

Trust beyond borders

– The Norwegian welfare state, social coordinated security schemes and the free movement of labour.

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The idea of distributive justice presupposes a bounded world which distribution takes place: a group of people committed to dividing exchanging and sharing social goods, first of all among themselves

– Michael Waltzer

Abstract

Will the increase in the number of labour immigrants after the EU enlargements in 2004, 2007 and 2013, in the context of having to comply with the regulation of coordinated social security from EU, harm levels of general trust in Norway? If so can a decline in the levels of general trust come to challenge the legitimacy of the Scandinavian welfare state?

The European community has always emphasized the importance of the four principles of free movement to the success and prosperity of its internal market; one of these four is the free movement of people in order to successfully implement the principle of free movement of people and enhance mobility and flexibility in the internal labour market; the coordinated social security rights were introduced. These ensures that when citizens from the internal market in the European economic area (EEA) takes on employment in another EEA country; they are treated equally along the lines of full citizens under the domestic social security (NOU, 2011 p. 113-115). In 2004, 2007 and 2013 European Union (EU) membership was extended to 11 new countries from Central and Eastern Europe. Their lower levels of economic development compared to most of the current countries in the EEA at that time caused concern in the public and among scholars, regarding how the enlargement would affect the internal market. Due to the gap in wage levels and the welfare program provided by the state in the eastern and the western EEA countries, one of these concerns was that the western countries would be in danger of becoming “magnets” to labour immigration from the east (Kvist, 2004). With the coordinated social security rights in the EU, the role of the modern citizenship as guardian of the social citizenship and a tool for solidarity-building is obviously weakened.

In Scandinavia the support of the welfare state has historically been even stronger and remained even more stable than anywhere else in Europe (Esping-Andersen, 1990). Simultaneously Scandinavian states are known for having exceptional high levels of general trust in their society compared to the rest of the world (NOU, 2011 p. 47). After the EU enlargement in 2004 and onwards, Norway experienced a strong increase in the number of labour immigrants from the EU. Currently labour immigrants from Eastern European EU countries have become the largest group of labour immigrants in Norway (Ministry, 2010-2011 p. 19). Speculations on how this would affect the legitimacy of the Norwegian welfare state, and what welfare benefits would be most attractive to these labour immigrants surfaced.

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1.0 Introduction

The European community has always emphasized the importance of the four principles of free movement to the success and prosperity of its internal market; one of these four is the free movement of people¹. The 1990s represented a time where the European integration process and the implementation of the four freedoms were stepped up (Kautto et al., 2001 p.169). The social policy area has always been and remains an important source of legitimacy for the national governments. Consequently the member states of the European Union(EU) have been very reluctant in sharing any of its powers in the social realm with the supranational institutions of EU(Ferrera, 2005). During the mid-1970s there were a shift in attitudes on the international level, triggered by the economic crisis and the increasing levels of unemployment that followed it. Unemployment was thought to be the main source for why EU had not yet been able to successfully implement the 4 freedoms. Both the EU and the organization for economic co-operation and development (OECD) concluded that social security arrangements had an essential effect on employment levels. Research from OECD eventually exposed that a stronger focus on active measures in social security within the borders of the union would be the best solution to combat unemployment (Kautto et al., 2001 p. 169). In order to successfully implement the principle of free movement of people and enhance mobility and flexibility in the internal labour market; the coordinated social security rights were introduced. These ensures that when citizens from the internal market in the European economic area (EEA) takes on employment in another EEA country; they are treated equally along the lines of full citizens under the domestic social security(NUO, 2011 p. 113-115).

In 2004, 2007 and 2013 European Union (EU) membership was extended to 11 new countries from Central and Eastern Europe. Their lower levels of economic development compared to most of the current countries in the EEA at that time caused concern in the public and among scholars, regarding how the enlargement would affect the internal market. Due to the gap in wage levels and the welfare program provided by the state in the eastern and the western EEA countries, one of these concerns was that the western countries would be in danger of becoming “magnets” to labour immigration from the east(Kvist, 2004). In continental Europe the legitimacy of the welfare state has typically been associated with questions of solidarity, a solidarity closely linked to and strengthened by the institution of the modern

¹ Four freedoms of movement: goods, services, capital and people.

citizenship(Ferrera, 2005 p. 205). This is even more so in the case Scandinavia where the welfare programs are universal and more comprehensive than in any other European state (Esping-Andersen, 1990). With the coordinated social security rights in the EU, the role of the modern citizenship as guardian of the social citizenship and a tool for solidarity-building is obviously weakened. However it is important to understand that the coordinated social security rights have never been an attempt by the supranational institutions in EU to harmonize the national welfare systems into one identical common European system(NUU, 2011). On the other hand, the functioning of the internal market requires the EEA countries to make certain adjustments, and it is therefore not unlikely that the coordinated social security rights indirectly could have the potential of producing greater convergence in the area of welfare as well (Kautto et al., 2001 p.169). Esping-Andersen (1990), argue that one should not overlook the fact that the coordinated system of social security was designed and determined in the context of continental European countries, which have very different welfare state regimes compared to the Scandinavian states.

In Scandinavia the support of the welfare state has historically been even stronger and remained even more stable than anywhere else in Europe (Esping-Andersen, 1990). Simultaneously Scandinavian states are known for having exceptional high levels of general trust in their society compared to the rest of the world(NUU, 2011 p. 47). After the EU enlargement in 2004 and onwards, Norway experienced a strong increase in the number of labour immigrants from the EU. Currently labour immigrants from Eastern European EU countries have become the largest group of labour immigrants in Norway(Ministry, 2010-2011 p. 19). Speculations on how this would affect the legitimacy of the Norwegian welfare state, and what welfare benefits would be most attractive to these labour immigrants surfaced.

Due to the limitations of this thesis, in both size and time, I have chosen to mostly focus on the Norwegian welfare state as a representative of the Scandinavian states. However even though the Scandinavian welfare states are placed within the same welfare regime, the welfare states and their context is never completely identical. Additionally the survey data that I have analysed in this thesis, only measures the perception of the Norwegian population, making it difficult to generalize to citizens in other Scandinavian states. My thesis will therefore give some insight to the general challenges posed by the coordinated social security rights to the legitimacy of the Scandinavian welfare models; but mostly my analysis will be relevant to the Norwegian society and welfare state.

My research question for this thesis will therefore be; *“Will the increase in the number of labour immigrants after the EU enlargements in 2004, 2007 and 2013, in the context of having to comply with the regulation of coordinated social security from EU, harm levels of general trust in Norway? If so can a decline in the levels of general trust come to challenge the legitimacy of the Scandinavian welfare state?”*

1.1 Research project: its relevance and contribution

According to Verba (1994) there are two conditions one should take into considerations when deciding on a research project in social science. First of all a good research project should contain a research question that presents a deeper understanding of how and why something affects and matters to peoples' lives. Secondly my research project must make a contribution to the literature in the field of political science, by constructing verified scientific explanations of some aspects of the world. This contribution to the field of political science can come by using a new theoretical approach, gathering empirical findings, or/and by using a specific methodological method to search for new empirical findings that can answer or give a new perspective to the field of research (Verba, 1994 p. 15).

The modern welfare state has since its establishment in the 1960s and 1970s become an important influence in the lives of its citizens. Especially in the Scandinavia peoples' lives are at one point or several dependent on the welfare programs that the welfare state has to offer them (NOU, 2011). The modern welfare states, the willingness to contribute and the legitimacy of its redistribution efforts, were designed in the context of the nation state and the modern citizenship (Ferrera, 2005). Theoretically my research project contributes to the literature in political science studying the connection between solidarity and the welfare state, and the functions of boundaries in enhancing this community feeling.

Methodologically and empirically my research project contributes to the literature in the field of political science studying the effect of globalization on the solidarity feeling. Solidarity is thought to be an important component of the welfare state and especially the Scandinavian welfare states. Since the 1980s literature in the field of political science, debating how globalization might force the modern welfare states to retrench has been present Still the trust in the state and the fellow citizens, have remained high in Scandinavia compared to the rest of Europe. In the 1980s many western European states became more influenced by ideas from neo-capitalism (Kuhnle, 2000 p. 218-223). Studying the level of general trust in Norway after

the 2004 enlargement, have relevance to the literature on globalization and welfare; because the implications of having coordinated social security rules did not really affect Norway much prior to 2004. Therefore with the development on the Norwegian labour market that happened after the EU enlargements in 2004 and 2007 (Olsen, 2013 p. 60-61), Norway seems like a representative case when studying the impact of European integration on the levels of general trust and indirectly the legitimacy of the Scandinavian welfare state. On the one hand labour immigration and its effects on the welfare programs occasionally becomes a hot topic in the Norwegian media. On the other hand due to the recentness of the EU enlargements and its effect on the labour market in Norway, the scholarly literature in political science is not yet too evolved in this area. I therefore hope my research project can contribute with an insight into how the EU enlargements to Eastern Europe; is affecting Norway and whether it could come to affect the legitimacy of the Norwegian welfare state.

The importance of this research question to the peoples' lives are also in the case that these new realities can be found to actually damage the solidarity feeling and materialize into demands for welfare restructuring. With coordinated social security rights, national politicians within the EEA are no longer able to distinguish on the basis of citizenship, between who has access or not to their national welfare programs. Consequently cutbacks in welfare programs will implicate all welfare recipients whether they are full citizens or only labour immigrants from other EEA countries(NOU, 2011).

1.2 The structure of this thesis

In chapter two I will start out with some necessary background information. In order to get a better understanding of the modern welfare state I will first give a brief insight into their development and their objectives. Secondly I will clarify what types of welfare state categories there are, and what the literature defines their main commonalities and differences to be. From here I will take a closer look at the Scandinavian welfare regime, and more specifically the Norwegian welfare state, to get an essence of what makes their institutional design in the face of globalization, more vulnerable than compared to other welfare states. Secondly I will give the reader an introduction into the development of the coordinated social security rights in the EU and why the 2004, 2008 and 2013 EU enlargements caused so much turmoil compared to previous enlargements. Thirdly I will introduce the empirical effects that

these EU enlargements have had on the Norwegian labour market both nationally and regionally. The chapter will end with a presentation of what implications the social coordinated security rights from EU have had on the Norwegian domestic social security benefits.

In chapter three I will present the theoretical framework of my thesis. I will briefly mention the power-resource model as it has been an important influence in the political science literature on the welfare state. In my thesis I will be using a theory of path-dependency and more specifically a legitimacy explanation when studying the institutional reproduction of general trust and institutional legitimacy. Thereafter I will use social capital theory to describe why general trust is so important for the legitimacy of the welfare state, before discussing the impact of boundary-structuring on general trust. At last I will end the chapter by theorizing the concept that I will be using in the statistical analysis.

In the fourth chapter I will present the data, the operationalization of my concepts and the method of statistical analysis.

In the fifth chapter I will present some descriptive statistics before I present my findings from the statistical analysis.

In chapter six I will present the conclusion of this research thesis and discuss how my findings relate to the research question and the theoretical framework.

2.0 Background information

2.1 The modern welfare state: The three welfare regimes

The idea that the state was to somewhat degree responsible for citizens economically and social welfare had already in the early 20th century, started to take root in the Western European states (Kuhnle, 2000 p.209). From the 1950s and up until the 1970s, the citizens in Western Europe increasingly demanded more social rights, which eventually led to a great expansion of the national welfare programs (Hatland et al., 2001 p.13-15). During this time period the welfare state became a vital component of the modern citizenship in Western Europe. The boundaries of the nation state consequently became the territorial markers of who were to encompass as the insiders or/and outsiders of the welfare state(Ferrera, 2005 p.44-45). According to Susycki and Karolewski (2013 p. 38) the welfare state can very simplified be defined as a system of state organized redistribution, which organizes redistribution of life opportunities throughout life cycles by granting their citizens a social citizenship(Susycki and Karolewski, 2013 p. 38) . A social citizenship meaning that all citizens are granted social rights based on their legal status as citizens and not their performance or position in society. From this definition the welfare state becomes a counteractive tool attempting to reduce the negative consequences of the free market by de-commodifying labour (Esping-Andersen, 1990 p. 21).

Combining the social citizenship with the institution of the modern citizenship made it conceivable for the state to overlook and demand that all citizens of the nation state contributed to the welfare state(!!! INVALID CITATION !!!). Furthermore the compulsory membership practices made it possible for the national authority to effectively pool resources needed for redistribution, through either a flat rate or proportional taxation(Ferrera, 2005). It gave the state both a larger and a more stable pool of resources, making it possible for them to produce more welfare and eventually extend the reach of its welfare program to the majority of its citizens. It could now take on more costly welfare entitlements like unemployment, family break-up or disability which often would be too costly to manage for the individual through private insurance (Susycki and Karolewski, 2013 p. 38)..

The modern welfare states that evolved during the 1950s have certain structural similarities. On the other hand the level of de-commodifying and social stratification effect that they embody varies. Esping-Andersen (1990 p.26-27), concludes that the modern welfare states can be classified into three types of welfare regimes; the Conservative, the Liberal and the

Scandinavian or also called the Social-democratic welfare regime. The study by Esping-Andersen (1990) caused massive debate in the welfare literature, and despite criticism the classification of the three welfare regimes still holds strong empirical support 20 years later (NOU, 2011 p. 46-7). In the Liberal welfare regime most welfare provisions are means tested, and there are a very modest universal transfer. Benefits are usually very limited, and are mainly targeting low class clientele. The majority of the population is encouraged to subscribe to private insurance coverage; and there is a general belief in the society that a too generous welfare state would only come to harm the work ethics of the population. *“The archetypical example of this model are the US, Canada and Australia”* (Esping-Andersen, 1990 p.26-27). In Western Europe however the most common model has been the Conservative welfare regime; for instance in Austria, France, Germany and Italy. Unlike the liberal model the private insurance has played a minor role here as the welfare provisions offered by the welfare state was also *“upgraded to cater to the new post-industrial class structure”*. However the link between rights, employment and level of contribution are strong. In addition to a more traditional approach to family hood, meaning that the welfare state will only interfere when family are unable (Esping-Andersen, 1990 p.27). The final welfare regime is the Scandinavian welfare regime, which is clustered in the Scandinavian states. Here the social rights are universal to all citizens, and the benefits are usually extended to almost all realms of life unlike the case of the liberal and the conservative welfare regimes. The welfare states in Scandinavia also extend the effort of ensuring individuals’ autonomy from the traditional family hood as well as they attempt to de-commodity them from the market. At last the Scandinavian welfare states distinguishes themselves from the other welfare regimes by having granted welfare benefits and social rights that are generous enough to also have a de-commodifying effect on the new middle class. The costs of having such a generous welfare states makes the Scandinavian welfare states highly committed to maximizing employment levels, unlike the liberal and conservative model. In the liberal model the level of employment is determined by the market and in the conservative model the traditional approach to family hood discourages female employment levels (Esping-Andersen, 1990 p.27-28).

2.1.1 The Scandinavian welfare regime: universal and generous

When comparing the whole OECD-area the Nordic welfare states have as defined in the study of Esping-Andersen (1990) certain similarities. The Nordic countries can be characterized by being small and open economies, where they have managed to combine economic growth and

stability with a well-functioning labour market. A labour market with the goal of high employment levels, even income distribution, a high standard of living and a large degree of social equality (NOU, 2011 p. 47). The principle of universalism first appeared in Great Britain and in the Scandinavian welfare states, but it was not until the 1950s-1970s that the Scandinavian welfare states came to develop distinctive features beyond the universal flat rate welfare entitlements. The labour movement became the driving force behind social protests and claims for more democracy in Scandinavia. In the post-war era, following the 2nd world war, the modern welfare state in Norway and the rest of Scandinavia blossomed with new welfare arrangements being added as well as the benefits and services becoming more generous. In Norway this was both due to historical preconditions beneficial to broad coalition building as well as the extraordinary opportunity structure created by the unifying experience of warfare and the incentive to ensure a peaceful time ahead. . After massive expansion of welfare entitlements as a result of high economic growth and strong political consensus toward the value of social citizenship – the Scandinavian welfare regime appeared. The result was a welfare state that was well-institutionalized and that had a high degree of legitimacy among its citizens (Kildal and Kuhnle, 2005)

Traditionally welfare can have 4 major providers; state, market, civil and society and family. In Scandinavia the state became very early on the main provider of welfare, unlike other states where the church or the market has been more dominant. As a result of the extensive services that the state provides, the trust of the state is much higher in Scandinavia than anywhere else. One argument to why the Scandinavian countries have managed to develop such a generous and inclusive welfare, welfare citizens are willing to uphold through heavy taxing; is that they have had relatively small and homogenous populations in terms of language, culture and religion (Kuhnle, 2000 p. 209). Bay and Pedersen (2006 p. 419-20), find that in order to uphold the popular support toward the welfare state and its efforts to redistribute wealth among its citizens, and thereby ensuring a general well-being and safety in the society, there are certain strategies necessary. More specifically that “*most social security systems are designed to appeal to the self-interest of taxpayers and to notions of reciprocity by linking benefits to prior contributions*” (Bay and Pedersen, 2006). In all welfare regimes there are certain welfare provisions that the majority of the population all contribute to, but where it is unlikely that the majority will come to benefit from. In the Scandinavian case the popular support toward the state and the society taking responsibility for the social- and economic well-being of its citizens is much stronger than in any of the other welfare regimes

described by Esping-Andersen (1990). Bay and Pedersen (2006 p.420), concludes that certain social transfers are not possible to explain out of pure self-interest, but rather that they “*rather require a higher degree of trust, identification and sympathy with fellow citizens and/or strong commitment to egalitarian values*”. Several surveys show that the Scandinavian states are all characterized by citizens that have exceptional high degree of support toward the welfare state. The empirical evidence also reveal that the citizens in Scandinavian expresses more trust toward their fellow citizens as well as the authorities, than any other place in Europe(NOU, 2011 p. 47).

Norwegian welfare state

Although there are certain similarities between the welfare states in Scandinavia there are also a series of important differences. That discussion is unfortunately too complex as well as too time and space consuming for my thesis. Here I will therefore mainly be describing the main goals and characteristics of the Norwegian welfare model without much concerns for how it compares or not to the other Scandinavian states(NOU, 2011 p. 47).

First of all the Norwegian welfare model is characterized by a state that actively attempts to ensure high level of employment, through good quality public education and a focus on active employment policy measures. Secondly there is a strongly regulated labour market, with a three-way negotiation process between a strong employee and employer organization. Welfare programs connected to health, caretaking and education are mainly public and financed through tax. More or less all citizens use public welfare, and the use of private insurance are limited compared to outside of Scandinavia. The programs are characterized by good quality and deeply rooted individual rights – rights that are connected to the individual citizen and not to the level of contribution. Next the welfare state in Norway has also developed a set of universal welfare programs offering generous transfers connected to unemployment, sickness, disability and aging(NOU, 2011 p. 47). The financing of certain welfare transfers, like education, requires high solidarity between generations – even more so the case with pensions where the financing through social security is not sufficient making it necessary to fund it further by tax in a pay-as-you-go system. Pension transfers will therefore be highly dependent on the age composition of the contributors and receivers in the society (NOU, 2011 p.48-53). The welfare state in Norway is driven by both a political agenda to promote social inclusion of all citizens in the society, as well as an agenda to ensure the economic sustainability of the welfare state. The authorities actively uses the welfare state to

increase the level of employment among all groups; gender, age, immigration or disability(NOU, 2011 p.47-49) - one example can be economic incentives to the employer(NOU, 2011 p.56). Simultaneously there is a high acceptance in the Norwegian welfare state that not everyone has the ability to contribute or participate in the labour market, and if so it is the responsibility of the welfare state to secure that they maintain an appropriate standard of living. On a micro level the principle of universalism do not require the individual's welfare transfer and service costs to correspond with one's contribution to the welfare state. On the other hand a lot of the minimum transfers connected to healthy individuals in the welfare program require the individual to actively search for employment or take part in programs that can make them equipped for the labour market if possible, or transfers can be withheld. Some social security transfers connected to healthy individuals are also time limited and can require the individual to have contributed a certain amount or time; to be eligible for transfers adequate for maintaining a normal life. On the macro level on the other hand the amount of tax collected income must be high enough to cover the total costs of the welfare state – high employment levels are therefore a prerequisite for the sustainability of a high quality and generous welfare state like the Norwegian welfare state(NOU, 2011 p.47-49). Another central element of the Norwegian welfare state – and also the other Scandinavian welfare states – is how it actively is used as a tool for redistribution, with progressive income taxation and taxation of for example inheritance or assets. The standard allowance shields the lowest incomes, while increasing marginal taxes ensures that those with higher income contributes relatively more than those with lower incomes (NOU, 2011 p. 53). *“It is not the arrangement in itself of the interaction between the different institutions; strong employer and employee organizations, high employment levels and a welfare state offering comprehensive economic security that distinguishes Norway from the other Scandinavian welfare states, but rather the institutional balance and how they contribute to reinforcing each other's manner of operation”*(NOU, 2011 p.48).

Globalization and the Scandinavian welfare state:

In more current time globalization has caused people to question the survival of the welfare states, and some urges the developed welfare states of Western Europe to substantially downsize their welfare provisions, and that this would be the only way to maintain the future social protection and citizenship rights of the neediest. *“Cutting welfare costs and provisions would be necessary to secure national economies “international competitiveness” and to prevent overly inflows of migrants from poorer countries”*(Susycki and Karolewski, 2013 p.

37). The combination of a both vertical and a horizontal axis of resource reallocation in the European welfare states; vertical being from healthy to sick or employed to unemployed, and horizontal being from rich to poor (Ferrera, 2005 p.44-45), is one of the arguments to why the welfare state has so much more legitimacy in the continental Europe than compared with the US. The welfare regime in the US is closer to the liberal model defined by Esping-Andersen (1990), and in this model the welfare state is mainly focused on the horizontal axis. Consequently one of the arguments to why Americans' are less supportive of the welfare state, is that they feel that the benefits are allocated largely to undeserving groups (Susycki and Karolewski, 2013 p. 38-39). The Scandinavian welfare regimes on the other hand have both an extensive horizontal and a vertical axis, simultaneously as the legitimacy of the welfare state has remained on a very high level among all social strata. From this line of argument we might argue that if the Scandinavian welfare states give into the pressure of reducing the vertical axis of their welfare program; this might a come to endanger the strong legitimacy of the welfare state.

In the 1980s Scandinavia was like all European countries, also affected by the economic down turn with declining GDP and higher unemployment levels. During this time period there was also an ideological change toward smaller state in the Western world in general, and calls for possible welfare retrenchments. However the support of the welfare state has remained high among all social strata in Scandinavia and the universal welfare provisions even more so than the selective ones. The Scandinavian states were not equally affected by the economic downturn, and Sweden and Finland hit hardest by the crisis were also those who carried out the most welfare retrenchments (Kuhnle, 2000 p.210-212). As a consequence of the lucrative petroleum sector in Norway, the economic downturn in the 1980s did not affect Norway as much, and despite the steadily growing spending in social security there was not much retrenchment introduced compared to Finland and Sweden. During the 1990s the support of the welfare program remained high, but there were a stronger demand of control in Norway to avoid abuse (Hatland et al., 2001 p. 18-35). Kuhnle (2000 p.211), argue that "*often the political has been more important for the welfare development than the economically*", and the main reason why the Scandinavian states embarked on welfare retrenchments in the 1980/90s was more likely a direct cause of the economic situation and not a political statement. The economies in the Scandinavian states have since the 1990s grown steadily, and the welfare states despite some retrenchments and adjustments have remained universal and generous in Scandinavia (Kuhnle, 2000 p. 218-223).

2.2 Coordinated social security schemes in the EU

In 1958 the European community adopted their first provision on the coordination of social security schemes for migrant workers. After this the coordinated social security schemes were amended in 1971 by the 1408/71/EC regulation, where issues of conflicting legislation in the area of social protection of employed or self-employed persons and their families using their right to free movement, were addressed. Several enlargements and bilateral agreements later (Martinsen, 2005 p.45-46) the coordinated social security schemes today covers 28 EU states, all three EEA states and Switzerland(EC, 2013). Deciding what benefits the national social security system actually should entail and what the conditions (contribution time/residence) for receiving these transfers or services should be, still remains a national prerogative. Coordination of social security schemes is only a tool to solve social security issues that arises when people are practicing their right to move freely across state borders within the internal market. The personal scope of the coordinated social security schemes have gradually been expanded to include not only migrant workers, but also self-employed workers, civil servants, students, pensioners and non-active individuals(Martinsen, 2005). The European Commission(EC) and the European Court of Justice(ECJ) have since the 1990s actively extended the material benefits that the coordination encompasses, as well as disputing and clarifying which benefits are exportable (Martinsen, 2005). In 2004 the regulation on coordinated social security 1408/71 and 574/72 was replaced by 883/2004 and 987/2009. The regulations were adopted in order to simplify, modernise, and regulate current case law from ECJ rulings on coordinated social security schemes. More specifically the regulations extended the coordination of social security schemes to non-active individuals, early pensioners (laid off or voluntarily) and also to unemployment benefits for self-employed. At last it is important to note that the coordinated social security regulations should as all EU law, be interpreted in consultation with judicial precedent from the ECJ(NUO, 2011 p. 115). In the EU member states the regulations, 883/2004 and 987/2009, first came into force in 2010 and by 2012 in Norway (NAV, 2012b).

The regulations of coordinated social security schemes entails a clear description defining which national social security laws are valid in all feasible situations that can occur when individuals practice their freedom of movement. This to safeguard that no one ends up either unsecured or with twofold amount of benefits and duties in the domestic social security

schemes. The coordinated social security schemes are based on 4 principles; equal treatment, summation, “pension-earnings” and exportability(NOU, 2011 p. 113-115).

1) Equality:

The principle of equality ensures that citizens who encompasses the personal scope of the coordination and that resides in another member state, are entitled to the equal rights as full citizens under the domestic social security schemes. This means that all EU -citizens residing within Norway’s territory are eligible for membership in the national social security system, with the same terms and conditions as Norwegian citizens. The principle of equality renders the national states ability to use citizenship as a prerequisite for welfare when dealing with foreigners from the EU -member states.

2) Summation:

Summation deals with the conditions for membership in the national social security systems, often based on the length or amount of contribution or residency. The right to summate is most applicable to more long term life benefits like pension. This gives EU-citizens the opportunity to sum up and transfer their contribution time or tax from one national social security system to another one(NOU, 2011 p. 114-115) ².

3) Pension earnings:

The 3rd principle is connected to the 2nd one, and ensures that all EU-citizens that have earned pension benefits in more than one state within the internal market of EU, receive what they are entitled to even though they are no longer residing on the state’s territory. In addition the principle regulates how to calculate pension benefits, when one are entitled to pension from more than one state (contribution time etc.) (NOU, 2011 p. 114-15).

4) Export:

Social security benefits can be exported and disbursed in a different EU-member country. The 4th principle renders the very common prerequisite to social security benefits of only being disbursed to individuals keeping residency within the national territory.

² As an example; the social security system requires 3 years of contribution time before individuals can be eligible for pension, but with the summation one can add 2 years from one EU country with 1 year from Norway and thereby fulfill the required contribution time (NOU, 2011 p. 114-115)

2.3 Eastern- and the Western Europe reunited: Free movement of people

In 2004 EU extended membership to 10 new states and 75 million new citizens. The new member states were Cyprus, Hungary, Czech Rep, Estonia, Latvia, Lithuania, Poland, Slovakia, Slovenia and Malta. These states with exception of Malta and Cyprus can be named EU8³. In 2007 Bulgaria and Romania followed, and finally Croatia became a member of the EU in 2013. The EU enlargement in 2004 was the greatest enlargement ever taken place, both in terms of the number of states and persons entering the union. After decades where the East had been isolated from the west, under the iron curtain of Soviet Union(Kvist, 2004), the enlargements in 2004, 2007 and 2013 also had a strong symbolic significance. They were seen as the enlargements that would finally reunite Eastern-and Western Europe as a continent of democracy, freedom, peace and prosperity.

Then it is perhaps ironic that this was also the first time in history of an EU enlargement that transition rules on the movement of labour was introduced as an option to the current member states(Kvist, 2004). Kvist (2004), argues that in connection with increased mobility, there are 3 types of concerns on how the mobility might harm the domestic social security schemes; social tourism, social dumping and social raids. The one of importance to my thesis is the one called social raids. Concerns of social raids are concerns that by opening national labour markets and welfare systems to foreigners, one will get people “shopping” around for the best income, benefits and taxes. Work is here used as an entry ticket into the national welfare system, sometimes with the goal of exporting benefits to their home country.

The transition rules allowed the current member states of the internal market to apply temporary national restrictions to the free movement of labour from the EU8 states, Bulgaria and Romania. The first two years after the 2004 and 2007 enlargement the older EU states could retain the same national restrictions toward labour from these new member states, as had been in force prior to them becoming EU members. In order to extend the restrictions for more than 3 years the European commission had to approve it, and in case of serious disturbances in the labour market restrictions could be extended maximum 7 years. However EU did set a couple of important limitations to the temporary restriction rules. Labour from the EU8, Romania and Bulgaria, despite the transition period, were to always have priority over labour immigrants from non-EU/EEA countries. Secondly once they were legally

³ EU8 includes Czech Rep, Estonia, Latvia, Lithuania, Poland, Slovakia, Hungary and Slovenia. The temporarily transition rules to restrict the labour market to the new EU members did not apply to Malta and Cyprus.

employed they were also entitled to the same non-discriminating treatment and rights as all other EU-citizens(Øverbye, 2000). The majority of the pre-2004 EU and EEA member states took advantage of this, while those who did not actively adjusted their social policies. The restrictions and social policy adjustment activities can be interpreted as a reaction to the assumption or fear, that western European countries with generous benefits and accessible labour markets would become magnets for welfare migration. This is very interesting since there exists very little empirical evidence that could support the theory of welfare magnets (Kvist, 2004). Nor has previous enlargements in the EU ever caused mass migration or similar concerns as the Eastern enlargements in 2004, 2007 and 2013 did. The EU8 countries GDP in 2004 were on average only a quarter of the EU15 average this despite growth of 8-9 % from 1995 to 2002. There was of course also varying levels of economic development among the Eastern European EU countries, but all in all the enlargements in 2004, 2007 and 2013 left EU with its internally greatest divide between rich and poor so far. The economic gap between the eastern and the western EU was perceived to be much more extensive compared to what it had ever been between south and north. Additionally the Eastern European countries were thought to have a much larger pool of potential migrants due to decades of being isolated from the west by the iron curtain of Soviet Union. While with the enlargement to the south in 1986, the migration potential was more or less exhausted(Kvist, 2004).

2.4 Norway and the EU enlargements to the East

2.4.1 Transition rules in Norway

Norway became a member of the European Economic area after signing the EEA bilateral agreement in 1994. This allows Norway the full access to the internal market and requires Norway to fulfil its obligations toward the four freedoms, like following the coordinated social security schemes(Mission.of.Norway.to.the.EU, 2012).

The debate in Norway on transition rules in connection with the 2004 and 2007 EU enlargements was highly influenced by the alternating opinions of the Swedish government. In the end Sweden did not introduce transition rules, but the debate had by then spurred up heavy media coverage in Norway on *“how the wives of polish season workers would become rich on Norwegian care allowance”*. Simultaneously an increasing concern among trade unions and the political opposition; that the pressure on Norwegian labour markets would become enormous if Norway was the only Scandinavian country without restrictions finally led to the introduction of transition rules in Norway (Kvist, 2004). The transition rules in were

used both in 2004 toward labour immigrants from EU8 as well as Romania and Bulgaria in 2007(sosialdepartementet, 2012). In practice this mean that citizens from these Eastern European EU-countries had to continue to apply for approval from the national government before being allowed take work in Norway(sosialdepartementet, 2012). Mostly approval was given to those labour immigrants who had been offered full time work, where salary and working conditions were adequate according to the collective regulation agreement in Norway(Arbeidstilsynet).

The introduction of transition rules toward labour immigration was rather surprising from an economic perspective. The demand for labour between 2002 to 2008 increased and during these years Norway experienced a period of high economic growth(Ministry, 2010-2011 p.18). This was especially true in the construction sector(Olsen, 2013 p. 60-61), which also is a sector where many labour immigrants from the Eastern EU-countries would be seeking employment(UDI, 2000-2011). Consequently the transition rules applied in 2004 and 2007 did not play a very crucial role in limiting the labour immigration from EU(Holmøy, 2013 p. 74). This obviously begs the question that the decision to impose temporarily restrictions was more a political decision rather than an actual concern that increased labour immigration would destabilize the labour market in Norway(Kvist, 2004). In 2009 the transition rules toward the EU8 was abolished and in 2012 the final labour restrictions toward Bulgaria and Romania was lifted. From here on all labour immigrants from EU are only required to fil lout a simple registration at the police station if they are planning on staying in Norway for longer than 3 months(sosialdepartementet, 2012).

2.4.2 Labour immigration in Norway between 2004 and 2013

The impact on the labour market:

The first evident sign of change in the labour patterns in Norway are visible in 2006, two years after the 2004 EU enlargement. Labour immigration has between this decade become the prime reason why people immigrate to Norway, and have surpassed both family reunion and refugees. There was a growth from 139 365 labour immigrants in the last quarter of 2002 to 333 979 in the last quarter of 2012. During 2004 and 2008 employment among all immigrants increased with 7 % in comparison with only a 3 % in the general population of Norway(Olsen, 2013 p.56-61). The increase of economic active immigrants have compensated heavily for the stagnation in economic activity among the majority population. In the years between 2007 and 2012 there was a stagnation of 16 000 employees from the

general population, mostly due to old age, while simultaneously there was an increase of 121 000 immigrants in the labour markets(Olsen, 2013 p.57-58). The decade after the EU 2004 enlargement, immigrants have come to constitute around 10,9 % of the total employed population in Norway, 2 517 000 per 2010(Ministry, 2010-2011 p. 19). In 2004 the majority of the EU labour immigration was short-term work permits, where most of them endured up to 3 months(UDI, 2000-2011 report 2004, p.12). The short-term labour immigration is dominated by citizens from the Eastern European EU-countries as well as the Nordic countries(Ministry, 2012-2013 p.20). However in 2005 there was a clear trend that many labour immigrants from the EU, chose to apply for an extended work permit and stay up to 6 months or more in Norway(UDI, 2000-2011 report 2006 p. 11). Statistically it is difficult to find an accurate numbers on all labour immigrants that have been in Norway shorter than 6 months, as they are not registered residents.

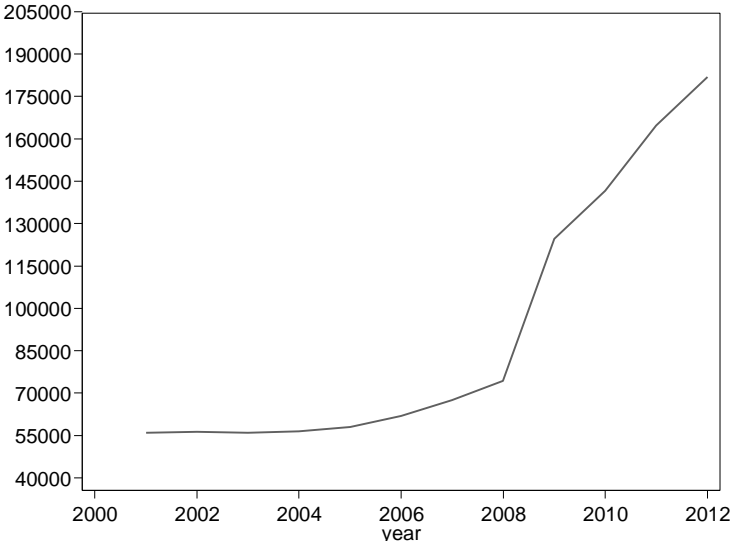
Who are they?

Immigration from Eastern EU-countries have had the strongest growth of all labour immigration to Norway during the ten year period 2002-2012 from around 7 200 to 89 490 in 2012. Labour immigrants in general and especially from Eastern EU-countries, are mostly male in their most economic active life-period, between the ages of 20-45. Still there has also been a slight increase in family reunification from the EU-area during the decade of growing labour immigration. Unsurprisingly labour immigration from Eastern EU-countries affected the number of economic active immigrants in Norway, and it went from 6,1 % to 13 % between 2002 and 2012. Polish labour immigrants are the definitive largest group among all economic active immigrants in Norway, going from relatively low 3 784 in 2002 to 51 000 in the end of 2012. Labour immigration from Lithuania has also been very remarkable, increasing rapidly from 2002 where it was more or less non-existent with only 325 labour immigrants, to 18 200 in 2012 where it became the third biggest group of employed immigrants. The extension of EU-membership to Romania and Bulgaria in 2007 did not cause a large flow of labour immigration, and there was only a 15 % increase between 2007 and 2008 from these countries(Olsen, 2013 p. 60-61). After the transition rules were abolished, first in 2009 and then in 2012, labour immigration from Eastern EU-countries following the same trend as described above here has continued to increase rapidly. There is also a very strong presence of labour immigration from other Nordic countries, but these numbers are not found in the labour immigration statistics here. The Nordic citizens are unlike other EEAⁱ members exempted from the general rules on residence permit and registration, making it

hard to find one complete source of information. However the available numbers show that the labour immigration from Nordic countries during this decade have also been on the rise, but that it is not as radical as the increase from Eastern European countries(Ministry, 2012-2013 p.20).

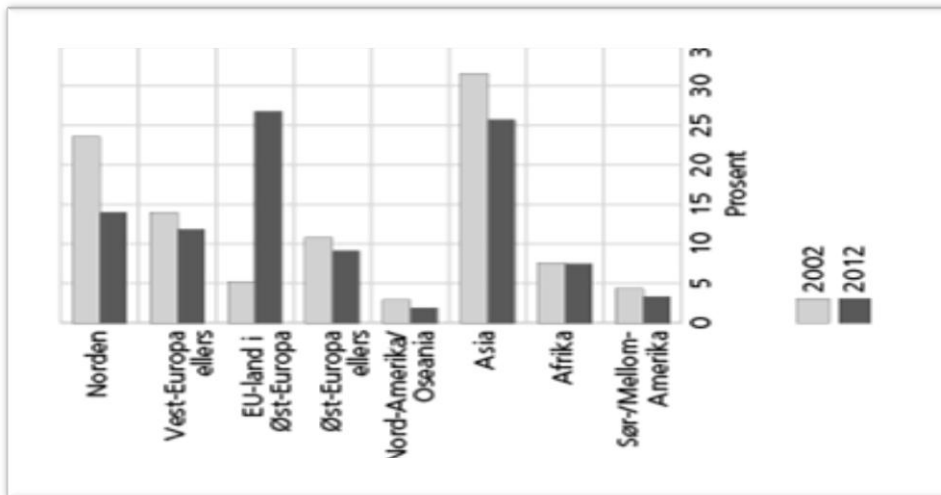
The financial crisis in 2008 and the labour market

With the financial crisis in 2008 the number of new labour immigrants in some sectors were somewhat reduced in 2009. However unlike in other European countries in Norway many Eastern EU-citizens stayed and registered themselves as job seekers when there were cutbacks in their sector of employment. As a consequence the unemployment level among EU-citizens from Eastern Europe in Norway more than doubled between 2008 and 2009. The unemployment was highest among those who arrived last to Norway, and highest among men since they are the ones more likely to be employed in exposed sectors. However there still existed a demand for skilled and higher qualified labour in petroleum, shipping and higher education that lead to a more pronounced increase of foreign labour than there had been in 2008. All in all there is no doubt that there was a decrease in labour immigration from EU this year, but due to the new registration practices that came into force in the end of 2008 and the continued need for labour in some sectors, it is difficult to really establish what effect the financial crisis had on labour immigration from EEA in Norway(UDI, 2000-2011 report 2009, p. 34). No later than in 2010 together with the recovery of the Norwegian economy, was there a new record of labour immigrants arriving in Norway. In 2012 there was a small reduction of approximately 4 %, but still the labour immigration was one of the highest ever recorded, and close to 90 % were from Europe and 2/3 of these from Eastern EU-countries (Ministry, 2012-2013 p. 18)



*Figure 2.1
Number of employed immigrants from the EU, USA, New Zealand and Australia that have a registered address in Norway, from 2002-2012 in the age 15-74(SSB, 2014b).*

Figure 2.2



Employed immigrants between 15-74 years old, according to their world region of origin: The numbers are from last quarter of 2002 until last quarter of 2012, and show a percentage of all employed immigrants in Norway (Olsen, 2013 p.60)

Labour immigration on a regional level in Norway

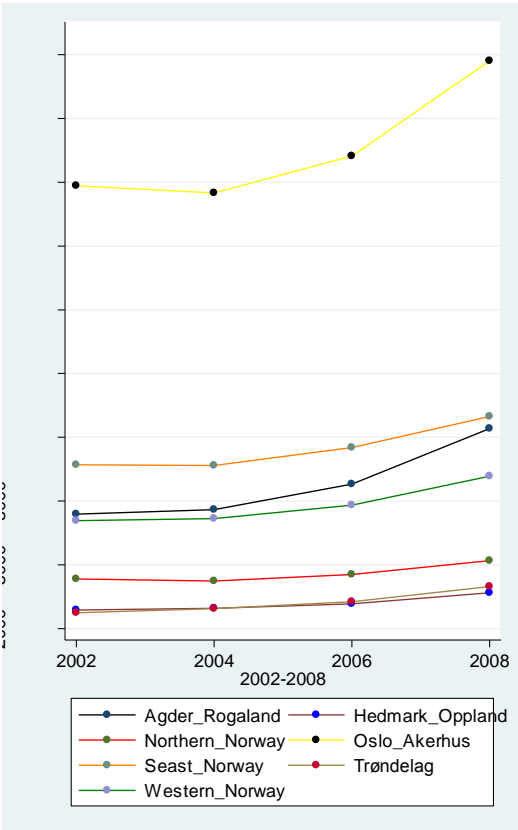
Traditionally immigrants in Norway have been prone to settle down in central regions (Høydahl, 2013 p.9-10). Oslo and the local municipalities surrounding the city is still the areas with the highest concentration of immigrants in Norway, but after labour immigration in 2004 we now have local municipalities all over Norway where there is a high concentration of immigrants in percentage of the total population. Of the total number of immigrants in Norway per 2012; 23 % is keeping residency in Oslo while 11 % are spread out in other regions of Norway. There is a very strong link between the nationality of the immigrants, and whether they decide to reside in a city or a densely populated area or rather in a more deserted area. The trend shows that there are in general immigrants from outside of Europe that is most prone to settle down in the very centralized areas of Norway. After 2004 and onwards labour immigrants became one of the prime group of immigration, and naturally the demand for labour has become a much more decisive factor when studying what regions immigrants choose to reside in Norway (Høydahl, 2013p. 11-12). As a consequence of the increased labour immigration from EU after 2004, immigrants have become much more evenly distributed across regions, and there are only three local municipalities that did not have any labour immigrants by the beginning of 2012; Fedje and Modalen in Hordaland County and Lavangen in Troms. In 2012 the number of refugees were 1, 8 % compared to 2, 4 % labour

immigrants, and in contrast there are 93 local municipalities that did not have any refugees(Østeby, 2013 p. 20-22). The Eastern Europeans tend to live more scattered around in different regions and counties than other types of immigrants⁴, but still they live more centralized than the general population in Norway. Among the Lithuanians there are only 8 % living in Oslo, compared to 12 % of the total Norwegian population living in Oslo. The past years Lithuanians have become present in 395 of Norway's 430 local municipalities, and in 43 local municipalities they are also the largest nationality of all immigrants. Polish immigrants are present in 414 local municipalities, while 17 % of them are living in Oslo and they have become the largest nationality among the immigrants in 211 of the local municipalities(Høydahl, 2013 p. 9.16). The Polish immigrants tend to be especially dominant in the Southern regions of Norway, where they are present in 88 local municipalities compared to only 16 in the north of Norway. The strongest presence is found in the southeaster county of Buskerud and the regions West of Norway, and the lowest in the northern counties Finnmark and Troms(Østeby, 2013 p. 23-24). In 2012 Polish immigrants were the largest nationality of all immigrants in 16 of Norway's 19 counties, the exceptions being Troms and Finnmark(Østeby, 2013 p. 23-24). There is also a strong presence of immigrants from Western EU-countries in the outskirts areas of Norway, and then especially Germans and Netherlander. They are even more prone to live in very densely populated areas than the Lithuanians and Polish immigrants. The coastal areas activity of fishing, fish farming and manufacturing of fish industries make them a target for labour immigrants, maybe especially among those from Eastern Europe. There is a therefore a higher concentration of labour immigration in surrounding central areas in Rogaland and in the West of Norway, unlike Agder and counties in the South-Eastern region, Trøndelag region and counties in North of Norway(Østeby, 2013 p. 21-23). In 1998 there were 9 nationalities that peaked among the total immigration population in Norway; Vietnam, Sri Lanka, Bosnia-Hercegovina, Turkey, Pakistan, Denmark, Sweden, Finland, Great Britain. The percentage of these groups still prevails today, but due to the enormous increase from Eastern Europe EU-countries Poland is now by far the largest nationality followed by Lithuania in several regions of Norway (Østeby, 2013 p. 23-24). The Nordic labour immigrants are usually concentrated heavily in the areas geographically close to their home-country borders or in the Oslo area(Høydahl, 2013p. 9-16).

⁴ Immigrants tend to live more centralized in cities or densely populated areas than the general population. 20% of the general population live in more deserted areas while only 11 % of the immigrantsHØYDAHL, E. 2013. *Innvandrere i bygd og by Samfunnspeilet 2/2013*, 9-16..

The more even and scattered distribution of immigrants after 2004 to the different regions of Norway has important implications for the process of centralization. There has been a clear trend since the post-war period, toward a centralization of the population in Norway; Norwegians prefer to reside in cities or more densely populated areas. Despite these strong flows of centralization, the new labour immigration from Eastern EU countries have actually in some local municipalities managed to keep the population up. Between 1970 and 2005 there were around 200 local municipalities where the inhabitants decreased and 200 local municipalities where there was an increase in number of residents. However after 2006 there are now 300 local municipalities that thanks to immigration have had an increase in the number of residents. Furthermore there has been a clear increase of inhabitants in all the regions from 2008 to 2012, and eight of them⁵ would have suffered a loss in the number of residents if they had not received a surplus from immigration(Østeby, 2013 p.23-25).

Figure 2.3 Number of employed immigrants, from the EU, USA, New Zealand and Australia with a registered address, divided up according to the 7 regions in Norway; Agder/Rogaland, Hedmark/Oppland, South-East of Norway, West of Norway, Trøndelag and North of Norway (SSB, 2014b)



⁵ Hedmark, Oppland, Telemark, Sogn og Fjordane, Møre og Romsdal, Nordland, Troms and Finmark

2.5 The Norwegian welfare state and the coordinated social security rights

What social security benefits are most “popular” among immigrants

With the 2004 EU enlargement and the arrival of the first labour immigrants from Eastern EU-countries in 2004, speculations on what welfare benefits might be attractive to these immigrants began. In 2005 SSB carried out a rapport where they compared the use of social security among the newly arrived and the labour immigrants that had arrived in 2004. In 2005 there was an increasing use of family benefits connected to children. It is likely to believe that the number of welfare recipients among the labour immigrants from Eastern EU-countries will increase after some time when they are more familiar with the Norwegian national insurance scheme. However considering that their objective for immigrating to Norway is finding employment, certain social security benefits will most likely remain low among this group compared to other immigrants or the general population in Norway. On the other hand, there will be phases of recessions or unemployment, where one can expect an increase in recipients from Eastern EU countries. There is a strong tendency that the likelihood of receiving certain social security benefits increases with the time period one has been a resident together with one's age (NOU, 2011 p. 227-28). With the labour immigrants from Eastern EU-countries being relatively young and only here for a short period of time, during a decade of high economic activity in Norway, there is no surprise that the number of Eastern EU-citizens in figure 2.1 receiving “Rehabilitation services and benefits” and “Disability pension” in 2009 are generally low compared to the other groups of immigrant recipients of welfare in the model.

Figure 2.4 Løwe (2011 p.47)

Immigrant recipients of welfare in 2009.

Per immigrant, after region of origin in kroner.

Welfare benefits in kroner	All	Nordic	Western EU	Eastern EU	Eastern Europe	Asia + Turkey	Africa	Other
Rehabilitation services and benefits	5 576	5 295	2 253	1 431	9 331	7 450	5 792	4 679
"Engangsstønad" with birth/adoption	513	116	142	258	399	702	1 150	453
"Overgangsstønad og stønad til barnetilsyn"	1 606	595	253	367	1 511	1 496	5 544	1 760
Child allowance	6 003	4 890	3 548	6 518	5 228	6 658	7 492	5 517
Retirement pension	373	331	152	54	838	518	146	404
"Dagpenger" when unemployed	5 706	4 207	4 440	9 167	5 243	4 925	6 183	4 056
Sick allowance	7 775	9 818	6 297	5 521	10 905	8 397	5 952	6 744
Cash benefit in connection with child birth	4 157	7 795	5 346	3 646	3 942	3 285	2 700	6 255
Benefit for education to single parents.	19	-	-	-	36	15	44	-
Cash benefit "kontantstøtten"	1 387	573	484	1 590	1 147	1 691	2 101	1 018
Disability pension	1 721	934	364	260	2 482	3 127	1 481	681
"Kvalifiseringsstønad"	43	-	1	-	48	67	121	-
Poor relief	4 522	1 043	423	502	4 679	6 403	12 302	1 754
Living allowance	1 862	280	136	204	1 983	2 526	5 420	776
Introduction support/program for new immigrants.	2 473	9	14	24	1 630	3 883	8 070	74
Total amount per immigrant region	43 870	36 001	23 896	29 595	49 539	51 268	64 856	34 356
Total amount per individual immigrant.	91 043	83 971	71 544	65 621	96 720	96 774	118 048	78 996

Coordinated social security and export of welfare to other EEA-countries

Export of Norwegian welfare benefits to foreign EEA citizens located outside of Norway, is found to have had a solid increase the last couple of years. When addressing the reach of the Norwegian welfare state abroad, there are three different types of situations where people can be eligible for receiving welfare benefits abroad. The first one is people that are Norwegians by birth living abroad; the second one is “foreigners” with a Norwegian national insurance number; and thirdly “foreigners” with a D-number meaning that they had more of a short term residency in Norway. With my focus for this thesis being labour immigration from EU after 2004 and onwards, my concern will be with category number two and three. The exports of welfare benefits are regulated by national law and EU’s coordinated social security schemes and other bilateral agreements (NOU, 2011 p. 245). The coordinated social security schemes allow export of social security benefits between states within the EEA area. As a main rule export is applicable to all national social security benefits, unless there are sufficient (NOU, 2011 p. 09) arguments to why it should not be exported. One of these few exceptions where potential receivers are limited to those with formal status as citizens are benefits linked to poor relief; welfare benefits given to individuals in unusually challenging situations (NOU, 2011 p. 117). Poor relief is only extended beyond citizenship in emergency situations when the Norwegian state is obliged by international treaty to offer assistance. All EEA-citizens are entitled to remain on Norwegian territory freely up to 3 months without any form of approval, and up until 6 months when they are actively looking for employment. There is a demand that the EEA-citizens are able to support themselves while remaining on Norwegian territory, but in case of emergency they are also entitled to necessary emergency assistance (NOU, 2011 p. 146-7). The international section of NAV had from 1998-2008 an increase in their amount of exported benefits from 2, 2 billion kroner to 4, 3 billion kroner (measured in 2008-kroners)⁶⁷. Norwegian welfare benefits are fixed accordingly to Norwegian prices and income levels, which are known to be relatively high compared to most other countries in Europe, regardless of where they are disbursed (NOU, 2011). Meaning that spending them abroad will often give one a higher purchasing power than what was actually intended. This imbalance could

⁶ Unfortunately I did not find more up to date numbers on the amount of exported social security benefits, than those reported in the report from NOU(2011)

⁷ In 2012 NAV reported a total of 344 billion kroner of welfare benefit expenses, an increase of 11 % since 2003. When this amount is adjusted in according to changes in income levels, benefit rates and the “grunnbeløp(G)”, and measured against the level of employment there has actually been a decrease of 4 % in welfare benefit expenses (measured per employee in fixed expenses (Bjørnstad, 2013).

undermine the legitimacy of the welfare state itself as citizens with residency in Norway might experience this to be discriminating (NOU, 2011 p. 28). In 2008 around 34 % of those receiving exported welfare were foreigners with a so-called D-number⁸, 23 % were foreigners with Norwegian insurance number and 43 % were Norwegians by birth. The recipients with a D-number did in average only receive 0,6G compared, the foreigners with insurance number in average received 1G and Norwegians by birth received in average 1,6 G⁹. The majority of the exported benefits are still recipients located in the Nordic countries, but the number of recipients located in Central Eastern European (CEE) EU states were more than doubled between 2004 and 2008 (NOU, 2011 p. 28). Still the amount of exportable benefits directed at the recipients in the CEE EU-member states is in 2008 relatively minor and constitutes only 1 % of the total expenditures that are exported abroad (2011:7, 2011 p. 249). With the traditionally temporary nature of labour immigration, it is reasonable to believe that most labour immigrants will prefer to spend the majority of their earnings in their home country. This is especially true in situations where the family of the labour immigrant remains residents in their home country (NOU, 2011 p. 262).

⁸ Foreigners that are employed in Norway will need a D-number if they are to receive salaries and pay taxes. The difference between D-number and a national insurance number is that the D-number is usually given to those that are here on a limited amount of time and national insurance number is given to foreigners that have more long term residence in Norway.

⁹ "G" is used when we are referring to "Grunnbeløpet i folketrygden" in Norway, this is an amount that is determined by the Parliament (Stortinget) in Norway, and are regulated after normal income level one or multiple times each year. This amount is a starting point when calculating most social security transfers. In 2004 1G was around 58 139 kroner, in 2006 62 161 kroner, in 2008 69 107 kroner and in 2013 84 204 kroner (Nav, 2013a)

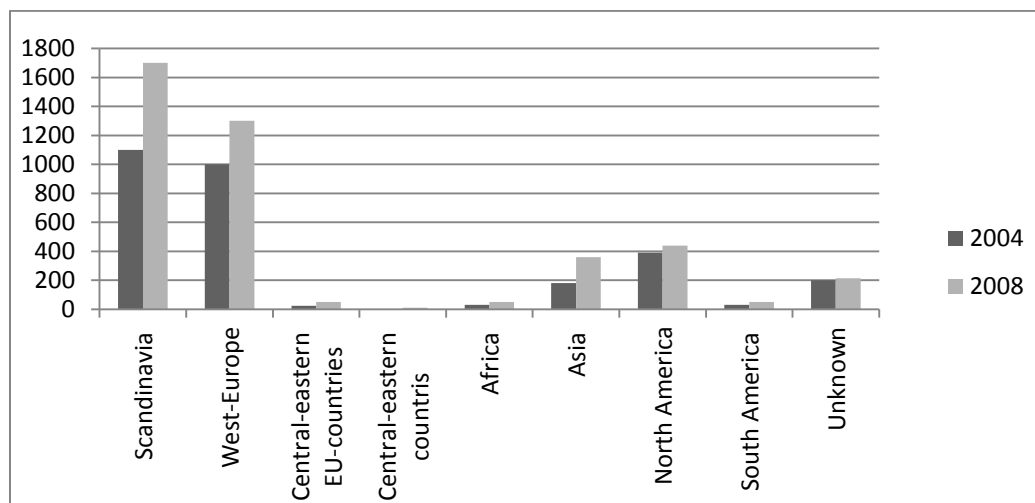


Figure 2.5 Total expenses from NAV international, 2004-2008, organized after region, million kroners and nominal value(2011:7, 20011 p.250).

All welfare states have a superior goal to achieve a certain effect on individuals and society as a whole. The exportability of welfare benefits obviously brings up new challenges concerning Norwegian welfare state's ability to achieve its superior goal and thereby indirectly questioning its legitimacy(*NOU*, 2011 p. 09). Two very defining and important objectives of the Norwegian welfare state are “*equal opportunity*” and “*activation*”. The first one is linked to the principle of universalism, ensuring that all citizens have the equal opportunity to participate in the society even if they are unable to sustain themselves through employment. Secondly the welfare benefits should always be at a level that makes employment more attractive. Most social benefits are taxed in Norway according to income and the indirect taxes on goods and services that the benefit is supposed to cover. Unfortunately as a result of the much higher income and price levels in Norway compared to other European countries, especially the Eastern European ones, the exportability of welfare benefits might have the unintended effect of undermining these goals and it might even in some cases have the quite opposite effect. Too beneficial benefits can make the labour market less attractive for some(*NOU*, 2011 p. 262).

Next I will take a look at some of the main social security benefits in Norway relevant to employment, and how they are affected by the coordinated social security schemes of EU and the increase in number of labour immigrants from EEA¹⁰ after 2004.

¹⁰ If nothing else is specified the use of the term European Economic area (EEA) states should normally be interpreted as all states that through EU law or other bilateral agreements have access to and are obliged to follow EU law on the internal market.

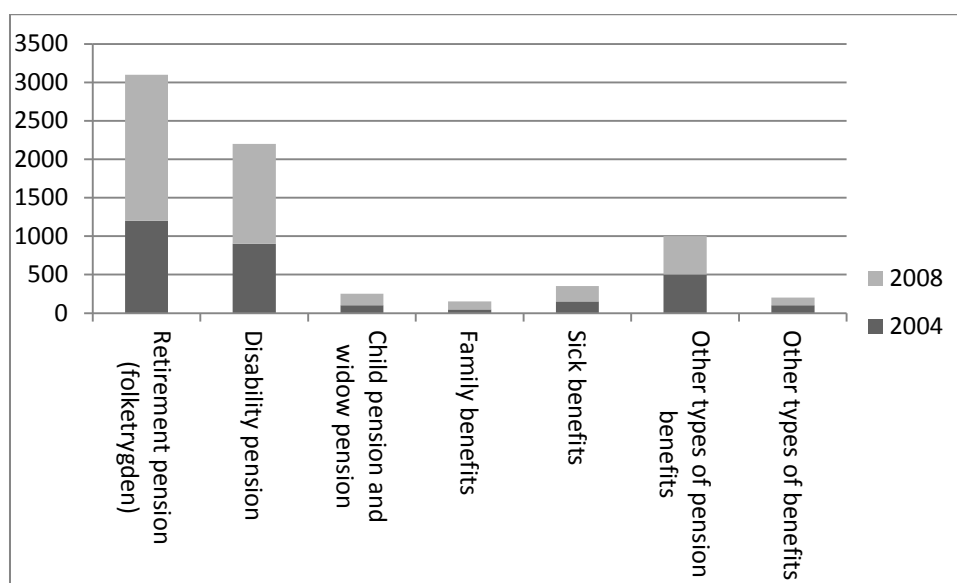


Figure 2.6 The number of welfare recipients abroad; expenses from NAV international that have been exported abroad between 2004-2008, values in million kroner, nominal values (NOU, 2011 p. 249)

1) Family welfare benefits:

Family welfare benefits like “engangsstønad”, child allowance, cash benefit and parental benefits are disbursed to everyone that fulfils certain qualifications and are all exportable within EEA according to the coordinated social security regulation (NOU, 2011 p. 127-30). The export of family benefits, and especially the cash benefit has been highly controversial in Norway the last decade (NOU, 2011 p. 255). Child allowance, cash benefit and “engangsstønad” are all tax-free transfers, and the child allowance is the most significant of these three among the majority population and immigrants from Europe (NOU, 2011 p. 215). Families of EEA labour immigrants in Norway can be eligible for export of child allowance and cash benefit in situations where one of the child’s parents remains with the child in their country of origin and are unemployed. Child allowance is a benefit given to families with children up to the age of 18. If the family is receiving child allowance from another national insurance scheme in EEA, Norway will most likely due to the higher welfare benefits in Norway than in most other EEA countries be exporting child allowance to cover the difference between the two national insurance schemes. In several EEA countries the child allowance is means tested, and in cases where one are not entitled to child allowance in one EEA country due to the fact that the family has surpassed a certain income level, the family can still be eligible for full child allowance from the Norwegian national insurance scheme.

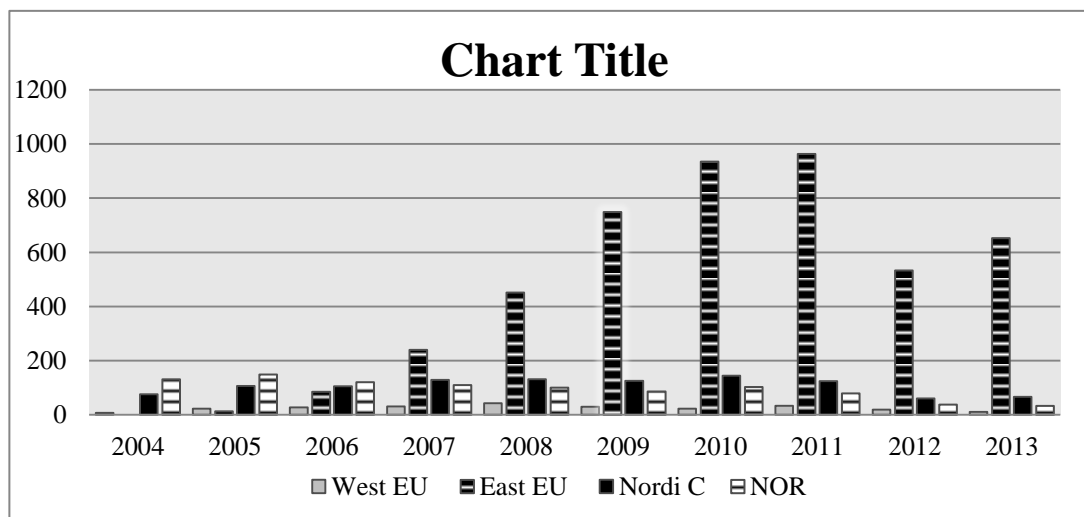
However when neither of the parents are unemployed it is the child's country of residency which determines if they are eligible for this benefit(NOU, 2011 p. 114).

The Cash benefit is disbursed to families where the child/children in the age 1-2 years old are not placed in a kindergarten. Making it possible for one of the parents to stay out of employment and care for the child(NOU, 2011 p. 114). Between 2004 and 2008 the combined expenditures on export of this benefit to other EEA countries was between 18 to 27 million kroner. In 2008 the exported expenditures of this benefit was 2 % of the total amount of cash benefit disbursed by the Norwegian state to families. The first EEA export was in 2003 and the foreign recipients increased rapidly after this, something that is interesting also because it happened during a time when the national use of the cash benefit decreased considerably. After 2006 the recipients of cash benefit changed from being dominated by Norwegian citizens working abroad (54%) and Nordic citizens (41%), mostly Swedish, to being dominated by recipients from the new EU countries in the East - 52% in total and 88 % of the eastern recipients being Polish. (NOU, 2011 p. 56).

“Engangstønad” is not so relevant to the coordinated social security schemes, so I will end this section by briefly mentioning parental benefit, which are given to parents after they have become parents by birth or adoption. The benefit requires a minimum of 6 months employment the last ten months, and one are entitled to 100 % income reimbursement the 46 weeks one are caring for the child. All EEA citizens are entitled to this benefit on equal terms as Norwegian citizens, and it is also possible to add working hours from a previous employment in another EEA country with a later employment in Norway to fulfil the requirement(NOU, 2011 p. 139-40)

Figure 2.7

Exported family cash benefit, or so-called “kontantstøtte” from December 2004 to December 2013, organized according to the recipient’s citizenship. In order to simplify the model I have divided it up into three categories Western EU-countries (except Scandinavia), Eastern EU countries Nordic-countries (except Norway) and at last Norway. The model shows the number of recipients of “kontantstøtte” (NAV, 2013)



2) Unemployment benefits:

Unemployment benefits, so-called “day allowance” is an allowance that are supposed to partly make up for lost income as a consequence of 50 % or more unemployment. Labour immigrants from EEA are required to have had a full time job in 16 weeks the previous year or 32 weeks the 3 last years. EEA citizens that become unemployed in Norway are allowed to apply for a transfer of contribution time/amount from previous employment in another EEA-country to fulfil the requirements mentioned above. In order to be eligible for a transfer of contribution time/amount in connection with “Day allowance”, one are required to have worked full time at least 8 of the last 12 weeks and have embarked on employment within the first 12 weeks after they arrived in Norway. When transferring contribution earned from employment in another EEA country, one also factors in whether they would have been entitled to “Day allowance” if the unemployment happened outside of Norway. To receive “Day allowance” one are usually expected to remain within the Norwegian territory. However the coordinated social security allows for an export of “Day allowance” up till 3 months in another EEA country while one is applying for new employment outside of Norway. Moreover export is also available in situations where one are about to start one’s own business or if one have employment in Norway but still are able to keep permanent residence

in another EEA country(Nordic citizens living close to the Norwegian border often commute to Norway). At last export of “Day allowance” require in all situations mentioned above, that one are 100 % unemployed and has been actively involved in finding a new employment the last 4 weeks of their stay in Norway(NOU, 2011 p. 138) .

3) Sickness and disability benefits

The temporary residency of most labour immigrants from CEE EU-countries in Norway together with the relatively “newness” of labour immigration from these parts of Europe, makes it unsurprising that there also is very low export of disability pension. Disability pension also require that one has been a member of the national insurance scheme of Norway a minimum three years(NAV, 2014).

4) Retirement pension benefits

Retirement Pension benefits were made exportable by the national social security law in Norway, and are not something that was enforced by the coordinated EU regulation. Irrespective of this, I would suspect that the pension benefit also is worth discussion as most labour immigrants usually tends to return to their country of origin and making it highly likely that the benefit will be exported. We can see from figure 2.5 that the majority of all welfare benefits exported abroad is retirement pension; therefore it is no surprise that there are so low numbers of welfare expenditure being exported to the CEE countries per 2008 as described in figure 2.4. The labour immigrants from CEE EU-countries are in general male individuals between the ages of 25-45 arriving in the period from 2004 (Olsen, 2013 p. 56-61). Consequently they are well below the national pension age in Norway, which are between 67 years (62 years if accumulated enough pension rights) and 75 years. Retirement pension are rights that are earned over time through employment, and most likely a generous pension will require an even longer contribution time after the Norwegian pension reform in 2011. Usually labour immigrants have more of a temporary employment relation in Norway, and unless there is an abrupt change to more long term residency in Norway their average pension benefits from their employment in Norway will be relatively low compared to the majority population in Norway(NAV, 2014). In 2012 around 37 000 or 5, 1 % of all senior citizens receiving retirement pension from the Norwegian welfare state were living abroad, and the majority has a residency in the Nordic countries and USA (NAV, 2012a). These numbers also entails the Norwegians that have emigrated abroad(NOU, 2011 p. 251-55). The pension

benefit as all other welfare benefits from Norway, are regulated by the high-cost levels in Norway and if the difference between Norway and the home country of the labour immigrant is major enough, one can actually receive a very lucrative pension despite only having been employed in Norway for a relatively short period of time (NOU, 2011 p. 246). Retirement pension is not a welfare right connected to membership in the national insurance scheme in Norway, and was therefore supplemented by a so-called "kildeskatt" from 2010. This ensures that all retirement pensions are taxed equally within EEA, even though the recipients are living abroad and no longer are members of the national insurance scheme in Norway (NOU, 2011 p. 260). In 2007 the average of all retirement pension exported abroad was around 1 G, while the pension distributed to citizens within the territory of Norway was around 2,3 G. (NOU, 2011 p. 251-55). The new labour immigrants from Eastern Europe will not be evident until later when they have reached retirement age (NOU, 2011 p. 05).

3.0 Theoretical framework

The power-resource theory has long been one of the traditional approaches in the social science literature, when trying to understand the development of the welfare state, their differences and their legitimacy. Before I continue on with the theoretical framework described in the paragraph above, I will briefly discuss the power-resource theory and how come it is not a good fit for the research question in this thesis.

The intention of this thesis is to study the impact of EU's coordinated social security schemes on the legitimacy of the welfare state in Norway, in the context of EU enlargements to the east and increased labour immigration. With solidarity often being an important argument when trying to explain the distinctive character of the Scandinavian welfare, it seems logical to study the levels of general trust in Norway after the EU enlargements in 2004. I will therefore use a theoretical approach within the path dependency tradition, to better understand how the coordinated social security schemes affect the levels of general trust and how general trust affects the legitimacy of the welfare state.

I will use social capital theory to explain why people are willing participate in collective efforts, supporting collective interest rather than their own self-interest.

Finally I will use boundary-structuring theories to discuss the importance of territorial and functional membership boundaries, in generating the most beneficial conditions for collective efforts and general trust (Ferrera, 2005).

3.1 The power –resource theory

This theory claims that the economic position of the individual is what determines the level of support toward welfare expenditure. In the power-resource model the welfare state is purely a product of distributive conflicts among class-based actors, and it is the relative power of these actors that is significant for the policy outcome. In contrast to those in the high-income spectrum, the low-income individuals are more likely to favour redistribution, and therefore support a more generous welfare state spending. The power-resource model will only expect a change in attitude toward social expenditures when people's economic position change (Eger, 2010 p.205-206). Esping-Andersen (1990), concludes that most of the Western European welfare states hold some form of de-commodifying effect, which gives the citizens the option of freely opt out of work without the potential loss of job, income or general welfare (Esping-Andersen, 1990 p.21-23). In the power-resource theory the degree of de-commodification is

determined by domestic factors like the nature of class mobilization, class-political and coalition structures and the historic legacy of regime institutionalisation. The welfare states in Scandinavia have very high legitimacy among all social strata and a very high degree of de-commodifying effect. From the power-resource theory this can be explained by the historical preconditions beneficial to broad coalition building during the institutionalization of the welfare states in Scandinavia (Esping-Andersen, 1990 p. 21-23). Moreover the power resource model argues that the reason why the Scandinavian welfare states have managed to obtain this high degree of support despite changing economic development and social stratification; is by extending the income replacement to the growing newer middle class that appeared during the 1960 and 70s (Esping-Andersen, 1990 p.47). According to the power-resource model, the incentive of more well-off individuals to support the social insurance offered by welfare provision, is that they favour the safety net of having a welfare state (Eger, 2010 p. 206). In the Scandinavian case the welfare benefits are generous in the sense that welfare have high quality services (education, health etc.), the social security transfers are calculated according to contribution in addition to a universal minimum standard and they cover a very wide selection of services throughout citizens life. The majority of individuals in Scandinavia can therefore expect to benefit from the welfare state at one point or another. The power-resource model concludes that people's motive for supporting welfare provisions are purely out of self-interest, and that the final design of the welfare state is determined by the compromise between the strongest self-interests in the society (Esping-Andersen, 1990). The power-resource model is limited in the sense that it only implies that people's attitudes toward welfare expenditure will change with their economic position. In Scandinavia the support of the welfare state has remained high among the majority of the population, regardless of individual factors like socioeconomic or political party affiliation. Additionally in the event of recessions or increased public spending in welfare, the legitimacy of the welfare state has usually remained stable in Scandinavia. From a power-resource perspective it would make sense to believe that these factors could create more calls for welfare revaluation or even retrenchments – or at least create a greater gap in attitudes between the more well-off and the less well-off (Øverbye, 2000 p. 9-11).

3.2 Path-dependency theory:

“ *Institutions are social forces in their own right*”(Rothstein, 1998 p.141).

Path-dependency theory argues that social norms can be explained by the manner in which political institutions structure the decision-making process, faced by actors and thereof influence the trust between the actors. The variation in norm governed behaviour, and the differences in the norms between societies can thus be traced to the design of political institutions(Eger, 2010 p. 206). After the institutionalization of institutions, the institution will reinforce itself by reproducing and supporting the norms of its foundation. Scholars of the path-dependency tradition therefore find that this self-reinforcing sequence, makes it difficult to dismantle or change institutions even though individuals’ preferences might modify or change over time and despite alternative options appearing more efficient(Mahoney, 2000 p. 508). According to Mahoney (2000 p. 515) “*the institution reproduction will persist despite the absence of the forces responsible for their original production*”. From this line of argument the effect of labour immigration on levels of general trust – and potentially the legitimacy of the Norwegian welfare state; can be explained by the domestic welfare states ability/inability to activate quickly enough or powerfully enough on the contingent event, created by coordinated social security schemes and increased labour immigration after the EU enlargements to the east.

The dominant theoretical frameworks used to analyse institutional reproduction in sociology can be categorized in terms of; utilitarian, functional, power and legitimation explanations. With my research question being to study the connection between general trust and the legitimacy of the welfare state in Scandinavia, I will focus on the legitimation explanation(Mahoney, 2000 p. 517). According to the legitimation explanation institutional transformation is a consequence of “*inconsistencies in the multiplicity of cognitive frameworks that are predominant in society*”. Mahoney (2000 p. 525), claim that these inconsistencies provide an opportunity for actors to adopt new subjective perspectives and norms concerning appropriateness. The coordinated social security schemes and the event of increased labour immigration from EU after 2004, created a situation where the autonomy of the nation state in the social realm is no longer absolute. The welfare state is historically linked to the political institutions of the nation state – more specifically the modern citizenship. It is therefore not unlikely to expect that the changing decision-making structure created by the coordinated social security schemes in welfare, could damage the underlying legitimacy of the welfare state (Ferrera, 2005). This is perhaps even truer for the case of

Scandinavia, where universal welfare institution has made the connection between the citizenship and social citizenship even more pronounced (Esping-Andersen, 1990 p.27-28).

3.3 General trust and civility: Most people can be trusted”

Higher levels of general trust are believed to reduce the perception of risk and enhance the incentive among individuals to participate in collective interests (Ferrera, 2005). First I will discuss the logic of social categorization and identification, arguing that we as social beings in order to feel connected tend to categorize each other into different social categories.

Identifying with a group makes us feel more morally obliged to take part in collective interests that benefits the group, despite what our own self-interest might be. Theories on social capital argue that the interaction we have with others by participating in organizational life, makes us more collectivistic (Rothstein, 1998). Secondly I will discuss the radius of trust, and the territorial and membership function of boundaries in enhancing general trust.

There has been a great interest in the literature to define and determine the effect of “General trust” on civiness. When describing the concept of “*trust in others*”, scholars will usually distinguish between two categories of trust. The first one entails a more narrow scope and includes more familiar others, people we know personally and is therefore called a thick or specified trust. The second category of “*trust in others*” is a more diffuse type of trust named “General trust”. “General trust” concerns itself with a wider circle of unfamiliar others, and is often believed to be more important than specific trust. *In modern society we daily interact with strangers, and “General trust” is the basis of reciprocity, social connectedness, peaceful collective action, inclusiveness, tolerance, gender equality, confidence in institutions and democracy itself (Delhey et al., 2011 p.786-787).* General trust is an important function for complex societies that involves countless daily interactions between unfamiliar people. Higher levels of trust produce higher levels of cooperation, while wider levels of radius trust produces a more inclusive definition of who one defines as “*trustworthy*”. A wider radius of trust will therefore make people more inclined to connote to out-group trust rather than in-group trust when asked the unspecified question; “*Generally speaking would you say that most people can be trusted or that you need to be very careful in dealing with people?*” (Delhey et al., 2011 p.792-3).

Interaction between citizens and the political institutions and organizational life, enables trust to be built, trust that if they cooperate so will others. Putnam found that social capital was

more significant in explaining democracy's manner of operation, than socio-economic factors (Rothstein, 1998 p.129). Our opinions, interests, values and ideology all influence political institutions and policies, but policies and institutions also influence our social norms and behaviour (Rothstein, 1998 p.135). According to Rothstein (1998 p.136) individuals' behaviour and preferences are influenced by both their self-interest and their preference of common good. When the institutional structure allows for and ensure communication, the actors will be more inclined to support the common good even though it might not be in their direct self-interest. Interaction with others makes people more likely to expect that also others will choose the common good in favour of their own self-interest (Rothstein, 1998 p. 135-36). Some scholars claim that the level of general trust that the state is able to generate, is connected to the degree of how ethnically or religiously homogenous the population is (Rothstein, 1998 p.100). If people feel attracted to each other and are loyal at the micro level, they are much more likely to perceive collective identity and we-feeling at a macro level. We tend to classify each other in different social categories, social categories based on personal- and social identification factors, and we are more likely to prefer common good, when the receiver is someone one can identify oneself with or if they are not to blame for their own unfortunate. People that can be blamed for their own need, because of laziness or irresponsibility will always be perceived as less deserving than those who are not. We also tend to be more inclusive toward people that are likable, grateful and confirming to our standards or individuals that we believe are likely to contribute to the common good of the group in the future (Susycki and Karolewski, 2013 p.38-40). When one support public policy targeted at groups one can identify with, one could also argue that there are some degree of self-interest present. The motive for supporting collective interests targeted at groups we can identify with, also result from the notion that it has previously or if not immediately, then in the long run, could benefit oneself or someone very close to the person.

With the complexity of the welfare state it is likely to assume that most people will only have more of a basic knowledge about all the welfare state's welfare provisions and welfare recipients; especially in states like Scandinavia where the welfare program is very extensive. The media then naturally becomes an important institution impacting and communicating people's and elite's attitudes toward "*most people*" and more specifically different groups of welfare recipients. Although "*the deeper influences of socialization remain stable, what may change is whether or not various groups of welfare recipients are thought to be belonging among the deserving*" (Øverbye, 2000 p.23-24).

Variety of research has found that the Nordic countries have a distinctly higher level of trust. Additionally empirical evidence shows that these Scandinavian welfare states are much more de-commodifying than welfare states elsewhere (Esping-Andersen, 1990). According to Bergh and Bjørnskov (2011 p. 1-2) there are three possible ways to interpret the causality of the correlation between welfare state size and general trust. Some studies argue that people's perception of public service bureaucrats induces trustworthiness in unfamiliar others. From this line of argument "general trust" is merely a product of the welfare states size, where the perception of fairness is extended to the wider scope of the population together with the increase in generosity and inclusiveness of the welfare policies. Bergh and Bjørnskov (2011 p. 1-2), disagrees with this line of arguments, claiming on the contrary that the universal welfare states can be explained and sustained by a higher level of trust in the population. Thirdly the causality of general trust and welfare state size might possible have a reciprocal effect on each other (Bergh and Bjørnskov, 2011 p. 1-2). In conclusion Bergh and Bjørnskov (2011 p. 7) find that there are potentially three mechanisms that can cause general trust to affect the size of the welfare state. When people have a higher level of general trust, they are less worried about and less likely to take part in major free-riding practices. Secondly this makes people more receptive for risk-sharing practices through pooling of resources, enabling the welfare states to develop and maintain fiscally sustainable. At last high general trust allowing for a generous and less comprehensive regulated welfare state in turn will cause more pressure on the public bureaucracy administrating the welfare policies. In case of foal play the repercussions is likely to be higher, as people expect bureaucracy to conform to the norm, reducing the likelihood of malfeasance. When relying on the state to handle life-cycle redistribution and risk-sharing; trust in the public bureaucracy is an important factor (Bergh and Bjørnskov, 2011 p. 6-7). From this line of argument they conclude that "*Nordic countries are not outliers*" among the welfare states regimes, but rather ordinary cases of institutional choice designed by a high degree of willingness to cooperate and an inclusive trust radius. Although they oppose the argument that "general trust" is a result of welfare state size, they do not exclude the possibility that certain welfare provisions might also have had a positive effect on the levels of trust (Bergh and Bjørnskov, 2011 p. 16-17).

3.4 Boundary-structuring and general trust

“The boundary-structuring of the welfare state was a delicate balancing act between the indulgence vis-à-vis the particularisation inclinations of pre-existing social categories and self-defeating ambitions of redistributive stretching the scope of solidarity beyond the limits which could be sustained by available material resources and moral reserve” (Ferrera, 2005 p.46)”

At last acting in the interest of a collective identity, require some sort of coercion to contributions and control of the contributions to the common good. This type of enforced solidarity can only be stable in the long term if it is exercised by a legitimate authority capable of regulating motives of solidarity into actions of common good and restricting potential free riders. Free riders or the potential of them, are problematic because they cause people to hesitate from contributing to the common good. Insofar the modern citizenship with its institutions ensuring certain political, legal and social rights, have been highly successful establishing solidarity on a larger scale (Ferrera, 2005 p. 206).

State-building theories have been a classical theme for macro-historical sociology and political science offering many important insights into the evolution of the European nation states and national citizenship, and eventually the long term evolution of the welfare states. *“More recently this approach has been given new life through the recent scholarship on the EU, and the process of territorial restructuring in the wake of globalization and new regional and functional international regimes (Ferrera, 2005 p. 13-14)”*. Ferrera (2005 p. 16) finds the theoretical framework and analytical insights of the Norwegian social scientist Stein Rokkan as a good point of departure. In Rokkan’s framework on European state- and nation building and eventually the development of mass democracy and welfare systems, boundaries and structures claim a vital role. *“Boundaries are salient in the sense that they mark the social territories of group relations by accentuating putative moral, cognitive, affective, behavioural and other attributed differences between social movement participants and the web of others in the contested social world”*. But how exactly do boundaries generating collective identities and the general trust that makes people willing to contribute to the common good and support reallocation of resources through the welfare state. The welfare states evolved out of the boundary-structures of the modern citizenship, as well as it became a central institution enhancing this exact boundary-structure since the mid-twentieth century. A very simplified understanding of boundaries, are that their purpose is to distinguish between insiders and outsiders. Boundaries in the state- and nation building have had two prime functions that can

be divided into a territorial- and a membership dimension. These dimensions obviously have different functions as well as they hold the power of revalidating each other, often making it hard to separate the effect of one from the other (Ferrera, 2005 p. 44-54). In the territorial dimension of boundaries we are dealing with physical boundaries. The most obvious in this context would be the state borders and national citizenship, separating a population within a national terrain from surrounding populations and foreign terrain. This is the simplest form of marker between insiders and outsiders, and have been useful in the state's efforts to "lock in" domestic actors and induce their politicization. Redirecting citizens toward a national authority creates a national space where citizens more effectively can form group-formations. Group-formations will allow them to more successfully contest domestic membership boundaries and demand reallocation of power-resources controlled by the political elite. Simultaneously the territorial boundaries can be practical in safeguarding the domestic resources from outsiders, creating a more reliable environment for social cooperation by limiting the number of actors to collaborate with. It stipulates certain limits to the vertical axis of who are to be included or not as a member of the group (Ferrera, 2005 p. 44-54). The membership dimension on the other hand is boundaries of a more symbolic nature. These type of boundaries have always been salient in the social citizenship, and its extension and institutionalization of political-, civil-, and social rights. Their enhancements have often been viewed in the context of the nation-building process, as a mean to enhance group-self-perception among its citizens and indirectly strengthen their loyalty to the territorial authority. Moreover this group-bonding is believed to make for a much more stable environment of social cooperation (Ferrera, 2005 p.20), as it induces solidarity among its members and often a very powerful notion of members and non-members. The emotional aspects of group-bonding will most likely make a restructuring process of membership boundaries an ample more complex and contested than the restructuring of purely territorial boundaries would. (Ferrera, 2005 p. 44-54). *Membership boundaries tend to be much firmer geographical boundaries: you can cross the borders into a territory as a tourist, trader or casual labourer, but you will find it much more difficult to be accepted as a member of the core group claiming rights of control within a territory* (Ferrera, 2005 p.24)

During the 19th and 20th century social citizenship was gradually extended to include if not the whole population at least the vast majority, as a natural part of their national citizenship in most European states (Ferrera, 2005 p.12). Social citizenship is the rights and duties bestowed on the members of such a citizenship. More specifically it can be divided into categories of

political, civil and the focus of this discussion, social rights. The collapse of the empires had brought about a triumph of democratization as well as an enduringly nationalism causing demands of social citizenship from all social strata. However it was not until after the First World War that national and social citizenship truly became two sides of the same coin. National citizenship was now a truly powerful instrument of territorial defence, and it was out of this boundary-structure and this specific collective interest that the welfare states evolved and where created to induce (Ferrera, 2005 p.54). Will the welfare state be able to generate instruments ensuring the willingness to contribute as well as maintaining the belief that the re-allocation is carried out in a just manner, when that the boundary-structures of the modern citizenship is no longer able to control the exit and entry within the welfare state (Ferrera, 2005 p.44).. The modern citizenship clearly generated a beneficial environment for institutionalizing solidarity. In continental Europe the legitimacy of the welfare state is typically associated with questions of solidarity and the main issue being the degree to which welfare redistributions are backed by patterns of solidarity (Susycki and Karolewski, 2013 p. 38) . *“The welfare state can be considered a highly articulated and specialized form of institutionalized solidarity, serving both efficiency and social justice solidarity. A solidarity that was institutionalised during the last two centuries in the wider context of the territorial system-building”* (Ferrera, 2005 p. 45).

The boundaries of the national citizenship were especially beneficial in the process of amplifying the latitude of social rights in Europe. *“The alignment of national and social citizenship greatly contributed to regularisation of social and economic life by reducing transaction and information costs providing incentives for innovation at the micro level”* (Ferrera, 2005 p.39/40). Historically the boundary-structure of social rights in Europe evolved very slowly compared to the political and civil rights. Social rights tend to be more delicate and controversial, in the sense that they touch on dilemmas of redistribution and reciprocity. Granting rights to more people is always costly, because it entails a larger distribution of power-resources, but social rights in addition also entails substance costs (Ferrera, 2005 p. 44-54). However the boundary-structure established from the system of modern citizenship reduces the stakes by clarifying who are insiders and who are outsiders. The boundaries of citizenship clarifies who the actors are and who the state authority with legitimacy can demand certain obligations from, duties that make it possible for the system to generate the citizenship rights it is design to distribute. This is especially important with regards to social rights, as the financial requirements make them even more sensitive and

dependent on a strict and precise correspondence between rights and duties. In political and civil rights this is not always the case, and the institutions built to manage it can to a certain degree function despite the members lack or partial lack of commitment (Ferrera, 2005 p.39/40). In social rights there need to be a higher moral commitment to sharing with others, that are not easy to activate at an individual and primary group levels (Ferrera, 2005 p. 44-54). The modern citizenship with its closed national territorial and membership boundaries, made public support for a compulsory social insurance based on flat rate or proportional contributions more manageable. It nationalized redistribution (Ferrera, 2005 p.39-46) and shaped a common identity originating from the common interests, history of rights and duties with regard to the citizenship. *Scholars typically acknowledge that the collective identity of citizens in welfare states is based on a civil commitment linked to a common national welfare*” (Susycki and Karolewski, 2013 p.7). Although the migration flows are much minor in today’s Europe compared to the late 19th and early 20th century, the thick boundary-structure of citizenship spaces today generates a much more complex and difficult political landscape (Ferrera, 2005 p.41). Globalization, and especially the European integration, has prompted a creeping but constant decoupling of rights from national terrains. The territorial boundaries of citizenship have become much more permeable, while the possession of national roots has become less important as a marker of insiders and outsiders, and in particular as a filter for the exercise of many rights (Ferrera, 2005 p.41-43).

3.5 Theorizing concepts - what affects the level of “General trust” in a society?

1. Labour immigration

Social diversity is often thought to have an effect on the trust radius, and research shows that in mixed communities trust in one’s own race or ethnicity is usually higher than in others. In societies where there are high levels of diversity as well as high levels of group conflicts, people tend to “hunker down and withdraw into their own circle”. In contrary to this, research also shows that when people live in larger and more diverse communities, they are likely to become more accustomed to the unknown and unlike others (Delhey et al., 2011 p.790). Research from physiology indicates that humans copy the social trust of their parents during their childhood and that this basic sense of trust in strangers will remain relatively stable throughout life. Research has found that Scandinavians have had a historically high level of trust compared to other nations (Bergh and Bjørnskov, 2011 p. 3), and which still prevails

today(Delhey et al., 2011 p.790). If we are to follow the research validating the theory where homogeneity is positively correlated with levels of trust, we might expect the levels of “General trust «in some regions, mostly regions with more densely populated communities, to experience a decrease in “General trust” after 2004. The empirical evidence indicate a new trend where labour immigrants from Central- and Eastern EEA countries, unlike previous and other types of immigrants, are more evenly distributed between the regions and are more prone to locate themselves in more densely populated areas. More populated communities with an already high level of diversity will from this argument, most likely be less affected by the new labour immigration(Østeby, 2013 p. 20-22). The literature on heterogeneity and its effect on “General trust” is not unambiguous, and therefore I will not make any assumptions on the direction of the causality(Midtbø, 2007 p. 63)

H1: Increased level of labour immigration from the EEA after 2004 and onwards might affect the level of “General trust”.

H2: People’s perception of the benefit or inconvenience increased levels of immigration will have on their community; will affect the levels of “General trust”.

2. Trade Union

Membership in a Trade Union is a decision to join forces with others in similar life-situation. In order to maximize the output from in-group cooperation, there has to be a mutual trust among the group members that makes everyone willing to participate and limit free-riders. In cases where one have cultural or social structures defining the boundaries of a group, the loyalty within the in-group tend to be much more intense. Several studies have stated that collectivist culture will only create in-group trust, and although membership in a trade union might be a source of higher trust in others, the positive emotions like trust and sympathy are likely to be reserved for the members and withheld from outsiders. In-group persistence is not dependent on hostility or conflict with out-groups, but in-group members tend to have a general preference for the familiar where the social interactions among members are more predictable. However intragroup conflict and hostility will often occur when there is a competition of material resources or political power or even in cases of perceived positive integration, feelings that the cooperation with an out group and the lack of clear in-group boundaries will cause loss of identity and loyalty among the members(Brewer, 1999 p. 429-

442). “General trust” is dependent not only on high levels of trust, but also that this trustworthiness is prescribed to a wider radius of “most people”(Delhey et al., 2011 p. 787).

H3: When people are active in a Trade Union, it decreases the levels of general trust in a community.

3. Individual socioeconomic factors:

Economic modernization is thought to have a profound effect on people’s mind-set, because education and knowledge widens the cognitive horizon. Cognitive mobilization tends to erode parochial world views and produces a more extended notion of “most people” (Delhey et al., 2011 p. 790). Additionally the higher levels of prosperity produced by economic modernization, and with it the reduction of risk elements in a society make for a more trusting and cooperative society. *Poverty tends to make people more risk-averse and breeds distrust of those they do not know.* When people have no or a limited work contract or are in the risk of being unemployed, the economic insecurity accompanied with this might cause them to feel more distrusting toward “most people” (Delhey et al., 2011 p. 790). Usually the economic insecurity accompanied with having no or limited work contract or being unemployed is in this sense also likely to have a negative effect on “General trust”. (Vrålstad, 2012 p. 20). Previous research on trust and life-cycles reveals that “General trust” tends to increase with age. It is likely to assume that this effect can be caused by underlying factors like some younger age groups being too young to have achieved the same level of education or the same level of financial stability. Additionally previous studies have found that there is a strong correlation between education and age, where those with more than 9-10 years of education (compulsory primary and secondary education) in the age group 45-66 tends to have a higher level of trust than those in the same age group with only 9-10 years of education or less (Vrålstad, 2012 p. 15-16).

H4: Higher education level’s increases the level of “General trust” in a community.

H5: When people are satisfied with the state of the economy the level of “General trust” will increase, and when they are dissatisfied it is likely to decrease.

H6: Unemployment will reduce the level of “General trust” in a community.

H7: Unlimited work contract increases the level of “General trust” in a community

H8: People in the age group of 45-66 years tend to have a higher level of “General trust” than other age groups.

4.0 Methodology, data and operationalization

In this chapter I will present the data and the method of social science that I have applied when searching for empirical evidence to my research question. I will start off by discussing my choice of data, their characteristics, and potential issues of reliability and validity connected to them. Next I will present the operationalization of the dependent variables, independent variables and control variables. Then I will discuss the general the advantages and disadvantages of using quantitative methods. Finally I will introduce the design of my data and the method of statistical analysis, and clarify why these are beneficial for this thesis and this specific research question.

4.1 Data

4.1.1 Collecting and organizing the data for my analysis

The data I have used for this analysis is retrieved from the European Social survey round 1-4 dataset and SSB statistics Norway. The observations from the ESS are survey data, and the survey data from Norway is provided by Norwegian social science data services (NSD). I have merged the ESS survey's and its observations from 2002-2008 together with the variables on labour immigration from SSB into one dataset. Out of the regional variable in the ESS data, the individual answers have been aggregated from an individual to a regional level (7 regions). Here it is also important to note that the survey sample in each time period of the ESS survey data are not the identical set of individuals, making the data a "simple likelihood sample" of the population in Norway. The ESS survey and SSB have very strict sampling strategies, ensuring strong construction validity. All members of the population have the equal likelihood of being selected as well as the requirements ensuring that the samples are representative for the whole population(ESS, 2014, SSB, 2014). When studying change in society it is vital that the data is collected in a way that fulfils the principal of stable reliability or it will be difficult to determine when change actually occurs. Additionally it is also important when dealing with a large sample of individuals, like in the ESS survey, that there are clear directions on how to collect the data from each individual, in order to avoid loss of equivalence, reliability. With both the ESS survey and the SSB being highly professional and well known institutions, I can be confident that the method used to collect the data makes it reliable (Grønmo, 2007 p.222-23).

With my research question studying the connection between increasing numbers of labour immigrants from the EU after the enlargements in 2004 and 2008, and how these might have affected the level of general trust in the population in Norway. It would have been ideal for the validity of my research if the time period of my data and analysis were yearly between 2000 and 2013, but because of limited available data the best source is the ESS survey data where I will get the time periods 2002, 2004, 2006 and 2008. Of course it would have been interesting to have had a longer time period, as other empirical sources show that the trend of labour immigration from EU has steadily been increasing from 2008-2012. However this was unfortunately not possible, mostly because the newer publications of the European social survey did not contain regional variables for the Norwegian respondents and also lacked some of the independent variables necessary for my analysis (NSD, 2002-2012). Although it is not ideal the data I have for my analysis, are still sufficient in the sense that they will cover the time periods of interest to my research question (Grønmo, 2007 p. 221).

4.1.2 Ecological fallacy in aggregated data

When using data that are aggregated, like here from an individual level to regional level, one must be aware of the ecological fallacy. Causality between certain variables can be present on individual level data; however this does not automatically mean that the same causality will exist on higher aggregated levels. Often the effect will be present on both levels, but we should be aware that there are certain effects that are only present on individual level (Skog, 2004 p.110).

4.2 Operationalizing

In the operationalization I will present the variables used in the analysis; how they are measured and where they are “collected” from (Grønmo, 2007 p. 391). In a quantitative approach our theoretical definitions and assumptions must be translated into variables that can be tested in a statistical analysis (Grønmo, 2007 p. 128-32). It will then be important to consider whether the operationalization is carried out in a manner that secures the validity. First of all one should consider if the concept is operationally defined in a sense that it covers the theoretical content of the concept, or one can risk not actually measuring what one posed as the research question. Next the operational definitions of a concept and the hypothesis of

how different concepts correlate should preferably be recognised from previous literature (Grønmo, 2007 p.232-33). In the statistical analysis the data will be as mentioned before aggregated from an individual to a regional level, but to get a better understanding of the variables they will in the operationalization be described in their original form, on the individual level.

4.2.1 The dependent variables

My thesis is based on a theoretical assumption that general trust or solidarity is one of the key cornerstones of the survival and popular support of the welfare state in Norway. The decision to use general trust as an indirect measure to explain the legitimacy of the welfare state is in part also a consequence of limited data in the ESS survey. I was not able to find any variables that measured the support of welfare arrangements or welfare spending in Norway on regional level in the time period of interest to my research. After thoroughly considering the relevant literature in the field of the welfare state, I have concluded that studying the impact of labour immigration on the levels of general trust will still be a valuable contribution to the literature on globalisation and the welfare state in Scandinavia. When discussing the level of “General trust” one should always assess both trust and the radius of this trust. These are considered to be mutually dependent and one can never compensate for the lack of one by increasing the other. Delhey et al. (2011 p.792-3), concludes that if people when asked the question “most people” are more likely to connote out-group trust rather than in-group trust we can assume that the radius of trust is wide. After analysing 51 countries from the fifth round of the World Value Survey, Delhey et al. (2011 p.792-3) finds that in 41 of the countries the respondents are more prone to, connote to out-group trust when asked these types of unspecified trust measures. Often researchers have found that discovering a clear causation between “General trust” and other components of civicness or social capital can be empirical challenging. However Delhey et al. (2011 p.801) claims that this can largely be explained by the unspecified “most people” measure’s ability to capture trust radius and not only levels of trust. When analysing western democracies the use of the “most people” question to measure general trust is often less troublesome, as the level of trust radius tends to be generally stable and high here compared to other countries in the world (Delhey et al., 2011 p.801). Consequently I feel confident that the concept of general trust has high validity in the operationalization.

Most people can be trusted: This variable is retrieved from the ESS survey, where people are asked to place on a value scale from one to eleven, whether they find people trustworthy or not. Number one being “people are not to be trusted” and number eleven being “most people are trustworthy”(NSD, 2002-2012).

Most people are fair: This variable is retrieved from the ESS survey, where people are asked to place on a value scale from one to eleven, whether they find people to be fair or not. One being “people won’t treat you fair” and eleven being “most people will treat you fair”(NSD, 2002-2012).

Most people are helpful: This variable is retrieved from the ESS survey, where people are asked to place on a value scale from one to eleven, whether they find people to be helpful or not. One being “people are not helpful” and eleven being “most people are helpful(NSD, 2002-2012)”.

4.2.2 The independent variables

The variable of labour immigration is not a perfect measure of the number of labour immigrants as it only includes labour immigrants with a registered address. Usually these are labour immigrants that are here for minimum of 6 months or longer, and the measure does therefore not include more seasonable labourer that are here for less than 6 months. This was inescapable, as I needed a measure of labour immigration that also described the region of residence in Norway. However the empirical literature on the development of labour immigration in Norway reveals a clear trend that the labour immigrants from the EU are increasingly turning their stay into more long term employment. With the numbers of seasonable labourers from EU(less than 6 months) in decline, I feel more confident that the variable chosen to measure the concept of labour immigrants from EU fulfils the principal of definition validity in the operationalization(Grønmo, 2007 p.232-22)

Labour immigrants to Norway (absolute values):

The variable is retrieved from SSB statistics Norway, and is a metric variable measuring the absolute number of employed immigrants with a registered address in Norway from EU, USA, New Zealand and Australia from 2001-2009. The variable is divided up among 7

regions, accordingly to the registered address of the immigrant. When being employed in Norway longer than 6 months, one are required to register with an address(SSB, 2014b). This variable was the most appropriate one at SSB, because here I get the correct time lapse for my analysis and the numbers are divided up according to region. Unfortunately the variable also measures the number of labour immigrants from the US, Australia and New Zealand, but according to Olsen (2013) the absolute majority of all labour immigrants are after 2004 individuals from EU and especially from the central- and eastern member countries. Therefore I do not believe the variables from USA, New Zealand and Australia will not cause too much problems with construction validity (Skog, 2004 p.89-90). In the analysis I have log transformed the variable to make it more linear, so that it will fit better with the OLS-regression requirements.

Labour immigration to Norway (relative values): This variable is based on the previous described variable, and is a percentage of employed immigrants with a registered address in Norway from EU, USA, New Zealand and Australia(SSB, 2014b). Unlike the previous variable this variable is measured in percentage, and additionally it is weighted against the total account of inhabitants in the different regions in every time period 2002, 2004, 2006, 2008 (SSB, 2014a). There is a high variation in the population size in the 7 regions, and this variable allows us to get a better grasp on the amount of labour immigration and consider the actual extent of the labour immigration in the different regions.

Immigration good or bad for country: The variable is retrieved from ESS survey, where people are asked to place on a value scale from one to eleven, whether they find immigration good or bad for the country. One being “immigration makes it a worse place to live” and number eleven being “immigration makes it a better place to live”(NSD, 2002-2012).

4.2.3 Control variables

Membership in a Trade Union, the last 12 months: This variable is retrieved from the ESS survey, where the respondents are asked if they have been a member of a trade union the last 12 months. Originally this variable had more than only two categories, but I have coded it into a dummy variable where the value one is “Yes” and zero is the other answers, including “NO” (NSD, 2002-2012).

Years of education: The variable is retrieved from the ESS survey, and asks the respondents how many years of education they have completed. The respondents are asked to report both full-time and part-time education, in full-time equivalents including years of compulsory schooling(NSD, 2002-2012). In order to fulfil the requirements of the OLS-regression I will be using a log transformed variety of this variable in all of my analyses.

Year of birth/Age: The variable is from the ESS survey, and the respondents are asked to put in their year of birth(NSD, 2002-2012).

Satisfied with the economy: The variable is retrieved from the ESS survey, where the respondents have been asked to place themselves on a scale from zero being extremely dissatisfied with the state of the economy in Norway and ten being extremely satisfied(NSD, 2002-2012).

- Used a dummy variable in the analysis

Unemployed and jobseeker for longer than 3 months: The variable is retrieved from the ESS survey, and asks the respondents if they have ever been unemployed jobseekers for a period longer than three months. The variable is a dummy variable, where the value 1 equals “YES” and zero equals “NO”(NSD, 2002-2012)

Work contract limited: The variable is retrieved from ESS survey, and the respondents are asked if they have a work contract that is limited or unlimited. The optional answers are unlimited, limited, no contract. I have coded the variable into a dummy variable where value one is all answers “limited” and zero is “unlimited work contract” “no contract”. (NSD, 2002-2012).

4.3 Quantitative approach

Very simplified we can argue that research design can be divided into two camps either the quantitative or the qualitative tradition, and for decades there have been ongoing discussions among political scientist of which one is the road to truth (Verba, 1994 p.3-7) However in this discussion I will only concern myself with why I believe a quantitative approach is the most fruitful for this research question. In social science we are never dealing with absolute truth, but rather we are looking at causal tendencies. By using a quantitative research design, one is able to test a very specific hypothesis over a larger sample of units, and can therefore draw statistical generalizations beyond the sample to a larger population. My objective with this thesis is to see if the level of general trust among citizens in Norway is affected by the labour immigration from EU after 2004. I therefore believe a quantitative method will be best suited for this thesis as well as manageable within the time limits set for this project. In order to really make any statistical generalizations on causality between variables, multivariate models are necessary. There are several models to choose from, but in this thesis I will be using a linear (King, 1986) regression analysis (Skog, 2004 p.59).

4.3.1 Longitudinal design

The scientific design of my quantitative study will be a so-called longitudinal design. The main advantage of this design is that it accounts for both time and space, by following the same units over a period of time (Skog, 2004 p. 69-86). *“Longitudinal design have long been considered some of the best designs for the study of causation next to purely random experiments”* (Menard, 2008 p.245). By comparing the same units across time it is very suitable for detecting changes and the nature of this change (Grønmo, 2007p. 378-79). This can be helpful when we are interested in the time order and the durability of a causal relation between dependent and independent variable. In social studies it is reasonable to believe that in many cases even though we do not find causal relations straight away, this does not necessarily mean that they are not present. Some causal relations do not manifest themselves straight away, and with sufficient observations across time and space longitudinal design can be very fruitful in detecting these connections (Skog, 2004 p. 77-78). There is however certain “flaws” with the longitudinal design that one needs to be aware of, and that will need certain corrections to avoid mistakes and problems with validity. These flaws are autocorrelation, heteroskedacity and heterogeneity (Menard, 2008 p.233). When analysing the same units repeatedly we will most likely be dealing with serial dependency, or so-called panel

autocorrelation. Usually the characteristics of a unit, for example the behaviour of the individual, tend often to be correlated with itself from one period of time to the next (Menard, 2008 p.237-38). Panel heteroskedasticity occurs when the error variance varies across units or over time, due to characteristics unique to each unit. Isolated the effect may be relatively modest, but when adding time dimensions the effect can magnify in a manner equivalent to the number of time periods (Menard, 2008 p.238). Panel heterogeneity is when all the units are affected by a “shock” during the same time period or/and it can consist of a time-stable difference between the units. When all the units are affected by an event in maybe only one of the time periods of the panel, it can cause errors and these errors will be correlated across each unit (Menard, 2008 p.238). There are several statistical tests one can apply to detect for these “flaws” and models one can use to correct for it (Menard, 2008 p.237-38). Before going into detail on what these models are, I need to introduce my method of analysis.

4.3.2 The multivariate linear regression model

There are several benefits to using a multiple linear regression in social science to analyse cause and effect of a phenomena. The regression line in a linear regression reports the statistical tendency in our data, and the standard error in the model measures how much variation there are among the units around the regression line (Skog, 2004 p. 220-22). The linear regression method assumes that a potential change in the dependent variable will be autonomous from the level of the independent variable. Linear regression analysis is a suitable method for analysing correlations between several variables, and can be helpful in describing the direction and strength of a correlation (Skog, 2004 p.213-14). It tells us how much the dependent variable in average increases or decreases when the independent variable increases by one value (Skog, 2004 p.217-18). The linear regression has also a measure where it accounts for all unknown explanatory factors that might affect the dependent variable, which is called the error term (Skog, 2004 p.258-61). The regression line in a multivariate analysis gives a more complete picture of a phenomena and the description of causality will be more accurate and trustworthy than in a bivariate regression. The advantage with a multivariate regression is that we can control for the effect of one explanatory variable on the dependent variable simultaneously as all the other explanatory variables are kept constant. By isolating the effect one explanatory variable has on the dependent variable, we can interpret this effect independently from the other potential relevant explanatory variables in our model.

A multivariate regression will thereby be helpful to determine the relevance of each explanatory variable on the dependent variable, and actually give a sense of how good our model are to explain the effect in the dependent variable. Also it can be fruitful when we want to get a sense of which of the independent variables that are the most relevant (Midtbø, 2007 p. 97-99). This makes it highly relevant for my thesis, as my intention is to determine if the independent variable of labour immigration from EU after 2004 have any effect on the dependent variable of general trust and how stronger its potential effect is compared other control variables added in my model.

I will need to decide what level of significance I should apply when determining to reject or not reject the null hypothesis. Rejecting the null hypothesis means that the impact that the dependent variable on the independent variable is judged to be of statistical significance. There are three different levels of significance (10, 5, 1), the higher level of significance the higher likelihood of making a Type I error, meaning that one rejects a null hypothesis that is in fact correct. However with very low levels of significance, the chances of making a Type II error will naturally be a potential. Type II errors are when we do not reject the null hypothesis, and it turns out that it is in fact incorrect. When testing a hypothesis one must also consider whether one would like to use a one-tailed or a two-tailed test. The two-tailed test does not have any specific perception of the direction of a potential causality; unlike the one-tailed test where significant results exclusively will signify either a positive or a negative causality. In order to use a one-tailed test the theoretical assumptions must be very unambiguous, as the likelihood of making a Type I error doubles compared to in a two-tailed test. Using a two-tailed test although the literature clearly is unambiguous of the direction of a correlation, will be a case of unfounded caution (Midtbø, 2007 p. 62-68). When deciding on level of significance, one should consider the size of one's sample. Larger samples (*but not too large where one find significant relationships everywhere*) are often more comparable to the population that they are actually measuring, and consequently the standard error of the estimate is often lower than in smaller samples. With smaller samples where the variation in the independent variables potentially is more homogenous, the standard errors are likely to be higher. With high standard errors we will often struggle with finding significant results in a statistical regression analysis. Since my sample after the aggregation has only 28 observations divided among 7 regions, my sample is a rather small. It will therefore be smart of me to choose the lowest level of significance in my analysis to avoid the likelihood of making Type I errors; rejecting the null hypothesis on false premises. With a statistical significance on 1%,

there will only be 1 % chance that the statistical significant results in my regression analysis will be a consequence of randomness (Midtbø, 2007 p. 62-68). Naturally the price of securing oneself from making a Type I errors is always that the likelihood of making Type II error increases; not rejecting the null hypothesis when it is false. The likelihood of making a Type II error is also dependent on the size of the sample and the strength of the causality; if the sample is small and the variation between groups are low or the causality is weak the likelihood of making a Type II error will be high when choosing a strict significance level of 1 % (Skog, 2004 p.207-08).

4.3.3 Diagnostic for a linear regression

The linear regression analysis requires certain conditions to be fulfilled before one can run a meaningful statistical analysis.

1. Linearity

First of the assumptions of the linear regression is that the correlation between Y and X are more or less linear, meaning as mention above that when X increases by one unit the change in Y is constant no matter what the level X. After testing the linearity of my data; although there were no serious non-linear correlations, I found that transforming two of the independent variables into logarithms improves the linearity (Midtbø, 2012 p. 134-35). After running the statistical test Ramsey's regression specification error test (RESET), I can conclude that the correlations between independent and dependent variable(s) in the three models "People can be trusted", "People will treat you fair" and "People are mostly helpful" fulfils the linearity requirements of a linear regression analysis (Midtbø, 2012 p.130-31). When checking the normal distribution of the error term with a histogram and a so-called "sktest" in Stata, I find that they improves slightly in all the models after I have transformed the independent variables "Labour immigration from EU" and "Years of education" into logarithms.

2. The error term should be: homoscedastic normally distributed and not auto correlated. (Skog, 2004 p. 236-57).

A) Homoscedastic error term

Homoscedastic error term means that there is not too much variation in the observations around the regression line, if there are the accuracy of the model varies whether one have high or low values on X (Midtbø, 2012 p. 106-112). If this is not the case we are dealing with heteroskedacity (Skog, 2004 p. 236-57). With models where one have a large set of observations it might not cause much of a problem, but due to the reduced size of my dataset after aggregating individual data to regional data, high levels of heteroskedacity can be problematic and cause statistical margins of errors. One solution to heteroskedacity could also be to transform the variables into logarithms, go over the model again and see if there are any important explanatory variables left out. Alternatively one can use statistical models that accounts for heteroskedacity in their estimations (Midtbø, 2012 p. 106-112) like panel corrected standard errors model. The Breusch-pagen (BP)-test and the more alternative White-test confirms that there are no heteroskedacity in the error terms of the model “People can be trusted”, “People will treat you fair” or in the model “People are mostly helpful” (Midtbø, 2012 p.106-12).

B) The error term: normally distributed

The error term should be normally distributed or we can experience that it can be difficult to determine the statistical significance of the results from our analysis. In a good model there should always be an equal likelihood of both overestimating and underestimating a value (Midtbø, 2012 p. 114-16). However in situations where we are dealing with statistical outliers, meaning observations that are far from the regression line compared to the other observations in our model (Skog, 2004 p. 236-57), we come in danger if these outliers happens to be both extreme and with leverage, to over- or under predicate their relevance (Midtbø, 2012 p. 114-16). This condition might not be so influential if we have a very many observations, however if one are working with smaller datasets like me, one should be aware. An error term that is not normally distributed can give us skewed results, making it more likely to make type I or type II errors (Skog, 2004 p. 236-57). When running a q-plot it might look like there is an observation from the region “North of Norway” in the model “People can be trusted” can be an outlier, but after running additional statistical tests of the leverage of the outlier, I can conclude that it is not an influential outlier. In the model “People will treat you fair” there were some observations not placed directly on the regression line in the q-plot, but also here the test of influential outliers was negative. The last model

“People are mostly helpful” did not have any potential outliers among its observations, and I can therefore come to the conclusion that there are no issues with the normal distribution of the error term in any of my three models (Midtbø, 2012 p. 114-18).

C) The error term: not auto correlated with itself or the independent variables.

Lastly the error terms in our model should not be internally correlated or correlated with the independent variables. The first issue of internal correlation is a known problem in time series and longitudinal scientific design. Since my data is organized into a longitudinal design I am also dealing with time periods and it is highly unlikely that the error term one year are not going to be correlated with the error terms for the additional time periods (Skog, 2004 p. 236-57). However with my units being samples of the population in Norway, I am not observing the exact same individuals in every time period of my longitudinal data, which decreases the likelihood of high autocorrelation among repeated observations (Skog, 2004 p. 328). The result of having internally auto correlated error term is often that the standard errors in the model are underestimated. The second issue where the error term is correlated with the independent variable, it is harder to detect the real causality. More specifically there should not be omitted variable bias, creating the effect in Y as well as it is correlated with X. This will give us a much skewed sense of the cause and effect that X has on Y. Underlying effects is when X take on the effect of a non-identified variable in the error term, causing too high or too low estimates in the model. One straight forward solution to this could be to identify and add more control variables to the regression model (Skog, 2004 p. 236-57). After running the Wooldridge test for panel autocorrelation the model “People are mostly helpful” rejects the hypothesis of no autocorrelation. The other two models on the other hand did not reject the hypothesis (Newton and Cox, 2003). Since my data being a longitudinal design and runs the potential of panel autocorrelation and heteroskedacity, I will apply models that corrects for this in my analysis (Menard, 2008 p.235).

2. Multicollinearity between independent variables.

Another issue that often arises when we are using multivariate regression is multicollinearity between the independent variables, causing high standard errors and increasing the likelihood of Type I errors. With colinearity between two or more variables it becomes difficult to decide the effect of individual variables on the independent variable, and thereby we are

unable to predict the nature of the causal relation between the dependent and independent variables. There are statistical tests one can run to measure the level of collinearity, and if present one can try to run regression models with and without the suspected variables, to see if we can detect what variables are correlating (Skog, 2004 p.186-88). If the test finds high multicollinearity, one can try to run a factor analysis or combine explanatory variables into fewer variables or if possible add additional variables (Midtbø, 2012 p. 129-130). When running the Variance inflation factor test for multicollinearity, the results show that the multicollinearity is much lower than the limit of 10, between 2-3 on all three models (Midtbø, 2012 p. 129).

→ check the individual multicollinearity in VIF

4.3.4 Linear regression models

In the statistical analysis I will use more than one linear OLS regression method to check the robustness of my results (Skog, 2004 p.207). The model I will put most faith in is however the OLS panel corrected standard error model, which accounts for and corrects for longitudinal design issues with autocorrelation and heteroskedacity (Beck and Katz, 1995 p. 634).

A) *OLS linear regression model with Random effects:*

I will be using a multivariate regression analysis together with the technique of OLS-linear regression (Skog, 2004 p. 222). Ordinary least square (OLS) is one of the most accurate linear regression methods, because it calculates the linear regression to be the “lowest sum of squared errors”. This means that the linear regression line is placed where the distance between the observed and predicted values in the model is minimal (Skog, 2004 p.222). The estimations from OLS are unbiased meaning that there is no systematic tendency that the estimate will be too high or too low. The standard error in the model is equally likely to go in one direction as the other, ensuring that the standard error of the estimate will not end up lower than the standard deviation in the population (Skog, 2004 p. 136). The OLS methods estimations are known for having very accurate predictions and producing low levels of statistic insecurity compared to many other regression estimators (Skog, 2004 p.223). “*OLS is optimal (best linear unbiased) for longitudinal data when the errors are assumed to be generated in an uncomplicated (spherical) manner*” (Beck and Katz, 1995 p. 636). When using an OLS model in longitudinal data, one is always in danger of having to deal with temporally and spatial correlated errors and heteroskedacity. *In order for OLS to be optimal it is necessary to assume that all the error processes have the same variance (homoskedacity)*

and that all the error processes are independent of each other(Beck and Katz, 1995 p. 636).

One of the most traditional used solutions for this issue is to use fixed or random effects models. There are several considerations when choosing between a random or a fixed model; the size of N and T, correlation between the error term and predictors and problematic predictors(Menard, 2008 p.233-239). One statistical helpful tool here can be to run the “Hausman” test, where the null hypothesis of the Hausman test is that there are no correlation between the unobserved unit-specific random effects and the regressors. If this is correct the Random effects model will be the best suited. After running the test the results validates that random effects model is the best suited option for my analysis(Menard, 2008 p.233-236).

B) Panel corrected standard errors model:

The other model that has proved itself useful when running OLS in longitudinal data is panel-corrected standard errors. The estimates in panel-corrected standard errors can be very accurate, “*even in the presence of complicated panel error structures*” unlike the case of normal OLS estimates of standard errors(Beck and Katz, 1995 p. 634). Panel-corrected standard errors in the case of homoscedasticity and non-correlated errors perform equally accurate as OLS standard errors would. However in the case where there is heteroskedacity and contemporaneous correlation of the errors, the panel-corrected errors still performs well (Beck and Katz, 1995 p.641).

5.0 Multivariate regression analysis

As was discussed in the operationalizing section of the methodology chapter, I do not have a variable with observations reporting the direct support of the welfare state in Norway. However the theoretical assumptions discussed in the theoretical chapters of this thesis, highlights the importance of general trust to the continuance of the Scandinavian welfare state. The aim of this chapter is therefore to provide an empirical assessment of the theoretical assumptions that weakening of boundaries and an increasingly heterogeneous population could come to harm the levels of general trust in Norway. According to previous research practices the level of general trust can be measured by analysing three different survey questions; *most people can be trusted, most people will treat you fair and most people are helpful* (Delhey et al., 2011 p.801). My main focus in the multivariate regression analysis will be on the variable “*Most people are trustworthy*”, but I will also add the two additional

dependent variables, “*helpful and fair*”, to provide a more balanced and amplified description of the perceptions of general trust in Norway. I will first present a table containing descriptive statistics of all the variables used in the multivariate regression analysis. In part 5.2 the findings from the multivariate regression analysis will be presented and discussed.

5.1 Descriptive statistic

Table 5.1 Descriptive statistic

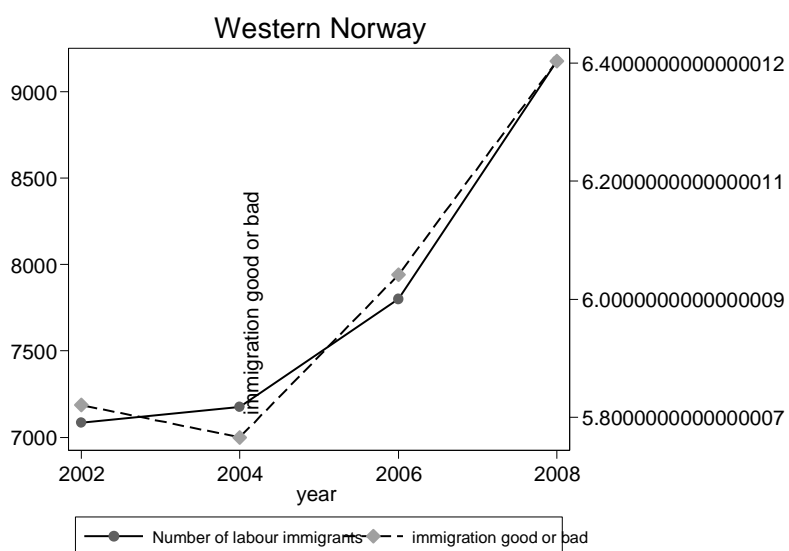
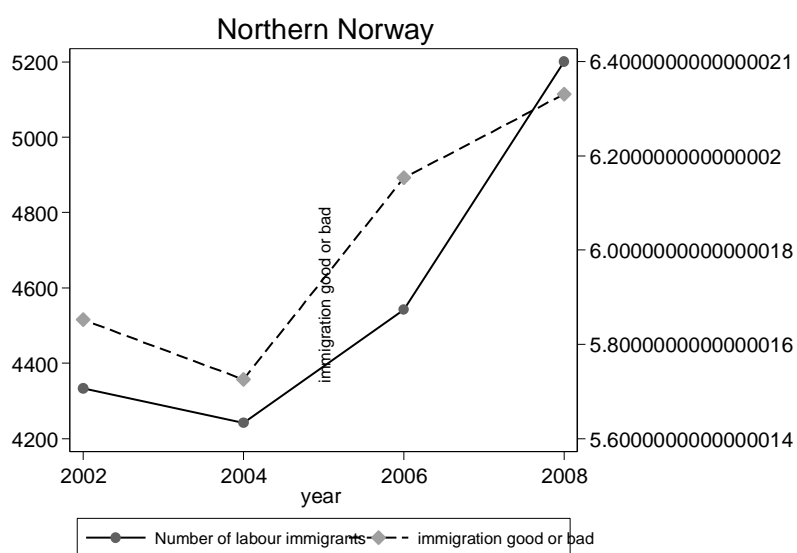
Name of variables	Min	Max	Mean	Std. deviation	Observation
<i>Dependent variables</i>					
Most people can be trusted	7,25	7,97	7,68	0,17	28
Most people will treat you fairly	7,74	8,33	7,97	0,13	28
Most people are helpful	6,79	7,37	7,07	0,16	28
<i>Independent variables</i>					
Number of labour immigrants	2 751	28 702	8946,53	7133,71	28
Percent of labour immigrants(relative)	0,69	2,61	1,21	0,52	28
Number of labour immigrants(lagged)	2 703	26 032	7921,25	7041,99	28
Immigration good or bad for country	5,59	6,6	6	0,27	28
<i>Control variables</i>					
Years of education	12,03	14,76	13,15	0,66	28
Currently a trade union member	0,35	0,56	0,46	0,5	28
Age	1953,53	1963,76	1958,96	2,82	28
Dissatisfied with economy in country	0,27	0,62	0,43	0,09	28
Limited work contract	0,63	0,88	0,79	0,06	28
Unemployed more than 3 months	0,14	0,29	0,2	0,03	28

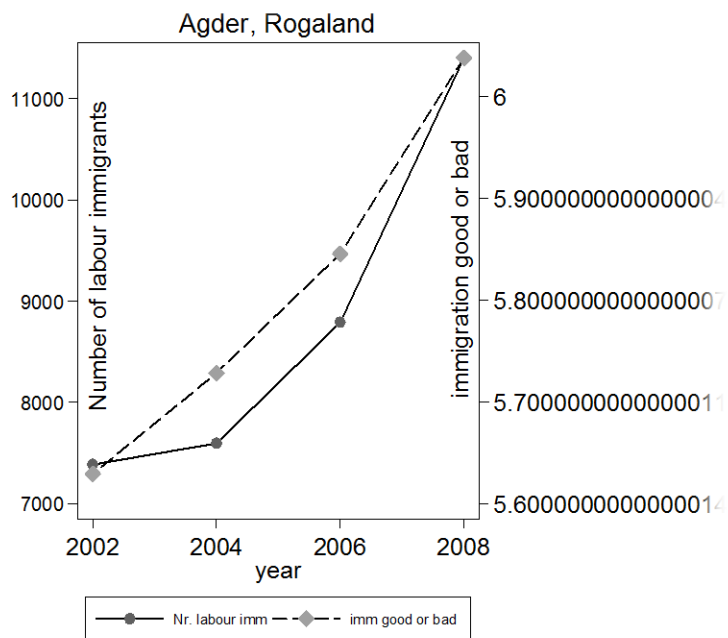
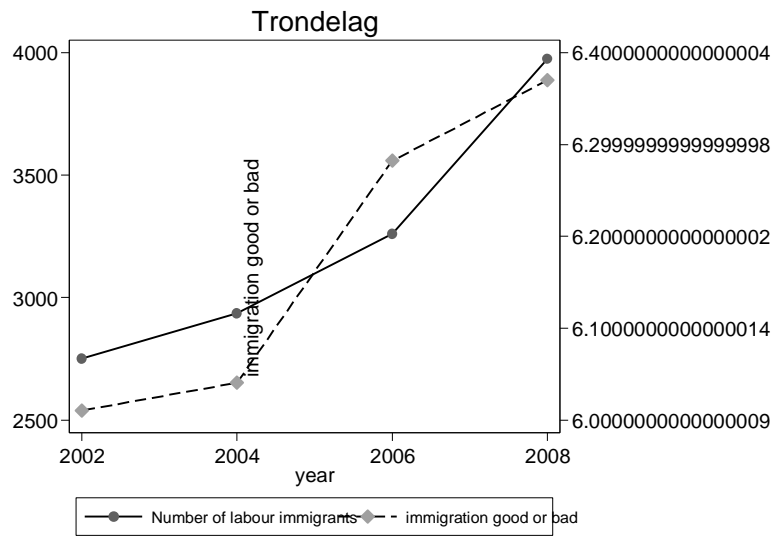
The table of descriptive statistics report very low standard deviation in almost all of the variables. The three dependent variables have all an average higher than 7 on a scale from 1-10, and I can therefore conclude that the selection show a quite constant level of high general trust. The independent variables - with the exception of the labour immigration variable – also report very low standard deviation. Low standard deviation in the variables could potentially make it tougher to detect significant results between these independent variables and the dependent variables when running the statistical analysis (Skog, 2004 p.229). As expected from the evidence in the background chapter (chapter 2) the variable labour immigration containing absolute values, reports a very high standard deviation. The labour immigration variable containing the relative values, on the other hand, reports a standard deviation of 0, 52 % meaning that there is not a strong variation between the regions after that the population

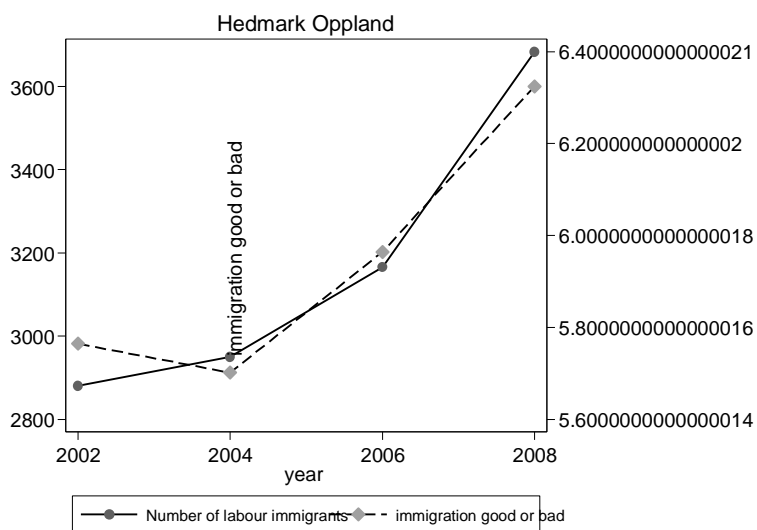
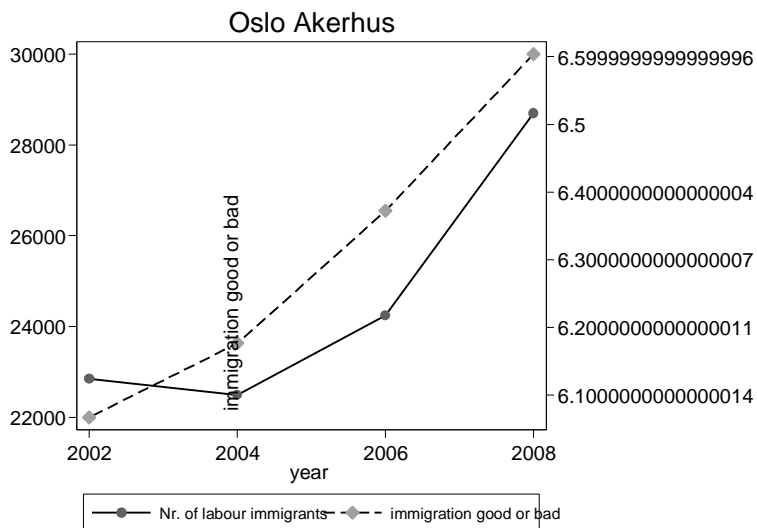
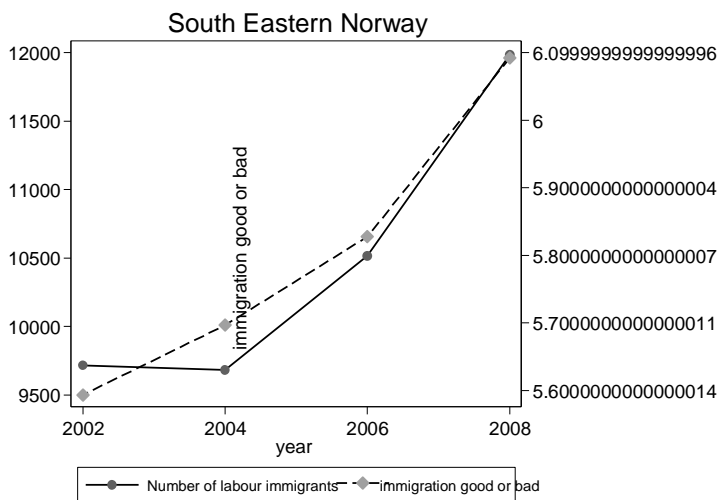
size is accounted for. The increase of labour immigrants measured against population size in the different regions is also very modest, with maximum being only 2, 61 %. The independent variable "*immigration good or bad*" has an average of 6 on a scale from 1 to 11, and a standard deviation only being 0,27, indicating that most people in my selection are mutually optimistic about the effect immigration will have on the country. The average of the control variable "*years of education*" reveals that the level of education is in average very high among my selection. According to the theoretical assumptions the levels of general trust increases with the level of education, consequently the lack of significant results between the education variable and the dependent variable in the regression analysis might just be because of lack of variation and not necessarily lack of causality. The dummy variable "*trade union member*", on the other hand has a quite high std. deviation (0, 50), as well as it is actually one of the control variables that occasionally reports significant results on the dependent variables in the regression analysis. Next the "*age*" variable show that the average year of birth of the respondents in this selection is 1958, and that the std. deviation is only 2, 82 years. With the theoretical assumptions claiming that people in the age group of 45-66 years tend to have higher level of general trust compared to other groups, it perhaps explain why the variables effect on the dependent variables are non-significant in the statistical analysis. The dummy variable "*dissatisfied with the economy*", tells us that the selection in my data are in average more satisfied (1) with the economy than dissatisfied(0). This is also the case of the two last variables, «*limited work contract*» and "*unemployed for more than 3 months*". Here the average and the standard deviation reports that the absolute majority from my selection have not had a limited work contract or been unemployed for more than 3 months. It is perhaps unsurprising that the selection reports such an average high economic security in the case of Norway. Compared to other European states Norway - as was described in the background chapter of this thesis (chapter 2) - could be argued to be an outlier in the case of economic security, due to the high economic security provided to its citizens through the welfare program and also the low levels of unemployment during the period of this analysis (2002-2008). Consequently the lack of findings will not necessarily mean that the variables are non-significant to the level of general trust, only that they are less important in the case of Norway.

Figure 5.1

Bivariate correlations of the variables «labour immigration (weighted) and “immigration good or bad”, in all the 7 regions







The seven models in figure 5.1 describes the correlation between the variable “*labour immigration (weighted)*” and the variable “*immigration good or bad*” in all of the 7 regions in Norway. The models show among others that the attitudes toward immigrants in 2002 are in all 7 regions on a level 5 – in a scale from 1 to 11, where 10 is the perception that immigration is good for the country and number one being the perception that it is not. Secondly the models show how these attitudes have improved slightly, but steadily, between 2004 and 2008 reaching a level between 6 to 7 in all regions. More interestingly the models in figure 5.1 portrays how the attitudes toward immigration improves simultaneously as the percentage of labour immigrants increases in all of the regions in Norway in the time period 2004 to 2008. In the regions Hedmark and Oppland, Northern Norway and Western Norway one can detect a slight drop in the attitudes toward immigration in 2004. From the theoretically standpoint of this thesis, this could be interpreted as the sudden and temporarily reaction to the unknown. As described in the background chapter these regions were regions that prior to the labour immigration from Eastern European EU countries did not attract much immigration compared to more central regions like Oslo and Akerhus (Høydahl, 2013p. 11-12). After living in larger and more diverse communities, this fear of the unknown usually decreases as people become more accustomed to the unknown and unlike (Delhey et al., 2011 p.790). This could perhaps partly explain why the attitudes toward immigration also in these regions continue to increase steadily the year after the drop in 2004.

5.2 The results from the multivariate regression analysis

In this part the results from the multivariate regression analysis on the three dependent variables; “*most people can be trusted*”, “*most people will treat you fair*” and “*most people are helpful*” will be presented. To ensure the robustness of my results, the variables in section (A) and (B) will be compared in three different models; regular OLS-regression, random effects models and a panel corrected standard error model. In section (A) I will use an independent variable on labour immigration with absolute values, while in section (B) I will

use an independent variable on labour immigration with relative values. The relative variable takes into consideration the size of the population in the region and the relative importance of labour immigration to the size of the population in the different regions. In section C and D I will only be using the OLS panel corrected standard error model, this due to space limitations in my thesis and that this model according to Beck and Katz (1995 p. 634) has proved itself more robust than normal OLS or random effects, when dealing with OLS panel data. Section C and D will also contain the independent variable on labour immigration with absolute values. As a direct consequence of the small number of observations in my data, I will in section C swap out the independent variable “*education*” with some additional control variables. In section D the variable labour immigration with absolute values, is coded into a one year lagged variable. It is likely to expect that attitudes do not change overnight, and using a one-year lagged variable might give more accurate results on how levels of general trust is affected by labour immigration from EU.

A) Independent variable: labour immigration with absolute values

Dependent variable: Most people are trustworthy

Number of obs. 28 Table 1.	Model 1		Model 2		Model 3	
	Normal reg		Random effects		Panel corrected std. Error	
Independent variables	B	p-value	B	p-value	B	p-value
Labour immigration(log transformed)	-0,28***	0,00 (0,09)	-0,28***	0,00 (0,09)	-0,27***	0,00 (0,070)
Immigration bad or good	0,09	0,58 (0,14)	0,08	0,53 (0,14)	0,09	0,34 (0,089)
Trade Union member	-2,08***	0,01 (0,85)	-2,08***	0,01 (0,85)	-2,07***	0,00 (0,534)
Years of education(log transformed)	1,84	0,14 (1,25)	1,84	0,14 (1,25)	1,81*	0,08 (1,04)
_cons:	5,82***	0,01 (2,20)	5,82***	0,01 (2,20)	5,89***	0,00 (1,92)
R-squared		0,301		0,301		0,319
F-test(prob> chi22)		0,03**		0,03**		0,00***

Standard errors are reported in parentheses*, **, *** indicates significance at 90%, 95 % or 99 %.
Years: 2002, 2004, 2006 and 2008, Groups: 7 regions in Norway

Dependent variable: Most people will treat you fair

Number of obs. 28 Table 2.	Model 1		Model 2		Model 3	
	Normal reg		Random effects		Panel corrected std. Error	
Independent variables	B	p-value	B	p-value	B	p-value
Labour immigration(log transformed)	-0,17***	0,01 (0,07)	-0,17***	0,01 (0,07)	-0,16***	0,00 (0,06)
Immigration bad or good	-0,08	0,33 (0,09)	-0,08	0,33 (0,09)	-0,08	0,12 (0,05)
Trade Union member	-0,69	0,23 (0,58)	-0,69	0,23 (0,58)	-0,62	0,07* (0,34)
Years of education(log transformed)	0,644	0,47 (0,89)	0,644	0,47 (0,89)	0,66	0,32 (0,67)
_cons:	8,66***	0,00 (1,61)	8,66***	0,00 (1,606)	8,52***	0,00 (1,18)
R-squared		0,22		0,22		0,39
F-test(prob> chi22)		0,02**		0,02**		0,00***

Standard errors are reported in parentheses, and *, ** and *** indicates significance at 90%, 95 % or 99 %.
Years: 2002, 2004, 2006 and 2008, Groups: 7 regions in Norway

Dependent variable: Most people are helpful

Table 3. Number of obs. 28	Model 1		Model 2		Model 3 Panel corrected std. Error	
	Normal reg		Random effects			
Independen variables	B	p-value	B	p-value	B	p-value
Labour immigration(log transformed)	-0,17***	0,00 (0,06)	-0,17***	0,00 (0,06)	-0,17***	0,00 (0,05)
Immigration bad or good	0,23***	0,01 (0,08)	0,23***	0,01 (0,08)	0,23***	0,00 (0,05)
Trade Union member	-0,24	0,64 (0,52)	-0,24	0,64 (0,52)	-0,24	0,58 (0,43)
Years of education(log transformed)	-0,77	0,31 (0,76)	-0,77	0,31 (0,76)	-0,77*	0,06 (0,41)
_cons:	9,24***	0,00 (1,31)	9,24***	0,00 (1,31)	9,24***	0,00 (1,03)
R-squared		0,10		0,10		0,69
F-test(prob> chi22)		0,00***		0,00***		0,00***

Standard errors are reported in parentheses, and *, ** and *** indicates significance at 90%, 95 % or 99 %.

Table 1: Most people can be trusted.

According to the results in all three of my models in table 1, the dependent variable measuring the number of labour immigrants to Norway has a negative and significant effect on a 1 % level on the dependent variable, “*Most people are trustworthy*”. Moreover these results reveals that when all other independent variables are kept constant, and the independent variable “*Labour immigration*” increases by one percent¹¹, it will lead to a change of -0,28, in model 1 and 2, and -0, 27, in model 3 in the dependent variable, “*people are trustworthy*”. Secondly table 1 also reveals that the variable “*Trade union member*” has a negative and significant effect on a 1 % level in all three models. Every time the variable “*Trade union member*” increases with one unit, the dependent variable will decrease by 2, 08

¹¹ Log transformed independent variable: when X increases by one percent – instead of unit like normally - Y increases/decreases according to the number reported in the coefficient (Skog, 2004 p. 241-42).

in model 1, 2 and with 2, 07 in model 3. The independent variable “*Immigration bad or good*” and the variable “years of education” do not have sufficient significant results in any of the three models presented here. The F-test do not report significant results on the chosen level of significance (1%) in model 1 and 2, but does so in the model with panel corrected standard errors. Based on the results in model 3 I can reject the null hypothesis of the F-test and conclude that the variables have here a collectively significant effect on people’s trust in others.

Table 2: Most people will treat you fair.

In table 2 I find that the independent variable, “*labour immigration*”, effect on the dependent variable to be negatively significant on a 1 % level in all three of the models. The coefficients informs that when the variable “*labour immigration*” increases by one percent – since the variable is log transformed - the belief that “*most people will treat you fair*” decreases with 0, 17 in model 1 and 2 and 0, 16 in model number 3. The variable “*trade union member*” does not have a significant effect on a 1 % level, and at best it reports only 90 % significance in the third model. The other two variables, “*immigration bad or good*” and “*years of education*” does not produce any significant effect on the dependent variable in any of the three models presented in table 2. The F-test reports that there is not a significant result on a 1% level in either model one or two, while in model three, the panel corrected standard errors, there is a significant result and I can from this model conclude that the variables are collectively significant to the dependent variable “*most people will treat you fair*”.

In table 3: Most people are helpful.

In table 3 the independent variable “*labour immigration*” reports a negative, but significant effect on a 1 % level on the dependent variable “*most people are helpful*” in all three of the models. When the number of labour immigrants increases with one percent – since it is log transformed - the coefficient reports that the belief that “*most people are helpful*” decreases with 0, 17 in all three models. The second independent variable “*immigration good or bad*”, is also negatively significant on a 1 % level in all three of the models, and with every unit that the independent variable increases with peoples belief that “most people are helpful increases with 0,23. Neither of the control variables, “Trade Union member” or “years of education” is not either significant on a 5 % level or below in any of the three models. The p-values of the F-test also report that the three models are significant below a 1 % level meaning that I can

reject the null hypothesis, and conclude that the independent variables used in each three models are collectively significant to the variable "*most people are helpful*"(Midtbø, 2012 p.147).

B) Independent variable: labour immigration with relative values

Dependent variable: Most people are trustworthy

Table 4	Model 1		Model 2		Model 3	
Number of obs. 28	Normal reg		Random effects		Panel corrected std. Error	
Independent variables	B	p-value	B	p-value	B	p-value
Labour immigration(%)	-0,43***	0,00 (0,15)	-0,43***	0,00 (0,15)	-0,42***	0,00 (0,14)
Immigration good or bad	0,21	0,12 (0,13)	0,21	0,12 (0,13)	0,21***	0,01 (0,09)
Trade Union member	-1,71**	0,02 (0,76)	-1,71	0,02** (0,76)	-1,63***	0,00 (0,51)
Years of education(log transformed)	2,55	0,08* (1,46)	2,55	0,08* (1,46)	2,5*	0,09 (1,48)
_cons:	1,17	0,73 (3,40)	1,17	0,73 (3,40)	1,26	0,7 (3,47)
R-squared		0,35		0,35		0,31
F-test(prob> chi22)		0,03**		0,03**		0,00***

Standard errors are reported in parantheses, and *, ** and *** indicates significance at 90%, 95 % or 99 %.

Dependent variable: Most people will treat you fair

Table 5.	Model 1		Model 2		Model 3	
Number of obs. 28	Normal reg		Random effects		Panel corrected std. Error	
Indepdent variables	B	p-value	B	p-value	B	p-value
Labour immigration(%)	-0,14	0,21 (0,11)	-0,14	0,21 (0,11)	-0,095	0,4 (0,11)
Immigration bad or good for country	-0,04	0,65 (0,10)	-0,04	0,65 (0,10)	-0,04	0,83 (0,08)
Trade Union member	-0,29	0,60 (0,56)	-0,29	0,60 (0,56)	-0,29	0,80 (0,45)
Years of education(log transformed)	0,09	0,94 (1,07)	0,09	0,94 (1,07)	0,09	0,84 (1,18)
_cons:	8,32***	0,00 (2,53)	8,32***	0,00 (2,54)	8,32***	0,00 (2,75)
R-squared		0,22		0,22		0,24
F-test(prob> chi22)		0,20		0,20		0,00***

Standard errors are reported in parantheses, and *, ** and *** indicates significance at 90%, 95 % or 99 %.

Dependent variable: Most people are helpful

Table 6 Number of obs. 28 Variables	Model 1 Normal reg		Model 2 Random effects		Model 3 Panel corrected std. Error	
	B	p-value	B	p-value	B	p-value
Labour immigration(%)	-0,07	0,48 (0,10)	-0,07	0,48 (0,104)	-0,07	0,50 (0,108)
Immigration bad or good for country	0,29***	0,00 (0,09)	0,29***	0,00 (0,093)	0,29***	0,00 (0,078)
Trade Union member	0,56	0,28 (0,53)	0,56	0,28 (0,532)	0,56	0,32 (0,572)
Years of education(log transformed)	-1,86*	0,06 (1,02)	-1,86*	0,06 (1,020)	-1,86*	0,10 (1,148)
_cons:	9,91***	0,00 (2,36)	9,91***	0,00 (2,363)	9,91***	0,00 (2,712)
R-squared		0,03		0,03		0,59
F-test(prob> chi22)		0,00***		0,00***		0,00***

Standard errors are reported in parantheses, and *, ** and *** indicates significance at 90%, 95 % or 99 %.

Table 4: Most people can be trusted:

The independent variable “*Labour immigration*” in table 4 reports a significant effect on the dependent variable with a p-value significant on a 1 % level in all of the three models. When “*Labour immigration*” increases by one unit, the dependent variable, level of trust in others decreases with 0, 43 in model one and two and 0, 42 in the third model. The second independent variable “*Immigration bad or good*” has no significance to the dependent variable in either model one or two, but it is significant on a 1 % level in the third model. The coefficient in the third model reports that when the variable “*Immigration bad or good*” increases by one unit, the trust in others increases by 0, 21. The variable “*Trade Union member*” is only significant on 5 % level in model one and two, but are however significant on a 1 % level in model 3. The coefficient in model 3 tells us that when the variable “*Trade Union member*” increases by one unit, the trust in others decreases by 1, 63. The last independent variable “*Years of education*” is not significant on a 1 % level in any of the three models, and I can therefore not reject the null hypothesis, saying that variable has no effect on the dependent variable. The F-test reveals that only the third model, the panel corrected standard error model, is significant on a 1 % level, and I can therefore here reject the null

hypothesis and conclude that the variables are collectively significant to the dependent variable.

Table 5: Most people will treat you fair:

In table 5 neither of the independent variables have a significant effect on a 1 % level – not even on a 5% or a 10 % level. Consequently I cannot reject the null hypothesis of any of the independent variables in these models, meaning that they have no significant explanatory power on the dependent variable “*Most people will treat you fair*”. Finally the F-test is non-significant on a 1 % level in model 1 and 2, but are however significant in the third model.

Table 6: Most people are helpful:

In table 6 the independent variable “*labour immigration (%)*” as no significant explanatory effect on the dependent variable in any of the three models. The second independent variable, “*Immigration bad or good*” on the other hand, has a significance of 1 % in all three models. Meaning that when the attitude toward immigrants improves with one unit, the belief that most people are helpful increases with 0, 29 in all three models. The last two control variables “*Trade union member*” and “*Years of education*” has no significant effect on the dependent variable on a 1 % level. The results from the F-test reveals that the independent variables used in the three models are collectively significant at a 1 % level, and I can therefore here reject the null hypothesis that they are collectively non-significant to the dependent variable.

C) Adding additional control variables:

Table 7, 8, 9 and 10 will contain the same variables as in section A, only difference here is that the independent variable “*Education*” will be swapped out and four new control variables will be added, to test their explanatory effect on the dependent variables.

Table 7	Trustworthy		Fair Panel corrected std. Error		Helpful	
Number of obs. 28	Panel corrected std. Error		Panel corrected std. Error		Panel corrected std. Error	
Independent variables	B	p-value	B	p-value	B	p-value
Labour immigration(log)	-0,17***	0,00 (0,06)	-0,12***	0,00	-0,21***	0,00 (0,03)
Immigration bad or good	0,16	0,13 (0,11)	0,02	0,74	0,21***	0,01 (0,09)
Trade Union member	-1,45**	0,05 (0,75)	-0,70**	0,04	-0,55	0,24 (0,47)
yrbrn	03,01	0,62 (0,01)	-0,13	0,14	-0,00	0,59 (0,01)
_cons:	-1,96	0,93 (21,69)	34,39**	0,04	16,69	0,31 (16,39)
R-squared		0,26		0,41		0,68
F-test(prob> chi22)		0,04**		0,00***		0,00

Table 8	Trustworthy		Fair Panel corrected std. Error		Helpful	
Number of obs. 28	Panel corrected std. Error		Panel corrected std. Error		Panel corrected std. Error	
Independent variables	B	p-value	B	p-value	B	p-value
Labour immigration(log)	-0,13***	0,00 (0,04)	-0,12***	0,00 (0,03)	-0,22***	0,00 (0,04)
Immigration bad or good	0,04	0,62 (0,07)	-0,08	0,26 (0,07)	0,20**	0,02 (0,07)
Trade Union member	-0,63	0,39 (0,73)	-0,19	0,68 (0,47)	-0,52	0,31 (0,51)
Dissatisfied with economy	-1,01***	0,00 (0,27)	-0,25	0,31 (0,25)	0,07	0,68 (0,18)
_cons:	9,35***	0,00 (0,56)	9,70***	0,00 (0,44)	7,99***	0,00 (0,58)
R-squared		0,44		0,39		0,68
F-test(prob> chi22)		0,00***		0,00***		0,00***

Standard errors are reported in parantheses, and *, ** and *** indicates significance at 90%, 95 % or 99 %.

Table 9	Trustworthy Panel corrected std. Error		Fair Panel corrected std. Error		Helpful Panel corrected std. Error	
Number of obs. 28						
Independent variables	B	p-value	B	p-value	B	p-value
Labour immigration(log)	-0,22***	0,00 (0,05)	-0,15***	0,00 (0,03)	-0,22***	0,00 (0,04)
Immigration bad or good	0,25**	0,03 (0,12)	-0,02	0,80 (0,07)	0,19***	0,00 (0,05)
Trade Union member	-1,97***	0,01 (0,75)	-0,59*	0,07 (0,32)	-0,47	0,31 (0,46)
Work contract	1,05**	0,02 (0,45)	0,42	0,22 (0,35)	0,04	0,87 (0,22)
_cons:	8,19	0,00 (0,87)	9,34	0,00 (0,47)	8,01	0,00 (0,54)
R-squared	0,36		0,40		0,68	
F-test(prob> chi22)	0,00***		0,00***		0,00	

Standard errors are reported in parantheses, and *, ** and *** indicates significance at 90%, 95 % or 99 %.

Table 10	Trustworthy Panel corrected std. Error		Fair Panel corrected std. Error		Helpful Panel corrected std. Error	
Number of obs. 28						
Independent variables	B	p-value	B	p-value	B	p-value
Labour immigration(log)	-0,17***	0,00 (0,06)	-0,13	0,00 (0,30)	-0,21***	0,00 (0,04)
Immigration bad or good	0,18**	0,05 (0,09)	-0,05	0,40 (0,05)	0,19***	0,00 (0,04)
Trade Union member	-1,49**	0,04 (0,73)	-0,37	0,33 (0,38)	-0,49	0,25 (0,43)
Unemployed in more than 3 months	-1,13	0,23 (0,94)	-1,07*	0,09 (0,62)	0,58	0,30 (0,56)
_cons:	8,97***	0,00 (0,67)	9,77***	0,00 (0,32)	7,91	0,00*** (0,56)
R-squared	0,30		0,45		0,69	
F-test(prob> chi22)	0,01***		0,00***		0,00***	

Standard errors are reported in parantheses, and *, ** and *** indcates significance at 90%, 95 % or 99 %.

Table 7 – year of birth:

In table 7 I added the independent variable “*Year of birth*”, but it has no significant explanatory effect on any of the three dependent variables, and I will therefore not reject the null hypothesis that this variable has no explanatory effect on the dependent variables.

In table 8 I have included the control variable “*Dissatisfied with the economy*” – a dummy variable – and it is significant on a 1 % level to the dependent variable “*Most people are trustworthy*”. The coefficient tells us that when the number of people being dissatisfied with the economy increases by one unit, the belief that people are trustworthy decreases by 1, 01. The control variable has no significant explanatory effect on the other two dependent variables “*Most people will treat you fair*” and “*Most people are helpful*”.

In table 9 the dummy variable “*Work contract*” is included in the list of control variables. The regression analysis presented in the table, shows no significant results and one can therefore not reject the null hypothesis here. The control variable has no significant explanatory effect on the dependent variables.

In table 10 I have included the control variable “*Unemployed in more than 3 months*” – a dummy variable. The results presented in the tables reveals that the variable has no significant effect on either one of the three dependent variables, and the results are thereof validating the null hypothesis.

D) 1 year lagged: labour immigration variable with absolute values:

Table 11	Trustworthy		Fair		Helpful	
Number of obs. 21	Panel corrected std. Error		Panel corrected std. Error		Panel corrected std. Error	
Independent variables	B	p-values	B	p-value	B	p-value
Labour immigration (log) 1 year lagged.	-0,15***	0,00 (0,06)	-0,11**	0,02 (0,05)	-0,22***	0,00 (0,05)
Immigration bad or good for country	0,06	0,32 (0,06)	-0,09	0,15 (0,07)	0,14**	0,04 (0,69)
Trade Union member	-1,37*	0,06 (0,74)	-0,22	0,73 (0,63)	-0,66	0,34 (0,69)
Dissatisfied with economy	-0,85***	0,01 (0,30)	-0,37	0,27 (0,33)	0,11	0,69 (0,27)
_cons:	9,61***	0,00 (0,68)	9,81***	0,00 (0,52)	8,51***	0,00 (0,73)
R-squared	0,48		0,44		0,68	
F-test(prob> chi22)	0,00***		0,00***		0,00***	

Table 11: Labour immigration (absolute values) - lagged with one year:

In table 11 the independent variable “*Labour immigration*” is lagged with one year. The table tells us that the variable has a significant explanatory effect on the dependent variable “*Most people can be trusted*” and “*Most people are helpful*”. When the variable “*Labour immigration*” increases by one percent – since it is log transformed – the dependent variable “*Most people can be trusted*” decreases by 0,15 and “*Most people are helpful*” decreases with 0,22. The variable has only 5 % significance on the variable “*Most people will treat you fair*”, and I can therefore only in the case of “*Most people can be trusted*” and “*Most people are helpful*” reject the null hypothesis. Neither the control variable “*Immigration bad or good*” nor the control variable “*Trade Union member*” reports any significant results on any of the three dependent variables in table 11. After running the additional analysis on the four additional control variables, section C revealed that the variable “*Dissatisfied with the economy*” had significant explanatory effect on the dependent variable “*Most people can be trusted*”. I have therefore decided to add this variable as one of the control variables in the analysis of table 11. The control variable is also in this analysis significant on a 1 % level when it comes to the dependent variable “*Most people can be trusted*”, and with every unit it

increases with the perception of trust in others decreases by 0,85. Finally the F-test of all the three tables reports a significant result, meaning that the variables have a collectively significant explanatory effect on each of the three dependent variables presented in table 11. Compared to the table 1, 2 and 3 the effect on labour immigration is weaker after the variable was lagged with one year.

6.0 Conclusion

In this research project the main inquiries have been:

- 1) A theoretical analysis of the causality between general trust and welfare
- 2) Empirical evidence of the causality between labour immigration and general trust in Norway.

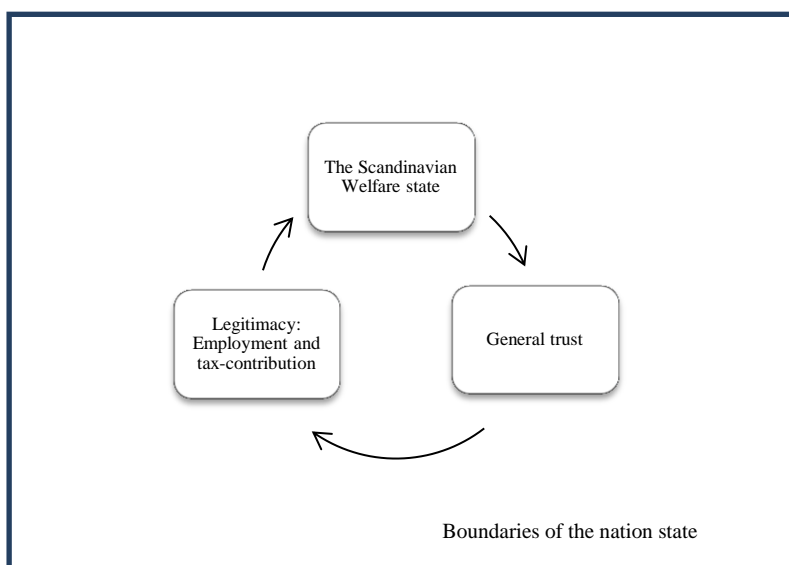
The aim of this research project has first of all been to acquire a better insight and understanding into how the implications of coordinated social security schemes could come to or is affecting attitudes of general trust in Norway. Furthermore I have assessed in what way coordinated social security schemes can come to sway the Scandinavian welfare state's ability to reproduce high levels of general trust reinforcing its legitimacy.

The causality between general trust and the modern welfare state in Europe and more specifically Scandinavia and Norway can be understood in two ways. The welfare state was a tool in the nation building, used to generate feelings of solidarity among the citizens and loyalty to the state itself. Alternatively one can also argue that the welfare state was a product of solidarity itself. The boundaries of the nation state greatly contributed to regularisation of social and economic life by reducing transaction and information cost. Then established social structures or/and extraordinary opportunity structures created by the aftermath of the 2nd world, opened up for coalition building and finally the support of the welfare state.

After the institutionalization of the modern welfare state throughout Europe in 1970s, the causality between general trust and the welfare state has surely become reciprocal. From a path-dependency perspective the coordinated social security schemes from EU becomes a challenge to the welfare state, because it alters the institutional structure guarding the exit and entry of the national welfare state. Independently of the causality between general trust and modern welfare states, the boundaries of the nation state have been essential to creating a reliable environment and safeguarding resources.

The extensive character of the Scandinavian welfare programs both in terms of services and transfers, assisting and aiding citizens throughout their life-cycle, is a costly affair. The economic revenue needed to fund such an inclusive and generous welfare states, makes it absolutely necessary for the Scandinavian states to maximize employment and collect high taxes from its members. General trust is a key component of the welfare state, because it enhances the willingness and reduces the perceived risks of contributing to the collective interest. In the Scandinavian states the levels of general trust are known to be exceptional high, among citizens and also toward the state itself. The boundaries of the modern

citizenship in Scandinavia came to be an important tool for social categorization and identification, enabling general trust to be built. The loss of traditional boundary-structures could potentially come to weaken the state's ability to reproduce general trust and to reinforce its own institutional legitimacy. The Scandinavian welfare regime is therefore especially vulnerable to social coordinated security as the membership entry and exit is isomorphic with the territorial boundaries of the nation state.



The results from my analysis tell me that there is a strong causality between labour immigration from the EU and the levels of general trust in Norway between 2004 and 2008. On the one hand increased labour immigration from the EU have clearly affected levels of general trust negatively; on the other hand attitudes toward immigrants have, as demonstrated in figure 5.1 improved during this time period.

From a theoretical viewpoint improved attitudes toward immigration can be explained by the likelihood that people tend to become more accustomed to the unknown after getting used to it. From an empirical viewpoint this can be explained by the necessity for labour immigration that existed in the labour market in Norway during this time period. The labour immigration reduced the stagnation from the general population – due to old age – on the labour market. The financial crisis in 2008 did not have similar effect on the economy in Norway as elsewhere in Europe. It is not unlikely to believe that the attitudes toward immigrants would have been different if there had been an economic recession or higher levels of unemployment in Norway. Additionally the labour immigrants from Eastern European countries are usually

driven by the motive of employment when choosing location. This has resulted in a much higher redistribution of immigrants in the regions of Norway, and in some municipalities it has even interfered and slowed down the process of centralization.

Theories on social capital argue that the interaction we have with others by participating in organizational life makes us more collectivistic and identifying with a group makes us feel more morally obliged to take part in collective interests that benefit the group, despite what our own self-interest might be. General trust is not only the individual's willingness to support common good, but it is also the belief that so will others. Although EU law ensures labour immigrants from EU, certain rights similar to citizens when staying in Norway, they are not obliged to integrate into the society like other citizens or other more permanent types of immigrants are. Secondly the labour immigrants from Eastern European countries tend to stay in Norway for shorter periods of time. It is also likely that we will find it harder to identify with a labour immigrant from Eastern Europe compared to a labour immigrant from Germany or Sweden, and usually we prefer common good when the receiver is someone we can identify with. On the other hand the labour immigrants from Eastern Europe cannot be said to be undeserving because they are lazy - usually they have very high labour activity.

One of the most frequent debates in the media has been the use of Norwegian welfare in other EU countries, and especially in Eastern Europe where the income and price level is much lower than Norway. The Norwegian welfare benefits are calculated according to Norwegian standards; and it has been a political goal that it should always be more attractive, if healthy, to be employed. Currently the welfare transfers being exported still remains very low, but it is likely to believe that when labour immigrants get more accustomed to and aware of their rights in the social security system this will increase. With the Eastern European labour immigrants being male and in the age between 20 and 45; they usually are not eligible for welfare connected to sickness. Moreover the export of pension to Eastern Europe will definitely be one of the largest social security transfers in the future, but on the other hand this transfer was already made exportable prior to the coordinated social security. The cash benefit to families has created a lot of turmoil in the media – although the total transfer is not very high. The use of the benefit has decreased rapidly among Norwegians, while it is increasingly used by Eastern European labour immigrants. The debate can perhaps be viewed as a de-legitimizing debate, and as a symbol on how the support of the common good in the welfare state, is not extended to the labour immigrants from Eastern Europe. The levels of general trust are still high in Norway, and I do not believe that the legitimacy of the welfare state as a

whole is in question. The Norwegian population already demands more control of welfare transfers – not only toward labour immigration but in general to fight abuse. With the coordinated social security the Norwegian state has lost its absolute autonomy in the social realm, but the welfare program and its content remains a national prerogative. The decrease in general trust and the likelihood that people support collective interest in favour of self-interest, might result in some welfare programs being reevaluated, reduced or cut to better fit the new context created by the coordinated social security and the EU-enlargement to the East. Although the boundaries of the nation state no longer can offer a reliable environment and safeguard resources like they could before, the Eastern European EU enlargement in 2004, 2007 and 2013 did not fulfil the prophesy of welfare magnets. On the contrary the labour immigration from Eastern Europe has been important in helping the Norwegian state keep up labour productivity and increase tax revenue needed for sustaining the welfare state.

7.0. References

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