



Immigration and net transfers within the public sector in Denmark

Eskil Wadensjö *

Swedish Institute for Social Research, Stockholm University, SE-106 91 Stockholm, Sweden

IZA, Bonn, Germany

SULCIS, Stockholm University, SE-106 91 Stockholm, Sweden

Received 16 September 2005; received in revised form 4 May 2006; accepted 13 September 2006

Available online 13 November 2006

Abstract

This paper studies how immigrants affect public finance at different levels of government in Denmark. Non-Western immigrants are not well integrated into the labour market, many are outside the labour force altogether, and unemployment is high among those in the labour force. The lack of integration means that the revenue from taxes paid by immigrants is lower, and the transfers received by the immigrants from the public sector are higher, than for natives of the same age. The net transfer to the public sector is negative but effects differ between different parts of the public sector. The effects are most negative for the municipalities, who therefore have incentives to attempt to redirect immigrants to other municipalities.

© 2006 Elsevier B.V. All rights reserved.

1. Introduction

Production during working life must not only meet personal needs but also consumption for people not producing, including the children and the elderly. This is made possible by redistribution among generations, in three ways: via the family (for example, parents who provide for their children), via the market (for example, working individuals who invest in pension insurance) and via the public sector (two examples are publicly financed schools and a pension system funded by tax revenues). Immigration influences redistribution via the public sector. This paper is concerned with redistribution between natives and immigrants through the different levels of government of the public sector. Decisions that influence immigration or immigrants made by one government entity may influence the budgets of other public authorities, and may influence their opinions and policies regarding immigration and immigrants. There are therefore

* Swedish Institute for Social Research, Stockholm University, SE-106 91 Stockholm, Sweden.

E-mail address: eskil.wadensjo@sofi.su.se.

good political–economy reasons to calculate the net transfers for different parts of the public sector. The calculations have been made in only a few cases. See [Smith and Edmonston \(1997, 1998\)](#) for the U.S. and [Wadensjö and Orrje \(2002\)](#) for an earlier study of Denmark. In this paper the public sector in Denmark is divided into four parts: the state sector, the municipalities, the counties, and the unemployment insurance scheme.¹ The calculations are for 1996 and 2001, years for which we have access to detailed distribution of taxes, transfer payments, and public consumption and investment in the different subsectors.

2. Data²

The data is from the Ministry of Finance's Law Model for 1996 and 2001.³ The database contains detailed information for each individual on income, taxes, transfers, and public consumption for 1/30 (3.3%) of the population living in Denmark. There is also information regarding demographic variables, including whether a person is an immigrant or has a parent who is, and on employment status.

Data on those aged 18 years and older, with information for the children included as part of the net transfer for their parents, has been used. There is information on demographic variables—age, gender, family type, immigration status (classified by country of birth and country of birth of the parents, and year of arrival)—for net transfers between the individual and the public sector and for the individual employment rate. Information on the country of origin is divided into two categories, Western and non-Western countries.

The major part of the public sector's costs and revenues are distributed across individuals in the Law Model.⁴ Direct personal income taxes are ascribed to the individuals who pay them, and the indirect taxes are distributed across individuals in proportion to their disposable incomes.⁵ Income transfers are assigned to those individuals who receive them. The main part of public consumption is either distributed according to information on actual use (for example school, health care and old age care) or evenly divided over the population. Public investment (for example, roads) is also evenly distributed across the whole population (both native Danes and immigrants). The public sector costs not distributed across individuals and therefore not included in the Law Model, are assumed to be independent of the size of the population. Examples are central state administration, defence, and some subsidies to the private sector (especially agriculture).⁶ The variable net transfer to the public sector is calculated for each individual as the

¹ In unemployment insurance, transfer payments include: Unemployment benefits, leave-benefits for those who take leave and are being replaced by an unemployed person; two forms of early exit compensation upon leaving the labour market; and payments corresponding to the unemployment benefits paid to those taking part in different labour market programmes. On the tax side, two forms of fees are included.

² See [Wadensjö and Orrje \(2002\)](#) for a detailed presentation of the data used.

³ See [Hansen, Nicolaisen, Dehlbæk and Schnor \(1991\)](#), [Ministry of Economic Affairs \(2000\)](#) and [Ministry of Finance \(2003\)](#) for presentations of the database. The Law Model was earlier administrated by the Ministry of Economic Affairs. [Knudsen, Larsen and Pedersen \(1998\)](#) and [Linderoth \(1999\)](#) give detailed presentations of the structure of the public sector and of the tax system in Denmark.

⁴ See [Ministry of Economic Affairs \(1997\)](#) pp. 188–200 for a presentation of how the different items are assigned to individuals.

⁵ We have not taken into account the fact that the part of the income saved may vary between groups including variation between immigrants and natives.

⁶ See [le Maire and Scheuer \(2001\)](#) for a detailed presentation of what is and what is not distributed on individuals in the 1998 Law Model.

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات