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Large Variation in Welfare Payments to Refugees in Europe

Public transfers for the support of refugees without employment are prioritized differently in Denmark than is the case in other European countries. The social safety net is low in Denmark on arrival, but high after seven years residence, and especially high for families. The Netherlands generally provides high levels of welfare payments, while those in Italy are low. Payments in Germany, Great Britain and Sweden are in between. But none of these countries has a system like that of Denmark, with payments that refugees are guaranteed being heavily dependent on length of residence. Germany does have a small increase in payments after three years, but only for special groups of refugees. This information is revealed by computations made by the Rockwool Foundation Research Unit and now published in two separate booklets.

These publications seek to answer questions such as 'If a person leaves his or her home country and migrates to Europe, how well will he or she be covered by the welfare system in the event of not finding work in the country of settlement?'

Disposable income for an unmarried refugee without work is low in Denmark for the first seven years in comparison with other European nations, but from then on welfare payments are exceeded only by those in the Netherlands (See Table 1).

The benefit situation is generally better for refugee families than for single refugees in Denmark. A family of two adults and one child is entitled to the highest benefits in Europe after seven years' residence in Denmark, while new arrivals have rather less disposable income – but in contrast to the case for single refugees,

TABLE 1
Income - Unemployed Single Refugee: Disposable income per year after payment of housing rental costs. Purchasing power corrected USD, 2003.

The Netherlands	Denmark (> 7 years)	Great Britain	Sweden	Germany	Italy	Denmark (< 7 years)	Canada
7,248	5,577	4,306	3,957	3,726	3,395	2,623	1,918

Notes: Denmark (> 7 years): Denmark after seven years' residence; Denmark (< 7 years): Denmark during the first seven years' residence. All amounts are net after payment of tax, obligatory social security contributions, and housing rental costs.

Source: Computations by the Rockwool Foundation Research Unit.

TABLE 2
Income - Unemployed Refugee Family: Disposable income per year after payment of housing rental costs; two adults, one child. Purchasing power corrected USD, 2003.

Denmark (> 7 years)	The Netherlands	Great Britain	Germany	Denmark (< 7 years)	Sweden	Italy	Canada
16,790	13,111	12,295	10,522	9,774	8,365	7,068	5,826

Notes: Denmark (> 7 years): Denmark after seven years' residence; Denmark (< 7 years): Denmark during the first seven years' residence. All amounts are net after payment of tax, obligatory social security contributions, and housing rental costs. Child allowances included.

Source: Computations by the Rockwool Foundation Research Unit.

the family does have more income than a comparable family in Sweden or Italy, as Table 2 shows. The studies are based on the relevant welfare payments in each country after deduction of tax, obligatory social security contributions and housing rental costs, corrected for purchasing power in the countries concerned, and converted from national currencies to figures in US Dollars per year.

National and Global Social Security

The article on page 3 evaluates the situation of unemployed refugees in relation to life circumstances in the host countries (national or internal social security). The article on page 5 describes the social benefits which the unemployed refugees are guaranteed in Europe in relation to life circumstances in Turkey (global social security).

Large Variation in Welfare Payments to Refugees in Europe

In contrast to other European countries, Denmark adjusts payments to unemployed refugees markedly after a set period of residence Page 1

Life Circumstances for Unemployed Refugees in Europe in Comparison with the Rest of the Population

Sweden and the Netherlands provide unemployed refugees with disposable income equivalent to around one third of that of an industrial worker. In international terms this is a high level of benefit, a level which refugees in Denmark only achieve after seven years' residence. In Great Britain, Germany and Italy, the benefits are lower; disposable income for an unemployed refugee is under a quarter of that of the average industrial worker Page 3

Welfare Payments in the EU from a Turkish Perspective

The EU Commission has recently assessed the Turkish economy as being more or less ready for EU membership. But how do the European welfare benefits compare with an earned income in Turkey? How good or bad will life be on welfare for a Turkish immigrant seeking work in Europe, assuming that such a person is entitled to social assistance in the country concerned? We compare minimum levels of social security payments in various EU countries with typical incomes and family situations in Turkey Page 5

How Many Non-Western Immigrants are qualified for the Organized Danish Labor Market?

The earnings potential on the Danish labor market of the entire group of non-Western immigrants – in terms of both actual and expected wages – is described here for the first time. Under half earn or believe themselves that they could earn an income at or above the minimum wage level on the organized labor market Page 9

The More Welfare State, the Poorer the Labor Market Integration?

That is the way it looks at first. Both the Scandinavian and the continental welfare states north of the Alps have poor labor market integration of non-Western immigrants, more so in the case of the Scandinavian countries than for those in Central Europe. Only in Southern Europe is the rate of employment for immigrants higher than that for the native populations Page 11

Refugees on Welfare in Europe

Denmark, Sweden and the Netherlands provide unemployed refugees with disposable income equivalent to around one third of that of an industrial worker. In an international context, this is a high level for 'internal' social security for refugees (disposable income in relation to that of people in employment in the same country). In Great Britain, Germany and Italy, the internal level of social security is lower; the disposable income of an unemployed refugee is under a quarter of the income of an employee in the manufacturing sector. In Canada the level of purchasing power is less than 10% of that of the industrial worker.

In Denmark, refugees only reach the higher level of security after seven years' residence in the country. Until then, the social security system provides only 15% of the level of income of an industrial worker to unemployed refugees.

The social security situation is generally better for refugee families than for single refugees in Denmark. The benefits in Denmark are only a little worse for reunified refugee families than is the case in other countries upon arrival, and they are clearly the best after seven years' residence.

The internal social security level is especially important for asylum seekers and refugees, since they typically begin their stay in the country without any connection to the labor market. But in later years, too, the social security system is important if they do not succeed in becoming integrated into the labor market, which is often the case in the Scandinavian countries. Table 1 on page 4 shows a comparison of the internal social security levels in six European countries and – in order to provide a wider perspective – in Canada.

The table shows the levels of purchasing power for unemployed refugees in specific countries as a fraction of the purchasing power of the income of full-time workers in industry in the same countries¹. This permits comparisons of the relative levels in each country, but the table says nothing concerning absolute levels of benefit.

The study follows the progression of

an individual from being an asylum seeker to living with his or her spouse and child as a reunified family. All incomes are calculated net of deductions for tax, social security contributions and housing rental costs, and are based on the assumption that though unemployed, the person is available for work.

Asylum Seekers

In the case of asylum seekers, there are relatively small differences between the countries analyzed. Only Italy stands out completely, though the Netherlands and Canada are also somewhat different to the others. In Italy, no cash benefits whatsoever are paid to asylum seekers; all that is offered is accommodation in a center, with meals provided. Otherwise the pattern is that the Netherlands are at the bottom and Sweden at the top of a scale that ranges from 11 to 21% of the purchasing power of the disposable income of an industrial worker.

Denmark is somewhere in the middle of the scale.

In contrast, Canada is below the general European level as far as internal social security is concerned. However, again in contrast to the situation in European countries, where only in the Netherlands is it possible for asylum seekers to take paid employment, and then only for a short period, in Canada asylum seekers are entitled to a temporary work permit.

Refugees

Once a person has been recognized as a refugee, he or she generally becomes fully entitled to social security benefits. The exception here is Denmark, where a refugee receives benefits at a special introductory allowance rate for the first seven

“The internal social security level is especially important for asylum seekers and refugees, since they typically begin their stay in the country without any connection to the labor market”

¹ The average worker in the manufacturing sector – the Average Production Worker – is a statistical construct used by organizations such as the OECD as a reference for international comparisons. Both skilled and unskilled workers, male and female, are used in calculating the average wage. The construct is documented in detail in the OECD's annual publication *Taxing Wages*.

TABLE 1

Purchasing Power of Disposable Income after deduction of housing rental costs for asylum seekers, refugees and reunified refugee families living on social security benefits, expressed in relation to the take home pay of full-time workers in the manufacturing sector. Percent. 2003.

	Asylum Seekers	Refugees	Reunified Families
Canada	9	9	27
Denmark	16	15/32 ¹	52/89 ²
Germany	19	23	57
Great Britain	16	22	59
Italy	-	22	43
Sweden	21	32	62
The Netherlands	11	37	64

Source: Calculations by the Rockwool Foundation Research Unit on the basis of Hansen (2006), and OECD (2004).

Notes: ¹ The first amount indicates the welfare payment for a person with less than seven years' residence in Denmark, the second amount the entitlement for a person with more than seven years' residence. ² The first amount indicates the welfare payment in the case where both adults are paid the lower introductory allowance (at rates for 2003). The second amount indicates the payment where both adults have become entitled to full welfare payments. NB: All incomes are calculated using figures for 2003 and after deduction of taxes, social security contributions and housing rental costs. 'Reunified families' refers here to families consisting of two adults and one child. Child allowances are included.

years of residence. After seven years, the refugee becomes entitled to normal benefits in the event of being unemployed. This is why two figures are given for Denmark in the table.

If we base our measurement on the situation where the refugee is receiving the introductory allowance, then the Danish benefit payments relative to the national industrial worker are the lowest of all European countries. The Netherlands offers the highest levels, followed by Sweden, with a drop of nine percentage points down to the next countries. For refugees with full entitlement to benefits, Denmark, Sweden and the Netherlands offer the best social security; Italy, Germany and Great Britain offer only around two-thirds of the level of benefits in these countries.

Families

For comparisons of the situations of families, we again give two figures for Denmark. The first is based on the situation where both spouses receive the introductory allowance. The second is based on the assumption that both spouses have been in the country for more than seven years and have thus become entitled to full social security rights in Denmark.

If we make a comparison based on the situation where both adults are receiving the introductory allowance, we see that the level of benefit in Denmark is below

the benefit levels in all other European countries except Italy. However, the gap between the Danish benefits and those in Sweden, Germany and Great Britain is not great, and Denmark is clearly well above Canada.

If on the other hand we use the situation where both adults have become entitled to normal social security, we see that the benefit level in Denmark is the highest of all countries.

There is a considerable gap between the Danish level of payment and that of the Netherlands, which in turn lies slightly above the levels in Sweden, Germany and Great Britain. Between these three countries and Italy there is again a significant gap. Again, all European countries provide benefits far above those in Canada.

Summary

For asylum seekers, refugees, and reunified refugee families, the differences in relative disposable incomes, when on welfare, are not very great in the European welfare states north of the Alps, based on 2003 figures. The main difference is between the welfare state nations north of the Alps and Italy, the latter exemplifying welfare states to the south of the Alps. It is very clear that there is a major difference between the Western European welfare states on the one hand and Canada on the other.

Denmark stands out in providing relatively low security to new arrivals and relatively high security to families.

By TORBEN TRANÆS AND BENT JENSEN

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Turkey and the Welfare Systems in the EU

It is often put forward as an argument against Turkish membership of the EU that such a large and poor country will be a massive mouthful for the EU social welfare systems to swallow. With membership will come easier access to the rich European countries, and there is concern that the high levels of unemployed compensation in these countries will encourage many Turks to emigrate there, irrespective of whether they have any prospect of employment.

Before discussing the issue of the extent to which high welfare benefits would in itself attract more Turkish immigrants to EU countries in the event of Turkey joining the EU, it is worth pausing to ask just how high the EU social welfare payments really are in relation to circumstances of life in Turkey.

A recently-published book from the Rockwool Foundation Research Unit (Tranæs, Jensen, and Nielsen, 2006) provides a basis for consideration of just this issue. The second question concerning what determines migration to a particular country, and the significance of a generous welfare system, is a very complex one, and will not be discussed here.

We wish simply to relate the minimum social assistance benefits payable to the unemployed in individual European countries to various measures of income in Turkey which represent typical earnings in different jobs and places of residence. In this way we can evaluate how a Turkish immigrant who is entitled to such benefits would be covered in the event that things went wrong and he or she did not obtain employment in the country in which he or she settled. In other words, what, in real terms, is the disposable income of an individual as an unemployed person in Europe compared to being in employment in Turkey?

There are great disparities within Turkey itself: disparities between the modern industrial sector and other more traditional employment sectors, and between life in urban and rural areas. It is impossible to cover all the degrees of difference in a short article, but we can at least give

an impression of the situations in different parts of Turkish society. In order to do this, we have chosen several bases for comparison. First, we consider individuals who work in the modern part of Turkey – either within the industrial sector or in more general employment in the urban areas – and those who work in the countryside. Second, we consider the situations of families, and here again we consider European welfare benefits from the points of view of families in both urban and rural areas, bearing in mind that 35% of the Turkish population live in the countryside.

It is impossible to be certain exactly what level of entitlement Turkish citizens will have to the welfare system in EU countries in the event of Turkish accession to membership. Ultimately this is a political decision which may change over time and vary between EU member states, as testified by the most recent expansion of the EU.

In order to make comparisons possible, however, we assume in the following that Turkish citizens residing legally in other EU countries and being without work will be entitled to the minimum level of welfare benefits paid to the unemployed in the countries concerned.

In making the calculations, we have converted all national currencies to US Dollars and corrected for purchasing power. Incomes are calculated net of deductions and payments for tax, social security contributions, and housing rental costs. The results in the tables below are thus the relative differences in the purchasing power of the various groups after housing rental costs have been paid. No valuation for public services available has been added. Thus no consideration is given to the fact that public services vary between the European countries and Turkey.

“It is often put forward as an argument against Turkish membership of the EU that such a large and poor country will be a massive mouthful for the EU social welfare systems to swallow”

TABLE 1
Purchasing Power of Income after payment of housing rental costs for unemployed persons on welfare in European countries and Canada. As percentages of purchasing power of income of persons in employment in Turkey. 2003.

Refugee, unemployed	Purchasing power of disposable income in comparison to: Persons in Turkey employed in:		
	Industry (APW)	General Urban Work (2/3 APW)	Rural Areas
Resident in			
Canada	22	32	47
Denmark ¹ (Introductory level)	30	44	65
Denmark ² (After 7 years' residence)	63	93	138
Germany	42	62	92
Great Britain	49	72	106
Italy	39	56	84
Sweden	45	66	98
The Netherlands	82	120	179

Source: Calculations by the Rockwool Foundation Research Unit made on the basis of Hansen (2006), OECD (2004) and State Institute of Statistics, Republic of Turkey (2005).

Notes: ¹ Introductory allowance rates, 2003. ² Entitled to full social benefits.

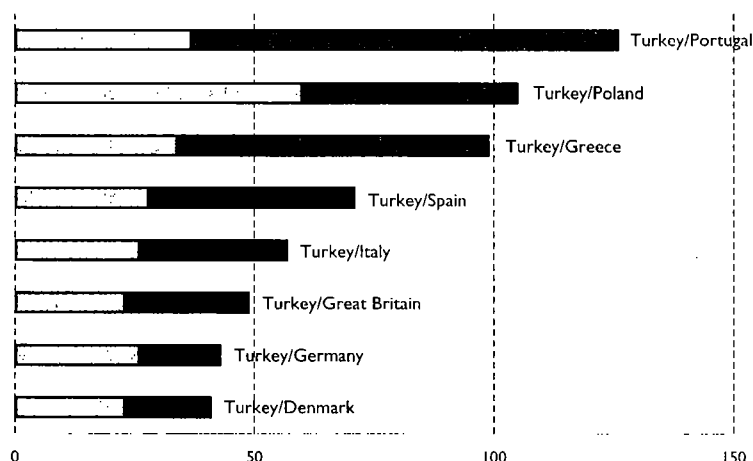
NB: All incomes are calculated using figures for 2003 and after deduction of taxes, social security contributions and housing rental costs. See the appendix for further explanation of the calculations.

Economic Migration

Table 1 first compares the European welfare payments with the income of an average worker in the Turkish manufacturing sector, the APW (Average Production Worker). This income provides a measure for the modern industrialized sector in Turkey.

The income of a Turkish APW before tax is around 70% of the EU average APW and on a par with that of the equivalent worker in Greece, but higher than that of workers in both Poland and Portugal: 5%

FIGURE 1
Productivity and Welfare in Turkey. The gross salary of the Turkish APW and GDP per head in relation to APW salary and GDP per head in selected EU member states. 2003.



Explanation: The (short) light bars are the Turkish GDP per head shown as a percentage of each country's GDP per head, while the total length of the bars shows the gross Turkish APW salary as a percentage of the country's APW salary. Source: See Table 3, page 8.

higher than the equivalent income in Poland, and 26% more than that for Portugal! This reflects the existence of a relatively modern industrial sector in Turkey. But a smaller proportion of the Turkish population is 'modern' than is the case, for example, in Poland, as manifested by the fact that on average, Poland is significantly wealthier than Turkey; GDP per head is actually 40% lower in Turkey than in Poland, as can be seen from Figure 1.

As already mentioned, however, there are other areas of employment in Turkey besides industry. Consequently, we also make comparisons with the 2/3 APW income for Turkey, used here to reflect the typical wage in the whole of the developed section of Turkish society, rather than the industrial sector alone. The average income in cities, for example, is close to that of the 2/3 APW. Such incomes are thus significantly below that of the APW, and this reflects that other urban employment sectors – for example, the retail and services, or the construction sectors – have a lower level of productivity than the industrial sector. It must also be remembered that the APW income is based on the average income of those in full-time employment in industry, and that the work force in cities generally also includes part-time workers. Finally, we also make a comparison with the purchasing power of the income of a rural worker in Turkey.

As far as Denmark is concerned, we see that when we base our comparison on the introductory allowance, an unemployed person has 65% of the purchasing power of the Turkish rural worker, 44% of that of the typical urban worker, and 30% of that of a full-time worker in the industrial sector in Turkey, taking figures for 2003.

If, however, the full social benefits figure is used, then the unemployed person in Denmark has 138% of the purchasing power of the general employee living in rural Turkish areas, 93% of those living in urban areas and 63% of the purchasing power of an employee in the manufacturing sector.

For a Turkish worker in the industrial sector, who as already mentioned enjoys a relatively high level of income, there would be a noticeable financial disadvantage to being an immigrant living on wel-

fare in any of the countries listed. Benefit payments in Canada are especially low.

For those in general urban employment the level of benefits in Denmark and the Netherlands would be high, but compensation in the other countries would not exceed the amount that many ordinary workers, who are typically insured against unemployment, would have in their respective countries.

Finally, it can be seen that the level of compensation compared to the income of those employed in rural areas is generally very high – though less so for the newly-arrived in Denmark (and for Canada in general). It is a moot point how relevant the comparison is after seven years of residence in Denmark. In such a case it might be more appropriate to use Danish rather than Turkish incomes as the basis for comparison (see the article on page 3).

Families

In order to be able to compare the European welfare payments with incomes of Turkish families, we have used in Table 2 information on incomes from the State Institute of Statistics, Republic of Turkey, for households in rural and urban areas.

We can thus compare the purchasing power of immigrant families comprising two adults and a child where both adults are unemployed and receiving the lowest level of benefits in a number of Western countries with the purchasing power of typical Turkish families in cities and in the countryside. The figures in the table thus show the purchasing power in the new country in relation to the purchasing power in the home country for Turkish families with an average income in the event that both adults in the family fail to find employment in the country to which they have migrated.

For a family that comes from a city, there is only a gain in purchasing power if the family is entitled to full social benefits in Denmark. In the Netherlands the family can expect their purchasing power to be unchanged, and in other countries there would be a loss of purchasing power to a greater or lesser extent. In Italy, for example, the family would have only 54% of their previous purchasing power in Turkey. In Canada, the family's purchasing power would be only 44% of what they

TABLE 2
Purchasing Power of Income after payment of housing rental costs for families on welfare in European countries and Canada, expressed as percentage of the purchasing power of typical urban and rural families in Turkey, 2003.

Family, unemployed	Purchasing power of disposable income in comparison to:	
	Families living in urban areas in Turkey	Families living in the countryside in Turkey
Resident in:		
Canada	44	63
Denmark ¹ (Introductory level)	74	105
Denmark ² (After 7 years' residence)	128	180
Germany	80	113
Great Britain	93	132
Italy	54	76
Sweden	64	90
The Netherlands	100	141

Source: Own calculations made on the basis of Hansen (2006), OECD (2004) and State Institute of Statistics, Republic of Turkey (2005).

Notes: ¹ Based on both spouses receiving introductory allowance in accordance with the changes in regulations in 2002. ² Based on both spouses being entitled to full social benefits.

NB: All incomes are calculated using figures for 2003 and after deduction of taxes, social security contributions and housing rental costs, and with addition of child benefits. Figures for income of families in urban areas are based on the average net income for households in Turkish cities, and figures for families in the countryside are similarly based on average net incomes for households in rural areas of Turkey. The average family sizes in Turkey are 3.9 persons in cities and 4.5 in the countryside, compared with the family size of 3 (two adults and one child) used for the immigrant family in the Western host countries.

would have enjoyed at home in a Turkish city.

If a comparison is made with the situation in the Turkish countryside, we see that there are more countries where there would be a gain in purchasing power if the family were able to receive welfare payment there. This is again connected with the fact that incomes in Turkey are considerably lower in the countryside than in the cities. All other things being equal, a Turkish family living in the countryside would not run any financial risk by emigrating to Northern or Western Europe, even if they did not succeed in finding a footing on the labor market. On the contrary, even without work there would be a significant gain in purchasing power in most countries.

In Denmark the situation is obviously relatively less good during the years in which the couple may only be entitled to receive an introductory allowance. It must also be mentioned that in 2004, ceilings were introduced on total benefits payable to recipients of social assistance after six months of benefit. These ceilings are of especial significance for families where both adults are in receipt of social assistance. Since 2004, then, the situation has been less good in Denmark. The dif-

ference between Canada and Europe remains clearly marked. The social security situation is generally better in Northern and Western European countries than it is in Southern Europe and Canada.

Summary

The EU Commission has recently described the Turkish economy as being now capable of functioning within the internal EU market. But what of other factors? For example, how compatible are the European social security systems with life circumstances in Turkey?

This article has demonstrated that those in employment in the modernized part of Turkey are no better covered in the case of unemployment in connection with migration to an EU country than many wage-earners in the countries concerned would be if they lost their jobs. The same is true for people employed in rural areas of Turkey during their first seven years of residence in Denmark. In the other EU countries we have examined, however, immigrants from the rural areas would obtain high levels of compensation. Compensation is generally better for families than for singles, and for families from the countryside the comparative rates of compensation are especially high.

The phenomenon of certain groups being over-compensated in the event of unemploy-

ment already exists within the EU. For example, people from the poorer regions such as Greece or Poland can already obtain a level of compensation above 100% on migration to a rich part of the EU. Another example is familiar in Denmark, where a family where both adults are unemployed and without entitlement to unemployment insurance benefits will experience a fall in purchasing power if one of the spouses obtains work, because in such a case both adults lose their entitlement to welfare benefits.

Thus, the problem of compensation levels above 100% is not a new one in the EU. In considering the EU and Turkey, we can note that the phenomenon would be especially marked with respect to people from the poorest rural areas of Turkey and for Turkish families with many children.

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APPENDIX

Notes on the calculations for Table 1, p. 6. Table 1 relates purchasing power of unemployed persons receiving welfare benefits in various European countries and in Canada to the purchasing power of people in employment in Turkey. Approximately 40% of those employed in rural areas of Turkey are unwaged family members, and such people are not included in the calculations in the third column of the table. This factor tends to cause purchasing power in Turkey to be over-valued. On the other hand, no correction has been made for income in kind from own produce in the country, and this factor taken in isolation would mean that purchasing power in the countryside was under-valued. Taken together, these factors mean that the figures in the third column represent a conservative estimate, i.e. a low estimate of the level of purchasing power compensation for people living in EU countries, based on a certain degree of over-valuation of the purchasing power of the Turkish rural worker.

TABLE 3

The Turkish APW (Average Production Worker) gross wage and Turkish GDP per head compared to the same measures for various other countries. Percent. 2003.

	Figures for Turkey as percentages of those for the countries listed	
	APW wage:	GDP per head:
Canada	46	23
Denmark	41	23
Germany	43	26
Great Britain	49	23
Greece	99	34
Italy	57	26
Poland	105	60
Portugal	126	37
Spain	71	28
Sweden	61	24
The Netherlands	45	23

Source: Calculations by the Rockwool Foundation Research Unit based on figures from the OECD (2004) and OECD (2005).

Wages and Productivity of Non-Western Immigrants in Denmark

The employment outlook for many non-Western immigrants in Denmark is poor because their qualifications do not measure up to those required for even the lowest-paid jobs in Denmark.

But just how large is this problem? What is the productivity level of non-Western immigrants, and what is the level of their qualifications in relation to the requirements of the Danish labor market?

In order to obtain an impression of the earning potential of the whole group, a representative sample of non-Western immigrants were interviewed in 2001. Those who were in employment were asked how much they earned, while those without work were asked what amount they expected to earn if they got a job. With the answers to these questions, it is possible to create an overall picture of the earnings potential of the group as a whole.

The results of the study are shown in Figure 1. The answers are presented here so that it is possible to read directly from the curve how large a percentage of the group earn or expect to earn less than a given hourly wage. By selecting a given

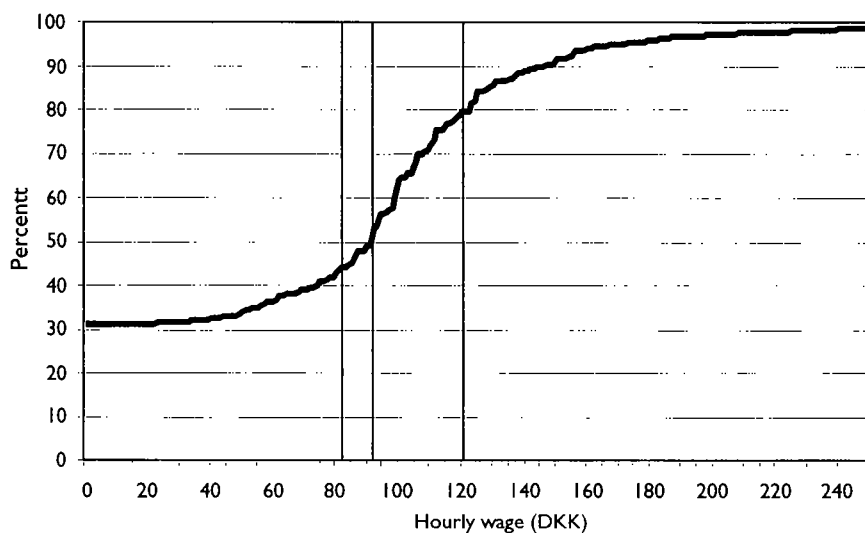
wage on the horizontal axis and looking at the curve at this point, one can read off from the vertical axis the percentage of non-Western immigrants who earn or expect to earn that hourly wage or less.

In order to give an idea in real terms of the wage levels in the figure, we can compare them with some wage levels prevailing on the Danish labor market. The lowest wage for an unskilled clerical worker was 11.14 EUR (83 DKK) per hour in 2001, but it was predominantly casual workers who were paid at that level.

An unskilled supermarket cashier working under the terms of the collective wages agreement for members of the Danish Union of Commercial and Clerical Employees (HK) earned around 12.35 EUR (92 DKK) per hour in 2001. A typical skilled worker's wage in the clerical branch was 16.24 EUR (121 DKK) per hour. As can be

"In the light of these findings, an employment level of 45% – which was the level of employment among non-Western immigrants in 2003 – is actually high"

FIGURE 1
The Wage-Earning Potential of Non-Western Immigrants. Proportions of the group earning or expecting to earn what wages, 2001.

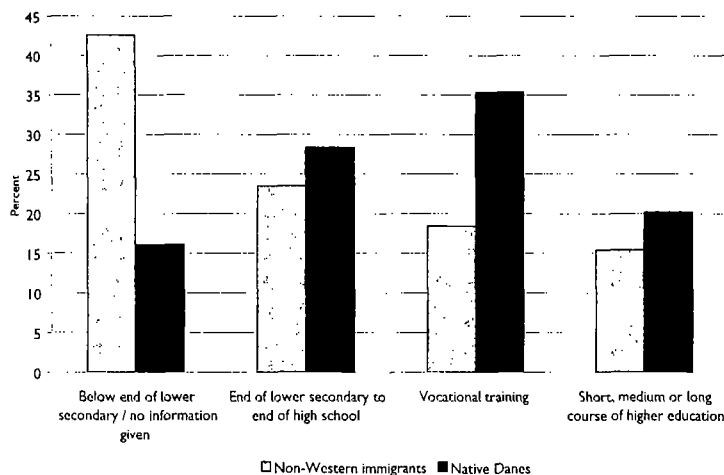


The figure shows how large a proportion of non-Western immigrants actually earned or expected to earn a given hourly wage or less. 80% earned or expected to earn under 16.24 EUR (121 DKK) per hour, and 50% under 12.35 EUR (92 DKK) per hour

Source: Data from the Rockwool Foundation Research Unit.
 NB: Data on expected wages provided by non-Western immigrants not in employment at the time of the 2001 interview survey. Hourly wage rates provided by the Danish Union of Commercial and Clerical Employees (HK).

FIGURE 2

The Education Gap: Highest levels of education completed in Denmark or abroad, 16-70-year-olds. Data standardized to match Danish gender and age distributions, 2001.



Source: Own calculations on the basis of data from Statistics Denmark.

seen from the figure, only around 50% of non-Western immigrants earned or expected to earn the equivalent wage of a cashier, and only 20% could aspire to the wage of a skilled clerical worker or above.

In the light of these findings, an employment level of 45% – which was the level of employment among non-Western immigrants in 2003 – is actually high, and can only be attainable because a very large proportion of the non-Western immigrants in employment are working for

wages that are below or very close to the social safety net. In other words, at best these immigrants are only very slightly better off by working rather than claiming the applicable social assistance benefits. The Rockwool Foundation Research Unit has previously calculated that up to 40% of the non-Western immigrants in employment in Denmark actually gain less than 100 euro extra per month as a result of working, and that 22% of those in employment in 2001 were working for a wage that was under the lowest union wage for clerical workers (11.14 EUR per hour) (83 DKK per hour).

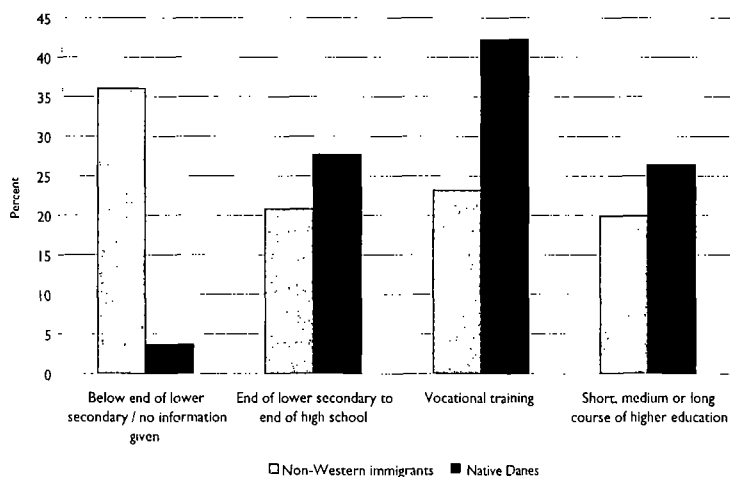
Why is it that there are so many who earn below or expect to earn below the minimum unskilled wage? Are their expectations completely unrealistic? Or is it that their qualifications are just not good enough? In order to shed light on these issues, we will examine the formal qualifications of this group in terms of the courses of education they have completed, whether in their home countries or in Denmark.

Figure 2 shows the distribution of levels of education for Danes aged between 16 and 70 years and also that for non-Western immigrants between the ages of 16 and 70 years as it would be if the gender and age distribution of the group were the same as that of the native Danish population. As can be seen, there is a significant education gap between the two groups. And this gap is widening, as can be seen by comparing the distributions of educational levels for the 35-39 age group, as in Figure 3. The education gap is wider for the young than it is for the whole group, which suggests that the education gap is currently increasing.

The conclusion must be that the low earning potential of non-Western immigrants does reflect poorer qualifications which in terms of their value on the labor market do not bring the people concerned up to the level of the high Danish minimum wages. This is clearly the main explanation for the low level of employment. The problems of finding employment which affect Danes with low market productivity value hit the non-Western immigrant group even harder, because so many members of that group have poor qualifications.

FIGURE 3

The Education Gap for the Young: Highest levels of education completed in Denmark or abroad, 35-39-year-olds. 2001.



Source: Own calculations on the basis of data from Statistics Denmark.

By TORBEN TRANEK

Can Welfare States Integrate Immigrants from Poor Nations into their Labor Markets?

Yes – but they are not very good at doing so. Figure 1 shows the difference – the gap – between the rate of employment for non-Western immigrants and for the rest of the population in selected European countries and in Canada.

In the Scandinavian countries, with their emphasis on broad social security entitlement and high rates of benefit payments and with the associated high tax burdens, the employment gap is large.

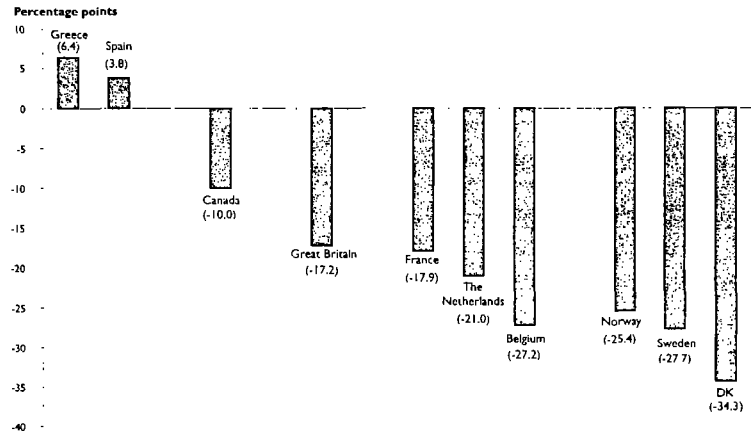
In the case of the continental welfare states such as France and the Netherlands, with their greater emphasis on insurance and on earning rights via length of employment, the situation with regard to employment integration is better, though these countries do have significant problems as well. In fact, Belgium has problems of the same order of magnitude as those in the Scandinavian countries.

Great Britain is often regarded as having one of the ‘residual’ welfare state models, but in fact the social safety net for refugees and reunified refugee families in Great Britain is not significantly different from the continental system. And integration of non-Western immigrants is only marginally better than for the continental models. The situation in Canada – where a more pure form of ‘residual’ welfare model is in operation – is somewhat better, however.

Figure 1 shows figures for overseas-born non-Western immigrants in the countries listed. Overseas-born includes both foreign nationals and immigrants who have been granted citizenship in the host country. The latter group have a higher rate of employment than the foreign nationals, so the employment gap is smaller when both groups are included in the category of ‘immigrants’.

The figures concern those in the age range of 20 to 59 years, i.e. those who are most active on the labor market. The data for the three Scandinavian countries come from register data for 2003, those for the other European countries are drawn from the Labour Force Survey (LFS) prepared by Eurostat for the second quarter of 2003, and the data for Canada

FIGURE 1
Differences in Rates of Employment between the native populations of European countries and Canada and natives of non-Western countries resident in the Western countries shown. 2003.



Sources: Data calculated by the Rockwool Foundation Research Unit on the basis of the Labour Force Survey and register data for the three Scandinavian countries. Figures for Canada from Gunnar Viby Mogensen (2006), *Folkevan- dringen til de rige lande. Nordamerikanske erfaringer*.

Note: Data concerning Canada includes besides naturalized immigrants also second generation immigrants. Furthermore, the countries comprising the immigrant group is defined as countries outside of Europe and North America. This constitutes a difference in respect to the European definition, as these include a few economic weak European countries such as the former Yugoslavia.

are taken from Mogensen (2006).

Among the countries shown, there are only two, namely Greece and Spain, where the rate of employment for non-Western immigrants is high. In these cases, the rate of employment for immigrants from non-Western countries is actually higher than that for the native population: 3.8 percentage points higher in the case of Spain, and 6.4 percentage points higher for Greece.

When the data for Greece are examined in more detail, they show not only that non-Western men had extraordinarily good integration into the labor market, with an employment rate of 90.8% in 2003, but that women were also relatively active on the labor market, with an employment rate of 55.4%. Italy does not supply LFS data, but other empirical evidence suggests that the situation there is similar to that in the other two Southern European countries.

Are there Differences in Integration Policies?

Do these differences in employment rates reflect differences in integration policies?

Hardly so – neither of the two Southern European countries in Figure 1 can be claimed to have made more systematic attempts at integration than, for example, the Scandinavian countries.

Instead, the high level of employment reflects to some extent the fact that immigration is a new phenomenon in these two countries. But the differences in the employment gaps also probably reflect the differences in the welfare state models, in that the continental model south of the Alps provides a less fine-meshed insurance safety net to non-Western immigrant groups.

When the welfare benefits are low, poor qualifications will result in low wages, and immigration of people with a low level of education will lead to large income inequalities. When welfare benefits are high, low qualifications will to a greater extent result in fewer opportunities for employment, and an immigration of people with low levels of education will then create a large employment gap between such immigrants and the rest of the population.

It is also the case that public institutions are far less developed in the Southern European countries. This creates a large number of jobs for non-Western immigrants, who can care for children and the elderly. However, there are fewer and fewer children today, since Southern European women have an all-time low fertility rate at present, and in the longer term this will create a further need for immigration into these countries.

The More Welfare – the Poorer the Integration?

To some extent that is indeed the effect that has been experienced in Europe. But this does not mean that the welfare state cannot learn to handle immigration from poorer countries in such a way that immigrants can be integrated into the labor market. It simply means that European welfare states have not yet learned the art of doing this – an art which consists of achieving an acceptable level of employment for immigrants at the same time as maintaining the welfare state.

BY TORBEN TRANÆS AND BENT JENSEN

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