Labour market integration of refugees in Denmark
New immigrants arrived 1997-2016

Source: Statistics Denmark
Danish immigration policy

1) Immigration (The Aliens Act)
   - *De facto* refugee status abolished and replaced by ‘b status’ (2002)
   - Harder to qualify for family reunification (‘24 year rule’, stricter ‘attachment rule’), easier to qualify for immigration to study and work (2002)

2) Integration (Integration law, Active labour market policy and other laws)
   - Integration program prolonged from 1½ to 3 years (1999)
Employment rate by origin and number of years of residence in Denmark, arrived 1997-2011

Source: Schultz-Nielsen (2017)
Predicted employment gap in Denmark (1)

Men, 1st cohort (arrived 1997-2001)

Women, 1st cohort

Source: Schultz-Nielsen (2017)
Predicted employment gap in Denmark (2)

Men, 5 years after arrival

Women, 5 years after arrival


Source: Schultz-Nielsen (2017)
Predicted earnings gap in Denmark

Men, 1st cohort

Women, 1st cohort

Source: Schultz-Nielsen (2017)
Predicted transfer income gap in Denmark

Men, 1st cohort

Women, 1st cohort

Source: Schultz-Nielsen (2017)
Share of population receiving early retirement benefit by origin

- **Men**
- **Women**

Note: Early retirement benefit = 'Førtidspension'

Source: Own calculations based on Statistics Denmark records
Share of refugees recieving early retirement benefit by cohort


Source: Own calculations based on Statistics Denmark records.
Documented employment effects for immigrants/refugees in Denmark

Positive employment effects are found in relation to:

- Active Labour Market Programmes (ALMP) 
  (Heinesen, Husted and Rosholm, 2013)

- Job with wage subsidy in private sector 
  (Nielsen Arendt and Pozzoli, 2014)

- Lower benefit / ‘Start Aid’ 
  (Andersen et. al., 2012; Rosholm and Vejlin, 2010)

- Network 
  (Damm, 2009 and 2014)
Recent changes in politics

1) Stricter access

- ‘Temporary’ border control (2015 - )
- Family reunification (after 3 years of residence) (2015)

2) Lower benefits

- Integration benefit – 2015/16. (Supplement if Danish-test is passed).
- Benefit-cap

3) More employment focus in integration program

- As a result of the government negotiations with employers and unions (spring 2016) :
  - ‘Integrationsgrunduddannelse (IGU)’ lasting for 2 years. Combines ‘education and work training in private companies’ with wages lower than usual minimum standards. The IGU includes 1,022 refugees by October 2017.
Conclusion

• The flow of refugees to Denmark varies significantly over time. From 4,200 in 1997, to 1,200 (2006) and 10,300 in 2015.

• Refugees (and their family members) improve their labour market participation within the first years of their stay in Denmark, but:

• They do not catch up with natives (in general or low-skilled) nor family reunified with immigrants and after a decade the refugee men seem to fall behind. Instead many end taking up on early retirement pension.

• The employment gap is larger for refugee women than for refugee men, while it is the opposite when exploring the earnings gap.

• Employment gaps are smallest for the 2. cohort (arrived 2002-2006) of refugee men. The pattern is less clear for women.

• Transfer incomes are in general higher for refugees than for other groups mainly due to their lower labour market attachment. However, in periods with lower benefit-levels for newly arrived immigrants this is not always the case.
Appendix 1. Characteristics of refugees, family reunified with refugees and immigrants

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Refugees</td>
<td>Family reunited with refugees</td>
</tr>
<tr>
<td></td>
<td>Individuals</td>
<td>Observations</td>
</tr>
<tr>
<td></td>
<td>9,511</td>
<td>96,830</td>
</tr>
<tr>
<td></td>
<td>1,347</td>
<td>13,517</td>
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<tr>
<td></td>
<td>5,759</td>
<td>52,499</td>
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<tr>
<td></td>
<td>4,814</td>
<td>48,881</td>
</tr>
<tr>
<td></td>
<td>5,759</td>
<td>62%</td>
</tr>
<tr>
<td></td>
<td>6,260</td>
<td>68,395</td>
</tr>
<tr>
<td></td>
<td>9,954</td>
<td>84,461</td>
</tr>
</tbody>
</table>

|                          | Non-western                      | Median age at immigration         | Education unknown              |
|                          | 100%                             | 28                                 | 57%                            |
|                          | 99%                              | 28                                 | 57%                            |
|                          | 92%                              | 25                                 | 63%                            |
|                          | 100%                             | 28                                 | 61%                            |
|                          | 99%                              | 26                                 | 56%                            |
|                          | 91%                              | 25                                 | 66%                            |

|                          | In DK at least 5 years           |                                    |                                |
|                          | 95%                              |                                    |                                |
|                          | 91%                              |                                    |                                |
|                          | 85%                              |                                    |                                |
|                          | 94%                              |                                    |                                |
|                          | 96%                              |                                    |                                |
|                          | 83%                              |                                    |                                |

Note: All individuals were between 17 and 36 years old at arrival and came to Denmark in the period from 1997 to 2011.
Source: Schultz-Nielsen (2017)

The sample consist of: 37,645 refugees and family reunified
10%-sample of natives from same birth cohorts: 307,622 natives
Appendix 2. Specification of model

For immigrants the estimation equation is defined as:

\[ Y_{it} = \beta_0 + \beta_{1gr}gr_i + \beta_{2gr}ysm_{it} + \beta_{3gr}age_{it} + \beta_{4X}X_{it} + \beta_{5res}U_{lt} + \beta_{6C}C_t + \varepsilon_{it} \]

For natives the corresponding equation is:

\[ Y_{it} = \beta_0 + \beta_{30}age_{it} + \beta_{40}X_{it} + \beta_{50}U_{lt} + \beta_{6C}C_t + \varepsilon_{it} \]

where \( gr_i [1;6] \) is depending on 3 cohorts and 2 types of residence (\( res_i \))
\( ysm_{it} \) is years since migration (third degree polynomials)
\( age_{it} \) is age as fourth degree polynomials
\( X_{it} \) is a vector of demographic characteristics [small children (0/1), # of children]
\( U_{lt} \) is the local unemployment rate in the community \( l \)
\( C_t \) is calendar year \( t \)
Appendix 3. Predicted earnings gap in Denmark (2)

Men, 5 years after arrival

Women, 5 years after arrival

Source: Schultz-Nielsen (2017)
Appendix 4. Predicted transfer income gap in Denmark (2)

Men, 5 years after arrival

Women, 5 years after arrival

Source: Schultz-Nielsen (2017)