



ARBEIDS- OG SOSIALDEPARTEMENTET

*Norwegian Ministry of Labour and Social Affairs*

**OECD THEMATIC REVIEW ON REFORMING SICKNESS AND DISABILITY  
POLICIES TO IMPROVE WORK INCENTIVES**

## **COUNTRY NOTE – NORWAY**

**Recent policy developments and brief description of sickness-,  
rehabilitation and disability programmes, reforms and trends in  
Norway**

21. September 2005

| <b>Contents</b>  | <b>Page</b> |
|--|-------------|
| <b>1. Introduction and main context</b>                          | <b>3</b>    |
| 1.1 A broad, overall picture                                     | 3           |
| 1.2 Main policy challenges, objectives and strategies            | 4           |
| <b>2. Some main quantitative characteristics and trends</b>      | <b>7</b>    |
| 2.1 Sociodemographic and economic context                        | 8           |
| 2.2 Labour market situation in general                           | 9           |
| 2.3 Labour market situation among disabled                       | 9           |
| 2.4 Overall development in benefits                              | 10          |
| 2.5 Development in NIS benefits                                  | 12          |
| 2.6 Some results and evidences                                   | 16          |
| <b>3. Income support programmes</b>                              | <b>18</b>   |
| 3.1 Unemployment cash benefits                                   | 18          |
| 3.2 Sickness-, rehabilitation and disability benefits            | 19          |
| 3.3 Recent reforms and reforms under consideration               | 21          |
| <b>4. Employment support programmes</b>                          | <b>23</b>   |
| 4.1 Labour market policy, programmes and reforms                 | 23          |
| 4.2 Vocational rehabilitation                                    | 25          |
| <b>5. Other recent policy strategies, reforms and challenges</b> | <b>28</b>   |
| 5.1 Inclusive Workplaces (IW) – a trilateral agreement           | 28          |
| 5.2 Work environment – new legislation and recent reforms        | 29          |
| 5.3 A new, public employment and welfare service administration  | 30          |
| 5.4 Dismantling of disabling barriers                            | 31          |
| 5.5 Pension reform   | 32          |
| 5.6 Health services and medical rehabilitation                   | 33          |
| 5.7 Other relevant reforms & strategies                          | 35          |
| <b>Annex Tables and References</b>                               | <b>37</b>   |

## 1. Introduction and main context

*General note: We refer to the OECD Economic Surveys Norway, August 2005*

### 1.1 A broad, overall picture

*In 2004, Norway had an unemployment rate of 4.5% and a rate of participation in the labour market of 79.1% (males: 82.5% and females: 75.7% in the age group 16-64 years). Norway experienced a slight decline in economic growth in the period 1998-2003 with an increase in the unemployment rate and a slight reduction in the participation rate. After a soft landing in 2003, the economic recovery brought higher growth and employment, and a slightly lower unemployment through 2004. In 2005 employment is expected to increase further (+ 0.8 %) and unemployment is expected to decrease further (4,3 %).*

*There has been an increased tendency by workers to leave the labour market through early retirement or disability pensions over the last decade. Slightly more than 1% of the working age population was on early retirement pension (AFP) at the end of 2004. Approximately 10½% of the working age population received a disability pension at the same time. Paid sickness leave days by the National Insurance Scheme (NIS) rose from 8 per worker in 1983 to a record of 14,2 days in 2003. Since 2004 this trend has reversed with a fall of about 10% between 2003 and 2004, and the decrease continues in 2005.*

*The economic and labour market policy in Norway is strongly aimed at a balanced and competitive economic and financial development, high labour force participation, inclusive labour market and workplaces and low unemployment. Major challenges for the Norwegian labour market policy are to retain people in the labour force, to support the good functioning of a flexible labour market with vocational and geographical mobility, and to increase the supply of labour. The major objectives of the sickness and disability policy and -system are social security and help for self-help: I.e. income maintenance and expenditure security during periods of sickness, injuries and health problems, as well as to encourage and help workers to stay in work, and to alleviate for benefit recipients to be able to return to active participation in the labour market. How to balance properly between the different goals represents a general challenge inherent in the system. Particular concern has been given to prevent and to control and follow up long term sickness leave, to active vocational rehabilitation and cooperation between employers, employees and public agencies.*

*The sickness-, rehabilitation and disability benefits as well as the labour market program and unemployment benefits are regulated by a common law (National Insurance Act), and they are financed through general taxation (by common contributions) through the National Insurance Scheme. The system is administrated by the two main state agencies: Sickness benefits, rehabilitation benefits and disability benefits (as well as pensions) are administered by the National Insurance Administration (NIA). Vocational rehabilitation benefits, unemployment benefits and active labour market programmes for unemployed as well as vocationally disabled, are administered by the Public Employment Service (PES). The Parliament has recently decided to merge the NIS and PES into a new, common employment and welfare administration (NEW). The local NEW offices should also be located and coordinated closely with the municipal social service offices and the social cash assistance.*

*Primary health and social services* and care are a municipal responsibility (434 municipalities). The services provided are financed partly by general municipal taxation, partly by general state bloc grants to municipalities, partly through the NIS and partly by patient's fees. *Hospitals and specialist health and social services* outside hospitals are since 2002 organized into 5 state-owned, regional health enterprises. They were previously administered by the (19) counties. The hospitals and specialist health and medical rehabilitation services are financed mainly through general (national) taxation. Reimbursement to hospitals for inpatient care encompasses a bloc grant and an activity-based component, the latter being calculated on the basis of the number of patients treated and a Diagnosis Related Group (DRG) reference system. According to the 1999 Act on Patient Rights patients are free to choose hospitals for treatment. The provision of *medicines* are mainly regulated and financed through the NIS, and distributed and sold by local, private pharmacies.

*The Norwegian sickness and disability compensation system* consists of five different types of benefits partly succeeding each other. The normal procedure over a full sickness spell is that a person that gets sick starts by receiving sickness benefits, and if the person is still not able to work after one year he will be transferred to rehabilitation benefits, also lasting maximum one year in principle. Active measures should be emphasised during the process and vocational rehabilitation shall be considered as soon as possible after intra-enterprise measures have been tried out, and, at the latest, at the end of the sickness benefit period. A corresponding assessment concerning vocational rehabilitation must be undertaken after six months of rehabilitation benefits. If vocational rehabilitation is not relevant or if it fails, the person will be granted temporary or permanent disability benefits. The other "main" exit or entrance routes are through unemployment benefits. They may also be followed or supplemented by rehabilitation benefits. Some unemployed persons may also end up with disability benefits if they are medical eligible.

This note is structured in the following way: The rest of *this section (1)* gives a brief overview of recent policy strategies and reforms. *Section 2* gives a preliminary and brief, quantitative outline of the developments and trends, given that the separate data request will be worked out later on. *Section 3* presents the income support programme, including an overview of recent, main reforms. *Section 4* presents the main employment support programmes, and short notes about the vocational rehabilitation and the active labour market policy directed towards disabled persons. *Section 5* gives a brief overview of other, actual and major policy strategies and reforms related to the actual country review. Important issues are the trilateral agreement on Inclusive Workplaces, Working Environment legislation, the proposed new public Employment and Welfare Administration and the Pension reform.

## **1.2 Main policy strategies and reforms**

To face the developments and challenges mentioned above, the following policy strategies have been given priority:

### *Economic policy aimed at high employment, competitiveness and fair balances*

The main economic policy objectives of the Government are full employment, economic growth, improvements of the Norwegian welfare state, fair social redistribution and long-term sustainable development. A strong and competitive business sector is a prerequisite for the

accomplishment of these objectives. Consequently, economic policy must attach importance to the promotion of economic and productivity growth within both the public and private sectors. The Government adheres to the guidelines for a sound, gradual phasing-in of petroleum revenues into the economy, which enjoyed widespread support in the Storting in spring 2001. Economic policy must contribute to stable developments in production and employment. Monetary policy guidelines imply that it shall aim for low and stable inflation. Monetary policy is thereby accorded a clear role in stabilising economic development.

### *Active labour market policy*

The labour market policy focuses on the need to increase the labour force and the necessity to maintain and develop the qualifications of the labour force. Labour market policies are implemented by the PES (Aetat) with an integrated service, taking care of job placement, benefits and active programmes - for both vocationally disabled and for unemployed. Labour market policies in Norway emphasise the active elements, both through relative strict availability criteria, and through a relative large share of labour market spending on active programmes. An active labour market policy aims at job search activities, including individual job search requirements and a well-developed information system to match vacancies and job-seekers. Major target groups for active labour market programmes are the long-term unemployed, youth unemployed, immigrants and vocationally disabled.

### *Better work incentives*

To prevent people from leaving the labour market too early or on a long term or permanent basis, there has been made several changes in the sickness related benefits and employment schemes. The changes has primarily been aimed at clarifying and tightening eligibility criteria and time limitations of benefits, as well as transition criteria and periods between benefits. Examples are unemployment benefits, "active sick leave" and more use of partly sickness leave, rehabilitation benefits and the introduction of a new, intermediate disability benefit. See sections 3 and 4. The NIS contributions have been reduced for employees aged 62 years and older.

### *Closer following-up of individual beneficiaries*

More focus and more precisely defined claims and obligations have been developed to follow up beneficiaries better than earlier. The purpose is better guiding, "coaching" and (re)habilitation into or back to work. According to the new Act of Working Environment each person has the right to an individual plan for (re)habilitation (section 5.2). The individual plan should be set up and carried through in close cooperation between the individual worker, the employer and the local employment and insurance administration. During the periods of compensated sickness leave, several "stations" for following-up, control, reapplication and rehabilitation decisions have been introduced and defined more precisely: Introduction of an activity requirement within 8 weeks of granting the latest sickness certificate unless medical reasons clearly exclude workplace attendance. Evaluation and documentation of functional capacity should be stated by a medical practitioner after 8 weeks at the latest. Stricter sanctions on medical practitioners who do not comply with the new rules of sickness absence certification have been introduced.

### *Early Intervention*

To prevent that people fall out of the labour market on a long term or permanent basis, work-related activity is emphasized as early as possible. Vocational rehabilitation shall be considered as soon as possible after intraenterprise measures have been tried out.

### *Inclusive Workplaces – a trilateral cooperation agreement*

In order to reduce sickness leave and increase labour market participation among disabled and elderly persons a tripartite agreement on joint efforts for more inclusive workplaces were made between the Government and the national labour market organisations in 2001. To decrease the number of people falling out of the labour market due to sickness or disability, it has been an important issue to involve the employee's- and employers organisations actively. To create an inclusive labour market, it has been acknowledged that the effort must be done within the single workplaces. The employers should be responsible for adapting the work place, and to initiate a dialogue with his employees to find solutions. The government shall support this dialogue with administrative and economic measures when needed. This is the basic for the tripartite agreement of inclusive workplaces (see section 5.1). These matters are also implemented in the National Insurance Act, and the Act on Working Environment.

### *Working environment – new legislation*

In June 2005 the Parliament passed a renewed act on worker protection and working environment. The new act will come into force from 1 January 2006. The overall concern is to create a more inclusive working life, and this ambition is reflected in several areas in the new legislation. For example the wish to lower the threshold for vulnerable groups (eg. young people, immigrants and disabled people) is one of the reasons why the new legislation introduces a softening of the rules regulating temporary employment.

### *Pension reform*

In January 2004, the Pension Commission, delivered its report to the Government and proposed a pension reform. In December 2004, the Norwegian government issued a White Paper setting out a strategy for a reformed pension system. Main parts of the Government proposals won the support of the Parliament in May 2005. Important elements of the Parliament agreement are that benefits should be based on lifelong earnings and the introduction of a life expectancy adjustment ratio. However, some crucial elements of the pension reform are still under discussion. No agreement was reached on the design of a flexible retirement scheme, and the Government was asked to return with a proposal. The Parliament agreement states that the existing early retirement scheme AFP should be included in a future, flexible NIS scheme to be proposed. The government, aware of the risks of substitution effects, have in August 2005 appointed a commission to propose a reform of disability pension schemes. The commission is asked to propose measures to secure that the NIS disability pension scheme does not counteract the work incentives in a new, flexible old age retirement pension scheme.

More information on <http://www.pensjonsreform.no/english.asp>

### *Poverty prevention*

The Government's main strategy for combating the problems of poverty is to get more people into employment. Better targeting of the welfare schemes and measures to ensure social inclusion are also crucial. In 2002 the Government presented a plan

of action for combating poverty (Report No. 6 to the Parliament (2002-2003)), which has been followed up in connection with the annual fiscal budgets in the period 2002-2005.

#### *Administrative reorganisation and coordination*

The Parliament has decided to merge the NIS and PES administration, both on local, regional and central level. A new, common employment and welfare service (NEW) and a joint front-line service of both labour market programmes, unemployment-, sickness-, rehabilitation- and disability benefits, as well as municipal social services and social cash assistance will be organised locally, in every municipality.

The administration of *hospitals and other specialized health and social services* are since 2002 organised as 5 regional state-owned health enterprises, reorting directly to the Ministry of Health and Care Services. The (19) counties had previous the responsibility. The main objective and concern was more efficient and better coordinated of services, reduced waiting list for medical treatment etc.

#### **Governmental White Paper on ageing workers**

The Government is preparing a White Paper on ageing workers and age related human resource policy. Its main focus will be ageing workers (55+), their situation on the labour market and in the work place and how one may discourage early exit from the labour market.

The paper will review the labour market situation for ageing employees, early exit, and the recent government policy and aims to put focus on the ageing workforce more firmly on the political agenda. Among the policies that will be analysed is the tri-partite initiatives "The Agreement on a more Inclusive Workplace" and "The National Initiative for Senior Workers". The white paper is planned to be presented to the Parliament in 2006.

#### **Governmental White Paper on better labour market inclusion**

In addition to organisational changes into a new, merged employment and welfare administration (NEW), it will be necessary to design and develop benefits, regulations, statutory rules and services to lead those who are able to work into working life. These matters will be addressed parallel to the work on an organisational reform. The Government will present a White Paper to the Parliament in the spring of 2006, which will discuss these matters. The ambition is to develop a comprehensive policy for better inclusion of persons on the margin the labour market due to labour market-, health or social problems. The OECD review on sickness and disability policies is expected to constitute an important input for the preparation of this White Paper. The White Paper is planned to be presented to the Parliament in 2006.

## **2 Some main quantitative characteristics and trends**

This country note should mainly content qualitative information. The quantitative informations will be based on the data request, that will be delivered later on this autumn (sept. /oct.). The

following section contains some key, preliminary quantitative information, describing some main development trends.

## **2.1 Sosiodemographic and economic context**

### *Ageing*

Smaller child cohorts and the increase in life expectancy will result in considerable changes in the age composition of the population ahead. The ageing of the population will have considerable effect on government expenditure on pensions and health services. The growth in the working-age population will gradually be slower towards 2030. This will contribute to lower growth in the labour force. Moreover, the potential for growth in the labour force participation is limited. According to projections from Statistics Norway the labour force will grow by about 90 000 from 2010 to 2020, and the growth will decrease to about 20 000 from 2020 to 2030.

The working age population is also getting older on average. The baby boomers from the first years after the second world war are by now in their fifties. The incidence and prevalence of disability pensioners are increasing sharply in those age groups. About ½ of the increase in the number of disability pensioners is calculated to follow from an ageing population. This is a development that is expected to continue for the future years, all other equal. References to the OECD Economic Surveys Norway. August 2005

### *Health*

The Survey of Living Conditions 2002, Health, Care and Social relations (SSB 2002) shows that among the population in Norway four out of five reports to be in good health. The number which reports to be in good health has been stable, or has increased slightly in most parts of the population since 1998. An exception is young women. The number of persons reporting to have a long term illness which have an impact on their daily life has decreased from 36 pst in 1995 to 32 pst in 1998 and further down to 30 pst in 2002.

### *Economy and public finances*

The main economic policy objectives of the Government are full employment, economic growth, improvement of the Norwegian welfare state, fair distribution and long-term sustainable development. A strong and competitive business sector is a prerequisite for the accomplishment of these objectives. Consequently, economic policy must attach importance to the promotion of economic and productivity growth within both the public and private sectors. The Government adheres to the guidelines for a sound, gradual phasing-in of petroleum revenues into the economy, which enjoyed widespread support in the Storting in spring 2001. Economic policy must contribute to stable development in production and employment. Monetary policy guidelines imply that it shall aim for low and stable inflation. Monetary policy is thereby accorded a clear role in stabilising economic development.

Budget policy must work together with monetary policy to contribute to stable development in the Norwegian economy. The guidelines are aimed at ensuring a smooth and sustainable phasing-in of petroleum revenues. At the same time, they allow for the freedom of action afforded by petroleum revenues to be exploited for stimulating production and employment in periods of high and increasing unemployment. Conversely, there will be a need for reigning in fiscal policy

during periods of high capacity utilisation in the economy. Oil and gas are non-renewable resources, and the high government proceeds are in large part paralleled by a reduction in government petroleum wealth. In order for petroleum revenues to be of lasting benefit, the use thereof must be uncoupled from ongoing government proceeds. This need is attended to by the budget policy guidelines. Net government cash flows from petroleum activities are in their entirety transferred to the Government Petroleum Fund, whilst only the real return on the Fund is used. The fiscal budget is thereby isolated from the effects of fluctuating oil prices, whilst a considerable amount of government savings are expected to accrue in coming years.

Reference to the *OECD Economic Surveys Norway 2005*.

## **2.2 Labour market situation in general**

Labour market outcomes in Norway are among the best in Europe, with high participation rate and low unemployment. Close to 80 per cent of the population in the age group 16-64 years participates in the labour force, compared to 68 per cent in OECD-Europe. Last year's unemployment rate was 4.5 per cent compared to the OECD-Europe average of 8.8 per cent. The long term unemployment rate is very low by international standards, with 25 per cent of the unemployed being unemployed for at least 6 months and 9 per cent unemployed at least 12 months (compared to 62 per cent and 43 per cent in OECD-Europe).

Behind the high overall participation rates are high participation rates among women and among older people:

- 75.7 per cent of women (16-64 years) participate in the labour force. The OECD-Europe average is 57.9 per cent (2004).
- 68.8 per cent of older people (55-64 years) participate in the labour force. The OECD-Europe average is 43.2 per cent (2004).

Some further comparisons of the labour market situation in the work force compared to the disabled may be found in the next paragraph. See:

*OECD Economic Surveys Norway 2005* for a recent description of the Norwegian labour market.

## **2.3 Labour market situation among disabled**

Approximately 15 per cent of the population in the age group 16-66 years report to have a disability according to the Labour Force Survey (LFS). This is an ad-hoc module of questions on disabilities, defined as long-term health problems which may limit the everyday life, which has been added to LFS in specific quarters since the fourth quarter of 2000. The most recent results are from the fourth quarter of 2004, see **Table 1 in the Annex** for results from all five surveys that have been published so far.

Some main results in brief:

- The share of the population who subjectively classify themselves as disabled according to the above mentioned definition is steady around 15 per cent throughout the period, and somewhat higher among women (close to 17 per cent) than among men (close to 14 per cent).
- 44 per cent of the disabled persons have a job, compared to 74 per cent in the population, in the last survey. Employment among disabled men is a little higher than among disabled

women, but the same pattern is observed in the population. Employment has decreased from the fourth quarter in 2000 to the same period in 2004, both for the disabled and for the population, but relatively stronger among disabled persons (about 3 percentage point decline in both groups).

- Unemployment is slightly lower among disabled persons (3 per cent) than for the population as a whole (3.2 per cent). This may to a large extent be explained by the fact that many disabled out of work receive health related benefits without job search requirements. The unemployment is particularly low among disabled women (1.8 per cent) while unemployment among disabled men actually is higher than among men in general (4.5 versus 3.7 per cent). (Note that the reported unemployment figures are the share of the population, and not, the more common, share of labour force).

**Table 2 in the Annex** gives some age specific information concerning disability and employment. The main picture is that:

- Disability increases by age, from 6.4 per cent in the youngest (16-24) to 33.9 per cent in the oldest age group (60-66), and a little bit more by women than men.
- Employment decreases by age after 55, from about half of the disabled below 55 being employed to among one quarter of the disabled in the oldest age group.
- The difference in employment rates between the disabled and the population in general is much smaller in the youngest age group than it is in any of the other working age groups.

Further details may be found at [www.ssb.no/emner/06/01/akutu/](http://www.ssb.no/emner/06/01/akutu/). A new ad-hoc disability module was added to LFS in the second quarter of 2005. The results from this survey is expected to be published 25<sup>th</sup> of August this year and will be presented for the OECD review team on mission in Oslo that week.

## 2.4 Overall development of NIS benefits

**Table 1 Number of NIS income support beneficiaries 2000-2004<sup>1</sup>**

| Year | Medical rehabilitation | Vocational rehabilitation | Disability pension | Unemploym. benefits | Sickness leave |
|------|------------------------|---------------------------|--------------------|---------------------|----------------|
| 2000 | 39 696                 | 42 760                    | 279 573            | 61 611              | 121 429        |
| 2001 | 45 856                 | 42 033                    | 285 364            | 61 764              | 125 809        |
| 2002 | 52 778                 | 52 013                    | 292 224            | 69 893              | 128 145        |
| 2003 | 61 209                 | 58 103                    | 301 214            | 88 878              | 136 717        |
| 2004 | 50 624                 | 67 234                    | 310 884*           | 90 015              | 111 600        |

<sup>1</sup> Disability pension: number of recipients per 31.12

Sickness leave: number of recipients per 30.06

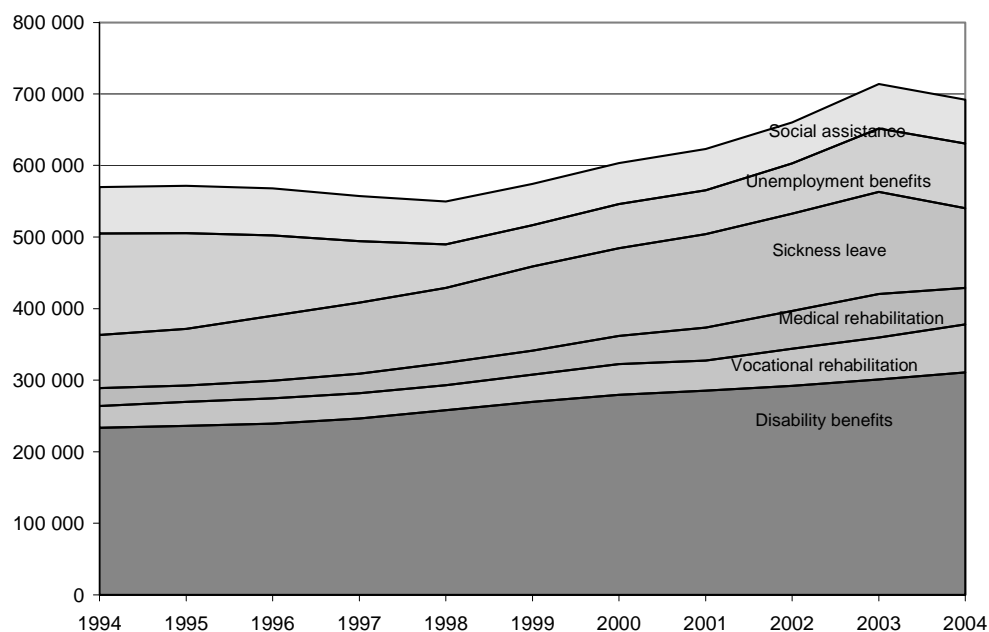
Medical rehabilitation: number of recipients per 31.12

Vocational rehabilitation: number of recipients per 31.12

Unemployment benefits: number of recipients in average per year

During the last 10 years the number of income support beneficiaries on different NIS schemes has been steadily increasing, but in 2004 the total number of recipients declined. The number of sickness leave beneficiaries and medical rehabilitation beneficiaries have declined substantially. The reduction in sickness leave seems to be caused mainly by NIS regulations on sickness leave and rehabilitation in 2004. The decreased number on medical rehabilitation is explained by changes in the legal framework. From 2004 there has been an additional time limitation in the rehabilitation scheme. From the same time there has been an increased focus on vocational rehabilitation. The decrease of the number of beneficiaries on medical rehabilitation is more or less levelled out by an increased number on vocational rehabilitation. The increase in the number of people on disability benefits is mainly on the "time limited disability scheme", which was implemented January 1<sup>st</sup> 2004. See section 3.2 for descriptions and explanations.

**Figure 1: Number of NIS income support beneficiaries 1994-2004**  
(end of years)



## 2.5 Development in NIS benefits

### Unemployment benefits

The number of unemployment benefit recipients follows more or less the business cycle, with an increase in the beginning of the 1990's, a reduction from 1993 to 1999 and an increase thereafter. See for instance *figure 3.7 (p 84) in the OECD Economic surveys Norway 2005*.

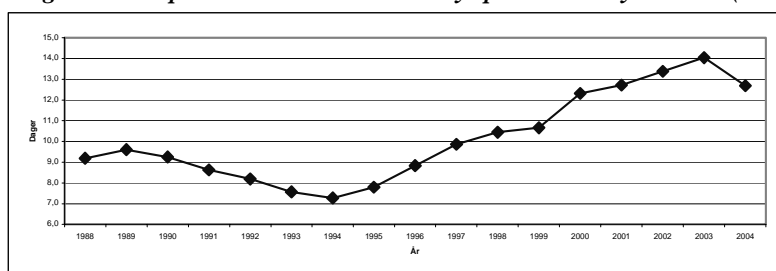
**Table 3 in the Annex** summarises the main development of unemployment benefits and the distribution of recipients by labour market status in the period 1991-2004. The main picture:

- Nearly two third (64 per cent) of the recipients are unemployed while 30 per cent have a part-time job and 6 per cent are in other categories (mainly ALMP-participants) in 2004.
- The share of unemployed benefit recipients has increased while the share of partially unemployed benefit recipients has decreased in the later years. The reduction in part-time unemployed benefit recipients may be explained by tightening of the eligibility criteria for this group.
- Nearly two third (63 per cent in 2004) of the unemployed have unemployment benefit rights and do receive such benefits. Unemployed persons without benefits are mostly entrants to labour market without earlier work experience.
- Nearly two third (64 per cent in 2004) of the partially unemployed have unemployment benefit rights and do receive such benefits. The share is reduced from nearly 90 per cent in the beginning of the 1990's.

### Sickness absence cash benefits

In Norway, sickness leave has followed a rising trend since the mid 1990s. Paid sickness leave days by the NIS rose from 8 per worker per year in 1983 to 14.2 days in 2003. Since the first quarter of 2004, this trend has reversed with a fall of about 10% between 2003 and 2004. This development continues during the first half-year of 2005.

**Figure 2 Compensated sickness leave days per worker by the NIS (1988-2004)**



The NIS compensated sickness absence has decreased by almost 25 % from the end of 2003 until the end of 2004. The long term absence has decreased most strongly. The sickness absence is continuing to fall in 2005. The total sickness absence decreased by 15 % during the first quarter of 2005, compared with the first quarter of 2004. See also *Economic Surveys Norway fig 3.7*.

### *Medical and vocational rehabilitation*

**Table 2 Number of medical and vocational cash rehabilitation benefits (NIS) 2000-2004**

|      | Medical rehabilitation |                                       | Vocational rehabilitation |                                       |
|------|------------------------|---------------------------------------|---------------------------|---------------------------------------|
|      | Number of recipients   | Changes from preceding year. Per cent | Number of recipients      | Changes from preceding year. Per cent |
| 2000 | 39 696                 |                                       | 42 760                    |                                       |
| 2001 | 45 856                 | 15,5                                  | 42 033                    | -1,7                                  |
| 2002 | 52 778                 | 15,1                                  | 52 013                    | 23,7                                  |
| 2003 | 61 209                 | 15,9                                  | 58 103                    | 11,7                                  |
| 2004 | 50 624                 | -17,3                                 | 67 234                    | 15,7                                  |

From 2000 to 2003 there has been a strong increase in the number of persons on medical rehabilitation and vocational rehabilitation benefits. In 2000 stricter requirements for entitlement to disability pensions were introduced and vocational rehabilitation measures should be carried out before entitlement for disability pension. This explains the increase in the number of persons on rehabilitation benefits. From 2003 to 2004 the number of persons on medical rehabilitation benefits has decreased strongly; this is due to a change in the legal framework: From 2004 an additional time limitation to one year was introduced in the medical rehabilitation scheme. From the same time a statutory requirement was introduced to consider vocational rehabilitation as soon as possible, at the latest when the period of sickness benefit expires, and a new corresponding assessment must be undertaken after six months on medical rehabilitation. The assessment responsibility was transferred from NIA to the PES (see further description in 3.3). The decreased number on medical rehabilitation from 2003 to 2004 is more or less levelled out by an increased number on vocational rehabilitation.

### *Disability pensions*

From 1998 to 2004 the number of disability pensioners (including temporary benefit) increased by 52 781, i.e. an increase of 20 per cent (table3). While growth has been highest among women, it has also been quite high among men. The share of women with prior pensionable income of some size has been increasing, reflecting growing participation rates in the 1900s. The share of women among the disabled was 57 per cent by the end of 2003.

**Table 3 Number and prevalence of disability pensioners at year-end. 1998-2004**

|      | Number of disability pensioners |         |         | Prevalence * |       |
|------|---------------------------------|---------|---------|--------------|-------|
|      | Total                           | Men     | Women   | Men          | Women |
| 1998 | 258 103                         | 111 164 | 146 939 | 7,7          | 10,5  |
| 1999 | 269 840                         | 115 347 | 154 493 | 8,1          | 11,2  |
| 2000 | 279 573                         | 119 160 | 160 413 | 8,3          | 11,5  |
| 2001 | 285 364                         | 121 309 | 164 055 | 8,4          | 11,7  |
| 2002 | 292 224                         | 124 241 | 167 983 | 8,5          | 11,9  |
| 2003 | 301 214                         | 128 202 | 173 012 | 8,8          | 12,1  |
| 2004 | 310 884 <sup>2</sup>            | 132 280 | 178 797 | 9,0          | 12,4  |

<sup>2</sup> Included 8515 recipients of temporary disability benefit. From 2004 the disability scheme is divided into a permanent disability pension and a temporary benefit.

\* Per cent of population 20-66 years

Source: Fiscal State budget 2004 and 2005, Ministry of Labour and Social Affairs

From 1999 to 2003 there has been a decrease both in the number and incidence of *new* disability pensioners, related to the population 20-66 years. See table 4. This decrease has been stronger for women than for men. The increase in 2004 is probably due to arrivals from the rehabilitation scheme; mainly due to straighter time limitation on rehabilitation benefits.

Currently, the large post Second World–War baby-boom generation is reaching the age at which disability pensioning is widespread. At the same time, the generation leaving the scheme for old age pensions, consist of small cohorts from the 1920s and 30s.

Age grouped specific disability prevalence by gender shows that the disability prevalence have increased for all groups, with the exemption of men 65-66. This development should be looked at with reference to the contractual early retirement scheme (AFP) which was introduced in the late 1980s and expanded until 1998 (in that year inclusion of 62-63 year olds). These schemes appear to complement each other rather than being alternatives.

Up to 1999 the annual inflow of *new* disability pensioners increased (table 4). The inflow slowed down in 2000 and 2001. In 2002 the inflow increased again, as they did for 2003. The decline in 2000 and 2001 was due to both fewer applications and higher rejection rate (table 5). There has also been a slight increase in the application queue (by 1500 cases in 2001 and 1000 cases in 2002). In 2001 a requirement that work-related rehabilitation should have been used before a disability pension can be granted was introduced, resulting both in fewer applications overall but also in some applications being delayed until 2002.

**Table 4 Number of new disability pensioners. 1998-2004**

|      | New pensioners      |        |        |
|------|---------------------|--------|--------|
|      | Total               | Men    | Women  |
| 1998 | 33 290              | 14 881 | 18 409 |
| 1999 | 33 551              | 14 822 | 18 729 |
| 2001 | 25 296              | 11 607 | 13 689 |
| 2002 | 26 798              | 12 403 | 14 395 |
| 2003 | 28 843              | 13 398 | 15 445 |
| 2004 | 30 448 <sup>3</sup> | 13706  | 16742  |

Source: Fiscal State budget 2004 and 2005, Ministry of Labour and Social Affairs

**Table 5 Applications for a disability pension and rejection frequencies. 1998-2002**

|      | Applications | Rejections | Per cent <sup>2</sup> |
|------|--------------|------------|-----------------------|
| 1998 | 36 786       | 6 448      | 15,7                  |

<sup>3</sup> Included 8708 recipients of temporary disability benefit.

|      | Applications | Rejections | Per cent <sup>2</sup> |
|------|--------------|------------|-----------------------|
| 1999 | 37 684       | 7 107      | 18,0                  |
| 2001 | 35 119       | 8 192      | 23,8                  |
| 2002 | 36 484       | 7 924      | 21,9                  |
| 2003 | 37 970       | 8 550      | 22,1                  |

Source: Fiscal State budget 2004 and 2005, Ministry of labour and Social Affairs

### ***Average (expected) retirement age***

Expected age at retirement for a given year is defined as the age somebody should expect to retire given the cross-section retirement pattern observed that year. Table 6 shows the development in expected retirement age at 18 and 50, respectively (not counting “young disabled, i.e. disability pensions granted to people who were disabled before the age of 26). A slight fall for 18 year olds has been observed while a stronger fall is indicated for 50 year olds from 1995 to 2002. The year 1998 (and subsequently 1999) was characterised by very high disability retirement rates and by very high contractual early retirement rates, the latter due to the reduction of the lowest pension age from 64 to 62 that year.

Among the new cohort qualifying for old age pensions in 2003, 64.3per cent already received a disability or contractual early retirement pension (2002 - 63.3). From 1999 to 2003 this share has increased by 5.6 percentage points (1998 to 2002 - 7.6). The increase is mainly due to more pensioners having received a contractual early retirement pension in 2002 (22.2 percentage points of the total).

**Table 6 Expected age at retirement. Old age pension, disability pension and contractual early retirement**

|      | At age 18 |      |       | At age 50 |      |       |
|------|-----------|------|-------|-----------|------|-------|
|      | Total     | Men  | Women | Total     | Men  | Women |
| 1995 | 60,9      | 61,2 | 60,5  | 64,1      | 64,1 | 64,2  |
| 1996 | 61,1      | 61,4 | 60,8  | 64,3      | 64,3 | 64,2  |
| 1998 | 58,8      | 59,3 | 58,3  | 62,6      | 62,7 | 62,5  |
| 1999 | 59,2      | 59,8 | 58,7  | 62,9      | 63,0 | 62,7  |
| 2001 | 60,8      | 61,1 | 60,4  | 63,5      | 63,6 | 63,4  |
| 2002 | 60,8      | 61,1 | 60,5  | 63,6      | 63,7 | 63,5  |
| 2003 | 60,4      | 60,7 | 60,1  | 63,5      | 63,6 | 63,4  |

Source: National budgets 2004 and 2005, Ministry of Social Affairs and Health

## 2.6 Some results and evidences

### The transition from various social protection programmes to jobs and disability benefits

The relationship between various social protection programmes may be illustrated empirically by transition rates between different social conditions. The *Frisch Centre* has analysed gateways into disability benefits and estimated transitions between social schemes for the 1990's. Their results, based on benefit careers from 1993-2000, show for example that:

**More than 80 per cent of the benefit careers starting with sickness or unemployment end with a job. The probability that a benefit career will end with a job is reduced with longer benefit periods. 70 per cent of the benefit careers which start with a health problem end with a job within 6 months. More than 50 per cent of the sickness careers lasting more than 6 months last more than one year. The probability that these benefit careers will end with disability benefit is nearly three times as high as for others.**

**It is a correlation between unemployment and illness, but the causality is not clear. Many persons with healthrelated benefits have been unemployed. The analyses show that a health related benefit career may start with unemployment.**

- The probability that a benefit career *starting with unemployment* ends with a job within five years is, *at the beginning* of the benefit period, *92 per cent*. The probability of ending up with disability benefit is initially *2 per cent*.
  - *After one year*, the probability that a benefit career starting with unemployment will end with a job (within the next four years) is reduced to *79 per cent*. The probability of ending up with disability benefit is now increased to *6 per cent*.
- The corresponding probability for a benefit career *starting with a health problem* (health related benefits) is *86 per cent* for transition to a job. The probability of ending up with disability benefit is initially *11 per cent*.
  - *After one year*, the job probability for a benefit career starting with a health problem has been reduced to *45 per cent*. The probability of ending up with disability benefit is now increased to *40 per cent*.
- The probability that a benefit career starting with *social assistance* ends with a job within five years is, at the beginning of the benefit period, *68 per cent*. The corresponding probability of ending up with disability benefit is *9 per cent*.
  - *After one year*, the job probability for a benefit career starting with social assistance has decreased to *45 per cent*. The probability of ending up with disability benefit is increased to *13 per cent*.

These results confirms that long term benefit dependency reduces transitions to jobs. The transition rates to permanent disability benefits increases on the other hand with the benefit period. The transitions to disability benefits is very large from long term benefit careers starting with a health problem (most often sickness benefits), as might be expected, but is also significant for those starting with a labour market problem (unemployment). See Frisch Report 2004:6 for more details. (Ref.: [www.frisch.uio.no/pdf/rapp04\\_06.pdf](http://www.frisch.uio.no/pdf/rapp04_06.pdf))

### Benefit careers starting with a health problem

**Many persons have several benefit periods, and more than 50 per cent of the recipients having a health problem, have more than one period on a healthrelated benefit.**

**More than 80 per cent of the benefit careers which end with disability benefit start with sickness benefit. The analyses show that vocal rehabilitation has been tried primarily for persons under 50.**

**Muscel/skeletal diseases and mental diseases are the main diagnostic categories among the recipients of health related benefits. 27 per cent of those with a muscel/skeletal disease had disability benefit after 3 years, while the corresponding situation for those with a heart disease was 42 per cent.**

**Persons with mental diseases are overrepresented on vocal rehabilitation, and it seems that this group receives other benefits for a longer time before disability benefit than other groups. It seems also that this group to a lesser degree is getting back to work. The same is the case for non-western immigrants, people with low-education and the oldest. More women than men end up on disability pension.**

**Vocal rehabilitation can be tried for persons with a health problem and for persons with social problems. Of those who go through vocal rehabilitation 36 percent goes directly to a job, 45 per cent has a job within one year. However many persons return to temporary benefits.**

#### **Unemployment as a pathway from the labour market to disability benefits**

Even though sickness benefits are the main entrance to disability benefits, analyses from The Frisch Centre show that unemployment is also an important pathway. Among new disability benefit recipients in 2000, nearly ¼ started their benefit career as unemployed:

- 43 per cent of the new disability benefit recipients in the age group 20-40 years started their benefit career as unemployed. Persons with mental diseases are overrepresented in this group.
- The corresponding rate is 27 per cent for the age group 41-50; 19 per cent for the age group 51-60 and 16 per cent for the age group 61-67 years old.
- 26 per cent of males and 21 per cent of females started their benefits career as unemployed.

These numbers illustrate that persons starting with a labour market problem may turn up with a health problem and eventually leave the labour market permanently on disability benefits. Disability benefits may in some cases also be used as an instrument to solve labour market problems. It is noteworthy, and disturbing, that such career from unemployment to disability benefits is most evident for younger workers. See Frisch Report 2002:2 for more details. (Ref: [www.frisch.uio.no/pdf/rapp02\\_02.pdf](http://www.frisch.uio.no/pdf/rapp02_02.pdf) )

#### **Effects of vocational rehabilitation**

**Research and experience-related knowledge shows that active measures to get unemployed and people with a health problem back to work works, but it is important that the measures are focused and correctly timed.**

The active labour market programmes (ALMP) in Norway have been evaluated several times.

Some of these evaluations show that ALMP have a positive effect, others show no effect and some evaluations even show negative effects for some groups. The evaluations concerning ALMP directed towards the disabled – vocational rehabilitation programmes – seem to give no exception to these dubious results.

However, it should be noted that the selection is a particular problem in evaluation of Norwegian vocational rehabilitation, even though it is a general methodological problem in all effect evaluations. Persons on vocational rehabilitation are not a randomly selected group, and it is particularly problematic to find proper comparison groups when the great majority of the vocationally disabled registered at the PES are supposed to participate in ALMP.

Nevertheless, a recent overview of the effects of vocational rehabilitation programmes concludes that not only one single programme may affect transitions to jobs, but also that the outcomes may be affected by the composition and timing of specific programmes (i.e., so-called “programme chains”). Targeted programmes close to the labour market (e.g. wage subsidies), or programme chains that ends with such targeted programmes, seems to have better effects than programmes more distant from the labour market (e.g. general training programmes). See NIFU report 2004/8 for further details. (Ref:

[www.nifustep.no/norsk/publikasjoner/norsk\\_og\\_annen\\_nordisk\\_forskning\\_om\\_yrkesrettet\\_attf\\_ring](http://www.nifustep.no/norsk/publikasjoner/norsk_og_annen_nordisk_forskning_om_yrkesrettet_attf_ring)).

References to additional evaluations of ALMP may be found in Annex 2.

#### **Mid- term evaluation of the IW- agreement in 2003 ( see section 5. 1)**

*ECON Report 2003-047 “Inclusive workplace enterprises – room for everyone?”*

ECON Analyse has carried out a case study of sixteen selected IW enterprises representing a cross section of the Norwegian labour market. Information was collected about activities, processes and teamwork in the individual enterprises, how the cooperation agreement is supported by and made use of by the management and employees, and the enterprises’ experience so far with the incentives and obligations inherent in the cooperation agreement.

ECON sums up the results of the case study as follows:

“The scheme whereby enterprises enter into an agreement to become inclusive workplace enterprises can bring sickness absence figures down and prevent exclusion of the enterprises’ own employees. The scheme can also have several positive side effects. But the results do not come automatically. They require goal-oriented cooperation in the individual enterprises and serious efforts to root new systems and new practices throughout the organization. This work takes time. The scheme is not likely to improve the situation for persons with impaired functional capacity who are excluded from the labour market today.”

*FAFO Report No. 417 “Research and analysis relevant to the Tripartite Agreement on a More Inclusive Workplace”*

FAFO (Norwegian Institute for Applied Social Sciences) summed up and analysed the results of about seventy recent research and analysis projects, which may have relevance to the IW evaluation - relevant in the sense that the research and analysis results must throw light on issues, processes or measures that are of interest in the context of the IW Agreement. FAFO briefly sums up the main finds from the project as follows:

“The object of the project was to sum up and assess the results of R&D projects which may be of relevance in an evaluation of the Tripartite Agreement on a More Inclusive Workplace. Since few of these projects were carried out as effect evaluations, it is difficult to reach a definite conclusion with regard to what overall results can be expected in the long term.

In spite of this uncertainty regarding the effects of the measures, we believe that there is a basis for saying that so far the IW Agreement has helped to increase the focus on the connection between features of the workplace and exclusion mechanisms, and that the IW Agreement has helped to raise awareness of what promotes a more inclusive workplace. However, we have no basis for assessing the degree to which the focus on inclusive workplaces can manifest itself in a more active and more inclusive recruitment and retention policy at enterprise level.”

#### *Evaluation of the NIS workplace centres*

- ECON carried out user surveys of National Insurance Service workplace centres in autumn 2002 and autumn 2003 (ECON reports 95/02 and 95/03). These user surveys were based on interviews with the contact persons at 420 and 600 IW enterprises respectively. The main impression from both surveys is that the IW enterprises are very pleased with the support they receive from the workplace centres.

ECON concludes that user satisfaction is high. If this is to be maintained, there are three challenges to be faced:

- The workplace centres must do a better job of transferring expertise [to the enterprises] and making themselves ‘redundant’
- The contact persons must be able to give consistent, clear information
- The centres must make a point of explaining what the enterprises can expect in the way of contact and follow-up. There should, for example, be more focus on objectives 2 and 3 in the IW Agreement.

## **3. Income support programmes**

### **3.1 Unemployment cash benefits**

Daily cash benefits during unemployment partially compensate loss of income due to unemployment. The compensation rate is 62.4 per cent of the earlier income, up to a threshold of 6 B.a. (NOK 364 194).<sup>4</sup> The maximum benefit period varies depending on earlier income. Income amounting to at least 2 B.a. (NOK 121 398) gives a benefit period of 2 years. Income amounting to less than 2 B.a. gives a benefit period of 1 year. When the unemployment benefit period expires for those with 2 years benefit period, the unemployed may be granted a succeeding benefit based on the same net amount as the previous unemployment benefit. This benefit should, in principle, be conditional of active participation in labour market programmes.

---

<sup>4</sup> B.a.= Basic amount, equal to 60.699 NOK as from 1. May 2005.

Part-time unemployed may also receive unemployment benefits if they want and may take longer working hours. Working hours must then have been reduced by at least 50 per cent compared to previous working hours.

Previously earned income is a condition for entitlement to benefits. The person concerned must have had an income from work of at least 1.5 B.a. (NOK 91 048) the preceding year or an income from work of at least 3 B.a. (NOK 183 000) during the three preceding years.

Unemployment benefits recipients must be registered at the employment office and be an active job searcher. The job-search and availability criteria and the demands concerning geographical mobility is considered to be rather strict in Norway, compared to many other countries (Ref: Availability criteria in 25 countries, Danish Ministry of Finance 2004).

Certain rules for older workers apply: Persons above the age of 64 are guaranteed a calculation basis of at least 3 B.a. (NOK 183 000), and benefits are paid without time limitation until the age of 67.

### **3.2 *Sickness-, rehabilitation- and disability benefits***

The National Insurance Schemes should ensure a satisfactory level of income and at the same time be designed so as to give necessary incentives to work. Some schemes are specially aimed at getting long-term sick and disabled people back to work, but at the same time give reasonable income- security for the period the person is out of work.

#### ***Sickness cash benefits***

An insured person who has an annual income of at least 0.5 B.a. ( basic amount = NOK 30 350) is entitled to daily cash benefits in the case of sickness if he/she is incapable of working due to sickness. It is, as a general rule, required that the occupational activity has lasted for at least 4 weeks. Daily cash benefits for employees equal 100 per cent of the previous wage bill, and are paid from the first day of sickness for a period of until 1 year. Daily cash benefits in the case of sickness are paid by the employer for the first 16 calendar days, and thereafter by the National Insurance Scheme. During the period in which daily cash benefits are paid by the employer, no minimum income level is required. Income exceeding 6 B.a. (NOK 364 000) is not taken into account.

*Self-employed persons* get sickness cash benefits corresponding to 65 per cent of pensionable income from the 17th day of sickness for a period of 248 days. By voluntarily paying a higher rate of contributions, self-employed persons may receive 65 per cent of pensionable income from the first day of sickness or 100 per cent from the seventeenth day of sickness or the first day of sickness.

*Graded sick leave* is a combination of work and sickness benefits which can be used when the employee is partially disabled. Sickness benefits can be graded down to twenty per cent. The employer and the employee on partial sick leave must work together to find a functional and acceptable arrangement regarding working hours. Most employees on partial sick leave carry out some of their ordinary work tasks in shorter working hours.

#### ***(Medical)Rehabilitation cash benefits***

When the period of entitlement to daily cash benefits in case of sickness has expired, one may be granted a rehabilitation allowance, provided that his or her working capacity is still reduced by at least 50 per cent. It is a requirement that he/she is undergoing active treatment with a view to improving his/her working ability. The replacement rate is 2/3 of previous wage level..

Rehabilitation allowance may also be granted to persons who have not been entitled to cash benefits in case of sickness, when the incapacity to work has lasted one year. Young students who become seriously ill may receive rehabilitation allowance after 20 weeks. In the later stages of a period of rehabilitation, rehabilitation allowance may be granted if the working capacity is reduced by 20 per cent or more. Rehabilitation allowance is generally only granted for a period of 52 consecutive weeks (one year). Previous income exceeding 6 B.a. (NOK 364 000) is not taken into account.

Expenses for technical aids and for purchasing of cars may be covered. Personal aid, cars, transportation equipments and services, interpretation services, etc. may be covered if deemed necessary and appropriate for the improvement of his/her ability to manage the situation of daily life, or to undergo vocational measures.

#### **Vocational rehabilitation allowance**

Vocational rehabilitation allowance is granted to insured persons between 19 and 67 years, whose ability to obtain employment income or possibility to choose occupation is permanently reduced by at least 50 per cent due to illness, injury or defect. Furthermore it is a condition that it is considered necessary that the person undergoes vocational measures before he/she can get or keep suitable work. Vocational rehabilitation allowance covers living expenses, and is granted while the person is undergoing vocational measures, during waiting periods before or while vocational measures are carried out, or for up to six months after the vocational measures are carried through while he/she applies for suitable work. The replacement rate is 2/3 of previous wage income.

#### ***Disability pension***

Persons between 18 and 67, whose working capacity is permanently reduced by at least 50 per cent due to illness, injury or defect, is entitled to a disability pension. A prerequisite for receiving disability benefits is also the assessment of/participation in vocational rehabilitation.

From January 2004 the disability scheme was divided into a permanent disability pension and a time limited disability benefit. The permanent disability pension will be granted those who after having undergone appropriate treatment still are without prospect of going back to work in the future. The time limited disability benefit will be granted those who have the prospect of going back to work. The time-limited benefit will be granted for a period from one to four years. After this period the time limited disability benefit will be reconsidered and may be prolonged for a new period up to four years.

The disability pension is obtained and calculated by the same rules as old age pensions, calculated future wage income as before the disability taken into account.

### ***3.3 Recent reforms and reforms under consideration***

### ***Sickness leave compensation***

#### **Activity requirement for entitlement to sickness benefits**

According to the IW Agreement (section 5.1), the person on sickness leave shall as soon as possible try to carry out work-related activities. There must be severe medical reasons for inactivity lasting for more than eight weeks. This requirement will apply to all persons on sickness leave. Clear medical documentation that work-related activity is not possible or advisable must be available.

#### **Goal orientation of the active sick leave scheme**

Sickness benefits may be granted during activation and work training at the workplace for a period limited upwards to twelve weeks. The period may be extended until the end of the sickness benefits period if this is necessary and expedient in order to allow the person in question to keep his/her job.

Graded sickness benefits will be granted if the patient can carry out part of his/her ordinary work tasks – either by working shorter hours or by spending more time on these tasks, for example by working full time but only carrying out half of the work.

#### **Documentation during the self-certified period**

All employees are entitled to up to three calendar days of sickness absence at a time without a doctor's certificate (self-certified sick leave). This right can be exercised up to four times a year. The cooperation agreement allows for greater flexibility in the use of self-certified sick leave. Employees in IW enterprises may be off sick for up to eight calendar days at a time and up to 24 calendar days per year without a doctor's certificate.

Self-certified sick leave must be reported on a special form on which the employee gives an assessment of his/her own functional capacity. The self-certification form and assessment of functional capacity provide the basis for the dialogue between employer and employee.

#### **Functional assessment and documentation within eight weeks at the latest**

The medical practitioner must always base the sick leave certificate on an assessment of functional capacity. A functional assessment means that the medical practitioner must assess whether the patient, with the health problems he or she has, can work full time or part time or must stay away from work. It follows from the above that the medical practitioner must always consider whether there are serious medical reasons for keeping the patient away from work. If the medical practitioner believes that sick leave is necessary, graded sick leave must be the first choice and after that active sick leave should be considered. When extending sick leave, the medical practitioner must investigate whether there is a genuine activity at the workplace.

#### **More responsibility at the workplace – “8 week and 12-week decisions”**

Since 1993, the national insurance office has been required to make a decision regarding continued entitlement to sickness benefits when incapacity for work has lasted for twelve weeks. In reaching its decision, the national insurance office must consider whether the medical and functional conditions for continued sickness benefits have been fulfilled, and whether there is a need for medical, work-related or other measures.

#### **Participation and obligations for employees**

Employees can lose the right to sickness pay from their employer and sickness benefits from the

National Insurance Service if they refuse without reasonable grounds to provide information or accept an offer of treatment, medical rehabilitation, workplace adjustments or work-oriented rehabilitation. This provision is rarely applied. In future, the NIS should make more use of this option than is the case today, in order to help to ensure that the activity requirement is complied with.

#### **Stricter sanctions for medical practitioners who do not comply with the new sick leave rules**

If a medical practitioner does not provide the national insurance office with the necessary information to reach a decision concerning sickness benefits, medical or work-oriented rehabilitation or disability pension, the local NIS adm. may decide that the NIS scheme shall not grant such benefits based on certificates from the medical practitioner for up to a year,

#### ***Medical and vocational rehabilitation benefits***

The following changes in vocational rehabilitation were introduced in 2004:

- The maximum period for receiving medical rehabilitation benefits was limited to two years.
- A statutory requirement was introduced to consider vocational rehabilitation as soon as possible after intra-enterprise measures have been tried out, and, at the latest, when the period of sickness benefit expires. A further new requirement is that after six months of rehabilitation benefits, which may follow after the period of sickness benefit, a new corresponding assessment must be undertaken.
- The age limit for obtaining benefits during vocational rehabilitation in ordinary education is raised from 22 to 26 years. The reason is that ordinary education should not be financed by benefits from vocational rehabilitation, but be financed as for all other youths by own means or by ordinary education grants and loans (from the State Educational Loan Fund). Exceptions may be given to youths under 26 years if they due to illness, injury or defects are in a totally different position than other youths to finance the education.
- Benefits from vocational rehabilitation to education are limited to three years (and a ceiling of 100.000 NOK in expenditures). This limitation expresses the intention and goal for vocational education; that it should be work oriented and have the purpose that the participant can return to the labour market and obtain appropriate work as soon as possible.
- The incentives for getting rehabilitated persons into employment are strengthened by reducing the period of rehabilitation benefit during the waiting period for employment (from 12 to six months) at the same time as the capacity of PES (Aetat) to follow up the target group was strengthened.

The assessment concerning whether individuals should follow vocational rehabilitation was earlier divided between NIS and PES. The assessment by NIS was based on medical criteria, while the PES assessments of the necessity and appropriateness of rehabilitation measures were based on labour-market related criteria. As of 1. July 2004 PES is to consider both whether the

preconditions for vocational rehabilitation are present and decide how rehabilitation is to be implemented. This should help more persons to achieve a quicker transition to employment since it reduces the waiting time for rehabilitation and puts the focus on employment-oriented measures at an early stage in the rehabilitation process.

### ***Disability benefits***

From 2004 the disability scheme is divided into a permanent disability pension and a temporary benefit. Limited duration is granted “when there is some possibility that the pension receiver may return to full or part-time work”. The measure aim at communicating that disabled people not always should have a permanent pension, and that there should be incitements to try and attain work during the disability pension period. The measure is supported by increased focus on work rehabilitation programmes during the pension period and when an application comes up for renewal.

Disability pensions should only be granted when the probability for re-attaining normal earning status is zero. If the probability is higher, the limited duration benefit should be granted instead.

In 2005 the number of recipients of disability benefits has stabilized. Among 1/3 of new recipients have been granted a time limited disability pension in 2005.

I

Starting September 1, 2001, new regulations made it clear that the disability pension could be combined with a minimum labour income for pensioners that have received a pension for at least one year. Thus, combining a disability pension with some work attachment was made easier. The income will not count negatively towards the degree of disability.

## **4. Employment support programmes**

### ***4.1 Labour market policy, programmes and reforms***

An active labour market policy plays an important role in the Norwegian policy of promoting high labour force participation and low unemployment, and for preventing work disability. Active labour market policy measures emphasize job placement services and targeted programmes. Increased importance is put on job-search assistance and job-clubs in order to facilitate job-search activities by the unemployed. In addition, skill-enhancing training programmes are targeted at labour market entrants (notably youths, unemployed on long-term social welfare and immigrants), long-term unemployed, , and vocationally disabled. The goal is an integrated labour market policy for all. To get good results, it is very important to focus on close cooperation between the labour market authorities, the educational authorities, the health care system and the social security system on the one hand, and with employers on the other hand. The challenge is to make all the different components working effectively together.

#### ***The organisation of the public employment services (PES)***

Labour market services in Norway are state organised and financed. The ultimate responsibility for the employment sector lies with the Ministry of Labour and Social Affairs. The PES is responsible for implementing labour market policy in practice. It is organized with a Directorate of Labour and local offices throughout the country providing employment services to individuals. Job placement services, active labour market programmes (e.g. training) and benefit services for

the unemployed and people undergoing vocational rehabilitation are all gathered in the PES. This ensures the possibility of seeing the various factors in a larger context.

The PES' users are primarily the unemployed and the vocationally disabled, who are given various individual services – all aimed at bringing people towards active participation in working life. In addition, the PES produce and offer a nation-wide database covering all vacant jobs. This is a service to all job-seekers, not only to the unemployed and the vocationally disabled.

This state financed and nationally organised labour market setup ensures that the central aim of “work for all” is met equally across the country, regardless of the local labour market situation or of short-term profitability. The Directorate can distribute and redistribute resources (within given budgets) to where they are needed, geographically or towards specific target groups, in a flexible manner.

### **Recent reforms of the unemployment benefit system**

In Norway, a rather generous and comprehensive unemployment benefit system has traditionally been combined with a high degree of active labour market policy and strict availability criteria that emphasise the interaction between benefits and activation. By counteracting potential disincentive effects in the benefit system, availability criteria support the use of other labour market policy instruments, e.g. through job search requirements and obligations to participate in labour market programmes or accept offers of available positions. A recent comparison of the availability criteria across 25 countries shows that Norway is among the countries with the strictest availability criteria in the labour market policy (Ministry of Finance, Denmark: ”Availability criteria in 25 countries”, June 2004).

Recent shifts in the Norwegian labour market policy indicate that the policy to a larger extent than earlier emphasise the incentive effects in the benefit system. The following changes were introduced in the unemployment benefits system in 2003:

- The maximum period during which an unemployed person can receive unemployment benefits was reduced from 3 to 2 years (for persons with previous annual income amounting to at least 2 B.a.)<sup>5</sup>
- The gross replacement rate was lowered for persons receiving benefits beyond 8 weeks by abolishing the holiday supplement of 9.5 per cent of the unemployment benefits.
- Eligibility requirements were tightened as the minimum previously earned yearly income was raised by 20 per cent (to 1.5 B.a., or around 11 500 Euro, *i.e.* around 30 per cent of the average production worker annual gross earnings).
- Further eligibility restrictions were introduced for part-time workers as the minimum loss of working hours to be considered for benefits was raised from 40 to 50 per cent.
- The waiting period before a newly unemployed person can draw benefits was increased from 3 to 5 days.

The most important change is the reduction of benefit period from 3 to 2 years. Norwegian and international research suggests that duration is more important than the replacement rate for job search, and this is the main reason behind the change. The transition from unemployment to work

---

<sup>5</sup> For smaller income, between 1,5 B.a. and 2 B.a., the maximum period was reduced to 1 year in 2004.

may increase with 30 to 60 per cent when the benefit period expires. The flow into other social benefits, such as sickness or disability benefits may – on the other hand – also increase. Thus, the reduction of the benefit period may affect job search and employment in the intended direction, but may also have a negative impact on the labour force.

#### **Changes in the active labour market policy**

The role of the active labour market policy for the unemployed is also changed in recent years. The number of programme places is reduced relative to the number of unemployed. In the first half of the 1990's, the ratio between the number of unemployed and the number of ALMP-programme participants was 2.2. In the last six years, there has been about 6 to 8 unemployed for each programme participant. At the same time, there has been a shift towards intensive counselling assistance and short-term job-search programmes (e.g. 2 months job clubs) from longer training programs in order to increase the flow through programmes and to focus on the outflow to regular jobs. Today, only the vocationally disabled are offered programmes of long duration. In addition, personnel resources have increased, e.g. to allow for the hiring of 560 new PES employees in 2003 and 2004 (about 18% growth over 2 years), in order to increase the attention and following-up of unemployed and disabled and to strengthen job placement and counselling assistance.

#### **4.2 Vocational rehabilitation**

Vocationally disabled persons are defined as job seekers with a physical, mental or social handicap, which reduces their job opportunity. The number has increased over the last years, and is still increasing. The increase is partly intended. The government has stimulated the use of active rehabilitation measures, in order to bring the vocationally disabled back into the labour market and to stop the influx into disability pension.

Vocationally disabled is the fastest growing, and the biggest single group registered at PES. The number of vocationally disabled has risen from grossly 54 000 in 1995 to approximately 95 000 the first half-year 2005. The group size is almost at the same level as all other groups registered at PES as ordinary jobseekers (unemployed and programme participants). This has caused a change of priority by the government, and a swift in focus by the PES in favour of a stronger emphasis on the vocationally disabled.

#### ***Assistance to vocationally disabled persons.***

The policy of integration and normalization implies that disabled persons as far as possible shall be given training and work experience in ordinary work setting, both in the public and the private sector, rather than in segregated sheltered work. The aim is to integrate vocationally disabled persons more fully in the ordinary labour market. Where the PES finds vocational rehabilitation appropriate and necessary to ensure that the person can enter or re-enter into ordinary work, a *plan of action for rehabilitation is drawn up for each individual job seeker*. The plan describes what the person himself has to do and how the PES will assist him or her. The job seeker is supposed to play an active part in the process.

Vocationally disabled may utilise the whole range of services developed by the PES, from

information and counselling, to ordinary labour market measures and job-placement assistance. There is a wide variety of labour market measures set up for the vocationally disabled both in ordinary working life, in the education system or in sheltered enterprises. Programmes are mainly offered on a temporary basis. The maximum length of any one temporary program is three years. However, the total period on vocational rehabilitation may last longer on account of programme chains. There is also a permanent programme in the sheltered sector for those with special needs due to physical, psychological or social problems (covering about 15 per cent of the ALMPs directed towards the occupationally disabled).

In accordance with the increasing number of vocationally disabled registered at the PES there has been a steady rise in the number of vocationally disabled participating in labour market programmes, from about 45 000 (2000) to approximately 63 000 (first half-year 2005). Registerbased studies of vocationally disabled persons who have participated in vocational rehabilitation have shown that approximately 40 per cent are rehabilitated for jobs in the ordinary labour market (SSB 2001 and 2002). [http://www.ssb.no/emner/06/rapp\\_arbmark\\_sofa/index.html](http://www.ssb.no/emner/06/rapp_arbmark_sofa/index.html)

See also the before mentioned Frisch report 2004:6 for further evidences concerning the transition from occupational rehabilitation to jobs (Ref.: [www.frisch.uio.no/pdf/rapp04\\_06.pdf](http://www.frisch.uio.no/pdf/rapp04_06.pdf)).

During vocational rehabilitation, the person concerned may receive ordinary wages, vocational rehabilitation benefit, disability pension or a special grant, depending on the benefit status of the individual and the measure in which the person takes part. An employer who hires a vocationally disabled person may, in addition to guidance in rehabilitation matters, receive wage subsidies, support for investment costs and assistance in the job-situation.

The most important temporary labour market programmes for the vocationally disabled are the following:

#### Clarification of work ability

The purpose of the clarification scheme is clarifying the work ability of the vocationally disabled. Mainly the scheme takes place in sheltered enterprises. However, as an exception, and to a small extent it is also arranged by others. The maximum period is 8 weeks. The ministry has proposed prolonging the maximum period to 12 weeks, with the intention of implementing the change 1 January 2006.

#### Work experience

The scheme provides adapted job training and follow-up with the purpose of trying out the individual's opportunities in the labour market and to improve the participant's chances of finding work or starting education. Work experience can take place in ordinary or in sheltered enterprises. The scheme may last for up to three years for vocationally disabled.

#### Work training

The purpose of the training is to help the vocationally disabled to qualify for vacant jobs and prevent exclusion from working life. The vocationally disabled may take part in three different training schemes:

1. Work training given as labour market courses. Participants must be over 19 years of age. Maximum duration is 10 months.
2. Vocationally disabled may also take part in ordinary education at upper secondary level or

at university level. The age limit is over 26 years of age. Maximum duration for receiving vocational rehabilitation allowance is three years (and an income ceiling of 100.000 NOK).

3. Actual and formal competence through adapted training and work training given by a sheltered enterprise/labour market enterprise. The training may last for up to two years, and may be extended in order for the participant to achieve a professional/trade certificate.

Participation in ordinary education is by far the single largest scheme for vocationally disabled. In 2005 some 30 000 (monthly average) take part in this scheme. This creates problems with the borders between the labour market policies and the education system where students have to rely on financing their own education.

#### Supported employment

The object of the scheme is to provide necessary and suitable assistance with the objective of integrating the vocationally disabled into normal working life. Supported employment may be used in connection with vocational rehabilitation in ordinary enterprises, included in combination with other labour market schemes, except training. The scheme is used for vocationally disabled who have a particular need for wide-ranging follow-up in order to get a job. It may be used for various purposes: clarification and charting of competence, adaptation of the work place, training in work related and social skills, as well as advice and guidance to the employer. Maximum duration is three years. The ministry has proposed an amendment so that supported employment may be used for placement purposes for all vocationally disabled when assessed appropriate.

#### Wage subsidies

An important placement or recruiting scheme is wage subsidies to employers. Wage subsidies are intended to assist vulnerable groups of job seekers to be employed on ordinary wage and employment conditions. This is achieved by providing a time-limited wage subsidy to employers that employ job seekers and vocationally disabled on ordinary wage and employment conditions with the aim of establishing a permanent employment relationship.

The wage subsidy is given in the form of a percentage wage refund for a limited time period. The refund is to be calculated on the basis of the wages and the employers' social security contributions etc. The wage subsidy is to compensate for the employee's lower rate of productivity during an initial period. A full wage subsidy equals 50 per cent of wages for up to 18 months. The ministry has proposed shortening the maximum length of the scheme to 12 months. The reason being that we propose a wage subsidy scheme of longer duration (see below).

In addition to this regular scheme there is also established a pilot project where the target group is vocationally disabled with muscular/skeletal or mental disorders that have already undergone rehabilitation. The duration and the level of the wage refund are more generous in this project than in the regular scheme. The ministry has proposed that this scheme be made permanent with a maximum duration of three years, and that the target group encompasses all vocationally disabled.

As of 2005 there is also a pilot project in 5 counties where disability pension can be used as a wage subsidy. The aim of this pilot project is to stimulate employers to hire disabled persons, and that the disabled will have an opportunity to try out his/hers work ability.

## **5. Other recent political initiatives and reforms with the aim to promote labour force inclusion and participation**

A broad range and combination of measures are needed and used in prevention of work disability; labour market policy, social policy, economic policy, education and research policy as well as health services, to mention some areas. The linking of labour, welfare/social and economic policy is an acknowledgement of the important role of labour market policy and social policy in creating a competitive and sustainable economy. Furthermore, this provides for a coordinated approach to the mainstreaming of policies directed towards employment promotion and activation as the principal objectives of the social policies.

The most recent and important policy initiatives intended to developing a more inclusive labour market and society are the following;

### ***5.1. Inclusive Workplaces (IW) – the trilateral agreement.***

To reduce the outflow from the labour market through health related benefits and early retirement schemes, the government and the social partners in 2001 signed an Agreement to cooperate on strengthening an active labour market policy at the workplaces (Inclusive Workplace Agreement) for the periode of 2001-2005. The specific objectives of this Agreement are:

- to reduce sickness absence by at least 20% for the whole of the contractual period as compared with the sickness absence rate for the second quarter 2001,
- to secure employment for a far greater number of persons whose functional capacity is impaired, than is the case today.
- to raise the real retirement age (i.e. the average age of retirement from working life).

Several measures are implemented in order to achieve these objectives. The IW Agreement is based on the principle that the single workplace is the main arena for achieving an inclusive labour market. One important policy instrument has been the possibility for enterprises to enter into binding cooperation agreements with the National Insurance Service (and thus become IW enterprises). The National Insurance Administration has established Working life Centers in each county which supports the enterprises with a number of incentives and measures.

The main idea to succeed, is that the agreement is known and accepted in all parts of the labourmarket and also in every company. The crucial point is the dialogue between the employer and the employee to find solutions.

The agreement was entered into for a trial period of four years, effective from 3 October 2001 until 31 December 2005. An evaluation of the Agreement was carried out after the 2<sup>nd</sup> quarter 2003. The evaluation showed that the objectives was far from reached.

However, the Government and the social partners agreed that the IW concept has gained considerable support in the Norwegian workplace and that this may lead to results over time. The Government and the social partners therefore agreed to uphold the IW Agreement for the agreed period until the end of 2005.

As a follow up of the Declaration, there has been some changes in the sickness benefit schemes,

which strengthens the obligations of the employees, employers and the medical doctors. The changes came into practice in July 2004, as described in section 3.2.

The IW- agreement will be fully evaluated by the end of 2005. Then the government and the social partners will discuss and negotiate the future policy in these matters.

See intermediate evidences in section 2.6 and 3.3.

More information on <http://odin.dep.no/asd/arbeidsliv/bn.html>

## **5.2 Work environment – new legislation and recent reforms**

The working environment, including the health and safety area is an area where the employer has the overall responsibility. The Labour Inspectorate has an important role in motivating enterprises to work systematically to improve health and safety standards, and their main focus is on preventive measures in the work place.

The Working Environment Act specifies and makes clear the employer's responsibility to follow up and make adjustments for employees on sick leave.

In general the employer must ensure implementation of *systematic preventive work on working environment* and adaptation, including systematic work on sickness absenteeism. If an employee suffers temporarily or permanently reduced capacity for work as the result of an accident, illness, strain or the like, the employer shall, to the extent possible, implement the necessary measures to enable the employee to be given or to retain suitable work. Preferably the employee shall be given the opportunity to continue his normal work, possibly after special adaptation of the work, working hours, alteration of technical appliances, rehabilitation or the like. Unless regarded as evidently unnecessary, the employer shall in consultation with the employee prepare an *individual follow-up plan* for return to work following an accident, illness, strain or the like. Work on the follow-up plan shall at the latest commence when the employee has been wholly or partly absent from work for a period of eight weeks. The follow-up plan shall include a review of the employee's responsibilities and residual working capacity. The plan shall moreover include appropriate measures by the employer, appropriate measures involving the assistance of the authorities and further plans for follow-up. The employee has the right and obligation to help prepare and implement follow-up plans. (See Section 3.2 and 3.3 in this paper)

*In June 2005 the Parliament passed a number of changes to the working environment legislation. The new provisions will come into force from 1. January 2006. The overall concern is to create a more inclusive working life.*

One of the aims of the new act is to lower the threshold to the labour market for different vulnerable groups; for instance persons with various levels of disablement. The new legislation introduces a softening of the rules regulating temporary employment. This will contribute to increase the possibilities for these vulnerable groups in the labour market. To prevent 'exclusion' from working life, the special protection period against dismissal in the event of illness, etc will be extended from 6 to 12 months for all employees.

The Ministry has announced an evaluation of the effects of the legislative amendment concerning temporary employment, within a 2-3 year period. This evaluation starts with a poll with questions about different subjects concerning temporary employment in October 2005 with a follow up in two or three years. Other studies will attempt to get a better overview on which groups of employees that are exempt from the regulations concerning working time. The goal is to ensure a better understanding on whether the regulations are appropriate.

The ministry has also instigated a project whose main aim is to coordinate research in the area of work health and working environment. This project is started because of the need for easier access to a coherent and comprehensive overview of the situation in this area. In addition to these projects the general policy concerning safety and health at work is that the most important policy instruments and their effectiveness are evaluated regularly. One example is the recent evaluation of the Norwegian Labour Inspection Authority, and the forthcoming evaluation of the Norwegian Petroleum Safety Authority in 2006.

### **5.3 A new Public Employment and Welfare Administration**

#### *Organisational reform on coordination of the Public Employment Service, the National Insurance Service and the Social Assistance Offices*

The administration of the welfare- and employment services in Norway is divided between three main public welfare agencies: the National Insurance Service and the Public Employment Service run nationally, and the municipal Social Assistance Offices. As a result, coordination of these services has to cut across administrative borderlines as well as administrative levels. The present system has been criticised for being fragmented and inaccessible to clients who are in need of combining services from two or three agencies, and it has been claimed that the coordination of different services has been inefficient or lacking. To amend system failures and to create a system better equipped to reach important policy objectives the government is in the process of implementing a reform to coordinate the Public Employment Service, the National Insurance Service and the Social Assistance Offices.

The government has set three main goals for the reform:

- Increase the number of persons working or engaged in other activities, and reduce the number of people dependent on welfare benefits.
- Develop a more user/client-oriented employment and welfare system.
- Develop a more effective employment and welfare system.

The main elements in the welfare reform is:

- 1 Establishing merged, local employment- and welfare-offices containing all employment and insurance services in cooperation between the new central government agency and local authorities
- 2 The merging of the National Insurance Service and the Public Employment Service into one new central government agency
- 3 The social assistance will still be the responsibility of municipalities, but closely coordinated with the new employment and welfare-office

Formatted: Bullets and Numbering

Subject to Parliament's decisions, the time frame for implementation is as follows:

- The Government aims to submit necessary legislative amendments at the end of 2005/beginning of 2006
- The formal establishment of a new government agency should be possible from the second half of 2006
- It is planned that the front-line service will in all essentials be in place throughout the country by 2010.

More information on [http://odin.dep.no/filarkiv/240252/Ny\\_arbeids-og\\_velferdsforvaltning.pdf](http://odin.dep.no/filarkiv/240252/Ny_arbeids-og_velferdsforvaltning.pdf)

#### **5.4. Dismantling of disabling barriers**

The government have outlined the policy measures in a *White Paper "Dismantling of Disabling Barriers"*, and the Parliament has approved the plan. As disability arises in the gap between the individual's capabilities and the demand made by society, the strategy is to strengthen the individual's capabilities and at the same time make society more accessible. The policy for disabled persons is based on the principle of mainstreaming and universal design.

The Government has earlier this year presented an action plan for increased accessibility for persons with disabilities – a plan for universal design in key areas of society. **The action plan aims to enhance accessibility for all, and directs special focus towards persons suffering from functional impairments. These include disabilities affecting vision, hearing, mobility, cognition and sensitivity to environmental factors (individuals with asthma/allergies). This action plan is designed to unify and strengthen efforts to increase accessibility to buildings, outdoor environments, products and other important areas of society. It has been coordinated by the Ministry of the Environment and the Ministry of Labour and Social Affairs, in close cooperation with other relevant ministries and agencies.**

Link: [http://www.universell-utforming.miljo.no/artikkel\\_english.shtml?id=185](http://www.universell-utforming.miljo.no/artikkel_english.shtml?id=185)

The Government presented in may 2005 a plan for improving the situation for *disabled children and their families*. The plan aims to improve the coordination of services to such families, and the information and advice on financial support schemes and services offered. The Government also focus on the possibility to combine labour force participation with taking care of disabled children. It will investigate possible legislation of economic compensation when old and/or handicapped family members are given personal / family care. The purpose is to make it easier to combine labour force participation with personal care of old and/or handicapped family members.

#### **Action plan to recruit disabled persons to work in the governmental sector**

Over the next two years, government agencies have been compelled to ensure that at least 5% of their new employees are recruited among persons whose functional capacity is impaired (including employees with occupational disabilities, employees in rehabilitation schemes, reactivated employees on disability benefits).

Link: <http://odin.dep.no/filarkiv/216302/veilederen.pdf>

#### **5.5. Pension reform**

In January 2004, the Pension Commission, delivered its report and proposed a pension reform. In December 2004, the Norwegian government issued a White Paper setting out a strategy for a reformed pension system. Main parts of the Government proposals won the support of the

Parliament in May 2005. Important elements of the Parliament agreement are that benefits should be based on lifelong earnings and the introduction of a life expectancy adjustment ratio. However, some crucial elements of the pension reform are still under discussion. No agreement was reached on the design of a flexible retirement scheme, and the Government was asked to return with a new proposal. The Parliament agreement states that AFP should be included in a future flexible old age pension scheme. On the other hand, the government is asked to propose a new, general age-flexible old age pension from 62 years of age system within the NIS. The government, aware of the risks of substitution effects, have in August 2005 appointed a commission to propose a reform of disability pension schemes. The commission is asked to propose measures to secure that the disability pension scheme does not counteract the work incentives in a new early retirement scheme.

See *OECD Economic Surveys Norway 2005, chapter 3*

## **5.6 Health services and medical rehabilitation**

Most persons with a reduced functional ability describe their health as reasonably satisfactory. However, many of them have poorer health than the rest of the population. Some functional impairments are related to chronic diseases, and having a reduced functional ability may also lead to health problems. For many people with a reduced functional ability, medical treatment and rehabilitation are basic prerequisites for leading a full life and taking part in society. Persons with a reduced functional ability are to be given a relevant and integrated health service when they need it, applied to diagnoses, medical treatment and follow-up, and rehabilitation. This is a major issue for the Ministry of Health and Care Services. The primary health care services in the communities and the specialised health care services are equally responsible for medical rehabilitation. For further description of the Norwegian Health Care Sector and policy, see *OECD Economic Surveys Norway 2005, chapter 4*.

### **Medical rehabilitation services**

The health politics of the Norwegian Government are based upon the principles of equitable distribution of rights and duties, equality and equal access to services. A White Paper on Rehabilitation was debated in the Norwegian parliament in 1999. The rehabilitation perspectives and strategies are still based on this paper. The Directorate for Health and Social Affairs is now working on a national plan of action for rehabilitation. The plan will suggest activities which can strengthen and improve the quality of rehabilitation both in the specialised and in the community based health care services. One of the strategies of the plan is to contribute to better cooperation between the services involved. It shall also contribute to better recruiting of personnel, higher level of competence and research on rehabilitation.

Two important regulations were implemented in 2001:

- *Rehabilitation*

According to the Norwegian Health Care Acts that regulate municipality and specialist health care, adequate rehabilitation services shall be ensured for all who need this, in order to improve or maintain physical, sensory, intellectual, mental and social functioning. Rehabilitation strategies shall focus on individual goals rather than types of diagnosis. The idea of Community based rehabilitation is a core of the regulation.

- *Individual Plan*

The regulation gives persons in need of long term and co-ordinated services a legal right to an individual plan. The overall aim is to ensure that the primary health care, specialised health services and the social services are considered as a whole, and ensure that services are co-ordinated. This will also require co-operation between other welfare authorities like the local educational authorities, labour market authorities, National Insurance authorities and other relevant sectors of society. An individual plan shall always be based on the person's view as to his/hers needs and wishes, and each individual shall be given the opportunity to play an active part in designing and bringing the plan into action. There is still a way to go concerning information to the patients/users what this right might mean to them. Many users do not ask for an individual plan because they do not know that they have this right. The personnel both in the communities and in specialised rehabilitation services must improve their information to the public on what this right is all about, and which achievements an individual plan can give them. The personnel have a duty to give information about the individuals right to an individual plan. The Directorate for Health and Social Affairs will continue to work towards this issue the next two or three years.

- *Waiting lists in hospitals*

OECD Economic Surveys – Norway (july 2005), chapter 4.24 refers to an analysis based on a comprehensive definition of output and inputs by Bjorn et al. (2003) where it is estimated that the health reforms led to an improvement of hospital “technical efficiency”. A recent update carried out by the SINTEF research centre shows that the bulk of the improvement took place in 1977 when the DRG mechanism was introduced, and has started to rise again only after the implementation of the 2001 hospital reform. Moreover, the average waiting time for hospital treatment has been reduced since 2000. After the hospital reform, the path of reduction was even more marked and waiting times in mid-2004 were around 40% lower than at the beginning of 2002. Waiting times have especially decreased for patients with unfulfilled waiting-time guarantees, i.e. whose waiting times are higher than the maximum time initially guaranteed by the hospital.

### **Mental Health Services**

In 1998, the Norwegian Parliament introduced a National Mental Health Programme, calling for a major increase in the funding of mental health related services, as well as a major reorganisation of these services. Implementation of the programme will take place between 1999 and 2008. Recently, new laws regulating mental health services have been introduced. The all over goal for the National Mental Health Programme is to promote independence, improve living conditions, quality of life and participation in normal activities in society for mentally ill people. The National Mental Health Programme includes support of measures within labour market to ensure a better integration of the mentally ill. After six years there has been a considerable increase in service capacity and in the number of persons getting treatment. However there is still a way to go when it comes to quality of treatment, access-time, real impact of users, families and their associations and where collaboration between services is concerned.

One out of three on disability allowances is due to mental illness. The rate seems to be steadily growing. Mean age in these cases is 40 years. 15% of the sick-leave days is due to mental illness. Also this rate is growing. Probably real figures are higher.

### **Main challenges in rehabilitation policies:**

The goals of rehabilitation are full participation, equality and independence of people with disabilities. This constitutes the ultimate goals of rehabilitation measures. Rehabilitation must be based on the rights of the individuals to define their own goals according to their own values.

It is a major issue to strive for a holistic approach to rehabilitation. Rehabilitation services shall reflect all the life arenas of the individual, meaning that rehabilitation should not be seen as merely a medical intervention. There is a need to combine the traditional medical model of rehabilitation with what is referred to as “the social model”. As a consequence, rehabilitation services must involve different sectors at different levels. Medically orientated services related to diagnoses, treatments and improvements of functions and skills constitute important interventions. However, other methods and perspectives taking into account wider social and contextual factors are equally important.

The Norwegian Government has adopted a rehabilitation strategy aiming at improved quality of services, more effective management and organisation of services, and to minimise fragmentation of services. A user-oriented approach implies that the major measures in rehabilitation must be based on services in the local community. Thus, the municipalities have a major role in providing services that support active participation and social integration. Important challenges in Norway are upgrading of local rehabilitation programmes, - and to ensure proper co-ordination of relevant services. As a consequence, it is important to focus on the chain of services from specialist services in hospitals and other institutions, to the services provided at community level.

#### **Assistive technology at the workplace**

Financial support is available under the National Insurance Scheme for assistive aids, conversion of machinery and adaptation of physical surroundings at the workplace when appropriate and necessary for the purpose of enabling the disabled person to obtain or keep suitable work. Suitable work is understood to be work the user can cope with based on his/her physical and mental capabilities.

Under the Work Environment Act it is the responsibility of the employer to adapt the workplace for occupationally disabled employees. NIS grants are available to ensure that occupationally disabled employees are able to keep suitable work. As a general rule, grants are available if the expense incurred by the employer for assistive aids and adaptation exceeds half of the National Insurance Scheme's basic amount (NOK 30 000).

In cases where grants are given to ensure that the disabled person is able to obtain suitable work, this will often be part of vocational rehabilitation. If so, an action plan for vocational rehabilitation must exist, drawn up by the applicant for rehabilitation and the PES.

NIS grants are available for assistive aids which a disabled person needs during education, even if the education is not part of vocational rehabilitation. NIS grants are available to self-employed persons when required to enable them to continue their business.

## **5.7 Other relevant reforms and strategies**

### **Occupational injury insurance**

In Norway, there are at present two separate legislative arrangements giving economic compensation in case of occupational injuries (and diseases). Occupational injury benefits are

granted both according to provisions in the National Insurance Act and (since 1990) the Employment Injury Insurance Act, the former administered by the National Insurance institutions, the latter by privately owned insurance companies.

In January 2004 a publicly appointed commission proposed to merge the two schemes into one new occupational insurance scheme. It also suggested that the new scheme should be administered by the privately owned insurance companies, and thus be completely separated from the National Insurance Scheme and its administration. The main purpose is to achieve simplification of the legislation and reduce administrative costs.

The commission's proposal will be considered by the Norwegian Government in the light of the remarks obtained, i.a. from the social partners, during the national review process.

#### **Governmental White Paper on ageing workers**

The Government is preparing a white paper on ageing workers and age related human resource policy. Its main focus will be ageing workers (55+), their situation on the labour market and in the work place and how one may discourage early exit from the labour market. The paper will not overlap the ongoing work on reform of the national insurance scheme or the ongoing merge of the Public employment Service and National Insurance service.

The paper will review the labour market situation for ageing employees, research on early exit, and the recent government policy and aims to put focus on the ageing workforce more firmly on the political agenda. Among the policies that will be analysed is the tri-partite initiatives "The Agreement on a more Inclusive Workplace" and "The National Initiative for Senior Workers". The white paper is prepared in cooperation with the social partners, NGOs, government agencies and other ministries through an advisory group.

The white paper is planned to be presented to the parliament in 2006.

#### **Governmental White Paper on labour inclusion**

In addition to organisational changes into a new, merged employment and welfare administration (NEW), it will be necessary to design benefits, regulations, statutory rules and services to lead those who are able to work into working life. These matters will be addressed parallel to the work on an organisational reform. The Government will present a White Paper to the Parliament in the spring of 2006, which will discuss these matters. The ambition is to develop a comprehensive policy for better inclusion of persons on the margin the labour market. The OECD review on sickness and disability policies is expected to constitute an important input for the preparation of the White Paper.

#### **Poverty prevention**

The Government's main strategy for combating the problems of poverty is to get more people into employment. Better targeting of the welfare schemes and measures to ensure social inclusion are also crucial to attaining the goal of no one living in poverty for any length of time. In 2002 the Government presented a plan of action for combating poverty (Report No. 6 to the Storting (2002-2003)). The work of combating poverty requires targeted efforts over a period of time. The time frame of this plan of action is 2002 to 2005, and it has been followed up in connection with

the annual fiscal budgets. The measures in the plan are specifically targeted at the prevention and reduction of the problems associated with poverty. The report emphasises that these measures must be seen in connection with a wider range of welfare measures that are of great importance for combating poverty in many areas, including labour market measures, social policy measures, health, education and tax policy. The Government places crucial emphasis on continuous documentation and follow-up of the measures implemented. As part of the implementation of the plan of action to combat poverty, the Government has developed a social-reporting system and initiated the evaluation of individual measures.

#### *Alcohol and illicit drug policies*

Misuse of alcohol and illicit drugs has an impact when it comes to sickness-, rehabilitation and disability benefits, other cash benefits and employment rates etc. This implies that alcohol- and drugmisuse cannot be viewed solely as causing problems for the person using and his or her family, friends and co-workers, but that this also creates large problems for the society, including economic losses due to lost labour force participation and increased public expenditure on health and social services and social cash benefits.

The Government's Action Plan to Combat Drug- and Alcoholrelated Problems 2006–2008 (launched 17. August 2005) therefore emphasises the importance of prevention and early intervention in several fields, including that of the work scene. The Action Plan also calls for research and better knowledge when it comes to incidence and prevalence of misuse connected to the work sphere.

### Annex 1: Additional tables

**Table 1:** Disability, employment and unemployment in the population, male and female, 16-66 years old. In 1000 persons and in per cent of the population. 2000-2004 (specific quarters)

|  | 2000Q4      | 2002Q2      | 2003Q2      | 2004Q2      | 2004Q4      |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Persons in all</b>                      | <b>2936</b> | <b>2977</b> | <b>3004</b> | <b>3028</b> | <b>3031</b> |
| Persons with disability                    | 460         | 438         | 433         | 476         | 461         |
| Share of persons in all. Per cent          | 15.7        | 14.7        | 14.4        | 15.7        | 15.2        |
| Employed in all                            | 2272        | 2291        | 2264        | 2256        | 2254        |
| Share of persons in all. Per cent          | 77.4        | 77.0        | 75.4        | 74.5        | 74.4        |
| Employed with disability                   | 216         | 204         | 184         | 220         | 202         |
| Share of disabled persons in all. Per cent | 47.0        | 46.6        | 42.5        | 46.3        | 43.9        |
| Unemployed in all                          | 78          | 96          | 116         | 112         | 97          |
| Share of persons in all. Per cent          | 2.7         | 3.2         | 3.9         | 3.7         | 3.2         |
| Unemployed with disability                 | 14          | 13          | 17          | 12          | 14          |
| Share of disabled persons in all. Per cent | 3.0         | 3.1         | 3.9         | 2.4         | 3.0         |
| <b>Men in all</b>                          | <b>1491</b> | <b>1512</b> | <b>1524</b> | <b>1536</b> | <b>1537</b> |
| Persons with disability                    | 212         | 203         | 201         | 212         | 209         |
| Share of persons in all. Per cent          | 14.2        | 13.5        | 13.2        | 13.8        | 13.6        |
| Employed in all                            | 1212        | 1214        | 1198        | 1188        | 1188        |
| Share of persons in all. Per cent          | 81.3        | 80.3        | 78.6        | 77.3        | 77.3        |
| Employed with disability                   | 107         | 98          | 89          | 103         | 95          |
| Share of disabled persons in all. Per cent | 50.6        | 48.3        | 44.6        | 48.7        | 45.5        |
| Unemployed in all                          | 45          | 52          | 68          | 64          | 57          |
| Share of persons in all. Per cent          | 3.0         | 3.4         | 4.4         | 4.2         | 3.7         |
| Unemployed with disability                 | 9           | 8           | 10          | 6           | 9           |
| Share of disabled persons in all. Per cent | 4.2         | 3.8         | 4.8         | 2.7         | 4.5         |
| <b>Women in all</b>                        | <b>1445</b> | <b>1465</b> | <b>1480</b> | <b>1492</b> | <b>1494</b> |
| Persons with disability                    | 248         | 234         | 233         | 263         | 252         |
| Share of persons in all. Per cent          | 17.2        | 16.0        | 15.7        | 17.6        | 16.9        |
| Employed in all                            | 1060        | 1077        | 1066        | 1068        | 1066        |
| Share of persons in all. Per cent          | 73.4        | 73.5        | 72.1        | 71.6        | 71.3        |
| Employed with disability                   | 109         | 106         | 95          | 117         | 107         |
| Share of disabled persons in all. Per cent | 44.0        | 45.1        | 40.8        | 44.4        | 42.5        |
| Unemployed in all                          | 33          | 44          | 48          | 48          | 40          |
| Share of persons in all. Per cent          | 2.3         | 3.0         | 3.2         | 3.2         | 2.7         |
| Unemployed with disability                 | 5           | 6           | 7           | 6           | 4           |
| Share of disabled persons in all. Per cent | 1.9         | 2.4         | 3.2         | 2.2         | 1.8         |

Source: Statistics Norway, Labour Force Survey ([www.ssb.no/emner/06/01/akutu/](http://www.ssb.no/emner/06/01/akutu/))

**Table 2:** Employment and disability in the population by age, male and female, 16-66 years.  
Per cent of the population. Fourth quarter 2004

|                    | Share with disability | Share of disabled employed | Share of employed in population |
|--------------------|-----------------------|----------------------------|---------------------------------|
| <b>All Persons</b> | <b>15.2</b>           | <b>43.9</b>                | <b>74.4</b>                     |
| 16-24              | 6.4                   | 50.1                       | 54.9                            |
| 25-39              | 10.4                  | 51.4                       | 82.5                            |
| 40-54              | 15.6                  | 51.0                       | 84.3                            |
| 55-59              | 26.3                  | 41.2                       | 74.7                            |
| 60-66              | 33.9                  | 25.9                       | 48.2                            |
| <b>All Men</b>     | <b>13.6</b>           | <b>45.5</b>                | <b>77.3</b>                     |
| 16-24              | 6.0                   | 50.4                       | 55.4                            |
| 25-39              | 10.4                  | 53.1                       | 85.6                            |
| 40-54              | 13.4                  | 51.2                       | 86.8                            |
| 55-59              | 21.2                  | 43.9                       | 79.8                            |
| 60-66              | 30.3                  | 27.9                       | 53.3                            |
| <b>All Women</b>   | <b>16.9</b>           | <b>42.5</b>                | <b>71.3</b>                     |
| 16-24              | 6.7                   | 49.8                       | 54.5                            |
| 25-39              | 10.4                  | 49.6                       | 79.3                            |
| 40-54              | 17.7                  | 50.9                       | 81.6                            |
| 55-59              | 31.5                  | 39.3                       | 69.6                            |
| 60-66              | 37.4                  | 24.4                       | 43.2                            |

Source: Statistics Norway, Labour Force Survey ([www.ssb.no/emner/06/01/akutu/](http://www.ssb.no/emner/06/01/akutu/))

**Table 3:** Unemployment benefit recipients by labour market status, 1991-2004

|             | (1)<br>Unemployed | (2)<br>Partially<br>unemployed | Others | Total | (3)<br>Total<br>1000 | (1) in %<br>of total<br>unemployed | (2) in %<br>of part-time<br>unemployed | (3) in %<br>of total<br>labour force |
|-------------|-------------------|--------------------------------|--------|-------|----------------------|------------------------------------|--|--------------------------------------|
| <b>1991</b> | 56.5 %            | 35.0 %                         | 8.5 %  | 100 % | 126                  | 70.5 %                             | 89.2 %                                 | 5.9 %                                |
| <b>1992</b> | 54.4 %            | 37.4 %                         | 8.2 %  | 100 % | 153                  | 72.4 %                             | 89.7 %                                 | 7.2 %                                |
| <b>1993</b> | 52.0 %            | 38.5 %                         | 9.5 %  | 100 % | 160                  | 70.6 %                             | 88.1 %                                 | 7.5 %                                |
| <b>1994</b> | 51.6 %            | 38.9 %                         | 9.4 %  | 100 % | 142                  | 66.5 %                             | 84.6 %                                 | 6.6 %                                |
| <b>1995</b> | 49.1 %            | 42.3 %                         | 8.6 %  | 100 % | 132                  | 63.3 %                             | 79.6 %                                 | 6.0 %                                |
| <b>1996</b> | 49.4 %            | 43.7 %                         | 7.0 %  | 100 % | 113                  | 61.1 %                             | 76.4 %                                 | 5.0 %                                |
| <b>1997</b> | 50.0 %            | 43.8 %                         | 6.2 %  | 100 % | 85                   | 58.1 %                             | 70.2 %                                 | 3.7 %                                |
| <b>1998</b> | 48.8 %            | 45.4 %                         | 5.9 %  | 100 % | 61                   | 52.9 %                             | 69.2 %                                 | 2.6 %                                |
| <b>1999</b> | 57.8 %            | 38.3 %                         | 3.9 %  | 100 % | 58                   | 55.8 %                             | 62.8 %                                 | 2.5 %                                |
| <b>2000</b> | 58.5 %            | 36.0 %                         | 5.6 %  | 100 % | 62                   | 57.5 %                             | 63.3 %                                 | 2.6 %                                |
| <b>2001</b> | 59.9 %            | 35.2 %                         | 4.9 %  | 100 % | 62                   | 59.1 %                             | 65.3 %                                 | 2.6 %                                |
| <b>2002</b> | 63.3 %            | 32.0 %                         | 4.7 %  | 100 % | 70                   | 58.9 %                             | 62.8 %                                 | 2.9 %                                |
| <b>2003</b> | 64.8 %            | 29.7 %                         | 5.5 %  | 100 % | 89                   | 62.2 %                             | 63.8 %                                 | 3.7 %                                |
| <b>2004</b> | 64.3 %            | 29.9 %                         | 5.8 %  | 100 % | 90                   | 63.2 %                             | 63.8 %                                 | 3.8 %                                |

## **Annex 2: Evaluations of active measures for the disabled – vocational rehabilitation programmes – and ALMP in general**

### **1. Overview of earlier evaluations on vocational rehabilitation programmes**

An overview of the use and effect of vocational rehabilitation programmes, with references to earlier evaluations, may be found in the NIFU Report 2004:8:

[www.nifustep.no/norsk/publikasjoner/norsk\\_og\\_annen\\_nordisk\\_forskning\\_om\\_yrkesrettet\\_attf\\_ring](http://www.nifustep.no/norsk/publikasjoner/norsk_og_annen_nordisk_forskning_om_yrkesrettet_attf_ring)

### **2. Recent evaluations on vocational rehabilitation programmes, in Norwegian publications**

A register based study of vocationally disabled persons who have participated in vocational rehabilitation, by Statistics Norway (Report 2002:30):

[http://www.ssb.no/emner/06/rapp\\_arbmark\\_sofa/index.html](http://www.ssb.no/emner/06/rapp_arbmark_sofa/index.html)

Vocationally disabled with mental sufferings, by Telemarksforskning (Report 2005:6):

<http://www.tmforskbo.no/public/start/default.asp>

Ordinary education as vocational rehabilitation, by Telemarksforskning (Report 2004:216):

[http://www.tmforskbo.no/publikasjoner/detalj.asp?r\\_id=1044&fra=medarbeidere&id=1](http://www.tmforskbo.no/publikasjoner/detalj.asp?r_id=1044&fra=medarbeidere&id=1)

The effects of “programme chains”, by Telemarksforskning (Report 2003:208):

<http://www.tmforskbo.no/public/start/default.asp>

Evaluation of Supported employment (Arbeid med bistand), by ECON (Report 2004:102):

<http://www.econ.no/oslo/econreports.nsf/id/6B50ED77C6F2E2F2C1256F41004A2D99!OpenDocument>

Immigrants and vocational rehabilitation programmes, by ECON (Report 2005:7):

<http://www.econ.no/oslo/econreports.nsf/id/2382049F8F522DB4C1256F9E003239B5!OpenDocument>

### **3. Evaluations of vocational rehabilitation programmes published in international journals**

Aakvik, A. and S.-Å. Dahl (2006): Transitions to Employment from Labour Market Enterprises in Norway. *International Journal of Social Welfare* (forthcoming 2006).

Aakvik, A., J. J. Heckman and E. J. Vytlačil (2005): Estimating treatment effects for discrete outcomes when responses to treatment vary: an application to Norwegian vocational rehabilitation programs. *Journal of Econometrics*, 125(1-2), (2005), pp. 15-51.

Aakvik, A. (2003): Estimating the employment effects of education for disabled workers in Norway. *Empirical Economics* 28(3), pp. 515-533, 2003. Reprinted in (ed.) Badi Baltagi, *Panel Data, Theory and Applications*, Physica-Verlag, A Springer-Verlag Company, 2004.

Aakvik, A., T. H. Holmås and E. Kjerstad (2003): A low-key social insurance reform - effects of multidisciplinary outpatient treatment for back pain patients in Norway. *Journal of Health Economics*, 22(5), pp. 747-762.

Aakvik, A. (2001): Bounding a matching estimator: the case of a Norwegian training program. *Oxford Bulletin of Economics and Statistics*, 63(1), pp. 115-143.

These articles may be found at Aakviks homepage:  
<http://www.econ.uib.no/ansatte.asp?ansatt=34&kategori=263>

#### 4. Evaluations of ALMP targeted at social assistance recipients

Lorentzen, T. and E. Dahl (2005), "Active labour market programmes in Norway: are they helpful for social assistance recipients?" *Journal of European Social Policy* 15 (1): 27-45

Dahl, E. and T. Lorentzen (2005), "What works for whom? An analysis of active labour market programmes in Norway." *International Journal of Social Welfare*, 14

Dahl, E. and T. Lorentzen (2003), "Explaining exit to work among social assistance recipients in Norway: Heterogeneity or Dependency?" *European Sociological Review*, 19(5):519-536

These articles may be found at Lorentzens homepage: <http://www.fafo.no/pers/bio/thl.htm>

#### 5. Evaluations of ALMP for ordinary job seekers

An overview of earlier evaluations may be found at:

Raaum, Oddbjørn, Torp, Hege and Røed, Knut, 2002: Riktig satsing i arbeidsmarkedspolitikken?, *Norsk Økonomisk Tidsskrift*, s. 167-184

The article may be found at Raaums web-page: <http://www.frisch.uio.no/cv/oraam.html>

More recent evaluations include:

- <http://www.oekonomi.uio.no/memo/memopdf/memo2603.pdf>
- <http://www.oekonomi.uio.no/memo/memopdf/memo1303.pdf>
- <http://www.oekonomi.uio.no/memo/memopdf/memo1402.pdf>
- <http://www.oekonomi.uio.no/memo/memopdf/memo1502.pdf>
- [http://www.samfunnsforskning.no/files/file25063\\_p\\_2005\\_2.pdf](http://www.samfunnsforskning.no/files/file25063_p_2005_2.pdf)

Two popular presentations of evaluations may be found in *Søkelys på arbeidsmarkedet* 2003:1:  
[http://www.samfunnsforskning.no/files/file19374\\_sokelys\\_2003\\_1.pdf](http://www.samfunnsforskning.no/files/file19374_sokelys_2003_1.pdf)

See: Hege Torp, Oddbjørn Raaum and Tao Zhang: Effekter av AMO på arbeidsinntekt: Er gevinsten større enn kostnadene?

And: Inés Hardoy: Effekter av ungdomstiltak: Er de noe å skryte av?

A new register based evaluation of ALMP for ordinary job seekers will soon be published by Statistics Norway. This is a type of evaluation that was conducted on regularly basis in the 1990s, but the methods have now been improved to include new matching procedures. For earlier publications from Statistic Norway, see the following links:

- [http://www.ssb.no/emner/06/90/rapp\\_200022/rapp\\_200022.pdf](http://www.ssb.no/emner/06/90/rapp_200022/rapp_200022.pdf)
- [http://www.ssb.no/emner/06/rapp\\_arbmark\\_ord/rapp\\_200231/rapp\\_200231.pdf](http://www.ssb.no/emner/06/rapp_arbmark_ord/rapp_200231/rapp_200231.pdf)
- [http://www.ssb.no/emner/06/90/rapp\\_9931/rapp\\_9931.pdf](http://www.ssb.no/emner/06/90/rapp_9931/rapp_9931.pdf)
- <http://www.ssb.no/emner/08/05/10/oa/200002/brathen.pdf>