

Article: Migration – opportunity and challenge

The demographic trend is a central factor for growth and public finances in the longer term. In Sweden, the working-age population has grown continually due to net immigration, which has counteracted the demographic trend towards an ageing population. The humanitarian catastrophe caused by wars in the Middle East has led to a large increase in the number of people fleeing to Europe and Sweden. The rapidly-rising increase of asylum immigration will place great demands on the labour market in the period ahead. To best realise the potential brought by this increased immigration, it is highly important that those arriving in Sweden are effectively established on the labour market. In recent years, the labour force participation rate has risen among those born abroad but there are still too few of them finding employment.

The growth rate of the working-age population is being maintained by those born abroad

The long-term development of growth and public finances in a country largely depends on how its population changes. Like many western countries, Sweden has an ageing population. The demographic dependency ratio has increased since the mid-2000s and, by 2030, it is expected to rise by a further 9 percentage points to almost 84 per cent.¹⁰

Sweden is a country in which the working-age population is growing due to net immigration. This is contributing towards restraining the rise in the dependency ratio. This is because a large proportion of those born abroad are of working age. About 75 per cent are in the age group 20–64 years, while the corresponding figure for the Swedish-born population is significantly lower at 54 per cent.

Asylum immigration is influencing population growth

Statistics Sweden's population forecasts have been continually revised upwards in recent years (see Figure 4:14). In the latest forecast, published in May 2015, just over 400,000 more persons were expected to be included in the working-age population by 2030 compared with the previous forecast. This revision was explained completely by increased immigration. In the forecast, the working-age population was expected to increase by just over 820,000 persons in the years 2015–2030 (see Figure 4:15).

Considering the current refugee situation, this population forecast is already out of date. This humanitarian catastrophe has led to a large increase in the number of people seeking protection in Europe. In the last few days, the Swedish Migration Agency has therefore heavily revised its forecast for the number of asylum seekers expected in Sweden upwards. Compared to the forecast considered in Statistics Sweden's population projection the forecast has now doubled for this year, from about 80,000 to about

160,000 persons, and a large increase next year, from 80,000 to 135,000¹¹. As this forms an important basis for Statistics Sweden, the forecast for the total increase of the population will thereby also be revised upwards when Statistics Sweden makes its next population forecast.¹²

The Riksbank's forecasts

It is too early to judge what the macroeconomic effects of the increased immigration will be. Developments will partly depend on what political solutions are realised in Sweden and in Europe. The Riksbank is following events closely and will adjust its forecasts accordingly. In the short term, the increased asylum immigration will entail higher growth in the form of higher private and public consumption, as demand will increase for, for example, food, housing, education and healthcare. Increased demand may also generate higher employment in the form, for example, of teachers, health workers and construction workers. The increased public consumption required to meet these needs will simultaneously increase public expenditure.

In the longer term, an increased number of persons in the working-age population is positive as the labour supply and thus employment can grow more. A higher population forecast will affect the Riksbank's labour market forecasts. Compared with the current assessment, the labour force can be expected to grow more rapidly. But there is great uncertainty over how quickly the newly-arrived immigrants will be able to enter the labour force and find employment.

The labour force participation rate has risen amongst those born abroad...

To best realise the potential brought by this increased immigration, it is highly important that new arrivals are quickly able to establish themselves on the labour market. Compared with many other countries, the labour force participation rate in Sweden is high, about 72 per cent. The labour force participation rate is generally lower among

¹⁰ The demographic dependency ratio is a measure that describes the number of children and elderly people in relation to the number of persons of working age, 20–64 years.

¹¹ See "Verksamhets- och utgiftsprognos Oktober 2015" (Operational and expenditure forecast October) (In Swedish), Swedish Migration Agency 2015.

¹² The overall impact of increased asylum immigration on the population forecast depends on several assumptions that Statistics Sweden is recalculating, such as repatriation and family member immigration.

those born abroad, but the gap to those born in Sweden has narrowed in recent years (see Figure 4:16). It is important that the participation rate for those born abroad continues to increase if the aggregate labour force, and thus employment, is to develop positively coming period.

... but the employment rate has not kept up

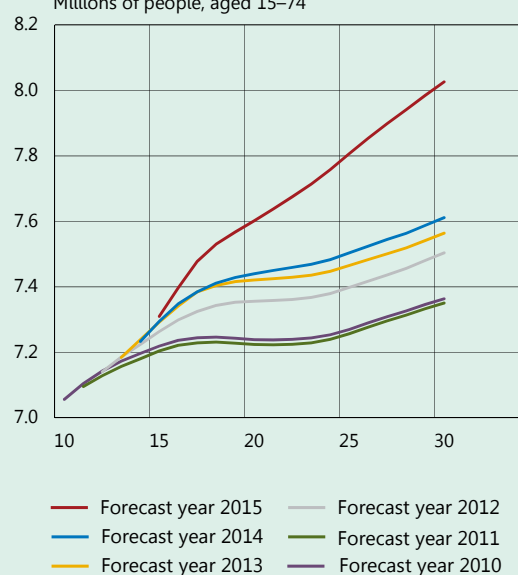
The Swedish labour market works well in many ways with a high aggregate employment rate. But there is still a great difference in the employment rates for those born in Sweden and those born abroad (see Figure 4:16). Although the employment rate among those born abroad as a whole has recovered to about the same level as before the financial crisis of 2008–2009, the employment rate for persons born outside Europe has remained relatively constant at just under 55 per cent in recent years.

It takes a relatively long time to become established on the Swedish labour market

Compared with other countries Sweden has a high proportion of refugee and family member immigration, which is one reason that it takes a long time to establish on the labour market. Operational statistics from the Swedish Public Employment Service indicate that job opportunities are low for these groups, particularly for those born outside Europe. The ongoing and rapid increase of immigration entails a risk that it will take even longer to establish on the Swedish labour market in the period ahead. The situation is exceptional and entails a major challenge for the presently under-dimensioned Swedish reception system. Processing times risk becoming prolonged, thus delaying decisions on residence permits, possibilities of finding housing and possibilities of entering introduction programmes.¹³

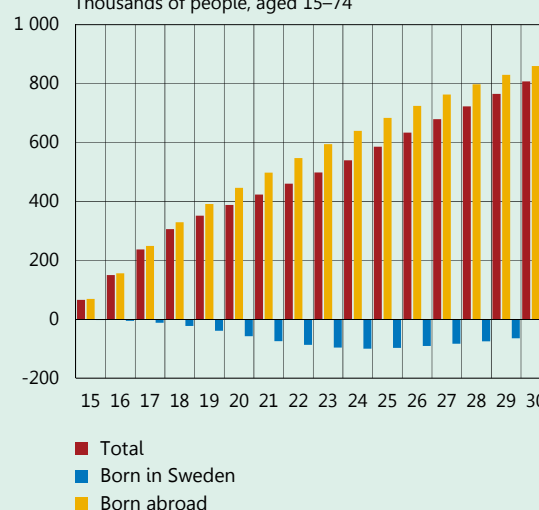
There are no simple solutions for a rapid establishment of newly-arrived immigrants on the labour market. Apart from improving the actual asylum process, measures are needed to improve the functionality of the labour market and to lower labour market thresholds.¹⁴ Another important factor is an efficient housing market and the need for increased housing construction has increased. The highly expansionary monetary policy is contributing towards increasing demand in the economy and thereby also towards higher demand for labour, but the structural challenges on the labour market cannot be solved by monetary policy.

Figure 4:14. Working-age population
Millions of people, aged 15–74



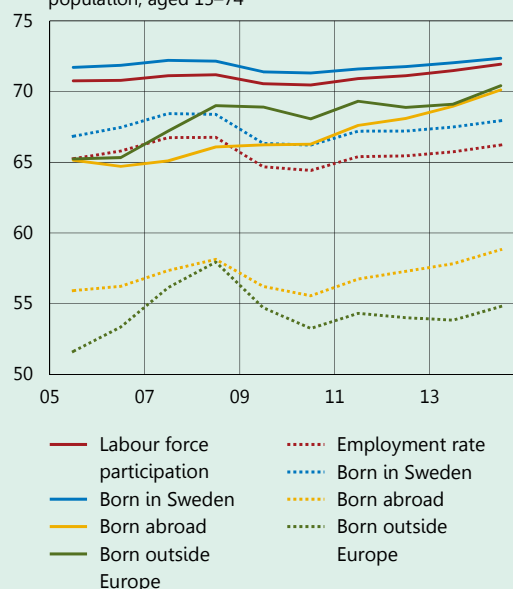
Source: Statistics Sweden population forecast 2010–2015

Figure 4:15. Accumulated population increase
Thousands of people, aged 15–74



Source: Statistics Sweden population forecast

Figure 4:16. Employment rate and labour force participation rate
Employment and labour force as percentage of the population, aged 15–74



Source: Statistics Sweden labour force survey

¹³ The Swedish Migration Agency calculates that the expected processing time for a person applying for asylum today will be between 15 and 24 months.

¹⁴ See "2015 Article IV Consultation with Sweden Concluding Statement of the IMF Mission" and the "National Institute of Economic Research's wage formation report 2015".