Labour Market Development in Newfoundland and Labrador: Regional Challenges and Active Solutions

by

© Ekaterina Lysenko

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Memorial University of Newfoundland

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Abstract

High unemployment in Newfoundland and Labrador for a long time has been associated with a lack of employment opportunities. However, the situation has changed – provincial labour market is now challenged by lack of workers. Despite a quick adjustment in large urban centers, rural areas of the province continue to be challenged by a high unemployment, although now it co-exists with a growing demand for labour. Such coexistence indicates geographical and skills mismatch between labour supply and demand. This thesis takes a case study approach to examine implementation of Active Labour Market Policies (ALMP) in Newfoundland and Labrador and in Norway. ALMP are aimed to stimulate adaptation of labour force to changed labour demand. The research attempts to asses to what extent the labour market policy in Newfoundland and Labrador has shifted towards ALMP, and whether this shift can be complimented by a successful ALMP transferred from another jurisdiction, with respect to place-specific factors in both case studies.

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List of Abbreviations and Symbols:

ABE - Adult Basic Education

ACOA – Atlantic Canada Opportunities Agency

AFAP – Atlantic Fisheries Adjustment Program

ALMP – Active Labour Market Programs

APEC – Atlantic Provinces Economic Council

CFAR – Canadian Fisheries Adjustment and Restructuring

CAN – College of the North Atlantic

CYN – Community Youth Network

EAS – Employment Assistance Services

EBSMs – Employment Benefits and Measures

EI – Employment Insurance

FFAW/CAW – Fish, Food and Allied Workers

HRDC – Human Resource Development Canada

HRLE – Department of Human Resources, Labour and Employment

HRSDC – Human Resource and Skills Development Canada

INTRD – Department of Innovation, Trade and Rural Development

ILO – International Labour Organization

IZA – Institute for the Study of Labor

JCP – Job Creation Program

LMA – Labour Market Agreement

LMAPD – Labour Market Agreement for Persons with Disabilities

LMDA – Labour Market Development Agreement

LMT – Labour Market

MUN – Memorial University of Newfoundland

NAV – Norwegian Labour and Welfare Administration

NCARP – Northern Cod Adjustment and Recovery Program

OECD – Organization for Economic Cooperation and Development

RDA – Rural (or Regional) Development Associations

REDB – Regional Economic Development Board

SMEs – Small and Medium-sized Enterprises

SWASP – Student Work and Service Program

TAGS – The Atlantic Groundfish Strategy

UI – Unemployment Insurance

VER – Variable Entrance Requirement for EI

WAPES – World Association of Public Employment Services

WISE – Women Interested in Successful Employment

WTO – Training Work Training in Ordinary enterprises

WTP – Work Training in Protected firms

Introduction

> *"The metaphor that is often used to describe passive income maintenance policies is that of a safety net – one that would catch people and prevent them from "hitting bottom." The concern is that the safety net, while well intended, became a comfortable hammock with little incentive to leave. The intent of active labour market policies, in contrast, is to act like a trampoline to facilitate those who fall to bounce back into the labour market."*
>
> *Gunderson, 2003, p. 3.*

After decades of poor economic performance, the province of Newfoundland and Labrador is now experiencing solid economic growth. In 2010 the province led the country in both GDP and employment growth (The Economy, 2011). However, these average rates mask a slow adjustment in rural areas, which continue to exhibit high unemployment and low participation rates. Unlike the provincial urban centers - such as St. John's, Labrador City, Corner Brook and Gander - labour market performance in rural Newfoundland and Labrador remains relatively unchanged. This is an important issue for the province, as the share of its labour force living in rural areas is one of the highest in Canada (HRLE, 2009a; FFAW/CAW, 2004).

For a long time, the high unemployment rate was mainly associated with a lack of job opportunities in Newfoundland and Labrador (Crowley, 2003). However, the contemporary labour market situation is largely different from the past. High unemployment in the province, especially in its rural areas, is now co-exists with unfilled demand for labour. Instead of the lack of job, it is now challenged by the labour shortage, indicating geographical and skills mismatch between labour supply and demand. Rapid population ageing, especially in rural areas, exacerbated by decades of out-migration, low levels of education, particularly in rural areas, and the financial disincentives created by welfare benefits, have all contributed to this mismatch.

Labour demand is particularly high for skilled labour positions and low paid jobs. Demand for skilled labour is expected to grow further with the province's major development projects, such as Vale's nickel processing plant, the Hibernia South Extension, the White Rose expansion fields, Hebron, the Iron Ore Company of Canada expansion and the Lower Churchill project. However, the recruitment challenge is felt not only by these major projects. Small and medium size employers, along with volunteer organizations in rural areas of Newfoundland and Labrador, are now ranking recruitment of employees and volunteers as their greatest challenge (Lysenko & Vodden, 2011; Vodden et al., 2011).

The changing labour market situation requires an adequate adjustment of the labour market policy to address the emerging challenges. The issue of the labour demand and supply mismatch is not new or unique to the Newfoundland and Labrador. Other jurisdictions generated a wealth of experience tackling similar challenges. More and more OECD countries, including Canada, are turning to Active Labour Market Policies (ALMP) to address similar problems. ALMP are specifically designed to address structural unemployment through policies that stimulate the adaptation of a labour force to changed labour demand (Freshwater, 2008). This

thesis attempts to asses to what extent the labour market policy in Newfoundland and Labrador has shifted towards ALMP, and whether this shift can be complimented by a successful ALMP experience from another jurisdiction. The purpose of this thesis is to explore the potential for transferring ALMP employed in Norway, known for its strong labour market performance and long-time emphasis on ALMP, as a proposed solution to address regional labour market challenges of Newfoundland and Labrador.

Despite the fact that many OECD countries employ ALMP, their approaches vary. They differ by many aspects, including the ratio of active policies to passive, the focus of their ALMP, implementation of benefit sanctions and level of flexibility incorporated in the delivery of ALMP. As a result, the outcomes vary significantly by countries and, even regions.

A number of studies have been undertaken to compare ALMP outcomes in OECD (Card et al., 2009; Kluve, 2006; Martin & Grubb, 2001) and other countries (World Bank, 2004). Although a consensus regarding their effectiveness has not been reached, there are many examples of the positive impact of ALMP in particular jurisdictions. This raises the question why ALMP are more effective in some locations than in others. The search for "good practice," or labour market programs that work, has stimulated interest in transferring ALMP from one country to another (Pemberton, 2008).

The idea of transferring ALMP gained popularity in the early 1990s, when many OECD countries had turned to ALMP to address their raising unemployment rates. The extensive and accelerating process of labour market policy learning, or policy transferring, has occurred between the USA, where welfare-to-work originated, and European countries - as well as between European Union members themselves (Casey & Gold, 2005; Daguerre, 2004; Peck & Theodore, 2001). The most well-known case of labour market policy transferring took place

between the USA and Britain ("The New Deal" in Britain), which received extensive attention of many scholars, including Jamie Peck and Nick Theodore (2001), Anne Daguerre (2004), David Dolowitz and David Marsh (1996) and many others.

These scholars have analyzed a number of factors which affect the effectiveness of policy transfer. Particularly, the importance of place-specific factors that contribute to policy success in the original locality and the existence of these factors in the area where implementation is planned, has been stressed for the success of policy transfer (Cook, 2008; Casey & Gold, 2005; Ochel, 2002). Peck and Theodore (2001) also stressed that the precise replication of the labour market policies and programs in a new economic and institutional environment is very difficult to achieve, as the program itself changes the environment, which in its turn influences program outcomes.

This thesis provides a comparative analysis of the ALMP in Newfoundland and Labrador and Norway, with respect to these place-specific factors. The research employs a multi-case study approach, with smaller nested case study regions selected within both Newfoundland and Labrador and Norway for closer examination and data collection. Three rural regions were selected within Newfoundland and Labrador: Irish Loop, Twillingate-New World Island and Labrador Straits; and two in Norway, in the Northern counties: Tromso and Vagan municipalities. Based on analysis of ALMP in the selected case study regions, the research of this thesis seeks to explore the potential of transferring Norwegian ALMP to Newfoundland and Labrador to address the labour market challenges of the province.

A detailed overview of the development of the ALMP concept, its components, the factors contributing to its success and critiques are presented in the Literature Review chapter. The Methodology chapter then describes methods and techniques employed by this research. The

next two chapters are devoted to the detailed analysis of ALMP in Newfoundland and Labrador and in Norway, including the place-specific factors supporting their labour market policies. The final chapter analyses the similarities and differences of the labour market policies, and their goals, between Newfoundland and Labrador and Norway. In addition, this chapter makes suggestions on what Norwegian ALMP have potential for addressing the regional labour market challenges of Newfoundland and Labrador.

Chapter 1

Literature Review

1.1 Evolution of the Unemployment Policies

The discussion about unemployment and its solutions has been predominantly led by the ongoing confrontation between market-based and state-driven or Keynesian economics (Natievel, 2004). The Keynesian welfare state regime originated in the post war period of economic boom. The objective of this regime was promotion of full employment in relatively closed national economies through macro level policies, mainly monetary and fiscal, aimed to stimulate demand for labour (Nativel, 2004; Jessop, 1993). Keynes conceptualized the involuntary nature of unemployment demonstrating that functioning of labour market is tied to goods, money and bonds markets. Fluctuation of aggregate labour demand causes fluctuation in the level of employment (Nativel, 2004). Thus, unemployment was perceived as a demand-side problem. Welfare benefits, mostly in the form of unemployment insurance were aimed to support individuals during the periods of cyclically rising unemployment, until the lost jobs return, once the business cycle goes up again and increases demand for labour (Boyes & Melvin, 2006).

Globalization and the rise of global competition, along with technological change, led to an increase in unemployment rates and poverty among non-skilled and lower-educated groups in the 1970s-1980s in Organization for Economic Cooperation and Development (OECD) countries (Sunley et al., 2005; Esteveo, 2003; Richardson, 1997). This rise had been largely caused by the structural changes that had reoriented national, regional and local economies from manufacturing to service sectors (Freshwater, 2008). Such a reorientation has resulted in a mismatch between

available skills and changed labour market demand, creating structural unemployment. Structural unemployment occurs when jobs are eliminated by permanent changes in economy. Skills and experience of the structurally unemployed may become unmarketable in the changed economic environment and, therefore, the unemployed face either adjustment of their skills or extended periods of unemployment (Baumol & Blinder, 2008; Boyes & Melvin, 2006).

Existing welfare regimes provided neither necessary skills nor motivation for unemployed to reconnect with labour market, while indefinite benefits allowed them to flow into long-term unemployment (Sunley et al., 2004). The adjustment of labour markets in OECD countries had been further exacerbated by ageing of the population and consequent shrinking of the labour force. Traditional passive welfare policies became costly due to a growing number of benefit recipients and impeded labour market development by reducing labour supply (Andersen & Svarer, 2008). As a result, Keynesian welfare policies become widely criticized for the stimulation of voluntary unemployment, reducing the recipients' interest in a job search, preventing natural migration of labour supply and shifting individual responsibility for employment to a collective or state responsibility (Tergiest & Grubb, 2006; Sunley, 2005; Kraft, 1998).

After the mid-1970s, Keynesian full employment policies yielded way to decentralized administration of neo-liberal policies: fiscal restraint, inflation targeting, labour market deregulation and the opening up of profit-making opportunities (Cook, 2008). Employers and workers are seen as buyers and sellers operating within universal laws of demand and supply. Under a purely market-based model the labour market can be regarded as an ideal type with no room for imperfections: perfect information, unconstrained labour mobility, free entry and exit and homogenous labour force (Nativel, 2004). Unemployment is thus perceived as a supply-side

problem caused by the imperfections introduced by "welfare dependency", low commitment to work and inadequate skills (Cook et al., 2008; Daguerre, 2007; Nativel, 2004; Peck & Theodore, 2000). One of the main principles associated with the 1980s shift to neo-liberalism became an increasing emphasis on making welfare rights conditional upon the fulfilling of citizenship obligations, primarily through the willingness to perform paid work (Sunley et al., 2004). The objective of full employment had yielded way to full employability, i.e. eliminating barriers to employment, such as lack of appropriate knowledge and skills, or availability barriers (Cook et al., 2008).

Critiques of the institutional (welfare-system induced) theory of unemployment have stimulated a great interest in Active Labour Market Policies (ALMP) (Sunley et al., 2004). ALMP normally attracts the interest of policy makers at periods of persistently high long-term unemployment, as it was the case for most OECD countries in the 1980s. ALMP are specifically designed to address structural unemployment through policies that stimulate adaptation of labour force to the changed labour demand (Freshwater, 2008). One of the main motivations stimulating attention to ALMP was the intention to shift the weight from collective responsibility to individual (Sunley et al., 2005). Individual responsibility rests on the assumption that unemployed individuals are able to perform an effective job-search and develop career strategies on their own, without external help. However, in the world of imperfect information and risk adversity this assumption is unrealistic (Nativel, 2004). It was argued, therefore, that provision of benefits should be accompanied by active help to the unemployed. The role of such external help has been effectively filled by ALMP (Nativel, 2004; Sunley et al., 2005).

ALMP are seen as a primary mechanism for reshaping the nature and operation of the welfare state (Sunley et al., 2004; Natievel, 2004). In fact, shifting the weight of labour market

policies from passive to active lead to a reduction of unemployment rates in several European countries in the second half of the 1990s and significantly contributed to the popularity of ALMP (Esteveo, 2003; Andersen & Svarer, 2008). In 1994 the OECD released the *Jobs Study*, which stressed the importance of shifting labour market policies from passive to active (Robinson, 2000). In 1997 the European Employment Strategy of the European Commission gave ALMP the official status of an important labour market regulation tool in the European Union (Kluve, 2006; Auer et al., 2005; Martin & Grubb, 2001). In contrast to Continental Europe, active measures receive less attention in the English-speaking countries in the Northern hemisphere, such as the United Kingdom, the United States, and Canada (Kahn, 2010).

Despite the growing popularity of ALMP, the level of resources devoted to these measures varies significantly across OECD countries. In some countries, including Belgium, Denmark, Finland, Germany and Sweden, these expenditures are over 1 % of GDP, while the middle cohort - Austria, Italy, Spain, Norway, etc. - spends between 0,5% to 1%. Some European and all non-European OCED countries, fall in the cohort with the low expenditures (less than 0.5% of GDP) with United States, Japan, Korea and Chech Republic having the least spending on ALMP (Cook, 2008; Kluve, 2006). In terms of the share of the expenditures on active and passive policies, among OECD countries only Italy, Norway, Portugal and Sweden spend more on ALMP than on passive measures (World Bank, 2004). Nevertheless, the share of the expenditures on ALMP in total labour market programs (LMP) spending (active and passive) grew sharply in countries like Australia (117% growth), United Kingdom (87%), Denmark (83%) and Canada (55%) in the period between 1990 and 2005 (Cook, 2008).

Within European and other industrialized countries, Nordic countries (Norway, Denmark, Finland and Sweden) stand out for their historically high expenditures on ALMP (Benner, 2003;

Raaum & Torp, 2002). However, as Table 1 demonstrates, Norway and Sweden are the only two Nordic countries that spend more on active measures than on passive. In fact, in terms of the % of GDP, Norwegian expenditures on ALMP are the closest to Canadian among Nordic countries.

Table 1 Spending on LMP and ALMP in 1985-2006

Country	**Total spending on LMP (% of GDP)**			**Spending on ALMP (% of GDP)**			**% of ALMP spending in total LMP**		
	1985	2000	2006	1985	2000	2006	1985	2002	2006
Canada	**2.49**	**1.10**	**0.90**	**0.64**	**0.40**	**0.31**	**25.9**	**36.3**	**34.4**
Norway	1.09	2.72	1.08	0.61	0.77	0.58	55.7	66.8	53.7
Denmark	5.38	4.51	4.51	1.14	1.54	1.85	21.2	34.3	41.02
Finland	2.22	3.30	2.58	0.90	1.08	0.89	40.7	32.8	34.49
Sweden	3.00	2.72	2.32	2.12	1.38	1.36	70.8	50.9	58.62
Nordic countries	**2.92**	**2.92**	**n/a**	**1.19**	**1.20**	**n/a**	**47.1**	**46.2**	**n/a**
Southern Europe	1.44	1.57	n/a	0.28	o.68	n/a	30.2	43.9	n/a
Central and Western Europe	2.89	2.25	n/a	0.80	0.90	n/a	29.2	39.1	n/a
OECD	2.31	2.03	n/a	0.72	0.80	n/a	34.4	39.6	n/a

Source: OECD, 2009; Martin 2001.

ALMP targeted to social assistance recipients became known as welfare-to-work or workfare. Increasing emphasis on targeting of social assistance recipients and making welfare rights conditional to the fulfilling of citizenship obligations, primarily through the willingness to perform paid work, became one of the central components of the neoliberal response to the growing pressure from welfare benefits (Sunley et al., 2004). Workfare is defined as mandatory supply-side social policies aimed to increase labour force participation, improve flexibility of labour market, reduce public social expenditures and exclude "life on the benefit" option (Vis, 2008; Peck & Theodore, 2000). It originated in the United States and then became highly influential around the world, with the most notable example being the British "The New Deal" welfare reform (Peck & Theodore, 2001). Theodore and Peck (2000) distinguished the two types of workfare policies. The first one emphasizes labour force attachment schemes, aimed to move individuals to employment as quickly as possible, while the second – a human capital development approach - prioritizes provision of training and skills development.

Despite the fact that labour force attachment strategies tend to be more effective in reduction of unemployment, they often trap unemployed in jobs with minimum wages or just above it, while human development strategies help to achieve a better employment in the long run (Theodore & Peck, 2000). The non-monetary benefits of formal paid work can vary greatly across welfare claimants. For example, it is ambitious to expect an increase of self-esteem in cases of individuals involved in voluntary work who move into paid work, especially if they are entering low-paid jobs (Castonguay, 2007).

The level of benefits largely influences the level of financial incentives to work for low-skilled workers. This problem arises when financial payoff from staying on benefit or taking a

low-paid job is limited. The amount of this payoff can be further reduced by income taxes, social contributions or reduction in existing benefits. According to Immervoll and Pearson (Immervoll & Pearson, 2009), it pays off to take a job with below-average earnings (two thirds of the average wage) when it increases available income by 60% or more – the so-called "average effective tax rate". In fact, in slightly more than half of the OECD countries this return from work is less than 40%, i.e. the financial payoff from taking a low-paid job in these countries is ineffective. In case of families with children financial incentives for taking a low-paid job can be even lower, as their out-of-work benefits tend to be higher. As a result, even a full-time employment at the bottom of the wage ladder will impose a poverty risk for these families (Immervoll & Pearson, 2009). For working mothers and single parents, low-paid jobs provide no flexibility to accommodate their needs and have the least family-needed benefits, such as, sick days, health care and vacation times. Adherents of the workfare critique argue that imposing mandatory participation in paid labour overlooks the values of rising children and unpaid work performed by poor women (Albelda, 2002). However, Sunley et al., (2004) suggest that the strictness of workfare, its outcomes and ALMP, can vary in different welfare regimes.

Gradually, the concept of workfare has been broadening to embrace not only social assistance benefit recipients but also recipients of unemployment benefits. It now often refers to the type of programs where benefits claimants are required to participate in a variety of measures aiming to increase their employability (Vis, 2008; Sunley et al., 2004). In the United States and Britain ALMP are known as welfare-to-work programs and constitute the main strategy to bring unemployed back to work (Richardson, 1997). In Europe, the term workfare, associated with punitive American strategies, was avoided and transformed into "welfare-to-work" or "activation" policies (Sunley et al., 2004). Thus, the notion of activation encompasses

interconnectivity of welfare policies and employment programs and how this interaction affects labour force participation (Halvorsen & Jenson, 2004). Activation policies aim to bring inactive citizens back to paid employment, which is considered the norm. In Western Europe, Scandinavian countries are leading in using activation strategies to solve long-term unemployment and social inclusion problems (Daguerre, 2007).

Not all countries adopted an activation strategy with its compulsory component. In continental and social-democratic welfare states, like Denmark and Sweden (except Norway), active labour market programs (ALMP) with voluntary participation and with a long-term human development focus, became more popular. In contrast, Anglo-Saxon countries, especially the United States and the United Kingdom, tended to place a greater emphasis on compulsory participation and rapid employment take up, regardless of the quality of jobs, following a labour market attachment, or "work first" approach (Daguerre, 2004).

The failure of the neo-liberal supply-side policies, particularly forced employment without adequate assistance, has led to the development of the "The Third Way" policy measures (Cook et al., 2008). The Third Way is a combination of the post-war Keynesian social protection policies and neo-liberalism (Peck & Theodore, 2001; Cook et al., 2008). Thus, unemployment is seen not only as a consequence of dependency on welfare, but also as a result of the quality of available employment: low-pay, underemployment and contingent work (Peck & Theodore, 2001). The Third Way concept aims to balance individual and collective responsibilities, where social investments in human capital and education are combined with mutual obligations: no rights without responsibilities. Since ALMP are supposed to reconcile employment and equality by rising both employment and social inclusion, Sunley et al. (2004) argue that they fall into the Third Way policies. However, Third Way policy measures, including ALMP, are often criticized

for promotion of workforce participation despite the fact that in some areas there are simply not enough jobs. The Third Way is also criticized for placing a greater emphasis on activation programs and limiting their demand-side efforts to subsidizing private sector employment (Cook et al., 2008).

1.2 The scope of ALMP

Labour market policies fall in a broader category of employment policies, which also encompasses monetary, fiscal and some aspects of industrial, regional development, social and income policies (Nativel, 2004). Labour market policy is traditionally divided between passive measures (unemployment insurance) and active (employment assistance) (Nativel, 2004; Clamfors, 1994). However, in practice distinction between passive and active is often unclear, as entirely unconditional benefit systems have never existed (Sunley et al., 2004). Unlike the passive labour market policies, ALMP utilize a more dynamic "activation" approach of "mutual obligations". This approach aims for stimulation of labour force participation and overcoming of labour market barriers faced by disadvantaged unemployed through employing a balance of "carrots" – ALMP, and "sticks" – benefits sanctions (Kluve, 2006; Tergiest & Grubb, 2006). Benefit recipients are expected to perform an active job-search or participate in active employment measures in exchange for quality employment services and benefit payments (Peck & Theodore, 2001; Robinson, 2000).

Following the welfare-to-work shift benefit sanctions (or threat of their application) have become increasingly used as a part of unemployment insurance and public welfare systems (Boockmann et al., 2009). Benefit sanctions refer to partial or complete temporary benefit reduction for insufficient job search or refusal of a job offer (Boockmann et al., 2009; Kluve,

2006; Tergiest & Grubb, 2006). Empirical evidence regarding the effectiveness of benefit sanctions is limited. However, the majority of studies demonstrate a positive effect on reducing welfare dependency, activation of its recipients and significant increases in transition from welfare benefits into employment (Boockmann et al., 2009).

ALMP consist of three pillars. The first one offers measures to improve the functioning of a labour market by enhancing an information exchange between its two parts – supply and demand - through job matching and job search assistance. The second is focused on adjusting the supply side through training. And the third pillar stimulates the demand side by subsidizing employment. It includes wage or hiring subsidies, direct job creation and assistance to unemployed wishing to start their own business (self-employment programs) (Freshwater, 2008; Martin & Grubb, 2001).

Labour market enhancement programs seek to optimize the job matching process by intensified job search, reduction of searching cost for employees and employers and by overall reduction of transaction costs (Freshwater, 2008). Efficient matching of job seekers and employers largely depends on the quality of employment services. They not only refer clients to matched vacancies, but an important part of their role is to increase employability of the clients through delivery of vocational counseling, job search training, referral to job clubs and other active labour market programs (Martin & Grubb, 2001). It is particularly stressed that a combination of job search measures with intensive individual follow ups and benefit sanctions plays a crucial role in the success of these measures (Martin & Grubb, 2001; Lalive et al., 2002; Kluve, 2006). Kluve (2006) even joined benefit sanctions and job search assistance into one type of ALMP – "Services and Sanctions". Lalive, Van Ours and Zweimuller (2002) concluded that a strict sanctions policy may produce a more positive outcome than lowering of benefits.

At a national level matching workers with available vacancies can expand employment opportunities to those beyond local labour markets. This wide labour mobility can eliminate local pockets of unemployment and address labour shortages in other locations. However, from a local perspective such outmigration can contradict local development goals related to retaining population. From this point of view, however, the negative influence of excessive labour supply on rural communities should not be disregarded: it keeps local wages at low levels, drains resources from sub-national levels of government for provision of social assistance benefits and contributes to unstable employment by practicing of job rotation schemes (rotation of employees after they qualify for unemployment benefits) (Freshwater, 2008).

These relatively cheap job matching measures are very promising and cost-effective. Kluve (2006) suggested that these measures are equally effective for skilled individuals with good employment prospects and for more disadvantaged individuals. Other studies suggest that job matching services are particularly effective for women and sole parents (Martin & Grubb, 2001).

The next component of ALMP – training – is the most popular bundle of programs among the OECD countries. Training aims to increase clients' productivity, employability, wage level and enhance human capital. It is also able to address skills shortages by delivering programs related to a specific labour market demand. In many OECD countries public employment services are involved in organization or purchase of training programs (Kluve, 2006; Robinson, 1997). These programs include classroom training, on-the-job training and work experience. The educational level of these programs varies from basic and general courses to a more skill-specific (Kluve, 2006; Martin & Grubb, 2001).

Training programs have been proven to be more effective and less expensive when targeted to particular groups of unemployed, such as long-term unemployed, unskilled, youth and labour in depressed areas (Clamfors, 1994). According to Martin and Grubb's (2001) study, formal classroom training is more effective for women re-entering the labour market and the least productive for prime-age men and older workers with low educational background. For better results they recommend to keep the size of classes relatively small and to provide courses that are relevant to the labour market and that can lead to a recognized and valued qualification. On-the-job training, in general, also seems to produce better outcomes for women re-entering labour market and for single mothers (Martin & Grubb, 2001).

Evaluation studies generally demonstrate a positive long-run effect for the training programs that outweigh the associated lock-in effect (described below) (Kluve, 2006). Even though, according to Robinson (1997) outcomes of training programs in the short-run are often no greater than from less expensive job matching services, in the medium-run they produce a more positive impact by enhancing employability, reducing poverty, increasing social inclusion and stimulating economic development by reducing a skills mismatch (Card et al., 2009). One of the reasons underlying low outcomes of training programs is that they are targeted to lower skilled and less able individuals (Heckman et al., 1999). Skills upgrading is extremely important as it strengthens the capacity of a labour force to adapt to rapid technological change and innovations (EPSCO, 2009).

The third ALMP pillar includes wage subsidies to private and public employers, grants for self-employed and direct job creation (Freshwater, 2008; Kluve, 2006; Martin & Grubb, 2001). The goal of these measures is to increase employment or prevent its reduction. Wage subsidies can be directed to employers, or workers, in a form of financial incentive. Wage

subsidies are usually targeted to long-term unemployed and other disadvantaged individuals (Kluve, 2006; Betcherman et al., 2004). These programs aim to ease the transition to regular work for these groups by providing an orientation to the world of real jobs and teaching them good work habits (Heckman et al., 1999). Subsidized employment can be provided through public or private sectors. Direct employment programs (direct job creation) are targeted to the most disadvantaged and aimed at strengthening their attachment to the labour market and preventing the loss of human capital associated with long-term unemployment (Kluve, 2006; Betcherman et al., 2004). Direct job creation can be organized through public sector or recruitment subsidies to private sector employers (Sunley et al., 2005). Participation in labour market programs can substitute for work experience and thus reduce an employer's uncertainty about the employability of clients (Freshwater, 2008; Clamfors, 1994). Grants for self-employed individuals represent another form of subsidies to the private sector. These grants are provided for unemployed individuals that are starting their own business and are often accompanied with advisory support (Kluve, 2006; Betcherman et al., 2004). Overall wage subsidies and job creation programs demonstrate the least effectiveness in connecting unemployed with the labour market and are very expensive. The proportion of participants that obtain employment after the program completion (i.e. employment take-up rate) is usually very low (Kluve, 2006; Martin & Grubb, 2001). However, wage subsidies to private sector generally demonstrate better results than to the public and non-profits sectors (Kluve, 2006). Several studies even found that the effect from wage subsidies to the private sector exceeded the impact of public training and direct job creation programs. However, such studies often pointed to significant displacement and substitution effects (see below). Careful targeting and close monitoring help to address these negative effects and increase overall program effectiveness (Martina & Grubb, 2001). In general,

direct job creation programs show very low or even negative effect on employment take-up rate. However, one should not disregard their positive role in prevention of discouragement and social exclusion among participants (Kluve, 2006; Martin & Grubb, 2001). Kluve (2006) suggested to discontinue direct job creation in the public sector or change its objective from "improve employment" prospects to "improve employability" of individuals. Some authors argue, however, that the described positive effects from direct job creation may dissipate rapidly (Cook et al., 2008).

Many countries also apply ALMP to tackle unemployment among youth and disabled, developing programs targeted to these particular groups (Robinson, 1997). Measures for unemployed and disadvantaged youth usually include training programs, wage subsidies and job search assistance. Programs at the school level, such as apprenticeship training, aim to prevent unemployment among youth (Martin & Grubb, 2001). Evaluation studies of measures for unemployed youth demonstrate controversial, but rather negative, results regarding their effectiveness (Andersen & Svarer, 2008; Kluve, 2006). Thus, it might be more effective to focus on preventing youth from becoming disadvantaged through early and sustained interventions. These interventions can start as early as pre-school period and are focused on improving students' performance and the reduction of drop-out rates (Martin & Grubb, 2001).

Programs for individuals with various disabilities are comprised of vocational rehabilitation, sheltered work experience or wage subsidies (Kluve, 2006; Martin & Grubb, 2001). A few evaluation studies on these programs exist and show no positive impact on employment take-up rate (Kluve, 2006).

1.3 ALMP: potential effects and proper planning

ALMP are associated with several potential disadvantages, including lock-in, deadweight, substitution and displacement effects. Lock-in or retention effect describes the reduction of time and effort participants spend on job search once they are enrolled in labour market programs (Andersen & Svarer, 2008; Gaelle, 1999). Such reduction can take place even before the program starts and the risk of locking-in is higher with more attractive programs. Program attractiveness is not limited to higher compensational level. Participation in active labour market programs often helps to reduce geographical mobility, which is required in some jurisdictions (Clamfors, 1994). Lock-in effects have been found to offset the benefits of most of the ALMP, except for job matching programs. However, this effect can be reduced by postponing referrals to active labour market programs until later months of unemployment (Martin & Grubb, 2001).

Deadweight effect refers to subsidizing those who would have found employment anyway (Boone & Van Ours, 2004; Kraft, 1998; Robinson, 1997; Clamfors, 1994). This effect is exacerbated with "creaming" of participants: the process of choosing applicants with the best employment prospects or self-selection of participants (Robinson, 1997). Deadweight is mostly common for wage subsidies and can be avoided by precise targeting (Kraft, 1998).

Wage subsidies and job creation programs are also prone to displacement and substitution effects. Displacement effect occurs in a situation when firms benefiting from wage subsidies may gain market competitiveness advantages and increase their share of the market thus forcing other firms to displace their workers (Cook, 2008; Gaelle, 1999). Substitution effect occurs when certain targeted groups of unemployed are preferred over other categories of workers due to their lower costs for the employer (Andersen & Svarer, 2008; Boone & Van Ours, 2004; Clamfors,

1994). To avoid substitution and deadweight effects job-creation schemes can be organized in way that ensures that the created jobs would not have been created without the assistance of an ALMP program (a principle of additionality) (Clamfors, 1994; Kluve, 2006).

Careful program planning and modeling of program effectiveness accounting for economic cycles, types of participants and negative effects can increase the efficiency of ALMP and reduce their possible negative outcomes (Robinson, 1997; Clamfors, 1994). Clamfors (1994) distinguished four crucial design features of the ALMP: 1) compensation levels; 2) the extent of targeting; 3) duration and timing; and 4) the type of programs.

Compensation level in ALMP varies from the level of unemployment benefits (most common for training programs) to market wages (for job creation schemes). However, some studies suggest that compensation should exceed the benefits level to stimulate interest in participation, but not too much to avoid wage inflation. Other studies, however, maintain that ALMP should attract participation on their own merits by means of improved employability and higher wage prospects (Clamfors, 1994).

Martin and Grubb (2001) in their overview of OECD evaluation studies pointed out that tight targeting is an important component of ALMP design, as the effect of programs varies across target groups. However, focusing on a particular group, especially on the most disadvantaged, can place a stigma on employment services and reduce their effectiveness as employers may avoid hiring from them (Clamfors, 1994). In terms of timing of placement in active labour market program, theoretical considerations suggest that placing programs at the late phase of an unemployment spell reduces negative effects of the deadweight and lock-in. On the other hand, the competitiveness of the unemployed deteriorates as unemployment spells lengthen. Thus some scholars recommend a medium-term (after six month) as optimal timing for

program placement (Clamfors, 1994). Another study (Andersen & Svarer, 2008) points out that the threat of being placed in ALMP can stimulate employment take up, and thus ALMP should be offered after four months of unemployment.

An important aspect of proper policy planning is an optimum distribution of resources between the three types of ALMP (Clamfors, 1994). The three major goals of ALMP – reducing unemployment and increasing labour force participation, reducing public expenditures or "welfare dependency", and reducing poverty – in practice can be controversial. Also, job matching programs increase job entry rates, but are not intended to contribute to wage gains and move marginalized unemployed out of poverty (Kluve, 2006; Robinson, 1997). Moving these individuals quickly into employment often traps them in jobs with minimum wages or just above it (Robinson, 2000; Peck & Theodore, 1999). On the other hand, programs designed to increase human capital and secure higher wages, may turn out to be more expensive than passive welfare benefits and decrease job-search activities, leading to so-called lock-in effect (Boone & Van Ours, 2004; Robinson, 2000).

ALMP produce a complex effect on individual employability and thus their evaluation is complicated (Kluve, 2006). The vast majority of studies have typically focused on the short-term effect and demonstrated a modest effect on rising employability, which eventually leads to a reduction of ALMP in many countries. However, in the long run ALMP demonstrate more positive outcomes (Andersen & Svarer, 2008). A consensus seems to have been reached on the effectiveness of combining intensive employment counseling, job search assistance and monitoring backed up by benefit sanctions (Clamfors, 1994; Kluve, 2006; Andersen & Svarer, 2008). Training and private sector wage subsidies as well demonstrate positive but moderate employment impacts (Andersen & Svarer, 2008; Kluve, 2006; Martin & Grubb, 2001; Kraft,

1998). A balanced combination of all three types of programs is suggested to be optimal (Kluve, 2006; Clamfors, 1994). Excessive focus on one type, typically caused by disappointments from evaluations of other types, should be avoided. A recent trend to emphasize on training and education programs, for example, may end up with insufficient investments in training capacity and reduce the quality of training programs (Clamfors, 1994). In 2000 in OECD countries, training accounted for 37% of total ALMP expenditures, followed by Public Employment Services (job matching) – 24% and wage subsidies – 21% (Betcherman et al., 2004).

Workfare policies (both labour force attachment and human capital development) are supply-side approaches that pursue the same goal – reintegration of welfare recipients into the labour force under existing labour demand conditions. Despite the "active" component associated with activation measures, they are "passive" in terms of improving demand-side conditions of labour market (Theodore & Peck, 2000). Workfare alone will not solve the problems of economic development and international competitiveness of disadvantaged regions, and increasing social exclusion. It is argued that sustainable welfare-to-work transition most likely can be achieved through the coordination of both supply and demand side strategies (Cook et al., 2008; Peck & Theodore, 1999). In other words, in areas with high unemployment not only welfare recipients should be activated, but also new jobs needed to be generated. This is also true for ALMP, since ALMP are rest on the fundamental assumption of the existence of some demand for labour. This can be a problem in some small rural regions (Freshwater, 2008). In high unemployment areas ALMP alone are not sufficient to alter the problem. Absence of employment opportunities in local labour markets can significantly challenge post-program employment probabilities of ALMP (Theodore & Peck, 1999). In these regions ALMP should be complemented with broader policies stimulating labour demand (Freshwater, 2008; Webster,

2000). Thus, comprehensive regional development policies are needed to promote structural adjustment of an economy to retain the labour force and increase competitiveness of a region (Andersen & Svarer, 2008).

It is important to remember, that ALMP are not a panacea for sustaining labour markets. A comprehensive set of labour market, social protection and economic development policies would achieve a better result. ALMP will not completely eliminate the need for passive social protection, but rather will require a customized combination of both (Gaelle, 1999).

1.4 Local approach to ALMP

The outcomes of ALMP can be improved and many of their negative effects addressed through decentralization and a local approach. Decentralization of ALMP captures the benefits of local knowledge and increases chances of their successful implementation (Lundin & Skedinger, 2000). Freshwater (2008) suggested the level of functional regions, combining borders of local labour market and various administrative boundaries of local governments, community organizations and other key actors, as the optimum scale for programs design. Developing programs on the local scale provides a better understanding of the needs of local workers and employers, and helps to select an appropriate set of measures (Freshwater, 2008). It enables observation of achievements, strengths and weaknesses of these programs (Theodore & Peck, 1999). Cultural, historical, economical and even geographical aspects of everyday live shape problems (and opportunities) that are specific for a particular locality (Freshwater, 2008).

The effect of ALMP designed at national and local levels vary. The key difference is that at the national level effectiveness is measured as pure employment effect, while at local level it can be complemented by positive impact on economic development, retention of population and

ability to maintain provision of social services (Freshwater, 2008). Program effectiveness also varies according to the level of implementation: those programs that demonstrate poor results on the national level can be very effective at local. A few workers with specific skills can significantly contribute to a small firm or even stimulate growth of other local enterprises, but will not register at the national scale (Freshwater, 2008).

Policy decentralization has gained popularity in a range of policy fields in the past 20 years. In times of increasing globalization local characteristics are now considered as strengths and sources of competitive advantage rooted in local knowledge, skills availability and other place-specific factors (Giguere, 2005). Variation of place-specific factors at the local level creates variations in local definitions and pursuit of success (Markey et al., 2005). Markey et al. (2005) stressed the importance of local knowledge and participation of local stakeholders for the development of the effective framework for community economic development. In terms of labour market policy it means that the local level is now seen not only as a level of service delivery, but also as a scale where labour market policies can be adapted to the needs of particular target groups and local businesses and can foster local economic development (Freshwater, 2008; Giguere, 2005). Markey et al. (2009) pointed that the realities of a new economy requires a more flexible and responsive human resource base. A local approach to policy-making has been also favored for creating innovations and "best practices" (Theodore & Peck, 1999).

However, the extent of the decentralization varies. Delegation of decision making power from federal to provincial level, as in case of Canada, is also decentralization. At this (provincial) level, decision making is still centralized and top-down. While the actual decentralization occurs on local level, where policy or program can be adopted to the conditions of the target groups,

local business needs and can stimulate the development of local economies (Giguere, 2005). Initiatives from local groups, such as local authorities, business associations and community-based organizations, to address local issues using their own strategies and projects have provided an alternative approach to centralized, macroeconomic decision-making. Therefore, some scholars suggest a flexible management of ALMP based on networks and adaptation of national policies to local needs (Freshwater, 2008; Giguere, 2005).

Local initiatives are often aimed to fully utilize local human, physical, technological, financial and other resources. One of the distinctive features observed of local initiatives is a comprehensive view of local problems, tackling business, human and social development together. This requires partnerships with government, business and civil society. Lack of coordination between economic development activities and labour market development is considered to be a key factor obstructing local employment development, however (Giguere, 2005).

Local employment initiatives pointed out the diversity of local conditions and the opportunities flexible management and a local approach can provide. Recognition of local initiatives started to grow in the Western Europe in 1982 and has been based on the assumption that even depressed areas with high unemployment may have underutilized local resources. This idea has been elaborated into the Local Employment Initiative (ILE) program, which has been adopted by 13 OECD countries. Particularly, ILE has encouraged educational institutions and larger employers to get engaged in local development and job creation; as well as it has supported the expansion of the role of the employment services (Dyson, 1989). Later, this program has been transformed into the Local Economic and Employment Development (LEED) program, which now includes 33 countries and international organizations, including European

Union, other European countries, Australia, Canada, United States, Japan, Mexico, etc. (LEED website). The LEED program focuses on the four areas of local development (Giguere, 2005):

1. Employment and skills development and in particular the presence of local employment and training opportunities are considered essential for retaining youth, attracting talents and meeting employer demand. A skilled workforce employed in the local economy stimulates its diversification and strengths sustainability of local labour markets, which are seen as a base of local prosperity and quality of life.
2. Entrepreneurship is perceived as one of the most direct ways to create jobs, increase income and stimulate economic adjustment and competitiveness at local levels.
3. Social inclusion aims to provide everyone a role in local economic and social life through involvement of the not-for-profit sector.
4. Local governance is responsible for connecting local development actors and effective strategic planning. Local governance is responsible for the integration of local economic, labour market, social and environmental objectives into a comprehensive policy (Giguere, 2005).

To promote local initiatives and increase utilization of local resources, governments need to adjust their institutional systems. Among OECD countries these institutional reforms have been undertaken in several forms. The most popular reform, which included two-thirds of 30 OECD members, was a promotion of local partnerships. The second institutional reform has an objective to decentralize policy and the public service system and was followed by one third of OECD counties who in some way have decentralized their labour market policy and public

employment services. Another aspect of institutional reform is restructuring of the delivery system to involve a transfer or contracting out responsibility for delivery of labour market programs to private and not-for-profit organizations. As of 2005 about 20% of OECD countries had adopted this reform. Additionally, a large number of countries have altered their delivery system by merging various services into one-stop local agencies (Giguere, 2005).

There are two approaches to the decentralization in OECD countries. The first one is an integrated country-wide system of public employment services (PES) when policies are designed and implemented on a regional level according to guidelines and a national policy framework. In this case trade unions and employers organizations are often involved in decision-making. The second type of decentralization refers to the type of system where design and implementation power is devolved to regional government. Decentralization of responsibilities and obligations is not always followed by sufficient decentralization of resources and quality of skills, however, and can be limited by federal provision of funding (Giguere, 2005). It is very important for local development agencies to maintain their independence in developing and delivering the programs, however, it is hard to achieve due to a funding dependency typically on national/federal governments. Effective vertical and horizontal coordination of local development initiatives, as well as institutional capacity including professional and effective structure for implementation and evaluation of the initiatives is considered as one of the key success factors (Cook, 2008).

Development programs on the local level, rather than on a higher administrative one, allows those involved to identify specific local problems, which otherwise could be overseen in aggregate data combining several locations. It also enables to respond quicker. The idea of decentralization is to provide flexible program management, allowing managers to adjust programs to local needs. Information from local employers and representatives of the target

groups can optimize labour market programs and reduce the substitution, the displacement and the deadweight effects. Other local actors often duplicate some of the employment service activities; coordination at the local level can avoid this and bring efforts together. Finally, the ability to address local labour demand and adjust ahead for forthcoming skills demand stimulates labour market efficiency (Giguere, 2005).

1.5 Transfer of ALMP

The shift from welfare to workfare and neo-liberalism, led to a growing interest in the role of labour market programs and other institutional arrangements, such as governance systems and policy measures, in labour market development (Ochel, 2002; Peck & Theodore, 2001). With a growing number of states adopting the activation approach of welfare-to-work, the search for a "good practice", or labour market program that works, has grown as well. In the past 20 years policy transferring increasingly became an objective of theoretical and practical interest (Pemberton, 2008). Political decision makers have sought to improve their labour market policies by comparing the insights from various countries and international institutions, including program management techniques, administrative technologies and political rhetoric, and identifying whether they work or not (Casey & Gold, 2005; Ochel, 2002). The notion of policy transferring encompasses policy learning, convergence, lesson drawing, emulation and harmonization (Pemberton, 2008).

The extensive and accelerating process of labour market policy learning, or policy transferring has occurred between the USA, where welfare-to work originated, and European countries, as well as between the European Union members (Casey & Gold, 2005; Daguerre, 2004; Peck & Theodore, 2001). The most well-known case of "workfare" policy transferring

occurred between the USA and Britain and resulted in the creation of the Britain The New Deal welfare-to-work program (Daguerre, 2004; Peck & Theodore, 2001). The New Deal represents a mix of American and European ideas. In this program the dominance of American compulsory "work first" approach was softened by a greater emphasis on training (Daguerre, 2004).

Within the European Union members the process of policy learning has been led by the OECD, European Commission of the EU and the International Labour Office (ILO) (Ochel, 2002). The European Commission of the EU, for example, has organized such learning in the form of peer reviews. Almost 30 programs in various members' countries have been reviewed by other countries. However, one of the shortcomings of these peer reviews was a low communication of the review reports. Another is the exclusion of key actors other than the member states from the learning process, including social partners, civil society organizations and sub-national governments (Casey & Gold, 2005).

It is suggested that policy transfer should start with choosing an appropriate country. When considering a policy transfer place specific factors and path dependency are limitations that need to be born in mind. A study of the political, social, economic and institutional contexts in which policies are embedded are necessary for a successful transfer (Pemberton, 2008).

Path dependency is another factor obstructing policy transferring. The success of transferring is subjected to the degree of flexibility of the county's own institutional arrangements, political traditions and policy conventions (Ochel, 2002; Peck & Theodore, 2001). Policy transferring is more successful if consistent with dominating political ideology in the hosting country (Dolowitz & Marsh, 1996). Related to the political and economic ideology, similarities in the objectives of labour market policy are also important (Ochel, 2002). USA and Britain, for example, both had similar labour market policies objectives and institutional

arrangements, which made possible the transferring of the USA's activation policies to Britain's New Deal program (Daguerre, 2004).

Ochel (2002) further suggests that institutional arrangements should be considered with regards to the nature of the shocks in the country at the time of the review. To identify the differences in institutional arrangements, comparison should not be limited to a certain moment, but extended to capture the course of a reform. For this purpose practical implementation of institutional arrangements needs to be closely examined, as not all rules and laws are applied in practice and may only exist on paper. The best example is the use of benefit sanctions. Out of 12 OECD countries declaring sanctions only Switzerland, Finland and Norway apply them strictly (Ochel, 2002).

The next step is a complex assessment of the factors contributing to a policy/program success and their availability in the area where the program is planned to be transferred must be a part of the policy transferring process. Place specific factors include motivation, dedication of individuals, institutional structure etc. Some like methods, techniques, know-how and operating rules, can be easily transferred to another area, others – such as ideas, programs, institutions, and philosophy, are more difficult (Cook, 2008). Institutional arrangements regulating labour markets can vary from work protection frameworks, vocational training and qualification, labour mobility regulations, job matching process to retirement scheme, social protection of unemployed etc. Their contribution can be determined through evaluation of implementation outcomes. However, due to the complexity of the effects from labour market institutions, their evaluation should be carried out in connection with the evaluation of other institutions, relevant actors and economic policy measures: financial incentives, composition of the participants in labour market and their behavioural patterns (Casey & Gold, 2005; Ochel, 2002). Program

evaluation helps to identify the extent to which the programs' success depends on the place-specific factors (Cook, 2008).

Peck and Theodore (2001) stress that the precise replication of the "successful" policies and programs in a new economic and institutional environment is very difficult to achieve, as program itself changes the environment, which influences the program. Decentralization of policies brings spatial unevenness and the changed local labour markets affect program outcomes (Cook, 2008; Peck & Theodore, 2001). Peck and Theodore (2001) points out that many attempts to transfer workfare had failed or took a form of a hybrid version. Policy development is embedded in the complex hierarchical regimes and influenced not only by concrete institutional arrangements, but also by the type of welfare regimes, priorities and orientations of domestic politics. For example, the success of the transferring of activation policy tends to be conditional upon a ready supply of jobs, presence of a strong administrative system, tight targeting and strong political will (Peck & Theodore, 2001).

Some policies or programs are more complex than others, and thus are more difficult to transfer. Programs with single goals or simple problems are easier to transfer. Also, the fewer the number of side effects generated by a policy, the more predictable its outcomes. The more information is available to the borrowing side, the more successful transfer is likely to be (Dolowitz & Marsh, 1996).

Important aspects of the ALMP design and implementation, presented in the Literature Review chapter, constitute analytical framework of this research. The framework includes analysis of objectives of labour market policy, nature of labour market problems, institutional

arrangements, techniques and operational rules, motivation and cultural aspects, as well as negative side effects.

Chapter 2

Methodology

Norway has been selected for several reasons. Along with the other Nordic countries, it has generated a wealth of experience with ALMP. Furthermore, as discussed in the Literature Review chapter, Norwegian expenditures on active labour market measures exceed the passive ones and are the closest to Canadian expenditures on ALMP (as percentage of GDP) among the Nordic countries, which makes this comparison more relevant. Besides, Norwegian ALMP received better than other Nordic countries evaluations, particularly for the design and implementation of employment programs at the local level (Dahl & Lorentzen, 2005).

Dahl and Lorentzen (2005) pointed that an overview of the Swedish ALMPs in the 1990s had shown only a little support for the positive effect of their ALMP. While Norway, in contrast, generated a number of successful examples. One of the reasons for the success of Norwegian active labour market programs, according to Dahl and Lorentzen (2005), was the design and implementation of ALMP at the local level.

Unemployment in Norway is nearly the lowest among the OECD countries and participation rate is also among the highest (Figure 1). To some extent, strong labour market performance supports the success of its ALMP, however, other factors including a prosperous economy, shorter working hours, high share of workers on disability benefits and, therefore, excluded from the unemployment rolls, significantly decrease unemployment rate in Norway (Duell et al., 2009).

Finally, Norway features some economic similarities in economy with Newfoundland and Labrador. Oil and gas, mineral and fishery products constitute the three main components of Norwegian exports. Like Newfoundland and Labrador, a significant number of Norway's municipalities are remote, with no ready access to urban centres and exhibit a high level of dependency on primary and public sectors employment (OECD, 2007). Fishing in combination with severe winters, generate the same problem with seasonal unemployment in Norway as in our province. However, in Norway seasonal unemployment has significantly declined in the past 15-20 years and is not considered as a problem anymore (Grady & Kapsalis, 2002). Some of the main reasons underlying the decrease in seasonal unemployment are: overall low unemployment rates, adequate labour market programs, economic diversification and small numbers of people living in areas affected by seasonal employment fluctuations. However, Norwegian northern counties Nordland, Troms and Finmark, where dependency on fishery is more pronounced and where winters are harsher, still experience higher unemployment in the winter season (Grady & Kapsalis, 2002).

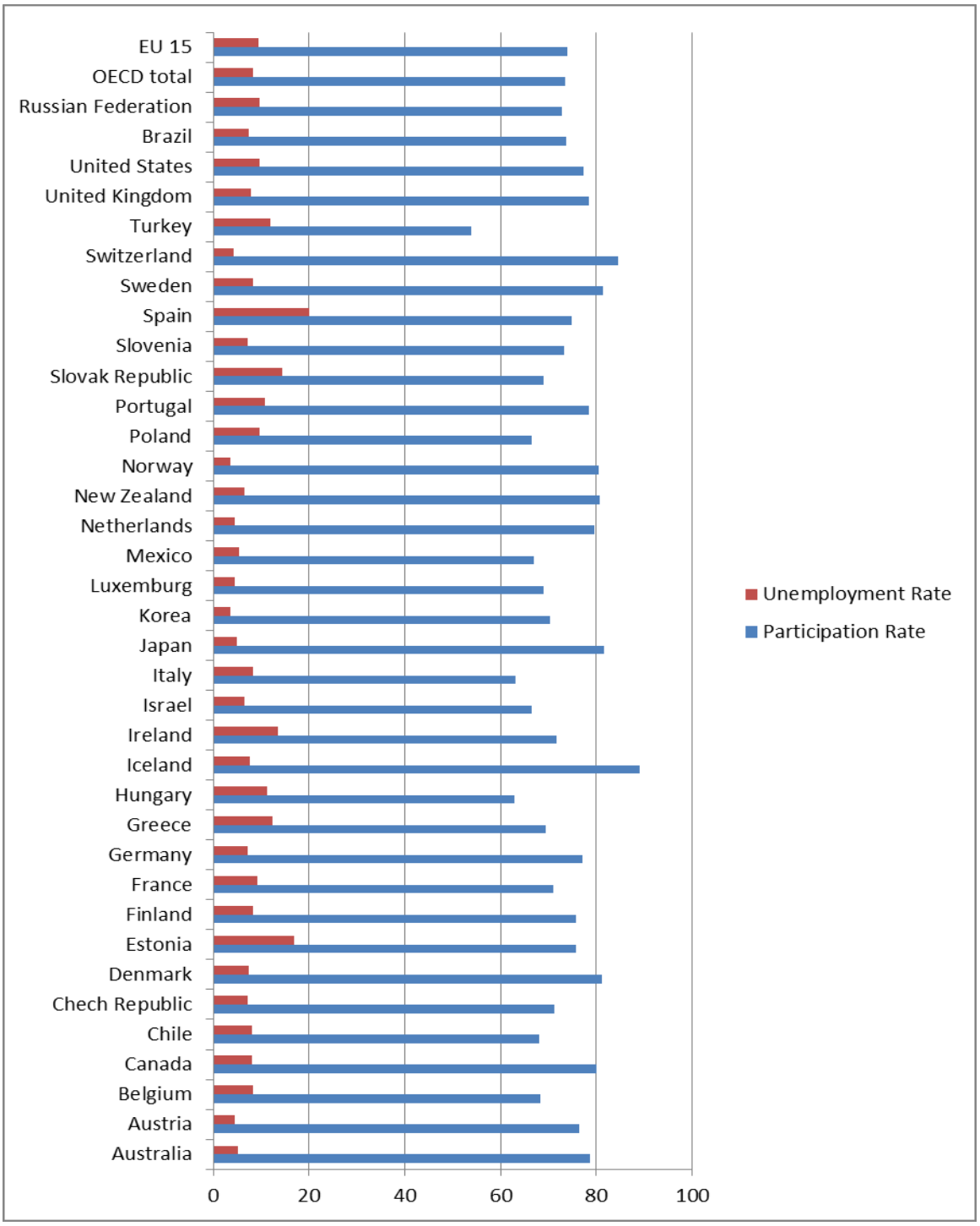

Figure 1 Unemployment and Participation Rates in OECD Countries (2010)

Source: Table: "LFS by age and sex", OECD StatsExtracts. Accessed April 19, 2012 at http://stats.oecd.org/Index.aspx?DatasetCode=LFS_SEXAGE_I_R#.

Indeed, Norway and Newfoundland and Labrador are not alike. They have different historical, cultural, political, economic and geographical settings. To start with, Norway is one of the most prosperous countries in the world. While Newfoundland and Labrador, despite the current economic growth, continues to lag behind the rest of Canada on many economic indicators, such as GDP per capita and unemployment. The two jurisdictions also have different political systems: Norway is a kingdom with a constitutional monarchy, while Newfoundland and Labrador is a province in the federation of Canada; Norway is known as a welfare state, Canada and its provinces follow a more neo-liberal political ideology (Coe et al., 2007). Besides, differences in regional development policies produce different effects of the local labour markets in these two jurisdictions. The effect of these policies is further discussed in the next three chapters.

Despite these differences, several scholars, government officials and others have compared Norway with Newfoundland and Labrador in various aspects, and have explored opportunities for adopting Norwegian experience in areas such as labour market, rural and local economic development, education, petroleum and fisheries management (Goldenberg, 2009; Locke, 2005; Schrank et al., 2003). In the light of Newfoundland and Labrador's current and impeding labour market challenges, learning about Norwegian experience with ALMP can contribute to development of a successful labour market policy. This study will closely examine Norwegian ALMP to determinate if their transfer has a potential to address labour market challenges in Newfoundland and Labrador.

The case study method selected for this research has been widely employed in the traditional social science disciplines and in applied research (Yin, 2009; 2003; Scholz & Tietje, 2002). This method allows investigation of phenomena in the real-life context and provides a

multi-sided view of the studied phenomena, which results in deep and comprehensive understanding (Halinen & Tornroos, 2005; Dopson, 2003). Case study method is considered being the most suitable for researches seeking to understand "why" or "how" some social phenomenon works. Particularly, this method is preferred over the others, when examining event is contemporary and the researcher has no control.

Researchers can encounter some disadvantages associated with the case study method. Case study methodology is often criticized for producing a little basis for scientific generalization. However, this issue can be addressed through increasing the number of case studies, i.e. multiple case studies (Yin, 2009). Depending on the research purposes, complexity of the phenomena and practical considerations like time and cost, the number of cases can vary (Yin, 2003; Scholz & Tietje, 2002). Yin (2003) particularly suggested that multiple-case study is preferable for cross-experiment, i.e. comparative, rather than within-experiment analysis.

Case study research can be built upon both quantitative and qualitative data (Yin, 2003; Scholz & Tietje, 2002). Yin (2003) recommended three principles of data collection to enhance data validity, reliability and quality control: the use of multiple sources of evidence, creating a case study data base and maintaining a chain of evidence. The author has sought to employ each of these principles in this study through the methods outlined below.

Case study methodologists have identified six sources of evidence or data: documents, archival records, interviews, focus groups, direct observation, participant-observation and physical artifacts (Yin, 2003; Scholz & Tietje, 2002). Interviews and focus groups become a part of the qualitative research methods in the early 20th century (Kvale & Brinkmann, 2009; Powell & Single, 1996). However, implementation of interviews in the social sciences has been occurring since the late 1960s, a decade or two ahead of case studies and focus groups (Kvale &

Brinkmann, 2009). Focus groups were primarily used as a market research technique until the 1980s, when they spread widely as an applied research tool in various social science fields, especially health and politics (Puchta & Potter, 2004). In the late 1980s and 1990s focus groups has become a source of qualitative information in geography, allowing both exploration of new areas and confirmation of research questions (Hopkins, 2007). Now this method is widely used in human geography (Hopkins, 2007) and social geography (Bedford & Burgess, 2001).

This research will examine labour market challenges, design and implementation of ALMP in two case study areas, Norway and Newfoundland and Labrador. Each case study will explore characteristics of labour market, goals of labour market policies, composition of labour market policies portfolio, decision making system and level of its decentralization, level of involvement of social partners in policy making process, ALMP delivery system and place specific factors contributing to the success of ALMP.

To achieve a closer examination of labour market challenges facing rural regions of Newfoundland and Labrador, and composition and functioning of labour market institutions in these regions, an additional three nested case studies were chosen within Newfoundland and Labrador and three – within Norway. The case studies regions in Newfoundland and Labrador represent the three types of rural regions: a rural region adjacent to a metro/urban center– Irish Loop (adjacent to St John's), a rural non-adjacent - Twillingate-New World Island, and a rural remote region - Labrador Straits. Rural-urban disparities in labour markets are very pronounced in Newfoundland and Labrador (see chapter 3), thus, the chosen classification of rural regions provided valuable insights to the process of adaptation of different types of rural regions in the province to the labour market challenges, to the effectiveness of labour market policies implementation, and to identification of place specific factors influencing effectiveness of

ALMP. These three regions also correspond with case study regions of the "Rural-Urban Interaction in Newfoundland and Labrador" project, thus allowing using data from the project.

Within Norway three nested case studies were also selected to obtain more detailed information about Norwegian ALMP. The study focused on the three Northern Norwegian counties: Troms, Nordland and Finmark, as they are relatively remote, fishery dependent and have seasonal unemployment in winter (Grady & Capsalis, 2002). However, later Finmark county was excluded due to some difficulties in data collection (see below for more details).

This research incorporated information from the academic peer reviewed literature, government and non-government reports related to ALMP design, implementation and effectiveness in general and particularly in the case study areas: Norway and Newfoundland and Labrador. Additionally, qualitative and quantitative data from the three case study sub-areas has been collected through interviews, focus groups and questionnaires, collected through the Rural-Urban Interaction in Newfoundland and Labrador project (Vodden et al., 2011).

Interviews with local providers of employment services in three nested case study areas within Newfoundland and Labrador and two – within Norway were conducted to enhance information collected from the reviewed literature, obtain details on how ALMP are implemented locally and what local factors affect their effectiveness (see Table 2). Nine structured in-person interviews with local providers of employment services took place in Newfoundland and Labrador in November, 2009. Interviews in the three nested case studies had covered all main providers of employment services that are located within these regions. Main providers include Employment Assistance Services offices (EAS) and Human Resource Labour and Employment (HRLE) regional offices or Career and Work Centers (see chapter 3). Labrador Straits and Twillingate-New World Island each has one EAS office. In Irish Loop, five EAS

offices are managed by one organization, which representative has been interviewed. For HRLE, only Twillingate-New World Island sub-area has a local office, which has been closed for a year at the moment of the interview. Similar office in Lewisport, that is temporary serving Twillingate-New World Island, was interviewed instead. In addition to these two main providers, all other types of organizations, delivering more targeted employment services in these sub-areas, that researchers were aware of, were interviewed (see Table 2).

Table 2 List of Interviewees

Case study sub-area	**Interviewees**
Newfoundland and Labrador	
Irish Loop	Celtic Business Development Corporation (EAS) (region's head office)
	Irish Loop development Board
	Service Canada Community Office (Trepassey)
Twillingate-New World Island	Human Resources Labour and Employment regional office/Career and Work Center Lewisport (office in Twillingate is temporary closed)
	Twillingate New World Island Development Association (EAS)
	Women Interested in Successful Employment (WISE) (Gander)
Labrador Straits	Employment Assistance Services (EAS) (Forteau)
	Community Youth Network (Forteau)
	CAP site (Forteau)
Norway	
Nordland county	NAV office in Vagan municipality
Troms county	NAV office in Tromso municipality

Among the regional organizations serving larger areas and not immediately located in the case study sub-areas the following two were chosen for the interviews: Career Work Center (Lewisport) and Women Interested in Successful Employment (WISE) (Gander). Career Work Centers represent a growing network of professionally staffed offices addressing employment needs of all audience: unemployed, underemployed, social assistance recipients and employers. WISE, in contrast, serves only women, with no regards to eligibility for employment insurance. There are also three regional WISE offices in the province. All case study sub-areas have Service Canada Community Offices, however, these Offices do not directly deliver employment services. Thus, the majority of employment service providers serving the three case study sub-areas are surveyed.

In Norway, structured telephone interviews were conducted with representatives of the main provider of ALMP – local NAV (the Norwegian Labour and Welfare Organisation) offices. Three local NAV offices were suggested by the NAV administration based on interest of this research and availability of english-speaking respondents in the following municipalities in the Northern Norway: Tromso (Troms), Vagan (Nordland) and Vadsø (Finmark). However, the suggested key person in Vadsø rejected participation in this research for unknown reasons, subsequently reducing the number of nested case studies to two. The remaining municipalities represent both urban and rural settings. Tromso municipality is a large urban center located in Troms county and is considered as "the capital of the Arctic Norway". Tromso is a home for the Tromso University, which largely influences economic activity in the municipality. Vagan municipality, situated in Nordland county, represents a rural setting and is a traditional fishing region, where cod fisheries and now salmon fish farming and tourism are the main economic

activities. Two telephone interviews were conducted with the recommended representatives from local NAV offices in Tromso and Vagan municipalities in October 2010.

Additionally, three structured in-person interviews with senior officials in the government of Newfoundland and Labrador and federal government were also conducted and are included in this research. The following provincial and federal government departments were covered: HRLE, Department of Education and Service Canada.

For better understanding of the local labour market challenges facing the selected case study areas regions in Newfoundland and Labrador, this research conducted focus groups with local business representatives. These focus groups were held in November, 2009. During the focus groups a short presentation on the role of ALMP in community economic development and preliminary findings about Norwegian ALMP were given. Participants were engaged in the discussion on the effectiveness of the current labour market programs and services, options for the future, including pros and cons of adopting ALMP similar to Norwegian and involvement of the business community in labour market development initiatives. In addition to the entrepreneurs, representatives from the Regional Economic Development Boards, employment service providers, provincial government and business organizations participated in the discussions. Despite a low participation rate (Table 3) the discussions provided useful insights into local labour market challenges and ideas for future labour market development.

Table 3 Focus Groups Attendance

Case study region	# of businesses represented	# of participants	Non-business participants
Labrador Straits	2	5 (2 business representatives)	Government (INTRD), EAS and REDB representatives also participated
Irish Loop	6	7 (6 business representatives)	Chamber of Commerce meeting, REDB representative also participated
Twillingate-New World Island	2	9 (4 business representatives)	RDA/EAS and REDB representatives also participated
TOTAL	10	21 (12 business representatives)	

This research was also enriched by the quantitative data from the 133 questionnaires from local businesses (representation rate 15%), local and regional non-government organizations (NGOs) (representation rates 21% and 34%) collected by the Rural Urban Interaction in Newfoundland and Labrador research team during the summer 2008.

Interviews and focus groups questions can be found in the Appendixes 1, 2 and 3.

Chapter 3

ALMP in Newfoundland and Labrador

3.1 An Overview

The population of Newfoundland and Labrador in 2010 was 508,739 people (NL Statistics Agency[1]). It is the most remote and isolated province of Canada with population density of 1.4 persons per km^2, which is also the lowest among the provinces (NL Statistics Agency[2]). There are over 560 communities in the province dispersed over 400 square kilometers with about two thirds (73%) of communities having less than 500 inhabitants (HRLE, 2011). The province's settlement pattern had been historically shaped by its main economic activity – the cod fishery. The primary fishery was one of the largest employers in the province (13,000 workers) and combined with the fish products manufacturing constituted 43.5% of the annual average employment in the goods production sector in 1985. Approximately 800 communities were depended on the fishery to some extent (Department of Finance, Government of NL, 1987). Even though the importance of fishery faded over the years and with the cod collapse, it is still an important part of the provincial economy.

The share of employment in the primary fishery combined with fish products manufacturing constituted in 2010 4% of total employment in all industries (computed by the author from NL Statistics Agency[3]). It fell by more than two times since 1987 from 12,600 workers in 1987 to 5,300 in 2010 (NL Statistics Agency [3]). The contemporary fishery is largely

[1]Newfoundland and Labrador Statistics Agency, Table: "Annual Estimates of Population for Canada, Provinces and Territories, from July 1, 1971 to July 1, 2010".
[2]Newfoundland and Labrador Statistics Agency, Table: "Annual Estimates of Population for Canada, Provinces and Territories, from July 1, 1971 to July 1, 2010".
[3]Newfoundland and Labrador Statistics Agency, Table: "Employment in Fishing Industry (NAICS1) Newfoundland and Labrador Annual Averages, 1987 to 2010".

based on shellfish harvesting, which contributes more than 80% of the total landed value (Department of Finance, Government of NL, 2010). Aquaculture is a growing industry in the province and provides some employment as well. It is mainly driven by Atlantic salmon and Steelhead trout production. Commercial aquaculture in eastern Canada began in the mid-80s and now Newfoundland and Labrador is ranked second among eastern provinces in aquaculture revenue (Suprenant, 2010).

Distribution of employment by industry type has remained stable for the past 20-25 years. More than two thirds of workers – 79% of total employment in the province in 2010 – were employed in the service industry, which indicates a 7% increase from 1987. Employment in this industry is led by health care and social assistance, and retail trade sectors (Department of Finance, Government of Newfoundland and Labrador, 2011). The share of workers in public administration has increased by 6% from 17,600 in 1987 to 18,600 in 2010. However, between 1999 and 2006 employment in this sector has declined by 2.2% (computed by the author from the NL Statistics Agency[4]). Particularly, the number of federal government employees has declined in this period by 26.4% (the largest loss among all the provinces) (Naczk, 2008). Since 2007, the size of employment in public administration fluctuates from year to year.

Until very recently Newfoundland and Labrador has been a relatively poor province, with a weakly developed and highly seasonal economy, and persistently high unemployment and social assistance rates. However, in the past years its economy has been dramatically changed by several major economic development projects, primarily in the resource sector. Economic performance of the province gradually started to improve and since 1997 a strong economic growth is observed. Oil extraction and related services, as well as mining became the main contributors to the provincial GDP. Overall, the share of the goods-producing sector in the GDP

in 2008 was larger (61.4 %) than the service-producing sector (38.6%). Fishing, hunting and trapping (part of the goods-producing sector) added 0.7% to GDP in 2009 (Department of Finance, Government of NL, 2010; 2009; HRLE, 2009a).

Improvement in the economic performance of Newfoundland and Labrador resulted in an increase in the employment rate and creation of good job prospects, which in turn increased the amount of people who started looking for employment (participation rate) up to 59% in 2009 (Figure 2).

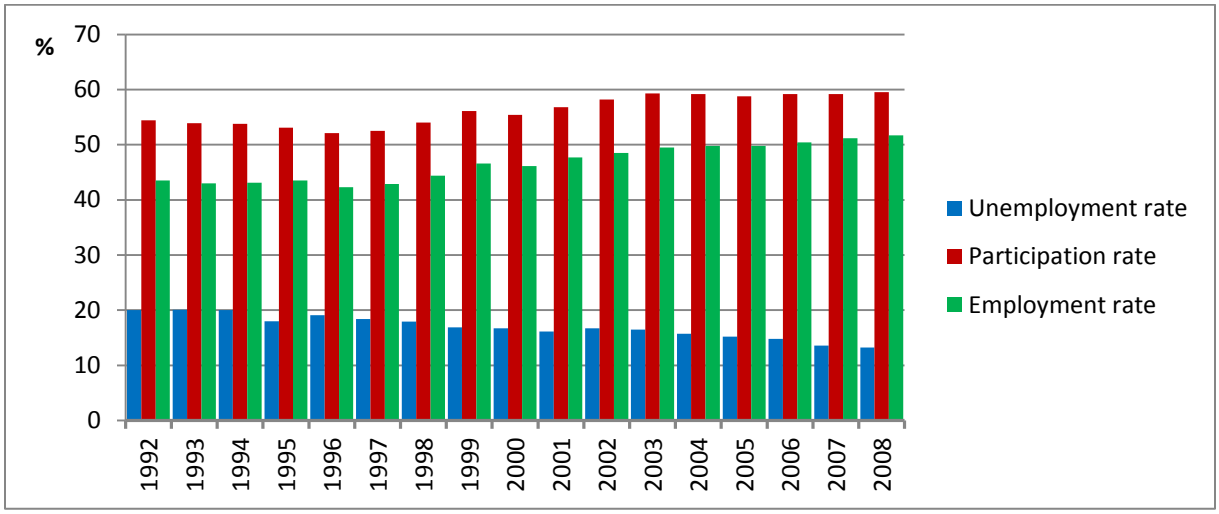

Figure 2 Dynamic of the Labour Market in Newfoundland and Labrador
Source: Table: "Labour Force Characteristics by Sex Newfoundland and Labrador 1976 to 2008, Annual Averages", Newfoundland and Labrador Statistic Agency.

The rise of the participation rate reflects a growing number of women in the labour force. Participation rate for women grew by 43% from 1980 to 2009, while for men – decreased by six % (computed by the author from NL Statistics Agency[4]). Employment in the province grew by 40% for the same period, rising to 214,900, indicating that 42% of the total provincial population

[4]Newfoundland and Labrador Statistics Agency, Table: "Labour Force Characteristics by Sex Canada 1976 to 2010, Annual Averages".

has been employed in 2009 (NL Statistics Agency [5]). Approximate four out of ten men and women in the province are employed. The proportion of employed men 15 years and older is slightly higher than for women (52% versus 47%). The percentage of full-time employed among men (92%) is slightly higher than women (79%) (NL Statistics Agency [5]).

Despite the observed positive trends, labour market performance in Newfoundland and Labrador still lags behind the rest of the provinces: the participation rate is the lowest in Canada, unemployment rate is the highest, and the gap when compared to the Canadian average remains significant for both indicators. The unemployment rate continues to decrease and in 2008 reached its minimum of 13.2% since 1970 (see Figure 3) (Department of Finance, Government of NL, 2009). However, the combination of employment losses, which occurred due to the global recession and steady growth in the labour force led to a 2.3% increase in the unemployment rate up to 15.5% in 2009 (Department of Finance, Government of NL, 2010).

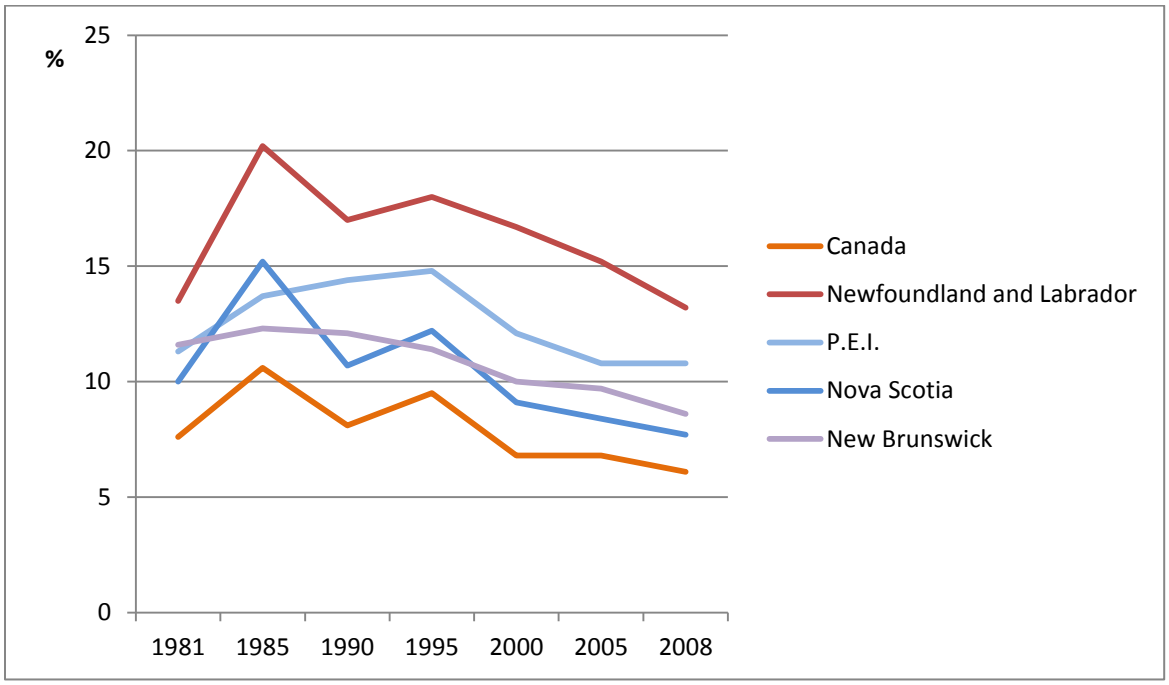

Figure 3 Dynamic of the Annual Average Unemployment Rate in Canada and Atlantic Provinces

Source: Statistics Canada, Table "Annual Average Unemployment Rate Canada and Provinces 1976-2008".

The proportion of people on Income Support (provincial social assistance program) constituted 7.8% of the provincial population in 2009 (HRLE, 2010a) and was higher than the national average of 5.1% for the same year (Canadian Social Research Links[5]). More than a half (64%) of these people identified themselves as employable, however, they may have significant employment barriers and need additional support: to prepare for, find and keep employment. The second largest category of Income Support recipients (21.3%) is comprised of individuals with illness or disability (HRLE, 2010a). Overall, 14.7% of the population of Newfoundland and Labrador had some type of disability, which is only slightly higher than the average in Canada (14.3%) (HRLE, 2009a). However, the unemployment rate among persons with disabilities was

[5] From the Canadian Social Research Links: http://www.canadiansocialresearch.net/stats.htm#welfare.

the highest in Canada – 25%. However, the progress in the employment rate between 2001 and 2006 has also been one of the highest in Canada – from 27.1% to 34.8% (Statistics Canada, 2008).

For a long time the high unemployment rate has been associated mainly with lack of job opportunities in Newfoundland and Labrador (Crowley, 2003). However, the situation has changed. In the contemporary labour market in the province high unemployment and Income Support rates co-exist with growing demand for labour. In 2009 a total of 24,000 vacancies have been registered in Newfoundland and Labrador (HRLE, 2010a). The number of vacancies is expected to grow steadily, and over 70,000 job openings are anticipated in the next ten years (HRLE, 2011). The service industry will lead in both employment and employment growth, followed by the goods-production industry. Particularly, the most demand is expected to be created by utilities, health and trade sectors (HRLE, 2011). The province's major development projects like Vale's nickel processing plant, the Hibernia South Extension, the White Rose expansion fields, Hebron, the Iron Ore Company of Canada expansion and the Lower Churchill project are expected to be a key driver of this demand. Their cumulative employment needs are projected to peak at more than 11,000 of workers in 2015-2016 (HRLE, 2011; 2010d).

Table 4 Highest Level of Schooling, 2006 (% of total people 18 to 64 years of age)

	Without High School	High School only	Trades or non-university	University
Canada	23.8%	25.5%	28.2%	22.6%
Newfoundland and Labrador	33.5%	22.1%	19.7%	14.7%

Source: Table: "Highest Level of Schooling" year 2006 for provinces, Community Accounts.

Recruitment challenges associated with filling this growing labour demand include not only the number of required employees, but, to the larger extent, by matching of the demanded skills and education with the available pool of local workers (HRLE, 2009a; Goss Gilroy, 2005; Department of Education, Government of Newfoundland and Labrador, 2007). Following technological advancements, the demand for an educated workforce is expected to dominate the overall employment growth in the province, with nearly 70% of vacancies relating to management occupations and/or requiring some forms of post-secondary education (HRLE, 2011). With the lowest literacy level among Canadian provinces, especially among older and rural workers, jobseekers from Newfoundland and Labrador appear to have very little chance to succeed in competing for local jobs with workers from other national and international jurisdictions, particularly in growing knowledge industry sectors. The proportion of people between 18 to 64 years old who completed high school or higher education is also lower than the national average – 56.5% versus 76.3% (see Table 4). Moreover, workers in the province do not tend to upgrade their skills: Newfoundland and Labrador has the lowest rate of participation in

adult learning courses in Canada among the working-age population and lowest level of employer investment in training and workforce development (HRLE, 2009a; 2008a).

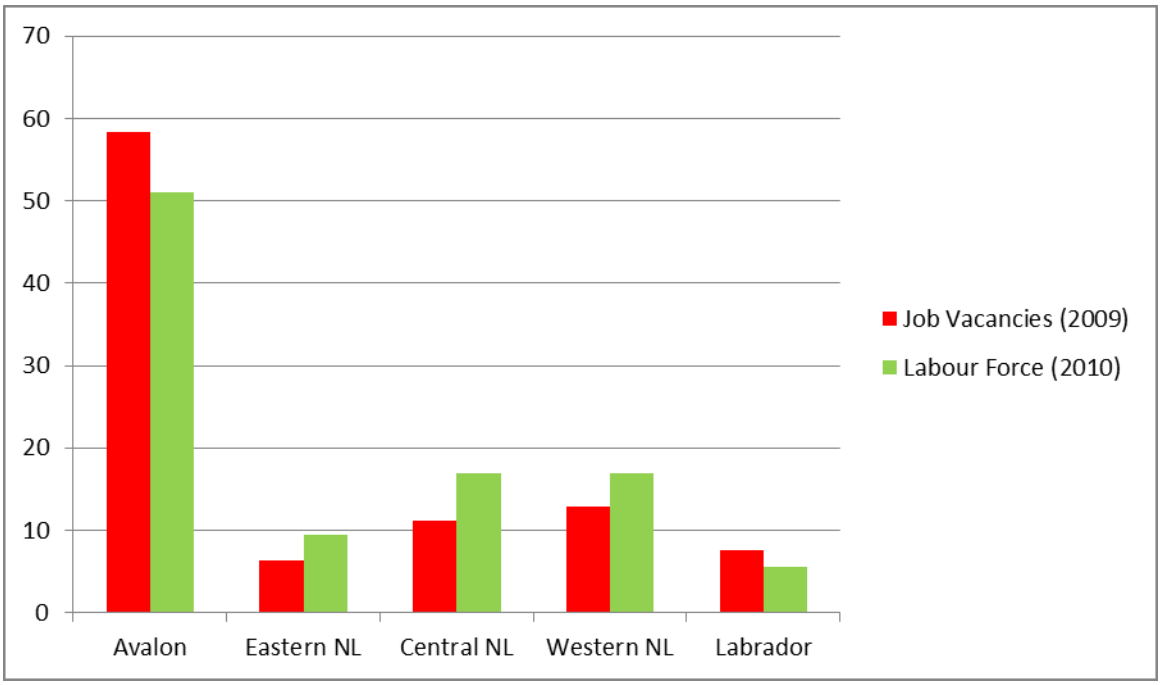

Figure 4 Regional Distribution of Job Vacancies and Labour Force (% of Total)
Source: HRLE, 2011.

The demand for labour is unevenly distributed in the province, i.e. there is a spatial mismatch between labour demand and supply. Particularly, only on the Avalon Peninsula and in Labrador the proportion of the total job vacancies and businesses in the province exceed the portion of the provincial labour force residing there. The opposite is true for the other regions (Figure 4 and Figure 5), where the shares of the total number of EI beneficiaries and of the total labour force in the province exceed regions' portions of advertised vacancies and number of businesses in the province. Within regions similar patterns can be seen, including much higher unemployment rates in peripheral communities compare to urban centers (Figure 8, page 70).

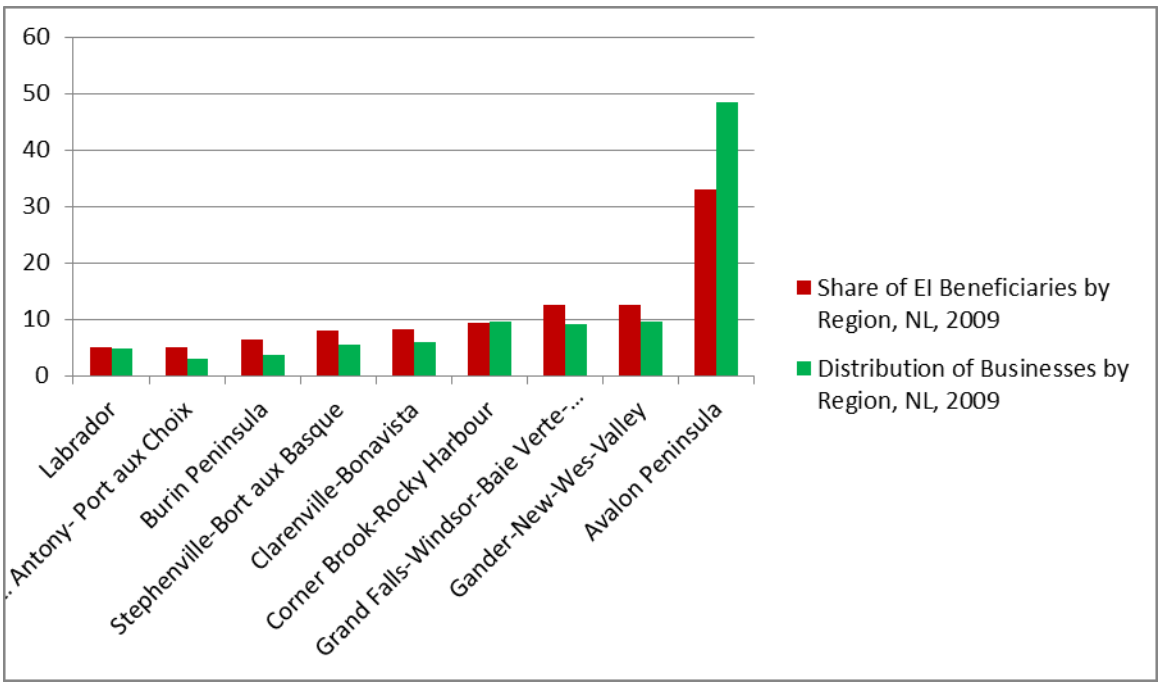

Figure 5 Regional Distribution of EI Beneficiaries and Businesses (% of Total)
Source: HRLE, 2011.

Rapid aging of the provincial population and especially the working age (15-64 years old) group also contribute to the recruitment challenge. The workforce in the province, especially in its rural areas, is already the oldest in Canada (HRLE, 2010d). By the year 2024 it is expected to shrink by 60,000 people making recruitment and retention of workers and volunteers in various sectors a significant problem (HRLE, 2009a; Goss Gilroy, 2005). On average, older workers (45 years old and older) constituted 41% of workers in the province in 2005. In terms of industry sectors, aging of the workforce is the most pronounced in management occupations, primary industry, manufacturing and processing and trades. The shares of older workers in these sectors are 45% or more (HRLE, 2011). The domination of the older workers in typically rural occupations, such as fishery and fish-processing will further exacerbate the recruitment challenges in the rural areas largely dependent on fisheries, such as Northern Peninsula, South

Coast, Northeast Coast and Avalon Peninsula outside St John's (Department of Finance, Government of Newfoundland and Labrador, 2006).

Rapid aging of the population will also lead to an increasing number of retirees and all associated with it problems, such as growing spending on health care and shrinking of communities' tax bases (Department of Finance, Government of Newfoundland and Labrador, 2006). Aging of the workforce can be measured by the ratio of new labour market entrants to retirees. About two decades ago it was three to one, now it has fallen to one to one and by 2022 it is projected to reach one to two (HRLE, 2008a; Goss Gilroy, 2005).

Another problem exacerbating the recruitment and retention challenges is wage competition from other provinces. Wage competition is especially pronounced in the rural areas of the province, where local employment opportunities are limited, seasonal and often offer poor working conditions such as shift work, flexible schedules and lack of benefits, (Department of Education, Government of Newfoundland and Labrador, 2007; Department of Finance, Government of Newfoundland and Labrador, 2007, 2006; Goss Gilroy, 2005). More attractive jobs outside the province draw younger and better educated people from the province on a temporary or permanent basis, thus creating out-migration and contributing to aging of the provincial population. Those who leave the province, are mainly young people in the most fertile child-bearing age range; 80% of out-migrants in the past two decades were between 15 and 29 years old (HRLE, 2009a). In terms of industry sectors, trade and technology are the most affected ones. Students trained in these occupations are hired by companies from outside of the province before they actually graduate (Goss Gilroy, 2005).

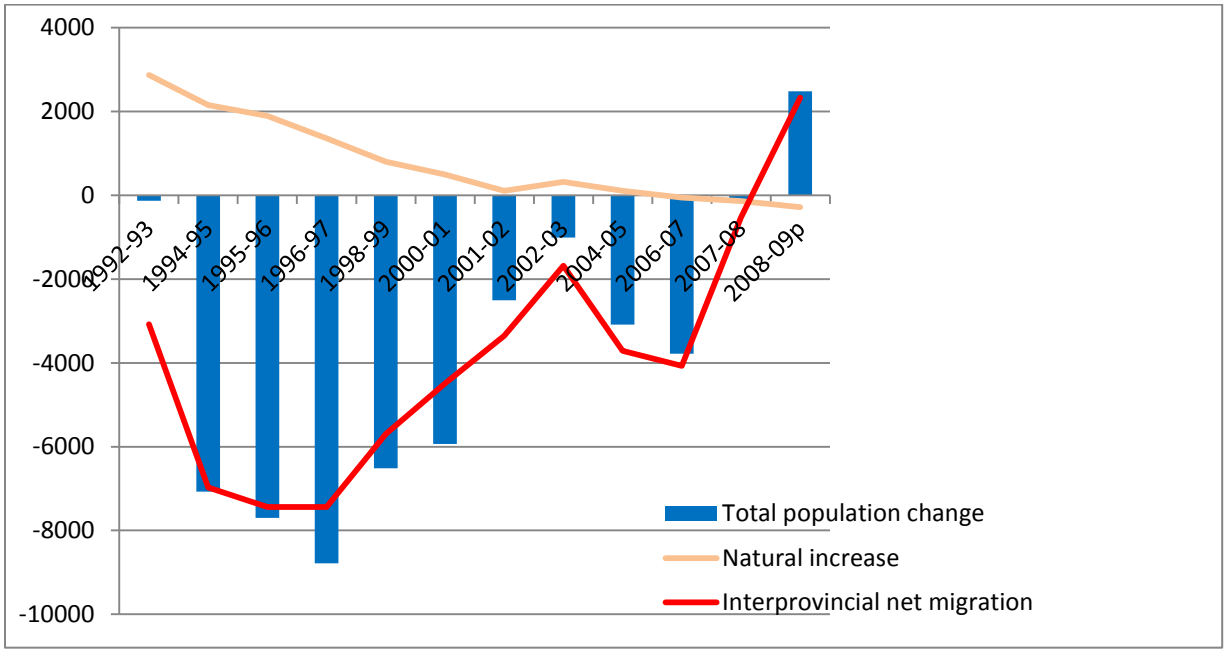

Figure 6 Dynamic of Population Change in Newfoundland and Labrador and its Major Components

Source: Newfoundland and Labrador Statistics Agency, Table: "Estimates of Demographic Components Newfoundland & Labrador, 1971-72 to 2009-10".

Out-migration is stronger in rural areas, which offer fewer possibilities for the sustainable and diverse employment young people are looking for. Subsequently, rural outmigration and population decline decrease the capacity of local markets to support local businesses, and reduce the attractiveness of rural areas for investors, which, in turn, affects the diversification of rural economies that is so vital for the sustainability of rural communities (Goss Gilroy, 2005). Particularly, according to the survey of local businesses, local and regional NGOs conducted under the Rural-Urban Interaction in Newfoundland and Labrador project (Vodden et al., 2011) in the three case study regions in Newfoundland and Labrador, lack of human resources including volunteers and staff was the greatest challenge of the respondents. 40% of local business ranked recruitment and retention of human resources as their most important labour

market challenge. One third of the responding local business named the specific shortage of skilled or experienced labour and 13% population decline due to aging and out-migration.

However, since 2009 a new positive tendency in provincial migration has been observed: Newfoundland and Labrador started to gain population from interprovincial migration (see Figure 6). Nevertheless, it is important to remember that this trend may be temporal and partly caused by the recent recession and job losses in other provinces, thus forcing former provincial out-migrants to return to their homes. Employment opportunities within the province will influence their decision to remain in NL.

3.2 The roots of the problem (Historical development of Newfoundland and Labrador)

Historically development of the Newfoundland and Labrador labour market had been tied to its major economic activity – fishing. Northern cod was the economic reason underlying the existence of the Newfoundland (Emery, 1992). According to the first occupational census in Newfoundland in 1857, 90% of the male labour force was engaged in the fishery (Roy, 1997). Although fishing is a seasonal activity, people worked all year round. Types of activities varied by the season, i.e. fishing and agriculture in warm months, wood cutting in winter (House, J. D., 1986).

Early industrialization attempts and then Confederation introduced paid employment opportunities, coupled with government support payments, as an alternative to the self-production and barter type of economy, which traditionally dominated in Newfoundland. Confederation also brought direct government employment and government-funded jobs such as teachers, medical occupations, etc., and economic development projects such as iron ore mines and the Churchill Falls hydroelectric dam in Labrador. However, these industrial and

development projects did not account for the Newfoundland and Labrador's unique peripheral economic system, which had been based on the largely self-reliant fishing outport communities (House J. D., 1986). The focus on the cod fishery and consequent settlement patterns resulted in a high seasonality of the market economy and a high proportion of rural workers. Lack of employment opportunities outside the fishery sector has been observed throughout the history of Newfoundland and Labrador, leading to a persistently high unemployment rate and high seasonality of employment in the province. Even though the overall role of the fishery in provincial employment has diminished it has remained the main economic activity in many rural coastal communities (Schrank, 2005; Roy, 1997; Emery, 1992). The ground fish moratorium in 1992 caused only a temporal reduction in the number of the seasonal workers, as by the late 1990s the fish and fish processing sector had reoriented to shellfish. In fact, employment in the fish processing sector in the province became even more seasonal than it was before the moratorium, with the exception of a secondary processing facility in Burin (FFAW/CAW, 2004).

In 2005 the fish and fish processing sector accounted for 40% of provincial seasonal workers (Atlantic Provinces Economic Council, 2005). Seasonality of employment is also significant in construction and tourism-related industries. Moreover, seasonality in one sector, for example in fishing, often affects employment in related sectors, such as fish processing, wholesaling and transportation (Atlantic Provinces Economic Council, 2005).

Seasonal workers in Atlantic Canada (excluding full-time students) are usually older than those employed full-year and have little formal education (Table 5). In terms of the age distribution, seasonal younger workers (under 25 years old) tend to be employed in tourism related sectors, such as accommodation, restaurants, culture and recreation, and in retail, while

older seasonal workers are more represented in primary industry and construction (APEC, 2005, Sharpe & Smith, 2005).

Table 5 Characteristics of Seasonal Workers in Atlantic Canada, 2005

	Share of older workers (45 years old and older) in workforce	**Proportion of older workers without high school diploma**
Seasonal workers	42%	40%
Full-year workers	36%	15%

Source: APEC, 2005

Newfoundland and Labrador has one of the highest shares in Canada of labour force living in rural spatially isolated areas – 45% compared to an average in Canada of 17% (HRLE, 2011). These areas are spatially isolated and rural labour markets are generally less diverse and more dependent on primary industries such as fisheries or forestry while urbanities tend to be employed in the service industry. The lack of year-round employment opportunities in rural areas makes seasonal work a dominant aspect of employment in rural areas (FFAW/CAW, 2004; Grady & Kapsalis, 2002). In Newfoundland and Labrador 68% of the rural workers are employed part of the year versus 40% among urban workers (FFAW/CAW, 2004). Seasonal unemployment fluctuation in rural areas of the province is also higher: 19 - 20% or 36,000 workers (over 30% in some parts of the North and South coasts of Newfoundland), while the average in Canada and in St John's is only 5% (APEC, 2005; Grady & Kapsalis, 2002).

The rural-urban disparity in the province has been historically reflected in the gap between unemployment rates in rural and urban parts of the province (De Peuter & Sorensen, 2005). Despite the overall decline of the average unemployment rate in the province, this gain

has mainly affected the urban centers, while in the rural areas unemployment continues to be approximately four times the national level (Hamilton & Butler, 2001). Figure 7 below illustrates this rural-urban gap with higher rates of unemployment recorded in the rural regions of Labrador Straits, Twillingate-New World Island and Irish Loop compared to the urban centers, such as St. John's, Corner Brook, Gander, Happy Valley-Goose Bay or Labrador City.

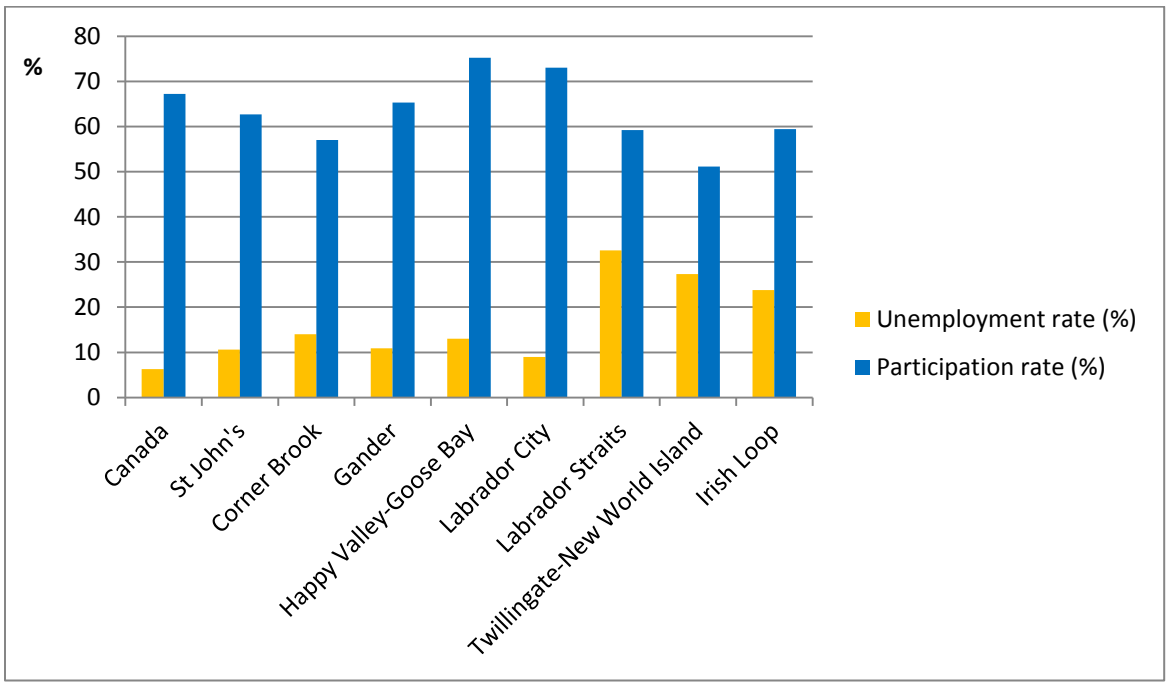

Figure 7 Participation and Unemployment Rates in Urban Centers and Rural Areas of Newfoundland and Labrador and Canada (2006)
Source: Community Accounts, Table: "Labour Market Profile", 2006; Canadian Statistics Agency, Table: "Labour Force Characteristics"

Since joining the Canadian Federation in 1949, labour market development in Newfoundland and Labrador has been greatly influenced by the introduction of Employment Insurance (EI), which started to play a significant role in labour market regulation. Employment Insurance (EI), formerly Unemployment Insurance (UI), originated from the *British North America Act* in 1940. The main purposes of the UI at that time were provision of the financial

assistance to unemployed persons, assistance and encouragement of search for suitable employment, moving people out of the areas of high unemployment, and provision of aid for the disadvantaged (Lin, 1998). However, gradually UI in Atlantic Canada became a regular source of financial support for seasonal workers during the off season periods, allowing them to work for a certain number of weeks (now changed to 420 hours (see below)) and receive a unemployment benefits for the rest of the year (Crowley, 2003; Neil, 2009). Furthermore, in 1957, UI was extended to previously non-eligible inshore fish harvesters. Due to traditionally high unemployment rates in rural areas in Newfoundland its fishermen became eligible for the maximum (26 weeks) duration of benefit period while being required to work the shortest number of weeks (ten weeks) (Ferris & Plourde, 1982).

In 1971 the system of Unemployment Insurance was widely liberalized. These changes resulted in the creation of the Unemployment Insurance Act. The major objective of the Act was provision of an adequate income support for all workers temporally out of work. The coverage was made almost universal with exception of self-employed. However, self-employed fish harvesters remained eligible (Lin, 1998).

In 1977 the fixed number of required weeks of work was replaced by Variable Entrance Requirement (VER). Under the VER the number of weeks required to qualify for UI was calculated according to the unemployment rate in a region of residence (Lin, 1998). This change created a base for the horizontal inequality of benefits paid to residents of bordering regions who worked in the same region. This is often the case in Newfoundland and Labrador, where unemployment rates in the rural areas are higher than in urban and people commute to urban centers for work (May & Hollett, 1995).

Nowadays, the basis on which Employment Insurance (EI) regular benefits are calculated has been changed from the number of insured weeks worked to the number of hours worked in the previous 52 weeks, but it continues to be variable depending on the unemployment rate in the workers' place of residence. Such a differentiation was introduced to increase access to EI benefits in the regions affected by a high unemployment (Service Canada[6]). For example, a worker who lives in economic region with unemployment rate of 14% or higher can qualify for 26 to 32 weeks of EI regular benefit by working from 420 to 454 hours in the past 52 weeks, while a worker who lives in region where unemployment is relatively low (7% - 9%) has to work three times more (from 1260 to 1540 hours) in order to qualify for the same number of weeks[7]. In Newfoundland and Labrador, where the unemployment rate varies significantly across the province, this differentiation continues to create horizontal inequality, as was noted by May and Hollett (2005). For example, residents of St. John's belong to a region with an unemployment rate of 7.1% and are required to work at least 630 hours to qualify for EI, while residents in the rest of the province, including neighboring St. John's communities, have a 17.9% unemployment rate and are only required to work the minimum of 420 hours, even if they work in St. John's or other provinces with low unemployment rates, such as Alberta or Ontario (Service Canada[8]). New labour market entrants or those re-entering it, however, are required to work equal number of hours (910) in all economic regions (HRSDC, 2006).

Self-employed workers are not generally covered by EI regular benefit, with one exception for self-employed fishermen. Self-employed fishermen can apply for EI fishing

[6] Service Canada, accessed on December 20, 2010, at: http://www.servicecanada.gc.ca/eng/ei/types/regular.shtml#Number.
[7] Based on the Service Canada Table: Number of weeks of benefits that will be paid based on the number of hours of insurable employment and the regional rate of unemployment from: http://www.servicecanada.gc.ca/eng/ei/types/regular.shtml#long1.
[8] Service Canada, accessed on December 20, 2010 at: http://srv129.services.gc.ca/eiregions/eng/nfld.aspx.

benefit. This benefit is based on the amount of earnings rather than hours worked. The qualifying amount of earnings from fishing varies between $2,500 and $4,200 depending on the unemployment rate in the region, with a unified equal amount of $5,500 required for new labour market entrants or re-entrants (HRSDC, 2006). The amount of EI regular and fishing benefit is determined as 55% of the average wage of the reference weeks, with a maximum of $457 a week. The duration of EI claim ranges between 14 and 45 weeks. The duration of EI fishing benefit can last up to 26 weeks within a benefit period. There are two benefits periods – winter claim and summer claim (Service Canada[9]).

The variation in the EI benefits requirements in the Canadian EI system makes it easily accessible for seasonal unemployed due to a short qualification period in the areas of high unemployment rate, like Atlantic Canada (Van Audenrode et al., 2005). In the rural areas, with limited full-time jobs opportunities, which dominate in Newfoundland and Labrador, an extended period of EI benefits stimulates seasonal workers to remain in their seasonal occupations and rely on EI until the next seasonal work reappear, even if it means longer than average commutes during the working season (Freshwater & Simms, 2008). This significantly impedes economic adjustment of the fishing industry in Canada and makes it the most labour intense among OECD countries. The industry has the highest ratio of direct monetary payments to fishermen (mostly in the form of EI fishing benefit) as a portion of total domestic landed value (HRSDC, 2005).

Haddow (2000), analyzing persistently higher unemployment in Canada compared to the United States, suggests that Canada's relatively generous social benefits, particularly EI and social assistance, are believed to carry the largest responsibility for the higher unemployment

[9] Service Canada, accessed on December 21, 2010, at: http://www.servicecanada.gc.ca/eng/ei/types/regular.shtml#much .

rate. Generous EI and social assistance have created a disincentive for many unskilled workers to accept low-paid employment. According to Immervoll and Pearson (2009), low-skilled benefits recipients in Canada lack financial incentives for taking up low-paid jobs, as a job with below-average earnings (e.g. two thirds of the average wage) will increase their available net income from benefits by only 45%, while the effective level of increase to provide incentives to work is considered to be 60% or higher. Further, the poverty level among low-paid working families with children in Canada has grown by 40% since the mid-1990s to the mid-2000, reaching 21%. It is the fifth highest among OECD countries (Immervoll & Pearson, 2009).

Simms and Freshwater (2008) point out that a high wage replacement level[10] and extended duration of unemployment benefit can create disincentives for work, minimizing individuals' full-time participation in the labour force, especially when combined with seasonal employment. In Newfoundland and Labrador, the ultimately easy access to UI created an attractive lifestyle and kept fishermen from changing their occupation, which was one of the reasons explaining why so many people were left unemployed by the Atlantic Cod moratorium in 1992 according to Shrank (2005). Crowley (2003, 2002) suggested that it also forced local private-sector employers to compete with so-called "make-work" projects and the EI system, which offer generous unemployment benefits for a few required weeks of work. A similar effect of reducing work incentives was noted for the social assistance program by Gunderson (2003).

Minimum formal skills requirements for jobs in fishing and fish processing has had a negative impact on the overall quality of the labour force in Newfoundland and Labrador, and discouraged people from continuing education and professional development (Crowley 2003, 2002; APEC, 2005). Despite the initial intention, programs like EI have impeded long-term skill development of the provincial labour force and exacerbated the local mismatch between

[10] Wage replacement – portion of wage repaid by employment insurance during the period of unemployment.

available skills and jobs (Crowley, 2003, 2002). Even now, when labour demand in Newfoundland and Labrador is growing, especially for skilled workers, the provincial labour market continues to exhibit high unemployment and Income Support rates.

3.3 History of ALMP implementation

Both federal and provincial governments have been providing ALMP in Canada for several decades (Lazar, 2002). However, until the late 1980s these programs remained fragmented and underdeveloped (Gray, 2003). In the mid-1980s interest in ALMP in Canada, along with many other OECD countries, has grown. This interest was stimulated by a growing unemployment rate and, particularly long-term unemployment, which caused spending on unemployment insurance and social assistance to climb. The recommendations made by OECD's reports in the 1980s and 1990s also played a role in the rise in interest (Gunderson, 2003).

The Labour Force Development Strategy (LFDS)[11] launched by the federal government in 1989 marked a turning point in the area of ALMP in Canada (HRDC, 1998). This initiative stressed the necessity of moving social policy towards active programs aimed to assist individuals to adapt to economic change. The Strategy allowed some funds from passive UI to be shifted to occupational training and job assistance to stimulate returns to work among the unemployed. Thus, up to 15% of total UI annual expenditures became available for ALMP or "developmental uses" (Gray, 2003). Another important step marked by this Strategy is a government commitment to involve businesses and labour in the decision-making regarding training (Klassen, 2000). This commitment resulted in the creation of non-government Labour Force Development Boards on the national and regional levels in the early 1990s (Klassen, 2000;

[11] Labour Market Development Strategy (LMDS) in some sources, for example in Gray, 2003; McIntosh, 2000.

HRDC, 1998). These Boards were designed to influence national and provincial labour-market initiatives, programs and policies (HRDC, 1998).

On the labour demand side, in the late 1970s the federal government launched the Community Economic Strategy (CES). This initiative, known as the Local Employment Assistance Development (LEAD), marked a new approach to community economic development by providing local groups with authority and financial resources to assist entrepreneurs in their communities to create or expand their businesses. The aim of the LEAD was to increase the number permanent jobs in the areas with chronically high unemployment. In the late 1980s, local business development was integrated into a broader concept of strategic community planning, which led to development of the Community Futures program. A main component of this program, funded from the UI fund, was the Self-Employment Incentive aimed at assisting unemployed with becoming self-employed (PanCanadian Community Futures Group, 2001; Roy and Wong, 2000). The business development component of Community Futures later evolved into Community Business Development Corporations (CBDCs) with some of these Corporations continuing to deliver EI–funded employment programs.

The Unemployment Insurance Act underwent a major restructuring in 1996 and was replaced by the Employment Insurance Act (Fong, 2005; Kerr, 2000, Klassen, 2000). The new Act introduced an Employment Insurance system with revised ALMP aimed to assist the unemployed with finding and preparing for a job. The shift from passive to active measures also involved reductions in eligibility criteria, reduced generosity of income maintenance programs (unemployment insurance and social assistance) and introduction of work or job search requirements for employable beneficiaries of these programs (Fong, 2005; Gunderson, 2003). EI-funded ALMP or Employment Benefit and Support Measures (EBSMs) included five

components: Targeted Wage Subsidy, Self-Employment Assistance, Job Creation Partnership and Employment Assistance Service (Gunderson, 2003).

The new approach required a decentralization of decision making power that was achieved through the transfer of a large portion of the federal labour market responsibilities to provincial governments through a series of Labour Market Development Agreements (LMDAs) between the provinces and the federal government that begin in 1996. Under these Agreements the federal government remains in charge of administering the passive component of EI and control over the job search activities of its recipients while provinces became responsible for design and administering of the EBSMs (Gray, 2003). LMDAs were aimed to incorporate local flexibility in the design and delivery of ALMP delivered under the Employment Insurance Act, as this was seen as a key factor for the success of the Agreements (Haddow, 2000). In the case of some provinces, including Newfoundland and Labrador until 2009, the LMDAs have been co-managed, i.e. both governments have been involved in the design of ALMP while the federal government has remained responsible for the program's delivery. Newfoundland and Labrador signed a LMDA in 1997 (HRDC, 2001).

In general, devolution of the LMDAs to provinces, however, has resulted in rising concerns about the responsiveness of LMDAs to local needs, as many provinces tend to centralize policy design (Klassen & Wood, 2008; Haddow, 2000). Klassen and Wood (2008) also warned about the general underdevelopment of Canadian ALMP compared to European nations, state reliance on labour force mobility (both interprovincial and international) and private initiatives. Klassen and Wood (2008) have also pointed to the potential challenges that sparsely populated Atlantic provinces and northern territories may encounter in achieving

effective preparation and implementation of ALMP compared to economically stronger provinces, due to their fewer organizational and financial resources.

Historically Canada spends more on passive than on active labour market policies, which is also a common trend for the most of the OECD countries except for Sweden and Norway. Haddow (2000, p.56) explains the robustness of the passive labour market initiatives in Canada by resistance of some politicians, especially in provinces with high unemployment, who "have long used labour market measure to secure electoral support in their home ridings". Even after the policy shift in early 1990s, the Canadian federal government has been criticized for masking passive measures under the active ones, especially for the poorest provinces. This was also the case for the series of the federal programs launched in response to the collapse of the cod fishery in Newfoundland and Labrador (Haddow, 2000).

The three federal labour market programs – the Atlantic Fisheries Adjustment Program (AFAP, 1990-1992), the Northern Cod Adjustment and Recovery Program (NCARP, 1992-1994), and The Atlantic Groundfish Strategy (TAGS, 1994-1998) – were introduced in Atlantic Canada to address the massive rise of unemployment caused by the Northern Atlantic Cod moratorium in 1992 and subsequent groundfish closures (OECD, 2000; Roy, 1997).

In Newfoundland and Labrador unemployment in the fishery started to raise even prior the moratorium, reflecting depleting fish stocks. However, the layoff caused by the Northern Atlantic Cod moratorium had become the largest in the history of Canada (Ommer, 2007; Schrank, 2005). In 1987 approximately 15,000 harvesters and 27,000 fish processing workers were employed in the province. The number of full-time employees in the fish harvesting sector did not change, but almost all part-time fishermen lost their jobs (Schrank, 2005). The most significant impact has been on the fish processing industry, where about the half of the existed

facilities was closed, over 15,000 jobs were lost and the economic base of several hundred of communities solely depended on fishery, had been destroyed (Schrank, 2005; Hamilton & Butler, 2001).

AFAP was designed for an eight year period. Along with income maintenance component for displaced older fish plant workers and trawlermen, it had an active component oriented on the economic diversification within and outside the fisheries. ACOA and Department of Industry, Science and Technology, Canada shared responsibility for the diversification aspect (Emery, 1992). AFAP helped to create a modest number of new jobs, but, overall, the program has been not capable of responding to such a severe rise in unemployment (Roy, 1997).

In 1992 AFAP was replaced by NCARP scheduled for two years. In terms of labour market programs it also had two components: passive – in the form of income support to fishermen and fish plant workers; and active, which included training in skills outside the fishery (starting from the literacy upgrades) with particular focus on younger people, professionalization for fishermen, voluntary early retirement and license retirement. Those who chose to participate in these active programs were qualified for more generous payments under NCARP (Emery, 1992). Despite the financial incentives, the active component of the program was significantly undersubscribed – slightly over 2,000 of fishermen and fish plant workers took retirement options and only about $100 million were used from $163 million allocated for this component, while participation in the passive component exceeded the expectation by 6,000 participants (Roy, 1997). In 1994 when it became clear that the northern cod stock would not recover soon and NCARP had expired, NCARP was replaced by TAGS (OECD, 2000).

TAGS also had a passive income support component and economic adjustment components, such as educational upgrading, retraining, employment and mobility assistance, and

other initiatives (OECD, 2000; HRDC, 1996). HRDC was responsible for administering the following active labour market programs: Green Projects, Mobility Assistance, Job Opportunities, Delivery Assistance, Employment Bonus, and the Portable Wage Subsidy (ACOA, 2002). However, unlike NCARP it had a clear goal – to reduce the capacity of the industry by 50%. Nevertheless this program followed the NCARP scenario – the income maintenance part was oversubscribed, while active components were undersubscribed (ACOA, 2002). Participation in training was impeded by low educational attainment (72% of the eligible participants did not have a high school education) and older age profile (55% were between 33 and 55 years old) (Woodrow, 2005). As a result, the money from the active component were reallocated to income maintenance and almost no economic adjustment was achieved (ACOA, 2002; Roy, 1997). Evaluation of the TAGS demonstrated that a community development component was missing in the program, and that job creation programs needed better integration in the TAGS (HRDC, 1998). TAGS was terminated one year earlier than planned, in 1998, due to the oversubscription to the income maintenance component and a significant out-migration of the potential participants from the province. The province' population fell by 10% from 1991 to 2001. The peak of outmigration happened between 1998 and 1999, reaching 9,490 people that year (Schrank, 2005).

In 1998 Canadian Fisheries Adjustment and Restructuring (CFAR) program replaced TAGS. This program included license retirement, final payments under TAGS and active measures designed to help former fishermen become self-employed, obtain work experience and new skills, or relocate (ACOA, 2002; OECD, 2000). About $100 million were allocated to ACOA, community economic development organizations and other partners for community and regional economic development. An additional $65 million were allocated to ACOA as an

Economic Development Component (EDC) of CFAR. Apart from CFAR, ACOA developed and implemented in partnership with Newfoundland and Labrador government several economic diversification programs aimed to reduce dependency on fishery, increase sustainability of jobs and income in the province (ACOA, 2002). Despite these efforts, economic growth and job creation rates in Atlantic Canada in that period were far below the national level – by 5 and 20 percent correspondingly (Crowley, 2003).

Following the shift towards active measures at the federal level, most provinces reformed their social assistance programs, making them more workfare oriented. This shift has been particularly pronounced in Ontario and Alberta (Gray, 2003; Haddow, 2000). The common trend among the provinces have been observed in the creation of incentives that either encourage social assistance recipients to take employment, or discourage them from applying for welfare. Such incentives were found to be very effective (Van Audenrode et al., 2005). In Newfoundland and Labrador the provincial government stimulates employment among social assistance, or Income Support clients through provision of employment programs and extending benefits for those leaving assistance for employment. However, this is not exactly workfare measures as there is no punitive component (Haddow, 2000).

Furthermore, the Government of Newfoundland and Labrador also launched an ongoing multi-departmental Poverty Reduction Strategy. This strategy is targeted to the most vulnerable to poverty groups of the population such as lone mothers, older workers, persons with disabilities, etc. The Strategy's main goals include improvements to provision of services for individuals with low income, strengthening the social safety net, increasing earning income, improvements to early childhood development and to the overall level of education[12]. The Poverty Reduction Strategy currently consists of over 80 ongoing initiatives, many of which help

[12] This paragraph is based on the information provided at the: http://www.hrle.gov.nl.ca/hrle/poverty/index.html.

to address the issue of financial disincentives associated with taking low-paid employment for welfare benefits recipients. Among these initiatives are: program assisting low income residents with medical expenses, reduction of income tax for low income earners, assistance with expenses associated with transition from Income Support to work and initiatives supporting persons with disabilities looking for employment or education. However, despite these current initiatives, the problem of financial disincentives persists (Lysenko & Vodden, 2011).

3.4 Labour market actors involved in ALMP design and delivery

Development of the labour market policy in Newfoundland and Labrador is guided by the three Labour Market Agreements between the federal government and the province: LMDA, Labour Market Agreement (LMA) and Labour Market Agreement for Persons with Disabilities (LMAPD). These Agreements are targeted to certain groups of population. Newfoundland and Labrador Benefits and Measures (NL Benefits and Measures) are ALMP delivered under the LMDA and primarily targeted to unemployed individuals eligible for EI (HRLE, 2010a; LMDA, 2008). Individuals, who do not have a sufficient labour market attachment, such as Income Support recipients, new labour market entrants, immigrants, persons with disabilities, youth or unemployed self-employed, as well as low skilled employed individuals, especially those with low (less than a high school degree) education, are eligible for ALMP delivered under the LMA (LMA, 2008). LMAPD is devoted to the programs and services for people with disabilities (HRLE[13]).

Since November the 2nd, 2009, a full devolution of LMDA between the federal government and Newfoundland and Labrador took place (HRLE, 2009c). The province became

[13] Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador, http://www.hrle.gov.nl.ca/hrle/disabilities/services.html.

fully responsible for the ALMP under this agreement (i.e., for NL Benefits and Measures). This devolution will enable the province to adjust the design and delivery of its labour market programs and services to respond better to local, regional and provincial labour market needs (HRLE, 2009b). It is also supposed to reduce overlap and duplication between provincial and federal programs and services, create a "no wrong door" approach for serving clients and pursue the idea of coordinating ALMP and other related services delivered by Department of Human Resources, Labour and Employment (HRLE), Department of Education, Department of Innovation, Trade and Rural Development (INTRD), Department of Education and other departments and through a network of third party agencies (LMDA, 2008).

To track the effectiveness of programs and services administered under the Agreements, a set of indicators has been designed for each Agreement (LMA, 2008; LMDA, 2008). These indicators are to be reported to the federal government annually. There are three indicators for the LMDA: the number of clients served, savings to the EI account generated from claimants returning to work before the end of their claims, and the percentage of the NL Benefits and Measures participants who returned to work (work is defined as at least 12 weeks in duration) (Gray, 2003). The annual targets for these performance indicators are set with a mutual agreement between the federal government and Newfoundland and Labrador. The targets are based on historical data, provincial socio-economic and labour market context, local and regional priorities and characteristics or requirements of clients (LMDA, 2008). Indicators for the LMA are grouped in the three categories: Eligible Clients Indicators, such as total number of eligible clients, their educational level prior the interventions and proportion of target groups (aboriginal, persons with disabilities, immigrants, etc.); Service Delivery Indicators, showing the number of participants by programs and services, etc., and Eligible Client Outcome and Impact Indicators,

representing proportion of the clients completed the interventions in the previous year, their status after the completion and several indicators reflecting effectiveness of training programs (HRLE, 2008a).

The federal government continues to provide employment programs for Aboriginal people, youth, older workers and persons with disabilities through Service Canada local offices in the province (LMA, 2008). Federal government also stimulates economic development in Newfoundland and Labrador through Atlantic Canada Opportunity Agency (ACOA). ACOA aims to increase employment and earned income through stimulation of business growth, particularly among small and medium-sized enterprises (SMEs). The Department of Innovations, Trade and Rural Development (INTRD) plays a similar role for the provincial government.

The main responsibility for development of ALMP under the three Agreements in Newfoundland and Labrador was held by the Department of Human Resources, Labour and Employment (HRLE), which has been recently renamed as the Department of the Advanced Education and Skills. HRLE has seven lines of business, which include labour market development; career and employment services, immigration and multiculturalism; youth engagement; persons with disability, Income Support services and emergency social services (HRLE[14]). Within HRLE Career, Employment and Youth Services Division (CEYS) develops programs addressing career and employment needs of youth, people seeking employment and persons with disabilities. Labour Market Development and Client Service Branch coordinates the Labour Market and Career Information Hotline and a provincial labour market information website; develops labour market policies and initiatives; delivers income support and CEYS programs; develops and manages services for displaced workers, including fishermen and

[14] Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador, accessed on November 11, 2010 at: http://www.hrle.gov.nl.ca/hrle/department/index.html#sevenlines.

supports departmental initiatives, such as Career Work Centers. This branch is also functionally responsible for the Office of Immigration and Multiculturalism (HRLE[15]).

HRLE is one of the largest departments in the Government of Newfoundland and Labrador with the budget of approximately $388.9 million for 2009-2010 fiscal year (HRLE, 2008a). Funding for the programs and services administered by HRLE comes from both provincial and federal governments. The federal government provides funding for NL Benefits and Measures (LMDA, 2008). It agreed to transfer to HRLE approximately $133 million annually towards LMDA (HRLE, 2009a). Labour market programs under LMA and LMAPD are cost-shared by both federal and provincial governments (LMA, 2008).

Table 6 HRLE Spending 2009-2010

Expenditures	Amount ($)
Income Support Services:	219,034,341
• Income Support assistance	218,009,652
• National Child Benefit and Mother/Baby Nutrition Supplement	1,024,689
Employment and Labour Market Development (Including Office of Immigration and Multiculturalism)	117,642,002
Youth Services	14,581,990
Executive and Support	13,732,418
Service Delivery	23,984,708
Total	388,975,459

Source: HRLE, 2010a.

[15] Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador, accessed on November 11, 2010 at: http://www.hrle.gov.nl.ca/hrle/department/branches/index.html.

Proceeding with the ideas of the devolution of LMDA, HRLE took the lead in several cross-government initiatives, such as the Poverty Reduction Strategy, Provincial Immigration Strategy, Youth Retention and Attraction Strategy and development of a Strategy for Inclusion of Persons with Disabilities. In order to make provincial ALMP more responsive, HRLE is undertaking a comprehensive review of labour market programs and services. The Department also works towards improving its service delivery, developing a new computer management system and shifting the focus of delivery approach from "program" to more client-oriented, for example (HRLE, 2010a).

HRLE works in a close collaboration with the Labour Market Sub-Committee of the Strategic Partnership Initiative (SPI) established under the LMDA. SPI includes representatives from business, labour and provincial government. Business is represented by the Newfoundland and Labrador Business Coalition, labour by the Newfoundland and Labrador Federation of Labour, and the provincial government is represented by HRLE, Department of Innovation, Trade and Rural Development (INTRD), Labour Relations Agency and Public Service Secretariat (INTRD[16]). The Labour Market Sub-Committee was established in 2005 to provide a dialogue between social partners, business and government to set strategic directions and promote actions to support human resource and workforce development in the design of ALMP and development of the labour market in Newfoundland and Labrador (Labour Market Committee[17]).

Another body – the Provincial Advisory Council for the Inclusion of Persons with Disabilities – advises the provincial government on development of policies, programs, strategies

[16] INTRD, accessed on November 13, 2010 at http://www.intrd.gov.nl.ca/intrd/regionaldev/strategicpartnership.html.
[17] Labour Market Committee, accessed on November 13, 2010 at: http://www.labourmarketcommittee.ca/aboutus.htm.

and recommendations that stimulate inclusion of persons with disabilities. This council represents the community of persons with disabilities, their knowledge and understanding of disability issues (HRLE, 2010a; HRLE, 2010b).

Other departments, such as INTRD and Department of Education also design and deliver programs, such as wage subsidies, training and vocational guidance programs. These programs are targeted to current employees of SMEs, fish plant workers negatively affected by the plant closure and school students (INTRD[18]; Interviews).

Participants in ALMP available in Newfoundland and Labrador fall into the three categories: EI-eligible; EI-non eligible, including Income Support recipients; and people with disabilities. Thus, job seekers choose a labour market service provider according to their eligibility status and availability of these providers in a particular geographical location. Delivery of ALMP in the province is divided between various organizations due to a fragmentation of ALMP themselves by eligibility criteria and a practice of contracting out the delivery of the employment service.

ALMP for EI-eligible and reach "back clients" (whose EI claim ended within three years) are delivered though contracts with local, mostly non-profit, community organizations. These contracts were signed between the federal government (Service Canada) and local organization prior the devolution of LMDA. These community organizations can be divided into two categories. The first group serves all eligible clients, while the second serves individuals with special needs, such as persons with disabilities, ex-offenders, women, youth, etc. (HRDC, 2001). The first group includes 64% of all EAS offices (computed by the author from HRLE[19]).

[18] Department of Innovations, Trade and Rural Development (NTRD), accessed on April 2, 2010 at: http://www.intrd.gov.nl.ca/intrd/programs/index.html.

[19] Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador, accessed on July 18, 2011 at: http://www.hrle.gov.nl.ca/hrle/lmda/pdf/EAS_Listing.pdf.

This group is composed of community and regional development associations, such as Rural Development Associations (RDAs) and Community Business Development Corporations (CBDC), with some managing several EAS offices within a region (HRDC, 2001; Interview). Specialized EAS offices are generally located in larger urban centers and are run by well-established advocacy groups, such as the Canadian Paraplegic Association, Community Employment Corporation (CYN), or John Howard Society (HRDC, 2001; HRLE[20]). This category includes CYN, WISE, and others[21]. The range of services they offer varies from career development activities to education and training or social/community work (Sharpe and Qiao, 2006; OECD, 2002b). Such specialization allows for a better tailoring of services to the needs of the particular groups of unemployed, but also raises an important issue of maintaining standards and equality of delivered programs (OECD, 2002b).

Many of the non-specialized EAS offices were originally created by the existing local development organizations to respond to the cod fishery collapse in the early 1990s and were contracted to deliver the federal government adjustment programs (NCARP, TAGS, etc). After the termination of the programs in 1996-1997, many of these local community organizations signed the contracts for delivery of EAS (HRDC, 2001). After the full devolution of responsibilities for the LMDA to Newfoundland and Labrador, EAS offices continue to deliver NL Benefit and Measures but report to HRLE now.

EI-non eligible individuals, including Income Support recipients, and people with disabilities interested in employment are eligible for ALMP under LMA and/or LMAPD delivered through local HRLE offices, Career and Work Centers (described below) and/or

[20] Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador, accessed on November 27, 2010 at, accessed on July 18, 2011 at: http://www.hrle.gov.nl.ca/hrle/lmda/pdf/EAS_Listing.pdf.

[21] Due to the extended number of the organizations contracting EAS from Service Canada, this research will further focus only on those represented in the three case study regions within Newfoundland and Labrador.

Community Partners. The number of local HRLE offices grew from 20 in 2001 (HRE, 2001) to 27 in 2010. HRLE also has four regional offices, which manage the client services in their regions (HRLE, 2010a). HRLE also contracts out delivery of some of the employment support programs and initiatives to various community agencies through Community Partnership Program. This Program includes funding for Community Youth Network (CYN) centers and grants to other youth-serving organizations, provision of wage subsidy programs for youth, such as Linkages, and Co-op Placement for post-secondary students. It also includes community organizations serving other segments of the population, such as older workers and single parents. These programs and initiatives aim to improve individuals' employability and strengthen their attachment to the labour market (HRLE[22]). These community agencies may, at the same time, be involved in the delivery of employment services to EI-eligible clients, for example CYN, RDA or organizations serving persons with disabilities.

In addition to local HRLE offices, 13 Career and Work Centers were recently created across the province (HRLE[23]). Career and Work Centers are community based resource centers, connecting job seekers with employers. Career and Work Centers address basic career and employment needs of the general public, regardless eligibility for EI, and provide assistance to employers facing labour market challenges These Centers also provide employment counseling and deliver ALMP for non-EI eligible clients (HRLE[24]; Interview).

[22] Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador, accessed on November 27, 2010 at: http://www.hrle.gov.nl.ca/hrle/forcommunitypartners/cpp.html.
[23] Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador, accessed on July 29, 2011 at: http://www.lmiworks.nl.ca/CareerWorkCentres/Default.aspx.
[24] Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador, accessed on November 27, 2010 at, accessed on November 16, 2010 at: http://www.lmiworks.nl.ca/CareerWorkCentres .

Among Community Partners, Community Youth Network has the largest number of local offices, with 30 CYN centers across the province (HRLE[25]; HRLE, 2010a). CYN has operated in Newfoundland and Labrador since 2000. Their goal is to help youth overcome educational and employment barriers and improve the overall quality of their life by promoting positive social interactions in a safe place and stimulating youth involvement in local community life (CYN[26]; Interview). In terms of ALMP, these organizations deliver basic employment services, such as resume workshops, job shadow, educational trips to post-secondary institutions, job search assistance, as well as wage subsidies for summer students' employment. CYN actively work towards involving youth dropped out of schools and youth at risk with drugs and alcohol problems in its activities (Interviews).

In Newfoundland and Labrador not only design of ALMP is centralized in the provincial government, but their management is also tied to the upper administrative levels. Local actors immediately involved in the delivery of employment programs, services and measures do not have authority neither to approve clients' eligibility for ALMP, nor to make any funding-related decisions. Every application must be approved on a regional or provincial level. Some non-specialized EAS representatives noted that excessive control form Service Canada (some of the data was collected just before the devolution of LMDA) slows down their work. No labour market-related planning is expected at the local delivery level. Participation in all kinds of ALMPs in Newfoundland and Labrador is voluntary based. EI and Income Support beneficiaries are not required to contact employment services providers or develop a plan for returning to work. However they are notified about availability of such services upon application for their

[25] Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador, accessed on November 27, 2010 at, accessed on November 16, 2010 at: http://www.hrle.gov.nl.ca/hrle/students/provincial_cyn_contacts.pdf.
[26] Community Youth Center (CYN), accessed on November 18, 2010 at: http://www.cyn-stjohns.nf.ca/.

benefits (Interviews). Delivery of ALMP is generally client-driven, which is basically a "passive" approach. However, some local organizations, especially those who serve certain groups of the population like, for example, Community Youth Network Centers, or Women Interested in Successful Employment are more proactive in terms of initiating contacts with their clients.

Due to a fragmentation in the provision of ALMP it is difficult to determine the total number of providers in the province and a degree of their involvement in the delivery of ALMP. The selection of employment services and qualification of staff also varies across providers. Table 7 summarizes the major groups of providers, showing a total of 106 offices delivering local labour market services broken down by HRLE's four major service provision regions.

Table 7 Distribution of Labour Market Service Providers[27] in Newfoundland and Labrador (number of regional offices)

Region's characteristics:	**Avalon Region**	**Central region**	**Western region**	**Labrador region**	
Area (sq. km)[28]	9,100	67,100	44,280	295,000	
# of communities[2]	188	>237[29]	167	32	
Population[30]	244,550	144,705	89,825	26,390	
Service providers:					Total
HRLE (local and regional offices)	7	11	7	6	31
Career Work Centers	4	5	3	1	13
EAS(non-specialized)	11	18	14	7	50
Service Canada Centers	3	5	5	2	15
Sub-total					*109*
EAS (specialized)	20	15	8	5	48
CYN	8	6	4	12	30
Community Partners	Not estimated[31]	Not estimated	Not estimated	Not estimated	Not estimated
Total	*Over 54*	*Over 59*	*Over 40*	*Over 33*	*Over 170*

Source: HRLE[32]; HRLE[33]; CYN[34].

[27] This table includes only those providers serving broad group of clients.
[28] http://www.exec.gov.nl.ca/rural/regional_councils/burin.html .
[29] Data on the number of communities in this region is incomplete (communities of Gander-New-Wes Valley area are not included).
[30] http://www.communityaccounts.ca.
[31] The number of organizations participating in the Community Partners programs varies over the time as some of these contracts are short-term.
[32] Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador, accessed on November 27, 2010 at, accessed on July 18, 2011 at: http://www.hrle.gov.nl.ca/hrle/lmda/pdf/EAS_Listing.pdf.
[33]Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador, accessed on November 27, 2010 at, accessed on January 19, 2010 at: http://www.hrle.gov.nl.ca/hrle/.
[34] Community Youth Center (CYN), accessed on November 18, 2010 at: http://www.cyn-stjohns.nf.ca/.

According to Table 7, non-specialized EAS offices providing the full set of NL Benefits and Measures seem to have the most extensive representation in rural areas across the province. Specialized EAS offices have the second greatest number of offices across the province. However, since they are serving different segments of clients, the actual number of offices delivering services in a particular region is significantly smaller. Career Work Centers have the least geographical representation among the major non-specialized providers, although, the number of Centers is growing.

Despite the large total number of providers' offices (over 170), not all areas have equal access to employment services and ALMP across the province. In all three case study regions in Newfoundland and Labrador, the most easily accessible providers of non-specialized employment services were the non-specialized EAS offices. Irish Loop region has three such offices within its boundaries and the other two – Labrador Straits and Twillingate-New World Island – have one each. The greatest distance from these offices to the furthest community in each of the case study regions was 65 km – from Forteau to Red Bay in Labrador Straits region. In fact, in all three case study regions, the service area of local EAS offices also corresponds with the functional (labour market) region boundaries. All the three case study regions also have CYN centers, with Labrador Straits having three centers. Local HRLE offices are less represented in the case study regions. Only Twillingate-New World Island region has one however this office had been temporarily closed for more than a year at the time of the study. The distances from the nearest operating HRLE office to the furthest community in each of the case study regions are the following: Irish Loop – 96 km (St. John's to St. Shott's), Twillingate-New World Island – 96 km (Lewisporte to Crow Head), Labrador Straits – 164 km (Mary's Harbour to L'Anse au Clair). None of the case study regions had a Career Work Center. The

distances from the nearest Center to the furthest community in each case study regions are approximately the following: Irish Loop – 96 km (St John's to St. Shott's), Twillingate-New World Island – 96 km (Lewisporte to Crow Head), Labrador Straits – 468 km (Corner Brook to Red Bay (requires ferry crossing)) (NL Statistics Agency[35]).

HRLE employs approximately 600 people (HRLE, 2010a) plus 75 former employees of Service Canada who were transferred to it under LMDA (HRLE, 2010a). 507 (71%) of employees (including former Service Canada employees) are working throughout the province and the rest (29%) – in the provincial capital St John's (HRLE, 2010a). There were no official numbers on the "staff to client ratio" available at the time of this study. However, the approximate ratio for the three case study regions based on the interview with local providers of ALMP can be calculated. In this study we looked at the number of staff in the local offices delivering ALMP for EI-eligible clients in each case study region and at the number of EI recipients. However, the actual number of potential clients is higher, as individuals who had an EI claim in the past three years also remain eligible for this suite of ALMP. The approximate staff to potential clients ratios for the three case study regions in Newfoundland and Labrador are shown in Table 8.

[35] Newfoundland and Labrador Statistics Agency, Road Distance Database, http://www.stats.gov.nl.ca/DataTools/RoadDB/Distance/Default.aspx.

Table 8 Staff to Unemployed Ratio in Case Study Regions (Newfoundland and Labrador)

	Irish Loop	Twillingate-New World Island	Labrador Straits
EI recipients (both regular and fishing claims)[6]	2,520	2,150	560
# of non-specialized EAS offices	4	1	1
Total # of staff in the EAS offices	9	3	1.5
Staff to potential client ratio 1	1/280	1/716	1/373
Staff to potential client ratio 2 (excluding fishing claims)	1/229	1/565	1/316

Source: Interviews.

As we can see from Table 9 below, the Income Support clients in two case study regions do not have a local office providing them with ALMP and the distance some of them (from the more remote communities) would have to drive to access these services from the nearest HRLE or Career Work Center can be more than 90 km. In Twillingate-New World Island the ratio of staff to clients would be (if the local HRLE office was open) less than 1/260, as the statistics are available for the heads of the family, not for individuals.

Table 9 Staff to Potential Income Support client ratio in case study regions (Newfoundland and Labrador)

	Irish Loop (3 labour market regions)	Twillingate-New World Island	Labrador Straits
# of heads of the family receiving Income Support (IS) available to work[36]	215	260	15
# of HRLE offices	n/a	1 (temporary closed)	n/a
Staff to client ratio	n/a	Would be 1/more than 260	n/a

Source: Interviews.

Interviewed local providers of ALMP in all three case study regions reported informal communications with local businesses (i.e., through their social networks). The strongest awareness of the local employers' human resource needs of was found in Labrador Straits area, while employment service providers form Twillingate-New World Island noted that the degree of their communication can be further improved. One respondent from Irish Loop region made a comment about the lack of connection between the local labour market demand and provincial policy-making actors, which negatively affects the efficiency of ALMP delivered in this area.

According to the Rural-Urban Interaction in Newfoundland and Labrador project survey of local businesses (Vodden et al., 2011) in the three case study regions, 64% of the responding businesses reported that no government or non-government organizations had assisted them with finding and/or retaining employees (ranging from 68% in Irish Loop and Twillingate-New World Island to 50% in Labrador Straits). Those businesses that had received such assistance, obtained

[36] As of 2006 (Community Accounts, accessed on March 15, 2010).

it mostly from the federal government, particularly from Service Canada, which had provided assistance to 8% of responding businesses while 6% of respondents receive it from EAS offices.

3.5 Types of ALMP

For the purpose of this study I will focus only on the ALMP offered through the main group of employment programs and services providers: non-specialized EAS offices, HRLE regional and local offices and Career Work Centers, due to a wider range of the population they cover and a wider geographical representation compared to the other providers, such as specialized EAS offices and Community Partners targeted to particular groups and unevenly available across the province.

ALMP in Newfoundland and Labrador are offered on a voluntary basis and are not a requirement for receiving EI or Income Support benefits. EI-eligible clients can apply for EI benefits online (Service Canada[37]) or through the Service Canada locations. Then those interested in receiving employment services or participation in ALMP can be referred to the nearest EAS office. Application for Income Support benefits can be completed by phone or mail (HRLE[38]). Information about employment services and ALMP for Income Support recipients is available on the HRLE web site, Career and Work Centers web site and through the local offices of both. In some cases Income Support recipients can also participate in NL Benefit and Measures delivered through the EAS offices (Service Canada, 2009).

In Newfoundland and Labrador in 2007/08 9,430 unemployed individuals participated in ALMP funded under the LMDA (See Table 10). The vast majority (68%) of these clients participated in training, followed, with a significant gap, by those, who participated in Job

[37] Service Canada, at: http://www.servicecanada.gc.ca/eng/ei/application/employmentinsurance.shtml.
[38] Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador,, http://www.hrle.gov.nl.ca/hrle/income-support/application.html.

Creation Partnership (JCP) (22% of total participants). Only a small number of job seekers participated in wage subsidy (7%) and Self-Employment Benefits (assistance) (2%). Among the ALMP funded under LMDA, training accounted for the largest amount of expenditures (68%), followed by Job Creation Partnership (12.5%) and Employment Assistance Services (12.2%) (see Table 10). Wage subsidies (4.3%) and Self-Employment benefits (assistance) (3%) constitute a fairly small proportion of spending.

Table 10 Expenditures and Number of Participants in ALMP Delivered Under the LMDA, 2007-2008

Programs	Expenditures ($Millions)	Share in total expenditures (%)	Number of participants	% of total participants
Job search				
Employment Assistance Services	15.6	12.2	n/a	
Training				
Skills Development	86.8	68	6,427 (7,773[39])	68(72[40])
Wage Subsidies				
Targeted Wage Subsidies	5.6	4.3	681	7
Job Creation Partnership	16.0	12.5	2,150	23
Self-Employment Benefits	3.6	3	172	2
Total	127.6		9,430	

Source: Service Canada, 2009.

[39] Official statistics of HRLE include participants in Skills Development for Apprentices in ALMP.
[40] Official statistics of HRLE include participants in Skills Development for Apprentices in ALMP.

The total number of clients that accessed these ALMP constituted less than one third of the total number of unemployed in the province in 2008 (computed by the author from NL Statistics Agency[41]). However, accurate data on the percentage of EI recipients participating in ALMP is not available, as the total number of participants also includes reach back clients and some Income Support recipients. It is also problematic to accurately estimate the percentage of beneficiaries participating in ALMP in Newfoundland and Labrador, as statistics reflect the number of interventions rather than individuals and, according to one senior government official interviewed, there is a high chance of one individual participating in multiple interventions. For the three case study regions participation of EI eligible clients in the NL Benefits and Measures varies significantly with the highest recorded in the Labrador Straits region (see Table 11). Estimation of the percentage of the Income Support clients participating in ALMP is even more complicated, as statistics of Income Support beneficiaries are released by the number of families, not individuals.

Table 11 Participation in ALMP (NL Benefits and Measures Only)

	Irish Loop	**Twillingate-New World Island**	**Labrador Straits**
Participants in NL Benefits and Measures as % of unemployed	9.7%	13.9%	26%

Source: Interviews; Community Accounts[42].

Among participants in the ALMP funded by LMDA, 1,852 were Income Support recipients in 2007-2008. The majority of these participants (60%) accessed employment counseling interventions. The number of participants in the rest of the programs is distributed in

[41]Newfoundland and Labrador Statistics Agency, Table: "Labour Force Characteristics by Sex Canada 1976 to 2009, Annual Averages", accessed on March 5, 2009.
[42] Community Accounts, Employment and Working Conditions, Table: "Employment Insurance", year 2009 for Irish Loop and Labrador Straits Economic Zones and Twillingate and New World Island local areas.

a similar way to EI clients: the majority in training (26%), followed by JCP (10.4%), while the smallest numbers were wage subsidies (3.4%) and Self-Employment benefits, with four Income Support recipients participating in it (LMDA, 2009). Another 10,000 individuals accessed provincial employment and career services funded under the LMA and LMAPD (HRLE, 2008).

Table 12 Expenditures on ALMP Delivered Under LMA, 2009-2010 (Forecast)

Programs	Expenditures	Share in total expenditures (%)
Job search		
Employment Development Supports and Services	$2,613,796	24
Training		
Strategic Training and Skills Development Program	$5,477,260	51
Adult Workplace Literacy and Essential Skills Program	$300,000	3
Wage Subsidies		
Targeted Wage Subsidy Program for Persons with Disabilities	$160,000	1.5
Combination		
Targeted Supports for[43] Apprentices	$1,956,600	18
Labour Market Integration of Immigrants	$241,518	2.2
Total	**$10,749,174**	

Source: Government of Newfoundland and Labrador, 2009a.

As for the ALMP delivered under LMA and LMAPD and mainly targeted to EI-non eligible individuals, training also represented the largest group of spending with about 60% of the total (see Table 12). The next largest categories are job search assistance (24%) and wage

[43] This scheme has both training and wage subsidy component.

subsidies (the total amount is hard to estimate, as the source did not indicated what portions of the Targeted Support for Apprentices is devoted to training and what for wage subsidy) (Government of Newfoundland and Labrador, 2009a).

Interviews with local providers of employment services and programs, primarily EAS offices, in the case study regions revealed some valuable insights on how ALMP operates in their regions, including estimates of the participation in each program type (see Table 13). For all three case study regions data only include the NL Benefits and Measures, since none of the regions had an operating HRLE office.

As seen from Table 13, the number of participants by the type of ALMP varies across the regions. Both Irish Loop and Twillingate-New World Island regions experienced quite a high demand for training programs. According to one service provider, low participation in training programs in Labrador Straits can be explained by the absence of a training facility in the region. Thus, those residents who are interested in skilled jobs and are seeking to upgrade their skills or obtain post-secondary education (mostly young people) must consider relocation. Since training usually takes a considerable amount of time (from one to two years) and due to a limited local demand for the obtained skills, these relocations tend to became permanent.

Table 13 Approximate Number of Participants in NL Benefits and Measures by Type of Program (% of Total Participants in NL Benefits and Measures)

	Irish Loop	Twillingate-New World Island	Labrador Straits	Newfoundland and Labrador (new interventions in 2007/2008[44] only)
Training	53%	"Majority"	20%	59%
JCP	38%	20%	16.6%	20%
Wage subsidies	7%	1.6%	33%	6%

Source: Interviews.

Job Creation Partnerships (JCPs) are in a high demand by employers, particularly non-profit community groups, in all three case study regions. Absence of the demand from local employers is cited as a factor explaining the low participation in wage subsidy programs in Twillingate-New World Island region. It appears, at least in part, to be because of the lack of cooperation between local employers and employment service providers. In contrast, in Labrador Straits, where a strong informal cooperation exists, participation in wage subsidy programs is very high (see Table 13). Finally, one interviewee commented that the effectiveness of the ALMP in the province also depends to a great extent on the capacity of the delivering body, which varies from region to region.

3.6 Job search assistance

Local offices of the major ALMP providers (EAS non-specialized, HRLE and Career and Work Centers) offer various self-service resources for job seekers. These include computers with internet access, information brochures and other materials supporting individual job search

[44] Service Canada, 2009

activities. Workshops aimed to develop or improve their job search, resume writing and interview skills, etc. are also provided. Career and Work Centers, EAS and local HRLE offices also offer personalized assistance such as career counseling for eligible clients (Interviews; Sharpe and Qiao, 2006). First contact with a career counselor starts with a screening interview and a basic counseling session. The focus of these initial interviews is on assessment of a client's barriers to employment and determination of the minimum resources required for the clients' successful employment (Interview; OECD, 2002b). In cases when initial assessment reveals the need for participation in ALMP and if the eligibility criteria for such participation is met, the client will be required to develop an Individual Return to Work Action. Once a draft of the plan is completed by the client a case manager will guide a client through its completion and follow up the progress after the Plan is completed (Interview; HRDC, 2001). The actual job matching or job brokering is not within the scope of the local HRLE offices, Career and Work Centers or non-specialized EAS (Interviews; HRLE[45]) and is the sole responsibility of the job seekers. However, regional HRLE offices can provide job brokering to assist eligible clients who completed ALMP and are ready for job, although, their resources are limited (Lysenko and Vodden, 2011). Within the three case study regions, only one EAS representative reported occasional job match activities, admitting it would be useful to implement job matching more often.

One of the strongest sides of the Canadian career development system is the provision of quality labour market information (OECD, 2002b). Information about vacancies and labour market resources can be obtained from several sources, which include national and provincial web-sites and local sources of job opportunities such as local newspapers, providers' web-site,

[45] Department of Human Resources, Labour and Employment (HRLE) Government of Newfoundland and Labrador, accessed on November 27, 2010 at: http://www.hrle.gov.nl.ca/hrle/findajob/searchassistance.html.

bulletin boards and telephone job banks. Local employers can place their job advertisements by contacting local EAS or HRLE offices (Interviews). One of the achievements of HRLE in the area of labour market information provision is the development of "LMIworks" – a web site that offers comprehensive labour market information and access to all employment and career information resources in the province. "JobsinNL.ca" is another web-site created by HRLE which provides job brokering through a number of other electronic databases. Career information on the national level can be found on a number of web-sites, including the "Job Bank" web-site (Interview). "Work Destination" web-site provides information support for those considering relocation, particularly skilled trade persons (OECD, 2002b).

Career and Work Centers, EAS and HRLE offices offer internet access for job search and labour market related information. However, often their staff combines supporting responsibilities with administrative, which negatively affects the quality of information support, due to a large proportion of job seekers, particularly older and low educated people, who require assistance with on-line career tools (OECD, 2002b).

There are no Job Clubs in the province. However, some specialized providers, for example Women Interested in Successful Employment (WISE), offer programs somewhat similar to Job Clubs. Their services are limited by eligibility criteria (women only in case of WISE) and geographical representation (WISE has three locations in the province). WISE offers job search resources, such as internet access, computers and other related equipment, and two types of group programs: Career Exploration (nine weeks) and Job Search Strategies (three weeks) training programs; and one-on-one career counseling and individual assessment, development of resume and cover letter, action planning and mentor support (Interview;

WISE[46]). According to an interview with one WISE representative, participation in WISE programs is extremely important for building clients' self-confidence and often described as being "life-changing". According to the WISE data for the past four years, the success rate of Career Exploration program offered in Gander and area is 81% (45% found employment and 36% enrolled in academic upgrading or post-secondary education programs).

Vocational guidance for school students plays an important role in preventing youth unemployment and helps address the existing skills mismatch and shortage of skilled labour in the province. Vocational guidance is offered at schools and the ratio of pupils to counselor is determined by school boards, depending on the availability of resources (OECD, 2002b). In many schools this role is delegated to the licensed teachers. However, in recent years the role of the school's career counselors shifted towards dealing more with social problems in students' lives. To address the emerging gap and enhance vocational guidance in the schools the provincial Department of Education and HRLE in 2008 initiated creation of ten positions for Career Resource Professionals (HRLE, 2008b). These Professionals are employed by HRLE regional or local offices (Table 14) and solely focused on the provision of career counseling for students from Grade 7 to high school level III. They visit local schools, provide one-on-one counseling, give classroom talks, attend career fairs, inform K-12 teachers about region specific labour market resources and emerging opportunities and arrange visits to post-secondary educational institutions such as Memorial University of Newfoundland (MUN) and College of North Atlantic (CNA).

[46]Women Interested in Successful Employment (WISE), accessed at: http://www.wiseprograms.com/what.htm.

Table 14 Geographical Distribution of Career Resource Professionals (CRP)

Region	Number of CRP	Region	Number of CRP
St. John's	2	Lower Cove	1
Carbonear	1	Stephenville	1
Clarenville	1	Happy Valley-Goose Bay	1
Grand Falls	1		

Source: Interview

In response to the demand for skilled trade workers in Newfoundland and Labrador, the provincial Department of Education undertakes actions to promote careers in skilled trades among the high school students through the *Futures in Skilled Trades and Technology* and *Jump Start Your Life* programs. The *Futures in Skilled Trades and Technology* program introduces students to the skilled trades and provides practical experience. This program is offered at 85 high schools across Newfoundland and Labrador. The *Jump Start Your Life* program is aimed to promote female participation in skilled trades courses at the high school level (Department of Education, Government of Newfoundland and Labrador, 2008).

Introduction to career information for school students in Newfoundland and Labrador is not limited to school-based career counseling. Two large provincial industries – oil and gas and marine sector – actively promote careers in their industry through their career web sites managed by Petroleum Industry Human Resource Committee[47] and Marine Industry Association[48], and

[47] http://www.oilandgascareerinfo.ca/.
[48] http://www.compasscanada.info/careers.aspx .

through career exploration courses they have developed for the high schools. These courses include ready-to-use course materials and information sessions for teachers (Interview).

3.7 Training

Training is the most important component of the ALMP in Newfoundland and Labrador, according to interview respondents. It also accounts for the largest share of total spending on ALMP and for the majority of the participants. Participation in training aims to improve employment prospects of job seekers and increase their educational level. Training includes Adult Basic Education (ABE) program, post-secondary education and vocational training. In the province training is offered in the form of financial assistance covering expenses associated with education in regular educational institutions, such as College of North Atlantic and other private colleges, or Memorial University of Newfoundland. Training programs vary by eligibility criteria, area of training, duration of the program, and extent of the financial support (Table 15).

Table 15 Composition of Training Programs in Newfoundland and Labrador

Program	Eligibility	Area of training	Providers
Skills Development	EI-eligible, reach back clients and those re-entering after maternity or parental leave	Skills development, ABE	EAS
Employment Development Support	Income Support recipients	Literacy, ABE, short-term training or job-readiness training	HRLE regional offices
EAPD(Employability Assistance for Persons with Disability)	Persons with disability	Pre-employment training, post-secondary education (to obtain first post-secondary degree,	Local HRLE offices, specialized

Training and Support		diploma or certificate and/or employment), skills training	EAS offices
Workplace Skills Enhancement Program	Existed low-skilled employees	Skills development	INTRD
Bridging the Gap	Long-term unemployed, long-term seasonally employed, Income Support recipients	Class room and workplace training with new or growing businesses in rural areas	Participating community organizations

Source: HRLE[49]; Canada's Economic Action Plan[50]; Canadian Council on Learning.[51]

Participation in all training programs is voluntary but requires approval from HRLE. Financial support for participants in training programs varies and can cover the majority of the related expenses, such as tuition fees, living expenses, transportation and disability needs in programs such as Skills Development, Employment Development Support and EAPD Program. Duration of training depends on the program, with the maximum of three years (Skills Development) (HRLE[52]).

Workplace related training is mostly targeted to students and graduates and includes various internship programs oriented on placements in rural and remote areas. Internships exist in fields of education, medicine and social work aimed to retain graduates in rural and remote

[49] Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador, http://www.hrle.gov.nl.ca/hrle/training/default.html.
[50] Canada's Economic Action Plan:http://www.actionplan.gc.ca/initiatives/eng/index.asp?mode=2&initiativeID=79.
[51] Canadian Council on Learning: http://www.ccl-cca.ca/pdfs/AdLKC/Reports09/BridgingTheGap_EN.pdf.
[52] Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador, accessed on November 27, 2010 at, http://www.hrle.gov.nl.ca/hrle/lmda/skills_dev.html.

areas of the province (HRLE[53]). Another program, Workplace Skills Enhancement, allows SMEs to improve employees' workplace skills and address immediate skill gap or shortage in strategic sectors. This program includes various forms of occupation- or workplace-related trainings. The program is targeted to the low-skilled workers, especially those who do not have a recognized certification or required skills and covers up to 75% of eligible training costs (INTRD[54]).

Different mechanisms of accounting for local labour market demand are built in to the composition of the training programs. Skills Development, for example, requires applicants to consult with a potential employer about the employer's future hiring plans and recognition of the chosen training certificates. Workplace Skills Enhancement Program is guided by provincial, industry or regional economic development strategies. It focuses on small and medium size enterprises (SMEs) in strategic economic sectors and is targeted to the low skilled employees (INTRD[45]).

Newfoundland and Labrador has the lowest level of employer's investment in labour force development and training in Canada (LMDA, 2009). SMEs, which constitute the majority of businesses in the province, have a limited capacity to invest in training of their employees and on average provide about 70 hours of training a year per employee, which is less than half the average in Canada (Kelly et al., 2009; Government of Newfoundland and Labrador, 2009a). SMEs tend to invest significantly more in informal on-the-job training (Kelly et al., 2009). No province specific study is available on satisfaction of employers with educational institutions in Newfoundland and Labrador, however, a national study demonstrates that SME owners are

[53]Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador, accessed on November 27, 2010 at, http://www.hrle.gov.nl.ca/hrle/students/default.html#post.
[54]Department of Innovations, Trade and Rural Development (INTRD), Government of Newfoundland and Labraodr, accessed on December 5, 2010 at: http://www.intrd.gov.nl.ca/intrd/programs/WSEP_Factsheet.pdf.

generally more satisfied with training delivered by community colleges and private training institutions than with training provided at high schools and universities (Kelly et al., 2009).

In the light of the limited capacity of SMEs for investments in training of their employees, Bridging the Gap and Workplace Skills Enhancement programs aim to assist both job seekers and low-skilled employees and SMEs with their training needs. Bridging the Gap program assists individuals from the rural communities to access training and develop skills required to obtain stable local employment. Both classroom and workplace trainings are tailored to the needs of a particular employer thus helping local employers to overcome their difficulties with recruiting skilled and qualified workers. This program has been implemented in Newfoundland since 1998 and has been found helpful in securing long-term employment. It represents innovative community development approach. Bridging the Gap appears to be particularly useful for retraining displaced workers (CCL[55]; HRLE & INTRD, 2009). The number of participants in this program varies around 70-100 persons a year (Bridging the Gap[56]; HRLE, 2010c).

According to the HRDC study on unemployed individuals participating in training in Canada (HRDC, 2003), the most popular training courses were trade vocational courses, which accounted for 32.3% of participants, courses provided by post-secondary institutions (16.4 %) and the "other" category (31.9 %), which included courses like job search techniques (10.8 %) and computer training (11.3 %). Women, youth and persons with disabilities were found to be slightly more active in taking training while unemployed. The level of education was identified as a key factor for making decisions regarding the participation in training courses, as university graduates have a much higher probability of taking training while unemployed than those who

[55] Canadian Council of Learning (CCL), at: http://www.ccl-cca.ca/pdfs/AdLKC/Reports09/BridgingTheGap_EN.pdf.
[56] Bridging the Gap, accessed on July 20, 2011, at: http://www.bridginggaps.com/return-on-investment.

did not complete high school. Unemployed in rural areas, especially in Atlantic Canada, were found to be less likely to participate in training, as well as those who receive EI or have been unemployed for a long time (HRDC, 2003).

In general in Canada training is perceived as being effective in terms of improving employability of unemployed in 76% of cases (HRDC, 2003). However, the impact varies greatly across the courses. For example, reading, writing or numerical courses alone were found insufficient to improve employability, while most of the job search and computer courses, followed by trade vocational courses and post-secondary courses were effective (HRDC, 2003).

3.8 Wage subsidies

Wage subsidies constitute a relatively small portion of Newfoundland and Labrador ALMP both in terms of spending and the number of participants (see Table 9 and Table 11). Wage subsidies provide unemployed individuals with an opportunity to gain work experience and skills to improve their employability, increase the individual's human capital and connect them to the labour market. Wage subsidies in the province are offered to employers through a wide range of programs. Eligibility criteria for these programs varies from general EI-eligible/non-EI eligible to programs for smaller target groups, such as high school and post-secondary students, youth, persons with disabilities, older workers and fish plant workers. These programs vary by the rate of subsidy and duration (Table 16).

Table 16 Composition of Wage Subsidy Programs Available in Newfoundland and Labrador

Program	Target group	Amount of subsidy	Duration	Where to apply
Wage Subsidy	EI-eligible and "reach back" unemployed, Unemployed apprentices	50%	Max. 52 weeks	EAS offices
Job Creation Partnership	EI-eligible and "reach back" unemployed	Up to 50%	Max. 52 weeks	EAS offices
Wage Subsidies for Persons with Disabilities	Unemployed or underemployed persons with disabilities, preference given to non-EI eligible	60%	52 weeks	Any HRLE offices, specialized HRLE
NL Works	Non-EI eligible Income Support recipients, unemployed, underemployed and seasonal workers	50% (up to $5 per hour)	Seasonal: 10-20 weeks; Long Term: 21-40 weeks	Any HRLE offices
SWASP (Paid Employment)	Post-secondary students	$4.5 per hour	5-14 weeks	Any HRLE offices
SWASP (Year Round Component)	Post-secondary students	Stipend $140 a week		Any HRLE offices
SWASP (students at MUN and CNA)	students at MUN and CNA	Stipend $140 a week	Max. 8 weeks	Any HRLE offices

SWASP (Community Service Component	Post-secondary students	Stipend (100% subsidy)	8 weeks	Any HRLE offices
Graduate Employment Program	Unemployed/underemployed recent post-secondary graduates	60%	Max. 52 weeks	Any HRLE offices
Student Employment Program	Level I, II, III high school students	100%	3-8 weeks	Any HRLE offices
Small Enterprise Co-op Placement Assistance Program (SECPAP) – paid employment	Students of co-operative programs at MUN and CNA	50%		Any HRLE offices
Linkages	Unemployed and not enrolled in post-secondary education youth 18-30 years old non-EI eligible	Up to $9 per hour	26 weeks	Any HRLE offices, community based organizations
Career Focus	Youth between the ages 15-30, post-secondary graduates, not receiving EI benefits	Max $15,000	Up to 1 year	Local Service Canada office
Skills Link	Youth between the ages 15-30 with employment barriers, not receiving EI benefits	Max $25,000	Up to 1 year	Local Service Canada office
Summer Work Experience	Students between the ages 15-30 who are looking for employment	Data n/a	Data n/a	Local Service Canada office
Workplace Skills	New employee in (SME),	50%	Up to 52	INTRD

Enhancement Program	Non-EI eligible (mostly)		weeks	offices
The Fish Plant Workers Employment Assistance Program for Small and Medium-sized Enterprises (SME)	Fish plant workers affected by closure or downsizing	50%	Up to a year	INTRD offices

Source: HRLE[57]; INTRD[58]; Canada Business[59]; Service Canada[60]; City of Corner Brook[61].

A large number of wage subsidy programs are designed for students and youth. These programs have a strong emphasis on education, skills acquisition and career orientation. The Student Work and Service Program (SWASP) offers, in addition to the wage subsidy or stipend, a tuition voucher towards participants' future post-secondary education. The Year Round Component of SWASP is targeted to those students who are not sure about their future career path and provides them with a possibility to explore a potential occupation through related work experience. Linkages program includes career planning workshops, while NL Works and Workplace Skills Enhancement Program offer a training component. The Fish Plant Workers Employment Assistance Program for Small and Medium-sized Enterprises (SMEs) is aimed to reconnect fish plant workers affected by fish plant closure or downsizing to the labour market, obtain new skills and finally change their occupation.

The qualitative information, obtained from the interviews with local providers of labour market services and focus groups with local businesses in the three case study regions in the

[57] Department of Human Resources, Labour and Employment (HRLE), Government of Newfoundland and Labrador, http://www.hrle.gov.nl.ca/hrle/lmda/wage_subsidies.html.
[58]Department of Innovations, Trade and Rural Development (INTRD), Government of Newfoundland and Labrador, http://www.intrd.gov.nl.ca/intrd/programs/index.html#F.
[59] Canada Business, Government Services for Entrepreneurs, Government of Canada, http://www.canadabusiness.ca/eng/summary/3307/.
[60]Service Canada, accessed on August 1, 2011 at: http://www.servicecanada.gc.ca/eng/epb/yi/yep/common/guide.shtml.
[61] City of Corner Brook, Investing Incentives, accessed on August 1, 2011 at: http://www.cornerbrook.com/default.asp?id=190&sfield=content.id&search=294&mn=1.21.128.270.

province, suggests that participation in these programs is generally very low with the exception of programs for youth. Low participation in the wage subsidy programs was explained by several factors. The first is quite a long application procedure for a wage subsidy program, for example, for Wage Subsidy it can take up to six months. Long waits for approval decreases employers' interest in participation and makes it difficult to integrate the program in their business plans. Another reason is limited collaboration of employment service providers with local businesses, leading to a low awareness of providers about local employers interested in participation and among employers about available wage subsidy programs. Prospective participants are required to find interested employers, which requires from participants a certain level of self-promotion skills and some knowledge of the local labour market to determine an interested employer. However, the evaluation of the Targeted Wage Subsidy (Wage Subsidy now) program conducted by Human Resource and Development Canada (HRDC) in 2000 (HRDC, 2000) demonstrated positive results on employment take up with 64% of the participants continued to be employed after their subsidy ended.

Although federal and provincial student summer employment programs have a high enrolment, their effectiveness had raised concerns in the Irish Loop case study region. Particularly, lack of relevant placements, poor organization and supervision, and lack of training received by the participants were named as the reasons significantly reducing the programs' outcomes for both sides: students and employers. To address these issues, Irish Loop REDB developed an innovative approach to the delivery of existing programs - the "Youth Employment Enhancement" project. This project is organized in a partnership between the Irish Loop REDB and Southern Avalon Tourism Association, representing local tourism-related businesses and organizations, who acts as employers for the summer employment programs. This project

combines JCP and youth wage subsidy programs. JCP allows the partners to hire personnel who can determine relevant training and coordinate its delivery, ensure proper work placement and supervision. The project yielded a promising result and received a good evaluation, particularly for proper design, organization and monitoring (Interview).

Evaluation of another program - the SWASP, on the provincial level in general demonstrated a high satisfaction with the program by the vast majority of participating students (93%) and employers (98%), which are non-profit community organizations, for a number of years. A lot of the students and employers reapplied for this program in the subsequent years. All students reported completion of the program's goals, i.e. relevant job placement, gained valuable work experience and transferable skills, and increased knowledge in specific areas. The tuition voucher was considered an excellent way of saving money for post-secondary education and reduction of student loans (Community Service Council Newfoundland and Labrador, 2009).

Job Creation Partnership (JCP) funds creation of temporary jobs for EI-eligible clients to help them acquire new skills and work experience. Despite the original purpose, Job Creation Partnerships are often seen as a way to support local economic development initiatives and as a temporary source of income for unemployed, rather than a measure increasing a participant's employability and attachment to the labour market. An HRDC evaluation from the year 2000 for Job Creation Partnership (HRDC, 2000), demonstrated that participants were employed 46% of the time after the end of the project, which is a lower rate than for Wage Subsidy. Moreover, this evaluation was a very short term (less than a year after the program completion) and it anticipated that almost all JCP participants would be unemployed after the end of their projects in the long-term. The qualitative data collected by this study also found that very often participants are chosen on the basis of their skills relevance, rather than their employment needs,

i.e. whoever has the best required skills will be chosen for the JCP project. Additionally, interview respondents in all three case study regions pointed out that it has become increasingly difficult to recruit participants for JCP projects due to the lack of the financial incentives. The subsidy paid for participation in a JCP is only slightly higher than the EI rate. As a result, many JCP projects valuable for the local communities have been canceled. Another inconvenience associated with this program, according to interview respondents, is a significant amount of paper work required for the sponsor to prepare an application.

Self-Employment Assistance is an employment program that provides financial and entrepreneurial assistance to EI-eligible individuals to help them create jobs for themselves by starting a business. Its introduction in Canada has been inspired by the international success of this program in reduction of dependency on unemployment insurance and increases in participants' income. The 1995 Canadian national evaluation of the Self-Employment Assistance program (Graves & Gauthier, 1995) concluded (with caution due to a short reference period) that the program met its objectives and clients' expectations. Particularly, it smooths transition into self-employment, creates some local economic spinoffs and positive societal impact. However, this evaluation also found a significant "dead weight" effect (50%).

Despite the positive effects of the Self-Employment Assistance program, participation in it in Canada in 1994 was only about 2% of the EBSMs participants, which was significantly lower compared to the international rate of 5-6% (Graves & Gauthier, 1995). Two reasons were suggested to explain such a low participation: low interest and insufficient funding. Currently, the number of participants in Self-Employment Assistance program on the national level has reached 6.5% (year 2008, Statistics Canada[62]), however, in Newfoundland and Labrador in 2008

[62] Statistics Canada, Table: "Number of employment insurance beneficiaries by type of income benefit", accessed on July 22, 2011.

it was much smaller: 2% (Table 10). Although this has not been explored further, such a gap might be explained by the same reasons cited in the 1995 evaluation: low interest and lack of funding designated to this program. The number of participants in JCP in the province in 2008 significantly outnumbered the national average: 23% versus 2% of all EBSMs/NL Supports and Measures participants (Table 10; Statistics Canada[63]). Nationally, the lowest participation rate belongs to the least effective (according to international evaluations (see chapter 1)) active labour market program (JCP), while in Newfoundland and Labrador - to the relatively successful Self-Employment Assistance program.

Targeted Initiative for Older Workers (TIOW) is an employment scheme that includes all three ALMP components. It aims to reintegrate older workers of 55-64 years of age in communities affected by closure or downsizing of major employer. This scheme includes a mandatory employment assistance component (counseling, resume writing and interview workshops, etc.), and a choice of several other components, such as various forms of training, work experience (wage subsidy) and assistance for self-employment (HRLE[64]). Some of these components, such as Specific Skills Training and Employer-based Work Experience (wage subsidy) are delivered in close collaboration with interested employers. According to the qualitative findings from this research, organizations involved in the delivery of this scheme (or at least those interviewed) initiate contacts with the prospective participants, in some cases contacting all eligible persons in the local area. This represents a more proactive approach compared to the way employment services are generally delivered by the main providers. However, some of the providers noted a very low interest from among the prospective

[63] Statistics Canada, Table: "Number of employment insurance beneficiaries by type of income benefit", accessed on July 22, 2011, at: http://www40.statcan.gc.ca/l01/cst01/labor13-eng.htm.
[64] Department of Human Resources, Labour and Employment (HRLE) Government of Newfoundland and Labrador, accessed on November 27, 2010 at at: http://www.hrle.gov.nl.ca/hrle/findajob/TIOW.pdf.

participant. Among the reasons were sited low incentives and lack of self-confidence due to a low education level. This scheme is usually implemented on a small scale with a small number of participants, which allows tailoring the components to effectively address employment needs of the participants.

3.9 Income Support and activation measures

The provincial government launched the Action Plan Against Poverty in 2006[65]. The three key directions of this plan are to prevent, reduce and alleviate poverty. One of the ways out of poverty is through obtaining a sufficient level of paid employment. However, Income Support clients can face barriers to work, such as low literacy and skill level, various disabilities, family violence, social inclusion, lack of labour market information informing training or employment decisions and financial disincentives to work. Thus, one of the key goals of the Action Plan is to support Income Support recipients in their transition to work. This support is largely focuses on the removing barriers and financial disincentives to work and includes financial assistance with job related expenses, job start benefits, earning supplements, drug card for six month. The loss of benefits when starting a job is a significant issue for Income Support clients, who often found themselves being worse off by working. As a result of the recently developed support, 4,000 Income Support clients moved into employment between 2006 and 2008 (the average monthly number of Income Support cases in 2007 was 258,337 (HRLE, 2008a)).

In order to improve access to labour market information, provincial government in 2008 developed and distributed a guide to Government of Newfoundland and Labrador Programs and Services for Individuals and Families to increase awareness and access to programs and services

[65] The first two paragraphs rely on: Government of Newfoundland and Labrador, 2009b.

that assists low-income individuals and families. This guide includes a section on employment (job) help, which provides an overview of the financial incentives and support for individuals moving into employment as well as an overview of available ALMP and where to access them (Government of Newfoundland and Labrador, 2008).

Most Canadian jurisdictions require Social Assistance recipients to search for a job, participate in job counseling and skills training programs. However, the degree of the activation varies across the provinces (Gray, 2003). In Newfoundland and Labrador Income Support recipients are not required to perform job search or participate in ALMP (Interview). However, those who are interested, can access various employment services and ALMP through the local HRLE offices, Career and Work Centers and other Community Partners. Apart from the provincial ALMP delivered under the LMA, LMDA and LMAPD, HRLE cooperates on delivery of the federal government Youth Connect Program (Government of Newfoundland and Labrador, 2009b). This is a pilot program, which serves new youth Income Support applicants addressing their social and personal barriers. Services such as career planning, job search, job placement, job maintenance and support for skills development are offered in a highly structured and intensive environment.

Another federal program – Employment Transition – serves single parents receiving Income Support and helps to address their employment barriers. This program provides intensive employment preparation to small (16 person) groups of single parents over a 12-week period, job search and job maintenance support, plus financial incentives in a form of the earned-income supplement (Government of Newfoundland and Labrador, 2009b). This program was first introduced in Corner Brook and proved to be highly successful, with an 80% employment take

up rate (HRLE, 2006). In 2009 this program became available in Grand Falls-Windsor and is planned to be expanded to Labrador in 2010.

HRLE funds a similar program – Single Parents Employment Support – delivered by the Single Parents Association of Newfoundland and Labrador in St John's. This program provides basic job readiness training, job search skills, personal support during the adjustment to work period, and employment related financial assistance, such as child care, transportation, etc. However, the service area of this program is also limited and it only served 318 single parents from 1998 to 2001 (Don Gallant and Associates, 2002).

3.10 Employment Insurance restrictions and sanctions

In order to receive EI regular and fishing benefits, a claimant must demonstrate that he/she is ready, willing and capable of working at all times. Thus, claimants are required to search for a job, be willing to accept all types of work relevant to their abilities, skills, training or experience, and adapt to labour market conditions like changes in pay rate or hours of work (Service Canada[66]). Canada has relatively strict eligibility criteria for EI regular and fishing benefits, particularly in the case of voluntary job quitting, while the requirements for accepting job offers or participation in ALMP are less strict (Grady & Kapsalis, 2002). The Canadian EI Act Part II does not provide clear guidelines for the job-search process or requirements for a certain frequency of job applications, however (Gray, 2003; Van Audenrode et al., 2005). In order to receive EI benefits (regular and fishing) eligible candidates are required to submit an EI report every two weeks confirming their eligibility to receive benefits. Although the claimants are responsible for keeping written records of all employers they contacted, the claimants are not

[66] Service Canada, accessed on December 21, 2010, at: http://www.servicecanada.gc.ca/eng/ei/types/regular.shtml#ready.

required to list their job-search activities in the EI report. The job-search activity and EI reports of the claimants are randomly checked by Service Canada. As for the obligations related to participation in ALMP, they cover only attendance at training programs, i.e. participants approved for training, but not attending it, can be penalized (Gray, 2003; Grubb, 2000).

The frequency of EI benefits sanction applications in Canada is one of the lowest among OECD countries. Also, sanctions are eight times more frequently applied for the behavior before a benefit starts, i.e. for voluntary quitting, etc., than for incompliance during the actual benefit period (Van Audenrode et al. 2005; Grady & Kapsalis, 2002). Gray (2003) argues that such a rare use of sanctions is insufficient to stimulate EI clients to search for work, accept job offers or participate in ALMP. EI is not designed to be punitive in respect to participation in ALMP. Moreover, there is a disconnection between administration of active and passive components of EI. While the federal government controls EI benefits delivery and monitors job search activities of the claimants, provinces are responsible for participation of the EI claimants in ALMP and effectiveness of these interventions (Gray, 2003). ALMP designed under the LMDAs were introduced without any changes to the EI sanctions regime. Thus, whether or not the activation policies applied by the provincial agencies across Canada to EI claimants participating in NL Benefits and Measures can be actually considered as activation in comparison to the other OECD countries is not clear. Activation strategies in this context mean measures stimulating EI claimants to search for work, accept job offers and participate in ALMP rather than requirements to participate in such activities (Gray, 2003).

3.11 The demand side perception

As mentioned in the beginning of this chapter, filling the growing labour demand is challenging in the province. Difficulties with hiring (although to a lesser extent in the Kittiwake zone, where Twillingate-New-World Island case study region is situated), especially hiring skilled labour were reported in the case study regions in a series of business retention and expansion studies completed in 2005 (P.G. Gardiner Institute, 2005a;b;c). According to the Rural-Urban Interaction in Newfoundland and Labrador project (Vodden et al., 2011), recruitment and retention of workers is the most important labour market challenge facing local businesses in all three case study regions. Other important challenges included shortage of skilled or experienced labour and a general population decrease due to aging and out-migration. One business owner form Labrador Straits commented: "as a small business owner our greatest challenge in succeeding is in finding workers full time. We feel we have untapped business we could pursue, however we cannot because of the manpower needed". Although, some businesses did not report any problems with recruitment, this quote was a typical answer among business focus group participants. This indicates a significant challenge not only for development of a particular business, but for the overall economic development of rural Newfoundland and Labrador.

The most popular strategies to overcome the recruitment challenge utilized by local employers in the three case study regions were active employee search and job advertising, followed by competitive wages and benefits (Interview; Vodden et al., 2011). As part of the solution, local businesses also cited cases of hiring foreign skilled labour (Focus groups). Hiring of mechanics was mentioned in Irish Loop and Labrador Straits regions, for example. In Twillingate-New World Island region participants mentioned medical professionals (doctors

presently, and a large number of nurses, mostly from Philippines, in the past) being foreign immigrants. Local fish plants have also employed Brazilian workers.

Focus group participants also named some active labour market measures that they had participated in (Table 17) and describe their experience with them as positive overall. Business representatives from the Irish Loop said that targeted wage subsidies and internships had helped them a lot during their business start-up. One participant confirmed that she found her only full-time employee through a wage subsidy program.

Table 17 ALMP Named in Focus Groups with Local Businesses

Program	Region	Comments
Summer student wage and job matching support	Irish Loop Twillingate-New World Island	Very important for the tourist sector
Targeted wage subsidies	Irish Loop	Very useful during business start-up
Internships	Irish Loop	Very useful during business start-up

Source: Interviews.

The recent nation-wide study (Dawkins, 2009) on the attitudes of small and medium sized enterprises (SMEs) (which in Newfoundland and Labrador constitute the majority - 70% of enterprises) towards the passive and active components of the EI system provides additional information on this topic. Dawkins (2009) stressed that ALMP administered under the EI system are insufficient to address the labour market needs of SMEs. Particularly, this study pointed out that the contribution of SME employers to the EI account is 1.4 times greater than that of

employees, while EBSMs (ALMP) are targeted to the needs of unemployed, rather than employers. In fact, more than a quarter of the SMEs surveyed were not even aware of the programs that exist, and more than 40% were unsatisfied with them. Among those SMEs who found EBSMs helpful, Skills Development and EAS were most frequently mentioned by SMEs – by 24% and 20% respectively, followed by wage subsidy (18%), JCP (15%) and self-employment (12%) (Dawkins, 2009).

Another problem pointed out by Dawkins (2009) was a proportion of SMEs, which are experiencing competition for workers with the EI system (see Figure 8). Not surprisingly, taking into account the favorable conditions for qualifying for EI, Newfoundland and Labrador SMEs are facing the highest competition with the EI system among the other provinces: 39% of the provincial SMEs indicated that they are having difficulties recruiting EI recipients because they prefer to collect EI; 27% of Newfoundland and Labrador businesses said that they had been asked to lay someone off so that they could collect EI benefits. The national study concludes that regional variations in EI benefits negatively affect employment take up even in times of strong economic conditions.

Figure 8 Difficulty with Hiring People on EI and Keeping them off EI (% of SMEs Reporting Difficulties)

Source: Dawkins, 2009.

Local employers in the three case study regions in Newfoundland and Labrador also voiced concerns about competing with EI system during the focus groups. Both Labrador Straits and Irish Loop participants reported problems with hiring workers, mostly unskilled. Businesses indicated that the insufficient labour supply impedes operation and expansion of their businesses. According to the focus group results, this problem exists to a greater degree in Labrador Straits region, where local businesses struggle to compete with EI to attract workers. This creates tensions between business owners, who are working beyond their limits, other year-round workers and EI recipients who refuse available employment. Both business owners and government representatives participating in the discussions agreed on this challenge and recounted a number of examples. It was also noted that in small communities where local

residents know each other, business owners speaking out against such a situation can be boycotted.

In the Irish Loop region participants named some businesses (mostly retail stores) that are constantly advertising for workers. However, the lack of unskilled workers in this region may be most pronounced in the fish processing industry. Two local fish plants cannot provide enough weeks to qualify for EI, which leads to out-migration of the local fish plant line workers. As a result, local fish processing businesses have to recruit workers from other regions and even arrange apartments for them. Irish Loop businesses, in contrast to Labrador Straits, noted the importance of local seasonal workers. One business owner suggested that without EI benefits or with strict application of job search or mobility requirements all seasonal labour would move to Alberta, negatively affecting their business and causing further outmigration in the community.

The results of the Twillingate-New World Island focus group stands apart from the other two due to the participants composition: two SMEs were tourism-related businesses, and the assertion of these business people that they do not currently experience labour market shortages, although they can see that recruitment will be a problem within five years. Participating SMEs owners reported that they used to have a pool of labour to choose from, while now they have no choice and must hire anyone available. Students – their major source of help during tourist season – are also getting "hard to find" because they are remaining in St. John's more frequently during the summer season. To attract summer students to seasonal jobs in the region and retain existing employees, these businesses use various benefits such as flexible schedules and staff barbeques. Twillingate-New World Island participants noted, however, that restaurants and fishing enterprises in the area are having difficulty recruiting employees.

All three case study regions have tourism economies that depend on the availability of summer students. Twillingate-New World Island representatives mentioned negative effects from the cuts in the summer student funding. One business suggested they had applied for several years but had received funding for student wage support only in the last year (summer 2009).

During the discussions participants made several suggestions directly and indirectly related to the labour market development. Businesses and workers expressed the need for more information about the programs available through various organizations, including federal and provincial governments. For example, no one at the Twillingate-New World Island session was aware of the job-shadow program. Participants from Labrador Straits suggested that businesses be provided with government subsidies to top-up existing wages so that they can become more attractive than EI benefits, and, consequently reduce the number of EI benefit recipients. They also suggested a comparison of the EI benefit sanctions in Alberta and in Newfoundland and Labrador to search for the best practices in tracking job-search activities of EI claimants.

3.12 Summary

Steady economic growth in Newfoundland and Labrador in the recent years contributed to the highest employment growth among Canadian provinces and gradual improvements in provincial labour market indicators. However, these improvements are less pronounced in the rural areas of the province. This study confirmed the earlier findings of the Rural Urban Interaction in Newfoundland and Labrador project of the large disparities that exist in the labour market performance between rural and urban areas of the province. In three rural case study regions, labour markets are challenged with a coexistence of high unemployment rates and

recruitment challenges experienced by local employers, further exacerbated by outmigration and a rapidly aging population.

The results of this study suggest that a lack of financial incentives for accepting low-paid jobs, and relatively easy access to employment insurance (EI) benefits contributes to this coexistence. Furthermore, the low literacy levels, especially in the rural areas prohibit potential workers from taking advantage of the employment generated by the major economic development projects in the province, which offer attractive wages but require certain level of education. At the same time, unfilled labour demand negatively affects economic development in these areas and creation of new employment opportunities.

As stressed in the Literature Review chapter, addressing the employment need of local employers is a critical point for the effectiveness of ALMP, as their effectiveness is based on the existence of a labour demand. "Active" labour market policies (ALMP) were found in this research to play more of a passive than active role in labour market development in the province. Despite their availability, local employment service providers lack authority to engage unemployed into these programs, as well as the ability to intervene early and optimize timing of an intervention. The providers work only with those unemployed who make a choice to contact them and only when unemployed decided to, not when it is optimal time for an intervention or when an employment opportunity arise.

Local providers of employment services have no control over the job search activities of their clients. Moreover, they have no authority to address employment needs of local employers through direct referrals, i.e. employment service providers missing an easy and inexpensive tool to reduce unemployment. The lack of authority observed among the local providers of employment services inevitably decreases a quality of information exchange between

unemployed and employers, which constitutes the basis of job matching – one of the three ALMP pillars.

Such a passive approach to ALMP impedes employment take up of a low paid jobs by creating a choice for an unemployed person between remaining on the benefit and looking for a better employment opportunity, or even changing an occupation or location for a more stable job. The latter effect is particularly pronounced in the rural areas, where economies are less diverse and low paid jobs dominate.

The study also found some discrepancy in the overall distribution of participants and funding between the ALMP components as compared to the other provinces and internationally, with overrepresentation of the training and Job Creation Partnership (JCP). The literature reviewed warns against an imbalance towards training programs, as it can lead to a lack of capacity among educational institutions offering these programs, which in its turn results in an increase of a waiting time to start a training program and thus exacerbates the lock-in effect of training. In contrast, job matching is practically missing in the province. This contributes to development of an excess of labour supply in rural communities, which negatively impacts wage levels and job stability, as discussed in the Literature Review chapter. Wage Subsidy and Self-Employment Assistance programs were also found underrepresented. However, the findings from the focus groups with local employers and reviewed literature suggest positive results on employment take up from the latter program types when used.

Chapter 4

ALMP in Norway

4.1 An overview

Norway is a constitutional monarchy with a parliamentary system of government and two levels of elected local government (municipalities and counties) (OECD, 2007). There are 430 municipalities and 19 counties in Norway. Continental Norway is the northernmost European country and the country's Svalbard archipelago is situated 650 km further north. Norway has a population of 4.9 million people as of 2011 (Statistics Norway[67]). The density of its population is quite low – 14 inhabitants per square km (Statistics Norway, 2009) and the share of the population living in rural areas in Norway is more than two times higher than the average in all OECD countries (OECD, 2009). Norwegian municipalities are often comprised of several villages and towns (Statistics Norway[68]; Interview). The average size of municipalities in Norway is 10,800 inhabitants. Only five municipalities have a population over 100,000 people, while more than three-quarters of them have less than 10,000 people and 47% have populations of less than 4,000 inhabitants. Municipalities with the largest populations are Oslo and surroundings. Municipalities with the smallest populations are located in North Norway. For example in Troms county 76% of municipalities have less than 4,000 inhabitants (OECD, 2007). About one third (142) of the Norwegian municipalities had no access to an urban center with a population of at least 2,000 people in 2005. Moreover, the average size of municipalities is relatively large – about 700 square km. In fact, 40% of the 161 Norwegian labour market regions

[67] Statistics Norway, accessed on August 5, 2011 at: http://www.ssb.no/english/.
[68] Statistics Norway, Table: "Urban settlements. Population and area, by municipality. 1 January 2009," accessed on September 17, 2010.

match with municipal jurisdictions (15% of municipalities). Most of the municipalities constituting a labour market region are small, i.e. with population less than 2,000 inhabitants and low density (2.3 inhabitants per square km or less) (OECD, 2007).

Such a settlement pattern complicates the provision of public services and may require long distance traveling to receive these services (OECD, 2007). Ensuring that residents of the rural areas have equal access to services is one of the priorities of the Norwegian government policies. These policies aim to create economic growth in all parts of Norway to reduce outmigration from remote regions and ensure people have a choice of where to live (Goldenberg, 2008). Particular emphasis is placed on the so-called "district policy assisted area" – municipalities and regions facing challenges with population losses, weak business development and/ or remote from large centers and markets, including Northern Norway and some other areas (Norwegian Ministry of Local Government and Regional Development, 2005). These policies include a differentiated tax scheme, loans and grants to businesses, grants to small and northern municipalities, plus other policies targeted to stimulate regional industrial and knowledge clusters (Goldenberg, 2008; Norwegian Ministry of Local Government and Regional Development, 2005). Furthermore, since 2004 the efforts of several Norwegian organizations providing support to businesses, including the Norwegian Tourist Board, the Norwegian Trade Council, the Norwegian Industrial and Regional Development Fund and the Government Consultative Office for Inventors, have been streamed through the Innovation Norway company which replaced them. This state-owned company has regional representation in all counties and primarily targets SMEs (Goldenberg, 2008).

Norway is one of the richest countries in the world with the second highest GDP per

capita in the European Union (Statistics Norway[69]). Contribution to the country's GDP by industry type[70] is the following: tertiary industries – 56%, secondary – 43% (including petroleum related activities that contribute to GDP far more than to employment), and primary industries – 1% (Statistics Norway[71]). Fishing and fish farming contribute 0.5% to GDP and also is the third most important component of the Norwegian export (Statistics Norway[72]).

Employment in the fishery, however, fell dramatically from 100,000 fisher people in 1950 to 13,300 in 2007 (Statistics Norway[73]). The number of people naming fishery their main occupation went down from more than 68,000 to 10,200 in the past 60 years. Employment in the fisheries sector as a percentage of the total employment is greater in the central and especially Northern Norway, although, it generally does not exceed 3.51% of total. Although employment in the fishery decreased, the catch has almost doubled since 1990s – years of historically low catches (Statistics Norway[74]). Aquaculture, which began in the 1980s, employs far less people but has gained a greater economic significance in value than the wild fishery. There are about 1,500 fish farms in Norway with a total employment of 3,800 people (Statistics Norway[75]).

In the last 50 years the Norwegian economy went through several structural changes resulting in the reorientation from primary and secondary industries to tertiary industry, i.e. from agriculture and manufacturing towards the service sector. Employment in tertiary (service) industry constitutes 76% of total employment, in secondary industry – 21% and in primary – 3%.

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[69]Statistics Norway: http://www.ssb.no/norge_en/okonomi_en.pdf, accessed on September 17, 2010.
[70] Statistics Norway uses the following industry classification: primary includes agriculture, forestry, fish and aquaculture; secondary industries are: industry, oil extraction and mining, building and construction, electricity and water supplies; tertiary industries include the other industries such as retail trade, hotels and restaurants, transport and communication, public and private services. From Statistics Norway: http://www.ssb.no/norge_en/okonomi_en.pdf."
[71] Statistics Norway: http://www.ssb.no/norge_en/okonomi_en.pdf, accessed on September 17, 2010.
[72]Statistics Norway, Fishing and fish farming: http://www.ssb.no/fiskeri_havbruk_en/, accessed on June 17, 2011.
[73]Statistics Norway: http://www.ssb.no/norge_en/primar_en.pdf, accessed on September 27, 2010.
[74] Statistics Norway, Focus on Fishing and Farming, accessed on August 5, 2011 at: http://www.ssb.no/fiskeri_havbruk_en/.
Statistics Norway: http://www.ssb.no/norge_en/primar_en.pdf, accessed on September 27, 2010.

In the service industry the largest sector is public administration, which is comprised of local and central government administration. Employment in this sector grew four times since 1962 to almost 800,000 people (Statistics Norway[76]). Two thirds of public administration employees work in local government administration. The highest proportion of workers employed in the public administration (almost 40%) is found in the two Northern counties of Troms and Finnmark. This is due to the presence of Norwegian army forces and a higher number of employees required for maintaining the full range of municipal services in these sparsely populated counties.

The share of employment in the secondary industries, which include manufacturing, mining and quarrying, oil extraction, building and construction, electricity and water supplies, has fallen from one third in the 1970s to 21%. The number of employees fell from 400,000 people in 1974 to 300,000 (Statistics Norway[77]). Oil and gas extraction has experienced a gradual increase in employment, which now accounts for 75,000 people (including various supply services).

Labour force participation in Norway is steadily growing and reached 72.8% in 2010 (Statistics Norway[78]). From 1980 to 2009, total employment in Norway grew by almost one-third (Duell et al., 2009). About 50% of the Norwegian population is employed, of whom 47 % are women. Employment grew significant for women, however, only 59% of employed women work full-time compared with 86% among men (2008). About 48% of employed women work in public sector, especially local government, compared with only 19% of men (Statistics Norway[79]).

[76]Statistics Norway: http://www.ssb.no/norge_en/tertiaer_en.pdf, accessed on September 27, 2010.
[77]Statistics Norway: http://www.ssb.no/norge_en/sekundaer_en.pdf, accessed on September 27, 2010.
[78] Statistics Norway: http://www.ssb.no/arbeid_en/, accessed on September 27, 2010.
[79] Statistics Norway: http://www.ssb.no/norge_en/arbeid_en.pdf, accessed on September 27, 2010.

The contemporary situation in the Norwegian labour market is characterized by relatively strong labour market performance with a very low unemployment rate – 3.3% (Statistics Norway[80]) and a labour force participation (72%) and employment rate (69%) that is among the highest in the world (Statistics Norway[81]; Duell et al., 2009). However, despite the high participation rate it is challenged by an ever-increasing share of the population excluded from the labour force, such as those receiving health-related benefit recipients, who represent about 18% of the working-age population (Duell et al., 2009). The proportion of people receiving health related, or incapacity, benefits in Norway now is one of the highest among OECD countries, bringing the expenses for disability benefits to a level approximately ten times higher than the expenditure on Active Labour Market Programs (ALMP) (Duell et al., 2009; Widding, 2008). Such a high number of individuals excluded from the labour market because of health related conditions can be partially explained by attempts to avoid strict eligibility criteria and other obligations attached to the receipt of unemployment benefits, including geographical mobility. For the same reason, only approximately a half of the unemployed actually receive unemployment insurance (Duell et al., 2009). The long-term unemployment rate (out of work for more than six month) is also the lowest among the OECD countries – only about a quarter of the unemployed are out of work for more than six months, and less than 10% are unemployed for 12 months and over (Duell et al., 2009).

Unemployment rates in the two case study municipalities in Northern counties are in range with the national rate (3.3%) and vary from 2.7% in Troms to 3.7% in Finnmark. Particularly, the unemployment rate in the case study municipalities was 3.5% in Vagan and

[80] Statistics Norway: http://www.ssb.no/english/, accessed on June 17, 2011.
[81] Statistics Norway, Labour market, wages: http://www.ssb.no/aku_en/tab-2011-05-04-05-en.html, accessed on June 17, 2011.

2.8% in Tromso (Statistics Norway[82]). Percentage of long-term unemployed in the case studies was generally in range with the national rate, but slightly higher in Tromso. In Vagan municipality, 23% of unemployed (excluding underemployed), were long-term unemployed. In Tromso, the long-term unemployed constituted 40% (30% were out of work for more than 6 months, and 10% – for more than 12 months) (Interviews). Majority of the unemployed in Vagan had a low level of education: one-third had only compulsory education, which is nine years in Norway; one-third did not completed secondary school and another third – completed it. Only a few had post-secondary or university education. 66% of the unemployed in Vagan were 50 years old or older, which would fall in the "older workers" category by Canadian standards (45 years and older). About 50% of unemployed were previously employed in seasonal industries, such as fishery, tourism and transport (Interview). The level of education among unemployed in Tromso was slightly better. According to the interviewee, 20% had only compulsory education; 28% did not complete secondary school; 26% completed it and 23% had complete or incomplete post-secondary or university degree. The unemployed in Tromso municipality were also much younger, compared to Vagan, with only 24% of older persons (Interview).

Norwegian education system is ranked high among the OECD member countries. According to the OECD review of Norway, (OECD, 2007), 88% of its population has completed upper secondary education, which is higher than the average 67% (based on 30 OECD country members). In 2010 this number was 70.5% (see Table 18). The number of years adult men and women spend in education – 14 years – is also the highest in OECD. The disparities in the level of education between rural and urban area of Norway are minor.

[82] Statistics Norway: http://www.ssb.no/english/municipalities/region, accessed on February 15, 2011.

Table 18 Population 16 Years Old and Over by Level of Education, 2010 (%)

Compulsory ten years education	Upper secondary education	Post-secondary education up to 4 years in duration	Post-secondary education more than 4 years in duration
29.4	42.7	21.1	6.7

Source: Statistics Norway, Table: "Population 16 years and over, by level of education, gender and age. 2010. Per cent".

Seasonal unemployment in Norway has fallen to nearly zero in the past 25-30 years and does not constitute a problem anymore in contrast to other Nordic countries (Sweden, Finland and Denmark). Seasonality of employment is mostly associated with agriculture and forestry as the fishery in Nordic countries is much more stable throughout the year compared to Newfoundland and Labrador. Seasonal work in Norway to a large extent is done by seasonal foreign workers, who are only allowed in the country while employers' demand is high (Grady & Kapsalis, 2002). According to the interviews in the case study municipalities, seasonal fluctuations in employment were noted in Vagan municipality, mostly among younger people with a low educational level, who work in fishery and tourism. While in Tromso, seasonal work is largely done by seasonal workers from Sweden.

Despite the strong labour market characteristics, Norway faces the same problem as the majority of the OECD countries, including Canada - growing labour shortage, exacerbated by the population aging. Particularly, in Vagan municipality, population aging and outmigration of younger well educated persons creates challenges with filling local demand for skilled labour. Overall in Norway, labour shortage is especially noted in the construction, engineering, health care and transport sectors. In order to counteract this problem Norway needs to improve its labour utilization. This includes increasing of average working hours per employee, promotion of

higher labour force participation and later retirement, immigration strategies, and activation of long-term unemployed and social assistance recipients, including those on long-term sick leave and with disabilities (Duell et al., 2009). In order to counteract welfare benefit dependency and mobilize underutilized labour resources the Norwegian government has put forward several reforms, including: institutional reform aimed to provide integrated services for people out of work; reform of the health-related benefit system; and pension reform to motivate people to stay at work longer (Duell et al., 2009).

4.2 History of ALMP implementation

The ideal of an "active society", which central aim is to increase labour force participation, has dominated policy development in Norway since the late 1950s/early 1960s. This ideal has been strongly supported by Norwegian population. A wide range of policies were designed to achieve this aim in Norway, including measures stimulating women's participation, such as a move from joint household taxation to individual one, changes to maternity leaves, etc.; and policies aiming to retain older workers and workers with reduced capacity at work (Halvorsen & Jenson, 2004). Norway also tightened eligibility for unemployment insurance and provided some assistance with geographically mobility assistance and vocational training. The increase in the labour force participation was thought to be rather achieved through funding to industries in financial difficulties and regional policies, rather than generous welfare benefits and ALMP. These measures, combined with strong state control of the economy, continued to dominate through 1960s and 1970s and led to the formation of stable and regional labour markets. As a result, Norway had experienced a long period of nearly full employment from 1950s to 1970s (Halvorsen & Jenson, 2004). Unemployment began to rise in the mid-1970s and

new policies were created to offset the social exclusion caused by a growing unemployment rate. Unemployment benefit duration was increased up to 80 weeks during a two-year period in the 1980s, although the ceiling for benefits had been lowered. New schemes for persons with disabilities were also introduced. During this period some of the original objectives of an active society yielded the way to income maintenance provision (Halvorsen & Jenson, 2004).

In the early 1990s Norway followed the international ideological shift from welfare towards "activation" (Lorentzen & Dahl, 2005; Halvorsen & Jensen, 2004). However, for Norway it was more an adjustment, rather than innovation, because of its past focus on the active society. Eligibility criteria for some welfare benefits were tightened along with requirements for geographical and occupational mobility, acceptance of job offers and participation in ALMP. The priority in development of new labour market policies was to find an adequate level and design of the welfare system to stimulate individuals to stay in or return to paid employment. The distinctive feature of Norwegian activation policies became the emphasis on individual responsibility for employment (Halvorsen & Jenson, 2004). The development of an individual action plan as a first step of activation was introduced as an important part of this process. This plan allows for tailoring activation measures to the individual's needs and capacities (Lorentzen & Dahl, 2005; Halvorsen & Jenson, 2004).

The number of participants in ALMP increased dramatically from 1988 to 1990, following the revision of the first comprehensive plan of ALMPs developed in early 1980s (Raaum & Torp, 2002). Despite the economic slowdown and high by Norwegian standards unemployment rate (5.5% in 1994), the further increase in participation significantly eased the negative impact of the business cycle on the labour market. At the bottom of this slowdown from 1992 to 1993, almost 3% of the Norwegian labour force participated in ALMP (Raaum & Torp,

2002).

In 2002, the Norwegian government launched the Action Plan to Combat Poverty (Duell et al., 2009; Lorentzen & Dahl, 2005). The focus of this plan was the inclusion of marginalized groups in the labour market through a vocational rehabilitation program, which is a part of ALMP. This plan defined the main target groups as long-term and repeat social assistance recipients, young people on social benefits, single parents, immigrants and people who receive drug substitution treatment. In 2006 this Plan was revised and aimed "…at ensuring that as many people as possible can live on income derived from the employment…", again consistent with the active society ideal (Duell et al., 2009, p.33).

4.3 ALMP design and delivery

In order to better address labour market barriers of those excluded from the labour market, in 2006 Norway merged its National Employment Service, National Insurance Administration and municipal social services, into a "one-stop" integrated system of Labour and Welfare Service (NAV) responsible for all services related to employment and income. This restructuring was aimed to make the local NAV office a contact point for all types of clients, including regular unemployed, individuals on sickness leave and social insurance benefits, to avoid resending clients from one agency to another (Widding, 2008; The Norwegian Labour and Welfare Administration, 2008). The reform, pursuing an inclusive workforce approach, reduced what had been a sharp distinction between ordinary job seekers and vocationally and/or medically disabled people (Ministry of Labour and Social Inclusion, 2008). Merging of public employment, health-related and municipal services helps to achieve a close co-operation between these agencies, reduce barriers for activation of a large variety of benefit recipients, offset the

growing labour force exclusion, and make the system user-friendly, especially for those requiring assistance from more than one agency (Duell et al., 2009; OECD, 2007). This reform is not unique. Similar measures have been implemented in other OECD countries, such as Denmark, Germany, Finland and Netherlands (Duell et al., 2009).

Within the Norwegian government the main responsibility for development and implementation of labour market policies belongs to the Ministry of Labour (former Ministry of Labour and Social Inclusion) (Duell et al., 2009; Barth, 2006). This Ministry also oversees employment programs, working environment and safety, family and health-related benefits, pensions, social assistance and immigration. The Ministry has several departments (Figure 9).

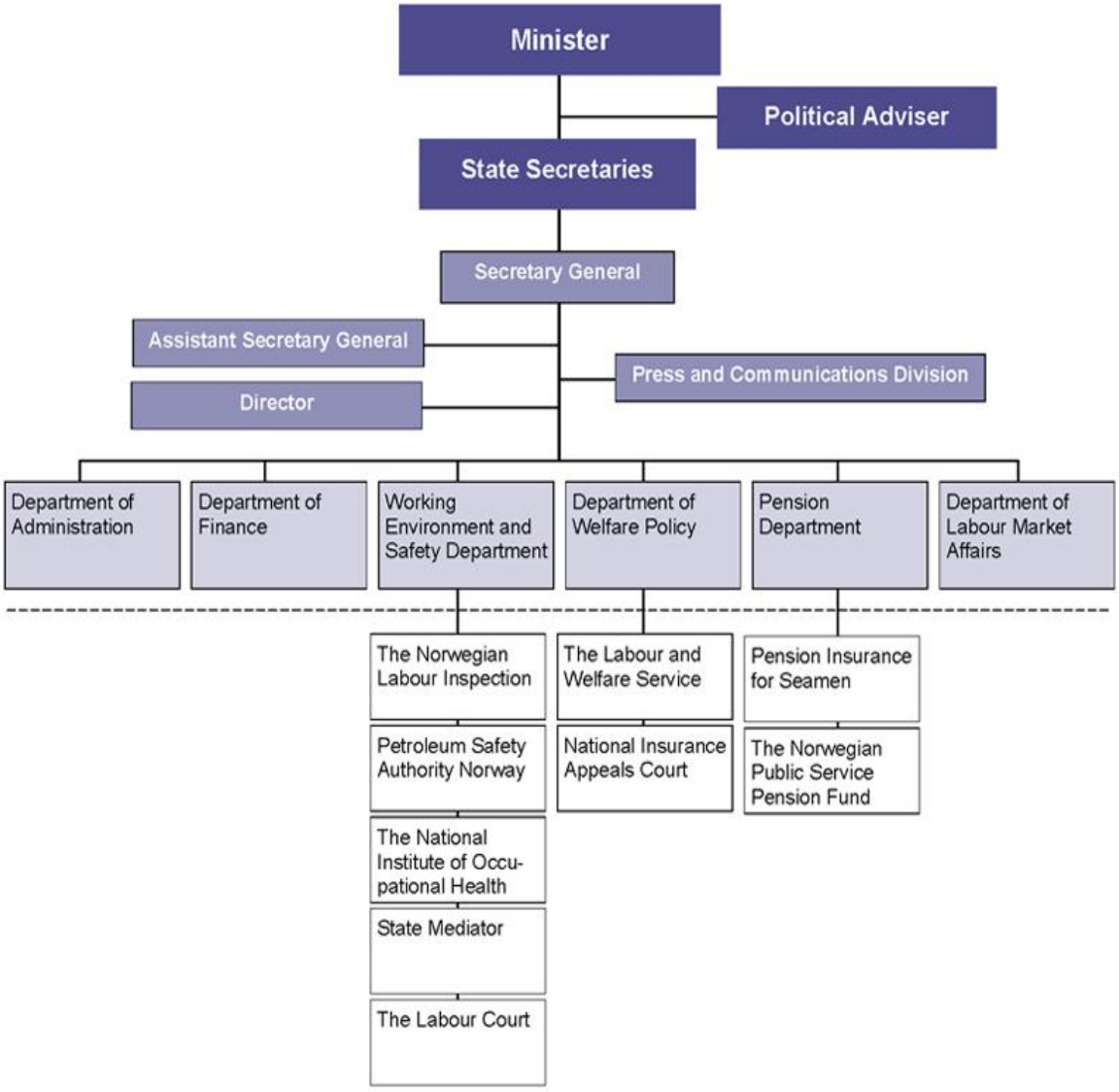

Figure 9 Norwegian Ministry of Labor Scheme
Source: Ministry of Labour, Norway, accessed on August 19, 2011 at: http://www.regjeringen.no/en/dep/aid/about-the-ministry.html?id=170.

The Department for Labour Market Affairs is responsible for promotion of a well-functioning labour market and for policies and measures assisting unemployed and for some of the measures targeted at the occupationally disabled. The Department of Welfare Policy is responsible for policies assuring income through welfare benefits and also oversees the recently reorganized Labour and Welfare Service (NAV), evaluates its operational results and ensures that political objectives and priorities for employment services are achieved efficiently (Ministry of Labour, Norway[83]). Directorate of Labour and Welfare Service (NAV) is responsible for implementation of labour market policy (Duell et al., 2008; Ministry of Labour and Social Inclusion, 2008).

NAV cooperates with the Ministry of Education for training programs, and shares responsibilities with the Ministry of Health and Care Services for encouraging fast return from sick leaves back to work (Duell et al., 2009). One third of the national budget is administered by NAV through schemes such as unemployment benefits, rehabilitation, pensions, child benefits and other (The Norwegian Labour and Welfare Administration, 2008).

Social partners (trade unions and employers) play a significant role in labour market and social policy in Norway, especially in the area of vocational education policy-making. They are represented in the Advisory Council on Labour and Pension Policies and provide advice to the Ministry of Labour on, for example, policies related to reduction of sickness absenteeism (Duell et al., 2009). They are also represented in county vocational training committees, which advise county authorities on quality, provision and regional development in vocational education and training (VET) and career guidance; in the Advisory Councils for Vocational Education and Training, which advises national authorities on the content of VET programs and future skills

[83] Ministry of Labour, Norway, accessed on August 19, 2011 at: http://www.regjeringen.no/en/dep/aid/about-the-ministry/organization/departments.html?id=192.

needs; and in the National Council for Vocational Education and Training, which advises the Ministry of Education on the general framework of the national vocational education and training system (Duell et al., 2009; Kuczera et al., 2008).

Norwegian municipalities are another key labour market actor. They are responsible for provision of social services and activation of social assistance clients. Municipalities have a high degree of decision-making power on the level of economic aid to individuals and eligibility criteria for this aid, the repertoire of services they provide and how to provide them (Duell et al., 2009; Dall & Lorentzen, 2003). The role of municipalities is based on the assumption that provision of social assistance benefits is temporary, and thus clients are guided and assisted to be able to live independently. Municipalities set benefits levels according to local conditions, designate resources for counseling, housing and activation measures. Municipalities make a decision if the compulsory component should be added to activation measures. Municipalities also own labour market enterprises and co-operatives targeted to people with disabilities and other labour market barriers (Duell et al., 2009). Municipalities own and run public primary and lower secondary schools.

County authorities are responsible for upper secondary education and training, regional development, regional planning, regional research funds, business development, culture and public health. The municipalities and county authorities have the same administrative status and are supervised by the County Governor, who is responsible for the health and social services and has a power to change municipal decisions regarding provision of social services (Norwegian Ministry of Local Government and Regional Development, 2008). The County Governors coordinate municipalities and counties to ensure implementation of the central government policies (Duell et al., 2009; Norwegian Ministry of Local Government and Regional

Development, 2008).

In Norway political objectives for labour market policy are set by the central government with the annual state budget. These objectives are quite general, for example: "maintain a well-functioning labour market" or "create an inclusive workforce" (Duell et al., 2009). Then these objectives are specified by the Ministry of Labour and sent to the NAV Directorate along with an allocated budget, policy objectives and performance objectives that need to be met. NAV Directorate can add its own targets for its regional offices in the form of quantitative and qualitative performance indicators that local offices are required to meet (World Bank, 2003). These indicators range from cost control to prevention of benefit fraud. Using performance indicators, the Ministry and NAV Directorate can limit autonomy of the local NAV offices, for example securing spending for particular target groups. Besides, some programs are reserved only for vocationally handicapped people by law (Duell et al., 2009). Local NAV offices receive a set of performance indicators and allocated budget from the NAV Directorate. This design allows for a certain degree of local-level autonomy to move funding to measures that are the most appropriate to meet the required indicators. Municipalities set their own objectives for the social services delivered by NAV and sign a co-operation agreement with local NAV offices describing what services shall be offered by a local office (Duell et al., 2009).

While ALMP are designed by the central government, their management and administration are decentralized to the local (municipal) NAV offices. This practice has become a norm not only in Norway, but also in countries such as Germany, United Kingdom and U.S.A. However, such decentralization requires greater reliance by the central government on performance indicators and open communication with the local offices (World Bank, 2003).

Local NAV offices have two lines of governance due to their joint structure (see Figure

10). One comes from the Ministry of Labour and Social Inclusion and NAV Directorate through the county NAV offices to the local NAV offices and is based on the performance indicators. Another one represents an administrative line from the Ministry of Local Government and Regional Development through the County Governors, to the municipalities and then to the municipal part of local NAV offices. Local NAV offices have a mixed source of financing. Funding for most of the ALMP and administrative expenses comes from the state budget, while benefits to the unemployed and the vocationally disabled plus some of labour market measures are financed by insurance contributions. Social assistance benefits and social worker staff are paid from municipal budgets (Duell et al., 2009).

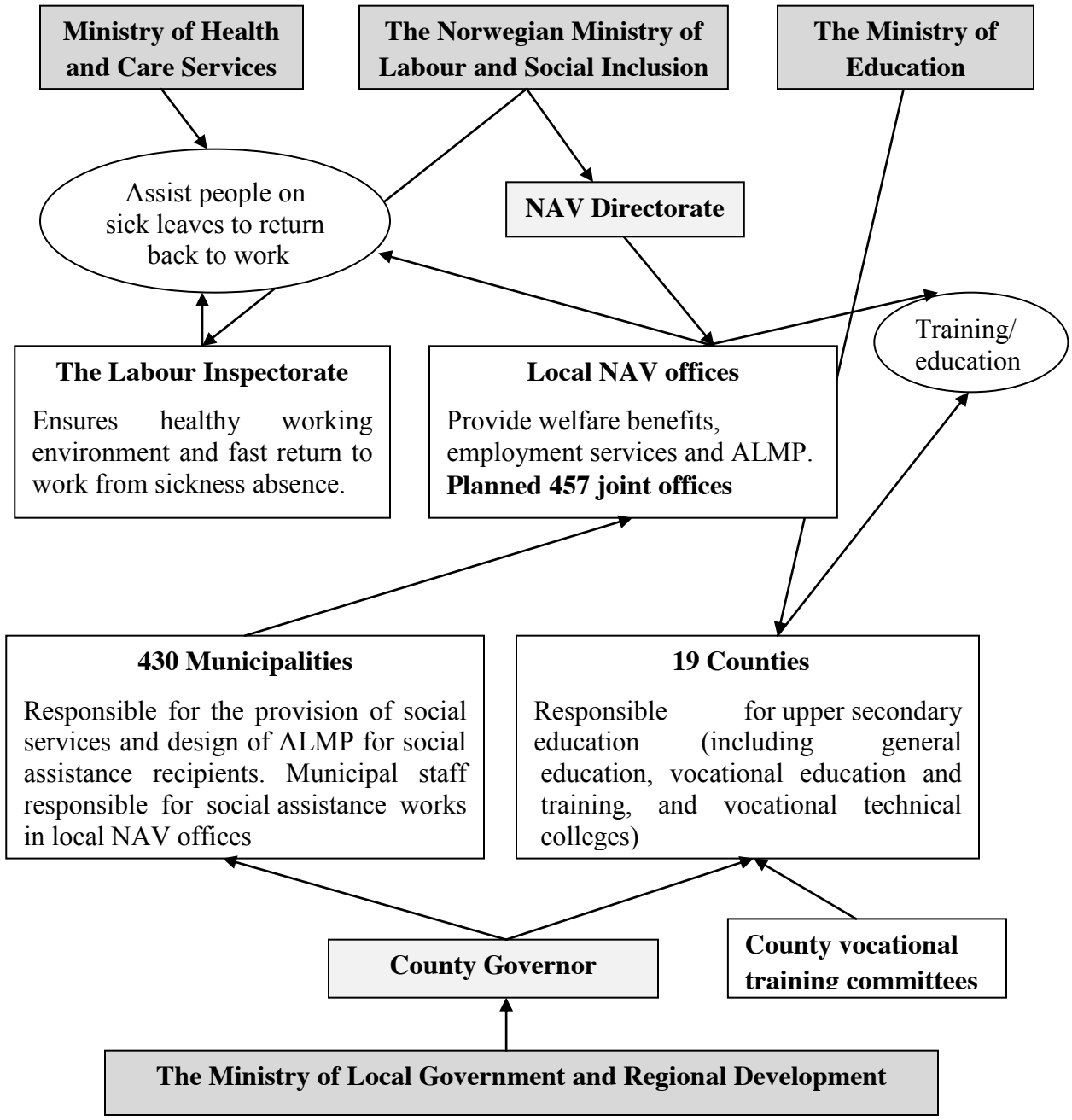

Figure 10 Two Lines of Governance of Local NAV Offices

Source: Duell et al., 2009, The Norwegian Labour and Welfare Administration, 2008, Norwegian Ministry of Local Government and Regional Development, 2008.

Local NAV offices not only deliver labour market policies, but also provide all kind of benefits, such as old-age pensions, maternity, sickness, rehabilitation and disability benefits, unemployment and social assistance benefits (Duell et al., 2009). They serve clients "from the crib to the grave" (Interview).

The goal of the reform was to set up a local NAV office in each of the 430 municipalities, with larger municipalities having more than one office. A total of 457 local NAV offices had been scheduled to open by 2010 (The Norwegian Labour and Welfare Administration, 2008). The area served by a local NAV office is similar in size to a municipal jurisdiction. As mentioned above, a relatively low density of population and a small size of municipalities, especially in the Northern counties, significantly impede provision of services and require a higher number of employees delivering them (OECD, 2007). For example Tromso municipality in Troms county has a population of 65,300 inhabitants and consists of a large urban center – Tromso with a population of 55,000, one town with 765 inhabitants and 4 small villages with 340-220 inhabitants. Vagan municipality in Nordland county has approximately 8,900 inhabitants and consists of 2 small towns: Svolvær with a population of just over four thousand, Kabelvåg with almost two thousand, and several small villages with 420-540 inhabitants (Statistics Norway[84]; Government of Norway[85]). According to representatives from the two local NAV offices in these municipalities, the furthest communities from their local NAV offices are situated within 70 km.

NAV administration planned to increase the human resource capacity of its local offices up to 11,000 front-line employees by 2009, which on average equals 24 front-line workers per NAV office. The staff to client ratio in integrated NAV offices roughly equals to 1:80 (excluding

[84]Statistics Norway from: http://www.ssb.no/english/subjects/02/01/10/beftett_en/tab-2009-06-16-01-en.html.
[85] Government of Norway from: http://www.gonorway.com/norway/counties/.

social workers and social assistance recipients) (Duell et al., 2009). In the two interviewed local offices this ratio was 1:66 (Tromso) and 1:80 (Vagan). According to the interviews, clients of these local NAV offices do not report difficulties with accessing the services.

The tasks carried out by local NAV offices include labour market, social insurance and pension policies; provision of incentives to benefit recipients to take up employment wherever possible; job search assistance; follow up and control over benefit payments; provision of advice and guidance to employers and employees to prevent sickness absence and labour market exclusion; and assistance to employers looking for workers (Duell et al., 2009; Interview).

Respondents from the two local NAV offices indicated a strong and effective relationship between their offices and local employers on labour market issues and regarding ALMP. However, one of them also noted that the role of this relationship as well as involvement of the office in local economic development has diminished after the NAV reform, as during the transition period the priority has been given to timely provision of benefits, which negatively reflects on the effectiveness of the ALMP.

4.4 Types of ALMP

Norwegian ALMP are divided into the "ordinary" measures for "ordinary unemployed" (not facing particular health problems and not eligible for a health-related benefit); and "vocational rehabilitation" aimed to reintegrate people who are at the margin or disconnected from the labour market (occupationally handicapped). The latter group receives is in the focus of the Norwegian ALMP, which is reflected in a higher number of participants in employment measures and a higher expenditures on these programs (Duell et al., 2009). Occupationally

handicapped: those who are unemployed mainly for medical reasons reducing work capacity and social assistance recipients, who are generally facing multiple problems and are more detached from the labour market (Duell et al., 2009; Dahl and Lorentzen, 2008). However, this division between ordinary and occupationally handicapped was planned for discontinuation from 2009 (Duell et al., 2009).

In 2008 there were 28,288 recipients of unemployment benefits in Norway and 82,443 people were occupationally handicapped. The number of participants in ordinary measures in 2008 was 10,676 (these measures are accessible for all types of clients) and 29, 325 individuals participated in measures for occupationally handicapped (vocationally disabled) (The Norwegian Labour and Welfare Administration, 2008). About 17% or 20,256 of social assistance clients were in education or participated in various labour market measures in 2009 (Statistics Norway[86]).

The structure of the ordinary unemployed is the following: more than one-third are immigrants from non-OECD countries, characterized by a low educational level and poor knowledge of Norwegian language. Another third consists of youth between the ages of 16-24, who also often have a low educational level. Other participants in the ordinary measures include various other marginalized groups, new labour market entrants, those receiving social assistance and older job seekers, who represent about one fifth of the ordinary unemployed. The level of employment among older workers is relatively high and workers are encouraged to work longer then retirement age. Enterprises are also encouraged to retain older workers to overcome labour market shortages. However, once an older worker has lost a job, he or she faces significant age-

[86] Statistics Norway, Social Assistance, Recipients of social assistance by labour force status and family cycle phase. 2009, from: http://www.ssb.no/english/subjects/03/04/soshjelpk_en/tab-2010-06-29-09-en.html.

related barriers for employment and needs to be discouraged from early retirement or disability pensions (Duell et al., 2009).

The vocationally disabled are persons who face a risk of permanent withdrawal from the labour market due to severe difficulties with entering or re-entering it (Westlie, 2008). While the majority of participants in this group have medical issues, there is a fairly large group without medical barriers but experiencing challenges of a social nature, for whom Vocational Rehabilitation is considered a better alternative than the ordinary ALMP. This group can includes young people, immigrants, long term social assistance recipients, persons with learning difficulties, behavioral problems and drug addictions, as well as released prisoners (Westlie, 2008; Ministry of Labour and Social Inclusion, 2008). Vocational Rehabilitation assists individuals who have become healthy enough to return to the labour market, but are unable to take up their former jobs. Vocational Rehabilitation consists of several types of programs aimed to improve general skills and learn a new profession: Labour Market Training (LMT), public education, Work Training in Ordinary enterprises (WTO), Work Training in Protected firms (WTP) and Wage subsidy, with priority given to public education and WTO (Ministry of Labour and Social Inclusion, 2008; Westlie, 2008). The choice of program type depends on the participants' needs and may include various forms of training or a wage subsidy (Westlie, 2008). Some target groups are encouraged to pursue transition to work through a combination of a part-time work, receiving benefits and participation in regular and special ALMP, such as the Qualification program for social assistance recipients or Introductory Program for Immigrants for newly arrived immigrants.

The recent labour market reform was aimed to reduce the sharp eligibility distinctions between programs for ordinary unemployed and vocationally and/or medically disabled persons

(Ministry of Labour and Social Inclusion, 2008). Ordinary ALMP are open for all target groups, including vocationally disabled. However, the duration of these programs for vocationally disabled is longer (Duell et al., 2009).

Within the Norwegian ALMP, training is the main scheme and accounted for about 50% of the total ALMP expenditures in 2009 and the largest numbers of participants (see Table 19).

Table 19 Number of Participants and Expenditure by the type of Active Labour Market Programs in Norway, 2009

Program type	Participants, number of persons	Expenditure, millions of NOK
Training	25,190	5,330.45
Wage subsidies		
Employment incentives (wage subsidies and subsidies to facilitate continuing employment in situation of restructuring or similar)	4,814	639.24
Supported employment (wage subsidy) and rehabilitation (vocational rehabilitation or training)	14,279	4,105.99
Direct Job Creation	10,264	976.86
Start-up incentives	266	41.56

Source: OECD. StatsExtracts, Theme: Labour, Table: "Public expenditure and participant stocks on LMP: Participants stocks on LMP by main categories (% labour force) (2009)" and "Public expenditure and participant stocks on LMP: Public expenditure of LMP by main categories (% GDP) (2009)".

The majority of these allocated funds are spent on the vocationally disabled. The second-largest category, representing about 40% of ALMP spending, is supported employment, which

includes wage subsidies and vocational rehabilitation for persons with reduced working capacity. The third is Direct Job Creation (9%), which is fully devoted to the vocationally disabled (Duell et al., 2009). Employment incentives, which include wage subsidies for the unemployed and subsidies to facilitate continuing employment in situation of restructuring or similar, constitute about 6% of the total ALMP spending. Finally, self-employment incentives represent the smallest ALMP expenditure category and are accounted for 0.4% (see Table 19). Although Direct Job Creation measures are accounted for a larger number of both participants and expenditures, than the wage subsidies for unemployed (employment incentives), in Norway these measures are targeted to vocationally disable.

In terms of the participants' categories, the priority is given to the vocationally disabled. Such a focus of the Norwegian ALMP on the vocationally disabled is explained by their significant representation among the working age population. Growing exclusion from the labour force due to the health-related problems constitutes one of the main labour market challenges in Norway (Duell et al., 2009; Ministry of Labour and Social Inclusion, 2008). The number of slots available for active labour market programs in Norway is tied to the business cycle: when the economy is slowing down, the number of slots increases (Rønsen & Skarðhamar, 2009).

4.5 Job-brokering

Norway's active job-brokering strategy includes integrated services, such as job placement, job counseling, benefits and active programs, which help to increase employment opportunities even for the most disadvantaged (see Table 20). Provision of employment services on the local level gains from a strong knowledge of the local labour market, awareness of the employers' and job seekers' needs, local service delivery infrastructure, collaboration with local

education and training facilities and the presence of a social network (Duell et al., 2009).

From the moment of registration with a local NAV office as a job seeker, unemployed clients are required to report their job search activities every two weeks (Duell et al., 2009). An exception is made for seasonally unemployed fisher people, who would normally resume work as the season starts and are not required to search for another job (Interview). The initial contact with NAV officers for job search assistance or for benefit claims starts with an individual interview assessment and building of an "individual service declaration" (personal action plan). This interview takes place within the first three weeks after the registration with a NAV office, which is required for all benefits recipients. The declaration or individual action plan has a strong focus on the job search and outlines an individual's related activities until the next scheduled interview, usually within three months. During the first three months following registration with the NAV office, unemployed clients are engaged in active job search on their own. NAV officers provide them with assistance in the form of vocational guidance and employment counseling, and closely monitor their clients to ensure they are actively seeking a job. The client's second interview is also focused on employment, including opportunities in the labour market, encouragement of occupational and geographical mobility, and, if necessary, participation in employment measures (Duell et al., 2009).

Table 20 Job-Brokering Services Offered by NAV

Services offered to job seekers	Services offered to employers
Standardized profiling assessment system	Résume or CV data bank on the internet
Matching system for offer and demand	Information
Computerized vacancy bank	Human resources consulting
Vacancy bank can freely be consulted on internet	
Self-service information	
Personalized job search assistance	

Source: WAPES, 2006; 2008.

In terms of active job-search assistance, local NAV offices provide information, advice and close individual follow-up. Job matching activities between employers and unemployed are mostly organized through the NAV electronic database, which is one of the most comprehensive in Norway. This website has easy access for both employers and job seekers. Access to vacancy notifications and information about individuals registered as unemployed via the internet is gaining popularity among employers. In 2008 4.4 million vacancy advertisement downloads were made from the NAV system and 1.2 million CVs were opened by employers (The Norwegian Labour and Welfare Administration, 2008). The proportion of employers using this service rose from 48% in 2005 to 67% in 2007, while the proportion of unemployed using the service rose from 68% in 2006 to 71%. NAV staff members regularly update the website with vacancies from newspapers and other sources. There were 358,136 vacancies in total advertised in 2008, which is about 29,845 per month (The Norwegian Labour and Welfare Administration, 2008). The NAV electronic database can be accessed through the self-service terminals at the

local NAV offices as well as online. Similar databases are also organized in other countries, such as Denmark, France and Germany. Before 1993, such information was displayed on vacancy boards in the lobby of local PES offices. Vacancy boards are still in use in some counties, as some clients, particularly more disadvantaged, with limited internet access or that are less familiar with it find them more convenient (Duell et al., 2009).

The job matching process is mostly done automatically through the information exchange between the NAV website and the casework management system. Suitable job offers are automatically emailed to clients and employers receive preliminary information about the candidates. NAV officers may follow up the results of the referral by contacting the employer, or job seeker, or both. Local NAV officers tend to follow up regularly with those candidates whose skills are in a high demand, often through phone calls. The automatic matching works well for those that are easy to employ, however, giving NAV officers more time to work closer with more disadvantaged clients (Duell et al., 2009).

Local NAV offices offer free vocational guidance. The importance of the vocational guidance is growing due to a growing diversity of employment and educational options. This service includes information, guidance and counseling, as well as a range of self-help tools, such as an interest inventory; a career choice program, which offers self-assessments of skills and an occupational matching facility; and a career learning program (Duell et al., 2009; OECD, 2002a). Some of these self-serve tools, including Interest Test; the career selection tool: *Vievalg;* and a guidance tool for the people with higher education: *Akademia*, are available on-line (OECD, 2002a).

In addition to vocational counseling offered by the local NAV offices, pupils attending primary and secondary education are entitled to educational and career counseling. Collaboration

between teachers, pupils, parents, local authorities and industry has become increasingly important for informing vocational and educational guidance (European Centre of the Development of Vocational Training, 2009; OECD, 2002a). Partnership with businesses allows for interesting and innovative projects, stimulating interest and motivation among the students (European Centre of the Development of Vocational Training, 2009). Compulsory education in Norway is ten years – from age 6 to 16. However, everyone from age 16 to 19 has a statutory right to upper secondary education. This is a three year program, which combines general theoretical education and vocational training offered side by side. The upper secondary education leads either to a higher education, or to vocational qualification (Study in Norway[87]). Secondary vocational education/training is oriented on obtaining an employment upon completion, while general studies – on theoretical knowledge and leads to university admission (Public Sector in Norway[88]).

A special Youth Guarantee program has been in place since 1985 for young people between age 16 and 19 who are neither in school nor in regular work. This program aims to engage youth in work, education or training. In order to improve education and training opportunities for youth the Norwegian government substantially increased the capacity for upper secondary education and encouraged firms to take in more apprentices (Hummeluhr, 1997). Under the Youth Guarantee youth are offered participation in youth ALMP, such as vocational youth programs (through upper secondary education) and employment programs, which offer employment in the public sector or wage subsidies in the private sector. In 2007 up to 50% of youth registered with the PES participated in ALMP (OECD, 2008). In 2007 another program –

[87] Study in Norway, accessed on June 17, 2011 at: http://www.studyinnorway.no/Education-system/Norwegian-higher-education-system/Primary-secondary-and-upper-secondary-school.

[88] Public Sector in Norway, Upper secondary education section, accessed on June 17, 2011 at: http://www.vilbli.no/4daction/WA_Artikkel?ASP=35790564&Ran=15266&Niva=V&Return=WA_kurstilbud&Lan=3&TP=18-06-11&Bok=011424&Artikkel=012467.

Follow-up Guarantee – was introduced to strengthen assistance and guidance for youth job seekers. The age of participants was also extended to include youth from 20 to 24 years old. This program requires local NAV offices to contact for an interview all youth who have not been working for at least three months. These interviews are focused on the active job-search and interviewed persons will be followed up to offer, if necessary, participation in Job Clubs or ALMP. Following up requires co-operation between various agencies, including county offices, NAV and educational authorities (Duell et al., 2009).

Job Clubs are considered to be a powerful tool for strengthening job search success. These Clubs help participants to build self-confidence and obtain sufficient knowledge and practical experience (OECD, 2002b). Job Clubs offer counseling and qualification assessment, training in interview techniques and computer-aided job search. Staff help job seekers to learn how to write CVs and job applications, how to use personal networks and contact employers. Most Job Clubs are run by external (not NAV) providers, target clients from 19 years old and over, and require a minimum of secondary school education level (Duell et al., 2009).

Both the literature (Duell et al., 2009; WorldBank, 2003) and interviews with local NAV representatives suggest that to ensure the effectiveness of the job matching and placement efforts, services offered by NAV offices should be backed up with effective sanctions. If initial transition to employment fails, usually after a three-month period of self-activation measures, or in cases when clients were initially determined to be in need of assistance, then the next step is participation in other ALMP, such as training or wage subsidies. These measures are selected individually, with the priority among "ordinary unemployed" given to immigrants, young people and the long-term unemployed (Duell et al., 2009).

4.6 Training

Education and vocational training are the central component of the Norwegian social, economic, employment and regional policy goals. All education and training in public domains are free. Moreover the quality and broad range of choices should be available irrespective of geographical location or social factors (Norwegian Directorate for Education and Training, 2008). Provision of education Training programs in Norway consists of classroom training and workplace-related training. Classroom training is comprised of education in regular schools (*i.e*. participation in courses alongside regular participants) and Labour Market Training (LMT or AMO in Norwegian) (Duell et al., 2009; Westlie, 2008). The difference between regular training/education and LMT is in the variety of choices. Education in regular schools includes all forms of public or private education, while LMT consists of courses offered by local NAV offices. Education in regular schools is limited to three years and in LMT – from three to ten months (Duell et al., 2009; Westlie, 2008). Education in regular schools is the largest training scheme in Norway as it primarily used to re-train vocationally disabled persons, who represent the largest category. Both education at regular schools and LMT can be accessed by ordinary unemployed and vocationally disabled, but for the majority of the latter group LMT is less suitable. In some cases employees with unstable employment who require training can also participate in LMT.

Participation in training is voluntarily, however, in cases when unemployed refuse the offer to participate in training, unemployment benefit sanctions can be applied. Program participants normally receive a training allowance, or can substitute it for the more generous unemployment insurance, if entitled (Raaum & Torp, 2002). In terms of costs, education in regular schools is relatively inexpensive compared to other employment schemes because most

of the training is organized through the public educational institutions (schools), which do not imply extra costs to NAV offices.

Workplace-related training is normally offered to youth and immigrants, i.e. those having trouble entering the labour market. It is designed to provide them with basic job qualifications through in-work experience. Workplace-related training includes Work Training in Ordinary firms (WTO), Job Rotation and other schemes (Duel et al., 2009; Westlie, 2008). Workplace training is also used for clients with learning difficulties. Participation in this form of training combined with gained work experience increases participants' chances to find employment or start an education (Duell et al., 2009). Ordinary firms participating in WTO have to receive an approval from a local NAV office in advance and then accept participants that are directed to them by the NAV caseworker. Participation of vocationally disabled individuals in this program is limited to a maximum of three years (Westlie, 2008).

Job Rotation scheme provides unemployed workers with an opportunity to receive workplace training, while the actual employees upgrade their skills. Thus, employees are temporarily substituted, or "rotated", with unemployed workers while on training. Employees can get up to one year of educational, child-care or sabbatical leave, which allows unemployed persons to develop skills and gain work experience while existing employees are given an opportunity to improve their qualifications and knowledge. The actual employees receive unemployment insurance benefits while on the leave (Schömann et al., 1998).

Workplace-related training accounted for approximately 15% of all training spaces in 2009 (Duell et al., 2009). In 2005 60% of Norwegian firms had unemployed participating in workplace-related training, 33% offered job-rotation scheme placements, 32% had learning or quality circles, 18% had employees participating in self-directed learning, and 37% used

participation at conferences, etc. as part of the continuing vocational training offered to their employees. However, enterprises with less than 50 employees are less likely to make use of such activities (Statistics Norway, 2005).

Work Training in Protected firms (WTP) is also a workplace-related training program where participants work in specially established firms under close supervision. These firms are specifically designed for individuals with extraordinary needs and provide a combination of on-the-job training, education and improvement of social interaction ability. Participation in this program is limited to two years (Westlie, 2008).

Evidence from Norway and other countries demonstrates that vocational training combined with workplace-related training produces better labour market outcomes, especially for integrating disadvantaged groups into the labour market, compared to purely school-based training (Duell et al., 2009; Kuczera et al., 2008). Evaluation of Vocational Rehabilitation demonstrates that the least employable participants benefit the most from participation, although, they are the least likely to be enrolled in it (Westlie, 2008).

Additionally, in order to address shortage of skilled labour and retain graduated students and skilled workers in rural remote counties in Northern Norway, the counties utilize incentives in the form of a yearly deduction of their study loan for each year these graduates work in these counties (Mønnesland, 2001). Newly arrived immigrants are encouraged to participate in the Introductory program, with an associated introductory program benefit. This program provides language training and assistance with integration into the society (Duell et al., 2009).

4.7 Wage subsidies

Wage subsidies are used to assist job seekers facing a high risk of becoming unemployed in the long-term to obtain employment (OECD, 2004). Wage subsidies are offered to employers to compensate for the real or possible productivity gap experienced with these workers who lack work experience, have skills deficits, a specific physical or mental handicap, or other reasons which are normally expected to be overcome with the help of a subsidy. Wage subsidies are offered for no longer than 12 months for an ordinary job seeker and 36 months for vocationally disabled participants (OECD, 2008). In contrast to training programs, a relatively larger part of spending (45%) on wage subsidies is paid out for the ordinary unemployed than for the vocationally disabled. The subsidy rate can vary depending on the specific situation of participant but can be up to 50% for the ordinary unemployed (Duell et al., 2009).

According to evaluation results, in Norway 54% of participants in wage subsidies were still employed a year and a half after their subsidy was over (OECD, 2004). Wage subsidies are generally more effective if they are used for disadvantaged groups of unemployed, such as non-OECD immigrants, youth and women re-entering the labour market (Cook, 2008c). Norwegian studies on the effectiveness of wage subsidies show better employment outcomes than training programs, since participants in training measures have more incentives to stay in the program and increase their human capital rather than look for employment (lock-in effect). However, wage subsidies should be delivered with consideration of high possibility of deadweight and displacement effects (Duell et al., 2009).

Wage subsidies offered for vocationally disabled can be temporary or permanent. Temporary subsidies are provided for ordinary enterprises and can reach 60% of the regular wage. In contrast to the Work Training in Ordinary programs enterprises (WTO), employers

participating in a subsidy program can choose among the proposed participants. The employer pays a portion of the wage, which indicates that participants in the wage subsidy are expected to be more productive than in WTO (Westlie, 2008). Participants are supervised and followed up by NAV officers (Ministry of Labour and Social Inclusion, 2008). Subsidies can be granted for up to two years and it is expected that the enterprise will retain the participant after the temporary subsidy is over. The share of participants in this scheme is relatively low, although it has been shown to increase employment probability by 30% (Westlie, 2008).

Another form of wage subsidy aimed to stimulate recruitment and retention of older workers was introduced in Norway in 2002 – reduction of employer's contribution. This form allows employers to reduce their social contributions by four percent for all their employees who are 62 years and older (OECD, 2004).

Permanent wage subsidies have been introduced as a pilot project and offer compensation for permanently reduced work capacity. It is suggested that the decision to refer a participant to this measure should be thoroughly considered to control the entry of participants with reduced work capacity. This scheme is quite similar to sheltered employment, however, it offers a wider choice of tasks participants can find themselves productive in (Duell et al., 2009).

Sheltered employment is another form of wage subsidy for vocationally disabled. Sheltered employment in Norway was one of the most developed in Europe in 1997 and about five percent of the Norwegian labour force worked in it (Martin and Ass., 2001). This scheme is targeted to clients with uncertain vocational qualifications and provides tight supervision in specifically designed companies (Ministry of Labour and Social Inclusion, 2008). There are about 100 Labour Market Enterprises and 300 work cooperatives in Norway that offer sheltered employment. Sheltered employment includes several different programs varying in duration

from 12 weeks to two years. Participants either receive special benefits or are temporarily employed and receive wages (Duell et al., 2009).

Supported employment is also provided in sheltered workshops. Such workshops offer intensive guidance to people with severe disabilities to assist them to integrate into the regular labour market. The number of participants in this measure has increased fivefold between 1998 and 2006 due to the growing number of people with disabilities. Assistance to these participants includes clarification of their competence, finding a suitable workplace and adaptation to it. Supported employment can also be combined with work practice in ordinary enterprises, but not with training. The maximum duration of this measure is three years (Duell et al., 2009).

In Norway and similarly in many other OECD countries direct job creation type of wage subsidy programs started downsizing in the 1990s as unemployment rates decreased and are now only used for vocationally disabled (Duell et al., 2009). No further information on this program specifically for Norway was found in the literature or provided in interviews with NAV officers.

4.8 Social assistance and activation measures

Since 2002 Norway has focused on the activation of long-term social assistance recipients as a main target group and released the Action Plan to Combat Poverty to increase their work activity, earnings and self-sufficiency (Dahl & Lorentzen, 2005). The Plan consists of a wide range of rehabilitation and activation measures targeted at people who have social assistance as their main source of income. The main objective of the Action Plan is to help clients reach economic independence, but the short-term goal is to help them find a regular job (Rønsen & Skarðhamar, 2009). One of the main innovations that this Plan brought was a close cooperation of the National Employment Services (state level) and the Social Welfare System

(municipal level). Extra money was allocated to ensure social assistance recipients are not participating in ALMP at the expense of other unemployed clients. At the beginning, in 2003, 1,250 program slots for long-term social assistance clients were created in 31 municipalities. By 2007 this number reached 3,900 slots (Rønsen & Skarðhamar, 2009).

Benefit requirements for the social assistance recipients are less strict than for unemployed, however, recipients normally have to report their job search activity when their case worker decides that it is relevant. Application of sanctions to social assistance recipients is the source of much debate in Norway, as Norway has a strong commitment to eliminate poverty. Instead of eliminating benefits participation in activation measures is stimulated by financial incentives in the form of a higher benefits offered to the participants in ALMP. Municipalities also encourage employment take up with financial incentives by allowing a combination of benefits receipt with part-time work or participation in ALMP. On average, one in every five social assistance recipients in Norway is employed or enrolled in an employment measure (Duell et al., 2009).

Social assistance recipients can participate in the vocational rehabilitation scheme and thus be entitled to the vocational rehabilitation benefit. Another program specially designed for long-term recipients of social assistance is the Qualification program (Duell et al., 2009). This program was introduced in 2007 and became the main government initiative against poverty. The Qualification program aims to keep social assistance recipients more active and engaged in employment and other related activities. It offers motivation courses, training and wage subsidies, which increase participants' human capital, work capabilities and make them more attractive for employers (Rønsen & Skarðhamar, 2009).

Implementation of the Qualification program varies across the municipalities. Some contact every eligible person, some focus on those most in need, and some give priority to the most employable. It starts with a meeting of a prospective participant with representatives from social welfare services and employment services. Once enrolled in the program, the participant is closely followed up by both services (Rønsen & Skarðhamar, 2009). The Qualification program is offered in the form of a full-time, work-related activity, adapted to the individual's needs and ability (OECD, 2008). In 2008 almost 5,300 people applied to participate in this program (The Norwegian Labour and Welfare Administration, 2008).

Another benefit was specially designed for lone mothers, whose welfare dependency rate was considered to be too high. This benefit was introduced in 1998. Lone mothers with children over 3 years old are required to work part-time, enroll in education or an employment program, or actively search for a job in order to be eligible for it. The maximum duration this benefit can be granted for is until the youngest child reaches eight years old (Duell et al., 2009).

According to Dahl and Lorentzen (2005), long-term unemployed individuals need both basic skills and job-placement assistance. This category is one of the most disadvantaged in the labour market and, thus, usually requires more extended and more expensive, programs packages. Results of another Norwegian study suggests that participation in ALMP increases employment chances of long-term social assistance recipients by nearly 40%, and significantly reduces the time they spend in job-search: from 20 to 11 months (Rønsen & Skarðhamar, 2009). The most important factors influencing the success of ALMP are believed to be a prior work history and duration of the social assistance. A longer employment history increases probability of employment, while longer benefit dependency decreases it (Rønsen & Skarðhamar, 2009).

4.9 Unemployment insurance restrictions and sanctions

Norway follows an activity-oriented regime of unemployment insurance (UI), which includes strict conditions for UI entitlement, benefit duration limitation, required participation in ALMP and high probability of sanctions. Many scholars (Duell et al, 2009; Dahl & Lorentzen, 2008; Røed et al., 2007) stress the positive effect of these measures on shortening of the unemployment duration and speeding up the job search process. In Norway the UI benefit plays a dual role: it provides compensation for lost income and serves as a labour market instrument facilitating a job search (Duell et al, 2009).

UI benefit is calculated on the basis of income earned in the previous full calendar year or of the average earnings in the last three years. The amount of these earnings has to be no less than USD$ 8,000 in order to qualify for the benefit. UI benefit is calculated as 62.4% of previous earnings (Roed & Westlie, 2007; NAV[89]). The normal duration of UI benefit is 140 weeks. However, individuals whose previous earned annual income is less than two basic amounts in the National Insurance Scheme[90] will be entitled to only 52 weeks (Widding, 2008).

In order to be eligible for UI, an individual must be capable of work and register with the local NAV office. Once registered with local NAV office, UI benefit recipients are required to actively search for a job. They conduct independent job search and receive referrals from the NAV office. Availability to work requires taking a job offer on short notice, accepting part-time, full-time or shift work (Duell et al., 2009; Widding, 2008). According to the National Insurance Act, the recipients of unemployment insurance have "to be willing to take any employment…anywhere" (Duell et al., 2009, p.70; OECD, 2008; Widding, 2008). Although

[89] Norwegian Labour and Welfare Administration (NAV), Social Security section, accessed on June 18, 2011 at: http://www.nav.no/English/Social+security/Unemployment+benefit+for+EEA+citizens.102098.cms.
[90] The basic amount of the Norwegian National insurance Scheme is 7,400 Euros (Widding, 2008). Thus two basic amounts equal to 14,800 Euros.

NAV staff attempt to find "suitable" employment if possible, the means of suitability can change as unemployment duration increases (Duell et al., 2009). Even jobs unrelated to the qualification level, occupation and previous wage category have to be accepted (Grubb, 2000). Such requirements mainly serve as a motivation for a job seeker to actively search for a job that he or she will be interested in. Both Norwegian interviewees pointed out that personal motivation is important for a successful search for sustainable employment; however, without the threat of sanctions it would be more difficult to engage people. UI recipients also have to accept participation in ALMP if required by their local NAV office (Duell et al., 2009).

Regional mobility is a requirement for UI beneficiaries. If a suitable job cannot be found locally, recipients can be required to accept jobs in other locations (Duell et al., 2009; Widding, 2008). Relocation can be required even if it involves relocation of the spouse and looking for new employment for him/her. There are some exceptions, however, permitted by the National Insurance Act. They include those with health related factors and responsibility for caring for small children or other persons in the immediate family. Regional mobility criteria have been an important part of the ALMP in Norway since 1960, but later became unpopular not only among unemployed but also local politicians in rural areas, who argued that geographical mobility draws out a region's most employable individuals (Grubb, 2000). Its practical implementation varies geographically and more likely to be forced when an obvious labour shortage occurs in particular regions (Duell et al., 2009).

UI sanctions are an important instrument in an activation strategy (Duell et al., 2009; Interviews). They are applied to penalize UI recipients for quitting work without acceptable reasons or losing their jobs for reasons individuals are responsible for; for providing incorrect or insufficient information while receiving benefits; or when UI recipients are not willing to accept

a job offer or to participate in ALMP. Sanctions are usually imposed at the discretion of a case worker (Duell et al., 2009; Widding, 2008; Røed & Westlie, 2007). The use of the UI benefit sanctions varies geographically, but is nevertheless applied frequently. Such a wide scale application partly explains why Norway has one of the lowest ratios of unemployment benefit recipients among OECD countries. For example in 2008 there were 50,076 unemployed in Norway, however, only 28,288 of them received unemployment benefits (The Norwegian Labour and Welfare Administration, 2008).

Both respondents from the Norwegian local NAV offices stressed the importance of the presence of UI sanctions for activation of the unemployed. More people would refuse ALMP or job offers if there were no sanctions. One respondent explained that their local office applies approximately 15-25 sanctions on average per year from a total of about 129 registered unemployed. Overall in Norway, approximately half of the sanctions are applied for voluntary quits and another 20% for behavioral incompliance during the benefit period, i.e. not actively performing the job search, refusing training, etc. (Duell et al., 2009).

It has been found that application of UI sanctions stimulates the exit rates from unemployment (i.e. increases employment take up) by 80%, increases the probability of enrolling in ALMP measures by 22% and in education by 200% (Duell et al., 2009; Røed & Westlie, 2007). However, it is important to remember that pressure from the strict benefit sanctions, including requirement for ALMP participation, can lead to the displacement effect thus stimulating an outflow of UI recipients into other types of benefits such as rehabilitation, disability, or social assistance (Duell et al., 2009; Røed & Westlie, 2007; OECD, 2008).

4.10 Summary

The overall wealth of the country, strong economic and productivity growth in Norway has resulted in a strong performance of the Norwegian labour market, with labour market indicators, such as unemployment, labour force participation and employment rates that are among the strongest in OECD. Although the unemployment rate in Norway is very low and seasonal unemployment is not significant, the country's labour market is now challenged with a growing labour shortage caused by a significant proportion of people excluded from the labour force, mainly on a health-related basis and further exacerbated by aging population.

Labour market performance in Norway is relatively homogenous across the country, even in the Northern counties, which is largely due to the strong regional policy and extensive use of ALMP. Norway has a relatively low density of population compared to other European countries, however, maintaining the rural population is a priority for Norwegian regional policy. Particularly, Norwegian regional policy aims to ensure provision of the same quality of public services, including employment services, infrastructure development, and support to businesses and municipalities, to residents of rural remote communities as those that are enjoyed by urban residents.

ALMP play an active role in regulation of labour markets in Norway. This approach is based on the historically developed "mutual obligations" concept and is supported by significant allocation of decision-making power to local employment (NAV) offices, their adequate staff capacity, and strict benefits sanctions. The allocated resources enables local NAV offices to engage registered unemployed into job search activities and employment programs, ensures quality of provision of employment services; allows for intensive individual follow up services for job seekers; and enforces a mandatory system of registration for the benefits recipients. The

"one-stop" integrated system recently implemented in Norway allows for a more effective integration of those excluded from the labour market.

The proactive approach to ALMP employed by Norway, allows for timely interventions, effective planning and targeting of employment programs, which thus allows to avoid, or reduce the negative effects associated with ALMP such as lock-in and deadweight, and to prevent deterioration of employability. It also serves well for information exchange between job seekers and employers, reduces time and resources required to connect one with another. The overall distribution of the resources and participants between the tree ALMP pillars is relatively balanced.

The current priority of labour market policy in Norway is to address the growing labour shortage and reduce the number of people excluded from the labour force. The value of "active society", traditional in Norwegian society, as well as a geographically uniform system of Unemployment Insurance and an absence of incentives to passively stay on unemployment benefits also contribute to the absence of sharp contrasts in the country's labour market landscape while strong regional policy helps to minimize associated mobility from rural regions.

Chapter 5

Comparison and Conclusions

Chapters 3 and 4 have presented overviews of labour market and economic performance, goals of labour market policies, compositions of labour market policies portfolios, decision-making and implementation systems for ALMP as well as local factors supporting success of these policies in the two case study areas: Newfoundland and Labrador and Norway. As suggested in the reviewed in chapter 1 – Literature Review, such a complex assessment is required when policy transferring is explored. This chapter presents a comparative analysis of the collected data in order to provide a basis for considering whether or not the Norwegian approach to ALMP can contribute to addressing labour market challenges in Newfoundland and Labrador.

5.1 Labour markets and economic performance

Both Newfoundland and Labrador and Norway are largely rural areas with low density of population. Although this density is lower in Newfoundland and Labrador, both case studies are facing challenges with provision of employment services for a population dispersed over large areas and creating employment opportunities in rural areas remote from urban centers. Historical development of rural settlement patterns in both case studies was largely influenced by the fishery. However, further development of this industry took different paths, making the current state of the Norwegian fishery less seasonal and more self-sustainable and with a significant share of aquaculture compared to Newfoundland and Labrador.

Overall the labour market performance in Norway is stronger than in Newfoundland and Labrador. The labour force participation rate in Norway is much higher than in Newfoundland

and Labrador and the unemployment rate is much lower. Seasonal unemployment is not considered as a problem in Norway, while it is still significant in rural Newfoundland and Labrador. However, as pointed out in the previous chapters, the labour market situation largely depends on the level of economic development, which varies significantly in the two case study areas. Norway not only has a higher GDP per capita, but the compositions of the GDP in the two jurisdictions are quite different. In Norway, the service sector is the largest contributor to the country's GDP, while in Newfoundland and Labrador it is the goods-production sector. However, in both case studies, oil extraction and related activities are the main contributors to the GDP. Contribution of the fishery industries to GDP is also very close.

At the same time, the distribution of employment by economic sector is also comparable. Service sectors in the both cases account for the largest proportion of total employment. However, in Norway employment in the service sector is dominated by public administration, particularly local government administration. The high share of employment in public administration in Norway is to a large extent explained by the Norwegian government's efforts made to maintain a range of quality services throughout the country, including municipalities with low density of population. Such a high share of employment in public administration is largely funded by oil's revenues. In Newfoundland and Labrador the largest sectors within the service industry are health care and social assistance and retail. The share of employment in public administration is much lower and recently had a seven-year period of a decline.

The overall levels of employment growth in the past three decades in these jurisdictions are comparable and, in fact, even higher in Newfoundland and Labrador. However, employment growth in Newfoundland and Labrador has primarily occurred in the urban centers, creating large geographical disparities in the unemployment and labour force participation rates between

rural and urban areas and, thus, stimulating outmigration of the rural population to urban centers. This outmigration primarily affects younger and better educated/skilled workers, leaving older job seekers with lower employability in rural areas where employment opportunities are generally fewer, seasonal and lower-paid.

Financial attractiveness of the low-paid jobs is another factor affecting employment performances of the labour markets in Newfoundland and Labrador and in Norway. In Newfoundland and Labrador, competition for workers with EI system is a significant issue for small and medium size businesses. Voluntary approach to participation in ALMP, poor control over the job search activity of the unemployed and insufficient benefit sanctions are all contribute to this competition. In Canada in general, and in Newfoundland and Labrador particularly, wages offered for the low-paid jobs do not provide sufficient financial incentives for unemployed or welfare beneficiaries to re-enter the workplace. Furthermore, geographical variation in the qualification requirements of the Canadian EI system, which makes access to EI easier for residents of the areas with higher unemployment rates, exacerbates disincentives to work in rural areas of the province.

In Norway, geographical variation of the labour market indicators is much less pronounced, even in the Northern counties where population density is low and some seasonal unemployment exists. Eligibility requirements for unemployment insurance are unified across the country and low-paid jobs provide sufficient level of incentives for the unemployed and welfare beneficiaries to accept these jobs. Strict control over the job search activities and presence of unemployment insurance benefits sanctions are important factors determining attractiveness of the low-paid jobs. The overall wealth of its economy and a strong focus of the

Norwegian regional development policy to maintain population in the rural settlements create better labour market conditions in these areas.

The level of education is another important factor affecting adjustment of labour market to labour demand. Education level is significantly lower in Newfoundland and Labrador compared to Norway: only 56.5% of its population has completed high school or had a higher level of education in 2006, while in Norway this number was 88%. Moreover, the level of education in Newfoundland and Labrador is much lower in rural areas, which creates a challenge for filling the growing demand in the province for skilled labour. In Norway the rural-urban disparity in the level of education is not significant.

Despite these differences, the main labour market challenges of these two jurisdictions have a lot in common – coexistence of a significant share of the working age population that is not employed and growing labour demand. In the case of Norway this problem is mainly attributed to the growing labour force exclusion, while in Newfoundland and Labrador it is due to the persistently high percentage of unemployed coupled with the loss of certain segments of the labour market due to ageing and outmigration, although labour force exclusion is an issue here as well.

Similarities in local labour market challenges were also found at the case study region level within both Newfoundland and Labrador and Norway. They include large geographical area of the regions, outmigration and aging of population (except for Tromso), which creates difficulties with addressing local demand for skilled labour, and a large proportion of low educated people among unemployed.

5.2 ALMP effectiveness in addressing labour market policy goals

Both Norway and Newfoundland and Labrador are implementing ALMP. The main objective of Norwegian ALMP is employment, while in Newfoundland and Labrador ALMP have a long-term human development focus. Norwegian ALMP employs the concept of mutual obligations, which is embedded in the philosophy of the activation or welfare-to-work approach. Based on this concept, provision of benefits and quality employment services and programs are offered in the exchange for the clients' commitment to active job search and/or participation in ALMP. In Newfoundland and Labrador ALMP are not conditional on job search activities. Participation in ALMP in the province is voluntary and benefit sanctions are only applied for EI recipients not attending training programs they agreed to participate in. Although in general the federal government applies benefit sanctions for failure to undertake job search activities, monitoring and control of these requirements does not appear to be tight (based on the interviews).

Norwegian ALMP are composed of all the three main pillars discussed in the Literature Review chapter: job matching, training and wage subsidies, while job matching is nearly missed in Newfoundland and Labrador. The absence of this relatively inexpensive ALMP component in the Newfoundland and Labrador portfolio reflects a lack of coordination in the regulation of the provincial labour market. While the province is responsible for design and implementation of ALMP, the control over design and administration of the passive component (EI) belongs to the federal government. Thus, providers of ALMP in the province have no authority to control job search activity of the unemployed or require them to perform and report on their job search activities. In this situation providers of employment services cannot refer their clients to vacancies, or allow employers to search for resumes in a client database. Providers can only

recommend suitable vacancies to their clients and have no authority to demand reporting back on the results of their recommendation. This implies no obligations on the job seekers to contact employers. Such a situation inevitably impedes information exchange between employers and job seekers, increases the time and cost of filling vacancies for employers and does not contribute to the effective addressing of the labour shortage issue.

In Norway active individual job search and job matching successfully work towards reducing unemployment and addressing the needs of employers. They are the starting point for ordinary job seekers. Local NAV offices not only assist clients in preparation for the job search but also directly refer them to suitable vacancies. The success of the active individual job search and job matching in Norway is supported by a historically developed moral obligation to work, strict benefit sanctions and adequate capacity of the employment providers. Additionally, the electronic vacancy database, automatically connecting job seekers and vacancies, allows for savings in the time and effort of employment officers, which increases the time available for clients requiring more attention. This database serves the needs of job seekers, but also provides employers access to resumes of all registered unemployed.

Addressing the employment needs of the local employers is a crucial point for the effectiveness of ALMP, as according to the Literature Review chapter findings, the effectiveness of ALMP is based on the existence of a local demand for labour. Thus, not only it is important to address the existing labour demand, but also to stimulate creation of new jobs through the satisfaction of this demand, as the lack of human resources is cited as the main business challenge for SMEs in the province of Newfoundland and Labrador (Vodden et al., 2011; Lysenko & Vodden, 2011). This and other studies (Lysenko & Vodden, 2011; Dawkins, 2009) pointed to a gap in the awareness of SME employers about the available ALMP. This study also

found variations in the level of communication and collaboration between the providers and employers in the province. Particularly, Career and Work Centers (present in 13 locations in the province) have a staff position with the responsibility to work with local employers to address their labour market needs. A growing number of these Centers is a positive trend in addressing of the labour demand of local employers and job matching overall. At the same time, EAS offices working with the most employable job seekers do not have such position.

Training and wage subsidy components are employed in both case studies, although their programs are designed slightly different. The biggest difference was found in the targeting of the Job Creation program. In Norway this program is primarily used for more disadvantaged vocationally disabled clients, while in Newfoundland and Labrador it is reserved for EI eligible clients. International experience demonstrates a very low positive impact of job creation programs on participants' employability and recommends reserving them for the most disadvantaged participants as these programs help to prevent their social exclusion and discouragement. Interviews conducted during this study, also suggest that selection of EI recipients for participation in the Job Creation Partnership program is not necessary complies with the program's goal of increasing participants' employability, but rather the needs of employer are prioritized.

As noted in the Literature Review chapter, distribution of the resources among the ALMP components is an important factor affecting their outcomes. The literature suggests avoiding excessive focus on only one of the components. Although training represents the main component of ALMP in both Newfoundland and Labrador and Norway, in Newfoundland and Labrador expenditures on training programs constitute 68% of the total ALMP expenditures, while in Norway only 50% (see Table 21). Thus in Norway resources are more evenly

distributed among ALMP components. In Newfoundland and Labrador, the focus is placed on training at the expense of the wage subsidies. While this may be intended to help address the low levels of education in the province, this finding confronts the theoretical recommendations outlined in the Literature Review chapter and the warning that excessive focus on human development may result in an increase in ALMP costs and a decrease in the job search activities of unemployed (lock-in effect).

Table 21 Expenditures on Selected ALMP Programs, (% of total ALMP expenditures)

	Training	Job Creation Programs	Other wage subsidies	Self-employment
Norway	50%	11%	28%	0.4%
NL (EI eligible)	68%	12.5%	4.3%	1.6%

Source: Duell et al., 2009; OECD. StatsExtracts, Theme: Labour, Table: "Public expenditure on LMP by main categories (2009)"; Service Canada, 2009.

The proportion of expenditures on wage subsidy programs in total ALMP spending in Newfoundland and Labrador is significantly lower when compared to Norway (see Table 21) and to the European Union and other OECD countries, as discussed in the Literature Review chapter. However, findings from the focus groups and interviews with businesses (in Newfoundland and Labrador) revealed not only effectiveness of the wage subsidy programs in obtaining permanent jobs, but also their high importance for employers, especially in the early stages of business establishment (see Table 22). The reviewed literature suggests that these programs are particularly effective for the long-term unemployed and other disadvantaged individuals (Heckman et al., 1999). As discussed in the Literature Review chapter, some studies

consider wage subsidies to the private sector as more effective than public training or job creation programs.

Table 22 ALMP in Newfoundland and Labrador: The View from Local Employers

Programs	Regions	Comments
Summer Student Wage and Job Matching Support	Irish Loop, Twillingate-New World Island	Very important for the tourism sector
Targeted Wage Subsidies	Irish Loop	Very useful during business start-up
Internships	Irish Loop	Very useful during business start-up

Source: Interviews.

Another important point affecting productivity of the training and wage subsidy programs is timing of these interventions. Participation in training and wage subsidies in Norway and Newfoundland and Labrador is offered at the different stages of the unemployment period. In Norway unemployed are normally required to focus on active job search during the first three months of their unemployment spell and are offered participation in training or wage subsidy programs only after they fail to obtain employment on their own. According to the theoretical premises, interventions timed for the middle of the unemployment period help to avoid three of the main negative effects associated with participation in ALMP: deadweight and lock-in effects and deterioration of the participants' competitiveness. In Newfoundland and Labrador the unemployed can access ALMP at any time of their unemployment spell, as long as they are eligible, whether it is the beginning or a long time after they lost their jobs. Such unsystematic

interventions increases the risk of accepting participants who would find employment on their own; of locking participants into ALMP in the beginning of their unemployment period; and of missing the moment after which participants become stigmatized as unemployed and thus lose their attractiveness for employers.

Overall, the role of staff of the local providers of employment services in Norway is more proactive compared to Newfoundland and Labrador. They closely monitor job search activity and frequently follow up program participation of their clients, which is considered to be one of the keys for the success of the Norwegian ALMP (see Table 23 and Table 24).

Table 23 ALMP in Newfoundland and Labrador: Summary of the Local Providers' Comments

Case study:	Comments:
Labrador Straits	• Those who are looking for a job easily can find one • Training often means relocation
Twillingate-New World Island	• Very few jobs are advertised locally • Collaboration with local employers could be improved
Irish Loop	• Programs are not a problem – it is coordination (capacity) • Choices of training are not linked to local demand • Participants for the JCP are often chosen according to the needs of an employer, not participants • All programs are client driven

Source: Interviews.

Table 24 ALMP in Norway: Summary of the Local Providers' Comments

Case study:	Comments:
Municipality of Tromso (Northern Norway, urban)	• The focus is on employment. • Electronic self-matching database of clients' resumes and vacancies works excellent. • Benefits sanctions are 100% working. • Wage subsidy is the most effective program • Maintaining relationships with local employers helps to stay aware of those looking for a wage subsidy
Municipality of Vagan (Northern Norway, rural)	• Youth receive more attention to avoid them being neither in education no working • Intense follow up and sanctions are very important for ALMP effectiveness • Wage subsidy is the most effective to help people find an ordinary job • Collaboration with local employers is very important

Source: Interviews.

Norway recently reformed its system of the provision of employment services (NAV reform) to achieve a "no wrong door" approach, under which all categories of job seekers are now served at one place – the same place they apply for unemployment insurance and all other benefits – the local NAV office. This reform allows for a reduction in labour force exclusion by

engaging recipients of social assistance and health-related benefits into labour market related activities and assisting them to select an optimal ALMP intervention according to the client's needs. In Newfoundland and Labrador job seekers (EI-eligible/non-eligible) are served separately (i.e. by different providers). Additionally, certain types of job seekers (persons with disabilities, youth, newcomers, women, etc.) can obtain employment services from smaller specialized providers, although availability of these organizations varies across the province creating inequality in access to these services in certain, primarily rural areas. Separation of the different categories of job seekers limits the choice of ALMP interventions these job seekers can apply for (for example, due to the program's eligibility constraints Income Support recipients are not eligible for the Job Creation Partnership program) and contributes to a stigmatization of certain categories of individuals, such as Income Support recipients or persons with disabilities, as more disconnected from labour market.

5.3 Norwegian ALMP strategies with potential for transferability to Newfoundland and Labrador

Notwithstanding the number of differences in the ALMP approaches employed by the two case studies: Norway and Newfoundland and Labrador, the similarity of their labour market goals and apparent success of Norwegian ALMP in reduction of the unemployment rate suggest potential for transferring some of Norwegian ALMP strategies to address labour market challenges in Newfoundland and Labrador. These strategies vary in scale and place-specific factors supporting their effectiveness, and, thus, vary in their degree of transferability. Below these strategies are listed in order according to potential of their transferability, with difficulty

increasing towards the bottom of the list, as the number of place-specific factors required increases:

- Job matching and active individual job search
- Database, serving the needs of both employers and job seekers
- Strengthening control over individual job search activities
- Integrated system of provision of employment services
- Proactive approach to the delivery of employment services

The Norwegian policy of job matching and active individual job search seems to have a potential for addressing the coexistence of high benefits dependency and a growing demand for labour in Newfoundland and Labrador. Implementation of this policy with its mandatory active job search, frequently monitored by local ALMP providers, supported by job referrals and backed up with the threat of losing benefits, has a potential to stimulate the job search activity of the EI recipients and better address the labour demand. It can eliminate, or at least reduce the attractiveness of a lifestyle that combines seasonal work with EI and, thus, reduce the inflow of EI claimants and increase employment rates not only in the urban centers, but in the rural areas as well. The recognized risk of this policy, however, is that it may result in further rural outmigration, particularly without strong regional development policies – another important feature of the Norwegian system.

Additionally, the Norwegian electronic database, serving the needs of both employers and job seekers is an effective tool. Although, there is a very good database for vacancies in Newfoundland and Labrador, it is important to stress here that a database should exist for both

vacancies and resumes to facilitate effective information exchange between both sides of labour market. Providing employers with a quick access to a pool of local job-seekers can significantly ease the filling of vacancies for employers. Even a simple bank of resumes and CVs available for employers could create an effective framework for addressing the human resource needs of local employers, particularly, when combined with strict job search control and benefit sanctions.

Strict control over job search activities, including frequent reporting on related activities and regular meetings with a case worker, and mandatory versus voluntary registration with local ALMP providers for all EI recipients could create a framework enabling providers of employment services to address recruiting challenges of SMEs in the province, for whom competing for employees with EI is described as a common and frustrating practice. It is important to note, however, that lack of financial incentives in paid work is also a challenge for people on Income Support and disability benefits, which often affects their decision on moving to employment or staying on benefits. Although activation of these vulnerable groups cannot be achieved through the benefit sanctions, the requirement to contact a local ALMP provider upon the application for benefits will establish a path for close follow up with these persons, who are often too discouraged and lacking self-confidence to contact providers themselves.

An integrated system of provision of employment services for various categories of job seekers in one place, similar to the NAV offices in Norway, has a potential to: facilitate access to employment services for the job seekers, make communication with employers more effective and reduce labour force exclusion of the more disadvantaged categories. This study also recommends establishing a strong communication between all of the providers (including community organizations and small specialized providers) involved in the delivery of similar programs, such as Linkages, Summer Student Employment, JCP, etc. to ensure information and

experience sharing. According to the theoretical findings, this research recommends to consider expanding the JCP program, or developing of a similar one, to make it available for the job seekers more disconnected from labour market and thus non-EI eligible, such as the Income Support recipients. A relatively high demand for this program can help these individuals to gain a valuable work experience, upgrade their skills and improve self-confidence.

The study findings also suggest a more balanced approach to the distribution of the participants and expenditures within the ALMP portfolio may be beneficial in the province, particularly to increase participation in the wage subsidy programs. Although, improving the educational/skills level of the job seekers is very important, taking into account the very low average level in the province, wage subsidy is also an important and effective component of ALMP. It not only an effective way to obtain stable employment, it allows participants to avoid lock-in effect, particularly early in the unemployment period, and directly addresses the labour demand. This study suggests there is the need for enhanced communication and collaboration between providers of employment services and employers in Newfoundland and Labrador, again with potential for lessons from Norway. Establishment of a consistent information exchange between local employers and ALMP providers (especially those working with the unemployed) could increase awareness of the employers' human resource needs among the local providers and stimulate the demand for wage subsidy programs.

A more proactive approach to the delivery of employment services has significant potential to increase productivity of ALMP in the province and develop tailored solutions to the local labour market issues. The suggested approach would enable local providers to monitor clients' job search activity, select the optimal timing of ALMP interventions, and make financial decisions, such as approving client's participation in interventions and tailoring the number of

participants in various components of ALMP according to the local labour market needs. Overall, gaining control over the type and time of participation in ALMP would enable ALMP providers to address the existing underrepresentation of the demand side ALMP, such as wage subsidy and self-employment assistance programs in the provincial ALMP portfolio.

5.4 Place-specific factors associated with transferability

Functioning of the Norwegian ALMP is supported by a number of place-specific factors – factors specific to the Norwegian context that may negatively affect the success of similar policies when implemented elsewhere in the absence of these factors. Place-specific factors include institutional frameworks for design and delivery of ALMP and the historically developed idea of "active society". Institutional frameworks for the design of ALMP are centralized in both Norway and Newfoundland and Labrador, except for the ALMP for social assistance recipients in Norway, where Norwegian municipalities are largely autonomous in developing their own programs, setting the benefit payments levels and conditions. Social partners are involved in advising government regarding labour market policy in both Norway and Newfoundland and Labrador. Although in Norway, they are involved at multiple levels and linkages with local employers are stronger at the local level compared to Newfoundland and Labrador.

In the case of active individual job search, job matching and an employer/jobseeker database, place-specific factors influencing success that are present in Norway include a historically developed idea of "active society" combined with decision-making component build into delivery of employment services and the way benefit sanctions are used. In Norway, the citizens' rights to receive financial support and employment services from the government comes with obligations to do everything possible to eliminate or reduce dependence on government transfers through earned income. One Norwegian respondent noted: "we try to avoid having

anyone living passively receiving economic benefit." According to the theoretical findings outlined in the Literature Review chapter, this balance is the central component of ALMP in general and the activation approach in particular. The notion of this balance had been historically developed in the Norwegian "active society". Thus local providers of employment services in Norway are empowered to demand that all recipients of unemployment insurance and some other passive benefits should register with them for regular contact. "In order to receive unemployment benefit money, the client has to be in contact with NAV, and meet on our request" (Interview with service provider). The authority to make decisions regarding the benefit sanctions (although mostly in the case of unemployment insurance) also enables local ALMP providers (local NAV offices) to demand active job search and/or participation in ALMP from their clients as well as determine and plan for the optimal timing of these interventions. It also allows providers to assist employers with their recruitment needs and thus address the problem of the growing demand for labour.

In contrast to the "active society" idea in Norway, in Newfoundland and Labrador dependency on the UI (EI) system has become a way of living for many seasonal workers. Historically, there were often simply no jobs available locally to actively search for. Although employment demand has grown substantially in many local areas to the point where labour shortages are reported, institutional disconnection of EI and ALMP does not allow local providers of employment services to monitor job search activities of the unemployed, or match them with a suitable employment, or apply benefit sanctions. Furthermore, employment service providers in the province noted ethical restrictions preventing them from disclosing the job seekers' resumes to employers, as this is considered to be personal information.

Strengthened control over individual job search activities and mandatory registration with employment service providers in Norway is supported by the joined system of benefits provision and employment services delivery. This system is designated with adequate staff capacity and decision-making authority allowing local NAV offices to demand mandatory registration for benefit recipients, control their job search activities and to apply benefit sanctions. In Newfoundland and Labrador, provision of benefits and employment services are disconnected, as already mentioned above. As a result, ALMP providers are authorized to serve only those benefit recipients who voluntarily contact them. Only a fraction of the actual benefit recipients are involved in ALMP interventions. Service Canada, a federal government body, oversees application of the EI benefit sanctions, thus leaving local ALMP providers, which are primarily funded by the provincial government, with no authority to use sanctions as a "stick" and in a position where providers are unable to make demands of the benefit recipients.

In addition to a lack of authority, local providers simply would not have enough capacity to serve all benefit recipients residing within their service region. The issue of capacity is particularly pronounced in rural areas with low density of population, which is a prevailing settlement pattern in Newfoundland and Labrador. The average population density in Norway is ten times higher than in Newfoundland and Labrador, however, in the Northern Norwegian counties where the two nested case studies were selected the settlement patterns are more comparable (see Table 25).

Table 25 Accessibility of the Local ALMP Providers

Region/ County	Population	Population density	# of local ALMP providers serving:	
			EI eligible[91]	EI non-eligible[92]
Avalon	244,550	26.9	11	10
Central	144,705	2.1	18	15
Labrador	26,390	0.1	7	7
Nordlan[93]	236,271	6.1	45	45
Troms	156,494	6.0	25	25
Finnmark	72,856	1.5	19	19

Source: Table 7; Interviews.

While the densities of the population in the Northern Norway and Newfoundland and Labrador were found being relatively comparable, the access to employment service providers varies greatly. In general, the number of local ALMP providers for all types of benefit recipients is much higher in all three Northern counties in Norway, compared to Newfoundland and Labrador (see Table 25). Table 25 also points to a variation in access between EI eligible and non-eligible recipients. Since Norway has the universal delivery system, ALMP are equally accessible locally for all types of clients, while in Newfoundland and Labrador local providers for EI non-eligible job seekers are less accessible than for EI-eligible. Although in Labrador the situation looks better according to the Table 25, the analysis of a particular case study (Labrador Straits) demonstrated dramatic local variation, again, especially for EI non-eligible clients.

[91] NAV offices and non-specialized EAS offices.
[92] NAV offices and HRLE regional and local offices, Career and Work Centers.
[93] Data for population and area of the Norwegian counties was obtained at: http://www.gonorway.com/norway/counties/nordland/, density of population – computed by the author.

The two nested case study regions in Norway – the municipalities of Tromso and Vagan - have larger and denser populations than the three nested case study regions within Newfoundland and Labrador. Nevertheless, the access by distance to local ALMP providers for the unemployed job seekers is somewhat similar for all the nested case studies, with the furthest communities/villages situated in 65-70 km distance from the local NAV or non-specialized EAS offices. Employment services for EI non-eligible clients are less accessible in the all three case study regions within Newfoundland and Labrador compared to Tromso and Vagan municipalities, with the distance from the furthest community in each region to the nearest HRLE office ranging from 96 km in Irish Loop to 164 km in Labrador, compared to the same 70 km distance in the two Norwegian municipalities to the nearest NAV office. Such a disparity in the accessibility of employment services between the two large categories of the job seekers in Newfoundland and Labrador reflects the separation in the provision of employment services to these groups, as discussed above.

Norway addresses population density challenges for the delivery of various government services in the Northern counties by increasing the staff capacity of its public administration, while in Newfoundland and Labrador the size of employment in public administration declines. This study found a significant difference in the staff capacity of the local providers of employment services, which creates a barrier for transferability of the Norwegian ALMP strategies (see Table 26). The staff capacity of local ALMP providers in Norway and Newfoundland and Labrador is remarkably different. The numbers of staff per local ALMP provider in the all three nested case study regions within Newfoundland and Labrador are roughly five – ten times lower than in Norway in general and in the two nested Northern Norwegian case studies particularly (see Table 26). The ratios of staff to potential client

(considering all unemployed rather than only those participating in ALMP) are significantly lower in Newfoundland and Labrador as well and vary from region to region. Particularly, the Irish Loop has more than two times the staff to client ratio as compared to Twillingate-New-World Island.

Table 26 Capacity of Local ALMP Providers

	# of staff involved in ALMP delivery per local ALMP provider	**Staff to client ratio (w/o social assistance clients and staff)**
Irish Loop	Average of 3	1/229
Twillingate-New World Island	3	1/565
Labrador Straits	1.5	1/316
Tromso municipality	Approx. 15	1/60
Vagan municipality	n/a	1/80

Source: Table 8; Interviews.

Another reason behind the higher staff to client ratio in Norway is the policy of frequent individual follow up with the clients, which is cited by the scholars and Norwegian interview respondents as a an important factor contributing to the overall success of its ALMP. This active approach requires a greater staff involvement and adequate staff capacity. Finally, the Norwegian high staff to client ratio is explained by a commitment to provision of quality services in all regions of the country. Thus, better access and a higher staff capacity of the Norwegian local

providers of employment services allow these agencies to serve a large number of job seekers and serve them more proactively compared to Newfoundland and Labrador.

A more proactive approach to delivery of ALMP employed in Norway relies on sufficient authority of local NAV offices and higher staff capacity. These are important features of the Norwegian approach to delivery of ALMP. Although the design of ALMP in Norway is centralized, as it is in Newfoundland and Labrador, there are mechanisms allowing for flexibility in ALMP implementation, such as decentralization to the regional level of the setting of labour market priorities and performance indicators. Such flexibility authorizes local ALMP providers (NAV offices) to approve clients' participation in ALMP and to move funds between programs in the way that best addresses local labour market needs. While in Newfoundland and Labrador delivery of ALMP is largely inflexible. Labour market priorities are discussed and set at the federal-provincial level and this leaves practically no room for the flexibility on the ground (at the local level). Local ALMP providers across the province have no authority to approve their clients' participation in ALMP, or to tailor the number of participants in ALMP programs according to the local priorities.

The Literature Review chapter pointed to the importance of ALMP decentralization and incorporation of local knowledge for improving the outcomes of ALMP. Thus, the level of authority delegated to local providers of employment services is a critical factor. As Norwegian experience demonstrates, significant authority delegated to the local NAV offices empowers them to maximize the pool of registered job seekers, ensure they are actively searching for work, optimize timing of ALMP interventions and effectively address the needs of employers. While in Newfoundland and Labrador, absence of the decision-making power among local providers coupled with the disconnection of the benefits and ALMP provision in the province, significantly

limit their role in ALMP interventions, their ability to effectively address local labour market challenges and respond to the growing labour demand.

5.5 Potential for transfer of Norwegian ALMP

Should transferring of these Norwegian ALMP elements be considered, local factors underlining their success in Norway should be also kept in mind. The degree of their transferability and thus the overall success of ALMP transfer vary. Perhaps the most difficult element to transfer would be the balance of rights and obligations that has historically shaped the commitment to work in Norway. Transfer of this factor faces two major challenges in Newfoundland and Labrador. The first is the disconnection between the control over EI recipient benefits and provision of ALMP. The second is the idea of attaching any employment related obligations to the Income Support or disability benefits itself, which has little history in the province. Although tightening of the job search monitoring, gaining a control over the job search activities of benefits recipients and their participation in ALMP, would require major institutional and labour market policy shifts in Newfoundland and Labrador, some other provinces, like Ontario and Alberta, have already made these changes.

Other important place-specific factors include: increased financial and human resource capacity of local ALMP providers in order to support the anticipated increase in the number of their tasks and clients, and development of an accountability framework that allows for both evaluation of the providers' activities and for delegation of decision making power to them. Although the transfer of these two factors seems to be relatively easier to achieve than the tightening of requirements for clients, their transfer cannot be considered separately from the first one. The ways these factors contribute to the success of the Norwegian ALMP are

interconnected. Without tightening the job search monitoring, ALMP providers would have no authority to make decisions pertaining to job seekers. Without the adequate capacity and decision making power their ability to provide close individual follow up and monitoring of job seekers and address local labour demand is limited.

As pointed out in the Literature Review chapter, ALMP are not the sole instrument of labour market development. Labour market development is a complex issue interdependent with other policies not covered in this research. The literature suggests that activation programs and measures aimed to develop human capital should be considered jointly with social policies aiming to stimulate employment through in-work incentives (Immervoll & Pearson, 2009), regional development strategies and policies stimulating adequate demand for labour (Immervoll & Pearson, 2009; Cook et al., 2008; Nativel, 2004).

This study has compared ALMP in Norway and Newfoundland and Labrador and matched these results with theoretical findings from the reviewed national and international literature on ALMP. Although, this study has found significant differences in the circumstances and approaches to ALMP employed in the two case studies, the examination of Norwegian ALMP reveals potential options for addressing growing labour market challenges in the province. The labour market in Newfoundland and Labrador has changed – the persistent problem of high benefits dependency rates now coexists with unfilled labour demand. Such a change calls for a shift in the labour market policy otherwise this coexistence risks becoming another persistent challenge.

5.6 *Post-Script*

Changes to labour market policy began to take place after this research was completed. Some of these changes, such as potential amalgamation of employment services for EI-eligible and non-eligible, are still being discussed; and for others, such as the upcoming change to EI discussed below, the decision has been made but not yet implemented. These proposed and upcoming changes to the EI system have generated a lot of discussion, particularly, regarding the potential impact they may have on Atlantic Canada.

Starting in 2013, new regulations will re-define the criteria of suitable work. The unemployed must be willing to accept as well as the effort they must make to search for a job. This change is aimed to stimulate job search activity among the unemployed Canadians (Fitzpatrick, 2012).

CBC News explains:

> "EI recipients will be required to apply for positions, attend interviews, go to job fairs and workshops, search for vacancies and to do these activities every day that they are receiving benefits. They have to keep a record of their activities and if EI recipients don't comply with these rules, they could be cut off from the program" (Fitzpatrick, 2012).

The change is expected to have a stronger impact on repetitive EI claimants, such as seasonal workers, and thus generated a lot of criticism from various parties, including Newfoundland and Labrador Premier, Kathy Dunderdale and the Fish, Food and Allied Workers Union. Their primary concerns are centered on the potential massive EI eligibility loss among seasonal fishermen and overall effect on wage decrease" (Beltrame, 2012). The meaning of suitable job will be the broadest for frequent EI claimants. It can include retail, food service or

other jobs that are vacant in their communities. If seasonal workers decline these job offers, they could be cut off from EI (Fitzpatrick, 2012). Another reason for concern and criticism is that changes will force unemployed in Newfoundland and Labrador into long-distance commuting for minimum paid jobs in the absence of public transportation in the province (Beltrame, 2012).

However, according to the *Canadian Business* (Beltrame, 2012), the upcoming changes have been welcomed by business groups, as they are perceived to address growing labour shortage. They are also aimed to address situations when foreign workers are brought to Canada. Human Resources Minister Diane Finley said:

> "Bringing in temporary foreign workers is not acceptable, especially when we have Canadians willing to work" (Beltrame, 2012).

This change to the EI echoes some of the elements of the Norwegian ALMP proposed in this research, particularly regarding the strengthening of the benefit sanctions and active job search. There are not enough details available at the moment to predict how the situation will unfold in the province. Nevertheless, despite the anticipated challenges, in the long run there is a potential for seasonal industries to adjust and become more efficient in terms of labour utilization, as has occurred in Norway, where year round employment in aquaculture gradually replaced seasonal fishery jobs and the fishery itself has been modernized, less labour intense and more economically viable.

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Appendix 1

Focus group questions

I. Local labour market challenges

1. Do you have difficulties recruiting and/or retaining workers? (skilled/unskilled)
2. What are the major reasons driving you retention/ recruitment difficulties? (*List challenges noted on a flip chart).*

   – seasonal fluctuation of employment

   – aging of workforce

   - low skilled workers

   – competition for workers with other national and/or international jurisdictions

   - other (low wages, lack of benefits, lack of day care, etc.)
3. Do you feel a competition for workers with EI benefits, i.e. people prefer to receive EI benefits rather than take an employment opportunity?
4. Do you experience a skills shortage, i.e. the available workers do not have the appropriate skills?
5. How it can be addressed?
6. Are you satisfied with the education level of your employees, or in other words, do you think that a higher level of education in your workforce would significantly contribute to your business, employees' wages or extend their number of weeks worked?
7. If "yes", what kind of education could benefit your enterprise:
   a) training
   b) high school

c) college or university

8. Do you have enough educational facilities to upgrade your employee's skills in your region?
    a. If no, please explain.
9. Do you think there is enough labour force in your region to address future needs of local businesses? If "No", what can be done? (Increase level of education, increase number of day cares, etc.)
10. Do you have labour market challenges that are specific or unique to your region?

II. Labour market programs

1. How many of you have ever sought assistance with human resource planning? (*Get # using show of hands),(List sources of assistance on flip chart)*
2. If "yes", was this helpful? Why or Why not. Please explain.
3. If "no", please explain.
4. Do you feel that the three levels (municipal, provincial, federal) of government help to address your labour market related problems?
5. At what level would you like to receive this assistance?
6. Are you aware of any labour market development programs in your area, such as wage subsidies, training, work-sharing, job advertising, LM information?
7. Can you tell me about your experience with them? (*ask first, then provide a list and mark known/unknown*)
    a. Who runs these programs?

b. Are you satisfied with these programs? Do they work well? Have they been helpful to you?

8. If you don't use them, why?
9. Are there enough seats available in the labour market programs that are offered in your area?
10. Where do you go for labour market information?
11. Are you satisfied with the access to labour market information (vacancies, training, LM programs) in your area?

III. Collaboration

1. Have you ever been involved in consultation with government officials, or private organizations about your labour market development needs and ideas?
   a. If "no", – why?
   b. If "yes", with who? and do you feel your suggestions were incorporated?
2. Do you agree that local businesses should be more involved in local labour market development?
3. In what ways should business be involved?

VI. Comments and recommendations

1. NL has the lowest level of employer's investment in labour force development and training in Canada (HRLE, 2009a), would you like to comment on this?
2. What are some of the reasons for this?

3. What types of labour market development programs would you like to see in your area? *List ideas and for each ask:*
    a. For how many seats?
    b. Who should deliver them?
4. Norwegian experience (Discussion):
    - United mandatory job and resume posting database
        - Would this be beneficial for your area? Y or N
    - Advisory committee to PES
        - Would this be beneficial for your area? Y or N

Any other comments related to labour market development you would like to make?

Thank you very much for your participation!

Appendix 2

Interview questions for providers of employment services

(Newfoundland and Labrador)

I. Questions regarding organization's clients

1. What is the area your organization serves?
2. What is the average number of clients your organization serves per year?
3. Can you sort your clients by target groups? (for example: youth (15-24 years old, older workers, immigrants, social assistance recipients, lone parents, unemployed women)
4. If "yes" can you describe and list them from the most represented, please?
5. What percent of your clients consist of long-term (*labour force aged 15 or older who did not have a job any time during the current or previous year*[94]) unemployed? Who constitute this group?
6. What percent of your clients consist of the seasonally unemployed? What kind of people makes up this group?
7. Are there other categories or characteristics you would use to divide your client base? If so what are they?
8. What is the average education level of your clients? How does it vary by gender? By age?
9. Did you notice that some programs are more effective for particular group of clients than another?
10. Does job search activity vary by target groups?

[94] Source: Statistics Canada

11. What groups are the most easy to employ?
12. What groups are the most difficult to employ?

II. Questions regarding services provided by the organization

1. Who are eligible for your services? (EI recipients only or all?)
2. Do you have programs that are reserved or used mostly for specific target groups? Why?
3. What range of labour market services does your organization delivers? Please describe them.
4. Do you consider some of these services to be active (those focused on helping clients obtain employment)? If so, which ones?
5. Which services dominates in your organization passive or active?
6. Do you agree with this situation?
7. Do you think that making decisions such as choosing programs, tailoring them to specific needs of a particular client, choosing the number of seats in the program etc, at the local level (in your organization) would benefit your clients?
8. If "no" at what level it should be done and how?

   _____

9. If your organization provides employment services can you describe the process step by step, please?
10. Does your organization have benefit requirements?
11. Does your organization have benefit sanctions in place?
    a. If "yes", describe them, please.
    b. How often they are applied?

c. Are they effective (stimulate client's job search activities)?

d. If "no", do you think it could stimulate job search?

12. Do you follow-up with your clients?
13. Do you think it is effective?
14. Do your clients complain about lack of day care facilities in the region? Is it a barrier for employment?
15. Do you think it should be addressed?
16. What are your sources of LM information?
17. Are you satisfied with it?
18. Do you advertise your unemployed client's resume? Is it effective?
19. Do you think that having a database where all clients have to post their resume and all employers have to place their job advertising will benefit job matching process?
20. Can your organization's clients use internet? Do you think there is enough access to it?

III. Collaboration

1. What organizations or agencies does your organization collaborate most closely with?
2. Collaboration with what organizations or level of government is the most productive?
3. Whom would you like to collaborate more?
4. Do you think that creation of advisory committee that includes local businesses and unions could help better tailoring employment programs such as wage subsidies (advise on the number of seats local business can provide), areas of training (skills demanded by local employers) e.t.c.?

IV. What are the key:

a) challenges faced

b) achievements of your organization

Any other comments related to labour market development you would like to make?

Thank you very much for your participation!

Appendix 3

Interview questions for providers of employment services

(Norway)

I. Questions regarding the NAV's clients

- Do you consider the area your NAV office serves rural?
- What is the population of the area your NAV office serves?
- How many communities are in the area served by your NAV office?
- What is the average distance from these communities to your NAV office?
- What is the farthest away community you serve?
- What types of clients (i.e. registered unemployed, social assistance recipients, etc.) receive employment services or participate in ALMP in your NAV office?
- Has the area been experiencing outmigration? If yes, do you know the rate (how much would the population have changed over the past 10 years for example)
- Are there certain segments of the labour force that tend to be leaving the area?
- Is the population ageing?

The rest of my questions are focused on the clients that receive employment services or participate in ALMP in your NAV office and here and after I will refer to them as "clients".

- How many clients receive employment services or participate in ALMP in your NAV office on average year?

- Does the number of clients varies throughout the year (seasonal fluctuations)?
- What age groups are the most represented among your client?
- What target groups (i.e. youth, immigrants, long-term unemployed, social assistance recipients, etc.) are the most represented among your clients?
- What is the average education level of your clients?
- What percent of your clients consist of long-term unemployed?
- Who constitute this (long-term unemployed) group in terms of occupation, gender and age?
- What percent of your clients consist of seasonally unemployed?
- Who constitute this (seasonally unemployed) group in terms of occupation, gender and age?
- What is the typical length of annual employment period for those who are seasonally unemployed?
- What groups are the most easy to employ?
- What groups are the most difficult to employ?

II. Questions regarding employment services and ALMP programs provided by your NAV office

- What is the main goal(s) of your organization (for example: take a job as soon as possible; or enhance education and skills; or retention of population in rural communities)? If you have any information you can send me on this it would be much appreciated (note: even if only Norwegian we could consider translation)

- What is the minimum range of state services, required for every NAV office in Norway?
- What employment services and ALMP programs does your organization deliver (i.e. job matching, training, wage subsidies, etc.)?
- Can you, please, describe them briefly, i.e. whom are they targeted to, in what period of unemployment are they offered (very beginning, certain period after initial meeting, other)?
- Can you provide the following information about these programs:

Program	Duration of each program	% of your clients participating in each program	Who designed each program: your NAV office, state, other

- How is delivery of these services and programs organized, starting from the first contact with client (i.e. initial interview, follow-up meetings, referrals to ALMP)?
- Are these programs and services delivered in-person (in your NAV office), on-line or in other locations?

- Is it a problem for your clients from the remote communities (if there are any) to access your NAV office for the services and programs?
- Do you initiate contacts with your clients?
- Under what circumstances do you contact them?
- What percentage of your clients does your NAV office initiates contact with (if applicable)?
- Do your clients have to develop an Individual Return to Work Action Plan?
- Is it a requirement for all of your clients?
- Who has the leading role in development of this Plan: employment officer or client?
- Who decides what programs to include in the Plan: employment officer or client? (please describe the process)
- In case of wage subsidy, who is responsible for finding of suitable employer employment officer or client? (if not already answered above)
- In case of direct job creation, who is responsible for finding of suitable employer employment officer or client? (if not already answered above)
- What is a staff to client ratio in your NAV office?
- Does your NAV office apply benefit sanctions?
    - If yes, what percentage of benefit claimants is penalized on average year?
    - What are the reasons for benefit sanctions?
    - Are they helpful?

- What programs you find the most successful and why (please explain briefly)?
- What programs you find the least effective and why (please explain briefly)?

III. Questions regarding programs design:

- What local stakeholders are involved in the design of ALMP your NAV office delivers? (if not already discussed above)
- Who and how select these stakeholders?
- How are they involved?
- How often does your organization meet with local stakeholders for program design purposes?
- Does your organization have local partners, such as local employers or colleges for delivery of ALMP (i.e. for training, wage subsidies, direct job creation)? What type of partners, if applicable?
- How does your organization collaborate with local partners (i.e. meetings, joint committees, etc.)?
- Do you consider involvement of local stakeholders and partners in ALMP design and delivery effective or not? Please, explain.
- Who approves a client's participation in ALMP: case worker, senior officer in your NAV office, or someone on the county level?
- How long does approval take?

IV. **Concluding questions:**

- What are the main labour market challenges in the area your NAV office serves?
- Does your organization have enough capacity to address them (i.e. authority to design program, human resources, effective coordination with other local and national development strategies, etc.)?
- Are ALMP delivered by your NAV office coordinated with local economic development strategies?
- What are some of the a) benefits and b) challenges of designing and delivering ALMP programs at the level of local NAV office?

Thank you very much for your participation!