

# Re-thinking approaches to labour migration

## Potential and Gaps in EU Member States' Migration Infrastructures Case Study Summary — **Denmark**



### KEY MESSAGES

- Denmark faces significant labour shortages across various sectors, especially in skilled and highly qualified positions. This is exacerbated by demographic trends, including an ageing population and projected decreases in fertility rates.
- Labour migration remains a contentious issue in the government and with opposition parties. The Danish government has recently introduced liberalisations to labour migration policy but is still highly selective. This takes place in an overall context of aiming to reduce irregular migrants and asylum seekers from entering the country.
- As the global competition for international talent intensifies, Denmark will need to consider potential areas where it can enhance its competitiveness and attractiveness to attract talent.
- Lowering the pay limit can be a flexible solution to address labour shortages, especially for skilled and unskilled workers.
- To further improve recruitment and retention of foreign workers streamlining administrative processes could be crucial. This involves reducing bureaucratic hurdles, such as lengthy application procedures and extended processing times.
- Given Denmark's limited prior experience with skills partnerships, there is an opportunity to enhance its capacity and knowledge by drawing insights from other countries that have successfully implemented similar initiatives.

## BACKGROUND AND CONTEXT

On labour migration, the Danish government has over the years introduced a more liberal - though selective - approach, while attempting to balance the need for labour migrants to address labour market shortages with the deterrence of irregular migration, asylum seekers, refugees and their family members. The goal is to address the gaps in the workforce while balancing social cohesion and possible pressures on the welfare system. The government acknowledges the need for foreign labour to support economic growth, provided the unemployment rate remains low.

The Danish government's current stringent approach to managing immigration is rooted in historical migration patterns and the perceived impact of immigration on the country's welfare system. Denmark, with a relatively homogenous population of about 5,9 million, and has traditionally viewed itself as a non-immigration nation. The country's welfare state, based on universal, tax-financed structures, was built on the assumption of societal homogeneity and economic success. This has driven policies aimed at quickly integrating immigrants, particularly non-Western ones, into the labour market to ensure their contribution to the welfare system.

In recent years, critics have argued that TCNs, especially from non-Western countries, strain the Danish welfare state, consuming more resources than they contribute. Consequently, Denmark has introduced stricter measures over time: the **Integration Act of 1999** lowered state-financed unemployment benefits for newly arrived immigrants, and current policies grant full unemployment benefits to third-country nationals only after they have lived in Denmark for at least nine out of the past ten years and have met specific employment criteria. These measures reflect a broader trend of tightening immigration controls and focusing on integrating migrants into the labour market to maintain the sustainability of the welfare state. Interviewees point out that this hampers employers' efforts to attract high- and low-skilled labour to Denmark because of the perception that Danish society is unwelcoming to 'all' migrants.

## CURRENT AND FUTURE LABOUR SHORTAGES

The Danish population has been growing steadily during the past decades and increased from about 5.5 million persons in 2008 to close to 6 million people today. Currently, over 20% of the Danish population is older than 65 years old while about 21% of the population is between 0-19 years old. Although the current fertility rate in Denmark is higher than the European average, it is projected to decrease in the coming years. Following this trend, labour shortages already present in the country will become more acute.

Statistics Denmark reports that in 2022, 42% of Danish industrial companies experienced labour shortages, indicative of a widespread deficit across multiple sectors. Particularly affected are industries such as construction, healthcare, and services. The shortage is most pronounced in skilled roles and highly qualified positions in the private sector, including IT specialists, crucial for Denmark's digital transformation, engineers, medical professionals, and professionals in biotechnology, hospitality, construction, and finance. Labour shortages are a key concern for the Danish economy and Danish businesses and the public sector, especially for small and medium enterprises (SMEs), which find it more difficult to recruit internationally. Additionally, the low unemployment rate reflects a very tight labour market, making it difficult for businesses to fill vacancies.

The Danish national bank recognises that foreign labour is needed to support the Danish economy. It notes that while the proportion of foreign recruitment is relatively low, foreign workers' contribution to economic growth in Denmark, particularly in industries with significant labour shortages, has been very significant. Labour migrants are relevant for a number of sectors. The healthcare, IT, construction and engineering sectors have seen a large influx of foreign workers in the past years. In addition, immigrants can be found in the hospitality industry as well as in agriculture and farming (in a more seasonal pattern). Interviewees confirmed that many of the sectors relevant to Denmark's continued growth face labour shortages for which partial labour migration is a considered solution.

Given wage disparities favouring Danish salaries over the European average, Danish companies retain a competitive edge in recruiting foreign workers from

both third countries and the EU. However, concerns loom within the private sector that ongoing political debates on migration could potentially foster a culture making international recruitment more challenging.

## LABOUR MIGRATION POLICY IN DENMARK

### Domestic Legislation

Denmark's primary immigration legislation, the [Aliens' Act \(udlændingeloven\)](#), governs entry and residency in the country, detailing procedures for various categories of foreigners and specific conditions for migration, including family reunification. The Act also addresses labour migration of third-country nationals outside the EU/EEA and Switzerland. Since its inception in 1983, the Act has undergone multiple revisions, heavily influenced by EU and international human rights law. These revisions primarily respond to increased immigration, particularly of refugees, asylum seekers and for family reunification, while also addressing the growing demand for migrant labour in the Danish market. Notably, the Act was last amended on March 23, 2023, to align with the political agreement signed in June 2022, titled 'Strengthened International Recruitment,' endorsed by the previous government and several political parties.

Since 2002, Denmark has established a system for choosing labour migrants that responds to the needs of industry and employers as well as the need to fill in critical labour functions within the welfare state – for example healthcare professionals. This mostly applies to highly-skilled migrants, since educational qualifications, economic self-sufficiency, language proficiency and long-term employment are some of the criteria set by the government in determining the possibility of longer stay of labour migrants.

### Current government priorities

The parties in the current coalition government take slightly diverging views on the question of labour migration to fill labour shortages. The government thus has to balance the goal of supporting business with a flexible workforce, including through easing restrictions on international recruitment with the aim to avoid 'social dumping' and prioritise the existing domestic workforce to fill labour shortages. Overall, the Danish government's focus is to actively involve Danes, existing immigrants, and their dependents in the workforce. In 2021, a plan was proposed, requiring immigrants and descendants to work 37 hours per week for welfare benefits, initially targeting non-

Western immigrants. Recently passed legislation extends this requirement to all citizens (from July 2025 onward), whereas previously it applied only to those that have arrived after 2008.

### Policies looking ahead

To tackle labour shortages, the government is targeting the addition of 45,000 full-time jobs by 2030, with a focus on engaging young Danes, non-Western migrants and their dependents already residing in Denmark. The strategy prioritises local recruitment to fill labour gaps before turning to international hiring. Policies are geared toward integrating migrants into the workforce, upskilling Danes, and aligning the available labour force with market demands, including through adult training programs and partnerships with higher education institutions, particularly in technical fields. Additionally, as of January 2024, the government has announced an agreement aimed at expanding the pool of foreign workers in the social health sector, facilitating the inclusion of an extra 1.000 healthcare professionals by expanding the Positive List.

The government coalition agreement emphasises increasing the number of international students in needed sectors and making international recruitment agreements permanent while preventing social dumping. A new initiative will streamline access to foreign labour for certified companies, with expedited processing facilitated by the Agency for International Recruitment and Integration. Additionally, the government plans to establish an annual quota for work permits and provide continued residence for select foreigners possessing skills in shortage sectors, ensuring their ongoing contribution to Denmark's economy.

## LEGAL LABOUR MIGRATION PATHWAYS

### Main labour migration schemes: high- and medium-skill levels

With the exception of the schemes that target young people (Trainees and Working Holiday), and the schemes that (in theory) allow for TCNs with lower levels of skills (Start-up Denmark, the scheme for volunteers and the Short Term track under the Fast Track scheme) all labour migration schemes in Denmark targets medium- or highly-skilled workers. There is less political space to provide specific pathways for jobs with lower skill levels, possibly also

due to the view that Danes should first be incentivised to help fill such positions.

### Highly- or medium-skilled workers

The **Fast Track scheme** allows TCN employees to start working before their residence and work permit applications are processed, with five tracks: Pay limit, Supplementary pay limit, Short-term, Researcher, and Educational. While similar to schemes with the same names, each track has distinct requirements. The Pay Limit track sees the highest utilisation, constituting 75% of first-time permits in 2022, followed by Researcher (15%) and Short Term (11%). However, the Educational track has minimal usage, with only one permit granted in both 2021 and 2022. Overall, the scheme's popularity has surged, nearly tripling since 2018.

The **Pay Limit scheme** in Denmark does not require specific education levels, industries, or job types. It mandates a minimum annual salary of DKK 465.000 (2023). It is the second most used labour migration scheme, with 2.221 permits in 2022 compared to 7.989 for the Fast Track scheme. Due to criticisms that the income threshold was too high for young talent, the Supplementary Pay Limit scheme was introduced in 2023. This scheme has a lower income requirement of DKK 375.000 (2023) and additional conditions, such as job postings on Jobnet and EURES, Danish-standard salaries, at least 37 work hours per week, and no significant criminal fines. In 2023, 587 individuals used this scheme, surpassing numbers from the Positive Lists.

Another pathway into the Danish labour market is through the **Positive Lists**, which catalogue positions facing labour shortages and are open to individuals with higher education or skilled work backgrounds. However, this route has seen limited utilisation, with only 385 permits granted in 2022. To address concerns about alignment with market needs, the Positive List for skilled workers was introduced in 2020, yet a substantial portion of applicants (43% in 2021) are rejected due to employer non-compliance. In April 2023, the Positive List for higher education was expanded to include further education, with additional job titles added by defined unemployment insurance funds and regional labour market councils. The impact of these changes on scheme usage remains uncertain.

TCNs entering through schemes like Fast Track, Pay Limit, and Positive Lists are primarily absorbed into industries such as 'Public administration, education, and health', 'information and communication',

'Knowledge services', and 'industry'. However, notable disparities exist across schemes. While over a third of Positive List entrants work in 'public administration, education, and health', the proportion is significantly lower for Fast Track and Pay Limit entrants. Instead, Pay Limit entrants are also employed in 'trade' and 'hotels and restaurants', while Fast Track workers are more evenly distributed across industries such as 'Public administration, education, and health', 'information and communication', 'knowledge services', and 'industry'.

Highly-educated foreigners such as **researchers, guest researchers, and PhD students** are eligible to secure a residence and work permit under specific conditions. This includes being offered a paid researcher position, conducting research at a Danish research institution or company, or being enrolled in a PhD program, with or without payment. The count of researchers in Denmark experienced a decline during the COVID-19 period but has shown a slight uptick in 2022. Notably, in 2022, just over a quarter of all researchers and guest researchers originated from China, with approximately 10% coming from the USA and 8% from Iran and India. Yet, overall, numbers are low. 390 permissions for researchers and guest researchers were granted in 2022 and 929 for PhD students.

A residence permit aimed at acquiring Danish authorisation as a doctor, dentist or nurse does not grant the right to work. To qualify for the Danish authorisation, individuals must fulfil various requirements, including completing **employment for adaptation and training purposes (known as 'evalueringsansættelse')**. This necessitates a separate work permit specifically designed for adaptation and training purposes. In 2022, 528 residence permits were granted to obtain authorisation. Of those granted the permit, 87% came from Iran.

### Medium- or low-skilled workers

To work in agriculture, most skilled workers are granted residence under the **Herdsmen or Farm Manager scheme**. This scheme's usage has fluctuated, with increases over time but decreases in 2020 (likely due to COVID-19) and again in 2022. Almost all foreign workers under this scheme are from Ukraine, with over 96% from 2018-2020, decreasing to 91% in 2020 and 85% in 2022. This drop may be due to a new temporary residence permit for displaced Ukrainians introduced in June 2022. This Special Act allowed 32,915 Ukrainians to receive permits in 2022, with 53% of those aged 18-66 employed by June 2023.

Some Ukrainians under this Act may have otherwise applied as herdsmen or farm managers.

**Special individual qualifications:** persons who have been offered a job so specialised that only they possess the requisite skills can apply for residence and work permits based on the special individual qualifications scheme. Examples of persons entering through this scheme are professional athletes and trainers, specialised chefs and musicians. The utilisation of this pathway mirrors that of researchers and has experienced a slight decline in recent years. In 2022, the total number of granted permits was 376. The largest share (28%) came from the USA.

**Drilling or other mobile workplaces:** this pathway is for persons who have been offered a job on a drilling rig, ship or another vessel that briefly enters Danish territory. The influx of individuals arriving through drillings and other mobile pathways is relatively modest yet noteworthy. In the last two years, over 2.800 individuals obtained this specific residence and work permit. This permit is designated for those employed on drilling rigs, drilling ships, or other vessels temporarily entering Danish territory. This includes among others, employees on pipe laying or windmill construction vessels, and similar tasks. Notably, in 2022, approximately a third of these individuals came from the Philippines (SIRI 2022: 38).

#### Other pathways

**Startup Denmark** offers foreign entrepreneurs a pathway to obtain a Danish residence permit for establishing and managing innovative growth companies. It enables the continuation of self-employment if previously established in Denmark and allows permits for conducting business in Denmark through a foreign self-employment branch. The Startup Denmark pathway to Denmark has been significantly underutilised. Over the past five years, fewer than 50 individuals arrived through this scheme annually, with only 23 arrivals recorded via this pathway in 2022.

### Temporary and Seasonal migration schemes

#### Seasonal work in agriculture and hospitality: Short term track under Fast Track Scheme

Temporary or seasonal workers in Denmark are mainly employed in agriculture, horticulture, hotels, and restaurants. The primary pathway for such work is the Short Term Track under the Fast Track scheme, allowing residence and work for up to 90 days per year. Employment must be full-time with a certified

employer, and the salary and terms must meet Danish standards to prevent underpayment. The use of this track has surged, with permits more than quintupling since 2018. In 2022, nearly 15% of all Fast Track permits were under the Short Term track, with 33% of these workers from the UK, 25% from India, and 20% from the USA.

#### Au pair programme, Trainees and Working holiday

Another widely used entrance to short-term work in Denmark is the au pair programme. The Danish au pair is a cultural exchange programme, not a pathway to the Danish labour market. Nevertheless, Au pairs carry out domestic work in Danish families for 3-5 hours per day for a maximum of 6 days, i.e. between 18 and 30 hours per week. A residence permit as an au pair is valid for a maximum of two years. In 2022, 678 persons resided as au pairs in Denmark (only about half the number of au pairs in 2018/before the COVID-19 pandemic). In 2022, more than 75% of all au pairs came from the Philippines. 7% came from Thailand and around 2% came from Brazil, Mexico and Kenya.

Trainee permits are given to individuals offered short-term employment in Denmark for educational or training purposes. The arrivals through the trainee scheme are low. Even though the numbers rose to 145 in 2022, they remained below 100 annually even before the onset of the COVID-19 pandemic. Trainees in Denmark primarily come from China, Taiwan and India.

### Possibility of Status Change

**International students** are among the immigrants who can change their status and enter the pool of labour migrants. Until March 2023, international students could apply to stay in Denmark and look for a job up to 1 year after completion of their educational programme via the *Establishment Card scheme*. In March 2023, the establishment card scheme was abolished, and a more generous **automatic residence permit for job seeking for up to 3 years was introduced** (the new permit is also available to third-country nationals that complete a Danish professional bachelor, bachelor, master or PhD programme). Due to its recent introduction, it is not possible to evaluate the success of the new, automatic residence permit for job seeking, yet, of the total of 7.073 international students who graduated in 2019, between 48-56% were employed in Denmark for two years after graduation.

## Bilateral and special labour migration agreements

In 2009, Denmark and India signed a **Memorandum of Understanding (MoU) on labour mobility and social security** to address the demand for skilled workers in Denmark. It aimed to facilitate legal migration from India. Denmark also established the 'Work in Denmark Centre' in 2010 which also helps to promote Indian employment prospects. Although there's no public evaluation of the MoU, the number of employed Indian citizens increased fivefold by 2022.

In February 2024, Denmark initiated a new mobility agreement with India to attract labour and support a green strategic partnership. This includes exploring collaborations, especially in healthcare, aligning with an earlier announcement to recruit foreign workers in the health sector. A new agreement aims to issue permits for social health workers, with discussions ongoing for partnerships in recruiting and training care workers with India and the Philippines. Criticism from the International Council of Nurses raises concerns about a potential 'care drain'. Additionally, some partners involved in the agreements have publicly emphasised the necessity for compliance with the World Health Organization's ethical guidelines should partnership agreements be established.

## SUGGESTIONS FOR POSSIBLE FUTURE ADAPTATIONS TO LABOUR MIGRATION POLICY AND THE USE OF EXISTING PROVISIONS

Denmark seeks to balance deterring refugees and asylum seekers with attracting labour migrants to fill the needs of the Danish labour market. Since the general halt in 1973, it has gradually opened up to labour migration. Despite current and expected labour shortages due to an ageing population and ambitious climate goals requiring a green transition, Denmark's immigration policy remains strictly regulated, especially for non-EU labour migrants with lower income levels. Employer associations advocate for increasing measures to attract foreign workers, while workers' unions prioritise Danes and Danish residents. The Danish government recognizes the need for foreign labour to sustain economic growth, but this issue causes contention within the government coalition.

Nearly all existing channels for labour migration to Denmark are demand-driven. Denmark's experience with a point-based system, the Danish Green Card scheme, showed effectiveness in attracting skilled labour, but failed to secure qualified foreign workers a job within their field of education, leading to wage dumping and nearly half of green card holders working in unskilled jobs. Hence, resolving skills and labour shortages in Denmark will likely involve a demand-driven approach, which could entail expanding current programs and establishing skills partnership agreements to provide skilled workers.

### *Lowering the pay limit: a flexible solution to address labour shortages*

Focusing on the potential of existing labour mobility schemes, the framework of the Pay Limit scheme stands out as a flexible solution to address (part of) the labour shortage. There are indications that lowering the annual income criteria could help recruit more skilled and unskilled labour. An evaluation of the Green Card scheme showed that nearly half of employed green card holders earned less than DKK 200.000 annually, mainly due to part-time employment. This reveals an employable foreign workforce that does not qualify for existing pay limit schemes. The Confederation of Danish Employers (DA) supports a lower income requirement, noting that unskilled workers in the service and tourism industries are not paid enough to qualify for current schemes. The Confederation of Danish Industry also urges the government to implement an even lower pay limit for certified companies, as outlined in the coalition agreement. Both the trade unions and the Confederation of Danish Employers emphasise the need for simultaneous requirements to avoid wage pressure and ensure orderly working conditions. The government could thus revise the pay limit rule while introducing necessary safeguards.

### *Easing administrative burden and minimising bureaucracy*

Lengthy and challenging application processes hinder both recruiting and retaining foreign workers. While first-time residence and work permit processing usually takes a month, the application itself is burdensome. Heavy administration and bureaucratic processes pose significant barriers for companies hiring and individuals from outside the EU. These hurdles range from establishing a Danish bank account (taking over eight weeks) to processing times at the Agency for International Recruitment (SIRI).

To alleviate administrative burdens and minimise hurdles related to labour shortages, *Local Government Denmark* suggests streamlining recruitment processes. They advocate for a comprehensive review of rules, processes, and collaboration across authorities to eliminate unnecessary requirements and explore digitization for faster processing. Additionally, the bureaucratic process may deter foreign labour due to its unwelcoming nature. The government could usefully reduce red-tape by simplifying documentation requirements or introducing 'one-stop-shop' services for new arrivals to centralise administrative tasks. The government could also establish partnerships with major Danish banks to expedite the process of opening bank accounts for TCN workers.

#### ***Further build on experiences of skills partnership agreements***

Denmark's labour mobility agreements, primarily with India, are limited but evolving. New discussions with India aim to establish a partnership for recruiting and training care workers, with potential talks involving the Philippines. Given Denmark's limited prior experience with skills partnerships, there is an opportunity to enhance its capacity and knowledge by drawing insights from other countries. Emphasis should be placed on aligning partnerships with ethical guidelines from the World Health Organization, ensuring global standards are met.

#### ***Making Denmark more competitive in attracting foreign labour***

Denmark must enhance its attractiveness to skilled foreign labour. Despite high rankings in global indexes, areas for improvement remain. Key strengths include work-life balance, job security, societal stability, healthcare, childcare and gender equality. Denmark struggles to navigate a balance between a stringent approach to certain migration while maintaining an appealing image for wanted labour migrants. Refugees get most social benefits like Danes, but third-country nationals with temporary permits must be self-supportive and lack access to benefits. This might affect recruitment and retention of foreign workers. Denmark's strict stance on "unwanted" migration may harm its image among desired labour migrants. Balancing this approach is essential to attract skilled workers.



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