



# **European Employment Observatory**

## **EEO Review: Self-employment, 2010**

### **Norway**

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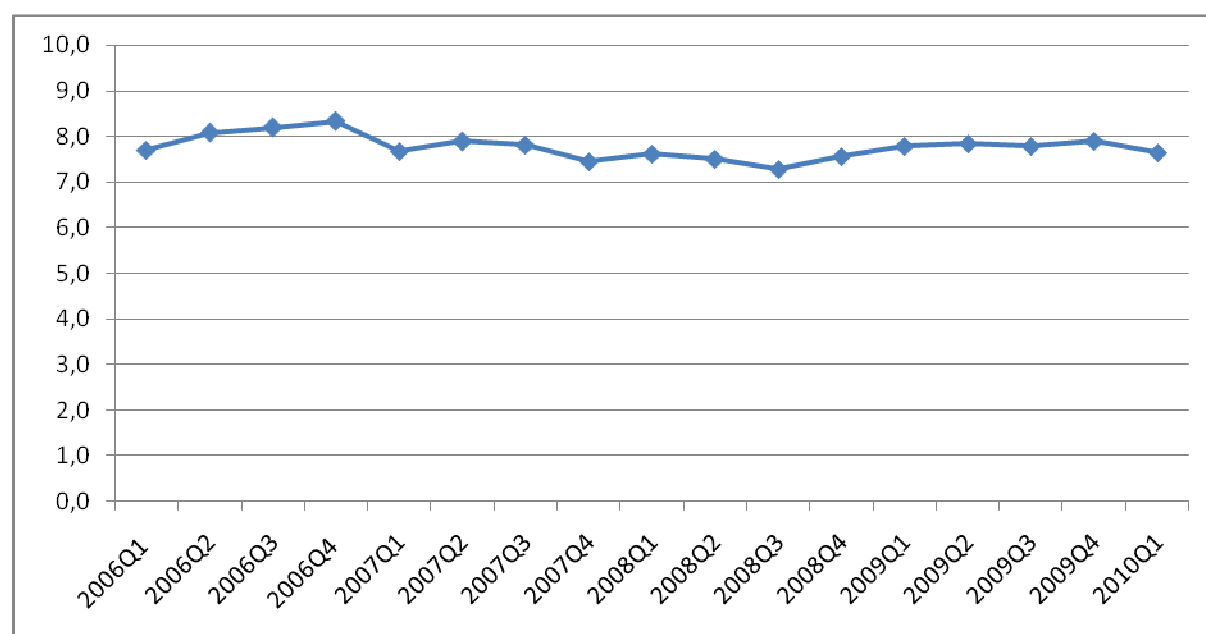
## 1. Introduction

Self-employment covers a wide range of categories in the Norwegian labour market. Own-account workers (self-employed without employees) are common in traditional sectors such as agriculture, forestry and fishing, retail trade and crafts, as well as in construction and transport and in the liberal professions (doctors, dentists, lawyers, etc.). Freelance work is rather common in the media sector, including the press and the film industry. In Norway measures to promote self-employment have been related to innovation and the development of new enterprises. Action undertaken by the government reflects this strategy.

### 1.1 Recent trends in self-employment

The downturn in the Norwegian economy was and is not as severe as in other European countries and it is primarily the export industries which have been hit by the crisis. In June 2010 the unemployment rate according to the Norwegian Labour and Welfare Administration was 2.8 %<sup>1</sup> (compared to 3.7 % registered unemployed according to LFS figures for April 2010). In Table 1 we can follow the recent trends in self-employment from the first quarter of 2006 to the first quarter of 2010.

**Table 1: Trends in self-employment. Per cent of the total labour force. National statistics, Labour Force Survey.**



Compared to the EU average, where 15 % of the labour force are self-employed, the percentage of self-employed workers in Norway is low. Table 1 shows only minor changes during the crisis. In actual numbers, the number of self-employed has increased together with a general increase in

<sup>1</sup> According to the Norwegian Labour and Welfare Administration. Internet: <http://www.nav.no/Om+NAV/Tall+og+analyse/Arbeidsmarked/245524.cms>

employment. There were 179 000 self-employed persons in the first quarter of 2006 compared to 190 000 in the first quarter of 2010. As in other countries in Europe, more men are self-employed. In the first quarter of 2010, 26 % of the self-employed were women and this share fluctuated little during the period shown in Table 1.

## **1.2 General attitudes towards self-employment**

The promotion of self-employment (or setting up your own business) has in Norway been seen as one of several remedies to provide industrial development and innovation in districts and regions facing difficulties in sustainable growth, employment and hence depopulation. Among the measures promoted are schemes aimed at encouraging the establishment of small (farm-related) businesses in rural districts with a limited industrial base/few jobs in the services sector. Several Norwegian reports<sup>2</sup> emphasise Norway's dependency on the petroleum industry, and the expected decrease in deposits of oil in the coming years, which increases the need for innovation and new business and industry activity. Due to the gender gap among the self-employed, measures to promote women as innovating entrepreneurs are highlighted in these reports. Although the employment rate among women is high, women are strongly under-represented among the self-employed. Several actions have been taken to promote self-employment among women (St. meld. 7, 2008-2009, p. 54):

- From 1 July 2008 self-employed workers have the same rights to maternity/parental leave as dependent employees (i.e. compensation for time-off work is provided). Benefit is granted up to six times the basic amount of national insurance contributions (as of 1 May 2010 this was NOK 453 864 (EUR 56 572));
- Encouraging men to utilise more of the parental leave period, thereby reducing the period women are at home with small children, and hence giving the mother the opportunity to get back to work earlier;
- Intensified prioritisation of women in access to funds, where women are encouraged to apply and where there are specified targets for the percentage of women participants.

The government's goal is that the percentage of women among new entrepreneurs shall reach at least 40 % in 2013 (ibid. p. 55). In 2008, 34 % of newly established companies organised as sole proprietorship enterprises were set up by women.

Other prioritised groups are immigrants and youths (see Section 2). In 2005, immigrants owned 8 % of all sole proprietorship enterprises in Norway. Explanations for this low share are language problems, poor knowledge about administrative regulations and difficulties in getting their project funded through loans.

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<sup>2</sup> See for instance St. meld. Nr. 7, 2008-2009 and St. meld. Nr. 25, 2008-2009 (in Norwegian).

The importance of innovation and entrepreneurs in Norwegian schools is also emphasised. The government's aim is that innovation and entrepreneurship shall be incorporated into the educational system - from primary school to university.<sup>3</sup>

### **1.3 Promotion of self-employment during the crisis**

The organisation Innovation Norway was established in 2004 and has offices in all 19 Norwegian counties.<sup>4</sup> Innovation Norway offers products and services intended to help boost innovation in business and industry nationwide, foster regional development and promote Norwegian industry and Norway as a tourist destination. Innovation Norway supports and promotes entrepreneurs, newly-founded enterprises and SMEs (Small and Medium-sized Enterprises) that seek to grow, as a rule in the international market. The organisation's role is to provide or arrange financing, link enterprises to know-how and help them build networks for their innovative projects. Innovation Norway was seen as an important institution during the crisis.

## **2. Assessment of national Labour Market policies and recovery measures**

In communities where an important factory closes down and there is a need for trade and industry restructuring, SMEs and self-employed people can apply for financial support from Innovation Norway. Today, Innovation Norway is involved in supporting around 20 to 25 defined restructuring areas.

In 2008, the Government introduced a plan of action on how to encourage more women to establish their own businesses. One measure to achieve this goal is to target women in the existing budget of Innovation Norway, as well as increase the funding for such projects. In 2009, Innovation Norway used NOK 2.8 billion (EUR 353 million) on projects targeting specifically women and enterprises. Of this NOK 2.3 billion (EUR 290 million) was used on existing enterprises and NOK 0.5 billion (EUR 63 million) on new entrepreneurs.<sup>5</sup>

Another target group for Innovation Norway is youth people. The programme 'Young Entrepreneur' targets youths aged between 18 and 35 years old. Innovation Norway offers counselling, help with marketing, networks, competence (seminars and so on) and funding. There is however not a separate funding stream for youths, who have to apply for financial support through the same schemes as other applicants and their projects are evaluated by the same standards and requirements.

### **2.1 Recent measures**

In January 2009 the Government launched a stimulus package totaling NOK 20 billion (EUR 2.25 billion). Of this NOK 16.75 billion (EUR 2.1 billion) was for new measures on the fiscal budget's expenditure side, while NOK 3.25 billion (EUR 410 million)<sup>6</sup> was targeted tax relief for

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<sup>3</sup> Internet: [http://www.regjeringen.no/upload/KD/Vedlegg/UH/Rapporter\\_og\\_planer/Entreprenorskap\\_09\\_nett.pdf](http://www.regjeringen.no/upload/KD/Vedlegg/UH/Rapporter_og_planer/Entreprenorskap_09_nett.pdf) (in Norwegian)

<sup>4</sup> Innovation Norway replaced the Norwegian Tourist Board, the Norwegian Trade Council, the Norwegian Industrial and Regional Development Fund, SND and the Government Consultative Office for Inventors, SVO.

<sup>5</sup> <http://www.innovasjon Norge.no/Satsinger/Kvinner-i-naringslivet/>

<sup>6</sup> The total amount of tax relief is NOK 7 billion (EUR 882 million) across 2009 (NOK 3.25 billion (EUR 410 million)) and 2010 (NOK 3.75 billion (EUR 473 million)).

trade and industry. To promote business creation and self-employment as an alternative to increasing unemployment, the budget of Innovation Norway was strengthened by NOK 1.345 billion (EUR 170 million) – an increase of 164 % compared to the year before.

An extra NOK 600 million (EUR 76 million) was made available for nationwide innovation loans. Furthermore, funding for low risk loans was increased by NOK 500 million (EUR 63 million), while funding for R&D contracts was increased by NOK 65 million (EUR 8 million). The latter funding seeks to support SMEs developing new products for other private companies or public enterprises. Moreover, as part of the stimulus package NOK 130 million (EUR 16 million) was used to expand a guarantee scheme for SMEs with problems getting loans or credits in private banks. Finally, with NOK 150 million (EUR 19 million) a new arrangement was set up offering grants to companies or individuals that are seeking to establish new projects (*etableringsstipend*). This grant is supposed to support the development and establishment of a new project/company, and can cover up to 50 % of documented costs (up to a maximum NOK 350 000 (EUR 44 115)). There is no available information about how much of its budget Innovation Norway used on self-employed workers, but during the crisis there was a close dialogue between Innovation Norway and the Government on which measures would promote business creation and reduce the negative effects of the financial crisis.

A new measure introduced in the wake of the crisis is that unemployed workers may keep their unemployment benefits over a period of up to nine months if they want to set up their own enterprise in order to get back into employment.<sup>7</sup>

An evaluation by MENON Business Economics concludes that Innovation Norway managed the increased funding from the government in a satisfactory way<sup>8</sup>. The increased funding made Innovation Norway capable of contributing to business creation and survival during a critical time. When it comes to the nationwide grants for companies or individuals that are seeking to establish new enterprises, Grünfeld et al finds that 13 % of the grants went to individuals, which was 7 % of Innovation Norway's total budget (Grünfeld et al. 2010, p. 58). The remaining amount of the stipends went to new enterprises. Those supported were launching highly innovative business ideas with a substantial need for financial support to set up the business. The effect on the employment-rate in the short and medium term is difficult to evaluate, but the authors conclude that in the long run these projects will probably have a positive impact on the labour market (employment) where they are located.

### **3. Quality of self-employment jobs**

There is no recent information about the quality of self-employment jobs in Norway, but data from 2006 give us some indications.

#### **3.1 Working hours**

There is no legislative framework covering working time and holiday entitlement for self-employed people. Only employees are protected by the 1988 Act relating to holidays. When it

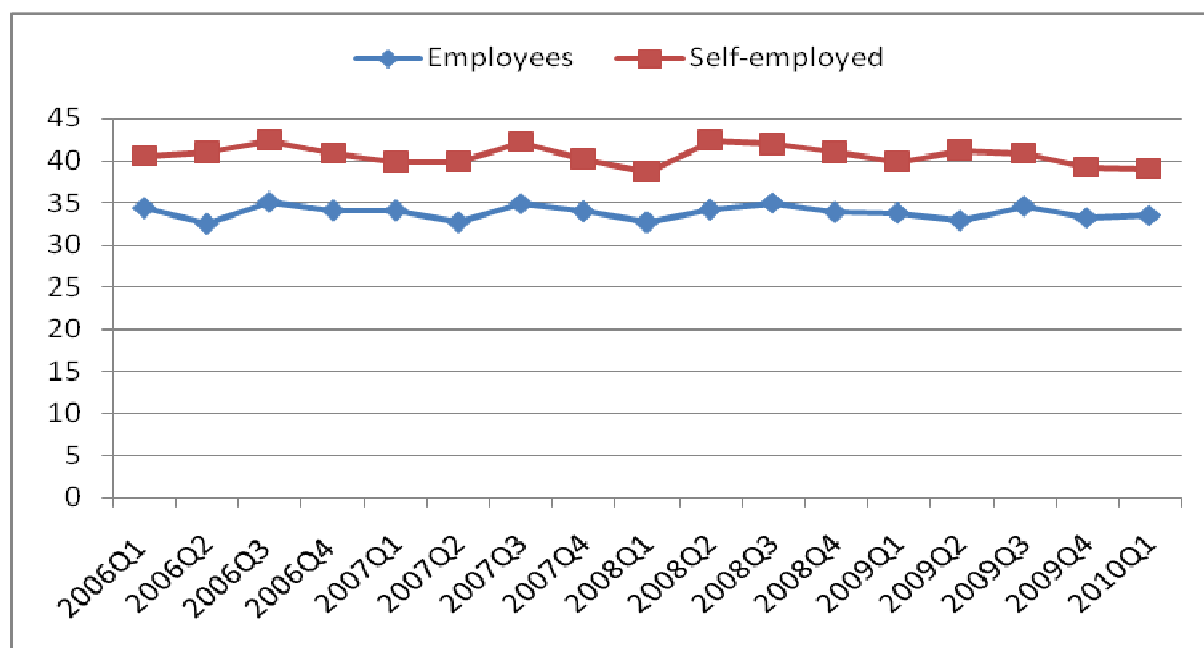
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<sup>7</sup> The Norwegian Labour and Welfare Administration.

<sup>8</sup> Grünfeld, L. A., B.H. Hansen & G. Grimsby A Governmental life buoy (in Norwegian). Menon-report nr. 8, 2010.

comes to working hours per week, data shows that the self-employed work longer hour than employees. In Table 2 we see actual working hours per week from the first quarter of 2006 until the first quarter of 2010.

**Table 2: Actual weekly working hours among employees and the self-employed from 2006 to 2010, including part-time employees. Statistics Norway, Labour Force Surveys.<sup>9</sup>**



Despite the fact that the self-employed work longer hours than employees, Table 2 indicates that from 2006 to 2010 the pattern of hours worked is fairly constant and does not fluctuate considerably. Women work shorter hours than men (all groups), but self-employed women work longer hours than female employees. The self-employed also work more often during unsocial hours, such as weekends and nights (EIRO NO0801019Q).<sup>10</sup>

### 3.2 Risk of accident at work

The register based figures on accidents (The Norwegian Labour Inspection Authority) at work cannot be broken down to illustrate the differences between employees and the self-employed. However, most work-related accidents that result in death occur in agriculture and forestry and it is in these sectors that most self-employed people work. According to the Norwegian Labour Inspection Authority, 273 persons died in work-related accidents from 1989 to 2009. Several precautions are made to contribute to better safety in these sectors.

The Living Conditions Survey (LKU) includes questions on the self-reported risk of work-related accidents.<sup>11</sup> Data from LKU 2006 shows that the percentage of people that answered high or

<sup>9</sup> Internet:

[http://statbank.ssb.no/statistikkbanken/Default\\_FR.asp?Productid=06.01&PXSid=0&nvl=true&PLanguage=0&tilsid=e=selecttable/MenuSelP.asp&SubjectCode=06](http://statbank.ssb.no/statistikkbanken/Default_FR.asp?Productid=06.01&PXSid=0&nvl=true&PLanguage=0&tilsid=e=selecttable/MenuSelP.asp&SubjectCode=06)

<sup>10</sup> Internet: <http://www.eurofound.europa.eu/comparative/tn0801018s/no0801019q.htm>

<sup>11</sup> Information from the LKU 2009 is not accessible until later in 2010.

medium high risk of work accidents is considerably higher among self-employed workers compared to the labour market average. For instance, 12 % of the self-employed regarded their risk of accident at work as high and 21 % as medium high. The corresponding numbers in the labour market average were 6 % and 16 % (EIRO NO0801019Q).

### **3.3 Work-related stress and work-life balance**

Self-employed workers report more often that they have to work beyond normal hours in order to handle the workload – 37 % versus 32 % national average (LKU 2006). Conversely, the percentage that reports that the pace of work is often fast is somewhat lower among self-employed workers (61 %) compared to the national average (69 %). Nevertheless, the differences are not large.

When asked how satisfied the respondent is about his/her job (all-in-all), a higher percent of self-employed workers – 57 % compared to the labour market average of 46 % – chose ‘very satisfied’.

### **3.4 Life-long learning**

There is a tendency for self-employed workers without employees to participate less in training than employees. In 2005, the difference between self-employed workers without employees taking part in lifelong learning and the national average was six percentage points (9 % versus 15 %) (EIRO). Here the figures refer to a period of 12 months. In 2009, 4 % of self-employed workers without employees compared to 6 % of dependent employees reported to have participated in courses, training or formal education either partially or fully paid by the employer during the last four weeks (Labour Force Surveys, annual average 2009).

### **3.5 Labour law, social security and self-employment**

Different regulations apply to self-employed workers as compared to dependent employees regarding national social security arrangements as well as labour law and working environment protections. In addition, different tax-regulations apply to the two groups. In the Working Environment Act 2005 (WEA 2005) the term ‘employee’ is defined as ‘anyone who performs work in the service of another’, while self-employed workers are often defined as people who run a company on their own behalf and at their own risk/expense. Under tax law, business activity (as run by a self-employed person) is usually defined as ‘an ongoing business suitable to generate net income and that is run at the individual’s own expense and risk’.

Self-employed workers are not entitled to the same paid sick leave as employees. Self-employed workers are paid up to 65 % of their income from the 17th sick day onwards up to a maximum of NOK 453 846 (EUR 57 203), while employees are entitled to 100 % of their salary from the first sick day up to a maximum of NOK 453 846 (EUR 57 203).<sup>12</sup> Self-employed workers are entitled to paid leave from day one when they have to be absent due to children’s sickness, which is the same right as employees enjoy, but still there is the inequality that self-employed workers receive only up to 65 % of their income compared to 100 % for dependent employees. Self-employed workers may take out an additional social security insurance policy. Self-employed workers are

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<sup>12</sup> According to the maximum total set in May 2010.

not entitled to occupational injury benefit, unlike employees. However, they may take out a voluntary occupational injury benefit insurance. Compared to employees, workers registered as self-employed have generally no rights to unemployment benefit. They can however get registered as job seekers at the Norwegian Labour and Welfare administration and then apply for unemployment benefit, but they have to be *active* job-seekers. Self-employed workers will normally be part of a private pension scheme, as they otherwise only will be entitled to the minimum state pension.

As mentioned in Section 1, the rules for maternity/parental leave were changed in 2008. According to the new rules self-employed workers have the same rights to maternity/parental leave as dependent employees (i.e. compensation for loss of work is paid for a certain number of weeks by the National Social Security system). The background to the change in 2008 was partly a wish to encourage more women to start their own businesses and partly to encourage fathers to make more use of parental leave. Figures from 2009 showed that 76.5 % of self-employed fathers took parental leave compared to 84.5 % of dependent employed fathers.<sup>13</sup>

### **3.6 Abuses of the legal and fiscal status of the self-employed**

There is no systematic information concerning abuses of the legal or fiscal status of the self-employed. In the 1980s the construction sector saw several cases of *kontraktører* ('false' self employed workers), who work as self-employed although the situation is more like an employer-employee relationship. This abuse was partly grounded in avoiding tax (lower tax burden for the worker and the employer) and partly in bypassing working environment regulations such as the maximum working time regulations and regulations through collective agreements which do not apply to the self-employed. Changes in the legislation (tax-regulations) contributed to reduce this practice. Guidelines have been provided in order to clarify under which circumstances self-employment can be used and when an employment contract is called for (factors include whether the work is conducted under supervision, whether the employee uses his/her own tools or whether tools are provided by the contractor/employer, etc.).

After EU enlargement the question of 'false' self-employed workers is once again on the agenda, as a number of migrant workers are registering as self-employed. There is no information on whether these individuals work mainly for one employer (under supervisors) or whether they fulfil the criteria for being self-employed. An example is the court case between the trade union *Fellesforbundet* (on behalf of 19 Polish construction workers) and the *Nordic Trading Company AS*. Here, *Fellesforbundet* argued successfully that the 19 workers were dependent employees and not self-employed. Incidents of 'false' self-employment can be seen in other sectors as well, (for instance in the transport sector it was reported in, among others, delivery services) but the extent is believed to be rather moderate in the more traditional parts of the Norwegian labour market such as the manufacturing sector and public sector; where the union density is high (EIRO). An additional challenge is that the extension of collective agreements (which is seen as

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<sup>13</sup> Labour and welfare No 3 // 2009 (in Norwegian).



an important instrument in preventing so-called social dumping) will not apply to self-employed workers, only to dependent employees within a sector covered by the collective agreements, so self-employer workers will miss out on further rights

#### **4. Conclusions**

Compared to other European countries we find a low incidence of self-employment in Norway. In the first quarter of 2010, 7.6 % of the labour force was self-employed and the numbers have remained fairly stable during the crisis. Through their stimulus package the Norwegian government strengthened Innovation Norway, which is an organisation that supports and promotes entrepreneurs, newly-founded enterprises and SMEs that seek to grow. It is too early to evaluate the results, but it seems that Innovation Norway managed the increased funding from the Government in a satisfactory way, and that the increased funding made Innovation Norway capable to contribute to business creation and survival during a critical time (the main initiatives were however directed to smaller and larger companies, not self-employed workers). Since Norway so far has been affected only moderately by the crisis compared to many other European countries, the effects on self-employment are hard to outline. In the long run self-employment in Norway will continue to be a way of organising work/an enterprise in, for instance, the agricultural sector, among craftsmen in the construction sector, among certain professions, etc. In addition it is seen as a solution to encourage innovative business and new employment all over the country but especially in communities with few jobs/limited employment possibilities, including rural communities dominated by industries such as agriculture, forestry and fishing.

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