

Integrating Immigrants into the Nordic Labour Markets

Lars Calmfors

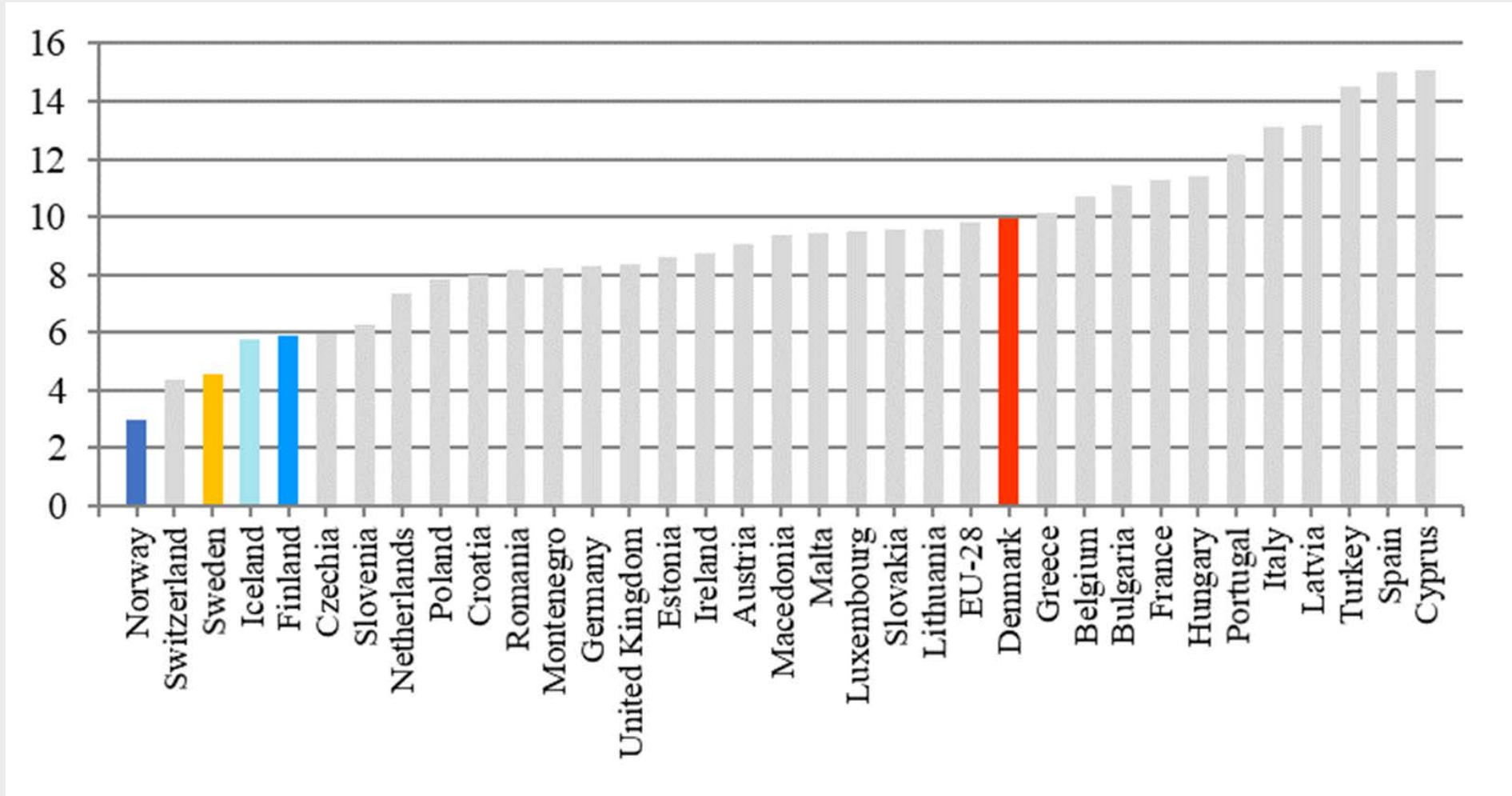
Launch event at Norwegian Ministry of Finance

29 May 2019

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

Share of elementary jobs, 20-64 years, 2017, percent



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 |

Source: Tuomas Pekkarinen (2019)

Some conclusions on education

- Immigrants take part in adult education to a large extent in the Nordics
- Pre-primary education is important for immigrant children's later PISA scores
- Stronger correlation between PIAAC test scores and earlier participation in adult education for immigrants than for natives
- Non-western immigrant women benefit strongly from regular education
- But it takes long time before adult education in general result in higher incomes for participants than for non-participants and effects are small
- It is *completion* of courses, not starting them, that gives results
- Little knowledge of which type of language training works the best

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

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

Trade-offs

- Education efforts and subsidised employment imply higher budgetary costs
- Lower social benefits imply lower budgetary costs but larger income inequality
- Lower minimum wages might also imply larger income inequality
- Generous education and subsidised employment programmes strengthen incentives for immigration
- More restrictive social benefits, and probably minimum wage cuts, weaken incentives for immigration

Integration problem differs between countries

- Sweden has the largest problem
 - largest immigration
 - largest employment gap
 - highest minimum wages
- Finland's problem is much smaller because of smaller immigration
- Norway has had larger labour-market immigration than the other Nordic countries
 - employment rates of immigrant men first increase over time but then start to fall again
 - the Norwegian social benefit system?

Concluding comments

1. Very insufficient knowledge about cost effectiveness
 - lack of cost-benefit analyses of introduction, education and labour-market programmes
2. The Nordic countries can learn from each other about best practices
 - but knowledge is uncertain
 - different policies can work differently in different settings
 - policy diversity is a precondition for comparative evaluations