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**Research Paper no. 11/03**

**Cross-Border Commuting in the EU:  
Obstacles and Barriers**

**Country Report: The Øresund Region**

**Prof. Bent Greve & Maj Rydbjerg**

**Roskilde University, Denmark**

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**Research Papers from the Department of Social Sciences, Roskilde University, Denmark.**

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## **Abstract**

This research paper deals with the cross-border mobility between Denmark and Sweden. The paper describes the barriers and obstacles to movement across the borders.

It contains a description of the labour market, and, the knowledge on existing barriers for mobility across. These seem to a high degree to be due to differences in labour market conditions, tax-systems, but also cultural and linguistic aspects have an impact on the mobility across the border.

The research paper was part of a preliminary research financed under the EU fifth framework programme on immobility, and, especially perceived barriers for mobility in cross-border regions.

**Keywords: Cross-border, labour market, taxation, commuting**

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# Cross-Border Commuting in the EU: Obstacles and Barriers<sup>1</sup>

## Country Report: The Øresund Region

### TABLE OF CONTENTS

Introduction.....	6
1. National Characteristics Denmark - Sweden.....	6
1.1 Denmark .....	6
1.1.2. The Employment Situation .....	8
1.2. Sweden.....	9
1.2.1. The Employment Situation .....	10
2. The Cross-Border Øresund Region.....	11
3. Labour Market Characteristics in the Border Region .....	13
3.1. The Industrial Structure.....	13
3.2. Development in Employment .....	15
4. Cross-Border Co-operation and Initiatives .....	16
4.1. Cross-border Labour Market Initiatives.....	17
5. Legal Aspects of Cross-Border Commuting .....	19
6. Cross-Border Commuting – Known Movements.....	29
7. Causes of Cross-Border Immobility - Mobility.....	31
7.1. Two Research Studies about Cross-Border Commuting.....	33
8. Preliminary Conclusion .....	36
9. Bibliography .....	39

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<sup>1</sup> The country report was part of the research projekt crobocob support by EU´s 5th framework programme

## **Introduction**

This study focuses on immobility, i.e. it is concerned with what factors cause cross-border commuting immobility, with the border as an assumed major influence (Clasen & Erskine, 2003). Border influences can be divided into two categories: firstly, physical factors such as legal and institutional constraints, and secondly, non-physical factors, e.g. values and meanings attributed to cross-border activities as well as perceived differences between the two sides of the border (van der Velde, 2000; Clasen & Erskine, 2003). This study aims to investigate both these factors and it seeks to identify the key factors that contribute to immobility (see Clasen & Erskine, 2003:5).

This Paper provides background knowledge to the study of immobility in the Øresund Region. The paper sets out by briefly outlining the national characteristics in terms of welfare systems and labour market structures, before it turns to look at the Border Region. First a general introduction to the Øresund Region is given followed by a discussion of the regional labour market characteristics. Then the legal aspects of cross-border commuting and the known movements across the border are discussed. Finally, the Paper reflects on some of the existing theories about cross-border mobility/immobility and introduces the existing research in the field as an out-set for further research.

## **1. National Characteristics Denmark - Sweden**

### **1.1 Denmark**

Denmark is often characterised as one of the main examples of the social democratic welfare regime, also labelled the universal welfare regime. The universal regime builds on a principle of social citizenship and aims to secure a certain living standard for everyone, which means that benefits are based on individual rights rather than means testing (Esping-Andersen, 1990; 1999). However, the Danish welfare state is not entirely universal, as rights are not only based on social citizenships but also, although to a lesser extent, on assessments of needs, labour market participation as well as membership status. This notwithstanding the Danish welfare state reflects highly universal features and the aim is to secure a certain living standard for everyone.

The Danish unemployment benefit system is a combination of a support principle run by the local municipalities, and a voluntary insurance system run by insurance associations (A-kasse), which are funded by the members, the employers and the State. There is a comprehensive coverage of all the unemployed, with a relatively generous compensation level and duration, and benefits are immediately available in case of unemployment. The high coverage and compensation level is combined with welfare policies for vulnerable groups (social pensions, sick payments etc.), subsidised childcare, family policies, a universal pension scheme and a public health service. The welfare benefits and services are mainly financed via relatively high income taxes. Furthermore, unlike most of the European countries the social security system is also largely funded through general taxes and duties.

The system builds on the promise of full employment, both as a right for the citizens and as a premise for the functioning of the system. Therefore, the regime is characterised by an extensive use of active labour market policies, to help the unemployed to move from benefits back to active labour market participation (Gallie & Paugam 2000:6-7). Hence, Denmark has a long tradition for a combination of relatively high unemployment benefit levels and active measures to support a flexible labour market with little formal regulation (Jørgensen & Pedersen,2000:cp.6).

The active measures have been strengthened through the labour market reforms of the 1990s, which have had a twofold focus on ‘rights and duty’ activation, i.e. on a strengthening of the training aspect on the one hand and the available criteria and job-test aspect on the other hand.

The dual aim of the Danish employment policy is job growth and increased labour market participation. The first aim is facilitated through a range of initiatives that aim to make it more attractive to start-up and run private enterprises and to make it more profitable to invest in research and new developments (Danish NAP,2002). The second aim is pursued through a continuation of the 90s labour market reforms, which among other emphasise a better match between the supply and demand for skills, as well as increasing the incentives to take-up employment by using a “sticks and carrots method”. Furthermore, the Government seeks to raise the labour market participation rate by increasing the older working population’s



incentives to stay longer on the labour market and by facilitating ethnic minorities' access to the labour market.

The union density is high in Denmark. In the 90s the trade unions represented as high as 82% of the workforce, and the employers' organisations had representation of 54%. The Danish social partnership approach is characterised by highly organised and disciplined partners, a collective bargaining system that is based on voluntary agreements between the partners, intensive co-ordination, a low level of conflict and the State as a facilitator rather than regulator. However, the State plays an important role, hence apart from being employer, the state is responsible for the public employment services, funds the unemployment and social benefits, initiates and funds much partnership work and generally has a role in mediation, conciliation and arbitration procedures.

Another important set of actors is the local authorities, at regional and municipality level. They play an important role with regard to formulating regional policy strategies as well as implementation in the areas of social- and labour market policy, where as the voluntary organisations play a very limited, but increasing role (Andersen & Mailand, 2001b; Jørgensen & Pedersen,2000:cp.4).

The employment protection is relatively low in Denmark and the job mobility on the labour market is relatively high, however, according to Madsen (1999) this has not led to a feeling of insecurity as the predominance of SME facilitates mobility between them and because unemployment benefits immediately are available in case of unemployment.

### **1.1.2. The Employment Situation**

Denmark experienced a period with high unemployment in the beginning of the 90s hence unemployment was as high as 12.9% in the middle of 1994 when it peaked. From the mid 90s and onwards unemployment dropped and in May 2002 it was 5% the lowest in 25 years.

Today, Denmark is among the EU countries with the highest labour market participation and lowest unemployment. Hence, in January 2003, the rate of labour market participation was 76.8% (81.8% for men & 71.8% for women) compared to

68.9% EU-2000 (Danish NAP 2002) and the employment rate was 72.7% (78% for men & 67.3% for women) compared to 63.15% EU-2000 (*ibid.*) (Danish Statistics, 2003).

However, the combined effects of the general economic slow down and the political decision to make a tax ceiling, have increased unemployment to 6% in May 2003 (*ibid.*). The new increase in unemployment is especially evident among people with university degrees. In particular, the unemployment among newly university graduates has risen steeply and amounted to 34.1% in July 2003. However, on a general level the distribution of unemployment according to social-economic status and education follows the pattern in the other EU Member States, i.e. blue-collar workers are more likely to become unemployed than white-collar workers, and unemployment is more predominant among Danes with a different ethnic background as well as the immigrant population.

## **1.2. Sweden**

Sweden is also seen as the archetype of the social democratic welfare state (Esping-Andersen, 1990,1999). However, as in Denmark the Swedish welfare state is not entirely universal, as the right to various social benefits is not solely based on social citizenship but also on an assessment of needs, workforce participation and voluntary affiliation (Swedish Institute, 2001a). Nevertheless, like the Danish welfare state the Swedish incorporates highly universal features, since the vast majority of the population is insured primarily via the various public welfare systems where entitlement to benefits largely is based on rights rather than means testing (Esping-Andersen,1990;1999).

The unemployment benefit system rests on a combination of a support principle and a voluntary income-related insurance-based system. The coverage and compensation level is comprehensive, but compared to the Danish system the duration period is short, i.e. unemployment benefits are payable for a maximum of 300 days compared to four years in the Danish system (The Swedish Institute, 2001b).

In the 90s Sweden experienced a severe recession, which led to a number of reforms of the Welfare State, among other a tightening of the eligibility criteria. However,

Sweden continues to have a comprehensive range of State subsidised welfare services as well as inclusive public healthcare and a universal pension scheme (Palme,2002;The Swedish Institute 2001a).

The welfare benefits and services are primarily funded through high income taxes, but in contrast to Denmark social security contributions are paid by the employer. Like the Danish system the Swedish system is based on a policy of full employment accordingly there is a strong element of active labour market initiatives and programs, and full employment is an explicit political goal (The Swedish Institute 2001b).

Wages and work conditions are decided by collective bargaining, however the system is more centralised in Sweden and regulation by law plays a more significant role than in Denmark<sup>2</sup>. The union density in Sweden is one of the highest in the OECD countries and the bargaining coverage is much higher in Sweden (89%) than in Denmark (69%) (OECD,2003:75).

The job protection is high in Sweden as there is a special law that protects the employees.

Sweden and Denmark share many characteristics, however, there exist some notable differences. According to the OECD, the Swedish labour market is overall less flexible than the Danish as there is more public intervention, employment protection is stronger, job mobility lower, and wages are less reflective of the productivity level (OECD,2003).

### **1.2.1. The Employment Situation**

The Swedish rate of labour market participation and employment was one of the highest in the world before the economic crises of the 90s, but from 1990-1995 labour market participation fell from 84% to 79.4% and the employment rate decreased from 83.1% to 72.1% (Swedish Institute, 2001b). However, the economy has begun to recover and the Swedish labour market has performed strongly since

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<sup>2</sup> According to OECD's 'Strictness of employment legislation index' of all the OECD countries Denmark is among the least strict in contrast Sweden is among the strictest. The index is based on restrictions on individual dismissals of workers with regular contracts and temporary forms of contracts (OECD,2003:77).

the end of the 90s, i.e. from 1997-2000 more than 200.000 new jobs were created and in March 2003 the employment rate was 74.4%.

The labour force participation is approximately the same for women and men; hence in 2002 the participation rate for women was 76.1% and 79.8% for men.

In June 2003, the registered unemployment was 4.8%, the corresponding figures from 1997 and 2000 were 9% and 5.4% (Swedish Statistics, July 2003).

Although the employment rate has increased regional gaps persist and to some extent has widened, as metropolitan regions such as Stockholm, Göteborg and Malmö have experienced a substantially higher ratio of job creation than other parts of Sweden (Swedish Institute, 2001b). Moreover, Sweden has experienced a small increase in unemployment due to the general economic slow down; however, since the last years' job expansion chiefly has been based on a strong growth in the domestic market the impact in Sweden has so far been relatively small.

The distribution of unemployment in terms of socio-economic status, educational level and ethnic background and citizenship is similar to the Danish, whereas the level of long-term unemployed is higher than in Denmark, hence in March 2003, 29% of the unemployed had been unemployed for more than six months (Swedish Statistics, 2003).

## **2. The Cross-Border Øresund Region**

The Øresund Region encompasses Skåne on the Swedish side and the islands Zealand, Lolland, Falster and Bornholm on the Danish side. The Region has a surface area of 20.859 km<sup>2</sup>. The area can roughly be divided in three parts, the metropolitan area of Copenhagen, the Danish periphery and Skåne, where Malmö and its surroundings account for a dominant part of the Swedish part of Øresund.

Extensive investments in the infrastructural framework in the Region have increased the Region's accessibility to the rest of Europe and the Øresund Bridge has physically linked the two parts that are divided by the Øresund strait through which the borderline runs.

There are two crossing points: the Øresund Bridge that links Copenhagen and Malmö, which can be crossed by car or train and further north a car ferry that links Helsingør on the Danish side with Helsingborg on the Swedish side.

The region has around 3.5 million inhabitants, one-third on the Swedish side (1.120.426 mill.) and two-third on the Danish side (2.383.253 mill.), which are approximately half of the Danish population and one-tenth of the Swedish.

The region covers both rural areas and a large metropolitan area, consisting of the Danish Greater Copenhagen Area and the city of Malmö in Sweden. Together the Copenhagen-Malmö axis forms the biggest and most densely populated big city area in Scandinavia with approximately 2 million inhabitants.

The Øresund Region is characterised by an advanced economy with a high supply of skills and a tradition of business development and innovation on both sides of the strait and the difference in income and wealth gap between the two sides is limited (OECD,2003).

Moreover, combined the region has some of the biggest universities in Scandinavia and with 20 different universities and other higher education institutions and a total of 130.000 enrolled students the region is one of the largest educational centres in Europe (*ibid*).

Both Denmark and Sweden are decentralised countries with a significant devolution of power to the local levels, which has given the sub-national governments of Zealand and Skåne a favourable position with regard to developing cross-border initiatives.

With regard to the administrative and political structure of the Region, Skåne consists of one county divided into 33 municipalities and the Danish side is made of eight political units: the City of Copenhagen and the City of Frederiksberg , which are not included in the Danish county structure, and six counties Copenhagen, Frederiksborg, Roskilde, West Zealand, Storestrøm and Bornholm. These six counties are further divided into 99 municipalities.

### 3. Labour Market Characteristics in the Border Region

Zealand and Skåne largely function as two separate labour markets in terms of labour force, unemployment, economic growth and employment structure. However, since the fixed link opened in 2000 there has been an increase in cross-border activities such as business network, educational network, research network, commuting and immigration (Øresundskompass, 2003 e & f; Øresundskomiteen,2002).

#### 3.1. The Industrial Structure

The industrial structure in the Øresund Region is diversified, which makes it difficult to draw up a profile for the entire region, however table 1. below outlines the main characteristics.

Table 1: Number of Employed per Sector, 1997

	Greater Malmö	Greater Copenhagen	The rest of the Øresund Region, SE	The rest of Øresund Region, DA
Primary sector	1,1	1,0	4,5	5,5
Secondary sector	16,5	11,2	23,0	16,0
Tertiary sector	0,8	0,6	0,5	1,0
Building- and Construction sector	5,4	5,7	6,3	7,0
Retail business	13,9	16,0	12,5	13,8
Hotel and Restaurant	2,3	2,8	1,8	2,9
Transport and Communication	7,0	7,8	5,8	5,4
Financial sector	1,9	4,3	1,3	1,7
Business service	12,1	13,0	6,8	6,0
Public Administration	4,7	7,5	5,2	7,0
Education	8,5	7,2	7,3	8,1
Social and Health sector	18,6	16,6	18,9	19,8
Other Personal Service	4,5	6,0	3,7	4,6
Other	2,8	0,5	2,2	0,5
Total, %	100	100	100	99
Total,	225.694	968.998	241.821	254.840

Source: [www.orestat.scb.se](http://www.orestat.scb.se) / INTEREG IIIA

Greater Malmö is defined as the following municipalities: Malmö, Burlöv, Lomma, Kävlinge, Lund, Staffanstorps, Svedala, Vellinge and Trelleborg.

The majority of the workforce in the Border Region is employed in the service sectors. However, Copenhagen's status as a capital is connected with a range of special conditions for the Copenhagen area that Skåne, which has a more peripheral status in Sweden does not enjoy, e.g. the public administration as well as the financial sector and business services plays a relatively larger role in comparison to the Swedish side and the rest of Denmark.

Likewise, the number of employed in trade is higher in the urban areas. In Denmark, employment in the hotel and restaurant sector is largely the same in Greater Copenhagen and the rest of the Danish Øresund Region, whereas it is relatively higher in Greater Malmö than in the rest of the Swedish Øresund Region. The employment in education and health sector is evenly divided between urban and non-urban areas in both countries. Finally, the primary and secondary sectors are mainly located in the country districts and small towns and the number of employed in the secondary sector is higher in Sweden than Denmark

Generally the industrial structure in Sweden is dominated by large enterprises (VOLVO, SKF, Ericsson) while Danish firms are more moderate in size, but in the Øresund Region 90% of all firms on both side of the strait had less than 20 employees in 1995 (OECD,2003).

Table 1. above shows the traditional way of analysing the industrial mix. In order to better show new developmental patterns or regional variations table 2. shows eight areas that can be described as critical driving growth clusters for the future development in the Region, in particular medicine/health, IT, food products and energy/environmental are significant according to the OECD (ibid.).

**Table 2: Number of employed persons as % of the total number of employed persons in the Øresund Region, 1997**

	Greater Malmö	Greater Copenhagen	The rest of the Øresund Region, SE	The rest of the Øresund region, DK
Food	9,9	6,0	13,4	15,8
Furniture and textile	2,2	2,0	2,4	2,4
Tourism	2,2	2,4	1,8	2,6
Building- and Housing sector	14,1	13,5	16,1	14,1
IT/Communication	9,8	11,0	5,6	4,2
Transport	8,5	8,7	9,2	8,5
Energy/Environment	1,8	2,1	1,5	3,3
Medico/Health	14,6	12,3	14,4	14,6
Total	63,1	58,0	62,6	65,5
Total number of employed	225.694	968.988	241.821	254.840

Source: [www.orestat.scb.se /INTEREG III](http://www.orestat.scb.se /INTEREG III)

As illustrated in table 2. in the light of the resource areas no part of the Øresund Region can be described as lacking behind. Greater Copenhagen and Greater

Malmö have a relatively larger share of the employment within the high-tech sectors, such as IT and communication where as the food industry largely is placed outside the urban concentrations.

In the period 1995-98 the growth in these sectors developed quite differently from each other with a job growth of more than 10% in tourism, IT and the building sector, while food production and environmental industries experienced negative job growth rates. The most quickly expanding sectors were medical and IT and the environmental products sector experienced a significantly drop (OECD,2003). Overall this development has continued until today, however the recent economic slowdown has impacted the medical and IT sectors relatively hard accordingly the growth in these areas has lost speed (ØresundKompass, 2003f).

### **3.2. Development in Employment**

The total number of people in employment in 2002 was approx. 1.6 mil people, with 1.170.000 on the Danish side and approximately 526.000 on the Swedish side (Øresundkompass,2003e). The total number of employed in the Øresund Region has gone up with 3.9% from 1999 to 2002, with an increase of 2.6% on the Danish side and 7.1% on the Swedish side. During the same period the job growth has been larger than the increase in the workforce on both sides and unemployment has been low, i.e. in 2002 it was 5.4% for the entire region, 4.8% on the Danish side and 6.4% on the Swedish side (*ibid*). In 2001 AF-Øresund made a prognosis that this development would continue towards 2008 (AF-Øresund,2001). However, the recent economic slowdown has lowered the job growth expectations for 2003 in comparison with 2002 on both sides of the border region (ØAR,2003).

The total workforce in the Øresund Region accounted for 1.8 mil people in 2002 with 69% on Zealand (approx. 1.2 mil people) and 31% in Region Skåne (approx. 500.000 people) (Øresundskompass, 2003c). On the Danish side the workforce has increased with 3.4% from 1994-2002 compared with 3.2% in the whole of Denmark. On the Swedish side the similar numbers are 5.5% for Skåne compared with 2.7% for Sweden (*ibid*).

The economic recession that Sweden experienced in the beginning of the 90s made the national employment rate drop from 83.1% to 72.1% in 1995. The economy



has slowly recovered since and the employment rate has risen in most of the country, i.e. the first quarter of 2003 the employment rate was 74.4% (Swedish Statistics,2003). As aforementioned the metropolitan areas of Stockholm, Göteborg and Malmö have experienced a relatively larger job growth compared to the rest of the country this is among other because the job growth that Sweden is experiencing primarily is taking place within the private sector, which is concentrated in these areas (Swedish Institute,2001b).

Disparities in the employment growth between the sides of the Border Region are reflecting both the level of employment and the unemployment rate, hence whereas the Danish Region has a high level of employment and unemployment is low, the employment rate is lower in the Swedish Region and the unemployment is higher. However, the disparities in unemployment that was generally large in the 90s continues to decrease as especially Skåne has experienced a high growth in the recent years (OECD,2003:28). Hence, the economic situation in the Border Region has been characterised by a period of growth in both parts of the Region, which has caused recruiting problems within certain sectors. The majority of the sectors where enterprises experience recruiting problems are identical in the two border regions.

#### **4. Cross-Border Co-operation and Initiatives**

Cross-border co-operation between local and regional authorities and organisations in the Øresund area has existed since the 1960s through bodies such as the Øresund Council (Øresundsrådet) and Øresund Contact (Øresund Kontakt). However, the region building took off with the decision to build a fixed link between Copenhagen and Malmö in 1991. Hence, in 1993 the local and regional authorities, together with the national authorities decided to replace the existing organisations with the Øresund Committee (Øresunds komiteen) as the new regional policy forum for cross-border co-operation. The Committee's goal is to strengthen and make the region visible on national levels as well as internationally, in order to facilitate economic, cultural and social growth in the region.

Legally the Øresund Committee is a member organisation and it is funded partly by its members and partly by the Nordic Council and through external project

funding<sup>3</sup>. It consists of 32 politicians, and 32 deputies. The election period for the regional and the municipal representatives complies with the functional period for the nominating political authorities. Furthermore the respective governments point out 12 governmental representatives each. The Øresund Committee is supported by the Øresund Commission (Øresunds Kommissionen), which consists of civil servants that prepares and manages the preparation of a working programme and a budget proposal for the Committee, and is responsible for carrying out the Committee's decisions. Both bodies are supported by a secretariat that handles the activities decided by the Committee and the Commission, as well as day-to-day administrative tasks.

Today the Øresund Region building involves a broad-scale functional and political project, including research, education, culture, environment, communication, infrastructure, labour market and international marketing. Moreover, public awareness companies are actively used as instruments to facilitate cross-border integration in the Region.

In a EU perspective the regionalisation of the Øresund Region is highly institutionalised and has enjoyed relatively big attention from both national and local politicians as well as business leaders. The Nordic framework that has existed since the 1950s has facilitated this co-operation and can be seen as an supporting factor for further development (INTEREG IIIA,2001; OECD,2003). Moreover, both Sweden and Denmark are EU Member States and therefore involved in several EU initiated cross-border projects that have underpinned the regionalisation, e.g. INTEREG II was operative from 1994 to 1999 and an INTERREG IIIA programme became operational in the end of 2000.

#### **4.1. Cross-border Labour Market Initiatives**

There are three permanent bodies in the labour market area: AF-Øresund, which is a public employment offices, ØAR (Øresundsregionens Arbejdsmarkeds Råd) that

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<sup>3</sup> The members of the Øresund Committee include: Copenhagen Municipality, Frederiksberg Municipality, Copenhagen County, Roskilde County, Frederiksborg County, Vestsjælland County, Storstøm County, Bornholm County on the Danish side and Region Skåne, the city Malmö, Lund Municipality, the city Helsingborg and Landskrona Municipality. The Ministry of Environment and the Ministry of Trade represent the Danish State as observers and the Swedish State is represented in the same way.

is the regional labour market policy council of the Øresund Region, and EURES Cross-border Øresund, which is part of the European Employment offices.

The AF-Øresund framework is a co-operation between the public employment offices in Greater Copenhagen and the counties of Vestsjælland and Bornholm on the Danish side and Skåne on the Swedish side. AF-Øresund co-operate in four areas: 1) cross-regional analysis, 2) cross-regional exchange, 3) cross-regional employee educations, and 4) cross-regional information. The overall goal of the co-operation is to actively contribute to a positive development towards an integrated labour market in the Øresund Region. On a practical level, AF-Øresund is among other actively facilitating cross-border job training for unemployed and skill matching.

The regional labour market policy council (ØAR) consists of the various regional labour market policy councils from the two border regions. ØAR represents the Social Partners, the counties, the municipalities and the national labour market authorities in Denmark and Sweden. ØAR aims to facilitate labour market integration on a political strategic level by co-ordinating labour market policy initiatives and strategies, and by supporting cross-regional initiatives.

The priorities for 2003 are: 1) co-ordination of labour market policy initiatives, 2) monitoring the development on the labour market, and 3) integration and harmonisation.

With regard to the first priority emphasis is placed on the development of cross-regional strategies for the labour market, co-operation on cross-regional job service in particular in areas where there are bottlenecks and lastly, co-ordination of activation activities. In relation to the second priority it is data collection and dissemination of information about the development on the labour market that are stressed, and with the third priority emphasis is put on documentation of the need for harmonisation, exchange of good practice and on influencing the integration process through co-operation, suggestions and recommendations (ØAR,2003).

EURES was launched in 1997 in the Øresund Region. It is a EU funded initiative that seeks to promote the development of common labour markets in the cross-

border regions in the EU. EURES primal task is to give advice about working and living conditions in the Øresund Region.

The enhanced co-operation in the Region has led to an extensive formalised cross-border co-operation in the labour market field that today involves many public and private partners. This has among other resulted in the establishment of Øresund statistics (Øresundsstatistik,2003), which is an Internet database that provides comparable statistics about the labour market, population, income levels, education, cross-border commuting etc. The enhanced co-operation has also facilitated an increased number of studies and surveys about the region.

## **5. Legal Aspects of Cross-Border Commuting**

As discussed in Chapter 1.& 2. there are a number of structural differences between Sweden and Denmark that may influence both positively and negatively on the labour mobility. These differences are not striking compared to the average gap between the OECD countries; however there are some important differences among other with regard to how the tax-, the social security-, the pension-, and unemployment benefit systems work together in the two countries.

Generally speaking tax problems related to cross-border commuting arise when the employees liable for taxation in two countries are taxed in a discerning way in comparison to their colleagues with employment and residence in the same country. One example could be that cross-border commuters cannot always utilise the tax deductions and allowances that employees with residence in the work country are entitled to. The reason for this is that national tax rules are based on the assumption that a person who is limited liable for taxation only earns a smaller part of the total income abroad and therefore use the deduction possibilities in the country of residence.

In order to avoid double taxation and unfavourable taxation for cross-border commuters OECD has laid down a number of international guidelines, which Sweden and Denmark has agreed to. According to the OECD Double Taxation Agreement the country of residence has the superior right to taxation of all the incomes of a person, while the employing country has the right to tax the earnings

of the person within the other taxes. In principal, cross-border commuters are thus liable to pay tax in both countries. However, the rules are made to avoid double taxation, hence a distinction between limited liability and full liability for taxation is made. Consequently, commuters are overall liable to pay taxes in the residing country and limited liable to pay tax in the employing country, which means that only some well-defined types of incomes can be taxed and only after six months full employment. The OECD guidelines aim to ensure that wage, taxation and social security follow the rules of one country in such a way that the Double Taxation Agreement does not lead to differences in available income for employees at the same workplace.

The table 3. & 4. below describe the tax situation for cross-border commuters that commute between Denmark and Sweden.

The Danish and the Swedish tax systems are similar. In both countries a division is made between government tax and county- and municipality tax and in both countries taxation is progressive. Moreover, Sweden and Denmark also share a range of similarities in the way taxation is organised. However, EURES estimates that 80% of the inquires concerning working trans-regionally is related to taxation, which indicates that taxation is perceived to be a potential problem in relation with cross-border commuting and therefore may be a barrier for those who consider commuting (EURES,2002).

However, there are examples where the difference in tax systems have benefited the cross-border commuters, i.e. cross-border commuters that live in Sweden but work on both sides of the border region have been able to make use of both countries' individual tax allowance and deduct interest rates in both countries, which according to recent calculations can increase an average wage earners net income with around 600 euros a month<sup>4</sup>. Furthermore, there are examples where people that live in the Danish side of the Border Region and work in Sweden only have paid the considerably lower Swedish cross-border commuter tax SINK (25%)

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<sup>4</sup> Calculations made by the auditing firm KPMG suggest that a person with an average wage can increase the disposable income with approx. 5000kr. (approx. 673 Euro) net a month. BerlingskeTidende, Saturday 14. June 2003.

and been exempt from any taxation in Denmark because they could prove that their Swedish employer paid social security contributions for them.

However, the responsibility for working out the right taxation rate and deductions rests on the individual cross-border commuter and this can be a both difficult and time consuming task. Moreover, the local tax authorities have difficulties implementing the complex rules, which mean that it is difficult for the individual to assess how changing job to the other side of the Border Region would influence the disposable income. According to the Øresunddirekt the uncertainty is aggregated by the fact that the local tax authorities have provided incorrect information in a number of cases<sup>5</sup>.

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<sup>5</sup> According to the Øresunddirekt office in Malmö they have experienced a number of incidents where people have been given incorrect information by the local authorities in Denmark and Sweden. Øresunddirekt is part of the EURES network. In Denmark it is divided into three components, whereas it is a one-stop office in Sweden.

Table 3: Taxation Commuting from Denmark to Sweden

	Tax Structure	Tax Method	Limited liability /Cross-Border Commuting to Denmark from Sweden		
			Taxation	Deductions and Allowances	Barriers Related to Taxation
Denmark	<p>Division is made between Government tax, County- and municipal tax and church tax.</p> <p>Taxation is progressive.</p> <p>All employees are eligible for an individual tax allowance. The tax allowance is not income related but a flat rate.</p>	<p>Tax is paid in advance based on an annual preliminary income assessment and adjusted by the end of the tax year.</p> <p>Both the credit and the exemption method are used.</p> <p>Credit method: The Danish tax is reduced by the tax that has been paid to the other country on the foreign income</p> <p>Reductions under the credit method can never exceed the amount of the Danish tax that has been levied on the foreign income</p> <p>Exemption method: Under this method, the tax is reduced by the amount of the Danish tax that has been levied on the foreign income. In other words, in this case it is irrelevant how much tax was actually paid in the foreign country</p>	<p>Taxation is regulated by the Nordic Tax Agreement, which lay down that the work country holds the right to tax the wages/salaries that have been earned in the country.</p> <p>Cross-Border Commuters that commute between their residence in Sweden and their workplace in Denmark are limited liable for taxation.</p> <p>Government Tax and County- and Municipal Tax.</p> <p>Labour Market Contribution (8%) and Special Pensions Saving (1%)</p> <p>ATP: Labour Market Supplementary Pension Fund</p> <p>Total Tax Sealing 59%</p>	<p>Tax relief for a number of expenses associated directly with work.</p> <p>Under certain circumstances reduction for expenses on Trade Union Membership fees.</p> <p>If the commuter has a spouse with no individual tax allowance in Denmark, a special spouse allowance can be granted<sup>6</sup>.</p> <p>Transfer of the Individual Tax Allowance between the Commuter and that persons' spouse is possible.</p> <p>Possibility of getting full tax liability status if minimum 75% of total income is earned in Denmark. Full liability gives the same right for residence as non-residence:</p> <p>Deductions for expenses on commuting costs, unemployment insurance, trade union fees and pension contributions.</p> <p>Entitled to allowances for expenditures incurred in connection with personal/family circumstances such as interest income (Swedish or Danish), child maintenance payments, own property purchase.</p>	<p>Interest rates cannot be deducted by people with limited tax liability.</p> <p>Expenses on Unemployment Insurance, Trade Union Membership fees and Private Pension contributions cannot be deducted by people with limited tax liability.</p> <p>On Macro-level: the larger share of commuters from Sweden to Denmark creates an imbalance on the Swedish municipal budgets as the taxes does not correspond with the expenses the municipalities have in relation with the commuters.</p>

	Tax Structure	Tax Method	Limited liability /Cross-Border Commuting to Sweden from Denmark		
			Taxation	Deductions and Allowances	Tax Related Barriers/incentives
Sweden	<p>Division is made between Government tax, County- and municipal tax.</p> <p>Taxation is progressive.</p> <p>All employees are eligible for an individual tax allowance. The tax allowance is income related with the largest allowance for the smallest incomes.</p>	<p>Tax is paid in advance based on an annual preliminary income assessment and adjusted by the end of the tax year.</p> <p>Taxation is in principle based on own declaration as well as information from employers, banks and public bodies.</p> <p>The exemption method is primarily used.</p> <p>Exemption method: Under this method, the tax is reduced by the amount of the Danish tax that has been levied on the foreign income. In other words, in this case it is irrelevant how much tax was actually paid in the foreign country</p>	<p>Taxation is regulated by the Nordic Tax Agreement, which lay down that the work country holds the right to tax the wages and salaries earned in the country.</p> <p>Cross-Border Commuters that commute daily (several times a week) between their residence in Denmark and their workplace in Sweden are limited liable for taxation.</p> <p>Cross-Border Commuters that only spend the weekends in Denmark are fully liable for taxation.</p> <p>Cross-Border Commuters are taxed with a special Commuter tax SINK (25%).</p>	<p>Cross-Border Commuters that pay the special commuter tax SINK (25%) are not eligible for any tax deductions or allowances.</p> <p>Cross-Border Commuters that have a residence in both Denmark and Sweden can under certain conditions (e.g. the person must have stayed a minimum of six consecutive months in Sweden) become fully liable for taxation, which gives the right to a number of deductions: Expenses related to work (including travelling expenses to and from work), expenses on unemployment insurance, expenses related to increased living costs due to the maintenance of two homes and expenses on negative interest rates.</p>	<p>Not possible to deduct interest rates on student loans.</p> <p>Not possible to deduct Trade Union Membership Fee.</p> <p>Unpredictable and fluctuating income for the Cross-Border Commuters that work in both countries due to the different tax levels.</p> <p>Depending on the size of income the individual tax allowance may be smaller than in Denmark.</p>

Table 4: Taxation Commuting to Sweden from Denmark



The Øresund Committee identifies a number of interrelated problems that are related to the difference in tax systems (Øresundkomiteen,2003):

- Lack of transparency
- Problems related to the difference in the relation between the tax system and the financing of social security and pensions.
- In-balance in the municipal budgets because of a one-sided flow of commuters.
- Cross-border commuter definition does not reflect a modern working life.

The lack of transparency creates a significant uncertainty about the potential short- and long-term consequences of different decisions and actions. Hence, according to the Øresund Committee, the economic and administrative consequences of the interplay between the two tax systems are perceived to be incalculable and difficult to access for both commuters and employers. This problem is aggregated by the fact that the Danish municipal tax authorities have no obligation to advice on tax issues to people that are not registered as residents, which means that it can be difficult to obtain information about taxation a forehand.

The lack of transparency can partly be explained by the fact that the Danish-Swedish tax agreement has developed into a maze of rules and regulations that is difficult to understand. Hence, even though information about the two tax systems are available on the Internet and through Øresunddirekt cross-border commuting places a considerable bureaucratic and administrative burden on the employer and employees as the responsibility to meet the requirements rests on the them. Resultantly, large companies such as Novo Nordisk and IBM have expressed reluctance towards employing cross-border commuter (Øresundkomiteen,2003).

Table 5. & 6. describe the two countries unemployment benefit system, social security system and pension system. Generally speaking the difference between the Danish and the Swedish system are relatively small. As discussed above both countries have unemployment benefit systems that are characterised by a high degree of coverage and high compensation, a universal pension scheme, sickness benefits and social pensions Table 5: Social Security Commuting to Denmark from Sweden

Cross-Border Commuting to Denmark from Sweden				
	Social Insurance	Unemployment Benefit	Pension	Barriers related to Social Insurance, Unemployment Benefit or Pension
Denmark	<p>In general social insurance covers unemployment benefit, sickness benefit, social pensions, health services, children allowances etc.</p> <p>Entitled to Maternity leave according to the same rules as for people with residence in Denmark, however cross-border commuter are not entitled to a range of other leave schemes available to people with residence in Denmark (sabbatical leave, educational leave)</p> <p>In general, people are covered by the social insurance of the working country regardless of where they live.</p> <p>Social Insurance contribution is paid in the country where people are covered.</p>	<p>The Danish unemployment benefit system is a combination of a support principle for the uninsured and an Unemployment Insurance System, which is voluntary, work related and mainly funded by the State.</p>	<p>Mix of State and Private Pensions.</p> <p>The State Pensions are financed via a range of compulsory contributions and the general taxes.</p> <p>Cross-Border Commuters are entitled to the same pensions as residences.</p> <p>State Pension (Folkepension) is universal and in principle related to citizenship rather than work, however Cross-Border Commuters are entitled to State Pension according to the number of years they have worked in Denmark.</p> <p>Pension is taxable in the country where the contributions have been made.</p>	<p>Work in both countries creates problems in relation to which social security system and pension system the employee is covered by.</p>

Table 6: Social Security Commuting to Sweden from Denmark

Cross-Border Commuting to Sweden from Denmark				
	Social Insurance System	Unemployment Insurance	Pension	Barriers Related to Social Insurance, Unemployment Benefit or Pension
Cross-Border Commuters that work in both countries	<p>The Swedish and the Danish Social Insurance Systems roughly covers the same areas. However, Sweden has more child related benefits and the leave schemas related to children are more generous.</p> <p>In general, social insurance is connected with the work country regardless of where people live; hence cross-border commuters are covered in the country where they work.</p> <p>Social Insurance contribution is paid in the country where people are covered.</p> <p>Social services are kept in the country of residence.</p> <p>Social Insurance is mainly financed by the employers.</p>	<p>The unemployment benefit system is a combination of a support principle and a voluntary Unemployment Insurance System, which is work related and partly funded by the State.</p>	<p>Mix of State and Private Pensions.</p> <p>The State Pensions are financed via a range of compulsory contributions paid mainly by the employer.</p> <p>Pension contributions are lower than in Denmark.</p> <p>Cross-Border Commuters are entitled to receive Pensions on the same basis as residents. Likewise they are obliged to pay the same contributions as residents.</p>	<p>Work in both countries creates problems in relation to which social security system and pension system the employee is covered by.</p>

Sweden and Denmark both follow the EU rules on social security, which means that social security is connected to the work country, subsequently social security payments must be paid there<sup>7</sup>. However, in Denmark social security contributions mainly rest upon the employees who pay them via taxes, whereas in Sweden the social security contributions are mainly paid by the employers (cf. Chapter 1.).

The difference in systems is one of the main arguments for the present tax agreement as the combination of taxation and social security attachment to work country prevent a situation where the cross-border commuters are discriminated by a combination of high Swedish social security contributions and high Danish income tax or favoured by a combination of low Swedish income tax and low Danish social security contributions.

According to the Øresund Committee, the interplay between the two systems is in general not causing problems for the Commuters as long as they live in one country and work in the other country. However, assessing the consequences of taking up employment in the other border in terms of unemployment benefit is not straightforward, as for instance the eligibility criteria and duration period varies between the two countries, i.e. there are easier access to the Danish insurance associations and the period where one can receive unemployment benefit is longer in Denmark than Sweden.

Moreover, the complexity is increased by the fact that commuters are covered by both the Swedish and the Danish rules depending on whether they are full time unemployed or part time unemployed. In the first case commuters are included in the insurance of the country of residence and in the latter the country of work. Furthermore, it is difficult to obtain correct information on this issue, as the unemployment insurance associations in general are uncertain about the rules<sup>8</sup>.

Moreover, problems arise when an employee works in both countries. The reason is that the work country is not obliged to socially insure people who are insured

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<sup>7</sup> EC-1408/71

<sup>8</sup> This view is based on a number of telephone interviews with key persons in a range of insurance associations, furthermore the view was supported by Øresunddirekt, which experiences that a relatively large number of people come to them to be advised when they realise that the information they have been given from their Insurance Association is wrong.

elsewhere and as soon as an employee carries out work in the country of residence the responsibility to insure the employee will be on the country of residence. This for instance creates problems in relation to working from home, having assignments in both countries, and a job in each country. Finally, although the problem does not exist on a large scale it is worth mentioning that people who changes job frequently between the two Border Regions are faced with a considerable bureaucratic task, which according to Øresunddirekt could be reduced.

With regard to pension the problems relates to difference in taxation. In general pensions are taxed in the country where the contributions have been made, regardless of the pension holders' country of residence, which according to the Øresund Committee results in some kind of distortion no matter if it is in Denmark or in Sweden.

The Øresund Committee also points out that the definition of cross-border commuting cause problems since the definition does not encompass the variety and different degrees of commuting that exist today. The definition and therefore the rules for cross-border commuters presupposes that the work place is in one physical location, which apart from the problems mentioned above in relation to Social Security also creates some difficulties with regard to taxation. For instance, in some cases taxation takes place in both countries according to the number of workdays, subsequently the available income may vary a lot from month to month.

Finally, the Danish-Swedish Tax Agreement has created a problem on the macro-level in terms of an imbalance in the Swedish municipal budgets (Øresundkomiteen,2003). Hence, more people commute from Sweden to Denmark to work resultantly the Swedish municipalities do not receive tax payments that correspond with the expenses the commuter population generates. This has reopened the discussion about taxation of cross-border commuters in the country of residence. The problem is, however, that while taxation in the country of residence would facilitate balanced municipal budgets and ease administration and transparency because the two tax systems would not be mixed, it would create an imbalance between taxation on the one side and the social security contribution and coverage that are connected to the work country on the other side.

## 6. Cross-Border Commuting – Known Movements

It is difficult to give an exact account of the number of cross-border commuters in the Øresund Region as there is no single source that can provide the knowledge.

In the OECD Territorial Review it is estimated that the total number of cross-border commuters have increased from 1950 people in 1994 to 3400 people in 2001, i.e. approximately 3200 from Sweden to Denmark and 200 from Denmark to Sweden (OECD,2003:32). The Øresundskompass estimates that the number is higher and that around 6000 people commute across the sound between Sweden and Denmark today; the vast majority from Sweden to Denmark (Øresundskompass,2003a)<sup>9</sup>. However, the number is still small if compared with the approximately 70.000 people who commuted into Malmö and the 225.000 people that commuted daily to Copenhagen in 2001(OECD,2003; Greater Copenhagen Authority,2001).

Arguably, the largely one-sided movement is connected with the fact that there exist a number of incentives to live in Sweden and work in Copenhagen today, i.e. increased employment opportunities, higher nominal wages (sometimes 30-50% higher)<sup>10</sup> and more advantageous disposable income compared to Sweden make it attractive to work in Denmark, while lower housing costs and the tight housing market in Greater Copenhagen make it attractive to live in Sweden. The number of people that yearly move from the Danish side to the Swedish side of the Border Region has thus increased from 513 people in 1998 to 2.216 people in 2002, while the same number for the movements the other way are 706 in 1998 and 811 in 2002<sup>11</sup>. The increase in immigration across the Belt is likely to account for part of the raise in cross-border commuting since the opening of the Øresund Bridge in July 2000. Moreover, the difference in weekly working time may also influence the cross-border movements; hence the normal working week in Denmark is 37 hours, whereas it is 40 hours in Sweden. Resultantly, the potential increase in transport time is balanced out by a shorter working week for people that commute to work in

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<sup>9</sup> The number is based on Ørestat, SCB, Danmarks statistik and Länsarbetsnämnden Skåne. The number is believed to underestimate rather than overestimate the number of commuters in the Region.

<sup>10</sup> See [www.oresunddirekt.com](http://www.oresunddirekt.com)

<sup>11</sup> Statistik om Øresunds Regionen: [www.orestat.scb.se](http://www.orestat.scb.se)

Denmark, whereas potential commuters from Denmark to Sweden may both increase their weekly working time and transport time.

The biggest commuting destinations are the Danish cities Copenhagen, Tårnby and Helsingør, which together receive 70% of the cross-border commuters. In contrast the biggest commuting departure points are Malmö and Helsingborg in Sweden; 64% of the commuters live there<sup>12</sup>.

The commuters are mainly employed within air traffic, the health sector and engross- and retail. 85% of the male commuters are employed within the private sector while the equivalent number for women is 69%<sup>13</sup>.

In general, the cross-border commuters work at big workplaces, i.e. 31% of the commuters work at a workplace with more than 500 employees in comparison only 12% of the total workforce living in Denmark work at a workplace that size. The overrepresentation of big work places may be related to the larger administrative costs that are connected to employing cross-border commuters, which may prevent smaller firms from employing this group. Recalling that the majority of the firms in the border region are SMEs this may influence the potential increase in cross-border commuting as these firms may be less likely to actively pursue employees across the border by for instance advertising job vacancies, which mean that the jobs are less accessible for people who live in the other border region. Furthermore, the limited cross-border advertising may add to the perception that it is difficult to find a job on the other side of the Belt.

Cross-Border-Commuter Profil:

- 63% of the Cross-Border Commuters are men.
- The average age is 39 years for men and 37 years for women.
- 36% of the Cross-Border Commuters are born in Denmark.
- 46% of the Cross-Border Commuters have further education.

Source: Øresundkompass (2003a)

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<sup>12</sup> *ibid*

<sup>13</sup> *ibid.*

## **7. Causes of Cross-Border Immobility - Mobility**

This section sets out by discussing a range of the theories and hypothesis about cross-border immobility or mobility before it turns to look at two research studies that have been carried out in the Øresund Region.

According to Velde & Houtum the explanation for low mobility is often derived from theories that with reference to the market explains mobility as a function of wage differences (2002:5). Hence, low mobility can than be explained with reference to a small wage gap between border regions and high mobility with a large wage gap. Although, the difference in wage level and disposable income probably is one of the reasons why more people commute from Sweden to Denmark than the other way a round, it cannot fully explain the cross-border movements.

This point is underpinned by Hansen & Schack (1997) that argue that since cross-border commuting means that two central aspects of life –workplace and place of living - is place within two different social and cultural settings labour market related differences cannot be the only factors, which influence the volume of cross-border commuting.

Another explanation of the level of mobility is the ‘insider-advantage approach’ developed by Fischer et al. (1997,2000). This approach argues that people have a range of location specific assets and abilities, which make them, stay. Fischer et al. distinguish between work-oriented and leisure-oriented advantages. With regard to the first category it includes among other social relations, which gives opportunity and career advantages, where as the latter includes the benefits of being integrated and accepted in certain groups. According to the inside-advantage approach, immobility is,

“...a utility maximizing strategy to a majority of people because loss of location specific assets and abilities induced by migration would be too severe and because it is immobility which allows individuals to accumulate insider-advantages.” (Fisher et al, 2000:10).



In addition to these 'inside-advantages' Tassinopoulos & Werner (1999) argues that more traditional explanations for decisions to stay such as risk-aversion, discrimination against immigrants, losing social benefits and legal barriers and border control adds to the value of immobility.

Against this background, Velde & Houtum (2002) argue that to the traditional 'push and pull' factors, which emphasise the 'go' factors should be added the active decision not to become mobile, i.e. what they call 'stay' factors. These stay-factors include both keep-factors like the ones introduced by the insider-advantage approach and repel-factors, understood as factors connected to the destination region, which prevents people from taking up employment or immigrating there. However, all the above explanations for the mobility level presume actors that are actively involved in a decision-making process based on a cost-benefit analysis weighing the difference. According to Velde & Houtum, these approaches fail to sufficiently explain what they see as the dominant reason for immobility, the non-action, the mental passiveness of people (Velde & Houtum,2002:7).

Therefore, Velde & Houtum introduce the concept of 'indifference' to the explanation of labour market immobility. It is argued that with that concept people that are not actively involved in a decision-making process about mobility are included.

Velde and Houtum draw on an understanding of borders that argue that borders should not only be understood as a physical phenomenon but also as a socially constructed demarcation line between 'them and us'. Consequently, the labour market on the other side of the border may be physically near, but "...is perceived as distant and interpreted as there, not here, 'the other side'." (Velde & Houtum, 2002:8), therefore people are indifferent toward it. Hence, the concept of indifference aims to explain why most people do not even consider commuting across borders.

The concept of indifference is supported by a range of studies that show that people in border regions mainly orientates themselves inwards - often described as

the centripetal effect – even when it means that they have to commute further from their homes<sup>14</sup>.

These observations are interesting because it is commonly agreed among the actors involved in cross-border region building and highlighted by the EU, that transparency will facilitate cross-border movements, however, with a view to the work of Velde & Houtum, transparency on the labour market is not sufficient to change the attitude on cross-border mobility.

In addition to these theories it could be argued that the difference in unemployment rates influence the volume and direction of the flow of cross-border commuters. This hypothesis fits with the cross-border commuter flow in the Øresund Region, but there is no cross-border Øresund statistics that can verify or disprove this hypothesis. However, the regional disparities in unemployment rates' effect on the national flow of commuters could be an indication of the influence of this factor, and there are no indications that changes in unemployment in Denmark has affected the number of commuters in the period from 1991-2002<sup>15</sup>.

### **7.1. Two Research Studies about Cross-Border Commuting**

In 2002, the Øresund Region's Labour Market Council (ØAR), Copenhagen Municipality, and Region Skåne and Malmö initiated an annual study of attitudes and behaviour in relation to cross-border commuting (ØAR et al.,2002;2003a).

The studies are based on over 2000 telephone interviews, half of them in Sweden and half of them in Denmark. The population consist of randomly selected individuals between 20-50 years, as it is assumed that people within that age group either are in employment, unemployed or students. Geographically the research is limited to 14 municipalities in south-west Skåne and 52 municipalities in the Greater Copenhagen Area, which are the areas where people are expected to be most motivated and interested in commuting across the border.

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<sup>14</sup> See among other Velde (1999): Searching for Jobs in a Border Area – The Influence of Borders in a Dutch Euregion.

<sup>15</sup> Source: Danish Static Yearbooks 1999-2003. Furthermore, according to Michael Mølleker from the AF-Øresund office, be that the unemployment insurance associations generally incorrectly inform people that they have to search within their country of residence during the first three months they are unemployed.

Generally, there are only small changes in the recorded attitudes and behaviour between the two studies, however there has been an increase in the number of people that interact across the Sound by moving, by looking for a job or by being offered a job.

The overall conclusion of the studies are that the attitude towards cross-border commuting is positive, hence 20% of the respondents say that if they were to look for a job it would be likely or very likely that they also would apply on the other side of the sound. 10% of the respondents have applied for jobs or been offered jobs or training on the other side of the Region (19% of the Swedish and 8% of the Danish respondents).

The Swedish part (35%) of the potential commuters is larger than the Danish (18%) part and the share of the potential commuters of the respondents in Copenhagen (25%) and Malmö (41%) is larger than in the rest of the included areas.

In contrast, the share of the Danish respondents (26%) who think it is likely or very likely that they will move to the other part of the Border Region is larger than the Swedish share (9%). The main incentive given by the Danish respondents is the lower dwelling costs, and 10% of the Danish respondents say that they consider becoming cross-border commuters by moving to the Swedish side of the Region. The same number for the Swedish respondents is 6%.

Both studies conclude that the main barriers to commuting are transport time and transport costs, as well as lack of information about the consequences of commuting and finally the language<sup>16</sup>. With regard to the first barrier, the study shows that the average maximum acceptable travelling time for the respondents is 47 minutes. Presently, the respondents have an average travelling time of 27 minutes, which means that commuting across Øresund would double most of the respondents' commuting time<sup>17</sup>.

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<sup>16</sup> It has not been possible to get information about how many of the respondents that saw these barriers as the most important once or about which barriers that was included in the interviews.

The knowledge derived from the studies is supported by a qualitative research study about the barriers for taking up employment or moving to the other side of the Border Region, which were carried out in 2002 for the Øresund Committee and the Øresund Network<sup>18</sup>.

The study is based on group interviews with four selected focus groups, two on each side of the border region. The respondents have been chosen according to the same criteria, i.e. they are between 25-50 years old, there are an equal share of men and women, an equal share of people with children and without children, and an equal share of people with vocational training or medium-long education and people with further education.

Finally it was a criterion that the respondents were positive towards searching for a new job and that they regularly assessed their options, i.e. the selected respondents are 'active individuals'.

According to the study the four main barriers for taking up employment or moving to the other side of the sound are:

- Break away from what is known and feels secure
- Family ties
- Language barriers
- Transport cost and time

In addition to these main barriers were the following barriers mentioned:

- Uncertainty about taxation for cross-border commuters.
- The Danish respondents generally saw Malmö and Skåne as too provincial (this was in particular in relation to moving to the other side of the sound).
- Satisfaction with current situation

The respondents were also asked about incentives to find employment or move to the other side of the border region. The main incentives were:

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<sup>17</sup> <sup>17</sup> The travelling time between the Copenhagen Main Station and Malmö Main Station is 35 minutes, however according to Øresundkompass (2003b) a travelling time between 50-60 minutes is more realistic.

<sup>18</sup> Øresund Network is composed of over 150 Danish and Swedish companies, organizations, public authorities and institutions. The aim of the network is to market the region.

- Good economic conditions, i.e. high wage, good pension scheme and transport cost compensation)
- Help with finding a home
- Job security
- Career advancement
- Particularly interesting job
- Flexibility, e.g. work from home, flexible working hours etc.

A number of the barriers and incentives identified in the two studies are similar to the barriers, which are identified in studies about commuting within a country. Hence, the labour market (unemployment, wage, job opportunities, working conditions), the housing market (supply of dwellings, price differences, access to services) and personal relationships as well as transport (time and costs) are important determinants in relation to commuting in geographical space.

In relation to cross-border commuting the two research studies identify: firstly, the uncertainty, which is attached to braking up from what is know, i.e. risk aversion. Secondly, the language barriers, and finally, the uncertainty that is connected to the difference in the tax systems as the main barriers.

In addition to these barriers the qualitative study also points to satisfaction with current situation as a barrier to mobility, which suggests that location specific assets, such as satisfaction with present work and home as well as personal network play a significant role.

## **8. Preliminary Conclusion**

The differences between the Danish and the Swedish systems are not striking compared to the average gap between the OECD countries, however the Paper identifies some differences with regard to the tax-, the social security-, the pension-, and unemployment benefit systems in the two countries, which creates practical barriers for cross-border commuting. However, with regard to the differences in welfare systems it seems that the largest barrier is the uncertainty that stems from the lack of transparency, which means that the consequences of different choices are difficult to calculate.

In general, the labour market, the housing market and personal relationships are the key factors in relation to the decision to commute in geographical space, while

additional factors such as uncertainty attached to breaking up from what is known, language barriers, and uncertainty connected to the difference in tax systems plays an important role for cross-border commuting. Location specific assets and satisfaction with current situation equally seem to be important factors for cross-border commuting. Finally, since the labour markets in the two border regions are not integrated it could be argued that changes in the economic climate and subsequently the employment situation in one of the border regions would influence the volume of cross-border commuting, i.e. that difference in unemployment rate would affect the volume and direction of the flow of the cross-border commuters. However, as discussed above there is nothing that suggests that this is the case on a general level, but only in isolated sectors.

Table 7. describes the range of incentives and barriers that influence the volume and character of cross-border commuting.

	Commuting geographical space			Economic, legal, and other formal structures connected to commuting across borders			Personal and Cultural factors	
	Labour market :  Demand for labour  Wage difference  Working conditions  Change in labour market structure	Housing Market:  Supply of houses  Price difference  Accesses to services  Amenities	Personal Relationships:  Single  co-habiting  Married  Children  Families	The Welfare State  Taxation  Social Security  Unemployment benefits  Pension  Welfare services	Career - Possibility of using acquired education - Developing human capital		Adventurousness  Learning new cultures  Knowledge and Experience of the Neighbouring Country  Personal Network in the Neighbouring Country	
Barriers to commuting	Transport Distance/time  Cost  Transport Options (infrastructure: car, train, ferry etc.)  Perception of commuting time				Legal system :  Work Permit  Residence Permit  Time spend on inquiries	Education:  Recognition of qualifications  Sector specific barriers	Uncertainty:  Difference in currency and fluctuations	Language  Prejudices towards the Neighbouring Country  Location specific assets and abilities  Risk-aversion
Result	Volume and Character of cross-border commuting							

Table 7: Incentives and Barriers for Cross-Border Commuting  
Based on Hansen & Nahrstedt (2000)





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