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# Integration of Refugees on the Danish Labor Market<sup>1</sup>

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## ABSTRACT

The unprecedented inflow of refugees in the Nordic countries since 2014 has accentuated debates about the effectiveness of the Nordic models and their labor market integration programs. The 'refugee crisis' opened a window of opportunity in which some Nordic countries reformed their policy framework to promote faster and more effective labor market integration of refugees. Denmark is celebrated for its well-functioning flexicurity labor market, but has not been particularly successful in integrating nonwestern migrants and refugees in the labor market. We examine barriers on the supply-side, the demand-side, and in the matching process of the labor market to better understand the labor market performance of refugees. Subsequently, we analyze the new Danish labor market integration programs and discuss preliminary implementation results. Although it is too early to make any final judgments of the outcomes, there are indications of positive changes in implementation and results, while important integration issues remain unresolved.

## KEYWORDS

*Refugee / labor market / employment / integration / Denmark*

## Introduction

Since the unprecedented inflow of refugees in Europe from 2014, the 'refugee crisis' has been high on the international and national political agendas. In the EU, there are ongoing debates on border control, asylum policies, and responsibility sharing between the Member States and discussions on how to improve labor market integration within the member states.

The Nordic countries have received a higher proportion of asylum seekers than the rest of the EU. From 2009 to 2015, the number of asylum seekers per capita was 70 per 10,000 residents in EU compared with about 100 in Finland and Denmark, 200 in Norway, and 450 in Sweden (Dustmann et al 2016: Table 6). Although the number of asylum seekers have declined since 2016, the situation in the migration countries is far from stable and new waves of migrants may occur in the near future. At the same time, an increasing number of refugee family members will get access to the Nordic countries.

An important precondition of the Nordic welfare model is high employment and participation rates. However, all the Nordic countries have struggled in finding effective

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measures to integrate nonwestern migrants and the integration measures implemented so far have had modest effects (Djuve & Grødem 2014; Dølvik et al 2015). Moreover, the enlargement of the EU and increasing labor migration has intensified competition for the lowest paid jobs and made it harder for groups with low skills and limited work experience to integrate on the labor market, especially the group of humanitarian migrants (Dølvik et al 2015; Nordic Council of Ministers 2017). The Nordic countries tend to have greater negative employment gaps between natives and migrants than other OECD countries. This is partly due to the high employment rates of the native populations in the Nordic countries, but also due to real challenges of labor market integration of migrants from nonwestern countries, including refugees (Nordic Council of Ministers 2017).

In this article, we focus on newly arrived refugees and family reunified migrants and not the wider group of migrants (e.g., economic migrants, migrant workers, or foreign students). A refugee is a person who has been granted asylum and thereby a legal right to stay in the new host country. Family reunified migrants are foreigners allowed to reunify with their family members living in the new host country. This group of humanitarian migrants have traditionally been the most difficult group of migrants to integrate on the labor market (Dustmann et al 2016), and, therefore, provides a major challenge and case for reforms of the Nordic labor market integration policies.

In this article, we examine two related research questions: 1) what are the barriers for labor market integration of refugees? 2) To what extent does the new framework for labor market integration of refugees in Denmark address these barriers and will it succeed?

In the following, we present our conceptual framework and review the current literature in order to identify barriers for labor market integration of refugees on the supply-side, the demand-side, and within the matching process of the labor market. Subsequently, we examine current changes and implementation of the new labor market integration framework in Denmark and assess the preliminary results of the new approach.

## Conceptual framework and literature review

The labor market can be defined as the relationships between labor supply, labor demand, and the institutions facilitating matches between supply and demand. Barriers to labor market integration are, therefore, located on the supply-side, the demand-side, or in the matching-process (cf. Bredgaard 2017).<sup>1</sup> At the individual level, barriers may even be multiple and mutually reinforcing.

The framework identifies three different conceptual approaches to understanding labor market integration of ‘vulnerable’ or ‘disadvantaged’ groups, in this case refugees. The framework identifies the main barriers and policy solutions to improve the labor market integration of refugees. In this article, we use the framework to categorize the literature on refugees and the labor market and to analyze the direction and focus of the new integration policies in Denmark.

In the following, we describe each of the three approaches to labor market integration of refugees and review the available literature on the role of the supply-side, the demand-side, and matching in relation to the labor market performance of refugees and with a focus on the Danish labor market.

**Table 1** Conceptual approaches to labor market integration of refugees

	<b>Supply-side approach</b>	<b>Matching approach</b>	<b>Demand-side approach</b>
<b>Target group</b>	Refugees	Employment services	Employers
<b>Key problem</b>	Refugees lack adequate skills, qualifications, and motivation to integrate on the labor market	Lack of credible information and contacts between refugees and employers	Employers discriminate refugees in recruitment processes
<b>Policy objective</b>	Make refugees ready for the labor market	Match refugees and employers	Make employers ready for refugees
<b>Policy solution</b>	Improve skills, qualifications, and motivation of refugees	Break down information asymmetries and facilitate contact between refugees and employers	Encourage and incentivize employers to recruit refugees

It should be noted that the literature on refugees and the Danish labor market is limited. There is a more comprehensive literature on migration and the labor market, but it is not necessarily valid and representative for the group of newly arrived refugees. In order to identify the most relevant literature on refugees and the labor market in the Nordic context, we used a ‘snowballing method’ in which the reference lists of key publications within labor market research were used to find additional publications until the references reached a point of ‘saturation’ where the major references in the field were covered. We then categorized the main focus and subject matter of the literature according to the three conceptual approaches. Although some references cut across the three categories, it, nevertheless, showed the distribution of the literature and where further research is needed.

### The supply-side

The supply-side approach focus exclusively on the capacity and ability of refugees for labor market integration. The lower labor market integration of refugees is a function of individual barriers to labor market integration, such as inadequate language skills, low or inadequate education, mental or physical challenges, limited work experience, or low work motivation. The objective of public interventions is then to prepare refugees for the labor market, that is, making refugees employable, motivated, or qualified.

There are two distinct versions of the supply-side approach, labelled ‘human capital’ and ‘work first’ (Bredgaard 2017). ‘Human capital’ aim at improving the qualifications and competencies and thereby employment opportunities of individuals. For refugees, this translates into screening and utilization of qualifications from their home country, language training, basic education, and further education and training. ‘Work first’, on the other hand, aims at improving the motivation of refugees for labor market integration (for instance by lowering integration benefits, introducing requirements for active job search, obligations to participate in activation programs, and sanctions for noncompliance, etc.).

The literature clearly shows that there are barriers relating to the human capital of refugees. Knowledge of the new host country language obviously has a considerable



impact on employment outcomes of refugees, even across educational levels (European Union 2016). Furthermore, recent practice and reports indicates that language programs integrated with workplace training produce better labor market outcomes than separate programs (Kalantaryan 2016; OECD 2016).

The educational level and qualifications from the home country of the refugee is also associated with labor market participation and employment in the new host country. A recent EU and OECD evaluation find that a significant part of the differences in employment rates between refugees and other migrants is due to differences in their educational level, that is, the majority of refugees are low educated and therefore have poor employment opportunities. Similarly, the lower employment rates of refugee women compared with refugee men are partly due to lower educational levels (OECD/European Union 2014).

This is also the case in Denmark. Recent surveys show that the majority of refugees and family migrants that came to Denmark in 2015 have low basic educational qualifications and, therefore, have to compete with native Danes and more established migrant groups for jobs on the unskilled and low-skilled labor market (Danish Ministry of Foreigners and Integration, UIB 2016). The same study estimates that 60% of the newly arrived refugees in spring 2015 had either no basic schooling or only completed basic school.<sup>2</sup> Furthermore, the report indicates that the employment history and working experience of refugees from their home country is also limited. Among the newly arrived refugees, only 36% were in employment before coming to Denmark. Among those who had been in employment in the home country, the majority were employed as unskilled workers (61%) (UIB 2016).

Refugees arriving before the recent refugee wave also have a low educational level. Among refugees arriving in Denmark after 2005, 53% had only completed primary school when they arrived in Denmark (Schultz-Nielsen & Skaksen 2017). The data further demonstrate a strong association between educational level and employment rates, and especially between Danish educational degrees and higher employment rates. Even refugees with formal qualifications and training meet barriers to labor market integration, and if they find a job, they are in some cases overqualified for this particular job.

The evidence behind the work first approach is far more limited and contradictory than the evidence behind the human capital approach. Standard economic theory suggest that the motivation for job search depend on economic incentives, that is, the relationship between income benefits and wages. Generous income benefits are assumed to reduce labor supply and employment rates. This was the underlying assumption behind a reduced income benefit (*starthjælp*) in Denmark in 2002 for newly arrived refugees.

Rosholm and Vejlin (2007) use this ‘quasi-natural’ experiment to measure the effects of lowering benefits on labor supply and employment. They find a small positive effect of lowering benefits on the job finding rate after 2 years in Denmark, but also that the exit rate from the labour force increases in the first year in the new host country and then declines. Those considered the weakest (e.g., the least educated and women) in the labor market are, however, almost immune to the treatment, which may indicate that even if they lower their reservation wage and intensify their job search, the demand for their labor is low due to their lack of skills and qualifications (Rosholm & Vejlin 2007). As we shall see below, the same arguments were put forward for reintroducing lower benefits for refugees in 2015 (integration benefits).

In sum, the review shows that there are important barriers to labor market integration of refugees on the supply-side, including insufficient language skills, inadequate formal qualifications, lack of work experience, and possibly economic disincentives.

## The demand-side

On the demand-side, the lower labor market integration of refugees is interpreted as a function of (direct and indirect) discriminatory practices, and inadequate incentives of employers to recruit refugees (Forslund et al. 2017).

A policy strategy addressing barriers on the demand-side would, therefore, focus on making employers ready to integrate refugees in the labor market and avoid discrimination of refugees. There is already European and national anti-discrimination regulation in place but also evidence of more subtle and indirect forms of discrimination in recruitment practices, which are difficult to regulate. Alternatively, 'soft regulation' can be applied to encourage or incentivize employers to engage in recruiting refugees and other 'disadvantaged' groups.

Numerous studies have found wage and employment gaps between migrants and natives, which may at least partially be due to discrimination (Rinne 2012), particularly in the hiring decisions of firms (e.g., Baert 2017; Carlsson 2010; Weischelbaumer 2016). However, research also show major variations in the attitudes and behavior of employers as demonstrated in a study by Lundborg and Skedinger (2016) that identify significant heterogeneity in the attitudes of Swedish employers toward hiring, job performance, wage setting, and discrimination. Most of the companies in the study report of favorable attitudes and positive experiences with hiring refugees, although there are major differences among firm types and industries. Lundborg and Skedinger, for instance, identify a group of 'discouraged firms' that used to have refugees on their payroll, but no longer do so (about 12% of the sample). The discouraged firms are less satisfied with the job performance of refugees because of their poor language skills and less of screening, but not due to cooperation problems with other staff or costumers.

Anonymous job applications may be a way to combat employment discrimination (for an overview see, Baert 2017). In Sweden, a study by Åslund and Skans (2012) in the local public sector in the city of Gothenburg showed that anonymous job applications increased the chances of advancing to interviews for both women and immigrants of nonwestern origin. Women also experienced a higher probability of job offers, which was not the case for immigrants. Åslund and Skans (2012) therefore suggest that racial and ethnic discrimination may be harder to circumvent than gender discrimination and that anti-discrimination legislation is not sufficient in order to prevent discrimination.

Another way to increase the demand for refugees and other groups of nonwestern immigrants is entry jobs or wages. The basic idea is to compensate employers for the lack of productivity of the employee until their productivity reaches a 'normal' level. There is some evidence from the American context in favor of lower wages and minimum wages. But it is difficult to import to the Nordic labor market context, where the social partners regulate wage and work conditions through collective agreements and trade unions tend to oppose lower wages (Forslund et al. 2017: 35). Nonetheless, 80% of ordinary wages are subsidized in entry jobs for newly arrived immigrants in Sweden, but the number of participants in the program is very low (Forslund et al. 2017: 34). In



Denmark, an apprenticeship program for young unemployed refugees was introduced in 2016 with remuneration less than 50% below the minimum wages in order to improve their employment opportunities (cf. below).

In sum, the review shows that there are barriers on the demand side that partly explain the lower labor market integration of refugees. Despite variations between employers, there is evidence suggesting that nonwestern migrants face subtle forms of discrimination in recruitments processes reinforcing the inadequacies of their individual labor supply.

## Matching

Another plausible explanation for the lower labor market integration of refugees is lack of access to the recruitment channels and informal labor market networks of the new host country. From a matching perspective, the lower labor market integration of refugees is a function of information asymmetries on both the supply- and demand-side of the labor market and the inability of the public employment service to facilitate matches between refugees and employers.

The classical study by Granovetter (1995) clearly showed that the majority of jobs were occupied through personal contacts and networks, and that some groups were disadvantaged in the job search process due to inadequate personal contacts and networks. Granovetter (1995: 136) argues that: ‘Members of any group suffering an unusual degree of unemployment or underemployment have the problem that friends will be disproportionately un- or under-employed, and thus in a poor position to offer job information’. Newly arrived refugees do not have access to personal contacts that can assist them in getting credible and relevant information about job openings.

A policy strategy focusing on improving the matching process would, therefore, focus on the role of employment services as the intermediate institution between refugees and employers. The objective would be to break down information asymmetries on both the supply and demand-side of the labor market and redress the lack of credible information about competencies and motivation of job applicants that may lead to discriminatory practices of employers (Larsen & Vesán 2011).

The successful implementation of the matching approach is, however, challenged by the fact that most employers refrain from recruiting through the public employment services and prefer other informal or private recruitment channels (Larsen & Vesán 2012). Even in the Danish case where there is a strong tradition for active labor market policies and employers engagement in the delivery of employment services, the majority of employers use other recruitment channels than the public employment services and the majority of job seekers find jobs through channels other than the public employment service (Bredgaard 2017; OECD 2015: 137)

Labor market information and networks are also distributed outside the domain of the public employment service. In a study of ethnic enclaves in Denmark, Damm (2009), for instance, finds that ethnic networks disseminate job information, which improves the quality of the job match and lead to higher earnings. There are, however, indications of geographical mismatch between labor demand and the relocation of refugees. In the Danish case, refugees have until recently been allocated on other criteria than the local demand for labor and the central authorities have not tried to match the qualifications of refugees with local labor market demand (cf. below).<sup>3</sup>

The literature also shows that lack of recognition of qualifications and competencies from their home country is a barrier to recruitment of refugees. Research indicates that the qualifications and competencies refugees bring from their home country are sometimes not considered valuable or reliable by employers in the new host country (cf. chapters by Lemaitre, Bonfanti, and Xenogiani in OECD/European Union 2014). The lack of credible information on qualifications of refugees explain why many refugees are overqualified for the jobs they occupy. A recent evaluation finds that almost 60% of employed refugees with tertiary education in the EU are overqualified for the jobs they occupy, which is more than twice the level of the native-born and well above the level for other migrant groups. This type of information asymmetry implies that employers have difficulties in evaluating the formal qualifications of refugees and refugees have difficulties in documenting their degrees (European Union 2016).

The literature on the ability of employment services to match refugees with employers is limited, but the studies that are available indicate that active labor market programs in close connection with local employers are the most effective. The majority of studies focus on migrants in general and their findings are not necessarily applicable to the group of refugees. Refugees are a special group of migrants and should not be treated as any other group of migrants (Kalantarayan 2016), especially not in relation to labor market integration (OECD/European Union 2014). Refugees were forced to leave their origin countries, often due to unforeseen and sudden events that put their lives at risk. Dustmann et al (2016: 30) therefore argue that refugees migration is closer to ‘forced marriage’ than the ‘chosen match’ typical in economic migration.

In a meta-analysis of 33 empirical studies on the effectiveness of four types of active labor market programs in combatting unemployment for immigrants, Butschek and Walter (2014) find that only wage subsidies should be recommended to European policy-makers. Rinne (2013) also find that programs relatively close to the labor market (e.g., work experience programs and wage subsidies) are the most effective programs. Subsidized employment in the private sector is significantly more likely to have a positive impact on immigrants’ labor market outcomes than training. The other programs in the meta-analysis of Butschek and Walter (2014) yielded mostly insignificant results. This finding is supported by a similar finding in the general ALMP literature showing that wage subsidies in the private sector are the most efficient type of ALMP, but that other types of programs (such as in-house programs, job search assistance, and training programs) are more frequently used (Bredgaard 2015).

In the Danish case, the group of refugees and family migrants has so far not been sufficiently large to conduct specific outcome evaluations for this group. Instead, inferences are drawn from the group of nonwestern migrants (Arendt & Pozzoli 2013; Arendt et al. 2016). Like the international literature, the Danish evidence indicate that activation programs with private employers (e.g., wage subsidies and work experience programs) are more effective than activation programs in municipal projects or education programs (Arendt & Pozzoli 2013; Arendt et al. 2016).<sup>4</sup>

In relation to this, Swedish experiences and evaluations indicate that more frequent job interviews with nonwestern immigrants promote faster transitions into regular employment and that work experience programs have a positive program effect on subsequent employment (Arendt et al. 2016). Forslund et al. (2017: 36) report of positive effects of pilot programs in the Swedish public employment service with establishing contacts between immigrants and employers, often combined with wage subsidies.



Besides ALMP programs, there are also language and introduction programs specifically for immigrants. In a recent review, Bilgili (2015) conclude that general introduction programs and language courses show mixed results and tend to have 'lock-in' effects. However, Bilgili also argue that introduction programs should be evaluated differently from other types of programs due to the longer-term and broader effects of these programs.

Sweden has a long tradition for introduction programs dating back to the 1960s and there are a number of evaluations on their impact on employment probabilities (for a review of the findings, see, e.g., Rinne 2012). Joonas et al. (2016) evaluate the 'Establishment reform' in Sweden from 2010, where responsibilities for the integration of refugees and their families were transferred from the municipalities to the government-funded public employment services. In the second and third year after enrolment into the program, they find small positive effects on the employment of newly arrived immigrants. In another Swedish study, Joonas and Nekby (2012) compare the effects of a random assignment into intensive coaching and counselling by PES caseworkers with considerable reduced caseloads (treatment group) to regular introduction programs (control group). The study finds that intensive counselling and coaching significantly improves the employment probabilities of new arrivals. In the Danish case, public introduction programs were introduced in the late 1980s and the evidence is more limited than in the Swedish case. As we shall see below, a political consensus formed during the 'refugee crisis' that the results of the introduction program were inadequate and that reforms were necessary.

In sum, the review shows that there are important barriers to labor market integration of refugees in the matching of supply and demand for labor. Refugees often have insufficient information about the new host labor market and inadequate personal networks to get access to the informal recruitment channels of employers. Some employers, on the other hand, lack information about the productivity, qualifications, and competencies of refugees and are reluctant to recruit them. The public employment services may promote better matches by providing credible information to both sides, both often employers refrain from recruiting through formal and public channels. There is, nonetheless, some evidence to support that active labor market programs delivered in close connection to local employers (such as wage subsidies and work experience programs) as well as language training and introduction programs may promote faster transitions into regular employment.

As we shall see in the following, the main objective of new approach to labor market integration of refugees in Denmark is to improve the matching ability of the public employment service.

## Labor market integration of refugees in Denmark

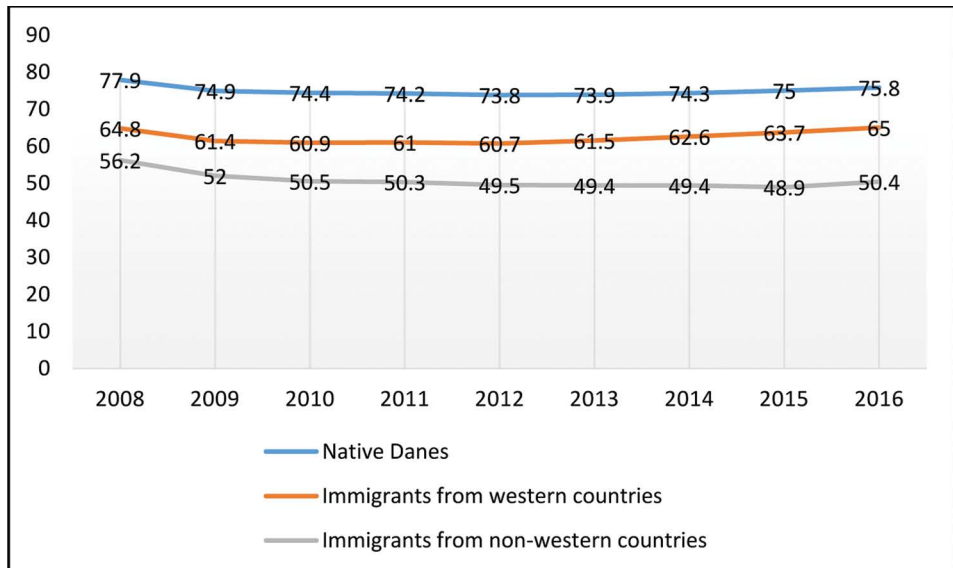
The Danish labor market is renowned for its macroeconomic performance (high employment and low unemployment rates), collective bargaining system (sometimes just labelled 'the Danish model'), and balance between flexible dismissal regulations, generous unemployment benefits, and active labor market policies (known as the 'flexicurity model') (Bredgaard & Madsen 2018; Bredgaard et al. 2005). However, one of the recurring challenges of the Danish labor market has been labor market integration

of nonwestern immigrants and refugees.

During the last decades, immigration has played an important role in the debate on the sustainability of the Danish welfare state. In the political debate, nonwestern migrants have mainly been displayed as a financial threat to the existing Danish welfare system due to their lower labor market participation and employment rates. Recently, the concept of ‘welfare tourism’ has also been introduced to stress that relatively high welfare benefits may encourage inflows of nonwestern migrants and that migrants have to earn their rights and prove to become deserving before being entitled to certain welfare services (Jørgensen & Thomsen 2016). The current government, therefore, aims at discouraging nonwestern migrants and refugees from entering Denmark, while encouraging qualified foreign labor to fill gaps on the buoyant Danish labor market.

Figure 1 shows the employment rates of native Danes compared with western and nonwestern immigrants after the global financial crisis in 2008. While nonwestern immigrants experienced a significant increase in the employment rates between 1995 and 2008, they were more severely affected by the economic crisis than native Danes and western immigrants. The employment rate fell by 6 percentage points for nonwestern immigrants between 2008 and 2016, while both native Danes and western immigrants recovered from the crisis. In 2016, the employment gap between native Danes and nonwestern immigrants was, therefore, 25 percentage points.

**Figure 1:** Employment rates (16–64 years), 2008–2016.



Source: Statistics Denmark (RAS204).

Table 2 summarizes employment rates for refugees and compares them to families reunified with native Danes. Even if the employment rates of refugees and family reunified migrants improve with years of residence in Denmark, they continue to have lower



employment rates than native Danish and other migrant groups. The data cover refugees (including families reunified with refugees) who immigrated to Denmark during the period 1997–2011.

**Table 2** Employment rates by years of residence and type of residence permit

	<b>1-year</b>	<b>5-year</b>	<b>10-year</b>	<b>15-year</b>
<b>Refugees</b>	3.4%	34.3%	42.5%	36.8%
<b>Family reunified to refugee</b>	3.7%	21.6%	33.8%	34.1%
<b>Family reunified to ethnic Dane</b>	24.6%	65.8%	71.6%	69.0%

Source: M. L. Schultz-Nielsen (2016: p. 30).

Five years after coming to Denmark, only one in three refugees (above 25 years) is employed (34.3%). For family reunified migrants, the employment rate is even lower (21.6%), which may relate to the higher proportion of women among the family reunified and lower employment rates of refugee women. Employment rates peak after 10 years of residence in Denmark for refugees and then decline slightly, although not for family reunified persons. This may also relate to the higher proportion of women in the group of family reunified persons. In a similar analysis, Schultz-Nielsen (2017) shows that the decline in employment rates after 10 years only occurs for men, while employment rates stagnate for women. This finding indicates that it is not only important to focus on the integration of newly arrived refugees but also to focus on retention and careers of those in employment.

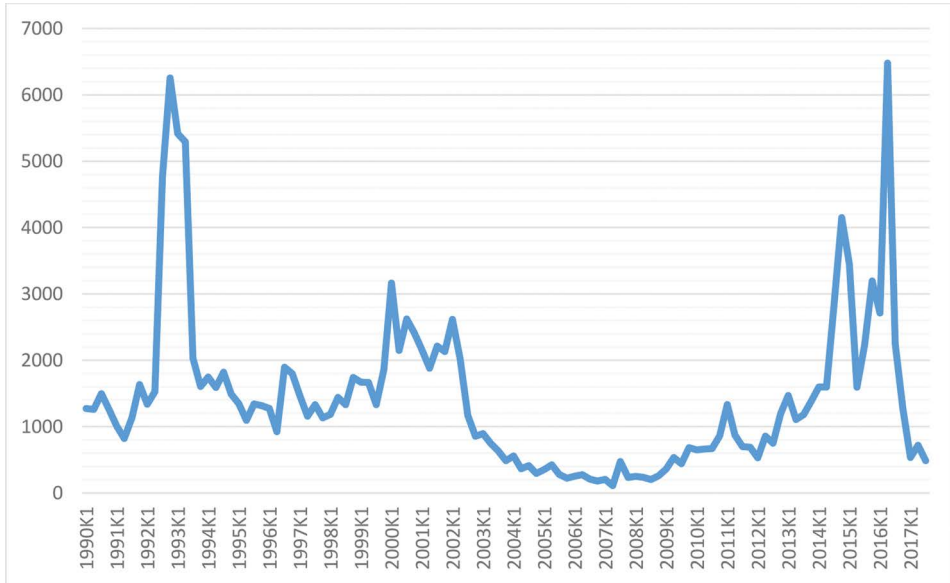
### The ‘refugee crisis’ comes to Denmark

Like in other European countries, the number of immigrants have increased in Denmark the last couple of decades. Since the early 1980s, the share of immigrants has increased from 2½% of the population to 10% of the population.<sup>5</sup> If descendants are included, that is, children born in Denmark by immigrant parents, the share of immigrants increases to 13%. By 2050, Statistics Denmark estimates that the share of immigrants will increase to 13% of the population and 20% if descendants are included (Ministry of Finance 2017). In international comparison, the share of immigrants is, nevertheless, still rather low in Denmark (compare 10% in Denmark to 12% in Holland, 13% in Germany and the USA, 14% in Norway, 17% in Sweden, 20% in Canada, and 28% in Australia) (Danish Economic Council 2016; Statistics Denmark 2017).

The ‘refugee crisis’ led to a dramatic increase in the number of asylum seekers coming to Denmark (cf. Fig. 2). In late 2014, the number of asylum seekers started to increase rapidly. In 2015, more than 20,000 persons applied for asylum in Denmark.<sup>6</sup> The majority came from Syria (56%), Eritrea (27%), or were stateless refugees (8%).

In September 2015, the European ‘refugee crisis’ became apparent for everyone as migrants began crossing the Danish border from Germany and walked along the Danish highways – many of them on their way to Sweden and not wanting to register as asylum seekers in Denmark. This situation created, however, a window of political opportunity

**Figure 2:** Number of asylum seekers to Denmark, 2000-2017 (each quarter).



Source: Statistics Denmark (VAN5).

for major restrictions in asylum regulations as well as reforms of integration policies (cf. below). Since this dramatic period, the number of asylum seekers has declined. In 2017, less than 3000 asylum seekers came to Denmark, while 8000 migrants were family reunified.

One of the main challenges is now to integrate the newly arrived refugees on the Danish labor market. The financial sustainability of the Danish welfare state depends, among other things, on a major improvement in employment and participation rates of refugees (cf. Tripartite agreement 2016).<sup>7</sup> The ambitious target of the current government is that 50% of all refugees should be in ordinary employment, which is 10–20 percentage points above the current situation (cf. below).

The main reason for the high expenditures is the relatively low employment rates of refugees and family reunified migrants compared with other groups of migrants and ethnic Danes. Higher participation and employment rates of refugees and family reunified migrants are not only necessary for the financial sustainability of the Danish welfare state but also to avoid emerging labor shortages and not least for the individual refugee and their families to break the vicious circle of unemployment and contribute to the new host society (European Commission 2016).

In Denmark, municipalities are responsible for the implementation of labor market integration programs. When an asylum seeker or family reunified migrant receives a residence permit, they transfer to municipal integration programs. Municipal integration programs consist of finding housing, labor market integration programs, and other types of integration programs (such as education, health, and social services). The number of participants in municipal integration programs increased from less than 4000 persons



in 2010 to more than 25,000 persons in 2017 (Ministry of Foreigners and Integration 2017: 10). During the same period, the employment outcomes of the integration program declined and an increasing share of participants remain on public income support (social assistance and other benefits). During the integration programs, the employment rates of the participants are not impressive. One year into the program, 13% of the participants on social assistance are in ordinary employment or education. The outcomes improve slightly after 2, 3, and 4 years with 21%, 30%, and 34%, respectively (Expert Group 2015: p. 285).

### **A sense of urgency and a ‘paradigm shift’ in the policy framework**

With the increasing number of refugees entering Denmark and the relatively poor results of previous integration programs, a strong sense of urgency to improve labor market integration emerged among political decision makers and other stakeholders. In the autumn of 2014, the government asked a politically appointed ‘Expert Committee’ consisting of independent experts in consultation with the social partners to speed up their recommendations on the integration program for refugees and family migrants.<sup>8</sup> In their report from January 2015, the expert committee was very critical of the municipal labor market integration programs.

The committee argued that that the integration programs were in some case counterproductive and actually retained refugees and immigrants in activities that did not improve their employment opportunities. The integration programs had not been included in recent reforms of employment policies, which, among other things, meant that participants were not eligible to some of the new instruments in employment services, like a coordinating caseworker and mentor support. In line with the available evidence, the expert committee recommended that more refugees should participate in wage subsidies and work experience programs. The expert committee, furthermore, recommended that the labor market integration programs should be shorter (max 2 years) and more intensive (earlier interventions). In relation to qualifications, the committee recommended that the qualifications of refugees and family migrants should be screened earlier and more systematically and that language training be integrated in local work places rather than in language schools (Expert Committee 2015).

The recommendations of the Expert Committee were followed in the subsequent tripartite agreement between the government and the social partners (Danish Employers Association, DA and The Danish Confederation of Trade Unions, LO). The government and social partners concluded the agreement in March 2016 and made 32 proposals for labor market integration of refugees. The proposals that required changes of legislation were subsequently enacted by the Danish Parliament in June 2016 (except from Danish Peoples Party), while the remaining proposals were enacted through the subsequent annual negotiation between the government and the Local Government Association.

The key target of the government and the agreements is that 50% of refugees and family reunified migrants must be in ordinary employment. This requires according to the government a ‘paradigm shift’ in labor market integration programs (Tripartite agreement 2016: p. 2). The basic idea underlying the new framework is to support better match between refugees and employers than in the past.

**Table 3** Changes in labor market integration programs for refugees in Denmark

	<b>Before 2016</b>	<b>After 2016</b>
<b>Municipal integration program</b>	3 years with focus on language training and activation in municipal activation programs	1 year with a combination of language and workplace training
<b>Categorization of refugees</b>	Not employable (activation ready)	Employable (job ready)
<b>The role of employers</b>	Implicit (inactive)	Explicit (active)
<b>Income benefits for refugees</b>	Social assistance	Integration benefits

The table describes the policies before and the political intentions after the new agreements on labor market integration of refugees and family reunified migrants. The main idea is to facilitate better and faster integration of refugees on the ordinary labor market. In the following, we describe each of the elements of the new labor market integration policies and initial implementation results.

First, the duration of municipal integration programs is reduced from 3 years to 1 year (with a possibility for extension of up to maximum 5 years). Employment services during the integration programs are a combination of language training and workplace training. In practice, the majority of refugees participate in work experience programs in local workplaces (*virksomhedspraktik*), which are typically 13 weeks programs, where the employer does not pay any wages and participants are not covered by collective agreements. Compared with previously, the employment programs begins earlier (2–4 weeks after the beginning of the integration program) and are more intensive (municipalities must provide continuous activation with a maximum of 6 weeks breaks between activities). The preliminary experiences indicates that municipalities are implementing the new intentions. From 2014 to 2016, the number of participants in active labor market programs have more than doubled (4,000–10,000 participants) and the number of participants in work experience programs have increased more than six times (from 300 to 1,900 participants) (data from [www.jobindsats.dk](http://www.jobindsats.dk)). After 2016, the shift toward activation in local companies continues. From July 2016 until April 2017, the use of work experience programs and wage subsidies have increased for recipients on integration benefits (from 25% to 28% and 2% to 6%, respectively) (Ministry of Foreigners and Integration 2017).

Another example of the new approach to labor market integration of refugees is the invention of a new apprenticeship program for refugees between 18 and 40 years (*Integrationsgrunduddannelse, IGU*), which is inspired by a similar apprenticeship program for young people in vocational education. During the tripartite negotiations, the employers association proposed to introduce lower entry wages for refugees, but the trade unions strongly opposed and instead put forward the IGU as a compromise. Participants in the IGU receive the same wage levels as participants in vocational education, which is about 50% less than the minimum wages. To accommodate the trade unions, the program is temporary (2 years) and participants are covered by collective agreements during the program. The IGU combines language training (20 weeks) with actual work experience. It came into effect in July 2016 and runs as a pilot program for 3 years with possibilities to extend the program further if the results are satisfactory.



After a slow start, the number of IGU-participants have started to take off. The latest figure (from December 2017) shows around 1,100 participants (30% does not complete the program) ([www.uim.dk](http://www.uim.dk)).

Second, the default when caseworkers in municipalities classify refugees and family reunified migrants is that they are ‘job-ready’ (employable) rather than ‘activation-ready’ (nonemployable). Newly arrived foreigners on integration benefits are classified as ‘job-ready’ within the first 3 months of the integration program, unless it is obvious to the caseworkers that the person is not capable of participating in activation programs. The idea is to meet every refugee with an expectation that they are supposed to contribute to Danish society by participating in the labor market, and (implicitly) to instruct caseworkers to focus on the opportunities and resources of refugees rather than their barriers to labor market integration. The data indicate that caseworkers are implementing this new categorization. The latest figure (February 2018) show that 64% of refugees on integration benefits are categorized as ‘job-ready’ compared to 15% in July 2016 (data from [www.jobindsats.dk](http://www.jobindsats.dk)).

Third, the role of employers changes from implicit and passive receivers to explicit and active targets of government policies and programs. A basic premise of the new integration framework is to encourage and persuade more employers to recruit refugees through economic incentives and public campaigns. Private companies that recruit refugees and family reunified migrants in ordinary (unsubsidized) jobs or hire an IGU-participant receive an economic bonus of DKR 20,000 (around 2500 Euro) after 6 months of employment and another DKR 20,000 after 12 months of employment. Similarly, integration bonuses are paid to municipalities that succeed in getting refugees in ordinary jobs (DKR 25,000 or Euro 3300 for each refugee). A survey done by the Ministry of Foreigners and Integration from June 2017 indicates that the majority of municipal jobcenters have intensified their cooperation with local companies. The survey shows that jobcenters are not short of companies wanting to cooperate, but that employers request newly arrived migrants with basic language skills in Danish and strong vocational qualifications, which the job centers have difficulties in identifying. The main problem according to the municipal managers is to establish a ‘good match’ between refugees and employers (Ministry of Foreigners and Integration 2017: 38–39).

Finally, refugees and family reunified migrants are transferred from social assistance to a new ‘integration benefit’, which means a substantial reduction in public income support.<sup>9</sup> To further improve the economic incentives of unemployed persons on social assistance and integration benefits, a ‘ceiling’ on the maximum amount that a family or individual can receive in income support was implemented in October 2016. Apart from motivating refugees to search for jobs, the reduced income benefits also intend to discourage migration to Denmark.

At the level of policy and program intentions, the new framework is a clear break with the past where the majority of refugees were not actively matched with local companies and employers were not incentivized or encouraged to engage in the recruitment of refugees in ordinary or subsidized employment. The new framework intends to promote matches between refugees and employers and thereby labor market integration. It is, however, premature to make any final judgments on the outcomes of the new approach to labor market integration of refugees in Denmark. In a preliminary evaluation of the reform, the Ministry of Foreigners and Integration (UIM) not surprisingly concludes that implementation is on track and the reform is working as intended.

The employment rates of refugees are indeed increasing. In November 2016, 27% of the refugees who had been in Denmark for 3 years were in ordinary employment compared to 20% in November 2015. The data also show that family reunified migrants and refugee women are less likely to be in employment (18% and 11%, respectively) (Ministry of Foreigners and Integration 2017). Besides the new policy approach, the generally improving business cycle on the Danish labor market is also a plausible explanation for the relative improvement in the labor market integration of refugees.

## Conclusion

The Nordic labor markets are generally admired around the world for high competitiveness and employment rates, social equality, and collective bargaining systems, but they seem to have an Achilles heel in their ability to integrate low-skilled migrants from non-western countries. In recent years, the Nordic countries have received a higher proportion of asylum seekers than the rest of Europe and struggles to find more effective ways to integrate them on the labor market.

The first research question was to examine the barriers for labor market integration of refugees. We find that there are not one single explanation for the lower labor market performance of refugees in the Nordic countries, but a multitude of barriers on the supply-side, the demand-side, and in the matching process of the labor market that may even tend to reinforce each other. On the supply-side, there are barriers of inadequate human capital, including insufficient language skills, inadequate formal qualifications, lack of work experience, and possibly economic disincentives. On the demand-side, there are not only important variations between employers, but also evidence showing that nonwestern migrants face subtle forms of discrimination in recruitments processes reinforcing the inadequacies of their individual labor supply. Finally, inadequate matching of labor supply and labor demand is an important barrier for labor market integration of refugees. Refugees lack information about the new host labor market and lack relevant personal contacts to get access to the informal recruitment channels of employers. Employers, on the other hand, lack information about the productivity, qualifications, and competencies of refugees making them reluctant to take 'risky' recruitment decisions. The employment services may provide this type of information and establish contacts between refugees and employers, but the majority of employers prefer to recruit through informal and nonpublic channels. It is, therefore, not surprising that the type of active labor market programs that seem to work are the ones that establish a match in close cooperation with local employers (such as wage subsidies and work experience programs).

The second research question examines the Danish case and the extent to which the new framework for labor market integration of refugees address these barriers and whether it will succeed in improving the labor market integration of refugees. Historically, the Danish labor market has not been particularly successful in integrating non-western immigrants, and the employment gap between nonwestern immigrants and native Danes has even increased since the economic crisis in 2008. The integration challenges only intensified with the major inflow of humanitarian migrants (refugees and family reunified migrants) since 2014. This situation created a political window of opportunity for major reforms of integration policies.



The basic idea underlying the new labor market integration policies is to facilitate earlier, more intensive and effective matches between refugees and employers on the Danish labor market. The new framework primarily address barriers in the matching process by reforming the employment services and integration programs for refugees. Reforms also include the demand-side and the supply-side of the labor market. A more active and explicit role is envisaged for the demand-side by encouraging and incentivizing employers to recruit refugees, while barriers on the supply-side are addressed through reforms of language programs. Although it is premature to evaluate the final outcomes of the new approach less than 2 years after their introduction, indicators of implementation and preliminary results are encouraging. The employment rates of refugees are improving, but may also be explained by the generally improving business cycle.

We need further research on the implementation and outcomes of the new instruments in the toolbox of the employment services, like work experience programs and the refugee apprenticeship program (IGU). There are still important unresolved issue in the Danish case, like the low labor market integration of refugee women, which the new framework does not seem to address. The new policy framework focus primarily on ‘matching’ (reforms of labor market integration policies), and tend to underestimate the importance of improving the human capital of refugees as a necessary condition for providing matches between refugees and employers.<sup>10</sup>

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## Notes

- <sup>1</sup> This type of integrated labor market approach is supported by recent Nordic research arguing that previous research and the heterogeneity of the migrant group indicates that no single measure or reform will dramatically change the situation (Forslund et al. 2017; Nordic Council of Ministers 2017: 13).
- <sup>2</sup> Among the remaining, 10% of the newly arrived refugees had either an occupational education or practical skills equivalent to an occupational education, 15% had a high school diploma, 13% had a long further education (e.g., university degree), and the remaining 3% were unreported.
- <sup>3</sup> Bansak et al. (2018) have demonstrated that integration outcomes in the United States and Switzerland can be improved by 40% and 70% on average compared to current assignment practices by using a data-driven algorithmic assignment.
- <sup>4</sup> Heinesen et al. (2013) studied the effects of ALMP on nonwestern immigrants on social assistance. They not only find positive post-program effects for subsidized employment but also large and significant effects for direct employment programs and other programs. The findings does not support very early interventions, since the effects are much larger if programs begin after 6 months on social assistance. Clausen et al. (2009) studies the effects of ALMPs on the much smaller group of 'newly arrived' nonwestern immigrants who participate in 'introduction programs', which include refugees. They find positive post-program effects on the transition to regular employment for participants in private sector wage subsidies, but not for other types of programs. For participants in language courses, there are significant and positive effects of improvements of language proficiency on transitions to regular employment.



- <sup>5</sup> Statistic Denmark defines immigrants as persons living in Denmark, but born in a foreign country by parents who are not Danish citizens.
- <sup>6</sup> Compared to the other Nordic countries, the share of asylum seekers in Denmark is comparatively low (0.4% of the population in Denmark, 0.6% in Finland, and Norway and 1.6% in Sweden) (cf. Djuve 2016: 7).
- <sup>7</sup> The Danish Economic Council estimates that public expenditures related to refugees increased by 1.2 billion Euro (DKR 9 billion) from 2013 to 2016 (Danish Economic Council 2016). The Ministry of Finance estimates that each refugee and family reunified migrant on average is a net expenditure of 210,000 Euro a year (Ministry of Finance 2017: 12). Calculations show that the economic net gain when a person on social assistance become full-time employed is about 29,000–32,000 Euro (Expert Group 2015: 32).
- <sup>8</sup> The expert committee was originally appointed by the Government in February 2013 to give recommendations on reforms of active labor market policies. In 2014, the expert committee gave recommendations on changes in active labor market policies for unemployed persons on unemployment insurance benefits and in 2015 completed its task by giving policy recommendations on other groups on public income support (including refugees).
- <sup>9</sup> In September 2015, the integration benefit was implemented for newly arrived refugees under the integration program. In July 2016, Danish citizens who had been residing for more than 1 year in the last 8 years outside Denmark were also transferred to integration benefits. The integration benefit means a significant economic reduction compared to social assistance benefits. The reductions depend on family situation and number of children. The disposable incomes for a married couple with two children is for instance reduced from DKR 14,600 to 11,400 per month, while it is reduced from DKR 9400 to 4700 for married couple without children and from DKR 5400 to 2300 for single persons without children (cf. Kraka 2016).
- <sup>10</sup> Some of these research questions are addressed in a new cross-disciplinary research project at Aalborg University (2018–2020) on the impact of migration in North European welfare states (see link).