

Second-Generation Immigrants in the Small-Business Sector in Sweden

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Abstract

This study investigates the importance of co-ethnic employment for second-generation immigrants using data on the total population of Sweden. The analyses show that employment by parents comprises a substantial part of co-ethnic employment among young people. However, youth of Swedish origin in the small business sector are employed by parents to the same extent as second-generation immigrants. Furthermore, youth of Swedish origin are much more often employed by Swedish-born employers. Therefore, we argue that mobilization of family resources and social networks is not specific to immigrants in 'ethnic economies' but is rather part of a general *small-business class* strategy.

Keywords: Ethnic economies, second-generation immigrants, ethnic capital, co-ethnic employment, Sweden, small-business class, family business, labor market integration.

INTRODUCTION

The small business sector is considered an important source of job opportunities, and immigrant-owned small businesses are a particularly strategic approach to combatting unemployment among people with immigrant backgrounds (Rath and Swagerman, 2011; Slavnic, 2013). Unemployment in Sweden is lower than that in the rest of Europe. At the same time, Sweden displays higher immigrant and youth unemployment rates compared to EU-27 (European Union, 2011). Because immigrants display relatively high rates of self-employment in Sweden (Klinthall and Urban, 2010), networks in the small business sector should constitute important assets in the labor market for youth with immigrant backgrounds. The current study addresses the importance of ethnic and family networks for young adults in the small business sector.

The growth of new entry-level jobs in small businesses in the service sector, together with the observation of an over-representation of immigrant entrepreneurs in these branches, has often been discussed as a solution to the labor market situation regarding youth and immigrants. In addition to new jobs for self-employed entrepreneurs, new jobs are created for those who are hired by the businesses. Immigrant cohorts that have arrived in Sweden after the mid-1970s have faced greater barriers to the labor market, and self-employment has been one way of overcoming these barriers and can affect their children's opportunities in the labor market.

Although the parental generation may have weak networks in the wider labor market, they can offer their children job opportunities in their own businesses or network resources within the ethnic community. Ethnic capital and ethnic or immigrant entrepreneurship provide possible assets and opportunities for members of ethnic minority communities and, hence, for second-generation immigrants (i.e., children of immigrants) entering the labor market (Borjas, 1992). To the extent that self-employment among first-

generation immigrants is a strategy when confronting obstacles in the labor market, the use of ethnic capital for employment in the 'ethnic economy' may represent a corresponding strategy among second-generation immigrants. However, studies indicate that ethnic minority networks are relatively weak in Sweden (Åslund and Skans, 2009; Klinthäll and Urban, 2010; Le Grand and Szulkin, 2002; Pripp 2001). There are few identifiable business clusters, and although there are immigrant-dense neighborhoods, residential concentrations of certain ethnic groups are small.

Against this background, to what extent are second-generation immigrants employed in family businesses or by co-national employers? Are children of immigrants helped by their families and ethnic networks to a larger extent than young people with Swedish-born parents? This study analyzes the relative importance of resources embedded in ethnic networks and in the family for the employment of young people in the small-business sector. The results indicate that employment by parents constitutes a large part of co-ethnic employment among second-generation immigrants in the small business sector. Furthermore, second-generation immigrants are employed in family businesses to the same extent as youth with Swedish-born parents, although there are important differences across groups according to the parents' birth country. On the other hand, second-generation immigrants and youth with Swedish-born parents differ considerably regarding the extent to which they are employed by immigrants other than co-nationals.

THEORY

When first developed, research on ethnic minorities or immigrants' small business was dominated by cultural explanations (Kloosterman and Rath, 2003; Waldinger, 2001; Slavnic,

2013). For instance, Bonacich (1973) was quite influential in showing how minority groups intensified group solidarity to cope with discrimination. Mutual trust and loyalty became important ingredients in his theory on ethnic economies. The primary focus on ethno-cultural differences was critiqued by Granovetter (1985), who argued that economic actions must be considered as a part of social relations. Although the concept of embeddedness was applied in immigrant small business research, with inspiration from Granovetter, the broader political, economic and social contexts were neglected (Slavnic, 2013). The focus on ethno-cultural differences and ethnic resources has been critiqued to reduce immigrant entrepreneurship to an ethno-cultural phenomenon, existing in an economic and institutional vacuum (Rath, 2001). Cultural explanations remain important in immigrant entrepreneurship research, e.g., the home-country self-employment hypothesis (Yuengert, 1995; Fairlie and Meyer, 1996) and the enclave or ethnic economy hypothesis (Borjas, 1986). Culture, a loyal customer base, access to information and markets within ethnic communities, as well as communal solidarity that includes resources such as pooled capital and cheap, flexible labor have been identified as important aspects of an ethnic economy (e.g. Bonacich and Modell, 1980; Portes and Bach, 1985; Borjas, 1986; Light and Bonacich, 1988; Waldinger, 1990). Zhou argues that 'immigrants seek self-employment in greater proportion than natives do because of discrimination in the larger labor market and disadvantages associated with immigrant status, such as poor English proficiency and the depreciation of human capital' (Zhou, 2004, p. 1047). Whereas, culture and ethnic economy or 'the ethnic resource model' (Ram and Jones, 2008) have been the dominant hypotheses in the US literature, the 'breadwinning hypothesis' has had a larger impact in European research (Kloosterman, 2010; Clark and Drinkwater 2000). The breadwinning hypothesis focuses on constraints in the labor market that 'push' ethnic minorities into self-employment.

The 'ethnic resource model' is specifically connected to a superior availability of family and co-ethnic workers (Ram and Jones, 2008). It is argued that the specific circumstances in ethnic minority businesses (EMBs) are driven by cultural traditions and isolation in an alien new society; therefore, entrepreneurship will become less important as the minority group becomes more assimilated into mainstream society. The ethnic resource model posits that intergroup solidarity allows easier access to employment through informal networks. This reasoning leans on the importance of solidarity, trust, and strong ties within ethnic networks.

In an alternative line of argument, bridging networks or weak ties are considered more important for gaining access to the mainstream labor market. Using Granovetter's (1973) terminology, parents represent 'strong ties' that are important for young people's entry into the labor market, but not as important as 'weak ties' that can provide links to other networks and provide new information.

Regarding culture-based explanations, Ram and Jones argue that 'Many of the values and behavior patterns that are presented as essentially and specifically products of South Asian ethnic cultures are better seen as products of a small-business-*class* culture' (Ram and Jones 2008, p. 354). Hence, they underline the need to compare EMBs alongside mainstream white-owned businesses.

According to Bonacich and Modell (1980), reliance on family labor is an important aspect of the viability of small business and one explanation for the economic success of various groups of immigrants. Estimations by Light et al. (1994) show that a majority of immigrant enterprises are family-owned businesses without any paid employees. Sanders and Nee (1996) discuss the importance of family in small business, e.g., how family members can be used as flexible labor, serve as a source of financial capital, and can be trusted with sensitive or risky transactions. Intra-family loyalty, collective objectives and

mutual dependence 'confers advantages to immigrant entrepreneurs by enabling them to economize on production and transaction costs' (Sanders and Nee, 1996, p. 233). However, following the argument by Ram and Jones (2008), similar advantages apply to native entrepreneurs. The importance of informal networks including weak ties, as well as family and friends, could be considered the result of strategies in small businesses in general, in which ethnic minority entrepreneurs and ethnic majority entrepreneurs use the resources within their family and social networks. Because resources embedded in the networks of family and co-ethnic friends in the majority population are not considered 'ethnic' capital, there is a risk that discussions of immigrant entrepreneurship that refer to 'ethnic capital' overestimate the role of a shared ethnicity among immigrants in relation to other resources embedded in family and social networks.

BACKGROUND AND PREVIOUS RESEARCH

Sweden became a destination for immigration after the Second World War. Immigration was mainly labor-market related until the mid-1970s, at which time, immigration by refugees and their families began to increase. Today, the foreign-born population is nearly 1.5 million people and the second-generation (born in Sweden to two foreign-born parents) amounts to nearly 450,000 individuals, or 4.7 percent of the total population. The most common origins of second-generation immigrants, classified by the parents' birth country, are Finland, Iraq, Yugoslavia, Turkey, Iran and Lebanon (Statistics Sweden, 2013a).

At the end of the 1960s, immigrants' relative employment and income levels were close to the levels of Swedish natives, but the development of the labor market since the 1970s has led to a dramatic deterioration in the income and employment situation of immigrants, particularly non-European immigrants (Rosholm et al., 2006). According to Statistics Sweden, 15.9 percent of the foreign-born population active in the labor market were

registered as unemployed in 2012, compared to 6.4 percent of the natives. Among people aged 15-24 who were active in the labor market, 21.1 percent of those born in Sweden were registered as unemployed, as compared to 37.0 percent of foreign-born youth (Statistics Sweden 2013b). Statistics Sweden does not publish statistics on unemployment by parents' birth country; however, studies show that second-generation immigrants in Sweden face difficulties getting established in the labor market even when parental and educational factors are taken into account (Rooth and Ekberg, 2003; Behtoui, 2004; OECD, 2007; Hammarstedt, 2009).

Several studies have analyzed differences between immigrant groups and native Swedes regarding entrepreneurship propensity and performance (e.g., Hammarstedt, 2001, 2004, 2006; Andersson and Wadensjö, 2005; Andersson, 2006; Hedberg, 2009; Klinthäll and Urban, 2010; Andersson and Hammarstedt, 2010, 2011; Andersson Joonas, 2010, 2011; Hedberg and Pettersson, 2011) and the importance of ethnic networks (Pripp, 2001; Ljungar, 2007; Andersson and Hammarstedt, 2012; Olsson et al., 2010; Ohlsson et al., 2011).

Due to the relative absence of large and geographically concentrated ethnic communities in Europe, research on 'ethnic economies' has been limited compared to in the United States. In Sweden, for instance, despite of more than 50 years of significant net immigration, there are no business branches or clear geographic clusters where entrepreneurs from a specific ethnic group dominate (Åslund and Skans, 2009; Klinthäll and Urban, 2010). However, there have been attempts to identify ethnic economies in Sweden. Le Grand and Szulkin (2002) note that non-Western immigrants are concentrated in a small number of branches. Pripp (2001) notes relatively high geographical concentrations and business networks among Assyrian/Syriac groups in the south of Stockholm.

Although there is little evidence of actual ethnic economies in Sweden, a number of studies have searched for effects of living in ethnic enclaves or belonging to an

ethnic group on the proportion of self-employed individuals. These studies show divergent results. Grönkvist (2005) concludes that size of enclaves (i.e., number of co-nationals in the same municipality) negatively affects the probability of graduating from higher education but has no effect on the earnings of second-generation immigrants. Andersson Joona and Wadensjö (2009) show that self-employed immigrants tend to employ people from their own countries of origin. They argue that proximity to people from the same region and networks have an impact on employment decisions of the self-employed. In a follow-up study, they analyze the labor market outcomes of working in an 'ethnic economy', defined as being employed by a self-employed co-national (Andersson Joona and Wadensjö, 2010). Åslund et al. (2009) also find that immigrants often employ persons from the same birth country and that immigrant managers not only prefer to employ co-nationals, but are also more likely to hire immigrants in general compared to native managers. Therefore, the authors rule out the efficiency argument, i.e., that a common language is a reason to employ a co-national worker. There is also no evidence that similarity affects entry wages. Consequently, Åslund et al. conclude that their findings support explanations based on networks or information asymmetries. However, none of these studies investigate the extent to which employment by co-nationals is explained by intra-family recruitment. Intra-family resources may be of similar importance in businesses owned by natives and those owned by immigrants.

In a study on Swedish data, Kramartz and Skans (2007) show that the parents' employment is important for the first workplace of their children (both for immigrants and natives). In particular, low-educated males tend to follow their fathers, and Nordic immigrants benefit more from their parents (i.e., more often obtain their first employment at the same plant as their parent); whereas, children of immigrants with other origins are similar to the Swedish-born children. The likelihood of obtaining the first job at the parent's workplace is higher if the parent has a high wage, and self-employed parents seem to prefer employing

their own children. According to Andersson and Hammarstedt (2010, 2011), there appears to be a generational link in self-employment of up to three generations for immigrants; however, this link is not found among natives.

Research on the extent to which immigrants and natives use informal ways into the labor market shows mixed results. Olli Segendorf (2005) finds that non-European immigrants were more likely to have received their job via informal contacts, such as friends and acquaintances, compared to natives, whereas Behtoui (2008) finds the opposite. Olli Segendorf analyzes data that were collected in 1998, in which formerly unemployed individuals (deregistered from the public unemployment agency) were asked about their general search strategies, whereas Behtoui (2008) uses data that were collected from 1992-1998 on how employed persons obtained their current jobs. The divergence in their findings may be explained by the problem of multiple search strategies (Montgomery, 1992; Mouw, 2003), as the successful method (through which the accepted job was found) does not necessarily reflect the most used method.

Although employment in ethnic small businesses is discussed as an important entry point into the labor market for young people with immigrant backgrounds, there is a lack of studies that empirically analyze the patterns of employment in the small-business sector and the extent to which youth from different backgrounds are employed by their parents and co-nationals. The presence of ethnic clusters in Sweden is not as evident as in certain areas in the UK or the US; therefore, employment by co-nationals may be largely explained by employment in family businesses. The family ‘embodies an important form of social capital’ (Sanders and Nee, 1996); therefore, the dynamics of family business and intra-family employment are similar regardless of ethnic group or of native versus immigrant background, although access to ethnic business networks may differ considerably across

groups. Therefore, we must take into account family business in studies of 'ethnic entrepreneurship'. The current study will contribute empirical evidence on this matter.

DATA

We use data compiled from a number of registers administered by Statistics Sweden. These registers contain demographic and socioeconomic information on all individuals over 16 years of age who were registered as Swedish residents in 2008. Following Andersson Joona and Wadensjö (2010), we define 'working in an ethnic economy' as being employed by a self-employed co-national. We connect information on the labor market status of second-generation immigrants aged 20–35 with their parents' labor-market status and their country of birth. We have information on the parents' country of birth for a total of 1,426,244 individuals aged 20-35, of which 198,209 work in the small-business sector.

There are several definitions of 'second-generation immigrants' in the literature. According to the new (2004) official definition of second-generation immigrants in Sweden, individuals with at least one parent born in Sweden are defined as having Swedish origin. Hence, we follow the official definition and define second-generation immigrants as Swedish-born persons whose parents were born abroad. Individuals included in the data have at least one parent that is identifiable in the data. When the birth country of the father differs from that of the mother, we define country of origin according to the birth country of the father. One reason for this choice is that previous research has found that father's occupation has a larger impact on the offspring's career than does mother's occupation. We lack information on the father's country of birth for a total of 9,899 individuals in the total population aged 20-35, of which 1,157 belong to the small-business sub-sample. The most common explanation for missing information on the father's country of birth is that he is not found in the registers. In these cases, we defined country of origin by the birth country of the mother. When

analyzing the data, we also used alternative definitions for the country of origin of second-generation immigrants to test the sensitivity of the results (see the analysis section below).

Information on ethnicity is not available from the Swedish register data; therefore, 'co-national relations' are defined by the 73 birth country categories available in the database. For personal integrity protection, some of the birth countries with very small numbers of individuals have been grouped together by Statistics Sweden. We are aware that birth country can only be used as a crude proxy for ethnicity, as national territories may contain several ethnic groups and ethnic groups may be spread over several nation states. In the following, we use the term 'co-national' for an employment relation in which a foreign-born employer has the same country of birth as the parent(s) of the employee, assuming that the employment relation may be based on 'ethnic resources' as discussed above but recognizing that co-nationals are not always co-ethnic. The data on employment status allows us to identify self-employed individuals ('employers') and connect them to their employees (if any) through the unique code of the organization. Employment status is determined by the individual's highest source of income in November 2008. Co-national employment relations are classified for organizations with up to five identifiable owners/employers. An individual is considered as employed by a co-national when the birth country of at least one of the up to five owners/employers of the business matches the birth country of the employee's parent(s).

In the analyses, we group the 73 origins into 15 origin categories, primarily based on geography and size of the group. Due to a relatively small number of second-generation immigrants of certain origins, some of the origin categories are rather extensive and heterogeneous (see appendix for list of countries in each category).

Table 1 shows the employment status in 2008 by origin category for all 20- to 35-year-old Swedish-born individuals with at least one identifiable parent. Small business enterprises are defined as organizations with up to 50 employees, including identifiable self-

employed employer(s). Organizations with more than 50 employees and organizations without identifiable owners, such as larger corporations, businesses owned by foreign residents, and public employers (e.g., health care, education, and public administration), and organizations with more than five identifiable owners/employers are categorized as 'Other employer'. All individuals with a registered income from employment in November 2008 are categorized as employed. Those without income are categorized as 'not employed', unless they received income from studies during the year, in which case they are categorized as 'students'. Table 1 shows that individuals of Swedish origin display the highest share of the employed by 'Other employers' category and the lowest share of the students and 'not employed' categories; 13.9 percent or nearly 200,000 persons in the sample worked in the small-business sector. Those who have parents born in Turkey display the highest share of people employed by small businesses, whereas those of Chilean origin display the lowest.

Within the small business sector, we categorize employment relations according to the employer category and the birth country of the employers. Five employment statuses are defined as follows: 1. at least one of the employers is a parent, 2. at least one of the employers is a co-national (only for individuals with foreign-born parents), 3. all of the employers were born in Sweden, 4. at least one of the employers is foreign born but not co-national, and 5. the individual is a self-employed single owner.

[Table 1 about here]

ANALYSIS

All individuals employed by small businesses are included in the following analyses (n = 198,209). Table 2 shows employment by employer category for young people of Swedish and

foreign backgrounds, separately for males and females. The largest difference between individuals of Swedish and foreign backgrounds is that individuals of Swedish background are employed in businesses with only Swedish-born owners to a much larger extent. By contrast, individuals of foreign background are more often employed in businesses with foreign-born owners. However, the differences regarding employment in a business for which a parent is owner is nearly negligible, only 0.5 percentage points higher among those of foreign backgrounds. The difference between men and women is larger than that between those with native and foreign backgrounds; men are more often employed by parents than women.

[Table 2 in about here]

Hence, taking advantage of parents to find employment in the small business sector does not seem to be particularly more common among young people with foreign backgrounds than among their native counterparts. On the other hand, those of foreign origin more often have employers of a different foreign background, whereas young people of Swedish origin are more often employed by other Swedish-born employers. This is also indicated in table 1, in which a larger proportion of individuals of Swedish origin are employed in 'Other employment', i.e., larger private or public, basically, 'Swedish' organizations.

Figures 1 and 2 show the distribution across employer categories for all origin categories. There is large variation across origin categories regarding the proportion employed by Swedish employers. Among those who have parents that were born in Turkey, less than 20 percent of the 20- to 35-year-olds who are employed in small businesses have only Swedish-born employers. All origin categories except the Swedish and Nordic categories are less than 50 percent employed by Swedish-born employers.

[Figure 1 about here]

[Figure 2 about here]

Employment by parents explains a large part of what has been defined as 'ethnic economy' or what could be referred to as 'ethnic capital'. Several origin categories display at least as high rates of employment by parents as employment by other co-nationals. As shown in figures 1 and 2, those who have parents born in Turkey have large rates of co-national employment, both among males and females. Interestingly, it is more common to be employed by 'Other immigrant employer' than by a co-national employer in all groups except for those with parents born in Turkey.

Table 3 shows that more than one-third of co-national employment among second-generation immigrants is explained by individuals' employment by their parents, ranging from 19 percent (females with parents born in Turkey) to 100 percent (only 4 females in the category 'Other' were employed by an employer from the same country of origin and the employers were their parents). Many origin categories display rates of parental employment of 50 percent or more, although the average is 37 percent for males and 35 percent for females.

[Table 3 about here]

The use of intra-family relations for employment in the 'ethnic economy' would likely be even higher if we defined family in a wider sense. However, because it is not possible in most cases, we have not traced employment by grandparents, uncles, cousins, or other kin outside of the nuclear family.

As shown above, employment by parents is as common among young people of Swedish origin as among those who have foreign-born parents. However, figures 1 and 2 and table 3 reveal that there is large variation across origin categories. In the next part of the analysis, we investigate the extent to which differences between origin categories are

explained by age, education and residential area. In table 4, results from binary logit regressions on employment by parents are displayed separately for males and females.

[Table 4 about here]

The estimation results are displayed as odds ratios. An odds ratio below unity indicates that the odds of an outcome are below those of a reference category, whereas an odds ratio above unity implies higher odds compared to the reference. The first column in table 4 shows that the odds for Secondary education are 0.87 times the odds for Elementary max 9 yrs. This indicates that the odds, and hence the likelihood of being employed by parents is lower for males with education at the secondary level compared with those who only have elementary-level schooling. Age yields an odds ratio of 0.96, implying that the odds of being employed by parents are 0.96 times the odds for an individual who is one year younger. The odds ratios in table 4 show that employment by parents is negatively associated with age and education for both males and females. Regarding origin categories, the patterns are slightly different for males and females. Males with parents born in Lebanon, Turkey or East Asia are significantly more likely to be employed by parents than those with Swedish-born parents, whereas the opposite is true for males of Nordic origin. Most origin categories are *not* significantly different from those of Swedish origin. For females, the categories of Syria, Other West, East Asia, and Asia Other display odds ratios that are significantly higher than the reference, Sweden, whereas Nordic and Other show significantly lower odds ratios.

Due to the definition of co-national employment, it is not possible to compare 'ethnic employment' among those of Swedish background with those of other backgrounds. Rather, we use the 'inverse' definition of co-national employment, which has the same definition for all origin categories; 'Employed by other immigrant' indicates that there are no co-national or intra-family employment relations. This is the only category that does not reflect network recruitment based on ethnicity.

[Table 5 about here]

Table 5 shows the odds ratios of being employed by 'Other immigrant', i.e., an employer who is foreign born but not of the same national origin as the employee. The difference between young persons of Swedish background and those of foreign backgrounds is substantially large when compared to differences in the odds of being employed by parents. For both males and females, nearly all origin categories display odds ratios above unity, i.e., most immigrant backgrounds are associated with relatively higher odds of being employed by 'Other immigrant' compared to those with parents born in Sweden also when age, sex, metropolitan residence and education level were taken into account. Among females with parents who were born in Yugoslavia, Lebanon, Syria, Iraq, Chile and Other, the categories display odds ratios that are significantly above unity. Among men, all categories display odds ratios that are significantly above unity, with the exception of those born to parents from Nordic, Poland, Turkey and Iran. Males and females who have parents that were born in Turkey are an exception to this pattern, as they have significantly lower odds of being employed by other immigrants. The regional context is important for the odds of being employed by other immigrants, but regional differences do not explain all variation across national origins, as the main pattern remains even when controlling for municipality of residence (dummies for 291 municipalities, not shown here). Interestingly, the result indicates that the importance of co-national recruitment and parental resources (the opposite definitions of being employed by 'other immigrant') is greater for those of Swedish origin than for second-generation immigrants.

The results show that, compared to the youth of Swedish origin, second-generation immigrants are much more likely to work in ethnic minority businesses, not only with co-national employers but also in other immigrant-owned businesses. Second-generation immigrants who work in immigrant-owned small businesses are not simply employed by

parents or co-ethnics in an 'ethnic economy'. Hence, low production and transaction costs from intra-family and intra-ethnic recruitment cannot explain the whole pattern of second-generation immigrant employment in EMBs. In line with Åslund et al. (2009), networks and information asymmetries may explain part of these patterns as well as labor market segmentation, where first- and second-generation immigrants are over-represented in certain branches, both as employers and employees.

In the next part of the analysis, we further explore the differences in employment relations between categories of second-generation immigrants by origin. In table 6, we compare the odds of being employed by co-nationals including parents (which is the standard definition) and being employed by co-nationals excluding parents. First, using a binary logit model, we estimate the likelihood of being employed by co-national employer(s) including parents as opposed to being employed by any other employers (Model 1). Second, we estimate a multinomial logit model of being employed by co-national employer(s), alternatively being employed by parent(s), as opposed to being employed by other employers in the small business sector (Model 2). We have run the models separately for men and women. Control variables for age, metropolitan area and level of education are included in the models. The reference categories are Elementary education (9 years or less) and origin from Other West. Other West was chosen as reference category because it is the most similar to Swedish origin in terms of the share employed in small businesses and in the middle range for different origin categories regarding 'ethnic economy', i.e., share employed by small businesses with co-national employers (incl. parents).

[Table 6 about here]

[Table 7 about here]

The columns for Model 1 in tables 6 and 7 show that relative to young people with parents born in Other West (i.e., western Europe, North America and Oceania), most categories are

less likely to be employed by co-national employers. The only category for which both males and females display significantly higher odds ratios is Turkey. Model 2, in which co-national employment is separated into parent employer and co-national employer (not parent), shows that the categories Turkey, Lebanon and East Asia display relatively high rates of parental employment for males. Among females, most categories display insignificant odds ratios of parental employment when parent employers are separated from other co-national employers, with the exception of low odds ratios for Nordic and Other. Regarding co-national employment, only Turkey displays significantly higher rates for both males and females in Model 2. All other categories display insignificant or significantly lower odds of co-national employment compared to Other West.

To test the sensitivity of the analysis results to our definition of second-generation immigrants, we used alternative definitions in the models presented above. A definition based only on the birth country of the father (thus excluding individuals with missing information on the father's country of birth) yields practically identical results. A definition based on the birth country of the mother had a minor impact on the statistical significance on some coefficients, but no positive effects turned negative or vice versa, which supports our choice of defining origin by the birth country of the father. According to the former official definition, individuals with one parent born in Sweden and one parent born abroad were defined as second-generation immigrants. Hence, we also tested all models with a sample that excluded 1) those who have parents with mixed origin (different birth countries) and 2) those for whom we lack information on the birth country of the father. This stricter definition resulted in lower statistical significance, but did not change the direction of the results.

In sum, the current analyses show that although there are some differences between males and females, the patterns are reasonably similar. Turkey stands out as the

category with high co-national employment, including and excluding employment by parents. The odds of being employed by co-nationals are overall reduced when parents are separated from other co-nationals. Employment by parents is an important part of co-national employment for most categories, even after controlling for age, sex, education level and region of residence.

DISCUSSION

In this study, we investigate the importance of ethnic networks for second-generation immigrants in the small business sector. Using data on the total population in Sweden in 2008, a subsample was constructed that included all Swedish-born persons aged 20-35 with Swedish or foreign-born parents. Through the identification of business owners, different categories of employer-employee relations were constructed for those who were employed in small businesses, the sector where so-called 'ethnic economies' can be found. We have then analyzed the extent to which young people work in businesses owned by their parents, co-ethnics, other immigrants, or Swedish-born employers.

According to studies on 'ethnic economies', intra-ethnic solidarity, economic benefits from collaboration and other resource-embedded ethnic networks could provide channels into the labor market for young people of immigrant background. Furthermore, access to resources located within the family may constitute the most important element of this 'ethnic capital'.

The analysis shows that the category 'employed by parent' explains a substantial part of 'employed by co-national'. Furthermore, the share employed by parents is basically the same for those who have Swedish-born parents as for those who have foreign-born parents, although there is considerable variation across national backgrounds and between men and women. Hence, we conclude that intra-family employment is a frequent strategy for native

and foreign-born individuals alike. Furthermore, with a less narrow definition of intra-family employment, an even larger part of co-national employment would likely be explained. Our analysis indicates that ethnic ties/networks are of more use to youth of parents born in Sweden than to second-generation immigrants.

In a growing literature on the importance of social capital and recruitment via informal networks that incorporates theories about ethnic entrepreneurship, the role of strong versus weak ties is discussed. Ethnic minorities are hypothesized to have less access to valuable weak ties in the majority population and, therefore, to be more dependent on strong ties, i.e., family and friends, for employment. Turning to family and friends to find employment may be a strategy to compensate for limited access to other parts of the labor market and an alternative to compensation through higher education (Urban, 2012). The negative association between education level and the odds of being employed by co-nationals found in the current study is one indication of compensation strategies alongside higher education. However, the variation in co-national employment across origin categories does not seem to be associated with the level of labor market integration at the group level. For instance, unemployment is high and co-national employment low among those with parents born in Poland, whereas the opposite is true for those with parents born in East Asia.

Young adults with parents born in Turkey have particularly high rates of employment by parents *and* by other co-nationals. Thus, people of Turkish origin in Sweden seem to have formed networks that can be used as entry into employment for young people with parents born in Turkey. On the other hand, youth of Turkish origin display very low rates of employment in small businesses owned by Swedish-born employers and relatively low rates of employment outside of the small business sector. Hence, networks based on ethnicity may explain why young adults with parents born in Turkey display high rates of co-national employment even when taking employment by parents into consideration. In Sweden, first-

generation immigrants from Turkey, Lebanon and Syria have particularly high rates of self-employment, and Assyrian/Syriac groups originating from these countries display a relatively large geographical concentration and have existing business networks (Pripp, 2001). This can be interpreted as a result of exclusion if intra-ethnic employment patterns are developed as a response to limited access to employment in the larger labor market. However, as stated above, the variation in co-national employment across origin categories does not seem to be associated with the level of labor market integration at the group level. If structural factors are not sufficient to explain the use of ethnic recruitment, accessible resources within the ethnic network such as high levels of self-employment must also be considered.

The current results also show that second-generation immigrants in the small business sector much are more likely to be employed by immigrants other than co-nationals than are those who have Swedish-born parents. This is partly explained by the fact that people with foreign backgrounds are concentrated in metropolitan areas, where most immigrant businesses are located. However, employment by other immigrants remains higher among individuals with foreign-born parents compared to those with Swedish-born parents for nearly all origin categories, even when taking into account residence in a metropolitan area. One explanation may be that immigrant employers to a lesser extent discriminate against people of other foreign origins, whereas Swedish-born employers prefer to employ Swedes. Hence, young adults with Swedish-born parents seem to have more use of their 'ethnic capital' than do second-generation immigrants.

This study shows that what previous research has referred to as 'ethnic capital' or 'ethnic economy' is largely explained by intra-family employment in Sweden. Intra-family employment as a route into the small business sector is as common among those who have Swedish parents as those who have foreign-born parents. Studies that do not recognize the

importance of intra-family recruitment will overemphasize the ethnic dimension within the so-called 'ethnic economy'.

High rates of entrepreneurship among immigrants are clearly associated with large opportunities for family recruitment among immigrants and their children. However, this should not be confused with advantage due to ethnicity, as family recruitment is part of a small-business strategy rather than a particular 'ethnic' strategy. The political message that small business development is particularly gainful for employment among immigrants and their children is therefore somewhat mistaken. A larger small-business sector will result in higher rates of informal recruitment, which will enhance the importance of family resources and network recruitment in general. Access to such resources will be of importance in the labor market regardless of ethnic background.

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Table 1. Employment status in 2008 by parents' birth country, Swedish-born individuals aged 20-35

	Small business employment %	Other employment %	Student %	Not employed %	Total N N
Sweden	14.0	77.6	2.3	6.1	1344222
Nordic	12.2	73.6	2.7	11.4	28321
f. Yugoslavia	12.2	72.9	3.8	11.2	10905
Poland	10.1	68.1	8.4	13.4	3445
Other West	13.6	67.8	3.9	14.7	7099
East Europe	10.5	70.1	6.1	13.3	3245
Lebanon	12.4	67.6	7.8	12.2	1552
Syria	16.8	67.3	5.3	10.6	1391
Turkey	18.6	66.6	4.0	10.8	9907
Iraq	10.1	70.3	10.1	9.5	1051
Iran	7.5	74.0	10.6	7.9	2038
Chile	6.6	77.0	5.4	11.0	2884
East Asia	11.6	72.3	9.5	6.6	1617
Asia Other	8.7	72.4	7.1	11.8	2887
Other	7.6	71.7	7.4	13.3	5680
Total	13.9	77.3	2.4	6.4	1426244

Table 2. Employment in 2008 by employer category and parents' birth country, individuals aged 20-35. Statistics for males and females are listed separately.

	Parents born in Sweden %		Parents born abroad %	
	Male	Female	Male	Female
Parent employer	9.1	6.6	9.6	7.1
Co-national employer	-	-	16.0	13.4
Only Swedish employers	63.7	62.0	37.9	39.6
Other immigrant employer	9.3	14.0	14.5	20.2
Self-employed single owner	18.0	17.5	22.0	19.7
Total	100.0	100.0	100.0	100.0

Table 3. Proportion employed by parents in total co-national employment.

	Male, %	Female, %
Nordic	32.6	31.6
Former Yugoslavia	50.6	43.0
Poland	70.4	64.7
Other West	35.3	36.7
East Europe	57.7	80.0
Lebanon	50.0	36.8
Syria	22.2	47.6
Turkey	30.9	19.2
Iraq	52.9	20.0
Iran	73.3	55.6
Chile	40.0	66.7
East Asia	55.9	59.3
Asia Other	54.3	62.5
Other*	69.4	100.0
Total	37.4	34.7

* 'Other' includes Africa, Central and South America except Chile

Table 4. Binary logit regression. Odds ratio of being employed by parent, separate regressions for males and females. Swedish-born persons employed in small businesses, aged 20-35, with Swedish or foreign-born parents.

	Males, n=132351		Females, n= 65858	
	Exp(B)	Sig.	Exp(B)	Sig.
Age	0.96	0.00	0.96	0.00
Control for metropolitan area				
yes	<i>yes</i>		<i>yes</i>	
Level of education				
Elementary max 9 yrs	<i>1.00</i>	<i>ref</i>	<i>1.00</i>	<i>ref</i>
Secondary	0.87	0.00	0.77	0.00
University < 3yrs	0.97	0.47	0.86	0.02
University ≥ 3yrs	0.60	0.00	0.69	0.00
Origin categories				
Sweden	<i>1.00</i>	<i>ref</i>	<i>1.00</i>	<i>ref</i>
Nordic	0.71	0.00	0.67	0.01
f. Yugoslavia	1.17	0.18	1.09	0.62
Poland	1.22	0.41	1.10	0.76
Other West	1.00	0.98	1.56	0.02
East Europe	0.91	0.74	1.58	0.14
Lebanon	2.14	0.00	1.28	0.54
Syria	0.74	0.35	1.96	0.05
Turkey	1.92	0.00	1.31	0.08
Iraq	1.63	0.18	0.29	0.22
Iran	1.45	0.26	1.07	0.89
Chile	0.74	0.42	1.15	0.75
East Asia	2.19	0.00	3.19	0.00
Asia Other	1.39	0.18	2.76	0.00
Other	1.05	0.81	0.40	0.07
Constant	0.41	0.00	0.26	0.00

Table 5. Binary logit regression. Odds ratio of being employed by other immigrant, separate regressions for males and females.

	Males, n=132351		Females, n= 65858	
	Exp(B)	Sig.	Exp(B)	Sig.
Age	0.97	0.00	0.95	0.00
Control for metropolitan area				
yes	<i>yes</i>		<i>yes</i>	
Level of education				
Elementary max 9 yrs	<i>1.00</i>	<i>ref</i>	<i>1.00</i>	<i>ref</i>
Secondary	0.86	0.00	0.81	0.00
University < 3years	0.98	0.62	0.74	0.00
University ≥ 3years	1.13	0.00	0.82	0.00
Origin categories				
Sweden	<i>1.00</i>	<i>ref</i>	<i>1.00</i>	<i>ref</i>
Nordic	0.98	0.81	1.14	0.12
f. Yugoslavia	1.53	0.00	1.68	0.00
Poland	1.03	0.88	1.08	0.70
Other West	1.63	0.00	1.28	0.07
East Europe	1.47	0.04	1.13	0.59
Lebanon	1.63	0.05	2.50	0.00
Syria	2.46	0.00	2.33	0.00
Turkey	0.83	0.04	0.75	0.01
Iraq	1.96	0.03	1.97	0.03
Iran	1.05	0.87	0.97	0.91
Chile	2.50	0.00	3.09	0.00
East Asia	1.86	0.01	1.12	0.69
Asia Other	2.70	0.00	1.20	0.48
Other	2.71	0.00	2.21	0.00
Constant	0.20	0.00	0.70	0.00

Table 6. Odds ratios of being employed by co-nationals, parents or other employers. Individuals aged 20-35 years employed in small businesses. Males.

Binary (model 1) and multinomial (model 2) logit regressions. Reference: Other employers.

	Model 1, binary		Model 2, multinomial			
	Co-national (incl. parents)		Parent		Co-national (not parent)	
Males, N=6512	Exp(B)	Sig.	Exp(B)	Sig.	Exp(B)	Sig.
Age	0.94	0.00	0.91	0.00	0.96	0.00
Control for metropolitan area	<i>yes</i>		<i>yes</i>			
Level of education						
Elementary max 9 yrs	<i>1.00</i>	<i>ref</i>	<i>1.00</i>	<i>ref</i>	<i>1.00</i>	<i>ref</i>
Secondary school	0.70	0.00	0.70	0.00	0.70	0.00
University < 3 yrs	0.71	0.00	0.97	0.87	0.55	0.00
University ≥ 3 yrs	0.43	0.00	0.69	0.07	0.29	0.00
Origin categories						
Nordic	0.81	0.07	0.74	0.09	0.85	0.25
f. Yugoslavia	0.86	0.25	1.17	0.44	0.68	0.03
Poland	0.56	0.01	0.95	0.86	0.29	0.00
Other West	<i>1.00</i>	<i>ref</i>	<i>1.00</i>	<i>ref</i>	<i>1.00</i>	<i>ref</i>
East Europe	0.54	0.01	0.83	0.55	0.38	0.00
Lebanon	1.57	0.04	1.98	0.02	1.31	0.34
Syria	1.11	0.63	0.67	0.28	1.36	0.19
Turkey	2.83	0.00	2.41	0.00	3.06	0.00
Iraq	1.00	0.99	1.27	0.55	0.82	0.63
Iran	0.58	0.08	0.95	0.89	0.28	0.02
Chile	0.55	0.02	0.57	0.16	0.53	0.06
East Asia	1.52	0.08	1.94	0.03	1.20	0.56

Asia Other	0.83	0.38	1.14	0.66	0.63	0.12
Other	0.43	0.00	0.79	0.36	0.22	0.00
Constant	2.12	0.00	2.10	0.03	0.74	0.28

Table 7. Odds ratios of being employed by co-nationals, parents or other employers. Individuals aged 20-35 years employed in small businesses. Females.

Binary (model 1) and multinomial (model 2) logit regressions. Reference: Other employers.

	Model 1, binary		Model 2, multinomial			
	Co-national (incl. parents)		Parent		Co-national (not parent)	
	Exp(B)	Sig.	Exp(B)	Sig.	Exp(B)	Sig.
Females, N=3528						
Age	0.95	0.00	0.93	0.00	0.97	0.02
Control for metropolitan area	<i>yes</i>		<i>yes</i>		<i>yes</i>	
Level of education						
Elementary, max 9 yrs	<i>1.00</i>	<i>ref</i>	<i>1.00</i>	<i>ref</i>	<i>1.00</i>	<i>ref</i>
Secondary school	1.12	0.39	1.19	0.43	1.10	0.54
University < 3 yrs	0.87	0.44	1.13	0.66	0.76	0.20
University ≥ 3 yrs	0.68	0.05	1.27	0.40	0.42	0.00
Origin categories						
Nordic	0.50	0.00	0.42	0.00	0.54	0.00
f. Yugoslavia	0.60	0.00	0.63	0.07	0.58	0.01
Poland	0.34	0.00	0.55	0.11	0.20	0.00
Other West	<i>1.00</i>	<i>ref</i>	<i>1.00</i>	<i>ref</i>	<i>1.00</i>	<i>ref</i>
East Europe	0.41	0.00	0.83	0.59	0.13	0.00
Lebanon	0.74	0.30	0.75	0.52	0.73	0.37
Syria	0.79	0.41	1.06	0.88	0.64	0.22
Turkey	1.93	0.00	1.06	0.80	2.40	0.00
Iraq	0.29	0.01	0.14	0.06	0.39	0.09
Iran	0.38	0.01	0.50	0.18	0.29	0.02
Chile	0.32	0.00	0.56	0.21	0.17	0.00
East Asia	1.42	0.20	1.78	0.09	1.06	0.88
Asia Other	0.99	0.97	1.49	0.25	0.63	0.23

Other	0.07	0.00	0.19	0.00	0.00	0.98
Constant	0.94	0.86	0.79	0.65	0.38	0.02

Figure 1. Employment in 2008 by employer category and parents' birth country, Swedish-born individuals aged 20-35, males.

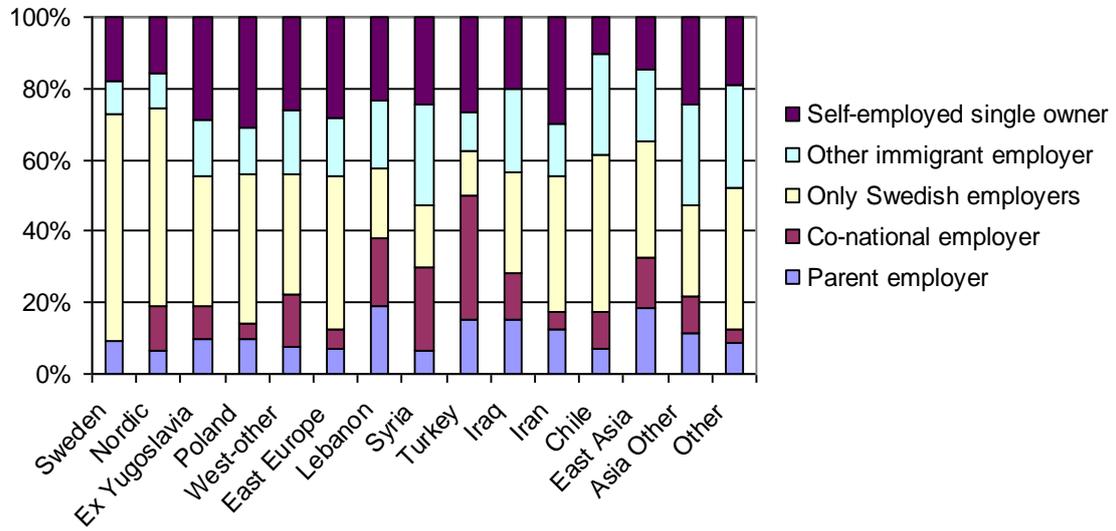
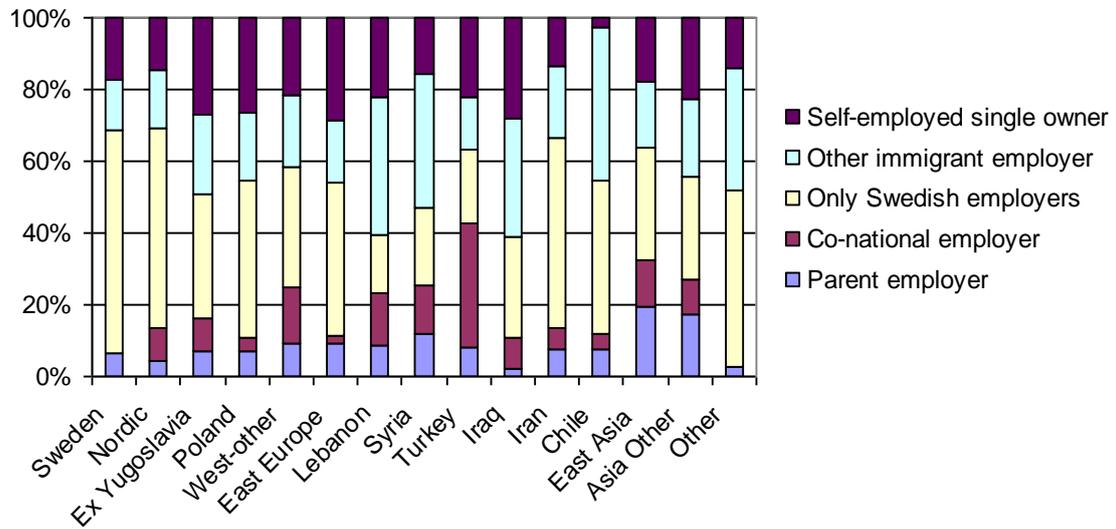


Figure 2. Employment in 2008 by employer category and parents' birth country, individuals aged 20-35, females.



Appendix

Origin category	Country of birth
Sweden	Sweden
Nordic	Denmark, Finland, Norway, Iceland
f. Yugoslavia	Serbia, Croatia, Slovenia, Bosnia-Hercegovina, Macedonia, Montenegro
Poland	Poland
Other West	Western Europe, USA, Canada, Oceania
East Europe	Former Soviet Union, former Czechoslovakia, Hungary, Romania, Bulgaria, Albania
Lebanon	Lebanon
Syria	Syria
Turkey	Turkey
Iraq	Iraq
Iran	Iran
Chile	Chile
East Asia	North Korea, South Korea, Mongolia, Laos, Cambodia, Vietnam, Thailand, Burma, Malaysia, Singapore, Indonesia, Brunei, China, Taiwan, Philippines, Japan
Asia Other	Asia other than East Asia, Lebanon, Syria, Turkey, Iran, Iraq
Other	Africa, Central and South America except Chile