

Claremont-UC Undergraduate Research Conference on the European Union

Volume 2008

Article 6

February 2012

Understanding Immigrant Behavior in Denmark: The Immigrant Enclave and Employment Rate Paradox

Andrew Christensen
Brigham Young University

Follow this and additional works at: <https://scholarship.claremont.edu/urceu>



Part of the [Immigration Law Commons](#), [International and Area Studies Commons](#), [Labor Economics Commons](#), and the [Labor Relations Commons](#)

Recommended Citation

Christensen, Andrew (2008) "Understanding Immigrant Behavior in Denmark: The Immigrant Enclave and Employment Rate Paradox," *Claremont-UC Undergraduate Research Conference on the European Union*: Vol. 2008, Article 6. DOI: 10.5642/urceu.200801.06
Available at: <https://scholarship.claremont.edu/urceu/vol2008/iss1/6>

This Chapter is brought to you for free and open access by the Current Journals at Scholarship @ Claremont. It has been accepted for inclusion in Claremont-UC Undergraduate Research Conference on the European Union by an authorized editor of Scholarship @ Claremont. For more information, please contact scholarship@cuc.claremont.edu.

4

UNDERSTANDING IMMIGRANT BEHAVIOR IN DENMARK: THE IMMIGRANT ENCLAVE AND EMPLOYMENT RATE PARADOX

Andrew Christensen

Immigrant enclaves and employment rates present a paradox for policymakers in Denmark.¹ In 1999, only two countries had a larger employment gap between the immigrant and native-born population than in Denmark (Roseveare and Jorgensen 2004, 14). Today, no other country has a larger employment gap between the immigrant/native-born populations than in Denmark (Liebig 2007, 10). Since 1999, non-western immigrant enclaves have continued to develop just as the employment gap between native and foreign populations has increased (Olsen and Hansen 2001, 23/Nielsen and Jensen 2006, 49). From these trends, one could conveniently assert that enclaves worsen immigrant employment rates. But other evidence complicates this picture. The paradox is that while immigrant enclaves have low employment rates, immigrants that relocate to enclaves have high employment rates (Nielsen and Jensen 2006, 41/Damm and Rosholm 2005, 22). Or more simply, why do immigrant enclaves seem to simultaneously hurt and help immigrant employment rates? To find out why, this paper will investigate both parts of the paradox. It will investigate why immigrants who relocate to enclaves have high employment rates, and examine why immigrant enclaves have low employment rates. This paper asserts that immigrants relocate to enclaves for access to integration resources and co-ethnic networks, and that refugees largely account for low employment rates in immigrant enclaves. This assertion suggests a way countries can improve immigration policy.

By this assertion, this paper challenges two underlying ideas behind many EU member-state immigrant-placement policies.² The first idea is that an equal geographic distribution of immigrants evens out costs among municipalities, increases the rate of integration, and improves employment probabilities for immigrants (Nielsen and Jensen 2006, 28/Liebig 2007, 17/Damm and Rosholm 2005, 2). The second idea is that immigrant enclaves slow the rate of integration and decrease immigrant employment opportunities (Olsen and Hansen 2001, 30). This paper calls these two ideas into question with two observations. First, immigrant enclaves unexpectedly lead to positive economic and integration outcomes for non-refugees. In order to maximize these outcomes, policy should place non-refugees according to their preference and where integration resources are most

Understanding Immigrant Behavior in Denmark

effective. Second, enclaves have low employment rates because they have large populations of refugees. In order to counter this trend, policy should distribute refugees evenly throughout the country and continue to focus on resources for refugees.

This paper divides the enclave-employment paradox into two parts. Accordingly, section one addresses why immigrants who relocate have high employment rates, and section two addresses why immigrant enclaves still have low employment rates. Section 1.1 reviews recent literature's claims about the causes and consequences of immigrant enclaves, lays out this paper's method for testing these claims, and describes this paper's hypothesis and causal logic. Section 1.2 presents evidence for this hypothesis, and section 1.3 gives some preliminary conclusions. Section two addresses low employment in immigrant enclaves.

1.1 IMMIGRANT CULTURE, DANISH INSTITUTIONS, AND A DIRE FUTURE

Recent literature gives two explanations for why immigrant enclaves emerge and one prediction for what enclaves mean for the future. The first explanation identifies immigrant culture as the root cause, the second explanation suggests that institutions are the cause. Both predict that, without dramatic changes, Denmark is headed toward a dire future. The first explanation assumes that immigrants congregate for primarily cultural reasons, or more precisely, that their common Islamic religion gives immigrants strong incentives to create close communities (Camre 2007, 195). This rationale assumes that living in an ethnic enclave strengthens an immigrant's sense of security, solidarity and identity (Damm and Rosholm 2005, 19). This explanation offers two solutions to the problems immigrant enclaves potentially pose. It presents massive culture change or complete repatriation to the home country as the only viable solutions (Camre 2007, 211/Nannestad and Svendsen 2005, 29). Both of these options would be Herculean and costly tasks. If, as the cultural approach contends, these are the only options, Danish society faces a serious, and potentially paralyzing, dilemma.

The second explanation suggests that bad institutions cause immigrant enclaves. This approach argues that integration measures have not only been naïve, but also counterproductive. For example, Bawer claims that policy has caused "pillarization," or the segmenting of society into ethnic groups.³ Immigration policy, according to Bawer, often exposes a type of latent European bigotry that, on the one hand, embraces diversity while harboring a fear of foreigners on the other (2006, 74). This explanation essentially accepts the cultural approach, but adds that poor policy has exacerbated the problem of immigrant enclaves. Whatever their differences, both viewpoints predict catastrophic economic consequences and poor integration outcomes if enclaves continue to develop (Camre 2007, 196/Bawer 2006, 70). These two explanations claim that either institutions or culture cause immigrant enclaves. This paper will test these two explanations by looking at immigrant relocation behavior.

A look at immigrant relocation behavior will determine whether culture or institutions cause immigrant enclaves to form. Relocation is an immigrant's choice to move away from the policy-assigned place of residence. Danish policy, as previously mentioned, places immigrants according to an equal geographic distribution, so the individual choice to relocate provides a unique access point to analyze immigrant preferences (see appendix A). Two patterns emerge when looking at immigrant relocation behavior. First, immigrants that participate in an integration program are less likely to relocate during the first two years in Denmark, and more likely to relocate after the first two years. Conversely, immigrants that

do not participate in an integration program are more likely to move during the first two years in Denmark, and less likely to move after the first two years (Nielsen and Jensen 2006, 31). In other words, integration programs seem to affect when an immigrant relocates. A second relocation pattern emerges regarding place of residence and size of municipality. When an immigrant's place of residence is in a small municipality, the immigrant is more likely to relocate. Conversely, when place of residence is in a large municipality, immigrants are less likely to relocate (Damm and Rosholm 2005, 22). This suggests that the characteristics of large and small municipalities are potential causes for relocation among immigrants. These two relocation patterns indicate that institutions such as municipality characteristics and integration programs are plausible causes for enclaves to form.

Accordingly, institutions constitute my first independent variable in this question. I divide institutions into three categories: municipal integration resources, Denmark's immigrant-placement policy, and underlying labor market institutions. Denmark's municipal integration resources offer recent arrivals a variety of ways to improve their employability. I define municipal integration resources as Denmark's post-1999 job training and language education programs. This paper measures labor market institutions in terms of municipal unemployment rates. This assumes that municipal unemployment rates are fairly good markers for underlying labor market institutions. Denmark uses a placement policy for persons that arrive as refugees. This policy distributes Denmark's annual intake of refugees using regional quotas. Between 1986 and 1997, the dispersal policy provided 90% of refugees with their initial place of residence (Liebig 2007, 17). If I find that institutions account for most of the relocation patterns among immigrants, I will accept the institutional explanation for why immigrant enclaves develop.

Immigrant culture is my second independent variable. I define immigrant culture simply as the desire to live in a residential district where the foreign-born population is at least 50%. For a recent arrival, co-ethnic networks are a valuable resource for finding a job. But if culture causes immigrant enclaves to form, finding a job should not be the sole incentive to live among co-ethnics. Thus if culture is truly a cause, employment opportunities should not completely account for relocation behavior among immigrants. In other words, if I find that jobs do not account for most relocation behavior among immigrants, I will not reject the cultural explanation. If institutions cause enclaves to form, the incentives from institutions should affect relocation behavior more than the incentives to live among co-ethnics. From the evidence in the next section, this paper does not reject the cultural explanation, accepts the institutional explanation and asserts that the prediction of a dire future for Denmark is exaggerated.

1.2 INSTITUTIONAL EFFECTS AND POSITIVE OUTCOMES

Data on municipality size, employment rates, and relocation support the institutional explanation for why enclaves form. Men who live in smaller municipalities, compared to men who reside in a large municipality, have a 33% to 84% higher relocation rate; for women, the corresponding rates are 66% and 102% (Damm and Rosholm 2005, 22). In other words, larger municipalities have lower rates of relocation, and smaller municipalities have higher rates of relocation. This evidence can support both the institutional and cultural explanation for relocation.

To explain this correlation between size of municipality and rate of relocation, the institutional approach argues that municipal integration resources might affect the relocation

rate. This is because smaller municipalities often lack integration resources for incoming immigrants due to either a lack of experience or declining numbers of immigrants. Smaller numbers of immigrants make it difficult to generate scale economies for job training and language education (Liebig 2007, 62). This might give incentive for immigrants to shop for better options in larger municipalities that have well-established scale economies and a broader range of vocational and language education resources. In other words, the institutional approach argues that integration resources strongly influence an immigrant's decision to move to larger municipalities.

Nielsen and Jensen's findings support this institutional explanation. They compare the relative effects of the post-1999 integration program and municipality size on immigrant relocation rates. They find that 6% of immigrants in the program move to larger municipalities. Comparatively, 36% of immigrants not in the integration program move to larger municipalities (Nielsen and Jensen 2006, 43). Furthermore, participation in the integration program has a larger effect on relocation than civil status, age, and children effects (Nielsen and Jensen 2006, 33-57). This suggests that there is a link between integration resources and an immigrant's decision to relocate. In other words, evidence supports this paper's thesis that institutions strongly affect relocation behavior.

The cultural perspective offers an alternative to this institutional argument. This approach argues that because larger municipalities have larger amounts of co-ethnics, immigrants tend to move to larger municipalities (Chiswick and Miller 2002, 4). Evidence supports this rationale, but it does not prove that culture motivates relocation. As an example, a 1% increase in the local number of immigrants decreases the relocation rate by 9.5% for men and 17% for women (Damm and Rosholm 2005, 22). As the number of immigrants increases in an area, the greater the likelihood that immigrants will choose to stay. Conversely, as immigrants become less numerous, the more immigrants tend to move. This pattern suggests that cultural preference to live among co-ethnics may account for an increase in the rate of relocation. However, other evidence shows that economic preference may account for this pattern as well. Co-ethnic networks account for 55% of the employed immigrant population, whereas institutions account for 15% of jobs among the employed immigrant population (Schultz-Nielsen 2005, 75).⁴ Comparatively, networks account for 44% of jobs among employed Danes where institutions account for 10% of jobs (Schultz-Nielsen 2005, 75). In other words, co-ethnic networks are relatively more important for an immigrant's employment opportunities than for a Dane's.

This suggests that employment opportunities motivate immigrants to form enclaves. While culture may still motivate immigrants to live among co-ethnics, the evidence does not directly prove this explanation. Instead, it strongly suggests that underlying labor market institutions affect relocation behavior among immigrants. So far, evidence supports the institutional explanation because it shows that integration resources decrease relocation rates by 30% (Nielsen and Jensen 2006, 43). Further evidence suggests that labor market institutions likely affect place of relocation. To further test whether labor market institutions cause relocation and what the consequences of enclaves are for employment, I look at municipal unemployment rates.

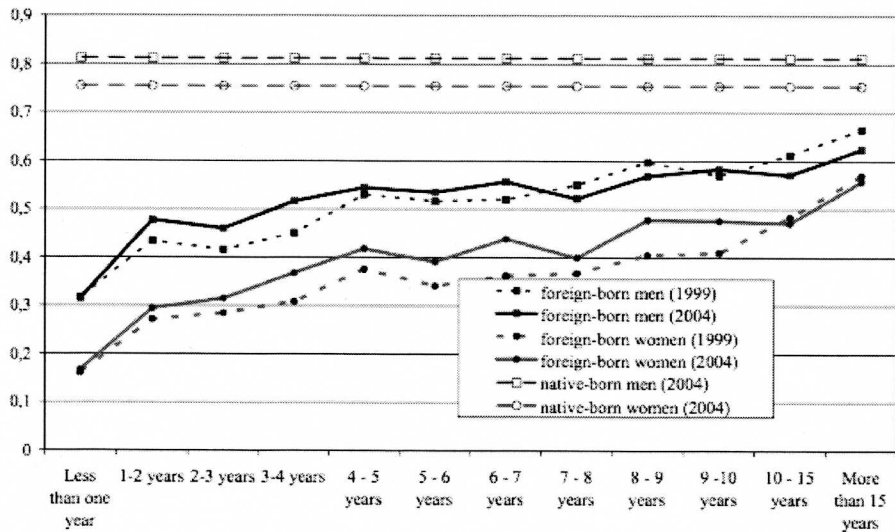
Municipal unemployment rates affect where immigrants move to, but have only a slight effect on how often immigrants relocate. Interestingly, immigrants that relocate have higher rates of employment compared to immigrants that do not relocate (Damm and Rosholm 2005, 23-24/Nielsen and Jensen 2006, 46-47). In addition, immigrants tend to

move away from municipalities with high unemployment rates (Nielsen and Jensen 2006, 46). This strongly suggests that employment opportunity motivates relocation among immigrants; however, both studies by Damm/Rosholm and Nielsen/Jensen counter with this institutional approach with an important point. After controlling for socioeconomic factors, they suggest that employment rates alone are not enough to account for immigrants' decision to move. However, the evidence does suggest that municipal unemployment rates help immigrant enclaves to form insofar as they affect the place of relocation. To this limited extent, this supports this paper's thesis that institutions help cause enclaves to form. So far, institutions seem to affect relocation behavior slightly more than immigrant culture. And if institutions have a stronger influence, it suggests that changing policy is a viable option for changing immigrant relocation behavior. This is important because it counters the notion that complete repatriation or massive culture change are the only viable solutions for the low immigrant employment rates. In order to find how institutions might be part of a third solution, the next portion of this paper examines the economic effects of immigrant enclaves.

Evidence decisively counters the prediction that immigrant enclaves lead to poor economic and integration outcomes. Most immigrant enclaves develop in large municipalities. Large municipalities, on average, have more favorable labor market characteristics (Nielsen and Jensen 2006, 46/Damm and Rosholm 2005, 24). Favorable labor market characteristics accelerate the speed at which immigrants find their first job (Damm and Rosholm 2005, 20). And having a job significantly increases the rate of language acquisition, even after controlling for socio-economic characteristics (Clausen and Husted 2005, 13). This suggests that the development of immigrant enclaves provide positive economic and integration outcomes.

These positive outcomes call into question the effectiveness of Denmark's immigrant-placement policy. Using a counterfactual-simulation model, Damm and Rosholm find that the pre-1999 placement policy did not promote the integration process. Indeed, a removal of the policy might have quickened integration rates, because the immigrant relocation process delayed their entrance into the labor market (Damm and Rosholm 2005, 29). This suggests that an equal distribution of immigrants may not be optimal policy. Despite this, the post-1999 policy still operates on the assumption that an even spread of immigrants is best, and distinguishes itself from the previous policy by discouraging relocation. It discourages relocation by withholding integration resources from immigrants that move. If Damm and Rosholm's counterfactual predictions are correct, the post-1999 policy should then still be delaying integration rates. Preliminary evidence supports this prediction in the long-term, but suggests that this is not the case for the first four years of residence. In figure 1, the post-1999 policy seems to increase immigrant employment rates for the first four years relative to the pre-1999 policy (Leibig 2007, 35).

Figure 1: Employment rates by duration of residence in Denmark, men and women, 16-64 years old, 1999 and 2004⁵



Source: Statistics Denmark.

The initial increase in employment rates corresponds to the four-year integration programs that municipalities implemented under the post-1999 policy. This suggests that integration resources play a critical role in improving employment and integration outcomes for immigrants. After the first four years of residence, however, the post-1999 policy seems not to have any distinct advantage over the previous policy. Post-1999 employment rates even dip below previous rates at the seven-year mark. A plausible explanation for this is that the incentive for an immigrant to relocate might be latent due to integration programs in the first four years. This suggests that, after the first four years, the post-1999 policy has the same inefficiencies as its predecessor, and that Damm and Rosholm's prediction is still at play. In other words, immigrant-placement policy may still be slowing the integration process in the long term. This conclusion is tentative because this policy is relatively new and its long-term effects remain largely unknown. The preliminary evidence does however support this paper's thesis about how Denmark could improve its immigrant-placement policy, namely, that policy can improve by taking municipal integration resources and immigrant preferences into greater consideration. By increasing integration resources, the post-1999 policy improved short-term employment outcomes. To improve long-term employment outcomes, policy should let immigrant preferences determine initial placement.

1.3 INSTITUTIONS AND IMPROVING IMMIGRANT-PLACEMENT POLICY

So far the evidence offers some preliminary conclusions. Immigrants relocate to enclaves for access to integration resources and co-ethnic networks. Economic motives likely explain why immigrants want access to co-ethnic networks, but cultural reasons are

still plausible. Municipal integration resources and unemployment rates help cause immigrant enclaves to form. Integration resources increase relocation rates. Unemployment rates affect the destination of immigrant relocation. Because institutions seem to encourage the development of immigrant enclaves, I accept this part of the institutional approach. Because immigrant culture remains plausible, I do not reject the cultural approach. This does not mean policymakers should discard immigrant culture as a cause, but rather, that they should put it into proper perspective.

In addition, immigrant enclaves lead to certain positive employment and integration outcomes. This counters the prediction that enclaves signal a dire future for Denmark. Policymakers often assume that enclaves slow the rate of integration; however, the evidence suggests that relocation increases the rate of integration. Policymakers also assume that immigrant enclaves develop in places with low labor demand; however, relocation clearly increases employment opportunities for immigrants. In making these conclusions, this paper assumes that immigrants relocate to places where enclaves are developing. Nielsen and Jensen's data supports this assumption (see Appendix B). In short, the prediction that immigrant enclaves will lead to poor economic and integration outcomes seems exaggerated and inaccurate. In light of this, Danish immigrant-placement policy should do two things. Policy should continue to support municipal integration resources and begin to allow immigrant preference to determine the initial place of residence. The next section will provide evidence that supports these policy recommendations.

2. LOW EMPLOYMENT IN IMMIGRANT ENCLAVES

Up to this point, this paper has accounted for the latter part of the enclave-employment paradox. Remember, the paradox is that while immigrant enclaves have low employment rates, immigrants that move to enclaves have high employment rates (Nielsen and Jensen 2006, 41/Damm and Rosholm 2005, 22). This paper has thus far maintained that enclaves help integration because immigrants that move to them are more likely to get a job. The question then remains, if immigrant enclaves help, why do they still hurt? In other words, what accounts for the low employment rates in immigrant enclaves? This section asserts that the high number of refugees in immigrant enclaves largely accounts for low employment rates.

This part of the enclave-employment paradox is relevant for Danish policymakers. Currently, the employment gap between the non-OECD and native population is fourteen percentage points in Denmark (Liebig 2007, 11). In addition, most non-OECD immigrants in Denmark live in enclaves (Clausen and Hummelgaard 2007, 20). This suggests that a close look at the conditions of immigrant enclaves could lend insight as to why employment rates remain low among immigrants. Ultimately, a better understanding of enclave conditions could lead to better policy decisions. Thus, the next portion of this paper will investigate whether institutional, cultural, or reason-for-migration effects account for low employment among immigrants in enclaves.⁶ This paper asserts that, while the institutional and cultural factors have an influence, immigrants' reason-for-migration in large measure accounts for low employment in immigrant enclaves. Section 2.1 addresses recent literature's claims and lays out this paper's method for testing these claims. Sections 2.2, 2.3, 2.4, and 2.5 consider the impact of integration measures, welfare programs, reason-for-migration/country-of-origin, and self-employment respectively on enclave employment rates. Section 2.6 concludes.

2.1 IMMIGRANT CULTURE, NATIVE INSTITUTIONS OR REFUGEES

Common explanations for immigrant low employment break along cultural and institutional lines. The cultural camp asserts that Muslims have a strong aversion to work (Camre 2006, 207). This approach argues that because of Islamic culture, only a small number of non-OECD immigrants will be able to work in a western society (Camre 2006, 195). An example of the cultural rationale here is instructive. A devout Muslim will refuse to work in a place that may result in interaction with the opposite sex, or where employers do not allow for prayers five times a day. For followers of the Wahabi order of Islam, appearance plays an important role. Wahabi males will generally grow beards and wear a hat. Thus, when a profession requires the removal of beards and hats, Wahabi Muslims will often dismiss the employment opportunity. Self-employment thus becomes an attractive option for the devout Muslim immigrant because it allows them to earn money without compromising religion. But if Islamic culture causes low employment among non-western immigrants, how does one account for low employment among western immigrants as well? Immigrants in Denmark, regardless of where they come from, have lower employment rates than the native-born population (Liebig 2007, 5).

The second explanation accounts for this exception by adding that institutions also cause low employment among non-western immigrants. This approach argues that Danish institutions, reflected in low returns on foreign qualifications, restrict many immigrants from entering the workforce (Nannestad 1999, 196–197/Clausen and Hummelgaard 2007, 21). Prohibitive policy, according to this argument, reflects a bigotry that is willing to donate aid to foreign countries but labels foreigners as incapable of work or undesirable as colleagues (Bawer 2006, 70–72). The first approach faults immigrant culture where the second blames native institutions for the low employment rates in immigrant enclaves. Whether the explanation is culture or institutions is an important question. If enclaves have poor employment because of culture, it leaves Denmark with two Herculean tasks: either large-scale culture change or massive repatriation. If enclaves have poor employment because of policy, however, it leaves Denmark with a more feasible choice: namely, to improve its institutions in immigrant enclaves. While these are not the only two explanations, they both are mainstays in public opinion and official policy (Gaasholt and Tøgeby 1995, 147–65).

To address this part of the enclave–employment paradox, I operationalize institutions as integration measures and welfare programs. I operationalize culture as country-of-origin effects and an immigrant's choice to be unemployed rather than self-employed. To evaluate this paper's thesis that refugees largely account for low enclave employment, I operationalize refugee as an immigrant's reason-for-migration. I defend these choices in the sections to follow.

2.2 IMPACT OF INTEGRATION MEASURES ON EMPLOYMENT

If, as the institutional approach suggests, a lack of integration measures lower employment, then as integration measures improve, there should be a corresponding rise in employment rates. Evidence supports this hypothesis. After 1999 and especially after 2001, Denmark adopted sweeping measures that focused on integration. In the years that followed, non-western immigrants that had arrived within one to seven years began to enter the labor market more quickly and more often relative to the pre-1999 policy, as can be seen in Figure 1. The new integration policy accelerated the trend of convergence between foreign- and native- born employment rates and increased employment probabilities for

immigrants across the board (Liebig 2007, 35). This evidence suggests that integration measures strongly affect employment rates in the short-term. In Figure 1, the accelerated rate of employment in the first seven years of residence supports the prediction that institutions influence employment. However, the slight downward turn after the seven-year mark complicates the picture. Why do institutional effects decrease after the first seven-years? The cultural approach offers an explanation for this downward turn. For example, employment might taper off because of receding integration incentives and resurgent country-of-origin effects, such as Islamic culture. The features shown in Figure 1 do not support disprove this explanation, so it remains plausible. So far, the evidence could support either explanation. Another study helps locate the causes for these patterns more precisely.

During the same time period (1999–2006), municipal integration measures accounted for 22% of the employment rate among immigrants. Non-municipal causes—such as immigrant age, civil status, children, period of residence, health, and country-of-origin—accounted for 78% of the immigrant employment rates (Husted and Nielsen and Heinesen 2007, 9). This shows, in a fairly precise way, that something other than institutions has a large effect on employment rates in enclaves. The fact that country-of-origin is in the 78% group suggests that culture may have a stronger effect than institutions on immigrant employment. Furthermore, the data from the study show that integration measures are most effective in areas with immigrant enclaves. As an example of this, Figure 2 shows that integration programs have above average success rates in municipalities with large numbers of immigrant enclaves (Husted and Nielsen and Heinesen 2007, 59–60).

Figure 2. Success rate for immigrants in integration programs (1999–2006)

Municipalities with many immigrant enclaves			
Denmark	Copenhagen	Århus	Esbjerg
36%	53%	40%	37%
Municipalities with little or no immigrant enclaves			
Denmark	Silkeborg	Skive	Sorø
36%	30%	19%	31%
Note: Figures show the percentage of immigrants that complete a program with a job or in education			

Figure 2 also shows that integration programs have below average success rates in municipalities with little or no enclaves. In short, integration programs in municipalities with enclaves produce better employment outcomes compared to municipalities with little or no enclaves. This supports the rationale that, because small municipalities lack scale economies for integration programs, immigrants have poorer employment outcomes in smaller municipalities (Liebig 2007, 62). It also suggests that integration measures do not lower employment rates in immigrant enclaves. So far, it seems institutions help employment rates in enclaves while immigrant culture effects on enclave-employment rates remain unclear. Next, this paper will determine whether welfare programs are an institutional cause for low employment in enclaves.

2.3 IMPACT OF WELFARE PROGRAMS ON EMPLOYMENT

If the institutional explanation is correct, than welfare programs should discourage immigrant employment. Evidence supports this explanation. Welfare programs lead to lower employment rates among immigrants because they give strong incentives to remain. Understanding Immigrant Behavior in Denmark

unemployed. Denmark's welfare benefits for the unemployed are among the highest in the OECD. This is because Denmark's welfare scheme relies on flat-rate benefits, which result in very high net replacement rates for low former income levels (Liebig 2007, 37). These features can lead to an odd incentive situation called an unemployment trap, where the incentives of unemployment offset the incentives of employment (Pedersen 2005, 17). Many immigrants in Denmark are in unemployment traps. Between 15–30% of unemployed immigrants would lose money by working (Schultz-Nielsen 2001, 55). Equally important are immigrant perceptions about unemployment advantages. Here, Schultz-Nielsen finds that 22% of unemployed non-western immigrants believed they would receive less or equal pay if they had a job (2001, 80). This suggests that unemployment can, in some cases, be an economic preference instead of a cultural choice. This supports the institutional explanation for low employment outcomes.

Other surveys about unemployment benefits support the cultural explanation. Schultz-Nielsen observes that unemployed immigrants were less willing to accept long commute times for a new job than unemployed Danes (2001, 77–78). Whether this difference in preference reflects a difference in culture is unclear, but a cultural explanation is certainly plausible. On the other hand, unemployed immigrants were about as willing as Danes to move in order get a new job (Schultz-Nielsen 2001, 80). In sum, it seems that high unemployment benefits discourage employment among immigrants with low income, and unemployed immigrants seem somewhat less willing than unemployed Danes to become employed. In short, welfare programs lead to lower employment outcomes. In this category, institutions hurt more than they help, but in both categories so far, immigrant culture effects remain at play. To test for immigrant culture, the next portion of this paper will compare country-of-origin effects relative to reason-for-migration effects.

2.4 COUNTRY-OF-ORIGIN AND REASON-FOR-MIGRATION EFFECTS ON EMPLOYMENT

If the cultural explanation is true, then an immigrant's country-of-origin should have a larger effect on employment than an immigrant's reason to immigrate. For the following analysis, an immigrant's status as a refugee or non-refugee will represent the reason-for-migration. Evidence strongly counters the cultural explanation. Refugees have significantly lower employment rates than non-refugee immigrants (Liebig 2007, 69). In addition, data shows that reason-for-migration effects clearly outweigh the impact of country-of-origin effects on immigrant employment rates (Liebig 2007, 69). Another study supports these findings. Male refugees from Sri Lanka, Iran and Iraq have 39% employment compared to 66% for male non-refugees from the same countries. In all, there is a 30% difference in employment rates between refugees and non-refugees in Denmark (Husted et. al 2000, 8/ Husted and Nielsen and Heinesen 2007, 84). In other words, the employment gap between refugees and non-refugees (30%) is comparable to the gap between natives and immigrants (30.5%). This evidence brings forward an important question. How do non-refugee immigrant employment rates compare to native-born employment rates for this time period? This is a relevant question because if the non-refugee rate is comparable to the native rate, it would also strongly counter the cultural explanation for low immigrant employment rates. It would suggest that refugees largely account for overall low employment rates among immigrants.

This, however, is not the case. Among males, the native-born employment rate is 89% compared to 72% among non-refugee immigrants (Husted et. al 2000, 8). This suggests that

other factors must account for the remaining 13% gap. In other words, this shows that the immigrant culture might account for the gap. Furthermore, if this 2001 study included women, it would probably widen the non-refugee/native employment gap. This is because immigrant women have lower employment rates than native-born women (Nielsen et. al 2000, 1). This also suggests immigrant culture might discourage women from entering the workforce. In other words, immigrant culture partially accounts for overall low employment among immigrants. But this only shows how culture affects immigrant employment overall. It does not suggest that culture affects enclave-employment rates to the same degree. Indeed, further evidence suggests that reason-for-migration effects largely account for low enclave employment rates.

Refugees largely account for low employment rates in immigrant enclaves. With refugees and non-refugees included, the 1995 employment rate was 58.5%. Without refugees, the employment rate was 72% (Husted et. al 2000, 8). Thus refugees lowered the immigrant employment rate by 13.5%. This is especially telling for employment in enclaves because Danish policy in 1995 placed refugees in large municipalities where enclaves were more likely to form (Nielsen and Jensen 2006, 59). This evidence supports this paper's thesis that refugees largely account for low employment in immigrant enclaves. In sum, reason-for-migration effects clearly outweigh country-of-origin effects on immigrant employment rates. While immigrant culture possibly affects employment rates overall, the reason-for-migration definitely affects enclave-employment rates. To further test for immigrant culture effects, the next section will determine whether immigrants prefer unemployment to self-employment.

2.4 IMMIGRANT CULTURE EFFECTS ON SELF-EMPLOYMENT

The cultural approach argues that Islamic culture engenders a strong aversion to work among immigrants. If this rationale is true, then immigrants that learn of and qualify for benefits over time should become gradually more dependent on welfare programs. Evidence counters this prediction. Data shows that as an immigrant's years of residence increase, the level of welfare dependency decreases (Blume and Verner 2007, 14,31). In other words, non-western immigrants tend to become self-sufficient as they stay in Denmark longer. This strongly counters the claim that culture engenders an aversion to work among immigrants. The cultural approach also asserts that immigrant culture affects the preferred mode of employment among immigrants. If this is true, immigrants might select self-employment even at the price of earning less than other immigrant wage earners. This approach asserts that benefits from self-employment outweigh the cost of earning less because it allows an immigrant to run a business without compromising religious belief. Evidence supports this prediction (see Figure 3) (Andersson and Wadensjö 2004, 16).

Figure 3: Mean annual earnings of employed non-western immigrants in Denmark in 1999

Wage earners	\$30,358
Self-employed	\$13,665
Difference in annual wages	\$16,873

Compared to non-western immigrant wage earners, self-employed non-western immigrants earn almost \$17,000 dollars less per year. Even compared to unemployed Danes, self-employed immigrants earn less (Liebig 2007, 40). In other words, immigrants are willing

Understanding Immigrant Behavior in Denmark

to be self-employed even when that means earning less than wage earners. This suggests that immigrants might choose self-employment for cultural reasons. However, further evidence counters this cultural interpretation. Recent data shows that self-employment is an escape route out of unemployment for many non-western immigrants (Blume et. al 2005, 22/ Andersson and Wadensjö 2004, 16). In addition, because wages and labor demand are particularly low in immigrant enclaves compared to other areas, more immigrants in enclaves prefer self-employment, where they can rely on the enclave for continued business (Constant and Zimmermann 2005, 13/Leibig 2007, 48). In other words, non-western immigrants do not necessarily prefer self-employment to wage earning, but simply prefer self-employment to unemployment. This suggests that immigrants do not choose self-employment for cultural reasons, but rather, choose self-employment in order to be more self-sufficient. Liebigh comes to a similar conclusion (2007, 38). In sum, the evidence shows that immigrants over time depend less on welfare and suggests that immigrants prefer self-employment to welfare dependency. This evidence directly counters the cultural explanation because it demonstrates that immigrants' aversion to unemployment is stronger than their aversion to work.

2.6 REFUGEES, ENCLAVES AND EMPLOYMENT

On balance, it seems that while institutions and immigrant culture have an influence, the reason-for-migration in large measure accounts for low employment in immigrant enclaves. Institutions have an impact, but because integration measures and welfare programs respectively encourage and discourage employment in immigrant enclaves, it remains difficult to determine the net effect. Immigrant culture may affect overall employment rates, but compared to the reason-for-migration, the latter likely has a larger effect on enclave employment rates. Refugees in immigrant enclaves clearly lower employment rates. Of the three variables this section addressed, the reason-for-migration seems to have the largest effect. This suggests that immigrant enclaves are far less burdensome than the refugees within them are.

In light of this, policymakers should focus legislation on refugees rather than immigrant enclaves. Placement-policy should distribute refugees evenly throughout the country to spread costs among municipalities. For non-refugees, however, policy should allow immigrant preference and municipal integration resources to determine initial placement. In addition, policymakers should consider encouraging entrepreneurship among immigrants, foster more lucrative options for the self-employed, and move away from a flat-rate benefit scheme for the unemployed. These suggestions come with a small caveat, however, as there are certain drawbacks to this paper's methods.

This paper has (at least) two limitations—one large and one small. The large limitation is that this paper's three variables—reason-for-migration, institutions, and immigrant culture—do not offer a complete picture for why low employment rates persist in immigrant enclaves. Recent studies strongly suggest that other causes are at play. These include age, civil status, number of children, health, local labor demand, and employer behavior (Husted and Nielsen and Heinesen 2007, 84/Nielsen and Jensen 2006, 33-57/ Leibig 2007, 48, 59/Clausen and Hummelgaard 2007, 21). Because this paper does not evaluate these variables, it cannot offer a comprehensive explanation for the enclave-employment paradox. The small limitation is that this paper misrepresents mainstream explanations for the enclave-employment paradox by testing Mogens Camre and Bruce

Bawer's claims. This is because Camre and Bawer represent two sides of what is ultimately the same anti-immigration position.⁷ They only represent the far-right portion of the public discourse on immigration. Because this paper does not evaluate a broader range of explanations, it risks being irrelevant to the mainstream discourse.

Despite these limitations, this paper contributes to the immigration debate by pinpointing where hyperbole ends and the core problem begins. This paper considers and counters three provocative and increasingly popular parts of the anti-immigration position. First, the anti-immigration camp insists that others take their claims seriously and not write them off as racist. In response to this request, this paper tests their culture claim and concludes that culture is likely a part of the enclave paradox. Their culture claim is not necessarily racist rhetoric, but it is perhaps a bit overblown. Second, this camp predicts economic collapse for countries that continue to allow non-western immigration. They claim that the only solutions are complete repatriation or massive culture change (Camre 2006, 177, 211). The evidence in this paper proves these claims to be exaggerated and inaccurate. Enclaves are not the result of immigrant culture as much as they are a product of immigrant economic preferences. In addition, institutions have and can continue to improve conditions in immigrant enclaves. Third, this camp contends that native institutions reflect a latent bigotry by pillarizing society. This paper counters this claim by providing evidence that immigrant decisions, not native institutions, largely account for the development of enclaves. In sum, there is ample evidence to suggest that institutions can improve employment rates in immigrant enclaves by providing resources to refugees. Therefore, while Denmark should not discard culture as a cause, it should not let it distract policy decisions. In short, the hype about enclaves should not divert the focus on refugees.

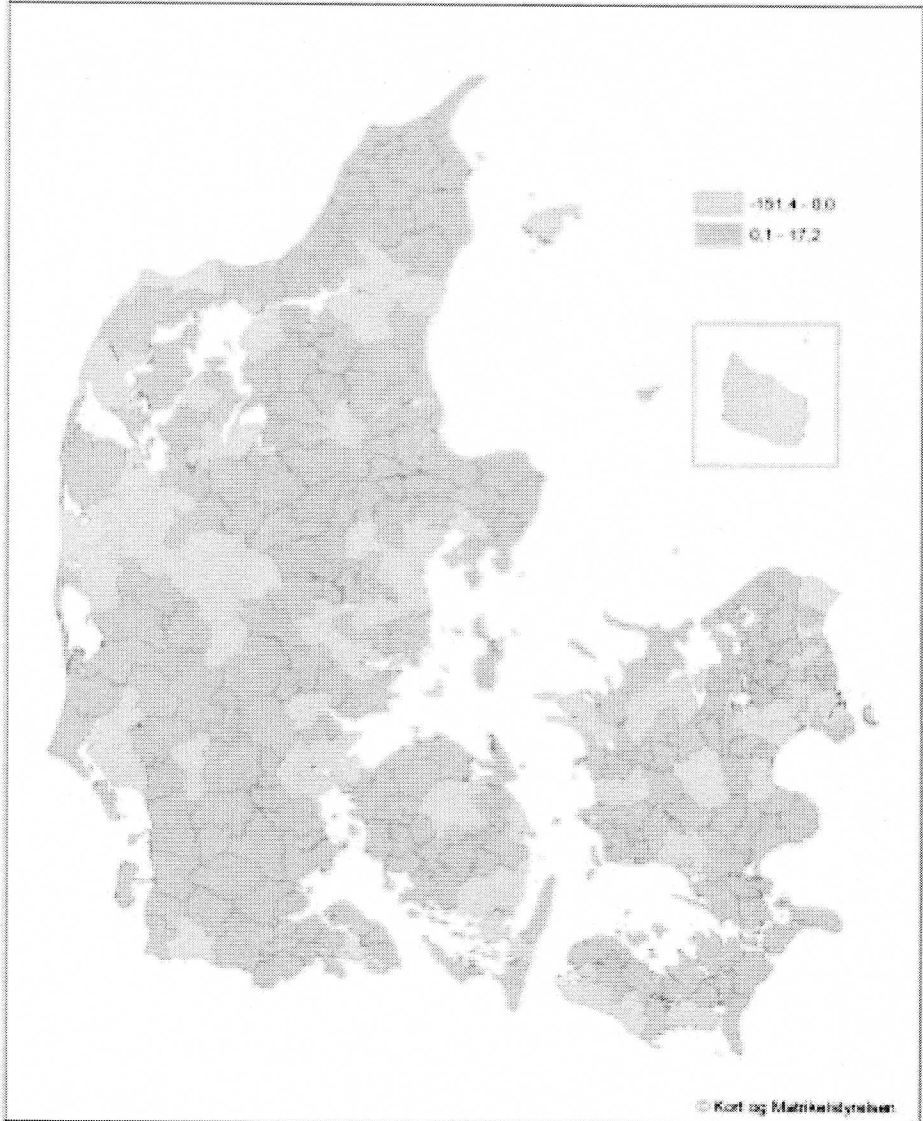
END NOTES

1. Immigrant enclaves are residential districts in Danish municipalities where at least 50% of the population are immigrants. As an example, the residential district Nørrebro in Copenhagen has 24.1% immigrants compared to all of Copenhagen's 16.5% (Olsen and Hansen 2001, 23). These enclaves range in size. They can be a single apartment complex, such as Langelinje in Silkeborg, or an entire residential district, such as Nørrebro in Copenhagen.
2. In particular, this paper bases its conclusions on studies of Denmark's dispersal policy from 1986 to 1998 and 1999 to 2007 respectively. See Damun and Rosholm (2005)/Nielsen and Jensen (2006).
3. Pillarization alludes to the Dutch word *verzeilung*. It refers to a Dutch mode of tolerance that emerged in the late nineteenth century. The system of *verzeilung* at that time featured groups that coexisted separately and only interacted at the level of government, such as the Catholics and Socialists.
4. Institutions defined as jobs provided by the job center, the unemployment insurance fund, or the municipality.
5. In Figure 1, Leibig holds native-born employment rates constant in order to depict the extent to which foreign-born rates are converging with native-born rates.
6. "Reason-for-migration" is how this paper operationalizes the effect that a refugee has on employment compared to a non-refugee immigrant.
7. Mogens Camre, a leader in the Danish People's Party and member of the European Parliament, is an outspoken anti-immigration politician. Bruce Bawer is an

American journalist who has boosted his career by criticizing Islamic culture and Europe's open embrace of Muslim immigrants.

APPENDIX A

This map represents the distribution change between Denmark post-1999 placement policy and the pre-1999 placement policy. Green municipalities received more immigrants after 1999, while yellow municipalities received less immigrants (Nielsen and Jensen 2006, 74).

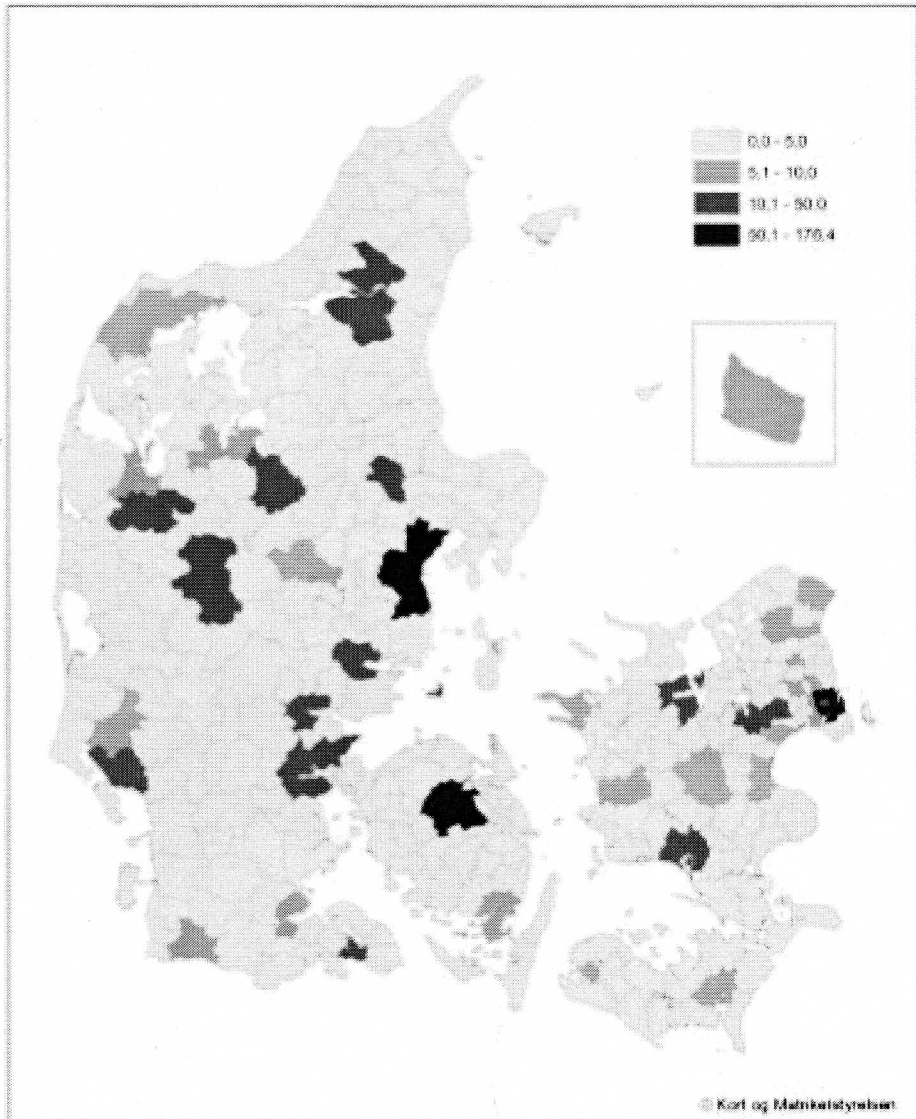


Larger municipalities known for their large immigrant enclaves received less

immigrants after 1999. These municipalities include Copenhagen, Århus, Odense, Aalborg, Skive, Kolding, and Esbjerg. This suggests that current policy seeks a more even distribution of immigrants throughout the country.

APPENDIX B

This map shows the distribution of immigrants that moved for the first time from 1997 to 2005 (Nielsen and Jensen 2006, 41).



There is a clear tendency for immigrants to move to cities with large immigrant

populations. These cities include Copenhagen, Århus, Odense, Esbjerg, Aalborg, Kolding and Vejle.

BIBLIOGRAPHY

- Andersson, Pernilla and Eskil Wadensjö. "Self-Employed Immigrants in Denmark and Sweden: A Way to Economic Self-Reliance?" IZA Discussion Paper 1130, Bonn, 2004.
- Bawer, Bruce. *While Europe Slept: How Radical Islam is Destroying the West from Within*. New York: Doubleday, 2006.
- Blume, Kræn and M. Verner. "Welfare Dependency among Danish Immigrants." Working Paper 06-6, Department of Economics, 2007.
- Blume, Kræn and Mette Ejrnæs and Helena Skyt Nielsen and Allan Würtz. "Labor Market Transitions of Immigrants with Emphasis on Marginalization and Self-Employment." Institute of Local Government Studies, AKF forlaget, 2005.
- Camre, Mogens. *Frihedens Land: Europa, Danmark og Truslen mod Folkestyret. [Land of liberty: Europe, Denmark, and the threat to democracy.]* Copenhagen: Lysias, 2006.
- Chiswick, Barry R. and Paul W. Miller. "Do Enclaves Matter in Immigrant Adjustment?" Discussion Paper No. 449. Institute for the Study of Labor. Bonn, 2002.
- Clausen, Jens and Leif Husted. "The Progression of Teaching in Danish Language Centres." AKF forlaget. Copenhagen, 2005.
- Clausen, Jens and Hans Hummelgaard. "Indvandrere har svært ved at få job." AKF Nyt, 2007.
- Constant, Amelie and Klaus F. Zimmermann. "Legal Status at Entry, Economic Performance, And Self-employment Proclivity: A Bi-national Study of Immigrants." IZA DP No. 1910, Bonn, 2005.
- Damm, Anna Piil and Michael Rosholm. "Employment Effects of Spatial Dispersal of Refugees". Working Paper 2005-03, Centre for Applied Microeconometrics, Copenhagen, 2005.
- Gaasholt, Øystein and Lise Tøgeby. *I syv sind*. Aarhus: Politica, 1995.
- Husted, Leif and Helena Skyt Nielsen and Michael Rosholm and Nina Smith. "Employment and Wage Assimilation of Male First Generation Immigrants in Denmark." Working Paper, Centre for Labour Market and Social Research, Aarhus, 2000.
- Husted, Leif and Chantal Pohl Nielsen and Eskil Heinesen. "Benchmarkinganalyse af Integrationen i kommunerne målt ved udlændinges selvførgelse 1999-2006." AKF Forlaget, 2007.
- Liebig, Thomas. "The Labour Market Integration of Immigrants in Denmark." Social, Employment and Migration Working Papers No. 50, OECD, 2007.
- Nannestad, Peter. *Solidaritetsens Pris*. Aarhus: Aarhus Universitetsforlag, 1999.
- Nannestad, Peter and Gert Tinggaard Svendsen. "Institutions, Culture, and Trust." Paper for European Public Choice Society, Turku, 2006.
- Nielsen, Chantal Pohl and Kræn Blume Jensen. "Integrationslovens betydning for flygtninges bosætning." AKF forlaget. February 2006.
- Nielsen, Helena Skyt and Michael Rosholm and Nina Smith and Leif Husted. "Hit Twice? Danish Evidence on the Double-Negative Effect on the Wages of Immigrant Women." Discussion Paper No. 2502, Centre for Economic Policy

Research, 2000.

Olsen, Claus B. and Henning Hansen. "Kriminalprævention og integration på Indre Nørrebro." Center for Alternativ Samfunds Analyse. Copenhagen, 2001.

Pedersen, Peder J. "Unemployment Traps – Marginal Groups in the Danish Labour Market." Preliminary copy, University of Aarhus, 2005.

Roseveare, Deborah and Martin Jorgensen. "Migration and Integration of Immigrants in Denmark." Working Papers No. 386. OECD Economics Department, 2004.

Schultz-Nielsen, Marie-Louise. "The Integration of Non-Western Immigrants in a Scandinavian Labour Market: The Danish Experience." Research Unit Study No. 7, The Rockwool Foundation, Copenhagen, 2001.

