

## Chapter 3

# The labour market: supply constraints and immigration

*The labour market has become very tight as high real incomes and investment in the North Sea have stimulated demand for labour. Increasing real wage growth, some increase in participation and a continuing increase in immigration flows have been the results. Although very low unemployment and high capacity utilisation suggest the economy needs additional labour, further efforts to remove some well-known disincentives to domestic labour supply in welfare and pension policies are needed. The strong surge in labour immigration since 2004 is a new phenomenon in Norway. It seems to have had largely beneficial consequences, although if it continued for long at recent rates it would have a considerable impact on population growth and the response of the labour market in a possible future downturn remains to be seen.*

The situation on the labour market in Norway reflects the general performance of the economy. After several years of strong demand growth, unemployment is now very low; since the end of 2006 it has been lower only in Iceland among OECD countries. Productivity has been growing rapidly, but output growth has been further boosted with a substantial increase in employment, partly supplied by immigrant labour. Under this pressure, earnings have been rising rapidly and, although productivity growth has helped to moderate this increase, relative unit labour costs have risen.

Developments in the labour market over the last few years can thus be seen as largely favourable: the transition to low unemployment benefited from the cyclical boom and the influence of favourable terms of trade and world demand, but was achieved with only gradually accelerating unit wage costs, suggesting a decline in the structural unemployment rate; already high participation rates have risen slightly and a quite sudden, substantial inflow of foreign labour has been absorbed successfully.

At the same time, further efforts in reforming policies related to the labour market in the welfare system are required, and remaining issues of reforming the pension system should be carried out as planned by the Government. The official retirement age is higher than in most countries, at 67, but the effective retirement age is considerably lower than this and has been declining over time, although fairly stable since 2000. Sickness and disability schemes are seeing increasing numbers of recipients at younger ages even though there is no obvious sign of deteriorating health in the population; in 2007, 2% of the population aged 25-29 was in receipt of a disability benefit, compared with 1.7% in 2004, for the 40-44 age group the share rose from 6.8% to 7.3%, while among the oldest age groups there was some stability or even small falls in the share, but over a third of the population age 60-67 receives a disability pension. The labour force participation rates are however still high among older workers compared with other countries. The welfare system gives only weak incentives for the sick and disabled to remain at work or seek new employment and thus contributes to a level of average hours worked for those in employment among the lowest in the OECD and tends to depress participation rates.<sup>1</sup> This may be seen in stark contrast to the rather strict conditionality imposed in the unemployment insurance system, which shows that the “Nordic model” need not imply lack of attention to incentives.

While the current boom with very low unemployment certainly makes these problems seem less pressing, they are likely to resurface in less auspicious times and will be important issues in the longer term. Despite its oil wealth, Norway is still expected (on most, but perhaps not all, projections for oil prices) to face a long run funding gap in age-related spending; welfare and pension reform will be necessary to cover this. This chapter reviews the functioning of the labour market and policies that appear to encourage people to withdraw from the labour force, which was dealt with in some detail in the previous *Economic Survey*. It then analyses the contribution that immigration has made in recent years to employment and the wider economy, noting that the successful absorption

of large numbers of immigrants in a boom does not guarantee a problem-free adjustment in a downturn.

### High participation, low unemployment

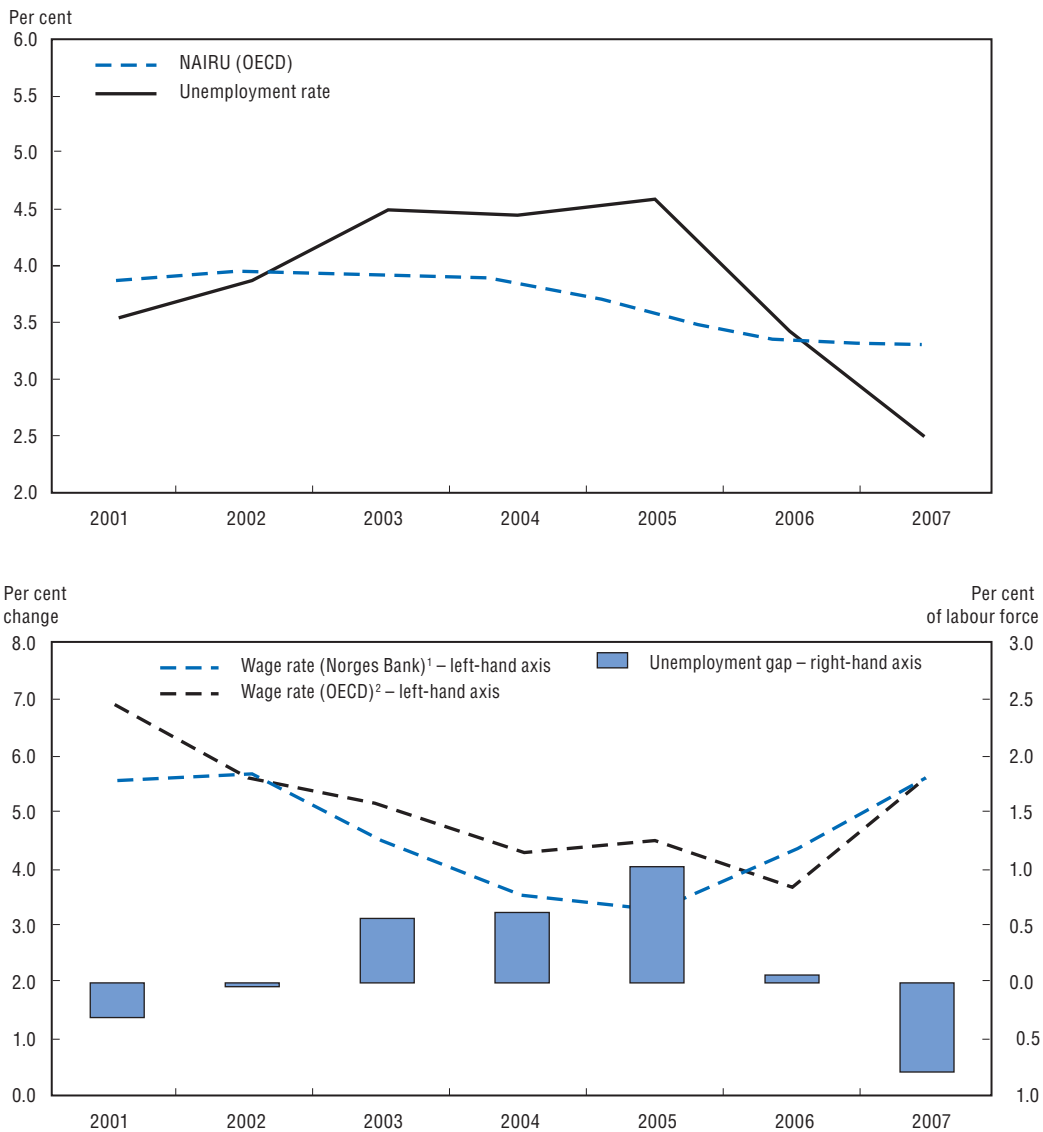
The overall participation rate in Norway, defined on the population aged 15-74<sup>2</sup> is around 73% and unemployment, which has remained very low by OECD standards for a long time, was only 2.1% at the end of 2007, half its 2004 level. Both the inflow of new vacancies and the stock of vacancies notified to employment offices had already reached record levels during 2006 and increased further in 2007 (see Figure 1.10). While the unemployment rate had been slightly higher than estimates of the long-term structural unemployment rate (as proxied by an estimate for the non-accelerating inflation rate of unemployment, the NAIRU) up to sometime in 2005, it has since fallen rapidly and to a level significantly below the NAIRU.

The fall in unemployment has been accompanied by quite rapid growth in the labour force. Population ageing is occurring a few years later in Norway than in many OECD countries so that the native working-age population is still growing, but at a diminishing rate. However, a distinct acceleration in the total population of working age occurred after 2004-05, due to the influx of immigrants from newly-joined countries in the European Economic Area (EEA), mainly from Poland. In fact, in 2006 and 2007, more than half of the increase in population was due to immigration. An increasing proportion of immigration was labour migration, rather than the family migration which had previously been preponderant, so the share of immigrants in the increase in employment was probably even greater than this.<sup>3</sup> The expansion of the EEA and the resulting progressive opening of the European labour market could be expected to increase immigration in most western European countries to some extent, representing a supply shock to their economies. In Norway the phenomenon has been particularly dramatic because this supply shock occurred just at a time when demand for labour was particularly strong.

Pressure on the labour market has been reflected in earnings. Although the centralised wage-bargaining system tends to moderate wage growth, and 2007 was the second year of the two-year wage round, wages were increasing strongly already in 2006 and accelerated in 2007. Further strong growth is expected in 2008 (see Chapter 2).<sup>4</sup> But this acceleration is rather lower than behaviour in the previous decade would have predicted. Even as the labour market has been tightening, the structural rate of unemployment has been declining (Figure 3.1). Increased migration inflows are a result of the tight labour market, too. As a supply shock, immigration has probably reduced wage inflation for some time, but has not prevented the recent acceleration.


### **Labour shortages, but supply is held back**

It is clear that demand pressure has caused an increasingly tight labour market, leading to accelerating wages and strong immigration. Indeed, the economy is felt to “need” immigrants; benefits from immigration certainly exist, although they are not as obvious as is sometimes assumed, as discussed further below. While the economy needs more labour, certain policies act to reduce labour supply, more or less deliberately. The unemployment insurance system itself is well-designed: it has reasonably generous benefits, yet strong incentives to take a job or training if available and the unemployment rate is low. But, as described in detail in the 2007 *Economic Survey*, other parts of the welfare system encourage withdrawal from the labour market. The most important of these are the

Figure 3.1. **The tightening labour market, 2000-2007**

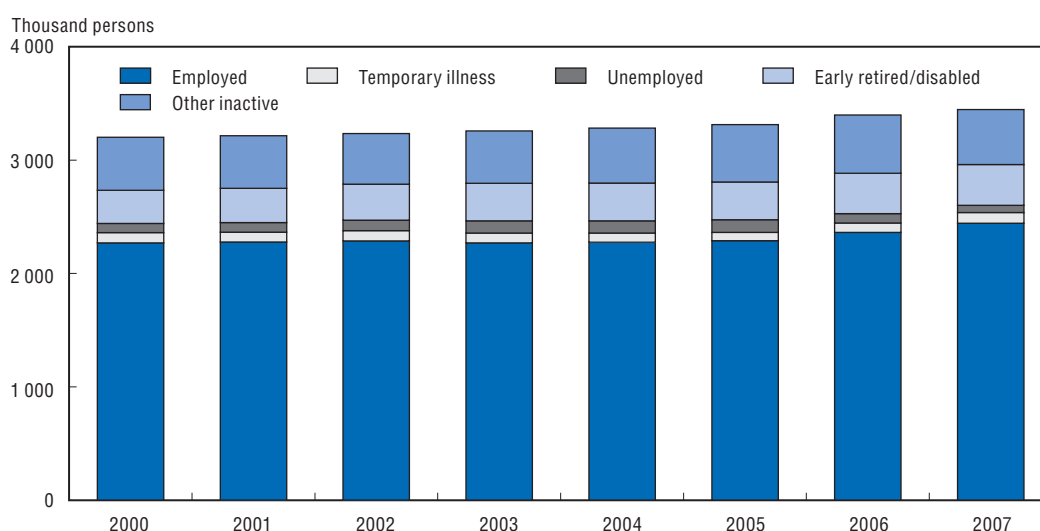
1. Wage rate from the Technical Committee as reported by Norges Bank
2. Compensation rate of the private sector as reported in OECD Analytical database.

Source: OECD Analytical database.

StatLink  <http://dx.doi.org/10.1787/426154218451>


sickness and disability schemes, and the early retirement programme. Taken together, these schemes account for some 13% of the labour force according to LFS, and the share has if anything been trending up (Figure 3.2).<sup>5</sup> About one fifth of the working age population receives a health related benefit or AFP.

While activity rates are relatively high, average hours worked in Norway are lower than in all countries except the Netherlands and Germany. Some of the variation seems to be related to per capita incomes, as might be expected (Figure 3.3). A better overall measure of how intensively potential labour supply is employed is perhaps average hours worked per person of working age, taking into account the number of people who are employed but also how much they work. Although Norway moves up the ranking on such a measure,

Figure 3.2. **The population of working age, 2000-2007**<sup>1</sup>

1. Before 2006 the labour force population was the age group 16-74 years. After 2006, the age group is 15-74 years.

Source: Statistics Norway.

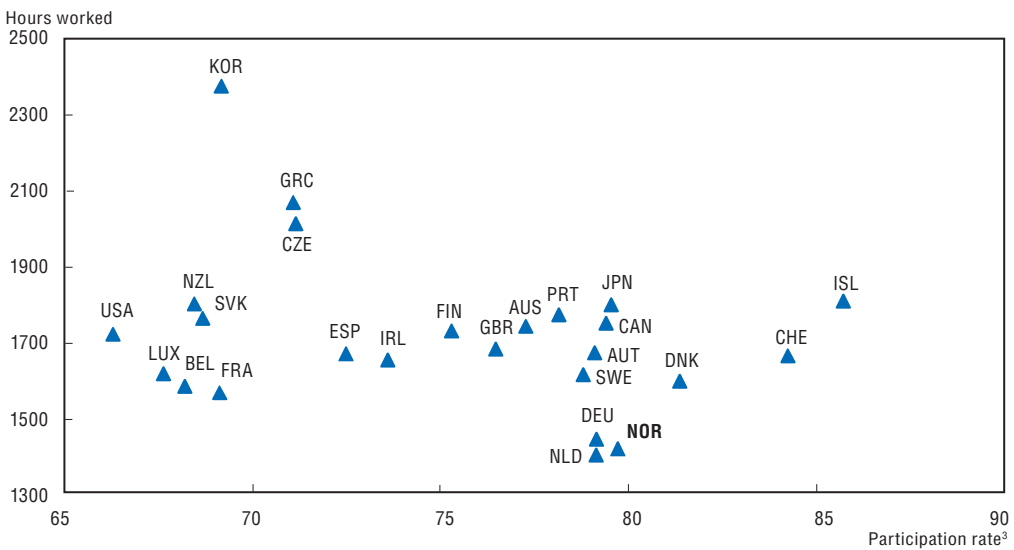
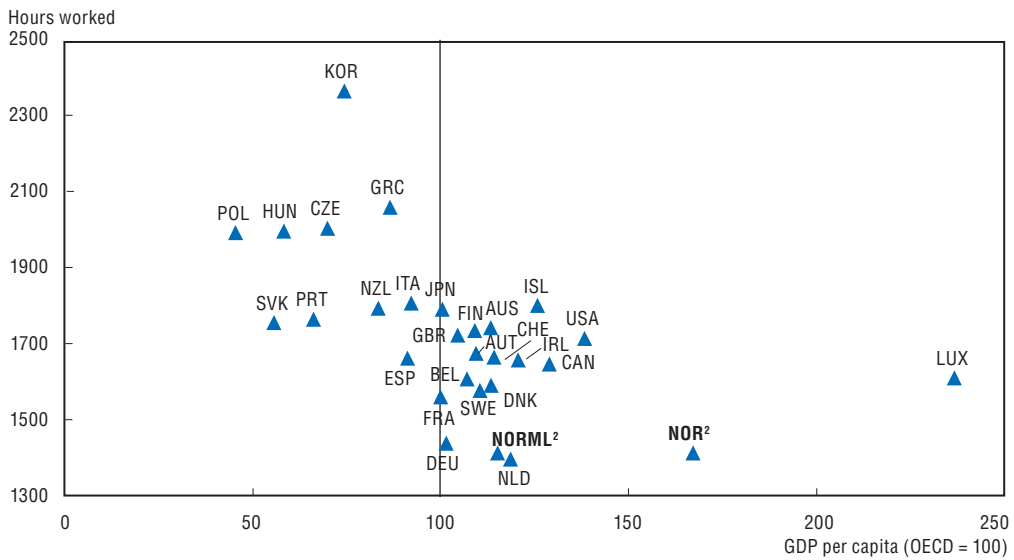
StatLink  <http://dx.doi.org/10.1787/426217512531>

notably above countries such as Belgium, Germany and France, it still appears well below the OECD average.<sup>6</sup>

Figure 3.3 may suggest a certain degree of choice across countries for more leisure with higher income, but it is far from clear what the “normal” trade-off might be. With hours worked, adjusted for income levels, perhaps in line with other countries when considering overall GDP, they are probably rather low if only mainland output is considered. On this, not very scientific, basis, it might be concluded that, despite the best efforts of governments to make it clear that petroleum revenues are temporary (see Chapter 2), the obvious wealth that they are generating does influence collective labour market choices. However, some decisions affecting either hours or participation are clearly at least partially related to policy settings rather than simple choice, as the next section discusses.

Other candidates for inducing low hours worked include taxation. Indeed, marginal taxation on employment income is somewhat higher than in most other countries (OECD, 2008a), as are replacement rates for unemployment and other social welfare benefits (OECD, 2007a). Participation rates have nevertheless edged up slightly in the last two years, probably as the tight labour market encouraged a reverse “discouraged worker” effect: Dagsvik *et al.* (2006) provide evidence of a strong discouraged worker effect in Norway. As Johansson *et al.* (2008) shows, reducing income taxes in favour of consumption (and especially property) taxation, can improve GDP per head, partly by increasing incentives to supply labour. Other work suggests that it is the average tax rate that is important for participation whereas the marginal tax rate is more relevant for hours worked. Furthermore, the effect of marginal tax rates on hours worked tends to be small or unnoticeable for principal earners, but can be important for second earners (Causa 2008).

Figure 3.3. Hours worked, and GDP per capita



1. GDP per capita, 2006, current PPP, OECD = 100.
2. NOR: Whole economy, NORML: Mainland only.
3. Employment rates are calculated as the ratio of total employment to the population of working age. The working age population concept used here and in the labour force participation rate is defined as all persons of the age 15 to 64 years (16 to 64 years for Spain and Sweden). This definition does not correspond to the commonly-used working age population concepts for Mexico (15 years and above), the United States and New Zealand (16 years and above). For Norway, national labour force statistics refer to a different working age group from 15 to 74 years old.

Source: OECD Analytical database, SNA.

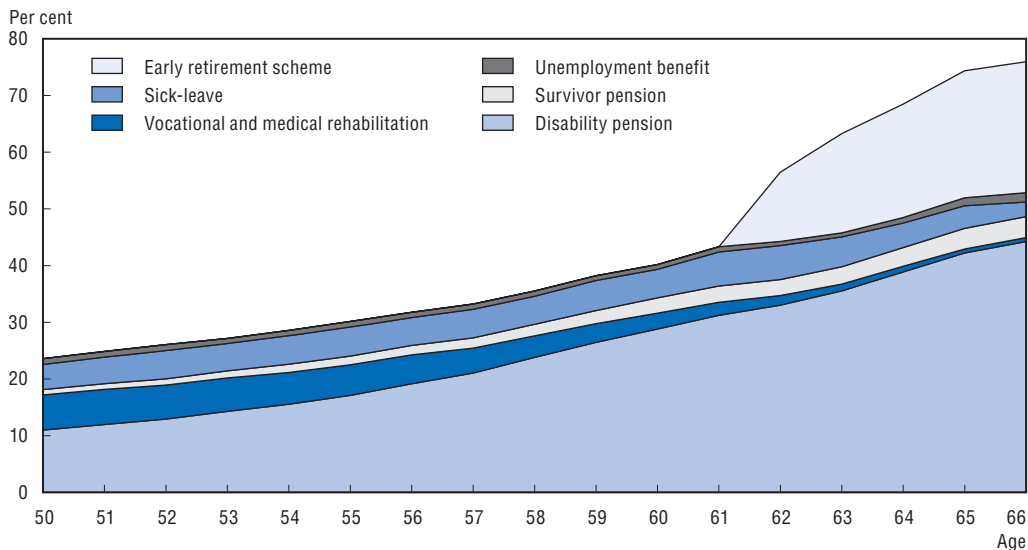
StatLink  <http://dx.doi.org/10.1787/426221163236>

**Sickness and disability benefits have been too easily available**


A high number of people stay on sick leave and medical rehabilitation and eventually move on to a long-term disability pension. The age-distribution of beneficiaries of different schemes shows that they are mainly used as a route to early retirement (Figure 3.4). Sickness benefits are both generous and too easily certified by doctors. Use of sick-leave

did decline after some tightening of procedures in 2004 and then stabilise. Yet not only has the number of people on disability pensions continued to increase, but a growing proportion of younger people are involved. Abuses of short-term sick leave, though they have a budgetary cost, do not in themselves create any longer term labour market problems. This is not true for disability; once on a disability pension, it is rare for people to successfully re-enter the labour market and too many of them end up with a permanent disability pension. The problem seems to be that the disability scheme has been too ready to accept that a disabled person should be permanently unable to work. Since entry into the disability scheme is largely via the sickness benefit system, disability itself may be encouraged by too-easy access to sickness benefit. Once in the disability system, provision for re-assessing the degree of disability, and good incentives to seek employment, even part-time employment, has been lacking. The 2006 OECD report *Sickness, Disability and Work* recommended tightening up in a number of areas (see OECD, 2006). Some of these recommendations have been followed (see Annex 1.A1).

Figure 3.4. **Share of population over 50 on different benefit schemes, 2006**



Source: Ministry of Finance, Norway.

StatLink  <http://dx.doi.org/10.1787/426235273813>

As of 1 January 2004 the disability pension scheme was differentiated into a temporary and a permanent disability benefit. The temporary disability benefit could be granted for a period of one to four years when future work-capacity of the individual in question is uncertain. It is however too early to see how this works in practice. But four years is certainly plenty of time in which to lose touch with the labour market and to become significantly more difficult to employ, regardless of any disability; and there has been no significant change in responsibility for assessing disability, such as to ensure that the decision is made by independent assessors to minimise any difficult conflicts of interest that family doctors, for example, may have.

The increasing tendency of younger people to enter disability schemes may be associated with psychological rather than physical problems. One possibility (unfortunately speculative, there is no research data on this) is that this may be a response

to difficulties that some people with insufficient education face on a labour market with few openings for low-paid (and low productivity) workers; there is no legal minimum wage in Norway but there may be a collective reluctance to see workers earning low wages and the sickness/disability route has become a way of organising this. The main danger in this, apart from the possibility of further expansion of the scheme, is that by disguising a labour market issue as a health issue it may cut off some people from appropriate remedies – certain recipients of sickness or disability allowances may be more in need of skills-related than health-related intervention. A significant number of people do in fact follow vocational and medical rehabilitation programmes (see Figure 3.5); if it is true that poor educational achievement is contributing to increasing use of the schemes by younger people, vocational rehabilitation will need to evolve to deal with this; it also lends more urgency to the problem of the education system discussed in Chapter 4.

To improve incentives for people on sickness and disability benefits to work, OECD (2006) suggested that the 100% replacement rate for long term sickness benefits should be reduced to around 75-80% after a certain length of time and that medical and vocational rehabilitation benefits might also have to be reduced accordingly. Social objectives might be thought to preclude this: a specific objective of welfare policy is that “People who live with functional impairments must be assured living conditions and a quality of life on a par with the rest of the population”.<sup>7</sup> However, cutting the replacement rate in cases where a person is judged fit for some kind of work but does not take it (i.e. using the same principles as for unemployment benefit, adjusted for the degree of disability) may not infringe this principle. Another suggestion of the OECD Disability Review, to convert part of the disability allowances into in-work benefits would also help to reduce the disincentive to work among partially disabled people, although the impact effect of such changes could increase expenditure at least temporarily, unless there were compensating reductions in benefits for those not in work. Extended wage subsidies for persons with permanently reduced health are now being implemented. Other recommendations in OECD (2006), such as those concerning benefit taxation, relative levels of temporary and permanent benefits, and greater use of partial benefits, would also improve incentives to work.

### **Social protection measures need to preserve incentives to work**

The contrast between the high share of welfare benefit recipients and the low unemployment rate is striking. The unemployment benefit system itself is somewhat more generous than the average OECD country in terms of replacement rates, but not excessively so, although recent reforms in many OECD countries have reduced their generosity relative to Norway (OECD, 2007a). But the Norwegian system has a reputation for being quite strict in its application of conditionality, even though cross-country comparisons of activation policy, for example, show that on paper (in terms of indicators such as the frequency with which job-search effort is monitored) Norway appears relatively relaxed (OECD, 2007b). Of course, an unemployment insurance system is necessarily stricter in terms of labour market conditionality than a welfare system; but with increasing indications that the welfare system has created incentives that affect labour market behaviour, it is necessary to try to coordinate the two, while respecting the fact that they have different aims.

An improvement in the overall coordination between welfare oriented policies and labour market policies should eventually come about through the merging of the three different governmental organisations involved: the National Insurance organisation and



the National Employment Service at the state level, and the municipally-based Social Welfare System. Starting in the autumn of 2006 with 25 pilot offices, this reform is progressively creating the unified Labour Welfare Organisation (known as NAV); by the end of 2009 all the separate offices should have been replaced by a single NAV office covering every municipality. It is clearly too early to look for visible results in terms of labour market outcomes from the mergers; the opportunity to rationalise different approaches to activation policy should lead to an improvement in the long run, as well as simple cost savings through reduced administrative overheads. Such savings may perhaps depend on the local negotiations that are to decide some aspects of the merger, for example who should be in control of each office. In some cases, the municipalities and state authorities have been unable to agree on this, and the offices are being run with two “leaders”, which could easily impede rather than facilitate coordination and efficiency improvements. Efforts should be made to resolve such situations rapidly. More generally, in the process of merging the systems and their cultures, and emphasised in the previous Economic Survey, priority still needs to be given to the need to give precedence to the culture of placing people into jobs over that of distributing a multiplicity of assistance benefits.

### ***The wage bargaining system helps keep unemployment low; could it exacerbate labour shortages?***

Wage bargaining in Norway is largely based on a two-year cycle of centralised negotiations; plant level bargaining occurs on top of the central agreements. Central negotiations are between the main employers’ and union organisations, but within a framework agreed with successive governments of which one of the central components is the idea that wage growth should not exceed that which can be “tolerated” by the exposed sector. At the same time, the consensus requires that income distribution be relatively flat. Over the years this system has certainly helped to keep unemployment lower in Norway than in other countries. But there are two ways in which it may add to apparent labour shortages at different times. One is its focus on the exposed or tradeable sector, the other the lack of wage differentiation. However, central wage agreements cover a smaller proportion of highly skilled workers in the private sector, where plant level bargaining is much more prevalent.

By focusing on protecting the tradeable sector against too high wage increases, wage bargaining appears to be ignoring the long-term forces that can be expected to lead to its relative decline, i.e. the rise in the real exchange rate that oil wealth tends to generate which favours the non-traded sector (see Chapter 2). In practice the policy seems to be steering a reasonable course. Although wages in manufacturing have risen steadily relative to competitors, yet mainland “traditional” sectors have seen some expansion in recent years, apparently not suffering too much from increasing wage costs. However, this is partly due to the needs of the petroleum exploration and extraction industry, where geographical proximity can probably offset significant cost disadvantages, and high world prices for certain commodities favour some other industries in the exposed sector such as aluminium. Concerns about competitiveness may come more to the fore if these advantages diminish in the future.

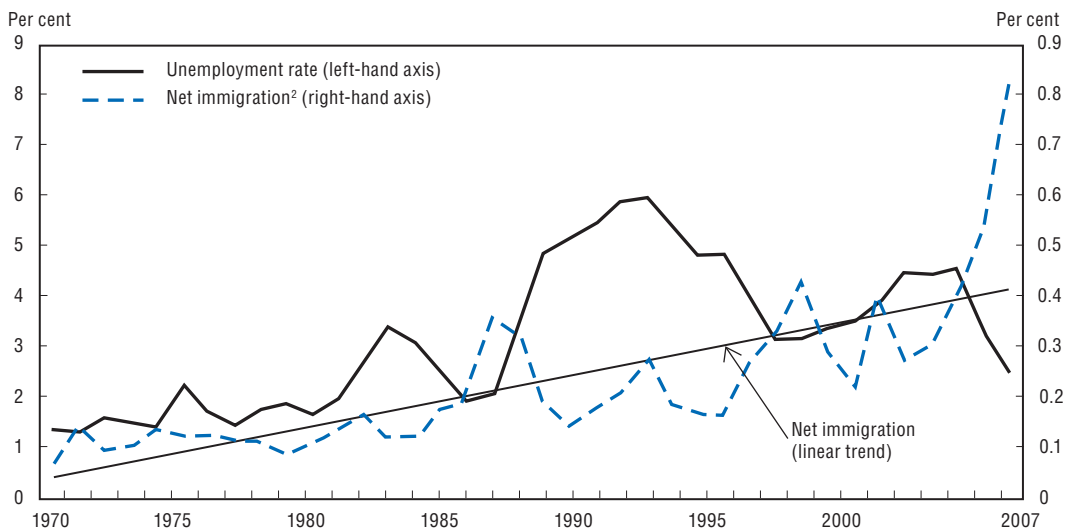
The lack of wage differentiation is certainly quite clear. Wages vary rather little across different sectors (see Figure 1.11); the overall income distribution is significantly flatter than in most countries. Not only are average wage levels quite similar across industries, Figure 1.11 shows rather little movement over the last ten years, the financial sector and

utility supply show gains while certain sectors, mainly local government related, show small declines. This may be interpreted as showing lack of flexibility, although these aggregate figures may conceal more substantial movement in particular jobs or for particular skills.

## Migration


Over the past two or three decades another contribution to flexibility of labour supply in Norway has come from the common Nordic labour market (Pedersen and Røed, 2008). With free movement of labour between Norway, Sweden and Denmark (since the late 1950s), there have from time to time been substantial flows of labour among these countries, and there is some correlation between net migration flows and unemployment cycles, though not a very close one (Figure 3.5). Long-term immigration, especially from non-European countries, has been largely limited to humanitarian and family migration, after a brief period in the early 1970s when Norway first became a country of net immigration (which coincided with the first oil production from the North Sea), after which entry to labour migration was essentially restricted to those with a job offer in Norway or certain special categories such as au pairs (Box 3.1). Work-permit figures show that labour migration from non-Nordic countries (Nordic migrants need no work permit) was insignificant until 2004 (Figure 3.6).

Figure 3.5. **Unemployment and net immigration<sup>1</sup> 1970-2007**



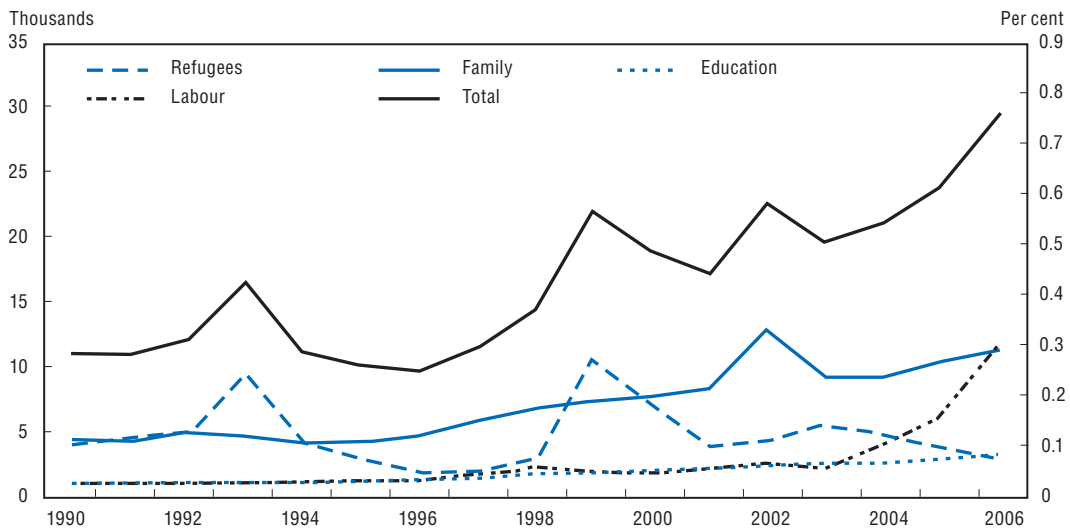
1. Net immigration rate as per cent of total population.

Source: Statistics Norway and OECD Analytical database.


StatLink  <http://dx.doi.org/10.1787/426253627075>

Since the expansion of the European Economic Area in 2004, the nature of migration flows, at least as measured by data on permits, has changed significantly. Low unemployment and high wage levels attracted people from countries who had previously been largely excluded from the Norwegian labour market. Norway adopted transitional rules for 8 of the new EEA members in 2004 and for Bulgaria and Romania in 2007. Although this may have slowed entry from these countries, demand for immigrants rather than “supply” seems to have been the major factor: Sweden, which allowed full freedom of movement immediately, saw very little increase, while booming economies in the UK and Ireland attracted large numbers. While adult family and refugee category migrants are

Figure 3.6. Immigrant flows by entry category 1990-2006



Source: Statistics Norway.

StatLink  <http://dx.doi.org/10.1787/426257338350>

generally entitled to work in Norway, foreigners applying for admission under a work permit – i.e. including from EEA countries with transition arrangements must already have a job offer before they apply or stay in Norway for up to six months as a work seeker. As from 2008 workers from most of the new EU countries can start working as soon as they have submitted and accurately filled application for a work permit. One reflection of this may be the fact that about 20% of work permits are currently issued to people working for employment agencies, who often recruit directly in the country of origin. Highly skilled workers are subject to this restriction too, and the inflow of such workers (who are not subject to country-specific limits) rarely exceeds one quarter of the annual quota of 5000 people, though in 2007 it was over one half.

Since the EEA expansion, the strong inflow from new EEA members has been overwhelmingly due to Poles, who accounted for some 70% of all labour category entries in 2006-07, and the EEA as a whole accounted for about 85% of all work permits issued. This was probably initially based on contacts with potential employers through migrant seasonal workers and an unknown number of illegal migrants, built up in earlier years, but links are now reinforced through employment agencies that recruit directly in source countries.<sup>8</sup>

### The impact of immigration on the labour market

Immigration has already had an important effect on the labour force, allowing employment to expand in 2007 by 4% according to the National Accounts and the labour force by 2.5 %, both of these figures being the highest for many years. Forecasting migration flows is practically impossible. It is well established that the main drivers of migration flows, other than wars and civil strife, are relative levels of unemployment and incomes, and distance, but policy changes make it difficult to use simple analysis to get accurate projections.<sup>9</sup> Norway is a small country with very high incomes and high demand for labour, with a number of countries not far away in Eastern Europe, some in the EEA some not, who could potentially supply large numbers of migrants, just as Poland has done recently. The latest population forecasts from Statistics Norway assume net immigration

### Box 3.1. Immigration policy

The Immigration Act of 24 June 1988 regulates the entry of foreign nationals into Norway and their right to residence and work. In simplified terms, four categories of immigrants are admitted:

- labour migrants, i.e. persons with a concrete job offer;
- refugees and others in need of protection or residence on humanitarian grounds;
- persons with close family links to persons residing in Norway;
- students, trainees and au pairs.

Seasonal workers may also be admitted for up to six months.

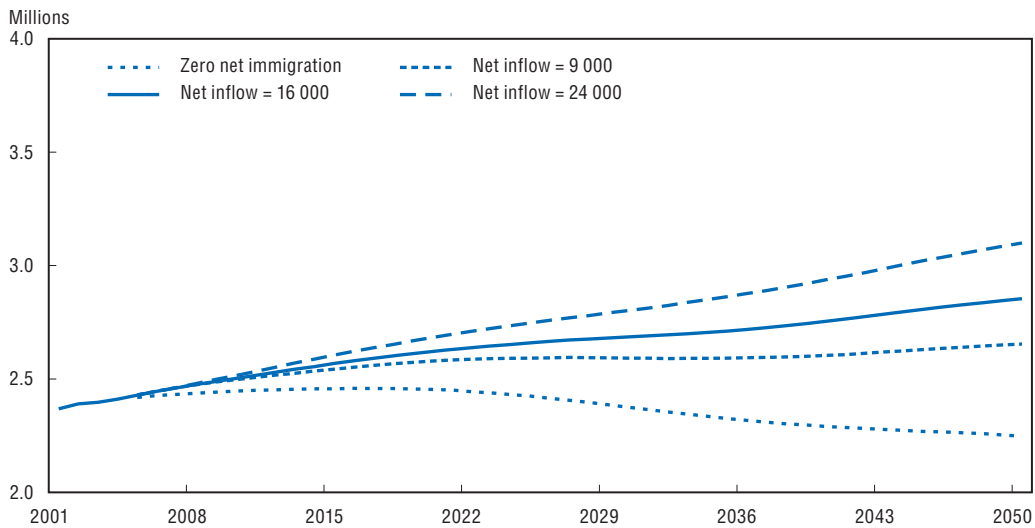
Immigrants are admitted with either residence permits (which do not necessarily confer the right to work) or work permits (which also serve as residence permits), which are for one year and usually renewable. After three years, a permanent settlement permit can be issued in most cases.

Labour immigrants generally require a concrete job offer before receiving a work permit.

Nationals of Denmark, Sweden and Finland have been able to move freely without any permit for several decades. Nationals of the European Economic Area, with the exception of 10 countries where transition arrangements up to May 1st 2009 (or a date to be determined in the case of Bulgaria and Romania) were invoked, also move freely. In the spring of 2008, the government introduced a White Paper proposing changes in the immigration legislation. No fundamental changes are proposed, although there is some movement in the direction of a slight liberalisation of policy as well as confirmation of the ending of the transitional arrangements in May 2009. The liberalisation is mainly to do with simplifying and streamlining applications, but not entirely. Highly skilled manual workers and professionals would be entitled to enter Norway and look for work and actually start employment before getting a work permit, and there would be provision for non-Europeans to enter Norway and remain for up to 6 months looking for work without needing a work permit. Other aspects of the White Paper are concerned with social integration and avoiding “social dumping.”

somewhat above 40 000 in 2009, gradually falling to a stable level of 20 000 from 2040. The figures for the first years are substantially above the range of estimates considered in the White Paper on Migration, which were based on earlier forecasts; in those projections, an illustrative “high immigration” scenario (24 000 a year) would have a major effect on the size of the working population over the next few decades (Figure 3.7). Sustained immigration flows of this order are very unusual, usually because labour markets imbalances are not normally sustained, even if relative income differences are. Successful economic management in Norway, along with the growing fiscal stimulus from petroleum wealth discussed in Chapter 2, may provide the grounds for an exception.

Immigrants can be found working in most sectors of the economy, though the pattern among recent immigrants seems to differ in certain respects from that among immigrants established for much longer. As far as the latter group is concerned, the only significant sectors in which they are over-represented, apart from industrial cleaning,<sup>10</sup> are hotels and catering and communications, they are not particularly important in either agriculture or construction (Figure 3.8). The above average shares in catering and communications are partly accounted for by Nordic immigrants (according to anecdotal evidence, waiters in

Figure 3.7. Labour force development under different immigration assumptions<sup>1</sup>

1. Based on the 2005 population forecasts of Statistics Norway.

Source: Statistics Norway.


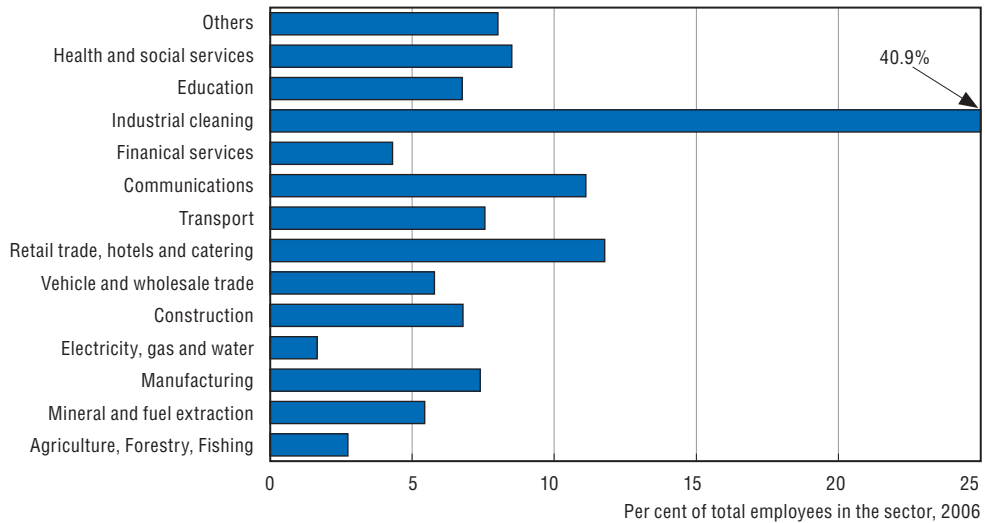

StatLink  <http://dx.doi.org/10.1787/426307236071>

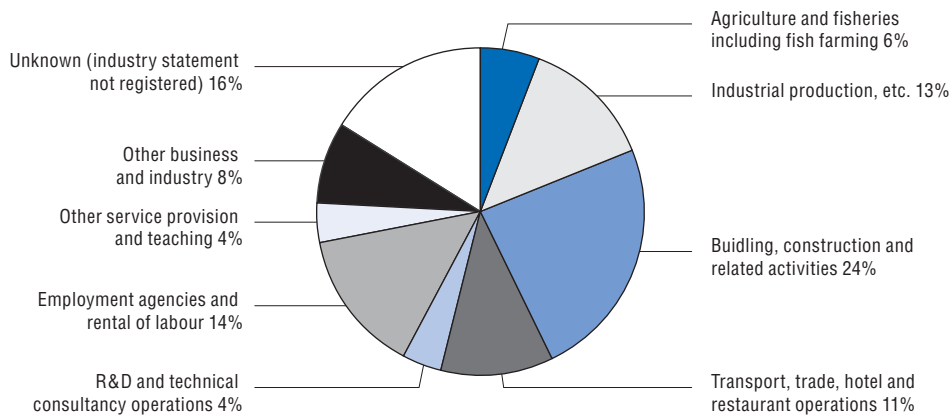
Figure 3.8. Sectoral shares of immigrant employment




Source: Statistics Norway.

StatLink  <http://dx.doi.org/10.1787/426310587656>

Oslo are more likely to be Swedish than Norwegian). The data shown in Figure 3.8 covers all immigrants, irrespective of when they arrived. As for more recent arrivals, their distribution by sector is not available on the same basis, but work permit data give some information (Figure 3.9). Here agriculture and construction stand out much more, as is common in countries experiencing rapid migration inflows. A significant number cannot be identified by sector because they have come through employment agencies mentioned above, but it is known that these agencies are important suppliers of construction workers too.

Figure 3.9. **Work permits by sector, end 2007**

Source: Norwegian Directorate of Immigration.

StatLink  <http://dx.doi.org/10.1787/426368838032>

The construction sector has taken a disproportionate share of recent immigrants and wages there are thought as a result to have risen by less than might have been expected, given the size of the construction boom (although this is hard to demonstrate statistically). Unions certainly felt this to be the case when they took action to limit the extent of competition from immigrants in the construction sector by using a long-existent but dormant law allowing the compulsory extension of wage agreements to companies and workers that were not party to the negotiations, in a move that is reported to have more than doubled the rates of pay that many immigrant construction workers were receiving.

### The benefits from migration

The economic benefits of migration accrue mainly to the migrants themselves, simply because of the (typically) large difference between the income they would have received in their home country and their earnings in Norway, although this assertion depends somewhat on the assumption that immigrants are paid a market clearing wage – similar to marginal native workers – in the host country (otherwise employers could earn a substantial “rent” on low wage immigrants). Conceptually, the consequences for the host economy are in principle relatively simple – the higher labour force allows higher output, whose benefits are split between employers, consumers and the government. There are also some distributional effects as additional labour supply allows more or cheaper services for many people as consumers but it means more competition for some people as workers. There is no empirical evidence on the overall labour market impact of immigration in Norway, but a lot of literature exists on other countries (much of which is summarised in Jean *et al.*, 2007). This literature tends to show that there is rather little negative impact on native workers’ wages or labour market prospects in the very long-term. Jean and Jimenez (2007) look at possible shorter-term effects and find that immigration can increase the level of unemployment for as long as 5 to 10 years, even when the full long-term effects may be minimal.

### **Employment and wages**

There are, however, good reasons for supposing there have not yet been negative labour market effects from the recent immigration surge in Norway, notably the high level of demand and the nature of the immigration process (which meant that labour immigrants from outside the EU and from new EEA members generally had to have a job offer even before they arrived). Since labour demand is already high, any temporary effect on unemployment is likely, up to now, to have simply reduced the growing gap between demand growth and potential output growth, allowing the central bank to be slightly less aggressive in slowing demand than it would otherwise have needed to be.<sup>11</sup>

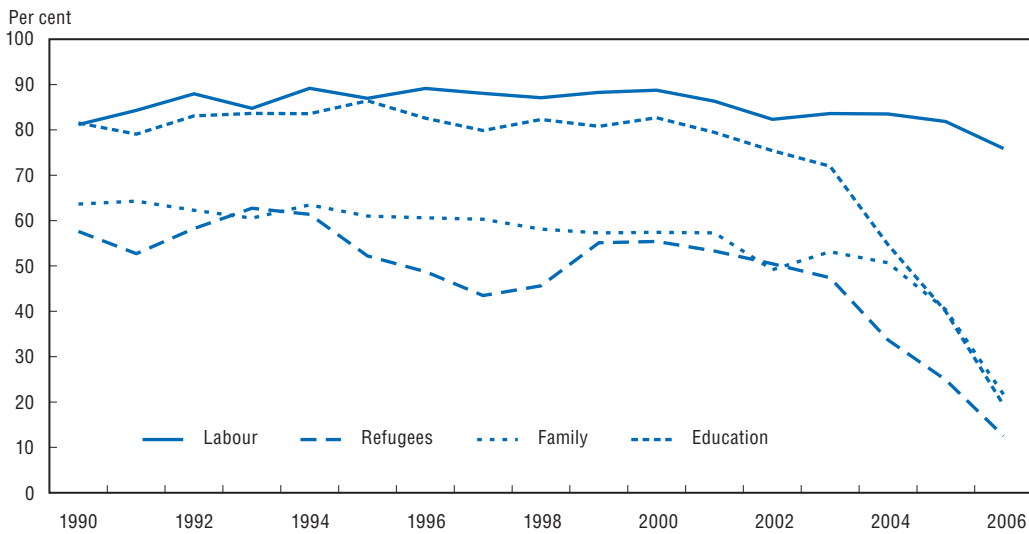
Despite this, unions invoked the wage-extension law mentioned earlier, fearing that wages in construction must be lower than otherwise, and that “social dumping” could undermine wage levels and conditions of work in existing labour agreements. Employers did not oppose this move either, perhaps because this extension makes it difficult for new and/or foreign construction companies to compete in Norway; quite stringent construction site monitoring procedures have also been introduced to ensure that contract extensions are being respected. The need for such monitoring suggests that immigrants do not view the previously lower wages as unacceptable, though those who now have higher wages have certainly benefited; this may be not just a measure against social dumping to protect immigrants, but also a way to protect some Norwegian workers and companies (probably at the expense of consumers or companies who therefore pay higher construction costs).

### **Unemployment among immigrants**

Labour migrants generally have very good labour market performance initially because they are prime age workers and because they are a selected group through the work-permit system. Other immigrant groups, refugees and family immigrants, are less successful (Figure 3.10). Because of the influence of other groups, immigrants as a whole show higher rates of unemployment than natives. Indeed, although unemployment in Norway is lower than in most other countries in recent years, unemployment rates among immigrants are higher, with the gap between the two groups being noticeably larger than average, though similar to countries such as France, Sweden and Denmark (see Jean *et al.*, 2007). For immigrants from most regions, their unemployment also varies more with the economic cycle than the overall unemployment rate does (Figure 3.11). The greater cyclical variability does not apply to Nordic immigrants, suggesting that while the Nordics protect natives from some of the unemployment cycle by moving back home when the labour market is slack, some other immigrant groups have a similar effect but through more frequent spells of unemployment than natives.

As far as long-term performance in the labour market is concerned, a previous episode of immigration was more discouraging than Figure 3.10 in terms of whether good performance can be maintained. In the early 1970s, for a short period, Norway was open to flows of relatively unskilled workers, who came largely from southern Asia, principally Pakistan. Research on the employment experience of this group (see Bratsberg *et al.*, 2007) shows that after several years in which they enjoyed employment rates as high as or higher than unskilled Norwegian workers, their employment rate declined dramatically after about six years. The research reaches no clear conclusions as to why this was the case: one might have expected the immigrants to have established themselves relatively well in the labour market after six years. Plausible hypotheses are that in the economic downturn of the second half of the 1970s such workers were less flexible than Norwegians in moving

Figure 3.10. Immigrant employment rate in 2006 by year of entry<sup>1</sup>

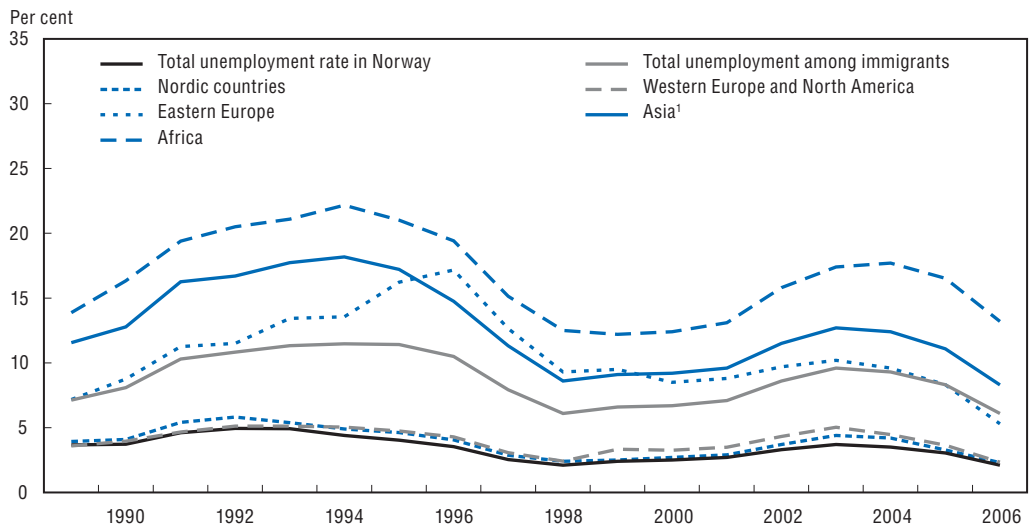


1. This figure should be read as follows. In 2006, 13% of refugees who entered in 2006 were employed and 47% of those who entered in 2003. Of those who entered in 2000 for educational reasons, and were still in Norway in 2006, 83% were employed in 2006.

Source: Statistics Norway.

StatLink <http://dx.doi.org/10.1787/426385536388>

Figure 3.11. Unemployment by geographical origin



1. Includes Turkey.

Source: Statistics Norway.

StatLink <http://dx.doi.org/10.1787/426423366456>

into different sectors. Disincentives embedded in the social security system may also have contributed to the poor lifecycle employment performance of the immigrant group. Other possibilities such as worse health status than Norwegians, and that racial discrimination in the labour market may make itself felt more in downturns, are difficult to test.

While labour market policies in Norway are strongly oriented towards flexibility combined with inclusiveness and equity, it is clear that this is not so easily achieved with



immigrants. The better performance apparent for more recent labour migrants is perhaps encouraging for the outlook for the latest wave; however, data in Figure 3.10 cover a period with very low labour migrant entries (other than of Nordics) and the characteristics may be very different from those who have arrived since 2004. However, since the 1990s Norway has acquired some experience integrating people from other cultures, including through the education system. The mix of immigrants may also have shifted towards immigrants from more easily integrated cultures.

### ***Policies that make for good labour market performance***

In the longer run, if there is a cyclical downturn and much higher overall unemployment, there may be more grounds for expecting some negative effect on Norwegian natives. As Jean and Jimenez show, countries with more successful labour market adaptation to immigration (in the sense that any temporary effect on native unemployment is milder) also tend to be those with certain types of labour and product market policies. It seems to be the case, as might be expected, that avoiding excessive employment protection and ensuring that product market and competition policies do not discourage the entry of new firms and the formation of start-ups, allows the economic structure to adjust more quickly to the changes in labour supply. Norway seems to be relatively well-placed in these regards, with labour market protection mainly focusing on protecting those looking for work (although doubts remain about the role of sickness and disability in this, as discussed earlier) rather than protecting particular jobs and with product-market policies that score well on most indicators other than public ownership. Such policies are desirable in general, but the growing size of the immigrant population, and the likelihood that sooner or later an economic downturn will test the economy's ability to integrate them, lend more importance to maintaining and improving this flexibility.

The wage agreement extension process is the only sign that labour market policy may change as a result of immigration (the law was first used only in 2004, in the case of construction workers mentioned earlier, though it had existed since 1991). If it is restricted to one sector (though construction is important in terms of immigrant employment and is particularly cyclical) it should affect overall labour market performance very little. However, the logical consequence of a generalisation of wage agreement extensions would be to create a set of sector-specific minimum wages, and if these are set too high then they would tend to cause excessive unemployment among the low-skilled in downturns; despite the implicit selection process, many of the recent immigrants are relatively unskilled or at least employed in low-skill sectors. If strong flows of immigration continue, and if they do change the overall skill mix of the economy, the Norwegian labour market model may be challenged. Centralised bargaining itself should be able to adapt (as it has in the past to different economic circumstances). But the consensus on very flat wage schedules, and especially its consistency with good labour market outcomes, may have depended on relatively homogeneous labour quality. If continued strong migration flows extended to significant numbers of low-skilled immigrants, for example, or even just a set of very different skills from Norwegians, there may be less homogeneity and a potential need to allow differentials to change, if the labour market is to adjust efficiently to future economic fluctuations. However, wage agreement extensions are time-limited, though they can be repeatedly renewed.

### **Fiscal Impacts**

The fiscal impact of migrants is largely determined by their age at entry and their subsequent employment experience. Since migrants are generally relatively young with few children they are net contributors to public finance as soon as they are employed, but their overall contribution depends on their lifetime earnings and employment. Such information is used in generational accounting studies. There are no such studies using Norwegian data, but the general result is that the likely long term impact is substantially less positive than the short-term effect since it takes into account costs that arise as people grow older and receive pensions as well as other transfers such as health benefits. Studies such as Storesletten (2003) for Sweden, probably quite similar to Norway in this respect, show that categories such as humanitarian immigrants can actually have a negative lifetime impact on public finance because of the low average employment rates experienced by such immigrants; the same can be true of family reunification flows, depending on their origin. As far as past migration flows are concerned, there is in fact already a tendency for migrants to be relatively heavy users of social assistance: in 2005, 28% of social assistance recipients had an immigrant background at a time when the foreign-born labour force was only 7% of the total. This can to a large extent be explained by the fact that it takes time for many asylum seekers and refugees to be integrated in working life. But labour migrants, who account for the bulk of the recent increase in immigration, usually have an employment profile not too different from natives (though this is not guaranteed, as the discussion above highlights) and, since the costs of their own education have usually already been financed, they are likely to be more beneficial to the budget than the average native with similar earnings.

In the very long run, of course, immigrants have children themselves and grow old and it is perhaps not very reasonable to try to distinguish their budgetary impact. Nevertheless, in one area it makes some sense to look at how migration can affect public finances in the long run – old age pensions. Since the pension finance problem is partly a result of the changing age structure of the population, and labour migration especially is concentrated among young productive adults, it may be expected that migration could make a difference. In general, however, the impact is rather small because even flows of migration that are quite large by historical standards are a small share of the population, and because they start to have children, who use education and health services and so on. Nevertheless, Ministry of Finance simulations do show some impact on the medium to long-term fiscal situation. Immigration sustained at recent high levels could improve the fiscal balance in the year 2060 by perhaps 2 to 3% of GDP, or an amount approximately equivalent to the pension reforms to be introduced after 2010 (see Chapter 2) provided their labour market performance is similar to that of natives. Although this may sound like a significant benefit, the immediate fiscal benefit from increased labour migration is probably not very large. Inflows at a level sufficient to have the impact suggested would be unprecedented, generating a major increase in the size of the population, as Figure 3.7 shows. Furthermore, the pension effect should be purely transitory since the new pension system is designed to be actuarially neutral.

For this reason, fiscal benefits would not be a good basis on which to decide on higher levels of immigration. And future governments would still have the same pension problem to solve, because these gains, though they may last for 40 years, are nevertheless only temporary. Furthermore, there is a negative fiscal impact in Norway that is unusual. A significant amount of future public revenues will come from interest and dividends on

petroleum revenues accumulated in the Pension Fund, and the per capita benefit from this is spread amongst a larger population if immigration is strong for a long time.

To sum up, it is fairly clear that under the tight labour market conditions of recent years, the overall economic benefit from recent immigration in Norway has outweighed possible negative impacts on certain groups, but it cannot be concluded from this that benefits in the long term will be so clear.

## Conclusions

Although labour market developments since the last *Economic Survey* have been particularly favourable, the reforms recommended there and in the OECD's *Review of Sickness and Disability and Work* remain important. It is understandable that a country enjoying high incomes and living standards might expect to benefit in terms of leisure time and wish to maintain a generous welfare system for vulnerable people. Furthermore, the tendency to maintain a very flat wage structure that the centralised bargaining system delivers has not prevented impressive productivity growth, while it may have helped moderate wage inflation in this strong upswing.

However, high levels of wealth do not imply that resources, including human resources, should be wasted. The decision to award workers sickness benefits or disability pensions should be based on dispassionate and realistic assessments of their health status or their capacity for work; it should also be subject to quite frequent review, depending on the nature of the problem, and better "activation" policies need to be developed. In the unemployment insurance system, benefits are relatively generous, but they may be withdrawn if the recipient does not take reasonable action to take up available employment (which in this case can include moving to another area) or take advantage of activation policy. While there may be many difficult cases, the welfare system should be able to operate on similar principles, provided its main objectives are not jeopardised. If the NAV reform that unifies the welfare and unemployment insurance systems is successful, it should provide the opportunity for this convergence.

Pension reform may seem to be more a fiscal matter than a labour market issue, once the reforms that introduce actuarial neutrality at the margin in both the AFP and the state pension scheme are fully implemented. However, the AFP scheme is still likely in practice to distort the retirement decision through the income effect of providing an age-related income support already at age 62. Furthermore, making a public subsidy available for only part of the private sector labour force, with a separate scheme for the public sector, is hard to justify.

The immigration of the last few years is a success story for Norway, having brought benefits to the migrants, to the companies and customers in sectors where they work, and almost certainly to the public finances. There are few recommendations for migration policy that depend on essentially economic issues; for example, what is often the main political question of how much control to retain over the inflow of low-skilled or unskilled labour is not one that is easily settled on economic grounds, nor is the issue of how much population growth through immigration is acceptable. The labour market and welfare reforms discussed in this chapter are, however, the kind of measures that are likely to improve long-term integration of immigrants in the Norwegian labour market. They are also associated with better adjustment of the labour market in the short term, with temporary increases in unemployment, if they occur, being less marked. This seems

unimportant at the moment, but will be relevant in the event of any significant downturn in the economy, particularly if many of the recent immigrants settle permanently. As in many countries with significant immigrant populations, efforts to strengthen the integration of immigrants, including combating discrimination, are necessary alongside efforts to improve their employment rates. As for natives, this requires a combination of stringent activation policy backed up by the threat of benefit sanctions to accompany the relatively generous benefit system.

The 2008 White Paper on immigration suggests some changes in policy that will also make these reforms more relevant, but may also call into question the wage structure. To judge by reactions so far to pressure on the labour market in the construction sector, the outcome is quite likely to be an increase in the use of compulsory extension of central wage agreements to prevent immigrants undercutting the existing wage structure. This would help to preserve the Norwegian model, voluntarily reducing some of the gains to Norway from immigration, but may be difficult to sustain.

### Box 3.2. Summary of labour market recommendations

Reinforce measures to tighten access to sickness and disability benefits, as recommended in the 2007 *Economic Survey*

- Introduce frequent checks of general practitioners' initial sickness assessments and repeat assessments; these checks should be carried out by doctors responsible to the social insurance system. Introduce employers' co-financing of benefits, while considering a reduction in the rate of long-term sickness benefit.
- Transfer responsibility for disability assessments to doctors and vocational experts responsible to the social insurance system.
- Review existing disability entitlement and functional assessments more frequently.

Ensure effective governance of the new NAV agencies, so that the aim of coordinating the different services is achieved.

Avoid any delays to implementation of the full pension reform.

Implement the changes suggested in the 2008 White Paper on immigration, notably those allowing freer movement of labour, bearing in mind nevertheless that the economic benefit to existing residents of increased migrant inflows may not be very significant. Ensure active labour market policies are designed to take into account immigrant-specific problems.

Consider whether compulsory extension of individual labour agreements, at the request of unions, is the most effective way to get the best out of immigration while ensuring social justice.

Consider encouraging the social partners to accept a higher degree of wage differentiation both to ensure an effective response to complaints of skill shortages and to improve the labour market integration of immigrants and less-skilled workers at different phases of the business cycle.

## Notes

1. In economic terms the effects of sickness benefits and disability pensions are essentially the same, but they show up differently in statistics – those on sickness benefit are employed but working zero hours, whereas those on disability pensions are out of the labour force.
2. Until recently the working age population was generally defined as ages 15-64. A shift to the 16-74 definition for statistical purposes is underway but not complete in all countries, so reliable cross-country comparisons are difficult.
3. Regular employment data collected for the labour force survey does not separately distinguish immigrants.
4. Monitoring wage developments through the year is complicated because there is no single widely-accepted summary measure of monthly or quarterly wage developments.
5. These figures are based on labour force survey data, i.e. on self-reporting. Sick leave, for example, refers to those reporting that they were temporarily absent from work for the whole week in which the survey was taken. People on temporary sick-leave are still employed and therefore not “inactive” in labour force statistics; this does contribute to reduce average hours worked, however. Disability and early retirement cannot be easily separated: Statistics Norway suspects that some people receiving disability pensions may report themselves as retired early, while some people on early retirement pensions may report themselves disabled.
6. This measure is not shown explicitly since it depends on uncertain comparisons of labour force participation rates.
7. From the website of the Ministry for Children and Equality, March 2008.
8. At least one such company has a network of contact points throughout Poland, including two residential language-training and skills-verification centres. It provides language training and certain other help free, offers its recruits as agency workers to employers in Norway, and expects to break even once its workers are employed for more than about 9 months.
9. Boeri et al., 2001, made a careful study of precedents for labour movement in the European Union, and their overall prediction for post-EEA enlargement flows was not far out, but the predictions for individual countries with low transitional entry barriers were substantially exceeded (notably for the UK and Ireland) and substantially undershot in a number of other countries, especially Germany.
10. The very high share for industrial cleaning concerns just under 8000 immigrants, 4% of the total.
11. In some circumstances immigration can actually be expansionary. Increased labour supply warrants a higher investment rate, and immigrants themselves spend more than they earn in the early months as they establish themselves. This is unlikely in Norway as most recent Polish immigrants are clearly intending to return home – whether they eventually will do so is another matter – and save or remit a high proportion of their earnings.

## Bibliography

- Boeri, T., H. Bruecker et al. (2001), “The Impact of Eastern Enlargement on Employment and Wages in the EU Member States”, Employment and Social Affairs, European Commission.
- Bratsberg, B., O. Raaum and K. Sørli (2007), “Foreign-born Migration to and from Norway”, in C. Ozden and M. Schiff (eds.), *International Migration, Economic Development, and Policy*, World Bank and Palgrave Macmillan, New York.
- Causa, O. (2008), “Explaining differences in hours worked among OECD countries: an empirical analysis”, *OECD Economics Department Working Papers* No. 596, OECD.
- Dagsvik, J.K., T. Kornstad and T. Skjerpen (2006), “Analysis of the discouraged worker phenomenon: evidence from micro data”, Statistics Norway, Research Department Discussion Paper No. 453, April.
- Jean, S., O. Causa, M. Jimenez and I. Wanner (2007), “Migration in OECD countries: labour market impact and integration issues,” *OECD Economics Department Working Papers* No. 563, July, OECD.
- Jean, S. and M. Jimenez (2007), “The unemployment impact of immigration in OECD countries,” *OECD Economics Department Working Papers* No. 562, July, OECD.

Johansson, A., C. Heady, J. Arnold, B. Brys and L. Vartia (2008), "Taxes and economic growth", OECD Economics Department Working Papers, forthcoming, OECD.

OECD (2006), *Sickness, Disability and Work: Breaking the Barriers (Vol. 1): Norway, Poland and Switzerland*, OECD.

OECD (2007a), *Benefits and Wages 2007*, OECD Indicators, OECD.

OECD (2007b), *OECD Employment Outlook*, OECD.

OECD (2007c), *International Migration: SOPEMI, Outlook*.

OECD (2008a), *Taxing Wages 2006-2007, 2007 Edition: Special Feature: Tax reforms and tax burdens 2000-2006*, OECD.

Pedersen, Peder and Marianne Røed, (2008) "A Survey of earlier studies of intra Nordic migration flows", mimeo, Institute for Social Research, Oslo.

Storesletten, K. (2003), "The fiscal implications of immigration – a net present value calculation", *Scandinavian Journal of Economics*.

## Table of contents

<b>Executive summary</b> .....	8
<b>Assessment and recommendations</b> .....	9
<b>Chapter 1. Maintaining prosperity while dealing with overheating and labour supply constraints</b> .....	19
Strong mainland output growth .....	20
The strains of high capacity utilisation begin to show .....	24
The economy is slowing, with some downside risks .....	29
Another good year for petroleum revenues .....	30
The growing Pension Fund .....	31
Pressure on capacity has attracted immigrants .....	32
The labour market is tight, some reforms have been neglected .....	33
Room for improving cost-efficiency in education .....	35
The environment .....	38
Notes .....	38
Bibliography .....	38
Annex 1.A1. Taking stock of structural reforms .....	39
<b>Chapter 2. Macroeconomic policies for a soft landing</b> .....	41
Monetary policy: the tightening cycle is coming close to an end .....	42
A fiscal rule to save public resources .....	51
Conclusions .....	60
Notes .....	60
Bibliography .....	61
<b>Chapter 3. The labour market: supply constraints and immigration</b> .....	63
High participation, low unemployment .....	65
Migration .....	72
The benefits from migration .....	76
Conclusions .....	81
Notes .....	83
Bibliography .....	83
<b>Chapter 4. Making the best of Norwegian schools</b> .....	85
The main features of Norwegian compulsory education .....	87
The current stock of human capital is high by OECD standards; will the relative advantage be maintained? .....	90
How efficient are Norwegian schools and teachers? .....	97
Higher spending does not necessarily lead to better educational outcomes .....	100
Teaching quality matters .....	102
Better schools: making information an asset and setting the right incentives .....	111
Could Norway spend less or differently? .....	117
Conclusion .....	119
Notes .....	121

Bibliography .....	123
Annex 4.A1. What drives learning outcomes? A multi-level analysis of PISA scores in OECD countries .....	126
Annex 4.A2. The decomposition of expenditures per student .....	139

## Tables

1.1. Sources of Real Output Growth in selected OECD countries, 2001-2007 .....	24
1.2. The short-term economic outlook for Norway .....	30
1.3. GDP, income from abroad and national income .....	32
2.1. The 2007 and 2008 budgets .....	53
2.2. Interpreting the budget, 2000-2008 .....	56
4.1. Average gross monthly salary for full-time employed graduates by field of education, six months after graduation. Spring cohorts 1995-2005. ....	95
4.A1.1. Descriptive statistics of variables used in the model .....	130
4.A1.2. Three-level regressions on PISA 2006 scores, selected specifications .....	133
4.A1.3. Standardised coefficients in the combined model (specification 10) .....	134

## Figures

1.1. Falling production and rising prices for petroleum. ....	21
1.2. The source of real income differences .....	22
1.3. Real GDP growth by industry .....	23
1.4. Excess of births, net migration and population growth .....	23
1.5. Measures of the output gap .....	25
1.6. Unit labour costs, manufacturing .....	26
1.7. Consumer price inflation .....	26
1.8. The nominal effective exchange rate .....	27
1.9. Taxes and royalties attributable to petroleum production .....	31
1.10. Vacancy rates and registered unemployment .....	34
1.11. Average earnings by industry .....	34
1.12. Percentage of the population and students at each proficiency levels in Norway .....	36
2.1. Key policy interest rate .....	43
2.2. Assessing the monetary policy stance .....	44
2.3. Inflation .....	47
2.4. Private dissaving, government saving .....	48
2.5. Spread between money market rates and expected key policy rates .....	50
2.6. Tightening in lending conditions for households and business sector .....	50
2.7. The fiscal rule over the cycle .....	52
2.8. Has fiscal policy been pro-cyclical recently? .....	52
2.9. High oil prices and the Pension Fund .....	54
2.10. Steps in the implementation of the fiscal rule .....	55
2.11. Long term fiscal gap .....	57
2.12. Variations on the long-term fiscal scenario .....	58
3.1. The tightening labour market, 2000-2007 .....	66
3.2. The population of working age, 2000-2007 .....	67
3.3. Hours worked, and GDP per capita .....	68
3.4. Share of population over 50 on different benefit schemes, 2006 .....	69
3.5. Unemployment and net immigration 1970-2007 .....	72
3.6. Immigrant flows by entry category 1990-2006 .....	73
3.7. Labour force development under different immigration assumptions .....	75
3.8. Sectoral shares of immigrant employment .....	75
3.9. Work permits by sector, end 2007 .....	76
3.10. Immigrant employment rate in 2006 by year of entry .....	78



3.11. Unemployment by geographical origin . . . . .	78
4.1. Education attainment in the adult population . . . . .	90
4.2. Comparative PISA scores . . . . .	92
4.3. Graduation rates in higher education . . . . .	93
4.4. Generational differences in science and engineering, 2004. . . . .	94
4.5. Low between-school variance, high within-school variance. . . . .	96
4.6. Below-average impact of socio-economic background on PISA scores . . . . .	96
4.7. High social mobility . . . . .	97
4.8. Expenditure per student . . . . .	98
4.9. Decomposition of expenditure per pupil relative to OECD average, 2004 . . . . .	99
4.10. Decomposition of expenditure per pupil relative to Nordic average, 2004 . . . . .	100
4.11. Input and output efficiency of median schools in OECD countries . . . . .	101
4.12. Mathematics knowledge of Norwegian teachers . . . . .	104
4.13. Teachers' normal teaching time . . . . .	109
4.14. Institutional accountability indicators for Norway . . . . .	112

## Boxes

1.1. The Norwegian Sovereign Wealth Fund . . . . .	28
2.1. The use of models to guide policy decisions . . . . .	46
2.2. Pensions in the 2008 wage round. . . . .	59
2.3. Summary of macroeconomic policy recommendations . . . . .	60
3.1. Immigration policy. . . . .	74
3.2. Summary of labour market recommendations . . . . .	82
4.1. The Norwegian primary and secondary education system . . . . .	87
4.2. The "Knowledge Promotion" reform . . . . .	88
4.3. White Paper on Quality in Education . . . . .	89
4.4. Teacher education in Finland and in Norway: vocation <i>versus</i> residual choice . . . . .	106
4.5. Types, virtues and shortcomings of performance-based programmes . . . . .	114
4.6. Oslo quality assessment policies . . . . .	115
4.7. Summary of policy recommendations on education . . . . .	120

*This Survey is published on the responsibility of the Economic and Development Review Committee of the OECD, which is charged with the examination of the economic situation of member countries.*

*The economic situation and policies of Norway were reviewed by the Committee on 16 June 2008. The draft report was then revised in the light of the discussions and given final approval as the agreed report of the whole Committee on 2 July 2008.*

*The Secretariat's draft report was prepared for the Committee by Paul O'Brien and Romina Boarini with Statistical assistance from Thai-Thanh Dang, under the supervision of Patrick Lenain.*

*The previous Survey of Norway was issued in January 2007.*

## **This book has...**



**StatLinks** 

**A service that delivers Excel® files  
from the printed page!**

Look for the *StatLinks* at the bottom right-hand corner of the tables or graphs in this book. To download the matching Excel® spreadsheet, just type the link into your Internet browser, starting with the <http://dx.doi.org> prefix.

If you're reading the PDF e-book edition, and your PC is connected to the Internet, simply click on the link. You'll find *StatLinks* appearing in more OECD books.

## BASIC STATISTICS OF NORWAY

### THE LAND

Area (1 000 km <sup>2</sup> ):	Major cities (thousand inhabitants, 1.1.2008):		
Total (2005)	385.2	Oslo	560.5
Mainland (2005)	323.8	Bergen	247.7
Agricultural (2004)	10.4	Trondheim	165.2
Productive forests (2003)	74.7		

### THE PEOPLE

Population (thousands, 1.1.2008)	4 737.2	Total labour force (thousands)	2 507
Number of inhabitants per km <sup>2</sup> (1.1.2008)	12.3	Civilian employment (thousands)	2 443
Net natural increase (thousands, 2007)	16.5	Civilian employment (% of total):	
Net migration (thousands, 1.1.2007)	39.7	Agriculture, forestry and fishing	2.8
		Industry and construction	24.9
		Services	76.1

### PRODUCTION

Gross domestic product:	Gross fixed capital investment:		
NOK billion	227.7	% of GDP	20.8
Per head (USD)	82 016	Per head (USD)	17 043

### THE GOVERNEMENT

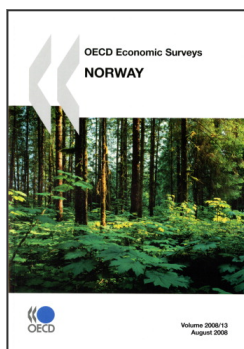
Public consumption (% of GDP)	19.8	Composition of Parliament (number of seats):	
General government (% of GDP):		Labour	61
Current and capital expenditure	32.2	Progressive	38
Current revenue	46.5	Christian Democrats	11
		Conservative	23
		Centre	11
		Socialist Left	15
Last general elections: 13.9.2005		The Liberals	10
Next general elections: September 2009		Total	169

### FOREIGN TRADE

Exports of goods and services (% of GDP)	45.4	Imports of goods and services (% of GDP)	28.1
of which: Oil and gas	23.1		
Main commodity exports (% of total):		Main commodity imports (% of total):	
Fish and fish products	4.5	Ships	1.4
Base metals and products	10.6	Foods and animals	5.2
Machinery and transport equipment (excluding ships)	7.6	Chemicals and related products	8.8
Mineral fuels	64.5	Machinery and transport equipment (excluding ships)	35.6
Non-oil commodity exports by area (% of total):		Non-oil commodity imports by area (% of total):	
Denmark and Sweden	17.6	Denmark and Sweden	21.7
Germany	8.6	Germany	13.7
United Kingdom	8.4	United Kingdom	7.0
United States	8.3	United States	4.9

### THE CURRENCY

Monetary unit: Krone	2007		
		NOK per USD	5.86
		NOK per euro	8.03



**From:**  
**OECD Economic Surveys: Norway 2008**

**Access the complete publication at:**  
[https://doi.org/10.1787/eco\\_surveys-nor-2008-en](https://doi.org/10.1787/eco_surveys-nor-2008-en)

**Please cite this chapter as:**

OECD (2008), "The labour market: supply constraints and immigration", in *OECD Economic Surveys: Norway 2008*, OECD Publishing, Paris.

DOI: [https://doi.org/10.1787/eco\\_surveys-nor-2008-5-en](https://doi.org/10.1787/eco_surveys-nor-2008-5-en)

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).