

Chapter 2

Settlement of migrants in Sweden and the introduction programme

Early and efficient settlement can have long-term implications for the integration process, yet bottlenecks have developed in the settlement process in Sweden that risk jeopardising the progress towards integration in the critical months following arrival. This chapter examines the settlement process, the actors involved, and the root causes of delays. The chapter then turns to the impact of the challenges arising from settlement delays have upon integration activities, in particular the country's flagship Introduction Programme. The system of financing integration is central to the relationship between settlement and the introduction programme and the incentives it engenders have implications on the degree of co-operation between the various actors involved in integration, but also on the incentives for municipalities to provide refugees with a home. This chapter investigates these incentives, and discusses the extent to which funding formulas may need to be re-examined.

One of the most important findings, observed in integration outcomes across OECD countries, is that early intervention is critical to the success of integration policies (OECD, 2016). Yet, until migrants are permanently settled, many integration activities are put on hold. Furthermore, while augmented flows of asylum seekers and increased numbers of refugees imply that new housing must be found on a large scale, if this housing is not assimilated within existing communities the resultant segregation is likely to slow down the language learning and social interaction that are central to the integration process. As a result of these trade-offs, settlement and introduction policies are inextricably linked.

Settlement

The recent increase in the number of asylum seekers has put the reception of asylum seekers and settlement of refugees under the spotlight as the migration agency struggles to find sufficient lodgings to accommodate the new arrivals. Of the 185 000 asylum seekers currently registered in the Migration Agencies systems, the agency expects to find accommodation for 130 000 at the maximum; achieving even this has meant resorting to habitable tents. At the end of November 2015 the Migration Agency announced that it is no longer able to offer shelter to all asylum seekers coming to Sweden and many now have to find their own accommodation. Yet bottlenecks in the system have been building for some time. Housing shortages and municipal reluctance to settle large numbers of humanitarian migrants have led to long delays in the permanent settlement of those granted residence permits. This has exacerbated the shortages of temporary housing for asylum seekers.

Multiple stakeholders, at different levels of government, are involved in the process of finding homes for asylum seekers and refugees and the co-ordinating responsibility for settlement depends upon the status of their asylum application. During the asylum-seeking process the Migration Board has full responsibility for asylum seekers and is in charge of assisting them in their application for a residence permit. At this stage, the Migration Board is responsible for providing suitable accommodation where necessary and paying a minimal daily allowance to those lacking financial resources.^{1,2} When the asylum process is complete and a residence permit has been granted, responsibility for the settlement of resident permit holders that qualify for the introduction programme falls to the PES.

If asylum seekers and refugees find their own accommodation, they may choose where to settle

At various stages during the asylum-seeking and settlement process in Sweden, asylum seekers and humanitarian migrants have the choice of whether to request assistance in finding housing, or whether to find their own accommodation. Until 2005, immigrants were incentivised to find their own housing. However, in the context of housing shortages in those municipalities in which new arrivals most frequently choose to settle, this policy was abandoned due to fears it led to overcrowding, segregation and compromised integration.³ While asylum seekers and refugees are no longer incentivised to find their own accommodation, unlike many other OECD countries (see Box 2.1), choosing where to settle remains an option in Sweden.

When they first arrive in Sweden approximately 40% of asylum seekers choose to find their own accommodation, while the remaining 60% of asylum seekers opt to stay in Migration Board facilities. Those asylum seekers identifying their own accommodation tend to choose to go locate in urban municipalities where existing diaspora are located and they can find accommodation with friends and family. Stockholm has historically been the municipality with most asylum seekers who found their own housing, followed by Göteborg, Malmö, Södertälje and Botkyrka.

When the asylum process is complete and a residence permit has been granted, migrants again have the choice of whether to seek assistance in finding housing, or whether to search for accommodation unaided. At this stage however, the majority of refugees choose to find their own housing and only 45% request support. Those who do seek settlement assistance at this stage are the responsibility of the PES.

Box 2.1. The settlement of refugees in Sweden compared to Denmark and Norway

In contrast to Sweden, where refugees who find their own accommodation have the right to settle in the municipality in which that accommodation is located, in Denmark, the decision of where refugees are to settle is made by the state with the goal of ensuring an equal distribution of refugees on a per capita basis across all municipalities. In Norway, settlement is subject to negotiations between the state and the national association of municipalities. This arrangement is similar to that used until recently in Sweden for the settlement of those migrants that requested assistance from the PES.

Each of these allocation mechanisms is accompanied by certain drawbacks as outlined below:

Country	System	Potential drawbacks	Advantages
Sweden	Refugees have the right to settle where they find their own accommodation. Those who do not find their own accommodation are settled by the PES. As of 2015 these refugees will be centrally assigned to municipalities according to the needs of the local labour market as assessed by the PES.	Overcrowding Segregation Poor social integration Spatial concentrations of unemployment	Can ease the pressure placed on reception centres Provides a degree of responsiveness to local labour market conditions
Denmark	Settlement allocation decisions are taken at the state level.	Limited responsiveness of settlement to local labour market opportunities Accommodation proves to be temporary in many cases	Decisions can be made in response to labour market conditions. Can limit segregation
Norway	Settlement patterns are the result of negotiations between the association of municipalities and the state. Municipalities have the final say on the numbers of refugees they feel they can accept each year.	Delays in placement can lead to long stays in reception centres	Secures municipal engagement with integration process

Furthermore, while in both Norway and Denmark, the right to the introduction programme is restricted to the municipality in which the refugee is settled, in Sweden there is no such restriction.

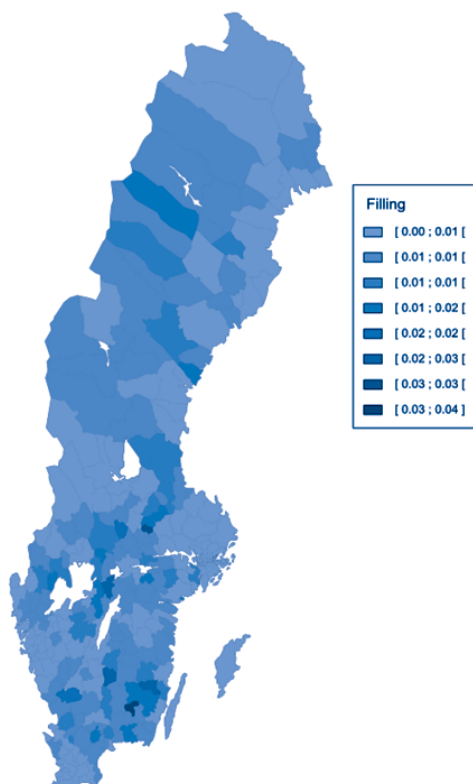
Refugees requiring accommodation assistance are allocated across municipalities

When the asylum process is complete, responsibility for the settlement of refugees falls to the PES. The PES was given this responsibility under the 2010 introduction reforms so that labour market information could be used to ensure that new arrivals are placed where their education and experience are best matched to the employment needs of the local municipality.⁴ To this end the PES begins the allocation process by forecasting the number of accommodation places needed for the coming year. The PES then, in theory, allocates the refugees across counties on the basis of the local labour market

characteristics, population size and the number of asylum seekers living in the Migration Board facilities. In practice however, given that the PES owns no accommodation themselves, the PES is heavily dependent on the municipalities to offer available housing.

Figure 2.1. Newly-arrived refugees and accompanying family migrants, by municipality, 2014

Percentage of total municipal population



Source: Based on data from Statistics Sweden.

As a result, municipalities have a large degree of autonomy in determining how many refugees will settle within their community. Negotiations between the Swedish county councils (who represent their municipalities) and the Migration Board determine how many people the county feels they can take on. And these negotiations form the basis of the dialogue between the PES and the municipalities in the county. While in theory municipal proposals should be based upon their population size, and

other characteristics such as unemployment rates that are deemed to affect their absorption capacity, in practice some municipalities have often proposed accepting only a small number of immigrants and the magnitude of agreed reception proposals in relation to population has varied substantially across the country (see Figure 2.1).

A housing shortage has created bottlenecks, prompting many migrants to search for housing themselves

The limited number of accommodation places proposed by municipalities is due, in large part, to the national housing shortage in Sweden. The demand for accommodation for new immigrants has been significantly higher than the supply of housing offered by municipalities and the estimated 50 000 new constructions planned to begin over the course of 2016 will be far from sufficient. The larger cities, such as Stockholm, Göteborg and Malmö, where immigrants often choose to locate are the most effected by the shortage, but less populated regions are also having difficulties providing sufficient housing.

The construction of new housing in Sweden is limited and municipalities are, by law, given the right to decide what should be built and where. The municipalities have little incentive to release new land for housing construction and the government cannot interfere with their decision. This system has led to a rather uneven distribution of housing construction across the country and one that does not reflect the demand for housing. Furthermore, the degree of municipal autonomy in the planning process has led to heterogeneous building permit requirements such that construction firms rarely find it beneficial carry out similar projects in different parts of the country preferring to work in municipalities they are familiar with. This, and a planning process that can take up to three years, has stymied construction of new housing.

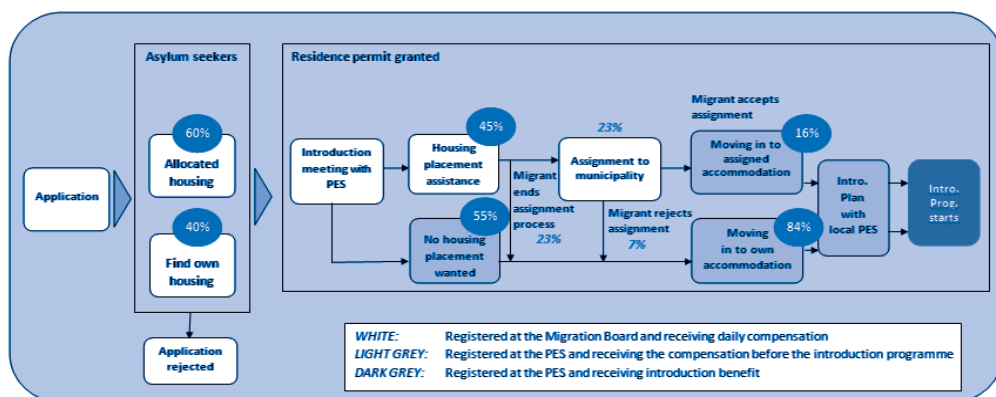
Alongside this, Sweden is unique among OECD countries in having no social housing. This situation arose from a belief that the right to low-cost quality housing should be extended to all Swedish citizens. As a result such housing was built with loans from the government during the decades following the Second World War. Today there are no governmental loans or subsidies and while, in theory, municipalities could invest in social housing, there is no national legislation requiring them to do so, nor is there a public system for rental housing allocation. Collectively negotiated rents which keep them lower than the marginal market prices and limited new construction has led to extreme rental housing shortages, long delays for rental accommodation, and a vibrant “alternative” housing market characterised by very high rents. At the same time there is no public system

for the allocation of low cost rental housing (see OECD, 2015 for a more detailed discussion of housing policy).⁵

This has created long delays in the settlement process such that, while 45% of refugees initially opt for PES housing assistance, long waiting times prompt approximately half of these new arrivals to find their own housing before being allocated housing by the PES (see Figure 2.2).⁶ Since 2013 when these numbers were compiled the share ending the housing process prematurely has increased from approximately one half at the beginning of 2013 to close to two thirds by early 2014 (Arbetsförmedlingen, 2014).⁷

Figure 2.2. Accommodation during the settlement process

Based on data estimated by the Migration Board for 2013



Note: Based on 17 200 humanitarian migrants settled in 2013.

Source: OECD Secretariat on the basis of Migrationsverket, 2014.

Housing shortages are most severe in the areas surrounding the larger cities and the PES rarely has access to accommodation in those areas. Assigned accommodation is therefore often far from the family and friends of the new arrival, as well as from attractive labour markets. The result is that, in addition to the migrants who drop out of the housing allocation process due to the delays in PES assignment, other migrants, when assigned, choose to reject their assignment and find their own accommodation to ensure that they are able to live where they choose. And, according to the most recent estimates of the Migration Board, close to one third of migrants who were assigned housing choose to reject it.

Understandably the propensity of migrants to reject housing allocation of the PES is dependent on the length of time they wait for this assignment. When migrants spend a long time in a municipality after their initial arrival

in Sweden they begin to build a life and are less willing to move far away from that municipality. Among those living in Migration Board accommodation, 82% of those who were assigned within 60 days accepted their allocation – almost 20 percentage points higher than for those who had to wait 120 days to hear of their assigned municipality.

Recent policy has attempted to address municipal reluctance to settle refugees

Even prior to the impact of the current increase in asylum seekers, the settlement process suffered from insufficient housing. And, in 2013, as the PES attempted to place 11 000 refugees, municipalities proposed only 7 000 accommodation places. The situation now has become even more acute. Long delays in the assignment to municipalities of those immigrants holding residence permits create a bottleneck in the settlement process and resident permit holding migrants, who should be housed by the PES, occupy the Migration Board places needed to house new arrivals to the asylum process. In the meantime the number of incoming asylum seekers is increasing. In 2015, by early December, the PES had allocated permanent housing for only 6 000 residence permit holders while at the same time, close to 14 000 resident permit holders were in the Migration Agency's reception system waiting to be assigned to accommodation by the PES. Of these the vast majority, 11 000 were staying in the Migration Board facilities. Until they are permanently settled these refugees cannot begin their introduction activities.

Attempts to release this bottleneck have focused on encouraging municipalities to settle more migrants within their community. In the first place funding mechanisms were altered to encourage greater settlement through changes to the funding that accompanies refugee settlement. More recent policy changes, adopted in early 2016, will oblige municipalities to accept those refugees allocated to them by the PES.

The funding that accompanies the reception of refugees is dispersed to cover the introduction and settlement of newly-arrived refugees. The compensation received by municipalities comprises of both a fixed component – received by municipalities when they agree to settle immigrants – and a component that is proportional to the number of migrants the municipality receives.⁸ The proportional component is paid out over 24 months to compensate for the municipalities' activities for reception, introduction in school, Swedish for Immigrants (SFI), civic orientation and initial allowance costs incurred before migrants receive introduction benefits from the PES. In 2014, in an attempt to incentivise municipalities to accept more migrants, as well as to compensate those

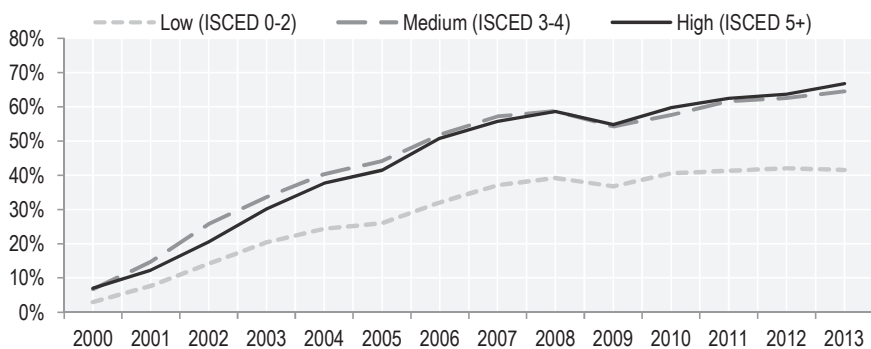
municipalities receiving a large number of those migrants choosing their own accommodation, the fixed benefit for municipalities was divided in half and complemented with an additional remuneration designed to increase funding to the 145 municipalities receiving the largest number of refugees compared to their population.⁹ This change implied that those municipalities with low shares of migrants receive less compensation than under the previous compensation schemes while those municipalities receiving many refugees received more. This funding structure clearly has the advantage of incentivising municipalities to receive a larger number of migrants. However, the non-linearity of the incentive-based remuneration implied that the incentives impact only upon those municipalities at the threshold. Indeed, 69% of municipalities surveyed in a recent Swedish National Audit Office report, reported that they would not respond to these funding incentives. The primary reasons given for this lack of response were: i) a lack of capacity to receive more migrants which the increased compensation would not cover, ii) an inducement too low to alter incentives; and iii) concerns that increasing the number of migrants would not enable to municipality to reach the threshold (Riksrevisionen, 2014).¹⁰

But compensation is not reflective of costs

In response to the apparent failure of these financial incentives to increase the settlement proposals of municipalities, the current compensation system is to be replaced with an increased flat-rate reimbursement per migrant.¹¹ At the same time municipalities will now be *required* to accept those migrants assigned to them. This change will go some way to addressing the settlement delays that result from the lack of willingness on the part of municipalities to settle migrants within their boundaries. However, this new form of reimbursement will be largely independent of costs.

If migrants are allocated across municipalities on the basis of their fit with the local labour market, more must be done to support those municipalities who receive a large number of refugees that are less skilled and, as a result, more distant from the labour market. While all migrants arriving for humanitarian reasons tend to have very low levels of employment in their first few years, as the years pass, those with a secondary or tertiary level of education tend to move into employment at a faster rate than do those with just a primary or lower secondary education (see Figure 2.3).¹²

Figure 2.3. Employment trajectory of refugees arriving in 2000, by education level
Employment population ratio of cohort arriving in 2000



Source: OECD Secretariat on the basis of data provided by Statistics Sweden.

PES efforts to settle refugees according to local labour market needs, may well ensure that low-skilled refugees find employment more quickly than they would otherwise have done. Nevertheless, they will, in all likelihood, continue to take longer than those refugees who have qualifications and skills. More must be done to ensure municipal funding is reflective of the expected costs of integration; to ensure that funding is conditional upon the characteristics of the migrants that municipalities are assigned.

While the level of flat-rate compensation has been increased by recent reforms, there has been no alteration to the time horizon of funding. After two years of introduction activities, no more targeted funding will be transferred to municipalities for their work with migrants. Yet integration is a long-term project – particularly for those with low levels of education. And many former introduction plan participants who do not find work during or following the programme will depend upon the welfare payments funded by municipalities.^{13,14} The large majority of municipalities who felt their costs were not fully covered by the transfers from the Migration Board felt that welfare payments (91% of respondents) represent the most significant of their uncovered costs.

As a result, while limiting financial reimbursement to the first two years after arrival may have some impact on the incentives for rapid integration, it is not reflective of expected costs. In Norway, where settlement is at the discretion of municipalities – as it has until now been in Sweden – compensation is calculated so as to account for the expected additional burden on the municipal social assistance budget once the introduction period ends (see Box 2.2 below).

Box 2.2. Funding for reception Norway

In Norway, as in Sweden, financial assistance for settlement and integration is intertwined, and government grants are expected to cover the expenditures of local authorities in both areas. As it was until recently in Sweden, the settlement of refugees is voluntary in Norway and subject to negotiations between the Norwegian Directorate for Integration (IMDi) and municipalities.

- Municipalities are compensated for accepting refugees primarily through a resettlement grant paid out over a period of five years. This grant is intended to compensate, not only for the introduction period, but also for the likely additional burden on the municipal social assistance budget once the introduction period ends.
- Alongside the settlement grant, grants for language training are also paid out over five years. However, the level of these grants differs with the origin of the immigrant with the grant accompanying immigrants from Africa, Asia, Oceania (excluding Australia and New Zealand), Eastern Europe or Central and South America are set at a level nearly three times that transferred for immigrants from Europe, North America, Australia or New Zealand. Municipalities with few migrants also get additional funding for the set-up of the language training infrastructure.
- Finally, a results-based component provides municipalities with additional funding for each immigrant who has passed a written or oral language assessment.

IMDi has established a website which allows municipalities to estimate the expected costs and benefits from accepting refugees.¹

In Sweden funding dependent on the country of origin of the migrant is unlikely to be appropriate for the financing of activities targeted at refugees. However other indicators with a significant impact on the timing of expected integration, such as validated education levels, may be used in a similar manner.

1. <http://www.imdi.no/no/Bosetting/Bosettingskalkulatoren>.

The introduction programme

The current integration pathway of a newly-arrived refugee in Sweden involves multiple stages and many actors. As discussed in the previous section the first port of call, is the migration board (during the asylum-seeking process) and the PES (once asylum has been granted). Only once the refugee has been placed in permanent accommodation do integration activities fully begin.

At this stage, the PES caseworker, together with the migrant (and an interpreter if necessary) work to build an introduction plan (see Box 2.3 for details of the introduction plan). At this stage the migrant is referred to municipalities for language training and civic orientation, to the accreditation agencies (depending on their skills and experience), and to the business advisory services, ALMI IFS (depending on their entrepreneurial aspirations).¹⁵ Alongside this, the PES itself will offer, or procure externally, various job search and employment training programmes (see Figure 2.4).

Box 2.3. Swedish policy at a glance: The Introduction Programme

Swedish integration policy is centred on the Introduction Programme. The programme, which normally lasts for two years, provides a plethora of targeted activities aimed at rapidly preparing new humanitarian migrants and their accompanying family for entry into the Swedish labour market. A panoply of actors are involved in the provision of these activities as outlined in Figure 2.4 below and, given that the introduction plan is tailored to the individual needs of the migrant, the actors and activities involved will vary on a case-by-case basis. The main features of the programme are outlined below.

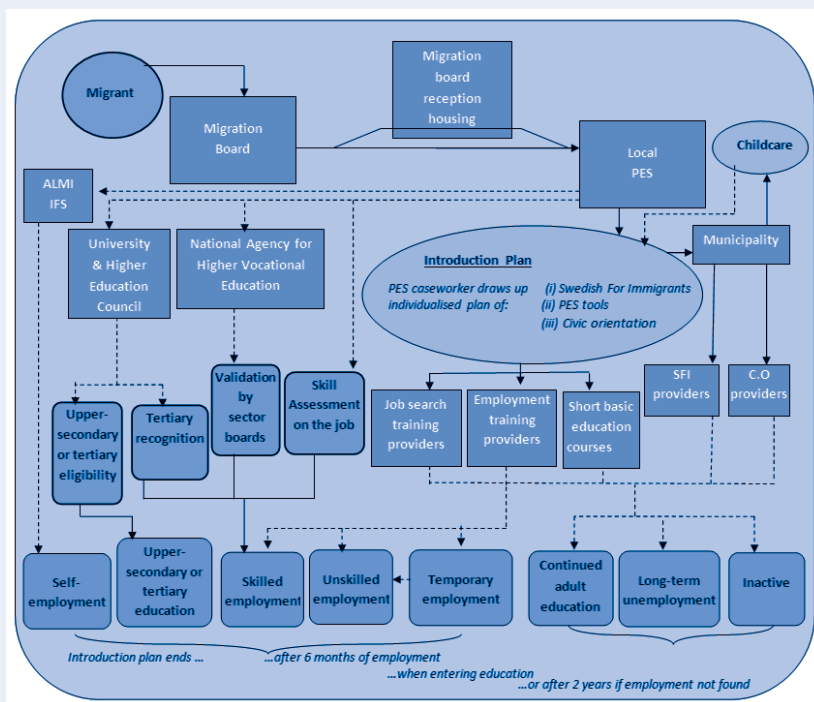
Responsibility for integration activities: Since 2010 primary responsibility for the introduction of migrants lies with the PES while municipalities retain responsibility for language training and civic orientation.

Introduction plan: The plan is drawn up on the basis of the experience, education and ambitions of the beneficiary following a meeting with the PES (along with an interpreter if necessary). The introduction plan should incorporate:

- Swedish for immigrants
- Employment preparation such as work experience and the validation of educational and professional experience
- Civic orientation, which aims to provide a basic knowledge of Swedish society.

In most cases these activities occupy participants on a full-time basis (40 hours per week) with the relative weight accounted for by each activity varying with the needs of the migrant.

Eligibility: Those aged 20-64 (or from the age of 18 among those who do not have parents living in Sweden) who have received a residence permit as a refugee or for “refugee-like reason” are eligible for the programme.¹ Participation in the programme is not compulsory, however, once an integration plan has been agreed, it must be followed if the participant is to maintain their entitlement to the introduction benefit. Absence from the programme, however, cannot lead to revocation of the residence permit.

Box 2.3. Swedish policy at a glance: The Introduction Programme (cont.)**Figure 2.4. The path of a new arrival through the introduction plan**

Source: OECD Secretariat analysis based on national legislation and regulations.

Duration: The introduction plan generally lasts for 24 months. However:

- It may be postponed in the case of parental leave or sickness (though the plan will still actively run for the equivalent of 24 months full time).
- Or it may be curtailed if participants find work. Until recently, participants who found work were able to continue to claim the introduction benefit (see below) alongside their wages for a period of six months. A recent change however means that, the benefit is now immediately reduced by a proportion equal to the time spent working.

Introduction benefit:² The benefit, conditional on attendance of agreed activities is paid, at a rate of:

- SEK 231 (EUR 26) per working day, paid twice a month, while drawing up the plan.
- Up to SEK 308 (EUR 33) per working day, paid once a month, during plan.³
- Those with children living at home are entitled to an additional SEK 800 for each child younger than 11 and SEK 1 500 for children older than 11 up to a maximum additional SEK 4 500 per month

Box 2.3. Swedish policy at a glance: the Introduction Programme (*cont.*)

- Those living in their own accommodation whose costs exceed SEK 1 800 per month may additionally be eligible for introduction benefit for housing up to a maximum of SEK 3 900.

In order to create stronger incentives for all members of a family to participate in activities which will prepare them for work, the benefit is not affected by other household members' incomes.

Activity benefit: Following the end of the introduction period assistance is available via untargeted activity grants to those unemployed who participate in labour market programmes offered by the PES:

- Participants who meet the requirements for unemployment compensation received a daily activity grant of between SEK 365 and SEK 910 full-time programmes. After 100 days the maximum grant per day is SEK 760.
- Participants who do not meet the requirements for unemployment compensation received a daily activity grant at the guarantee level of SEK 223 for full-time programmes.

The activity benefit is reduced after 200 days and is available for a maximum of 450 days. After this time those who remain unemployed – even those who continue to participate in labour market programmes – are provided for by social assistance.

Social assistance: The introduction benefit may be higher or lower than social assistance payments depending on the circumstances of the individual and their household.

1. While it is possible for municipalities to choose to include family migrants in their introduction activities, in practice the introduction programme is limited to refugees and their families.
2. Sweden is unusual in providing an introduction benefit somewhat higher than the benefit (activity support) to which the long-term unemployed are eligible. The reason for this is that activity support, which is not means-tested, acts primarily as an incentive to participate in Job and Development Guarantee activities rather than as a standalone source of income. In the absence of the introduction benefit, virtually all newly-arrived refugees and their families would fall on the means-tested social assistance whose effective payments depend on individual resources and needs. In fact, depending on the circumstances, social assistance can already be higher than the introduction benefit and indeed, in 2013, 45% of introduction benefit recipients received a social assistance top-up. The time limited nature of the introduction benefit, however, is problematic. It creates a somewhat artificial period after which many new arrivals not in employment have to move to social assistance. It can also imply that payments are higher in the early years following arrival than they are thereafter. However, in the absence of large-scale structural reform to the Swedish benefit system, this inconsistency is difficult to address.
3. The exact daily introduction benefit payment is dependent, to some degree, on the extent of activities.

Source: Försäkringskassan (Swedish Social Insurance Agency) 2015.

Long settlement delays postpone introduction activities...

The lengthy asylum process and shortage of accommodation discussed in the previous section have led to long delays in the permanent settlement of new arrivals. Even prior to the recent increase in asylum seekers, in 2013 the average time for completion of the settlement process was 239 days. This includes an average of 125 days for the granting of a residence permit, and a further delay from when the resident permit is granted to the day a migrant is permanently settled in a municipality of an average 163 days – in the case of refugees who the migration board settles – or an average 74 days – for those who find their own accommodation (Migrationsverket, 2014).

The current augmented inflows are likely to lengthen these delays still further. And with 180 000 asylum seekers enrolled in the reception system and the Migration Agency estimates that the duration of the asylum process alone may soon extend up to one year. These delays have long lasting implications. When the current integration system was designed these long delays were not foreseen and as a result, during the asylum and settlement process, integration activities have, thus far, been limited. While asylum seekers living in Migration Board housing in theory may be offered Swedish language tuition for asylum seekers, in practice, in the face of severe housing shortages, provision of this training has not been a priority for the Migration Agency.

This weakness is currently being addressed and efforts, planned to begin in 2016, will enhance early integration activities targeted at those in the asylum process. Envisaged interventions include: the provision of 40 hours of Swedish language (to be undertaken on a voluntary basis); the provision of social information; the arrangement of internships where possible, and the organisation of meeting places to engage with civil society. In addition, it is planned that computer support should be made available to enable asylum seekers to supplement their coursework with self-directed study. If this additional support can be implemented on a meaningful scale (the Migration Agency is currently expecting to provide language tuition to 30 000 individuals) it will be an important step. However, funding for these interventions has not yet been secured.

Elsewhere in the OECD countries are making similar efforts to ensure asylum seekers are able to begin the integration process at an early stage. In Germany, since November 2015, asylum seekers from countries with high recognition rates have been offered introduction courses comprising of 600 hours of language training and 60 hours of civic orientation. Similarly, in Norway asylum seekers residing in reception centres are offered up to 250 hours of language training (OECD, 2016). While such early intervention is hard to manage in the current context, it is an important investment and

should not be overlooked particularly in light of Sweden’s long asylum process and high recognition rates. Several countries are also increasingly using technology in order to make information available to newly-arrived asylum seekers and refugees. In particular, in Germany a “Welcome App”, has been developed to provide practical information about life in Germany, including addresses of local Employment Agencies and information about the asylum process, a second app “*Ankommen*” (“Arriving”), developed as part of a joint project by the German Federal Agency for Migration and Refugees and the German Employment Agency similarly provides information on living in Germany, but combines this with information on the asylum procedure and finding work, as well as providing an interactive basic language course.

In addition to the limited integration activities available for asylum seekers, since 2014, the introduction programme has been available only to those migrants who have settled in a municipality, meaning that, even those who have received their residence permit are not able to begin the integration path. The intuition behind this change was to ensure that the clock did not begin to tick during the two years of introduction programme while new arrivals were still in temporary migration board housing. This was important, not only to ensure continuity in introduction activities, but also to enable the labour market activities of the introduction programme to be tailored to the local economic conditions.¹⁶

While sensible in some respects, this holding period, in which newly-arrived refugees await permanent settlement, is not efficient. Upon arrival the vast majority of migrants are enthusiastic to begin their new life; delaying introduction activities not only wastes valuable time but also dampens this enthusiasm. In 2014, when the change was implemented, it was expected that refugees would continue to have access to SFI language tuition even prior to the commencement of the full introduction programme. However there has been a wide variation in access to language training for refugees remaining in temporary Migration Board facilities because, while municipalities are obliged to provide language training for their residents, in some municipalities, temporarily housed refugees were not viewed as municipal residents. To address this inefficiency a recent reform has provided earmarked funding for the language tuition of those in Migration Board facilities and specified that language training should begin as soon as a residence permit is granted.

This is an important step in the right direction. However, it is important to address the lack of continuity that the decision to delay introduction activities until settlement was originally designed to ameliorate. It is vital that early activities build upon those that begin during the asylum process and that they are adequately recorded so that they can be co-ordinated with

those activities that follow. To enable early investments to translate into more successful integration outcomes it is vital that these investments are tracked; that the municipalities and the government agencies involved in integration have an accurate record of the activities each refugee has undertaken to date. Where asylum seekers and humanitarian migrants have started language training, preparatory integration measures or begun skills mapping in reception facilities, it is important that these are documented and communicated between actors as they pass through the settlement and integration process. Such a record will be important to ensure continuity, to avoid duplication and to make efficient use of the investments – both public investments and the investment made by the migrant themselves.

In Sweden, the Migration Board starts mapping migrants' past education and experiences in an early stage of the asylum seeking process in order to facilitate the work of the PES once the residence permit is granted (see Box 2.4 for an outlining of skills mapping efforts elsewhere in the OECD). However, a lack of communication between the Migration Board and the PES leads to inefficiencies such that, during the first introduction meeting with migrants after reception of a residence permit, the PES often starts the background mapping from the beginning rather than building upon the previous work of the Migration Board. The PES has no systematic access to details of integration activities the refugee may previously have taken part in. Furthermore, believing that the PES often omits important information when mapping migrants' past education and experiences (only 25% of municipalities report that they receive enough information about migrants background) municipalities often repeat the mapping exercise for a third time before allocating migrants to language classes.

With the aim of streamlining such efforts Germany has recently decided to introduce an ID card specifically for asylum seekers and humanitarian migrants which becomes obligatory from the moment of first registry. The card will be linked to a central database to which all authorities and service providers will have access, which will provide information about personal characteristics including health, educational background and professional experience (OECD, 2016).

Box 2.4. Upfront skills assessments for asylum seekers in Germany and Finland

If integration efforts are to build upon existing skills, initial competence screenings must begin during the asylum procedure for persons with high prospects to obtaining residence. The PES has put in place various projects aimed at early identification of immigrants' skills, with the most important one being a widely used self-assessment tool in the form of an online questionnaire, which is available for 16 professional groups and in 12 origin country languages on the PES website. Other measures include the set-up of a multi-lingual customer support line for new arrivals and the possibility to undergo an early professional assessment at the PES or on the work-place in one's mother-tongue. The most recent initiative has been a pilot project aimed at new arrivals covered by the Introduction Act, whose settlement in a municipality is delayed due to a local housing shortage. For the year 2016, a total of SEK 32 million (EUR 3.45 million) have been allocated to map the professional skills of these people while they are still residing at a Migration Board facility. The rationale behind the new scheme is that persons, who have been granted a residence permit, can start their integration process as early as possible without losing valuable time during the asylum reception. Germany has gone a step further in mapping skills at an early stage and has extended skills mapping to asylum seekers with a high prospective of obtaining residence allowing them to build a skills portfolio that PES caseworkers can later rely on to swiftly get them on track to the most suitable upskilling programmes.

Germany systematically assesses the professional skills of asylum seekers with strong prospects of obtaining permanent residence through a programme called "early intervention". The programme was recently anchored in law and is to be rolled out nationwide. Case workers go out into reception facilities where they assess competencies through a small "work package" that they build from asylum seekers' self-declarations about their professions, qualifications and work history. The asylum seekers then attend a federal employment office where individual employment strategies are developed to match their skills with the needs of employers in the area.

Finland has recently adopted an action plan for assessing the professional skills of asylum seekers at reception centres while they are awaiting their asylum decisions. The outcomes of assessments will be taken into consideration when choosing a settlement area that offers education and business opportunities that match their skills. After asylum seekers have been granted residence, their skills will be more comprehensively assessed. Should it take time to move former asylum seekers from reception facilities to settlement locations, part of the comprehensive skills assessment can be carried out at the reception centre.

Poor co-ordination between the PES and municipalities undermines efficiency of introduction activities

As discussed in Chapter 1, the reforms of 2010 gave primary responsibility for the introduction of newly-arrived refugees and their families to the PES. However, once settled, the Swedish integration model requires that migrants participate in parallel activities, combining language courses with early labour market contact and knowledge of civil society.

The timing and logistics of introduction activities therefore relies on multi-level co-ordination between multiple actors involved in the provision of these integration activities. Given that the activities involved in each of these pillars must be undertaken concurrently, and given that the success of learning under each pillar has substantial implications for the efficiency of learning under the others, the roles played by the municipalities and the PES in the introduction of new arrivals are deeply intertwined. Co-operation between these two agents is essential, not only to avoid the duplication of effort, but also to ensure that activities are synchronised to maximise their efficiency and to smooth the transition from introduction activities into the labour market. However, in many cases the extent of co-operation between the PES and municipalities on the organisation of introduction activities is limited. Indeed, in close to half of all cases in 2014, the municipality did not attend the introduction interview during which introduction activities were planned.¹⁷

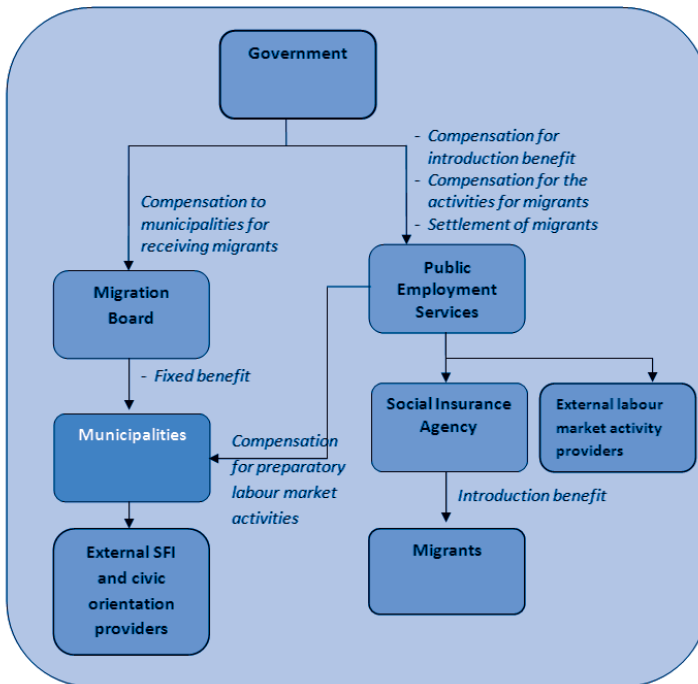
The introduction activities are financed mostly through yearly public subventions to the Migration Board, who co-ordinate funds to the PES and to the municipalities. The introduction benefit, to which these migrants are entitled, is co-ordinated by the PES and paid by the Social Insurance Agency. Migrants who have been resident in Sweden for longer than the two-year introduction period but who remain unemployed are, however, the responsibility of municipalities. Municipalities are not only responsible for helping these migrants back into employment but they are also financially responsible for paying their welfare (see Figure 2.5).¹⁸

The division in financial responsibility, for refugees in their first two years in Sweden, and refugees who have been resident three years or more, stems from the belief that, after two-years introduction, migrants no longer require targeted support and can avail themselves of mainstream services. However the discontinuity in responsibility creates distortions that can undermine the efficiency with which the long-term needs of some migrants are addressed. And while in theory, since the Education Act of 2010, the PES can contract with municipalities for the provision of certain activities, in practice, ensuring that the activities within the introduction programme can be combined with each other both with regard to scheduling and location has proven difficult.¹⁹ The result is that the activities an immigrant takes part in are frequently determined by the actor responsible for financing their benefit.

Refugees rarely qualify for unemployment compensation because they have rarely worked in Sweden long enough. Those who have not found work when the introduction period ends largely rely on social assistance. And, municipalities' responsibility for established humanitarian migrants claiming social assistance has prompted many to run labour market training

activities targeted at these recipients alongside those offered by the PES to introduction programme participants. Indeed, of the 231 municipalities surveyed in the recent report published by *Statskontoret*, the Swedish Agency for Administrative Development (2012) 70% were offering job training programmes and up to 80% were offering internships.

Figure 2.5. Flow of financial resources into the introduction programme



Source: OECD Secretariat analysis based on national legislation and regulations.

Social assistance recipients are often quite far from the labour market and tend to require more intensive support in preparation for the labour market than do those traditionally targeted by the PES. However, while those immigrants who arrive in Sweden with very basic levels of education may be in need of the intensive support similar to that offered to social welfare claimants, if they are on the introduction programme, they are likely instead to be directed to PES labour market activities for the first two years. Intensive remedial education courses targeted at those most distant from the labour market may be effectively provided by the PES (who are experienced in labour market training) or by municipalities (who may have experience working with those who are very distant from the labour market) – the

current duplication, however, is not efficient, compromises transparency and should be addressed.²⁰

If municipalities are to continue to play an important role in the provision of activities under the introduction programme it will be important that they allocate a municipal representative to attend the introduction interview and work alongside the PES caseworker from an early stage. An alternative approach has been taken in the United States with the American Job Center and in Norway where the Norwegian Welfare Administration (NAV) and NAV Intro (for migrants) provide one-stop shop for employment and welfare administration (see Box 2.5). This has, to some extent, overcome the co-ordination challenges and transparency issues that result from the distinction between actors targeting the unemployed and newly-arrived migrants, and those focused on those who are very distant from the labour force.

Box 2.5. Co-ordination of benefits and employment support in Norway, Britain and the United States

In Sweden the division of responsibility for the maintenance of migrants between the PES – who are responsible for paying the introduction benefit to newly-arrived migrants – and the Municipalities – who are responsible for the support for established migrants eligible for social assistance – has created incentives that, in many cases, have led to the duplication of labour market activities. Several other OECD countries have addressed the need for co-ordination through the creation of one-stop-shops for welfare and employment services.

The **United Kingdom** (with the exception of Northern Ireland) and the United States both employ one-stop-shop arrangements for the co-ordination of welfare and employment services through the Job Centre Plus, in the United Kingdom, and the American Jobs Centers, in the **United States**. One of the primary goals of the 2001 reform in the United Kingdom was to promote co-ordination. It had been felt that information-sharing failures and performance systems that encouraged agencies to focus on their own narrow targets to the detriment of the wider systemic performance were compromising the efficiency of the services. In addition, in both the United Kingdom and the United States it was hoped that the reform would promote a wider social inclusion agenda increasing civic and economic participation for marginalised groups and, through the co-location of the employment services aimed at all adult job seekers, addressing the stigma attached to services aimed at welfare claimants who were required to search for work. In the United States the utilisation of a one-stop system began on a voluntary basis in local areas, but co-location and co-ordination of services later became a requirement.

In **Norway** welfare administration and employment services are co-ordinated under the aegis of the Norwegian Labour and Welfare Organisation (NAV) which operates under the auspices of the Ministry of Labour and Social Inclusion. Created in 2006, the directorate is the result of a merger between the previously separate services provided by the (national) PES, the National Insurance Service and the (municipal) Social Assistance Service. To overcome the tension between central and local autonomy NAV services are organised as a partnership based on fixed, regulated and binding co-operation between central and local government. Partnerships are laid down in local agreements between the regional NAV offices and individual municipalities, and are not voluntary.

Box 2.5. Co-ordination of benefits and employment support in Norway, Britain and the United States (cont.)

Such co-ordinated services are particularly valuable for those groups, such as the foreign-born, whose needs require services from multiple organisations at multiple administrative levels. NAV Intro is a special unit operating within NAV, with offices in Oslo, Bergen, Kristiansand and Trondheim. NAV Intro has particular responsibility for providing help and assistance to job seekers with an immigrant background. To this end NAV Intro provides training courses adapted for job seekers with an immigrant background as well as targeted guidance, labour market preparatory training and language testing.

Source: OECD (2012), Barnow and Smith (2015) Askim et al. (2011).

Fixed compensation may undermine provision of integration activities in high cost areas

The costs of provision of integration activities offered within the introduction programme vary greatly from one municipality to another. In 2013, for example, the costs for SFI varied from SEK 23 000 to SEK 66 000 (EUR 2 500 to EUR 7 100) per student per year across the country. However, following the recent simplification of the funding structure municipal funding for integration activities is independent of costs.

In addition to the variance in local costs, such as local wage costs, facilities, and travelling expenses of participants, the costs involved in the provision of integration activities may differ with the number of migrants to be integrated. There are certain fixed costs involved in the provision of most integration activities (such as the teacher or the classroom) such that the cost per participant is higher when there are fewer participants. There are, furthermore, economies of scale that relate to the organisation of classes, and a larger number of participants enables classes that are more tailored to the background and education level of the individual. In order to achieve economies of scale municipalities have often co-operated among one another for the provision of courses, by sharing teachers and sharing facilities. Indeed, in a recent survey (Swedish Agency for Administrative Development, 2012), 80% of surveyed municipalities reported co-operating in the provision of civic orientation and 50% in the provision of SFI. However, in rural municipalities where distances are long, such co-operation can be difficult.

The implications of cost variability are seen in the extent to which municipalities are able to rely on external actors for the provision of introduction activities. External actors are often concentrated in larger cities where the density of the immigrant population tends to be higher thereby enabling more homogeneity in the profiles of course participants. Thus

while in Stockholm more than 84% of SFI was provided by external actors in 2012, in more rural areas the response of private contractors to tender is more limited and the costs of these providers are higher. This paucity of external actors offering integration activities in rural municipalities further limits the availability of quality introductory activities.

Recent changes, designed to simplify the reimbursement for integration activities, that combine compensation into a lump-sum payment – independent of local costs and migrant characteristics – will require further thought to ensure that funding for integration is more reflective of long-term costs and that integration outcomes are not compromised in high-cost areas. In reimbursing municipalities for the costs of integration activities there is the concern that full-cost reimbursement may undermine the incentives for cost efficiency of the measures undertaken. Funding mechanisms in Denmark have taken different approaches to maintaining incentives while nonetheless maintaining the link between municipal funding and incurred costs (see Box 2.6).

Box 2.6. Funding integration in Denmark

In Denmark financial assistance is mainly linked to participation in the introduction programme. These differences, alongside the differences in settlement allocation mechanisms mean that subsidies are not directly comparable. Nevertheless the challenges – in terms of finding the appropriate balance between incentives, cost recovery and administrative complexity – are shared with Sweden. In Denmark compensation is based upon several components:

- Municipalities receive a basic monthly subsidy for three years for each refugee enrolled in an integration programme. The subsidy for the settlement of unaccompanied minors is higher.
- A results based component accompanies this basic transfer and is received when a refugee get a job, enrolls in education or passes a final Danish language test.
- A cost reimbursement component funds 50% of the costs municipalities incur for the integration programme. Integration benefits (cash allowances) are also subject to 50% reimbursement.

Finally, block grants also contribute to the net costs incurred by municipalities in the provision of the integration programme and benefits.

The recent increases in the numbers of migrants seeking asylum in Sweden may mean that, in future, scale economies are less likely to be a concern in those municipalities that currently settle a relatively low number of refugees. Instead, as these regions are increasingly called upon to settle and integrate larger numbers of new arrivals, it will be important to build

capacity of regional policy makers to ensure that they build upon the lessons already learnt in areas more accustomed to effective integration activities on a larger scale. In order to build on best practice more efforts should be made to develop performance indicators and to increase the transparency over which integration activities are undertaken, at what cost, and with what results.

Notes

1. Single asylum seekers, without the means to support themselves receive SEK 24 per day when they are not required to cover their food, and SEK 71 per day when food is included in their accommodation. The amount per person for couples is lower and stands at approximately SEK 19 when food is included, and SEK 61 when it is not.
2. When placing asylum seekers in migration board housing the Migration Board does not need any agreement with municipalities, except in the case of unaccompanied minors who are placed in municipal-run facilities.
3. And indeed, OECD figures show that the foreign-born are four times more likely to live in over-crowded housing than native-born Swedes and, after Italy, Austria and Greece, overcrowding among Sweden's foreign-born is the highest in the OECD (OECD and European Union, 2015).
4. Individual's requesting housing assistance from the PES are made one accommodation offer, if this is rejected the individual is then obliged to arrange their housing situation without further support.
5. Sweden is unusual among OECD countries in having no social housing directed specifically towards those in need. Instead the Swedish rental housing consists of both housing owned by the municipalities and privately owned housing in approximately equal proportions. Rents have, since 1968, been regulated through negotiations between organisations representing landlords, and those representing tenants and individual tenants have recourse to the courts if they believe they are being charged a rent which is out of line with these collectively negotiated rents.
6. Information on the counties and municipalities of Sweden are provided on a website Information Sweden that has been used to raise awareness about the opportunities in each municipality and increase the acceptance rate of assigned accommodations.
7. Since 2014, the introduction programme is limited to migrants who have settled in a municipality. Thus migrants who are awaiting settlement are not able to begin claiming the introduction benefit. This creates an additional incentive to abandon the housing allocation process and find their own housing – even if this is possible only in overcrowded circumstances. The intuition behind this rule change was to ensure that the clock did not begin

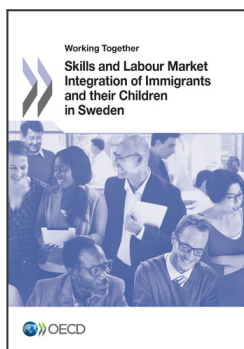
to tick on the two years of introduction programme while new arrivals were still in temporary migration board housing. This was important, not only to ensure continuity in introduction activities, but also to enable the labour market activities of the introduction programme to be tailored to the local economic conditions. In addition, since municipalities receive compensation for the settlement of refugees, only for the duration of the introduction programme, there was the concern that, since this funding is paid out over 24 months to the municipality in which the migrant resides, municipalities were less willing to receive migrants who have been staying in another municipality for several months, as the lump-sum compensation will be lower.

8. The fixed compensation amounts to a yearly dispersal of SEK 222 500 (EUR 23 600) per year for two years. The proportional component consists of SEK 83 100 (EUR 8 820) per migrant (or SEK 52 000 for migrants over 65) paid out over 24 months.
9. The fixed benefit was reduced from SEK 444 000 in 2013 to SEK 222 500 in 2014 and the municipalities receiving the largest number of migrants received an additional grant ranging from SEK 5 000 to SEK 15 000 per migrant. In addition, compensation is now provided to municipalities that receive quota refugees and those housed in the Migration Board facilities. Municipalities are also now compensated for rent incurred between when the municipality reports available accommodation to the PES and the time at which the migrant moves in.
10. 256 municipalities responded to the question: Will the step model benefit introduced in January 2014 lead to the reception of more migrants in their municipality in 2014 compared to previous years?
11. An increase from SEK 83 100 to SEK 125 000 or SEK 52 000 to SEK 78 200 for those aged over 65.
12. The dependence of the timing of labour market integration on skills and qualifications is discussed in more detail in Chapter 5.
13. Following the end of the introduction programme participants who remain unemployed should move to the non-targeted labour market programme the “Job and Development Guarantee”. During their participation in the job and guarantee programme, the PES is responsible for migrants’ activity support (see Box 2.3).
14. During 2013, municipalities transferred SEK 10.8 billion in welfare payments to recipients of social welfare and, according to the National Board of Health and Welfare, 41% of recipients were foreign-born, and a further 8% were refugees. Low numbers of refugee claimants are due to the fact that refugee households are entitled to the introduction benefit which, in contrast to social welfare is paid for by the central government.

15. ALMI is a public organisation providing advisory services, loans, and venture capital to new businesses, start-ups, and existing companies that are investing in growth and expansion. ALMI IFS provides advisory services to entrepreneurs with a foreign background who are in the process of starting a business or who are already running one.
16. Given that Migration Board housing is often located in quite isolated areas where the employment opportunities are limited, tailoring activities to the local context of temporary housing was not thought to be efficient.
17. This includes a non-attendance rate of 30% in the case of those municipalities where migrants were centrally assigned and over 50% of those municipalities in which migrants found their own housing.
18. After the two years, neither the municipalities nor the PES receive any targeted public compensation for migrants. At this point migrants who have not started to work or study after the introduction programme can join the PES' labour market programme Job and Development Guarantee, under which participants receive activity support by the Social Insurance Agency for up to 450 days. After a maximum of 24 months on the Job and Development Guarantee, migrants who have still not started work or study remain registered with the PES but receive welfare payments from the municipalities.
19. In addition both the PES and municipalities are able to enter into agreement with external actors for a period of up to four years.
20. Since 2009, the PES is legally able to compensate the municipalities for the labour market activities they provide to introduction programme participants and, if new arrivals are referred to these activities by the PES, municipal courses can be accredited as part of their introduction programme activities. However it is currently only possible for the PES to contract with the municipalities for the provision of labour market training in the absence of other appropriate actors and, even then, only if municipal activities are deemed to complement rather than compete with PES activities. While this caveat is aimed to avoid duplication in the provision of services it instead has limited the use the PES make of municipal run programmes and activities.

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