

# Social security expenses and the Qualification program

## Foreword – in English

The Qualification Program (KVP) targets long term social assistance benefit claimants with complex problems, and persons who are in the risk group of becoming long term social assistance claimants. The aim of the program is to prepare people ready for entering the labour market. The running of such a program may have an impact on local social assistance expenses. On the one hand, the running of this program requires staffing and is thus in itself may contribute to increasing costs due to high operative expenses. On the other hand, a successful program should in the long run lead to a savings of social assistance expenses, by reducing the number of social assistance claimants. Thus, both the number of participants in the Qualification programme, and the results in form of labour market transitions amongst the participants, will influence social assistance expenses at the municipality level. However, social assistance expenses are also influenced by a number of other factors, and the direct cost saving effect of the KVP programme may therefore not be seen as a direct net result of a decrease in social assistance expenses. In this report we will analyse the relations between the extent of, expenses to, and effects of KVP and social assistance expenses. In addition we have visited different labour and welfare administration offices (NAV-offices) and mapped out how participants are recruited locally, and also asked what NAV-employees' their opinions on what constitutes good working practices on the Qualification program, and what they see as the greatest barriers towards a better local implementation of the program. The project is financed by KS (The Norwegian Association of Local and Regional Authorities).

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## Summary

The Qualification Programme (KVP) was established 2007 in all municipalities which at the time had an own Labour and Welfare Administration office (NAV office). During 2011 all Norwegian municipalities had established a NAV office and could offer a Qualification Programme.

This report deals with the impact of the Qualification Programme on municipalities' expenses to social assistance. The aim of the Qualification Programme is to assist and give training to long term social assistance claimants and persons who are in the risk group of ending up in that situation, and to facilitate a way for these persons into the labour market. This effort is expected to reduce social assistance expenses. Several mechanisms may contribute towards such a reduction. First, a reduction may take place as a consequence of shifting long term social assistance claimants onto qualification benefit. Second, a successful Qualification Programme may mean that participants enter the labour market when finalising the programme and hence do not re-enter social assistance. Third, a full-time training programme and close individual attention, which is what the KVP programme entails, may have a certain "discouraging" effect, leading some social assistance claimants to abandon both KVP and social assistance. This may in particular apply to illegitimate social assistance claimants who are working without paying taxes, and persons who are claiming social assistance although they would have been able to find paid worked if they wanted to.

The report analyses administrative register data from KOSTRA and a web survey data collected by the Norwegian Labour and Welfare Administration. In addition interviews with KVP case workers, and KVP and NAV managers were carried out in six different NAV offices. The administrative register and survey data have been used to analyse the connection between KVP and expenses to social assistance, whereas the interviews have been used to analyse recruitment, content and results of the KVP programme.

In the analyses of the administrative register data, municipality has been used as the unit of analysis. Social assistance expense per inhabitant is used as dependent variable. The analysis demonstrates a relationship between the Qualification Programme and social assistance expenses per inhabitant: In municipalities with a high number of KVP participants relative to the number of social assistance claimants, expenses to social assistance expenses per inhabitants are lower. This, we interpret, is the effect of shifting social assistance claimants over to Qualification benefit. In addition, we found a positive correlation between operational expenses to KVP per inhabitant and social assistance expenses per inhabitant. This is most an outcome of the fact that problems with deprivation and social exclusion is more widespread in some municipalities than in others, and thus induce a greater demand for both social assistance pay-outs and for the Qualification Programme in the most deprived municipalities. This is also reflected in the income system of the municipalities and how means are transferred from the state to the municipalities. In this system there are built-in deprivation indexes, directing the most means for social assistance and KVP to the municipalities with the greatest needs. Our analysis indicates that this model for distributing economic means to the municipalities is meaningful.

In the analysis we have also included indicators of deprivation problems in the municipalities (number of refugees, share of divorced persons in the population, share of unemployed). The analysis demonstrates that these indicators are very important in terms of determining

municipalities' expenses to social assistance. KVP has a relatively marginal explanatory power on social assistance expenses. When controlling for the deprivation factors, the correlation between operational expenses and social assistance pay-outs per inhabitants is found to be positive only in municipalities with less than 10 000 inhabitants. One possible explanation for this finding is that the deprivation indicators explains more of the variation in social assistance expenses in the larger municipalities, and that the effect of operational expenses to KVP thus disappear in these municipalities.

It is too early to carry out a traditional effect evaluation of the Qualification Programme in terms of assessing whether the transition to work is better than it would have been without the Qualification Programme. Instead we analysed self-reported transitions to paid work obtained from the NAV-data to explore whether it is the case that municipalities with good results in terms of high transfers from KVP to paid work also has low expenses to social assistance per inhabitant. We find no such relationship. This is a finding which must be seen in relation to the fact that so far relatively few persons have completed the Qualification Programme, and also, that it is first and foremost other circumstances determining social assistance expenses than transfer to paid work for persons participating in the Qualification Programme. Also our dependent variable is variation in municipalities' expenses to social assistance per inhabitant in 2011. This measure will only measure a small share of savings in social assistance following from a successful Qualification Programme.

We find that the relationship between number of social assistance recipients and number of work assessment allowance (AAP) recipients has an impact on municipalities' social assistance expenses per inhabitant: Where there are many AAP-recipients, expenses to social assistance is lower. This finding may be somewhat surprising, as the majority of AAP-recipients do not come from social assistance recipients but rather are persons with health problems who have dropped out of the labour market. The finding does however correspond well with the impression we gained during the qualitative interviews, namely that one consequence of introducing the Qualification Programme is that many municipalities have initiated a systematic search through all their social assistance benefit claimants. This work has resulted in two exits out of social assistance: one to KVP and the other to AAP. There are therefore two explanations on the connection between the relative number of AAP recipients and municipalities expenses to social assistance per inhabitants: Municipalities with a low number of AAP-recipients relative to social assistance recipients may have an unexploited potential for shifting some social assistance claimants to AAP. If this is so, they will in addition have a portfolio of social assistance recipients with relatively large health problems and which may be relatively difficult to transfer into paid work.

Findings from the qualitative interviews indicate that the municipalities generally are in favour of the methods the Qualification Programme is based on. Several of the informants expressed that the Qualification Programme represents working methods and instruments that they had been asking for, and that it was satisfying to have the opportunity to work intensively with the participants who were in need for close attention. In two of the NAV-offices it was however pointed out that the methods used not necessarily were related to KVP but were used more generically also when working with other NAV users, and also that the methods applied had been in use since long before the Qualification Programme had been started.

The six municipalities where we interviewed had organised the Qualification Programme somewhat differently but we did not find any clear connection between different organisational solutions and goal attainment in term of transition from KVP to paid work. There are however clear differences between how the KVP program is implemented and the number of KVP participants recruited. The municipalities recruiting many participants into the Qualification Programme are characterised by what we have named a proactive as opposed to a reactive recruitment strategy. The proactive recruitment strategy involves regular and systematic evaluation of the social assistance portfolio with the aim of identifying suited candidates to KVP. This evaluation process involves all actors involved with the social assistance users at the local NAV-offices, and is a manager led process. The reactive strategy is characterised by a recruitment process where applications to participate in the Qualification Programme, initiated by benefit claimants themselves or by a case officer, is continuously assessed.

It is stated in regulations that the aim of the Qualification Programme is for persons to gain work or to engage in other meaningful activity. In reality the case workers at NAV experience that the participants are not ready for a direct contact with working life and that they are in need of an easy start to the program. During the initial phase the content of the program may therefore be conversations with a KVP case worker, and participation in a local, work-preparatory scheme. After some time the participants are then transfer to a work experience placement in an enterprise, or participants are enrolled in training classes, available in the governmental part of the NAV-office. Some municipalities are almost uniquely relying on work experience placements in addition to individual guidance. The interviews we carried out in six different municipalities do not provide conclusive evidence in terms of what constitute the most useful program content, nor is there any shared idea across the six different municipalities in terms of what should be the preferred Qualification Programme content. All the municipalities however agreed that close individual attention and supervision was necessary for achieving good results with this group.

The Qualification Programme is an instrument which must be seen as part of general “work fare” policies; however the degree of work orientation in the six different KVP programmes varied. We observe that the NAV-offices position themselves on an axis ranging from a “social worker orientation” to a more pronounced “work orientation”. The social work oriented NAV-offices emphasised that the Qualification Programme should contribute to enhance participants’ quality of life, and that the threshold should not be too high for entering into the programme. The more work-oriented NAV-offices regard transition into paid work as the program aim, and focus all attention on this. The work-oriented offices are also concerned with participants quality of life but they emphasise that participating in paid work and having an own income is what constitutes high quality of life. The program content is however more or less the same independent of whether the NAV managers and case workers express a social worker or a work orientation. However, one difference between the two seems to be that the most work-oriented NAV-offices favour work placements instead of training classes.

In 2011, 25 per cent of participants in the Qualification Programme made a transition from programme into paid work, on a national basis (this is calculated on the basis of number of completed KVP programmes plus number of drop-outs). This is according to numbers the NAV-offices have themselves reported to the central administration of NAV. Whether this transition to work rate is to be characterised as a satisfactory program outcome needs to be seen in relation with transitions

to work amongst equivalent groups who have not participated in any program. In addition, labour market participation over time must be assessed. If the Qualification Programme can prevent long term social assistance careers there are of course a large potential for public savings related to having a KVP program. The KVP case workers and NAV managers also points out large benefits to the participants in terms of an increased quality of life, which cannot be measured in terms of transition to work alone.

In the interviews with KVP case workers and NAV managers a number of barriers towards a better KVP were identified. What constitutes barriers can be related to characteristics of the participants (lack of personal motivation, problems with drug use and mental disorders) as well as characteristics of the municipalities (lack of suitable measures, limitations with the local labour market). The informants to a lesser extent point to features of the Qualification Programme itself or how it is organised as a possible barrier. We do however observe that all the NAV offices find it difficult to offer a full-time, individual program, and that all KVP case workers have experienced that participants in some periods have not had a satisfactory content in their program. The severity of this problem varies across municipalities, but in the worst instances that were reported to us, participants went for months without any program content, waiting for an appropriate initiative. In the meantime the participants are consuming their rights to participate in the program. Municipalities where they to a large extent relied on labour market courses (AMO courses) found it challenging to assemble a course program without any gaps between the different courses. Work placements were sometimes used to fill in these gaps, but it was not always possible to do so, leaving gaps in the Qualification Programme.

It is not possible to draw any firm conclusions in terms of what the different NAV offices see as the best organising structuring of the Qualification Programme, or to what extent work-fare should be the guiding principle for the programme content. We observe a relationship between different participation recruitment strategies and degree of work orientation: NAV-offices with a strong work orientation also seem to have a proactive recruitment strategy. One important finding from this project is that individual support, motivational training, strategies towards local labour markets and an individually adjusted program is what constitutes success criteria for the Qualification Programme. In addition it was stressed in the interviews that it is the combination of several factors working together which makes for a successful Qualification Programme, thus it is both important to have the right measures, the right recruitment of participants and close individual support as well as a meaningful program content.

So far there is little knowledge on how the program participants themselves evaluate the benefit of the program. Other research has indicated that the participant's themselves are more critical in their evaluations of the program quality than case workers are. It is therefore a need for more knowledge on user experiences and evaluations of the Qualification Programme.