

# Mechanisms of Exclusion: Ethnic Discrimination in the Swedish Labour Market

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*By reviewing recent labour market research, this article presents strong arguments for the existence of rather extensive ethnic discrimination in the Swedish labour market. Migrants—in particular non-European migrants—have considerably higher unemployment rates and lower wage incomes than native Swedes. Although reduced, a significant gap remains when controlling for human capital factors (such as education) and for so-called ‘country-specific’ human capital factors (such as years spent in Sweden). Three mechanisms of exclusion are identified as particularly important: statistical discrimination (based on stereotypical thinking), network effects (due to separated, ethnically homogeneous networks), and institutional discrimination. Key actors holding gatekeeper positions in the labour market discriminate against migrants in a two-fold way: by making decisions about recruitment, etc. based on stereotypical—and often prejudiced—beliefs about group-specific characteristics rather than on individual skills; and by choosing people they know or who have been recommended by someone they know for vacant positions (network recruitment). Neither of these mechanisms involves much reflection, which implies that actors in gatekeeper positions often discriminate against migrants without being aware of it. Finally, state programmes and legislation sometimes have unintended consequences which may lead to institutional discrimination.*

*Keywords: Ethnic Discrimination; Labour Market; Sweden; Network Effects; Stereotypes*

## Introduction

During the last three decades, Swedish immigration policy has largely focused on integration. There has also been an explicit goal to work at eliminating discrimi-

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nation against migrants as well as inequality between migrants and native Swedes. Already in 1975 the Swedish parliament stated that the goals of equality, cooperation and freedom of choice should govern Swedish immigration policy. The goal of equality implied, among other things, that migrants (refugees included) should benefit from the same living conditions and the same possibilities in the labour market as native Swedes. The key notion, which has been repeated in later policy records (e.g. SOU 1996: 55), is the right to have the opportunity to be self-supporting and, hence, not be dependent on state subsidy programmes (cf. Ekberg and Hammarstedt 2002). The Swedish anti-discrimination law was enlarged in 1999 in order to create conditions of plurality, and to protect against direct as well as indirect discrimination, and against ethnic harassment in the workplace (Höglund 2000: 21; Lindgren 2002: 31). Yet, despite these legal documents and policy programmes, the Swedish labour market is *not* characterised by equal conditions for migrants and native Swedes, and a review of recent labour market research reveals that *there are strong arguments suggesting that discrimination against migrants—in particular against non-European migrants—is rather extensive in Sweden.*

However, the aim of this article<sup>1</sup> is not only to show that ethnic discrimination exists in the Swedish labour market, but also to differentiate between different mechanisms of exclusion in order to reach a deeper understanding of the *practice* of ethnic discrimination. In the first case, I will discuss how much differences in achieved characteristics (which—as such—is not discrimination) explain the unequal distribution of labour market outcomes. There are good reasons for assuming that discrimination will explain much of the residual left unexplained by models focusing on human capital characteristics. In the second case, three mechanisms of exclusion are identified as particularly important: *statistical discrimination* (based on stereotypical thinking), *network effects* (due to separate, ethnically homogeneous networks) and *institutional discrimination*. In this article I argue that key actors holding gatekeeper positions in the labour market discriminate against migrants in two ways: by making decisions about recruitment, etc. based on stereotypical, often prejudiced, beliefs about group-specific characteristics rather than on individual merits; and by choosing people they know or who have been recommended by someone they know for vacant positions (network recruitment). Neither of these mechanisms involves much critical awareness, which implies that actors in gatekeeper positions often discriminate against migrants without realising it. Finally, state programmes and legislation sometimes have unintended consequences which may lead to institutional discrimination.

The text of this article will be structured in the following way: in the first section, evidence of migrants' non-integration in the Swedish labour market is presented. The second section shows that a significant part of the differences between migrants and native Swedes in labour market outcomes (unemployment rates and wage incomes) remains even when controlling for so-called general human-capital factors; and as the third section shows, this is also the case when accounting for so-called Sweden-specific human capital (such as years spent in Sweden). The extensive fourth section deals with practices of ethnic discrimination in the labour market, in

**Table 1.** Index for employment rate among people aged 16–64 born abroad (employment rate for native Swedes = 100)

Year	Born abroad	Foreign citizen
1950	–	120
1960	104	105
1967	–	110
1975	100	99
1978	98	94
1987	90	83
1992	84	74
1994	75	61
1999	76	69
2000	77	70

*Source:* Ekberg and Hammarstedt (2002).

particular statistical discrimination, network effects and institutional discrimination. The article is concluded with some suggestions on implications for policy proposals.

### **Evidence of Migrants’ Non-Integration in the Swedish Labour Market**

Sweden has been a country of immigration since the 1930s, although immigration only became considerable during the postwar era.<sup>2</sup> Swedish immigration can be divided into two periods: one of predominantly labour immigration—from the 1940s to the early 1970s—and one of refugee immigration and family reunification immigration (from the 1970s onwards). During the first period, almost 60 per cent of all immigration to Sweden was from the other Nordic countries, especially Finland. However, immigration to Sweden started to change character after the oil crisis of 1973. There was a decreased demand for labour immigration, which was combined with a stricter immigration policy. At the same time there was increased refugee immigration. During the 1980s in particular, there was a great increase in non-European immigration, and 50 per cent of all immigration was from outside Europe, and especially from Iran and Iraq (Ekberg and Gustafsson 1995; Martinsson 2002; Vilhelmsson 2002). According to the most recently available census (2001) there are today 1,027,974 individuals born abroad and living in Sweden—11.5 per cent of the total population—475,986 of whom are still foreign citizens. The Finns are the largest migrant population, with 193,465 individuals (18.8 per cent of all migrants), though migrants from the other Scandinavian countries are also numerous: 43,414 from Norway and 38,870 from Denmark. Among the other large migrant groups we find 73,274 Yugoslavs and 52,198 Bosnians, 55,696 Iraqis, 51,844 Iranians, 40,506 Poles, 32,453 Turks, 27,153 Chileans and 20,228 Lebanese. Among the new migrant groups are 13,489 from Somalia, and among the older ones we can identify 14,027 from Hungary.<sup>3</sup>

As shown in Tables 1 and 2, migrants have in general lower employment rates and lower wage incomes than native Swedes, but there has been a dramatic change

**Table 2.** Index for wage income/person for persons aged 16–64 born abroad (native Swedes = 100)

Year	Born abroad	Foreign citizen
1967	–	122
1978	100	92
1987	–	77
1992	73	61
1994	62	50
1999	64	55

Source: Ekberg and Hammarstedt (2002).

during the last 15 to 20 years. During the era of labour immigration—1950–75—migrants had the same or even higher employment rates as native Swedes. Since then, however, migrants' employment rates have decreased dramatically in relation to those of native Swedes. This decline was most dramatic during the deep economic recession of the early and mid-1990s. The same is true for unemployment rates which, in particular during the 1990s, increased to extremely high levels for migrants. In 1999, migrants' unemployment rate—related to their share of the total labour force—was higher than in most countries within the OECD. In fact, it was only higher in Finland and in the Netherlands (Lindgren 2002: 47). We also know that non-European migrants have been the ones the most affected by unemployment. In 2001 the unemployment rate for people between 16 and 64 years of age was 17.7 per cent for Asian migrants, 16.4 per cent for Eastern European migrants, 7 per cent for Nordic migrants, and only 3.3 per cent for native Swedes (Martinsson 2002: 18). Although the situation has improved for non-European migrants during the last 4–5 years—the unemployment rate was 33 per cent in 1997 and 12.9 per cent in 2001 (Martinsson 2002: 21)—the gap between non-European migrants and native Swedes is still huge (almost four times as high). Hence, migrants from Africa and Asia are the least integrated in the Swedish labour market. They not only have higher unemployment rates but also lower incomes than other migrant groups. For Iraqis, for instance, the unemployment rate was 27 per cent in 2001—and only 38 per cent were employed (Lindgren 2002: 67).

Moreover, migrants not only have higher unemployment rates and lower incomes, they are also over-represented among low-skill, low-status jobs (Wadensjö 1997). This kind of uneven concentration is commonly referred to as occupational segregation. As Le Grand and Szulkin (2002) show, the level of occupational segregation between migrants and native Swedes is higher for non-Western than for Western migrants. The dissimilarity index, showing how large a proportion of migrants or natives that would have to change jobs in order to obtain an even distribution, is 6 per cent for migrants born in a Western country, 14 per cent for migrants born elsewhere in Europe, and for migrants born in Africa, Asia, or Latin America, 33 per cent. From this index, we cannot as such determine whether the occupational segregation is favouring or disfavouring migrants (in other words, whether they are

over-represented within high-status or low-status sectors). However, statistics from the Swedish Labour Board show that migrants were particularly over-represented among cleaners, restaurant employees, unskilled manual workers (such as the textile industry) and—for female migrants—health-care assistants (De los Reyes and Wingborg 2002: 26; Martinsson 2002: 35). Non-Nordic migrants also have a higher risk of having a time-limited employment (Jonsson and Wallete 2001). Hence, the statistics suggest that migrants are very poorly integrated in the Swedish labour market.

I discuss in the next section some possible explanations of these inequalities and also pose the question of how large a part of these differences might be caused by direct or indirect discrimination.

### **General Human Capital**

Inequalities between migrants and native Swedes in labour-market outcomes may partly be caused by differences in the distribution of education, skills, experience, or other so-called human capital factors. In fact, one of the standard explanations of the differences between migrants and native Swedes has taken its point of departure from such differences in human capital factors: because of the deep economic depression of the early and mid-1990s, which created a large reserve of unemployed educated manpower, companies made their formal 'competence' requirements stricter. This development was also a result of the rationalisation process, where many low-skilled jobs disappeared. According to the Swedish Labour Board, in 1980 there was a requirement of education or earlier experience for 40 per cent of the available jobs. In 1992 the figure was 80 per cent (Knocke and Hertzberg 2000: 22). This development would of course affect migrant groups more than native Swedes—if migrant groups in general had a lower level of education.

However, the average level of education among migrants, as a composite group, is approximately the same as for native Swedes, although the range is wider (Lindgren 2002: 69). Moreover, there are huge differences between different migrant groups. Generally, those groups that came mainly as labour migrants are less educated than the refugee migrants who came during the 1980s and 1990s (Schröder *et al.* 2000: 22). Yet, as we saw above, it is the latter group that has the highest level of unemployment as well as the lowest wage income. This strongly suggests that theories focusing on human capital factors are very limited.

By using time-series data involving a sample of 20 per cent of the migrants living in Sweden and 3 per cent of the total Swedish population, Edin and Åslund (2001) show that migrants have lower incomes than natives irrespective of level of education. They report results showing that the income of all migrant groups, in particular the income of non-OECD migrants, is significantly lower than for native Swedes *at all levels of education*. Moreover, this gap increased during the severe economic downturn in the mid-1990s. As Edin and Åslund (2001: 124) show by using regression techniques, this gap in income remains *even when controlling for gender, age, education, civil status, and number of children in the household* (see also

Le Grand and Szulkin 2002 for similar results). Hence, there is a big residual that cannot be explained by traditional human capital factors. Part of this residual, I would suggest, is caused by different mechanisms of discrimination.

Furthermore, a study by Berggren and Omarsson (2001) shows that not even migrants with a high level of education (academic degrees) have the same labour market outcomes as native Swedes with corresponding level of education. They show that only 40 per cent of the migrants with academic degrees who immigrated to Sweden during the 1990s had a job, in 2000, which matched their level of education. This should be compared with 90 per cent of Sweden-born academics. Twenty-four per cent of the immigrant academics had unqualified jobs and 15 per cent were unemployed, compared to 3 and 2 per cent respectively for native Swedes with academic education.

There are indications that part of these differences depends on the difficulty of evaluating the quality of academic studies undertaken abroad (some of them might not be applicable for Swedish conditions). However, although the difference between migrants and native Swedes is reduced when looking only at migrants who have obtained their academic qualification in Sweden, it is still highly significant (a gap of 26 percentage points). Furthermore, the chances of having a suitably qualified job are lowest for migrants from Africa and Asia.

Hence, traditional human capital factors explain only a part of the inequalities between migrants and native Swedes in labour market outcomes. In response to this fact, dominant explanations within this field also take 'country-specific' human capital into account.<sup>4</sup> Here, differences in income or unemployment rates are explained by the losses in human capital resulting from the shift from one national labour market to another (cf. Arai *et al.* 2000: 8). Migrants are believed to lack Sweden-specific skills; most notably knowledge in spoken and written Swedish, but also in 'country-specific social competence'. This makes it more difficult for them to function in a Swedish workplace. Several scholars have also pointed out that many employers issued stricter requirements for skills in Swedish and 'social competence' during the economic depression of the early and mid-1990s.

Nonetheless, as will be shown below, even when such Sweden-specific human capital factors are taken into account, a large part of the gap between migrants and native Swedes still remains unexplained.

### Sweden-Specific Human Capital

If 'Sweden-specific' human capital matters, migrants' unemployment rates should decrease the longer they stay in Sweden, provided that migrants in general are capable of acquiring such human capital over time. Indeed, most studies show that this is the case (e.g. Ekberg and Hammarstedt 2002). However, although the difference between migrants and native Swedes is reduced the longer migrants have stayed in Sweden, it still remains (see Table 3). Moreover, Schröder *et al.* (2000: 36) show in a logistic regression model that the risk of being unemployed in 1999 was 410 per cent higher for migrants who had lived less than 10 years in Sweden, and

**Table 3.** Unemployment rate for different immigration cohorts (per cent)

Time in Sweden:	1987	1997	1999
0–9 years	7.4	31.4	19.5
10–19 years	3.5	13.9	11.0
20 years or more	2.4	9.6	5.8
Born in Sweden	2.0	7.2	4.4

Note: Results based on sample data (N = 87,000).

Source: Schröder *et al.* (2000: 30).

230 per cent higher for migrants who had lived 10–19 years in Sweden, *when controlling for education, gender, age, and age at immigration*. Hence, this analysis clearly suggests that the theory stressing Sweden-specific human capital is limited. It is reasonable to assume that most migrants have acquired such capital after 10–19 years in Sweden; nonetheless their risk of being unemployed is more than twice as high as for people born in Sweden. Furthermore, for those who had lived in Sweden for more than 20 years, the risk was 40 per cent higher than for native Swedes. This strongly suggests the existence of rather extensive discrimination in the Swedish labour market. This is even more the case for migrant groups whose appearance diverges more from the image of ideal-typical native Swedes, since Schröder *et al.* (2000) show that the risk of unemployment for those who have been in Sweden between 10 and 19 years is particularly high for migrants from Asia (almost 400 per cent higher risk of unemployment) and Africa.

Similarly, using sample data on employees (500,000 individuals, from 1991–95) Arai and Villhelmsson (2001) show that most of the differences in unemployment risks between migrants and natives remain when controlling for age, gender, marital status, number of children, immigration year, education level, seniority, recent employment history, blue-collar occupation, industry affiliation and the individual's pay-rate in 1991 (Arai and Villhelmsson 2001: 1–2). In fact, the risk of becoming unemployed was more than twice as high for non-European migrants compared to native Swedes, when controlling for all these variables (for similar results, see also Martinsson 2002; Nelander and Goding 2003; for differences in wage incomes: Le Grand and Szulkin 2002).

I will discuss below some studies at length; those dealing with *second-generation migrants* (that is, individuals born in Sweden whose mother and/or father was born abroad), and with *adopted children*. These studies present strong arguments for the existence of a rather extensive ethnic discrimination in the Swedish labour market. They will also help in identifying some possible mechanisms causing discrimination.

### *Second-Generation Migrants*

Rooth and Ekberg (2003) use data on the second-generation in 1998 that makes it possible to identify different groups of second-generation migrants, as well as to identify whether only one or both of their parents were born abroad. They show that

labour market outcomes, both concerning unemployment risks and annual earnings, differ considerably between second-generation migrants and Swedes with two Swedish-born parents (see also Månsson and Ekberg 2000). Although these differences are smaller for second-generation migrants who have one Swedish-born parent, they are still significant. Moreover, as we will see below, second-generation migrants whose parents are born in a non-European country are considerably more affected than other groups of second-generation migrants.

Although many second-generation migrant groups have been in education at least as long as Swedes with two locally-born parents, they have higher unemployment rates (see Table 4). Second-generation migrants with a non-European background are most affected. Even among those with one Swedish-born parent the unemployment rate is twice as high as it is for Swedes of the same age who have two Swedish-born parents. For those with both parents born in a non-European country, the risk of being unemployed is more than three times as high.

Although the differences in unemployment risks disappear for many of the second-generation migrant groups when controlling for standard human capital factors, they still remain for those with a Southern European background and, even more, for those with a non-European background. For those with two parents born in a non-European country, the unemployment risk is 11 percentage points higher than for those with two Swedish-born parents (when controlling for a number of relevant variables); and for those with one parent born in a non-European country the risk of being unemployed is 6 percentage points higher than for Swedes with two locally-born parents (Rooth and Ekberg 2003). Also as regards wage incomes, second-generation migrants with a Southern European or a non-European background are doing significantly worse than Swedes with two Swedish-born parents (Rooth and Ekberg 2003).

This strongly suggests the existence of extensive ethnic discrimination in the Swedish labour market.<sup>5</sup> We can assume that people born in Sweden have acquired the language skills required to be employed. We can moreover assume that they have acquired knowledge about Swedish 'culture', norms and established ways of doing things to such an extent that they are able to harmonise with working teams, etc. Furthermore, although the risk of unemployment is lower for second-generation migrants with one Swedish-born parent, it is still considerably higher than for Swedes with two Swedish-born parents—in particular for second-generation migrants with a non-European background.

### *Adopted Children*

Rooth (2001) has studied labour market outcomes for individuals born abroad and adopted at a young age by native Swedish parents (N = 23,930). These are compared with a sample of native Swedes, i.e. individuals born in Sweden to Swedish-born parents (N = 62,272). The reason for looking specifically at adoptees is that they deviate from many other groups of migrants in a number of ways: they usually have a Swedish-sounding name, they speak Swedish fluently, they have been educated in

Table 4. Second-generation migrants in Sweden in 1998

	Men			Women		
	Years of education	Unemployment rate	Years of education	Years of education	Unemployment rate	Unemployment rate
Native Swedes	12.0	6.5	12.3	12.3	8.6	8.6
Native Swedes 25–30	11.9	8.0	12.4	12.4	10.2	10.2
<b>Both parents born in:</b>						
Finland	11.5	11.0	11.7	11.7	11.8	11.8
Other Nordic country	11.5	10.5	11.7	11.7	13.0	13.0
Western Europe	12.3	5.8	12.3	12.3	9.5	9.5
Eastern Europe	12.7	9.0	12.8	12.8	10.0	10.0
Southern Europe	11.8	13.9	12.0	12.0	13.1	13.1
Non-European country	11.7	17.7	11.8	11.8	20.7	20.7
<b>One parent (the other being native Swede) born in:</b>						
Finland	11.8	9.1	12.0	12.0	10.5	10.5
Other Nordic country	11.7	8.8	11.9	11.9	11.3	11.3
Western Europe	12.4	6.6	12.5	12.5	9.0	9.0
Eastern Europe	12.3	7.1	12.5	12.5	8.4	8.4
Southern Europe	12.1	9.9	12.2	12.2	11.9	11.9
Non-European country	12.3	11.3	12.6	12.6	13.9	13.9

Source: Rooth and Ekberg (2003).

Sweden, commonly live in neighbourhoods dominated by native Swedes, and they have social networks comparable to those of native Swedes. Furthermore, in Sweden they have in general been adopted by parents who belong to a higher social class than the Swedish population as a whole. Adoptees are moreover at least as well educated as native Swedes (Rooth 2001: 1–3; cf. Österberg 2000). Hence, by looking at adoptees it is possible to control for a variety of factors that it is normally difficult to take into account. Indeed, from an employer's perspective the only way this 'immigrant' group deviates visually from native Swedes is in the colour of their skin (Rooth 2001: 1). This means that the differences in employment rates found in the Rooth study imply the existence of a very direct and blatant form of ethnic discrimination in the Swedish labour market.

By looking at men between 20 and 35 years of age who were adopted before 10 years of age, Rooth reports descriptive data showing that the employment rates are considerably lower for adoptees than for native Swedes: among the native Swedes 91.6 per cent were employed (in 1998), compared to 86.9 per cent for adoptees born in Asia, 85.2 per cent for adoptees born in the Middle East or in Africa, and 81.8 per cent for adoptees born in Latin America. Adoptees born in the Nordic countries do not differ from native Swedes in any significant way. These differences largely remain when controlling for standard human capital factors (age, schooling, being married, and local unemployment rate). In fact, there is a significant 9.8 percentage points difference in the probability of being employed—or of being unemployed—between adoptees (as a composite group) and native Swedes. Again, adoptees born in the Northern parts of Europe, whose appearance does not differ from native Swedes, have the same probability of being employed as native Swedes, whereas adoptees born in Africa, Asia or Latin America have a much lower probability of employment. Hence, this study presents a strong argument for the existence of a blatant form of ethnic discrimination where only adoptees with a different appearance have a lower probability of being employed.

### *The Gap Remains*

Hence, although human capital factors explain part of the differences in labour market outcomes between migrants and native Swedes, a large gap remains unexplained. As has been stressed repeatedly, various mechanisms of discrimination can play an important role in explaining the remaining differences. But it is extremely difficult to distinguish the effect of Sweden-specific human capital from discrimination effects. As will be indicated below, key actors such as personnel officers, work managers, employment office agents, etc. hold gatekeeper positions. One is motivated to pose the question as to whether it is, in fact, in contacts with such actors that 'Sweden-specific social competence' is needed. As qualitative interviews have indicated, a large part of the exclusion of migrants is likely to originate in their contacts with gatekeeper actors. As Knocke (1994) shows, work managers do mostly choose native Swedes instead of migrant workers when making decisions about recruitment and promotion. There are several possible reasons for this: lack of

network contacts (the managers favour those they know or those who have been recommended by people they know), xenophobic attitudes, and statistical discrimination (see also Schierup *et al.* 1994). Studies of major companies—such as Volvo (Schierup *et al.* 1994: 68)—show that very few of the work managers, instructors, and foremen are migrants, compared to their share of the manual workforce.

Hence, in the last section of this article, I will discuss various practices of discrimination. Three different mechanisms will be identified as particularly important: statistical discrimination, network effects, and institutional discrimination. In my opinion, these are the most important mechanisms of exclusion, although overt racism and xenophobic attitudes also exist and play a discriminatory role.

### **Practices of Discrimination in the Labour Market: Mapping Mechanisms of Exclusion**

As we have seen, there are wide differences in labour market outcomes between migrants and native Swedes. Some of these inequalities are caused by differences in individual characteristics and skills, some by differences in labour market treatment. In the first case, differences in the distribution of *achieved* characteristics (e.g. education) demanded by employers cause inequality between migrants and native Swedes. As such, this is not discrimination. However, the distributional differences of skills may in turn be the result of discrimination against migrants within other areas, such as in the school system (which we may call *spillover discrimination*), or by the fact that institutional rules and laws, as well as informally established ways of doing things, sometimes disfavour groups in which migrants happen to be over-represented (which is *institutional discrimination*). Concerning the second case, migrants and other ethnic minorities are treated differently because of their *ascribed* characteristics, i.e. on the basis of what they *are* rather than what they *have* (cf. Le Grand 1999; Le Grand and Szulkin 2002). This is always discriminatory behaviour: either *preference-based discrimination* or *statistical discrimination*. Now I discuss in more detail three different mechanisms of exclusion: statistical discrimination, network effects, and institutional discrimination.

#### *Statistical Discrimination*

Although racist and xenophobic attitudes are relatively widespread in Sweden (as in other West European countries; see EUMC 2001), I will argue that the blatant form of preference-based discrimination, or ‘taste for discrimination’ (Becker 1957), is a less important mechanism than statistical discrimination. However, when looking at the practice of ethnic discrimination we find that preference-based discrimination and statistical discrimination often overlap. Nevertheless, statistical discrimination occurs when decisions are based on the employer’s beliefs about typical characteristics of the group the individual belongs to or is believed to belong to. Examples of such beliefs are that ‘certain migrant groups are not particularly productive, because they are too often absent due to sickness’, or ‘they lack the capacity to work in

teams'. Irrespective of whether these beliefs are true or false, statistical discrimination is always *stereotypical*: decisions are based on group belonging and not on the individual's skills (Arai *et al.* 2000: 9). A stereotype can be defined as a highly stylised and simplified image of the characteristics of a social category. Stereotyping, on the other hand, is a process where someone attributes to another person characteristics 'which are seen to be shared by all or most of his or her fellow group members' (Brown 1995: 82). Individual characteristics that are easy to observe, such as name and appearance (e.g. skin and hair colour), are used as information instead of achieved skill-related characteristics that may be more difficult to know at first sight. Stereotypes are often employed when people feel the need to form a quick social category in order to process incoming information. Being stereotypical, statistical discrimination may hence be a 'rational' way for employers to economise the decision-making process, because it saves them time from gathering individual-specific information (cf. Arrow 1972; Phelps 1972). Hence, the theory of statistical discrimination assumes that this kind of behaviour is more common in situations of uncertainty, when employers have only imperfect information about applicants' skills and productivity. Examples may be the evaluation of education undertaken abroad, or the difficulty of contacting references of earlier employers abroad (cf. Le Grand and Szulkin 2002).

However, normally this type of stereotypical thinking focuses only on one salient group characteristic (i.e. ethnicity) while it disregards others (social class, religious/secular, urban/rural, etc.). Moreover it tends to overestimate within-group homogeneity (i.e. '[All] Turks are...'). Even if a particular ethnic group does have higher sick leave rates than native Swedes, *on average*, there is likely to be an enormous within-group variation, which means that all individuals who deviate from the mean will be unjustly treated. Furthermore, statistical discrimination is often based on false and erroneous beliefs (social representations), and frequently not only stereotypes but also prejudices are involved. A prejudiced stereotype can be defined as an attitude or set of attitudes held toward a group or members of a group, encompassing over-simplified beliefs and a set of negative feelings and evaluations (cf. Operario and Fiske 1998: 45).

The importance of this mechanism of statistical discrimination based on stereotypical thinking is due to the fact that stereotypes underpin much of everyday thinking, which makes people use them—and rely on them—without much reflection (see Rydgren 2004). As socio-cognitive theory has stressed repeatedly, reality is usually too complex to be perceived and apprehended without the help of social categorisations (Augoustinos and Walker 1998; Boudon 1994). These are necessary for us, but can at the same time easily lead to stereotypes. Hence, employers and other actors holding gatekeeper positions in the labour market may make decisions based on stereotypical thinking (even involving prejudiced stereotypes) without being aware of it. This is the main reason why I argue that statistical discrimination is a more important mechanism than blatant preference-based discrimination, which involves a higher level of reflexivity. Furthermore, in understanding the practice of statistical discrimination we should keep in mind that much of

our stock of stereotypes is the result of socialisation. In every society there is a collective repertoire of stereotypes to draw from, which implies that stereotypes are often socially shared in a more or less consensual way (Gardner 1994; Lamont 2000; Lippmann 1922).

We find very telling examples of how statistical discrimination works in the Swedish labour market in the interviews conducted by Augustsson (1996) with foremen, work managers and other employees holding gatekeeper positions in Volvo's big car factory in Gothenburg, *Volvo Torslandaverket*. One foreman, for instance, said:

You could put it like this, as a foreman you'll get a lot of preconceived ideas about immigrants, and about certain immigrant groups. Because it is always the fact ... that if you have had two persons of a nationality that haven't been good, then I, as a foreman, do not want to have two new ones of the same nationality (Augustsson 1996: 81).

As in all statistical discrimination, this way of thinking allows very little room for within-group variation for the out-group (that is, 'they are all the same'), whereas the in-group, i.e. native Swedes, implicitly or explicitly are seen as much more heterogeneous (that is, the foreman quoted has probably experienced at least two native Swedish workers who were not very good). Hence, as Paulsson (1994) puts it, '[I]f Johansson is late for work, he is a problem. If Stojanovski is similarly late, the Yugoslavs are a problem' (Paulsson 1994: 150).

An even more poignant example of this mechanism of exclusion is found in this quotation from an interview with a work manager at the same factory:

I have been a work manager for 11 years, and I haven't employed a single Yugoslav in my whole life. ... [...] You get so tired of these Yugoslavs we had here, so we didn't want to bring in any new Yugoslavs [...]. There are sons of those Yugoslavs who have worked here, who have applied for jobs. They have been rejected because of their fathers' bad record (Augustsson 1996: 91).

Hence, even the sons of Yugoslavs (i.e., second-generation migrants) are included in the same out-group and discriminated against—as individuals—because Yugoslavs in general have a bad reputation.

However, there are also examples of a more 'rational' type of statistical discrimination, caused by a situation of uncertainty and the fact that private companies are in business in order to maximise profits. As one salaried employee put it, '[y]ou find yourself in a strange situation, you don't think they will stay, and so you don't invest in an Iranian for instance for jobs here that have 18 weeks internal job training' (Augustsson 1996: 97). Employers want to be as sure as possible that workers will stay for a rather long time, so they get returns for their investments. In assessing the likelihood for this, knowledge about how long different (ethnic) groups have stayed on average often enters into the inference process as a proxy for knowledge about individual characteristics.<sup>6</sup> This kind of statistical discrimination is particularly common with rates of sickness absence. As another salaried employee said, 'the reason why you don't employ immigrants is that you are afraid. I would never

employ a Turk. We have had Turks here, and I think that not one of them worked here after 45–50 years of age. And then they had long absences due to illness' (Augustsson 1996: 96). Here, statistical discrimination is possibly based on a true belief: certain migrant groups do indeed have higher rates of sickness absence than others (Paulsson 1994). However, by not considering within-group variation, individual migrants are being discriminated against. This is also an example of a vicious circle: some migrant groups have to stay longer in heavy monotonous manual jobs than other groups, because they are discriminated against when decisions about internal recruitment are taken. As a consequence, these groups will be physically worn out quicker than others, and will have higher rates of sickness-related absence. This, in turn, contributes to further discrimination (cf. Paulsson 1994).

Also language problems are often singled out as the reason why employment of many migrants should be avoided. One of the foremen, for instance, said in the interview:

[T]he public authorities think we should get involved heavily with immigrants, but we cannot do that. We have to consider the fact that we will develop our organisation. If we should recruit heavily immigrants here who don't know Swedish that well, I don't think we will be able to develop these organisations (Augustsson 1996: 83).

Hence, the 'fact' that migrants applying for jobs cannot handle Swedish well enough is taken for granted, as a prejudged fact rather than as an open empirical question that is allowed to vary from individual to individual.

However, there are also some examples of how more blatantly prejudiced (xenophobic or sometimes racist) beliefs enter into the process of discriminatory exclusion. One salaried employee holding a gatekeeper position, for instance, said,

I believe ... that those coming from the South are not used to this pace, so to speak, I don't think they have led the life we have here, we have had sports in school and we have built up our bodies. [...] The Finns, on the other hand, they're used to hard manual work, being out in the woods hewing timber ... physically strong. It's the same for Swedes, they're physically rather active, but I don't think that a Yugoslav who comes from ... for it wasn't Yugoslavs from the cities that came, not the Greeks from the cities either. I don't think they have that strong a physique; life has a slower pace down there, because the climate is warmer (Augustsson 1996: 98).

This strongly suggests the possibility that it is often the beliefs about migrants' rather specific 'cultural distance' from native Swedes, held by key actors in gatekeeper positions, rather than general cultural distance as such, that work in an exclusionary way.

Hence, there are numerous examples of statistical discrimination. As Knocke and Hertzberg (2000) show in their in-depth interviews with labour agency officers, migrant-sounding names are often a sufficient cause of discrimination, even when the person in question speaks Swedish fluently. As most of the officers avow, it is common that employers say that the job is already taken when migrant youths with 'foreign-sounding names' call. Not surprisingly, Muslim girls and women wearing veils or headscarves trigger statistical discrimination even more.

*Network-Effects and Spillover Discrimination*

We talk about spillover discrimination, or side-effect discrimination, when discrimination in one realm of society produces negative effects in other realms: for instance, when discrimination in the school system creates problems for migrants in the labour market (Lindgren 2002). One particularly important form of spillover discrimination is network recruitment—although this is partly also a mechanism on its own. Individuals holding gatekeeper positions (e.g. those who are in a position to employ or promote people, etc.) are likely to choose someone belonging to the same network. Furthermore, information about vacancies tends to spread through networks (Granovetter 1974). However, networks tend to be biased towards homophily: in general, people tend to live and socialise among others who are similar to themselves in a number of salient ways (e.g. Burt 1992, 2002; Granovetter 1982; Lin 2001). This phenomenon of homophily has been ‘proved’ empirically in several studies (e.g. Burt 1990; Marsden 1987). In Sweden, I would argue, ethnicity is one criterion for homophily; networks tend towards ethnic homogeneity (cf. Augustsson 1996, who shows that this holds true at least for the Volvo factory discussed above). Following Harrison White (1965), I will argue that native Swedes and the different migrant groups are very often part of separate ‘catnets’ (i.e. they are part of networks that also constitute distinct categories). Since key actors holding gatekeeper positions tend to be native Swedes, this leads to a situation in which native Swedes are favoured and non-Swedes disfavoured. Hence, because of the disintegration of ethnically based ‘catnets’, migrants in Sweden have—on average—fewer social resources, in particular because of their lack of strong ties to high-status persons holding positions of power (cf. Lin 1999).<sup>7</sup>

This mechanism could partly be seen as a particular form of spillover discrimination: social disintegration (caused by, for instance, segregated housing areas) contributes to the maintenance of ethnically homogeneous networks, which in turn makes it more difficult for migrants to find a job (i.e., social disintegration feeds economic disintegration, as well as the other way around). These tendencies to ethnic homophily—when people interact more or less exclusively with people belonging to the same ethnic group—may also be a possible reason why native Swedes hold stereotypical and prejudiced beliefs about migrants. Since native Swedes know very few—if any—migrants personally, stereotypes and prejudices remain unchallenged.

*Institutional Discrimination*

When apparently neutral requirements for recruitment or working practice affect certain ethnic groups more than others, or when certain rules, instructions or everyday practices within a social system have intended or unintended discriminating consequences, we can talk about institutional discrimination. As stressed above, the most common type of institutional discrimination in the Swedish labour market has to do with requirements for good spoken and written Swedish. These require-

ments are sometimes deliberately motivated, but often not. As Knocke and Hertzberg (2000) show, there are sometimes requirements of knowing Swedish fluently for cleaning jobs. We also see examples of this mechanism in the interviews with work managers reported by Augustsson (1996). Moreover, as was stressed above, discrimination can also be a result of unmotivated, exaggerated, and/or vague and perfunctory criteria for ‘social and communicative competence’, which sometimes are conflated with ‘Swedish social competence’ (Höglund 2000: 27).

One additional example of institutional discrimination is the implementation of a new strategy for the resettlement of refugee migrants during the mid-1980s—the ‘whole Sweden strategy’. The purpose of this strategy, which officially ended in the early 1990s but in practice was used much longer, was to spread the newly-arrived refugees all over Sweden. The reason for this strategy was to avoid large concentrations of refugees in some localities, and thereby to facilitate the integration process by for instance making it easier for recent migrants to learn Swedish. However, in practice, refugees were to a large extent placed in municipalities that had available dwellings rather than a favourable labour market situation. According to Ekberg and Hammarstedt (2002), there are good reasons to assume that this fact made it more difficult for many refugees to find a job (see also Edin, Fredriksson and Åslund 2000; Ekberg and Ohlson 2000).

## **Conclusion**

In this article I have shown that there are large differences in labour market outcomes between migrants and native Swedes, and that these differences—although reduced—remain when controlling for human capital factors. Strong arguments have been presented suggesting the existence of rather extensive ethnic discrimination in the Swedish labour market.

Three mechanisms of exclusion were identified as particularly important: statistical discrimination (due to stereotypical thinking), network effects (due to separated ‘catnets’ based on ethnicity), and institutional discrimination. These mechanisms are interrelated in many ways, which implies that we must take all of them into account when thinking about possible solutions to the problem of ethnic discrimination. A stronger social integration, in other words, a fusion of ‘catnets’ of migrants and ‘catnets’ of native Swedes, is likely to reduce the power of ethnic stereotypes. An increased interaction with people from out-groups (ethnic as well as otherwise) may, over time, lead to a falsification of the negative prejudices bound up with the stereotypes, at least if the interactions are of such frequency, duration and closeness that they lead to meaningful relationships between the individuals concerned (cf. Allport 1954). Hence, put in network theoretical terms, ties bridging different social groups within a network should be strong rather than weak in order to reduce stereotypes and prejudices (Rydgren 2004). A tighter integration would also enhance migrants’ access to social resources. The crucial policy problem to solve, therefore, is how to create a closer integration between different ethnically based ‘catnets’ (which is not the same as arguing that migrants should be assimilated into the native

Swedish society and culture). Hence, at least in Sweden, there are arguments suggesting that a policy aimed at counteracting the emergence and consolidation of ethnic enclaves in urban areas is warranted. However, as we have seen above, there are also arguments that this cannot be solved by a settlement policy forcing migrants to disperse all over Sweden. Finally, this article also suggests that information campaigns and education about other ethnicities should in particular be directed towards people in gatekeeper positions. As we have seen, such actors often discriminate against migrants, often without being aware of it. Much could be gained from helping them lift their behaviour to a higher level of reflexivity.

## Notes

- [1] This study was conducted within a larger project (*The European Dilemma: Institutional Patterns of 'Racial' Discrimination*), financed by the EU's Fifth Programme. I would like to thank the coordinators, Masoud Kamali and Tom R. Burns, as well as my other colleague within the Swedish group, Lena Sawyer. I am also indebted to the two anonymous *JEMS* reviewers for valuable comments on an earlier version of this article.
- [2] Of course, immigration to Sweden has always existed, but in modern times it was not until the 1930s that Sweden had more immigration than emigration.
- [3] A significant number of those who immigrated to Sweden later moved back to their country of origin. This has, in particular, been the case for migrants from the Nordic countries; whereas very few of the non-European migrants have returned (Edin, LaLonde and Åslund 2000: 175).
- [4] A controversial variation on this explanation is 'the cultural distance-theory', proposed for instance by Broomé *et al.* (1996) and Broomé and Bäcklund (1998). According to this approach, individuals from 'culturally distant' countries are believed to have more difficulties in the Swedish labour market than migrants from 'culturally close' countries. The concept of 'cultural distance' involves factors like social norms and how distant the language is from Swedish. Non-European migrants (except those from the US, Canada, Australia and New Zealand) are seen as the most 'culturally distant'. According to this theory, the post-industrialisation of the labour market (which creates a growing demand for language skills and 'social competence') creates growing problems for non-European migrants. These are believed to have problems learning Swedish (also the youngsters) and to have deviant norms, attitudes, values and ways of life (which is also supposed to be internalised in their children), all which is believed to result in the lower productivity of non-European immigrants in the Swedish labour market. According to Ekberg and Gustafsson (1995: 35), for instance, the new migrant groups of the 1980s and 1990s (i.e. non-European migrants) were more ethnically and culturally 'distant' than earlier migrant groups. This implies that these groups often had human capital that was not demanded in the Swedish labour market. This is seen as one of the reasons for migrants' weak position in the labour market (although they also acknowledge that discrimination is likely to contribute as well). The theory of 'cultural distance' assumes, explicitly or implicitly, that non-European migrants do not fit into the 'open, democratic, and non-hierarchical' organisational structures that characterise Swedish working places, and that migrants' alleged family and gender norms are a hindrance to integrating them into a functioning workplace. According to Arai *et al.* (2000), however, there are no empirically persuasive studies showing that 'cultural distance' explains the difference in labour market outcomes between migrants and natives. There are other reasons for being critical towards this theory as well: why should 'democratic' and 'flexible' be exclusively Swedish characteristics, for instance? (see De los Reyes 1997).
- [5] There are also studies showing that migrants educated in Sweden do considerably worse in

the labour market than native Swedes. This is even true for those who immigrated to Sweden before 7 years of age (see Arai *et al.* 2000; Le Grand and Szulkin 2002).

- [6] Also some groups of native Swedes—in particular young women—are sometimes affected by the same mechanism of statistical discrimination.
- [7] To this we may add a possible information effect. As Bertrand *et al.* (2000: 1019) have argued: ‘When the disadvantaged interact mainly with other disadvantaged, networks can inhibit upward mobility. Contacts may supply more information about welfare eligibility than job availability. They may provide negative peer pressure rather than positive role models’. However, situations in which migrants are confined to using only ethnic networks have negative effects on their labour market outcomes only when these networks are poorer on social resources; otherwise not.

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