



POVERTY WATCH

FATTIGDOM I NORGE
2020

English summary: Poverty Watch – Poverty in Norway 2020

This document summarizes the main figures, developments, and proposed solutions laid forward in the Norwegian Poverty Watch for 2020, *Poverty Watch – Fattigdom i Norge 2020*. The summary is less comprehensive than the report, but still provides an overview of poverty in Norway. References to figures and facts are found as end notes in the Norwegian report.

The report is published by EAPN Norway (the Welfare Alliance). We are a politically independent network of 18 organizations, associations, and groups, which aim to strengthen the position of the financially, socially, and legally disadvantaged. We work for an active and inclusive welfare state with no one left out, and real user participation is central to our work.

What is poverty and how it is measured?

We define a person as poor if the level of income and resources (material, social, and cultural) means that the person cannot achieve a standard of living and participation that is considered acceptable in Norwegian society. Insufficient income and resources often lead to exclusion and marginalization, as well as shame of not living up to established norms.

Because we assume that poverty is about limited opportunities for an acceptable living standard and societal participation, we argue that poverty in Norway, and Europe in general, should be measured as *relative* and not absolute.

How is poverty developing in Norway?

Increased poverty measured with persistent low income

In Norway, the share of people living below the poverty threshold has increased in recent years. Measured with persistent low income¹ (EU60), the share increased from 7.7 percent in 2011 to 9.8 percent in 2018. This is equivalent to 485 800 people. For reference, the poverty threshold for a single-person household was NOK 228 400 in 2018, or about EUR 21 600.

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 social exclusion in 2018 – the highest share since the peak in 2006. In fact, the share risking poverty or social exclusion has increased annually since 2014.

Moreover, 2.1 percent of the entire population experienced severe material deprivation in 2018 (down from 2.3 percent in 2017) and 9.2 percent of the population under 60 lived in a household with very low work intensity (up from 8.8 percent in 2017).

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

6 percent struggle to make ends meet

Statistics Norway's survey on living conditions helps complementing the picture of material and social deprivation. The 2019 survey is based on interviews of 12 000 Norwegians and 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 24 percent live in a household that cannot manage an unforeseen expense of NOK 15 000. The lower the level of education, the greater the chance of experiencing material and social deprivation.

Who are at most risk of poverty?

Participation in the labor market is crucial

A lacking and unstable connection to the labor market is the most important reason why Norwegians end up below the poverty threshold. Permanent unemployment is particularly inhibiting and, in 2018, 50.6 percent of the long-term unemployed were below the poverty threshold for this year. In addition to reduced income, permanent unemployment often affects social relationships, self-esteem, and personal freedom in a negative way.

Recipients of social security benefits have higher risk of poverty

Being dependent on social security benefits means that you are particularly likely to be living in poverty. In 2018, 21.6 percent of recipients of the disability benefit were below the poverty threshold. For benefits such as the work assessment allowance (AAP) and financial assistance (the Norwegian minimum income scheme), the proportion was far higher – 32.3 and 69.9 percent, respectively, were below the poverty threshold in these groups.

The development in poverty among benefit recipients shows an upward trend. From 2010 to 2018, the proportion who are annually below the poverty threshold has increased significantly for those who receive temporary benefits such as AAP, financial assistance, and qualification benefits. For recipients of qualification benefits and financial assistance, the proportion increased by as much as 30.6 and 20.5 percentage points, respectively.

Older recipients of social security benefits, and especially those living alone, also have high risk of poverty. Since 2012, the proportion with persistent low income has increased among single pensioners with a minimum pension. In 2018, as many as 71 percent in this group were below the poverty threshold, compared with 11 percent in the rest of the population.

High and stable poverty among immigrants

In 2018, 29 percent of immigrants, including Norwegian-born with immigrant parents, had persistent low income. Furthermore, the trend in recent years has been that immigrants have about three times as high share with persistent low income as the entire population.

This is closely related to the fact that immigrants in general have lower labor market participation than the rest of the population and are therefore more dependent on social security benefits. 67.1 percent of immigrants between age 20 and 66 were employed in the fourth quarter of 2019. The corresponding figure for Norwegians without an immigrant background was 78.5 percent. Immigrants also work part-time more often than Norwegians, which in part has to do with them being more likely to have typical part-time jobs.

There are several and complicated reasons why immigrants have a weak connection to the labor market. Common challenges are limited Norwegian skills, lack of formal competence, difficulties in obtaining approval of foreign education, as well as limited network and knowledge of the Norwegian labor market. Many immigrants also face discrimination.

More young people on health-related benefits

In the last decade, poverty has risen in all age groups below 67. The largest increase has occurred among young adults aged between 18 and 34, where 14.7 percent had persistent low income in 2018. This can be linked to a recent trend – many under 30 are excluded from the labor market and education system, with a significant proportion lacking secondary education. While the share of job applicants in this age group has decreased, the share on health-related benefits (e.g. work assessment allowance, disability benefit) has increased.

111 105 young people between 15 and 29, or 10.7 percent of the age group, were classified as NEET ('Not in Education, Employment or Training') in 2018. Fortunately, the share has remained relatively stable in recent years and many young adults experience only short-term exclusion. However, long-term exclusion is more common among young recipients of social security benefits, and especially health-related benefits like the work assessment allowance (AAP). It is therefore unfortunate that the proportion of young people on such benefits has increased, and as of June 2020, about 10 percent of AAP recipients were under 25.

The proportion of children in poor families is growing rapidly

In 2018, as many as 11.3 percent of children under the age of 18 lived in households with persistent low income, compared with 10.7 percent the year before. In just one year, the number of children in poverty increased by 5 000. Nevertheless, the increase from 2017 to 2018 cannot be viewed as an isolated event – ever since 2014, poverty among children has been higher than in the rest of the Norwegian population, and it is growing faster.

Children with immigrant background make up an increasing proportion of children with persistent low income. In fact, almost 4 out of 10 children with immigrant background belonged to a household with persistent low income in 2018.

Persistent low income is also significantly more common among sole providers than couples. Among sole providers, the proportion with persistent low income has increased markedly in recent years, reaching 25 percent in 2018. In comparison, the proportion for couples with children was 8 percent. Sole providers with three or more children have a particularly high share with persistent low income – 47 percent in 2018.

The growing child poverty is highly problematic. Importantly, children in persistent low-income families lack material and social benefits that other children have. This has serious consequences, which include that children from low-income families have lower well-being at school, fewer close friends, as well as a greater risk of being bullied.

The causes and consequences of poverty

Individual-level causes of poverty often include long periods outside the labor market, low levels of education, the family having many children, or one being a sole provider. Other causes are long-term illness or other conditions that make it impossible to work or work full

time, such as disabilities and mental illness. Nevertheless, the welfare state and social policies are decisive for the development and consequences of poverty in Norway.

Cutbacks on social security benefits

Simultaneously as poverty among benefit recipients has increased, several social security benefits have been cut back in recent years. We have seen the introduction of stricter entry criteria and cuts in the rates and duration of various benefits. The idea seems to be that cutbacks will push more people into work. However, the problem is that many do not have the opportunity to work full time or at all, because they are sick, have an injury, or a disability.

The introduction of 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 defect. The benefit is received while the Labor and Welfare Administration (Nav) clarifies the person's working ability and whether he/she is to be granted disability benefit or receive help returning to work. Due to stricter criteria, many recipients lose the benefit before their working capacity is clarified. There is then a 52-week waiting period before you can reapply. This has sent many former recipients into poverty, with financial assistance as their only source of income.

In addition, further cutbacks in the AAP scheme in 2020 has affected young recipients. AAP recipients under the age of 25 have had the minimum amount reduced from NOK 202 702 to 135 135 a year. Furthermore, the young disability supplement for new AAP recipients, which amounted to NOK 44 000, has been discontinued.

Financial assistance of little help

Many recipients of financial assistance, which is the Norwegian minimum income scheme, do not receive sufficient funds to cover their living expenses. Among recipients of social security benefits, those on financial assistance have the highest proportion below the poverty threshold. Furthermore, they also experience the greatest material and social deprivation.

Figures from Statistics Norway show that financial assistance recipients are overrepresented in terms of material and social deficiencies. In 2019, 24 percent in this group stated that they could not afford to replace worn-out clothes, and 49 percent that they could not afford a week's holiday during the year. The group also has a hard time getting ends to meet. Among financial assistance recipients in 2019, 46 percent stated that they found it difficult or very difficult to make ends meet this year, compared to 6 percent in the entire population.

In general, the rates 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 would be NOK 9 510 per month (excluding housing expenses). However, the state's guidelines for financial assistance show a rate of only NOK 6 250 for a single adult.

Financial assistance is a discretionary and municipal benefit, which has resulted in great variation between municipalities and caseworkers in who receives the benefit and how much they receive. Many do not get financial assistance because they are married, have valuable assets, or money in saving accounts. If one does not meet the entry criteria, one can end up completely without income and with a longer way out of poverty than one originally had.

Housing is expensive and support is difficult to get

Most Norwegian households owned their homes in 2019, but there are differences between groups. Where 40 percent of low-income households were homeowners this year, the proportion was as high as 88 percent among households in the third income quartile. 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 loan to five times their income. Some low-income groups are able to purchase a home with the help of start-up loans and grants from the Norwegian State Housing Bank. However, these benefits have limited availability.

The housing allowance aims to help low-income households with high housing expenses, but recent cutbacks have affected many. In 2017, the income limit for receiving the housing allowance was lowered, resulting in several people being excluded from the scheme. This is even more critical seen in connection with the substantial increase in rents after introducing a market-based rent for public housing in municipalities around the country.

Inequality in dental health

Where other health services are fully or partially reimbursed by the state through the National Insurance Scheme, but this does not apply to dental services. Children up to the age of 18 receive free dental treatment, and those between the ages of 19 and 20 are reimbursed 75 percent of the expenses. After that, no reimbursement is given and a regular check at the dentist will cost about NOK 1 000. Many can neither afford checking nor fixing their teeth.

People from low-income households have significantly poorer dental health than those from households with higher incomes. Among those below the poverty threshold, 12 percent were unable to afford a visit to the dentist in 2019, compared with 5 percent for the population in general. In addition, the unemployed and recipients of financial assistance are severely overrepresented, with 23 and 22 percent not being able to afford a visit to the dentist.

Expensive treatment means that many in poverty postpone going to the dentist until the pain becomes too great to endure. In addition, we experience that more people choose to pull teeth over repairing them, because this is cheaper. For those who cannot afford treatment, stigma and shame of having poor dental health is a problem. For some, this leads to weakened self-esteem and social isolation, and it may also be an obstacle for finding work.

The effects and governmental handling of COVID-19

COVID-19, or the coronavirus, spread throughout Norway in 2020. On March 12, almost the entire country shut down. Daycares and schools did not open until the end of April and the beginning of May, and several shops, restaurants, and hairdressers had to close their doors indefinitely. Norway, as well as other countries, also chose to close their borders.

Norway, due to its oil wealth, is facing a different pandemic than most countries. Although oil is one important factor in explaining why Norway has found it easier to deal with the crisis, factors such as the high level of trust in the population have also had a positive effect.

The virus strikes socially skewed

Issues that existed in the Norwegian society before the pandemic are still there. Those who are resourceful generally do well, whereas people living in poverty and social exclusion are hit the hardest, because they already struggled and had fewer resources and alternatives.

Among the new layoffs, there has been an over-representation of groups that were disadvantaged *before* the pandemic. For example, people with low education and income are among those who have been hardest hit by layoffs, including many women and immigrants. Many low-income households cannot afford a further weakening of own economy, without compromising the supply of necessary goods such as food, housing, and clothing.

In addition to the economic dimension, another important dimension is social resources. Low-income families with children are a vulnerable group that has experienced both the economic and social effects of the pandemic. In addition to being particularly exposed to layoffs, many in this group were suddenly given responsibility for home schooling their children. This requires digital equipment, but also digital and general competence. Low-income parents often also have low educational level, and a lack of competence has made it difficult to assist with their children's schoolwork. For immigrant parents, limited Norwegian skills have also been particularly challenging. Clearly, the virus strikes socially skewed.

Those who were outside the labor market before the pandemic have had their prospects worsened. With the current high unemployment, it is even more difficult for this vulnerable group to get a job. Extended stays from the labor market can be a real economic challenge for those who were out of work before the virus outbreak, which includes many immigrants, sick, and young adults with NEET status ('Not in Education, Employment or Training').

In general, our target group has experienced increased concern because of the pandemic. Many have experienced financial concern about losing their jobs or finding a job, or not being able to cover basic needs such as food. For others, the concern has been of a more social nature. For example, some of our member organizations have received phone calls from parents who are worried that they are unable to help their children with home school.

The Norwegian government's handling of COVID-19

In response to the shutdown of society, the Norwegian government introduced aid measures equivalent to NOK 100 billion. First and foremost, a wage compensation scheme was established where layoffs were to receive two days full pay from the employer and as much as 18 days from the Labor and Welfare Administration (Nav). In addition, coverage was improved for all workers, including self-employed, freelancers, and temporary workers.

However, the wage compensation scheme was not ready until June. In the meantime, many applied for the unemployment benefit but did not receive it. For those who initially had low income, slow payment of unemployment benefits and wage compensation have affected the access of essential goods. Consequently, voluntary organizations such as our member Fattig Talt Ørland have noticed an increase in the number of people who need help getting food.

Although the minimum amount one must have earned the past year to receive unemployment benefit has been reduced to NOK 75 000 (about EUR 6 800), this leaves out many who have a looser connection to the labor market. These people must live off financial assistance or their own savings, which in turn makes them even more vulnerable.

When society reopened, the government had a strong focus on supporting businesses financially to take back laid off employees. At the end of August, 216 400 jobseekers were registered in Norway, which is 55 900 fewer than at the end of June. At the same time, 39 percent of the registered jobseekers in August were immigrants.

The government's information about the virus, infection control, and aid measures was slow to reach immigrant groups. This was partly due to limited Norwegian skills in these groups, but also to the government's choice of information channels. Lack of information contributed to increased infection among immigrants and little knowledge about aid measures. However, over time there has been more focus on providing information in different languages.

Passivity on the part of the Norwegian government has contributed to aggravating the situation of financially vulnerable people. For example, a corona fee has been introduced at the dentist, which makes it even more expensive to get the treatment one needs. By covering this fee, the government could have prevented a further deterioration of the situation.

How should poverty be reduced?

EAPN Norway has developed an *action plan against poverty*, with concrete measures to reduce poverty in Norway and funding proposals for these measures. The political measures and funding proposals have been developed through cooperation between our member organizations. Furthermore, the action plan is based on the perspective of both researchers, users, and people who have been inside the Labor and Welfare Administration (Nav). Our overall aim is to get those who are outside into work, as well as to provide everyone who cannot work with benefits that are sufficient to live good and dignified lives.

More people in work through qualification programs and wage subsidies

To overcome poverty, more people must be in full and permanent employment, and we believe that the right to a qualification program for the long-term unemployed and long-term recipients of financial assistance is essential. A full-time qualification program of up to two years is useful because it ensures financial predictability while acquiring relevant skills.

Those who are not in work or education after completing the qualification program must be entitled to work training or apprenticeship with full pay and wage subsidy. Subsidies must be given to municipalities and employers to create or offer a certain number of training positions.

The investment in qualification programs and wage subsidies is financed by reduced expenses for financial assistance. If the unemployed are entitled to qualification programs, wage subsidies or unemployment benefits, and the sick are entitled to sickness benefits, AAP or disability benefits, there is no need for financial assistance as a long-term benefit.

Strengthening the Labor and Welfare Administration (Nav)

If we are to promote Nav's work against poverty, the agency must be provided with more employees and increased competence. Employing more supervisors enables each supervisor more time to follow up users towards employers, the education and health system. Furthermore, the competence of Nav employees must be raised. The internal training in legislation and regulations must be strengthened, and employees must be entitled

to further education that strengthens their welfare competence. Nav must also improve its routines for sharing knowledge about legislation, rights, and opportunities with users.

With the current system, it can be difficult for the user to say whether the responsibility for follow-up towards the labor market, education and health system lies with Nav or external companies. Instead of providing funding to external companies, the responsibility for follow-up should lie with the supervisors at Nav. The employment and training of more supervisors could be financed by reallocating funds from the budget for external work measures.

For more effective poverty reduction, Nav must be more accessible, give users better follow-up and more real participation in their own case. More easily accessible contact centers and supervisors includes adapting opening hours to users' needs. Every recipient must have the right to follow-up from a supervisor, and preferably from one supervisor for as long as is practically possible. The contact between user and supervisor must be strengthened, and Nav's digitization of services must enable more contact and follow-up, not less. Temporary recipients shall be entitled to individual and adjustable activity plans, which are prepared in collaboration between user and supervisor. In dialogue, the user and supervisor must agree on progress, holidays, activity plans, feedback periods, and follow-up.

To strengthen user participation, Nav must also focus on its user committees. The user representatives in these committees must be offered training and courses, so that they can have a better say in local and system-level problems. In addition, Nav should improve its internal routines for how the user representatives' input is followed up.

The Nav ombudsman's two main functions

The Nav ombudsman, or public advocate, that has been established must be independent and take care of two main functions. First, it must function as a low-threshold support service, which safeguards the users' legal security and interests vis-à-vis Nav. Secondly, the Nav ombudsman must contribute to quality assurance and further improvement of Nav's work, based on information from users and knowledge of structural issues. To fulfill these functions, it must be ensured sufficient resources and the necessary professional expertise.

A more flexible work assessment allowance (AAP)

With the current scheme, a recipient generally cannot receive AAP for more than three years, and if the recipient is not clarified or get an extension after these years, there is a 52-week waiting period. Many are shifted to financial assistance, which is intended as a short-term benefit and too low to cover basic needs. The time limit for AAP must follow the needs of the case and the waiting period must be removed. In addition, the employment status forms which AAP recipients are obliged to submit must be replaced with a simple feedback system.

Furthermore, it is important that decision-making in AAP cases is as close to the user as possible. Therefore, the supervisor at the local Nav office must be given decision-making authority in AAP cases, and the supervisor's decision must be based on assessments from specialist doctors and general practitioners (GPs). Currently, the supervisor and GP can be overruled by a higher unit in Nav, called Nav Arbeid og ytelser. In practice, this means that a decision about AAP can be made without the decision-maker having met the user.

Additional support to the most vulnerable

Recipients of social security benefits and participants in qualification programs should have easier access to housing allowance and loans from the Norwegian State Housing Bank. The government has temporarily increased the housing allowance and raised the income limit due to COVID-19, and such an expansion should continue. We propose that the expansion be financed by phasing out housing allowance for non-recipients and healthy people.

Furthermore, recipients of social security benefits must be entitled to free legal aid. Also, the income limit should be raised, as many groups who should get help are currently excluded.

Comprehensive plan against child and family poverty

A comprehensive plan must be drawn up against child and family poverty, with a focus on financial rights, activity rights for children, and educational measures for parents. To achieve a holistic approach to measures against child and family poverty, all transfers to families with children should be gathered in one ministry and one parliamentary committee.

Universalizing parental leave benefits to at least NOK 202 702² is an effective measure to reduce child and family poverty. Women who are not entitled to parental leave benefits currently receive only a lump-sum grant of NOK 84 720. In 2019, this applied to 10 409 women, including many who are students or have not worked for other reasons. Partially offsetting this income gap by universalizing parental leave benefits to at least 2G can prevent their children from growing up in poverty. After the expiry of the parental leave benefit, women without work or education should be entitled to attend a qualification program.

EAPN Norway wants free day-care and after-school care, as this will have far greater financial value for poor families than symbolic increases in the child benefit. Furthermore, we believe covering activities through free leisure cards is an important supplementary measure for social inclusion in a difficult situation.

To ensure a more comprehensive follow-up of poor children and families, we also believe that all Nav offices must have a separate section or coordinator for family matters. There should be one coordinator in each case, acting as a liaison between different instances.

Changes can be made to current policies to finance the described measures against child and family poverty. Given that free day-care and after-school care is implemented, the child benefit could be changed from universal to means-tested. Furthermore, universal parental leave benefits will replace lump-sum grants, and free day-care will replace cash-for-care.

Equal access to health services

Dental health must be incorporated into the National Insurance Scheme, in the same way as other health services. Although this will be a major expense in the short term, we believe that preventive dental health for the entire Norwegian population is profitable in the long term.

Furthermore, free physiotherapy for the chronically ill should be reintroduced and the deductibles for social security recipients and program participants should be removed.

² This corresponds to two times the basic amount (G) in the National Insurance Scheme, typically referred to as 2G. From May 1, 2020, the basic amount is NOK 101 351.