

Forms of employment relationships/ employment contracts in Norway

In this report, we analyse the status and development of different types of employment relationships in the Norwegian labour market. The definition of contracts or employment relationships in this context covers permanent vs. temporary employment, employees and vs. the self-employed, as well as freelancers and temporary agency workers. These forms of employment relationships/contracts have been mapped in a four-year research project commissioned by the Ministry of Labour and Social Affairs. One area that has been given special attention is whether and how the proliferation of temporary appointments has changed since the legislative amendment in 2015, which introduced a general provision for temporary employment of up to 12 months.

Data

We have used various data sources to describe developments in the different forms of employment contracts/relationships. The Labour Force Surveys (LFS) are a key source, and we have conducted three additional surveys, with a particular emphasis on temporary employment. We also use the LFS panel to identify transitions between different statuses in the labour market. Employers' staffing strategies are mapped in a separate survey of enterprises in the private and public sector. We have also used various other data sources to describe the temporary work agency sector and the proliferation of temporary agency workers.

Temporary employment

In 2017, 8.4 per cent of the employees stated that they were in temporary (fixed-term) employment. This is slightly higher than in 2014 and 2015, but slightly lower than in 2016. In a longer term perspective, the share of temporary appointments has remained stable over the past decade. The share in temporary employment is highest among young workers, and this group has also seen a slight increase in the last three to four years. Women are more likely to be in temporary employment than men, and the gender disparities are stable over time. Employees whose highest level of education is lower secondary are more likely to be employed on a temporary basis than others,

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but the disparities due to education are otherwise small. A multiple regression survey taking different employee characteristics into consideration showed that those with the lowest and highest education levels have a higher probability of being in temporary employment than others.

Temporary employment is more common in the public sector and in private sector services than in manufacturing. The industries with the highest share of temporary employees are education, health and social services, accommodation and catering activities, business services and cultural and other services. There are no significant changes over time in which industries have large numbers of temporary employees and which have few.

Temporary employment is most common among part-time employees, and particularly among those who combine part-time work with another main activity, such as education. Employees who are new to the workplace are often employed on a temporary basis, while the share of temporary employees is low among those who have been with a company for three years or more. This means that many new employees are initially offered a temporary position, and are then either transferred to a permanent contract or their employment is terminated.

The majority of employees either have short-term contracts or do not have a fixed leaving date. Only 10 per cent say that their current employment contract is for more than one year forward in time. Many temporary employees are relatively new to their workplace, while about one-fifth have been employed for two consecutive years or more.

The share of temporary employees who want a permanent position (involuntary temporary employment) has increased over time. In 2016/2017, 64 per cent stated that they wanted permanent employment, and the majority of these have tried to achieve this. Temporary employees participate less frequently in informal in-house training than permanent employees. There are fewer disparities between permanent and temporary employees if we exclude those who combine studies with part-time work. Compared with permanent part-time employees, temporary part-time employees are much more likely to be underemployed or in a job that has fewer hours than they would like.

Analysis of temporary employment

We use the LFS's ad hoc modules to describe various characteristics of temporary employment. We have placed a particular emphasis on identifying whether such characteristics correspond to the exceptions from permanent employment provided for in (a) to (e) of the Working Environment Act. An

important objective is to establish whether the temporary employment situation has changed since the introduction of the so-called general clause in the Working Environment Act, which paves the way for temporary employment of up to one year without the need for justification.

- 16 per cent of temporary employees report being in a trainee position in 2016/2017, which is slightly higher than in 2014.
- 25 per cent in 2016/2017 say that they are covering for someone who is on leave. This is slightly lower than in 2014.
- Almost 20 per cent are employed on a time-limited project, and this share is stable. A large majority of these employees report that their work tasks are no different to those performed by other employees in the enterprise.
- Approximately 20 per cent say that they are employed on a zero-hours contract or as the result of extraordinary manpower needs.
- Overall, we classify about three-quarters of temporary employees in one of the four categories above. The share that remains unclassified is roughly the same in 2014 (24 per cent) as in 2016/2017 (27 per cent).

In 2016 and 2017, we asked whether employees were temporarily employed on the basis of the new provisions in the general clause of the Working Environment Act. Fifteen per cent of temporary employees said that their employment was based on the general clause, 52 per cent replied that it was not, and 33 per cent were not sure. This is a difficult question for new employees to answer, and those who responded in the affirmative were not particularly distinct in any way to those who said no. We are therefore uncertain as to whether the employees understood and answered this question correctly.

The use of the general clause is also mapped in the survey of enterprises that was conducted in May 2016. Six per cent of enterprises with five employees or more responded that they had applied the provision, while a further four per cent indicated that they would probably utilise the provision during the course of the year.

We also wanted to know the status of temporary employees before their current employment, and if this has changed since the amendment to the legislation in 2015. Almost half of the temporary employees were either permanently or temporarily employed elsewhere immediately prior to their current job. Another large group is those who were in education. Twelve per cent stated that they were a jobseeker. There are no differences between 2014 and 2016/2017 in terms of the previous status of temporary employees.

Temporary agency workers

The second form of labour market attachment we have examined in the project is temporary workers from employment agencies. The two most important data sources in this regard were Statistics Norway's employment statistics, which show the number of employees who are employed by temporary employment agencies (NACE 78.2), and statistics from employer association NHO Service og Handel, which provide invoiced hours and turnover in member companies within the employment agency sector. Neither of these statistics give a complete picture of the number of temporary agency workers in the Norwegian labour force. We therefore supplement these two sources with other types of data where possible, including information from customers about expenditure on temporary staff services.

Both data sources show that the employment agency sector experienced strong growth from 2005 to 2008, with a sharp fall in 2009. The sector grew from 2010 onwards, but again declined in 2015–2016. In 2017, the employment agency sector once again saw growth in turnover and employment.

We have attempted to calculate the percentage of employment that takes place in the form of temporary agency workers. Although it is not possible to provide exact estimates, various calculation methods show that temporary agency workers account for between 1.5 and 2 per cent of total full-time equivalents in 2017. The share more than doubled during the period 2003–2017.

The employment agency sector in Norway has a large element of labour migrants, including short-stay workers. Employment statistics show that more than half of all employees in the sector in 2017 had an immigrant background, with the vast majority hailing from EU countries in Eastern Europe. The number with a background from Nordic countries fell sharply from 2007/2008 to 2017.

Much of the growth in the sector since 2006 has been due to temporary agency work in the construction industry. Agency workers account for about 6 per cent of the full-time equivalents in construction. Statistics from the Norwegian Federation of Service Industries and Retail Trade show that there are significant geographic differences, and that Oslo has the highest share of temporary agency workers.

The share of temporary agency workers in the health and social care sector has remained stable in the last 5–6 years, and constitutes approximately 1 per cent of the full-time equivalents.

The self-employed/independent contractors

The third form of labour market attachment to be analysed is self-employment, with a particular emphasis on the self-employed with no employees. In 2017, 5.6 per cent of those in employment (excluding the primary industries) were self-employed, and 4.1 per cent were self-employed with no employees. The share of self-employed persons in Norway is stable over time and low in an international context. If we include second jobs, the share of self-employed persons increases by about 2 per-centage points, i.e. about 2 per cent of employees have a second job in which they are self-employed.

The share of self-employed persons is highest in the category 'Creative, arts and entertainment activities' (NACE 90). This sector is in a unique position, with a share in excess of 60 per cent in self-employment. Other sectors that have a higher than average share of self-employed workers are professional, scientific and technical activities, construction, civil engineering, electricity and power, and other service activities that also include personal services. There are only minor changes over time in the share of self-employed persons by sector.

The self-employed are found in a variety of occupations and professions. In the case of those who are self-employed with no employees, large shares are found in the traditional trades, artistic and creative occupations, in transport and among hairdressers and cosmetologists, and in some health-care occupations.

The LFS only reflects the employment situation during a specific week (the reference week). Short-term jobs can therefore be inadvertently excluded. We also asked how many people had worked as freelancers or independent contractors during the past year. In 2016, 7.5 per cent of those in employment reported that they had undertaken such work, and 3.4 per cent stated that this was their main job. The majority of the independent contractors operate under a sole proprietorship (enkeltpersonforetak).

Transitions between different statuses in the labour market

In the LFS, the same person is interviewed eight times in 21 months, which enables us to examine transition rates between different statuses in the labour market, with a particular emphasis on transitions to and from temporary employment and unemployment.

About 80 per cent of temporary employees are working one year after the first interview. Of these, just over half are in a permanent job, while 27 per cent are still temporary and 2 per cent are self-employed. After 21 months, the share in work is still about 80 per cent, but some more have transitioned to permanent employment. Eighteen per cent are still employed on a temporary basis. The share that transitioned to unemployment is 4–5 per cent

for both periods, and the share is approximately the same after 12 and 21 months. There are only small disparities between interviews that were conducted prior to and subsequent to the introduction of the general access to temporary employment of up to one year.

Among those who were unemployed at the first interview, about half are working after one year. The majority have a permanent job (27 per cent for those who started the interviews in 2015/2016), but some are also in temporary positions (18 per cent in the same period). These figures suggest that the probability of transitioning to a temporary position is slightly higher for those whose first interview was in 2015/2016, compared to those who were interviewed earlier. Simultaneous to this, several transitioned to educational activities in the final part of the survey period. The situation in the labour market may play a role in this context, and the number of interviews is also quite low. Therefore, we cannot conclude that this has changed over time.

We also examine the previous status of temporary employees, i.e. their status in earlier interviews. The majority were working, either in permanent or temporary employment, or they were in education. The share who had been unemployed is 7–9 per cent, and this is stable over time. As a whole, the figures show that there is considerable mobility between temporary employment and unemployment, but there is also mobility between education and temporary employment.

From a retrospective perspective, we can see that self-employment is the most stable status in the sense that there are few in this category who have experienced temporary employment or unemployment, or who have transitioned to education. If we narrow this down to the self-employed with no employees, stability is slightly lower, but the group still has more stable careers in the labour market than permanent employees. Thus, these figures indicate that the transition rate from unemployment and temporary employment to self-employment is not particularly high.

The enterprise study

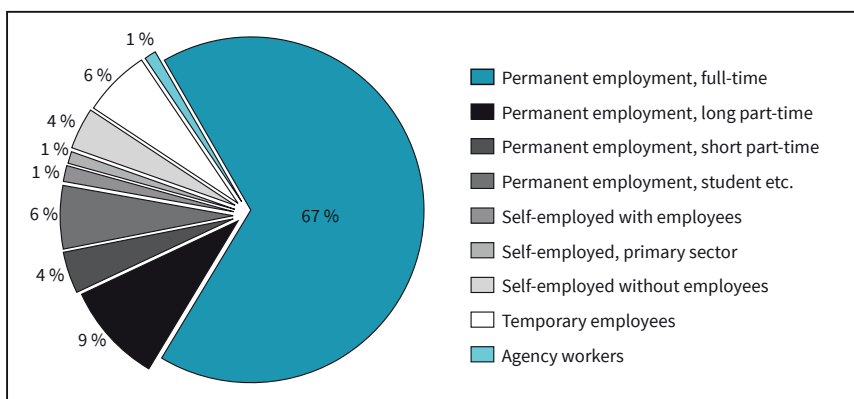
As part of the project, a survey was conducted in 2016 of enterprises with at least five employees. This is reported in a separate note (Nesheim 2017). The survey showed that 55 per cent of enterprises had appointed temporary employees in the last year. The share was highest in the state sector and among the largest employers. The most common reasons for employing staff on a temporary (fixed term) contract were the need for extra capacity and for temporary cover, which is in line with the data provided by temporary employees themselves about the characteristics of their employment. Thirty

per cent of the enterprises reported that they had hired temporary agency workers during the past year. The share was highest among man-ufacturing and construction enterprises, with extra capacity given as the most common reason. In the public sector, temporary agency workers were mostly used to cover temporary leave. Thirty per cent of the enterprises had used the services of independent contractors or freelancers. There are only small differences by sector and industry, and there is less variation in the size of the workplace than for the use of temporary agency workers and temporary employees. The main reasons for using freelancers/independent contractors was to provide extra capacity and to obtain specialist expertise for a limited period of time.

Conflated analysis

In the project on forms of employment relationships/contracts/, we have followed developments in what is often referred to as atypical employment, and considered whether this has become more common among the labour force in Norway. The situation is characterised more by stability than by change. In conclusion, we try to form a picture of the current labour force in Norway in terms of forms of contract, and have also included part-time work with short and long hours.

The figure below shows that two-thirds of employees in Norway have a traditional form of employment in that they are permanent employees in full-time positions. A further 9 per cent have this attachment but work long part-time hours. In Norway, such jobs will not generally be considered to be atypical or insecure. In addition, there are self-employed persons in the primary industries and self-employed persons with employees, who are also



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close to the general understanding of what is considered typical or traditional forms of employment. These four categories combined account for 79 per cent of the population in work.

The share with a typical/traditional form of attachment is stable over time, and this also applies to atypical attachments as measured in the LFS. It is also possible to compare Norway with the EU as a whole. On average, more people are employed in typical/traditional forms of attachment (permanent full-time work, permanent part-time work with long hours and the self-employed with employees) in Norway than in the EU. The disparities are fewer among young people than for the group aged 25–54. One important explanation is that many young people in Norway work short part-time hours, which also reflects the large numbers combining education with an extra job. In the EU, there are more young people in the category ‘self-employed with no employees’ than in Norway, where this group accounts for about one per cent of the working population under the age of 25.