

SPECIAL ANALYSIS

Population growth will affect the labour market

The NIER uses Statistics Sweden's population forecasts to produce long-term projections of variables such as employment and unemployment. According to the May 2015 population forecast, the population aged 15–74 will grow from 7.2 million in 2014 to 7.7 million in 2024. This is because large numbers of people are expected to come to Sweden as a result of unrest elsewhere in the world. As it normally takes time to become established in the labour market, labour market status will vary with length of stay. This special analysis presents the NIER's assessment of potential employment, based partly on Statistics Sweden's population forecasts and data for labour force status and length of stay.

The NIER publishes regular medium-term scenarios, currently for the period 2017–2024. It is therefore necessary to assess how the potential level of key labour market variables such as employment and unemployment will move. The potential level is the level that is compatible in the long run with the Riksbank's inflation target. Demographic developments are the main driver of growth in the labour force and the number of hours worked in the longer term. Together with productivity growth, population growth and its composition are therefore central to determining developments in potential GDP and public finances in the longer term.⁶⁶

The analysis begins by presenting Statistics Sweden's population forecast and a description of the labour market situation for the foreign-born population. It then presents the NIER's assessment of potential employment before turning to developments in the demographic and economic dependency ratios.

Growing proportion of the population born abroad

According to Statistics Sweden's May 2015 population forecast, the number of people of working age (15–74 years) will grow by

⁶⁶ For a more detailed description of potential GDP, see "Hur Konjunkturinstitutet beräknar potentiell BNP" [How the NIER estimates potential GDP], memo, NIER, www.konj.se.

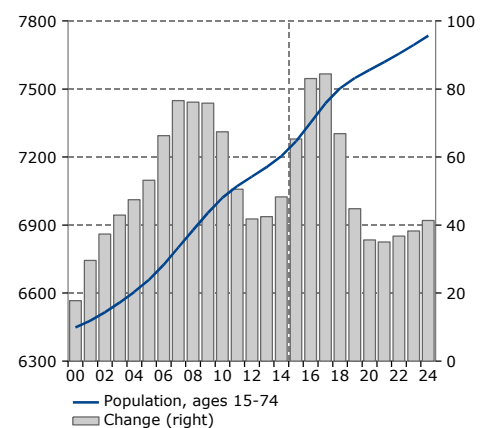
Potential variables

Potential GDP is the level of output when the economy is operating at full capacity.

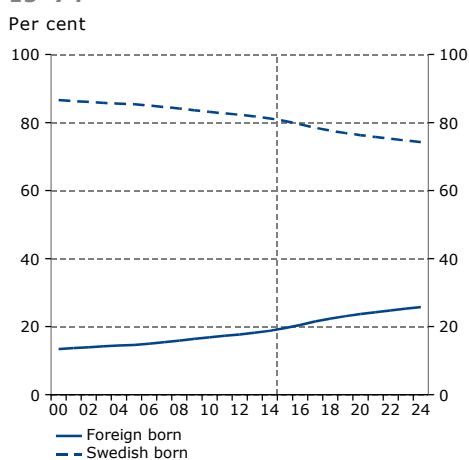
The NIER divides potential GDP into potential productivity and the potential number of hours worked. Potential productivity is the level of productivity that would be observed in the absence of cyclical variations.

The potential number of hours worked is determined by potential employment – i.e. the number of employed when the labour market is in equilibrium – and by their average hours worked. Potential employment, in turn, is determined by the potential labour force and equilibrium unemployment – i.e. the labour force and unemployment when the labour market is in equilibrium.

Diagram 132 Population, ages 15–74
Thousands



Source: Statistics Sweden.

Diagram 133 Foreign born and Swedish born, proportion of population ages 15–74

Source: Statistics Sweden.

just over 500,000 from 2014 to 2024 (see Diagram 132).⁶⁷ This is mainly because immigration is expected to remain high. The number of people born abroad in the working-age population will rise by just over 600,000, while the number of people born in Sweden in the working-age population will fall by just over 100,000. This means that the percentage of immigrants in the working-age population will increase from 19 per cent to 26 per cent during the period (see Diagram 133).

LENGTH OF STAY AFFECTS LABOUR FORCE STATUS

Because it normally takes time for new immigrants to become established in the labour market, immigrants' labour market status will vary with length of stay, i.e. how long a person has been in Sweden (see Table 17). Both labour force participation and the employment rate rise with the number of years spent in Sweden, and those who have been in the country for a short period are more likely to be unemployed than those who have been here for a longer period.⁶⁸

Table 17 Labour force status of immigrants by length of stay, ages 16–64, 2013

Per cent of population and labour force

Length of stay	Labour force participation	Employment rate	Unemployment rate
0–4 years	66.9	48.2	27.9
5–9 years	71.4	53.8	24.7
10–19 years	77.6	64.7	16.6
20–29 years	82.1	73.0	11.1
30 or more years	78.2	73.2	6.4
All immigrants	75.8	63.4	16.3

Source: Table 2d, Statistical Report AM 110 SM 1402, Statistics Sweden.

One reason why immigrants' labour force status varies with length of stay is that many of those coming to Sweden lack the human capital required to find work. The concept of human capital encompasses all factors that affect a person's capacity, not only education, language skills and vocational experience,

⁶⁷ See "Sveriges framtida befolkning 2015–2060" [The future population of Sweden 2015–2060], Demographic Reports 2015:2, Statistics Sweden, 2015.

⁶⁸ See "Utrikes föddas arbetsmarknadssituation 2005–2013" [The labour market situation for the foreign-born population 2005–2013], Statistical Report AM 110 SM 1402, Statistics Sweden, 2014.

but also understanding of various aspects of how society works.⁶⁹

Human capital can be assumed to deteriorate in connection with migration. For example, training in one country may be less useful in another. Immigrants' training may therefore need to be supplemented and/or validated.⁷⁰ A poor grasp of the Swedish language is another factor that can delay entry into the labour market. It takes time to learn a new language, and proficiency in Swedish is valued highly by Swedish employers.⁷¹

New immigrants must often therefore resort to relatively low-skilled jobs on low wages that may reflect a lack of human capital. Relatively high collectively-agreed minimum wages mean that it is more difficult to find work on wages that correspond to the individual's (actual or perceived) human capital, but the supply of low-skilled jobs also plays a role.⁷²

Access to formal and informal networks also differs between those born in Sweden and those born abroad. The informal networks where a large part of recruitment takes place will often be more difficult for immigrants to access and/or have a different composition.⁷³

Immigrants also encounter discrimination in the Swedish labour market – for example, they are less likely to be called to interview than native Swedes with equivalent qualifications.⁷⁴

⁶⁹ See Eriksson, S., "Utrikes födda på den svenska arbetsmarknaden" [Immigrants in the Swedish labour market], Annex 4 to Långtidsutredningen 2011 [The Long-term Survey 2011], SOU 2011:11, in *Vägen till arbete – arbetsmarknadspolitik, utbildning och arbetsmarknadsintegration* [The road to work – labour market policy, education and labour market integration], SOU 2010:88.

⁷⁰ See Olli Segendorf, Å. and T. Teljosu, "Sysselsättning för invandrare – en ESO-rapport om arbetsmarknadsintegration" [Employment among immigrants – an ESO report on labour market integration], Report to the Expert Group on Public Finances, 2011:5.

⁷¹ See Rooth, D-O. and O. Åslund, "Får utlandsfödda betalt för sin utbildning och sina kunskaper i svenska?" [Are immigrants rewarded for their education and their Swedish?], *Ekonomisk debatt*, No. 3, 2007.

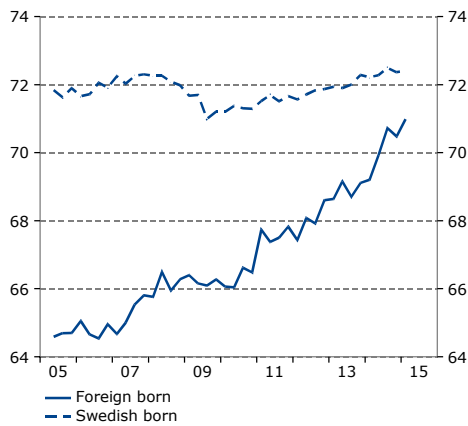
⁷² See Eriksson, S., "Utrikes födda på den svenska arbetsmarknaden" [Immigrants in the Swedish labour market], Annex 4 to Långtidsutredningen 2011 [The Long-term Survey 2011], SOU 2011:11, in *Vägen till arbete – arbetsmarknadspolitik, utbildning och arbetsmarknadsintegration* [The road to work – labour market policy, education and labour market integration], SOU 2010:88.

⁷³ See, for example, Olli Segendorf, Å. and T. Teljosu, "Sysselsättning för invandrare – en ESO-rapport om arbetsmarknadsintegration" [Employment among immigrants – an ESO report on labour market integration], Report to the Expert Group on Public Finances, 2011:5.

⁷⁴ For a research overview, see Ahmed, A., "Etnisk diskriminering – vad vet vi, vad behöver vi veta och vad kan vi göra?" [Ethnic discrimination – what do we know, what do we need to know, and what can we do?], *Ekonomisk debatt*, No. 4, 2015.

Diagram 134 Labour force participation, foreign born and Swedish born

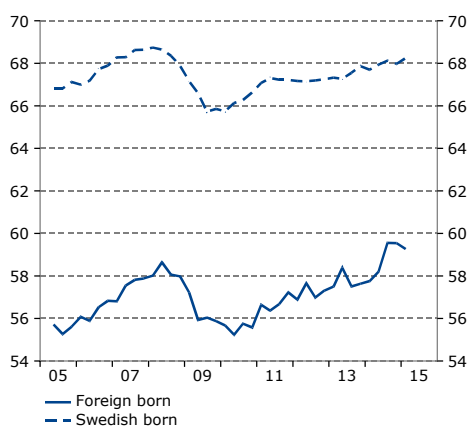
Per cent of population, seasonally adjusted quarterly values



Source: Statistics Sweden.

Diagram 135 Employment rate, foreign born and Swedish born

Per cent of population, seasonally adjusted quarterly values



Source: Statistics Sweden.

EMPLOYMENT HAS RISEN IN THE FOREIGN-BORN POPULATION BUT THERE IS STILL A BIG EMPLOYMENT GAP

Labour force participation and the employment rate, i.e. the number of people in the labour force and the number of people in employment as a percentage of the population aged 15–74, are lower for those born abroad than for those born in Sweden (see Diagrams 134 and 135). Both the employment rate and labour force participation in the immigrant population have improved in recent years, however, and are now higher than before the financial crisis. Labour force participation in particular is approaching the same levels as for native Swedes.⁷⁵ But there is still a big difference in the employment rate between those born in Sweden and those born abroad in all educational and age groups (see Table 18).

Table 18 Employment rate and employment gap by education (ages 15–74) and age, 2005 and 2014

Per cent and percentage points

	Employment rate					
	2005			2014		
	Swe-dish-born	For-ign-born	Gap	Swe-dish-born	For-ign-born	Gap
All aged						
15–74	66.8	55.9	-10.9	67.9	58.8	-9.1
Basic educa-tion at most	39.0	37.6	-1.4	35.2	33.3	-1.9
Upper second-ary	74.1	62.4	-11.7	71.5	62.6	-8.9
Post-secondary	79.8	67.9	-11.9	79.5	72.3	-7.2
Ages 15–24	39.1	33.8	-5.3	44.9	28.2	-16.7
Ages 25–54	87.1	68.0	-19.1	89.5	71.1	-18.5
Ages 55–74	47.5	37.9	-9.6	47.1	42.2	-4.9

Note. The employment gap is the difference in the employment rate between those born abroad and those born in Sweden.

Information on education is not available for the entire population, which means that the employment rates broken down by education do not correspond to the total employment rate for the 15–74 age group.

Source: Statistics Sweden.

⁷⁵ Part of the increase can probably be explained by the effects of economic policies and the integration reforms. See the chapter "Equilibrium unemployment and its explanatory factors" in *Wage Formation in Sweden, 2014*, NIER.

The employment gap, i.e. the difference in the employment rate between those born abroad and those born in Sweden, has narrowed from almost 11 to just over 9 percentage points in the 15–74 age group. It is mainly the employment rate among immigrants with post-secondary education that improved during the period. Broken down by age group, the employment rate has risen among immigrants aged 25 and over. The employment gap has also decreased slightly in that age group, but is still close to 19 percentage points in the 25–54 age group. The employment gap in the 15–24 age group has grown sharply from just over 5 to almost 17 percentage points. This is due to both a rise in the employment rate among those born in Sweden and a fall in the employment rate among those born abroad in this age group during the period.

LARGE EMPLOYMENT GAP BY INTERNATIONAL STANDARDS

The employment gap in Sweden is large by international standards (see Diagram 136). The gap was close to 0 percentage points in the EU28, the UK, Norway and Finland in 2014, but just over 9 percentage points in Sweden.

The difference in the employment gap between Sweden and other European countries cannot be explained by systematic differences in education, age and family status. The region of origin does seem to explain part of the difference when it comes to women, but not men.⁷⁶

The composition of the foreign-born population in terms of the reasons for immigration varies between countries. Compared to other countries in Europe, Sweden accepts high numbers of refugees and family members (see Diagram 137).⁷⁷ Because refugees and family members are often further removed from the labour market than labour immigrants, they take longer to become established.⁷⁸ The composition of immigration also varies according to historical factors and geographical and/or linguistic proximity. Some countries, such as the UK and France, have accepted large numbers of immigrants from former colonies

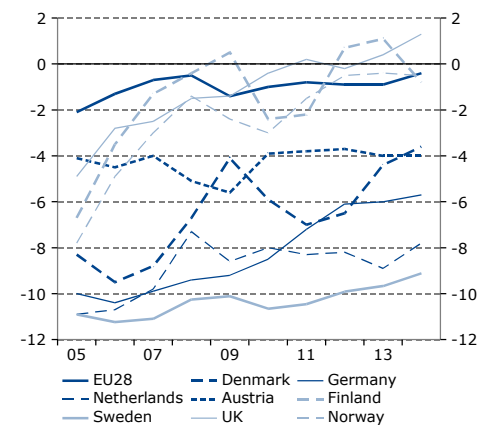
⁷⁶ See Szulkin, R. et al., "På jakt efter framgångsrik arbetslivsintegrering" [The quest for successful labour market integration], Swedish Institute for Futures Studies Research Report 2013/1. This study does not take account of the reasons for immigration, which can affect the chances of finding work.

⁷⁷ In a comparison of the total number of stay permits relative to the size of the population covering all European countries, Sweden ranked fourth behind Malta, Cyprus and the UK. See "Stay permits for non-EU citizens in the EU28", Eurostat news release, STAT/14/159.

⁷⁸ See "Integration – etablering på arbetsmarknaden" [Integration – establishment in the labour market], Integration: Report 7, Statistics Sweden, 2014.

Diagram 136 Employment gap, foreign and Swedish born, ages 15–74

Percentage points

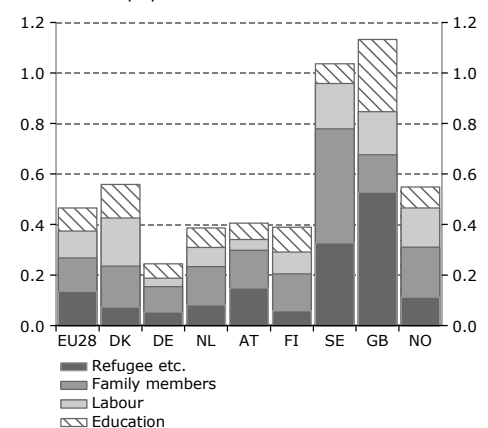


Note. The employment gap is the difference in the employment rate between foreign born and Swedish born.

Sources: Statistics Sweden and Eurostat.

Diagram 137 Residence permits, persons born outside the EU, by cause, 2013

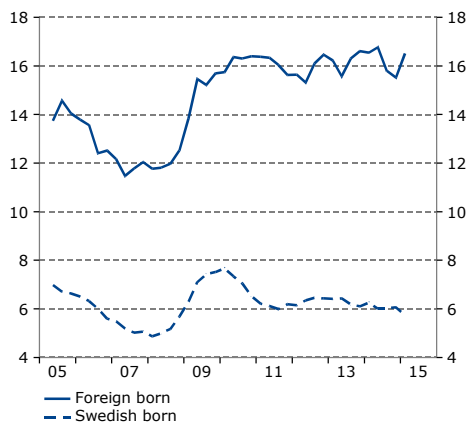
Per cent of population



Source: Eurostat.

Diagram 138 Unemployment

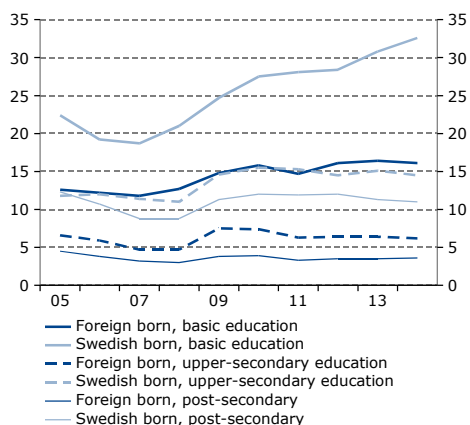
Per cent of labour force, seasonally adjusted quarterly values



Source: Statistics Sweden.

Diagram 139 Unemployment by highest educational level attained, ages 15–74

Per cent of labour force



Source: Statistics Sweden.

who therefore often have the relevant language skills when they arrive.⁷⁹

A study shows that the employment gap between the immigrant and native populations in the OECD area is larger in countries with more generous social safety nets and extensive collective agreements. The same study shows that, on average, countries with a smaller employment gap also have wider income dispersion.⁸⁰

Sweden does not stand out as negatively by European standards when it comes to the employment gap for those where the length of stay is more than 10 years. It therefore appears that the labour market does not function less well in Sweden in the longer term, but it does take longer for immigrants to become established in the labour market than in other countries.⁸¹

UNEMPLOYMENT IN THE FOREIGN-BORN POPULATION HAS RISEN

In 2005, unemployment was just over 14 per cent in the foreign-born population and just under 7 per cent for those born in Sweden (see Diagram 138). Unemployment in both groups increased in connection with the financial crisis. Unlike unemployment in the Swedish-born population, unemployment in the foreign-born population has not since fallen back again. The jobless rate among those born abroad was just over 16 per cent in 2014 but had fallen to just over 6 per cent among those born in Sweden. Above all, unemployment has risen to high levels among immigrants with no more than basic education (see Diagram 139).

It is not surprising that unemployment has risen somewhat in the foreign-born population in Sweden in recent years. Labour force participation among those born abroad has increased relatively sharply. When there is a large influx into the labour force, unemployment will normally increase in the short term, as it

⁷⁹ See Eriksson, S., "Utrikes födda på den svenska arbetsmarknaden" [Immigrants in the Swedish labour market], Annex 4 to Långtidsutredningen 2011 [The Long-term Survey 2011], SOU 2011:11, in *Vägen till arbete – arbetsmarknadspolitik, utbildning och arbetsmarknadsintegration* [The road to work – labour market policy, education and labour market integration], SOU 2010:88.

⁸⁰ See Bergh, A., "Utlandsföddas svårigheter på den svenska arbetsmarknaden – partiernas lösningar är otillräckliga" [The difficulties facing immigrants in the Swedish labour market – the political parties' solutions are inadequate], *Ekonomisk debatt*, No. 4, 2014.

⁸¹ See Szulkin, R. et al., "På jakt efter framgångsrik arbetslivsintegrering" [The quest for successful labour market integration], Swedish Institute for Futures Studies Research Report 2013/1.

takes time for the new entrants to find work.⁸² The relatively large influx of immigrants into the labour force has also meant that the average length of stay for immigrants in the labour force has decreased, which will tend to push up unemployment in itself. The influx into the labour force has also coincided with an economic slump where the job-finding rate has been low for cyclical reasons. This has probably exacerbated the situation, as unemployment varies more widely in the foreign-born population over the business cycle.⁸³

Potential employment revised up in light of new population forecast

According to the May 2015 population forecast, the population will grow more quickly than previously predicted (see Diagram 140).⁸⁴ It is not uncommon for the population forecast to be revised up, but the change from 2014 is relatively large by recent years' standards.⁸⁵

The NIER normally uses the demographic model KAMEL to produce projections of various labour market variables beyond its forecast horizon using Statistics Sweden's population forecast.⁸⁶ KAMEL assumes that labour force participation and the employment rate for each individual group are constant over time. There are a total of 480 groups in KAMEL, where the population is broken down by age, gender and country/region

⁸² See the chapter "Jämviktsarbetslöshetens bestämningsfaktorer och utveckling" [Equilibrium unemployment's determinants and development] in *Wage Formation in Sweden*, 2012, NIER.

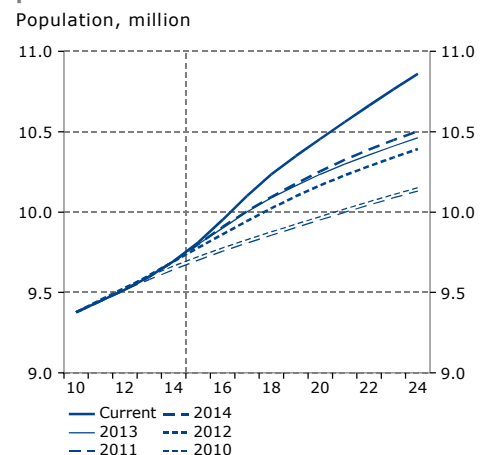
⁸³ See Rooth, D-O. and O. Åslund, "Spelar när och var någon roll? Arbetsmarknads-läget betydelse för invandras inkomster" [Do when and where make a difference? The labour market situation's role in immigrants' incomes], Report 2003:5, Swedish Institute for Evaluation of Labour Market and Education Policy (IFAU).

⁸⁴ At the request of the Ministry of Finance, Statistics Sweden's April 2014 population forecast was updated regularly during the remainder of 2014 and the first part of 2015 in line with the Swedish Migration Agency's forecasts for incoming asylum seekers and family members. This means that the NIER has to some extent already discounted the higher rate of population growth in its forecasts published since June 2014.

⁸⁵ Statistics Sweden conducts an extensive review of its population forecast every three years, and 2015 was one such year. The 2012 review also led to a major revision.

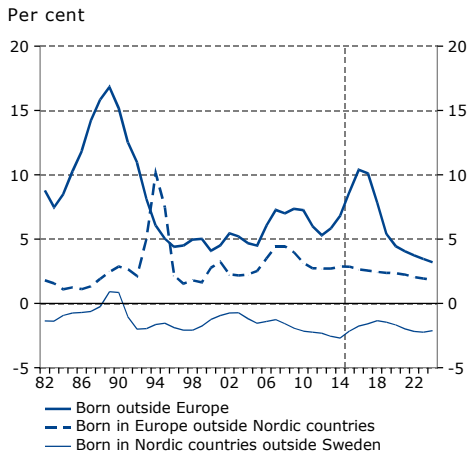
⁸⁶ KAMEL uses historical data from Statistics Sweden's Labour Force Survey (LFS) for a number of variables, such as the labour force and employment by gender, age and four countries/regions of birth (Sweden, other Nordic, other Europe and rest of world). These variables are then projected from a given start year with the help of Statistics Sweden's population forecasts. The model captures how a change in the composition of the population aged 15–74 impacts on the labour market over time with otherwise unchanged assumptions. For a more detailed presentation of KAMEL, see Appendix 2 to "Sveriges ekonomi – ett långsiktsscenario fram till år 2035" [The Swedish economy – a long-term scenario through to 2035], Occasional Study No. 30, NIER, 2012.

Diagram 140 Statistics Sweden's population forecasts by year of publication



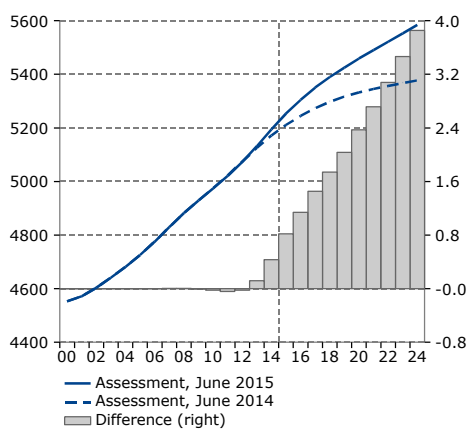
Source: Statistics Sweden.

Diagram 141 Population growth, foreign born, ages 15–74



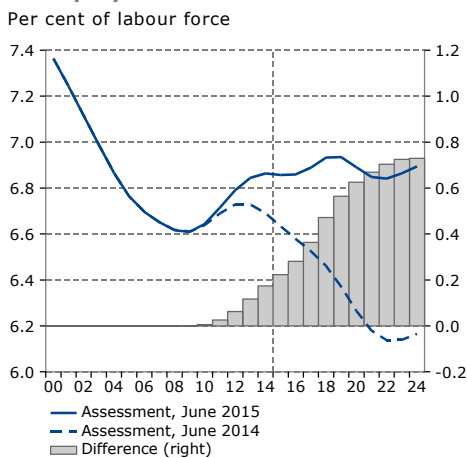
Source: Statistics Sweden.

Diagram 142 Potential labour force
Thousand persons and per cent, respectively



Source: NIER.

Diagram 143 Equilibrium unemployment



Source: NIER.

of origin, but not by length of stay. New immigrants are therefore given the same labour force status as the corresponding group in the start year. As long as flows in the population are roughly the same from year to year, the demographic projections using KAMEL function relatively well, but we are now entering a period where immigration is expected to be substantially higher than before (see Diagram 141). In these circumstances, demographic projections based on average labour market status will overestimate labour force participation and underestimate unemployment in the foreign-born population, because it takes time for new immigrants to become established in the labour market.

LARGER POTENTIAL LABOUR FORCE

Since it takes time for new immigrants to become established in the labour market, the NIER expects the potential labour force to be somewhat smaller for a number of years than indicated by the projections from KAMEL.⁸⁷ Compared with the NIER’s June 2014 scenario, which was based on Statistics Sweden’s April 2014 population forecast and took no account of length of stay, the potential labour force is now expected to be around 4 per cent larger in 2024 (see Diagram 142). This increase reflects not only the new population forecast but also revisions in the light of hard data and the trend among the elderly for labour force participation among the over-55s to continue to rise.⁸⁸ This trend will be offset to some extent by the government’s policies, which are expected to reduce labour force participation (see the special analysis “Policy changes to have lasting effects on labour market”).

HIGHER EQUILIBRIUM UNEMPLOYMENT

The composition of the population affects the level of equilibrium unemployment, because unemployment varies between the different groups in the population. According to the new population forecast, groups that have a relatively weak attachment to the labour market will increase in size. Because it takes time for

⁸⁷ The NIER has assumed that immigrants arriving in Sweden will reach the same levels of labour force participation and employment at the 15-year horizon as the stock of non-Europeans. In its analysis, the NIER has used data on labour force status from the LFS and length of stay from Statistics Sweden’s STATIV database for those born in Africa and Asia in the 16–64 age group for 2013. For a description of labour force status and the effect of length of stay for those born in Africa and Asia, see Aldén, A. and M. Hammarstedt, “Utrikes födda på 2000-talets arbetsmarknad – en översikt och förklaringar till situationen” [Immigrants in the labour market in the 2000s – overview and explanations], *Ekonomisk debatt*, No. 3, 2015.

⁸⁸ See *The Swedish Economy*, March 2015.

new immigrants to become established in the labour market, equilibrium unemployment is expected to be higher for a number of years. On balance, the NIER estimates that equilibrium unemployment in 2024 will be just over 0.7 percentage point higher than projected in June 2014 (see Diagram 143). The estimate of equilibrium unemployment has also been influenced slightly by the government's policies (see the special analysis "Policy changes to have lasting effects on labour market").

HIGHER POTENTIAL EMPLOYMENT OVERALL

To sum up, potential employment, i.e. the difference between the potential labour force and equilibrium unemployment, is estimated to be around 3 per cent higher in 2024 than projected in June 2014 (see Diagram 144).

The estimated effects of large migratory flows on average length of stay are expected to be only temporary. In the longer term, as the average length of stay for new immigrants increases, unemployment is expected to fall, and labour force participation to rise.

Immigration to rein in rise in demographic dependency ratio

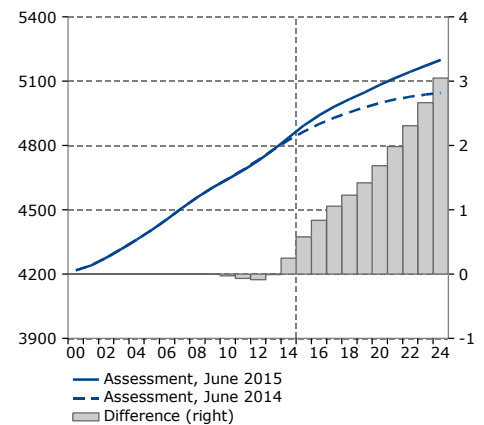
Until the mid-2000s, the age composition of the Swedish population was such that the demographic dependency ratio was falling, but it has since increased and is expected to rise further in the future (see Diagram 145). Those of working age therefore need to provide for more people. The rise in the demographic dependency ratio through to 2024 is a result of increases in both the old-age dependency ratio and the child dependency ratio.⁸⁹

Demographic developments play an important role in public finances beyond the forecast horizon via effects on GDP and, as a result, tax revenue. They also play a key role on the expenditure side. The higher the proportion of children and elderly in the population, the greater the need for welfare services and social transfers.

Immigrants into Sweden have a favourable age structure in economic terms (see Diagram 146). Around 75 per cent of the foreign-born population is of working age (20–64 years), while

⁸⁹ At a slightly longer horizon, the proportion of children in the population is relatively stable, but the proportion of elderly continues to rise, with the result that the demographic dependency ratio climbs even higher – see the special analysis "The long-term sustainability of public finances" in *The Swedish Economy*, March 2015.

Diagram 144 Potential employment
Thousand persons and per cent, respectively



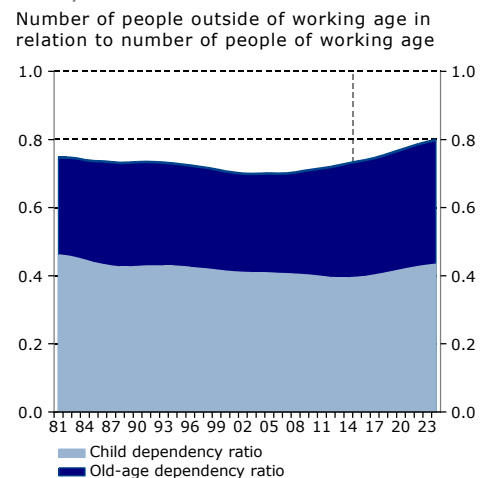
Source: NIER.

Dependency ratios

The **demographic dependency ratio** is defined as the number of people aged 19 and under and 65 and over in relation to the number of people of working age. Working age is defined here as 20–64 years, because the employment rate is relatively low outside this age group. The demographic dependency ratio can be divided into a **child dependency ratio**, defined as the number of people aged 19 and under in relation to the working-age population, and an **old-age dependency ratio**, defined as the number of people aged 65 and over in relation to the working-age population.

The **economic dependency ratio** is defined as the ratio between the number of people in the population who are economically inactive (not employed) and the number of employed.

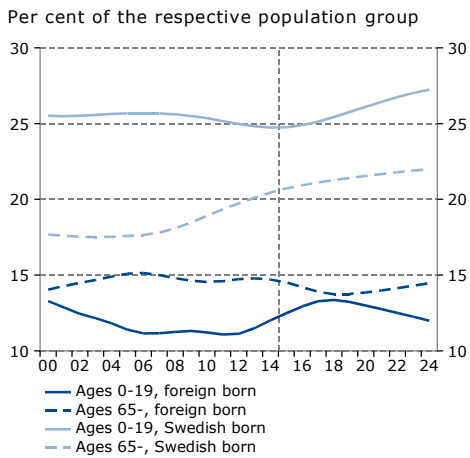
Diagram 145 Demographic dependency ratio, 1980–2024
Number of people outside of working age in relation to number of people of working age



Note. See box for definitions.

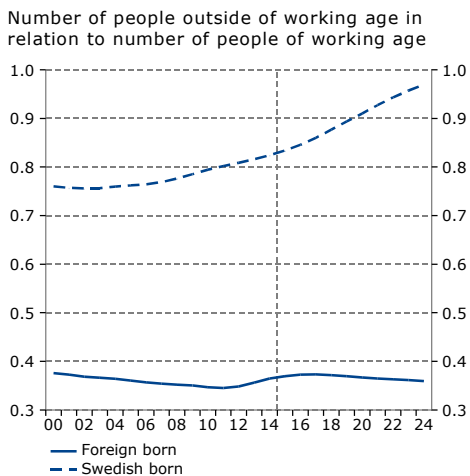
Source: Statistics Sweden.

Diagram 146 Age structure, foreign born and Swedish born



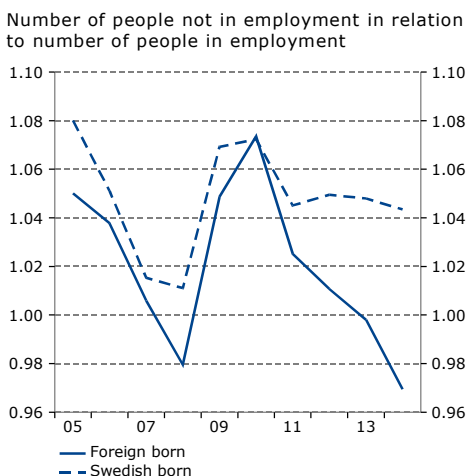
Source: Statistics Sweden.

Diagram 147 Demographic dependency ratio



Note. See box for definitions.
Source: Statistics Sweden.

Diagram 148 Economic dependency ratio



Sources: Statistics Sweden and NIER.

children and the elderly account for just over 10 per cent each. The equivalent age structure for the Swedish-born population is less favourable. In 2014, just under 55 per cent of the Swedish-born population were of working age, and this will fall to just under 51 per cent in 2024. The proportions of children and elderly stood at 25 and 20 per cent in 2014 and will rise to 27 and 22 per cent in 2024. The demographic dependency ratio is therefore much lower in the foreign-born population than in the Swedish-born population (see Diagram 147). Hence the foreign-born population will help rein in the demographic dependency ratio for the population as a whole through to 2024.

ECONOMIC DEPENDENCY RATIO TO DETERIORATE SOMEWHAT IN THE MEDIUM TERM

The demographic dependency ratio presented above does not necessarily reflect the burden that the economically active population has to bear. The economic dependency ratio is a more valid measure in this respect, as it is based on the proportion of people who are in work.

Although unemployment in 2014 was higher among those born abroad than among those born in Sweden, the economic dependency ratio was lower in the foreign-born population than in the Swedish-born population (see Diagram 148). This is because the immigrant population has a favourable age structure with relatively few children and elderly. In 2014, the economic dependency ratio for the population as a whole was 1.03. This means that there were roughly the same number of economically inactive people as there were people in work (see Diagram 149).⁹⁰

Because the Swedish economy is still operating below capacity, the economic dependency ratio is currently somewhat elevated. Over the next few years, the economic recovery will result in higher employment and a slight fall in the economic dependency ratio. The economic dependency ratio will then rise again and hit 1.09 in 2024, with the result that the number of people in the population who are not employed will exceed the number of people who are (see Diagram 149). Compared with the economic dependency ratio in the NIER’s June 2014 scenario, there has been a slight deterioration at this horizon despite the new immigrants in the new population forecast having a favourable age

⁹⁰ Compared with the June 2014 forecast for the economic dependency ratio, the baseline situation in 2014 is slightly better as a result of hard employment data turning out better than expected at that time.

structure. This is because new immigrants are expected to have a low employment rate during this period.

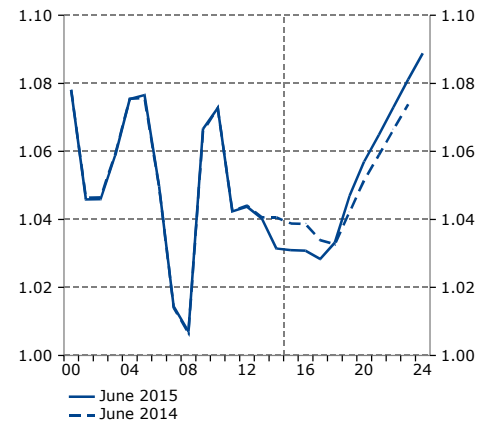
ECONOMIC DEPENDENCY RATIO IN THE LONGER TERM DEPENDS ON HOW WELL LABOUR MARKET FUNCTIONS

Projections of the economic dependency ratio are sensitive to the assumptions made for labour force participation and the employment rate.

In its scenario, the NIER has assumed lower labour force participation and employment initially for new immigrants arriving in Sweden in the next few years, but that they will attain the same levels as for existing non-Europeans at the 15-year horizon. The scenario is associated with considerable uncertainty and depends on how well integration functions and on how well the labour market adapts. This is very important for the economic dependency ratio and, as a result, public finances.⁹¹ Even in the longer term when the foreign-born population has aged, the demographic dependency ratio among those born abroad will be much lower than for those born in Sweden (see Diagram 150). By improving the integration of immigrants and reducing the employment gap, it will be possible to achieve higher employment, lower unemployment and stronger public finances.

Diagram 149 Economic dependency ratio

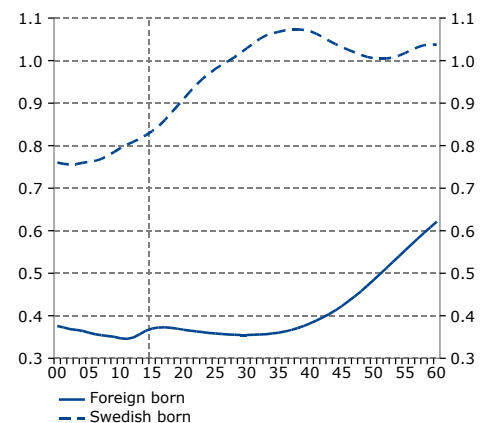
Number of people not in employment in relation to number of people in employment



Sources: Statistics Sweden and NIER.

Diagram 150 Demographic dependency ratio

Number of people outside of working age in relation to number of people of working age



Source: Statistics Sweden.

⁹¹ See the chapter "The fiscal impact of immigration in OECD countries" in *International Migration Outlook 2013*, OECD.