MUTUAL LEARNING PROGRAMME:

PEER COUNTRY COMMENTS PAPER - NORWAY

Active inclusion approaches in Norway

Peer Review on "Systematic Preventive Integration Approach (Support) for Jobseekers and Unemployed"

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1 LABOUR MARKET SITUATION IN NORWAY

This paper has been prepared for a Peer Review within the framework of the Mutual Learning Programme. It provides information on Norway's comments on the policy example of the Host Country for the Peer Review. For information on the policy example, please refer to the Host Country Discussion Paper.

The labour force participation rate in Norway is among the highest in Europe. In 1993 unemployment reached a high water mark of 6 percent before falling back to approx 3 percent from 1998. The recent financial crisis has marginally increased unemployment rates, up from 2.4 percent in January 2008 to 3.5 in January 2010. Average inflation rates (consumption price index) were 2.8 percent between 1998 and 2007, and is presently 1.4 per cent (Statistics Norway 2010).

Female employment rates are higher in Norway than in most other European countries, in particular among elderly women (above age 45). Seven out of 10 working-age women and 8 out of 10 working-age men are currently in employment (Op.cit.).

Norway has fewer unemployment benefit recipients and social assistance recipients than most European countries (OECD 2007, 238-43; NOU 2007:4,119). However, there are more recipients of health-related benefits. In 1999 5.6 per cent of Norwegian BNP was spent on health related benefits, against on average 2.4 per cent among 20 OECD countries. For Norway this was 12 times the expenditure on unemployment benefits, compared to approximately twice as much in other OECD countries (OECD 2003,17). Where other countries use unemployment benefits, social assistance, early retirement benefits or informal support through the family to support those outside the labour force, Norway relies mainly on health-related social security benefits (NOU 2007:4,122-4). This is due to broad coverage of health-related benefits also covering people not in the labour force, and benefit levels are usually higher than unemployment benefits and social assistance benefits. Norway is one of a few countries where women are more numerous than men on disability rolls. Since a disability pension can be awarded from age 18, the share of under-45s on disability pensions is also high compared to continental-European countries, where eligibility is sometimes restricted to those with employment records. Due to the high percentage of individuals on health-related benefits, Norwegian Active Labour Market Policies (ALMP) are mainly directed towards the (re)integration of people with disabilities. In 2004, 81 percent of total ALMP costs, as operationalised by Eurostat, were for this purpose (Nososco 2006, 215).

As regards job reallocation and labour mobility, a study by Li (2010) found downsizing of manufacturing (mainly through decreased job creations) between 1996 and 2005. Jobs have been reallocated from non-exporting to exporting firms and from low R&D-intensive to high R&D intensive industries. An older study on comparative labour mobility found that labour turnover in manufacturing was at least as high as in the US (Klette and Mathiassen 1996).

Norway has been affected only to a limited extent, by the recent economic crisis, as registered unemployment is still only 3.5 percent. In September 2010, 48.2 percent of unemployment was of a duration of more than 25 weeks, compared to 46.8 percent in September 2010 (NAV 2010). The number of training positions (tiltaksplasser) was expanded in 2008 anticipating larger unemployment, but has been reduced in 2010 (op.cit).

Norway has no separate public employment service (PES). The PES were amalgamated with social security agencies into unified NAV offices between 2006 and 2010. Hence unemployed clients ,clients receiving various health-related benefits, or public pensions are all served by the same agency in Norway (see below).

2 ASSESSMENT OF THE POLICY MEASURE

During the 1990s and 2000s, activation requirements were introduced in all social insurance and social assistance benefits in Norway, including health-related benefits (NOU 2009:10, ch 13).

Up till 2005 Norway had a National Employment Directorate ("Aetat") and a National Social Insurance Directorate ("Trygdeetaten"). During the 1990s arguments surfaced about a grey zone between these Directorates (agencies) consisting of people "too sick to work and too healthy to claim disability benefits". In 2005 Parliament merged the Directorates into the new NAV Directorate. NAV controls the administration of all social insurance benefits, including all health-related social insurance benefits. The merger has just been finalised (2010). This is a grand merger by Norwegian standards involving 12,000 employees and hundreds of offices at state, regional, and local levels. The internal organisation of NAV is still subject to ongoing revisions. The merger is meant to reduce coordination problems and ensure more seamless services to clients. It is too early to evaluate if these will also be the effects of the Merger 8 (see below).

On March 1st 2010 the system of temporary health-related benefits was reformed. A new benefit, AAP or "arbeidsavklaringspenger" (work-clarification-benefit) has replaced temporary rehabilitation and temporary disability benefits. The target group includes members eligible for social insurance benefits with less than 50 per cent work capacity due to health problems, who are in need of special activation measures before applying for a job.

Parallel to the introduction of the AAP benefit, NAV implemented a "user-focused work methodology" to assess claimants of this benefit (Heum 2010). Innvær et al (2010) describe this as a 6-phase intervention sequence: application/problem perception from the user (bestilling), mapping the situation, including needs assessment (kartlegging og behovsvurdering), evaluating work capacity and resource profile (arbeidskartlegging), planning interventions and follow ups (plan), implementation (gjennomføring) and evaluation (evaluation).

The NAV sequencing bears some resemblance to the German PES four-phase model for reintegration services (profiling, goal definition, selection of strategy, integration agreement and implementation).Compared to Germany, NAV's work methodology is applied fairly late in the client career - usually after having spent one year on sickness benefits (which is when people qualify for AAP). The work methodology is costly to implement, as the individual assessment procedure usually takes four hours. For recipients of regular unemployment benefits, a less standardised and "lighter version" of needs profile and work assessment is used, at least initially. Yet another difference: Norway does not use the "triage" thinking in the German profiling system - at least not explicitly. No claimants are initially categorised as "hopeless cases". However, recipients on AAP may in due course end up on permanent disability benefits if activation successively fails, and in "obvious" cases claimants may qualify directly for permanent disability benefits. Profiling appears to be more systematic and explicit in the German system, but here it must be borne in mind, that a majority of NAV's clients enter the system through health-related benefits (usually starting with sickness benefits), not with unemployment benefits or social assistance benefits. Perhaps the need for profiling in the German unemployment insurance/assistance system is larger, since more people with health-related problems appear to access the German support system through unemployment insurance or assistance benefits rather than through health-related benefits.

Early intervention is increasingly pursued with regard to people on sickness benefits (often the first long-term benefit people claim, offering 100 percent wage compensation with no waiting days up to 52 weeks for average wage earners). Within 6 weeks on benefits a follow-up plan must be made with the employer. Within 8 weeks a doctor must certify that

"passivity" is part of the treatment in order to continue on the benefit. Social assistance claimants are also subjected to early intervention thorough the qualification programme (see below). In order to receive an unemployment insurance benefit, the claimant must as a general rule, accept any work s/he is capable of performing at any pay and in any part of the country. (These rules are perhaps not sternly applied in practice, but no systematic study of how the rules are actually applied has been made.). Bear in mind, that regular unemployment is only 3.5 percent, and due to labour shortages there is still substantial labour immigration, in particular from new EU member states.

The rationale behind early intervention is to prevent "learned helplessness" often associated with prolonged periods on sickness or social assistance benefits. However, by intervening too early, it implies that resources are spent on people who would make it back into the labour market on their own without assistance. Hence limited resources are spent on extra activation efforts for the regular unemployed without additional social or health problems.

The Qualification Programme (Kvalifikasjonsprogrammet), introduced in 2007, appears to serve the same groups as the German Basic Income Support for Jobseekers (BISJ). The objective of the Qualification Programme (QP) is to increase employment and improve wellbeing among working age people outside the labour force. The target group consists of people with reduced work capacity with few or no rights to social insurance benefits, who are only eligible for municipal social assistance. Typical users are the long-term unemployed, young people without previous work experience, migrant groups, single parents and those with substance dependency. The QP programme is more extensive than the German BISJ. QP is full-time and activities include a broad spectrum of work related programs and activities, and various forms of motivation and coping strategies. It also includes health care issues, training and an individual's own activities. QP beneficiaries receive a stable income for up to two years with a child element and supplements available, paid as a salary, and providing pension points. The income is taxable, but not means tested. The amount is higher than social assistance, where the amount is discretionary and must be reapplied for frequently. Entry to QP is voluntary, but individuals may be invited to participate and may incur benefit sanctions if they do not take up the offer. Entry to QP is based on work capacity assessment, but municipalities do not have to use NAV`s work capacity test. Systematic data is not available as to how case management is performed in the 431 municipalities, who enjoy substantial implementation autonomy (see below). QP is modelled on the Introduction Programme for newly arrived immigrants (mainly refugees and family members), a full-time quasi-mandatory programme introduced in 2004.

Municipalities are formally responsible for implementing QP, but municipal authorities have been compelled by the national government to cooperate with NAV when implementing the programme. This probably serves to standardise case work somewhat.

Local councils can condition social assistance on work or retraining efforts. Social assistance recipients have the right to an "individual plan". Local councils are financially responsible for funding social assistance, through local taxes supplemented by a block grant from the state. There are national benefit guidelines, but they are not legally binding. Local councils are free to decide how to organise the delivery of social assistance, although social assistance (and corresponding personal services provided by municipalities) is not formally merged with NAV. Parliament has ordered Norway's 431 local councils to set up formal contracts with NAV. The contracts shall coordinate the benefits and services of local NAV offices with those provided by the municipalities. As a minimum, the local social assistance administration and the local NAV office must be located in the same building. This is termed the "one door" policy. It is hoped that this will enhance coordination and limit eventual stigmatization of claimant groups. The Qualification Programme (QP) strengthens the link between NAV and municipal social assistance and service provision.

2.1. Implementing the Qualification Programme (QP)

The implementation of QP, including the choice of activation methodologies, is up to the municipality to decide. This follows from the Norwegian policy of local self-rule. As stated above, all municipalities must negotiate a division of labour with the local NAV office, and there are at present 10 different "contract types" concerning which municipal services that are coordinated with NAV (Fimreite and Hagen 2009). QP activation services can be outsourced to various sub-contractors. QP has so far been financed by a special (earmarked) state grant, but from 2011 funding will be converted into part of the general block grant given to municipalities (Innvær et al 2010). Municipalities will then have more freedom to decide which priority they wish to award high-quality QP services, set against the many other services municipalities must finance within the block grant.

3 ASSESSMENT OF THE SUCCESS FACTORS AND TRANSFERABILITY

Evaluations of the NAV reform are under way, and first results are expected in 2013 (Knut Røed, personal correspondence). Since the AAP benefit has just been introduced, it is too early to evaluate any effects. Nor are there yet any impact evaluations of QP, although there have been some preliminary process evaluations. A brief summary of the findings follows.

3.1. Process evaluations

Innvær et al (2010) evaluated an attempt to teach a specific activation methodology (a 9 day course, spread over four gatherings) to selected municipal employees. The methodology, labelled HPMT (an acronym for Whole, Principled, Methodological Approach), has been developed by the national authorities (AVDir) to boost long-term professionalism in implementing QP, and may also constitute the standardised work methodology to be implemented in NAV as the organisational dust from the merger settles down. HPMT builds on therapies emphasising face-to-face interaction between claimant and administrator. HPMT, by being state-sanctioned, may emerge as a unified Norwegian methodology in this field, although there are several competitors (and municipalities, as stated above, are also free not to use any particular methodology at all). HPMT identifies 10 principles for working with the user (claimant), situated on three intervention arenas, and carried through all of NAV`s 6 phases of an intervention (see above). Participants responded positively to the course, also in a follow-up questionnaire 5-6 months after the event. However, interest among local leaders, to ensure that the participant's new HPMT knowledge spread further to other staff members, was limited. Some participants suggested that NAV at present is more focused on clearing the backlog, and fulfilling activation targets, and less focused on the substantial content (methodology) of each intervention. Klemsdal (2009) and Røysum (2009) studied local implementation of NAV's activation work. Klemsdal suggests that although different NAV offices use similar labels (professional vocabulary) to characterize what they do with clients, the actual content of these labels varies from one office to another and even within the same office. NAV often outsource the actual activation work, which increases the variation in intervention strategies. In a qualitative study limited to professional social workers, Røysum's respondents claimed that administrative work had increased after the reform, at the expense of direct contact with clients.

Bear in mind that the above are process evaluations registering the opinions of case workers and others; to which extent their views are correct or not is difficult to assess.

3.2. Impact evaluations

Reliable impact evaluations of NAV and accompanying reforms cannot be done until new routines have been firmly established, which is still some years in the future. Impact evaluations on earlier activation reforms, targeted at social assistance claimants, suggest modest positive effects on employment (Lorentzen 2007, Rønsen and Skardhamar 2010). Lødemel and Johannessen (2005) found that social assistance claimants entering a work activation programme led to both increased employment and increased take-up of health-related social insurance benefits. The latter effect was due to the work tests employed, which revealed that some claimants had sufficient health problems to qualify for health related benefits.

The new activation requirements may lead to claimants not applying, or dropping out of QP, since QP is full-time. Some US studies indicate that the discouragement and hassle effects are the main effects of expanding activation requirements (Besharov and Germanis 2007, Moffitt 2008). Discouraged clients are a diverse group, including those who are able to find work on their own, and those who fall back on a partner, parents, or other ways to survive. No Norwegian evaluation has been carried out to study the hassle effect or discouragement effect.

3.3. Transferability

As in Germany, the Norwegian reforms indicate the need to strengthen targets and performance measurements, and provide local councils and administrative units with greater autonomy than in the past concerning how to reach their targets. They may organise the work in many different ways: cooperate, outsource, and employ different activation methodologies. This empowerment of local councils qua “middle managers” may motivate employees and boost local creativity; but at the same time makes it difficult to introduce any particular activation methodology (such as HPTM) from above.

Another issue concerns the danger of cost-shifting between institutions. NAV’s benefits and services are state-financed, while social assistance benefits and services are locally financed. For example, municipalities may have an incentive to encourage social assistance claimants to accept QP, even if their prognosis is bad, since there is then a chance to get them off municipal budgets and on to NAV-financed benefits. The switch from earmarked to block grants reduces this danger, but it is not eliminated, since QP claimants may on certain conditions claim (NAV-financed) sickness benefits (awarded for up to one year), while regular social assistance claimants are not eligible for sickness benefits.

References

Available from author

4 QUESTIONS

Are there any available German evaluations (with control groups) with regard to particular activation methodologies?

Are there any experiences with cost-shifting problems between institutions in the German setting - and how to deal with this problem? For example, municipalities seem to have an incentive to get as many social assistance claimants on to BISJ as possible, since BISJ is funded by the federal government. Or is this not a potential problem?

Are there any experiences with creaming - and how to combat creaming? For example, does PES not have an incentive to put too many claimants in the fourth category (the “hopeless cases” who are not to be activated), in order to boost their success rates (the percentage that are successfully activated of those deemed “eligible” for activation, i.e. those placed in category 2 and 3)? Are there any built-in mechanisms to prevent profiling from contributing to creaming?

ANNEX 1: SUMMARY TABLE

Labour market situation in the Peer Country
• Among the highest labour force participation rates in the European Economic Area (EEA) • Limited use of unemployment benefits and social assistance benefits • EEA record holder with regard to health-related social security benefits
Assessment of the policy measure
• During 1900s and 2000s activation requirements were introduced with regard to all social insurance and assistance benefits, including health-related benefits • The qualification Programme (QP) is the main activation measure directed at the long-term unemployed • QP is implemented in a novel institutional setting, including the merging of the national Employment Directorate and the National Social Insurance Directorate, plus mandatory cooperation between the merged Directorate and local councils (responsible for social assistance and related services)
Assessment of success factors and transferability
• The QP reform is too recent to identify effects • The possible cost-shifting problem between the Employment Directorate and the Social Insurance Directorate has been eliminated • We do not yet have sufficiently solid evaluations to encourage transferability
Questions
• Any available evaluations (with control groups) of specific activation methodologies? • Any experiences with cost-shifting problems between institutions in the German setting - and how to deal with this problem? • Any experiences with creaming - and how to combat creaming?