

## Indicative answers

The Economics of Welfare  
Summer 2014

### Introduction:

What combines questions 1 and 2 are in immigration structure. Immigration in the last 10 years typically comes from Eastern Europe and will be the low-paid and low-skilled. This in itself creates an immediate increase in inequality in Denmark, and a dynamic effect on a future increase in inequality of wage formation with a wage pressures especially for unskilled workers.

### Question 1

The net migration to Denmark has been increasing since 2000, but the structure has changed away from overseas to EU immigration. The migration has not rejuvenated the Danish population; the vast majority of migrants are young men who often will be only up to 5 years on the Danish labor market, and thus do not draw on maintenance in old age, in contrast to the flood of refugees who settle in the country.

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However, we must look at long-term immigration. An even unskilled migrant is not necessarily a cost to the Danish government. If you involve the next generation, better educated children, with higher revenues funding migrants parents. The Danish "pay as you go" model on pensions can mean that the descendants of immigrants can cover the losses that the pension for first generation immigrants entails.

An analysis of the long-term consequences of migration can be found in the curricula of DREAM calculations performed by Poul Schou. Here responses include the three scenarios. There can be analyzed and practiced criticism in a scenario of full integration, where sustainability indicator (H) significantly improved through the increased tax revenue, higher employment rate and a lower take-up rate of public benefits and services.

This compared to two scenarios without full integration, where new arrivals migrants are as productive as Danish native and wages at the lowest setting influenced both the migrants and the labor market for low-wage Danes.

In all analyzes a distinction between western and non-western immigrants, and there must be analyzed between migrants and their descendants. Finally, there may be comments about the migrant flow from Eastern European countries.

Therefore, there is particular emphasis on the EU angle. The analysis should be based on an issue of increasing integration in the EU labor market is an advantage or disadvantage of Denmark. Below on the universal tax-financed Nordic welfare model comes under pressure of the free labor market.

The basic EU principles are clear. The classic rights of the migrant EU citizen who has obtained a job in another EU - country, the EU citizen may not be discriminated. The rules, regulations and laws that apply to Danish workers must also include the migratory EU works. Moreover, the rule of exportability of rights. Aggregation principle of equal and pro rata rule, that you can put social rights as one over the years has built in various countries, as fractions of entitlements earned in each country.

Although you in any grade can protect the Danish welfare state from social tourism (EU - citizens from other countries must have a job to achieve its social rights in the country), playing the tax-funded Danish model poorly with the continental funded. - This implies that Danish society is at risk of having to pay benefits and services to migrants and their families, although migrants have limited attachment to the Danish labor market. Only in relation to pensions, the Danish rules the "vesting protection" through fraction pension, but there are large open fields for example. Family allowances, etc. These factors likely made in the analysis of the Danish welfare state and challenges of the open labor market in the EU.

## Question 2

Regardless of how inequality is measured (Gini Lorenz ROP, or 50% meridian) shows the evolution of the entire western OECD group of countries that inequality has been growing for the last 10 years measurable. Although Nicolas Barr writes (syllabus) that equality is largely a matter of equality / inequality of opportunities in life, and that he continues to preferences for consumption, labor / leisure and savings can distort the picture of inequality in society, the available data tied to income statistics before or after tax, in some cases, before and after the award of public services and or services. Against this background, analyzed horizontal / vertical inequalities and many other inequality criteria.

From 1999-2010, the poverty level has increased, while the highest incomes have had the largest increases. In the Nordic countries have been able to maintain its position as the most economically just society, though also this classic welfare state has seen a significant increase in inequality. OECD analysis from 2008 (syllabus) highlights the importance of the big re distributing public sector, and often less regulation of private markets to explain the top 1.2 and 5-10 in equity, while maintaining a high per capita income and thus in the rich club's top 10.

There are important structural, income, labor and capital / labor-related explanations for this development.

Most importantly, however, the demographics of the structure. There has been a substantial and continuing fragmentation of households, thus more singles to be loaded with relatively

high fixed costs (rent heat, etc.). Equivalence Solves part up data calculations, but often spouses have higher incomes than any of the single after divorce or within marriage are signed why household fragmentation results in more inequality.

The wider spread of incomes in such. Full-time part-time confirmation, along with the looser institutional framework for collective fixing of wages in Denmark, with greater opportunities for individual agreements may increase inequality.

The increased labor market participation for a number of groups will pull in the direction of greater equality. While the growing number of retirees, combined with several students at SU, and increased immigration, especially among low-income groups in the opposite direction.

One can say that Denmark has imported an income underclass, which could ultimately change the status through integration while we know that students fail too much attachment to the labor market, but the contemporary inequality is an investment in the area for future growth. Finally, we implement the pension reform (2011) and welfare reform (2006) ensured that the number of pensioners to the number of persons in the labor market to drop, reducing both equity and growth is likely to increase.

Migration, integration and equality are related and could end in a conclusion or final remark. On the other hand: The students should not incorporate issues or topics which is not included in the two questions.