



ESPN Thematic Report on integrated support for the long-term unemployed

Norway

2015

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May – 2015



EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion
Directorate D — Europe 2020: Social Policies
Unit D.3 — Social Protection and Activation Systems

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EUROPEAN SOCIAL POLICY NETWORK (ESPN)

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Summary

Long-term unemployment has in recent years been a fairly marginal phenomenon in Norway. However, currently, in the spring of 2015, there are signs that both unemployment and long-term unemployment will rise as a result of declining demand for Norwegian industrial products, which is in turn caused by falling oil prices.

While the Norwegian social security system is comparatively extremely generous and accessible to claimants with certified health problems, the income protection offered to the unemployed is more modest. The criteria for qualifying for unemployment benefits are fairly strict, the replacement rates are modest (just above 60% of the previous wage, up to a ceiling) and the duration of benefits is limited to one or two years, depending on the level of income in the calendar year preceding the start of the unemployment spell. Those long-term unemployed who have used up their rights to social insurance benefits are left to apply for means-tested social assistance, and the same goes for those unemployed people who do not fulfil the criteria for receiving social insurance benefits in the first place. Social assistance is the responsibility of municipalities, and although benefit levels vary somewhat from one municipality to another, they can be fairly generous, in particular for long-term unemployed claimants with many children and high housing costs. However, the wide scope for discretion on the part of caseworkers and the comprehensive means-testing makes claiming fairly unattractive and a true option of last resort. There are indications of a low take-up of social assistance benefits among those long-term unemployed who do not qualify or who have used up their rights to unemployment insurance benefits.

Norway has a long tradition of putting a heavy emphasis on active labour market policies, and of offering training and qualification opportunities for the long-term unemployed. Currently the number of activation slots offered to ordinary jobseekers is modest, but so are the numbers of unemployed individuals. Those long-term unemployed who are also about to become long-term social assistance recipients have an opportunity to transfer to the so-called Qualification Programme, which offers a broad range of rehabilitation measures over a maximum period of two years. During this period, the recipient receives non-means-tested social security benefit. Evaluations of the programme confirm that it is successful in providing individualised support, although the transition rate to ordinary employment is fairly modest. Enrolment in this programme is not totally automatic for long-term social assistance recipients, and the number of places offered appears to have been declining slightly in recent years, as the municipalities have taken over full responsibility for financing the programme out of their general revenue and block grants.

The state employment service and the social security administration have been merged in Norway and form a unified one-stop shop with the municipal social assistance administration at the local level. Although the long-term unemployed are first the responsibility of the national insurance and employment agency, and later of the municipal social service, the two services are provided in close cooperation from the same local New Work and Welfare Administration (*Ny arbeids- og velferdsforvaltning*, NAV) office.

1 Benefits and services supporting the long-term unemployed

1.1 Long-term unemployment in Norway

Norway has been only very mildly affected by the current economic crisis. Consequently, unemployment in general and long-term unemployment in particular currently affect a relatively modest share of the workforce. Figure 1 shows the development in overall unemployment rates and long-term unemployment rates over the last seven years, as measured by the Norwegian Labour Force Survey (LFS).

Figure 1: Unemployment rate and long-term unemployment rate, according to LFS 2007–2014



Source: Statistics Norway, Labour Force Survey.

According to the LFS, in 2014 an estimated 11,000 individuals were classified as long-term unemployed, i.e. they were unemployed for more than one year. This corresponded to 0.4% of the total Norwegian workforce. The figures are slightly lower if unemployment is measured by considering the number of unemployed officially registered with the National Insurance authorities (the New Work and Welfare Administration or *Ny arbeids- og velferdsforvaltning* – NAV). Currently, in spring 2015, there are signs that both unemployment and long-term unemployment are on the rise as a result of a fall in oil prices and reduced activity in Norway's oil-related industries.

In addition to (or partly overlapping with) those who are classified as long-term unemployed by the LFS or the official NAV registers, an estimated 50,000 individuals are long-term recipients of social assistance benefits (social assistance benefits are the main income source over a calendar year). It is not clear how many of these social assistance claimants could be properly classified as (merely) unemployed, and how many are so far removed from the labour market that they cannot at present be considered to belong to the workforce. However, it seems likely that the latter group predominates.

1.2 Income protection

Income protection for the unemployed in Norway is provided primarily by a traditional social insurance scheme, which offers a proportional replacement of previous earnings up to a ceiling of NOK 530,220 (roughly equivalent to €63,200). The gross replacement rate is 62% of previous earnings. In order to qualify, one must have been employed in the previous calendar year, with earnings above a minimum threshold fixed at NOK 132,555 (approx. €15,800). Self-employed are not covered by the scheme. In order to qualify, one must be at least 50% unemployed – i.e. someone may be entitled to benefits if he/she has a part-time job (with less than 50% of normal hours) while seeking full-time employment. The maximum duration of benefits is 52 weeks if earnings in the previous year were below NOK 176,740 (approx. €21,000) or 104 weeks if earnings were above that threshold.

For the long-term unemployed who have used up their rights to unemployment benefits (and for those who did not qualify for benefits in the first place due to low earnings in the previous calendar year), income protection is provided by social assistance. Social assistance is administered and financed by the municipalities. The scheme is highly discretionary, with rigorous means-testing for other economic resources that might be available to the household. Municipalities are free to decide on the benefit levels offered to households of different sizes and composition, but since 2001 a set of national advisory guidelines has been issued by the Ministry of Labour and Social Affairs, and most municipalities tend to follow those. The guidelines specify the amounts payable to cover the living expenses of different household types, while housing expenditure (including heating and electricity) is covered separately. For a couple without children, the recommended monthly amount to cover living expenses is NOK 9,500 (€1,130), and for a couple with two small children it is NOK 13,900 (approx. €1,660). On top of this, housing costs are covered and the claimants might also receive additional benefits to cover extraordinary expenditure of various sorts. On the other hand, the recipients may in principle be required to realise any housing wealth or to sell off consumer durables, such as a car, before they can start to receive benefits.

Viewed in a comparative perspective, the Norwegian unemployment insurance is not particularly generous, and the present government decided in the budget for 2015 to remove a supplement for recipients who go on vacation; this change has reduced the compensation rate for long-term recipients by a couple of percentage points (see Prop. 1 S Arbeids- og sosialdepartementet (2014–2015)).

For wage earners who fall into long-term unemployment – and in particular for those who have used up their right to unemployment insurance benefits – the consequences for the financial well-being of the household could be very serious. Social assistance benefits might be effective in protecting against severe financial hardship. Nevertheless, the discretionary nature of the system and the intrusive and rigorous system of means-testing implies that seeking social assistance is perceived by potential recipients as a very unattractive and even catastrophic prospect (Hatland and Pedersen 2006). Both the lower benefit levels and the stigma and the discomfort of benefit claiming give a strong impetus for potential claimants to redefine their problem as a medical one, which would allow them to be transferred to *Arbeidsavklaringspenger* or the disability benefit system (Hatland and Øverbye 2011).

A recent study found that about a quarter of the registered unemployed have not received any income support (Furuberg 2014). Many do not receive any benefits – particularly young people who have recently registered as unemployed and unemployed people with spells of unemployment longer than two years. This provides a clear indication of a low take-up of social assistance benefits.

1.3 Active labour market policy and services to the unemployed

Norway has a long tradition of offering qualification and training opportunities to the long-term unemployed, as well as of helping with job-seeking. Of the 88,000 individuals who were registered as unemployed in 2014, 12,700 participated in some form of active labour market policy (ALMP) activity. In periods when unemployment levels were higher than they are today, it was general practice among governments of whatever colour to raise the number of activity slots to meet the increased demand. As well as these ALMP participants among the registered unemployed, a significant number of long-term social assistance claimants participate in some form of activation programme. A substantial minority participate in the so-called Qualification Programme, which offers a broad range of rehabilitation, qualification and job-training activities over a maximum period of two years. The target group for this programme is the pool of long-term social assistance recipients who have a relatively long way to go to become employable in the ordinary labour market. Also many ordinary social assistance recipients participate in various forms of activation measures, and one of the conditions that can be applied to the recipients is that they register as unemployed and actively seek employment.

On the initiative of the present government, the law regulating social assistance has just been changed so as to make activation of all social assistance recipients from day one the default option. It remains to be seen, however, how this new legislation will be implemented by the municipalities, and whether it will lead to a dramatic change in actual policy.

Recipients of unemployment insurance benefits are formally required to be available to take any suitable work, even if that involves moving to another part of the country. In practice, this obligation is not always rigorously enforced, and consideration of family circumstances will often prevent the employment service from requiring the recipient to move in order to fill a vacancy. For social assistance recipients, the issue of being required to move to take an available job opportunity does not arise to the same extent, since it is not expected that municipalities should attempt to export their social problems to other municipalities.

Unemployed single parents can apply for extra financial support to cover childcare expenses, so that they can put greater effort into seeking employment (*Stønad til barnetilsyn*). The maximum annual amount is NOK 45,345 (approx. €5,000) and the benefit can be obtained for children up to the age of 10 (fourth grade).

One source of concern with respect to social services is that the needs of the children of the long-term unemployed are not automatically put on the agenda and addressed by the NAV caseworkers.

2 Coordination between services towards a one-stop shop approach

Between 2006 and 2010, a comprehensive reform of the Norwegian social and employment administration was carried out. The national bureaucracies responsible for employment services and for social security administration were merged into one Employment and Welfare administration. This new national agency was merged at the local level with the municipal social service to form a one-stop shop for all social security claimants and people with problems in the labour market – whether disabled or unemployed, ordinary jobseekers. While financial responsibility is still split between the state agency (responsible for unemployment benefits and employment services) and the municipality (responsible for social assistance benefits and activation measures for social assistance claimants), the clients deal with a unified NAV office in each municipality and a unified frontline service. The terms of the collaboration between the state agency and the municipal social service in the local NAV office are regulated by an agreement between the two parties. Although the individual staff members are employed by either the municipality or the state agency, they are treated, as far as possible, as working for a joint NAV office, and the office is headed by a manager with either municipal or state affiliation.

As already described, a long-term unemployed person will either receive social assistance benefits from the outset (if that person does not qualify for social insurance benefits) or will be transferred to social assistance benefits after receiving unemployment benefits for the maximum period of either 52 or 104 weeks.

The idea behind the NAV reform is to achieve more or less frictionless coordination between the distribution of unemployment benefits, the provision of help for job-seeking, activation measures and the later provision of social assistance benefits.

Placing all these tasks under a common administrative umbrella at the local level represents a radical solution to the coordination problem. One of the advantages of this approach is that it facilitates the flow of information between the state agencies (which were split into two separate bureaucracies before the reform) and the municipal social service. Restrictions imposed by a fairly strict set of confidentiality rules in Norway can be avoided, since they do not apply to the flow of information within the same agency (in this case the NAV office).

Nevertheless, it cannot be taken for granted that all coordination problems are solved just because the delivery of services to both ordinary and disabled jobseekers, and to

both the short-term and the long-term unemployed, has come together under the same roof at the local level. Responsibility for financing social assistance benefits and activation measures for social assistance recipients still rests with the municipality, while the state finances unemployment benefits and activation measures for those individual who receive insurance benefits. This means that there are potential conflicts of interest and a risk of cost-shifting behaviour between those parts of the NAV administration that are employed by the municipality and those that are employed by the state agency.

A one-stop shop approach clearly promises to improve the service provided to the long-term unemployed, but it could also have drawbacks from the claimants' perspective. With only one local NAV office responsible for dealing with all aspects of the case, an individual claimant cannot go elsewhere and seek a second opinion, should he or she disagree with the decision taken in the local NAV office.

The Norwegian NAV system currently has a strong focus on (medically) impaired jobseekers, and aims to help people who face serious obstacles (social or medical) to become employable in the ordinary labour market. This is the result of political priorities and signals that have been rather efficiently diffused in the joint and unified NAV administration.

It remains to be seen, however, how the NAV system will handle a surge in unemployment rates, when large numbers of ordinary jobseekers need more traditional employment services, such as assistance in job-seeking.

The whole Norwegian social security system has a strong bias towards medical problems as the source of employment problems and income security needs. Research among street-level officials has shown that they tend to classify clients as being medically impaired because this makes it easier to get them enrolled in employment-oriented activation measures (Furuberg and Myklebø 2013). As long as ordinary unemployment rates are low, this seems quite appropriate; but it might become more problematic if unemployment rates should rise significantly above the current level. The task of helping ordinary jobseekers to find and get in contact with relevant employers has not been highly prioritised in recent years. The NAV system arguably lacks both knowledge about ordinary workplaces and contact with employers – both of which could be used to help ordinary jobseekers return swiftly to the labour market (Ekspertgruppen 2015).

3 Individualised approaches

In dealing with the unemployed, NAV routinely classifies new claimants into two groups: those who only need "standard treatment" and those who need "situationally adjusted treatment". The default option for short-term spells of unemployment is the standard treatment, and here the involvement of NAV is fairly limited. After three months of unemployment, the jobseeker should be transferred to the category "situationally adjusted treatment", which requires a more intensive effort by NAV to help the claimant return to work. The methodology of collaborating with clients to create "individual plans" that specify expectations, rights and duties – something that is obligatory for medically impaired jobseekers under the *Arbeidsavklaringspenger* programme – is not systematically used with ordinary jobseekers. After the right to unemployment insurance benefits has expired after one or two years, the long-term unemployed are left to apply for social assistance benefits. The same applies to long-term unemployed who did not qualify for social insurance benefits in the first place.

From then on, the long-term unemployed are the responsibility of the municipal social assistance administration, which is still part of the local NAV administration, as previously described. The intensity and quality of rehabilitation efforts directed towards these long-term unemployed is likely to vary. If the claimant is considered to have become a long-term social assistance claimant, he or she is likely to qualify for inclusion in the Qualification Programme, with the right to receive Qualification Benefits for a period of up to two years (with the possibility of further extensions in special cases). Participants in this programme have individual plans drawn up, and

they are offered a range of active measures to help them return to the labour market. The programme is explicitly targeted at individuals who are far removed from the labour market and whose reintegration into the labour market might require several steps. Evaluations of the programme confirm that it is successful in providing individualised support to the participants (Schafft and Spjelkavik 2011).

The Qualification Benefit received by the participants is a non-means-tested social insurance benefit fixed at about the same level as the minimum old age and disability benefits; in this sense it is very different from means-tested social assistance. However, for participants with children, responsible for other non-active members of the household and facing high housing costs, the benefit is not high enough. Therefore, a top-up from social assistance is necessary, and a significant proportion of Qualification Benefit recipients, particularly in metropolitan areas where housing costs are high, simultaneously receive supplementary social assistance benefits.

The right to participate in this programme is not automatically triggered after a certain period of long-term unemployment, and it is conditional on the availability of suitable activation options and budgetary allocations from the municipality. In the first years of the Qualification Programme, funding to cover the expenses of the municipality was directly and automatically provided by the state. However, in recent years state funding for this programme has been included in general block grants to the municipalities. The municipalities thus need to give priority to the programme, in order to ensure that the necessary funding is available. As a result of this transfer of budgetary responsibility, it appears that the number of places offered on the Qualification Programme has been declining.

The rate of return to ordinary work among participants in the Qualification Programme is rather modest. A recent study showed that about a quarter of the recipients were registered as employees six months after they finished the programme. However, quite a few of these were still in receipt of some kind of social security transfer, and the share in employment declined further over the next two years after the programme participation (Lima and Naper 2013). When assessing these figures, one should bear in mind that a criterion for enrolment is that participants should face serious barriers to the labour market; hence participants are likely to have more complex needs than the typical long-term unemployed individual.

4 Overview table

		Please put an X in the column that best represents the situation in your country			Please summarise in a few words and in order of priority the 3 key gaps that need to be addressed to improve effectiveness (if only one gap just complete one column)		
		Very good	Medium	Weak	Gap 1	Gap 2	Gap 3
Effectiveness of benefits & services supporting the long-term unemployed	Income benefits		X		The discretionary nature of social assistance benefits and the rigorous means-testing makes it highly unattractive as a fall-back option for the long-term unemployed	No unemployment insurance is offered to young people with no prior labour market experience	
	Social services	X			The needs of children of long-term unemployed are not automatically taken into consideration		
	Activation services	X			The Qualification Programme should preferably be made available by default to long-term social assistance recipients		

Effectiveness of coordination between employment, social assistance and social services	X			While the coordination between these services has been optimised, coordination and contact with employers and the ordinary labour market appears to be suffering	Conflicts of interest and the risk of cost-shifting are built into the state-municipality partnership model	
Extent of individualised support		X		The methodology of setting individual plans could be more systematically applied to the long-term unemployed		

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