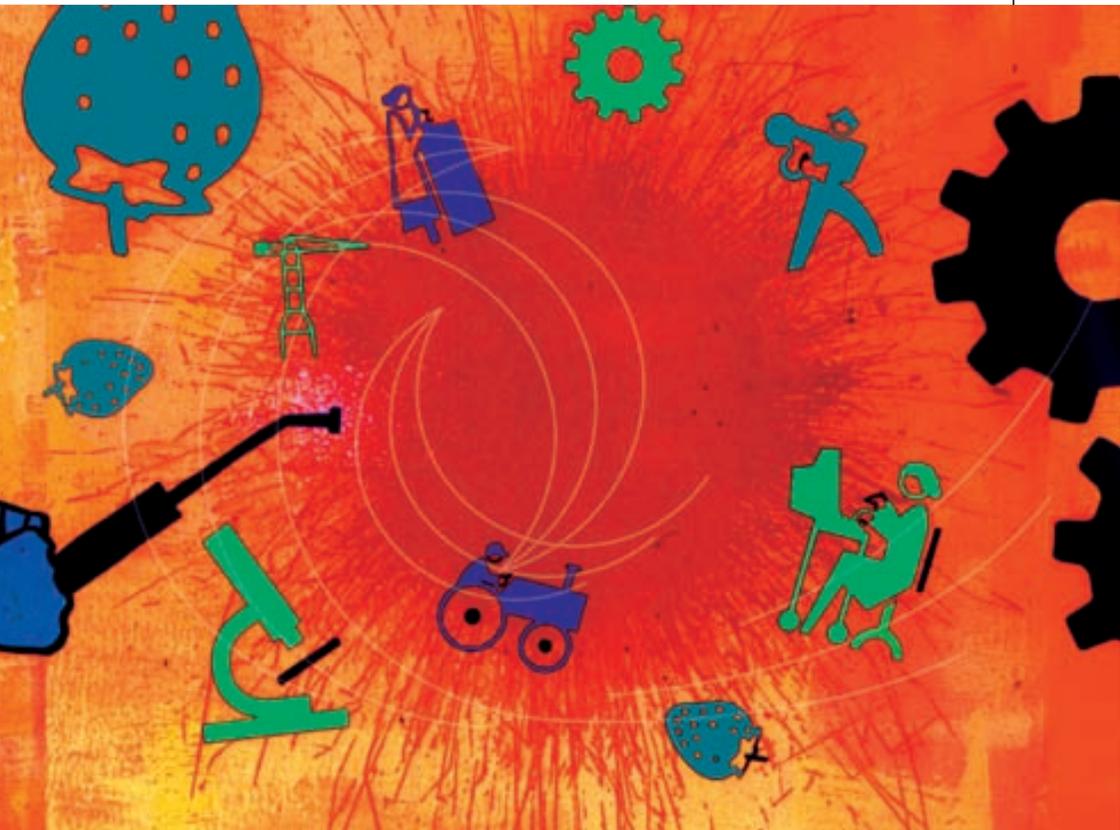




NORWEGIAN MINISTRY  
OF LABOUR AND SOCIAL INCLUSION

Main Contents of Report No. 18 (2007–2008) to the Storting

# Labour Migration





ROYAL NORWEGIAN MINISTRY  
OF LABOUR AND SOCIAL INCLUSION

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**Translation from the Norwegian. For information only.**



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## **Main Contents of the Report**

### **1 The Government's perspective**

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Labour migration is beneficial, to both individuals and society. It enables individuals to relocate to where they can best utilise their working capacities. It enables employers to search for qualified labour across international borders. It contributes to more efficient labour markets and enhanced value creation. Labour migration contributes to societal diversity and can promote cross-border fellowship and understanding.

Labour migration to Norway has increased significantly in recent years. The labour migrants have contributed to alleviating mounting pressure in the economy, and thereby to prolonging the strong cyclical upturn over the last few years.

The increased labour migration presents the authorities and society with new opportunities and challenges. Three developments are particularly evident:

- Globalisation entails the increasing internationalisation of working life. Employees and employers get access to an enlarged labour market. At the same time, it requires international qualifications and diversity in Norwegian working life, and leads to intensified competition for certain types of labour between countries.
- Labour migration helps meeting demand for labour, and thereby also contributes to unblocking bottlenecks in the labour market and to curbing price and cost increases.
- Increased labour migration into Norway affects both working life and society in general. It poses challenges to do with maintaining the Norwegian working life model and integration into

Norwegian society, both of labour migrants themselves and their families when these join.

Labour is our most important resource. Full employment and low unemployment are main objectives of the Government. The Government seeks to expand the employment and improve the inclusion of people who have dropped out, or are at the risk of dropping out, of the labour market, for purposes of meeting labour demand, preventing poverty and enhancing the welfare society. The Government facilitates the realisation of these objectives through a comprehensive range of labour and welfare policy measures, and through its general economic policy. The Pension Reform and the Labour and Welfare Reform, including a New Labour and Welfare organisation, are key elements of this strategy. This strategy shall be supplemented and complemented by the labour migration policy.

### *Globalisation*

The need and scope for the cross-border movement of people is increasing as the result of increased international trade, reduced transportation costs, the dismantling of border controls and closer interaction between countries. Globalisation and international trade promote labour migration. Norway is part of a common European labour market by virtue of the EEA Agreement, one of the objectives of which is to enhance mobility in order to create more efficient labour markets. It is therefore likely that the labour market will be characterised by the increased migration of employees and service providers in coming years, but also by intensified competition for labour between countries.

Globalisation gives access to expanded product, capital and labour markets, but also confronts the Norwegian business sector with increased international competition. Knowledge and qualifications, together with labour force diversity, appear to be of major importance to innovation and business development in an ever more competitive and international economy. The Norwegian busi-

ness sector will need special qualifications to face the competition with international companies. Norwegian businesses therefore have to be able to attract people with relevant qualifications from abroad in order to improve innovation and value creation in coming years.

The expanded international labour market, and the common European labour market in particular, provide the Norwegian business sector with enhanced scope for the recruitment of required manpower. Globalisation may, at the same time, imply that Norwegian citizens will increasingly consider the rest of the world as a relevant labour market. It is at present difficult to envisage what the world will look like in this respect in a few years time. The Government believes that it is important to seek to identify factors that influence the migration flows, as a basis for assessing what policy measures are best suited for realising the objectives.

#### *From lack of jobs to lack of labour*

Norway has over a period of a few years moved from a situation of unemployment to one characterised by a lack of labour. Employment has increased considerably, and there has been a marked reduction in the number of unemployed. Several industries are now facing recruitment problems. Labour migration, from the new the EEA countries in particular, has over the last few years contributed to meeting labour demand and resolve bottlenecks in the economy. Labour migration has resulted in a more flexible economy, which has reduced cost pressure at a time of high employment and low unemployment. Labour migration has thereby contributed to the economic growth and welfare improvements experienced in recent years.

Demographic developments suggest that labour force outflow will over the next 10 – 15 years outweigh domestic labour force inflow. What net migration we get will be decisive for the overall outcome, but it must under any circumstance be assumed that the labour force will be markedly reduced as a percentage of the population.

It is of major importance to the long-term societal effects of labour migration whether the labour migrants remain here on a temporary basis or take up permanent residence, with or without their families. Permanent residence means that labour migration contributes not only to an increased production, but also an increased population, implying that the outcome of production will have to be shared amongst more people.

### *Integration challenges*

The Government's perspective is that the most important arena for social inclusion and preventing marginalisation is the labour market. This applies to everyone, both those born in Norway and immigrants. The labour migrants participate in the labour market from day one. The most important integration challenges in relation to them are therefore of a different nature from those in relation to other groups of migrants. The Government focuses on preventing labour migration from resulting in a dualisation of the labour market, with the creation of a separate segment for foreign labour with terms and standards that are significantly inferior to those applicable to other workers.

Most labour immigrants are at a disadvantage relative to Norwegian employees in terms of command of the Norwegian language and their cultural and social understanding of Norwegian society. Experience from Norway and other countries suggest that the majority of labour migrants will eventually return to their countries of origin, but quite a few will wish to remain in this country. Integration policies are important to enable those who stay to continue their participation in working life over time, and to be part of community on a par with others. There is a need for examining whether integration policies need to be improved in order to ensure the good and stable use of the manpower of labour migrants and to avoid unnecessary strain on the pension and welfare budget in the long run.

A policy that puts an emphasis on giving the labour migrants the same rights and obligations as Norwegian employees may also

have a positive effect on our ability to recruit foreign labour. Efforts within this area therefore form an important part of a strategy for future labour migration.

## 2 Labour immigration

Labour migrants have migrated for reasons of work, whilst other migrants have migrated due to factors like family ties, need for protection, humanitarian considerations or education.

This Report uses the term labour immigrants to designate both those who move to Norway to work, and those who are here on short-term contracts. It follows from the definition that employment amongst labour immigrants will be very high at the beginning of

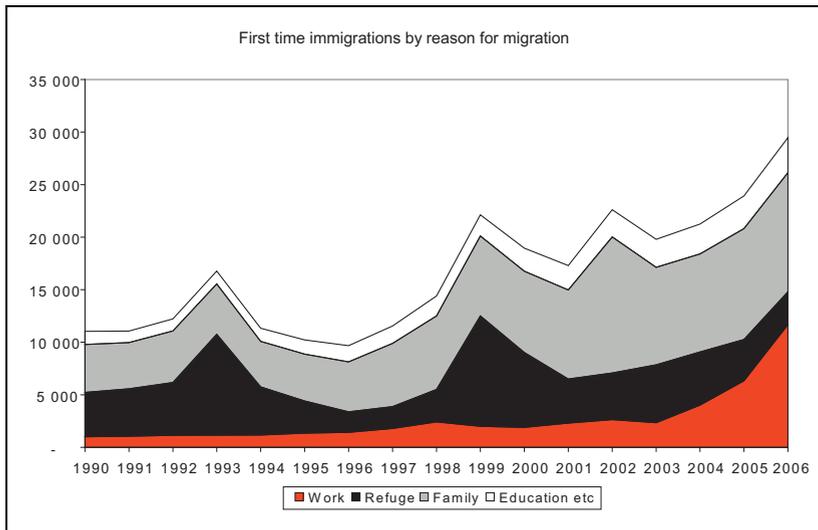


Chart 1 Number of first-time immigrations amongst non-Nordic citizens, by reason for migration and year of migration. 1990 – 2006

Source: Statistics Norway.

their stay. For those who choose to stay for a longer period of time in Norway, their long-term involvement in working life will depend on many factors, including what type of work they are recruited for, structural changes in the labour market, economic cycles, the migrants' educational background and their general ability to adapt, and our ability to include them in society.

Migration to Norway has fluctuated from year to year. This applies to both labour immigration and immigration motivated by a need for protection or humanitarian considerations. The number of migrants has been on the increase over the last few years, and labour migration has increased markedly since 2003. 2006 was the first year covered by available statistics when labour migration was the most important reason for immigration, cf. Chart 1.

The vast majority of labour migrants in Norway originate from our neighbouring countries, especially from the other Nordic countries, Poland and the Baltic states. About nine out of every ten per-

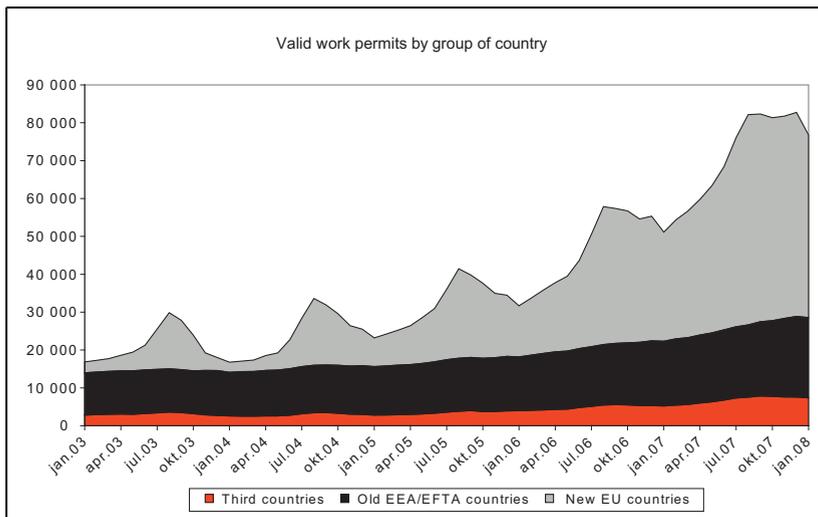


Chart 2 Number of valid work permits by country of origin. 1 January 2003 – 1 January 2008

Source: Norwegian Directorate of Immigration.

mits to labour migrants are granted to persons from the EEA/EFTA area, whilst every tenth work permit is granted to citizens of third countries, i.e. countries outside the EEA/EFTA area, cf. Chart 2. These figures do not include Nordic citizens, since these do not require any permit. In the fourth quarter of 2006, just over 181 000 wage earners of foreign origin were employed and registered as resident in Norway, of whom 33 500 were of Nordic origin. In addition, there were 51 000 wage earners who were not registered as resident in Norway, of whom 20 000 were of Nordic origin.

Labour migration is not a new phenomenon. We have had a common Nordic labour market since 1954. This has contributed to increased flexibility in the labour markets in the Nordic region. Norway also has experience of labour migration in a longer historical perspective, particularly in connection with the large-scale emigration to North America. Whilst about 750 000 people emigrated from Norway from the second half of the 19<sup>th</sup> century and until the First World War, we received about 150 000 migrants. The vast majority of those migrants were Swedes. The first groups of Pakistani, Turkish, Indian and North African labour migrants arrived in the late 1960s. The EEA Agreement from 1994 incorporates Norway into a large area with free movement of labour. Simplified rules for labour migrants from countries outside the EEA area as from the beginning of the present decade have also increased labour migration from third countries.

### **3 Conditions for a labour migration policy**

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The Government's formulation of labour migration policies and measures is based on the following conditions:

- The focus on work shall not be undermined. The no. 1 priority is to mobilise domestic labour resources.
- Labour migration is, generally speaking, beneficial. Norway therefore participates in an open European labour market. This enables employers and employees to search for each other, and

join up, within a labour market area that is a hundred times larger than the Norwegian.

- The European labour market will be the main arena for Norwegian employers' recruitment of manpower from abroad for many years to come.
- Labour migrants shall have the same wages and employment conditions as the other workers.
- Integration policy forms an important element of a strategy for future labour migration, because it shall contribute to stable and sustainable societal development.

*The focus on work shall not be undermined*

The main strategy for meeting the future demand for labour, preventing poverty and evolving the welfare society, is to mobilise the domestic labour resources. Mobilisation of domestic resources takes place through a number of measures that contribute to reducing unemployment, sickness leave, disability pensioning and early retirement, involuntary part-time work, as well as to improving the inclusion of vulnerable groups in the labour market. This policy is discussed in more detail in, *inter alia*, Report No. 5 (2006 – 2007) to the Storting: Accrual and Payment of Retirement Pension under the National Insurance System, Report No. 6 (2006 – 2007) to the Storting: On Senior Policy, Report No. 9 (2006 – 2007) to the Storting: Work, Welfare and Inclusion, as well as the Action Plan for Integration and Social Inclusion of the Immigrant Population and the Anti-Poverty Action Plan that were presented together with the Fiscal Budget for 2007, cf. Proposition No. 1 (2006 – 2007) to the Storting, for the Ministry of Labour and Social Inclusion.

We will facilitate, through labour and welfare policy and education policy, the largest possible domestic labour force, and the best possible use thereof. Labour and welfare policy shall contribute to all Norwegian citizens of working age who are able to participate in working life being offered the opportunity to do so. Education policy shall contribute to education capacity and education contents

being tailored to the various needs for qualified labour that arise within different industries and sectors.

The traditional role of labour migration has primarily been to meet needs in the labour market that cannot be met domestically in the short run. Labour migration policy has contributed to improved access to labour for Norwegian businesses, in terms of both the size and qualifications of the labour force.

Labour migration is less suited for resolving the long-term challenges posed by the ageing of the population. An important reason for this is that labour migration will not necessarily result in a change in the long-term dependency ratio if labour migrants take up permanent residence.

The ageing of the population will result in an increased need for health and care services. The main strategy of the Government for meeting the need for labour is to ensure sufficient domestic education capacity within the health and care sector, through working life measures like better management, offers of full-time jobs, and through measures to improve qualifications. Targeted recruitment of health and care personnel from developing countries is not on the cards, cf. Report No. 25 (2005 – 2006) to the Storting: Long term care – Future challenges (Care Plan 2015).

### *The European labour market as a main arena*

Norway has been part of a common Nordic labour market since 1954, and we have since 1994 participated in the open European labour market within the EEA/EFTA area. Norway has, through the EEA Agreement and the EFTA Convention, supported the objective of increased cross-border mobility between these countries. The European labour market grants about half a billion people the formal right to immigrate to, as well as work and live in, Norway without significant restrictions. This gives access to a large potential labour force. In discussing a labour migration policy it is necessary to distinguish between immigration from the EEA/EFTA area, which is in large part unrestricted, and immigration from third

countries, which is to a much higher extent governed by national rules.

Norway has, in comparison with the other Nordic countries, received a large number of labour migrants from the new EU countries. This is primarily because Norway has in recent years experienced high demand for labour, combined with relative high wage levels for large groups of employees. Inflows also depend on the situation in the countries of origin. Many countries in Europe experience high unemployment levels or have income levels below the European average. This creates a potential for continued labour outflow from these countries.

It is likely that the Nordic and the European labour market will remain of major importance to Norway in future as well. There is reason to expect that future migration flows will continue to be influenced by economic cycles in our country and in our neighbouring countries. Of particular importance in this context are economic developments in the countries from which we currently recruit many workers, i.e. the other Nordic countries, the new EU member countries and Germany. As the new member countries gradually close the welfare gap to the old EU countries, it may become more difficult to recruit manpower from these countries, although relative differences in wage levels may be driving labour migration for many years to come. This issue is subject to considerable uncertainty, especially if looking some years ahead.

Over time the ageing of the population in Europe will also influence how many labour migrants Norwegian businesses can attract from this area. On the other hand, the labour supply may be positively influenced by the EU's continued efforts to promote a more flexible labour market and by potential future enlargements of the EU. All in all, there is little reason to expect that the scope for recruiting labour in the European labour market will be dramatically reduced over the next few years.

### *Equal wages and employment terms*

A basic premise is that labour migrants shall have the same wages and employment terms as other workers. Social dumping, undeclared work and illegal migration are problems that may follow in the wake of, and be reinforced by, increased labour migration.

The effort to ensure equal wages and employment terms is important both to prevent labour migrants from working under unacceptable conditions and to protect employees and reputable businesses against unfair competition. Good working conditions contribute to labour migrants becoming an integrated part of the Norwegian labour market.

The increased use of foreign labour, and an expanded role for foreign service providers in particular, may represent a challenge for the labour market and the Norwegian working life model in coming years.

### *Integration*

Norway has since the wave of labour migration in the 1970s changed to become a more multicultural society with an active integration policy. The Government's integration policy aims at ensuring stable societal development, and to give the same opportunities to the migrant population as the rest of the population when it comes to contributing to, and participating in, working life and society. Targeted integration measures shall help set labour migrants on the right path to achieving this.

The major part of the steeply increased labour migration in recent years originates from neighbouring countries in Europe. It is likely that many migrants will return to their countries of origin after having worked in Norway for a limited period of time. At the same time, it needs to be acknowledged that a higher proportion of the labour immigrants may in future remain in Norway for longer periods of time, or take up permanent residence in Norway.

The need for special measures to enable those labour migrants who wish to remain in this country to participate in working and

social life over time will vary with the cultural, linguistic and educational background of each individual. It is important for both individual labour migrants and society in general that those labour migrants, and their family members, who take up permanent residence in this country, have a high degree of labour force participation over their lifecycle, and participate in society on a par with the rest of the population. Immigrants' own activity and utilisation of available opportunities are of material importance to successful integration.

Labour migration will have effects on population development and on societal development in general. This will require, *inter alia*, increased housing construction and expansion of public services. Migration will also affect Norway culturally and socially.

#### **4 Scope for recruiting labour from abroad**

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The availability of jobs on competitive wage levels is of importance to whether employees in other countries will consider seeking for jobs in Norway. In addition to wages and the demand for labour, the ability of Norway to attract labour from abroad is also influenced by a number of other national and international factors.

Individual factors like family relations, personal networks, job opportunities and opportunities for an improved quality of life influence migration flows. The weight attached to different factors varies with personal preferences and with economic, geographic, social and cultural characteristics. Surveys shows, for example, that higher income and better employment terms are more important motivational factors behind migration for citizens of the new EU member countries than for citizens of the old member countries.

##### *International factors*

Globalisation can be characterised as a process by which the world becomes more integrated through an increasing and expanding flow of information, goods, services, capital and people. Improved

communications, in terms of both telecommunications and electronic communications, as well as reduced barriers to cross-border mobility, influence both the scope and the need for labour migration. The growth of multinational companies has resulted in an increasing number of employees moving across international borders within the same company.

Globalisation offers enhanced opportunities for the relocation of both people and businesses. Relocation of businesses is most straightforward within the production of goods, whilst for the production of services it is more often the people that have to be relocated. However, technological development has resulted in rapidly expanding scope for distance work within this area as well.

The degree of internationalisation, and thereby mobility, is not the same in all markets. Generally speaking, international mobility within the labour markets is less than within the capital and product markets. This is, *inter alia*, because global labour migrations continue to be strictly regulated. The dismantling of such barriers, as has for example taken place within the EEA/EFTA labour market, will therefore have a major impact on migration. It is, at the same time, reasonable to assume that most people will want to remain in a familiar social and cultural environment, even if it were to become easier to take jobs in other countries.

The migration flows depend not only on the barriers that exist, but also on many other factors like, for example, economic and social developments and convergence between countries. Higher education levels in many countries, general improvements in language qualifications and improved knowledge of other countries may result in more people acknowledging the scope for improving their living conditions through international mobility.

### *National factors*

Norway enjoys a number of competitive advantages in an international labour market, like for example family-friendly and well-organised working life, good job opportunities for spouses, good public welfare benefits, security and proximity to nature. The UN ranks

Norway as one of the best countries in the world to live in. The favourable ranking of Norway represents the sum total of a number of factors, hereunder high gross domestic product per capita, low unemployment, low crime rate and a low portion of the population under the poverty line, a higher degree of equal opportunities for men and women than in many other countries and relatively good access to welfare services, like for example health services.

Knowledge of our competitive advantages can be of considerable importance for our scope for recruiting labour from abroad. Norway is, on the other hand, a peripheral country in geographical terms, with a language spoken by few people. A condensed wage structure in Norway will also mean that certain highly educated groups may earn a higher income in some other countries than here in Norway.

National barriers to mobility, for example imposed by Norwegian authorities on foreigners coming to Norway to work, and how easy it is to be admitted to, and become part of, society, may affect Norway's attractiveness as a destination for migrants. The design of the regulatory framework governing migration, and the processing of immigration cases, which are primarily of relevance to migrants from third countries, may also be of importance.

The general living conditions of migrants and their descendants, including the integration policy, is also of relevance to our ability to attract the labour in demand. This requires an integration policy that gives those labour migrants who wish to remain here the same opportunities as others. The attitudes of the Norwegian population to migration and diversity may also affect the desire of foreigners to take up residence in Norway.

## **5 Opportunities and challenges resulting from labour migration**

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### *Opportunities and challenges facing labour migrants*

One of the strongest drivers behind labour migration is the opportunity perceived by individuals to improve the standard of living of themselves and their families. The individual gain may be most pronounced for people with little or no special training who come from countries with high unemployment and low wage levels. Such people may also face high risks, not least when long-term stays present them with requirements for language qualifications and adaptation to unfamiliar circumstances in working and social life. Unemployment and dependency on the welfare state may be the outcome if one fails to handle this adaptation process.

Certain groups of immigrants who originally came to Norway as labour migrants in the first half of the 1970s are characterised by relatively low participation in working life, particularly amongst women, and high dependency on welfare benefits. It is important for accompanying spouses to participate in working life in order, *inter alia*, to prevent these households from ending up, on the whole, with lower incomes than the rest of the population. Unemployment amongst the migrants from the new EU countries is low, and their use of welfare schemes is modest thus far. Nevertheless, developments within this area need to be carefully monitored with a view to preventing individuals from dropping out of the labour market.

### *Opportunities and challenges facing employers*

There are large potential gains for employers associated with the possible recruitment of labour from abroad. Labour immigration gives the business sector improved access to manpower and qualifications. Employers undertake, at the same time, a responsibility and a risk when they recruit and employ foreign labour. It may, for example, be difficult to evaluate the foreign qualifications. It is also

in many cases costly to recruit from abroad, although an expectation of curtailing the wage growth may be a reason to make use of foreign labour. Recruitment of labour from abroad will therefore in most cases be perceived as an alternative strategy that will only be tried out after it has proved to be impossible to fill a position with domestic labour.

The scope for labour migration influences the general operating framework of the business sector, and the strategies chosen by businesses in the short and long run. Businesses can, as an alternative to recruiting and hiring employees from abroad, choose to buy services from abroad or relocate all or part of their activities abroad. Service imports involve foreign firms taking up assignments in Norway. The employees are employed by the foreign service provider, and return to their country of origin when the assignment is completed. Such service imports result in the cross-border movement of the people providing the services. The complete or partial relocation of a business abroad eliminates part of the basis for the cross-border movement of people.

### *Opportunities and challenges facing the country of origin*

Labour migration does not necessarily contribute to draining the countries of origin of labour needed by themselves. It may in many cases contribute to reduce unemployment and to alleviate negative effects resulting from a large surplus of labour. It may be argued that their incorporation into the common European labour market in 2004 offered the new member countries an opportunity to improve their national labour markets. Some of these countries were characterised by high unemployment and low wages, and found themselves in a phase of change marred by shock following the collapse of the centralised economies. Labour migration has contributed to a more sustainable and productive economy in several of these countries.

In addition, labour migration contributes to foreign exchange income that is remitted to the country of origin, the establishment of cooperation and networks between the country of origin and the

recipient country, and knowledge and technology transfer when migrants return or start up businesses in their countries of origin.

Some countries of origin experience a cross-border drain of important qualifications. Brain drain problems are particularly pronounced within the health and care sector, and are exacerbated by the acute need for this type of labour in a number of poor countries. A number of international initiatives in recent years aim to prevent the global shortage of health personnel from having especially negative implications for poor countries. Norway participates actively in this process.

### *Opportunities and challenges facing Norway*

The primary domestic effects of labour migration are to meet demand for labour, unblock bottlenecks in the labour market and curtail problems of pressure in the economy. Diversity in working life may in the longer run also contribute to energising the labour market and the economy by providing new qualifications, new perspectives and enhanced creativity. Higher employment will, at the same time, result in higher income. This will, together with population growth resulting from immigration, translate into higher demand for goods and services, which again increases labour demand. It is conceivable, in a long-term perspective, that increased demand for labour will offset the extra labour contributed by migration. Gross domestic product will increase, but the effect on gross domestic product per capita may be more or less neutral.

The economic effects of labour migration over time will depend on whether the labour migrants stay on a temporary or permanent basis, and to what extent they bring in their families. Temporary labour migration that is in tune with business cycles and contributes to meeting short-term demand in the labour market, improves the flexibility and expands the capacity of the labour market. The decisive factors in determining the long-term societal effects of permanent labour immigration are primarily developments in the long-term labour force participation and productivity of those labour migrants who remain here, as well as the frequency of family reuni-

ons and the labour force participation of family members. Increased permanent labour immigration will result in a rising population, but a higher population figure does not in itself increase wealth. A larger population implies that more people need to be provided for, and that more people will need goods and services like care and health services as they grow older.

Productivity will depend, *inter alia*, on the qualifications the migrants possess. The better qualified is the labour, the higher is the potential productivity effect. Experience shows that migrants holding high professional qualifications handle the integration challenges in a better way than do migrants with lower professional qualifications. This reduces the social costs associated with labour immigration. How readily the migrants are integrated into working life will depend on a number of factors, hereunder what types of qualifications are already available domestically.

It may also be worth considering whether labour migration contributes to changing productivity in the economy as a whole. Although it is difficult to make specific assessment on the magnitude of such an effect, it is nevertheless reasonable to assume that labour migration, like cross-border trade, contributes to a more efficient global division of labour, and thereby to higher overall production.

The domestic effects of labour migration may differ between various domestic groups. Increased immigration will be beneficial to owners of businesses and capital, since improved access to labour in general will curtail wage growth. As far as domestic employees are concerned, some groups may experience increased competition for jobs as the result of labour immigration, whilst other groups may experience higher demand for their own qualifications, for example following reduced bottlenecks in the labour market.

It will be the case, generally speaking, that those groups which most resemble the labour migrants will be most vulnerable to competition. It is relatively straightforward to replace unskilled workers by labour migrants with low qualifications. Consequently, the part of the labour market that recruits unskilled workers may face parti-

cular challenges in relation to the displacement of available domestic workers.

High labour force participation amongst the labour migrants who remain in Norway will also depend on the labour migrants being provided with good information about Norwegian society and opportunities for learning Norwegian, and on them making use of the available opportunities. Needs will vary between different groups of labour migrants, and measures should be tailored to the needs of each group. Measures like information and Norwegian language training contribute to paving the way for the more stable use of the manpower of those who remain in Norway, through helping to enhance the ability of individuals to adjust to changes in the business cycle and to future structural changes. A majority of the family members reunited with labour immigrants are women. It is important to give these women the opportunity to contribute to society through participation in working life as well. The children of those labour immigrants who remain in this country have to be given the same opportunities and rights as other children.

Social dumping may follow in the wake of increased labour migration. The Government is of the view that foreign employees are subject to social dumping both in case of violation of health, environment and safety rules, including rules governing working hours and housing requirements, and when wages and other benefits are unacceptably low compared to what Norwegian employees would normally earn, or not in compliance with regulations relating to the general application of wage agreements where these apply. In addition, social dumping is detrimental to other employees and businesses in Norway because it may result in unfair competition, with unreasonable pressure on accrued rights and impaired recruitment to particularly vulnerable occupations and industries, and because reputable businesses may lose contracts and customers to non-reputable players.

Several considerations suggest that one should also, in the context of increased labour migration, focus on undeclared work and illegal immigration. Firstly, experience shows that illegal migration flows may follow in the wake of large legal migration flows. Second-

dly, the illegal immigrants may be willing to accept work at a lower wage than Norwegians. Thirdly, if undeclared work and illegal labour migration are permitted to evolve over time, this may prepare the ground for other crime. The Action Plan against social dumping has launched a broad-based effort to counter such potential developments. Measures to prevent and expose undeclared work form an important part of the Government's Action Plan for combating economic crime, with an emphasis on cooperation between the affected bodies.

This Report is premised on labour migration policy being formulated within the framework represented by the institutions and schemes that constitute Norwegian welfare society. Large migration flows over long periods of time may necessitate an evaluation of the orientation of both income protection schemes and welfare services. However, the developments experienced thus far do not suggest that there is a need for addressing this at present.

## **6 Labour migration policy objectives and strategy**

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The main objective of the labour migration policy is to facilitate the simple and efficient recruitment of labour from abroad whenever needed by businesses. Frameworks and measures shall, at the same time, be designed in such a way that the gains resulting from labour migration can be realised in a balanced manner for employers, individuals and society. Each individual labour migrant shall be provided with good working conditions and good social conditions in general. Policy shall be formulated such as to make labour migration contribute to the sustainable development of the welfare society.

### *The labour demand*

A main objective of labour market policy is to contribute to high labour force participation and good use of labour. The design of labour market policy is tailored to the domestic labour demand. The

Government wishes to continue a labour migration policy under which businesses decide who should be recruited from abroad, in order to ensure that labour migration contributes to meeting labour demand. Whenever a designated regulatory framework is required, it has to be formulated in such a way that those employers who need to recruit manpower can do so in a simpler and more efficient manner than is currently the case. Processing times should be as short as possible for all types of work permits. It is desirable, in this context, to develop arrangements that give employers more responsibility for evaluating the qualifications of employees, and improved opportunities for hiring foreign labour without the authorities evaluating their qualifications in advance.

Whenever immigration is regulated, the labour demand of businesses shall continue to form the basis for work permits, within a framework stipulated by the authorities. It would be appropriate, against this background, to maintain the main principle of the present regulatory framework for third countries, pursuant to which there shall exist a specific employment offer from an employer before a work permit is granted. The possibility for submitting a permit application from Norway should be expanded.

#### *The need for improved information*

There currently exist many websites that contain information about the Norwegian labour market and about the work permit application process. Nevertheless, many employees and employers find the information provided on the Internet to be fragmented and difficult to grasp, as well as inadequate and not available in a sufficient number of languages. There is need for developing a strategy for coordinated and more comprehensive information to foreign employees or service providers who wish to operate in Norway, and to Norwegian employers or contractors who wish to make use of foreign manpower or service providers.

One should aim to present relevant information in a more accessible, integrated and user-friendly manner. Better and more coordinated information necessitates efforts within several areas, also

beyond those concerned with the rights and obligations of employees and employers. This represents a challenge for all involved bodies, given that the informational responsibility follows the sectoral responsibility.

### *The need for integration measures*

A targeted integration policy will form an important part of the Government's strategy for future labour migration. The basic objective is to promote and strengthen labour migrants' adaptation to working life and their ability to participate in social life in general. It is of particular importance to ensure that those labour migrants who wish to remain in Norway are given the same opportunities for participation in working life as does the rest of the population.

Familiarity with rights and obligations in working life in particular, and in Norwegian society in general, and proficiency in the Norwegian language, are important prerequisites for participation in various arenas of the society. These will increase the ability of individuals to adapt to fluctuations in the business cycle, prevent exclusion from working life, and thereby contribute to the more stable use of labour.

The integration measures have to be tailored to the needs of the labour migrants. Labour migrants differ from migrants admitted on other grounds, both because they have work when they arrive and because the majority of the labour immigrants hail from neighbouring countries in Europe.

Good working conditions form a significant part of the requirements for good integration of labour migrants into Norwegian working life and society. The employment legislation and measures implemented as part of the Action Plan against social dumping are intended to, *inter alia*, ensure acceptable wages and employment terms for labour migrants and prevent a dualisation of the labour market, through which there would evolve a separate segment for foreign labour featuring terms and standards significantly inferior to those applicable to other workers.

*The need for regulations*

Norway participates, through the EEA Agreement, in a large open European labour market with a common framework that offers limited scope for introducing national rules. Recruitment within this area may be influenced by, *inter alia*, information, recruitment campaigns and other measures aimed at promoting Norway as an attractive place to work and live. Integration measures, hereunder measures assisting the spouses and children of labour migrants, may also have a positive effect on recruitment.

The scope for recruitment from countries outside the EEA/EFTA area (third countries) can be influenced through the same policy measures. In addition, the authorities can control the immigration of third country citizens more directly through the stipulation of national labour immigration rules. Labour migration from third countries will remain regulated.

The regulation of migration from third countries shall strike a balance between the objective of flexible access to manpower for businesses and the preservation of societal control of the type and number of immigrants. This shall ensure stable and sustainable economic and social development. Flexibility concerns require the dismantling of unnecessary barriers to recruitment. Concern for aggregate control suggests that the authorities should regulate immigration flows, and take volume-based restrictions to regulate the numbers. Labour migration from third countries represents a very low share of overall migration under the present regulations, and the quota for skilled workers is not utilised in full. Although this may change over time, and labour migration from third countries may increase in importance, there is at present no conflict between the manpower needs of businesses and the authorities' need for regulating immigration.

The regulations are intended to ensure that the recruitment of foreign labour

- does not crowd out available domestic labour;
- does not undermine agreements and regulatory frameworks governing Norwegian labour market; and

- does not entail serious consequences on the part of poor countries of origin.

*The regulations applicable to third country citizens*

Norway, like all other EEA countries, regulates labour migration from countries outside the EEA/EFTA area. It is important to ensure, within the limits defined by regulations, that Norwegian businesses get access to key resource personnel. Both the administrative processing systems for work permits and the general framework encountered by labour migrants to Norway are important in this respect.

In designing the regulation of labour migration from third countries, the Government's policy is based on the following:

- Regulated labour migration from third countries shall be based on labour demand, and shall facilitate the recruitment of necessary manpower.
- The main emphasis shall be on facilitating the recruitment of skilled labour.
- The volume of labour migration from third countries will be subject to restrictions. The number of immigrants permitted will be determined on the basis of the relevant situation in the labour market.
- The regulatory framework governing the recruitment of labour from third countries shall generally be designed with a view to achieving neutrality between countries, i.e. without bilateral agreements with individual countries.

The regulation of volumes is effected through quota arrangements and individual labour market assessments. This is necessary in order to observe the Community preference principle, which is the principle of priority for EEA/EFTA citizens for vacancies within the common European labour market.

Two types of quota schemes are in operation at present; the general national quota for skilled workers and a special regionally based quota scheme for agriculture. The size of the quotas is sub-

ject to continuous evaluation, based on labour market needs, the access to domestic labour and the access to labour from the EEA/EFTA labour market.

The Government operates on the premise that access to unskilled labour from abroad is currently catered for by the existing regulatory framework. Unskilled EEA/EFTA citizens enjoy unrestricted access to the Norwegian labour market. We have a flexible regulatory framework governing employees from third countries who wish to engage in seasonal work within, *inter alia*, the agricultural sector. In addition, there is significant migration from third countries based on protection needs and family reunion. Many of these migrants are unskilled. The risk that increased labour immigration may crowd out domestic labour and impair agreements and regulatory frameworks in the Norwegian labour market is most acute in respect of unskilled labour. Labour migration from third countries should therefore, in the main, be limited to labour at the skilled level or higher, as well as to seasonal work and cross-border service delivery, which are not subject to any qualification requirements.

If it should in future become more difficult to meet the need for unskilled labour domestically or from the EEA/EFTA area, the labour immigration rules can be amended to allow for more immigration of this type of labour from third countries as well.

### *Neutrality between third countries*

In order to ensure the equal treatment of individuals, the regulatory framework governing the recruitment of labour from third countries should generally be designed with a view to achieving neutrality between countries. This would ensure that mobile jobseekers are treated the same irrespective of their countries of origin, and enables each business to decide for itself what countries to recruit from.

Development policy objectives suggest that labour immigration strategy should in some contexts pay special consideration to labour needs in poor countries. The principle of neutrality between third countries in the design of the regulatory framework should

not prevent weight from being attached to such considerations. This applies, *inter alia*, to the possibility of including migration as an element of development cooperation with certain countries. Nor should it prevent a deliberate effort to avoid the active recruitment of key personnel of whom there is a shortage in other countries. This is, *inter alia*, the background against which the Government emphasises that it will not pursue the targeted recruitment of health and care personnel from poor countries.

Neither should the principle of neutrality between third countries prevent the facilitation of mobility vis-à-vis our neighbouring countries. Since all our neighbouring countries, with the exception of Russia, form part of the common Nordic labour market and the common EEA/EFTA labour market, measures that may stimulate mobility between Northern Norway and Northwest Russia will be of special relevance in this context. The Government's High North Strategy facilitates expanded economic interaction across the border between Norway and Russia. The Government believes, for this reason, that there is a need for somewhat broader scope for granting work permits for Russians without qualifications requirements than at present, for work in Northern Norway.

## **7 The Government's proposals**

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The proposals presented in Report No. 18 (2007–2008) to the Storting will contribute to a labour migration policy that is more user friendly, transparent and predictable for all involved parties, that balances the interests of the various parties, that is flexible as far as the needs of employers are concerned, and that is robust to changes in the labour market and external conditions in general.

### *The regulatory framework governing immigrants*

The Government proposes a simpler and more transparent regulatory framework. All EEA/EFTA citizens shall be able to work without a permit, as soon as the transitional arrangements come to an

end and Directive 2004/38/EC has been implemented. Abolition of the transitional arrangements with all EEA countries with effect from 1 January 2009 is being discussed with the social partners. Bulgaria and Romania will be subjected to a separate assessment.

The number of employee categories in the regulatory framework applicable to third country citizens should be reduced. The Government wishes for the regulatory framework to recognise the following employee categories from countries outside the EEA/EFTA area:

- a) *Highly qualified specialists and key personnel* are defined as persons offered a salary above a certain level. These are entitled to family reunion and offered opportunities for permanent residence.
- b) *Skilled workers* are defined as employees with an education level corresponding at least to vocational training at the level of Norwegian upper secondary education, or corresponding practical qualifications, as well as persons with special skills. These are entitled to family reunion and offered opportunities for permanent residence.
- c) *Recently graduated* foreigners from third countries who have completed their education in Norway may be granted a work permit for 6 months, irrespective of the type of job, whilst they apply for relevant work within categories a or b.
- d) *Seasonal employees* need to have a permit prior to the commencement of work, like at present. A permit is granted for up to 6 months, and does not give any entitlement to family reunion or permanent residence.
- e) *Unskilled* are proposed as a separate general category, with no qualification requirement. These can be granted a temporary permit after the Ministry has laid down guidelines as to what geographic areas or localities such permits shall be valid for. It is proposed, to begin with, that these permits shall be available to Russians from the Barents region for work in the three northernmost regions of Norway.

It is further proposed

- that employers be given more responsibility for the recruitment of labour, and that highly qualified specialists, key personnel and skilled persons, cf. categories a and b above, shall be allowed to commence work before the permit is issued;
- that employees of international companies may commence work before the permit is issued;
- that jobseekers at skilled level, or higher, from third countries should be allowed to apply for work in Norway for 6 months, as compared to the current three-month jobseeker visa;
- that measures for the swifter processing of family reunion with labour immigrants be considered; and
- that the families of students be given the opportunity to engage in full-time work.

#### *Information and promotion*

The new regulatory framework proposed in Report No. 18 (2007–2008) to the Storting will be simpler to understand and easier to make known, both in Norway and abroad. In addition, the following measures are proposed:

- The responsibility of the Norwegian Labour and Welfare Service to coordinate information should be expanded to include labour migration from third countries. The Norwegian Labour and Welfare Service's recruitment service for jobseekers and employers is based on EURES. The specific duties associated with the coordination responsibility and the division of labour as against other sectors will be examined in more detail.
- An effort will be initiated to consider a designated Internet portal as a point of entry for all relevant information relating to labour immigration and service imports. This will be done in consultation with affected sectoral bodies.
- It will be examined more closely how one can better make use of the diplomatic service to market job opportunities in Norway. It may be appropriate in this context to launch a pilot project through which certain relevant embassies are accorded a

higher recruitment profile in the effort to inform about job opportunities in Norway.

In addition, there is an ongoing effort to develop new national points of contact for service providers and for the approval of professional qualifications within occupations that are subject to statutory regulation.

#### *Application procedure and administrative processing*

A number of already initiated measures will contribute to improved processing procedures and reduce administrative lead times. In addition, the following measures are proposed, *inter alia*:

- The establishment of additional joint information and processing offices staffed by representatives from the most affected bodies, based on experience from the joint service office established in Oslo will be considered.
- Applicants should expect a maximum processing time of 4 weeks for work permit applications, from the complete application has been received until a decision has been made, once the new regulatory framework is in place and electronic processing within the immigration administration has been implemented. It is a prerequisite that the identity of the applicant is known and that the documentation is verifiable.
- Review the distribution of responsibilities and duties within the immigration administration, with a view to examining solutions that may contribute to reducing administrative lead times and increase user orientation in immigration cases, including labour migration cases. The review will be based on an assessment as to what is the best division of duties for the immigration administration as a whole, with an emphasis on the comparative advantages of the various players.

### *Integration*

The Government is pursuing, *inter alia*, the following integration measures for labour immigrants:

- The introduction of Norwegian language training will be considered.
- Systematic information about rights and obligations. The preparation of an introductory information package is considered.
- Continue the effort to improve arrangements for the approval of foreign higher education and surveying the authorisation arrangements for occupations that are subject to statutory regulation.
- Continue support for voluntary organisations' work with labour immigrants.

### *Efforts to combat social dumping*

Implementation and evolvement of the Action Plan against social dumping is important to preserve those elements of the Norwegian labour market that contribute to making Norway attractive for labour immigrants: Good and secure working conditions, a favourable working environment with good cooperation and a high degree of participation, as well as competitive wages. The Government pursues an ongoing dialogue with the social partners to deliberate the challenges posed by labour migration for Norwegian wage formation.

### *Focus on the High North*

The Government aims to facilitate good mobility of labour in the High North. Since all our neighbouring countries, with the exception of Russia, form part of the common Nordic labour market and the common EEA/EFTA labour market, measures that may stimulate mobility between Northern Norway and Northwest Russia will be of special relevance in this context. The following measures are proposed:

- Temporary work permits for Russians from the Barents region, with no qualification requirements, and permitting work within all industries in the three northernmost regions of Norway.
- Permits also for part-time work for cross-border commuters from Russia.
- The establishment of a joint information and processing office in Kirkenes.
- Measures to simplify travel and border crossings through amended visa rules and modified visa checking practises.
- Examine measures for simplified border crossings in the form of a bilateral agreement on local border traffic certificate.

#### *Concern for the countries of origin*

It is important to ensure that Norway does not contribute to draining poor countries of highly qualified personnel of whom there is a severe shortage in such countries, whilst at the same time safeguarding the right of individuals to emigrate to improve their life situation. The effects of the regulatory framework for labour immigration therefore have to be monitored closely, especially from the perspective of potential negative consequences for poor countries.

In addition, Report No. 18 (2007–2008) to the Storting proposes, *inter alia*, the following measures:

- Contribute to the establishment of international standards to prevent the active recruitment of employees with higher education and qualifications of whom there is a major shortage in developing countries. The Government will, until international standards are in place, prepare its own standards on the basis of background analysis from the health and care sector.
- Examine the possibility of granting unskilled employees from developing countries, under the auspices of development projects, permits for temporary work in Norway. Such arrangements form part of the development of arrangements for circular migration.

- Pursue a dialogue with the financial sectors both in Norway and in developing countries, and with immigrant groups in Norway and with the authorities in their countries of origin, as to how the remittance of money from Norway to the countries of origin of labour immigrants can be made simpler and cheaper.

## **8 Appendix: Some key figures**

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### *The impact of immigration on population growth and dependency ratio*

The age composition of the population is changing towards a higher proportion of older people, inasmuch as the growth of younger cohorts is expected to be weaker than the growth in older ones, cf. Chart 3. The proportion of the population aged 60 years or more will increase from less than one fourth in 2005 to more than one third in 2030, given an annual net immigration of 16 000 persons from 2010 to 2050.<sup>1</sup> A higher proportion of older people in the population means that the number of people who do not work will increase relative to the number of people of working age. In 2005, one person of working age supported 0.64 persons apart from him- or herself, of whom 0.22 were older people. The level of immigration will to some extent influence developments of the dependency ratio, cf. Chart 6 for the expected developments.

The level of net immigration will affect growth in the labour force, cf. Chart 4. With an annual immigration of 9000 persons from 2010, the labour force in 2050 would be 2 654 000 persons, which is

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<sup>1</sup> Population developments are calculated on the basis of the following immigration assumptions: Low alternative: Net immigration is reduced from 16 700 to 9000 per year over the period from 2005 until 2009. Net immigration is assumed to be 9000 persons per year as from 2010 and until the end of 2050 under the low alternative. Medium alternative: The medium alternative assumes net immigration of 16 700 persons per year from 2005 until 2009. It is assumed to be 16 000 persons per year from 2009 onwards. High alternative: Net immigration is increased from 16 700 to 24 000 persons per year from 2005 until 2009 under the high alternative. Net immigration is assumed to be 24 000 persons per year as from 2010 and until the end of 2050

200 000 persons less than under the medium alternative of 16 000 persons a year. Under the high alternative featuring annual net immigration of 24 000 persons, the labour force in 2050 would be almost 250 000 persons higher than under the medium alternative. Without immigration the labour force would be reduced from about 2017 onwards, and decline to 2 247 000 persons around 2050.

Labour force participation measures the proportion of people of working age who are engaged in income-generating work. Statistics Norway expects, labour force participation to decline under all immigration alternatives. Labour force participation (15–74 years) in 2007 was 71 %. It is expected to fall to about 70 % in 2018. The decline will be less steep thereafter, and labour force participation is expected to increase somewhat again between 2040 and 2050. The level of immigration has an insignificant impact on developments in labour force participation, cf. Chart 5.

With an annual immigration of 16 000 persons from 2010, the dependency ratio would increase by 19 % from 2005 to 2050 (from

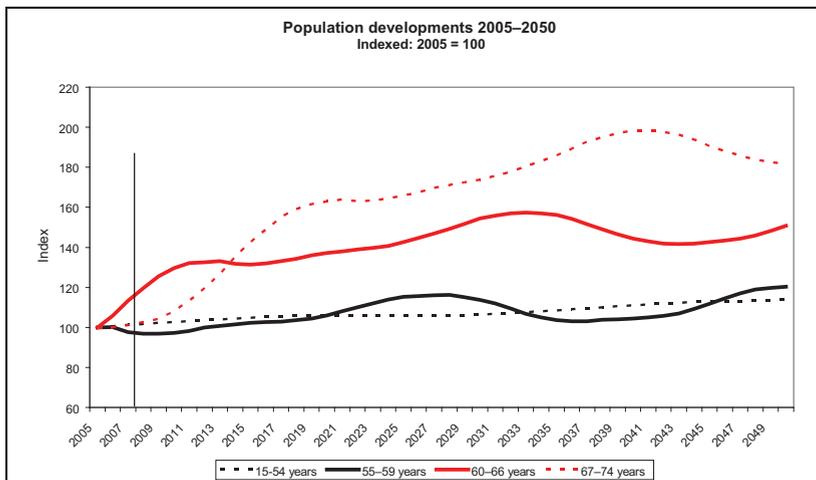


Chart 3 Population developments divided by selected age groups, 2005–2050. Indexed; 2005=100. The medium alternative

Source: Statistics Norway.

0.64 to 0.76). If net migration is assumed to be 24 000 persons annually, the dependency ratio would increase by 16 % over the same period, i.e. three percentage points less than under the medium alternative, cf. Chart 6. This would not represent a permanent reduction in the dependency ratio, since the migrants grow older as well.

### *Gender and age of labour immigrants*

Whilst overall immigration figures show a fairly equal distribution between men and women, there is a significant majority of men amongst labour immigrants, cf. Chart 7. The total number of labour immigrants who moved to Norway in 2006 included 9500 men and 2100 women. The work permit statistics of the Norwegian Directorate of Immigration for 2007 show more or less the same distribution. About 55 000 first-time work permits were granted to labour

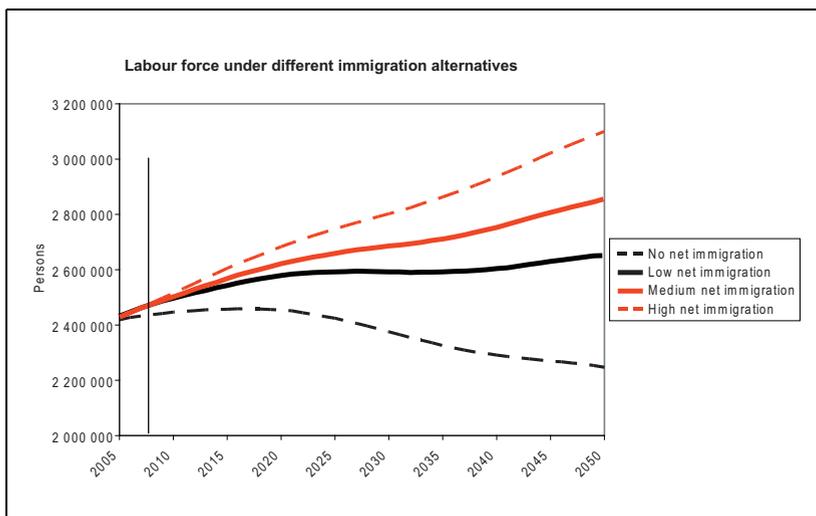


Chart 4 Labour force projections under different net immigration assumptions, 2005 to 2050

Source: Statistics Norway.

immigrants in 2007. About 44 000, or 80 %, of these were granted to men and 11 000, or 20 %, were granted to women.

The majority of labour immigrants fall into the age brackets 18–29 and 30–39 years. In total, these accounted for three fourths of all non-Nordic labour immigrants who moved to Norway in 2006. The proportion aged between 40 and 49 years was about 20 %, and about 6 % were 50 years or older. Consequently, most labour immigrants are of an age for which labour force participation tends to be high.

*Labour force participation amongst labour immigrants*

Employment amongst labour immigrants is high; in excess of 80 %, cf. Chart 8. Employment amongst first-generation immigrants, irrespective of their grounds for immigration, is, at 60 %, significantly lower than amongst labour immigrants. This is caused by relati-

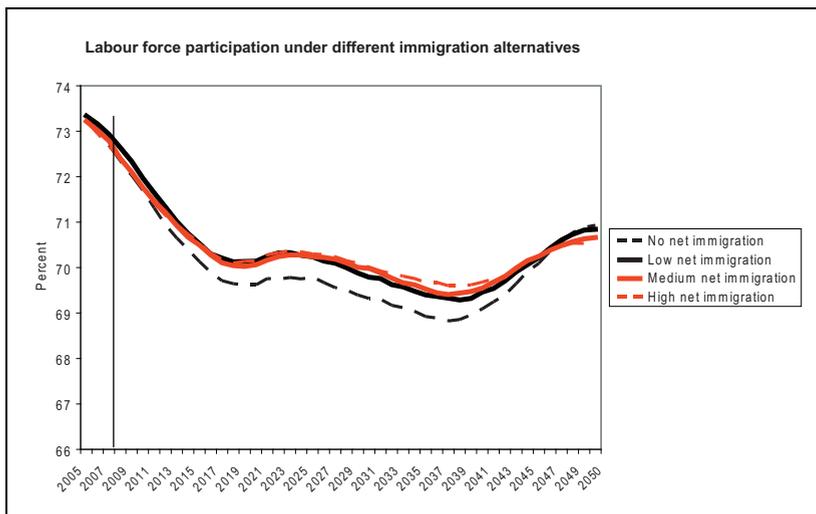


Chart 5 Labour force participation (the labour force as a percentage of the population of working age) projections under different net immigration assumptions, 2005 to 2050

Source: Statistics Norway

very low participation in employment amongst family immigrants and refugees. Labour force participation for the overall population aged 15–74 years was 71 % in 2007; 74 % for men and 68 % for women.

*Background information about Norway*

Table 1 presents key figures for Norway and certain other countries as a basis for comparison. Norway is, in the European context, a country with a relatively low population density and a relatively small population. Norway has, in an international context, a high

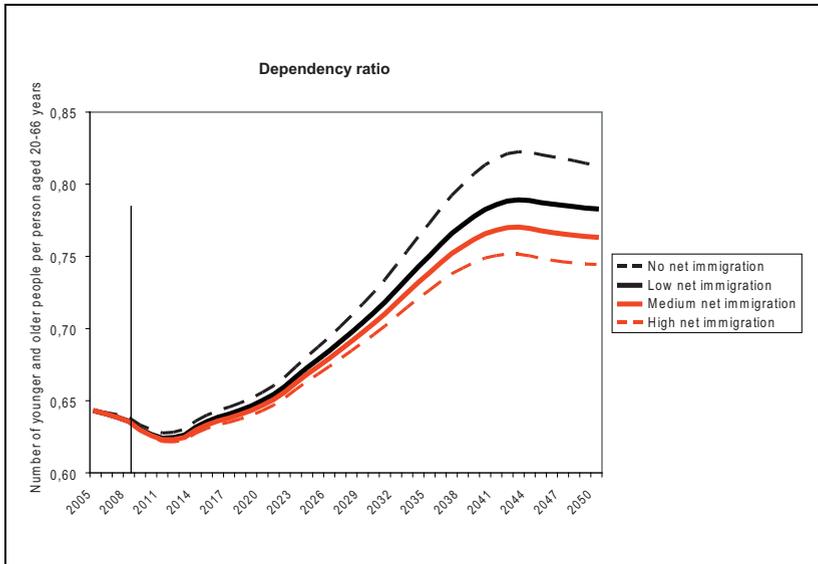
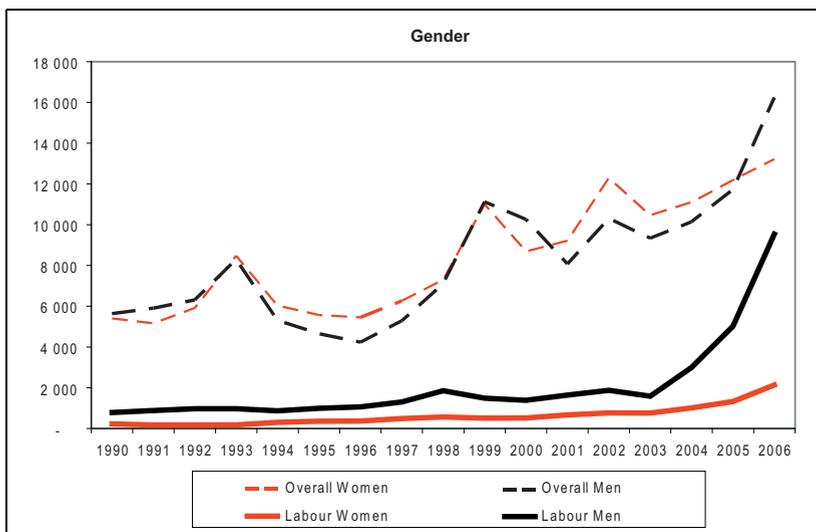


Chart 6 The dependency ratio represented by younger and older people. Number of persons aged 0–19 years and 67 years and more per person aged 20–66 years under different net immigration assumptions

Note: Low net immigration is defined as 9000 immigrants annually from 2010, medium as 16 000 persons and high as 24 000 immigrants

Source: Statistics Norway.

employment rate, with 75.5 % of the population aged 15–64 year holding a job. In comparison, the average for the OECD countries is 66.1 %. The unemployment rate was 3.5 % in 2006, as compared to 6 % for the OECD. The proportion of the population born abroad is 8.2 % in Norway, which is not particularly high when compared to the other countries represented in Table 1. In Canada, which is a typical immigrant country, the proportion was 19 %. In the Nordic context, Norway has a higher proportion of the population born abroad than does Denmark (6.5 %), but a lower proportion than Sweden (12.4 %).



**Chart 7** Number of first-time immigrations for non-Nordic immigrants over the period 1990–2006 by gender. Overall immigration and Labour immigration

Source: Statistics Norway.

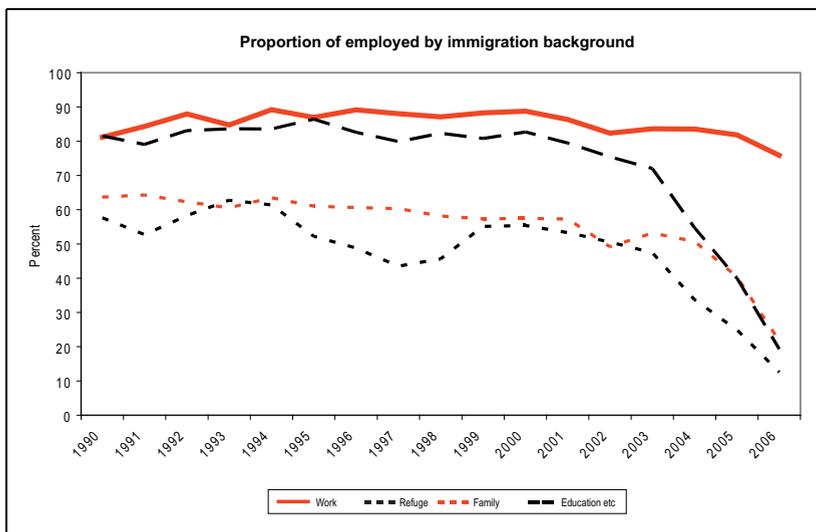


Chart 8 Proportion of employed immigrants in the 4<sup>th</sup> quarter of 2006, by reason for immigration and year of immigration to Norway. Percent

Note: The category «family» includes family members reunited with refugees.

Source: Statistics Norway.

Table 1 Key figures for Norway and certain other countries

	Norway	Den- mark	Sweden	Nether- lands	Ireland	United King- dom	Canada	OECD
Population (1000) <sup>1</sup>	4 620	5 431	9 014	16 299	4 148	59 688	32 268	
Population density (population per km <sup>2</sup> ) <sup>2</sup>	12	126	20	393	59	248	3	
Employment rate (%) <sup>3</sup>	75.5	76.9	74.5	72.4	68.1	72.5	72.9	66.1
Unemployment rate (%) <sup>3</sup>	3.5	3.9	7.0	3.9	4.4	5.3	6.3	6.0
Number born abroad (1000) <sup>4</sup>	380.4	350.4	1125.8	1734.7	486.7	5841.8	5895.9	
Proportion born abroad (% of the population) <sup>4</sup>	8.2	6.5	12.4	10.6	11.0	9.7	19.1	

Note: Figures for 2006. Figures for the number and proportion born abroad are for 2005.

Source: 1: World Migrant Stock: The 2005 Revision Population Database; UN.

Source: 2: World Population Prospects: The 2006 Revision Population Database, UN.

Source: 3: OECD Employment Outlook 2007.

Source: 4: OECD International Migration Outlook 2007.

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