

Report to the Storting No. 9

(2006–2007)

Work, Welfare and Inclusion

Chapter 1

Main contents of a Governmental White Paper



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Chapter 1 Main contents of a Governmental White Paper

1.1 The Government's values and ambitions

Norway is a country of opportunities for all inhabitants. Most people enjoy secure economic conditions and a high level of material welfare. Combined with a high level of education , the society is characterised by an efficient and well-balanced economy and strong social cohesion.

Freedom, equality, democracy and social cohesion are fundamental values for the Government. Equality and freedom for all depends on the political will to implement genuine inclusive and redistributive measures. The Government's policy has strong commitment to securing access to employment through the “work-first” approach. This policy approach is the main instrument aimed at reducing economic differences and improving the economic situation for people who currently live under the poverty threshold.

The Government wants to develop better environment for jobs creation and to strengthen basic welfare services such as health, care services and education. Strongly committed to provide people throughout Norway with the opportunity to develop their abilities and to live good and meaningful lives, the Government's aim is to strengthen, renew and develop the welfare state further on.

Work and labour participation are the preconditions for our welfare. In order to ensure high labour force participation, low unemployment and reduced poverty, an active employment policy should be pursued that both helps job-seekers to find and keep jobs and that prevents exclusion from the workforce. This also includes facilitating efforts aimed at those who, for various reasons, are unable to participate in the regular labour market.

Securing and developing our welfare society is challenging. In the years to come, the ageing of the population will lead to fewer persons of working age who will have to finance pensions, health services and social security for an increasing number of older citizens. It is the Government's ambition to ensure a sustainable, good and comprehensive welfare society over time. We will make this possible by a responsible economic policy aimed at well balanced economic development, an active and inclusive labour market policy, a responsible long-term management of the petroleum assets, a sustainable pension system and a strong public sector. The Government will continue to build on the Nordic model, with highly developed and

universal welfare systems, and close cooperation with employers and employees. Furthermore, the Government has the ambition to constantly improve, renew and adjust public sector activities so that the services are well adapted to the situation and needs of the people.

Significant portions of the welfare state's expenses are related to deficient prevention of social and health problems and the fact that too many people are excluded from working life and the society in general. To protect and develop the work abilities of individuals, work must be carried out under satisfactory conditions, without endangering life and health, and with opportunities for self-development, learning and social participation. Being able to work without the risk of being exposed to health ailments caused by poor safety and working environment is an important inherent benefit in a welfare society.

The welfare state's expenses are affected by how the welfare system is set up, and the rights and obligations of the individuals. The Government will pursue a policy that will reduce social differences and help prevent individuals from being isolated and sidelined. Many non-Western immigrants in Norway are not sufficiently integrated into their local communities and the workforce. It is the Government's ambition to eradicate poverty by giving the unemployed and others who receive temporary benefits the opportunity to join the workforce, and by reinforcing governmental welfare programs which provides a safety net for those in need of income assistance. The most important pathway to reduce social differences is through achieving a genuinely inclusive working life. The Government will work towards promoting a working life that accommodates all different types of people, and where everyone has the opportunity to participate according to their abilities.

The prospects for the labour market in Norway are positive. The Norwegian economy functions very well, and transformation and efficiency contribute to increased productivity, to the best for both the society and the vast majority of the population. The steady development of the economy, the labour market and enterprises is an important precondition for Welfare and prosperity. At the same time, there are documented interrelations between restructuring or downsizing of enterprises and increases in absence from work due to sickness and exclusion. Such mechanisms must, however, lead to enforced attention to a realistic, active and effective policy for better inclusion of people on the fringe of the labour market. In this White Paper the Government will start a renewing process of the policy instruments aimed at people of working age in order to improve inclusion and social security of persons who experience problems on the labour market. We will give priority to measures aimed at assisting those with weak qualifications in

the labour market. The Government's labour market policy entails determined and strengthened efforts targeting e.g. the long-term unemployed, immigrants and young people.

1.2 Policies for inclusion and welfare

Compared to other countries the employment rates in Norway are high, and the unemployment is low. This generally indicates that the overall Norwegian labour and welfare system functions quite well. On the other hand, Norway is among the OECD area nations with the highest percentages of the population outside the workforce due to illness or disability. A healthy economy with a highly functional labour market is a precondition for solving the challenges outlined in this White Paper.

At any given time, about 700.000 persons – $\frac{1}{4}$ of the adult population below the pension age (67) - are out of work, receiving social public income security benefits. During a year about 500.000 man-years of employment are lost due to illness and occupational disability. Many of these persons cannot and should not work. Through a mix of temporary and permanent schemes to safeguard income, the Norwegian social security system ensures that individuals who end up in such a situation retain a decent income. This is an important part of the Norwegian welfare society. Over the past 20 years, however, there has been sharp growth in the number of people who live on subsistence benefits. This growth has taken place in spite of the fact that the overall health of the population has improved. Much of this growth is reflecting an ageing population, although this can in no way explain the whole increase.

The Government's objective is to reverse the trend of increasing number of people on subsistence benefits and their dependency on such benefits.

Higher life expectancy is beneficial for the individual as well as for the society. However, higher individual life expectancy should not automatically entail a corresponding increase in public welfare expenses. The point of departure should rather be that the expenses related to the individual who live longer should be deferred in time.

The objective of reversing exclusion and early exits from working life is closely connected with the objective of eradicating poverty. Those persons who cannot gain a foothold in the workforce are very often also the same persons who struggle with poverty.

This White Paper contains the Government's strategies and proposals for strengthening employment and inclusion of persons who are at the fringe of the labour market. The strategies and proposals form part of a range of measures and policy proposals in order to fulfil the Government's political values and ambitions as outlined above.

Norway has a renewed Working Environment Act which highlights and clarifies the responsibilities that rest with employers' as regards preventing exclusion and making adaptations for vulnerable employees. Employers must ensure that the working environment is always safe and sound. Policy instruments are in place and are designed to ensure that employers meet the requirements of the Working Environment Act, including audits, orders and sanctions such as fines and ultimately closure of businesses. The responsibility of the employers is underlined.

In 2006, a new Employment and Welfare Administration was established by merging the Public Employment Services, the National Insurance Services and the municipal social assistance services. 'One stop shop' services will be set up in all (431) municipalities and (19) counties to provide for co-ordinated services for the public. Through the establishment of new, local Employment and welfare offices (NEW offices), we enhance the basis for better coordination and interaction of the local public administrations, their services and benefits provided, and the enterprises and workplaces. That the aims are better connecting of job seekers and enterprises, and also more effective use of available resources and measures than today. The new administration will in itself contribute to more comprehensive and coordinated services for those who, for whatever reason, cannot gain a foothold in the labour market. This could secure work for many who are currently involuntary recipients of national insurance benefits. The aim is an administration that is better able to contribute to better inclusion, participation, welfare and social security among persons who have problems in relation to the labour market.

In October 2006, the Government presented a *White Paper on senior citizen policy in working life*. The WP provides a broad description of measures that can help strengthen the position of older employees in working life.

Also in October 2006, the Government presented a *White Paper on old age pension reform*. The proposals in the Report describe a pension system that combines the need for individual economic security with the need to ensure good management of future pension expenses. The proposals in the Report will help to create financial incentives and to make it pay for individuals to remain on the job longer, which is crucial for ensuring the general welfare over time.

Connected with the state budget for 2007, the *Government also presented two action plans: one aimed at combating poverty and one aimed at including and integrating the immigrant population*. Participation in the labour market plays a key role to reduce poverty and to promote social inclusion. The Government's action plans highlight measures that can facilitate this. This also applies to measures that fall outside of the responsibilities of the new Norwegian Labour and Welfare Administration, not least in relation to the education sector. Therefore, these action plans embrace a wider perspective than that addressed in this WP on labour market inclusion. At the same time, the main strategy for eradicating poverty is based on a goal-oriented policy aimed at ensuring that as many people as possible can live on income derived from employment. The policy on poverty prevention has also a broader perspective, not least as relates to creating a good standard of living and opportunities for inclusion and participation, also for those individuals who for various reasons cannot participate in working life.

Immigrants from non-Western countries are a composite group. Many of them are gainfully employed and participate in their communities on an equal basis as others. However, on the whole, the job market situation for this group is much worse than for the general population. This contributes to differences in general standards of living. It is often the case that immigrants who come to Norway as refugees or as a result of family reunification do not have the qualifications that are in demand in the Norwegian labour market. It is also important to emphasise measures that can prevent and remove various forms of both deliberate and unintentional discrimination in the labour market, not least when it comes to recruiting policies. One of the main challenges is to increase work participation on the part of non-Western immigrants. Increased participation by women in the workforce is crucial. Moreover, it is important to ensure that such differences in opportunities and standard of living are not passed on to the next generation. The action plan cites a number of proposals covering a broad range of policy instruments to improve integration and inclusion of our immigrant population.

Through a dedicated action plan, the Government has proposed a set of measures to ensure that the labour immigration which is desirable for value creation in the Norwegian society does not have unacceptable consequences as regards the individual's working environment and working conditions, in the form of social dumping.

The public disability pension scheme is closely related to the old age pension reform. The overall position and composition of disability pension is being studied

by a governmentally appointed committee which will submit its recommendations during the spring 2007. For this reason, the disability pension scheme as such is not addressed in this White paper.

The Government will also submit a *White paper on education as a tool for promoting social cohesion*.¹ A study conducted by the OECD shows that there are more than 400,000 adults of working age in Norway who have such poor reading and math skills that they would have significant problems functioning in today's job market and community life. Education and good basic skills contribute to inclusion in the labour market, secure income, lower crime and greater participation in society. The education system is therefore an important tool for combating poverty and marginalisation.

The Ministry of Health and Care Services will submit a *national strategy for habilitation and rehabilitation in the health and social services sector*. Coordinated efforts and measures with vocational rehabilitation and the local employment and welfare administration will constitute an important element of the strategy. Particular emphasis will be placed on current challenges concerning the increasing number of people on sick leave and disability pensions. The Ministry of Health and Care Services also released a National Health Plan in the autumn of 2006.

In the spring of 2007, the Government will release a *White Paper on social differences in health*. The strategy will aim at reducing social-related health differences over the next decade. The strategy will be based on a broad approach to the problem and inclusive policy instruments in a number of society's arenas.

In this White paper on labour market inclusion and welfare, the Government reviews measures aimed at persons of working age who experience problems in gaining entry into working life, or who are about to drop out of working life. A lot of minor changes have been implemented over the past 20 years, both in the benefit system and the systems for measures and services. The changes have largely related to individual schemes, and a general overview is provided in the annex to the White Paper.

The measures reviewed in this WP primarily include the policy instruments managed by the new employment and welfare administration, but also relevant instruments in the education and health sectors. During the Parliament's consideration of the Governmental Proposal No. 46 (2004-2005) A New Labour

¹ White Paper no. 16 (2006-2007) Early investment in lifelong learning, was released 15th December 2006.

and Welfare Administration, the Parliament agreed that a broad review of rehabilitation policy should be submitted. This WP contains a follow-up related to these considerations and recommendations, together with a number of other recommendations made by the Storting, see. section 1.3 below.

1.3 Parliamentary recommendations

"The Storting asks the Government to carry out an overall assessment of the need for affirmative action jobs for the occupationally handicapped. The assessment must be viewed in relation to the various needs of the occupationally handicapped for clarification, work experience and training. The Storting asks that the Government provide such an assessment of the composition of various measures in connection with the state budget for 2005." Adopted on 15 December 2003, cf. discussion in Storting Proposition No. 1 (ASD), pgs. 88-89 and Recommendation to the Storting No. 5 (2003-2004). In connection with the following year's budget proceedings, the Storting passed the following resolution:

"The Storting asks the Government to submit a broad-based and professional rehabilitation report after the proposal for a new labour and welfare organisation has been considered by the Storting." Adopted on 15 December 2004 (No. 173) and 17 March 2005 (No. 286).

"The Storting asks the Government to present a scheme for evaluating the changes in the rules for rehabilitation benefits in connection with the Revised National Budget for 2005." Adopted on 25 November 2004, cf. Budget Recommendation S I (2004-2005) (Resolution IV).

"The Storting asks the Government to consider various models that can ensure that it is always profitable for persons who receive invalidity benefits of limited duration or disability pension to work more, and revert to the Storting with this assessment." cf. Recommendation to the Odelsting No. 86 (2002-2003), cf. Odelsting Proposition No. 102 (2001-2002) relating to invalidity benefits of limited duration.

"The Storting asks the Government to review and submit an overview and an evaluation of the regulations for allowable income linked to the various social security and benefit schemes based on the national insurance." cf. Recommendation to the Odelsting No. 80 (2003-2004), cf. Odelsting Proposition No. 57 (2003-2004).

"The Storting asks the Government to introduce a youth guarantee, so that all young people under age 25 are assured of the right to work, education or an affirmative action job." cf. Recommendation to the Storting No. 212 (2003-2004), Recommendation from the Standing Committee on Local Government regarding the report on a functional labour market.

"The Storting asks the Government to introduce a guarantee for the long-term unemployed, so that anyone who has been unemployed for two years shall be guaranteed an offer of employment, education or an affirmative action job." cf. Recommendation to the Storting No. 212 (2003-2004), Recommendation from the Standing Committee on Local Government regarding the report on a functional labour market.

"The Storting asks the Government to, in the course of 2004, consider changing the national insurance rules regarding payment of benefits for child supervision for single mothers or fathers so that disabled single parents who, based on their disability, must rely on others for the necessary supervision of their children, are also covered under these regulations." cf. Recommendation to the Storting No. 184 (2002-2003) regarding Report to the Storting No. 6 (2002-2003) Action plan to combat poverty.

1.4 Considerations and strategies

The purpose of this White Paper is to outline strategies and measures aimed at improved inclusion in working life for persons of working age who have problems gaining a foothold in the labour market, or who are in risk of dropping out of the labour market. This primarily relates to the policy instruments managed by the new, merged employment and welfare administration, but also relevant instruments in the education and health sectors. Together with the change in how the labour and welfare services are organised, the proposals presented in this Report constitute a comprehensive reform in labour and social welfare policy. Through the changes entailed by the proposed individual measures and schemes, we will change our approach, moving away from a focus based on the individual's limitations to a focus on the individual's abilities and opportunities. The main strategies outlined in this White paper are:

- Better work-oriented measures and services to lower the threshold for gaining access to employment and raising the threshold for exclusion from working life, including adapted measures for persons with functional disabilities and immigrants.

- More flexible and better coordinated use of policy measures based on the individual's situation and need for help to promote employment.
- A new, merged temporary income security benefit within the public National Insurance Scheme (NIS). This will replace the present medical and vocational rehabilitation benefits and invalidity benefits of limited duration within the NIS.
The transition shall also contribute to diverting resources away from the mere administration of benefit payments and towards active measures and follow-up.
- A new qualification program with associated qualification benefits for persons with significantly reduced working and earning ability, and with no or very limited subsistence benefits in the National Insurance Scheme.
- Welfare contracts used to implement consistent and systematic principles for defining and following up mutual expectations, requirements and obligations in the interaction between the individual and the public administration.

By utilising the concept of a "welfare contract", the Government wants to emphasise the clear connection between rights and obligations. Therefore, before the administration makes decisions there must be a process which can be compared to a mutual contracting process between as equal partners as possible. The contract form characterises a processual approach that has been expressed in our legislation through provisions relating to individual plans of action and participation. A common feature shared by a contract in legal terms and a welfare contract in social policy terms is that they both deal with mutually binding relationships between two contractors. The rights will entail economic security, predictability and labour oriented measures that are adapted to individual needs. Obligations will entail active participation in appropriate programs and measures that can both provide motivation and promote a transition to activity and working life, and improving the responsibility for one's own life. The obligations are also intended to ensure that those who are able to work do not remain passive recipients of benefits. Balancing rights and obligations should also contribute to increased dignity, self-confidence and a greater degree of empowerment.

When meeting the public employment and welfare administration servants, individuals shall experience true user involvement and participation and good, individual follow-up. Great emphasis must be placed on legal protection and equal treatment. Ensuring that the individual's rights are safeguarded through case procedures, appeal systems, etc. will also be of great importance in the forthcoming legislative follow-up.

Persons who, due to unemployment, sickness, disability or other reasons, cannot get their income from employment, shall have their legal rights to a secure and predictable income security from the National Insurance Scheme (NIS) or other public benefits. The Government will develop further the total social security scheme. This White Paper deals with the temporary benefits which, in addition to providing the recipients with financial security, shall facilitate bringing people into the active, job-related loop. This is in contrast to the permanent benefits provided to those who are not expected to be able to provide for themselves through their own work.

Persons who have not earned rights under the NIS and who have social cash benefit as their primary source of income, represent a particular challenge. Their income situation is uncertain and limited, and they have scarce access to active (re)habilitation and qualification measures provided by each of the present / earlier Public Employment Administration, the National Insurance Administration and/or the Social Services. The Government proposes that a new, dedicated municipal qualification program be established, with defined qualification benefits for persons who currently have few or no rights to social security benefits from the state. This applies not least to those whose primary source of income over a lengthy period of time has been social assistance benefits from the municipalities. For the individual, this means that they will receive a predictable income for a specific period of time, in return for following a specific, comprehensive qualification program. The primary goal is to contribute to development of the individual's formal and informal qualifications, while also providing greater security and predictability.

Many who currently live on public insurance or social assistance benefits have done so for a long time, without participating in active, work-related measures. This is due, not at least, to the fact that the benefit schemes are often linked to various purposes and target groups. Successive types of benefit schemes very often come into play over time. It has often been the practice that measures and services are closely linked to the type of income benefits the individual is entitled to, rather than the individual's needs and (potential) ability to work. This hierarchy of different, but often overlapping benefits, along with a possible imbalance between benefits and what measures and services are available, will provide disincentives which in turn impair and slow down the work to help make the recipient able to support himself/herself. These delays can themselves contribute to reduce the opportunities available to the individual, as ties to the labour market are weakened over time. There is a relation between the length of a passive benefit recipient period and (permanent) exclusion from working life. The many different types of benefits also

mean that considerable time is spent on administration the benefits, rather than early and good intervention, active, labour-oriented measures and better follow-up of the individual person.

The Government will propose a substantial simplification of the various types of intermediate benefits provided through the NIS. The proposal is to replace the current division which involves various types of medical and vocational rehabilitation schemes and invalidity benefits of limited duration with the "new intermediate national insurance income allowance". The regulations for the scheme will largely be based on the current systems for rehabilitation benefits. This is expected to free up substantial administrative resources concerning the entitlement to and the level of benefit for individuals at any given time. Secondly, the focus of the administration is expected to be shifted from deciding which type of income benefit the individual is entitled to, to what kinds of help, measures and services they actually need. Thus the human resources in the public administration will be able to provide the users with earlier and more adequate and labour-oriented measures and follow-up, and to develop the necessary contact with working life and employers. Experience shows that there is an increase in the transition to jobs at the end of the benefit period. When three different schemes will be replaced by one, simplified scheme, it will be important to ensure that those who are able to work will face both support, responsibility and pressure to actually get a job or more job-oriented programmes and activities. It is essential, therefore, for this new scheme that unambiguous clarification and duration of benefits as well as better involvement and following-up of the benefit recipients should be important parts of the individual case-work.

The new, local employment and welfare offices will provide unique new opportunities for early assessment and follow-up of the individual. This applies not least during the sick leave period when internal company follow up is not possible or relevant.

The employment and welfare administration has a number of both intermediate and more durable measures at its disposal, aimed at helping individuals to find a job, or to return to working life. However, today's regulations do not ensure that all users have equal access to services and measures. Extensive changes are therefore proposed by the Government, aimed at ensuring that the measures and services provided by the whole new employment and welfare administration can be allocated on the basis of the individual's situation, resources and needs, rather than which type of income benefit the individual is entitled to. This increases flexibility in administration, thus making it easier to ensure that people are offered the most

effective measures possible. Everyone who contacts the employment and welfare administration for assistance is, in some way or another, either a job-seeker or an employee. Following the proposed changes, the users will mainly be divided into two groups; those who need assistance to find employment and those who do not need (much) such assistance.

The proposed reform will expand the target groups of the various instruments in labour market policy. Services that were previously restricted to limited target groups will now be more widely accessible. The new employment and welfare administration will have the opportunity to obtain clarification and follow-up services based on the individual's situation and needs, which will benefit the long-term unemployed, young people, immigrant groups and those who receive public assistance.

The Government will introduce a new programme involving increased use of wage subsidies on a wider and more permanent basis than now. Wage subsidies are rarely used today, and to a very limited degree related to persons with diminished working capacity. The idea is also to utilise the subsidy for those persons who are in danger of dropping out of the labour market, without simultaneously diminishing the employer's responsibilities for arrangements due to the Working Environment Act. The aim is to ensure that those persons who otherwise might be entitled to a permanent disability pension instead should be able to participate in the labour market according to their abilities. The existing policy instrument system lacks measures aimed at those with chronic ailments or long-term health problems that lead to variable work ability or capacity. Wage subsidies can create incentives to employ and retain persons who for various reasons have more or less permanently reduced working ability. Such an instrument will hopefully make it easier for individuals with reduced working capacity to participate in working life, as well as cheaper and less risky for the employer to hire them and keep them gainfully employed.

A lot of persons are dependant of measures and services from agencies other than the new employment and welfare administration. This will often be the case with respect to health services, education and other municipal services. Good individual service and follow-up requires very often coordinated efforts from all or a lot of agencies and types of services. This will often have to transcend traditional agency boundaries. Access to special medical rehabilitation expertise is for instance one set of the services that often are required. Some users must undergo a lengthy clarification and mastering process in order to able to work.

The relevant ministries will review the responsibilities and financing schemes in order to coordinate and develop the services offered to users by the different medical, vocational and educational rehabilitation institutions so that more people can be able to work, and to get and keep a job. This review will be viewed in context with the new employment and welfare administration's access to obtain or by certain needed clarification and follow-up services from other agencies and service providers. Furthermore, the Government will enter into an agreement with the Norwegian Association of Local and Regional Authorities, concerning cooperation between the employment and welfare administration and the (county) municipalities regarding job-seekers who have not completed secondary school/education, and who need such education/qualification to secure jobs. An evaluation will be made during 2008 to determine how well this cooperation functions, including consideration of the need for changes in the educational legislation.

A common characteristic of a lot of persons at the fringe of the labour market is that they have weak educational backgrounds and often weak basic literacy and math skills. A special challenge is the inflow of individuals to this group, including persons among non-Western immigrants and pupils that drop out of secondary school. The Government will readdress the issue of implementing secondary education in another White paper the Storting on education as a tool to ensure equal opportunities². The Government will propose changes that shall contribute to better basic and secondary education and practical training for those who need this to find and keep a job. This primarily relates to further developing the current labour market training to provide more adapted and practical training on the job, and the opportunity to extend this training for users that may need a longer training period than they can get now.

The Government's basic view is that a transition from benefits to gainful employment must pay economically for the individual as for the employer. For this reason, the compensation level of most temporary benefits is substantially lower than previous earned income. Together with various additional, often meanstested benefits, additional occupational pensions, taxation etc, the reward for moving from a beneficiary to gainful employment is often small, and in some situations even negative. This is particularly the case for those with relatively low potential work income and several children, as emphasis has been placed in such situations on ensuring that the benefits provided are not too small, but at the same time targeted and often meanstested. The balance between combating poverty, social

² White Paper no 16 (2006-2007) Early investment in lifelong learning. Released 15th December 2006.

redistribution and good work incentives is particularly difficult when it comes to children, young persons / families, single parents etc. The Government will forward proposals that ensure that the main compensation ratios in the national insurance's income security schemes shall generally be maintained at the current level, even though isolated reductions could increase the financial incentives for some recipients to take up work. More detailed consideration will be given to the need for changes in how some of the supplemental, often means-tested benefits are modelled in the specific follow-up to formulate necessary statutory amendments.

Employers possess a key role. This is also the case for both those who are in danger of exclusion or early quitting from the labour force and those who hope to be recruited into it. The employers are also important partners for the public employment and welfare administration. It is the Government's ambition that a greater part of the qualification and occupational training should be carried out in ordinary workplaces. The Government will forward an acceleration of preventive efforts aimed at persons who have a job, but who are in danger of dropping out of working life. In cooperation with central labour market partners' organisations, the Government will implement projects to identify and further develop good measures and policy instruments linked to preventive working environment work. Our aim is to find a more appropriate distribution between the responsibility of businesses and the authorities as regards prevention and facilitation. The Government also wants more employers to take on more extensive responsibility than is the case today, in line with the premises of the Working Environment Act.

The employers have very modest direct financial responsibility for the costs of long term sickness and disability leave from an enterprise. This raises questions concerning the present mix of public and private responsibilities and cost sharing give the best incentives to good solutions. A certain challenge is to provide for better cooperation that will ensure well functioning preventive labour environment in all enterprises and on every workplace. This is the reason why the Government as proposed extended direct co-financing of the costs of the sickness leave in the fiscal budget for 2007. The Government also refers to the following discussions and cooperation with the central social partners.³

The Government has considered several organisational changes in the scheme for long-term adapted work. Following an overall assessment emphasising the

³ The Government's initial proposal was later withdrawn and replaced by arrangements that extended the mutual responsibilities for better prevention and closer up-following on and from the workplace of persons on sickness leave. Additional budget- and legal propositions to the Parliament the late autumn 2006.

consideration of maintaining a basis consistent with other labour market measures, no major changes will be proposed in the organisational framework for these measures. However, the Government will submit a proposal for minor adjustments of the financing regulations for consultation.

1.5 List of reform proposals

Preventive and facilitative measures aimed at enterprises and workplaces

- Develop further working environment and facilitation work, e.g. through two projects:
 - Better cooperation between the Directorate of Labour Inspection, the Petroleum Safety Authority Norway, and the Employment and Welfare administration
 - Close examination of the working environment, organisation and measures in sectors with high rates of sick leave, disability pension and early retirement
- Develop further company health services: roles, responsibilities and cooperation.
- Develop better knowledge about the causes of sick leave and the effects of measures

Develop and renew work-related measures and services

- More flexible and individually-adapted use of all types of measures and services provided by the new employment and welfare administration (new)
- Establish and give wider access to new and better clarification measures for users who do not currently have access to this
- Strengthen measures to improve fundamental knowledge and skills on the part of job-seekers who need this
- Establish and give wider access to new and better follow-up measures for users who do not currently have access to this
- Extended use of wage subsidies e.g. through implementing trial projects involving wage subsidies that are not of limited duration
- Study carefully the use of quotas and moderate quota systems for persons with diminished functional capacity and use of moderate quota systems for persons with immigrant backgrounds

A renewed and merged intermediate income maintenance benefit in the National Insurance System (NIS)

- A new, merged intermediate income maintenance benefit will replace the present medical and vocational benefits and time-limited invalidity benefits within the NIS

- The eligibility requirements will still be based on significantly diminished earning ability due to health problems
- The compensation level, supplementary benefits, duration of benefits and follow-up shall be closer examined in order to promote better the goal of employment
- Measures and services shall be adapted to the individual's needs, situation and resources, regardless of the need for guaranteed income

Introduction of a new qualification program and a new qualification benefit outside the NIS

- Participants in the qualification program must be of working age, have significantly reduced work and earning capacity and have little or very limited national insurance benefits. Furthermore, close and binding follow-up over a period of time must be considered necessary and appropriate in order for the person to have the opportunity of securing a job.
- The qualification program shall basically be a full-time, work-related activity adapted to the needs and abilities of the individual.
- Participation in the qualification program will entitle persons to qualification benefits. The benefit will be curtailed or lapse entirely in the event of unwarranted absences.
- The qualification benefit is granted as an individual benefit in a standardised amount at the same level as the introduction benefit, i.e. two times the basic amount (G) in the national insurance system; with persons under the age of 25 qualifying for two-thirds of this amount. The benefit shall be subject to taxation. Benefit recipients shall receive child supplements on the same basis as recipients of benefits from the national insurance scheme.
- To promote the transition to employment, recipients are allowed to receive income from employment with a corresponding curtailment of the benefit. Participation in ordinary working life can lead to a reduction in the requirement for other activity within the program.
- The benefit is granted for a period of up to one year at a time, and for a total of no more than two years.

Supplementary measures for persons with diminished functional capacity

- Ease the transition from school to working life through testing various policy instruments, including use of trainee jobs
- Carry out systematic information and knowledge campaigns aimed at employers
- Implement a competence development program about disabled and work aimed at the public employment and welfare administration.

- Implement a new trainee-program for disabled persons within the ministries and central governmental agencies
- Follow up a government-appointed commission's report, NOU 2005:8 Equality and accessibility, through a separate anti-discrimination and accessibility law
- The Government will appoint a new regulatory commission to examine overall discrimination legislation

Supplementary measures for the immigrant population (ref. separate action plan)

- Measures to increase recruitment of persons with immigrant backgrounds to public administration and health enterprises
- Support entrepreneur activities among immigrants
- Reinforce the work focus in the introduction program
- Reinforce the program for basic competence in working life
- Continue the qualification program "New Chance" aimed at immigrants who have not succeeded in entering the labour market after a number of years
- Improved Norwegian language training for asylum-seekers
- Implement measures for including young people with immigrant backgrounds

Other work-related measures to combat poverty (ref. separate action plan)

- Reinforce labour market efforts to combat poverty
- Program for basic competence in working life
- Strengthen training in the field of criminal and aftercare services
- Introduction of a new qualification program (see above)

1.6 Consequences

Through the reforms outlined in this White paper (see list above), it is the Government's ambition to lay the foundation for including a lot more of the persons who currently fall outside the workforce in gainful employment. The benefit for both the individual person and for the society at large will depend on how many more persons can be employed. Even modest improvements may yield significant positive results. The Government's ambition that these reforms, together with the organisational reform of the employment and welfare administration, should lead to substantial positive results for individuals and for the society at large. Such an outcome will contribute towards realising the Government's strategy of help towards self-help, to develop a more inclusive society, to foster continued growth in the standard of living and to ensure sustainable social security for all inhabitants and sustainable public finances at the same time.

The Government's proposal to develop more labour market oriented education and training in a more practical direction, together with expanded access for the employment and welfare administration to "purchase" external clarification and follow-up measures, will help realising the objective of Government's ("Soria Moria") Declaration, to provide a follow-up guarantee for young job-seekers aged 20-24. These measures, together with others such as use of long-term wage subsidies, will also help meet the needs of the long-term unemployed, in line with the objectives in the Government's Declaration.

The overall effect of the measures proposed in this Report is difficult to estimate. Changes are proposed which encompass a number of policy instruments at the same time, and the consequences in the form of results and achievement of objectives will take some time. Therefore, there is substantial uncertainty related to the overall effects. The Ministry of Labour and Social Inclusion will assign priority to following up the results and analyses of measures that follow from this White Paper and the Parliament's discussions on it.

Impact on individuals

The main strategies and measures in this Report are all aimed at ensuring that a lot more persons on the fringe of the labour market can find employment, return to work and/or obtain a better foothold in working life. The overall period during which an individual may receive national insurance benefits, waiting periods, etc. may be significantly shorter. Sample calculations illustrates that one person staying five more years in gainful employment can contribute to increasing lifetime earnings for an individual by approximately one half million NOK, calculated at present value. Other significant societal and individual gains are the personal and welfare-related added values associated with being part of a work fellowship and supporting oneself through work.

For those who are covered by the national insurance's temporary benefit schemes, the benefit system will be simpler and more predictable; however, key factors such as main eligibility conditions and compensation levels will not be changed. There will be certain effects linked to the reorganisation of the child supplements, but since the premise is that the changes will not apply to those who already have a resolution regarding benefits, no current recipients of such benefits will be directly affected by these changes.

The qualification program with associated qualification benefit provides new opportunities for persons who are not currently covered by the NIS benefits nor clearly defined follow-up regimes. Preliminary experience gained from

implementation of the introduction program for immigrants is positive. Although the target group for the qualification program is quite different, there is reason to believe that many persons in this situation can be included in working life as a consequence of the program.

Impact on society

It is very difficult to predict how many additional persons will be able to get and keep employment, and for how many additional years, as a result of the Government's proposals. The percentage of the working age population in Norway that falls outside working life due to sickness, rehabilitation and disability is high compared with other countries.⁴ This may be an indication of the potential.

Sample calculations illustrate that e.g. 1000 additional persons working for five years can yield an estimated socio-economic benefit of approximately NOK 3 billion. If the number of persons on disability pensions is reduced by 10 percent, long-term estimates indicate that this would be equivalent to NOK 19 billion, or about 3 percent of the total expenses in the total state budget.

Such sample calculations on the share of the working age population on disability pension shows that even relatively moderate ambitions as regards increased participation in the labour force can yield great benefits for the Norwegian society. Success depends not only on how individuals are met and followed up, but also on general development in the labour markets and in the Norwegian economy as a whole. In the present situation where the demand for labour is high, the chances of including new groups in working life are greater than in a situation where the economy is characterised by higher unemployment.

Impact on public finances

In the short term, an uncertain estimate places the overall "investment expenses" at about NOK 1,300 million per year as a consequence of the measures discussed in this White paper . Most of these expenses are related to the proposed new qualification program and the qualification benefit.

Over the longer term, the proposed measures are expected to result in a net savings in the form of more persons employed and fewer receiving public maintenance benefits. The impact on the public finances will largely reflect the expected macroeconomic effects on higher labour market inclusion and participation among target groups of persons on the fringe of the labour market .

⁴ OECD 2006: "Sickness, Disability and Work: Breaking the Barriers." Norway, Poland and Switzerland (2006)

Impact on public administration

The strategies and measures raised in this Report are expected to contribute to simplification and more efficient use of resources in the public employment and welfare administration. This will also benefit the users of their services, which in fact is more or less the whole population during our life-span. At the same time, the reform will place new demands on how the local work is carried out. The White paper also points to the need for new and improved knowledge within a number of areas. A systematic evaluation of the reform is planned, along with follow up of the need for improved expertise in the labour and welfare organisation and the need for increased knowledge.

1.7 Implementation

The Government will propose that the new qualification program should be implemented quickly. The Government therefore plans to submit a bill on this proposal for the Parliament during the spring of 2007, with implementation targeted for 1 October 2007. The state budget for 2007 includes implementation of the trial project involving wage subsidies from 2007.

The Government's proposals will require substantial changes concerning a lot of existing legislation within the National Insurance Scheme (NIS). The intention is to submit the legislation proposals on the NIS system for the Parliament during the spring of 2008, with possible implementation from 1 January 2009. The proposed changes in the measures and services areas will be sent out for consultation in 2007, with planned implementation from 1 January 2008.

With this schedule, the changes in the overall use of policy instruments will be implemented when two-thirds of the new local offices of the Norwegian Employment and Welfare administration have been established (2006-2009).