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Experiences of the Common Nordic Labour Market



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Experiences of the Common Nordic Labour Market

Eskil Wadensjö

Swedish Institute for Social Research (SOFI), Stockholm University,

Stockholm University Linnaeus Center for Integration Studies (SULCIS),

IZA – Institute for the Study of Labor (Bonn),

Abstract

The Common Nordic Labour Market was the first common labour market to be established. Consequently, the length of its existence makes its experiences of interest to those who want to know more about common labour markets established later. Although formally started in 1954, it in practice had been partially established before that and continued to develop after its formal starting date. That a common labour market is formally established does not mean that all hindrances to mobility disappear. In this paper, the development of the Common Nordic Labour Market, the migration flows and their determinants, and the economic integration of inter-Nordic migrants are presented and analyzed. Of special interest in connection with this is that the Nordic countries have become part of the EU/EES Common Labour Market.

In the first decades after the establishment of the Common Nordic Labour Market, Sweden was the main country of destination and Finland the main country of origin. Higher incomes and many job vacancies made moving to Sweden attractive. In the 1970s, intra-Nordic migration declined, and Sweden gradually lost its dominant position as the country of destination. The income differences had diminished or disappeared. Instead, Norway gradually became more important as a country of destination. In the 2000s, commuting across the borders increased. However, the commuting and migration across borders is still much smaller than the commuting and migration within the countries.

The character of the migration has also changed over time. At the start, it was largely a migration of blue-collar workers. The migration now has a much more diverse composition. The economic situation of the migrants has also changed. The wage rates of new migrants coming from Nordic countries to Sweden are no longer lower than those of natives, but slightly higher, even if controlling for education and other individual characteristics.

Keywords: international migration, immigrants, common labour market,

earnings, employment **JEL Codes:** J15, J31, J61

About the IZA Annual Migration Meeting (AM²) and the Julian Simon Lecture:



In June 2004, IZA hosted the first Annual Migration Meeting (AM²) in Bonn. It was created to foster migration research by bringing together international researchers and establishing the IZA migration group. AM² established the Julian Simon Keynote Lecture in honor of Julian Simon, in recognition of his research on the economic effects of population change.

Julian Simon was an optimist on population issues and a migration expert. He was Professor of Business Administration at the University of Maryland, Distinguished Senior Fellow at the Cato Institute, and a member of the Action Institute's Advisory Board. He died unexpectedly on February 5, 1998, four days short of his 66th birthday.

Dr. Simon graduated from Harvard University, where he completed the ROTC program, and later served as a naval officer before receiving an M.A. in Business Administration and a Ph.D. from the University of Chicago Graduate School of Business. An entrepreneur, he opened his own business before joining academia.

A prolific writer, Simon was the author of almost two hundred professional studies in technical journals, and he wrote dozens of articles in such mass media as the *Atlantic Monthly, Readers Digest, New York Times*, and *The Wall Street Journal*. In 1989 he published *The Economic Consequences of Immigration*, arguing that immigrants make "substantial net economic contributions to the United States." Julian Simon was an advocate of an open-door immigration policy.

About the Author

Eskil Wadensjö has been Professor of Labour Economics at the Swedish Institute for Social Research (SOFI) at Stockholm University since 1980. He was



Dean of the Faculty of Social Sciences at the same university between 1996 and 2006. He has been director of Stockholm University Linnaeus Center for Integration Studies (SULCIS) since 2006. He received a Ph.D. in economics at Lund University in 1972 on a study of economic aspects on immigration to Sweden, and was associate professor at the Department of Economics, Lund University from 1972 to 1980. His main research interests are the economics of international migration, labor market policy and social security. Current research topics are the economic effects of immigration, the integration of immigrants, self-employment, temporary employment agencies and economic aspects of social and occupational insurance.

He has published many books and articles on various subjects. Selected books include *The Nordic Labour Market in the 1990's* (main editor), North-Holland 1996, *Enterprise and the Welfare State* (edited together with Martin Rein), Edward Elgar 1997, *Immigration to Denmark. International and National Perspectives* (with David Coleman, Bent Jensen and Søren Pedersen), Aarhus University Press 1999, *Gösta Rehn, the Swedish Model and Labour Market Polices* (edited together with Henry Milner), Ashgate 2001, and *The Common Nordic Labor Market at 50* (with Peder Pedersen and Marianne Røed), Nordic Council of Ministers, 2008.

Eskil Wadensjö was President of the European Association of Labour Economists (EALE) 1993-99 and Chairman of the Swedish Economic Association 1992-93 and has been member of several governmental committees. He joined IZA as a Research Fellow in December 2000.

Introduction¹

There is a general tendency to reduce or eliminate hinders for mobility between different countries for goods and services as well as for factors of production. This tendency is strong regarding the mobility of goods and services but much weaker regarding the mobility of labour. There are, however, developments that facilitate labour mobility also over international borders including the foundation of common labour markets. The most well-known example of a common labour market is that of the European Union², but there are tendencies in that direction in other parts of the world, for example Mercosur in South America with rules facilitating entry for those moving between countries belonging to this organization. The oldest common labour market, however, is the Common Nordic Labour Market (CNLM), which was formally established in July 1954 after an agreement had been reached in May the same year.³ It could therefore be a good idea to try to learn from the experiences of the CNLM.

Even if the CNLM was established in 1954, the development towards a common Nordic labour market started much earlier and it was not complete with the decision taken in 1954. Many restrictions for mobility remained even after that. Some of these hinders for mobility were eliminated later but some are still there. On a few occasions new policies have even been introduced with the intention to diminish mobility between the Nordic countries.

The inter-Nordic migration from the start of the CNLM in 1954 up to the early 1970s, and even before that, was to a very high extent a migration to Sweden with Finland as main source country, but also many from the other Nordic countries moved to Sweden. In the 1970s, the pattern gradually changed due to business cycle variations and gradually smaller wage differences or even reversed wage differences between the Nordic coun-

I rely to a high extent on a joint study with Peder Pedersen and Marianne Røed (see Pedersen, Røed and Wadensjö, 2008) on the first 50 years of the Common Nordic Labour Market and on Boguslaw (forthcoming) on the development of the regulation of immigration and immigrants over time in Sweden. I want to thank Christer Gerdes for help with estimations based on the SIEPS data base.

² See Kahanec and Zimmermann (2009) and Black et al. (forthcoming) for a number of articles on the European Union Common Labour Market.

³ Iceland joined the CNLM in 1955, one year later than the other Nordic countries.

tries. All the time a large migration flow in one direction was followed by a large return migration flow in the other direction in the years to follow. Many of the inter-Nordic migrants lived in the country of destination for only a short period and many moved back and forth several times.

The labour market situation for foreign born workers is a hot political issue today in all Nordic countries like it is in many other countries in Western Europe. In these discussions, the conditions of those coming from other Nordic countries are mostly not mentioned (just like the conditions for immigrants who were born in other Western European countries). An implicit assumption is that there are no reasons to worry about the conditions of the immigrants coming from neighbouring countries. This has not always been the case, however. In the 1960s and early 1970s, the situation of labour migrants from Finland was in focus for the political debate in both Sweden and Finland.

Sweden is still the country with most immigrants from other Nordic countries. I will present some information on the current labour market situation in Sweden for immigrants from the other Nordic countries and try to answer the question if there are any reasons to be worried about their labour market situation.

A fairly recent phenomenon is that many do not actually change their residence from one Nordic country to another but instead commute over the border – living in one country and working in another. This could either be on a daily basis (common between Sweden and Denmark) or on a weekly basis or for even longer periods (common between Sweden and Norway). Many also move from Denmark to Sweden but continue to work in Denmark. I will discuss that phenomenon later on.

The Prehistory of the Common Nordic Labour Market

The history of economic cooperation between the Nordic countries is long. It started already in the 19th century. One example is the currency union which was agreed between Denmark and Sweden in 1873 with Norway joining in 1875.⁴ In that period Finland was a part of the Russian Empire and Iceland was a part of Denmark and by that included in the currency

⁴ See Bergman, Gerlach and Jonung (1993).

union. The currency union lasted in practice to the end of the 1910s.⁵ The economic development during WW1 led to that the three member countries chose separate economic policy regimes making it impossible for them to continue to have a common currency. The history of the Scandinavian currency union and its decline and fall is of interest for the present discussion of European economic affairs.

The late 19th century was characterized by open borders in Europe. Passports and visas were not required and those who were offered a job could take it without special permits from the state. The worries of the Scandinavian countries were instead mainly regarding emigration to overseas countries.⁶ Attempts were made to reduce the outflow of people of active age. The open borders did not mean that those coming from other Nordic countries had a right to support if out of work, but at that time even those living in the country of citizenship were not covered by income transfer programs – the welfare state had not yet come into being.

The migration flows at that time were mainly from Europe, including the Scandinavian countries, to the United States and other overseas countries. The propensity to emigrate was much larger in Norway and Sweden than in Denmark. At the same time there were rather large migration flows within Scandinavia. They went mainly from Sweden to Denmark and Norway. Many left for seasonal work and others for longer periods of stay. Those migrating to neighbouring countries are mainly to be found among those who did not have means to finance the journey to the United States. Many went from the southern part of Sweden to Denmark and from the western part of Sweden to Norway (mainly to the Oslo area). Some also moved from southern Sweden to the northern part of Germany. In the period 1860 to 1910, 81,000 moved from Sweden to Denmark, 66,000 to Norway and 28,000 to Germany.

Table 1 gives the numbers of people who were born in Sweden but living in Denmark according to the Danish censuses in the period between 1870 and 1911. At the peak, the Swedish-born constituted more than 4 per

⁵ The agreement on the currency union was valid until 1972 in a formal sense, but in practice it ended much earlier.

⁶ See Wadensjö (2008) for a presentation of the discussion in the early 20th century.

⁷ See the many studies of Emigrationsutredningen, a Swedish governmental commission, which delivered its final report on emigration from Sweden in 1913. See especially Emigrationsutredningen (1913).

cent of the population in Copenhagen and 1.5 per cent of the entire population in Denmark. The actual number was most likely considerably higher. For a number of people information on where they were born is missing and most likely many of them were from Sweden. More important is that the seasonal migrants are not included in the statistics. The censuses were carried out in winter time and the seasonal workers, who mainly worked in agriculture and construction, were not in Denmark during the time for censuses. The return migration was high among the Swedish emigrants but quite a few remained in Denmark.

It is difficult to say exactly how many who lived in another Nordic country than where they were born. According to estimates made by the Swedish census in 1900, 700,000 people who were born in Sweden lived in another country in that year. Of them the majority, 535,000, lived in the United States, but large groups also lived in Norway, 50,000, and Denmark, 36,000. About 6,000 lived in Finland according to the census.⁹

Table 1 Number of people born in Sweden but living in Denmark, 1870-1911

	Соре	enhagen	Denmark (in	Denmark (incl. Copenhagen)			
Census year -	Number	Per cent of the population	Number	Per cent of the population			
1870	4,293	2.37	15,388	0.86			
1880	8,847	3.77	24,150	1.23			
1890	12,892	4.13	33,802	1.55			
1901	15,308	3.82	35,555	1.45			
1911	16,942	3.03	33,312	1.21			

Source: Willerslev (1983, p. 84).

In 1913, the year before WW1, two proposals for a law regulating immigration were presented by the Government to the Parliament in Sweden. They were not accepted, but a revised version was accepted one year later

⁸ The highest share of Swedish-born is found for Bornholm County with 6.3 per cent in 1901.

⁹ See Diaconescu and Tryggvesson (1992).

by the Parliament. This law was not a result of worries regarding labour migration but of perceived social problems and problems regarding internal and external security. A more important change was introduced during WW1 by requiring a passport and visa for those coming to Sweden. ¹⁰ The main intention was to increase security in a war period. For citizens from Denmark, Iceland and Norway a passport but not a visa was required from 1921 on. The policy introduced during WW1 was retained in most parts after the war, but the visa requirement was abolished after bilateral agreements in the inter-war period for citizens of a number of countries in the 1920s. An agreement was reached with Finland in 1928. From 1926 a work permit was required for non-Swedish citizens employed in Sweden.

The history of immigration policy changes during WW1 was repeated during WW2. Visas were required for non-Swedish citizens wanting to enter Sweden even for citizens of countries Sweden had bilateral agreements with. The visa requirement was reintroduced as a response to the involvement of gradually more countries in the war. For citizens in Germany, Austria and Czechoslovakia the visa requirement was reintroduced in 1938 and for all other countries than the Nordic ones in 1939. For Danish citizens it was reintroduced from April 12, 1940, for Norwegian citizens from May 21, 1940 and for Finnish citizens from June 13, 1941.

During WW2 many refugees arrived from the neighbouring Nordic countries to Sweden. Many stayed for long periods until the end of the war. A decision valid from October 1, 1943 was taken that citizens from the Nordic countries did not need a work permit. This may be seen as the first step to the modern version of a common Nordic labour market. This facilitated for refugees to get jobs during their stay in Sweden.

There were exceptions from the passport requirement for those living in the border regions of Denmark and Norway.

Table 2 Number of refugees in Sweden according to citizenship between 15 December 1944 and 15 July 1945

Country of citizenship	15/12	15/2	15/4	15/6	15/7
Denmark	14,700	15,400	16,200	6,200	5,000
Norway	31,500	36,100	40,700	19,000	8,000
Finland	6,500	4,200	3,400	3,000	2,800
Estonia (of Swedish descent)	6,500	6,500	6,500	6,500	6,500
Estonia	25,200	21,300	21,500	21,500	21,300
Latvia	3,700	3,000	3,000	3,500	3,400
Lithuania	300	300	300	400	300
Russia	700	900	900	200	800
Poland	1,000	1,000	900	8,600	10,100
Germany	5,400	5,200	5,500	6,000	5,700
Netherlands	600	500	300	1,300	1,300
Belgium	100	100	100	600	200
France	500	500	400	2,000	1,800
Others	1,200	1,300	800	6,800	8,300
Evacuated Finns Finnish	37,800	30,600	21,500	14,000	7,300
children (living in Swedish families)	44,000	42,300	41,100	37,200	36,700
All	180,100	169,200	163,100	136,800	119,500

Source, Olsson (1995, p. 26).

Table 2 shows the number of refugees living in Sweden at the end of WW2 and the months just after the end of the war. The table shows that the largest groups of refugees were from the Nordic countries and also that most refugees from Denmark and Norway returned home after the end of war. Important from the view of the future immigration policy was

that Sweden changed from being a country of emigration to a country of immigration during the war. Many people in Sweden grew accustomed to that people from other countries lived in Sweden.

The Foundation and Development of the Framework of the Common Nordic Labour Market¹¹

Already in the 1930s negotiations started regarding an agreement on a common Nordic labour market. They were interrupted by the war but started again in 1945 with a meeting of the ministers of social affairs in Copenhagen. An agreement was reached on abolishing work permits for intra-Nordic migrants but this agreement was only ratified by Denmark and Sweden and therefore not implemented.

Sweden abolished the visa requirement in August 1945 for citizens from Denmark, Iceland and Norway and in December 1949 also for Finnish citizens. Denmark did the same for Swedish citizens in 1946 and Icelandic and Norwegian citizens in 1952. At the time of the founding of the CNLM, Denmark only had visa requirements for migrants from Finland.

The Nordic Council was founded in 1952. The Nordic Council is the official inter-parliamentary body in the Nordic Region. Political discussions are held with members of the governments of the five Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) and the three autonomous territories (Faeroe Islands, Greenland and Åland) at the annual Session of the Nordic Council. It can be seen as a policy to strengthen cooperation between the Nordic countries. One of the first visible results of this cooperation was the foundation of the Common Nordic Labour Market in May 1954. The agreement meant that a citizen of a Nordic country who moved to another Nordic country should have the same rights as the citizens of the country they were staying in. In 1957, passport controls for those travelling between the Nordic countries were abolished.

This development did not mean that the obstacles for mobility between the Nordic countries were reduced to the same level as those for mobility within the countries. On the contrary, many impediments for mobility were still there. One major impediment for mobility between countries

¹¹ See Boguslaw (forthcoming) for details.

is that credentials from one country are not always accepted in another country. It may lead to that people do not migrate and that those who migrate have to take jobs outside the occupation they are trained for or to repeat all or parts of their education. Such restrictions were important, for example in the health sector, and they were not abolished by the general agreement of a common labour market for the Nordic countries in 1954. For the health sector separate agreements were reached regarding medical doctors in 1960, dentists in 1964 and nurses in 1968 and for other health sector occupations in the 1970s and the 1980s implying that degrees from other Nordic countries should be accepted. A general agreement for all occupations in the health sector was reached in 1993. Agreements for other occupations were also reached, for example for primary and secondary school teachers.

Another example of the gradual development is a convention regarding social security that was decided on in September 1955. This convention and other conventions and agreements reduce mobility costs but do not mean that all of them are eliminated.

Immigration to Sweden expanded rapidly in the 1960s and became an important issue in the political debate. The policy regarding work permits was changed. A prospective migrant was required to apply for a work permit and get it approved before entering the country, and the implementation of the law gradually became stricter. This did not concern the migration from the other Nordic countries to Sweden as the CNLM was still in force. The migration flow from Finland, which was the largest one, increased instead and reached its all time high in 1970. A discussion on how to reduce the immigration from Finland started and two new policies were introduced wholly or partially with the intention to reduce labour migration from Finland to Sweden.

One of those policies was the law on 240 hours of lessons in the Swedish language for foreign employees with the wages for those hours paid by the employer. It was passed by the Parliament in 1972 and became effective from July 1, 1973. It covered all foreign citizens who did not have Swedish, Danish or Norwegian as their mother tongue. This law covered in practice all foreign citizens from countries outside the CNLM but also the large

majority of immigrants from Finland. 12 Those from Denmark and Norway were not covered, however. The similarity between the three Scandinavian languages was the motivation for the exception. The aims of the law were two: First, to improve Swedish language proficiency among immigrants and thereby make it easier for them to integrate into the Swedish society, and second to make the employers less eager to recruit workers from Finland by increasing their costs. The intention stated in the proposal from the Government to the Parliament was to only include immigrants who arrived after the law became valid but this was changed by the Parliament so that even those who had arrived earlier were included. In the recession of the early 1970s, the unemployment rose much more for immigrants from Finland than for immigrants from Denmark and Norway. One explanation could be the increased costs for employers of hiring Finnish citizens as a result of the new law. This development, however, started before the law went into force, but the employers could have acted as a response to the information they had on the likely outcome of the political process in Parliament.¹³ Estimations on migration flows determinants show that this law led to a decline in immigration from Finland.¹⁴

The second policy intended to diminish migration between Finland and Sweden was introduced on the same date as the first one, July 1, 1973. Labour migration from Finland to Sweden in the 1950s and 1960s was mainly a migration of workers. In the 1960s most migrants were men from the countryside in northern Finland moving from jobs in agriculture to jobs in the manufacturing sector in Sweden. It was easier to find a job, the wages were higher and the housing situation was better in Sweden than in southern Finland, the alternative migration destination. Around 1970, Swedish employers also started to actively recruit people with higher than just basic educations. Young people with secondary education or higher education were recruited. Some employers recruited more or less all of the students in classes that completed their exams at secondary engineering schools or nursing schools. Finnish employers protested and got support from the Swedish trade unions. An agreement was reached between the

Finland has two official languages, Finnish and Swedish. About 95 per cent of the population has Finnish as their mother tongue. Most of them are not fluent in Swedish.

¹³ See Wadensjö (1975).

¹⁴ See Wadensjö (1976).

employer associations, the trade unions and governmental authorities in the two countries. The main part of the agreement was that the Swedish employers should not actively recruit workers themselves in Finland, but should instead make use of the services of the employment offices. The implicit assumption that the employment offices would be less efficient in recruiting workers from another country was not mentioned in the text of the agreement.

The content of this agreement was later included in the revised agreement on the CNLM from 1982, valid from August 1, 1983. This new version included also the content of other Nordic agreements decided on from 1954 on. In the new version of the CNLM agreement it was declared that the employment offices should be used for recruitment by all employers wanting to recruit workers from another Nordic country, not only by Swedish employers recruiting in Finland. The revised version of the agreement also includes a statement that each country should dimension its educational system with the intention to balance demand and supply so that as many persons are educated for different occupations, for example engineers and nurses, as there is demand for in the country.

Variations in the Size and Composition of Migration Flows over Time

The migration in the end of the 1940s and the 1950s up to the founding of CNLM was mainly labour migration to Sweden and it continued in that way up to the early 1970s. Table 3 gives the basic data. Finland became the largest country of origin already in the 1940s. An all-time high was reached in 1970. After that the migration from Finland declined very much. The table also shows that there were also large migration flows back from Sweden to Finland.

There are a number of studies on the determinants of the migration flows. ¹⁶ They show that the direction of the flows is determined mainly by

A part of the increase in 1970 may be due to the introduction of a common registration system for migration between the Nordic counties introduced from October 1, 1969.

For some examples see Eriksson (1989), Hietala (1978), Lundborg (1991), Nyberg (1980), Ohlsson (1975), Pedersen (1996), Røed (1996) and Wadensjö (1973, 1975 and 1976). For a survey and some new estimations see Pedersen, Røed and Wadensjö (2008).

income (and wage) differences and the variations over time mainly by job vacancies in the country of destination and unemployment in the country of origin. Another variable of importance is earlier flows of immigration (or stock of immigrants) representing network effects.

Migration policy variables have been included in some of the estimations and the results give support for the hypothesis that migration policy influences the size of migration. The results are that the foundation of the CNLM increased the migration flows to Sweden from the other Nordic countries, the introduction of a more restrictive policy regarding labour migrants of non-Nordic countries to Sweden increased migration from other Nordic countries to Sweden, and the law on 240 hours of education in Swedish diminished migration from Finland to Sweden.¹⁷

Table 3 Migration flows between Sweden and the other Nordic countries in 1946-1973

Year		Immig	ration			Emigr	ation	
	Denmark	Finland	Iceland	Norway	Denmark	Finland	Iceland	Norway
1946	3641	3980	20	3560	1984	333	27	1914
1947	6144	6568	50	4175	1464	424	14	1232
1948	6833	8934	19	4208	1902	618	43	1076
1949	4934	6414	33	3884	2879	983	22	1445
1950	4044	11851	28	3210	2679	1242	26	1743
1951	4716	12803	35	3185	2361	1986	32	1607
1952	2 4092	8158	57	2314	2634	3692	8	1883
1953	3 2555	6811	45	1854	3015	3922	31	2073
1954	2764	8440	71	1780	2422	2963	35	1487
1955	5 5557	11267	44	2373	1958	2830	40	1364
1956	6572	9134	50	2335	2234	3418	49	1450
1957	5599	11020	53	2291	2434	2703	46	1444
1958	3661	7645	82	1752	2791	2603	20	1423
1959	2492	7518	54	1708	3456	2700	38	1283

¹⁷ See for example Wadensjö (1976).

1960	2695	12311	60	2281	3316	3166	54	1187
1961	2695	12830	137	2364	3115	3768	53	1293
1962	2411	9770	92	2090	2686	4271	85	1451
1963	2990	10385	110	2155	2160	4071	89	1397
1964	2783	19302	117	2582	2463	3824	61	1449
1965	2831	21852	90	3600	2150	4540	51	1572
1966	2556	16617	111	3158	2386	6378	71	2037
1967	1869	10616	81	2072	1986	6061	90	2177
1968	2725	17338	108	2210	2173	6108	88	2397
1969	3261	38607	395	2650	2229	5858	85	1984
1970	3609	41479	772	2837	3397	10961	397	2602
1971	2431	16601	294	2258	3403	18712	334	2969
1972	2126	10313	171	1996	3070	17596	356	3209
1973	2357	9013	201	2286	3383	16118	263	2671

Source: Wadensjö (1974).

The inter-Nordic migration lost some of its importance after the long period of mainly immigration from Finland to Sweden. Refugee immigration became gradually more important for Denmark, Norway and Sweden. In the 1970s and 1980s, the migration between the Nordic countries was still mainly in the direction of Sweden, but the size of the migration was smaller except for a few years; for example, just after the first oil crisis from Denmark to Sweden and during some years with high unemployment from Finland to Sweden. In the 1990s the situation changed again. Sweden became an emigration country with net flows to the other Nordic countries. To some extent this is explained by immigrants in Sweden returning home, but also to some extent by that native Swedes went to Denmark and Norway to work, two countries who were less hit by the severe recession of the 1990s than Finland and Sweden. This can be illustrated by the development of GDP per capita from 1990 on. See Table 4. The slow development of the GDP per capita in Finland and Sweden in the first half of the 1990s was mainly a result of large declines in the employment rates in the two countries.

Table 4 The development of GDP per capita in Euro (PPP) since 1980

Year	Denmark	Finland	Iceland	Norway	Sweden
1980	8,300	7,500	9,000	7,600	8,200
1985	12,700	11,700	13,500	12,400	12,400
1990	16,200	16,400	18,400	16,200	16,700
1995	19,300	15,800	19,500	19,800	18,400
2000	25,100	22,300	26,500	31,400	24,100
2005	27,800	25,700	30,900	39,600	27,100
2008	29,700	28,900	31,800	47,900	30,100

Source: Nordic Council of Ministers.

A closer study of the migration flows in this period shows that there was a net emigration from Iceland most years. In periods of crisis, and the Iceland economy is volatile, many moved to Norway and especially Denmark. There was net emigration to Norway from the other Nordic countries in the 1990s, especially from Sweden. There was also a net migration from Sweden to Denmark.¹⁸

In the 2000s the situation changed once more. There was now net migration to Sweden from all other Nordic countries. See Table 5. This is explained by a combination of lower out-migration due to improved economic conditions in Sweden and that earlier migrants from Sweden returned. Over time, many of the migrants between the Nordic countries have returned back home after only a few years' stay.

Table 5 Migration flows between Sweden and the other Nordic countries in 2000-2008

Year -		Immigr	ation		Emigration			
rear -	Denmark	Finland	Iceland	Norway	Denmark	Finland	Iceland	Norway
2000	2996	3820	445	6577	2084	3113	460	4955
2001	3564	3659	433	6287	2247	3445	342	4421
2002	2 4250	3532	485	6374	2241	3211	347	4404
2003	3 4603	3395	474	5807	2585	3386	348	4391
2004	4674	3035	428	4884	3024	3507	362	4211
2005	5 5008	3282	450	4317	3341	3875	483	4445
2006	6432	3092	475	4489	3456	3365	406	5018
2007	7 6615	2888	457	4714	4307	3076	533	6006
2008	3 5605	2879	582	5055	4754	3336	349	7206

Source: Statistics Sweden.

¹⁸ See Pedersen, Røed and Wadensjö (2008).

The increase in migration from Denmark to Sweden is a different story. Many of the migrants were Danish citizens. One part of the explanation is that a bridge over Öresund between Copenhagen and Malmö was completed in June 2000. The fact that housing prices are much lower in Malmö than in Copenhagen led to that a number of people moved from the Copenhagen area to the Malmö area but in most cases continued to work in Copenhagen. Another explanation is the introduction in Denmark of restrictive rules regarding marriage migration. It became much more difficult for young first and second generation immigrants to marry someone from their own or their parents' home country and get a permit for both spouses to live in Denmark.¹⁹ For example, a rule of a minimum age of 25 at marriage for allowing the spouse to enter Denmark was introduced. One solution for such couples was that the partner living in Denmark and being a Danish citizen moved to Sweden (having the right to do so being Danish citizens) and then marry. The less restrictive Swedish rules make it possible for the spouse to move to Sweden. After getting Swedish citizenship after five years the couple has an option to move to Denmark. It is possible to see the effects in the statistics. The increase in mobility to Sweden has been much larger among those aged 20-24 years than among others, and the increase has been especially high among those living in the suburban municipalities to Copenhagen, where many first and second generation immigrants live.

The Labour Market Situation of the Migrants

We will now turn to the situation of labour migrants who have moved from one Nordic country to another. Is the immigrants' labour market situation worse than that of the natives due to discrimination or other causes? We will use data for Sweden, the country with most immigrants from other Nordic countries. The data contains information for 2006 on all immigrants from the Nordic countries and native Swedes living in Sweden. The individuals included are those who are registered as living in Sweden at the end of the year. The information on if a person is employed or not is from November, and the information on wages is from September or No-

¹⁹ See Schultz-Nielsen (2010).

vember (depending on sector). It means that the data set does not include information on if people are employed or not for those who arrived late in 2006, only that they have arrived and are living in Sweden at the end of the year. We will start with a comparison of the employment rates among those aged 16-64 for those who were born in the other Nordic countries with those who were born in Sweden. See Table 6.

Table 6 Employment rate in Sweden in 2006 among those born in one of the other Nordic countries and in Sweden aged 16-64

Country	Men	Women	All
Denmark	49.1	52.5	50.5
Finland	62.5	67.6	65.3
Iceland	62.8	64.1	63.5
Norway	56.0	61.0	58.6
Nordic	59.1	64.6	62.0
Sweden	76.4	73.9	75.2

Source: The SIEPS database which is based on individual register data from Statistics Sweden and the Swedish Migration Board.

The employment rates for those from the other Nordic countries registered as living in Sweden are considerably lower than for people born in Sweden.²⁰ The employment rate is lower for men than for women, which is not very common.

There may be several different explanations for the low employment rates. One explanation could be differences in age composition. Among those of active age, 16-64, the immigrants from Denmark, Norway and especially Finland are older than the natives. Many are 55 years and older, an age group with quite a few disability pensioners. Among those from Finland of active age a larger share than among the natives are also disability pensioned, but this is not the case for those from Denmark and Norway, and those coming from Iceland less often receive disability pensions than the natives. Even if part of the difference is explained by differences in age composition, much remains to be explained.

A second explanation is that a group, though not very large, has immigrated to Sweden late in the year and therefore has not worked in Sweden

²⁰ The determinants of low registered employment among immigrants are the theme for a new SULCIS research project.

in November, the month employment is measured, but is registered as living in the country at the end of the year.

A third explanation and maybe the most important one is that immigrants have (re)emigrated without notifying the tax authorities about it and that the registration of emigration is delayed due to that. Our estimations for 2005 show that this group is most likely at least 6.5 per cent of those from Denmark, 1.1 per cent of those from Finland, 2.2 per cent of those from Iceland and 4.0 per cent of those from Norway. The share is highest among those aged 25-35 years, an age group characterized by high mobility.

A fourth explanation is that some of the immigrants are students who do not combine studies with work, but the share who are students is probably lower than among natives due to the age composition.

A fifth explanation is that immigrants are registered as immigrants in Sweden but only work part of the year, for example seasonal work in the summer (and not in November the month employment is measured in the register statistics). This group is most likely small among those coming from other Nordic countries (but much larger for those coming from countries who became members of the European Union in 2004).

A sixth explanation is that some immigrants who are not working are supported by other family members. They may be housewives for example. This group is also most likely small among those coming from the other Nordic countries.

A seventh explanation is that people work in the unregistered part of the economy (the shadow economy). This is also most likely a very small group among immigrants from the Nordic countries.

An eighth explanation is that people who live in Sweden work in another country and therefore are not registered as working in Sweden. This is quite common among those who are from Denmark and may explain why the registered employment rate is considerably lower among those who were born in Denmark than among those who were born in other Nordic countries.

There are only a few studies on the employment in recent years among immigrants from the other Nordic countries. A study of Finnish immigrants who have lived in Sweden for many years, Saarela and Roth (2006),

shows that Finnish immigrant men have considerably lower employment rates than men born in Sweden. The corresponding employment difference between immigrant women born in Finland and women born in Sweden is much smaller. A comparison of the employment rates of immigrants from the two language groups in Finland, Finnish and Swedish speaking, show that men from the Swedish speaking group perform more or less like the Swedish born men but that the Finnish speaking ones are doing worse. See Saarela and Finnäs (2006).

The employment rate estimations have to be interpreted with care, but information on working hours, wages, industry and education for those employed does not suffer from the same problems. In Table 7 information on working hours in 2006 is shown. There are only small differences between those born in Sweden and those born in the other Nordic countries.

Table 7 Working hours in Sweden in 2006 among those born in one of the Nordic countries and in Sweden aged 16-64

Country	Men	Women	All
Denmark	134.9	118.1	125.9
Finland	139.2	122.9	128.5
Iceland	132.5	112.8	121.4
Norway	137.2	115.7	123.8
Nordic	138.1	121.3	127.4
Sweden	138.7	117.9	126.8

Note. Only those employed are included.

Source: The SIEPS database which is based on individual register data from Statistics Sweden and the Swedish Migration Board.

Table 8 shows the monthly average wage (recalculated to full-time monthly wage for those not working full-time) for people who were born in the other Nordic countries and those who were born in Sweden. The average monthly wage is slightly lower for men and slightly higher for women for those born in other Nordic countries than Sweden. There are differences however between those coming from different Nordic countries. Men from Finland have on average lower wages than those who were born in Sweden, who on the other hand have lower wages on average than those who were born in the three other Nordic countries. Differences in the composition according to age and education may contribute to explain the differences.

Table 8 Monthly wages in SEK²¹ (for those working less than full-time the wage is recalculated to full-time wage) among those born in one of the Nordic countries and in Sweden aged 16-64 in September 2006 or November 2006

C	Country	Men	Women	All
De	enmark	30,599	23,084	26,553
F	inland	26,826	22,428	23,940
Id	celand	33,423	23,960	28,095
N	orway	30,904	22,035	25,378
N	Vordic	28,097	22,468	24,513
S	weden	28,332	22,217	24,844

Note. Only those employed are included.

Source: The SIEPS database which is based on individual register data from Statistics Sweden and the Swedish Migration Board.

Table 9 shows that on average the educational level is as high among those coming from other Nordic countries as for those who were born in Sweden but the distribution on educational levels is different. Note that we lack information on education for a larger share of the immigrants than for those born in Sweden. Information on education is mainly missing for the newly arrived, which leads to problems in estimating the effects of education on the labour outcome for this group.

Those who have come from Finland more than those who have come from other Nordic countries, have more often only short educations.²² Rooth and Saarela (2007) show that those who migrate from Finland have fewer years of education than those who stay in Finland, and that among those who have migrated to Sweden those who return have more years of education than those who remain in Sweden. It means that the selection both to come and to stay in Sweden is negative regarding years of education. Those born in Iceland have on average the highest education. The education of those born in Denmark, Norway and Sweden is more or less the same.

^{21 9.3} SEK \approx 1 euro in October 2010.

Differences between groups regarding the share with less than years of education are closely related to differences in the age distribution between the same groups.

Table 9 Distribution of people born in one of the other Nordic countries and in Sweden according to education in 2006; per cent

Country				Educ	cation			
Country	1	2	3	4	5	6	9	All
Denmark	7	11	34	4	25	1	17	100
Finland	15	14	44	4	19	1	3	100
Iceland	2	15	33	6	32	4	8	100
Norway	6	14	39	5	24	1	11	100
Nordic	12	14	42	4	21	1	7	100
Sweden	4	16	47	6	25	1	1	100

Note. Educational classification; 1 primary school less than 9 years, 2 primary school 9(10) years, 3 secondary school, 4 higher education less than two years, 5 higher education two years or more, 6 post-graduate education, 9 lacking information

Source: The SIEPS database which is based on individual register data from Statistics Sweden and the Swedish Migration Board.

Table 10 shows the industry distribution for those who were born in the other Nordic countries and as a comparison those who were born in Sweden. The distribution is very much the same for all who were born in the other Nordic countries and those who were born in Sweden. The main differences are that immigrants from Finland are overrepresented and immigrants from Iceland underrepresented in manufacturing and immigrants from all other Nordic countries are overrepresented in the health sector.

Table 10 Distribution of people born in one of the other Nordic countries and in Sweden according to industry in 2006; per cent

Country						Indu	ıstry					
Country –	0	1	2	3	4	5	6	7	8	9	10	All
Denmark	2	1	19	1	5	20	13	10	20	7	4	100
Finland	1	1	22	1	6	14	13	10	21	6	5	100
Iceland	1	1	10	1	5	16	12	15	26	10	3	100
Norway	2	1	16	1	4	19	15	9	22	8	4	100
Nordic	1	1	20	1	6	16	13	10	21	6	5	100
Sweden	1	2	16	1	6	19	14	11	16	7	6	100

Note: Industry classification; 0 not classified, 1 agriculture, forestry, fishing, 2 manufacturing, mining, 3 public utilities, 4 construction, 5 trade, communication, 6 financial services, business services, 7 education, 8 health care, 9 personal and cultural services, 10 public administration.

Source: The SIEPS database which is based on individual register data from Statistics Sweden and the Swedish Migration Board.

Immigrants, especially those recently arrived, have lower wages than natives in many countries when controlling for different characteristics. It

is of interest to see if this is also the case for immigrants from other Nordic countries in Sweden. We have estimated Mincer-equations with the logarithm of the monthly full-time wage as the dependent variable, and as independent variables age, age squared, female, educational levels and either dummy variables for being an immigrant who was born in a Nordic country or a dummy variable for coming from any of them (see Table 11). We lose observations due to the lack of information on education for a part of the recently arrived immigrants.

The result for the coefficient of the Nordic country-dummy is a negative value indicating a negative wage premium, but only of about 0.4 per cent for women and 2.6 per cent for men.²³ When dummies for the different countries are included in the estimations, the coefficients vary. The coefficient is negative and significant for men from Finland, small and positive but not significant for men from Denmark and positive and significant for men from Iceland and Norway. For women the coefficient is small in most cases and not significantly different from zero.

Table 11 Wage equation estimates with log monthly wage at full time work in 2006 as the dependent variable

	Men	Women	All	Men	Women	All
Constant	9.0029	9.2753	9.2538	9.0030	9.2754	9.2538
Constant	(0.0041)	(0.0027)	(0.0024)	(0.0041)	(0.0027)	(0.0024)
Female	0.0000	0.0000	-0.1848	0.0000	0.0000	-0.1847
Temate	(0.0000)	(0.0000)	(0.0004)	9.0030 (0.0041) 0.0000 (0.0000) 0.0392 (0.0002) -0.0004 (0.0000) 0.0650 (0.0017) 0.1433 (0.0015) 0.3290 (0.0020) 0.3855	(0.0000)	(0.0004)
Age	0.0392	0.0226	0.0299	0.0392	0.0226	0.0299
Age	(0.0002)	(0.0001)	(0.0001)	(0.0002)	(0.0001)	(0.0001)
Age squared	-0.0004	-0.0002	-0.0003	-0.0004	-0.0002	-0.0003
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Primary	0.0661	0.0562	0.0608	0.0650	0.0562	0.0605
school 9 or 10 years	(0.0017)	(0.0013)	(0.0011)	(0.0017)	(0.0013)	(0.0011)
Secondary	0.1444	0.0963	0.1203	0.1433	0.0963	0.1199
school	(0.0015)	(0.0011)	(0.0009)	(0.0015)	(0.0011)	(0.0009)
Higher	0.3301	0.2412	0.2931	0.3290	0.2412	0.2927
education < two years	(0.0020)	(0.0018)	(0.0014)	(0.0020)	(0.0018)	(0.0014)
Higher	0.3871	0.3024	0.3412	0.3855	0.3024	0.3408
education ≥ two years	(0.0016)	(0.0011)	(0.0010)	(0.0016)	(0.0011)	(0.0010)

As we use the logarithm of wage as the outcome variable, the effect of a change in one of the explanatory variables is estimated by the antilog given by exp(estimated coefficient)-1.

Post- graduation education	0.6286 (0.0030)	0.6200 (0.0034)	0.6211 (0.0022)	0.6263 (0.0030)	0.6199 (0.0034)	0.6203 (0.0022)
Denmark				0.0035 (0.0052)	-0.0027 (0.0033)	0.0006 (0.0030)
Finland				-0.0434	-0.0031	-0.0190
				(0.0019)	(0.0010)	(0.0009)
Iceland				0.0352	0.0134	0.0234
iceiand				(0.0125)	(0.0073)	(0.0069)
Norway				0.0206	-0.0115	0.0012
Noiway				(0.0054)	(0.0025)	(0.0026)
Nordic	-0.0259	-0.0039	-0.0132			
Northic	(0.0017)	(0.0009)	(0.0009)			
R-squared	0.248	0.267	0.304	0.249	0.267	0.304
Number of observations	703,387	920,930	1,624,317	703,387	920,930	1,624,317

Note. Standard errors within parentheses. People born in Sweden and immigrants born in Nordic countries are included in the estimations. Those with less than 9 years of education are the reference educational category.

Source: The SIEPS database which is based on individual register data from Statistics Sweden and the Swedish Migration Board.

We have re-estimated the equations with dummies for the period of arrival (see Table 12). Maybe a bit surprisingly we found that the coefficient for men from Nordic countries is negative for those who arrived before 1990 but positive for those who arrived after 1990. The effect is rather large for those who arrived after 1995. There may be several explanations for that: 1) differences between different cohorts, 2) selective return migration, 3) an adjustment to the mean for those who have stayed in Sweden for a long period. For women the tendencies go in the same direction, but the values of the coefficients are much smaller and not always significantly different from zero.

Table 12 Wage equation estimates with log monthly wage at full time work in 2006 as the dependent variable and time of arrival to Sweden among the explanatory variables

	Men	Women	All
Constant	9.0036	9.2756	9.2538
Constant	(0.0041)	(0.0027)	(0.0024)
Female			-0.1847
	0.0391	0.0226	(0.0004) 0.0299
Age			
	(0.0002) -0.0004	(0.0001)	(0.0001)
Age squared		-0.0002	-0.0003
	(0.0000)	(0.0000)	(0.0000)
Primary school 9 or 10 years	0.0650	0.0559	0.0603
, , , , , , , , , , , , , , , , , , ,	(0.0017)	(0.0013)	(0.0011)
Secondary school	0.1434	0.0960	0.1198
	(0.0015)	(0.0011)	(0.0009)
Higher education < two years	0.3288	0.2408	0.2923
ingnot education two years	(0.0020)	(0.0018)	(0.0014)
Higher education ≥ two years	0.3850	0.3020	0.3401
ingher education <u>e</u> two years	(0.0016)	(0.0011)	(0.0010)
Post graduate education	0.6259	0.6191	0.6194
1 ost graduate education	(0.0030)	(0.0034)	(0.0022)
Arrived before 1970	-0.0434	-0.0079	-0.0223
Affived before 1970	(0.0025)	(0.0014)	(0.0013)
Arrived 1970-74	-0.0522	-0.0153	-0.0311
Allived 1970-74	(0.0032)	(0.0018)	(0.0017)
A 1 1075 70	-0.0371	-0.0035	-0.0182
Arrived 1975-79	(0.0042)	(0.0022)	(0.0020)
4 : 11000.04	-0.0396	0.0049	-0.0133
Arrived 1980-84	(0.0064)	(0.0032)	(0.0030)
	-0.0202	-0.0033	-0.0108
Arrived 1985-89	(0.0061)	(0.0035)	(0.0032)
	0.0170	0.0095	0.0127
Arrived 1990-94	(0.0085)	(0.0044)	(0.0043)
	0.0803	0.0181	0.0446
Arrived 1995-99	(0.0108)	(0.0048)	(0.0052)
	0.0395	0.0075	0.0239
Arrived 2000-06	(0.0089)	(0.0041)	(0.0044)
R-squared	0.249	0.267	0.304
ic squared	703,387	920,930	1,624,317

Note. Standard errors within parentheses. People born in Sweden and immigrants born in Nordic countries are included in the estimations. Those with less than 9 years of education are the reference educational category.

Source: The SIEPS database which is based on individual register data from Statistics Sweden and the Swedish Migration Board.

Related to this issue is the situation for the children of the immigrants and their children, the second and third generations of immigrants.²⁴ Hammarstedt (2009) has studied the earnings of first generation immigrants in Sweden in 1968 (who lived in Sweden in 1960), and their children in 1980 and their grandchildren in 2003 compared to natives. The choice of period means that the study in practice covers immigration to Sweden from other European countries (mainly other Nordic countries). He finds that the first generation immigrants had significantly higher earnings than natives in 1968 when controlling for different characteristics (education, age, etc.). The second generation of immigrants' earnings did not differ from those of the natives in 1980, but the earnings of the third generation of immigrants were significantly lower than those of the natives (in 2003). If the immigrants in the estimations are divided after countries of origin the signs of the coefficients are the same, but the coefficients are not always significantly different from zero. For immigrants from Finland the effect for the first generation is significant and positive and for those coming from other Nordic countries than Finland the effect for the third generation is significant and negative. The later result is difficult to explain.

Commuting over the Borders²⁵

Migration to another Nordic country is not a necessary condition for being active in a national labour market other than in the country of residence. One possibility is to commute on a daily or weekly basis, working in one Nordic country and living in another. Another possibility is to work for employers in another Nordic country in periods without changing residence. The last option is widely used for example by nurses and physicians, doing temporary work in another country than their home country.

There are a number of recent reports that give details on the current situation regarding commuting, and statistics on commuting over the national borders are now continuously published on the websites of the statistical central bureaus of the Nordic countries. The information is the result

²⁴ See SCB (2010) for a study covering many different aspects of the situation of second generation immigrants in Sweden.

See Andersson Joona and Wadensjö (2008) and Pedersen, Røed and Wadensjö (2008) for more detailed information.

of a joint project between the statistical bureaus that is built on administrative registers which make it possible to determine which residents in each of the Nordic countries who have had salaries or wages earned from an employer in another Nordic country. A summary of this information is presented in the following.

People for whom earnings in a country other than the country of residence are greater than the earnings in the country of residence are defined as commuters. There are of course many individuals who work in another country than the country of residence but get the main part of their income from the country of residence. They are not classified as commuters.

In Table 13 the number of commuters is presented, i.e. those for whom the wage income from the neighbouring country dominates. In relation to the magnitude of the four national labour markets, the total number of commuters is small but increasing. Geographical and/or professional concentration of this small group of commuters, however, may add flexibility to the Nordic labour markets, along with the option of migrating to another national labour market. The table shows that Denmark and Norway are "in-commuting" countries and Sweden an "out-commuting" one.

Table 13 Number of people with labour income from another Nordic country in 2005 and 2006

Country of			(Country o	f residence	e			
work	Denmark		Fin	Finland		Norway		Sweden	
	2005	2006	2005	2006	2005	2006	2005	2006	
Denmark									
Total	0	0	na	na	599	547	10463	18783	
Men	0	0	na	na	338	317	6626	11604	
Women	0	0	na	na	261	230	3837	7179	
Finland									
Total	na	na	0	0	190	205	2050	2660	
Men	na	na	0	0	101	111	1179	1464	
Women	na	na	0	0	89	94	871	1196	
Norway									
Total	2262	2551	2305	1010	0	0	13240	15919	
Men	1413	1641	1277	749	0	0	9614	11577	

Women	849	910	1028	261	0	0	3626	4342
Sweden								
Total	1838	1980	2305	3244	1987	1961	0	0
Men	1089	1168	1277	1806	1065	1073	0	0
Women	749	812	1028	1438	922	888	0	0

Source: Nordic Council of Ministers

Note: na = not available

The fastest development in commuting has been that between Sweden and Denmark. Table 14 shows the development between 1997 and 2007. Important factors behind this development are the bridge over Öresund which was completed in June 2000, and restrictive rules regarding marriage migration introduced in Denmark in the beginning of the 2000s.

Of those who commuted from Skåne (the most southern province of Sweden, which includes the Malmö area) to the eastern part of Denmark (which includes the Copenhagen area) in 2007, 39.1 per cent were born in Denmark, 39.5 per cent in Sweden and 21.4 per cent in another country. Most of those who were born in a country other than Denmark and Sweden are Danish or Swedish citizens.²⁶

Even if the commuting between the countries is large and growing, it is not large in comparison with the commuting inside each country. As an example, it can be mentioned that 173,000 commuted to Copenhagen municipality from other municipalities in Denmark and 111,000 commuted from Copenhagen municipality to other Danish municipalities in 2007.

Table 14 Commuting between Denmark and Sweden between 1997 and 2007

Year	From Denmark to	From Sweden to
rear	Sweden	Denmark
1997	166	2130
1998	188	2365
1999	204	2584
2000	281	3010
2001	539	3751
2002	533	4697
2003	536	5683
2004	692	7160

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2005	734	8783
2006	750	12744
2007	623	17890

Source: Nordic Council of Ministers

Note: A new definition of commuting was introduced from 2007 by Statistics Sweden leading to a lower number of commuters from Denmark to Sweden than according to the former definition. According to the old method the number of commuters would have been 719 in 2007.

Conclusion

Is it possible to draw some conclusions from the experiences of the Common Nordic Labour Market? I think so. Here are some tentative ones:

It was possible to successfully keep and develop a common Nordic labour market. This is in contrast to the earlier experiences of the foundation of the Scandinavian currency union.

There have been some tendencies to crisis but they have been handled by adjustments in the agreements and by other policy measures.

At the start the migration flow was mainly in one direction, from Finland to Sweden, but this has changed so that now there are migration flows in various directions depending on business cycle variations and changes in the economies of the participating countries.

The conditions for the Nordic migrants are more or less the same as those for natives, i.e. they fulfil the expectations stated in the agreement of 1954.

In the last ten years, commuting over the borders has greatly increased. This increase has been facilitated by better communications over the borders, especially the bridge over Öresund.

Even if migration and commuting between the Nordic countries are rather large, the migration and commuting within the countries are much larger. The Nordic labour markets are closely related, but they are not one single labour market in the same sense as the labour market of each of the countries.

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P.O. Box 7240 D-53072 Bonn

email: iza@iza.org web: www.iza.org