

## Poverty Watch – Poverty in Norway 2019: English summary

This document summarizes the main facts, figures, developments and proposed solutions laid forward in the Norwegian Poverty Watch for 2019, *Poverty Watch – Fattigdom i Norge 2019*.

It is by default less comprehensive, but still provides a good overview of the situation regarding poverty in the Norwegian society – including all poverty data. References to data and facts may be found as end notes in the Norwegian report.

### How is poverty developing in Norway?

#### Relative poverty is increasing

In Norway, the share of people living below the poverty threshold has increased in recent years. Measured with persistent low income<sup>1</sup> (EU60), the share increased from 7.7 percent in 2011 to 9.6 percent in 2017. This is equivalent to 467 600 people. The poverty threshold for a single-person household was NOK 221 300 or about EUR 22 470 in 2017 (EU60).

The share with persistent low income has also increased during the same period if the poverty threshold is set at 50 percent of the median income. With this measure, 4.4 per cent, or 216 500 people, were living with persistent low income in 2017.

#### 16,2 percent at risk of poverty or social exclusion according to Eurostat

860 000 Norwegians, or 16.2 percent of the population, were at risk of poverty or exclusion in 2018 – the highest share since the peak in 2007. The share has now been increasing since 2014.

Moreover, 2.1 percent of the population experienced severe material deprivation in 2018 (down from 2.3 percent in 2017) and 9.2 percent of the population aged between 18 and 59 lived in a household with very low work intensity (up from 8.8 percent in 2017).

#### 6 percent struggle to make ends meet

Statistics Norway's survey on living conditions helps complementing the picture of material and social deprivation. The 2018 survey based on 12 000 interviews estimates that 6 percent of people over the age of 16 live in a household that face either difficulties or great difficulties making ends meet. In addition, it estimates that 19 percent live in a household that is unable to meet one unforeseen expense of NOK 15 000. The survey also displays that the level of education is decisive for living conditions. The lower the level of education, the greater the chance of experiencing material and social deprivation.

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<sup>1</sup> Income lower than 60 percent of median income on average over the past three years. This, in our opinion, provides a more precise measure of relative poverty than people having low income a given year. Therefore, this measure is used as long as it is available. Moreover, we always use EU60 when speaking of low income or the poverty threshold, unless otherwise is specified.

## Who are most at risk?

### **Participation in the labor market is crucial to avoid poverty**

- Permanent unemployment is the most common reason for falling below the poverty threshold.
- For those living in a household without a stable connection to the labor market, the risk of living with persistent low income is five times higher than in the general population.

### **To depend on social security benefits significantly increases the risk of poverty**

- 19.8 percent of recipients of disability benefit were below the poverty threshold in 2017. For benefits such as the work assessment allowance (AAP) and financial assistance (the Norwegian minimum income scheme), the proportion was far higher, with 33.1 percent and 70.1 percent respectively.
- Poverty among recipients of social security benefits has accelerated in recent years. For recipients of temporary benefits (AAP, financial assistance), the proportion below the poverty line annually grew sharply between 2009 and 2017. For recipients of financial assistance, the increase was a full 21.6 percentage points.

### **Poverty among immigrants is more common than average**

- In 2017, 28 percent of immigrants, including Norwegian-born children of immigrant parents, had persistent low incomes – a proportion that has remained stable since 2012. This is about three times higher than the average for the entire population.
- This is closely aligned to the fact that immigrants in general have a lower participation in the labor market than the rest of the population, and to a greater extent depend on social security benefits.
- 66.6 percent of immigrants between the ages of 20 and 66 were employed in the fourth quarter of 2018. The corresponding figure for Norwegians without immigrant background was 78.5 percent. Furthermore, immigrants to a greater degree work part-time than people of Norwegian descent.

### **People living alone are struggling**

- For residents under 35 years of age in single person households, the share with persistent low income has remained relatively stable since 2010. In 2017 it stood at 30 percent.
- However, the highest share among single person households could be found among the pensioners with a minimum pension where 70 percent had persistent low income, closely followed by recipients of disability benefit with a share of 55 percent. For both groups, the trend after 2011 has been increasing poverty. In addition, single parents are overrepresented.

### **Increasing poverty among young people**

- In all age groups below 67, poverty has risen in the years after 2010. The largest increase has been among young adults aged 18-34, where the share with persistent low income in 2017 was 14.4 percent. This can be linked to a tendency in recent years in which many under 30 are excluded from working life and the education system, of which a significant proportion lack secondary education.
- 114 000 young people between 15 and 29, or 11.1 percent of the age group, were classified as NEET (Not in Education, Employment or Training) in 2017. The share has remained relatively constant in recent years. Young recipients of social security benefits have the highest probability for remaining in the situation for a long period of time (5 years). This especially applies to recipients of health-related benefits, such as work assessment allowance and disability benefit.

### **The number of children in poor families is growing rapidly**

- In 2017, close to 106 000 children under the age of 18 lived in households with persistent low income, which is equivalent to 10.7 percent of all children in Norway. That is 4 000 more than the previous year, when the share was 10.3 percent. Poverty among children is now more common than in the population as a whole, and it is growing faster.
- The development is part of a trend that started in the beginning of the 2000s. During the period from 2013 to 2017, the number of children in households with persistent low income grew by over 30 000. The strong growth in recent years can be attributed to the weakened purchasing power experienced by families at the bottom of the income distribution in the period after 2013.
- Poverty is considerably more common among sole providers than in families with two earners. The share with persistent low income among single providers has increased substantially in recent years, reaching 24 percent in 2017. For comparison, the share among households with two earners was 7 percent. The difference is largely due to the fact that sole providers over time have experienced a poor income development and a decline after 2014. Both for sole providers and couples, households with more than three children experience poverty more often than others.
- Children of parents with immigrant backgrounds are also over-represented in the statistics, and the proportion has increased in recent years. As many as 38 percent of all children with immigrant backgrounds belonged to a household with persistent low income in 2017. The corresponding share for children with Norwegian backgrounds was only 5.5 percent, however, poverty is increasing in this group as well.

## The causes and consequences of poverty

The causes of poverty on the individual level often includes long periods outside the labor market, low levels of education, the family having many children, being a single parent or living alone. In addition, long-term illness or other barriers making it impossible to work or leaving a person with only a partial ability to work, such as disabilities and mental illness, are important causes. Nevertheless, political conditions and regulatory frameworks are decisive for the development and consequences of poverty.

### **The labor market is changing**

Although having a job is crucial for avoiding poverty, there are developments at the labor market that increases in-work poverty – even for people with full-time jobs. Tendencies that contribute to a weakening of workers' position include declining membership in trade unions, social dumping in industries with a significant influx of migrant workers and companies exploiting trainees from Nav (the Labor and Welfare Administration) as free labor.

In industries where a low proportion are members of unions, working conditions are often worse than elsewhere and salaries lower. Particularly at risk are employees in the hotel-, restaurant- and nightlife industry, the cleaning industry and the construction industry. Moreover, it can often be difficult to earn enough for those employed in staffing agencies. Although zero-hour contracts are no longer permitted, these have been replaced by contracts guaranteeing solely a position corresponding to 5 percent of full-time.

In 2018, 6 670 who received financial assistance reported full-time work when asked about their work situation, while 10 777 reported that they worked part-time. This clearly shows that struggling to make ends meet is not synonymous with being unemployed.

### **Cutbacks on social security benefits**

At the same time as poverty among people depending on social security benefits has increased, this tendency has been reinforced by recent reforms. These include cutbacks on several benefits by introducing stricter entry criteria, cuts in rates and cuts in duration.

The strategy seems to build on what economists would brand as 'strengthening labor incentives through austerity'. However, many recipients of benefits do not have the opportunity to work – because they are sick, have an injury or a disability. Thus, vulnerable people are hit hard, and for some the cutbacks become a poverty trap.

The introduction of a stricter criteria for prolonging a person's period on work assessment allowance (AAP) in 2018 is a prime example. The benefit ensures income for people who have at least 50 percent reduced working capacity due to illness, injury or disability. When the benefit is received, Nav clarifies the person's ability to work and their health situation. In the end, the person in question either receives assistance aimed at returning to work or is granted disability benefit. The implementation of the reform has led to a substantial number of people losing their benefit before Nav has finished assessing their work ability. When this happens, there is a 52-week quarantine period before they can apply for AAP again. This has sent many former recipients into poverty with financial assistance as their only possible source of income.

### **Financial assistance (The Norwegian minimum income scheme): discretionary and inadequate**

Many financial assistance recipients do not receive sufficient funds to cover their living expenses. In addition to be the group with the highest proportion below the poverty line among those who receive social security benefits, they are also the group in society most likely to experience material deprivation as a result of poverty.

According to Statistics Norway's survey on living conditions for 2018, four out of ten financial assistance recipients reported that it was *difficult* or *very difficult* to make ends meet, compared to 6 percent in the general population. The group is also over-represented when it comes to lack of economic and social goods. In example, 20 percent state that they cannot afford to eat meat or fish every other day, and 25 percent state that they cannot afford to replace worn out clothing.

In general, the rates paid are too low compared to the actual cost of living. According to OsloMet University's reference budget, a reasonable level of consumption for a single man between 20 and 50 (excluding housing expenses) would be NOK 9 510 per month. On the other hand, the Norwegian state's guidelines for the rates on financial assistance for a single adult excluding housing costs, are only NOK 6 150 per month.

Furthermore, financial assistance is provided by municipalities, not the state level, unlike other benefits. The local social services both have the right and the duty to exercise discretion when assessing whether the benefit should be granted, and the rate is set by the municipalities themselves.

The lack of clarity in the guidelines as for the eligibility criteria and the rates, leaves plenty of room for different practices from municipality to municipality and a large room for discretion at the hands of the individual case worker.

This means that in some municipalities the applicant is required to get rid of all values, while other municipalities are more flexible. For example, the applicant may be told to sell their car and their home, to empty their bank account, or be referred to the spouse or parents for support. For some, such demands create a poverty trap. Instead of being helped to overcome a temporary situation, the entry requirements make the way out of poverty longer.

### **The most common practice in municipalities rids recipients of financial assistance of their child benefit**

The child benefit is a universal benefit which should be an important contribution to reducing poverty in families with children. Nevertheless, most municipalities in Norway choose to treat the child benefit as income when calculating financial assistance. This means that the poorest families in reality lose the value of this benefit. Thus, the opportunities of the most vulnerable children are worsened, and the finances of the poorest families are weakened even further.

In 2018, 85 percent of all municipalities curtailed the rate of financial assistance equivalent to the value of the child benefit through this practice. That year, 48 000 children lived in families receiving reduced financial assistance because their municipality treated the child benefit as income. Of the 21 500 children supported by a financial assistance recipient who lived solely on this benefit, 14 000 of them lived in a municipality that curtailed financial assistance for the value of the child benefit.

## **The price of housing is too high**

High housing costs are a major burden for many who are struggling to make ends meet. This is especially true for those who have to rent instead of owning, and particularly in the big cities where prices are extra high relative to income. High housing costs hit single residents and single providers extra hard, as they naturally have higher housing costs per person than others. Many in the rental market also have to accept poor housing standards. According to Eurostat, 3.7 percent of tenants in Norway lived in homes with severe deprivation in 2018.

The introduction of a market-based rent for public housing in municipalities around the country has struck many vulnerable people hard. This has caused a substantial increase in rents – and combined with cutbacks in the housing allowance – it has left many tenants without enough money to cover their basic needs. For some recipients of disability benefit, the rent now claims more than ¼ of their income. The difficult situation has forced tenants all over the country to apply for financial assistance to keep afloat.

It is becoming increasingly difficult for groups with low incomes to buy their own home. Where 39 percent of low-income households owned their home in 2003, the proportion had fallen to 29 percent in 2016. By comparison, the ownership share for households with higher incomes was stable in excess of 80 per cent. For many with low incomes, ownership is unrealistic due to the required 15 percent equity to receive a loan, as well as the rule limiting the value of the loan to five times their income. This creates a class divide in the housing market where those with a weak economy who cannot buy in, pay the price for the stability of the market – while homeowners benefit from capital appreciation and tax benefits. Some with low incomes are able to purchase a home by receiving a start loan from the Norwegian State Housing Bank. However, the access to this scheme is limited.

About 177 000 people are disadvantaged in the housing market, measured by the number of people with low income, who also live in an overcrowded dwelling and / or have a high debt burden (2015). This includes 65 000 children under the age of 16. Young people under 30, tenants, non-western immigrants and those with three or more children are over-represented. Outside of these statistics, there are almost 4000 persons who are considered homeless (2016).

## **People with low incomes do not have sufficient access to dental treatment**

Where other health services are financed mainly through public budgets or through full or partial reimbursement from the National Insurance Scheme, this does not apply when it comes to dental treatment for adults. The publicly funded and legally based service covers all expenses until the age of 18, and then keeps the deductible at 25 percent at the age of 19 and 20. Afterwards, a regular check at the dentist will cost around NOK 1000. Many cannot afford the check, nor the bill that may come afterwards.

People from low-income households in general have a significantly poorer oral health than people from households with a higher income. Among those under the poverty line 13 percent are unable to afford a visit to the dentist. For the population in general the share is 4 percent. In addition, unemployed persons and recipients of financial assistance are strongly over-represented, with shares of 18 and 24 percent respectively.

The expensive treatment means that many who experience poverty postpone going to the dentist until the pain becomes too great to endure. Moreover, we see that it is becoming increasingly common that people choose to pull teeth instead of repairing them, because this is the cheapest solution. For those

who cannot afford dental treatment, the stigma coming with poor oral health is also a major problem. For some, bad teeth become a cause of low self-esteem and social isolation, and it may also be an obstacle for finding work.

### **Poverty is exacerbated by inequality in access to medical treatment**

In rural areas, many who struggle making ends meet have a hard time getting to the doctor or the hospital due to high transport costs. The barrier created by high out-of-pocket payments before one obtains an exception card has in some cases led to significant deterioration of people's health, and in the worst cases even death.

A survey by Statistics Norway from 2015 displayed that the share that had refrained from contacting a doctor despite an unmet need for medical care due to money issues, was 4 percent in the lowest income bracket (under NOK 200 000), compared to 1 percent in the population as a whole. Within the group with an unmet need for medical care, 13 percent stated transport difficulties / long distance as the main reason. This mostly applied to those with the lowest income, and those living in rural areas.

For many, a lack of money means that they cannot afford expensive medicines. About 3 percent of the population has abstained from collecting necessary medication because they could not afford it, even though they had a doctor's prescription. Among these, those with the lowest incomes are severely over-represented, and this is most evident among those who experience *less good health* and *long-term illness*.

## **How should poverty be reduced?**

EAPN Norway wants a broad debate about the political measures needed to reduce poverty and inequalities in Norway. For us, any successful policy will have to address the root causes of poverty – not only the effects. Our recommendations are briefly summarized below.

### **A national action plan for combating poverty and exclusion**

- To address increasing poverty a national action plan must be adopted by the Norwegian Parliament.
- The action plan must be based on a comprehensive mapping of poverty issues in the Norwegian society, where civil society actively contribute to involving PeP in the process.
- In our view, the plan should focus on getting more people into the labor market, securing decent living conditions for all who cannot work, securing equal access to health care for all, enhancing the opportunities of children in poor families and resurrecting a social housing policy.

### **More use of active instruments to get more people into employment**

- Reducing long-term unemployment and Including more people in the labor market requires reinforced individual follow-up and more financial resources for Nav (the Labor and Welfare Administration) – not the cutbacks on benefits witnessed today.

- Increased use of wage subsidies targeted at the groups furthest away from the labor market, combined with follow-up and training, may help getting this group into paid work.
- Utilizing graded disability benefit with a health adjusted salary, can contribute to including people on disability benefit who have some capacity to work. This means that the employer pays an hourly wage based on ordinary salary, adjusted for an estimate of reduction in productivity per hour. The disability benefit is then given as a compensation for reduced productivity and / or reduced working hours.

#### **A rights-based financial assistance (minimum income scheme)**

- Financial assistance must be stipulated by law as a right-based benefit that ensures similar practice across the country.
- It must be raised to a level which is sufficient for a normal livelihood – in example based on OsloMet University's reference budget.
- New statutory guidelines must be compiled to ensure that recipients avoid having to meet requirements that extend their way out of poverty.

#### **Enhanced opportunities for poor families**

- Poverty among families can be reduced by increasing the level of the child benefit through indexation, while at the same requiring municipalities to keep the child benefit outside the income calculation when families apply for financial assistance.
- An extension of the parental benefit, ensuring that it also applies to mothers who have not been in regular work for the past 6 months, can be another effective measure. These women at present receive only a one-time allowance which is far lower than the parental benefit. Today many in this vulnerable group – counting 8565 women in 2016 – end up falling below the poverty line.
- The effects of poverty can be alleviated using supplementary measures. In example, all activities at schools should be kept free of charge, and access to leisure activities for all children can be secured with a universally designed leisure card. In addition, coordination between various agencies such as schools, Nav and Child Welfare Services should be strengthened – so that families who need it receive a more coherent follow-up.

#### **Rebuild a social housing policy**

- Rebuilding a social housing policy should be a key part of the solution to helping the poor and disadvantaged in the housing market.
- By building more social housing, we can ensure that the disadvantaged in the housing market gain access to rental housing of good quality, at a price they can afford.
- Measures aimed at ensuring facilitation and follow-up for people in need of assisted living facilities should also be implemented.
- Local authorities' use of market-based rent on municipal housing must cease, and the housing allowance must be increased to include everyone who needs it.
- Facilitating new alternatives for accessing the housing market can help making home purchases realistic for people below the poverty line. Investment should be made in rent-to-ownership schemes, and in establishing of a non-commercial housing sector where



disadvantaged and first-time buyers can buy their own home at a lower price than in the open market.

- The start loan scheme provided by the Norwegian State Housing Bank should be increased to accommodate more people than today.

### **Equal access to health care for all**

- Dental health must be put on equal footing with other public health services and become part of the deductible scheme. A better dental health care system with full coverage removes concerns, provides more freedom for everyone and reduces social inequalities.
- The exemption card scheme must be amended, so that everyone can travel to the doctor and other health care services, without out-of-pocket payments. In addition, measures must be implemented to ensure access to vital medicines for people experiencing poverty.

### **People experiencing poverty must be heard**

- People who live with poverty and exclusion have experience that make them experts on their own situation. By listening to them, politicians can gain valuable knowledge about specific issues that they would not otherwise have access to.
- This knowledge can be used to find new solutions in labor- and welfare policy, that are more effectively targeted and thus can provide more concrete effects in the fight against poverty and exclusion. Therefore, dialogue with target groups and real user participation must be central to all political work that deals with reduction of poverty and inequality.