Rescaling Social Welfare Policies in Norway

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Part 1
Changing contexts: demography, economy, society, politics

1 Socio-economic patterns and trends

The distinctive feature of Norway is its length. The distance from Oslo (the capital) to the Northern tip is equal to the distance from Oslo to Geneva. 4,606,363 odd souls live in this stretched territory (2005 estimate), and the climate is not as bad as our European friends think.

1.1 Employment patterns and income disparities

Norway is a small, open market economy. The labour force participation rate is high. Among European countries, only Iceland has a higher percentage of 18-65 years old in the labour force. The pension age is 67. For the last thirty years, unemployment has remained low. 1–2 per cent during the 1970s, and 2–3 per cent during the 1980s. Unemployment reached a high water mark of 5–6 percent in the early 1990s, and fell to around 3 per cent from 1998. Average inflation rates were 8.0 percent during the 1970s and 1980s, 2.4 percent between 1990 and 1998 and 2.8 percent between 1998 and 2001 (Statistics Norway, 2001: 254). Thus Norway has been able to combine close to full employment with low inflation. Norway is close to full employment and at present imports more labour from EU, in particular from the new member states, than other Nordic countries.

Public finances are excellent. There is no government debt. Petroleum revenues for North Sea oil and gas production are not spent in the inland economy, but invested in financial markets abroad (the petroleum fund). As of 30 September 2005, the petroleum fund amounted to 34.540 euro per capita. With today’s oil prices, this sum is rising fast. In short: Our state is rich, although we are not always so.

Norway also has the highest employment rates in older age cohorts of any European country except Iceland. In 2000 73 percent of older men (55-64 years) and 61 percent of older women were gainfully employed. Registered unemployment in the same age categories was as low as 1.8 percent (men) and 0.7 percent (women) (Solem and Overbye, 2004). The employment rate of elderly men decreased in the 1980s, while the employment of elderly women has been on the rise for several decades, as new cohorts of women are entering middle age with higher employment rates than earlier cohorts. The latter is part of the “great gender transformation”. New cohorts of women enter the labour market in ever-larger numbers than cohorts further on in their life cycle. While the oldest cohorts, where homemakers (housewives) still dominate, gradually reach retirement age (and then gradually die off). It takes approx 40 years for the great gender transformation to fully replace outgoing female cohorts, dominated to a decreasing extent by homemakers, with incoming female cohorts, dominated to an increasing extent by women active in the labour market. As indicated by the high employment rates among elderly women (55-64 years), Norway is close to the final stage in this transformation.

Norway is one of the five richest countries in the world if measured in GDP per capita. In UNDP’s (2002) Human Development Index, Norway is number one followed by Sweden, Australia and Canada. If one instead uses UNDP’s Human Poverty Index for 18 OECD countries (which probably better measures relative positions in developed economies), Sweden is top dog followed by Norway, the Netherlands, Finland and Denmark (UNDP, 2005).
OECD Economic Outlook (no 67) found Norwegian productivity growth to be among the highest in the OECD area in the 1990s. Norwegian labour protection against reduction or replacement is medium-to-strong: Norway ranks alongside Sweden and Germany (OECD, 1999: 115-118). Labour protection in Europe, as measured by OECD’s composite index (22 items) of costs to firms if they reduce or replace employees individually or collectively, it weakest in Great Britain and strongest in South European countries (See Appendix 1, Table A1).

Norwegian income disparities, as well as wage/salary disparities, are limited compared with other European countries. There are no large gaps between various income groups, and consequently poverty and differences in the standard of living are limited. But we have people begging in the streets too, and in the 1990s the number of deaths from drug overdoses in Oslo were higher than in Amsterdam. In absolute terms, not in relative terms.

**Scientific/political/media debate concerning Norway’s overall economic and distributive performance**

Major national debates concerning Norwegian economic and social performance include the following:

a) How can one make sense of the economic and distributive success (so far) of this small, peripheral European country situated at the edge of nowhere? There are several candidates for an explanation.

- **It’s our encompassing welfare system.** This factor is often mentioned in the international literature on the Nordic countries more generally (see e.g. Esping-Andersen, 1990). There may well be something here, but as social scientists we know that any effect usually has several causes. Here are some other possible causal explanations:

- **It’s our heavily subsidised education system.** Large subsidies for secondary and tertiary education create oversupply, which brings down relative wages of high skilled labour while creating shortages (and better wages) for lower skilled labour.

- **It’s an effect of how the Norwegian social partners are organised.** A few strong labour confederations monopolize the organisation of labour in Norway. The confederations of employers are also few, strong and centralized. The so-called “avoid the middle ground” hypothesis on labour organisation holds that large, centralized unions internalise the interests of the unemployed (since the unemployed are also potential members of “their” unions), and hence keep down wage demands in order not to create unemployment. Since they de facto monopolise the organisation of labour, they do not have to fear that competing unions will outbid them in the market for members. In the 1990s and so far in the 2000s, the main federations of labour have pursued a “solidaristic wage policy”, which is an euphemism for “wage restraint policy”. It may explain why Norway was able to combine full employment and low inflation (plus high productivity growth) during the 1990s. In short: strong and centralised unions ensure wage moderation and help maintain full employment. More generally, the “avoid the middle ground” hypothesis postulates that strong and centralised unions (as in the Nordic countries), and weak or non-existing unions (as in the US), are both good for the economy. Strong but local unions, and/or several strong but competing federations, are considered less positive.

- **It’s pure luck.** Then again, a fourth theory holds that luck is the decisive factor. High employment and consequently small income differentials may be a side-effect of Norway’s lucky position in the international division of labour, being blessed with a small population and
huge quantities of natural resources that luckily happen to fetch good prices relative to the costs of extracting them. The oil and natural gas in the Norwegian part of the North Sea is just the latest in a string of lucky breaks. We have hydroelectric power in abundance; we have successfully been able to extend our fishing jurisdiction to a 200 kilometre zone outside a very long coastline; we have open space and wind enough for thousands of windmills if that technology catches on; and if everything else fails we have “nature enough for ten nations” to quote a Polish friend. So if all else fails we can always fall back on tourism.

Foreign observers often point their finger primarily toward Norway’s petroleum wealth, but this point should not be overstated. From the modest beginnings in the 1970s offshore oil and gas production now account for about 40 per cent of Norwegian export, but still employ only 1 per cent of the labour force. (Solem and Overbye, 2004). The impact of oil revenues on mainland employment is not clear-cut. On one hand, petroleum revenue do in principle make it easier to keep mainland production running even if it is not run efficiently. This might to some extent have happened in the sheltered part of the Norwegian economy (including welfare services). On the other hand, however, large petroleum revenues make the Norwegian currency (NOK) artificially strong, and this creates problem for other export industries. A strong currency increases the costs of exports, and makes imports cheap. Industrial production in mainland Norway has stagnated, and Klette & Mathiassen (1996: 8) argue that turnover in industry is by now higher in Norway than in the US. Norwegian governments have been reluctant to use oil money to subsidise mainland industrial production. Oil revenues were first used to pay off all public debt, and then to build up the above mentioned large nest egg of foreign investment (the petroleum fund). The state-owned petroleum fund is meant to serve as insurance against a serious economic downturn once the oil and natural gas runs out, some 25 (oil) to 75 (gas) years from now. However, it simultaneously serves to strengthen the Norwegian currency further, creating additional problems for exporting and import-competing industries. Norwegian degree of industrialisation has now passed Greece on our way down the path to a post-industrial society.

Determining which of the four above mentioned factors (there are more in the literature, but the presentation is limited to personal favourites) that is the most important (they probably work in combination) is no easy task. The jury is still out as to their relative impact on the high per capita living standard and simultaneously very equal income distribution in Norway.

b) How to make sense of Norwegian female employment patterns?

Another major debate concerns how to make sense of the rise in female employment in Norway during the last 40-50 years. Some scholars, including this one, thinks the great gender transformation is probably an aspect of a general modernisation process, where the Nordic countries (along with the US) are simply ahead of most continental European countries. For some reason, over the past 60 years women have been changing their perception of themselves and their goals in life. This is still very much an ongoing process. And this is a world-wide phenomenon. It’s a leaders - laggards scenario (Overbye, 1997). It appears that territories traditionally dominated by protestant Christianity (probably the branch of Christendom with the most individualised ethos) goes first, but if this is a coincidence or not is anyone’s guess.

Then again, there is also the possibility that Esping-Andersen (1990) is right, i.e. that Scandinavia and continental Europe constitute two fundamentally different welfare “regimes” on fundamentally different paths - also with regard to the future of female employment patterns. The main argument for this view is that most women are employed in welfare services, and the huge volume of welfare services is so far a distinctive trait of the Nordic welfare states. We will have to wait until longer
time series become available to be able to distinguish between the Esping-Andersen and the (ahem!) Overbye hypothesis concerning the peculiar high level of female labour market participation in Norway (and the Nordic countries more generally). It should be noted, however, that the US - with a distinctly different welfare “regime” as Scandinavia and much less welfare services employment - has female labour force participation rates on par with the Nordic countries.

Generous parental leave schemes, public or heavily subsidised private kindergartens plus after-school day care has almost led to the disappearance of the so-called “M-curve” in female employment patterns. (The M curve: women enter employment when young, drop out during childrearing years, and re-enter when children are grown.) For such reasons the Norwegian welfare state, as the Nordic welfare states in general, have been labelled “woman-friendly welfare states” (to coin a phrase by Helga Hernes).

1.2 Family patterns

As mentioned above, women have a high labour force participation rate, and in most families there are two providers. Family life has become increasingly turbulent since the 1960s. The estimated percentage of marriages projected to end in divorce increased from 13 percent of all marriages conducted in 1970 to 48 percent of all marriages conducted in 2001 (Blekesaune and Overbye, 2004: 90). Cohabitation (which earlier mainly took the form of a trial marriage) has now become a parallel family form, alongside legal marriage. Cohabitation has an even higher break up rate than marriages. Single parenthood is also very widespread.

The reproduction rate is 1.8. This is below stable reproduction (which is 2.06), but far higher than in Southern Europe with their 1.3 or even 1.2 rates.

Scientific/political/media debate on family patterns

Several big and rather intense debates are running simultaneously concerning the rapidly changing family patterns. Here is a selection:

a) Is the relatively high reproduction rate relative to European countries further south due to the Norwegian women-friendly/parent-friendly welfare state, or is it a cultural trait?

b) Is high divorce rates and rise in single parenthood tied to the design of our welfare programs? Or has it something to do with changing gender roles, a zeitgeist of individualism, and/or general modernization (never an easy concept to pin down)? Important question: Do we observe the same family trends in countries with other welfare designs? To some degree certainly, but to which degree exactly?

c) Are high divorce rates good or bad? For women, for children, for men, for the health of society?

d) Are high divorce rates (and turbulent family patterns) a transitory or permanent phenomenon? It could signify that women are changing the perception of their gender roles more rapidly that males, implying that for one or two generations we will experience heightened gender conflicts. But then laggard males will catch up with leading females (a leaders-laggards scenario again), and the transformation process reaches a new equilibrium with relative peace and quiet. If so, we only live through a transitory turbulent phase till new shared gender roles become established. Alternatively, increased turbulence is here to stay. (Although the rate of increased turbulence will necessarily have to slow down sooner or later. If not before then at least in 2058, when approx 100 percent of all marriages conducted that year will end in divorce if the 1970 - 2001 trend continues.)
e) How can the rapidly changing gender and family relations in the main culture simultaneously accommodate immigrant cultures with very different gender and family traditions? To illustrate the point: Gangs of young girls binge drinking in the streets is now something you are supposed to smile half-way approvingly at, as a sign of youthful *joie de vivre*; and girls still virgins at age 18 hide the fact from their peers afraid it will mark them as social outcasts. How to match this culture with cultures that regard drinking as sin and where male honour depends on maintaining the purity of your daughters and sisters? We are still working on that one.

f) “Europeans don’t die, they just fade away”. Although higher than the European average, Norwegian birth rates have been below the reproduction rate for decades. If the trend persists, the native population will slowly fade away. Is that a well-behaved, perhaps even a noble thing to do, in a rather overpopulated world? To leave the room quietly and silently shout the door behind you? Or should we do something to boost fertility further? Opinions here criss-cross the left-right divide.

### 1.3 Old age

Norwegian society is ageing, but not as rapidly as European countries further south. Not least thanks to the above mentioned fairly high fertility rates.

**Scientific/political/media debate concerning the ageing population**

a) How do we pay the increasing bill for pensions, health care and nursing care for the greying population, while also making financial room for more kindergartens, parental leave and after-school care to maintain present fertility rates and eventually boost them further?

b) How to care for the old and infirm? In their own houses preferably, but how to create many gradients between ordinary, cosy homes at one extreme and intensive nursing care units at the other?

c) How do we get more for less: create more efficiency and user-control in old age care without spending more money? Is outsourcing to private for-profit companies an answer? Or relying more on voluntary organisations? Or introducing new public management techniques in traditional public care units? Politicians left, right and center are searching tirelessly for something that will work better without being more expensive - anything at all.

### 1.4 Foreigners

Norway in not so ethnically homogenous any more, in particular not in the bigger cities. Thankfully, ethnic minorities do not live in suburban ghettos to the same extent as for example France.

**Scientific/political/media debate concerning increased ethnic heterogeneity of the population**

All of them. Recent goings-on in France plus the burning of several of our embassies has added a certain tone of urgency to these debates.
2 The state, its organisation and normative foundation

It is a question of debate if a state - including the Norwegian state - has a normative foundation. Methodological individualists would argue that states cannot have normative foundations: only individuals can have normative foundations. If so, the normative foundation of a state may shift depending on the norms of the ruling elites. And in democracies, ruling elites tend to change across time.

If one wants to be subtle, one could argue that rules and practices that enjoy constitutional protection are a more basic part of the state’s normative foundation than those that can be easily changed by a new, incoming political elite. Norway is a constitutional democracy, and changing the constitution requires qualified majorities in two consecutive parliaments (that is, there must be a general election in between). No part of welfare legislation enjoys constitutional protection. (To my knowledge we are different than for example the Swiss in this regard.) Hence according to this definition, no part of welfare legislation belongs in the normative core of the Norwegian state.

There is however another answer to the “normative foundation of the state” question which might satisfy even methodological individualists. The fruitful place to look, it can be argued, is the relationship between church and state. There is freedom of worship in Norway, but like in Great Britain there is also a State Church. The State Church (Lutheran) does indeed enjoy constitutional protection. The King (yes we have a king, but no nobility – not since the old Viking nobility disappeared during the Black Death in the 1300s) must be a member of the Church, and so must a majority of Cabinet Ministers (although the latter is not really checked by anyone any more). 90 percent on the population formally belong to the State Church, but opinion surveys indicate that Norwegians are still among the most secular people in Europe. Roughly 25 percent label themselves “personal believers”, which in Norwegian is a code-word for true belief in God. The State Church itself may be considered special by South European standards. Divorce, contraceptives, self-determined abortion and gay partnerships are OK with the Church. Female vicars are numerous, and fully accepted in a State Church where many bishops - many of whom are female, of course - have been appointed by social democratic governments, who tend to pick the most liberal of the lot.

Although mainly secular, the mood of the nation must none the less be characterised as predominantly protestant secular - which is probably different from catholic secular or jewish secular or muslim secular or secular secular. For example, many Norwegians react to the enormous petroleum revenues swamping Norway in money these days with something like the following, if only half-conscious, feeling: “We have not really earned it/ we do not really deserve it/ some power (good or bad) must have put all that oil there to test our moral fibre and strength of character”. Not surprisingly, governments of all colours have agreed to invest all the money abroad and all parties (except the right wing populist Progress Party) agree on the so-called “decision rule”, stating that only the interests on the ever-increasing petroleum fund can be spent in Norway. This can be considered an indication that Weber’s protestant spirit of capitalism subconsciously still haunts the minds of the consciously secularised Norwegian political elites.

Scientific/political/media debate concerning normative foundations:

a) The church and state are likely to split up in a decade or so. But this has been the projection for several years now. Apart from the small issue to which extent a liberated church should be sponsored by public money, most people agree that the present state-church relationship is a relic of the past.
b) Human rights legislation is being incorporated into Norwegian law, including the constitution, and there is a debate if this implies boosting fundamental welfare rights (providing some welfare rights with a constitutional foundation)

c) The big debate: What does it mean to be a “Norwegian” in an increasingly heterogenous society? This is a young nation (full independence from Sweden as late as 1905), which went through an intense cultural nation building process in the period 1814-1950, in order to “make it sound convincing to argue that Norway exists”, to quote one of our poets (Vold). There never were any formal ethnic connotations tied to the existence of the Norwegian state, but our schoolchildren are still not brought up to feel the same ethnically neutral way toward the state as supposedly the French are. How can we learn to be nice to foreigners even when they do not live far away? (Norwegians give more development aid per capita than any other nation.)

2.1 Regulatory and guiding principles concerning welfare provision

Although not enjoying constitutional protection, the Norwegian welfare state none the less includes a number of rather widely shared normative ideas, in the sense that incoming elites so far have not dismantled them, but rather continued to build on them. They can be summed up as follows (Nososko, 2005):

- Public welfare policy is rather comprehensive. It covers social security, social services, health, education and training, housing, employment, etc.

- The first and foremost purpose is to ensure sufficient cash benefits to secure basic needs, plus welfare services of adequate-to-high quality. But note that “quality” is a rubber band concept, and much controversy surrounds exactly how high quality one should aim for in public welfare services, including how this “quality” can be measured.

- Most cash benefits (welfare transfers) consist of a basic minimum plus an earnings-related component (with a cutoff-point, so that high-income earners get less compensation than low-to-middle income earners). An interesting cognitive difference from continental Europe: When Norwegians talk of the “first tier” of their cash benefit systems they mean the tax-financed, more or less flat-rate basic minimums. They are generally the oldest parts of the system. The earnings-related add-ons are described as the “second tier”, while occupational benefits and private savings form the “third tier”. This is different from most continental European countries, where the “first tier” usually means the public earnings-related system(s), while social pensions and the like are not really regarded as part of the system - but rather as residual social assistance of some sort.

- Social security cash benefits comprise all the usual benefits plus a few less usual (all benefits in 2006 currency): Annual universal flat-rate child benefit for children aged 0-18: euro 1.442 per child (single parents get benefits for one more child than they actually have); an annual social security benefit for single parents with preschool children: euro 13.912; full pay parental leave for 43 weeks of which 5 weeks is lost if not taken by the father; a special annual cash benefit for those who do not use a public or privately subsidised kindergarten, equal to the size of an average kindergarten subsidy: euro 4.912 per child; full pay sickness benefits also if your child is sick or if the private carer of your child is sick.

- The Norwegian welfare state (as the other Nordic welfare states) may also be characterized as relatively speaking a welfare service state, in contrast to the welfare transfer states dominating
continental Europe (in particular the South European countries). That is, the provision of public welfare services (such as kindergartens and old age care) is more prominent relative to cash benefits (pensions and the like) in Norway than, say, in Italy. Bear in mind that we are speaking here in relative terms. In absolute terms, the Norwegian welfare budget is rather high also on cash benefits, but (as illustrated above) Norwegian cash benefits are more than just pensions.

- As in Great Britain, there is a national health care system.

### 2.2 The role of the national state versus regional and local authorities

There is a three-tiered administrative and political system in Norway (the central/national government, regional councils and local councils/municipalities). This also applies to the welfare sector.

Most cash benefits (sickness benefits, rehabilitation benefits, pensions, child benefits etc) are decided upon by the Parliament through various National Social Security Schemes (“trygder”). They are financed (paid) through a mix of general and earmarked taxes (social security “contributions”). They are administered (managed) by a National Social Security Directorate (Rikstrygdeverket) with regional and local sub-branches. Regional councils and local councils have no influence. They are delivered by local administrators (street level bureaucrats) who are usually state or municipal employees. However, outsourcing the actual service delivery to private agencies, for-profit as well as non-profit, is also done (see parts 2 and 3 for details).

Unemployed benefits and activation services are decided upon and financed as above, but until 2006 these benefits and services were administered (managed) by a separate National Unemployment Insurance Directorate (Aetat). The parliament (“Stortinget”) recently decided that the National Social Security Directorate and the National Unemployment Insurance Directorate shall be merged. The merger will take place in the period 2006-2010. Both national, regional and local sub-branches of the two Directorates will be merged.

Local authorities (councils) administer and finance social assistance benefits. In addition, local authorities are responsible for most welfare services: Primary health care, home help and home nursing, institutions for children, young people, the elderly and the disabled. The welfare service responsibilities of local authorities are so huge that some scholars suggest we should use the expression “welfare municipality” more often than “welfare state”.

Elected regional governments (regional councils) are very weak in Norway and have few administrative tasks. It is the central state and the 435 municipalities (local councils) that are important. Central Government took over the responsibility for the hospital sector from regional councils in 2001. This was just about the only big item regional governments had left (see part 2 for details).

**Scientific/political/media debate concerning levels of government**

a) Should regional government be reorganised or abolished?

The former non-socialist minority coalition government consisting of the Conservatives, the Christian People’s Party and the Liberals (tacitly supported by the populist Progress Party) lost power in the last (2005) general election. The incoming majoritarian coalition government consists of the Agrarian, Social Democratic and Socialist party. The new coalition government considers
merging the 19 regions into nine larger regions in 2010. The outgoing government had similar ideas. The idea may come to naught, but illustrates the weak position of today’s regional councils.

2.3 The role of public authorities versus families and voluntary (third sector) organisations

The Norwegian welfare state probably deserves the label “statist”. The government (including regional and local councils) is the major welfare provider.

Families had a legal obligation to care for old and infirm parents in the old days, but this obligation was abolished approx. 1950s.

Parents have a legal obligation to provide for their children till age 18, but can legally cut all financial ties from age 18.

Husband and wife are jointly economically responsible for household debt. But divorce is easy, although there is usually a one year mandatory separation period before divorce.

No one else has any legal obligation to care for anyone else. (Of course people care in practice, but they cannot be held legally responsible if they don’t.)

Voluntary organisations of many kinds exists. Unconfirmed rumours claim that there are four voluntary organisations for each Norwegian. Many are supported by government in various ways.

Scientific/political/media debate concerning state versus family/third sector

a) The substitution issue I: Do generous public welfare provisions erode the ties between family members, or do they on the contrary strengthen the ties, or have they no effect on the ties?

b) The substitution issue II: Do generous public welfare provisions weaken civil society (voluntary organisations), or do they on the contrary strengthen civil society, or have they no effect on civil society, or do they perhaps transform civil society into something else?

When it comes to negative effects on family cohesion, the jury is probably still out. When it comes to negative effects on civil society, it is hard to argue that the “system world” destroys the “life world” (to use Habermasian terms) in a country with arguably one of the highest densities of voluntary organisations in the world (although valid comparative data are hard to construct in this field). Voluntary organisations may be a cultural trait of Norwegian society that has little to do with how politics or public welfare is organised. Or voluntary organisations may actually be stimulated by the existence of a welfare state dealing with the “hard cases”. Or maybe voluntary organisations are somewhat weakened, but if so not enough to prevent Norway from still being a country with a high number of voluntary organisations.

2.4 How public welfare provision is financed

National Social Security is financed by contributions from employers, employees and the State. Employers’ contributions depend on the regional zone in which an enterprise is located (five different zones in all).

Social security contributions, together with general taxes, are directed toward National Social Security (“folketrygden”) as a whole. The National Social Security Act is an umbrella law providing minimum and earnings related old age, disability and survivor’s benefits; unemployment
benefits; benefits for single parents; and others. Thus there are no social security contributions earmarked for particular social security purposes. For example, there are no special contributions used only to finance public earnings-related pension benefits.

Although the basic principle of financing is general taxes or earmarked taxes (social security “contributions”), user charges are becoming more common.

Scientific/political/media debate concerning financing welfare
a) How can we produce better public welfare services while spending less public money?
b) How can we reduce the number claiming social security benefits while boosting employment even further?

2.5 The use of public-private partnerships in welfare provision

Local authorities (municipalities and counties) provide primary health care and most other welfare services. Usually they also produce them, although contracting out to private sub-contractors (for-profit or not-profit) is sometimes done (see Part 2 for details).

Municipalities may outsource welfare services, such as home care for the elderly. There are some for-profit organisations running nursing homes, and some providing day care and home help. This practice is not widespread, however (See Part 2 for details).

Voluntary organisations may run welfare services. While for-profit organisations are new, voluntary organisations have been around longer, in particular in the larger cities. Their services are seldom subject to competition, and they are often intermeshed with public bodies in ways that are difficult to disentangle. For example, some hospital are formally owned by voluntary organisations (such as the diaconese), but everything else is regulated and financed in the same way as publicly owned hospitals (See Part 2 for details).

Many of the numerous kindergartens in Norway are private. They can be cooperative, non-profit, run by parent’s organisations and a number of other ownership structures. If they meet prescribed government standards they are subsidised by the municipalities as an alternative to run municipal kindergartens. Many municipalities do both; run their own as well as subsidise private kindergartens in addition (See Part 2 for details).

Scientific/political/media debate concerning public-private partnerships
a) Will public/private partnerships boost civil society by bringing voluntary organisations more strongly into welfare provision?
b) Or will private/public partnerships on the contrary co-opt voluntary organisations and bureaucratise civil society, implying that the “system world” soaks through yet another part of the “life world”? 
c) Is public/private partnerships a way to produce higher quality welfare goods while spending less public money? (The eternal hope of politicians: getting more for less.)
2.6 The use of output-management or New Public management in the organisation of public welfare services

The National Social Security Administration, as well as most other welfare administrations (also in municipalities), have to a varying degree been subjected to reorganisation following output-management thinking. The way these ideas are implemented varies a lot, however, and the end result is sometimes rather different from the intended one. The most dramatic use of new public management ideas has been in the public health sector, where semi-independent Boards of Directors now run the public health sector rather than elected politicians (see Part 2 for details).

Scientific/political/media debate on new types of public management

a) Is this a way to provide welfare administration of higher quality while spending less money? (Hope springs eternal from a politician’s chest.)

b) Will politicians really be able to maintain a hands-off approach, and allow the semi-independent new Boards of Directors to take a businesslike approach when delivering public health services?

c) Should politicians really maintain a hands-off approach, and allow the semi-independent new Boards of Directors to take a businesslike approach when delivering public health services?

3 The market, commodification and labour market performance

There is virtually no unemployment in Norway at present. The percentage of the working age population on disability benefits, however, is the highest in Europe next to Poland and Portugal (Solem and Overbye, 2004).

3.1 Balance between economic sectors

Agriculture employs approx 2 percent of the working age population and is going down. Industry is somewhat higher, but Norway is fairly de-industrialised by now. Services are the big and growing thing, and has been for decades. Much of it is in the public sector, which first and foremost means the municipal sector. Women in particular work in welfare services. Which helps explain the high female employment rate. The Norwegian labour market is more gender segregated than most other European countries.

87 percent of all firms have less that 20 employees and 98 percent have less than 100 employees (Hammer and Overbye, 2006). The few organisations with more than 100 employees are mainly in the public sector, first and foremost hospitals.

Scientific/political/media debate concerning balance between economic sectors

a) How to combine an efficient market economy with generous social protection, or (at the risk of sounding smug): how to continue combining these apparently contradictory goals?

4 Concluding remarks

In the welfare state literature, it is tradition to group the Nordic countries together, and to use the label “universal” or “institutional” when describing the social policies of these countries (Esping-
Andersen, 1990). These labels connote policies that are very broad-based, that do not use means tests, are rights-based, are mainly financed through general taxation, and wholly public in nature. The labels do apply to Norway - sort of. “Wholly public in nature” needs to be specified, however. Retirement, disability and rehabilitation benefits are wholly public financed and administered, but there is a private component in the sickness insurance scheme, as employers are compelled to finance the first 16 days of any sickness spell. Further, Norway does not operate any public occupational injury scheme but compels employers to buy occupational injury insurance on behalf of their employees in private insurance companies. This resembles the British approach to social protection.

Concerning rights-based benefits, there is a tension between providing rights-based benefits and pursuing ever-more active labour markets policies. Both are considered defining traits of the Nordic welfare model. Increased focus on activation means that the role of local administrators is changing from being a “judge” to becoming an “activator”. In the role as activator, local administrators must use discretion when determining who should be activated, and which activation measures that should be offered to whom. Increased scope for discretion makes it difficult for a claimant who believes he/she has been allocated to the “wrong” program, to challenge this decision in court. Recasting the role of local administrators as activators rather than judges may thus have the side-effect to reduce the legal entitlement to certain benefits. Thus two defining aspect of Nordic welfare policies may be on a collision course: First, that benefits should be rights-based (not discretionary); and second, that policies should be geared toward activation rather than toward benefits.

To sum up, Norwegian welfare policies - like welfare policies elsewhere - are built on underlying goals that are partially in conflict. Benefits should be rights-based - but administrators should channel claimants into “active programs” as often as possible. Costs should be shared by the whole of society - but employers, as well as employees, should have financial incentives to act in certain ways rather than in others. Policies represent uneasy compromises between such goals (compromises that shift over time). Contrary to Esping-Andersen, one can hardly identify a particular (static) Norwegian “regime” concerning the content of these compromises. “Regime” suggests that the many parts fit into some overarching logic, and there are too many pragmatic adoptions and inbuilt tensions in Norwegian welfare arrangements to justify such a vision. However, there may be a (dynamic) Norwegian “regime” concerning how these compromises are reached, and how they are re-negotiated. First, compromises are reached and renegotiated through a process involving series of government commissions where experts, government officials, trade union members and representatives of employers all participate. These government commissions use much time to describe and analyse the problems, in effect socializing members into adopting a pragmatic (as opposed to an ideological) approach to the issues at hand. Second, compromises are reached and renegotiated through routinised contacts and meetings between political parties, unions and employers. Persistent meetings between top level actors who know each other also from other settings (Norway being a small country) help to reduce conflicts and make actors look for compromise solutions. In the old days the above used to be called democratic corporatism, but the same processes are also captured by today’s more modern concepts like “governance” “public-private partnerships” or “network-management”. Last but not least a historic legacy of a non-corrupt civil service with a clear perception of the difference between public and private (no patronage or clientilistic relationships) is a very important factor in making the dynamic Norwegian “regime” work. Without this legacy, democratic corporatism/network management/governance/public-private partnerships could easily slide into something rather nasty.
All of the above is in line with Wilensky’s now classic hypothesis that democratic corporatism serves as a source of consensus building (see also Schmitter, 1981). Norway fits well into Wilensky’s (1983,71) four-fold characterization of corporatist democracies: 1) Strongly organised bargaining channels; 2) peak bargaining between social partners; 3) peak bargain arrangements do not only focus on labour market issues; and 4) social policy is to some extent absorbed into general economic policy, enhancing chances for social consensus. Wilensky (2002,89-91) contrasts democratic corporatism countries (such as Norway and Sweden) with countries characterised by “corporatism without labour”, such as France and to some extent Switzerland; and with fragmented and decentralised political economies (including the UK).

Lijphart (2001) points to something similar with his distinction between consensus democracies and majoritarian democracies. Lijphart claims that consensus democracies are usually found in polities where parliament is elected through proportional representation and there is a parliamentary form of government (as in Norway). While majoritarian democracies are usually found in polities where parliament is elected through first-past-the-post election systems and/or there is a presidential form of government. By building their typologies around dynamic and potentially shifting characteristics of the countries under study, Wilensky’s and Lijphart’s typologies may be better able to grasp the dynamics that make also welfare policies change, as compared to the more static concept of “regime” which has come to dominate much of the welfare state literature.
Part 2
Institutional analysis: actors and government arrangements

1 Identification of the territorial institutions and their development

1.1 Number of territorial bodies

1 Central (national) government
19 County (regional) councils
435 Local councils (municipalities)

1.2 Competences at national, regional and local levels

In Norway, as in the other Nordic countries, public services are characteristically channelled through local councils (municipalities). Local councils (local governments) account for around two thirds of all public expenditure, and employ approx two thirds of all public employees (Baldersheim and Ståhlberg, 2003: 74). Norwegian local government consists of a two-level structure, consisting of 435 local councils (municipalities) and 19 county councils (regions). [The capital, Oslo, is simultaneously a local council and a county council.] The average size of a municipality is approx 9,000 inhabitants. Half of the municipalities have less than 5,000 inhabitants. Both local and regional levels have directly elected councils responsible for their own administration. These will be referred to as county councils and local councils in the following. There is a functional division of power, in the sense that local and county councils are responsible for separate functions. But from a legal point of view county councils are not hierarchical superior to local councils (Larsen and Offerdal, 2000: 188).

Although most welfare services are provided by county councils and local councils, the state administration also has sub-branches at regional as well as local levels. This “parallel power” system is illustrated in figure 1 below.

At present there are 17 central government ministries (departments) in Norway, and about 70 directorates (or agencies similar to directorates). The main difference between ministries and directorates is that ministries are directly subordinated to cabinet ministers (and thus the political executive), while directorates are subordinate to ministries – and therefore more withdrawn from the daily political hustle and bustle. In addition, directorates are usually more specialised public agencies than ministries (Fimreite and Grindheim, 2001: 79, 80; Christensen et al., 2002: 51–55, 59). In the welfare sector, the two most important state directorates are the National Employment Directorate (Aetat) and the National Social Security Directorate (trygdeetat). Both directorates are under the supervision of the newly established Ministry (Department) of Labour and Social Inclusion (see below and Part 3 for further information about these directorates and their relationship to county and local welfare administrations).
1.3 Who decides, finances and administers?

Who decides nationally? The state administrations at regional and local level are subordinated to the national government. Thus regional or local state authorities get their instructions from, and are directly accountable to, the national government (NOU, 2000/22: 99).

Who finances? The state administrations at regional and local level are financed by the national government.

Who decides regionally? County governors – or prefects – are significant state authorities at the regional level, with multiple responsibilities: for environmental protection, children and family issues, social care, special plans and planning permissions, administration of justice and agriculture. The main aim of this state authority is to follow up national policies towards county and local councils. The county governors are responsible for scrutinising regional and local council decisions, including budgets. They also review the legality based on complaints from users and other affected parties. In addition, the state agencies deliver some services, for example approve divorces, free legal aid and criminal injuries compensation (NOU, 2000/22: 356).

In addition there are many other scrutinising or inspecting state agencies at the regional level, where for example the State County Educational Office and the State County Health Office are of special relevance to county and local councils. Scrutinising organisations like the Norwegian Food Control
Authority, the Norwegian Pollution Control Authority and the Directorate of Labour Inspection are, on the other hand, as relevant for public as for private organisations (Christensen et al., 2002: 55-57). Such relatively strong professional bureaucracies in the state county administration is, according to Baldersheim and Ståhlberg, (2003: 88), characteristic for Norway. In the other Nordic countries state scrutinising has been reduced and restructured into legal review based on complaints from concerned parties.

How is national and regional/local decision-making authority intermeshed? The county and local councils – as democratically elected agencies – are still depending on delegated state authority. This follows from the fact that Norway is a unitary state, not a federation. Implying that at the end of the day, the central government is in the driver’s seat.

None the less, a general and long standing characteristic of Norway is close integration and working-together of central and regional/local government. The development of the welfare state after the Second World War, has to a great extent been a joint central – local project with shared normative orientations guiding initiatives and implementation.

Financing as a controlling mechanism. The usual methods of co-ordination between state and regional/local governments has been that of earmarked grants and legal review of local and county council decisions, ideally carried out against a background of mutual trust between levels of government. Compared to other Nordic countries, Norway has a system with firm central government control (Borge and Rattsø, 1998). At the same time there has traditionally been fairly wide agreement among policy observers that power is to a large extent decentralised, and that local governments actually enjoy fairly strong relative autonomy (Kjellberg, 1988; Baldersheim and Ståhlberg, 2003).

Scientific/political/media debate concerning the relationship between state and local decision-making power

There is an ongoing discussion on the optimal balance between regional/local autonomy and central control. Some claim that reforms during the last 5 – 10 years have resulted in re-centralisation rather than decentralisation. In reality, the development is contradictory and in flux. All agree that county (regional) councils have been drastically weakened by recent reforms altering the distribution of competences between authorities (Baldersheim and Ståhlberg, 2003; NOU, 2005:6; Sørensen and Vabo, 2005). The national government and the local councils are now the foci of power. Regional councils are very weak.

1.4 Three instruments of central control

Instruments of central control. The policy instruments that are used by national government to regulate county and local councils can be divided in three main types: juridical (directives), economical (incentives) and communicative (information) (Bruijn and Hufen, 1998).

a) Judicial instruments

In contrast to many other unitary states, there are no constitutional stipulations with regard to local self-government in Norway. The main features in the present system date back to the first act on local self-government introduced in 1837 (Larsen and Offerdal, 2000: 187; Baldersheim and Ståhlberg, 2003: 75). None the less, the 1837 Local government act (LGA) (with later amendments) in many ways acts as a de facto “Constitution” for county and local councils, defining the legal
framework for how they may organise their activity – the decision making as well as the production of welfare services.

Rules for economic planning are found in the Local government act (NOU, 2000:22, p. 381). Welfare services, however, are mostly regulated by special national laws that instruct regional and local councils to take on various welfare responsibilities. Thus they have no choice in the matter. There are, for example, an act for health care, one for social benefits and services (including social assistance), and one for child care (kindergartens). Some of these special laws regulate in minute detail the welfare services to be offered, leaving very little room for local decision-making autonomy. Others leave considerable discretion for county and local councils to formulate adequate services.

State-appointed county governors scrutinise how county and local councils perform according to both the Local government act and the special welfare laws.

b) **Economic instruments**

*Economic policy instruments* include earmarked grants, as well as bloc grants, contracts, competition and other fiscal arrangements. The system of financial support in Norway is primarily based on a system of block grants allocated on the basis of fixed criteria. A significant proportion of national support is earmarked for specific purposes. Furthermore, although local taxes and charges are formally decided by county and local councils, the national government sets an upper limit for local taxes each year that all counties and municipalities must respect. Almost all county and local councils tax as much as they are allowed to. Hence there is very little regional variation in county and local taxes (Borge and Rattsø, 1998: 33; Baldersheim and Ståhlberg, 2003: 83).

c) **Communicative instruments (governance)**

*Communicative policy instruments* are subtler and harder to demarcate. They include normative and cultural co-ordination through for example exchange of information, coalition building, bargaining, partnerships and networking. According to Baldersheim and Ståhlberg (2003: 84, 85), central government agencies charged with review and scrutinising of county and local councils strive to develop “softer” forms of control, such as evaluation studies, advice and dissemination of information. Accordingly, they are organising meetings and seminars for county and local government personnel to discuss common problems and inform about innovations in various areas. In some sense, a bit like a national version of the EU open method of coordination!

*Scientific, political and media debate*

It is rather intensely discussed whether the existing division of competences and use of policy instruments to regulate county and local councils justify the statement that there is a balance between regional/local autonomy and national government. So far we have only described the territorial institutions as such. In the following we shall follow up on the discussion on county and local councils’ discretion by exploring the changes that have taken place in the “regulatory regime” over the last 20 – 25 years.

2.1 The division of responsibilities, 2005

The division of responsibility for services between the different levels of government is summarised in tables 2.1 to 2.3. Be aware that the figure gives a rough picture of the situation, in the sense that only major public services are listed. Be also aware that services as well as contributions in the form of benefits or grants are outlined, but not all instances where authority is performed – for example through scrutinising. Not all the services mentioned below are obligatory. It is also worth taking note of the fact that the territorial borders for regional and local state administration do not always follow the border of counties and municipalities –often the former are larger than the latter (NOU, 2000:22, p. 421-424).

<table>
<thead>
<tr>
<th>Type of authority</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central government</td>
<td>Universities, University Colleges</td>
</tr>
<tr>
<td></td>
<td>Culture (national museums, opera house etc.)</td>
</tr>
<tr>
<td></td>
<td>Research</td>
</tr>
<tr>
<td></td>
<td>Health directorate</td>
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<td></td>
<td>Directorate of Immigration</td>
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<tr>
<td></td>
<td>Directorate for Norwegian Employment Service</td>
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<td></td>
<td>The National Insurance Administration</td>
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<td></td>
<td>Directorate for Police</td>
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<td></td>
<td>Norwegian Food Control Authority</td>
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<td></td>
<td>Directorate for environmental protection</td>
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<td></td>
<td>Directorate for civilian preparedness</td>
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<td></td>
<td>Directorate for Cultural Heritage</td>
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<td></td>
<td>Directorate of Public Roads</td>
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<td></td>
<td>National Railways</td>
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<tr>
<td></td>
<td>The Norwegian Air Traffic and Airport Management</td>
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<td></td>
<td>The Norwegian National Housing Bank</td>
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</tbody>
</table>
### Table 2.2 Responsibility for major public services/contributions at regional level, 2005

<table>
<thead>
<tr>
<th>Type of authority</th>
<th>Service</th>
<th>Type of authority</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>County council</td>
<td>Secondary schools</td>
<td>State administration at regional level</td>
<td>Health care enterprises (specialist service/hospitals, institutions for children under care and drug abuse counselling)</td>
</tr>
<tr>
<td></td>
<td>Public transport</td>
<td></td>
<td>Employment Service</td>
</tr>
<tr>
<td></td>
<td>Regional roads</td>
<td></td>
<td>Social security offices</td>
</tr>
<tr>
<td></td>
<td>Dental services</td>
<td></td>
<td>The Norwegian National Housing Banks</td>
</tr>
<tr>
<td></td>
<td>Family care/welfare centre</td>
<td></td>
<td>Receiving and settling refugees</td>
</tr>
<tr>
<td></td>
<td>Culture (museums, regional libraries etc.)</td>
<td></td>
<td>Police</td>
</tr>
<tr>
<td></td>
<td>Regional roads</td>
<td></td>
<td>National roads</td>
</tr>
<tr>
<td></td>
<td>Protection of cultural monuments</td>
<td></td>
<td>National railways</td>
</tr>
<tr>
<td></td>
<td>Developing business activity</td>
<td></td>
<td>Air Traffic and Airport Management</td>
</tr>
<tr>
<td></td>
<td>Directorate of civilian preparedness</td>
<td></td>
<td>County governors (prefects)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Regional office for social issues involving use of force</td>
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<td></td>
<td></td>
<td></td>
<td>The regional development fund</td>
</tr>
</tbody>
</table>

### Table 2.3 Responsibility for major public services/contributions at local level, 2005

<table>
<thead>
<tr>
<th>Local council</th>
<th>Primary schools</th>
<th>State administration at local level</th>
<th>Employment Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kindergartens</td>
<td></td>
<td>Social security office</td>
</tr>
<tr>
<td></td>
<td>Health care (primary health service: medical practitioners and physiotherapists), Preventive health care, school and environmental issues</td>
<td></td>
<td>Regional office for immigration</td>
</tr>
<tr>
<td></td>
<td>Food Control Authority</td>
<td></td>
<td>Police</td>
</tr>
<tr>
<td></td>
<td>Mental health care (not institutions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Care for elderly and disabled people</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Integration of migrants</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Social assistance</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Child care (not institutions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Drug abuse counselling (not institutions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Public housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Culture (churches, youth clubs, sports, cinemas, local libraries etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Technical services – water, drains, refuse collection and disposal</td>
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<tr>
<td></td>
<td>Fire brigade, Local roads, Spatial planning</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Developing business activity</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Directorate for civilian preparedness</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Environmental protection (incl. preparedness for acute pollution)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.2 Basic principles for the division of responsibilities

a) Subsidiarity

A recent government committee suggested principles to guide decisions concerning which responsibilities to place where (NOU, 2000/22). The main principle is subsidiarity (although this word was not used by the committee and is seldom used in Norway). To secure closeness to users of public services, responsibility should not be given to a higher level of authority than “necessary”.

b) Are local political considerations legitimate?

When distinguishing between functions to place in county or local councils compared to regional or local state administration, the question is whether it is appropriate to allow regional/local political considerations to be involved. If 1) the service should be standardised across the whole country, or 2) if common rules are to be followed, or 3) if heavy control is necessary, the function should not be given to elected county or local councils, but should be delegated to the regional or local branch of a state administrative agency (NOU, 2000:22, p. 74–78). These are the main principles, but it can always be discussed if they are followed in practice.

2.3 Major changes in responsibility 1980 - 2005 indicate decentralisation

Table 2.4 provides an overview of important changes in responsibility for services since 1980. Only major changes are included.

<table>
<thead>
<tr>
<th>Year</th>
<th>Public service</th>
<th>Change in distribution of responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>Health care (primary health service: medical practitioners and physiotherapists)</td>
<td>To local councils from national government</td>
</tr>
<tr>
<td>1988</td>
<td>Institutionalised care for the elderly</td>
<td>To local councils from county councils</td>
</tr>
<tr>
<td>1991</td>
<td>Services for disabled people (including housing, health care and institutions)</td>
<td>To local councils from county councils</td>
</tr>
<tr>
<td>1998</td>
<td>Family care/welfare centre</td>
<td>To regional councils from national government</td>
</tr>
<tr>
<td>1998 –</td>
<td>Mental health care</td>
<td>To local councils/national government from county councils</td>
</tr>
<tr>
<td>2002</td>
<td>Health care – specialist service, hospitals</td>
<td>To national government from county councils</td>
</tr>
<tr>
<td>2004</td>
<td>Drug abuse counselling and child care institutions</td>
<td>To local councils/national government from county councils</td>
</tr>
</tbody>
</table>

Immigrants

<table>
<thead>
<tr>
<th>Year</th>
<th>Public service</th>
<th>Change in distribution of responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>Receiving and settling refugees</td>
<td>To local councils from national government</td>
</tr>
<tr>
<td>1986</td>
<td>Receiving refugees</td>
<td>To national government from local councils</td>
</tr>
<tr>
<td>1988</td>
<td>Housing refugees</td>
<td>To national government from local councils</td>
</tr>
</tbody>
</table>
The trend pictured in Table 2.4 is pointing in the direction of decentralisation. The picture is, however, away from regional governments in both directions:

- Local councils have taken over many responsibilities both from the national government and from county councils.
- The national government has also taken over responsibilities from county councils.

Thus county councils have slowly been emptied of responsibilities over the years. This being said, it must be emphasised that in an even longer time span, of about 40 – 45 years (1960 – 2005), the picture would have been much clearer – and one of decentralisation (Hagen and Sørensen, 2005: 49).

**New Public Management introduces a new type of decentralisation**

Of all the changes listed in the figure, the largest (in fiscal terms) is the hospital reform in 2001/2002. By transferring responsibility for Norwegian hospitals from county councils to the national government, ownership was centralized in a single body: the Ministry of Health. Then New Public Management principles were introduced. Hospitals were conceptualized as decentralized enterprises. Five regional health enterprises with separate, “independent” professional Boards of Directors were established under the Ministry of Health. These, in turn, organise approximately 250 institutions (mostly hospitals) into 33 local health enterprises under regional jurisdiction. Fundamental health laws and regulations, policy objectives etc. are determined by the national government, and they form the guidelines the Boards are to use in the day-to-day managing of the enterprises. The reform is meant to provide decentralized professional management of the health sector, and financial responsibility is delegated to the five “independent” Board of Directors. (Although the Minister of Health is formally allowed to instruct regional health authorities, and potentially to overturn Board decisions.) In sum, centralisation from regional to central government has gone hand in hand with New Public Management-inspired decentralisation from the central government to five not-elected, semi-independent professional Board of Directors. (Lægreid, Opedal and Stigen, 2005a; 2005b).
2.4 Changes in policy instruments used to influence lower government levels

Changes in policy instruments must also be taken into account in order to understand the complexities of centralisation versus decentralisation. We shall look at some general reforms and developments the last 20 – 25 years that have had significant impact on all public services.

a) The grant system reform

The grant system reform in 1986 expanded the toolbox of economic instruments used by the central government to influence lower government levels. The purpose was to allow local and regional governments freedom to make priorities according to local or regional needs. The strategy was to replace about 50 earmarked (sector or issues-specific) grants with unspecific block grants (Kjellberg (ed.), 1988; NOU, 2005:18, p. 70). The idea was to allow for more regional and local decision making autonomy in how to spend central government money.

Ten years later, a system with fixed criteria for national financial support was introduced (NOU, 1996:1). By the 1996 reform, local and county councils were meant to gain control over financial resources.

Not all reforms turn out as intended. Although many earmarked grants were replaced by block grants after 1986, the proportion of transfers from national government to county and local councils through earmarked grants increased in the following period (see next section for documentation).

At present, about 10 per cent of county and local council total income comes from earmarked grants (NOU, 2005:6: 54; NOU, 2005:18: 68, 69).

b) The new Local Government Act

The second important reform is the Local Government Act (LGA). It changed the juridical, rather than the economic, policy instruments available for the national government to influence lower government levels. The Local government act (LGA) went through major changes during the 1990s. The revised act of 1992 formalised long-standing practices of integration of activities of local and central government. The LGA no longer makes any reference to local self-government – the preferred term is now “democratic local government”. More importantly, the act vested local governments with great freedom to choose organisational solutions for their various activities (Larsen and Offerdal, 2000: 190).

Changes in the Local Government Act were followed by removal of all regulations concerning how to organise local welfare services. These shifts in legislative instruments have thus increased the decision-making autonomy of local councils.

c) Increased emphasis on individual legal rights to welfare?

A third possible legislative development is the presumed growth in individual rights in special laws defining welfare services. Again, we are talking about changes in juridical policy instruments used by national government to regulate county and local councils. In the literature it is often assumed that the state (national parliament) has strengthened individual rights in the special laws regulating access to municipal welfare services, such as social care, child care and health care (Fimreite, 2001). Ceteris paribus this decreases the decision-making autonomy of local councils, and thus works against decentralisation of decision-making autonomy. It is indeed well documented that the number of individual rights has increased during the last 20 years (Fimreite, 2002, Christensen, 2005). Reading the legal texts carefully, however, Christensen (2005: 164–167) claims that in most
cases they contain clauses stating that local councils are allowed to “take the resource situation into account”. The legislation also allows for “professional evaluation and political considerations”. It is therefore at best only partly true that individual rights to local welfare have been strengthened. Hence it is also at best only partly right that county and local councils have lost decision-making autonomy over the last 10 – 15 years for this reason.

All the above things considered, whether we have experienced centralisation or decentralisation in the Norwegian system over the last 20 – 25 years is still inconclusive. To summarise the Norwegian system, regional state bodies are relatively strong – and they have gained power over the years. The county councils have been severely weakened. These councils were directly elected only after 1976, at the time with the intention to strengthen democratic control at the regional level. The story told here shows that instead of gradually taking over more responsibilities and power from the regional state bodies, the opposite has happened.

Another characteristic feature is the continued decentralisation of responsibilities to local councils. Policy instruments in use by the national government are to some extent limiting their discretion. Yet local councils have been awarded increasingly more responsibilities plus a considerable room for local decision-making authority. This holds true even though most Norwegian municipalities are relatively small (at least compared to other Nordic countries with similar welfare systems), and some may be too small to handle welfare services efficiently.

2.5 Resource flows among territorial levels

Local and regional councils (governments) account for a large percentage of total public spending. In 2004 local and regional councils spent respectively 24 and 4 percentages of total public spending. (www.ssb.no/emner/12/01/offinnut) This percentage has been stable over the last 25 years, if we ignore the central government takeover in 2001/2002 of the hospitals that used to be the responsibility of regional councils.

Local councils spend primarily on primary and secondary schools (33 %) and health and social services (28 %). Regional governments (councils) spend primarily on schools (57 %) and public transport (17 %) (Rapport fra det tekniske beregningsutvalg for kommunal og fylkeskommunal økonomi, December 2005:66-67).

2.5.1 Who pays?

A large percentage of total Norwegian tax revenues come from taxing petroleum activity (38 % in 2006). Other sources include social security “contributions” (de facto earmarked taxes) from individuals and employers (18 %), VAT (17 %), and income plus wealth taxes (13 %) (www.odin.dep.no/fin/norsk/aktuelt/pressesenter/presssem/006071-070680/dok-bu.html).

In 2004 local councils got 45 % of their money from local taxes, while 35 % were grants and other transfers from the national government. Transfers from regional to local councils amounted to less than 1 % of total local revenues. Revenues from “other sources” amounted to 20 %, of which user fees were the most important (15,4%). Fees on technical services were the dominant user fees (TBU December, 2005:16).

Regional council revenues in 2004 came from regional taxes (40 %), transfers from the national government (50 %), plus 10 % from “other sources”. 5 % came from user fees (TBU December 2005:76-77).
As mentioned earlier, the national government sets an upper limit for local taxes. Therefore local and regional councils have limited ability to boost their tax revenues.

The national government equalizes incomes available for regional and local councils, to dampen differences between rich and poor regions/municipalities.

Table 2.5 shows that the sources of income for local councils has been rather stable the last 10 years. We can also see that transfers from regional to local councils are very small.

Table 2.5 Sources of local councils’ income

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<tbody>
<tr>
<td>Local taxes</td>
<td>50,6</td>
<td>44,3</td>
<td>40,5</td>
<td>44,6</td>
</tr>
<tr>
<td>From national gov</td>
<td>34,5</td>
<td>33,4</td>
<td>33,4</td>
<td>34,8</td>
</tr>
<tr>
<td>From regional councils</td>
<td>1,1</td>
<td>0,8</td>
<td>0,8</td>
<td>0,6</td>
</tr>
<tr>
<td>Other sources</td>
<td>13,8</td>
<td>21,5</td>
<td>21,5</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
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Table 2.6 similarly shows that the sources of income for regional councils has been rather stable the last 10 years.

Table 2.6 Sources of income to regional councils

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<tbody>
<tr>
<td>Local (regional) taxes</td>
<td>40,1</td>
<td>42,2</td>
<td>39,3</td>
<td>39,5</td>
</tr>
<tr>
<td>From national gov</td>
<td>52,3</td>
<td>52</td>
<td>53,6</td>
<td>50,3</td>
</tr>
<tr>
<td>Other sources</td>
<td>7,6</td>
<td>5,8</td>
<td>7,1</td>
<td>10,2</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
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Sources: St.prp. nr. 91 (1991-92), St.prp nr. 61 (1996-97), St.prp. nr, 66 (2002-03) and Rapport fra det tekniske beregningsutvalg for kommunal og fylkes kommunal økonomi (TBU), dec. 2005.

2.5.2 Earmarked grants or block grants, that is the question

Until 1986 transfers from the central government to regional and local councils mostly consisted of earmarked grants. The 1986 transfer system was reformed with an aim of reducing earmarked grants and boosting block grants (unspecified grants) (Kjellberg, 1988). None the less, a large percentage of transfers from the central government to regional and local councils still consist of earmarked grants. Apparently, giving away financial decision making power to lower government levels is fine in “principle”, in accordance with the subsidiarity principle and all that. But in practice, national governments often want to spend government revenues on certain things rather than others, so exceptions have to be made. Over time exceptions may accumulate and actually turn out to be the rule. In sum total there has actually been a relative decline of block grants, but it has
not been a smooth ride. Table 2.7 shows a relative drop in block grants from 1990 till 1995. After that the percentage has been fairly stable.

Table 2.7  Block grants and other grants from the central government to local/regional councils

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<tbody>
<tr>
<td>Block grants</td>
<td>70.6</td>
<td>56.9</td>
<td>62</td>
<td>58.8</td>
</tr>
<tr>
<td>Other grants</td>
<td>29.4</td>
<td>43.1</td>
<td>38</td>
<td>49.2</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: “other grants” consist of both earmarked grants and other grants, such as VAT compensation and refunds to local and regional councils for expenses in connection with employment schemes and immigration. These refunds are not included in Norwegian statistics when it comes to local and regional finances (TBU, dec. 2005: 71). No statistics were available for 1980 and 1985.

To be more precise, many small earmarked grants have been abolished in the period, and have been made part of block grants. The reason their percentage of the total has not declined is that there has at the same time been a sharp increase in a few but very large earmarked grants, in particular in the field of elderly care and kindergartens.

Why has the national government expanded earmarked grants in the area of kindergartens and old age care? A grumpy local politicians would probably put the argument this way: After 1986 everyone agreed that we should have fewer strings attached to our grants from the government, but the old age lobby and the feminists in parliament wanted a rapid expansion of kindergartens and old age care across the nation, and did not trust us local politicians to understand that all by ourselves, unless we were given sufficient economic incentives to grasp what was the enlightened thing to do. (To which feminists and the old age lobby might eventually have replied something like “yeah, and we would have been right, too”.)

Keep in mind that although parties both left and right agree that kindergartens and old age care are splendid things, they do not necessarily agree on the degree of splendidness; and those political parties that at any given time control the national parliament do not simultaneously control all regional and local councils. Party politics sometimes come in the way of a full implementation of the subsidiarity principle.

Let us move on to look at the situation between the state and the ever-weakened regional councils:

Table 2.8  Block grants and other grants from the state to regional councils

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<tbody>
<tr>
<td>Block grants</td>
<td>84.4</td>
<td>72.9</td>
<td>50.7</td>
<td>71.3</td>
</tr>
<tr>
<td>Other grants</td>
<td>15.6</td>
<td>27.1</td>
<td>49.3</td>
<td>28.7</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Sources: St.prp. nr. 91 (1991-92), St.prp nr. 61 (1996-97), St.prp. nr, 66 (2002-03) and Rapport fra det tekniske beregningsutvalg for kommunal og fylkes kommunal økonomi (TBU), dec. 2005.
The numbers in table 2.8 are significantly influenced by the transfer of hospitals from regional councils to the national government in 2001/2002. Until 2002 most hospitals were a regional responsibility and a large percentage of regional spending went to hospitals. Between 1995-2000 the way hospitals got their money changed. Most of the funding became earmarked grants from the national government to regional councils. This explains the large decrease in block grants from 1995 to 2000. When hospitals became a central government responsibility in 2001 the percentage of block grants rose again, but that has been small comfort for regional councils since the total amount of revenues they controlled after 2001 was simultaneously reduced to little more than pocket money (a slight exaggeration, but still).

Can we say something specific about the development in earmarked grants? In table 2.9 Local and regional councils are treated as a whole. Only in this way is it possible - given the way the statistics is constructed - to be able to identify earmarked grants among “other transfers”.

**Table 2.9** Block grants, earmarked grants, other earmarked grants, as percentage of total transfers

<table>
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<tbody>
<tr>
<td>Block grants</td>
<td>75.5</td>
<td>63.1</td>
<td>57.7</td>
<td>55.1</td>
</tr>
<tr>
<td>Earmarked grants</td>
<td>19.3</td>
<td>27.3</td>
<td>35.9</td>
<td>25.3</td>
</tr>
<tr>
<td>Other earmarked</td>
<td>5.2</td>
<td>9.6</td>
<td>6.4</td>
<td>10.2</td>
</tr>
<tr>
<td>VAT compensation</td>
<td></td>
<td></td>
<td></td>
<td>9.4</td>
</tr>
</tbody>
</table>

Sources: TBU dec 2005: 94. A large part of the VAT compensation was taken from the block grants in 2004.

As mentioned earlier, financing hospitals was an important part of earmarked grants until 2001/2002. The national takeover of hospitals halted a development towards even more earmarked grants as part of total transfers. But hey: cynics may argue that if earmarked grants decline only because the central government appropriates tasks that were formerly the responsibility of regional or local councils, that does not really count as “giving local and regional councils more decision-making autonomy”.

### 2.5.3 Creating equality between rich and poor regions

Norway is a thin, stretched country with large differences in geography and demography. Income per person varies a lot between regions. Equality between regions is seen as important by national governments, and by all political parties. (There is no Italian-style Legua Nord in Norway, although the right-wing populist Progress Party - the second largest party in Parliament - is not particularly keen on large-scale regional transfers.)

The national government compensates both income differences and differences in the costs of producing public services. The principle is not to give every county or municipality the same income per capita, but to make sure all have the same opportunity to produce services of the same (high) standard.

Regional redistribution of income is done both through expense compensation and income redistribution. This is complicated but important, so let us take each in turn:
a) Creating equality through expense compensation

Local and regional councils are given compensation for expense differences that are not voluntary. If a county is run ineffectively and therefore has higher costs than necessary, this is regarded as “voluntary”, and costs are not compensated. Obviously, it then becomes rather crucial to identify the costs that are involuntarily high. The national government has developed a so-called cost key to identify costs that are higher than necessary. This key is made up by 19 criteria. The choice of criteria and the way they are put together is meant to make it impossible for local and regional councils to manipulate the criteria in order to get higher transfers. The criteria include a) the number of people in different age groups, b) the number of divorcees, c) unemployment rates, d) mortality rates, e) not-married people over 67 years old, f) the percentage of immigrants, g) travel distance to local centers, h) degree of urbanity and i) a criterion for agriculture. These are factors assumed to make public service production necessarily more expensive in a region. The government then redistributes money from regions with low expenses according to these criteria, to those with high expenses. It all equals to zero.

b) Creating equality through income redistribution

The national government also uses income redistribution to ensure that local and regional councils have roughly the same opportunity to produce welfare and other services of an equal standard. Local councils with local tax income above the national average will have 55 % of their above-average tax income taken away from them. Local councils with local tax income below average will have 55 % of that below average share given to them. Further, the really hard up local councils get even more. A local council with tax incomes lower than 120 % of the average will have as much as 90 % of the difference between their own tax income and the reference level compensated.

Admittedly, this system gives local and regional councils limited incentive to try make their tax income higher, for example through a business friendly policy, since a large percentage of an increase in tax income is taken away from them. It’s a classic case of high marginal tax rates having a dampening effect on initiative. The question is as always a question of degree. Perhaps a 55 % marginal tax rate is a bit high, but successful local councils are after all allowed to keep 45 % of new tax revenues they manage to “earn”.

c) Creating equality through special compensations

In addition to the income redistribution and expenses compensation there are special grants to the Northern part of the country, and special grants to small municipalities with less than 3200 inhabitants. The considerations behind those grants are to make sure some people live also in remote parts of the country. It is a quite huge country relative to the few people living here, and there are plenty of places you will die if you fall down a ravine, because there is no one around to hear you scream. Unfortunately, the grant to small municipalities also gives them an economic incentive to resist merging with other small municipalities to become bigger municipalities. 435 municipalities are rather many in a country of only 4.6 million. But then again, in the old days with considerably fewer people there were more than 700.

Last there is also a special grant to Oslo as a capital, because a city supposedly has extra expenses when it is a capital (NOU, 2005:18). That grant was a hard-won victory for Norway’s few urbanists.

To sum up, this should give a picture of a country where local and regional councils have some, but rather limited, ways to influence their own incomes; but also a country with a high degree of
equality of welfare services across rural and urban regions, and between densely and sparsely populated regions.

**Scientific/political/media debate**

a) How come Norway puts such a large emphasis on a decentralised population structure plus equal access to welfare services in central and peripheral areas?

Regional equality does not come cheap. One reason why the Norwegian welfare state is more expensive to run than the rather similar Swedish welfare state is that Sweden moved most of its population to cities in the 1950s and 1960s, while Norway subsidises people to stay where they “belong”. Indeed, it can be argued that the regional dimension is “the” important dimension in Norwegian politics; it may even trump the left-right ideological divide. Ivar Frones, a sociologist at Oslo University, used mock-Hegelian terms to describe the situation: “In Norway politics may appear (Schein) like many things; like social policy; like foreign policy; like education policy. But in its essence (Wesen), it is always regional policy”.

Still, this begs the question why Norway is so different from Sweden in this regard, since Swedish and Norwegian policies are otherwise as similar as the policies of two independent nations can possibly be. Here are some popular hypotheses from the scientific as well as the not-so-scientific debate:

- **It's just the way we are.** Norwegians like to think Sweden centralised their population back in the 1950s and 1960s because well-bred nice-but-inhibited slightly patronising big-brother Swedes can never conceive of not doing what the government tells them to do. While Norwegians maintain single houses and small settlements spread out across the whole territory because we, by contrast, are anarchistic happy-go-lucky sweet children of nature who perhaps cannot use a knife and fork properly but live where we damn well please and let those stiff bureaucrats in Oslo stick those centralisation plans places where the midnight sun does not shine.

- **It's an aspect of our nation-building process.** While national culture may certainly be a factor - people often tend to imitate the stereotypes of them - a more academic explanation would focus on the nation-building process. While Sweden is an old nation that over the centuries gradually fought the Danes off their land (and even had their own brief stint of Empire in the 1600s), Norway was handed over from Denmark to Sweden in the turbulent aftermath of the Napoleonic wars, and then spent 100 years (1814-1905) in union with Sweden under the Swedish King. Norway consists of deep valleys and high mountains, plus a long-stretched coastline, and in the old days people from different districts seldom interacted. Roads were few and far between. The districts did not feel very much like a nation before they - much to their own surprise - suddenly felt themselves separated from the King in Copenhagen in 1814. “National identity is somewhat lacking and will have to be reconstructed”, a novelist (Vinje) dryly observed. Culturally the country was only successfully integrated with the advent of centrally provided public radio and later public television. The German occupation of 1940-1945 also helped galvanise the national mood; finally we had an outside enemy to unite against. (But with the abolishment of state monopolies on radio and television broadcasting, and the increased proliferation of new media sources, the districts may slowly grow apart again - who knows?) In short: a strong focus on regional equality may be a sign that regional identities are still strong; stronger than in Sweden, at any rate. (Perhaps there is an Italian parallel here, nation-building wise?)
• *It’s an effect of the peculiarities of our party system.* A less cultural/historic and more political explanation would point to the particulars of the Norwegian party system. Norway uses proportional representation and hence there are several parties represented in Parliament: the Progress Party (right-wing populist), the Conservatives, the Christian People’s party, the Liberals, the Agrarians, the Social Democrats and the Socialists. The rather anti-urban small Agrarian party often controls the crossover vote in the Norwegian parliament. Re-labelling themselves the “Center Party” some decades ago, the Agrarians have been willing to form coalition governments both left and right, if only their regional priorities are respected by their larger coalition partners. Although the Swedish party structure is quite similar (apart from a much small Progress Party), the Swedish social democrats have usually been able to control the parliamentary majority with support from the small Socialist party (plus a small Green party). Hence they have never had to give as many concessions to the Agrarians as their Norwegian sister party, or felt the same fear that a too centralised policy would drive the Agrarians permanently into the non-Socialist camp. It is a good example of the force of the median voter theorem in political science (Mueller 1989). The logic is also captured in the Norwegian folk saying: “In politics as in marriage, the power belongs to the one who has another place to go”.

b) How to combine regional equality with incentives for increased efficiency?

As pointed out above, many of the district subsidies discourage merging of municipalities, and give local councils only a limited incentive to develop a larger tax base. We thus face the age-old trade-off between equality and incentives; this time in a regional setting. There will always have to be a balance; but is our present balance a tad too much over at the equality side?

c) How to combine freedom and equality?

This is the core of the matter, and relates directly to the main theme of the rescaling project. On the one hand, there is consensus that local councils should have increased autonomy so that local preferences shall have a larger impact on local policies. On the other hand, and in particular as regards welfare provision, there is a strong egalitarian ethos in Norway, insisting that where you live shall have no effect on the number or quality of the welfare services you can receive. It is difficult, to say the least, to allow local councils larger autonomy in making their own priorities, and at the same time ensure that they none the less end up providing roughly the same type and quality of welfare provisions everywhere.

### 3 Horizontal institutions and actors (subsidiarity) at each level

#### 3.1 Setting up independent or semi-independent enterprises to deal with welfare service production and delivery

The national government, as well as county and local councils, may organise their service production and delivery in different forms of enterprises rather than to produce the services themselves. These enterprises may or may not be set up as independent or quasi-independent legal entities. The reform of the hospital sector (see above) is an example.
3.2 Outsourcing to private entities (non-profit as well as for-profit)

Outsourcing of service production (including welfare services) to private for-profit organisations has increased over the last 10 to 15 years. This represents a de-monopolisation of services traditionally delivered by public authorities.

Outsourcing to voluntary (third sector) organisations represents another way for Norwegian authorities to organise service production.

3.3 Horizontal institutions and actors at the national level

In the 1970s, tripartite collective bargaining was common in Norway. The state intervened as a partner in peak-level negotiations between labour unions and employer’s confederations, and used tax policy and welfare policy to secure deals and avoid labour unrest. This “democratic corporatism” was sometimes seen as a hallmark of the Norwegian way of doing things (Wilensky, 1983).

Over the years the National government eventually stopped engaging as a full partner in tripartite negotiations, because of a growing suspicion that employers and unions got together behind its back to maximise their deals with the government.

None the less, there is a tradition for talking together at the top. Lijphart (2001) has labelled polities like the Norwegian consensus democracies, in contrast to so-called majoritarian democracies found in particular in English-speaking countries (see Part 1). Consensus democracy implies that there are informal or semi-formal forums for deliberations and consultations among elites from different wakes in life. Tensions are prevented from escalating by informal elite level “governance”. A less charmed observer than Lijphart coined the expression someone-have-talked-together democracies to describe the same phenomenon.

As indicated above, horizontal institutions and actors deliberating together can be both good and bad at the same time. In the area of welfare policy, a formal public-private partnership agreement was reached between the major social partners and the national government in 2001. This so-called “intentional agreement” (intensjonsavtalen) on a more including working life is a primary example of a national, horizontal public-private partnership in the area of labour and social policy (see Part 3 for details).

3.4 Actors at the regional level

When organising services, county councils may set up different forms of enterprises, or negotiate deals with private for-profit organisations or voluntary (third sector) organisations.

Eight of 19 county councils have exposed one or more of their external delivered services to competition. With regards to maintenance of regional roads and public transport, about 2/3 is outsourced. (For delivering these two services there has also been a significant decrease in the use of the county councils own administration over the last 10 years.)

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1 The data reported in the following stems from a database over organisational solutions chosen by county and local councils, kept by the Ministry of Local Government and Regional Development. The registration started in 1996 and the database have been updated every forth year, last time in 2004. The main findings from the database re reported in Hovik and Stigen 2004.
For museums, all but two county councils use voluntary organisations to deliver services. Agreements or contracts with voluntary organisations are seldom or never exposed to competition.

In two counties, library and public transport services are delivered by some sort of inter-authority cooperation, where both county and local councils are involved. Two additional county councils have chosen a kind of internal enterprise (not an independent legal entity) to deliver public transport.

Two county councils utilise half-way private companies to deliver public transport.

All other services, including welfare services, are usually delivered by the county councils themselves.

### 3.5 Actors at the local level

The main picture is that the majority of services are produced by the local councils themselves. An important exception is technical services – including water, drains, refuse collection and fire brigades. In respectively 10, 8, 70 and 30 per cent of local councils these services are delivered by some sort of inter-authority cooperation, where local councils and/or county councils are involved.²

Local councils may also utilise the three kinds of organisational solutions already mentioned. As with the county councils, over 50 per cent of local councils (Oslo included) have exposed one or more of their services to competition. But usually only a limited amount of service production is exposed to competition. Maintenance of roads is an exception: about half of all local councils have outsourced this service.

Between 10 and 20 per cent of local councils use private for-profit organisations for refuse collection and disposal, for running cinemas and kindergartens, and for public housing.

Instead of full outsourcing local councils may use independent legal entities like limited companies (Ltds). They are more autonomous than public agencies, and may be self funded. At the local level limited companies are deliver refuse collection and disposal services in around 15 per cent of local councils. They run cinemas in 9 per cent of local councils, maintain and run sports grounds in 6 per cent, run cultural centres in 5 per cent, and public housing in 4 per cent of local councils.

Voluntary organisations are not extensively used by local councils. Around 10 per cent of local councils cooperate with voluntary organisation for maintaining and running parks and sports grounds, running cinemas and cultural centres as well as welfare service centre for the elderly. When it comes to housing disabled people and kindergartens, voluntary organisations are involved in some three percent of local councils (see part 3 for additional details).

In sum, and compared to other countries, outsourcing service production by Norwegian local governments is not very extensive (Baldersheim and Stålberg, 2003; Goldsmith, 2003). The local council themselves are still dominant service producers. This is especially true when it comes to the core welfare services like education, health care, social and child care and care for elderly and disabled people. In the rapidly expanding kindergarten sector, however, various types of publicly supervised private kindergartens are often run alongside municipal kindergartens, and receive public subsidies.

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² The data reported in the following stems from the same source as the data reported for the county councils, see the footnote above.
In addition to producing services, local councils are responsible for spatial planning, environmental protection and development of business activity. In such matters, a hierarchical relationship (subcontracting services) is difficult to establish. Rather, horizontal partnerships are needed. This kind of policy making and implementation often requires several private and public institutions and actors at the local level, involved in the management, delivery and funding of the solutions chosen. The existence of horizontal network organisations in this field is well documented (Fins tad and Aarsæther, 2003; Fimreite and Medalen, 2005; Hovik and Vabo, 2005; Hansen, Klausen and Vabo, 2006). However, no overview of their extensiveness is available (and due to the complexity of horizontal network organisations, probably never will be).

4 The model of regulation: how does coordination take place?

The above administrative and legal structures are difficult to summarise and force into preconceived and abstract theoretical categories. To paraphrase Goethe: “Grey, my friend, are all abstract categorisations, while green is the tree of real-life administrations”.

None the less, in conclusion it can be said that both judicial, economic and communicative instruments are used by national authorities to influence decisions made by county and local councils. Regional councils have lost decision-making authority to both the national government and local councils. The decision making power of local councils has been enhanced, although the national governments have maintained and increased their use of earmarked grants in the fields of old age care and kindergartens. Outsourcing to private non-profit or for-profit service providers is seldom used by county or local councils in the field of welfare services, but is used more often in other types of services.
Part 3
The process of rescaling in the four policy areas in Norway

1 The territorial organisation of the four policies involved

Changes in overall regulatory frame that has impacted on the territorial organisation of the four policy areas

1.1 Social assistance and local policies against poverty

Social assistance is and has been the responsibility of local councils (municipalities) since before the dawn of the Norwegian state. Local councils finance social assistance and poverty relief. Local councils decide how the relief should be organised locally. Local councils decide benefit levels (there are national government guidelines, but they are not legally binding). There have been no major changes in territorial organisation since the 1980s. The main national law is the Act on Social Services and Benefits.

1.2 Employment policies

The National Employment Directorate (Aetat), with regional and local sub-branches, is financed and run by the national state. There has been no major change in territorial organisation before 2005. In 2006-2010, the National Employment Directorate is being merged with the National Social Security Directorate (trygdeetaten) to create a new, unified labour-and-social-security Directorate (NAV). The new Directorate will be run and financed by the national government, via the newly created Ministry (Department) for Labour and Social Integration (headed by the new Minister for Labour and Social Integration).

1.3 Care for the elderly

Old age pensions are paid out by the National Social Security Directorate.

Services for the elderly were, are and have been a local council welfare responsibility. There has been no basic change in territorial organisation since 1980.

1.4 Integration of immigrants

Services for immigrants are run by local councils (municipalities). Services are financed by the national state through special funds. These funds are kept apart from “ordinary” government funds to municipalities (see Part 2, Table 2.4, for a presentation of how responsibilities have shifted between state and local councils in this area since 1980).
2 Norwegian Social Assistance and Local Policies against Poverty

2.1 Social Assistance: The Rock Bottom Safety Net

As a starting point, every Norwegian is in principle responsible for his or her own provision, by utilizing all sources of income and all other options of provision. This implies that all general forms of income, such as income from work, public and private pensions, family provision, family allowances, cash benefits, governmental housing benefits and other financial options, must be exhausted in full before social assistance becomes payable. Similarly all types of wealth (including real estate) may in principle be drawn into the picture before social assistance is measured out.

Social assistance will be granted when all other support options in connection with loss of income or in other social situations have been exhausted. Consequently, the assistance is the benefit of last resort in the overall welfare system. It will be given either as a substitute for other sources of income or as a supplement to a very low personal income. Social assistance is awarded and granted according to need in order to meet costs of living. Social assistance is subject to a household mean test. Social assistance does not influence the granting of any other social benefits or subsidies. It is a tax-free net benefit.

a) Who decides?

There is a national social assistance law: the Act on Social Services and Benefits. The law gives a huge berth for local councils to provide social assistance in almost any way they want. The local council is in charge of deciding how social assistance should be provided. There are no binding national standards concerning benefit levels. The national government has drawn up recommended “guidelines” for the award of the support, including guidelines for expenditure on current, daily costs. These guidelines are a recommended starting point for the estimates that local authorities have to make, but they are not legally binding.

b) Who finances (pays)?

Local councils finance social assistance benefits from their available revenues. There are no earmarked grants from the national government for this purpose. Local councils must thus finance social assistance from their own tax revenues, block grants or other general transfers from the national government (see Part 2).

c) Who administers (manages)?

Local councils administer social assistance benefits, and they are free to decide how the administration should be organised. Local councils are also free to decide their internal organisation of social assistance provision, for example if they want to have a specialised social assistance office, or rather provide social assistance in tandem with others transfers and services.

d) Who delivers the cash benefits?

The local street level bureaucrat (social worker employed by the municipality), usually sitting face to face with the claimant, delivers the social assistance cash benefit. The law specifies that he/she should use his/her “professional best judgement” both to decide if a claimant should get a benefit, and how much the claimant should get, subject to a household means test. The local council - and/or the local street level bureaucrat - also has the option to use softer means testing, or eventually skip means testing for shorter periods, if this is viewed as professionally the best choice in particular circumstances. Hence there are no specified national rules concerning exactly how the household
means test should be carried out. This is up to the professional discretion of the street-level bureaucrat. The local council may or may not issue local guidelines for the street-level bureaucrat to follow.

There is no upper limit to the amount of assistance that can be granted, which may also be granted by way of a loan. The national law further allows local councils (and/or street level bureaucrats) in special cases to grant financial assistance to people who are in need of help in order to overcome or adapt to a(191,126),(984,142) difficult situation, where they would otherwise not qualify for social assistance.

In conclusion, the Act on Social Services and Benefits is a so-called “frame law” (rammelov) which specifies general guidelines, but leaves local councils and/or street-level bureaucrats with a wide margin for filling in and specifying how social assistance should be provided, under which circumstances and how much.

Since so much is left to the professional discretion of street-level bureaucrats, one may ask to which extent the national government ensures that street level bureaucrats have professional training as social workers. Here also, local councils are given a wide berth of decision-making autonomy. Local councils are free to decide what kind of people they want to employ. They must not necessarily have formal education as social workers. In practice roughly 50 percent of them do. [Becoming a professional social worker usually requires three years at a university college (Hochschule).]

2.2 Services to the poor

a) Who designs?

Norway has a national health care system (roughly similar to the UK), and extensive kindergarten, preschool and elderly care facilities. They serve the poor and rich alike. There are also a large number of services that may (or may not) be used particularly by poorer segments of the population. All of these are decided upon by Parliament, but local councils have a wide margin of local decision-making autonomy in providing these services. Services include help in case of crises, family counselling, drug abuse, centres for battered women, reestablishment centres, homes for the homeless and others who may be in need of temporary accommodation. These services are also regulated in the Act on Social Services and Benefits.

b) Who finances (pays) and managers (administers)?

Social assistance services are financed and administered by local councils.

c) Who delivers social assistance services?

As stated above the delivery of social assistance cash benefits is in the hands of local social workers (street level bureaucrats). The delivery of a social assistance service may however be further outsourced to a private service provider. That can be a private for-profit organisation, or a private non-profit organisation (voluntary organisation). For example, special institutions provide treatment for alcohol abusers or drug addicts. Some of these are privately owned institutions that have agreements with the local councils to cover their costs. Hence the local council may have agreements with voluntary organisations (with or without a religious foundation) that provide the actual service financed by, and under supervision from, local or national authorities. Private for-profit organisations may also run this kind of rehabilitation services, but in practice such organisations tend to be non-profit.
Some social assistance services, particularly services involving psychiatric treatment, are also provided by the national psychiatric treatment system.

People may be compulsorily admitted to an institution for up to three months for examination and planning of treatment. Pregnant drug or alcohol abusers may be compulsorily admitted to an institution and kept there during the entire pregnancy, if the abuse is of such a nature that it is likely to harm the child, and other measures are not considered to be sufficient.

2.3 Changes 1980 - 2005 in social assistance and services to the poor

The Act on Social Services and Benefits (“lov om sosiale tjenester”) is a direct legal descendant of the old Dano-Norwegian Poor Law, dating back to before 1814 when Norway was part of the Danish empire. (Denmark in her old days of Empire also controlled Lanenburg and Slesvig-Holstein. Denmark gained control over both Norway and Sweden in 1397, after a century when the Black Death had swept most of Scandinavia clean, but Sweden fairly soon thereafter became an independent nation. Norway stayed on as part of Denmark till 1814.) To finance, manage and deliver the bottom floor safety net for the poor has always been a local council responsibility.

In 1991, when the present law came into force, local councils got the right to condition social assistance benefits on work or retraining efforts. Thus local councils are allowed to organise social assistance as workfare (similar to US states, although Norwegians like to imagine they have a more subtle approach to how workfare is implemented). There is wide variation between local councils as to if and how they condition benefits on retraining, work, or other activation measures, or just “passively” dole it out. Also in this regard, local councils have decision-making autonomy to decide if and how they want to provide social assistance - within the general (wide) framework of the national law.

Social assistance is meant to be a short-term benefit, but there is no formal time limit on how long it can be received.

A 2004 amendment to the Act on Social Services and benefits granted social assistance recipients the right to an “individual plan”. The plan is to be worked out between the street level bureaucrat and the user, in cooperation. The Act also specifies that the social administration in the municipality should cooperate with other relevant agencies (voluntary organisations, health service providers, the local branch of the national employment directorate etc) when setting up and executing the individual plan. In this fashion, elements of “network-management” and “governance” have been introduced (by national dictate) at the local level.

2.4 Scientific/political/media debate concerning social assistance and services to the poor

a) Why is Norwegian social assistance so residual, means-tested and discretion-based?

Social policy scholars flying in from Britain or Germany to study the Scandinavia “universal” welfare approach are often puzzled when they find a social assistance system much more residual, means-tested and discretionary than in Britain or Germany! And it is true. Norwegian social assistance resembles the old-style European Poor Law-tradition from which it originated much more closely than social assistance schemes in Britain and Germany. (Italy may not be so different from Norway, though; although I’m half-guessing here.)
It is indeed a puzzle. The best explanation has been put forward by Ivar Lodemel (1997), in a study comparing social assistance in Britain and Norway. Lodemel claims that Norwegian social assistance is more residual than in Britain precisely because everything else is more universal. Poor old age pensioners get the residence based flat-rate minimum pension; they do not have to rely on social assistance. Single parents get the special (residence-based) social security benefit for single parents; they do not rely on social assistance. Disabled people who never got a foothold in the labour market are treated “as if” they earned an average income at birth and get an average disability pension; they do not rely on social assistance. And so on. In short: All the worthy and/or large groups of potential recipients of social assistance are co-opted into the social security schemes. This leaves social assistance as a scheme serving the truly marginalised in society; groups with little voting power and even less lobbying power. Consequently they end up in a more discretionary system than in Britain or Germany, where large and somewhat powerful groups have to rely on social assistance, and hence politicians have created a more legally specific system than in Norway. [Afterthought: Although Lodemel’s elegant explanation can hardly explain why Italian social assistance is also very residual, if that is the case.]

2.5 Is the policy area getting more important over time?

No, not really. Not in recent years anyway. The number of social assistance claimants is not growing at present.

3 Employment policy in Norway

Across Europe, employment rates among the elderly started to decline after the first oil crisis in 1973. But Norway is a partial exception to this rule. As pointed out in part 1, labor force participation is higher in Norway than in any other European country, except Iceland. However, high employment rates are coupled with one of the highest rates of disability pensions in Europe. Only Poland and Portugal have a higher percentage of disability pensioners, while the level in Sweden and the Netherlands is roughly on par with Norway (Solem and Overbye, 2004).

High employment, as well as high disability rates, is tied to the influx of women in the labor market. New cohorts of employed women are gradually replacing elderly cohorts where homework still predominates. This process has gone furthest in the Nordic countries (including Norway), where female employment rates are higher than in most other European countries, in particular among elderly women.

Labour-market policy contribute to the reduction of structural unemployment via active measures (rehabilitation, education, requalification), as well as ordinary unemployment benefits for the unemployed. Activating measures amount to approximately one third of total expenditures on labour market measures (Nososko, 2005).

According to the European Economic Agreement (EEA) Norway, Iceland and Liechtenstein participate in the EU common labour market on equal terms. This means that EU citizens can work in Norway in the same fashion as in EU states, and vice versa.

Thanks to the favourable economic conditions in Norway at present (as stated in part 1 it’s boom time right now), more EU citizens are taking up work in Norway than in any other Nordic country. The influx is large from EU’s new member countries, in particular from the Baltic states and Northern Poland (tough and competent people who like us enjoy waking up to a new metre of
snow!) Europeans living further south that northern Poland mostly arrive through marriage, if at all. The pull of a high wage, full employment economy is apparently not enough in itself to compensate for the long winter; there must be some extra bonus to get them here. But then again perhaps many EU citizens are simply not aware of the EEA agreement. Not many go to Iceland either.

3.1 Overview of cash benefits and services in the event of unemployment

3.1.1 Unemployment benefits

Unemployment benefit is a statutory benefit payable to people who become unemployed. The benefit is to compensate for lost income, and to contribute to the maintenance of a reasonable standard of living for people who have lost their jobs. The compensation level and a limited payment period aim to ensure that unemployed people are encouraged to seek and take on a new job.

Norwegian unemployment insurance is compulsory for wage earners. There is one unified public scheme covering all occupational groups.

a) Who decides?

Parliament ("Stortinget") decides on all aspects of unemployment insurance. The law is very specific (very different from the law on social assistance in that respect!) Regional councils and local councils play no role. Administration is in the hands of the National Employment Directorate (cf the figure in Part 2). As mentioned earlier, this Directorate ("Aetat") is to be merged with the National Social Security Directorate ("Trygdeetaten") between 2006 and 2010.

The social partners, including the trade unions, are also kept on the outside. They have no formal influence on how the unemployment insurance system is set up or administered. It is a pure public (state) system. (The situation is quite different from our neighbour Sweden in this respect. In Sweden, unemployment insurance is in principle voluntary and tied in various ways to trade union membership.)

b) Who pays and manages?

The unemployment insurance scheme is financed via the national budget and administered (managed) by the National Employment Directorate, including its regional and local branches.

c) Who delivers unemployment cash benefits?

The street level bureaucrat (employed by the local branch of the National Employment Directorate) delivers the unemployment benefit. He/she has far less discretion than the street level bureaucrat delivering social assistance benefits. However, there is some limited scope for professional discretion even when distributing unemployment benefits. To understand how much, knowledge of the specific rules is necessary:

1) The first prerequisite for being entitled to unemployment benefits is that one has earned an income of at least 1.5 times the so-called base amount (corresponding to euro 6,878 in 2003) during the previous calendar year; or at least 3 times the base amount during the past three years, corresponding to euro 13,757, prior to becoming unemployed. (100 NOK = 12.4 Euro.) Here there is no room for discretion.
[An important digression: The base amount (“Grunnbeløpet”) is a core component - some would say the core component - of the Norwegian social security system. Most social security cash benefits are tied to the base amount and indexed according to changes in the base amount. Unlike Sweden (which has a base amount with similar functions), it is not adjusted according to any predefined price index or wage index. Instead, the base amount is adjusted once a year by Parliament after prior consultations between core state departments (including the Department of Finance), major trade unions, major employer’s organisations, and major organisations representing the disabled and old age pensioners. These partners meet once a year in a special forum, “Kontaktutvalget”. This forum also discusses eventual increases in more targeted benefits, such as the size of the disability benefit awarded to those who are born disabled, special home help for the severely disabled etc. Formally they do not negotiate, since Parliament according to the Constitution has the supreme power to decide in all matters concerning the size and composition of the state budget. In practice, however, Parliament seldom deviates from what the forum suggests (although it has happened). This semi-corporatist indexing procedure can be considered part of the democratic corporatism-tradition depicted by Wilensky (cf Part 1). One may eventually also use labels such as top-level “network management” or “governance” to describe this procedure.]

2) A previous income of at least twice the base amount (corresponding to euro 9.171) gives right to receive unemployment benefits up to 104 weeks. If previously earned income has been less that twice the base amount, the period is reduced to 78 weeks. However, individuals over 64 years are always ensured daily cash benefits until they reach pension age at 67. Again, here there is no room for discretion. The street level bureaucrat must simply follow the rules. (The calculation of benefits is often done by computers, which makes sense since the ideal is that the street level bureaucrat should act as a computer, following pre-specified rules to the letter.)

3) Entitlement to unemployment benefits is further subject to a person being registered with the employment service as seeking employment, and be “available” to take on work. There is some room for discretion in deciding what “available” means (but not much).

4) To be entitled to unemployment benefits, one must further have had a (involuntary) reduction of at least 50 per cent of the “normal working hours” prior to becoming unemployed. There is some room for discretion in defining the length of “normal working hours” (but not much).

5) Claimants must be “able to take on work”. They must be “active in their job search”. They must accept offers of activation and of “suitable work”. They must be willing to be “geographically mobile”. Although national guidelines exist as to how these conditions should be interpreted, there is in practice room for discretion on behalf of the street level bureaucrat to decide if these conditions are fulfilled.

6) There is a five day waiting period during which unemployment benefits are not payable. No room for discretion here.

7) There is also no room for discretion in deciding compensation levels. The compensation level for insured people depends first and foremost on the amount of the daily cash benefit in relation to previous income. As regards families with children, a supplement for children is payable. In addition, the amount of both housing benefits and charges payable for day-care institutions are adjusted in relation to income.
3.1.2 Employment services

Employment services are free of charge (no user fees). They provide services to both job seekers and employers.

Employment services consist of guidance concerning employment and training/education, provision of work to the unemployed and other job seekers, and service provision to enterprises in connection with recruitment of labour. Mobility-promoting benefits are also available.

The unemployed must participate in activating measures (training/education), and be willing to accept job offers, in order to maintain entitlement to unemployment benefits.

a) Who decides?

Employment services are run by the central government through the National Employment Directorate. Regional and local councils have no influence on the system. National laws regulate access. Parliament decides the laws and regulations for the Employment Directorate to fulfil. Parliament also decides how many regional and local employment offices there should be in the Directorate.

b) Who pays?

Parliament allocates money for the administration, as well as for the services, provided by the National Employment Directorate. Employment services are financed from the central government.

c) Who manages (administrates)?

That national government is responsible for administering the system. The newly established Ministry (Department) for Labour and Social Inclusion, headed by the Minister of Labour and Social Inclusion, formally supervises both the National Employment Directorate and the National Social Security Directorate (now to be merged into one).

The local administrator (street level bureaucrat) in the local labour office decides who should get what when it comes to employment services. In this part of the system, there is considerable room for discretion. Much more than when administering unemployment cash benefits. Here are the details concerning the administration of employment services:

1) The lower age limit for the implementation of active labour-market measures depends on the measure in question (16 or 18 years).

2) Increasing support has been given to active labour-market measures during the 1990s. These measures have increasingly been targeted at “groups that are most at risk” in the labour market. There is some room for discretion to decide who is considered particularly at risk.

3) During the first part of the unemployment period, the focus is on the claimant’s own activation and motivation for work. If this proves insufficient, jobseekers that are in need of more comprehensive assistance will be offered individual follow-up and guidance. As a rule, active labour market measures will be offered only after an unemployment period of six months. There is some room for discretion to decide if the claimant’s motivation is “sufficient” or not, what type of follow-up guidance that is best, and what type of active measure that is deemed most effective (for example, sponsored further education or a subsidised job?) The measures should be agreed upon in consultations with the claimant, and made into an individual plan.

d) Who delivers employment services?
The vast majority of job provision takes place directly between enterprises and employees without the involvement of public employment centres. In that sense, most of what is going on as regards employment services are in “private” hands and never enters the public sphere.

Most of the job provision that takes place in public employment centres goes via IT based job databases. Here, job seekers enter their job profiles. Job provision also takes place through private job databases with similar job-seeking options.

When it comes to active labour market measures like training services, some are delivered by the National Employment Directorate itself. But some are outsourced to private sub-contractors, for-profit or non-profit.

There are also private for-profit employment service providers in Norway (e.g. Manpower).

Public employment offices may on occasion use private agencies as sub-contractors, but this is not done to any large extent when it comes to regular employment services. Outsourcing is used more often when buying particular occupational rehabilitation services from private organisations (including University Colleges). Voluntary organisations may also be used as subcontractors. This practice is not particularly widespread, however.

**Scientific/political/media debate:**

a) Should the National Employment Directorate attempt to be the dominant employment agency for all jobseekers, or only for problematic or marginalised jobseekers?

The National Employment Directorate has been wary that it may become the main employment agency only for “problematic” jobseekers. The Directorate fears that “unproblematic” jobseekers will choose private employment providers (such as Manpower), or rely more on job advertisements in major newspapers, or use informal channels (friends and family) even more than today. The merging of the National Employment Directorate with the National Social Security Directorate may speed up such a development. The Directorate fears that being channelled into work through them may begin to carry a certain stigma. That is, employers may be reluctant to employ jobseekers coming from the Directorate, assuming that there is a higher-than-average risk that these jobseekers have problems of some sort. This in turn may result in a self-fulfilling prophecy where unproblematic jobseekers avoid the National Directorate to an even larger extent than today, which increases the stigma of being channelled through the Directorate, and so on.

The main counter-argument to this worry is that if the National Directorate does not give priority to help “problematic” jobseekers into work, then no one else will. Private employment agencies will deliberately avoid problematic jobseekers in order to enhance their reputation in the eyes of employers, and - being private - they cannot be instructed by the government also to take on problematic jobseekers.

b) Should employment service providers be given differentiated subsidies depending on their success rates?

There is talk of subsidising the providers of employment services (be they public or private), by way of a differentiated subsidy that is higher if the employment agency manages to get a “problematic” jobseeker into work than a less “problematic” jobseeker. This is a New Public Management idea. This idea raises problems concerning how to operationalise and measure different degrees of “problems”, the risk of stigmatising users, the risk that administrative costs of
3.1.3 Changes 1980 - 2005 in employment policies

a) The work line triumphs

Beginning in 1992, the so-called work line (“arbeidslinjen”) has gradually became the dominant frame of reference for both labour and welfare politics in Norway. (Gramsci would undoubtedly have said: the hegemonic discourse.) Welfare policies (broadly defined) have been redesigned so that “work shall always be the first preferred option”. A Labour government (Gro Harlem Brundtland III) initiated the change. Although the work line was nothing fundamentally new, it implied a strengthening of the work-oriented policy of Norwegian governments, and a corresponding weakening of a socio-liberal “citizen’s wage” approach to social protection. “People ought to work because it’s good for them and if they don’t understand that we’ll have to teach them” might be a - slightly prejudiced - way of putting the standard view of today.

Unlike many continental European countries (France for example), Norwegian governments never caught on to the idea that some people - in particular the elderly - should be encouraged into retirement to “make room” for younger generations. Economists (the most influential group of social scientists in Norway) advised politicians that there was not a fixed amount of jobs out there that could be parcelled out. Rather, demand for labour was something that expanded and contracted; and to encourage early exit might lead to overall contraction rather than to more job openings for younger generations. More importantly, Norway avoided mass unemployment in the 1970s and 1980s (as argued in part 1 we lucked out thanks to oil, and/or our deft handling of the economy). Hence ruling politicians faced no massive pressure from trade unions (who tend to organise primarily older cohorts of workers and thus pay special heed to their interests) to create better early retirement options. Consequently the shift to “activation” now being keenly felt across Europe (and endorsed by EU) is almost certainly perceived less like a shift in a new direction in Norway than, say, in France.

The work line (aka activation, aka insertion, aka integration in the labour market) can be carried out with pleasant or less pleasant public measures. Pleasant measures include a) increased offers of re-education, rehabilitation, life-long learning, b) incentives for improved work environments, c) better kindergarten facilities, better after-school care options, d) special grants to accommodate the disabled, economic encouragements to lure disability and old age pensioners back into work, e) softening or abolishing means-tests to reduce the “marginal tax rate” when beneficiaries go back to work, f) various encouragements to get the social partners to take more responsibility for marginal labour, and so on. But the work line can also be pursued by less pleasant measures, such as a) benefit cuts, b) shorter benefit periods, c) stricter entry criteria into benefit systems, d) increased supervision, e) tougher rules for claiming unemployment benefits (such as widening the types of job offers a person must accept to include even job offers he/she is formally overqualified for), f) tougher rules for claiming social assistance benefits (including workfare), and so on. Both pleasant and less pleasant activation measures have been expanded in Norway since 1992. However, benefit levels have not been cut so far. This is the one type of “activation measure” Norwegian governments of all colours have shed away from.

[Digression: Tony Blair once made the point that he is not a Scandinavian-type social democrat. What he should have said is that he is not what most British social policy experts believe are a
typical Scandinavian social democrat. The British social policy tradition, enamoured by its own
citizenship-based socio-liberal foundations (Beveridge, Titmuss), sometimes come to Scandinavia
praising their Scandinavian colleagues for the citizenship-qualities of the Scandinavian welfare
state. Which earns uneasy smiles on the Scandinavian side, the way you smile when someone flatter
you for something you do not quite think you deserve flatter for. True, we have quite generous
residence-based minimum social security benefits for almost all. But none the less the Nordic
welfare states in general, including the Norwegian, are work-obsessed. Perhaps because the
protestant mindset of dead generations still haunts the secularised minds of the living. Or perhaps
because the dominant social democratic party has always been suspicious of anyone living without
working, be they capitalists or welfare recipients. Whatever the deeper reasons, this obsession with
work goes a long way in explaining why no European country except Iceland has a larger
percentage of the working age population in the formal labour force. Tony Blair: We got there first
(although not all of us are necessarily proud of it).]

b) The one door policy triumphs

Up till 2005 Norway had a traditional division of labour between welfare agencies: a National
Employment Directorate, a National Social Security (“trygd”) Directorate, plus a local (municipal)
social assistance service. During the 1990s arguments surfaced that this administrative division of
labour created a not-my-table problem. Street level bureaucrats supposedly sent clients between
agencies without anyone taking overall responsibility. Or alternatively, clients were not sent along
to a more relevant government agency, but served where they first appeared.

During the 1990s this presumed suboptimal administrative division of labour became a major theme
for debate. Several government commissions were set up to investigate the issue.

The main “grey zone” between the National Employment Directorate and the National Social
Security Directorate consisted of people “too sick to work, too healthy to claim disability benefits”.
This group were channelled into rehabilitation schemes. Rehabilitation was initially the
responsibility of the National Social Security Directorate. During the 1990s the responsibility was
gradually shifted to the National Employment Directorate.

Then, in 2005, Parliament decided to merge the Social Security Directorate and the Employment
Directorate. The new, merged Directorate (NAV) shall become one in the period 2006-2010. It is
the largest reorganisation of welfare services in Norway ever. (Germany has recently carried out a
restructuring of similar type government agencies that may seem to be inspired by somewhat
similar ideas.)

At the same time, Parliament ordered local councils to set up a formal contract with the merged
NAV Directorate, to better coordinate the work of NAV and local social assistance offices.
Parliament further decided that, as a minimum, this contract must include a paragraph stating that
the local social assistance office and the local NAV office is located in the same building. This is
termed the “one door” policy. It literally means that claimants for unemployment benefits, social
security benefits and social assistance benefits must all go through the same front door in order to
claim their benefits on the other side. (Perhaps a secularized version of the Pearly Gate? No, not
really. That would be to carry the religious connotations of Norwegian welfare policies too far.)

It remains to be seen how this merger of three welfare agencies, with very different traditions and
manned by rather different people, will work in practice. 16000 employees from three very different
organisational cultures shall now learn to live and work together. Challenges are the spice of life.
Digression: As mentioned in Part 1 the typical procedure when Norwegian politicians want to change things is to churn out several thorough and academic-style commission reports in hundreds of pages. Their implicit function is to create consensus among warring parties and interest organisations about how the situation should be defined, and what are the pragmatic best solutions. This was also done when the one door-policy was prepared. The rhetoric style in these reports is very different from British government reports and white papers, which are generally shorter and sometimes almost literary products with splendid rhetoric. Norwegians become four feet-on-ground troglodytes in important matters; we are suspicious of splendid rhetoric and strive for solid, grey dullness. The more important (potentially dangerous) the political issue, the duller our commissions strive to write about it. Perhaps we are similar to the Germans in this respect?

c) New, formalised public-private partnerships

An “intentional agreement” on a more including working life was agreed upon by the government and the social partners in 2001. The agreement comes out of yet another commission report, “An Including Working Life” (NOU, 2000:27). The agreement aimed to reduce sickness absence by 20 per cent by the end of 2005, through increased focus on rehabilitation and retraining. The social partners joined the agreement under the implicit threat that the alternative was cutbacks in the sickness benefit scheme. Sickness benefits are very generous: All workers can remain on sick leave up to one year with full pay, and there are no waiting days. This once again illustrates how Norwegian governments have so far been unwilling to use benefit cutbacks as an “activation measure”. Almost everything else is tried, but not that.

Is this policy area getting more important over time?

The Big Issue in Norway is how to curb the rise in disability pensioners. Other benefits (unemployment etc.) are of course always important. But since Norway is close to full employment, and even considers encouraging labour immigration from outside EU (similar to the open door policy of the 1960s and early 1970s, when large groups of Pakistani settled in Norway), unemployment is not a particularly important issue at the moment.

Disability pensions represent the most widespread early exit-option in Norway. In 1999 10 per cent of the overall population aged 16-66 received a disability pension (Rikstrygdeverket, 2000: 123). If vocational training and rehabilitation benefits are included, Norway spends a larger share of GDP on disability-related benefits than any other OECD country (OECD, 2002: 2). Norway is also one of very few countries where women are more numerous than men on the disability rolls. This partly reflects the high labor force participation among women, and partly the fact that non-workers (homeworkers) are eligible for a minimum disability pension in their own right. Since a disability pension may be awarded from age 18, the share of under-45s on disability pensions is high compared to continental-European countries, where eligibility is often restricted to those with a long employment record. In Norway as elsewhere, recipients with mental diseases - in particular “light” mental diseases (depression, neuroses, chronic fatigue syndrome etc.) – represent a large and growing share of disability recipients.

3.2 Care for the elderly

Norway has only to a limited extent followed the rest of Europe by reducing retirement ages or by introducing public early exit schemes. When public superannuation was introduced in 1967
eligibility for old age pensions remained 70 years. In 1973 the retirement age was reduced to 67 years, where it still remains. To create incentives for workers to remain employed up to 70, a higher pension was granted when retirement was postponed. Also, an option for gradual retirement (as well as a partial pension) has been added between 67 and 70. Beginning in 1986, the social partners have set up a collectively bargained early retirement scheme allowing workers the opportunity to retire already at age 62.

We disregard the old age and early retirement pension systems and deal only with services to the elderly (services to the old elderly) in the remainder of this section.

### 3.2.1 Homes for the elderly

The majority of the older population lives in owner-occupied houses or apartments. Few live in rented apartments. Only a minority lives in housing specially adapted to older people. Houses particularly adapted to older people can be divided into two main types:

- **Institutions** (nursing homes/homes for the long-term ill/old people’s homes).
- **Service housing** (sheltered homes/service flats/collective housing/housing where special care is provided).

Elderly people may also, to varying degrees, be offered long-term medical treatment in hospital wards - often in the so-called geriatric wards. There are also special wards in some nursing homes where elderly people who live in their own homes may be admitted on a short-term basis when needed.

a) Who decides?

Special housing for the inform elderly is the responsibility of local councils.

b) Who pays?

Local councils pay. However, as shown in part 2, the state channels large earmarked grants to the local councils for this purpose, despite the official and widely shared principle that block grants are preferable to earmarked grants. This is an indication that in this policy area, national governments do not accept if local councils give low priority to building and running sufficient special homes for the infirm elderly.

Local councils may finance housing for the elderly partly through user charges.

The conditions concerning user charges payable for stays in nursing homes and institutions for disabled people are defined centrally (by the national government). User charges depend on a patient’s income and are fixed on the basis of centrally laid down national rules. The local council can claim a user charge amounting to a maximum of 85 per cent of the user’s income. Wealth is not confiscated. Thus a person living in a nursing home still keeps his/her bank account, although the interest on the account is regarded as income, hence 85 percent can be taken as part of the user fee. Local councils are not allowed to touch owner-occupied houses, leisure cottages (about half of all Norwegian households own at least one) or other real assets owned by the user.

c) Who manages (administrers)?

Local councils administer the overall supply of elderly care, including nursing homes, in the municipality. But the day-to-day administration of homes for the elderly may be run by private for-profit or not-profit organisations, if these services are contracted out (see below).
d) Who delivers the care?
Most often, the local council (municipality) runs the nursing homes and other welfare services as public enterprises, or as an integral part of the municipal organisation. Outsourcing to private service producers is only done in a few municipalities.

The previous non-socialist coalition government that lost power in the 2005 general election encouraged outsourcing. The new social democratic coalition government that won the election wants to limit outsourcing. Formally the local councils, not the national government, decide on this issue; but as shown in Part 2 the government has many ways to encourage or discourage local councils. However, the new social democratic government (dominated by the large social democratic party but also including the small socialist and agrarian parties) may be divided on the issue. The social democratic party is more lukewarm in their opposition to outsourcing that the agrarians and the socialists. Perhaps this will result in a hands-off approach to let those local councils that want to, experiment further.

3.2.2 Home help
Home help (house cleaning etc.) is provided to elderly living at home who have problems with Activities of Daily Living (ADL). The extent of assistance is determined on the basis of individual needs. It may vary from a few hours per month to several hours per day. Home help is a local council responsibility, financed and administered by the local council. The actual services are usually delivered by publicly employed home helpers, but some local councils have contracted out the actual service production to private for-profit or non-profit subcontractors. This practice is not very widespread, however. In short, the situation is rather similar to the provision of elderly homes (see above).

Local councils are allowed to levy user charges, but the amount must not exceed the actual costs. If the registered income of the user is below levels specified by the national government, user charges must not exceed euro 12 per month. Besides, user charges must not be charged for that part of home help that is personal care and nursing.

3.2.3 Support Schemes and Leisure Activities
Pensioners are offered various kinds of support schemes and activating measures, either on a municipal or on a sponsored private basis. The range of such services and activities is allowed to vary between municipalities.

Support schemes mainly aim at enabling elderly people to remain in their own homes for as long as possible. Service schemes include delivery of meals, telephone chains, home-visiting schemes, physiotherapy and occupational therapy, hairdressing, pedicure, gardening and snow clearing (important in Norway!). There are also schemes for washing and mending clothes. There are no centrally agreed policies regarding payment, but usually a user fee is charged for the provision of meals, pedicure and gardening. Part of these activities may take place in the special centres for elderly people.

A transport service scheme is a service to elderly or disabled people who are unable to use public transport or to get about on their own.
Is this policy area getting more important over time?

The population is steadily getting older, so the answer must be yes. Besides, it has gotten steadily more important in terms of manpower used. Alongside kindergartens, elderly care has been the fastest expanding service sector for many years.

3.3 Integration of immigrants

There are four ways to gain legal residency in Norway. 1) labour immigration, 2) coming as a refugee applying for asylum; 3) family reunion with someone who has permanent residency; or 4) marrying someone who has permanent residency.

3.3.1 Labour immigration

As mentioned earlier, Norway is part of the European Economic Agreement (EEA) together with Iceland, Liechtenstein and EU member countries. The EEA agreement states that the common labour market encompasses all EEA countries, not only EU countries. That means that EU citizens can take up work in Norway in the same fashion as in EU states, and vice versa.

There is a small quota of specific high-skilled professions from outside EU who may be accepted as labour immigrants. There are also some immigrant quotas for fish factories in the far north. Fish factories in the far North have chronic problems attracting people to work in the factories. But these groups are small. Labour immigration is mostly immigration from EU countries. Labour immigrants from EU countries have the same rights as regards access to health care, social security and welfare services as Norwegian citizens. This follows from several EU directives prohibiting favouring own citizens above citizens from other EU countries. The EEA agreement states that these EU directives must also be followed by Norway, Iceland and Liechtenstein. (The most important is EU directive 1408/71.)

There are no special publicly financed integration programmes for labour immigrants coming from EU, or other labour immigrants for that matter. But several private institutions, including various voluntary organisations, may offer help; and their activity may be subsidised by the state.

3.3.2 Immigration through marriage

In the case of marriage, immigrants may also come from outside EU/EEA.

There are some rules and regulations which may de facto deter or delay immigration through marriage from outside EEA, or outside countries Norway have special bilateral agreements with, but it is not forbidden to marry outside EEA! No Festung Norway in this regard.

[Digression: Norwegian media usually spin stories about Norwegian women marrying foreign men as stories showing how stiff and dour Norwegian males are. (“We must simply look to Italy or other places for passionate men”, says Mrs x.) They spin stories about Norwegian men marrying foreign women as stories showing how stiff and dour Norwegian males are. (“They are simply unable to attract any of us”, says Miss y.) Norwegian males, being stiff and dour, have learned to live with this.]

As for labour immigration there are no special publicly financed integration programmes for immigrants coming to Norway through marriage. But several private institutions, including various voluntary organisations, may offer help; and their activity may be subsidised by the state.
3.3.3 Refuges and family reunion

Norway has acceded to the Geneva Convention on the Right to Political Asylum/Refugee Status for people who, due to race, nationality, political views or special social affiliation, are persecuted in their home countries. Apart from being granted refugee status proper, asylum seekers may alternatively be granted permanent residence permits in Norway “on humanitarian grounds”. This usually means that the authorities are unable to verify clearly that the asylum seeker has been persecuted, but regards is sufficiently probable that the asylum seeker is granted the benefit of doubt. Very few are granted refugee status (apart from quota refugees). Most of those asylum seekers who come to Norway individually are granted permanent residency “on humanitarian grounds”, if they are granted permanent residency in the first place.

People who are granted permanent residence may then be granted residence permits to their close relatives. This is the reunification of families path to immigration.

Asylum seekers are received in a government refugee centre are granted a maintenance allowance according to special rules that apply to people staying at such centres. The National Government covers the local authorities’ average expenditure on refugees, plus to people who are staying in the country on humanitarian grounds, during the first five years of their stay (see Part 2, Table 2.4 for additional information).

Social assistance to refugees is awarded according to the Act on Social Services and Benefits in the same way as to all other recipients of social assistance (see section on social assistance). However, a scheme has recently been introduced entitling and obliging newly arrived immigrants who need basic qualifications to partake in an individually planned training programme. This so-called “introduction programme” was implemented as a voluntary programme for the municipalities in 2003, and became a compulsory programme in 2004. The programme runs for up to two years, and is full time. The programme is administered by the local councils. It contains courses in Norwegian, knowledge of Norwegian society, plus measures directed at preparing the newcomer to enter the labour market. Local councils may provide these courses themselves, or outsource them to private providers. The participant in the introductory programme is entitled to an annual “introductory benefit” of euro 9,171. This benefit is financed directly by the state, not by the local councils. As a supplement to this benefit, local councils may award social assistance according to the current (discretionary) rules.

The introductory benefit is lost if the introduction programme is not followed, and there are cutback rules if attendance is low without valid reasons. Unlike social assistance, the introductory benefit is given to the individual, independent on his/her household situation (no household means test). Although not put in print anywhere, this is done to encourage more women to take the introduction programme. Plus to give fathers and husbands an economic interest that their daughters and wives take the introduction programme. Underlying this attempt to secure a high take-up rate among immigrant women is the assumption that “if you integrate a man, you only integrate an individual. If you integrate a woman, you integrate a family”.

3.3.4 Illegal immigration

Illegal immigrants exist in Norway but not many of them, despite low unemployment and a material living standard roughly on par with Switzerland.

A brief look at the map explains why. Norway is a long way off from countries that illegal immigrants mostly come from. Besides, you must cross the sea to get here from the Continent.
From a continental European perspective Norway/Sweden can be regarded as de facto island states, similar to Britain and Ireland, although technically forming one of Western Europe’s four major peninsulas.

Then there is the language barrier. Norwegian is spoken by approx 4.6 million people and understood by max 12 million. (Swedish, Norwegian and Danish are practically the same language, although not all Scandinavians want to admit it.) It is a language in the Germanic family. Since illegal immigrants undoubtedly know that life will be easier if they already speak the langue, most illegal immigrants who know a bit of some other European language will try to settle there rather than in Norway.

Consequently, Norway has limited experience with handling the few illegal immigrants that are detected. The largest group is “unreturnable” asylum seekers who are denied permanent residency but refuse to leave, or are not allowed to return by their home country, or their home country is unknown. (Asylum seekers often arrive without papers and some refuse to give information about themselves.) In practice some are granted permanent residency if they manage to stay long enough, for example in the sanctuary of churches. Churches sometimes grant asylum seekers who have been denied permanent residency “church asylum”. For PR and other reasons, Norwegian politicians have been reluctant to send police into churches to drag asylum seekers out. Some stay for years this way. But there has never been a general amnesty for illegal immigrants.

**Scientific/political/media debates concerning immigration**

a) Should even illegal residents have access to basic welfare benefits and services? (Or rather: how basic should the benefits and services be?)

There is a debate about the social rights of illegal immigrants. Should they have the right to emergency/basic health care? Certainly. But how basic? That is the question.

Similarly in the area of social assistance. Should illegal residents have right to emergency social assistance to prevent dire poverty? Some local councils have tried to deny social assistance to illegal immigrants. The national government has deemed that this as not allowed under the Act of Social Assistance and Social Benefits: even illegal residents (and their children) should not live in dire poverty. The question remains, however, how local councils define (or are allowed to define) concepts such as “emergency health care” and “dire poverty”. Can local councils use a stricter and more limited poverty concept when dealing with illegal residents than when dealing with legal residents? No one has any clear idea, and the issue has never been tested in court.

Norway prides itself with being a universal welfare state. But where is the limit of universalism? The debate on the social rights of illegal residents is fascinating because it lightens up the border area of a welfare state that strives to maintain a universalist ambition.

b) Should old immigrants with a short residency period have an old age benefit different from social assistance?

The Norwegian flat-rate minimum pension requires 40 years of residency after age 16 to get a full benefit. Immigrants arriving late from countries outside EU (usually through family reunion) often have limited pension rights where they come from, and some used to claim social assistance in Norway. In line with the Norwegian tradition of relegating as many long-term claimants as possible to special schemes outside social assistance proper, a special old-age benefit was introduced in 2005 for old immigrants with a limited residency period in Norway. The benefit is strictly means-tested, but not discretionary the way social assistance benefits are.
Asylum seekers who are granted proper refugee status, including quota refugees, are treated “as if” they had 40 years of residency when they reach retirement age, and hence get the full minimum benefit even if they arrived late in life and never took up work. The means-tested old age benefit is thus primary of importance for elderly asylum seekers who were granted permanent residency on humanitarian grounds, or arrived through family reunion.

c) Can immigrants claim disability benefits?

Asylum seekers often have tough life histories. Since the official Norwegian immigration policy is to weed out labour immigrants masquerading as refugees, an asylum seeker who is unable to work (for reasons of documented trauma, torture and persecution) may actually stand a better chance to get a permanent residence permit that an able and fit asylum seeker. These people may then in principle claim a disability pension, since the Norwegian minimum disability pension is residency-based. However, the fine print in the social security legislation states that if a person is regarded as more than 50 percent disabled when entering the country, he/she can be denied the disability pension. The problem remains, though, that some disabled asylum seekers are granted permanent residency and then denied access to disability pensions. How do they live? We do not know.

Is this policy area getting more important over time?

Intensely so.
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St.prp. nr. 91 (1991-92) [St.prp. = proposal to Parliament]

St. prp.nr. 61 (1996-97)

St.prp. nr 66 (2002-03)


www.odin.dep.no/fin/norsk/aktuelt/pressesenter/presssem/006071-070680/dok-bu.html

www.ssb.no/emner/12/01/offinnut
Appendix 1

Table A1  OECDs ranking of member countries by calculated costs of firms to reduce or replace employees individually or collectively.

<table>
<thead>
<tr>
<th>Country</th>
<th>Index</th>
<th>Country</th>
<th>Index</th>
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<tbody>
<tr>
<td>USA</td>
<td>0.7</td>
<td>Japan</td>
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<tr>
<td>Great Britain</td>
<td>0.9</td>
<td>Austria</td>
<td>2.3</td>
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<tr>
<td>New Zealand</td>
<td>0.9</td>
<td>Belgium</td>
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<td>Sweden</td>
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<tr>
<td>Australia</td>
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<td>Norway</td>
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<td>Switzerland</td>
<td>1.5</td>
<td>Germany</td>
<td>2.6</td>
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<tr>
<td>Denmark</td>
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<td>France</td>
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<td>Hungary</td>
<td>1.7</td>
<td>Spain</td>
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<td>Poland</td>
<td>2.0</td>
<td>Italy</td>
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<td>Czech rep</td>
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Appendix 2

Table A2  The share of total public spending spent by national, regional and local governments

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<td>67,1</td>
<td>66,2</td>
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<td>Regional</td>
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<td>10,2</td>
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<tr>
<td>Local</td>
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<td>22,2</td>
<td>22,2</td>
<td>23,6</td>
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<td>100</td>
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Sources: www.ssb.no/emner/12/01/offinnut

The “transfer” from regional to national government from 2000 to 2004 can be explained by the national government takeover of the hospitals.
### Table A3  
Sources of revenues to the local government

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<tr>
<td>Local taxes</td>
<td>50.6</td>
<td>44.3</td>
<td>40.6</td>
<td>44.6</td>
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<td>Transfers national gov</td>
<td>34.5</td>
<td>33.4</td>
<td>35</td>
<td>34.8</td>
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<tr>
<td>Transfers regional gov</td>
<td>1.1</td>
<td>0.8</td>
<td>1</td>
<td>0.6</td>
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<tr>
<td>Other sources</td>
<td>13.8</td>
<td>21.5</td>
<td>23.4</td>
<td>20</td>
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<tr>
<td>Total</td>
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### Table A4  
Sources of revenues to the regional government

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<td>42.2</td>
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<td>Transfers national gov</td>
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<td>53.6</td>
<td>50.3</td>
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<tr>
<td>Other sources</td>
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<tr>
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### Table A5  
The share of block grants versus other grants to the local governments

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<td>Block grants</td>
<td>70.6</td>
<td>56.9</td>
<td>62</td>
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<td>Other grants</td>
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<td>Total</td>
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### Table A6  
The share of block grants versus other grants to the regional governments

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<tr>
<td>Block grants</td>
<td>84.4</td>
<td>72.9</td>
<td>50.7</td>
<td>71.3</td>
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<td>Other grants</td>
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### Table A7  
The share of block, earmarked and other earmarked grants + VAT compensation to the local and regional governments seen together

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<td>Block grants</td>
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A large part of the VAT compensation is taken from the block grants in 2004.