

# Integrating immigrants into the Nordic labour markets

Lars Calmfors

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# Integrating Immigrants into the Nordic Labour Markets

 Nordic Council  
of Ministers

# Authors



L. Calmfors



N. Sánchez Gasseñ



P. Pekkarinen



A. Böhlmark



V. Jakobsen



T. Tranæs



J. Nielsen Arendt



P. Skedinger



S. Ek



P. Andersson Joon



K. Røed



B. Bratsberg



O. Raaum

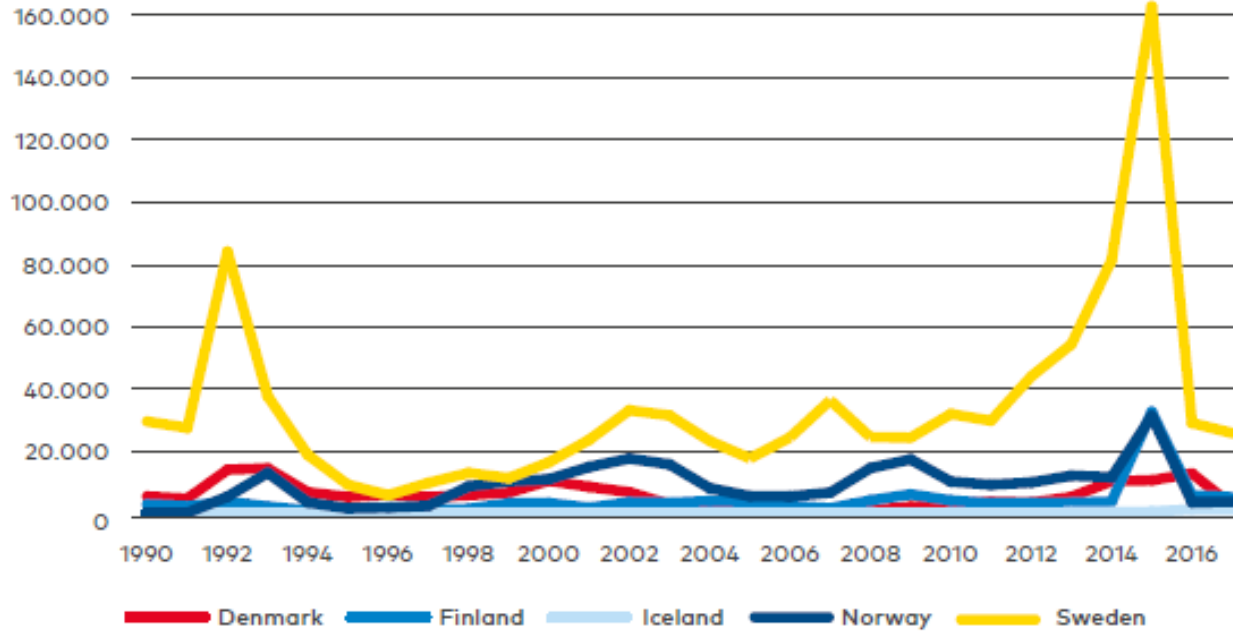


M. L. Schultz-Nielsen

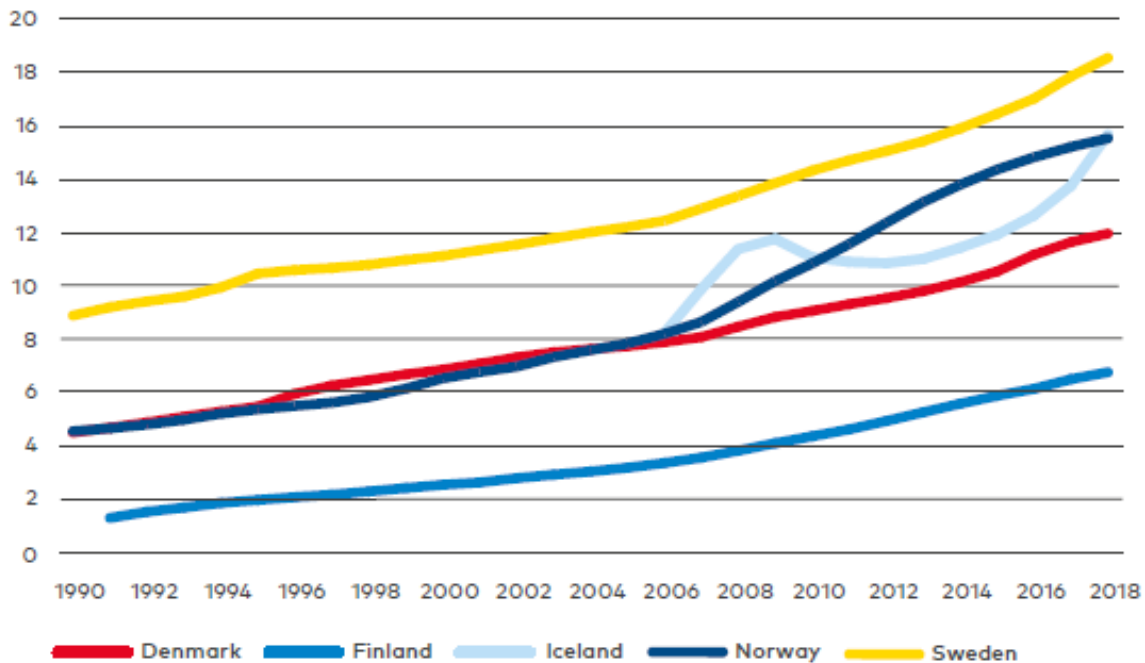
# Similarities between the Nordic countries

- Large immigration: refugees and family migrants
- Large employment gaps
- Generous welfare states
- National languages not mastered beforehand by immigrants
- High minimum wages and strong wage compression
- Few elementary jobs
- Tradition of active labour market programmes
- Formalised introduction programmes

Figure 4 Number of requests for asylum in the Nordic countries



(a) Share of foreign-born persons in the population, percent



(b) Share of persons born outside the EU in the population, percent

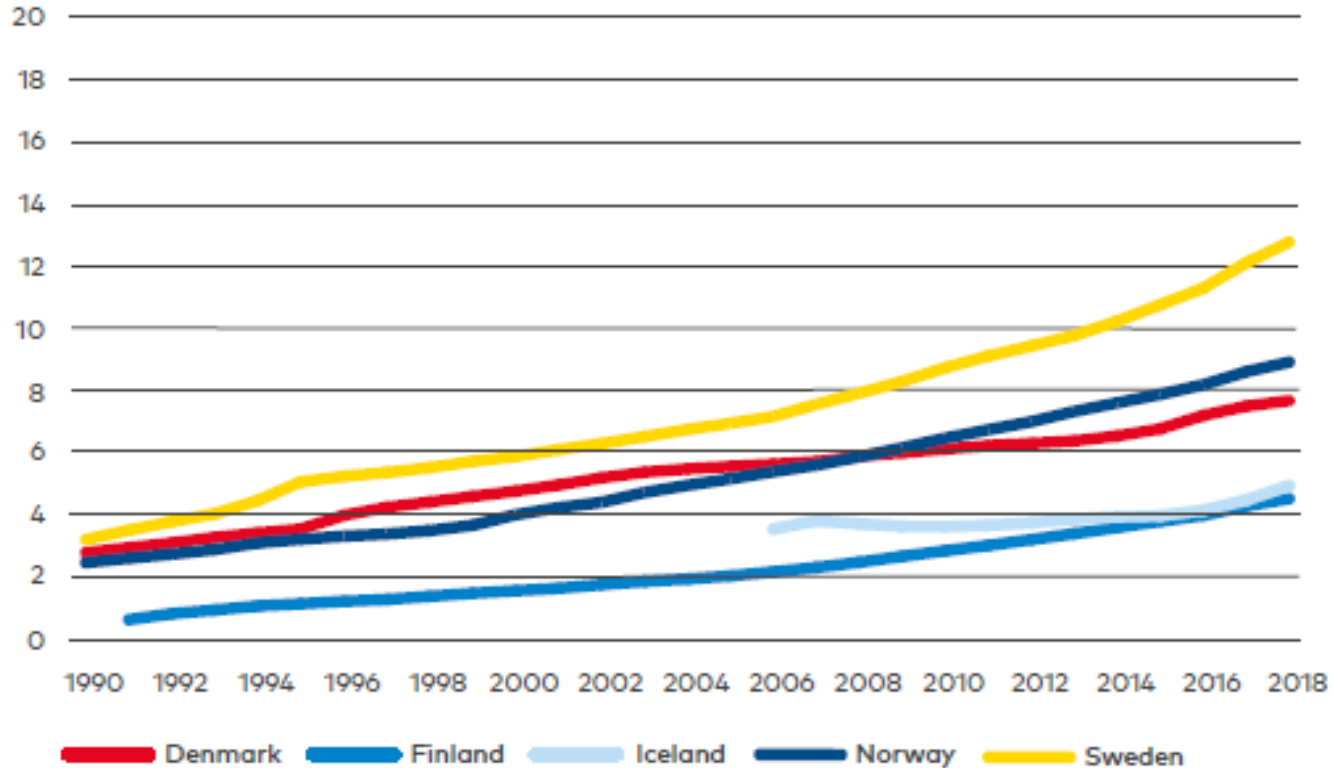


Figure 5 Educational attainment of natives, foreign born and persons born outside the EU, 20-64 years, 2017, percent

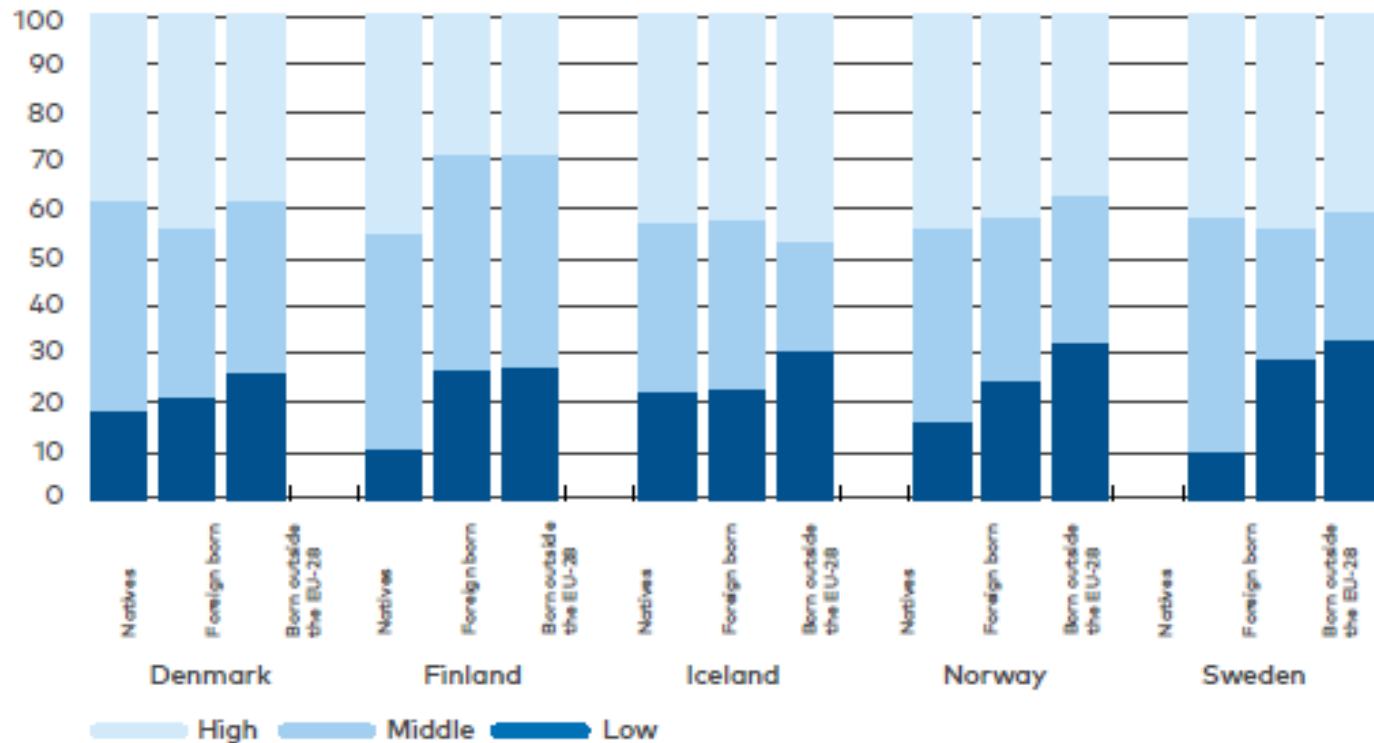




Figure 6 Share of employees working in elementary occupations in European countries, 20-64 years, 2017, percent

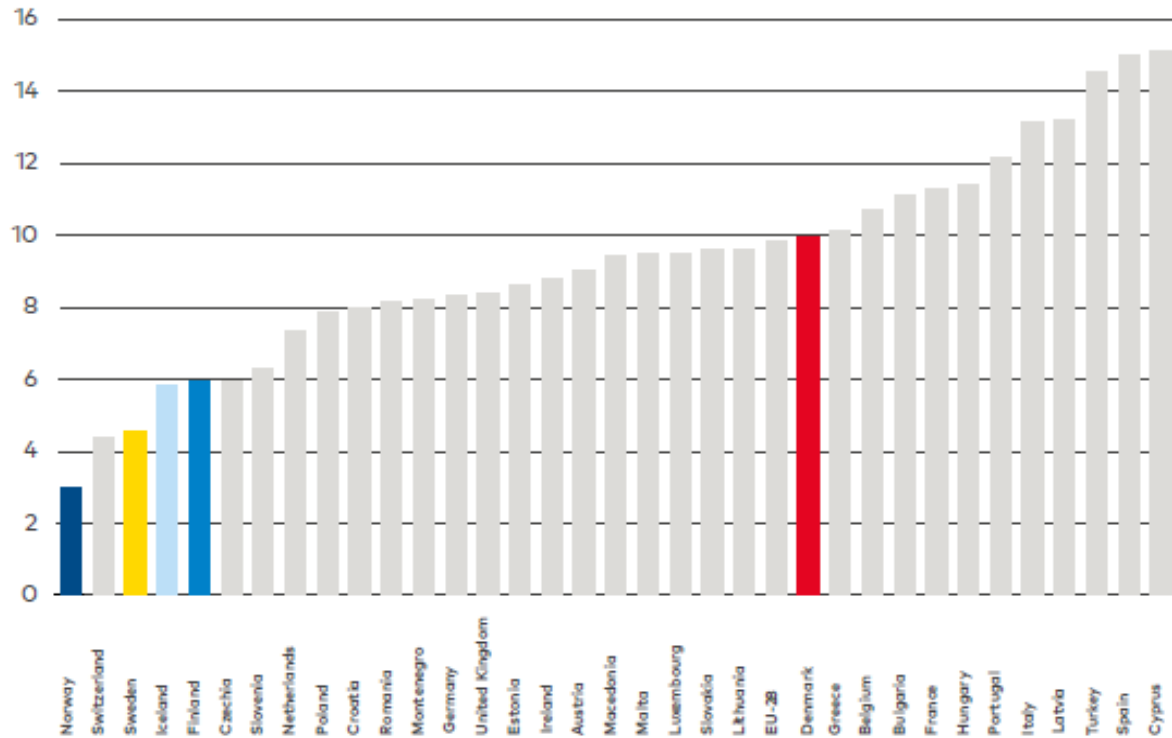
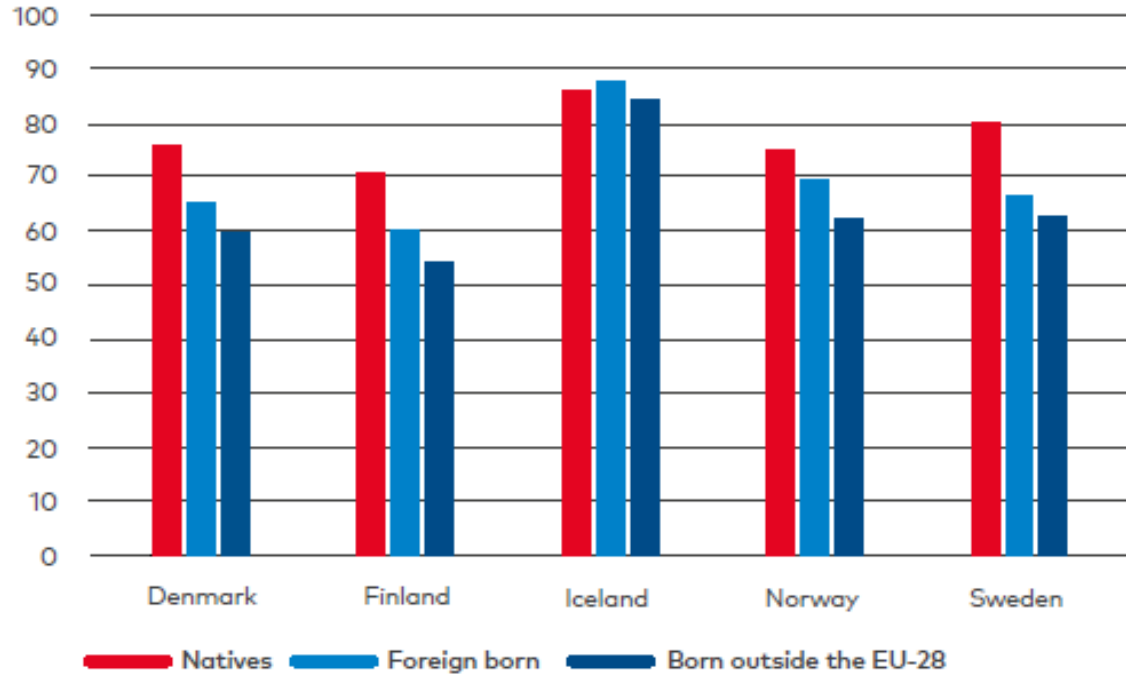
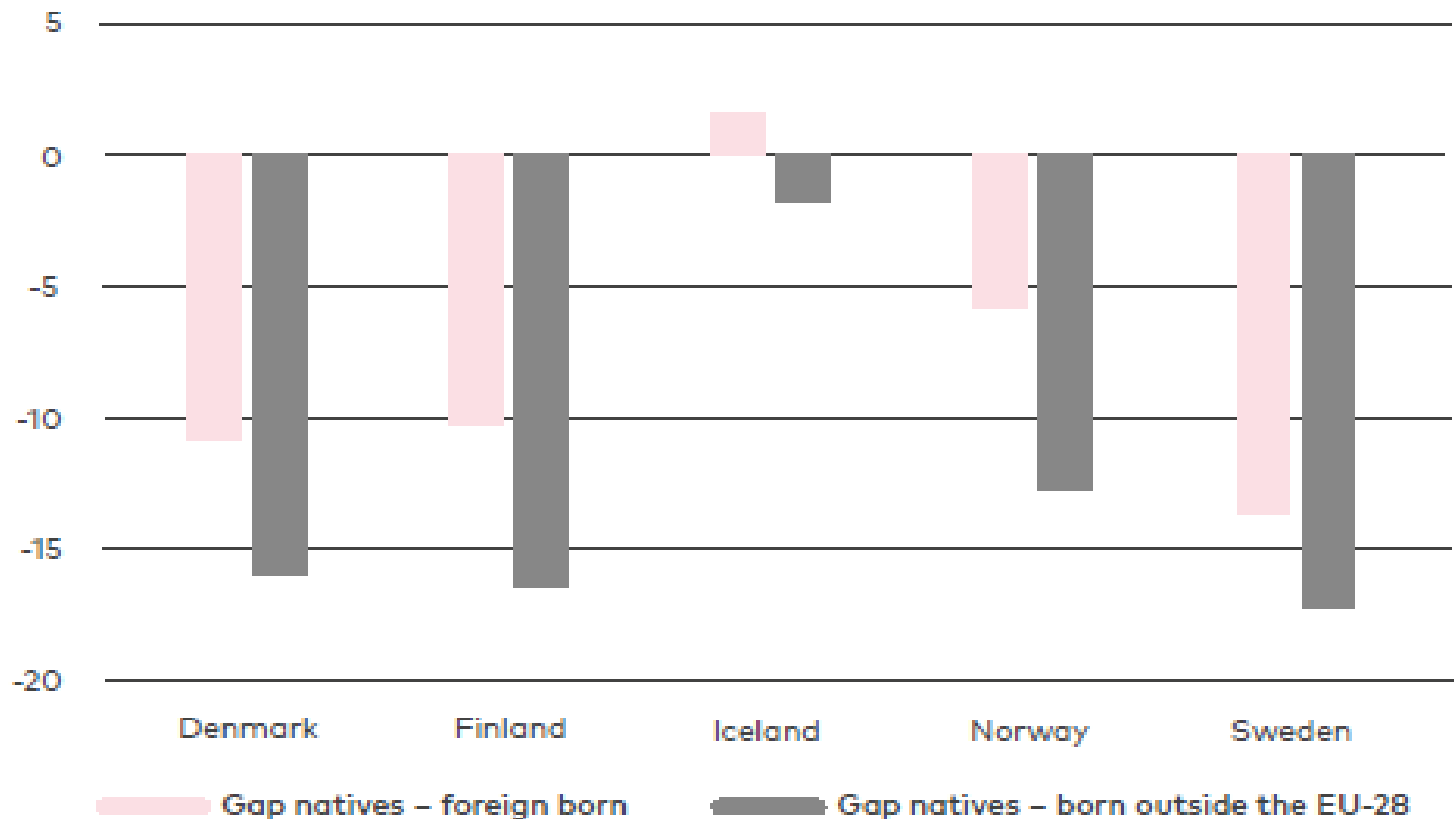


Figure 7 Employment of natives, foreign born and persons born outside the EU, 15-64 years, 2017

(a) Employment rate, percent of population



(b) Employment gap, percentage points



# Differences between the Nordic countries

- Largest immigration in Sweden, smallest in Finland
- More labour market immigration in Norway than elsewhere
- Strong differentiation of social benefits in Denmark
- Subsidised employment is used much more in Sweden than elsewhere
- Organisation of introduction programmes
  - municipalities in Denmark and Norway
  - PES in Sweden
  - both PES and municipalities in Finland

# Four types of policies

- Education policy
- Active labour market policy
- Social benefit policy
- Wage policy

# Eight chapters

Background, summary and *our* conclusions

Lars Calmfors and Nora Sánchez Gassen

Education

Tuomas Pekkarinen

Anders Böhlmark

Labour market policy

Pernilla Andersson Joonas

Vibeke Jakobsen and Torben Tranæs

# Eight chapters cont.

## Social benefit policy

Bernt Bratsberg, Oddbjørn Raaum and Knut Røed

## Integration of non-Western women

Jacob Nielsen Arendt and Marie Louise Schultz-Nielsen

## Wage policy

Simon Ek and Per Skedinger

# Employment gaps by proficiency level

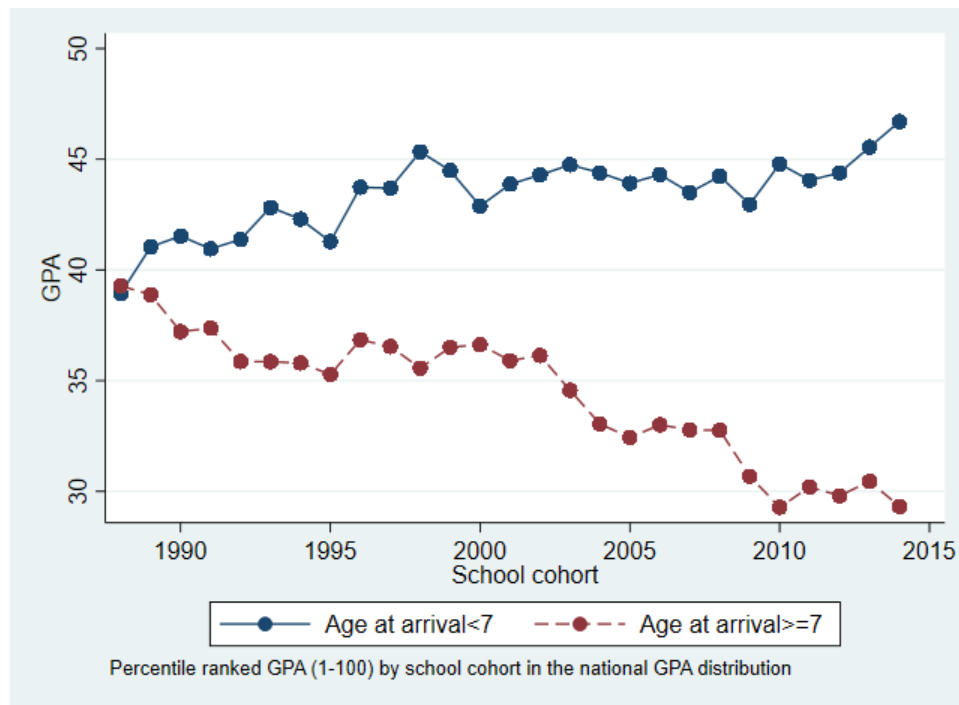
	Gaps between Immigrants and Natives			
	Level 1	Level 2	Level 3	Level 4-5
Denmark	-2	-8	-9	-11
Finland	0	10	2	-3
Norway	6	2	2	5
Sweden	-8	2	5	4



# Education policy

- Larger impact in all the Nordic countries on PISA results of participation in pre-primary education for immigrant children than native children
- Important to target adolescent immigrants
  - study support in mother tongue
  - extra time to study: summer schools
  - emphasis on core subjects
  - written evaluations rather than grades from the start
  - more focus on vocational education

# School performance at the end of 9<sup>th</sup> grade by age at arrival and year



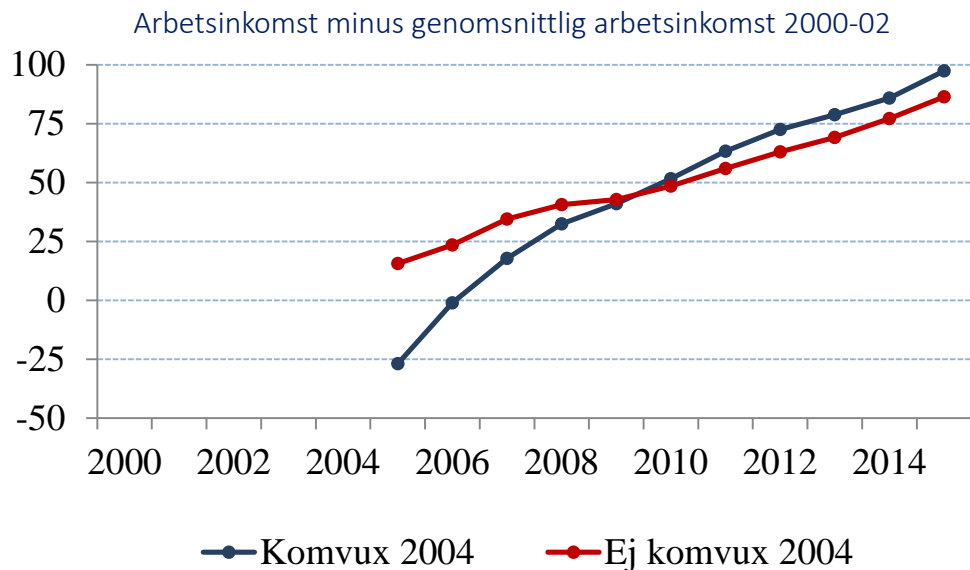
# Education policy cont.

- High participation in (formal) adult education in all Nordic countries
- Stronger correlation between adult education and PIAAC results for immigrants than natives in Denmark, Finland and Sweden
  - this applies mainly to informal education
- Stronger positive impact on employment/income for non-Western immigrant women than for immigrant men
- Diverging results for language training

# Adult education

- Few studies
- Selection bias
  - Does education raise skills?
  - Or do persons with high potential participate?
- Small effects on labour incomes of participation in *Komvux* in Sweden and the effects take a long time to appear
- No panacea

# Increase in labour income for participants and non-participants in Komvux 2004



# Active labour market programmes

- Subsidised employment in the private sector is the most effective programme for immigrants
- In line with research results for both unemployed in general and hard-to-place unemployed
- Denmark, Finland and Norway are well advised to increase their use of subsidised employment
  - more funding
  - better information to employers
  - probationary period
  - outsourcing of employer responsibility to the PES (NAV) or staffing agency
- Unclear conclusions regarding on-the-job training

# Organisation of employment services for immigrants

- No evidence that private provision is more efficient than public provision
  - rather the opposite
  - but this could reflect that one has not yet learnt how best to rig systems with private provision
- Too scant research on the relative efficiency of local versus central government responsibility

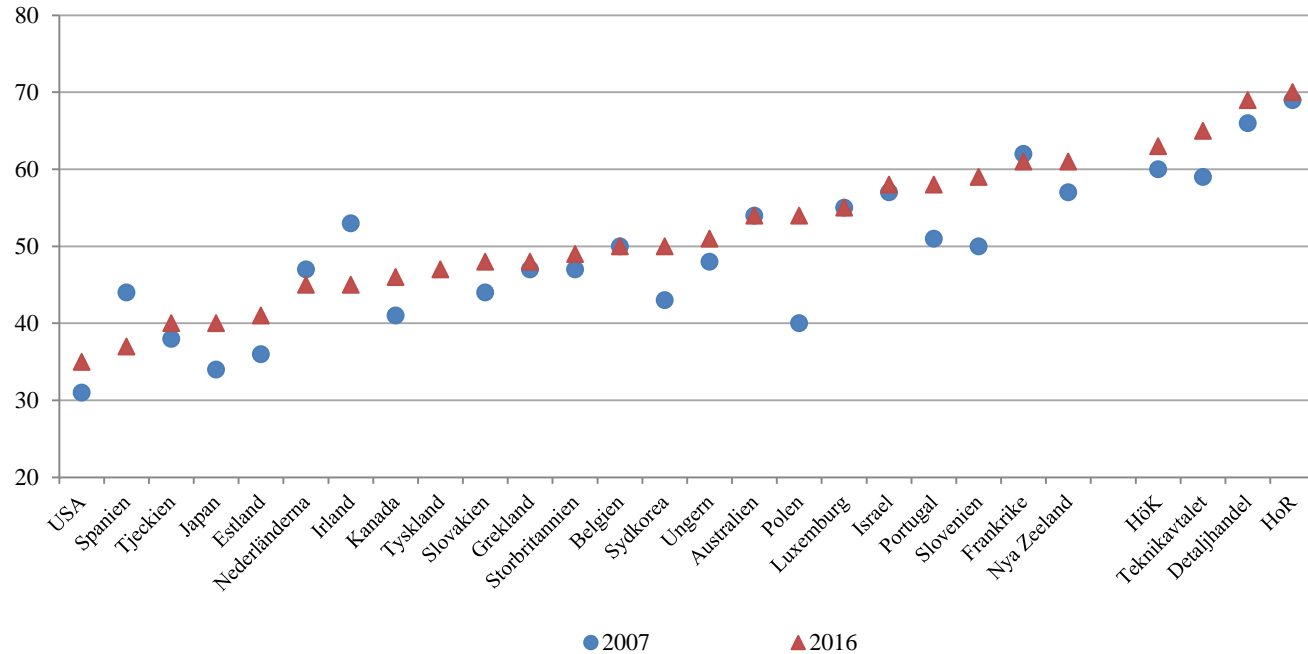
# Social benefit policy

- Strong differentiation of social benefits according to time of residency in Denmark
- Empirical support from studies in Denmark and Norway that lower benefits give better labour market outcomes
  - stronger effects than for natives
- Empirical support from studies in Denmark and Norway that activation measures and sanctions give better labour market outcomes
  - stronger effects than for natives



# Minimum wage bite: the ratio between the minimum wage and the median wage

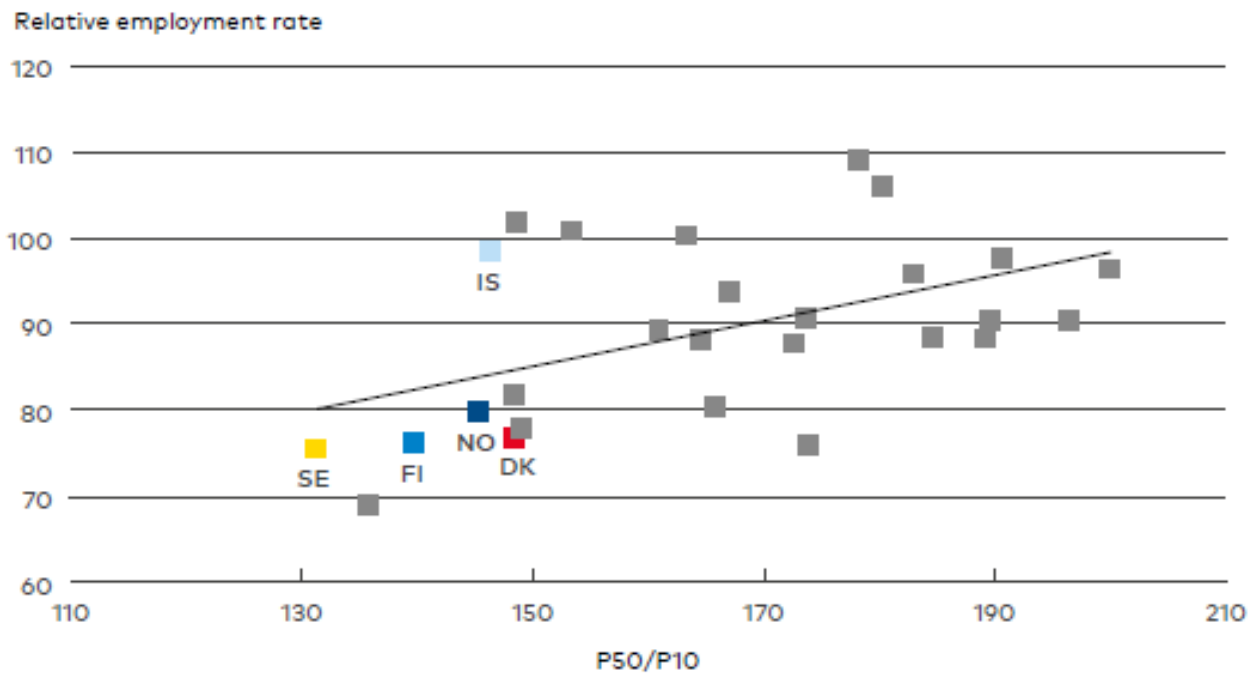
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# Minimum wage bite in the Nordics

	Retail	Hotels and restaurants
Denmark	50	53
Finland	50	47
Norway	52	56
Sweden	61	62

Figure 3 Relationship between wage dispersion and relative employment rate of foreign born from outside the EU-28, percent



# Research on employment effects of minimum wages

- Standard theories predict that negative employment effects are more likely with high minimum wage
- International research: Mixed results
- Nordic research: Few studies, but most suggest negative effects
- Composition effects important, even with small overall employment effects. Low-skilled workers fare worse than higher skilled

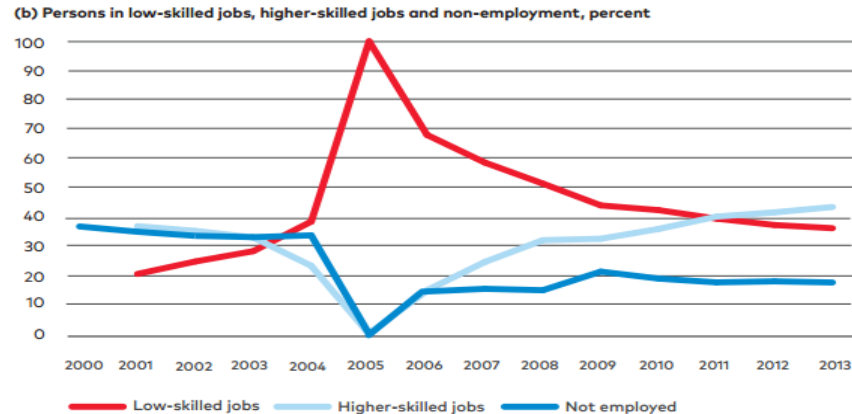
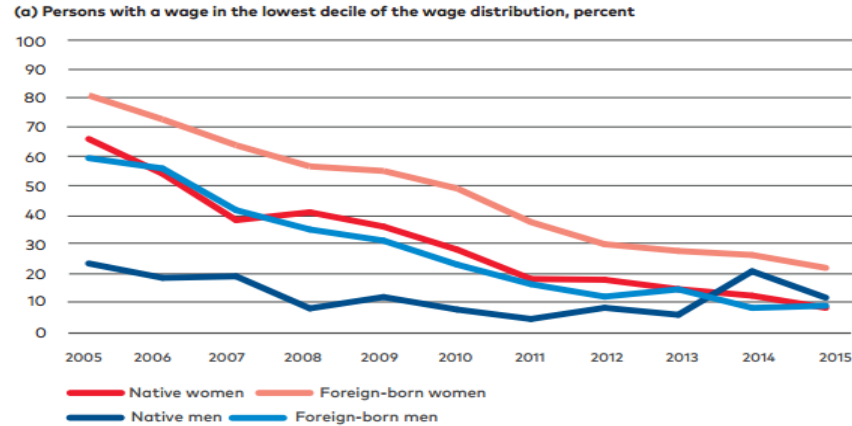
# Research on wage spillovers of minimum wages

- International research: Few studies, mixed results
- Related research on wage effects of immigration yields mixed results, but suggests that immigration does not necessarily reduce wages for natives

# Different ways or lowering minimum wages

- Across the board
- New types of permanent jobs defined by the parties in the labour market
- Temporary jobs for labour market entrants

# Trajectories of unemployed individuals who were hired on low-skilled jobs in 2005 in Sweden

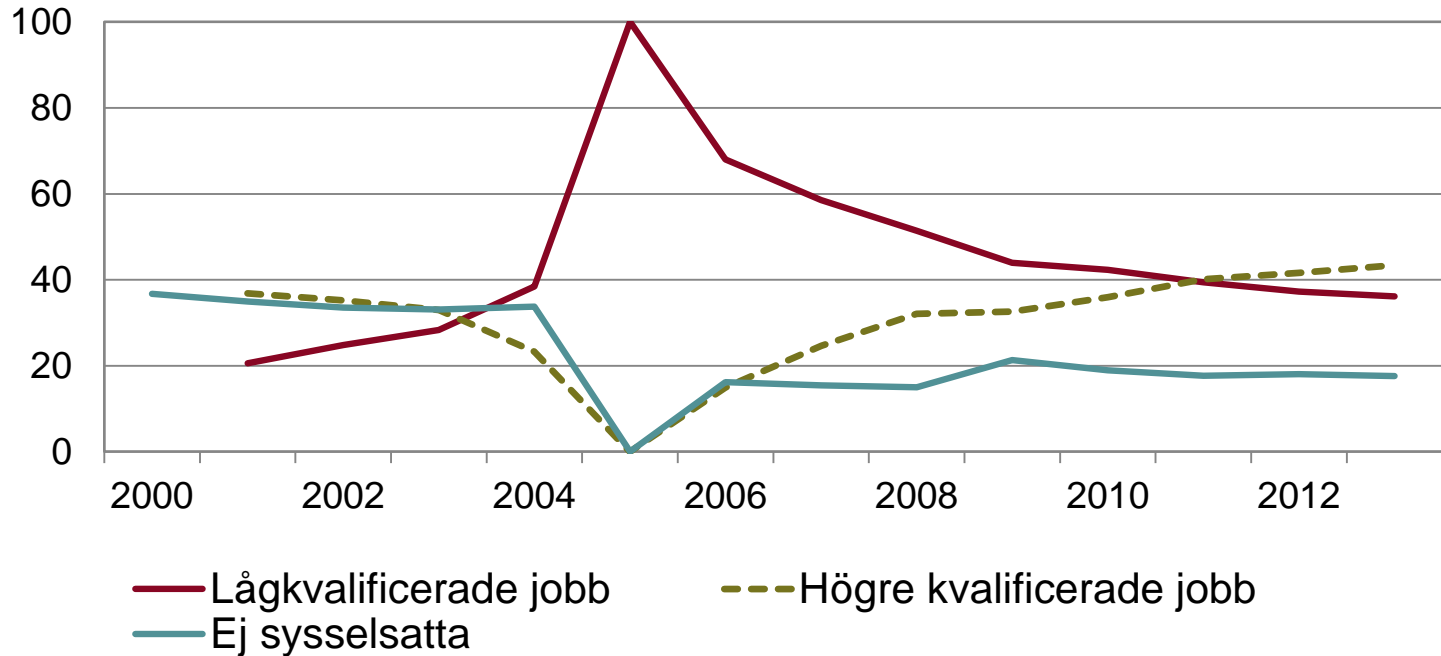


# Earnings of low-skilled unemployed individuals who were hired in low-skilled jobs or who were unemployed in November 2005 in Sweden, thousand SEK

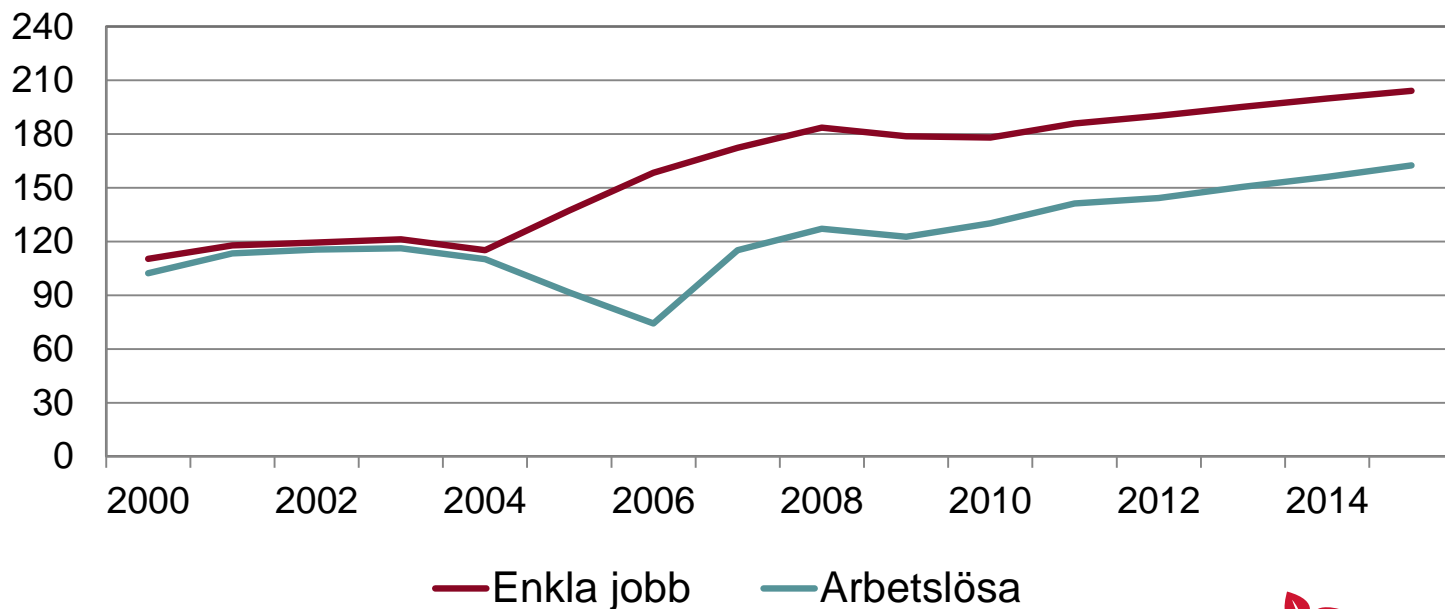




# Share of persons employed on elementary jobs 2005 with different employment status, percent of all



## Average yearly income from employment 2000–15 for matched groups of low-educated hired on elementary jobs and unemployed in November 2005, thousand SEK, 2015 price level



# General conclusions

- Many policies can improve immigrants' labour market integration
- But no single policy is particularly effective
- This is a strong argument for combining several policies
- The exact policy mix should depend on judgements of the efficacy of different policies and evaluations of trade-offs with other policy objectives

# Goal conflicts: trade-offs

- Differentiation of social benefits and larger wage dispersion: employment vs income distribution
  - weaker incentives for immigration
- Education and subsidised employment: employment vs budgetary costs
  - stronger incentives for immigration

# Lack of knowledge

- Which language training is most efficient
- Selection bias in studies of subsidised employment?
- Private vs government providers of labour market services
- Should central or local governments have the responsibility for introduction programmes
- Cost-benefit analyses of education and labour market programmes