

## Nordic Welfare States, challenged by ageing and immigration?

A new report published by the Nordic Social Statistical Committee (NOSOSCO) discusses challenges to the Nordic welfare states. Is the Nordic model challenged by ageing populations and immigration when it comes to social expenditure, poverty and social exclusion, labour market participation and the general health of the population?

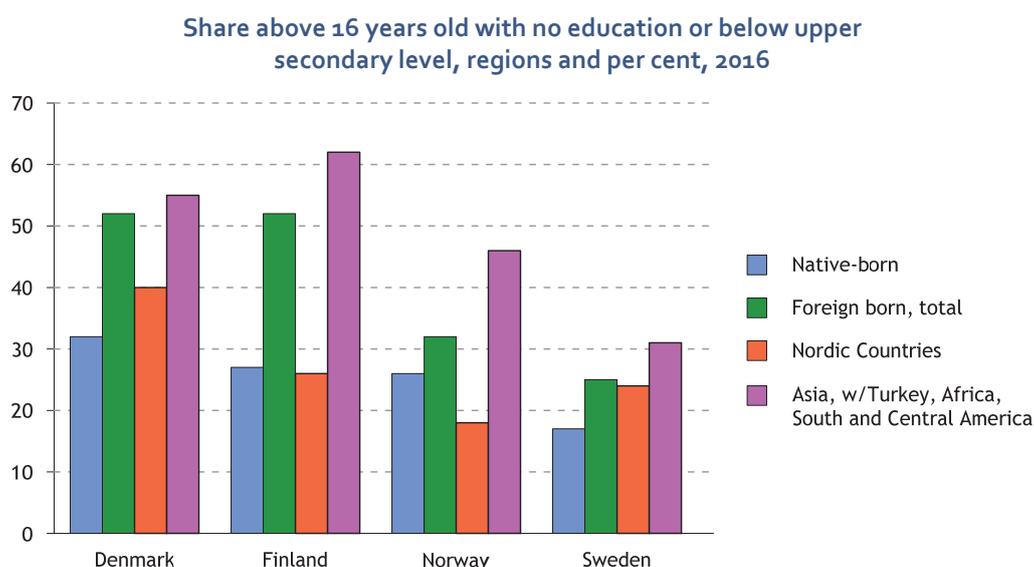
The report is the third in a project, which has used and developed comparable indicators for the Nordic countries to highlight common future challenges to the Nordic welfare states. Long time series enable us to describe and analyse these challenges both across countries and over time by figures, tables and multivariate analyses. In this third report, one aim is to shed some extra light on how immigration affects some of the core elements of the Nordic welfare model. The project will provide input for policy and further studies, and here, we describe some of the main findings.

### Several challenges to the Nordic welfare states

The arguments for grouping Nordic countries together and referring to a Nordic model for welfare states include their comprehensiveness, high degree of government involvement, high degree of financing through taxation, and their universalism. These similarities give a rationale for analysing some of the main challenges faced by the Nordic welfare states in a common approach. Financing the welfare state and keeping the expenditure under control are important for the survival of welfare states. Indicators on social expenditures show a steady increase in the Nordic countries during the last two decades. However, since GDP also has increased, social expenditure does not make up a much larger part of the economy in the Nordic countries in 2015 than it did in 1995.

Decreasing fertility rates and increase in life expectancy has led to an increased ratio of older people in the population. This will, in turn, lead to shrinking numbers of persons of working age to provide for the social expenditure and labour supply required by the ageing population for a range of related services. This poses perhaps the most important future challenge to all welfare states, with no exception for the Nordic countries. For some areas of the welfare state, the increased immigration seen in all Nordic countries may represent an additional challenge, mainly related to labour market integration. Globalisation, increased competition and rapid technological change lead to increased demand for higher education. In general, the Nordic population is characterised by high and increasing level of education. A challenge related to immigration is that immigrants, depending on reason for immigration, country of origin and duration of stay, are more likely to have a lower level of education compared to the native-born population. They also score lower on literacy tests and receive less adult education and on-the-job training.

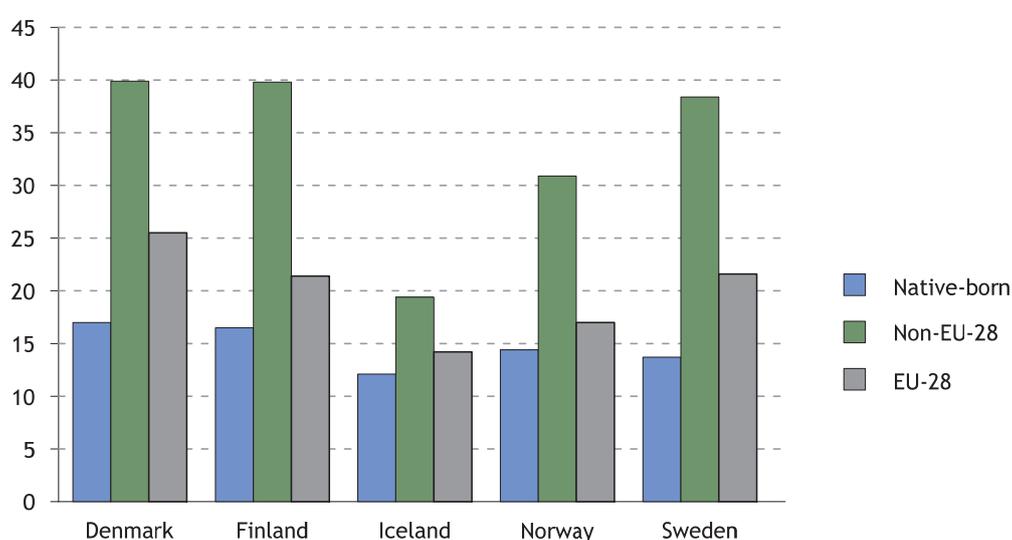
Figure 1 (Figure 3.2 in the report)



The Nordic model's ability to combine both equality and economic growth is one of the models' main successes and strengths, and we still regard the Nordic welfare models as successful in terms of providing equality and preventing poverty related strains for large parts of the population, even in times of high immigration. One of the headline indicators for the EU 2020 strategy, at-risk-of poverty or social exclusion (AROPE), places all five Nordic countries among the seven European countries with the lowest prevalence rates in 2015. Also, the Nordic countries have quite stable and low at-risk-of poverty (ARP) rates compared to most other European countries, although we see an increased in Sweden in recent years. However, both these indicators also show that immigrants, especially those born outside the EU, are more exposed to poverty and social exclusion than native-born persons in all the Nordic countries and this may challenge the Nordic tradition for equality. Detailed figures show different degrees of exposure for different groups of immigrants in the Nordic countries, indicating that both immigration history and national policies may affect this indicator.

**Figure 2 (Figure 5.2 in the report)**

**People at risk of poverty or social exclusion, by country of birth, Nordic countries 2015.  
Per cent of population 18 years or over**

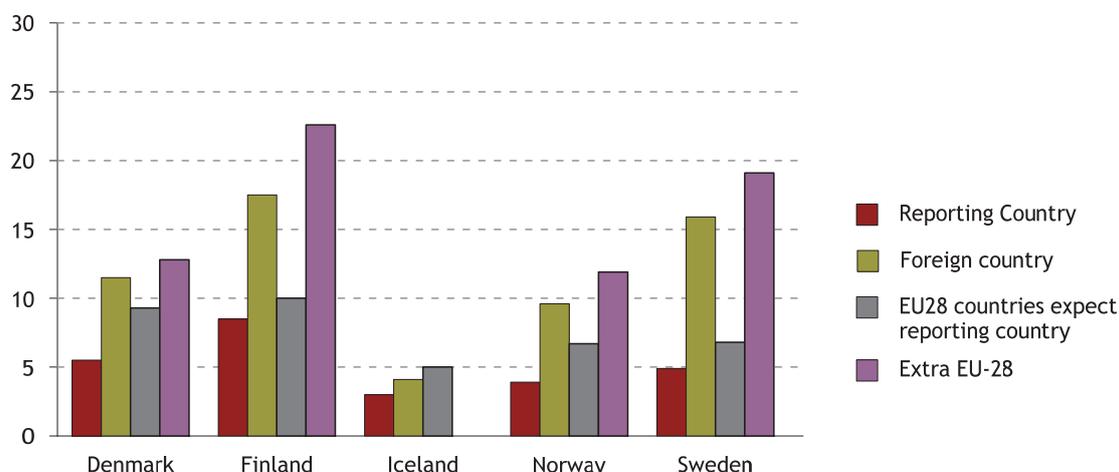


### **Integrating immigrants in the labour market is a persistent challenge**

Faced with ageing populations, maintaining a high degree of labour market participation is an important challenge. This will both strengthen the tax-base and prevent an increase in social expenditure. The Nordic countries still have high employment rates, but only in Iceland and Sweden have employment passed the pre-financial crisis level. The gender gap in employment is reduced, partially because men were hit harder by the financial crisis and partially because employment rates among women have increased. There are visible differences in employment rates between native-born persons and immigrants born outside the EU in all Nordic countries, except in Iceland. Unfortunately, there are no signs of major improvement. Integrating immigrants from outside the EU into the labour market remains a main challenge for the Nordic welfare states, except Iceland (where the immigrant population is small). The challenge is especially present for immigrant women. Differences in employment rates are mirrored by unemployment rates when comparing the native-born and immigrant populations. Unemployment rates are between 2 to 3 times higher for immigrants in total than for the native-born population. Immigrants born outside the EU are more exposed to unemployment. Iceland is again an exception, with only minor differences.

Figure 3 (Figure 6.7 in the report)

Unemployment rates, 15-64 year-olds in the Nordic countries by country of birth, per cent in 2016



The good news for the Nordic welfare states are that working activity among seniors has increased in recent years. Including seniors in the labour market is important as the populations are getting older. In the Nordic countries; the gap between overall employment rates and rates for seniors is relatively small. The increased activity among seniors is not found in Iceland, but here they are still working more than other Europeans are at the same age. Immigrants are on average younger than native-born persons, so it is still too early to say how immigration will affect senior employment.

Improvement in health among the oldest, immigrants more at risk of reporting poor health

The analysis on health indicates some positive developments in recent years. Many in the Nordic countries view their health as good, and we see an increased percentage with good health for those over 70 years, which may ease the future health expenditure. In Sweden there is increased work participation for those with bad self-perceived health, and in both Sweden and Denmark the work-participation for those with weak health and low education has increased.

It is difficult to see clear and large differences in self-reported health, living with chronic illness or living with disability for those born in EU or outside EU compared with those born in the country in question. A regression analysis taking into account variables such as sex, age and education show, except for Finland, that those born outside EU are at higher risk of reporting poor health compared to the native-born population. We do not find the same results for those born in EU

Figure 4 (Figure 7.5 in the report)

Share of the population above 70 years with bad health

