

Chapter 1

Integrating Immigrants into the Nordic Labour Markets: Background, Summary and Policy Conclusions

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ABSTRACT

Denmark, Finland, Norway and Sweden face similar problems of integrating large groups of immigrants, especially low-educated ones from outside the EU, into their labour markets. This volume investigates how labour market integration of these groups can be promoted and seeks to identify appropriate policies. Our introduction presents the background to the volume, summarises the main findings and discusses policy recommendations. A key conclusion is that no single policy will suffice. Instead, a combination of education, active labour market, social benefit and wage policies should be used. The exact policy mix must depend on evaluations of the trade-offs with other policy objectives.

Keywords: Migration, labour market integration, refugees, employment gap.

JEL codes: J15, J21, J24, J61.

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1. Introduction

Immigration is currently a key issue in the political debate throughout Europe. It certainly is so in the Nordics. The discussion concerns both the magnitude of immigration and the integration of immigrants into society. This volume focuses on the labour market integration in the Nordic countries. The aim is to contribute to the knowledge on what best promotes such integration by drawing on existing research relevant for the Nordics. This essay contains three parts: a background, a summary of the chapters in the volume and our take on policy conclusions.

2. Migration trends and integration challenges in the Nordics

The population increase in the Nordic countries in recent decades has to a large extent been driven by migration (Sánchez Gassen 2018, Heleniak 2018a). According to Eurostat, 23 million people lived in Denmark, Finland, Iceland, Norway and Sweden in 1990. By 2018, the population had increased to 27 million. Almost two thirds of this growth was due to migration. Many of the immigrants have come from Europe, but there has also been large immigration from several Asian and African countries (Rispling 2018, Heleniak 2018b).

2.1 Migration flows and stocks of foreign born

Migration has been particularly large to Sweden. Net migration, that is the difference between immigration and emigration, has exceeded 20 000 persons during most years since 1990. The peak was in 2015 with almost 120 000 persons (Figure 1). Norway also experienced large net migration especially after 2005. In the three other Nordic countries, it has remained lower.

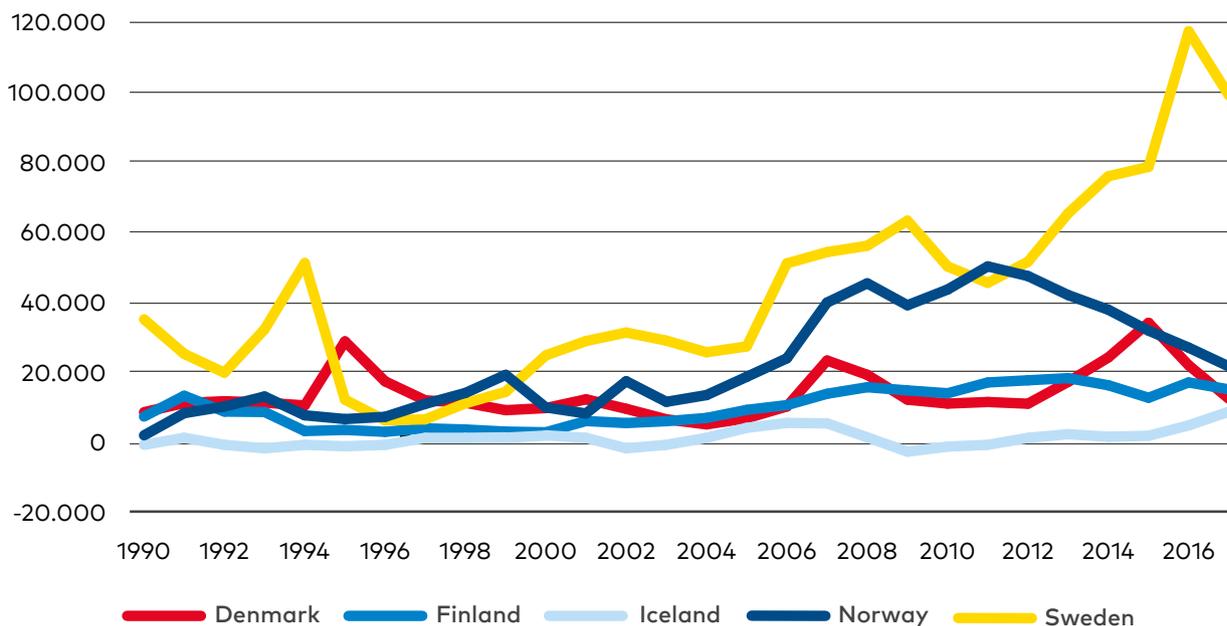
Many of the immigrants have come from Europe, but there has also been large immigration from several Asian and African countries.

On a per-capita basis, Sweden and Norway also received the largest numbers of immigrants during most of the time period considered here, but the differences to the other Nordic countries are less pronounced (Figure 2). Iceland shows notable fluctuations in per-capita net migration during the last 15 years. These were driven by large macroeconomic swings: a boom after the turn of the century, then the financial crisis 2008–11 and finally economic recovery during the most recent years. Fluctuations in Norway are also substantial and associated with macroeconomic developments - a boom in the mid-2000s and then a prolonged recession due first to the international financial crisis and later to the fall in the price of oil.

As a result of immigration, the populations in the Nordic countries have become more diverse.³ This is illustrated in Figure 3 which shows the shares of the population in each Nordic country born abroad (panel a) and born outside the EU (panel b). The shares of both groups have increased in all the Nordic countries during the last three decades. Sweden has the largest share of foreign-born residents. It increased from 9% in 1990 to 19% in 2018. In Iceland and Norway, the shares increased from 8% in 2006 to almost 16% in 2018. The share in Denmark was 12% in 2018. Finland has by far the lowest share of immigrants of the Nordic countries: only 7%. The

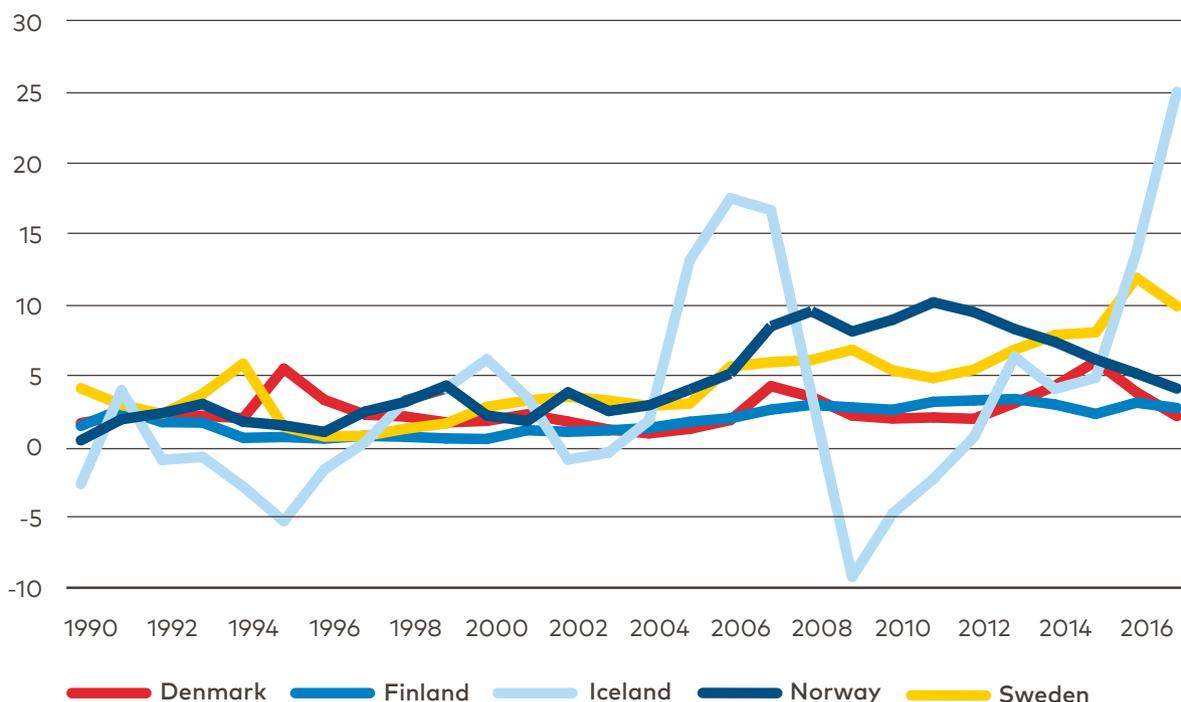
³ See also Heleniak (2018b).

Figure 1 Net migration in the Nordic countries, number of persons



Note: Net migration is defined as the difference between the number of immigrants and the number of emigrants during a calendar year. Immigrants are persons who establish their usual residence in the territory of one of the Nordic countries for a period that is, or is expected to be, at least twelve months, after having previously lived in another Nordic country or a third country. Emigrants are persons who cease to have their usual residence in one of the Nordic countries for a period that is, or is expected to be, at least twelve months.
Source: Eurostat.

Figure 2 Net migration, number of persons per thousand inhabitants



Note: See Figure 1.
Source: Own calculations based on data from Eurostat.

share of persons born outside the EU ranged from only 4.5% in Iceland and Finland to as much as 13% in Sweden in 2018. Denmark and Norway lie between these extremes with shares around 8%.

Migrants have traditionally come to the Nordic Region to work, to study or for family reasons. But, as is well-known, migration for humanitarian reasons has become very important in recent years. During the refugee crisis of 2014-15, the number of asylum seekers in the Nordic countries peaked. Sweden has a long history of accommodating refugees, and the number of asylum seekers during the crisis years was also substantially larger there than elsewhere in the Nordics (Figure 4). In 2015, more than 160 000 asylum seekers arrived, but the number dropped rapidly again after Sweden imposed border controls. In Norway and Finland, the number of asylum requests also peaked in 2015, even though it remained substantially lower than in Sweden. In Denmark, and especially Iceland, the numbers of asylum seekers have been much lower.

2.2 Mismatch between migrants' skills and job requirements

The question of how to integrate refugee and family immigrants into society is high on the political agenda in all the Nordic countries. Since many refugees are low-educated and come from countries with labour markets that are very different from the Nordic ones, their qualifications and experiences are often not a good match for the labour demand here.

Figure 5 shows that immigrants are a diverse group. In Denmark, Iceland, Norway and Sweden, more than 40% of foreign-born people are highly educated. But the foreign born are also more likely than natives to have attained only low educational achievements. This applies in particular to immigrants from outside the EU, where as many as around 30% belong to this group in all Nordic

countries. This is a considerably higher share than for natives. It is especially those low-educated migrants who often find it hard to obtain employment in the Nordic labour markets. One reason is the low frequency of elementary jobs that require only low skills in the Nordic economies. Norway, Sweden, Iceland and Finland belong to the five European countries with the lowest shares of such jobs: in the range of 3–6% (Figure 6). Hence, there is an obvious mismatch in these countries between the skills of many immigrants and the skill requirements on most jobs.

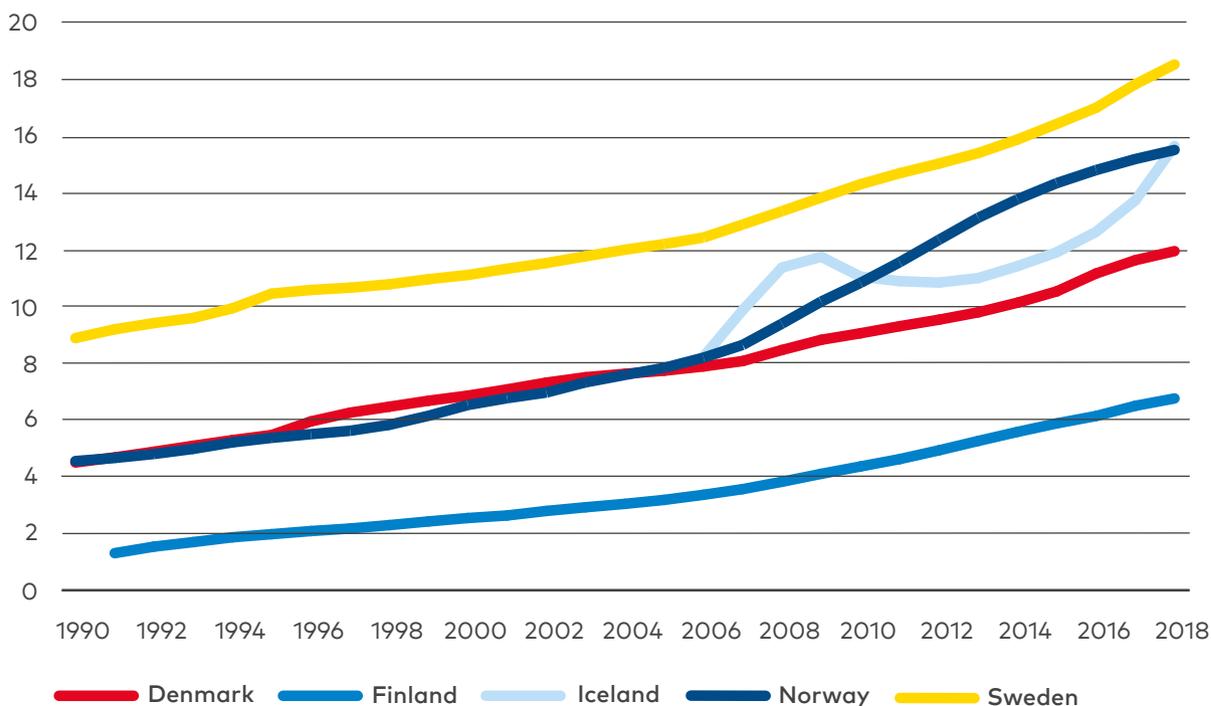
2.3 Labour market outcomes of immigrants

The successful labour market integration of refugees and other migrants is crucial for both the Nordic societies and the migrants themselves. The Nordic countries all have generous welfare systems that rely on high employment rates. The speedy and successful transition of immigrants into employment is necessary to reduce pressures on publicly funded programmes. For the refugees themselves, integration into the labour market fosters their societal integration, language acquisition, and ultimately increases their incomes and well-being. In addition, social cohesion probably depends to a large extent on an equitable distribution of employment. Large disparities in the access to work between groups are likely to foster mistrust between them. The consequence may be a polarised society very far from the traditional situation in the Nordic countries, which were in the past characterised by more or less full employment.

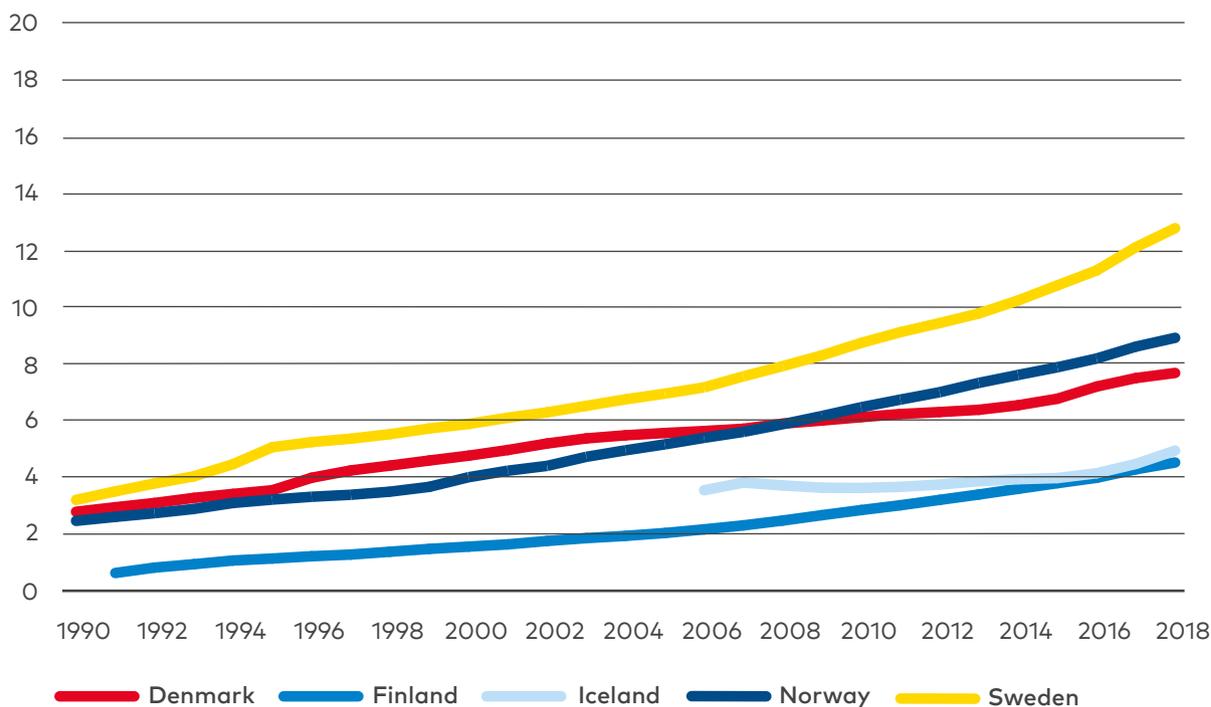
Employment rates of migrants remain substantially lower than those of natives in Denmark, Finland, Norway and Sweden (Figure 7, panel a). Those born outside the EU reach particularly low levels. In 2017, the employment rate of migrants from outside the EU was as low as 54% in Finland and around 60% in Denmark, Norway and Sweden. Iceland is the only Nordic country where foreign-born people have

Figure 3 Share of foreign-born people in the populations in the Nordic countries, percent

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



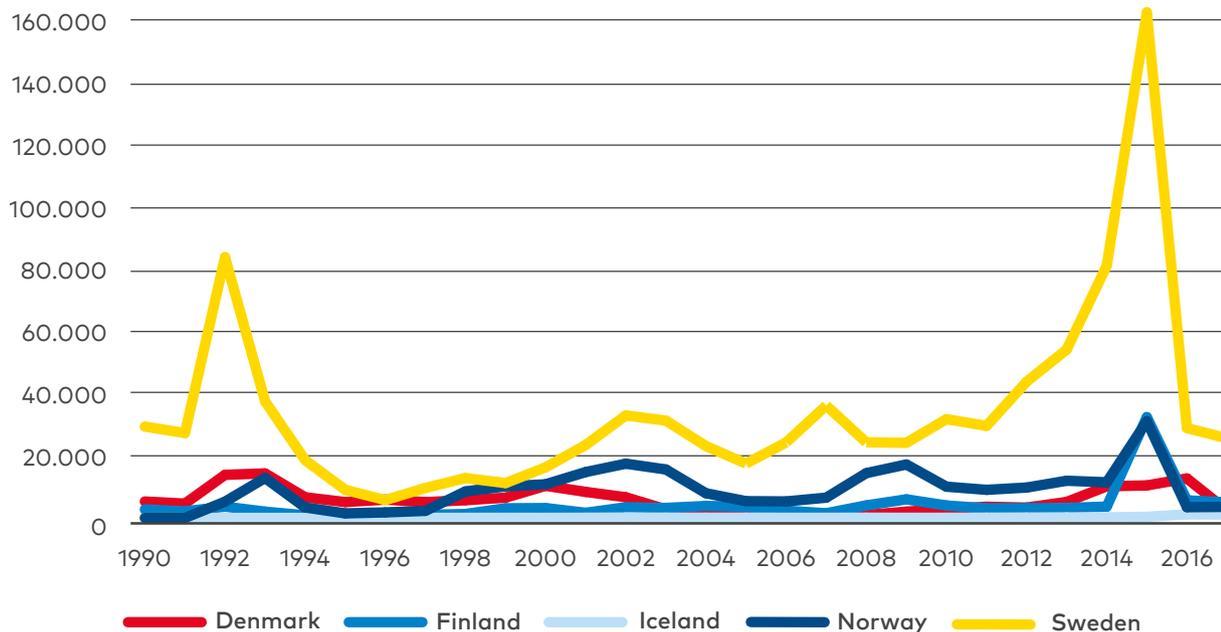
(b) Share of persons born outside the EU in the population, percent



Note: The EU includes all member states in April 2019 (including the UK) except Croatia (excluded here due to data limitations). Data for Iceland are not available before 2006.

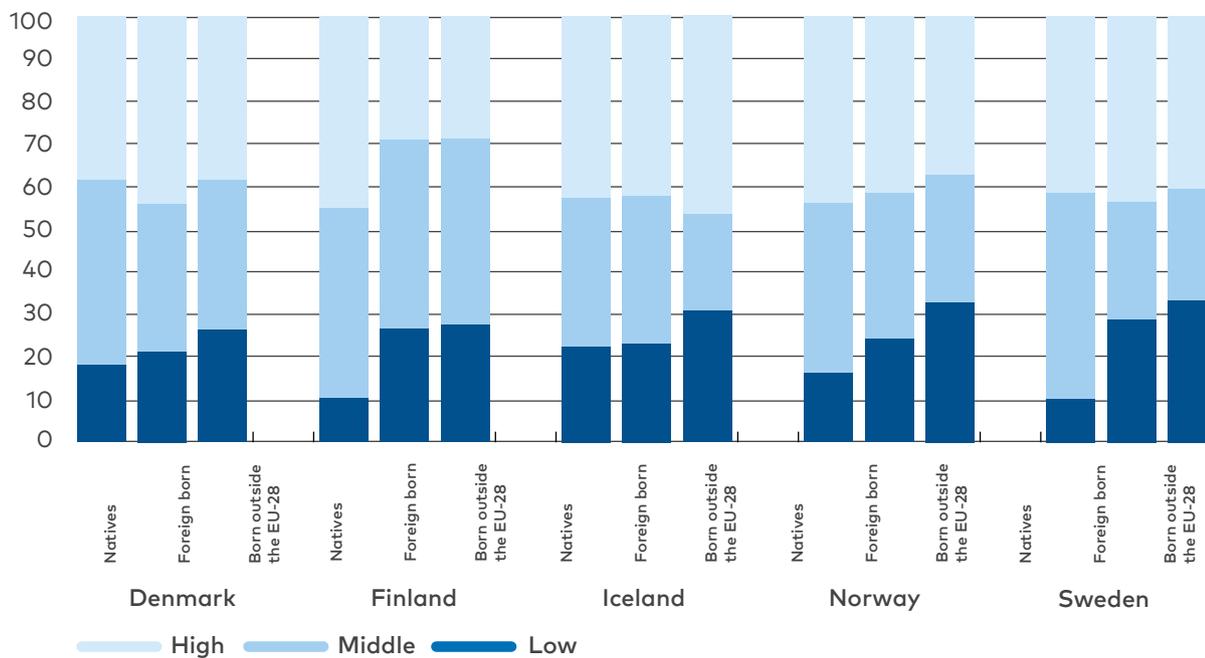
Source: Own calculations based on data from Nordic Statistics.

Figure 4 Number of requests for asylum in the Nordic countries



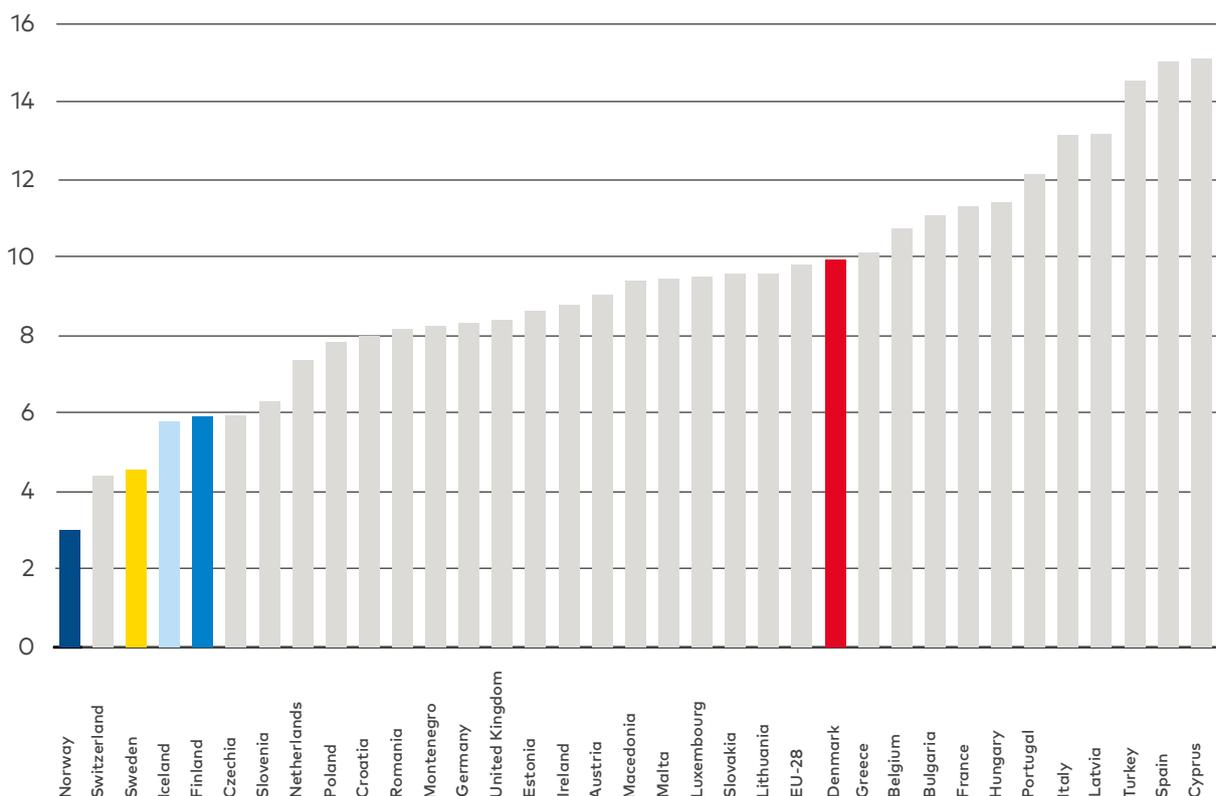
Note: Data refer to the number of applications. If one person submits several applications, she is counted more than once.
Source: Nordic Statistics.

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



Note: Low educational attainment means less than primary, primary or lower secondary education (International Standard Classification of Education, ISCED, levels 0-2); middle educational attainment means upper secondary or post-secondary non-tertiary education (ISCED levels 3 and 4); and high educational attainment means tertiary education (ISCED levels 5-8). EU-28 refers to the current (May 2019) member states of the EU, including the UK.
Source: Eurostat.

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



Note: Elementary occupations are defined in the ILO’s International Standard of Classification of Occupations (ISCO). The occupations consist of simple and routine tasks which mainly require the use of hand-held tools and often some physical effort. The skills required correspond to primary education (around five years). Source: Eurostat.

higher employment rates than natives. This reflects the fact that most of the migration there has been for labour market reasons.

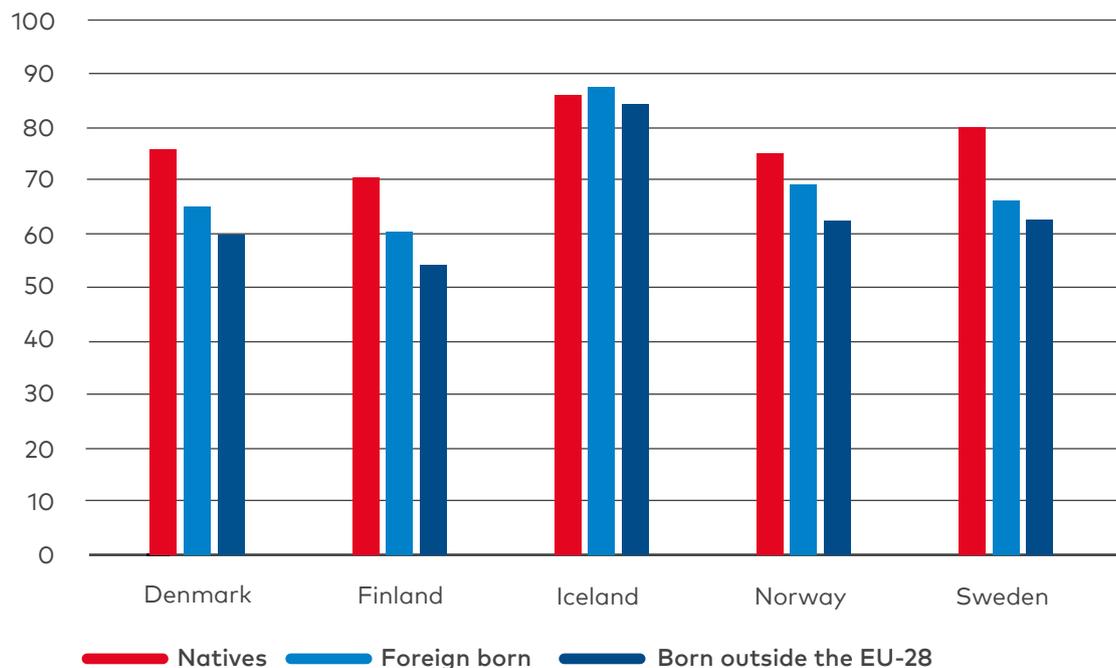
The differences in migrant employment rates among the Nordic countries are influenced by macroeconomic and institutional conditions that also affect the employment rates of natives (note, for example, that the native employment rate is also lowest in Finland and highest in Iceland). Panel b in Figure 7 therefore visualises the gap between the employment rates of natives and of the two migrant groups, respectively. In 2017, the employment gaps were largest in Sweden: 14 percentage points for foreign born in general and 17 percentage points for persons born outside the EU. This indicates that particular obstacles for labour market integration

of migrants exist there. Denmark and Finland had almost as large employment gaps, in particular between natives and those born outside the EU. In Norway, the gap was much smaller. In Iceland, foreign born had a higher employment rate than natives. For those born outside the EU there was only a small negative employment gap.

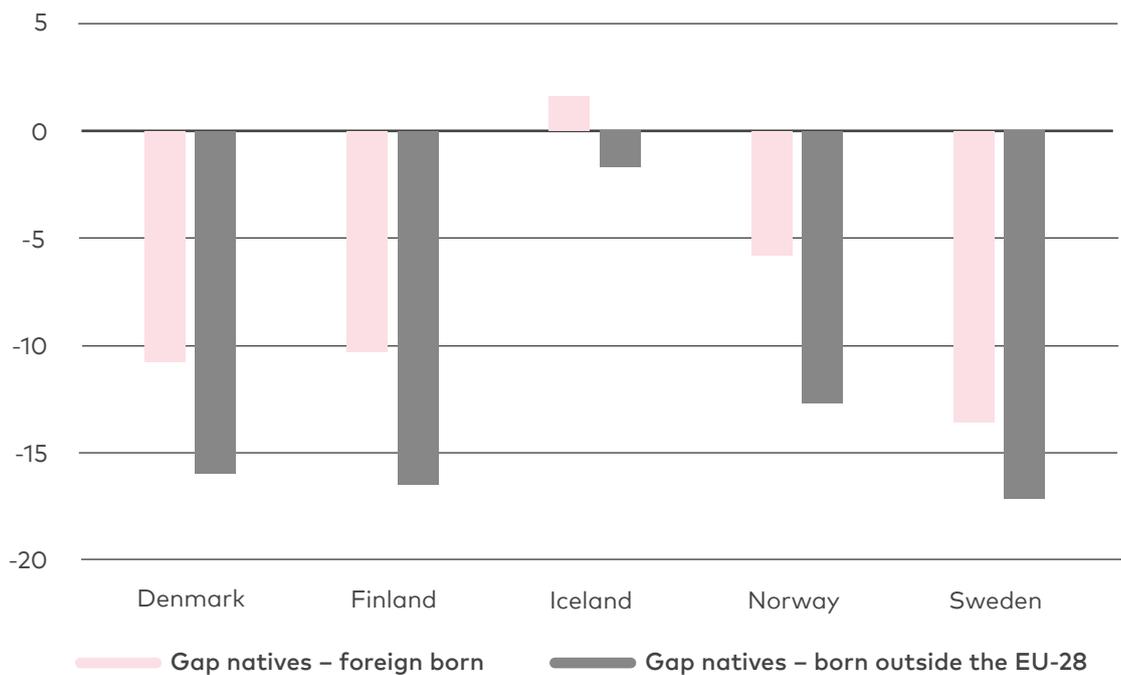
A comparison of unemployment rates shows similar patterns (Figure 8). With the exception of Iceland, foreign-born people have substantially higher unemployment rates than natives in the Nordic countries. Those born outside the EU are particularly likely to be out of work. In 2017, the unemployment rate of this group was 20% in Finland and 18% in Sweden. The unemployment gaps between natives and foreign-born people, and be-

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

(a) Employment rate, percent of population



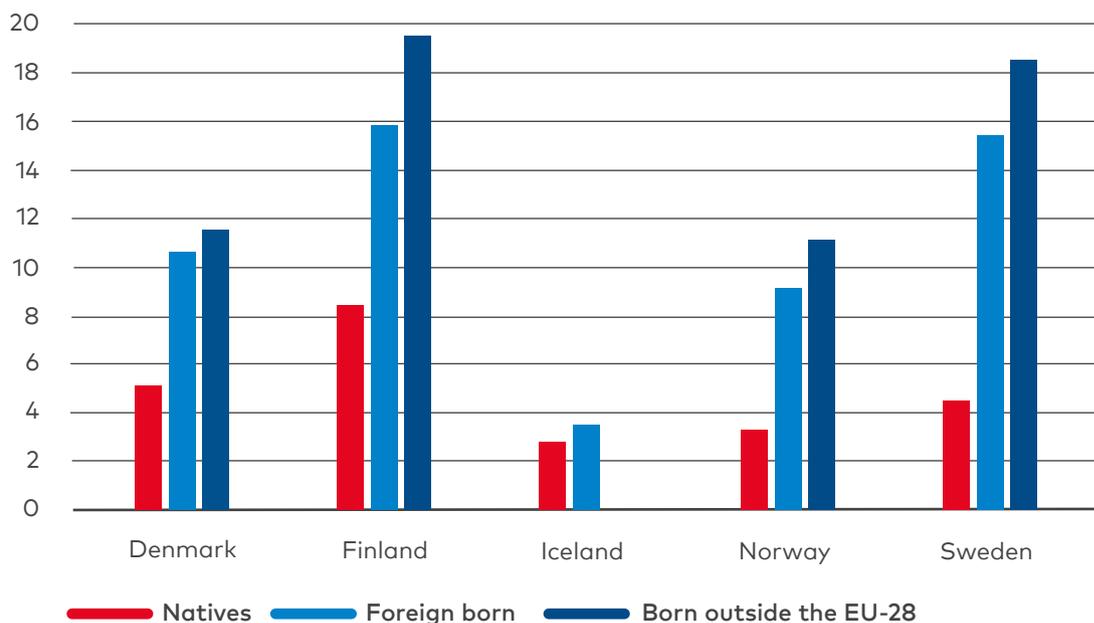
(b) Employment gap, percentage points



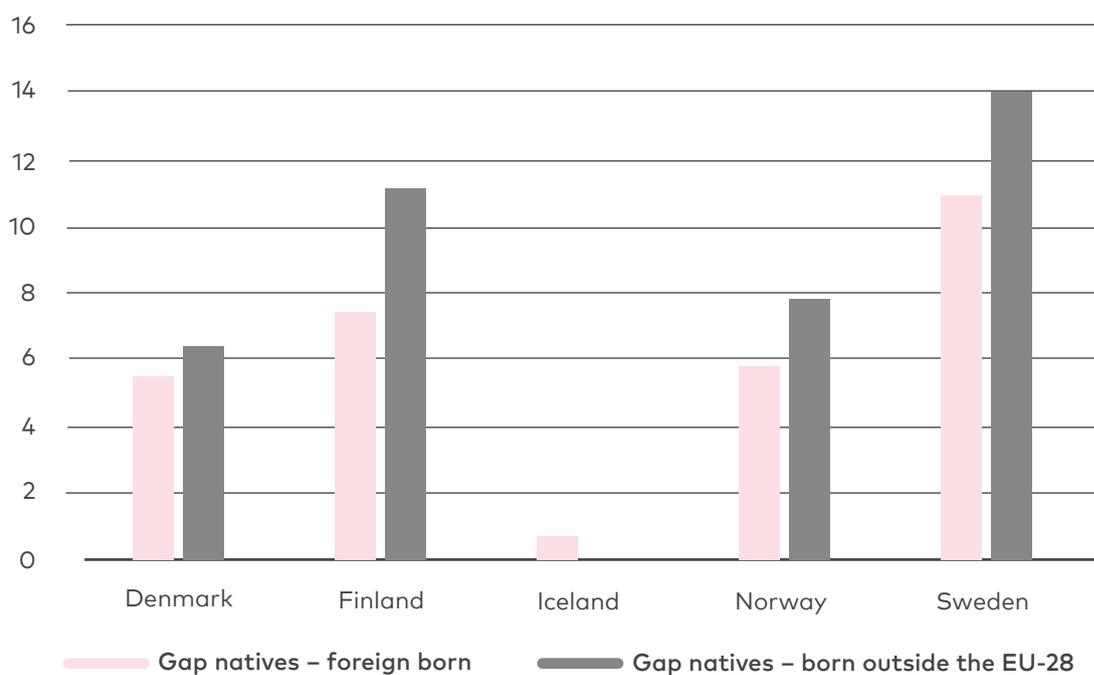
Note: Employment rates are calculated by dividing the number of persons aged 15– 64 years in employment by the total population in the same age group. Employment gaps are defined as the difference in percentage points between natives and the two groups of foreign born, respectively.
Source: Eurostat.

Figure 8 Unemployment of natives, foreign born and persons born outside the EU, 15-64 years, 2017

(a) Unemployment rate, percent of the labour force



(b) Unemployment gap, percentage points



Note: Unemployment rates are expressed as the number of unemployed persons as a percentage of the labour force based on the International Labour Office (ILO) definition. The labour force is the sum of employed and unemployed persons. Unemployment gaps are defined as the difference in percentage points between natives and the two groups of foreign born, respectively. Unemployment rates for persons born outside the current 28 member states of the EU (including the UK) are not available for Iceland. Source: Eurostat.

tween natives and people born outside the EU, were also largest in Sweden with 11 and 14 percentage points, respectively. In Denmark and Norway, the gaps only reached roughly half this size.

In recent years, an increasing number of studies has analysed existing measures to promote employment among non-European immigrants in particular.⁴ However, a systematic review of how various policies influence the employment of refugees and other migrants in the Nordic countries is currently not available. The goal of this volume is to deepen our understanding of how the labour market integration of immigrants in the Nordics can be improved. Researchers from across the Nordic Region evaluate the existing research literature and try to identify appropriate policies to raise employment among immigrants. Below, we provide a short summary of the main findings as well as our policy conclusions.

3. The chapters in the volume

The volume contains seven contributions.

Tuomas Pekkarinen and *Anders Böhlmark* both analyse education policy for immigrants in their chapters. Whereas Pekkarinen discusses education policies in general, Böhlmark focuses on appropriate policies for adolescent immigrants in particular.

Two chapters discuss active labour market programmes. The topic of *Pernilla Andersson Joona* is active labour market programmes for newly arrived refugees and family migrants. *Vibeke Jakobsen* and *Torben Tranæs* try to answer the more specific question of how programmes for immigrants should

best be organised: should provision of labour market services be public or private, and how should responsibility for policy be allocated between central and local government levels?

Bernt Bratsberg, Oddbjørn Raaum and Knut Røed address the issue of social insurance design, especially the generosity of benefits and the use of activation measures, for immigrants.

Jacob Nielsen Arendt and Marie Louise Schultz-Nielsen do not analyse just one type of policy, but attempt to sort out what policies work best for a specific group of immigrants with a particularly low employment rate: non-Western women.

Finally, *Simon Ek and Per Skedinger* discuss how wage policies of the parties in the labour market (employer organisations and trade unions) in their collective agreements, viz. the levels of minimum wages, affect the labour market integration of immigrants.

The various contributions are summarised below.

3.1 Education efforts

Tuomas Pekkarinen provides a survey of the education efforts for immigrants in the Nordic countries. He reviews education in the ordinary school system, pre-primary education and adult education.

The chapter starts out by noting that the native-immigrant gaps in literacy proficiency according to the OECD's achievement test PIAAC for adults are large in Sweden, Finland, Denmark and Norway (in that order) when compared to other OECD countries.⁵ This can to a large extent be explained by

⁴ See, for example, Andersson Joona et al. (2016), Arbetsmarknadsekonomska rådet (2016, 2017, 2018), Bratsberg et al. (2017), Greve Harbo et al. (2017), Karlsdóttir et al. (2017), SNS (2017) and Calmfors et al. (2018).

⁵ PIAAC stands for the Programme for the International Assessment of Adult Competencies. See, for example, Arbetsmarknadsekonomska rådet (2016), chapter 3, for a closer description of the test.

the differences in the composition of immigrants: the share of refugees in the immigrant population is larger in the Nordic countries than in most other OECD countries.

Pekkarinen also points out that the skill gradient of employment, that is how rapidly the employment rate increases with skills, is particularly steep in the Nordics, and especially so in Finland and Sweden. Figure 7 above documented the large employment gaps between natives and immigrants in the four large Nordic countries. But when comparing natives and immigrants with similar skill levels, the employment gaps decrease or are even reversed (for higher skill levels). The obvious conclusions are that the aggregate employment gaps between natives and immigrants depend to a large extent on skill differences and that policies which reduce these differences will also decrease those gaps.

Education in the ordinary school system

When controlling for the socioeconomic background of parents, early-arriving (before six years of age) immigrant children are doing much better in the OECD's PISA tests in literacy than their late-arriving (after six years of age) peers in Finland, Sweden and Iceland.⁶ This is an indication that the school systems in these countries are fairly successful in enhancing immigrant children's achievements. However, the achievement *levels* of early-arriving immigrant children in these countries are still low in comparison with several other European countries. As there remains an achievement gap between natives and early-arriving immigrant children, the school systems obviously still fail to sufficiently increase the skills of the latter.

Pekkarinen documents that the Nordic school systems do allocate extra time to language instruction

of immigrant children during formal school hours (as compared to native children), and also provide remedial language instruction outside these hours. But in both Finland and Sweden, the time devoted to language instruction for immigrant children during school hours is short in an international comparison; this, however, reflects mainly short school days in general in these two countries.

Pre-primary education

It is well-known from studies in Anglo-Saxon countries that pre-primary education can be a very effective tool in reducing the achievement gaps between students from different backgrounds. In line with this, Pekkarinen finds that longer participation in pre-primary education is associated with significantly higher PISA literacy test scores for immigrant children in all the five Nordic countries. Such an association also exists for native children, but it is much stronger for immigrant children. At the same time, differences in participation in pre-primary education between native and immigrant children are large in the Nordics relative to other countries. This suggests that larger participation of immigrant children in pre-primary education could represent a margin of improvement in Nordic integration policies.

Adult education

Participation in adult education is in general high in the Nordic countries. This holds true also for immigrants: in 2016, around 50% of them had taken part in some adult education during the past twelve months. Participation in *formal* adult education is much higher for immigrants than for natives. This strong overrepresentation appears to be a specific Nordic phenomenon. It reflects a general emphasis on secondary education and labour market training for adults with a need to compensate for gaps in ed-

⁶ The Programme for International Student Assessment (PISA) is an international achievement test for 15-year olds. This test is also more closely described in Arbetmarknadsekonomiska rådet (2016), chapter 3.

educational attainment as well as particular language training for immigrants.

The high immigrant participation in adult education in the Nordics implies that the courses are successful in targeting this group. Pekkarinen also finds that participation in adult education is positively correlated with literacy test scores in PIAAC data. The association is stronger for immigrants than for natives in Denmark, Finland and Sweden. In these countries, the association for immigrants is also stronger than in other countries.

It is not obvious how to interpret the described correlations. They could indicate that adult education raises skills. But they could also reflect that persons with better literacy skills are more likely to take part in adult education. Pekkarinen's conclusion is that the wide availability of adult education in the Nordics has at least not diluted the effectiveness of the programmes. He also concludes that, if "the selection based on unobservables does not differ between natives and immigrants", then the results suggest that immigrants may benefit more from adult education than natives. The particularly strong correlation between participation in *job-related* adult education and literacy test scores for immigrants could indicate that initiatives combining education and subsidised employment is a promising tool for promoting the integration of adult immigrants into the labour market.

3.2 Education policies for adolescent immigrants

Anders Böhlmark discusses both the specific problems of adolescent immigrants and policies that could address these problems.

The problems of adolescent immigrants

Adolescent immigrants who arrive at middle- or high-school age are particularly disadvantaged for several reasons. Like other immigrants they lack

pre-migration skills in the host country's language. But language learning tends to be more difficult for adolescents than for younger children.

In addition, many adolescent immigrants come from school systems that are far below the standards in the Nordic countries in universal subjects, such as mathematics. These immigrants are usually also disadvantaged at school because of their parents' low socioeconomic status (such as low education and low income), which is well known to affect children's educational outcomes negatively. The described factors are also likely to be compounded by other problems: many child refugees have previously been exposed to traumatic events, they have experienced stress during the waiting time in the asylum process, they go to socially segregated schools, and they have difficulties to study at home because of overcrowding.

Policy conclusions

It is a huge challenge for the school system to overcome the disadvantages of adolescent immigrants. Unfortunately, research on the best way to deal with these problems is limited both in the Nordic countries and elsewhere. Still, Böhlmark is able to draw a number of policy conclusions based on existing research regarding the effectiveness of different school interventions and practices for disadvantaged students in general. The following are some of his major recommendations:

- *Provide more study support in the immigrants' mother tongue in regular subjects* (other subjects than the language of the host country). Although bilingual teaching in regular subjects is unrealistic in most cases – there are simply not enough bilingual teachers around – help from teaching assistants may be a possibility.
- *Give students more time to study.* This can be done through summer schools and educational programmes during other breaks. One might also

cut down the number of subjects studied and devote extra time to the most important ones needed to qualify for high school.

- *Avoid discouraging immigrant students.* Written judgements, rather than just ordinary grading, may be useful for newly arrived students who do not get a pass in a subject. It could also be important not to keep students too long in preparatory programmes for high school that only focus on language learning but do not include other subjects, as this may have a discouraging effect on motivation.
- *Avoid too stringent admission criteria to vocational high-school programmes.* According to Böhlmark, these criteria have been raised too much in Sweden.
- *Take measures to raise the participation of immigrant youth in vocational high-school programmes.* The probability of finding a job shortly after completing a vocational programme has been shown to be high in general. At the same time, students born to parents from non-Western countries perform on average worse than native children in more theoretical subjects. Yet, the former group is underrepresented in vocational training (at least in Denmark, Norway and Sweden). A helpful intervention might be to offer more study guidance involving parents and helping families formulate educational objectives suited to the children's academic aptitudes.

Böhlmark's policy recommendations thus focus on both helping adolescent immigrants qualify for high-school studies and offering them education there with a more direct labour-market focus.

3.3 Labour market policy for newly arrived immigrants

An internationally unique feature of the integration policies in the four large Nordic countries is that

activities for newly arrived refugees and family migrants are organised within similar *introduction programmes*. These include language training, courses in civic orientation and labour market measures. In Denmark and Norway, the introduction programmes are the responsibility of municipalities, in Sweden of the Public Employment Service, and in Finland of both the Public Employment Service (for immigrants actively looking for a job) and the municipalities (for immigrants not actively looking for a job).

Pernilla Andersson Joona reviews the contents of the introduction programmes in Denmark, Norway and Sweden. Language training is the most common activity. Regular education is included to a rather small extent (especially in Denmark). Subsidised employment plays a significant role in Sweden but is used much less in Denmark and Norway.⁷ In all three countries, women participate in such employment programmes to a much smaller extent than men.

The author also surveys existing research that can highlight the likely effects of various activities within the introduction programmes. Her overall conclusion from evaluations of existing introduction programmes in Finland, Norway and Sweden is that they produce (slightly) better labour market outcomes for participants than earlier programmes. According to her, there are good reasons to believe that it is beneficial to organise measures for newly arrived immigrants and family migrants within coherent introduction programmes of the current type.

Evidence on various activities

Andersson Joona quotes a number of results from existing research which are relevant for the activities included in the Nordic introduction programmes:

⁷ In Norway, this appears to be the result of a low use of employment subsidies in general (see NOU 2019:7).

- The few studies of the labour market effects of *language training* have produced mixed results. A Swedish study finds that such training has positive long-run employment effects (but negative short-run ones, probably because of lock-in effects). In Norway, a study finds no effect on earnings. According to a Danish study, there is a moderately positive effect of enforced language training on employment in the long run, but no effect on labour market participation. A Swedish study does not find any effect of a monetary bonus for meeting certain proficiency requirements on immigrants' language skills (except in Stockholm).
- Mainly on the basis of research on the long-run effects of *labour market training* for broader groups of participants, Andersson Joona argues that an increase of such training from the currently low levels would likely be beneficial.
- Research from both the Nordic and other countries finds that *subsidised private-sector employment* is the most effective labour market programme for promoting regular employment of immigrants.⁸ This is in line with results from research on active labour market programmes for broader categories of job seekers.⁹ Andersson Joona therefore recommends more use of subsidised private-sector employment within the introduction programmes. This may necessitate measures to stimulate employers' take-up of the subsidies: better information (since many employers are unaware of the subsidies) and outsourcing of employer responsibility to the Public Employment Service or staffing agencies which would then rent out staff to client firms (thus reducing risks associated with the uncertainty regarding the employees' productivity).
- According to Swedish studies, *intensified job search assistance* (coaching and counselling) has had positive effects on the employment of immigrants. In contrast, studies of a Danish programme for long-term unemployed welfare recipients did not find any effect on economic self-sufficiency.

3.4 Provision of and responsibility for labour market integration measures

The main topic of *Vibeke Jakobsen's and Torben Tranæs'* chapter is how labour market integration measures are best provided. Is private or public provision of employment services more efficient? The authors also briefly discuss central versus local government responsibility for labour market policy.

Theoretical considerations regarding private versus public providers

Research on the relative efficiency of private versus public provision of labour market services for immigrants is almost non-existent. Therefore, Jakobsen and Tranæs draw on the theoretical research literature regarding private and public provision of services in general and on empirical studies of employment services for broader groups of hard-to-place unemployed.

Optimal contracts with for-profit private providers of labour market programmes should include both a fixed payment per participant and a variable payment that depends on results (employment outcomes). The role of the variable part is to incentivise providers to deliver results, whereas the aim of the fixed part is to guarantee that providers want to participate in the system by "insuring" them against failure due to factors outside their control. The variable part should be larger, the more accurate-

⁸ This is in contrast with work practice: Norwegian studies have found weak correlations between on-the-job work training and on-the-job language training on the one hand and transitions to employment on the other hand.

⁹ However, subsidised employment in the public sector does not appear to have positive effects on transitions to regular employment.

ly employment outcomes can be attributed to the activities undertaken by the provider and the less risk averse she is (compared to the principal, i.e. the government).

Too small payment by results may result in *parking*, i.e. providers may take on many participants without giving them much assistance in order to get revenues from the fixed payments. Too small a fixed part, together with difficulties of accurately measuring to what extent job placements depend on the efforts of the provider, can instead result in *cream-ing*. This means that providers take on primarily easy-to-place individuals in order to profit from the payments according to "results".

At first sight, the profit motive of private providers could be expected to make them more efficient than public ones given that there is sufficient competition. But the practical difficulties of verifying the quality of the services provided means that such a conclusion is not warranted. The problems of measuring results are obviously huge when it comes to the integration of immigrants in the labour market, since this can be a long process where there may be only gradual progression towards employment: from language learning over other education/training and precarious jobs to more permanent jobs. In addition, public providers might be led by intrinsic motives (such as contributing to the common good) to a larger extent than private ones. Hence, there is no theoretical presumption regarding whether private or public providers of employment services for immigrants are the more efficient.

Empirical research on private versus public providers

There exists only scarce empirical research on the relative efficacy of private and public providers of employment services. Jakobsen and Tranæs go through six high-quality studies (building on randomised

experiments in order to ensure that the results are not driven by differences in the composition of the groups that are compared) from both Nordic and other European countries. These studies do not suggest that private providers have been more efficient than public ones in improving participants' employment outcomes. On balance, the empirical studies indicate that the costs for the private providers' services were higher than those for the public ones.¹⁰

Central government versus local government responsibility

There is a short discussion of where the responsibility for employment services for immigrants should rest (independently of whether the services are provided by public actors or are contracted out to private ones). Again, the discussion is based on existing research on active labour market programmes for broader groups, but it is even more scarce than the research on private versus public providers.

Theoretically, there are opposing effects. On the one hand, local authorities have an information advantage over central authorities because of better knowledge about the local labour market. On the other hand, decisions at the local level may fail to take negative effects (externalities) on other areas into account. For instance, a municipality may favour job placement there even if it would be socially more effective to promote mobility to other municipalities. The scarce empirical research referred to in the paper gives some support for the view that decentralisation to the local level implies more of public job-creation programmes there, even when they are not very effective.

3.5 Social benefit policy

The role of social insurance systems is to protect individuals against income losses due to sickness, disability and involuntary unemployment, and thereby

¹⁰ The conclusions in the chapter are very similar to those of Crépon (2018), and Bergström and Calmfors (2018).

to reduce income inequality. The downside of such income protection is *moral hazard*, i.e. that individuals' incentives to self-sufficiency through employment are weakened. Hence, social protection systems must always trade off the insurance benefits against the incentive losses. *Bernt Bratsberg, Oddbjørn Raaum and Knut Røed* analyse this trade-off problem for immigrants. An extra dimension for immigrants is that incentives to immigrate to a country are also affected by the generosity of social insurance there.

Differentiation of social benefits

A key issue in the current context is whether or not social benefits should be differentiated between natives and immigrants. Denmark has introduced strong such differentiation. There, full entitlements to social assistance require residency in the country for seven of the last eight years. Differentiation is debated also in the other Nordic countries.

The case for differentiation of social benefit levels according to time of residency in the country is stronger if the employment of immigrants is more responsive to social benefit parameters than that of natives. Bratsberg et al. quote a study of their own which finds that the sensitivity of the exit rate from temporary disability insurance to employment is much larger for immigrants than for natives in Norway. Moreover, an increase in disability benefits has been found to have a permanent negative effect on labour earnings for immigrants, whereas there is no such effect for natives.¹¹ The authors also quote studies from Denmark according to which the benefit reductions undertaken there for immigrants have had substantial positive employment effects.

Bratsberg et al. also discuss the large labour market immigration (from other parts of the European Economic Area¹²) to Norway and the risk that the migrants accept jobs with low pay in order to achieve eligibility for social benefits (which are higher than in the country of origin). Evidence is quoted for "excessive churn" of migrant workers from the new EU states. This implies that workers from these countries become unemployed at the same time as the firms where they worked hire new similar workers.

Differentiation of benefits versus activation

Although the chapter points to likely employment gains from differentiating social benefits between natives and immigrants, it does not recommend that path. The motivation is that the employment gains would be "achieved at the cost of a considerable rise in poverty" as the majority of benefit receivers will remain out of employment also with such differentiation.

The policy recommended is instead to increase the use of *activation requirements* for receiving benefits. The authors back up this recommendation with own research results according to which tightened requirements for receipt of social assistance in Norwegian municipalities reduced social assistance claims and increased employment of male immigrants from low-income source countries. The effects were much weaker or non-existent for natives (and female immigrants).

3.6 Policies for non-Western immigrant women

The contributions discussed above each analyse a specific policy and its effect on immigrant employment. In contrast, *Jacob Nielsen Arendt and Marie Louise Schultz-Nielsen* focus on a particular group,

¹¹ The authors relate their finding to the research literature on how labour supply responsiveness to benefits depends on skills. This literature does not, however, come up with any clear-cut conclusions.

¹² The European Economic Area consists of the EU member states, Iceland, Liechtenstein and Norway.

non-Western immigrant women, and evaluate how different policies influence their labour market outcomes.

The reason for concentrating on this group is that its employment rate is low compared to other groups. There are several possible reasons: non-Western immigrant women often have less education, less knowledge of the host country language and worse health problems than immigrant men. In addition, many newly arrived female immigrants are in prime childbearing ages. Source-country cultural traditions are also likely to be important.

Different policies

Nielsen Arendt and Schultz-Nielsen distinguish between five different policies: (i) family policy; (ii) introduction programmes for newly arrived immigrants; (iii) active labour market programmes for participants with longer residency in the host country; (iv) social benefit policy; and (v) education policy. The chapter reviews 26 studies on the impact of such policies on the labour market outcomes of immigrant non-Western women in the Nordic countries and also discusses research from other countries (and to some extent for other groups). The main conclusions can be summarised as follows:

- There are only few studies of *family policy*. The provision of benefits for taking care of children at home raises the uptake of paid leave for non-Western immigrant women and hence reduces their labour force participation. The only study (from Sweden) that evaluated the effect of reduced costs of child care on female labour force participation did not find any (positive) effect for immigrant women (but for native ones).
- Several studies of introducing or upgrading *introduction programmes* have been undertaken. In most cases, results are disappointing. Employ-

ment effects, compared to less extensive earlier forms of support, are at best found to be moderate and sometimes even negative. One exception is the Swedish reform in 2010 which transferred the responsibility for introduction programmes from municipalities to the Public Employment Service and strengthened the employment focus. This reform seems to have increased transitions into employment. The only (Swedish) study of language training for immigrant women finds large long-run effects of *completing* the courses (larger than for men).

- *Active labour market programmes* for participants who have lived for some time in the host country appear to have positive employment effects. Subsidised employment is found to have the largest effect. This is in conformity with findings from the general research literature on active labour market programmes.¹³ On the whole, labour market effects of active labour market programmes have been found to be smaller for women than for men.
- *Social benefit policies* have been studied mainly in Denmark (and to some extent also in Norway). The studies concern benefit levels or sanctions when work requirements are not met. Overall, the studies support the view that lower benefit levels are associated with higher employment for non-Western immigrant women. Benefit sanctions appear to have positive effects on self-support rates. In general, effects of social benefit policies have been found to be smaller for immigrant women than immigrant men.
- Studies in Denmark, Norway and Sweden have found large long-term effects of post-secondary education in the host country on employment or wages for female refugees (usually larger than for men).

¹³ See Section 3.3 above.

3.7 Wage policy

The policies discussed so far – education policy, active labour market programmes and the design of social insurance – are all under the control of the government sector. But employment also depends on wage levels. For low-skilled immigrants with difficulties of establishing themselves in the labour market, wages at the lower end of the wage distribution are important for the employment prospects. These wages are heavily influenced by minimum wage stipulations. Unlike in most other countries, minimum wages in the Nordic countries are determined not by legislation but in collective agreements. This wage setting is the topic of *Simon Ek's and Per Skedinger's* chapter.

High minimum wages and low wage dispersion

The authors begin by noting that the Nordic labour markets are characterised by high minimum wages and low wage dispersion. The high wage floors increase the risks that the productivity of many low-skilled immigrants will not be high enough to make it profitable for firms to hire them. The consequence is, as was shown in Figure 6, that Norway, Sweden, Iceland and Finland (in that order) have few low-qualified jobs where immigrants with little education and poor language skills can be employed.¹⁴ In addition, Ek and Skedinger show that, when comparing European Economic Area countries, there is a strong relationship between wage compression in the lower half of the wage distribution and the employment gap between natives and immigrants.

The authors focus on minimum wages in the four large Nordic countries in hotels and restaurants, and retail. These industries are low-pay sectors where minimum wages often bind and where many immigrants work. The minimum wage bite (the ra-

tio between the minimum wage and the average wage in the economy) in these industries are largest in Sweden (61-62%) and lowest in Finland (47-50%).¹⁵ Denmark and Norway are in between with minimum bites in the range 50-56%. Whereas the minimum wage bite has fallen over the last decade in the three other large Nordic countries, it has risen in Sweden. In absolute terms, minimum wages are highest in Norway (which has the highest average wage level of the Nordic countries).

Minimum wages, employment and wage spillovers

Theoretically, the employment effects of minimum wage rises are ambiguous. Increases from a low level could raise employment because they increase labour supply (which in this situation is likely to be the main constraint on employment). But if minimum wages are high to begin with, employment is instead probably most constrained by firms' labour demand; a minimum wage hike then instead reduces employment. As minimum wages are high in the Nordics, one should expect empirical studies of these countries to find negative employment effects of minimum wage rises. A majority of studies also does this. In addition, research that examines composition effects finds that minimum wage rises cause substitution of more qualified workers for less qualified ones. It is unclear from the studies whether or not the employment effects are larger for immigrants than for native workers. Although the effects of rises and cuts in minimum wages need not be symmetric, the existing evidence (on rises) suggests that cuts would cause employment to increase.

Ek and Skedinger conclude that minimum wage cuts are likely to promote employment for low-skilled immigrants in the Nordic countries. However, an important issue is to what extent there would

¹⁴ Whereas the four Nordic countries mentioned above (together with Switzerland) have the lowest shares of low-qualified jobs among European OECD countries and are far below the EU average, Denmark is close to it.

¹⁵ The numbers refer to 2016.

be spillover effects on other wages. These would be negative for employees who are substitutes for the workers whose wages are cut and positive for employees who are complements. International research on wage spillovers has produced mixed results. Some studies have found that minimum wage hikes contribute to higher wages also somewhat up in the wage distribution, whereas others have found no effects. Results from research on how immigration affects the wage of natives are also contradictory: some studies find falls, others find rises.

Policy conclusions

To minimise the risk of negative spillover effects on other wages and achieve a proper balance between the conflicting objectives of high employment and income equality, Ek and Skedinger advocate *targeted* minimum wage cuts. These should be negotiated between the parties in the labour market and apply only to new types of auxiliary low-skilled jobs (involving assistance to more skilled workers). The authors acknowledge that the creation of such jobs may require substantial minimum wage reductions. Therefore, they may have to be combined with generous earned income tax credits to guarantee reasonable disposable incomes and stimulate labour supply to such jobs.¹⁶

Ek and Skedinger summarise earlier research, which they have been involved in, on labour outcomes for persons who have earlier entered already existing low-qualified jobs in Sweden. It has been found that a majority of those who were hired at wages in the lowest decile of the wage distribution transition to higher wages over time. Nearly half of those that entered a low-skilled job had a more skilled job eight years later. Comparing earlier unemployed low-ed-

ucated workers who took a low-skilled job in that year with as similar as possible a group of low-educated workers who remained unemployed, the former group had a better earnings development over time. The reported findings suggest that low-skilled jobs may act as a stepping stone to employment for persons, and in particular immigrants, with low education. But the results also indicate that the effects are modest. They might become larger if more generous financial support for combining such jobs with education are given, as suggested by Ek and Skedinger.

4. What have we learnt about appropriate policies?

The contributions discussed above highlight that several policies influence the labour market integration of immigrants. Education policy, active labour market policy, social benefit policy and wage policy all matter. Changes in all these policy areas could help raise employment of foreign-born persons and narrow the employment gap to natives

Below we summarise our take on the main policy conclusions from the contributions that we have described. We also discuss the trade-offs between different objectives that are involved as well as where the uncertainties regarding policy impacts are greatest and the need for more research most obvious. Finally, we offer some reflections on the policy differences between the Nordic countries.

4.1 Lessons regarding different policies

We draw the following main policy conclusions from the chapters in the volume:

¹⁶ The argumentation is similar to that in Arbetsmarknadsekonomska rådet (2016, 2017, 2018) and Calmfors et al. (2018) to which the authors contributed. The so-called establishment jobs (*etableringsanställningar*), which are to be introduced in Sweden in the autumn of 2019, will combine low wages paid by employers with a government grant to employees so that the disposable income on such jobs equals the disposable income from a normal minimum wage (see, for example, Calmfors et al. 2018, chapter 7).

Education policy

Stronger *education efforts* have a large potential to increase immigrants' human capital and thereby improve their employment opportunities, since the association between skill levels and employment is particularly strong in the Nordic countries. Policy measures here could encompass both more *pre-primary education* and more *adult education* (some evidence suggests that the latter may be especially effective in the long run for non-Western immigrant women).

It seems important to extend measures in the ordinary school system to target *adolescent youth* who have arrived at middle- or high-school age since this group is particularly disadvantaged as compared to early-arriving children. Appropriate policies could be:

- More study support in the mother tongue.
- More time to study through summer schools and education programmes during other breaks.
- A stronger focus on the most important subjects needed to qualify for high school.
- More encouraging grading systems for newly arrived students.
- Less stringent admission criteria to vocational high school as well as other measures (including more study guidance) to stimulate the participation of immigrant youth in such education.

Active labour market policy

There is strong evidence that *subsidised employment* in the private sector is the most effective labour market programme for increasing immigrants' transitions to work.¹⁷ At the same time, this programme is only used to a limited extent within the intro-

duction programmes for newly arrived immigrants and family migrants. This is especially the case in Denmark and Norway, but also in Finland. These countries could likely benefit from more use of subsidised employment.¹⁸ This could require better information to employers about these programmes and new arrangements to reduce the risks for employers of using these subsidies, as pointed out by Andersson Joona in her chapter. This could be done by letting the Public Employment Service take the formal employer responsibility or outsourcing it to a staffing company. Alternatively, a subsidised job could start with an initial probationary period.¹⁹

Use of *labour market training* is also rather limited within the introduction programmes in the Nordic countries. The evidence on the effects of labour market training in general is mixed, although some studies have found positive long-run effects (including for non-Nordic immigrants in particular). But the case for more labour market training of newly arrived immigrants and family migrants is weaker than for more use of subsidised employment. The case appears even weaker for more use of *work practice*, where some evidence (from Norway) rather suggests negative employment effects.

As regards *intensified job search assistance*, there are some studies from Sweden finding positive employment effects. This gives some weak support for an increased use of this measure.

Existing evidence does not suggest that private provision of employment services is more efficient than public provision, although it is possible that contract

¹⁷ Subsidised employment has also been found to have large displacement effects on regular unsubsidised employment. Crowding out of employment of more advantaged groups (insiders) is, however, usually seen as a reasonable price to pay for integrating more outsiders into the labour market, since this is likely to increase the effective labour supply and therefore also employment in the long run (see, for example, Forslund 2018, 2019 and von Simson 2019).

¹⁸ In Norway, such a policy change was recommended in NOU 2019:7.

¹⁹ See also Behrenz et al. (2015) and Calmfors et al. (2018) on this.

arrangements and systems (including rating of providers and forced exit of inefficient ones) can be devised that would give such a result.²⁰

Social benefit policy

Social benefit policy encompasses both benefit levels and benefit sanctions when recipients do not fulfil job-search requirements.

Studies from Denmark and Norway find that changes in *benefit levels* (reductions in the Danish case, increases in the Norwegian) have strong effects on immigrants' employment. But studies from these countries also find that *benefit sanctions* (conditioning benefits on some form of activation) have a large impact on employment and self-sufficiency of immigrants. Overall, the described results suggest that social benefit policy is important for the employment of immigrants. It also appears clear that the provision of benefits for taking care of children at home affects the employment of immigrant non-Western women negatively.

Denmark stands out among the Nordic countries because of its strong differentiation of social assistance levels depending on time of residency in the country. It is possible that similar measures could improve employment and self-sufficiency outcomes for immigrants in the other Nordic countries if they were to be adopted.

Wage policy

International empirical research on the employment effects of minimum wage changes has produced diverse results. On the whole, however, studies from the Nordic countries suggest that minimum wage increases there have affected employment negatively. There is also some evidence that the negative employ-

ment effects of minimum wage hikes have primarily concerned those with the weakest qualifications.

Although rises and cuts in minimum wages may not have symmetric effects, there is a strong presumption that *cuts* would raise the employment of low-skilled immigrants. This would likely happen through an increase in jobs which require only low qualifica-

tions. It is not clear though how minimum wage cuts would affect other wages higher up in the wage distribution. One way of trying to avoid negative wage spillovers is if the parties in the labour market can define, and confine, minimum wage cuts to new types of auxiliary jobs that are complements to already existing more qualified ones (and thus serve to increase the productivity there) as proposed by Ek and Skedinger in their chapter.²¹

Sweden is the Nordic country where minimum wages are the highest relative to the average wage in the economy. Norway has the highest minimum wages in absolute terms. It is not obvious from theory whether it is the relative or absolute levels that are most important for the employment levels of low-skilled workers in a country. But one should expect Sweden and Norway to be the two Nordic countries that stand the most to gain in terms of increased employment for immigrants from lower minimum wages.

4.2 Combination of policies and trade-offs

Our discussion suggests that many different policies could promote higher employment for immigrants. But it is also a striking conclusion that none of the policies appear to be very effective. Therefore, a one-sided focus on a single policy is likely misguided. The appropriate question is not what policy is the

²⁰ See, for example, Finn (2011) and Norberg (2018).

²¹ See Arbetsmarknadsekonomiska rådet (2017) and Calmfors et al. (2018) for a more thorough discussion of possible auxiliary jobs

most effective one but rather how various policies are best combined.

Trade-offs between policy objectives

All policies imply trade-offs against other objectives than labour market integration and employment. The trade-offs differ between policies:

- For education policy, the trade-off is between raising employment and increasing budgetary costs. More education efforts are likely to be costly.
- Employment subsidies entail a similar trade-off as education efforts.
- Lower benefit levels have a positive impact on public finances. Here, there is instead a trade-off between employment gains for a minority (who will receive higher incomes when they move from benefits to wage incomes) and income losses for a majority who will remain on benefits.²² Benefit reductions for newly arrived immigrants may also be in conflict with principles of universalism (equal treatment) for residents in a country.
- Benefit sanctions if job-search requirements are not met contribute to higher employment without any income reductions for those who remain on benefits, but instead imply more monitoring of individuals. This, too, might have negative welfare effects for those concerned.
- Lower minimum wages imply a trade-off between income gains from those who move from non-employment to employment and income losses for those who would hold a job anyway but now receive a lower (minimum) wage.

Research alone cannot answer the question of what exact combination of policies is the best when taking all these trade-offs into account, as this will depend both on the effectiveness of various policies and on pure value judgements. For example, is it desirable to reduce the employment gap between natives and

immigrants if the price is a larger income gap because of lower benefit levels or lower average wages for immigrants? The answer obviously depends on one's relative evaluation of employment inequality versus income inequality.

Incentives for immigration

Concerns about migration incentives could influence the choice of labour market integration policies. In addition to strengthening the incentives for work, benefit cuts that apply to immigrants reduce the economic gains from migrating to a country (as the expected income there depends inter alia on expected benefits when not being employed). Thus, to the extent that a country wants to use a restrictive benefit policy to restrain immigration, the arguments for benefit cuts are strengthened. Such considerations have clearly been a motive behind the cuts in social assistance for newly arrived immigrants in Denmark.

It is not obvious how minimum wage cuts would affect incentives for immigration. On the one hand, lower wages reduce income when a migrant finds work. This reduces the expected income gain from migrating. On the other hand, lower wages also increase the probability of finding work, which raises the expected income gain. The net expected income gain depends on which of these two effects is the stronger one.

Generous education opportunities as well as generous employment subsidies for migrants to facilitate their labour market integration instead raise the expected income gains from migrating. In these policy areas, there exists a potential conflict between possible objectives of restraining immigration and of promoting labour market integration for those who have already arrived.

²² This majority is obviously larger if the benefit cut is for everyone than if it is for those who have lived in the country only for a certain period of time.

Needless to say, considerations with respect to migration incentives need not influence the choice of measures to promote the labour market integration of foreign-born persons if immigration is mainly regulated through other means such as conditions for granting asylum and border controls.

4.3 Needs for more knowledge

Despite a large research literature on the employment effects of various integration policies, knowledge is very incomplete. In some areas, research results are uncertain, in others they are more or less missing. This must also be taken into account when deciding policies. In general, it is an argument for a diversified policy, i.e. for not “putting all eggs in one basket”.

Uncertainties regarding policy impact

The studies of the employment effects of some policies are fraught with great uncertainties. As discussed above, it is a common research finding that subsidised employment is a more effective labour market programme than others. But there is a risk that the positive effects are overstated because of *selection bias*. Studies routinely try to control for differences in the composition of participants in the examined labour market programmes and of non-participants. This can be done for observables. But differences with respect to non-observables probably remain. This may be a larger problem for subsidised employment than for other labour market programmes, as employers who hire workers with the help of subsidies probably often do this with an intention to keep the workers also after the subsidy period expires. Therefore, they are likely to

make a careful screening of the persons in question (also with respect to factors that are unobservable ex post to researchers evaluating the programme).²³ Similar considerations apply to education.²⁴ Those likely to benefit the most from more education are probably overrepresented among participants in such activities relative to non-participants. Research studies are unlikely to be able to control fully for this. Therefore, one should expect the correlation between education and subsequent employment to weaken if education programmes are expanded. However, as pointed out by Pekkarinen in his chapter, the association between participation of immigrants in adult education and literacy skills is stronger in the Nordics than in other Western European countries despite the larger volumes of such education in the former countries.²⁵

One must also distinguish between *completion* of education programmes and starting them. For instance, a Swedish study of the employment effects for immigrant women of participating in language training within the introduction programme found positive effects only if the courses were completed.²⁶ This points to the importance of trying to reduce drop-out rates, which tend to be high, especially for women.²⁷ Incentives for this could be provided through monetary bonuses for completing courses (as was tried in Sweden but with unclear results), by linking social assistance to participation (as in Denmark) or by making the possibility of obtaining a permanent residence permit conditional on passing a language test (as in Denmark and Norway). However, such incentives imply difficult trade-offs as the ability to reach a certain level of proficiency in

²³ See, for example, von Simson (2019).

²⁴ It is also likely that the better long-run earnings outcomes in Sweden for earlier unemployed low-skilled persons who took low-qualified jobs as compared to those low-skilled who remained unemployed found by Ek and Skedinger in their chapter reflects to some extent that it has not been possible to account fully for composition differences between the two groups.

²⁵ However, the stronger association holds only for job-related, but not for non-job-related, adult education. See Section 3.1 above.

²⁶ Kennerberg and Åslund (2010).

²⁷ See, for example, Calmfors (2016).

the host-country language depends also on factors which are unrelated to the efforts of the individual.²⁸

Missing knowledge

The most striking lack of knowledge concerns the effects of language training. This is noticed by both Andersson Joona, and Arendt and Schultz-Nielsen, in their chapters.²⁹ This is very unfortunate, as there is a strong association between literacy skills and employment in all the four large Nordic countries. A recent survey also found that Swedish employers regard insufficient language skills as the most important obstacle to hiring with an employment subsidy.³⁰ There is a great need for research on the effects of various types of language training on both language skills and labour market outcomes.

Another important knowledge deficiency concerns the question of job-related versus non-job-related adult education. Pekkarinen, in his chapter, sees the strong(er) correlation between job-related adult education and literacy skills for immigrants (than for natives) in the Nordics as an indication that such education is the most efficient one.³¹ A Swedish study also found that participants in work practice received on average higher earnings than participants in preparatory education. On the other hand, studies from Norway did not find any effect of on-the-job work training and on-the-job language training on the transition to employment after programme completion.³² In Sweden, the take-up of subsidies for programmes combining work and education (for

both low-skilled persons in general and low-skilled immigrants in particular), where employers have to take a large part of the responsibility for organising the training/education parts, has been disappointingly low. It seems that such administrative burdens work as a disincentive for employers to engage in such programmes.³³ A possible conclusion is that study support for employees should put as small an administrative burden on employers as possible.³⁴

We also know very little about which form of governance of introduction programmes produces the best labour market outcomes. A study in Sweden found an improvement after the main responsibility was transferred from the municipalities to the central government (the Public Employment Service) in 2010.³⁵ Nonetheless, the reform also introduced several other changes to the system, such as a stronger focus on labour-market-related activities. In Norway, municipalities are responsible for the introduction programme, and employment outcomes for the participants are better than in Sweden.³⁶

The knowledge on integration policies that exists concerns almost exclusively the labour market (or sometimes the skill) impact of various policies. But there appears to be an almost total lack of *cost-benefit analyses* of various education and labour market programmes.³⁷ This may partly depend on unavailability of good administrative data on programme costs.³⁸ This is a huge problem for policy making. It is impossible for policy makers to make an

²⁸ See, in particular, Andersson Joona's chapter for a more thorough discussion.

²⁹ See Sections 3.3 and 3.6 above.

³⁰ The survey is reported in Arbetsmarknadsekonomska rådet (2017) and Calmfors et al. (2018).

³¹ See Section 3.1 above.

³² The studies are summarised in Andersson Joona's chapter (see Section 3.3).

³³ See Statskontoret (2016).

³⁴ See Arbetsmarknadsekonomska rådet (2017) and Calmfors et al. (2018).

³⁵ See Andersson Joona's chapter.

³⁶ See Hernes et al. (2019). The Norwegian outcomes are better than the Swedish ones in both the short and the long run. The outcomes in Denmark, which also has local responsibility for the introduction programme, is worse than in both Norway and Sweden in the long run, but better in the short run.

³⁷ This was, for example, pointed out in NOU 2019:7.

³⁸ See Ackum (2018) for the case of Sweden.

informed choice of policies without proper cost-benefit analyses of existing programmes. This is an area that should be given high priority in future research on integration efforts for immigrants.

4.4 Some reflections on policy differences between the Nordic countries

Our discussion has highlighted many similarities in both problems and policies between the Nordic countries. Although the size of immigration differs, all the four large Nordic countries face similar qualitative problems of integration of non-Western immigrants. All four countries also have similar organised introduction programmes.

Differences in problems

Nonetheless, there are also important differences. Sweden has had the largest non-Western immigration. At the same time, minimum wages relative to the average wage in the economy are higher than in the other Nordic countries. This means that there are higher thresholds for low-skilled immigrants to become employed. As a consequence, Sweden has the largest gaps in both employment and unemployment between natives and immigrants of all the Nordic countries. This suggests that Sweden may need to do more in terms of policy reforms, and possibly in more areas, than the other Nordic countries.

Norway has had much more of labour immigration than has been the case elsewhere. As pointed out by Bratsberg et al. in their chapter, this has raised specific problems of whether such immigration is stimulated by the possibility to become eligible for generous social benefits in the country. This could make the labour immigrants more prone to accept low pay and thus contribute to more wage competition in Norway, affecting wages of natives negatively. Another difference between Norway and the other

countries is that the employment gap between native and immigrant men goes down only during the first years after arrival but then widens again after a few years (whereas the pattern elsewhere usually is a steady reduction over time).³⁹ It is not clear to what extent the Norwegian pattern reflects the design of the country's social insurance system.

Differences in policies

We have also noted several differences in the policy mixes between the Nordics. The reasons are not obvious. There may be differences in policy traditions, in perceptions of the efficacy of various policies, in the magnitudes of integration problems and in preferences regarding trade-offs between various objectives.

Denmark has a wide-ranging policy of differentiating social benefits depending on time of residency in the country. As benefit levels affect the expected gains from immigration, this could reflect a greater concern with large immigration than in the other Nordic countries. But lower benefits for newly arrived immigrants are likely to promote labour market integration. It would be possible for the other Nordic countries to adopt similar differentiation of benefits as in Denmark. It would, however, entail difficult trade-offs with respect to goals of low income inequality and universalistic welfare systems for residents in a country. Another option is to rely more on activation requirements for receiving benefits, but this might involve other trade-offs relating to both integrity and efficiency concerns with intensive monitoring of (formal) job-search activities.

A striking observation is the much higher reliance on subsidised employment in Sweden than in the other Nordic countries. The reasons for this are not clear. One possibility is that the high minimum wages rel-

³⁹ In Denmark, the employment gap between native men and men with a refugee status also goes down during the first seven to eight years after arrival but then increases again (Schultz-Nielsen 2017).

ative to average wages in Sweden necessitate more subsidies if low-skilled workers are to pass the implied high productivity thresholds. The extensive evidence regarding the efficacy of employment subsidies in promoting employment suggests (despite the question marks regarding overstated effects discussed in the previous section) that a more frequent use of this labour market programme is also motivated in the other Nordic countries.

Finally, the different organisation of the introduction programmes for newly arrived refugees and family migrants in the four large Nordic countries should be noted. In Denmark and Norway, these programmes are organised by the municipalities, while they are administered by the Public Employment Service in Sweden. In Finland, both the municipalities and the Public Employment Service are involved. Existing research does not, however, permit any conclusions on the best form of governance of the introduction programmes.

The value of policy diversity

This volume tries to collect evidence on which policies are most appropriate to promote labour market integration of immigrants in the Nordics. The great similarities between the countries in terms of integration problems and welfare state models makes such an effort worthwhile. Learning from research and experiences from all the Nordic countries gives a larger pool of knowledge. There are lessons to learn from "best practices". But at the same time, one should not strive for uniformity of policies across the Nordics. In view of the great uncertainties of what works best, policy diversity has a value in itself since it is a precondition for evaluating the efficacy of different policies. Differences in policy traditions and other conditions can sometimes also result in similar policies giving very different results in various countries.

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