Swedish Institute for Social Research (SOFI)

Stockholm University

WORKING PAPER 7/2014

EMPLOYER ATTITUDES TOWARDS REFUGEE IMMIGRANTS

by

Per Lundborg and Per Skedinger

Employer Attitudes towards Refugee Immigrants*

Per Lundborg# and Per Skedinger##

May, 2014

ABSTRACT

We present a large survey with responses from Swedish firms on their attitudes towards refugees, regarding hiring, job performance, wage setting and discrimination. Generally, firms report positive experiences of having refugees as employees, but we also document a great deal of heterogeneity in attitudes. Firms that ceased to have refugees on the payroll are less satisfied with their job performance, which seems related to poor language skills and less screening of refugees but not to discrimination of them by staff or customers. While most firms agree with statements that wage cuts negatively affect worker cohesion, effort or the quality of applicants, employers who consider such cuts as employment-enhancing tend to not agree.

Swedish Institute for Social Research (SOFI), Stockholm University.
Research Institute of Industrial Economics (IFN), Stockholm.

* We gratefully acknowledge the generous help from the National Institute for Economic Research and in particular Juhana Vartiainen and Elisabeth Hopkins for comments and Roger Knudsen for distributing and collecting the survey on which the paper builds. The second author thanks the Marianne and Marcus Wallenberg Foundation for financial support.

1. Introduction

Labour market integration of refugee immigrants has become a major issue on the agenda of many European countries that receive large inflows of asylum seekers. Not only does exclusion generate costs for the refugees and the receiving country but it is also a cause of social unrest and undermines the public support for a generous refugee policy. The integration problems can be identified at, at least, three levels. First, at the individual level, poor language skills, low education, poor mental or physical health, and little experience from work in advanced countries among refugees are obvious explanations for much of the poor performance. Many of these deficiencies can be overcome by investments in schooling and health care, but will nevertheless imply a long period of integration. Secondly, at the firm level, employers have a crucial role in the hiring decisions and wage setting. Attitudes in the form of discrimination related to employees or customers may be an important part of the integration problem. Thirdly, at the policy level, labour market institutions like for instance minimum wages or employment support may affect the integration process.

In this paper we focus on employers, presenting the results of a large survey, which, to the best of our knowledge, is unique in its focus on the employment of refugees. The survey was conducted in Sweden, a country with a particularly high rate of refugee immigration. More than 1,800 employers in a representative sample of firms responded to questions related to institutions and attitudes of relevance to refugee employment. The questionnaire was designed to reveal the frequency of refugee employment, firms' experiences of refugees as employees, perceptions about how wage setting affects refugee employment as well as views on the potential for discrimination from native co-workers and customers. In particular, several questions were aimed at capturing employers' attitudes regarding the employment impact of reducing the collectively agreed minimum wages and their attitudes towards pay cuts in general for low-skilled workers. The size of the survey also allows us to perform quantitative assessments of the responses.

How does our study relate to the existing literature? Most of the research exploring the mechanisms behind the integration of refugees and other immigrants has focused on the role of characteristics of the immigrants themselves, like language skills and other types of human capital (e.g., Algan et al., 2010; Dustmann and Fabbri, 2003; Rooth and Åslund, 2006; Smith, 2006), cultural differences and other source country characteristics (e.g., Bisin et al., 2008;

Blau et al., 2011; Manning and Roy, 2010) or the impact of ethnic enclaves (e.g., Edin et al., 2003; Piil Damm, 2009). The previous literature has paid surprisingly little attention to the attitudes of employers towards immigrants, let alone refugees. There is some recent work exploiting the response rate of employers to fictitious job applications as a means of revealing potential discrimination against immigrants and ethnic minorities, and these studies tend to find lower call-back rates to applications filed by 'immigrants' than to otherwise identical applications from 'natives' (e.g., Bertrand and Mullainathan, 2004; Carlsson and Rooth, 2007). A related field of study, examining behaviour of employers in hypothetical choice experiments, finds that many employers discriminate against applicants of non-European origin (e.g., Eriksson et al., 2012). While this line of research is useful for exploring the extent to which discrimination against immigrants occurs, it is silent regarding the mechanisms as to *why* employers might be reluctant to hire refugees. One of our purposes is to pin down in somewhat more detail where the discriminatory behaviour lies.

Studies using survey data on attitudes towards immigrants among the general public tend to assume that the same mechanisms determine employer attitudes (Carlsson and Rooth, 2011; Charles and Guryan, 2008). A shortcoming of this approach is that it likely captures *general* employer attitudes only, providing little guidance as to the *specific* attitudes regarding job performance and the influence of institutions since these are concerns that rarely apply to the general public. Our approach is instead explicitly directed towards employers and their hiring process.

Finally, the part of our study dealing with employers' attitudes towards wage cuts also links to the previous literature. It has been argued that 'fair wage setting' is important for worker cohesion and productivity (e.g., Akerlof and Yellen, 1990) and that employers expect the quality of job applicants to be negatively affected by wage reductions (e.g., Katz and Krueger, 1992). In our survey, we put explicit questions to employers regarding their attitudes to both the potential employment-enhancing effect of wage cuts and possible negative consequences of such cuts. We also examine whether the attitudes on these matters differ depending on whether minimum wages are binding in the firm.

We find that, in general, the attitudes towards refugees are favourable – most firms report positive experiences of having refugees on the payroll. While a majority of firms do not regard the collectively agreed minimum wages as an important obstacle to the hiring of

refugees, firms that consider that cutting these rates enhances employment tend to disagree with the arguments suggesting negative consequences of wage reductions for worker cohesion, work effort and the quality of job applicants. Moreover, we find a strong, negative association between the employment of refugees and minimum wage levels across sectors, in line with evidence provided in Lundborg and Skedinger (2014). We specifically examine firms that used to have refugees on the payroll, but no longer do so. It turns out that these 'discouraged' firms are less satisfied with the job performance of refugees, because of poor language skills and less of screening, but not due to co-operation problems with other staff or with customers. Construction stands out as an industry reporting less contentment with the employment of refugees, but this is not necessarily due to discrimination.

One reason why Sweden is an appropriate object for our study is the large influx of refugees into the country. In 2008, Sweden was the country with the largest influx of refugee immigrants among the rich countries in relation to its population.[1] Moreover, the integration of refugees is less than satisfactory according to official statistics (Statistics Sweden, 2009). The employment rate among refugee immigrants is 60 per cent after ten years in Sweden, and even lower in some groups, like Somalis (35 per cent) as well as Iranians and Iraqis (50 per cent).

The structure of the paper is as follows. The next section presents the survey design. The results of the survey are presented in Section 3 and Section 4 concludes the paper.

2. Survey design

The survey was administered by the National Institute of Economic Research (*Konjunkturinstitutet*), a public authority with extensive experience in collecting information from representative samples of firms as part of their work on economic forecasting. The special survey that is the subject of this paper was distributed by mail in 2012, addressed to the personnel manager of the firm – the executive most likely to have personal experience dealing with the recruitment of refugee immigrants. It was sent to 4,588 firms, in both the private and the public sector. A total of 1,817 completed forms were received, implying a

[1] In absolute numbers Sweden ranked seventh, after Germany, the UK, the United States, Canada, France and the Netherlands (Hatton, 2012).

response rate of 40 per cent.[2] We deleted 6 firms due to obvious misreporting, leaving 1,811 employers in the sample we analyse.[3]

Our primary interest is to investigate firms with some experience of having refugees on the payroll. It is likely that far from all firms, but an unknown proportion, have such an experience. This prompted us to distribute the survey to as many firms as possible, so as to capture responses from a large number of employers that have or have had refugees on the payroll. We think we achieved this, since we received 849 responses from these firms (around half of all the respondents). For purposes of comparison we thus also have a substantial number of firms among respondents with no refugees on the payroll.

In Appendix A, Table A.1, we present characteristics of responding and non-responding firms, based on register data. Overall, the respondents do not differ much from the non-respondents. The main differences are that responding firms are larger on average, less prevalent in some industries (notably, retail and hotels and restaurants) and less likely to be located in the Stockholm region. In much of the analysis we perform multivariate regression analysis so that we are able to control for these differences in observable characteristics between responding and non-responding firms.

The full survey, translated into English, is available in Appendix B. It begins with a simple, straightforward and consistent definition of a refugee immigrant:

A person is considered a refugee immigrant if having arrived during the last 20 years from Afghanistan, the Horn of Africa (Eritrea, Ethiopia, Somalia, the Sudan), Bosnia, Iran, Iraq and Kosovo. Please note that the concept 'refugee immigrant' also includes refugees' relatives who have received permission to stay in Sweden.

These countries account for the vast majority of refugee immigration to Sweden during the last decades. Since Sweden basically has had no labour immigration from the listed countries, this definition effectively rules out the possibility that the responses were related to labour immigrants.

[2] Response rates in employer surveys tend to be lower than in those directed to individuals. At most, a response rate of 20-30 per cent is generally found in employer surveys, according to van Dalen and Henkens (2013).
[3] The number of employed refugees that some employers reported turned out to be larger than the total number of employees, as recorded in register data. The likely explanation is that some respondents reported figures for an entire combine of firms, rather than for the specific firm.

We approached the respondents in two different ways. The first one was to let employers react to questions and statements about their own experiences of employing refugee immigrants. The second was to perform a vignette analysis, placing the respondent in a hypothetical employment situation faced with two persons who basically only differ in terms of background status, one of them domestically born and the other one a refugee immigrant. The vignette analysis aims at having the respondents reveal their norms, perceptions, and values in a manner that is more susceptible to interpretation than questions focusing on actual experiences of employees, who may differ in many other background characteristics than immigrant status.

The survey consists of four parts. Part A includes some questions on firm characteristics, for example the number of refugees employed, the share of low-skilled workers among them, and employment at minimum wages. The large number of responses enables us to draw conclusions regarding detailed background characteristics of the respondents.

Part B is the vignette analysis. The personnel managers were presented with the following vignette:

Assume that you are to employ a person for a low-skilled job and that you choose between a person born in Sweden, Johan, and a refugee immigrant, Mahmood. You have not met either of the two. Both have a three-year high school education, Johan from Sweden and Mahmood from his homeland. They have studied the same subjects, their grades are identical and they have submitted identical applications, including extracurricular activities, written in impeccable Swedish.

We then asked the respondents to react to a number of statements related to conditions of importance to employment.

Part C of the survey deals with issues related to labour market institutions and how firms respond to them. Specifically, we ask about their views on how refugee employment in their firm is affected by minimum wages, about possible reasons for why firms would be reluctant to lower these minimum wages and about the importance of fixed-term contracts.

The final Part D is directed only to the employers who have had some experience in employing refugees. We ask whether the refugees were as productive as expected, to what

extent they had sufficient language skills, if the firms' customers prefer having contacts with native-born and if refugees are difficult to integrate with other staff.

Besides a few questions of a quantitative nature, the questionnaire consisted of statements that personnel managers were asked to react upon by means of a Likert scale, with in most cases seven numerical alternatives. As is usual with this scale, a response of '1' indicates "total disagreement', while '7' indicates 'total agreement'. A response of '4' can be interpreted as indicating that the respondent cannot give a clear-cut response to the statement (comparable to no response). It follows that '1' to '3' are interpreted as disagreement at decreasing rates and '5' to '7' as agreement at increasing rates. After coding the responses, the survey data were linked to register information on firm characteristics (industry and number of employees) and data from collective agreements on industry-specific minimum wages. The large number of respondents allows us to break down the analysis by various subgroups, such as industry, firm size and region.

3. Survey results

In this section, we present our findings. Separate subsections are devoted to firms' experiences of refugees on the payroll, the impact of minimum wages and firms' attitudes towards reducing them, discrimination and, finally, a detailed analysis of 'discouraged' firms, i.e., those that ceased having refugees in their employment. Besides simply reporting the responses of the employers to the different statements and questions they were confronted with, we also use regression analysis to provide a deeper understanding of some of the responses. In the regressions, we use attitude variables both as explanatory and as dependent variables.

As demonstrated by, e.g., Bertrand and Mullainathan (2001), there are potential fallacies involved in including attitude variables in econometric work. Explaining behaviour by attitude variables could lead to biases to the extent that these variables are mismeasured. Cognitive problems, related to the wording and ordering of questions or the mental effort of respondents may cause a bias towards zero if errors are white noise. The respondents in our case, though, are professionals who regularly answer questionnaires from the National Institute of Economic Research and can thus be argued to be less susceptible to such problems. Social norms, causing the respondents to avoid 'looking bad', may also bias the results, particularly concerning issues of discrimination. Consequently, we have been careful not to pose naïve questions in this context, like if the employers themselves discriminate, and instead try to capture potential discrimination of refugees by staff or customers. Using attitude variables as

dependent variables, white-noise measurement errors cause no biases, but other biases could be present. For example, employers with many refugees on the payroll may be more prone to *report* specific attitudes towards them (rather than actually subscribing more to these attitudes). However, with the multivariate regressions framework, we are able to control for the number of refugees and other factors that may impinge on the propensity of reporting.

3.1 Firms' experiences of refugees on the payroll

We first wanted to know to what extent the responding firms have experiences of refugees as employees. Not all of the 1,811 firms in the final sample answered all questions, but 1,721 reported a figure on the number of refugees they currently had on the payroll.[4] It turned out that a substantial fraction among responding firms had some experience with employing refugees. Close to half, 849, claimed to have at least one refugee currently employed. Similarly, 1,395 firms responded to the question how many refugees they have had employed during the last ten years and out of these 825 (59.1 per cent) answered that they had had at least one refugee employed during the period.

Firms reported having 7 refugees employed on average, which translates into a share of 3.5 per cent of all employees. Among those firms with at least one refugee currently employed, the average number was 14. Table 1 shows the distribution of refugee employment across firm size. As is clear, the share of refugees is considerably higher among small the firms than among the larger ones.

In general, firms report very positive experiences from employing refugees. The average score of statement d03, '*Our experiences from having refugees employed are mainly favourable'*, was 5.66 on the 1-7 scale. An overwhelming majority of more than 80 per cent of employers agrees with the statement to at least some degree and a third of them agree fully. The responses differ significantly across sectors, with the lowest scores for construction (5.28) and retail (5.30) and the highest for wholesale (6.06) and hotels and restaurants (5.92).

Scores for d04, '*The refugees' language skills were enough for them to do a good job'*, were on average lower than for the statement d03, 4.50. A non-negligible fraction of the

[4] Swedish law prohibits firms from keeping a record of the country of origin of the employees, so we asked for the *approximate* number of refugees in the firm according to the definition above.

employers, almost a third, disagree to at least some extent. Again, the responses across industries differ with the lowest support obtained from the wood industry (4.12), construction (4.18) and hotels and restaurants (4.24) that differ significantly from the average.[5] This finding could be due to different skill requirements.

The mainly positive experiences of refugees among employers and the fulfilment of expectations may be due to extensive and costly screening by the firms prior to hiring. To shed more light on this possibility, employers were asked to respond to the statement d02, *'We had to spend more resources on screening the refugees prior to hiring than we do for native applicants for similar jobs'*. The responses, with an average score of 2.79, reveal that only a minority of employers agrees with the statement, and more than half of them disagree. However, as around 20 per cent agree that the hiring of refugees requires more costly screening, there seems to be a cost disadvantage in some cases. A breakdown by industry shows that employers in the more skill-intensive industry construction report significantly higher expenditures on screening of refugees (average score 3.60) than is the case in industries mainly employing low-skilled workers, such as retail (2.70), hotels and restaurants (2.64) and local government (2.89). Differences in firm size do not explain the different responses across industries.[6]

3.2 Does experience of having refugees on the payroll matter?

As already noted, we obtained responses from employers with experience of refugees on the payroll as well as from those without such experience. It is of some interest to see if the answers to attitude statements differ in a significant way between these two groups. In general, this is not the case but responses differed with respect to the statement c07, '*Our employment of refugees increases only when we have difficulties to fill vacancies by personnel born in Sweden'*. While employers in general disagree with this statement, the responses differed significantly depending on previous experience of refugees on the payroll. An ordered logit regression, in the first column of Table 2, controlling for industry, region and firm size, shows that firms without such experience disagree to a lesser extent with the statement than other firms. This suggests that firms in the former group are more prone to sort

[5] The individual figures reported for d03 and d04 exclude sectors with less than 20 responses.
[6] This conclusion is based on an ordered logit regression of the responses, controlling for firm size, industry and region.

workers and employ native-born before those with a refugee background. Hence, experience of employing refugees tends to reduce employers' negative attitudes towards them.

3.3 Minimum wages and refugees in low-skilled jobs

Each employer was asked about the share of refugees with low-skilled jobs (defined as jobs that do not require tertiary education). We multiplied these shares by the number of refugees employed to get the number of low-skilled refugees on the payroll. On average, 58 per cent of the refugees were in low-skilled jobs (implying 3.4 low-skilled refugees).

With a majority of refugees employed for low-skilled tasks, it is conceivable that minimum wages constitute a binding restriction for much of refugee employment. In Sweden, minimum wages are relatively high by international standards and negotiated in collective agreements, implying that the rates differ by industry (see Skedinger, 2010, for more details). For this reason we asked about the share of the refugees employed at the lowest minimum wage, as stipulated in the collective agreement. The average number of refugees employed at this minimum wage was 1.7, which constitutes a share of 29.6 per cent of the average number of refugees. Our expectation of a positive correlation between the number of refugees performing low-skilled tasks and the number of refugees employed at minimum wages was confirmed by the data (with a correlation coefficient of 0.86). These findings suggest that minimum wages are indeed binding for refugees in low-skilled jobs. To the extent that minimum wages also exceed the productivity of many refugees, these wages may represent an obstacle to entering the labour market.

Before proceeding to a formal test of the relation between minimum wages and refugee employment, we present the firms' views on whether minimum wages constitute an employment obstacle in their firms. To investigate this issue a number of statements concerning the consequences of a large reduction of minimum wages were put forward to the employers in the survey. The statements were introduced as follows:

Many young natives and refugee immigrants are unemployed today. Specify your attitude towards the following statements concerning the employment of low-skilled labour under collective agreement.[7]

[7] Note that young natives are included in the group under consideration.

The first statement (c01) reads: '*If the lowest wage of the collective agreement was reduced by 20 %, employment of these groups in our company would 1) be unchanged 2) increase just a little 3) increase fairly much 4) increase much 5) increase very much'*.

The responses as to the effects of a 20 per cent reduction of the minimum wage indicate that around half of the employers do not think that employment in their firm would be affected at all. The other half states that employment of young natives and refugees would increase, but a majority among them responds that the increase is likely to be small. Only about 7 per cent of all respondents reported that they expect a boost to employment with a reduced minimum wage, by answering that employment would 'increase much' or 'increase very much'.

There are several possible explanations as to why relatively few employers think that reduced minimum wages would be strongly favourable to employment in their firm. One is that if initially few workers are hired at wages around the minimum, a reduction of it may be of little consequence. Another is that minimum wages are binding to a varying extent across collective agreements, so that industry matters. To explore these issues in more detail, we ran an ordered logit regression explaining the responses regarding the expected association between a minimum wage reduction and employment by means of a set of regressors. These include the share of refugees on the payroll, the share of refugees on the payroll employed at minimum wages, and dummies for industry and region. The sample was restricted to 10 industries on which we have information on minimum wages taken from the respective collective agreements. These industries include sectors with many low-skilled jobs, such as hotels and restaurants, retail and local government, but also other important industries in terms of employment such as engineering and construction.

As shown in Table 2, column 2, the larger the share of refugees employed, the more support is given to the statement that a minimum wage cut would raise employment. Moreover, the larger the share of those refugees employed at the minimum wage, the higher the propensity to agree with the statement. We take these results as suggestive of an association between the degree to which minimum wages are binding and expectations among employers that lowering these wages would enhance employment. However, as discussed previously, a causal interpretation is not obvious, since we cannot determine whether firms with binding minimum wages simply are more prone to report that minimum wage cuts promote employment.

To further explore the issue of the minimum wages-employment nexus, we ran a regression, in Table 3, with various measures of the employment of refugees as the dependent variable. We included minimum and average wages (both industry-specific) as separate explanatory variables in the regressions, along with controls for firm size and region.

As already noted, a large number of firms have no refugees employed and there could very well be selection of the firms that do employ refugees and to account for this we estimate a Two-step Heckman model. We first note, in column 1 of Table 3, that the probit component of the Heckman model reveals that there is a negative association between the minimum wage and the choice of hiring or not hiring refugees. The relation between the minimum wage and the uncensored variable, i.e., firms' hiring of refugees given that they already are employed, is strong. We find a significant elasticity of –1.58. Thus, given that a firm already has refugees on the payroll, an increase in the minimum wage is associated with a reduction of the number of refugees employed. Our results are quantitatively in line with those in Lundborg and Skedinger (2014), in which we use individual register data and study the effects of minimum wages on days in unemployment among refugees. Nevertheless, the present findings should be interpreted with care, since the cross-section data precludes controlling for firm and industry fixed effects that may be correlated with the minimum wage.

3.4 Firms' views on negative consequences of wage cuts

Even with binding minimum wages, there are reasons why employers may be reluctant to lower these wages, as discussed in the introduction. We therefore asked the firms about possible negative effects, concerning worker cohesion, work effort, and the quality of job applicants, of lowering the wage for newly recruited, low-skilled workers.[8]

Figure 1.a shows how the employers responded to the statement (c05), '*We do not want to cut wages for newly recruited, low-skilled workers because increased wage dispersion would be negative for worker cohesion and hence productivity*'. It turns out that close to a third of employers, around 31.8 per cent (541 out of 1699), agree with the statement to varying degrees. The related statement (c09), '*We do not want to cut wages for newly recruited, low-*

[8] It is worth noting that the employers were not asked about their attitudes towards an *increase* in the wage for newly recruited, low-skilled workers. The responses regarding the employment consequences of such an increase need not be symmetric to those concerning a cut in the wage.

skilled workers because this could reduce worker effort', resulted in a slightly lower share that agreed, 23.7 per cent (399 out of 1685) as shown in Figure 1.b. Finally, in Figure 1.c, the responses to the statement (c08), '*We do not want to cut wages for newly recruited, low-skilled workers because this would lower the quality of job applicants'* resulted in a higher approval rate of 35.4 per cent (603 out of 1,705).

While only a minority, around a third, of employers agreed with each of the three statements, about half of them approved of at least one of them (51.8 per cent, or 891 out of 1,720). To see whether employers who were of the opinion that a reduction of minimum wages would be ineffective in increasing employment also referred to these statements, we cross-tabulated the responses with the responses to question c01, dealing with the attitudes towards a reduction of minimum wages by 20 per cent. Only 26.2 per cent of those employers who thought that such a reduction would increase employment by 'much' or 'very much' agreed to at least one of the three reasons for opposing wage cuts.

Consequently, there appears to be some heterogeneity in attitudes across firms: those reporting stronger support for the employment-enhancing effect of minimum wage cuts also seem to be less prone to believe that wage reductions are associated with negative effects in terms of less workplace cohesion, less worker effort or lower quality of job applicants. In addition, concerns regarding wage cuts were less prevalent in certain industries. Employers in local government (39.3 per cent) and hotels and restaurants (43.0 per cent) were less inclined to agree with any of the three statements than employers in wholesale (59.6 per cent) and engineering (53.8 per cent). We also looked at whether the responses to the statements regarding negative effects of wage reductions were correlated with the minimum wages being binding for refugees in the firm. However, there was no significant correlation between the number of refugees employed at minimum wages in the firm and any of the responses to the three statements c05, c08 or c09.

3.5 Discrimination

Though hard to verify with standard regression methods, discrimination towards immigrants has been demonstrated in several field experiments.[9] Confronting the staff manager with a direct question about his or her discriminatory attitudes is, however, likely to involve serious biases in the responses, as noted previously. The survey is instead focused on capturing discrimination in other forms. Preference-based discrimination could manifest itself as employee resistance to co-operating with co-workers of a particular ethnic group or by customers being unwilling to be served by employees from this group. Hence the employers were asked about the attitudes of their *employees* and *customers* towards refugees. It should be stressed that the answers obtained are the managers' perception of these attitudes, which may differ from factual circumstances, but perceptions are still likely to determine the employers' behaviour.

Questions about employees' and customers' attitudes were given in four forms (see Appendix B); two under the vignette analysis (b04 and b05) and two directed strictly to those who have or have had refugees employed (d05 and d06).

As described in Section 2, the firms were confronted with various vignette statements concerning a refugee (Mahmood) and a native-born employee (Johan). Generally, firms do not agree that refugees are hard to integrate with other employees (b04 and d05). The average score for the statement in b04, '*There is a greater risk that co-operation among the staff is worsened if Mahmood is employed instead of Johan'*, was 2.29 and for the statement in d05, '*The refugees have been hard to integrate with other employees so that co-operation has not worked satisfactorily'*, only a slightly higher score of 2.62 was obtained. Some differences across industries appear, though: Personnel managers in construction were more prone to agree with both statements.[10]

Table 4, columns 1-2, shows the results from ordered logit regressions based on responses to the statements b04 and d05 regarding co-operation with staff, in which we control for the size of the firm, industry and region. Construction stands out as an industry with more support to the view that employing refugees is detrimental to worker co-operation than in other sectors,

[9] For example, field experiments using fictitious job applications show that job searchers with Swedish-sounding names receive more call-backs from employers than do those with Arab-sounding names (Carlsson and Rooth, 2007).

[10] The average score in construction for b04 was 2.86 and for d05 3.21 and differ significantly from the averages.

both in the sample of all firms and among those firms with experience of refugees on the payroll. These responses do not necessarily imply that discrimination is more prevalent in construction than elsewhere. It could be that work in this sector is more demanding in terms of workplace co-operation than is the case in other industries. In construction workers often work in small groups, may be highly interdependent, and communication skills may be of extra importance.

We now turn to the responses concerning customer reactions to refugees in the workforce. There is not much support on average for the statement b05, '*We think our customers prefer to be served by Johan rather than Mahmood',* yielding a score of 3.06. The personnel managers' perception is thus that customers only have somewhat stronger preferences for dealing with native-born than employees have for co-working with natives. The corresponding ordered logit regressions, in Table 4, columns 3-4, indicate that firm size matters: in both samples, the larger the firm the less is the agreement with the statement that customers prefer dealing with a native worker. This could reflect that a larger fraction of employees in small firms have contacts with customers.

Again, construction stands out with personnel managers more prone to agree with the statements. For customers in construction communication may be of much more importance than for customers in, say, retail. For example, buying services from carpenters is a different thing than buying a pack of cigarettes, implying stronger demands on the refugees' language skills in the former sector. Attitudes towards refugee workers in construction may also be correlated with increasing competition from foreign companies operating on Swedish soil, particularly from the new EU member states, which is an unobserved variable in our analysis (Skedinger, 2010).[11]

3.6 'Discouraged' firms

The responses delivered by employers that used to have refugees on the payroll, but no longer do so, could be useful sources of information for improving the employment situation of refugees. These employers could potentially be regarded as 'discouraged' in terms of employing refugees. About 12 per cent of those firms with experiences of employing refugees

[11] In-migration of posted workers in construction has increased considerably during the recent decade, causing much controversy as exemplified by the *Laval* case, in which Swedish unions put a Latvian construction firm under blockade in 2004.

were classified as ‘discouraged’ by us (102 out of 826).[12] While other explanations than ‘discouragement’ are conceivable for why a firm no longer has refugees on the payroll (downsizing or voluntary job separation, for example), the results revealed in this section turn out to be consistent with this interpretation.[13]

To what extent do ‘discouraged’ firms differ from other firms in their experiences of having refugees on the payroll and regarding attitudes towards these workers? Before exploring this issue it should be noted that small firms, by construction of our indicator variable for ‘discouraged’ firms, are more likely to be classified as such than are larger firms (see footnote 19). Hence we control for firm size in Table 5, in which we regress the probability of being ‘discouraged’ on various attitudes towards the employment of refugees.

It seems reasonable to assume that the fundamental variables attempting to capture different dimensions of the productivity of refugees, namely language skills and co-operation with staff and customers affect the behaviour of ‘discouraged’ firms, rather than the other way around. It is also of interest to examine whether the attitudes regarding various dimensions of productivity survive when screening costs are controlled for. To this end, Table 5 exhibits regressions with all of these responses included as explanatory variables. According to the results, there is a negative relationship between resources devoted to screening and ‘discouragement’. So even if employers in general do not screen refugees more carefully than natives (as discussed in Section 3.1), such screening may prevent some firms from laying off refugees. Satisfaction with language skills (d04) has a significantly negative coefficient, even when screening is accounted for, whereas insufficient co-operation with staff (d05), and customer preference for natives (d06) come in without significance. The results are robust to the inclusion of industry dummies, in column 2. The findings thus suggest that screening has not eliminated some employers’ dissatisfaction with the language skills of refugees.

[12] Firms that reported that they have had refugees employed during the last 10 years, but no longer have any on the payroll, are classified as ‘discouraged’. Firms that reduced the number of refugees in the workforce to some positive number are thus not included.

[13] As a simple test of the relevance of the terminology ’discouraged’, we ran a logit regression with the probability of being ‘discouraged’ on the left-hand side and answers to the overall assessment of refugees in d03, ‘*Our experiences from employing refugees are mainly positive’*, and firm size and its square on the right-hand side. d03 yielded a highly significant negative coefficient, which we interpret as supporting evidence that the terminology is appropriate.

In unreported regressions we also examined whether construction stands out, and it does. The effect of improved language skills (d04) on 'discouragement' behaviour, all else equal, seems to be substantially larger in magnitude in this industry than elsewhere.

4 Conclusions

Many countries that generously have opened their borders to host refugees escaping war and conflict have experienced severe integration problems. More often than not, refugees leave a less developed economy for a high-tech one without having the necessary skills, which opens up for a long integration process. Employers play an important role in this process and it is crucial to understand firms' behaviour and to document their experiences from refugee employment. Based on an extensive survey, this paper reports a basically favourable attitude on the part of Swedish employers towards refugees. Employers are of the opinion that the refugees have in general lived up to the expectations in terms of productivity and language skills. This high level of contentment with the job performance of refugees seems not to have been achieved by employers spending more resources on screening these workers than other staff. It should also be stressed that, while we have found little indication of generally negative attitudes among employers towards refugees, this should not be interpreted as evidence that discrimination against these workers is absent in the Swedish labour market.

Perhaps the most important finding in our survey is the heterogeneity in responses across different types of firms. This heterogeneity manifests itself in a variety of ways: differences in attitudes towards wage cuts, differences in attitudes regarding the job performance of refugees and differences across industries. We discuss these findings in more detail below.

In line with much of previous research, we find that most firms are reluctant to lower wages for low-skilled workers. These firms tend to agree with at least one of the statements that wage reductions are detrimental for worker cohesion, work effort or the quality of job applicants. However, among firms that consider such reductions to be employment-enhancing there is considerably less support for detrimental effects of wage cuts. These results suggest that the implications in the 'fair wage' literature could be very different, depending on the type of firm.

Moreover, despite the satisfaction in general with having refugees on the payroll, we document the presence of 'discouraged' firms – employers that used to have refugees on the

payroll but no longer do so because of less positive experiences of these workers than in other firms. Poor language skills is one factor stressed by the ‘discouraged’ firms as a source of lower than expected productivity, but they were not more inclined than other firms to refer to staff or customer discrimination. Our findings also reveal that more resources spent on screening could potentially prevent some of these firms from laying off refugees.

Finally, the survey also reveals heterogeneity across sectors – firms in construction stand out as reporting less positive experiences of the productivity of refugees. The relations between refugees on the one hand and customers and staff on the other are reported as being more problematic in this sector. Whether this reflects discrimination or simply more demanding requirements regarding communication skills with co-workers and with customers cannot be determined unambiguously.

In one respect we had anticipated heterogeneity across firms, but did not find any. We investigated learning effects of having refugees employed but did not find much difference in the responses between firms with and without experience of refugees in the staff. The only exception is that employers with no experience tend to more often approve of the statement that they do not employ refugees as long as they can find native-born workers to hire. This somewhat negative attitude might decline in importance with more experience of having refugees on the payroll.

APPENDIX A: Analysis of respondents and non-respondents

Table A.1. Characteristics of respondents and non-respondents

	Respondents	Non-respondents
No. of employees	337	250
Industry:		
Local government	6.8	0.0
Engineering	15.6	10.6
Hotels and restaurants	4.9	13.6
Retail trade	15.1	26.1
Wholesale trade	6.8	7.0
Construction	5.9	3.4
Electrical installations	1.1	2.6
Wood	3.8	2.1
Bakeries	0.4	0.7
Slaughter-houses	0.4	0.6
Other	39.2	33.4
Region:		
Stockholm	20.3	30.0
Uppsala	2.1	2.1
Södermanland	2.0	1.5
Östergötland	3.1	4.1
Jönköping	7.3	5.1
Kronoberg	3.0	2.2
Kalmar	3.8	2.0
Gotland	0.4	0.4
Blekinge	1.3	0.6
Skåne	12.6	13.9
Halland	3.2	3.5
Västra Götaland	17.0	18.0
Värmland	3.3	1.8
Örebro	3.1	2.4
Västmanland	2.5	1.7
Dalarna	3.7	1.9
Gävleborg	2.3	2.0
Västernorrland	1.9	1.9
Jämtland	1.9	1.1
Västerbotten	2.9	1.7
N	1,791	2,673

APPENDIX B: The survey

Refugee immigrants in the labour market

A person is considered a refugee immigrant if having arrived during the last twenty years from Afghanistan, the Horn of Africa (Eritrea, Ethiopia, Somalia, the Sudan), Bosnia, Iran, Iraq and Kosovo. Please note that the concept 'refugee immigrant' also includes refugees' relatives who have received permission to stay in Sweden.

Part A**. Background questions**

01. *How many employees do you have today that you would classify as refugees according to the definition above?* _____

02. *For what percentage of these refugees have your firm received some form of employment subsidy?*
0-20 21-40 41-60 61-80 81-100

03. *What percentage of the refugees have low- skilled jobs, i.e,. jobs that do not require tertiary education?*
0-20 21-40 41-60 61-80 81-100

04. *What percentage of the refugees were hired at the lowest wage stipulated in the collective agreement?*
0-20 21-40 41-60 61-80 81-100

05. *How many refugees have you had on your payroll during the last ten years?* _____

06. *What percentage of the refugees that were employed on a fixed-term contract have obtained a permanent position in your firm?*
0-20 21-40 41-60 61-80 81-100

Part B.

Assume that you are about to hire a person for a low- skilled job and that you have a person born in Sweden, Johan, and a refugee immigrant, Mahmood, to choose between. You have not met either of the two. Both have three years of high school education, Johan from Sweden and Mahmood from his home country. They have studied the same subjects, their grades are identical, and they have submitted identical applications, including extracurricular activities, written in impeccable Swedish.

Please indicate how you relate to the following statements, where '1' means 'I fully disagree' and '7' means 'I fully agree'.

01. *We know more about Johan's education than about Mahmood's.*
1 2 3 4 5 6 7
02. *Johan knows the Swedish language better than Mahmood does.*
1 2 3 4 5 6 7

03. *Mahmood cares more about his job than Johan does.*
1 2 3 4 5 6 7

04. *There is a greater risk that co-operation among the staff deteriorates if Mahmood is employed instead of Johan.*
1 2 3 4 5 6 7

05. *Our customers prefer to deal with Johan rather than with Mahmood.*
1 2 3 4 5 6 7

06. *Mahmood will stay longe r with the firm than Johan.*
1 2 3 4 5 6 7
07. *We choose to employ Mahmood to promote cultural diversity and integration in the firm.*
1 2 3 4 5 6 7
08. *Mahmood will demand a lower wage than Johan in the future.*
1 2 3 4 5 6 7
09. *Johan can be used for more work tasks in the firm than Mahmood.*
1 2 3 4 5 6 7

Part C.

Many young natives and refugee immigrants are out of work today. Please relate to the following statements concerning the employment of low-skilled personnel under collective agreement:

01. *If the lowest wage minimum wage in the collective agreement were to be reduced by 20 %, employment of these groups in our firm would*
be unchanged / increase just a little / increase fairly much / increase much / increase very much.

In the following, ‘1’ means ‘I fully disagree’ and ‘7’ means ‘I fully agree’.

02. *If minimum wages in the collective agreements were to be reduced, the employment of young natives would benefit more than the employment of refugees.*
    1 2 3 4 5 6 7
03. *The Employment Protection Act (LAS) does not constitute an obstacle to the hiring of refugee immigrants since LAS allows for fixed-term contracts.*
    1 2 3 4 5 6 7
04. *The possibility to use fixed-term contracts is more important for the employment of refugees than is a reduction of minimum wages.*
    1 2 3 4 5 6 7
05. *We do not want to cut wages for newly recruited, low-skilled workers because increased wage dispersion would be negative for worker cohesion and hence productivity.*
    1 2 3 4 5 6 7
06. *In order to hire a large number of refugees, the wage would have to be so low that no one would accept the wage.*
    1 2 3 4 5 6 7
07. *Our employment of refugees increases only when we have difficulties filling vacancies with personnel born in Sweden.*
    1 2 3 4 5 6 7
08. *We do not want to cut wages for newly recruited, low-skilled workers because this would lower the quality of job applicants.*
    1 2 3 4 5 6 7
09. *We do not want to cut wages for newly recruited, low-skilled workers because this would reduce worker effort*
    1 2 3 4 5 6 7

D. The following questions should be answered only if you have or have had refugees employed. Please indicate your answer with ‘X’:

01. How productive were the refugees compared to your expectations?
Less About the same More

Like before “1” means “disagree fully” and “7” agree fully” for the responses to the <u>following</u> statements:

02. *We had to spend more resources on screening the refugees prior to hiring than we do for native applicants for similar jobs.*
    1 2 3 4 5 6 7
03. *Our experiences from having refugees employed are mainly favourable.*
    1 2 3 4 5 6 7
04. The refugees’ language skills were adequate for them to do a god job.
    1 2 3 4 5 6 7
05. The refugees have been hard to integrate with other employees so that co-operation has not worked satisfactorily.
    1 2 3 4 5 6 7

Respond to the statement below if the refugees have had customer contacts:

06. Our customers preferred contacts with native employees rather than with refugees
    1 2 3 4 5 6 7

Respond to statement below if your firm has contacts with the refugees’ home countries:

07. The refugees’ knowledge about their home countries’ language and culture has been beneficial for our contacts with their home countries.
    1 2 3 4 5 6 7

REFERENCES

Algan, Y., Dustmann, C., Glitz, A. and Manning., A (2010), 'The Economic Situation of First and Second-Generation Immigrants in France, Germany and the United Kingdom', *Economic Journal*, 120, F4-F30.

Akerlof, G. A. and Yellen, J.L. (1990),'The Fair Wage-Effort Hypothesis and Unemployment', *Quarterly Journal of Economics*, 105, 255-284.

Bertrand, M. and Mullainathan, S. (2001), 'Do People Mean What They Say? Implications for Subjective Survey Data', *American Economic Review, Papers and Proceedings*, 91, 67-72.

Bertrand, M. and Mullainathan, S. (2004), 'Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination', *American Economic Review*, 94, 991-1013.

Bisin, A., Patacchini, E., Verdier, T. and Zenou, Y. (2008), 'Are Muslim Immigrants Different in Terms of Cultural Integration?', *Journal of the European Economic Association*, 6, 445-456.

Blau, F., Kahn. L.M. and Papps, K.L. (2011), 'Gender Source Country Characteristics, and Labor Market Assimilation among Immigrants', *Review of Economics and Statistics*, 93, 43-58.

Carlsson. M. and Rooth, D.-O. (2007), 'Evidence of Ethnic Discrimination in the Swedish Labor Market Using Experimental Data', *Labour Economics*, 14, 716-729.

van Dalen, H.P. and Henkens, D. (2013), 'Dilemmas of Downsizing during the Great Recession: Crisis Strategies of European Employers', *De Economist*, 161, 307-329.

Dustmann, C. and Fabbri, F. (2003), "Language Proficiency and Labour Market Performance of Immigrants in the UK", *Economic Journal*, 113, 695-717.

Edin, P.-A., Fredriksson, P. and Åslund, O. (2003), 'Ethnic Enclaves and the Economic Success of Immigrants - Evidence from a Natural Experiment', *Quarterly Journal of Economics*, 118, 329-357.

Eriksson, S., Johansson, P. and Langenskiöld, S. (2012), 'What is the Right Profile for Getting a Job? A Stated Choice Experiment of the Recruitment Process', Working Paper 2012:13, IFAU, Uppsala.

Hatton, T. J (2012), 'Refugee and Asylum Migration to the OECD: A Short Overview', Discussion Paper No 7004, IZA, Bonn.

Katz, L.F. and Krueger, A.B. (1992), 'The Effect of The Minimum Wage on the Fast-Food Industry', *Industrial and Labor Relations Review*, 46, 6-21.

Lundborg, P. and Skedinger, P. (2014), 'Minimum Wages and the Integration of Refugee Immigrants', Working Paper No. 1017, Research Institute of Industrial Economics, Stockholm.

Manning, A. and Roy, S. (2010), ‘Culture Clash or Culture Club? National Identity in Britain’, *Economic Journal*, 120, F72-F100.

Piil Damm, A. (2009), ‘Ethnic Enclaves and Immigrant Labor Market Outcomes: Quasi-Experimental Evidence’, *Journal of Labor Economics*, 27, 281-314,

Skedinger, P. (2010), ‘Sweden: A Minimum Wage Model in Need of Modification’, in Vaughan-Whitehead, D., (ed.), *The Minimum Wage Revisited in the Enlarged EU*, Edward Elgar.

Smith, J.P. (2006), ‘Immigrants and the Labor Market’, *Journal of Labor Economics*, 24, 203-233.

Statistics Sweden (2009), *Integration – utrikes födda på arbetsmarknaden*, Integration: Rapport 2, Statistics Sweden, Stockholm.

Table 1. Share of refugees of total employment, by firm size. Per cent

No. of employees	Mean	Min.	Max.	N
0-99	3.43	0	90.91	983
100-199	4.44	0	58.54	382
200-299	2.85	0	24.63	109
300-399	3.15	0	16.08	64
400-599	2.62	0	28.79	55
600-999	1.65	0	7.81	58
1000-	2.07	0	28.20	70

Table 2. Employer attitudes towards filling vacancies with refugees and minimum wage cuts. Ordered logit regressions

	We fill vacancies with refugees only when no natives are available (c07)	Minimum wage cut increases employment of refugees in our firm (c01)
Experience of refugees on payroll	-0.2168** (0.0917)	
No. of employees (× 10^2)	-0.0014 (0.0069)	
No. of employees^2 (× 10^7)	0.0148 (0.0307)	
Share of refugees on payroll		1.5708** (0.6608)
Share of refugees on payroll at minimum wage		0.7375*** (0.1958)
Local government	0.5059** (0.2420)	
Engineering	-0.2322 (0.1472)	-0.0302 (0.1720)
Hotels and restaurants	0.0884 (0.2320)	0.4456 (0.3195)
Retail trade	0.1547 (0.1675)	0.0136 (0.2286)
Wholesale trade	0.0486 (0.2110)	-0.2724 (0.3131)
Construction	0.8094*** (0.1881)	0.2824 (0.3144)
Electrical installations	0.9765** (0.4277)	0.0552 (0.7486)
Wood	0.4566* (0.2527)	0.4369 (0.4012)
Bakeries	0.0549 (0.5984)	0.5556 (0.6463)
Slaughter-houses	-15.5914 (789.9653)	-0.9644 (0.8020)
N	1,703	849
Log likelihood	-2,662.96	-1,054.99
Pseudo R^2	0.0079	0.0152

Note: β-coefficients. The dependent variable is the response to the statement c07 and c01 in the survey (see Appendix B). c07: 1-7 Likert scale, 1=fully disagree, 7=fully agree. c01: 1=not at all, 5=very much. Constant and coefficients for region dummies are not shown. Standard errors in parentheses.
*** = significance at 1 % level; ** = 5 %; * = 10 %.

Table 3. Employment of refugees. Heckman selection model

	P(Refugees on payroll)	Log no. of refugees on payroll
Log minimum wage	-2.1089*	-1.5806***
	(1.1182)	(0.5806)
Log average wage	-2.9812*	-2.6473***
	(1.5490)	(0.7027)
Log no. of employees	0.8757	0.9646*
	(0.6374)	(0.1677)
Log no. of employees^2	-0.0323	-0.0596***
	(0.0450)	(0.0171)
N	1,421	
N-uncensored		702
Mill's λ		0.5847
		(0.8967)
ρ		0.5401
σ		1.0825

Note: β-coefficients in column 1. Minimum wages are industry-specific and average wages are region- and industry-specific. See also notes to Table 2.

Table 4. Employer attitudes towards refugees' co-operation with staff and contacts with customers. Ordered logit regressions

	Co-operation with other staff may worsen / has worsened		Our customers may prefer / have preferred contacts with natives rather than refugees	
	All firms (b04)	Firms with experience of refugees on payroll (d05)	All firms (b05)	Firms with experience of refugees on payroll (d06)
No. of employees ($\times 10^2$)	-0.0068	-0.0272*	-0.0143*	-0.0331*
	(0.0078)	(0.0146)	(0.0075)	(0.0192)
No. of employees^2 ($\times 10^7$)	-0.0048	0.3530***	0.0130	0.2510
	(0.0427)	(0.1360)	(0.0324)	(0.1550)
Local government	-0.04946	0.8957***	-0.3093	0.1134
	(0.2545)	(0.3196)	(0.2486)	(0.3970)
Engineering	-0.1514	0.3745*	-0.3674***	-0.5584**
	(0.1454)	(0.1966)	(0.1417)	(0.2445)
Hotels and restaurants	-0.3358	0.4650	-0.1659	-0.3136
	(0.2327)	(0.2873)	(0.2294)	(0.3330)
Retail trade	-0.1001	0.0593	0.1169	-0.0549
	(0.1640)	(0.2316)	(0.1599)	(0.2466)
Wholesale trade	-0.3374	-0.1466	-0.1398	-0.7317
	(0.2166)	(0.3090)	(0.2054)	(0.4004)
Construction	0.6118***	1.0866***	0.5265***	0.8911**
	(0.1880)	(0.2787)	(0.1827)	(0.3662)
Electrical installations	1.0269**	1.0496	1.2886***	1.1498
	(0.4273)	(0.6600)	(0.4453)	(0.7099)
Wood	0.4296*	0.8932**	0.2217	-0.9420
	(0.2479)	(0.3919)	(0.2432)	(0.9226)
Bakeries	-0.0654	0.0764	0.7881	0.4820
	(0.7050)	(0.7384)	(0.6180)	(0.7992)
Slaughter-houses	-0.2382	1.2685*	-0.7693	-14.5067
	(0.5965)	(0.7190)	(0.5941)	(679.0078)
N	1,752	971	1,747	557
Log likelihood	-2,494.11	-1,584.99	-3,060.38	-912.74
Pseudo R^2	0.0133	0.0245	0.0144	0.0318

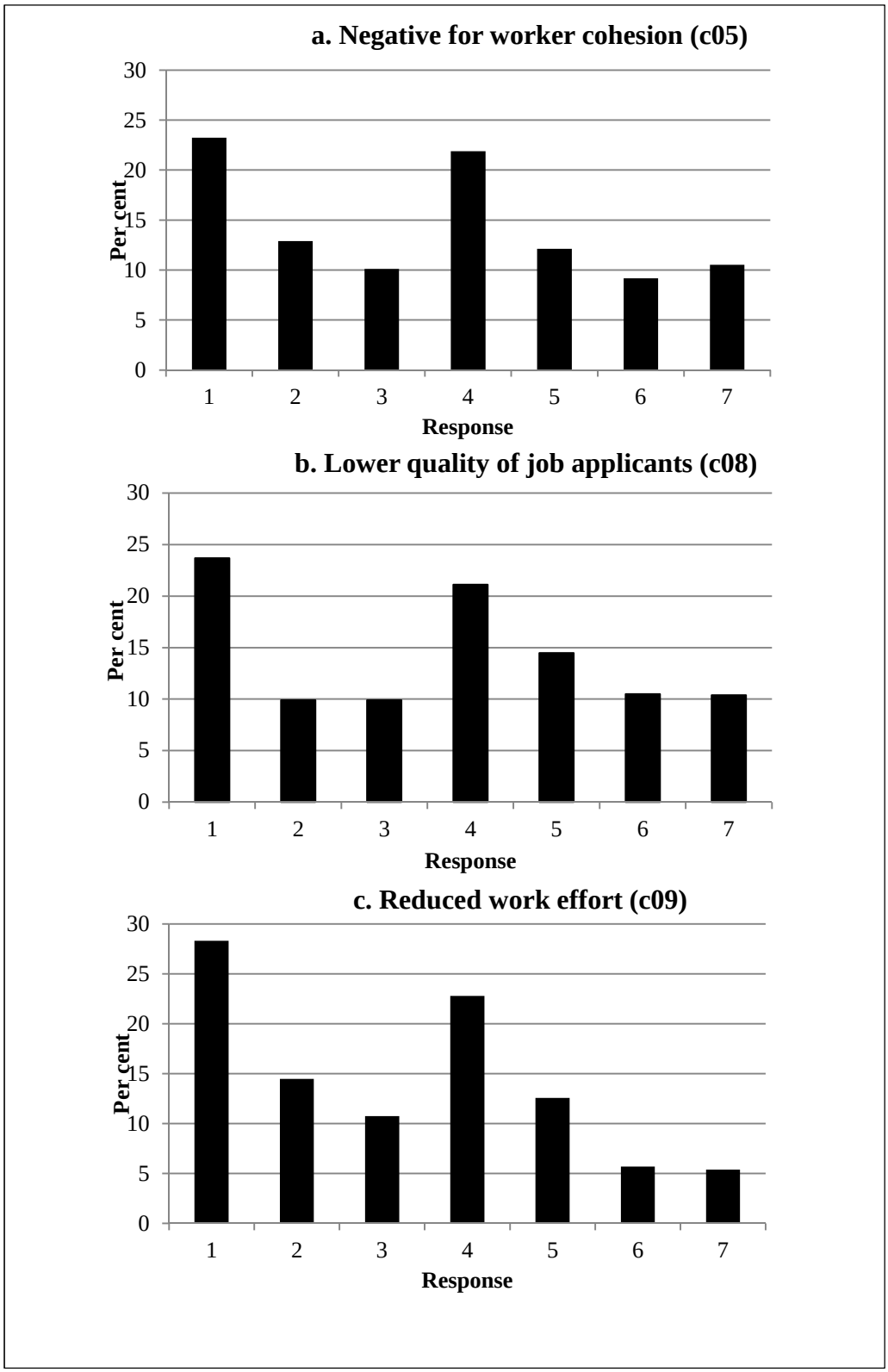
Note: The responses to statements b04, d05, b05 and d06 in the survey (see Appendix B) refer to the Likert 1-7 scale, 1=fully disagree, 7=fully agree. See also notes to Table 2.

Table 5. Attitudes towards the employment of refugees among 'discouraged' and other employers. Logit regressions with the probability of being 'discouraged' as dependent variable

	(1)	(2)
d02. We had to spend more resources on screening the refugees prior to hiring than we do for native applicants for similar jobs	-0.1732** (0.0712)	-0.1554** (0.0726)
d04. Refugees' language skills were good enough for the job	-0.1735*** (0.0491)	-0.1688*** (0.0497)
d05. Refugees have been hard to integrate with other employees so that co-operation at work has not worked satisfactorily	-0.0745 (0.0741)	-0.0542 (0.0761)
d06. Our customers preferred contacts with native employees rather than with refugees	-0.0044 (0.0618)	-0.0508 (0.0661)
Industry dummies	No	Yes
Pseudo R^2	0.0931	0.1163

Note: All regressions include a constant, the number of employees and its square. The Likert scale is 1-7 for d02, d04, d05 and d06. See also notes to Table 2.

Figure 1. Employer views on negative consequences of wage cuts for newly recruited, low-skilled workers



Note: The responses refer to the Likert scale, 1=fully disagree, 7=fully agree.