



## **European Employment Observatory**

### **EEO Review: Youth Employment Measures, 2010**

#### **Norway**

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## **1. Introduction**

The negative effects on the labour market due to the financial crisis have been less severe in Norway than in other European countries. The unemployment rate is now 3.3 %, compared to 2.4 % before the economic crisis. Although the unemployment rate is considerable higher for young people (15-24 year olds), it is important to note that the actual number is low. Most young people are still in education, especially the youngest between 15 to 19 years old. All young people in Norway have a legal right to attend upper secondary school. Since there are so few young people aged 15-19 and 20-24 years old in the workforce or registered as unemployed, we look at the two age groups together.

The unemployment rate for young people between 15 to 24 years old is now 9.1 %. It is worth noting that this rate is lower than it was at the beginning of this decade. In the period 2000-2005 it was between 10-12 % for young people between 15 to 24 years old. However, if we compare the unemployment rates for the fourth quarter of 2007 and 2009, the growth is 3.6 %. Unemployment among low skilled young people is 11 %, and among high skilled young people 6 %. According to the Norwegian Labour and Welfare Administration, unemployment growth among youth has been strongest among men. Men typically work in construction and manufacturing, two industries strongly affected by the crisis. Women typically work in the public sector and therefore did not experience the same increase in unemployment.

The unemployment rate in the age group 25 to 29 is considerably lower (3.2 %) and approximately the same as the Norwegian average, but has increased by 1.1 % from 2007 to 2009. The unemployment rate for low skilled people aged 25 to 29 is 5.8 %, compared to 2.7 % for the high skilled in this age group. However, the actual number of unemployed people aged 25 to 29 who are low-skilled is small. The data should therefore be treated with caution. Moreover, the level of employment in this age group is high – 83 %. For younger age groups the employment rate is considerably lower. For the age group 15-19 it is 38.2 %, and for the age group 20-24, it is 69.7 %. Among those aged 15-19 35.5 % are employed on temporary contracts, compared to 23.1 % among the age group 20-24. The proportion of young people employed on a temporary contracts decreases significantly for the age group 25-29 (around 14 %).

With regards to early school leavers, the drop-out rate is 18 % for the two last measured cohorts (SSB 2010). The drop-out rate is measured as the proportion of the cohort that does not complete upper secondary school within five years. In 2007 and 2009 18% of the cohorts that started their education in 2002 and 2004 dropped out (ibid). The drop-out rate has been fairly stable since 1994. Around 95 % of young people apply for admission to upper secondary school. After five years 80 % of those who started an academic programme have completed it, while 60 per cent of young people who attended a vocational programme have achieved a craft certificate, a City and Guilds certificate, certificated professional qualifications or a university admission certification.

## **2. Measures taken to promote youth employment**

Since the negative effects of the crisis on the Norwegian labour market have so far been quite modest, few measures specifically targeting young workers have been taken. The Government initiatives to prevent the negative effects of the financial crisis have been on a more aggregate

level, for example securing the financial system and raising public demand. However, there is a target to get more young people to attend higher education. The legal right to attend upper secondary school, free universities and financial support to students through the State Educational Loan Fund (Lånekassen) are measures to ensure and promote equal opportunities and access to education and social mobility (objective of the Lånekassen). There has been an increase of students in Norwegian universities and colleges: 7 % growth from 2008 to 2009 and a further 8 % in 2010.

Now, high youth cohorts imply increase demand for school places, apprenticeships and first-time jobs. Around two-thirds of every student cohort completes and passes upper secondary education, but the proportion of drop-outs is rather high. It is highest in vocational training. Furthermore, more boys than girls drop out, and pupils with Norwegian as their second language are more likely to drop out of education. The explanations for the high proportion of drop-outs are complex, but lack of motivation, absence from classes (falling behind) and problems with finding apprenticeships quickly are seen as some important explanations.

## **2.1 School education and training policies**

No new measures to prevent early school leaving and to guarantee that all young people acquire basic skills have been introduced since 2008. However, there has been an increased focus on existing measures. The Government has for several years focused upon the importance of upper secondary education.

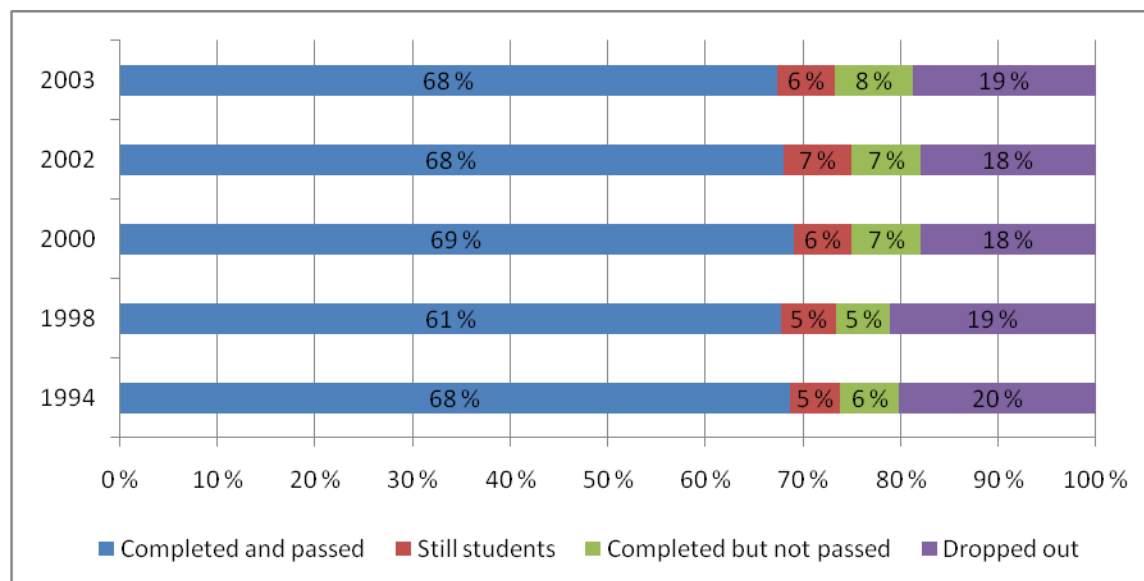
‘Reform 1994’ was implemented in 1994/1995. The reform gave young people who had completed secondary compulsory education a legal right to three years upper secondary education. This Youth Right must usually be used within five years of completing compulsory schooling, or six if the upper secondary education is given in an enterprise, and must be used before the young person is 24 years old (§ 3-1 of the Education Act).

As already mentioned students in vocational training drop out more often than those attending higher education programmes but after Reform 1994 the situation has improved for both groups. Among the student cohort starting vocational training in 1991 only 30 % completed the training in line with stipulated progression (Hernes 2010). Among the cohort starting between 1998 and 2002, the rate was around 40 %. Nevertheless, almost 30 % still dropped out. In the figure below, we see the aggregate competence achieved after five years among all students who started their upper secondary education (both vocational and higher education) from 1994 to 2003.<sup>1</sup>

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<sup>1</sup> Internet: <http://samarbeidforarbeid.regjeringen.no/2010/02/statistikk-frafall/> and National Statistics

**Figure 1: Competence achieved after five years among students who started upper secondary education (both vocational and higher education) from 1994 to 2003**



The numbers in Figure 1 indicate a rather stable picture, but as mentioned there are differences related to the type of education, gender and ethnicity. There are also some regional differences. The drop-out rate is higher in the Northern regions of Norway. Since 2001 the number of young people below the age of 30 receiving disability benefits has increased, and especially in the age group 20-24 years old (increased from 2 429 in 2001 to 4 066 by the end of 2008). Although there are several explanations, the high proportion of drop-outs is connected to this increase.

Those who drop out still have a legal right to a school place up to five years after ending secondary compulsory school. Those who do not apply for upper secondary education, drop-out, or do not accept their school place, and are not in work, have a right to get help from a follow-up service administrated by the county administration in close collaboration with the Norwegian Labour and Welfare Administration (cf. Education Act, §3-6 and regulation 13-1). The purpose of the follow-up service is to offer training, education, work or other forms of employment which results in increased competence.

### ***The vocational training system***

According to Hernes (2010) most young people in vocational training are offered an apprenticeship, although it may take some time and there are variations between different vocations. It should be mentioned that the statistics are insufficient. In 2009 the Confederation of Norwegian Enterprise (NHO) reported that the numbers of apprenticeships affected by the financial crisis and the downturn in the economy was marginal.<sup>2</sup> The education offices in each county are responsible for finding new apprenticeships for apprentices made redundant or

<sup>2</sup> Internet: <http://www.nho.no/kompetanse-og-utdanning/laerebedriftene-taaler-krisen-article21010-56.html>

temporarily laid-off. Work practice is in some cases offered until a new apprenticeship is arranged.

Students taking vocational training attend two years of schooling and two years apprenticeship in order to attain a certificate of completed apprenticeship (if they passed). There are, however, possibilities for informal learning. It is possible to get a certificate of completed apprenticeship if you work full time in a relevant job for five years (cf. Education Act, §3-5).

It should also be mentioned that a new school subject called 'working life' is currently being piloted in secondary compulsory schools. The aim is to encourage pupils with interests in vocational training to try out different forms of work before applying for upper secondary education. The pilot started in 2009. In 2010/2011 135 schools in 81 municipalities were invited to participate (Rambøll 2010).

### ***The education system and the qualification demands of the labour market***

The Norwegian labour market is characterised by close and extensive co-operation between the social partners and the Government. Policy changes that affect the labour market are closely discussed and negotiated, but of course there are some challenges. There is a shortage of engineers and technical skilled workers. The Ministry of Education and Research has for several years emphasised the need for mathematical and scientific expertise in the labour market. In 2009, the Government launched the third action plan to strengthen the focus on mathematical and scientific studies from 'kindergarten to working life' (Ministry of Education and Research 2008).<sup>3</sup> In 2009, NOK 400 million (EUR 48.8 million) was granted for further teacher training and scientific subjects were prioritised in secondary compulsory schools. Another measure to improve the recruitment of engineers is to offer technical skilled workers, who do not fulfil the standard requirements to apply for engineering studies, an opportunity to apply for an adapted engineering course.

### ***Young entrepreneurship***

There is an increasing focus on young entrepreneurship in Norway. Junior Achievement (JA) was founded in 1997 and collaborates with the educational authority, private businesses and other actors who aim to develop creativity among children and youth. JA is part of JA-YE Europe and offers programmes for primary and secondary school as well as for upper secondary school. All programmes are conducted in collaboration with local private businesses.

Innovation Norway launched in 2009 the programme 'Young Entrepreneur'. The programme was a response to the financial crisis and the downturn in the economy. 'Young Entrepreneur' is aimed at young people aged between 18 and 35 years old. Innovation Norway offers counselling, help with marketing, networks, expertise (through seminars, etc.) and funding. There is not, however, a separate funding stream for youth people, who have to apply for financial support through the same schemes as other applicants and their projects are evaluated by the same

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<sup>3</sup> According to the PISA 2006 survey, Norwegian pupils are below the OECD average in mathematics and have worse results than the other Nordic countries.

standards and requirements. In the wake of the crisis another measure was introduced. Unemployed workers may keep their unemployment benefits over a period of up to nine months if they wish to set up their own enterprise in order to get back into employment.

## **2.2 Labour market and employment-related policies and access to benefits**

As noted above, there have been few new measures and schemes introduced to meet the labour market challenges for young people caused by the financial crisis. Overall, Norwegian labour market policy is general and universal without so many initiatives aimed at specific target groups. The Norwegian Labour and Welfare Administration offer the unemployed assistance in job-search and motivation, and possible support for vocational training and retraining, and financial support for more education. Young people are, however, a prioritised group in terms of the ordinary labour market schemes, and also the various specific guarantees. The youth guarantee states that all registered unemployed in the age group 16-20 shall be offered labour market measures. The follow-up guarantee states that the situation of unemployed people in the age group 20-24 shall be followed up after three months continuous unemployment. Beyond these guarantees there are no implemented specific youth-targeted measures from the central government (TemaNord 2010).

There is clearly a risk that labour market schemes only postpone unemployment for the participants. It is however reasonable to assume that more education and work experience will strengthen the competence and skills of young people participating in labour market schemes and thus their employability.

### ***Unemployment benefits***

To obtain unemployment benefits, a person has to have been employed with an income in the last completed calendar year of more than NOK 113 462 (approximately EUR 14 000) or above NOK 226 923 (approximately EUR 28 000) over the three last years. The individual also has to live or stay in Norway, be registered as a jobseeker (as a general rule, students are not allowed to register) and submit an employment status card every 14 days. People with difficulties finding work after finishing studies do not qualify for unemployment benefits if their income was lower than the threshold described above. The requirement of an earlier income does not apply to young people who have served in the army for at least three of the last 12 months, who are entitled to unemployment benefits for 26 weeks while searching for a job. Graduates that have difficulties finding a job after their studies can get job search assistance from the Norwegian Labour and Welfare Administration. In addition the unemployed are entitled to an interest-free loan from the State Educational Loan Fund for the period that they are without a job.

To avoid benefit traps, there are restrictions on the length of time you a jobseeker can receive unemployment benefits. The actual length depends on the jobseeker's income in the calendar year (or the average over three calendar years) before submitting the claim for benefits. If the jobseeker's annual income was above NOK 151 282 (EUR 18 700) the jobseeker is entitled to unemployment benefits for 104 weeks and if the income was less for 52 weeks.

No kind of tax relief to encourage companies to recruit young people has been introduced. However, changes to the rules of temporary lay-offs during 2009 have probably benefitted young workers. To maintain employment after the financial crisis the Government introduced several changes at the request of the Norwegian Confederation of Trade Unions (LO) and the employer's organisation the Confederation of Norwegian Business and Industry (NHO). The state-financed unemployment compensation was extended from 30 to 52 weeks and the company obligation to pay unemployment compensation in the case of temporary lay-offs was also reduced. Before the changes the employer had to pay unemployment compensation to the temporary laid off worker for the first ten days (after ten days the government paid unemployment compensation). After the changes in 2009, the period of time the employer has to pay for unemployment compensation was reduced to five days. The changes in the rules of temporary lay-offs give enterprises the possibility of holding on to needed competences and skilled workers in a period of low activity in the economy. It is also easier for the employer to distribute lay-offs (whether temporary or permanent) among the employees and over a longer period of time. These changes are probably especially beneficial for young workers, as when downsizing it is usually the employees that joined the most recently that are laid off first. With the legislative changes described, many young workers probably have kept their job when their companies were experiencing difficult times.

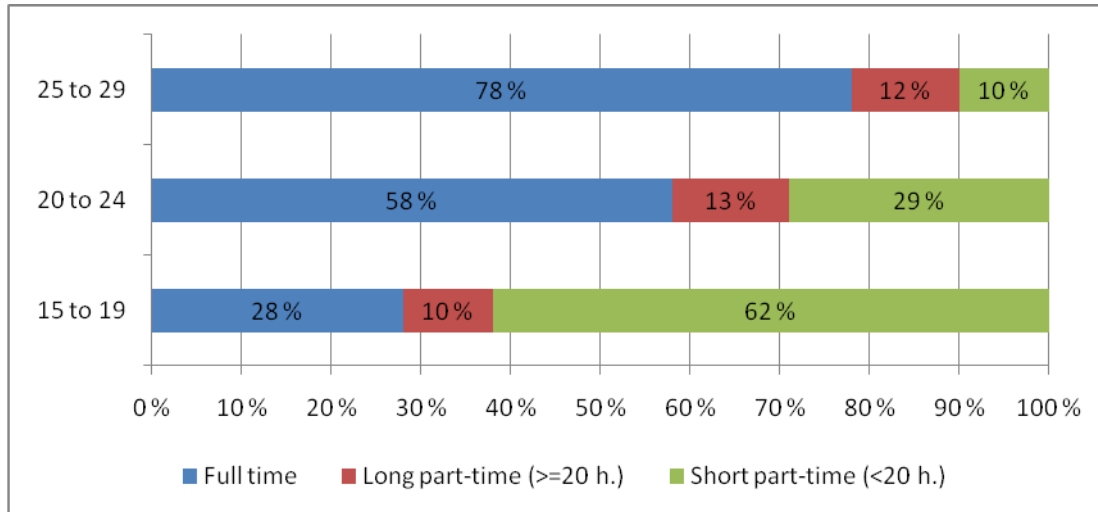
### ***Measures to promote mobility of young people***

In 2003 the Quality reform (Kvalitetsreformen) was implemented at all institutions of higher education in Norway. The reform is largely a result of and in line with the Bologna process. To promote mobility a new degree structure were introduced with Bachelor's and Master's degrees. Furthermore, there was a transition to a credits system according to the European Credit Transfer System (ECTS). In addition the Quality reform has improved the opportunities for student exchange.

### **2.3 Addressing problematic features of youth employment**

Young employees more often work on temporary contracts than other employees. According to the Labour Force Survey 2009, 35.5 % of young people aged 15-19 are on a temporary contract compared to 14 % of young people aged 25-29. Young people aged between 15-19 also tend to work part-time. In the figure below we see the degree of young people in full time, long part-time (20 hours or more) and short part time (below 20 hours) work for the three different age groups.

**Figure 3: Full time, long part-time and short part-time for age 15 to 19, 20 to 24 and 25 to 29. (Source: Labour Force Survey 2009)**



A majority of the youngest employees work less than 20 hours a week. The picture changes when we look at the age group 20-24 years old. Although part-time work is still common, in this age group the majority of employees work fulltime. In the last group, 78 % of 25-29 year olds work fulltime. This is in line with the average proportion in Norway. We also see that the number of people aged 25-29 who work short part-time has also decreased significantly compared to the younger age groups. A high proportion of young people in the two youngest age groups combine part-time work and education (LFS 2009).

### ***Measures undertaken***

As already mentioned, several guarantees are targeted towards young people aged 16-24, but no new measures directly targeted to this group have been introduced. However, low skilled jobs in the private services sector, where 43 % of young people aged 17-24 work, have received increased attention. The private services sector is characterised by low rates of organisation among employers and employees, the coverage of collective agreements is patchy, and trade unions and legally proscribed institutions that give employees a voice are often absent or declining (Longva 2001, Nergaard & Stokke 2007, Falkum et al. 2009). In parts of the private services sector we find enterprises that violate regulations in the Working Environment Act 2005. At the request of the LO (Confederation of Trade Unions) and the NHO (Confederation of Norwegian Business and Enterprise), tri-partite talks on how to promote good jobs in high risk industries in the sector are underway. The parties have agreed to introduce a tripartite industry programme to promote decent work in the cleaning industry. Prioritised issues are working conditions, co-determination and the working environment in the broadest sense. A certification system in the cleaning industry is one of the suggested measures. The Government has proposed to allocate NOK10 million (EUR 1.2 million) to this area of commitment (Prop. 1 S, 2010-1011:19).



## **2.4 Roles of the labour market actors**

As noted, the Norwegian labour market is characterised by a close and extensive co-operation between the social partners. Throughout the financial crisis there has been a close dialogue between the Government and the social partners on which actions and measures are necessary to prevent negative effects for Norwegian business and the labour market. One example of a policy change as a result of this dialogue is the change in the rule for temporary lay-offs as described above.

## **3. Conclusions**

The impact of the financial crisis has been less severe in Norway than in other European countries. Still, the unemployment rate among young people aged 15-24 has increased by 3.6 % from 2007 to 2009, and is now 9.1 %. The proportion is highest among the lower skilled. There have been few new measures targeting youth unemployment, but there has been an increased focus on measures introduced before the crisis. The Norwegian Labour and Welfare Administration offers job seekers assistance with job-search and motivation, and possible support for vocational training and retraining, and financial support for more education. Young people are also a prioritised group in terms of the ordinary labour market schemes, and through different guarantees. The youth guarantee states that all registered unemployed aged 16-20 shall be offered labour market measures. The follow-up guarantee states that the situation of jobseekers aged between 20-24, who are unemployed for three consecutive months, shall be followed up. Beyond these guarantees there are no implemented specific youth-targeted measures from the central government. However, a serious challenge is the high proportion of drop-outs from upper secondary education, a challenge that is not related to the financial crisis.

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## Annex

Youth employment and unemployment trends, figures from Labour Force Survey (LFS) 2009 and 2007. Figures for early school leavers from SSB 2010.<sup>4</sup>

YOUTH EMPLOYMENT / UNEMPLOYMENT TRENDS			
Country	NORWAY		
Data	Age group 15-19	Age group 20-24	Age group 25-29
	Age group 15 – 24		
Employment rate	38.2 %	69.7 %	83.0 %
Unemployment rate (total)	9.1 %		3.2 %
Unemployment for the low-skilled (ISCED<3)	11.0 %		(5.8 %)*
Unemployment for the high skilled (ISCED>3)	6.0 %		2.7 %
Difference in youth unemployment rate between Q4-2009 and Q4-2007	3.6 %		1.1 %
Long-term (more than 6 months) unemployment as a % of unemployment	13.2 %		–
Temporary work as a % of employment	35.5 %	23.1 %	14.0 %
NEET rate (% of the age group)	3.9 %	9.3 %	9.9 %
Early school leavers (% of the age group)	17%		–
Youth/adult unemployment ratio	2.76		0.97

<sup>4</sup> <http://www.ssb.no/vis/emner/04/02/30/vgogjen/main.html>