



## Sweden Unsuccessful Integrating Immigrants

High taxes, generous welfare benefits, strong labor unions, and labor-market regulations trap people in welfare dependency. This is true even for highly educated and motivated groups of immigrants. For example, among early waves of Iraqi immigrants coming to Sweden, the immigrants were between five to 10 times more likely to hold a Ph.D. degree than native Swedes. Even so, among those Iraqis who gained permanent residency between 1987 and 1991, only 13 percent of the women and 23 percent of the men were employed in 1995.



Anglo-Saxon nations are much more adapted to integration. A comparison with the UK and Canada shows that the unemployment rate amongst the foreign born is half of that in Sweden (the figures are even lower in the United States, which is however not the focus of the presented study). Part of the explanation lies in more flexible labor markets and greater rewards for working rather than relying on government handouts. Another important factor is that immigrant entrepreneurs are far more successful in the UK and Canada compared to in Sweden. Successful immigrant entrepreneurs in turn create jobs and opportunities for social mobility in their surrounding communities.

Many immigrants in Sweden come from bazaari-cultures that emphasize entrepreneurship. They have a greater desire to start up and expand businesses compared to native Swedes. Not least is this true when comparing immigrant and native youths. But although it is more common for immigrants to start up businesses and although they on average spend more time developing their business ideas, the lifespan of immigrant businesses are shorter than that of native businesses and their incomes are considerably lower.

It is thus slightly less common for immigrants to run a business than for native Swedes, and many immigrants who run their own business do so since the alternative is unemployment. Half of female immigrants from Iran who start up a business in Sweden would otherwise be unemployed.

In the UK the situation is quite different. Minorities from India, Pakistan, and Bangladesh were early in establishing businesses in retailing and food-services. Immigrant businesses have with time established themselves in many different fields, anything from technology to manufacturing and services. Basically all ethnic minorities in the UK are more likely than the average to run a business.

The share of minorities running businesses is two-thirds higher than that of white Brits. Among Indian and Pakistani immigrants, the likelihood of running a business is twice as high compared to white Brits, among black African immigrants three times as high. Studies show that minority businesses in the UK play an important role in vitalizing inner-city areas otherwise characterized by unemployment and stagnation.

The argument is not that integration works perfectly in the UK, or that the nation is absent of the issue of widespread welfare dependency so predominant in Sweden. Integration remains a challenge also in



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the UK. However, a greater share of immigrants can support themselves and their families through occupation since opportunities are more open for entrepreneurial activity.

Canada is one of the Western nations that has accepted the greatest share of immigrants. Almost a fifth of the Canadian population is born abroad, amongst whom a majority originate from Asia. Integration in Canada is oftentimes successful, partially because Canadian officials are selective when it comes to whom is allowed to enter the country, but also because immigrant businesses are prosperous.

The share of immigrants active in starting up or running a company is some 60 percent higher compared to native Canadians. Historically those who migrate to Canada have not only caught up to but surpassed native Canadians in income.

Business opportunities and entrepreneurial activity in general are greater in the UK and in Canada compared to in Sweden. The two Anglo-Saxon nations put a greater emphasis on the business climate. Less regulations stand in the way of those starting up businesses and less taxes are collected from successful businessmen. It is perhaps not surprising that a greater share of the population of the UK and Canada start up businesses compared to Sweden.

It's worth noting that immigrants in the UK and Canada are more likely to run businesses even when compared to the native born in their respective countries. In Sweden the percentage of immigrants running a business is even lower than the already low figures for native Swedes.

It is evident that immigrant businesses are particularly sensitive to the differences in business climate in Sweden compared to the UK and Canada. Why is this the case?

International studies show that immigrant entrepreneurs find it more difficult to adjust to regulations and red tape compared to native entrepreneurs. In Sweden, four out of 10 foreign-born businessmen point out that regulations and bureaucracy are impairing the growth of their businesses.

Nutek, the Swedish Agency for Economic and Regional Growth, points out that "It is likely that actions [aimed at simplifying laws and regulations] are particularly important for individuals born in foreign countries and for recently arrived immigrants when it comes to simplifying entrepreneurship."

Research from the UK shows that deregulations implemented during the Thatcher era did much to stimulate the development of immigrant businesses, whereas programs where public money were spent in order to help immigrant businesses had very limited if any effect.

Unfortunately, not only in Sweden but in most if not in all Western societies, there is a tendency to turn to government intervention, regulations and public spending for helping marginalized groups. A widespread belief seems to be that only some groups can take care of themselves, whilst others must rely on government aid. Oftentimes these measures have long-lasting negative impacts, leading to welfare dependency, diminishing working ethics, and the creation of social tensions between various groups.

A far better way of helping marginalized groups — in this case immigrants — is to open up rigid systems so that it becomes more accessible to reach social mobility through hard work and entrepreneurship. Such a policy does not weigh on taxpayers but instead leads to improved finances. It does not create dependency on the public but instead promotes self-reliance.

So why is not more done? Perhaps many politicians simply do not like thinking in the terms of relinquishing power and letting society function for itself, rather than increasing political involvement as the way forward.



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