



Refugee migration – a crisis for the Nordic model?

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- The influx of refugees was subject of particular attention also in the Nordic countries. Issues that were especially discussed involved consequences for the individual welfare states as well as effects on the Nordic model in general. Here, a joint discussion between the Nordics about strategies and measures is required urgently.
- The Nordic model's conditions include a combination of a comprehensive welfare state, collective bargaining, labor market regulation and free market capitalism. These pillars are mutually dependent and are based on high employment rates and universal welfare provision. Even given a successful (labor market) integration of the recently arrived, considerable costs will arise. The Nordic welfare states are though able to successfully meet these challenges.
- In order to achieve a positive labor market integration (what in turn is required for the functioning of the Nordic model), measures addressing the mismatch of competences, discrimination and the growing competition especially in the low-wage sector have to be developed. For a successful and sustainable integration, the only reasonable alternative would be offering qualification programs for refugees enabling them to enter the labor market. Only paying for their social integration outside the labor market or reducing general labor costs on the employer side would not reach far enough and also threaten the Nordic model in the end.
- The challenge to integrate newly arrived refugees both in the society and in the labor market by clearing competence mismatches can also help to develop general education policies. Also, the current refugee-situation may contribute to a strengthened cooperation between the Nordics.



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Introduction

The dramatic increase in refugee immigration to the Nordic countries during 2015 has drawn considerable attention to the potential consequences this will have for the Nordic labour and welfare model. It raises many questions: How much pressure will the refugee flow place on the sustainability of the welfare state? Will we be able to properly settle all the refugees? How will the labour market deal with the increased flow of employees, particularly in those areas of the labour market that are least regulated and with the lowest qualification requirements? What implications will this influx have for the qualification and educational systems? The scope of refugee immigration to the respective Nordic countries varies, and the countries have adopted slightly different political approaches. Nonetheless, the nature of the challenges and the similarities in the labour and welfare models in the Nordic countries may make a pan-Nordic debate on political strategies and measures worthwhile, at both national and transnational levels. This paper is intended to provide input to further Nordic debates on the integration of refugees and management of the refugee flows.

Main issues

Based on a description of the model and the triangle figure described in the NordMod 2030 project, we will present a brief discussion of how the refugee situation may impact the Nordic model, and the challenges the refugees can expect to face in the Nordic labour markets. What are the critical factors within each of the model's pillars and in the interplay between them? What principles and considerations should be taken into account to deal with the situation in a way that does not undermine the model's mechanisms, principles and long-term sustainability? The aim is to create a platform for a pan-Nordic debate that is informed by perspectives beyond the acute challenges and that raises more fundamental questions about how long-term, general societal considerations can be addressed.

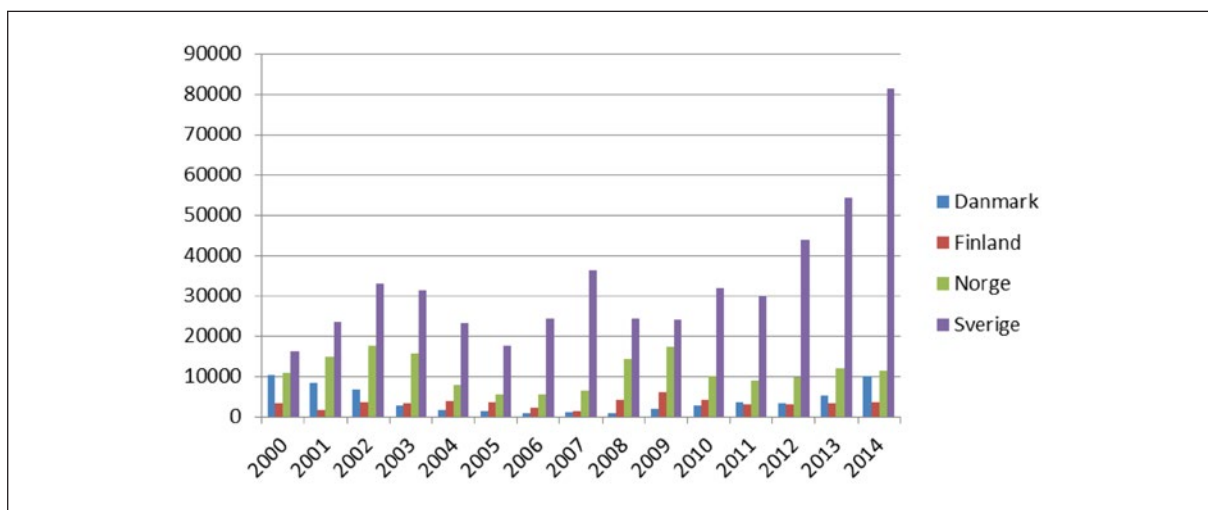
The main issues discussed in this paper are:

1. What challenges and opportunities does the refugee situation create for the Nordic model?
2. What challenges are refugees facing in the Nordic labour markets?
3. What alternative courses of action can we envisage to ensure macroeconomic governance, a broad range of welfare schemes and organised working life, and to ensure continued support for the model among voters and social partners? The alternative courses of action will be discussed both in light of the consequences for the model and in light of the consequences for the refugees.
4. How can the refugee-related challenges and their political solutions affect the model's economic and political sustainability, its pillars, mechanisms and future development?

Background

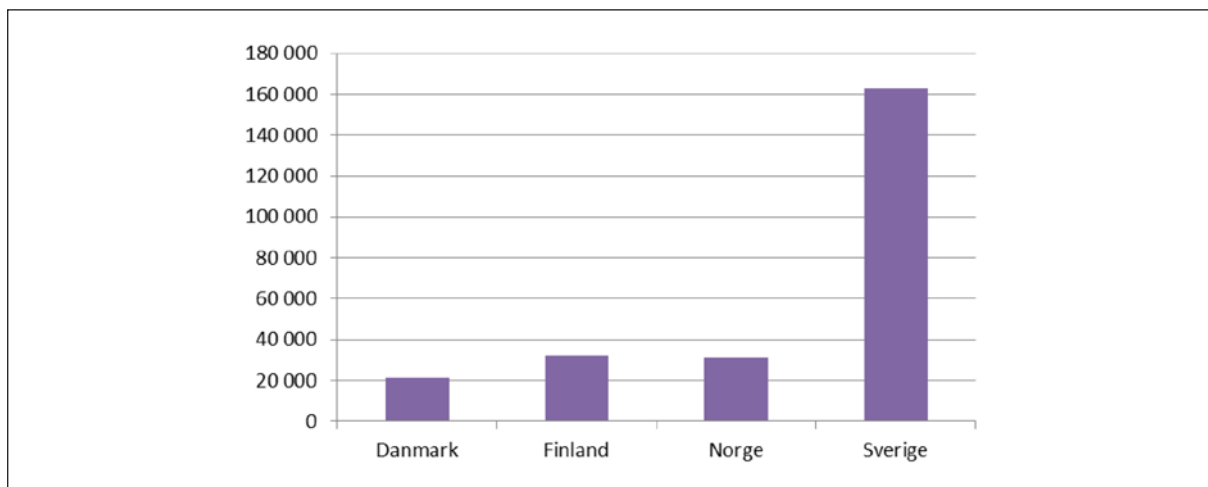
The influx of asylum seekers to the Nordic countries has varied before from year to year, and reflects the scope of conflicts in other parts of world. Since 2000, fewer asylum seekers have arrived in Denmark and Finland than in Norway, while Sweden stands out with far greater numbers of asylum seekers, also in relation to its population. These differences between the countries have grown over the past four years; Sweden in particular has experienced a significantly higher number of asylum seekers. In 2015 more than 160 000 asylum seekers arrived in Sweden, which is equivalent to twice the number that arrived in the previous peak year of 2014. The other countries have also experienced dramatic increases in the number of asylum seekers between 2014 and 2015. We can gain some indication of what challenges this may entail for the labour markets in the respective countries by comparing the number of asylum seekers with the size of the respective labour markets. The number of asylum seekers to Sweden in 2015 corresponds to 3.5 per cent of the number of employed.

Figure 1 Number of asylum seekers, distributed by reporting country, 2000–2014



Source: Nordic Council of Ministers

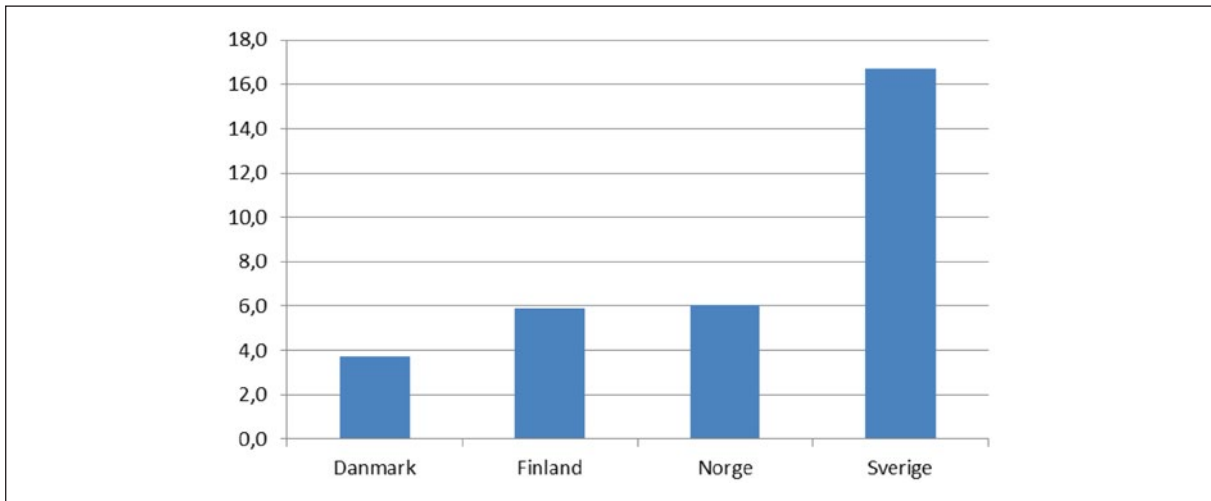
Figure 2 Number of asylum seekers, distributed by reporting country, 2015



Sources: Migration Agency in Sweden, Finnish Immigration Service, Norwegian Directorate of Immigration, Danish Immigration Service and Fyens.dk.



Figure 3 Number of asylum seekers per 1 000, distributed by reporting country, 2015



Sources: Migration Agency in Sweden, Finnish Immigration Service, Norwegian Directorate of Immigration, Danish Immigration Service, Fyens.dk and Nordic Council of Ministers

Table 1: Persons aged 15–64, by status in the labour market, 2014

	Employed Number	Employed Per cent	Unemployed Number	Unemployed Per cent	Outside labour force Number
Denmark	2 640 100	72.8 %	191 200	6.8 %	795 000
Finland	2 386 000	68.3 %	231 000	8.8 %	874 000
Iceland	167 100	81.8 %	9 700	5.5 %	27 400
Norway	2 548 000	75.3 %	96 000	3.6 %	740 000
Sweden	4 595 600	74.9 %	406 000	8.1 %	1 134 900

Source: Nordic Council of Ministers

Part 1: The Nordic model

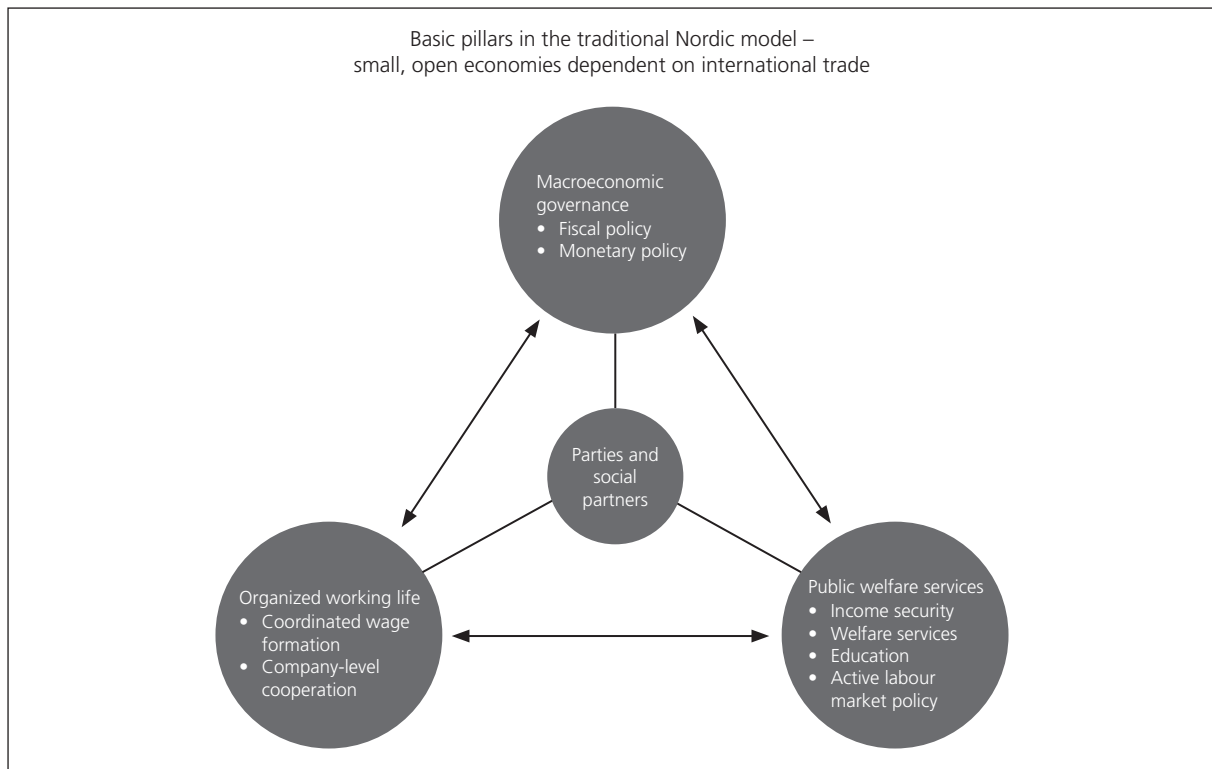
This section contains a brief outline of the main features of the Nordic model. For a more detailed review, see Dølvik 2013. The Nordic models each have their own distinctive features, but they also have important features in common that distinguish them from other labour and welfare models. Some of the key common features are: high employment rates, high levels of productivity, compressed wage structures and generous, universal welfare schemes.

The NordMod reports (Dølvik 2013, etc.) describe how the ability of the small, open Nordic market economies

manage to combine equality and efficiency originated from the interplay between three pillars:

Macroeconomic governance: In the post-war era the Nordic countries have been characterised by strong, active states that have the will and ability to pursue an economic policy oriented towards full employment and social cohesion.

Universal welfare schemes: The countries have developed universal welfare schemes that have provided the populations with free access to education, largely free health services, and generous income security schemes for those who fall outside the labour market. Active efforts were

Figure 4 The Nordic model

Source: Dølvik, Fløtten, Hippe and Jordfald, 2014

made to facilitate women's participation in the labour market. In sum, these schemes have led to high levels of education, high levels of labour force participation among both men and women, and greater social mobility.

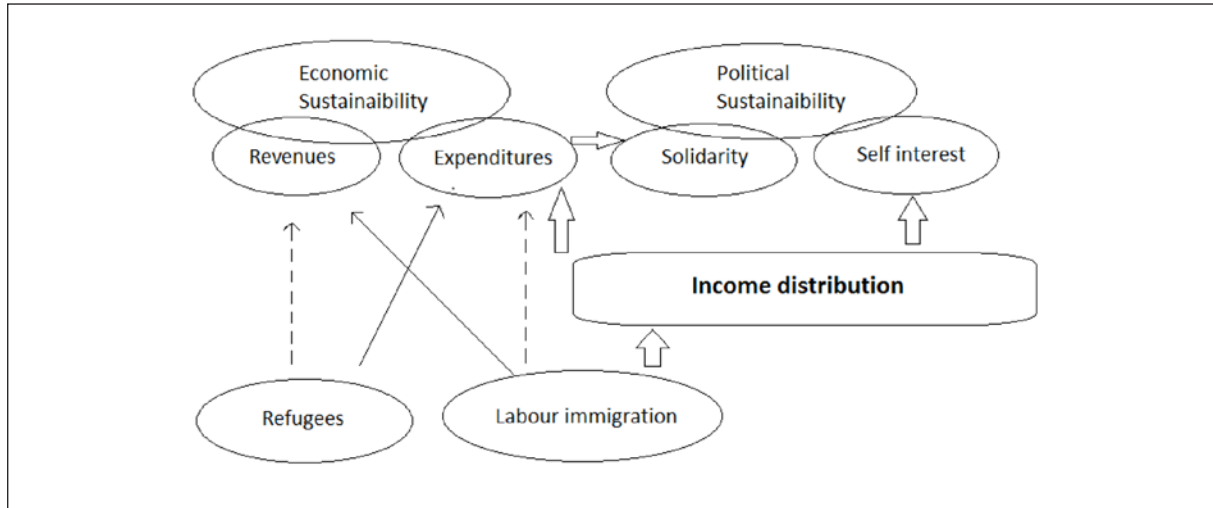
Regulated labour markets: In cooperation with public authorities, strong social partners have established effective regimes of labour market regulation based on interaction between statutory regulations and collective agreements, a peace obligation during the term of collective agreements, and cooperation between the social partners on productivity and restructuring of enterprises. Wage coordination has been a key instrument for building competitive industries and sustainable public finances.

These three pillars have created several positive interaction effects: free education provides a steady supply of skilled labour, which in turn forms a sound basis for effective production. Income security schemes and social partner cooperation at local level provide a sound basis for mobility and restructuring. Strong trade unions and

coordinated wage bargaining contribute to small income disparities and competitive economies. High employment rates, small income disparities and good welfare schemes engender broad support for and confidence in the model because a large proportion of the population benefits from the welfare schemes and because their financing is distributed among multiple contributors. High employment rates provide adequate tax revenues and limit expenditure on income security. Sound government financing has provided the economic muscle to implement countercyclical policies when necessary, thereby reducing unfavourable employment and distributive effects of cyclical fluctuations. In other words, the pillars are dependent on each other – and on certain political conditions. The conditions we would particularly highlight are:

a) *The central actors* – the parties and the social partners – must have sufficient power and legitimacy to ensure integrated coordination and implementation of policies in all three areas. The model is characterised by – and depends on – a high degree of confidence in the central institutions. This also illustrates that the

Figure 5 Diagram illustrating the connections between immigration and the economic and political sustainability of the welfare model



model cannot be adopted just like that, or that the results that are achieved automatically follow from institutional solutions.

b) Financing the model requires high employment (of both men and women), which in turn requires equality in the home, the labour market and the educational system – as well as a highly skilled and productive workforce. Small wage disparities and a more compressed wage structure than the market would have produced alone means that the lowest wages in the labour market are relatively high. This also increases productivity demands on individuals competing for the most basic jobs.

c) The welfare schemes must be designed in such a way as to not only promote mobility, flexibility and cohesion but also to create incentives and opportunities for employment, education and skills development.

These conditions will be important in further discussions on what challenges the increased influx of refugees may entail for the Nordic models and for the refugees who are to be integrated into the Nordic labour markets and societies.

Part 2: Challenges for the model

Could a significant increase in refugee immigration threaten the Nordic model? If so, which parts of the model are/will come under pressure, and why?

The impact of increased refugee immigration on the labour market, welfare schemes, and support for and sustainability of the Nordic model will depend on:

a) The size of the increase: how many will come, and how quickly?

b) The characteristics of the arriving refugees: how well qualified are they to participate in the Nordic labour markets and societies?

c) How successful we are at enabling refugees who are poorly equipped to participate in the labour market to be integrated in everyday life and society.

d) The latter issue will be crucial to our ability to integrate the refugees' descendants.

So far we know little about how many refugees will arrive and their characteristics, but we do know something about how other refugees have fared in the Nordic labour markets. These experiences are complex: while some groups have integrated quickly into the labour

market, others have shown persistently lower – in some cases far lower – labour force participation than the majority population. Regardless of their country of origin, refugees show consistently low rates of labour force participation in the initial settlement period in their new country. Moreover, when the influx increases dramatically in a period of economic downturn, we can safely assume that, all other things being equal, increased refugee immigration will lead to lower employment rates, increased use of welfare schemes, greater poverty and increased inequality in the population. Nonetheless, this will not in itself constitute a setback for the model or lead to its collapse. The critical test of the model will be the Nordic countries' long-term ability to reduce the new, imported inequalities in income and employment. For how long will the refugees remain poorer than the rest of the population? How much poorer will they be? How successfully can we integrate them into the labour market – on the same terms as other employees with similar qualifications? How much confidence will the refugees have in the authorities and in the social partners? Will be they unionised on an equal basis with the majority population? And perhaps most importantly, to what extent will the refugees' children have the same opportunities for education and employment as children of the majority population? The answers to these questions will depend on what strategies and measures the countries develop, and on how well they facilitate faster integration than that experienced by the refugees who arrived before them.

If it takes as long for these refugees to enter the labour market, and if the proportion of refugees that does not find work remains as high, this will result in a heavy economic burden, particularly on the welfare schemes; those who are excluded from the labour market must be given access to some form of income security, and they will not contribute to the state treasury by paying taxes. Combined with a demographic trend which in itself implies a deterioration in the old-age dependency ratio, this will result in an economic burden that will compel the Nordic countries (all other things being equal) to reduce public services or raise taxes. Consequently, facilitating the rapid integration of as many as possible into the labour market will be imperative. Possible strategies for achieving this are discussed in Part 3 below.

Increased expenditure during a period of economic constraint

Even with good labour market integration, a sustained, large-scale influx of refugees will increase public spending in the Nordic countries. Some of these expenses will be linked to receiving the refugees, processing their applications, settling them in the municipalities, and implementing integration measures. Others will be linked to income security, health services and education. An undetermined proportion of the refugees who arrive will be more or less qualified and therefore able to contribute to state revenues. Nonetheless, previous estimates of the economic effects of refugee immigration have indicated that expenditure will exceed revenues. As is the case for all other increases in government expenditure, these must be recouped either by a general increase in productivity and value creation in the economy (in which case refugee immigration will not result in lower living standards but rather in a slower growth than would otherwise be expected) or by reductions in other areas of public expenditure and/or raised taxes. By how much taxes would have to be raised or public services reduced would depend on the scope of refugee immigration and on the success of labour market integration.

The increase in expenditure comes at a time of economic policy constraints, resulting partly from the financial crisis and higher unemployment and partly from the imminent elder boom (both of which have arrived full force in Finland). The EU's economic regime also places constraints on economic policy, particularly in those countries that adopted the euro and participate in the Fiscal Compact. Although the Nordic economies are still expected to experience productivity growth, the prospect of weaker economic growth internationally, costly climate adaptations, heightened tax competition, and the phasing out of Norway's oil economy give every reason to expect that changes in the room for manoeuvre in economic policy will place further demands on reordering priorities for public spending in the coming years (Dølvik, Fløtten, Hippe & Jordfald NordMod 2014).

Of course, the relevance of calculating expenditure and revenues associated with receiving refugees could be questioned. Receiving refugees is a humanitarian matter, not something that is done to earn money. The willingness to pay to meet humanitarian obligations is clearly a political question and a highly relevant one given the

current refugee situation and the restricted room for manoeuvre in economic policy. Given the relationships between immigration, expenditure and the economic and political sustainability of the Nordic welfare model, there is no getting away from the fact that increased expenditure is a relevant topic of discussion. Moreover, the clear link between expenditure and lack of labour force participation clearly illustrates how crucial it is to succeed in integrating the refugees into the labour market.

Reduced labour force participation, greater inequality – and more low-wage competition?

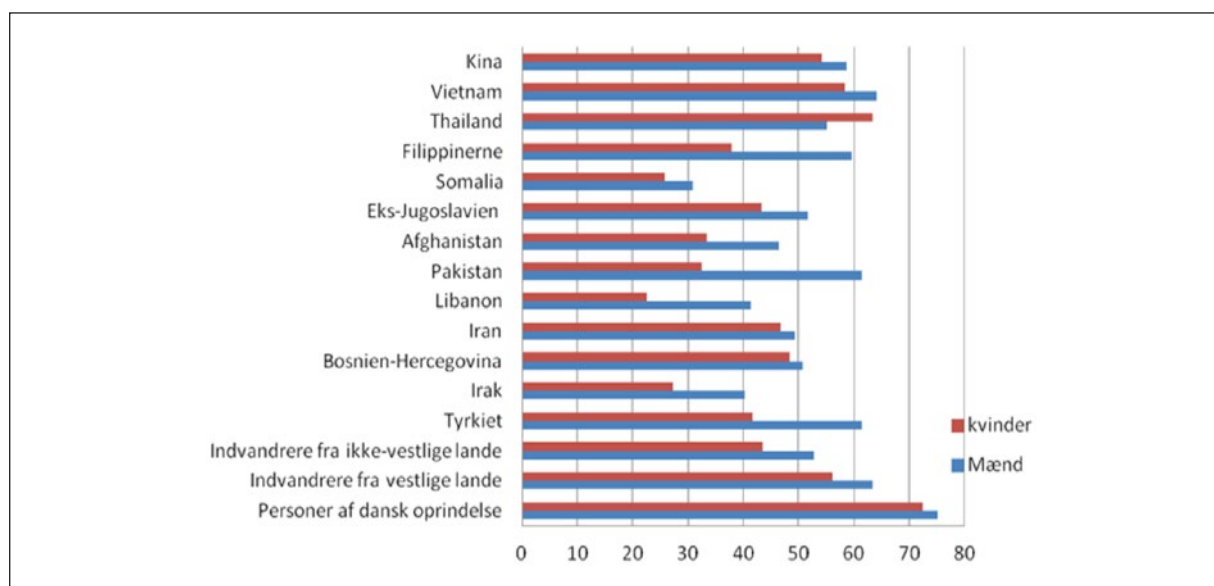
In the short term, a high rate of refugee immigration to the Nordic countries will very likely mean more people outside the labour force. In previous refugee waves, labour force participation was typically low initially but gradually rose. After five or six years, the increase levelled off and stabilised, though at different levels within the respective groups. Some groups achieve a labour force participation rate equivalent to that of the Nordic population, while in several other groups it remains significantly lower, even after many years. Overall, labour force participation among the immigrant population in the Nordic countries is 25–30 per cent lower than the national populations – and often lower among ref-

ugees than among migrant workers (NordMod 2014). This means that the Nordic countries are faced with the significant, unresolved task of strengthening integration among previously arrived refugees; a task it must be assumed will prove more demanding as more new refugees are granted residence.

With respect to employment effects for the populations in the Nordic countries combined, increased expenditure on settling and integrating refugees may to some degree work as a kind of counter-cyclical measure; new jobs will be created as a direct result of immigration. In the long term, however, fiercer competition for jobs in some areas of the labour market as a result of more refugees may make it difficult to find employment, and may also increase unemployment among previously arrived refugees, European migrant workers, and native, less qualified employees, particularly young people.

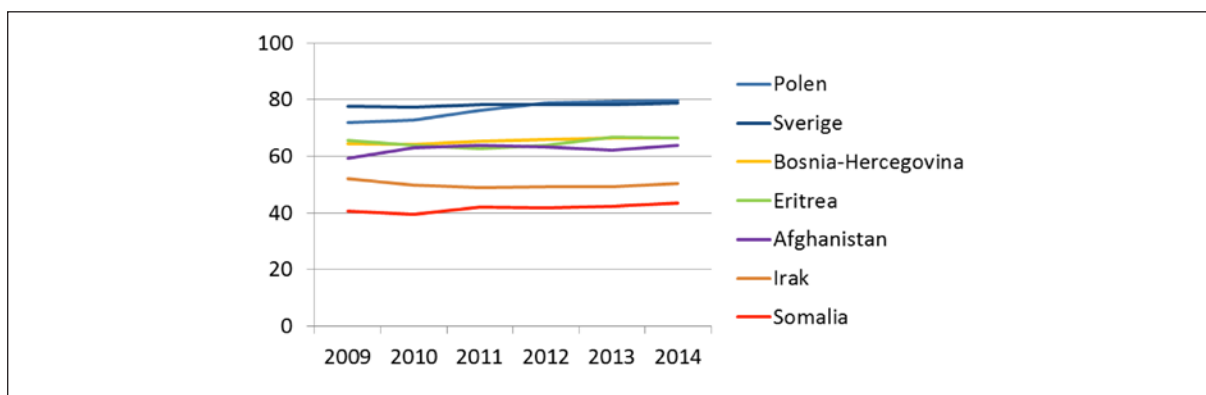
To what degree the increase in refugee immigration will augment the recent trend of low-wage competition and hold down wages in some areas of the labour market will depend on: the type of qualifications the refugees already have; what qualifications they are given the opportunity to acquire in the Nordic countries; to what degree welfare benefits and other income security schemes serve as a minimum wage; and what bargaining power and institutional solutions are found to deal with

Figure 6 Percentage employed immigrants aged 16–64 in Denmark, 2013



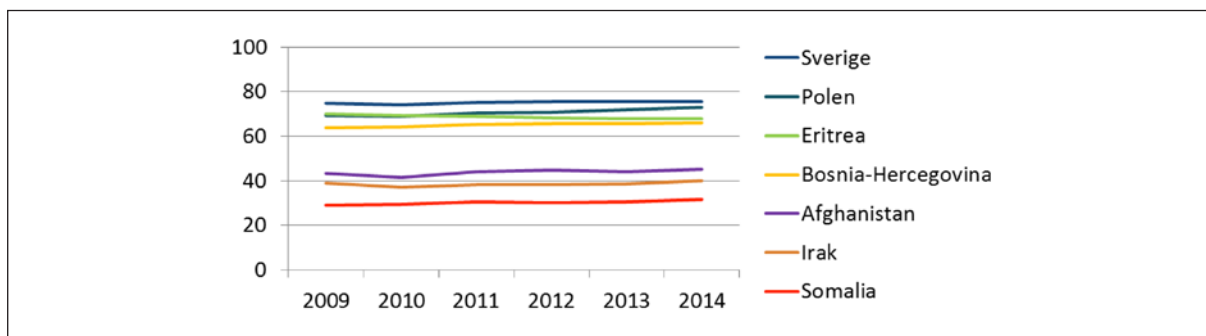
Source: Emerek and Jørgensen, in Djuve and Grødem 2013.

Figure 7 Percentage employed immigrants aged 15–74 in Norway. Men with at least 7 years' residence.



Source: StatBank Norway

Figure 8 Percentage employed immigrants aged 15–74 in Norway. Women with at least 7 years' residence.



Source: StatBank Norway

the increased labour supply and competition for jobs. In addition to the fact that the Nordic countries have significantly different collective bargaining coverage (Sweden has the most extensive and Norway the least), they have also adopted different institutional solutions for counteracting wage dumping. Bjørnstad et al. (2015) find that the recent years' labour migration has led to substantially lower wage and productivity growth in some industries in the Norwegian labour market. Moreover, they found that the policy of general application of collective agreements has helped mitigate the effects but has not been sufficient to offset them. Is there reason to believe that a rapid increase in the number of refugees will have similar consequences for wage and productivity trends?

Some differences between refugee immigration and labour migration as well as some features of the welfare

schemes that address them suggest that the effects will not necessarily be the same. First, the effect the refugees will have on labour supply will probably be distributed over time, since most of them will need time for language training and/or for acquiring new skills. Second, refugees have so far probably been recruited to more and different industries than the migrant workers have, in some cases to industries that are more unionised and therefore have greater bargaining power. Third, refugees have access to income security schemes (welfare benefits/cash benefits) to which migrant workers do not, and which may serve as a form of reservation wage. The scope of Denmark's Start Help programme for refugees is so small that it would not apply to the same extent. Moreover, the programme requires everyone to work a given number of hours before being entitled to join it. The differences between the welfare benefit rates and

the lowest wages in the labour markets in the other countries are often so negligible that the work incentives are minimal. In some cases, families with children receive more income from the income security schemes than they would from the labour market. This probably means that refugees have so far contributed less to pushing the lowest wages down than have migrant workers. For migrant workers, wages that are far below those of welfare benefits may be attractive because they have no access to welfare benefits that could provide them with a reservation wage. Moreover, employment offers them access to a range of other welfare schemes, including child benefit (*børnechecken*), that can make it easier to accept far low wages.

However, if labour force participation were accompanied by other, more important benefits (entitlements), refugees may also find it attractive to work for wages lower than the welfare benefit levels. Examples of such benefits could be entitlement to a permanent residence permit and/or family reunification linked to a given period of paid employment, as is currently being proposed in Norway. There is good reason to believe that stringent requirements for earning income in order to be entitled to family reunification may make refugees more willing to work for low wages, particularly because in many cases they will be expected to compete with migrant workers for such jobs. However, if requirements are linked to verifiable income (and not to, for example, absence of welfare benefits), the black labour market will prove a less attractive alternative. In order to earn an adequate income through low-paying employment, it may also be necessary for refugees to work long hours or to hold multiple jobs; circumstances which do little to enhance integration in other areas.

Increasingly dubious conditions and waning confidence?

As already mentioned, refugees' access to government-funded income security schemes may make them less vulnerable to being recruited to dubious areas of the labour market, while stringent requirements to work in order to qualify for continued residence or family reunification may have the opposite effect, particularly since they will often be expected to compete with other vulnerable groups for progressively fewer low-paying jobs. The current refugee situation raises more concerns about

a potential increase in the number of undocumented immigrants. Refugees are currently having to spend longer in reception centres while waiting to be interviewed. Many of those who are denied asylum refuse to leave the country voluntarily and must wait a long time before being forcibly returned. In situations like these it is not unlikely that some will choose to go underground. To unscrupulous employers, refugees who live in or who disappear from reception centres represent an attractive recruitment base for performing undeclared work and other forms of labour market crime. Such a development could undermine the status of collective agreements and exacerbate the problems faced by the legitimate labour market in the form of price competition from low-wage companies.

The combination of growing social expenditure, unemployment/social exclusion, wage disparities, income inequality and dubious practices in the wake of the growing influx of refugees may negatively affect support for the Nordic model and for its institutions. If the challenges become so overwhelming that they must be addressed by significantly reducing benefits and/or raising taxes, this may in turn harm support. This does not mean that the model cannot tolerate some increases in one or more of these areas, but in the long term it will be vital to prevent such a dynamic from creating a vicious circle whereby confidence in institutions and politicians is gradually undermined.

Part 3: What challenges are refugees facing in the Nordic labour markets?

The demographic trend in all the Nordic countries indicates a growing number of elderly citizens compared to labour force participants; in other words, the old-age dependency ratio is increasing. Nonetheless, the demographic trend in the Nordic countries (apart from Finland) is far more favourable than in Germany, where the population is already falling. A growing population of elderly citizens will create a need for manpower in the health and care sector. In the short term, immigration could help meet growing labour-force needs. In the long term, however, immigrants will also grow old and need care services.

The Nordic labour markets are characterised by a high requirements for formal qualifications. To be absorbed into

the Nordic labour markets, the new migrants must hold qualifications that are in demand. Projections for Norway show that there will be less demand for – and consequent surplus of – unskilled labour (and social scientists) and a shortage of skilled workers, teachers and nurses (Statistics Norway 2014). There is reason to believe that the other Nordic countries will also experience declining demands for unskilled labour. We also know that the competition for unskilled labour in some industries has intensified in recent years, partly due to increased labour immigration.

Refugees constitute a highly complex group of individuals: some are highly educated while others are illiterate; some are in good health while others suffer from war injuries or other forms of trauma; some come alone while others bring their entire family with them. Previous Nordic experience of integrating refugees into the labour market suggests that the ones facing the greatest challenges in finding work are those with little or no education. Many women with heavy care responsibilities also face challenges both in qualifying and in making the transition to mainstream employment. Another barrier to labour force participation is the culturally informed conceptions among some refugee groups of what is deemed appropriate work for women and men respectively.

So far we know little about what qualifications the new refugees bring with them. Based on the educational levels of previously arrived refugees, there is reason to believe that the percentage with higher education will be in the minority, and that many of those with some education will need some form of further education before they can use their training in the Nordic markets. Language will also represent a significant barrier in large parts of the labour market.

Large flows of refugees who have not gone through the Nordic educational systems may lead to strong growth in the supply of low-skilled labour. Under the integration programmes that have been organised so far, the refugees are given access to the income security and activation elements of the welfare pillar. They also have formal access to the educational element, but funding difficulties and uncertainty about the economic return on providing education has prevented this from being put into practice on any significant scale. The interaction between regulated labour markets and income security schemes has left many refugees permanently excluded

from the labour market; they are not competitive, given the relatively high wage levels even for the lowest-paid jobs in the Nordic labour markets. Discrimination in the labour market is an important additional dimension, but even if we managed to remove all discrimination, another challenge would remain in that some refugees are inadequately productive to prove profitable for employers to hire them at the going wages in the Nordic labour markets. The productivity challenges may be linked to factors such as lack of relevant education, lack of relevant work experience, poor knowledge of Nordic working life, poor language skills or health issues.

Restrictions on refugee immigration have meant that the slightly lower rate of labour force participation by refugees than by the rest of the population has not presented any major challenges for the economic sustainability of the Nordic model; the countries could afford to support some refugees permanently outside the labour market. However, a significant increase in refugee immigration combined with prospects of lower economic growth could put a stop to that. A growing number of poor and greater economic inequality in the wake of increasing refugee immigration may also challenge the political sustainability of the model.

Part 4: Possible measures for increasing integration into the labour market

To sum up, we can say that refugees' challenges in the Nordic labour markets are linked to:

- A lack of relevant qualifications/mismatch of qualifications
- Discrimination
- A declining demand for labour (with few formal qualifications)
- Stronger competition resulting from labour immigration
- A compressed wage structure that creates high productivity demands.

These factors have implications for each of the pillars in the labour market. To some extent, the falling de-

mand can be countered using traditional counter-cyclical measures. However, in a situation of qualification mismatch and significant labour immigration to the most cyclically sensitive industries, such measures will have only a limited effect; the risk is that the new jobs created will go to migrant workers and refugees will derive little benefit. Discrimination against immigrants in the labour market is a problem that has implications for all the pillars: it has a negative impact on the macro economy because resources are not used optimally; it reduces the value of the welfare services because some do not gain recognition for their qualifications; and it undermines confidence in labour market institutions. This calls for broad-based measures. What alternatives do the Nordic countries have?

Lack of relevant qualifications is a matter of educational policy and active labour market policy. Large flows of refugees will create a growing need for language training, labour market qualification, and assessment and recognition of already acquired qualifications. We know that this represents major challenges. Most of the Nordic countries have their own versions of the introduction programme for newly arrived refugees/immigrants. An evaluation of the Norwegian programme suggests that the programme works relatively well for refugees with some level of education prior to their arrival, but that major challenges lie in developing a good programme for participants with little or no education. The introduction programme seems to form a good framework, but the building blocks – i.e. good qualification programmes – are often missing. Significant improvements could be made by developing programmes that see language training and work qualification in relation to each other, and by establishing training programmes that offer formal qualifications. These could entail a need to coordinate and clarify responsibilities between the income security schemes, the qualification programmes and the mainstream educational system.

Beyond the introduction programmes, refugees will have access to measures that are part of the active labour market policy, in the same way as everyone else. However, a common feature of the introduction programme and the labour market measures is that they normally do not result in formal qualifications. The introduction programme provides access to language training, social studies and, to some extent, employment schemes. The lack of opportunities to gain formal qualifications

is probably most critical for those who lack primary and upper secondary education. Once they complete the introduction programme, many of them discover that they have few opportunities in the labour market and lack the qualifications to take further education. Publicly funded income security is often made contingent on participation in some form of qualification scheme, but not in mainstream education. In many cases, qualifications are achieved after short courses that do not adequately fill the gap between the qualifications the refugees actually possess and the qualifications required in the labour market. To participate in mainstream education, one must find other means to support oneself, such as a student loan. This is the normal way of financing one's education, but for refugees it can seem like an extremely costly and risky project. Besides, many of them will lack the formal qualifications required to take higher education and would have to start their educational pathway by taking primary or upper secondary education.

If the main problem proves to be that many refugees lack the qualifications needed to make Nordic employers willing to hire them at the going wages in the Nordic countries, what alternative courses of action do these countries have?

a) Let the refugees remain outside the labour market, and pay for their subsistence. This is a solution which has to some extent been pursued until now, given that a significant proportion of refugees has ended up permanently outside the labour market. The volume of refugees we have experienced so far has been such that we have been able to finance this without major problems. Given the volumes we are now facing, it can become extremely expensive; so expensive that it may have consequences for public support for the model.

b) Introduce a qualification system on a scale that enables refugees to enter the labour markets on normal terms. This is the model that has been pursued until now, but target attainment has varied, and some immigrant groups have shown very low levels of labour force participation. If the qualification strategy is to succeed, a major reorganisation of the current regimes will be needed. Long-term integration of refugees into the labour market will require them to acquire sufficient and relevant qualifications. It will likely require far more long-term measures and a different funding model to what has been available so far. It may imply new solutions in the interfaces be-

tween agencies that organise labour market qualification programmes and the mainstream educational system. A substantial investment in the education of refugees will clearly cost money. On the other hand, failing to invest will also cost a lot of money if it results in low labour force participation. Regardless of which strategy is chosen, one possible course to take is to involve the social partners and enterprises far more actively in the qualification programmes. This will depend on the willingness – and ability – of the partners to contribute in this way.

c) Reduce employers' labour costs. This can happen either by subsidising wages or by lowering them. Obviously, a general reduction of the wage level would prove controversial. Substantially wider wage disparities would constitute a departure from the Nordic model. It would directly impair living conditions for those affected, and could lead to a general reduction in productivity in the Nordic economies. On the other hand, it might make it easier for some groups to find work, though not necessarily resolve labour market integration for all refugees. There are three main reasons for this. First, the mismatch between the qualifications the refugees already have and those in demand in the Nordic labour markets is in some cases so great that refugees will have no chance of finding work, not even at substantially lower wages. Second, an increasing structural imbalance between supply and demand for low-skilled labour; in other words, there is a need for further investment in skills. Third, wage levels in some parts of the Nordic labour markets are already so low that they barely exceed welfare benefits. For some families with children they do not even do that. A further reduction of wage levels might therefore lead to a reduction in labour force participation among refugees as well as other citizens with low wages and large families. These jobs will nonetheless continue to attract migrant workers from countries with wage levels that are significantly lower than those in the Nordic countries because welfare benefits are not available to them.

Labour costs could be subsidised either by offering subsidies to employers who hire refugees or by offering in-work benefits to refugees; in other words a benefit offered to refugees in (low-paid) jobs. Wage subsidies are already used as a labour market measure, though in a relatively limited scope. Designing large-scale, long-term subsidies is a challenging task, and one that might generate significant crowding-out effects. Furthermore, if in-work benefits were to be used on a large scale, this

might have negative consequences for productivity and might also result in the social partners losing influence over wage levels, since wage plus benefits would constitute the effective wage.

d) Government as employer of last resort. Those who do not enter mainstream employment could, for example, be employed by the municipalities, which will in any case be responsible for providing income security. In such a case, it would be a challenge to create these jobs in such a way that they did not crowd out the mainstream labour force. At present this alternative stands as more of a theoretical rather than a realistic proposition.

Alternatives (a) and (c) could be difficult to combine with continuation of the Nordic model. Alternative (b) could prove expensive and produce uncertain results, but the advantages are that the Nordic countries have already developed welfare and educational systems that are equipped for social investments and that they have the economic means to bear the cost of such investments. They also have a tradition of cooperation and coordination; this will prove necessary for finding solutions where measures in economic policy, labour market policy and welfare and education policies work together.

Part 5: Some reflections on immigration policy measures

The increase in immigration of refugees has placed potential measures for reducing the influx of refugees high on the political agenda in the Nordic countries. Border controls have been introduced between Germany and Denmark and between Denmark and Sweden. Many governments in the Nordic countries have also proposed other changes in their asylum policies, such as making it more difficult for refugees to obtain permanent residence permits and tightening the conditions for refugees to be reunited with their families.

It is not known how tightening the conditions for permanent residence permits will affect the flow of refugees to the Nordic region, but if the regulations were made more restrictive in, for example, Finland than in Sweden, more refugees would probably opt to head for Sweden rather than Finland. Promoting a perception of being the most restrictive country could therefore become a policy instrument in a type of card game where the objective

would be to end up with as few refugees as possible. This may give rise to a need for the Nordic countries to coordinate their respective regulations.

Tightening the conditions for family reunification will likely prove to be a more effective deterrent than limiting refugees' opportunities to obtain a residence permit. Recently proposed amendments to Norway's regulations could imply a waiting period for family reunification of around eight years for applicants who satisfy the requirements – and applications by those who do not satisfy the requirements will never be granted. It is possible that these amendments will constitute violations of human rights (right to respect for private and family life). It is also unclear whether such amendments will reduce the flow of refugees or instead encourage more to bring their families with them when they flee.

The interrelationships between integration policy and attractiveness as an immigration destination further complicate matters – if it is politically desirable to reduce the flow. Deterrent measures will simultaneously have a negative impact on the integration of those who arrive regardless. On the other hand, good integration measures may make it more attractive to come.

If refugees start arriving in extremely large numbers, this would clearly pose an economic burden on the Nordic countries. At the same time, it is impossible to draw the line at how many refugees it would be economically sustainable to receive – or when the scope of refugee immigration would become so great as to pose a threat to the Nordic model. Clearly, there is a limit, but we know little about where that limit lies, and in any case it would depend on a wide range of political, social, economic and cultural conditions, and would be affected by other types of immigration. What number would be economically sustainable would of course also heavily depend on how the refugees fare once they arrive. Moreover, the question of sustainability is also a political issue. For example, how much are we willing to pay in taxes in order to help as many as possible?

One thing that seems certain is that refugees will continue to arrive in the Nordic region. The more precarious the conditions they are escaping from, the more difficult it will be to find measures that prevent them from coming. People who are so desperate that they bring their children in rickety boats across the Mediterranean are


unlikely to be deterred by, for example, having to apply for new residence permits every year. As the situation stands today, there are few signs to suggest that the Nordic countries will encourage more refugees to come. At the same time it is highly uncertain to what extent they will succeed in stemming the flow; all the more reason to carefully consider how those who do come can be integrated as best as possible.

Concluding comments

We have highlighted three alternatives for managing the refugee situation. In order to achieve alternative (b), which implies a thorough professional qualification of new refugees, some conscious and knowledge-based political choices will be needed. Investing heavily in refugees' qualifications will be costly, and the results will be uncertain. However, if we do not invest we will end up with alternative (a): having to pay to keep a large proportion of refugees permanently outside the labour market. Alternative (b) could be combined with different forms of wage subsidies and work-based training; the line between regular educational and qualification programmes and subsidised educational pathways in the labour market is a blurred one. Naturally, the subsidised educational pathways would have to result in genuine qualifications, something which is not always the case.

The challenges associated with integrating refugees in the Nordic labour markets are not new phenomena. Some of the key challenges are related to high qualification thresholds in the Nordic labour markets and to a mismatch between the qualifications the refugees bring with them and those in demand in the Nordic labour markets. Other significant challenges relate to the content and quality of the integration and qualification programmes and to coordination between the central actors in integration efforts, among them refugee-specific measures, income security schemes, labour market authorities and educational authorities. These challenges have long been common knowledge. Perhaps today's refugee situation can generate sufficient momentum to finally do something to established training and educational opportunities that will significantly speed up the process of gaining access to the Nordic labour markets.

Perhaps the situation will also stimulate enhanced Nordic cooperation, exchange of experience, and learning with



regard to national integration strategies and measures for developing transnational schemes that ensure the sustainable management and distribution of refugees in Europe.

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