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The case of Norway**

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January 1999



## **Unemployment in disguise: The case of Norway**

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### **Introduction**

Countries like Norway are called «laborers' societies» (Arendt 1958) or employment regimes of the Scandinavian type (Esping-Andersen 1993) because paid work (wage labour) and a policy of full employment are regarded as cornerstones of the society in general and of the welfare state in particular (Korpi 1983). The Scandinavian welfare state contributes to a maximisation of job offers (and commodification) through high public employment, an active labour market policy and by creating possibilities for temporary absence from work, by paid sick and parental leave (decommodification). All able-bodied have a right to work (at least an opportunity to work), but also an obligation (duty) to work. In 1993 about 30 per cent of the work force were public sector employees. Through public employment and the provision of child care facilities the Scandinavian welfare state has contributed to increased labour force participation for women (Ellingsæter 1995).

The labour movement and social democratic parties (and governments) have been strong supporters both of the work ethic and the ideology of full employment (Frogner 1995). The obligation for the political authorities to create opportunities for employment was added to Norway's constitution in 1954. Norway has one of the world's highest labour participation rates, both for men and women (OECD-Economic Outlook, December 1993). The long-term tendency shows a strong increase in the participation rate for women, from about 55 per cent in 1980 to 63 per cent in 1994, but a decline for men during the same period from 79 to 74 per cent. During the same period the labour force participation for youth 16-24 years old has fallen dramatically. The same has been the case for disabled persons (St.meld.nr. 35 for 1994-95). The composition of the population outside the labour force has changed: There has been a decrease in the proportion of persons supported privately such as housewives, and an increase in the proportion supported by the welfare state, such as students, single mothers, disabled, early retired and old age pensioners.

One may ask as Hannah Arendt predicted is the «work society losing» work (Arendt 1981:11). The unemployment rate has increased in all years from 1988 to 1993, when it reached a peak of 5.5 percent. In addition, about 2.8 per cent of the labour force were in 1993 in labour market programs (Kommunal- og arbeidsdepartementet 1995). Yet, after the end of recession from 1993 to 1995, the number of employed persons has increased by 70 000, but because of increase in the labour force, the number of registered unemployed has only been reduced by 16.000.

Thanks to a huge oil production and high oil revenues which have made an increase in public sector employment possible, the level of unemployment is low compared with other OECD countries. But as shall be demonstrated in the following, unemployment can take many forms apart from registered unemployment. We shall also show that the risk of unemployment is unevenly distributed among the working population.

### **Unemployment officially defined and counted**

There are two official definitions of unemployment. One definition of unemployment is related to being *registered* with the Labour Exchange Service as an active job seeker, which means that one is without work and is actively seeking suitable work. To stay registered as fully unemployed a person must notify the Employment Office every fortnight and confirm that he or she has not been working during this 14-day period. Especially persons eligible for unemployment benefits have strong incentives to register with the Employment Office. This means that changes in the eligibility criteria for unemployment benefits may influence the number of registered unemployed (Colbjørnsen and Larsen 1995). In addition, persons taking part in labour market programs or vocational rehabilitation are included in figures of registered *gross* unemployment.

In line with recommendations from ILO (the International Labour Office), another definition is used in quarterly labour force surveys (AKU) (first time in 1972) about job seekers (16-74 years) without income from work. In AKU-surveys they are defined as:

Persons who were not employed or were temporarily absent from work in the survey week, but who were looking for work during the last four weeks at the Labour Exchange Service, through advertising or responding to advertisements or otherwise contacting employers etc. (Statistics Norway 1993).

One similarity with these two official definitions is that in order to be defined as unemployed, a person must not only be without paid work, but also has to be an active job-seeker. Another similarity is that persons who are not active jobseekers are defined as being outside the labour force.

A person who in a quarterly survey responds that he or she was employed for one hour or more in the survey week is regarded as employed. From 1987, both family workers and conscripts were included as employed. Questions concerning involuntary part-time unemployment were introduced in the questionnaire from 1988. This means that statistical

surveys now include figures about persons who are partly employed, but who are seeking longer working hours.

The unemployment rate is calculated by relating the number of registered jobseekers and the survey number of jobseekers to the labour force, which is the total of employed and unemployed. This gives us two unemployment figures, partly because the Labour Exchange Service only includes those persons who have contacted them for assistance in their jobsearch, while the quarterly job surveys regard as unemployed all those who respond that they were looking for work. Persons with disability are not registered as job-seekers, since they are not regarded as available for the labour market, but are registered as *vocationally disabled*. In 1995, the average number of persons registered for vocational rehabilitation was 54 000. Persons ineligible for unemployment benefits or not interested in taking part in a labour market program, have no incentive to register as unemployed. This applies especially to such as homemakers or young people. In particular few unemployed young persons between 16-19 years old have little incentive to register with the Labour Exchange Service as a consequence of this. On the other hand, some of those registered as unemployed of 60 years of age or more are not active job-seekers, but are de facto early retirees. Until 1995, it was quite common for many firms to encourage older redundant workers to register as unemployed in order to receive the unemployment benefit, which then was topped up by an early retirement pension paid by the firm. Persons on labour market programs are not registered as unemployed, but could nevertheless respond in the labour force survey that they are jobseekers. The level of registered unemployment is therefore not identical with the unemployment level obtained through surveys. The registered net unemployment measures the *open* unemployment level, while the surveys are more able to detect hidden unemployment. The best economic indicator is reckoned to be the *gross* unemployment level (net registered unemployment + persons on labour market programs) (Try 1991). But as we shall show in the next section, neither of these indicators tells us the whole story about unemployment in Norway.

According to the official definition, long-term unemployed are persons who have been unemployed *continuously* for six months or more, as opposed to the international definition of 12 months or more.

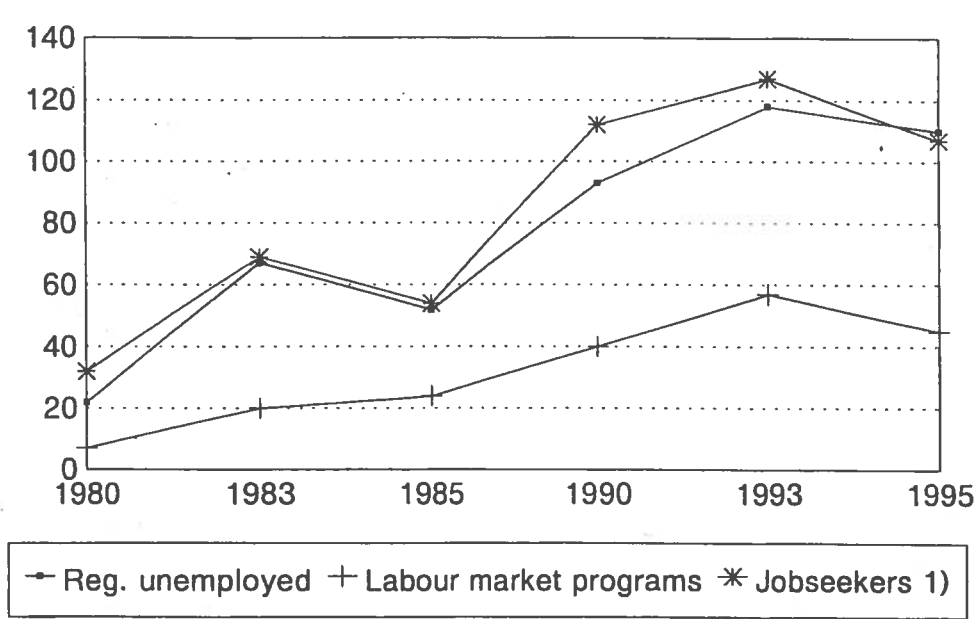
Some of those registered as unemployed are not actively seeking paid work or are very selective in their jobsearch. They are mainly registered with the Employment Office in order to be eligible for unemployment benefits. They may have other useful things to do such as childrearing or education.

### **Recent development in unemployment in Norway**

Before 1980 unemployment was very low by international standards. But as demonstrated in figure 1, there have since in Norway been two recessions with high unemployment levels: in 1983/85 and in 1989/94. Since then there has been some decline in the unemployment level. The two indicators of unemployment show about the same development, but the figures of job seekers according to surveys are for the whole period the highest, while the registered unemployment figures are the lower of the two. As a percentage of the labour force, the registered unemployment was on average 1.3 per cent in 1980. It reached its peak with 5.5 per

cent in 1993, and fell to 4.7 per cent in 1995. Unemployment level according to labour force surveys was as low as 1.7 per cent in 1980, and reached its peak in 1993 with an average of 6.0 per cent. In 1995, the figure declined to 4.9 per cent. This shows that the unemployment rates were somewhat higher in the surveys than registered. The gross unemployment level varies between 2.5% (1993) and 2.1% (1995) above registered unemployment. Labour market programs contribute to a reduction of the level of unemployment and the proportion of long-term unemployed, mainly because unemployed get their duration nullified when taking part in a programme (Colbjørnsen and Larsen 1995).

**Figure 1: Unemployment 1980-1995**  
1 000 persons

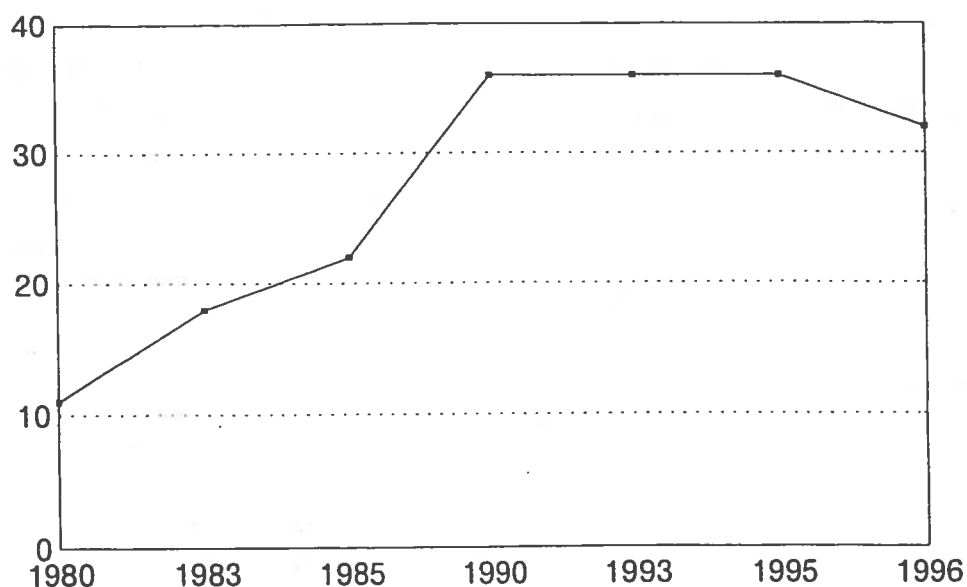


Source: Statistics Norway:Labour Force Surveys      1) According to Surveys

According to labour force surveys, the proportion of long-term unemployed increased faster than the level of unemployment, and has been relatively high despite recent improvements in the labour market (figure 2).



**Figure 2: Long term unemployment 1980-1996**  
percentage unemployed 26 weeks or more



NOS: Labour force surveys 1) April

The number of long-term unemployed fell from 50 000 on average in 1993 to 32 200 in 1995. In the same period the proportion of those unemployed for six months or more declined from about 38 per cent to 31.5 per cent of the total number of unemployed, while the proportion of unemployed for 12 months or more in fact increased from 23 per cent in 1993 to 25 per cent in 1995 (survey data). It thus seems that long-term unemployed risk staying unemployed even when the economy and the labour market in general improve. When controlling for other factors, it has been found that long-term unemployed have lower chance to be re-employed than short-term unemployed (Halvorsen 1993, Opdahl and Torp 1995). Unemployment has a reinforcing effect, although it is likely that selection into unemployment of sick persons also plays a part (Mastekaasa 1996). In 1995, the average duration of unemployment was 35.4 weeks according to survey data. This compares with 22 weeks according to register data.

Although unemployment is a minority experience, during the recession from 1989 to 1993, more and more people experienced a shorter or longer spell of unemployment. It can be estimated that close to 20 per cent of the work force (20-66 years) had recent unemployment experiences (presently and/or during the last two years) by the end of 1993.

### **The composition of unemployment**

If unemployment were equally distributed across the labour force, it would not represent a social problem at all. The problem is that the risk of becoming and staying unemployed varies in the working population with age, sex, and level of education, occupation, place of residence,

ethnicity and health. Even more worrying is unemployment homogamy, i.e. accumulation of unemployment experiences within certain household categories.

Although the overall level of unemployment is low as compared with other OECD-countries, there nevertheless are great variations across age, education level, occupation, ethnic groups and regions. An especially high unemployment level in 1995 was in the age group 16-24 years, with an unemployment rate of 11.8 per cent. One reason for this high unemployment rate was the low labour force participation rate in this age group. Besides, the highest unemployment rate is found in the age group 50-59 years and to a certain extent among those 60 years and older. On the other hand, the younger age groups have shorter average periods of unemployment than older age groups. On average, this was only 9 weeks in (January) 1995 for those 19 years old or younger. The average duration of unemployment is especially high among those 60 years and older. For those 65 years and older, the average registered unemployment duration was in 1995 (January) 66 weeks, which indicates that they are de facto early retired. With age the risk of being long-term unemployed when unemployed increases. It falls, however, with higher education level (Colbjørnsen and Larsen 1995).

The highest unemployment levels are among unskilled workers and lower level, white-collar workers. These categories have also a higher risk of being long-term unemployed. As one would expect, persons with only basic education have higher unemployment levels than people with further or higher education. In 1992 and 1993, the unemployment level among those with basic education was about double that of those with higher education. The proportion of long-term unemployed is also much higher among those with basic education than those with higher education. Although education protects one against unemployment, persons with higher education now are at higher risks than earlier. Still they remain unemployed for a shorter period of time than other groups. An exception here is older people with higher education. Class background seems to affect the risk of unemployment: Persons with little education come from low status social background (Ellingsæter 1995). It seems also that young people from working class backgrounds have a higher risk of being unemployed than those with other family backgrounds (Pedersen 1996).

In particular, immigrants from the Third world (Asia, Africa and Latin America) have high unemployment rates. In May 1993, this was 17.4, 20.5 and 16.6 per cent respectively. At the same time the overall average in Norway was 5.1 per cent registered as unemployed by the Employment Office. The fewer years of residence in Norway, the higher is the risk of being unemployed. Immigrants have also lower labour force participation rates than those who are born in Norway (Kjelsrud 1996). Refugees too, even if they have higher education also show extremely high unemployment levels.

Registered unemployment rates varies across regions, with highest rates around 6 per cent and the lowest 3 per cent in 1995. Registered unemployment rates among women generally have been lower than that of men. In 1994, the registered unemployment rate was on average 5.6 per cent for men and 4.5 per cent for women. After the recession of 1989-93, the decline in unemployment rate has been more rapid for men than for women. According to survey data, female unemployment rates were higher than men's up to 1988, but since then the

opposite has been the case. Men, more than women were to a greater extent employed in industries hardest hit by the recession.

### Accumulation of unemployment at household level

Increasingly more and more households of working age consist of dual-earner couples. Their standard of living is dependent on both partners working. Women seeking economic independence from their husbands and wanting to use their skills and education by engaging in paid work constitute a major source of this increase. During high levels of unemployment and especially long-term unemployment, there is a risk that unemployment will be concentrated to certain households types, and with especially negative economical consequences if both spouses are unemployed (Gallie & Vogler 1994, Halvorsen 1996b). There now appears to be a divide between two job and «time poor» families on the one hand and no-job and «work poor» families on the other. Table 1 demonstrates «unemployment» homogamy among married/cohabiting couples.

Table 1 *Employment 1) status of wife by employment status of husbands 2) 20-66 years. Percentages*

Spouse ↓	Husband	
	Employed	Unemployed
Employed	86	59
Unemployed	14	41
(number)	(898)	(128)

$\epsilon=27$

$\chi^2, p<0.0001$

1) Those presently employed and who did not have any experience of unemployment during the last two years are here classified as employed, while those presently unemployed and/or having experienced unemployment during the last two years are classified as unemployed.

2) Only spouses who had been partners since 1993 or earlier were included

(Source: Halvorsen 1996b)

The likelihood of a female spouse being unemployed is significantly greater for the unemployed than for the employed. This means that unemployed husbands were more than four times more likely than employed husbands in terms of odds to have an unemployed wife. One can approximate the (average) probability of the wife being unemployed in households in which there is an unemployed husband to be about 20 percent higher than in households where the husband is employed<sup>1</sup>. Close to one third of the increased average probability of the wife

being unemployed in households with husbands unemployed as compared with households where husbands are employed, can be explained by the additional worker effect<sup>ii</sup>. Unobserved (residual) heterogeneity could also explain some unemployment homogamy. Both unemployed partners may lack marketable skills or have in common some unobserved characteristics such as poor health, handicaps, drugs and alcohol problems, language and personality problems or a poor social work, all factors which increase the likelihood of both becoming and/or staying unemployed (Halvorsen 1996b). From a social welfare point of view, accumulation of unemployment experiences at the household level constitutes a major problem to say the least.

### **Hidden unemployment**

Registered levels of unemployment do not tell us the full story about the overall decline in gainful work. Some unemployment is hidden. Besides, the dichotomy between working and unemployed distorts the fact that some work resembles unemployment in its precariousness. In this section, we shall supplement the official description of unemployment given in the introduction to this paper with figures that shed light on the hidden side of the labour market which are related to marginalised labour market positions or enforced positions outside the labour market. We have already given figures about people taking part in labour market programs or in vocational rehabilitation. One central feature of the Norwegian Labour Market policy has been to avoid exclusion from the labour market by offering unemployed to take part in a labour market program, especially during recessions. In this way, registered unemployment levels have been kept at lower levels. An opposite tendency is that the availability of labour market programs functions as an incentive for people to register as unemployed with the Employment Office. For 991, it was estimated that with an average of 48 000 persons taking part in labour market programs, 33 000 more persons would have been unemployed. The difference of 15 000 persons could be attributed to the fact that the availability of labour market programs encouraged more people to register with the Employment Office (Larsen, Devold and Eriksen 1995).

Only fully unemployed are included in the registered levels of unemployment. But it appears that some of the part-time employed would prefer to work longer hours. When unemployment goes up and employment down, there is an increase in involuntary part-time work (Torp 1991). Some of these are partly laid-off. In 1987, only 13 000 persons were partly employed job seekers, while in 1995 this figure had increased to 70 000 (Arbeidsdirektoratet 1995). According to the labour force survey there were 87 000 underemployed in 1995. This underemployment is calculated being equivalent with 36 000 full-time workers (SSB: Ukens statistikk 20/21.1996). Surprisingly, underemployment also increased after the end of the recession in 1993. The mechanisms behind this process are complex, but the most important ones are that more full-time jobs have been reduced to part-time jobs and/or that more part-time workers want a full time job, for example, to compensate for the income loss due to unemployment of other family members, i.e. the additional worker effect (Torp 1991). It is a paradox that at the same time that 150 000 persons who did not regard themselves as underemployed preferred work longer hours, more than 370 000 persons or 17 per cent of the workforce, wished to work shorter working hours with a proportional reduction in pay. Many

of these had paid or unpaid overtime work, which seems to increase in times of high unemployment. In addition, 15 per cent of the work force reported that they have a second job. As mentioned before, unemployment seems to be concentrated in certain households, which means that there is a tendency of a polarisation between «work poor» and «work rich», but «time poor» households.

### **Withdrawal from the labour force**

Recessions not only result in higher unemployment levels, but also lead to increased withdrawal from the labour force. Often at these times, unemployed persons who are of the opinion that they would not get a new job, can temporarily or permanently withdraw from the labour force. These are called discouraged workers. Part of this discouraged worker effect is due to company close downs and retrenchments. The retrenched are no longer visible in the statistical figures of unemployed, and could even respond in surveys that they are not actively seeking work. Especially during recessions one would expect an increase in the withdrawal from the labour force. Probably the best way of detecting withdrawal from the labour force is to study short-term *changes* in the labour force participation rate for various age categories or in the composition of persons *outside* the labour force. Seen in this way It turns out that Norway is the one OECD country with the greatest short-term and long-term flexibility in the labour force participation rate. With a 1 per cent increase in the unemployment rate, the labour force participation rate falls with 0.9 per cent. This means that if employment falls proportionally equal in all OECD-countries, the increase in unemployment would be especially small in Norway, because the number of people in the labour force is strongly reduced (Colbjørnsen and Larsen 1995). In 1992, it has been shown that the labour force consisted of 160 000 fewer persons than if the labour force had developed according to trends. Almost half of this withdrawal consisted of persons taking part in education or labour market programs (Larsen and Eriksen 1995). Labour market programs have worked to prevent long-term unemployed from becoming permanently excluded from the labour market (Colbjørnsen and Larsen 1995). An indication of the association between unemployment and withdrawal from the labour force is that while 14 percent of those who had earnings in 1993 had experienced unemployment during the past two years, the figure was 30 per cent among those who did not have earnings (Gallup 1993, own calculations).

There has been a sharp fall in the labour force participation rate for persons 60 years and older. In 1987, for example, before the last recession, the labour force participation rate for men 60-64 years was 70 per cent. In 1992, it had fallen to 63 per cent. There has been a strong tendency to early withdrawal or expulsion from the labour market by older people, mainly through disability pension or early retirement pension schemes.

In Norway there has been a deliberate policy to avoid unemployment among young persons in particular by increasing study capacities in higher education or by providing young persons the opportunity to take part in labour market programs (see next section). In that manner one eases the burden of being unemployed, while at the same time improving the qualifications of young people, which is hoped, will make them more employable. High levels of unemployment generates thus «a silent reserve army », dominated by women because they

are more flexible than men in doing other things than being unemployed or employed (Ellingsæter 1995).

### **Precarious work**

Parallel with persistent high levels of unemployment, marginalised relations to the labour market have been more widespread because of de-standardisation of work contracts. A marginalised position is a position between a full time and permanent contract job on hand (insider-jobs) and being expelled from the labour market on the other. Two forms of *enforced* marginalised or atypical work shall be mentioned here, namely temporary work and insecure work.

Temporary work can be voluntary or involuntary. There are no official figures of temporary work in Norwegian labour market statistics. A survey from 1989 indicates that about 10 percent of all jobs are temporary (De Facto 1993). We have no information of whether there has been an increase in temporary work, or to what extent this type of work was involuntary. It seems likely that in times of high unemployment, there is an increased salience of involuntary temporary work. It has been shown for example that 40 percent of long-term unemployed who was re-employed, got a temporary job (Halvorsen 1995), while as mentioned the proportion of temporary jobs as a whole is about 10 per cent. This is an indication of overlap between unemployment and precarious work or an «grey area» outside standard employment.

Not included in figures of unemployment are persons in paid work who fear that they their job is insecure and/or that they will loose it. 17 per cent of all employed feared in 1991 that they would loose their job because of close-down of business, retrenchments or for other reasons the next few years (SSB: Level of living survey 1991). Still in 1995, when the recession had ended, 15 per cent of the workforce feared for their job.

These tendencies towards polarisation of the «core» workforce and the «periphery» give rise to speculations about the two-thirds society or «two speed society» and social exclusion within the European Community. So far, there is little evidence that long-term unemployed and marginalised labour are about to be excluded from the society, neither economically, politically, socially or culturally. So far the social security net has been able to secure those who cannot live from their work or who are unemployed a reasonable standard of living.

### **An estimate of the total level of unemployment**

It is, of course, problematic to estimate the total level of unemployment. Above all, this depends on how unemployment is theoretically defined. Unemployment can be defined as a state of lack of paid work experienced by individuals who regard themselves or who are regarded by others as potential members of the labour force (Hayes and Nutman 1981).

Accordingly, the total level of unemployment, or *stock* of under-utilised labour supply in Norway in 1993 was:

	Persons (1 000)
Registered unemployed	118
Participation in labour market programs	57
Vocational rehabilitation	35
Underemployed (recalculated to represent full-time work)	36
Discouraged workers (latent unemployment) 1987-1992	160
 Total	 406

As a percentage of the labour force (employed plus the above categories), we thus get an unemployment rate of 17 per cent (but which has to be readjusted to 15 per cent because of some overlap of the above categories) at the peak of the recession, during the same period, the official (registered) unemployment was on average 5.5 per cent. This calculation indicates that one has to be careful when comparing unemployment rates over time or between countries. Both the numerator and denominator in the calculation are manipulable figures. As earlier noted, some of those registered as unemployed do so because they need the unemployment benefits not because they want to take any available job. As for the discouraged workers, the matter is more complicated. Some of the discouraged workers have lost the desire to perform any work and regard themselves as early retirees, while others only temporarily had withdrawn from the labour market.

Those of working age 16-74 years who were outside the labour force were asked in labour force surveys whether they wanted work without seeking it during a four- week period. Over two hundred thousand of approximately one million people indicated they wanted work. Most of them had not searched for work because of schooling, poor health or age, or because they lack child-care or had to care for other relatives. More than 29 000 did not seek work because of lack of suitable jobs (NOS: Labour market survey 1993). These are the genuine discouraged workers

If one includes those who are worrying about the security of their own jobs and/ or are accepting negative changes in their working conditions or pay which previously they would have challenged, as many as one third of the work force are negatively affected directly or indirectly by high unemployment levels. People can no longer count on a life-long income security through paid work. Their main worry is related to financial hardship due to inadequate benefits, which again creates creating economic problems and uncertainty about the future (Halvorsen 1996b).

## **Voluntary unemployment**

We have in the previous section regarded unemployment as a social problem. But it is claimed that many of those counted as unemployed (or registered as such) «are not looking for work»

and that they choose in fact to be unemployed. One could argue that some of the unemployed are voluntarily unemployed, and thus do not represent a social problem since the situation is in accordance with their preferences (i. e. low employment commitment). As indicators of voluntary unemployment one can find such reasons as quitting jobs, job search behaviour and employment commitment. Job search activity is related to asking for advice about job search, getting information about available jobs, applying for jobs as well as accepting or rejecting a job offer. The ultimate test of voluntary unemployment is if one has turned down a job offer during present/last spell of unemployment. The more «selective» people are in this respect the less flexible they are to be regarded (White et al. 1994). But one can also refuse job offers because of low work involvement or because one is able to cope reasonably well with the unemployment situation. In a representative study of long-term unemployed (registered for six months or more), it was found that 75 per cent of all both were both active job seekers as well in possession of high employment commitment. They were categorised as «active». Only 3 per cent, the «passive», had low employment commitment and were not actively seeking a job. The other two categories consisted of the «enforced» who despite low employment commitment were active job seekers (16 per cent) and the «occupied» who had high employment commitment but who were not actively searching (6 per cent). Individuals enrolled in labour market programs, were strongly over-represented in the «occupied» category. This is probably because they do not search actively for a job when participating in these programs. The highest proportion of students (normally studying 10 hours or more per week) was also found in the «occupied» category with 58 percent, compared with 13 percent for the «active», 10 per cent for the «enforced» and 21 percent for the «passive». In particular, those who saw advantages of being unemployed because they had more time at their own disposal were less inclined to be active job seekers.

Only 11 per cent of the long-term unemployed responded that they had received a job offer, which was turned down during present/last spell of unemployment. It was mainly women who turned down job offers because of travel distance, unsuitable work and time and conditions of pregnancy/birth. There was a tendency that lower work involvement to be associated with inflexibility in terms of work location, work time and working conditions but this was not associated with pay (too high reservation wage). Yet, to be voluntary unemployed is not identical with being inflexible. Some of these are registered as unemployed in order to be eligible for unemployment benefits and/or have other useful things to do, at least temporarily. Some of the long-term unemployed are inflexible, some are occupied with other useful tasks and some are on their way out of the labour force.

An alternative explanation of non- job search behaviour is to regard it as the outcome of a discouraged workers effect. If you believe that there are no jobs available or that no employer would hire you, then it can feel useless to be a job seeker. Low work involvement could here be the result of a resigned acceptance of being a discouraged worker. The findings do not, however, support the claim that low work involvement is due to a discouraged worker effect, at least not among registered unemployed.

Less than 3 percent of the long-term unemployed had voluntarily *become* unemployed. Further, less than 10 per cent of the long-term unemployed can be regarded as «voluntary»



*staying* unemployed (the «passive» and «occupied» categories), and of these, only a minority can be associated with laziness (Halvorsen 1996c).

### **Steps taken to reduce unemployment**

The Social Democratic Government has a strong commitment to full employment, and has on several occasions asked for greater international efforts to fight unemployment. It regards unemployment as a waste of human resources, which in turn represents increased State expenditures and reduced State income. A policy for full unemployment is regarded as necessary in order to secure the financial basis for the welfare state. While a universalistic welfare state previously was seen as the solution to most social problems generated by the market, it is now regarded as an impediment to the smooth functioning of the market, for example because it functions to produce compressed wage structures and insufficient mobility, resulting in an inflexible labour market (Esping- Andersen 1996). A precondition for «decommodification» is «commodification», that is, as many as possible in the work force.

Since 1962, the total working hours has not changed, while at the same time 500 000 more people (mostly women working part-time) have entered the labour force. The labour force participation rate has been held constant at 66 percent of the working population (16-74 years). In 1994, only 58.8 percent of the population in this age group regarded paid work as their *main* activity. These figures indicate that work sharing has made room for more people in the labour market. Yet the Social Democratic Government has refused work sharing as a central means of reducing unemployment, for example by getting rid of overtime or by reducing standard working hours. Neither has it accepted a de facto reduction in pension age, for example, by introduction of public early retirement schemes as a means of creating job opportunities for younger people. In fact, the government wishes to increase the de facto pension age of 61 years on average by 3 years in the next 10-15 years in order to ease the future burden of high pension expenditures. It also fears that a planned reduction of the labour supply would increase labour costs and thus reduce Norway's competitiveness in a global economy.

During the international recession, it was nevertheless possible to have positive economic growth thanks to the huge oil-producing sector of the economy. Yet even this could not prevent increases in unemployment levels. Public expenditures, jobs and investments increased in order to compensate for reduced private sector investments and the fall in household consumption. High oil tax revenues made this Keynesian policy possible. At the same time, a tight fiscal policy aimed at keeping the inflation low was put into effect in order to enhance the competitiveness. To create more jobs, a solidaristic wage policy had been negotiated between the Labour Unions and the Employers Association with strong support from the Social Democratic Labour Party Government.

An active policy for restructuring of Norwegian industries to meet increased global competition was also an essential element in the strategy for full employment. An example of this restructuring is efforts to make public sector services more market oriented.

In order to avoid long-term unemployment and create a more flexible labour market, the «work line» has been stressed (St.meld. nr. 2 (1995-96) Revidert Nasjonalbudsjett 1996).

There is a fear that generous cash benefits, such as disability pension and unemployment benefits could be a disincentive to keep a job or to get a new one if unemployed. Therefore, eligibility criterias have been tightened. Instead of «passive» income support, one want to give «active» support, for example, by offering or obliging the unemployed to take part in labour market programs and the disabled to participate in vocational rehabilitation. While previously the right to work has been stressed and the society's obligation to secure «work for all», today more emphasis is put on the obligation of the individual to find paid work. This means, for example, that one must be prepared to relocate or to accept what the Labour Exchange Offices regard as «suitable» work. People have to be less «selective» so that the mismatch between available jobs and qualifications of available people can be reduced.

Persons under 20 years of age not having a job or who are not in school have been guaranteed participation in a labour market program. In addition persons between 20-24 years who have been without a job for six months, as well as people who have been on unemployment benefits for 80 weeks or more are now guaranteed such participation.

In order to fulfil the youth guarantee, there has been a tremendous expansion of the further and higher education system. From 1989 to 1994 alone, 43 000 more people of working age (16-74 years) have schooling/education as their main activity, a number which is the same as the actual increase of people of working age during this period. While 49 per cent of the age group 16-19 years were in the labour force in 1987, only 37 per cent were so in 1994 (NOS: Arbeidsmarkedsstatistikk 1994). Of this number, a majority (60 per cent) are currently working part-time (less than 19 hours per week) after school.

Inspired by the Swedish labour market policy, an «active» policy means that one has tried to reduce unemployment levels and keep the unemployed attachment to the labour market by expanding labour market programs during the recession. In 1994, «active» labour market measures cost 1.3 per cent of Norwegian gross domestic product (up from 1.1. per cent in 1991), which is still far below that of Sweden with 2.6 per cent (Arbeidsdirektoratet 1996). The main purpose of labour market programs is to increase competitiveness of participants in the labour market, but in that respect it seems that during the recession the programs have not been very successful. On the other hand, participation in programs seems to improve the quality of life as compared with staying unemployed, and also encourages (young) participants to take further or higher education.

«Workfare» arrangements have become more popular. Young people who are receiving a means-tested social assistance, for example, can be obliged to work for the municipality (relief work). It is clear that the idle are to be punished. In this way, a strong employment commitment is sustained.

In order to reduce labour costs, employers in the three Nordic counties are exempted from paying their share of social expenditures. In the capital of Oslo, for example, this amounts to 14.3 per cent of wages. Some industries, such as shipbuilding and farming, are still heavily subsidised, which contributes to maintaining employment in these sectors. This is possible because Norway is not a full member of The European Union, but only affiliated through a separate agreement (EØS-agreement). This means that the degrees of freedom in

maintaining high employment are somewhat greater for Norway than for the members of the European Union.

Part of an active labour market policy has also been wage subsidies in order to encourage employers to hire disabled or unemployed. To combat long-term unemployment, the government is subsidising study leave and child care leave if an unemployed is hired in for up to 10 months as a substitute for the person on leave. More emphasis is also put on vocational education and the creation of apprenticeships.

During the years to come the workforce will annually increase by twelve to fourteen thousand persons. If the limits to public employment growth have been reached (Esping-Andersen 1996), the question is where new jobs are to be created (Stephens 1996). A further decline in the manufacturing industries is to be expected. This leaves us with a potential growth in the private service sector. A precondition for growth in this sector is deregulation of labour contracts (a more flexible labour market), higher wage differentials, lower marginal taxation rates, and cut backs of social benefits. The outcome could be greater insecurity and inequality.

### **Concluding remarks**

Hopefully, this article demonstrates that new patterns of work and unemployment make it highly problematic to use a dichotomy between work and unemployment as an analytical framework for understanding the labour market. Any job is not better than unemployment. More and more people are moving between permanent employment and shorter or longer spells of unemployment through a «grey area» with various forms of temporary unemployment including employment for a trial period, substituting for others, seasonal work or government created work schemes. We need a broader perspective than what is offered through public statistics of unemployment, if we want to study the dynamic nature of unemployment experiences. We have called this article «unemployment in disguise», because unemployment can take many forms. Many of these forms are hidden in public statistics, which makes it problematic to compare unemployment levels over time and across countries. Thanks to immense oil revenues and public sector employment, registered unemployment has been kept at low levels in Norway. It is an open question, however, what will happen in the future, if there is a sharp fall in the oil production, and/ or if there is a drastic fall in the oil prices.

To what extent unemployment is a social problem in the sense that it creates diswelfare, is among other things dependent on the eligibility criterias for unemployment benefits and their generosity as well as society's attitudes towards the unemployed, which in turn is influenced by the general work ethic.

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<sup>i</sup> This approximation can be done by using the marginal distribution, which shows that 17,3 % (178:1026) of wives were unemployed. The corresponding Beta coefficient to an oddsratio of 4.2 is 1.43. The average probability is thus  $1.43 \times 0.173 (1-0.173) = 0.20$ .

ii.

In similar way as explained footnote 1, we can use the coefficient changes in model 1 to calculate the change in probability. When all other factors except the additional worker effect are controlled for, the average increased probability is 15%. It is reduced to 11% when the variable for the additional worker effect is also controlled for.



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