

Migration and the Scandinavian welfare model

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Scandinavian welfare model

- Strong egalitarian preferences:
 - Low income inequality
 - No working poor
- High income level
- A relatively generous social safety net
- Public service provision (health, education.....)
- Tax financed
 - =large public sector

Key property - social insurance:

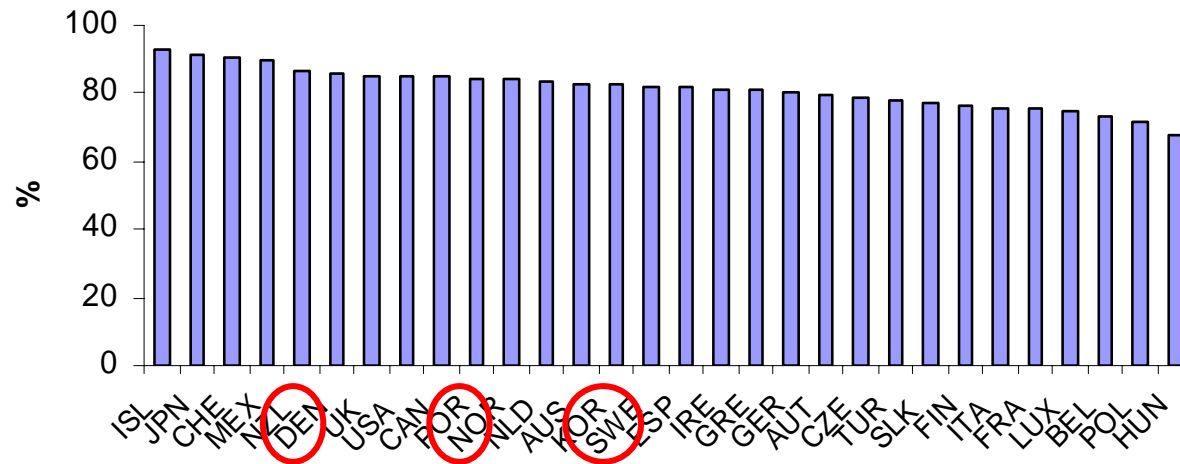
All covered, and all benefit and contribute depending upon events through life

Scandinavian welfare model: Employment focussed

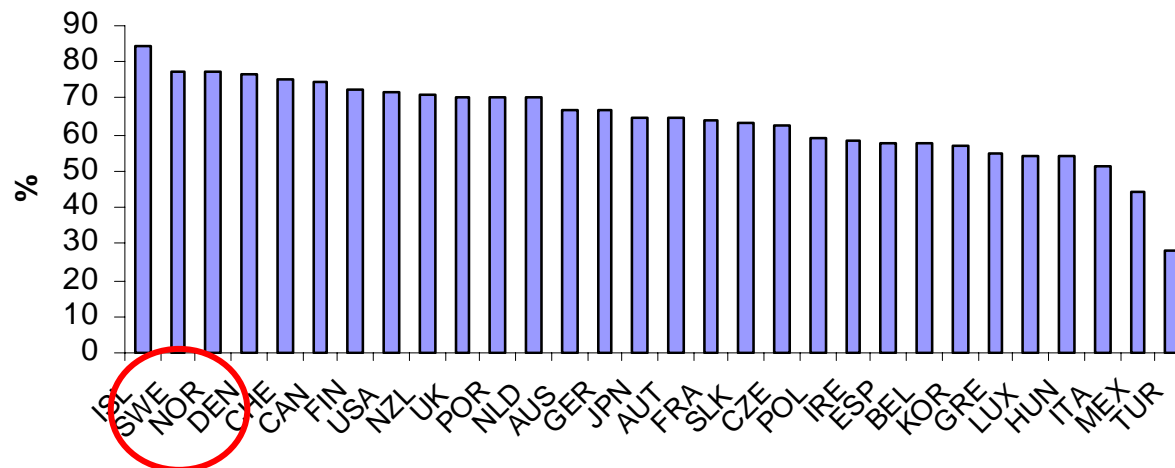
- Equal opportunities/work ethics
(education and jobs/self-support/social inclusion)
- Financing requires a high employment rate
 - Tax revenue generated via labour market
 - No income: in general an entitlement to a transfer
 - Labour requirements of the public sector

High labour force participation rates

Males



Females



Openness

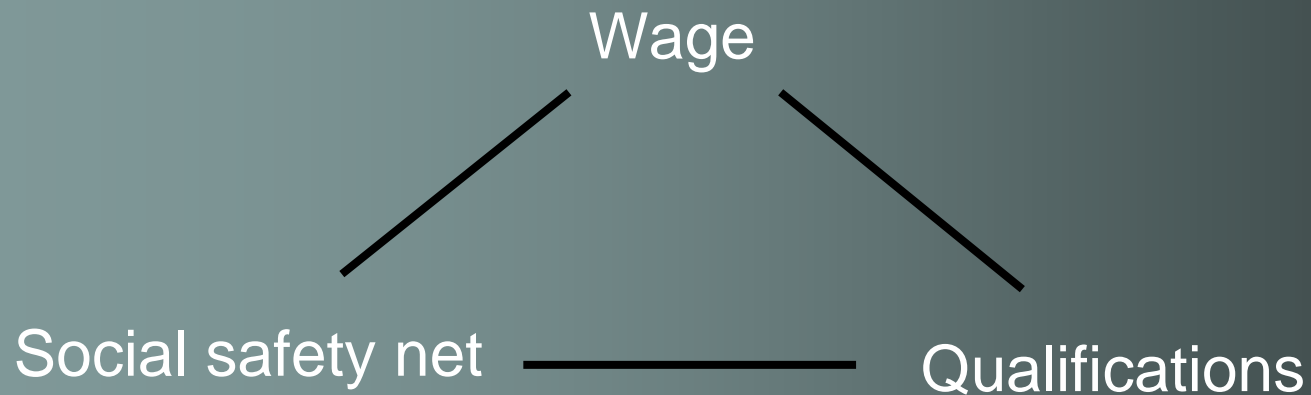
- Small and open economies –
 - Long tradition for adapting policies to the constraints and options created by being small and open
- Why is migration a particular problem?

Selection problems?

- Immigrants – overrepresentation of people ending up in the social safety net?
- Emigrants – overrepresentation of people with high education (and hence potential to pay taxes)?
- If yes, the financial viability of the model is significantly affected
- Can the social contract be maintained?

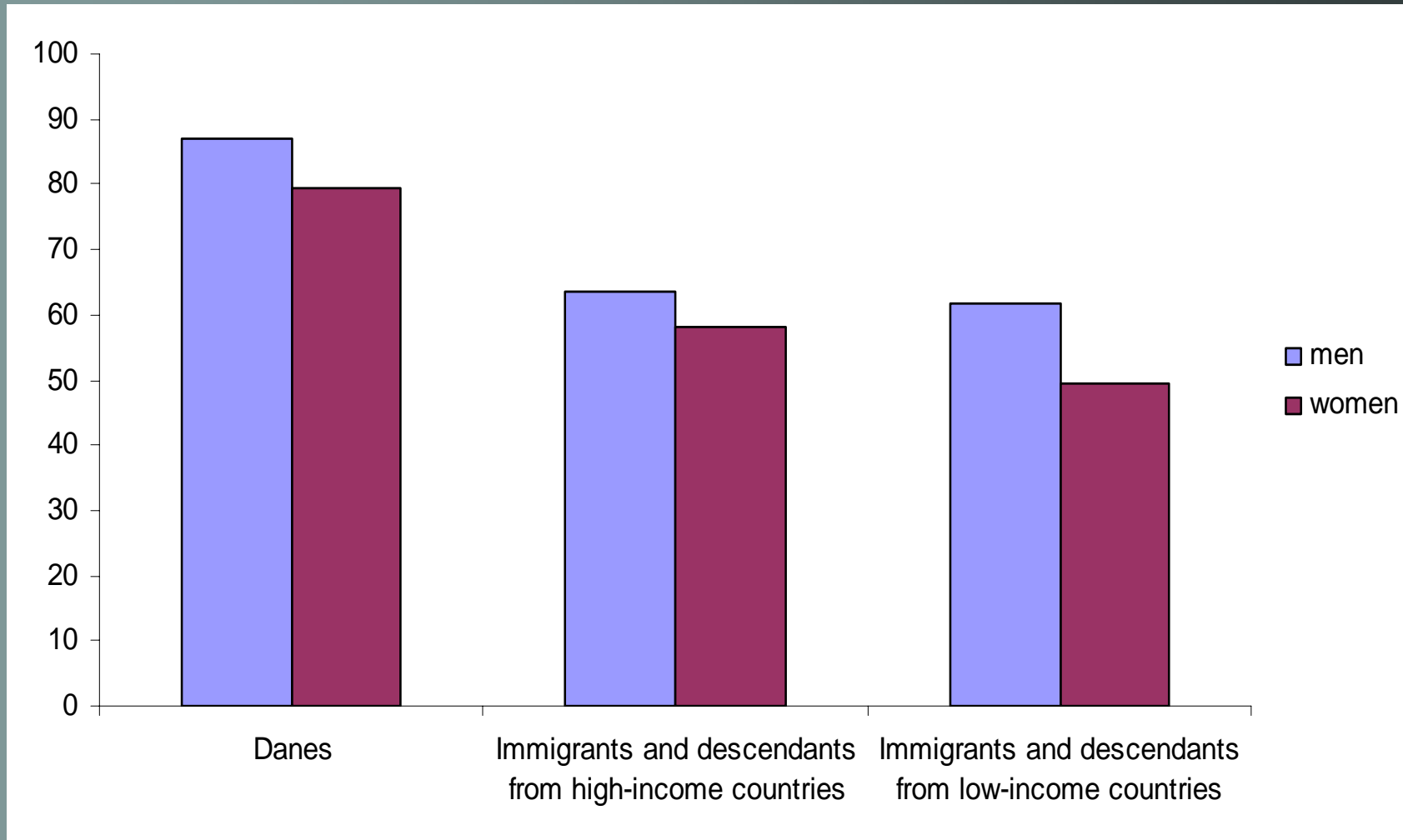
Migration and the labour market

The labour market triangle:



- Immigrants from low income countries = low qualifications
- High unemployment risk: qualification gap is large
- High risk of transfer-dependency

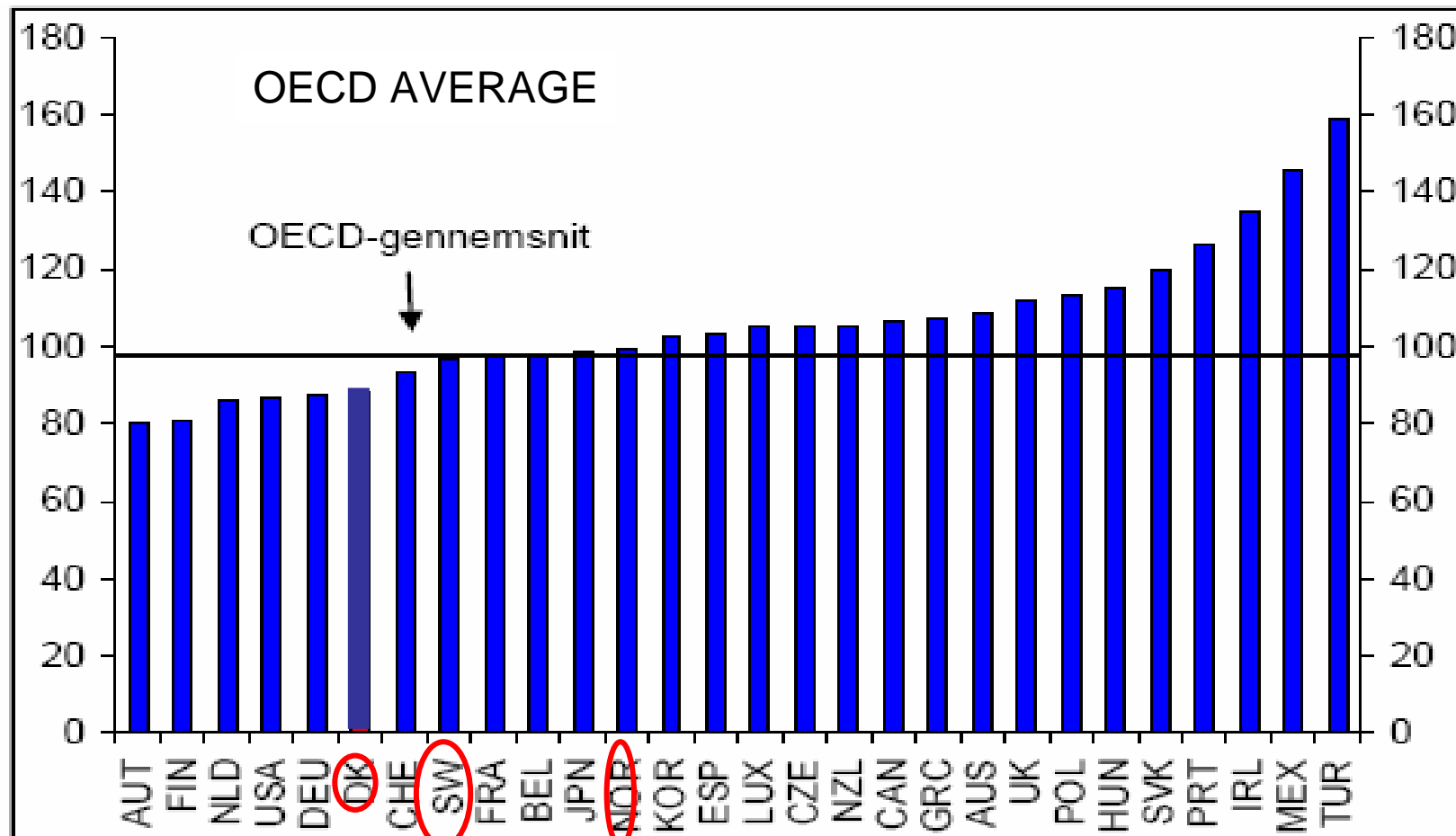
Employment rates, Denmark 2008, age group 16-64



Qualification gap

Level of education for inhabitants born in low income countries relative to rest of population,

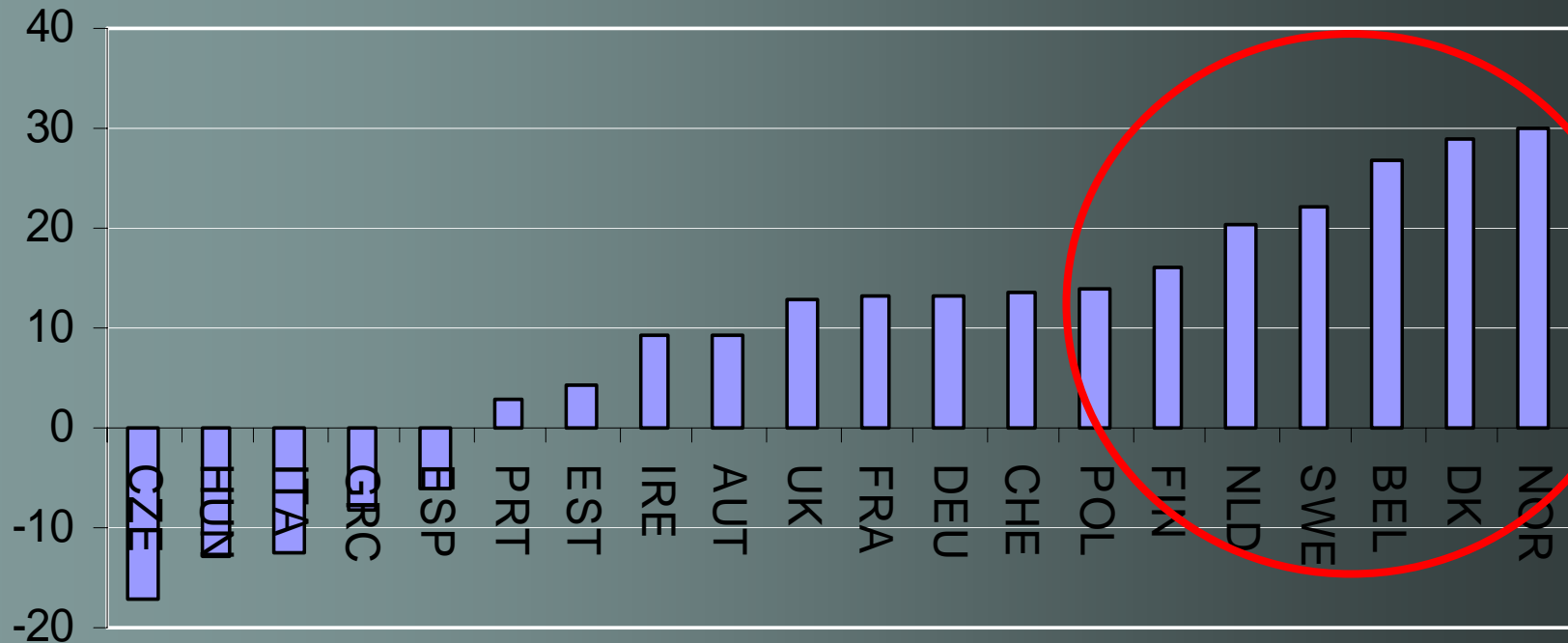
age group above 15



Employment gap- males:

Difference between natives and immigrants from low income countries

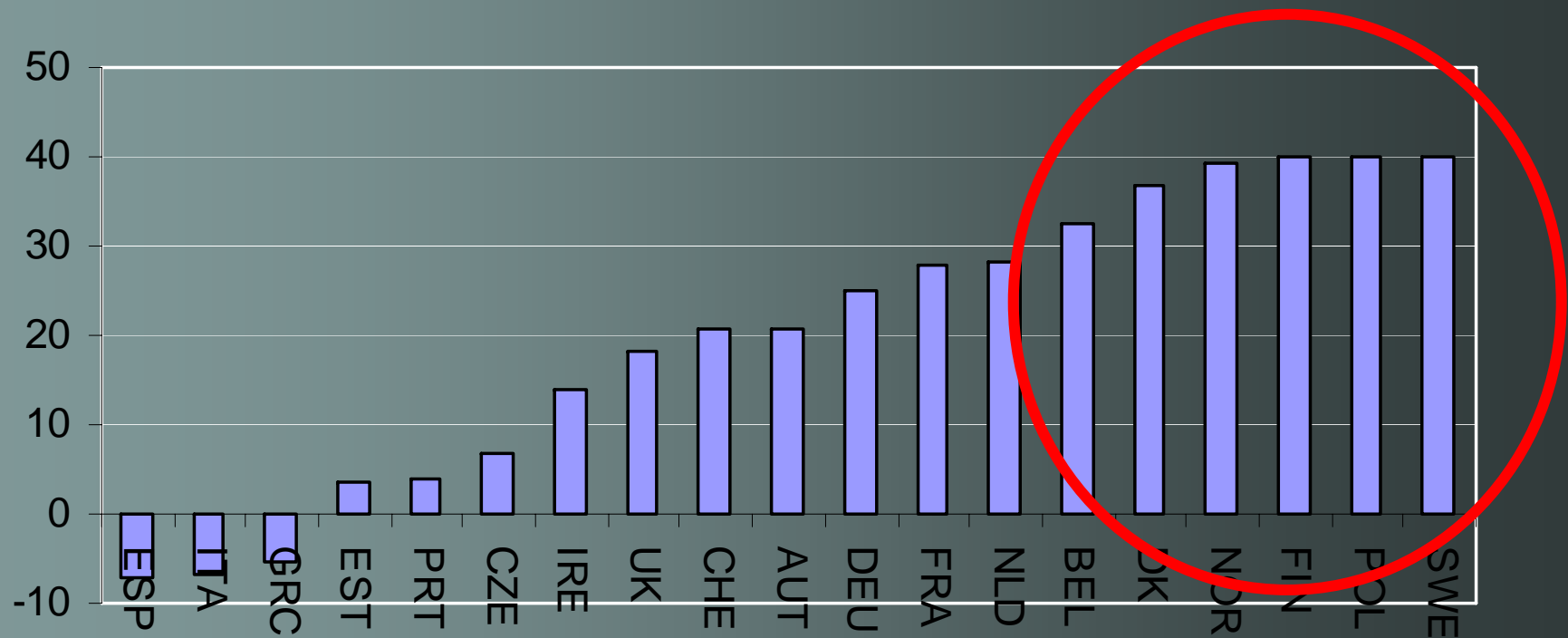
Males



Employment gap –females:

Difference between natives and immigrants from low income countries

Females



Descendants of immigrants from low income countries – a particular challenge

- Schooling/education
- Social mobility
- Low educational attainments (Pisa tests)
- High drop-out rates
- Vicious circle?

The welfare state
should be able to
cope with this
challenge!

Policy responses

Changing the welfare model:

- Non-universal entitlement eg. Social rights depending on number of years spend in the country (Denmark: 7 out of last 8 years for the social safety net, otherwise lower support)
- Unequal treatment/stigmatization

Strict rules for immigration

- Selection criteria?
- Enforcement
- Conflict to other policies/values

Migration and public finances

- Demographic problem: increasing dependency ratio
- Easy fix: immigration?
- Depends: employment performance

Competition over migrants:

- Demographics + demand for qualified labour

Selection of migrants:

- Green card/blue card
- Tax rebates
- Attract students, and make them stay

Conclusions

- The Scandinavian welfare model is more vulnerable to migration
- Potential selection problems for both immigrants and emigrations
- Is this a threat to the support of the model?