



Mutual Learning Programme

DG Employment, Social Affairs and Inclusion

Peer Country Comments Paper- Norway

Activation policies in Norway –a question of unemployment or health?

**Peer Review on 'Strategies for Employment Policy
reform. Implementation challenges in decentralised
countries'**

Madrid (Spain), 5-6 October 2015



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1 Labour market situation in the peer country

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.

Over the past decade, labour market conditions in Norway have been better than in most EU countries with low levels of unemployment and a high demand for labour. This has been met by a rapid rise in EU work-migration in particular from Poland and Sweden. For example, prior to the 2004 EU-enlargement there were approximately 6300 residences from East-European countries in Norway. This increased over a ten year period to more than 137 000 in 2013.¹ This influx of EU work migrants represents a challenge to the work inclusion of low-skilled or disabled Norwegians, who often represent a less attractive work-force compared to many EU-migrants.

Over the course of the last year Norway has experienced a small, yet significant, rise in unemployment, linked to a recession in the oil and gas sector. This has increased unemployment rates from 3.1 percent in June 2014 to 3.2 percent in June 2015.² The western region of Norway has been more affected by this recent recession, as has young adults where the share of unemployed is 4.1 percent in the 20-24 age group.³ It is too early to conclude whether this is the beginning of a period with more widespread unemployment, or whether this is a short-lived and isolated episode of job losses in one sector.

The Spanish and Norwegian labour markets are faced with very different challenges. Spain has for a number of years been struggling with economic recession, job-loss and a high degree of structural unemployment. In Norway unemployment levels have been low and discussions about employment activation have largely been about labour market marginalisation of vulnerable groups in general, such as disabled, people with mental health problems, recipients of health related benefits, non-western immigrants and young adults with little education. In Norway people outside the labour market are much more likely to be receiving a health-related benefit than unemployment benefits. This leaves the distinction between unemployment and health somewhat blurred in the Norwegian context.

The perhaps biggest challenge to employment activation in Norway is the high share of the working-age population that receives a temporary or permanent health related benefit; amounting to approximately 15 percent of the working age population⁴ (this number excludes sick-leave). It is now widely recognised that long-term sick leave is the initial step to disability benefit and early retirement. Employment activation has therefore largely been about developing strategies for creating a more inclusive working life, and make way for a better integration of vulnerable groups into the labour market.

In 2012 Spain and Norway spent approximately 0.5 % and 0.4 % of GDP respectively on ALMPs. Other Scandinavian countries such as Denmark and Sweden spent about 1 % of GDP on ALMPs. Spain spends a lot more on passive labour market measures than most EU countries; 3.1 % of GDP compared with 0.4 % of GDP in Norway. This difference is caused by large unemployment benefit pay-outs in Spain. It is however

¹ <http://www.arbeidslivet.no/Arbeid1/Arbeidsinnvandring/forskning-om-sosial-dumping/>

²

<https://www.nav.no/no/NAV+og+samfunn/Kontakt+NAV/Presse/Pressemeldinger/Nedgang+i+oljebransjen+gir+%C3%B8kt+ledighet.422101.cms>

³

<https://www.nav.no/no/NAV+og+samfunn/Kontakt+NAV/Presse/Pressemeldinger/Nedgang+i+oljebransjen+gir+%C3%B8kt+ledighet.422101.cms>

⁴ Grødem, A., Nielsen, R., and Strand, A.H. (2014) Unge mottakere av helserelaterte ytelser. Fordelingen mellom offentlig og familiebasert forsørgelse av unge NEET. Fafo-rapport 37, p.37-39.

questionable whether comparing unemployment benefit pay-outs between Norway and Spain make for an interesting comparison. Norway has high levels of health-related benefit use, partially masking an underutilisation of the potential work force in Norway.

2 Assessment of the policy measure

As in Spain, Norway also has relatively recent (in 2008) undergone a large reform, restructuring PES. There has been a lot of post-reform work in Norway, and many of the measures that are now being implemented in Spain have already been introduced in Norway, for example common services and programmes for delivering ALMPs, an indicator system for monitoring results, a best-practice sharing programme and a single job portal. Norway has not tested a system with outcome based allocation of funds to ALMPs, as is now being used in Spain. Despite there being some similarities, it is important to point out that the labour market and policy contexts differ greatly between Norway and Spain. Comparing Norwegian and Spanish ALMPs these differences has to be taken into account, and it is difficult to directly point out the potential success of transferring measures from one policy context to the other. Nevertheless, it is still interesting to try and point out some of the issues that have been discussed in Norwegian ALMPs and relate them to recent Spanish experiences, as will be outlined below.

Recent developments in employment activation policies in Norway

The Norwegian Government has put forward several reforms to reach the goals of a more inclusive working life and a reduction in benefit use. One major initiative is the 2008 reform establishing **NAV (the Norwegian Labour and Welfare Administration)**, which merged the Public Employment Service (PES) and the National Insurance Administration with the municipal front-line social services. Each municipality now has its own NAV-office, which offers employment assistance, benefits, and social services to the population, comprising both the central and local administration levels, within the same office.

Another initiative is **the tripartite Agreement on a More Inclusive Working Life (IWL-agreement)** between the Government and the social partners. First signed in 2001 three goals were set: to reduce sick leave and payment of disability benefits, decrease early retirement levels, and increase labour market participation among people with disabilities as well as other vulnerable groups. Evaluations of the IWL-agreement have concluded that goal attainment in general has been weak. Disabled and other vulnerable groups thus remain the key target groups for ALMPs.

A third initiative has been to **improve collaboration between NAV and other actors**. For example there has been an on-going work to improve cooperation between education authorities and NAV, to prevent school drop-out and prevent potential future benefit use among young adults. The NAV – school collaboration contains a number of measures, for example a recent pilot project where NAV supervisors are inserted in upper secondary schools to work close with pupils who are in the risk group for school drop out. The feedback from this pilot is so far positive and the pilot is currently being extended to include more schools. Currently NAV is working to also enhance collaboration with other service providers such as the health-sector and child welfare services; in addition there is an ongoing work to improve the market work in NAV and to improve collaboration with local employers.

Similarities and differences in Norwegian and Spanish ALMPs

Spain is currently restructuring its employment activation services. Norway has also, relatively recently undergone a large reorganisation of PES. However, the organisational model for the reorganisation differs between the two countries. In Norway PES were merged with the National Insurance Office and local (municipal) social services to create NAV. In the Spanish employment reform, emphasis seems to have been placed on keeping regional autonomy in the delivery of ALMPs. This has not so much been the case in Norway. Although Norway merged PES with municipal social services, NAV is still to a great extent controlled centrally, and it may be questioned what extent NAV really is a “decentralised” system for employment activation.

In Spain the new strategy for employment activation a set of common objectives for activation in all regions, however allowed for different actions and measures to implement them. In NAV a very strong emphasis has been put on **equality in service delivery**, in the meaning that all service delivery, including employment activation, should be provided at the same standard, using the same measures, across the nation. To achieve this goal, local NAV-offices are monitored through a centralised performance target system. The Norwegian NAV model therefore may be said to be performing well in terms of delivering the same employment activation services across regions, but has an organisational structure that leaves relatively little flexibility at the local level to adapt services to local needs. The target performance indicator system has also been criticised for being far more attuned to measuring performance in terms of frequency and type of contact with users, than the actual quality of ALMPs delivered. Another criticism of NAV is that it has been over-emphasising income security, putting too much effort into administering benefit pay-outs, at the expense of time spent on employment activation.

The target performance system in NAV is built on a reporting system where goal attainment is reported on a monthly basis from all NAV offices to the central Directorate that governs NAV. The **monthly report system** provides transparency in performance and is a steering tool for central authorities to have an uninterrupted supervision of the performance of all local NAV offices. This also makes it possible to make in-year adjustments, if for instance annual funds for ALMPs have not been sufficient to meet local demands. However, it is challenging to strike the right balance between local autonomy and central governance. Central authority levels are not always able to foresee local needs. Recently an expert evaluation criticised NAV for providing too little autonomy to the local governance levels.⁵

In Spain an outcome-based allocation of fund system was introduced for ALMPs. In Norway the **performance indicators are not linked to the funding of ALMPs**. In Norway, funding for ALMPs comes from two sources. Most of the funds are provided by central Government, whereas parts of the funds come from local municipalities. There is no current debate about introducing outcome based allocation of funds in NAV.

Although NAV as such is not relying on outcome-based allocation of funds for ALMPs, there has been a small scale pilot that has tested this system when purchasing activation measures by private vocational rehabilitation enterprises, where up to 80 percent of funding has been related to a job entry for participants. An early evaluation of this pilot has demonstrated problems in terms of defining the criteria for what counts as a job entry. Consequently it has been difficult to distinguish when a successful outcome has been reached that leads to the performance payment. For example, it is more difficult to find permanent positions than temporary work and in some instances temporary contracts (that could have led to permanent work for the job-seeker) have been avoided in fear that this will not release the outcome-based fund allocation. Another problem has been whether the private companies will practice "creaming", that is to take on only those job-seekers who have the best prospects of succeeding a job-search. The pilot with performance pay for vocational rehabilitation enterprises has not been in operation long enough to make firm conclusions regarding its effect but it points out some dilemmas that might arise as a consequence of introducing outcome based fund allocation.⁶

As mentioned, a major discussion in Norway has been how to curb a further increase in the use of disability pension and other temporary health-related benefit in Norway. For instance a benefit reform in 2010 merged three prior health related benefits into one temporary health-related benefit (Work Assessment Allowance - AAP) and introduced new routines to improve the follow up of people receiving health-related benefits.

⁵ https://www.regjeringen.no/globalassets/departementene/asd/dokumenter/2015/sluttrapport-ekspertgruppen-nav_9.4.15.pdf

⁶ <http://www.proba.no/wp-content/uploads/sites/32/2014/12/Rapport-2014-12-Forsok-med-resultatbasert-finansiering-av-formidlingsbistand1.pdf>

Another initiative has been to introduce new and improved routines for the follow-up of employees on sick leave. There has not been a marked decrease in either levels of sick leave or take up of AAP, thus people who fall outside the labour market due to health impairments remain the number one issue to be tackled by ALMPs in Norway.

One of the Spanish reform initiatives has been to establish a **single job portal**. The purpose of the job-portal is twofold – to enhance market transparency and to facilitate more efficient job search for the unemployed. In a similar vein, NAV holds a national database of job vacancies. The database is online and free of charge. A law states that all employers are obliged to advertise vacant jobs on the NAV portal, however this remains a sleeping paragraph and employers frequently avoid advertising vacant jobs at NAV. Over the last few years a numbers of different commercial electronic databases with job vacancies have been established. In addition a number of jobs are advertised via employers own web-sites. This means that job advertisement in general is becoming increasingly scattered. Estimates have demonstrated that the NAV database currently covers approximately 30 percent of job advertisements.⁷ This means that there is a large “shadow” job-market which are either not publicly advertised or is not registered in the NAV database. The NAV database only partially contributes to enhance market transparency in job advertisements, and is only to a limited extent functioning as an efficient tool for NAV when assisting job-seekers. As mentioned above, NAV sees it as an important addition to the database to also enhance their market work and to improve collaboration with local employers, in order to try and assist people to shift from benefits into work. An important part of this market work is also to assist the employers when they hire people who have been outside the labour market for some time or in other ways require some assistance at the workplace.

A turn in Norwegian activation policies – employers play a bigger role

Spain, prior to the employment reform, was emphasising ALMP measures directed at employers, such as start-up initiatives and bonuses to employers for promoting workers to permanent contracts. In Norway ALMPs has to a great extent been focussing on individual skills enhancement, either through on-the-job training programs, participation in mainstream education or in training courses. A special training programme has also been developed to integrate immigrants. Recently Government has signalled a shift in ALMPs and that more resources in the future are to be directed at employers, and not at job-seekers. For instance NAV is currently being asked to start to make more use of wage-subsidies to employers that hire unemployed or people with health impairments. In July 2015 Government also issued a change in the Working Environment Act, providing employers with an opportunity to more easily hire workers on temporary contracts. These changes are part of a Government reform agenda to allow more ALMP measures to be included into ordinary working life. The idea is to strengthen the incentives of employers to hire individuals who otherwise would struggle to enter ordinary working life by reducing employers’ economic risks in hiring processes. Government has also recently introduced a law that places a work-duty at social assistance recipients, in an attempt to reduce the numbers of passive benefit recipients.

Both the work-duty in social assistance and the extended option to make use of temporary employment contracts are very recent changes and it is too soon to conclude whether these measures will have a positive impact on the labour market inclusion of vulnerable groups in Norway. Nevertheless, these policy changes may be said to represent **a turn in activation policies** from a model built on skills upgrading of individuals to a model where employers and the labour market plays a greater role in employment activation.

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https://www.regjeringen.no/globalassets/departementene/asd/dokumenter/2015/sluttrapport-ekspertgruppen-nav_9.4.15.pdf

3 Assessment of the success factors and transferability

As pointed out above, the Norwegian and Spanish contexts for providing ALMPs differ greatly and it is difficult to make strong suggestions with regards to the transferability of success factors from one country to the other. In Spain the development of a new Strategy for Employment Activation (SEA) has only recently been approved and implemented and it is too early to conclude regarding successes and potential failures of the Spanish reform. It does however seem right to emphasise one potential success factor in the Spanish framework. It is a necessary prerequisite for gaining success in public reform work to implement ways of undertaking systematic reviews of new policy instruments. The **best-practice programme** which forms part of the SEA therefore stands out as particularly important for the future success of the Spanish ALMP reform work.

Public employment services will always have to battle with shifting labour markets, and to build robust services for the future it is necessary to become "learning organisations". It therefore stands out as vital that the best-practice programme is continued, and possibly also further enhanced. Currently the best practice programme is based on transferring good working practices between different regions, based on the experiences of employment services employees. A possible further development of this programme would be to engage in more systematic research and development work to evaluate the Spanish ALMP reform. Building stronger relations between employment services, decision makers and researchers are fundamental for building strong employment services in the future.

4 Questions

- In light of the Norwegian case it would be interesting to get a clearer understanding of how the Spanish system makes a division between people who are unemployed and people who do not work due to health impairments?
- Are ALMPs in Spain primarily directed at including unemployed or are there initiatives to integrate for instance people with disabilities into the labour market?

5 Annex 1: Summary table

Labour market situation in the Peer Country

- Norway has a well-functioning labour market with low levels of unemployment
- Recently Norway has experienced a small increase in structural unemployment, due to a recession period in the oil and gas sector
- Unemployment rates are currently at 3.2 percent of the working-population (June 2015)
- The biggest challenge to ALMPs in Norway is to create a more inclusive working life and to integrate groups such as people with mental or physical health impairments, young adults with low education and non-wester immigrants into the labour market

Assessment of the policy measure

- The Norwegian and Spanish labour market contexts differ significantly and assessing benefits in policy transfers between the two countries must take into account these differences
- In Norway the Public Employment Service (PES) merged with the National Insurance Administration and municipal social services to generate the Norwegian Labour and Welfare Administration (NAV) in 2008
- Government has signalled a shift in ALMPs from focussing on skill enhancement of individuals towards a greater emphasis on the needs of employers and companies

Assessment of success factors and transferability

- When introducing new policy reforms it is vital to evaluate new measures introduced to determine success factors
- The best-practice program set up as part of the Spanish reform work is therefore important and should be further developed
- To provide good public services in the future it is important to build "learning organisations", a partnership between employment services and evaluation research is important

Questions

- How does Spain distinguish between people who are unemployed because of lack of work and people who are unemployed because of their health impairments?
- To what extent are ALMPs in Spain directed at these two groups?

