

Common to the two exam questions are the political / strategic options for adding the Danish labor market more resources in order inter alia to improve the sustainability of the Danish welfare model.

Question 1: The economic and social effects of an increase in immigration to Denmark.

The answer should include an analysis of past gross immigration, especially for migration distribution by age, providers / benefiter's of welfare, labor market participation and the structure of education levels.

In addition, behavioral structure as fertility, mortality and as unemployment. Moreover, the typical immigrant is male and young.

To projections of current and future immigration effects are applied DREAM note (September 2011) in which the importance of the origin is emphasized. Including the new structure with more westerly migration (from EU countries) and less non western following the restructuring of migration policy in Denmark after 2001.

Analyzes and theories that can be included are eg: Poul Schou (2005), or Razin, Sadka, and others, the latter finds that immigration benefits the welfare state economy and contribute positively to the welfare of their lifetime.

Poul Schou sets out several scenarios of possible future immigration: At baseline scenario, which assumed unchanged immigration, the economic sustainability untenable. It can be argued that immigrants with lower educational structure lead to lower incomes for lower consumption and thereby affect the overall demand with a lower growth. Criticism of the baseline scenario could be that it is too pessimistic vision to recognize the continued skewed social inheritance in education. One can raise the issue of immigrant descendant's opportunity / inclination to educate them.

Poul Schou draw together a scenario of increased immigration to +0.1% of the population until 2101, when intended to be a proportion of 1/3 immigration from non-Western countries, low-skilled workers and low labor market attachment, will this scenario be far greater negative impact than the baseline scenario.

Criticism of this assumption is that a labor market characterized by labor shortages will draw resources into marginal labor force (cf. the period 2004 - 2008). Over 90 years - a period corresponding to the three generational shifts, it is likely that the educational level will lift significantly.

Third scenario foresees a situation of perfect integration, which implies a migration behavior in economically and socially adapted as the rest of the population. This means, for example, that the average educational attainment as the rest of the population, unemployment is not higher, and the drive to the other welfare benefits as the rest of the population. Finally, it would mean that the professional association rises to the Danish level (from 40-60% to 70-80%).

These assumptions imply a major improvement in sustainability.

Several observations can be involved in the response. There is increasing immigration from Western countries. It gives opposite effects. Fertility is lower (also Danish). But education is higher.

However, the overall migration is characterized by lower wages - which can lead to downward pressure on wages and a general decline in wage inflation. We can get a "cheaper" population, but hardly more "productive".

There may also be in the social field is highlighted integration difficulties by immigrant groups do not live in partnership with the Danes. Support for the welfare state can be changed. On the one hand, immigrants are consumers of the welfare state. On the other hand, they can meet it with other approaches. Moreover, it can be difficult to reduce unemployment and raise labor force participation during the financial crisis.

Question 2: Analysis of social and economic implications by reducing the benefit period in Denmark

In order to reduce structural unemployment in Denmark there has for 20 years been focusing on the benefit period. This element is part of the flexicurity model in the labor market - twice.

On the one hand, as protective systems in houses, where a long benefit period provides a generously safety net in a dynamic and mobile labor market, where the period of notice is generally short. On the other hand, a short-term benefit time period motivates for a quick return to the labor market, but also raises the issue of the short notice.

In this "trade off" between safety and mobility, legislation has moved toward lower unemployment benefit period from 7 years in the early 1990s to 2 years in 2010.

The labor supply has been increased, but at the same time a number of agreement areas increased notice periods (Danish Industry) to which flexicurity is relaxed.

The level of structural unemployment has been decreased.

However, it is not certain that the shorter time has made the right job match, with productivity losses.

Benefit time period change could be analyzed in light of the economic thinkers.

How the libertarians would reject government intervention in unemployment benefits and leave it to the market, liberals would be aimed at optimizing the benefits of society, and the collectivist's point of view would maximize welfare complying with the greatest most equal economic distribution.

The social consequence is more excluded from the benefit system and refers to cash support or self-dependence, so a strong economy deteriorated. Consumption, demand and distribution will in poor economic situations deteriorate and the effect of automatically stabilizers are subdued.

The goal is to reduce moral hazard and increase the labor supply, but there is a risk that the weakest suffer, and ultimately, during recessions, the politic can affect the flexicurity structure.