

Integrating Immigrants into the Nordic Labour Markets: An Overall Perspective



Summary

The four large Nordic countries face similar problems when it comes to integrating large groups of immigrants into their labour markets, especially non-EU immigrants with low levels of education. The report *Integrating Immigrants into the Nordic Labour Markets* analyses how to promote the integration of such groups. Here we present the background to the volume, summarise the main findings and offer policy recommendations. One key conclusion is that no single policy will suffice. A combination of education policies, active labour-market measures, social benefit and wage policies is needed. The precise policy mix must be based on an evaluation of the trade-offs with other policy objectives.

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Immigrants in the Nordic Region

In recent years, the Nordic countries have taken in large numbers of immigrants, including many asylum seekers and family migrants. This has led to an increase in the share of the population born abroad. Sweden has the largest percentage of foreign-born residents, up from 9% in 1990 to 19% in 2018. Finland has the lowest proportion at only 7% in 2018. Norway and Iceland (both 16%) and Denmark (12%) lie in the middle.

Challenges in the labour markets

Employment rates among immigrants are sub-

stantially lower than those among native populations in all of the Nordic countries except Iceland. In particular, immigrants with low levels of education often experience problems finding employment. One reason is the scarcity of elementary jobs that require only basic skills. Nonetheless, the successful labour-market integration of immigrants is crucial for the Nordic societies, as their generous welfare systems are dependent on high levels of employment. For the migrants, labour-market integration boosts incomes and enhances wellbeing. The equitable distribution of employment is also a factor in ensuring social cohesion.



Appropriate policies

The report shows that education, active labour-market, social benefit and wage policies all influence the integration of immigrants into the labour market:

- Education – e.g. investment in pre-primary education, in the ordinary school system and in adult education – has considerable potential for increasing immigrants' human capital and improving their employment opportunities.
- Subsidised private-sector employment is the most effective labour-market programme. However, its use remains limited in all of the Nordic countries except Sweden. Better information about the programmes and new arrangements to reduce employer risks when hiring with employment subsidies could increase their use.
- An activation-oriented social benefit policy may mitigate moral-hazard problems and strengthen employment incentives. This option may be preferable to just providing money to migrants in need.
- Cuts to minimum wages may increase immigrants' employment opportunities. To reduce the risk of negative wage spillovers, any such cuts should be confined to new types of low-skilled jobs which could imply assistance to more skilled workers. The jobs should be combined with generous education support, to ensure that workers are not trapped in low-wage jobs.
- The existing evidence does not suggest that private providers are more efficient than public ones at getting immigrants and other hard-to-place persons into work.

Policy mixes and trade-offs

A number of different policies have the potential to promote employment for immigrants. However, no single policy is likely to be sufficient. A combination of policies is required. All policies imply trade-offs that must be taken into consideration. For example, expanding educational programmes may raise

employment levels, but will also increase budgetary costs. Lowering minimum wages may help more people into work, but also reduce income for those who would have found a job anyway. The exact policy combination must depend on both the impact of the policies and an evaluation of the trade-offs.

Despite considerable research, we still know far too little about the employment effects of various integration policies. For example, almost no cost-benefit analyses have been conducted of various education and labour-market programmes. The gaps in our knowledge further reinforce the argument for a diversified policy that combines different measures, rather than "putting all our eggs in one basket".

Differences between the Nordic countries

While the four large Nordic countries face similar integration challenges, there are also differences between them. For instance, Sweden has the greatest share of non-Western immigration, high minimum wages and the largest employment gaps between natives and immigrants. All of these factors suggest that Sweden may require more ambitious policy reforms than the other Nordic countries. In Norway, the employment gap between native and immigrant men falls during the first few years after arrival, but subsequently widens again. This raises questions about unintended effects of the country's generous social security system. Denmark has the most wide-ranging policy of differentiating social benefits according to period of residency. While this may promote labour-market integration, it also exacerbates income inequality.

Comparing experiences from the Nordic countries provides valuable insights into "best practices". Nonetheless, one should not strive for uniformity of policies across the Nordics. Rather, diversity is a precondition for evaluating the efficacy of different policies. Differences in policy traditions and other conditions may also mean that similar policies produce very different results in the different countries.

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