skills were considered to be of long-term value was accorded a permanent residence permit, while other categories of labour migrants received temporary work permits. In the 2008 legislation, all labour migrants are treated equally and given a 2 + 2 year temporary permit with the possibility of being granted a permanent residence permit after four years.

Second, there is no obvious trade-off between the numbers and rights in the Swedish labour migration policy. There are no numerical quotas. At the same time, labour migrants are given quite extensive rights. They can bring family members if their stay is expected to be over six months, all have a clear pathway to permanent residence permits and citizenship, and they are included in the welfare state. The main restriction is that labour migrants must stay with the original employer for the first two years, and in the occupation for an additional two years.

Third, Sweden has a “pure” demand-driven model, and there are no elements from supply-driven ones. There are no considerations related to human capital as it is the employers who are selecting the migrants. Also, there is no sectoral or occupational focus. Migrants can be hired for any occupation without having any particular skills. The only thing needed to be granted a work permit is to have an offer of employment with a promise of a salary according to the occupational norm. In practice, a labour migrant must earn a sufficient income by Swedish standards so as not to be eligible for a social allowance. Thus, the effective minimum wage is set at SEK 13,000/month (about EUR 1,300). This wage level is below the lowest collective agreement and is only accepted for part-time employment.

The basic objective of labour migration policies in most countries is to meet labour-market needs that cannot be met efficiently by domestic labour, while avoiding adverse effects on the labour market for residents (OECD, 2009). This means deciding who and how many to admit, and for which jobs (Chaloff, 2014). By not deciding on any of these aspects, the Swedish model for labour migration goes against almost all international trends by opting for a “pure” demand-driven labour migration policy that has been considered as one of the world’s most open (OECD 2011). It defies the trend of balancing the numbers versus rights and the closely related trend towards more selective labour migration policies.

Data and method

Swedish register data (STATIV) covering the entire adult population of non-EU labour migrants who moved to Sweden between 2004 and 2014 were used to conduct the empirical analysis. STATIV is a longitudinal database for integration studies that contains information on all individuals registered in Sweden and is updated every year. We followed cohorts of non-EU labour migrants from their year of arrival until 2014 to see whether there were changes in the size, skill composition and employment outcomes among newly arrived cohorts that could be associated to the labour migration policy shift of 2008 and further measures implemented in 2011 and 2012 in order to prevent fraud.¹ Despite the descriptive nature of this study, our longitudinal and multi-cohort approach to the subject allows us to identify not only the immediate effects but also the longer-term effects of these reforms on non-EU labour migrants’ labour market position.²

The sample sizes of the different cohorts varied between 1,032 (in 2004) and 5,014 (in 2014) the year of arrival. As expected, the size of all cohorts decreased over time as some people left the country. Between 70 and 78 per cent of them, depending on the cohort,

¹ All the analyses were also done separately for men and women and are available from the authors upon request.

² Note that Emilsson (2016) found no effect of this reform on EU migrants. Therefore, we are not replicating our empirical study on this group.

were men. The origin of different cohorts varied before after the reform as we will show in the next section. However, most labour migrants (between 40 and 70 per cent) came from Asia. Europeans from non-EU and non-Nordic countries represent the second largest group (with 12 to 17 per cent of labour migrants depending on the cohort). These are followed by North Americans (with 5 to 16 per cent of arrivals), people from Africa (4 to 8 per cent), South America (3 to 7 per cent) and Oceania (1.5 to 8.5 per cent).

We measure the composition of labour migrant cohorts by looking at their age, gender, education and country of origin. Labour market position is defined by employment rates, job income (mean and share of labour migrants working in medium to high pay positions), occupation and education to job match.³

The employment variables were recoded or computed to fit the purposes of this study and need further explanation. The variable *Employed* includes 18 to 64 year-old individuals, employed and self-employed, whose yearly income before taxes was equal to or higher than the so-called 'prisbasbelopp' (see Bratsberg et al. 2006; Irastorza and Bevelander 2017). This figure is a yearly amount calculated by Statistics Sweden for estimating social benefits. By applying this selection we make our cohorts more comparable over time as we adjust to changes in price levels and exclude individuals who did not have steady employment.⁴

By following the same logic, we recoded the variable job income so that it only includes people who earn just above the threshold for single person households to be receiving welfare benefits and slightly below the income requirement for work permit renewal. This minimum was estimated by three prisbasbelopp levels and updated for each year of analysis. Additionally, we created a variable with four income intervals for each year of analysis. This classification was also based on the prisbasbelopp. In the next section we show the mean income and the share of labour migrants with a medium to high income. The lowest income in this category is the equivalent of nine prisbasbelopp.

The quality of employment can also be described by looking at how a person's education matches the skill requirements of his or her job (see Dahlstedt 2011; Irastorza and Bevelander 2017). We computed the variable education to job match as follows: we first classified occupations in four groups according to the average required qualifications for each occupation. This classification is based on the International Standard Classification

³ The variables describing educational level and occupation had a high number of missing values. Since registering foreign credentials takes a long time in Sweden, in order to increase the number of observations for the variable 'education' we retrieved these data from the year after arrival.

⁴ The original employment variable included in STATIV describe whether an individual worked for a minimum of two hours during the third week of November or not. Therefore, additional criteria based on income need to be applied to filter out people who do not have steady employment.

of Occupations (ISCO) and the STATIV documentation provided by Statistics Sweden.⁵ We then recoded the variable describing education by using the same grouping of four levels of qualifications/education. Last, we matched these two variables to obtain a three-value variable: overqualified for the occupational level, underqualified for the occupational level or right match between occupational level and education.

Findings

The effect of any immigration policy can be decomposed into a size and a composition effect (Bianchi, 2013; Czaika & de Haas, 2013). Given immigrants' self-selection, any immigration policy affects not only the size but also the skill composition of the migration flow. It is well known that well developed large migrant networks reduce migration costs, and translate into a negative human capital self-selection patterns (see for example Bertoli & Rapoport, 2015, for a literature review). Subsequently, a less selective migration policy should reduce the overall level of human capital among labour migrants and lead to long term decreases in labour market outcomes. A migration policy change is also expected to generate unintended effects on other migration flows as well, what de Haas (2011) calls migration outcome substitution effects. Earlier studies have shown large substitution effects on the asylum system, where many use work visas to access the territory in order to apply for asylum (Emilsson et al, 2014). However, in this article we don't study substitution effects.

Size

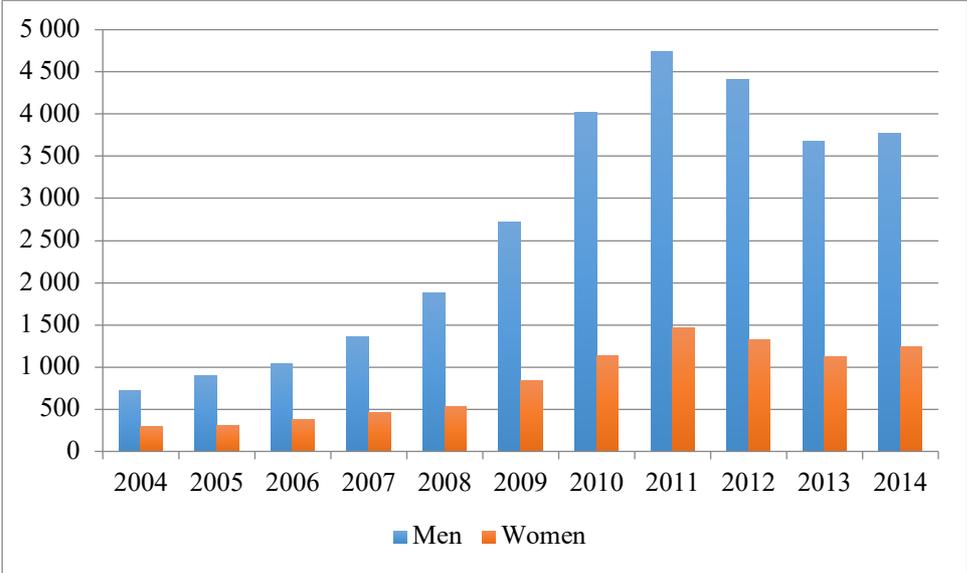
Figure 1 shows the size of newly arrived male and female labour migrants for the period 2004 to 2014. It is important to note that our data is based on non-EU labour migrants in the population registry and not the number of work permits issued by the Migration Board. This gives a more accurate picture of the size of labour migration, since most of the work permits are for seasonal work or highly skilled intra-corporate transfers with no intention to stay. Only those planning to stay for a year or longer are included in the population registry and we therefore capture the number of labour migrants with medium to long-term ambitions to stay in the country.

The increasing labour migration observed for men and women before 2008 intensifies between 2009 and 2011, that is, the years after the main policy reform. The upward trend was broken after 2011 when the yearly entries started to decrease. Most likely, it was due to the new control mechanisms set up by the Migration Board in certain industries where problems with unserious applications were considered to be major

⁵ For more information on ISCO, see: <http://www.ilo.org/public/english/bureau/stat/isco/press1.htm>. For more information on STATIV variables, see: <https://www.scb.se/vara-tjanster/bestalla-mikrodata/vilka-mikrodata-finns/longitudinella-register/stativ--en-longitudinell-databas-for-integrationsstudier/>

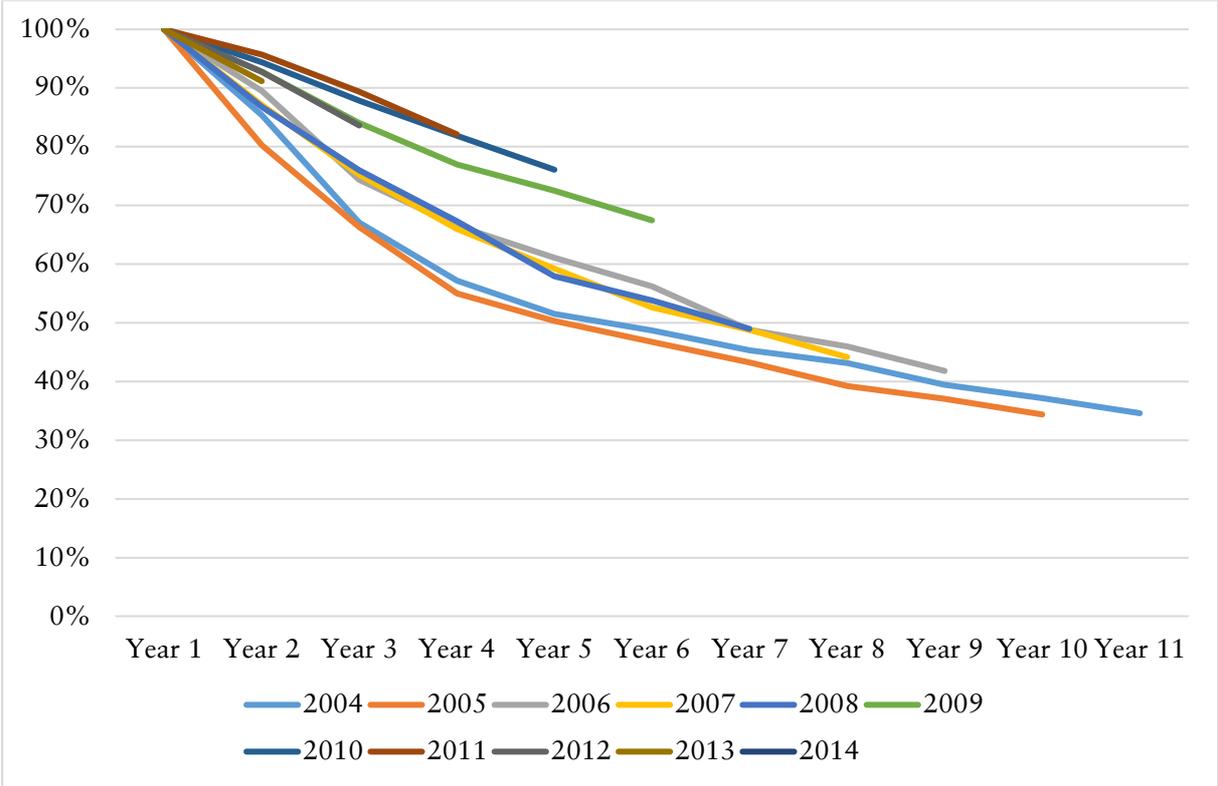
(Migration Board 2015a). In the summer of 2011, the Migration Board decided to tighten guidelines for work permits regarding work in new start-ups and certain industries, including the berry industry. As of January 16, 2012, companies in the cleaning industry, hotel and restaurant, service, construction, staffing, retail, agriculture and forestry, car dealerships and all new start-ups, must show that salary can be guaranteed for the whole or part of the time that an employment offer applies in connection with the application for work permits. It is not clear whether the slight increase in the number of new arrivals from 2013 to 2014 is an exception to this new trend or the beginning of a new pattern.

Figure 1. Size of labour migrant cohorts at arrival by gender (2004-2014)



We also followed the evolution of these cohorts over time to see if the policy reform can be associated to differences in the number of labour migrants staying or leaving Sweden. The results are represented in Figure 2. Outmigration seems to be more prominent among pre-reform immigrants: between 40 and 50 per cent of labour migrants who moved to Sweden before 2009 left the country within the first five years after arrival, while the share of people who stayed in later cohorts (2009-2011) is higher. Interestingly, outmigration within the first two years after arrival increased again after 2011. This could potentially be associated to the control measures implemented by the government in 2011 and further years. However, it is probably an effect on the composition of the labour migration cohorts (see the section on composition below). Previous studies show that lower skilled tend to stay and higher skilled leave (Emilsson et al, 2014). Our results also confirm that those cohorts with a higher share of skilled labour migrants leave in greater numbers. It is interesting to note that the pre-reform cohorts often directly got a permanent residence permit and that did not help retaining them in the country.

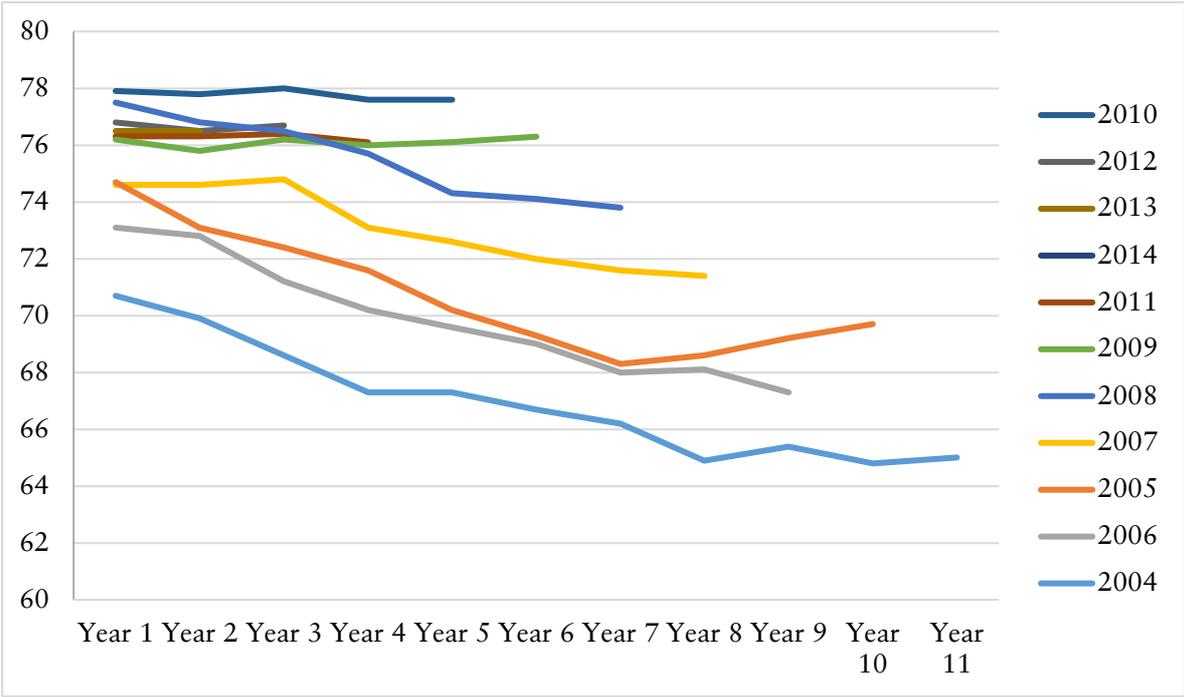
Figure 2. Size of labour migrant cohorts over time (2004-2014)



Composition

As illustrated by Figure 1, most labour migrants who moved to Sweden between 2004 and 2014 were men. The ratio of men to women increased gradually from 2.4 in 2004 to 3.5 in 2010 (with the exception of 2009 when it slightly decreased). However, this tendency changed again in 2010 and by 2014 there were three men arriving per each woman. One possible explanation is that the country composition of the post-reform labour migrants are different, with more labour migrants from countries where women’s labour market participation is low. The gender imbalance from labour migration is offset by two other factors. Firstly, about 80 percent of the accompanied spouses are women (Emilsson et al, 2014). Secondly, at least up until the 2007 cohorts, men tend to leave the country in larger numbers. For the latter cohorts the share of men among leavers did not fluctuate notoriously over time in comparison to previous cohorts.

Figure 3. Share of men per labour migration cohort over time (%)



The mean age remained stable for men and women during this period: 32-33 among women and 33-34 among men.

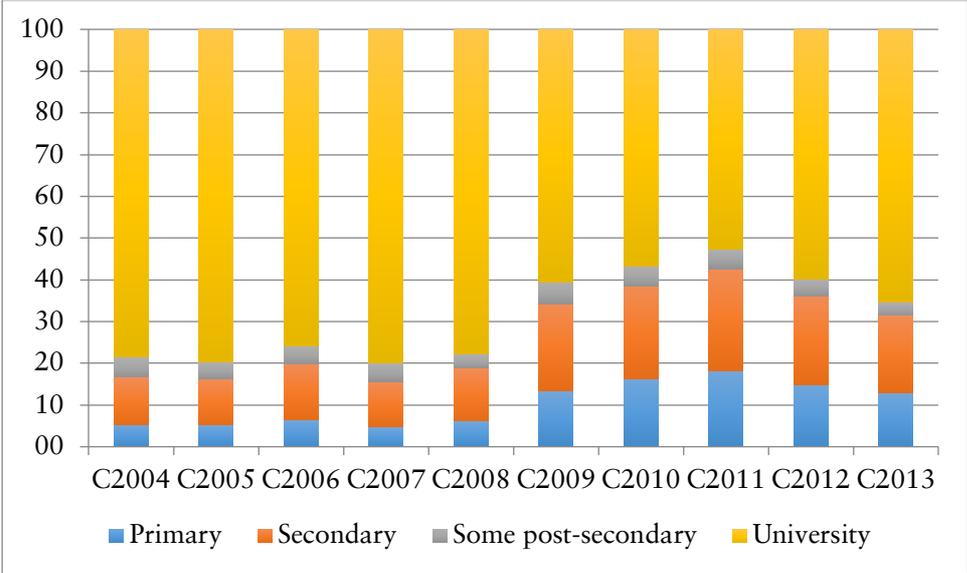
Table 1 shows the country of origin of labour migrants by year of arrival between 2004 and 2014. The proportion of people from Turkey, Iran, Iraq and Syria entering Sweden as labour migrants increased significantly from the year after the 2008 reform up until 2010-2012 to decrease again by 2013 and 2014.

Table 1. Country of origin of labour migrants by year of arrival (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Bosnia and Herzegovina	1.0	0.7	1.2	0.5	1.2	1.6	1.1	1.2	1.6	1.5	1.2
Chile	1.5	1.1	0.9	0.8	0.4	0.3	0.6	0.3	0.3	0.2	0.1
Eritrea	0.2	0.2	0.2	0.2	-	0.0	0.1	0.0	0.3	-	0.0
Ethiopia	0.1	0.2	0.3	0.1	0.2	0.3	0.1	0.1	0.3	0.2	0.1
Iraq	0.9	0.8	1.7	0.9	0.7	3.6	5.7	6.7	7.0	4.5	3.7
Iran	1.3	1.2	1.0	0.8	0.9	2.9	3.3	4.6	4.1	4.7	3.4
Former Yugoslavia except Bosnia	0.4	0.6	0.8	0.4	0.3	0.1	0.1	0.0	0.1	0.1	0.2
China	7.7	11.7	11.0	13.2	14.0	14.4	11.7	11.8	10.5	11.8	13.5
Lebanon	1.0	0.8	1.1	0.7	0.6	1.1	1.0	0.8	1.2	1.2	0.9
Oceania	8.2	7.5	7.3	6.4	3.9	2.8	2.7	2.0	1.6	2.0	2.3
Somalia	0.2	0.2	0.1	-	0.1	0.1	0.0	-	0.0	-	-
Former Soviet Union	0.3	0.1	0.3	0.7	0.7	0.2	0.2	0.1	0.4	0.1	0.2
Syria	0.9	0.3	0.8	0.5	0.8	2.4	4.9	7.1	3.2	2.7	4.4
Thailand	1.2	2.3	2.3	3.1	3.2	3.8	2.8	2.4	2.2	1.5	1.7
Turkey	2.3	3.0	3.1	3.9	2.3	7.7	11.3	9.0	7.9	6.2	5.5
USA	11.4	8.9	9.0	7.4	6.5	4.1	3.9	3.1	4.8	5.2	4.6
Europe except EU28 and Nordic	10.9	10.3	11.4	11.0	12.6	14.8	11.1	9.6	11.2	10.2	10.8
Other Africa	8.0	5.7	5.9	5.8	4.0	4.9	6.3	6.6	6.1	5.0	4.1
Other Asia	28.7	30.9	28.1	32.6	37.5	25.9	25.1	26.9	30.8	36.1	36.1
Other North America	4.8	4.6	4.0	3.8	4.0	3.2	2.4	2.3	2.7	2.8	3.2
Other South America	4.9	4.8	5.1	5.8	5.0	4.7	4.9	4.3	3.0	2.9	2.8
Total (N)	1 032	1 219	1 433	1 839	2 424	3 565	5 161	6 212	5 752	4 807	5 014

Figure 4 shows interesting results regarding the educational level of newly arrived labour migrants before and after the reform. The number of university graduates remained quite stable (around 78 per cent) for the 2004 to 2008 cohorts, while it dropped to 60 per cent for the 2009 cohort and 52 per cent for the 2011 one. The proportion of university graduates among labour migrants who arrived two years later increased back to 65 per cent. The opposite trend is observed for immigrants with a primary education, whose representation tripled from the 2008 to the 2011 cohort. These patterns are more pronounced among men than among women, who are in general more highly educated. Taken together, there are clear evidence that the composition of the non-EU labour migrants changes a lot directly after the policy change in 2008. On average, post-reform labour migrants had lower educational level and were more often from countries with large refugee diasporas in Sweden.

Figure 4. Educational level by cohort the year after arrival (%)

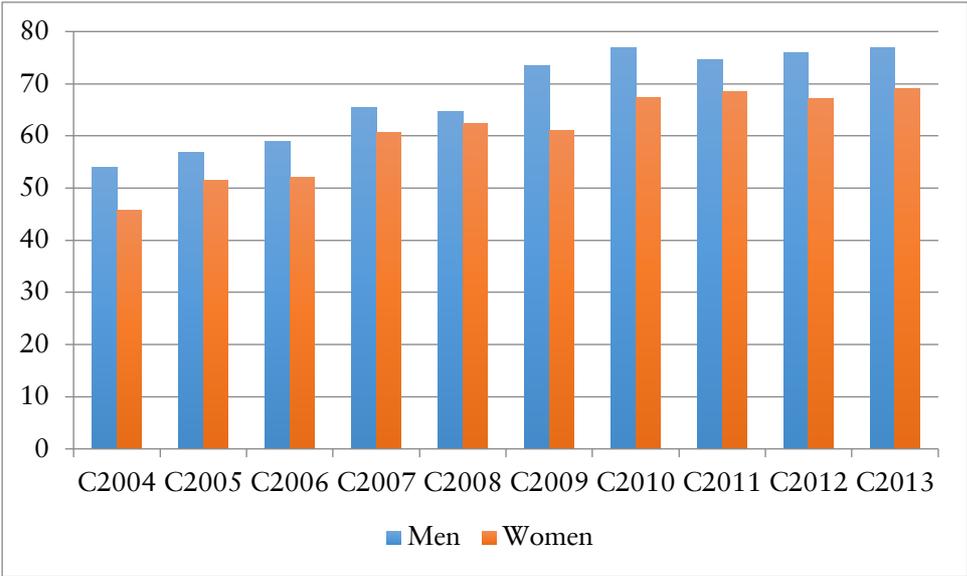


Labour market position

We next present a series of figures illustrating employment rates, job income and the education to job match for labour migrants who arrived a few years before and after the labour migration policy reform.

Figure 5 shows a similar pattern of yearly cohorts with increasing employment rates for men and women who arrived between 2004 and 2007. The employment rate of the 2008 cohort is also slightly higher than the rate of the previous cohort for women, whereas it is the opposite for men. The employment rates of new cohorts who arrived between 2008 and 2010 continued increasing for men. Among women, the employment of newly arrived labour migrants dropped between the 2008 and 2009 cohorts, to increase again among the 2010 arrivals. The proportion of employed people is lower among the 2011 cohort than among the previous cohort for both men and women. The numbers for the last two cohorts analyzed are very similar to the 2011 cohort, with a subtle upward trend - more obvious in the case of men. Overall, the cohorts arriving after the 2008 reform have higher employment rates. This could be explained by the new temporary residence permits, where now labour migrants have to work in order to renew the permits. Before the reform, many had permanent residence permits and fewer incentives to be employed in the short term. Because labour migration require an employment contract, it is surprising that the employment rates is not higher. The most obvious explanations could be that some left the country without giving notice (see figure 3). Another possible explanation is that the employment contract was a sham contract to get a Visa and access to the asylum system (Emilsson et al., 2014).

Figure 5. Employment rates by cohort and gender the year after arrival (%)



The next figure illustrates the evolution of employment rates over time starting the year after arrival. At a first glance we can observe two clusters based on initial employment rates: those who arrived before 2009 – with lower employment rates - and after 2009 – with slightly higher rates -. While it is difficult to compare the trends of older and more recent cohorts, those who arrived after 2009 seem to show decreasing employment rates during the first few years after arrival. The same trend is also observed among some pre-2009 cohorts up to year 3 or 4 but this tendency shifts towards steadily increasing employment rates for all pre-2009 cohorts form year 4 to 6 onwards.

Figure 6. Employment rates by cohort over time (%)

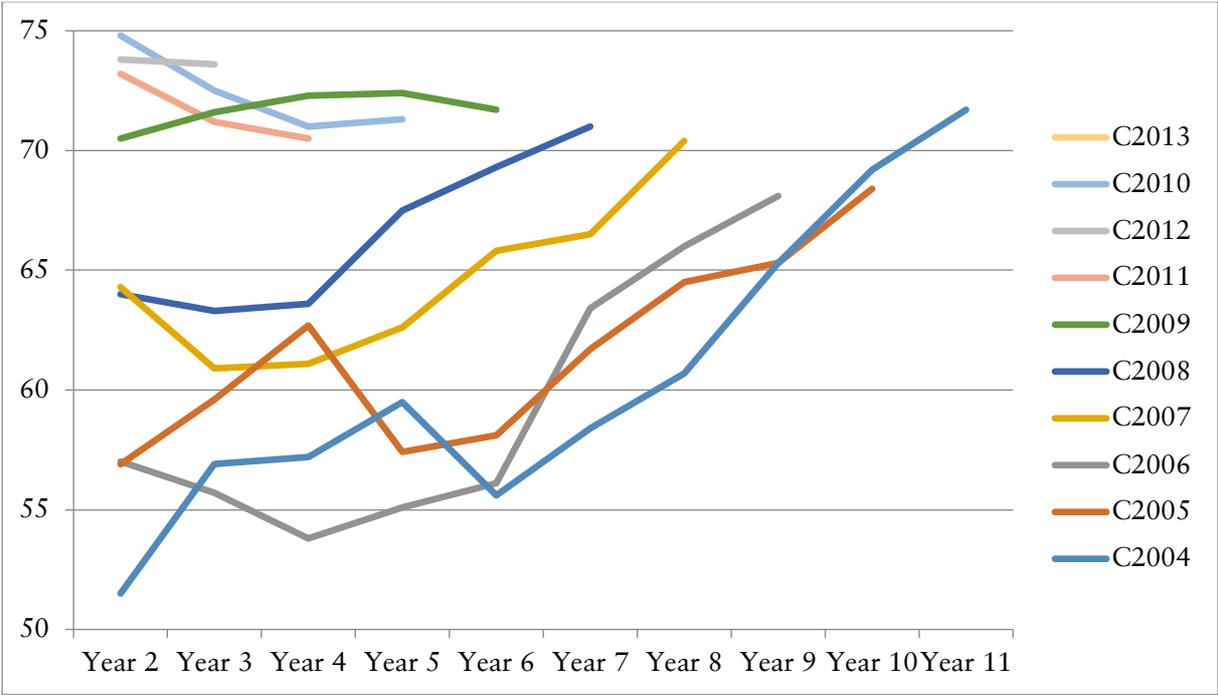
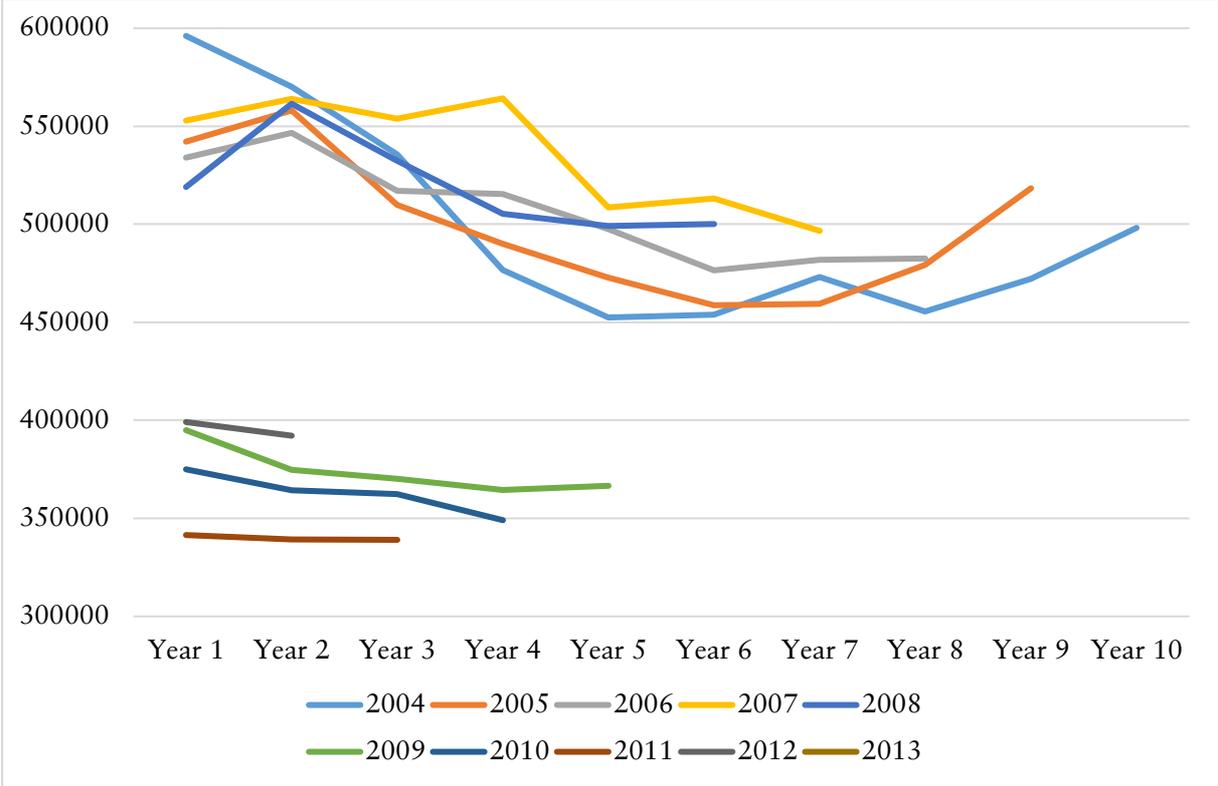


Figure 7 depicts the evolution of income for pre- and post-reform labour migrants over two to ten years depending on the year of arrival. As in the case of employment rates, we can clearly distinguish two groups: labour migrants who arrived before 2009 versus those who arrived later. The initial annual income after arrival of pre-reform labour migrants ranged between 515,000 and 600,000 SEK whereas among post-reform migrants the numbers dropped to 340,000 to 400,000 SEK. Hence, it is clear that the 2008 reform led to a large drop in average incomes. Over time all cohorts show a diminishing tendency in their annual income, indicating a selective out-migration of high-income earners.

Figure 7. Mean yearly income in SEK by cohort over time



The large decrease in average income after the 2008 reform is primarily explained by the changes in the occupational composition of newly arrived labour migrants (Table 2). Three overall periods representing changing trends can be identified in Table 2: the pre-reform period (from 2004 to 2008), the initial post-reform period (from 2009 to 2011) and the second post-reform period (from 2012 onwards) when additional policy initiatives to prevent fraud were implemented. During the initial post-reform period the share of newly arrived labour migrants working on highly skilled occupations decreased, whereas the proportion of those working on low skilled occupations increased. These opposite trends starting shifting again in 2012, most likely as a consequence of the additional initiatives as the ones described above were taken.

The most noticeable increase in the number of newly arrived labour migrants was registered among elementary occupations, where their share increased from 5 to 25 percent between 2008 and 2011. Craft and related trade workers, as well as Service and sales workers also experienced a substantial growth in the proportion of newly

arrived labour migrants. Occupations where the opposite trend is observed are Professionals (where the share of new cohorts decreased from 54 to 18 percent) and Technicians and associate professionals (where the relative numbers decreased from 14 to 7 percent).

In sum, our analysis of the changes in the occupational level of newly arrived labour migrants in relation to the 2008 reform confirm studies concluding that the reform did not increase labour migration to shortage occupations in more qualified occupations (Emilsson, 2016). Quite the opposite. The increasing labour migration happened in low-qualified occupations with few labour market shortages.

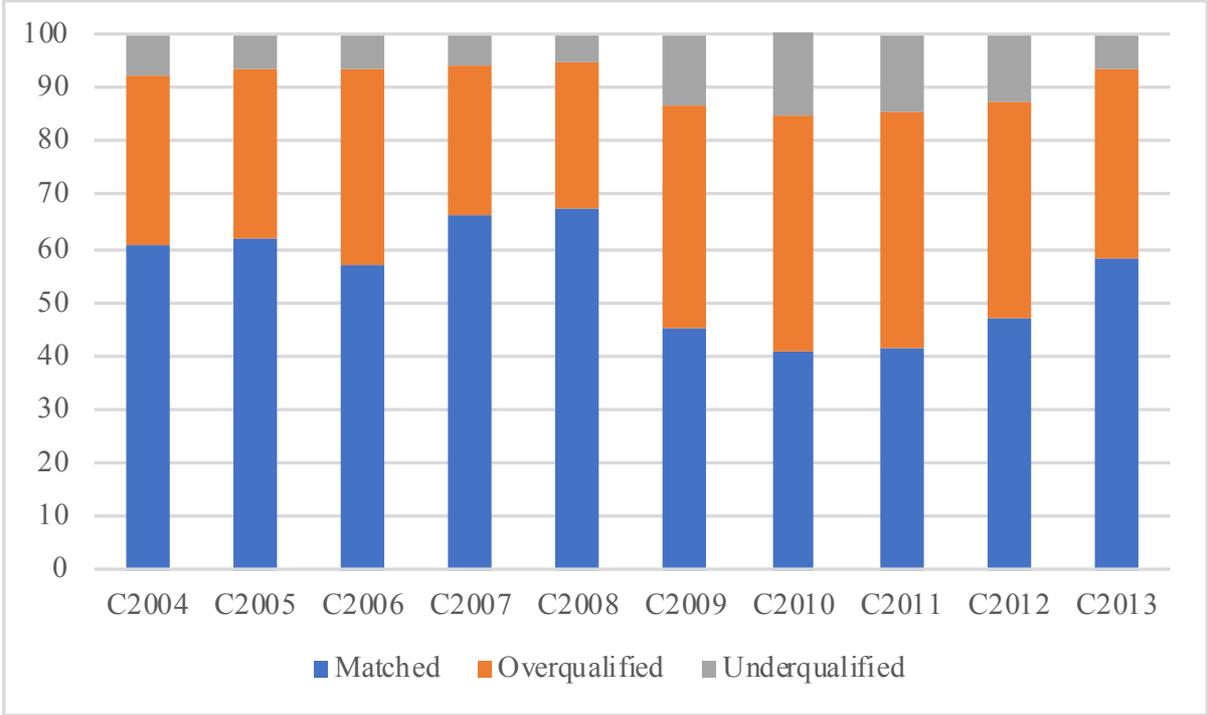
Table 2. Occupational level (ESCO) at arrival by cohort % (as measured a year after arrival)

	<i>C2004</i>	<i>C2005</i>	<i>C2006</i>	<i>C2007</i>	<i>C2008</i>	<i>C2009</i>	<i>C2010</i>	<i>C2011</i>	<i>C2012</i>	<i>C2013</i>
<i>Managers</i>	8.2	10.7	10.5	8.3	4.9	5	4.5	4.6	3.3	4.2
<i>Professionals</i>	46.7	42.7	42.6	51.1	53.9	23.9	19.7	17.7	27.3	41.7
<i>Technicians and associate professionals</i>	13.5	17.3	16	16.5	13.8	9.5	7.7	7.1	7.7	9
<i>Clerical support workers</i>	5.3	5.5	4	2.3	2	2.6	2.4	2.9	2.7	2.6
<i>Service and sales workers</i>	11.5	10.7	10.1	11.2	13.6	27.2	26.2	23.4	20.9	16.2
<i>Skilled agricultural, forestry and fishery workers</i>	0.3	0	0.4	0.9	0.7	1.5	1.4	1	1.4	0.8
<i>Craft and related trades workers</i>	3.3	3.7	6.5	3.7	4.3	11.9	14.7	14.9	14.8	8.2
<i>Plant and machine operators and assemblers</i>	1	0.8	2.9	1.4	1.2	2.2	3	2.8	2.3	2
<i>Elementary occupations</i>	10.2	8.6	7.2	4.6	5.5	16.2	20.5	25.7	19.6	15.3
<i>Total (n)</i>	100	100	100	100	100	100	100	100	100	100

Our last figure (8) shows changes in the education to job match of newly arrived labour migrants before and after the reform based on the International Standard Classification of Occupations (ISCO). Similar shifting patterns can be observed in the same periods as the ones described above. The share of newly arrived labour migrants whose education matched their qualifications required for their job decreased from 68 percent in 2008 to 41 percent in 2011, to again grow to 58 percent in 2013. On the contrary, the proportion of overqualified and also underqualified individuals increased in the first three years after the reform. These numbers decreased again by 2013.

These trends suggest that the reform did not promote the recruitment of suitable candidates in terms of qualifications but the opposite as the mismatch between the educational level of the newly arrived labour migrants and that required in their jobs increased after 2008. This situation improved again after 2011 when actions to prevent fraud in the hiring processes were initiated.

Figure 8. Education to job match at arrival by cohort % (as measured a year after arrival)



Analysis of the results

Almost eight years after the policy change, we now know a great deal about the effects and effectiveness of the 2008 Swedish labour migration policy. We know that non-EU labour migration to Sweden increased after the 2008 policy change. However, this increase has been modest. One of the early follow-ups by the OECD (2011) concluded that the increase in work permits has been less than expected, which may be due to the economic crisis and the newness of the law. The report also notes that the reform has provided opportunities for recruitment to businesses and professions that were previously excluded, resulting in half of the work permits and most of the longer permits being granted for occupations which have no labour shortage. These results are confirmed by later articles showing that the increasing labour migration is explained by immigration to lower-skilled non-shortage occupations (Calleman & Herzfeld Olsson 2015; Emilsson et al. 2014; Emilsson 2016). Labour migrants coming after the policy change more often work in occupations where there is already a surplus of workers and have on average lower incomes than those under the old labour migration law (Emilsson, 2016). The lower average income is in large part explained by the changing

composition of labour migrants. Emilsson (2016) concludes that the 2008 labour migration policy has not achieved its main goal of increasing labour migration to shortage occupations. Actually, the outcome has been the opposite with increasing labour migration to occupations where there is a surplus of workers.

This article analyses more long-term effects of the 2008 labour migration policy change. The results show that the demand driven selection system contributed to long term negative consequences for the position of non-EU labour migrants in the labour market. The average human capital of the labour migrants decreased and the education to job match became less effective. Not only are the new labour migrants less skilled education wise, those with higher skills more often than before work in occupation that normally require lower skills. The consequence is that average incomes dropped significantly. The main explanation of the effects of the reform must therefore be found in the recruitment of lower-skilled labour migrants. Why do employers recruit non-EU labour migrants to lower skilled occupations? Previous literature highlights two main explanations, ethnic social networks (Emilsson, 2014; Employment Service, 2012; Frödin & Kjellberg, 2018) and fraud (Axelsson et al., 2013; Woolfson et al., 2011; Vogiazides and Hedberg, 2013). Both of these explanations are facilitated by the mixing of the labour and asylum migration systems.

Employers recruiting low-skilled labour migrants are often small sized companies owned by persons with foreign background. In the years following the reform, this category of employers represented around one third of all work permits and were often restaurants or cleaning businesses (Employment Service, 2012). In a study of 500 restaurant and cleaning workers who were granted work permits in Stockholm in 2012 many had an ethnic link between migrant and employer, especially in smaller firms and for those applying for a work permit from abroad (Frödin & Kjellberg, 2018). It is also in the lower skilled occupations and industries fraud and exploitation of workers increasingly were reported (Axelsson et al., 2013; Woolfson et al., 2011; Vogiazides and Hedberg, 2013). Calleman and Herzfeld Olsson (2015) conclude that all the evidence suggests that immigrant workers often receive a lower salary than what is specified in the employment contract and have worse working conditions than native workers. The low income levels which labour migrants declares in surplus occupations are a strong indicator that many of them work under worse conditions than natives. Emilsson et al. (2014) show that, in some occupations in the private service sector, the average income is as low as 10,000 SEK per month. A case study on Chinese restaurant workers concluded that the new labour immigration policy has not succeeded in establishing working conditions for Chinese workers in the restaurant industry that conform to the Swedish Migration Board's guidelines or comply with Swedish labour and employment law (Axelsson et al., 2013:44). One explanation for the exploitation of migrant workers and abuse of the labour migration regulations is the construction of the law (Calleman & Herzfeld Olsson, 2015). Labour migrants are very dependent on

the goodwill of the employer who at any time can terminate the contract, by which the migrant workers risk losing the work permit. It is also possible to find explanations on the supply side. Many labour migrants are willing to work for very low wages. Vogiazides and Hedberg (2013:225-236) have done an in-depth study of the labour migration to the restaurant and the berry picking industries; they confirm a widespread trade in work permits. It is common practice in the restaurant and berry picking industries for migrants to pay high fees to middlemen in order to get a work permit. In many cases, especially in the restaurant industry, workers are paid significantly less and work longer hours than was stated in the employment offer given to the Swedish Migration Board for their assessment of the work permit. While some labour migrants are deceived by employers and middlemen, in many cases the migrants are aware that the conditions in the employment offer will not be met in reality. The fact that many works in lower-skilled occupations are recruited to companies without collective agreements also contributes to the difficulties of enforcing labour standards (Frödin & Kjellberg, 2018).

Labour migration in lower-skilled occupation has strong ties to the asylum system. In the study of lower skilled labour migrants in Stockholm, more than four out of ten labour migrants 'switched track' from asylum seekers, students, or family connection (Frödin & Kjellberg, 2018). It is also documented that many apply for asylum after being granted a work permit (Emilsson et al., 2014). Table 1 also give evidence for this mix-up. The nationalities with the fastest growth in labour migration after the 2008 reform were from countries with large refugee diasporas in Sweden. Their reasons for emigrating is probably more related to push factors in their home country rather than a demand for labour in Sweden.

One of the leading principles of the 2008 reform that employers are the best in determining the need for labour migration was abandoned in 2011. Since 2012, the Migration Board are doing pre-controls for work permits in certain industries (e.g. cleaning, hotel and restaurant, service, construction, agriculture and forestry). This somewhat reduced the number of work permits allocated in low-skilled occupations such as restaurant work and cleaning. Later, the government presented a bill (Bill 2013/14:227) on additional measures designed to detect and stop the abuse of labour migrants. Rules were introduced so that a temporary work permit should be revoked if conditions are not met, if the employee has not commenced his work within four months from the date of validity of the work permit, and that the Migration Board was given the opportunity to check this under the current permit period. It also has a consequence for the application for extension, when the conditions for the previous license period are evaluated (see MIG 2015:11 and 2015:20).

One interesting aspect is that the many reports of abuse and low wages in low-skilled occupations with a surplus of available domestic workers did not lead to any

suggestions to change the policy for selecting migrants. The bill only suggested more post-migration controls. New control mechanisms in 2012 and thereafter showed a realisation that not all employers could be trusted equally. These controls did not mean that a labour market test was introduced, only to stop the work permits to employment offers that clearly could be considered as fraud. Thus, the principles behind the labour migration policy are not questioned. Overall, the policy discussion has been about if the rules and regulations are followed, not if the rules and regulation are having positive outcomes on the economy and the labour market.

The new administrative pre-control checks and increased possibilities to withdraw work permits when work conditions is violated contributed to fewer labour migrants with lower skills, a better skills match and higher mean incomes, although not on the same levels as before the 2008 reform. The Sweden National Audit Office (2016) also find that the new controls to prevent abuse of the system appears to have yielded results, with a larger proportion living up to the requirements in the law. However, they draw attention to the fact that there are still problems with fake work offers and jobs where the wages do not meet the conditions for work permits. The processing times for certain professions, and for renewing work permits, are long and the extended controls have contributed the long processing times.

Conclusions

This article studies the effects of the Swedish labour migration policy change on the size, composition and labour market outcomes. We find that the 2008 liberalizations of the Swedish labour migration policy reduced the overall level of human capital among the labour migrants, and that the lower level of human capital among the labour migrants translated into worse long-term labour market outcomes.

It is clear that the number of labour migrants increased after the policy change, even though the numbers were increasing also before the new law. The inflow is dominated by men. The number started to decrease slightly after 2011, probably due to the increasing controls in lower-skilled professions. For the early cohorts, about half had left Sweden after six years. For those arriving after the policy change, more tend to stay. Overall, more women are stayers. The policy change had a very large effects on the composition of the labour migrants. Labour migrants from countries like Iraq, Iran, Syria, and especially, Turkey increased rapidly after the liberalization. The share of lower educated also increased. The new profile of the labour migrants to Sweden affected the labour market outcomes negatively. Even though the employment rates are higher for the post-reform cohorts, the employment more often tended to be in lower-skilled employment with considerably lower mean income as a result. Among those in relatively stable employment, the yearly mean income decreased with more than 100 000 SEK per year in the post-reform cohorts. The skills match also decrease as a direct result of the reform.

References

- Axelsson, L., Hedberg, C., Zhang, Q. & Malmberg, B. (2013). *Chinese Restaurant Workers in Sweden: Policies, Patterns and Social Consequences*, Geneva: International Organization for Migration.
- Becker, G. S. (1993). *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education* (Third Edition), Chicago: University of Chicago Press.
- Bertoli, S., & Rapoport, H. (2015). Heaven's Swing Door: Endogenous Skills, Migration Networks, and the Effectiveness of Quality-Selective Immigration Policies, *The Scandinavian Journal of Economics*, 117(2), 565-591.
- Bianchi, M. (2013). Immigration Policy and Self-Selecting Migrants, *Journal of Public Economic Theory*, 15(1), 1-23.
- Bratsberg, B., Raaum, O. and Røed, K. (2006). *The Rise and Fall of Immigrant Employment: A Lifecycle Study of Labor Migrants to Norway*, Available at: <https://www.frisch.uio.no/publikasjoner/pdf/riseandfall.pdf>
- Calleman, C. & Herzfeld Olsson, P. (2015). Avslutande Reflektioner, in Calleman, C. & Herzfeld Olsson, P. (eds.), *Arbetskraft från hela världen: Vad hände med 2008 års reform?*, DELMI Rapport 2015:9, Stockholm: DELMI.
- Chaloff, J. (2014). Evidence-Based Regulation of Labour Migration in OECD Countries: Setting Quotas, Selection Criteria, and Shortage Lists, *Migration Letters*, 11(1), 11–22.
- Chaloff, J. & Lemaître, G. (2009). *Managing Highly-Skilled Labour Migration: A Comparative Analysis of Migration Policies and Challenges in OECD Countries*, OECD Social, Employment and Migration Working Papers, No. 79, Paris: OECD.
- Cobb-Clark, D. A. (2003). Public Policy and the Labor Market Adjustment of New Immigrants to Australia, *Journal of Population Economics*, 16(4), 655–681.
- Czaika, M., & De Haas, H. (2013). The effectiveness of immigration policies, *Population and Development Review*, 39(3), 487-508.
- Dahlstedt, I. (2011). Occupational Match. Over and Under-education of immigrants in the Swedish Labour Market, *Journal of International Migration and Integration*, 12(3), 349-367.
- De Haas, H. (2011). *The determinants of international migration*, DEMIG Working Paper 2, Oxford: International Migration Institute.
- Desiderio, M. V. & Hooper, M. (2016). *The Canadian Expression of Interest System: A Model to Manage Skilled Migration to the European Union?*, Brussels: Migration Policy Institute.

Emilsson, H. (2014). Who Gets In and Why: The Swedish Experience with Demand Driven Labour Migration – Some Preliminary Results, *Nordic Journal of Migration Research*, 4(3), 134–143.

Emilsson, H., Magnusson, K., Osanami Törngren, S. & Bevelander, P. (2014). *The World's Most Open Country: Labour Migration to Sweden After the 2008 Law*, Current Themes in IMER Research Number 15, Malmö, Malmö University.

Emilsson, H. (2016). Recruitment to Occupations with a Surplus of Workers: The Unexpected Outcomes of Swedish Demand-Driven Labour Migration Policy, *International Migration*, 54(2), 5–17.

Employment Service (2012). *Arbetsförmedlingens återrapportering: Strategi för ökade informationsinsatser om arbetskraftsinvandring från tredjeland. Bilaga*.

Facchini, G. & Lodigiani, E. (2014). Attracting Skilled Immigrants: An Overview of Recent Policy Developments in Advanced Countries, *National Institute Economic Review*, 229(1), 3–21.

Finotelli, C. & Kolb, H. (2015). ‘The Good, the Bad and the Ugly’ Reconsidered: A Comparison of German, Canadian and Spanish Labour Migration Policies, *Journal of Comparative Policy Analysis: Research and Practice*, early view, 1–15.

Frödin, O., & Kjellberg, A. (2018). Labor Migration from Third Countries to Swedish Low-wage jobs. *Nordic Journal of Working Life Studies*, 8(1), 65-85.

Green, A. G., & Green, D. A. (1995). Canadian immigration policy: The effectiveness of the point system and other instruments, *Canadian Journal of Economics*, 1006-1041.

Hawthorne, L. (2005). ‘Picking Winners’: The recent transformation of Australia's skilled migration policy, *International migration review*, 39(3), 663-696.

Hawthorne, L. (2011). *Competing for Skills: Migration Policies and Trends in New Zealand and Australia*, Wellington: Department of Labour.

Hedberg, C. & Fuentes-Monti, A. (2013). Translokalt landsbygd: När bärplockarna kommer till byn, *Geografiska Notiser*, 71(1), 13–23.

International Labour Organization (ILO). *International Statistical Comparisons of Occupational and Social Structures: Problems, Possibilities and the Role of ISCO-88*, Available at: <http://www.ilo.org/public/english/bureau/stat/isco/press1.htm>

Irastorza, N. & Bevelander, P. (2017). *The Labour-Market Participation of Highly Skilled Immigrants in Sweden: An Overview*, MIM working paper series 17:5, Malmö: Malmö University

- Kamoltip Kallstrom, J. (2011). *Transnational Seasonal Migration and Development: Lives of Thai Berry Pickers Returnees from Sweden*, Bangkok, Chulalongkorn University.
- Kolb, H. (2014). When Extremes Converge, *Comparative Migration Studies*, 2(1), 57–75.
- Koslowski, R. (2014). Selective Migration Policy Models and Changing Realities of Implementation, *International Migration*, 52(3), 26–39.
- Migrationsverket (2015). *Tillstånd för arbete - särskilda utredningskrav rörande vissa branscher samt nystartade verksamheter ur Handbok för migrationsärenden*, Norrköping: Migrationsverket.
- Migrationsverket (2016). *Tillstånd för arbete – certifiering av arbetsgivare i Handbok för migrationsärenden*, Norrköping: Migrationsverket.
- OECD (2009). *Workers Crossing Borders: A Road Map for Managing International Labour Migration*, in *International Migration Outlook 2009*, Paris: OECD, 77–224.
- OECD (2011). *Recruiting Immigrant Workers: Sweden*, Paris: OECD.
- OECD (2013). *Recruiting Immigrant Workers: Germany*, Paris: OECD.
- Papadimitriou, D. & Sumption, M. (2011). *Rethinking Points Systems and Employer Selected Immigration*, Washington DC: Migration Policy Institute.
- Rinne, U. (2012). *The Evaluation of Immigration Policies*, IZA Discussion Paper No. 6369.
- Ruhs, M. (2013). *The Price of Rights: Regulating International Labor Migration*, Princeton & Oxford: Princeton University Press.
- Ruhs, M. (2015). *Is Unrestricted Immigration Compatible with Inclusive Welfare States? The (Un) Sustainability of EU Exceptionalism*, COMPAS Working Paper No. 125, University of Oxford.
- Somerville, W. (2013). The Politics and Policy of Skilled Economic Immigration Under New Labour, 1997–2010, in Triadafilopoulos, T. (ed.), *Wanted and Welcome? Policies for Highly Skilled Immigrants in Comparative Perspective*, New York: Springer, 257–271.
- Statistics Sweden (2017). Documentation of STATIV: 1997-2015.
- The Sweden National Audit Office (2016). *Ett välfungerande system för arbetskraftsinvandring?*, RIR 2016:32, Stockholm: Riksrevisionen.
- Tani, M. (2017). *Skilled Migration Policy and the Labour Market Performance of Immigrants*, IZA Discussion Paper No. 11241

Wingborg, M. (2014). *Villkoren för Utländska Bärplockare Säsongen 2014*, Stockholm, Arena idé.

Woolfson, C., Thörnqvist, C. & Herzfeld Olsson, P. (2011). *Forced Labour in Sweden? Case of Migrant Berry Pickers: A Report to the Council of Baltic Sea States Task Force on Trafficking in Human Beings: Forced Labour Exploitation and Counter Trafficking in the Baltic Sea Region*, Linköping: Linköping University Electronic Press.

Government documents:

Bill 2007/08:147 Nya regler för arbetskraftsinvandring

Bill. 2013/14:227 Åtgärder mot missbruk av reglerna för arbetskraftsinvandring

Bill. 2016/17:212 Möjlighet att avstå från återkallelse av uppehållstillstånd när arbetsgivaren självmant har avhjälpt brister

Government Offices of Sweden (2008) Nya regler för arbetskraftsinvandring

SOU 2016:91 Stärkt ställning för arbetskraftsinvandrare på arbetsmarknaden.