

**Labour mobility within the EU in the context of enlargement and the functioning
of the transitional arrangements**

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Country Study: Denmark

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Abstract

Denmark applied gentle transition rules on migration from the NMS in May 2004 and further eased the access to its labour market in 2006 and 2007. We summarise the available evidence on the extent, composition and effects of migration from the NMS to Denmark after 2004. While the inflows from the NMS increased substantially in 2006 and 2007 with respect to their initial levels, the share of the NMS workers in the Danish labour force remains relatively low. Most migrants come from Poland and the Baltic States, are relatively young and many are employed in the construction and agricultural sectors. There is no evidence that migration from the NMS has led to any imbalances on the Danish labour market. Instead, it has helped fill labour shortages and sustain economic growth. According to the revised (29 June 2007) agreement of the transitional scheme, Denmark will introduce the Community rule of free movement without restrictions in May 2009.

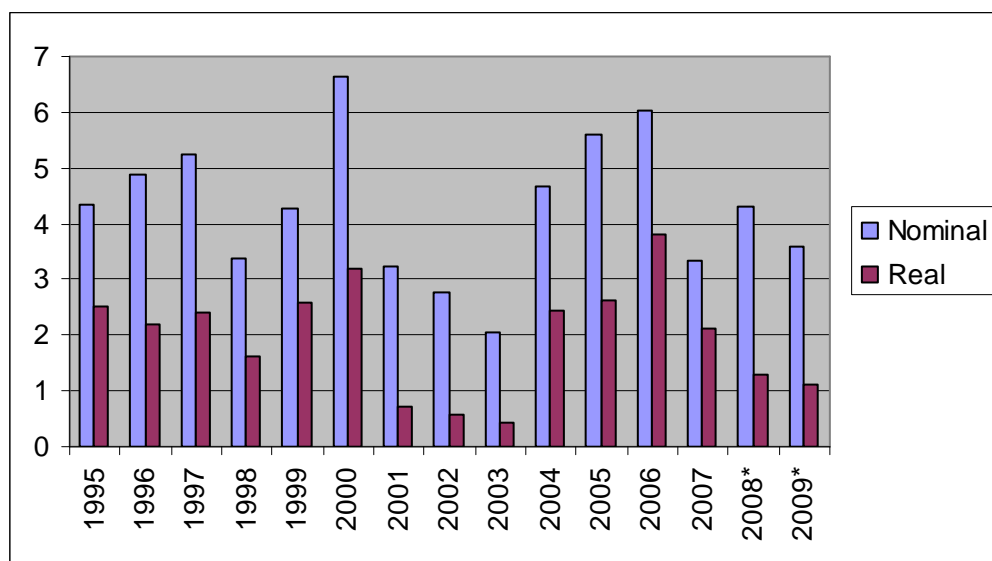
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1. Macroeconomic and labour market developments in Denmark in 2004-2007

After a period of economic downturn in 2001-2003, GDP growth rates improved substantially in 2004-2007 (Figure 1), driven by higher demand for exports and private consumption (Table 1). Construction was the most rapidly developing sector of the economy, growing by 11 per cent in 2006. However, over the coming years, economic activity is expected to slow down again, as the demand for exports and private consumption weakens and construction activity contracts.

Figure 1: Danish GDP growth, in per cent



* Eurostat forecast

Source: Statistics Denmark, Eurostat

Table 1: Output and demand growth, in per cent

	2001	2002	2003	2004	2005	2006	2007	2008*	2009*
Agriculture, fishing and quarrying	-0.4	1.8	-0.6	2.4	-1	-3.9	-5.9		
Manufacturing	0.1	-2.7	-3.1	1.6	-2.9	4.9	3.8		
Electricity, gas and water supply	3	-6.1	-0.7	0.7	-3.1	6.2	-15.1		
Construction	-6.8	-1.3	2.6	-0.3	4.3	11.1	3.2		
Wholesale and retail trade;	-1.2	-0.5	1.3	1.5	3.8	1.4	3.3		
Transport, post and telecommunication	4.3	2.1	4.5	-0.6	5.3	6.6	4.2		
Finance and business activities	3.2	1.7	1.1	3.9	3.3	3.8	3.7		
Public and personal services	0.6	1.6	0	-0.1	1.2	2	1		
Private consumption expenditure	0.1	1.6	1.0	5.0	5.2	4.1	2.7		
Exports of goods and services	3.1	4.6	-1.2	3.2	8.4	8.9	3.8	3.3	3.2

*- Eurostat forecast

Source: Statistics Denmark, Eurostat

Following increased economic growth in 2004-2007, labour market indicators also improved. Both the employment rate and the employment growth increased, and the rate of unemployment decreased to 3.8 per cent in 2007 (Table 2). Danish labour market indicators are among the best in the EU: the unemployment rate is the lowest (2.5-3.8 percentage points lower than the EU-15) and the employment rate is the highest (10-13 percentage points higher than the EU-15 average) in the EU. The employment indicators for the young and senior individuals, as well as those with less than upper secondary education are also well above the EU-15 average (Table 3). The strong performance of the Danish labour market is usually attributed to the "flexicurity" model, the two cornerstones of which are the flexibility for employers to hire and fire workers and security for employees in the form of generous unemployment benefits.

Foreigners' performance on the Danish labour market is below that of Danish nationals. In 2007, immigrants had a higher rate of unemployment (9.6 per cent vs. 3.5 per cent) as well as a lower economic activity and employment rates (see Table 4). The unemployment rates of immigrants, however, vary depending on the countries of origin (see Figure 2). Immigrants from non-Western countries¹ are more likely to be unemployed. The unemployment rate of the Polish and Romanian nationals (down to 9 per cent in 2005²) is 3-4 percentage points above that of Danish and other Western countries' nationals, but significantly smaller than the unemployment rates of migrants from non-Western countries. In addition, since the 2004 enlargement the unemployment rates of Polish and Romanian have been on the downward trend: the absolute number of the Polish (Romanian) unemployed decreased monotonically from 791 (146) in the third quarter of 2004 to 479 (81) in the fourth quarter of 2007 (Source: Statistics Denmark)

¹ Western countries here are most European countries, USA, Canada, Australia, New Zealand and Japan.

² The unemployment rates by country of origin are available only till 2005.

Table 2: Labour market indicators in Denmark, 2000-2007

	2000	2001	2002	2003	2004	2005	2006	2007
Total employment, thousands	2760.0	2785.3	2786.5	2755.8	2738.8	2762.5	2807.5	2857.8
Employment growth, in %	0.5	0.9	0.0	-1.1	-0.6	0.9	1.6	1.8
Employment rate, in %	76.3	76.2	75.9	75.1	75.7	75.9	77.4	77.1
Unemployment rate, in %	4.3	4.5	4.6	5.4	5.5	4.8	3.9	3.8

Source: Eurostat

Table 3: Labour market indicators by age group and education, 2007

		Age group			Education		
		15-24	25-54	55-64	Less than upper secondary education	Upper secondary education	Tertiary education
Denmark	Employment rate, in %	65.3	86.3	58.6	64.2	81.8	87.6
	Economic activity rate, in %	70.9	89	60.8	68.1	84.3	90.4
EU-15	Employment rate, in %	40.8	79.7	46.6	51.9	72.3	83.8
	Economic activity rate, in %	47.9	84.9	49.3	58	77.5	87.4

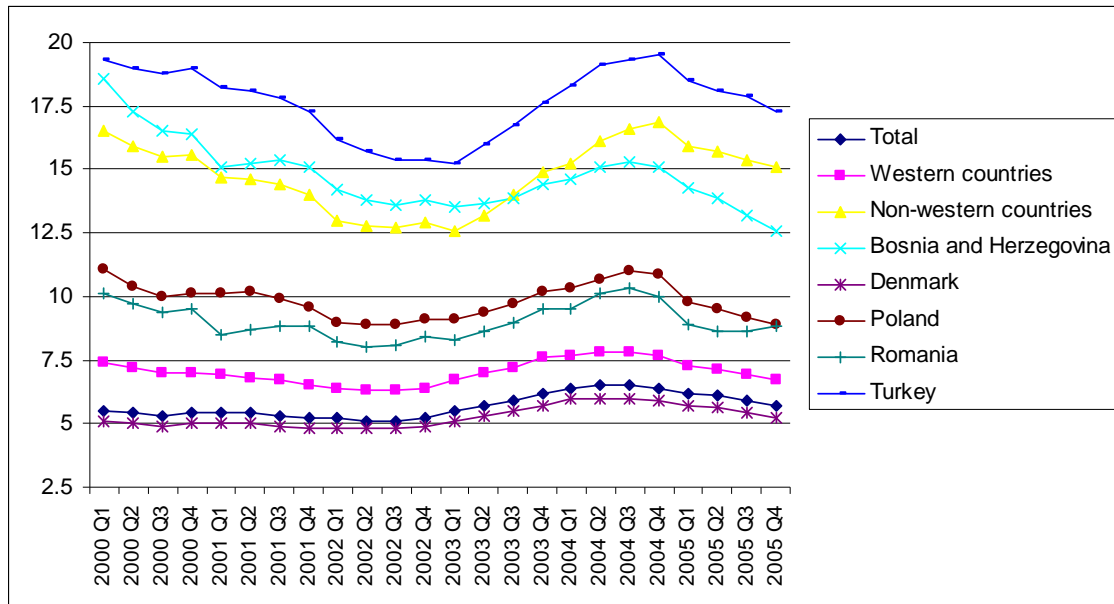
Source: Eurostat.

Table 4: Labour market indicators of foreigners and nationals in Denmark, 2007

	Economic activity rate, in %	Employment rate, in %	Unemployment rate, in %
Nationals	66.1	63.7	3.5
Total foreigners	59.5	53.8	9.6
Citizens of countries outside the EU-27	56.3	49.7	11.6

Source: Eurostat

Figure 2: Unemployment rates of foreign citizens in Denmark, in per cent, selected countries, 2000-2005



Source: Statistics Denmark

2. Institutional setting for labour migration from the NMS

With the EU enlargement from 1 May 2004, Denmark eased access to its labour market for citizens and companies from the East European EU Member States. With the so-called East Agreement (concluded by a majority of the Danish political parties) a transitional scheme was introduced. The scheme ensured that workers from the East European EU Member States could take a job in Denmark if they had a work permit. The objective of the transitional scheme was to ensure workers from the East European EU Member States the same salary and employment terms as their Danish colleagues in similar jobs.

The Danish transitional scheme was adjusted on 5 April 2006³. Among other things, companies covered by collective agreements were given the opportunity to obtain pre-approval (advance approval) to employ workers from the East European EU Member States, so that the workers could commence work immediately and not pending case processing by the Danish Immigration Service. The parties to the East Agreement also decided that the transitional scheme should apply to workers from Bulgaria and Romania.

³ The revised versions of the East Agreement are available at <http://www.bm.dk/sw7008.asp>

The parties to the East Agreement agreed on 29 June 2007 that the requirements for workers from the NMS who wish to come to Denmark and work, would be softened again. In particular, all workers from the NMS which are covered by a collective agreement will be exempted from the requirement for a work permit. At the same time, the Agreement enhances supervision and monitoring to ensure that they are offered decent terms when working in Denmark.

According to the latest version (29 June 2007) of the East Agreement (available on the website of the Ministry of Employment of Denmark, <http://www.bm.dk/sw7008.asp>), the Danish government committed itself to apply the Community rule on free movement of workers from the NMS from 1 May 2009 ("the possibility for transitional rules ceases as of 1 May 2009").

3. Migration trends since 2003

3.1 Relevant data sources

The major source of data on work permits and employment patterns of the NMS-8 and NMS-2 migrants is the Danish Immigration Service (<http://www.nyidanmark.dk/en-us/statistics/statistics.htm>). A complementary source of data on migrants' stocks, flows, demographic and regional characteristics is Statistics Denmark (<http://www.statbank.dk/statbank5a/default.asp?w=1024>).

3.2 The extent of migration

Tables 5.1 and 5.2 report the stocks of the foreign citizens and the foreign-born in Denmark in 2001-2008. Overall, the number of foreign citizens rose by 27,279 between 2004 and 2008, increasing the share of the foreign nationals in the Danish population from 5.1 per cent to 5.8 per cent. At the same time, the number of the foreign-born increased by 40,863, raising the share of the foreign-born from 6.1 per cent in 2001 to 7.3 per cent in 2008⁴. At the beginning of 2008, the most important (in absolute terms) migrant groups (both by country of citizenship and birth) were from Turkey, former Yugoslavia, Iraq, the UK, Germany, Norway and Poland.

⁴ Both naturalizations and deaths of migrants affect the evolution of stocks by country of citizenship and country of birth. The number of naturalizations in 2004-2007 was 36,782 (Source: Statistics Sweden). The statistics on the number of deaths of the foreign-born and foreign citizens are not available.

Over 2004-2008, the stock of the NMS nationals almost doubled (from 11,785 to 25,011), but remained relatively small compared to the total population of Denmark (0.5 per cent of the total population in the beginning of 2008). In absolute terms, between 2004 and 2008, the stock of the NMS nationals increased by 13,231, and the stock of the NMS-born increased by 11,360.

The cumulative net immigration of the NMS nationals in 2004-2007 was 15,262 (Table 6). This is slightly higher than the increase in the stock of the NMS nationals and the NMS-born (Tables 5.1 and 5.2) because the former does not take into account naturalised citizens, and the latter accounts for the natural decrease (deaths) of previous migrant cohorts. Poland accounted for 58 per cent of total net inflows from the NMS-10 in 2004-2007, followed by Lithuania (13 per cent) and Romania (8 per cent).

Table 6 shows that immigration from practically all of the NMS, and especially Poland, kept increasing through the period 2004-2007. Particularly high inflows were observed in 2006 and 2007, which to a certain extent can be explained by the simplification of the NMS nationals' hiring procedure in May 2006 (introduction of advance approvals).

Over the period 2004-2007, the share of the NMS nationals in the total net inflows of foreign citizens constituted 26 per cent. As for other countries, the net inflows were the highest from Germany (11 per cent of total net migrant inflows), Ukraine (6 per cent) and China (5 per cent).

In 2004-2007, the proportion of net over total immigration inflows from the NMS was 62 per cent (Table 6), being considerably higher than the same indicator for the total foreign national population (43 per cent). The proportion of "stayers" was highest for Polish and Romanian migrants (73 per cent), while slightly less than a half of the migrants from the Baltic States (43-50 per cent) stayed in Denmark.

Table 5.1: Population by citizenship and year: stocks (on January 1)

	2001	2004	2005	2006	2007	2008	Absolute change 2004 - 2008
<i>NMS-8</i>							
Estonia	458	541	539	611	682	807	+ 266
Latvia	742	905	942	1085	1261	1531	+ 626
Lithuania	1221	1681	1946	2372	2945	3489	+ 1808
Poland	5548	5854	6199	7353	9701	13753	+ 7899
Slovakia	127	164	184	242	301	507	+ 343
Slovenia	51	57	57	78	102	135	+ 78
Czech Republic	225	298	368	405	487	566	+ 268
Hungary	391	463	527	624	724	1019	+ 556
<i>NMS-2</i>							
Bulgaria	408	493	536	572	583	823	+ 330
Romania	1106	1329	1405	1563	1672	2386	+ 1057
<i>Other countries</i>							
Turkey	35232	30273	29956	29491	28752	28843	- 1430
Former Yugoslavia	34903	32643	28924	27627	26842	26876	- 5767
UK	12630	12830	12827	12894	13183	13657	+ 827
Norway	12966	13770	13926	13928	14170	14426	+ 656
Germany	12701	13285	13552	14182	15435	18001	+ 4716
Iraq	13821	19423	19175	18721	18133	18314	- 1109
Total Denmark	5090583	5126429	5143801	5157408	5168988	5177301	
Total foreign citizens	258629	271211	267604	270051	278096	298490	+ 27279
Foreign citizens as % of total population	5.08%	5.29%	5.20%	5.24%	5.38%	5.77%	
Total NMS-10 cit.	10277	11785	12703	14905	18458	25016	+ 13231
NMS-10 citizens as % of total population	0.20%	0.23%	0.25%	0.29%	0.36%	0.48%	
NMS-10 citizens as % of foreign citizens	3.97%	4.35%	4.75%	5.52%	6.64%	8.38%	

Source: Statistics Denmark

Table 5.2: Population by country of birth and year: stocks (on January 1)

	2001	2004	2005	2006	2007	2008	Absolute change 2004 - 2008
<i>NMS-8</i>							
Estonia	472	557	563	638	717	838	+ 281
Latvia	789	955	992	1127	1310	1553	+ 598
Lithuania	1237	1694	1972	2385	2898	3390	+ 1696
Poland	10391	10877	11305	12417	14679	18506	+ 7629
Czech Republic	232	301	369	412	483	566	+ 265
Slovakia	132	171	188	251	309	502	+ 331
Slovenia	73	84	89	109	130	162	+ 78
Hungary	1352	1369	1413	1493	1590	1851	+ 482
<i>NMS-2</i>							
Bulgaria	570	712	767	802	821	1063	+ 351
Romania	1842	2190	2284	2457	2580	3277	+ 1087
<i>Other countries</i>							
Turkey	29680	30887	30923	31008	31066	31433	+ 546
Former Yugoslavia	33506	34722	34553	34413	34418	35242	+ 520
United Kingdom	10536	10682	10707	10778	11060	11358	+ 676
Germany	22716	22484	22594	22971	23942	25827	+ 3343
Norway	13360	13862	14025	14054	14211	14292	+ 430
Iraq	15099	20701	20771	20716	20673	21181	+ 480
Total Denmark	5090583	5126429	5143801	5157408	5168988	5177301	
Total foreign-born	308674	337802	343367	350436	360902	378665	+ 40863
Foreign-born as % of total population	6.06%	6.59%	6.68%	6.79%	6.98%	7.31%	
Total NMS-10 born.	14678	16008	16891	18832	22116	27368	+ 11360
NMS-10 born as % of total population	0.29%	0.31%	0.33%	0.37%	0.43%	0.53%	
NMS-10 born as % of foreign born	4.76%	4.74%	4.92%	5.37%	6.13%	7.23%	

Source: Statistics Denmark

Table 6: Immigration and emigration of foreign citizens, by country of origin and destination

	Immigration					Emigration					Net immigration					NetIm/ Im*
	2004	2005	2006	2007	2004 - 2007	2004	2005	2006	2007	2004- 2007	2004	2005	2006	2007	2004- 2007	
<i>NMS-8</i>																
Estonia	152	168	185	208	713	115	86	89	67	357	37	82	96	141	356	49.90%
Latvia	352	415	485	513	1765	287	257	284	185	1013	65	158	201	328	752	42.60%
Lithuania	899	1088	1364	1200	4551	581	594	752	588	2515	318	494	612	612	2036	44.70%
Poland	1157	1984	3627	5484	12252	539	624	987	1210	3360	618	1360	2640	4274	8892	72.60%
Slovakia	70	119	137	294	620	48	56	69	69	242	22	63	68	225	378	61.00%
Slovenia	29	45	50	61	185	23	26	19	34	102	6	19	31	27	83	44.90%
Czech Republic	214	227	235	265	941	121	157	118	127	523	93	70	117	138	418	44.40%
Hungary	185	254	285	460	1184	96	138	154	126	514	89	116	131	334	670	56.60%
<i>NMS-2</i>																
Bulgaria	129	100	89	297	615	58	49	56	44	207	71	51	33	253	408	66.30%
Romania	249	326	317	861	1753	115	124	127	118	484	134	202	190	743	1269	72.40%
<i>Other countries</i>																
Turkey	488	426	470	643	2027	233	214	221	160	828	255	212	249	483	1199	59.20%
Former Yugoslavia	587	424	457	553	2021	192	171	131	79	573	395	253	326	474	1448	71.60%
Germany	1781	2187	2807	4128	10903	1078	1142	1264	1275	4759	703	1045	1543	2853	6144	56.40%
Ukraine	775	1206	1644	2169	5794	443	551	717	685	2396	332	655	927	1484	3398	58.60%
Philippines	434	507	775	1311	3027	58	71	121	144	394	376	436	654	1167	2633	87.00%
China	1662	1553	1158	1320	5693	560	738	803	516	2617	1102	815	355	804	3076	54.00%
India	571	678	753	1411	3413	218	275	373	354	1220	353	403	380	1057	2193	64.30%
Total migration of foreign citizens	27870	29989	34281	42623	134763	19081	19620	20447	17795	76943	8789	10369	13834	24828	57820	42.90%
Migration of citizens from the NMS-10	3436	4726	6774	9643	24579	1983	2111	2655	2568	9317	1453	2615	4119	7075	15262	62.10%
NMS-10 migrants as % of total migrants	12.30%	15.80%	19.80%	22.60%	18.20%	10.40%	10.80%	13.00%	14.40%	12.10%	16.50%	25.20%	29.80%	28.50%	26.40%	

*NetIm/Mig – the ratio of net immigration over total immigration

Source: Statistics Denmark

3.3. Labour migration and demographic characteristics of migrants

Table 7 reports the number of work permits issued by the Danish Immigration Service to NMS nationals in 2004-2008. According to the transitional rules, workers from the NMS must obtain a new permit each time they change employment. From the statistics provided by the Danish Immigration Service it is, however, impossible to separate initial applications from the new permits of the same migrants, which makes the total number of work permits granted in 2004-2007 higher than the sum of migrant inflows over this period (31,146 versus 24,579⁵). 63 per cent of all work permits were received by the citizens of Poland.

Table 7: Number of work permits granted to persons from the new EU member States in accordance with the transitional rules by year

	2004 (May - December)	2005	2006	2007	2004- 2007	2008 (January - April)
Czech Republic	48	69	93	87	297	
Estonia	49	135	110	155	449	
Hungary	68	146	153	407	774	
Latvia	242	514	662	621	2039	133
Lithuania	833	1536	2005	1795	6169	296
Poland	806	2421	7072	9394	19693	2216
Slovakia	48	88	244	428	808	85
Slovenia	3	14	14	15	46	
Romania				632	632	306
Bulgaria				239	239	
Total	2097	4923	10353	13773	31146	3374

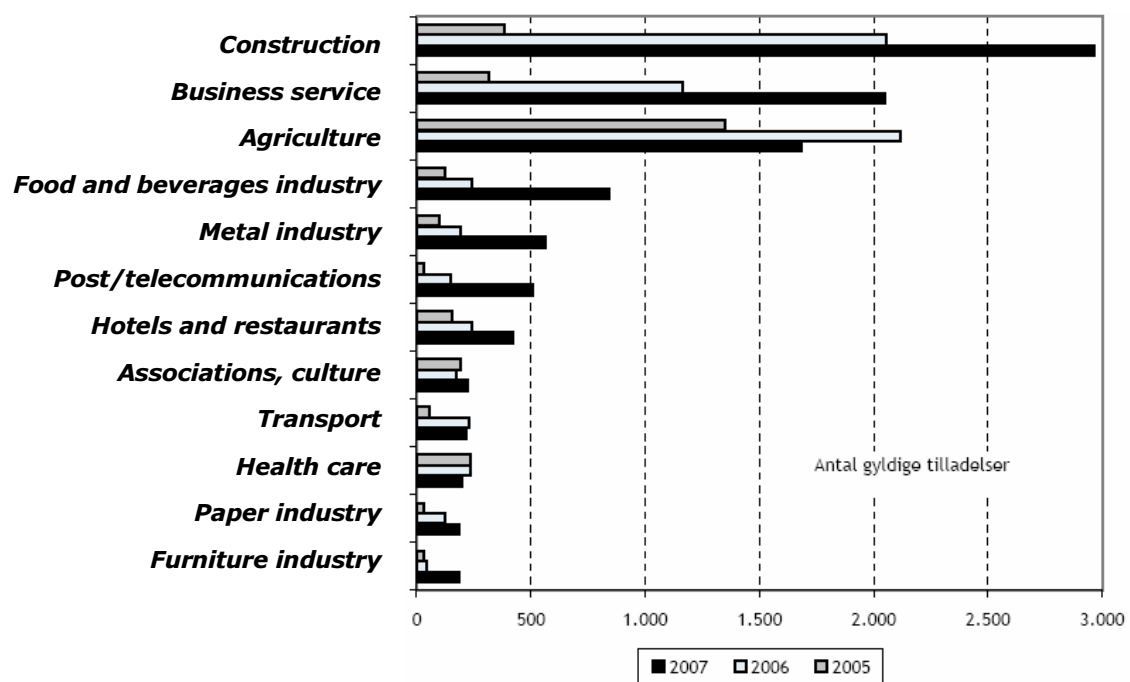
Source: Danish Immigration Service

Figure 3 shows that most of the migrants from the NMS are employed in the construction, agricultural activities and business services. The number of NMS migrants employed in the construction and business services (which besides accounting, book-keeping, legal activities, advertising etc. also include building-cleaning activities) sectors grew particularly strongly in 2006 and 2007, while employment in agriculture, relatively more important at the initial stage of the transition period, changed very little in 2005-2007.

⁵ Table 6. Note also that the immigration flows in Table 6 also include e.g. children of migrants to whom work permits statistics are not applicable.

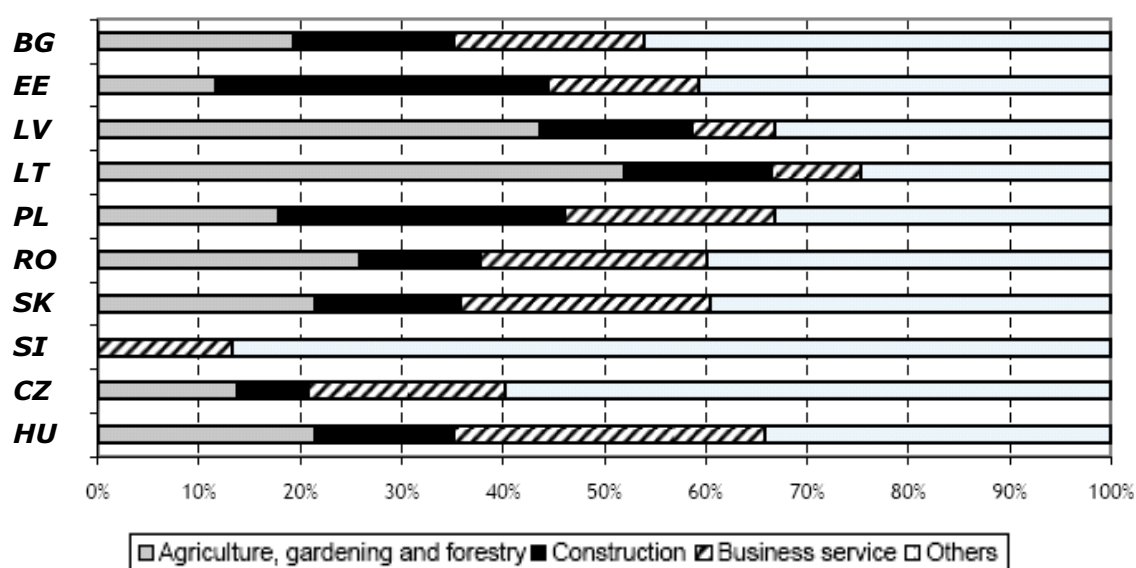
Comparing employment by sector of the migrants from different NMS, Poles and Estonians are more likely than others to be employed in the construction sector (25 per cent of the Poles were employed there), and Latvians and Lithuanians are overrepresented in agriculture (Figure 4). Most of the NMS migrants who came to Denmark in 2004-2007 were relatively young (see Figure 5): 56 per cent were 20-29 years old and 19 per cent were 30-39 years old. Only 12 per cent of all migrants were 40 or older.

Figure 3: Valid permits at the end of the years 2005 - 2007 – by the most important sectors



Source: Danish Immigration Service

Figure 4: Work permits by sector and country, NMS-10, 2007

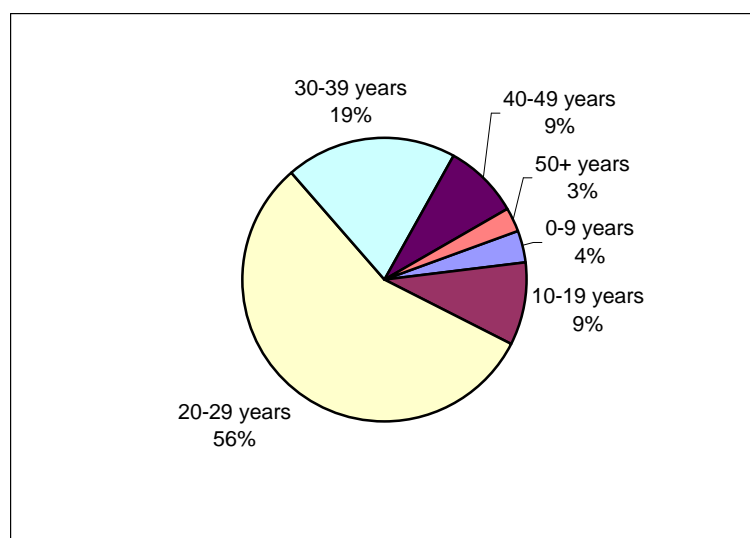


Source: Danish Immigration Service

The expansion of the construction sector (Table 2) and its increasing importance in the employment of the NMS migrants (Figure 3) was associated with a sharp decrease in the proportion of females in the total NMS migration flows (see Table 8). The share of females from Poland, the major migrant sending NMS, fell from 61 per cent in 2000-2003 to 33 per cent in 2004-2007.

Finally, Figure 6 shows that the majority of migrants from the NMS are concentrated in Copenhagen (50 per cent) and Copenhagen suburban areas (8 per cent). Jutland, the major agricultural region of Denmark, accounted for 26 per cent of the total net NMS inflows in 2006-2007.

Figure 5: Age distribution of the NMS-10 migrants (net migrant inflows in 2004-2007)



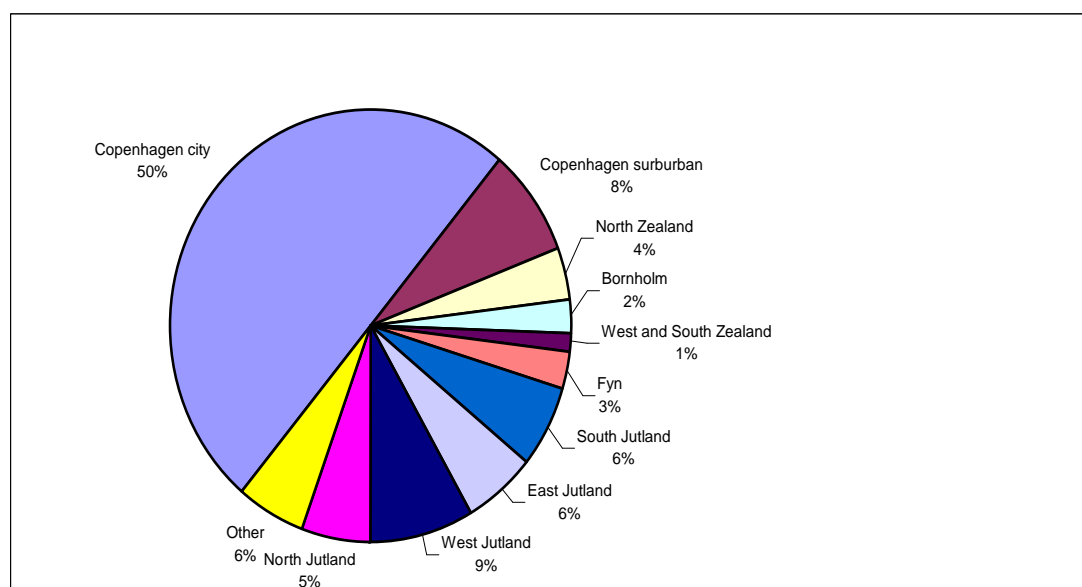
Source: Statistics Denmark

Table 8: The proportion of females in net immigrant flows, 2000-2007

	2000-2003	2004	2005	2006	2007	2004-2007
Bulgaria	64%	75%	67%	52%	45%	54%
Estonia	91%	43%	73%	69%	43%	57%
Latvia	71%	72%	64%	46%	65%	60%
Lithuania	62%	45%	45%	38%	47%	44%
Poland	61%	46%	38%	30%	31%	33%
Romania	61%	63%	60%	51%	41%	48%
Slovakia	45%	64%	54%	38%	28%	36%
Slovenia	44%	83%	84%	65%	41%	63%
Czech Republic	48%	49%	60%	52%	57%	55%
Hungary	58%	45%	52%	53%	50%	50%

Source: Statistics Denmark

Figure 6: Regional (NUTS-3) distribution of immigrants from NMS-10, net inflows of 2006-2007



Source: Statistics Denmark

4. The effects of migration from the NMS

There is very little empirical evidence on the economic and social effects of the migration from the NMS in Denmark. However, various reports by independent consultancies, ministries and social partners, on which the government's decision to soften the requirements for labour market access for the NMS nationals were based, recognised a positive contribution of labour inflows from the NMS for the Danish economy.

The Rambøll's report, published in November 2005, concluded that "the EU enlargement and the subsequent inflow of East European workers have not generally had any serious effect on the Danish labour market".

At the conference on EU labour mobility in May 2006⁶, the Danish Minister for Employment pointed to "a big need for extra hands in the building sector, in agriculture and in the health sector. Failure to find these extra hands will impede growth and prosperity. The enlargement of the European Union has spared us from many worries in this connection. Citizens from the new EU Member States who are working in Denmark have contributed to alleviating our bottleneck problems; the shortage of labour has diminished". Similar views were expressed by the Confederation of Danish Employers, adding that "the problem of Danish employers is

⁶ The conference materials are available at the website of the Ministry of Employment of Denmark <http://www.bm.dk/sw11109.asp>

that there are too few workers from the new Eastern European member states who find their way to the Danish labour market”.

Dølvik and Eldring (2008) summarise the development of labour mobility from the new EU member states to the Nordic countries (Sweden, Denmark, Finland, Norway and Iceland) since the enlargement of the EU in 2004, and conclude that “the increasing labour mobility from Poland and the Baltic states has contributed to higher economic growth and slower increases in prices, costs and interest rates than what otherwise would have been possible in a period of sustained economic boom and increasing scarcity of labour in the Nordic countries. Labour migration has contributed to removing bottlenecks, and no significant imbalances in the Nordic labour markets have been registered”.

5. Summary

Compared to the initial levels, immigration from the NMS increased substantially in 2006 and 2007. The stock of migrants from the NMS, however, remains relatively low with respect to the total population of Denmark. The majority of immigrants are relatively young individuals from Poland and the Baltic States, employed primarily in the construction, business services and agricultural sectors. As the construction sector expanded, the share of males in migrant inflows went up substantially in 2006 and 2007. There is no evidence that immigration from the NMS has led to imbalances on the Danish labour market. According to the revised (29 June 2007) agreement of the transitional scheme, Denmark will apply the full Community rule on free movement in 1 May 2009.

6. References

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