Jobs for Youth

NORWAY

Des emplois pour les jeunes

OECD

Jobs for Youth
(Des emplois pour les jeunes)

Norway

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FOREWORD

The OECD's Employment, Labour and Social Affairs Committee has decided to carry out a thematic review of policies to facilitate the transition from school to work and improve the career perspectives of youth. This review is a key part of the implementation of the Reassessed OECD Jobs Strategy.

Sixteen countries (Australia, Belgium, Canada, Denmark, France, Greece, Japan, Korea, Netherlands, New Zealand, Norway, Poland, Slovak Republic, Spain, United Kingdom and United States) have decided to participate in this review which will take place between 2006 and 2009. Once all these countries have been reviewed, a synthesis report will be prepared highlighting the main issues and policy recommendations which will be discussed subsequently by Employment and Labour Ministers.

In this thematic review, the term youth encompasses "teenagers" (*i.e.* youth aged 15/16-19) as well as "young adults" (aged 20-24 and 25-29). All the amounts in kroner (NOK) were converted in euros (EUR) using an exchange rate of 7.81.

This report on Norway was prepared by Vincent Vandenberghe, with statistical assistance provided by Sylvie Cimper and Thomas Manfredi. It is the 9th such country report prepared in the context of this thematic review supervised by Stefano Scarpetta (Head of Division) and Anne Sonnet (Project Leader). A draft of this report was presented at a seminar which was organised in Oslo on 22nd April 2008, hosted by the Ministry of Labour and Social Inclusion. Discussants at the seminar included representatives of the public authorities and the social partners, as well as academics.

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SUMMARY AND MAIN RECOMMENDATIONS

On many counts, the youth labour market in Norway is performing very well. Norwegian youth entering the labour market face what is, by international standards, a low risk of unemployment and can command relatively high earnings. The youth (16-24) unemployment rate was 7.3% in 2007, 6 percentage points below the OECD average. The incidence of long-term unemployment is extremely low amongst young people: 2.5% of the total youth unemployment *versus* an OECD average of 19.6%. The earnings of Norwegian youth relative to those of adults are among the highest in the OECD. Young inexperienced and low-educated workers for instance earn more than 60% of the average wage. This is 20 percentage points above the OECD figure.

Despite this good performance, there are justifiable concerns about the school-to-work transition process in Norway and what happens afterwards. Six years after leaving school the number of young people receiving sickness- or disability-related benefits is almost double that of those who are unemployed or participants in an active labour market programme (ALMP).

The Norwegian government is particularly concerned about how well prepared its young people are when they leave the education system. Raising the average level of educational attainment, and reducing the incidence of school drop-outs, are among its highest priorities. The government is also aware of the need to develop labour market and welfare institutions that are likely to maximise youth labour market opportunities and incentives to participate in the workforce.

Although many sound measures were put in place recently to help improve the school-to-work transition, several barriers to youth employment remain. On the supply side, some youth still lack the basic skills they need to embark on a successful career in the labour market. Incentives to participate in the labour force may also be too low for some. Although school-leavers have no right to unemployment benefits, other branches of the social protection system, notably those that distribute health-related benefits, are accessible and can operate as welfare traps. At the other extremity of the skill distribution, tertiary education students probably also lack incentives to graduate quickly.

On the demand side, relatively high entrance wages, set by collective agreements, in combination with strict employment protection legislation, can translate into less job opportunities for school drop-outs, immigrants of non-western origin, or young women with dependent children.

Early contact with the labour market *via* student jobs, but late graduation

Young Norwegians tend to get a first contact with the reality of the job market when they are still students. It is essentially from the age of 16 that they start taking (mostly part-time) student jobs. The incidence of jobs among students aged 18-20 was about 50% in 2006, which is below the countries with the highest figures on this indicator, but still well above the OECD average.

But in Norway up to 20% of individuals aged 24-29 are still studying, with no apparent impact on the share of young adults in possession of a tertiary degree. Many countries (*e.g.* Belgium, France or Ireland) achieve as well in terms of the final proportion of tertiary-degree holders, but with a much smaller proportion of "old" students.

Youth entering the labour market face a low risk of unemployment and can expect high relative wages

Comparative unemployment statistics show that Norway is doing very well for those who enter the labour market. As noted above, the youth unemployment rate (7.3%) was well below the OECD average (13.3%) in 2007. This also compares favourably with the situation in 1997 where the Norwegian youth unemployment rate was 10.6% compared with an OECD average of 15.6%. This good unemployment record owes something to the strong economic growth in Norway which exceeded 4% on an annual rate since 2005.

Finally, the relative wage of youth aged 15-24 (all levels of education combined) is the highest among OECD countries, amounting in 2006 to 70% of that paid to adults aged 35-44.

Young immigrants, however, do not fare so well

Young immigrants are, however, a notable exception to this picture of good labour market performances. The unemployment rate of youth (aged 20-29) born outside Norway and the EU-25 is 3.2 times that of the other groups: a higher ratio than elsewhere in Europe.[1]

1. This is the ratio obtained using European Union Labour Force Survey (EULFS) data from Eurostat. A value of 3.2 is also obtained with register-based data provided by Statistics Norway on youth with/without an immigration background (*i.e.* with/without parents or grandparents born in Norway).

Not-employed: unemployed or inactive?

Assessing the country's overall youth labour market performance requires considering more than the (un)employment rate.

Available international data confirm that the average young Norwegian has a relatively low probability of being out of employment after leaving education. The non-employment rate for young men aged 20-29 in 2006 is low at 10.3%, below the EU average of 15.4%. It is 17.7% for young Norwegian women *versus* 27.7% for their European peers.

At the same time, labour survey statistics show that, in Norway, being young and non-employed generally means being "inactive". More than 52% of young men without employment are inactive. That share is only 39% in Europe on average. The same observation applies to young women who do not hold a job after education. More than 71% of them are inactive in Norway. In Europe on average, the figure is only 65%.

Having a greater share of inactive *versus* unemployed youth may not be major problem if the former group is small and the choice made to be inactive is a voluntary one. However, as noted above, the numbers of inactive youth are not negligible and the evidence presented in the report shows that there are insufficient incentives for many of them to look for paid work.

Education is predominantly general until 16

The Norwegian education system is predominantly general until the end of compulsory education at the age of 16. Its performance, as recently confirmed by the PISA[2] 2006 results, is disappointing in international comparison. Scores in core topics like mathematics, science and reading literacy are below the OECD average, despite a very high level of GDP *per capita* and an above-average public spending effort in education (6.2% of GDP in 2004 *versus* 5.0% for the OECD).

Vocational education appears in the curriculum after the age of 16. At that point about 46-48% of young people opt for vocational education (VE) programmes that aim at rapid labour market insertion. In Norway, vocational education is organised in a *sequential* way: it is a 2+2 model. Students first spend two years attending mainly theoretical classes on a full-time basis, and some then move on to (full-time) apprenticeship in a firm for another two years.

Concerning tertiary education attainment, Norway is among the best-performing countries in the OECD and the trend across generations is

2. The OECD's Programme for International Student Assessment.

positive.[3] This indicator contrasts with the relatively disappointing PISA results at the age of 15 and suggests a propensity to defer human capital investment. Whether such a pattern is optimal from an economic point of view remains to be seen. There is indeed growing evidence that the cost of acquiring skills and human capital is a rising function of age.

Beyond the age of 16, the fact that many youth leave school early is perceived by all stakeholders in Norway as a great source of concern. Measuring the size and nature of the school drop-out problem is a challenging task.[4] It is, however, undisputable that there is a peak in the share of school drop-outs around the age of 17-18. But this is, to some extent, temporary, as beyond 20 the drop-out rate falls again, presumably because some of the early school-leavers manage to complete upper secondary education at a later stage, either by resuming upper secondary education or by exploiting the second-chance opportunities for adult education available in the country.

One group that should receive more attention is the children of immigrants of non-European or non-western origin. Although their absolute risk of being school drop-outs,[5] at 17% in 2006, is lower than the EU average (24.3%), it is more than three times that of native Norwegians.

Educational reforms go in the right direction

Norway has a very advanced early-education system, characterised by a high attendance rate. In 2007, the government increased funding for this type of education by some NOK 3.2 billions (EUR 409 731 114). This goes in the right direction since there is much international literature testifying to sizeable long-term positive effects of early childhood education on school achievement, especially for children from disadvantaged background.

Disappointing PISA 2003 results convinced the Norwegian authorities of the necessity to strengthen the curriculum of their primary and secondary schools. The ensuing 2006 Knowledge Promotion Reform (*Kunnskapsløftet*) represents an attempt to boost the degree of command of fundamental skills. Its key ingredients are: *i)* nationwide standardised curricula for core topics; *ii)* more external testing; and *iii)* a greater degree of school autonomy. In

3. Nevertheless, 2007 figures suggest that enrolment among young men has perhaps reached a plateau.

4. For instance, the recent adoption by Norway of a new, more stringent National Education Attainment Classification (NEAC) translates into higher school drop-out rates in international comparisons.

5. Using the "old" NEAC, implying that people who completed only one or two years of upper secondary education are not considered as drop-outs.

generic terms, this reform is an attempt to make the system slightly more output- or result-driven. However, the relatively poor PISA 2006 results cited above suggest that the reform is overdue and perhaps should be strengthened.

With the 2007 Strategic Plan "Equal Education in Practice", the focus is also clearly on enhancing command of the Norwegian language among immigrants of non-western origin and their children. Adopted measures include: *i)* language stimulation in kindergartens; *ii)* language screening tests in post-natal health clinics; *iii)* extra funding for primary or secondary schools with a high concentration of immigrant pupils; *iv)* more apprentice places for immigrants; *v)* broader access to tertiary education; and *vi)* measures to promote Norwegian proficiency among adults, in collaboration with municipalities that distribute social assistance.

Since 1994, the Norwegian authorities are also committed to boost vocational education beyond the age of 16. Exposure to vocational curricula probably makes it easier for students to enter the labour market. Such a learning environment could also be more adapted to individuals who are less receptive to abstract thinking.

Decision-makers should, however, pay attention to two potential pitfalls. The first has to do with the four years it takes to complete vocational education in Norway. This is perhaps too long for some students aged 16. Such a relatively distant horizon may *de facto* increase the risk of drop-out. An alternative would be to structure VE as a *continuum* of levels, possibly based on the principle of cumulative learning credits and certificates informing potential employers about intermediate accomplishments. The Norwegian authorities are currently testing the *letter of competence* model that goes in that direction: after one year, successful VE students get a certificate that can be used on the labour market to signal their attainment.

The second problem relates to the 2+2 nature of vocational education in Norway. Unlike in Germany, the Netherlands or Switzerland, VE students are actually on a full-time basis in schools during the first two years before they get the possibility to become apprentices. That probably makes it difficult for those students who are not receptive to traditional/school-based teaching methods and could also entice some of them to drop out.

Career guidance inside secondary schools is also at the forefront of the reform agenda. There is in Norway a strong focus on developing guidance within secondary and upper secondary schools. Such a policy faces several challenges, however. There is a need to deliver guidance that is relevant *i.e.* rooted in a clear and up-to-date knowledge about current and expected future labour market needs. The decision to split social/psychological guidance from study and career guidance, following an OECD report issued in 2002, was probably a first step in the right direction.

It is also worth noting that since 1994, each county possesses a follow-up service, with a mandate to contact those who do not participate in post-secondary education. This mandate was reinforced in 2007 by an agreement between the Ministry of Labour and Social Inclusion and the municipal sector. The follow-up system acts as a safety net for school drop-outs and other youngsters between the ages of 16 and 19, who are neither in employment nor in education or training (the so-called NEET group).

But more needs to be done to ensure that all youth leave education with recognised qualifications to set up a career

- *Remove the remaining barriers to pre-schooling participation.* Kindergarten attendance means the loss of a lump-sum allowance (*Kontantstøtte*) aimed at rewarding families who decide to take care of their children at home. The loss of this allowance could represent a disincentive for low-income families to enrol their children in kindergarten. And there is evidence that families with a non-western background use the allowance to a larger extent than other families. But this is a group for whose children early exposure to education and the Norwegian language matters most. The allowance's potentially adverse effects on pre-schooling participation should be carefully evaluated. If these effects can be ascertained, authorities should consider abolishing the allowance after the age of 12-18 months (*i.e.* the period of life during which close infant-mother ties is considered as highly beneficial by most experts on child development).

- *In primary and secondary education, enhance the Knowledge Promotion Reform and make sure local schools have significant autonomy regarding teacher recruitment and promotion.* There is evidence that externally-defined standards such as those set out in the Knowledge Promotion Reform help combat the tendency of teachers to lower expectations and demands when confronted with presumably low-skilled pupils. Simultaneously, those who operate municipal and country schools on a day-to-day basis (*i.e.* heads of school) should be granted adequate autonomy concerning the teachers they recruit and promote. An output-based scheme cannot succeed if the local agents are not granted the autonomy they need to select and reward[6] the most crucial input of any teaching process: educators or teachers.

6. This does not necessarily imply the generalisation of individualised performance-based pay schemes, known for being particularly difficult to implement in the education sector. What is key is to ensure that heads of school who are held

- *In order to reduce drop-outs after age 16, explore the opportunity to introduce more flexible supply of vocational education (VE) at the beginning of upper secondary education.* In Norway, individuals express their preferences, but it is eventually up to a central planner (at the level of the county) to ensure a good match between supply and demand. Some evidence hints at persistent mismatch: about 10% of young people do not get their first-choice option of field of VE study and/or school. Another issue is whether counties, particularly in remote areas, have the adequate resources and incentives to offer the full range of VE services. Establishing a procurement quasi-market, where private operators have the possibility to enter the VE sector, could perhaps help alleviate some of these problems.

Carefully monitor potential demand-side barriers to youth employment

There is no statutory minimum wage (or sub-minimum wage) in Norway. Collective agreements make no distinction when it comes to workers above the age of 18 years. Consequently, many young workers get the adult wage agreed upon under collective agreements: the so-called *tariffs*.

Young inexperienced and low-educated workers in Norway earn more than 60% the adult[7] wage. This is 20 percentage points above the OECD average and reflects Norway's "compressed" wage structure. Norway has also one of the strictest employment protection legislation among the OECD countries, including for workers on temporary contracts who, since 1995, benefit from "preferential rights" to vacant positions within their firm. These two factors could well combine to yield fewer jobs for low-educated and inexperienced individuals.

To tackle these demand-side barriers, the following measures should be considered:

- *Reduce the cost of employing low-skilled youth until they turn 23.* One option would be to introduce a low-skilled youth sub-minimum wage – or more appropriately in the Norwegian context a youth *sub-tariff* – comparable to what is to be found in many other OECD countries. In practice, this could be done by extending to all school drop-outs the wage regime[8] currently applicable to apprentices; starting at 30% of

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accountable, have some leeway as to which teacher moves up the – externally defined – pay ladder.

7. Adults are those aged 35-44.

8. But not the subsidy regime whose rationale is to cover the opportunity and direct costs of employer-provided training.

the current standard entrance *tariff*[9] for those aged 16 and rising incrementally to, say, 70-80% for those aged 22. The adult rate would apply to school drop-outs only from the age of 23. This would also raise the degree of income differentiation across educational groups and the incentives to invest in human capital.

- *Another option would be to achieve the same cost reduction by resorting to targeted wage subsidies.* If it is infeasible in the Norwegian context to introduce a *sub-tariff* for low-skilled youth, the same effect could be achieved by a targeted hiring subsidy. There are Norwegian precedents for this. It would obviously come at a certain cost for the taxpayer, but would preserve the social partners' strong prerogatives in the area of wage settlement. A major drawback, however, is that such a policy would have no effect on the incentive to invest in education: low-educated workers would preserve the current – relatively high – entry-level wage.

- *In parallel, make access to full welfare support beyond the age of 16 conditional on having attained (or being willing to take the necessary steps to attain) the equivalent of an upper secondary degree.* Reference for such a reform could be provided by the Dutch *Leerwerkplicht* reform (*i.e.* the obligation to study or work), whereby all youth aged 18-27 who have not completed upper secondary education are required to resume schooling (or to work). Unless this condition is met, young people can be fined or denied (part of) their social benefits. Such a move would be desirable in the case of lower entry-level wages for low-skilled youth, simply to avoid creating (or reinforcing) welfare traps.

- *Carefully evaluate the effect on the labour demand for low-skilled young workers of the "preferential rights" present in the Working Environment Act for part-time and fixed-term contracts.* These rules give priority to vacant positions to workers holding such contracts. They are aimed at augmenting their chance of accessing permanent and full-time positions. But they could also alter the willingness of risk-averse employers to recruit young individuals with less advantageous profiles. In turn, this could limit the scope for work experience accumulation, and alter the stepping-stone function of non-regular contracts. For these reasons, it is important to monitor rigorously the effects of these rules on the hiring and retention of young workers, and be prepared to take steps to amend them if the effects are negative.

9. In 2007, NOK 300 000 (EUR 38 412.29) annually.

Unemployment but also welfare policies should foster youth employability, not benefit dependency

Unlike some other OECD countries (Belgium, France or Spain), where the first steps beyond school are characterised by many unemployment spells, a more frequent destination in Norway is social assistance, long-term sickness or disability benefit receipt.

Access to unemployment insurance (UI) benefits in Norway is restrictive (*e.g.* past contribution requirements, strong mutual obligations, short duration, etc.). But strict eligibility conditions risk triggering *displacement* effects. By making access to UI quite restrictive, Norwegian authorities have probably contributed to push some young people out of the labour force into inactivity. Being non-employed generally means being "inactive" rather than unemployed, for both young Norwegian men and women. Although the majority of inactive youth do not received benefits, the number of sickness- or disability-related allowances beneficiaries is non-negligible. Six years after leaving school, the share of those receiving sickness or disability-related benefits (4.4% of the cohort) is almost double that of those who are unemployed or participating in active labour market programmes (ALMPs).

Within Norway's welfare system, benefit replacement rates are quite high for low earners and this may create an adverse selection problem unless the benefits are highly activated. The replacement rate when receiving sickness benefits is 100%. Moreover, disability benefits (and presumably rehabilitation benefits) are as generous as UI benefits, but probably more easily accessible. This further supports the idea that some of the welfare schemes (disability or sickness and rehabilitation) present the risk to act as substitutes for UI.

Although the number of young workers who are absent due to (doctor-certified) sickness has decreased slightly recently, the trend for those receiving rehabilitation or disability benefits is positive. Such a development sits oddly with the generally high health premium associated to the fact of being a young person.

Longitudinal data reveal that the incidence of those receiving benefits for health-related reasons (sickness, rehabilitation or disability benefits) is limited one year after leaving school, but tends to increase sharply afterwards. The first 4-5 years are thus crucial to avoid inflows into a status that tends to lead to long-term benefit dependency. The probability of returning to employment among young people receiving health-related benefits is low. More than 88% of those who received disability benefits one year after leaving school still receive them five years later.

Although the Norwegian sickness and disability benefit system contains many sensible activation-like provisions to maximise the chance of returning to work, the evidence indicates that, in practice, they do not work effectively.

Norway's major challenge is to avoid displacement effects from unemployment (where young people are still "connected" to the labour market) to welfare (where the distance from the labour market is often *de facto* much greater). It must be a high priority to prevent as many young people as possible from entering sickness and disability benefits, unless there are good reasons for it, and, if they do go in disability benefits, to target them with effective rehabilitation measures in order to help them find work.

What is needed is a comprehensive approach regarding how *all* types of benefits (unemployment, health-related or social) are granted to individuals. It does not make sense to be restrictive with UI benefits, and to strongly activate those who receive them, if a side-effect of such a policy is to push more people out of the labour market, into inactivity. A very promising evolution is that Norway decided in 2006 to gradually merge its formerly distinct Public Employment Service (PES) and National Insurance Service, to form a new one-stop shop by 2009 at the local level: the Employment and Welfare Agencies (the so-called NAVs). One of the main objectives of the reform is to persuade employment and welfare professionals – who will share the same facilities – that they should privilege employability over benefit eligibility, when screening their clients.

It will not be an easy task to ensure that the NAV reform is a success on the ground given the problems of governance between the central ministries and the large autonomy of municipalities or counties. Norway has a strong tradition of local autonomy in the delivery of social services. It is a common feature of all recent policy reforms that they preserve the constitutional right of local authorities to decide (and, to a certain extent, monopolise) the delivery of most social and educational services. There is no doubt, however, that the NAV reform is a milestone in Norway's efforts to bring welfare recipients a step closer to the labour market.

The major source of concern, in the context of this review, remains how the NAV reform will target youth. Although all age-groups should be activated within the new NAV framework, youth should be prioritised. Youth who become long-term benefit recipients are likely to have problems for many years or even decades. So it makes sound economic and social sense to reduce the numbers in this group from an "investment" perspective. As the old English saying goes, "an ounce of prevention equals a pound of cure".

The following measures should be considered:

- *Better identify at-risk individuals aged less than 30 as the group that should be targeted and activated in priority among NAV clients.* The NAV Reform represents a shift from a multi-tier system towards a single-tier one, whereby various categories of benefit recipients with very different needs and characteristics are handled by the same pool of caseworkers managing a unified system of benefits. The latter need clear guidelines as to whom they should prioritise. Confronted with a more heterogeneous population than previously, they also need adequate profiling tools that will help identify as quickly as possible those at risk of long-term dependency. Norwegian authorities are currently developing a procedure aimed at rapidly assessing individuals' "work capacity". A possible model is Denmark, where the introduction of a profiling system coincided with the 2002 reform harmonising the rules applying to UI and social assistance benefit recipients. Profiling tools in Denmark include *i)* a "job barometer", which is a graphical representation of the employability predictions based on a statistical model; and *ii)* a public assistance record, which gives an overview of the person's previous periods on public assistance.
- *Invest more time and money to define the new procedures and mutual obligations that will govern the day-to-day work of the NAV employees, particularly when they are dealing with younger clients cumulating multiple disadvantages.* Those spelt out by the new "Follow-Up Guarantee" applying to youth aged 20-24 represent a first step in the right direction. But the scheme's effectiveness could be improved by adopting a more rigorous mutual obligations approach, similar to the one applicable to unemployment benefit recipients. The rules governing the "Follow-Up Guarantee" insist on NAV's obligation to offer motivation and recruitment assistance to youth. But they apparently fall short of generalising the idea of moderate benefit sanctions in case of repeated absence or unwillingness to participate.
- *Counterbalance the strong dose of local autonomy among municipalities by output-based evaluation mechanisms* in order to avoid excessive heterogeneity in the way national goals are implemented at the local level. In practice, this could mean resorting to benchmarking, peer reviewing and other kinds of "soft" incentives. A point-based funding system could be implemented whereby extra weight is assigned to reduced inflows into benefit recipiency of younger individuals. The same system should incorporate safeguards to avoid cream-skimming by operators. Examples of these safeguards are to be found in Australia's "Star Ratings" system: an output-based

evaluation mechanism that ranks operators on the basis of their job placement, adjusted to take account of the socio-economic profile of their clients and the labour market conditions in the region they live in.

- *Diversify the providers of training and placement services.* NAV officers currently have the possibility to buy health and rehabilitation services from private providers. There may be a case for developing these mechanisms a step further. A greater reliance on private providers in the area of training and job placement would increase the diversity of solutions on offer for groups in need of highly tailored answers to their problems. It could perhaps also have a positive effect on costs. In the 1990s, Australia for example outsourced many employment services to non-profit and profit-seeking agencies. The result was a large drop in the unit cost of services, with no apparent loss in the quality.
- *Develop a "residential" option as part of the arsenal of measures aimed at helping very disadvantaged youths.* Standard ALMPs are unlikely to work for the most disadvantaged youths who usually cumulate social risk factors (low education, ethnic minority background, drug use, etc.). For this group, more radical options are needed. One possibility is to develop, perhaps within the New Qualification programme, a network of institutions offering a boarding-school type environment, delivering a mix of *i)* adult mentoring; *ii)* work experience; and *iii)* remedial education. Models for this initiative could come from the long-standing US Job Corps programme. The Nordic well-established tradition of Folk High Schools could also prove a useful reference.

Other welfare reforms are probably also needed, but they are not youth-specific and have been largely covered by the 2006 OECD Review on Disability.[10] Judging by the importance of health-related problems among welfare recipients, including fairly young ones, any serious attempt to reform the current state of affairs probably requires a re-examination of the gatekeeping function of General Practitioners in order to reduce inflows into long-term sickness and disability schemes. Assuming that financial incentives also matter, a clear work-incentive gradation into Norway's system of benefits would definitely help: the generosity of health-related benefits, covering long-term sickness and minor disability risks, should be reduced, and set to a level that is intermediate between UI benefits and social assistance.

10. OECD (2006b), *Sickness, Disability and Work: Breaking the Barriers: Norway, Poland and Switzerland*, Vol. 1, Paris.

RÉSUMÉ ET PRINCIPALES RECOMMANDATIONS

À bien des égards, le marché du travail des jeunes en Norvège affiche de très bonnes performances. Les jeunes qui entrent sur le marché du travail en Norvège font face à un risque de chômage faible et peuvent espérer des revenus élevés par rapport à ceux d'autres pays. Le chômage des 16-24 ans était en 2007 de 7.3 %, soit 6 points de pourcentage au-dessous de la moyenne OCDE. L'incidence du chômage de longue durée est extrêmement faible chez ces jeunes : 2.5 % du chômage total, contre une moyenne OCDE de 19.6 %. Leur salaire, relativement à celui des adultes, est parmi les plus élevés de l'OCDE. Ainsi les jeunes travailleurs norvégiens peu diplômés et sans expérience gagnent plus de 60 % du salaire moyen. C'est 20 points de pourcentage de plus que la moyenne OCDE.

Malgré ces bonnes performances, il subsiste des inquiétudes légitimes concernant le processus de transition de l'école à l'emploi. Six ans après avoir quitté l'école, le nombre de jeunes percevant des allocations liées à la maladie ou au handicap est presque deux fois plus élevé que le nombre des jeunes comptabilisés comme chômeurs ou participants à des programmes actifs du marché du travail.

Le gouvernement norvégien est particulièrement soucieux du niveau de préparation des jeunes quittant le système éducatif. Relever le niveau moyen d'instruction et réduire l'incidence du décrochage scolaire figurent parmi ses priorités. Le gouvernement est également conscient de la nécessité de développer une organisation du marché du travail et de l'aide sociale qui accroisse les opportunités d'emploi pour les jeunes et les motive davantage à participer à la vie active.

Si beaucoup de mesures judicieuses ont été mises en place récemment pour améliorer la transition de l'école à l'emploi, il subsiste plusieurs obstacles à l'emploi des jeunes. Côté offre, il apparaît que certains jeunes n'ont pas acquis les compétences de base nécessaires pour s'engager avec succès sur le marché du travail. Les incitations à participer à la vie active paraissent insuffisantes pour certains. Les jeunes qui quittent le système éducatif ne peuvent pas prétendre aux allocations de chômage. Mais d'autres branches du

système de protection sociale, notamment celles qui distribuent des prestations pour raison de (mauvaise) santé, sont accessibles et peuvent mener à une dépendance à l'égard des transferts sociaux. À l'autre extrémité du spectre des qualifications, les étudiants de l'enseignement tertiaire n'ont probablement pas suffisamment d'incitations à terminer leurs études rapidement.

Du côté de la demande, des salaires élevés en début de carrière fixés dans le cadre de conventions collectives, ainsi qu'une législation relativement stricte en matière de protection de l'emploi, peuvent restreindre les opportunités d'emploi pour les jeunes en décrochage scolaire, les immigrants issus d'un pays non occidental ou les jeunes femmes ayant des enfants à charge.

Un contact précoce avec le marché du travail grâce aux emplois étudiants, mais des diplômes obtenus tardivement

Les jeunes norvégiens ont souvent leur premier contact avec l'emploi alors qu'ils sont encore dans le système éducatif. C'est essentiellement à partir de 16 ans qu'ils décrochent leur premier job étudiant (le plus souvent à temps partiel). La part des étudiants de 18 à 20 ans exerçant de tels emplois était d'environ 50 % en 2006, moins que dans les pays où ce pourcentage est le plus élevé, mais nettement plus de la moyenne OCDE.

En Norvège, près de 20 % des 24-29 ans sont toujours étudiants, sans que cela conduise à une part plus importante des jeunes adultes titulaires d'un diplôme tertiaire. De nombreux pays (Belgique, France ou Irlande) font aussi bien que la Norvège en termes de part de diplômés du tertiaire, mais avec une proportion beaucoup plus faible d'étudiants « âgés ».

Les jeunes qui entrent sur le marché du travail connaissent un faible risque de chômage et peuvent prétendre à des rémunérations relativement élevées

Les statistiques comparatives montrent que la Norvège obtient de très bonnes performances pour les jeunes qui entrent sur le marché du travail. Comme indiqué ci-dessus, en 2007, le taux de chômage des jeunes (7.3 %) était nettement au-dessous de la moyenne OCDE (13.3 %). La situation s'est également améliorée depuis 1997, où le taux de chômage des jeunes norvégiens était de 10.6 % comparativement à la moyenne OCDE de 15.6 %. Cette bonne performance en termes de chômage est en partie due à la vigueur de la croissance économique du pays, supérieure à 4 % en rythme annuel depuis 2005.

Enfin, le salaire relatif des jeunes de 15 à 24 ans (tous niveaux d'instruction confondus) est parmi les plus élevés des pays de l'OCDE. En 2006, il s'établissait à 70 % de celui des adultes de 35 à 44 ans.

Les jeunes immigrants constituent toutefois une exception

Les jeunes immigrants constituent cependant une exception marquante parmi cet ensemble de bonnes performances du marché du travail. Le taux de chômage des jeunes (de 20 à 29 ans) nés hors de Norvège et de l'UE-25 est 3.2 fois plus élevé que celui des autres groupes, soit un ratio plus élevé que dans les autres pays d'Europe[11].

Jeunes sans emploi : chômeurs ou inactifs ?

Une évaluation globale du marché du travail des jeunes ne saurait se limiter à celle de leur taux d'emploi ou de chômage.

Les données internationales disponibles confirment que le jeune norvégien type fait face à un risque relativement faible de se retrouver sans emploi après avoir quitté l'école. En 2006, le taux de non-emploi des jeunes hommes norvégiens âgés de 20-29 ans était faible (10.3 %) et inférieur à la moyenne des jeunes hommes européens (15.4 %). Quant aux jeunes norvégiennes, elles ne sont que 17.7 % à ne pas avoir d'emploi, contre 27.7 % des jeunes femmes européennes.

Cela étant, les statistiques issues des enquêtes emploi montrent qu'en Norvège être jeune et sans emploi est généralement synonyme d'« inactivité ». C'est le cas de plus de 52 % des jeunes hommes sans emploi, alors que cette proportion n'est en moyenne que de 39 % en Europe. Les jeunes femmes qui ne travaillent pas après avoir quitté l'école subissent le même sort : en Norvège, plus de 71 % d'entre elles sont inactives, alors qu'elles ne sont que 65 % en Europe.

Le fait que la part des inactifs soit élevée par rapport à celle des chômeurs n'est pas forcément un problème, si les inactifs sont peu nombreux et si leur statut reflète un choix strictement volontaire. Cependant, comme indiqué ci-dessus, le nombre de jeunes inactifs en Norvège n'est pas négligeable et le présent rapport met en évidence qu'ils sont astreints à trop peu de mesures incitatives pour chercher un emploi rémunéré.

11. C'est le ratio obtenu à partir des données de l'Enquête communautaire sur les forces de travail (ECFT) d'Eurostat. Une valeur de 3.2 est également obtenue avec les données administratives fournies par *Statistics Norway* sur les jeunes issus ou non de l'immigration (c'est-à-dire ayant ou non des parents ou grands-parents nés en Norvège).

L'enseignement général prédomine jusqu'à 16 ans

Le système éducatif norvégien dispense un enseignement presque exclusivement général jusqu'à l'âge de fin de scolarité obligatoire, soit 16 ans. Comme l'ont récemment confirmé les résultats de l'enquête PISA[12] 2006, la performance de l'enseignement obligatoire est décevante au regard des comparaisons internationales. Les scores obtenus dans les matières de base telles les mathématiques, les sciences et la compréhension de l'écrit sont inférieurs à la moyenne OCDE, malgré un PIB par habitant très élevé et un effort budgétaire en faveur de l'éducation supérieur à la moyenne (6.2 % du PIB en 2004 contre 5.0 % pour l'OCDE).

L'enseignement technique et professionnel (ETP) commence à partir de 16 ans. Environ 46 à 48 % des jeunes optent à cet âge pour l'ETP avec pour objectif une insertion rapide sur le marché du travail. En Norvège, l'ETP est organisé de manière *séquentielle* selon un modèle 2+2. Les élèves suivent d'abord un enseignement à dominante théorique à plein temps pendant deux ans, après quoi certains entrent en apprentissage en entreprise (à plein temps) et y restent pendant encore deux ans.

Concernant l'accès au diplôme d'enseignement tertiaire, la Norvège est l'un des pays les plus performants de l'OCDE et la tendance est favorable d'une génération à l'autre[13]. Cet indicateur contraste avec les résultats relativement décevants qui ressortent de l'étude PISA concernant les jeunes de 15 ans. Ce contraste suggère une propension à retarder l'investissement dans le capital humain. L'efficacité économique d'un tel choix pose question car il est maintenant bien établi que le coût d'acquisition des compétences et du capital humain augmente avec l'âge de l'apprenant.

Au-delà de 16 ans, le fait que beaucoup de jeunes norvégiens quittent précocement le système éducatif apparaît préoccupant aux yeux de nombre de décideurs. Il n'est pas évident d'évaluer l'ampleur du problème du décrochage scolaire, ni de bien en comprendre les ressorts[14]. Ce qui est moins contestable est que le phénomène culmine

12. Programme international de l'OCDE pour le suivi des acquis des élèves.

13. Toutefois, les chiffres de 2007 suggèrent que le taux de scolarisation des jeunes hommes a peut-être atteint un palier.

14. Par exemple, l'adoption récente par la Norvège d'une nouvelle classification nationale des niveaux d'instruction, plus stricte, se traduit par un taux de décrochage plus élevé dans les comparaisons internationales.

vers l'âge de 17-18 ans. Mais il s'agit là, dans une certaine mesure, d'un phénomène transitoire, puisqu'au-delà de 20 ans, le taux de décrochage diminue, probablement parce que certains jeunes qui quittent le système scolaire parviennent à terminer un deuxième cycle du secondaire plus tard, soit en revenant dans l'enseignement, soit en profitant des programmes de la deuxième chance pour adultes disponibles en Norvège.

Un groupe mérite une attention toute particulière : celui des enfants d'immigrants d'origine non européenne ou non occidentale. La probabilité qu'ils décrochent[15] (17 % en 2006) est certes plus faible que la moyenne européenne (24.3 %). Mais elle est plus de trois fois plus élevée que pour les élèves originaires de Norvège.

Des réformes de l'éducation qui vont dans le bon sens

La Norvège possède un enseignement préscolaire (maternelles et jardins d'enfants) très développé et largement fréquenté. En 2007, le gouvernement a augmenté le budget destiné à cet enseignement d'environ 3.2 milliards NOK (soit 409 731 114 EUR). Cet effort va dans le bon sens. Une littérature abondante atteste de l'effet positif, à long terme, de la fréquentation de ce type d'enseignement, en particulier pour les enfants issus de milieux défavorisés.

La déception suscitée par les résultats issus de l'enquête PISA 2003 a convaincu les autorités norvégiennes de la nécessité de renforcer le programme enseigné dans les écoles primaires et secondaires. La réforme dite *Kunnskapsløftet,* ou réforme de promotion des connaissances, introduite en 2006, vise à renforcer le degré de maîtrise des compétences de base. Les principaux ingrédients de cette réforme sont : *i)* des programmes nationaux standardisés pour les matières de base ; *ii)* un recours accru aux examens externes ; et *iii)* davantage d'autonomie pour les établissements. Plus globalement, le but de cette réforme est de parvenir à un système davantage centré sur la production de résultats. Au vu des résultats de l'enquête PISA 2006 précédemment décrits, on peut penser que cette réforme arrive un peu tard et mériterait peut-être d'être renforcée.

Avec le plan stratégique 2007 « Éducation : l'égalité en pratique », l'accent est aussi clairement placé sur la maîtrise du norvégien chez les immigrants d'origine non occidentale et leurs enfants. Parmi les

15. Probabilité basée sur « l'ancienne » classification nationale qui implique que les jeunes qui n'ont effectué qu'une ou deux années de scolarité dans le deuxième cycle du secondaire sont considérés comme non-décrocheurs.

mesures adoptées, citons : *i)* la stimulation linguistique dans l'enseignement préscolaire ; *ii)* les tests de dépistage des insuffisances linguistiques dans les centres de santé pour la petite enfance ; *iii)* un financement accru pour les établissements primaires et secondaires à forte concentration d'élèves issus de l'immigration ; *iv)* l'augmentation du nombre de places d'apprentissage pour les immigrants ; *v)* un accès plus large à l'enseignement tertiaire ; et *vi)* des mesures pour promouvoir la maîtrise du norvégien parmi les adultes, en collaboration avec les municipalités qui distribuent l'aide sociale.

Depuis 1994, les autorités norvégiennes ont également entrepris de renforcer l'ETP au-delà de 16 ans. Ce type d'enseignement facilite probablement l'insertion sur le marché du travail. L'ETP peut aussi se révéler mieux adapté aux individus les moins réceptifs à la pensée abstraite.

Les décideurs devront toutefois veiller à éviter deux écueils. Le premier est lié à la durée des programmes d'enseignement technique et professionnel (ETP), soit quatre ans en Norvège. Peut-être est-ce trop long pour certains jeunes de 16 ans. Cette durée relativement longue risque *de facto* d'accroître le décrochage. Il serait sans doute préférable de structurer l'ETP sous forme de *continuum* de niveaux, selon le principe des crédits et certificats d'apprentissage cumulables, permettant d'informer les employeurs potentiels sur les acquis intermédiaires. Les autorités norvégiennes sont en train de tester le modèle de la lettre de compétence (*letter of competence*) qui va dans ce sens : au bout d'un an d'ETP, les élèves peuvent obtenir un certificat leur permettant, en principe, d'attester de leur niveau sur le marché du travail.

Le deuxième problème tient à la structure 2+2 de l'ETP en Norvège. À la différence des systèmes allemand, néerlandais ou suisse, les élèves de l'ETP en Norvège passent deux ans dans un établissement scolaire à plein temps avant d'avoir la possibilité de devenir apprentis. Cela constitue probablement une difficulté pour les élèves qui ne sont pas réceptifs aux méthodes scolaires traditionnelles, et comporte le risque d'accentuer le décrochage scolaire.

La réforme de l'orientation professionnelle au sein des établissements secondaires est également à l'ordre du jour. La Norvège entend faire un effort particulier sur le développement de l'orientation au sein des collèges et des lycées. Il y a toutefois plusieurs difficultés à surmonter pour réussir. Les conseils dispensés doivent être pertinents, c'est-à-dire qu'ils doivent s'appuyer sur une connaissance claire et actualisée des besoins actuels et futurs du

marché du travail. La décision de séparer l'orientation à caractère social et psychologique de l'orientation pédagogique et professionnelle, suite à un rapport de l'OCDE publié en 2002, constitue probablement un premier pas dans la bonne direction.

Il faut aussi noter que, depuis 1994, chaque comté est doté d'un service de suivi, qui est tenu de contacter tous les jeunes qui ne suivent pas, ou plus, un enseignement tertiaire. Cette obligation a été renforcée en 2007 par un accord entre le ministère du Travail et de l'Insertion sociale et les municipalités. Ce système de suivi joue un rôle de filet de sécurité pour les décrocheurs et les autres jeunes de 16 à 19 ans qui ne sont ni en emploi, ni aux études, ni en formation (les NEET : *Neither in Employment nor in Education or Training*).

Mais il faut faire davantage d'efforts pour que tous les jeunes quittent l'école munis de qualifications reconnues afin de démarrer leur vie professionnelle

- *Lever les derniers obstacles à la participation à l'enseignement préscolaire*. La fréquentation de cet enseignement entraîne la perte d'une somme forfaitaire (*Kontantstøtte*). Cette somme est versée aux familles qui décident de prendre en charge leurs enfants à la maison. La perspective de la perte de cette allocation pourrait dissuader les familles à faibles revenus d'inscrire leurs enfants dans l'enseignement préscolaire. Il est établi que les familles d'origine non occidentale perçoivent plus souvent cette allocation que les autres familles. Or, il s'agit d'un groupe pour lequel l'exposition précoce des enfants à l'éducation et à la langue norvégienne compte particulièrement. Il conviendrait d'évaluer avec attention les effets potentiellement négatifs de cette allocation sur la participation à l'enseignement préscolaire. Si de tels effets venaient à être établis, les autorités devraient envisager de supprimer cette allocation au-delà d'un âge compris entre 12 et 18 mois (c'est-à-dire, au-delà de la période de la vie où le lien mère-enfant est considéré comme très favorable au développement de l'enfant).
- *Dans l'enseignement primaire et secondaire, accentuer la Réforme de promotion des connaissances* (Knowledge Promotion Reform) *et veiller à ce que les différents établissements jouissent d'une large autonomie locale pour le recrutement et la promotion des enseignants*. Des mesures de résultats selon des standards externes tels que ceux établis dans la Réforme de promotion des connaissances contribuent à lutter contre la tendance qu'ont les enseignants à diminuer leurs exigences et leurs attentes lorsqu'ils

sont confrontés à des élèves réputés faibles. Dans le même temps, ceux qui s'occupent du fonctionnement des établissements municipaux et cantonaux (c'est-à-dire les chefs d'établissements) doivent bénéficier d'une autonomie suffisante dans le recrutement et la promotion de leurs enseignants. Un système fondé sur la mesure externe des résultats ne fonctionne que si les agents au niveau local ont l'autonomie nécessaire pour sélectionner et récompenser[16] ces acteurs cruciaux de tout processus d'enseignement que sont les éducateurs ou les enseignants.

- *Pour lutter contre le décrochage à partir de 16 ans, assouplir les modalités de l'offre d'ETP au début du deuxième cycle secondaire.* En Norvège, l'individu exprime ses préférences. Mais c'est un planificateur (au niveau du comté) qui assure *in fine* l'adéquation entre l'offre et la demande. Un certain nombre de témoignages font état d'une inadaptation persistante : environ 10 % des jeunes n'obtiennent pas le domaine d'ETP ou l'établissement qu'ils avaient placé en tête de leurs préférences. On peut également s'interroger sur la capacité ou la volonté de certains comtés – en particulier dans les zones éloignées et faiblement peuplées – à offrir l'ensemble des spécialités. Il serait peut-être utile de créer un quasi-marché, de manière à permettre l'entrée d'opérateurs d'ETP privés et, ce faisant, limiter certains de ces problèmes.

Examiner attentivement les obstacles à l'emploi des jeunes liés à la demande

Il n'existe pas en Norvège de salaire minimum légal (ni de salaire minimum pour les jeunes). Les conventions collectives ne font pas de distinction pour les salariés de plus de 18 ans. Par conséquent, beaucoup de jeunes travailleurs sont rémunérés au même salaire que les adultes, selon le barème négocié dans le cadre des conventions collectives : les *tariffs*.

Les jeunes travailleurs sans expérience et faiblement qualifiés gagnent, en Norvège, plus de 60 % du salaire d'un adulte[17]. C'est 20 points de pourcentage au-dessus de la moyenne OCDE. La structure

16. Cela n'implique pas nécessairement la généralisation de la rémunération individualisée au résultat, particulièrement difficile à mettre en œuvre, on le sait, dans le secteur de l'éducation. Il importe surtout de veiller à ce que les responsables d'établissement, à qui on demande des résultats, aient la faculté de décider quels enseignants progressent sur une échelle de salaires définie de manière externe.

17. Âgé de 35 à 44 ans.

des salaires est en effet particulièrement « compressée » en Norvège. La législation sur la protection de l'emploi y est également l'une des plus strictes des pays de l'OCDE, notamment pour les travailleurs sous contrat à durée déterminée qui, depuis 1995, bénéficient d'un « droit préférentiel » sur les postes à pourvoir dans leur entreprise. Ces deux facteurs combinés pourraient aboutir à réduire le nombre d'emplois offerts aux personnes sans expérience et peu qualifiées.

Pour limiter les obstacles qui se dressent du côté de la demande, les mesures suivantes pourraient être envisagées :

- *Réduire le coût de l'emploi des jeunes peu qualifiés jusqu'à l'âge de 23 ans.* Une option consisterait à instaurer un salaire minimum pour les jeunes – ou, pour employer une terminologie plus appropriée au contexte norvégien, un *sous-tariff* – comme dans de nombreux autres pays de l'OCDE. En pratique, cela pourrait être réalisé en étendant à tout jeune ayant décroché de l'école le barème salarial[18] actuellement appliqué aux apprentis : pour les jeunes de 16 ans, 30 % du *tariff* s'appliquant à un travailleur débutant[19], allant *crescendo* jusqu'à 70 % ou 80 % du *tariff* pour les jeunes de 22 ans. Les jeunes sans qualification ne pourraient prétendre au plein *tariff* qu'à partir de 23 ans. Cela permettrait aussi d'accroître la différentiation des revenus selon le niveau d'instruction et de renforcer les incitations à l'investissement dans le capital humain.
- *La même réduction du coût de l'emploi des jeunes pourrait être obtenue au moyen de subventions salariales ciblées*. S'il s'avère impossible dans le contexte norvégien d'introduire un *sous-tariff* pour les jeunes peu qualifiés, un résultat identique pourrait être atteint au moyen d'une subvention à l'embauche ciblée. Il existe en Norvège des précédents d'une telle politique. Cette option aurait évidemment un coût pour le contribuable, mais elle aurait l'avantage de ne pas toucher aux prérogatives des partenaires sociaux en matière de fixation des salaires. Toutefois, un inconvénient majeur est que cette politique n'aurait pas d'effet sur la motivation à investir dans le capital humain : les travailleurs avec un faible niveau d'instruction continueraient à bénéficier du même niveau de salaire d'entrée, relativement élevé.

18. Mais non le régime de subventions, qui a pour raison d'être de couvrir les coûts d'opportunité et les coûts directs de l'effort de formation pour l'employeur.

19. 300 000 NOK (EUR 38 412.29 EUR) par an en 2007.

- *Parallèlement, subordonner l'octroi des prestations sociales après 16 ans à l'obtention d'un diplôme secondaire supérieur (ou à la mise en œuvre d'un projet pour y parvenir)*. Les Pays-Bas ont mis en œuvre une réforme de ce type, sous l'appellation *Leerwerkplicht* (obligation d'apprendre ou de travailler) : les jeunes de 18 à 27 ans non titulaires d'un diplôme de fin du secondaire sont tenus de reprendre leurs études (ou de travailler). Faute de remplir cette obligation, ils peuvent être mis à l'amende ou perdre tout, ou partie, de leurs droits aux prestations sociales. Cette mesure est souhaitable si l'on réduit les salaires d'entrée des jeunes peu qualifiés, tout simplement pour éviter de créer ou de renforcer le risque de dépendance vis-à-vis des transferts sociaux.

- *Évaluer attentivement l'effet sur la demande de jeunes travailleurs peu qualifiés du « droit préférentiel » à l'emploi que le code du travail* (Working Environment Act) *accorde aux bénéficiaires de contrats à temps partiel ou à durée déterminée*. En Norvège, les salariés employés à temps partiel ou sous contrat à durée déterminée ont un accès prioritaire aux postes à pourvoir dans l'entreprise. L'intention est d'améliorer les chances d'accès à l'emploi permanent ou à plein temps. Mais cette disposition peut aussi aboutir à dissuader certains employeurs, peu enclins à prendre des risques, à recruter des jeunes ayant des profils problématiques, et, partant, limiter leurs chances d'accumuler une expérience professionnelle. La disposition peut aussi éroder le rôle de l'emploi à temps partiel ou à durée déterminée comme tremplin vers l'emploi stable. Pour ces raisons, il est important d'évaluer avec la plus grande rigueur les effets de cette disposition du code du travail sur le recrutement et la rétention des jeunes travailleurs, et se préparer à la modifier si l'évaluation se révèle négative.

Les politiques en matière de chômage mais aussi d'aide sociale doivent promouvoir l'employabilité des jeunes, et non la dépendance vis-à-vis des transferts sociaux

À la différence de certains autres pays de l'OCDE (Belgique, Espagne ou France), où les premières années après la sortie de l'école sont jalonnées de nombreux épisodes de chômage, en Norvège, il n'est pas rare de voir des jeunes se diriger vers l'aide sociale, ou percevoir des allocations liées à la maladie de longue durée ou au handicap.

L'accès aux prestations d'assurance chômage est restrictif en Norvège (contributions antérieures, obligations réciproques contraignantes, prestations limitées dans la durée, etc.). Mais ces conditions d'éligibilité relativement strictes risquent de provoquer des effets de *déplacement*. En restreignant l'accès aux allocations de chômage, les autorités ont probablement contribué à écarter certains jeunes de la vie active et à les rejeter dans l'inactivité. En Norvège, tant pour les jeunes hommes que pour les jeunes femmes, être sans emploi signifie plus souvent être « inactif » que chômeur. Bien que la majorité des jeunes inactifs ne perçoive aucune allocation, un bon nombre d'entre eux vivent d'allocations liées à la maladie ou au handicap. Six ans après avoir quitté l'école, les bénéficiaires de ces allocations (4.4 % d'une cohorte) sont presque deux fois plus nombreux que ceux qui sont au chômage ou qui participent à des programmes actifs du marché du travail.

Au sein du système norvégien d'aide sociale, le taux de remplacement est assez élevé pour les petits salaires, ce qui peut poser un problème d'antisélection, sauf si le degré d'activation des allocations est très poussé. Le taux de remplacement *via* l'allocation liée à la maladie est de 100 %. Les allocations liées au handicap (et, semble-t-il, celles destinées aux personnes en réadaptation) sont aussi élevées que les allocations de chômage, tout en étant probablement plus faciles à obtenir. Certains dispositifs du système d'aide sociale (allocations liées au handicap, à la maladie ou à la réadaptation) comportent donc le risque d'être utilisées comme substituts de l'allocation chômage.

Bien que le nombre de jeunes travailleurs qui s'absentent pour cause de maladie (couverts par un certificat médical) ait récemment légèrement diminué, on observe une nette augmentation du nombre de jeunes qui bénéficient d'allocations liées au handicap ou à la réadaptation. Cela semble paradoxal étant donné la forte corrélation qui existe habituellement entre le fait d'être jeune et d'être en bonne santé.

Les données longitudinales révèlent que la fréquence des allocations pour raison de santé (allocations liées à la maladie, au handicap et à la réadaptation) est modérée chez les jeunes durant l'année qui suit immédiatement leur sortie de l'école. Mais elle tend à augmenter fortement ensuite. Les quatre ou cinq premières années sont cruciales afin d'éviter que certains jeunes ne deviennent des bénéficiaires d'allocations de longue durée, car les jeunes qui perçoivent des allocations pour raison de santé ont une faible chance de retour à l'emploi. Plus de 88 % de ceux qui perçoivent des

prestations liées au handicap un an après avoir quitté l'école les perçoivent toujours cinq ans plus tard.

Certes le système norvégien d'allocations pour raison de santé contient de nombreuses dispositions *a priori* judicieuses, synonymes d'activation et ayant pour but de maximiser les chances de retour au travail. Mais force est de constater qu'en pratique, elles ne fonctionnent pas correctement.

Le principal défi pour la Norvège est d'éviter l'effet de déplacement du chômage (où les jeunes sont toujours « reliés » au marché du travail) vers l'aide sociale ou médicale (où la distance avec le marché du travail est *de facto* beaucoup plus importante). La priorité doit être d'empêcher le plus grand nombre possible de jeunes de percevoir des allocations liées à la maladie ou au handicap s'il n'existe pas pour cela de raison justifiée. Et lorsque ces allocations sont accordées, il convient de cibler les bénéficiaires au moyen de mesures de réadaptation adéquates pour les aider à retrouver un emploi.

L'important en Norvège est de développer une approche globale incluant *toutes les formes* de prestations (allocations de chômage, pour raison de santé, et allocations sociales). Il n'est pas très judicieux d'avoir une politique d'accès restrictif à l'assurance chômage, avec un programme d'activation intensif pour ceux qui en bénéficient, si cela a pour effet pervers d'écarter davantage de personnes du marché du travail, les poussant vers l'inactivité. Un élément très encourageant est que la Norvège a décidé en 2006 de fusionner progressivement le Service public pour l'emploi avec le Service d'assurance nationale, pour former en 2009 des services à guichet unique au niveau local : les agences pour l'emploi et l'aide sociale (NAV). L'un des principaux objectifs de cette réforme est de convaincre les professionnels de l'emploi et de l'aide sociale – qui partageront à l'avenir les mêmes locaux – de privilégier l'employabilité plutôt que le droit à bénéficier de l'aide financière lorsqu'ils étudient les dossiers de leurs clients.

Mais le succès de la réforme NAV est loin d'être acquis, étant donné les problèmes de gouvernance qui existent entre les ministères d'une part, et les municipalités ou les comtés de l'autre, lesquels bénéficient d'une large autonomie. Il existe en Norvège une forte tradition d'autonomie locale en matière de services sociaux. Toutes les réformes récemment introduites ont ceci de commun qu'elles préservent le pouvoir constitutionnel (et, dans une certaine mesure, le monopole) des autorités locales dans les domaines sociaux et éducatifs. Il ne fait aucun doute, toutefois, que la réforme NAV

constitue un pas important dans la bonne direction, et qu'elle permettra globalement de rapprocher les allocataires de l'aide sociale du marché du travail.

Le principal sujet de préoccupation, dans le contexte de cette étude, demeure la manière dont les jeunes seront traités. Il est certes souhaitable que toutes les classes d'âge bénéficient de politiques d'activation dans le nouveau système NAV. Mais la priorité devrait être accordée aux jeunes. Car les jeunes qui deviennent des allocataires de longue durée, courent le risque de se trouver en difficulté pendant de nombreuses années, voire des décennies. Il semble donc raisonnable, tant du point de vue économique que social, de réduire au maximum la taille de ce groupe de jeunes allocataires de longue durée. Il s'agit là d'un investissement à part entière, car comme le dit le proverbe, « mieux vaut prévenir que guérir ».

On envisagera donc les mesures suivantes :

- *Améliorer l'identification des individus à risque âgés de moins de trente ans. Parmi les clients des NAV, ce groupe devra être ciblé en priorité et bénéficier de politiques d'activation*. La réforme NAV représente le passage d'un système multi-compartiments (chômage, maladie, handicap, etc.) à un système à guichet unique dans lequel des allocataires de divers types ayant des besoins divers et présentant des caractéristiques différentes sont pris en charge par les mêmes équipes de travailleurs qui gèrent un système d'allocations unifié. Ces travailleurs doivent recevoir des orientations claires quant aux personnes à considérer en priorité. Confrontés à une population plus hétérogène que par le passé, ils doivent aussi disposer d'outils de profilage efficaces qui permettent d'identifier aussi rapidement que possible les personnes qui présentent un risque de dépendance à long terme. Les autorités norvégiennes élaborent actuellement une procédure permettant d'évaluer rapidement l'aptitude au travail des individus. La Norvège pourrait s'inspirer de l'exemple danois, où l'instauration d'un système de profilage a coïncidé avec la réforme de 2002 qui unifiait les règles s'appliquant aux bénéficiaires de l'assurance chômage et de l'aide sociale. Les outils de profilage utilisés au Danemark sont notamment : *i)* le « *job barometer* », représentation graphique des prévisions d'employabilité établies par un modèle statistique ; et *ii)* un historique de la personne avec des données sur ses antécédents en matière de recours à l'aide sociale.

- *Investir plus de temps et de ressources financières dans la définition des nouvelles procédures et obligations réciproques qui régiront le travail au jour le jour des personnels des NAV*, en particulier s'agissant des clients très jeunes qui cumulent les handicaps face à l'emploi. Les règles décrites dans la nouvelle Garantie de suivi (*Follow-up Guarantee*) destinée aux jeunes de 20-24 ans représentent une première étape utile. L'efficacité du dispositif pourrait toutefois être améliorée en adoptant une approche plus rigoureuse en matière d'obligations réciproques, à l'image de ce qui se fait pour les bénéficiaires d'allocations chômage. Les règles qui régissent la Garantie de suivi stipulent que les employés de NAV doivent aider les jeunes à se motiver et à trouver du travail. Mais elles ne généralisent pas l'idée de sanctions proportionnées en cas d'absences répétées ou de refus de participer.

- *Compenser la forte autonomie des municipalités par des mécanismes d'évaluation fondés sur les résultats* afin d'éviter une trop grande hétérogénéité au niveau local dans la mise en œuvre des objectifs nationaux. En pratique, cela signifie par exemple le recours à l'étalonnage, à l'évaluation par les pairs ainsi qu'à d'autres formes d'incitation « douce ». On pourrait appliquer un système de financement à points, avec des coefficients plus élevés pour les agences NAV qui diminuent le nombre de jeunes émargeant à l'aide sociale. Certaines modalités du système permettraient de limiter les risques d'incitation à l'écrémage de la part des agences NAV. L'Australie fournit un exemple intéressant à cet égard avec son système *Star Ratings*. Il s'agit d'un mécanisme d'évaluation par les résultats qui classe les opérateurs selon leur taux de placement, lequel est ajusté pour tenir compte du profil socio-économique des clients ainsi que de l'état du marché du travail de leur lieu de résidence.

- *Diversifier les fournisseurs de services de formation et de placement.* Les agents de NAV ont actuellement la possibilité de recourir à des prestataires privés pour fournir les services liés à la santé et à la réadaptation. Développer davantage ces mécanismes pourrait s'avérer utile. Un recours accru à des fournisseurs privés dans le domaine de la formation et du placement des chômeurs élargirait la palette des solutions offertes, notamment au profit de groupes dont la spécificité des problèmes requiert du « sur-mesure ». Cette politique pourrait aussi avoir un effet positif sur les coûts unitaires. Dans les années 90, l'Australie a externalisé un grand nombre de services liés à l'emploi vers des

entreprises privées ou vers des associations. Une baisse significative du coût unitaire des services s'en est suivie, sans diminution apparente de leur qualité.

- *Développer une solution « résidentielle » dans l'arsenal des mesures visant les jeunes très défavorisés.* Les programmes d'activation classiques ont peu de chances de donner des résultats auprès des jeunes les plus défavorisés, cumulant des handicaps par rapport à l'emploi (faible niveau d'instruction, appartenance à une minorité ethnique, toxicomanie, etc.). Pour ce groupe, des solutions plus radicales sont à considérer. Une possibilité consisterait à développer – éventuellement dans le cadre du Nouveau programme de qualifications (*New Qualification Programme*) – un réseau d'établissements offrant un environnement de type pensionnat, et fournissant à la fois *i)* du mentorat, *ii)* une expérience professionnelle et *iii)* une remise à niveau scolaire. On peut citer comme exemple d'initiative de ce type le programme *US Job Corps*, qui existe depuis de nombreuses années. Dans les pays nordiques, la tradition des *Folk High Schools* peut aussi s'avérer une référence utile.

D'autres réformes de l'aide sociale sont probablement nécessaires, mais elles ne s'adressent pas spécifiquement aux jeunes et ont été largement examinées dans l'étude de 2006 de l'OCDE sur le handicap[20]. À en juger par la forte occurrence des problèmes de santé chez les bénéficiaires de l'aide sociale, y compris chez les très jeunes, toute tentative sérieuse de réformer la situation actuelle nécessitera de réexaminer le rôle de contrôleurs (*gatekeeper*) exercé par les médecins généralistes afin de diminuer le nombre des personnes qui entrent dans les dispositifs couvrant la maladie de longue durée et le handicap. Et si l'on suppose que les incitations financières jouent un rôle, il devient souhaitable d'instaurer une hiérarchie claire dans le système norvégien d'allocations : les prestations liées à la santé, couvrant la longue maladie et les risques mineurs de handicap sont trop généreuses et devraient être ramenées à un niveau intermédiaire entre les allocations de chômage et les allocations sociales.

20. OCDE (2006b), *Maladie, invalidité et travail : Surmonter les obstacles : Norvège, Pologne, Suisse*, vol. 1, Paris.

INTRODUCTION

Improving the performance of youth in the labour market is a crucial challenge in OECD countries. Declines in the number of new entrants to the labour market and ageing populations and workforces in many countries have not so far translated into better labour market outcomes for youth. It is thus key that young people possess the skills required by the labour market and that countries develop effective policy instruments to help them accomplish a successful transition from school to work.

The Norwegian government is particularly concerned about how well prepared young people are for the labour market. It is also aware of the need to develop labour market and welfare institutions that are likely to maximise youth opportunities. While most Norwegian youth are employed, those who are not tend to be "inactive" rather than "unemployed". And this is true for both young men and women. This means that the propensity of non-employed youth to stay out of the labour market is higher than in other OECD countries.

Several barriers to youth employment remain. On the demand side, some young people, singularly those with and non-European or non-western immigration background[21] are over-represented, still lack the basic skills they need to succeed in a career. Work incentives are also lacking for some low-educated youth. Although school-leavers have no immediate right to unemployment benefits in Norway, other segments of the welfare system are accessible to them beyond the age of 18, and can operate as welfare traps. Barriers also exist on the supply side. Wages and non-labour costs to firms employing low-skilled and inexperienced workers are relatively high, which may translate into fewer job opportunities for school drop-outs, immigrants or young women re-entering the labour market after childbearing.

21. Throughout this report, the definition of people with an immigration background tends to vary at the margin, according to the data source used. And there is no obvious way of harmonizing these sources. Hence, each time the situation of young immigrants is mentioned in this report, it is important to consider the exact definition mobilised by the underlying data.

The purpose of this report is to examine these barriers and discuss how education, training, labour market and social policies may help improve the school-to-work transition. Chapter 1 presents basic facts on the situation of youth in the Norwegian labour market. The role of education and training in shaping the transition from school to the labour market is analysed in Chapter 2. Demand-side barriers to youth employment are explored in Chapter 3. Finally, Chapter 4 analyses the role of welfare benefits and public employment services in helping non-employed youth to get a job.

CHAPTER 1

THE CHALLENGE AHEAD

Over the past three years, Norway has experienced rapid economic growth, at a rate exceeding 4% per year on average. Growth in employment and in the labour force is strong (OECD, 2007a). As a result, the standardised unemployment rate declined to 2.6% in 2007, the lowest rate recorded since 1987.

These trends have contributed to an improvement in the labour market performance of young people, which was already good by international standards. However, they are unlikely to be sufficient to solve all the problems faced by some groups of youth, particularly school drop-outs and the children of immigrants of non-European or non-western origin.

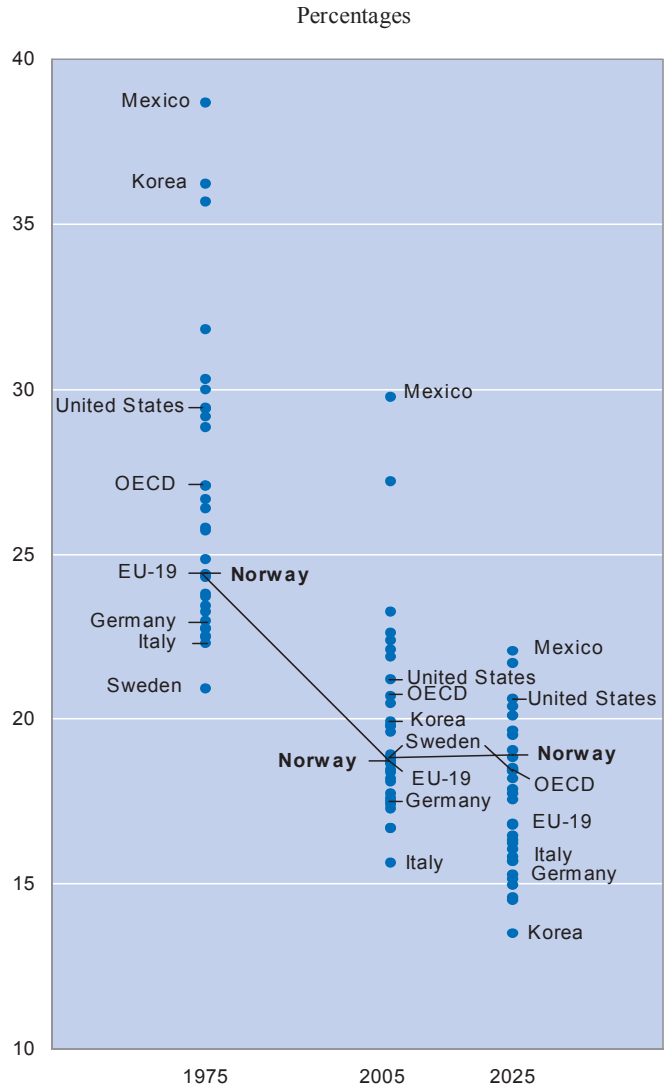
The purpose of this chapter is to examine how youth labour market performance has reacted in this context of rapid economic growth and how it compares with other OECD countries. The chapter draws a picture of youth demographics and the position of Norwegian youth in the labour market (Section 1). It then examines the school-to-work transition (Section 2), and its main outcomes in comparison with other OECD countries. Section 3 presents a synthetic view of that transition using Norwegian register longitudinal data.

1. Demographics and major labour market outcomes

A. The share of young people (15-24) in the working-age population has declined since the 1970s

Figure 1.1 shows that the share of young people in the total population has declined in almost all OECD countries since the mid-1970s. The OECD average was above 25% in the second half of the 1970s and is now just above 20%. There is, of course, some cross-country variation: the downward trend is more pronounced in Korea than in Sweden, for instance. But it is visible across most countries, including Norway. However, projections show Norway in a somewhat better position than either the OECD or EU average, with the share of youth projected to be stable between 2005 and 2025, at 18-19%.

Figure 1.1. **Decreasing share of youth in working-age population in OECD countries, 1975-2025**[a]

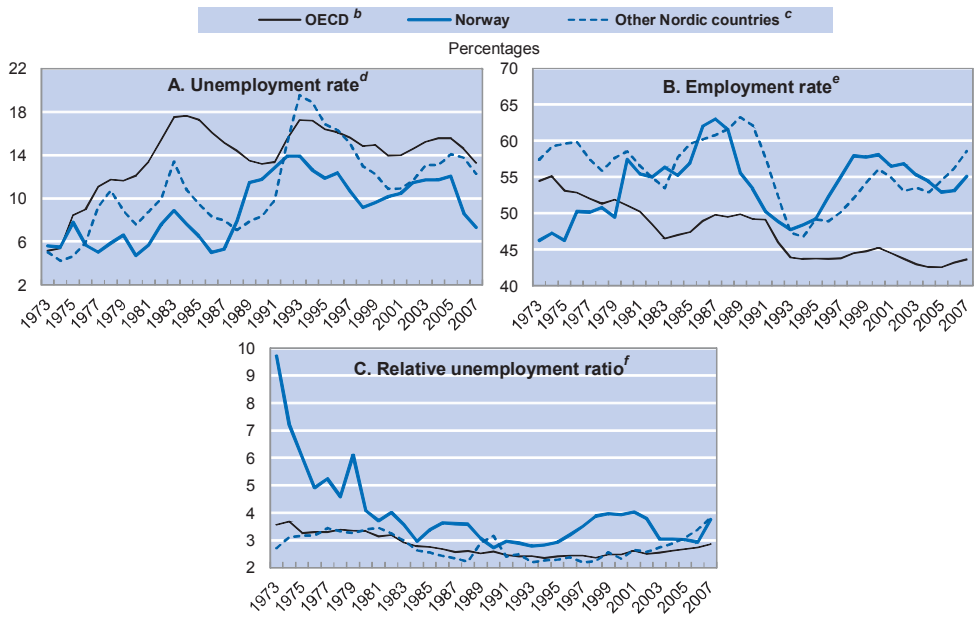


a) Ratio of the population aged 15-24 to the population aged 15-64.
Source: National Projections and United Nations projections for 2006 for Australia, Denmark, New Zealand and Spain; 2004 for Luxembourg; and 2005 for all other countries.

B. Low levels of youth unemployment

Judged in terms of unemployment, Norwegian youth labour market performance is good in international comparisons. The youth (16-24) unemployment rate declined to 7.3% in 2007, 6 percentage points lower than the OECD average (Figure 1.2), and the lowest level recorded since the late 1980s. These good unemployment results should be at least partially attributed to the strong economic growth in Norway which has been above 4% since 2005.

Figure 1.2. **Youth[a] unemployment and employment indicators, OECD, Norway and other Nordic countries, 1973-2007**



a) Youth aged 16-24 for Iceland, Norway, Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for all other countries in the OECD average.
b) Unweighted averages.
c) "Other Nordic countries" includes Finland and Sweden from 1973, Denmark from 1983 and Iceland from 1991; indicators relative to this area refer to unweighted averages of these four countries.
d) Unemployed as a percentage of the labour force in the age group.
e) Employed as a percentage of the population in the age group.
f) Unemployment rate of youth (15/16-24)/unemployment rate of adults (25-54).

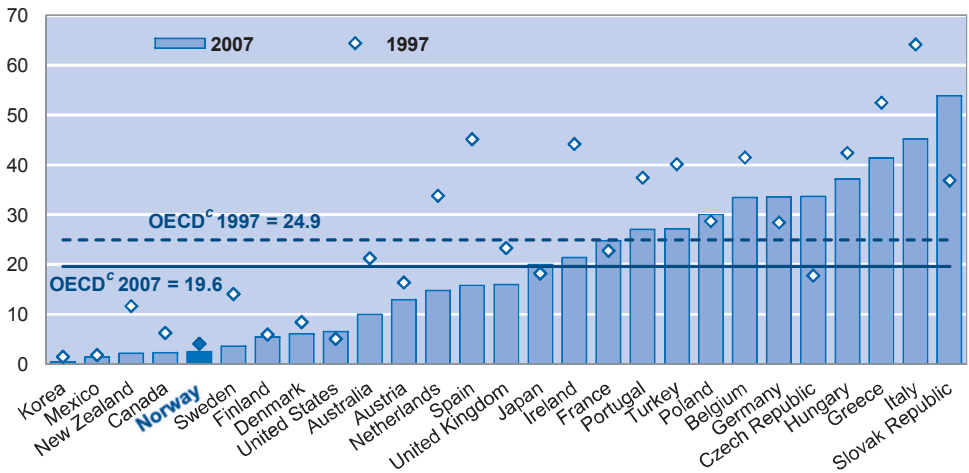
Source: National labour force surveys.

Still, this unemployment rate is about three times that of adults, and the ratio has fluctuated around these levels since the early 1980s (Figure 1.2).

The incidence of long-term unemployment[22] – by far the most problematic form of unemployment – is extremely low amongst young people in Norway: 2.5% of total youth unemployment in 2007 *versus* an OECD average of 19.6% (Figure 1.3 and Table 1.1). Employment rates are high, at 55%, 11 percentage points above the OECD average (Table 1.1), though it is noticeable that the rate is well below the peaks of 63% recorded in 1987 (Figure 1.2, Panel B).

Figure 1.3. **Incidence of long-term unemployment[a] among youth,[b] OECD countries, 1997 and 2007**

Percentage of unemployed youth



a) Twelve months and over.
b) Youth aged 16-24 for Norway, Spain, Sweden, the United Kingdom and the United States; and 15-24 for all other countries.
c) Data for Iceland and Luxembourg are not statistically reliable; for Switzerland, they are not available. Unweighted average of countries shown.
Source: National labour force surveys.

22. Unemployment spells lasting more than one year.

Table 1.1. **Scoreboard for youth aged 16-24,[a] Norway, Europe and OECD, 1997 and 2007**

	1997			2007		
	Norway	EU[b]	OECD[b]	Norway	EU[b]	OECD[b]
Employment rate (% of the age group)	**55.1**	39.3	43.8	**55.1**	39.0	43.6
Unemployment rate – UR (% of the labour force)	**10.6**	18.5	15.6	**7.3**	15.4	13.3
Relative UR youth/adult (25-54)	**3.5**	2.4	2.4	**3.8**	2.8	2.9
Ratio unemployed to population (% of the age group)	**6.6**	8.1	7.5	**4.4**	6.5	6.0
Incidence of LTU (% of unemployment)	**4.0**	31.3	24.9	**2.5**	25.3	19.6
Incidence of temporary work (% of employment)[c]	**35.2**	29.8	28.8	**28.7**	37.6	34.7
Incidence of part-time work (% of employment)	**39.9**	15.3	19.4	**46.0**	20.6	24.2
NEET rate (% of the age group)[d]	**6.8**	13.1	13.4	**5.9**	11.3	12.0
School drop-outs (% of the age group)[e]	**3.3**	13.9	16.7	**3.2**	11.0	12.9
Relative UR low skills/high skills(<ISCED 3)/(>ISCED 3)[d]	**2.5**	2.6	2.5	**3.0**	2.2	2.2

ISCED 3: International standard classification of education referring to upper secondary education; LTU: long-term (more than one year) unemployment; NEET: neither in education nor in employment or training; UR: unemployment rate.

a) Youth aged 16-24 for Iceland, Norway, Spain, Sweden, the United Kingdom and the United States; and 15-24 for all other countries.

b) Unweighted averages for the 19 OECD and EU countries and for the 30 OECD countries.

c) 2006.

d) 2005, based on the old national educational attainment classification (NEAC).

e) Share of youth not in education and without an upper secondary education; data refer to 2004 for Norway, and 2005 for EU and OECD averages.

Source: National labour force surveys; and OECD Education database.

C. But unemployment among young non-European immigrants and low-educated youth is relatively high

There are sizeable differences in unemployment rates between native Norwegians and immigrants of non-EU25 origin (see Box 1.1 for more information on the profile and history of immigrants in Norway). Figure 1.4, based on European Union Labour Force Survey (EULFS) data,[23] shows that these immigrants' unemployment rate is 3.2 times higher than that of other youths, a higher ratio than any other European country except Luxembourg.[24]

23. In the 2006 EULFS, non-European immigrants are defined as those born from a mother who was not a resident of one the EU-25 countries at the time of birth. There is no possibility to isolate second-generation immigrants in the EULFS and to examine whether they perform better than their first-generation peers, as suggested by Olsen (2007).

24. Using register data (see Box 1.3) on youth with/without an immigration background (*i.e.* with no parents or grandparents born in Norway) the ratio is 3.2.

Box 1.1. **Norway's immigrants**

On the 1st January 2008, Norway counted 716 967 persons of immigrant background representing 15% of the total population.

About 57% of them are of non-western origin. But that percentage is 66% among youth aged 0-19. This partly reflects the history of immigration to Norway. The older immigrants were from Europe, but from around 1970 onwards, many people also came from Asia, Africa and Latin America. Many Pakistanis and Turks came to work in Norway. Waves during the 1980s and 1990s mainly consisted of refugees.

Share of immigrants by age group, Norway, January 2008

Percentage of total population

Category	0-19	20-39	40-59	60 and over	Total
Immigrants[a]	18.5	19.2	12.7	5.1	15.1
Non-westerners[b]	12.3	12.5	6.8	1.6	8.7
Westerners	6.2	6.7	6.0	3.5	5.7
Norwegian natives	81.5	80.8	87.3	94.9	84.9
Total population	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Share of non-westerners in total immigrants	*66.5*	*65.0*	*53.2*	*31.8*	*57.2*

a) First-generation-immigrants without Norwegian background; born in Norway with one foreign-born parent; foreign-born with one parent born in Norway; and persons born in Norway with two foreign-born parents.

b) Non-western countries: Asia including Turkey, Africa, South and Central America, Oceania and eastern Europe.

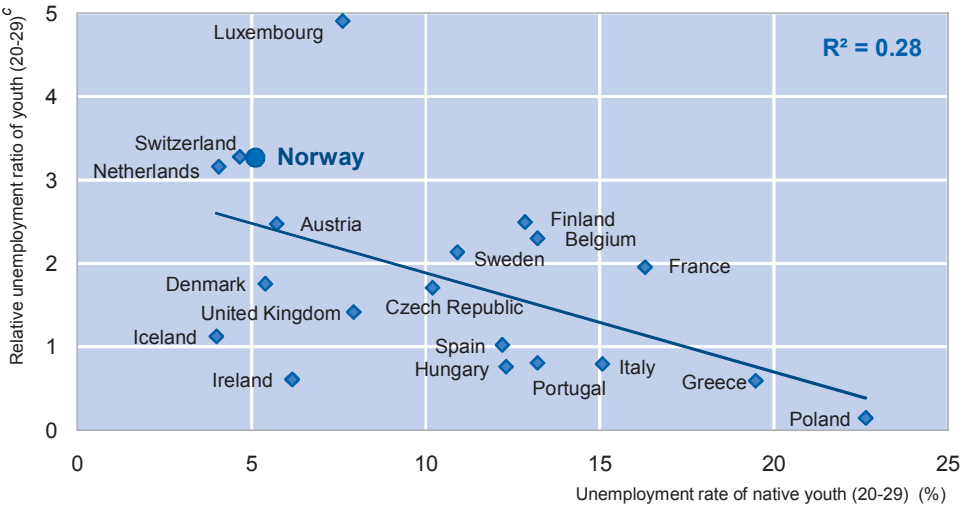
Source: Statistics Norway; and OECD (2007b), *International Migration Outlook*, Paris.

Since 2004 there has also been a surge in the number of immigrants from the new EU member states. In 2006, the net immigration of foreign nationals was 25 000, an increase by more than 6 000 compared to 2005. This is the highest level ever recorded. The significant increase was first of all a result of the high level of labour immigration, especially from Poland.

Table 1.2 suggests that only a small part of these unemployment gaps can be ascribed to educational attainment differences. In the case of Norway, 5.4% of the female immigrant/native gap is explained by a lower educational attainment. For male immigrants, the share explained by education is a bit higher at 6.6%.

A focus on individuals with a low level of education (*i.e.* those with less than ISCED 3 level) reveals a less alarming pattern (Figure 1.5). Their rate of unemployment is 2.2 times higher than that of more educated individuals; which is more in line with the European average.

Figure 1.4. **Unemployment rate of non-European immigrants[a] *versus* native youth,[b] 2006**



a) Mother neither resident of Norway nor of one of the EU-25 countries at the moment of birth.
b) Youth refer to those aged 20-29.
c) The vertical axis displays the ratio between the unemployment rate of young immigrants of non-European origin and that of native youth. It captures the propensity of immigrants to be more exposed to the risk of unemployment than the rest of the youth population.

Source: European Union Labour Force Survey (EULFS).

Table 1.2. **Share of youth[a] unemployment gap affecting the first-generation-immigrant youth[b] that can be ascribed[c] to educational attainment[d] differences, selected European countries, 2006**

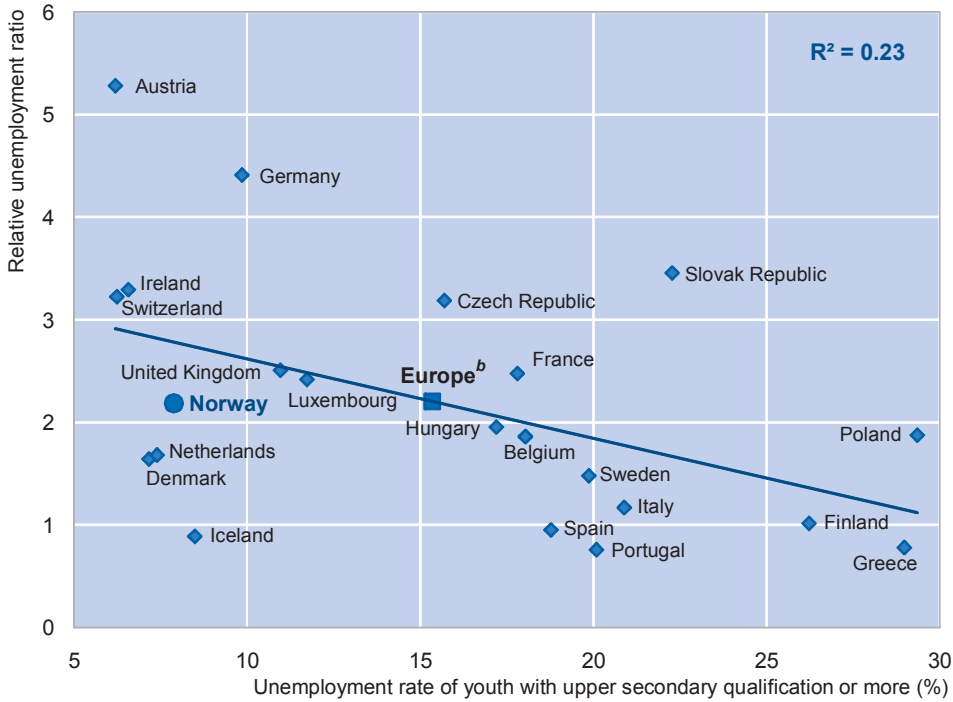
Percentages

	Women	Men
Austria	16.0	16.5
Belgium	15.6	17.7
Switzerland	1.1	0.0
Finland	17.8	16.2
France	11.8	27.3
Luxembourg	1.1	0.5
Netherlands	3.7	3.2
Norway	**5.4**	**6.6**
Sweden	12.5	17.8

a) Youth aged 20-29.
b) Mother neither resident of Norway nor of one of the EU-25 countries at the moment of birth.
c) These shares are estimated by dividing the estimated coefficients of two regressions models. The first model does not contain any control variable for educational attainment while the second does.
d) Educational attainment is a three-category variable: less than ISCED 3; ISCED 3; and more than ISCED 3.

Source: European Union Labour Force Survey (EULFS).

Figure 1.5. **Relative unemployment rate of youth[a] without an upper secondary qualification (school drop-outs) relative to that of youth[a] with an upper secondary qualification or more, 2006**



a) Youth aged 16-24 for Norway, Spain, Sweden, the United Kingdom and the United States; and 15-24 for all other countries.

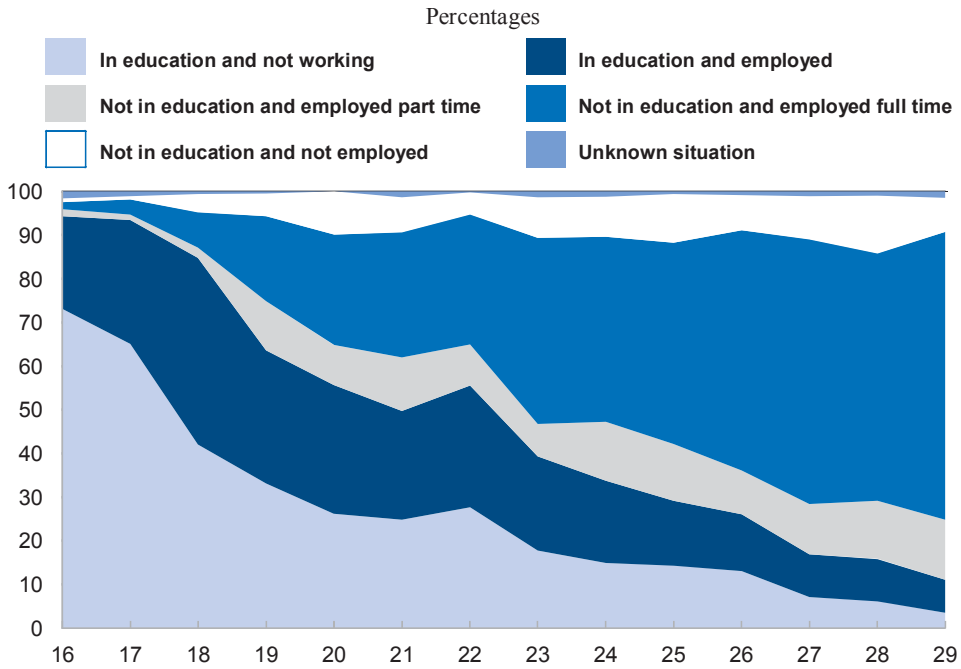
b) Unweighted average of countries shown (EU-19 *plus* Iceland, Norway and Switzerland).

Source: European Union Labour Force Survey (EULFS).

2. Transition from school to work

The transition from school to work involves more than just passing from an educational institution to the labour market. In Norway, as in many OECD countries, it covers a broader period during which youth have their first contact with the job market by taking student jobs (Figure 1.6) or *via* apprenticeships (during their last two years of vocational upper secondary education). They then leave education and start looking for more permanent jobs.

Figure 1.6. **Activity status of youth by single year of age, Norway, 2006**



Source: European Union Labour Force Survey (EULFS).

A. Young Norwegians enter labour market when still students

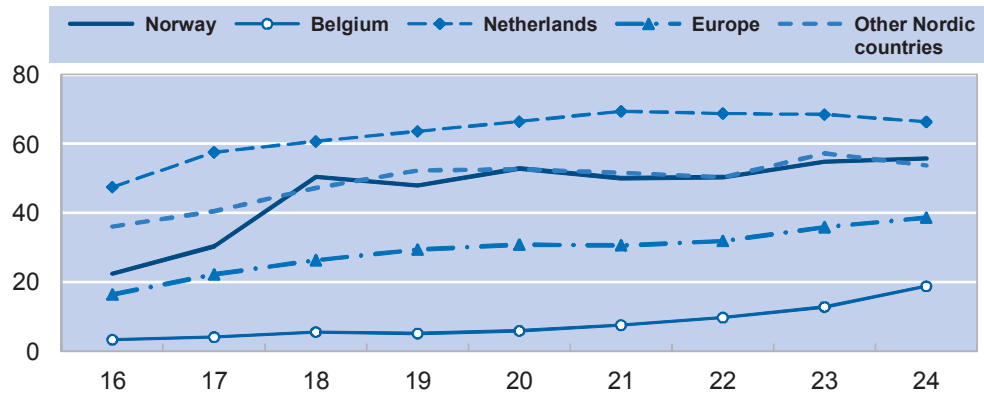
Young Norwegians tend to have their first contact with the job market when they are still students. It is essentially from the age of 16 that they start taking (part-time, student) jobs. Figure 1.7 suggests that 21% of youth aged 16 hold student jobs. For those aged 18-20 the share rises to 50%, which is below the Dutch rate of 60%, but noticeably higher than the EU average.

B. But students are relatively old when they graduate

The European labour force survey also reveals that up to 20% of Norwegian youth are still studying beyond the age of 24 (Figure 1.8). This is less than in Finland or Denmark, but significantly higher than elsewhere in Europe. The point is that the variation in these proportions has no apparent impact on the tertiary educational attainment of the adult (aged 30-34) population. Some countries (*e.g.* Belgium and Ireland) achieve as well in terms of final proportion of tertiary degree holders, but with a much smaller proportion of relatively old students.

Figure 1.7. **Incidence of student work, youth aged 16-24, Norway, Belgium, Netherlands and European areas,[a] 2006**

Percentages

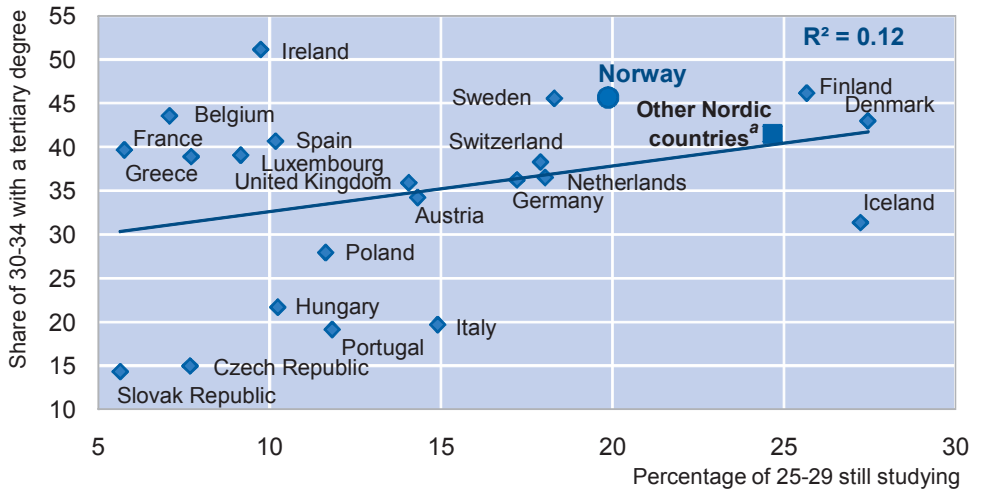


a) Unweighted average for Europe (Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland and the United Kingdom), and for other Nordic countries (Denmark, Finland, Iceland and Sweden).

Source: European Union Labour Force Survey (EULFS).

Figure 1.8. **Share of students aged 25-29 and share of adults (30-34) with a tertiary degree, Norway and European countries, 2006**

Percentages



a) Unweighted average of Denmark, Finland, Iceland and Sweden.

Source: European Union Labour Force Survey (EULFS).

C. *After leaving education*

The labour market indicator presented so far are primarily age-based. Consequently, they amalgamate *i)* individuals who are still in education and *ii)* individuals who have left education and are potentially fully available for the labour market. In a review on the school-to-work transition it appears reasonable to try to assess the labour market situation of those who have left education. This is not an easy task, due to the lack of adequate international data that comprise young Norwegians.

One first option is to exploit the European Union Labour Force Survey (EULFS) to compute *conditional* labour market outcomes; where the conditioning aspect simply rests on the respondent's declaration that he/she is no longer studying. Using that strategy one can estimate the (conditional) probability that youth are either employed, unemployed or inactive, following the traditional breakdown of the International Labour Organisation (ILO).

Inactive or unemployed

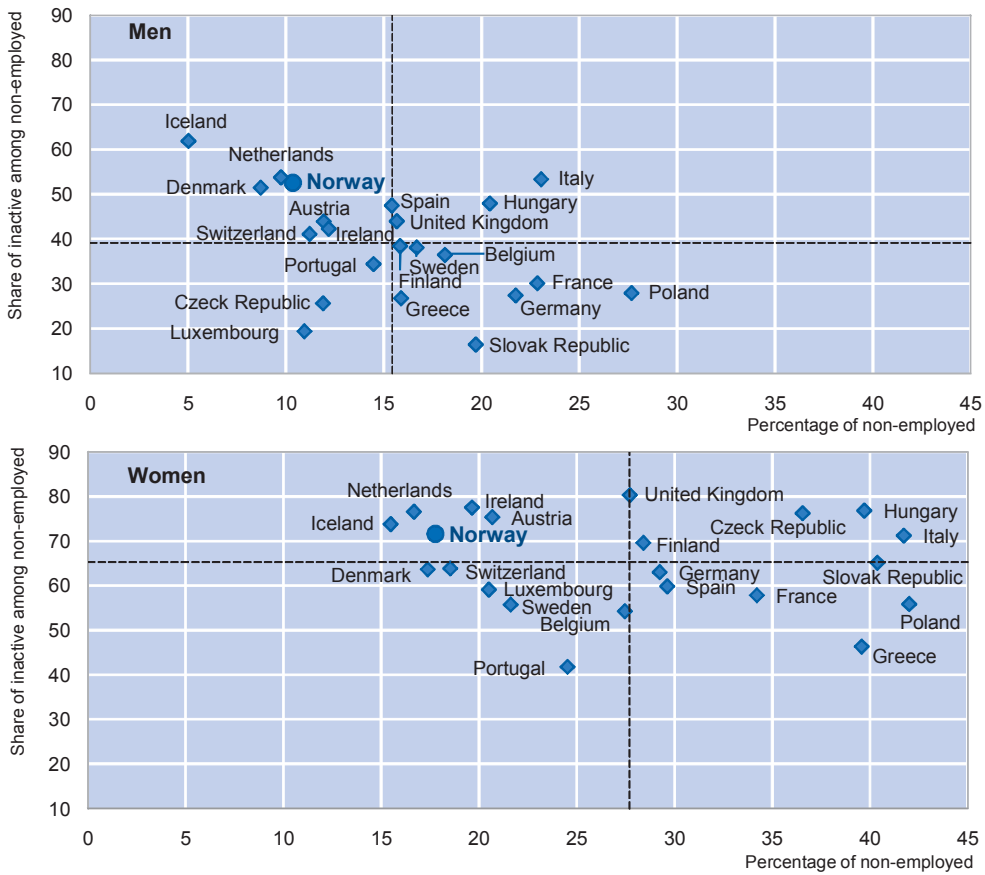
Figure 1.9, for instance, reports on the horizontal axis the percentage of individuals aged 20-29, no longer in education, who are not in employment. The values on display confirm that the average young Norwegian (male or female) has a relatively low probability of being out of employment after leaving education. That probability is of 10.3 percentage points for young men aged 20-29, below the European average of 15.4%. The corresponding figures for young women are 17.7% (Norway) and 27.7% (Europe).

At the same time, Figure 1.9 reveals that being non-employed in Norway generally means being inactive rather than unemployed. More than 52% of young men with no employment in Norway are inactive and thus outside the labour market. That share is only 39% in Europe on average. The same observation applies to young Norwegian women who have left education and are not in employment. More than 71% of them are inactive. In Europe, the corresponding figure is 65%.

Having a larger or smaller share of inactive *versus* unemployed youth may not be of great importance, particularly if the total formed by the addition of two groups is not particularly large. However, one may argue that it is preferable that youth are unemployed rather that inactive. By definition, unemployed people are more closely connected to the labour market than inactive ones: they are 'available for the labour market' or should remain so if they receive unemployment insurance benefits. Inactive persons are *a priori* much more difficult to mobilise.

Figure 1.9. **Youth aged 20-29 being non-employed after leaving school, by gender, Norway and European countries, 2006**

Percentages



Horizontal and vertical dashed lines represent the European unweighted average.

Source: European Union Labour Force Survey (EULFS).

Time to employment

The quality of school-to-work transition is not only a function of the aggregate risk of being non-employed, as reported in Figure 1.9. It is also, to a certain extent, dependent of the speed of that transition.

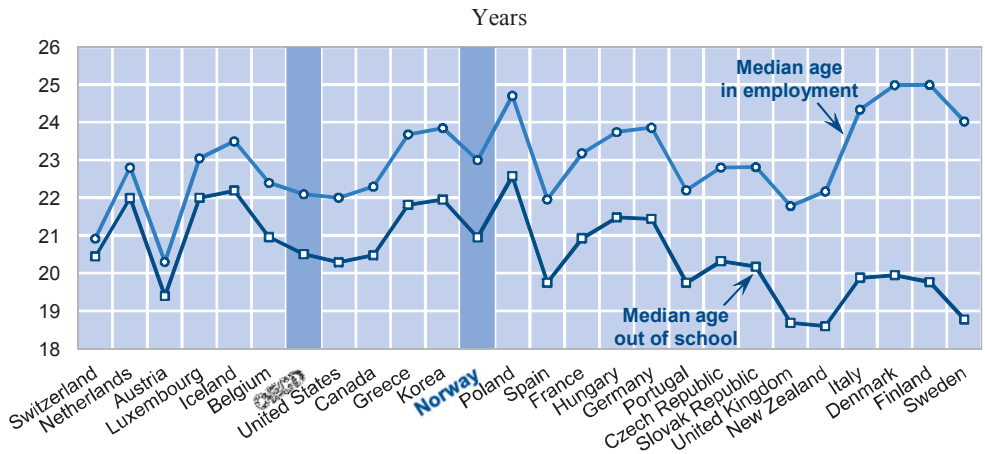
Properly measuring the time school-leavers from different OECD countries take to find their first job is beyond the reach of this review. There is simply no international dataset with the adequate information to

estimate these transitions with great precision. There is however an indirect way of gauging the speed of transition from school to work. The strategy consists of comparing two aggregate distributions. The first one is the percentage of individuals out of school (no longer in education) according to their age. The second distribution is that of the individuals in employment according to their age. The two distributions do not overlap: the employment distribution is naturally situated to the right of the out-of-school distribution; for the very simple reason that most individuals are older when they get into employment than when they leave school.

The key assumption is that the shorter the "distance" between these two distributions, the faster the transition between school and employment in the country considered, at least in aggregate terms.

Figure 1.10 reports the distance between the medians *i.e.* the ages at which 50% of the population is *i)* out of school, and *ii)* in employment. The speed of transition is proxied by the differences between these two median ages.[25]

Figure 1.10. **Median age[a] out of school *versus* median age in employment,[b] Norway and selected OECD countries, 2006**



a) These median ages are estimated using the frequencies for each status considered (out of school or in employment). The decimals of the medians are estimated using a linear approximation of the frequency/age function in the neighbourhood of the 50% threshold.

b) Countries are ranked by ascending order of the difference between the two medians.

Source: National labour force surveys for European countries; and US Department of Labor, Bureau of Labor Statistics, Current Population Survey, October Supplement for the United States.

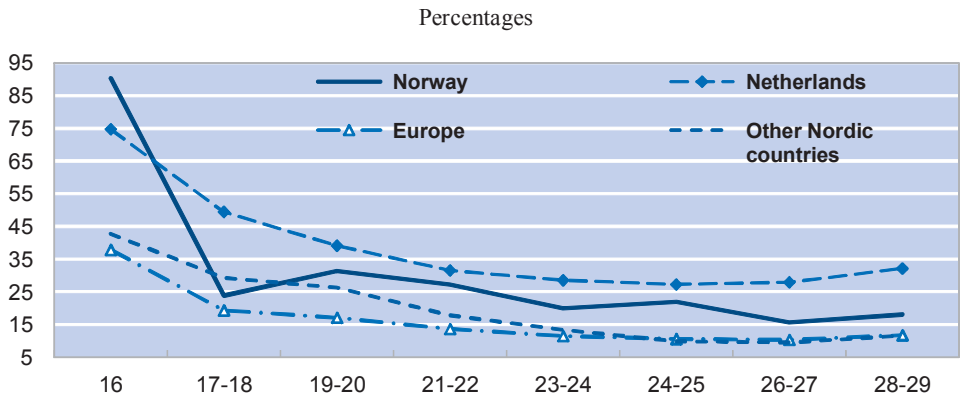
25. Retaining the median is somehow arbitrary. One could have estimated the distance between the two distributions for various moments of these distributions: first quartile, median, third quartile.

For Norway, the difference between the two medians is higher than across the OECD on average. However, it is much lower than in other Nordic countries like Denmark, Finland or Sweden. As such, these results suggest that the typical school-leaver in Norway has a moderately smooth and rapid transition from school to work.

D. What kind of entry jobs for youth?

Figure 1.11 shows that the incidence of part-time jobs is higher in Norway compared with the European average. The same figure shows that this proportion declines regularly with age, suggesting that many of these part-time jobs act as stepping stones towards full-time jobs.

Figure 1.11. **Incidence of part-time jobs among individuals no longer in education, by age, Norway, Netherlands and European areas,[a] 2006**

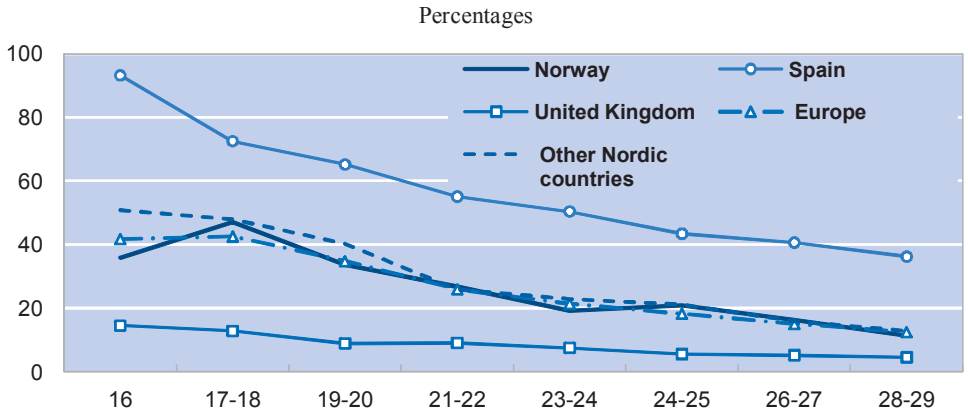


a) Unweighted average for Europe (Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland and the United Kingdom), and for other Nordic countries (Denmark, Finland, Iceland and Sweden).

Source: European Union Labour Force Survey (EULFS).

Figure 1.12 conveys the same message. It reports the share of temporary contracts by age. It shows that in Norway the prevalence of these contracts is very close to the European average. The negative age gradient is also very visible, and compatible with the stepping-stone assumption, at least at a very aggregate level. However, one cannot infer from these two figures that all sub-categories of youth enjoy the same likelihood of obtaining full-time and permanent employment.

Figure 1.12. **Incidence of temporary jobs among individuals no longer in education, by age, Norway, Spain, United Kingdom and European areas,[a] 2006**



a) Unweighted average for Europe (Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland and the United Kingdom), and for other Nordic countries (Denmark, Finland, Iceland and Sweden).

Source: European Union Labour Force Survey (EULFS).

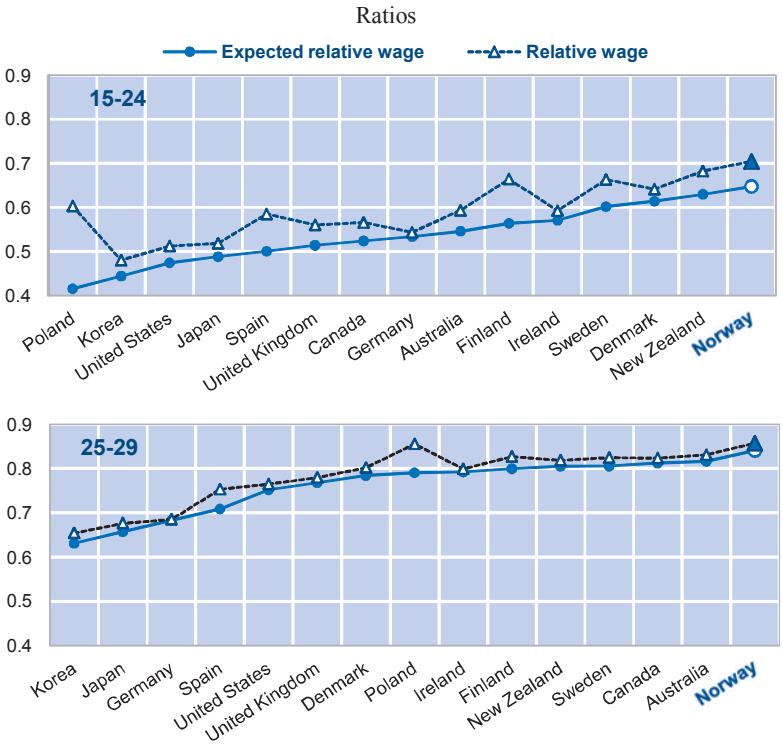
E. What wages for young workers?

The labour market situation of youth should also be evaluated in terms of relative wages (*i.e.* the wage of young workers divided by the wage of adult workers). Another interesting indicator aggregates outcomes in terms of wages and the risk of unemployment: the relative "expected" wage. It consists of the relative youth wage multiplied by the relative probability of earning such a wage. The latter can be approximated by one minus the unemployment rate.[26]

Figure 1.13 displays both the relative wage (RW) and the "expected" relative wage (ERW). The upper part of Figure 1.13 contains the results for 15-24-year olds, while the lower part presents those for young adults aged 25-29. Both show that, at a very aggregate level, Norway is the OECD country that offers the highest expected wages (ERW) to its youth. The comparison of the relative wage (RW) and the expected relative wage (ERW) curves also reveals that this performance is driven by the country's high relative youth wages.

26. *ERW = (1 – youth unemployment rate) / (1 – adult unemployment rate) * (youth wage/adult wage).*

Figure 1.13. **Relative[a] and expected[b] relative wages for youth,[c] selected OECD countries, most recent year available**



UR: Unemployment rate.

a) Relative wages refer to the ratio of youth to adult wages, where adults are those aged 35-44.

b) Expected relative wages refer to [*youth wage * (1 – youth UR) / adult wage * (1 – adult UR)*].

c) Youth refer to those aged 16-24 or 25-29 for Norway, Spain, Sweden, the United Kingdom and the United States; and to those aged 15-24 or 25-29 for all other countries shown on this chart.

Wages correspond to:

Australia: Gross weekly earnings in main job (all jobs prior to 1988) of full-time employees; *Canada:* Gross annual earnings of full-time workers; *Czech Republic:* Gross annual earnings of full-time workers; *Denmark:* All wage-income divided by actual hours worked; *Germany:* Gross monthly earnings of full-time workers; *Finland:* Gross annual earnings of full-time, full-year workers; *France:* Annual earnings (full-year equivalent) of full-time workers (net of social security contributions); *Germany:* Gross monthly earnings of full-time workers; *Hungary:* Gross monthly earnings of full-time employees in May of each year; *Ireland:* Gross hourly earnings of full-time employees; *Italy:* Net monthly earnings of full-time employees; *Japan:* Total gross monthly earnings of regular, full-time employees (*i.e.* including overtime pay *plus* $1/12^{th}$ of annual bonuses); *Korea:* Gross monthly earnings of full-time workers; *Netherlands:* Annual earnings of full-time, full-year equivalent workers; *New Zealand:* Gross hourly earnings of full-time workers; *Norway:* Gross monthly earnings of full-time employees; *Poland:* Gross monthly earnings of full-time employees; *Spain:* Gross annual earnings of all employees; *Sweden:* Gross annual earnings of full-year, full-time workers; *United Kingdom:* Gross weekly earnings of full-time workers on adult rates of pay; *United States*: Gross usual weekly earnings of full-time workers.

Source: OECD database on Earnings Distribution.

3. The longitudinal view provided by register data

There is no international dataset containing comparable longitudinal data. But Norway has a register-based longitudinal dataset documenting the labour market outcomes of all young individuals aged 16-29 from 2001 to 2006 (Box 1.2). And it can be used to generate a synthetic view of the school-to-work transition as it occurred during the 2000s.

One year after they moved out of school, about 88% of young men of Norwegian (or western) origin,[27] with more than an ISCED 3 degree, got into (some sort of) employment (Table 1.3). At that point their probability of getting in full-time employment was slightly lower, at 83%. And their probability of earning at least 50% of the median gross annual wage – traditionally referred to as the low-paid line in many OECD countries – was close to 81%.

A young woman with a similar profile (*i.e.* more than ISCED 3, westerner) will have a slightly lower probability of being employed when she left school. She will also have a much lower probability of getting a full-time job. In terms of (the likelihood) of being above the low-paid line (50% of the median gross wage), female graduates of western origin suffer a wage penalty of 17% *vis-à-vis* their male equivalent.

Box 1.2. **Norway's longitudinal register-based youth employment database**

All the longitudinal results for Norway presented in this report come from a unique set of register-based employment data files covering all Norwegian youth aged 16+ who complete education in 2000, with a follow-up until 2006.

The dataset was produced by combining data from the following sources.

- The Central Register on Employers and Employees (*Arbeidstaker-/Arbeidsgiverregisteret*);
- End-of-the-Year Certificate Register (*Lønns- og trekkoppgaveregisteret*);
- The Registers of Conscripts and of Conscientious Objectors (*Verneplikts- og Siviltjenesteregisteret*);
- The Central Coordinating Register for Legal Entities (*Enhetsregisteret*);
- The Central Register of Establishments and Enterprises (*Bedrifts- og foretaksregisteret*);
- The Register of Job Seekers (*Arbeidssøkerregisteret* ARENA);

27. In the register-based data used here, immigrants of non-western origin are those with no parents or grandparents born in a western country. Non-western countries typically correspond to Asia (*plus* Turkey), Africa, South and Central America and eastern Europe.

- Several registers of government employees and employees of local and regional authorities;
- Wage statistics for employees in the private sector;
- The Sick Leave Register (*Sykefraværsregisteret*);
- The Register for Personal Tax Payers (*Selvangivelsesregisteret*).

The registers used for classification of salaried employees are the Central Register on Employers and Employees (the EE-register), the End-of-the-Year Certificate Register, and the Registers of Conscripts and of Conscientious Objectors. Identification of self-employed is done on the basis of the Register for Personal Tax Payers and the Central Coordinating Register for Legal Entities.

The register-based employment data files include all persons aged 16-74 residing in Norway during the reference period (one week in November). Persons are grouped by employment status (employed/not employed).

Informations about educational level are taken from the Norwegian National Education Database (NUDB). More information about these data sources can be found on *www.ssb.no/english/mikrodata_en/*.

Table 1.3. **Beyond school: what drives the probability[a] of getting a job, a full-time job or crossing the low-paid line,[b] cohort 2000 observed up to 2006**

Parameter	Employed	Employed full time	Gross annual earning >= 50% of the 2005 median wage (>= NOK 100 000)
Reference group[c]	0.88 *(0.0000)*	0.83 *(0.0000)*	0.81 *(0.0000)*
Female	-0.04 (0.0000)	-0.23 (0.0000)	-0.17 (0.0000)
Of non-western origin	-0.07 *(0.0000)*	-0.04 *(0.0000)*	-0.08 *(0.0000)*
ISCED < 3	-0.27 (0.0000)	-0.48 (0.0000)	-0.70 (0.0000)
ISCED = 3	-0.11 *(0.0000)*	-0.16 *(0.0000)*	-0.29 *(0.0000)*
Effect of one extra year beyond school (ISCED < 3)	0.00 *(0.3607)*	0.04 *(0.0000)*	0.06 *(0.0000)*
Effect of one extra year beyond school (ISCED = 3)	0.00 *(0.0000)*	0.00 *(0.0000)*	0.02 *(0.0000)*
Effect of one extra year beyond school (ISCED > 3)	0.00 *(0.8208)*	0.02 *(0.0000)*	0.00 *(0.0000)*

ISCED 3: International standard classification of education referring to upper secondary education.

a) Estimates obtained with a linear probability model (*p-values in parentheses*).

b) Low-paid line is approximately 50% of the 2005 median wage (*i.e.* NOK 100 000 [EUR 12 804]).

c) Reference category = Men with more than an ISCED 3 degree of western origin. In the register-based data used here, immigrants of non-western origin are those with no parents or grandparents born in a western country. Non-western countries typically correspond to Asia (*plus* Turkey), Africa, South and Central America and eastern Europe.

Source: Statistics Norway (2007b), longitudinal register data.

Immigrants of non-western origin fared less well than the others *ceteris paribus*. Their likelihood of getting into *i)* employment was 7 percentage points lower; *ii)* full-time employment 4 percentage points lower; and *iii)* being below the low-paid line 8 percentage points higher.

However, the key determinant of these labour market outcomes remains the level of education itself. Compared to young graduates (*i.e.* those who achieve more than ISCED 3), those with less than ISCED 3 (the school drop-outs) were almost 27 percentage points less likely to have a job. Regarding access to full-time positions, the gap exceeded 48 percentage points; while the likelihood of being above the low-paid line was almost 70 points lower than that of graduates.

It also turns out that, beyond school, the time spent on the labour market does not seem to matter much. The various employment likelihoods reported in Table 1.3 (Col. 2) do not appear to be "duration-dependent". Only low-educated individuals (ISCED < 3) see their labour market outcomes improve markedly. Their likelihood of getting a full-time job rises (Col. 3) at an annual rate of 4 percentage points; and their likelihood of earning more than the median wage (Col. 4) rises by almost 6 percentage points each year.

4. Key points

Young Norwegians enter the job market when they are still studying. The incidence of jobs among students is close to 50%, which is higher than that observed in most OECD countries. The flip side of frequently taking student jobs – in combination with other aspects of tertiary education policy – could be that Norwegian students need more time to graduate.

Attempts to assess the situation of those who have left education suggest a relative smooth and fast transition to employment. They also show rates of non-employment (inactivity and unemployment combined) that are lower than elsewhere in Europe. Youth entering the labour market face a very low risk of unemployment. They can also expect high relative wages.

But non-European or non-western immigrants' unemployment rate is three times higher than that of native Norwegians.

Another source of concern is the high share of inactive (rather than unemployed) youth in the total of those who are not employed. *Ceteris paribus*, non-employed young Norwegians are probably more disconnected from the labour market than in other OECD countries.

CHAPTER 2

INITIAL EDUCATION AND ON-THE-JOB TRAINING

Good-quality initial education is crucial in facilitating the transition from school to work and putting youth on a successful career track. Also, on-the-job training at the beginning of active life allows young people to fill the gaps in school-based education and acquire the skills required by firms.

A rising mismatch between labour supply and demand has become common in some OECD countries, including Norway. An outward shift of the Beveridge curve,[28] for instance, indicates that Norway has faced an increasing rate of unfilled job vacancies, for a given level of unemployment (OECD, 2007a). Albeit in a context of very low unemployment, this indicates rising inefficiency of education and labour market institutions to secure a good level of matching of jobseekers with available job vacancies.

The Norwegian government recognises the importance of initial education and its relevance to labour market requirements. It has introduced several measures under the name of Knowledge Promotion Reform to enhance the effectiveness of its education system. A number of these measures address the education system's main problems, notably a lack of command of core skills (mathematics, science and literacy) at the age of 15, and a relatively low level of achievement among the children of immigrants of non-European or non-western origin.

28. A Beveridge curve is a graphical representation of the relationship between unemployment and the job vacancy rate (the number of unfilled jobs expressed as a proportion of the labour force). It typically has vacancies on the vertical axis and unemployment on the horizontal; it slopes downwards as a higher rate of unemployment normally occurs with a lower rate of vacancies. If it moves outwards over time, a given level of vacancies would be associated with higher and higher levels of unemployment, which would imply decreasing efficiency in the labour market or inadequate provision of skills by the education and training system.

This chapter looks at whether the Norwegian education system gives young people a good start in the labour market. Section 1 gives the key characteristics of the education system. Section 2 presents different performance indicators on the education system. Section 3 focuses on strategies to reduce the number of school drop-outs. Section 4 discusses what is available for young people to acquire practical work-based or work-related information or experience while at school. The final section reviews young adults' participation in on-the-job training.

1. Key characteristics of the education system

A. Compulsory education and upper secondary education

Compulsory education from age 6 to 16

Norway has an education system that is predominantly general until the end of compulsory education at the age of 16 (Figure 2.1). Pupils attend the school located in their municipality and follow the same, relatively undifferentiated, curriculum.

Beyond 16

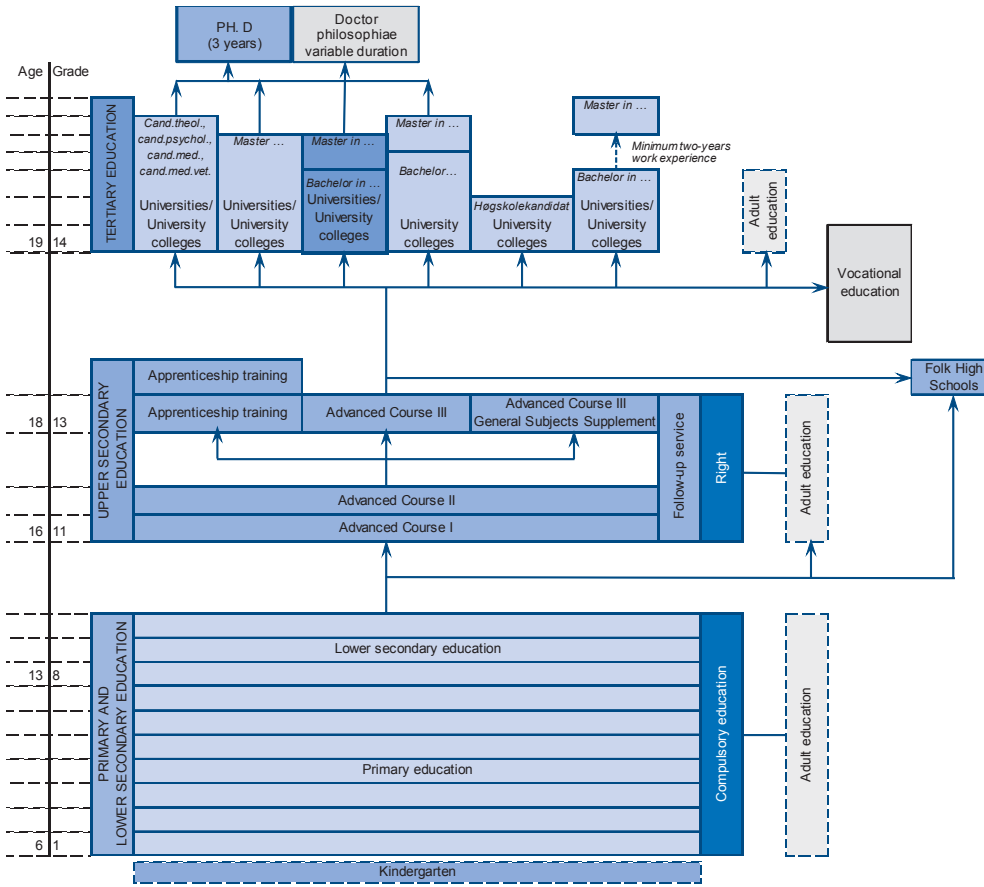
Since the 1994 reform, conditional on successful completion of compulsory education, all students have the right to attend upper secondary education beyond the age of 16, free of charge, for at least three years. This is an option that more and more young Norwegians took up during the 1990s. Recent figures suggest however that the take-up rate is now fairly stable (Table 2.1).

At the age of 16, vocational options emerge (Figures 2.1 and 2.2). About 46-48% of young people who stay on beyond the age of 16 opt for vocational education (VE) programmes that aim at rapid labour market entrance.

In Norway, VE is organised in a *sequential* way: it is a 2+2 model. Students first spend two years attending a class-based curriculum on a full-time basis, and then can[29] move on to (full-time) apprenticeships in firms for another two years (Figure 2.1). In traditional dual systems – such as in Austria, Denmark, Germany or Switzerland – school-based and work-based training are provided *in parallel*. They involve an employment contract plus formal schooling – normally one and a half to two days per week – over a period of three or sometimes four years.

29. Apparently, only 40% of those who start VE at the age of 16 get into apprenticeship, meaning than less than 20% of a cohort become apprentices.

Figure 2.1. **Structure of the Norwegian education system**



Source: Statistics Norway (2007c).

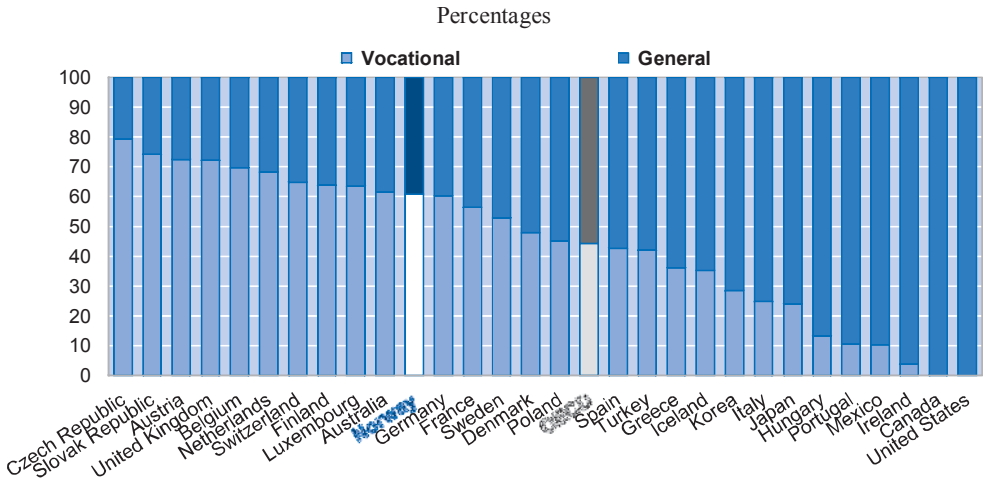
Table 2.1. **Staying on beyond 16, trends in Norway, 2000-2005**

Percentages

	2000	2003	2005
17-year olds	91.8	92.5	92.2
18-year olds	85.4	85.4	85.8

Source: Statistics Norway.

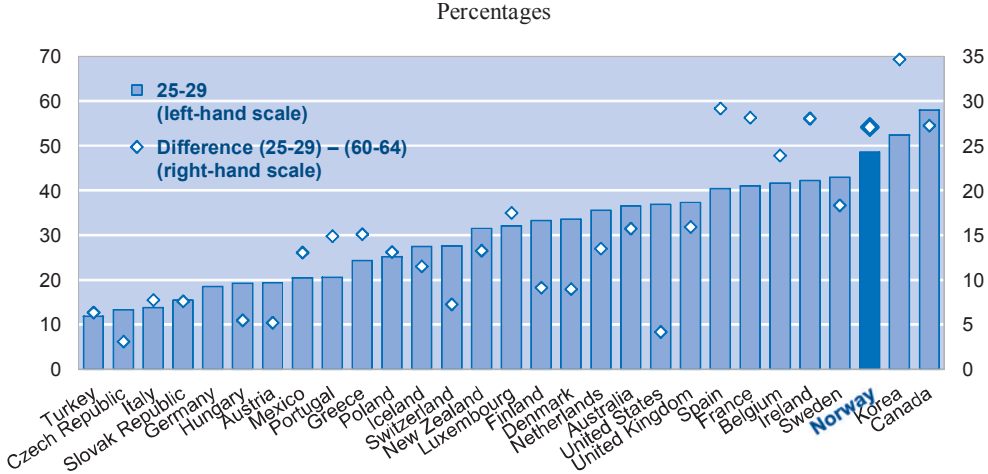
Figure 2.2. **Enrolment in vocational[a] *versus* general education in upper secondary education, OECD countries,[b] 2006**



a) Includes the so-called pre-vocational education.
b) Data for OECD refer to an unweighted average of countries, excluding New Zealand.

Source: OECD (2007c), *Education at a Glance*, Paris.

Figure 2.3. **Population that has attained tertiary education, OECD countries, 2004**



Source: OECD Education database.

B. Tertiary education

The number of individuals progressing to tertiary education (*i.e.* holding an ISCED 5 or ISCED 6 qualification) is on the rise in Norway. Younger cohorts, by far, reach that level more systematically than older ones. And the progression rate – which is proxied in Figure 2.3 by taking as a benchmark the proportion of those aged 60-64 in 2004 with a tertiary qualification – is higher than in most OECD countries (Figure 2.3). But there was a 1.5% decrease in registered students from 2006 to 2007. There has been a decline in both female and male students, but the contraction is largest for men. While there was a 2.9% decrease for men, the one for women was only 0.6% (Statistics Norway, 2008b). This could reflect the tight labour market Norway is currently experiencing (see Chapter 3).

2. Performance of the education system

A. Poor performance at age 15[30]

PISA scores in 2006 still below the OECD average

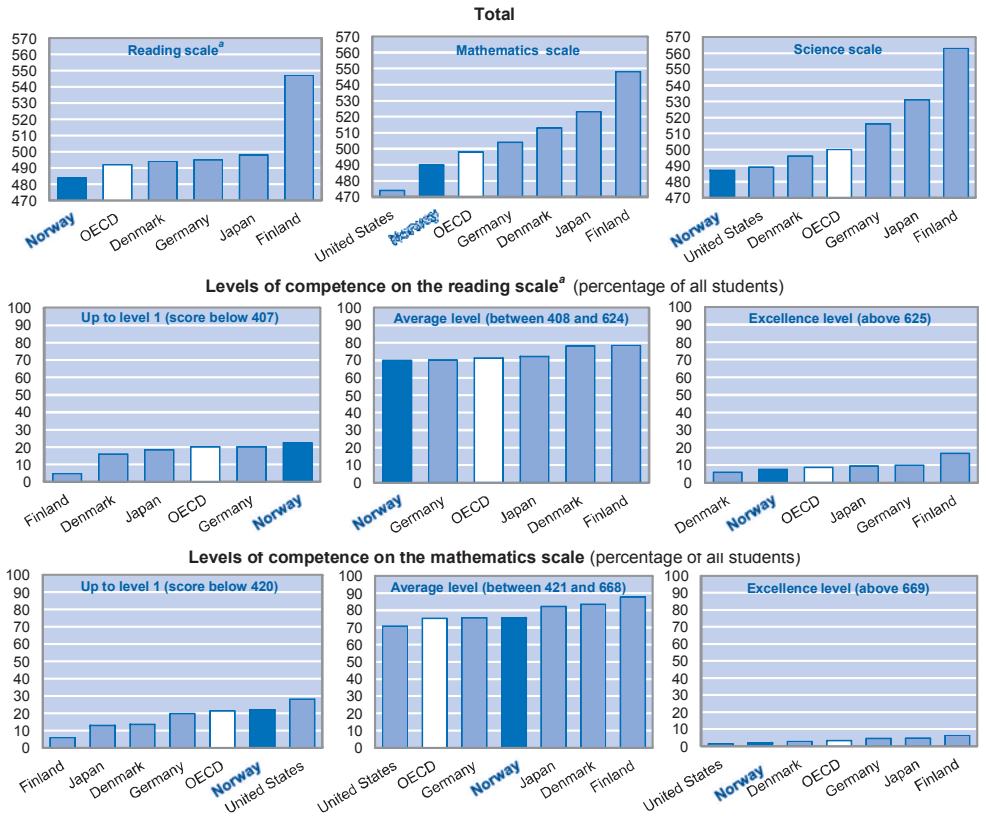
Results from PISA in the early 2000s revealed a relatively mediocre performance for Norway. This is still visible in PISA 2006 (Figure 2.4). Despite Norway's very high GDP per head[31] and its well-funded education system, absorbing 6.2% of GDP in 2004 – the OECD average being 5% – , students aged 15 scored below the OECD average in science, mathematics and reading literacy.

This poor performance also means a greater share of low achievers. More than 20% of students do not reach Level 1 in mathematics and literacy (Figure 2.4), slightly above the OECD average. Being below Level 1 means that students cannot do more than answer questions involving familiar contexts, where all relevant information is present and questions are clearly defined. They cannot select and apply simple problem-solving strategies necessitating sequential decisions. They cannot work with models for complex concrete situations that may involve constraints or call for making assumptions (OECD, 2005). In other words, unless these students make significant progress before they enter the labour market, they face the risk being trapped in either unemployment/inactivity or low-skilled, low-paid jobs synonymous with routine and repetitive tasks.

30. This section and the following one only cover the achievement of youth. Interesting stylised facts about the general skills of adults are presented in Annex B.

31. In 2005, it was of USD 47 206 in PPPs, higher than that of the United States (USD 41 789) and of any other OECD country, except Luxembourg (OECD, 2007c).

Figure 2.4. **Norwegian students' performance, based on PISA 2006**



a) Reading scale data for the United States are not available.

Source: OECD PISA 2006 database.

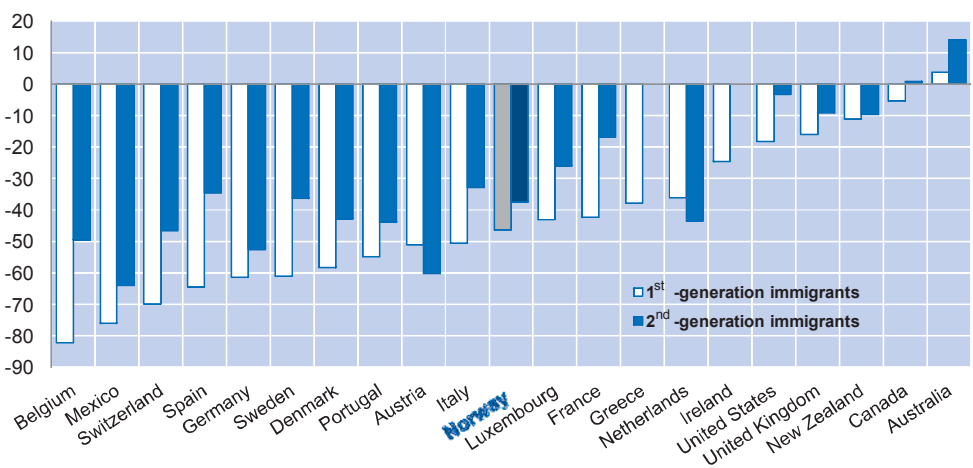
Immigrants' children lag behind

Norwegians regularly debate the labour market performance of the waves of immigrants that entered the country in the 1970s. Many research papers (*e.g.* Barth *et al.*, 2002; and Raaum and Longva, 2002 and 2003), as well as the aggregate evidence produced in this report, tend to confirm that this group is taking a long time to converge with the Norwegian mainstream, in terms both of employment and of pay.

The evidence concerning their children's scholastic achievement is perhaps comparatively slightly better. Figure 2.5 displays the relative

performance of teenagers with and immigration background[32] in the 2006 PISA mathematics results.[33] Being computed solely with the "within parental education categories"[34] score variance, the estimates displayed in Figure 2.5 are net of the mechanical contribution of parental education to students' scores. In other words, the reported results control for the structural differences in terms of parental education that characterise native Norwegians *versus* the children of immigrants.

Figure 2.5. **Score gap[a] in mathematics between natives and first- and second-generation immigrants[b] for youth aged 15, OECD countries, 2006**



a) Corrected for parental education background influence (see Annex C for more details).

b) In PISA, *native* students are those immigrants born in the country of assessment or who had at least one parent born in the country; *first-generation immigrants* are those born outside the country of assessment and whose parents were also born in another country; *second-generation immigrants* are those born in the country of assessment but whose parents were both born in another country.

Source: OECD PISA 2006 database.

32. In PISA native students are those students born in the country of assessment or who had at least one parent born in the country); second-generation students are those born in the country of assessment but whose parents were both born in another country; first-generation students are those students born outside the country of assessment and whose parents were also born in another country.

33. PISA data do not allow distinguishing the children of immigrants of non-western origin from the other children with an immigration background. Norwegian census data suggest however (see Box 1.1) that the former now represent 66% of the total.

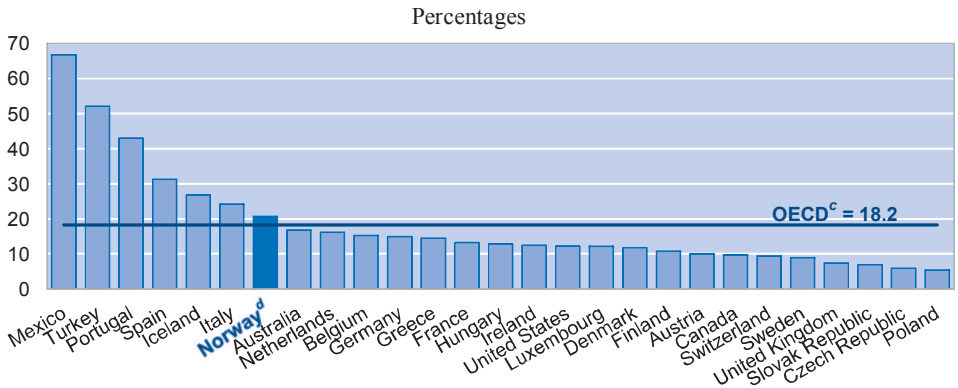
34. See Annex C for a formal presentation of the methodology used.

There is, for sure, a negative gap in mathematics between young immigrants and natives. The gap is also visible among second-generation immigrants. But it is somewhat lower than in most European countries like Belgium, Germany, or Switzerland.

B. Beyond the age of 16: the drop-out rate problem

Beyond the age of 16, a great source of concern in Norway is the drop-out phenomenon. The latter is perceived by all decision-makers and most stakeholders as being too high. Figure 2.6 is supportive of this concern (although other sources and OECD publications may be less, see Box 2.1). Norway's drop-out rate at 20.7% exceeds the OECD average and is much higher than that of the best performers: Poland (5.4%), Czech Republic (6%). It is also around twice the rate in other Nordic countries: Sweden (8.9%), Finland (10.8%) and Denmark (11.8%).

Figure 2.6. **School drop-outs,[a] for youth aged 20-24, OECD countries, 2005[b]**



ISCED 3: International standard classification of education referring to upper secondary education.
a) No longer in education without ISCED 3.
b) Data for Mexico refer to 2004.
c) Unweighted average of countries shown.
d) Based on the new National Educational Attainment Classification (NEAC).

Source: OECD Education database.

Box 2.1. **Defining and measuring the drop-out phenomenon**

Some international statistical evidence suggests that Norway has one of the lowest drop-out rates in the world (Table 1.1 and OECD, 2008a). Why such a discrepancy with the figures displayed in Figure 2.6? Careful examination reveals that to properly measure the drop-out rate is challenging. At least two things need to be clarified before drawing conclusions.

First, what is actually meant by the term "drop-out"? Educators tend to consider someone as a "drop-out" if he/she interrupts his/her upper secondary education before passing the final exams and obtaining the diploma. The standard OECD definition is slightly different. It basically refers to the highest qualification that young adults eventually obtain. Although the typical upper secondary school student will finish his/her secondary education by the age of 18, some do not, for a variety of reasons. Estimations of drop-out rates based on the attainment of groups that are relatively young might count as a "drop-out" someone taking a temporary break from his/her schooling. However, by the time a person is 20-24, much of the opportunity for completing upper secondary qualifications has gone. As a consequence, the drop-out rate is generally defined by the OECD as the share of 20-24-year olds who are not attending school and who have not obtained an ISCED 3 qualification.

The difference between the two definitions can be significant, particularly in countries like Norway where it seems that many individuals interrupt their upper secondary studies, but resume and complete them at a later stage.

The second source of confusion concerns the meaning of ISCED 3. Until recently, Statistics Norway used an attainment criterion that could be perceived as relatively loose by international standards. People who graduated from fragments of upper secondary education, regardless of duration or class level, were defined as having attained an upper secondary level of education (ISCED 3). Today's upper secondary curriculum does not allow for this. In Statistics Norway's new national definitions and classifications of educational attainment (NEAC):

- Individuals from the most recent cohorts – who graduated since the 1994 Education Act – who pursued programmes lasting less than three years are registered with and ISCED 2 level.
- Individuals who completed their education between the 1970s and 1994 are treated in two different ways. Those who just completed one year are considered as ISCED 2 graduates. Those who achieve more get the ISCED 3 level.
- And the individuals who graduated before the 1970s are all assigned the ISCED 3 level, regardless of the actual number years of upper secondary education they completed.

The table below, done by Jørgensen and Nygård (2006), shows the consequences of changing the definitions and classifications of educational attainment statistics in Norway. A larger net difference is apparent in estimated shares of low-educated individuals (less than ISCED 3) due to the downgrading.

Percentage of individuals aged 16 and over without upper secondary education, by age, old *versus* new National Educational Attainment Classification (NEAC), Norway, 2005

Age	Old NEAC	New NEAC
Total	**19.0**	**32.8**
16-19	37.6	88.4
20-24	5.7	30.0
25-29	4.5	20.2
30-39	5.9	19.1
40-49	9.8	27.2
50-59	17.4	25.0
60-66	26.0	31.4
67 and over	45.5	47.3

Source: Jørgensen and Nygård (2006).

It is worth considering the *dynamic*s of dropping-out in Norway. Most observers mention the first two years of upper secondary education as being crucial for at-risk youth. Many youth seem to abandon education between the ages of 17 and 20. But there is also evidence that this is probably temporary to a certain extent.

Some early school-leavers manage to complete upper secondary level at a later stage of their lives, either by resuming upper secondary education or by exploiting the second-chance opportunities available in the country. Table 2.2, based on longitudinal data from Statistics Norway, indicate that more than 50% of those who appeared as drop-outs around the ages of 16-19 in 2001 could no longer be considered as such in 2005.

Table 2.2. **Educational attainment in 2005 of individuals classified as drop-outs[a] at the age of 16-19 in 2001, Norway**

Percentages

Educational attainment in 2005	**Drop-outs at the age of 16-19** in 2001
Less than ISCED 3 (still a drop-out)	45.3
ISCED 3	53.8
More than ISCED 3	0.9
Total	**100.0**

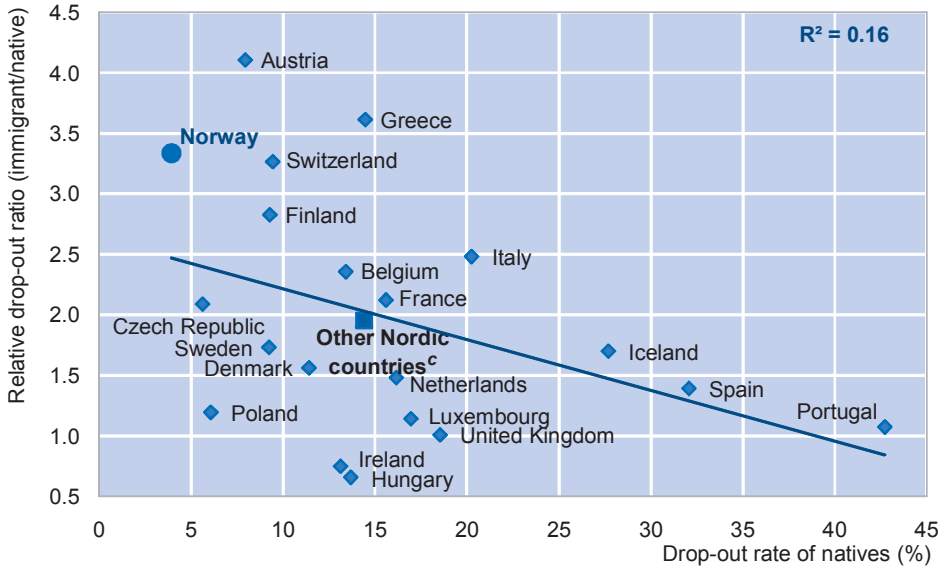
ISCED 3: International standard classification of education referring to upper secondary education.
a) Based on the old National Educational Attainment Classification (NEAC).
Source: Statistics Norway, longitudinal register data.

This said, one group deserving particular attention are immigrants of non-western origin. Although their absolute risk of becoming drop-outs (defined according to the "old" classification NEAC)[35] at 17% is lower than the EU average, it is more than three times higher than that of other Norwegians (Figure 2.7).

Considering the group aged 16-19 classified as drop-outs in 2001 and examining their educational attainment in 2006, it appears that only 44.4% of those of Norwegian origin are still drop-outs. The same proportion among those with a non-European immigration background is 51.2% (Table 2.3).

35. National educational attainment classification.

Figure 2.7. **Relative risk of being a school drop-out[a] while of non-European-immigrant origin,[b] youth aged 27-29, European countries, 2006**



ISCED 3: International standard classification of education referring to upper secondary education.
a) Data refer to persons no longer in education without ISCED 3. For Norway, they are based on the old National Educational Attainment Classification (NEAC).
b) Mother neither resident of Norway nor of one of the EU-25 countries at the moment of birth.
c) Unweighted average of Denmark, Finland, Iceland and Sweden.

Source: European Union Labour Force Survey (EULFS).

Table 2.3. **Educational attainment in 2005 of individuals classified as drop-outs[a] at the age of 16-19 in 2001, by immigration status, Norway**

Percentages

Educational attainment in 2005	**Drop-outs at the age of 16-19** in 2001	
	Norwegian native	With an immigration background[b]
Less than ISCED 3 (still a drop-out)	44.4	51.2
ISCED 3	54.6	48.0
More than ISCED 3	1.0	0.7
Total	**100.0**	**100.0**

ISCED 3: International standard classification of education referring to upper secondary education.
a) Based on the old National Educational Attainment Classification (NEAC).
b) Data refer to those with parents or grandparents are not born in Norway.

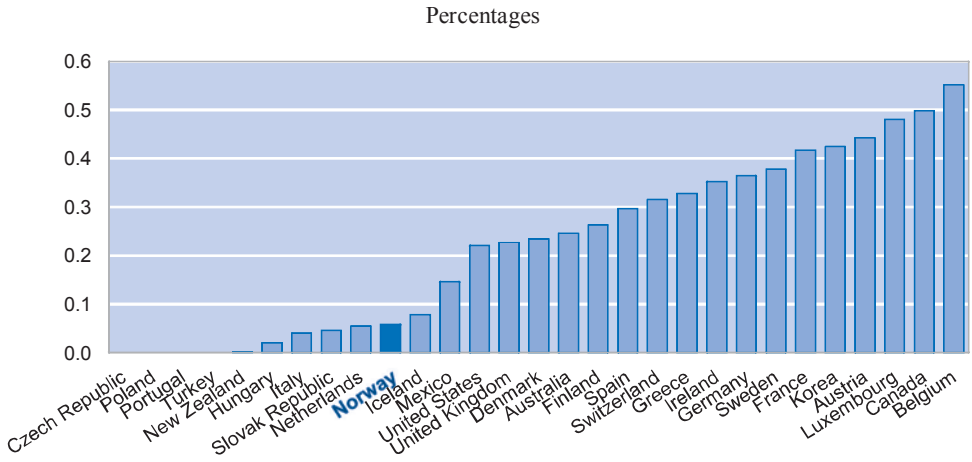
Source: Statistics Norway, longitudinal register data.

C. *Challenges facing tertiary education*

Too few short programmes?

A particular feature of Norway is that very few of its graduates get an ISCED 5B[36] qualification (Figure 2.8). But short, flexible programmes beyond upper secondary education are important for "weak" or particularly "risk-averse" students. The adequate provision of these programmes may be crucial in helping them gain some useful post-secondary qualifications.

Figure 2.8. **Share of short[a] programmes amongst tertiary graduates aged 25-29, OECD countries, 2004**



ISCED: International standard classification of education.
a) Data refer to programmes classified as ISCED 5B.

Source: OECD Education database.

Possibly to deal with this problem, the government introduced in 2003 the Vocational Colleges Act. The purpose of this was to develop a flexible system offering short programmes (lasting six months to two years), with content reflecting the changing needs of the labour market. Another purpose was to control quality and preserve students' rights across a pool of diverse and heterogeneous providers. Education at this level is formally a part of tertiary education, but is not regulated by the Universities and University

36. Tertiary-type B programmes (ISCED 5B) are typically shorter than those of tertiary-type A and focus on practical, technical or occupational skills for direct entry into the labour market, although some theoretical foundations may be covered in the respective programmes. They have a minimum duration of two years full-time equivalent at the tertiary level.

Colleges Act. An Agency for Quality Assurance in Education (NOKUT) was established in January 2004. It publishes regularly a list of accredited providers, where students can register and claim their entitlement to loans/grants from the State Educational Loan Fund (see later in Box 2.5).

Too few practice-based programmes?

Another source of concern in Norway is the alleged academic bias of mainstream university programmes. Despite a strong labour market, the proportion of graduates who state that they are in "irrelevant"[37] employment six months after graduation remains at a relatively high level: the proportion was 11% in 2006, higher than the average in the 1990s (NIFU STEP, 2006).

However, one should bear in mind that six months after graduation many graduates may still be in a job-search phase where they only have temporary jobs while searching for long-term suitable employment. Another survey, conducted by NIFU STEP, which followed the 2000 cohort of new graduates to the year 2004, found that the majority of those who initially were in jobs for which they were overqualified later found more relevant employment (NIFU STEP, 2005).

An initiative worth mentioning is the 2007 development project (Box 2.2) of the Confederation of Norwegian Business and Industry (NHO) which will soon start three pilots to experiment with apprenticeships or practice-based learning within tertiary education in economics and business administration, health and technology courses.

Box 2.2. **The development project: "An apprenticeship Scheme in Tertiary Education"**

The Confederation of Norwegian Business and Industry (NHO) initiated in 2007 a project designed to test an "apprenticeship scheme" in tertiary education. Through close co-operation with specialised enterprises and universities or other teaching institutions (university, colleges, etc.), the promoters will try to develop a scheme in which the students are placed in enterprises throughout their course. The theoretical component will be provided partly in the enterprise and partly in the educational institutions.

Project background and orientation

Competences acquired through other means than school- or campus-based learning are gradually gaining educational status in Norway. Work experience now provides a basis for admission to tertiary education. It also gives the right to a reduced study load. The aim of the project is to capitalise on this trend.

37. Graduates who are categorised as having "irrelevant" employment consider *i)* higher education to be unnecessary in their job, and *ii)* their education to be irrelevant to the content of their job.

The project has a marked corporate perspective, as it based around Norwegian enterprises' experiences in competence development. The aim is also to strengthen the enterprise's role within the tertiary education arena.

In order to be cost-effective, the project will be making an intensive use of ICTs. This will also reduce the traditional dependence on campus-based teaching.

Objectives

- Develop an overview of what is available as regards practice-based training modules, within enterprises that accumulated experience in collaborating with universities.
- Organise a national conference where the results of the survey will be presented and where the principles, opportunities and barriers to practice-based tertiary education will be discussed.
- Develop a comprehensive description of the regulatory framework that will be needed to support practice-based dissemination.

Source: Halvorsen (2007).

3. Strategies to reduce early school-leaving

A. Removing the last barriers to kindergarten enrolment

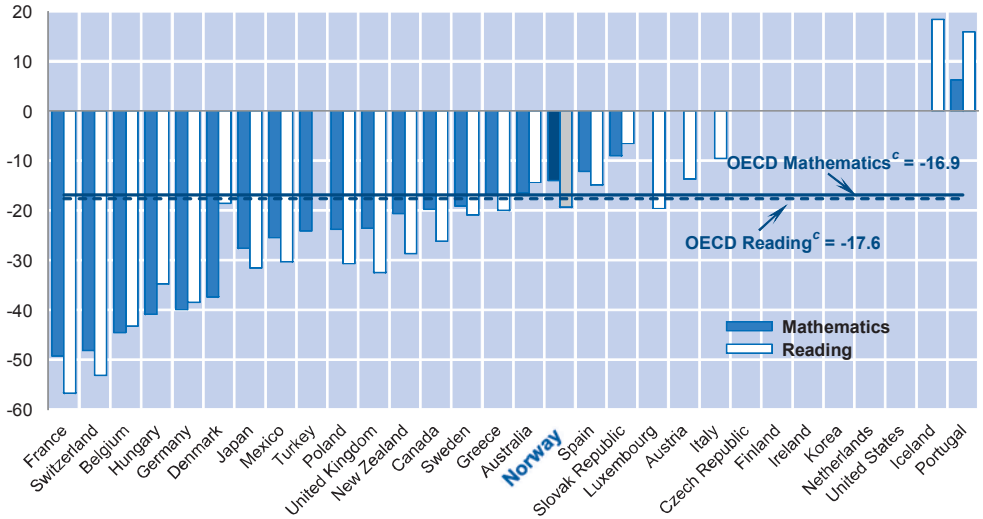
There is a growing recognition that quality *pre-school* education provides young children, particularly those from low income or other disadvantaged backgrounds, with a good start in life (OECD, 2006a).

A relatively unknown feature of the PISA 2003 survey is that participants were asked to report their pre-school experience before they started primary schooling. This information can be used to measure the *correlation* between early education and cognitive achievement at the age of 15 (Figure 2.9). Reported score differences in Norway between those who spent two years or more in kindergarten and those who spent no time range from 14 to 22 points on the PISA scale (or 0.14 to 0.20 of a standard deviation). The score gap in Norway for both reading and mathematics are close to the OECD average.

Note that the reported coefficients are *net* of what should logically be attributed to background variables that are beyond the control of education and social policy. The latter include the level of education of parents (both mother and father), the immigration status, as well as the socio-economic and cultural status of the parents.

Figure 2.9. **Kindergarten non-attendance and score gap[a] at the age of 15, based on PISA 2003**

No kindergarten attendance *versus* two or more years of attendance[b]



OLS: Ordinary least squares.

a) OLS coefficients not statistically significant at the 5% level are set to zero. OLS regression with the following control variables: mother education, father education, immigration status, index of socio-economic and cultural status.

b) Reference group.

c) Unweighted average.

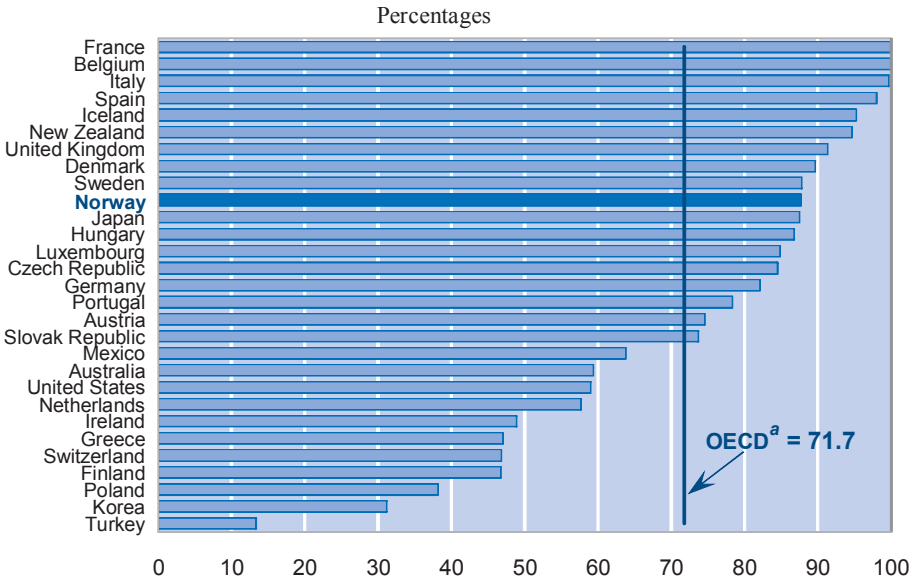
Source: OECD PISA 2003 database.

Those who legitimately fear that these results remain potentially spurious should consider that they are in line with those recently published in research literature[38] that aims at measuring the *causal* benefits of early education.

38. Carneiro and Heckman (2003) review several evaluation studies of the long-term benefits of pre-school programmes on children from low-income families. Reviewed studies find evidence of sizeable long-term effects on school achievement and grade repeating, particularly when efforts are sustained beyond the pre-school period. Positive effects of pre-school education on school failure and grade repetition have been found in France, where pre-school is almost universal among 3-5-year olds (Caille and Rosenwald, 2006). Boocock (1995) reviews childcare in Sweden and concludes that participation in pre-school has benefits in terms of cognitive development and school success, and that these are more positive for children of low income families.

Norway has an advanced early-education system, characterised by attendance rate for 3-5-year-olds well above the OECD average (Figure 2.10). In 2007, the government increased funding for kindergarten education by some NOK 3.2 billion (EUR 409 731 114). Of this, NOK 1.24 billion (EUR 158 770 807) was earmarked for the creation of new places for children aged 3 to 5.

Figure 2.10. **Attendance rate among 3-year olds in OECD countries, 2005**



a) Unweighted average of countries shown.

Source: OECD Education database.

Still, there remain barriers to participation. Attendance is not free (Box 2.3). Moreover, participation means that families lose a lump-sum allowance (*Kontantstøtte*) aimed at helping parents (mainly mothers) who take care of their young children at home. There is evidence that families with a non-western background use the allowance scheme to a larger extent than the others. Moreover, an improved supply of kindergarten services does not seem to impact their choice. This could indicate that the allowance scheme represents a disincentive to attend kindergarten for the families to whose children early exposure to education and to the Norwegian language matter most.

Box 2.3. **Cash benefits and the cost of day care**

Cash benefits when keeping children at home

The purpose of the cash-benefit scheme (*Kontantstøtte*) is to help parents to spend more time caring for their own children, to give families a real choice as to what form of child-care they prefer for their children, and to bring about greater equality in the benefits the individual family receives for child-care from the government, regardless of the child-care arrangements made by the parents. The cash benefit is granted without means testing and is tax-free.

The cash benefit is available for children between the ages of 1 and 3, for a period of maximum 23 months. The amount received is a negative function of the intensity of day-care facilities use. In 2007, for children spending no time at a day-care centre, parents receive NOK 39 636 (EUR 5 075) per year per child. This amount is gradually reduced when they start make using of day-care centres (see table below).

Cash benefits as a function of day-care use

	Kroner (NOK)	Euros (EUR)
No day care (100 %)	39 636	5 075.03
8 hours or less (80 %)	31 704	4 059.41
9-16 hours (60 %)	23 784	3 045.33
17-24 hours (40 %)	15 852	2 029.71
25-32 hours (20 %)	7 932	1 015.62
33 hours or more	No cash benefit	

Source: Norwegian Labour and Welfare Organisation (NAV), 2007.

The cost of day care (*barnehage*/kindergarten)

The Norwegian government set the maximum price for attending kindergartens full time in 2007 at NOK 2 330 (EUR 298) per month or NOK 25 630 (EUR 3 282) per year. Full-time attendance is at least 41 hours a week. Children who attend kindergartens part time shall pay less than children who attend full time.

The municipality must make sure that parents are offered a minimum of 30% off the normal fee for the second child and a minimum of 50% off for the third or fourth child, etc. The reduction is also offered when siblings go to different kindergartens within the same municipality. The municipality must offer families with low payment capacity a reduction in or an exemption from the parents' fees.

The cost of these mandatory reductions imposed on municipalities is covered by the central government's budget.

Another problem with pre-schooling might be the poor "educational" content of the time spent in kindergarten. The OECD recently pointed out that Norwegian day-care centres employ fewer personnel with pre-school teacher training than those in neighbouring countries (OECD, 2006a).

B. "Back to basics" with the Knowledge Promotion Reform

Disappointing PISA 2003 results convinced the Norwegian authorities of the necessity of strengthening the curriculum in primary and secondary schools. The ensuing 2006 Knowledge Promotion Reform (*Kunnskapsløftet*) represents an attempt to entice schools and teachers to pay more attention to their pupils' attainment in terms of a limited number of competences and basic topics. The reform's key ingredients are: *i)* national, clarified and standardised curricula, *ii)* more testing,[39] and *iii)* a greater dose of local autonomy.[40] In generic terms, this reform is an attempt to make the Norwegian education system slightly more output- or result-driven.

C. How to deal with drop-outs and youth at risk?

A special focus on reaching out to non-western immigrants and improving their linguistic skills

In the 2007 Strategic Plan "Equal Education in Practice", the focus is on improving the command of the Norwegian language among (mainly) non-western immigrants as defined in Box 1.1 (Ministry of Education and Research, 2007a). Box 2.4 details the various measures adopted in this Strategic Plan. They include: *i)* language stimulation in kindergarten; *ii)* language screening tests in post-natal health clinics; *iii)* extra funding for primary or secondary schools with a concentration of immigrant pupils; *iv)* more apprenticeship places for immigrants; *v)* broader access to tertiary education; and *vi)* miscellaneous measures to promote Norwegian-language proficiency among adults in collaboration with municipalities distributing social assistance.

39. In 2005, pupils were exposed to standardised tests in reading, writing in Norwegian, mathematics (grades 4, 7, 10 and 11) and English (grade 10). In 2007, they had to take national tests in reading in Norwegian and English, and mathematics (grades 5 and 8).

40. The reform expands local autonomy, essentially regarding school organisation and teaching methods.

Box 2.4. **Special education measures for immigrants**

The Strategic Plan of the Ministry of Education and Research (2007a) defines five priorities for immigrants/linguistic minorities

1) Pre-schooling

In the deprived Stovner district of Oslo, the year 2006 marked the beginning of a pilot that consists of offering free care time to all 4- and 5-year olds. Emphasis is placed on recruiting children who do not attend kindergarten and on systematic language stimulation in the kindergartens. There is also a targeted follow-up of parents and guardians with a minority background to ensure that they too develop better proficiency in Norwegian.

Nationwide, in public health centers, screening is undertaken to identify those who need tailored education in Norwegian.

2) Primary and secondary

Extra financial support will be provided to schools which have more than 25% linguistic-minority students.

3) Upper secondary/apprenticeship

The Ministry of Education and Research and the Norwegian Directorate for Education and Training are focusing strongly on the lack of trainee places, especially in the public sector. The state as employer has pledged to take its share of responsibility for creating more trainee places and apprenticeships. The work of increasing the number of apprentices in both private and public sectors will be followed up and competence development in multicultural guidance for instructors and professional management in companies will be strengthened.

4) Tertiary education

A greater focus is put on guidance and information in the form of collaboration between upper secondary schools and tertiary institutions. Through enhanced collaboration with the new employment and welfare administration (NAV, see Chapter 4), adult immigrants can find out about study opportunities, recognition of non-formal and informal learning (RNIFIL) and study financing.

Nine university colleges are collaborating to offer a three-year Bachelor course for native language teachers and bilingual assistants who need to complete their education so as to achieve the necessary teaching competence to teach more subjects at primary/lower secondary level.

5) Adult education

The Norwegian centre for adult education (VOX) will seek to enable the best possible implementation of the "Act relating to rights and obligations relating to Norwegian language training" enacted in September 2005. The scheme only applies to adult immigrants in Norway. It states that they must complete a minimum of 300 hours of Norwegian language training; and 50 of these hours should be devoted to providing an insight into Norwegian society in the immigrant's mother tongue or another language the person understands.

Source: Ministry of Education and Research (2007a).

Questioning allocation mechanisms at the beginning of upper secondary education

Allocation mechanisms at the beginning of upper secondary education seem to have received little attention so far, although they may play a certain role as regards the magnitude of the drop-out problem. This question is *a priori* particularly relevant for vocational education (VE) which is, by definition, more diversified and more difficult to provide in every corner of the country.

At the age of 16, young people are assigned to an upper secondary school and a particular programme if they opt for VE. Individuals express their preferences, but it is eventually up to a central planner, within each county, to ensure that there is a good match between demand (*i.e.* the preferred field of study and the school the young person wants to register in) and supply. Anecdotal evidence suggests that up to 10% of young people do not get the field of study and/or the school they had put as their first choice on their application form.

Securing access to an apprenticeship

Being a VE student in Norway implies that one needs to find an apprenticeship place within a training firm after the two years of school-based education. This is not always an easy task. The Ministry of Education and Research (2007b) indicates that young immigrants from non-western countries face more problems in their search for an apprenticeship contract than other students. This could reflect their lack of social capital (*i.e.* the fact that they have no relatives or friends inside recruiting firms). Measures by the Ministry of Education and Research and the Norwegian Directorate for Education and Training aim at increasing the number of apprenticeship positions. The Norwegian State, as an employer, has promised to create trainee places and apprenticeships (point 3, Box 2.5). It remains to be seen, however, what can be done to get the private sector to increase its supply of places for specific groups (immigrant youth). The recent German experience with the National Pact for Training (Quintini *et al.*, 2007) suggests that being pro-active and involving the social partners, can to some extent pay off, and could perhaps provide some useful guidelines.

D. The role of literacy and numeracy skills

It is also important to look beyond the incidence of drop-out and pay more attention to the *actual skills* possessed by individuals at the bottom of the educational distribution.

A recent Canadian study (Finnie and Meng, 2006) investigated how literacy and numeracy skills *per se* – independently of the number of years of school or the qualification/credentials held by individuals – affect outcomes for those at the bottom end of the Canadian labour market. Most research on the relationship between education and labour market outcomes has ignored these skills, or simply assumed that they are adequately captured by the conventional proxies (years of schooling, degrees) and broad categories of educational attainment. Other studies have demonstrated evidence of a positive correlation between wage differentials and test-score differentials including among drop-outs (Nickell and Layard, 1999).

These findings tell us that those at the bottom end of the economic ladder are not completely trapped in a secondary labour market with few options available to them. Moreover, as skills matter, designing policies that focus on raising their literacy and numeracy could be an important means of improving labour market opportunities for them. In other words, the focus should not only be on reducing drop-out rates but also on designing schools, adult education and re-training curricula that are conducive to improved literacy and numeracy. At the elementary and secondary-school levels, the priority should be the generalisation of output-based governance schemes, based on *external standards* (centrally defined tests), as these are already part of the Knowledge Promotion strategy.

4. Between school and work

A. Student work

Most tertiary students in Norway opt for general education programmes with limited exposure to the world of work. But the transition between education and work is not as abrupt as is generally assumed. This is due to the relatively high incidence – essentially beyond the age of 18 – of student jobs, as highlighted in Chapter 1 (Figure 1.7). Before the age of 15, parental permission is required if a youth wants to work. And before the age of 18, the type of work one can carry out is strictly regulated. In 2007, all Norwegian students were prohibited from earning more than NOK 116 000 (EUR 14 853) during one academic year in order to preserve their right to full financial support (study grant or loan) from the Norwegian State Educational Fund.

Although student jobs help young people enter the labour market and increase their rate of economic activity, they could also raise the average age of graduation (Figure 1.8). In a context where the labour market is particularly tight, deferred graduation may represent an undesirable opportunity cost to society. Speeding up learning in colleges and universities and reducing the time taken to graduate could thus be desirable.

Recent reforms of student loans provide financial incentives not to completely interrupt studies (Box 2.5). Grants allocated to students who live away from their parents are converted into loans if students do not pass end-of-term exams. However, the scheme does not contain incentives to complete study programmes fast or avoid making excessive use of the part-time student status that seem to be readily available in many institutions.[41]

Box 2.5. **Student Financial Support: loans that can be converted into grants if the student lives away from the family home**

Norwegian students get public financial support through the State Educational Loan Fund (*Lånekassen*). The latter provides grants to pupils in upper secondary education and loans or grants to students in higher education. The support is meant to cover living expenses and the costs of studying, and the objective is to give everyone in Norway an equal right to education.

Tertiary education students can get up to NOK 82 900 (EUR 10 615) of financial support each academic year. The total amount is initially given as a loan.

If the student does not live in the same house as her/his parents, up to 40% of the loan may be converted to a grant. In 2007, to receive this grant, students have to: *i)* pass their exams; *ii)* earn less than NOK 116 983 (EUR 14 979); and *iii)* possess assets not exceeding NOK 231 426 (EUR 29 632). The support remains a loan if the student lives at home with the parents, even if they pass the exams.

The loan is not interest-bearing during the study period. Interest is calculated from the first day of the month following graduation. Interest is charged if education is interrupted. The repayment of student loans is not income-contingent, but *Lånekassen* has schemes and arrangements that ordinary banks do not have: in cases of low income, unemployment, illness, childbirth or care of small children, the interest may be waived and the installment may be postponed for a period.

Source: Norwegian State Educational Loan Fund (2007).

B. Vocational education: the 2+2 model

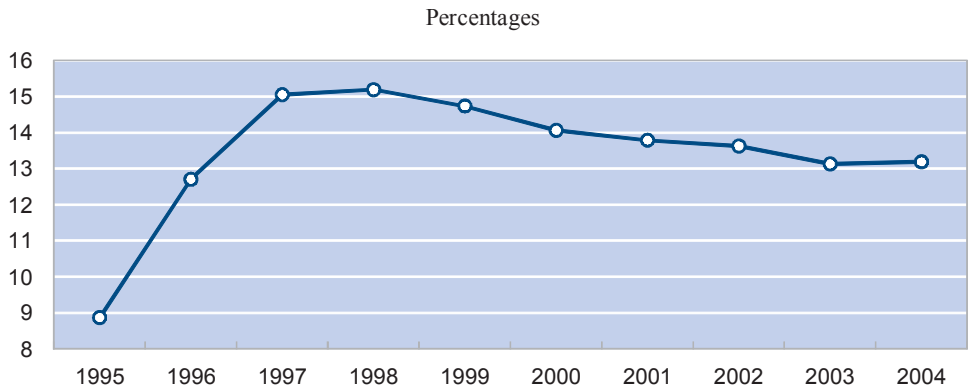
As noted above, vocational education in Norway operates predominantly as a 2+2 model. In the late 1980s and early 1990s, the authorities recognised that the numbers of students entering and completing apprenticeships were declining. A general overhaul of the education system,

41. At the University of Oslo (Faculty of Humanity) in order to retain their admission to a programme of study, students must have a study progress of 50%, *i.e.* having passed 30 credits each year. In practice, this means that a 180-credit programme that can be completed in three years may be spread over six years.

part of the "Reform 94", maintained that one-third of each cohort should receive that form of company-based VE.

The actual numbers have apparently been smaller (Figure 2.11), ranging from 10 to 15% of the youth aged 16-19. They also look small compared with some other European countries. In Germany, more than 60% of a cohort is enrolled in an apprenticeship-training programme (Askilden and Nilsen, 2005).

Figure 2.11. **Share of apprentices among youth aged 16-19, Norway, 1995-2004**



Source: Statistics Norway.

Apprenticeship programmes are monitored and continuously followed up by the authorities and the final tests are standardised, national tests. This should ensure the uniformity and quality of the training.

As apprentices, young people spend all day in a firm or in a training company (*opplæringskontor*) co-owned by several enterprises and financed by the state subsidy earmarked for each apprentice. To be eligible a firm is required to have a qualified training manager (*opplæringsleder*), as well as instructors (*instruktører*), who themselves have obtained a trade certificate or a similar qualification.

Being quasi-workers, apprentices receive a salary paid by the firm. The apprentices' salary is part of a general *tariff* agreement between employers and employees. Apprentice salaries are related to the salary of a newly educated professional and vary between industries. The average salary of a newly educated professional was approximately NOK 300 000 (EUR 38 412) a year in 2007. During the first semester the salary of the apprentice is 30% of that sum (EUR 11 524), during the second semester 40% (EUR 15 365), during the third 50% (EUR 19 206), and during the fourth 80% (EUR 30 730). So there is a steep progression of the "apprentice wage" towards the new-entrant wage.

But the cost of employing and presumably training apprentices is subsidised. Firms receive from the state a lump sum of NOK 91 448 (EUR 11 709) for the "training component" of the apprentice's time in the firm. It is up to the employer to determine how the training is distributed over the two-year period. Askilden and Nilsen (2005) also mention that a state grant is given to training firms after final tests are passed, worth approximately NOK 15 000 (EUR 19 206) in the late 1990s. These authors estimate that the total subsidy amounts to 20-25% of the apprentices' wage bill.

Unlike in Germany, Norway's 2+2 model equates to a context where apprentices are more likely to be treated as "normal" workers. By being in firms on a full-time basis, they are more likely to be treated as regular workers and risk being a source of relatively inexpensive labour (*i.e.* remunerated below the new-entrant wage and publicly subsidised).

Another characteristic of Norway's apprenticeship scheme is that it is the primarily the responsibility of the student to find an apprenticeship place. Although strong economic growth (and institutional efforts) over recent years have made it easier for everyone to find an apprenticeship, lower-performing students and those of non-western origin with poor networks are still at risk of not finding a place.[42]

Helland and Støren (2006) show considerable differences between natives and non-westerners. Although grades and school attendance record have a marked effect on the probability of obtaining an apprenticeship, there are differences that cannot be attributed to attainment. Good grades are more important for immigrants of non-western origin to secure an apprenticeship contract.

The social partners are closely associated with the definition of the curricula (at the national level), and also, with regard to many issues, at the level of the counties. But they have apparently no binding obligation to secure places for all VE students.

Such a situation raises a more general question about the actual role of the social partners *vis-à-vis* the state. Although policy makers in Norway often refer to "tripartite" agreements, closer scrutiny points to a relatively clear division of tasks. Funding of education and training is predominantly the responsibility of the state. It also tends to act as "provider of last resort" during economic downturns (Askilden and Nilsen, 2005) by offering *ad hoc* VE programmes when the number of apprentice places declines.

42. Which, in practice means that they spend more than two years in full-time schooling, attending *ad hoc* programmes organised by the counties.

C. *Orientation, guidance and placement*

Good career education and guidance, prior to young people's entry into the labour market, is widely recognised in the literature as being one of the elements fostering a smooth school-to-work transition (Ryan, 1999; and OECD, 2004a). And there are reasons to believe that the educational and career counselling provided by schools is particularly important for pupils who do not learn from their families or other well-connected social networks.

Career counselling and guidance in schools

In Norway, secondary school pupils have a statutory right to guidance on studies or career opportunities. Until recently, this meant that there was one teacher serving as a counsellor, generally on a part-time basis, dealing both with social/psychological questions and with career development. The time available for counselling was limited, the career counselling part consisting mostly of *information* about the availability of educational services. School counsellors were not trained in counseling in addition to their teaching role.

The OECD's report on guidance in Norway (OECD, 2002) confirmed these statements. It indicated several challenges: *i)* weak coordination across sectors, regionally and nationally; *ii)* weak professionalism; and *iii)* lack of quality assessment. It also recommended splitting career guidance from social/psychological counselling.

Several task forces investigated possible improvements. A White Paper from the Ministry of Education and Research (2004) launched three pilot projects with regional partnerships, involving the school authorities (counties, municipalities), the labour market service, higher education institutions and the social partners. A 2004 report of the Minister of Education and Research to the Norwegian Parliament (*Storting*) states that "(…) an initiative will be taken to establish regional partnerships for educational and vocational guidance as a task for the county authorities. The Ministry wishes to stimulate the development of measures to strengthen the competence of the individual school counsellor".

The Knowledge Reform also contains elements that may contribute to better career choices. Pupils aged 13-16 must attend "Elective Programme Subjects". As part of career guidance and to prepare for career choice, the idea is to let them "taste" subjects taught in upper secondary school.

A scheme that has been in place for several decades in secondary schools is the week of "compulsory practice" in the labour market (*i.e.* holding a job). The pupils can find their own jobs or they can take jobs procured by their school. All types of jobs are acceptable, from joining the crew on a fishing boat to doing office work.

A follow-up service in each county

The 1994 educational reform also established a follow-up service (OT is the Norwegian acronym) in each county, with a mandate to contact those who do not take up their right to upper secondary education. OT acts as a safety net for school drop-outs and other youngsters between the ages of 16 and 19 who are neither in the education system nor in regular work. The aim of the follow-up service is to provide the necessary information, guidance and practical assistance to direct these individuals into an activity leading to general matriculation, a formal vocational qualification or a partial qualification that can improve their access to the labour market. OT's main challenge is apparently to obtain an accurate overview of who needs the service (Ministry of Education and Research, 2007b).

5. Further education

A. Adult education

The international evidence about the incidence of adult education and training among young (16-24) workers is limited. The only recent source is the 2003 Adult Literacy and Life Skills Survey (ALL), and just five OECD countries took part in this (Canada, Italy, Norway, the United States and Switzerland).[43]

Table 2.4 suggests that quite a large number (ranging from 57 to 91%) of young Norwegian workers are involved in various forms of education and training activities. This incidence is higher among highly-educated young workers than low-educated ones. It is also higher than for older age groups. Levels and patterns of participation are quite similar across participating countries. The surveyed countries, generally display a quite high participation rate, Canada being the country with the highest rate (from 72 to 85%) for workers aged 16-24. The only exception is Italy, with a much lower level (from 18 to 40%). Italy is also different from the other countries in the sense that it does not show the typical negative age gradient.

43. Two other OECD countries (Australia and New Zealand) have implemented the ALL survey in 2006. But the micro-data, similar to those used in this section to assess adult education, are not available yet.

Table 2.4. **Incidence of adult education and training by age, selected OECD countries, 2003**

Percentage of workers participating over the preceding 12 months

		Age group				
	Initial educational attainment	16-24	25-34	35-44	45-54	55-65
Canada	Less than ISCED 3	72.7	43.3	34.1	28.6	21.0
	ISCED 3	73.7	57.0	53.3	53.7	42.5
	More than ISCED 3	85.6	74.9	67.2	66.8	61.8
Italy	Less than ISCED 3	17.8	6.7	10.9	12.8	4.3
	ISCED 3	19.0	27.3	31.3	33.0	34.4
	More than ISCED 3	39.9	46.7	54.0	56.0	39.9
Norway	**Less than ISCED 3**	**57.6**	**44.4**	**47.5**	**38.5**	**28.1**
	ISCED 3	**65.9**	**58.3**	**55.6**	**48.5**	**48.6**
	More than ISCED 3	**91.7**	**72.1**	**70.0**	**70.3**	**60.1**
Switzerland	Less than ISCED 3	82.3	11.2	29.3	26.9	15.7
	ISCED 3	58.9	60.6	59.7	62.1	40.8
	More than ISCED 3	87.1	74.7	72.0	79.1	57.5
United States	Less than ISCED 3	70.0	24.3	33.5	29.5	14.5
	ISCED 3	67.1	60.2	55.9	57.5	49.5
	More than ISCED 3	89.9	80.1	77.8	82.1	78.8

ISCED 3: International standard classification of education referring to upper secondary education.

Source: Statistics Canada and OECD (2005), *Learning a Living – First Results of the Adult Literacy and Life Skills Survey*, Ottawa and Paris.

B. Job-related adult education and training

Table 2.5 focuses on the incidence of education and training activities that are *i)* formal (in the sense that they are part of a programme of studies that leads to a degree or a certificate; and *ii)* job-related (as opposed to being undertaken out of personal interest, as a hobby).[44] The incidence is logically lower than that for education and training in general. But it is still higher among younger workers, including this time those in Italy. Norway is also lower in this ranking: 30% of its youth (16-24) are participating, compared with 48% in Canada.

44. Unfortunately, ALL does not contain enough respondents on formal and job-related training to include a breakdown by education level into Table 2.5.

Table 2.5. **Job-related and formal[a] education and training, by age group, 2003**

Percentage of workers participating over the preceding 12 months

	16-24	25-34	35-44	45-54	55-65
Canada	48.0	21.1	15.2	11.8	7.0
Italy	6.8	6.4	4.4	3.2	0.6
Norway	**30.0**	**21.3**	**18.4**	**14.0**	**7.2**
Switzerland	36.2	21.9	16.6	13.5	3.9
United States	36.4	22.5	17.6	19.5	11.4

a) Part of a programme of studies.

Source: Statistics Canada and OECD (2005), *Learning a Living – First Results of the Adult Literacy and Life Skills Survey*, Ottawa and Paris.

The ALL survey also included literacy/numeracy scores. Despite good relative results for Norway[45] (Statistics Canada and OECD, 2005), decision-makers think that quite a large number of young Norwegian adults have such weak literacy and numeracy skills that they may have difficulty functioning in today's workplace and society.

In 1999, the Norwegian authorities introduced the Competence Reform (Box 2.6): a set of legal and fiscal measures aimed at boosting training among workers. These range from extended rights to (training) leave of absence from work to tax credits for firms. The reform also led to the establishment in 2001 of *i)* the Norwegian Institute of Adult Learning (VOX) to monitor the implementation of the reform; and *ii)* a system for the recognition and assessment of adults' non-formal and informal learning (*Realkompetanse*).

The Ministry of Education and Research's own assessment of the outcomes of the reform is that these were limited. One possible explanation for this is that the reform was implemented during recession times. The Competence Reform improved the framework conditions for learning – both the statutory rights of individuals and their financing. Providers have also developed more flexible modes of delivery. Increased participation rates were registered in the health and pre-school sectors, but overall participation rates showed no major improvements. Furthermore, like in most OECD countries, there are still large inequalities in the distribution of training across sectors and types of firms. Officials of the ministry say that the reform had limited direct effects on training practices in enterprises.

45. Norway has the best aggregate performance on the numeracy and problem-solving scales; and the second-best on the document-literacy scale.

Box 2.6. **The Competence Reform for adults**

The Competence Reform was decided in 1999. It was based on tripartite collaboration between the state and the social partners, and introduced a series of key measures to promote training and learning among adults:

- A right to leave of absence from work for employees to undertake education or training for those having worked more than three years (subject to meeting their own subsistence costs);
- Tax relief for training financed by employers;
- Subsidies to projects designed to promote innovative, flexible and tailor-made forms of work-based training and improve the market for continuing education and training (the Competence Development Programme, 2000-2006);
- The development of a national system for the documentation and recognition of non-formal and informal learning (the *Realkompetanse* Project, 1999-2003):
- Statutory rights for adults to complete primary, lower secondary and upper secondary education (*i.e.* second-chance education).

Source: Ministry for Education, Research and Church Affairs (1998).

One of the problems for adults is that the right to resume or undertake upper secondary education (last point in Box 2.6) applies to adults born prior to 1st January 1978 (aged under 29 on the 1st January 2007). But the Ministry of Education and Research has recently proposed amending the law so that the right to upper secondary education for adults shall apply to all adults over the age of 25, and not only to adults born prior to 1st January 1978. The proposal is due to be enforced before Summer 2008.

Other elements of public policy aimed at promoting adult learning include the right for adults (with a minimum of five years of work experience within a trade) to register for a practical and theoretical vocational examination in order to receive a vocational education certificate. The training component itself is not delivered inside traditional VE schools as part of the initial education system. It is provided by firms or private suppliers. This opportunity has been widely used by Norwegian companies to formalise and upgrade the competences of their workforce. Approximately one-third of the VE certificates issued each year are gained by adults using this opportunity.

Finally, there is the 2006 "Programme for basic skills in working life" (*Program for basiskompetanse i arbeidslivet*), earmarked for workers who lack basic skills in reading, writing, numeracy or ICT. This programme provides public support for employers who organise training in basic skills for their employees at the workplace.

6. Key points

Norway is characterised by a very high pre-schooling attendance rate. But participation remains too low among families with a background of immigration, for whom early exposure to Norwegian language and activities with education content matters most.

Norway's compulsory education system is predominantly general. Its performance, as recently confirmed by the PISA 2006 results, could be improved. The 2006 Knowledge Promotion represents a promising attempt to make the system slightly more output-oriented. If properly implemented, it should gradually raise the core competences assessed by PISA.

Beyond compulsory education, about 46-48% of a typical cohort opts for vocational education. In Norway, the latter is organised in a sequential way: the so-called 2+2 model. Students first spend two years attending theoretical classes on a full-time basis, and then move on to full-time apprenticeship for another two years.

At that level, one major source of concern is the performance of immigrants of non-western origin. For example, their absolute risk of dropping out is more than three times higher that of native Norwegians. They also have more difficulties in completing the two first years of vocational education, that are almost exclusively school-based, and then securing apprenticeship contracts.

Despite poor PISA results, tertiary educational attainment is among the highest in the OECD, and has been on the rise until recently. A possible source of concern remains the alleged academic bias of tertiary programmes. There is indeed a sense of "irrelevant" teaching content among graduates who report on their first job experience. There are perhaps too few short programmes on offer, as well as a need to develop practice-based learning within tertiary education.

CHAPTER 3

DEMAND-SIDE OPPORTUNITIES AND BARRIERS

Although education and training policies are central elements of any effective strategy for improving youth labour market prospects, a comprehensive policy framework has to pay attention to the opportunities and constraints on the labour market. It must pay particular attention to the labour market arrangements and institutions and their impact on the demand for young people.

Section 1 examines the current state of the labour market and the employment opportunities it offers to new school-leavers. Sections 2 and 3 look at the relative wages of young people alongside wage-setting institutions, employment protection legislation (EPL) and labour contract regulation that could affect the entry of youth into the labour market. Section 4 examines the sensitivity of youth (un)employment to GDP shocks, compared to that of older workers. Section 5 focuses on the dynamic of wages for youth. Section 6 reviews the evidence on wage gaps between young immigrants and their native counterparts and between young women and men.

1. Norway's tight labour market

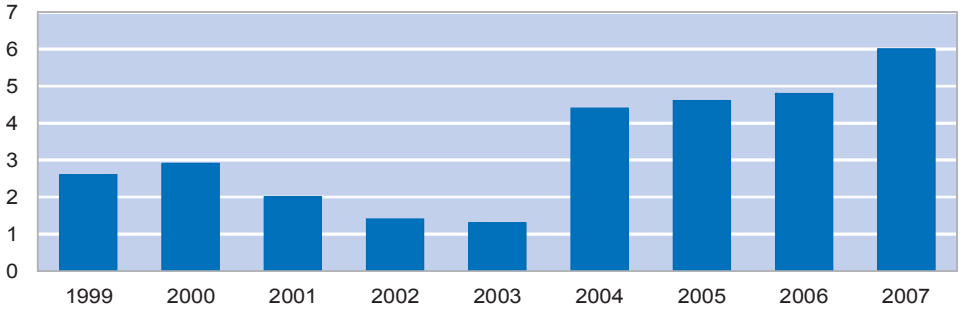
The cyclical upturn in the Norwegian economic that started in 2004 has continued into 2007. GDP growth (Figure 3.1), fuelled by the oil and gas-price boom reached 6% in 2007, well above the OECD (or EU) average. And even if some slowdown is expected in 2008 and 2009, the overall prospects remain good.

After a period of "jobless recovery", GDP growth has led to strong employment gains since mid-2005 (Figure 3.2). The labour market has recently been tightening fast, with unemployment falling close to its historical lows (OECD, 2007a).

The national accounts have never before recorded such a high level of employment growth as in 2006. Employment was 3.1% higher than in 2005. Growth continued at the same pace in the first quarter of 2007 (Statistics Norway, 2007a).

Figure 3.1. **GDP growth in Norway, 1999-2007**

Annual average growth rate, percentages



Source: Statistics Norway.

Figure 3.2. **Employment and labour force levels in Norway, January 1998 to July 2008**

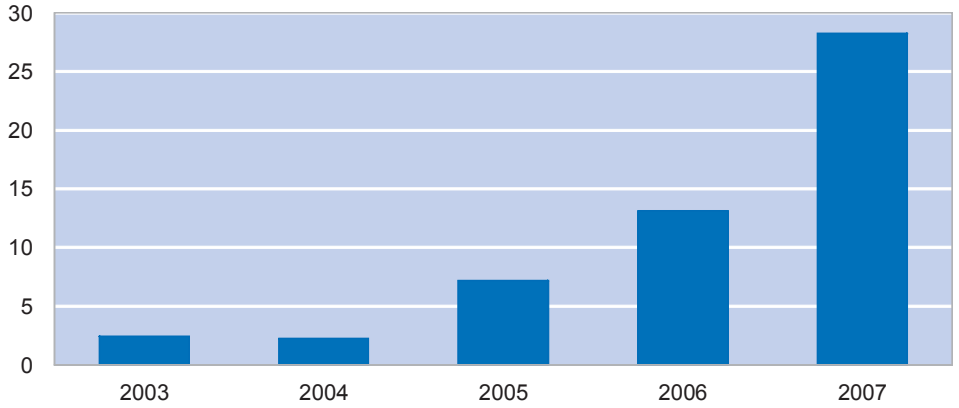
Millions

Source: Ministry of Finance, Norway.

Part of the need for extra workers was met by a sharp increase in foreign labour inflows from new EU member states (Figure 3.3). But the growth in employment was faster than that of the labour force (Figure 3.2). This translated into a lower aggregate unemployment rate. While seasonally adjusted unemployment was around 4.5% throughout 2005, it fell in 2006 and was down to 2.7% in 2007. According to Norwegian Labour Force Survey figures, the long-term unemployed accounted for 25% of the unemployed in the first quarter of this year. This is 8 percentage points lower than one year earlier, and the decline has coincided with a period of a rapid fall in total unemployment (Statistics Norway, 2007a).

Figure 3.3. **Influx of short-term labour migrants in Norway, 2003-2007**

Valid work permits delivered to persons from new[a] European countries, thousands



a) Countries that joined the European Union on the 1st of March 2004.

Source: Ministry of Finance, Norway.

More to the point of this report, labour market pressures have also led to an increase in labour force participation and employment among groups that traditionally record below-average participation rates and face difficulties joining the labour market otherwise. They include low-educated youth or school drop-outs, along with long-term unemployed, immigrants of non-western origin or older individuals. Norwegian employers must now increasingly seek labour among these groups if they want new recruits.

2. Starting wages

No legal minimum wage but relatively high starting wages for the least educated

There is no statutory national minimum wage in Norway. As most Norwegian workers, young workers *older than 18* get the wage agreed upon in collective agreements (Table 3.1). An exemption is the hotel and restaurant sector, where the adult pay rate starts at the age of 20 if the employee has no prior experience.

Wage systems covered by collective agreements (the so-called *tariffs*) – usually established at a very central level – are set in accordance with educational qualification or seniority. As stated earlier, collective agreements make no age distinction when it comes to workers over the age of 18.

Table 3.1. **Share of employees who have their wages fixed by a collective agreement or individual agreements, by age, Norway, 2004**

Percentages

	Total			Private sector		
	Collective agreement	Individual agreement	Unknown	Collective agreement	Individual agreement	Unknown
Less than 25	68	26	6	61	32	7
25-year olds and over	74	25	1	58	41	1
Total	**73**	**25**	**1**	**58**	**39**	**2**

Source: Statistics Norway, Norwegian Labour Force Survey, 2nd quarter.

Employees below the age of 18 are normally paid a discount to that paid to their older colleagues. In some cases there are several wage rates below the age of 18, *i.e.* separate rates paid to workers of 16, 17 and 18 years, while some collective agreement only have one wage rate for those younger than 18. These pay rates can either be fixed as a certain amount or as a percentage of the pay rate for employees of 18 and older. There are also lower rates for apprentices in upper secondary education (see Chapter 2, Section 4).

Collective agreements within the private sector may be divided into three categories: *i)* agreements with minimum-wage provisions and company-level bargaining (minimum-wage agreements); *ii)* agreements that lay down wages without giving the opportunity for company-level bargaining (normal wage agreements); and *iii)* agreements that make no pay provision whatsoever, but lay down procedural rules, and where the pay is determined at company level. This latter type of agreement is most common among white-collar workers (those with more than ISCED 3).

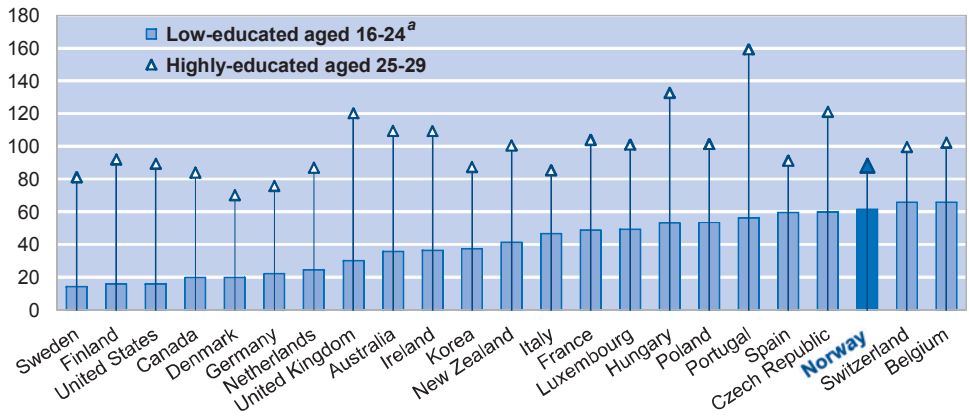
Minimum wage agreements are the most common type of agreements within the private sector. Such agreements will only indicate the minimum and not the actual wage level. Therefore, collective agreements cannot be used to say anything about how much people are actually paid, but they may indicate what factors should be considered when a wage offer is made. Normal wage agreements, in their purest form, are negotiated at sector level, and are subject to no further bargaining at company level. Thus, wages agreed at sector level will reflect wages actually paid at company level. However, in most cases wages fixed by normal wage agreements also have individual differences in accordance with seniority, level of skills etc. Within the private sector, the so-called normal wages agreements are not very common, although they are found within the public sector.

Tariffs make no difference between temporary and permanent contracts, or part-time or full-time contracts. This echoes the Norwegian Working Environment Act that has strict rules against discrimination between full-time and part-time work. Moreover, there is robust empirical evidence that wage differences between part-time and full-time workers are small (Hardoy and Schøne, 2006). This means that part-time jobs cannot be used, as easily as elsewhere, as a low-cost option to employ people with a very low productivity.

Using OECD aggregate data on gross wages together with similar Norwegian data, one can see that young inexperienced and poorly educated individuals (less than ISCED 3, aged 16-24) earn 60% of the salary of the average worker, all ages and all education levels pooled (Figure 3.4). This is quite high by OECD standards, and in line with the "compressed wage structure" story put forth by Hardoy and Schøne (2006) and visible in Figure 3.5.

Figure 3.4. **Relative gross youth annual wage, by educational attainment, selected OECD countries, most recent available year in the 2000s**

Percentage of average gross wage among 25-64-year olds, all educational levels pooled



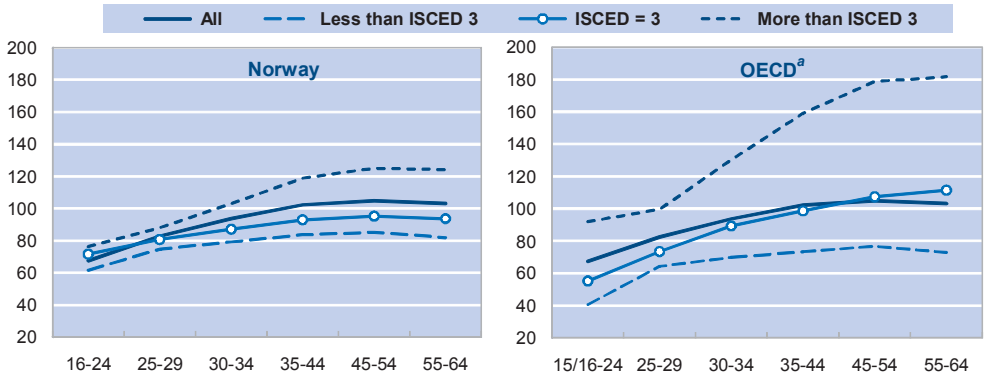
a) 16-24 for Norway, Spain, Sweden, the United Kingdom and the United States; and 15-24 for all other countries.

Source: Statistics Norway, number of full-time employees and average monthly earnings, by age, gender and educational attainment, 2006, 3rd quarter; and OECD Education database, for other countries' earnings, latest year available.

Still, the prevailing view at the moment in Norway, including within employer circles (NHO), seems to be that the level of wages for youth, and other categories of the population, is not a big problem. A quick review of the national press covering the past five years confirms that the topic is relatively absent from the political agenda.

Figure 3.5. **Wage profiles of full-time workers, by educational attainment, Norway and OECD,[a] most recent year available in the 2000s**

Percentage of average gross wage among 25-64-year olds, all educational levels pooled



ISCED 3: International standard classification of education referring to upper secondary education.

a) Unweighted average of Australia, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Korea, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Spain, Sweden, Switzerland, United Kingdom and United States.

Source: Statistics Norway, number of full-time employees and average monthly earnings, by age, gender and educational attainment, 2006, 3rd quarter; and OECD Education database, for other countries' earnings, latest year available.

Hardoy and Schøne (2006) claim that, compared with most OECD countries, Norway's centralised wage bargaining system has produced a too-compressed wage structure. They posit that this holds particularly at the lower end, creating *de facto* high minimum wages, and implying that workers at the bottom of the wage distribution must have relatively high productivity to be employable. Many economists would indeed predict that high starting wages, alongside strict regulation of part-time/temporary jobs, are conducive to fewer jobs for poorly educated and inexperienced individuals.

3. Non-wage costs and other barriers to employment

A. Non-wage costs

The tax-wedge – the difference between what employers pay out in wages and social security charges and what employees take home after tax, social security deductions and cash benefits – has also to be taken into account. Table 3.2 indicates that this wedge is close to the OECD average in Norway. This result also holds for low-wage earners. It suggests that non-wage barriers are unlikely to be a significant obstacle to many young workers in Norway, unlike relatively high youth wages.

Table 3.2. **Tax wedge including employers' social security contributions in OECD countries, 2000 and 2006**

Percentages

	Tax wedge on low-wage earner[a]		Tax wedge on average earner[b]
	2000	2006	2006
Mexico	11.0	10.6	15.0
Korea	14.9	16.0	18.1
New Zealand	18.5	19.0	20.9
Ireland	18.1	16.3	23.1
Australia	25.4	24.4	28.1
Iceland	19.7	23.6	28.6
Japan	23.4	27.5	28.8
United States	27.2	26.4	28.9
Switzerland	27.3	26.9	29.7
Canada	27.8	27.6	32.1
United Kingdom	28.3	30.4	33.9
Portugal	33.2	31.7	36.3
Luxembourg	32.5	30.6	36.5
Norway	**35.1**	**34.3**	**37.3**
Slovak Republic	40.6	35.6	38.5
Spain	34.7	35.9	39.1
Greece	35.5	35.4	41.2
Denmark	41.2	39.3	41.3
Czech Republic	41.4	40.1	42.6
Turkey	39.1	42.0	42.8
Poland	42.2	42.5	43.7
Finland	43.0	38.9	44.1
Netherlands	42.0	40.6	44.4
Italy	43.1	41.5	45.2
Sweden	48.6	46.0	47.9
Austria	43.2	43.5	48.1
France	47.4	44.5	50.2
Hungary	48.5	42.9	51.0
Germany	48.6	47.4	52.5
Belgium	51.3	49.1	55.4
EU-19[c]	**40.2**	**38.5**	**42.9**
OECD[c]	**34.4**	**33.7**	**37.5**

a) Tax wedge including employers' mandatory social security contributions for a single worker with no children earning 67% of the average wage.

b) Tax wedge including employers' mandatory social security contributions for a single worker with no children earning the average wage.

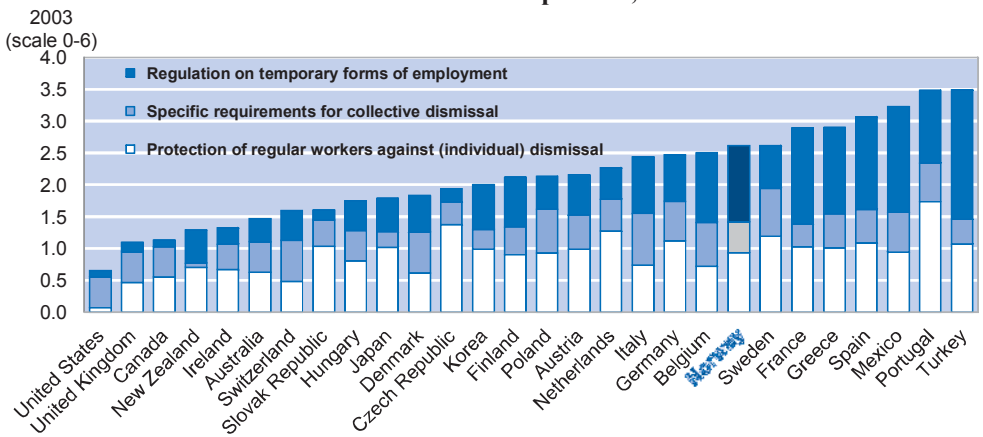
c) Unweighted averages.

Source: OECD Taxing Wages database.

B. Employment protection and preferential rights

Very strict employment protection legislation (EPL) could also negatively affect low-skilled and inexperienced workers by restraining employers' willingness to take a risk on them. The OECD indicator of the strictness of ELP in 2003 suggests that Norway has one of the strictest employment legislation frameworks (Figure 3.6). This is also true for workers on temporary contracts, which are quite common among young workers. This also probably constitutes a barrier to the hiring of low-skilled youth.

Figure 3.6. **Overall strictness of employment protection legislation and its three main components, 2003**[a]



a) Countries are ranked from left to right in ascending order of the overall summary index.

Source: OECD (2004b), *Employment Outlook*, Chapter 2, Chart 2.1, Paris.

Elements explaining Norway's high EPL score can easily be found in the Working Environment Act (*Arbeidsmiljøloven*). The general rule in Norway is that "*(...) employees may not be dismissed unless this is objectively justified on the basis of circumstances relating to the undertaking, the employer or the employee. Dismissal due to curtailed operations or rationalization measures is not objectively justified if the employer has other suitable work in the under-taking to offer the employee. When deciding whether a dismissal is objectively justified by curtailed operations or rationalization measures, the needs of the undertaking shall be weighed against the disadvantage caused by the dismissal for the individual employee*" (Section 15.7, § 1 and 2).

An employee holding a regular full-time contract (with 12 months of experience over the last two years) "*who has been dismissed owing to circumstances relating to the undertaking shall have a preferential right to a*

new appointment at the same company unless the vacant post is one for which the employee is not qualified " (Section 14.2, § 1).

An interesting feature of Norway's labour low is that these "preferential rights" are also granted to part-time and temporary workers. The law says that "*the preferential right shall also apply to an employee who is temporarily engaged and who, owing to circumstances relating to the undertaking, is not offered continued employment* " (Section 14.2, § 2).

The Working Environment Act further states that "*part-time employees have a preferential right to an extended post rather than that the employer shall create a new appointment in the undertaking. The preferential right is subject to the employee being qualified for the post and exercise of the preferential right not involving significant inconvenience for the undertaking*" (Section 14.3, § 1 and 2).

4. Business cycle and youth (un)employment

In general, the effect of cyclical fluctuations in GDP should show up either in the wages or in the (un)employment levels. The relative magnitude of these two effects will depend on a variety of factors. One possible prediction is that youth (un)employment is very sensitive to GDP shocks, particularly in comparison with the adult (un)employment rate.

There are many explanations for this. Young school-leavers are outsiders and more exposed than the (older) insiders to negative labour market adjustments.[46] Youth have also less experience and are poor substitutes for adult/experienced workers. When this is the case, any reduction (increase) of the demand for labour could adversely (favourably) affect their relative employment opportunities, *ceteris paribus*.

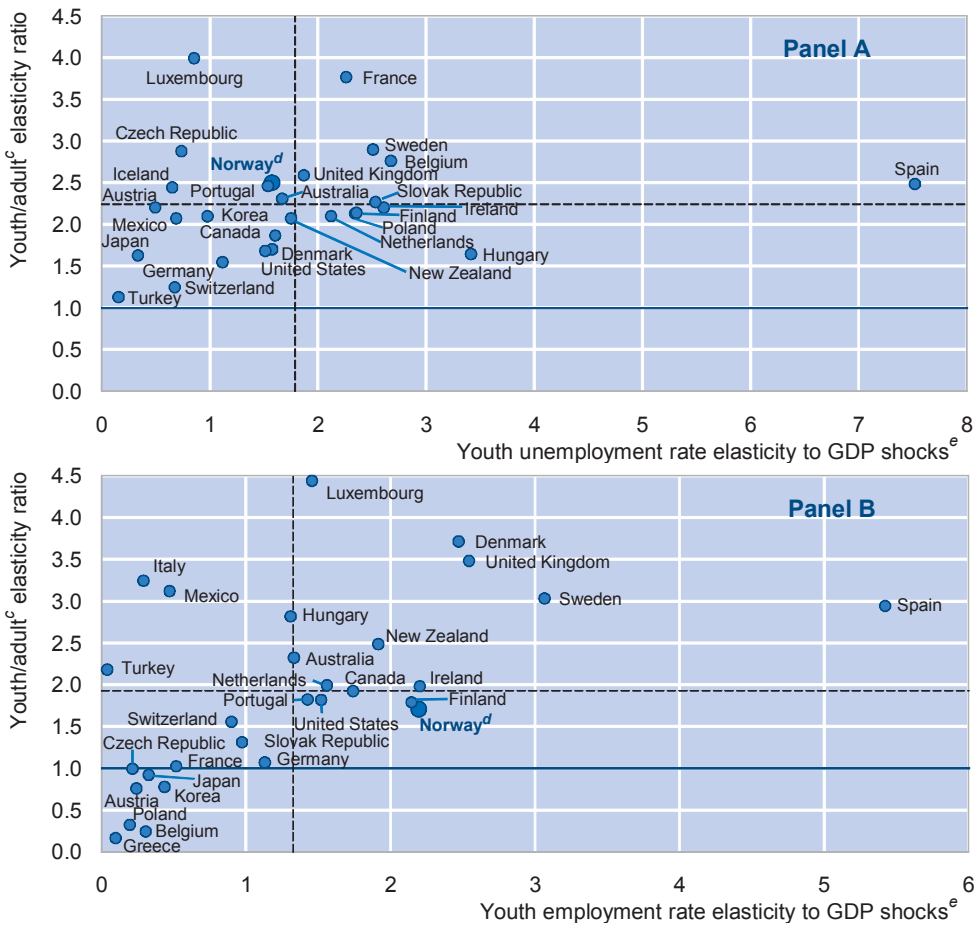
The empirical evidence is reported in Figure 3.7 (Panel A and Panel B). For instance short-term GDP shocks[47] clearly affect youth unemployment and youth employment rates as is suggested by the positive values on the horizontal axis. The latter correspond to the elasticity of the youth (*i.e.* 15-24) (un)employment to GDP shocks.

46. In labour economics, the insiders are those incumbent workers who enjoy more favourable employment opportunities than the outsiders. The reason for this disparity is that firms incur labour turnover costs when they replace insiders by outsiders. Examples of labour turnover costs are the costs of hiring, firing and providing firm-specific training. Insiders may resist competition with outsiders by refusing to cooperate with or harassing outsiders who try to underbid the wages of incumbent workers.

47. GDP shocks refer to deviations from the long-term trend.

Figure 3.7. **Youth[a] unemployment and employment rates and the business cycle[b]**

Elasticities and ratios



Horizontal and vertical dashed lines represent the OECD unweighted averages.

a) Youth refers to persons aged 15-24.

b) Annual GDP time series used are de-trended with a Hodrick-Prescott (1997) filter. Positive values on the horizontal axis reflect the fact that the youth unemployment increases (decreases) in case of a negative (positive) deviation of the GDP from its long-term trend. Values on the vertical axis, generally superior to one, indicate that youth are more affected than adults by GDP shocks.

c) Adult refers to persons aged 25-64.

d) First observation for Norway is 1972, and last observation is 2006.

e) GDP shocks refer to deviations from the long-term trend.

Source: OECD National Accounts database for GDP, and OCDE Labour Force Statistics database for employment and unemployment rates.

In the case of Norway, Figure 3.7, Panel A shows that a 1 percentage point (negative) deviation from the GDP's long-term growth rate leads to 1.6 percentage point increment of the youth unemployment rate. This is *less* than the average elasticity of 1.8 observed across the OECD. Figure 3.7, Panel B reveals that a 1 percentage point (negative) in terms of GDP growth leads to 2.2 percentage points reduction of the youth employment rate. This is significantly *more* than the 1.3 elasticity observed, on average, across the OECD.

The combination of these two elements suggests that GPD shocks in Norway probably have a larger effect on the *labour force participation* of youth than on its unemployment rate.

Simultaneously, the vertical axis of both Panels A and B report the youth/adult (*i.e.* 25-64) ratio of elasticities. A ratio superior to one indicates that the youth (un)employment rate is more influenced by GDP shocks than the adult rate. This is generally the case for the selection of OECD countries considered here, particularly when it comes to the risk of unemployment. Such a result is in line with what the insider-outsider theory posits.

Figure 3.7, Panel A focuses on the youth *versus* adult *unemployment* rate responses. It suggests that the youth/adult ratio is relatively high in Norway, where youth is 2.5 times more affected by GDP shocks than adults. This is less than in France (3.8) or in Luxembourg (4), but is higher than the OECD average of 2.2, and higher than in Canada (1.9), the United States (1.7), Japan (1.6) or Germany (1.5).

Figure 3.7, Panel B focuses on the youth *versus* adult *employment* rate responses. It shows that Norwegian youth is 1.7 times more affected by GDP shocks than adults. This is less than the OECD average of 1.9.

5. Moving up the wage ladder?

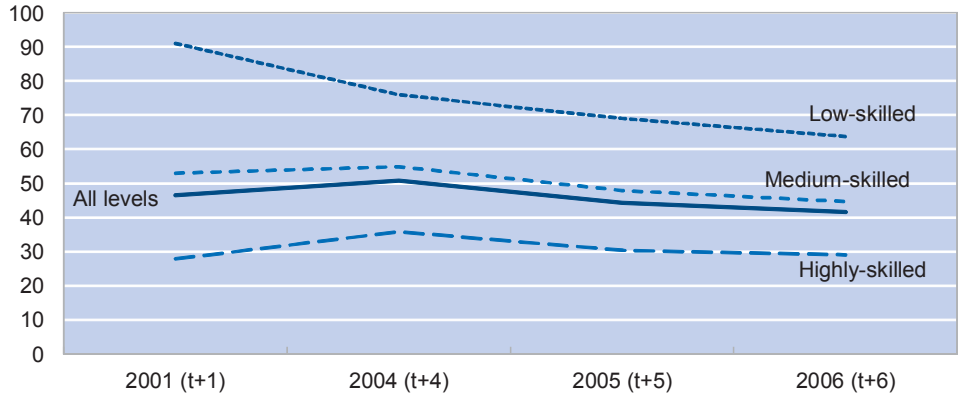
Chapter 1, Section 3, contains evidence that in Norway the employment rate of young people does not improve much with time. This contrasts with what is observed in other countries. What about wages? The first section of this chapter shows that young people (particularly those with limited education credentials) start relatively high in terms of wages. Do they still move up the ladder over time or is it the case that, as for the employment rate, they are relatively unaffected by the flow of time?

The analysis of Norwegian longitudinal data (Box 2.1) hints at some upwards wage mobility, particularly among poorly educated youth (Figure 3.8). The indicator is very limited, however, as it is based on the likelihood of (not) breaking a unique annual NOK 200 000 (EUR 25 608) threshold.[48]

48. Statistics Norway declined to disclose more detailed information about wage levels.

Figure 3.8. **Persistence of low annual gross wage,[a] by educational attainment and years after leaving school, Norway, 2000-2006[b]**

Percentages



a) Data refer to an annual wage of less than NOK 200 000 (EUR 25 608).
b) Estimates exclude individuals who upgraded their educational attainment between 2000 and 2005.

Source: Statistics Norway (2007b), longitudinal register data.

In terms of wage mobility, a possible source of concern is again the gap between non-westerners and natives, and the fact that this gap tends to be larger six years after leaving school than immediately after (Table 3.3).

Table 3.3. **Persistence of low[a] annual gross wages by educational level, years after leaving school and immigrant status,[b] Norway, 2000-2006[c]**

Percentages

		One year after leaving school	Four years after	Five years after	Six years after
Less than ISCED 3	Norwegian	97.6	92.7	85.2	79.1
	Non-western immigrants	97.5	95.4	88.3	84.6
ISCED 3	Norwegian	82.9	70.7	64.3	60.8
	Non-western immigrants	86.1	79.4	73.9	70.1
More than ISCED 3	Norwegian	40.5	49.8	44.7	43.8
	Non-western immigrants	55.5	55.5	50.8	48.8

ISCED 3: International standard classification of education referring to upper secondary education.
a) Data refer to an annual wage of less than NOK 200 000 (EUR 25 608).
b) Data refer to youth with no parents or grandparents born in a western country.
c) Estimates exclude individuals who upgraded their educational attainment between 2000 and 2005.

Source: Statistics Norway (2007b), longitudinal register data.

6. Discrimination barriers?

A. Immigrant wage gap

Many indicators presented in this report so far show that immigrants are facing greater problems on the labour market than native Norwegians. The employment rate is lower among young first-generation immigrants of non-European origin compared with the rest of the youth population, and the proportion of unemployed is higher. Discrimination – as often self-reported by people with a non-western background in dedicated surveys –[49] may in principle, explain some of these differences. But structural differences in terms of educational attainment and other observable and non-observable characteristics such as attitude to work could also play an important role.

The econometric analysis of register-based longitudinal *employment* data at the end of Chapter 1 shows that over the period 2000-2006 the young immigrants of non-western origin fared less well than other young people, *ceteris paribus*. This means that, even when controlling for educational attainment (and gender), at the margin, the likelihood of their obtaining employment is 7 percentage points lower than that of native Norwegians. Their full-time employment rate is 4 percentage points lower. These results are largely confirmed by the most recent release of the *Employment Outlook* (OECD, 2008a). In both cases however, results are mainly about employment or unemployment gaps; not about wages gaps.

But the 2003 ALL survey – where detailed information on gross annual *personal income* and immigration background[50] is available – offers the opportunity to analyse this particular labour market outcome. One can indeed estimate a log-linear wage equation[51] that includes an immigrant dummy

49. Statistics Norway (2008a) has recently published on the web the results of its latest (2005-2006) survey of living conditions among immigrants. The document does no display results by age, and this precludes the identification of youth. This said, it appears that about 45% of respondents declare having experienced discrimination in at least one area of their professional or social live.

50. ALL defines immigrants as those whose mother is not born in the country. It does not allow distinguishing between the immigrants of non-western origin and the others. This may result in a bias when comparing wages of adult and young immigrants. Chapter 1, Box 1.1 shows that the share of non-western immigrants is not constant across generations.

51. The advantage of the log-linear specification of the wage W is that it generates estimates for the X explanatory variable coefficient that are easy to interpret as they correspond to points of percentage of change of the wage level. For a model $log\ W = \beta 0 + \beta 1X + \varepsilon$ there is indeed that $\beta 1 = dlnW/dX = [dW/w]/dX \approx [W(X + 1) – W(X)] / W(X)$ when $dX = 1$.

variable that is interacted with a youth (*i.e.* 16-34) variable (Table 3.4). The resulting coefficient gives an estimate of how the wage gap of younger cohorts of immigrants has evolved compared with the older ones, *ceteris paribus*.

Table 3.4 confirms that there is a significant wage discrepancy beyond what can be ascribed to gender, education, numeric literacy (as measured by ALL) or labour supply. Individuals of non-western origin aged 35-64 earn 16% less than native workers. A positive element is that the gap for younger immigrants is half of that, at -7 percentage points.[52] This is supportive of reduction of the wage gap over time. However, the coefficient of the *Youth * Immigrants* variable is not statistically significant.

Table 3.4. **Wage gap for immigrants,[a] youth *versus* adults,[b] Norway, 2003**

OLS[c] coefficients (and p-values), reference = men, ISCED > 3, aged 35-64 and native Norwegian

Variable	Intensity of the wage gap (1 = 100%)	Statistical significance (p-value)
Youth	-0.58	0.0000
Immigrant	-0.16	0.0042
Youth * Immigrant	0.09	0.2566
Women	-0.16	0.0000
Numeracy score (effect of a 10 points of score increment)	0.01	0.0155
Less than ISCED 3	-0.44	0.0000
ISCED = 3	-0.24	0.0000
Working full-time	0.54	0.0000
Months spent in employment	0.07	0.0000

OLS: Ordinary least squares.
ISCED 3: International standard classification of education referring to upper secondary education.
a) ALL defines immigrants as those whose mother is not born in the country.
b) Youth are those aged 16-34, and adults those aged 35-64.
c) The estimated model is $log(W) = \alpha + \beta_1 Female + \beta Immig + \delta$***Youth * Immig*** $+ \theta NScore + \gamma Degree + \pi Full\text{-}time + \Omega Months\ Employed + \varepsilon$. The coefficient capturing the potential change in the intensity of the immigrants' wage gap is δ.

Source: Statistics Canada and OECD (2005), *Learning a Living – First Results of the Adult Literacy and Life Skills Survey*, Ottawa and Paris.

These results do not necessarily prove that there is wage discrimination based on immigration status on the Norwegian labour market. The discrepancies reported in Table 3.4 can reflect unobserved heterogeneity that directly affects wage prospects.

52. -16 + 9.

Norwegian decision-makers are aware of the risks of discrimination based on ethnic origin and have taken some steps to prevent them. An Anti-Discrimination Act came into force on 1st January 2006. It prohibits discrimination based on ethnicity, national origin, descent, colour, language, religion or belief. An Equality and Anti-Discrimination Ombudsman was also established, with both proactive and supervisory functions in relation to the Anti-Discrimination Act and other civil legislation in the fields of anti-discrimination, such as the Gender Equality Act and the relevant regulations in the Working Environment Act.

The labour market policy currently pursued by the Norwegian authorities aims to achieve a more inclusive labour market. Vulnerable groups such as youth, the long-term unemployed, immigrants etc. are given priority in the Labour and Welfare Service (NAV) when it comes to participating in different labour market measures.

The government puts extra emphasis on encouraging public-sector employers to appoint qualified immigrants. For example, central government agencies are now required to interview at least one applicant with an immigrant background when making new appointments, provided that the applicant is qualified.

B. Gender wage gap

Despite dramatic educational gains by women in terms of tertiary education participation and completion, women's advances in terms of labour market outcomes are still a source of concern in many OECD countries. How does Norway fare in this respect? The latest release of the *Employment Outlook* (OECD, 2008b, Chapter 3), shows that in Norway women's employment gap *vis-à-vis* men of 8%[53] is one of the *smallest* across the OECD.

There is less evidence about *wage* gaps. But one can again turn to the ALL survey to get some evidence on this important labour market outcome. Using the gross annual earning information it contains, one can estimate a Mincerian earnings equation[54] that includes a gender dummy. The first line

53. The gender employment gap is defined as the difference between male and female employment rate as a percentage of the male employment rate.

54. The standard form of the Mincer wage regression is $\log W = \beta 0 + \beta 1 S + \beta 2 exp + \beta 3 exp^2 + \varepsilon$, where W is the gross wage earned by an individual, S is the number of years of formal education he/she attended, and exp and exp^2 a 2nd order function of the labour market experience that captures the propensity of individuals to *i)* acquire skills "on the job", and *ii)* undergo skill depreciation over time.

of Table 3.5 reports the results for the three participating OECD countries that report all necessary items: Switzerland, Italy and Norway. They clearly confirm the idea of annual personal income gaps between men and women of equal age and educational attainment. Gaps range from -80 to -16 percentage points, depending of the country and the age group considered. The reader will note that Norway displays the *lowest* gap. Norwegian women aged 16-35, for example, show a gap of -16 percentage points. It is of -35 percentage points in Italy and -52 percentage points in Switzerland.

Table 3.5. **Gender wage gap, Norway, 2003**

OLS coefficients, and p-values[a]

	Italy		Norway		Switzerland	
	16-35	**16-65**	**16-35**	**16-65**	**16-35**	**16-65**
Gender gap[b]	-0.35 *(0.0000)*	-0.41 *(0.0000)*	-0.16 *(0.0000)*	-0.28 *(0.0000)*	-0.52 *(0.0000)*	-0.80 *(0.0000)*
Gender gap with control variables for labour supply[c]	-0.16 *(0.0144)*	-0.19 *(0.0000)*	-0.09 *(0.0107)*	-0.18 *(0.0000)*	-0.14 *(0.0077)*	-0.31 *(0.0000)*

OLS: Ordinary least squares.

a) In parenthesis and italics.

b) The estimated model is $log(W) = \beta 0 + \beta 1 Schooling + \beta 2 Age + \beta 3 Age^2 + \theta NScore + \gamma 1 Female + \varepsilon$. Reported coefficients are the $\gamma 1 s$.

c) The estimated model is now $log(W) = \beta 0 + \beta 1 Schooling + \beta 2 Age + \beta 3 Age^2 + \theta NScore + \gamma 2 Female + \delta Full\text{-}time + \eta Month\ in\ employment\ over\ the\ last\ year + \varepsilon$. Reported coefficients are the $\gamma 2 s$.

Source: Statistics Canada and OECD (2005), *Learning a Living – First Results of the Adult Literacy and Life Skills Survey*, Ottawa and Paris.

Using the same data, it is possible to go a step further and control for the *labour supply* which potentially varies by gender and may affect annual income. This is done by incorporating into the model the *number of months* spent in employment during the year preceding the survey, as well as a variable capturing the propensity to *work full time*. The estimated coefficients of this "augmented" model give an idea of the gap between women and men "net" of labour supply differences. In other words, the results potentially capture the hourly pay difference between men and women with the same age and (broadly defined) level of education.

The second line of Table 3.5 shows that there is still a significant income discrepancy beyond what can be ascribed to varying intensity of annual labour supply. But the differences are now smaller, particularly when

the analysis is restricted to the younger cohorts (aged 16-34).[55] And it is again Norway that displays the lowest gap: -9 percentage points.

These results do not definitely prove that there is wage discrimination based on gender on the Italian, Swiss and Norwegian labour markets. The gaps reported in Table 3.5 could, at least partially, be attributed to systematic difference in terms of fields of study (majors) within a certain level of education: *e.g.* fewer engineers, lawyers or business graduates among women, but more teachers. There is indeed some evidence of the so-called "sex segregation" in terms higher education choice in Norway (Støren and Arnesen, 2007).

Støren and Arnesen posit that sex segregation in education occurs as a result of women and men diverging in terms of *i)* the final level of education they reach (the so-called vertical segregation), or *ii)* opting for different fields of study (horizontal segregation). These authors explain that the recent expansion in higher education, and women's increased participation in OECD countries, have led to reduced vertical sex segregation. However, horizontal segregation has not changed much. Women still dominate within teacher training, pedagogy, health and social care, whereas men dominate within the natural sciences and technical subjects.[56]

7. Key points

GDP growth rates exceeding 4% since 2004 have led to strong employment gains. As a consequence, the Norwegian labour market has been tightening fast, with overall unemployment falling close to its historical lows. In the context of this youth employment review, it is worth stressing that a tight market implies better labour market opportunities for low-educated or non-western immigrant youth.

However, the broad picture is still that of high entrance wages that can limit employment opportunities for some. Inexperienced and poorly educated individuals earn more than 60% of what an average worker commands. The equivalent figure for the OECD is only 40%. In Norway, there is no legal minimum wage (or sub-minimum wage). Collective agreements (the so-called *tariffs)* make no distinction among workers above the age of 18 years. Most young workers get the adult wage.

55. The small number of observations does not allow further disaggregation.

56. These observations bear a likeness to those from other OECD countries. Canadian female graduates for instance are overrepresented in low-paid fields (arts and humanities, education) and underrepresented in those that offer higher earnings prospects (engineering, computer sciences) (OECD, 2008a).

The wage structure is especially compressed at the lower end, creating *de facto* high entry wages, implying that individuals must have relatively high productivity (*i.e.* be well-educated and/or experienced) to be employable. Norway has also one of the strictest employment protection legislation (EPL) frameworks, which also covers young workers on temporary and part-time contracts. Mainstream economic theory would predict that both ingredients are conducive to fewer job opportunities for poorly educated and inexperienced individuals.

There may be a need in Norway to reduce the cost of employing low-educated young workers. One option would be to introduce a youth sub-minimum wage. Compared to existing arrangements the novelty would essentially be twofold. First, the reduced-wage regime would explicitly target school drop-outs. Second, for this particular group, the age giving access to the adult wage would rise from 18 to 23. This would also reinforce incentives to complete upper secondary education. It would simultaneously stimulate firms' demand for low-skilled young workers. However, these measures would better be accompanied by a simultaneous reduction of the generosity of welfare benefits school drop-outs can claim. Otherwise, there is a risk of creating more welfare traps.

Another possible source of concern is the unexplained wage gaps between *i)* immigrant *versus* Norwegian workers, and *ii)* young women *versus* young men. These gaps do not necessarily solely reflect the intensity of race or gender discrimination as they can partially reflect differences in the field of study attended, for example.

CHAPTER 4

THE ROLE OF WELFARE AND ACTIVATION POLICIES

The first steps after leaving school are often characterised by the experience of unemployment. Another possible destination – actually quite frequent in Norway compared to unemployment – is social assistance, long-term sickness or even disability which can serve as benefit traps for some youth. In order to minimise the latter possibility two elements are important. First and foremost, it is crucial that youth have sufficient incentives not to enter such status. Second, they must get adequate help and incentives to rapidly return to work if they do end up in one of these benefit categories.

The provision of services to help them find a job should ideally follow a "mutual obligations" principle, whereby young people must actively seek work in exchange for targeted actions to help them. In this respect, there is in Norway an increasing recognition of the importance of activation strategies. The singularity of the Norwegian situation, however, is that more than in other OECD countries, activation should reach out to young people who are not formally in the labour force.

This chapter outlines the passive and active labour market programmes (ALMPs) available for youth in Norway, pointing to areas of possible improvement. Section 1 describes the situation of youth *vis-à-vis* unemployment benefits and the traditional activation measures historically deployed within the Public Employment Service (PES). Section 2 focuses on the other forms of benefit available to youth in Norway, with particular attention to long-term sickness and disability benefits. Section 3 discusses the need to activate these latter benefits. It examines the crucial and very ambitious Employment and Welfare Agency (NAV) reform which is aimed at activating people who are formally not in the labour force.

1. Unemployment and ALMPs

A. Limited access to unemployment benefits

Access to unemployment insurance benefits (UIB) in Norway is reserved for people with labour market experience. In 2007, receiving unemployment benefits required having earned a minimum salary of NOK 100 218 (EUR 12 832) for at least one year. Receiving UIB is also conditional on *i)* having suffered loss of income due to a reduction in working hours of at least 50%; *ii)* being registered at an Employment and Welfare office (NAV); *iii)* being capable of work; and *iv)* being available at short notice for any job, anywhere in the country, or for a participation on an Active Labour Market Programme (ALMP).

School-leavers, even those with student job experience, are generally not entitled to UIB. This perhaps explains why the share of young persons registered as unemployed or being placed in employment under an ALMP is less than 3% one year beyond graduation; and less than 2.5% six years after (Table 4.1).

B. Displacement effects

Having few young people registered as unemployed is generally perceived as a good thing. The trouble is that this could simply be the consequence of strict eligibility conditions (past income requirements, mutual obligations, time limits, etc.) which, beyond a certain threshold, generate *displacement* effects. By making access to UIB quite restrictive, the Norwegian authorities may have pushed an abnormally high number of young people out of the labour force, possibly into an inactive status where many receive sickness and/or disability benefits.

Table 4.1 indicates that six years after leaving school the share of those receiving sickness- or disability-related benefits (4.4%) is almost double that of those who appear as unemployed or as participants on an ALMP. Figure 4.1 shows that the percentage of young individuals receiving disability benefits has risen steadily since 1990.[57]

57. A recent OECD report (2006b) states that the problem is not youth-specific. Today in Norway, a substantial share of inactivity among the working-age population is due to health-related problems.

Table 4.1. **Labour market[a] and welfare status one and six years after leaving school, Norway, 2000-2006**

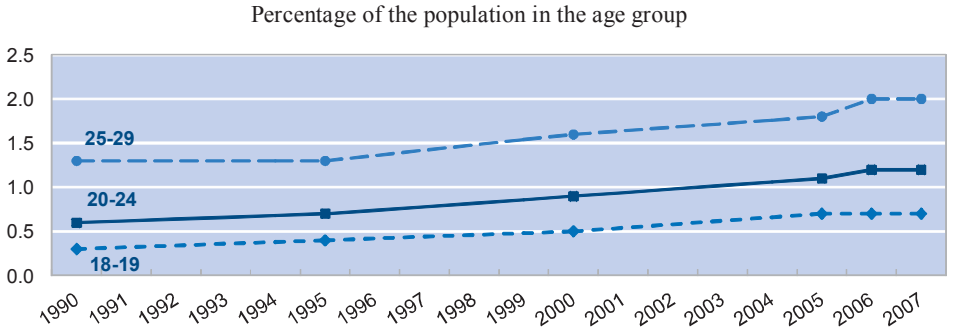
	One year after (t+1)	Six years after (t+6)
Labour market total	**80.2**	**81.4**
Employee	76.0	76.0
Self-employed	1.3	2.9
Active labour market policy	0.2	0.1
Unemployed	2.8	2.4
Health-related benefits total	**1.6**	**4.4**
On sick leave	0.4	0.4
Vocational rehabilitation	0.5	2.6
Other rehabilitation	0.5	0.8
Disability pension	0.1	0.7
Other[b] (lone supporter, social assistance, etc.)	**18.2**	**14.2**
Total	**100.0**	**100.0**

a) Labour market outcomes reported here are register-based. They cannot be readily compared with those of the European Union Labour Force Survey (EULFS). Employment rates computed with register data are generally lower, probably because *i)* periods of reference are not identical (the whole year for the register, a week with the EULFS); and *ii)* the number of hours of work qualifying someone as employed also diverge. EULFS is notoriously lax with its definition of employment. It suffices that the respondent declares having worked one hour a week to be considered employed.

b) This category is very heterogeneous. It was not possible to isolate people receiving social benefits from the others, *i.e.* those who do not receive benefits.

Source: Statistics Norway (2007b), longitudinal register data.

Figure 4.1. **Trends in youth receiving disability benefits by age, Norway, 1990-2007**



Source: Ministry of Finance, Norway.

More importantly, there is evidence of displacement effects. In Norway, UIB entitlement rules became more restrictive in 1997 (the income threshold was lifted by two-thirds), providing evaluators a so-called "natural experiment" to evaluate the impact of changes in the UIB legislation on the behaviour of young people. Researchers have found that the reform had no significant effect on the probability of finding a job, but resulted in a doubling of the probability of leaving the labour force (Box 4.1).

Box 4.1. **Restricting the access to unemployment benefits may push young people out of the labour force**

In Norway, UIB rules became more restrictive in 1997. This allows researchers to make use of the exogenous variation created by the reform to investigate the impact of the reform on job-finding rates. They focused on the reaction of the 25-29-year olds.

Eligibility for unemployment benefits is calculated on the basis of wage income during the last calendar year preceding the unemployment spell ($Y_1 = w_{t-1}$) or as an average of the previous three calendar years ($Y_2 = 1/3(w_{t-1} + w_{t-2} + w_{t-3})$), whichever is highest. In 1996, eligibility conditions were such that $Y_1 \geq 0.75G$ or $Y_2 \geq 0.75G$, with G the amount of money used as an index in the Norwegian social security system, adjusted annually.* As of 1st January 1997, the thresholds were raised significantly: $Y_1 \geq 1.25G$ or $Y_2 \geq 1.25G$.

Researchers' identification strategy (Kahanen *et al.,* 2007) consists of comparing the probability of exiting unemployment of two groups. The treatment group, which comprises workers who entered unemployment between January-April 1996 and January-April 1997 and fulfilled the old UIB eligibility rule, but not the new one. The control group is formed of newly unemployed individuals who were entitled to UIB under both the old and new regimes. The data is based on a panel database covering the entire Norwegian population (*FD-Trygd*, compiled by Statistics Norway). The observation unit is the individual spell.

Results from a Cox proportional-hazards competing-risks model indicate no significant effect on the probability of finding a job, and a doubling of the probability of leaving the labour force (100% increase). This differs substantially from results for Denmark and Finland, where similar reforms were introduced also in 1997, and where evaluation results indicate an increase in the probability of finding a job among the 25-29-year olds, in accordance with what theory predicts.

*. In 2007, G was equal to NOK 63 161 (EUR 8 087).

Source: Kahanen *et al.* (2007).

C. Active Labour Market Programmes

Traditional ALMPs for young people aged under 25 can be divided into three main categories: vocational youth programmes (a combination of work and training), training programmes (classroom courses) and employment programmes (temporary employment in the public sector or wage subsidies in the private sector). Under the so-called Youth Guarantee (YG), all those aged

under 20 are given priority and are essentially assigned to vocational programmes. This opportunity was introduced in 1979. The intention was to provide young people aged 16-19, who could not get a job and were not enrolled in education, with the possibility of participation in a labour market programme. The existence of YG could explain why in 2007, among those youth who register with the Norwegian PES, up to 50% are placed in an ALMP.

As in most other countries, the cost-effectiveness of Norwegian ALMPs for youth is an unsettled issue. The evaluation literature delivers a mixed assessment. Røed and Raaum (2003) estimate that ALMPs generally improves job prospects for most participants – especially adult men and non-western immigrants – after the programme is completed. Moreover, ALMPs seem effective in reducing long-term unemployment. Nonetheless, while the programme is ongoing, the probability of finding a job for some workers – *e.g.* youth – is severely reduced and the consequent opportunity cost could outweigh the positive impact of programme completion because of the lower search effort.

Employment programmes (basically wage subsidies) appear to be the most successful, both relative to other programmes and relative to no programme participation (Hardoy, 2003 and 2005). These results are in accordance with the existing scientific evaluation of youth programmes across many OECD countries (Heckman *et al.*, 1999; and Martin and Grubb, 2001).

2. Welfare and disability benefits

A. Existing schemes and how they compare with UIB

In Norway, unemployed persons not entitled to unemployment insurance benefits (UIB) can apply for social security as part of the National Insurance Scheme covering all workers and legal residents. Social Security is means- or condition-tested. Although the central government is in charge of the National Insurance Scheme funding all welfare-related schemes, the country's 435 municipalities are responsible for delivering support to welfare recipients, as well as care for the elderly and disabled (Ministry of Local Government and Regional Development, 2000).

Welfare benefits that are relevant for young persons include:

- Benefits to single parents. In addition to the childcare and education benefit granted to all parents, single parents receive transitional benefits of up to 1.85*G* in 2007 (NOK 116 350 or EUR 14 898) – with *G* being the amount of money used as an index in the

Norwegian social security system,[58] adjusted annually – for a maximum period of three years after the child is born;

- Cash benefits in case of sickness (or maternity) corresponding to 100% of the level of the so-called pensionable income (*i.e.* the gross wage income), from the first day of sickness up to a period of 52 weeks (260 days);
- Possibly followed by rehabilitation benefits of at least 1.8*G* (NOK 113 206 or EUR 14 495) for those with a working capacity still inferior to 50%, conditional on their undergoing a (medical) rehabilitation treatment;
- Possibly followed by vocational rehabilitation benefits of at least 1.8*G*, if it is considered necessary that the person undergoes vocational (training) measures before he/she can get suitable work;
- Temporary or permanent disability pensions worth at least 1.8*G*.

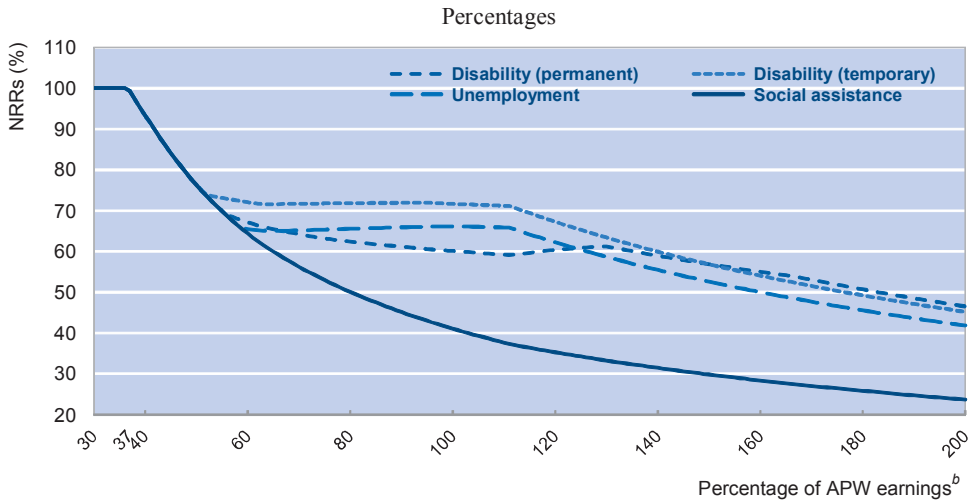
Most of these benefits can be granted independently of age, the only exception being the rehabilitation payment for which applicants need to be older than 18 (Ministry of Labour and Social Inclusion, 2007).

Finally, any person of 18 years or older living legally in Norway can receive means-tested *social assistance*. This is the last social safety net. It is primarily aimed at providing relief from transitory economic hardship, but there is no time limitation. The national guidelines for delivering social assistance are quite broad. In Norway, more than elsewhere, provision of social assistance is a local responsibility. Municipalities and individual social workers enjoy great autonomy in determining the nature of assistance and its duration (Lorentzen, 2006).

Figure 4.2, which plots net replacement rates (NRR) according to level of previous earnings, gives an idea of the relative generosity of three of the main benefit schemes (unemployment, disability and social assistance). First, replacement rates can be quite high for low earners and this may create an adverse selection problem unless the benefits are stringently activated. Second, social assistance is the least generous scheme. Third, disability benefits (and presumably rehabilitation benefits) are as generous as unemployment benefits.

58. In 2007, *G* was equal to NOK 63 161 (EUR 8 087).

Figure 4.2. **Net replacement rates[a] for single persons receiving disability benefits, unemployment benefits and social assistance, Norway, 2004**



a) Net replacement rates (NNRs) refer to the ratio of individual net income *after* becoming inactive or unemployed to that before becoming inactive or unemployed.

b) Level of earnings *before* becoming inactive or unemployed, expressed in percentage of the APW (Average Production Worker) earnings.

Source: OECD (2006b), *Sickness, Disability and Work: Breaking the Barriers: Norway, Poland and Switzerland*, Vol. 1, Paris.

B. Many health-related benefit recipients

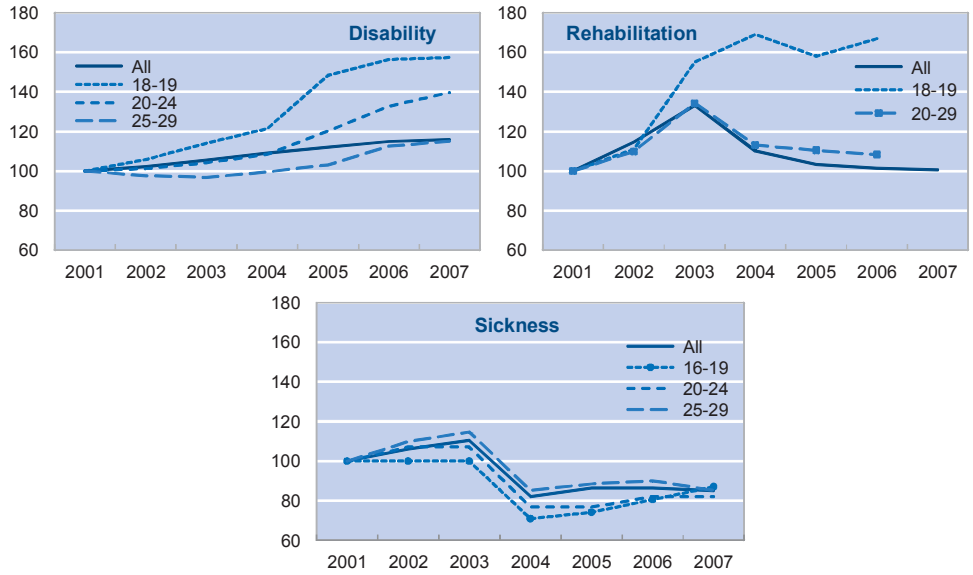
The time series reported in Figure 4.3 show that the number of young workers absent due to sickness (days certified by a doctor) has recently decreased slightly. But this fall apparently coincides with the introduction of new rules extending the number of days a worker can go without referring to a doctor.

There is also that the trend for those receiving rehabilitation or disability benefits is positive. This is at odds with the generally high health premium associated with being young.

From a longitudinal perspective, Table 4.1 shows that the incidence of those receiving benefits for health-related reasons (sickness, rehabilitation or disability benefits) is limited one year after leaving school (*t+1*), but augments sharply beyond that (*t+6*): from 1.5% of the total of the cohort, it jumps to 4.4%. The first 4-5 years are thus crucial regarding the entry into a status where young individuals become *a priori* less employable.

Figure 4.3. **Trends in benefit recipients on disability, in rehabilitation and on sickness[a] by age, Norway, 2001-2007**

Index, 2001 = 100



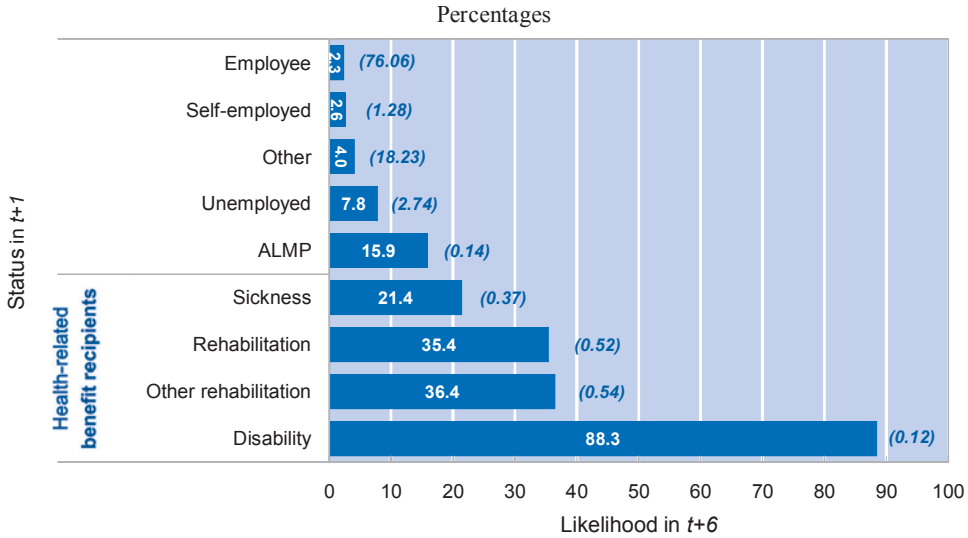
a) Data refer to sick-leave rate, ratio of days of sickness leave certified by a doctor to usual number of days worked per year, in percentage. Any worker can report a sick leave without referring to a doctor for a period up to 3 days, a maximum of 4 times within 12 months. The rule was stricter before 2004, which could explain the drop observed for all age groups between 2003 and 2004.

Source: Statistics Norway (2007d), *Descriptive Statistics about Health-related Benefits Recipients*, administrative data.

C. Entering health-related schemes?

What can be said about the factors pushing individuals into health-related schemes? Figure 4.4 shows the crucial role of the *initial status*. Those who began (in *t+1*) as employees or self-employees have a probability of receiving health-related benefits in *t+6* of merely 3%. By contrast, for those receiving health-related benefits in *t+1,* the probability is much higher. Youth receiving rehabilitation benefits in *t+1* have a probability of receiving health-related benefits of 35% to 36% in *t+6*. For sickness benefit recipients the probability is 21.4%. For those who started their career with an ALMP 15.9%, and 7.8% for those initially unemployed.

Figure 4.4. **Likelihood of receiving health-related benefits in Norway in *t+6* according to the recipient status in *t+1* for a youth cohort followed from 2001 to 2006[a]**



a) Figures in italics and parenthesis refer to the percentage of each recipient status in the total population in *t+1*.

Source: Statistics Norway (2007b), longitudinal register data.

One cannot ignore the key role of *education, gender and immigrant origin*, beyond what can be ascribed to the initial labour market status. Table 4.2 clearly shows that poorly educated individuals are eventually at greater risk of receiving benefits for health-related reasons. *Ceteris paribus*,[59] women are also a little more likely to receive these benefits in *t+6* than men. The coefficient for individuals of immigrant (non-western) origin is negative, but not statistically significant, suggesting the absence of major difference *vis-à-vis* the native-born population.

D. Despite rehabilitation, low chances of subsequent employment

Figure 4.5 shows relatively low probabilities of returning to employment[60] in *t+6* for young people receiving health-related benefits in *t+1*. The probabilities range from 56% for those receiving sickness benefits or even a low of 5% for those receiving disability benefits.

59. Meaning, conditioning on status in *t+1*.

60. Becoming an employee, self-employed or benefiting from an ALMP (*i.e.* work placement and/or training).

Table 4.2. **Probability[a] of receiving health-related[b] benefits in Norway in *t+6*, controlling for status in *t+1*, for a youth cohort followed from 2001 to 2006**

Difference in percentage points from the reference group[c] and p-values

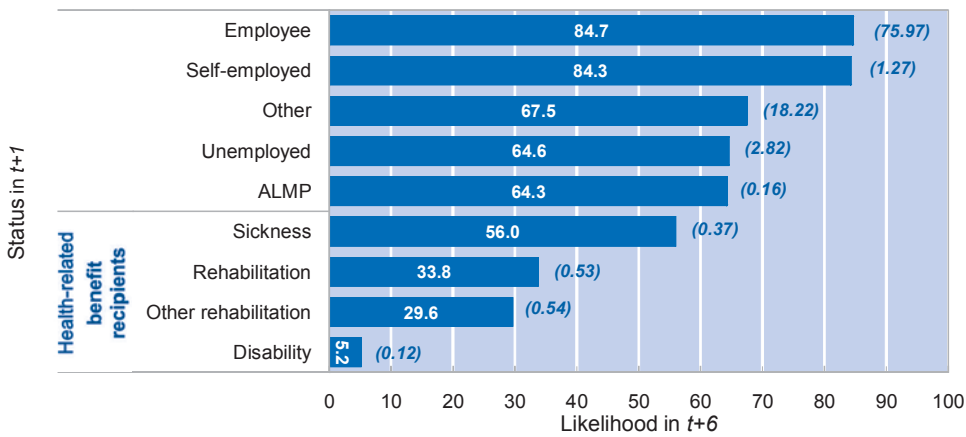
	Difference	P-value
Less than ISCED 3	4.99	0.000
ISCED 3	2.91	0.000
Female	0.84	0.000
Immigrant	-0.44	0.071

ISCED 3: International standard classification of education referring to upper secondary education.
a) Estimated using a linear probability model.
b) Disability, rehabilitation or sickness.
c) The reference group refers to a Norwegian man, highly educated (more than ISCED 3).
Source: Statistics Norway (2007b), longitudinal register data.

Quite surprisingly, less than 34% of those on rehabilitation schemes in *t+1* are in employment in *t+6*. This percentage appears relatively low because, on paper, the degree of activation of people receiving rehabilitation benefits in Norway is *a priori* high.

Figure 4.5. **Likelihood of being in employment[a] in Norway in *t+6* according to the recipient status in *t+1* for a youth cohort followed from 2001 to 2006[b]**

Percentages



a) Either being self-employed or beneficiary of an active labour market programme (ALMP).
b) Figures in italics and parenthesis refer to the percentage of each recipient status in the total population in *t+1*.
Source: Statistics Norway (2007b), longitudinal register data.

Rehabilitation is a social insurance scheme, where individuals receive benefits after a period, usually of 52 weeks, on sickness leave. And those who receive these benefits are offered the possibility to participate in active vocational training programmes. Individuals participating in programmes are usually integrated into regular classes run by the public school system. The vocational rehabilitation service varies greatly in substance and duration across clients, reflecting a diverse clientele and probably also a relatively heterogeneous set of providers.

Aakvik (2003) evaluates the effectiveness of the training component of rehabilitation programmes in Norway. He follows the employment career of a sample of participants (not restricted to young adults, however) in educational programmes *versus* non-participants.[61] His data consist of a random sample of 1 506 persons who entered the vocational rehabilitation-benefit scheme in 1989 and left it before 1991. The comparison group consists of individuals who received rehabilitation benefits, had applied for training but did not participate in training.

The main result of his study is that training participants have employment rates that are around eight percentage points higher than those who did not participate in such programmes. But the inclusion of controls for selection biases produced a training effect not significantly different from zero.

Such a result is in line with the already mentioned OECD report on disability (OECD 2006b). Its authors explain that vocational rehabilitation and training is widely used in Norway with the explicit aim of bringing people back into employment. But they conclude that this has not helped to reduce the very high inflow into long-term disability benefits.

In short, there is recurrent evidence that entering health-related benefits at a young age may act as an inactivity trap. And rehabilitation programmes – at least as they currently operate –[62] seem to be relatively ineffective at assisting benefit recipients back into employment. Contrary to other OECD countries, Norway's key activation challenge towards youth does not concern reducing the number of unemployed but reducing the caseload of those young (and presumably still relatively fit) persons who end up being considered as "disabled" after a long period on (generously paid) sick leave.

61. In the 1990s, it seems that some individuals, who were directed to and applied for a training programme, did not receive active training as part of their rehabilitation effort, either due to self-selection out of the programme or due to supply-side restrictions.

62. One of the problems seems to be that in Norway, medical rehabilitation is the responsibility of the health sector, while vocational rehabilitation is under the responsibility of the NAV (and previously the PES) OECD (2006b).

3. How to activate youth not participating in the labour market?

In the light of previous results, it appears that what is needed in Norway is a comprehensive approach concerning how all types of benefits (unemployment, health-related or social) are granted to individuals. It does not make sense to be very restrictive with UIBs and to strongly activate those who receive them if a significant side-effect of such a policy is to push more people out the labour market, into a status intrinsically characterised by a low probability of ever re-entering the labour market.

Judging by *i)* the importance of health-related problems for some categories of welfare recipients; and *ii)* the well-documented fact that sickness benefits are the main pathway to disability benefits in Norway (OECD, 2006b), it seems quite obvious from the outset that any serious attempt to reform the current state of affairs requires reducing the *inflows* into long-term sickness. This implies thorough re-examination of the gatekeeping function of the General Practitioners, as well as the introduction of better financial incentives for both employers and employees. The OCDE's thematic review on disability (OECD, 2006b) explains that employee incentives in Norway could be strengthened through lower replacement rates, from 100% today to maybe 75% to 80% for long-term absences. Better incentives for employers could be achieved either through a longer period (of 4-6 weeks instead of 16 days) during which they have to continue wage payments to the absent worker.

A. Promising NAV reform

A very promising development is that Norway decided in 2006 to gradually merge its formerly distinct Public Employment Service (PES) and National Insurance Service to form by 2009 a new one-stop shop: the Employment and Welfare Agency (the so-called NAV).

Although municipalities retain their historical role of front-line provider and a large degree of autonomy in implementing nationwide guidelines, there is no doubt that NAV represents a milestone in Norway's efforts to bring welfare recipients a step closer to the labour market.

One of the main objectives of the reform is to persuade employment and welfare professionals – who will share the same premises – that they should privilege employability over benefit eligibility when screening and assisting their clients. However, it remains to be seen whether implementation details will fully reflect these intentions. Anecdotal evidence suggests that many tensions persist as to how this ambitious reform will be implemented throughout the country.

New measures, targeting young NAV clients, have recently been decided, and hopefully represent a move in the right direction. They include the "Follow-Up Guarantee" introduced in the 2007 budget (see Box 4.2). The key idea is threefold: *i)* focus on profiling, motivation and recruitment assistance, measures that are likely to be relatively cost-effective; *ii)* rapid intervention: young people are required to receive assistance after three months with no employment; and *iii)* reaching out to the 20-24 age group, in addition to the traditional public of those aged less than 20 to whom the Youth Guarantee (YG) is limited.

Box 4.2. **Selectively reaching out youth older than 20: the Follow-Up Guarantee**

Extending the Youth Guarantee (*i.e.* an ALMP guarantee) to the age group 20-24 was an important part of the policy platform of the government which was formed in the fall 2005. Owing to the fact that most young jobseekers enter the labour market rather quickly and to avoid deadweight problems, the government preferred to introduce a Follow-Up Guarantee for this age group.

The Follow-Up Guarantee introduced in the state budget of 2007 involves strengthened assistance and guidance for young (*i.e.* 20-24-year olds) jobseekers. The guarantee implies that NAV shall contact and summon for interview all jobseekers in this age group who have been unemployed at least during the last three months. In the meeting with the young jobseeker, the NAV-officer in charge shall first and foremost have a focus on active job search. The NAV-officer may motivate and ask the jobseeker to apply for specific jobs and give help in this process. Further assistance from NAV shall be adapted to the jobseeker´s individual needs and qualifications, with the aim of a quick transition to further education or employment. The jobseeker may be offered an ALMP if the NAV officer finds this necessary. An ALMP will typically be offered only after a period of unsuccessful individual job search.

The activity report for the Employment and Welfare Agency for 2007 says that (only) about two-thirds of young jobseekers aged 20-24 years have been followed-up. The agency reports absence/no-show as the main reason why the initial objective was not met in full. But the report does no mention the existence of benefit sanctions that would apply in those circumstances. The available documentation states that NAV "shall first and foremost offer motivation and recruitment assistance to young jobseekers in this age group".

Source: Ministry of Labour and Social Inclusion (2007).

Another promising scheme is the "Qualification Programme" which was to be implemented within each NAV local centre by the end of 2007. The target group consists of persons with no or very limited benefits from the National Insurance Scheme. This presumably includes some school drop-outs but also many other groups. Participation will entitle persons to "qualification" benefits, but these will be reduced or completely cut in the event of unwarranted absence and will not be granted for more than two

years. The qualification programme will basically be a full-time, work-related activity adapted to the needs and ability of the individual.

Finally, it is worth mentioning "wage subsidy" pilots, although the latter do not contain any age-targeting that would fully qualify them as youth programmes. These subsidies are tied to regular employment with standard wages and working conditions in ordinary enterprises irrespective of age. The main rule is that a "wage subsidy" is offered for a limited period of a maximum of 12 months for ordinary jobseekers and a maximum of 36 months for vocationally disabled persons with reduced working capacity.

In 2007, an experimental project of wage subsidies was introduced on a more permanent basis in five counties. From 2008, the experimental project will be extended and introduced country-wide. NAV may offer this programme to persons with reduced working capacity who might otherwise be entitled to a disability pension. About 500 places are scheduled country-wide, as an average, for 2008. The trial projects introduced in 2007 have not been evaluated. An evaluation of the country-wide experimental project is scheduled for 2008.

B. Governance conundrum

Although Norwegians tend to agree on the general and national objectives to be pursued, for instance on putting "employability first" when dealing with welfare recipients, they disagree on how to implement such a priority, *e.g.* on the respective roles of the central state *versus* the local authorities, on how to activate welfare benefit recipients or on the degree of accountability that needs to be imposed on providers.

Labour market, welfare, but also education reforms all seem to be confronted with a difficult articulation of the action of the central ministries and the autonomy of the municipalities or counties. Norway has a strong tradition of local autonomy in the delivery of education and social services. It is a common feature of all recent policy reforms that they seek to preserve the right of local authorities to decide upon delivery modes and practical arrangements. And local autonomy does not seem to be counterbalanced by strong output-based evaluation mechanisms. This is, at the very least, likely to cause a relatively high degree of heterogeneity in the way national goals are implemented.

The other part of the governance problem has more to do with the horizontal collaboration between the two ministries in charge of youth issues: Labour and Social Inclusion on the one hand, and Education and Research on the other. Contrary to some other OECD countries, Norway has preserved a clear separation between these two sets of competencies. This

implies that *ad hoc* agreements need to be negotiated each time (which nowadays means quite often) labour problems require an education or training input.

C. Room for partnership between private and public actors

Besides what is done in the Employment and Welfare Agency (NAV), there could be a need for developing *ad hoc* programmes and structures, initiated and run by not-for-profit private entities, and reaching out to very disadvantaged youth or young adults in order to improve their basic cognitive competencies along with their behavioural and social skills. A Norwegian example is provided by the Mølla project in Bærum on the outskirts of Oslo (see Box 4.3).

Box 4.3. **Diversifying the provision of assistance to youth: the interesting case of Mølla**

Mølla typifies the possible complementarities between private (in this particular case not-for-profit) and public initiatives when it comes to serving the needs of very specific and hard-to-address segments of youth.

Mølla started in 1975 and gradually expanded and diversified its portfolio of activities, reaching out to the long-term unemployed, immigrants and early school-leavers.

This small structure is now recognised and funded partly by the local NAV authorities, but it remains very autonomous in its day-to-day operations. Its motto is "rapid job placement". Its staff believes such a strategy is more efficient than traditional, generally state-operated and more institutionalised programmes.

There is no statistical evidence that an initiative of this kind is particularly cost-effective or delivers better outcomes than traditional municipal services. Whether Mølla can serve a model for the whole country as part of a nation-wide dissemination strategy remains an open issue.

Nonetheless, it typifies an OECD-wide trend that consists of relying on private initiatives to diversify and, presumably, improve the service to groups in need of very tailored answers to their problems.

A foreign example of good practice for the most disadvantaged youth is the Job Corps programme in the United States (Box 4.4). That programme is a notable example of a *residential* response to youth distress and disarray. It consists of taking disadvantaged youth aged 16-24 out of their regular locality (family, group of peers, neighborhood, etc.) and putting them into a boarding-school type environment, giving them intense face-to-face adult mentoring, work experience and remedial basic education.

Box 4.4. **Programmes for very disadvantaged youth: the United States example of Job Corps**

Job Corps has been a central part of the United States Federal government's efforts for several decades to provide employment assistance to disadvantaged youth between the ages of 16 and 24. The programme is designed to help disadvantaged youth to become "more responsible, employable and productive citizens". Job Corps services are delivered at 119 centres nationwide in the United States, and serve about 60 000 new enrolees annually.

Programme components include academic education, health education, health care, vocational training, job placement, and counselling services. Additionally, a subset of youth participates in a dormitory-style residential living component.

Experimental evaluations show that Job Corps has had several positive impacts on the employability of participants, including: higher paying jobs; higher levels of employment; and increased levels of educational attainment and job training. Some positive social outcome have also been found such as: reduced arrest and conviction rates; and reduced reliance on public assistance.

Schochet *et al.* (2001) carried out a comprehensive study on the effect of Job Corps on the employability of its participants and found rather positive outcomes. Compared to the control group, programme group members were more likely to receive *i)* a certificate that allows entry to university, particularly for drop-outs wanting to return to education (42% *versus* 27%), or *ii)* a vocational certificate (37% *versus* 15%) and to spend more hours in vocational training (3.1 hours per week *versus* 0.9 hour). However, a follow-up analysis based on administrative data on earnings rather than survey-based data (Schochet *et al.*, 2003) found less positive benefits for teenagers but high social returns for young adults (the 20-24 age group).

The programme was found to increase average weekly earnings for participants after about two years (Lee, 2005). Beginning in year 3, programme group members were more likely than control group members to be employed, and they spent more time employed. In year 4, 69% of the programme group was employed, compared to 66% of the control group and programme participants worked 27.4 hours per week, compared to 26 hours per week for control group members. A wage differential of 12% was also observed in year 4 between participants and control group. Programme group members were also found to be more likely to be in jobs with health benefits and less likely to receive government support.

These gains were observed across most key subgroups including those at special risk of poor outcomes (very young students, youths who had been arrested for non-serious offences, and older youths who did not possess a high school diploma or GED at the time of enrolment), as well as those at lower risk (that is, those with a high school credential at the time of assignment to the programme). Earnings gains were similar for male and female participants. The programme was only found to have a negative impact on employment and earnings for Hispanic youths and for 18- and 19-year olds. Researchers have not been able to explain these latter findings, although differences in enrolment rates or length of time in the programme, personal or family characteristics associated with low impacts, and language barriers have been ruled out through analysis.

Source: OECD (2008c), *Jobs for Youth/Des emplois pour les jeunes: New Zealand*, p. 146, Paris.

Norway's arsenal of measures aimed at helping disadvantaged youths seems to lack such a residential option. By contrast, that idea seems to be well-established for the mainstream youth, *via* the so-called Folk High Schools.

Norway's first Folk High School opened in 1864, and today there are 77 such schools located throughout the country. Approximately 6 000 students attend Folk High Schools each year, mostly young adults between the ages of 18 and 25 who have completed their upper secondary education.

The Folk High Schools provide housing and living on the premises is an important part of the overall educational programme. Teaching programmes view students in a holistic perspective, and are designed to encourage them to develop individually, socially and academically. Institutions are small, with typical enrolments ranging between 60-100 students. Most of the Folk High Schools are owned and run by private organisations and foundations.

The question is whether the formula should be used as a source of inspiration for developing a nationwide network of centres offering holistic development opportunities, together with the key residential component, to the "hard core" of the disadvantaged Norwegian youth.

4. Key points

In Norway, access to unemployment insurance benefits (UIB) is restrictive due to past income requirements, strict mutual obligations or time limits. But relatively stringent eligibility conditions bear the risk of displacement effects: numerous young people opt for staying out of the labour force. Quite a large number ends up receiving generous illness or handicap-related benefits. Longitudinal data show that the first five years after leaving school are crucial in determining who enters into those categories characterised by a very low probability of returning to employment.

What seems to be necessary in Norway is a comprehensive approach regarding how all types of benefits, encompassing unemployment, health-related or social schemes, are granted to young individuals. Employment and social services need being delivered to youth under a more rigorous mutual obligations approach.

A very promising development is Norway's 2006 decision to merge the Public Employment Service and the National Insurance Service to form the so-called NAV. One of the main objectives of the reform is to persuade employment and welfare professionals that they must put "employability

first". However, many things remain to be done to make that principle a reality in the day-to-day handling of NAV's young clients.

The NAV reform is confronted with a difficult articulation of the central ministries and municipalities or counties. The traditional local autonomy is, to some extent, desirable. But local providers will not automatically implement nation-wide priorities. A possible problem is the low level of consistency between local autonomy and accountability. At this stage of the implementation of the reform, a system of monitoring and assessment that could ensure that autonomy is used in the right way appears to be lacking.

Finally, there may be a case for developing a network of centres putting very disadvantaged youth into a boarding-school type environment, delivering a mix of adult mentoring, work experience and remedial education. Models for this initiative could come from the US Job Corps programme. The Nordic well-established tradition of Folk High Schools could also prove a useful reference.

ANNEX A

Demographics and Youth Labour Market Outcomes

At the end of 1980s, labour economists accumulated evidence that the larger cohorts of baby-boomers who entered the labour market in the 1970s faced serious economic problems. A paper by Bloom and Freeman (1986), using OECD time series, shows that larger cohorts resulted in a mix of *lower* relative wages and *higher* unemployment rates.

These kinds of research papers are generally based on the assumption that younger and older workers are *imperfect substitutes* in production. When this is the case, an increase/reduction in the supply of one age cohort will – by simple supply and demand analysis – adversely/favorably affect its *relative* economic position.

In general, the effect of a change in the size of the entering cohort will show up in the wages of that cohort or in the unemployment levels. The relative magnitude of these two effects will depend on a variety of factors including labour market institutions or the shape of labour demand and supply curves. For example, the more elastic is labour demand, the lesser the effect of smaller cohorts on wages. Alternatively, the existence of minimum wages that exceeds market wage will probably result in quantity rather than price adjustments (*i.e.* a reduction of the unemployment rate rather than an increase of the level of wage when smaller cohorts appear). Of course, public policy and the set of labour market institutions can mitigate the effects of these supply and demand forces. It is also the case that the business cycle at the moment of entry can either reinforce or weaken the consequences of smaller cohorts. Finally, one should always keep in mind that total labour supply can be highly influenced by the participation rate of women, independently of demographic factors.

The outcomes of demographic changes can thus affect either *i)* youth relative wages; *ii)* relative unemployment rates; or *iii)* both dimensions simultaneously. In that context, a good indicator is one that aggregates the two outcomes: the "expected relative wage" (ERW, see below). It consists of the relative youth wage (*i.e.* youth wage divided by adult wage),

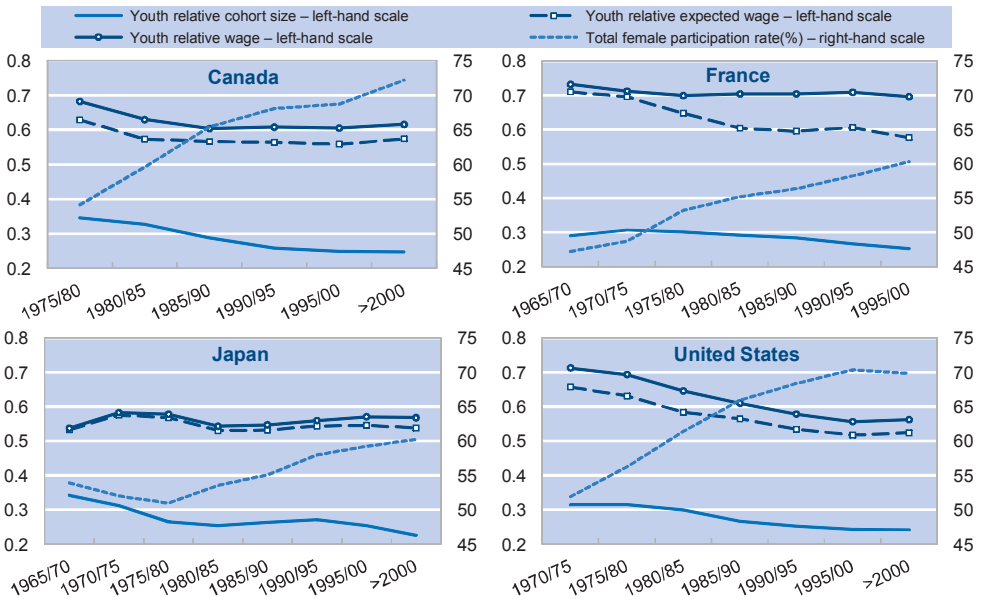
multiplied by the relative probability of earning these wages that we approximate by one *minus* the unemployment rate.

*ERW = (1 – youth unemployment rate) / (1 – adult unemployment rate) * (youth wage / adult wage)*

Figure A1.1 shows the declining share of youth in the total population (solid curve in blue) as a consequence of lower demographics. The solid curve above (with round markers) shows that the evolution of relative wages is (at best) flat. So is the dashed curve just underneath (with squared markers) reflecting how relative expected wages (integrating the relative risk of unemployment) evolved.

Figure A1.1. **Trends in youth[a] relative cohort size, youth relative wage and expected[b] relative wage, total[c] female participation rate, selected OECD countries**

Ratios and percentages



a) Youth aged 15-24 for Canada, France and Japan; and 16-24 for the United States.
b) Youth expected relative wage: *ERW = youth wage * (1 – youth unemployment rate) / adult wage * (1 – adult unemployment rate)*.
c) Women aged 15-64 for Canada, France and Japan; and 16-64 for the United States.

Source: National labour force surveys.

These results are purely descriptive and should be interpreted with caution. But one thing that they show is that smaller cohorts do not automatically translate into better employment and wage prospects for young people. Youth relative expected wages have not recovered from their 1970s decline despite *a priori* more favourable demographics. Other factors – perhaps rising total female participation – need also to be taken into account.

ANNEX B

Skills of Adults and Equality of Opportunities in Norway

The skills of young adults are to a large extent the image of what they learned during their years of initial schooling. But some skills can be lost with time and others acquired through adult learning, on-the-job learning or simply the experience of life. Hence, in addition to measuring skill among youths (as regularly done by PISA), one should ideally assess how countries compare with regard to the skills of their adult population.

International evidence adequately quantifying the skills of adults is limited. The most recent survey in which Norway took part is the 2003 Adult Literacy and Life Skills Survey[63] (ALL).

It reveals that Norwegians (almost) systematically outperform adults in Canada, Switzerland and the United States. This somehow contrasts with PISA 2003 or 2006 outcomes discussed in Chapter 2. One possible explanation could be that Norwegians "start slowly" but then catch up. Another element might be the country's focus on continuous learning.

A recent paper from the Norwegian government (Ministry of Education and Research, 2007b) claims that there is considerable inequality of opportunity (Roemer, 1998) in the country's education system. Low achievers in school include an over-representation of persons with low socio-economic background, as measured by parents' education and income.

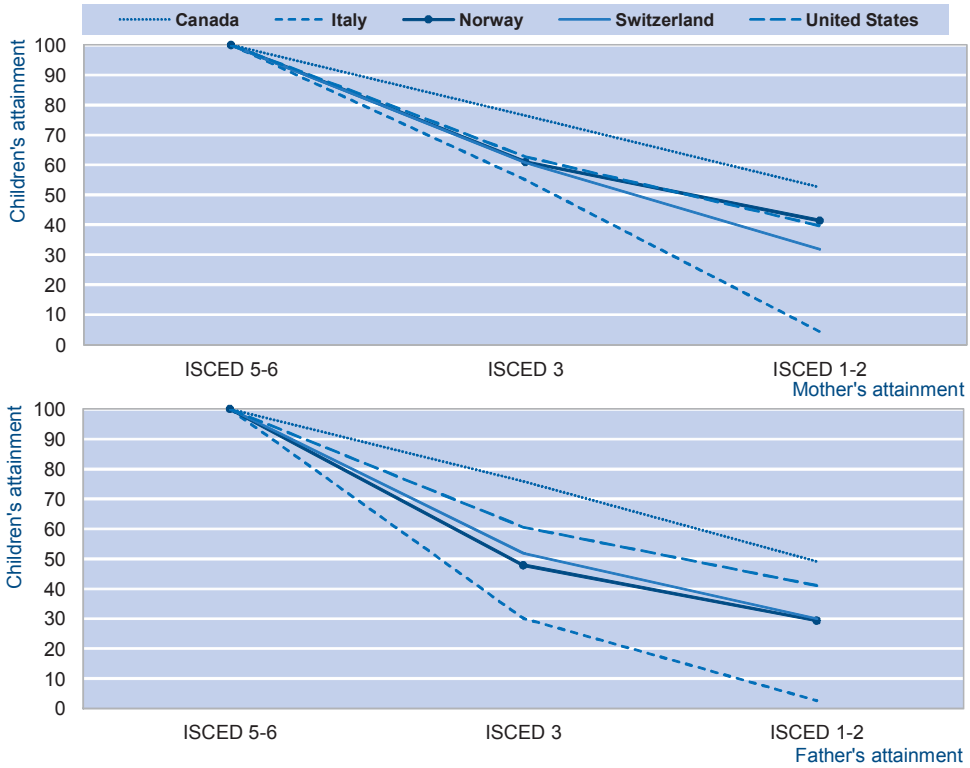
This is somewhat confirmed by the analysis of ALL 2003 data (Figure B1.1). A person whose mother/father has an ISCED 5 or 6 degree has a much higher likelihood of attaining that level of education him/herself.

63. ALL is a large-scale co-operative effort co-ordinated by Statistics Canada to collect data on the skills of adults. OECD participating countries include Canada, Italy, Norway, Switzerland and the United States. The skills measured in the ALL survey include prose literacy, document literacy, numeracy, and problem-solving. Additional skills assessed indirectly include familiarity with, and use of, information and communication technologies (ICT).

But the ALL data reveal that the degree of inequality of opportunity in Norway is *intermediate*, higher than in Canada but lower than in Italy. It is in fact very similar to what is observed in Switzerland or the United States for the correlation with mothers' attainment. When it comes to the correlation with fathers' attainment, Norway and Switzerland are equivalent, but performing slightly worse than the United States.

Figure B1.1. **Likelihood[a] of obtaining an ISCED 5 or 6 degree according to mother's or father's educational attainment, 2003**

Relative percentage "mother or father has an ISCED 5 or 6" = 100



ISCED: International standard classification of education.

a) Coefficients used to compute these indices come from the estimation of a linear probability model conditioning outcome on the age band and the immigration background. These two variables appear non-significant in the presence of the mother's education variable.

Source: Statistics Canada and OECD (2005), *Learning a Living – First Results of the Adult Literacy and Life Skills Survey*, Ottawa and Paris.

ANNEX C

Measuring Achievement "Net" of Background Effects

The particularity of the results on the relative achievement of pupils with an immigrant background (Figure 2.5, p. 67) is that they are computed with background *fixed effects*.

As stated in the report, the idea is to eliminate from the gross achievement differences the component that should logically be attributed to background variables that are beyond the control of education and social policy. These typically include the level of education of parents. Children can have lower scores in mathematics or reading literacy simply because, on average, their mothers and/or fathers are less educated. The same idea applies to first- or second- generation immigrants. It is reminiscent of the idea that production of human capital has a strong domestic and intergenerational component.

In more formal terms, we can assume that the relation of interest is the one between the PISA 2006 score of individual i (S_i) and a dummy variable D_i. When we focus on immigrants, D_i captures the immigration *versus* native background. The coefficient b potentially measures the effect of the dummy treatment. To make sure it is not contaminated by systematic differences in terms of background variables, we add a vector of categorical variables F describing the individual's background.

$$S_i = a + bD_i + cF + \varepsilon_i$$

By doing so, we actually compute b using the centred scores ($S_i - E(S_i|F)$). In other words, b is estimated solely with the "within" variance of scores observed among individuals with the same set of values for F.

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Improving the performance of youth on the labour market is a crucial challenge in OECD countries facing persistent youth unemployment. As labour markets become more and more selective, a lack of relevant skills brings a higher risk of unemployment. Whatever the level of qualification, first experiences on the labour market have a profound influence on later working life. Getting off to a good start facilitates integration and lays the foundation for a good career, while a failure can be difficult to make up.

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