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Jobs for Immigrants: Labour Market Integration in Norway

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EXECUTIVE SUMMARY

1. In the context of longstanding and significant differences between the labour market outcomes of the native-born and immigrants, the labour market integration of immigrants has been a key policy issue in Norway. The differences are largely attributable to the prevalence of family and humanitarian migrants in the past, since these have outcomes that are not as good as those of labour migrants in most countries.

2. Evidence from many OECD countries shows that immigrants, in particular recent arrivals, tend to be especially affected by an economic downturn. The available tentative evidence on unemployment suggests that this is also the case in Norway in the current downturn, particularly with respect to the many recent labour migrants from the new EU member countries. Since this can have a lasting effect on their labour market outcomes, it is important that the integration of immigrants remains a priority for policy.

3. In the years prior to the downturn, labour market outcomes have clearly improved with the favourable economic conditions, and current overall outcomes are fairly positive compared to the past. Although strong labour migration from Eastern Europe has contributed to the increase in the employment rate for the migrant population as a whole, the outcomes of more longstanding migrant groups have improved as well.

4. In parallel, there has been much effort to enhance the labour market integration of immigrants, in particular of recent arrivals. How much of the improvement in outcomes is due to these efforts and how much is attributable to the improved labour market conditions and the shift toward more labour migration is difficult to discern. The testing time for integration is thus occurring now with the economic downturn.

5. The labour market integration of immigrants and their children has to be seen in the context of Norway's high GDP per capita (second highest in the OECD), low unemployment and high labour market participation of both genders. It also has to be viewed against the backdrop of a Nordic-type welfare state. The labour market and social security system is characterised by a rather high degree of wage compression with wages largely determined by centralised bargaining, high net replacement rates in particular for low earners with many children, a large public sector and a relatively "active" labour market policy.

6. More attention should be paid to low-skilled immigrants, whose outcomes are unfavourable in international comparison. This seems to be attributable to a mix of disincentives to work and limited availability of low-skilled jobs. To overcome these obstacles, more targeted training and education measures should be considered.

7. More could also be done to make better use of the skills of migrants who have acquired their qualifications in non-OECD countries. There appears to be a large discount of foreign qualifications in the labour market, but there is some uncertainty related to this since little is known about migrants' foreign qualifications. This is an important gap in the data infrastructure which should be tackled in order to get a better picture of the use of migrants' skills in the labour market and, linked with this, possible remedial action.

8. There are a number of shortcomings in the process of the assessment and recognition of foreign qualifications which need to be tackled. In particular, there seems to be a shortage of "bridging" offers for persons whose degree is not considered fully equivalent to a Norwegian one. Likewise, the currently limited possibilities for the assessment and recognition of vocational competences, both acquired formally and informally, should be expanded with a specific focus on immigrants, in co-operation with the social partners.

9. Given the rather recent nature of larger-scale migration to Norway, the overall infrastructure for integration is well-developed. Immigrants were prioritised in active labour market policy measures for the ordinary unemployed, and this seems to have had a beneficial effect. Although this prioritisation ended in 2009 in favour of an individual assessment of the work capability of each unemployed, some indirect targeting is likely to remain since immigrants are a central target group of labour market policy in general.

10. However, few immigrants are currently participating in wage-subsidy programmes, in spite of the fact that this has been shown to be a particularly effective tool for the labour market insertion of immigrants, both in Norway and in other OECD countries. Likewise, there are few measures that aim at overcoming the structural disadvantage which migrants face in the labour market due to their lack of networks. A broader sponsorship of mentorship programmes would be beneficial in this respect.

11. Newly arrived humanitarian migrants and the family members of humanitarian migrants (both already settled and newly arriving ones) have to participate in a two-year introduction programme if they lack basic qualifications. The programme seems adequately targeted, but it discourages early labour market entry, which can be counterproductive. Norway tries to disperse humanitarian migrants across the country, and the distribution is based on negotiations between the state and municipalities. The process is lengthy, and small municipalities are not always able to provide integration programmes to the refugees which are tailored to their needs. This suggests that the settlement process could be made more effective if it took into account the fact that needs differ according to ability. Municipalities could specialise in the integration of certain migrant groups, and a longer-term commitment should be linked with financial incentives.

12. The Norwegian labour market seems to place much emphasis on full mastery of the Norwegian language and indeed, Norway invests significant amounts in providing language training. There is, however, some uncertainty regarding the quality of the training which is provided, and municipalities' incentives to provide training which is adapted to migrants' skills could be strengthened. The right to language training should also be extended to immigrants from EEA countries.

13. Much emphasis has been put in recent years on a better integration of immigrants into the large public sector in Norway. These have included the obligation to interview at least one person of immigrant background for new positions and, on a trial basis since 2009, to give preference to immigrant candidates for a job offering if they have the same qualifications as natives. There is some evidence that these and other efforts in the public sector at all levels have paid off. Over the past five years, the public sector has contributed disproportionately to higher employment among non-OECD migrants who have been in Norway for longer.

14. An emerging issue is the labour market integration of the native-born children of immigrants, who are now entering the labour market in greater numbers. Their labour market outcomes lag behind those of comparable children of natives, although the differences do not appear to be larger than in other OECD countries. They have particular difficulties in finding apprenticeship places, and this process can be expected to become more difficult now for all groups in the economic downturn. A greater involvement of educational institutions in the process of finding places would seem helpful in this respect, as well as additional incentives to employers to overcome their reluctance to hire apprentices with an immigrant background. Children of immigrants would also especially benefit from a larger participation in kindergarten before the age of four, the age-range for which they are currently most underrepresented. One obstacle to this is the "cash-for-care" subsidy which provides strong disincentives to send children into early childhood educational institutions. Since the subsidy also seems to hamper the labour market integration of immigrant women, there seems to be a strong case for abolishing it. The amount saved through the abolition of the subsidy should be used to create more places in formal institutions in those parts of the country where there are still shortages.

15. Despite numerous governmental action plans since 1992, most other stakeholders tend not to attribute much weight to the issue of labour market discrimination against immigrants, nor have there been testing studies in Norway thus far that would quantify its importance. This shortcoming should be overcome and indeed, first steps have been taken in this direction, and a testing study is currently under way. A potentially important step in overcoming selective hiring procedures is the obligation for employers to establish and implement active measures to promote equality and prevent discrimination against immigrants, introduced in early 2009. However, small and medium-sized enterprises are excluded from this obligation, despite some tentative signs that this is the part of the labour market where selective hiring is most pronounced. For monitoring to be an accepted tool, the administrative burden on employers has to be limited; and its effective implementation should be promoted thorough incentives and administrative support, notably for small and medium-sized enterprises.

Keywords: Integration, immigrants, labour market, Norway

Box 1 summarises the main policy recommendations.

Box 1. Summary of the main policy recommendations

A) Enhance the effectiveness of language training and of the introduction programme

1. Strengthen the incentives of municipalities to provide quality and outcome-focused language training according to migrants' abilities and needs by better accounting for participants' progress in Norwegian in the payments to municipalities.
2. Consider a more adapted settlement strategy that takes into account the fact that needs differ according to ability to enable smaller municipalities to provide adapted introduction programmes and to quicken the settlement process.
3. Incite municipalities to make more effective use of the possibility to allow faster tracks for new arrivals who are closer to the labour-market, and remove disincentives to take up employment early for those migrants who have acquired the basic qualifications for a sustainable integration into the labour market.
4. Modify the current lump-sum funding scheme for the introduction programme to align municipalities' incentives with the objective of rapid and lasting labour market integration, and to meet the different integration needs of migrants depending on their skills level.
5. Improve experience-sharing between municipalities. To this end, introduce a benchmarking of municipalities that monitors their success in the integration of new arrivals (language mastery and labour market integration).
6. Consider extending the right to language training to long-term immigrants from EEA countries.
7. Fully include language training in the set of training measures for vocational rehabilitation.

B) Make better use of migrants' skills

1. Make the formal assessment and subsequent recognition of foreign credentials – linked with bridging offers where applicable – an integrated part of the introduction programme for new arrivals.
2. Enhance the scale and scope of "bridging" courses which enable migrants to obtain a qualification that is familiar to employers, and make the available options more transparent to migrants.
3. Implement assessment and recognition procedures for persons with foreign vocational qualifications. This could be embedded in a larger framework to enhance accreditation of prior learning with a specific focus on immigrants, in co-operation with the social partners.
4. Establish a one-shop information and service centre for assessment and recognition of qualifications at all levels.
5. Establish clearer guidelines to universities for the recognition of academic professions, and provide incentives for their effective implementation.
6. Register the foreign qualifications of migrants to get a better picture of the use of migrants' skills in the labour

market, and take appropriate subsequent action. Likewise, the labour market impact of having one's foreign qualifications recognized should be assessed in a pilot study.

C) Establish footholds into the labour market

1. Provide more training to low-educated migrants to raise their functional literacy level and link this with work experience.
2. Carefully increase the use and targeting of wage subsidies for the labour market integration of immigrants.
3. Monitor the impact of the recent abolishing of direct targeting of immigrants in labour market policy measures for the ordinary unemployed on migrants' labour market reinsertion. Take remedial action if the impact is negative.
4. Implement mentorship programmes on a larger scale.

D) Pay more attention to the children of immigrants

1. Abolish the cash benefit to increase the incentives of parents to place their children in early childhood education, at least for children after the age of two – the age after which participation in early childhood education and care has demonstrably favourable effects on the education outcomes of children of migrants. Reducing the length of cash benefit recipiency would also have a favourable impact on the labour supply of immigrant women.
2. Extend existing exemptions from day care/kindergarten fees to all households with low incomes.
3. Inform immigrant families with small children about the importance of kindergarten for their children's' later success, and communicate the possibility of fee exemptions for them.
4. Consider targeted increases in apprenticeship subsidies for employers who provide places for children of immigrants, and strengthen educational institutions' support in the process of searching for apprenticeship places.

E) Improve the framework for anti-discrimination

1. Make the anti-discrimination framework more visible to immigrants and inform them about their rights. This could be done by including a session on anti-discrimination in the introduction courses.
2. Conduct an experimental testing study to assess the incidence of discrimination in hiring.
3. Monitor selective hiring in small- and medium-sized enterprises.
4. Strengthen the incentives of employers to implement anti-discrimination monitoring.
5. Support the implementation of anti-discrimination and diversity plans through government-sponsored consultants.

RÉSUMÉ

16. Compte tenu des écarts traditionnellement importants qui existent entre les résultats des Norvégiens d'origine et ceux des immigrés sur le marché du travail, l'intégration professionnelle de ces derniers est une question cruciale pour les pouvoirs publics en Norvège. Les différences sont imputables en grande partie à la prédominance de migrants familiaux et humanitaires par le passé, dont les résultats ne sont pas aussi bons que ceux des migrants de travail dans la plupart des pays.

17. D'après les observations faites dans de nombreux pays de l'OCDE, les immigrés, en particulier les nouveaux arrivants, sont en général particulièrement touchés en cas de détérioration de la conjoncture économique. Les premières informations disponibles sur le chômage permettent de penser que c'est aussi le cas en Norvège au cours de la récession actuelle, en particulier pour les nombreux migrants de travail arrivés récemment. Cela pouvant affecter durablement leurs résultats sur le marché du travail, il est important que l'intégration des immigrés reste une priorité pour les pouvoirs publics. Au cours des années qui ont précédé le ralentissement de l'économie, les résultats au regard de l'emploi se sont clairement améliorés à la faveur d'une situation économique favorable, et à l'heure actuelle ils sont globalement plutôt positifs par rapport au passé. Même si la forte migration de travail venue d'Europe de l'Est a contribué à la hausse du taux d'emploi de la population immigrée dans son ensemble, les résultats de groupes de migrants de plus longue date se sont également améliorés.

18. Parallèlement, bien des efforts ont été faits pour améliorer l'intégration des immigrés sur le marché du travail, en particulier les nouveaux arrivants. Il est difficile de déterminer la part de cette amélioration qui est due à ces efforts, à la situation plus favorable du marché du travail et à l'évolution vers une migration davantage axée sur le travail. La récession économique sera donc une forme de test pour l'intégration.

19. L'intégration des immigrés et de leurs enfants sur le marché du travail doit être replacée dans le contexte norvégien d'un PIB par habitant élevé (deuxième rang dans la zone de l'OCDE), d'un faible chômage et d'un fort taux d'activité des deux sexes. Il faut aussi tenir compte du contexte de l'État providence scandinave. Le marché du travail et le régime de sécurité sociale se caractérisent par un degré relativement important de compression des salaires, déterminés en grande partie dans le cadre de négociations centralisées, des taux élevés de remplacement net, en particulier pour les familles nombreuses à faible revenu, un vaste secteur public et une politique du marché du travail relativement « active ».

20. Il faudrait accorder davantage d'attention aux immigrés peu qualifiés, dont les résultats au regard de l'emploi ne sont pas bons comparés à ceux observés dans d'autres pays. Cela semble imputable à la fois à des désincitations au travail et à une offre réduite d'emplois peu qualifiés. Pour surmonter ces obstacles, il faudrait envisager des programmes d'éducation et de formation plus ciblés.

21. Il faudrait également chercher davantage à optimiser l'utilisation des compétences des migrants qui ont acquis leurs qualifications en dehors de la zone de l'OCDE. Il semblerait que les qualifications étrangères ne soient guère prisées sur le marché du travail, mais des incertitudes subsistent à ce sujet car l'on sait peu de choses sur les qualifications étrangères des migrants. Cela constitue une lacune importante dans l'infrastructure de données, qu'il faudrait combler afin d'avoir une meilleure vision de l'usage qui est fait des compétences des migrants sur le marché du travail et, partant, d'une éventuelle action corrective.

22. Le processus d'évaluation et de reconnaissance des qualifications étrangères présente un certain nombre d'insuffisances auxquelles il faut remédier. En particulier, il semble qu'il n'y ait pas suffisamment d'offres « de cours-passerelles » pour les personnes dont le diplôme n'est pas jugé totalement équivalent à un diplôme norvégien. De même, les possibilités actuellement limitées en matière d'évaluation et de

reconnaissance des compétences professionnelles, sanctionnées par un diplôme ou non, devraient être étendues en mettant spécifiquement l'accent sur les immigrés, en coopération avec les partenaires sociaux.

23. L'afflux massif de migrants en Norvège étant assez récent, l'infrastructure d'intégration globale est bien développée. Les immigrés sont devenus une priorité des politiques actives en faveur de l'emploi des chômeurs ordinaires, ce qui semble avoir eu un effet bénéfique. Même si l'ordre des priorités a été modifié en 2009 au profit d'une évaluation individuelle des aptitudes professionnelles de chaque chômeur, les immigrés continueront de faire l'objet d'un ciblage indirect puisqu'ils demeurent l'un des principaux groupes cibles de la politique du marché du travail en général.

24. À l'heure actuelle, toutefois, peu d'immigrés participent à des programmes de subventions salariales, qui se révèlent pourtant être un outil particulièrement efficace pour leur insertion sur le marché du travail, que ce soit en Norvège ou dans d'autres pays de l'OCDE. De même, peu de mesures visent à surmonter le handicap structurel dont souffrent les migrants sur le marché du travail du fait qu'ils ne possèdent pas de réseaux. Dans cette optique il serait bon de favoriser plus largement les programmes de parrainage.

25. Les migrants humanitaires de fraîche date et les membres de leur famille (aussi bien ceux qui sont déjà installés que ceux qui viennent tout juste d'arriver) doivent participer à un programme d'accueil d'une durée de deux ans s'ils ne possèdent pas les qualifications de base. Le programme semble correctement ciblé, mais il décourage les entrées précoces sur le marché du travail, ce qui peut s'avérer contreproductif. La Norvège s'efforce de répartir les migrants humanitaires sur tout le territoire, par voie de négociations entre l'État et les municipalités. C'est un processus très long, et les petites municipalités ne sont pas toujours en mesure de proposer aux réfugiés des programmes d'intégration adaptés à leurs besoins. Cela permet de penser que le processus d'établissement pourrait être plus efficace s'il tenait compte du fait que les besoins varient en fonction de l'aptitude. Les municipalités pourraient se spécialiser dans l'intégration de certains groupes de migrants, et un engagement à plus long terme devrait être assorti d'incitations financières.

26. Le marché du travail norvégien semble accorder beaucoup d'importance à la maîtrise parfaite de la langue norvégienne et, de fait, la Norvège investit des sommes importantes pour offrir une formation linguistique. On peut néanmoins s'interroger sur la qualité de la formation proposée, et les incitations offertes aux municipalités pour qu'elles assurent une formation qui soit adaptée aux compétences des migrants pourraient être renforcées. Le droit à une formation linguistique devrait également être étendu aux immigrés des pays de l'EEE.

27. Ces dernières années l'accent a été mis sur une meilleure intégration des immigrés dans le vaste secteur public de la Norvège. Il est notamment obligatoire de recevoir en entretien au moins une personne issue de l'immigration pour tout nouveau poste à pourvoir et, à titre d'essai depuis 2009, à qualification égale, de donner la préférence aux candidats immigrés plutôt qu'aux natifs du pays. Il y lieu de penser que ces efforts, parmi d'autres, déployés à tous les niveaux dans le secteur public, ont porté leurs fruits. Au cours des cinq années passées, le secteur public a énormément contribué à la hausse de l'emploi chez les migrants originaires de pays non membres de l'OCDE installés en Norvège depuis assez longtemps.

28. Le problème qui commence à se poser est celui de l'intégration dans la vie active des enfants nés en Norvège de parents immigrés, qui sont maintenant de plus en plus nombreux à entrer sur le marché du travail. Leurs résultats au regard de l'emploi sont inférieurs à ceux de leurs homologues nés dans le pays, même si les différences ne semblent pas être plus grandes que dans d'autres pays de l'OCDE. Ils ont particulièrement du mal à trouver des places d'apprentissage, une situation qui s'aggrave maintenant pour tous les groupes avec la récession économique. Il semblerait utile à cet égard que le système éducatif aide davantage les jeunes à trouver des places et il faudrait aussi inciter davantage les employeurs à embaucher

des apprentis issus de l'immigration. Les enfants d'immigrés gagneraient aussi beaucoup à fréquenter généralement le jardin d'enfants avant l'âge de quatre ans, la tranche d'âge pour laquelle ils sont le plus sous-représentés à l'heure actuelle. Un obstacle en la matière est l'aide financière versée aux personnes qui demeurent à la maison pour s'occuper d'un enfant, qui désincite fortement à scolariser les très jeunes enfants. Étant donné que cette aide empêche semble-t-il également l'intégration des femmes immigrées sur le marché du travail, il serait fort souhaitable de la supprimer. Les sommes ainsi économisées devraient être utilisées pour créer davantage de places dans des établissements officiels dans les zones du pays où il y a encore pénurie.

29. Malgré les nombreux plans d'action gouvernementaux mis en place depuis 1992, la plupart des autres parties prenantes accordent généralement peu d'importance à la question de la discrimination à l'égard des immigrés sur le marché du travail, et aucune étude de testing, qui aurait permis d'en quantifier l'importance, n'a été réalisée en Norvège jusqu'à présent. Il faudrait remédier à cette lacune et, de fait, quelques premières mesures allant dans ce sens ont été prises, et une étude de testing est en cours. Une démarche adoptée au début de l'année 2009, qui pourrait avoir son importance dans le cadre de la lutte contre les procédures de recrutement sélectives, est l'obligation pour les employeurs de mettre en place et d'appliquer des mesures actives afin de promouvoir l'égalité et de prévenir la discrimination à l'encontre des immigrés. Cependant, les petites et moyennes entreprises en sont dispensées, même si un certain nombre d'indices tendent à prouver que c'est dans cette partie du marché du travail que la sélection à l'embauche est la plus prononcée. Pour que le contrôle soit un outil acceptable, il faut que la charge administrative pesant sur les employeurs soit limitée ; il faudrait en outre favoriser une mise en œuvre efficace en offrant des incitations et un soutien administratif, notamment aux petites et moyennes entreprises.

Mots clés : Intégration, immigrés, marché du travail, Norvège

On trouvera dans l'encadré 1 un résumé des principales recommandations d'action.

Encadré 1. Résumé des principales recommandations d'action

A) Améliorer l'efficacité de la formation linguistique et du programme d'accueil

1. Inciter davantage les municipalités à assurer une formation linguistique adaptée aux capacités et aux besoins des migrants en calculant les paiements qui leur sont versés en fonction des progrès en norvégien des participants.

2. Envisager une stratégie d'installation plus adaptée, tenant compte du fait que les besoins varient selon les capacités de chacun, afin de permettre aux municipalités de proposer des programmes d'accueil adaptés et d'accélérer le processus d'établissement.

3. Inciter les municipalités à mettre à profit plus efficacement la possibilité d'accélérer l'accès au marché du travail pour les primo-arrivants qui y sont mieux préparés et supprimer les désincitations à prendre rapidement un emploi dans le cas des migrants qui ont de fortes chances d'être intégrés durablement sur le marché du travail.

4. Mettre en œuvre un mécanisme plus souple de financement du programme d'accueil afin d'axer les incitations des municipalités sur l'objectif d'intégration rapide et durable sur le marché du travail.

5. Améliorer le partage d'expérience entre les municipalités. Pour ce faire, mettre en place un système d'évaluation comparative des municipalités qui permette de vérifier leur capacité à intégrer les primo-arrivants (maîtrise de la langue et insertion sur le marché du travail).

6. Envisager d'étendre le droit à la formation linguistique aux immigrés de longue durée originaires de pays de l'UE.

B) Mieux exploiter les compétences des migrants

1. Faire de l'évaluation formelle et de la reconnaissance ultérieure des titres étrangers – associées à des cours-passerelles le cas échéant – une partie intégrante du programme d'accueil s'adressant aux primo-arrivants.

2. Améliorer l'étendue et la portée des cours-passerelles qui permettent aux migrants d'obtenir une qualification reconnue par les employeurs, et veiller à ce que les différentes possibilités offertes aux migrants soient plus transparentes.

3. Mettre en œuvre des procédures d'évaluation et de reconnaissance pour les personnes possédant des qualifications professionnelles étrangères. Ce dispositif pourrait être intégré à un système plus large afin d'améliorer la validation des acquis de l'expérience en mettant spécifiquement l'accent sur les immigrés, en coopération avec les partenaires sociaux.

4. Mettre en place un centre d'information et de service à guichet unique pour l'évaluation et la reconnaissance des qualifications à tous les niveaux.

5. Établir des lignes directrices plus claires à l'intention des universités pour la reconnaissance des professions universitaires, et favoriser leur mise en œuvre efficace à l'aide d'incitations.

6. Enregistrer les qualifications étrangères des migrants pour avoir une meilleure vue d'ensemble de l'usage de leurs compétences sur le marché du travail, et prendre ensuite les mesures qui s'imposent. De même, il faudrait évaluer l'impact de la reconnaissance des qualifications étrangères sur le marché du travail dans le cadre d'une étude pilote.

C) Favoriser l'intégration durable sur le marché du travail

1. Étoffer l'offre de formation s'adressant aux migrants peu qualifiés pour relever leur niveau de littératie fonctionnelle et créer un lien avec l'expérience professionnelle.

2. Accroître prudemment le recours aux subventions salariales et rendre leur application plus souple.

3. Mettre en œuvre des programmes de parrainage à plus grande échelle.

D) Accorder plus d'attention aux enfants d'immigrés

1. Supprimer la prestation en espèces pour inciter davantage les parents à mettre leurs enfants à l'école maternelle. Cela aurait également un impact favorable sur l'offre de main-d'œuvre de femmes immigrées.

2. Étendre l'exonération de frais de garde de jour/de jardins d'enfants existante aux familles à faible revenu.

3. Expliquer aux familles immigrées l'importance du jardin d'enfants pour la réussite future de leurs enfants, et les informer des possibilités d'exonérations de frais.

4. Envisager des hausses ciblées des subventions d'apprentissage pour les employeurs qui proposent des places aux enfants d'immigrés, et renforcer l'aide à la recherche de contrats d'apprentissage proposée par les établissements d'enseignement.

E) Améliorer le système de lutte contre la discrimination

1. Faire en sorte que le système de lutte contre la discrimination soit plus visible pour les immigrés et les informer de leurs droits. On pourrait, pour cela, prévoir une session sur la lutte contre la discrimination dans les stages d'accueil.

2. Surveiller l'embauche sélective dans les petites et moyennes entreprises.

3. Inciter davantage les employeurs à mettre en œuvre un suivi anti-discrimination.

4. Soutenir la mise en œuvre de plans de lutte contre la discrimination et de plans en faveur de la diversité en faisant appel à des consultants rémunérés sur fonds publics.

TABLE OF CONTENTS

EXECUTIVE SUMMARY 4

RÉSUMÉ 8

THE LABOUR MARKET INTEGRATION OF IMMIGRANTS AND THEIR CHILDREN IN NORWAY 14

Introduction 14
I. A first glance at the labour market outcomes of immigrants in international comparison and their evolution over time 16
II. The framework for integration 22
The evolution of immigration to Norway and the main immigrant groups 22
The evolution of integration policy 25
Key actors 28
III. Migrants' position in the labour market 30
Migrant's qualifications and labour market outcomes 30
The labour market outcomes of highly-skilled migrants and the recognition of foreign qualifications 33
The convergence of labour market outcomes over time and the composition of the immigrant population 37
The impact of economic conditions on the labour market outcomes of immigrants 40
Self-employment of immigrants 43
IV. Characteristics of the Norwegian labour market and links with integration 44
The tax and benefit system 44
The low-skilled employment sector 45
Migrants and the public sector 48
The labour market integration of immigrant women 50
V. Integration policy in Norway 52
Language training and the introduction programme 52
The settlement of immigrants 56
Labour market programmes and the participation of immigrants 57
VI. The labour market integration of the children of immigrants 60
Overview of the labour market outcomes of the children of immigrants 60
Vocational training and the school-to-work transition 63
VII. Sources of persisting disadvantage across generations – and possible remedies 65
Networks and the functioning of the labour market 65
Discrimination 66

SUMMARY AND RECOMMENDATIONS 70

BIBLIOGRAPHY 77

ANNEXES 82

A) The ten main countries of origin of immigrants in 1988, 1998 and 2008 (% of total immigration and absolute numbers) 82
B) Population structure by age, migrant status and sex 82
C) Employment rates (in percent) by duration of residence and migration category in Norway, 2006 83

D) Employment rates of foreign-born from OECD and non-OECD countries, 15-64 years old, by gender, 2007/2008 average 83
E) The sectoral distribution of immigrants' employment 84
F) Distribution of wages for the native- and foreign-born in Norway, 15-64 years old and not in education 86

Boxes

Box 1. Summary of the main policy recommendations 6
Encadré 1. Résumé des principales recommandations d'action 10
Box 2. Defining the target population 15
Box 3. Data and research on migrants and their children in Norway 21
Box 4. The poor labour market outcomes of low-qualified immigrants in Norway Is literacy part of the explanation? 47
Box 5. Specialised employment services for persons with an immigrant background – the NAV intro 59
Box 6. The "Second chance" Programme 60

THE LABOUR MARKET INTEGRATION OF IMMIGRANTS AND THEIR CHILDREN IN NORWAY

Introduction

30. The labour market integration of immigrants has been a longstanding issue on the policy agenda in Norway. It is seen as essential to ensuring social cohesion, and has gained importance in the context of the recent increase in immigration. The current foreign-born population stands at 9.4% of the total population, more than twice the 1991 figure, placing Norway between Denmark (6.9%) and Sweden (13.4%). According to national statistics, more than 50 000 people migrated to Norway in 2007, with net migration adding almost one percent to the Norwegian population, which is by far the highest immigration inflows on record and also one of the highest in the OECD. There is evidence that this recent increase in migration – to a large part driven by labour migration to accommodate high labour demand – has been beneficial to Norway's economy in several ways, in particular by allowing the economy to grow at a higher level (see OECD 2008a). Indeed, the promotion of labour migration has been an important policy objective in the period of economic growth before the recent economic crisis. In spite of a general feeling that the outcomes of immigrants have improved with the favourable economic conditions and the larger intake of labour migrants in previous years, there is a fear that this achievement may not be sustainable in the context of the current downturn. Many actors consider the current situation as a "testing time" for integration.

31. Until the 1960s, Norway was a country of net emigration, and immigration remained modest until the fall of the Iron curtain in the late 1980s. Indeed, the Norwegian population has been – and in many ways still is – a rather homogeneous one. Partly as a result of subsequent return migration of former emigrants, a relatively large part of the foreign-born has at least one native-born parent. These are not considered "immigrants" in the Norwegian statistics and indeed are indistinguishable from the native-born in many ways. They are therefore excluded from the analysis presented here but generally included in the international comparison to maintain comparability (see Box 2). Along with the recent growth in immigration, there has been a diversification of origin countries, partly attributable to humanitarian migration and partly to increases in labour migration, particularly from the new EU member states.

32. At the same time, the native-born children of immigrants (the so-called "second generation") are now gradually entering the labour market. This group is still small in international comparison – currently accounting for only about 2% of the 15 to 24-year old population – but its share among school-leavers is rapidly growing and as is the case in many OECD countries, its outcomes are lagging behind those of the children of natives. For persons who have themselves immigrated, language problems, differences in education systems and educational curricula, as well as difficulties related to the migration process itself, will affect their likelihood of finding employment or a job commensurate with their qualifications and experience. These explanations do not hold for the native-born children of immigrants who have been fully raised and educated in Norway. Because of this, their outcomes are often seen as the "benchmark" for successful labour market integration.

33. The labour market integration of immigrants and their children has to be seen in a context of Norway's high GDP per capita (second highest in the OECD), low unemployment and high labour market participation of both genders. It also has to be viewed against the backdrop of a Nordic-type welfare state.

The labour market and social security system is characterised by a rather high degree of wage compression with wages largely determined by centralised bargaining, high net replacement rates in particular for low earners with many children, a large public sector and a relatively "active" labour market policy (see OECD 2003).

34. This report is structured as follows: Section I presents an overview of the key labour market outcomes of immigrants in Norway in international comparison, and their evolution over time. Section II sets out the framework for integration, that is, the evolution and current composition of the immigrant population, the main elements of integration policy, and the stakeholders related to the labour market integration of immigrants. Section III provides a detailed picture of migrants in the labour market, including the impact of socio-demographic characteristics, the convergence of immigrants' outcomes towards those of natives over time, and the impact of macro-economic conditions. Section IV analyses some of the key characteristics of the Norwegian labour market and their links with integration. This is followed by an analysis of the main integration policy instruments in Section V. Section VI looks into the labour market integration of the children of immigrants, followed by a glance at the evidence regarding discrimination in Section VII. The report ends with a summary and recommendations.

Box 2. Defining the target population

In most publications and research in Norway, the "immigrant population" encompasses the foreign-born without "Norwegian background" - that is, the foreign-born with two foreign-born parents. 15% of the foreign-born population (1.4% of the total population) have at least one native-born parent and are thus not considered "immigrants" in the Norwegian context. A significant part of these foreign-born are descendants of Norwegian emigrants to other OECD countries, and their labour market position resembles in many ways that of the native-born. Where this report presents data and analyses on immigrants from national sources, it follows the national definition. However, most other OECD countries do not make this distinction and include all foreign-born in their immigrant population. For the international comparisons, statistics from the European Labour Force Survey on the entire foreign-born population have been used, along with Norwegian register data on immigrants according to the national definition.

The inclusion of the *native-born* children with two foreign-born parents in the "immigrant population" in national statics and much research is problematic, since this group differs in two important ways from the foreign-born. Firstly, they have been fully raised and educated in Norway. The issues related to their integration thus differ (see OECD 2007a). Secondly, the average age of the native-born children of immigrants is rather low in Norway (more than half are below the age of ten, see Appendix B), reflecting the more recent immigration history. They are thus treated as a separate group in this report.

In late 2008, Statistics Norway changed the terms used in their classification of immigrants and their children. Since then, the native-born children of immigrants are no longer included in the "immigrant" group (see Daugstad (ed.) 2009). However, they are still part of the "immigrant population" in most previously-published statistics. It is important to keep this somewhat confusing nomenclature in mind when interpreting Norwegian data and research. Unless mentioned otherwise, when this report refers to "immigrants" based on national Norwegian data, it refers to the foreign-born with two foreign-born parents.

Prior to the 2008 revision, Norwegian data also distinguished between "non-Western" and "Western" immigrants. This distinction, as well as the definition of "immigrants" including the native-born children of immigrants, is still made in much available data and research. "Western" includes the EEA countries plus Switzerland, as well as Australia, Canada, New Zealand and the United States. Although this distinction is now being abandoned in favour of a distinction along geographical regions/continents in statistical publications, integration policy remains mainly concerned with "non-Western" immigrants and their children.

Where possible, this report generally distinguishes between OECD and non-OECD countries of origin. This distinction comes reasonably close to the (former) distinction of origin countries in Norway in "Western" and "non-Western" countries, with the notable exception of Turkey which is an OECD member country but included among the "non-Western" countries in the national Norwegian statistics. Since the number of Turkish migrants in Norway is not very large, for the sake of convenience the terms OECD/non-OECD and non-Western/Western are used synonymously in this report.

I. A first glance at the labour market outcomes of immigrants in international comparison and their evolution over time

35. A first overview at the key labour market indicators in international comparison is presented in Table 1. It shows that the overall labour market outcomes of the foreign-born in Norway are quite favourable in international comparison. For immigrant men, the employment rates are at the same level as in countries like Australia and the United Kingdom, although the gaps vis-à-vis natives are somewhat higher.[1] The picture regarding unemployment is less favourable – the incidence of unemployment is almost three times as high as among the native-born, but this has to be seen in the context of low overall unemployment. The picture in international comparison is particularly favourable for foreign-born women. They have the lowest unemployment rate in the comparison group, and the employment rates are higher than in any other country included in this overview.[2]

36. However, looking at registered employment for immigrants according to the national definition (see Box 2) gives a much less favourable picture,[3] in particular for immigrant women. Note that differences between register data and labour force survey data regarding the outcomes of immigrants (both in absolute terms and relative to the foreign-born) are not unique to Norway – similar differences are also observed in the other Nordic countries with register data (*i.e.* Denmark and Sweden).[4] There are several possible reasons for this discrepancy between register and labour force survey data, but it is difficult to capture the extent to which each single one contributes to the overall difference. The first possible explanation could be that fewer immigrants who have a lower employment probability participate in the labour force survey.[5] A second could be that the foreign-born are to a greater extent working in non-registered employment (e.g. mini-jobs or informal employment). A third and related reason is that employment in the registers are based on the situation in the month of November, which means that those who do not have a permanent job could be underrepresented compared with the Labour Force Survey which is conducted in September. This would tend to disproportionately affect immigrants since they are more often in seasonal or temporary employment. Another source to the difference is the so-called "overcoverage" of the registers, i.e. they tend to include a number of people who probably do not or no longer live in the countries concerned. Again, foreign-born tend to belong to this "registered non-existing" group to a greater extent than natives. In any case, the size of the discrepancy calls for a closer investigation of its causes, and subsequent adjustments if possible.

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1 The term “employment rate” is used in this report synonymously with the employment-population ratio. It is not the ratio of persons employed to persons in the labour force. The employment rate generally refers to the population aged 15-64, although occasionally it refers to the 16-74 since this is the reference age range in most national statistics.

2 Some caution needs to be taken in the interpretation of the recent data regarding the employment of immigrant women on the basis of the labour force survey. The improvement in employment rates in 2007 and 2008 compared with previous years is exceptionally strong for this group and can hardly be attributed solely to the favourable economic conditions and to recent immigration.

3 Note that the less favourable picture in the register data is only to a very small degree attributable to the different definitions of the immigrant population in the register compared with the European Labour Force Survey (see Box 1). The large differences between immigrants and the native-born in the register data decline only slightly when comparing the native-born with all foreign-born (i.e. including foreign-born with native-born parents).

4 For 2007 in Sweden, register-based employment was about 10 percentage points lower for immigrant men and 6 percentage points lower for immigrant women. For the native-born, there was virtually no difference.

5 This notably concerns recent arrivals. Although this problem concerns all countries for which the data is based on the labour force, it could be somewhat more pronounced in Norway because recent arrivals account for a relatively large share of the immigrant population.

Table 1. Labour force characteristics of the native- and foreign-born populations, 15-64 years old, selected OECD countries, 2007/2008 average

	% of the population which is foreign-born	Participation rate		Employment rate		*Difference*	Unemployment rate		
		Foreign-Born (FB)	Native-born (NB)	Foreign-Born (FB)	Native-born (NB)	*(NB-FB) % points*	Foreign-Born (FB)	Native-born (NB)	*Ratio FB/NB*
Men									
Austria	*16.7*	82.0	82.8	76.1	80.3	*4.2*	7.2	3.0	*2.4*
Australia	*27.7*	79.5	84.2	76.1	81	*4.9*	4.3	3.8	*1.1*
Belgium	*10.8*	72.4	74	60.5	69.7	*9.2*	16.5	5.8	*2.8*
Canada	*21.2*	82.7	81.9	77.6	76.5	*-1.1*	6.1	6.7	*0.9*
Denmark	*8.6*	78.3	85.3	72.1	82.9	*10.8*	7.8	2.9	*2.7*
France	*11.4*	77.8	75.2	68.8	70.4	*1.6*	11.6	6.4	*1.8*
Germany	*14.0*	81.6	81.6	69.4	75.4	*6.0*	14.9	7.7	*1.9*
Netherlands	*12.3*	79.5	86.0	76.1	84.1	*8.0*	4.4	2.1	*2.1*
Norway	***8.9***	***81.0***	***82.9***	***76.0***	***81.1***	***5.1***	***6.2***	***2.2***	***2.8***
Register data[1]		*74.6*	*81.0*	*71.0*	*79.9*	*8.9*	*4.8*	*1.3*	*3.7*
Register data OECD migrants[1]		*82.4*		*81.3*			*1.4*		
Register data non-OECD migrants[1]		*71.0*		*66.3*			*6.6*		
Sweden	*14.0*	79.6	83.0	70.8	79.4	*8.6*	11.0	4.4	*2.5*
Switzerland	*26.0*	88.3	88.2	83.2	86.4	*3.2*	5.8	2	*2.9*
United Kingdom	*13.0*	83.3	82.6	77.8	77.6	*-0.2*	6.5	6.1	*1.1*
United States	*16.8*	86.4	77.8	81.8	73.4	*-8.4*	5.4	5.7	*0.9*
OECD above-mentioned countries[2]	***15.5***	***81.0***	***82.0***	***74.3***	***78.3***	***4.0***	***8.3***	***4.5***	***1.8***
Women									
Austria	*18.4*	62.0	70.7	56.7	67.8	*11.1*	8.5	4.0	*2.1*
Australia	*27.6*	62.2	72	58.9	68.7	*9.8*	5.2	4.5	*1.2*
Belgium	*11.9*	50.3	62.5	42.4	57.8	*15.4*	15.7	7.5	*2.1*
Canada	*22.1*	69.3	74.3	63.9	69.7	*5.8*	7.9	6.2	*1.3*
Denmark	*10.1*	63.5	78.7	59.8	75.5	*15.7*	5.8	4.0	*1.5*
France	*12.0*	58.3	67.1	50.2	62.2	*12.0*	13.9	7.3	*1.9*
Germany	*15.1*	61.4	72.1	53.1	66.3	*13.2*	13.5	8.0	*1.7*
Netherlands	*13.6*	61.9	74.7	58.1	72.8	*14.7*	6.1	2.6	*2.3*
Norway	***9.4***	***72.7***	***77.3***	***69.3***	***75.6***	***6.3***	***4.6***	***2.2***	***2.1***
Register data[1]		*63.3*	*76.6*	*59.4*	*75.7*	*16.3*	*6.1*	*1.3*	*4.7*
Register data OECD migrants[1]		*72.3*		*70.6*			*2.3*		
Register data non-OECD migrants[1]		*60.7*		*56.2*			*7.4*		
Sweden	*16.2*	67.8	80	59.6	76	*16.4*	12	4.9	*2.4*
Switzerland	*26.6*	70.5	76.7	64.3	74.2	*9.9*	8.8	3.2	*2.8*
United Kingdom	*13.4*	62.6	70.5	57.8	66.9	*9.1*	7.7	5.1	*1.5*
United States	*15.6*	62.1	69	59.1	65.8	*6.7*	4.8	4.6	*1.0*
OECD above-mentioned countries[2]	***16.3***	***63.4***	***72.7***	***57.9***	***69.2***	***11.2***	***8.8***	***4.9***	***1.8***

Note: Data for European countries refer to third quarter (Q3) except for Germany and Switzerland where they refer to 2007 annual data.

Source: European Union Labour Force Survey, except for the United States (Current Population Survey March Supplement), Canada 2006 Census, Australia 2006 Labour Force Survey Data. Register data: Statistics Norway (Labour Market Statistics).

1. Data refer to third week of November 2007 and to the national definition on immigrants. Non-OECD includes Turkey.
2. Data refer to the unweighted average.

37. These rather significant differences between the register data and the labour force survey data have thus to be taken in mind in the interpretation of the results. For the reasons mentioned above, the labour force survey seems more adequate for the international comparisons, but when looking at differences across immigrant groups, the register data has the clear advantage of universal coverage (see also Box 2). Where possible, data from both sources will be presented below.

38. Table 1 also shows that the labour market outcomes differ largely between immigrants from OECD countries and immigrants from non-OECD countries, with the latter having much less favourable outcomes, for both genders. Such a pattern is also observed in other OECD countries. However, for immigrant men, the differences between the two groups are larger than elsewhere (Annex D). As will be seen in more detail below, this is to a large degree explainable by the fact that much migration from the OECD has been recent labour migration from the EU accession countries, whereas non-OECD migration has been largely of humanitarian nature.

39. Indeed, among all origin country groups, immigrants from the new EU member countries have the most favourable labour market outcomes (Table 2).[6] Only among women, immigrants from the other Nordic countries have higher employment rates. For women, the latter are the only group which has higher employment rates than the native-born. For men, this also is the case for migrants from the other EU countries. Among migrants from non-OECD countries, differences between origin country groups are large, with immigrants from Central and South America having the most, and immigrants from Africa the least favourable outcomes, for both genders.

Table 2. Labour market characteristics in Norway by region of origin, 16-74 years old, 2007

Register data

	Employment rate		Unemployment rate	
	Men	Women	Men	Women
Native-born	74.8	69.2	1.3	1.3
Immigrants	68.4	57.3	4.0	4.6
Nordic countries	76.8	72.2	1.9	1.5
Western Europe	77.0	65.1	1.6	1.9
New EU member countries	81.3	66.9	1.1	3.1
North America and Oceania	70.0	58.6	2.0	1.7
Other Eastern Europe	65.0	59.4	4.9	5.5
Asia	63.1	50.0	5.5	6.4
Africa	55.5	40.9	10.4	9.1
Central and South America	71.7	60.5	4.7	4.5

Note : Asia includes Turkey.

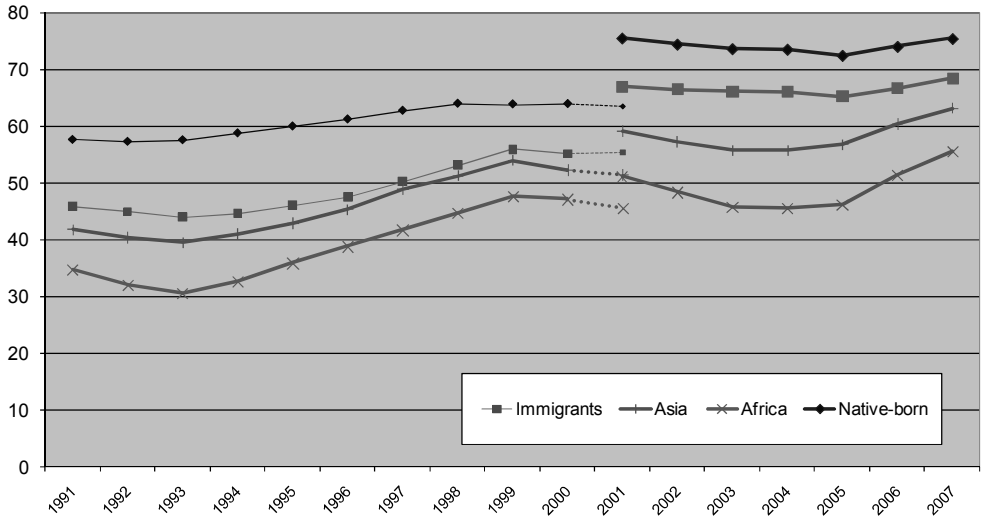
Source : Statistics Norway

40. Figure 1a and 1b show the evolution of the employment rates of immigrants and the native-born according to the national definition since 1991. The first and salient observation is that immigrants' labour market outcomes have been well below those of the native-born for many years. Indeed, the differences in employment rates between the native-born and the immigrant population as a whole have been relatively stable over most of the time, although immigrants' employment has particularly benefited from the favourable labour market conditions in the late 1990s and since about 2005. For men, the gaps in the employment rates of immigrants vis-à-vis the native-born have been reduced by about half between the early and late 1990s and remained broadly stable since then. A look at the evolution by region-of-origin indicates that this pattern also broadly holds for different origin groups, with some additional improvement (both in absolute terms and relative to the native-born) for less favoured immigrant groups (i.e. migrants from Africa and Asia) in 2005 and thereafter. For immigrant women, there has also been some improvement vis-à-vis the native-born on the aggregate in the second half of the 1990s, although the changes were less pronounced. There are some indications that the gap is now widening again slightly, in particular for women from Africa. Nevertheless, women from all origin groups have benefited from the strong increase in the employment of women since about 2004.

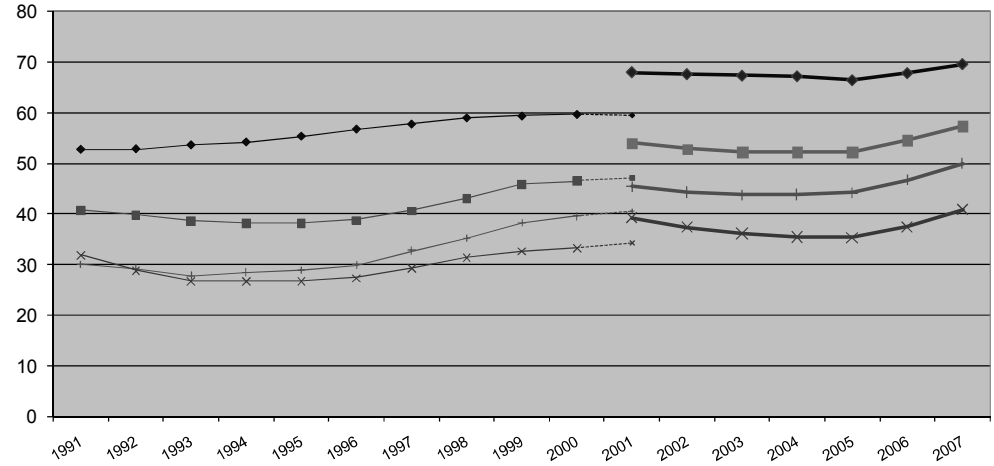
6 However, unemployment among immigrants from the new EU member countries is now rising quite rapidly (see below).

Figure 1a and 1b. Evolution of the employment/population rate of the native-born and immigrant populations in Norway since 1991, 16-74 years old

Men



Women

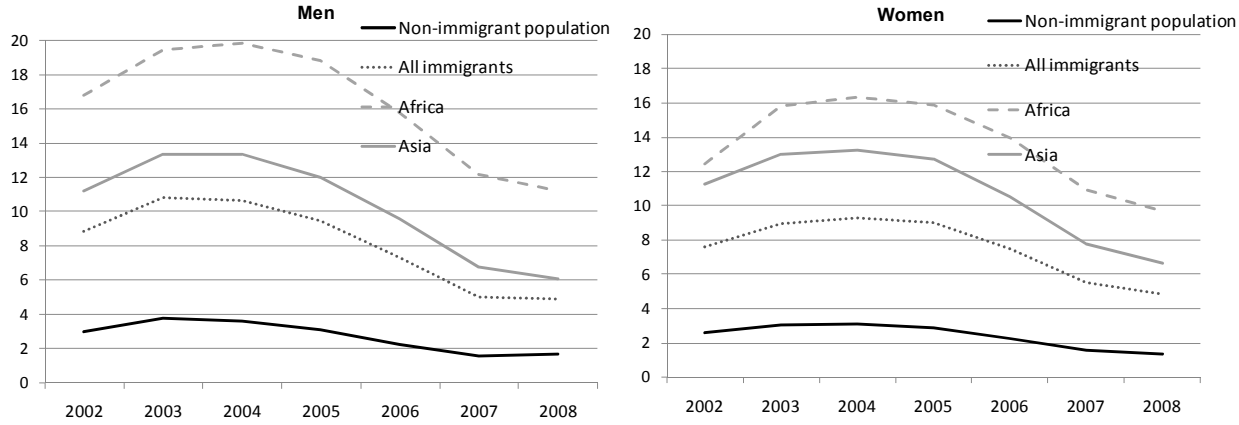


Note: A break in the series occurred in 2001. Before this date, data include only employees (not self employed) and since 2001 data are based on a new data source that includes self employed (and some other registers that includes more employees). Asia includes Turkey.

Source: Statistics Norway (Labour Market Statistics).

41. Much of the improvement is attributable to a reduction in unemployment. Indeed, as Figure 2 shows, the unemployment of immigrant men declined by a full seven percentage points between 2004 and 2008. For immigrant men from Africa, the improvement was almost ten percentage points. For immigrant women, there has also been a strong decline in unemployment, albeit less pronounced. In spite of this strong improvement in absolute terms, the ratio of unemployment rates (unemployment rate of immigrants/ unemployment rate of native-born) has remained remarkably stable, for both genders and across regions of origin.

Figure 2. Evolution of the unemployment rate of the native-born and immigrant groups in Norway since 2002, 15-64 years old, selected origin countries, by gender

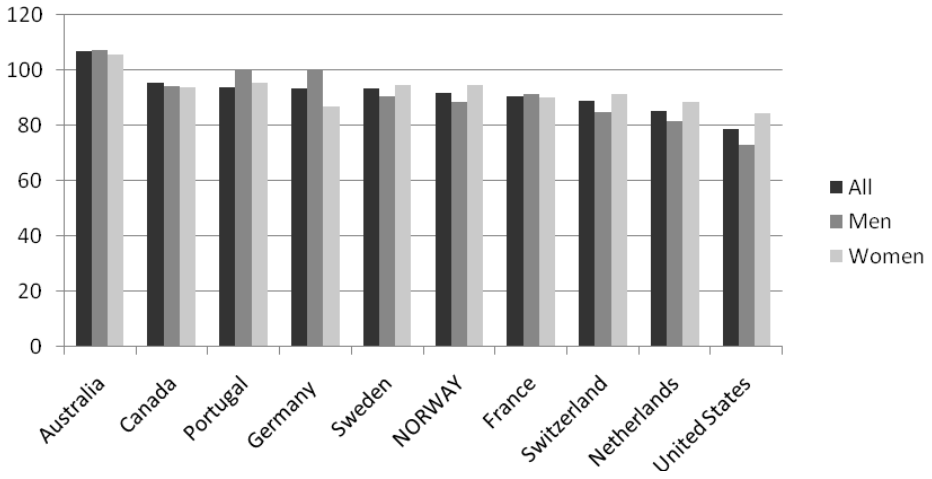


Note: Asia includes Turkey.

Source: Statistics Norway (Labour Market Statistics).

Figure 3. Median wages of immigrants relative to the native-born, 2005/2006

(native-born = 100)



Source and Note: Data for Norway: Statistics Norway. For other countries, see OECD (2008d).

42. For those immigrants who are in employment, median wages are below those of the native-born, for both men and women. On the aggregate, the differences are of similar order as those observed on other OECD countries (Figure 3). For immigrant women, the picture is even relatively favourable in international comparison.

43. Annex F provides an overview of the wage structure of immigrants relative to the native-born. For both groups, the wage-structure is relatively compressed. As can be seen, when employed, immigrants earn on average less than the native-born. The differences are larger than in Sweden but smaller than, for example, in the Netherlands (see OECD 2008d for a comparison).

44. In summary, the picture which emerges from this first glance at labour market outcomes is one of sizeable differences between immigrants and the native-born population in Norway. Immigrants from non-OECD countries, especially women, are particularly disadvantaged. These differences are longstanding, but there appears to have been some recent improvement along with very favourable economic conditions. Indeed, considering the high employment of the native-population for both genders, the differences between immigrants and the native-born do not appear to be unfavourable in international comparison.

Box 3. Data and research on migrants and their children in Norway

Considering the recent nature of immigration to Norway, data and research on the labour market integration of immigrants are well developed. One important reason for this is that Norway – similar to the other Scandinavian countries – has a system of administrative registers which are linked through a Personal Identification Number (PIN). A wide range of individual-level information is submitted to Statistics Norway through the various administrative registers, surveys and other sources (see Vassenden 2008) in the Central Population Register (CPR) database which has been established in 1964 – the first among the Nordic countries (United Nations Economic Commission for Europe 2007). Since every resident in Norway is assigned a PIN, linked information on the entire population is available, including inter alia on immigration, education, employment, and programme participation (e.g. with respect to participation in labour market measures). This makes it possible, for example, to follow the integration process of immigrants over time. Since knowledge of the register number of a person's parents is also available, the integration of the native-born children of immigrants can also be well studied. Over the past fifteen years, Statistics Norway has made significant investments in improving the data infrastructure regarding immigrants. As a result, information on the permit of the migrant is available since 1990. The majority of research on integration in Norway uses CPR data.

Nevertheless, there are a number of shortcomings in the CPR system that hamper its use for integration research. The most important of these is that foreign qualifications of immigrants are not recorded. Every ten years, Statistics Norway has therefore conducted a special survey to register the foreign education of immigrants who had arrived during the last ten years. The last such survey took place in 2001, covering migrants who had arrived before the year 2000. Information on the education of more recent immigrants is only available from the Labour Force Survey. In addition, there are many missing education data even for immigrants who arrived before 2000. Longitudinal analyses are furthermore hampered by the fact that information on occupations is only available since the year 2003. Finally, the year 2001 marks a break in the series for the register-based employment statistics. Among a number of other changes, self-employment is included since 2001. These different definitions render comparisons with labour market outcomes prior to 2001 difficult.

In 1983, 1996, and 2005/2006, Statistics Norway has conducted a comprehensive survey on the living conditions of the largest "non-Western" migrant groups, to collect a range of information generally not available from administrative sources, including information on language training, the foreign qualifications of migrants, and indicators of social integration (see Blom and Hendriksen (eds.) 2006 for an overview). The most recent survey covered 500 immigrants from each of the following non-OECD countries: Bosnia-Herzegovina, Serbia and Montenegro, Iran, Iraq, Pakistan, Sri Lanka, Vietnam, Somalia and Chile. These groups account for almost half of the total foreign-born population from non-OECD countries. Migrants from Turkey are also included in the survey. Because of its scale and scope, the survey has been used on several occasions throughout the report. In 2005/2006, the living conditions survey was supplemented by a special survey on 870 children of immigrants from Pakistan, Turkey and Vietnam (see Løwe 2008 for an overview of the results).

Statistics Norway regularly publishes reports on a wide range of migration and integration issues, including an annual report on "Immigration and immigrants". Recent impetus to the research has also been given through a significant grant on "integration of non-Western immigrants: identifying policies that work" by the Norwegian Research Council to a number of research institutions over the period 2007-2010.

Norway has also participated in the International Adult Literacy Survey in 1998 and the Adult Literacy and Life Skills Survey in 2003. Due to a relatively large coverage – in 2003, more than 5400 people participated in the survey in Norway, and an oversampling of immigrants in the 1998 Survey – some basic country-specific analyses on the effect of literacy on labour market outcomes can be undertaken. This data source has also been used on various occasions in this report.

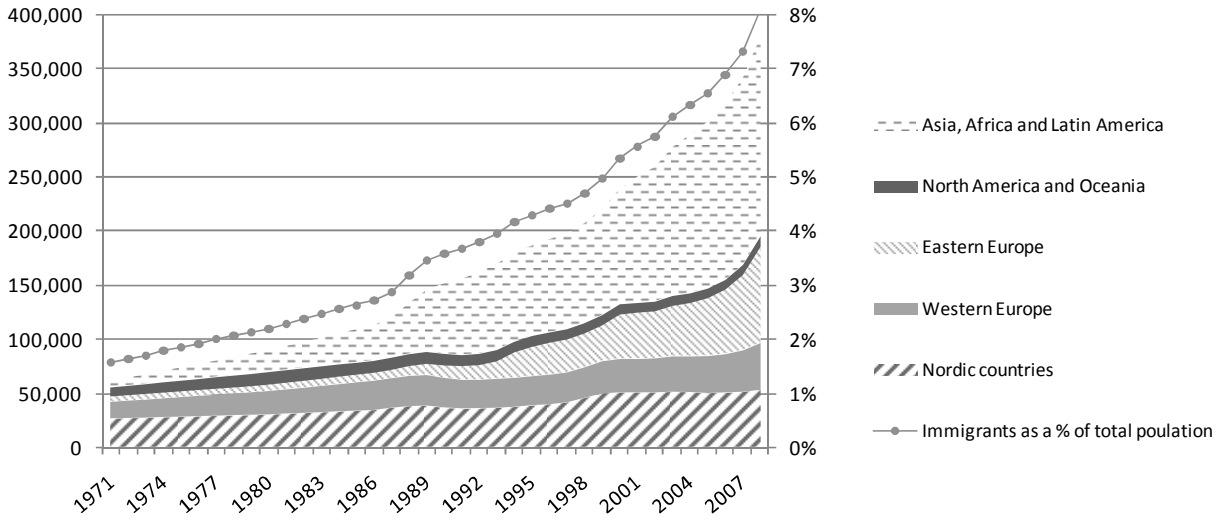
II. The framework for integration

The evolution of immigration to Norway and the main immigrant groups

45. For much of its history, Norway had been a country of net emigration, and this continued to be the case for the early post-World War II years. Only in 1967 turned net migration positive for the first time, but immigration flows remained modest. In 1970, the immigrant share in the total population was below 1.5%, and almost half (45%) of the immigrants were from the other *Nordic countries*. These are still an important migrant group, currently accounting for about 53 000 people (14% of the immigrant population). Citizens from the Nordic countries have enjoyed, among a range of other rights, freedom of movement through the establishment of the common Nordic labour market in 1954. In addition, labour market integration of migrants from the Nordic countries – particularly those from Sweden and Denmark who account for the overwhelming majority of Nordic migrants to Norway – has been facilitated through the many linguistic and cultural ties which Norway shares with these countries.

46. Immigrants from *other Western European countries and from North America* have accounted for the bulk of the remainder of early immigration to Norway (see Figure 4). In 1970, about 45% of the immigrant population originated from these countries, mainly from the United States, the United Kingdom, Germany and the Netherlands. In 2007, this figure stood at about 14%.

Figure 4. Evolution of the immigrant population in Norway since 1970



Note: Asia includes Turkey.

Source: Statistics Norway (Population Statistics).

47. In many ways, Norway was a latecomer with respect to "*guestworker"-type labour migration* in the post-World War II era. In spite of a prospering economy, immigration was viewed as a marginal issue in the context of the labour market policy. There was essentially a regime of free movement for labour migration, including from non-OECD countries, with little controversy over this because of the small numbers concerned.[7] Only in the late 1960s and early 1970s, when the recruitment of immigrants in other, at the time more attractive, European OECD countries slowed down, labour migration to Norway slowly started to become more significant, but it did not reach the scale experienced in most other Western

7 See Brochmann and Kjelstadli (2008) for a comprehensive overview of immigration to Norway and its political context.

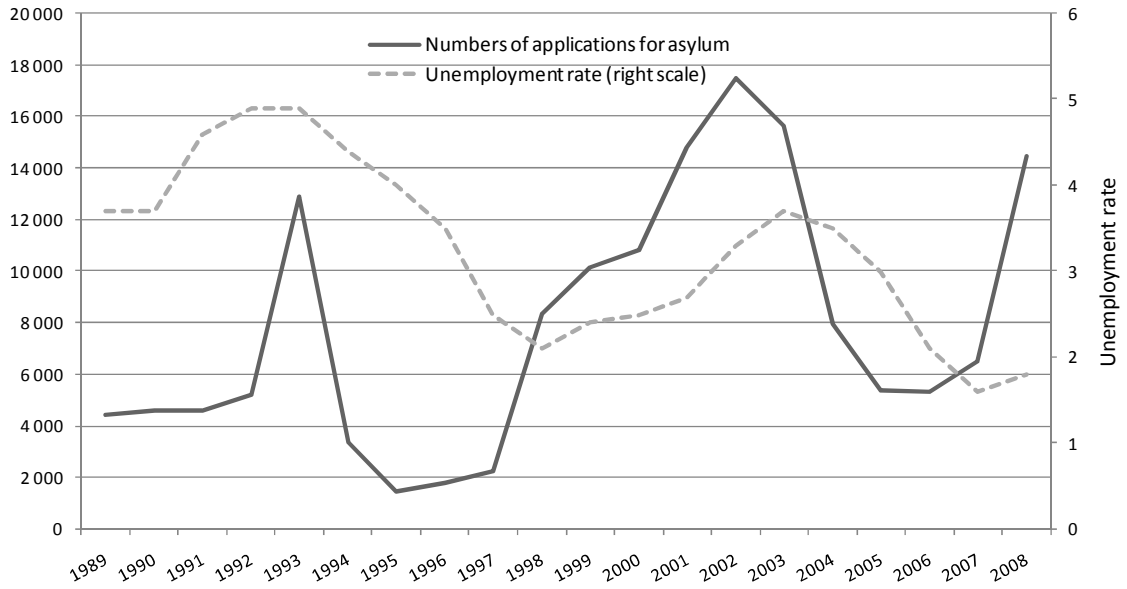
European countries. Since emigration from the Southern European origin countries had already begun to cease at the time, labour immigration to Norway was predominantly from non-European countries, namely Pakistan and Morocco, in addition to some limited migration from Turkey, India and Yugoslavia. In February 1975, a stop to low-skilled labour immigration was introduced, but there were important exceptions, notably for high-skilled experts needed by Norway. These were implemented to ensure that labour shortages would not hamper economic development in the context of the oil-driven economic boom from which Norway has benefited since the 1970s.

48. In spite of the halt to recruitment for low-skilled labour migrants, immigration from the countries of early labour migration continued, particularly from *Pakistan*, which had by 1980 evolved as the most important origin country outside of Europe and the United States. This growth was essentially due to family reunification and family formation. As a result, native-born children of immigrants from Pakistan are now by far the single most important group, accounting for more than 16% of the native-born children of immigrants.

49. Norway has also been one of the most important host countries of *humanitarian migrants*, and the main origin countries of migrants outside of the OECD and the origin countries of the early migrants mirror the country's humanitarian tradition (see Annex A). There are two main channels of humanitarian migration to Norway – the asylum channel and the resettlement channel.

50. Norway ranks in per-capita-terms among the main recipient countries of asylum seekers in the OECD. Flows were particularly elevated in the early 1990s and around the year 2000. In the past, asylum seeking to Norway has shown no strong link with economic conditions. If anything, it has been somewhat countercyclical – the peaks in asylum seeking broadly coincided with or preceded peaks in unemployment (see Figure 5). Preliminary figures for 2008 show a strong increase in asylum seeking in that year, to almost 15 000.

Figure 5. Inflows of asylum seekers and unemployment in Norway since 1989



Source: Statistics Norway (Labour Market Statistics) and Directorate of Immigration (UDI).

51. Norway also receives resettled refugees each year, in co-operation with the UNHCR. This policy was founded in the 1940s when Norway - one of the first members of the former IRO (International Refugee Organisation) – took the position that receiving countries should also accept refugees who were sick, disabled or elderly, and their families. This policy was approved by the Parliament in 1952 and originally was adopted on an *ad hoc* basis, according to the perceived humanitarian needs (see Sosialdepartementet 1979 for an overview). The annual quota varies, but has been between 1000 and 1500 for most of the years since 1986. Among the European OECD countries that have long-established programmes to accept quota refugees, only Sweden has taken larger numbers.

52. In total, it is estimated that more than 132 000 refugees and their families are currently living in Norway – about 35% of the immigrant population. The main origin countries are Iraq (about 17 600), Somalia (15 500), Bosnia and Herzegovina (12 400), Iran (11 500) and Vietnam (12 400).

53. Partly as a result of the humanitarian tradition, Norway has currently a very diverse immigrant population – the ten most important origin countries account for only 44% of the total immigrant population. More than half of Norway's immigrants originate from non-OECD countries.

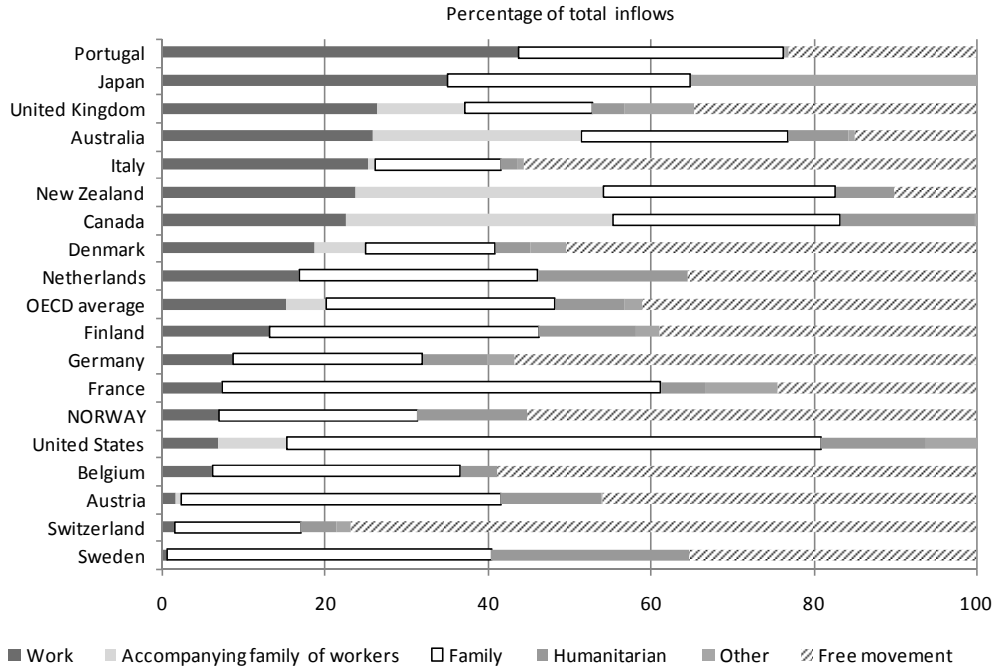
54. With significant labour shortages in the context of the strong economic growth in recent years, *labour migration, in particular from the new EU member countries*, has gained importance. The vast majority have come from Poland – almost 15 000 immigrants (more than 26% of total immigration) in 2007. Poland has not only been the main origin country of new immigration since 2005, it has now also replaced Sweden as the single most important origin country of the total immigrant population.[8]

55. There are some indications that immigration from Poland is not only a temporary phenomenon. In 2006 and 2007, Poland has also been on top of the list of the origin countries for family migration (see Thorud 2008 for details). The composition of permanent-type immigration to Norway in international comparison is shown in Figure 6.[9]

8 When taking the entire foreign-born population (that is, including foreign-born with at least one Norwegian parent who are not considered "immigrants" in the national statistics), Sweden is still the single most important origin country as of 1 January 2008, the latest date for which statistics are currently available.

9 Note that family migration from the EEA member countries is included in the free movement category in Figure 6.

Figure 6. Composition of permanent-type migration to OECD countries, 2007



Note: The OECD average is the unweighted average of the countries included in the Figure. For information on the compilation of the standardised statistics, see *www.oecd.org/els/migration/imo2008*

Source: OECD (2009).

The evolution of integration policy

56. Considering the small scale of immigration to Norway until the 1990s, integration policy developed quite early. In 1974, a White Paper was presented to parliament that not only proposed a labour recruitment stop, but was also the first public document concerned with integration. It established what could be considered as an "optional inclusion policy" (Brochmann and Kjeldstadli 2008) – immigrants had the choice to which degree they wanted to become assimilated into the Norwegian society. Integration policy in the years following 1975 focused on the following issues: housing; a special grant to support the city of Oslo and other communities with many immigrant families to build up infrastructure for integration; funding for the establishment of immigrant organisations; trial projects for the integration of family migrants - often language and civic courses for women combined with care for their children; and language training, including mother tongue education for the children of immigrants. 240 hours of training in Norwegian was provided free of charge, but often in a rather ad hoc manner, accounting for the often limited capacities of municipalities which hosted only few immigrants.

57. In 1987, a parliamentary report on migration and integration policy emphasised that immigrants have the same rights and obligations as the native population. This translated into the goal of "equal status for all" on the basis of human rights and the ideal of the solidarity of the Norwegian society in the welfare state. The 1987 report also emphasised the principle of mainstreaming, which means that the needs of migrants should as far as possible be provided for within the general labour market and social policy measures as part of the general welfare policy, although some adaptations might be required (see Haagensen 1994). In line with this, foreign nationals with at least three years of residence in Norway had already received voting rights in local elections since 1983. At the same time, the government continued to stress that "cultural assimilation" was not demanded from immigrants.

58. In the early 1990s, integration efforts were further enhanced, with more attention being paid to access to the labour market and the combating of discrimination. Emphasis was laid on making the best use of the skills of immigrants, through more targeted language training and improvements in the recognition procedures for foreign qualifications.

59. With growing immigration and large difference in the labour market outcomes between immigrants and the native-born, the integration of immigrants gained further prominence as a policy issue in the mid-1990s. A major governmental report was presented to the Storting (parliament) in early 1997. The report stated that Norway was developing into a "multicultural society", and the provision of equal opportunities was reiterated as the goal of integration policy. The report reiterated the view that in principle, integration should be achieved through *mainstream* policy measures, although some adaptations may be required. Additional, directly targeted measures should only apply in a few areas where this was needed to bring immigrants on an equal footing with the native-born. This concerned notably language training and anti-discrimination. A prominent place was also given to special job-related training for immigrants through a combination of language training and vocational training.

60. These broad policy lines are still governing integration policy in Norway. However, more attention has recently been paid to the integration of new arrivals. Already since the 1970s, there had been some special integration measures for refugees. Over time, the scale and scope of the introduction measures expanded. They gradually included, in addition to language training and labour market preparation, also elements of "civic" integration. Coverage has also expanded from refugees to their families and to other migrant groups in need. However, these activities were essentially provided *ad hoc* by the municipalities which were generally subsequently refunded by the state for their expenses, particularly regarding language training.

The introduction programme and the settlement of refugees

61. With the aim of establishing a more uniform and binding framework for new arrivals, the Storting passed legislation in June 2003 to establish an integration programme. First introduced on a trial basis in selected municipalities, the introduction programme was fully implemented in its current form in on 1 September 2004. The introduction programme is for migrants with a permit based on application for asylum and their family members.[10] Participation is obligatory for migrants aged between 18 and 55 who have arrived in Norway after 1 September 2004 and who lack basic qualifications. The programme is full-time and generally lasts for a maximum of two years, although it may be extended to a maximum of three years. Immigrants who are participating in the introduction programme get an introduction benefit (currently about 11 700 NOK or 1 300 Euros per month).[11] The benefit is not means tested and above the social assistance level.

62. For the municipalities, the settlement of refugees is voluntary, and is subject of negotiations between the Norwegian Directorate for Integration (IMDi) and the municipalities. If the latter decide to resettle refugees, they are compensated for this through several grants. The most important one is the resettlement grant, amounting to 551 500 NOK (about 61 300 EUR) for each adult refugee (531 500 NOK or 59 100 EUR for children), paid over a period of five years. It is intended to compensate not only for the introduction programme (with the exception of language training, see below), but also for the likely additional burden on the municipal social assistance budget once the introduction benefit ceases. Indeed, the five year period is an implicit acknowledgement that the integration process for this group takes longer

10 For a comparison with the introduction programmes in Denmark and Sweden, see Brochmann and Hagelund (forthcoming).

11 An exchange rate of 9 NOK per Euro is assumed in this report.

than two to three years.[12] IMDi has established a website which allows municipalities to estimate the expected fiscal costs or benefits from accepting refugees.[13] Municipalities which take in refugees are obliged to provide immigrants with a tailor-made introduction programme within three months after a person is settled.

63. The introduction programme has three objectives – to provide basic Norwegian language skills, to give insight into the Norwegian society, and to prepare for the labour market. Accordingly, the programme has three main components – language training, social studies and preparation for the labour market or for further education. Although the programmes are tailor-made, there seems to be a special emphasis on language training.

64. On 1 September 2005, the right and obligation to participate in 250 hours of Norwegian language training and 50 hours of "social studies" was introduced. The obligation to participate in the 300 hours language and social studies training applies to all new arrivals from non-EEA countries who do not speak Norwegian. For persons in need of training, the actual number of hours of language training can be much higher – up to 3000.

65. Language training is generally provided free of charge for new arrivals. The municipalities have the task of arranging the training. Their expenses are intended to be covered by special per capita grants for all new arrivals covered by the Introduction Act. Like the settlement grants, the grants for language training are also paid over five years and differ by the origin of the immigrant. Municipalities get a total of 38 800 NOK (4 311 Euros) for each immigrant from Western Europe, North America, Australia and New Zealand; and 108 000 NOK (12 000 Euros) for each immigrant from Africa, Asia, Oceania (excluding Australia and New Zealand), Eastern Europe, or Central and South America. Municipalities which receive few migrants also get additional funding for the set-up of the language-training infrastructure. Finally, municipalities receive 5 300 NOK (589 Euros) for each immigrant who has passed a written or oral language examination.

66. Participation in the language training is a precondition for obtaining a permanent residence permit, which is usually granted after three consecutive years of residence in Norway. Participation in the introduction programme is a requirement for obtaining the "introduction benefit".

67. Immigrants who have arrived before 1 September 2005 are also entitled to 300 hours of language training and social studies, but participation is not obligatory for them and they can get the training for free. Education providers are paid NOK 437 (49 Euros) per teaching hour and an additional NOK 26 (3 Euros) per participant hour. Language training (up to 250 hours) is also provided to asylum seekers above the age of 16 who still wait for their final decision.

The Action Plan for Integration

68. In the context of its ambition to turn Norway into the "most inclusive society in the world", the government established in 2006 - in parallel with an Action Plan against Poverty - a comprehensive Action Plan for Integration and Social Inclusion of the Immigrant Population (Ministry of Labour and Social Cohesion 2006). The plan encompasses a series of actions in a broad range of areas related to immigrants' integration. For each area, the plan provides "goals for social inclusion", based on an overview of the status quo – described by quantitative indicators – and a quantified target. These are linked with a series of concrete actions. In the area of employment, these include, among other measures, additional funding for

12 For family migrants, the grants are somewhat lower, and paid over three years. There are also additional grants for recently arrived disabled migrants, elderly migrants, and children in primary school age.

13 The website can be accessed via www.imdi.no/no/Bosetting/Bosettingskalkulatoren/.

indirectly targeted active labour market policy instruments and closer follow-up of the participants. A key focus area of the plan is the public sector (see below). Efforts in key areas such as language training, early childhood education and additional active labour market measures have been prolonged or further reinforced in a follow-up plan in 2007 (Ministry of Labour and Social Cohesion 2007). The total (additional) budget implications of the two plans for the period 2007-2009 amount to 826 mio. NOK (about 92 mio. Euros).

Key actors

69. The *Ministry of Labour and Social Inclusion* (AID) is the main actor with respect to immigration and the integration of immigrants in Norway. The Ministry has broad responsibilities related to immigrants' integration, including migration policy, the introduction programme, access to citizenship, and labour market policy. The Ministry is also responsible for working environment and safety, Sami and national minorities' issues, pensions, welfare and social policy. With this scope of integration-related tasks under the auspices of a single Ministry, Norway has gone furthest among the countries under review thus far with respect to combining migration and integration-related tasks under a single ministerial responsibility. The part of the Ministry's budget which can be directly attributed to integration amounts to 4.5 billion NOK (about 500 million Euros). The vast majority of this sum are grants to the municipalities to compensate them for the financial charges related to the settlement of humanitarian migrants (2.8 billion NOK – about 310 million Euros) and for their expenses in language training (1.3 billion NOK – about 140 million Euros). There is also a small budget line (43 mio. NOK or 4.8 mio. Euros) for grants to immigrant associations and non-governmental organisations.

70. Under the auspices of the AID, there are three directorates. One directorate is in charge of integration (IMDi), and one is in charge of immigration policy (UDI). The Directorate for Integration was established as a separate administrative entity on 1 January 2006, in part to signal the growing attention paid to the issue of integration. In order to ensure a uniform and co-ordinated approach to the integration issue, the Ministry of Labour and Social Inclusion also has responsibility for coordinating policy and measures in the field of integration and social inclusion that involve other ministries. One example is the governments' Action plan for the integration and inclusion of immigrants which is co-ordinated by the AID.

71. The third directorate of the AID is the Directorate of Labour and Welfare, which is in charge of the *Norwegian Labour and Welfare Organisation* (NAV). The NAV is the one-shop service for employment and welfare administration. It was created in July 2006 as a merger of three previously separate services – the (national) Public Employment Service, the National Insurance Service and the (municipal) Social Assistance Service.

72. Until late 2007, the AID was also in charge of anti-discrimination policy which was then transferred to the *Ministry of Children and Equality* (BLD). The *Equality and Anti-Discrimination Ombud* has been established as an independent public administrative agency under the auspices of the BLD in January 2006 as a result of a merger of two previously separate institutions, the gender Ombud and the Centre to combat ethnic discrimination. Its 40 employees give opinions on complaints and provide information and documentation services. The Ombud is also in charge more generally of the promotion of equal opportunity and combating discrimination, including through the enforcement of anti-discrimination law.

73. The *Ministry of Government Administration and Reform* is responsible for the government's administration and personnel, and therefore administers inter alia the hiring decisions in the public

administration.[14] It is in charge of implementing a trial programme on moderate affirmative action in the public sector (see below).

74. Education policy is a domain of the *Ministry of Education and Research*. Among its activities are language training for the children of immigrants. Primary school pupils whose mother tongue is neither Norwegian nor Sami, and who do not have sufficient mastery of Norwegian are entitled to differentiated Norwegian language-learning and/or mother tongue education, according to their level. The Ministry has recently established an action plan for a better integration of children of immigrants in the education system (Ministry of Education and Research 2007). The ministry is also in charge of the recognition of foreign qualifications. A specialised agency, NOKUT, has been created in 2003 which is in charge of this task.

75. The *municipalities* play a significant part in the integration of immigrants at the local level, notably through their responsibilities in the area of social assistance and housing. Within the broad framework defined at the national level, municipalities are also responsible for primary and lower secondary schools, while *county* authorities have the responsibility for upper secondary schools. In partnership with IMDi, the municipalities are in charge of settling refugees who have been granted a residence permit. As already mentioned, the municipalities are obliged to provide introduction programmes and language courses in Norwegian for newly arrived immigrants who are resident in the municipality. Since the content of the programme is intended to be tailor-made to each immigrant, municipalities enjoy large discretion in this respect. The qualification programme and the "second chance" programmes (see below) are also administered by the municipalities. These programmes often complement other local activities targeted at immigrants. In the City of Oslo, most of the tasks related to integration have been transferred to the districts. In most relevant budget line grants to districts, the number of non-Western immigrants in the district is applied as one weighing factor.

76. The interests of the municipalities, the counties and the local public enterprises are represented on the national level by the *Norwegian Association of Local and Regional Authorities* (KS). It notably plays an important role in the negotiations regarding settlement of refugees between the state and the municipalities.

77. The *social partners* play a significant role in Norway, and have a large influence in the functioning of the labour market. In particular, wages are negotiated between the respective organisations of employers and employees. The social partners have also engaged in a range of activities related to the labour market integration of immigrants, such as mentorship projects or support for entrepreneurship, but these have been rather small-scale up to date. There are no statistics on the participation of immigrants in the leading employers' organisation (NHO) and the main labour union (LO). It seems that immigrants are underrepresented.[15] In any case, they are almost completely absent from the decision-making bodies in these organisations. However, there is awareness of this shortcoming (see, in particular, Lund and Friberg 2005 – a study on immigrants in the labour unions commissioned by LO). Both organisations have recently started some activities to reach out to immigrants.[16]

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14 Note that another large part of overall employment is in state-owned enterprises (see below) over which the *Ministry of Trade and Industry* has some supervisory power.

15 Some data on union membership is available from the 2005/2006 Survey on the Living Conditions of Immigrants and the 2004 Survey on Living Conditions for the whole population. About half of the respondents in employment in the latter survey answered to be a union member, in contrast to 39 percent of migrants participating in the 2005/2006 survey (Blom and Hendriksen (eds.) 2009).

16 LO, for example, has published a dictionary "Norwegian in the shop floor" in the main languages spoken by immigrants.

78. Immigrants' views on integration are considered in the decision-making process through the *Contact Committee for the Immigrant population and the Authorities* (KIM). The Committee is a government-appointed advisory body consisting of representatives from immigrant organisations, political parties, relevant governmental agencies and ministries. Immigrant associations in Norway are essentially locally-organised, the members representing the immigrant population are therefore nominated by local immigrant organisations from the whole country.[17] KIM has a secretariat of five people, paid out of the state budget, and hosted in the Norwegian Directorate for Integration.

79. In contrast to most other OECD countries that have been under review thus far, *non-governmental organisations* play a minor role in the integration process.

III. Migrants' position in the labour market

Migrant's qualifications and labour market outcomes

80. Qualifications are an important determinant of labour market outcomes. Here the key observation is that immigrants in Norway are overrepresented among the low-qualified (Table 3). More than 30% of the immigrant population and even more than 40% of immigrants from non-OECD countries have at most upper secondary education, in contrast to less than 20% of the native-born population. In addition, Norway is among the OECD countries where virtually no-one in the prime-age (25-54) population has not reached at least the lower secondary level. However, a full seven percent of immigrants from non-OECD countries are in this group for whom there is no adequate native comparison group.

17 It appears that few immigrants are organized in associations. Among the immigrants who participated in the 2005/2006 Survey on the Living Conditions of Immigrants, only 8% stated that they are member of an immigrant association.

Table 3. Native- and foreign-born populations by education level in selected OECD countries, 25-54 years old, 2006/2007

(in percentages)

		Very Low	Low	Medium	High
Austria	*Foreign-born*	*2*	*30*	*50*	*19*
	Native-born	-	12	69	18
Belgium	*Foreign-born*	*24*	*16*	*30*	*30*
	Native-born	9	17	39	35
Switzerland	*Foreign-born*	*9*	*20*	*39*	*32*
	Native-born	0	4	63	32
Germany	*Foreign-born*	*12*	*25*	*46*	*18*
	Native-born	1	9	64	26
Denmark	*Foreign-born*	*9*	*17*	*38*	*35*
	Native-born	-	17	47	36
France	*Foreign-born*	*22*	*20*	*30*	*27*
	Native-born	6	19	45	30
Netherlands	*Foreign-born*	*15*	*17*	*45*	*24*
	Native-born	5	18	44	33
Sweden	*Foreign-born*	*10*	*10*	*47*	*33*
	Native-born	1	10	57	33
United States	*Foreign-born*	*17*	*12*	*35*	*36*
	Native-born	1	6	50	42
NORWAY	***Foreign-born***	***5***	***26***	***32***	***37***
	OECD	***-***	***13***	***31***	***55***
	Non-OECD	***7***	***34***	***32***	***27***
	Native-born	**-**	**19**	**44**	**36**
OECD above-mentioned countries[1]	***Foreign-born***	**12**	**19**	**39**	**29**
	Native-born	**3**	**13**	**52**	**32**

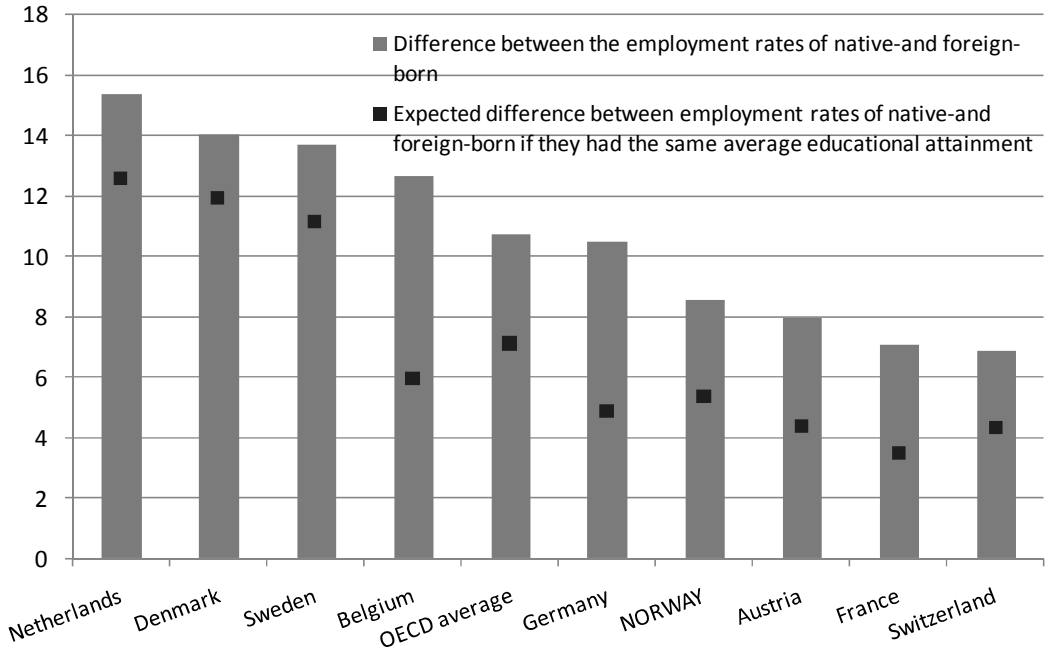
Note: "Very low" refers to primary education or below (ISCED 0 and 1), "low" to lower secondary education (ISCED 2), "medium" to upper secondary and post-secondary non-tertiary education (ISCED 3 and 4), and "high" to tertiary education (ISCED 5 and above). Non-OECD includes Turkey. "-" means not significant for publication.

1. Data refer to the unweighted average.

Source: European Union Labour Force Survey (data provided by Eurostat), except for the United States 2007/2008 (Current Population Survey March Supplement)

81. How much of the differences in the labour market outcomes between the native- and foreign-born populations can be explained by differences in the qualification structure? Figure 7 shows that if the foreign-born had the same basic distribution of educational attainment as the native-born population, differences in employment rates between the two groups would be reduced by about 40% - more than in the other Scandinavian countries, but less than in Germany and France.

Figure 7. Percentage points differences in employment rates between native- and foreign-born and the impact of the qualification structure, 15-64 years old, 2006/2007



Note: The OECD average refers to the unweighted average of the countries included in the Figure. The expecteddifferences are calculated using the employment rates by three levels of educational attainment for the foreign-born. The three levels are "low" for below upper secondary; "medium" for upper secondary and post-secondary non-tertiary; and "high" for tertiary and above.

Source: European Union Labour Force Survey (data provided by Eurostat).

82. Table 4 shows the differences in employment rates by education level between immigrants and the native-born. For most countries, the gaps are lower for the low-educated than for the high-educated – and this generally holds for both men and women. There are only few exceptions to the general pattern – Denmark for women, and Norway and the Netherlands for both genders. This suggests that Norway has a challenge in integrating low-qualified immigrants into the labour market and indeed, the employment rates for low-qualified foreign-born men are lower in Norway than for all other countries in the comparison group with the exception of Belgium and Sweden. Because of its importance in the context of the Norwegian labour market, this issue will be analysed more closely in the next section.

Table 4. Percentage points differences in the employment rate between native and foreign-born, by gender and educational attainment, 15-64 years old, 2006/2007

		Low	Medium	High
Austria	Men	-10.3	5.2	7.4
	Women	0.4	8.8	19.5
Belgium	Men	3.0	9.0	8.3
	Women	7.2	14.5	15.2
Switzerland	Men	-16.4	5.2	5.1
	Women	-2.2	8.7	15.3
Germany	Men	-12.4	5.2	11.8
	Women	1.1	9.8	19.3
Denmark	Men	8.5	13.3	10.2
	Women	13.8	16.2	11.2
France	Men	-7.3	3.0	7.1
	Women	0.0	11.4	17.0
Netherlands	Men	12.6	13.2	8.2
	Women	15.4	17.6	14.0
Norway	**Men**	**4.6**	**7.3**	**3.8**
	from OECD	***-2.0***	***-1.9***	***-1.7***
	from non-OECD	***6.5***	***13.6***	***11.2***
	Women	**8.6**	**13.5**	**3.7**
	from OECD	***-11.8***	***6.1***	***-1.1***
	from non-OECD	***13.5***	***17.6***	***9.6***
Sweden	Men	5.7	12.7	11.5
	Women	8.1	15.3	14.1
United States	Men	-38.4	-6.7	0.5
	Women	-11.4	5.8	8.3
OECD above-mentioned countries[1]	**Men**	**-5.0**	**6.7**	**7.4**
	Women	**4.1**	**12.2**	**13.8**

Note : Low refers to lower secondary education or below (ISCED 0-2), medium to upper secondary and post-secondary non-tertiary education (ISCED 3-4), and high to tertiary education (ISCED 5 and above). Non-OECD includes Turkey.

1. Data refer to the unweighted average.

Source : European Union Labour Force Survey (data provided by Eurostat) and Current Population Survey March Supplement for the United States.

The labour market outcomes of highly-skilled migrants and the recognition of foreign qualifications

83. As has been seen above, data from the European Labour Force Survey shows that about 37% of immigrants report having tertiary education. This is among the highest shares in the comparison group. However, among immigrants from non-OECD countries, the share is only 27%. The qualifications of immigrants have often been acquired abroad, raising questions of equivalence and recognition. Since foreign education is not fully registered for immigrants who arrived after 2000, there is only limited information on the origin of qualifications of migrants. The available more recent data comes from the Survey of Living Conditions of the nine most important origin country groups of migration from non-OECD countries and from Turkey (see Box 3). Among the high-qualified from this group, about half have tertiary education from Norway. Among the current migrant population who were already resident in 2001, the latest year for which register-based information on the foreign education of migrants are available, 46% of tertiary-educated migrants from OECD countries, and 52% of those from non-OECD countries and from Turkey, had a Norwegian degree.

84. The overall labour market outcomes for highly-qualified foreign-born in international comparison are shown in Table 5. Almost two-thirds of the highly-qualified foreign-born are also in a job that can be classified as highly-skilled. Only in Switzerland is a larger share of immigrants in highly-skilled employment. Although the respective share for migrants from outside of the EU-27 is lower, the picture still appears to be a rather favourable one.

Table 5. Labour market outcomes of highly-educated population in selected OECD countries, 15-64 years old, 2006/2007

		Percentage of highly-educated working in:				
		High-skilled job	Medium-skilled job	Low-skilled job	Unemployed	Inactive
Austria	*foreign-born*	*51*	*18*	*5*	*5*	*20*
	native-born	68	19	1	2	10
Belgium	*foreign-born*	*51*	*18*	*3*	*8*	*20*
	native-born	66	18	1	3	13
Switzerland	*foreign-born*	*67*	*14*	*1*	*4*	*14*
	native-born	73	19	1	1	6
Germany	*foreign-born*	*49*	*18*	*4*	*8*	*20*
	native-born	70	17	1	3	9
Denmark	*foreign-born*	*56*	*15*	*-*	*-*	*17*
	native-born	76	11	1	3	9
France	*foreign-born*	*49*	*14*	*4*	*10*	*23*
	native-born	63	16	1	5	16
Netherlands	*foreign-born*	*59*	*13*	*3*	*5*	*20*
	native-born	75	11	1	2	11
NORWAY	***foreign-born***	***64***	***20***	***-***	***-***	***12***
	EU27	***73***	***16***	***-***	***-***	***9***
	Non EU27	***57***	***23***	***-***	***-***	***14***
	native-born	**77**	**12**	**-**	**1**	**9**
Sweden	*foreign-born*	*53*	*20*	*3*	*8*	*16*
	native-born	78	10	1	3	8
United States	*foreign-born*	*53*	*21*	*6*	*2*	*18*
	native-born	58	21	5	2	14
OECD above-mentioned countries[1]	***foreign-born***	**55**	**17**	**4**	**6**	**18**
	native-born	**70**	**15**	**1**	**2**	**11**

Note: High-skilled job refers to ISCO 1-3, medium-skilled to ISCO 4-8, and low-skilled to ISCO 9. For the purposes of this table, the category ISCO 131 (managers of small enterprises) has been excluded.
Highly-educated refers to tertiary education (ISCED 5 and above). "-" means not significant for publication.
Data do not necessary add up to 100 due to the reliability threshold.
1. Data refer to the unweighted average.
Source: European Union Labour Force Survey (data provided by Eurostat) and Current Population Survey March Supplement for the United States.

85. Nevertheless, there is still a non-negligible difference vis-à-vis the highly-qualified native-born, among whom 77% are working in a high-skilled job – a figure which is high in international comparison. Further analysis with pooled data from the 1998 International Adult Literacy and the 2003 Adult Literacy and Life Skills Survey for Norway shows that significant differences between immigrants and natives regarding the probability to be in highly-skilled employment are only observed for immigrants with foreign degrees. About one third of the difference in employment probabilities for this group compared with natives can be explained by differences in literacy (Table 6). This appears to be less than in the OECD on average, where differences are no longer significant after controlling for this factor. In contrast to what is observed on average in the OECD, the disadvantage of high-qualified immigrants with foreign degrees in the labour market can thus not be explained by lower literacy.

Table 6. Percentage point differences in the probability of being in highly-skilled employment for highly-skilled persons aged 15-64 in Norway and the OECD

	Norway				OECD			
	Without controlling for literacy		After controlling for Literacy		Without controlling for literacy		After controlling for Literacy	
Immigrant	-13***		-8*		-8***		3	
-Education abroad		-18***		-11**		-20***		-3*
-Education in host country		-4		-3		5		11**
Observations	3 113				21 008	14 280	21 008	14 280

Source and Note: Pooled data from the 1994-1998 International Adult Literacy Survey (IALS) and the 2003 Adult Literacy and Life Skills Survey (ALL). All regressions include a constant and control for age, gender and survey year. The regressions for the OECD also include country dummy variables for all countries included in the surveys (i.e. Ireland, Belgium, Sweden, United Kingdom, Finland, Germany, Italy, Norway, New Zealand, United States and Canada). Data on the origin of education are not available in the ALL survey for Canada and the United States, the ALL data for these countries have therefore removed from the respective regressions. ***/**/* denote significance at the 1%/5%/10% level, respectively. Non-significant values are shaded. The figures show the differences between the native-born and immigrants, by the origin of education for the latter. They correspond to marginal effects in a logistic regression, calculated at the sample means of the respective variables.

86. Norwegian education thus seems to be much higher valued in the Norwegian labour market than foreign education. This also holds with respect to wages, although there is some uncertainty whether or not immigrants benefit more from Norwegian education than the native-born. Hardoy and Schøne (2009a) show that the wage return for an additional year of education for immigrants from non-OECD countries is 2.5% if the education has been obtained abroad. It is 5.3% for those who have some education from the origin country, but the highest education was obtained in Norway. Native-born persons have a return of 6.8% per year of education. This return is even exceeded by immigrants who have obtained all of their schooling in Norway, who enjoy a return of 8.1%. All groups have roughly the same returns to experience in Norway, but foreign experience is almost completely discounted.[18] The authors also find that the returns to education are stable irrespective of work experience in Norway. Since immigrants start from a lower earnings level, that initial differences in earnings for given education levels will tend to increase over time for all immigrant groups with the exception of those who have obtained all of their schooling in Norway. For this group, earnings will tend to converge to, and eventually exceed, those of the native-born. This latter finding is challenged by the longitudinal study of Brekke and Mastekaasa (2008) who find evidence for earnings divergence for non-OECD immigrants who graduated from Norwegian universities, and this holds even for individuals with a long residence in Norway.

The procedure for the recognition of foreign qualifications

87. The 2003 establishment of NOKUT has been a major step towards improving the recognition of foreign qualifications. Prior to this date, formal recognition did not exist in Norway – only non-binding advices were issued. There has been a clear upward trend in recognition requests in recent years, and a peak was reached in 2008 with almost 3 200 requests.[19] The most important origin country – accounting for 17% of all requests between 2006 and 2008 – has been Russia, followed by Poland, Ukraine and the Philippines. Immigrants from Iraq, who are a numerous and rather qualified migrant group, can currently not obtain recognition because of difficulties to receive verifiable information from the educational institutions in the origin country.

18 This latter finding is also observed in other OECD countries (see OECD 2007a and 2008c).

19 As already mentioned, little is known about the competences of recent arrivals. Taking the qualification structure of the resident migrant population as a rough (and probably conservative) approximation of the share of university graduates among the almost 45 000 permanent-type arrivals in 2007, it thus seems that only a fraction of university-educated migrants seeks recognition.

88. The process takes on average 6-8 weeks after the full application material is received and is provided free of charge. Information is provided in ten languages. The outcome is a number of ECTS credits[20] and, linked with this, a decision on equivalence of the foreign degree to a Norwegian degree. In slightly over half of the cases, the equivalence to a Norwegian degree is established.[21] This does not necessarily mean "full" recognition since a decision could also involve the equivalency of a foreign master's degree to a Norwegian bachelor. In general, the decision is based on the years of formal education until the degree is obtained. The decisions are binding for public employment regarding qualifications requirements/job classifications. They could in principle also be used in anti-discrimination court cases, but apparently this has not been applied to date.

89. There has been no assessment of the impact of the recognition procedure on the labour market outcomes of immigrants.[22] One Swedish study has shown that foreign-born persons whose qualifications are assessed and recognised as equivalent get an earnings premium relative to persons whose qualifications are assessed but not fully recognised as equivalent, who in return get a premium compared with persons whose qualifications are not assessed (Berggren and Omarsson, 2001). However, all three do not do as well as someone with qualifications earned in the host country. Similar results have been observed for Australia (OECD 2007a).

90. NOKUT gives only general recognition regarding the degree level (e.g. "bachelor"), but not regarding specific subjects (e.g. "engineer"). This is done free of charge at the universities, and there is no information available on the length of the process and its outcome at this level. However, anecdotal evidence suggests that this procedure is lengthy and lacking transparency. Indeed, universities currently have no incentives to enhance the process – they have to provide recognition services for which they are not reimbursed, and whose outcome is not monitored. If anything, universities face negative incentives regarding recognition, since non-recognition implies that immigrants have to enrol in regular courses for which universities are funded.

91. For regulated professions, the respective professional bodies are in charge. For non-academic, non-regulated vocational qualifications, there is no formal recognition system in place. Indeed, the medium-skills range seems to be an important gap in the current system, since the accreditation of prior learning (APL) is also largely absent.

92. When the right to upper secondary education for adults was implemented in 2000, a right to a so-called "real competence" assessment was established. The assessment is targeted at individuals who do not have completed upper secondary education but intend to pursue education in upper secondary vocational subjects. The outcome is a skills certificate which allows him/her to have a shorter educational curriculum, and be only taught in the subjects that he or she needs. A priori one would expect that immigrants from non-OECD countries especially benefit from such assessments, yet they are underrepresented in this measure (Table 7).[23]

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20 The "European Community Course Credit Transfer System" (ECTS) was developed by the European Commission to provide common procedures for the academic recognition of studies abroad.

21 Note that the remainder is not necessarily non-recognition, as it might involve decisions on incomplete degrees, referrals to other competent bodies, etc.

22 Such an evaluation is in principle possible since immigrants have to state their register number (PIN) upon application for recognition.

23 The reason why immigrants from non-OECD countries use this assessment to a lower degree seems to be at least in part be attributable to the fact that they are underrepresented in health and social-studies, which is where most of these assessments are done.

Table 7. Participation in "real competence" assessments in Norway, 2007

	Total number of participants in upper secondary education for adults	Number of real-competence assessments	Share of participants with real-competence assessment
"Non-western" immigrants	6 286	2 003	32
"Western" immigrants	929	381	41
Native Norwegians	31 646	13 573	43
Total	39 128	16 007	41

Source: Data provided by the Ministry of Labour and Social Inclusion.

The convergence of labour market outcomes over time and the composition of the immigrant population

93. The convergence concept of integration, introduced by Chiswick (1978), suggests that gradually, over time, as immigrants acquire host-country specific human capital such as language skills and knowledge about the general functioning of the labour market, their labour market outcomes should approach those of the native-born.

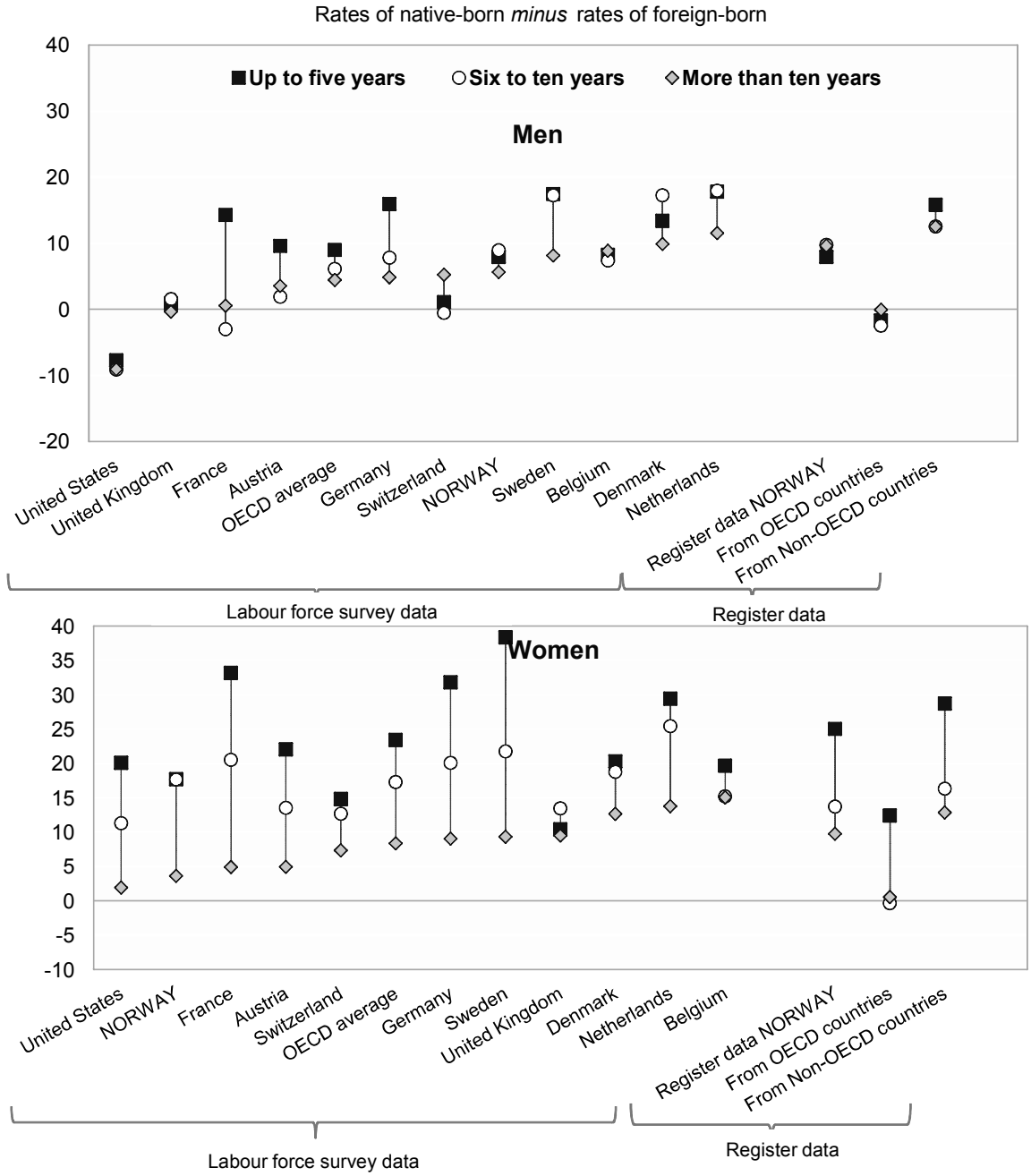
94. The overall picture with respect to the outcomes for recent arrivals compared with those who have been in Norway and the other countries in the comparison group for more time is depicted in Figure 8. Note that these results are not based on longitudinal data following people over time, but cross-sectional data based on length of residence in the host countries. For most countries, the pattern is nonetheless as expected, that is, immigrants who have been longer in the country have a higher probability to be in employment.

95. This does not appear to be the case in Norway. For men, on the aggregate level there is virtually no difference in employment rates between recent arrivals and those cohorts of immigrants who have been in the country for longer. This holds for both OECD and non-OECD migrants. For women, register data indicate a rather strong improvement in the first years after arrival, but little improvement thereafter.

96. One reason for the rather unusual picture for men appears to be that the composition of the migrant population in Norway varies significantly by duration of residence. According to register data, among the recent arrivals (up to five years of residence) from non-Nordic countries, about one third have arrived as labour migrants. This is only the case for eight percent of the migrants with six to ten years of residence, and for an even smaller percentage for those who had arrived before. In addition, the qualification structure seems to be somewhat more favourable than among previous immigrant groups.

97. In all countries, the single most important factor shaping immigrants' labour market outcomes – at least with respect to labour market participation – is the category of migration. Annex C shows the employment rates by duration of residence and migrant category. Labour market outcomes tend to be best for migrants who came for employment, independent of duration of residence. For family migrants and humanitarian migrants, employment has generally not been the primary objective of migration, and these two groups have accounted for the overwhelming majority of past migration to Norway. The differences in outcomes between groups tend to be strongest in the early years after arrival, but they remain also in the longer term. Resettled refugees generally have the least favourable outcomes, and these have accounted for a larger share of total migration to Norway than in most other OECD countries, at least until the strong recent growth of labour migration.

Figure 8. Percentage points gaps in the employment rate of immigrants compared with the native-born by duration of residence, 15-64, 2006/2007 average



Note : For register-based data, non-OECD includes Turkey.
The OECD average refers to the unweighted average of the countries included in the Figure.

Source : European Union Labour Force Survey (Eurostat) except for Norway on the right side of the chart (Register data from Statistics Norway, Labour Market Statistics) and Current Population Survey March Supplement for the United States.

98. Data on labour market outcomes of immigrants by migration category over time is only available for a few OECD countries. Table 8 compares Norway with the Netherlands, albeit for different time periods and thus different points of the economic cycle. As can be seen, the labour market outcomes shortly after arrival are not very different from those observed in the Netherlands. However, the improvement in the outcomes over the first three years seems to be quite strong, in particular for humanitarian migrants but also for family migrants.

Table 8. Employment rates by migration category in Norway and the Netherlands, one year and three years after arrival

	Norway (arrival: 2002)		Netherlands (arrival: 2000)	
	One year	Three years	One year	Three years
Work	76%	82%	79%	69%
Family	36%	46%	40%	43%
Humanitarian	28%	43%	13%	30%
Total	***40%***	***51%***	***42%***	***40%***

Note: The employment rates of family migrants from the Netherlands are calculated as the average of the rates for family reunification and family formation migrants, weighted by the relative number of permits for each category in 2000.

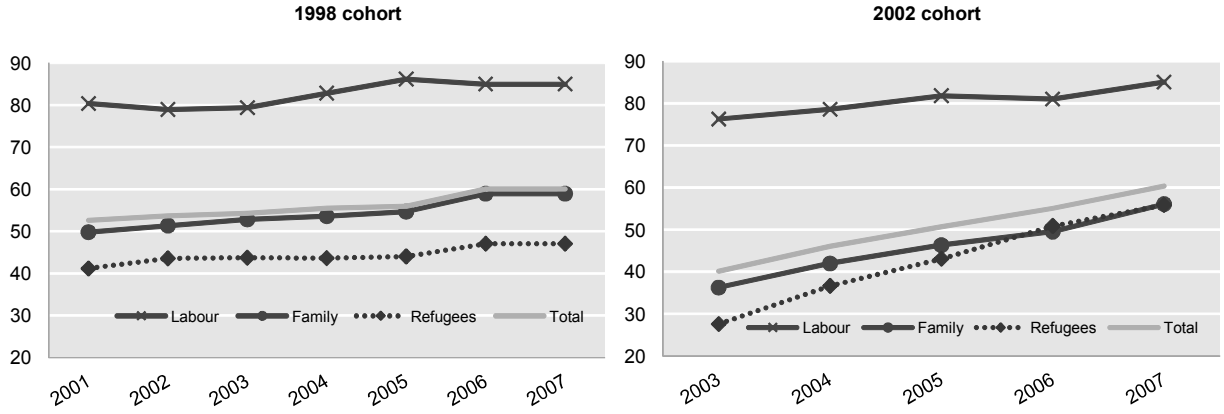
Source: Statistics Norway (Labour Market Statistics) and from Statistics Netherlands (Statline).

99. Data on the evolution of labour market outcomes is only available since 2001. Figure 9 compares the convergence process of two different migrant cohorts in Norway over time. It clearly shows that more recent migrant cohorts have better labour market outcomes than their predecessors. After five years of residence, the overall employment rate for immigrants from the 2002 cohort was more than 60%, compared to less than 55% for the 1998 cohort. The quicker convergence is particularly striking for refugees (56% for the 2002 cohort after five years compared with 44% for the 1998 cohort). The better situation of recent refugees, and their apparently rather quick convergence, could in part be attributable to a cohort effect, that is, a change in origin countries. However, the origin-country composition of the two cohorts did not differ much. It thus seems that the more favourable labour market conditions have quickened the integration process. As will be discussed in more detail below, there is some evidence suggesting that this could have a beneficial impact in the long term as well.

100. Since figures on labour market outcomes by permit data are available only for a limited number of years (2001-2007), it is difficult to discern whether or not there may still be cohort effects – resulting from a shift in origin countries and/or the favourable economic situation, or whether they reflect a more fundamental change in the labour market integration process. Important will be in this context whether or not the improvement comes to a halt after the five years for which data are currently available. To answer this question, the evolution of the outcomes of recent migrant cohorts by category should thus be continuously monitored over the coming years.

101. Indeed, the picture of past cohorts has been that the convergence process is relatively quick in the first five years and a quick decline thereafter with convergence coming to a halt after about eight years (see e.g. Blom 2004; Brekke and Mastekaasa 2008). The observation of a halt in convergence after the first few years is also the impression which one gets from cross-sectional data on the labour market outcomes by duration of residence for different migration categories (Annex C).

Figure 9. Evolution of the employment-population ratios for the 1998 and 2002 cohorts, by migration motive



Source: Statistics Norway (Labour Market Statistics).

102. Longva and Raaum (2000) studied the earnings assimilation of immigrants in Norway. They find that the earnings of immigrants from OECD countries are comparable to those of natives at the time of entry and remain at the same level. Immigrants from non-OECD countries earn considerably less than the native-born at the time of entry. Although their relative earnings improve gradually over time, the convergence is too slow to eventually create parity with natives.

The impact of economic conditions on the labour market outcomes of immigrants

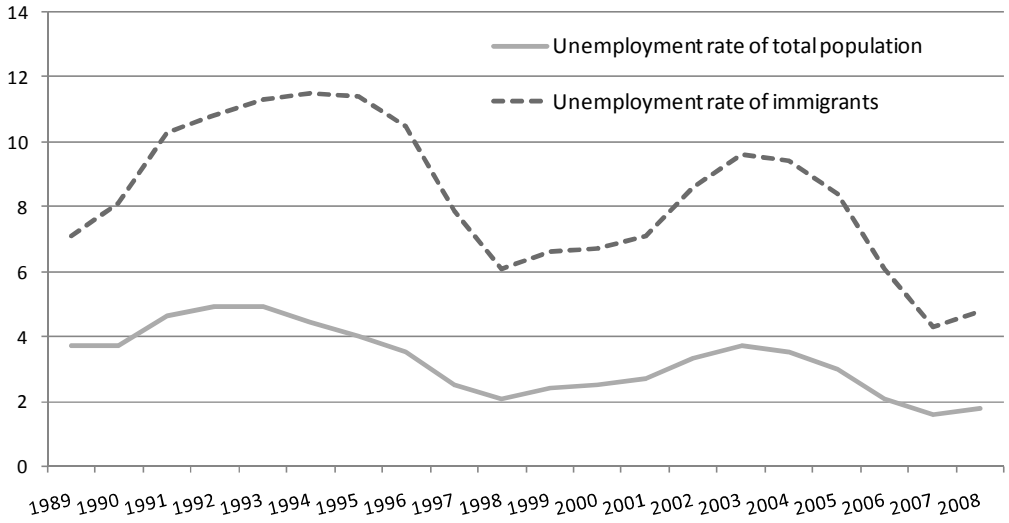
103. The national economic situation is one of the most important factors in shaping the labour market outcomes of immigrants. In all countries which have been reviewed thus far, immigrants' labour market indicators show stronger improvement than those of the native-born when the economy is performing well, but immigrants also tend to disproportionately suffer from an economic downturn.

104. This is particularly apparent regarding unemployment. Taking the national definition of unemployment, a one percentage point change in the unemployment rate among the native population results in a change among immigrants in the order of two to three percentage points (Figure 10). The variation is even higher for immigrants from Africa and Asia, but it is much lower for immigrants from European OECD countries. The ratio of unemployment rates has remained remarkably constant over the past decade – both for the immigrant population as a whole, but also across origin countries.

105. There are a number of possible reasons for migrants' stronger sensitivity to economic conditions, including the types of jobs which immigrants perform – often less stable, low-skilled employment at the margin of the labour market. Such employment tends to be more affected by the economic situation. Likewise, immigrants – in particular immigrant men – are more often employed in cyclically-sensitive sectors such as construction (Annex E).

106. Until now, Norway has been less affected by the current economic downturn than other OECD countries. Nevertheless, in the first months of 2009 there has been a strong increase in unemployment. By the end of April 2009, according to the statistics of the Norwegian Labour and Welfare Administration (NAV), (full) unemployment had increased to 2.9%, almost twice the figure of the previous year, and a further increase is expected. Immigrants from the new EU member countries experienced a particularly strong growth in unemployment. At the end of the first quarter 2009, the unemployment rate for this group was 8.2%, an increase of 5.9 percentage points compared with one year earlier. The growth in the unemployment rate was between 1.1 and 1.7 percentage points for the other immigrant groups, and 0.6 percentage points for the native born.

Figure 10. Evolution of the unemployment rate for native-born and immigrants in Norway, 16-74 years old



Source: Statistics Norway (Labour Market Statistics).

107. As a reaction to the downturn, a stimulus package with the overall volume of 20 billion NOK (about 2.3 billion Euros) was announced in late January 2009. A significant part is for public infrastructure investment (6.6 billion NOK or about 740 million Euros). Allocations to the NAV have also been augmented to take better care of the unemployed. In addition, funds for the immigrant-targeted "second chance" programme (see below) have been increased.

108. The current deterioration in labour market conditions follows a period of unprecedented immigration flows to Norway. This is worrisome, since evidence from past downturns in other OECD countries has demonstrated that a downturn can have a strong negative impact on the aggregate outcomes of immigrants, particularly when many immigrants arrived just prior to an economic downturn and when it is linked with a fundamental structural change affecting sectors with strong immigrant employment.[24]

109. As a consequence of the economic downturn, the labour market entry of the many new arrivals who did not have a job upon arrival will be delayed. Employers can be more selective at the hiring stage and characteristics such as language difficulties, which tend to hamper productivity, may be used to screen out applicants. Evidence from Sweden also suggests that personal or informal networks are more commonly used for job seeking during economic downturns than formal methods (Behtoui 2008). Here again, recent arrivals tend to have less access to such networks and are therefore disadvantaged vis-à-vis the native-born (see below). Past experience from other OECD countries has also shown that the negative impact of a downturn on new or recent arrivals can be long-lasting. One possible reason for the long-term negative impact of economic conditions at (or shortly after) arrival are so-called "scarring effects". Immigrants who have not managed to get employed quickly after arrival may be stigmatised in the labour market.

110. Sweden provides an example in case (see OECD 2007a). It underwent a severe crisis in the early to mid-1990s which saw a 12% drop in employment levels in less than three years, followed by a rapid

24 See OECD (2009) for an in-depth discussion of the impact of the downturn on migrants' labour market outcomes.

recovery. Åslund and Rooth (2003) show that about six years after arrival, migrant cohorts who had entered before the recession are 7-9 percentage points more likely to be employed, and have about 12-18% higher earnings than migrants who arrived in during the deterioration of the labour market.[25] With large numbers of new arrivals of humanitarian immigrants from the mid-1980s to the late 1980s and early 1990s occurring at the same time as an economic downturn, Denmark also saw a drop in the employment-population ratio of its foreign-born population of almost 15 percentage points. Likewise, in Germany, the economic stagnation in the early and mid-1990s closely followed a period of large inflows of migrants. The difference between the employment-population ratios of foreigners and of German nationals almost doubled (from 5 to 9 percentage points) between 1991 and 2004. In the Netherlands, the severe economic crisis of the early 1980s appears to be at the outset of the low employment of immigrants, many of whom had arrived in the second half of the 1970s (see OECD 2008c).

111. The extent to which such a long-lasting impact of macroeconomic conditions on arrival also holds in Norway is not clear. Blom (2004) does not find evidence for a long-term "scarring effect" of economic conditions on arrival in Norway, based on longitudinal data for refugees who arrived between 1987 and 1999. However, Raaum and Røed (2006) demonstrate for other entrants into the labour market in Norway – young adults – that a downturn at the end of formal schooling (age 16-19) is associated with a rise in adult (prime-age) unemployment of up to 2 percentage points.

112. Similarly, Bratsberg, Raaum and Røed (2006) analysed the labour market integration of the early labour immigrants from non-OECD countries and from Turkey (i.e. migrants who had arrived in the early 1970s). They found that these migrants were not only more sensitive to economic conditions, but that they also faced a high probability of permanent exit from the labour market during an economic downturn. In their estimation, an increase in the unemployment rate of three percentage points raises the transition rate from employment to non-employment by two percentage points for immigrants, but only 0.6 percentage points for natives. In a related study, Bratsberg, Raaum and Røed (2007) find that an unemployment-induced reduction of the native re-entry rate into the labour force of 1.5 percentage points results in a parallel reduction of the rate for immigrants by about 6 percentage points. They conclude that immigrants not only become more rapidly disconnected from the labour market during deteriorating economic conditions, but also that it takes them longer to stabilise in a new job. They also argue that the negative effect of an economic downturn could be reinforced by disincentives which the Norwegian tax and benefits system provides for low-skilled persons in families with two or more children to return to the labour market once employment prospects improve.

113. There is also evidence that the earnings of immigrants exhibit greater sensitivity to (local) unemployment than the earnings of the native-born in Norway (Barth et al. 2004). A similar finding is reported in Longva and Raaum (2002) who show that higher (regional) unemployment has also a detrimental impact on the wages of non-OECD migrants relative to those of natives in Norway. This holds even after controlling for individual unemployment experience, which suggests that the main channel by which this effect takes place is via a decline of the earnings of non-OECD migrants who remain in employment.

114. Finally, there is some evidence that the higher sensibility of immigrants to economic conditions also holds for the native-born children of immigrants. For example, Brekke (2007a) finds that children of immigrants exhibit higher earnings sensitivity to local economic conditions than the children of natives. It thus seems important that both migrants and their children who enter the labour market during the downturn get support in gaining initial work experience, for example through traineeships or subsidised jobs.

25 Note, however, that the cohorts mainly concerned refugees and their family members.

Self-employment of immigrants

115. A first look at self-employment shows that its incidence is small in international comparison, both among the immigrants and the native-born (Table 9). Although there are some differences by country-of-origin, with the exception of immigrants from North America and Oceania the self-employment of immigrants does not reach the levels observed in other OECD countries.

Table 9. Share of self-employment among the total employment of foreign-born and native-born aged 15-64 in selected OECD countries, 2007/2008 average

	Austria	Belgium	Denmark	France	Germany	Netherlands	**Norway**	Sweden	Switzerland	United Kingdom	United States	OECD average
Non-OECD countries	6.0	14.4	11.1	10.4	..	10.2	**5.7**	9.1	6.5	15.2	9.5	9.8
OECD countries	12.2	16.4	9.0	11.7	..	14.0	**9.5**	11.3	11.0	11.9	16.1	12.3
Total Foreign-born	***8.0***	***15.4***	***10.2***	***10.8***	***9.7***	***11.1***	***7.4***	***10.0***	***9.1***	***13.9***	***10.4***	***10.6***
Native-born	***12.2***	***13.3***	***8.0***	***9.8***	***10.8***	***12.2***	***7.2***	***9.2***	***14.6***	***12.3***	***10.2***	***10.9***

Share of self-employment among the employed foreign-born and native-born aged 15-74, Norway. Register data (fourth quarter 2007)

Total immigrants	**5.8**
Nordic countries	***7.7***
Western Europe else	***7.2***
New EU countries in Eastern Europe	***3.6***
Eastern Europe else	***3.1***
North America and Oceania	***8.8***
Asia	***6.6***
Africa	***3.6***
South and Central America	***4.7***
Native-born	**6.7**

Note: The OECD average is the unweighted average of the countries included in the Table. Non-OECD includes Turkey and for the United States Mexico. Data refer to the 2006/2007 average for Germany and Switzerland. In the Norwegian Register data, Asia includes Turkey.

Source: European Union Labour Force Survey (data provided by Eurostat), Current Population Survey March Supplement for the United States, Register data for Norway from Statistics Norway.

116. Evidence from a number of OECD countries suggests that self-employment is one way of escaping marginalisation on the labour market (e.g. Clark and Drinkwater 2000; Blume et al. 2003). To which degree this is also the case in Norway is not known, but the very low incidence of self-employment among the most disfavoured group in the Norwegian labour market – immigrants from Africa – suggests that not many marginalised migrants in Norway have resorted to self-employment up to now.

117. In contrast, considerable attention has been paid in recent years towards raising entrepreneurship (that is, non-marginalised self-employment) among immigrants. For example, IMDi has recently established, on a trial basis, courses in entrepreneurship. These last for 2-4 weeks, with an individual follow-up for a further three months. Likewise, in the municipality of Drammen, a training and knowledge centre specialised in the entrepreneurship of immigrants has been established. The centre provides training in entrepreneurship to immigrants all over Norway, in co-operation with a large business school. The main emphasis is on the standard curriculum for entrepreneurship studies, which is complemented by some immigrant-specific training and personalised coaching. All courses are free and take place in the evening to allow the migrants to pursue their previous employment while participating. The centre was set up as part of a regional development strategy and benefited from a close co-operation with the national agency "Innovation Norway" and its banking operation. This facilitated access to financial credit for promising entrepreneurship ideas.

118. In addition, in co-operation with the Confederation of Norwegian Enterprises, a project "Introductory Enterprise" has been established for participants of the Introduction Programme wishing to become entrepreneurs. As part of the introduction programme, they can plan, establish and run a simulation enterprise, linked with language training. During this process, contact is being established

between the Introductory Enterprise and private enterprises as well as public institutions. The aim of the project is that participants attain knowledge and experience about how to establish their own business in Norway. At the same time, they can get in contact with local business and industry, as well as with public administrative bodies and procedures.

119. It is not clear to which these rather small-scale activities have contributed to raising self-employment among immigrants. In any case, immigrants have been overrepresented among recent new business establishments. They accounted for more than 11% of new business creations in 2007, and this figure has been relatively stable in recent years. Since the incidence of immigrants' self-employment is lower (9% of the personal-owned enterprises), this suggests that fewer migrants succeed when pursuing this route. Indeed, for the few years for which data on survival of new personal-owned companies is available, immigrants have somewhat lower survival rates, but the differences are not large. Of all companies which were established by immigrants in 2002, about 26% were still in business in 2006. The corresponding figure for the native-born is somewhat over 29%. However, there is also some tentative evidence that the surviving enterprises owned by immigrants exhibit a stronger growth in employment than those owned by natives, and this growth seems to overcompensate the loss in activity of those who close down (see Statistics Norway 2006). This is an indication that the self-employment of immigrants is gradually becoming a significant contribution to the Norwegian economy.

120. Self-employment of immigrants in Norway is concentrated in some economic sectors, and this concentration is particularly pronounced among immigrants from non-OECD countries. About 20% of all self-employment from this group is in the hotel and restaurant sector, in contrast to only 2% for the native-born. A further 24% is in trade, repair and household goods services, compared with 15% for the native-born.

IV. Characteristics of the Norwegian labour market and links with integration

The tax and benefit system

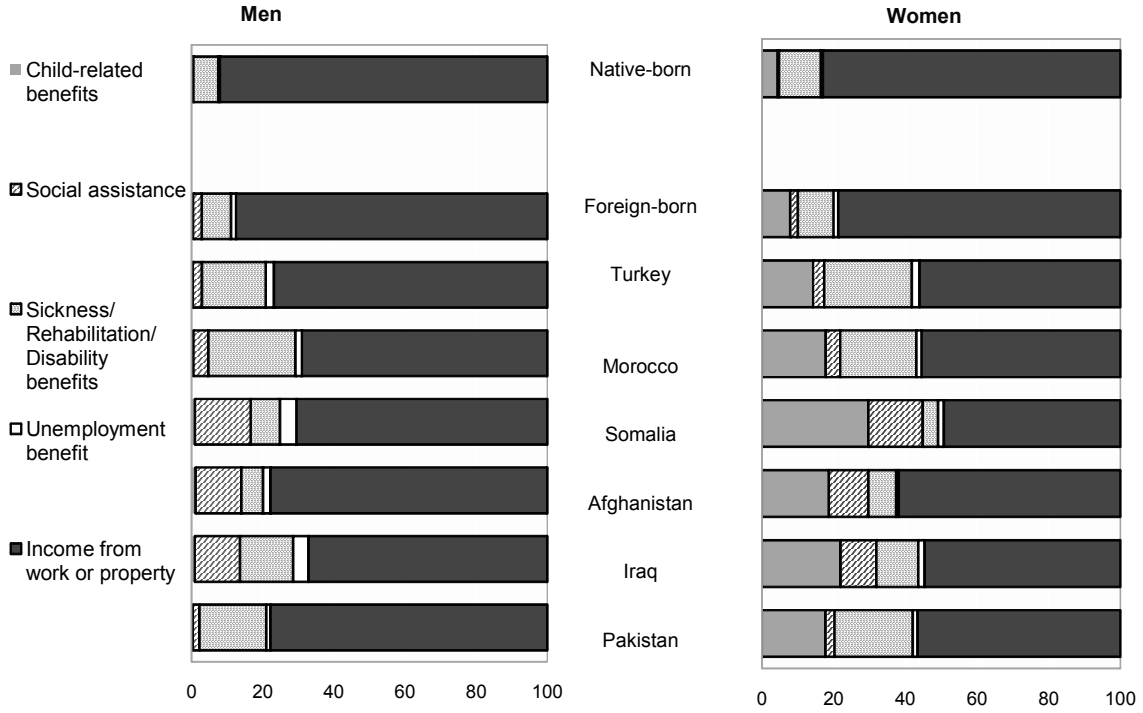
121. Much of the public debate in Norway has been concerned with the impact of the tax and benefit system on immigrants' labour market integration. Indeed, the overall tax level is high, and Norway has a developed welfare state. For nearly all family types and income situations, net replacement rates in Norway are above the OECD average. They are particularly high in international comparison for households with several children and a single earner who has been out of work for a long time. After five years out-of-work, for a previously low-income (earning 66% of the average production worker) single-earner married couple with two small children, the combination of the various benefits results in the highest net replacement rate in the OECD (OECD 2007b). This is a group in which immigrant households from non-OECD countries are largely overrepresented.

122. Unemployment traps arising from high net replacement rates thus seem to be a problem, but there is no evidence that they would affect immigrant's behaviour in a different way than that of comparable native-born. Bratsberg, Raaum and Røed (2007) provide an overview of disincentives in the tax and benefit system and their possible implications on the labour market integration of immigrants. They find that differences in the family structure can explain up to a third of the immigrant-native employment differential. The impact of family structure (that is, the marital status and the number of children) on employment seems to be stronger on immigrants than on the native-born. One possible explanation for this finding is that immigrants' expected wages in the labour market are relatively lower.

123. An important issue is whether or not immigrants assimilate rather into or out of welfare. Looking at cross-sectional data by duration of residence, one finds that immigrants who have been in the country for longer depend to a lesser degree on social assistance than more recent arrivals. However, it seems that over

time, disability – which requires previous work experience – gradually replaces other social security transfers which do not require prior employment (see Bratsberg, Raaum and Røed 2007 for some longitudinal evidence on this).[26] Likewise, more recent immigrant groups (Iraq, Somalia, and Afghanistan) depend more often on social assistance than on disability, which is the main benefit for immigrants from Morocco, Turkey and Pakistan (Figure 11). Nevertheless, it is important to stress that employment remains the main source of income for all immigrant groups and for both genders, with the exception of the most marginalized group on the labour market – immigrant women from Somalia.

Figure 11. Composition of total income in Norway, native-born and various immigrant groups, by gender, population aged 16-74, 2006



Note: Child-related benefits include maternity grants, child allowances and cash-for-care.

Source: Statistics Norway (Income Statistics).

The low-skilled employment sector

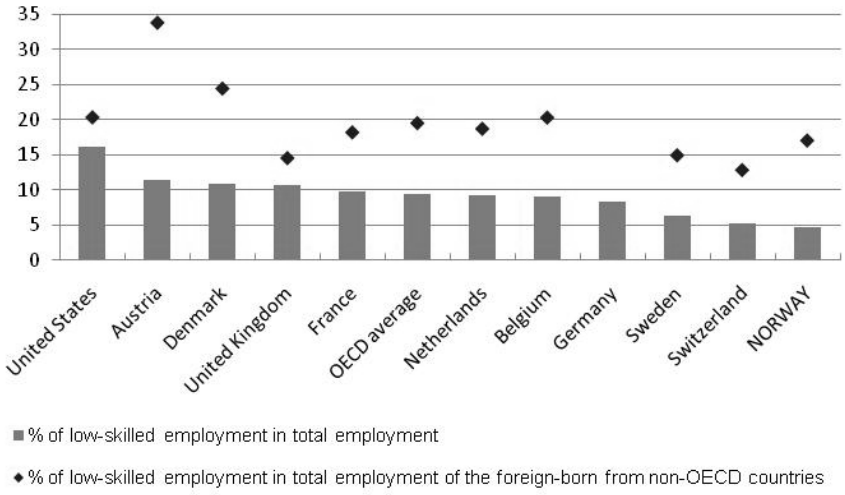
124. As has been seen above, whereas the labour market outcomes of highly-qualified immigrants in Norway do not seem to be unfavourable in international comparison, this does not appear to be case for low-qualified immigrants – particularly those from non-OECD countries. As already mentioned, there are disincentives provided by the tax and benefit system which could be part of the explanation, but there is no evidence that low-educated immigrants would be more affected than the low-educated native-born, provided they have similar other socio-demographic characteristics and reservation wages.[27] There are thus likely to be other factors at work as well.

26 An overview of the various benefits is given in Ministry of Labour and Social Inclusion (2008). An analysis of the various benefits in Norway and their implications for work incentives is beyond the scope of this report. For an in-depth study in international comparison, see Duell, Singh and Tergeist (2009).

27 The "reservation wage" is an economic term referring to the lowest wage rate at which an individual will accept employment.

125. This notably concerns the supply of low-skilled jobs, which seems to be more limited in Norway than in other OECD countries. Norway is the country in the comparison group with the lowest share of low-skilled occupations among total employment (Figure 12). The limited number of low-skilled jobs could be an effect of high entry wages, which makes it rational for employers to substitute low-skilled employment through capital, where possible. Note, however, that the similarly high wage compression in Denmark has apparently not prevented a relatively high number of low-skilled jobs.

Figure 12. Low-skilled employment as a percentage of total employment, selected OECD countries, 2007/2008 average



Note: The OECD average is the unweighted average of the countries included in the Figure. Non-OECD includes Turkey. Data for non-OECD countries include also Mexico for the United States. "Low-skilled" refers to ISCO 9.

Source: European Labour Force Survey (Data provided by Eurostat, Third Quarter, 2006/2007 for Switzerland) and Current Population Survey March Supplement for the United States.

126. Linked with the limited importance of low-skilled employment is also the observation that this accounts for a relatively small share of the employment of non-OECD immigrants in Norway in international comparison.

127. A third possible explanation relates to the fact that low-qualified immigrants may have a lower skills level and therefore may be less productive than low-qualified native-born. Again, there is some evidence that this is the case in Norway, and literacy differences seem to be among the driving forces behind the lower employment of low-qualified immigrants in international comparison (see Box 4). This result suggests that some more targeted measures may be needed. There are two possible policy options to tackle this: either very low-qualified immigrants are brought – via education and training – to a skills level that is at par with that of low-qualified native-born, or targeted wage subsidies compensate employers for the likely lower productivity of the former.

128. There have recently been some modest efforts to raise the basic skills of immigrants. However, these have essentially related to employed individuals. 34.5 mio. NOK (3.8 mio. Euros) have been budgeted over the past three years to compensate companies for providing training programmes for employed and unemployed persons lacking basic skills – with an explicit reference to immigrants.

Box 4. The poor labour market outcomes of low-qualified immigrants in Norway Is literacy part of the explanation?

The comparison of education levels between immigrants and the native-born is hampered by the fact that educational systems differ across countries. Data from the International Adult Literacy Survey (IALS) are an indication of language proficiency, reading ability and cognitive skills, and provide a direct measure of human capital that is comparable for both immigrants and native-born persons. Results from IALS show a discount of tertiary qualifications obtained in non-OECD countries which is largely explained by differences in literacy skills (see OECD 2008c). In principle, one would expect that such a discount matters less for low-qualified persons, although data from the OECD's Programme for International Student Assessment indicate that there are already large differences in the performance of lower secondary school systems. In addition, as is suggested above by Table 7, low-educated immigrants often do not even have obtained the basic qualifications which low-educated native-born generally have, and indeed sometimes even lack primary schooling. Data from the IALS give an indication of the magnitude of the (literacy) skills differences between immigrants and the native-born (Table 10).

Table 10. Differences in the mean literacy scores between low-qualified native- and foreign-born, aged 15-64, by gender

	men	women
Finland	(-12)	-
Ireland	(-13)	(-21)
Italy	(-19)	(-19)
Germany	22***	34***
New Zealand	34***	31***
Canada	35***	54***
Belgium	41*	-
United Kingdom	41***	44***
Sweden	52***	85***
Switzerland	55***	41***
Netherlands	59***	30***
United States	67***	86***
NORWAY	87***	95***

Note: ***/**/*: difference of means is significant at the 1%/5%/10% level, respectively. (-) means that there are less than five immigrants in the respective sub-sample.

Although these results have to be interpreted with some caution due to the small sample sizes in the IALS for low-educated immigrants, they indicate that the differences in literacy between immigrants and the native-born tend to be larger in Norway than in any other country for which data are available, and this holds for both gender.

With pooled data from the IALS and its successor, the Adult Literacy and Life Skills Survey (ALL), it is possible to investigate to which degree differences in literacy are correlated with employment status. Controlling for age, sex and year effects, low-educated immigrants have on average an employment probability that is about 12 percentage points lower than that of low-educated native-born in Norway. Controlling in addition for the literacy score reduces the difference by more than half and turns it insignificant. This provides an indication that the low employment of low-qualified immigrants may in part be attributable to lower literacy.

Source: International Adult Literacy Survey (1994-1998).

129. In summary, the unfavourable labour market position of low-qualified immigrants seems to be attributable to a mix of disincentives to work, a limited availability of low-skilled jobs, and the observation that low-qualified native-born have a higher skills level than low-qualified immigrants. While it is difficult to zero in on one specific factor, there seems to be a case for measures that tackle both supply- and demand-side obstacles to the employment of low-qualified immigrants.

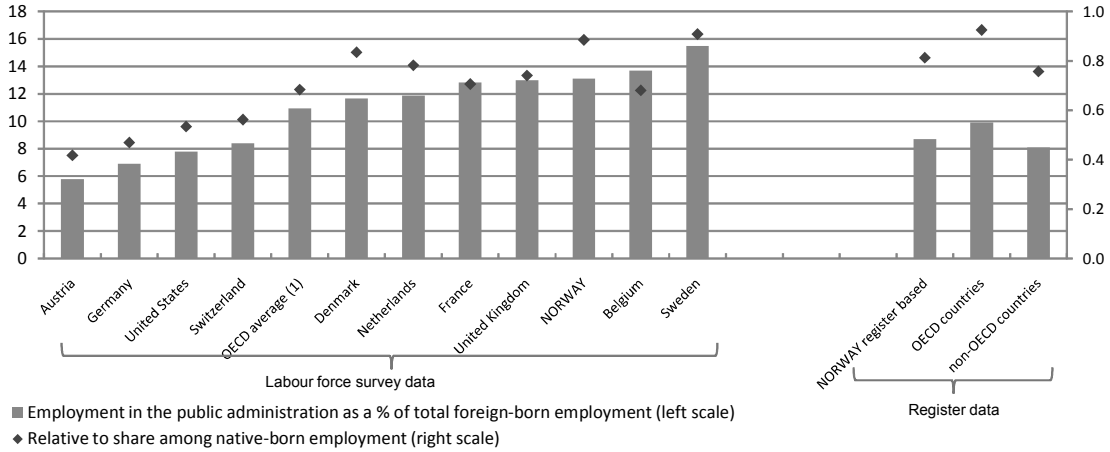
Migrants and the public sector

130. Immigrants' integration in what can be widely defined as "public sector" is of particular importance in Norway, since a large part of employment in Norway is under some public control. Three sectors of varying government influence can be distinguished – the state sector, the municipal sector, and fully or partially state-owned enterprises. Taken together, these three sectors account for about 47% of total employment in Norway.

131. Employment in the public sector provides the government with a lever to aid immigrants' labour market integration, as it has a more direct influence on its own employment decisions than on those in the private sector. In addition, by employing immigrants, the public administration acts as a role model for the private sector. If in fact immigrants find employment in the public administration, this can also increase the visibility of immigrants in daily life. Finally, employment of immigrants in the public sector can contribute to enhancing the understanding of immigrants' needs by public institutions. When immigrants are employed in certain key occupations such as teaching, they can also serve as a role model for others, notably immigrant youngsters.

132. The most direct influence which the central government exerts is clearly in its own administration. According to national statistics, 11.4% of total employment in Norway is in the *state sector*. Immigrants, in particular those from non-OECD countries, are underrepresented in the state sector – it accounts for 9.4% and 7.9%, respectively, of their total employment. Using internationally comparable data from the Labour Force Survey which uses a slightly different definition comes to more favourable result (see Figure 13). By and large, the overall presence of immigrants in the public administration in Norway thus seems to be above the level observed in other OECD countries, with the exception of Sweden.

Figure 13. Employment of foreign-born in the public administration in selected OECD countries, 15-64 years old, 2006/2007



Note: The labour force survey data for the public administration includes education. The register-based data refer to state sector. Non-OECD includes Turkey.
(1) The OECD average refers to the unweighted average of the countries included in the Figure

Source: European Union Labour Force Survey (Data provided by eurostat), register data: Statistics Norway (Labour Market Statistics) and Current Population Survey March Supplement for the United States.

133. Olsen (2009) investigated the participation of immigrants in the public administration with register data. He finds that although immigrants are underrepresented in the public administration, this is largely explainable by the different qualification requirements in the public sector (i.e., more highly-skilled employment). Indeed, 74% of employment in the state sector is in high-skilled occupations, compared with 33% in the private sector. Immigrants are quite often employed in these highly-skilled jobs – they account

for about 90% of OECD immigrants' and 67% of non-OECD immigrants' employment in this sector.[28] In addition, recent arrivals generally do not work in the public sector. Indeed, immigrants with four years of residence or more in Norway have already a roughly equal representation in the state sector (Olsen 2009).

134. Indeed, for many years, Norway has had an active policy to recruit persons with an immigrant background in the public administration. Special attention has been paid to qualified and highly-qualified immigrants, through improving transparency regarding immigrants' qualifications, and courses in multicultural awareness for hiring staff (see Holter 1999).

135. A number of measures have recently been taken to further enhance the integration of immigrants and their children in the state sector, in context with the comprehensive Action Plan for Integration and Social Inclusion (Ministry of Labour and Social Inclusion 2006 and 2007, see above). Already since 2002, there is an obligation for employers in the state sector to interview at least one candidate with a non-western immigrant background, if they are qualified. Since 2007, all state agencies are obliged to set concrete targets for the recruitment of people with an immigrant background, and to provide plans on how this goal is to be attained. In addition, hiring managers receive training in diversity management. These measures are supplemented since 2008 by a two-year pilot project for moderate affirmative action for immigrants applying for positions in the state public administration. If candidates have equal or approximately equal qualifications, a candidate with an immigrant background is to be preferred. An intermediate evaluation (Orupabo, Steen Jensen and Elise 2009) indicated that only a minority of state agencies have implemented this obligation thus far. Many hiring managers seem to be sceptical about the feasibility of the action. However, they also claim that the measure has encouraged them to pay more attention to latently discriminatory recruitment practices and prejudices.[29]

136. The *municipal* level accounts for another 22% of total employment. Again, immigrants are somewhat underrepresented, but the differences are not large – at the end of 2007, the municipal sector accounted for 18.4% of immigrants' employment. Notably the larger cities seem to have been rather active regarding the recruitment of persons with an immigrant background. The City of Oslo established an action plan on the employment of immigrants in the municipal services, with the aim of having a proportional representation of immigrants and their offspring. This target has been reached in 2008, with 19% persons of "non-Western origin" in the municipal services.[30] Other cities have established similar programmes. The City of Drammen, for example, has set similar targets and also obliged its agencies and services to provide work-experience placements for new arrivals under the introduction programme. In all job vacancies, immigrants are explicitly encouraged to apply. In addition, as in the state sector, hiring managers are generally obliged to invite at least one person with an immigrant background to a job interview if the person has the required qualifications and experience. Hiring managers also receive special training in intercultural management.

137. It is difficult to evaluate the impact of these various measures on immigrants' employment. The overall share of the state and municipal sector as a percentage of (non-OECD) immigrants' employment has remained broadly stable in recent years (27.3% in 2002 and 27.0% at the end of 2007, the latest year for which data are available). Nevertheless, as mentioned above, the picture is slightly distorted because of the many new arrivals who do not take up employment in the public sector, at least initially. A better

28 This stands in rather stark contrast with the private sector, where only 14% of non-OECD immigrants are in high-skilled jobs.

29 Teigen and Jensen (1995) reached a similar conclusion in their evaluation of the earlier moderate affirmative action policies for women in Norway.

30 Most of the increase in employment of immigrants from non-OECD countries in the municipal sector in Oslo was in the social and health services.

(albeit still crude) indication is to look only at migrants in 2007 who were already in Norway in 2002. For this group, there was a growth in the absolute number of employed by more than 11% over the five years. The state and municipal sector accounted for more than half of this figure.

138. The third part of the labour market over which the public authorities exert some direct control are the *state-owned enterprises*. About 20% of private sector employment in Norway is in at least partially state-owned enterprises. The government influences the management of these companies notably regarding guidelines of good corporate governance and in this context, growing attention has recently been paid to enhance diversity in this part of the private sector. Compared with the information on employment in the state and municipal sector, data on the employment of immigrants in the state-owned enterprises is not readily available. However, since 2006, IMDi publishes an annual report on the recruitment and employment of immigrants and their children in 26 fully state-owned enterprises, based on questionnaires. The most recent report shows a slight increase in employment of immigrants and their children in these enterprises, although immigrants and their children remain underrepresented relative to their share in the workforce. There has been some targeted action to encourage applications of immigrants and their subsequent recruitment, and indeed, immigrants have been overrepresented among recent hirings. In the 22 enterprises for which information was provided, 16 per cent of applicants, 15 per cent of interviewees and 14 per cent of new recruits had an immigrant background (see IMDi 2009).

139. In summary, the large public sector has taken considerable efforts on all levels to promote immigrants' employment, and there are some tentative signs that this has paid off.

The labour market integration of immigrant women

140. Together with Denmark and closely followed by Sweden, Norway is the OECD country with the highest employment rate of women. As seen above, immigrant women, in particular from non-OECD countries, have much lower employment rates. According to register data, their employment level reaches only 75% of that of native-born women (that is, an employment rate of less than 60% compared with almost 76% for native women).

141. These results have to be seen in the context that most immigrant women did not come primarily for employment. They generally joined their spouses who were often already working and, at least initially, took the task of taking care of the household, etc. About 60% of permanent-type migration of women to Norway since 1990 was for family purposes, compared with only about 30% for men.

142. In addition, immigrant women often come from countries where the employment of women is much lower than the employment of men. It may therefore seem overly ambitious to expect that they reach the same employment level as native Norwegian women. Galloway (2006) shows that there are indeed strong country-of-origin effects in the labour market integration process of immigrant women in Norway. Women from non-OECD countries generally have very low employment levels shortly after arrival. Whereas women from countries such as Vietnam and Sri Lanka converge towards the employment rates of their native-born counterparts, the convergence is much slower for women from Pakistan and Turkey where traditional gender roles in the labour market seem to be particularly pronounced. Women from these countries largely remain outside the labour force even after many years in Norway.

143. One important determinant of immigrant women's labour market participation is the presence of children in the household. Young married Norwegian women with children have slightly lower employment rates than their (native-born) counterparts without children. The differences between those who have children and those who have not are much larger for immigrant women and for women who are native-born children of immigrants. Interestingly, on the basis of these descriptive aggregate statistics, there is little difference between married without children and single without children. It is the presence of

children which seems to make the difference. Table 11 also indicates that even though the differences vis-à-vis native Norwegians[31] are very large for immigrant women with children, a similar pattern is observed for the few countries for which comparable data are available. In addition, although the differences are considerably lower for the native-born children of immigrants in Norway, independent of family status, they nevertheless remain high.

Table 11. Employment rates for native Norwegian women in comparison with non-OECD immigrants and native-born children of immigrants by marital status and children for persons aged 25-34, 2006

	Total	Married with children	Married without children	Single without children
Native women	82	84	89	82
Difference with non-OECD 2nd generation	*14*	*23*	*5*	*12*
Difference with non-OECD immigrant women	*33*	*38*	*29*	*26*
[1] Austria	*31*	*30*	*27**	-
Belgium	*42*	*50*	*43**	-
France	33	43	26	21
Netherlands	37	41	33*	*15**
United Kingdom	*20*	*31*	*20*	*11*

Note: The second and third row show the differences in employment rates between the native Norwegian women and the native-born children of immigrants and immigrant women, respectively. The differences refer to the native-born female children of immigrants and immigrant women from non-OECD countries/Turkey, by group of socio-demographic characteristic. Rows four to eight show for each column the percentage points differences between the employment rates of native-born women and women from other than European OECD countries. Data with an asterix (*) have to be interpreted with caution regarding reliability (between A and B threshold). "–" means not publishable. "2nd generation" refers to the native-born children of immigrants.

Source: Register data from Statistics Norway, European Union Labour Force Survey for other countries (data provided by Eurostat 2006/2007 average).

144. As a measure to support families who wish to take care of their children at home, a so-called "cash-for-care" subsidy was introduced in 1998. It covers (since January 1999) all children aged between one and three years who do not take full benefit of kindergarten. About 3 300 NOK (367 Euros) are paid on a monthly basis to the parents of children not attending kindergarten at all. The payment is phased out according to the number of hours spent in kindergarten.

145. In 2006, for about 40% of 1 and 2 year old children of natives cash benefit was paid, but 65 % of children of parents from non-OECD countries. When considering immigrants' strong geographical concentration in the main cities and in particular in Oslo where the infrastructure for early childhood institutions is more developed, the disparity is even more pronounced. In Oslo, for example, only for a little more than 20% of children of natives in the relevant age range cash benefit was paid, in contrast to about 75% for children from non-OECD and Turkish migrants (see Daugstad and Sandnes, 2008). The subsidy accounts for a non-negligible part of the aggregate income for immigrant women from countries such as Somalia, Iraq, Morocco and Pakistan, whereas its importance for native women is negligible (see also Figure 11 above).

146. Since kindergarten attendance results in a loss of the cash-for-care subsidy, the logical counterpart of the payment is a lower kindergarten attendance of those children whose families benefit from it. Indeed, data on kindergarten attendance by single year of age mirror the overrepresentation of immigrants among the cash-for-care beneficiaries. One observes that the differences in attendance rates between children of natives and children of immigrants are large until the age of three and then converge (Table 12). The large discrepancies after the age of two are worrisome, since early participation in the residence country's educational institutions has proved important in raising educational attainment levels of the children of immigrants. For France, Caille (2001) has shown that at the age of two, kindergarten

31 "Native Norwegians" refers to the children of natives.

attendance starts having a favourable impact on the school success of the children of immigrants. The effect is –stronger than on comparable natives for whom little or no effect is observed.

147. The incentives to send young children in kindergarten are furthermore reduced by the fact that attendance can be quite costly. In 2007, the maximum fee for full-time attendance of kindergarten was NOK 2 330 (EUR 259) per month. Although there are various reductions (both for poor households and for families with several children), the cost can still be substantial for low-income families. Several municipalities now offer free day care/kindergarten to families with low payment capacity, but it appears that immigrants are not always aware of the exemptions available to them.

Table 12. Kindergarten attendance by age, all children and "language minority" children, 2007

Age	All children (in %)	Children from a "language minority"
1	59.5	25.4
2	79.3	43.0
3	92.3	72.1
4	95.3	85.8
5	95.9	90.0
Average 1- 5	84.3	62.8

Note: "language minority children" are children who have a mother tongue different from Norwegian, Sami, Swedish, Danish or English.

Source: Statistics Norway.

148. Hardoy and Schøne (2009b) analysed the effect of the cash-for-care subsidy on the labour supply of immigrant women from non-OECD countries. Their estimates show that the subsidy could have reduced the labour supply of these immigrant women by up to 15%, and there are also some indications that the effect has been stronger than for comparable natives. [32] Most of the reduction seems to be due to the fact that the reform has reduced the incentive to enter the labour market for previously inactive mothers, whereas those who were already in the labour market in the pre-subsidy period were less affected.

149. One of the reasons for the introduction of the cash-for-care was apparently that there was no full kindergarten coverage across Norway. Since this is now been gradually resolved, there seems to be little reason for maintaining the subsidy, given its multiple negative effects on the integration of immigrants.

V. Integration policy in Norway

Language training and the introduction programme

150. One characteristic of immigration to Norway is that the overwhelming majority of immigrants do not speak or understand the host country language upon arrival. While this situation is similar to that of the other Scandinavian countries and the Netherlands (to a lesser degree also to Germany and Austria), it distinguishes Norway from the countries that have been settled by migration and also from several European OECD countries such as France and the United Kingdom.

151. There is little doubt that mastery of the host country language is an important factor for integration – not only for labour market integration but also for integration into the society. Because of

32 Recent evidence from the Mediterranean countries also indicates that the labour market supply of married women with children responds to economic incentives (Nicodemo and Waldmann 2009).

this, language training is generally the single most important measure that is directly targeted at immigrants in OECD countries, and Norway is no exception in this respect.

152. Since September 2005, it is compulsory for all newly arrived immigrants outside of the European Economic Area who do not master Norwegian (or Sami) to take 250 hours of Norwegian language and 50 hours of civic education (see above).[33] 250 hours of language training does not seem to be an excessive amount, since this is the lower end of the range in which language training has been demonstrated to continue yielding significant improvements in the labour market outcomes in Sweden (OECD 2007a). The municipalities are obliged to offer up to an additional 2700 hours to those in need of further education in Norwegian. The government is currently considering to increase the number of compulsory language training and civic education from 300 to 600 hours.

153. Already prior to the formal establishment of the introduction programme, most immigrants from non-OECD countries followed some Norwegian language training. Among the participants in the 2005/2006 Survey of Living Conditions, this was the case for more than 80%. In about half of the cases, the training was between 200 and 500 hours – not very dissimilar from the current setting.

154. The respondents of the 2005/2006 survey who did not participate in a language course were asked for the reasons. Although it is difficult to identify the key drivers underlying non-participation, less than one third reported that it was due to no or inadequate offering.[34] This suggests that the scope and quality of language training may, at least in the past, have at times left something to be desired. Indeed, stakeholders in Norway repeatedly argue that a major benefit of the obligation to language training is that is a mutual one - municipalities can no longer avoid offering training to immigrants by claiming that there is no demand for this. Nevertheless, there are still very few incentives to municipalities to provide *quality* language training. The grant which is given to municipalities if the immigrant passes language examination is low in comparison with the overall lump sum paid to municipalities for language training, which is paid independent of training content and quality.

155. There is only very limited and indirect information available on the effect of language training on the labour market outcomes of immigrants in Norway. Information on participation in language training can currently not be obtained from register data, which has hampered evaluation of its effects. Some basic information is only available from survey data, in particular from the Survey on the Living Conditions of Immigrants. These data have the disadvantage of being self-reported, which is particularly problematic for an evaluation of the improvement of language proficiency. Hayfron (2001) examined the links between language course participation, language mastery and labour market outcomes as reported by immigrants in Norway in the 1993 Living Conditions Survey. He finds a positive correlation between participation in language training programmes and self-reported proficiency in Norwegian. However, no link could be

33 It appears that the 50 hours of "social" courses integration focus much on immigrants' obligations and less on immigrants' rights in Norway. One possibility could be to link the two, notably in the area of equality, which could be approached by linking information on gender equality and on immigrants' rights. To have a more hands-on approach, the information could be provided by the institutions in charge, such as for example the Equality and Anti-Discrimination Ombudsman.

34 18 per cent of those who did not participate said they lacked training because they had not been offered courses. Between six and seven percent answered that they had not taken any courses because the level of the course was not adequate; roughly the same number reported non-attendance due to illness or because they were not interested. Eight per cent of the women answered that lack of childcare was preventing them from attending Norwegian language courses. A few immigrants also stated that they had not been given an opportunity because the course was too far from their home or because they were still on a waiting list (one per cent each). However, the majority (57 per cent) did not fit into any of these categories and answered "other".

established on the basis of the data between (self-reported) Norwegian language proficiency and immigrant earnings.

156. The overall level of proficiency in Norwegian that is demanded on the labour market seems to be high, even for low-skilled employment. There is a remarkable agreement among the main stakeholders on the necessity to have a good mastery of Norwegian in order to find employment.[35] Because of this general agreement, the necessity to make language training obligatory for new arrivals from non-EEA countries is also rarely questioned. Stakeholders argue that even educated immigrants may not be sufficiently aware of the need of Norwegian language mastery for sustainable integration in the labour market and society. In any case, the penalty associated with non-participation in the 300 hours Norwegian language training and social studies for immigrants not under the introduction programme is minor. Those who do not follow the obligation essentially have to continue renewing their temporary permits. Since 1 September 2008, participation is also a prerequisite for all migrants who apply for citizenship. If immigrants can prove an adequate knowledge of Norwegian, they are exempt from the obligation to participate.

157. The recent strong inflow of immigrants who do not master Norwegian from the new EU member countries currently poses a particular challenge. These migrants are in principle not entitled to language training, although the fact that Polish migrants have headed the list of origin countries for family reunification migrants suggest that many of these migrants intend to stay in Norway for longer. During the favourable economic situation until recently, many Polish labour migrants found employment in construction. Indeed, that these immigrants did find employment without speaking Norwegian is generally seen as an exception, and attributed to the specific situation in the construction sector where it was not unusual for entire teams to consist of Polish-speaking migrants.[36] With the strong decline in construction, immigrants from the new EU countries now have the second highest unemployment rate of any migrant group in Norway, and their lack of language skills is clearly a major obstacle to employment in other sectors, both currently and in the future. Municipalities are not obliged to offer language training to immigrants from the new EU countries. However, the latter can take part in some limited Norwegian language training by the NAV as part of a labour market course. Their spouses may also be eligible for such measures, but only if they are registered as unemployed. If this is not the case, and for more general language training outside of the NAV courses, migrants from the new EU countries may have to pay for the training. Given the rather high cost of Norwegian language training on the private market – about 50 NOK (6 Euros) per hour – it is not clear how many migrants will by themselves make the necessary investment. On the other hand, a generalisation of the free language training in Norwegian will be a costly undertaking for the public purse.[37]

158. Language training is also an important part of the introduction programme, although its relative weight may vary greatly, depending on the needs of the migrants. Where possible, once a basic level has been reached, vocational language training is provided in the context of work or language practice measures.

159. As already mentioned, the introduction programme may last up to two years and in special cases up to three years and is a right and duty for new arrivals from non-EEA countries who lack basic qualifications. Indeed, it seems difficult to justify obligatory programmes of such a rather long duration for

35 This could at least in part be attributable to the fact that Norway is a rather homogeneous country with a very strong emphasis on social cohesion (see Grjebine 2006).

36 To which degree this is actually the case, and whether or not the situation is indeed different in other sectors, is difficult to verify.

37 There are also other issues to be considered, such as the impact of Norwegian language mastery on the settlement prospects of migrants from the enlarged EU.

already qualified individuals. For immigrants who lack basic qualifications, the argument that some additional education and training is needed to bring them up to the overall skills level of the native population seems plausible. Indeed, the experience with low-skilled immigration in other European OECD countries in the past has shown that neglecting this issue can have an adverse impact not only on the migrants themselves, but also – and possibly even more – on their children. It is also conceivable that this particular group may be less aware of the benefits of having basic qualifications, which would seem to provide some justification for the obligatory nature of the programme.

160. Although many refugees and their families may need two or even more years to get ready for the labour market, some could well be ready before the end of the regular two-year introduction period. Indeed, this is acknowledged by the introduction act which allows for faster tracks but it is not clear to which degree this is currently being applied by municipalities. In any case, there are few incentives to take up employment early, since the introduction benefit which is linked to programme participation is relatively high – notably above the level of social assistance. This reflects the fact that participation is full-time and generally seen as the participant's "first job in Norway". However, combined with other out-of-work benefits, in particular for larger families, the total benefit level can easily exceed typical entry wages for the lesser-skilled (see Djuve 2003).

161. This suggests that there may be substantial "lock-in effects" arising from the programme, that is, the programme might delay labour market entry for some migrants. These effects are further reinforced by the full-time nature of the programme, leaving immigrants little time to look for a job by themselves. Because of the recent nature of the introduction programme, there has been no longer-term evaluation of its effects. Kavli, Hagelund and Bråthen (2007) analysed the short-term effects of the first cohort of programme participants (2004-2006). They find that those migrants who dropped at some stage out of the programme to get into employment had also a higher probability to be in employment after the end of the introduction phase. Thus, some immigrants of the target group seem to be labour-market ready in less than two years. Similar evidence of "lock-in effects" of introduction programmes has been reported for Denmark (see OECD 2007a).

162. Djuve (2003) evaluated the labour market effects of the trial introduction programme. She found that the number of hours of programme participation had neither an effect on proficiency in Norwegian nor on the probability to have a job. However, this could be due to a negative correlation between the number of hours and the prior literacy of the participant. She also found that 80 hours or more of work praxis increase the probability of having a job. A positive correlation between work practice-measures and labour market outcomes is also reported in Kavli, Hagelund and Bråthen (2007). There are also some indications that close follow-ups and budget autonomy for the participants improve subsequent labour market outcomes (see Djuve 2003).

163. 53% of the participants who completed or ended the programme in 2008 subsequently obtained regular employment or further education. An additional 20% participated in some further labour market training. In general, migrants in more remote municipalities seem to have a higher probability to find employment than those in the larger, more central municipalities (IMDi 2008). This is apparently because labour needs in the remote areas tended to be more pressing than in the more central parts of the country.

164. There is a wide variation in the implementation of the introduction programme, and small municipalities clearly have more difficulties to provide tailor-made programmes.[38] There seems to be a particular challenge regarding highly-educated immigrants. 60% of the municipalities who have

38 Note that the problem of small municipalities' limited infrastructure is not unique to immigrants. For example, as a result of Norway's scattered population, 40% of primary and lower secondary schools are so small that children of different ages are taught in the same classroom.

immigrants under the introduction programme cannot offer targeted courses for people with tertiary education, although in some cases there is also access to adapted training in surrounding municipalities. The situation is similar regarding work-practice for the highly-skilled. It thus seems to be more difficult to adapt the programme to the needs of the highly qualified than to those with low qualifications (Kavli, Hagelund and Bråthen 2007).

165. By comparison with previous migrant cohorts (2002 arrivals), Kavli, Hagelund and Bråthen (2007) also find some tentative evidence that the programme has increased the labour market prospects of immigrant men.[39] They do not find similar evidence for women, however.

The settlement of immigrants

166. The immigrant population in Norway has been concentrated in the main cities, particularly in the Oslo region. About 30% of all persons with an immigrant background live in Oslo, although the city accounts for less than 12% of the total population in the country.

167. This pattern is not unique to Norway. Indeed, it is somewhat natural for people from the same country living abroad to congregate. Such a concentration may have some undesirable effects. Firstly, it could create a social and fiscal burden in host regions which needs to be spread more equally across the country. Secondly, living in such enclaves may retard the integration process – particularly with respect to acquisition of the host-country language – because of a tendency to socialise with persons of one's own community. Immigrants may thus have less contact with the native population as a result. Thirdly, these centres may not necessarily be places where labour demand – and therefore employment possibilities for immigrants – is strongest. When there are limited transportation possibilities to employment areas, or when these are distant, this could hamper labour market integration. Based on these arguments, policies to disperse or to encourage immigrants to disperse throughout the country have been introduced in a number of OECD countries.

168. In order to achieve a more equal distribution of humanitarian migrants and their families across the country, Norway has a longstanding dispersal policy for refugees. The settlement of refugees and their families is a matter of negotiation between the municipalities and the IMDi, with the intermediation of the national association of the municipalities (KS).

169. This process is relatively time-consuming. Humanitarian migrants spend on average an additional 180 days after they obtained their residence permit until they are settled in a municipality.[40] The availability of housing has been a critical factor, since public housing is scarce, and it appears that labour migrants often compete with the new arrivals in the introduction programme (via the municipalities) for cheap adequate housing in the private market. Another problem is that few immigrants who have been placed in the remote Northern parts of Norway remain there, in spite of favourable labour market conditions.

170. In Sweden, where a similar dispersal policy operated, the availability of housing soon turned out to be the deciding factor for the location of refugees. Edin, Fredriksson and Åslund (2004) found that this

39 The evaluation of a programme that is in principle mandatory for everybody is a challenge. In particular, the more favourable economic conditions in 2006 will tend to bias the results. The authors try to correct for this by using information on local variation in employment and unemployment rates in 2006 and 2002. Nevertheless, there remains the problem of selectivity into the introduction programme. Some individuals are exempted from the obligation to participate in the programme (e.g. those who are very sick), but they are included in the 2002 comparison group.

40 Note that, for accepted asylum seekers, these 180 days add on to the time needed for treating the request.

policy had strong negative effects on the labour market outcomes: after eight years of residence, earnings were eight percentage points lower, the employment rate about three percentage points lower, and welfare dependency four percentage points higher than in the absence of the policy. A simulation showed that the effects would have been even much greater if all immigrants would have stayed in the location to which they were initially assigned. A similar observation has been made in Denmark, where immigrants' relocation tended to reduce the duration until the first job (Damm and Rosholm 2005).

171. There has been no comprehensive assessment of the effects of dispersal policy in Norway thus far. It seems that the underlying factors do not differ greatly from those observed in Denmark and Sweden, although there is an effort to base the settlement decision on the overall prospects for successful integration, and to avoid that the availability of housing becomes the decisive factor.

172. The difficulties encountered by small municipalities and the length of time from arrival in Norway to the eventual settlement in the host community suggests that much could be gained from a more targeted settlement strategy that allocates immigrants according to their skills, allowing municipalities to specialize and to invest into introduction programmes for specific groups. This would probably imply changes in the current lump-sum funding which does not differentiate between migrants of different skills levels, since experiences from other OECD countries seem to suggest that both the adequate labour market integration of very high- and of very low-educated immigrants tends to be more resource-intensive than of medium-skilled immigrants.

Labour market programmes and the participation of immigrants

173. As already mentioned, social inclusion is a key objective of the Norwegian government, and full labour market participation of all groups is seen as the main route towards achieving this. Besides the introduction programme and language training, there are few measures which are directly targeted at immigrants. Indeed, the overall labour market policy is one of mainstreaming. Labour market programmes in Norway traditionally differentiated between "ordinary unemployed" and "vocationally disabled" (see Duell, Singh and Tergeist 2009 for an in-depth study on activation policies). For both groups, three main sets of active labour market policy instruments in Norway can be broadly distinguished – training, work practice measures, and wage subsidies. Since 2008, all measures can in principle be offered to both groups, but this depends on an individual assessment of work capability.

174. Compared with their share in the working-age population, immigrants from non-OECD countries are strongly overrepresented among the ordinary unemployed, but only slightly among the vocationally disabled. They were formally prioritised in labour market measures for the former group. This prioritisation ended in 2009 in favour of an individual assessment of the work capability of each unemployed. In 2008, according to data from the Directorate of Labour and Welfare, 36% of all participants in labour market measures for the ordinary unemployed were immigrants from non-OECD countries (Table 13), although these only account for 20% of the unemployed. A strong overrepresentation also remains after controlling for socio-economic characteristics (Kvinge and Djuve 2006). In contrast, on the aggregate, immigrants from non-OECD countries are slightly underrepresented among the participants in measures for the vocationally disabled. In 2008, they accounted for about 10% of the vocationally disabled, but only for less than 9% of those vocationally disabled who participate in labour market measures.

175. Because of the availability of register data, the impact of labour market measures on participants' labour market outcomes has been relatively well studied. Overall, participation in active labour market programmes (ALMPs) in Norway reduces the transition rate to ordinary work during participation and increases it thereafter (Røed and Raaum 2003). For most native-born participants, the net effect is close to zero. In contrast, there are significant net effects for immigrants from non-OECD countries. Since the

measures tend to be costly, this also seems to be the only group for which there is a net fiscal effect of ALMPs in Norway. It also appears that the favourable effects tend to be larger in good economic times than during a downturn.

176. Kvinge and Djuve (2006) follow the labour market outcomes of unemployed migrants and native-born who were registered at the previous Public Employment Service in 2003. Their analysis carries over a two-year horizon. They find that wage-subsidies have a positive effect on employment, but very few get them. Indeed, as Table 13 shows, only about 600 "non-western" immigrants were in a wage-subsidy programme in 2008. In addition, the relative importance of this tool (calculated as its share in all measures) is much smaller for immigrants than for the native-born. This is unfortunate, since there is evidence from other OECD countries that wage subsidies tend to have larger beneficial impact on the labour market integration of immigrants than on comparable native-born (OECD 2007a). More generally, the recent Nordic evaluation literature shows that wage subsidy programs targeted at immigrants and other disfavoured groups in the labour market consistently yield improved labour market outcomes (Nekby 2008).

Table 13. The participation of migrants in the various active labour market programmes in Norway, 2008

Programmes for the "ordinary unemployed"

	Non-OECD immigrants	Share of measure as a % of all measures for non-OECD immigrants	All participants	Share of non-OECD immigrants among all participants
Training and education, language training	2,183	56%	4,848	45%
Wage subsidies	436	11%	1,735	25%
Work practice	1,177	30%	3,808	31%
Employment measures, leave and temporary post	6	0%	22	26%
Other	100	3%	446	22%
Total	3,901	100%	10,859	36%

Programmes for the vocationally disabled

	Non-OECD immigrants	Share of measure as a % of all measures for non-OECD immigrants	All participants	Share of non-OECD immigrants among all participants
Clarification programmes	290	6%	1,893	15%
Follow-up, monitoring	591	12%	5,530	11%
Training and education	2,118	44%	22,798	9%
Wage subsidies	174	4%	2,242	8%
Work practice	1,162	24%	11,453	10%
Assisted work	344	7%	9,440	4%
Employment measures, leave and temporary post	11	0%	91	12%
Other	104	2%	1,321	8%
Total	4,794	100%	54,768	9%

Source: Data provided by the Directorate of Labour and Welfare.

177. Thus, in spite of the apparent merits of wage subsidies as a tool for the labour market integration of immigrants, they are still rarely used – not only in Norway but also in other OECD countries. One often reported reason is that employers remain reluctant to employ immigrants, even when subsidised. Indeed, a subsidy may by itself not be sufficient to overcome uncertainty about productivity if the perceived risk is large. In this context, it seems that close follow-up of programme participants by the employment service tends to be helpful in reassuring employers.

178. The most frequent programmes for immigrants from non-OECD countries are education/training and work practice. The limited available evidence on their effects shows no clear-cut picture. They seem to yield positive employment effects for women from Asia and Eastern Europe, but no impact on other migrant groups. The positive effects of education/training are largely conditioned by the participants' subsequent inclusion in a wage-subsidy programme (Kvinge and Djuve 2006).

179. The provision of language training is generally a task of the municipalities and thus generally not in the direct remit of the NAV. To which degree it is provided within labour market programmes depends in part on the respective NAV office. The language training provided within these programs tends to be less comprehensive and more work-oriented than the training provided by the municipalities.

180. There is one notable exception from the policy of catering immigrants' needs via the general mainstream services and indirect targeting. This concerns specialised labour market offices for jobseekers with an immigrant background (Box 5).

Box 5. Specialised employment services for persons with an immigrant background – the NAV intro

Already in the early 1980s, the Norwegian Employment Services established a specialised office in Oslo to facilitate the labour market integration of immigrants and their children. Currently there is one so-called "NAV intro" office in each of the four largest cities (Oslo, Bergen, Trondheim and Kristiansand).

The NAV Intro office in Oslo is the largest among the four establishments. It employs 25 persons, providing each immigrant with a specialised caseworker. The target groups are both low- and high-qualified migrants, whereas immigrants with medium-level skills are seen as being sufficiently taken care of by the regular mainstream services. Through its many years of experience, the office has established close connections with employers, and ensures regular follow-ups for immigrants in work placements. These two latter elements proved crucial in finding work assignments for immigrants, particularly for those who are difficult to place. The NAV intro in Oslo is also in charge of the introduction programme for new arrivals in the city.

The NAV Intro offices also assist the regular local NAV offices in their region to better account for the needs of immigrants. This includes training in counseling for persons with an immigrant background, advice in the design of programmes for immigrants with special needs, and general information on the merits of diversity in the workplace. It also provides information sessions for employers regarding diversity matters.

181. A so-called "qualification programme" has been implemented in the context of the ongoing NAV reform and is only offered in municipalities with NAV offices (which by now means almost universal coverage). The target group of the programme are people with reduced work capability, the majority of whom are social benefit recipients. The programme is administered by municipalities and aims at the labour market integration of people who are long-term social benefit recipients. It consists of tailor-made individual integration plans which may include a broad range of elements such as education, traineeships, and other work-related training measures (including language training, but this is apparently rarely done). The programme is rather attractive to participants, as they receive a (taxable) "salary"-type benefit set at twice the basic social assistance level which also generates pension benefits. Almost 5 300 persons applied to participate in the programme in 2008.

182. Among the social benefits recipients as a whole, immigrants from non-OECD countries and their children accounted for 28% in 2007. The latter also have a longer average duration in social assistance. By the nature of the qualification programme, one would thus expect that immigrants are disproportionately benefiting from it, but there are currently no statistics available on programme participation, nor on its effects.

183. More directly targeted at immigrants is another recent initiative, the "second chance programme" (see Box 6). It is a rather small-scale programme for people who are even further away from the labour

market than those included in the qualification programme. There are also a few local projects, but their overall scale and scope has thus far been rather limited compared with other OECD countries.

Box 6. The "Second chance" Programme

The "second chance" programme was implemented in 2005 to try out methods from the introductory programme on another target group. The aim is to integrate people into the labour market who have been in Norway for many years and who have a large distance from the labour market and therefore receive social assistance. Within this group, the programme is targeted at immigrant women. Indeed, for the participation of the latter, dependence on benefits is not a precondition. The Directorate of Integration and Diversity (IMDI) administers and allocates the funds for "second chance" projects in municipalities. The programme is still in its pilot phase and currently restricted to the 12 municipalities with the largest amounts of immigrants. The main element of the programme is a combination of language training with work experience. Where possible, elements of mentorship are included to accompany this. Employers who are offering training in the framework of the programme are often in services sectors such as nursing home, cleaning, and transportation. Participants receive a benefit from the programme, and this benefit is independent of their individual situation, tax free and set at the level of the introduction benefit for newly arrived immigrants participating in the introductory programme. The content and duration of the programme is adapted to the needs of each individual, but the maximum length of the programme is two years. Participants are closely followed up by employers and case workers. Over the pilot period (2005-2007), 901 immigrants participated in the programme, almost half of whom followed further education or training after completion.

In the municipality of Oslo, about 70% of the people attending the programme are immigrants or with immigrant background. Among these, the majority are women aged between 25 and 54 who have been on social assistance for 10-15 years, mainly from Somalia, Afghanistan and Iraq. The focus of the 2009 programme is again on women with children who come from countries with very low labour market participation such as Somalia, Afghanistan, Iraq and Turkey. In general, an effort is made to involve entire families. To achieve this, the caseworkers also occasionally visit the families at home. There is also a regular follow-up in the enterprises which provide the training.

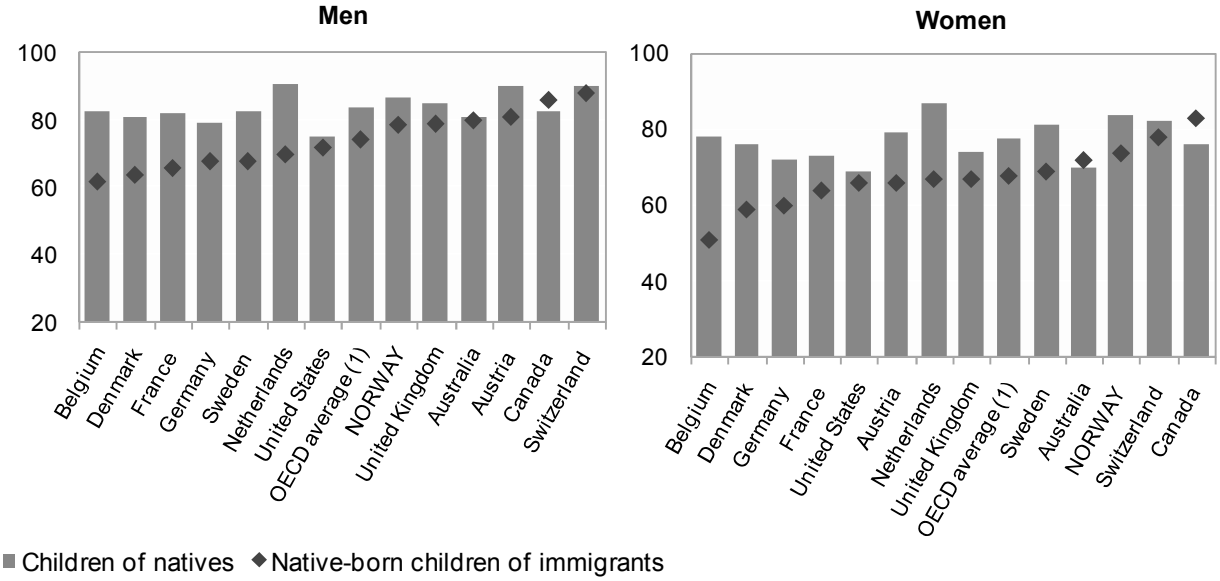
In the stimulus package announced late January 2009 as a reaction to the economic downturn, the Second Chance Programme received 15 mio. NOK (1.7 mio. Euros) additional funding (see above).

VI. The labour market integration of the children of immigrants

Overview of the labour market outcomes of the children of immigrants

184. Because of the rather recent migration history to Norway, the native-born children of immigrants ("second generation") are only now gradually entering the labour market. A first look at the labour market outcomes of the native-born children of immigrants in international comparison shows that the overall situation is quite favourable. For men, the employment rates for the 20-29 years old native-born children of immigrants are about average (both in absolute terms and relative to the children of natives) for those countries for which data are available (Figure 14). For women, the employment rates are even among the highest. There is also little difference in the labour market outcomes of the native-born children of immigrants as a whole and those from non-OECD countries. This is attributable to the fact that almost 88% of the native-born children of immigrants have parents are from non-OECD countries or from Turkey. Since their parents are often low-educated, their overall labour market situation thus does not seem to be unfavourable in international comparison.

Figure 14. Employment rates of the native-born children of immigrants and the children of natives, selected OECD countries, 20-29 years old and not in education



Note: 1. The OECD average refers to the unweighted average of the countries included in the Figure. Data for France exclude native-born children of those foreign-born parents who had French nationality at birth. Adjustments were also made for Australia, Denmark and Switzerland (see OECD, 2007a).

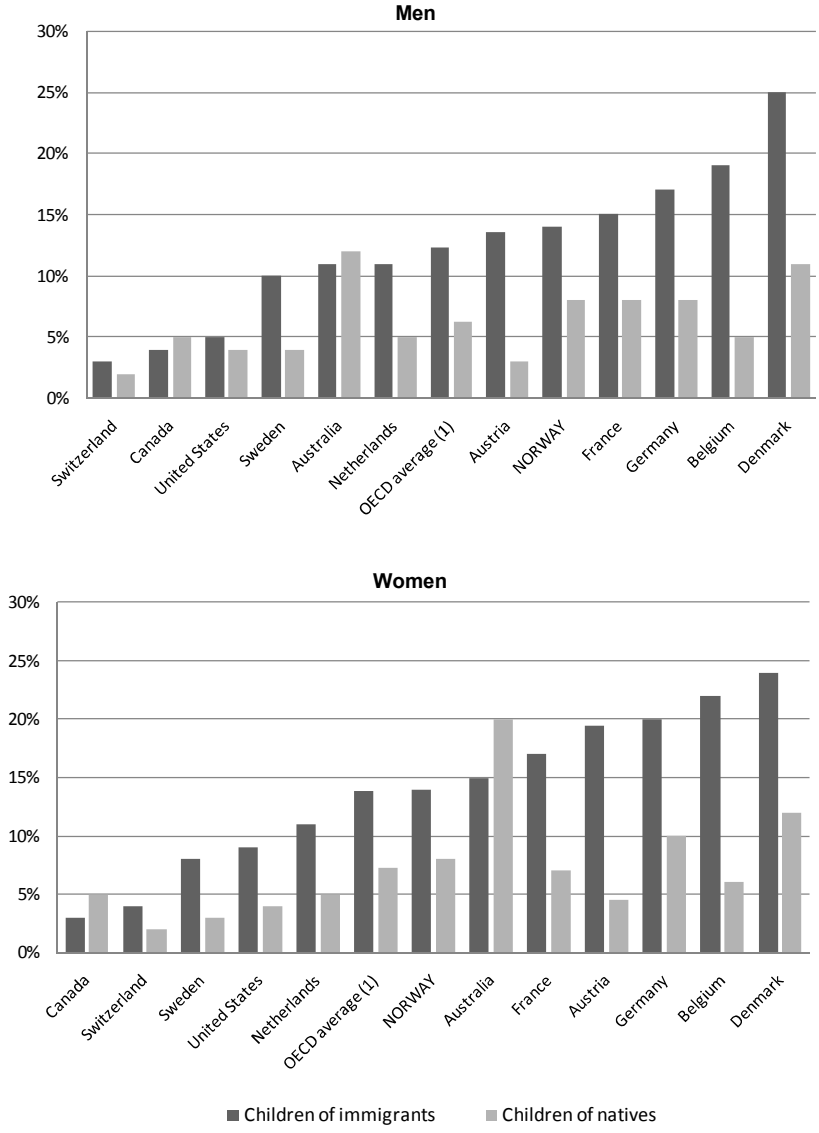
Source: Belgium: Labour force survey linked with register data (data provided by INS) (2003-2005), Netherlands: data provided by Statistics Netherlands (2005-2006); Austria: Microcensus (2008); Switzerland: Labour Force Survey (2007); Denmark and Sweden: Population register (2004); Norway: Population register (2007); Germany: Microcensus (2005); Australia and Canada: Census (2001); France: European Union Labour Force Survey (2005-2006); United Kingdom: Labour force survey (third quarter 2008); United States: Current Population Survey March 2007 supplement.

185. Young immigrants also have a three times higher risk of being school drop-outs (see OECD 2008f). This is particularly noteworthy since *a priori* children of immigrants do not have unfavourable school grades. Hægeland et al. (2004) find that, after controlling for socio-economic background characteristics, children of immigrants from non-OECD countries achieve roughly the same grade point averages as children of natives.

186. Following the school-to-work transition of a single (1980) cohort of native-born children of immigrants over time, one observes for men that there is a gap in the employment-population ratio vis-à-vis native Norwegian men of about 10 percentage points, which is remarkably persistent in the early adulthood years. Employment rises for both groups as they finish post-secondary education. For each single age year, a roughly equal proportion of native-born children of immigrants and native Norwegian men is in education (Figure 16).[41]

41 The higher drop-out rates for the children of immigrants that are reported above seem to concern particularly the labour market-oriented stream of upper secondary education, notably apprenticeship (see below). The fact that the gaps in employment rates are already observed at the age of 21 and persistent thereafter also suggests that this drop out of upper secondary education is not for employment – at least not for a stable one.

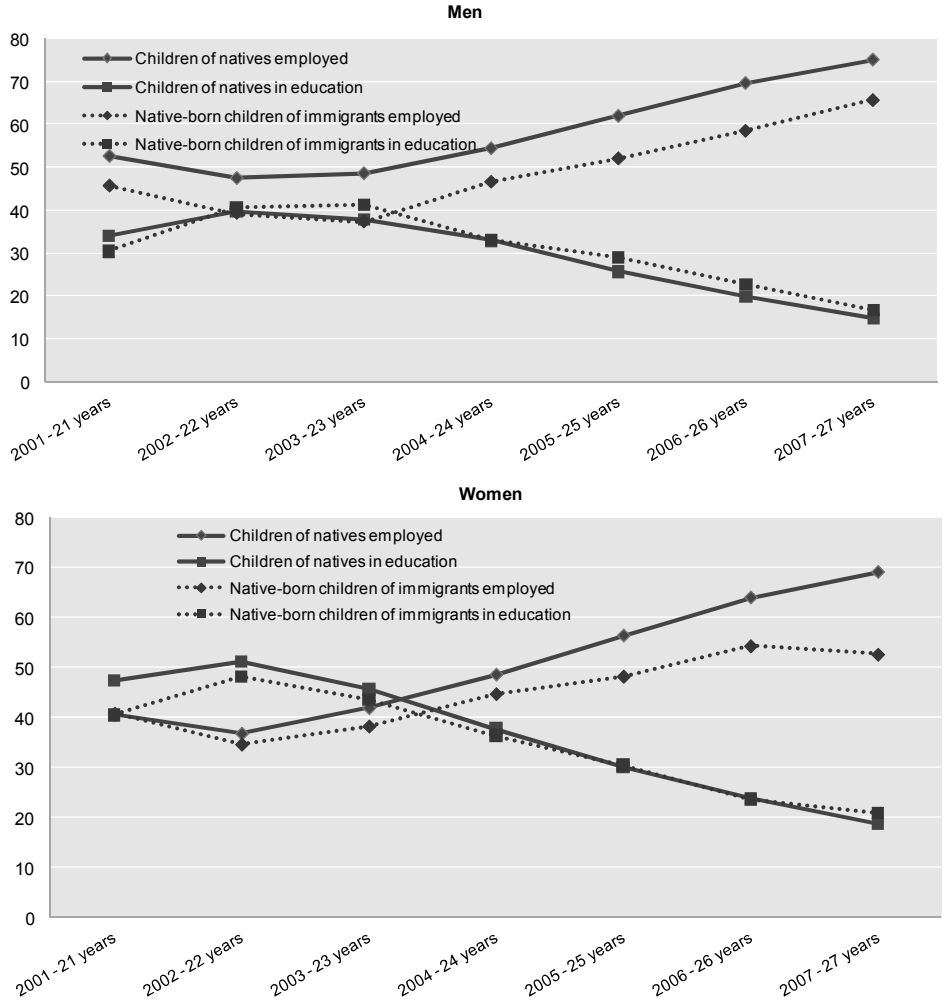
Figure 15. Percentage without upper secondary degree and not in employment, children of natives vs. native-born children of immigrants, aged 20-29 and not in education, selected OECD countries



Note: 1. The OECD average refers to the unweighted average of the countries included in the Figure. Data for France exclude native-born children of those foreign-born parents who had French nationality at birth. Adjustments were also made for Australia, Denmark and Switzerland (see OECD, 2007a).

Source: Belgium: Labour force survey linked with register data (data provided by INS) (2003-2005), Netherlands: data provided by Statistics Netherlands (2005/2006); Austria: Microcensus (2008); Switzerland: Census (2000); Denmark and Sweden: Population register (2004); Norway Population register (2007); Germany: Microcensus (2005); Australia and Canada: Census (2001); France: European Union Labour Force Survey (2005); United States: Current Population Survey March 2005 supplement.

Figure 16. Percent of children of natives and native-born children of immigrants born in 1980 who are either in employment or in education, by gender, 2001-2007



Note: People who are both in employment and education have been classified as in education.

Source: Statistics Norway.

187. The same pattern with respect to education is also observed for women who are native-born children of immigrants. Regarding employment, the differences are initially smaller than for their male counterparts, but increase quite strongly at the age of about 25. Around the age of 27, the employment rate even decreases, raising the difference vis-à-vis native Norwegian women from less than 4 percentage points at the age of 24 to almost 17 percentage points. This seems to be linked with the observation that marriage and birth of the first child is more often associated with a drop out of the labour market for the children of immigrants. Since the native-born children of immigrants are still young, it is somewhat too early to say whether or not they will re-enter the labour market at a later stage, or whether the gap will be persistent – in other words, whether the drop-out will be temporary or persistent.

Vocational training and the school-to-work transition

188. Until the age of 16, education in Norway is predominantly general. At this age, about 46-48% of young people opt for vocational education, which is organised in a sequential way. Students first spend two years in full-time education and subsequently move on to full-time apprenticeship (see OECD 2008f for

details). Research from other OECD countries has shown that children of immigrants have greater difficulties in finding apprenticeship places, but also enjoy a disproportionate improvement in their later employment prospects if they have participated in apprenticeship compared with other school-to-work transition mechanisms (OECD 2007a and 2008c).

189. Helland and Støren (2006) analysed children of immigrants' chances of obtaining an apprenticeship place in Norway. Based on register data that covers all applicants for apprenticeship, they find that children with a "non-Western origin" had a much lower probability to get an apprenticeship place, even after controlling for a large variety of other factors (grades, days of absence from school, region of residence, age, sex, and the sector for which the application was done). The impact of "non-Western origin" was rather large – it was higher than the difference of a one point higher grade point average (which ranks from 0 to 6). The disadvantage was particularly pronounced in the Oslo area. This is surprising, since one would expect fewer information asymmetries in this area due to the large presence of immigrants.[42] Children of immigrants also especially benefit from higher grades, and the difference in the impact between both groups is strong. Given the large importance of language mastery placed by Norwegian employers, his could be an indication that grades are also used as a proxy for language proficiency.[43]

190. Norway's employers receive relatively large subsidies for apprenticeship training, whose size depends on several criteria such as age, subject area and prior schooling. Immigrant background is not taken into account. There has been no systematic study yet regarding the costs and effects of this subsidy (see OECD 2008b). To prevent rising youth unemployment, the government has recently increased the amount of the subsidies to be paid.

191. Brekke (2007a) finds that children of immigrants have a lower probability to be full-time employed two years after graduation from vocational training than comparable children of natives. The differences are not very large for the native-born children of immigrants (a predicted 64% compared with 68% for children of natives with the same socio-economic characteristics), but sizeable for children of immigrants who have arrived in Norway seven years prior to graduation (a predicted probability of 57%). She also finds that, once employed, children of immigrants face large initial earnings gaps which nevertheless disappear over time. For the native-born children of immigrants, there is even some evidence that those who are in employment start to outperform employed children of natives after about four years in terms of wages. In contrast, the gaps in the employment rate are persistent. This pattern suggests that children of immigrants have difficulties in finding employment, but enjoy relatively good wage progression once employed. Similar findings have also been observed in the other countries under review thus far (see OECD 2007a and 2008c).

192. The pattern seems to be somewhat different for university graduates. Whereas tertiary-educated children of immigrants also need more time after graduation to find employment compared with children of natives, the pay-gap seems to increase over time (Brekke 2007b; Brekke and Mastekaasa 2008), in contrast to what has been observed for persons with vocational training.

193. In summary, children of immigrants face particular obstacles in obtaining an apprenticeship place, but it seems to be a rather effective school-to-work transition mechanism for this group – notably for those who are native-born children of immigrants. As has been seen above, they also tend to suffer more from an economic downturn as other youth. This seems to make a case for some more targeted action to

42 On the other hand, if the immigrants in the Oslo area have more unfavourable characteristics than the average immigrant population, "statistical discrimination" (i.e., discrimination based on the presumed average characteristics of the immigrant population, see below) could be more pronounced.

43 This could in principle by analysed by looking at possible interaction effect for grades in Norwegian.

raise their access to apprenticeship. Some first steps have recently been taken in this direction, in the framework of the Strategic Plan of the Ministry of Education and Research (2007). In particular, the state as employer has committed to provide more traineeship places and apprenticeships. In addition, there will be some training in "multicultural guidance" for instructors in companies providing apprenticeships.

VII. Sources of persisting disadvantage across generations – and possible remedies

194. As has been seen above, there are non-negligible differences in the labour market position vis-à-vis the children of natives even for the highly-qualified children of immigrants born and educated in Norway. This inevitably raises the question of structural obstacles to the employment of immigrants and their offspring other than differences in human capital endowment *vis-à-vis* native Norwegians.

Networks and the functioning of the labour market

195. One possible reason could be a lack of networks, which create in effect a structural barrier to employment. Although immigrants have networks as well, they are likely to be concentrated among persons from their own communities, which tends to limit their employment opportunities. It is difficult to capture the importance of networks for access to employment, and there has been no in-depth study of this issue for Norway thus far. Evidence from Sweden indicates that up to two thirds of all vacancy fillings involved some form of informal contacts (see Behtoui 2008). For Norway, Hagtvet (2005) reports that only about 40% of all vacancies have been formally published prior to being filled.[44] This figure includes the public sector, where employers are in principle obligated to publish all vacancies with a duration of more than six months. The fact that only a minority of private sector vacancies are being published is a rough indication of the use of informal methods in the Norwegian labour market - the figure thus seems to be in the range of what is observed in Sweden. Interestingly, the importance of networks for finding employment seems to be stronger for low-skilled jobs than for high-skilled employment (Hagtvet 2005).

196. The large importance if not predominance of informal recruitment means that in practice, many job vacancies, although not necessarily closed to immigrants and their children, may be filled in such a way that they have little opportunity for their candidacies to be considered. Immigrants and their children are therefore at a structural disadvantage compared with the native-born.

197. Another, related structural disadvantage from which migrants and their offspring tend to suffer is a lack of information about labour market functioning. This involves knowledge about how to draft CVs and letters of introduction, to identify appropriate job opportunities, and how to respond and react in recruitment interviews. This can be a problem for immigrants who came from countries where practices and norms, both procedural and cultural, may be different. Since this information is at least in part transmitted via parents or close friends, the offspring of immigrants also tend to be at a structural disadvantage.

198. A third disadvantage which is of growing importance in Norway stems from new technologies and work practices which increase the importance of communication and informal human capital. Rosholm, Røed and Schøne (2006) show that firms that have less formally structured work environments employ fewer immigrants who have not been raised and educated in Norway. This negative relationship is particularly strong for immigrants from non-OECD countries. Similar findings have been made for Denmark and Sweden (Rosholm, Scott and Husted 2006).

44 A similar figure was reported in an earlier study which asked employees how they found their job (Nordli-Hansen 1995).

199. Mentorship programmes are one way of overcoming the obstacles arising from a lack of employment-relevant networks and lack of information about labour market functioning. These programmes have become increasingly popular among OECD countries. Denmark and France, in particular, have introduced it on a rather large scale in recent years. In mentorship programmes, an immigrant is matched with a native-born person of similar sex, age and occupation, to the extent possible. The native-born person provides the immigrant with basic information on procedures, institutions, how-things-are-done-here, etc. The mentor can also make the immigrant benefit from his/her own network of contacts and in some cases, even act as an intermediary to potential employers. These programmes are attractive to host countries since they involve the native population. In addition, the cost to the host country is limited, because the mentors are generally volunteers, although they do undergo special training to sensitize them to cultural differences and to immigrant expectations. Finally, there is some evidence that mentorship is a rather effective tool for integrating immigrants into the labour market (see OECD 2007a and 2008c).

200. In Norway, the scale and scope of mentorship and other networking-type of measures has been rather limited thus far.[45] There have been a number of local initiatives, but these tend to be of very small scale, generally involving less than twenty migrants. This not only makes an appraisal difficult, but also raises questions of efficacy since these programmes also involve some overhead costs. Leaving questions of scale efficacy aside, some projects nevertheless have commendable features that seem to merit expansion. The Norwegian Enterprise's Regional Federation for the Agder Region in Southern Norway, for example, established a mentorship programme for highly-educated migrants in co-operation with the local business school. Native students who participate in the project as mentors can obtain credits for their university in the framework of management development skills.

201. The NAV could also intensify its use of networking-type elements by such as "intensive counselling". Under such a measure, the case-worker at NAV would allocate some time to use his or her contacts with employers more intensively than otherwise, both during the placement process but also in the month following the job placement. While this is already possible, it appears that this instrument could be more formalised and focused on immigrants. A trial programme in Sweden which included such features was found to have a positive effect on migrants' chances to find employment – in conjunction with other measures such as wage subsidies (Åslund & Johansson 2006).

202. In summary, the apparent large importance of informal channels in the recruitment process and the importance of informal human capital seems to call for more comprehensive efforts regarding mentorship and networking. These are an important complement to the mainstream services which are currently being offered. For a successful broader-based introduction on a larger scale, a stronger involvement of non-governmental actors at both national and local level would be beneficial.

Discrimination

203. Norway has a long experience in anti-discrimination legislation, starting with the gender equality act of 1978. Since the beginning of the 1990s, the question of discrimination against immigrants has also been on the political agenda in Norway. In 1992, the coordinating minister for immigration and integration policy launched the first action plan against racism and ethnic discrimination which was followed by two

45 One notable initiative regarding networking is the "colorful football" day, jointly organised once a year by the Labour Unions (LO) and the National Football Association. The event, which involves several thousand people across the country, aims at bringing immigrants together with the native Norwegian population through a football event. LO has also established a monthly information day for immigrant women in the Oslo/Akershus region, involving about 50 immigrant and native-born women, including prominent figures such as her Royal Highness the Crown Princess.

further plans (1998-2001 and 2002-2006). Among the measures in the 2002-2006 plan were the promotion of the employment of immigrants and their children in the public sector (see above).A new action plan to promote equality and prevent ethnic discrimination for the period 2009-2012 was launched in April 2009.[46] One key objective of the plan is to enhance knowledge of the nature, scope and causes of discrimination with a view of developing better targeted measures to combat it, in closer co-operation with the social partners.

204. In 2006, two new institutions, the Equality and Anti-Discrimination Ombudsman and the Equality Anti-Discrimination Tribunal, were established. The Ombudsman and the Tribunal offer free-of-charge access to justice for victims of discrimination and thereby contribute to the enforcement of anti-discrimination law. The Ombud also more generally informs and advises on anti-discrimination. However, it seems that the institution of the Equality and Anti-Discrimination Ombud is not well known to immigrants. In 2007, advice regarding ethnic discrimination from the Ombud was only sought in 169 cases.

205. Equally in 2006, a new anti-discrimination act on ethnicity and religion entered into force. One rather unique feature of the new act is that it prohibits discrimination on language grounds. Indeed, the strong emphasis placed on Norwegian language mastery in the Norwegian labour market could be a convenient way to hide outright discrimination. However, the practical implications of the prohibition of discrimination on the basis of "language" are probably limited. The act remains rather vague in this respect, and up to now only very few anti-discrimination cases concerned language – 3 out of 156 complaints in 2008.[47]

206. The selective hiring of persons with certain background characteristics or discrimination against those with others is difficult to demonstrate. There is always the possibility that characteristics which have not been explicitly taken into account or that are not observed directly could account for employer preference for certain candidates rather than outright discrimination.

207. The shortcomings in demonstrating discrimination are overcome in large-scale experimental tests of hiring procedures carried out in a number of OECD countries in recent years. These suggest the existence of significant discriminatory behaviour on the part of employers (see Simeone 2005). The tests consist of the submission of applications for the same job from two (fictitious) candidates differing essentially only in name. Since the qualifications need to be approximately the same for both candidates, the testing essentially concerns persons who received their highest level of attainment in the host country and thus apply essentially to offspring of immigrants. Such studies have demonstrated the prevalence of significant discrimination in hiring in six of the eight countries under review thus far (Belgium, Denmark, France, Germany, the Netherlands and Sweden).

208. To date, Norway has not participated in such testing. Indeed, discrimination against immigrants is an area where research in Norway has been underdeveloped. The existing quantitative research has essentially tried to demonstrate discrimination indirectly, that is, via gaps in labour market outcomes that remain after controlling for a broad range of observable characteristics, notably for the children of immigrants (see, for example, Brekke 2007a). However, without a common measure of human capital, it is difficult to assess the incidence of discrimination in the labour market. Even for persons with equal socio-demographic characteristics, remaining differences in employment and earnings probabilities may be due

46 See http://www.regjeringen.no/upload/BLD/Planer/2009/hpl_etnisk_diskriminering.pdf.

47 Note that the requirement of Norwegian as "mother tongue" would probably also provide a ground for ethnic discrimination. Indeed, similar formulations in employment offers in other OECD countries have been ruled as ethnic discrimination.

to unobservable characteristics such as access to networks or tacit knowledge about the functioning of the labour market.

209. Discrimination remains as a possibility and is generally distinguished between outright and "statistical" discrimination.[48] Statistical discrimination occurs in the presence of information asymmetries, that is, when the employer judges an applicant not on the basis of his/her expected individual marginal productivity, but rather on preconceptions about the average productivity of the group to which the person belongs. This form of discrimination can be "rational" in the sense that it can be revenue-maximising for the employer. Outright and conscious discrimination on the basis of race, etc. is the second form and comes at a cost to the employer. This is the starting point of Becker's (1971) theory of taste-based discrimination.[49] Røed and Schøne (2006) provide evidence for the existence of such taste-based discrimination in Norway against immigrants from non-OECD countries, but not with respect to immigrants from OECD countries. They find that the segregation between plants hiring natives and non-OECD migrants is stronger in the domestic sectors than in the internationally open sectors. In addition, there seems to be a positive causal relationship between the employment of non-OECD migrants and profits in the domestic market. However, this approach can only demonstrate the existence of discrimination and not its magnitude. In addition, it cannot demonstrate "statistical" discrimination which is often seen as the larger problem. This can only be done with experimental studies.

210. The absence of experimental studies regarding discrimination is particularly unfortunate since testing has often revealed a much larger incidence of discrimination than is generally perceived. In the other OECD countries under review, persons with an immigrant-sounding name have to write up to three times as many applications to get an invitation to a job interview as persons without a migration background with the same education (see OECD 2008c). A monitoring of discrimination would thus raise awareness of the issue. Indeed, among the most important actions in the new 2009 Action Plan against discrimination is the announcement to conduct a testing study to capture the incidence of discrimination in hiring, which is currently under way.

211. Already in January 2009, the anti-discrimination act was amended to include a duty to promote equality for all public employers and for private employers with more than 50 employees. This obliges employers to make active and targeted efforts to promote equality. The requirement concerns the establishment of clear goals for enterprises where immigrants are underrepresented, and an associated plan to reach these goals. These efforts have to be published in the annual report of the enterprise. There are no fines for employers who do not meet the obligation.

212. A similar obligation has already been in place in Norway for many years with respect to gender equality. In contrast to the anti-ethnic discrimination framework, the obligation to promote gender equality applies also to small employers. Indeed, the restriction to larger enterprises excludes almost two-thirds of private sector employment from the anti-discrimination monitoring regarding immigrants. In addition, evidence from Sweden (Carlsson and Rooth 2006) indicates that selective hiring against immigrants tends to be more pronounced in smaller companies. To which degree this is also the case in Norway is not clear. Data on employment of immigrants by company size in Norway show indeed a positive correlation between company size and the share of immigrants – smaller companies employ disproportionately fewer immigrants – but the differences are not very large.

48 See OECD (2008e) for a comprehensive discussion of discrimination in the labour market.

49 Since the demand for the group which suffers from discrimination will be lower, their relative wage will be lower than for the group which is not discriminated against. This behavior can be sustainable in product markets with limited competition. Employers in these markets who do not discriminate will employ more immigrants and make higher profits.

213. The framework for the monitoring of employment of ethnic minorities is very similar to the Dutch *Act Stimulating Labour Participation of Minorities* (Wet Samen), which also obliged companies to monitor the employment of immigrants and to report on the steps taken to realise an equitable workforce. During its enforcement between 1998 and 2003, a strong improvement in the labour market outcomes of immigrants was observed. However, the monitoring was abandoned because it was perceived as placing a too high administrative burden on employers. In Norway, it appears to be more easily possible to monitor the employment of immigrants and their children on a company-level, since this information is in principle available from the registers. Each company could thus obtain basic information on its employment of immigrants on an annual basis from Statistics Norway. In addition, companies' efforts to diversify their staff could be supported both financially and also administratively through diversity consultants – as is currently done, for example, in Belgium (see OECD 2008c).

SUMMARY AND RECOMMENDATIONS

Norway has a rather recent history of immigration with a significant refugee population.

Significant immigration to Norway is a relatively recent phenomenon. In 1970, only 1.5% of the population was foreign-born, and most of the early migration was of immigrants from the neighbouring countries and from other western European countries. With the fall of the Iron Curtain, immigration to Norway both accelerated and diversified, essentially because of the growth in humanitarian and family migration. Labour migration has only become large-scale in recent years, essentially from Poland which is now the most important origin country. The foreign-born currently account for 9.4% of the total population, which places Norway between its Scandinavian neighbours Denmark (6.6%) and Sweden (12.9%).

The overall labour market outcomes of immigrants are rather favourable in international comparison.

Considering the composition of the migrant population with many humanitarian migrants who typically have lower employment levels than the native-born in most countries, the labour market outcomes of migrants and their children in Norway are relatively favourable in international comparison. These also have to be seen in the context of high overall employment levels in Norway. There is some uncertainty regarding the situation of immigrant women, for whom there is a large discrepancy between internationally comparable labour force survey data and Norwegian register data. The reasons for this merit closer scrutiny and subsequent adjustments if possible.

This is largely attributable to favourable labour market conditions in recent years.

This favourable picture is to a large degree attributable to the very favourable economic conditions in recent years, from which migrants seem to have especially benefited. In addition, much of the recent growth in migration has been labour migration, and these migrants tend to have better employment outcomes, in particular in the early years after arrival. There have also been considerable efforts in recent years to foster immigrants' labour market integration, but the extent to which these have contributed to the current more favourable outcomes is difficult to assess.

The testing case for integration policy comes now with the worsening of the economic conditions.

With the current economic downturn, there is thus the feeling that the testing time for integration has come. Indeed, there is ample evidence both from Norway and other OECD countries that immigrants and their children have been particularly affected by labour market conditions in the past. The tentative available data on unemployment suggest that the recently arrived labour migrants from the new EU member countries are especially affected in Norway in the current downturn.

The downturn calls for a strengthening of integration efforts.

Many permanent migrants have arrived just prior to the downturn. Experience from past downturns shows that a delay in labour market entry can have long-term adverse consequences. This also seems to be the case for the native-born children of immigrants, who are now entering the labour market in larger numbers. The situation thus clearly calls for a strengthening of integration efforts, notably regarding footholds into the labour market for recent arrivals and access to apprenticeship for the children of immigrants.

Extending language training to immigrants from the EEA should be considered.

The recent arrivals from the new EU member countries who intend to remain in Norway are particularly affected by the current downturn. In contrast to migrants from non-EEA countries, they generally cannot benefit from free language training, and obtaining such training in the private market can be costly. Given the importance of language mastery to find employment in sectors other than construction, provision of free language training for this group should be considered – as is indeed already the case for migrants from non-EEA countries.

The integration programme seems well targeted…

Since September 2004, all newly arrived persons with a permit based on asylum and their family members from non-EEA countries who are aged between 19 and 55 and who lack basic qualification have to participate in an introduction programme. For this group, the argument that some additional education and training is needed to bring them up to the overall skills level of the native population seems indeed plausible. It is also conceivable that this particular group may be less aware of the benefits of having basic qualifications, which would seem to provide some justification for the obligatory nature of the programme. The programme is adapted to the needs of each migrant and consists of language training, education, and work practice.

…but disincentives to early labour market entry should be removed for those who are ready for a lasting integration into the labour market.

Although many participants may need two or even more years to get prepared for the labour market, some could well be ready for a sustainable labour-market integration before the end of their introduction period. For this group, there are few incentives to take up employment early, since the introduction benefit which is linked to programme participation is relatively high, reflecting the full-time obligatory nature of the programme. Indeed, there is some evidence of so-called "lock-in effects" of the programme. This suggests that incentives to take up employment should be increased, for example by providing an in-work benefit, which is reduced gradually, to those who find a low-paid job. Since employment/work placements are part of the introduction programme, the lack of incentives seems to concern mainly those who would abandon the programme to find (better) employment in a different municipality. However, there is a balance to be achieved between the objective of *rapid* labour market integration and that of *lasting* labour market integration. Therefore, such an in-work benefit should only be paid for people who are in principle ready for a sustainable integration into the labour market, that is, their skills should not only be appropriate for a marginalised part of the labour market.

A better evaluation and benchmarking of municipalities' integration success would be beneficial.

Municipalities have a relatively large discretion in the design of the integration programme. Currently, there is no instrument in place to evaluate which municipalities succeed better in the task of integrating immigrants into the labour market, and why. In principle, it should be possible to establish a "benchmarking" of municipalities, and this tool has been implemented in Denmark with some success. Its introduction in Norway should be considered, at least in those larger municipalities who take non-negligible numbers of immigrants.

Municipalities' incentives to provide quality language training should be strengthened.

Municipalities are rather generously reimbursed for their expenses under the introduction programme, but their incentives to provide quality (outcome-based) language training are limited. Indeed, there is some evidence that at least in the past, the quality has often left something to be desired. Ideally, participants' progress in Norwegian should be evaluated, and payments to municipalities adjusted accordingly. A first step in this direction would be to increase, possibly through a reduction of the ordinary grant, the "outcome grant" which municipalities currently obtain for each migrant who passes the language examination.

The efficiency of the integration process could be enhanced through a more targeted settlement strategy.

To distribute humanitarian migrants more evenly across the country, Norway operates a rather unique dispersal policy which is based on negotiations between the Norwegian Directorate for Integration and municipalities. Since the payments are fixed, and municipalities' acceptance of migrants voluntary, the process is rather lengthy. For migrants in reception centres, it currently takes on average six months from the issuance of the humanitarian permit until settlement in a municipality. Many small municipalities also seem to have difficulties in providing quality, tailor-made introduction programmes, particularly for the highly-qualified. It thus appears that much could be gained by a more targeted settlement strategy that would take into account differing needs according to ability. Municipalities could specialise in the integration of certain migrant groups, and a longer-term commitment should be linked with financial incentives. Such a process would enable smaller municipalities to provide adapted introduction programmes, and to quicken the settlement process.

The public infrastructure for labour market integration is rather developed…

Considering the relatively small scale of immigration to Norway until recently, the public infrastructure for integration is rather well-developed. One factor which may have contributed to this are the wide-ranging competences of the Ministry of Labour and Social Inclusion, including migration policy, the introduction programme, access to citizenship, and general labour market and social policy. Norway has gone furthest among the countries under review thus far with respect to combining migration and integration-related tasks under a single ministerial responsibility. It seems in particular that the decision to attribute the overall responsibility for integration to the Ministry in charge of employment has contributed to the "mainstreaming" of integration tasks. Particularly noteworthy in this context are the "NAV intro" offices which have specialised in the labour market integration of immigrants.

…but it needs to be complemented by mentoring and networking measures which are currently lacking.

One shortcoming of the current system is that there are few activities which "grease the wheel" in the process of labour market integration outside of the introduction programme and the regular labour market policies. This seems particularly important in the Norwegian context where informal recruitment channels play a key role. One activity which has been implemented with some success in several of the other countries under review has been that of "mentoring". Under this programme, an immigrant is matched with a native-born person who provides the immigrant with basic information on procedures, institutions, how-things-are-done-here, etc. The mentor can also make the immigrant benefit from his/her own network of contacts and in some cases, even act as an intermediary with potential employers. These programmes are attractive to host countries since they involve the native population and the cost to the host country is limited, because the mentors are generally volunteers. Such mentorship and other "networking"-type measures are largely absent in Norway to date, and this should be changed.

Past targeting of unemployed migrants in labour market measures seems to have been effective – the effects of its recent abolition should be closely monitored.

Until 2009, immigrants and their children were prioritised in measures for the "ordinary unemployed". The available evidence suggests that this had the desired effect – immigrants were not only overrepresented in the respective labour market programmes, but also seem to have benefited more from participation in them than native Norwegians. This direct targeting was abandoned in early 2009 in favour of an individual assessment of the work capability of each unemployed. The effects of this change should be closely monitored, both regarding programme participation of immigrants and with respect to employment prospects of unemployed immigrants.

Low-qualified immigrants have great difficulties in the Norwegian labour market.

In most OECD countries, low-qualified immigrants have employment rates that are at least as high as those of low-qualified native-born. Norway is among the exceptions, and this seems to be attributable to a number of factors such as the limited availability of low-skilled jobs and a low literacy level of low-educated immigrants compared to the low-educated native-born. This suggests that targeted training and education measures could help in better integrating low-qualified migrants. There are also disincentives arising from the tax and benefit system. Indeed, many low-skilled immigrants, particularly those in single-earner families with children, face high net replacement rates resulting from the interplay between low expected (net) earnings and relatively generous benefits.

Wage subsidies seem particularly effective in tackling structural entry barriers into the labour market.

At the same time, there are also demand-side barriers to employment because of relatively high collectively-bargained entry wages. The latter may be one explanation for employer hiring reticence if the latter are concerned about migrants' productivity. Indeed, as in other OECD countries, there is evidence that wage subsidies are a particularly effective tool to integrate immigrants into the labour market. Yet, very few migrants currently benefit from this tool. An increased use of wage subsidies, accompanied by a better targeting, should thus be considered.

Immigrants with degrees from non-OECD countries seem to find them largely discounted on the labour market, but there is some uncertainty regarding the situation.

The available data on the labour market integration of highly-qualified migrants is not fully conclusive. On the one hand, a relatively large part of highly-qualified immigrants in general seems to be in jobs commensurate with their qualifications. On the other hand, immigrants from non-OECD countries who have qualifications from their origin countries find them largely discounted on the labour market, both in terms of access to employment and regarding wages. Such discounts are also observed in other OECD countries, where most of the discount can generally be explained by the lower literacy levels associated with degrees from non-OECD countries. In Norway, a large discount remains even after controlling for this.

This is due to data limitations regarding foreign qualifications, which calls for improvements in the data infrastructure.

However, too little is known about migrants' foreign qualifications. This is a clear shortcoming in the current data framework that should be addressed to get a better picture of the degree to which migrants' skills are used in the labour market, and to take subsequent possible remedial action. In particular, the qualifications of new arrivals should be registered as part of their overall competence evaluation. The currently available information on the origin of migrants' education is either dated or from the surveys of living conditions, which cover only part of the migrant population. The available data suggests that the majority of highly-qualified immigrants come from OECD countries, and those highly-educated migrants who come from non-OECD countries often have Norwegian qualifications. The problems which non-OECD immigrants with qualifications from their origin countries could face may thus not be sufficiently captured in the currently available data.

Despite some progress, there is considerable scope for further improvement in the process of recognition of foreign professional qualifications.

There are a number of initiatives to improve the labour market integration of highly-skilled migrants, and the process for the *general* recognition of foreign degree levels seems to be relatively transparent and efficient. These observations stand somewhat at odds with the general perception that too little use is made of migrants' skills, and that there is not much done to tackle this issue. Indeed, the process for the subject-*specific* recognition of foreign qualifications is much less developed than the general process for academic degree levels. Universities are in charge of professional recognition at the academic level, but are expected to cover the cost from their own resources, which is unrealistic. Bridging courses also appear to be scarce. Providing incentives and clearer guidelines to universities regarding recognition, and an obligation to link the outcome

with bridging offers – where applicable – should thus be a policy objective. In addition, the creation of a one-shop information and service centre for advice and recognition (or direct referral) in all areas of academic and professional/vocational recognition would greatly enhance the transparency of the process.

Immigrants would benefit disproportionally from accreditation of prior learning, in co-operation with the social partners.

Indeed, one area where there is a gap in the current integration infrastructure is the recognition of vocational qualifications, which is currently not possible. Likewise, accreditation of prior learning has been underdeveloped. It currently only exists in the form of a "real competence assessment" which is a credit-type assessment targeted at individuals wishing to pursue upper secondary vocational education following the assessment. Immigrants are currently underrepresented in this measure. Since employers will generally have less knowledge about immigrants' skills than the immigrants' themselves, one would a priori expect that the latter would particularly benefit from this and other, more general measures which certify skills, acquired both formally and informally. A broadening of the scale and scope of the "real competence assessment" with a specific focus on immigrants should thus be considered, possibly by means of a formal certification of skills. For this certification to be accepted in the labour market, it should be implemented in close co-operation with the social partners.

There has been much effort to promote immigrant employment in the large and varied public sector, and there are some signs that this has paid off.

The public sector in Norway is large and diverse. Taken together, all areas over which the authorities have some influence (state sector, municipal sector and publicly-owned enterprises) account for almost half of the total employment in Norway. There have been considerable efforts to promote the employment of immigrants and their children in the public sector, and to turn it into a role model for the private sector. There is some evidence that this has paid off, and indeed, migrants' participation in the public sector is relatively higher than what is observed in other countries. Over the period 2002-2007 for which data are available, the public sector has also disproportionately contributed to the growth in employment among immigrants from non-OECD countries. In 2008, efforts to integrate migrants in the state sector have been strengthened further through the introduction of moderate affirmative action (i.e., if candidates have approximately equal qualifications, a candidate with an immigrant background is to be preferred) on a trial basis.

Immigrant women drop out of the labour market when they have children.

Norway is one of the countries with the highest employment rate of women, and immigrant women lag greatly behind the native-born in this respect. This is largely attributable to the fact that most immigrant women did not come for the purposes of employment, and originated in countries with generally low women employment rates. At the same time, there is evidence that childbirth tends to often result in a retreat from the labour market, both for women who are immigrants and those who are native-born children of immigrants. However, since few of the latter are above the age-group of 30-35, it is too early to say whether the retreat from the labour market following childbirth will be permanent.

Abolishing the cash-for-care subsidy would help to prevent this and also promote the integration of migrant children.

One factor which seems to have contributed to this phenomenon is the cash-for-care subsidy which is paid to households who raise their small children at home instead of sending them to formal institutions. Immigrants have disproportionately taken advantage of this measure, and there is also evidence that it has hampered labour market entry of immigrant women. At the same time, it also prevents children of immigrants' early participation in host country educational institutions, at an age when such participation begins to have a beneficial effect on later education outcomes for this group. There thus seems to be a rather clear case for abolishing the cash-for-

care subsidy, at least for children after the age of two. The amount saved through the abolition of the subsidy should be used to create more places in formal institutions in those parts of the country where there are still shortages, and to finance kindergarten attendance for the children from low-income households.

The native-born children of immigrants fare relatively well in the Norwegian labour market.

Because of the relatively recent nature of migration to Norway, the native-born children of immigrants ("second generation") are only now gradually entering the labour market. Although their education and labour market outcomes lag somewhat behind those of comparable children of natives, the differences are smaller than in most other European OECD countries. Although drop-out rates are much higher than among children of natives, the situation vis-à-vis comparable children of natives seems to be relatively more favourable for the low-educated than for the highly-educated native-born children of immigrants.

A better targeting of apprenticeship subsidies should be considered.

One area where children of immigrants appear to have most difficulties is the access to apprenticeship training, which is a relatively important school-to-work transition mechanism in Norway. This is unfortunate, since evidence suggests that this group tends to particularly benefit from such training. Employers receive subsidies for providing apprenticeship, and these have recently been increased in the context of the economic downturn which can be expected to have a particularly negative impact on the employment of the offspring of immigrants. Consideration should also be given to further increasing subsidies for employers who provide training places for particularly disfavoured youth, including children of non-OECD migrants. A more active involvement of the educational authorities would also seem to be favourable for the children of migrants' chances to obtain an apprenticeship place.

The issue of discrimination against migrants has not been very present in the public debate, and testing studies would help to overcome this shortcoming.

In the public debate, there seems to be little awareness of the possibility of discrimination in hiring, and there have been no testing studies in Norway thus far that would demonstrate and quantify its existence. This is unfortunate, since testing has often revealed a much larger incidence of discrimination than is generally perceived. In the other OECD countries under review, persons with an immigrant-sounding name have to write up to three times as many applications to get an invitation to a job interview as persons without a migration background with the same education. A monitoring of discrimination would thus bring the issue into the limelight and indeed, such a testing study is currently being implemented. At the same time, the institution of the Equality and Anti-Discrimination Ombud is apparently not well known to immigrants. It could thus be considered to provide general information on the values of equality and anti-discrimination in the introduction programme. Currently, there seems to be much emphasis on immigrants' obligations regarding gender equality – informing immigrants about anti-discrimination more generally could help bring the intended messages across in a more welcoming way.

The obligation for employers to take measures to promote migrants' employment can be useful, but incentives and enforcement need to be strengthened for this to be the case.

Since 2009, all public employers and private employers with more than 50 employees have the duty to make active and targeted efforts to promote equality in the hiring and promotion of immigrants. The requirement concerns the establishment of clear goals for enterprises in which immigrants are underrepresented, linked with a plan to reach these goals. These efforts have to be published in the annual report of the enterprise. There are no fines for employers who do not meet these obligations. Evidence from the Netherlands suggests that such monitoring can be an effective tool, but the administrative burden on employers needs to be limited to ensure acceptance. In addition, companies' incentives to diversify their staff could be strengthened, and their efforts supported through diversity consultants.

More attention should be paid to selective hiring in SMEs.

Almost two-thirds of private sector employment in Norway is in small- and medium-sized enterprises (SMEs), and immigrants are currently underrepresented in such companies. SMEs are also exempted from the obligation to take active measures to promote hiring of immigrants. This is a shortcoming, since evidence from other countries indicates that selective hiring processes are more pronounced in smaller companies, and immigrants are underrepresented in SMEs in Norway. There thus seems to be a case for paying more attention to the issue of discrimination and diversity in such companies. To overcome hiring reluctance in these companies which have little experience with migrants, close follow-up measures for work-placements would seem particularly beneficial, in addition to administrative support measures.

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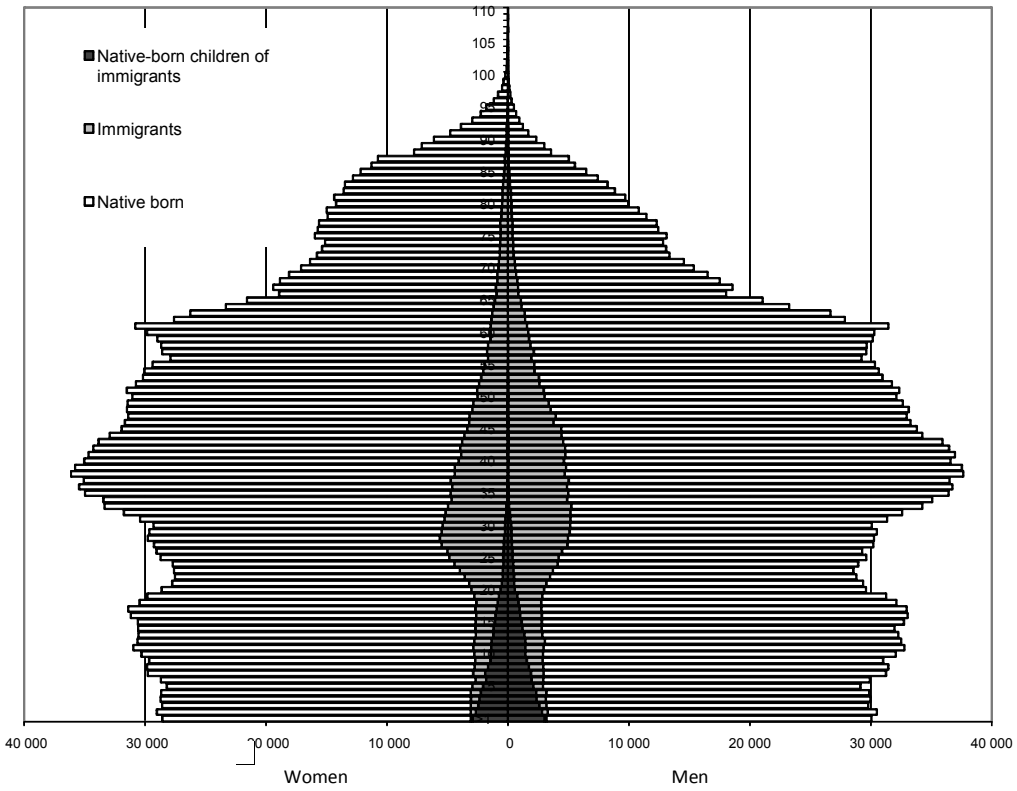
ANNEXES

A) The ten main countries of origin of immigrants in 1988, 1998 and 2008 (% of total immigration and absolute numbers)

	1988			1998			2008	
	Persons	% of total		Persons	% of total		Persons	% of total
Denmark	17,655	13.3	Sweden	18,844	9.4	Poland	30,636	8.0
Sweden	12,947	9.8	Denmark	17,123	8.5	Sweden	25,081	6.6
United Kingdom	11,736	8.8	Pakistan	12,348	6.2	Iraq	18,132	4.8
United States	9,283	7.0	Bosnia-Herzegovina	11,082	5.5	Denmark	17,775	4.7
Pakistan	8,868	6.7	Vietnam	10,842	5.4	Germany	16,348	4.3
Germany	6,440	4.9	United Kingdom	10,031	5.0	Somalia	16,208	4.3
Vietnam	5,658	4.3	Iran	7,888	3.9	Pakistan	16,110	4.2
Finland	4,270	3.2	United States	7,516	3.8	Bosnia-Herzegovina	13,130	3.4
Turkey	3,726	2.8	Germany	7,448	3.7	Iran	12,626	3.3
Poland	3,359	2.5	Serbia and Montenegro	7,289	3.6	Vietnam	12,571	3.3
Sum of above	***83,942***	***63.3***	***Sum of above***	***110,411***	***55.1***	***Sum of above***	***178,617***	***46.9***
Total immigrants	**132,708**	**100**	**Total immigrants**	**200,392**	**100**	**Total immigrants**	**380,643**	**100**

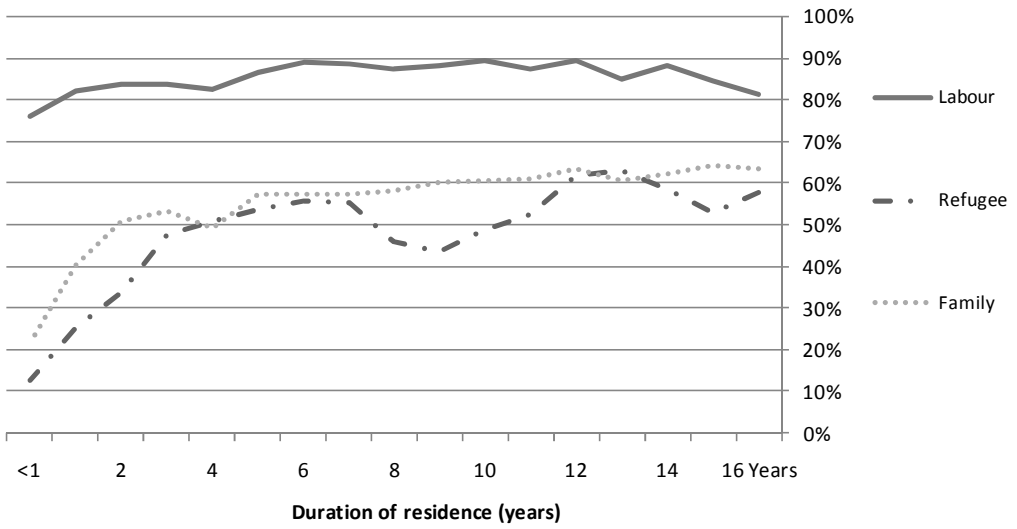
Source: Statistics Norway.

B) Population structure by age, migrant status and sex



Source: Statistics Norway.

C) Employment rates (in percent) by duration of residence and migration category in Norway, 2006



Source: Statistics Norway.

D) Employment rates of foreign-born from OECD and non-OECD countries, 15-64 years old, by gender, 2007/2008 average

	OECD	Non-OECD	Non-OECD countries as a % of total immigrants
Men			
Austria	81	74.1	71.4
Belgium	66.7	55.7	56.8
Denmark	80.1	67.7	64.5
France	71.5	68.9	73.4
Netherlands	78.4	67.4	79.9
NORWAY	**86.6**	**68.6**	**58.6**
Sweden	78	67	65.3
Switzerland	85.9	77.9	44.2
United Kingdom	85.2	74.2	66.7
United States	79.6	82.1	87.2
OECD above-mentioned countries[1]	**79.3**	**70.36**	**66.8**
Women			
Austria	63.2	53.6	67.8
Belgium	51.6	35.1	55.9
Denmark	71.3	52.7	61.7
France	59	48.5	71.2
Netherlands	65.5	48.8	76.1
NORWAY	**79.1**	**63.9**	**64.4**
Sweden	70.1	53.9	64.7
Switzerland	69.7	58	46.5
United Kingdom	69	52	66.2
United States	62.6	58.5	84.5
OECD above-mentioned countries[1]	**66.1**	**52.5**	**65.9**

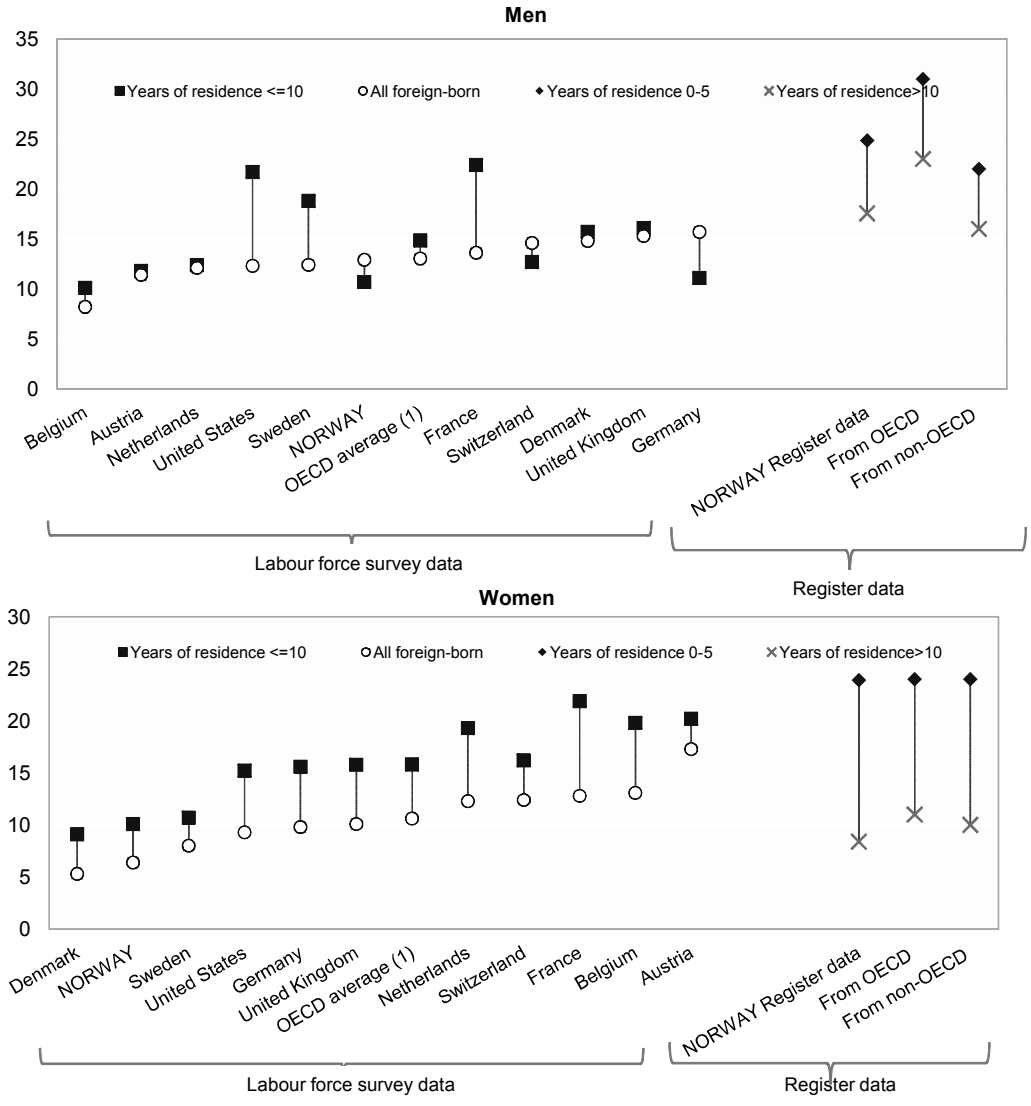
Note: Data for European countries refer to third quarter (Q3) except for France 2008(Q3), and Netherlands and Switzerland where they refer to 2006/2007 average annual data. Non-OECD includes Turkey and Mexico.
1. Data refer to the unweighted average.

Source: European Community Labour Force Survey, except for the United States (Current Population Survey March Supplement)

E) The sectoral distribution of immigrants' employment

Immigrants are relatively spread throughout the economy in international comparison (Figure A1). However, there is a considerable difference between national register-based statistics and the internationally comparable data from the labour force survey, with the former showing a much stronger concentration for immigrants, in particular for recent arrivals. Immigrants from non-OECD countries, in particular men, are somewhat more evenly spread throughout the economy than immigrants from OECD countries. This is largely due to the fact that many recent migrants from OECD countries were construction workers, in particular from Poland.

Figure A1. Index of sectoral disparity between native-and foreign-born employment for selected OECD countries, 15-64, 2006/2007 average (percentages)



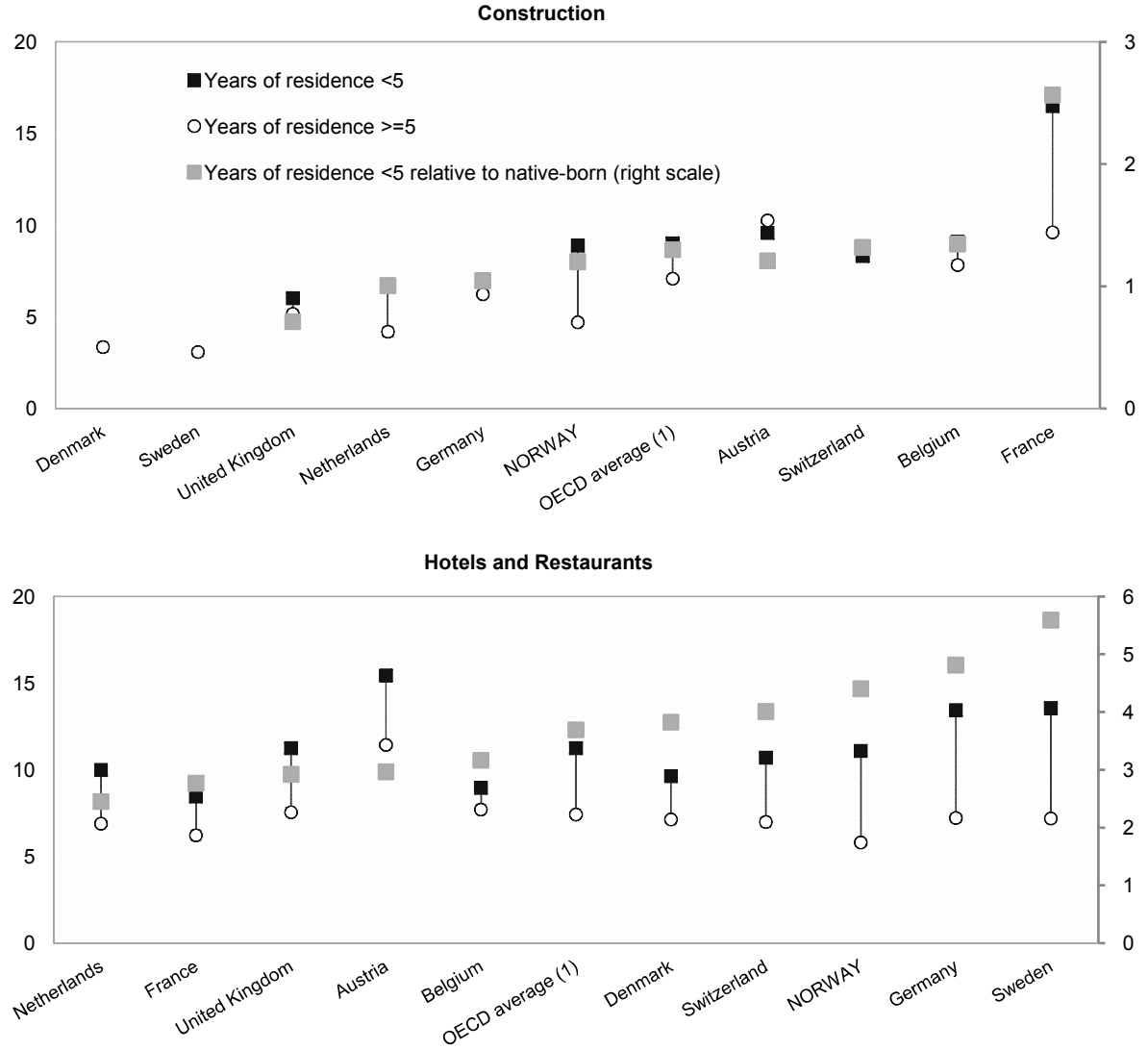
Note : The disparity indicator is defined as the sum over all sectors of (|*pi-qi* |)/2, where pi and qi represent the share of sector *i* in the employment of natives and foreign-born, respectively. This indicator gives the percentage in percentage points of immigrant workers who would have to be reallocated from sectors in which they are overrepresented to those in which they are underrepresented for the distribution of employment by sector to resemble that of natives. For the register-based data, non-OECD includes Turkey.

(1). Data refer to the unweighted average of the countries included in the Figure.

Source : European Union Labour Force Survey (data provided by Eurostat), Current Population Survey March supplement, right side of the Figure: Register data from Statistics Norway (Labour Market Statistics).

One sector in which there is a particularly large concentration of immigrants – and of recent arrivals in particular – is the hotel and restaurant sector (Figure A2). Recent arrivals are also overrepresented in construction, although the pattern is not very pronounced – neither compared with the native-born nor in international comparison.

Figure A2. Share of selected sectors in total foreign-born employment by duration of residence and relative to the native-born, 2006/2007, 15-64, percentages and ratio (right scale)

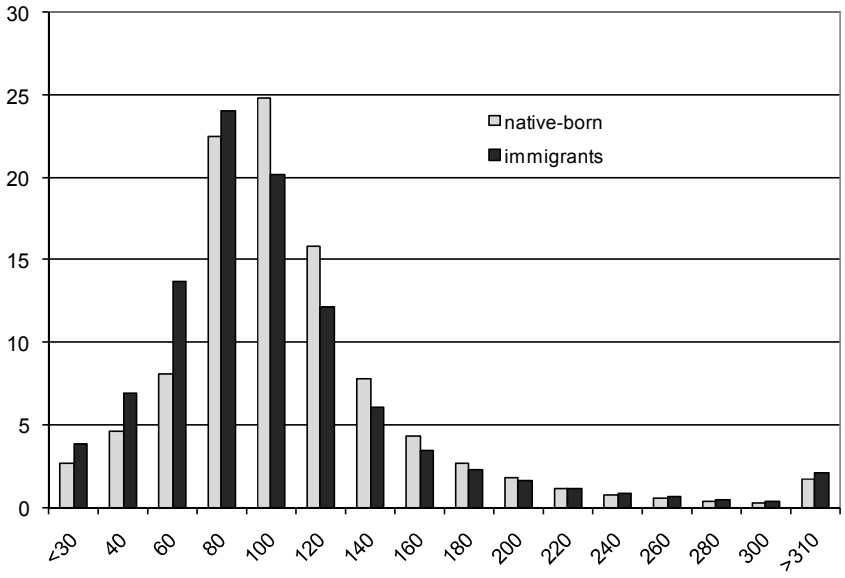


Note : (1). The OECD average refers to the unweighted average of the countries included in the Figure.

Source : European Union Labour Force Survey (data provided by Eurostat).

F) Distribution of wages for the native- and foreign-born in Norway, 15-64 years old and not in education

(median hourly wage of the total employed population=100)



Note: The figures on the x-axis indicate the middle of each respective interval (e.g. 100= 90%-110% of the hourly median wage). Reported wages below 10 NOK have been excluded.

Source: Statistics Norway.

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