



# Recruiting Immigrant Workers NORWAY





# **Recruiting Immigrant Workers: Norway 2014**

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**Please cite this publication as:**

OECD (2014), *Recruiting Immigrant Workers: Norway 2014*, OECD Publishing.  
<http://dx.doi.org/10.1787/9789264226135-en>

ISBN 978-92-64-22612-8 (print)  
ISBN 978-92-64-22613-5 (PDF)

Series: Recruiting Immigrant Workers  
ISSN 2225-7950 (print)  
ISSN 2225-7969 (online)

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## *Foreword*

This review of Norway's labour migration policy is the fourth of a series conducted by the OECD Secretariat as a follow-up to the 2009 High Level Policy Forum on International Migration. The rationale for this initiative was the recent growth in labour migration observed in many countries and the likelihood that recourse to labour migration would increase in the context of demographic ageing. Prior to the 2008-09 economic crisis, many countries had made substantial changes to labour migration policies with a view to facilitating recruitment from abroad. With the introduction of these changes, more prominence was accorded to the question of their effectiveness and more broadly, to the objectives of labour migration policy in general. Although the economic crisis put a damper on labour migration movements, it did not stop them entirely, and interest in labour migration policy is unlikely to diminish in the near future.

The central objective of labour migration policy is to help meet those labour market needs which cannot be satisfied through tapping domestic labour supply in a reasonable time-frame, without adversely affecting the domestic labour market and without hindering development prospects in vulnerable origin countries. Although the objective itself can be easily stated, specifying the criteria for assessing the success of policy in achieving it is a complex matter. It involves evaluating how well labour market needs have been identified and whether migration has had an impact on the labour market, both of which are analytically difficult.

This series of reviews addresses the question of whether labour migration policy is effective in meeting labour market needs without adverse effects, and whether the policy is efficient. To address these questions, this review aims to analyse two key areas: i) the labour migration system and its characteristics, in terms of both policies in place and the labour migrants who arrive; and ii) the extent to which it is responding to the current and forecast needs of the domestic labour market, as well as any impact on the latter.

The focus is specifically on discretionary labour migration, that is, those labour migration movements over which policy has direct, immediate

oversight. Other categories of migration – family, for example – are considered in terms of their influence on decisions to admit workers. Movements in the context of free-circulation agreements, which are important in many European countries and especially in Norway, are also covered in their relation to discretionary labour migration.

In light of recent large flows, Norway faces a similar discussion as other OECD countries regarding effective labour migration policy, and it is in this context that Norway requested that the OECD review its labour migration policy. This review asks the question of what should be the role of discretionary labour migration policy in the specific context of Norway, given the very high levels of migration from within the European Economic Area.

## *Acknowledgements*

This review has been written by Jonathan Chaloff, Julia Jauer, and Theodora Xenogiani. It benefited from valuable comments from Jean-Christophe Dumont and Stefano Scarpetta. The OECD Secretariat would like to thank the Norwegian authorities involved and all the persons in Norway who provided information to the project team and responded to the numerous questions raised. The Secretariat would also like to thank Trude Gunnes (Statistics Norway), Hege Gjefsen (Statistics Norway) and Taryn Galloway (Ministry of Labour and Social Affairs) who conducted the micro-level analysis in this review and Line Eldring (Fafo). This report would not have been possible without the support of the Ministry of Labour and Social Affairs and the Norwegian Directorate of Immigration. A draft of this report was presented at a seminar organised by the Ministry of Labour and Social Affairs in Oslo on 8 May 2014 and at the OECD Working Party on Migration in Paris on 13 June 2014. The Secretariat would like to thank the participants in these meetings and the OECD Working Party on Migration for their helpful comments.



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## Acronyms and abbreviations

DBH	Database for Statistics on Higher Education
Difi	Agency for Public Management and eGovernment
EEA	European Economic Area
EFTA	European Free Trade Association
EPR	European Partnership for Researchers
ESF	European Science Foundation
EURES	European Employment Service
Fafo	Independent and multidisciplinary research foundation
HEI	Higher Education Institute
IMDi	Norwegian Directorate of Integration and Diversity
INN	International Network of Norway
IS	International Scholarship Section
ISF	Institute for Social Research
IT	Information technology
JSE	Job-start and job-end register
KS	Organisation of local authorities
LFS	Labour force survey
MODAG	Medium Term Macroeconometric Model of the Norwegian Economy
MOSART	Dynamic Cross-sectional Microsimulation Model
NA	National Accounts
NAV	Norwegian Labour and Welfare Administration
NNU	Norwegian University of Science and Technology

NOK	Norwegian krone
NOKUT	Norwegian Agency for Quality Assurance in Education
NSD	Norwegian Social Science Data Services
NUDB	Norwegian National Education Database
PES	Public Employment Service
PIAAC	Survey of Adult Skills
SAK	Norwegian Registration Authority for Health Personnel
SFU	Centres of Excellence in Education
SIU	Centre for International Cooperation in Education
SK	Public sector organisation
SSB	Statistics Norway
UDI	Directorate of Immigration ( <i>Utlendingsdirektoratet</i> )
VET	Vocational Education and Training
WTO	World Trade Organization

## *Executive summary*

Norway has become a major labour migration country in the OECD, with inflows of labour migrants – mostly workers from the EEA – exceeding all OECD countries except Switzerland, as a share of its population. Discretionary labour migration from outside the EEA has not grown as much as free movement. Free movement migration stood at about 40 000 inflows in 2012, compared with fewer than 5 000 non-EEA workers admitted.

Policy experimentation has been relatively limited. This is not, at first glance, surprising, since relative to other OECD countries, the economic and labour market situation in Norway is rather favourable. Unemployment has remained far below the OECD average, and participation rates, while declining slightly in the last five years, are above the OECD average. The demographic prospects – even discounting the significant contribution of migration – are far from the dramatic situation of population ageing faced by Germany, Japan and most central European countries. Unlike a number of other OECD countries, labour migration policy in Norway is not linked to long-term workforce development or demographic objectives

Further, the country is less affected by concern over the global competition for talent, or over imminent skills shortages. There are few signs of broad and acute shortages in specific occupations. High wage levels go a long way to making Norway attractive for workers from abroad, especially but not only for less skilled occupations. Norway is not a closed labour market: Norwegian employers already appear to consider seeking abroad to fill vacancies in a number of sectors and occupations. Yet not all businesses – and not all regions of Norway – can attract the talents they need within Norway or from within the EEA. Key industries in smaller population centres wonder how they will source talent in the future.

This highlights the role for discretionary labour migration, which already feeds certain key sectors and occupations in Norway, and may play a growing role in the future. Future demand is likely to increase for certain categories of skilled workers. Technology, engineering and the extraction industry are global fields in which Norwegian employers

compete worldwide. Other sectors such as healthcare are also expected to look abroad for labour in the future.

Today, Norway attracts relatively few labour migrants, and not only because of the supply represented by the EEA labour market. High-skilled workers who come to Norway often leave, even if their employer would like to keep them. The spouses of skilled migrants – usually educated and talented themselves – appear to struggle to find jobs, and this may cause the whole family to leave. More should be done to help family members of labour migrants integrate into the labour market, including access to language education. Other integration measures at the community level would also improve retention.

Norway has a large and growing number of international students, many of whom leave at graduation or in the years that follow. Nor does Norway's international student population feed into its labour migration channel, in contrast to what occurs in most other OECD countries. Students should be informed of the possibilities to stay after graduation. Work experience during study is strongly correlated with post-graduation stay and labour market outcomes, especially when the work is in the field of study, and this should be encouraged.

Administrative procedures for work permit authorization and renewal are relatively efficient and simple, and recent changes have further centralised processing. Experimental measures to facilitate international recruitment – a job search visa and a salary threshold – were dropped, although the former should be re-examined and a reworked pilot considered.

## Summary of the main recommendations for Norway

### A. Move to a more proactive labour migration system

- Identify target areas where Norway represents a strong competitor for skilled workers who would be more likely to stay
- Introduce a branded and targeted job search visa as a pilot measure, with a cap and a selection process linked to local and sector bodies
- Eliminate the cap on skilled permits exempt from a labour market test
- Market tertiary education as a pathway to employment in Norway

### B. Support the stay of international students

- Promote employment during study for international students, especially internships or placement with employers in the field of study

### C. Strengthen the services for labour migrants and their families

- Improve NAV services for labour migrants and their spouses by involving them in the Service Centres
- Develop targeted language courses for labour migrants and their spouses and explore a cost-effective subsidy

### D. Reduce the margin for abuse

- Reconsider au pair criteria to ensure that the cultural exchange programme is not a domestic work permit

### E. Improve the statistical infrastructure

- Short-term stays for work and business purposes should be better monitored, and the ability to monitor stay rates and status changes directly from the permit database should be reinforced
- Statistics Norway should include more detailed permit data in the register



## *Assessment and recommendations*

### **Norway has high net migration levels**

Norway has one of the highest net migration levels of OECD countries, relative to its population. The total net migration rate in the 2000s was 6%, and net migration contributed 60% of population growth. Net migration has been running at about 1% annually in the early 2010s. While immigration from the mid-1990s to mid-2000s was largely humanitarian and family, since the mid-2000s it has been driven by labour migration.

### **Labour migration is largely from other Nordic countries and east Europe**

First-time arrivals on the Norwegian labour market accounted for more than 5% of job starts in the 2009-12 period. The number of jobs in Norway increased by 4% since 2009, and about 70% of these jobs have been filled by immigrants from outside Norway. Labour migration to Norway comprises a large share of migration for less skilled occupations by workers from the central and eastern European countries which joined the European Union in 2004. These accounted for almost half of the first-time job starts by immigrants in 2012. Migration from Nordic countries, especially Sweden, is also important, and Nordics represented about one in four of all new immigrants starting jobs.

### **While labour migration of skilled migrants from outside the EEA is relatively limited**

Norway admits skilled labour migrants from outside of the EU/EFTA, whose number has been rising, from less than 3 000 in 2007 to more than 5 000 permits annually. About one in four are seconded workers from multinational firms. The origin of skilled workers is varied, with 14% from India, 8% from China, and about one in four from OECD countries.

## **Skills shortages are evident in some occupations and expected to grow in the future**

Despite a relatively favourable demographic situation and significant net migration, Norwegian employers report difficulty in filling positions for certain occupations. According to a supply and demand modelling scenario by Statistics Norway, the next 20 years will see a small but growing gap between supply and demand of the tertiary-educated. Analysis by Statistics Norway by field of study points to a continuing tight labour market for engineers, and scientists. A wider gap is forecast for those with upper secondary education. Health care workers and nurses are also expected to be increasingly needed in insufficient supply, and local authorities report difficulty in filling specific positions. The oil industry requires substantial labour force and its wages attract workers from other industrial sectors creating further demand. Rural regions in particular face challenges attracting talent.

## **Shortages are not evident in less skilled occupation, nor are they forecast**

The Statistics Norway demand and supply model forecasts a substantial surplus – about 12% – of less qualified workers by 2030, although this includes some imputation of immigrants for whom education is unknown. Some of this is due to continuing inflows from new EEA members, who are largely less skilled: migrants from the EU-12 (2004 and 2007 accession countries) accounted for 16.2% of new labour force entries into the least skilled occupations in 2011, but only 2.2% of new labour force entries for skilled employment.

## **While skilled vocational-education are forecast to be in shortage, but supply has been significant from within the EEA**

Some of the largest shortages are forecast to open in vocational-level occupations in manufacturing and construction. These are fields where EEA migration is already consolidated and can be expected to continue.

## **Norwegians employers already recruit from abroad**

Norwegian employers recruit from abroad mostly in the Nordic region and in Europe. 14% of Norwegian employers recruited – or tried to recruit – from abroad in 2012. The sectors where recruitment from abroad was most common were not necessarily those needing the most workers. The oil sector was most likely to have firms recruiting from abroad, followed by hospitality and manufacturing. Firms with seasonal agricultural needs also

recruited from abroad. Sectors with few vacancies in Norway still recruited from abroad, suggesting a global search for the right candidates.

### **The labour migration policy is not an obstacle to recruitment of skilled workers**

The labour migration policy for skilled migrants is relatively open, fast and simple in international comparison. Businesses which wish to hire skilled workers from outside the EEA face few obstacles. The permit conditions offered by a standard skilled-work permit in Norway compare favourably to the EU Blue Card and to similar work permits in other EU countries. Permit duration is up to three years, and eligibility for permanent residence begins after three years. Family members are granted unrestricted labour market access. Medium-skilled workers are also allowed under this system, although their qualifications and job face close examination. A salary-threshold permit was introduced to provide an alternative to recognition of qualifications, but this possibility was not often used and the permit was withdrawn.

### **And the seasonal work visa appears to function well**

A seasonal programme admits about 2 000 workers annually from outside the EEA, primarily for agriculture and tourism, but also to cover holiday-related shortages in other sectors. Half of seasonal workers are from Vietnam or the Former Soviet Union. The programme is capped for agricultural workers, and seems to work well: there is little evidence of rent-taking or abuse. About half of participants return to work again, suggesting that they were satisfied with the programme. Most seasonal workers in these sectors, however, are from the EEA.

### **Although a domestic-work visa would be a better response to labour demand than the current au pair visa**

An au pair visa for cultural exchange has attracted many participants who come more for employment than for study. The programme is dominated by citizens of the Philippines, many of whom have already been au pairs in other EEA countries. Recent changes have imposed more sanctions on abusive employers, but the appearance that the au pair programme is a *de facto* domestic-work visa remains. If Norway indeed considers that a live-in domestic work permit is necessary, a work permit should be introduced, although this would likely be affordable only for a small number of families.

## **To meet forecast demand, Norway will have to increase its attraction and retention of tertiary-educated migrants in particular in certain fields**

Forecast labour shortages will have to be met through a combination of approaches. Relative to other OECD countries, less can be gained from increasing the employment rates of women, older workers and youth, since these are already very high in international comparison. Areas where Norway is concentrating include reducing the disability rate, increasing employment among immigrants from other admission streams, and increasing the hours worked per employee. In light of the specific skill needs, however, migration will have to play a role.

Current migration levels – with the current educational composition – will not be sufficient to meet projected skilled worker needs in the medium-term. These shortfalls can be met through improving the retention of Norwegian-trained students and increasing the inflow of skilled workers and/or increasing their stay rate. Taking into account the Statistics Norway model scenario, a doubling of skilled labour migration inflow, and a similar increase in the stay rate, would contribute significantly to closing the forecast gaps. Even with such an increase, labour migration from outside the EEA would still represent only a small part of total migration flows to Norway.

## **Despite high wages and high quality of life for skilled workers, Norway is not a top destination**

Norway has high relative wages, and despite a high cost of living, this is more the case for young professionals, who may not choose Norway because of the language, its smaller urban centres and limited awareness of Norway as a labour migration destination. Wage progression is less than in many other OECD countries, and for older skilled workers, the wage differential is not as high. There is a limited infrastructure for expatriates (e.g., international schools).

## **The marketing, promotional and support infrastructure is partly in place...**

Norway has an active international employment service which organises job fairs, a widely used job-matching site, and clear information from the immigration service and on official websites. Three local service centres provide permit and administrative support. Private sector actors support businesses with relocation services, and diversity programmes are often in place.

### **...but could be improved**

There is no overall marketing strategy for Norway or its regions, sectors or universities abroad, as a destination for skilled workers. The qualities which could attract the skilled workers who are likely to stay – safety, quality of life, environment, education, gender equality, work/life balance – do not figure in information campaigns. Promotion could be targeted better, given the specificities of Norway: e.g., graduating students in universities in similar regions or rural areas; women science graduates in countries where they face more difficult professional pathways relative to men; skilled workers in high-crime or high-pollution areas.

### **...especially after arrival**

Labour migrants are left out of the well-developed integration infrastructure in Norway, which has been largely designed for humanitarian migrants and family members. Understandably, they do not benefit from the subsidies offered to other groups. However, for labour migrants and their family, job-orientation resources are generally limited and the PES do not have specific support for this group. Some local initiatives suggest that a pro-active welcome package, including social integration, can make a difference for families of skilled workers, and this could be mainstreamed.

## **Language is the main barrier to attracting and retaining skilled labour migrants**

Overall, people who do not speak Norwegian fare poorly in the Norwegian labour market. Evidence from the Survey of Adult Skills (PIAAC) suggests that immigration policies that select people only on the basis of their educational attainment may not be successful in identifying and attracting the most skilled ones who will succeed in the labour market. One of the key factors, in particular in Norway and other countries with complex or rare languages, is language proficiency. While some skilled migrants can often work in English-speaking environments, longer term stay requires them to acquire Norwegian language ability, both for integration of the family and acquisition of permanent residence. If they wish to take language courses, labour migrants and their family members are required to pay for them. Courses are costly (upwards of EUR 2 000) and not necessarily compatible with full-time employment. The 250-hour requirement for permanent residence is equivalent to 1.5 hours/week for three years. Courses should be developed for this group, and appropriate subsidies considered for their family members.

## **The recognition of foreign qualifications is a stumbling block only for certain occupations**

One issue in the past for foreign-educated labour migrants were long delays reported in obtaining recognition of qualifications. Average processing times at the competent authority (NOKUT) declined to 2.8 months in 2013, although this includes recognition of EEA qualifications and those obtained by Norwegians abroad. In early 2014, processing times were substantially faster. Times can be longer for certain regulated professions – for example, nurses trained outside the EEA must wait at least six months – as the responsible professional body must review applications.

## **A job search visa was abandoned prematurely and could be reintroduced**

Norway introduced a job search permit in 2010 to improve the labour supply of tertiary-qualified workers. This was cancelled in 2013 following concern over fraud. The success rate (job-seekers who received work permits) was about 30%, but this is comparable to similar programmes in other OECD countries and does not in itself represent a failure.

This programme could be restructured to reduce the risk of fraud and to select candidates more likely to be successful. A cap would allow management. An on-line pre-selection mechanism would reduce processing overhead. Finally, targeted promotion and marketing in origin countries, as well as involvement of regional and sector stakeholders, who could identify and fast-track candidates from the pool, would increase the likelihood of attracting and retaining candidates.

## **The current cap on skilled migrants could be eliminated**

An automatic safeguard mechanism in the skilled labour migration system is a cap, set at 5 000 since its introduction, beyond which applications must be subject to a labour market test. The labour market test itself has never been applied, since the cap has never been reached. Applications are currently reviewed to ensure that wages and conditions match standards, and that businesses and job offers are legitimate. A labour market test would presumably require job listing in Norway and in the EEA, and possibly review by the public employment service. In a context of low unemployment, especially for the tertiary educated, it is difficult to see the added value of a labour market test, although this could be used if the labour market slackens, or on a sector basis. The Ministry of Labour and Social Affairs can lift the cap if necessary. The cap could be eliminated altogether as long as labour market conditions for skilled workers remain favourable.

## **There is ample margin for improving the stay rate of non-EEA labour migrants**

More than half of labour migrants leave within the first three years. Migrants who do not participate in the labour market are more likely to leave the following year. Labour migrants in medium-skilled occupations are the most likely to stay in the country, as are those with family ties in Norway.

## **... and benefiting from their educated spouses entering employment, which would also improve the stay rate**

Family members of labour migrants play a major role in determining whether they come and whether they stay. Their labour outcomes are important on the one hand because they influence the lead migrant's decision but also because the family members of skilled migrants are usually educated and could effectively double the contribution of labour migration to the skilled workforce. There is scope for promoting their entry into the labour market, through the provision of language courses, job search training and the establishment of networks for spouses at the regional level.

## **International students don't stay to work in Norway**

International students in most countries are an important source of skilled labour migrants. Norway hosted 14 000 international students in 2011, an increase of 100% since 2001. Norway changed its policy in the 2000s to allow international students to stay after study if they find skilled work, but Norway has one of the lowest post-study stay rates in the OECD. It is initially successful in retaining non-exchange students after graduation, with close to 90% staying on, but after seven years the retention rate has fallen to 10%. Further, the share of skilled labour permits issued to international students, 6%, is low in international comparison, indicating that this is not the feeder channel for labour migration that it should be.

## **International students should be informed of the labour market opportunities in Norway from the beginning**

The quality of the educational system, the absence of tuition fees and the salaries paid to PhD and higher level researchers could make Norway an attractive study destination. This may help to offset the effects of the high costs of living, which make Norway slightly less competitive than the absence of tuition would suggest. Post-graduation job opportunities should

be built into the promotion of Norwegian universities and students should be made aware of this possibility from their arrival.

### **Work during study helps, but only if it is related to the field of study**

The possibility offered to international students to work during studies is correlated both with the probability that they stay in the country post-graduation and their future labour market outcomes, although to a lesser extent than for Norwegians. Work during studies offers a first contact with the Norwegian labour market and employers and it can serve as a signal to prospective employers of the quality of labour migrants and their language skills. It may be worth further promoting work during studies, in particular placements in jobs that are related to the field of study and possible sector of work post-graduation.

### **Surprisingly, there are still gaps in the statistical monitoring of labour migrants**

The Norwegian register data is a rich source, but has some shortcomings for monitoring and analysing labour migration, especially the limited education data on foreign-educated migrants, and the lack of detailed permit categories. The former is unavoidable – although UDI is collecting this information on new migrants from 2012 – while the latter could be corrected. No register records information on short-term labour migration (for stays of three months or less). The UDI does not record occupation data, nor can it construct analysis of duration of stay and permit pathways. These changes would allow for a better understanding of the pathways and retention of labour migrants.

## *Chapter 1*

### **Context for labour migration in Norway**

*Labour market conditions in Norway are favourable overall. The demographic outlook for Norway is favourable relative to many other OECD countries. Norwegian employers do not report difficulty filling vacancies, although certain specific gaps are forecast to appear in the labour market in the upcoming two decades.*

## Labour market context

In Norway in January 2014, total employment reached 2.63 million, the highest points since 2008. This number corresponds to close to 70% of the population, and is comparable to the magnitude of the labour market in Denmark or Finland, although neighbouring Sweden has almost twice as large a labour market. Employment rates are high in Norway, in both absolute terms and relative to other OECD countries. In the second quarter of 2013, employment rates were 71.4% for men and 66.2% for women (77% and 73.5%, respectively, for ages 15-64, in Q4/2013). Unemployment stood at 4.1% for men and 3.1% for women. Register-based unemployment rates were 2.7% for men and 2.2% for women. Employment rates for older workers are high relative to other OECD countries: 62% for 55-64 year-olds in the second quarter of 2013. Employment rates for the foreign born, however, are lower than for Norwegian-born, and their unemployment rates are higher, although the foreign born in Norway fare better than in other OECD countries in absolute terms.

Wages in Norway are high relative to most other OECD countries, although there is a high level of wage compression and, with age, wages increase less compared with other countries. Labour taxes and regulation are lower as well.

Like other Nordic countries, there is no minimum wage in Norway. The trade union density (55% in 2008) is very high relative to other OECD countries, although not Nordics.<sup>1</sup> Industry-level wage agreements do set minimum wages, often with steps and scales. Several sector agreements are extended (Eldring and Alsos, 2012). Coverage reaches is 74% overall, and 50% in the private sector. The labour inspectorate is responsible for enforcement of extended agreements, while enforcement for those directly covered is covered by the trade unions.

In general, Norway rode through the 2008 global financial crisis without broad negative effects on unemployment, although the employment rate fell sharply by 3.3 percentage points as inactivity rose 2.7 percentage points (2008 compared to 2013). Total employment has risen since 2009 and, while the rate of growth slackened in 2012 relative to 2010/11, employment growth resumed in 2013 at a rate similar to that of 2010/11 (0.7%), and is expected to grow slightly faster in 2014 (1.1%) (OECD, 2014). The employment rate, however, has not rebounded strongly.

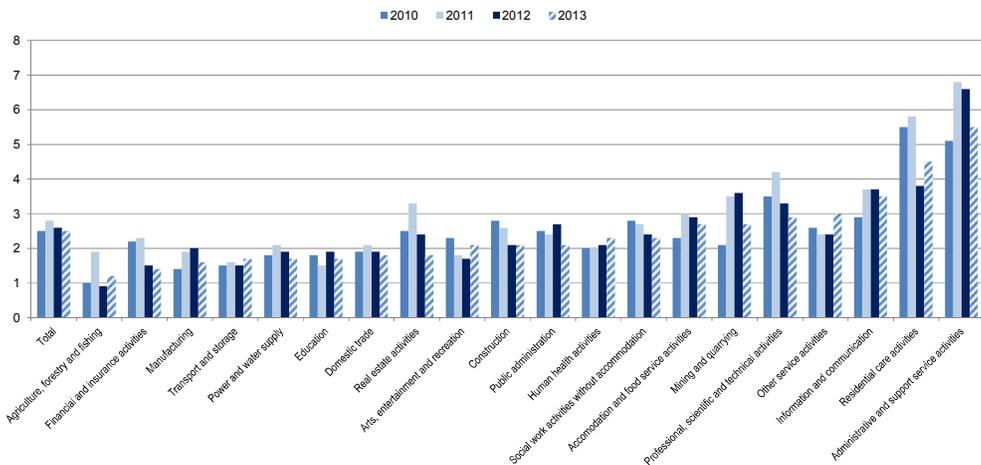
There is a strong regional dimension to employment. Employment is concentrated in the capital (Oslo/Akershus) region (27% of total employment in 2012). The Stavanger and Bergen regions each account for less than 10% of total employment and other regions have a smaller share.

Oslo/Akershus have a higher share of tertiary-educated among those employed (55% in Oslo, compared with 36% nationally). The unemployment rate varies as well – from 1.6% in the Stavanger region, where the oil industry is centred, to 3.4% in Finnmark, in 2013.

Registered job vacancy rates are fairly low relative to total employment – about 2.5% – suggesting that employers are able to fill positions (not all jobs are filled through vacancies, of course). Little change was seen in the early 2010s (Figure 1.1). Vacancy rates are higher for certain sectors, led by home care, IT, oil sector jobs, and professional jobs. Vacancy rates increased in oil and IT from 2010-13. The highest vacancy rates are seen in administrative and support services, which reflects the rapid turnover among temporary agencies.

**Figure 1.1. Job vacancy rate, by major industry division**

Percentage of job vacancies in relation to the number of posts (job vacancies and occupied posts) in each group, 2010-13



Source: Norwegian Labour and Welfare Administration (NAV).

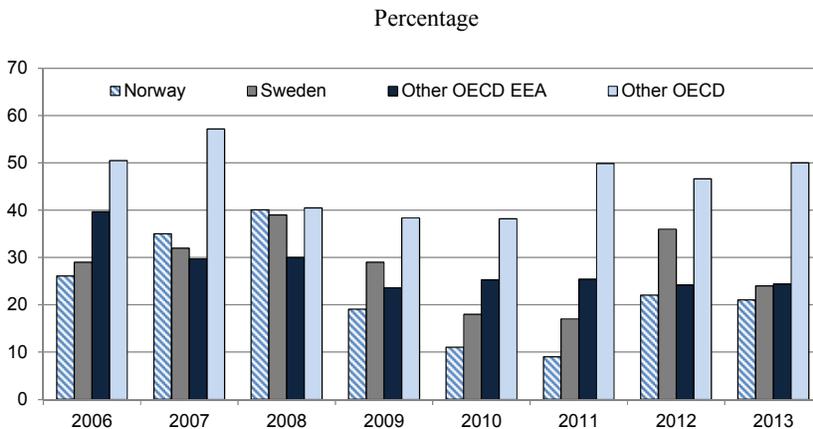
According to NAV, the public employment service, sectors expected to experience a continuing demand for highly skilled workers in 2014-15 are health and care professions, the education sector, engineers (especially petroleum and maritime sector), IT personnel, specialised construction and industrial tradespeople. Qualified chefs and bakers are also in demand. Demand for unskilled workers is expected to remain low.

In late 2007, a Perduco survey for Deloitte of 2 000 business leaders found widespread claims of difficulty in finding skilled workers, although

expectations were that difficulty would actually decline from 2008. In contrast to surveys in other countries – notably, Germany – it was the largest companies, those with more than 100 employees, who consistently claimed the most difficulty in finding skilled workers.

A survey conducted by Manpower suggests that relative to other OECD countries, Norwegian employers have less difficulty meeting demand for workers with specific skills (Figure 1.2). Further, Norwegian employers reported difficulty in filling a different range of occupations relative to results in other countries. While employers reported shortages in skilled trades and engineers – as almost everywhere in the OECD – Norwegian employers also listed sales representatives, teachers, drivers, cooks and receptionists. Some of these medium-skilled occupations require language skills, making them difficult to fill with immigrants from beyond neighbouring Nordic countries.

**Figure 1.2. Employers reporting difficulty filling jobs due to lack of available talent**



*Note:* The values reported are unweighted averages. Other OECD-EEA does not include Denmark, Finland, Iceland, Luxembourg, Portugal, Estonia, and other OECD does not include Korea and Chile.

*Source:* Manpower Talent Surveys, 2006-2013.

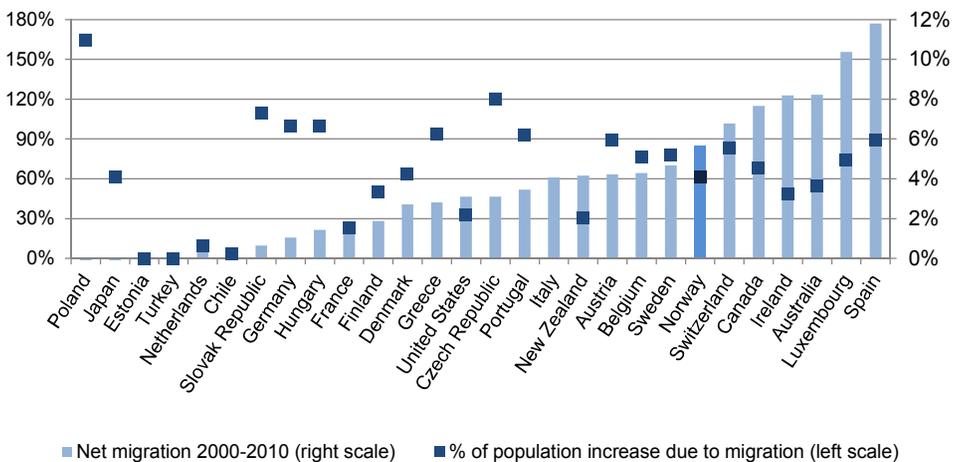
## Demographic context

Norway, as other OECD countries, has an ageing population. The dependency ratio – the proportion of the population over age 65 relative to that age 20-64 – is projected to increase from 30% in 2011 to around 60% in 2050. This increase is less dramatic than that projected in most European OECD countries, however, and the labour force is expected to continue to

grow in real terms due to birth rates which are above the OECD average and much higher levels of net migration than forecast in other OECD countries. Statistics Norway forecasts a growing working-age population through 2030 at least, due to growing youth cohorts through 2020 and to migration. Smaller birth cohorts in recent years, however, indicate that in the absence of immigration, the working-age population would start to decline from 2020 on.

Migration has already contributed significantly to population growth (Figure 1.3). Very high levels of net migration in the latter part of the 2000s accounted for 60% of population growth over the decade. This is particularly noteworthy since the rate of natural increase was also relatively high. Among European OECD countries, only Ireland and France had higher rates of natural population increase.

**Figure 1.3. Net migration and contribution of migration to total population change, 2000-10**



Note: Countries with negative net migration are shown as zero.

Source: OECD (2012), *International Migration Outlook 2012*, OECD Publishing, Paris, [http://dx.doi.org/10.1787/migr\\_outlook-2012-en](http://dx.doi.org/10.1787/migr_outlook-2012-en).

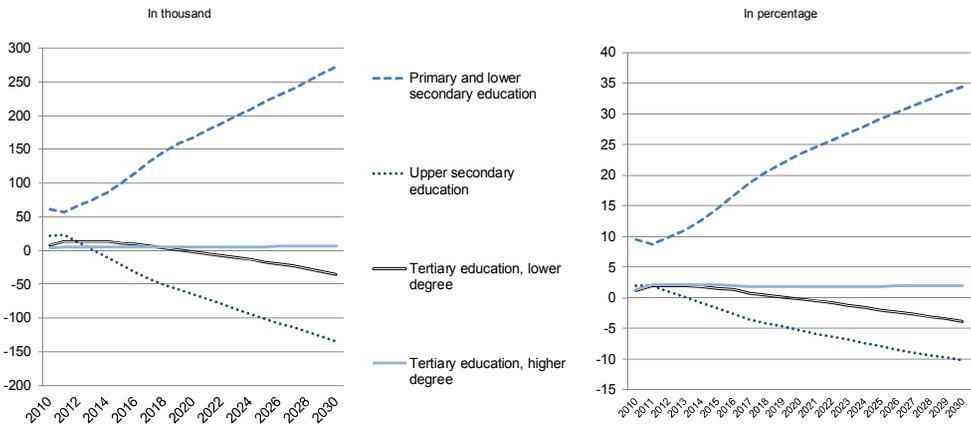
## Where labour migration may address labour shortages

Labour migration is only one means of meeting labour demand, along with increasing employment rates of groups with lower participation rates, generally youth and older workers. Norway already has a relatively high participation rate for women, younger and older workers, leaving little margin

for increasing the labour pool through activation policies. Target groups in Norway are the sick and disabled and immigrants. Additional labour could come through raising working hours; around 40% of women currently work part-time, half of public authority employees are part-time, and overall work hours (1 420 annually) are lower than in other OECD countries. Norway has seen increasing labour force participation of older workers as a result of changes to pension and benefit systems, and this could help alleviate shortages in the future (OECD, 2013a). Likewise, the children of immigrants have a lower activity rate than children of Norwegian-born, and greater integration of this group would also help to address labour shortages (OECD, 2012b).

In 2013, Statistics Norway modelled the demand and supply of labour by educational level to 2030, yielding a forecast of surplus and shortage by education level (Figure 1.4) (Cappelen et al., 2013). The model builds in a level of net migration comparable to that seen in the late 2000s, about 40 000 annually, and applies the education distribution of immigrants from that period, most of whom were from within the EEA and were considered low-educated.

**Figure 1.4. Forecast net labour supply by education (supply minus demand)**



*Note:* Demand and supply models are MODAG compared with adjusted labour supply from MOSART. For more information see Cappelen, Å., H. Gjefsen, M. Gjelsvik, I. Holm, and N.M. Stølen (2013), “Forecasting Demand and Supply of Labour by Education”, *SSB Report No. 48/2013*, SSB, Oslo.

*Source:* Statistics Norway.

One result of the model is that deficits are not expected in low-educated segments of the labour force, where the surplus is indeed expected to increase. In part this is due to the inclusion in the model of large inflows of workers from within the free mobility area, which are not expected to taper off substantially in the upcoming decade. Little change in the qualification level of Norwegian youth is expected.

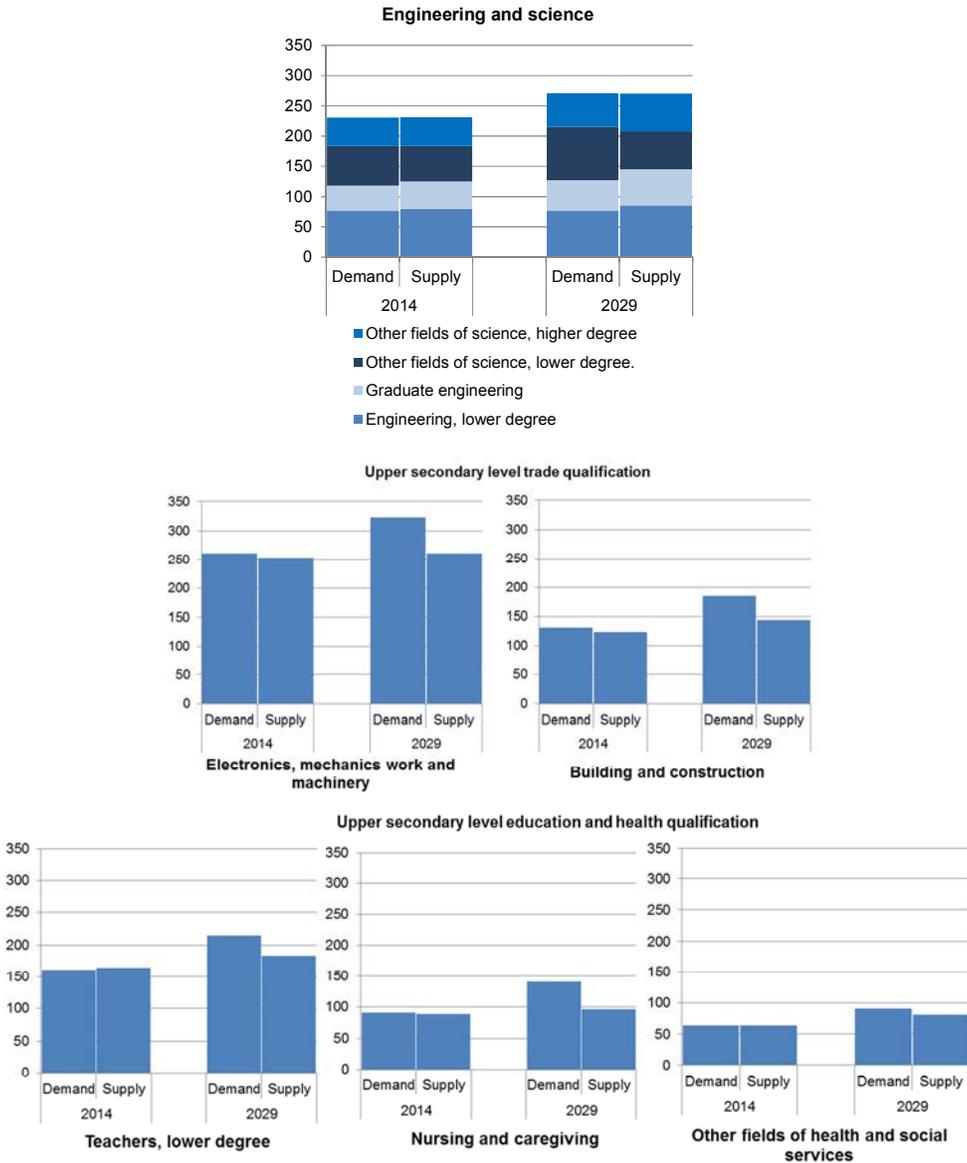
By contrast, however, the model indicates a growing deficit among those with lower-tertiary qualifications. The model indicates a shortfall in the lower-tertiary educated labour force of almost 150 000 workers, equivalent to about 15% of the labour force at that education level. Part of this deficit is expected to come from increased demand for health care workers to care for an ageing population. The projected deficit for the most highly educated workers, those with upper tertiary qualifications, is not expected to be of the same magnitude.

The models are based on the observed education distribution of the population – including most migrants – at the baseline year, 2010. Projections do not take into account migration by educated immigrants. Due to limited information on the educational characteristics of incoming immigrants, the model assigns low education to all these workers. The forecast is thus likely to overestimate the number of less educated immigrants, and especially underestimate the number of immigrants with lower secondary education. Further, changes in the magnitude and composition of migrant flows would have a major effect on these models. Nonetheless, the models suggest that net migration of lower-tertiary educated would have to run at about 6 000 annually to prevent a deficit from opening. For the upper-tertiary educated, the model suggests that net migration of the highly-qualified – as little as 500 annually – could meet demand. Modest changes to the educational level attained by Norwegians could achieve the same effect, as could lower outmigration by highly qualified Norwegians.

More analysis has been done on the expected shortages and surplus within educated occupations. The forecasts for most occupations do not raise concern over shortages. Most tertiary occupations are expected to see a steady increase in supply based on the education of Norwegians; in fact, growing surpluses are identified for a number of fields of study, including social science and the humanities. Several occupations, however, are seen facing growing gaps between demand and supply. These include technical occupations requiring upper secondary level vocational qualifications in manufacturing and construction, where demand is expected to outstrip domestic production. Regarding engineers and scientists, the 2013 projections take into account recent changes in the education choices of Norwegian youth and a growing willingness of employers to recruit candidates with science backgrounds for engineering jobs, and project no change in the current – tight – labour market for this category. If anything, the model forecasts a shortage of science graduates and a surplus of engineers (Figure 1.5).

**Figure 1.5. Forecast supply and demand, 2014 and 2029, by field and level of education**

In thousands



Source: Statistics Norway, and Cappelen, Å., H. Gjefsen, M. Gjelsvik, I. Holm, and N.M. Stølen (2013), “Forecasting Demand and Supply of Labour by Education”, *SSB Report No. 48/2013*, SSB, Oslo.

In addition to these categories, insufficient supply is expected for teachers, and in certain health occupations, especially health care workers and nurses.

The actual development of demand in these occupations may diverge from projections, of course, but the implication of these analyses is that even within the lower tertiary part of employment, shortages will be concentrated in some areas.

So far, these forecasts have not accounted for the educational characteristics of migration from outside Norway, including from Nordic countries and other EU countries. The inclusion of these flows in the less educated population has tended to increase the supply forecasts for less educated workers. Current and potential future migration from Sweden and from the EU-15, however, is likely to include a significant share of workers with lower tertiary qualifications.<sup>2</sup> About one in eight emigrants leaving eastern European countries is tertiary educated.

The largest shortfall is predicted in the upper-secondary education level. This is where EEA immigration can also be relied upon to contribute. Of recent emigrants from Poland, for example, to all destinations, two-thirds had secondary vocational or vocational education, and 14% secondary education, while only 8% had primary education; from Latvia, the figure was about 60% (OECD, 2013b). Similarly, the capacity of Norway to attract health care workers and nurses from within the EEA suggests that some of the demand in these occupations will be met through free movement migration channels already in place.<sup>3</sup> Yet the forecasts indicate the scale of the potential contribution from labour migration.

Migration, thus, could play a role in meeting an expected deficit in tertiary educated, especially those with lower tertiary education, where a small increase in the number of highly skilled could make a large difference in the shortage forecast in the model. The shortages in upper-secondary education are larger, but the implications of this gap for discretionary labour migration from outside the EEA are somewhat different, as will be discussed in the following chapters.

In summary, the Norwegian labour market is expected to continue to expand, with some specific shortfalls in key occupations predicted, even in the presence of substantial immigration from within the EEA. Labour migration channels will be one means for supplying workers.

## Notes

1. Collective agreements have a broader coverage – about 74% in 2008-09 (Eldring and Alsos, 2012), but this, too, is lower than in Sweden.
2. While Norway has not yet been a major destination, recent emigrants from Southern Europe have been disproportionately tertiary-educated.
3. Although the forecast still does not include educated migrants, it does rely on steady migration flows, driven by persisting wage differentials with origin countries and a continued supply of potential immigrants in origin countries.

## References

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- OECD (2012b), “The Labour Market Integration of Immigrants and their Children in Norway”, *Jobs for Immigrants (Vol. 3): Labour Market Integration in Austria, Norway and Switzerland*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264167537-8-en>.



## Chapter 2

### Evolution and characteristics of labour migration to Norway

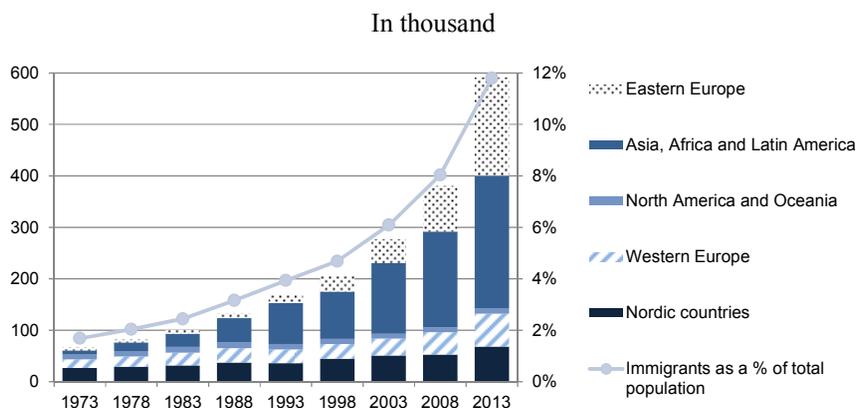
*Immigration to Norway has increased since the expansion of the EEA in 2004 to include Eastern Europe, and Norway is now one of the leading labour migration destinations in the OECD. Most immigrants are from these new EEA countries. Immigrants play an important role in certain occupations. EEA migrants earn less than other migrants and native-born. Non-EEA labour migration is smaller scale but also increasing, and concentrated in certain sectors. Several temporary programmes attract migrants with different characteristics, although numbers are low overall.*

## Migration to Norway

Historically, migration to Norway was not very large relative to population, until the mid-2000s. Norway saw net negative migration throughout the 19<sup>th</sup> and into the late 20<sup>th</sup> century. The development of the Nordic area in the 1950s increased migration among the five Nordic countries, especially with the common Nordic labour market introduced in 1954, although net migration to Norway was negative until 1968. In 1970, about half of the immigrants in Norway were from other Nordic countries. A small nucleus of labour migrants from South Asia, dating back to the 1960s, was joined in later years by humanitarian migrants, with inflows increasing in the late 1990s, driven in part by a growing number of family reunification migrants.

According to register data (see Box 2.1), family migration was the largest component of migration flows to Norway in the 1990s and through the mid-2000s. Refugee inflows were also a large share, and comprised the largest single component of inflows during the Bosnian war in 1993 and the Kosovo war in 1999. Labour migration began to increase in 2004, with EU enlargement. Over the period 2004-06, immigrants accounted for about one quarter of the total increase in employment.

Between 2008 and 2013, Norway saw one of the sharpest increases in the size of the foreign-born population of any OECD country. The foreign-born population rose from 381 000 to 593 000, an increase of 56% (Figure 2.1). Immigrants accounted for 8% of the population in 2008, and 12.4% in 2014. About half of the increase was accounted for by a net migration from east Europe of 100 000, more than doubling the immigrant population from that area, although increases were also seen in the immigrant population from Nordic countries (29%), western Europe (47%) and the rest of the world with the exclusion of North America and Oceania (39%). This latter group remains the largest, driven largely by family and humanitarian migration flows, although these have been smaller than intra-EEA movements in the past ten years. High levels of migration from other Nordic countries are largely compensated by outflows of Nordic migrants. Similarly, net migration from North America and Oceania has been close to zero. Net migration in recent years (2008-12) has been about 40-45 000.

**Figure 2.1. Stock of immigrants by region of birth, 1973-2013**

*Note:* Asia includes Turkey.

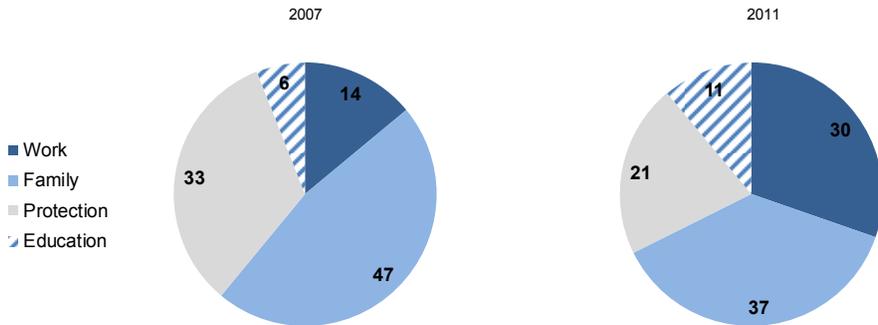
*Source:* Statistics Norway (Population Statistics).

The labour market behaviour of migrants varies by country and region of origin, which to a large extent reflects the different channels of entry. Migration from Asia and Africa largely comprises refugees and family reunification, where initial labour market outcomes tend to be poor. Migrants from within the EEA tend to come for employment, and initially show high labour market participation.

An analysis of the contribution of new immigrants to declining and growing occupations was conducted for 2000-10 entries (OECD, 2012). This decade includes a shifting composition of migrant flows, from family and humanitarian to free movement, but suggests where migrants are entering the Norwegian labour market. Migrants to Norway in 2000-10 tended to go disproportionately into declining occupations, while native youth went into growing occupations. 50% of new immigrants went into occupations where total employment was declining. This share was the highest in among OECD countries analysed. Young Norwegians were far more likely to enter the labour market in expanding occupations. Further, immigrants represented 27% of all entries into these declining occupations.

The change in the composition of inflows has had a profound effect on the composition of the migrant stock. Figure 2.2 shows the composition of the recently arrived non-Nordic migrant stock at the time of the 2008 White Paper (Ministry of Foreign Affairs, 2007), and in 2011. While migrants for employment comprised only 14% of those who arrived in from 1989-2007 and were still in Norway in 2007, high levels of labour migration led in 2007-11 led to this share rising to 30%. The relative share of those who arrived for education also increased significantly.

**Figure 2.2. Share of recent non-Nordic migrants resident in Norway by category of entry, 2007 and 2011**



*Note:* Purpose of migration is the category of entry recorded in the population register. “Recent” migrants in 2007 were those who had arrived since 1989. “Recent” migrants in 2011 were those who arrived between 2007 and 2011.

*Source:* Ministry of Foreign Affairs (2007), “White Paper on Labour Immigration”, NOU 2008:14, Norway; 2011: Statistic Norway.

### Box 2.1. Data sources on labour migration in Norway

Administrative registrations for permits for non-EEA migrants are made by the Directorate of Immigration (UDI – Utlendingsdirektoratet). These registrations distinguish between the different detailed permit grounds (with reference to the legislative article) and therefore such immigrants to Norway for employment purposes can be identified (see Figure 6.7). Information on the approval authority, the gender and nationality of the permit applicant, the decision outcome (approval or rejection), dates of first issuances or renewal of the permit and the sector of employment (based on linking the employer to the register of enterprises) are available characteristics. Occupation data, however, is not recorded by UDI, although since late 2012 educational attainment has been registered for many. Despite the detailed information covered in the UDI statistics, they do not adequately capture the total number of labour migrants in Norway: a small number of permits are not activated, employees of international companies (with a branch in Norway) staying less than three months are not required to receive a work permit. This explains the small number of contracted IT workers, for example. Most importantly, the largest group of labour migrants in Norway – EEA nationals, notably Nordics – since mid-2009 does not need a residence permit. Nordics do not have any registration requirements except the registration with the Population register (see below). From October 2009, most other EEA nationals only have to register with the police on their first arrival, stating why they come to Norway (work, studies or for family reasons). Before mid-2009, they were given a work and residence permit according to simplified rules compared to other immigrants. Due to transitional rules, Bulgarian and Romanian nationals still had to apply for work permits until June 2012. The UDI statistics capture status changes but cannot keep track of stay rates or permit histories, nor can UDI data be used to examine the total duration of stay of individuals (survival rates by cohort, for example), except as estimated from the duration of the permit.

### **Box 2.1. Data sources on labour migration in Norway (cont.)**

Norway, like other Nordic countries, has a complete population register for defined residents. This covers Norwegians as well as resident foreigners. All persons who intend to stay in Norway for longer than six months have to register within eight days of arrival in the population registry. Nordic nationals, who have long been exempt from a permit regime, are entitled to live and work in Norway by simply notifying the population register of a change of address. The population registry collects information on the country and date of birth. The information on nationality is updated every year, while the purpose of migration is based on broad initial permit category obtained from UDI. Educational attainment by migrants is generally not well captured in the separate Norwegian Education Database (NUDB) kept by Statistic Norway (SSB). In this register, the educational attainment of persons with foreign education, obtained without financial support from the Norwegian State Educational Loan Fund (Lånekassen), are obtained from repeated surveys, the most recent one in 2011/12. Due to departures between surveys the number of missing information for educational attainment is considerable for some migrant groups, especially for Nordics who have short employment spells and are very mobile within Scandinavia.

The possibility to link observations on all persons registered in the central population Register via a personal identification number – the FNR number – allows SSB to create a wide range of data sets from separate sources. Using the FNR number it is also possible to identify the permit type of migrants and their nationality. (This key identifier variable is changed after all information needed for a particular analysis are linked from the relevant registers so that the identification of individuals in the statistics file becomes impossible.)

Information on annual income is obtained through the statistical income register data. These are available yearly since 1993 by linking different administrative and statistical sources for the whole population by 31<sup>st</sup> of December, the end of the fiscal year. Income and biographical data are merged from various sources making it possible to follow the income composition and level of annual income for the same individuals over time. Total wage is defined as the sum of wage income and net self-employment income. Salaries include sick pay, benefits, maternity and adoption benefits, but it does not include pension and social security payments.

Data on field of study, level of education and enrolment and graduation of students is extracted from the dynamic Norwegian National Education Database (NUDB). Information for individual's education on lower secondary level to tertiary level education are collected in this database. The database is designed to analyse the flow of pupils and students through the educational system. It consists mainly of annual files informing about the situation of registered students (enrolments) by October 1, the completion of the cycle (graduates) from the previous year and the highest attained level of education in addition to demographical information that allows identifying international students.

An important source for employment statistics is the Register-based employment file. The annual register-based employment data includes all persons aged 15-74 residing in Norway in the reference week in November. It records the employment status of salaried employees as well as self-employed persons. For persons with more than one registered job a primary employment is defined. The register-based employment data files contains information about the primary employment by industry. For employees, working hours are as agreed in the initial work contract for the primary job grouped into three categories (1-19 hours, 20-29 hours, and 30 hours or more). Other employee-employer information is available since 2000.

### **Box 2.1. Data sources on labour migration in Norway (cont.)**

The Family and generation data set shows the connection between each person and his or her parents, grandparents, children, siblings and half siblings. This dataset is updated once a year. The historical event database FD-Trygd, dynamic data for social security and national insurance includes information on demography, social conditions, social security, employment, income and wealth. It provides information on when a person enters a social security scheme (entry), and when a person leaves a scheme or parts of a scheme (exit). It contains information for the whole population from 1992 and onwards and provides information on demographic characteristics such as the date of immigration and it is possible to identify for each person in the database the persons belonging to his/her family.

Statistics Norway produces a short-term employment register, which includes workers employed by foreign companies and posted to Norway for less than three months.

A further source of data on some temporary migrants is the job-start and job-end register maintained by the Norwegian Labour and Welfare Administration (NAV). This register includes all individuals who do not qualify as residents and are issued a separate type of individual identifier (D-numbers) by the tax authorities either when starting work in Norway or upon birth in Norway. The register excludes workers who are not employed or paid in Norway. NAV records all reported job-starts and job-ends, with employer-based sector data, and matches individuals to the population register to include nationality and age for those who are later registered there. The register contains income data.

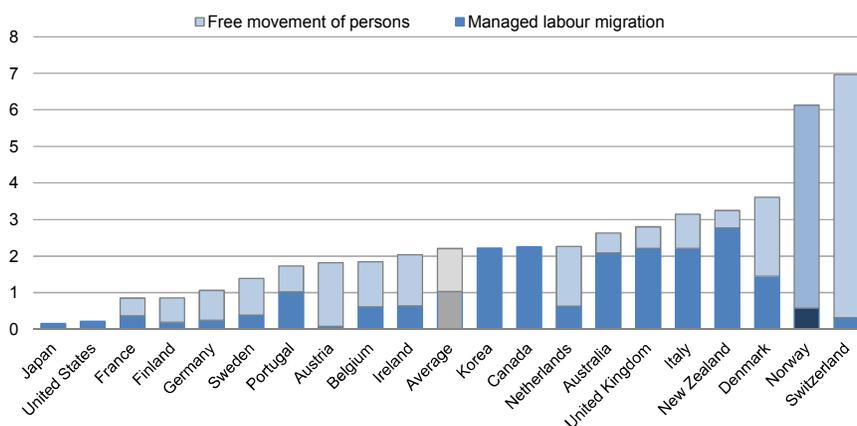
The National Accounts (NA) also present estimates of employment and unemployment based on a range of different statistics, including statistics based on enterprise surveys and the labour force survey (LFS). In the NA, all persons employed in a Norwegian establishment are included, regardless of residency status. The LFS only includes registered residents.

Finally, the Survey of Adult Skills (PIAAC) is used to analyse literacy proficiency and the labour market outcomes of migrants and foreign-born graduates from Norwegian universities.

## **Permanent flows for employment**

The OECD definition (OECD, 2007) separates permanent-type migration for employment (discretionary labour migration) from free movement (which may be for employment). Discretionary labour migration is in fact only a small fraction of total migration to Norway (about 4 000 individuals in 2012), and is far outstripped by other categories. Free movement flows for employment from within the EEA are about ten times larger than discretionary labour migration flows from outside the EEA, and were equivalent to about 38 000 in 2012.<sup>1</sup> Together the inflows of managed labour migrants and free movement migrants were equivalent to about 0.6% of the resident population in 2011 alone (Figure 2.3). This places Norway after Switzerland as the largest recipients of labour migrants. Both have many free-movement labour migrants relative to their population, although both countries have discretionary labour migration flows below the OECD average.

**Figure 2.3. Inflows for employment as a percentage of inhabitants, selected OECD countries, 2011**



*Note:* Free movement for employment within the EU/EFTA is calculated on the assumption that 50% of free movement is for employment, except for Denmark, Sweden and Norway, for which actual free movement for employment figures for 2010 are used. The 50% is based on the 2008 Special Module but represents a lower bound. For Switzerland, free movement for employment is the issuance of B-permits to EU-17/EEA and EU-8 citizens.

*Source:* OECD International Migration Database.

## Labour migrants and temporary migrants in the Norwegian labour market

Since non-EEA labour migrants represent only a small share of total migrant inflows to the labour market, this section begins with an overview of all migrants arriving from abroad and entering employment in Norway. Table 2.1 shows the new entries to employment from 2004 to 2010 who were employed in Norway in 2011. Immigrants who arrived in Norway between 2004 and 2010 represented almost a quarter (23.5%) of all those who entered the labour force and were in employment in 2011 (Table 2.1). Of these immigrants, almost half were from outside the EEA. Non-EEA migrants contributed a large share of the new entries to employment in less qualified occupations, especially cleaning (45% of all new entries of the seven-year period) and other unskilled jobs (34%). This reflects the preponderance of less educated humanitarian and family migrants in this category, rather than labour migrants. Migrants from the “old” EU/EEA comprised about 6% of the new entries to employment in all skill levels over the period. Migrants from the new EU countries provided a marginal share of new entries to skilled occupations, but 26% in the construction sector and 16% in low-skilled occupations.

**Table 2.1. Recent immigrants as a percentage of new labour force entries (2004-10) by origin, and occupation (grouped), based on employment in 2011**

ISCO code		All migrants	EU15/EEA	EU12	Other
1-2	Managers and professionals	13.7	6.4	2.2	5.7
3	Technicians and associate professionals	10.1	5.2		6
4	Clerical support workers	17.2			
5	Service and sales workers	23		13.5	
7-8	Craft and related trades workers and Plant and machine operators, and assemblers	25.1	6.7	11.7	6.1
71	Building and related trades workers, excluding electricians	64.3		26.1	
9	Elementary occupations	31.9		16.2	33.9
91	Cleaners and helpers	78.2			45
<b>Total</b>		<b>23.5</b>	<b>6</b>	<b>6.6</b>	<b>11</b>

*Note:* Non-immigrant labour force entries are a proxy based on the LFS. Where sample size was too small to report, occupations were pooled. ISCO code 71 is construction workers and 91 is cleaners.

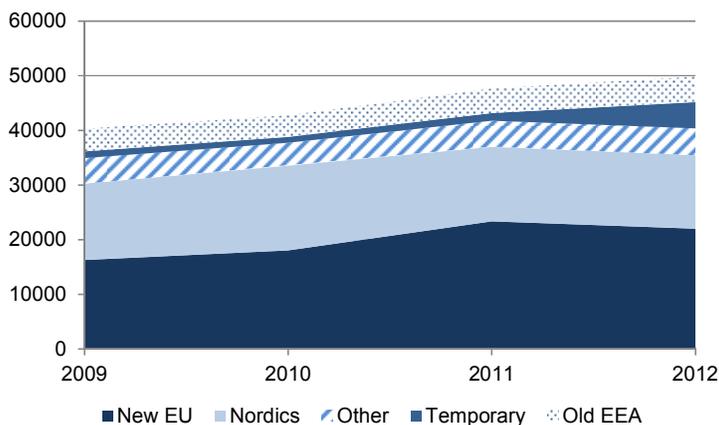
*Source:* European Union Labour Force Survey.

The contribution of non-EEA migrants to professional and skilled employment was much smaller (about 6%), although they did play a larger role in supplying overall entries to the health-care workforce. Even without a large inflow of skilled labour migrants, then, the contribution of total non-EEA migration to entries to skilled occupations over the period 2004-10 was almost comparable to that of inflows from the old EU/EEA countries (preponderantly Nordics).

An analysis of data from the Norwegian Labour and Welfare Service (NAV) using a proxy for new-arrivals (see Box 2.2) shows that inflows from non-EEA nationals (entering under different categories) into the Norwegian labour market are relatively small compared to the inflow of EEA nationals (Figure 2.4). In 2012 the largest group of non-Norwegian labour market entries was by EU-12 nationals and Nordics (see Figure 2.4). In 2012 there were 50 000 new entries to the Norwegian labour market from non-nationals. This is an increase of 25% from 2009 to 2012, a period which also

reflects the impact of the crisis on the labour market and its recovery. The increase was mainly driven by new entries from EU-12 nationals and by temporary workers for whom no nationality data is available.<sup>2</sup>

**Figure 2.4. New non-Norwegian entries to the labour market by arrivals, by nationality group, 2009-12**



Source: NAV, first employment episode.

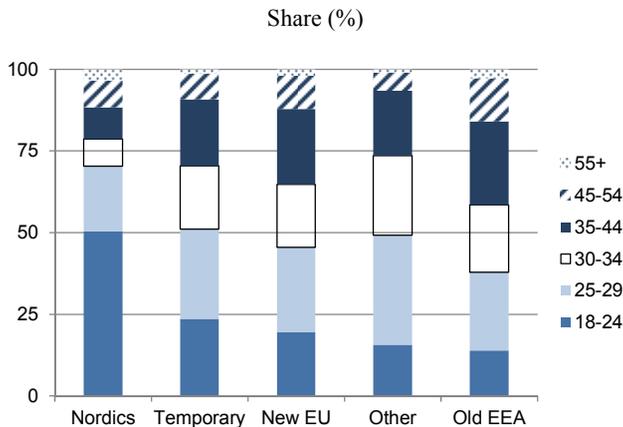
### Box 2.2. Using the Employer/Employee register as a proxy for temporary workers

The job-start and job-end register (JSE) maintained by the Norwegian Labour and Welfare Administration (NAV) on the basis of employers' reported job starts and separations includes individuals with D-numbers. As short-term stays are not captured in the population register, against which the register is checked, only the D-number and the job information is available for short-term stays. However, the JSE register allows the NAV to calculate proxies for new arrivals and short-term stayers employed in Norway. If there is no information on nationality it can be assumed that the person working in Norway has not stayed in the country long enough (three months) to be registered in the population register. People with a D-number and no information on nationality can be assumed to be temporary labour migrants. The registration of nationality for persons staying in Norway for longer than three months is done with some time lag, but if there is information on nationality in the year of arrival or the following year and no information in previous years, it can be assumed that the person has not been in population register prior to the uptake of employment and therefore arrived in the country for employment purposes. In some cases, other arrivals (e.g., family formation and reunification, or refugee flows) will also be captured in this group, although these categories have low initial employment rates and, retrospectively, few will appear first in employment before they appear in the population register. In fact, the three main sectors of employment for the new non-EEA arrivals from abroad suggest that a very low share is employed in sectors which are not targeted by the labour permit scheme (see Figure 2.7 below).

Using this proxy for new arrivals, 5.3% of all job starts in 2009-12 in Norway were made by non-Norwegians who first appeared in the Norwegian labour market in that period. For some sectors, this share was much higher. The sectors in which migrants make up a significantly larger share of all job starts are in agriculture and fishing, construction and cleaning services. Non-EEA migrants accounted for a small share of all job starts in key skill sectors: 2.8% in computer and programming and 3.2% in the oil sector.

In terms of age, the youngest group of immigrants entering employment are those from Nordic countries. About 50% are between 18 and 24 years old. 50% of temporary migrants, migrants from EU-12 countries and from third-countries are between 18 and 29 years old. Migrants from EU-15 countries and Switzerland (old EEA) are generally older (Figure 2.5).

**Figure 2.5. Age structure for job starters for arrivals since 2009, 2009-12**



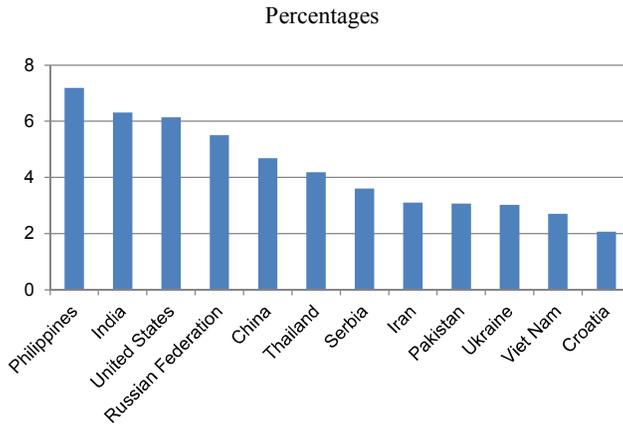
Source: Norwegian Labour and Welfare Administration (NAV).

The top 12 non-EEA nationalities arriving in 2009 to 2012 are listed below (see Figure 2.6). The origin countries of non-EEA nationals arriving in the Norwegian labour market in the years is heterogeneous, with no prevailing nationality and almost half (48%) coming from countries other than the top 12.

The main sectors of employment differ quite considerably among the non-EEA nationalities (see Figure 2.7). While for the Indians and Chinese the main sectors of employment are *computer programming/consultancy* (25% and 21%) and *higher education* (13% and 21%). For nationals of the Philippines and Serbians the main sector of employment is *residential nursing care activities* (27% and 24%). 43% of all Philippines and Serbians work in care and hospital related social sectors. The sector of employment for

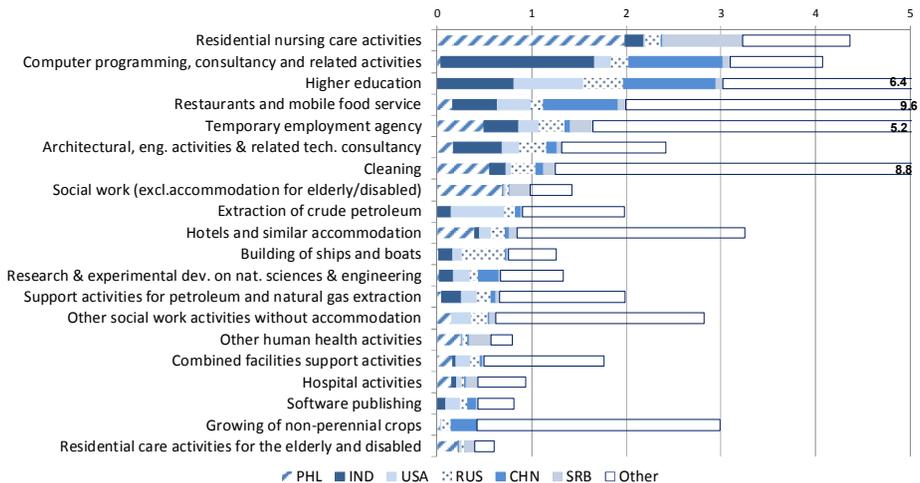
nationals of Russia and the United States is more varied. The main sector of employment for Americans is *higher education* (12%), followed by *extraction of crude petroleum* (9%). For Russians the main sector of employment is *building of ships and boats* (8%) closely followed by *higher education* (8%).

**Figure 2.6. Main nationalities of non-EEA nationals newly starting employment, 2009-12**



Source: Norwegian Labour and Welfare Administration (NAV).

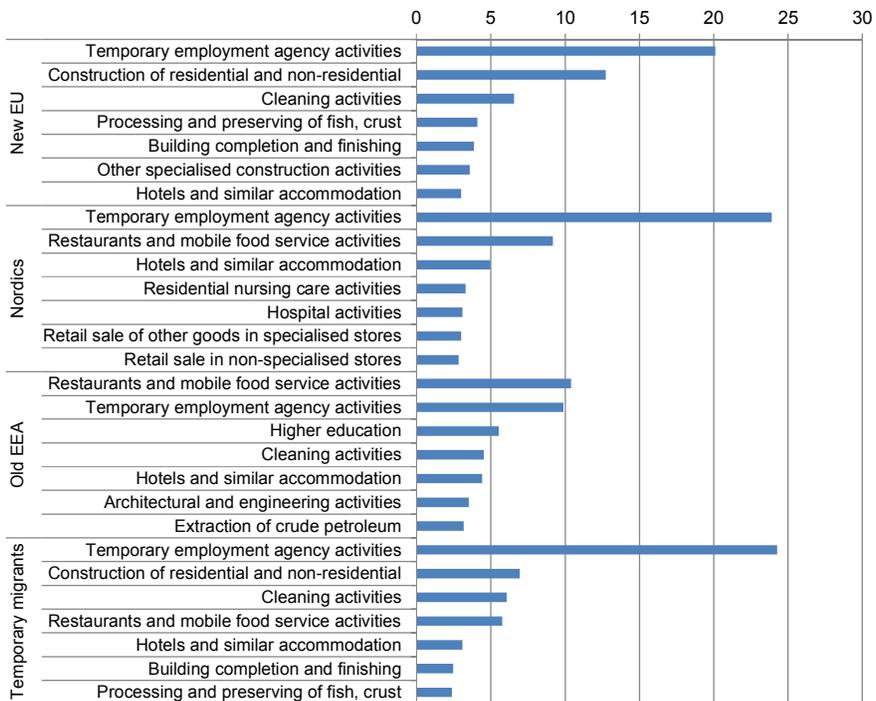
**Figure 2.7. Main sectors of employment for third-country arrivals, 2009-12, six main nationalities in 2012 (India, Philippines, United States, Russia, Serbia, China)**



Source: Norwegian Labour and Welfare Administration (NAV).

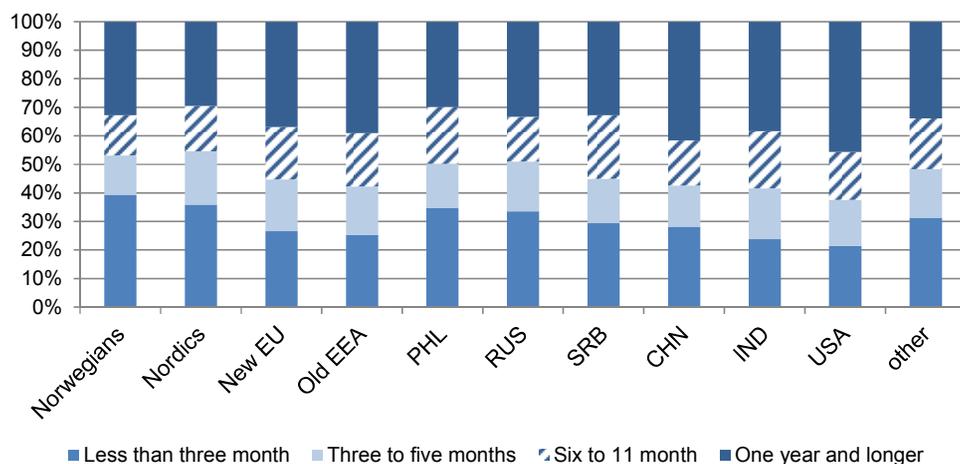
For EEA migrants arriving in Norway between 2009 and 2011 (Figure 2.8) the main sector of employment is in temporary employment agency activities (20%), which in turn place workers in different sectors. Nordic migrants especially are employed in this sector (24%), which explains the large share of employment spells lasting less than three months (Figure 2.9). The sectors of employment for temporary migrants closely match the sectors of employment for migrants from EU-12 countries, suggesting that they may also be EU-12 nationals, rather than non-EEA nationals. Employment spells in general for migrants are brief. However, compared to the share of Norwegians employed less than three months for all job starts since 2009, new migrants tend to have longer lasting job spells.

**Figure 2.8. Main sectors of employment for EEA migrants and temporary migrants arriving in Norway between 2009 and 2011**



Source: Norwegian Labour and Welfare Administration (NAV).

**Figure 2.9. Length of employment spell for Norwegians and for migrants arriving in Norway, 2009-11, by nationality group**



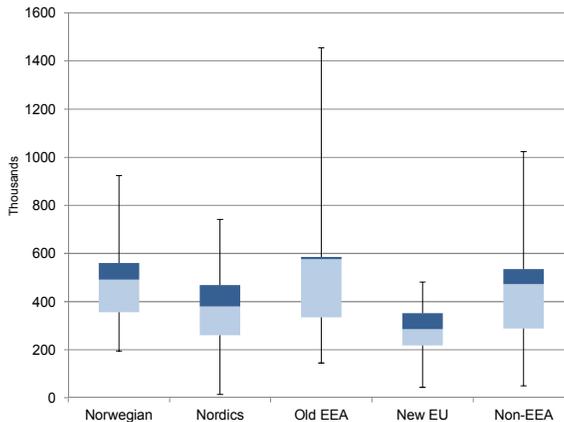
Source: Norwegian Labour and Welfare Administration (NAV).

Among the migrant group nationalities the migrants from old EEA countries are most often employed in one job for one year or longer (40%), whereas migrants from Nordic countries are most often in very short lasting employment (35%). When looking at the main nationalities from third-countries US nationals, Indians and Chinese have a similar pattern of employment duration as migrants from old EEA countries, while Philippines and Russians have shorter employment spells (Figure 2.10).

The NAV data provides, for those in the population register, gross annual income from employment. Income differences appear substantial according to nationality. Migrants from the “old EEA” are employed in higher-wage sectors and are older, so it is no surprise to see their higher income (Figure 2.10). However the annual income for old-EEA migrants is upwardly compressed and there are few low-income employees. The range of all income is very wide at the upper scale at more than NOK 1.4 million per year. Migrants from new EU countries, on the other hand, have incomes which are on average 42% below the average Norwegian income. Non-EEA workers in full-time employment have higher wages than the Norwegian average and appear to have as much chance to be in higher-income employment as Norwegians.

**Figure 2.10. Annual income in 2011 for Norwegians and arrivals since 2009 for full-time full-year employment**

5<sup>th</sup> percentile, first quartile, mean, third quartile and the 95<sup>th</sup> percentile  
In NOK



*Note:* The figure displays the 5<sup>th</sup> quartile, the 25<sup>th</sup> quartile, the mean, the 75<sup>th</sup> quartile and the 95<sup>th</sup> quartile for all new entries to the Norwegian labour market from abroad since 2009 who work in a full-time (between 36 and 40 hours per week stated in the initial work contract) job between January and December 2011, with no job change, and who do not work in another job at the same time. In a few cases, open-ended contracts with low annual income are included, which explains the very low salaries of the bottom 95<sup>th</sup> percentile.

*Source:* Norwegian Labour and Welfare Administration (NAV).

When controlled for region and sector the higher income for arrivals from old-EEA countries is however no longer statistically significant (see Annex Table A.1).

## Work-permit holders

Only non-EEA nationals are subject to permit requirements. While about thirty categories of labour migration permit exist in Norway (the main ones are shown in Table 2.2), almost all labour migrants receive permits under just a few categories. For the purposes of this review, four main categories can be identified: skilled workers, skilled seconded workers, other workers, and seasonal workers. Skilled workers are classified according to the characteristics of the employer and the origin of the salary. Nationals of a WTO country and working for an international enterprise, although paid by the Norwegian branch of the company, are exempt from any labour market test. Seconded workers, also exempt from a labour

market test, are those paid from a company located abroad.<sup>3</sup> “Other workers” is a heterogeneous category which includes cultural and religious workers who do not qualify under the skilled labour scheme, as well as working-holiday makers, market traders, volunteers, etc. These workers are not allowed access to permanent residence. Seasonal workers are employed in agriculture or in other seasonal sectors or to replace workers on holiday.

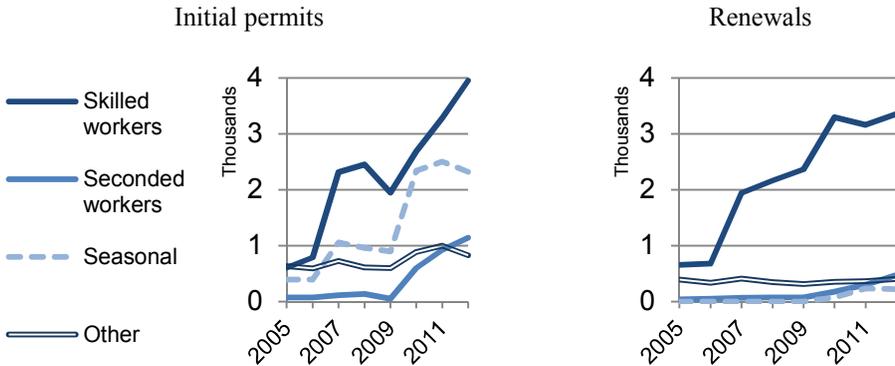
**Table 2.2. Selected categories of admission of labour migrants, 2012**

Legal reference	Type of permit	Possibility of permanent residence?	Duration of permit (months)	Maximum stay in Norway on permit (months)	Labour Market Test
utf 1-11 2	Skilled Worker, fixed offshore installation	No	36	Unlimited	No
utf 6-1 1	Skilled Worker	Yes	36	Unlimited	Yes (above quota)
utf 6-1 2	Skilled Worker, special category, higher training requirements apply	Yes	12	Unlimited	Yes (above quota)
utf 6-1 5	Skilled Worker, national of WTO country, employed by international company	Yes	36	Unlimited	No
utf 6-13 1	Skilled worker, seconded by foreign enterprise	No	24	72	No
utf 6-14 1	Self employed, business located abroad	No	24	48	No
utf 6-15 6	Skilled workers, group permit	No	24	Unlimited	No
utf 6-18 1	Skilled Self-employment	Yes	12	Unlimited	No
utf 6-2 1	Salary-based permit (eliminated 2013)	Yes	12	Unlimited	No
utf 6-22 1	Performer, artistic support, artist, musician	No	12	12	No
utf 6-23 1	Volunteer/Humanitarian organisation	No	24	48	No
utf 6-23 2	Religious worker	No	24	48	No
utf 6-24 1	Peace Corps worker	No	24	48	No
utf 6-27 1	Working holiday maker	No	24	24	No
utf 6-3 1	Seasonal worker, non-agriculture/forestry	No	6	6	Yes
utf 6-3 1	Seasonal worker, agriculture/forestry (quota applies)	No	6	6	Yes (above quota)
utf 6-31 1	Journalist paid by foreign organisation	No	24	Length of posting	No
utf 6-31 3	Crew	No	24	24	No
utf 6-4 1	Russians for unskilled employment in three northern counties	No	24	Renewable after 1 year absence	Yes
utf 6-5 1	Russian cross-border commuters (part-time)	No	24	Unlimited	Yes
utf 6-25 1	Au Pairs	No	24	24	No
utf 6-30 1	Job-search permit (eliminated 2013)	No	6	6	No
utf 6-29 1	Post-study job-search permit	No	6	6	No

*Source:* Secretariat analysis of legislation. This table lists the conditions for au pairs, although Norwegian legislation classifies them under “education” permits. Among the categories not listed are artists and performers.

The number of labour permits issued to non-EEA nationals indicates an increase in labour migration to Norway in the last four years (see Figure 2.11). The number of permits for skilled workers rose from about 2 000 in 2007-09 to 4 000 in 2012. The number of renewals also steadily increased, to over 3 000 annually in 2011-12. Inflows of labour migrants jumped in 2007, declined slightly in 2009, and have been steadily increasing since. The number of seconded workers has also been increasing since 2010, when legislative changes led to its reclassification.

**Figure 2.11. Permits for employment issued to non-EEA nationals in Norway, 2005-12**

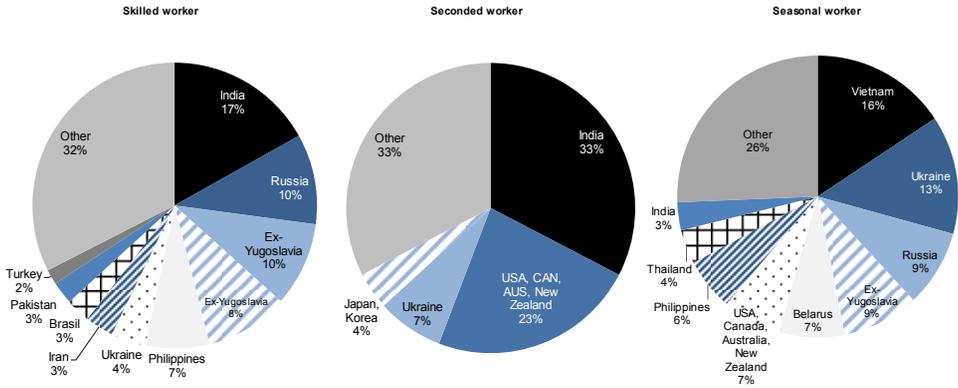


*Note:* Excludes categories not classified as employment (e.g., au pairs and job seekers).

*Source:* UDI.

Permit recipients are of a wide range of nationalities (Figure 2.12). Between 2007 and 2012, 12 700 skilled workers were issued permits in Norway. They came primarily from non-European English-speaking OECD countries (16%), from India (14%), Russia (9%) and the former Yugoslavia (8%). Seconded workers (1 800) came primarily from India (33%) and from non-European English-speaking OECD countries (23%). Seasonal workers (7 800) came from a wide variety of countries, led by Vietnam (16%) and Ukraine (13%). Unusual among seasonal workers in OECD countries, the United States, Canada and Australia are represented among the nationalities. The heterogeneity of the seasonal worker population reflects the large share of non-agricultural work covered by seasonal permits.

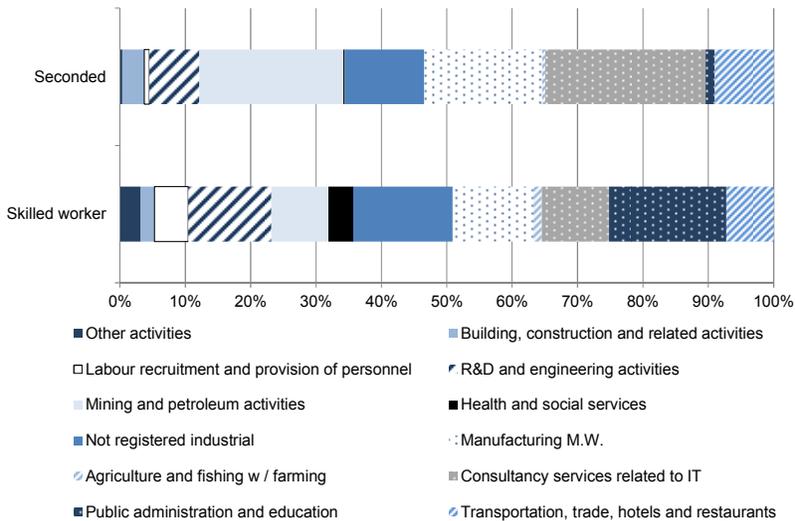
**Figure 2.12. Nationality of non-EEA labour migrants, 2007-11, by category**



Source: Directorate of Immigration (UDI) permit data.

Skilled workers are employed in a range of sectors, especially in public administration and education (e.g., teaching); IT consultancy; research and development; and in industry and manufacturing. Seconded workers, a smaller group, are more often employed in IT, construction and in the oil sector (Figure 2.13).

**Figure 2.13. Sector of employment of non-EEA labour migrants, 2007-11, by category**



Source: Directorate of Immigration (UDI) permit data.

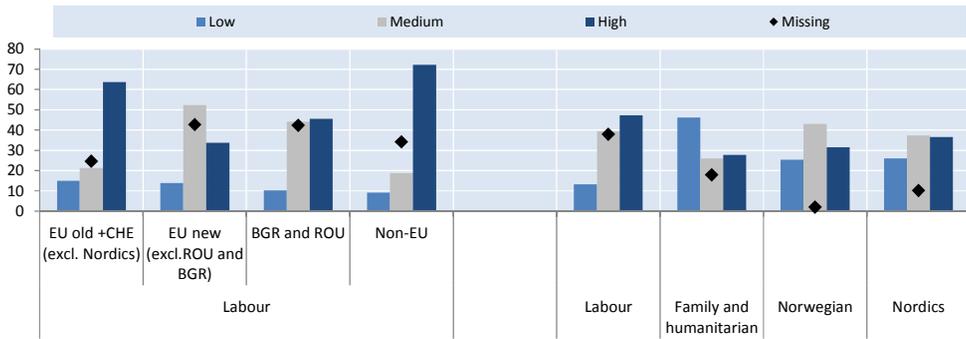
## Characteristics of labour migrants

Information on the educational attainment of migrants can be taken from the register, but presents some limits. The register definition of labour migrants encompasses different categories of migrant, and includes both EEA and non-EEA migrants. In addition, as can be seen in Figure 2.14, one quarter of all labour, family or humanitarian migrants (excluding those from Nordic countries) have missing information about their educational attainment in 2012.<sup>4</sup> The incidence of missing education is lower for family and humanitarian migrants in comparison with labour migrants, mainly because these tend to stay longer in the country and are hence more likely to be covered by the surveys that were carried out in 2000, 2010 and 2011/12 to measure the educational attainment of migrants. For these migrants, education level is self-reported. Figure 2.15 shows clearly that among those with non-missing educational attainment information, labour migrants have higher educational attainment than both humanitarian and family migrants. Close to half labour migrants are tertiary educated, while this share is 28% for family and humanitarian migrants. In addition, labour migrants are also more highly educated than Nordics and Norwegians. Moreover, about 40% of labour migrants have medium levels of education versus about 27% for family and humanitarian migrants. Important differences also exist among labour migrants. The share of tertiary educated is highest among non-EU labour migrants (72%), followed by labour migrants from EU-15 countries and Switzerland<sup>5</sup> (63%). Labour migrants from the new EU member states (excluding Bulgaria and Romania) are on average less likely to have a university degree (34%), while more than half of them have a medium level of education.

In sharp contrast to family and humanitarian migrants, labour migrants in Norway have high employment rates in comparison with natives and Nordic citizens (Figure 2.15). Labour migrants from outside the EEA aged 15-65 have an average 80% employment rate, versus 70% for Norwegians and 72% for migrants from Nordic countries. Labour migrants from EU-15, Switzerland and Bulgaria and Romania have the highest employment rates (82%). Non-EU labour migrants still have higher employment rates than Norwegians. The overall higher rates are partly explained by the fact that the population of labour migrants is skewed toward younger workers, whose employment rates are higher.

**Figure 2.14. Educational attainment, by permit and nationality, 2012**

Percentages

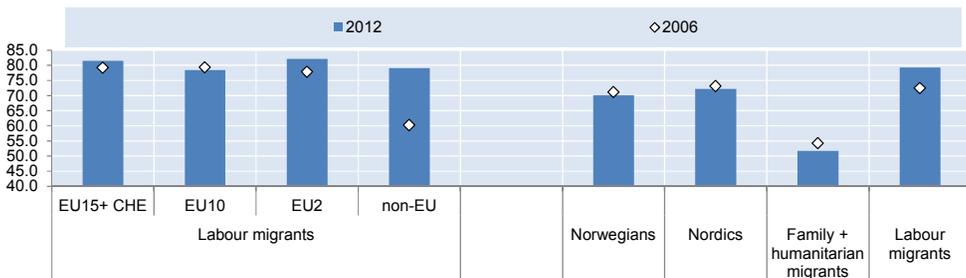


*Note:* Sample includes persons aged 15-65. The share of persons by educational attainment is calculated excluding the observations with missing information on educational attainment. High educational attainment refers to ISCED 5 and 6, medium to ISCED 3 and 4 and low to ISCED 2 and below.

*Source:* OECD calculations based on register data from Statistics Norway.

**Figure 2.15. Employment rate, by permit and nationality, 2006 and 2012**

Percentages



*Note:* Sample includes persons aged 15-65.

*Source:* OECD calculations based on register data from Statistics Norway.

Labour migrants also have high participation, both in comparison with Norwegian and migrants from Nordic countries (Annex Figure A.1). The participation rate of non-EU migrant men is high, close to 85%. That of women is significantly lower, at 75%, but still high by OECD standards.

## Temporary labour migration flows

Different categories of temporary labour migrants work in Norway. In addition to the temporary workers from outside the EEA subject to permit requirements, there are also those who are exempt from permits, either because they are EEA nationals, Norwegians resident abroad or on short-term visits which do not require a permit. According to the short-term employment register, more than 145 000 temporary workers were registered in 2012 (Table 2.3). Most of these workers were from EEA countries, predominantly Nordic and eastern European EU countries (37% each). The inflow of temporary workers from outside the EEA was led by Asia (5 600, or 3.8% of the total). Within the EEA many of these workers are likely posted, which explains why they do not appear in the employer-employee registry. The same is true for many of the non-EEA workers, who may be short-term intracompany transfers or contractual service providers. In fact, the temporary work figures for non-EEA workers in the short-term employment register (7 000 to 8 000 annually) are much higher than the number of permits issued. The sector distribution suggests that many work in unidentified sectors or through staffing and labour agencies.

## Seasonal workers from outside the EEA

Seasonal work has always been important in Norway, but as Norwegians have become less willing to work in agriculture, the number of seasonal workers from abroad has increased. Most came from central and eastern Europe, and are not covered by permit data. In 2003, the number of seasonal permits peaked at 18 000. The number fell in 2004, as workers from Poland and the Baltic countries no longer were registered as seasonal workers but came under EEA permits to perform the same work (according to the short-term employment register, about 8 000 in 2012).

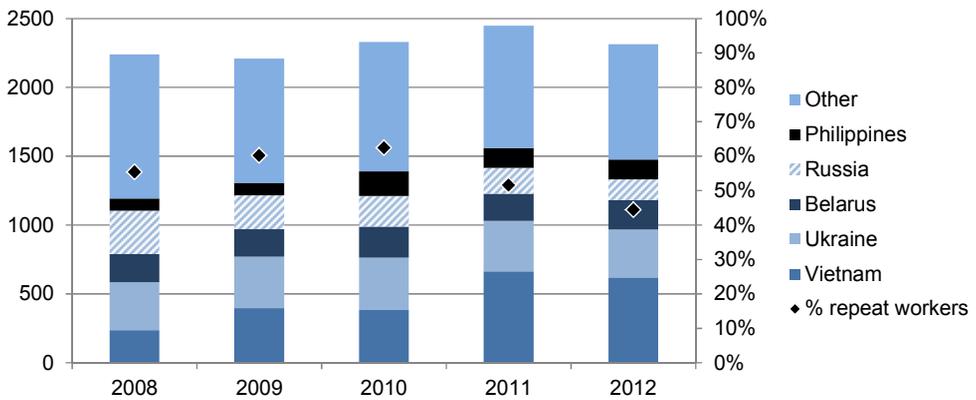
Norway draws a wide range of nationalities for seasonal work (Figure 2.16), especially as compared with other OECD countries, where seasonal programmes tend to be dominated by a few nationalities. This may reflect the fact that bilateral agreements are not in place, nor are a limited number of companies responsible for recruiting most of the workers. Those from Asia – principally Vietnam and the Philippines, but also India and Thailand – account for a little more than one-third of seasonal inflows. Russia, Belarus and Ukraine account for about a third of seasonal workers. The remaining seasonal workers come from a wide variety of countries, including non-EEA OECD countries, South American countries, and southeast European countries.

**Table 2.3. Wage earners not registered as resident aged 15-74 years, by country background, industry, 2012**

National origin	Agriculture, forestry and fishing	Mining and quarrying	Manufacture	Construction, electricity, utilities	Wholesale and retail trade, vehicle repair	Transportation and storage	Accommodation and food service	Information, comm., financial and insurance	Real estate, professional, scientific & technical	Business, (excl. labour recruitment/staffing)	Labour recruitment and staffing	Public adm., defence, soc. security	Education	Human health and social work	Other service	Unspecified	All industries
Africa	10	25	55	17	48	79	87	35	92	193	132	20	41	127	49	32	1 042
Asia	453	230	213	173	380	239	818	283	491	415	637	18	110	183	109	811	5 563
Non-EEA	744	62	194	357	65	263	89	39	132	93	302	16	63	91	40	177	2 727
Eastern Europe non-EU																	
North America & Oceania	59	176	72	27	32	14	62	76	388	46	138	7	170	30	79	119	1 495
South & Central America	7	29	26	17	29	21	81	16	96	28	54	1	24	26	24	19	498
EEA																	
Other Nordic	441	2 224	4 016	9 638	3 734	4 108	4 591	770	1 996	1 662	10 862	473	783	7 427	1 128	276	54 129
Other Western Europe	136	2355	813	1942	706	676	848	275	3072	775	2730	58	467	309	257	1 834	17 253
Eastern Europe EU	7 921	345	8 026	13 511	1 844	1 949	1 972	236	1 486	1 826	13 544	37	137	377	529	638	54 378
Norway	23	536	532	469	905	887	261	424	475	217	378	305	382	1728	399	7	7928

Source: Short-term employment register.

**Figure 2.16. Seasonal workers, by nationality, share of returning seasonal workers, 2008-12**



Source: Directorate of Immigration (UDI) permit data.

### Working holiday makers

As many other European countries, Norway has working holiday maker arrangements with four countries: Australia, New Zealand, Canada and Japan. Working holiday makers may be employed in any sector or occupation, for a stay of up to two years. Also as in most European countries – except the United Kingdom – inflows under the programme are relatively limited, amounting to about two hundred annually. In addition, working holiday makers from these countries are often travelling through Europe – most European countries have agreements with these countries, so even if they permit holders could spend the entire period in Norway, they are unlikely to do so. There is no information on the employment of these permit-holders. The programme is limited by the number of countries offering reciprocal conditions, which is not likely to expand. WHMs are a supply of seasonal labour, especially in services, in Australia, New Zealand and Canada, but are unlikely to play a role in these sectors in Norway. The Working Holiday Scheme is a potentially good means to raise awareness of Norway among youth people in certain developed countries, although it is not currently promoted in the partner countries.

### Au pairs

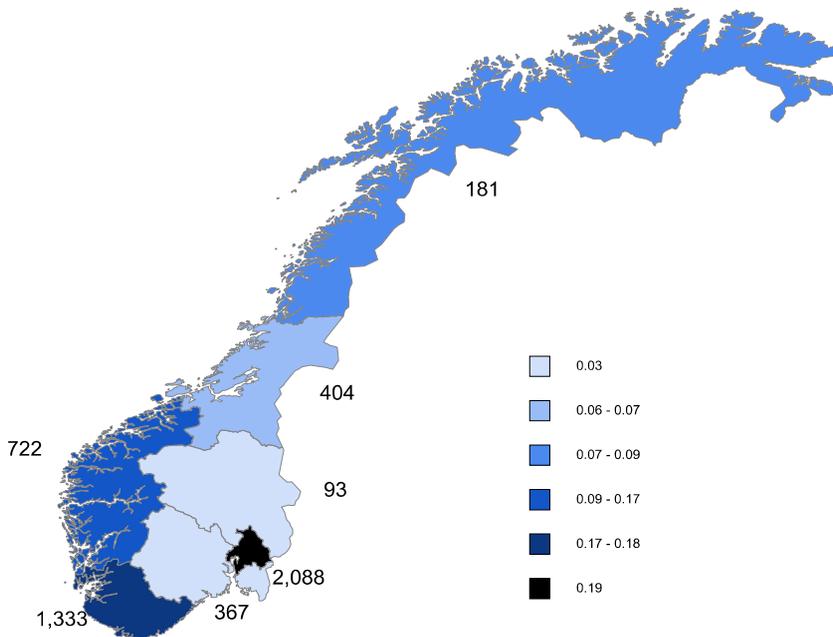
The au pair permit is meant for cultural exchange, and allows employment in domestic tasks in exchange for board and pocket money for

up to five hours a day and 30 hours per week. Norway classifies au pairs as education migrants. When considered relative to labour migration flows, the number is significant, exceeding 1 200 annually; the Philippines is the main origin country.

### *Regional distribution of non-EEA labour migrants*

Most first-time recipients of work permits (excluding seasonal workers and working-holiday makers) go to Oslo and the surrounding area (Oslo and Akershus), followed by south-western Norway. These are also the regions where they are most represented relative to the population (Figure 2.17), although the flows are small. The North attracts a small number of migrants, but is within the national average relative to its population.

**Figure 2.17. Labour migration permits issued, 2012, by region and relative to population**

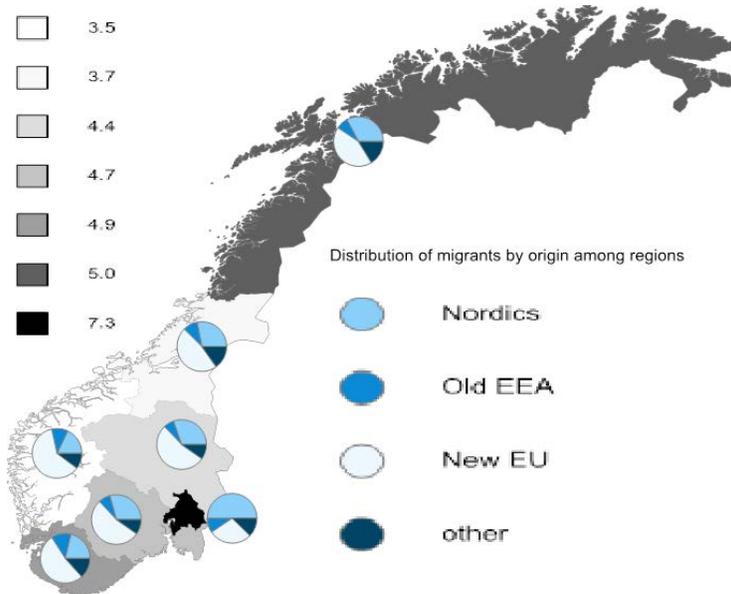


Source: Directorate of Immigration (UDI).

Looking more generally not at recipients of permits but at NAV data for first-time workers arriving from abroad and taking up employment – including Nordics and EEA nationals – the main region of destination is Oslo and Akershus. The capital and its region employs over 37% of all

labour migrants arriving between 2009 and 2011. Relative to all job starts in Oslo and Akershus labour migrants account for 7.3% (see Figure 2.18). Only the offshore region has a higher share of new labour migrants relative to all job starts (8.6%), although less than 1% of all new labour migrants are employed offshore<sup>9</sup>. The North and the central region (Trøndelag, Nord-Norge and Hedmark and Oppland) only take up a very small share, of less than 19% combined.

**Figure 2.18. Migrants arriving between 2009 and 2011 and starting employment, by region, nationality and share of all job starts**



Source: Norwegian Labour and Welfare Administration (NAV).

Together with Oslo the western and southern regions Vestlandet (16%), Sør-Østlandet (15%) and Agder and Rogaland (13%) take up over 80% of the migrants. For temporary migrants the choice of region of employment is fairly similar. However the share of migrants from different origin groups varies quite considerable for the different regions in Norway. While migrants from Nordic countries are concentrated in the capital region, migrants from EU-12 countries are dominant in the other regions. Though small in numbers the share of migrants from third-countries is slightly larger in the north of Norway.

## Notes

1. Discretionary labour migration has been such a small part of migration since 1975 that labour migration policy changes were not included in a recent analysis of the effects of policy on migration to Norway (Cappelen et al., 2011).
2. Since “temporary” workers are defined as those who are not in the register, no nationality data is available in the NAV data. For this group, registration occurs with a time lag, so the recent increase in temporary workers may be partially a statistical artefact. Nationality data is available in the short-term employment register.
3. Intra-company transfers cannot be fully identified in the current UDI database, because many short term postings do not result in a permit, and it is not clear if some are issued work permits. They may overlap with secondees. As a result of the exclusion of short-term stays, secondees appear to stay for longer periods than in other countries.
4. With UDI collecting education information from newly immigrating non-EEA nationals from 2012, and on a voluntary basis from EEA nationals, this gap will likely close in the future.
5. In the analysis, EU-15 refers to EU-15 members as well as Switzerland, hence the “old” EEA countries.
9. The offshore regions are not displayed in Figures 2.18 and 2.19.

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## Chapter 3

### Evolution of Norwegian labour migration policy

*Norway imposed a labour migration stop in the early 1970s but has since gradually opened the door, especially for skilled workers. Today's policy is largely unrestrictive for international recruits who are tertiary-educated and those with specialised skills. A numerical safeguard mechanism is in place but has not been applied.*

Migration policy to Norway has developed since the Second World War through the influence of international agreements on the one hand, and through the Norwegian practice of White Papers (*melding til Stortinget* – “Reports to Parliament”), in which the government identifies issues and provides recommendations. White Papers are prepared by the ministry in charge of the specific policy domain, and determine the content of parliamentary bills. While White Papers do not contain actual legislation, much of the work in achieving consensus around legislative change occurs during the process of elaborating the White Paper rather than in subsequent parliamentary debate.

## **Overview of labour migration policy development in Norway**

Post-war migration dynamics date back to the common Nordic labour market, created in 1954. The restrictive Norwegian Foreign Law of 1927 was revised in 1956 to reflect post-war thinking about migration and essentially liberalising labour migration. Job seekers were allowed to come to Norway to seek work. Despite these open conditions, labour migration to Norway did not pick up until the late 1960s. The expansion of Norwegian industry, and associated labour shortages, saw the number of work permits slowly increase from 5 000 in 1960 to 9 000 in 1967, although most of these were from north-western Europe and the United States. A small number of labour migrants from southern Europe and from Yugoslavia, as well as Asians, also came. A 1969 labour market policy White Paper was optimistic regarding labour market development and favourable to labour migration. The LO accepted this position although it successfully pushed for parity of wages and conditions with local labour and the requirement to belong to a union (Brochmann and Kjeldstadli, 2008).

Regulations in Norway were influenced by developments in other Nordic countries. As Sweden and Denmark required labour migrants to have an approved job-offer prior to migrating, Norway followed suit in 1971. A labour market test and language requirements were imposed in the following two years. A review by a public Committee (the Danielsen Committee) in 1972 saw a consensus among social partners for more restrictive conditions for labour migration. Restrictions on labour migration in other European countries – especially Sweden and Germany – with the oil-crisis related recession, and a shift in the position of the trade unions, influenced policy thinking. A 1974 White Paper proposed a temporary labour immigration stop, which was imposed by Parliament from February 1975. The stop was extended and became permanent in 1981.

The labour migration stop continued to allow recruitment for occupations “in demand”, as an exception. Contracts had to be at least

one year in duration; wages and conditions had to meet Norwegian tariff agreements; contracts had to be translated into the worker's language; and a ceiling of 25% was placed on the foreign workforce within a single firm. Workers also had to be literate at least in their own language. Employers also had to ensure housing.<sup>1</sup>

Norwegian authorities were not involved in recruitment, which was left to employers and their intermediaries to arrange. In this sense, labour migration to Norway was not directed by the government to the same extent as in other European countries over this period.

The White Paper in 1980 (St.meld.74 1979-1980) claimed that the door had been left "ajar" for labour migration. Student rules were changed, establishing a permit regime for students, including employment rights, and regulating post-graduation stay in Norway. A new immigration act (*utlendingsloven*) was introduced in 1988 with regulations passed in 1990 and implemented from 1991.<sup>2</sup> The Norwegian Director for Immigration, UDI was created in 1988, initially to largely to relieve municipalities of the burden of reception of asylum seekers and refugees (Brochmann and Hagelund, 2012) and to centralise procedures.

It was not until the late 1990s that labour migration policy was re-examined. A 1997-1998 White Paper (No. 41) on "Industrial Policy for the 21<sup>st</sup> Century" stated the need for access to additional labour. This was followed up by a White Paper looking specifically at labour migration<sup>3</sup>, and by an inter-ministerial policy review.<sup>4</sup> The latter examined a set of possible measures to make Norway more attractive to labour migrants, including sponsorship, a job search visa lottery and lowering skill thresholds.

From 1975-2004 only specialists (and seasonal workers) were admitted. Since 2004 the debate has been about non-specialists, while specialists remain uncontroversial. Following the 2000 White Paper, the specialist category was expanded, and a job search permit introduced. In 2002, a cap or quota was introduced for skilled workers and specialists.

The imminent enlargement of the EEA in 2004, and concern over its possible impact on the Norwegian labour market, led to additional policy activity. A White Paper on the labour market in 2003/04 weighed the issues around imposing a transitional phase for labour market access and addressed different permit regimes.<sup>5</sup> A 2004 document (NOU 2004:20) dealt with access to EEA labour and underlined the importance of a job offer for admission, and of wages and working conditions being respected, but also the need to give workers some flexibility in changing employers.

In 2008, a new White Paper on labour immigration was presented<sup>6</sup>. When the White Paper was under preparation, employment growth was

strong and unemployment fell to 2.5% (end of 2007). The economic situation was favourable throughout Europe, and the general impression was of a future in which labour would continue to be scarce, and Norway would have to attract labour from abroad to maintain even declining growth in its labour force. The White Paper foresaw continuing migration from the EEA, as well as supplementary migration from outside the EEA, although it noted that most demand would continue to be filled through domestic resources.

EEA migration is part of the free mobility agreement and thus outside of discretionary labour migration policy. Nonetheless, transitional requirements for nationals of countries which joined the European Union in 2004 were applied from 2004-09. Work permits were granted if the applicants could indicate that their wage levels were in accordance with prevailing Norwegian standards, and that their working hours were close to full-time. Posted workers were exempted. Transitional arrangements for EU-10 countries ended on 1 January 2009, following the recommendations of the 2008 White Paper. The residence permit requirement for EEA workers (except the post-2004 accession countries) was lifted on 1 October 2009, and replaced with a registration system. One year full time employment is required prior to acquiring residence, although equal treatment requirements mean that benefit access for residents is ensured. Permanent residence can be acquired after five years.

## **Current migration regulations for non-EEA migrants**

The current labour migration framework is largely structured by the 2010 regulations, which followed on the 2008 White Paper, with some changes in 2013. The legislation often specifies that the Directorate of Immigration may establish additional guidelines, granting a degree of flexibility to the interpretation of the legislation.

### ***Skilled workers***

Migration of skilled workers is subject to a cap, or quota, introduced in 2002. Quotas are determined annually by the Ministry of Labour and Social Affairs in consultation with the Ministry of Trade, Industry and Fisheries and the Ministry of Finance. The quota is a ceiling beyond which a labour market test, conducted by NAV under guidelines from the Ministry of Labour and Social Affairs, applies. Since 2002, the level has been 5 000, although the quota has never been exceeded. Seconded employees paid from abroad and locally-paid secondees employed by a multinational employer located in a WTO signatory country are exempt from the quota.

Minimum requirements are vocational education equivalent to Norwegian three-year secondary school level. A craft certificate or a university education, or “special qualifications” (recognised, if necessary), are requirements. The contract must respect Norwegian wage and working conditions. The expertise must be relevant to the position. A provision to consider a baseline salary of NOK 500 000 as sufficient proof of specialist qualification was implemented in 2010 but eliminated in 2013; this will be discussed below.

Norway, then, does not require tertiary or advanced post-secondary education to be considered for “skilled” migration, although it does require a craft certificate. This means that many occupations which would be classified as medium-skill in other countries are eligible for skilled work permits in Norway.

### ***Lesser-skilled workers and seasonal workers***

Six-month permits may be issued to workers ineligible for the skilled permit, for seasonal employment. There is a quota for seasonal workers in agriculture and forestry (2 500). Above the quota, or for work outside the agricultural sector, a labour market test applies. Norway grants seasonal permits for any less skilled job requiring coverage during the usual holiday season, in tourism or in other sectors. Here, holiday-replacement employment is also allowed, subject to a labour market test.

### ***Conditions for spouses***

Family members of skilled workers are granted a permit linked to that of the primary applicant, but have unrestricted access to the labour market. Family members are bound by general migration regulations, including the requirement to take language and civics instruction, at their own expense.

### ***Permit renewal and transition to permanent residence***

Permits may be issued for periods of up to three years, although they are generally issued for one or two years. Permits are renewable if the standard conditions are met, although some permits have a maximum stay associated (see Table 2.3). As permits for skilled workers are granted for specific occupations, permit-holders may change employers as long as the occupation is the same. Change of occupation may be allowed for another qualifying occupation.

Access to permanent residence for skilled workers and their family members is through the standard channels for holders of temporary permits. The permit holder must have stayed in Norway for a continuous three-year

period and must complete instruction in the Norwegian language (at least 250 hours) as well as a civics course (at least 50 hours). These courses must be paid for by the labour migrant. A test demonstrating knowledge of Norwegian language (at CEF A2/B1 level) and society is possible in lieu of these requirements. For those who spent time in Norway as university students, the years spent in study do not count towards a permanent residence permit.

### ***Job search visa***

One issue raised in the 2008 White Paper on Labour Migration was employer dissatisfaction over processing delays for work permits. A proposed solution was to allow job seekers to enter Norway to seek work directly with employers. This provision was introduced in 2010 but eliminated in 2013. This will be discussed below.

### ***Conditions for Nordic and EEA citizens***

Nordic citizens have unrestricted access to residence and the labour market within the Nordic Union, including Norway. EEA citizens have labour market access, although they are subject to certain registration and reporting requirements.

EEA citizens must register for a tax number. In the past, processing times for tax authorities and police to issue relevant documents were a source of complaint, but these procedures have been accelerated and handled through the Service Centre, easing concern. In 2013, changes to the immigration law were introduced which causes the right of residence for more than three months for EEA nationals – granted on the basis of sufficient means of subsistence – to be withdrawn when these grounds are no longer met, although permanent residence can be acquired after five years.

### ***Special regional considerations (Barents) – Russia permit***

A special permit was introduced for Russians in the Barents region. This permit has not been widely taken up, with only a handful of permits issued.<sup>7</sup>

### ***International students***

A first student permit is usually issued for a period of one year, but quota students can get permission for the entire study period.<sup>8</sup> Conditions and terms for renewal of student permits differ slightly from those of the initial entry: i) an account balance from a Norwegian bank from the first day of the preceding six months must be presented; ii) satisfactory progress in

the studies must be documented and a report from the school must be presented; and iii) the renewal does not give an automatic right to work part time. Permission to work part time may only be given if the school gives documentary evidence that educational progress is acceptable (Tronstad et al., 2012). Most students have no problem meeting this requirement.

The quarantine provision requiring international students to leave Norway for a period of five years following graduation and before entering the Norwegian labour market was eliminated in 2001, making it easier for international students to remain in the country after the completion of their studies. Moreover, concerns about brain drain, although still present, were somewhat weakened by the realisation that many international students were not returning to their home country when leaving Norway.

The latest development in student-related migration policy was introduced with the New Immigration Act and the regulations that came into force in 2010, which improved the process of applying for and granting visas and residence permits.

## Notes

1. St.meld nr. 107 (1975-76), “Om innvandringsstoppen og arbeidet med innvandringssspørsmålene”.
2. Kronprinsregentens resolusjon 21/12/1990 No.1017 [In force from 1/1/1991].
3. St.meld nr. 16 (1999-2000), “Om regulering av arbeidsinnvandring” [“Managing labour migration”].
4. “The need for manpower recruitment from abroad” Report of an inter-ministerial working group, [www.regjeringen.no/en/dep/krd/dok/rapporter\\_planer/rapporter/1999/arbeidskraftbehov-og-rekruttering-fra-ut.html?id=277102](http://www.regjeringen.no/en/dep/krd/dok/rapporter_planer/rapporter/1999/arbeidskraftbehov-og-rekruttering-fra-ut.html?id=277102).
5. St.meld nr. 19 (2003-2004), “Et velfungerende arbeidsmarked” [“A well-functioning labour market”].
6. St.meld nr. 18 (2007-2008), “Arbeidsinnvandring” [“Labour Migration”].
7. Certain other workers whose stay will not exceed three months are allowed to work without a permit, as long as the worker or the employer notifies the police prior to entry in Norway. One of the main groups is technical experts involved in installation and machinery, which in practice includes such groups as programmers providing short-term software consultancy. The regulations state that this exemption applies to “technical experts who are to install, repair, perform maintenance etc. on machinery or technical equipment or provide information about the use of such equipment”.
8. “Quota students” benefit from a Norwegian government scholarship for students from developing countries and countries in eastern Europe and Central Asia.

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## Chapter 4

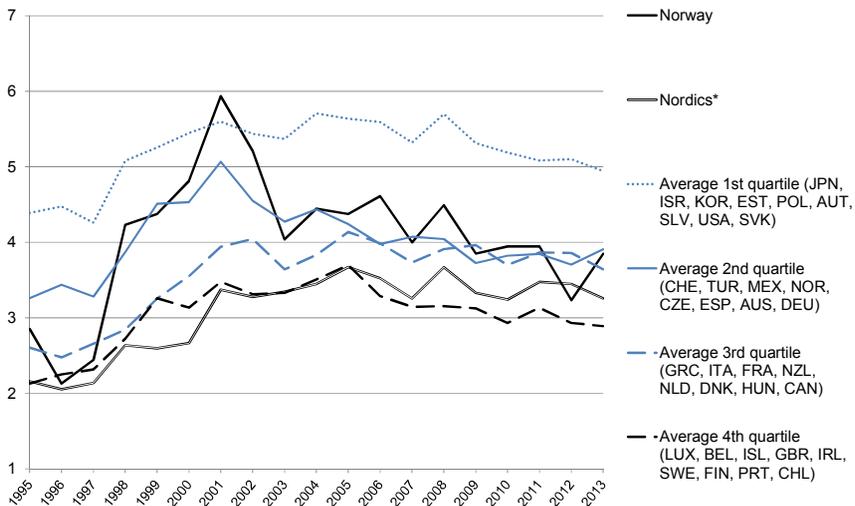
### Key issues in the legal and administrative framework for non-EEA labour migration in Norway

*The Norwegian labour migration system functions well in terms of efficiency and simplicity, and is fast and relatively inexpensive. Recognition of foreign qualifications is an issue, especially for regulated professions, where delays can be long. EEA migration has raised concerns over working conditions and safeguarding wages, although these concerns do not appear particularly acute in the case of skilled non-EEA workers. A salary-threshold permit had been introduced to accelerate permit processing, but was cancelled following concern over abuse. A job search permit was likewise eliminated, although its recipients had a success rate similar to that of comparable programme participants in other OECD countries. The au pair programme appears to be a domestic work programme rather than a true cultural exchange programme.*

A labour migration system requires a number of policy choices, including that of gatekeepers, entry criteria, whether employers are expected to recruit from abroad or select candidates admitted to the country for this purpose, duration and nature of permit links to employers and occupations, longer term potential, access to benefits, and conditions for spouses (Bucken-Knapp, 2009). This chapter examines how policy choices in Norway affect access to, and use of, the labour migration channel, and whether the current policy is capable of meeting present and expected needs, above and beyond those met within Norway, the Nordic region and the EEA.

Norwegian employers have a largely favourable perception of the immigration framework for skilled workers. When asked in the World Competitiveness Survey if “immigration laws prevent your company from employing foreign labour”, the perception among Norwegian business representatives was more positive than in most other OECD countries. The perception has also improved significantly since the early 2000s, when employers in Norway were among the most severe critics in OECD countries of the rigidity of the system (Figure 4.1).

**Figure 4.1. “Immigration laws prevent your company from employing foreign labour”, approval rates of employers from Norway and other OECD countries, 1995-2013**



*Note:* The graph shows the rating results to the question: “Immigration laws prevent your company from employing foreign labour”, 0: does not apply, 10: does apply (the original question and rating scale have been reversed for clarity). Country quartiles are calculated based on the average rating value between 1995 and 2012. \* Nordics exclude Norway.

*Source:* IMD World Competitiveness Center (2013), *IMD World Competitiveness Yearbook*, Lausanne, Switzerland.

Survey responses often combine the perception of complexity and the economic situation with the actual obstacles inherent to the procedure. This section examines the Norwegian legal and practical framework for labour migrants.

### The system is well functioning

The process for obtaining a permit in Norway is relatively straightforward. The employer provides an offer of employment stating the conditions of employment to the worker. This two-page form, available online, contains information on the job, the business and the wages and working conditions. Based on this document, the employer or the individual can apply within Norway either to the police (or Service Centre), or abroad to the Norwegian consulate. The UDI evaluates almost all first-time applications, while the police are authorised to decide on most renewals.

The authority reviewing the application may check the business register and tax register to verify the legitimacy of the business. If the application is approved, approval is sent to the Norwegian consulate abroad for visa issuance, or if the applicant is in Norway, a permit is issued.

#### Box 4.1. Key actors in the management of labour migration in Norway

Labour migration in Norway is subject to national legislation and covers the entire country. Migration legislation is determined by the Parliament although details may be left to agency regulations.

The *Directorate for Immigration* (UDI), under the Ministry of Justice and Public Security, administers the migration infrastructure, deciding on permit applications. It also issues circulars clarifying regulations. Some permits are processed by the local police districts, which in most cases have a service or officer appointed to migration procedures. Local police may approve renewals, but only the UDI can reject applications. Other permit applications are processed abroad (for applicants abroad) by the Norwegian consular representatives. The UDI however oversees this activity and establishes the guidelines for permit issuance and classification. UDI recommendations to competent Ministries may be proposed by the government for legislative action by the Parliament.

The *Ministry of Labour and Social Affairs* is responsible for promoting labour migration legislation (through executive White Papers). It is also responsible for the *Norwegian Labour and Welfare Service* (NAV) and the *Labour Inspection Authority*. NAV assists job-seekers and helps in matching for employers, including through the European Employment Service (EURES) system. Regional EURES offices work with employers to target recruitment and post-recruitment practices. NAV also monitors the labour market, conducting employer surveys. The Labour Inspection Authority is responsible for enforcement of labour and occupational health and safety law. It also oversees the issuance of ID cards for employment on construction sites and maintains the register for temporary work agencies.

#### **Box 4.1. Key actors in the management of labour migration in Norway (cont.)**

The *Ministry of Education and Research* is responsible for the university system. The *Norwegian Agency for Quality Assurance in Education (NOKUT)* is an independent body under the Ministry of Education and Research, responsible for the recognition of qualifications obtained abroad. It was established by the Universities and Colleges Act in 2003. It works with higher education institutions and vocational higher education providers, as well as individuals seeking to obtain recognition of their foreign qualifications, to ensure quality in higher and post-secondary vocational education. NOKUT examines and approves recognition of foreign higher education by individual applicants, assists universities, colleges and authorisation offices in their work with recognition of foreign qualifications and provides information on education systems in other countries. The higher education institutions are themselves responsible for recognition of prior qualifications and admission of individual students, for further studies and for the right to use Norwegian academic titles. Since 2010 NOKUT is also responsible for establishing and managing Centres of Excellence in Education (SFU) at bachelor's and master's level programmes.

*Statistics Norway* provides statistics on the labour market and on migration, and conducts research on issues related to migration and the labour market.

*Regional governments* may be active in promoting development plans which include recruitment of necessary workers. This is particularly true in rural areas or in local authorities which have difficulty finding staff for certain occupations.

Labour migration policy has traditionally been driven by political parties in the government, with *social partners* playing a role as interest groups. Employers and employers' associations, however, may play a role in specific initiatives to increase attractiveness of their regions.

The *Norwegian Directorate of Integration and Diversity (IMDi)* provides support and services to favour integration of immigrants and diversity policy. IMDi co-operates with immigrant organisations/groups, municipalities, government agencies and the private sector. Among the services it provides are the management of the national integration orientation website "New in Norway" and public-sector interpretation support.

The *International Network of Norway (INN)* is a private service created and run by Chambers of Commerce in six offices around Norway. The INN provides relocation support and orientation, for which businesses contract. Other private relocation services also operate.

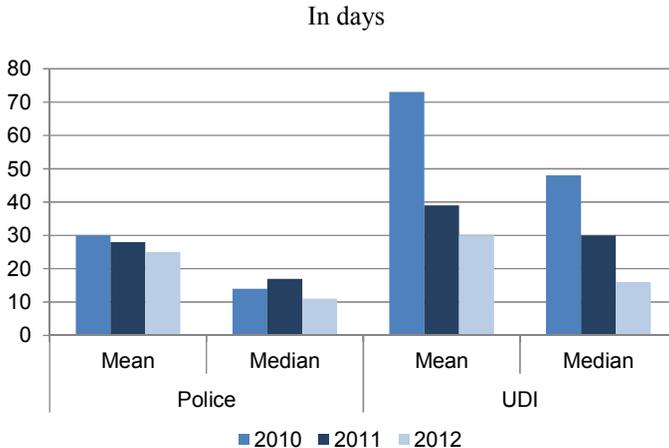
A number of *research institutes* provide analysis and evaluation of policy measures in the area of labour migration, principally FAFO, the Frisch Centre and the Institute for Social Research (ISF).

#### ***Processing times are relatively short***

As there has not been a labour market test applied to applications for skilled workers, there is no involvement of the public employment services. As a result, the system is relatively simple compared with many other OECD countries, where applicants must contact multiple institutions. Processing time is usually related to a single procedural phase.<sup>1</sup>

UDI handled about 70% of all work permit applications in 2012, with the remainder handled by local police. Very few work permit requests are processed directly by consular authorities. Issuance time for work permits in Norway is short compared with other countries, although it varies considerably depending on where the permit is processed. In 2012, the average processing time for work permits was 25 days when handled by the police, 30 days when handled by the UDI, and 117 days when handled by the Norwegian consular representative. These averages are influenced by outliers of lengthy processing times – due to incomplete applications – and the median times were 11, 16 and 4 respectively. Processing times were slightly longer in 2011, and much longer in 2010, when the UDI took on average 73 days to process applications (Figure 4.2). Among OECD countries, 30 to 60 days processing time – from when a complete application is filed to when the permit is issued – is about average. Many OECD countries, however, have reduced temporary labour migration application processing times to under a month; this is the case in Australia, Sweden and Denmark, and Belgium and Korea, for example.

**Figure 4.2. Mean and median processing times, 2010-12, work permits, by institution**



*Source:* Directorate of Immigration (UDI).

UDI processing times tend to be longer due to the fact that UDI handles more complex requests and receives requests forwarded by the Police. The creation of a Service Centre has substantially reduced processing times, and applications at the service centre were normally processed in two weeks in 2013 (see Box 4.2).

### **Box 4.2. Service centres for foreign workers**

One of the most common developments in public administration of complex procedures involving different administrations is the “one stop shop” or single service desk, which brings together different authorities in a single physical or virtual space. This allows clients to handle all phases of an application without having to go from one place to another, improves communication between different public services, and potentially presents clients with a user-friendly interface. As migration permit procedures often involve multiple administrations, one-stop shops are often created, to serve recruiters, migrants or both. Norway first introduced its One Stop Shop (Oslo Service Center) in 2007, bringing together the Police, the Labour Inspection Authority, the Tax Directorate and the UDI. The police and the Norwegian Labour Inspection Authority participate. Centres have also been created in 2009 in Stavanger, centre of the oil industry, and Kirkenes, close to the Russian border.

These centres are heavily used: in 2010, they receive more than 100 000 enquiries or visits, and this rose to 120 000 in 2012. The centre is widely known as well, with 93% of respondents in the 2010 Polonia survey answering that they knew the centre.

A strength of the Service Centre is to improve compliance with regulations and allow the labour inspectorate and police to intervene more easily in case of violations reported by the worker.

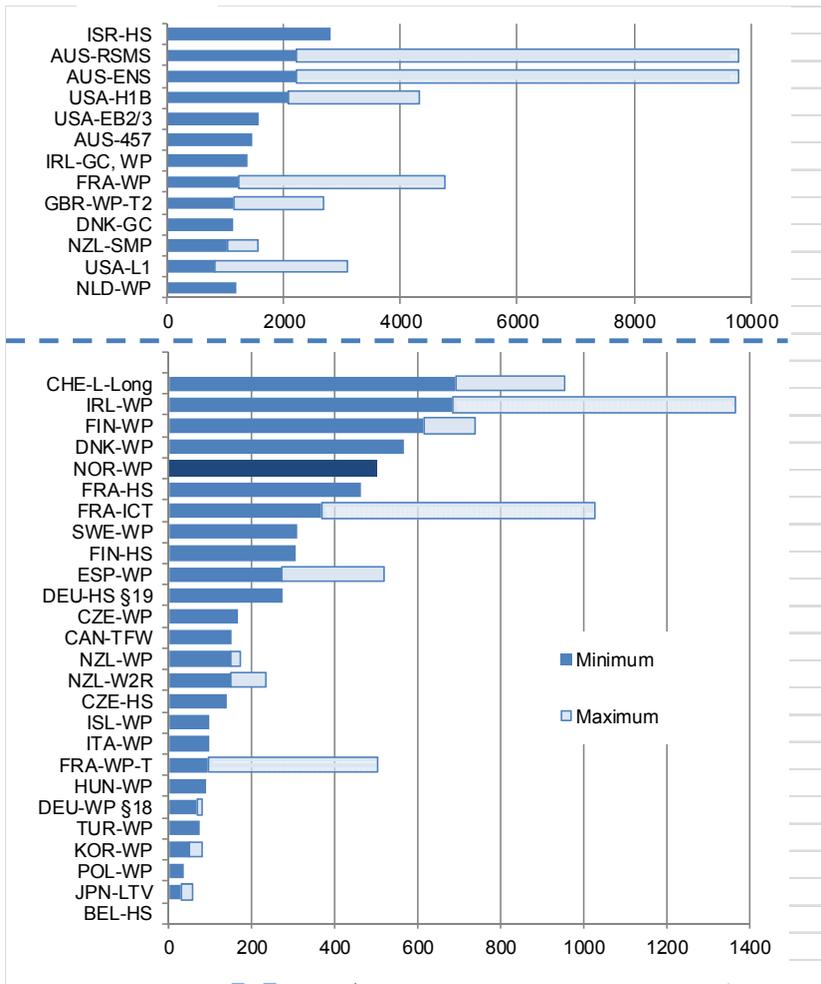
One limit of one-stop shops is that they may end up being the point of reference for requests beyond their mandate. This is particularly true for orientation towards the job-market, for example for spouses of labour migrants, job-seekers and those who are eligible for benefits, as there is no NAV presence in the centres. There is also no orientation on recognition of qualifications. A further issue is that they may only cover a specific geographical area, penalising residents in areas far from the centres, who may travel to Oslo to handle their procedures rather than do so through a local office.

For more information see: [www.sua.no](http://www.sua.no).

### ***Cost of application are relatively low***

Applying for a work permit in Norway is inexpensive relative to wages. The cost of a permit, NOK 3 000 (about EUR 370), places it in the middle range of fees (Figure 4.3). The fee has risen since 2010, when it was NOK 1 100, although most OECD countries have seen increases in work permit fees in the past few years. The fee is not pegged to duration, salary or type of work.

**Figure 4.3. Fees for issuing work permits in different OECD countries, USD equivalent, 2014 or most recent year**



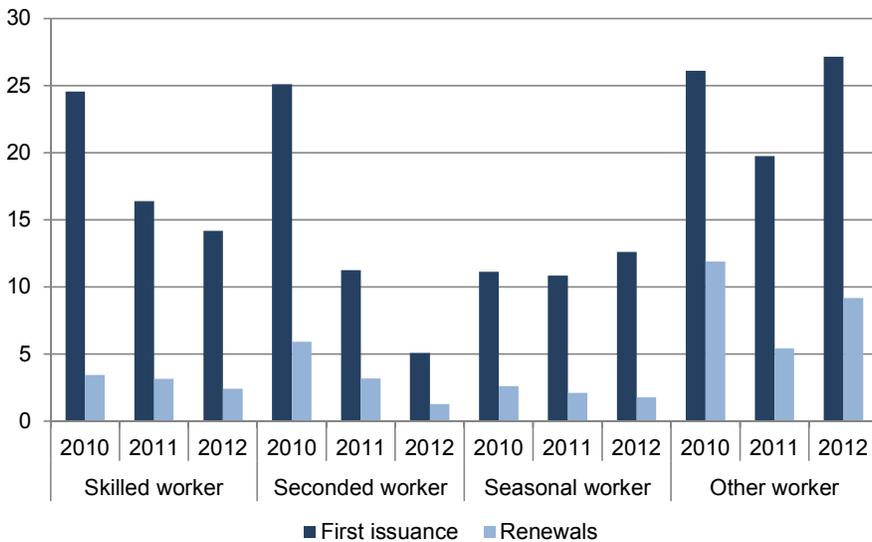
*Note:* EB2/3: permanent residence for employment; GC: “Green Card”; HS: high skilled; ICT: intra-corporate transfer. RSMS: regional sponsor; SM: skilled migrant; T: temporary; TFW: temporary foreign worker; WP: work permit; W2R: work to residence. For most countries, consular visa fees are not included. France: calculated range using 2011 SMIC. Israel: Includes levy based on one year contract at minimum qualifying salary. Fees are converted to euros using current market exchange rates.

*Source:* OECD Secretariat calculations based on national data.

### *Most applications are successful*

The refusal rate for permit applications varies depending on the grounds for which it is requested. For skilled workers, the refusal rate was 21% in 2011 and 2012, down from 25% in 2010 (Figure 4.4). For skilled workers exempt from the quota – employed by international enterprises – the refusal rate was just 1% in 2011-12. In terms of nationality, work permit refusal rates were highest for citizens of Bosnia-Herzegovina, Serbia and the Philippines, lower for citizens of most OECD countries, and lowest for Chinese, Indians, Koreans and Indonesians. Renewals tend to be successful, with refusal rates below 5%.

**Figure 4.4. Refusal rates for applications, by category and year, 2010-12**



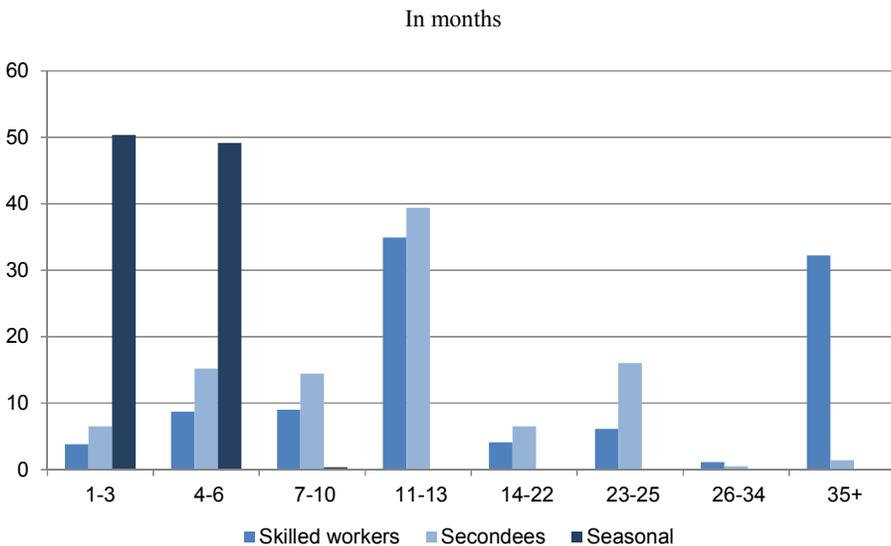
Source: Directorate of Immigration (UDI).

Guidelines require the UDI or police to apply the most favourable category applicable to the application. In practice, most requests are made under a specific permit type, and if the requisites are not met, the application is denied, rather than the authorities requesting more information or applying different grounds.

### *Permits are granted for extended periods*

Permit duration is based on job contract duration and indicates the expected length of stay in Norway. Three years is the legal limit for first permit duration, at which point the residence requirement for settlement is reached, although not all permits may be issued for such a long duration, and some may not allow indefinite renewals (Table 2.2). Most permits are issued for 12-, 24- and 36-month periods (Figure 4.5). One in four was issued for a duration of less than a year. For skilled workers, 29% of first permits were issued for one year, 5% for two years and 32% for three years. For secondees, 43% were issued for less than a year and 30% for 12 months, and only 15% for two years. While there are many workers who stay short periods, short-stay permits do not appear in the statistics, either because they do not receive a work permit, using only a business or other visa, or because the duration of the permit does not mirror the duration of the employment contract. In fact, not all workers stay the full period, and in some cases, such as that of Indian workers providing consultancy, a longer term permit may be requested, and used to travel from Norway to the home country and back again without having to go through the visa issuance process again. Most renewals (61% of skilled workers and 53% of secondees) are for a 12-month period.

**Figure 4.5. Permit duration by category of entry, 2006-12**



Source: Directorate of Immigration (UDI).

The extended length of first permits suggests that about one-third of new skilled labour migrants have a long term contract and could be expected to stay in Norway. The UDI data does not allow construction of individual permit histories, so it is not possible to measureable cumulative stay and its relation to initial permit duration, but such an analysis would help identify longer-term migrants upon arrival.

### ***The labour market test in Norway is rarely applied***

Norway is one of a few OECD countries where no labour market test is currently used for the main discretionary labour migration channel. The labour market test – or assessment – exists in Norwegian legislation, but has never been applied in practice for skilled workers or secondees. It is used for seasonal workers outside of agriculture, and for Russian workers (Table 2.3). For these workers, the assessment is done on an individual basis to determine whether a position can be filled by domestic labour or from within the EEA. The UDI sends the application to the provincial NAV, which verifies that the employer has listed the job for at least two weeks with the employment service. Since all listings on NAV are in principle shared with the EEA employment service platform EURES, the labour market test represents a means to ensure that “community preference” is respected prior to recruitment from abroad.<sup>2</sup> The assessment is done on an individual basis to determine whether a position can be filled by domestic labour or from within the EEA, and consists in an opinion issued by NAV according to guidelines issued by the Ministry of Labour and Social Affairs. In practice, guidelines for skilled workers have never been issued, since all skilled workers are exempt from the labour market test until the quota is reached.

The absence of a labour market test is one reason for the relative speed of processing in Norway. For non-EEA workers, the primary protection of the domestic labour market lies in the skill requirement and in the detailed occupation and contract information contained in employer applications. In effect, the UDI or the police reviewing the application judge whether the occupation meets salary requirements and whether the job is skilled and matches the worker’s education.

### ***Quotas for skilled workers have not been reached***

There are two quotas established: one for skilled workers and specialists, and one for seasonal workers in agriculture and forestry. In the absence of new decisions, the previous year’s quotas are applied automatically. The first quota is established by the Minister of Labour and Social Affairs in consultation with the Ministry of Trade, Industry and

Fisheries and the Ministry of Finance, while the second quota is the responsibility of NAV. The quotas have been static since introduction, at 5 000 and 2 500 respectively. There is no specific criterion for their calculation.

The exemption from the quota of employees of a multinational employer located in a WTO-signatory country has prevented the general skilled worker quota from being reached. WTO membership covers most of the world, and multinational corporations can be widely defined. The Norwegian market is very open and the presence of multinational firms is widespread. Since the distinction between the two permit grounds (utf 6-1 1 and 6-1 5) has so far been without practical consequence, little attention seems to be devoted to separating these permits. There appears to be little consistency in the definition of “multinational” corporation. The haphazard classification of permits is not surprising given the effectively moot distinction. Nonetheless, in 2012, 15% of all permits were issued to employees of multinational companies. As the number of work permits subject to quota approached 5 000 in 2013, there was discussion on raising the quota, although this was not in the end necessary.

### *The seasonal work programme functions well*

The quota for seasonal workers appears to play a safeguard role, preventing recourse to large numbers of seasonal workers from outside Europe. Recruitment channels for this type of permit have, in other Nordic countries, involved episodes of abuse and misrepresentation, as there is no safeguard quota in place. In Norway, temporary agencies are already subject to registration requirements which contribute to compliance in this sector. Refusal rates are low in agriculture – about 5% – but higher in other sectors (10% in manufacturing, 19% in transportation). Norway also makes employers responsible for their recruits, and requires that they pay a minimum wage when piecework does not reach the minimum.

The seasonal programme in Norway appears to function well. One key indicator of whether a seasonal programme is functioning properly and abuse is limited is whether participants in the programme return the next year: if seasonal workers can reach their target earnings and are not mistreated, they will return. By this measure, a large share of seasonal workers comes back to Norway year after year, at least through 2011. In 2012, however, the share of returning workers decline to 44%. Return rates could be monitored – including by nationality – as an additional control on programme integrity.

Seasonal workers are largely in agriculture and tourism, although some – at least 15% – are recorded as employed in industrial or manufacturing

sectors (Table 4.1). This is in marked contrast to other OECD countries, where it is unusual to find these sectors employing seasonal workers. Norway, however, uses its seasonal permit to cover employees on holiday in non-agricultural sectors, and these positions are labour-market tested on an individual basis.

**Table 4.1. Distribution of sectoral employment for first issuances of seasonal work permits, 2007-11**

Percentage

	2007	2008	2009	2010	2011
Agriculture and fishing and farming	37.1	36.7	34.9	52.5	55.3
Transportation, trade, hotels and restaurants	26.4	30.6	25.3	15.2	12.3
Manufacturing	10.8	12.3	12.6	7.6	6.5
Building, construction and related activities	5.7	5.9	3.5	1.9	2.3
Other activities	4.7	5.9	5.7	2.7	2
Labour recruitment and provision of personnel	1.6	1.4	1.3	1.3	1.1
Public administration and education	2.1	2.5	3.4	1.2	1.1
R & D and engineering activities	0.9	1.1	0.4	0.3	0.3
Health and social services	0.9	0.8	0.7	0.3	0.2
Mining and petroleum activities	0.4	0.3	0	0	0
Unknown sector	9.3	2.5	12.2	17	19
<b>Total issued permits</b>	<b>1 055</b>	<b>962</b>	<b>894</b>	<b>2 335</b>	<b>2 504</b>

*Note:* Sector classification changes in 2012, so 2012 is excluded from this table.

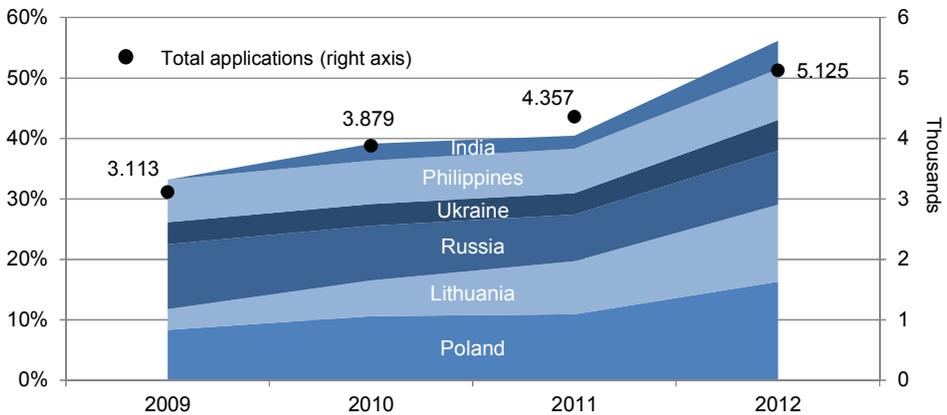
Source: Directorate of Immigration (UDI).

### ***Recognition of qualifications may be an obstacle***

The number of applications for recognition of qualifications that The Norwegian Agency for Quality Assurance in Education (NOKUT) is dealing with has increased substantially over time to reach about 5 125 applications received in 2012 (an increase of 17% compared to 2011). Of these, 4 414 individual applications were actually processed in 2012, representing an increase of 11% in comparison with 2011. 73% of the applications were for the recognition of bachelor degrees and 18% for master's. In terms of nationalities, six countries made up more than half of all applications received by NOKUT in 2012 (Figure 4.6). Applications received by Polish and Lithuanians represented close to 30% of all applications received. The number of applications has increased substantially over time in particular among Lithuanians (six times), Polish (three times) and degrees acquired in the United Kingdom, Ukraine and the United States (they have doubled over the past four years).

Available data for 2011, suggest that the total number of degree recognition by NOKUT is higher than that attributed by the University of Bergen or Oslo and Akershus University College. Overall, they represent about 18% of all degrees issued by the five largest universities of the country. According to NOKUT estimations, the increase in applications expected in 2013 will result in a number of foreign degrees recognised by NOKUT which will be lower only to those issued by the University of Oslo. If the same trend continues until 2015, the number of degrees recognised by NOKUT annually will be higher than that of the degrees issues in any of the country's universities.

**Figure 4.6. Number of applications received by NOKUT and main countries of degrees' origin, 2009-12**



Source: Norwegian Agency for Quality Assurance in Education (NOKUT).

Despite the increase in the number of applications treated, the average processing time went down in 2012 and returned to its 2010 level, at 2.8 months. Even with a significant increase in the number of settled cases, the arrears have increased during the year. While the recognition of qualifications is a proven factor for labour market success, skilled migrants in Norway do not list this as one of their main concerns (Van Riemsdijk and Cook, 2013), perhaps because they already have a job at entry. For family of labour migrants, however, this is a more relevant concern.

Regulated professions have different processing times, as the organisations which handle these applications have their own protocols. There are more than a dozen different professional licensing bodies for specific occupations.

Health profession recognition numbers, for example, are higher than those processed by NOKUT. The Norwegian Registration Authority for Health Personnel (SAK) authorised 18 400 health professionals in 2012 (Table 4.2). For those where country of education was available, 59% were trained in Norway, 23% were trained in Nordic countries, 10% in other EEA countries, and 8% in non-EEA countries. Of the 6 000 nurses recognised, 56% were trained in Norway, 20% in Sweden and 10% in Denmark. Six per cent were educated in eastern European EEA countries, and only 3% were educated outside the EEA. SAK has a processing time of at least six months for nurses and health care workers, for example, for qualifications obtained outside the EEA.<sup>3</sup>

**Table 4.2. Authorisation of health personnel, by place of education, 2012**

	Norway	Nordic	EEA	Other countries	Country unspecified	Total
Doctors	490	442	628	120	2 375	<b>4 057</b>
Health workers	1 782	612	32	823	0	<b>3 249</b>
Nurses	3 400	1 949	494	187	47	<b>6 077</b>
Others	3 435	532	322	75	654	<b>5 018</b>
<b>Total</b>	<b>9 109</b>	<b>3 535</b>	<b>1 476</b>	<b>1 205</b>	<b>3 076</b>	<b>18 401</b>

Source: Norwegian Registration Authority for Health Personnel (SAK) Annual Report for 2012.

Other occupations, especially vocational and trade occupations, may also see hurdles. Electricians, for example, must be recognised by the Norwegian Directorate for Civil Protection, which treats non-EEA qualifications and experience very severely.

### *Little evidence of abuse although follow-up is limited*

A work permit is issued based on an offer of employment. The offer of employment is not an actual contract, and the authorities do not verify the actual contract against the offer of employment, following entry or at renewal. Site inspections are not a standard element of enforcement, and the Labour Inspectorate, while competent for labour migration law, does not focus on skilled non-EEA workers. Checks are thus concentrated prior to entry. The limited follow-up – and long first permit durations with high approval rates for renewal – do not however appear to be a cause for concern, as there is little evidence of abuse.

Compliance appears to hold also for short-term non-EEA workers. For certain types of technical personnel, employment is allowed if the period is less than three months, with no permit issued. Only a notification to police is required. The police usually provide direct confirmation, without checking on the actual workplace of the worker. Here, too, there is little evidence of abuse.

## **Is the skill threshold for non-EEA workers appropriate?**

Norway's neighbour Sweden reformed its labour migration policy in 2008 to allow employers to recruit for any job, as long as the contract offered complies with minimum conditions prevailing under collective agreements. This system did not lead to large-scale entries, nor did it lead to a flood of low-skilled workers, although some concern was raised over cases of abuse (OECD, 2011). As other countries have looked at the Swedish example, it is legitimate to ask if a similar system – without a basic skill threshold and with a nominal labour market test – could work in Norway.

Experience with recent free movement migration may help to provide an answer to this question. Intra-EEA mobility is largely supply driven, as workers come to seek jobs, rather than demand-driven, where they are recruited by employers, although there is some of both. Norwegian employers, like Swedish employers, have unrestricted access to EEA workers. Unlike in Sweden, Norwegian employers, especially temporary employment agencies, have made ample use of this access, with a large share of the growth of employment due to recruitment of EEA workers. In 2010, 22% of employment in temporary agencies comprised east European workers. Further, there has been great concern in Norway, prior to and following EEA expansion, over the ability of existing labour market institutions to ensure legal employment conditions for workers from the free movement area.

The Swedish system works due to strong oversight of workplaces and employer compliance through a presence of trade unions, in the absence of a traditional labour inspectorate. These conditions are not met in Norway. 52% of employees are in trade unions, and 58% of private sector employees are covered by collective agreements (Nergaard and Stokke, 2010). While Norwegian workers have traditionally been above the floor in collective agreements – due to strong normative effects – low wage competition has been increased by free movement from recently admitted EEA members (Alsos and Eldring, 2008; Eldring and Alsos, 2012).

### ***Challenges in safeguarding wages and working conditions***

One concern about labour migration in Norway and in other Nordic countries is “social dumping”, a term which appeared in public discourse following EU enlargement in 2004. Although there is no formal definition of the term, the government uses it in public policy documents and its “action plan to combat social dumping”. The 2008 White Paper on Labour Migration defines social dumping as when foreign workers are exposed to violations of health, employment and safety regulations, including those on working time and housing standards, and when they are offered wages and other benefits

that are unacceptably low compared to the prevailing wage for Norwegian workers, or if they are not compliant with legally extended collective agreements where in place” (based on a translation by Eldring, 2013).

Economic theory suggests that the increase in labour supply in a specific skill group induced by immigration will affect negatively the wages of persons (immigrants and natives) in that skill group. The extent to which this will happen depends on the substitutability between migrants and natives in terms of skills in that group and across groups. It also depends on the impact of the increased supply on the demand for goods and their prices. Hence, the overall impact is an empirical question. The existing empirical literature in other OECD countries suggests that this impact is small or zero, especially when a spatial approach is used.

Nonetheless, different effects may exist for different groups of workers. For example, it has been found that youth, other recent migrants and the low-skilled are often more likely to be negatively affected by immigration flows. On the contrary, women are found to gain in some cases, especially in terms of the likelihood of employment, as they benefit from the availability of child and elderly care provided by migrants. Evidence from Norway suggests that there is a negative effect of immigration on wages, but this differs according to the origin of immigrants and the groups affected (see Box 4.3).

There is some evidence of lower wages and poorer working conditions among labour migrants from recent EEA countries. The Polonia surveys (Friberg and Tyldum 2007; Friberg and Eldring 2011; Friberg 2013) contacted Polish migrants in Oslo in 2006 and 2010. Most were employed in construction (84% of men) and cleaning (58% of women). In 2010, about one-fourth of Polish construction workers were employed by a foreign subcontractor, one-fourth by a temporary work agency, and 13% self-employed. The remainder were split between temporary and permanent contracts with a Norwegian company. Among cleaners, one-third were self-employed, and one-fourth employed through temporary agencies.

The Polonia surveys further indicate high levels of illegal working conditions and precariousness. One-third of respondents had been cheated out of pay by employers, and almost half had worked overtime without additional compensation. More than one in four worked with no written contract, and one-third had no paid sick leave. Two-thirds of the workers interviewed reported having at least one of these illegal practices in their current job (Friberg et al., 2014). Low wages were prevalent, with the average construction wage above the minimum extension rate, but 27% lower than the Norwegian sector average. One in five construction workers was paid wages below the statutory minimum. As many of these workers were posted, this suggests inadequate compliance with the regulations of posting.

### **Box 4.3. The impact of immigration by different groups on the wages of natives and migrants**

Evidence from a number of countries shows that the results on employment and wages of the existing labour force are zero, or small and in some cases even positive (see Kerr and Kerr, 2011 for a recent review of the literature with a focus on northern European countries). However, the results can differ across groups, based on education, age, occupation and sector in which they work and how immigrants compare with the existing labour force in terms of these characteristics. Groups that are in direct competition with migrants, notably low-skilled, youth and earlier migrant cohorts, are more likely to see any negative effects on employment and wages, following immigration.

Recent econometric evidence on the labour market effects of immigration in Norway shows some possible negative effects on the wages of certain categories of the native-born population and other migrants. Bratsberg et al. (2014) apply the national skill cell approach (Borjas, 2003) on Norwegian data to estimate the effect of increases in labour supply induced by immigration on local wages. The national approach typically finds larger negative effects on wages than the spatial approach studies (Greenwood and McDowell, 1986; Friedberg and Hunt, 1995; Longhi et al., 2005; Okkerse, 2008). Bratsberg et al. (2014) estimate a model for a period of over 30 years, in which the share of the immigration population increased from 2 to 12%. In addition it allows for heterogeneous effects by migrant origin. In this framework, the immigrant share in cells defined by education, work experience and year of observation is linked with average wages for residents, both natives and old migrants. The results show overall negative but heterogeneous wage effects, with native wages being more responsive to inflows from Nordic countries than from those from developing countries. These patterns are consistent with natives and Nordic citizens being close substitutes, while natives and immigrants from developing countries are imperfect substitutes. Estimates are sensitive to accounting for effective immigrant experience, selective native participation, and variation in demand conditions and native labor supply. The estimated partial wage elasticity is of the order of -0.029 which suggests that a 10% increase in the share of the immigrant labour force in the skill cell, is associated with a reduction in native wages of 0.3%, and this is to a large extent driven by immigration from Nordic countries.

Wages of individual native and immigrant workers are modelled as a function of the immigrant share in their skill group. This framework allows estimating the elasticity of substitution between immigrants and “locals”. The empirical strategy accounts for within-cell variation in native labour supply. It also accounts for an indicator of economic conditions, measured by the proportion of native workers within each cell who were registered unemployed or participated in an active labour-market programme during the year. The authors argue that there was only little heterogeneity in terms of the countries of origin of migrants who arrived in Norway until the 1980s, both in terms of culture and geography. However, this changed with subsequent migrant groups and today migrants come from a variety of countries which are quite distinct in many respects. The study distinguishes between migrants from developing, Nordic and other high-income countries. This distinction is meant to take into account differences in language and culture but also differences in labour force participation which are linked to their origin as well as entry permit.

### **Box 4.3. The impact of immigration by different groups on the wages of natives and migrants (cont.)**

The effect of immigration from neighbouring countries on the wages of natives in the same skill cell, is affected by the inclusion of demand (and supply) controls, which mainly reflects the low migration costs and high mobility patterns for this specific migrant population, relative to that from developing countries. Indeed, it is only when movements in and out of the skill group are accounted for, that a negative effect of Nordic immigration is found.

Interestingly, the impact of immigration from neighbouring countries on wages is stronger when natives with a weak attachment to the labour market are excluded (a 2% decline in wages for every 10% increase in immigration from Nordic countries), while the effect of immigration from developing countries becomes small and insignificant in that case. This is compatible with the skill profile of migrants of different origins and the hypothesis that Nordic migrants are closer substitutes to natives than are those from developing countries. These findings are in line with those in Zorlu and Hartog (2005) who use a different technique, the spatial approach, and apply it on cross-sectional data for Norway (1989-1996). This study finds a positive correlation between immigrant flows and wages of low- and medium-skilled natives in 19 regions. The correlation is positive for immigrants from EU countries, but negative when migrants from Nordic countries are considered. This finding may suggest that Nordics may be closer substitutes to natives because of their language skills, but also of their cultural proximity and their professional experiences in similar labour markets.

Overall, larger negative effects on wages are found by Bratsberg and Raaum (2012) in the construction sector. This estimation is on the exploitation of exogenous variation in immigrant employment across trades induced by licensing requirements in the Norwegian construction sector. The results based on individual panel data show that a 10% increase in immigration reduces wages by 0.6%. Both the wages of low and semi-skilled workers of both natives and older migrant cohorts are negatively affected.

If immigration affects the wages of – some groups of – the local labour force, it may also affect, as a consequence, the incentives of natives to invest in education and alter the skill composition of the workforce. For instance, low-skilled migration can lead to increased incentives to invest in education among natives with implications for the supply of highly educated persons. Evidence from Norway (Røed and Schøne, 2012a) suggests that areas which experienced large increases of migrant flows in the Building and Construction industry are associated with fewer pupils choosing programmes in upper secondary education that provide the skills for work in that sector.

Labour inspectorate reports also indicate a risk for health and safety for immigrant workers, especially in construction and manufacturing: foreign workers are at higher risk of injuries, and this increases for those with temporary employment and those in temporary agencies. One-fifth of workplace deaths in Norway in 2012 were east European workers, due to overrepresentation in dangerous sectors, but also, according to the inspectorate, to language barriers and poor safety training.

While the impact of the global financial crisis on unemployment was not very strong in Norway, there is some indication of a negative impact on employment conditions – if not employment – in the construction industry (Langeland, 2012). The downturn in construction employment – where almost one-third of east European migrant men were employed – was associated with concern over safety, and increased inspections indeed found a rise in violations of safety and employment laws.

To address concerns over low-skill occupations, the Norwegian government launched an “Action Plan against Social Dumping” in 2006. The Action Plan contained a reinforcement of the Labour Inspection Authority and some specific measures such as an ID card for the construction industry (see Box 4.4). Additional Action Plans followed in 2008, extending sectors under special scrutiny to the cleaning and hospitality sector, and in 2013, with more coverage of temporary work agencies.

#### **Box 4.4. ID cards in construction and cleaning**

One of the main areas of concern for control of working conditions – especially for immigrant workers – is construction. Construction sites often involve numerous subcontractors, and the chain of responsibility can be obscured, with site managers unsure of responsibilities. Norway introduced in 2008 a requirement that all construction workers must carry ID cards indicating for whom they are employed. Cards are issued to employers upon proof of business registration and a tax number. This provision was extended in 2012 to cleaning, with all cleaning subcontractors required to carry a card. The card is issued to registered employers, for a nominal fee (NOK 114).

The effect of the card requirement on the construction sector has been to facilitate the identification of non-compliant businesses and sites. It took some time for the measure to reach foreign workers: in a 2010 survey in Oslo, almost half the Polish posted workers and self-employed still did not have cards. The number of EU-10 workers with cards doubled from November 2009 to December 2013, to 51 000, or 18.3% of the construction workforce holding cards (see below).

Norway is not the only country to address the risk of tax evasion and violation of labour law in construction subcontracting through identity cards. In Finland, foreign workers employed by foreign companies were required to contact the tax authorities themselves, while Finnish companies were required to report their employees to the tax authorities. The construction trade union, Rakennusliitto, pushed for a tax register requirement, in agreement with the employers association. While in 2012, prior to introduction of the tax card, there were fewer than 200 names in the tax register of foreigners, by February 2013 there were more than 36 700. From mid-2014, site managers will have to file monthly reports to the tax authorities.

This proposal is gaining ground in other countries as well. In Luxembourg, following tripartite discussions, an identity badge was introduced for construction sites, with implementation originally planned for 2013, in conjunction with increased inspection. In Belgium, a similar scheme, Checkinatwork, was introduced in April 2014, although only for sites where work exceeds the value of EUR 800 000 annually.

**Box 4.4. ID cards in construction and cleaning (cont.)****Active ID cards in the construction and cleaning sector in December 2013,  
by country of origin**

Count and percentage

	Construction		Cleaning	
	Count	Percent	Count	Percent
Norway	184 605	69.7	9 265	42.9
EU-10	51 322	19.4	6 804	31.5
Nordic countries	17 879	6.8	398	1.8
Pre-2004 EU, excluding Nordics	7 232	2.7	928	4.3
Other	3 648	0.8	4 210	19.5
<b>Total</b>	<b>264 686</b>	<b>100</b>	<b>21 605</b>	<b>100</b>

Source: The Labour Inspection Authority / Fafo 2014.

In 2010-11, Fafo evaluated the first two Action Plans (Eldring *et al.*, 2011, and found an overall positive effect of the intensified measures, in terms of preventing a worsening of the wages and working conditions of labour migrants. However, the evaluation noted that the impact of the measures was primarily in areas where collective agreements had been extended, and less in areas without *erga omnes* extensions. The risk of low wage competition remained high in the latter.

***Evidence from the labour inspectorate suggests some violations***

The Norwegian Labour Inspection Authority, which enforces the requirements of the Working Environment Act and, when relevant, general applied collective agreements, focuses on enterprises with the poorest working conditions, as well as those reluctant to correct problems and where the agency's efforts are deemed to have the greatest potential effect. The inspectorate reviews internal control systems to reveal whether regulations and procedures are being followed, conducts inspections, and investigates accidents. Under the “Action Plans against social dumping”, the Labour Inspection Authority’s role was strengthened, the scope of their activities broadened and more resources were allocated to perform controls. As a result, the number of inspections escalated in the period of 2006-10, with more than 6 400 inspections specifically in this area. The construction sector was targeted, but in later years also ship-building, fish processing, agriculture and cleaning. From 1 158 “social dumping” inspections in 2006 the number rose to 2 408 in 2009.

Violations were found in most cases. More than 75% of the inspections in 2009 resulted in some measure, mostly related to lack of compliance with the generally binding collective agreement, the Immigration Act or requirements regarding the working environment. Since 2010, the high activity level has continued, both in number of inspections and in inclusion of new sectors. The inspectorate has exceeded its targets under the Action Plan, and with considerable enthusiasm as well as innovative approaches. However, the 2010 Fafo evaluation noted the complexity of the cases of violation, and that the follow-up phase after the site inspection was a challenge. In cases where investigation required gathering information from abroad, inspectors had limits in the time available and the knowledge necessary. In light of the specialised knowledge to deal with cross-board violations of law, Fafo recommended the creation of a centralised unit.

The labour inspectorate has not focused on the employment of skilled non-EEA workers. Although immigration law is included among the regulations it enforces, its focus has been on EEA workers.

### *Limited extension of collective agreements*

Collective agreements setting wages and conditions in different sectors cover only a part of total employment. The extension of collective agreements in Norway was linked to concern over the effects of EEA accession, rather than a general interest in extending agreements. The legal framework for this possibility was created in 1994, but first exercised in 2003 on a trial basis. By request from social partners, and in the presence of demonstrable evidence that foreign workers receive “poorer pay and working conditions” than those prevailing in the sector or established by a collective agreement, a board decides whether to extend an agreement.

A few sectors have been singled out for extension of collective agreements: construction (2004), shipbuilding (2008), agriculture and horticulture (2010) and cleaning (2011). These extensions now cover 10% of the working population in Norway. From 2006, the Labour Inspectorate can sanction firms which violate these agreements. In 2008, contractors were made responsible for compliance of all subcontractors in the supply chain – including foreign subcontractors – and trade unions were granted the right to access documentation on compliance for the entire chain of subcontractors. Contractors are jointly responsible for violations of wage and overtime violations.

Some employers’ associations have seen in extensions an opportunity to fight unfair competition from firms which use illegal employment practices. The Fafo evaluation of the Action Plans found that construction employers in construction were generally positive regarding extension.

Evidence from the field – a 2009 survey by Fafo – suggests that firms, however, were slow to comply with the chain subcontracting requirements. Half of firms did not ask, or did not check, if requirements were in place. Fewer than one-third of subcontractors stated that their contractor had verified their compliance.

The extension of collective agreements has provided an additional tool in contrasting downward wage pressure, has improved employers awareness of their obligations and has given the labour inspectorate an additional tool in achieving its Action Plan goals. It remains limited to certain high-risk sectors.

In summary, EEA migration will continue to supply a contribution to the low skilled labour force and to low skilled occupations in the future. The extent to which this is related to activity outside the coverage of collective agreements will determine to a large degree whether it is supply-driven or demand-driven, and its implications for productivity and organisation of production (Eldring et al., 2011; Eldring and Friberg, 2013). As long as there is a need for measures to prevent low wage competition, in any case, the Norwegian skill threshold for non-EEA labour migration makes sense.

## **Selection of non-EEA foreign workers**

One of the positive features of the Norwegian system is its variable skill threshold, with some flexibility regarding medium-skill employment. The Norwegian legislation grants some flexibility in its skill threshold, with upper-secondary occupational qualifications or equivalence the minimum. Qualifications must match employment. In practice, this review is relatively flexible for tertiary-level employment, strict for those requiring VET and trade certificates, and very strict – “exceptional” – for other jobs. There is no data on the reason for rejection of application, or on the education of the applicant, but the highest refusal rates for skilled workers are in the building sector (58%), followed by agriculture (43%) and transportation, trade and hospitality (40%), suggesting that there are some attempts to use the labour migration channel where inappropriate. On the other hand, low overall rejection rates suggest that the system is not being flooded with unfounded or inappropriate requests for employees.

### ***Salary thresholds: the NOK 500 000 threshold and qualifying occupations***

The 2008 White Paper underlined employer dissatisfaction with bottlenecks in the hiring process for highly compensated employees. Specifically, skilled jobs for which it was difficult to demonstrate higher-

education qualifications appeared to be penalised. To address this, a salary threshold was introduced, above which jobs would be considered qualified without having to provide documentation of special skills. The salary threshold was set at NOK 500 000 (about EUR 60 300 in early 2010), which corresponds approximately to the average annual income for full-time employment for tertiary educated workers. This provision ran for three years and was eliminated in January 2013. This permit did not attract a large uptake, with 400 permits requested and 344 permits issued from 2010-12 under this scheme (Table 4.3). Large companies rarely made use of the provision, which was taken up by small businesses filing opportunistic requests.

**Table 4.3. Nationality of applicants and recipients of salary-based permits (first issuance), 2010-12**

Nationality	Total applications	Issued			Refusal rate, in %		
	2010-2012	2010	2011	2012	2010	2011	2012
Pakistan	87	12	47	8	20	27	80
Stateless	47	14	26	0	22	10	
United States	37	7	20	7	13	9	0
India	24	6	8	9	0	11	31
Russian Federation	17	5	4	8	0	0	38
Albania	23	4	9	2	0	47	71
Serbia	14	4	6	2	0	25	78
Canada	14	4	7	1	20	13	50
Australia	10	3	3	4	0	0	0
China	11	7	3	0	0	25	
Brasil	9	2	2	5	0	0	29
Other	106	22	33	40	3	6	61
<b>Total</b>	<b>399</b>	<b>90</b>	<b>168</b>	<b>86</b>	<b>11</b>	<b>21</b>	<b>40</b>

Source: Directorate of Immigration (UDI).

Beyond limited uptake, in fact, the main motivation for its elimination was concern over fraudulent use; the refusal rate was high, rising from 11% in 2010 to 40% in 2012. The main nationality of applicants for the visa was Pakistan, followed by stateless citizens and those from the United States. For OECD country nationalities, there was a low refusal rate.

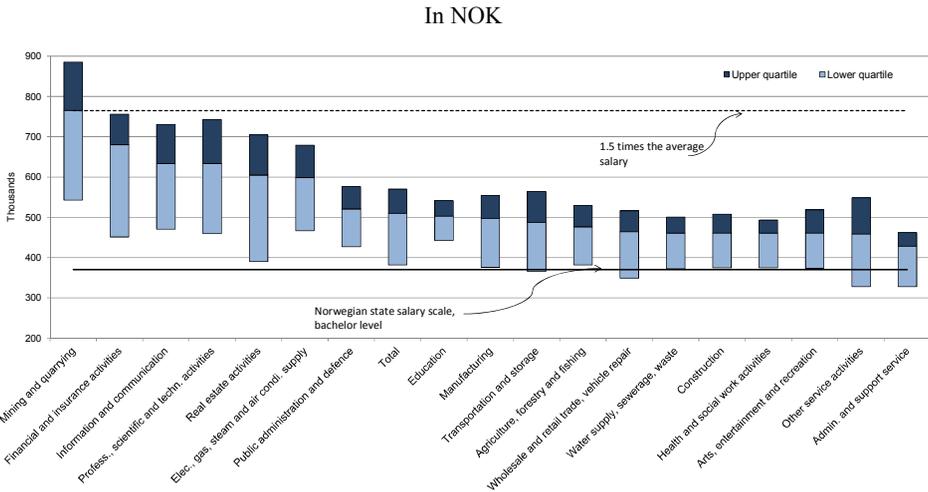
The elimination of this measure should be considered in light of the fact that salary thresholds have functioned in other countries. The salary-threshold based permit represents the main channel for admission of labour migrants in Denmark, for example. Although no educational or skill threshold is imposed, most of the recipients of the permit are indeed qualified. The transparency of the Danish measure – and the fact that it is set at about three-quarters of the gross average earnings<sup>4</sup> – make it simpler for companies than the other channels. In Denmark, this criterion has not faced the same integrity issues as those which led Norway to eliminate its permit. In Israel, “specialist” work permits are granted based on double the average wage, with no educational or occupational requirements.

The standard skilled-work scheme does impose a sort of salary threshold in any case, since pay and working conditions may not be less than the applicable collective agreement or pay scale for the industry of employment. Where no such benchmark exists, “prevailing” pay and working conditions must be respected, and the Norwegian state employee pay scale applies. In practice, this amounts to about NOK 400 000 for master’s level and above, and NOK 370 000 for bachelor-level education.<sup>5</sup> Both figures are below the average Norwegian full-time salary, and cover the pay in most full-time jobs (Figure 4.7).

The salary requirements are not very different from those in Sweden, which issues work permits when the minimum salary for a specific occupation (under the relevant collective bargaining agreement) is met. Since no education requirement is in place in Sweden, the effective floor for work permits is about EUR 1 300 monthly; the floor in Norway is much higher. This may explain the refusal rate for employment in sectors where salaries are low.

A salary-threshold based permit for skilled workers has been applied across the European Union following the EU Blue Card directive.<sup>6</sup> If the Blue Card were applied in Norway, its threshold would be above NOK 750 000, or 50% higher than the abolished salary threshold permit, although the latter was meant to obviate the need to demonstrate educational qualifications. It would also largely exceed most salaries paid in full-time jobs in all sectors except for the oil sector (Figure 4.7).

**Figure 4.7. Mean, median and quartile monthly earnings for full-time employees, by industry, 2013**



Source: Statistics Norway.

The salary threshold did not represent a particularly unfavourable channel in international comparison. However, the permit conditions offered by a standard skilled-work permit in Norway compare favourably to the EU Blue Card and to similar work permits in other EU countries. Permit duration is up to three years, and eligibility for permanent residence begins after three years. Family members are granted unrestricted labour market access. From a standpoint of competing with the EU Blue Card, Norway offers a reasonable alternative, as its effective salary thresholds for skilled workers are lower than those which would be applied under a Blue Card, and its skill definition already leaves leeway for medium-skilled occupations.

There does not appear to be any reason to re-introduce the salary threshold permit, given the difficulty of the UDI in verifying legitimacy of employment and the potential backlog caused by the need to process all applications. The purpose for which the permit was introduced – facilitating requests by employers – does not seem to have been achieved, since most employers continued to use the skilled work permit procedures.

Where a salary permit may be useful is for certain jobs requiring skills which cannot be related to education (for example, recording or certain culinary jobs). There are several ways of addressing applications for such jobs. The salary threshold could be lifted to a higher multiple of the average wage. Education and skill requirements could be lifted for nationals of countries with high education levels and wage levels. Germany, for example, lifts the education requirement for nationals of most developed countries (OECD, 2013); in light of the low refusal rate for applicants from developed countries, such a solution might be practical in Norway.

An example of this is the “Specialty chef” permits used in a number of OECD countries. Such permits require particular oversight as restaurants are a sector at risk for illegal employment practices. This permit is also offered in Norway, based on the provisions of the legislation for skilled workers requiring special training. UDI considers the category of “ethnic cook” to be “exceptional”, requires ten years of relevant education and/or work experience, including at least half of the work experience period in a high-level restaurant. For certain countries (China, Thailand), certificates from the national authorities are required. Workers must be employed in a single and corresponding ethnic restaurant. The salary must be at least NOK 26 600/monthly, or EUR 38 900 annually.

Finally, a functioning labour market test can filter out applications for jobs which can be filled domestically, although such a solution would not represent an efficiency gain for employers or for those processing applications, and Norway has no practical recent experience in administering a labour market test for skilled workers. Recruitment channels for skilled workers often do not

rely on publication with the PES, so the requirement to advertise the job for two weeks would not be appropriate for this category.

### ***Job search permit: Why did it not work?***

One issue identified in the 2008 White Paper was the relative attractiveness of Norway for skilled workers. One solution was to introduce a job search permit for skilled workers, to make the country more attractive and to allow employers to hire workers in-country without the obstacle of a long processing period. This possibility to come to seek work was already granted to citizens of countries exempt from visa requirements. Further, citizens of other countries who qualified for a three-month visa, for example, as tourists, could in principle seek work, with no restrictions on in-country issuance of a work permit if they were successful. However, the creation of a job search permit was meant to attract quality candidates to Norway and facilitate matching with employers.

The job search permit did not function in Norway as expected. There were large numbers of applications and a rising refusal rate. The Ministry of Labour ordered a suspension of visa issuance in July 2012, and the visa was eliminated altogether in 2013.

Fewer than half of those who were approved transitioned to another permit category at the end of the six-month visa (Table 4.4). While this is, in itself, not a failure, the share of these transitioning to skilled employment was 22% (about 170 out of the first 790 visas issued). 13% transitioned to Norwegian language study, and 4% became au-pairs.

**Table 4.4. Job search permit in Norway, issuance, rejection and outcomes**

	2010	2011	2012	Total
Number of applications	261	500	2 074	2 835
Number of issuances	164	339	317	820
Rejection rate	37.2%	32.2%	84.7%	71.1%

*Source:* Directorate of Immigration (UDI), permit category “ANNSØKARBAGUT”, first issuances only.

Job search visas have been experimented and implemented in other OECD countries. Within Europe, the Netherlands, Denmark the United Kingdom and Germany have all introduced job search permits. The Netherlands offers a one-year search period under restrictive conditions (eligibility criteria are strict, and labour market access is not granted during the search period). The number of permits issued in the first two years of the programme, 2009-10, is low (about 200, of which 40 were first permits), and

about 40% of those entering in 2009 found jobs that allowed them to qualify for the skilled migrant programme. The programme as originally conceived capped the biannual entries at 500, although this was not applied.

In Denmark, issuance of the so-called Green Cards, introduced in 2008, have been much higher. Although it appears that many recipients never actually come to Denmark, evaluation indicates that few find qualifying jobs. An evaluation in 2010 found that of Green Card recipients in 2008-09, 27% never entered Denmark, and of those who entered, 30% found skilled employment, 42% were in unskilled employment, and the remainder unemployed (Ramboll, 2010). However, at the expiration of the first cohort of Green Card holders in 2011-12, only 6% of the total – or about 70 individuals – changed status due to qualifying economic activity, although a larger group extended their Green Card.

In the United Kingdom, evidence of Tier 1 points-based system outcomes is contradictory. A survey in 2009 found that 70% were in skilled employment, but an analysis of occupations the following year found that fewer than half of those with occupational information were in jobs which would qualify for one of the existing skilled migrant programmes (UKBA, 2010).<sup>7</sup>

Where job search programmes require the applicant to find a qualifying job in order to remain in the country, the fact that few qualify is not a large concern, if failed job-seekers return home. Nonetheless, each of these programmes was designed to select candidates with a high probability of success in employment, so the low share of those finding qualified jobs suggests either a problem with selection criteria or a reluctance of employers to hire foreigners with foreign credentials and – in some cases – limited national language skills.<sup>8</sup>

None of these programmes set an explicit benchmark for success, in terms of the share of recipients expected to transition to qualified employment-based permits. In Norway, the permit saw relatively little interest, a high refusal rate, concern over fraudulent documents, and a relatively low rate of transition to employment permits. The job search visa was primarily sought by Indians and Nepalese, with low rates of success (Table 4.5). Egyptians were much more successful, with few applications rejected.

Evaluating a job search visa is difficult unless there is a benchmark for success. Low success rates of recipients – in terms of labour outcomes – need to be put in the perspective of initial expectations, the burden of programme management, and the cost of failure (i.e. illegal overstay, criminality, etc.). The visa led to almost 170 skilled work visas issued, although it is difficult to determine whether these recipients would have received the visa even without the programme – that is, whether they were

attracted to Norway by the visa and whether employers indeed hired them because they were in the country, interviewed personally and available immediately.

**Table 4.5. Nationality of applicants and recipients of job search visas, 2010-12**

Nationality	Total applications	Issued			Refusal rate		
	2010-2012	2010	2011	2012	2010	2011	2012
India	1 222	13	59	159	62.4%	84.7%	81.1%
Nepal	779		2	56	85.7%	92.7%	92.6%
Egypt	419	121	221	73	0.9%	2.7%	1.0%
Philippines	119		1		96.2%	100%	99.2%
Bangladesh	66		1	1	0%	98.5%	97.0%
Pakistan	24		5	3	37.5%	80%	66.7%
Sri Lanka	23					100%	100%
Ukraine	22	2	12	1	14.3%	80%	31.8%
China	20	6	7	3	12.5%	40%	20.0%
Iran	19	1			100%	100%	94.7%
Russian Federation	17	4	10	1	0%	50%	11.8%
Iran	16	3	6	7	0%	0%	0%
Other	89	14	15	13	51.9%	51.7%	39.4%
Total	2835	164	339	317	32.2%	84.7%	71.1%

*Note:* The table shows the top nationalities in terms of applications.

*Source:* Directorate of Immigration (UDI).

The experiences cited above suggest some of the difficulty of planning a job search visa – strictness of admission criteria, duration of stay and conditions for change of status. There are means to promote the job search visa by branding and capping it, as in New Zealand (see Box 4.5), and to use on-line screening, to reduce management burden, increase integrity, raise interest and improve yield.

If the target in Norway is to increase the attractiveness of the country to skilled workers, especially younger workers, a job search visa makes sense. Even after the elimination of the job search visa, citizens of visa-free countries (most of the OECD) are still able to stay six months and search for a job. There are no indications that this channel is important, although this may be due to limited information and no promotion of this opportunity. The high cost of living may discourage job seekers without leads, and the short period granted is not enough to learn enough Norwegian to make the job search easier.

### Box 4.5. The New Zealand Silver Fern visa

New Zealand attracts skilled workers through both its planned permanent and partly demand-driven temporary migration streams. However, recognising the need to attract more highly skilled migrants, particularly among young people, and those unable to match their skills with local demand from afar and meet the criteria for selection, a new policy for prospective workers to come and try the New Zealand labour market was initiated in early 2010. New Zealand thus opened up a new supply side policy option to complement an increasingly demand-oriented skill-stream that favours applicants with jobs or job offers.

Branded “silver fern”, a symbol widely representative of New Zealand, the policy has two elements – a Silver Fern Job Search visa and the Silver Fern Practical Experience visa. The Silver Fern Job Search Policy allows up to 300 young people with recognised qualifications to enter New Zealand each year in search of skilled employment for up to nine months. In order to qualify, applicants must be between 20 and 35 years old, reside outside of New Zealand, hold a qualification that meets the needs under the programme or in general under New Zealand’s Skilled Migrant Category (SMC) policy, meet language requirements and have a minimum amount of maintenance funds for the period of stay in New Zealand. Partners and dependants are not eligible for work permits.

Silver Fern Job Search visas may transition to the Silver Fern Practical Experience visas if they have an offer of employment meeting skill requirements (employment that requires specialist, technical or management expertise, as under the general skilled policy). An offer of employment in an occupation included as a skill level one, two or three occupation in the Australian and New Zealand Standard Classification of Occupations (ANZSCO) may be considered skilled employment providing certain policy requirements are met. This visa grants broader rights to dependents. Theoretically a person holding a skilled job in the practical experience visa should have a high chance of transitioning into residence through the skilled migration channel.

The New Zealand Silver Fern policy was originally expected to attract modest interest, since other channels were in place. Yet application volumes have vastly exceeded the annual quota of 300 set places (around 7 000 in 2013). Applicants are required to register and submit via an online channel, so a “first come, first served” principle for admission means that the first 300 meeting the criteria are issued the job search visa.

Around 30% of applicants since 2010 have transitioned into permanent residence, although no data are available on duration. The programme is considered to be a positive one.

Better integrity measures and a means for processing applications would be necessary if the job search visa were to be reintroduced as a pilot measure. Pre-selection of candidates based on their criteria and a ranking – rather than a lottery – might also work. A system with points could be considered, although using points is not necessary. Priority could be given to those who have already visited Norway, even briefly, as in done in Québec, to ensure that candidates are aware of the Norwegian context before they try their luck. A pilot programme with a low cap would allow the system to be branded, promoted and tested.<sup>9</sup> Expectations should be modest, however.

Nonetheless, achieving a transition rate to skilled work of 20-30% seems acceptable in international comparison, even with English-speaking countries where no language barriers are in place.

### ***Bilateral agreements are not necessary***

Norway has not signed bilateral agreements for labour recruitment. Such agreements may be useful to achieve specific goals – for example, to reduce rent-taking in established recruitment channels, or to invest in destination-country specific human capital, such as language skills or specific trade skills – and are used to these purposes in other OECD countries. Norway does not have appear to have this need, since other market mechanisms operate to achieve these goals. Private recruitment agencies, for example, identify and train nurses or childcare workers for the Norwegian labour market, within the EEA.

In addition, the EURES network is used by Norway to arrange for recruitment in other EEA countries, without requiring bilateral agreements.

Finally, the local authorities organisation SK highlighted the potential of local twinning projects – not designed with labour recruitment abroad – to develop ties which lead to recruitment by the municipal authorities (Proba, 2014). This kind of direct contact, where local governments can create a relationship with a town abroad – may be better suited to meeting the very specific and individual shortages in parts of Norway which would not otherwise be known abroad, and to ease the integration process for new arrivals.<sup>10</sup>

### **The au pair programme should be re-examined**

The au pair system is meant for cultural exchange. Au pair permits exist in most OECD countries, although in a number of EU countries, especially in the Nordic countries and the Netherlands, the permit has been frequently used as a functional substitute for a domestic-work permit (Stenum, 2011). This is particularly a risk for women from the Philippines, who dominate these programmes in these countries, as in Norway (Table 4.6).

Concerns over the au pair programme focus on the risk that it amounts to cheap household labour, with wages and conditions below the prevailing level for declared household work. Au pair work is particularly difficult to inspect since it occurs in private homes. Following a placement ban by the Philippines, Norway and the Philippines signed a bilateral agreement on au pairs in 2010, although this did not alter the substance of the programme. Norway does not limit au pair work by applicants who have already been au pairs in another country (the Netherlands does not allow this, while Denmark allows one previous spell). According to research by

Bikova (2013), Norway is the last stop on a potentially six-year labour migration spell for Filipino women, who may start in the Netherlands, move to Denmark, and finish in Norway. Most Filipino applicants for these permits are successful: fewer than 5% of applications were rejected in 2012 (the only major nationality to have a high rejection rate was Vietnam). Some Filipino au pairs remain under language study permits after expiration of their au pair permit. Those with nursing qualifications may be taking bridging courses for their recognition, since Filipinos are overwhelmingly the largest nationality of participants in such courses, according to SAK.

**Table 4.6. Nationality of first recipients of au pair permits, 2006-12**

	2006	2007	2008	2009	2010	2011	2012
Philippines	587	1 103	1 170	1 328	1 210	1 539	1 290
Ukraine	144	123	86	67	56	73	58
Vietnam	11	12	23	33	34	30	46
Thailand	36	65	57	53	40	39	43
Russian Federation	75	78	37	29	22	18	17
USA	9	14	13	15	14	10	16
Peru	20	29	32	35	22	19	13
Indonesia	16	27	27	22	18	12	12
Other	345	309	183	128	93	89	90
Total	1 243	1 760	1 628	1 710	1 509	1 829	1 585

Source: Directorate of Immigration (UDI).

Concern over the programme led to hearings in 2012 on the risk of abuse by host families, which led to a possibility to prevent non-compliant families from sponsoring new au pairs (“Quarantine”). The programme was also critically reviewed by Øien (2009).

In 2014, additional requirements were imposed on the programme, making the permit conditional on the contract “satisfying conditions laid down by the Directorate of Immigration regarding, among other things, the nature and scope of his or her duties, pocket money, room and board and days off.” While this reduces the scope for abuse, it does not change the function of this permit as a form of temporary labour migration. Enforcing regulations on wages and working conditions in private households is difficult, but a labour migration scheme for domestic workers may allow contracts to reflect actual household demand and lead to better compliance.

## Notes

1. Norway offers an “early employment” scheme under which a foreign worker can take up employment before receiving the work permit. This option is available to existing firms who self-certify compliance with prevailing health, safety and environmental options. This option is not widely used, in part because of cases where the authorities chose not to issue a work permit to the employee, making employers wary of this option.
2. Community preference is the requirement within the single labour market of the European Union (and, later, the EEA plus Switzerland) that “Member States will consider requests for admission to their territories for the purpose of employment only where vacancies in a member state cannot be filled by national or Community manpower or by non-Community manpower locally resident on a permanent basis in that Member State and already forming part of that Member State’s regular labour market” [Art. 16 of Council Regulation (EEC) No. 1612/68].
3. Processing times may be less for other medical professions. See <http://english.sak.no/sites/sak-english/processing-time/Sider/default.aspx>.
4. The salary threshold is DKK 375 000 annually (about EUR 50 400), while the standardised monthly earnings of fixed salary-earner employees, excluding young people and trainees, across all sectors, was DKK 490 000 in 2012 (Statistics Denmark).
5. The grade correspondence is 47 (masters) and 42 (bachelors)
6. In EU countries not covered by the Blue Card directive, salary thresholds are also used in conjunction with minimum education requirements. This is the case for Ireland’s “Green Card” (EUR 30 000) and Tier 2-General of the United Kingdom (GBP 20 500); both also provide exemptions for very high salaries (EUR 60 000 in Ireland and GBP 71 600 and 153 500 in the United Kingdom).
7. In both the Danish and UK review, Pakistani nationals, one of the main groups using the high-skilled visa, had high shares of employment in unskilled jobs (79% and 80% respectively). Indian nationals were more successful in the United Kingdom (half in skilled employment), but not in Denmark (71%). Chinese nationals, by contrast, had a high rate of *skilled* employment in Denmark (73%).
8. Poor outcomes may also reflect the economic conditions during the period covered.

9. A short-lived and cautious experiment promoting migration to Norway in Russia (Murmansk) and in India seems not to have made a difference.
10. KS cites recruitment from twin towns in Serbia to the rural Norwegian authorities of Hattfjelldal, Hemnes and Vefsn, for example.

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## *Chapter 5*

### **Improving attraction and retention of labour migrants in Norway**

*Norwegian employers are willing to recruit from abroad, and some sectors and regions do so more than others. Many labour migrants work in higher education. Most labour migrants do not stay in Norway for more than a few years. Family and employment history play a role. While Norwegian wages are high, older workers can expect comparable wages in other OECD countries. Norwegian language is a barrier to success.*

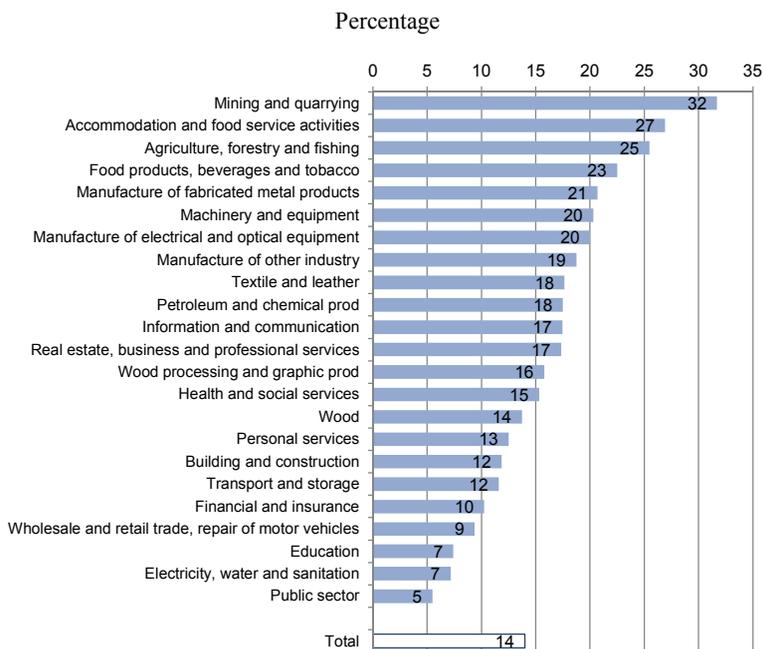
Norway is experiencing historically high levels of immigration and is one of the OECD countries with the highest net migration levels relative to its population, so discussion of attraction and retention may seem out of place. Yet the broad supply of labour represented by the EEA does not necessarily match the demand – and the medium-term forecast demand – for certain skilled occupations. There are a number of challenges for Norway to attract and retain skilled workers, many of which have been identified in prior analyses. For example, Theusen et al. (2011) identified several challenges, including difficulty for small businesses to identify workers abroad, the absence of bilateral agreements or promotion abroad which could increase awareness of Norway, the flat wage structure in Norwegian businesses, its language and its geographical isolation. Theusen et al. (2011) also noted the lack of international education and networks of support for family members of non-EEA labour migrants.

## **Employer recruitment from abroad**

### *Norwegian employers already recruit from abroad*

NAV conducts two employer surveys annually. The smaller autumn survey (N=2000) asks about intention to recruit from abroad. On average, according to the 2012 NAV employer survey, 14% of Norwegian businesses recruit, or attempt to recruit, from abroad (Figure 5.1). The sector in which employers are most likely to recruit from abroad is mining (which includes the oil industry), in which almost one in three businesses turned abroad for recruitment. This is followed by the hospitality industry (27%), agriculture, forestry and fishing (25%), and food (23%).

The labour migration system appears to be used by a large number of firms to fill a single position. In 2010-12, 60% of the firms offering jobs to non-EEA workers who required work permits sought only one worker (Table 5.1). An additional 19% sponsored only two permits, and 20% sponsored three to five labour migrants. There were fewer than 100 firms sponsoring more than 20 permits. This suggests that the Norwegian labour migration system is accessible for employers who do not need many migrant workers.

**Figure 5.1. Companies that have recruited or tried to recruit from abroad, by industry**

Source: Norwegian Labour and Welfare Administration (NAV) employer survey.

**Table 5.1. Distribution of enterprises offering employment to non-EEA labour migrants by number of work permits sponsored, each year**

Number of permits sponsored by year	2010	2011	2012
1	2 504	2 674	2 525
2	721	754	648
3	307	316	291
4	169	175	159
5	98	134	114
6-10	203	208	182
11-19	104	129	132
20-29	34	34	32
30-50	31	40	26
51-99	18	18	22
100-199	5	8	12
200-499	1	1	3
500+	0	0	0
<b>Total</b>	<b>4 195</b>	<b>4 491</b>	<b>4 146</b>
No registration for sponsor	274	335	365

Note: Data are not cumulative.

Source: Directorate of Immigration (UDI).

Norwegian firms have reacted to the shortage of certain occupations by increasing their willingness to recruit workers with compatible training – scientists, for example, without engineering training, to become engineers on the job (Cappelen et al., 2013; Van Riemsdijk and Cook, 2013). This is a contrast to the reluctance of German employers, for example, to recruit workers without the exact training (OECD, 2013). This willingness to be more flexible in the case of vacancies suggests a scope for labour migration.

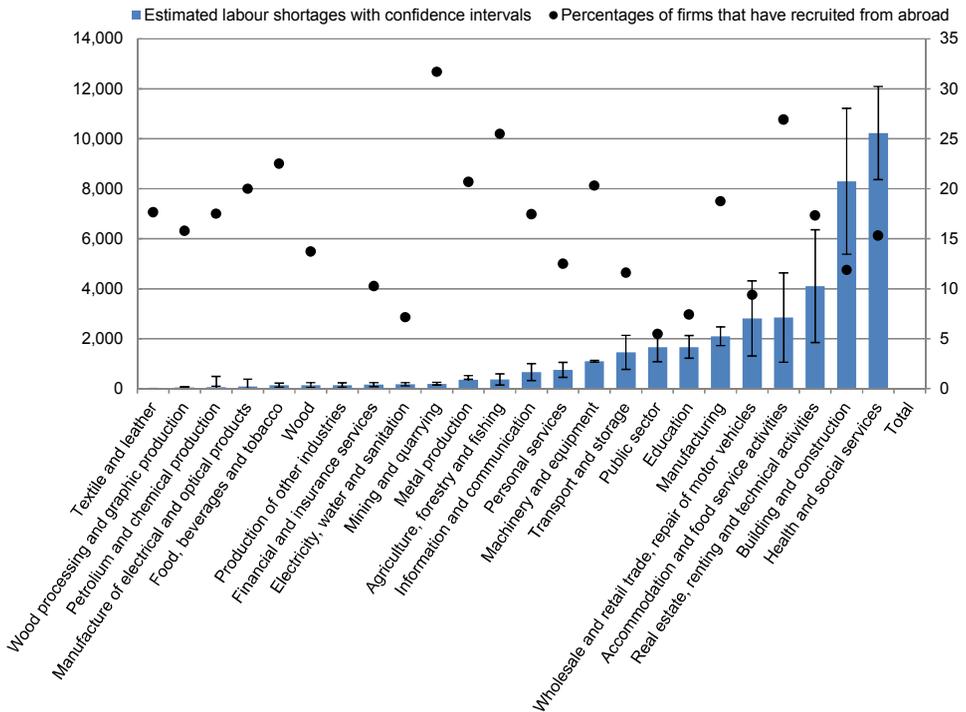
### ***International recruitment is concentrated in specific sectors and regions***

The regional dimension of employment in Norway is highly relevant to recruitment. While Oslo dominates employment with 25% of total employment, the oil industry is concentrated in Stavanger. Certain key industries are based in regions with low populations – for example, rig-building in the Sunnhordland area. Bruland and Rusten (2012) look at recruitment strategies in the latter and find that successful recruitment requires finding candidates who are looking for a certain lifestyle. This is similar to findings by Van Riemsdijk and Cook (2013). Employers thus searched locally and nationally before trying to recruit from abroad – often through recruitment agencies familiar with the local environment and able to explain local conditions to potential recruits. Bruland and Rusten also find that Norwegian universities are a main source of foreign recruits, as language skills and familiarity with Norway are key factors in ensuring retention.

It is not the firms with the largest number of positions open which recruit most often from abroad. The largest number of positions needing to be filled in 2012 was in the health and human services sector, followed by the building sector (Figure 5.2). 15% and 12% of the firms in these sectors did recruit from abroad, less than the number of firms in sectors where the total shortages were estimated to be much smaller, such as the oil industry and in technical and manufacturing jobs. The sectors where firms were least likely to recruit from abroad was the public sector, education and public utilities.

The public sector accounts for about 30% of employment, especially in municipalities and local authorities. The public sector organisation (SK) survey of local authorities in 2013 found that 79% of municipalities reported recruitment difficulties, and a larger number (87%) expected difficulty filling vacancies in the next ten to fifteen years (Proba, 2014). Health and human services workers are often public sector employees, and it is here where some of the greatest supply shortages are anticipated, so it is not surprising that the health sector already sees recruitment from abroad. Technology employees are also in shortage.

**Figure 5.2. Shortages estimated by NAV and the share of firms which have recruited from abroad, by sector, 2012**



Source: Norwegian Labour and Welfare Administration (NAV).

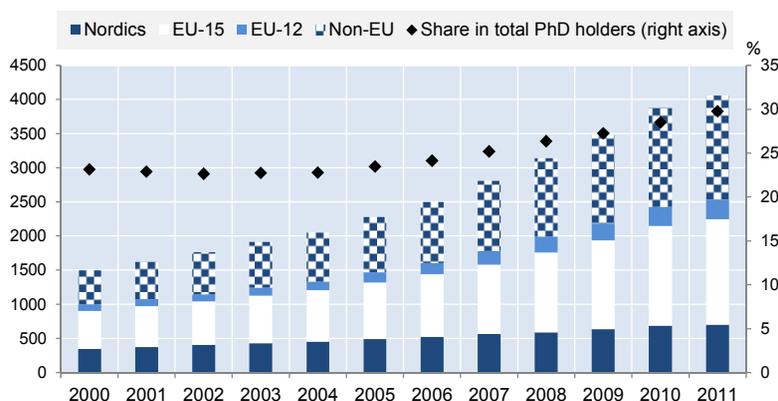
There are obstacles to recruitment from abroad, however. The public sector organisation SK conducted a survey of local authorities in 2013 regarding their efforts to hire immigrants (largely those already in Norway) and found that the main obstacles were language knowledge and the difficulty in recognising foreign qualifications. The share of public sector employs who are immigrants from eastern European EEA countries and non-OECD countries is similar to that of the private sector (about 6.6%), but the share from western Europe and English-speaking OECD countries is just 3.6%, compared with 8.5% in the private sector.

One-third of municipalities have already taken steps to recruit from abroad – mostly through recruitment agencies, although some participate in job fairs abroad and about 10% of all municipalities post job vacancies outside Norway. A small number have also worked with relocation agencies (Proba, 2014).

### *Higher education is an important work sector for foreign workers*

Researcher exchange with other countries is a key factor to strengthen capacity and expertise of the Norwegian research community and opens the door to international research arenas. Norwegian research institutions are eager to host well-qualified researchers from abroad and use measures such as the Norwegian section of ERA-MORE, the European network of researcher mobility portals, in their recruitment activities. A comprehensive international scholarship programme has also been established to support recruitment efforts. The European Partnership for Researchers (EPR) is one of five European initiatives aimed at enhancing researcher recruitment and creating a competitive and attractive European Research Area. The Ministry of Education and Research has given the Research Council responsibility to follow up these efforts in Norway, in part through the activities outlined below. The schemes are open to all researchers regardless of country of residence. The International Scholarship Section (IS) promotes the exchange of advanced students and scientist within the framework of international mobility and networking programmes. A number of specific programmes – like the Yggdrasil mobility programme (with a budget of NOK 10 million (about EUR 1.3 million) – for international PhD students and younger researchers) are in place. High priority is given to co-operation with multinational organisations such as the European Union, the European Science Foundation (ESF), COST and EUREKA as well as to Nordic research co-operation. Priority is also given to bilateral relations with partner countries such as the United States, Canada, India, Japan, China and Russia.

As a result, the education sector is attracting an important number of labour migrants (11% of issued permits in 2012). In 2011, there were more than 4 000 foreign-born academics in Norway, close to three times their number in 2000 and about an 80% increase in comparison with 2005 (Figure 5.3). This increase is heavily driven by rising numbers of academics from EU-15 and non-EU countries. Their number tripled between 2000 and 2011. Overall, about 17% of foreign-born PhD holders in Norway are from neighbouring Nordic countries, more than a third from EU-15 countries and another 39% are of non-EU origin. The share of foreign-born among academics in Norway has grown over the past decade from 23% in 2000 to 30% in 2011. These numbers and shares are somewhat lower when only PhD holders working in research-related occupations are considered

**Figure 5.3. Foreign-born PhD holders, by origin and year**

Source: OECD calculations based on register data from Statistics Norway.

In 2011, about 2 800 of these academics are in research-related occupations. This corresponds approximately to 28% of the total, a substantial increase in comparison with 19% in 2003. Non-EU and EU-15 migrants represent about 37% of the total number of academics and researchers in the country each, while Nordics constitute about 21% of the total. Two thirds of these researchers and academics work in universities and university colleges and an additional 3% in health institutions. In terms of subject specialisation, 76% are in technology, 13% in humanities and 9% in health. Economics and teaching represent together only 4% of the total. More than half of foreign-born academics acquired their qualifications in Norway. The percentage is higher among those from EU-15 countries (61%) and other EU countries (58%) and slightly lower among those from non-EU countries (45%) and Nordics (45%).

In contrast to the education sector, the health sector is not a large player in recruitment from outside Europe (Radtke and Lindén, 2013). Bikova (2013) finds that some Philippine certified nurses come to Norway as au pairs because they have difficulties entering the regular labour market based on their training.

### ***The infrastructure to support international recruitment is in place***

In principle, the EURES system should facilitate access to job seekers in other EEA countries. The system is not well known – in a 2011 survey, conducted by Perduco on behalf of NAV, 18% of businesses knew about EURES, although 31% had recruited EEA workers within the previous 12 months (Perduco, 2011). The same survey found that of EEA workers

recruited, most were Polish (39%) or Swedish (34%), followed by Lithuania (16%), Germany (15%) and Denmark (10%).

The first point of information for aspiring labour migrants, and potentially for employers looking for workers from abroad or for information on recruitment, is the *workinnorway.no* site. This site, supported and developed in a collaboration between NAV, the Tax Administration, UDI, the Labour Inspection Authority and the Police, is available in Norwegian and English, and provides a simple introduction to Norway. The site provides clear information on how to seek a job using the NAV platform, how to go through the permit application procedure, and what to do upon arrival.

A second web site is “New in Norway” (*nyinorge.no*), run by the Norwegian Directorate of Integration and Diversity (IMDi), provides information on life in Norway, covering most aspects of daily living. The site is available in English, Polish, German and Lithuanian as well as in Norwegian.

In addition to these information initiatives, the EURES NAV is active in recruiting abroad. Depending on the sector and the period, the Norwegian PES has organised job fairs in Portugal and in Germany. NAV also has job listings in English, although these represent less than 5% of the total listings.

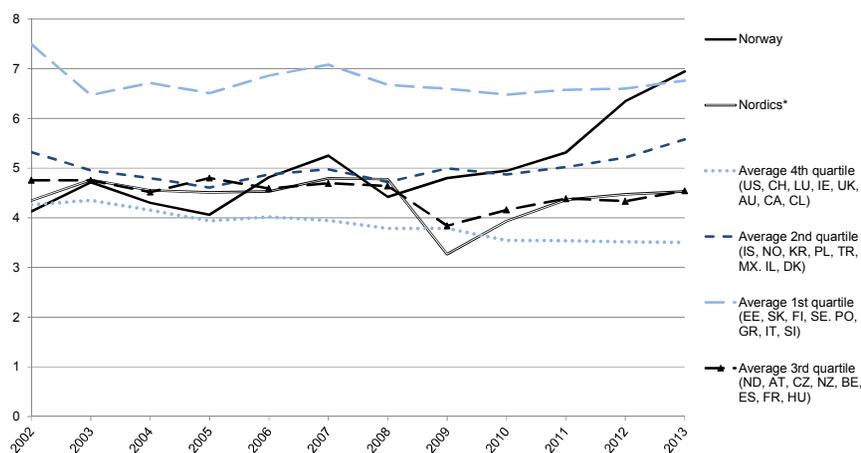
### ***What makes Norway attractive?***

The World Competitiveness Survey (Figure 5.4) asks a sample of business representatives whether “foreign high-skilled people are attracted to your country’s business environment”. While Norway languished toward the bottom of the ranking in the early 2000s, responses have more recently risen above the average of the highest quartile for other OECD countries.

Norway is competing against other destinations both for business location and for talents. The two are related, since a reliable supply of talent is a factor in business location. Salary levels for younger workers are relatively high in international comparison as also suggested by the new Survey of Adult Skills (PIAAC). Norway, together with Denmark, have the highest median hourly wages for tertiary educated persons aged 20-30, among the countries participating in the Survey of Adult Skills (Annex Figure A.2). Norway is also competitive when the median hourly wages of 36-50 year-olds are considered, but to a somewhat lesser extent than in younger age groups. Median wages for this age group of university graduates are higher in the Netherlands, Ireland and the United States, while they are close to those in Norway in Denmark. In addition, the compressed wage distribution in Norway, implies that there is tempered seniority wage progression for workers with a decade or two of experience (see Annex

Figure A.3), which makes the country less competitive among middle-career prospective migrants. Young people are more mobile than older workers, and do not have families to complicate migration decisions, but often gravitate to larger metropolitan areas, which Norway does not offer.

**Figure 5.4. Responses to the question “High-skilled foreign workers are attracted to country’s business environment (1=no, 10=yes)”**



Note: Country quartiles are calculated based on the average rating value between 1995 and 2012.

\* Nordics exclude Norway.

Source: World Competitiveness Yearbook 2013.

Norway does offer other advantages: a safe and clean environment; one of the highest levels of gender equality in the world; pre-school child care, family-friendly policies and opportunities for outdoor activities. These elements are not explicitly part of a promotional campaign, either nationally or for regions.

The organisation of local authorities, KS, identified a number of factors which could improve the attractiveness of specific towns and their ability to retain the labour migrants sought by the public sector. Among the measures cited by KS are collaboration between the public sector and other stakeholders (e.g. neighbouring municipalities, counties, local businesses and NAV EURES) on recruitment and facilitation measures; a welcome programme offering orientation and settlement guidance; housing mediation; and personalised language learning. Housing in particular is an issue in Norway, where the rental market is relatively small due to high homeownership rates (84%) and real estate prices have risen sharply in

recent years. Workplace measures would include training and mentoring (Proba, 2014). Some local authorities have already experimented a mix of these approaches (see Box 5.1). In principle, migrants to Norway should be more likely than Norwegians to follow job opportunities within the country after arrival which could help rural regions to attract labour.<sup>1</sup>

### **Box 5.1. Attracting labour migrants and their families to settle in a rural region**

Oslo receives a large share of the labour migrants and, as Norway's largest city, offers more cultural diversity and resources for expatriates. Regions face more of a challenge in building an infrastructure for expatriates, and can only integrate labour migrants into local society if they wish to retain them. One example is the coastal county of Møre and Romsdal, where the largest town, Ålesund, has 45 000 inhabitants. There are two other towns, Molde and Kristiansund, and 33 other small municipalities. The area has oil and gas activity, but especially specialised shipbuilding industry supplying the oil industry. Local firms report a continuous shortage of engineers and other tertiary-educated workers. The county also faces a loss of its youth population to the cities, so it is interested in attracting new families.

In order to improve attraction and retention, the county, along with other public and private partners, identified a series of barriers. The first was the absence of an international school. The Ålesund Chamber of Commerce in partnership with regional businesses and local authorities created an international school as a non-profit foundation. With accreditation, the Norwegian state pays 85% of the cost of the school, so tuition is kept at about NOK 24 000 annually, a fraction of the cost of private schools in Oslo. A second school is soon to open in Kristiansund. This was not the first time employers had founded an international school: industries in Kongsberg did so in 2002 to attract international talent.

Larger employers work with relocation companies to support moves by new recruits from abroad, but the local authorities have promoted integration services. Labour migrants and their families are not eligible for free language training, but the local school offers courses at a low fee (NOK 3 000) which are designed to put migrants on a footing to learn more through interaction. Firms also provide language courses to their employees.

The county has pushed the municipal services in rural towns – which operate drop-in service counters for the public, and have English-speaking staff – to be more proactive with new migrants, going out to welcome them upon arrival and identify their needs and help them.

For spouses who arrive without employment, local firms are active in trying to identify possible employment for them, as are rural towns.

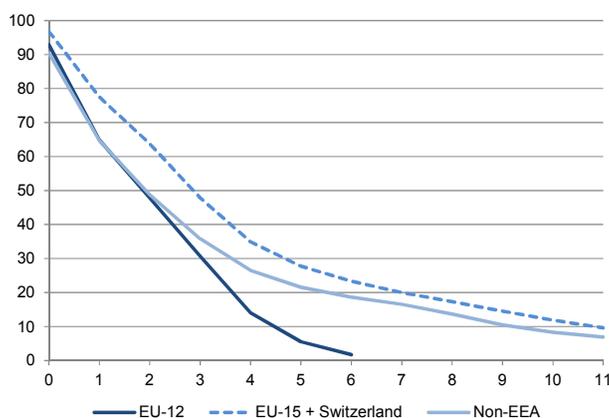
The lifestyle in rural Norway suits some labour migrants but not others. Departure in the initial year is high. The county reports that if the migrant or family stays more than one year, they are likely to remain over time. Female labour migrants generally arrive single but settle if they find a partner. Male migrants tend to bring their families; once their children are in school, retention is high.

Discrimination is an issue for qualified immigrants, although it is difficult to quantify. According to a 2011 NNU/IMDi survey, a large proportion of executives (71% in private businesses and 64% in the public sector) believe discrimination is a major obstacle for immigrants to find employment after qualification. This survey did show a decline from 2010, when the figures were respectively 74 and 64 percent. Discrimination is tackled by, among other measures, diversity initiatives, such as that run by the City Council of Oslo, “OXLO: Oslo Extra Large”.

### Are labour migrants staying in Norway?

Labour migrants from non-EU countries, do not stay in Norway for a long time on average (Figure 5.5).<sup>2</sup>

**Figure 5.5. Stay rates of labour migrants, by years since arrival and origin, 2000-11**



*Note:* The sample includes persons 15-65. By construction, migrants from the new EU members are only observed from 2004 onwards. As a result, their stay rate is zero after seven years in Norway. EU-15 also includes migrants from Nordic countries which in the Norwegian context have short durations of stay. However, the sample in this figure only includes those persons who are in the register and hence have been in the country for one year or more. As a result these stay rates may represent an upper bound for overall stay rates of labour migrants.

*Source:* OECD calculations based on register data from Statistics Norway (2000-11).

Close to 65% of them have left the country three years after their first entry, while this share is much lower among labour migrants from EU-15 countries and Switzerland (52%). Only about 22% of third country labour migrants are in Norway five years after their first entry. This retention rate of labour migrants is in line with evidence from Germany where about 25% of the non-EEA labour migrants coming to Germany in 2006 were still present in the country in June 2012 (OECD, 2013). In New Zealand, however, the share of skilled migrants

still residing in the country five years since taking up permanent residence and holding a work visa before is 80% (OECD, 2014), but these work migrants have already passed the selection process of permanent residence and thus cannot be directly compared. Hence it is important to understand what factors determine the probability of leaving the country so as to be able to retain the skilled labour migrants who benefit Norway.

### *What determines migrants' stay rates?*

This section analyses the different factors and characteristics related to the probability of leaving the country, separately for labour migrants from non-EU and EU countries. The purpose of this analysis is to identify the personal characteristics of migrants more likely to stay/ leave the country as well as those related to the job they held in the previous period. More specifically, the analysis considers personal characteristics such as age, education and gender as well as family characteristics, notably whether the migrant has a partner, whether he/she is married to a Norwegian and the number of the children they have. It also provides an analysis of the correlation between spousal labour market outcomes and the likelihood of staying in the country (this will be discussed in more detail in the next section). Because migrants do not have the obligation to report when they leave the country, a migrant is considered to have left Norway if he cannot be identified in any of the registers.

A study by Røed and Schøne (2012) for Norway analyses, among others, the decision of a group of humanitarian and labour migrants who entered the country between 1995 and 2004 and shows that migrants are more likely to re-emigrate the higher the unemployment is in the county where they live and work.

According to the analysis in this section, family situation is determining to a large extent the probability of staying in Norway for migrants, irrespectively of their origin.<sup>3</sup> Labour migrants married to Norwegians are significantly less likely to leave the country than those without a Norwegian partner. This effect is particularly strong for women from the new EU countries. Having a partner in Norway is also associated with a higher probability of staying in Norway, both for men and women and for EU and non-EU labour migrants. Moreover, the presence of children in the household makes it more likely that labour migrants stay in the country. Panel C of Table 5.2, reports the results of a different set of regressions which examine the country in which the partner leaves and distinguishes between labour migrants with spouses in Norway and those with spouses abroad. This information is only available for married couples, hence the regressions are estimated on a restricted sample in comparison with those in Panels A and B of the same table. It important analysing this as only half of

non-EU male labour migrants arrive in Norway with their spouses and the share is even lower among men from the new EU countries (Annex Figure A.4). For women, the shares are higher, close to 60% for non-EU labour migrants and even higher for the other two groups. The analysis suggests that among married children, those with partners in Norway are significantly less likely to leave the country than those with partners abroad both for men and women and irrespectively of their origin.

The middle panel of Table 5.2 includes the occupation held by the migrant in period  $t-1$ . EU labour migrants in high-skilled and low-skilled occupations are more likely to leave Norway in the next period (year) than those in medium-skilled occupations. In contrast, those in low-skilled occupations, are the most likely to stay and this holds irrespectively of the country of origin. Not surprisingly, migrants with family ties in Norway are more likely to stay in the country.

Anecdotal evidence suggests that Norway is an attractive destination for young well-educated migrants in early stages of their careers, because of generous starting wages for this group of migrants. However, this may tend to be less true later on in their careers, because of the compressed wage distribution in the country as well as spousal and children-related consideration for older professionals. Some evidence on this is presented in Annex Figures A.2 and A.3. For those migrants, alternative options in the EEA or elsewhere may be more attractive. In what follows, we try to estimate the link between the likelihood of leaving the country and these outside options in two countries with available comparable data, notably the United States and the United Kingdom.

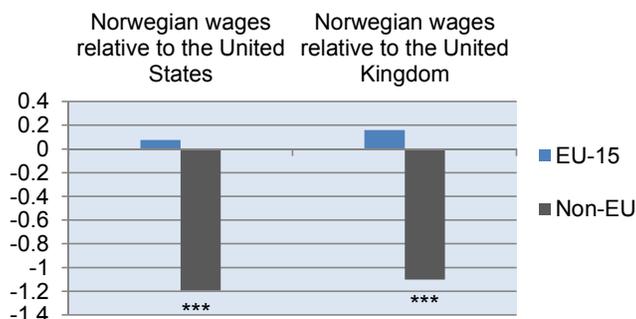
Average earnings in Norway are compared with average earnings in the United Kingdom and the United States, for the same age, occupation and sector group. The variable of interest in the exit equation is the natural logarithm of the ratio between the annual earnings of migrants in Norway and average annual earnings in the United Kingdom (as well as United States) all in dollars for the same sector, occupation and age group. Ideally, one would like to have information on the average earnings of migrants in the United Kingdom and the United States, as these are more likely to reflect the expected earnings if migrants were to move from Norway to one of these countries. However, this was not possible because of the small number of migrants for some groups, especially in the data for the United Kingdom. The results in Figure 5.6 suggest that labour migrants from non-EU countries, have a lower probability of leaving Norway when the earnings in their sector, occupation and for their age group in Norway are higher relative to those in the other two countries considered here. Additional analysis will be conducted on this topic to identify the groups of migrants for which this effect is more important.

**Table 5.2. Determinants of the probability of leaving Norway for labour migrants, by origin**

	WOMEN			MEN		
	Non-EU	EU15	EU12	Non-EU	EU15	EU12
<b>Panel A: Basic</b>						
Married to Norwegian	-1.775 *** (0.402)	-1.565 *** (0.274)	-5.672 *** (1.997)	-1.916 *** (0.309)	-2.501 *** (0.18)	-2.605 (2.481)
Have a partner	-1.972 *** (0.222)	-1.917 *** (0.141)	-1.657 *** (0.218)	-2.291 *** (0.14)	-1.921 *** (0.095)	-2.877 *** (0.251)
Spouse: unemployment (lagged)	-1.637 (1.313)	0.991 ** (0.412)	-0.105 (0.912)	0.091 (0.343)	0.515 * (0.279)	-0.337 (0.703)
Spouse: no participation (lagged)	1.215 *** (0.31)	1.692 *** (0.196)	2.509 *** (0.389)	1.895 *** (0.131)	2.162 *** (0.099)	1.064 *** (0.304)
Spouse: study (lagged)	0.280 (0.59)	-0.072 (0.392)	-0.243 (1.252)	-0.373 (0.273)	-0.732 *** (0.227)	-0.955 (1.041)
Omitted: spouse in employment (lagged)						
One child	-1.071 *** (0.276)	-0.309 ** (0.158)	-2.375 *** (0.344)	-0.641 *** (0.159)	-0.327 *** (0.116)	-7.630 *** (0.349)
Two children	-0.901 *** (0.328)	-0.440 ** (0.196)	-3.420 *** (0.932)	-0.376 ** (0.164)	-0.095 (0.111)	-8.344 *** (0.391)
N	13721	23295	10934	33317	63080	60716
<b>Panel B: with occupation</b>						
High-skilled occupation (lagged)	-2.457 *** (0.202)	-1.026 *** (0.131)	-2.104 *** (0.412)	-1.617 *** (0.11)	-0.566 *** (0.085)	-0.979 *** (0.33)
Low-skilled occupation (lagged)	-2.201 *** (0.519)	-1.733 *** (0.375)	-2.679 *** (0.314)	-2.341 *** (0.329)	-1.654 *** (0.269)	-2.006 *** (0.215)
Occupation missing (lagged)	-2.715 *** (0.294)	-1.429 *** (0.176)	-1.594 ** (0.685)	-1.894 *** (0.17)	-0.921 *** (0.134)	0.361 (0.575)
Omitted: medium-skilled occupation (lagged)						
N	13721	23295	10934	33317	63080	60716
<b>Panel C: with partner details</b>						
Partner living in Norway	-1.662 *** (0.222)	-1.694 *** (0.253)	-1.569 *** (0.262)	-1.363 *** (0.119)	-1.308 *** (0.104)	-2.514 *** (0.196)
Omitted: partner living abroad						
One child	-0.229 (0.234)	0.130 (0.185)	-1.389 *** (0.359)	-0.004 (0.126)	-0.085 (0.102)	-1.191 *** (0.293)
Two children	0.419 (0.264)	0.018 (0.201)	-2.136 *** (0.613)	0.416 *** (0.133)	0.409 *** (0.095)	-0.521 * (0.3)
N	8545	10480	6929	27441	33363	63571

*Note:* Marginal effects are reported. Only labour migrants are included in the regressions. EU-15 also includes Switzerland. Controls for lagged labour market outcomes of the migrant's spouse are included in all regressions. In particular, the different labour market outcomes included are non-participation, unemployment and study, while the reference category is employment. Controls for the number of children are also included. The regressions also include controls for age (five groups), years of observation (2002-10) and dummies for years since migration (3-10). The sample is significantly smaller in Panel C because it is only estimated on married persons. Those who report to be married but there is no information on their spouse in the register data, are classified as having a "partner living abroad", while those with information on the spouse are classified as having a "partner in Norway". The estimated model controls for normally distributed unobserved heterogeneity! \*\*\* p<1% ; \*\* p<5% ; \* p<10%

*Source:* OECD calculations based on register data from SSB (2002-11).

**Figure 5.6. The role of outside options in determining the probability of leaving Norway**

*Note:* Earnings are defined for cells based on occupation (2 categories –low+ medium and high), sector (NACE 1-digit) and age (five groups: 15-24, 25-34, 35-44, 45-54 and 55-64). Earnings are annual earnings in USD equivalent, and exclude the self-employed. Relative earnings are defined as the natural logarithm of the ratio between Norwegian annual earnings in dollars and United Kingdom (United States) earnings in dollars by sector, occupation and age group. Only cells with 15 observations or more in the United Kingdom and the United States are taken into account. The results are averages over 1999-2011. Marginal effects are reported. \*\*\*  $p < 1\%$ ; \*\*  $p < 5\%$ ; \*  $p < 10\%$ .

*Source:* OECD calculations based on register data from Statistics Norway, labour force survey for the United Kingdom and the CPS March Supplement for the United States.

### ***What is the role of spouses in labour migration and migrant decisions***

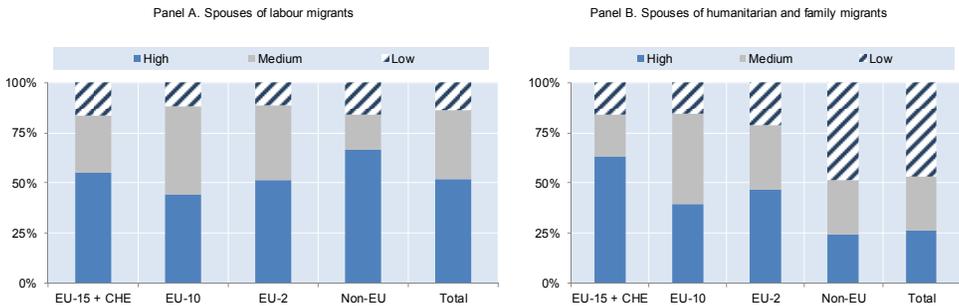
Labour migrants are often accompanied by their families at the moment they arrive in Norway or soon after. If assortative mating in terms of education is common among labour migrants, this would imply that hiring one highly-skilled labour migrant, results in admitting two highly skilled persons in the country. This section examines the characteristics of the spouses of labour migrants, relative to those of other types of migrants, as well as their outcomes in the labour market. It also discusses the potential role of spouses in the decision of the principal (labour) migrant to stay in the country.

Spouses<sup>4</sup> of labour migrants are highly educated. According to Figure 5.7, 52% of them have a high level of education (Panel A), while this share is 26% for the spouses of humanitarian and family migrants (Panel B). Another 35% of spouses of labour migrants have medium levels of education. The non-EU spouses of labour migrants have the highest educational attainment of all different groups. Two thirds of them have a tertiary degree and an additional 18% have medium levels of education.

Figure 5.8 (Panel A) presents the results from a regression on the likelihood of tertiary education among the spouses of migrants in Norway. The analysis controls for personal characteristics such as age, gender, marital status, as well as year of arrival in Norway in order to account for

cohort effects and other factors related to the composition of migrant groups. The reference group comprises family and humanitarian migrants. It is clear that the spouses of labour migrants from non-EU countries have indeed higher educational levels than those of all other types of migrants. Spouses of all labour migrants have a higher likelihood of being tertiary educated than those of family and humanitarian migrants, but this is even more the case for the spouses of non-EU labour migrants, who are 37% more likely than spouses of humanitarian and family migrants to have tertiary education.

**Figure 5.7. Educational attainment of the spouses of migrants, by migrant permit and nationality, 2012**



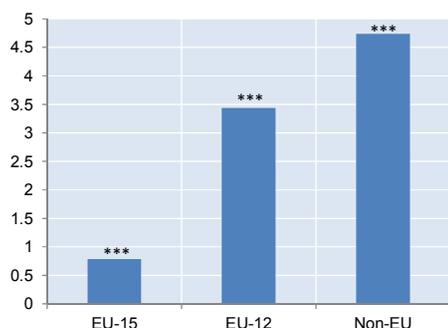
*Note:* The sample includes persons aged 15-65. For the definition of spouses, see endnote 4.

*Source:* OECD calculations based on register data from Statistics Norway.

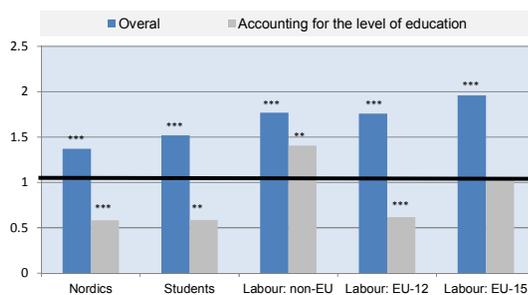
Panel B in Figure 5.8, shows the likelihood of assortative mating, which is defined as a dichotomous variable which takes the value one if the (migrant) spouse of a migrant has the same or higher educational level as the principal migrant. The objective is to understand whether by admitting one skilled migrant, a second one, his/her spouse, arrives in Norway. It is also interesting to examine whether this phenomenon is more common for labour migrants, relative to family or humanitarian migrants and how it differs across nationalities. The results suggest that assortative mating is more common among labour migrants from non-EU countries relative to family and humanitarian migrants (in fact, 14% more likely). It is also more likely for this group in comparison with students and Nordics. Assortative mating is the most likely among EU-15 labour migrants but the difference with non-EU and EU-12 migrants is not important. When the level of education is accounted for, non-EU labour migrants are more likely to bring in spouses with education level equal or higher than their own (6% more likely than humanitarian and family migrants) relative to all other types and origins of migrants.

**Figure 5.8. Educational attainment of spouses of labour migrants, by origin**

A. Probability of higher education



B. Probability of assortative mating

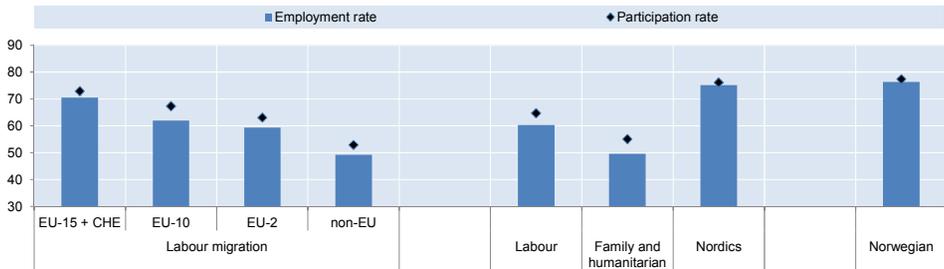


*Note:* The sample includes spouse of migrants only. The reported coefficients in the figure in Panel A, are estimated in a single regression of a dichotomous dependent variable which takes the value one if the spouse has at least higher education and zero otherwise. Controls for age, gender, and marital status, year of observation and year of arrival are included. The reference group comprises family and humanitarian migrants. In the figure in Panel B, the sample includes principal migrants only (not their spouses). The dependent variable takes the value one if the spouse of the principal migrant has the same or higher level of education than him/her (there is assortative mating), and zero otherwise. Controls for age, gender and time fixed effects are included. In both panels, the reference group comprises family and humanitarian migrants. Marginal effects are reported. \*\*\*  $p < 1\%$ ; \*\*  $p < 5\%$ ; \*  $p < 10\%$ .

*Source:* OECD calculations based on register data from Statistics Norway.

Similarly to their education level, the spouses of labour migrants have overall better labour market outcomes than those of humanitarian and family migrants (Figure 5.9). More specifically, the employment rate of the spouses of labour migrants is 60%, which although falls behind that of the spouses of Nordics (75%), is still higher than that of spouses of humanitarian and family migrants (50%). However, there are important differences in employment rates according to the migrant origin. Among the spouses of labour migrants, those coming from EU-15 countries and Switzerland have the highest employment rates (70%), followed by those from other European countries (about 60%). The spouses of labour migrants from non-EU countries, have actually low employment rates (49%). At the same time, they have on average a high level of education, as two thirds of them are university graduates.

**Figure 5.9. Employment and participation rates of the spouses of migrants, by migrant permit and nationality, 2012**



*Note:* The sample includes persons 15-65. See endnote 4 for the definition of spouses. Employment and participation rates for Norwegians refer to average rates for the population.

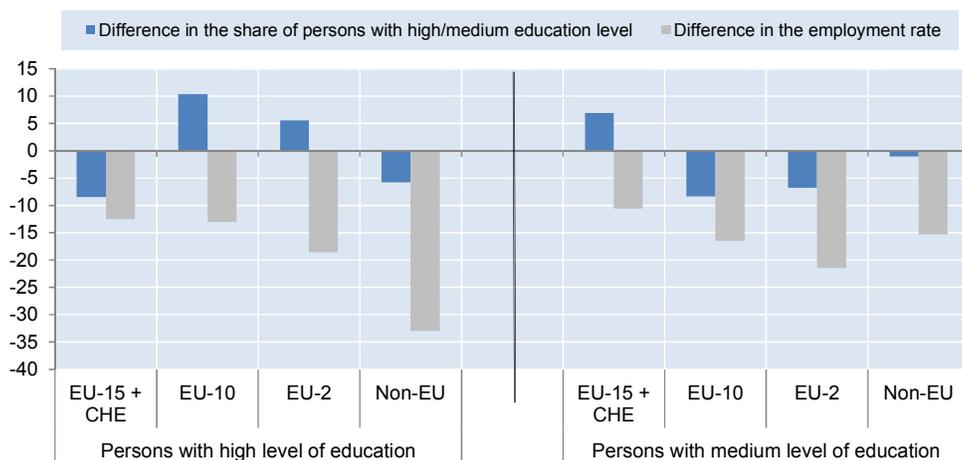
*Source:* OECD calculations based on register data from Statistics Norway.

Figure 5.10 shows clearly that the potential of the spouses of labour migrants is not fully utilised and this is even more the case for the spouses of labour migrants from non-EU countries. Labour migrants and their spouses have similar educational levels. Migrants from EU-15 countries and non-EU countries have only slightly higher educational attainment than their spouses. There is a difference of eight percentage points for the former and six percentage points for the latter, while the spouses of migrants from the new EU member countries have higher educational attainment than the principal migrant. Despite that, for all four groups, spouses fall significantly behind the principal migrants in terms of their employment rates. In particular, migrants from non-EU countries have a high employment rate of 87%, while their spouses, that have a similar educational attainment, have only 54% chances of being employed.

The evidence is similar when a medium level of education is considered. Although the share of migrants and spouses with secondary education is the same, the employment rates of the latter are 15 percentage points lower than those of the former. Not only do spouses of labour migrants have fairly low employment rates, but many of those who work are employed on a part-time basis. Irrespectively of the nationality, 35%-45% of the spouses of labour migrants are in part-time employment, versus 18% for the principal labour migrant (see Annex Figure A.5). Their shares in part-time employment are close to or in some cases higher than those found among humanitarian and family migrants in Norway. The differences in part-time employment between the spouses of labour migrants and labour migrants are less important for labour migrants from non-EU countries in comparison with those from EU countries. The difference is small for spouses of

non-EU labour migrants with low levels of education, but they are quite substantial for those with medium and high education levels (about 18 percentage points). The pattern is rather different for highly educated migrants from EU-15 and EU-10 countries, who have smaller differences with their spouses in terms of part-time employment rates (Figure 5.11).

**Figure 5.10. Differences in employment rates and the share of persons with high/medium education levels between labour migrants and their spouses by nationality, 2012**



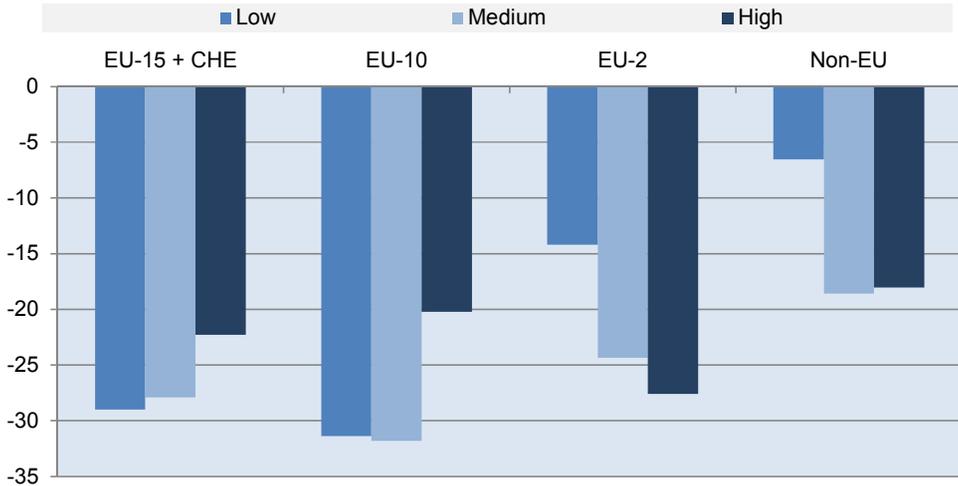
*Note:* It is noted that the level of education is missing for a substantial share of migrants. High refers to ISCED 5 and 6, while medium to ISCED 3 and 4. The sample includes persons 15-65. See endnote 4 for the definition of spouses.

*Source:* OECD calculations based on register data from Statistics Norway.

The evidence presented here suggests that the spouses of labour migrants, in particular from non-EU countries, constitute an unused potential for the country. Their weak labour market attachment can be a determining factor of the decision of labour migrants to remain in the country or not. Indeed, the labour market outcomes of spouses in the previous period are correlated with the likelihood of leaving the country (Table 5.2, Panel A). Labour migrants with an inactive partner are more likely to leave the country than those with an employed partner, irrespectively of the country of origin of the migrant and his/her gender. Non-EU male labour migrants with spouses attending universities are less likely to leave the country. In contrast, EU (male and female) migrants with an unemployed spouse are more likely to leave Norway.

**Figure 5.11. Differences in the incidence of part-time employment between labour migrants and their spouses by nationality group and education level, 2012**

In percentage points



*Note:* The level of education is not reported for all migrants. High refers to ISCED 5 and 6, while medium to ISCED 3 and 4 and low to ISCED 0/1 and 2. The sample includes persons 15-65. See endnote 4 for the definition of spouses.

*Source:* OECD calculations based on register data from Statistics Norway.

## Language as a barrier to labour migration

Migrants, including those with high education levels and foreign-born recent graduates of Norwegian universities, all mention language as a key challenge they face in Norway, both in their personal and professional life. In addition, this is a key factor migrants consider as an impediment for staying in the country, including for graduates of Norwegian universities who would otherwise consider staying in the country and entering its labour market.

The 2010-11 NNU survey commissioned by IMDi (Perduco 2011) found that according to employers, the lack of language skills among immigrants is a significant barrier to employment for qualified immigrants. A large majority – 86% of public and private sector managers – believes inadequate language skills is an important reason why migrants (not specifically labour migrants) do not find jobs. According to this study, language skills are not only important for getting a job, it may also be important for immigrants to keep that job. Half of private sector managers – and one-third of public sector managers – would look first to fire those

without strong Norwegian skills. However, among those who currently have immigrants employed in their operations, the share is lower: 34% and 22% respectively (again this share concerns all migrants, not specifically labour migrants). This suggests that experience with migrants increases employer willingness to consider other professional skills of migrants more than their language skills.

### ***Language skills are determinant of labour market success: PIAAC focus Norway***

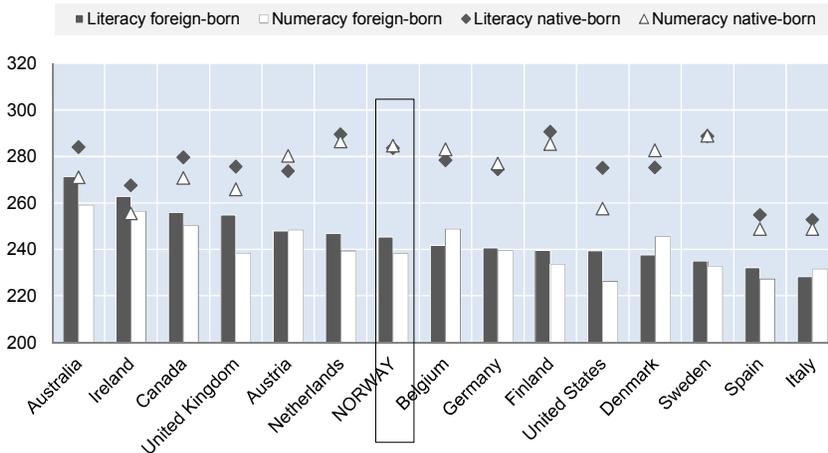
The new OECD Survey of Adult Skills allows conducting an analysis of the literacy proficiency assessment separately for migrants and natives in Norway and in other selected OECD countries. The rich information in this data source permits a detailed analysis of how the two groups fare in terms of literacy proficiency, taking into account factors such as the languages learned as a child by migrants and still understood, or those spoken at home. It also allows distinguishing migrants by the country in which they acquired their highest qualification. However, the data do not allow a distinction between different types of migrants and hence it is not possible to focus the analysis on labour migrants only. Literacy proficiency is likely to capture a combination of true literacy skills and language ability. The analysis in Bonfanti and Xenogiani (2014) suggest that immigrations policies that select people only on the basis of their educational attainment may not be successful in identifying and attracting the most skilled ones who will success in the labour market. Other factors may need to be taken into account, in particular language proficiency. This is even more the case in countries such as Norway, or others with rare or complex languages.

On average, foreign-born persons in the OECD countries participating in PIAAC have lower scores in literacy proficiency than the native-born (see Figure 5.12). The average difference across countries is about 27 points, which corresponds to half a level in terms of literacy proficiency. In Norway, as well as Denmark, the Netherlands, Flanders and Germany, the differences in literacy proficiency are important, ranging between 34 and 43 score points (38 points for Norway). However, they are still lower than those in Sweden and Finland (54 and 51 score points respectively). In contrast, in English speaking countries (e.g. the United Kingdom and Ireland) and those with points systems in their migration policies (Australia and Canada), the literacy gap between migrants and natives is small. The results on numeracy proficiency are quite similar with those on literacy, with an average difference of about 29 points. It is again the group of Nordic countries for which the differences are particularly pronounced. Sweden (56 points) and Finland (52) are the countries with the highest differences in the numeracy proficiency scores for migrants and native-born persons, followed

by Norway (46 points). At the same time, the difference in literacy proficiency between migrants and natives is cut in half when only migrants who have been in the country for more than five years are considered (Bonfanti and Xenogiani, 2014). This finding may suggest either a change in the composition of migrants over time or that integration policies are effective in improving the language skills of migrants.

Differences in literacy and numeracy proficiency of migrants across countries may reflect differences in the composition of migrants in terms of their reason for migration (entry permit type), their age and education, as well as their origin and language spoken back home. It is hence a function of migration policies, geography and historical migration trends. In addition, differences in literacy and numeracy proficiency may reflect differences in terms of integration policies, in particular those related to language training. The measures of literacy proficiency in PIAAC reflect at least two different sets of skills: first, true literacy skills which are related to the level and quality of education completed and second, language fluency. Migrants are likely to have on average lower proficiency in the language of the host country than the native-born and this would be reflected into lower scores for them in comparison with their native peers even though their cognitive skills may be similar.

**Figure 5.12. Performance in literacy and numeracy, by place of birth**



Note: the sample includes persons aged 16-65. 50 points in the literacy proficiency score correspond to a level of literacy or to about seven years of schooling.

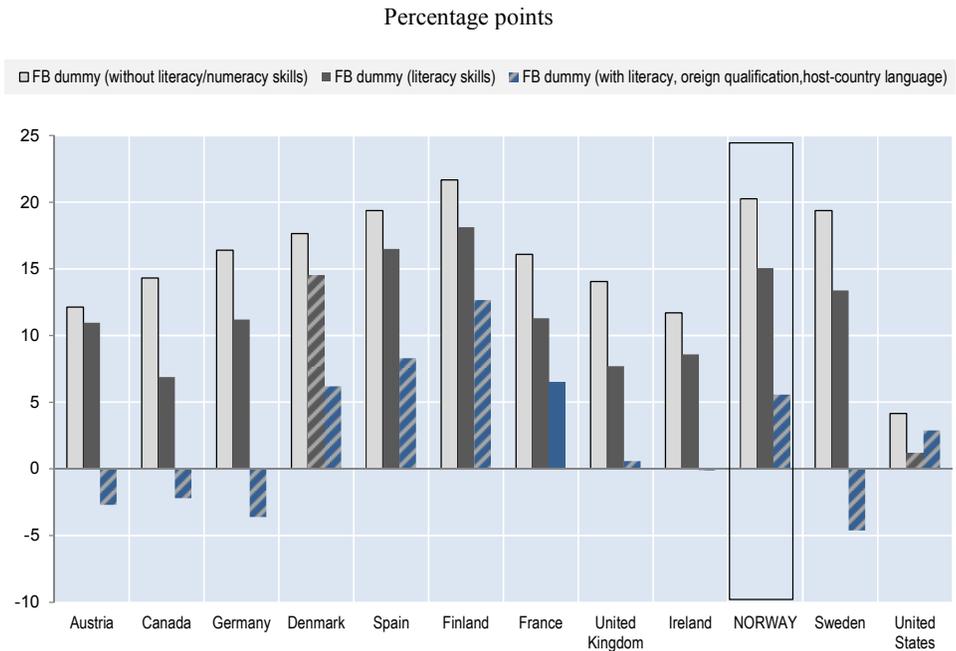
Source: Survey of Adult Skills (PIAAC) 2012.

For most countries, there is a lot of heterogeneity in literacy proficiency within each level of education, suggesting that using education level as a proxy for literacy and/or numeracy proficiency is likely to be problematic (Annex Figure A.6). This evidence also suggests that immigration policies that select only on the basis of educational attainment are not sufficient to ensure good language skills as reflected in the literacy scores presented in Figure A.6. In addition, the variance in literacy scores within educational categories is higher for foreign-born persons, which implies that educational attainment may be a poorer proxy for their literacy skills in comparison with those of natives. In Norway the average score of low educated native-born is almost ten score points higher than the average score of the medium educated foreign-born. This trend is also present for the medium educated native-born and the highly educated foreign-born, but to a lesser extent with a difference of eight score points.

The analysis in Bonfanti and Xenogiani (2014) shows that half of the raw difference in literacy proficiency between migrants and natives in Norway is accounted for by the language of migrants.<sup>5</sup> This is high in comparison with the share across all countries, but lower than that in Finland and Austria, where language accounts for 64% and 60% of the difference. The country in which the qualification was acquired accounts for 50% of the difference in literacy proficiency between migrants and natives, while foreign language and foreign qualification together account for three quarters of the initial difference between the two groups. The importance of these two factors in explaining differences between migrants and natives in Norway relative to some of the other OECD countries as presented in Bonfanti and Xenogiani (2014) reflect to a greater extent language difficulties, but also the fact that in other countries participating in PIAAC, English is the spoken language.

Literacy proficiency is an important determinant of labour market outcomes. Bonfanti and Xenogiani (2014) examine the role of literacy in differences between migrants and native in terms of employment, overqualification and wages. Figure 5.13 below shows the results of an analysis of overqualification rates of migrants (all migrants, not only labour migrants) relative to native persons with tertiary education. In Norway, according to PIAAC data, the overqualification rates of migrants are about 20 percentage points higher than those of natives with similar characteristics. This difference is higher than that in the other OECD countries, except for Finland. Controlling for literacy proficiency accounts for a quarter of the original difference, while also controlling for foreign qualifications leaves no statistically significant difference between migrants and similar native-born persons. This result confirms the important role of language in determining labour market outcomes.<sup>6</sup>

**Figure 5.13. Differences in overqualification rates between migrants and natives with and without differences in literacy, foreign qualifications and host-country language skills accounted for**



*Note:* The sample includes tertiary educated employed individuals aged 16-65. The estimated model is a linear probability model which includes controls for age, gender, years of schooling and an intercept. The white bars correspond to a model which only accounts for these variables and includes a dummy variable for foreign born (FB). The grey bars correspond to the coefficient of a dummy of foreign-born in a model which in addition to the factors mentioned above also controls for literacy proficiency. Similarly, the blue bars correspond to the foreign-born coefficient dummy in a model which controls for literacy, foreign qualification and host country language. The striped bars indicate coefficients which are not statistically significant (at 10% level).

*Source:* Survey of Adult Skills (PIAAC) 2012.

### ***Labour migrants must pay for language courses***

Since September 2005 the “Introduction Act” obliges newly arrived immigrants from non-EEA countries to undertake a minimum of 300 hours of Norwegian language training. One can be exempted from training if documentation in Norwegian or Sami skills is provided. The Act has been amended since to raise the number of obligatory hours to 600 (550 hours of Norwegian language training and 50 hours tuition in social studies) for individuals granted residence after January 2012, but this does not apply to

migrant workers from outside the EEA/EFTA. The training must be completed within five years of receiving a permanent residence permit. Since 1 September 2013, a Norwegian language test and a civics test were made mandatory for immigrants who according to the Introduction Act have a right and obligation to attend Norwegian language training. The requirements do not apply to labour migrants from outside the EEA. They are still obliged to undertake a minimum of 300 hours of Norwegian training including 50 hours tuition in social studies. Participating in language training is linked with the rights of obtaining a permanent residence permit or Norwegian citizenship.

Migrant workers from outside the EEA/EFTA and their accompanying family members have an obligation to participate in Norwegian language tuition, but no right to it, so they must pay for the language courses themselves. Those with just an obligation must pay for tuition, and in most cases use private courses rather than those offered by municipalities.<sup>7</sup> One common assumption is that employers would pay the costs, and in fact, in Oslo, a study found that for 55% of skilled non-EEA labour migrants, employers did indeed cover the costs. Data from the National introduction register suggests that only about 20% of the migrants with an obligation attend language courses one year after the obligation was identified. There is no data available, however, on the enrolment in the private education sector.<sup>8</sup>

In May 2014, a mandatory Norwegian language proficiency test (*norskprøven*) was implemented. The test includes the proficiency levels A1, A2 (elementary level) and B1 (intermediate level) according to the Common European Framework of Reference for Languages (CEFR) and consists of a written (reading comprehension, listening comprehension and written expression) and a spoken part.<sup>9</sup> For the listening and reading comprehension sections all test takers register for the same test. For the oral and written tests participants have to either register for the test on A1/A2 level or for test on A2/B1 level depending on the skills level. A self-assessment grid is available at the web site of the Norwegian Agency for Lifelong Learning (Vox).

A free on-line distance-learning beginner's Norwegian course, LearnNoW (Norwegian on the Web), has been developed by the Department of Language and Literature at the Norwegian University of Science and Technology, NTNU, on behalf of Vox. The 12-chapter basic course is designed to introduce foreigners to the Norwegian language. Another free on-line resource developed by NTNU, Computer-Assisted Listening and Speaking Tutor (CALST) for Norwegian, offers exercises to specifically train listening skills and pronunciation.

## Notes

1. Evidence from Norway (Røed and Schøne, 2012) shows that immigrants are more responsive than natives to labour market conditions, in terms of their initial choice of location in Norway upon arrival and their subsequent migration within Norway. In particular, their initial decision is strongly dependent on regional unemployment levels, while decision to re-locate is a function of unemployment and wages at the regional level. Although this analysis covers both humanitarian and labour migrants and focuses on earlier cohorts who arrived in Norway between 1995 and 2004, it provides evidence that immigration makes the Norwegian workforce more responsive to regional differences in economic opportunities and bring in a “greasing the wheels” effect. This effect is mainly driven by recent (with few years of stay in Norway) western immigrants (Røed and Schøne, 2013).
2. This group includes a small number of intra-company transfers, for whom the stay rate should be much lower. Further, this analysis only includes labour migrants who stayed long enough to be included in the register.
3. The analysis in this section is based on the estimation of random effects panel data models. However, there may be endogeneity issues in some of the links examined which make causal interpretation difficult. For example, unobserved factors may determine past labour market outcomes but also family formation decisions and the decision to leave or stay in Norway. As a result, interpretation should be made with caution. Because this is an important issue of potential interest to policymakers, further analytical work on this is needed to establish causal links.
4. In the micro register data, the definition of a spouse is based on the time of arrival of the person in Norway and his/her age. In the definition used in this report, both persons in the couple should be born abroad. The principal migrant is the person who arrived first, while the spouse is the one who arrive later on. If they arrived at the same time, the spouse is defined as the younger one. In the aggregate data provided by Statistics Norway, an additional condition is used: the existence of at least one common child 0-17 years of age living at the same address with both parents. This is because it is difficult to know whether two persons registered on the same address are a couple or not, unless if they have children together.
5. Language in this analysis is based on a comparison between the language spoken in the host country (in which the literacy assessment is

administered) with those that the migrant understands/speaks. More specifically, it combines the information available in the Survey of Adult Skills about the first two languages the person learned as a child and still understands and that spoken at home.

6. Additional analysis on this as well as wages and the probability of employment can be found in Bonfanti and Xenogiani (2014).
7. Tuition cost varies by course and municipality. To give a calculated example 300 hours of Norwegian language courses given by the Folkeuniversitetet in the municipalities of Oslo and its vicinity on level A1-B2 cost around NOK 34 400. Adult education services in Oslo offer courses of for about NOK 60/hour, and civics classes for about NOK 3 000, so that meeting the requirement costs about NOK 18 000, or EUR 2 200. The test fee is NOK 530.
8. Migrants from Asia make up the majority of test takers in the lower level language course (50%) and 44% in the higher level courses.
9. Detailed information about numbers and pass rate of test takers can only be provided for migrants with a right and obligation to take language courses, which excludes labour migrants.

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## Chapter 6

### International graduates: An underutilised labour source in Norway

*The number of international students enrolled in Norwegian Universities has doubled over the past ten years. However, although Norway changed its policy in the 2000s to allow international students to stay after study if they find skilled work, it has today one of the lowest post-study stay rates in the OECD. In addition, only 6% of skilled labour permits are issued to international students, suggesting that this is not the feeder channel for labour migration that it should be. Understanding the factors determining the attraction and retention of these young students is important for Norway to remain competitive in this field. Access to information on job opportunities as well as the promotion of work opportunities during studies, are important parameters determining productive retention.*

Many OECD countries already rely on international graduates as one of the main sources of skilled migration. These students usually speak the national language, hold domestic qualifications which employers readily accept and have some knowledge of social, cultural and workplace norms and institutions. In addition, many of them have already acquired some labour market experience during their studies and may have established links with potential employers. While international study is not primarily about feeding the domestic labour market, it can help achieve labour migration policy goals. This section looks at international students, their numbers and characteristics, the factors determining their stay post-graduation and their medium-term labour market outcomes.

One of the axes of the 2008-09 White Paper on the internationalisation of education was to promote student mobility (Norwegian Ministry of Education and Research, 2009). As a result, increasing student and staff mobility is integrated in national strategic policy and international students constitute today an important migrant source for Norway and a potential highly-skilled labour force. The main priority of national initiatives is to attract high-quality students, researchers and teachers (at all levels). However, there is no co-ordinated recruiting strategy and any promotion of Norwegian higher institutions abroad is done by the institutions themselves. It varies significantly across universities and fields of study.

Recent policy changes introduced with the New Immigration Act in 2010 have made it easier for students to come to Norway and stay. In addition, students can bring to Norway their family members if certain conditions are met. First, migrants must be enrolled in a bachelor, master or PhD programme and should have more than one year for the completion of studies. Children and spouses are considered as family members as well as cohabitants if they have lived for at least two years together or have/expect a child together. Financial requirements must be met, and the migrant should not have received needs-based support from NAV the year before his/her family member applies for the permit. Family members have the right to work full-time for the duration of the permit, although the time period they spend on this permit does not count towards the three-year requirement for permanent residence.

The average duration process for study permits are 58 days, but this includes permits for other education purposes as well, such as au pair permits and language study permits. It should be noted here that as of 15 May 2014, it is no longer possible to apply for a permit for skilled workers to study Norwegian. This is also the case for applications for renewal of such a permit. The reason is abuse in the language-related study permit.

## Growing number of international students

There has been a dramatic increase in the number (stock) of international students between 2000 and 2011 (Figure 6.1). Their total number more than doubled in the last decade, reaching 14 000 in 2011. This increase has been mostly driven by the increasing numbers of non-EU international students (+137%). The share of international students among all university students has increased from 3.7% in 2000 to 6.3% in 2010. More than half of international students in Norway are from non-EU countries. Students from Nordic countries (Sweden, Finland, Denmark and Iceland) represent about 21% of all international students, while those from other European countries represent the remaining 22%. International students account for less than 6% of total tertiary student population.

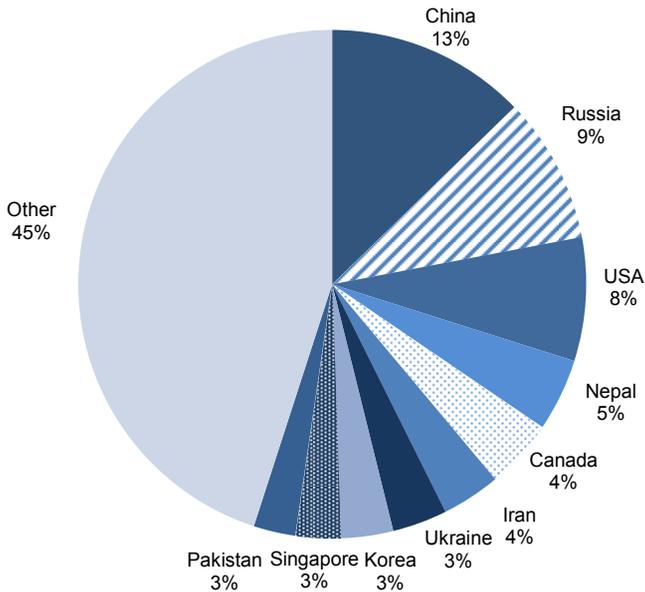
**Figure 6.1. Total number of international students, by nationality, 2000-10**



Source: OECD Education Database.

In 2012, a total of 3380 new permits were issued to international students from non-EEA countries (first issuance) (Figure 6.2). More than half of them were attributed to students from ten countries of origin. China, the Russian Federation and the United States are at the top of the list. China and five more Asian countries (Nepal, Iran, Korea, Singapore and Pakistan) appear among the top ten origin countries of permits to international students in Norway in 2012 and represent about 26% of all new student permits while another 12% was attributed to international students from the United States and Canada. In total, in 2012 there were about 6 000 permits issued for study (includes both new issuance and renewals). Ten countries of origin represent about 57% of these permits.

**Figure 6.2. First issuance of international student permits (excl. EEA) by nationality (N=3377), 2012**



*Source:* Directorate of Immigration (UDI).

The sharp increase in the number of international students in Norway can be possibly explained by the efforts for the internationalisation of the higher education system, the political focus on recruiting high skilled workers and the international student exchange programmes (SIU report, 2012). International students choose Norway for their studies because of the availability of courses in English and the quality of the education system. Many PhD students choose Norway for family reasons. The increasing numbers of international students in Norway also reflect to some extent the fact that there are no fees for studying in higher institutions in Norway, while other European countries are introducing university fees or increasing the level of existing fees. Indeed, a huge drop in the number of non-EU/EEA students in Swedish Higher Institutions followed the introduction of university fees in Sweden from 8 000 in 2010 to 2 000 in 2011 (Nordic Council of Ministers, 2013).

## The characteristics of international students

This section examines the characteristics of international students by focusing on graduates. As a result, exchange students, who account for almost 50% of all international students enrolled in Norwegian universities, are excluded. Even though the share of exchange students only studying in Norway for one or two semesters is higher among European students, the number of non-EEA exchange students has increased steadily in the last years and faster than the total number of international students enrolled for the completion of a degree.

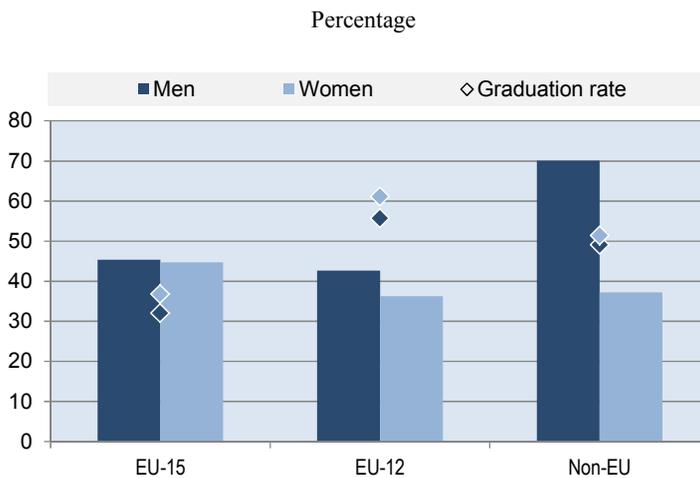
Indeed, Norway has a large number of exchange students in relative terms. Only 60% of the non-EU international students who arrived in 2000-02 graduated and this share is even lower for those arriving later. When EU students are considered, the graduation rates are somewhat lower, suggesting that there are more exchange students among them. In fact the number of exchange students has more than doubled from 2006 to 2013 [according to data from the Norwegian Social Science Data Services (NSD) Database for Statistics on Higher Education (DBH)]. Norway has a number of foreign exchange programmes apart from the Erasmus programme for European students. A larger number of non-European exchange students comes to Norway through bilateral agreements (44%), 20% are individually organised by the students and 17% comes to Norwegian universities through the quota scheme, which currently provides full scholarships for a total of 1 100 students, of which 800 are from developing countries and 300 from eastern Europe and central Asia. But Norway also runs smaller scale exchange programmes such as *north2north* Student Mobility Programme, which provides mobility grants for an exchange of institutes in the circumpolar countries like United States, Canada, Russia and the Nordic countries except Denmark. The *Barentsplus* programme is another programme which promotes exchanges between Russian and Norwegian higher education institutes.

A comparison between the numbers of permits issued from UDI for university students from non-EEA countries for the first time and the actual number of students who enrol in Norwegian universities with registry data the same year, reveals that only 60% of those actually begin their studies in Norway. It is not possible to know what the persons issued study permits and not enrolled in universities are doing, and whether they came to Norway at all. Some of them may apply to more countries, keeping Norway as a fall back option. Additional information from UDI would be needed here in order to understand the difference between the total number of university permits and the actual number of students enrolled in universities. This

means that only about a fourth of all persons issued a study permit actually graduate from a Norwegian university.

According to administrative data, about 45% of EU men registered as students are enrolled in a university (Figure 6.3). For women from EU countries, this share is lower. The remaining half includes students of vocational schools or other, non-tertiary institutions as well as migrants who enter Norway through the “au pair” channel. It may also include persons who receive a student visa but do not actually enter the country and enrol in universities. When only non-EU men are considered, about 70% of them start an educational activity, while this share is much lower for non-EU women (37%). This over-representation of women among those who do not start an educational activity is compatible with the hypothesis that some of these persons are au pairs, which cannot be distinguished in the permit data that Statistics Norway (SSB) has access to. More detailed information on permit data linked with administrative sources would be needed to disentangle this issue. Of those who enrol in a Norwegian university, only about half actually graduate and this share is even lower among students from EU-15 countries, possibly reflecting the important numbers of exchange students from other European universities who only spend 6-12 months in Norway as students.

**Figure 6.3. Share of students who enrol in higher institutions and graduation rates**

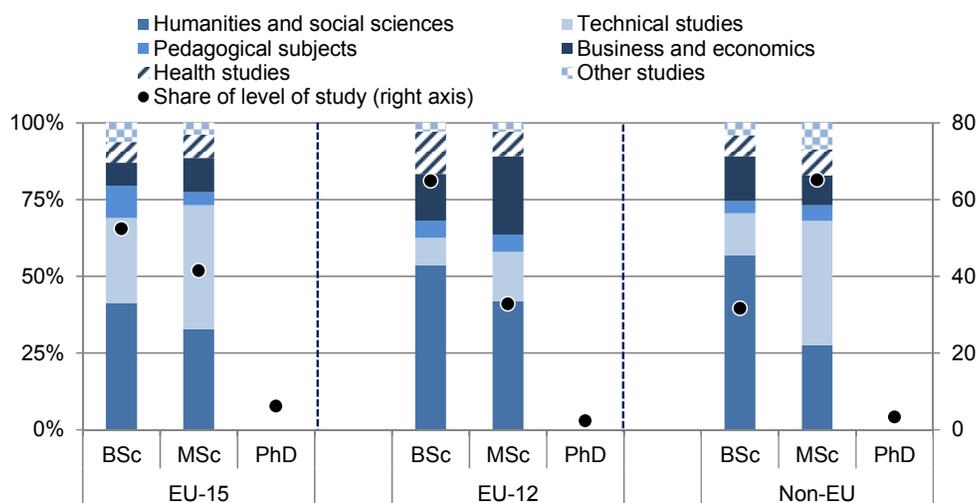


*Note:* The bars indicate the share of students who enrol in universities out of all persons who register as students (by gender and nationality). Graduation rates are calculated as a share of students who enrol in universities.

*Source:* OECD calculations based on register data from Statistics Norway (2001-2011).

The majority (58%) of international students are enrolled in a master's degree, while another 38% is enrolled at the bachelor level (Figure 6.4). The share of non-EU students who are enrolled in a master or a PhD programme is 68%, much higher than that among EU-15 (48%) and EU-12 (35%). Only 4% of all international students is pursuing a PhD. In terms of field of study, humanities and social sciences rank first: 54% of all students at the bachelor level, 29% of those at the master level and 38% of all students. In addition, half of the international students enrolled in a master's programme, are pursuing technical studies, which is equivalent to 23% of all international students.

**Figure 6.4. Share of field of study by level of study and origin group and overall share of level of study of international students**



*Note:* The sample comprises only students who have graduated.

*Source:* OECD calculations based on register data from Statistics Norway (2001-2011).

## What is Norway doing to attract international students?

In a report on the role of communication in attracting more brains in Norway, Difi (2008), the Agency for Public Management and eGovernment, carried out group interviews with international students from Germany, India and Romania, asking how better to attract and integrate them into the Norwegian labour market. Although communication may have improved since the time this report was produced, some of the barriers identified may still be relevant. Indeed, students in that study identified as main barriers

language issues (the cost of language courses during studies is prohibitive for some of them), the availability of information (in English) prior to entering Norway, difficulties in finding an adequate job, bureaucracy etc. They also indicated the need for Norway to identify the possible labour market opportunities that international students may have in the country after graduation. They argued that the potential of international students should be recognised by Norway and promoted through for example language courses or funding opportunities for further studies.

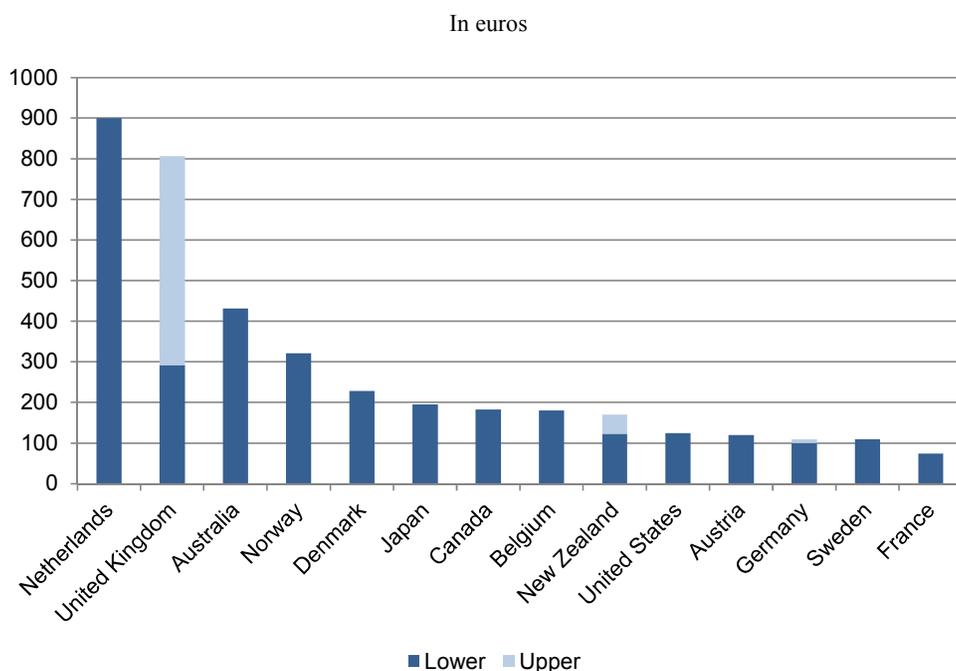
The Centre for International Cooperation in Education carried out a survey of more than 2 000 international students enrolled in 36 Norwegian institutions of higher education during the fall of 2012 (including exchange students). This study (SIU and DAMVAD, 2010) shows that more than half of the degree students are considering working in Norway upon completion of their studies. It also shows an increase over time in the share of international students who would like to stay and work in Norway after completion of their degree, from 30% in 2008 to 62% of full-degree students in 2012. A 2013 SIU report compares the increase in the number of international students who stay and work after graduation with the number of high-skilled workers recruited directly from their country of origin or a third country. Between 2003 and 2010, the post-study worker group tripled, while the group recruited from abroad increased seven-fold. This may suggest that there is some scope for improving the stay-on and recruitment rates of these graduates from Norwegian universities. Overall, international students are a possible pool of high-skilled labour but their full potential has not been explored yet.

Different actors are contributing to the promotion of Norwegian education abroad. First, the Centre for International Cooperation in Education (SIU) is in charge of branding the higher educational institutions abroad, on behalf of the Ministry of Education and Research, and to that end, participates and represents Norway in international educational fairs. The most important tool to promote higher educational institutions abroad used by SIU is the website [www.studyinnorway.no](http://www.studyinnorway.no) which contains information on Norway's educational system, where and what to study, language courses as practical information for living in Norway. Second, Norwegian Universities have diversified their strategies to attract international students, e.g. by developing or improving their websites in English, and producing brochures aimed at prospective international students. Moreover, the Research Council of Norway plays an important role in the strengthening international research co-operation and promoting the Norwegian research programmes.

## Studying in Norway is cost competitive relative to other OECD key destinations

There is no application fee for international students from EU, EEA and EFTA countries while those from non-EU countries have to pay a NOK 2 500 processing fee (approximately EUR 150) per application. In international comparison this is at the higher end of fees charged for study permits (see Figure 6.5).

**Figure 6.5. Student permit fees, upper and lower bound, around 2012**

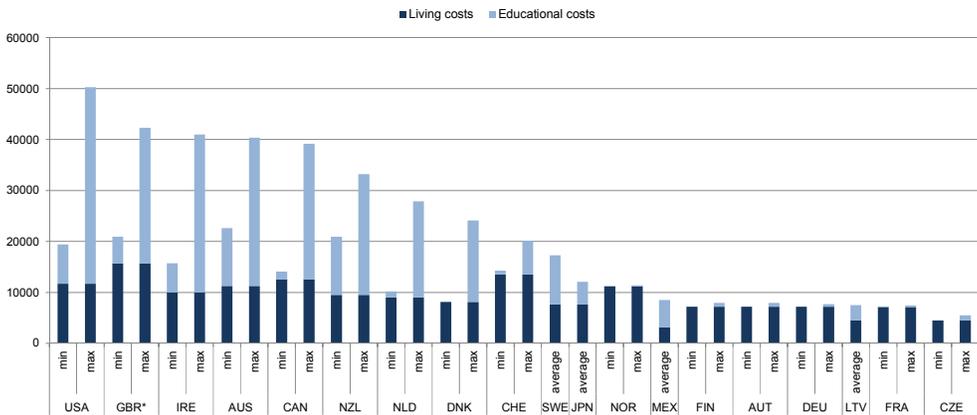


Source: Sachverständigenrat deutscher Stiftungen für Integration und Migration (2012), national administration websites and university websites.

Despite the relatively high processing fee, Norway is competitive relative to other OECD countries in terms of the total cost of study. Figure 6.6 presents the cost of studying in selected OECD countries, separately in terms of fees and living expenses. Norway ranks fairly well among OECD countries in Figure 6.6. Although the annual maximal living cost, at EUR 11 400, is fairly high by OECD standards, the overall cost of enrolment and tuition is at most EUR 200. Total cost of EUR 11 600 places

Norway is in an advantageous position relative to other OECD countries and typical destinations of international students, such as the United States, the United Kingdom, Australia, Canada and New Zealand. However, the total cost of studying in Norway is above that in some European countries, for example France (EUR 7 300 per year) and Germany (EUR 7 700 per year), which rank among the top ten OECD countries in terms of total number of international students.

**Figure 6.6. Living costs and educational costs for international students in selected OECD countries in Euro, 2012**



*Note:* \* excludes Scotland, min refers to lower bound of educational costs, max refers to an upper bound of educational costs

*Source:* OECD (2013), *Education at a Glance 2013: OECD Indicators*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/eag-2013-en>; Usher, A. and J. Medow (2010), “Global Higher Education Rankings 2010. Affordability and Accessibility in Comparative Perspective, Higher Education Strategy Associates”, Toronto; and national governmental and university websites.

The language of tuition can be English or Norwegian. In both cases, there are language requirements i.e. TOEFL, IELTS or basic English course from upper secondary school in Norway for English, or one of a number of tests for Norwegian, advanced level (known as “Bergenstesten”), level 3 examination in Norwegian for foreign students at Norwegian universities, examination from the one-year course in Norwegian language and culture for foreign students taken at a university or a university college.

The 1 100 third-country “quota students” funded annually by the Norwegian State Educational Loan Fund are selected through bilateral co-operation between Norwegian and foreign educational institutions. Quota students are allocated to tertiary education institutions, for English-language

masters and PhD level courses, as well as certain professional degrees. 70% of the scholarship is a loan which must be repaid if the student remains in Norway or goes to a third country rather than returning home for at least one year (loans to Norwegian students must also be repaid). For those who return home, up to 100% of the loan may be cancelled. This support can be provided for a maximum period of eight years and is about EUR 12 500 per year. PhD students are employed by a Higher Education Institute (HEI), the research council of Norway or a private enterprise and are hence not eligible for support from the Norwegian State Educational Loan Fund. Some students are paying small fees (EUR 80-135) to student welfare organisation that run student housing, canteens, sports facilities, medical services, etc.

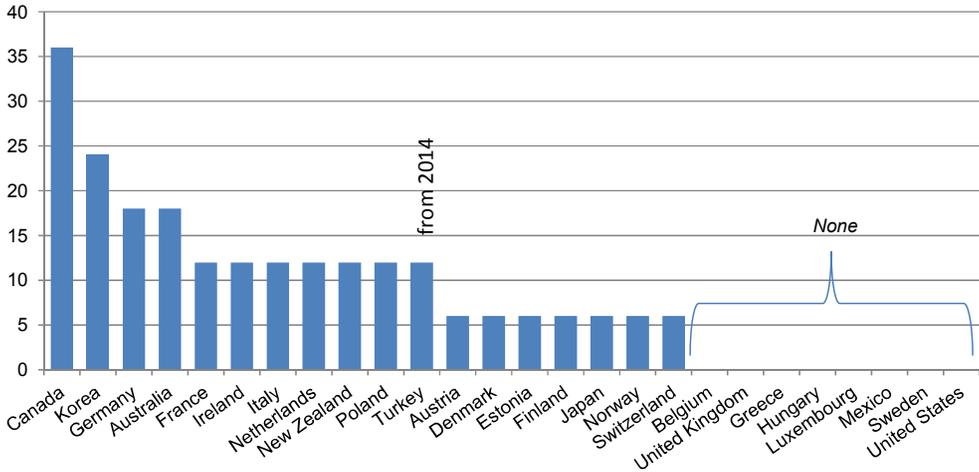
### **Job search permit for international students**

Graduates and researchers in Norway have the possibility to stay in the country for a period of up to six months in order to look for a job as skilled workers. This six-month job search visa for international students is not renewable. Certain conditions need to be satisfied for the visa to be issued. First, the graduate should have the intention to seek employment as a skilled worker in Norway and have sufficient financial means to cover the period of stay in Norway. The graduate or researcher has the right to work full-time but this six-month permit does not count towards a permanent residence permit.

The duration of job search for recent graduates in Norway is the same as in some European countries (Slovenia, Switzerland, Denmark and Finland) but lower than that in most OECD countries in Figure 6.7. Indeed, students in Japan and the Netherlands have up to one year to look for a job, while those in Korea and New Zealand<sup>1</sup> have up to two years in, up to three years in Canada<sup>2</sup> and in Australia from 18 months (for graduates with a qualification that relates to an occupation on the SOL) to up to four years in the case of doctoral students. In many other countries (e.g. Belgium, Estonia, France, Greece, Hungary, Portugal, Spain and Sweden, the United Kingdom and the United States), there are no special provisions for staying on, and graduates must use the existing labour migration channels if they find qualifying employment.

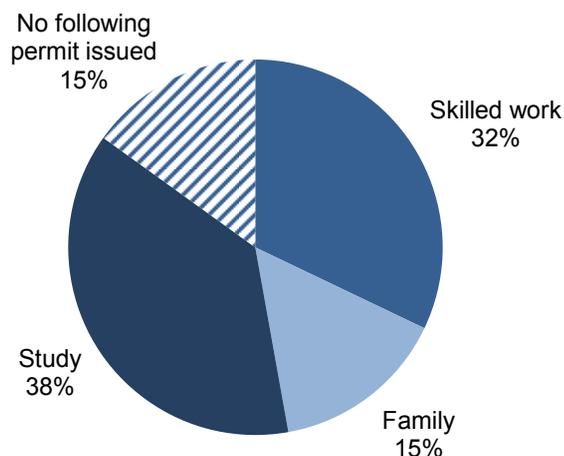
A key policy question concerns the optimal duration of such job search visa for graduates and whether the six-month period allowed in Norway is sufficient for graduates to find an appropriate job. Unfortunately, it is not possible to examine this question in Norway because of the available data. Information on employment is taken from the employment register which is established once a year (in November) in combination with information from the tax register. Nonetheless, the tax data include income from work, but it is not possible to distinguish between a job held by migrants during their job search period, and a true skilled migrant job.

Figure 6.7. Post-graduate job search periods in OECD countries



Source: OECD Secretariat analysis.

Available data in 2012 suggest that about a third of the graduate job search visa holders successfully switched their permit to a skilled work permit within six months (Figure 6.8). However only about 70% of the graduate job search permit holders are international graduates from Norwegian universities, while the rest are Norwegian language students with tertiary education from abroad, and there is no information on their relative share among the status changes. Remarkably, 38% of the international graduates switch back to a study permit after the job search period. This may reflect students who end up in PhD and post-doctoral programmes, and receive a study permit, or it may represent a retreat back to study after an unsuccessful job search. They may also represent students in language programmes, but available data do not allow us to gain a good understanding of which of these hypotheses are true. Also remarkable, given the six-month period, is the 15% who change status to family permits. As a family permit is preferable to a job search permit, one would expect students to change directly to this status if they indeed had a sponsor upon graduation, rather than find a sponsor in the short post-graduation period. Finally, 15% are not issued a following permit.

**Figure 6.8. Status changes from graduate job search visa, 2012**

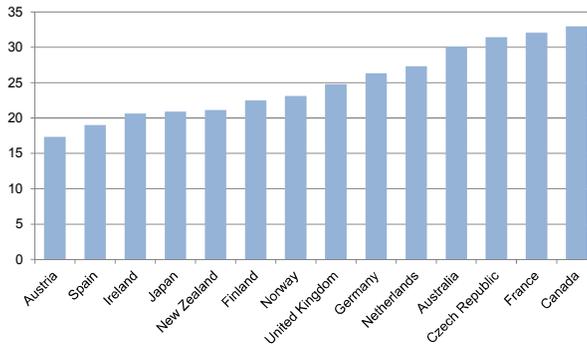
*Source:* Directorate of Immigration (UDI) data.

### Retention of international students

This section uses a variety of data sources to examine the retention of international students and its determinants. Overall retention of non-EEA students was about 23% in 2009 (Figure 6.9) which is similar to other OECD countries. However, this status change may comprise students who obtain family permits or permits to undertake language courses. More recent data which focus exclusively on status changes from study to work show much lower stay rates (Table 6.1).

Non-EEA students represent a small share of new work permits, much smaller than in other OECD countries, as shown in Figure 6.10 and Table 6.1. When all new labour permits are considered, former students represent only 2.5% of them, while they represent about 6% of new permits issues to skilled workers and 4% of those to intra-company transferees. This low stay rate cannot be explained by the departure of quota students and calls for further analysis of the determinants of return migration or stay in the case of international students.

**Figure 6.9. Percentage of international students changing status after graduation and staying on in selected OECD countries, 2008 or 2009**



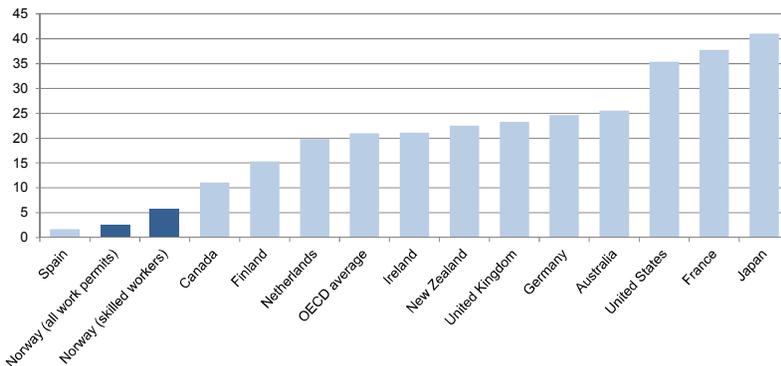
Source: Survey by the OECD Secretariat, 2009 (based on the *OECD International Migration Outlook 2010*), except for Germany (2013). For EEA countries in this figure, this does not include students from other EEA countries. We follow Eurostat in excluding au pairs from education, but also exclude them from work permits.

**Table 6.1. Share of international graduates in new work permits, per year**

	2006	2007	2008	2009	2010	2011	2012
Skilled workers	6.4%	3.1%	3.7%	2.8%	2.6%	4.8%	5.8%
ITC	0.0%	0.0%	0.0%	0.0%		6.3%	4.0%
Other	0.8%	0.2%	0.7%	0.4%	0.2%	0.1%	0.1%
All work permits	2.9%	1.5%	2.3%	1.6%	1.2%	2.3%	2.5%

Source: Directorate of Immigration (UDI) data.

**Figure 6.10. Percentage of new labour migration permits comprising status changes from the student channel, selected OECD countries, 2008-12**



Source: OECD Secretariat analysis, Brookings Institute (United States) and Directorate of Immigration (UDI) data for Norway.

## What determines stay after graduation?

This section analyses the probability of leaving the country for international students. It examines the personal characteristics that are correlated with a higher/lower probability of leaving Norway, while paying special attention on employment spells during one's studies. It also distinguishes between different types of work, in particular whether this was related to one's studies or not and the income that it generated.

The analysis is based on pooled register micro data for the years 2001-11, which permit a detailed analysis of the factors associated with a higher probability of leaving Norway following graduation or later. It should be noted that the estimated coefficients (marginal effects) reflect correlations between the probability of leaving and personal or other characteristics and do not necessarily represent a causal relationship. Actually, establishing a causal link between the two is difficult. There may be different channels through which a student job may be correlated with the likelihood of leaving the country. These can be unobserved factors, such as strive and motivation, willingness to stay in the country and succeed. They can also be related to financial constraints of the family back home which oblige one to work during his/her studies and also stay in the country upon graduation. Conducting the analysis while controlling for such possible – and many other – factors is difficult and outside the scope of this review. This may be a topic for further research in this area in order to better inform the policy debate.

The results presented in Table 6.2 show that former international students (graduates) with a PhD in Norway are on average more likely to stay in the country after graduation than those with bachelor or master degrees. Women from the new EU member states are less likely to leave than those from EU-15 countries. In contrast, male graduates from non-EU and EU-12 countries are more likely to leave than those from EU-15 countries. Family situation is also a factor determining stay rates, in particular a marriage to a Norwegian person is associated with a higher likelihood of staying in Norway, both for men and women, but even more so for men. For men, being in a couple and having children is also associated with a lower likelihood of leaving the country.

Labour market experience during studies is also correlated with the probability of leaving the country. A distinction is made between work that is related to the field of study and that which is not. More specifically, the field of study is compared with the sector of work and relevant work is defined based on a correspondence which is defined in Annex Table A.2. For migrant men, it is only relevant work during studies that matters and it is negatively associated with the probability of leaving Norway. For women, it

is non-relevant work which is negatively associated with the probability of leaving the country, relative to not working during studies, while there no statistically significant link between relevant work and the probability of leaving.

**Table 6.2. Characteristics of former international students correlated with a higher probability of leaving Norway**

	Men	Women
Master	-0.008 (0.009)	-0.006 (0.006)
PhD	-0.033 ** (0.014)	-0.018 * (0.01)
Reference group: BSc		
EU 12	0.026 * (0.014)	-0.020 ** (0.008)
Non-EU	0.039 *** (0.008)	-0.003 (0.008)
Reference group: EU 15		
Lagged employment	-0.030 *** (0.008)	-0.027 *** (0.005)
Lagged unemployment	-0.008 (0.026)	-0.045 (0.029)
Married to Norwegian	-0.095 *** (0.031)	-0.020 ** (0.008)
Having children	-0.021 * (0.011)	-0.001 (0.008)
Living in couple	-0.038 *** (0.012)	-0.010 (0.007)
Non-relevant work during studies	-0.008 (0.01)	-0.012 * (0.007)
relevant work during studies	-0.034 *** (0.001)	-0.012 (0.008)
N	4257	5516

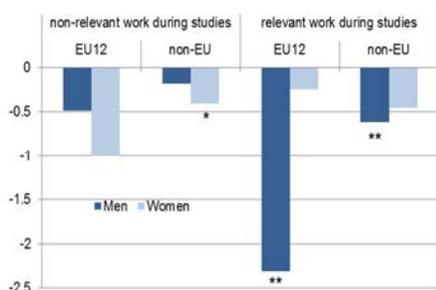
*Note:* Marginal effects reported. Standard errors in brackets. The regressions include additional controls for age, year fixed effects and time since graduation. Relevant work is based as a comparison between the field of study and the sector of work as described in Annex Table A.1. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

*Source:* OECD calculations based on register data from Statistics Norway (2001-2011).

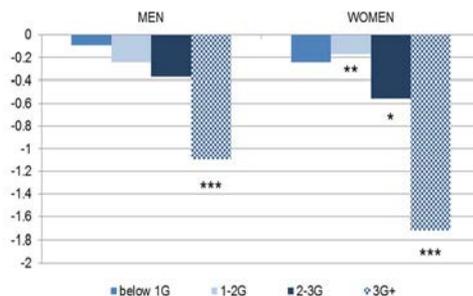
Panel A of Figure 6.11 shows the effect of relevant and non-relevant work during studies, for former international students of different origins. The results suggest that relevant work during studies is strongly negatively associated with the probability of leaving Norway for migrant men from new EU member states and third country nationals.

**Figure 6.11. The probability of leaving Norway for international students:  
The role of work during studies**

A. By relevant vs. non-relevant work during studies



B. By average income earned during studies



*Note:* Reported logit coefficients (will be changed to marginal effects in the next version of the review). Standard errors in brackets. The regressions include additional effects controls for age, year fixed effects and time since graduation. G is the basic amount which is used to calculate many benefits from the National Insurance Scheme. This amount is adjusted annually by royal decree with effect from 1 May, to take account of changes in the general income level. The basic amount stood at NOK 85 245 (EUR 10 763) on 1 May 2013. Relevant work is based on a comparison between the field of study and the sector of work as described in Annex Table A.1. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

*Source:* OECD calculations based on register data from Statistics Norway (2001-2011).

This also holds true for non-relevant work during studies but only for migrant women from non-EU countries. In order to better understand the link between work during studies and the probability of leaving/staying in the country, a further disaggregation is made based on the income earned from work during studies. More specifically, four different categories are defined on the basis of the basic amount (G). For migrant men, the link between work during one's studies and the probability of staying in the country is mainly driven by migrants who had large earnings from work during their studies (three times the basic amount or more) (Figure 6.11, Panel B). For women, the link between work during studies and the probability of staying in the country is significant even for lower earnings, as long as these are above the basic amount.

### Student jobs: a first contact with the host-country labour market

International students, have the right to work up to 20 hours per week during their studies and full-time during public holidays. Although there are no such limits for Norwegian and EEA students who wish to work during their studies limits do exist on how much they can earn while receiving

support from the State Loan Fund. Students from non-EU countries need a work permit in order to use their part-time work rights. In all cases, universities have to certify that work does not affect study progress. Full-time work rights may be given to students in cases where their job is directly related with their studies.

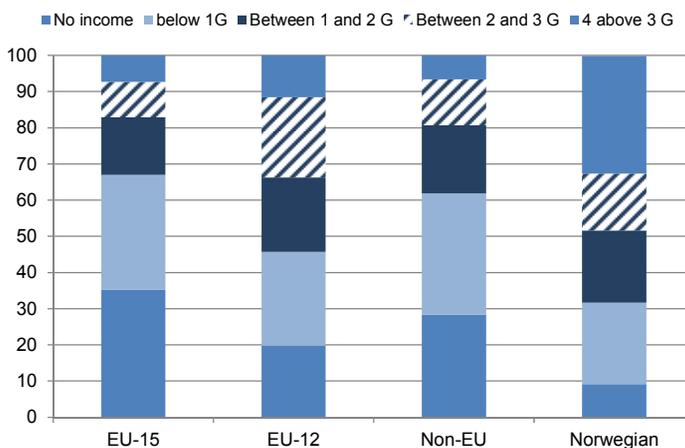
This entitlement is similar to that in many OECD countries, such as Belgium, Canada, Ireland, Italy, Korea, New Zealand, the United Kingdom and the United States. Only Australia, Finland, Hungary and Japan allow students to work for more than 20 hours per week. The settlement countries (besides the United States), Korea and Slovenia have no restrictions on the type of employment or hours worked during this job search period. Japan allows part-time work up to 28 hours per week during this period. In most cases, however, work permits are only issued if the job search permit leads to a job which matches qualifications (except in Italy). The definition of “matching criteria” can be quite strict.<sup>3</sup>

Figure 6.12 presents the distribution of income declared by students in Norwegian universities during their studies, as multiples of the basic amount used in the National Insurance Scheme (G). Total annual income declared reflects both the hours worked by students as well as the hourly wage, which itself reflects the sector and occupation the student is employed in. However, the available data do not allow distinguishing between the two. The share of foreign students who work during their studies is 72%, which is lower than that of Norwegian students (90%). Close to two thirds (72%) of non-EU foreign students work, while this share is somewhat lower among EU-15 students (65%) and higher among EU-12 students (80%). Differences also exist in terms of the income earned by students. These figures include all students, also those in exchange programmes. If we focus instead on those who start and complete a degree, the overall percentage of students who work is even higher. About a third of Norwegian students earn at least an income which is equivalent to 3G or more. The share of foreign students earning three times the basic income or more is much lower (10%), and is actually lowest among non-EU students (7%). More than half of non-EU students earn up to two times the basic amount (52%), while this share is ten percentage points lower for Norwegian students.

In terms of the sector of work, about a third of students work in scientific and technical sectors as well as teachers (Figure 6.13). Among students from non-EU countries, this share is 30%, while it is 40% for those from EU-15 countries. An additional 20% of non-EU students work in services, while this share is just above 10% for students from EU-15 countries.

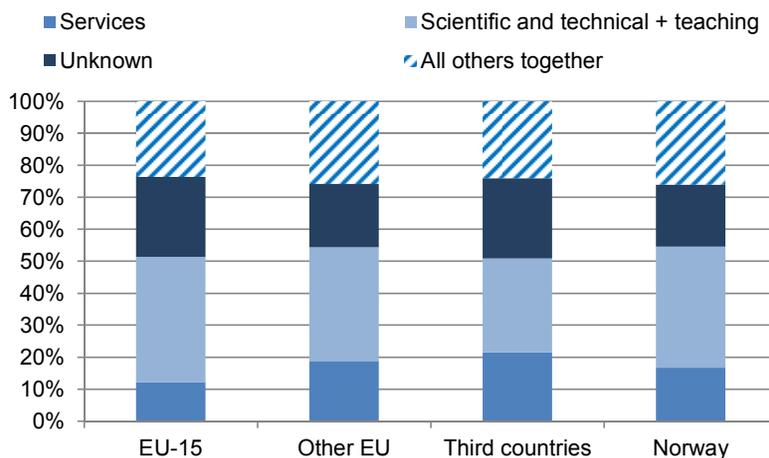
**Figure 6.12. Mean income of students, by nationality**

Distribution of income in percentage



Note: G is the basic amount which is used to calculate many benefits from the National Insurance Scheme. This amount is adjusted annually by royal decree with effect from 1 May, to take account of changes in the general income level. The basic amount stood at NOK 85 245 (EUR 10 763) on 1 May 2013.

Source: OECD calculations based on register data from Statistics Norway (2001-2011).

**Figure 6.13. Sector of work during studies**

Source: OECD calculations based on register data from Statistics Norway (2001-2011).

### *Post-graduation labour market outcomes of international students*

Although international students are viewed by OECD countries as a potential important pool of highly-educated prospective workers, existing evidence suggests that they may have some difficulties finding employment that corresponds to their qualifications, following graduation. Brekke (2007) uses data for the population of graduates from Norwegian universities over the period 1993-2002 to examine the time it takes for them to make the transition from school to work. She finds a disadvantage for persons from ethnic minorities, relative to Norwegians, which is mainly driven by persons born in Africa. This paper also finds some differences across education fields.

This section examines the labour market outcomes (employment and earnings) of former international students in Norway, in comparison with their native-born peers. Both migrants and natives with a PhD have a higher chance of employment than those with a bachelor degree and this difference is greater for migrants than natives (both for men and women) (Table 6.3).

For graduates (both men and women), the probability of employment is higher for those with a PhD relative to those with BSc degrees. The returns in terms of employment to master degrees are lower for native women than native men, but the opposite is true for migrant women, who also experience a stronger association between their employment probability and their education level. Important differences also exist in the probability of employment for migrants of different origins, with male graduates from EU-15 countries being more likely to be employed than natives, while the opposite is true for graduate women from non-EU and EU-12 countries.

The returns to post-graduate degrees in terms of earnings are higher for both migrant men and women relative to their native-born peers. On average though, migrants earn less than natives irrespectively of their gender and origin. Non-EU migrants fare worse than the other groups of migrants in terms of their average wages. These results are mainly driven by bachelor and master holders among men, whereas male migrant PhD holders earn wages that are no significantly different from those earned by similar natives. In contrast, migrant women earn on average lower wages than Norwegian women, no matter their education level.

**Table 6.3. Employment and earnings of former international students**

	Employment		Wages	
	Men	Women	Men	Women
MSc	0.036 *** (0.001)	0.003 *** (0.001)	0.418 *** (0.002)	0.328 *** (0.002)
PhD	0.052 *** (0.004)	0.037 *** (0.004)	0.551 *** (0.01)	0.536 *** (0.011)
Migrant * MSc	-0.010 (0.006)	0.045 *** (0.006)	0.150 *** (0.025)	0.337 *** (0.021)
Migrant * PhD	0.070 *** (0.015)	0.103 *** (0.017)	0.346 *** (0.055)	0.339 *** (0.057)
EU-15	0.019 ** (0.009)	-0.039 *** (0.012)	-0.490 *** (0.074)	-1.068 *** (0.072)
EU-12	-0.008 (0.013)	0.013 * (0.008)	-0.503 *** (0.079)	-0.902 *** (0.07)
Non-EU	-0.010 (0.009)	-0.050 *** (0.009)	-0.871 *** (0.068)	-1.222 *** (0.068)
Worked during studies	0.209 *** (0.001)	0.199 *** (0.001)	0.350 *** (0.005)	0.440 *** (0.004)
Migrant * worked during studies	-0.082 *** (0.006)	-0.064 *** (0.005)	-0.363 *** (0.027)	-0.329 *** (0.023)
Constant	-0.008 (0.012)	0.186 *** (0.009)	12.311 *** (0.007)	12.152 *** (0.005)
N	1145062	1932652	928736	1571144

*Note:* for employment, the results are presented as marginal effects. Log earnings is the dependent variable for wage outcomes. The sample includes native- and foreign-born graduates of Norwegian universities. All regressions include controls for age, time since graduation and year fixed effects. The reference group is natives. \*\*\* p<1% ; \*\* p<5% ; \* p<10%.

*Source:* OECD calculations based on register data from Statistics Norway (2001-2011).

### ***How does work during studies correlate with post-graduation labour market outcomes?***

Economic theory suggests that work experience during studies can have a positive payoff in terms of future labour market outcomes because students acquire human capital in their part-time student job which can be positively rewarded in the labour market either as higher employment rates or higher wages relative to students who did not work. Similarly, part-time employment during studies can give a signal of quality (or not) to prospective employers upon graduation. Employers seek individual characteristics, both observable and unobservable, which allow them to differentiate among recent university graduates. The value of signalling is expected to be greater when the pool of graduates is larger. For migrants,

both the human capital and signalling effects of student jobs, may be quite important, given that they are good opportunities for improving their language skills and can also be an additional source of information for employers.

The future labour market returns of early work experience among university graduates are likely to differ according to the type of work, the sector of work and occupation. Existing evidence suggests that work experience related to the field of study tends to have positive labour market effects, while work experience which is not related to the field of study can have no or even negative effects on future labour market outcomes (Weiss et al., 2014; Allen and Van der Velden, 2009; Blasko et al., 2002; Klein and Weiss, 2011; Robert and Saar, 2012). For migrants, work during studies may be an opportunity to improve their language skills and establish a first contact with local employers. Such experience can be highly valued in the labour market upon graduation as it serves as a valuable signal to potential employers both regarding the overall skills of migrants and their language abilities. This section looks in more detail at this question and tries to identify the migrant groups for which having a work experience spell during one's studies matters most for future labour market outcomes. It also examines in detail the link between various types of student jobs and subsequent labour market outcomes.

The evidence presented in Table 6.3 suggests that working while studying is positively associated with both employment and wages years after graduation. However, the correlation between the two is higher for Norwegians than for migrants and the difference between the two groups is statistically significant. Additional analysis which estimates separate regressions by level of education (BSc, MSc and PhD) and gender, shows that this result holds true irrespectively of the education level and the gender of the person.<sup>4</sup> The positive association between a student job and the future likelihood of employment for migrants is greater in magnitude for bachelor degree holders and becomes smaller as educational attainment increases. This may suggest that the signalling effect of this type of employment spell is less relevant for more highly-educated migrants.

Table 6.4 presents the analysis on the link between having a student job and the probability of employment later on, taking into account the type of work and the origin of the migrant (a similar format is used in Table 6.5, for wages). In the upper part of Table 6.4, the analysis distinguishes between study jobs which are relevant for one's studies and those which are not. The definition of a "relevant" student job is the same as in the previous section and is based on a comparison the field of study and the sector of work (see Annex Table A.1 for more details). Both types of jobs are correlated with a higher probability of employment post-

graduation, and this link is somewhat weaker for migrants than for natives. Relevant work seems to matter more, but the difference is small in magnitude. The likelihood of employment post-graduation increases more with better paid student jobs (relative to not working during studies) both for migrants and natives. For migrants, the link between the two is highest for the top income bracket for bachelor and master degree holders. The results for natives do not differ substantially across the different sectors of work, but for migrant men, it is more work in teaching and the science sector that show the highest correlation with employment post-graduation. Finally, the correlation between student jobs and the employment likelihood is higher for men from new EU member states and non-EU women. Although non-EU men gain less in terms of future employment than similar groups of migrants, they still have higher probability of employment in comparison with similar former students who did not work during their studies.

Norwegians who worked during their studies, also receive on average higher wages later on. However, this is not the case for foreign-born men while migrant women only derive a small benefit from a student job in terms of subsequent wages (Table 6.3). A positive effect is found for migrant men with a master or a PhD degree and for women with bachelor degrees. In all cases however, the magnitude of the coefficient is smaller than that for natives. When the distinction is made between jobs in sectors related to the field of study and those that are not (Table 6.5, top panel), it becomes clear that having had relevant work experience during studies is positively correlated with subsequent wages also for migrants (even though less than for natives).

Both natives and migrants (to a larger extent) who had limited work-related earnings during their studies (below the basic amount) earn on average less later on in comparison with their peers who did not work. This may be the result of negative selection of these persons into low-paid work. Those earning more than the basic amount during their studies also have higher average earnings later on, and this holds true both for migrants and natives. This wage premium is higher for migrant men who earn between two and three times the basic amount in comparison with similar natives, while there are no differences in the premium between migrant and native women. Highly paid jobs during studies are more positively associated with future earnings for migrant men with a master degree.

**Table 6.4. Employment of former international students**

	Men	Women
non-relevant work	0.326 *** (0.002)	0.306 *** (0.002)
relevant work	0.370 *** (0.002)	0.367 *** (0.002)
migrant * non-relevant work	-0.061 *** (0.009)	-0.068 *** (0.007)
migrant * relevant work	-0.082 *** (0.006)	-0.052 *** (0.005)
Income earned: below 1G	0.116 *** (0.001)	0.111 *** (0.001)
Income earned: 1G-2G	0.192 *** (0.001)	0.179 *** (0.001)
Income earned: 2G-3G	0.200 *** (0.001)	0.190 *** (0.001)
Income earned: 3G+	0.277 *** (0.001)	0.267 *** (0.001)
Income earned: missing	-0.010 ** (0.004)	-0.046 ** (0.004)
migrant * below 1G	-0.045 *** (0.007)	-0.034 *** (0.006)
migrant * 1-2G	-0.034 *** (0.009)	-0.021 *** (0.007)
migrant * 2-3G	-0.034 *** (0.01)	-0.015 *** (0.008)
migrant * 3G+	-0.086 *** (0.012)	-0.060 *** (0.01)
unknown sector	0.089 *** (0.001)	0.082 *** (0.001)
service sector	0.231 *** (0.001)	0.201 *** (0.001)
teaching and science sector	0.241 *** (0.001)	0.231 *** (0.001)
other sectors	0.233 ** (0.001)	0.219 ** (0.001)
migrant * unknown sector	-0.071 *** (0.008)	-0.046 *** (0.007)
migrant * service sector	-0.071 *** (0.01)	-0.041 *** (0.008)
migrant * teaching and science sector	-0.062 *** (0.008)	-0.073 *** (0.006)
migrant * other sectors	-0.079 *** (0.009)	-0.048 *** (0.007)
worked during studies	0.209 *** (0.001)	0.199 *** (0.001)
EU15 * work during studies	-0.067 *** (0.015)	-0.113 *** (0.014)
EU12 * work during studies	-0.014 (0.022)	-0.055 *** (0.012)
Non-EU * work during studies	-0.090 *** (0.007)	-0.057 *** (0.006)
N	1145062	1932652

*Note:* The sample includes native- and foreign-born graduates of Norwegian universities. All regressions include controls for age, time since graduation and year fixed effects, as well as controls for education and origin of migrants. Relevant work is based as a comparison between the field of study and the sector of work as described in Annex Table A.1. \*\*\* p<1% ; \*\* p<5% ; \* p<10%.

*Source:* OECD calculations based on register data from Statistics Norway (2001-2011).

**Table 6.5. Earnings of former international students**

	Men	Women
Non-relevant work	0.276 *** (0.006)	0.345 *** (0.004)
Relevant work	0.465 *** (0.006)	0.548 *** (0.004)
Migrant * non-relevant work	-0.290 *** (0.034)	-0.239 *** (0.027)
Migrant * relevant work	-0.361 *** (0.028)	-0.340 *** (0.025)
Income earned: below 1G	-0.201 *** (0.005)	-0.040 *** (0.004)
Income earned: 1G-2G	0.131 *** (0.005)	0.228 *** (0.004)
Income earned: 2G-3G	0.298 (0.005)	0.379 *** (0.004)
Income earned: 3G+	0.685 *** (0.005)	0.738 *** (0.004)
Income earned: missing	-0.151 ** (0.019)	-0.338 *** (0.017)
Migrant * below 1G	-0.356 *** (0.028)	-0.379 *** (0.025)
Migrant * 1-2G	0.038 (0.032)	-0.004 (0.027)
Migrant * 2-3G	0.098 *** (0.034)	0.094 (0.028)
Migrant * 3G+	-0.125 *** (0.037)	-0.040 (0.03)
Unknown sector	-0.047 *** (0.006)	0.075 *** (0.004)
Service sector	0.275 *** (0.006)	0.271 *** (0.004)
Teaching and science sector	0.447 *** (0.005)	0.547 *** (0.004)
Other sectors	0.452 *** (0.005)	0.505 *** (0.004)
Migrant * unknown sector	-0.476 *** (0.034)	-0.419 *** (0.03)
Migrant * service sector	-0.305 *** (0.039)	-0.180 *** (0.031)
Migrant * teaching and science sector	-0.283 *** (0.03)	-0.313 *** (0.026)
Migrant * other sectors	-0.284 *** (0.033)	-0.174 *** (0.029)
Worked during studies	0.350 *** (0.005)	0.440 *** (0.004)
EU-15 * work during studies	-0.487 *** (0.064)	-0.649 *** (0.061)
EU-12 * work during studies	-0.231 ** (0.103)	-0.143 *** (0.05)
Non-EU * work during studies	-0.348 *** (0.029)	-0.319 *** (0.029)
N		

*Note:* The sample includes native- and foreign-born graduates of Norwegian universities. All regressions include controls for age, time since graduation and year fixed effects, as well as controls for education and origin of migrants. \*\*\* p<1% ; \*\* p<5% ; \* p<10%.

*Source:* OECD calculations based on register data from Statistics Norway (2001-2011).

International students constitute today an important and growing migration source for Norway. Although the issue of language may still be an issue for them, especially in the first years following graduation, those who stay in the country, have overall favourable labour market outcomes. This suggests that these graduates can indeed be an important labour source for Norway, especially if labour market options and the possibility to stay are presented to them early during their studies and they have the opportunity to combine their studies with work in relevant fields.

## Notes

1. Anyone completing a course that meets a qualification on the New Zealand Long term skill shortage list or a post-graduate programme
2. The Australian PGWPP allows students who have graduated from a participating Canadian post-secondary institution to gain valuable Canadian work experience. The PGWPP helps graduates qualify for permanent residence in Canada through the Canadian Experience Class (CEC).
3. Very strict definitions used in France from 2010 were loosened in 2012.
4. The results of the analysis by education level are available upon request.

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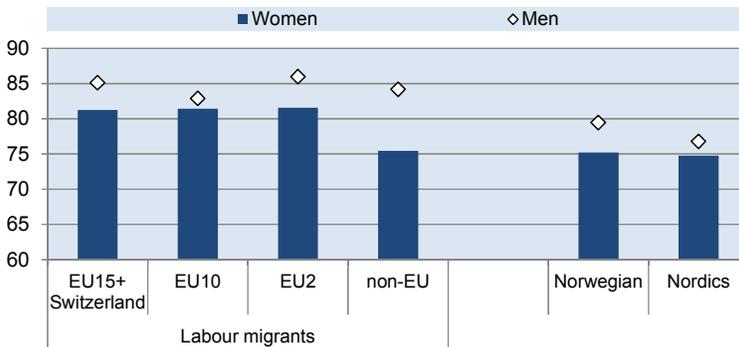
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## Annex A. Supplementary figures and tables

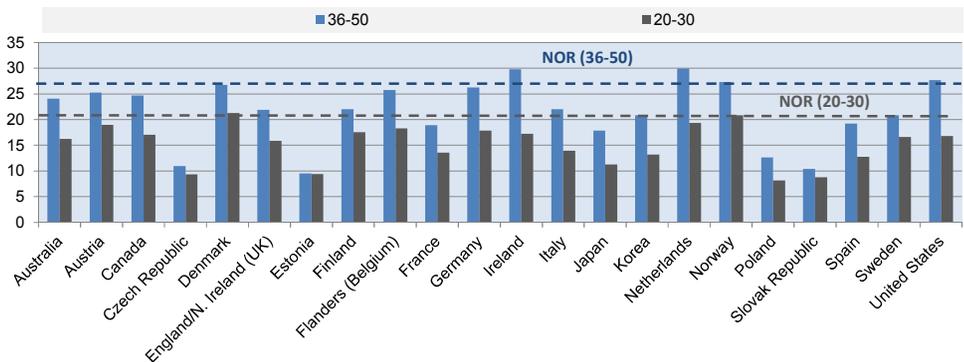
**Figure A.1. Participation rate, by permit, nationality and gender, 2012**



*Note:* Sample includes persons 15-65.

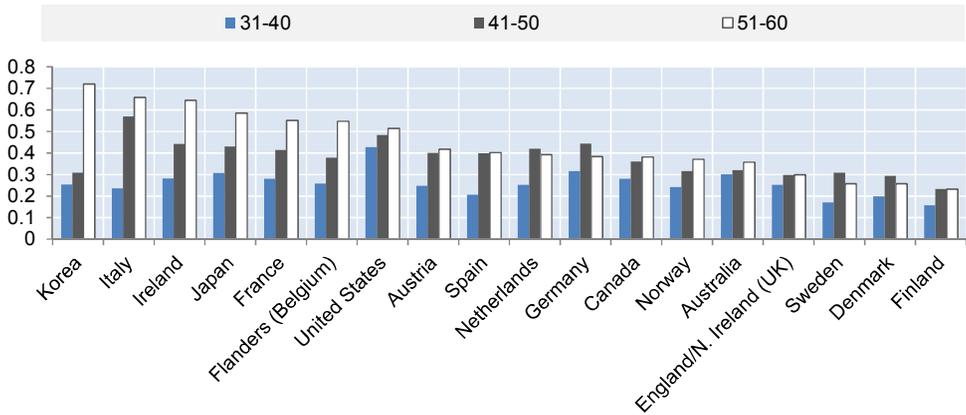
*Source:* Register data.

**Figure A.2. Hourly median wages of tertiary educated persons, by age group**



*Source:* Survey of Adult Skills (PIAAC) 2012.

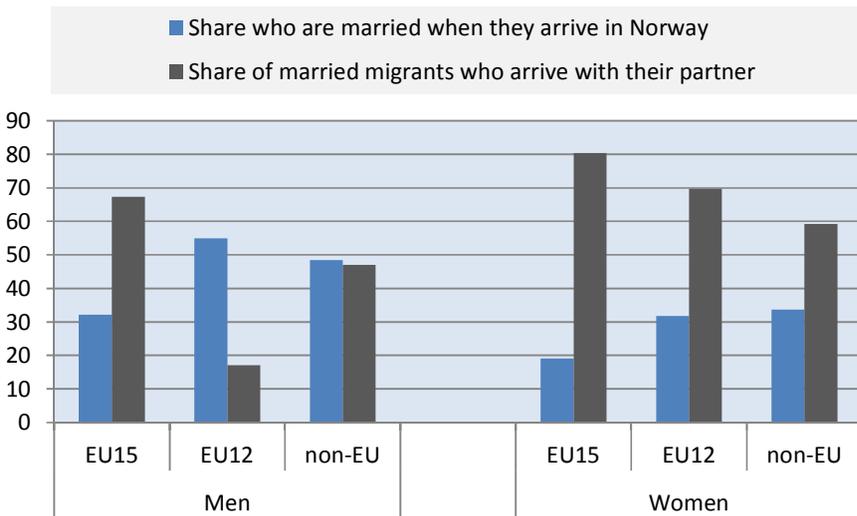
**Figure A.3. Hourly median wages of tertiary educated persons, by age relative to 22-30 year-olds**



*Note:* The sample comprises person aged 22-60 years old with at least a university degree. The coefficients are from simple regressions of log hourly earnings on three age dummies. The reference group is 22-30 years old.

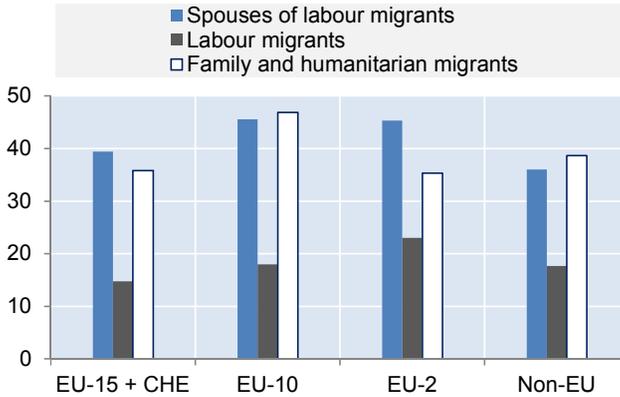
*Source:* Survey of Adult Skills (PIAAC) 2012.

**Figure A.4. Family composition of labour migrants by origin and gender**



*Source:* Register data (2002-11) from Statistics Norway.

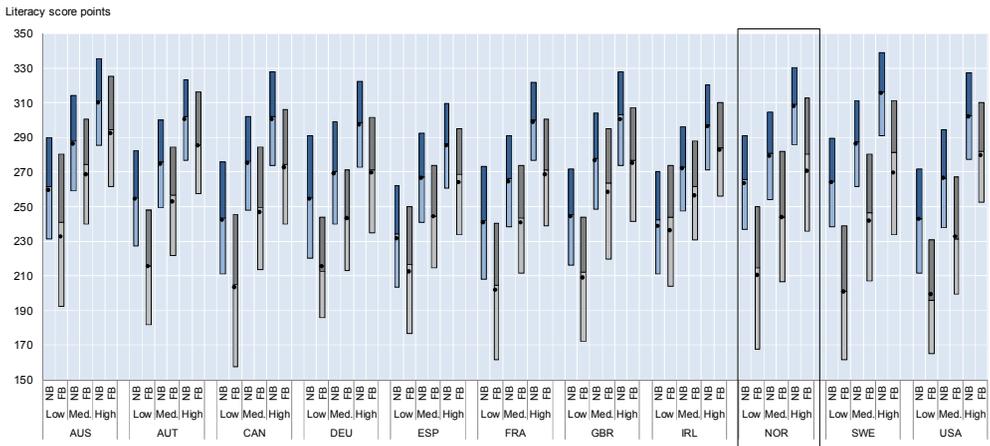
**Figure A.5. Share in part-time employment for labour migrants, their spouses and family/humanitarian migrants, 2012**



*Note:* The sample includes persons 15-65. See Box 2.1 for the definition of spouses.

*Source:* Register data from Statistics Norway.

**Figure A.6. Distribution of literacy scores, by education and place of birth**



*Note:* The sample includes persons aged 16 to 65. The lower end of the bar represents the 25<sup>th</sup> percentile, while the upper one the 75<sup>th</sup> percentile. The black dot in the middle is the mean. Low education corresponds to less than upper secondary, medium education to upper secondary and high education to tertiary education.

*Source:* Survey of Adult Skills (PIAAC) 2012)

**Table A.1. Annual income for all full-time full year employed Norwegians and arrivals since 2009**

ln(annual income 2011)	Model1	Model2	Model3	Model4	Model5
Age	0.016*** (0.000)	0.016*** (0.000)	0.015*** (0.000)	0.015*** (0.000)	0.014*** (0.000)
Length of job spell (in month)		0.001*** (0.000)	0.000** (0.000)	0.001*** (0.000)	0.000*** (0.000)
Nordics			-0.409*** (0.010)	-0.433*** (0.010)	-0.374*** (0.009)
Old EEA			0.026* (0.014)	0.010 (0.014)	-0.004 (0.013)
New EU			-0.562*** (0.007)	-0.547*** (0.007)	-0.478*** (0.007)
Other			-0.146*** (0.015)	-0.162*** (0.015)	-0.177*** (0.015)
NO02 Hedmark og Oppland				-0.213*** (0.006)	-0.174*** (0.006)
NO03 Sør-Østlandet				-0.154*** (0.004)	-0.120*** (0.004)
NO04 Agder og Rogaland				-0.021*** (0.004)	-0.042*** (0.004)
NO05 Vestlandet				-0.094*** (0.004)	-0.087*** (0.004)
NO06 Trøndelag				-0.129*** (0.005)	-0.115*** (0.005)
NO07 Nord-Norge				-0.154*** (0.005)	-0.123*** (0.005)
Noxx offshore				0.013 (0.027)	-0.121*** (0.026)
MINING AND QUARRYING					0.658*** (0.016)
MANUFACTURING					0.250*** (0.014)
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY					0.418*** (0.019)
WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REME					0.201*** (0.019)
CONSTRUCTION					0.134*** (0.014)
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES .					0.133*** (0.014)
TRANSPORTATION AND STORAGE					0.183*** (0.014)
ACCOMMODATION AND FOOD SERVICE ACTIVITIES					-0.140*** (0.016)
INFORMATION AND COMMUNICATION					0.441*** (0.014)
FINANCIAL AND INSURANCE ACTIVITIES					0.462*** (0.015)
REAL ESTATE ACTIVITIES					0.291*** (0.017)
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES					0.381*** (0.014)
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES					0.036** (0.014)
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL					0.246*** (0.014)
EDUCATION					0.183*** (0.014)
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES					0.114*** (0.014)
ARTS, ENTERTAINMENT AND RECREATION					0.059*** (0.018)
OTHER SERVICE ACTIVITIES					-0.051*** (0.016)
ACTIVITIES OF HOUSEHOLDS					-0.386*** (0.143)
ACTIVITIES OF EXTRATERRITORIAL ORGANISATIONS					-0.097 (0.163)
_cons	12.369*** (0.004)	12.349*** (0.007)	12.422*** (0.007)	12.486*** (0.007)	12.297*** (0.015)
Number of observations	175,006	175,006	175,006	174,889	174,629
R2	0.097	0.097	0.137	0.151	0.211

Source: Norwegian Labour and Welfare Administration (NAV) employer/employee database.

**Table A.2. Correspondence between field of education and sector of work**

Field of education	Sector of work
Humanities and social sciences	Education, scientific research and development, information and communication, legal and accounting services, consultancy services, advertising and market research, public administration and defence, arts, entertainment and recreation, international organisations.
Pedagogical subjects	Education, scientific research and development
Economics and administration	Education, scientific research and development, financial and insurance activities, real estate activities, legal and accounting services, consultancy activities, advertising and market research, administrative and support service activities, public administration and defence
Natural sciences and technology	Scientific research and development, education, manufacturing, electricity, water supply, construction, architectural and engineering activities
Health studies	Education, health and social services, scientific research and development
Other fields of study	Agriculture, forestry and fishing, scientific research and development, education, veterinary work

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