

Summary

Issues related to integration and the consequences of segregation are increasingly prominent in the public debate. Increased residential segregation and negative development in areas with socio-economic challenges have consequences both for individuals and society. In this report to the Expert Group on Public Economics, we analyse the correlation between characteristics of the neighbourhood where people of foreign backgrounds grow up and various outcomes later in life. The report contributes to knowledge about the importance of the neighbourhood for integration and the development of segregation in Sweden.

Changes in society pose major challenges when it comes to integration and segregation

Today, 20 percent of Sweden's population is born in another country. The group referred to as people with a foreign background is even larger, as it includes both people who have immigrated to Sweden and people with two foreign-born parents. Consequently, people with a foreign background are becoming an increasingly important part of our society. The changed composition of the population, along with several structural changes in society, have contributed to major challenges when it comes to integration and segregation. This development means that individuals who live and grow up in different places in Sweden live under very different presumptions.

In general, foreign-born individuals have lower levels of education, which means difficulties in gaining a foothold on the increasingly knowledge-intensive Swedish labour market. The structural transformation of the Swedish economy, driven by globalization and technological development, has contributed to an

increase of knowledge-intensive services and a specialization towards knowledge-intensive activities. These changes have led to a relative increase in the demand for highly educated labour.

The challenges of integration and segregation emphasize the need for better knowledge about neighbourhood effects

International research on so-called neighbourhood effects is quite extensive, but research on the importance of the neighbourhood for people's prospects in Sweden is limited. One reason may be that historically, segregation has not been an issue. Since the 1990s, residential segregation and differences pertaining to socio-economic factors have increased in Sweden and people from different backgrounds are nowadays increasingly residing in different areas, which makes it relevant to study potential neighbourhood effects.

The purpose of this report is to analyse the relationship between the neighbourhood where individuals of foreign background live and grow up, and their prospects in terms of educational and labour market outcomes. The report focuses on how the share of residents with foreign background in the neighbourhood, the economic self-sufficiency rate among the population in the neighbourhood in general and among individuals originating from the same group of countries as the individual being studied, co-varies with educational and labour market outcomes later in life. The report studies both people who have immigrated to Sweden and children of immigrants, i.e., children who are born and raised in Sweden having two foreign-born parents.

The importance of the neighbourhood in terms of educational and labour market outcomes can provide important knowledge for the design of political measures aimed at improving integration and reducing negative consequences of segregation.

Previous research suggests that neighbourhood effects may have greater significance in certain areas, and for this reason the analyses are also carried out for so-called "vulnerable areas", that have been classified by the Swedish Police Authority.

The neighbourhood is important for individuals' prospects

Our results show correlations that are clearly consistent with so-called neighbourhood effects. Characteristics of the neighbourhood are significant for the individual's educational and labour market outcomes later in life, and thus his or her prospects. Residing in neighbourhoods characterized by high shares of residents who are not self-sufficient is negatively correlated with educational outcomes when it comes to completing high school among people with a foreign background. This result applies to both men and women.

For children of immigrants, the correlation between their educational outcomes and the degree of self-sufficiency in the neighbourhood is weaker. Instead, it is the general degree of self-sufficiency that seems to be significant in a statistical sense. A potential explanation is that children of immigrants grow up in Sweden and have social networks that are not only tied to individuals from the same region of origin.

The results also show a positive and statistically significant correlation between the share of self-sufficient inhabitants in the neighbourhood where foreign-born resided at the age of 16 and their own probability of being self-sufficient at the age of 30. In other words, growing up in a neighbourhood with a high proportion of residents who lack self-sufficiency is related to a lower probability of self-sufficiency in adulthood.

In line with previous research, the results also show that ethnic concentration may be beneficial for both educational and labour market outcomes, for instance by promoting social networks and information dissemination.

For foreign-born people who lived in a neighbourhood classified by the Police Authority as a "vulnerable area", the correlations between neighbourhood characteristics and educational and labour market outcomes are generally weaker. However, the analysis shows a strong correlation between positive educational and labour market outcomes and having moved out of the area.

What significance do the research results have for politics?

The results in the report are consistent with the international academic literature on neighbourhood effects. Previous studies on

Swedish conditions have not been based on such extensive data material as in this study. The results of the analysis should not be given causal interpretation, but with the support of previous research we can highlight important areas for policy measures.

Socio-economic segregation is a major political challenge, especially if neighbourhood effects contribute to “cementing” unfavourable educational and labour market outcomes. Previous research has shown the importance of the “quality” of knowledge and norms in the area where a person grows up and their labour market and educational outcomes. If you live in an area with a high self-sufficiency rate, the probability of positive effects on educational and labour market outcomes is high. Under these conditions, good examples and social networks can contribute to inspiration, increase knowledge of the labour market, and facilitate contacts within the business community. If, on the other hand, you live in an area with high unemployment, it can contribute to negative educational and labour market outcomes. In the worst case a downward spiral can be initiated and sustained through these mechanisms and thus risk strengthening the low socio-economic status that many areas already suffer from.

If good examples are important for individuals’ prospects, it is a problem for local neighbourhoods when successful individuals and families move out of socio-economically weak areas because potential positive role models leave the area. In other words, an inherent “conflict” may be present between individuals’ and families’ interests (for example, to move to “good” areas) and “society’s interest” (secure local presence of good examples that can contribute to the development of an area).

Supported by our analysis, we conclude that politics to “break segregation” need to have clear goals. For example, ethnic concentration in itself does not have to be a problem if a large part of the area is engaged in “productive activity”, as has often been the case in “Chinatowns” and “Little Italys” around the world. In politics, we need a focus on understanding which individual behaviour have ripple effects through social interaction. Based on this understanding, efforts can be made to create conditions for desirable behaviours that strengthen individuals and thus areas, and ultimately society.

Sound policy making requires further research; for example, more research is needed in order to establish stronger evidence of causal effects when it comes to the relationship between the degree of self-sufficiency in a neighbourhood and individuals' successes both in terms of educational results and whether an individual has established themselves on the labour market. More evidence-based knowledge are also needed about effective policy measures that can steer a neighbourhood towards positive development. With better knowledge, more targeted and effective measures can be used to counteract the "cementing" that the combination of socio-economic segregation and neighbourhood effects seem to contribute to.

Our view is that several measures are required to counteract the emergence as well as the consequences of socioeconomic segregation. There is no available panacea to handle the problems associated with segregation. Our conviction is that a range of measures are needed in those areas where socioeconomic challenges are present, as well as remedial measures targeted at those processes that perpetuate the problem.