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SNS RESEARCH BRIEF SUMMARY

Effects of immigration on the wages of native-born workers in Denmark*

It is a common belief that immigration leads to lower wages and higher unemployment rates. This study investigates how the inflow of low-skilled immigrants (i.e. refugees and family immigrants) during the period 1995–2003 affected the labor market in Denmark.¹

Until 1998, Denmark applied a special refugee dispersal policy. The refugees were distributed across Denmark – without taking the state of the local labor market into consideration. Later inflows, consisting mainly of family members, in large part took up residence in the municipalities the refugees had been assigned to. By comparing municipalities receiving a large number of immigrants with those receiving a low number, it is possible to estimate the effect of immigration on native workers' wages and employment.

¹ Foged, M. och G. Peri (2016). "Immigrants' effect on native workers: new analysis on longitudinal data". *American Economic Journal: Applied Economics*, 8(2): 1–34.

The main conclusions of the study are:

- Positive effect on the wages of non-immigrant workers. The increase of immigration in Denmark affected the native workers' wages in a positive direction. These results correspond with results from a large number of international studies of how immigration affects local labor markets.
- No effect on unemployment rates. Nothing indicates that native low-skilled workers were displaced due to the large inflow of immigrants.
- The importance of a flexible labor market. During the period of analysis, the Danish labor market was characterized by high flexibility, low costs for hiring and firing, and a decentralized wage setting. This flexibility made it possible for native workers to change jobs and career paths, as a direct response to the inflow of immigrant labor, and thereby also protect their wages and employment.

* This is a summary of a research brief in Swedish "Invandring och arbetsmarknaden för infödda – erfarenheter från Danmark".



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