Nordic labour market institutions and new migrant workers: Polish migrants in Oslo, Copenhagen and Reykjavik

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ANALYSIS

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Abstract

Large-scale migration of workers from new EU member states to the Nordic countries, mostly to fill relatively low-skilled jobs in construction, manufacturing and services, has raised concerns of low-wage competition and the ability of the Nordic social model to uphold labour standards. This article explores variations in wages and working conditions among Polish migrant workers in Oslo, Copenhagen and Reykjavik. The analysis highlights how different institutional configurations within the Nordic labour markets shape the outcomes for migrant workers, and raises questions regarding the ability of the different variations of the Nordic labour market regime to protect workers in an open, unequal and mobile European labour market.

Introduction

EU enlargement in 2004 was followed by large-scale labour migration from Central and Eastern Europe to the Nordic countries. Unlike Sweden, which opened its labour market immediately, Norway, Denmark and Iceland introduced transitional restrictions on the movement of workers from the new member states; but these were removed by 2009. Most new migrants come from Poland, where wages are below one fifth of Nordic levels, and most are recruited to fill low-skilled jobs in construction, manufacturing and services. Policy-makers and trade unionists have largely welcomed these new migrants as a profitable and necessary contribution to the domestic labour force, but have
been concerned at the risks of ‘social dumping’, labour market segmentation and the spread of precarious working conditions.

All Nordic labour markets share common features such as strong labour market organizations and centralized collective bargaining, yet they vary in their institutional mechanisms for regulation of wages and working conditions. This article examines how far the different regimes in Norway, Denmark and Iceland have protected the new migrant workers from exploitative conditions. It explores this question through an analysis of the relationship between the national labour market institutions in the three countries and the actual working conditions among Polish migrant workers in Oslo, Copenhagen and Reykjavik.

First, we relate the issue of migrant incorporation to the general debate on ‘social dumping’. Then we outline the institutional frameworks of labour market regulation in the three countries and explain our data and methodology. We use survey data to compare the situation of Polish migrants in the three capital cities, describing their place in the labour market, their hourly wages and their general working conditions. We also perform regression analysis to determine which factors affect wages and working conditions. Finally, we discuss how contemporary Nordic models of labour market regulation have coped with increasing free movement of workers.

**Social dumping and labour market incorporation of the new migrants**

‘Social dumping’ is difficult to define (Bernaciak, 2012) but usually implies that labour migrants receive unacceptably low wages or standards of work. The underlying mechanisms are relatively straightforward. Employers looking to reduce labour costs can recruit workers from countries with substantially lower living conditions and pay rates undercutting established standards (Lillie, 2010; McGovern, 2007; Woolfson et al., 2010); while migrants from poorer countries may be willing to accept conditions substantially below host country standards (Piore, 1980; Woolfson, 2007), since these are still superior to those back home (Waldinger and Lichter, 2003).

| Table 1. Union density, collective agreement coverage and extension procedures |
|-------------------------------------------------|-----------------|-----------------|-----------------|
| Union density (%) | 68 | 85 | 52 |
| Collective agreement coverage (%) | 80 | 99 | 74 |
| Legal extension of collective agreements | None | Widespread | Some |

(Entry: Eldring and Alsos (2012); Nergaard (2010))

In addition to the concern for the financial well-being of the migrant workers themselves, debates on ‘social dumping’ has been driven by at least three different but overlapping concerns. First, there is immediate concern on behalf of native workers – and in particular those whose labour market position is already
weak – that labour migration may drive down wages and labour standards. Second, there is a concern for the medium-term viability of existing labour market institutions because increasing inequality between ethnic and national groups poses a range of challenges to their functioning and legitimacy; this results in debate on the compatibility of Nordic labour market institutions with EU law, and the possible need for labour legislation to supplement or replace collective agreements. Third, there is a concern for the long-term sustainability of the welfare state: although new migrants initially display high rates of employment and place few burdens on welfare expenditure, there are fears that today’s cheap and flexible workers (Meardi et al., 2012) may become tomorrow’s marginalized welfare dependants.

Yet is it inevitable that new migrant workers will suffer from sub-standard wages and precarious working conditions? We address this question, asking how and to what extent Nordic societies are able to incorporate new migrant workers into existing labour market structures and protect them from wage dumping and exploitative working conditions (Goldring and Landolt, 2011).

**Migrant workers and labour market regulation in Norway, Denmark and Iceland**

The incorporation of immigrants is shaped by the institutional context of the host societies (Anderson, 2010; Portes, 1995). Under conditions of free movement, labour market institutions constitute the primary framework and opportunity structure facing both mobile workers and the employers who recruit them. Most European labour markets have substantial legal regulation, including minimum wages; but in the Nordic countries, wages are primarily determined by collective agreements between unions and employers’ organizations. Central features of the Nordic model are high union density, extensive worker representation and centralized agreements, with a close interaction between working-life policies, the welfare state and macroeconomic policies (Dølvik, 2011). Yet considerable differences exist regarding the level of organization and collective agreement coverage. Table 1 gives an overview for our three countries.

Unionization rates in the Nordic countries remain high, but have decreased over the last 15 years, particularly in Sweden, Finland and Denmark (Nergaard, 2010). Iceland stands out with very high density and bargaining coverage. Despite some decline, the Danish unions also retain a strong position. Norway stands out with a lower density, though still high compared to most European countries. The industries where most new migrants have found employment display much lower unionization and coverage rates.

None of the countries has a statutory minimum wage; instead, the social partners have the main responsibility for wage regulation. Nordic trade unions vehemently oppose statutory minimum wages, and employers have only occasionally supported these. The dominant view holds that a statutory minimum
wage breaches the autonomy of the collective bargaining partners (Eldring and Alsos, 2012).

In principle, agreements are binding only on the signatories (and on non-unionized workers in companies covered by agreements), but only Denmark and Sweden have no supplementary procedures. In Iceland, the provisions of collective agreements are automatically applied as a minimum to all employees. In Norway, it has been possible since 1993 to make collective agreements generally binding; but this did not occur until 2004, when the inflow of workers from the new member states exposed existing weaknesses in the regulatory system, with large sections of the labour market exposed to low-wage competition (Alsos and Eldring, 2008). Following internal debates, Landsorganisasjonen i Norge (LO) applied for extension of the collective agreement in construction, and parts of the collective agreements in construction, ship-building, agriculture and cleaning are now universally applicable. Denmark (like Sweden) has faced similar challenges of low-wage competition; but so far the unions have resisted any extension mechanism.

Legally binding or not, minimum wage requirements in collective agreements are usually well below industry averages, but with considerable differences between the three countries. Iceland, in particular, appears to have more wage flexibility within collective agreements, with minima for unskilled workers relatively lower compared to average earnings than in the two other countries. The Icelandic labour market also has more flexible regulations on hiring and firing. There is also significant variation between the countries in terms both of the conditions regulated through statutory measures, and the capacity of national labour authorities to enforce them.

Opportunities to bypass regulations by competing outside the organized labour market also vary. If the regulations were observed, almost all migrant workers in Iceland would receive collectively agreed wages, and likewise in Norway for those in sectors covered by extended agreements. In Denmark, workers employed in companies without collective agreements would run greater risks of earning sub-standard wages, as would be the case in Norway in sectors without a generally binding agreement. Given the considerable differences in the ratio between collectively agreed minima and average sector wage levels, and in the general wage levels between the Nordic countries, the actual wage outcome for the migrant workers may have different patterns (Eldring and Alsos, 2012). Collectively bargained minima in Iceland are for example far below average standards and rarely apply to native workers, while Danish minima are usually closer to normal wages.

Data and research design

Our central research question was how these variations in labour market regulation in the three countries shape actual outcomes in terms of wages and working conditions for recent labour migrants. Designing a study to answer this question posed two major challenges.
The first was to establish representative data on wages and working conditions among recent migrants. We chose to focus on Polish migrant workers, by far the largest group of coming to the Nordic countries since 2004. However, travelling and working under conditions of free movement, they are not an easy population to target in quantitative research. Official data cover only parts of the migrant population and provide limited information about their conditions. For a number of reasons (lack of a sampling frame, high levels of mobility, unconventional housing, long hours and privacy concerns related to legal status), ordinary sampling techniques produce data with limited validity. As a solution, we adopted a technique called Respondent Driven Sampling (RDS), which was developed to produce statistically unbiased estimates from samples of hidden and hard-to-reach populations where no sampling frame exists (Heckathorn, 1997; Salganik and Heckathorn, 2004; Volz and Heckathorn, 2008).

The RDS method consists of two elements: first, a structured collection of a broad sample covering the entire variation within the target population, using a type of chain referral sampling; second, mathematical estimators which take account of the bias which occurs as a result of the network-based sampling procedure. By applying RDS we can give a representative and comprehensive picture of the migrant population at a given time in each city, irrespective of the migrants’ legal status or registration. A pilot study was conducted in Oslo in 2006 (Friberg, 2010; Friberg and Tyldum, 2007); the data are not included in this article. In 2008, a similar study was conducted in Copenhagen. In 2010, the study was replicated in Oslo and a survey was conducted in Reykjavik. In each survey, about 500 Polish migrants were interviewed face to face by a team of Polish speaking interviewers.

The second challenge was the causal relationship between information on wages and working conditions among Polish migrant workers and the institutional framework of labour market regulation in each country. We therefore designed a comparative case study using each city as a case; but this creates two problems. First, our data on institutional configurations, average wages and policy responses are based on the national level, while those on working conditions among Polish migrants only cover the capital cities, which have distinctive labour market structures. The findings cannot therefore be generalized to the entire country, since the surveys do not capture migrants employed in agriculture, shipyards, oil refineries, hydro-electric power plants and certain types of industrial manufacturing. Nevertheless, the situation in the capital cities does reflect institutional features at the national level, and can give indications on how national systems function.

The second problem concerns the ratio of variables to cases, and the influence of external factors. We measure labour market outcomes for Polish migrants through several different indicators along different dimensions, including absolute and relative wages, type of employment and risk of experiencing different forms of precarious or exploitative treatment at work. The factors thought to affect these outcomes include collective agreement coverage and unionization rates, the extent and use of statutory regulation and enforcement of wages
and labour standards, and institutional flexibility in terms of how minimum wage rates compare to average rates and the ease with which employers can hire and fire workers. Nevertheless, there are exogenous factors not related to any particular institutional feature that also may affect differences in labour market outcomes, such as the selection of migrants going to the three countries. However, the survey showed that in terms of gender, age and education level, these differences were negligible. A more serious problem is the somewhat different economic and cyclical context of the three countries at the time of the surveys. The Norwegian economy had, in 2010, mostly recovered from a mild uncertainty following the international financial crisis, while Iceland was in the midst of a full-blown crisis. The Danish survey was conducted in 2008, just as the economic shock was starting. In a three-way case study, there is no way of controlling for such cyclical effects. Therefore, the regression analysis has been performed on a city-by-city basis and the comparison between these models cannot determine the exact causal relationship between any specific set of institutional variables and actual outcomes. However, we construct a descriptive typology of how particular institutional features are combined with particular outcomes in each city, which reveals important similarities and differences.

**Regulatory frameworks, wages and working conditions**

We now present an empirical description of the three cases, in terms of institutional context and labour market outcomes for Polish workers, and conclude by discussing some of the key dilemmas facing Nordic labour markets in a context of increasing transnational mobility.

**‘Weak’ collectivism, ad hoc universalization and precarious incorporation in Oslo**

Norway has been the primary destination among the Nordic countries for Polish migrants since EU accession, with Oslo attracting a large share. The migrants in our survey are on average 36 years old; the men slightly older than the women. The majority are skilled: 62 percent have some kind of vocational education, and 17 percent have university degrees, with a higher proportion among the women. By contrast, Polish migrants in the UK and Ireland tend to be much younger, with higher qualifications; this may reflect the relative inaccessibility of the Nordic languages and the large demand for manual labour (Kaczmarczyk, 2010). Norway is one of the most expensive countries in Europe, so migrants workers can gain considerably by transferring part of their wages back to Poland.

Our surveys show that the Polish population in Oslo is dominated by male workers, who often leave their families behind in Poland in order to work temporarily in Norway. In recent years this pattern has changed, with more women and children arriving. The labour market for Polish migrants in Oslo is highly concentrated and gender segregated: 85 percent of the men work in construc-
tion, and most women are employed in lowskilled services – mainly domestic cleaning but also hotels and restaurants.

Norway has the highest wages in the Nordic countries and thus the largest scope for low-wage competition. It also has the lowest bargaining coverage, leaving large parts of the labour market unregulated in terms of minimum wages. In many key industries, the institutional basis of collective bargaining and enforcement is much weaker than in the other Nordic countries. Facing increasing labour migration after EU enlargement, Norwegian policy-makers and social partners quickly realized that the existing institutional framework was insufficient to maintain basic labour standards in the most exposed industries. Labour market regulation policies have in recent years gradually moved from voluntary collective arrangements towards what can be labelled ad hoc universalism, marked by increasing state involvement in wage regulation. This has included the legal extension of minimum provisions in collective agreements, noted above (so far in construction, shipyards, agriculture and cleaning) and increased state control and enforcement. Additionally, legislation has been introduced on supply-chain liability, making all those in the chain of subcontractors liable for violations of generally binding collective agreements (Eldring et al., 2011).

Table 2. Average hourly wages

<table>
<thead>
<tr>
<th></th>
<th>Oslo</th>
<th>Copenhagen</th>
<th>Reykjavik</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages in PLN</td>
<td>71</td>
<td>54</td>
<td>30</td>
</tr>
<tr>
<td>As % of host country average</td>
<td>65</td>
<td>85</td>
<td>57</td>
</tr>
<tr>
<td>Purchasing powera</td>
<td>29</td>
<td>27</td>
<td>16</td>
</tr>
</tbody>
</table>

*Based on OECD data for the years of surveys (2008 for Copenhagen, 2010 for Oslo and Reykjavik). The factors used to divide the nominal wages are 2.04 for Denmark, 2.42 for Norway and 1.83 for Iceland.

Our survey suggests that these measures, introduced through two consecutive government action plans against social dumping, have had some success in establishing a relatively high wage floor among new migrants. In terms of hourly wages, Oslo stands out as the most attractive of the three cities (Table 2). Polish migrants in Oslo earn on average the equivalent of 71 zloty (PLN) per hour in Oslo (4 PLN = €1), roughly four times their earnings in Poland. However, this is only 65 percent of average hourly earnings of Norwegian wage earners, though 73 percent of average earnings in construction. There is considerable variation in earnings among Polish migrant workers, with a standard deviation of some 20 percent; one in five Polish construction workers received less than the minimum wage for unskilled workers, five years after the legal extension came into effect.

A regression analysis (not presented here, but available from the authors) suggests which factors are related to receiving low wages. Low-skilled services, when controlling for all relevant factors, provide significantly lower wages than construction, which in turn pays less than work outside these two main sectors.
There is no significant effect of gender, although women generally earn less because they tend to work in low-wage sectors. Human capital in the form of schooling beyond the obligatory 12 years only has a weak and non-significant positive effect on hourly wages. There is a positive and significant effect of length of stay, indicating some improvement in wages over time; but there is a strong negative effect of being employed through Polish subcontractor firms, confirming that transnational service provision and posting of workers have been major drivers of low-wage competition in Norway (Alsos and Eldring, 2008; Dølvik and Eldring, 2008). Working in a firm without trade union representation, or for firms catering to the private household market, are both associated with low wages.

**Table 3. Type of employment**

<table>
<thead>
<tr>
<th></th>
<th>Oslo</th>
<th>Copenhagen</th>
<th>Reykjaviik</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent, national firm</td>
<td>26</td>
<td>36</td>
<td>80</td>
</tr>
<tr>
<td>Temporary, national firm</td>
<td>24</td>
<td>23</td>
<td>11</td>
</tr>
<tr>
<td>Temporary agency</td>
<td>15</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>Foreign company</td>
<td>21</td>
<td>19</td>
<td>5</td>
</tr>
<tr>
<td>Self-employed</td>
<td>15</td>
<td>9</td>
<td>3</td>
</tr>
</tbody>
</table>

**Table 4. Percentages reporting indicators of precarious, exploitative and illegal working**

<table>
<thead>
<tr>
<th></th>
<th>Reykjaviik</th>
<th>Copenhagen</th>
<th>Oslo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has been cheated out of pay</td>
<td>27</td>
<td>33</td>
<td>34</td>
</tr>
<tr>
<td>Has worked overtime without pay</td>
<td>12</td>
<td>27</td>
<td>45</td>
</tr>
<tr>
<td>Has experienced threats by employer</td>
<td>9</td>
<td>20</td>
<td>13</td>
</tr>
<tr>
<td>Has no written contract</td>
<td>10</td>
<td>14</td>
<td>28</td>
</tr>
<tr>
<td>Cannot take paid sick leave</td>
<td>8</td>
<td>32</td>
<td>33</td>
</tr>
</tbody>
</table>

Though Oslo is by far the most attractive destination of the three capitals in absolute monetary terms, it is where Polish migrant workers are least likely to find regular employment. Only 26 percent in total, and even fewer in the main industries of construction and cleaning, had permanent employment in Norwegian firms. The majority were hired on a temporary basis, usually through staffing agencies or Polish subcontractors (very common in construction) or as self-employed, sometimes operating in the informal economy (Table 3). Oslo also stands out by having a significant market for domestic services, employing 31 percent of Polish workers. Work in private households is particularly common among cleaners, but there are also many construction workers providing building and maintenance services to private households. A relatively weak link to the labour market also meant that Polish workers in Oslo were particularly vulnerable to labour market exclusion and unemployment in the period of economic uncertainty after the international financial crisis (Friberg, 2012).

Oslo is also where Polish migrants are most likely to experience different kinds of precarious and illegal working conditions (Table 4). Each of these experiences indicates a precarious situation in the workplace, and this is not con-
centrated on a small group: overall, 76 percent of Polish workers report at least one of these experiences during their stay in Norway, and 64 percent report on of them in their current job in Oslo.

In order to determine which factors are associated with precarious work, we perform a logistic regression model predicting the odds of having experienced any of the mentioned indicators in the current job (not presented here, but available from the authors). We find that many of the same factors associated with low wages are also associated with precarious working conditions: workers in service industries are more at risk than construction workers, who in turn are more at risk than those outside these two industries; there is no effect of gender, education level or length of stay; there is a strong connection between ‘atypical’ employment and precarious working conditions. And while low wages were primarily related to work for Polish subcontractor firms, precariousness is related to all kinds of atypical employment, including fixed-term contracts, temporary staffing agencies and self-employment. Working in firms without trade union representation does not significantly affect the likelihood of experiencing precarious and exploitative conditions. There is, however, a strong effect of providing services to private households, suggesting that workers in this market are particularly vulnerable to arbitrary treatment.

To sum up, the results show that transnational service provision and posting of workers drive both low wage competition and poor working conditions in Oslo. Given the relatively high wages in absolute terms, it seems probable that new statutory policies of minimum wage regulation have had some success in imposing collectively agreed minima on migrant-intensive labour markets. They do, however, appear to be less successful in incorporating migrant workers into the existing institutional framework of employment relations. Instead, new forms of atypical, temporary and insecure employment have become the norm in migrant-intensive labour markets, leaving migrant workers exposed to a wide range of precarious and often illegal conditions at work, including lack of written contracts, unpaid overtime, outright fraud and inability to claim basic rights.

Copenhagen: Insiders and outsiders in the Danish model
In absolute numbers, Denmark has been the second most important destination for Polish migrant workers among the Nordic countries. Our data suggest that the composition of Polish migrants working in Copenhagen is quite similar to that in Oslo, but with some differences. They are on average four years younger than in Oslo, male workers are slightly less overrepresented, and fewer report having a spouse in Poland. In terms of education, there is no significant difference compared to Oslo: most have some sort of vocational training, and 20 percent have completed university level education. Polish migrants in Copenhagen are found in more diverse sectors and occupations: the construction sector is the most important employer for males, but less dominant than in Oslo, employing ‘only’ 44 percent of the men. Low-skilled services are equally important, em-
ploying 48 percent of the total Polish workforce. In Copenhagen this category includes a more varied set of occupations, including newspaper delivery, kitchen work and some types of customer-related services. A significant proportion of both men and women work in industrial manufacturing, warehouses and storages.

While political debates over social dumping and low-wage competition have been quite similar in Denmark and Norway, Denmark has sought to maintain the existing framework of voluntary collective bargaining: the social partners have opposed any moves towards increasing state regulation in response to international labour mobility (Andersen and Pedersen, 2010; Malchow-Møller et al., 2009). The high level of collective agreement coverage, high union density and a relative freedom for unions to take industrial action may explain this position (Eldring et al., 2012). Thus, it is assumed that the stronger Danish framework is sufficient to resist low-wage competition and worker exploitation in the face of increasing labour migration.

Although Copenhagen is a less attractive destination for Polish migrant workers in absolute monetary terms, their earnings relative to the average Danish worker are far higher than in Oslo, about 85 percent of the national average (Table 2). When controlling for price levels, their purchasing power in Copenhagen is roughly equal to that of Polish migrants in Oslo. But this picture looks quite different when we examine the construction sector in isolation: Polish construction workers in Copenhagen earn only 65 percent of the average Danish construction worker, and as many as 40 percent earn less than the minimum wage stipulated in the collective agreements for the sector. Hence we find that Polish workers in Copenhagen are on average better off relative to native workers than in Oslo, but the situation in construction is reversed, where more than twice as many construction workers receive less than the minimum wage in Copenhagen compared to Oslo. This reflects the particular challenges faced by Danish construction unions in regulating the terms and conditions of Eastern European workers (Andersen and Arnholtz Hansen, 2008). In the other industries where our respondents are employed, these problems seem less prevalent.

Our regression analysis of hourly wages shows that most of the same factors associated with low wages in Oslo also apply in Copenhagen. As in Oslo, transnational service provision and posting of workers are significantly associated with low wages. Gender has a slightly stronger effect on wages in Copenhagen than in Oslo, while length of stay has a much weaker impact. We also find that working in firms without trade union representatives and working for private household clients has a stronger negative impact in Copenhagen than in Oslo.

The differences between Oslo and Copenhagen in labour market outcomes for Polish workers in the construction industry compared to other industries illustrate the institutional differences between the two countries. In Oslo, Polish migrant workers primarily work in low-wage sectors with very low organization rates and collective agreement coverage. The construction sector is no excep-
tion, but having been the main target for statutory anti-dumping policies in recent years, the sector has since 2004 had much stronger minimum wage regulations than other affected sectors. In Copenhagen, Poles also work in low-wage sectors, but with higher union density and collective agreement coverage rates than in Oslo securing a more egalitarian wage structure (Arnholtz Hansen and Hansen, 2009). Construction is not a low-wage sector in the same sense, and is marked by strong trade unions, fairly substantial wage increases, but also a high degree of wage flexibility between minimum levels and the average wage (Arnholtz and Hansen, 2013). Local wage negotiation plays an important role in Danish construction, and Polish migrants are in a poor bargaining position. As a result they end up relatively more disadvantaged than their counterparts in Oslo.

As in Oslo, we find that the majority of workers have some type of atypical employment, with both fixed-term contracts, work through temporary staffing agencies and Polish subcontractors and self-employment being common (Table 3). Compared to Oslo, however, a slightly higher proportion of workers – 36 percent – have regular permanent employment in a Danish firm. Polish migrants in Copenhagen are also at risk of experiencing the same kind of precarious and exploitative working conditions as in Oslo, although to a slightly lesser degree (Table 4). 62 percent of Polish workers in Copenhagen report that they have experienced at least one of the five forms listed during their stay in Denmark, and 52 percent report having experienced one of them in their current job. The logistic regression model predicting the odds of having experienced exploitative working conditions in their current job shows patterns similar to Oslo. Low-skilled service and construction workers are more at risk than others, while individual factors such as gender and education have little effect. As in Oslo, structural factors related to their placement in different segments of the labour market are most important for understanding the risk of arbitrary treatment. In Copenhagen, precariousness is also strongly related to atypical employment, and a trade union representative in the firm, appears to have a much stronger effect on working conditions in Copenhagen than in Oslo.

Compared to the case of Oslo, it appears that the Danish model of labour market regulation has been slightly more successful in ensuring a relatively egalitarian wage structure. However, a substantial minority of the Poles do not share the protection and benefits of the model. The comparatively stronger effect on wages and working conditions of trade union representation at the workplace illustrates one particular feature, namely that those who are ‘inside’ the organized labour market in Copenhagen enjoy stronger protection than in Oslo, but those who are outside seem to enjoy less (Arnholtz and Hansen, 2011; Larsen, 2011).

**Flexible universalism and low-wage incorporation in Reykjavik**

In absolute terms, Iceland has received far fewer Polish migrants than other Nordic countries. However, it has by far the smallest labour force of the Nordic
countries (only 180,000), and in relative terms it was the top receiver of Polish migrant workers from 2004 to the financial crisis of 2008. The crisis led to a collapse in the booming construction industry and devaluation of the króna by over 70 percent, which caused a halt (and to some extent reversal) in migration flows. Reykjavik nevertheless still boasts a substantial population of Polish migrants. In terms of age and education levels they do not differ significantly from their counterparts in Oslo or Copenhagen. However, in contrast to the male-dominated populations of Oslo and Copenhagen, their gender distribution is almost equal (55:45), and transnational family arrangements are far less common here, as only 10 percent report a spouse in Poland. Reykjavik is also where Polish migrant workers are found within the most diverse range of sectors, including construction, manufacturing and fish-processing and a wide range of low-skilled services including several types of customer-related services. This distribution reflects a partial acceptance of English as the working language in many service occupations, especially before the crisis.

Until the financial crisis, Icelandic debates over social dumping centred around the growing unregulated industry of international temporary staffing agencies, which supplied thousands workers for the construction of a large hydroelectric power plant in the country’s remote interior. The controversy came to an end with the adoption of new legislation forcing these operations to adhere to Icelandic labour regulation, which in combination with the crisis led to the virtual disappearance of temporary staffing agencies after 2008 (Thorarins, 2013). Since then, the issue of social dumping has been overshadowed by the economic crisis. Nonetheless, Iceland appeared to have a stronger framework for dealing with social dumping than any of the other Nordic countries. First of all, it has one of the highest rates of unionization and collective agreement coverage in the world. Second, statutory regulations were already commonly applied in Iceland, as minimum provisions of collective agreements are routinely made legally binding for all workers.

Before the crisis, Iceland was one of the most attractive destinations in Europe in terms of nominal wages, but since the devaluation of the króna, the value of Icelandic wages against foreign currency has plummeted. Our respondents report that they earn on average the equivalent of about 30 złoty – a meagre income compared to those earned by Poles in Oslo or Copenhagen, but still almost twice as much as their average earnings before leaving Poland (Table 2). The earnings of Polish migrant workers in Reykjavik are also substantially lower than those of native Icelandic workers: on average their hourly wages are about 55 percent of the average Icelandic wage, also well below the relative wages of Poles in Oslo and Copenhagen. The purchasing power provided by their earnings in Iceland is also substantially lower (55–59%) than that of Poles in Oslo and Copenhagen. To understand why migrant workers in Iceland earn relatively less compared to natives we once again turn to the construction sector to illustrate.
Minimum provisions for unskilled workers in the Icelandic collective agreement in construction are set at only 53 percent of average wages, compared to 61 percent in Norway and 62 percent in Denmark. Thus, though fewer than one in ten Polish construction workers in Reykjavik earn below the minimum wage for unskilled workers, the collective agreement in construction offers large scope for wage flexibility. The relatively low wage floor – which rarely applies to native workers – appears to have become the norm for Polish migrant workers in Reykjavik. Only a minority receive wages equal to the minimum provisions for skilled workers, even though the majority of construction workers do have skills. This means that as long as migrant workers are defined as ‘unskilled’ and receive the minimum wage, the Icelandic collective agreement enables considerable wage differences between native and migrant workers, without breaching collectively bargained and legally binding minimum provisions.

While the Reykjavik Poles are worse off in terms of earnings than their compatriots in Oslo and Copenhagen, they are far better off in terms of access to regular employment and reduced risk of arbitrary and exploitative treatment. Unlike their counterparts in Oslo and Copenhagen, the majority of Polish migrants in Reykjavik – indeed 80 percent – are permanently employed by Icelandic companies (Table 3). Fixed-term contracts are rare, and the use of temporary staffing agencies, Polish subcontractor firms and various forms of self-employment are almost non-existent. Neither do we find any noteworthy market for domestic service provision or undeclared work, both of which (usually in combination) provide an important labour market for Polish migrants in Oslo and Copenhagen. As a result, they have much lower risk of experiencing any of our indicators of precarious and exploitative conditions (Table 4). ‘Only’ 27 percent of the Reykjavik sample report that they have been cheated out of pay by their employer (a result which may be explained by the sudden devaluation of the króna); 12 percent report that they have worked overtime without additional pay; 9 percent have received threats of being fired; 10 percent do not have a written work contract and 8 percent are unable to take paid sick leave. Overall, 38 percent of the Polish workers report that they have experienced at least one of these issues during their stay in Iceland, and 26 percent in their current job in Reykjavik. All of these indicators are significantly lower than in the two other cities, where such occurrences are clearly related to the widespread use of atypical forms of employment. Moreover, the incorporation of Polish migrants into regular employment made them eligible for public unemployment benefits, at a time when unemployment skyrocketed in wake of the crisis. In Norway, this was only partially the case, because of the high rates of atypical and informal employment. Thus, the relative flexibility within Icelandic wage-setting institutions, as well as flexible rules on hiring and firing, have reduced the incentives to bypass regulations or avoid employer responsibility through the use of intermediaries and subcontractors. The universal and encompassing nature of Ice-
landic labour regulation also makes this more difficult. However, this universal and flexible model has allowed considerable low-wage competition within the regular labour market. In a time of crisis, this has translated into very low earnings for Polish migrants.

**Discussion**

Each Nordic country has its own historical traditions of regulating work and welfare, and there is no universal answer as to how the challenges of an increasingly mobile and unequal European labour market will be met by national states. However, the comparative analysis presented here sheds light on the particular challenges facing each of these three countries. In Oslo, our results suggest that the Norwegian turn from a system based on voluntary collective arrangements towards ad hoc universalism in the form of legal extensions of collective agreements, new statutory regulations regarding employer responsibilities and increased control and enforcement by the state, has been highly warranted. This move has been a partial success in terms of upholding a relatively high wage level among migrant workers, but not in terms of protecting them from arbitrary treatment. This development has taken the form of a ‘race’ between attempts by the government and the social partners to fill regulatory loopholes on the one hand, and strategic circumvention on behalf of employers seeking to minimize costs and risks through subcontracting and various forms of atypical and precarious employment on the other. As the political discussions slowly move from a simple focus on wage dumping, towards a longer-term concern for welfare state sustainability in a context of record levels of labour-related immigration, questions regarding employment security and social integration may move to the forefront of debate.

The Danish response to international mobility has been to continue its historical traditions of collective bargaining. Considerable concern about social dumping raised the issues of state regulation to the public agenda, but so far the majority of trade unions and employers’ organizations oppose political regulation of wage levels. Our analysis shows that Polish migrants in Denmark are relatively better off compared to native workers than in Oslo. Nevertheless, they face many of the same risks, but in a system that is legally less clear. Our results suggest the development of a two-tier system of inclusion, especially in sectors such as construction. It seems that while those inside the organized labour market enjoy more protection than their counterparts in the other Nordic countries, those who are left outside enjoy less. However, the distinction between ‘inside’ and ‘outside’ is less than clear cut, with both legal provisions, collective agreements and the presence of local trade unionists playing their part.

In Reykjavik, the Icelandic system of flexible universalism – where statutory regulations apply automatically to everyone, but with considerably more leeway for low-wage competition within the existing regulatory system – has in some
ways ‘succeeded’ in incorporating migrant workers into the existing framework of employment, though only after a fierce battle against the temporary staffing industry. This ‘success’ comes at the cost of extensive low-wage competition within the system. In the midst of pressing economic challenges, Iceland’s ability to incorporate new migrants may well be more related to applying systems for approving foreign educational credentials, and providing language training, in order to enable migrant workers to escape their position at the bottom of the wage ladder.

**Conclusion**

Our analysis shows that all three capital cities are faced with challenges regarding the institutional ability to incorporate new migrant workers into existing labour market structures and protect them from exploitative and precarious conditions.

Some of these challenges relate to certain broad patterns similar in all three cities. Educational qualifications have some bearing on Polish migrants’ position in their Nordic host countries, but our analysis suggest that labour market outcomes are much less related to individual characteristics and human capital than to their structural position in the host country labour market. Despite varied educational and occupational backgrounds, Polish migrants are primarily recruited to perform work requiring few formal skills within a quite narrow set of industries. They are usually found low on the status ladder of domestic labour markets, earning significantly lower wages than natives, and experiencing far more precarious and in many cases exploitative working conditions. This general trend seems to be the result of segmentation into specific low-wage and low-status sectors, combined with an overrepresentation in the use of atypical forms of employment. Thus, workers within low-skilled services and parts of the construction industry appear to be particularly at risk compared to those working in other parts of the labour market.

However, we find differences between the three cities, in terms of how risks and rewards are structured among the new migrant workers, as well as in how these challenges have been met. In both Oslo and Copenhagen, the labour market for Polish migrant workers is structured into different segments, where casual employment relations, temporary staffing, transnational subcontracting and household service provision function as drivers of low-wage competition and precarious working conditions. In Copenhagen, however, being inside or outside the system of collective bargaining (measured by having a trade union representative at the workplace) has a much stronger bearing on outcomes than in Norway, leaving those outside much more exposed to substandard conditions. In Reykjavik, outcomes are structured differently, and few of the factors which explain wage variation in Copenhagen or Oslo have any significant effect. Instead, it seems that the relatively flexible and universal Icelandic regime has
placed Polish migrants more uniformly at the bottom of the wage scale, although with far better protection against exploitative conditions.

The outcomes for Polish migrants in terms of wage levels and risk of precarious conditions appear to be inversely correlated at the city level; Oslo being the most rewarding destination in monetary terms, but also the place where migrant workers are most at risk of exploitative and illegal treatment; Reykjavik is the least profitable destination in terms of earnings, yet at the same time migrants are least at risk of exploitative treatment. Which of the two should be considered the more successful in protecting migrant workers? This depends on what is considered more valuable: high wages or secure terms of employment.

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**Notes**

1. It has been common to assume that an RDS sample should be twice as large as an ordinary random sample in order to produce estimates of equal accuracy (Salganik, 2006). However, recent developments in RDS computation have enabled more accurate calculation of design effects based on the degree of homophily (tendency for in-group recruitment) within the sample (Wejnert et al., 2012). We applied the same technique to the Oslo survey, and found design effects on key variables to vary between 1.28 and 2.35. This leaves us with 95 percent confidence intervals of 3-5 percentage points on each side of our estimated values. We compared our data to available official data on key indicators, and found that the surveys provided quite accurate estimates (Friberg, 2013).
2. In the 2010 survey, 31 percent reported a spouse in Poland, compared to 49 percent in a similar survey conducted in 2006. 28 percent in both surveys were single.

**References**


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