

Perspective and summary

1. Perspective

Immigration has both desirable and unfortunate effects when considered in a welfare state perspective. The consequences of migration for the development of the welfare model depend on the type of new arrivals, the resources they bring and the extent to which they are integrated in Norwegian working life and society. The combination of an aging population and low employment rates in significant population groups may challenge the sustainability of the model in the long run.

Migration is bringing special challenges to the Norwegian welfare model. The model is dependent on high participation in working life and a relatively equal income distribution if a generous and universal welfare state is to be maintained. On the other hand, a compressed wage structure may create high thresholds for admittance to working life, and wide-ranging welfare programmes may undermine the incentives to take paid employment. Both immigration and emigration impact the sustainability and function of the welfare model, and the increased costs of financing the model may in the long term challenge the population's support for equal distribution and generous programmes.

With its high welfare level and strong economy Norway is an attractive country for immigration. On the other hand, immigration represents an opportunity for the Norwegian economy to increase the labour force, add skills that are in short supply domestically and improve flexibility by increasing the mobility of the labour force across national borders. The opening for migration between countries is also important for individual workers as they can move to regions where they may realise their abilities optimally, and for employers, who can recruit labour internationally.

It is necessary to ensure that new members of society contribute to realising this opportunity by finding a job and staying employed, as far as possible on equal footing with the majority population. Norway is facing four major challenges in this context. 1) Some groups of refugees and persons in family reunification programmes will encounter difficulties when they try to participate in Norwegian working life. Many of them will need comprehensive qualification programmes and other assistance. 2) The heavy labour and service immigration from the EEA places new demands on the authorities and the social partners (labour and employer associations) when it comes to maintaining a regulated working life. 3) Migration inside the EEA particularly raises new issues concerning the exportability of welfare benefits. EEA immigrants quickly earn access to Norwegian welfare benefits, and earned rights may be exported to other EEA countries. 4) Increased migration burdens public administration with new and more demanding duties with regard to follow-up, service and control.

The aim of this report is to raise the level of knowledge on how the Norwegian welfare model functions in a time of increased emigration and immigration, to identify mechanisms that impact the interplay between working life and welfare in light of this development and to propose a direction for future policy and some strategies to deal with the challenges. The committee has analysed three main themes in the assignment: Sustainability, relevance and legitimacy, and has found the following policy areas to be particularly relevant in this context: Immigration policy; welfare policy; and working life and integration policy. As there is little

latitude to make changes in immigration policy, the committee has had its main focus on the interplay between the other two policy areas.

Many of the key issues in the report touch on working life and welfare policy in general. Low employment rates and a growing proportion of public transfers are also challenges for groups of the population that do not have an immigrant background. The committee has been tasked with analysing the immigration and emigration issues without going too deeply into sustainability and relevance in more general terms, which is to say the Norwegian welfare model *per se*. The universal design of the Norwegian employment and welfare regime ensures that most of the measures that impact the living conditions and labour market participation of immigrants also include the majority population. Consequently, it has to some extent been necessary to analyse more general aspects of the Norwegian welfare and working life model.

All in all, the analyses of migration and welfare point in the direction of measures that fit well with on-going general reform processes in the Norwegian model. Focus on better education, vocational qualification, activation, grading of benefits, inclusive working life and the defence of high standards and an equal income distribution in working life are all important components, both for immigrants and the public at large. Nonetheless, some of the measures will, in an immigrant and emigrant perspective, have additional rationales and require some special adaptations.

Migration and globalisation

"Increased migration and international mobility – consequences for the welfare model" is the heading of the committee's mandate. Increased international mobility – human migration across national borders – is part of more general globalisation or internationalisation processes. Globalisation is not a new phenomenon, but the political and technological developments in recent decades have led to a more rapid exchange of merchandise, goods, services, information, ideas and people across regions of the world. The committee has been given the assignment to analyse the sustainability of the Norwegian welfare model in light of one important dimension of globalisation, which is international migration. One important aspect of the unequal development on the global scale is increased mobility. In spite of major impediments in both the immigration and emigration spheres, more and more people are moving between regions and between countries. The International Organization for Migration (IMO) estimates that approximately 214 million people, or more than three per cent of the world's population, were settled in another country than their country of origin at the start of 2010. This means that at the start of the 21st century, migration is affecting the lives of more people than at any other time in history. International migration impacts the involved countries, often in very pervasive ways. Today migrants are travelling in and out of most countries in the world, which makes it increasingly difficult to maintain the traditional dividing line between country of origin, transit country and destination country. Many states now come under all three categories at the same time. The migrants may also belong to different categories over a period of time. An emigrant becomes an immigrant, and at a later stage may become a re-emigrant. One of the most important effects of globalisation is that countries are becoming increasingly more dependent on each other, economically and politically, and that persons who move contribute to more complex ties across national borders and cultures. Since the 1970s, Norway has increasingly been affected by this international mobility.

Among "the framing conditions of globalisation" the EU has a very important position in a Norwegian context. European integration impacts the Norwegian welfare model in part

indirectly by having an effect on the Norwegian economy and employment, and thus also the ability to fund the welfare state. More *directly*, Norway feels the effect of increased migration from and to the EU. The EU, moreover, strongly impacts – through the EEA agreement – Norway's ability to introduce changes in welfare policy, for example through the coordination rules.

For a small country like Norway, with a relatively open economy, globalisation or internationalisation has been of major importance to national growth and development in recent history. Trade has given opportunities to exploit national advantages, and the exchange of goods, ideas and knowledge has been and continues to be decisive for the Norwegian economy and society. At the same time, stronger integration also means new types of pressure, keener competition and new demands for restructuring.

Norway generally has a good point of departure for coping in the new global picture. The economy is among the strongest in Europe, with low inflation, high employment – including among immigrants, in a comparative perspective – and a substantial surplus in the public coffers. Globalisation leads to greater demands for education, research, innovation and infrastructure, while at the same time the basis for financing these may be weakening. Internationalisation may lead to problems in maintaining (and increasing) the level of taxes and duties when companies, capital and labour have better opportunities to move abroad. This situation is reinforced through the *demographic* prospects in the total population. As the proportion of the elderly increases, so will the expenditures on pensions and health and care services, at the same time this will have to be financed by a steadily shrinking proportion of the population.

The combination of internationalisation and demographic changes therefore poses major challenges for the Norwegian economy and welfare in the years ahead. Both these matters are facts Norway does not have the option of ignoring. When it comes to internationalisation, we are facing a phenomenon which *both* enriches and restricts the Norwegian model. International migration, which is our mandate, also presents the same dichotomy. At the same time, migration, and particularly *immigration*, appears to be a phenomenon which may be easier to control than globalisation and demographics.

Migration is a key element in both internationalisation and demographics, and may influence both dimensions positively and negatively. Migration, as an inherent element of globalisation, may contribute positively to the development of ideas, experiences and communication, but may also create problems for countries and regions when it comes to control of "membership" in the welfare state and the allocation of scarce resources. Migration and service movement may also have consequences for wage setting and the function of the labour market. Immigration and emigration are also key elements in the demographic topography. Immigration is often considered a "solution" for the imbalance in age of the population, and an addition to the *production* of welfare through the influx of individuals of working age. But immigrants also grow older, and the calculations also depend on *actual* participation in the labour market and the subsequent contribution to the common good through employment and payment of taxes.

The welfare state as a premise for immigration policy

The Norwegian model was developed during a period of time when relocation across national borders was significantly lower than today. The comprehensive Norwegian welfare state is a post-war phenomenon, even if the idea may be traced back to the nineteenth century. The model may be described as both pragmatic and idealistic. Social insurance programmes were

established early through the national insurance scheme, but the rationale underlying the model has been much more comprehensive. It has in many ways represented a social *integration* project with three key ingredients: Democracy, citizenship and modernisation. A homogenisation process occurred after the class compromise of the inter-war period and the ravages of war, which is often considered important for the development of the welfare state and a premise for promoting support and legitimacy in the population.

The Norwegian welfare model represents a set of programmes for *income transfers* to insure the population against loss of income due to age, unemployment or ill health, and a set of *services* to ensure the social, health, education and care needs of citizens. The model has been characterised as *comprehensive* in relation to the type of social needs it seeks to satisfy, as *institutionalised* through social rights which give all citizens the right to a decent living standard, and as solidary and *universal* – which is to say that the welfare policy has targeted the entire population and not only particularly vulnerable groups. The model depends on well-functioning business and industry, and the central authorities play a main role in risk management and relieving the family of care obligations. It is also service intensive, giving local administration levels a key position when it comes to laying the foundation for the welfare of the population. The employment rate of women is high, while the labour market is gender divided. Public spending on social means is comprehensive and the taxation level correspondingly high. The Norwegian welfare model is structurally linked to the organisation of working life in many important ways.

The organisation of the labour market through collective bargaining, cooperation between the state and the social partners, active labour market policy and welfare insurance throughout the lifecycle have contributed to a productive economy with good restructuring ability. Working life and welfare have represented mutual buffer functions, with high employment rates as the financial backbone. Employment must both fund welfare and reduce public expenditures. The strength of the Norwegian model has included its ability to combine an open and well-functioning market economy with a public sector that assumes comprehensive responsibility for the welfare of Norway's citizens. The model has enjoyed high legitimacy in the Norwegian population. There has been and continues to be agreement on the basic structure of the welfare state across party lines. Through changing governments the debate has been about adapting the model and making limited modifications rather than comprehensive changes. This stability is in part probably due to the fact that the Norwegian working life and welfare model is strongly anchored in legitimate institutional schemes supported by employer and employee organisations. In 2011, Norway continues to be at the top level internationally when it comes to employment and economic distribution.

An important feature of the Norwegian model in our context is the *groups of persons* that come under the various programmes. In Norway, broad strata of the population are included under the same programmes, and this also means immigrants with legal residence. At the same time, a number of the welfare programmes have admission criteria, and appraisals are made of the amount of some benefits, such as social security benefits. Important benefits such as old-age and disability pensions, unemployment benefits and sickness benefits are also income-related in Norway. The benefits are generally high in an international context.

Until the 1970s, the Norwegian welfare state developed without significant numbers of immigrants. Norway in fact continued to be a net *emigration* country until the end of the 1960s, even if the rate of emigration was modest after the war.

As long as the population generally remained resident within the national borders throughout their lives, and the number of new arrivals from outside the country was quite limited, it was possible to go far in the direction of making these programmes universal. It could be assumed

that investments in people's education, health and living conditions would benefit society at large in the form of later input in working life and through the payment of taxes. The basic principles of social security benefits – as most other legislation in the social field in Norway – are based on the idea that the persons involved are resident in Norway, even if a number of exemption provisions have since been added to the legislation.

Even if international migration was not in the picture when the Norwegian welfare model was established, it has nevertheless had a great deal of influence on the premises for the type of immigration policy it has been possible and desirable to conduct. The Norwegian welfare state's economic transfers to weak groups and the principle of equal treatment have had two key implications for immigration. First, it has been important to control immigration into Norway. The generous welfare state which redistributes income to include all those who are legally resident necessitates selection and delimitation in relation to potential new members from other countries. Second, it has been important to integrate new arrivals, particularly into working life but also into the greater society. If the fundamental social structure is to be maintained, new inhabitants must be made part of it. Well-functioning welfare systems are vulnerable to large arrivals of people outside regulated working life who may press down wages and good working conditions or burden budgets, and who in this way may challenge the sense of unity and consensus. This "system internal" logic has been supported by international agreements, where Norway has undertaken to treat legally established foreign nationals equally with Norwegian citizens in relation to most social rights.

Social rights are basic pillars in modern welfare states and are vital for the realisation of equality and thus equal rights for all members of society. At the same time, the welfare state's need to control its geographical borders increases in step with the granting of additional rights to new arrivals from abroad. This constitutes the fundamental tension between admission control and living conditions for immigrants in welfare states. Control, equal treatment and integration have consequently been closely linked in the manner the Norwegian welfare state has dealt with immigration. The national state's conditions for *controlling* the interplay between these key factors have, however, gradually changed in recent decades, both due to developments in human rights and due to obligations that come under the EEA agreement.

If the Norwegian welfare state in itself is to be considered a social integration project, new issues are raised when new larger groups of people who have not gone through basic socialisation in Norway immigrate and settle here. The degree to which they are considered representatives of cultural differentness, have special needs or are subjected to social marginalisation also contributes to challenging the function of the welfare state and the basis for the legitimacy of the common good.

To meet such challenges, a number of governments have developed policies to promote *integration* – a genuine inclusion of foreign nationals in society beyond matters purely concerning their rights. The integration policy here refers to measures targeting legally established immigrants to support their inclusion in society, and to enhance their abilities to realise their rights. The policy also covers a number of areas which impact the situation of immigrants in the Norwegian society, such as the labour market, housing, social benefits and welfare in general, education, language instruction, funding for organisational activities and more.

40 years of experience

In a Norwegian context, immigration has changed significantly over time when it comes to scope, diversity, geographical distance and social composition. The number arriving today

(the proportion of the population) is substantially larger than during previous epochs, even if substantial numbers have been seen earlier in history. In 1970, 1.3 per cent of the population had been *born abroad* (whereof 47 per cent came from the Nordic countries). In 2000, this number had increased to 5.5, and in 2009 the proportion had risen to 8.8 per cent. In January 2011, immigrants and their descendants constituted a total of 12.2 per cent of the population. Since the 1970s, Norway has developed from being a peripheral immigration country in Europe into a substantial receiving country, measured in relation to the size of the population. *The rate of growth* has also been high. In recent years, Norway has had an immigration rate per 1000 inhabitants that exceeds all five countries that have been chosen for comparison in this report.

The population has grown increasingly diverse when it comes to national, cultural and religious backgrounds. In 2010, persons with backgrounds from more than 200 countries lived in Norway. Consequently, over a brief period of time Norway has established itself as a multicultural immigration country with relatively large strains – particularly in the cities – of people with other cultural backgrounds and social experience from political systems that may be widely different from the Norwegian one. From 1975 until the EEA expansion in 2004, the major part of immigration was for humanitarian reasons, including family reunification. After 2004, this continues to apply to a high proportion of the immigration to Norway, even if the majority of those arriving today are labour immigrants from the EEA countries. People who come through humanitarian channels may often be burdened by a difficult life situation, and they have not been granted residence in Norway to contribute to growth and economic development. A high proportion of this category of immigrant has competence levels substantially below the average of the majority population, and significant public efforts are often required for these people to be integrated into Norwegian working life and society.

The problems that exist in the interplay between the Norwegian model, on the one hand, and immigration and emigration, on the other, have in part been recognised for some years. Politicians and the public authorities have seen shortcomings with the system and successively endeavoured to remediate them through measures and reforms, particularly from the 1990s and to the present. When it comes to migration from countries outside the EEA, the main measure has been to continue the policy which was implemented by the so-called "immigration stop" in 1975, which actually was not a stop but rather a selective regulation of the opportunity to enter Norway. Immigration was to be "limited and controlled", as it came to be called, which was to say that only labour in demand would be granted entry into Norway, in addition to the persons who arrived through humanitarian channels, where Norway had committed itself through international agreements. As we have so often seen, problems – welfare policy related or otherwise – must mature over time before the scope and extent can be viewed and understood. When the Welfare and Migration Committee was appointed almost a decade into the 21st century, 35 years after the "immigration stop", there are probably several and interlinked reasons for this.

The period of time with experience as an immigration country has clarified the challenges connected to the integration of new arrivals – primarily into working life but also into society at large. Research reports have recently uncovered a pattern where previous labour immigrants from the 1970s dropped out of the labour market after an active period of around ten years, after which they would be granted a disability pension on a permanent basis. The comprehensive and gradually growing number of refugees and family immigrants with limited qualifications clearly demonstrated a structural stumbling block in a Norwegian labour market which demanded qualifications to defend the relatively high minimum wage level. The strong period of growth during the final half of the 1990s also uncovered the *opposite* issue – an increasing demand for foreign labour. "Without immigrants Norway will stop" was a

much-heard slogan. The EEA expansion to the east, with new membership countries with significantly lower living standards, meant a shift when it came to immigration into Norway. This new EEA immigration represents the strongest influx into Norway ever, and after the international financial crisis in 2008, it has contributed to new unrest concerning the long-term effects both on the function of working life and the consumption of welfare goods. The growing "export" of welfare benefits due to the EEA immigration and, more generally, through the emigration of Norwegian nationals, has also uncovered potential vulnerabilities in the Norwegian system. Ten years into the new millennium the Norwegian welfare state is consequently facing a situation where issues generated over a long period of time and new issues in the immigration field are interacting with more general pressure factors due to demographic imbalances and increased consumption of national insurance benefits.

New times – new underpinnings

Working life is the core of the Norwegian welfare model. For the individual, employment gives the possibility to provide for oneself and control one's own life. For society in general, contributions from paid work from the highest possible number of citizens are decisive for maintaining the welfare model. Funding the welfare state in Norway is based to a high degree on income generated through work via direct and indirect taxation. High employment rates have been the underpinning for continuing the generous welfare programmes for those who are unable to work.

A "social contract" is the foundation of all welfare states. The Norwegian welfare state goes relatively far in terms of social redistribution between adults with and without employment, between persons with high or low incomes, and in part between generations. The organisation of working life is also based on agreement on the division of rights and obligations between employer and employees. When more people relocate into and out of Norway – for shorter or longer periods of time – the social contract can be affected. The durability of the contract depends on a balance between those who are working and those who are receiving benefits among older and younger members of the social insurance system, and on investments in individuals through education and training and good early-development conditions that will produce yields through later participation in working life. "Freerider problems" may in this context be connected to both emigration and immigration. On the other hand, there is little to indicate that the original assumption of "stationary citizens" continues to be present. An open European labour market and a more globalised economy mean more mobility, which the Norwegian economy and society also benefit from to a high degree.

It is important to point out two conditions: On the one hand, Norway is in the world elite when it comes to the proportion of the working-age population that is employed, including employment among immigrants. On the other hand, a high proportion of the working-age population is not working and is receiving benefits. Adjustments have also been made to the Norwegian welfare model to maintain the high employment rate in recent decades. This has occurred in interplay with other measures to make the welfare services more efficient and to curb the growth of expenses. The durability of the Norwegian working life and welfare model is a result of on-going reforms to promote increased participation in working life and to strengthen sustainability to deal with economic downswings and international pressure. Maintaining the welfare model will therefore also in the future require restructuring and continuous efforts to adapt programmes to new conditions.

Among "new conditions" *immigration* – and over time also emigration – comes high on the agenda. Among the most important questions discussed by the Welfare and Migration

Committee are issues relating to what is needed to ensure continued high employment, equal treatment and a good social safety net when the economy and the composition of the population change, when the market for labour and services has been opened through the EEA agreement and when the political latitude to change policy is restricted more and more by international rules and agreements.

It is vital for the sustainability of the welfare model that Norway can continue to have a high proportion of value-creating and tax-paying inhabitants, and can ensure that those who actually are employed and working will not become dependent on receiving permanent benefits to maintain the income they need to sustain themselves in Norway. The so-called *working poor* (employed but poor) have been neither common to nor accepted in the Norwegian model: The social safety net has contributed to establishing an income threshold, and the negotiated minimum wages are relatively high. High employment in such a model demands that an adequate number have qualifications that make the product of their work match the high minimum wages. Immigrants with lower qualifications may encounter problems in such a model. Lower minimum wages may also have an effect on claimants' motivation to work, thus creating pressure to lower the benefit levels. One of the most important tasks of the committee has been to analyse how to facilitate for the inclusion of a more complex population in Norwegian working life, thus reducing the pressure on future welfare budgets.

Hence, the Norwegian model assumes correspondence between anti-poverty measures, distribution and wage setting. The preference to have good work incentives in the benefits policy may be in conflict with the consideration of social distribution. This applies in particular to low income levels or to persons with little or no ties to work. However, the intention is not to state that the greatest possible difference between benefits and wages necessarily will give the best work incentives. A secure income while being rehabilitated *may* give a better starting point for getting back to work. Poverty may have detrimental effects on the possibility of obtaining employment. However, good incentives for obtaining a job generally contribute to making the welfare system sustainable. A system that rewards work effort may also promote support of the welfare model, and a good balance between obligations and rights can increase dignity and self-respect. The Norwegian welfare model is thus facing a dilemma: In consideration of living conditions and social distribution, it is desirable to have a high minimum level of benefits, while high benefits in the short term may easily lead to employment problems in the long term. The obligation to work must be maintained – and must be supported through the structure of incentives – if the welfare state national insurance system is not to be undermined over time.

Scope and composition

The findings from the macro-economic analyses carried out by Statistics Norway for the committee show that what in particular impacts funding of the welfare model is the extent to which newly arrived immigrants are integrated in the labour market. This means that both the scope of immigration and the skills of those who immigrate are important. If new arrivals have qualifications that are demanded in the Norwegian labour market, a high number of arrivals is not necessarily a problem.

In the short term, there is much to indicate that labour immigration influences the Norwegian economy and public finances positively, in part because the age composition is more favourable than in the total population. So far labour immigrants from the EEA have contributed with more tax income and received less in benefits and other public subsidies than

the rest of the population. Thus this labour immigration has been favourable for the Norwegian economy by giving higher employment rates and growth, lower inflation and less pressure problems in the labour market, consequently strengthening public finances. Labour immigration may contribute to a more effective labour market, as new arrivals are often more mobile than the established population and go where the employment opportunities are found. The Norwegian labour force that has complementary skills in relation to new arrivals, often with a tradesman's or journeyman's certificate, may become more productive and in higher demand. On the other hand, there is uncertainty as to how this will develop in the coming years. Some studies suggest that the new labour immigrants have given domestic labour stiffer competition. Without continuous efforts to maintain a well-ordered working life, EEA immigration may contribute to pressure on wages and standards. Vulnerable labour, such as workers with low qualifications, including those with immigrant backgrounds, may be at risk of reduced work income, higher unemployment, quicker transition to disability pension or alternatively experience greater problems in finding employment.

The downturn in the economy in 2009 raised new questions: How many of the labour immigrants will remain in Norway even if the demand for labour subsides, how many will bring their families to settle in Norway and to what extent will the partner be active in the labour market? Is it reasonable to assume, given the composition of skills among the new labour immigrants, that they will follow the same pattern of trades and vocations as the majority population, or is it more probable that they will retire on disability pensions at an earlier stage, as other immigrant groups have done in the Norwegian society?

After the EEA expansion, Norway has become one of the most attractive markets in Europe for labour, which has been further reinforced due to the fact that the after-effects of the financial crisis have hurt Norway less than other European economies. Today, Norway has the highest standard of living in Europe, the highest wages for unskilled work and high demand in parts of the labour market. For many actors – enterprises, households, rental companies and European job seekers – the new possibilities for labour migration are attractive. This has also given rise to an increase in dubious actors and circumvention of the laws and regulations.

As a result of the high labour immigration and the service mobility within the EEA there is a risk that a low wage strata will develop in parts of the labour market. If the new labour force learns of its rights relating to pay and working conditions, if it strengthens its negotiation abilities and if the government and social partners ensure compliance with the working life norms and basic rules, the situation may change. A special challenge here then is that there is a continuous refilling and replacement of the labour immigrants. If, on the other hand, the unfortunate features we have witnessed in recent years were to develop within the importing of services and labour, this may create challenges in relation to maintaining a well-ordered working life and to combating an increase in social costs. Increased polarisation in working life is a possible risk, where a rising proportion of unskilled and low-paid jobs are taken over by immigrants or service providers, while the parts of working life that require more skills are dominated by Norwegian and Western labour. Especially important in our context are the potential consequences for the possibility of including a larger proportion of immigrants in working life. If the relative wage level drops due to the amount of poorly qualified labour and the competition for simpler jobs, this may strengthen the demand for labour with poor qualifications. On the other hand, it may become less profitable to work, and hence more difficult to motivate people to shift from passively receiving benefits to employment.

Even if employment in Norway in recent years has been exceptionally high, the number of claimants provided for through public transfers has not been reduced. If this development continues in step with the aging of the population and a probable decline in revenues from oil

and gas operations, state expenses will increase faster than revenues in a few years. Unless immigrants over time maintain a higher participation in working life than the majority population, there is little, in light of the composition of skills, to suggest that immigration will ease the long-term state financial problems.

Three key policy areas

A common thread through the entire report has been to consider *immigration, emigration, welfare and working life policies* in relation to each other. The welfare state uses the Norwegian model's support and adaptation functions to facilitate a high degree of participation in working life. High employment rates are also a requirement for good balance between expenditures and revenues in the welfare state. Immigration and emigration interact with working life and the welfare system in important ways.

First, the composition of the population has become more complex, with new members who have not been socialised into the welfare state during their early development years and who, in many cases, do not have qualifications that are in demand in Norwegian working life. Second, increased international mobility – permanent and repeated relocations across national borders – also has consequences for the *exportability* of the welfare benefits, which is to say the extent and conditions that allow people to take the benefits of the welfare state with them when they move internationally. Both these matters influence and challenge the welfare state. Welfare programmes provide frameworks for the immigration and integration policies and impact the life of migrants in Norway, while a more complex population gives new premises for developing the programmes. The design of these programmes may also influence behaviour when it comes to *emigration*, and the possibility of exporting benefits may stimulate *immigration* in ways that may be both desirable and problematic. Import and export possibilities may be a necessary framing condition for attracting foreign expertise that has a temporary perspective on working in Norway, in addition to lowering the barriers for Norwegians wishing to gain work experience abroad. On the other hand, exportability may make the welfare programmes disproportionately attractive and disrupt the balance between input and output. If exportable benefits such as family allowances and the cash-for-childcare benefit constitute a substantial proportion of the income EEA citizens can send home from their work residence in Norway, and if disability pensions, unemployment benefits and sickness benefits are subjected to other regulatory regimes than if the employee had stayed in Norway, the possibility to export benefits might influence the behaviour of migrants. Favourable export possibilities may also impact the way Norwegian nationals act when it comes to exporting earned welfare goods, with a complex effect on the Norwegian economy and Norwegian welfare programmes. Most countries are attempting to make work pay – and make benefits less attractive than earned income – by maintaining the benefits at such a level that each claimant has less purchasing power as a recipient of benefits than as an employee earning income. When the benefits are exported to low-cost countries, this incentive to work will lose its effect, and the benefits may appear to be very attractive. In general, emigration raises the question of how far beyond its borders the Norwegian welfare state should reach – what radius should it have outside its borders?

It is therefore the mutual influence between immigration and emigration and Norwegian working life and the welfare model that is the principal theme of the report. The fundamental premise is to contribute to preserving and refining the Norwegian welfare model, and to making measures that support the "work line". The committee has three key policy areas to work with: immigration policy, employment- and integration policy, and general welfare policy.

Migration policy

Immigration policy – regulation of who is granted the right to immigrate – has been and continues to be a key instrument for influencing the *scope* and *composition* of immigration into Norway. When Statistics Norway's analyses show that the job behaviour of immigrants is what impacts the sustainability of the welfare model the most in the long term, this indirectly means that it will be more important to influence the composition of arrivals rather than the number. Studies in other countries clearly show a relationship between different states' immigration regulation, on the one hand, and the granting of rights on the other. There is a clear divide between the North American approach, where a historically more liberal immigration policy is combined with a restrictive policy when it comes to social rights and welfare benefits, and the North European approach, with a more restrictive immigration policy in combination with a relatively generous and rapid access to welfare state benefits. Both approaches are represented in the committee's selection of country studies, cf. Chapter 11.

The EEA agreement places restrictions on Norwegian immigration policy when it comes to controlling both the number and composition of immigrants from the EU/EEA. After 1994, the latitude to make changes in immigration policy was in practice limited to immigrants from countries outside the EEA, who in general have arrived through the humanitarian gateway, which is also quite controlled, but to a varying degree, by international obligations. If the aim of Norwegian politicians were to control the influx of immigrants optimally in accordance with economic interests, there are in fact few channels and instruments that could be used for this purpose. The refugee policy is governed in accordance with humanitarian principles. Family immigration policy also has important humanitarian dimensions even if the obligations are weaker in terms of international law. Generally, EEA mobility can only be influenced indirectly, i.e. through *measures* that impact how attractive it is to work, study and live in Norway. Such *indirect measures* may, for example, comprise taxation, wage and working conditions, welfare benefits, costs of studying and so on, and must apply equally to EEA citizens from Norway and other countries.

The reason why there little leeway to make adjustments is that Norwegian immigration policy already *is* restrictive in the areas where it is possible to cut down, while still staying within the boundaries determined by international obligations. The Norwegian authorities have already tried for years to limit the influx of persons from countries outside the Nordic area – since 1994 from outside the EEA – without qualifications that are in demand in the Norwegian labour market and who are not be granted residence on humanitarian grounds. The options have generally concerned who "should be granted" residence – i.e. an assessment of how far the obligations go. Here the trend has generally been *to restrict* policy, even if on some occasions changes in government have led to small adjustments in a more liberal direction. The tendencies of other countries near us have increasingly influenced the definition of "how far the obligations go". It now appears that the immigration policy in other countries, particularly our neighbours, lays to a high degree the premises for the latitude Norwegian governments have to make changes, because restrictions in other countries may lead to increases in the influx of immigrants to Norway.

Given this overriding picture, the committee has not proposed (nor considered it possible to propose) any essential changes to the Norwegian immigration policy in its conclusions. We nevertheless emphasise that based on our analyses it is important to maintain the ambitions of a "consistent, fair and legally sound" asylum policy, where there continues to be an important improvement potential when it comes to case processing time and efficient return of those

who have been rejected. It is also important to conduct a strict family immigration policy with emphasis on self-reliance. Family establishment and reunification have together become one of the most important channels for legal immigration into Norway since 1975. Four of ten persons who immigrated between 1990 and 2009 have arrived on the basis of familial relations. Studies show that parts of this group are among those with low participation in Norwegian working life.

Welfare policy

An important aim of the Nordic model is to create social equality and good living conditions. This report shows, however, that there are persons and groups in Norway who have permanent low incomes over many years. One of the main causes of this is not having paid work. Immigrants, particularly those with refugee backgrounds, clearly have a higher risk of poverty than others.

Differences in living conditions may be explained in three ways: They may be due to *individual resources* (education, social background, health, age), *structural underpinnings* (labour market conditions, incentive structures, discrimination) and *choices and values* (cultural trends, lifestyle preferences). Patterns of difference are often caused by an interaction between these factors. Immigrants may lack the most important resources that are in demand in the labour market, such as relevant education and Norwegian language skills. Structurally, the high minimum wages create a high threshold into working life for poorly qualified immigrants. At the same time, some immigrants with heavy provider responsibilities and poor income opportunities in the labour market will also have little or no economic incentives to work due to high transfers. How individual behaviour is influenced by economic incentives may depend on the degree to which a person has a real choice: There must be genuine job opportunities if incentives are to work. When it comes to "choices and values", differences in attitude to gender equality are probably most decisive.

Through its proposals, the committee is attempting to influence the big picture. In the Norwegian model, welfare policy becomes the mirror image of the working life policy. If the working life policy does not succeed, the bill ends up on the welfare budgets. It is therefore important that the design of the welfare programmes supports participation in working life when possible, while the income maintenance dimension in the Norwegian model must be kept up. Moreover, the export dimension must be given more emphasis due to the new situation after 2004. The enlargement of the EEA labour market means that Norway has relinquished control of immigration from this region. This has potentially comprehensive consequences for the various domestic welfare programmes, but also for the export of benefits.

The committee believes it is necessary to undertake gradual adaptations of the welfare model in the years to come, and has assessed three possible main approaches in the intersection between the sustainability of the welfare model and assuring the living conditions of the population. One alternative is to undertake general cutbacks (*the restriction alternative*), thus reducing state responsibilities for income maintenance. This can be achieved by having stricter access to income maintenance programmes, by reducing benefit levels, having shorter benefit payment periods or a combination of these. Another alternative is to restrict the responsibility of the welfare state for immigrants by establishing requirements where time of residence or citizenship grant the right to receive benefits, which to some extent has been done in Denmark in connection with social benefits (*the dual track alternative*). A third

approach would be to turn the welfare state programmes from passive income maintenance to activation (*the activation alternative*).

The analyses undertaken by the committee show that immigrants from Asia, Africa and other areas have significantly lower employment rates than the majority population, even if there are also variations within this group. Projections on immigration and the prospects of providing for oneself based on today's conditions suggest there will be additional pressure on the welfare programmes in the years to come. This comes in addition to the comprehensive challenges the state is already encountering due to the aging of the population and the increased numbers of people on disability pensions. The committee finds that the dual track alternative and the general restriction alternative are not very reasonable and proportionally unsatisfactory based on a comprehensive assessment. The dual track alternative is found to be vague when it comes to accurately addressing what appears to be the main problem in many immigrant groups – their lack of qualifications and their dropping out of working life. Both alternatives will lead to disproportionately poorer living conditions for vulnerable groups. The restriction alternative will also lead to unnecessarily weaker welfare programmes for the entire population. The committee finds the activation alternative to be a more effective path to follow with more certainty of addressing the relevant issues, which will also support and reinforce the main lines of the recent years' reforms in working life and welfare policy. This alternative represents a shift from pure income transfers to more systematic efforts to *activate* relevant groups in the form of qualification and adapted work, in combination with work-related wage subsidies and a more comprehensive use of graded benefits connected to health-related benefit needs. Activation and graded benefits constitute a far more focused measure than general restrictions.

In Norway, as in some other countries, there has been a gradual shift in the direction of activation. The committee believes that with such an activation line as the preferred approach, it should refer as much as possible to the income maintenance programmes in general. Today, the principle most systematically applies to unemployment benefits; through the requirement to be available for the labour market and to participate in labour market programmes; through the introduction benefit which is to be combined with participation in the introduction programme; and through the rehabilitation programmes which are attended while receiving work assessment allowances. The committee believes that the principle should to a higher degree and with greater consistency be applied to and expanded to cover health-related benefits in general, to the transition benefit paid to single providers and to social assistance.

Potentially, there are high gains to be won from utilising the capacity to work persons with reduced work ability still have. Projections of demographic developments show that labour will become an increasingly scarce resource, and that it will consequently be important to mobilise the labour resources the country has. Problems with behaviour risks in connection with high compensation levels will be alleviated through such a strategy. Disproportionate recruitment to the programmes through the exporting possibility may also decline. All in all, the committee believes that an insurance system based on *activation* as the main principle will be more robust in relation to the developments described in this report than an insurance system primarily based on passive income transfers. This alternative will also protect the security of sick and disabled individuals better than general cutbacks.

Activation as a strategy may at first appear as a major and expensive reform. In this context, the committee wishes to point out that the shift from pure cash transfers to activation will have to be implemented gradually and primarily be focused on new benefit cases.

The activation alternative also indicates a critical review of the provider supplements in the disability pension. Immigrants combine low wages with heavy provider responsibilities to a

greater extent than the majority population. In practice, this means that the compensation rates will be very high for those with poor qualifications, who have a non-working spouse and many children. Research indicates that the provider supplements may in part explain the relatively large transition from employment to disability pension among immigrants. Moreover, the supplements create disincentives for the spouse's transition to paid employment: If the spouse finds a job, the family loses the provider supplements. These supplements thus create financial incentives for *both* spouses to remain outside working life. These supplements also create extra regulatory problems in relation to individuals who export benefits abroad.

The family-related benefits are in principle different from the health-related benefits. They are not intended to compensate for lost ability to work, but rather to help cover some of the costs of having children. They also help parents to withdraw from working life for a period of time if they have special care obligations. The committee emphasises that periods of withdrawal from working life should be of a temporary nature. The committee's fundamental thinking here is that all measures should encourage immigrants to participate in key areas of society, and this philosophy is also the underpinning of the attitude to family-policy programmes, such as day-care funding, cash-for-childcare benefit, the family allowance and the allowance for single providers. Unfortunate distribution effects of this change can be dealt with in a better way through other existing welfare benefits, as well as through any new programmes targeting children more directly, such as full-day school, free leisure activities for all children and so on.

In Norway, a system has been established where one of the parents can stay at home full-time with the child during the first year of life with full or almost full wage compensation, while one of the parents may choose to stay home and receive smaller compensation while the child is between one and three years of age. If families can maintain a living standard they feel is acceptable on one work income, this must as now be their own choice, but the committee is critical of public benefits that subsidise long-term withdrawal from working life for married women and/or women with children, and has assessed measures that may make paid employment more attractive for this group.

The committee therefore proposes to phase out the cash-for-childcare benefit over a three-year period of time, continue the programme offering free core time in day-care centres in areas with dense immigrant populations and reinforce the activity requirement for recipients of transition benefits with children who are older than three years of age, as well as introduce activity requirements once the youngest child is one year old. The committee points out the importance of as much vocationally focused qualification as possible for women in combination with the continued efforts to extend and improve public child-care. This must be individually adapted because there is great variation in the basic education immigrant women have.

The committee has attached great importance to the interaction between the design of the welfare programmes and the way working life functions with respect to strengthening the sustainability of the welfare model in the years to come. An underlying dimension and on-going challenge for the authorities in this interaction is the education and qualification of immigrants and their descendants. Without a permanent focus on basic education and vocationally focused qualification in the immigrant population, Norway risks having a permanent low-wage stratum in working life, which in the long term can lead to a risk of people dropping out, which in turn will put pressure on the welfare model itself.

Working life and integration policies

Immigrants cannot be treated as a homogenous group when it comes to participation in working life. They come from many different countries, they come for different reasons, they live across all of Norway, and they have lived here for different periods of time. And they also have different skills and aptitudes.

"Integration policy", as mentioned above, developed as a necessary consequence of the Norwegian welfare model: New arrivals (generally) more poorly equipped for equal participation in working and social life needed to acquire skills and be supported so they could be integrated into working life on equal footing with the majority population. During the initial years after the non-European immigration commenced, integration policy was poorly developed, and there was also a prevailing ideology that a wide "freedom of choice" would apply when it came to the adaptation of the new arrivals to Norwegian society – particularly in relation to the cultural sphere. "Integration" was to mean equal access to rights, combined with a high level of freedom to choose the form of adaptation to society.

Since the end of the 1980s, and in the 1990s in particular, this approach has changed. The scope of public measures focusing on immigrants and – more generally – the intervention in the process of adapting to life in Norway has increased substantially. This is partly due to an increase in knowledge and experience, which then translates into a better capacity and ability to develop suitable measures, but is also due to a growing political willingness to set more demanding requirements for new members of society. This more recent willingness and ability to intervene shown by the public authorities must be considered in light of the rising concern about comprehensive living condition problems in parts of the immigrant population, and growing scepticism as to whether the existing integration policy was able to produce the desired results. New ideas were also launched relating to what is actually respectful treatment of persons without the capacity to provide for themselves. While "setting requirements" previously might have been perceived negatively by many, a competing paradigm has emerged, suggesting that unconditional social benefits turn recipients into clients and that the lack of requirements for a give-and-take relation to benefits was seen as not showing respect. Moreover, culturally determined suppression of women was very much in focus early in the 2000s, contributing to public intervention and activation. Norway has also in this respect become part of an international trend, where shortcomings have been found in the previous rights-oriented integration policy, and where the elements of obligation have been increasingly accentuated. The greater emphasis on the Norwegian "work line" thus corresponds with broader international developments, and in most contexts this is closely connected to general aspects of working life policy.

In a Norwegian context, integration policy has always been a combination of special measures focusing on immigrants and the application of general working life and welfare policy measures. The main emphasis has been on the general policy, and one aim has been to get immigrants into working life as rapidly as possible, and in a position where they can be treated equally with the majority. Moving into the new century, the Norwegian authorities have, however, established comprehensive special measures for refugees and their families – the introduction programme for new arrivals. The Introduction Act, inspired by similar programmes in Denmark and Sweden, combines rights and obligations in a new way in integration policy, and aims to enable new arrivals to get a job or pursue an education through a comprehensive training programme. Those attending have the obligation to participate, and receive pay which is reduced if there is invalid absenteeism. Participants also have the right to have an individual plan. Through the Introduction Act, the authorities have initiated a clearer dividing line between a *special* policy for (some) new arrivals and a *general* policy for labour

immigrants, their families and descendants of immigrants. The groups of new arrivals considered most demanding to integrate but who have a special position as "involuntary migrants" have thus been given special priority through the Introduction Act.

When it comes to immigration on humanitarian grounds, which in a Norwegian context has been dominated by groups with poor qualifications, it is necessary to continue the specially adapted policy in accordance with the introduction programme. The committee believes the *method* represented by the introduction programme – job-focused (basic) qualification in a regime that combines obligations and rights – is fundamentally sound and should be developed and refined. It should also be expanded in a means-tested version for family immigrants. There are no shortcuts bypassing *qualification* of this (also complex) group of immigrants. If the authorities and the public and private sectors in working life do not attain better success with integrating these groups in productive labour as rapidly and permanently as possible, it will mean a substantial financial burden on the welfare budgets. As the 2009 Distribution Committee¹ also drew attention to in their report, there is a steady flow of poorly qualified groups into Norwegian working life. If the qualification and employment of these groups cannot be improved, there is a risk of the establishment of a permanent group of predominantly ethnic minorities who find themselves outside ordinary working life, with potential negative consequences for both the welfare model and the function of working life. Good social security benefits that ensure the living standard of those who cannot provide for themselves through paid work must continue to be a pillar of the Norwegian model. The committee also believes that most people will have better total welfare by participating in working life. This does not least apply to new arrivals, who will more easily and more quickly settle down in their new country of residence by being part of a working environment. This, needless to say, assumes that the working environment in question has minimum standards. The committee has therefore for a number of reasons deemed it reasonable to put strong focus on promoting participation in working life among immigrants – both new arrivals and persons with longer residence.

When it comes to labour immigrants, what will attract them the most is the demand in the labour market and the wage level compared to other possible destination countries. The most important instruments that should be applied to this group are then, in the opinion of the committee, to be found in the general working life policy. A key element here is to combat social dumping and under-the-table work, in order to preserve the Norwegian working life model. Measures that contribute to reducing tax evasion and the scope of the black economy are vital both to maintain the legitimacy of the welfare programmes and to protect workers in industries where much of the under-the-table work appears to be carried out. In addition to continuing the public campaign against social dumping and for a satisfactory working life, it is important to support the work of the social partners in maintaining a well-organised working life based on solid collective bargaining agreements. In this context it may be relevant to consider measures to ensure a better regime for minimum wages and working conditions. The opening of the Norwegian labour and service markets to persons from the EEA has led to changes in the framing conditions for the Norwegian working life regime. There are major gains and challenges connected to the comprehensive immigration from the EEA that Norway has experienced since 2004. Comprehensive movements of labour across borders may in themselves have consequences for wage setting. The expanded work force that follows from the EEA and increased international labour mobility may, for example, contribute to reducing the wage and price pressure when the economy is booming, but it may also result in a more permanent low-pay market in parts of working life.

¹ NOU 2009:10, Fordelingsutvalget

Moreover, there are the large regulatory challenges that follow from service migration, labour rental and sub-contracting. One important task for the authorities and the social partners in the years ahead will be to prevent the new supply of labour from low-cost countries in the EU from disrupting the functions of the labour market, thus contributing to low wage competition and poorer working conditions for the domestic labour force. This is important not least in consideration of continuing the welfare model: The authorities and social partners must avoid the development of a pattern where underpaid work serves as a ticket to welfare benefits. Within social security, EEA immigrants and Norwegian employees are to be treated as equals across the board. If EEA immigrants drop out of the labour market but remain in Norway, they will subsequently be included in the general Norwegian welfare and activating policy.

It is important to counteract the development of a low-wage segment in working life. On the other hand, high minimum wages may create a high threshold into working life and make it more difficult for poorly qualified persons to gain admittance. The committee's response to this important dilemma is to increase the focus on *qualification* and *activation* to strengthen the relative positions of the target groups in the job-seeker queue. This may be combined with other incentives, such as extra wage subsidies aimed at motivating employers in the public and private sectors to recruit from groups that are perceived as less productive. The committee's mandate explicitly requested assessment of measures that would support "the goals of the highest possible participation in working life", i. e. continuing the "work line" in Norwegian welfare policy. The committee finds this to be a necessary approach if the aim is to preserve the fundamental structure of the Norwegian welfare model. It is nevertheless important to be aware of the work line's limits. The welfare programmes continue to play an increasingly important role in ensuring the population dignified lives and in providing basic income maintenance when other alternatives have been drained. When it comes to immigrants in contemporary Norway, the work line must be harmonised with other essential matters, such as combating poverty and discrimination.

Support of the model

There has been and continues to be strong support for the welfare state in Norway. In international comparisons, Norway scores high when it comes to "generalised trust" – what in other contexts is called "social glue" or "cohesive forces". This trust is a necessary ingredient for continuing the welfare state model. Expensive collective programmes require trust in and solidarity with something that is above the level of individuals and small-groups in society. On the other hand, a well-functioning welfare state contributes to creating trust. Trust is in many ways the link between culture and institutions. In Norway, this trust has had an important part in creating the scaffolding of the welfare state, and it has been maintained by the institutions the welfare state represents. This mutually reinforcing dynamic is not, however, a given once and for all. Support is a fragile entity.

We have been asked to assess in this report "whether a larger ethnic and cultural diversity may be assumed to influence the view on and use of today's welfare programmes". The relationship between ethnic/cultural diversity and acceptance and support of welfare programmes in the population is a complex matter. We have not been able to examine this relationship in detail due to time restrictions and the lack of data. It is generally difficult to find good ways of examining this, a problem that is also reflected in the international literature in this field. Support of the various dimensions of the welfare model is nevertheless essential for the future development of the design and sustainability of the model itself, but also when considering the consequences of immigration.

Legitimacy issues in connection with migration and the Norwegian model are in this report primarily relevant when it comes to working life and welfare policies. Active labour market policy, a regulated labour market and the three-party cooperation between the organisations in working life and the central authorities are key themes in the field of labour, where acceptance and support in the population have major significance. Support of the collective bargaining agreement system may be eroded if the social partners fail to recruit employees with immigrant backgrounds. Moreover, the power base of the employer and employee organisations and thus the legitimacy of the three-party cooperation may be undermined if large sections of the labour force are working in enterprises that do not have trade union organisation. Furthermore, the principle of equality may be challenged if there is a widespread belief that some population groups are exploiting the existing welfare programmes. Various outcomes may be the result of such misgivings. The committee has nevertheless been forced to limit the discussion to dealing with the conditions for *acceptance and support of income maintenance programmes*, in addition to general data on attitudes to immigration and immigrants.

In what ways are the income maintenance programmes important? Support from the majority of the population on key social issues is fundamentally important in democracies. Strongly institutionalised and well-established systems such as the Norwegian welfare state have so far proved to be robust in dealing with fluctuations and the shifting policies of different governments that we have witnessed in recent decades. However, over time, wide-spread dissatisfaction in the population may shake the basic foundation of the model, and not least, discontent in some fields, such as immigration policy, could change political priorities, which in the next instance could have consequences for the functioning of the model.

Minority groups' attitudes to welfare programmes are also important, and in the long term they will impact the sustainability of the welfare state. As of today we have little systematic information on this. There is every reason to assume that the attitudes of immigrants will vary in accordance with such factors as residence time, education and connections to working life, and probably also in accordance with the country of origin. There is no reason to assume that labour immigrants from Germany, refugees from Somalia and family immigrants from Thailand would share a common set of attitudes, neither relating to welfare policy or other issues. What *can*, however, be assumed is that continued comprehensive immigration into Norway may change the interest structure in elector groups, with long-term consequences for welfare state priorities. What the outcome of this will be depends on the composition of the new arrivals. On the other hand, the way the Norwegian state and working life actually deal with immigration and immigrants impacts the formation of attitudes, also among the new members of society.

In Norway, culture, trust structures and effective welfare institutions have been closely connected through the development of the welfare model. It is therefore also difficult to envision that immigration, at least in the short term, will fundamentally undermine this. On the other hand, it is not probable that Norway's welfare regime will survive in today's form if the rate of immigration continues to increase as it has done recently, particularly during the last twenty years, where there has been preponderance of individuals with poor qualifications. What will be extremely important is who actually comes, how they act and how they are received. If the majority is to continue to accept a heavy rate of immigration, they must be confident that this is taking place within stable and trust-inspiring frames. If the welfare society becomes less closely tied together while growing more diverse, the welfare state institution will in all probability be able to deal with the problem in the short term. In the longer term, however, the legitimacy on which the policy is based may be undermined if

attempts to include new arrivals in productive activities and to get them to interact in society's common arenas are not successful.

Migration and the future of the welfare model

In the 1980s, Gary Freeman – one of the senior researchers on American immigration – postulated that a fundamental contradiction exists between inclusive and generous welfare policy and comprehensive immigration: When the welfare state is viewed as something for "them", paid for by "us", its days are numbered.² Freeman was an early contributor to a discussion that over time has become comprehensive and important in international migration research. After around 40 years of heavy immigration into Norway it is difficult to concede that Freeman has got it totally right. There are major challenges from the growth of immigration in Norway, but compared to other receiving countries many groups also do remarkably well with high levels of integration into working life. Yet, it is too early to draw any firm conclusions about these relationships. The more open public discussion on immigration and the Norwegian welfare model is relatively new and interacts with general societal issues connected to demographic development and welfare state sustainability. It is therefore difficult to predict how this policy field will develop in the coming years.

The report does show, however, that "immigration" is too wide a category for such analyses. Immigration *per se* is not a problem for the Norwegian welfare model, but the number of arrivals must be considered in relation to the resources they bring and how well they succeed in gaining access to the Norwegian labour market. "How it will go" must always be assessed by taking a number of factors into consideration. What this report clearly shows is that there are aspects of the design of the Norwegian welfare model that leave it vulnerable to increases in international mobility. Norway is facing a problem: The quality of the model is making the country particularly attractive for the type of immigration that in the long term may come to challenge the basic structure of the model.

When 30-40 years dominated by exactly this kind of immigration has not impacted the model more negatively, the explanation is probably complex. First, since the regulations of 1975 the Norwegian authorities have pursued a relatively restrictive policy. Until 2004 there was a modest level of labour immigration, and the authorities have also attempted to maintain a strict line with those who arrive for humanitarian reasons. Those who have been granted legal residence have been met by a welfare state that has in principle treated them equally and granted them rights. In a world of limited resources these internal and external mechanisms are mutually dependent. In the clear and brutal words of political scientist Christian Joppke: "Because rights are costly, they cannot be for everybody".³ But because rights in Norway apply to everybody who has legal residence, immigration must be regulated.

Second, during exactly the same period when the new immigration has taken place, Norway has established itself as a leading oil nation, with much more financial muscle to cope with welfare state expenses than most other countries in the world have.

Third, when it comes to political support, this problem field has required time to "mature". The challenges to the welfare state, presented by migration, have gradually become visible, only being thematised more fundamentally during the last decade, probably spurred by other and bigger welfare concerns – demographics and social security expenses.

² Freeman, G. (1986), "Migration and the Political Economy of the Welfare State", *The Annals*, (485 May), 51–63.

³ Joppke, C. (1999), *Immigration and the Nation-State*, Oxford: Oxford University Press, p. 6.

Fourth, although making some people passive, the instruments of the welfare state have also contributed to qualifying, preparing for working life and providing quality of life for newly arrived families. It is difficult to assess how much of the honour for the relatively high employment rate among immigrants in Norway that the welfare state should have, but it is probable that the income maintenance and the care-taking role have helped to diminish conflicts.

Therefore, the welfare model appears to be both part of the *problem* and the *solution* when it comes to the integration of immigrants. The Norwegian welfare model has had an underlying assumption that social rights create integration. Only in recent years have we seen a competing thesis that has set the tone – stating that such rights to welfare benefits are an impediment – at least an impediment to getting people into productive employment. The complex relationship between rights and integration has never been thoroughly examined. In many social areas there is little doubt that the living conditions for new arrivals and minorities would have been worse without the security they have been offered by the welfare state in Norway. Even so, being left passive for the long term is not good, neither for the individual or society.

Whatever the case, projections of the future on which this report is based indicate that continuation of today's employment rate among large portions of immigrants will lead to financial burdens. For this reason, the welfare programmes must gradually be adjusted and adapted to the new conditions presented by immigration and emigration. The welfare programmes in the future must to a greater extent allow for the fact that the fundamental underpinning of the welfare state, that its members are relatively stationary, is no longer valid. They must also allow for the fact that continued high immigration may give a stable influx of persons who lack the competence required in the knowledge-demanding Norwegian labour market. There is no way around a heavy focus on qualification, on the one hand, and adapted employment, on the other. This will require many resources and much patience, but must be considered to be necessary long-term investments.

This reasoning builds on the assumption that immigration should not or cannot be stopped. In part, immigration contributes with important and necessary labour and innovation, and in part, the latitude to take action is limited when it comes to selection. As in all other countries, Norway wants to have immigrants who are self-reliant and who can contribute to diversity and development. And as in all other countries, endeavours are being made to set limits on those who do not satisfy these criteria. The almost 40 years that have passed since 1975 bear witness to how difficult this is with increasing internationalisation..

Given the assessment of the latitude to modify immigration policy, the committee places the main focus on matters connected to the welfare model itself, i.e. conditions connected to the interaction between the system of welfare programmes and the function of working life. Reforms and measures that ensure a large and productive work force are the most important steps in the future that can help to develop and protect the welfare state. This in practice means to counteract the transition from employment to social security benefits, and to ensure that as many people as possible are enjoying an inclusive working life.

The committee believes, however, that the basic understanding of the relationship between the regulation of immigration and ambitions to create good working and living conditions for each person with legal residence continues to be valid. As far as possible, the committee therefore finds it entirely necessary to continue the regulation of immigration both in terms of scope and composition. It is still important to regulate the influx from countries outside the EEA, particularly in relation to immigration of persons with poor qualifications. The purpose must be to influence migration and integration so that the highest possible number of

immigrants can be contributors in the Norwegian society, yet this consideration must be balanced against humanitarian and other international obligations.

2. Summary of the report

Chapter 2 The committee's appointment, mandate, work and interpretation of the mandate

Chapter 2 provides an overview of the committee's mandate, composition, work and interpretation of the mandate. Various terms and concepts relating to migration and mobility are then reviewed.

Chapter 3 The Norwegian welfare model

Chapter 3 examines important features of the Norwegian welfare model and discusses the strong and weak aspects of this model in relation to increased migration. The following are often pointed out as the main features of the Norwegian welfare model:

- A state that aims to contribute to a high degree of participation in working life, for example by emphasising free public education and an active labour market policy,
- A well-regulated working life and three-party cooperation with strong social partners
- A public welfare programme of high quality mainly funded through taxation, including health and care services and education programmes, with a high level of rights granted to and used by most,
- A comprehensive and universal welfare system with relatively generous transfers in the event of unemployment, sickness, disability and old age,
- A comprehensive family policy that promotes equality between the genders.

Well-established, generous and tax-funded services and transfer systems require stable public finances. High employment rates are absolutely necessary if the stability of the welfare model is to be maintained. Low participation in working life would cause a double loss for the Norwegian welfare model, both through loss of tax revenue and through the obligation to increase expenditures on welfare benefits. Immigration of persons with low qualifications who are difficult to employ can be a significant challenge. At the same time, it is also possible that the combination of high minimum wages, resulting from coordinated wage setting, and generous welfare benefits attract precisely this type of immigrant.

There are also features of the welfare model that might make it more robust in the encounter with migration. In Norway, working life and the welfare state have solid institutions that can be partners in the integration efforts, which increases the chances of achieving successful integration. The general focus on education and qualification which characterises the model also benefits immigrants, giving them the opportunity to qualify for the Norwegian labour market. Working life in Norway is generally well regulated, and good working conditions may make it easier to attract and keep desirable labour. This also applies to the active family and equality policy, which makes it easier for women to participate in working life. The opportunity for both spouses to get a job may make Norway an attractive country for highly qualified couples.

Chapter 4 Immigration policy and legislation for foreign nationals

Chapter 4 provides an overview of how the immigration and refugee policy has developed through several phases since 1970. Different types of immigration have been focused on in politics and legislation through these phases, which in part intersect and overlap each other. This applies, for example, to the ten most recent years where labour migration, asylum policy and family immigration have been the subject of important changes and measures. Throughout the entire period the authorities have attempted to produce measures that can regulate the scope and composition of immigration into Norway.

Immigration legislation has undergone two major revisions during this period, in 1988 and 2008 respectively. On both occasions many amendments were made to the Acts, however, the continuity from one revision to the next is quite substantial. In the last revision the rules and regulations were expanded and many more principles were embedded in the Immigration Act, while the Act also reflects international conventions and agreements to a much greater extent. While the terms of labour immigration were liberalised, the rules for family immigration, in particular, were restricted. Beyond that there was no uniform restriction or liberalisation. One important change, however, was that everyone with the right to international protection pursuant to the new Act is granted refugee status with the accompanying rights.

The expansion of the EU and thus also the EEA in 2004 and 2007 has had major impact on immigration into Norway. Even though transition programmes were introduced for workers from most of the new member countries, the expansion rapidly led to a new migration picture in Norway.

Norway has the least latitude to set national policy when it comes to immigration from EEA countries, somewhat more latitude in setting asylum and refugee policy and the greatest latitude when it comes to non-humanitarian immigration from countries outside the EEA. Regardless the type of immigration in question, the policy of other countries has a major effect on what Norway can do. It would be difficult to have a policy which is markedly different from other countries in the EU.

Chapter 5 Integration and working life policy

Chapter 5 explains parts of the integration and working life policy. The sector responsibility principle that underpins integration policy indicates that the entire administration has responsibilities for integration and for maintaining the immigrant perspective in the general programmes. The special measures in the integration policy generally address newly arrived refugees and their family members, and are concentrated on qualification for employment or education. The local authorities are responsible for integration policy through the introduction programme and language instruction. NAV (the Norwegian Labour and Welfare Administration) must cooperate with the local authorities on the introduction programme.

The Introduction Act determines who has the right and obligation to the introduction programme and instruction in the Norwegian language and social studies. A relatively limited group of immigrants has the right and obligation to attend an introduction programme. This programme appears to be a good methodological approach to the integration activities for newly arrived immigrants. Evaluations suggest that there is room for improvement with this programme, and that the cooperation between various municipal and state bodies may be challenging. The evaluations give reason to believe that the programme is not good enough at adapting the instruction for the individual participants and that there are large geographical variations when it comes to providing the participants with good programme content.

Immigrants from the EEA do not come under the right and obligation to receive instruction in the Norwegian language and social studies. If this group does not return to its country of origin to a large degree when their employment ceases, they may face high admittance barriers if they must apply for jobs that require good Norwegian skills.

Immigrants, including refugees, must be given priority for state labour market measures in general, and in some areas adapted measures are offered with elements of language instruction. Evaluations show that wage subsidies have particularly positive effects.

The activation measures in the health-related benefits have no programmes that are specially adapted to immigrants. The sickness benefits period has many follow-up points but there are relatively few measures that activate recipients. During the period persons are on work assessment allowance there are fewer follow-up points, but all employment-focused measures are available. For persons with a disability pension, there is no systematic follow-up or assessment of ability to work after the pension has been granted.

Several studies have shown that immigrants are particularly exposed to breaches of the rules and norms in working life.

In some industries regulations apply for generalisation of collective bargaining agreements. A study which has examined various aspects of how Norwegian enterprises use labour from EEA countries in Central and Eastern Europe shows that this approach is mainly considered to be a positive measure.

Chapter 6 Welfare programmes relating to immigration and emigration

Chapter 6 reviews rights and obligations relating to immigration and emigration in connection with the important welfare programmes in Norway. The main focus is on cash benefits, but rights to education and health services are also discussed. Particular emphasis is placed on understanding the national legislation in relation to international agreements Norway is bound by, in particular the EEA agreement. As a member of the EEA, Norway is obliged to comply with the EEA rules on social security rights for persons who avail themselves of the right to free movement between the countries. The joint provisions do not interfere with the social policy of the member countries, but determine administrative rules and principles for the use of national social security legislation in cases that apply to persons with ties to two or more member countries. The social security section of the EEA agreement (EC Regulation 1408/71) and bilateral social security agreements have precedence over the provisions in Norwegian social security legislation, including the National Insurance Act, where these are in conflict. Immigrants from other EEA countries, and from countries Norway has bilateral social security agreements with, may thus satisfy requirements for counting prior time for earning social benefits, which would give them the right to Norwegian benefits as they can add social security time in Norway to the social security time of one or more countries. The overwhelming majority of benefits paid out by the Norwegian national insurance scheme may be exported within the EEA pursuant to EC Regulation 1408/71.

The rights of immigrants from countries outside the EEA, and which Norway does not have social security agreements with, are regulated in the National Insurance Act, and this act poses clear requirements as to earning time and social security time. For the "major" benefits, old-age pensions and disability pensions, the admittance criterion of "three years of national insurance membership" applies. Immigrants may thus have access to these benefits when they have been resident in Norway for three years, given that they satisfy the other requirements in the Act with respect to age, health and so on. However, they do not have full earning time before they have lived in Norway for 40 years. The admittance criterion of three years of

membership also applies to transition benefits for single providers. There are no requirements for social security time for unemployment benefits, sickness benefits and parental benefits, but only a requirement for earning time from being actively in employment.

Family benefits (child allowance, cash-for-childcare benefit, advance maintenance payment) are paid to any person who satisfies given requirements and are exportable under the EEA rules. In these ways they resemble the benefits granted through the national insurance scheme. None of the family benefits are exportable to countries outside the EEA, but some exceptions are in force, particularly in relation to short stays abroad.

As a general rule, all persons resident in Norway are members of the national insurance scheme. Membership confers a comprehensive set of rights but also a set of obligations, the most important being the obligation to pay social security contributions if one has an income. Benefit recipients also have a general obligation to inform NAV about any changes in their situation that may have an effect on their right to receive benefits. A more comprehensive set of obligations is connected to some of the benefits, for example, for unemployment benefits and the work assessment allowance. Both these benefits may be stopped if the recipient does not meet the requirements. Some of the benefits are conditional on participation in relevant activation programmes.

All those who live in Norway, including persons without legal residence, have the right to social assistance pursuant to the emergency assistance section and to emergency health assistance. As a general rule, all other benefits, including social assistance pursuant to the ordinary rules, are conditional on the recipient having legal residence. School-age children have the right and obligation to receive and attend basic schooling. This also applies to children without legal residence and children of asylum seekers.

Chapter 7 Migration and main demographical characteristics

Chapter 7 describes global migration patterns, migration to and from Norway during the last 40 years and some main demographic features of the immigrated population. Globally and in Norway, migration can be grouped under four reasons for the motivation to move: The wish to find employment, the wish to live together with family members, the wish to obtain protection and the wish to pursue an education. There has been substantial immigration into Norway in recent years, the majority coming from the new EU countries in Central and Eastern Europe.

At the start of 2010, immigrants and their descendants constituted 11.4 per cent of the population in Norway. Immigrants and their descendants with backgrounds from countries in Asia and Africa are the largest group with more than 340 000 people. Low re-emigration, long residence times in some groups and marriage patterns impact the number of descendants in the individual country groups. The highest number comes from descendants with parents who have backgrounds from countries in Asia and Africa, and they are still young.

Immigration from EEA countries, particularly from the new EU countries in Central and Eastern Europe, has led to a high rate of immigration into Norway after 2004, and since 2008, Polish immigrants have been the largest immigrant group settled in Norway.

Family immigration has been and continues to be an important part of immigration into Norway. This particularly applies to immigration from countries in Asia and Africa. Family-related immigration includes persons who have arrived to be reunified with family members who are refugees and persons who are establishing a family.

In relation to emigration, registered emigration among members of the majority population has not increased much over time. It is, however, a challenge to describe today's migration picture based on existing data. Many of the movements across national borders are of short duration, and are not *registered* as immigration and emigration. There is reason to believe that many people stay in other countries for shorter or longer periods of time without this being registered in the statistics.

Re-emigration is highest in the first years after immigration, and the probability of re-emigration drops as the residence time increases. Labour immigrants, their families and persons who have arrived to pursue an education or as part of a cultural exchange re-emigrate to a high extent. Up to now, low emigration has been registered among immigrants from the new EU countries in Central and Eastern Europe. Generally speaking, re-immigration is highest for immigrants from Nordic and Western countries, and lowest among immigrants from countries in Asia and Africa. Persons with asylum seeker and refugee backgrounds, their families and other family immigrants have a low degree of re-emigration. International migration research provides comprehensive evidence to claim that a guaranteed possibility of returning to the immigration country is one of the most important explanatory factors for self-chosen return among immigrants.

Chapter 8 Participation in the labour market

Chapter 8 describes the connections immigrants have to the labour market and examines variations in employment according to gender, age, time of residence, country background, reason for immigration and business and industry. Based on somewhat incomplete information, important features are also explained in relation to the wage and working conditions for immigrants, the scope of under-the-table work and discrimination of immigrants in working life. There is a significant gap between immigrant participation in the labour market and that of the rest of the population. The differences in employment rates between immigrants and the rest of the population increase when the age composition of immigrants is considered because they are overrepresented in the age groups that generally have the highest employment rates. The country's economic situation, moreover, greatly impacts immigrant participation in the labour market.

Even if the total employment rate among immigrants is reduced by the fact that new persons keep immigrating, there are also structural and more permanent differences in employment between various immigrant groups. The pattern indicates that country background and reason for immigration are important factors. Education levels and Norwegian language skills are also important. The highest employment rates are found among immigrants from Western countries, then come immigrants from EU countries in Central and Eastern Europe, while immigrants from countries in Africa and Asia have the lowest employment rates. Labour immigrants have generally high employment rates after a short time in Norway. The lowest employment rates are found among family immigrants and particularly refugees, while the employment rate is slightly higher for those who have lived in Norway for some time. Cohort studies show, however, that the employment rate drops after ten years of residence for a number of immigrant groups from countries in Africa and Asia.

Descendants have higher participation in work and education than immigrants, even if the employment rate is still lower than among the majority population. Descendants are still a small and young group, and it is uncertain how their adaptation to working life will be in the future.

The chapter also refers to studies which show that immigrants or foreign employees in many cases have wages and working conditions that are poorer than the standard elsewhere in working life. This applies particularly to the construction industry, but also to shipbuilding and other related industries, in agriculture and parts of the service industry, particularly in the cleaning industry and the hotel and restaurant industry.

Even if the empirical basis is poor for determining the cause and scope of discrimination of immigrants in the labour market, research indicates that there is differential treatment. Some studies suggest that immigrants more than the rest of the population have problems finding a job that corresponds to their education and training, there is a lower probability that they will be called in for interviews and many have a sense of being discriminated against because of their immigrant background.

Chapter 9 Income, welfare and living conditions

Chapter 9 reviews key aspects of immigrant living conditions in Norway with special focus on their financial situation and the use of benefits. The discussion in the chapter is in part based on new data and in part on existing studies, in particular Statistics Norway's living conditions study among immigrants 2005–2006. The review primarily shows that immigrants are a very complex group with major differences according to country background, age and phase of life, residence time in Norway and gender. Descendants resemble the majority population more than immigrants in relation to financial situation and living conditions. It emerges clearly that, considered as a whole, immigrants have lower incomes than the rest of the population. This is related to the lower employment rate among many immigrant groups and the higher proportion that works part-time. All in all, a larger proportion of immigrants' incomes come from transfers from the public authorities, and several have permanent low incomes. Men with backgrounds from countries in Asia and Africa have a higher consumption of important welfare benefits than the rest of the population. Among women, the picture is more complex. The use of social assistance drops slightly the longer the residence time is among immigrants from countries in Asia and Africa, while the number receiving health-related benefits increases strongly with increasing time of residence.

Children in immigrant families more rarely attend day-care centres than other children, and the families have a higher consumption of the cash-for-childcare benefit. This particularly applies to families with backgrounds from Asia, Africa and EU countries in Central and Eastern Europe. Immigrants from countries in Asia and Africa more often express conservative attitudes in relation to gender roles, and more often believe that providing care for children and the elderly is a family responsibility. This must be seen as part of the explanation for the low employment rates among women in some immigrant groups.

Young immigrants have higher dropout rates in upper secondary school than young persons who have not immigrated. However, immigrants who complete upper secondary school have a higher probability than others to continue to higher education.

Various factors may explain the differences between immigrants, those born in Norway of immigrant parents and the majority population. In Chapter 9 three main mechanisms are discussed: Differences in individual resources, in individual values and choices, and structural conditions. All these probably have a role, but to differing degrees, in explaining the patterns that have been found. The relatively high occurrence of permanent low incomes may, for example, be explained by the high incidence of language problems and low education (resources), with possible discrimination in the labour market (structures) and with the resistance against women taking part in working life (values). A discussion is presented on

different ways of understanding the phenomena in Chapter 9, but no conclusions are drawn as to which mechanisms are most important.

Chapter 10 The Norwegian welfare state abroad

Chapter 10 deals with the export of Norwegian benefits abroad and policy areas that are relevant for Norwegian citizens who reside abroad. The export of benefits has increased quite dramatically in recent years: Payments via NAV International increased from NOK 2.2 billion in 1998 to NOK 4.3 billion in 2008, measured in 2008 currency. Norwegian benefits are set according to Norwegian prices and wages, so that they can give very high purchasing power in many other countries. A Norwegian minimum pension, for example, corresponds to almost twice the average annual pay in a country such as Poland. This may make the export of Norwegian benefits attractive.

The largest payments via NAV International go to countries in the Nordic area with Sweden at the top. Only 11 per cent of the payments go to Central and Eastern Europe outside the EU, Africa, Asia and South and Latin America. Payments to recipients in EU countries in Central and Eastern Europe were more than doubled between 2004 and 2008, a far greater increase than for other regions. The cause of this is the influx of workers from these countries after 2004 which has led to a considerable increase in the proportion of people with rights in the Norwegian system. The largest increase in payments was the increase in the export of sickness benefits.

Forty-three per cent of those who export their national insurance benefits from Norway are born in Norway without immigrant backgrounds. Twenty-three per cent are immigrants with Norwegian national identification numbers, while 34 per cent are persons with so-called D numbers. The distinction between the last two categories can be a bit vague, but typically a person with a D number will have stayed in Norway for the purpose of short-term employment, while immigrants with national identification numbers have resided in Norway for extended periods of time. The average payment to each group is different: Norwegians without immigrant backgrounds receive on average 1.6 G (the basic amount of the national insurance), immigrants with national identification numbers on average receive 1 G, while persons with D numbers on average receive 0.6 G in annual benefit payments. The highest average payments go to persons living in Africa and Asia. Most recipients of Norwegian benefits in Asia are Norwegians without immigrant backgrounds.

Chapter 10 also reviews some key policy areas that concern Norwegians or persons with ties to Norway abroad. This applies to access to health and care services, rights for family members without residence time in Norway and taxation.

Chapter 11 Developments and reforms in other countries

Chapter 11 first gives a description of immigration, immigrants in the labour market and compensation rates of welfare programmes in a number of OECD countries. The comparative data material that is available shows that the employment rate among persons born abroad in Norway is high compared to other OECD countries.

Then the developments and reforms in five selected countries are reviewed: Denmark, Sweden, the Netherlands, Canada and the USA. There are many common features in the welfare and integration policies in the countries reviewed here, but also many important differences. One very fundamental difference between the North American and European

countries is that the European countries participate in a common European labour market with free movement of labour.

All countries, including Norway, have policies aimed at attracting qualified employees. Sweden has the simplest labour market policy, as they do not distinguish between qualified and unqualified labour. Norway and Sweden both have a more demand-driven labour immigration policy than, for example, Canada.

Most countries have a requirement in one form or another demanding proof of the ability to provide sustenance or have a sustenance requirement for family-related immigration. Regulation of family immigration cannot be understood exclusively as immigration regulation, but also as social policy and integration policy. Canada and many other countries try to prevent reunited family members from becoming a burden on society. In the Netherlands and Denmark measures have been taken to link immigration policy and integration policy. The aim in both these countries is to actively restrict family immigration and to attract qualified employees, but they apply different policy instruments.

All the three Nordic countries have introduced a form of introduction programme for new arrivals. In Norway and Sweden, this programme includes refugees and persons with residence on humanitarian grounds and their families. In Denmark, refugees and persons coming under family reunification from countries outside the EEA are covered by the introduction programme, while labour immigrants and immigrants from EEA countries are offered a simplified programme. Sweden has recently carried out an administrative reform where the responsibility for newly arrived refugees has been transferred from the local authorities to the labour market agency, while they also have introduced establishment benefits and one-to-two-year establishment plans based on the models in Norway and Denmark. In Denmark and Sweden, all immigrants, including EEA citizens, are also granted the right to free language instruction. In the Netherlands, language instruction must be paid for by the immigrant. Immigrants also have the obligation to pass various examinations to be granted temporary residence and to be granted permanent residence.

Denmark stands out from the other Nordic countries and Europe by grading the right to social assistance benefits according to the time of residence in the country. In the USA, most welfare benefits are reserved for American citizens.

Chapter 12 Financial sustainability

Chapter 12 explains the macroeconomic effects of migration. As a stage in its work, the committee commissioned Statistics Norway to prepare a report on demographic projections and calculations of how public finances are influenced by various conditions relating to immigration and emigration. The results of the macroeconomic analyses show that what in particular impacts the funding of the welfare model is whether newly arrived immigrants are integrated into the labour market and remain employed in the same way as the majority population.

Immigrants from EU countries in Central and Eastern Europe have relatively high employment rates, but their rates are slightly lower than the majority population. Most of the immigrants from these countries have been in Norway for short periods of time and there is significant uncertainty relating to their future ties to the Norwegian labour market. To shed light on this uncertainty Statistics Norway has carried out calculations where labour market participation and disability pensions that characterise immigrants from Asia and Africa with a residence time of at least ten years become the norm also for immigrants from EU countries in Central and Eastern Europe and their descendants. Such a situation would lead to a 1.5 per

cent decline in employment by 2030, 3 per cent by 2050 and 4 per cent by 2100 compared to the baseline calculation. The costs to the Norwegian economy of this type of flawed integration would in this case correspond to half the savings or more of the newly adopted old age pension reform when the effect is measured according to employment. Such expenses would not be incurred if immigrants from this group of countries continue today's ties to the labour market.

Immigrants from countries in Asia and Africa have weaker ties to the labour market than the majority population. Many immigrants from this group of countries come to Norway as refugees and cannot be expected in the short term to establish the same level of labour market ties as the majority population. Calculations carried out for immigrants from these countries with ten years or more of residence in Norway show that if this group continues its labour market ties without any change, the expenses for the Norwegian economy can be estimated to be between one third and half of the savings of the newly adopted pension reform. If, on the other hand, immigrants from this group of countries with more than ten years of residence in Norway were to become integrated into the labour market in the same way as the majority population, these expenses would not be incurred. These calculations are based on the assumption that descendants have the same ties to the labour market as the majority population. The uncertainty here is, however, quite large, and if descendants over time were to have the same ties to the labour market as immigrants, the expenses for the Norwegian economy would increase substantially.

Chapter 13 The legitimacy of the welfare model

Chapter 13 discusses the legitimacy of the welfare model in the light of increasing migration. The chapter gives an overview of existing literature and does not present new data. In most of the studies mentioned, only weak relationships are found between the level of ethnic diversity in a society and the population's acceptance of welfare programmes. The relationships that are indicated often disappear completely when controlled for other relevant factors, such as the financial situation, characteristics of the political system or welfare model. However, none of the studies indicate that immigration and ethnic diversity *strengthen* the acceptance and support of welfare programmes. To the extent that relationships are found, they suggest that increasing ethnic diversity gives less support. This gives some support to the hypothesis that immigration may weaken the support of the welfare state in certain contexts and under certain conditions. The studies discussed suggest, however, that this is not an acute problem: The welfare states continue to be popular in Europe after decades with a relatively high influx of people from other continents. This is not least the situation in Norway and the other Nordic countries.

At the same time, between one third and one fourth of the general population in Norway is attracted to the idea of the "dual-track" welfare state, i.e. a welfare state with long waiting periods for new arrivals, or a welfare state exclusively for Norwegian citizens. Several studies estimate that between 30 and 40 per cent of the Norwegian population accept the idea of restricting access to welfare programmes to Norwegian citizens, or of giving priority to persons born in Norway in preference to immigrants. Even if support for the welfare state *per se* is high and stable, the willingness of the population to include immigrants is more uncertain.

No opinion polls have been held on the export of benefits out of Norway so there is no available information as to what the majority thinks about this issue. The general impression

from the public debate is that interest is modest. But this can change in the wake of dramatic individual cases or a notable increase in the export of particular benefits.

The existing studies do not give grounds for major concern about the support of the welfare programmes or the legitimacy of the welfare state. The existing data material has shortcomings but, all in all, the impression is relatively clear: The welfare state enjoys popularity in Norway, and lack of support does not appear to be a pressing problem. The committee does take note, however, of the fact that a relatively large minority is unwilling to fully include immigrants (or alternatively persons who are not Norwegian citizens) in the welfare programmes. There may thus be support for restricting the welfare state programmes to persons who have lived in Norway for a certain number of years. The question of who to exclude and who to include might potentially become an important dividing line in future debates on the design of the welfare state. Future developments in the attitudes of the majority (and the minorities) to the welfare state will probably depend on a number of general matters of a social and political nature, including – but not limited to – the size of immigration, immigrant participation in the labour market and their use of benefits, as well as the amount of exported benefits.

Chapter 14 Assessment of measures

Chapter 14 presents the committee's assessments of measures. The discussion is divided into three policy areas: Migration policy, welfare policy and working life and integration policy.

In the field of migration policy the committee recognises that there is little policy latitude due to obligations under international agreements. There is, however, some latitude in relation to labour and family immigration from countries outside the EEA.

Within welfare policy, three possible approaches are discussed: General restriction, longer waiting periods for immigrants in relation to welfare benefits, and activation. The committee wishes to continue the universal welfare model and does not propose a dual-track approach with differentiation according to residence time. The committee believes that the sustainability of the Norwegian welfare model can be protected best through stronger emphasis on activation using the existing programmes. Activation as the main strategy has already been embedded in several benefits, but the committee believes that this thinking can be implemented more consistently in the health-related benefits as well as in the transition allowance and social assistance. The committee proposes that a stronger focus should be placed on gradation in the health-related benefits, and also proposes to reduce the period during which a claimant can receive a transition allowance without activity requirements. These measures will be combined with the right and obligation to participate, and greater focus on preparing activation programmes for each individual. Similar reasoning is applied when it comes to financial social assistance. The committee also recommends as a main mechanism that public consumption should be shifted where possible from cash allowances to services, as services are less exportable, and because a service programme targeting children and young people can prevent low family income from impeding participation in arenas that create and promote integration.

The committee recommends that the cash-for-childcare benefit should be phased out, and that spousal supplements in the disability pension and supplements for children should be restricted. The purpose in both cases is to improve the incentives to take employment, particularly for immigrant families with many children and poor wage prospects. The committee also recommends assessing whether benefits for surviving spouses and child

pensions can be adjusted according to purchasing power in cases where recipients are resident outside the EEA area.

The committee recommends that measures should be initiated that will both stimulate the supply side (employees) and the demand side (employers) in the labour market. As a measure to stimulate the supply side, the committee recommends that individual adaptation should be improved and that the content of the introduction programme should have a clearer employment orientation. The committee also recommends that the right to the introduction programme should be expanded to include persons who come to Norway under the family reunification scheme. This expansion requires a thorough means test and follow-up of the other recommendations made by the committee. It is proposed that the new programme should be free of charge, but without the right to introduction benefits.

The majority of the committee does not find it desirable to offer all EEA citizens free instruction in the Norwegian language, but assessments should be made as to whether it is possible to adapt the instruction in a better way, whether it should have partial financing, and whether teaching in vocational Norwegian should be made more of a part of the ordinary labour market programme for job seekers and persons with reduced work capacity and poor Norwegian language skills. A minority of the committee recommends that free language instruction should be given to adult EEA citizens in Norway, with some exceptions.

The committee recommends that the mode of operation for the local integration activities should be examined to determine whether they help to ensure the required quality of the programmes, including cooperation between the central and local actors.

The committee recommends closer examination of the feasibility of designing measures that can stimulate the demand side in the labour market. Various types of wage subsidies, temporary trainee programmes or training positions in ordinary working life with specified training programmes may be appropriate measures for raising the employment rate among immigrants.

The influx of labour from new EU countries highlights the need for measures that will preserve Norwegian wage and working conditions. In sectors that might develop low wage markets, the authorities and the social partners should therefore assess whether the law on generalisation of collective bargaining agreements functions satisfactorily or whether the existing programme – or possibly also the control measures – can and should be strengthened. If this is not possible it must be decided whether it is desirable to supplement this with minimum wages, either on a national scale or according to industry.