



ESPN Thematic Report on minimum income schemes

Norway

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European Social Policy Network (ESPN)

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Summary

The core minimum income scheme in Norway is social assistance. The scheme is defined by national legislation but administered and financed by the municipalities. The municipal social services administer the scheme within the framework of local Work and Welfare offices that are jointly run with local branches of the national employment and welfare services.

The national legislation offers only very vague directions as to the level of benefits and eligibility criteria, leaving a large room of manoeuvre for municipal policy guidelines and discretion at the hands of individual case workers. Decisions made by the municipal social service can be appealed to the county level, but municipal policy decisions and a reasonable use of discretion cannot be overturned. Since 2001 national advisory guidelines have been in existence defining a set of social assistance rates to cover living expenses for different household types. The municipalities are not formally bound by these guidelines but a majority have chosen to follow the suggested rates.

The social assistance benefits consist of three tiers: a) support for ordinary living expenses to be covered within the standard rates, b) support for housing expenditures that are in general covered in full, c) additional support to cover extraordinary or special expenditures. The last item in particular is subject to discretion.

Social assistance benefits are subject to a broad type of means-testing. In order to receive benefits the recipient is required to have exhausted all alternative economic resources at his or her disposal, including the resources of other family members in the household. The recipients could be required to realise any financial assets and they might be asked to sell a car or sell their house and move to a more reasonable dwelling. The reduction used in the means-test will in principle be 100 per cent, so that any alternative income stream or asset will be deducted in full from the benefit received.

Social assistance recipients can be required to participate in various forms of training, rehabilitation and workfare. In the existing legislation this is stated as an option for the municipal social services to decide, but in a revision of the law that will come into force shortly, this has been rephrased as being the main rule, so that recipients should be activated unless special conditions apply. Able-bodied social assistance recipients will normally be asked to register as unemployed, and be available for potential job offers, and they might be sanctioned by being transferred to a lower benefit if they are found to break the stated conditions. There are no time limits to being in receipt of benefits.

The number of social assistance benefit recipients has remained fairly stable over the last decade at about 3% of the population. Young, single adults and immigrants are strongly over-represented. Benefit levels differ between municipalities and according to the discretionary decisions taken by individual case workers. In most cases benefit levels are well below a 60% poverty threshold, unless the household is living in an urban area with high housing costs. The practice of indexing the national advisory rates with the development in prices has meant that the rates have fallen seriously behind the rapid real wage growth over the last 15 years.

The effectiveness of the social assistance scheme to alleviate financial poverty is limited – partly due to the low take-up among households at risk and partly due to the inadequacy of benefits.

Long term social assistance recipients can apply to be transferred to the Qualification Programme and receive the corresponding Qualification benefit. This is a taxable non-means-tested social insurance benefit that can be received over a period of two years while the recipient participates in various types of activation. It should finally be mentioned that individuals with a certified medical problem will be eligible for alternative minimum income schemes and the same applies for single parents at least for a shorter period.

Part I - Description of main features of Minimum Income Scheme

1 Governance arrangements

1.1 Levels of governance

The relevant minimum income scheme in Norway is the social assistance scheme. This is organised, administered and financed at the municipal level within a loose framework set by national legislation. Historically, the social assistance scheme has evolved from the poverty laws, which was always the responsibility of local communities. The development of the Norwegian welfare state can be described as gradually “lifting” groups of recipients out of the old poverty help system and into more rights-based, non-means-tested national social security schemes. This is what happened to the elderly, the sick and disabled, widows and orphans, the unemployed and single mothers (Lødemel, 1997). The development of national social security benefits was consolidated with the 1966 National Insurance Act. Most of these categorical social security schemes are contribution based and earnings-related but most operate with fairly generous minimum benefits for people with little or no previous earnings – which can be seen as a kind of minimum income scheme for those who meet the eligibility criteria. Social assistance, then, is the minimum income scheme for people who do not fit into, or qualify for, any of the national insurance benefits, while also being unable to provide for themselves through paid employment.

Norway has three levels of government – national, regional and municipal. The regional level has lost a number of functions over time, and currently has no role in the social policy area. The division of labour between the state and the municipalities is, roughly speaking, that the state is responsible for almost all cash benefits and the municipalities are responsible for almost all services. The social assistance is therefore an anomaly, as it is the only cash benefit that the municipalities fund and administer. There are currently 428 municipalities in Norway, varying in size from 206 to 648,000 inhabitants (1 January 2015). The median for all municipalities is about 5,000 inhabitants. There is a certain tension between the principle of autonomy for municipalities, and the demand for equal services to all citizens. Unsurprisingly, the organisation of services, and also service quality, will vary from one municipality to the next. This is also true for social assistance.

The right of Norwegian residents to receive social assistance in case of need is at present stated in § 18 in the Act on Social Services in NAV from 2009. It is in principle up to the municipalities to decide on the level of benefits offered, the use of conditionality etc., but the law explicitly says that the ministry can issue advisory guidelines concerning the practical implementation of the right to social assistance. Decisions made by the municipal social services can be appealed to the state authority and the county level (Fylkesmannen) but only if the broadly defined intentions of the law or general legal principles are broken.

1.2 Delivery arrangements

It was hoped that the establishment of NAV – the Norwegian Labour and Welfare Administration – would imply major changes for recipients of social assistance as well as for recipients of other major benefits. The NAV-reform brought three previously separate units – the National Insurance Administration, the National Labour Market Services, and (municipal) social assistance offices – under one umbrella. The ideal was the one-stop-shop, where users would have “one door” to social services and then be channelled to the relevant benefits and services by a unified and competent administration. The NAV-reform started in 2006, when the first NAV-offices opened, and was completed in 2011, when all municipalities had at least one NAV-office.

NAV is an odd construction in the sense that it combines a state and a municipal line of governance. This implies that every NAV office simultaneously reports to the (state) Labour and Welfare Directorate and to the local municipal authorities. To complicate matters further, the Labour and Welfare Directorate has the authority of supervision for the municipal part of NAV. The state – municipality partnership within NAV raises some issues related both to power, the balancing of resources and communication, as pointed out in recent publications from the evaluation of the NAV reform (Andreassen & Aars, 2015; Andreassen & Fossetøl, 2011). However, the administration of the social assistance scheme, and the number of people receiving social assistance benefits, does not appear to have been directly affected by the NAV reform.

1.3 Rights-based versus discretionary benefits

Social assistance is discretion-based, and always has been. Since the 1970s, there has been a debate about whether social assistance should be made more rights-based, and thus more like a National Insurance benefit, but this has not happened. In 2001, national guidelines for the level of benefits offered to different household types were introduced (see below). These are however only advisory guidelines and not binding for the municipalities, and local rates can be both higher or lower. Most municipalities however opt for rates equal, or at least similar, to the state guidelines (Brantzæg et al. (eds.) 2006).

The Act on Social Care Services in NAV states in its first paragraph that “The aim of this Act is to improve levels of living for the disadvantaged, contribute to social and financial security, including the opportunity to establish an independent home and live an independent life, and promote the transition to employment, social inclusion, and active participation in society. The Act shall contribute to the aim of securing vulnerable children and young people and their families unified and coordinated services. The Act shall contribute to equality and equity and to preventing social problems.”

Case workers are not completely bound by either the national advisory rates or the corresponding municipal rates. They are instead expected to exercise discretion in each individual case with a view to further the overall aims of the law

2 Design of minimum income scheme

Social assistance takes the form of a residual minimum income guarantee at the household/family level). Any alternative income that members of the household might receive (or any alternative economic resource the household might be able to draw upon), are to be deducted from the social assistance amount payable.

Social assistance consists of three main benefit components.

- A standardised allowance for ordinary living expenses (this part is regulated by municipal guidelines within national advisory guidelines as described below).
- Support for housing and housing-related expenditure. Normally a household's expenditure on housing is completely refunded. A municipality might operate with upper limits on the housing expenditure covered, but in cases where the limits are exceeded, the municipality has a responsibility to find a cheaper alternative for the affected claimant household.
- Support for extraordinary expenditure of various sorts. Caseworkers have a legal obligation to make discretionary decisions to give extraordinary support in cases of need, but municipal politicians might also affect the implementation of this obligation by issuing guidelines about which types of expenditure must be covered within the standard allowance for living expenses and which should be covered by extraordinary additional supplements.

Social assistance can be used to top up both other social security benefits received by the household as well as any labour income received by household members. The main rule is that other income sources are fully deducted from the social assistance amount payable to the household, but municipalities/caseworkers are known to follow different practices concerning the deduction of earnings brought home by adolescent children. The national guidelines on this point have now been changed, so it is now recommended that such additional earnings should no longer be deducted.

The national guidelines also recommend that the universal child allowance should be deducted in the calculation of social assistance benefits. Not all municipalities follow this recommendation, however, including the municipality of Oslo. In Oslo the standard rates for children in the social assistance scheme however are hand set lower than the national guidelines (see below), and therefore the practical implications are only minor.

2.1 Level of benefit

As noted, social assistance in Norway is discretionary and administered within policy guidelines that vary from one municipality to the next. Nevertheless, since 2001 there has been a set of national guidelines that most municipalities relate to, even if they may not follow them in every detail. From 1st January 2015, the rates have been:

	Rates in NOK	App. Rates in Euro
Single persons	5,700	602
Married / cohabiting couples	9,500	1,033
Person in shared housing	4,750	516
Children 0-5 years	2,200	239
Children 6-10 years	2,900	315
Children 11-17 years	3,700	402

The national guidelines make clear that these amounts are supposed to cover basic needs, such as food, clothes, transport, basic hygiene articles, while also taking into account leisure and social activities. As already mentioned, necessary housing expenditure such as rents, mortgages, electricity / heating, insurances, etc. are covered, in addition to these standard rates.

This means that the four model families will receive, in addition to coverage of housing costs:

	Rates in NOK	App. Rates in Euro
Divorced single without children	5,600	602
Married couple without children	9,300	1,033
Married couple, children aged 7 and 14	16,100	1,750
Divorced single parent, child aged 2	7,900	859

It should be emphasised again that these amounts are calculated using the national guidelines. Municipalities are free to pay out both higher and lower amounts.

The national guidelines are updated regularly, normally once a year. The most recent update has been valid since 1st January 2015. The Ministry of Labour and Social Affairs is responsible for setting, and updating, the guidelines.

Since the national guidelines were first introduced in 2001, rates have been updated roughly in line with consumer prices. No official target for the indexation of the rates over time has been stated, but price indexation seems to have established itself as the default expectation.

In addition to these standard rates, many municipalities operate with a set of lower rates offered to groups like “short-term” recipients, young applicants and claimants who have been found to have broken conditionality requirements. No national standards apply in these situations, including the punitive rates that might be applied to sanction non-compliance with activity conditions.

Social assistance benefits are exempt from taxation, and benefits are as the main rule paid on a monthly basis.

2.2 Eligibility conditions

Parents in Norway are legally obliged to provide for children under 18. Children under 18 can therefore not apply for social assistance in their own right, but their needs will be taken into account when parents apply (see 2.1 about additions for children). Children under 18 who are taken into care are provided for by the child welfare services, and will not be eligible for social assistance.

Like most social policy provisions in Norway, citizenship / nationality is irrelevant for the purposes of social assistance. What counts is residency. The starting point is that the Act on Social Care Services in NAV covers all persons who reside in Norway. There are however a number of exceptions, regulated by governmental guidelines. First, persons who are legally in Norway, but who do not reside permanently in the country, have a limited right to social assistance and help to find temporary accommodation. This right exists until “the individual can be expected to get help from the country of origin”.

EEA-citizens can come to Norway and stay for up to three months, or six if actively seeking employment. During this period, the individual is expected to provide for him / herself, and does not have the right to social assistance beyond emergency help in acute situations. Beyond this initial period, the EEA citizen must register and obtain a registration certificate. After five years in Norway, an EEA citizen has the right to permanent residence (irrespective of employment status), and thus full right to all the provisions under the Act on Social Care Services in NAV. The period between “obtaining a registration certificate” and “permanent residence” is however difficult, and practices appear to vary between NAV offices in how registered EEA-immigrants with short residency periods are treated when applying for services from NAV (Friberg, Elgvin, & Djuve, 2013)

Persons who reside illegally in Norway do not have the right to social assistance, but they can be entitled to emergency financial aid and emergency shelter. This can only be granted until the claimant is able to leave the country. Very few illegal immigrants will risk coming into contact with public authorities, including NAV, so this provision will mainly come into practice for immigrants who are about to leave Norway.

What matters for the right to social assistance, and the calculation of benefits, is income. Whether the income comes from work or social benefits is irrelevant. Persons who are in employment, but do not make sufficient money to uphold a reasonably decent standard of living (however defined – here the case worker’s discretion comes into play), will be considered for social assistance on equal terms as recipients of social benefits.

Social assistance is a household benefit, and all incomes and assets belonging to the household will, as already mentioned, be taken into account. Still, claimants who are legally expected to provide for themselves shall be treated as single even if they live in the household of others. This is relevant for instance for adult children living with parents, persons living in shared housing, and claimants living with a cohabiting

partner (NAV circular 35/ 2012, 4.18.2.4). In such cases, rates for “persons in shared housing” may be used. Married couples are legally obliged to provide for one another, so the incomes of a spouse will be taken into account when calculating social assistance rates.

Incomes and assets of relatives living elsewhere shall not be taken into account, unless the relative in question has a relationship to the claimant where they are legally obliged to provide for him or her. Parents are not obliged to provide for adult children (over 18), nor are adult children obliged to provide for ageing parents.

The means-testing of social assistance includes in principle all kinds of economic resources that the claimant and his/her family might be able to draw upon. Any financial assets obviously have to be depleted before social assistance is paid out and also less liquid assets – like a car or a house – might be required to be sold and realised before any social assistance benefits are paid out. Also on this point the room for discretion by the case workers is very wide, and policies might vary between municipalities as well as between case workers.

2.3 Conditionality rules

As a consequence of the general residually clause in the act, able bodied claimants are required to search for work and register as unemployed. The social assistance claimants can also be required to take part in various kinds of activity from rehabilitation and training to different types of workfare. The present Government has reinforced the activity requirements by changing them from being optional for the municipal social assistance administration to being obligatory and the default option, unless special considerations apply. The change in the Act (§20) has not yet taken effect.

There is no very clear and transparent system for sanctioning claimants who fail to comply with the conditions set out by the social assistance administration. As already mentioned, some municipalities operate with a set of lower rates that might be used for punishing non-compliance, but practice is likely to differ widely between municipalities and case worker teams at the NAV-office level.

2.4 Duration

Social assistance is often referred to by politicians as a temporary type of social intervention, but in practice there are no time-limits on the reception of benefits as long as the eligibility conditions (need) are met. As mentioned below, long term recipients might at some point receive an offer to be transferred to the Qualification programme and receive Qualification benefits, but there is no standard procedure and time frame for this to happen within, and receiving the offer to be enrolled in the Qualification programme is not a clearly specified right.

2.5 Transitions

When the right to unemployment benefits expires, claimants to unemployment benefits are referred to social assistance, and this referral is likely to have become more smooth and automatic after the NAV reform where the social security administration is located alongside the municipal social assistance administration.

The tapering of social assistance benefits against other income sources, including both social security benefits and employment income happens with a reduction that is in principle fixed at 100 percent. Any alternative income received is simply deducted from the social assistance topping up and social assistance claimants face a marginal effective tax rate of 100%. As mentioned, the present Government has recently changed the guidelines to recommend that the earnings brought to the household by adolescent children should no longer be included in the calculation.

3 Links with other social benefits and services

3.1 Components covered by MI schemes

As described in the previous sections, social assistance covers both living costs and housing costs. Claimants can also apply for additional coverage of extraordinary expenditure such as dental treatment, or extraordinary expenditure related to children such as membership fees in sports clubs, sports gear etc. and it is up to municipal case workers whether applications of this sort are accepted.

3.2 Other means-tested benefits

The only other means-tested benefit that might be available to social assistance claimants is the housing allowance that is subject to a strictly specified income and asset test. Social assistance is residual with respect also to the housing allowance in the sense that social assistance is tested against housing allowances, and not vice-versa. Apart from that it is worth mentioning that there exists a parallel set of last resort benefits for those individuals who are incapacitated for work due to a certified medical condition – the AAP benefit for those who are temporarily incapacitated and in need of rehabilitation, and the disability benefit for the permanently disabled. Both these benefits can be obtained without having prior labour market participation and both come with a minimum benefit for those with little or no prior labour market participation and contribution record. These benefits are in a sense offering a sort of minimum income protection, but they are not subject to income and broader means-testing, only an implicit earnings-test. Also, Norway has for many years provided a special social security benefit to single (divorced) parents (the so-called “Transitional allowance”). The duration of this benefit has in recent years been shortened and the activity requirements strengthened, but it does provide a special, earnings-tested minimum income guarantee to single parents (mostly mothers) with small children.

3.3 Passport to other services and benefits

As a starting point, social assistance is neither a necessary nor a sufficient condition for gaining access to any other social benefit or service. Healthcare is generally free for all, with the exception of dental care, which can be covered by social assistance if the claimant asks for it and the social worker finds it reasonable. Social assistance cannot be used to fund education, with the partial exception of short courses that are assumed to make the claimant more employable.

Housing benefit is calculated based on household income and housing expenses, independently of whether household incomes come from employment, social security or social assistance. However, recipients of social assistance will normally be expected to apply for housing benefit. This is because housing benefit is financed by the state, while social assistance is financed by the municipality, and municipalities will want to transfer costs to the state where possible. While social assistance is not a passport to housing benefit, therefore, longer-term claimants of social assistance will normally receive this benefit, and their social assistance will be reduced accordingly.

There is one programme that is earmarked for long-term recipients of social assistance with little or no work experience: the Qualification programme. Established in 2007, the programme targets participants “of working age” who were not entitled to any of the major social insurance benefits. The aim is to provide more targeted efforts at the individual to improve employability. All measures shall be tailored to the individual, and the user shall participate actively in all phases of the program. The programme must include work-related activities, and can also include other activities. As a main rule, participation in the programme lasts for one year, but can be extended to two years if this is deemed necessary. Participants in the Qualification programme will no longer receive social assistance, but are paid a “qualification benefit” at a level that corresponds to the base level old age pension.

In 2013, just over 6000 persons participated in the qualification programme. The numbers have decreased slightly in recent years. In 2011, it was estimated that 1 in 4 participants went on to paid employment. While this may seem like a disappointing outcome, it should be remembered that the programme targets some of the very "hardest cases".

Part II - Analysis of Minimum Income Schemes

1 Assessment of adequacy, coverage, take-up and impact

In 2014, 125,400 persons in Norway received social assistance. This is the highest absolute number since 2005, but all in all the numbers have remained fairly stable over this period with only a slight increase after the financial crisis in 2009. Since the Norwegian population has also increased in this period, the proportion of recipients is relatively stable at about 30 recipients per 1,000 inhabitants (32 in 2014) (Statistics Norway 2015a, including own calculations in the Statistics bank). The total amount paid out as social assistance was NOK 5.6 billion, which represented an increase of 7% from 2013 measured at fixed prices. The average amount paid out per month per recipient was just under NOK 8,700 (EUR 945), but this figure includes recipients who only receive top-up benefits to other social security transfers or to earnings.

When recipients are divided according to demographic characteristics, the largest group is single men without children. They make up 39% of all recipients. The second group are single women (23%), followed by couples without children (13%) (Statistics Norway 2015a). Immigrants make up 37% of the recipients of social assistance, which is a clear over-representation given that they only make up about 13% of the Norwegian population (Statistics Norway 2015b). However, the propensity to receive social assistance among immigrants does not appear to extend to the second generation. Norwegian-born individuals with two immigrant parents ("2nd generation immigrants") make up only just over 1% of recipients of social assistance (Ibid.).

1.1 Adequacy

The national guidelines for social assistance rates described in Part I, section 2.1 above, are only meant to cover living expenses; housing costs (rents, heating, electricity etc.) are generally covered in full in addition to these amounts. This peculiar benefit structure makes it difficult to compare benefit levels with median equivalent income (after taxes) and the associated 60 percent poverty threshold. The figures provided for Norway in the so-called MIPI-data-set (Van Mechelen et al. 2011) are based on the assumption that the household pays 2/3 of the median rent (based on figures obtained from EU-SILC) for a dwelling of an appropriate size given the household composition.

Table 1: Yearly social assistance amounts for selected household types 2012

	NOK	Appr. amount in Euros	% of 60 percent threshold
Divorced single without children	111,036	12,004	58
Married couple without children	151,164	16,342	52
Married couple, children aged 7 and 14	223,032	24,112	50
Divorced single parent, child aged 2	154,668	16,721	62

Source: MIPI-data. The recalculation to appr. amount in Euros is based on the current exchange rate.

For social assistance claimants in urban areas in particular, the amounts given here are likely to undervalue the true benefit level. In urban areas, actual rents paid by social assistance claimants will tend to be significantly higher than the median values obtained from EU-SILC, and also expenditure on heating and electricity will normally be covered. Also, as mentioned in Part I, section 2.1., social assistance payments might include additional coverage of extraordinary expenditure awarded on a discretionary basis. Finally, it should once again be emphasised that the figures given here reflect national advisory guidelines, and that many municipalities use rates that

vary somewhat from the national guidelines – both with respect to the implicit equivalence scale and the level of benefits.

Social assistance claimants with children are entitled to benefits from the universal child allowance, but according to the national guidelines the municipalities are expected to deduct these benefits (as part of the means-testing) in their calculation of benefits. Some municipalities (like the municipality of Oslo) have decided not to do so, but then they tend to offer smaller additions for children in their own benefit plan. Similarly, many social assistance claimants will be entitled to an income-tested housing allowance from the national programme, but these benefits will simply be deducted from the amount in social assistance for covering (net) housing costs, and hence the municipality is in effect the real recipients of these benefits.

A further complication follows from the fact that a significant part of the social assistance benefit is tied up in covering actual housing costs (and thus constitutes a “near cash benefit”). This is likely to make the total amount paid out to social assistance claimants less economically valuable to the recipient, compared to a similar benefit not earmarked for housing expenditure. The subsidy towards housing costs might to a large extent be absorbed by higher rents demanded by landlords when the tenant is a social assistance recipient.

With these caveats in mind, it is clearly the case that benefit levels are quite far off giving full protection from relative income poverty as defined by the APROP threshold. The problem is that benefit levels are generally too low for all the different household types, while the implicit equivalence scale appears roughly appropriate in terms of its generosity towards children.

Since the national guidelines were introduced the rates have been regularly updated with prices, without any strong a-priori commitment to any indexation principle. Also the former Red-Green government on two occasions decided to give an extraordinary increase in the recommended rates of 5 percent. However, since Norway has experienced a fairly rapid growth in real wages over the last 15 years, the recommended social assistance rates have fallen seriously behind the growth in median income and the 60 percent poverty threshold.

An expert commission in 2009 recommended to upgrade social assistance rates in line with wages (NOU 2009:10), but neither the previous nor the present government has applied this idea.

1.2 Coverage

As social assistance is generally available to the entire population after a means-test, and the discretion of the case worker determines the amount to be paid, all relevant groups are in principle covered.

The only excluded groups are illegal migrants and EEA migrants with short periods of residency. The extent to which those groups should be covered is politically controversial, but at the moment it is not on the agenda to include them. On the contrary, a recent verdict in the European Court of Justice determined that an EEA migrant cannot expect access to national benefit schemes, minimum income or other, unless they have earned access through work in the receiving country (Hatland 2015).

1.3 Take-up

Very little is known about “take-up”. The concept is not easy to define and measure in the first place, since the eligibility criteria are extremely complex and subject to discretionary decision, and as potential claimants decide for themselves if they wish to claim the benefit or not. There are no legal barriers stopping application, but many claimants find the process of applying unpleasant and stigmatising (see Hatland and Pedersen 2006). Case workers will demand a full overview of their financial situation, and unpleasant discussions may arise over claimants’ financial dispositions. Also, case workers may demand that claimants sell off assets before paying out any money. Thus

the scheme is general and open to all, but the procedure may make some claimants reluctant to enter the system.

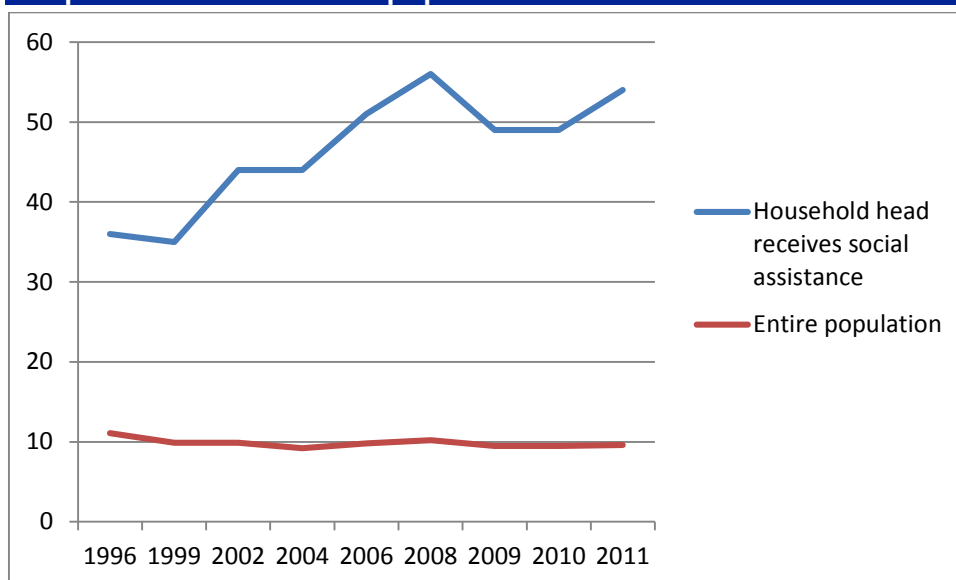
A study done ten years ago showed that only 14% of a representative sample would find it unproblematic to apply for social assistance if and when they should find themselves in need, 61% would be very or somewhat reluctant and 22% would find it completely unthinkable to apply (Hatland and Pedersen 2006).

The same study showed that among those households with incomes (excluding social assistance benefits) below the traditional OECD poverty indicator, only 60% had applied for and received social assistance benefits in 2003, and hence, 40% of the income poor did not receive any social assistance benefits.

1.4 Impact

Based on the calculations presented in section 1.1 it comes as no surprise that the receipt of social assistance benefits does not provide perfect protection against a household being in relative income poverty according to the official EU-indicator. In 2011, more than half of the individuals living in households where the head receives social assistance were classified as being at risk of poverty according to the EU-indicator.

Figure 1: The development in APROP-rates 1996-2011 for social assistance recipients and the entire population



Source: Kaur (2013)

Over the 15 year period since 1996, the poverty rate among social assistance recipients has been rising from below 40% to above 50% and there is good reason to believe that this is at least partly due to the fact that the indexation of social assistance rates is falling behind the development in real wages.

The previously mentioned study by Hatland and Pedersen (2006) showed that only a minority of the income-poor households (before social assistance benefits) were effectively lifted out of poverty. While 4.8% of the population lived in households with incomes (net of social assistance) below the OECD-threshold, 3.8percent were still in poverty after taking account of social assistance benefits. In other words, 1.0 percent of the population were lifted out of poverty due to social assistance. 2.8 perc% of the population were (pre social assistance) poor, but did not receive any benefits, and another 1.0% received benefits that were insufficient to take them over the poverty threshold. Of a total poverty gap of NOK 8,385 million, 35% was covered by social assistance benefits.

We conclude therefore that the poverty-reducing potential of the Norwegian social assistance scheme is limited, partly due to a low take-up and partly due to insufficient benefit levels.

2 Links to other two pillars of active inclusion

2.1 Inclusive labour markets

Municipalities can demand “activity” from recipients of social assistance, but the extent to which this is done varies. It is difficult to determine how often activity requirements are used, because municipalities do not report this indicator, and different attempts at mapping the practice can use different definitions of what it means to “apply conditions”. However, one study from 2013 reported that about 20% of the NAV-offices said they applied conditions in the vast majority of cases, while another 20% said they did this in at least one in five cases (Proba samfunnsanalyse 2013). Large Nav-offices are more likely to demand activity in some form than smaller offices. Activation measures are far more likely to be used with regard to young adults, that is, 18–30-year olds. Almost 2 out of 3 Nav-offices reported that they demanded activity from users in this age group in at least 60% of cases (Proba samfunnsanalyse 2013).

What it implies to demand “activity” varies considerably: from passive measures such as “registering as a jobseeker” or increased documentation of job-seeking activity, to more active measures like participation in qualification or work training, or meeting up at the Nav office at regular intervals to receive guidance from a Nav supervisor.

Prior to January 2015, it was up to each municipality to determine whether they wished to apply activation criteria to recipients of social assistance. This could become quite a contested issue in local election campaigns, typically following the established left-right cleavage in politics: parties on the right promoted activation, parties on the left would argue that this was a punitive and counterproductive approach to vulnerable residents. From January 2015, however, a new guideline requires *all* municipalities to implement activation measures for recipients of social assistance. The issue is thus taken out of local politics and turned into a national guideline. The requirement has however not been fully implemented, as details regarding funding of various activities are still being debated. The right-wing coalition government is nevertheless sending a strong signal that the use of activation measures is desirable, and the new guideline is expected to come into force as soon as possible.

In principle, recipients of social assistance should lose their right to benefit if they do not comply with activation measures. In reality, however, practices are unlikely to be quite so strict. It has been suggested that when recipients fail to comply, Nav councillors are more likely to question their own use of activation criteria than to limit or end the users’ benefit. Councillors ask themselves why the user did not comply, and question whether the criteria they set were realistic (L.I. Terum, Professor at the Centre for the Study of Professions, personal communication). Again, we have little concrete knowledge about the extent to which benefits are actually stopped because recipients fail to comply with activation measures.

The most systematic attempt at ALMP within the social assistance system is the qualification programme, described above. As noted, the transition-to-work rate after a completed qualification programme is not very high, which is unsurprising given that the target groups are among the hardest to employ. A recent article however argues that participation in the qualification programme increases the employment probability by 18% compared to a control groups (Markussen and Røed 2015). Some of the jobs held by former participants are small, but arguably important stepping stones towards a more solid position in the labour market. Markussen and Røed (2015) point out that it is impossible to decide which aspect of the qualification programme was instrumental in bringing about these results, as all participants were subjected to the same package, which included increased attention from a designated case worker, a higher benefit (the qualification allowance) and activity requirements. They however

point out that other studies have indicated that increasing social benefits tends to be associated with less poverty, but also with lower rates of transition into employment. When the benefit increase was associated with higher labour market participation rates, therefore, it is likely that there was some combination of increased social work efforts and activation that made the difference.

There is no systematic evidence on what sort of ALMP support is most successful in facilitating transition into employment. Wage subsidies appear to be the most promising approach, but studies of this and other approaches have not been able to control sufficiently for “creaming” and other mechanisms that will influence success rates.

Long-term receipt of social assistance is often defined as having received the benefit for six months or more. As of 2014, this was the situation for about one in three recipients, or about 40,000 people in the entire adult population. The proportion has increased since 2012, albeit not dramatically, and is lower than it was in the early 2000s (Grebstad and Tønseth 2012). There is little systematic knowledge about who the long-term recipients are, but groups that are over-represented include immigrants, and natives with substance abuse problems. A report from 2010 pointed out that immigrant long-term recipients were much less likely than native long-term recipients to have substance abuse problems, which indicates different processes and vulnerabilities for the two groups (van der Wel (ed.) 2006).

Because social assistance is, in principle, subject to a 100% marginal tax when recipients transition into employment, there is an obvious potential poverty trap. There has been a debate on the rates of social assistance, particularly the additions for children, as social assistance for large families can easily be higher than incomes from the jobs that will typically be available to low-qualified workers. Little is known about how recipients of social assistance reason on these topics: on the one hand, it is possible that the option of receiving social assistance lowers interest in looking for employment, as one can maintain about the same (low) standard of living anyway. On the other hand, the fact that social assistance is not a permanent income, but a benefit one has to apply for every month, the activation criteria – when applied – and the scrutiny of one’s financial situation and dispositions one has to go through at every new application, can increase motivation to get away from the system and obtain a more permanent source of income.

2.2 Access to quality services

Except from the qualification programme, described above, social assistance does not give access to any particular set of services. It can however be argued that social assistance in itself, and the ongoing contact with the social services it implies, is a service. As outlined in the first part of this report, monetary social assistance is seen as only one possible aspect of a broader set of social services, and not necessarily the most important one. The social services section of Nav – the former social assistance offices – can offer guidance and counselling, financial advice, emergency shelter (when needed) and a number of other services beyond financial assistance. As suggested above, such social work efforts are not always sought out or even appreciated by users, who often wish to limit transaction time and just get their money, but “social services” is nevertheless at the heart of social assistance provision.

3 Summary table

The table below is a summary of the report's assessment of the minimum income scheme in Norway. In the column "Evolution over time" P = Positive evolution, SQ = Status Quo, N = Negative evolution.

Assessment of MI scheme(s)				
	Assessment			Evolution over time
Adequacy How adequate is the level of MI benefits?	Adequate	Somewhat inadequate	Very inadequate	N
		x		
Coverage How extensive is the coverage of people in need?	Fairly comprehensive	Partial	Very limited	
	x			SQ
Take-up How complete is the take-up of MI benefits by those entitled to them?	Fairly complete	Partial	Quite limited	
		x		SQ
Impact on Poverty Reduction (1) What is the impact of MI provision in reducing the at-risk-of-poverty rate?	Strong impact	Partial impact	Very limited impact	
		x		N
Impact on Poverty Reduction (2) What is the impact of MI provision in reducing the at-risk-of-poverty depth?	Strong impact	Partial impact	Very limited impact	
		x		SQ
Link to Active Labour Market Policy (ALMP) In practice, how effective are the links between MI scheme(s) and ALMP measures?	Very effective links	Mediumly effective	Very ineffective	
		x		P
Link to Adequate Services In practice, how effective are the links between MI scheme(s) and access to adequate services?	Very effective links	Mediumly effective	Very ineffective	
	x			SQ

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