The Active Labour Market Policy Reform – The Second Wave

Statements and Comments

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1. Introduction

In Norway the discussion about better co-ordination and integration of the social security system is mainly related to following three core-services: 1) the employment services (ES) with about 120 local offices, 2) the benefit agency (BA) with local agencies in each municipality, and 3) the local social security (LSS) in each of the 435 municipalities. The first and the second are both controlled by the central government, whereas the local municipal governments control the last. The administrative structure is thus very similar to that in the other Nordic countries, and the ongoing reform strategies may be said to have a common point of departure.

There is a striking similarity in the reform strategies applied by Finland and Norway. The Finnish-Norwegian strategy can be labelled a double strategy. Firstly because it implies an ES-specific internal reform strategy in order to enhance the functionality of the ES agencies. Secondly there is a broader and more holistic strategy aiming at improving the co-ordination of the services provided by the three social security systems.

But there is also an important difference between the Finnish and the Norwegian reforms. While the Finnish strategies are described as a process implemented in two waves, in Norway the two waves are parallel processes. In this paper, I will first describe the two Norwegian reform processes. Thereafter I will address the relevance of the Finnish reform strategy in a Norwegian context, the potential to transfer elements from the Finnish model, and finally, discuss some important issues raised in Norway.

2. Background

In 1990 a new welfare policy was launched (the working line), with the purpose to reduce the number of people on benefits. One of the main means in achieving this was a more extensive use of active labour market policies (ALMP) in the rehabilitation of long term unemployed and disabled workers. Soon after the implementation of this policy, a discussion of the structure of the social security system started. One important argument was that the existing system was inappropriate to accomplish the new policy (Pedersen 1996, 2000). The main problem was that the ES, which controlled the ALMP’s, acted as a gatekeeper selecting the inflow of clients from the BA and LSS.
Since the municipalities (LSS) met difficulties in getting access to ALMP for their clients, they developed their own programmes and measures (according to some, a parallel system to the ES). Another possible way for municipalities to reduce the number of people on passive social security benefits was to transfer LSS-clients to the BA. But the municipalities met barriers here as well. The LSS-clients were mostly not considered adequately disabled to have a social insurance accepted by the BA.

The central government made some progress in their efforts to obtain a better co-ordination between the involved systems, but little was done to carry out substantial changes in the main structures of the systems (Møller and Bergsgard 2002).

2.1 The holistic strategy

In the late 1990’s, the Parliament (Stortinget) instructed the government to carry out a proposal on a new and more integrated and co-ordinated social security system. In 2002 the central government published a White Paper and proposed a model inspired by the British Jobcentre Plus. The model consisted of three separate services as before: a pension-agency, a job-agency, and local social service. One difference from the present system was that the job-agency should take over all the obligations of BA related to the working-age population. Another difference was the introduction of a common front-line service (one-stop shop). In other words, the co-ordination problem should partly be solved by moving some authority from the BA to a new job-agency (former ES), and partly by establishing a new common front-line (one-stop shop).

However, the Parliament was not satisfied with the proposed model and therefore instructed the government to develop alternative models, including more integrated solutions. The main reason was that the local social security was not sufficiently integrated with the proposed job-agency. Today the central government develops alternative models, which will be presented in a Green Paper in the end of June this year. Thus, by now, it is not known which model the government will propose.

1 A main difference from the British model was (and is) that the social benefit (for those with no rights in the insurance system) is managed by the municipalities.
Parallel to this process, in 2003 the government started carrying out experiments with an integrated service in 17 municipalities. In each experiment the three core-services (ES, BA and LSS) are more or less integrated into one office. Because the central government has emphasised a bottom-up strategy, the experiments have developed different kind of solutions (Møller and Flermoen 2004). The 17 projects may be divided into three types:

1. **Traditional organisation structure, but physically integrated**: The office has three units of service: a) a common front-line desk (general service and self service), b) a back-office with traditional separated service (ES, BA and LSS) and c) a multiprofessional team with experts from the three core-services, taking care of those clients that are difficult to place (e.g. those who need services from more than one agency).

2. **New functional divided organisation**: The office is organised as a common front line desk (general service and self service) with two departments in the back. One department take care of the clients financial matters and the other take care of active labour policy measures, guidance and job-brokering. In this model each client gets a personal adviser (co-ordinator).

3. **New target-oriented organisation**: Similar to the two other models, it comprises also a front-line desk (general service and self-service) and a back-office divided into different teams dependent on the clients needs (three level team). In this model each client also has its own personal advisor (co-ordinator).

The intention of the experiments is that some of them will end up as pathfinders for a new national model. Which of them it will be depends on the relevance of the experiments to the model proposed by the central government.

### 2.2 The internal employment service strategy (reform under one roof, step-by-step)

In addition to the preparation of a new integrated social security model, a parallel step-by-step reform-strategy is taking place inside the employment service system. The purpose of this strategy is to make the service more effective and the boundaries towards the two other services more flexible. Five reform initiatives are worth to mention: The first aims at building up self-service systems in the job-centres (job-search system and a registration system). The second implies implementation of internal bonus systems related to different tasks in the organisation and bonus-financed sub-contracting. The third initiative aims at transferring authority from the benefit agencies to the employment services in order to reduce the need for transactions between the two agencies. The forth aims at reducing the time spent on passive benefits in the benefit agency by making faster inflows to employer service managed ALMPs. This reform is motivated by the fact that the possibility of staying in the benefit system, without active support, may harm the clients. The fifth initiative is the government's proposal for a new labour market law, which emphasise the rights of the individual to get service and be evaluated by the employment service. The proposed law put weight on the obligation of the employment service to co-operate with other services. On the other hand, the proposal also admits the agency's independence.
None of these five mentioned initiatives encompasses the relation to the LSS system. However, a new programme aiming at activate people on social benefit was launched in 2003 (planned to last until 2006). This program does not include any administrative reform, but is a funding to be spent on active labour market programmes earmarked to people living on local social security benefits (with no rights in the insurance system). Even though this programme does not include any new administrative reforms, it addresses the co-ordination problem between the LSS and the ES, which was of great significance in the discussion during the 1990’s.

In general the internal employment service reform includes two types of initiatives: a) increasing efficiency inside the ES and b) relax the administrative boundaries between the ES and the two other agencies.

3 The relevance of the policy

Based on the short presentation above, we may speak of two different reform strategies in Norway: A “holistic strategy” administered by the Ministry of Social Affairs and an internal “step by step” strategy within the ES, administered by the Ministry of Labour and Government Administration. In my judgement the government has put most political weight on the first strategy, but it is still an unanswered question what the outcome of the political process will be. In other words, the question asked by Arnkil (2004) – which road to take – is highly relevant also in Norway.

According to Arnkil, Sweden and Holland have moved respectively into a two-prong strategy and a gateway strategy (subcontracting). As in Finland, we find aspects of both models in Norway. In this paper I will focus on the experiments because some of them probably will end up as pathfinders for a new and integrated agency.²

As mentioned above, the Norwegian experiments are characterised by a two-prong strategy, between the self-service and job-broking for the “better end” (easy to place) and the individualised joined-up service on the other end (hard to place). However in the Norwegian experiments, the dual service is located into one single office, which, compared to Finland, should make it easier to integrate the two systems. On the other hand this model also has its challenges:

a) How to separate those who need joined-up help (hard to place) from the rest (easy to place).

b) Where to locate the single office

c) How to organise and manage the relationship to external partners

In the experiments the first issue has been addressed in different ways. One method has been to make a diagnosis at the first meeting with the clients. This is done either by letting the clients fill out a diagnosis-scheme or by a brief or in-depth interview with an adviser (sometimes a combination). The problem with either brief interviews or use of diagnosis-schemes is the risk of not discovering deeper problems, and that the client is not taken properly care of. Another strategy has been to draw this boundary more automatically. It means that the clients are automatically transferred to the back-office after 6 months. It is too early to conclude what method is the best.

The second issue is related to the division of functions between administrative (geographic) levels. In the Finnish model I understand that the two prongs will be located at two different administrative

² Among the 17 experiments, subcontracting is only expressed as a strategy in one.
levels (40 LAFOS and 180 PES). Even though this model may create boundaries between the two prongs, it gives an opportunity to better division of labour between the administrative levels. Since the Norwegian experiments only are located at the municipality level, this flexibility is more difficult. In a permanent model, it is however likely that some functions must be handled at a higher administrative level. On what administrative level the joined-up service will be located, is however still an issue to discuss. In that respect the Finnish model is interesting. A corresponding model in Norway might be to locate the joined-up service (for the hard to place) in the labour market regions, and an office with general service and self-service at the municipal level.

The third issue is related to the gateway- or network strategy of the experiments. So fare the Norwegian experiments have been mostly involved in the internal integration between the tree core-services. In the early stage this is probably necessary, but there might also be a danger that too much attention will be paid to internal co-ordination, and too little on the relationship to external partners. It is however too early to say how the experiments will develop such a network to external partners (by sub-contracting, formal agreement etc). However, it might be difficult to manage and maintain such networks (e.g. health system, education system, private/voluntary providers of service) at the local level. Today the employment service takes care of some of these tasks at the regional level (corresponding to the 19 counties). At least when it comes to subcontracting, it seems that this task is handled best at this level.

4 Potential transferability of the policy

There are two aspects of the Finnish reform that may be transferable to a Norwegian context:

1) Division of functions between different administrative levels.
2) Integration of a third prong (relation to employers and industry).

1) As mentioned above, the three core-agencies in the Norwegian experiments are located at two different administrative levels, i.e. in 120 labour market regions and in 435 municipalities.

Outside the big cities, where there are several municipalities inside one single labour market region, it has been difficult to obtain sufficient integration between the three core-agencies. Thus, a temporary solution in the experiments has been to transfer staff from the ES to the joined-up service at the municipal level. However, in a new full-scale joined-up service this will not be a satisfactory solution. Inspired by the Finnish model, two different models could be a solution to this problem:

a) One model that implies developing joined-up services (equal to FAFOS) at a regional level (labour-market regions or county-level) together with general service and self-service at the local level (municipality).

b) One model that implies developing a dual system (joined-up service and general-/self-service) in urban areas and a single service-system at the labour market regions level (according to Räisänen, most of the employment offices will remain undivided).

A crucial factor in both models might be, if located at a regional level, that the embedded knowledge of the staff on local community conditions may depreciate. This kind of embedded
knowledge has been considered as crucial for social workers, which is also stated by the social workers operating in the current experiments.

2) Preliminary results from the evaluation of the Norwegian experiments show that most emphasis has been put on the internal integration process between the three core-services. The experiments have to a less extent carried out a specific strategy to develop relationships with external partners. This applies both to the health-rehabilitation system, to the educational system and to the employers. However, the inclination to focus on the “hard to place” might end up with strong networks to the health- and rehabilitation system, and much weaker so to the education system, employers, and the industry in general.

The relationship between the employment service and the employers is mainly taken care of by the local employment office, which has much experience in co-operating directly with employers. A more strategic political relationship could however be added to this practice. Such an arrangement was carried out in 1993 when the so called "Labour marked board" was introduced at the county level. However, this "boards" have never had any great importance on the labour-marked policy in the labour market regions. Compared to Denmark, where the boards control the financial resources, the Norwegian boards only had an advisory role. With respect to the reform strategies implemented, it may be worth considering a reactivation of the Norwegian boards in order to attach the different labour market policies more closely to the general regional development policies. An important precondition for this is, however, that the reactivated boards should be offered more formal power than the former advisory boards.

5 Important policy issues

The discussion of the institutional reforms of the social security system goes on two different levels. On one level there is a general discussion on the necessity of a joined-up or holistic service compared to the existing functionally divided service. On another level a discussion is going (primarily inside the experiments) on about what organisational and methodological principles a new joined-up should be built upon.

According to the first discussion, the main issue is whether or not a holistic or joined-up service will work better than the existing system. Several general arguments have been launched against the holistic and the joined-up service models. They are all more or less reflected in the three main counter-arguments in Perry et al. (2002):

- **Futility arguments**: The trade-off(s) between holistic and functionally organised governance are zero-sum.

- **Jeopardy argument**: The trade-off(s) between integration and dominant functional organisation of different forms of integration are actually negative sum games, at least in the long run (i.e. comparative to functional organised governance, holistic governance is less democratic, more static and more technocratic).

- **Perversity argument**: Integration exacerbates the very problem of fragmented governance and wicked social problems that it is supposed to solve, as a consequence of an inevitable centralisation.
The second discussion on what principles and forms a new joined-up or holistic service should be built upon, can be separated into three issues of particular interest:

1) **Governed by the state or by the municipalities**: A main issue is whether a new joined-up or holistic service should be a state governed agency or a municipal governed agency. On one hand it is argued that the social security policy, and in specific the ALMP, is managed best at the local level by the local government. Transferring the authority of the ALMP from the state to the municipal level presupposes, however, a comprehensive merger of municipalities in order to adjust the geographic structure of the municipalities to functional labour markets. This is not, however, realistic in the short run. A counter-argument is that a new service should be governed by the state, but with far-reaching autonomy for the local management. But also in such a model, it is an issue what level the different functions should be located - on the local or at the regional level.

2) A second issue is whether the reform should develop into a one-stop-shop, including a broad spectre of services, or into a more target-oriented agency related to work (rehabilitation, qualification/training and job broking). This discussion is partly overlapping the two different strategies described in the introduction. While the internal EC-strategy is aiming at a work-related joined-up service, the holistic strategy (in the experiments) tends to develop in direction of a broader local one-stop shop.

3) A third issue is how to organise competence in the new joined-up or holistic agencies. In the existing system, specialisation is an outcome of the organisation in three different agencies, each responsible for different legislation. In the more holistic oriented experiments they carry out small-scale experiments on different ways to organise the competence. This imply different kind of generalists (front-line generalists and personal advisors), functional specialists on benefits and counselling (taking care of the active measures), and specialisation according to different client-groups.

6 **Contribution to the action plan**

In fact, Norway has no action plan similar to that of the EC-countries. However, in a forthcoming White Paper a new outline of the social security system will be carried out. In this respect some elements of the Finnish experience might be of great relevance. As mentioned above, this might be:

- Experiences with geographic location of the first and second prong, and the division of labour between them.
- Integration with the third prong: how to organise and manage the relationship with the education system, employers, and the industry in general.

In general the Finnish reform process seems to be slightly ahead of the Norwegian reform process. Despite this fact, there are similarities in the two different reform processes. Thus, it will be very interesting to follow the Finnish reform process on its way to full implementation. Moreover, it will be of particular interest to read the results from the future evaluations of the new two- or three-prong system.
References


